8. Inequality

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This brief gives a summary of findings relating to income inequality, household income changes and employment dynamics emerging from the GCRO's 2015 Quality of Life (QoL) survey.

A key finding of the survey is that income inequality, as measured by the Gini coefficient (where a score of '0' reflects perfect equality and '1' perfect inequality), has fallen slightly, from 0.75 in 2013 to 0.70 in 2015 (Figure 1). Despite this improvement, inequality remains extremely high relative to global standards. UN-Habitat reports that the most unequal cities in Africa and probably in the world are in South Africa: in Buffalo City, Ekurhuleni, eThekwini, Johannesburg, Nelson Mandela Bay and Tshwane, all with Gini coefficients of above 0.70. This is much higher than, for example, Lagos at 0.64 or Nairobi (0.59).

Nevertheless the observed reduction in income inequality is encouraging, and the 2015 QoL survey provides several possible explanations for the improvement.

Income inequality

While South Africa is generally known for its high income inequality (Gini averaging around 0.68), the scenario is much worse for Gauteng, where wide disparities in household income remain a key feature of Gauteng's economy. Since GCRO's 2009 survey the income Gini for the province has never registered below 0.70, and instead increased between the 2009, 2011 and 2013 surveys (Figure 1).

The gap between the rich and poor is very large across all municipalities in the province with the income Gini coefficients ranging from a low of 0.58 in Merafong to a high of 0.71 in Johannesburg (Figure 2). There has been an improvement in inequality across all municipalities since 2013, save for Lesedi and Mogale City where the Gini scores rose.

Explaining reduction in inequality

Figure 3 shows that there has been an upward shift in incomes of households in lower and middle income categories. In particular, the drop in households falling in the very low R0-R400 income category impacts positively on the Gini. In addition, there has been a significant reduction in the proportion of households with no income at all, from 7% (2013) to 4% (2015).

Figure 4 reduces income categories into deciles, ranging from Decile 1 (R0 - R800 per month) to Decile 10 (R204 801 - R500 000 and more). Nominal increases in income are evident between 2013 and 2015 across most deciles (Decile 3 to 8). The observed drop in Deciles 1 and 2 signals fewer households earning very low income, whilst others appear to be graduating into higher income deciles. However, there has also been a decline in the proportion of households in the top two deciles over the past two years. Again this reflects a mitigation in the depth of inequality.

These finding are confirmed by BankservAfrica Disposable Salary Index (BDSI) data, which shows a reduction in the proportion of people occupying lower income categories (Figure 5). BDSI data also shows that the average South African salary grew just above the estimated inflation rate (6.7% year-on-year).

Several factors may be contributing to this trend, including the effect of minimum wage regulations and employee in-kind benefits that may have been turned into cash payments. Furthermore, there has been an increase in government support through social grants, most of which benefit low-income households. Government support in the form of grants and pensions has increased significantly from 30% in 2013 to 40% in 2015. This finding, which matches South African Social Security Agency (SASSA) data, reflects the positive impact of steps taken by government to increase support to the poor through social grants.

The race dimension of household income changes

Figure 6 highlights that the inequality reductions are observable across sexes and all race groups.

Figure 7 shows the increases in income levels for all race groups. However, there are specific dynamics observed for individual race groups. African respondents show an increase across almost all income groups, however the 'R0-R400' and 'R801-R6 400' categories have dropped quite substantially. Africans do not feature in the very high income categories compared to other race groups. There has been a significant reduction in the lower income categories for Indians/Asians coupled with a surge in the middle income categories and a reduction in the very high income groups. For white respondents, there is also a shift upwards for most groups coupled with a relatively large reduction in the top income categories. A similar pattern can also be seen for coloured respondents.

Employment and household income sources

Despite challenges in the labour market across the country, Gauteng employment levels have seen a rise since 2013, particularly in the formal sector.

Figure 8 shows the increase in the proportion of respondents employed in the formal sector (both full time and part time). This is also evident in the proportion employed part time in the informal sector (10% in 2015 compared to 9% in 2013).

