

Recovering from COVID-19 and inequality: the experience of South Africa.

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History of poverty and inequality in South Africa

South Africa is one of the most unequal countries in the world and has been so for decades. Not only is South Africa characterised by increasingly high levels of inequality, it also has extremely high levels of poverty and unemployment, together these has been commonly referred to as the triple challenge, a socioeconomic phenomena that is prevalent across the African continent¹. In South Africa the persistence of the triple challenge has its roots in colonialism and apartheid, whose legacies persist even today.

In 1994 when the democratic transition occurred, the new government inherited a state where most of its citizens were deeply entrenched in poverty, there existed an unequitable distribution of income (where the Black majority had been excluded from participating in the labour market) and inequality was also on the rise. Colonial rule and Apartheid policies had been so comprehensive that they affected all aspects of social, economic, and political life in South Africa.

These racially discriminative polices ensured that the dominant political group at the time (White South Africans) controlled the majority of resources and therefore securing their generational mass accumulation of wealth. Through spatial segregation and land dispossession, that was legislated through the Land Act² of 1913, which catalysed the large-scale land dispossession of Black and Non-White South Africans that as Modise & Mtshiselwa (2013:359) write, “The land dispossession of the indigenous people of South Africa under this Act caused poverty which is still prevalent in our country today. Many South Africans, especially black South Africans, are trapped in a cycle of poverty that emerged as a result of our history of colonialism and apartheid.”³

Although this act was passed over a hundred years ago, it has created socioeconomic injustices that still exist and as James Baldwin once wrote, “people are trapped in history and history is trapped in them”.

In the years that were to follow that saw the Apartheid government rise to power from 1948, the subjugation of Black and Non-White South Africans was legislated in every way possible. The laws that were put into place by the Apartheid government created an even

¹ Addressing Africa’s Triple Challenges: To What Extent Do Physical and Institutional Infrastructures Matter? Prof Olusegun Ayodele Akanbi, University of South Africa, 2016.

² Casting a long shadow: The Natives Land Act of 1913 and its legacy. Colin Bundy, 2016.

³ The Natives Land Act of 1913 engineered the poverty of Black South Africans: a historico-ecclesiastical perspective. Modise & Mtshiselwa, 2013.

more unequal state that monopolised economic participation in key sectors (which were dominated by Whites), cherry picked commercial farming land and banished Black and non-white South Africans to arid Bantustans and thus systematically reproduced inequalities in the subpar education, health and public services that were available for Black and Non-White South Africans.

The boom of the mining industry also further entrenched inequality in South Africa through the growing accumulation of wealth and capital for Whites at the expense and exploitation of the Black labour force. The mining industry in South Africa contributed significantly to the rapid progression of the migrant labour system (which can be comparable to modern slavery). The migrant labour system provided cheap Black labour for mines and industries in economic hubs and cities, which they could not qualify as residents at, as they were reserved for White South Africans to live and thrive. Through this system Black men who needed to find wage employment to pay the taxes that were introduced by colonial governments, had to leave their families and homes behind (they were forbidden by the state to relocate their families to ‘white cities’) and live in squalor like hostels⁴. These hostels were poorly constructed, overcrowded, often lacked proper sanitation facilities, and created conditions which allowed the state to exert further dominance and control by the racist Apartheid government. Not only were the living conditions poor at these hostels but the working conditions in the mines were inhumane and the wages earned were extremely low.

In contrast White South Africans weren’t restricted to where or what kind of work they could do, skilled work, which paid higher, was reserved for Whites only, ensuring their socioeconomic progression. Needless to say, the Apartheid laws keep the majority of the Black and Non-White population poor, entrapped them in slave wage work and created pervasive racial wage inequality that is still evident today.

Table 1: A compilation of estimates of annual per capita personal income by race group in 1995-Rand and relative to White levels, 1917-1995

Year	White	Coloured	Asian	African	Average
Per capita income in constant 1995-Rand:					
1917	R9 369	R2 061	R2 075	R849	R2 829
1924	R9 931	R1 986	R1 931	R788	R2 966
1936	R13 773	R2 151	R3 185	R1 048	R3 842
1946	R18 820	R3 068	R4 328	R1 671	R5 417
1956	R21 861	R3 698	R4 780	R1 883	R6 123
1959	R22 683	R3 568	R3 876	R1 746	R6 061
1960	R22 389	R3 568	R3 828	R1 815	R6 006
1970	R32 799	R5 684	R6 630	R2 246	R7 986
1975	R35 757	R6 945	R9 095	R3 075	R9 102
1980	R34 655	R6 623	R8 821	R2 931	R8 472
1987	R32 854	R6 862	R9 910	R2 781	R7 643
1993	R33 326	R6 445	R14 006	R3 637	R8 013
1995	R34 689	R6 931	R16 793	R4 678	R9 013

Source: Poverty and Inequality Dynamics in South Africa: Post-apartheid

Developments in the Light of the Long-Run Legacy. Leibbrandt, Woolard & Woolard (2007)

⁴ Extreme apartheid: The South African system of migrant labour and its hostels. Christo Vosloo, 2020.

