

# INCOME DISTRIBUTION IN SOUTH AFRICA

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South Africa is still one of the most unequal societies in the world. Income distribution indicates this inequality. It shows the drastic needs of the poor majority of the country, and is a fundamental challenge to the richer minority. How do Christians in particular respond to this challenge?

This factsheet considers the results of the various methods economists use to measure income inequality and poverty. It then assesses the implications of these results for addressing poverty in a Biblical and practical way.

## Measures of Income Inequality

### The Gini Coefficient

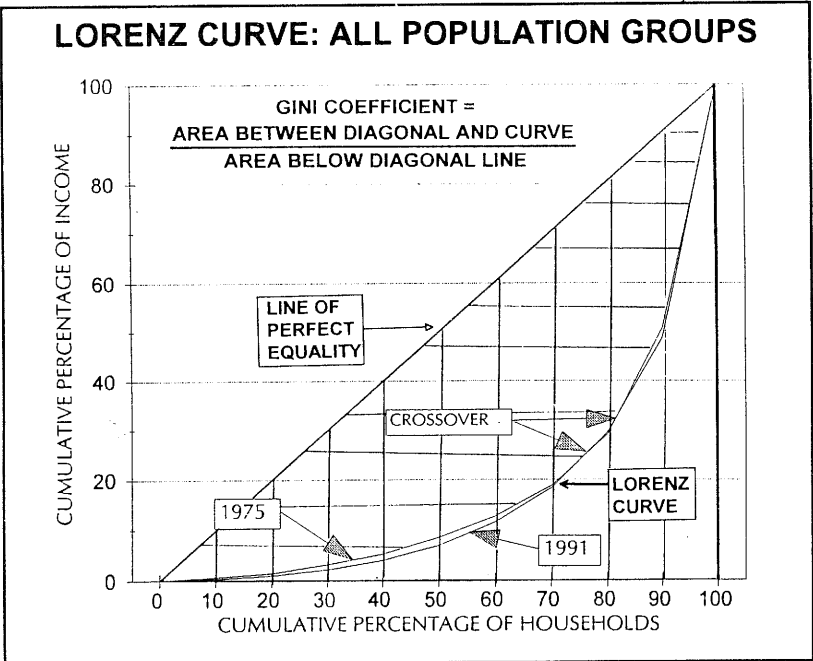
The Gini coefficient is the most widely used measure of income inequality. It can be calculated from a graph called the Lorenz curve. This shows the relation between the percentage of people in the total population and the percentage of the total income of the population that they receive. If everybody received the same income then the Lorenz curve would be the diagonal line through the centre of the picture - the line of perfect equality. The Gini coefficient is obtained by dividing the area between the diagonal and the curved lines into the whole triangular area under the diagonal line. The higher the Gini coefficient the greater the inequality.

The Gini coefficient for South Africa in 1991 was between 0,67 and 0,68. This is almost unchanged from

1975 when it was 0,68. So the overall distribution of income in South Africa has hardly changed from 1975 to 1991. This can be seen in the crossover of the Lorenz curves for 1975 and 1991. This figure is the highest of all countries for which suitable data is available. This enormously high degree of inequality in South Africa stands out even more when compared with countries at a similar level of development. South Africa's Gini coefficient is much higher than most of these countries. This shows that South Africa has the worst distribution of income for any country with relevant data available.

GINI COEFFICIENT ACCORDING TO POPULATION GROUP

GROUP	1975	1991
African	0,47	0,62
White	0,36	0,46
Coloured	0,51	0,52
Asian	0,45	0,49



Dramatic changes in income distribution have, however, occurred within different population groups. Inequality within population groups is now by far the biggest contributor to overall inequality. The above table of Gini coefficients for each population group shows big increases in inequality among African and white households. The huge income gap which emerged in the 1960's between white and African is emerging within the African community. This is due on the one side of the spectrum to decreasing incomes of the poor as a result of rising unemployment and drought, and on the other side of the spectrum to rising incomes of professionals, skilled workers and entrepreneurs.

