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An analysis of policies that address income inequality in South Africa

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ABSTRACT

The article explores the policies that have been promulgated in South Africa post-democracy to address the issue of income inequality. These policies include the National Norms and Standards for School Funding Policy (NNSSF), and the Employment Equity Act 47 of 2013 as amended. South Africa has been found to be one of the most unequal countries in the world because of the cohabitation of the first and third economies. On the one hand, the NNSSF policy aims to address income inequality by correcting the legacy of apartheid in the schooling system. On the other hand, the Employment Equity Act intends to amongst other things correct disparities in income. The article relies on a qualitative methodology. The findings reveal that despite the various policies that have been promulgated, the results do not reflect what the policies intended to achieve. As a result, inequalities are still rampant and the majority of the citizens are languishing in abject poverty. The article concludes with a framework that highlights the key prerequisites that need to be in place in order to address income inequalities.

Key phrases

Education; employment equity; income inequality and policies

1. INTRODUCTION AND BACKGROUND

Investopedia (2021:Internet) defines income inequality as a measure of how unevenly income is distributed throughout a population. When income distribution is less, this results in higher income inequality. In order to address the issue of income inequality, countries have to implement policies. In this article, the policies that are explored are the National

Norms and Standards for School Funding Policy (NNSSF), and the Employment Equity Act 47 of 2013 as amended. The motivation for focusing on these policies is that firstly, various studies have shown that education plays an important role in predicting an individual's position in the income distribution continuum. Education is as such a key variable that determines whether an individual finds a job, the nature of the job and the level of remuneration (Leibbrandt, Wegner & Finn 2011:9). Guidetti and Rehbein (2014:3) aver that the earning prospects of an individual worker are directly linked to the investment they have made in their education. On the one hand, the NNSSF policy aims to address income inequality by correcting the legacy of apartheid in the schooling system. This is achieved through allocating more government subsidies to poor schools as opposed to the so-called privileged schools. On the other hand, the Employment Equity Act aims to correct disparities in employment, occupation and income caused by policies of the apartheid government, such as the Industrial Conciliation Act 28 of 1956, which had a clause on job reservation.

The Employment Equity Act 47 of 2013 was amended for purposes of legislating for the reporting on disproportionate income differentials, which exist especially amongst the various racial groups, of which employers are required to take measures to gradually reduce.

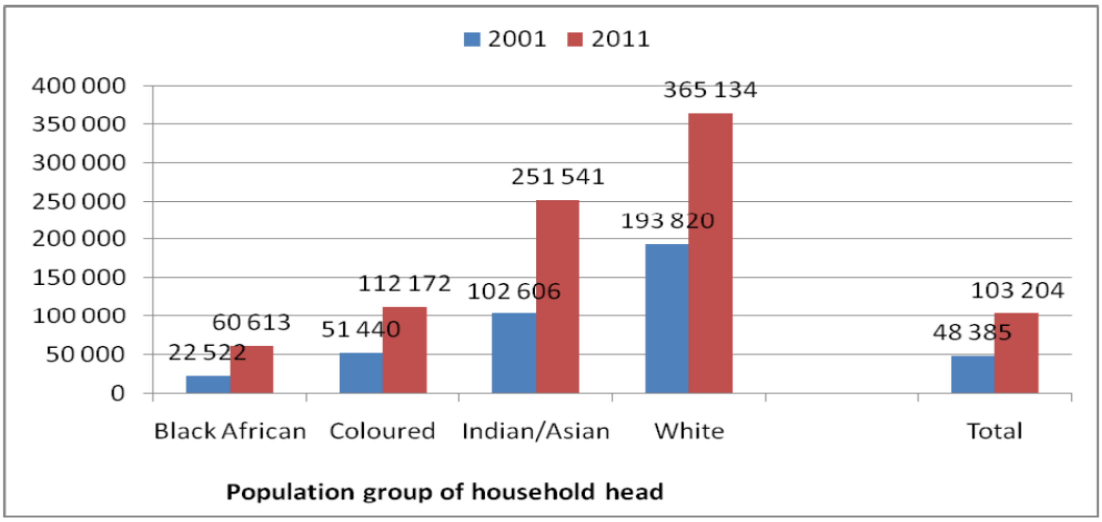
The Employment Equity Act requires employers to develop Employment Equity (EE) plans that illustrate how they plan to address the objectives of the Act. The causes of income inequality in South Arica can be traced back to the policies of the apartheid government such as the Industrial Conciliation Act 28 of 1956 as described above. Clause 77 on job reservation in the aforementioned Act aimed to give preference to white employees, and consequently limited job and salary opportunities for the black majority.

The article considers the Gini index or Gini coefficient as a measure of income inequality. This index is based on the Lorenz Curve, which graphically represents the distribution of wealth and income in relation to a country's population (Bosch, Rossouw, Claassens & Du Plessis 2010:1-2). However, Chitiga, Sekyere and Tsoanamatsie (2014:Internet) posit that the Gini index ought to be used with restraint because there are many factors that it does not take into account such as the impact of social security programmes aimed at addressing the income inequality and poverty experienced by the poor. From an economics perspective, the relationship between income inequality and economic growth is regarded as complex (Berg & Ostry 2011:3). Berg and Ostry (2011:3) note that some degree of income inequality is necessary for the effective functioning of a market economy and the incentives needed for investment and growth. High and sustained economic growth increases the demand for labour and wages, which in turn reduces poverty. Better earnings, therefore, lead to increased productivity and growth. The extent of poverty reduction because of economic growth depends on how the distribution of income changes with economic growth. However, Checchi (2000:1) & Guidetti and Rehbein (2014:2) concur that inequality can be destructive for growth.

