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Abstract

This paper makes a closer examination of the economic legacy of Apartheid and the needed reforms to eradicate this legacy. Apartheid left South Africa with a very high structural unemployment rate of between 30 and 40%. In addition, together with Brazil, South Africa has the ominous record of having the worst income distribution in the world. To consider this legacy and the challenges that it poses, the discussion starts with a depiction of the broad characteristics of the South African economy to orientate the reader. Thereafter follows a discussion of the different dimensions of unemployment and the distribution of income in South Africa. The paper indicates that there are racial, gender and spatial dimensions to both unemployment and the distribution of income in South Africa. Lastly, based on the analysis of unemployment and income distribution, the paper argues that the development of African females in rural areas poses the most urgent challenge to government.

Key words: South Africa, unemployment, income distribution

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Abbreviations

EU	European Union
GDP	Gross Domestic Product
HDI	Human Development Index
PPP	Purchasing Power Parity
R	South African Rand
SA	South Africa
StatsSA	Statistics South Africa
UK	United Kingdom

1 Introduction

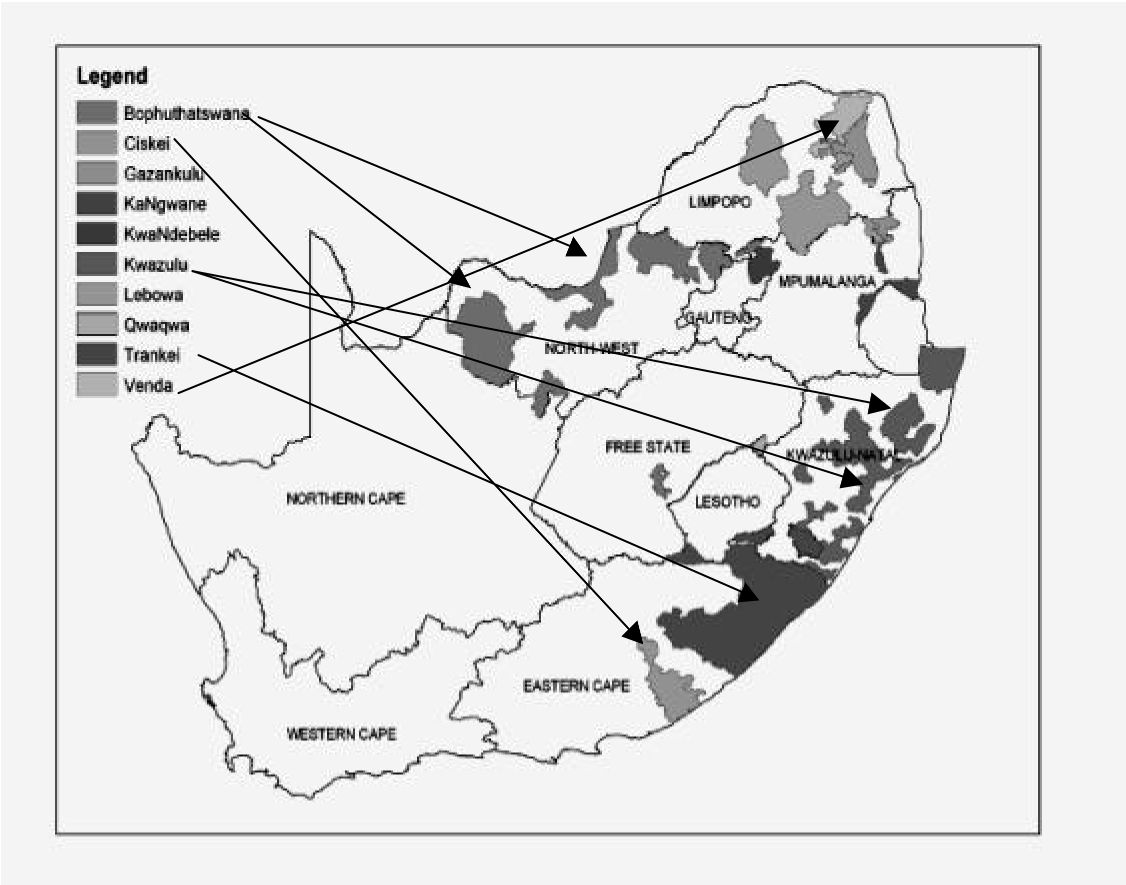
With the first democratic election in South Africa in 1994 and the acceptance of the new constitutions in 1996, political transformation in South Africa is largely complete. However, Apartheid was much more than a political system. It was an all-pervasive ideology that controlled every aspect of human life. In addition to the fact that the right to vote was withheld from the African, Indian and Coloured population,[1] certain jobs were reserved only for certain race groups. Suburbs were strictly segregates on a racial basis, while interracial marriages were prohibited. Influx control and the Pass Laws, strictly controlled the movement of Africans from one part of the country to another. Indians were until the 1980s not allowed in the Free State province. The ownership of farm and urban land was strictly regulated to the disadvantage of Africans, Indians and Coloureds. This also included the ownership of business premises in the central business districts of cities. Beaches, hotels, restaurants, bars, movie theatres, hospitals, bus services and public sanitation facilities were strictly segregated, while even the benches in public parks were marked ‘whites only’. For more on the South African case see Terreblanche (2002), Crush et al. (1991), Yudelman (1987, 1983) and Greenberg (1980).

