
THE DEVELOPMENT OF THE MIDDLE CLASS IN POST-APARTHEID SOUTH AFRICA

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Abstract

This paper examines the development of the middle class in South Africa, using data from the Project for Statistics on Living Standards and Development in 1993 and data from the National Income Dynamics Survey in 2008. Two alternative conceptions of the 'middle class' are examined: The affluent middle class are defined as individuals residing in households with a per capita income of R1,400 – R10,000 per month in 2008 prices. Although the proportionate size of the affluent middle class showed little change between 1993 and 2008, there was substantial churning in the racial composition of the middle class, with a large increase in the number of Africans. The total income share of the affluent middle class fell slightly over the period due to growth in the income share of the upper class. The middle class income strata are defined as individuals residing in households with a per capita household income of between 50% and 150% of the median in the household income distribution. The middle income strata experienced very little income growth between 1993 and 2008. Slow income growth appears to be the result of falling labour market earnings that was buffeted by rising state-welfare income following the expansion of social grants. Non-income measures of welfare indicate that the living standards of the middle class income strata improved over the period, as the proportion of middle income households accessing basic resources significantly increased.

1. Introduction

A study of the middle class in post-Apartheid South Africa provides another window through which progress in development can be evaluated. South Africa's transition to democracy in 1994 promised the beginning of a non-discriminatory multi-ethnic regime in which the majority would be empowered for meaningful participation in the economy. The growth and establishment of a multi-racial middle class is one way of evaluating progress towards this goal. Furthermore, the middle class itself may be an important ingredient for economic development and growth (cf. Easterly 2001, 2007): Be it through higher levels of human capital accumulation (cf. Galor and Zeira, 1993; Perotti, 1996; Sokoloff and Engerman, 2000), attitudes and behaviours specific to the middle class (such as savings and entrepreneurship) (cf. Landes, 1998; Doepke and Zilibotti, 2007), as a driver of domestic consumption (cf. Brown, 2004; Bhalla,

2007), or in terms of promoting political stability, as a buffer between rich and poor (cf. Barro, 1999; Bollen and Jackman, 1985; Easterly, 2001; Pressman, 2007).

This paper examines the development of the middle class in post-Apartheid South Africa from two different perspectives of 'middle class' development: The first is the perspective of the middle class as the affluent within society. Of particular interest is how the size and racial composition of the affluent middle class has changed post-1994. The second is the perspective of the middle class as the 'average' or 'regular' South African. Of particular interest is the growth of incomes of the middle income strata (both in terms of absolute levels and the proportionate share) as well as changes in access to basic resources and public services.

This paper is structured as follows: Section 2 provides a review of the political context for the middle class in South Africa, as well as an outline of relevant literature on the growth of the middle class in post-Apartheid South Africa. Section 3 discusses two alternative definitions of the middle class adopted in the paper: the middle class affluent and the middle class income strata. Section 3 also discusses the data used in the analysis, namely, the 1993 Project for Statistics on Living Standard Development and the 2008 National Income Dynamics Survey. Section 4 presents changes in the size of the affluent middle class between 1993 and 2008 as well as changes in the racial, gender and occupational structure of the affluent middle class over the period. Section 5 turns attention to the middle class income strata and reports the growth in income and access to resources for the middle strata between 1993 and 2008. The final section concludes the study by highlighting the main findings.

2. Literature Review

2.1 The Politics of the Middle Class in South Africa

A discussion of the middle class in South Africa is amiss without an understanding of the politics of the middle class that informs this discourse. Apartheid legislated class cleavages across racial lines. Under Apartheid, Black South Africans were denied business opportunities, dispossessed of property, forcibly relocated and barred from occupational advancement. The rise of the African National Congress to power in 1994 marked the end of such a coerced relation between race and class. Nevertheless, the comparative economic advantage of Whites within South Africa had been firmly established (cf. Seekings and Nattrass, 2005).

Following political liberation, economic policy in post-Apartheid South Africa called for the deracialisation of the economy. Implicit within government policy rhetoric is the establishment of a non-racial middle class. The 1998 Employment Equity Act requires employers to develop and implement plans of achieving racial equity in the workplace. Studies of the occupational structure in the post-Apartheid period find evidence of strong upward mobility of Africans into higher income occupations (cf. Seekings and Nattrass, 2005; Thompson and Woolard, 2002). Crankshaw (1996) however finds that this trend was already in existence prior to political liberation.