An article by Beaubien (2018:Internet) according to the World Bank estimates, South Africa is the most unequal country in the world. The inequality is attributed to the legacy of apartheid (Meiring, Kannemeyer & Potgieter 2018:2; Philip, Tsedu & Zwane 2014:47; Woolard, Leibbrand & McEwen 2009:105) as shown in Figure 1 and Table 1 below. Figure 1 shows that the black African majority who constitute 80.7% of South Africa's population still earn very low wages on average when compared to the white minority, who constitute 7.9% of the population (Statistics South Africa 2019a:vi). Figure 1 below is an extract from the latest South African Census, which was conducted in 2011. The Census survey is administered every 10 years, thus the latest Census data will be available in 2022.

Table 1 below shows that in terms of senior management positions in South Africa's private sector, white people still mainly occupy these. Slight improvements towards the incorporation of black people, can be observed between 2001 and 2017. Statistics South Africa (2014:14) highlights that, in terms of national consumption between the richest and the poorest, the richest 20% of South Africa's population account for over 61% of household consumption, this compared to the poorest 20% who account for only 4.5%. The consumption levels of the rich and the poor further illustrate the extent of inequalities in the country.

Figure 1: Average annual household income by population group



Source: Statistics South Africa (2012:41)

Table 1: South Africa's workforce profile by race 2001 and 2017

Occupational level	Period	White	African	Coloured	Indian	Male	Female
Top Management	2001	87%	6%	3%	4%	87%	13%
	2017	67%	14.3%	5.1%	9.4%	77.1%	22.9%
Senior Management	2001	81%	9%	5%	5%	80%	20%
	2017	56.1%	22.1%	7.7%	10.9%	66.2%	38.8%
Professionally qualified	2001	56%	33%	6%	5%	62%	38%
	2017	36.5%	42.2%	9.6%	8.8%	53.4%	46.6%
Technical skilled	2001	18%	58%	18%	6%	60%	40%
	2017	19.6%	61.7%	11.3%	5.6%	52.9%	47.1%

Source: Department of Labour (2018:3)

Table 2 below shows how South Africa fares in terms of income inequality when compared to the country's counterparts in the BRICS[1] group of countries. South Africa has the highest income inequality index among the BRICS countries, with a Gini index of 0.63. Brazil comes second at 0.51, followed by China at 0.42. Russia and India follow in the far distance at 0.38 and 0.35 respectively. Statistics South Africa (2014:22) notes that South Africa's National Development Plan (NDP)[2] has set a target of reducing the country's Gini coefficient to 0.6 by 2030. It is therefore suggested that to achieve the target set out in the NDP, great emphasis will need to be placed on addressing the structural challenges propagating inequality in the country. These challenges include the marginalisation of the majority black population from access to quality education, financial resources and economic opportunities (Meiring *et al*. 2018:2).

[1] This is an acronym for an association of five emerging economies: Brazil, Russia, India, China and South Africa.

[2] This is South Africa's long-term strategic plan that aims to ensure that a decent standard of living is attained for all South Africans, through the elimination of poverty and reduction of inequality.

Table 2: Gini coefficient of BRICS countries

Country	Gini Index
Brazil	0.51
China	0.42
Russia	0.38
India	0.35
South Africa	0.63

Source (Beaubien 2018:Internet)

It is further noted that income inequalities exist virtually in all sub-Saharan African countries, with four (4) countries in the region, including South Africa, being in the top five (5) of the world's most unequal countries (Chitiga *et al*. 2014:Internet). The previously mentioned is the case despite policies that are in place to address this dilemma (Wilkinson & Pickett 2009:193). Daly, Wilson and Vasdev (2001:231-232) further note that there is a link between income inequality and high levels of crime. Ikejiaku (2009:451) comments that post-apartheid South Africa has continued experiencing many socio-economic challenges, which include poverty, inequality and high levels of crime. The aim of this article thus is to establish how the policies that have been promulgated in South Africa post-democracy to address the issue of income inequality have fared thus far.

2. THEORETICAL PERSPECTIVES

In addressing the aim of this study, focus is on concepts such as income inequality within the context of the human capital theory. This section provides the theoretical foundation that guides the study.

2.1 Human capital theory

The human capital theory is considered first because it will assist in clarifying the role of education in an individual's future income prospects. Human capital theory firstly, acknowledges that people are capital or assets, which have to be developed in order to be remunerated accordingly. Secondly, it explains the benefits of investing in education and training.

