

Wages in Post-apartheid South Africa

South Africa entered the post-apartheid era with one of the most unequal income distributions in the world. Inequality in wages was a key driver of overall inequality. Redistribution was one of the top priorities of the new government. To that end several pieces of legislation were introduced to reform the labour market, including the Labour Relations Act (1995), the Basic Conditions of Employment Act (1997) and the Employment Equity Act (1998). Institutions like the National Economic Development and Labour Council (NEDLAC) were introduced to give unions a stronger say in policy debates and the establishment of the Commission for Conciliation, Mediation and Arbitration (CCMA) was intended to regulate labour disputes.

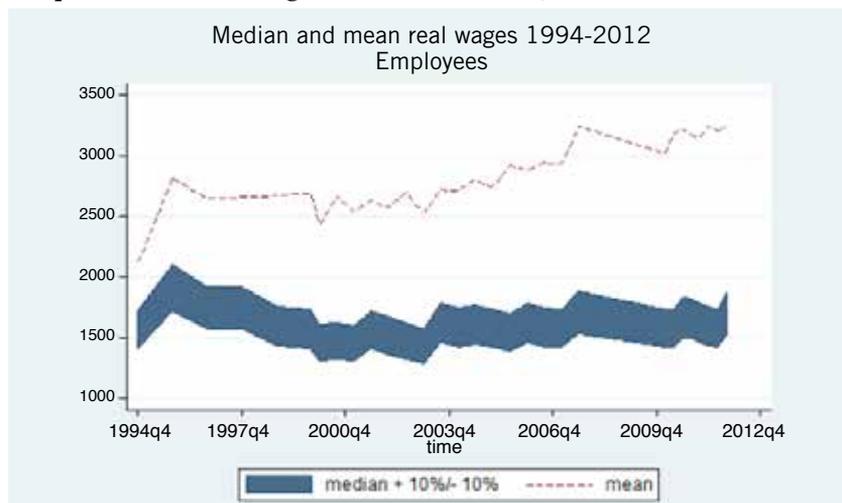


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Rising wage inequality 1994-2012

After nearly two decades of such interventions intended to address inequality what, if anything, has been their impact? Wittenberg (2014) has provided evidence that inequality among wage earners has actually widened over the post-apartheid period. The top tail of the earnings distribution has moved away from the median, so that the gap between the median and the earner at the 90th percentile has increased sharply. As a result the gap between average wages and median wages has also increased. This is shown graphically in [Figure 1](#): The band of incomes around the median wages (per month) when compared to the mean. Figures are all deflated to June 2000. The thick band in that figure is the range of wages lying 10% either side of the median. It is clear that median wages have been fairly static (in real terms), while average wages have increased noticeably over the period.

Figure 1: The band of incomes around the median wages (per month) when compared to the mean. Figures are all deflated to June 2000

