



# Conclusion

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## Introduction

The contributing essays in this book have discussed and reflected on various issues of economic inequality in South Africa. Recommendations for possible solutions regarding various issues of the economic inequality debate are given. This concluding chapter provides a summary and synthesis of these discussions, reflections, and recommendations.

## Summary of Chapters

Chapter 1 provided the reader with the background of economic inequality and the significance thereof in taking heed of unjust policies that favour specific groups within a society. The inevitability of inequality due to differences in individual talents, skills, and abilities, resulting in different outcomes for the underprivileged was discussed. The chapter emphasised the importance of the relationship between poverty and inequality.

Chapter 2 provided an overview of how inequality is measured and the viewpoints of several academic scholars regarding this. The Gini coefficient, the Palma ratio, Theil's index, Atkinson's index, and asset and wealth indices as measures of inequality were explained, as well as the limitations of these measures.

An analysis of wealth inequality was provided in Chapter 3 by indicating the high levels of wealth inequality globally and in South Africa, the high correlation between income and wealth inequality, and the continuous increase in wealth inequality. Furthermore, the limited scope of the existing income tax system to reduce inequality and the challenges of introducing a wealth tax were explained.

The dynamics of the labour market within cities, the legacy of apartheid's spatial planning, and the influence of industries

within cities on income and wage inequalities were explored in Chapter 4. The research showed that wage inequality is higher in cities than in the rest of the country and that wages have not kept up with inflation for several years.

Chapter 5 reflected on the inequality of land ownership in South Africa. The chapter provided a historical context for land distribution and discussed how the land reform programme progressed. The chapter acknowledged the necessity of land reform but called for a just and fair implementation of such a reform process.

In Chapter 6, the implications of establishing a state-owned bank were deliberated, and the role of the banks in providing access to banking services and reducing inequality was reflected upon.

Chapter 7 addressed the inequality of service delivery as provided by all three spheres of government. High levels of disparity and inaccessibility to basic services can be attributed to race and this is seen between urban and rural areas, highlighting the role that unemployment, income imbalances, and governance play in accessing services. The need for policies and reforms was emphasised to ensure equal access to quality services from all levels of government.

Chapter 8 reflected on the nature and magnitude of the various inequalities of health and access to healthcare of South African citizens. The close relationship between the socioeconomic position of a household and its access to healthcare was indicated. Given the well-known fact that equal societies enjoy better health than more unequal ones, it is reasonable to suggest that South Africa would be characterised by huge disparities in health, to the detriment of people with low incomes. Consequently, Chapter 8 attempted to ascertain the magnitude and direction of socioeconomic inequalities in various health outcomes using nationally representative data from South Africa, supplemented by prior evidence. The results confirm the existence of substantial socioeconomic inequalities in health and access to quality healthcare, mainly to the detriment of people with low incomes. Worryingly, these inequalities are likely to persist, given

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the enormous impact of the COVID-19 pandemic in widening unfairness between the rich and poor.

Access to and the quality of education at both secondary and tertiary levels and their impact on inequality were analysed and discussed in Chapter 9. Although secondary and tertiary education access has increased since 1994, employment levels and inequality in South Africa have remained the same. The quality of education at both levels of education was identified as a matter of great concern. The socioeconomic status of households still determines access to quality education.

Chapter 10 provided an in-depth analysis of the relationship between enhancing employment prospects in the informal sector and unemployment, poverty, and inequality in South Africa. The author recommended a prolonged strategy targeting both the formal and informal sectors (and the links between the two sectors) to support the survival, growth, and employment of informal entrepreneurs to address the problems of unemployment, poverty, and inequality.

The debate about the feasibility of a basic income grant for all South Africans was addressed in Chapter 11. The chapter concluded that a broad-based welfare strategy is required to enhance the income generation potential of people experiencing poverty, resulting in higher incomes, lower poverty, and lower inequality levels.

Economic inclusivity and its different aspects – including inclusive growth, the circular economy, economic progress, a collaborative economy, and inclusive policies and institutions – were discussed in Chapter 12.

The chapters represent different views and perspectives on several aspects of inequality in South Africa, as reflected by the different authors.

## **Synthesis of Chapters**

South Africa has recorded low economic growth rates for the past three decades, resulting in low employment and income levels, and high poverty and inequality levels. In a country with

unemployment levels of above 20% (and an even higher youth unemployment rate), an average economic growth rate of 2.39%, and a Gini co-efficient of above 0.6 for the past three decades, higher economic growth rates are essential to improve the wellbeing of the citizens. The consensus in all the essays in this book is that there are persistently high levels of inequality with respect to wealth, income, land, banking services, education, public services, and health in South Africa. The socioeconomic position of a household is often identified as a common factor which has contributed to the high levels of inequality. There is thus an urgent need to push South Africa into a high economic growth gear and focus on policies to enhance our economic growth rates (and income levels) to improve income and wealth inequality (Chapters 3 and 4).