The social spending policy of government also discriminated against particularly the African population. Education spending per African pupil in 1990 was still only a quarter of that spend on a White pupil. In other areas of social spending, like health, housing and welfare discrimination was also rive. The limited spending on African education and the reservation of jobs resulted in a large shortage of skilled labour and a large surplus of unskilled labour in South Africa. Sadie (as quoted in Mohr and Rogers 1994) estimated that the shortage of executive (entrepreneurs) and skilled labour for the period 1980-2000 is respectively 103 000 and 442 000, while the surplus of unskilled labour is 2 768 000. Thus, in so far as Apartheid contributed to the limited skills basis of the population, it also lies at the basis of the unemployment problem in South Africa (more on this issue below).

[1] The latter two groups received limited voting rights in the so-called tri-cameral parliament established by the 1983 constitution. In this system Whites still dominated the political hierarchy. The state-president had extensive executive powers, more than any democratic constitution usually allows its head of state.

Apartheid also caused the distribution of income in South Africa to be one of the worst in the world. Although in recent years there has been an improvement in the interracial distribution of income (i.e. between races), this occurs against the background of a deterioration in the overall as well as the intra-racial distribution of income (i.e. the distribution of income within a racial group) and a worsening unemployment rate.

<u>Map 1: South African provinces and previous homelands</u>



<u>Note:</u> Provinces in South Africa since 1994: Western Cape, Northern Cape, Eastern Cape, Gauteng, Free State, Kwazulu-Natal, North West, Mpumalanga and Limpopo
Ethnic homelands (reserves) prior to 1994 (homelands created by previous White regime for African ethnic groups): Boputhatswana, Ciskei, Gazankulu, KaNgwnae, KwaNdebele, Kwazulu, Lebowa, Qwaqwa, Transkei and Venda.

Apartheid also contributed to the large interregional differences that characterise South Africa. The policy aimed at the creation of so-called 'homelands', one for each of the African ethnic groups (see Map 1 above). In essence, these areas were nothing more than ethnic reserves. Ownership of land by Africans was limited to these homelands and Africans who wanted to work in the cities needed passes.

Passes were identity documents specifically designed to control the movement of Africans. Since unskilled and physical labour was needed primarily for the mines, men migrated to the cities, leaving behind their families in the homelands. Since most economic activity took place in the cities and away from the homelands, the homelands were starved from skills, resources, infrastructure (e.g. proper roads, harbours, airports and railways) and industrialisation. Thus, they did not develop economically. Since most of these homelands were located in what is now known as the Northern Province and Eastern Cape (see Map 1 above), these provinces are characterised by the highest levels of poverty and under-development. Cities in so-called 'white South Africa' (South Africa excluding the homelands) like Cape Town, Johannesburg and Pretoria now lie in provinces characterised by the highest levels of income and development (i.e. Gauteng and Western Cape – see Map 1 above).
The transformation process in South Africa cannot and did not stop with the democratisation of the political system because Apartheid was an all-pervasive ideology that encompassed all aspects of human life. Its legacy is still very much visible in the South African economy and society. Hence, there is the need for economic and social transformation, in addition to the completed political transformation. It can even be argued that the political transformation was the simplest part of the total transformation process, because the Apartheid government and the White population recognised that Apartheid was an indefensible and thus, morally bankrupt ideology. Economic and social transformation is more complex because it affects the interests of different interest groups. It embraces issues like property rights and the restitution of such rights where they were violated in the past, the establishment of equity in living standards, job and educational opportunities and policies of affirmative action and, in general, a change in attitudes.

What follows below is a closer examination of the legacy of Apartheid. The discussion starts with a depiction of the broad characteristics of the South African economy to orientate the reader. Thereafter follows a discussion on the different dimensions of unemployment and the distribution of income in South Africa.

2. The South African economy at a glance

The nominal gross domestic product of South Africa, which measures the total of final products and services produced within the borders of the country, equalled almost R1.2 trillion in 2003 (150 billion Euro at an exchange rate of Euro 1 = R8). In real terms economic growth was very sluggish from the late 1970 onwards (see table 1). However, there are signs of improvement with the economic growth rate averaging 2.6% and 2.9% for the periods 1995-99 and 2000-03 respectively compared to the 0.2% for the period 1990-94. The average real economic growth rate, can be compared with the expected annual population growth rate of 2.2% (on a population of approximately 40 million) for the period 1996-2001 (StatsSA 2000). The real GDP per capita (1995 prices) for 2003 was R 4 601 (or roughly 1820 Euro). Evidence that South Africa suffered from low economic growth is reflected in the fact that the real GDP (1995 prices) in 1971 was R 14 686 per capita. Thus, on average individuals today are not better of than in 1971.

