



*Empowered lives.
Resilient nations.*

Advancing the Objectives of Vision 2030

Delineating an overarching policy focus to accelerate
development in South Africa

Sector Parliaments Planning Session

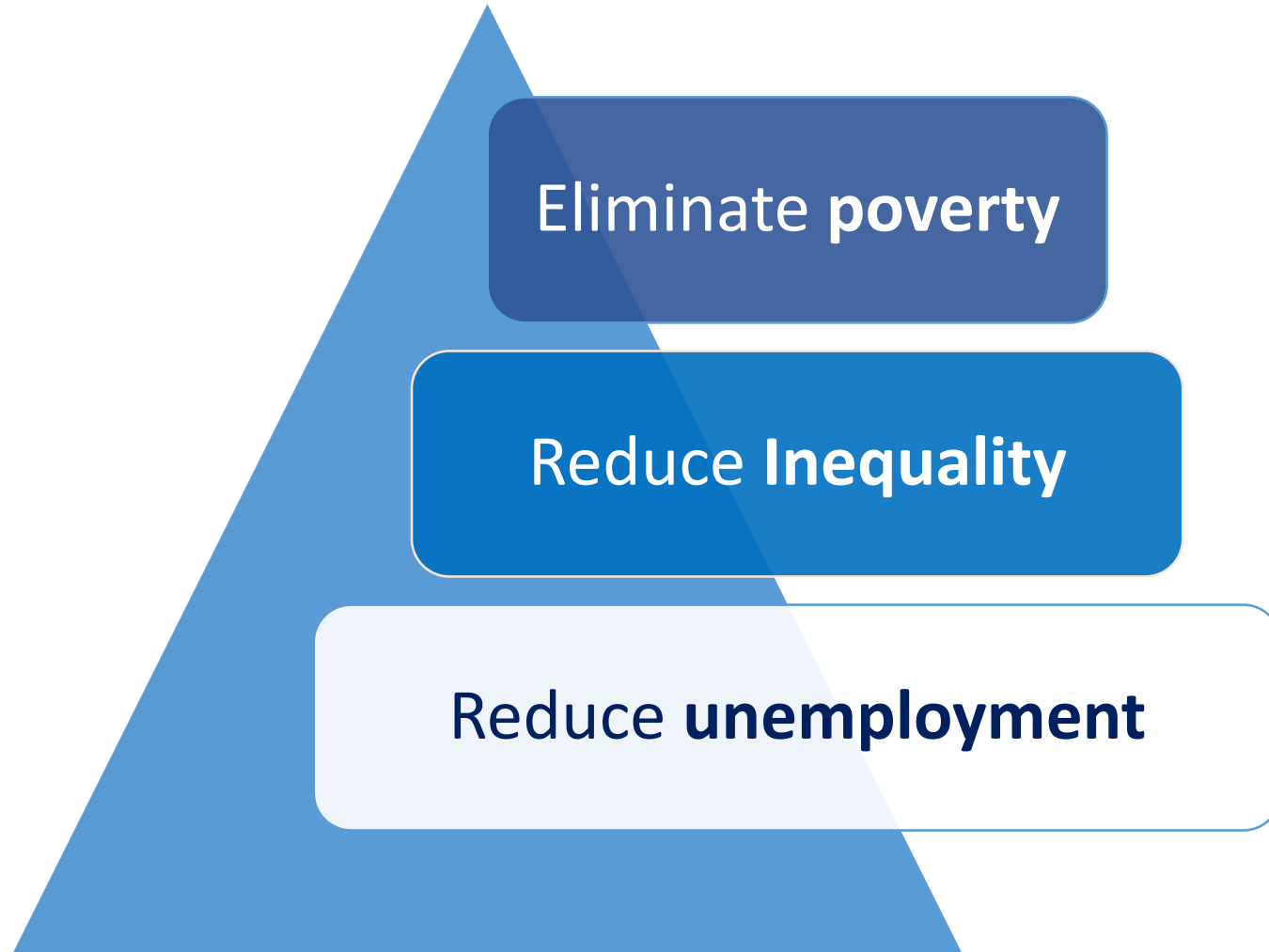
6-7 October 2020

Ayodele Odusola, PhD
Resident Representative
UNDP South Africa
Pretoria

Key messages

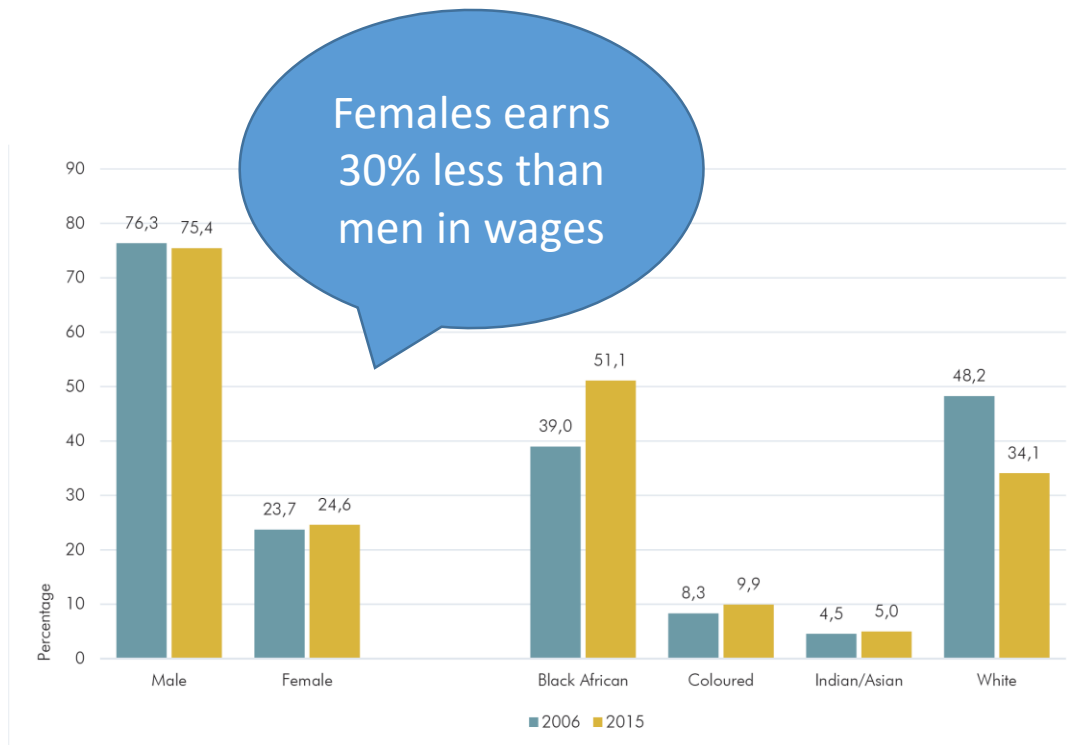