The increase in employment suggested by the QoL 2015 data is corroborated by StatsSA's Quarterly Labour Force Survey. This shows a sustained increase in employment since the first quarter of 2014. There were more jobs created in Gauteng between 2014 and 2015, to the extent that by the last quarter of 2015, the unemployment rate began to decline (Figure 9).

Dynamics of income sources

Compared to 2013, there have been significant increases in the proportion of households receiving income from across a range of income sources (Figure 10). Although the proportion of households receiving income from formal employment increased from 41% in 2013 to 51% in 2015, more households in 2015 received income from savings compared to 2013. Furthermore, there are more households in 2015 that rely on income through family/remittances and support from friends compared to 2013.

The informal sector plays a significant part in Gauteng's economy, with 30% of the surveyed households receiving income from that sector. However there has been a decline (albeit marginal) in the proportion of households earning income from informal employment.

The monthly household income data and data on income sources paint a mixed picture of the Gauteng economy over the last two years which may require further investigation. Income data shows a general increase in income across some deciles, while income sources highlight a weakening economy where more and more households have to rely on additional sources of income such as savings, rentals and remittances. Furthermore there has been a drop in the proportion of high-income-earning households, which may reflect the recession pressures experienced in the corporate sector in recent years.

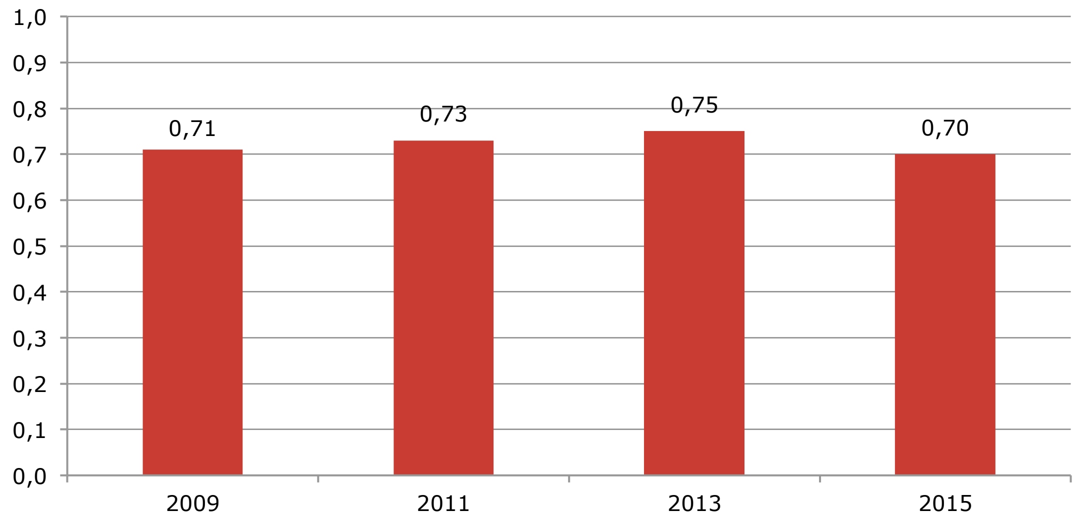

Figure 1: Income Gini coefficient for Gauteng (2009, 2011, 2013 & 2015).