Table 1: Growth in real GDP (five year averages)

1960-64	6.3%
1965-69	5.3%
1970-74	4.4%
1975-79	2.1%
1980-84	3.0%
1985-89	1.5%
1990-94	0.2%
1995-99	2.6%
2000-03	2.9%

Source: South African Reserve Bank, Quarterly Bulletin

South Africa is a rather open economy. Imports for 2003 were R 319 billion, while exports were R 341 billion, so that exports and imports respectively constitute between 27% and 28% of GDP. South Africa’s exports of gold in terms of volume decreased significantly over the years, so that net gold exports in 2003 only amounted to R35.3 billion, compared to the export of merchandise that equalled R256 billion. Even service receipts, totalling R49.5 billion, exceeded net gold exports. This is further reflected in the index of the physical volume of gold production (1995 base year), which stood at 144.3 in 1970 and steadily decreased to 90 in 1998 (StatsSA 2000). Imports in 2003 consisted mainly of merchandise, R263 billion, and payment for services of R56,6 billion. The largest trading partners of South Africa in 2002 were (ABSA 2003): Germany (15.55% of imports and 6.28% of exports), the US (11.7% of imports and 8.12% of exports) and the UK (9.07% of imports and 8.4% of exports). The largest foreign trade with an African country is with Zimbabwe, which constituted 2.31% of exports and 0.77% of imports.

The financial account of the balance of payments still reflects an occasional lack of confidence of foreign investors in South Africa. During 2001 there was a deficit on the financial account of the balance of payments equals to R4.4 billion, in particular due to a large outflow of portfolio capital equals to R67 billion. However, since 2002 there has again been a net inflow on the financial account, equalling R24.9 billion and R44 billion in 2002 and 2003 respectively. This lack of confidence was also reflected in the dramatic fall in the value of the Rand in the currency crisis of 2001 and 2002. During the currency crisis the value of the Rand even touched the US$1 = R13.80 level, from a level of US$1 = R7.5 a year earlier. However, during 2003 and 2004 it strengthened again to below US$1 = R6.00. The fragility of the currency becomes more apparent when it is considered that the exchange rate was still US$1 = R3.60 in 1995. The weakening cannot only be ascribed to inflationary differences between South Africa and its major trading partners, since the real exchange rate also dropped during the crisis. Where the index measuring the value of the *real* effective exchange rate (calculated as a basket of the currencies of the countries with whom we trade) had a value of 93.65 for 1996, it had a value of 69.6 by September 2001. Confidence, or rather the lack of it, together with the effects of contagion, seems to play the dominant role in the reoccurring woes of the Rand. For example, during the 1998 Asian crisis, the value of the Rand deteriorated, despite the apparent health of monetary and fiscal policy and the stable banking and financial system in South Africa. Thus, although South Africa is not characterised by the loose monetary policy and lack of financial regulation, as some of the East Asian countries were, many foreign investors divested during 1998. The outflow of capital was reversed during 1999, but the first half of 2000 saw a further outflow due to the land crisis in Zimbabwe. Despite the weakness in the value of the Rand, the foreign reserve position of the country improved significantly since the mid-1990s. In 1996 foreign reserves were not enough to cover two months of imports. However, by 2002 foreign reserves were enough to cover almost four and half months of imports (see table 2 for more detail).

Table 2: Foreign reserves and imports (in R billion)

	Gross Gold and Other Foreign Reserves	Imports of goods and services covered by reserves (number of weeks, average for period)
1996	16.3	5.3
1997	35.5	8.0
1998	42.1	11.4
1999	69.1	12.9
2000	84.2	14.5
2001	152.8	17.7
2002	132.6	19.6
2003	165.3	19.3

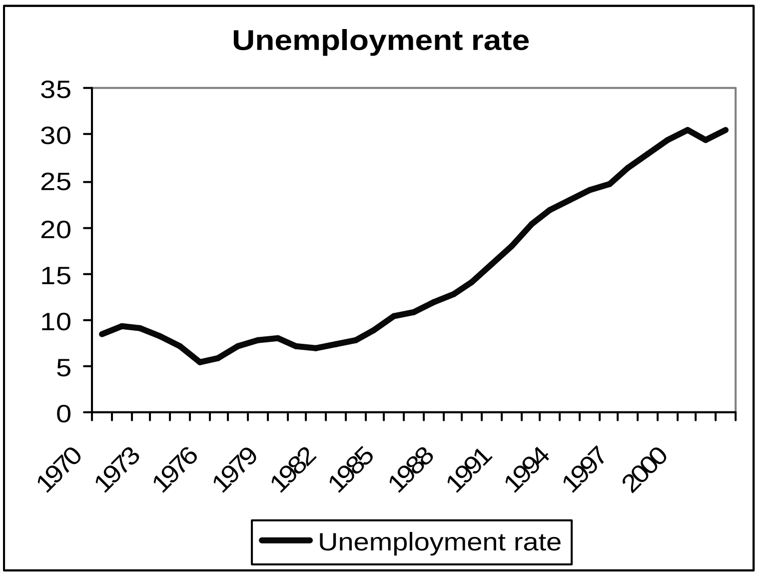
Source: South African Reserve Bank, Quarterly Bulletin