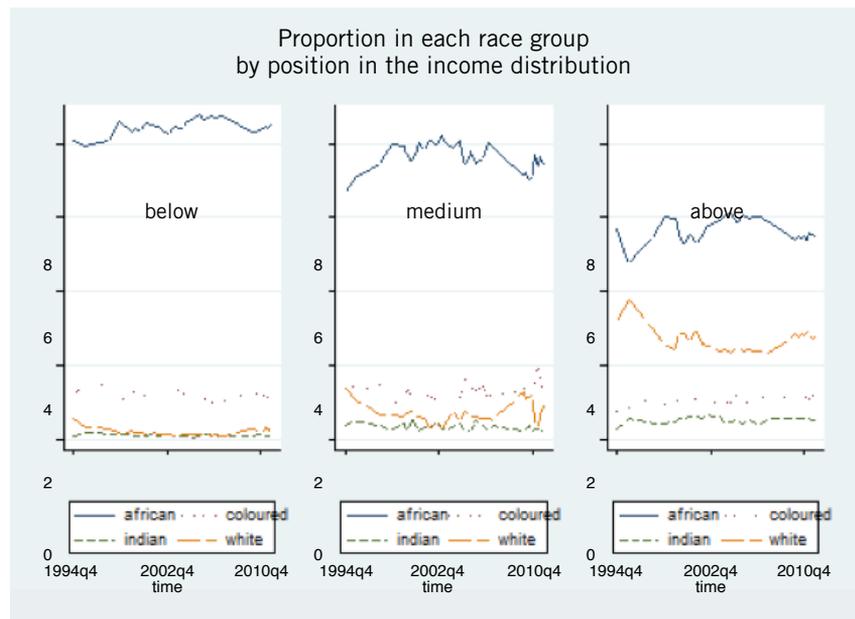


One of the key questions that one needs to confront when dealing with pictures like Figure 1, is whether or not there have been compositional changes in the labour force that have resulted in these changes. If, for instance, there had been strong growth in employment particularly among low income workers, this would clearly result in a lowering of the median income overall. In this paper we raise the question to what extent the character of workers at the bottom of the distribution, around the median or at the top have changed over the post-apartheid period. To that end we divide the overall distribution of employees into three groups: a) those earning below 90% of the median, b) those earning between 90% of the median and 110% of the median, and c) those earning above 110% of the median. In terms of Figure 1, we are contrasting a) those below the blue band, with b) those falling into it and c) those lying above it. All our analyses are conducted on the PALMS dataset (Kerr, Lam and Wittenberg 2013) which assembles all the Statistics SA datasets with labour market information.

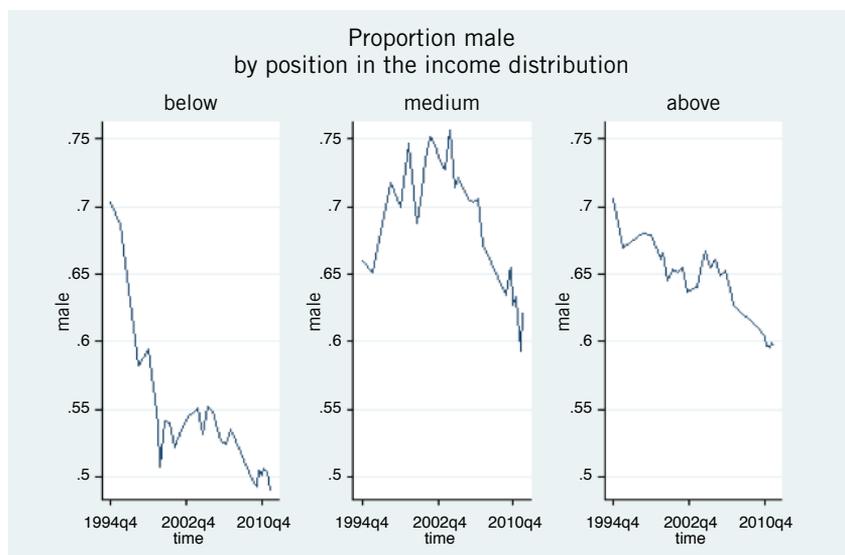
Demographic characteristics of low, median and high wage earners

In [Figure 2](#): Racial breakdown of those earning below, at and above the median we show the racial breakdown of the three groups and its evolution over the post-apartheid period. It is clear that in this respect not much has changed – the proportion of African South Africans in the bottom earning group remains over 80%. It is also around 80% of the group in the band around the median and has stayed just below 60% of the group earning above the median.

