



# Development and Inequality in South Africa

2007 Futures Conference  
University of Stellenbosch  
6 – 8 November 2007

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# Framework

1. Conceptualisation of Social Development and Inequality
2. Introduction
3. Social Development Initiatives
4. Nature of Inequality
5. Issues of Inequality
6. Emerging Findings
7. Emerging Policy Issues
8. Conclusion

# Conceptualisation

- ❑ Social Development: *‘a process of planned social change designed to promote the well-being of the population as a whole in conjunction with a dynamic process of economic development’ (Midgley, 1995:250).*
- ❑ *Inequality relates to the distribution of economic, social and political opportunities and outcomes within and among societies*

# Introduction

- ❑ Post-1994, South Africa faced with the challenges of nation-building
- ❑ Constitutional imperatives – just and equitable society
- ❑ SA inherited a fragile economy burdened with debt; slow economic growth; increasing unemployment rates; high levels of poverty

# Social Development Initiatives

- ❑ Social security is the fastest growing item on the budget since 2001
- ❑ Just under 12 million South Africans receive social grants in 2007
- ❑ Social grants reach deep into the rural areas, support extended households and are gender sensitive
- ❑ Integrated Nutritional Programme – feeding scheme for women and children, and free health care for children under 6 years

# Social Development Initiatives cont'd

- ❑ Disability grants have increased to 1.3 million in 2004 (Nattrass, 2006)
- ❑ The growth in disability grants is attributed to the number of people who are HIV +
- ❑ Gender equality – political & legal equality for women; feminisation of the labour force
- ❑ Reforms in the unemployment insurance policy – provision of UI to domestic workers & farm labourers
- ❑ Proposal being investigated in building a safety net for low-income workers – Improved UI; disability & death benefits; retirement savings (Budget speech, 2007).

# Nature of Inequality

- ❑ South Africa has one of the highest inequalities in the world
- ❑ Recent research shows that extreme inequality can be detrimental to economic growth, social stability, and development.
- ❑ Current research on inequality in South Africa has tended to focus on selected dimensions of inequality ( e.g. land, gender, or income )
- ❑ Also the broader (covering several inequality dimensions) developmental implications of inequality have not been undertaken in South Africa since the advent of democracy





# Issues in Inequality

- ❑ The persistence of extreme levels of inequality in the distribution of income
- ❑ The existence of poor people who lack access to land, employment and skills
- ❑ The decline of inter-racial inequality against the backdrop of the persistence on intra-race inequality, especially in the black African population



# Emerging Findings



Access to Water

Employment  
& Company Ownership

Income

Access to Electricity

Education

Health

Land Ownership  
And Access to  
Financial Services

Mining and Marine  
Resources

# Emerging Policy Issues

- In the context of ethnic diversity and a new democratic dispensation, the policy response by the Government, is seen as broadly appropriate
- However, there appears to be scope for improvement in the areas of education, health, land redistribution policies, and access to natural resources
- Globalisation and the demands of international capital will continue to pose challenges in the implementation of redistributive policies
- South Africa's distributional regime has remained the same before and after 1994 (that is, the growth trajectory has tended to reward owners of capital and employees with skills disproportionately more than individuals at the bottom 50% of the income ladder).



# **Conclusion: Confronting Inequalities through Public Policy**

**Combine effective economic & social policies by:**

- ❑ Generating high and sustained economic growth that is pro-poor**
- ❑ Providing effective social safety nets to protect the poor, especially in the short-term, and very importantly**
- ❑ Building human capital and other assets of the people in the bottom half of the inequality ladder**

## Conclusion: Emerging Policy Issues ( for DBSA and Other DFI's )

- ❑ Investment in Health and Education can make a significant contribution to reducing inequality.
- ❑ Distribution of assets requires a concerted and coordinated approach amongst DFI's and other state institutions
- ❑ A state-led industrialisation policy growth is employment-intensive and thus pro-poor. This approach has the potential to change the distributional regime.

Networks and information flows are as critical as development finance

Thank you