3. Unemployment and human development as major policy and social issues

Unemployment is probably the most serious questions that the economy faces. National unemployment rose from below 10% in the mid-1980s to over 30% in 2002 according to some sources (see graph 1), while others (such as the 2001 census) put it at over 40% in 2002 (cf. SA Human Development Report 2003).[2] However, all sources indicate that unemployment is still increasing. Even though this figure already is high, it still disguises the fact that some provinces suffer disproportionately from unemployment. Thus, there is a spatial dimension to unemployment. In the Eastern Cape, Limpopo and Kwazulu-Natal, where unemployment is the most serious, the rate was respectively 54.6%, 48.8% and 48.7% (SA Human Development Report 2003). In addition to this, one should also note that the female population is worse hit than the male population (see table 3 from SA Human Development Report 2003). Thus, additional to the spatial dimension to unemployment, there also is a gender dimension.

[2] This is unemployment according to the narrow definition whereby one is counted as unemployed if one is between 15-65, not employed and actively seeking work. The expanded definition defines one as unemployed if one is between 15-65, not employed and desires to work. As such the expanded definition also includes those who desire to work, but are discouraged to do so (due to, inter alia, long distances that they have to travel to look for work, or because they have been looking for a long time and have not been successful in securing employment).

Graph 1: Unemployment rate in South Africa



Source: United Nations 2003

Of further interest is that in addition to the spatial and gender dimensions, there is also a racial dimension. Unemployment among Africans is 50.2% (compared to the total unemployment rate of 41.6%), while that among Coloureds, Indians and Whites respectively is 27%, 16.9% and 6.3%. In addition, unemployment among African females is 57.8%, compared to the 43.3% among African males.

Table 3: Unemployment in South Africa by province, race and gender (2001 census)

	% of total	Employed (% of working age population)	Unemployed (% of working age population)	Not economically active (% of working age population)	Unemploy-ment rate
South Africa	**100**	**33.7**	**24**	**42.3**	**41.6**
Province					
Eastern Cape	14.4	20.4	24.6	55	54.6
Free State	6	33.7	25.5	40.8	43
Gauteng	19.7	45	25.8	29.2	36.4
KwaZulu-Natal	21.0	27.8	21.6	45.7	48.7
Limpopo	11.8	22.7	21.6	55.7	48.8
Mpumalanga	7	33	23	43.9	41.1
Northern Cape	1.8	39.4	19.7	40.9	33.4
North West	8.2	31.8	24.8	43.4	43.8
Western Cape	10.1	48.5	17.1	34.4	26.1
Race (Total)	**100**	**33.7**	**24**	**42.3**	**41.6**
African	79	27.8	28.1	44.1	50.2
Coloured	8.9	46.1	17.1	36.9	27

	% of total	Employed (% of working age population)	Unemployed (% of working age population)	Not economically active (% of working age population)	Unemploy-ment rate
Indian	2.5	49.2	10	40.9	16.9
White	9.6	61.4	4.1	34.5	6.3
Race (Male)	**47.8**	**41.3**	**23.1**	**35.7**	**35.8**
African	79	35	26.7	38.3	43.3
Coloured	8.9	52.6	18.2	29.2	25.7
Indian	2.3	62.8	11.7	25.5	15.7
White	9.8	70.4	4.6	25	6.1
Race (Female)	**52.2**	**26.8**	**24.9**	**48.3**	**48.1**
African	79.1	21.4	29.3	49.2	57.8
Coloured	9	40.1	16.1	43.8	28.6
Indian	2.6	36.2	8.3	55.5	18.7
White	9.4	52.8	3.7	43.5	6.6

Source: United Nations 2003 – Data from Census 2001(which differs from data from October Household Survey and the Labour Force Survey).

In terms of economic sector Table 4 below shows that employment increased in agriculture, hunting and fishing, manufacturing, wholesale and retail trade, in financial insurance, real estate and business services as well as community, social and personal services. In all other sectors of the economy (mining and quarrying, electricity, gas and water supply, construction, transport, storage and communication and private households) employment declined. Note that even though these figures indicate that the absolute level of aggregate employment increased, it should be kept in mind that this still meant an increase in the unemployment rate.