- 1. Income inequality in South Africa is highly racialized, gender biased and class skewed*
- 2. Income inequality is declining but the level remains very high*
- 3. South Africa is one of the most unequal countries globally*
- 4. Drivers of income inequality are multi-dimensional and complex*
- 5. There is no single silver bullet to addressing inequality in Africa*

NDP overarching goals by 2030

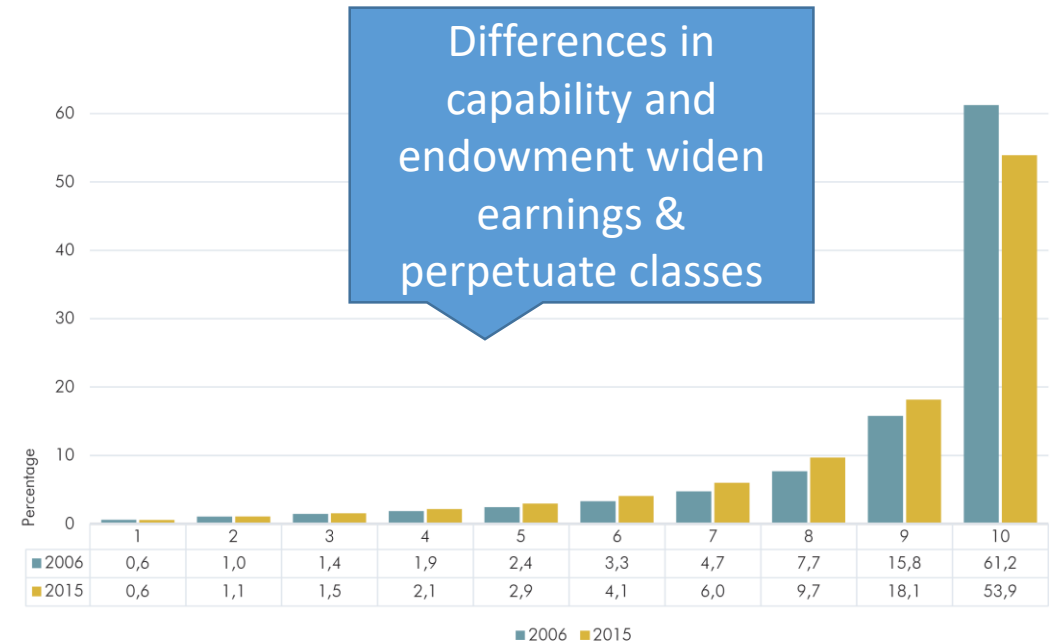


Income inequality in RSA (1/3)