Guidetti and Rehbein (2014:3) explain income inequality within the context of structural tradition in the subject of sociology; these authors aver that inequality continues to exist because various social groups have unequal access to resources and power that is socially relevant. This is exacerbated by that power and resources tend to 'remain in the family' owing to that one generation simply passes its resources to the next. From a theoretical approach, the authors explain that human capital theory is the main theoretical framework used by economists to explain income inequality. According to the human capital theory, individuals expect to make a return from the investment they make in education. This investment is in the form of many years spent by the individual acquiring as much education as possible. Accordingly, the earning prospects of an individual worker are directly linked to the investment they have made in their education. Other exogenous factors such as birthplace, gender, race and family background however, also have a role to play while their relevance will present differently in various countries (Guidetti & Rehbein 2014:10). Ram (1989:188) emphasises that as education expands more swiftly, the expectation is that overall income inequality will decline. Educational expansion is likely to increase the participation of women in the labour market. An inference can therefore be made that an increase in the labour force participation of women may result in reduced income inequality.

2.2 Income inequality

Income inequality which is a measure that indicates gaps between individuals' or households' disposable income is measured using the Gini coefficient. The Gini coefficient is based on the Lorenz Curve, which plots the share of a population against the share of income received (Bosch *et al*. 2010:1-2; Statistics South Africa 2014:81). It has a minimum value of zero, which shows perfect equality, and a maximum value of one, which shows perfect inequality. Variables such as human capital investment, openness to trade and higher government spending have a significant impact on enhancing economic growth and reducing income inequality. Research on economic growth and income inequality started with Kuznets' study, which was based on three (3) countries, namely, the United States of America, the United Kingdom and Germany. The study's findings suggested that income inequality increased in the initial stages of a country's development and thereafter decreases in the course of development (Kuznets 1955:4).

Keeton (2014:28) posits that inequality is an inevitable outcome of capitalism. The author notes that periods of falling inequality in Western Europe, that is, the 1950s-1960s are anomalies caused by aggressive policies such as steep progressive[3] income tax and the welfare state. The social welfare state ideology developed in the early 1940s relates to government guaranteeing equal opportunities between citizens to compete for factors of

[3] A tax system that taxes high-income earners more than it does low-income earners.

production wherein their share in those factors is not guaranteed. Some minimum guarantees are provided by the state such as free education, free medical care and social welfare grants for the less privileged and the aged. The social welfare ideology, therefore, calls on government to take the necessary steps to realise the collective objectives of communities by assisting the poor and less privileged in many ways over and above financial means to enhance their quality of life. Among other things, the government has to identify the causes of poverty and find ways to eradicate it. The premise of the ideology is that the state is democratic and is based on principles of freedom, equity and justice for all (Gildenhuys 1997:8).

Twala (2014:1) cites that South Africa's governing political party, the African National Congress (ANC), has over time supported various ideologies. The most recent ideology supported by the ANC is 'social democracy' which was first mentioned in its 'Strategy and Tactics' report in 2007 (ANC 2007:Internet) implying that the party seeks to build democracy with social content. A system of social democracy also prioritises the needs of the poor and social issues such as healthcare, education, a social safety net and a quest for equality. The role of the state in the economy is also intensified (Twala 2014:5). Keeton (2014:28) argues that to address income inequality, the wealthy need to pay much higher income taxes and a global wealth tax. According to Keeton, the wealthy should pay a wealth tax because wealth is seen as a source of income inequality. It is further suggested that the wealth tax be charged globally to avoid the wealthy moving their money to countries with more favourable tax regimes.

2.2.1 Limitations of the Gini Index

Chitiga *et al.* (2014:Internet) suggest that the Gini index, as a measure for income inequality, has several limitations, and as such must be used with caution. These limitations include:

- **The income concept**: This refers to that income can be defined at the household level weighted by among others, household size, or at an individual level taking into account wage earnings. Each income definition gives a different measure of income and different levels of income inequality. A Gini index based on individual incomes is, therefore, different from one based on household incomes for the same country. The rankings of countries, therefore, changes depending on whether the index is based on household incomes or individual incomes.
- **Informal sector income**: The Gini index excludes the informal sector's income. It is noted that in most developing countries, the informal sector accounts for almost 90% of employment. A country's income tax regime, that is, regressive, proportional or progressive, has an impact on redistribution of income as well.

- **Social benefits**: The Gini index is not able to capture social benefits aimed at bridging the gap between the rich and the poor. Subsidised housing, healthcare, education and social grants for the vulnerable are measures that subsidise household incomes, and reduce income inequality to some extent. Bosch *et al.* (2010:4) note that South Africa's Gini coefficient as calculated by Statistics South Africa does not take into account the impact of some government policies aimed at addressing the legacy of income inequality. These include policies for the provision of free housing and free basic services to the poor. An analysis by the above authors shows that South Africa's Gini coefficient declines when the government's social security measures are included in the Gini calculation. By way of example, the authors cited above indicate that Statistics South Africa calculated the country's 2005/6 Gini coefficient as 0.70. When income from social grants was added, the Gini coefficient declined to 0.65. When services that are provided by the government to the poor for free are included in the calculation, the Gini coefficient further declined to 0.61 (Bosch *et al.* 2010:9). This demonstrates that the government's redistribution programmes have achieved some success albeit that these are not currently taken into account in the Gini coefficient calculation. In contrast, Woolard *et al.* (2009:98) highlight that South Africa's social security grants have made a substantial contribution to reducing poverty but have done little to reduce inequality. Woolard *et al.* (2009:98) further note the importance of differentiating between poverty-reducing and inequality-reducing policies. The Philip *et al.* (2014:6) aver that in policy debates in South Africa, the question often asked is, with the prevalence of poverty continuing, why is the focus on inequality, instead of poverty, which has a more immediate impact on people's lives? Poverty, unemployment and inequality interact in complex ways, wherein high levels of socio-economic inequality can limit the scope for growth necessary to create jobs and reduce poverty. If high levels of inequality limit growth, reducing inequality may be a prior and necessary condition for a sustainable decrease in poverty. The important role that social grants have played in providing income support to the poor, however, should not be discounted. It could also be argued that social grants play a role in breaking the intergenerational cycle of poverty, through enhanced child nutrition, health and education, which will have a positive effect on income inequality (Philip *et al.* 2014:57). The positive effect referred to above will however, only be realised in years to come. Gumede (2009:113) cautions that although social grants provide a safety net to the poor, the government's primary objective should be to empower individuals to be self-sufficient.
- **Demographic changes or characteristics of the population**: The Gini index does not reflect demographic changes or characteristics of the population. As a result,