Since 1994, the debate in South Africa has centred around whether the focus should be first and foremost on economic growth (as opposed to redistribution) or the other way round. Economic growth and redistribution policies should not be seen as opposites but rather as complementary to each other. In this case, a rethinking of the market economy is required. Capitalism – as practiced since 1989, based on a neoliberal system of greed, selfishness, exploitation, corruption, and materialism – cannot be tolerated. Markets do not work well, especially when information is imperfect, competition is limited, and public goods are not provided. Markets are necessary for a well-functioning economy, but fail to produce fair and efficient outcomes. Markets are needed to encourage entrepreneurship, innovation, and creativity, but can only function within the boundaries of laws and regulations. More efficient markets (making them more competitive and less exploitive) are required to curb excesses to the elite. An inclusive, shared capitalist market system based on private property rights is required to ensure that serving one's interest will also lead to serving the community's interest and the wellbeing of the whole society.

The state has responsibilities regarding defence, justice, education, and infrastructure. The South African economy requires massive amounts of investment in infrastructure development and the maintenance of existing infrastructure.

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Improvements and investment in infrastructure will promote further private investment if the problems surrounding access to markets, congested airports and harbours, as well as the disintegrating road networks are addressed. Investment spending or gross fixed capital formation has not exceeded 4% of GDP by government or state-owned enterprises from 1994 to 2022. Total fixed investment has not been more than 15% of GDP since 2000, with the private sector contributing more than 10% and the government and SOEs less than 5% for the period. Creating the right environment by government, which will enhance confidence in the private sector, will result in higher fixed investment by the private sector.

Education is another crucial element critical to enhancing economic growth and development. A high-quality education system that supports the advancement of knowledge, together with a basic education curriculum that enhances skills development at school level aimed at addressing the critical skills shortages in the South African labour market, is imperative. The South African government needs to prioritise the importance of producing a calibre of scholars and graduates that are adequately skilled for the profile of the South African labour market.

A sound and inclusive financial sector is also needed to assist South Africans in saving and investing to create wealth (Chapter 6). This, together with place-based policies focusing on township economies and the informal sector, are required to restore and revitalise communities (Chapter 10). Reviving township economies is crucial for the creation of jobs and opportunities for the South African youth who are not in the education system, employed, or in training. Considering that more than 2.5 million workers are employed by informal businesses – allowing for livelihoods and income that contributes more than 6% to GDP, with an estimated value between R600 billion and R750 billion – the development of the township economies and informal sector should be a priority. Previous poverty alleviation and employment initiatives have had limited impact due to capacity issues, corruption, and inadequate monitoring. All stakeholders have a critical role in township economic development, including partnering for cultural tourism and enhancing safety to create

employment opportunities. Several townships are prone to crime. Therefore, a need for an increase in visible policing to ensure the safety of tourists and residents is essential.

Globalisation, financialisation and technological advancement can be used to enhance economic growth. The transition from an industrialised economy to a service, innovation, and green economy can be implemented to maintain jobs, and to provide better health, education, service delivery, and financial services for all (Chapters 6, 7, and 8).

The importance of land reform was emphasised in Chapter 5. With more than 17 million South Africans living on communal land (which comprises 13% of the total land in South Africa), land reform is essential. However, it should be done in a manner that ensures food security and more strategic land management to ensure the sustainability of the communities.

Even though the emphasis is on higher economic growth rates and improved economic development, sound redistribution policies such as land redistribution (Chapter 5) and a progressive tax system and realistic public expenditure (Chapters 7 and 11) will be required to improve and equalise living standards.

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South Africa has recorded a dismal performance in economic growth, job creation, and reducing poverty levels and inequality over the past three decades. Factors such as globalisation, the 4IR, excessive financialisation, the transition of a manufacturing economy to a service and digital economy, and the consequences of technological advancement will result in even higher economic underperformance if not correctly managed. However, we believe that for all the divisions that have marked the country for years, we, as South Africans, still have shared values. We believe in democracy, the rule of the law, justice, equal opportunity, the value of science and technology, and tolerance toward each other. It is hoped that these shared values will establish a country of equal and fair opportunity and shared prosperity.

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The challenge for South Africa is to ensure that an inclusive political and economic dispensation (Chapter 12) is established to reduce poverty and inequality and contribute to political and economic freedom for all. The analysis of economic inequality in the previous chapters indicates that South Africa requires strong economic growth rates to create jobs, and to reduce poverty and economic and social inequality. Higher economic growth rates based on economic inclusivity will ensure a fair share for all.

