

INCOME DISTRIBUTION IN SOUTH AFRICA



PACSA FACTSHEET

How unequally is personal income distributed in South Africa?

Personal income is mostly made up of :-

- remuneration of employees (in cash and kind)
- income from property
- current transfers from government (pensions, etc.).

The recipients are here individuals rather than households.

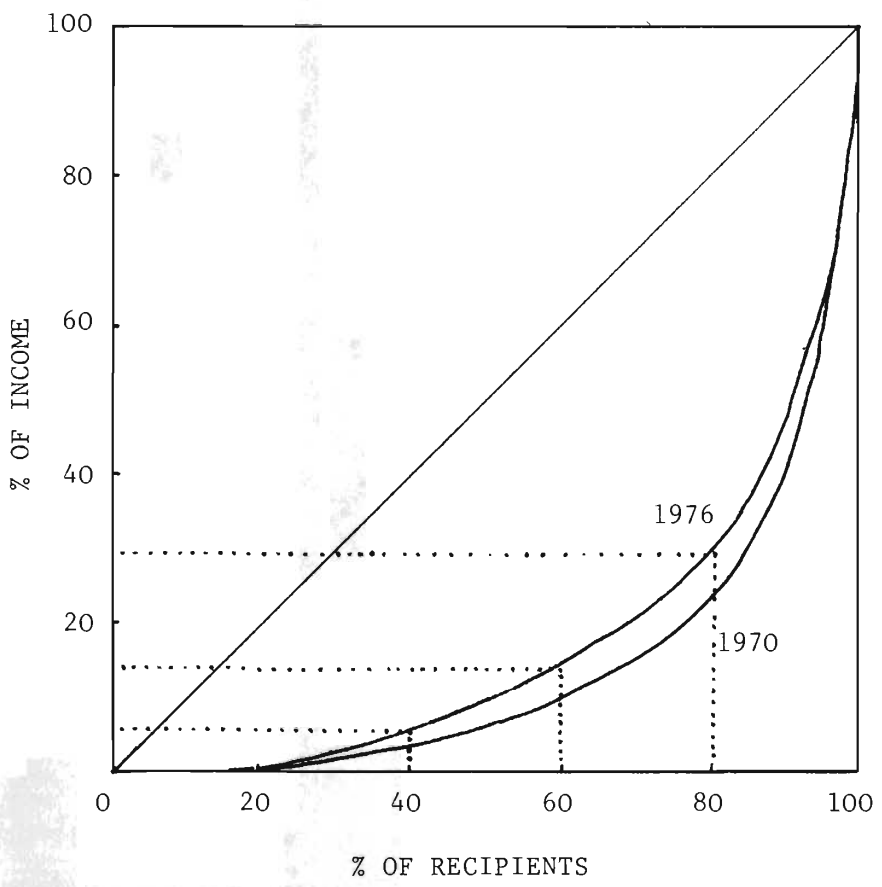
'South Africa' here includes the Transkei, Bophuthatswana and Venda.

The inequality in personal income can be represented in a graph called the Lorenz curve. See Figure 1. This graph shows Lorenz curves for 1970 and 1976. Recipients of income are considered in order of the size of income they receive. In 1976, the bottom 40% of recipients received 6,6% of income, the bottom 60% received 15% and the bottom 80% received 28,9%. This means that the top 20% received 71,1% of personal income.

South African personal income is very unequally distributed. Look again at Figure 1. If everyone were to receive the same income the Lorenz curve would be the diagonal line. The extent to which actual Lorenz curves deviate from this line shows the degree of inequality. A summary measure of inequality, the Gini coefficient, is obtained by dividing the area between the diagonal and the curve into the whole triangular area under the diagonal. The higher the Gini coefficient the greater the inequality. For South Africa in 1970 it was 0,71 and in 1976 it was 0,65. So inequality declined in South Africa in the early seventies. But it is still very high. A study of 56 countries published by the International Labour Organisation in 1973 reports no country as having a Gini coefficient as high as 0,65. So South Africa is at or near the head of the world inequality league.

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FIGURE 1 - LORENZ CURVES - DISTRIBUTION OF PERSONAL INCOME 1970 AND 1976