The politics of the middle class can also be seen in policies of 'Black Economic Empowerment' (BEE). The Broad-based Black Economic Empowerment Act of 2003 promotes the growth and establishment of black business through the preferential procurement of government and parastatal contracts to 'BEE compliant' businesses. BEE policy also facilitates the establishment of BEE Industry Charters which sets out BEE transformation indicators and targets for each specific industry. The criteria for 'BEE compliance' has changed over time, from an initial emphasis on equity ownership (by Africans, and to a lesser extent, Coloureds, Indians, Females

and the disabled), to more 'broad-based' measures such as skills development, management control and concessions for small and micro enterprises (Government Gazette, 2000; Department of Trade and Industry, 2003; Government Gazette, 2007). Despite the move to more 'broad-based' measures of empowerment, BEE is still often criticised for being narrowly focused at the very top and unable to achieve more fundamental changes to the economic disempowerment of the masses (cf. Ponte et al, 2007; Southall, 2007, Hoffman, 2008).

2.2 The State of the Middle Class in South Africa

The middle class is notoriously difficult to measure. As such, empirical estimates of the size and composition of middle class in post-Apartheid South Africa have been surprisingly few and far between.

Rivero et al (2003), Seekings and Nattrass (2005) and Muller (2006) examine the development of 'occupational class' in post-Apartheid South Africa. These studies follow sociological definitions of class status based on occupation (which may not explicitly define 'middle class' as a class category) and typically follow the precedence of neo-Weberian or neo-Marxist scholars such as Wright or Goldthorpe. The weakness of this approach is that occupational classifications cannot classify individuals who are unemployed or out of the labour-force. Furthermore, definitions of class status are arguably better suited to the household-level, as individuals within the same household share resources and face similar life-chances. Although individuals residing within the same household can be assigned mediated class positions (such as using the occupation of the highest income earner), there still remains a fair share of unclassified households in cases where households have no members in current employment (cf. Seekings and Nattrass, 2005). Nevertheless, despite the methodological difficulties of this particular approach, studies of occupational class in South Africa concur that there has been significant upward mobility of African men and women into higher occupational categories post-1994, resulting in a growing African middle class in the first decade of democracy.

Economists typically estimate the size of the middle class in South Africa using income as the defining criterion for class status. For example, Van der Berg (2010), in a paper that discusses changes in the size of the middle class as a part of a broader discussion of income inequality in post-Apartheid South Africa, defines the middle class as individuals residing within households with a per capita household income in excess of R3,333 in 2000 prices. Using All Media Product Survey (AMPS) data, he finds that middle class grew from 8.1% of the population in 1994 to 11.7% of the population by 2008 and that the share of the middle class who were African rose from 12.3% to 36.4% between 1994 and 2008. Whiteford and van Seventer (2000) as well as Schlemmer (2005) also estimate growth of the African middle class in post-Apartheid South Africa and their findings concur with Van der Berg that the African middle class experienced significant growth post-1994. However, none of these studies define an upper boundary to the middle class. Hence, it is not clear to what extent the reported growth of the middle is driven by growth in the middle class or growth in the upper class. Furthermore, Whiteford and van Seventer (2000) and Schlemmer (2005) fail to adjust for household size in their definition of the middle class.

Statistics South Africa (2010) and Udjo (2008) also estimate the growth of the middle class in South Africa, however both of these studies employ non-income measures of class status based

upon appropriate indicators of middle class lifestyle and status.¹ Both these studies report a modest rate of growth in the size of the African middle class since transition to democracy.

As is evident from the review of relevant literature, there are numerous methods and thresholds for how the middle class is defined in studies of the middle class in South Africa. Comparability across these studies is problematic given the differences in definition as well as approach. Nevertheless, there is general consensus that the African middle class experienced significant growth post-1994 (although it is also not clear to what extent this growth is driven by upper class growth as opposed to middle class growth).

