

POLICY AREA:

Global Inequality and Social Cohesion

How Inequalities undermine Social Cohesion: A Case study of South Africa

Isaac Khambule (Human Sciences Research Council, South Africa)

Babalwa Siswana (Human Sciences Research Council, South Africa)

May 16, 2017

Abstract

The consequences of growing global inequalities and uneven development are starting to be noticeable because of their effect on social cohesion. South Africa is such a country that bears the consequences of having the most unequal society in the world. This policy brief therefore uses the case study of South Africa to show how social and economic inequalities can end up undermining social cohesion, the very glue that is holding our national societies together and fostering a greater response to inequalities. The authors propose various measures in which the South African government can address the decreasing levels of social cohesion because of increasing socio-economic inequalities. This can be done through government committing to adopt redistributive policies in the social and economic spaces. The redistributive policies have to be aimed at redistributing the land, investing in African businesses and increasing the minimum wage.

Challenge

Inequalities are drastically becoming one of the foremost challenges that the world is facing due to the disparities between the rich and the poor especially in developing countries. While the world is facing growing social and economic inequalities between societies, there are fundamental upheavals that are starting to undermine social cohesion. Recent studies have shown that inequalities are accompanied by a reduction in social cohesion, specifically in interpersonal trust between different groups which is as a result of economic equality and equality of opportunities (Rothstein and Uslaner, 2005). South Africa is a prime example of such a country that is mired in inequalities that are starting to impact on its social cohesion. The country has an income Gini that ranges between 0.66 to 0.70% (World Bank, 2016). This is testament to the failure to redistribute socio-economic benefits more than 20 years after the advent of democracy.

The transition from apartheid South Africa to a democratic dispensation in 1994 was hailed as a miracle transition that received international praise (Mashele and Qobo, 2014). It set South Africa on a new footnote with the blanket of a rainbow nation under the late iconic Nelson Mandela. In 2014, the country celebrated two decades of democracy but the celebration was not entirely met with jubilation, but rather curiosity from the side of the masses who are mired in poverty. A study by Hodgson (2012) revealed that today, "rising inequality is a key challenge for South Africa that

adversely impacts economic development and socio-political stability". The accrued disparities have resulted in the undermining or setback of the reconciliation project that South Africa embarked on after 1994 because privileges are still drawn along racial lines.

The country is facing immediate triple socio-economic challenges of poverty, unemployment and inequality that are aggravated by the country's ailing economy with an unemployment rate over 27% and a youth unemployment rate of over 50%. This means that promises that were made (of a better life for all and equal opportunities) have not materialised for many Africans. In contrast, it has left many people mired in poverty with the majority of people having gone poorer and the richer getting richer (Statistics South Africa, 2014; ILO, 2014). These inequalities undermine the country's aspirations of doubling the GDP and elimination of poverty and inequalities as reflected in the 2030 National Development Plan.

High unemployment rate in South Africa has also resulted in discouraging many people from seeking employment because of prolonged labour market slump, with the youth being heavily affected. Thus, a high unemployment rate subsequently leads to high levels of poverty and inequality. The multidimensional poverty in South Africa showed a significant decrease in the proportion of households that were poor between 2000 and 2011 from 17.9% to 8.0% whilst a slight decrease of about 1% was observed between 2011 and 2016 (0.7 %). This indicates that South Africa's rate of poverty alleviation has been slowing down from 2011. As proportion of household has reduced, the circumstances of the poor are not getting better. Unemployment and education (years of schooling) identified as the main top drivers of poverty in South Africa while the contribution of services delivery and health is relatively small (Lehohla, 2016). The recent slow pace of economic growth is also a fundamental factor that has contributed to the slow pace of poverty alleviation.

The income inequality statistics between 2011 and 2014 reveal that income inequalities have been rising in South Africa (Stats SA, 2011; Stats SA, 2014). Ketton (2014) found that South Africa's inequalities are aggravated by two factors; high wage disparities in the workplace and the gap between those employed and unemployed. The inequalities that are grappling South Africa are also attested to by the findings of the survey by Organisation for Economic Co-operation and Development (OECD) that noted that South Africa has not made any progress in reaching income equality after apartheid (OECD, 2013).

As of the above background, many radical voices are starting to point fingers to the negotiated settlement and compromises that were made in the negotiation table as a justification for their poverty and growing inequalities. This is because negotiations didn't prioritise redistribution of the economy, but merely focused on political rights (More, 2011; Bond, 2006). More twenty years later, this is proving to undermine South Africa's social cohesion and driving the country to a state of fragility. For South Africa, the danger is more immediate because inequalities are along racial lines because even though it has been 20 years into democracy, economic privileges are still drawn between racial lines. In this case, one of the foremost drivers of inequalities is income disparities between the lowest earners and top earners.