countries with high ratios of elderly people whose main sources of income are pensions, or countries with high student ratios are likely to have higher levels of income inequality as measured by the Gini index.

Due to the limitations of the Gini index noted above, Chitiga *et al.* (2014:Internet) caution that the index's measure and ranking of a country must be considered subjectively.

2.2.2 Causes of income inequality

Keeton (2014:29) notes that in Latin America, income inequality has narrowed over time because of higher minimum wages and rising employment. Keeton (2014) indicates that South Africa's social security programmes are for children from poor households, the elderly, and the disabled, and as such does not include the unemployed (Philip *et al.* 2014:58). Keeton's analysis of testing the effect of increasing taxes for the wealthy marginally or significantly to extend social grants to the unemployed showed that the additional amount of money generated from this would not be enough to cover this additional expenditure. The number of jobs created in South Africa has in addition, not kept up with the growth of the labour force, with the unemployment rate at 29% (Statistics South Africa 2019b). It is further noted that high-income inequalities remain within workplaces, as well as between the employed and the unemployed. Philip *et al.* (2014:49) posit that income inequality in the labour market is a legacy of apartheid, as the labour market of the apartheid government was based on cheap black African labour. Skilled work was as such reserved for white people who were paid a 'racial premium'. Even though the democratic government has policies in place to deracialise the wage structures, the inequalities remain in place (Meiring *et al*. 2018:2; Philip *et al.* 2014:49).

Keeton (2014:30) highlights that the solution to reducing income inequality in South Africa's workplaces includes addressing the structural changes in the economy, whereby a high proportion of people are employed within the skilled and semi-skilled job categories. The solution also includes addressing challenges within the education system, as the unemployed would be able to gain entry into semi-skilled and skilled jobs if they had access to better education (Guidetti & Rehbein 2014:10; Ram 1989:188). More importantly, having a large pool of educated workers would reduce the premium paid to skilled employees who are in short supply, therefore, narrowing the income inequality gap (Guidetti & Rehbein 2014:1; Keeton 2014:30).

Leibbrandt *et al*. (2011:2) note that income inequality in South Africa has been exacerbated by labour market developments, whereby income and labour absorption rates continue to be concentrated in the top income deciles at the expense of all other deciles (Philip *et al.*

2014:47). Leibbrandt *et al*. further posit that earnings of individuals at lower-income deciles have not increased in real terms since the dawn of democracy, instead, have fallen significantly relative to those in higher deciles (Philip *et al.* 2014:51). Philip *et al.* (2014:52) also indicate that people with professional and managerial skills are paid a premium wherein a manager's salary in South Africa was found to be more than double that of a manager in Poland, and three (3) times that of a manager in Brazil. Education is, therefore, one of the most important variables when it comes to solutions to reduce income inequality. Woolard *et al.* (2009:98) point out that the labour market has a role to play in reducing income inequality. In this regard, a reduction in the levels of income inequality can be achieved when there is in employment and a reduction of inequality in wages.

Leibbrandt *et al.* (2011:4) note that poverty has remained prevalent in households that are headed by individuals with an education level of Grades 10-12. This indicates that there is a decrease in the demand for workers with those levels of education (Bhorat, Naidoo, Oosthuizen & Pillay 2015:15; Philip *et al.* 2014:51). On the contrary, households headed by individuals with tertiary education were found to be more likely to be in the top income deciles (Leibbrandt *et al.*, 2011:10). Consequently, poor households find themselves in a situation where they have to rely on the government for income in the form of grants. Grants have therefore played a critical role in reducing poverty in households where the old age pension and child grants are received (Leibbrandt *et al.* 2011:4).

Bhorat *et al*. (2015:16) highlight that South Africa's educational profile of employed individuals shows that only 20% of those individuals have a tertiary qualification, and only 32% have completed their Grade 12. This illustrates that South Africa's workforce is mainly a semi-skilled one. The fact that South Africa's workforce is mainly semi-skilled contradicts the fact that there has been a steady decline in the demand for unskilled labour because of technological advances, which are replacing labour. In contrast, there has been a rise in the demand for highly skilled labour, especially in the services sector (Philip *et al.* 2014:52).

3. POLICIES TO ADDRESS INCOME INEQUALITY

The following section considers some of the policies that were passed by South Africa's democratic government to address inequalities caused by the apartheid government. For purposes of this study, the focus will be on education policies, Employment Equity Acts and Social Assistance Acts. These acts are explained in detail below.