**Income share by gender and race
(2006 and 2015)**



**Income share by percentile
(2006 and 2015)**

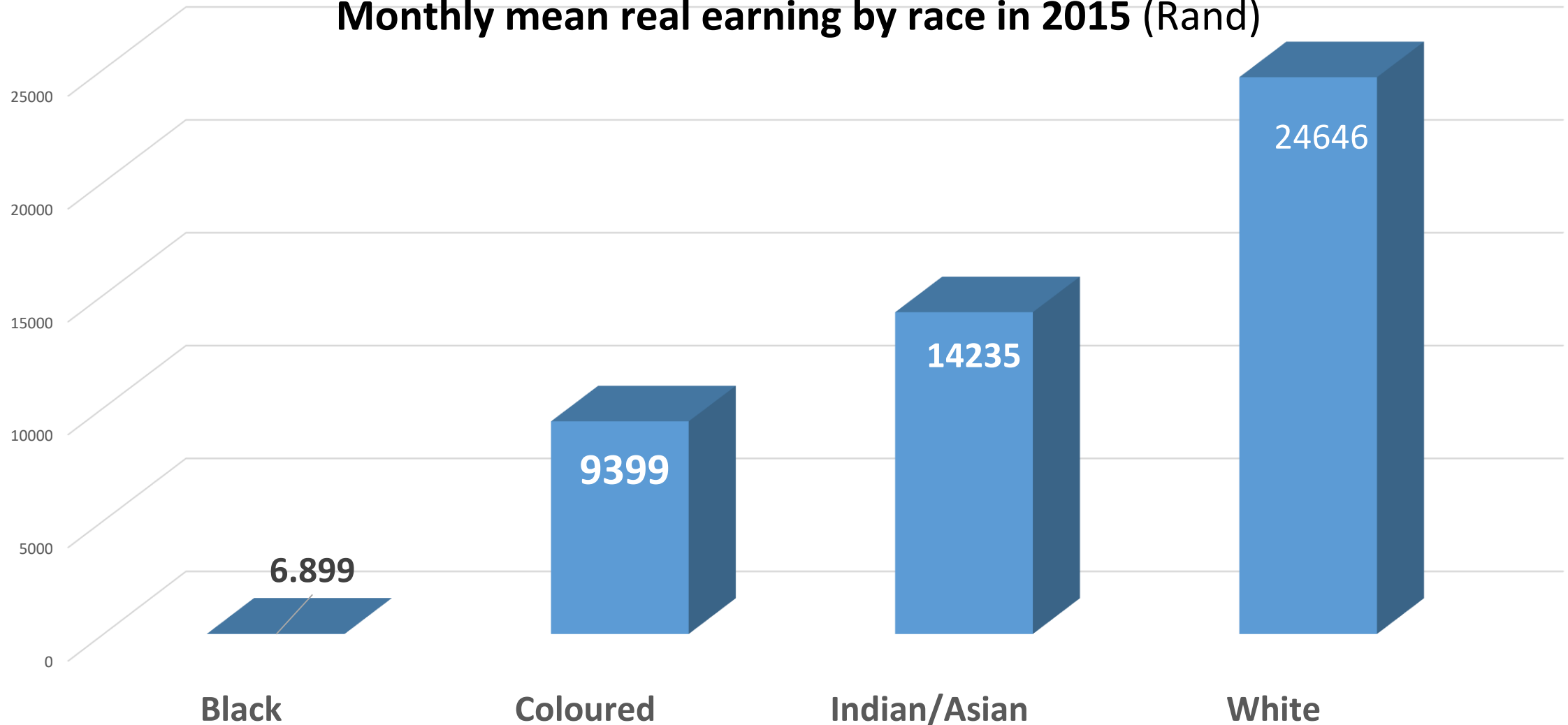


Source: Stats SA (2019)

Message 1: *Income inequality in South Africa is highly racialized, gender biased and class skewed*

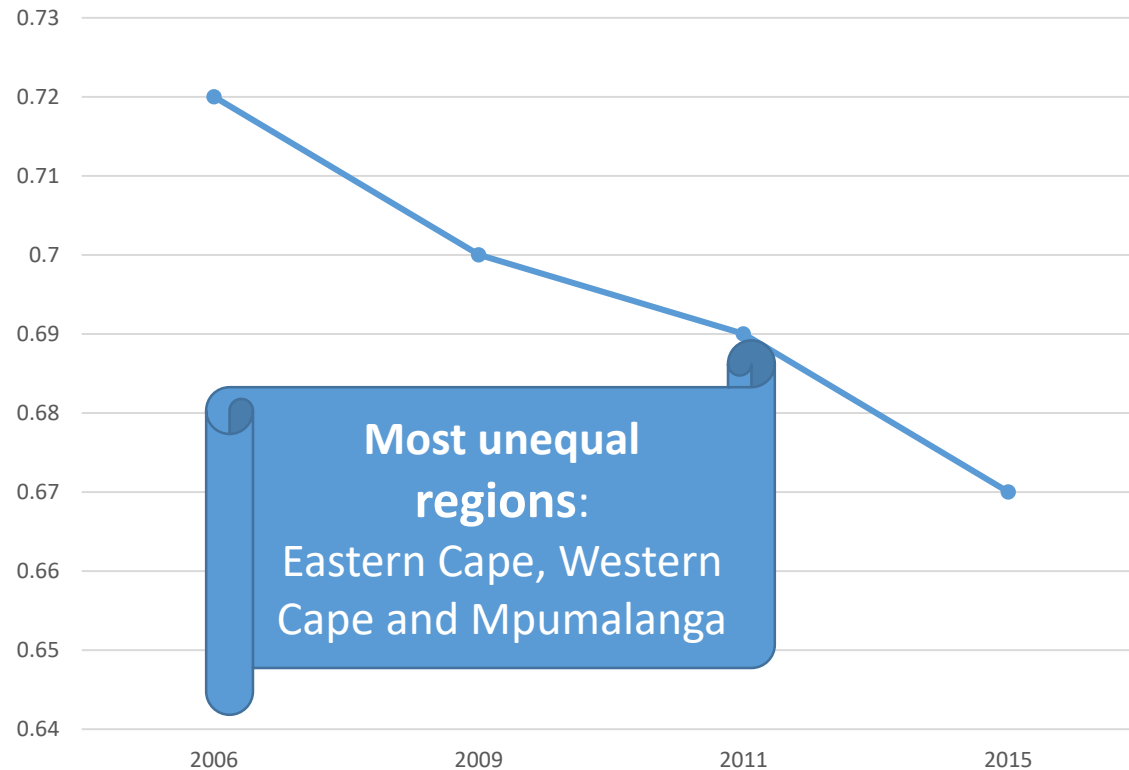
Income inequality in RSA (2/3)