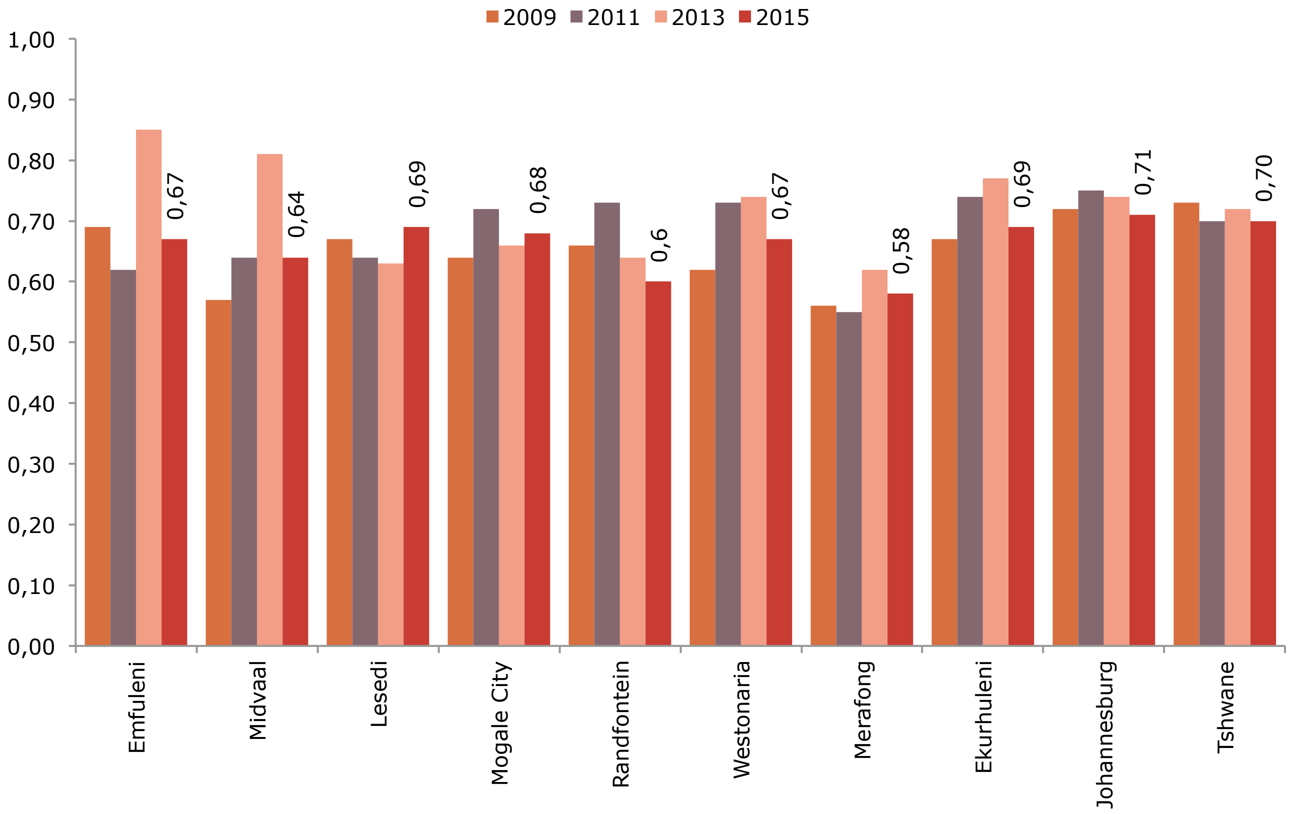

Figure 2: Income Gini coefficient by municipality (2009, 2011, 2013 & 2015).

