Emergent Black Affluence and Social Mobility in Post-Apartheid South Africa

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Taking a look at the Rise of Black Affluence

Over the past decade many studies have been done to investigate social mobility and inequality in post-apartheid South Africa, focussing specifically on the severity and the racial incidence of poverty.

These studies however generally build a profile of individuals in the lower end of the poverty spectrum.

What then of individuals in the upper echelons of wealth? What levels of social mobility may be observed here? More specifically; what share of the country's affluent does Black affluence account for?

In answering the above questions this paper identifies (a) who the affluent are, (b) the determinants of affluence and (c) the typology of the affluent.

Throughout the paper the focus remains on the relationship between race and affluence, with a particular emphasis on identifying the unique features of Black affluence, thereby improving the understanding of emergent forces shaping social mobility and equality in South Africa.

Understanding the Research Methodology

The paper draws on 2 surveys:
- 1995 October Household Survey / Income and Expenditure Survey (OHS/IES)
- 2000 Labour Force Survey / Income and Expenditure Survey (LFS/IES)

It's important to note that there is substantial cause for concern regarding the reliability of both data sets, the resulting problems of which cannot be corrected by cleaning or editing procedures. Since the <u>comparability if the two surveys can therefore not be guaranteed</u>, the two time periods are mostly used to test the stability of relationships between variables.

It suffices to say that the authors of this paper were deliberately conservative in their conclusions drawn from this data, although the DPRU will be pleased to provide you with more indepth detail as to relevant concerns and approaches, should you require.

Identifying the Affluent

How does this paper define the affluent?

Whereas poverty is generally defined in terms of <u>expenditure</u>, it may be preferable to measure affluence in terms of <u>income</u>; the reason for this being that (a) income is likely to be less volatile at the upper end of the spectrum, and (b) relatively affluent individuals are likely to recall their income with more accuracy than their expenditure.

This study further establishes a "line of poverty" to identify the poor, and a "line of affluence" to identify affluent households. They are calculated at 1995 prices and classify the poor, middle-class, affluent and very affluent as follows:

- Poor: Having a per capita income of less than R3 650 per year, thereby comprising 40 per cent of the total population of South Africa.
- Middle-class: Having a per capita income of R3 650 to R22 500 per year, thereby comprising 36 per cent of the popultion.
- Affluent: Having a per capita income of R22 501 to R35 999 per year, thereby comprising 16 per cent of the population.
- Very affluent: Having a per capita income of R36 000 or more per capita per year, thereby comprising 8 per cent of the population.

What are the dimensions of racial affluence?

The study indicates a growth in Black affluence between 1995 and 2000, as is indicated in Table 1.

Table 1: Proportion of the affluent belonging to each population group				
	1995		**2000**	
Population group	**Affluent**	**Very Affluent**	**Affluent**	**Very Affluent**
Black	22 %	15 %	41 %	28 %
Coloured	3 %	2 %	8 %	6 %
Indian	4 %	3 %	4 %	4 %
White	71 %	79 %	47 %	61 %

- <u>In 1995 Black representation was relatively low</u>, despite representing 70 per cent of the population
- <u>By 2000 the share of Black affluence had grown</u> and the share of White affluence had dropped, as indicated in the table. (Keeping in mind that the population share of Blacks had increased to 78 per cent, the increase may be overrepresented.)
- <u>Inter-racial shifts in affluence have been more pronounced among younger cohorts</u>. This is suggested by the fact that the mean average age of the Black affluent household is lower in 2000 than in 1995, while the reverse is true for White households.

What is the relationship between affluence and geography?

- <u>Gauteng and the Western Cape were the only provinces with a higher proportion of affluent residents than the national average</u>, 42.1 per cent and 23.0 per cent respectively in 1995, and 25.3 per cent and 30.4 per cent respectively in 2002.
- <u>The Eastern Cape and Limpopo have the lowest proportion of affluent residents</u>; 7.7 per cent and 7.8 per cent respectively in 1995, and 9.8 per cent and 6.4 per cent respectively in 2005.
- <u>A higher per centage of urban residents are affluent</u>; 20 per cent in urban compared to less than 5 per cent in rural areas.

What is the relationship between affluence and household size?

- <u>Affluent households generally have smaller families</u>. Non-affluent families in 1995 had 4.70 members on average, whereas affluent families had only 2.73 members on average.
- <u>There has been an overall decrease in family size, but the above still holds true</u>, with non-affluent families averaging 4.20 members and affluent families averaging 2.41 members in 2000.
- <u>There has been a large shift towards single-member households</u> within Black affluent and very affluent households. (Although this may be attributable to problems with the survey which under-counted Black single-member households in 1995.)

Affluence and the gender of the household head

- Female headed households are less common amongst affluent than non-affluent households.
- By 2000 the very affluent had a higher proportion of female heads than the "merely" affluent, indicating that the association between income and the probability of observing a female-headed household might only hold true below a certain income level.

Ascertaining the Determinates of Affluence

In this section the characteristics discussed under "Identifying the affluent" are used as explanatory variables in a logistic regression, modelling the likelihood of a family being affluent. In other words; this section doesn't examine <u>what it is that identifies an individual as affluent</u>, but rather whether it is <u>possible to gauge the likelihood of an individual being affluent</u> based on the presence or absence of certain characteristics.