3. Definitions and Data

3.1 Defining the Middle Class

Visagie and Posel (2011) take up the issue of developing an appropriate definition of the middle class in South Africa. They identify two broad approaches to defining the middle class from the international economic literature on the middle class: namely, a middle class defined by 'affluence' (households with income per capita of R1,400 to R10,000 per month), and a middle class defined by the 'middle income strata' (households between 50% to 150% of the median per capita household income). They show that these two definitions of the middle class paint a competing picture of the size, composition and economic status of the middle class in South Africa using data from the National Income Dynamics Survey 2008. Whereas the middle income strata approach identifies the 'average' South African, the affluence approach identifies individuals with a 'middle class lifestyle'. Nevertheless they argue that both these definitions of the middle class are conceptually useful (emphasizing a different aspect of the theory of the middle class) and are worth exploring in further detail.

I follow Visagie and Posel (2011) in analysing these two different conceptions of the 'middle class'. Namely, the middle class conceptualised by *affluence* and the middle class conceptualised by the *middle income strata*:

The 'middle class affluent': This middle class group is defined as individuals residing in households with a per capita household income of R1,400 to R10,000 per month (in 2008 prices). Although the exact range for this income threshold is to some extent arbitrary, the boundary line is based within a plausible range of the earnings distribution for households where the highest-income earner is in a middle class occupation (cf. Visagie and Posel, 2011). The upper bound of R10,000, which separates the upper class from the middle class, excludes only the wealthiest 3% of households in the South African income distribution (based on NIDS 2008 data; cf. Visagie and Posel, 2011). The lower bound of R1400, which separates the middle class from the lower class, is further divided into the poor (<R515) and non-poor (R515 – R1,399). An examination of middle class affluence focuses attention on the 'haves' and the 'have-

¹ Statistics South Africa (2009) define the middle class as households 'residing in formal housing, having a water tap in the residence, having a flush toilet in the residence, having electricity as the main lighting source, having electricity or gas as the main cooking source, and having a landline or a household member having a cell phone' (StatsSA, 2009: 1). Udjo (2008) employs a more sophisticated measure of lifestyle based on SAARF's Living Standard Measures (LSMs), to identify middle class households as those between LSMs 5 to 7.

nots' in South African society. Racial transformation in access to resources is also of particular interest in reference to this group.

The 'middle class income strata': This middle class group is defined as individuals residing in households with a per capita household income of between 50% to 150% of the median household in the per capita household income distribution. This conceptualisation of the middle class highlights the development of the 'average' or 'regular' South African. The improvement of income and access to basic services are of particular interest to this group. The proportion of the population that fall within the middle strata has implications for state of inequality as well as the proportion of income accruing to the middle strata.

These two definitions of the middle class identify two non-overlapping sets of households in South Africa. Although in developed economies, the middle class affluent and the middle class income strata may converge, in South Africa, extensive poverty and income inequality mean that individuals living within households that are middle of the road within the income distribution fall far below the standard of living of individuals typically associated with a middle class lifestyle. Nevertheless, both the middle class affluent and middle class income strata are of analytical interest, albeit for different reasons. I therefore undertake two separate (but related) discussions of the 'middle class' in South Africa.

3.2 Data: The PSLSD 1993 and the NIDS 2008

The 1993 Project for Statistics on Living Standards and Development (PSLSD) and the 2008 National Income Dynamics Survey (NIDS) are used for empirical analysis of changes in the middle class. The PSLSD 1993 is a nationally representative cross-sectional survey of South African individuals and households that was collected in mid-1993 (just 9 months before South Africa's first democratic elections) and provides a useful base estimate of the state of South African households at the start of democracy. The NIDS 2008 is the first wave of a nationally representative panel dataset (the next wave of the panel from 2011 is not yet available) that provides a cross-sectional picture of the state of South African individuals and households fifteen years into democracy.

The strength of both these datasets is that they cover detailed information on the sources of household income rather than one-shot questions (as has been used previously in studies of the middle class). Sources of household income include labour market income, government grant income, investment income, remittance income and agricultural income. Analysis agricultural income however has been excluded from the estimation of total household income due to various comparability issues in this measure between the PSLSD 1993 and NIDS 2008 (cf. Leibbrandt et al, 2010). Nevertheless this omission is to some extent justified given the fact that agricultural income contributes only a small proportion to total income for the average South African household (the median per capita household agricultural income was R14 in the PSLSD 1993 and R2 in the NIDS 2008 using 2008 prices).