Philip *et al.* (2014:6) mention that addressing the issue of growth by tackling poverty in the absence of policies to address inequality may not produce the desired results. Reducing inequality may, therefore, be a necessary condition for the kind of growth required to optimally impact on poverty.

3.1 Education policies

During the apartheid years, the provision of education in South Africa was segregated along colour lines. The black majority’s education was provided for under the Bantu Education Act 47 of 1953. The system of education was inferior and according to Giliomee (2009:190) was “explicitly designed to prepare black people for an inferior place in society”. Hendrik Verwoerd who was Minister of Native Affairs during 1950-1958 is quoted as having said: "There is no place for a black man in the European community above the level of certain forms of labour” (Giliomee 2009:190). It is against this background that the education system after democracy needed an overhaul to give learners of all races equal opportunities.

Leibbrandt *et al.* (2011:9) highlight that education plays an important role in predicting an individual’s position in the income distribution continuum. Education is as such a key variable that determines whether an individual finds a job, the nature of the job and the level of remuneration. The authors’ further highlight that spend on education has increased significantly in South Africa post 1994, wherein the yearly average spend is around 5.5% of the country's gross domestic product (GDP). It is however noted that even though enrolment figures in both primary and secondary schools have increased, the quality of education remains poor, and does not equip learners with the necessary skills (Philip *et al.* 2014:55). On education, the South African Schools Act 84 of 1996 and the National Norms and Standards for School Funding are considered. The South African Schools Act 84 of 1996 aims to redress past inequalities in the provision of education, which have resulted in disparities in the quality of education provided to white and black learners, with black learners being the ones who are mainly subjected to poor education. The National Norms and Standards for School Funding aim to address inequalities in resource allocation, in the schooling system. As explained above, an individual’s income prospects are directly linked to their level of education, thus to understand the root causes and potential solutions of/to the issue of income inequality, it is important to consider the basic education policies.

3.1.1 South African Schools Act 84 of 1996

The objective of the South African Schools Act 84 of 1996 is to provide for a uniform system for the organisation, governance and funding of schools. It is noted in section 34 of the South African Schools Act of 1996 that the state has to fund public schools from public revenue on an equitable basis to secure the rights of learners to education and redress past inequalities in the provision of education Mestry and Ndhlovu (2014:1).

To address equity in the funding of public schools, the National Norms and Standards for School Funding (NNSSF), first published in 1998 and updated in 2006 as a schedule of the South African Schools Act 84 of 1996 was introduced to provide a legal basis for the funding of public schools. The NNSSF is discussed below.

3.1.1.1 National norms and standards for school funding

Mestry and Ndhlovu (2014:1) note that since 1994, the government's educational reforms have focused on achieving equity and redressing imbalances caused by the apartheid government. The authors further posit that since the publishing of the NNSSF framework, inequalities in resource allocation are no longer an issue. Other inequalities however, are still in place because of the state's inability to provide free education to everyone, lack of qualified teachers in rural schools, parents' inability to pay user fees, and disproportionate learner-teacher ratios in the township and rural schools. Within the NNSSF framework, schools are classified into wealth quintiles and subsidised according to their needs, that is, schools in poor communities receive more state funding when compared to those in more affluent communities. In this way, equity in the funding of schools is achieved as the NNSSF framework applies the principle of treating individuals unequally to achieve some form of fair treatment (Mestry & Ndhlovu 2014:2).

The NNSSF framework therefore provides a quintile ranking for the funding of schools to address equity. A resource-targeting table is used, which is based on principles that govern the determination of school poverty or quintile ranking, which includes the relative poverty of the community around the school. The relative poverty of the community around the school depends on the individual or household income, wealth, level of education and other relevant data compiled by Statistics South Africa. Poor schools are ranked in quintiles 1-3, and these are no-fee paying schools and are allocated a higher subsidy. Schools in affluent communities are ranked in quintiles 4-5, and receive a lower subsidy. To achieve an equitable distribution of resources, Provincial Education Departments (PEDs) are required to allocate 60% of their non-personnel and non-capital expenditure to 40% of their most deprived schools in quintiles 1-3. The least disadvantaged schools in quintiles 4 and 5 receive only 5% of the allocation (Mestry & Ndhlovu 2014:3; RSA, 1996b:40).

Mestry and Ndhlovu (2014:4) highlight that the NNSSF framework also aims to improve the quality of education through the reorganisation of the conditions of learning to increase the possibility of achieving cognitive equity among all learners in South Africa. The authors maintain that although schools classified in quintiles 1-3 receive more state funding, the performance of learners as reflected in the results of the Annual National Assessment (ANA) and Grade 12 Senior Certificate examinations, have not improved significantly. On the other hand, results of affluent schools classified in quintiles 4 and 5, which receive less subsidies, have continued to perform well. Bhorat *et al*. (2015:15) highlight that poorer schools in South Africa have not yet been able to overcome inherited socio-economic disadvantages. It is noted that even though schools in quintiles 1-3 receive more state funding, these schools cannot afford to appoint additional teachers above the norms set by the Department of Basic Education, and still lack resources such as laboratories and libraries. The aforesaid can be one of the explanations for why the schools in quintiles 1-3 are still performing worse than those in quintiles 4-5 despite the former receiving more state funding (Mestry & Ndhlovu 2014:6).