Monthly mean real earning by race in 2015 (Rand)

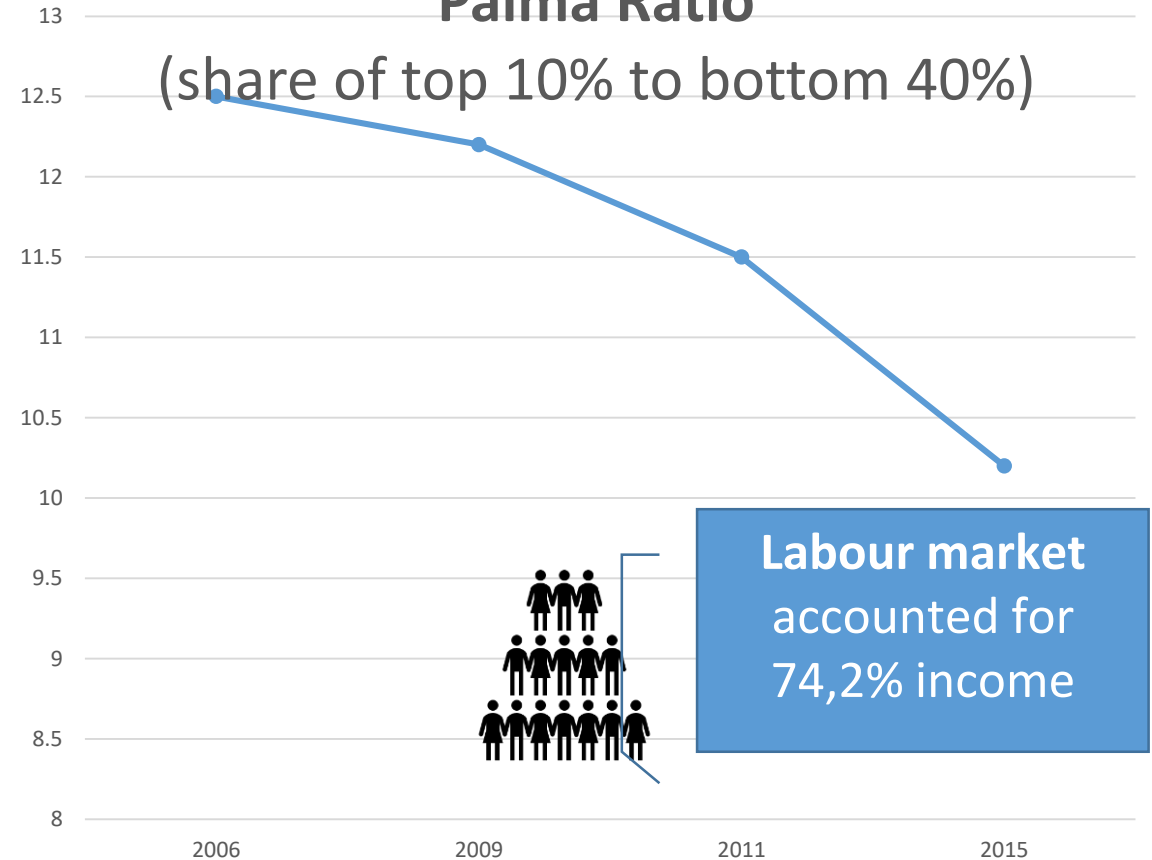


Income inequality in RSA (3/3)