4. Development of the Affluent Middle Class: 1993 - 2008

The affluent middle class is supposedly an important ingredient in economic growth and development. This may be through the relationship between the middle class and consumption demand (cf. Brown, 2004; Bhalla, 2007), human capital formation and entrepreneurship (cf. Galor and Zeira, 1993; Perotti, 1996; Sokoloff and Engerman, 2000) or government accountability (cf. Kharas and Gertz, 2010). Analysis of the affluent middle class also provides a

window into households which have achieved a certain standard of lifestyle and affluence. This is of particular interest in terms of the racial composition of the middle class in light of government's attempts at promoting 'Black Economic Empowerment'.

I analyse three areas of the development of the middle class affluent in South Africa: Firstly, I estimate the growth in the size and income share of the middle class; secondly, I estimate changes in the racial composition as well as the gender composition of the middle class; lastly, I examine changes in the occupational structure of the African and White middle class.

4.1 The Size of the Affluent Middle Class

What has happened to the size of the affluent middle class in the first decade and a half of democracy? Has political freedom also resulted in a growth in the number of individuals who have achieved a level of relative affluence? Table 1 and figure 1 attempt to provide relevant data in response to such questions.

As seen in the table, an additional 2.2 million individuals were added to the middle class between 1993 and 2008. Nevertheless, the relative share of the middle class increased only marginally, from 19.2% of the total population in 1993 to 20.4% in 2008. In other words, in proportional terms the size of the affluent middle class remained fairly static over the period.

Table 1: Class size and income share

	Lower class: (<R515)		Lower Class: (R515 - R1399)		Middle Class: (R1400 - R10000)		Upper Class: (>R10000)		Total	
	1993	2008	1993	2008	1993	2008	1993	2008	1993	2008
Class Size (millions)	22.8 (0.1)	26.5 (0.2)	9.1 (0.1)	11.2 (0.2)	7.7 (0.1)	9.9 (0.2)	0.4 (0.0)	1.0 (0.1)	40 (0.0)	48.7 (0.3)
Class Size (% Share)	57.1 (0.3)	54.5 (0.5)	22.7 (0.2)	23.0 (0.4)	19.2 (0.2)	20.4 (0.4)	1.1 (0.1)	2.1 (0.2)	100	100
Total Income (billions)	4.9 (0.0)	6.5 (0.1)	7.7 (0.1)	9.5 (0.2)	26.0 (0.4)	35.1 (1.0)	8.0 (0.6)	19.6 (2.2)	46.6 (0.7)	70.6 (2.4)
Total Income (% Share)	10.6	9.2	16.5	13.4	55.8	49.7	17.1	27.8	100	100

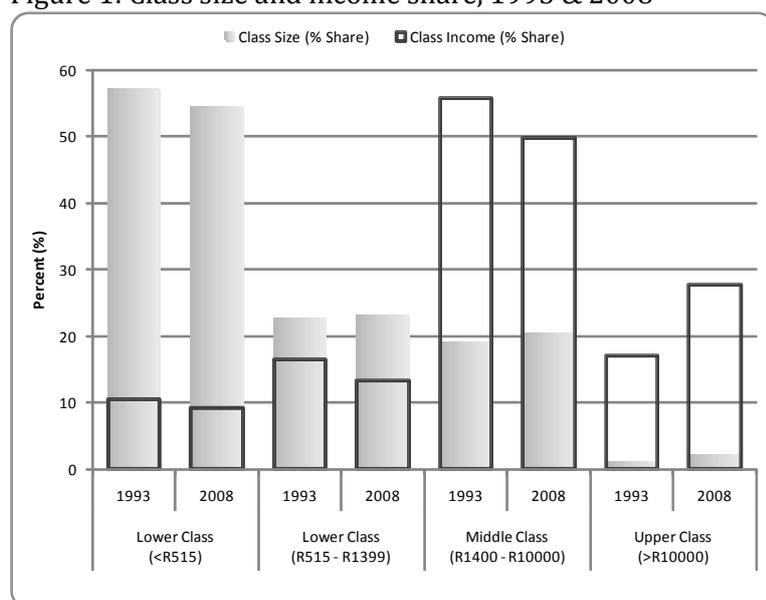
Source: PSLSD 1993 & NIDS 2008, own estimates.

