

South Africa's uneasy social convergence

Despite its redistributive post-apartheid social policies, South Africa still faces substantial challenges. While most white citizens enjoy comparable living standards to those of the richest Western countries, one fifth of the population (mostly black) lives in extreme poverty. Government policies aimed at establishing social justice have achieved varying results. Deteriorating economic prospects have made expectations of social equity increasingly difficult to meet.

Poverty and inequality in post-apartheid society

South Africa's social landscape is shaped by the country's history of colonialism, and the formerly discriminatory legal system that was gradually phased out during the ambitious and peaceful socio-political transformation which began in 1994. Nevertheless, the legacy of segregation and discriminatory policies in key areas such as education, employment, welfare and land ownership remains. The end of apartheid raised high expectations of a more equitable society; however, this has proved much harder to achieve in socio-economic than in political terms. Indeed, South Africa remains one of the most unequal countries on the planet, with a [Gini coefficient](#) (measuring income inequality) of [0.69](#), double the [OECD average](#) of 0.32. According to [World Bank data](#), the richest population quintile shares 70% of the national income, while the poorest quintile has a mere 2.5%. Inequality correlates closely with race. According to the 2011 [census](#), the per capita annual income for whites was nearly [six](#) times higher than for blacks. Corporate ownership is also affected by inequality, with just [one fifth](#) of the country's top 100 companies owned by blacks (who make up [80%](#) of the population). Interracial income disparities have narrowed slightly, not least due to the expansion of a black [middle class](#); however, [intra-racial inequality](#) is growing.

Despite persistent inequities, poverty has declined, with 53.8% living below the [national](#) poverty line (9.4% below the threshold of [US\\$1.25](#) income per day) in 2011, compared to 66.6% and 16.7% respectively five years earlier. Black Africans are the most affected, with [54%](#) under the national poverty line in 2011), compared to 27% of the mixed race (coloured) population, 3.4% of Indians/Asians and 0.8% of whites.

Main social divides and policy responses

Social protection – an effective means of poverty reduction

Considered the most successful instrument of poverty reduction in South Africa, the [universal social policy](#), conferring equal rights to benefits regardless of race, has increased substantially in terms of coverage and expenditure since 1994. As of July 2015, it [benefits](#) 16.8 million (compared to 2.7 million in 1994). Income-dependent [grants](#) are paid to specific social groups such as the elderly, disabled, child carers, war veterans, and others. However, a [critical gap](#) in South Africa's social protection system is the lack of coverage for the 5.1 million ([2014](#)) unemployed, leaving many households with no income at all.

Public works projects and employment support measures to combat chronic high unemployment

Unemployment is estimated at between 25% and 35% (depending on whether one counts the long-term unemployed who have given up looking for a job or not), and affects [mostly](#) the black population. Employers have [blamed](#) this on rigid labour market rules and excessively powerful unions. In contrast, the United Nations Development Programme (UNDP) argues that compared to other developed and emerging economies, South Africa's [labour markets](#) are quite liberal, and that joblessness is the result of an inconsistent implementation of labour market regulations and frequent strikes. Furthermore, [high levels of concentration](#) in the manufacturing sectors make it difficult for entrepreneurs to start their own business.

In response, over the past 10 years, the [Expanded Public Works Programme](#) has created over 5 million jobs in the infrastructure, environmental and social sectors. It has also enabled the emergence of community-driven forms of public employment providing regular part-time jobs in response to local needs, such as

elderly care. Employment is also supported through [empowerment measures](#) for disadvantaged groups, including preferential access to public-sector jobs. The Employment Equity Act of 1998 obliges big firms to report on efforts to make their workforce racially representative by observing quantitative targets, and the [Broad-Based Black Economic Empowerment](#) policy aims to encourage more equitable company ownership, management and employment.

Land reform has made a limited contribution to rebalancing land ownership

The beginning of the 20th century saw widespread expropriation of black-owned land. It is estimated that, by 1994, 87% of the land was [owned](#) by whites and only 13% by blacks. Since the end of apartheid, market-driven land reforms have brought limited results: by 2012, 7.95 million hectares had been brought into black ownership – the equivalent, at best, to 7.5% of formerly white-owned land. Further [reforms](#) are currently being considered, with some political parties pushing for radical land redistribution policies, resulting in legal uncertainty and hampering investments in the sector.

Access to basic public services: not yet a reality for all

Considerable progress has been made in improving [access to basic services](#) such as electricity, water, sanitation and housing. However, although 3.38 million state-subsidised houses have been built since 1994, 22% of the population still lives in shacks, 24% without electricity, 17% without sanitation and 5% without access to piped water. In response to rising discontent over poor service delivery and municipal governance, the government [plans](#) to raise local development and social infrastructure spending by over 8% a year between 2015 and 2017.

Improved education quality: key to redressing inequalities

Racial segregation of schools and a [discriminatory curriculum](#), based on the idea that blacks were only good for manual labour, were abolished soon after 1994. However, with continuing deep dysfunctions in formerly black schools, the system remains *de facto* a two-tier one, perpetuating patterns of racial inequality. [Improving the quality of education](#) and ensuring equal access at all levels is vital in reducing inequality and helping disadvantaged groups to find work. Although South Africa has very high school enrolment – 98% in the 7-15 age group – drop-out rates in secondary and post-secondary education are also high, especially among blacks. Only 12% of blacks enter [higher education](#), compared to 58% of whites, resulting in a shortage of skilled labour and a [huge wage gap](#) between skilled and unskilled workers, which closely reflects the racial divide. Government spending on education is 6% of GDP, close to the [OECD](#) average, though the country does much less well (30% of the OECD average) in terms of expenditure per pupil.

AIDS/HIV pandemic: the main health challenge

The HIV/AIDS pandemic is another major barrier to development, affecting around [5.5 million](#) South Africans (in 2014, sufferers constituted 17% of the 15-49 age group, one of the highest rates in the world) and preventing many of them from looking for work, which is a huge loss of human capital. HIV/AIDS was the leading cause of death in 2012, killing 2 million people. After years of inadequate measures, in 2009 the government finally acknowledged the seriousness of the problem and scaled up the antiretroviral treatment (ART) programme, now the biggest in the world. Thus, between 2009 and 2013, the number of AIDS-related deaths [decreased](#) by [50%](#), and South African expenditure on health now represents [9%](#) of its total public spending, close to the OECD average. Per capita health expenditure (US\$ 982 in 2012) is far below the [OECD average](#) of US\$ 3 484. At present, 48% of health spending comes from the government; this share should increase once the country establishes a [National Health Insurance \(NHI\)](#) system, currently being piloted in several larger cities.

Gloomy prospects as major inequalities set to continue

South Africa's [National Development Plan](#) sets ambitious targets, such as reducing unemployment to 6% by 2030 and reducing inequality in various fields. However, achieving these will be very difficult in the current deteriorating economic context (due among other things to a volatile global environment, falling commodity prices and internal constraints, such as severe drought and structural electricity supply disruption). In the second quarter of 2015, GDP [contracted](#) by 1.3%, thus lowering [growth prospects](#) for 2015.

In force since 2004, the South Africa-EU [Trade, Development and Cooperation Agreement \(TDCA\)](#) is built on three pillars: trade, development aid and cooperation, including on economic and social matters. Following the EU's 2011 Agenda for Change, which refocused funding on the world's poorest countries, [EU aid](#) to South Africa has been reduced from €980 million in 2007-2013 to €241 million in 2014-2020.