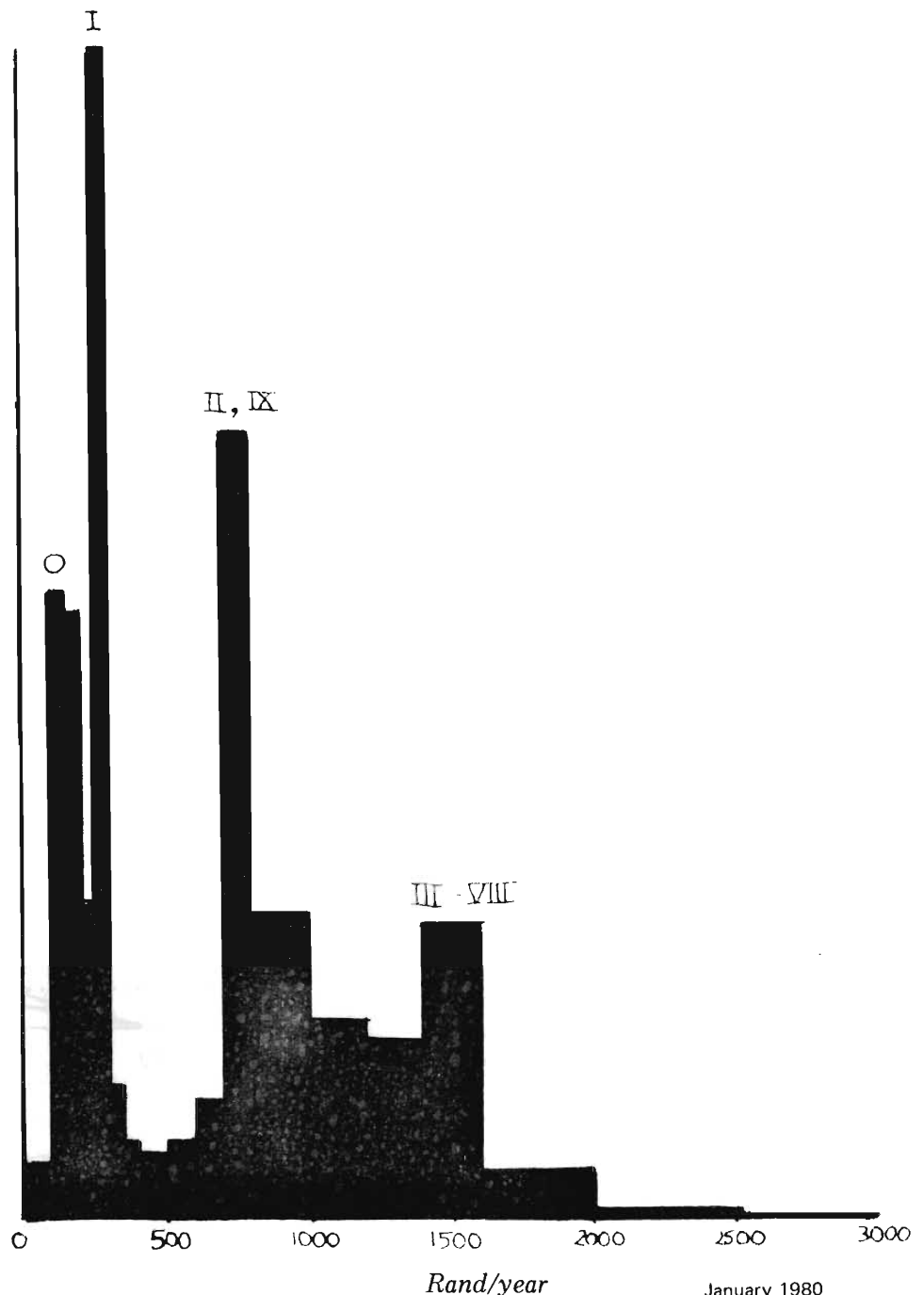
The greater part of South African inequality is due to differences in the average income received by members of the four racial groups. Thus in 1976 Whites received 66% of personal income while constituting only 22% of recipients, Coloureds and Asians received 9% while being 13% of recipients and Africans received 25% of income while making up 65% of recipients.

The distribution of income among Africans, shown on *Figure 2*, has some special features of interest. The distribution has three peaks instead of the usual single peak. The first peak is associated with the recipients of transfer incomes (government pensions, etc.) (O) and agricultural work (I). The second is associated with mining (II) and services (IX). The third peak is associated with the mainly urban 'modern sector' (manufacturing, electricity, construction, commerce, transport and finance (III-VIII)). This separation between peaks reflects a lack of balance between sectors in the African labour market. This is probably caused by bureaucratic control over African labour. This obliges African workers to find work in very low-paying agriculture, mining and services by simply prohibiting many from working in the more desirable modern sector.

Figure 2 shows how very ambiguous are currently modish 'strategies' of narrowing the wage-gap between whites and blacks in the 'modern sector' and of improving the urban environment. These, if implemented, would help mainly those Africans in groups III-VIII (the third income distribution peak) and so tend to increase inequality among blacks (although between-race inequality would tend to drop).

Serious consideration of programmes to improve the situation of people in the left-hand part of the graph (those in groups O-II and IX) would be much more to the point.

FIGURE 2— Distribution of income among Africans 1976



Adapted from:

C.E. Simkins
The Distribution of
Personal Income among
income recipients in
South Africa, 1970 and
1976.

DSRG Working Paper No. 9
Pietermaritzburg 1979