Although there have been significant changes in law, policy, and regulation in post-Apartheid South Africa, as well as a considerable amount of transformation in the economy, it is pertinent in understanding the current crisis of poverty and inequality to trace its roots and history and reflect on how they continue to linger in a democratic state.

Poverty and inequality Post 1994

South Africa's development and growth have come a long way since the exclusionary rule of colonialism and Apartheid and has made considerable strides in redressing the socioeconomic injustices of the past and in providing improved living conditions, public services, and socioeconomic opportunities for previously disadvantaged Black and Non-White South Africans. But despite twenty-seven years of democracy, South Africa is still grappling with extreme poverty, inequality, and unemployment.

Currently the Gini coefficient, a measure of income inequality, in South Africa is 0,63 according to the latest estimates by the World bank, and what this means in simple terms is that the majority of the population in the country is not benefiting from the economy and participating in economic activities. To illustrate how vast this inequality is, Oxfam South Africa's report, *Reclaiming Power: Womxn's Work and Income Inequality in South Africa*⁵, which was published in 2020, showed that "it would take the pay of 461 black womxn from the bottom 10% of earners to make as much as the average (white, male) CEO takes home in a year. It just takes 23 hours for the average CEO to earn what the average worker earns in year. Moreover, according to the World Bank, the richest 20% of people in South Africa control almost 70% of the resources."

Not only is the South African labour market, racially biased, but it is also gender biased. For example, on average women earn 30% less than men in a job market that favours men, who are more likely to find employment, executive positions etc than women are⁶. Moreover, Black South Africans earn the lowest wages in comparison to other racial groups, with white South Africans being the highest income earners across all sectors. This skewed income distribution is further exacerbated by the fact that Black female headed households⁷ in South Africa are the most impoverished and have more dependents to support than male headed or male and female headed households.

The aim to eradicate inequality has not only stagnated, but inequality has actually increased instead and poverty and inequality in South Africa have proved to be multidimensional and presenting intersecting challenges.

⁵ *Reclaiming Power: Womxn's Work and Income Inequality in South Africa*. 2020.

⁶ *Inequality Trends in South Africa*, Statistics South Africa, 2019.

⁷ *Female household headship and poverty in South Africa: an employment-based analysis*. Nwosu & Ndinda, 2018.

Poverty and inequality in South Africa during the pandemic

Given that poverty and inequality in South Africa are multidimensional, income inequality isn't the only persistent challenge, inaccessibility to socioeconomic opportunities is a huge factor in the reproductive nature and generational curse of poverty and inequality in South Africa. Social mobility in South Africa is largely dependent on the class status of the family they are born into, if a South African is born into a poor family, there is a strong likelihood that they will inherit that poverty and so upward mobility in South Africa is greatly influenced by gender, race, and class.

All of these dimensions of poverty and inequality have been heightened by the Covid-19 pandemic. When South Africa went into a hard lockdown on the 26th of March 2020, many informal workers and precarious workers found themselves without any means of generating income. Many of these workers are Black women, whose families are reliant on them for their survival⁸.

According to the latest Quarterly labour force survey (QLFS)⁹ for the fourth quarter of 2020 that was released by Statistics SA on the 23rd of February 2021, the official unemployment rate in South Africa now stands at 32,5% with a 1,7% increase from the previous quarters. This statistic is the highest unemployment has been in South Africa since 2008, "the number of unemployed persons increased by 701 000 in Q4: 2020 following an increase of 2,2 million in the previous quarter."

Statistics South Africa also highlighted in the report that it is the Black youth in South Africa that are most affected by unemployment, with a rate of 63.2% between those aged 15 and 24 and a rate of 41.2% between those aged 25 and 34. Black women also continue to bear the brunt of unemployment with a rate of 38.5%. Statistics South Africa also further noted that two out of three people in the country reported not being able to work because of the restrictions of the Covid-19 pandemic.