Gini Coefficient, 2006-2015



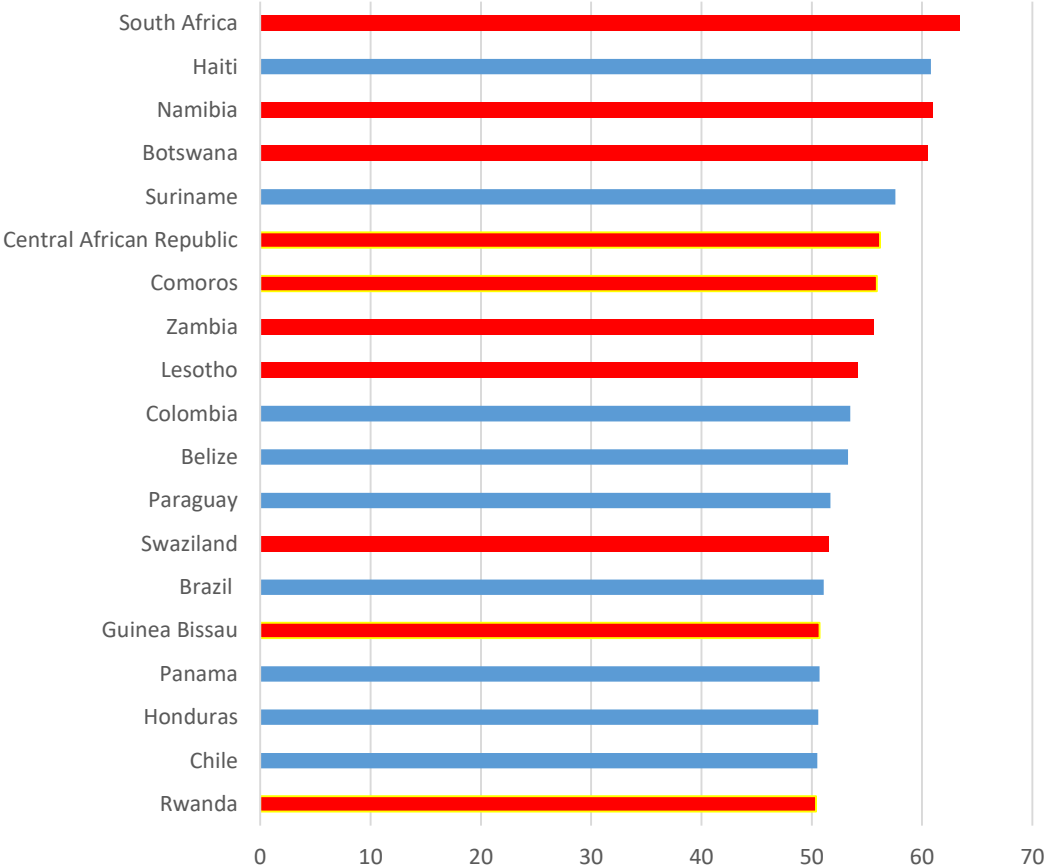
Palma Ratio (share of top 10% to bottom 40%)



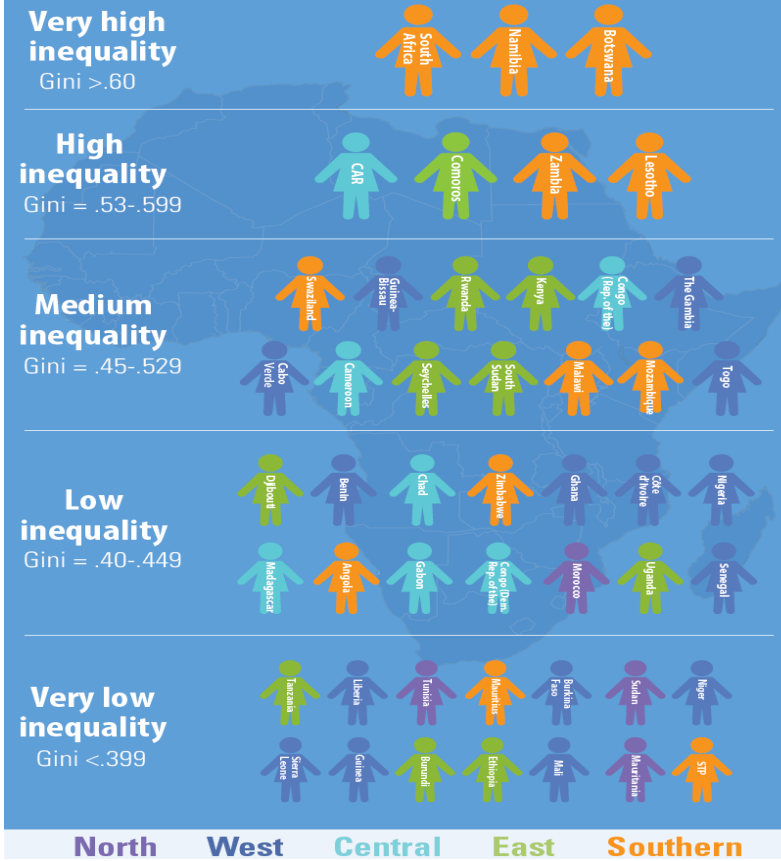
Message 2: Income inequality is declining but the level remains very high

Income inequality in RSA relative to others (1/2)

The 19 most unequal countries globally



Which African countries are the least, or most, unequal?

