

Blog Taking steps to overcome inequality in South Africa

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2017-6-16

Engagement is needed at all levels to address ongoing inequality faced in South Africa. This was the primary aim of a [recent policy seminar](#) in Pretoria, organized through the framework of the Mandela Initiative and partners, including UNU-WIDER.

The idea of the gathering was to engage a group of people to inform policy-making on strategies to overcome inequality, poverty, and unemployment. For that, UNU-WIDER researchers and other distinguished international and South African scholars gathered at the event, alongside policy makers and representatives of the South African civil society.

In this blog, I review some of the key points covered at the joint event that can help shed light on the current situation of the country and provide some hints about the best way to make meaningful change possible too.

An unequal society, the legacy of apartheid

The participants built a narrative of the many challenges that South Africa faces today as one of the most unequal societies in the world. South Africa has witnessed since the end of apartheid dramatic political, social and economic structural transformations. As faced by other countries that have transitioned from authoritarianism to democracy, one challenge has been that old characteristics governed the transition, protecting some pre-existing structures of political and economic power.

To some extent, South Africa continues to be trapped in the legacy of racial segregation. Many examples of factors that help to perpetuate existing inequalities were pointed out at the event, including:

1. a labour market [highly stratified by population groups](#)
2. the spatial segmentation of the population by race and income class
3. or the [lack of access to land property titles](#) and water resources, which facilitate the capital the poor need to increase their economic opportunities.

Challenges of structural transformation

The South African economy quickly moved from the predominance of mining or agriculture sectors, employing significant amounts of unskilled workers, [towards a service and capital-intensive economy](#). In the process, it witnessed a fast and premature urbanization without the traditional expansion of the manufacturing sector. These trends, combined with the challenges of globalization and technological change, have favoured skilled workers. Their returns to education significantly increased, pushing up earnings inequality. Only the [substantial expansion of social services and grants](#) helped to improve the living conditions of the population and prevented further increases in inequality.

Middle-income growth trap

As a result of these challenges, South Africa is a middle-income country trapped with flat growth rates, as compared with other emerging economies, with shrunk formal and informal labour markets, unable to absorb a largely growing unskilled workforce. The lack of an adequate infrastructure produces numerous bottlenecks in the economy. The low quality of education and healthcare for much of the population, combined with low intergenerational social mobility,

help to increase social frustration.

Evidence-based policy making

The country needs to move towards evidence-based policy making, prioritizing those policies with the largest social returns.

One of the driving ideas of the event was that the country needs to move towards evidence-based policy making, prioritizing those policies with the largest social returns, after considering all the benefits and costs of the possible alternatives. Measures that might reduce poverty and inequality are already known. Examples of these can be found in [Martin Ravallion's WIDER Annual Lecture](#) , or in a [recent World Bank report](#) . South Africa could also benefit from the experiences of some Latin American countries, which with strong economic growth have been more successful in bringing inequality down in recent years (e.g. see a Brazilian example in [Marcelo Neri's presentation](#)).

Equalizing reforms

The magnitude of the challenges still being faced demands the use of conventional and unconventional measures. There is a need for redesigning social assistance provided by the government, improving social services and their ability to target the most needed population. This also requires mobilizing the resources to expand these programmes with a more progressive taxation, exploring new ways, like the possibility of effectively taxing wealth. In this context, tools such as tax simulation models may help to achieve a greater transparency, estimating the net fiscal incidence of tax-benefit systems (see the [Government Revenue Dataset](#) and the [SOUTHMOD](#) project).

Making a functional labour market a priority

There was agreement among the participants that to overcome inequality it is also necessary to make the labour market a focal point for policy because of its potential to improve economic wellbeing. That means addressing the employment problem by employing the unemployed and raising earnings for employees and the often-neglected self-employees. For that, the country needs to create a supporting environment to increase its business dynamism and to expand low-skill jobs, the only way to reduce unemployment in the short-term. However, only by enhancing workers' skills will it be possible to make the economy more competitive in a globalized world in the long term.

All this, however, will raise difficult political economy issues. For example, one issue raised was the role of immigration of skilled workers in bringing the college premium down. Another was about how to balance working regulations to enhance employment and guarantee basic workplace protection and decency in the workplace at the same time.

Engaging the social movement

The engagement with inequality is not only about technical policy, it needs social mobilization. Communities must become more actively involved in claiming their constitutional rights and helping in a more effective implementation of equalizing reforms. This is especially useful in addressing the educational failure, in urban planning, or in preventing fraudulent deductions in the provision of social grants — just some examples that were highlighted during the productive event.

Ongoing discussion between researchers and policy makers on these key issues is an important step in laying the groundwork for useful and effective policy strategies.

Read more about UNU-WIDER's [collaborative work in the region of southern Africa](#) and the ongoing [Inequality in the giants](#) project.

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