Notes: Standard errors in parenthesis; the data are weighted.

It is interesting to contrast growth of the middle class with the growth of the lower and upper classes respectively. The upper class, which comprised only the wealthiest 1.1% and 2.1% of individuals in 1993 and 2008 respectively, experienced the most radical growth, almost doubling in size (albeit from a low base). In terms of the lower class, the proportion of individuals who fell below the poverty line declined by two and a half percentage points, but the absolute number of individuals in poverty still increased by 3.7 million individuals (a fall in the poverty headcount ratio post-2000 is corroborated by other South African poverty studies cf. Leibrandt et al, 2010; Van der Berg, 2010).

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Figure 1: Class size and income share, 1993 & 2008



Source: PSLSD 1993 & NIDS 2008, own estimates.

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This 'squeeze' of the South African lower and middle classes has been noted by Palma (2011). In a cross-country study of 135 low to high income countries in 2005, Palma finds that there is a remarkable degree of homogeneity in the share of income accruing to the middle class (defined as income deciles 5-9). South Africa however, is one notable exception to this pattern. Palma reports that the South African middle class holds not only a comparatively low share of total income, but is losing an increasing proportion of this share (as confirmed by these estimates). 'Asymmetric Black Economic Empowerment' is suggested as the possible reason for this. This would concur with the general criticism of BEE within the literature (as discussed earlier), that BEE has been too confined to transformation at the top of the income distribution.

The fact that the middle class grew only marginally in terms of its percentage of the total population (as well as the fact that the middle class lost ground in terms of its total income share) is somewhat surprising given that most studies of the middle class in South Africa report strong middle class growth (as discussed earlier). There are two potential reasons for this discrepancy (notwithstanding the confounding impact of differences in definition): The first is that previous studies of the middle class in South Africa have failed to include an upper boundary for the middle class. I show that the upper class in particular experienced very strong growth. Nevertheless, given that the upper class comprises a very small proportion of the total population, this is unlikely to be the primary factor driving this difference. A more plausible explanation is that my estimates of middle class growth are not limited to Africans. In other

words, the *African* middle class may have experienced sizeable growth over the period (as is discussed below), but the same cannot be said for the middle class as a whole.

4.2. Race, Gender and the Affluent Middle Class

This leads to an examination of the racial composition of the affluent middle class between 1993 and 2008. Table 2 reveals that the composition of the middle underwent considerable transformation between 1993 and 2008.

In 1993 Whites out-numbered Africans in the middle class nearly 2 to 1. By 2008, this had been completely reversed with Africans now comprising the majority share, out-numbering Whites just over 1.5 to 1 (although Africans are still underrepresented in the middle class in terms of their much larger population share). It is estimated that an additional 2.7 million African individuals were added to the middle class between 1993 and 2008. Such dramatic changes to the racial composition of the middle class is certainly due to a rising number of middle class Africans, but it is also a function of the falling number of middle class Whites. The decrease in the number of middle class Whites (approx. 1 million) is partly due to an increase in White income inequality seen by Whites moving both up (270,000 individuals) and down (400,000 individuals) the class ladder, but also due to a fall in the absolute size of the White population between 1993 and 2008 by over 750,000 individuals.