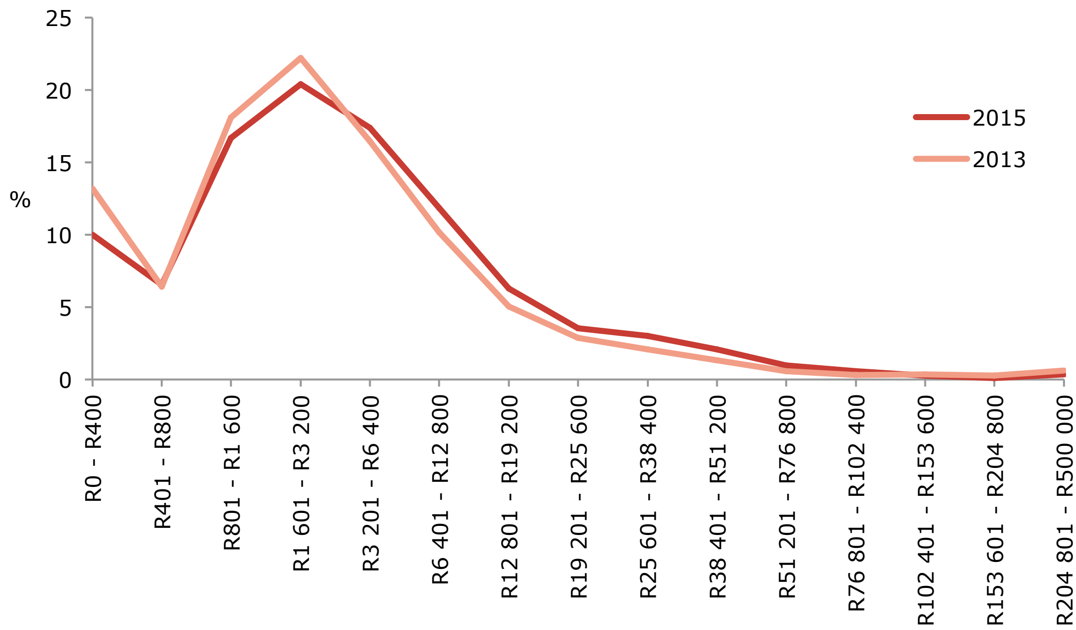

Figure 3: Increase in income across most income categories (2013 & 2015).

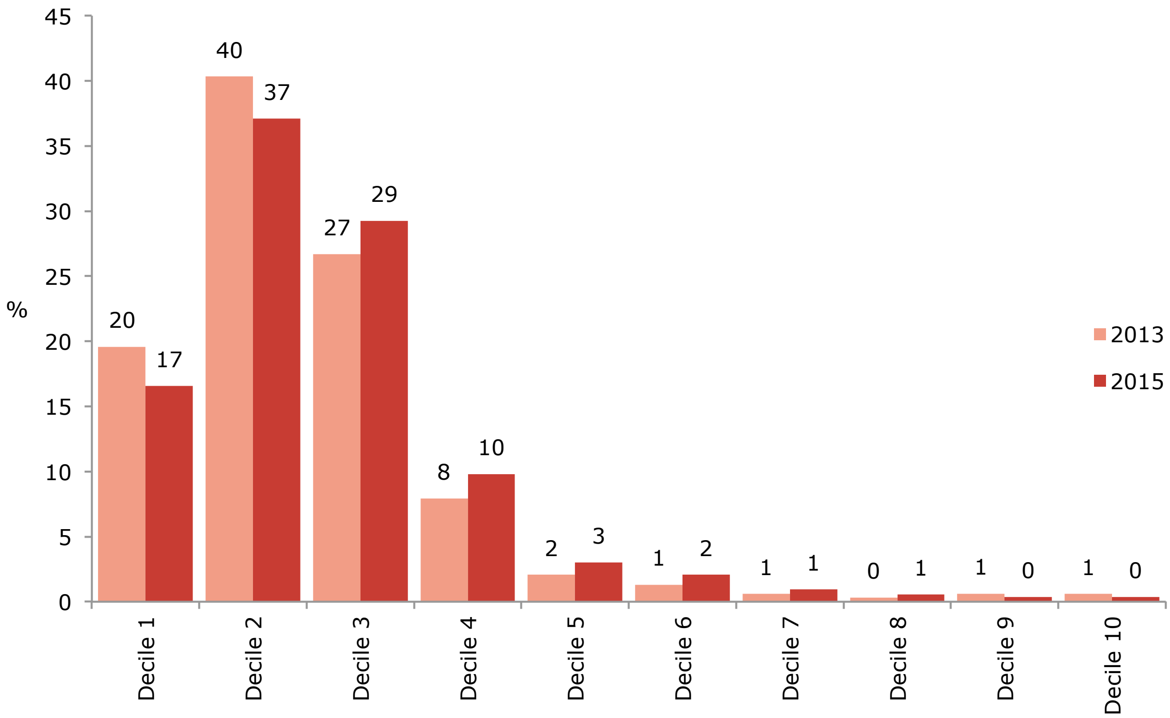

Figure 4: Income deciles (2013 & 2015).