Table 4: Employed by sector of the economy

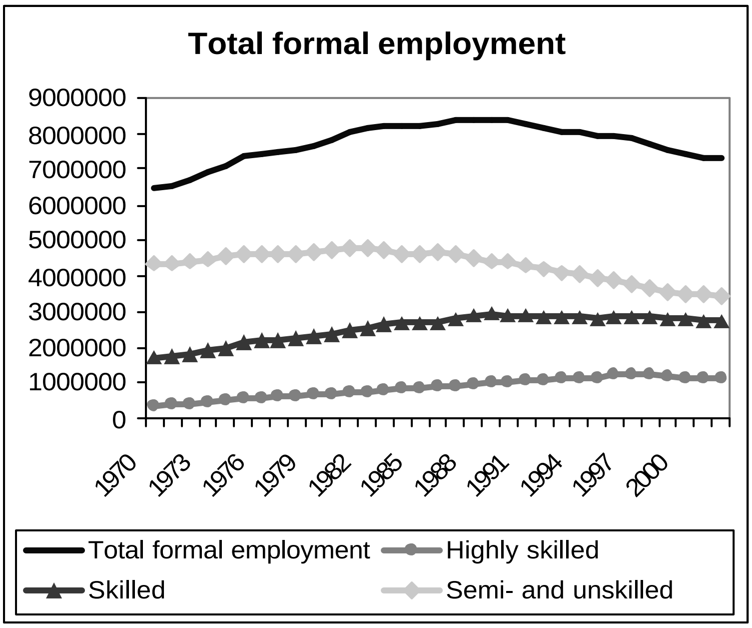
Sector	Year of census	Number of employed
Agriculture, hunting and fishing	1996	814 350
	2001	960 489
Mining and quarrying	1996	541 546
	2001	383 495
Manufacturing	1996	1 119 973
	2001	1 206845
Electricity, gas and water supply	1996	109 334
	2001	71 626
Construction	1996	555 129
	2001	520 486
Wholesale and retail trade	1996	1 098 051
	2001	1 454 446
Transport, storage and communication	1996	483 652
	2001	442 730

Sector	Year of census	Number of employed
Financial insurance, real estate and business services	1996	680 156
	2001	904 568
Community, social and personal services	1996	1 580 684
	2001	1 841 851
Private households	1996	1 053 103
	2001	940 3323
Total	1996	9 113 847
	2001	9 583 762

Source: StatsSA 2004.

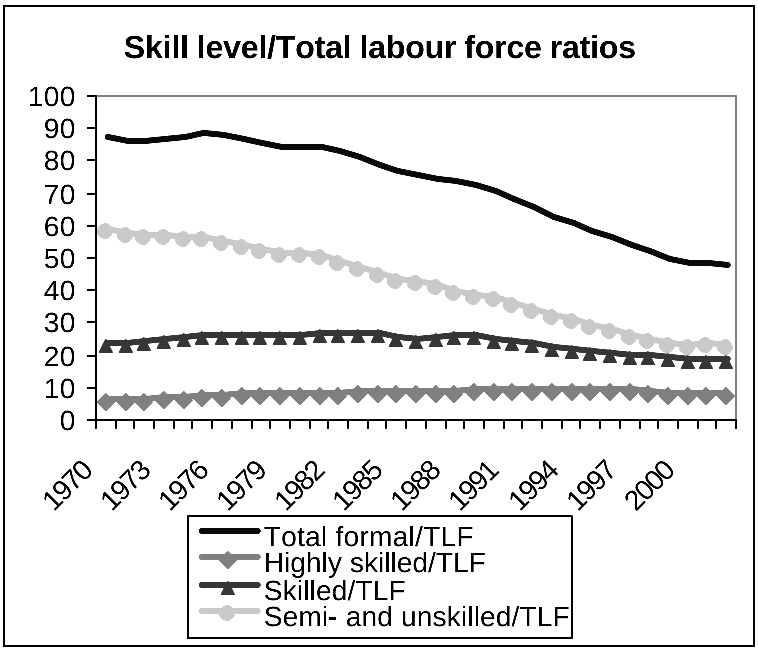
A worrying trend is that the increase in unemployment seems to occur mostly among the semi- and unskilled labour. Graphs 2 and 3 below indicates that the decrease in total formal employment since the late 1980s is largely due to the fall in the employment of the semi- and unskilled workers. Graph 2 shows the absolute number of labour employed, while graph 3 shows the ratio of the absolute amount of a particular skills level employed to that of the total labour force actively participating in the economy.