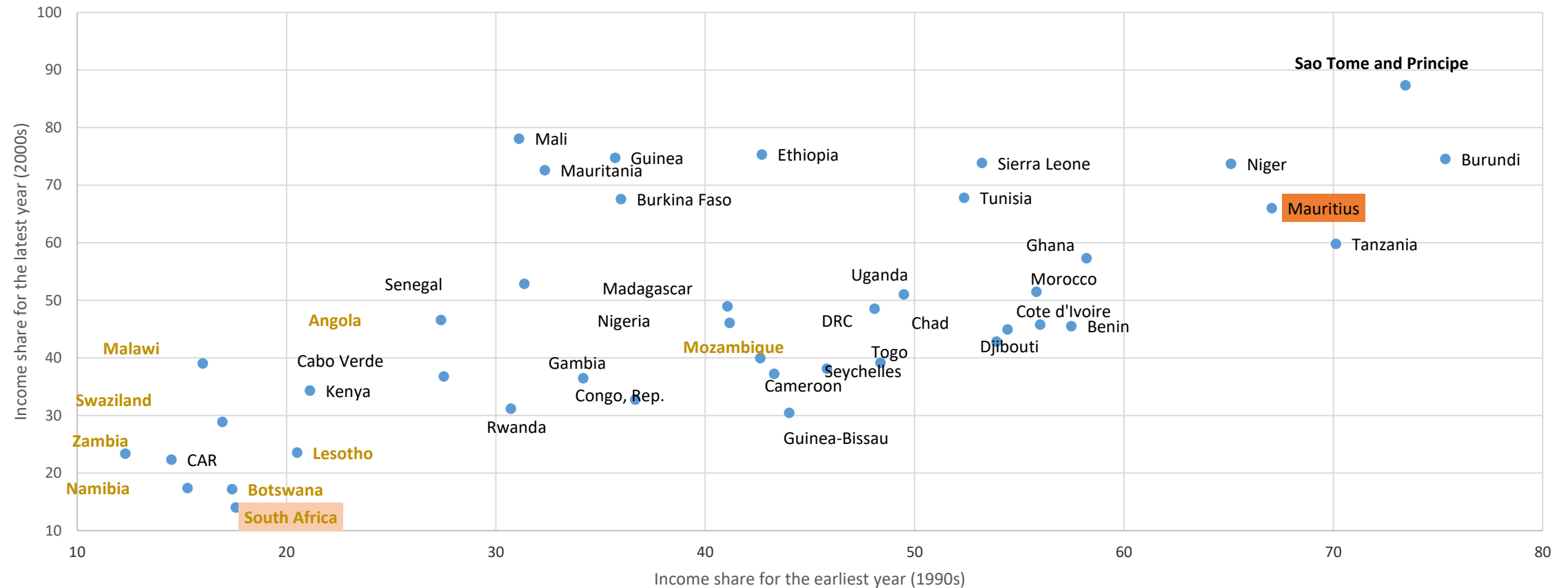


Source:
Oduola, et al, 2017

Message 3: South Africa is one of the most unequal countries globally

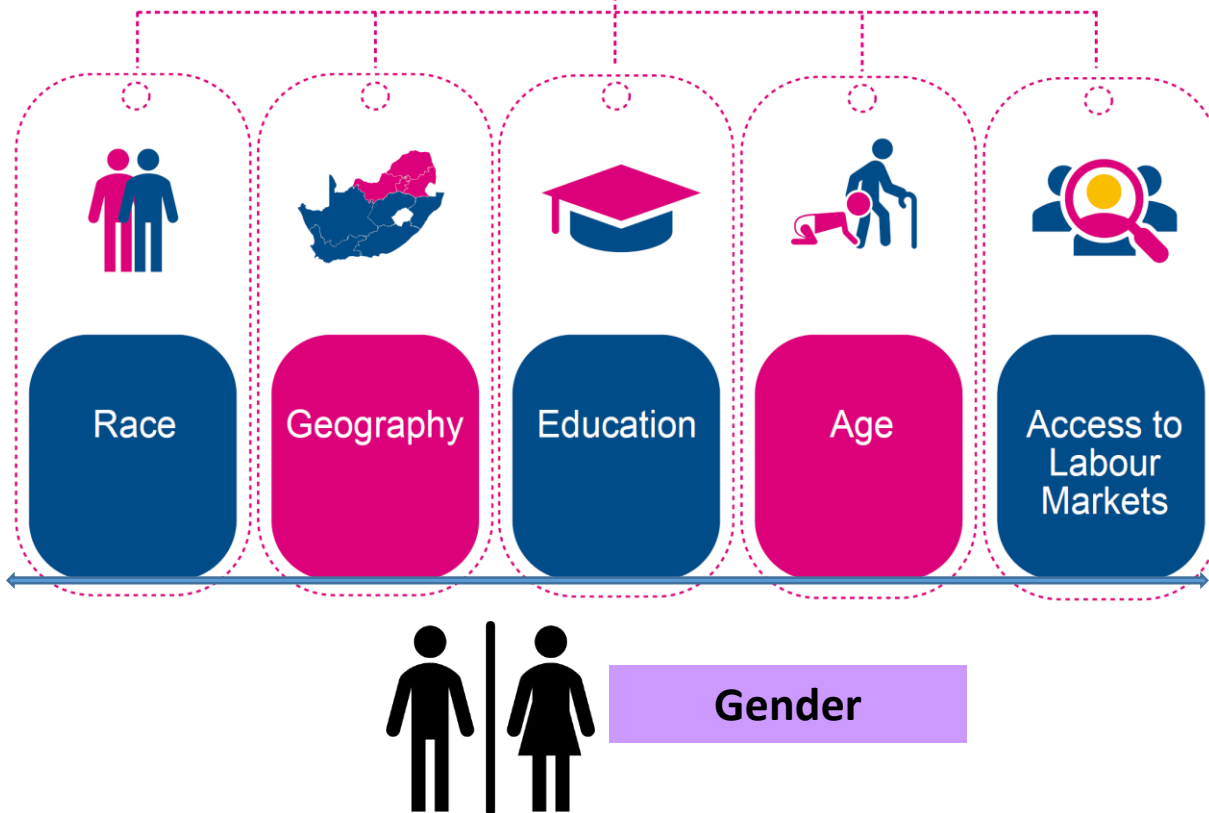
Income inequality in RSA Relative to Others (2/3)