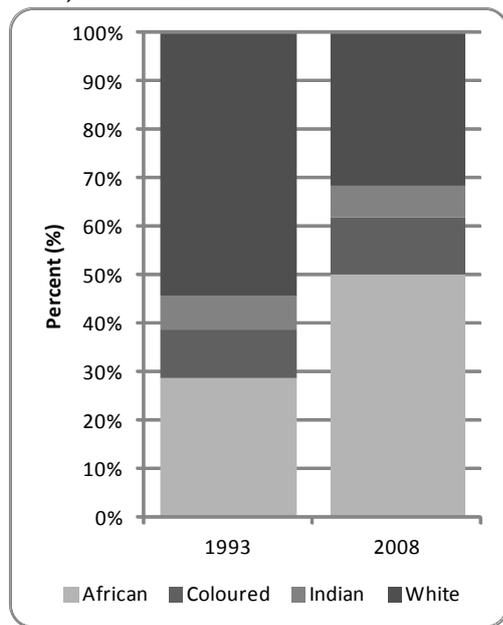
Table 2: Race and class status

		Lower class: (<R515)		Lower Class: (R515 - R1399)		Middle Class: (R1400 - R10000)		Upper Class: (>R10000)		Total	
		1993	2008	1993	2008	1993	2008	1993	2008	1993	2008
African	Count (000's)	21409 (96)	24504 (225)	6736 (77)	8777 (177)	2217 (47)	4947 (155)	19 (5)	211 (43)	30381 (84)	38440 (283)
	row %	70.5	63.7	22.2	22.8	7.3	12.9	0.1	0.5	100	100
	col %	93.8	92.7	74.2	79.1	28.9	50.2	4.2	20.3	75.9	79.4
White	Count (000's)	237 (17)	153 (29)	393 (23)	523 (61)	4175 (72)	3093 (151)	404 (23)	674 (87)	5209 (79)	4443 (186)
	row %	4.5	3.4	7.6	11.8	80.2	69.6	7.8	15.2	100	100
	col %	1.0	0.6	4.3	4.7	54.4	31.4	92.5	65.0	13.0	9.2
Coloured	Count (000's)	1062 (34)	1566 (69)	1570 (40)	1542 (68)	767 (28)	1159 (80)	8 (3)	43 (13)	3407 (58)	4309 (124)
	row %	31.2	36.3	46.1	35.8	22.5	26.9	0.2	1.0	100	100
	col %	4.6	5.9	17.3	13.9	10	11.7	1.9	4.2	8.5	8.9
Indian	Count (000's)	128 (10)	201 (42)	377 (18)	261 (39)	516 (28)	662 (68)	6 (2)	109 (38)	1027 (35)	1233 (97)
	row %	12.5	16.3	36.7	21.2	50.2	53.7	0.6	8.8	100	100
	col %	0.6	0.8	4.2	2.4	6.7	6.7	1.3	10.5	2.6	2.5
Total	Count (000's)	22835 (96)	26424 (234)	9077 (87)	11103 (200)	7675 (90)	9861 (237)	437 (23)	1037 (105)	40024 (45)	48425 (332)
	row %	57.1	54.6	22.7	22.9	19.2	20.4	1.1	2.1	100	100
	col %	100	100	100	100	100	100	100	100	100	100

Source: PSLSD 1993 & NIDS 2008, own estimates.

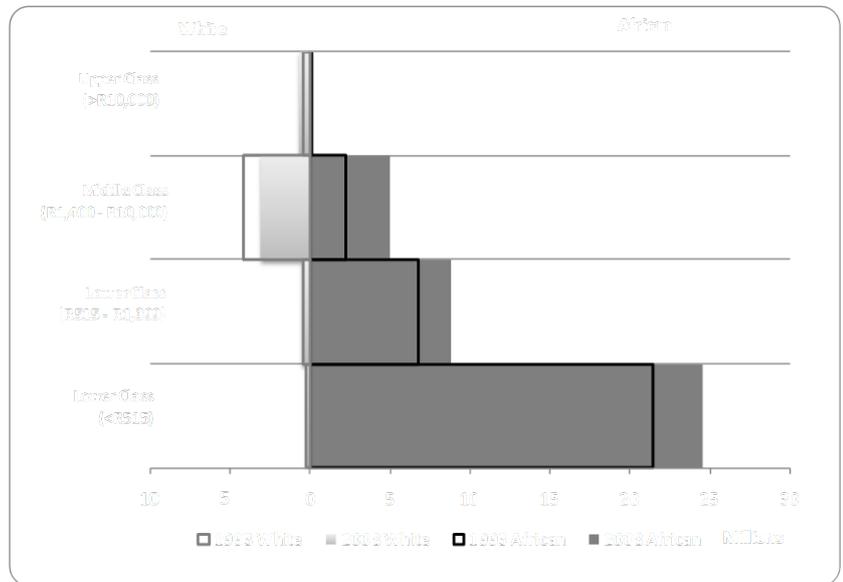
Notes: Standard errors in parenthesis; the data are weighted.