Graph 2: Total formal employment in South Africa



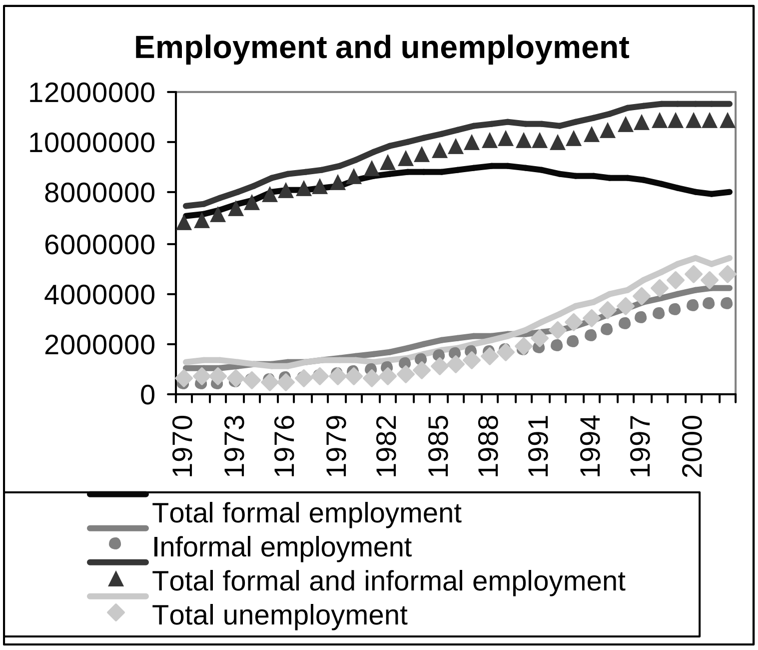
Source: United Nations 2003.

Graph 3: Skill level/total labour force ratios in South Africa



Source: United Nations 2003.

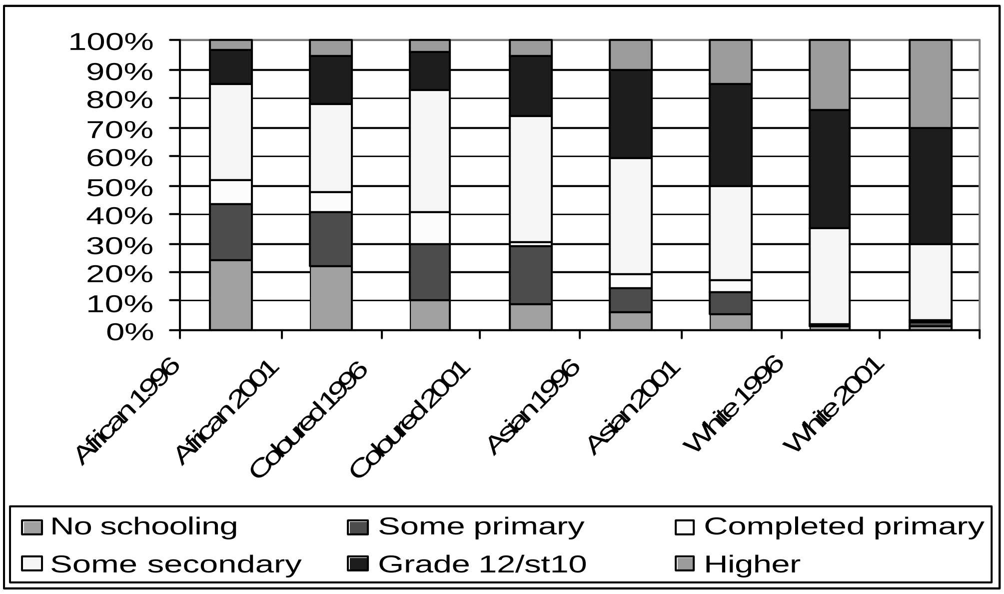
Graph 4: Employment and unemployment in South Africa



Source: United Nations 2003.

Graph 4 indicates that the loss of formal employment among the semi- and unskilled is further reflected in an increase in unemployment and informal employment. South Africa suffers from a significant shortage of human capital. Whiteford and Van Seventer (1999:28-30) project an increasing demand in the formal sector of the economy for skilled labour and a decreasing demand for unskilled labour. The lack of skilled labour is also apparent when considering the highest level of education attained by household heads.

Graph 5: Highest level of education by population group, 20 years and older



Source: StatsSA 2004.

Graph 5 depicts the highest level of education by population group, 20 years and older, for 1996 and 2001 (StatsSA 2004). The graph shows that even though there has been a slight improvement, more than 40% of Africans did not complete primary school. The graph also shows that almost 70% of Whites completed school or even a tertiary qualification.

Concerning the level of development of the population in general, tables 5 and 6 provide an interesting comparison between South Africa and a selected few countries (ranging from what is considered highly developed to less developed countries), as well as between the South African provinces. Today it is recognised that there is more to development than just a level of per capita income. The United Nations constructed the Human Development Index to measure human development. HDI is calculated by combining the values of a life expectancy index, an education index (calculated by combining data on the adult literacy rate and the gross enrolment ratio) and GDP *per capita* (PPP dollars).

South Africa is placed in the category of *Medium* Human Development, among countries like Jordan and India. Although South Africa does better on GDP per capita than many other in the category, its life expectancy is much lower. Currently Aids is playing a significant role in lowering the average life expectancy.