Mestry and Ndhlovu (2014:10) posit that the ranking of schools into quintiles as prescribed by the NNSSF framework is not enough in addressing the improvement of educational outcomes and learner achievement, more so for learners in rural communities. The authors state that even though government subsidies for more affluent schools have been significantly reduced, these schools are still able to raise additional funding through various means such as parents who can pay and donors. It is therefore noted that the NNSSF framework has not succeeded in addressing imbalances in the education system caused by the apartheid government, nor in achieving equity in the distribution of education resources. The main cause of this is noted as being how schools use the funding that is allocated to them.

It is argued that Heads of Education restrict School Governing Bodies (SGBs) in the provinces from spending funds according to the needs of schools. Heads of Education send directives to SGBs prescribing that funds allocated to schools should only be used for learning and teaching support materials, repairs and maintenance of school property and for payment of services such as electricity and water. To minimise SGBs' reliance on Heads of Education when it comes to how money allocated to schools should be spent, it is suggested that SGBs should consist of financially literate members, to enable them to make informed financial decisions for schools (Mestry & Ndhlovu 2014:10). It is important that the inequalities that exist in the education system be addressed, as it has been emphasised that education is the one variable that if addressed can play an important role in addressing the issue of income inequality.

Hepple (1963:6) highlights that one of the worst laws passed by the apartheid government is the law on job reservation. This is so as the livelihoods of millions of non-white South Africans have been affected by this law to this day. Furthermore, Hepple (1963:6) argues that the exclusion of the majority black population from specific occupations based on the colour of their skin bestowed employment privileges on white South Africans. Due to the implementation of the job reservation policy, South Africa was asked to withdraw from the International Labour Organisation (ILO) in 1961. Post 1994, South Africa promulgated the Employment Equity Act 47 of 2013 as amended to address various inequalities in workplaces, as described below.

3.1.2 Employment Equity Act 47 of 2013 as amended

The Employment Equity Act 55 of 1998 was promulgated to correct disparities in employment, occupation and income caused by policies of the apartheid government, as described above, such as the Black Building Workers Act 27 of 1951, which proscribed black people from performing skilled work in the building industry in white urban areas. Section 27 of the Employment Equity Act requires designated employers[4] to report on the remuneration and benefits received in various occupational categories of their workforce annually. Reporting on the different occupational levels is also done by race. Where there are disproportionate income differentials, employers are required to take measures to gradually reduce such differentials (RSA, 1998:14). The Employment Equity Amendment Act 47 of 2013 amends certain sections of Act 55 of 1998. The Act amends section 27 of 1998 to include that where there are disproportionate income differentials or unfair discrimination because of differences in terms and conditions of employment, an employer must take measures to reduce such differentials over time (RSA, 2013:6).

3.1.2.1 Income differential assessments

The Department of Labour (2015:5) reports that it undertook a process of assessing income differentials in various institutions to determine salary disparities in terms of race and gender between 2010 and 2014. The objective of the process was to test and promote the principle of equal pay/remuneration for work of equal value, in line with the ILO Convention 100 that was ratified by South Africa on the 30th of March 2000. The assessment considered companies listed on the Johannesburg Stock Exchange (JSE), multinational companies operating in the country in different sectors, and government departments. Over 200 employers in the private and public sector were assessed between 2010 and 2014. The assessment revealed the following challenges:

- Employers did not have proper job evaluation systems in place. At the same time they were not able to provide justifiable reasons for the salary disparities;

[4] are employers who: employ 50 or more workers, employ less than 50 workers but, their annual turnover is equal to or above the annual turnover of a small business as stipulated in Schedule 4 of the Employment Equity Act.

- Some employers used confidentiality as a mechanism to resist providing income differential information required;
- Employers were reluctant to implement corrective measures to address pay disparities as part of affirmative action measures in their EE plans; and
- Some employers did not have a remuneration philosophy and policy that directs and guides remuneration and benefits in a way that is free from unfair discrimination.

Even though the Employment Equity Act was promulgated over 20 years ago, the Act has not yet succeeded in addressing income inequalities in workplaces. However, the Department of Labour developed the Code of Good Practice, which addresses the issue of ‘equal pay for work of equal value’, and it is believed that this Code will surely guide employers in implementing pay/remuneration equity in their respective workplaces (Department of Labour 2015:5).

3.1.3 Social Assistance Act no 9 of 2004

The South African Social Security Agency (SASSA) (2018) was established through the Social Security Agency, Act no 9 of 2004 as a schedule 3A public entity in terms of the Public Finance Management Act (PFMA) (Republic of South Africa 1999:74). The SASSA was therefore established for the effective management, administration and payment of social assistance and services to all qualifying South Africans.

Figure 2 below provides an exposition of the number of social grant beneficiaries by grant type between 2006 and 2018. An analysis of the numbers shows that the ‘child support grant’ is the one with the most beneficiaries. The means test for this type of grant is as follows (South African Government 2019):

- South African citizenship or permanent residency; and
- Annual earnings of not more than R48 000 for single parents and a combined annual income of not more than R96 000 for married parents.

The high number of child support grant beneficiaries could be a reflection on the high unemployment rate in South Africa as well as a high number of parents who earn less income.