Levels and trends of Income Share of the Bottom 40 Percentiles in the top 10 Percentiles



Structural drivers of inequality in South Africa (1/2)

Key drivers of **inequality** in South Africa



1. **Structural impediments of apartheid regime** – homeland settlement, capital intensive and highly concentrated economy
2. **Highly dualistic economic structure** – labour elite Sector (mining, MNCs, FIRE, Pub. Service) Vs informal and subsistence sectors
3. **High concentration** of land, physical and human capital
4. **Limited redistributive capacity** of the state manifested by:

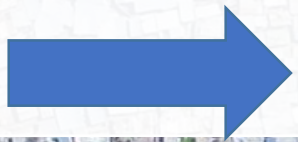
urban bias policies, regressive tax (high marginal tax rates), ethnic and gender inequalities, declining share of labour in national incomes

Message 4: Drivers of income inequality are multi-dimensional and complex

Structural drivers of inequality in South Africa (2/2)



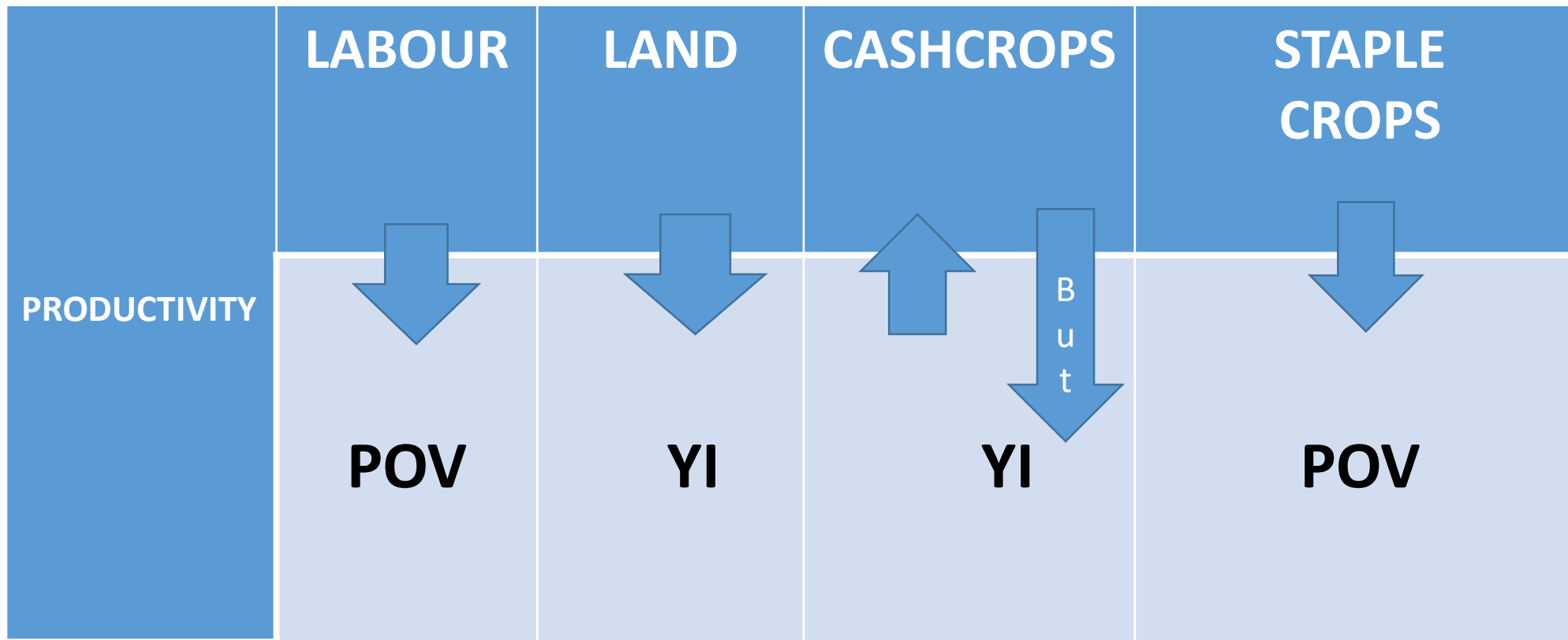
Equalizing factors



1. **Rising in labour-intensive** manufacturing, agriculture and construction sectors.
2. **Improved distribution** of human capital
3. **Increased direct taxes**, efficiency of tax administration, well-targeted social protection
4. **Better distribution** of socio-economic facilities – roads, electricity, schools, hospitals, etc.
5. **Enhanced productivity** in agriculture and agribusiness

Emerging lessons (1/2)

LESSONS FROM USING AGRICULTURAL PRODUCTIVITY TO REDUCE POVERTY AND INEQUALITY



Complemented with win-win land reform and rural transformation programme in RSA

Emerging lessons (2/2)

No Silver Bullet Solution:

multi-dimensional responses are needed

1. **Investment** in early childhood development (ECD)
2. **Modernized agriculture**, agric. value chain development, entrepreneurship development, SMEs development
3. **Distribution matters**: wealth, opportunities and power – e.g. Win-win land reform
4. **Deepening social protection** – efficient and well-targeted instruments, and reskilling of beneficiaries.
5. **Equal treatment of unequal** – Regional balancing, rural-urban, majority-minority – BBBEE, informal settlement, and rural transformation.