Table 5: Development Indicators in selected countries (2000)

Country	Adult Literacy Rate	Life Expectancy	GDP per capita (US$ per annum)	HDI value
High Human Development				
Japan	99	81	26755	0.933
Singapore	92.3	77.6	23356	0.885
Chile	95.8	75.3	9417	0.831
Poland	99.7	73.3	9051	0.833
Medium Human Development				
Jordan	89.7	70.3	3966	0.717
South Africa	85.3	52.1	9401	0.695
India	57.2	63.3	2358	0.577
Low Human Development				
Bangladesh	41.3	59.4	1602	0.478
Zambia	78.1	41.4	780	0.433

Note: HDI is calculated by combining the values of a life expectancy index, an education index (calculated by combining data on the adult literacy rate and the gross enrolment ratio) and GDP *per capita* (PPP dollars).

Source: Human Development Report 2002.

Table 6: Human Development Index in the South African provinces (2003)

South Africa	**0.67**
Eastern Cape	0.62
Free State	0.67
Gauteng	0.74
KwaZulu-Natal	0.63
Limpopo	0.59
Mpumalanga	0.65
Northern Cape	0.61
North West	0.69
Western Cape	0.77

Source: United Nations 2003.

A provincial comparison indicates that Gauteng and the Western Cape are the provinces with the highest HDI index, while Limpopo, Kwazulu-Natal and the Eastern Cape have the lowest HDI index values.

4. Income distribution and development[3]

Purchasing power is the claim people have to goods and services provided by both the private sector and government. Thus, government does not only address income distribution through direct transfers, like subsidies, but it also augments purchasing power through service delivery (delivery of goods and services). Government can also create a suitable environment for people to produce and acquire goods and services. This is primarily done through infrastructure investment and education expenditure. Infrastructure and education not only aids the redistribution of income, but it creates the necessary conditions for private investment and economic growth. However, to address the problem of income disparities government must know the existing structure of income distribution.

A well-known measure of income distribution is the Gini-coefficient. The Gini-coefficient can take a value between zero and one. The closer the coefficient approximates one the more unequal the distribution of income. For South Africa the coefficient is, according to StatsSA, 0.59 for 1995. This makes South Africa a country with one of the worst, if not the worst, income distribution in the world. Compare the 0.59 figure with the 0.38 of the USA, 0.27 for the Netherlands, 0.45 for the Philippines and 0.42 for India. The Gini-coefficient of 0.59 for South Africa represents only a marginal improvement from the 1970s.

The 1995 figure differs from the 1970's figure with respect to the distribution of income *within* race groups, which deteriorated. For the African population the Gini-coefficient is 0.52 while for the White population it is 0.49. For males the coefficient is 0.75, while for females it is 0.55.[4] In South Africa the poorest 60% of the population

[3] Data used in this section refer to the 1995 Income and expenditure survey (Statistics South Africa 1999). A 2000 survey was conducted, but questions do exist on the reliability of the figures. Hence, the preference for the previous survey, even though it is a bit dated.
[4] This does not mean that females are in a better position than males. The coefficient for males is higher because a larger percentage of males fall within the top income groups than females, while both males and females are present in the bottom income groups.

earns less than 20% of total income, while the richest 20% of the population earns more than 60% of total income.

To clarify this picture even further, divide the population into quintiles (a quintile equals one fifth of the total), so that the fifth quintile represents the 20% of the population with the lowest income earners, the fourth quintile represents the 20% with the second lowest income, the second from top quintile represents the 20% with the second highest income and the first quintile represents the highest income group. The income levels pertaining to the quintiles are set out in table 7. One can then ask what percentage of a particular group (classified according to race, gender or locale, either rural or urban) falls within a particular quintile.

Table 7: Income levels for quintiles (1995)

	Fifth 20%	**Fourth 20%**	**Third 20%**	**Second 20%**	**First 20%**
Annual Income	R400-6868	R6869-12660	R12691-23940	R23941-52800	R52801+

Source: StatsSA 1995 Income and Expenditure Survey

According to this classification 56% of all African females fall in the lowest two quintiles. Thus, they do not earn an income of more than R 12660 annually (approximately US$ 1 260), with 31% even falling in the lowest quintile (see table 6). Only 8% of African females and 9% of all African males fall in the top quintile. This can be compared with the 40% of White females and 73% of White males falling in the top quintiles. Only 8% of White males fall in the bottom three quintiles with almost none in the bottom quintile. Concerning African males 43% fall in the bottom two quintiles, with 19% in the bottom quintile.

Table 8: Income distribution according to race and gender (Quintile 1: top income)

	African female	**African male**	**White female**	**White male**
Quintile 1	6	12	40	73
Quintile 2	17	20	32	19
Quintile 3	21	25	17	6
Quintile 4	25	24	7	2
Quintile 5	31	19	5	0

Source: StatsSA 1995 Income and Expenditure Survey.