Figure 2: Number of social grant beneficiaries by grant type

Grant type	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Old Age	2,195,018	2,229,550	2,390,543	2,546,657	2,678,554	2,750,857	2,873,197	2,969,933	3,086,851	3,194,087	3,302,202	3,423,337
War Veteran	2,340	1,924	1,500	1,216	958	753	587	429	326	245	176	134
Disability	1,422,808	1,408,456	1,286,883	1,264,477	1,200,898	1,198,131	1,164,192	1,120,419	1,112,663	1,085,541	1,067,176	1,061,866
Grant in Aid	31,918	37,343	46,069	53,237	58,413	66,493	73,719	83,059	113,087	137,806	164,349	192,091
Care Dependency	98,631	102,292	107,065	110,731	112,185	114,993	120,268	120,632	126,777	131,040	144,952	147,467
Foster Child	400,503	454,199	474,759	510,760	512,874	536,747	532,159	512,055	499,774	470,015	440,295	416,016
Child Support	7,863,841	8,189,975	8,765,354	9,570,287	10,371,950	10,927,731	11,341,988	11,125,946	11,703,165	11,972,900	12,081,375	12,269,084
Total	**12,015,059**	**12,423,739**	**13,072,173**	**14,057,365**	**14,935,832**	**15,595,705**	**16,106,110**	**15,932,473**	**16,642,643**	**16,991,634**	**17,200,525**	**17,509,995**
Annual Growth		3.40%	5.22%	7.54%	6.25%	4.42%	3.27%	-1.08%	4.46%	2.10%	1.23%	1.80%

Source: (SASSA 2018:21)

The annual expenditure on social grants between years 2006 and 2018 is highlighted in Figure 3 below. The expenditure on social grants has increased almost three-fold in the period under review, which can be interpreted as government's commitment, espoused in the Constitution of 1996, to ensuring that all qualifying South Africans become eligible to receive social grants (RSA, 1996a:11). This however, also raises questions of sustainability, as South Africa's tax base is shrinking (National Treasury 2019:35).

Figure 3: Annual expenditure on social grants by grant type

Grant Type	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
OAG	21,222,000,000	22,803,047,000	25,933,971,000	29,826,420,000	33,750,600,000	37,129,812,000
WVG	25,000,000	21,845,000	19,692,000	16,644,000	13,976,000	11,848,000
DG	14,261,000,000	15,281,403,000	16,473,425,000	16,566,681,000	16,840,182,000	17,375,021,000
FCG	2,851,000,000	3,414,315,000	3,934,756,000	4,434,346,000	4,616,442,000	5,010,915,000
CDG	1,006,000,000	1,132,102,000	1,292,470,000	1,434,143,000	1,586,452,000	1,736,431,000
CSG	17,559,000,000	19,625,983,000	22,348,556,000	26,669,761,000	30,341,465,000	34,319,636,000
GIA	67,000,000	87,000,000	90,000,000	146,295,000	170,052,000	204,026,000
SRD	41,000,000	106,244,000	623,012,000	165,458,000	173,737,000	185,298,000
Total	**R57,032,000,000**	**R62,471,939,000**	**R70,715,885,000**	**R79,259,748,000**	**R87,492,906,000**	**R95,972,987,000**

Grant Type	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
OAG	40,475,021,000	44,064,239,000	49,039,940,000	53,132,206,342	58,320,616,899	64,225,847,005
WVG	9,543,000	7,657,000	6,157,000	4,843,209	3,849,009	3,032,780
DG	17,636,570,000	17,768,631,000	18,741,885,000	19,165,931,340	19,926,030,772	20,886,071,889
FCG	5,335,049,000	5,332,093,000	5,413,209,000	5,406,785,714	5,326,150,589	4,950,744,160
CDG	1,877,412,000	1,993,084,000	2,211,583,000	2,394,455,743	2,613,647,264	2,843,336,250
CSG	38,087,990,000	39,623,748,000	43,718,425,000	47,308,536,379	51,476,941,214	55,906,388,602
GIA	237,974,000	274,092,000	371,121,000	503,080,357	650,307,803	855,208,997
SRD	239,289,000	533,047,000	455,718,000	407,015,691	587,638,983	484,123,076
Total	**103,898,845,000**	**R109,596,591,000**	**R119,958,041,000**	**128,322,854,776**	**138,905,182,534**	**150,154,752,759**

Source: SASSA (2018:21)

Jones (2013:1) observed that in 2012, for every 100 people on social welfare, just 90 people were employed, and this remained constant since 2010. Social grants in South Africa are therefore one element of a comprehensive approach to poverty and inequality alleviation.

Philip *et al.* (2014:56) report that social grants have played an important role in reducing poverty. The magnitude of wealth concentrated at the top income deciles however, dilutes the gains made from the transfer of social grants. As a result, the difference made to aggregate income inequality is minute.

Chitiga *et al.* (2014:Internet) found that income inequality in South Africa has negatively impacted on access to employment opportunities, education, quality healthcare and necessities such as electricity, water and sanitation. It can, however, be noted that South Africa has made positive gains in bridging the gap in the quality of life between the rich and the poor in areas such as housing, electricity provision, healthcare delivery and education infrastructure. Social grants had reduced poverty by 45% for individuals in the lower poverty line between 1993 and 2013 Philip *et al.* 2014:48). The food poverty measure however, indicated that poverty levels had declined from 33% in 1993 to 25% in 2013 (Chitiga *et al.* 2014:Internet). As explained above, Chitiga *et al.* (2014:Internet) note that the construction of the Gini index does not capture the impact of interventions on income inequality in South Africa, such as the country's social security programme. In this regard, if the Gini index was capable of capturing the impact of interventions such as those provided for under the social security programme as described above, South Africa's current income inequality index and ranking could have improved.