The Covid-19 pandemic is proving to be a virus of inequality, which has worsened the already existing inequities. In a report published by Oxfam¹⁰, it was shown "it will take over a decade for the world's poor to recover economically from the pandemic and South Africa's 4 billionaires have seen their fortunes increase by R83,321,600,000 since March 2020, enough to give every one of the 5.9 million poorest South African people a cheque for R14,049 each". Yet the majority of South Africans are in a perpetual state of joblessness and with more than half (55,5%) of the population living in poverty. The covid-19 pandemic has exacerbated the interlinked challenges that accompany unemployment, many more South Africans now have to scramble to meet their basic food needs and everyday necessities, and this is within the context of increasing inflation.

Statistics South Africa has reported that "inflation jumped to 4,4% in April 2021 from 3,2% in March 2021". This has driven up the price of food in South Africa, for example "food and

⁸ COVID-19 in South Africa: The intersections of race and inequality. Oxfam. Vuyokazi Futshane, 2021.

⁹ Quarterly labour force survey (Q4:2020), Statistics South Africa.

¹⁰ The Inequality Virus: Bringing together a world torn apart by coronavirus through a fair, just and sustainable economy. Oxfam. Berkhout et al, 2021.

non-alcoholic beverages increased by 0,9% between March and April. This took the annual rate to 6,3%, the highest it has been since 6,8% in July 2017 (45 months ago). At that time, parts of South Africa were experiencing severe drought.”

In a nutshell, South African food inflation is the highest it has been in the last four years.



Consumer Price Index numbers and year on year rates.

Source: Statistics South Africa.

As previously mentioned, the nature of inequality in South Africa is multidimensional and it has been found that Black South Africans in rural, peri-urban, and informal settlements have been hit the hardest by the pandemic, compounding the inequalities they already were experiencing. These areas in South Africa where predominately Black and people of colour live (a consequence of Apartheid spatial planning) have poor infrastructure and poor service delivery, which has only worsened with the pandemic.

Not only has the pandemic exacerbated existing inequalities but it has brought forward new forms of inequality, most notably vaccine inequality. The roll out of the vaccine has created a further gap between richer and poorer countries. According to Vaughn (2021:12), “mass immunisation may not happen until 2024, if at all, in places”, to illustrate this he cites the World Health Organisation, who reported earlier this year that, “the West African state had administered just 25 doses as of 18 January. By comparison, 4.72 million had been given in the UK alone.”¹¹

¹¹ Global vaccine inequality. New Scientist. Vaughn, 2021.

And while South Africa is now in the second phase of vaccination, moving from health workers to those above sixty years in the eligibility criteria, the rate of vaccination has been slow, maladministration has occurred in the process and we are beginning to see a trend of vaccine corruption emerging. To date the total number of vaccines administered in South Africa is 478,733, with new figures still under consideration¹².

While the announcement from US president, Joe Biden to support lifting the intellectual property protections for the Covid-19 vaccines, which could potentially allow low to middle income countries the opportunity to produce vaccines locally and more cost effectively, we are still far from bridging the vaccine inequality gap.

For many countries, South Africa included, reaching herd immunity lies in the very distant, unforeseeable future.

So, in thinking of a post Covid-19 South Africa, the multidimensionality and intersectionality of old, current, and emerging socioeconomic inequalities needs to be fully understood if interventions which are equitable are to be designed.

Recommendations

Knowing all that we know, how does South Africa recover from the Covid-19 pandemic?

The Covid-19 pandemic has greatly impacted economies across the globe, and undoubtedly South Africa's economy has been worsened by the pandemic, whose economy was already in a state of vulnerability. Many to date have lost their jobs and incomes and many will continue to do so. There is increasing inflation and poverty and inequality is expected to deepen. So, in order to breathe life into a post pandemic economy, South Africa's health interventions must be coupled with progressive economic recovery interventions that not only aim at resuscitating the economy but also creating one that can thrive better than before with widespread systematic change by implementing some of the following recommendations.

- **Widening social protection**, the Covid-19 pandemic has demonstrated just how effective social protection can be in times of crisis. Globally, governments have beefed up their social protection packages, with South Africa also following suite by rolling out a Covid-19 grant. But despite the commendable efforts that South African government has shown in responding to the pandemic, we need to create a proactive, rather than reactive social protection system. Comprehensive social protection has been proven to be a key developmental tool in drastically reducing poverty and inequality, therefore a universal basic income is recommended as a way to not only provide immediate relief to impoverished households but boost economic participation by increasing the spending power of most South African consumers.