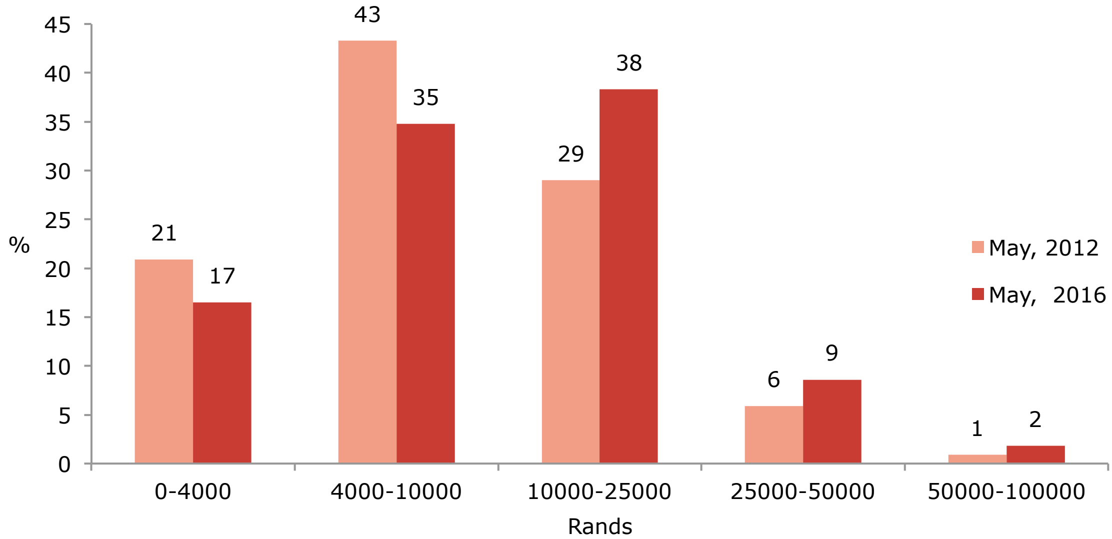

Figure 5: Monthly take home pay (2012 & 2016). *Data Source: BanksevAfrica and Economist.co.za*

	Gini coefficient			
	2009	2011	2013	2015
Race				
African	0.67	0.70	0.71	0.68
Coloured	0.63	0.69	0.75	0.67
Indian/Asian	0.67	0.69	0.75	0.67
White	0.54	0.54	0.65	0.57
Sex				
Male	0.71	0.71	0.76	0.70
Female	0.70	0.74	0.74	0.71

Figure 6: Income Gini coefficient by race and sex (2009 , 2011, 2013 & 2015).