4. FINDINGS AND CONCLUSION

Income inequality in South Africa exists because of the legacy of policies of the apartheid government. It continues to exist post-democracy as the policies promulgated to address this menace are yet to achieve their objectives. The measure of income inequality, the Gini index, was considered in the article. It was discovered that this measure must be used with caution because there are many factors that it does not take into account such as the impact of social security programmes aimed at addressing income inequality and poverty experienced by the poor. The study further highlighted the importance of policies aimed at addressing inequality and acknowledged that reducing inequality may be a necessary condition for the kind of growth required to optimally impact on poverty. Theoretical perspectives on income inequality were also considered. The literature revealed that the causes of income inequality are vast. At a high level, inequalities exist because of unequal access to resources. In the case of South Africa, various policies such as policies on job reservation were put in place during the apartheid years to prohibit black people from fully participating in the labour market, therefore, limiting their chances of earning higher salaries.

In addressing the aim of this article to establish how some of the policies that have been promulgated in South Africa post-democracy to address the issue of income inequality, have fared thus far, the policies that have been considered are the Employment Equity Act and the South African Schools Act 84 of 1996. The NNSSF framework which was published in terms of the South African Schools Act 84 of 1996 aims to address income inequality through correcting the legacy of apartheid in the schooling system. This is achieved through allocating more government subsidies to poor schools as opposed to the so-called privileged schools. In line with what the literature emphasised when it comes to the importance of education in reducing income inequality, the author is of the opinion that the focus of the government should be on addressing challenges in the education sector, particularly in the primary and secondary schooling phases. This will assist in preparing learners at those early stages to be able to compete equally with others in their adult years, therefore raise their prospects to secure better employment and subsequently better income.

The Employment Equity Act was promulgated to correct disparities in employment, occupation and income caused by policies of the apartheid government. Employers are required to develop Employment Equity plans to address the objectives of the Act. The work done by the Department of Labour shows that income differentials still exist in the workplace. A conclusion can therefore be reached that despite the various policies that have been passed to address income inequality in South Africa; the policies have not yet achieved what they seek to. This reality does not bode well for the country wherein high levels of socio-economic inequality have limited the scope for growth necessary to create jobs and reduce poverty. Reducing inequality is a necessary condition for a sustainable decrease in poverty.

Having considered the above, the author provides for what constitutes a contribution to the body of research on income inequality. This is presented in the form of a framework that provides for the prerequisites that have to be in place for income inequality to be reduced, as can be seen in Table 3 below.

Table 3: Conceptual framework for the reduction of income inequality

Prerequisite	Interpretation of prerequisite	Assessing the success of the prerequisite
Investment in teacher training	Rural schools do not have enough teachers, especially for subjects such as Mathematics and Science.	Increased number of teachers in critical subjects such as Mathematics and Science. To achieve this, the Department of Basic Education (DBE) could invest in the training of teachers in the aforementioned fields.

Prerequisite	Interpretation of prerequisite	Assessing the success of the prerequisite
Improve learner-teacher ratios in rural schools	Rural schools have many learners in their classes, which makes it difficult for teachers to attend to the needs of each learner.	Scientific formulae need to be developed to assess how many learners can be serviced by an individual teacher in a day and applied accordingly. The DBE will be able to achieve this in an environment wherein teacher shortages have been reduced.
Invest in school infrastructure such as libraries and labs in rural schools	Rural schools need to have resources that learners need to succeed in their studies such as libraries and labs.	The availability of the necessary infrastructure in rural schools. The infrastructure budgets should prioritise important infrastructure such as libraries.
Prescribe the education qualifications of members of SGBs	Members of SGBs need to have various skills to support school management. Most importantly, financial skills are required to assist management in adequately allocating and spending funds.	SGBs that are constituted by members who are mainly financially literate. Officials responsible for appointing members of SGBs should ensure that they appoint at least one member who has financial management skills on each SGB.
The monitoring and evaluation of the implementation of the Employment Equity (EE) Act by labour inspectors.	The Department of Labour needs to monitor the provision for equal pay for work of equal value in the EE Act.	Employers reporting annually on how they are addressing income differentials in their organisations/institutions. The Department of Labour also needs to implement punitive measures, when there are no improvements in addressing income differentials amongst various racial groups by employers.

Source: Constructed by author

Table 3 above provides for what essentially constitutes the contribution that this article attempts to make to the body of research on income inequality. The contribution is in the form of the author’s design of a framework that provides for the prerequisites that have to be in place for income inequality to be reduced. The framework describes these prerequisites, their interpretation as well as how they can be assessed. As can be seen in the framework, factors in the education system are the main prerequisites suggested in the framework to address the issue of income inequality in South Africa. The author opines that if these factors are addressed the issue of income inequality will soon be dealt with.

The limitations of this study include that no empirical data was collected. The study solely relied on secondary sources of information, and the author's analysis of the secondary data. Future studies can build on the foundation laid by this study by collecting empirical data on the implementation progress of the various policies in addressing income inequality.

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