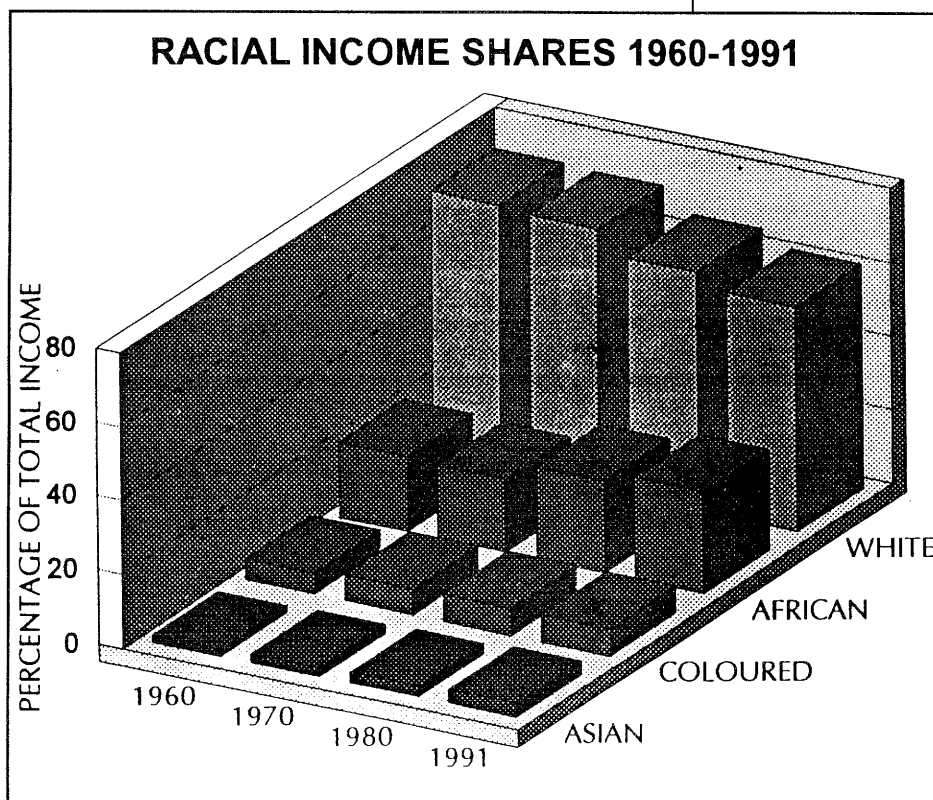
## Racial income shares

Whites form 13% of the population yet earn over 60% of total income. Africans form 75% of the population and earn 27%. Between 1980 and 1991 the white share of the total income decreased and that of all other races increased. Thus there was a relative redistribution of wealth from whites to Africans, Coloureds and Asians. (see table below). But these changes have been very gradual and distribution is still very skewed towards whites. The ratio between white and African incomes decreased slightly from 12.9 to 12.3 in this period. So on average a white person was earning over 12 times more than a black person!

But these figures hide the reality of population changes. When incomes per individual are considered, then it is clear that both African and White incomes per capita decreased between 1980 and 1991. The amount of money increased, but the number of people it needed to be shared between increased even faster.

Income and economic power is concentrated in the hands of a number of companies grouped together into large conglomerates. Six conglomerates dominate our economy. A few families have control of these conglomerates and hence of much of our economy! The state could use anti-monopoly laws to restrict the power of the conglomerates. They could also be forced to have members of the state and workers' unions on their boards of directors. Thereby the workers and the state would have some control over the power of the conglomerates. The state could use the size and power of the conglomerates to help achieve the goals of the RDP through increased incentive to invest in the interests of the country's growth.

80% of all race groups except Asians have become poorer between 1975 and 1991, with the poorest 40% experiencing the worst drop in income. The average income of the bottom 40% of African households has fallen by over 40% in this time, showing a deterioration in the state of poverty they were already in in 1975.



## The extent of poverty in South Africa

Poverty can be measured by a minimum subsistence level below which it should not be possible to survive in the long term. One such measure is the Minimum Living Level (MLL) which is what a family needs to maintain acceptable health standards and enough clothing. But this level is calculated in urban areas where the cost of living may be much higher, thus overstating the extent of poverty in rural areas. 49% of South African households are living below this Minimum Living Level. 25% earn less than half this level! This shows the extent of poverty in South Africa. More than two-thirds of the African population is living below the Minimum Living Level.

## Income inequality among households

Inequality can be seen in the share of income going to the poorest and the richest households. **The poorest households have become poorer and the richest richer. The poorest 40% of South African households earn less than 4% of the country's total income, whilst the richest 10% earn over half the total income!** This was the highest level of income inequality in the world (according to data available in 1992).

Poverty levels vary widely between regions. They are much higher in rural areas. 74% of rural households compared to 28% of urban households live below the MLL. 53% of households in Kwazulu-Natal live below this poverty level, compared to 26% in Gauteng and 78% in the Northern Province.

So poverty and unequal income distribution together represent a major challenge to our country and church.

# How do we Respond?

## Group Bible Study: Income Distribution and Poverty



Unequal income distribution and poverty are clearly evident in the situations the Bible addresses. How does God respond and how does God call us to respond to these situations?

Read from a selection of the following passages.

Summaries and background comments are included to help in your planning and reflection.