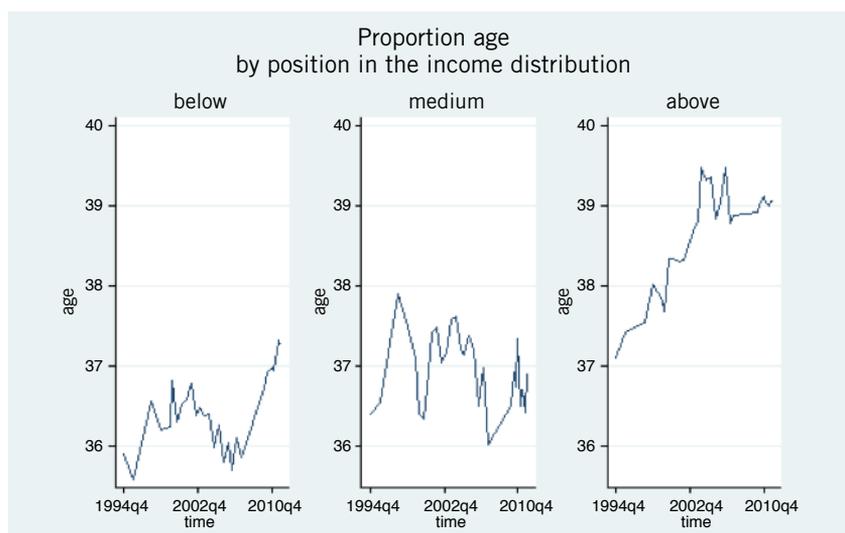
Figure 2: Racial breakdown of those earning below, at and above the median



The gender composition of each of the groups has changed, however, as more women have entered the labour force. It is evident, from [Figure 3](#): Gender composition of low, median and high wage earners, that there are more women among the low wage earners than there are higher up the income distribution.

Figure 3: Gender composition of low, median and high wage earners

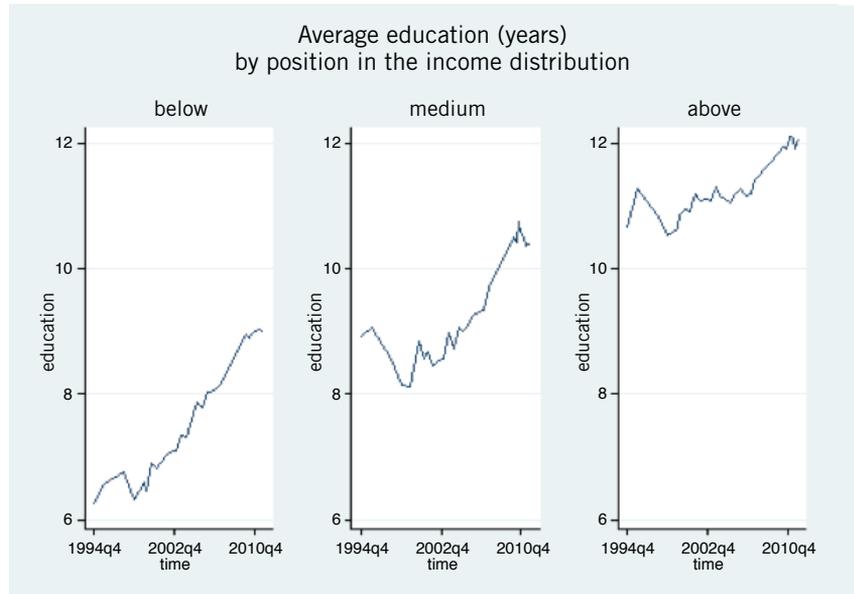
The age distribution, shown in [Figure 4](#): Average age among low, median and high wage earners suggests that there haven't been major compositional shifts among low and median earners, but that the group that earns above the median wage is a bit older at the end of the period than at the beginning. It suggests that experience may be more heavily rewarded in the more recent past.

Figure 4: Average age among low, median and high wage earners

Another dimension which shows strong changes over this period is education, as shown in [Figure 5](#): Average education levels among low, median and high wage earners. This graph is interesting for many reasons. Firstly, it shows a strong correlation between education levels and ones' position in terms of income distribution. The average education level of individuals at the bottom of the distribution is clearly below those at the median who are, in turn, below those at the top. Secondly, there have been strong increases in attainment in all these groups over the last twenty years, with the biggest gains at the bottom. The fact that this has not translated into a narrowing of

the gap between the median and those at the top indicates that the returns to higher education are very strong and have, perhaps, even increased.