As a consequence of growing triple challenges (unemployment, poverty and inequalities) in South Africa, the country has recently been inundated by xenophobic attacks towards foreign nationals (Hayem, 2013). The attacks are driven by the belief that foreign nationals aggravate the country's unemployment, poverty and inequalities by accepting minimal wages (Tshishonga, 2015; Ramphele, 2008). Therefore there is growing despise towards foreign nationals and this has resulted in the undermining social cohesion. Research by Uslaner (2011) has shown that segregation is one of the leading factors that drive down trust in communities. Social cohesion is thus undermined because of the racial socio-economic disparities and it is also undermined intra-racially because of the fight for resources with foreign nationals. These underpinnings are promulgated by socio-economic

inequalities that are mostly felt by those in the end of the social ladder and that is where most xenophobic attacks occur. This therefore explains the nationalistic agenda that ends up being promoted instead of an inclusive agenda.

It has to be also noted that inequalities are not only unique to South Africa, but it is a global challenge. Countries such as Brazil (although there was moderate decrease in Brazil's inequalities) and India and other developing economies find themselves under the same predicament (Leibbrandt et al. 2010). As of this, the issue of inequality has become immediate in the global stage due to increasing levels of inequality in the rest of the world. The case of South Africa is very much relevant to global inequality issues because it is the most unequal country in the world. The adverse relationship between inequalities and social cohesion is underpinned by the growing dissatisfaction that the excluded feel as seen with the latest statistics that only 34% of South Africans trust local governments (South African Local Government Research Centre, 2014). The rise of radical left wing voices within South Africa and other economies is an affirmation that social cohesion is weakening because of grave inequalities.

Proposal

As a response to the highlighted problems that South Africa faces, the following recommendations are made. The proposed recommendations are centred on the need to effectively redistribute socio-economic benefits.

Redistribution

The one fundamental setback that is facing the country's bid to address growing inequalities is the failure to redistribute social and economic resources. One of these resources is access to land and capital. Whilst other nations are suffering from an economy completely dominated by the majority of the population, South Africa suffers from the adverse of this. The country is historically built on a system that has the minority of the population (less than 10%) owning a significant portion of the economy, whereas the majority population (more than 80%) owns less than 10% of the economy.

It is therefore important for South Africa to move towards policies that will redistribute the economy in order to curtail income inequality. Such policies can be targeted at the following industries.

Agriculture: The country needs to move towards progressive and radical policies on the land issue as access to land for Africans is still a barrier. There should be a speedy process in land reform in order to allow many communities to be involved in the agricultural process through the creation of community agrihubs to be championed by cooperatives. Land reform and redistribution should be inclusive and benefit as many African people in order to attenuate increasing inequalities and access to land. Communities who get access to land for agricultural purposes should also be supported in order to increase the sustainability of agriculture and food security given that the African population is growing rapidly. This will allow communities to generate their own wealth instead of depending on the state.

Increasing spending in black businesses

The government has to have a clear intervention that targets black businesses when it comes to governmental spending. During the 2017 State of the Nation Address, the President stated that the government will pursue economic transformation by ensuring that 30% of government's spending

goes to black (African, coloureds and Indians) businesses. However, 30% is still too little in a nation whereby Africans make up 80% of the population.

Government must increase its spending in African businesses to more than 65% in order to accelerate radical economic transformation that will curb economic inequalities. This will not happen overnight, but there should be gradual progress to realising this. Investing in transformation could lead to improved economic distribution for all South Africans.

The government must accelerate its investment in emerging industrialists in order to expedite industrialisation process and job creation. This could also lead to better service delivery and job creation for the majority of people mired in poverty.

The government needs to also promote rigorous Black Economic Empowerment (BEE) policies that will be measured in terms of results in the distribution of economy. This will ensure that the redistribution of the economy is measured by the number of hands that are equally benefiting from the economy rather than participants in the economy.

Corruption

Tackle corruption in the public and private sector. This will ensure that there is sufficient money to deliver basic services to communities. This is because many inefficiencies emanate from mismanagement and maladministration from the public and private sectors. This undermines the good intentions of equitable redistribution. This includes illicit capital flows that are stealing the future of millions of South Africans. This can be done through introducing stronger and rigid tax systems that will limit tax evasion and illicit cash flows.

Increasing the minimum wage

The best possible way of going about cutting income inequality and at the same time act as a response to poverty is through increasing the minimum wage and also protecting informal workers. South Africa has already adopted a minimum wage which is R3500 per month and R20 per hour. However, the problem is that this minimum wage is below the poverty line. This therefore means that even if the wage increase is effective, people will still be mired in poverty. The country can follow Atkinson's (2015) recommendation of a minimum wage above poverty line.

South Africa should look at increasing the minimum wage to a standard of living that is acceptable in order to reduce poverty and income inequality. This can be done through focusing on the household level rather individual level when benchmarking the minimum wage. It is important to note that the average monthly earnings of Africans are not increasing at the same pace as of white counterparts. Therefore government should implement policies that will prioritise increasing wages for people who are in the lowest income order. This will ensure that some progress is made in decreasing income inequalities and poverty.