Policies that help reduce poverty

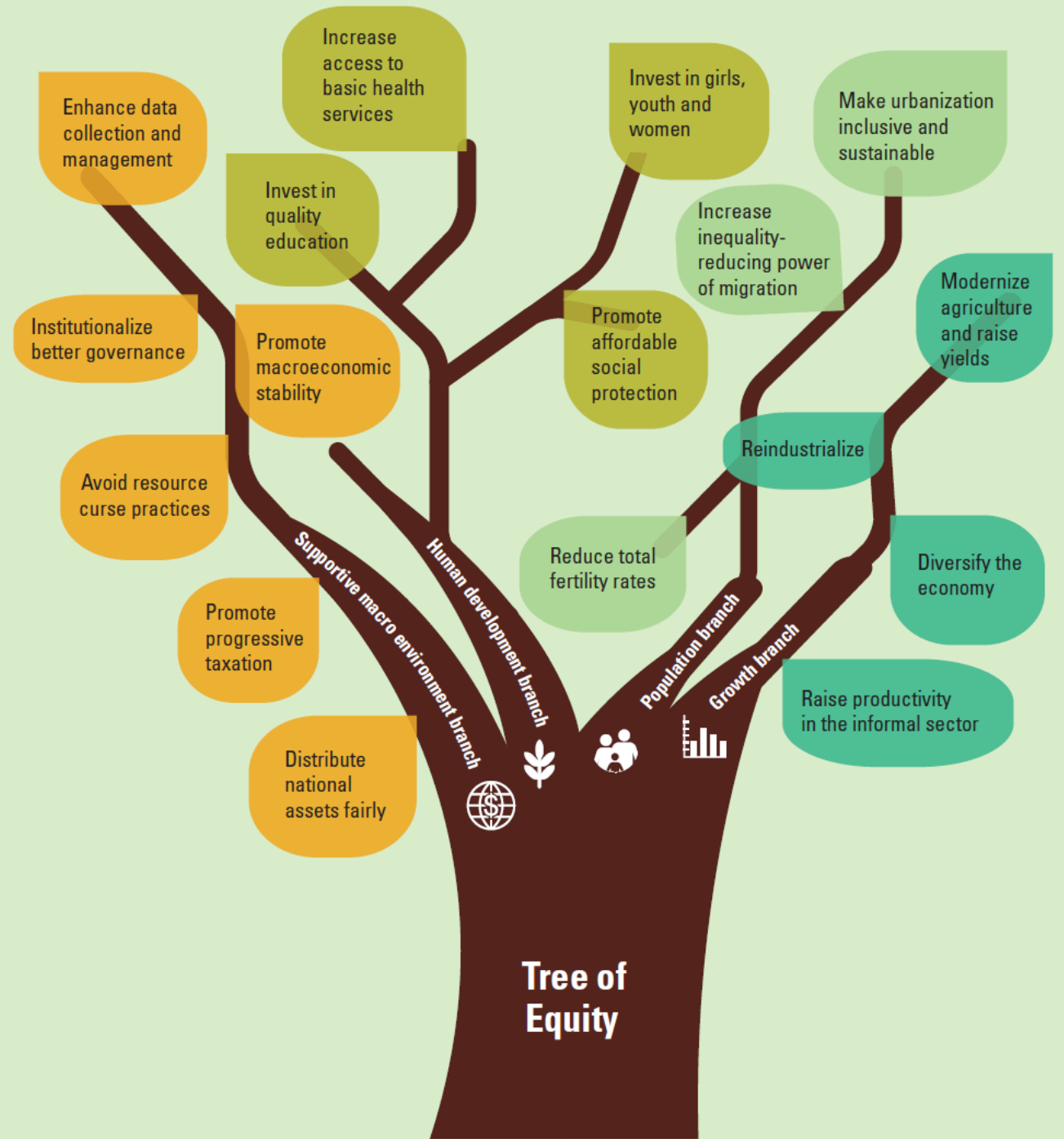
are not necessarily the same as those that help reduce income inequality

1. **Complementarity of policies matter:**
 - Quality education and enhanced productivity are important tools to reduce poverty
 - YET, if unaccompanied by progressive taxation and well-targeted social protection, they could accelerate income disparities
2. **Emerging drivers of inequality that could shape the future trends (2019 GHDR)**
 - Tertiary education
 - Technology, including access to bandwidth
 - Climate change

Message 5: There is no single silver bullet to addressing inequality in Africa

POLICY MIX AND CROSS CUTTING APPROACHES TO TACKLING INEQUALITY

Planting and Nurturing the Tree of Equity in Africa



An aerial photograph showing a stark contrast between two types of housing. On the left, a dense, sprawling informal settlement (slum) with small, closely packed dwellings. On the right, a more organized suburban neighborhood with larger houses, green lawns, and a road. A dark, vegetated hill separates the two areas.

Conclusion

Reflection from Former President Mandela:

“As long as poverty, injustice and gross inequality persist in our world, none of us can truly rest”.



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THANK YOU