¹² www.sacoronavirus.co.za

- **The economic inclusion of Black women and the youth.** As mentioned previously, South Africa's unemployment crisis is out of control and those who are most affected by it are Black women and the youth. Women in particular are also burdened with unpaid care work, that is necessary for a functioning economy, but it is unaccounted for and not providing for in economic planning, South Africa needs to mainstream gendered industrial and economic policies that will ensure equity through incentivising industries in bridging the gender gap in both labour force participation and reducing the gender wage gap.
- **Domestic resource mobilisation** through plugging illicit financial flows in the mining industry. One of the key take aways from the widely referenced Mbeki High Level Panel on Illicit Financial Flows from Africa is that illicit financial flows on the continent pose a huge threat to Africa's developmental goals. In South Africa, the Mining industry is one of the country's key economic sectors with potential for substantial contribution to economic growth, job creation, transformation, and infrastructure development, consistent with the government's objectives of higher and more balanced economic and inclusive growth. In 2019, mining contributed R360.9 billion or 8.1 percent to gross domestic product, but South Africa is heavily affected by illicit financial flows, and this erodes the total tax base and harms the capacity to maximise development.

It is therefore critical that South Africa continues to reflect and review mining regulatory and fiscal regimes in order to ensure that while attracting Foreign Direct Investment (FDI), these regimes are also capable of being administratively enforced, safeguarding safety in mining, environmentally and socially responsible and that mining houses also pay a fair amount of taxes on the profits generated in South Africa and plug the losses of potential revenue losses that occur through illicit financial flows.

- **Redistributive and equitable tax measures,** particularly through the implementation of a wealth tax. A recent study by the Southern Centre for Inequality¹³ has found that to adequately respond to the economic crisis South Africa has been faced with over the last few decades, which has now been exacerbated by the Covid-19 pandemic, a progressive solidarity wealth tax is urgently needed. In the study, it was found that "wealth tax on the richest 354,000 individuals could raise at least R143 billion. That equates to 29% of the announced R500bn fiscal cost of the relief package", extreme inequality will not be curbed in South Africa, if bold, progressive measures that aim at not only achieving equity but also simultaneously redress some of the socioeconomic injustices of South Africa's past. Therefore, a wealth tax is both

¹³ A Wealth Tax for South Africa. Southern Centre for Inequality Studies. Chatterjee, Czajka & Gethin, 2021.

a redistributive and equitable tax measure that could drastically aid turning around a contracting economy.

- **Increasing protection for informal and precarious/casual workers**, across the continent, the informal economy is one of the biggest sources of employment, which according to the United Nations Economic Commission for Africa (ECA)¹⁴, “accounts for 70 per cent of employment in Sub-Saharan Africa and 62 per cent in North Africa.” While the informal economy in South Africa is relatively small when compared to other countries (see table below) it still has untapped potential.

Forecast of the size of the informal economies (per % GDP) in Nigeria and South Africa [

Year	2011	2016	2017	2020	2025	Period Average (2011–2025)
Nigeria	50.73	48.37	47.70	46.99	46.11	47.93
South Africa	23.49	21.29	23.33	23.71	24.19	23.59
Global	23.10	22.66	22.50	22.11	21.39	22.35

Forecast of the size of the informal economies (per GDP) in South Africa and Nigeria, Africa’s biggest economies.

Source: The Informal Sector and Economic Growth of South Africa and Nigeria: A Comparative Systematic Review. Etim and Daramola (2020)

In a country with a deep employment crisis such as South Africa, the informal economy can and should be leveraged to fill the employment gaps in the formal employment sector. Policy and legislative frameworks should be administered to protect informal workers and to promote growth in the sector. People who work in the informal sector in South Africa enjoy very little employment protections, there are no measures in place to secure their longevity and they are essentially fending for themselves while contributing to the GDP, “one in every six South Africans who work, work in the informal sector,”¹⁵ so it is crucial the South African government advance the rights of those in the informal sector and tap into it’s growth potential.

For South Africa to recover from Covid-19 and its various manifestations of inequality, an economy that caters to all its citizens needs to be constructed, an economy that will provide a decent life for all, regardless of gender, race, class and fulfil all the socioeconomic mandates enshrined in the constitution.

¹⁴ Contribution to the 2015 United Nations Economic and Social Council (ECOSOC) Integration Segment.

¹⁵ The South African Informal Sector: Creating jobs, reducing poverty. HSRC Press. Frederick Fourie, 2018.