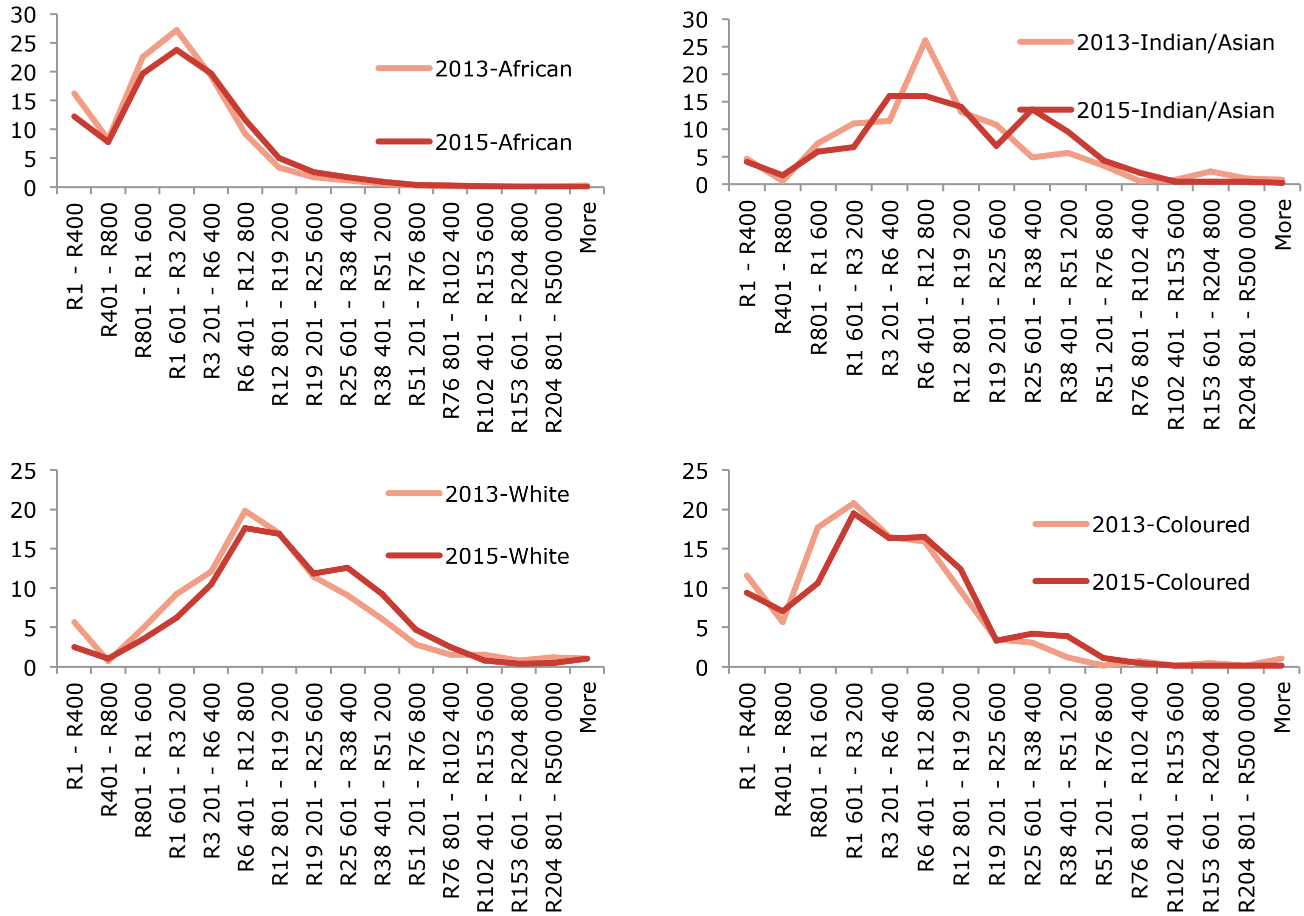

Figure 7: Monthly household income changes by race (2013 & 2015).