There is also a spatial dimension to the distribution of income among Africans (see table 9) with 37% of all non-urban African females falling in the bottom quintile, while the figure for urban African females is 19%. For African males the figures are respectively 19% and 8%. On the top income side 3% of non-urban African females and 7% of non-urban African males fall within the top quintile while the figure for urban African females and males are respectively 11% and 19%. For Whites the spatial dimension is negligible.

Table 9: Income distribution according to race and area (Quintile 1: top income)

	Non-urban female	Non-urban male	Urban female	Urban male
African: Quintile 1	3	7	11	19
Quintile 2	12	15	24	29
Quintile 3	18	25	25	27
Quintile 4	28	28	21	17
Quintile 5	37	26	19	8
Whites: Quintile 1	52	75	38	73
Quintile 2	31	18	32	19
Quintile 3	7	4	17	6
Quintile 4	8	2	8	2
Quintile 5	2	1	5	0

Source: StatsSA 1995 Income and Expenditure Survey.

There is also a provincial dimension to the distribution of income (see table 10). For instance 53% of non-urban females (all races) and 31% of non-urban males in the Eastern Cape fall within the lowest quintile. For the Free State the corresponding figures are respectively 60% and 47%. In the Western Cape only 8% of non-urban females and 9% of urban males fall in the lowest quintile, while for Gauteng the corresponding figures are respectively 21% and 9%.

Table 10: Income distribution by gender, area and province (Quintile 1: top income)

	Non-urban female	Non-urban male	Urban female	Urban male
Eastern Cape: Quintile 1	2	5	10	31
Quintile 2	7	9	21	23
Quintile 3	11	20	22	19
Quintile 4	28	35	22	17
Quintile 5	53	31	25	11
Free State: Quintile 1	2	4	6	27
Quintile 2	5	5	14	25
Quintile 3	7	14	23	18
Quintile 4	27	30	28	20
Quintile 5	60	47	29	10
Northern Cape: Quintile 1	6	17	16	40
Quintile 2	14	18	25	28
Quintile 3	18	20	27	15
Quintile 4	24	24	21	9
Quintile 5	37	22	11	8
North West: Quintile 1	3	5	11	33
Quintile 2	11	11	23	25
Quintile 3	16	18	23	24
Quintile 4	32	32	21	12
Quintile 5	38	34	22	6
Limpopo: Quintile 1	7	13	6	21
Quintile 2	15	9	16	23
Quintile 3	18	12	27	27
Quintile 4	22	34	27	17
Quintile 5	38	34	25	13
Mpumalanga: Quintile 1	3	9	14	33
Quintile 2	15	18	25	29
Quintile 3	31	30	23	19
Quintile 4	28	24	18	11
Quintile 5	23	19	20	8
KwaZulu-Natal: Quintile 1	4	7	22	42
Quintile 2	17	21	29	31
Quintile 3	26	31	26	16
Quintile 4	30	26	16	8
Quintile 5	22	15	7	3
Western Cape: Quintile 1	30	12	20	38
Quintile 2	24	14	28	29
Quintile 3	18	33	26	20
Quintile 4	20	21	15	10
Quintile 5	8	9	11	3

	Non-urban female	Non-urban male	Urban female	Urban male
Gauteng: Quintile 1	19	21	27	50
Quintile 2	18	12	32	25
Quintile 3	16	25	22	16
Quintile 4	26	21	12	7
Quintile 5	21	9	7	3

Source: StatsSA 1995 Income and Expenditure Survey.

5. Policy conclusions

There existed and still exist very large discrepancies in income amidst pervasive unemployment. Unemployment and the distribution of income both have racial, gender and spatial dimensions. When considering these dimensions *simultaneously* it becomes apparent that African women in rural areas are the worst off. Any development policy should particularly focus on the development of this group. It is not only the delivery of services to this group that needs attention, but more importantly, the creation of skills, so that this group can start to participate fully in the South African economy and society. Focusing on the rural African women does not mean that other groups, like the urban poor, should not receive attention, but merely that the development of rural African women should receive priority. The need to develop rural African women and the need to develop semi-skilled capacity to deliver services can be combined by training rural women in the basic manual skills needed in the delivery of basic services. By doing this, development is aided, jobs are created, which translates into more purchasing power for households and more sales to those households. Larger sales may, in turn, be an incentive for more investment by businesses. An improvement in the skills level of people means that they will be more productive. More is produced for a given input, i.e. more profit for businesses and more service delivery by government, given the level of input costs they incur.

An improvement in skills, concomitant with a higher level of income and employment, will contribute to a decrease in the income gap. Large income gaps and pervasive unemployment do not foster social cohesion and may cause a breakdown in the social fabric. Thus, the improvement of the country's income distribution and living standard and an increase in employment will improve social cohesion.

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