Through adopting this strategy, the country could simultaneously address income inequality and poverty. This can go a long way in building up social cohesion and ensuring that societies are integrated. In this instant, social cohesion depends on the nation's ability to keep its people above poverty line and earning decent income as advocated by the International Labour Organisation (2014).

Unemployment and poverty

Government needs to relook programmes aimed at reducing unemployment and poverty because current programmes are not yielding the necessary results. It is also important to restructure resource allocation towards those programmes.

A lot needs to be done in terms of enrollment at higher education and job creation. Enhancing youth skills must be at the centre of solving high rates of unemployment. Access to quality basic and tertiary education among South African youth, as well as meaningful job creation will directly contribute towards economic transformation and addressing the triple challenges. This can only be achieved through improving South Africa's education system as it has the potential to attenuate the unemployment rate and subsequently address inequalities.

Social Cohesion

The government needs to promote programmes that are aimed at building social cohesion among citizens and foreign nationals. This can be done through cultural exchange programmes that will foster cohesion. The low levels of social cohesion are contributory to the current xenophobic attacks that the country is experiencing in some parts of Johannesburg and Pretoria.

The government must accelerate service delivery and work with the private sector to accelerate job creation to ensure that citizens have a safety net. This will in turn improve social cohesion and diminish xenophobic attacks because poverty, unemployment (scarcity of jobs) and lack of service delivery have been the foremost drivers of xenophobic attacks.

Income equality can lead to better socio-economic conditions for citizens and strengthen social cohesion. Therefore, government must ensure that income equality is adhered to in the workplace. This can also be done through investment ventures that are aimed at creating inclusivity by involving multiple ethnic groups.

References

- Atkinson, A. B. (2015). *Inequality*. Harvard University Press.
- Bond, P. 2006. *Looting Africa: The Economics of Exploitation*. London: Zed Books.
- Hayem, J. 2013. From May 2008 to 2011: Xenophobic Violence and National Subjectivity in South Africa, *Journal of Southern African Studies*, 39: (1), 77-97.
- Hodgson, A. 2010. *South Africa – The Most Unequal Income Distribution in the World*. EuroMonitor International.
- ILO. 1970. *Convention C131 - Minimum Wage Fixing Convention, 1970 (No. 131)*. Geneva: ILO.
- ILO. 2014. *Minimum Wage Systems. ILC.103/III/1B International Labour*. Geneva: ILO.

7. Ketton, G. 2014. Inequality in South Africa. *The Journal of the Helen Suzman Foundation*, (74): 28-31.
 8. Lehohla, P. 2016. The South African Multidimensional Poverty Index (SAMPI): An Assessment recovering the period 2001-2016.
 9. Leibbrandt, M., Woolard, I., McEwen, H. and C. Koep. 2010. Better Employment to Reduce Inequality Further in South Africa, in *Tackling Inequalities in Brazil, India, China and South Africa: the Role of Labour*. Cape Town, SALDRU.
 10. Mashele, P and Qobo, M. 2014. *The fall of the ANC: What Next?* Johannesburg: Picador Africa.
 11. More, M. 2011. Fanon and the Land Question in (Post) Apartheid South Africa, in *Living Fanon: A Global Perspective*, (ed) by Gibson, Nigel, 177-189. United States of America: MacMillan.
 12. National Planning Commission. (n.y). *National Development Plan 2030: Our future, Make it Work*. Pretoria, Department of Presidency.
 13. Organisation for Economic Co-operation and Development. 2013. *OECD Economic Surveys South Africa*. OECD Publishing.
 14. Pickety, T. 2014. *Capital in the 21st Century*. New York: The Belknap Press of Harvard University Press.
 15. Ramphela, M. 2008. *Laying Ghosts to Rest: Dilemmas of the Transformation in South Africa*. Cape Town: Tafelberg
 16. Rothstein, B., & Uslaner, E. M. (2005). All for all: Equality, corruption, and social trust. *World Politics*, 58(01): 41-72.
 17. SA Local Government Research Centre. 2014. *The SA Local Government Briefing*. May Issue. Cape
 18. Statistics South Africa. 2012. *Census 2011 Statistical Release – P0301.4*. Pretoria: Statistics South Africa.
 19. Statistics South Africa. 2014. *Poverty Trends in South Africa: An examination of absolute poverty between 2006 and 2011*. Pretoria: Statistics South Africa.
 20. Tshishonga, N. 2015. The impact of xenophobia-Afrophobia on the informal economy in Durban CBD, South Africa. *The Journal for Transdisciplinary Research in Southern Africa*, (4): 163-179.
 21. Uslaner, E, M. 2011. Trust, Diversity and Segregation in the United States and United Kingdom. *Comparative Sociology*, (10): 221–247.
 22. World Bank. 2016. [South Africa Overview](#). Accessed 09/01/2016
-