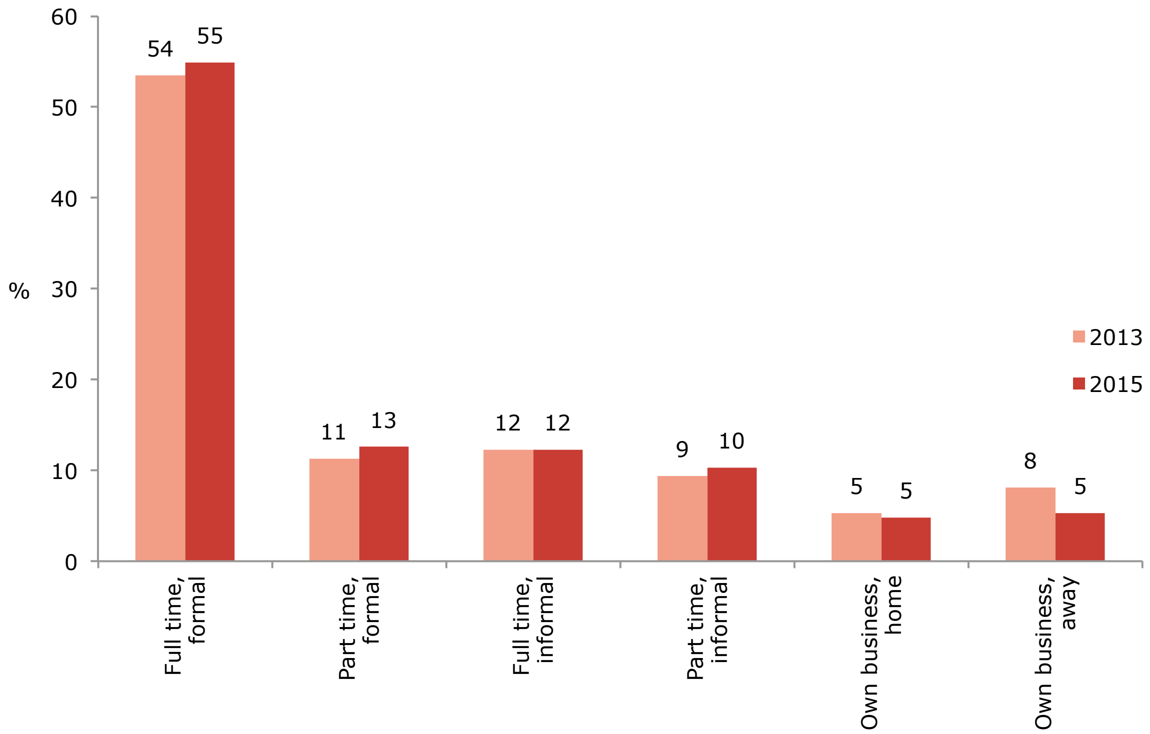

Figure 8: Employment status (2013 & 2015).

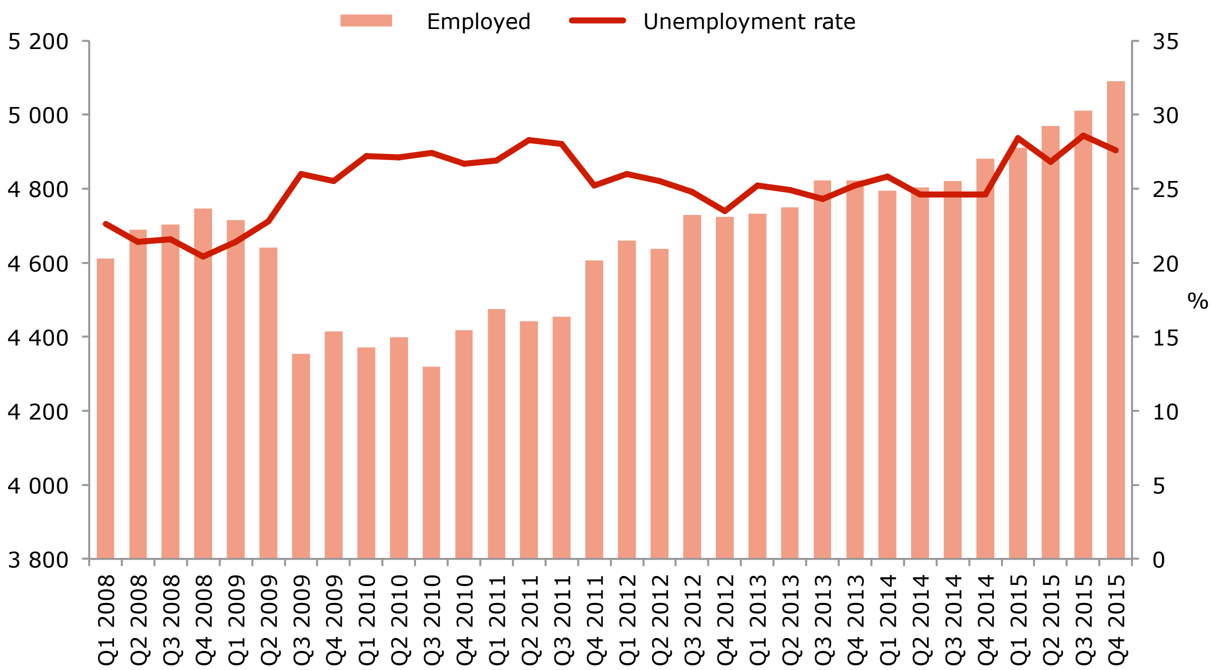

Figure 9: Numbers employed and unemployment rate (2008 – 2015). *Data Source: Stats SA Quarterly Labour force Survey*