### Leviticus 25:23-24

The concept of covenant emphasised the land as belonging to God. Those who occupy and use it are responsible to God for their stewardship. Those who had lost their land or freedom could reclaim it in the Jubilee year every 50 years. This recognised the need to deal with the accumulation of land and wealth in the hands of the few at the expense of the many. The covenant law was meant to protect the poor and weak, for God had a special concern for their protection (see also Deut 10:18).

### Isaiah 58:9-10

Israel broke God's covenant and faced God's wrath. But God still called them back to the covenant. He told them that if they did away with the yoke of oppression and spent themselves on behalf of the hungry, then they would be blessed.

### 2 Corinthians 8:8-15

Jesus demonstrated God's concern for the poor. Though he was rich, yet for our sake he became poor that we through his poverty might become rich. This is not becoming rich in the sense of being exalted above others, but in having enough to meet our needs. As Paul says (2 Corinthians 8:14), when we have plenty it is so that we can share with those in need to meet their need, so that in turn their plenty will supply what we need. Then there will be equality.

### Acts 2:44-45

We see this at work in the early church. All the believers were together and had everything in common. Selling their possessions and goods they gave to anyone as they had need. So there were no needy persons among them (see also Acts 4:34).

### Philippians 2:5-11

Jesus did not think to snatch at equality with God, but he made himself nothing, assuming the nature of a slave. He could have come to earth as a rich and powerful ruler. But instead he chose to come as a poor person, in solidarity with the poor. As Mary rejoiced at his birth, "He has brought down rulers from their thrones but has lifted up the humble. He has filled the hungry with good things but has sent the rich away empty" (Luke 1:52-53). Indeed the gospel that he preached was good news for the poor (Luke 4:18).



### Luke 18:18-30

Jesus challenged his followers to the same response. Some in the early church responded in this way. But others tried to hang on to their wealth and even to trick God (Acts 5:4). The rich could not understand his call as they were blinded by their attachment to wealth. The rich young ruler was challenged to sell everything and give the money to the poor, but he went away sad as he had great wealth (Luke 18:22-23). His wealth was more important to him.

# A Practical Response

## The Broad Economy

In the economy as a whole, both economic growth and redistribution of resources are needed to address poverty. Economic growth alone will not produce a strong enough impact to eliminate poverty. The state can play an effective role in addressing poverty through increasing state expenditure on state pensions or unemployment benefits. This will be more effective than the state reducing VAT. Reducing VAT will need an increase in state expenditure 4 times more than increasing state pensions or unemployment benefits to address poverty! The state can also help in closing the wealth gap by further cutting top government salaries. This will give a signal to the private sector to also cut management's excessive salaries and fringe benefits.

## Job Creation and Development

Job creation is vital. But a steady growth of 2% a year of jobs in the formal sector will not even solve the current backlog of unemployment. So income inequality will still increase. We need to promote a culture of entrepreneurship which makes people more productive both as workers and job-seekers.

All sectors of the church community can play a role in job creation. For instance:

- ✦ The retired community can offer their time to pass on the practical skills they have gained.
- ✦ The church council and pastor can make their resources (eg rooms, halls, computers etc.) available to assist with training young people for work.
- ✦ Managers can teach basic management skills to youth or convince their company to train a group of youth.
- ✦ Unemployed youth can come together to talk with the church leadership and others about projects to train or create work.
- ✦ Workers can also pass on skills to youth.

◆ We can consider our own **stewardship and share our resources** of time, money, education and our homes with those disadvantaged in our Church group or others known to us. eg:

- Consider the **wages** we pay to our employees - eg do we pay a fair wage to domestic workers we employ? (Contact PACSA for their factsheet "Domestic Workers and the Law" for more info.)

- Support the Hope Education Project at Tembaletu (947807 - ext 204) run by Youth for Christ. They need **tutors** in Matric subjects for a few hours a week for students redoing Matric, or help with extramural activities from 1-3 pm on Thursdays or Fridays.
  - Help the **children** of Khayaletu for an hour or two a week. Contact this project assisting street children at 452970 for more information.
  - We can start or support a **literacy** group in our church. Contact the Centre for Adult Education at 2605592 for details of existing groups or starting a group.
- ◆ We can inquire into **local issues** where people are suffering because of inadequate resources. **Work together** with others to plan action. Listen to and consult those most effected to gain more understanding. **Identify** with the poor and respect their dignity.
- eg: Contact the Gateway Project of various churches in Pietermaritzburg at 943342 for ideas on **practical projects** we can get involved with.

◆ We can **twin** with another church in a rural area and see how we can learn from and practically help each other.



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Diagrams from Whiteford & McGrath.

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