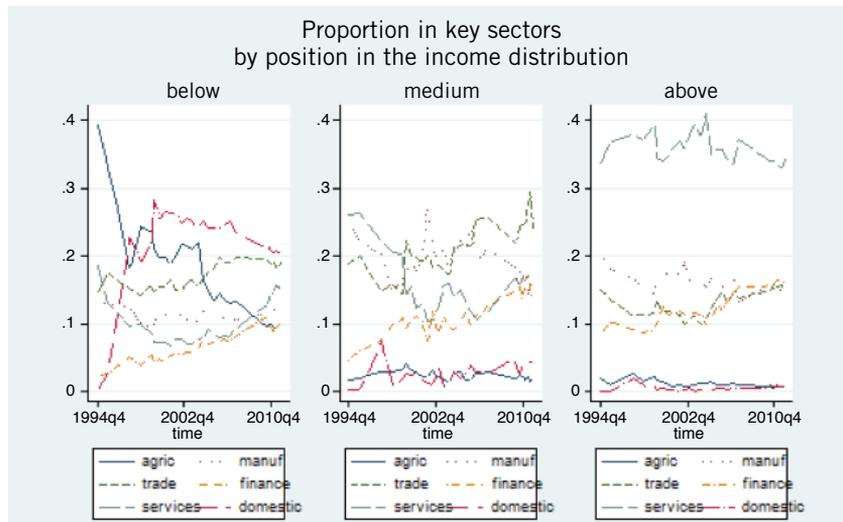
Figure 5: Average education levels among low, median and high wage earners



Economic and labour market characteristics of low, median and high wage earners

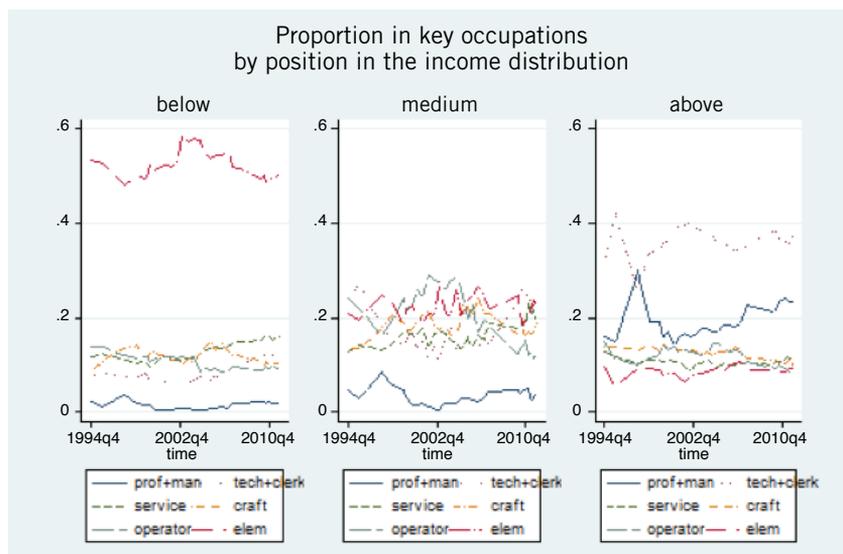
We can also investigate the characteristics of the occupations and the sectors in which low, median and high wage earners fall. The first piece of evidence in that regard is provided by [Figure 6](#): Breakdown of low, median and high wage earners by sector. The “modal” sector for the low wage earners was agriculture at the beginning of the period and it was domestic service at the end. Workers in the retail sector (“trade”) are also well represented among the low wage earners. The “modal” sectors for the median earners are manufacturing and retail trade, while service workers are the single largest group among the high wage earners. Interestingly the strongest compositional shifts, evident in this graph, is the overall drop in agricultural work, although there is some doubt whether the levels in the early October Household Surveys are accurately estimated. Workers in the financial sector make up an increasing proportion of all three groups, suggesting that the expansion of this sector has not added only high paid jobs.

Figure 6: Breakdown of low, median and high wage earners by sector



The breakdown of the three groups by occupation shown in Figure 7: Breakdown of low, median and high wage earners by occupation suggests that the composition of the three categories has remained fairly stable on this dimension: those earning below the median are largely in unskilled occupations; median earners come from a range of different occupations from unskilled to craft workers, to white-collar service workers; while people earning above the median come mainly from clerical, technical, professional and managerial positions.