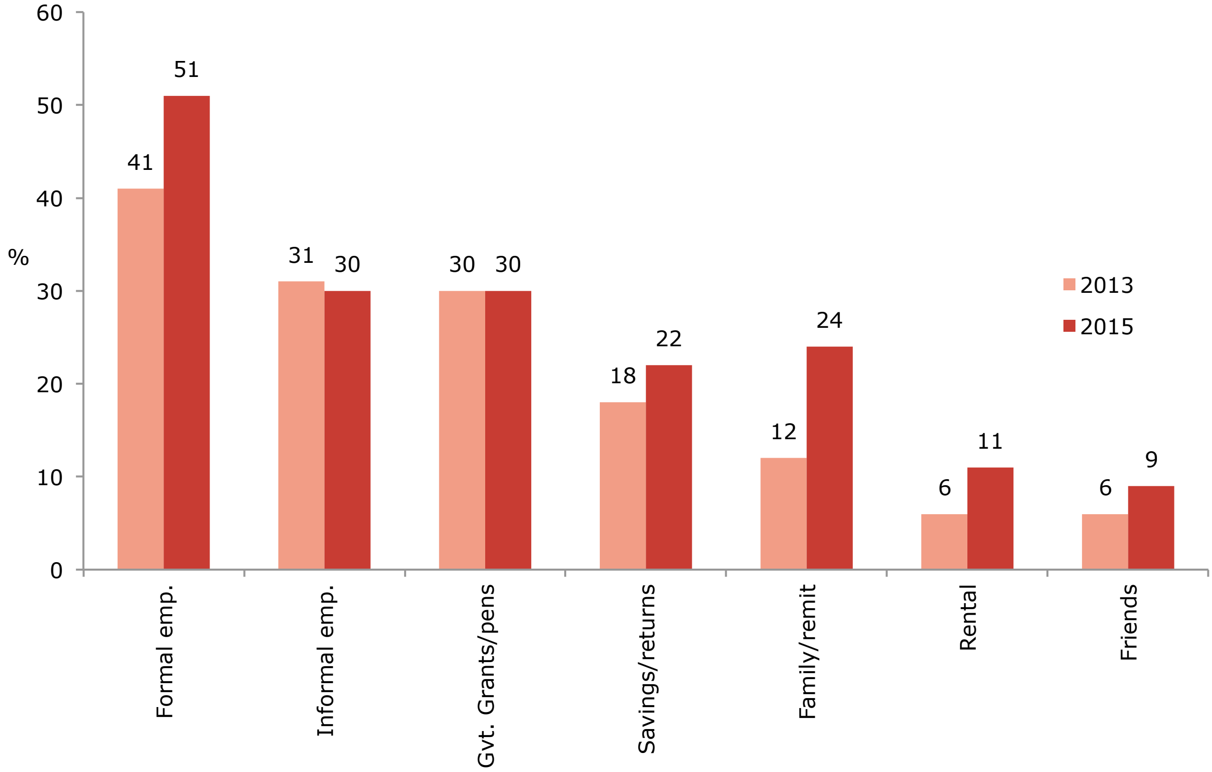

Figure 10: Household income sources – Proportion of households (2013 & 2015).

OTHER RECENT RESEARCH IN THIS THEME:

- Poverty and inequality in the Gauteng City-Region (2016 forthcoming) by Darlington Mushongera, GCRO Research Report
- Hungry City-Region (2016 forthcoming) by Caryn Abrahams, GCRO Occasional Paper
- A multidimensional poverty index for Gauteng (February 2015) by Darlington Mushongera et al., GCRO Map of the Month
- The GCRO Barometer (2014) by Darlington Mushongera, GCRO Interactive website