The findings below were drawn from models using predictors of low income as predictors of affluence, asking whether the absence of these predictors will necessarily increase the likelihood of affluence.

The first model summarises the regression results for a logistic regression for affluence including geography, race, household size, as well as the gender, educational attainment and age of the household head. The second

model is estimated with a White-education interaction variable included as regressor.

When applied to affluent households across
all races, the results of these models indicate:

- Race is an important predictor of household affluence, as indicated by dummy variables.
- Whites have the greatest likelihood of being affluent, followed by Indian, Coloured and then Black households.
- The probability of being affluent actually declines with the additional years of education at low levels of attainment.[*]
    - o Having more education does not seem to make much of a difference on the likelihood of affluence unless the education obtained is beyond 10 years.
    - o Having a household head with a tertiary rather than secondary or primary school education does however improve the likelihood of being affluent.
- Superior education may predispose Whites to a higher likelihood of affluence as they received a higher quality of education under apartheid control.
- Households in rural areas are less likely to be affluent.
- In 1995 the gender of the household head was a more powerful predictor, but in 2000 the area of residence was a more prominent deciding factor.
- The probability of affluence decreases dramatically as the number of non-working household members increases or as the proportion of working household members decreases.
- Having an older household head increases the probability of being affluent at a decreasing rate until it reaches a turning point in the mid-fifties. After this an older household head is related to a decreasing probability of being affluent.

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[*] *Why is there a negative education coefficient at low levels? A viable explanation is that those individuals with no education may be driven to affluence by higher levels of, for e.g. personal resolve, than individuals with low levels of education.

Focussing more narrowly on the income dynamics within the Black population, the study estimates a logistic regression for Black households. This is done by adding a single household dummy variable to the regressors used in the original full sample logit model (as described above), based on the observation that an increasing number of Black affluent exhibit a trend towards single-member households.

**When applied to Black affluent households only,
the results of these models then indicate:**

- A single-member household significantly improves the probability of being affluent. This may be because the unemployed are less likely to leave their current households to set up their own households.
- The age of the household head raises the possibility of being affluent, but at a decreasing rate.
- Returns to education are convex beyond Grade 3 in 1995 and Grade 4 in 2000.

Understanding the Typology of the Affluent

This section uses cluster analysis to identify natural groupings in terms of shared traits and characteristics among the sample of affluent households in 1995 and 2000.

Demographic variables are used here as they are generally more reliably reported in the surveys upon which this paper is based, and therefore provide more accurate grounds for comparison between the two years.

The observations are then partitioned into following four non-overlapping groups or types according to dissimilarities in per capita income and predictors of affluence.

Table 2: Typology of the affluent when partitioned into four groups according to dissimilarities

Types	Type as share of total	Black Share	Coloured share	Indian share	White share	Per capita income	Age	Education	Household size
Race, per capita income, household size, age and education per type for 1995									
1	0.44	0.00	0.02	0.03	0.94	R46 577	36.6	12.9	3.21
2	0.23	0.87	0.08	0.05	0.00	R35 228	37.7	11.0	2.56
3	0.30	0.06	0.02	0.03	0.89	R51 637	60.4	11.8	2.17
4	0.02	0.14	0.00	0.04	0.82	R293 328	47.2	12.9	2.50
All affluent		0.22	0.04	0.04	0.71	R51 886	44.2	12.1	2.74
Race, per capita income, household size, age and education per type for 2000									
1	0.17	0.96	0.03	0.01	0.00	23 221	44.6	5.7	1.4
2	0.30	0.05	0.06	0.05	0.83	38 411	57.4	12.3	2.9
3	0.07	0.12	0.06	0.03	0.79	136 402	42.5	14.0	1.9
4	0.45	0.48	0.11	0.05	0.36	32 666	34.2	12.7	2.6
All affluent		0.41	0.08	0.04	0.47	40 264	43.6	11.5	2.4

When the typology of the affluent is compared in 1995 and 2000 (see Table 2) a positive picture is painted on the influence of race on affluence:

- In 2000 the race effect is less pronounced than in 1995, indicating a growing role in productivity related characteristics rather than race in determining affluence.
- A non-racial group of affluent emerges in 2000, capturing 45 per cent of the affluent, with almost half the group consisting of Blacks and 36 per cent Whites.
- This emergent non-racial group is young, and household heads belonging to this group have an educational attainment exceeding the average for the affluent, meaning that income might rise to match or exceed average levels for the affluent as the group matures.
- Of the remaining groups in the 2000: two are predominantly White, they have the highest and second highest household income per capita, and the more affluent group has the higher education level (14.0 years).

Additional data examining typology illustrates that:
- The majority of the affluent resides in Gauteng in 1995 and 2000.
- A higher proportion of affluent reside in urban areas than rural areas.

Drawing a Positive Conclusion

In summary, this paper shows that Black affluence has grown considerably, even though it is still comparatively low. This is evident in the fact that the share of Black affluence increased from 22 per cent in 1995 to 41 per cent in 2000.

It is true that the survey may overestimate shifts in racial composition of affluence during this period due to the under-numeration of Whites in the 2000 IES/LFS, but adjusting for the survey's overstatement of growth in Black affluence is unlikely to affect the conclusion that: there has been substantial progress in eradicating labour market discrimination.

If you would like more information on the information contained in this document, on the specific statistical data, or if you have any queries or questions, please feel free to contact the DPRU.