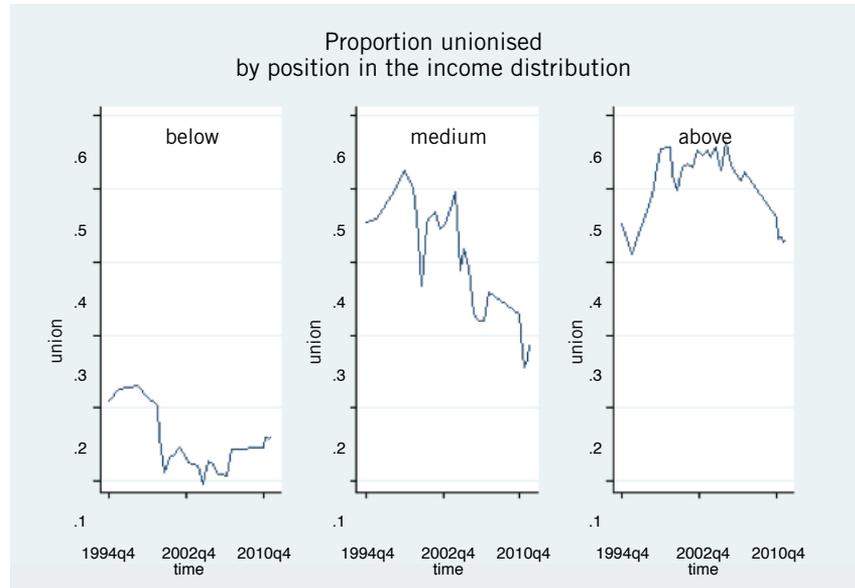
Figure 7: Breakdown of low, median and high wage earners by occupation



Another piece of evidence is shown in Figure 8: Unionisation rate among low, median and high wage earners, where we consider the unionisation rate among low, median and high wage earners. The figures suggest a declining unionisation rate over the period in the middle of the distribution (the blue band in Figure 1). Those earning below the median always had a very low unionisation rate, with some suggestion that it decreased over the period. At the end of the period there is a very

clear gap between the unionisation rate above the median (between 40% and 50%) and at the median (25% to 35%).

Figure 8: Unionisation rate among low, median and high wage earners



What has happened to the median worker?

The evidence presented here suggests that there hasn't been a dramatic change in the nature of the "median worker". This worker is now a little more likely to be a woman, will have a little more education, but will still be an African skilled or semi-skilled worker in manufacturing or retail. This worker will be less likely to be unionised now than in 1994.

In some senses this group of workers was the core constituency of the governing party in 1994, and the main supposed beneficiary from the labour market reforms. The fact that this group has seen only small real wage gains underpins the internal ructions in COSATU as well as some of the discontent expressed in less organised ways. Indeed, as suggested by Figure 8 many of these individuals now find themselves outside the ambit of COSATU. The union movement instead has become representative more of higher earning individuals. To the extent to which the ANC becomes more alienated from the median worker, the more instability we are likely to see.

Overall the evidence suggests that real transformation in the labour market is still some way off. South Africa in 2012 is still one of the most unequal societies in the world (Leibbrandt et al 2012). And unfortunately wage inequality is still a part of that picture. This may very well raise the pressure for additional legislative interventions, perhaps of a populist type, in the not too distant future.

DATASETS

Kerr, Andrew, David Lam and Martin Wittenberg (2013), Post-Apartheid Labour Market Series [dataset], Version 2.1, Cape Town: DataFirst [producer and distributor], 2013. [zaf-datafirst-palms-1994-2012-v2.1]

REFERENCES

Leibbrandt, Murray, Finn, Arden and Woolard, Ingrid (2012) "Describing and Decomposing Post-apartheid Income Inequality in South Africa", *Development Southern Africa*, 29(1): 19-34.

Wittenberg, Martin (2014) "Wages and Wage Inequality in South Africa 1994-2011: The evidence from household survey data", SALDRU Working Paper 135, October 2014, available at <http://www.opensaldru.uct.ac.za/handle/11090/767>.