Figure 2: The racial composition of the middle Class, 1993 & 2008



Source: PSLSD 1993 & NIDS 2008, own estimates.
 Notes: Standard errors in parenthesis.
 The data are weighted.

Figure 3: Class status of the African and White populations, 1993 & 2008



Source: PSLSD 1993 & NIDS 2008, own estimates.
 Notes: Standard errors in parenthesis.
 The data are weighted.

Interestingly, the proportion of middle class Coloureds and the proportion of middle class Indians did not show any statistically significant changes over the period, although there were significant increases in the number of Coloureds and Indians in the middle class in absolute terms. This is a noteworthy observation in light of the fact that *Black Economic Empowerment* is inclusive of Coloureds and Indians. The changing racial composition of the middle class does not appear to be driven by Coloured or Indian middle class growth.

The upper class also showed significant racial transformation between 1993 and 2008. In 1993, the upper class were homogenously White (Whites comprising over 90% of all upper-class individuals), however by 2008, the share of non-Whites in the upper class had risen to 45%, with the African share in particular rising from 4.2% in 1993 to 20.3% in 2008. It must be cautioned however that small sample sizes for the upper class make identification of trends across time tentative. Despite considerable churning in the racial composition of the middle and upper classes, the poor on the other hand remained homogenously African, with Africans comprising over 90% of the poor in both 1993 and 2008.

Race however is not the only important demographic characteristic in terms of measuring transformation in access to resources in South Africa. The gender profile of the middle class is also of interest given the inclusion of females as 'historically disadvantaged individuals' within the government's transformation framework. This is seen in table 3 as well as corresponding figures 4 and 5 below:

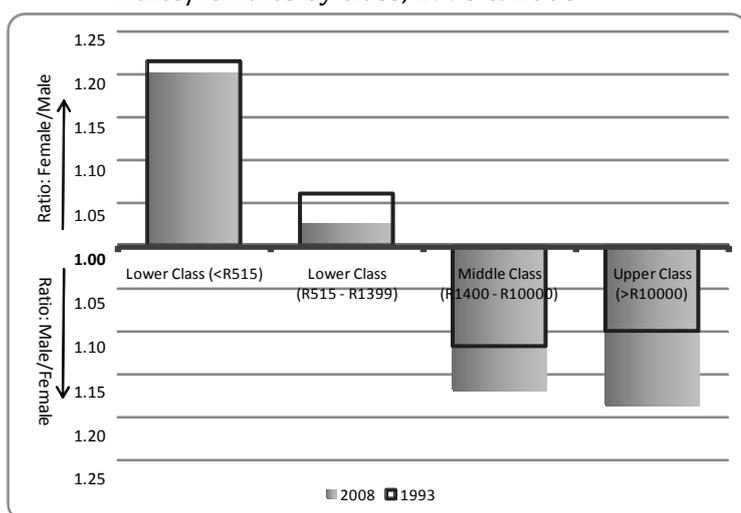
Table 3: Gender and class

	Lower class: (<R515)		Lower Class: (R515 - R1399)		Middle Class: (R1400 - R10000)		Upper Class: (>R10000)		Total	
	1993	2008	1993	2008	1993	2008	1993	2008	1993	2008
Sample: All Individuals										
Male	45.2 (0.3)	45.4 (0.5)	48.5 (0.5)	49.4 (0.9)	52.8 (0.6)	53.9 (1.2)	52.4 (2.7)	54.3 (5.0)	47.5 (0.3)	48.3 (0.5)
Female	54.9 (0.3)	54.6 (0.5)	51.5 (0.5)	50.6 (0.9)	47.2 (0.6)	46.1 (1.2)	47.6 (2.7)	45.7 (5.0)	52.6 (0.3)	51.7 (0.5)
Total	100	100	100	100	100	100	100	100	100	100
Sample: Household Heads										
Male	50.8 (0.8)	42.3 (1.2)	68.1 (1.0)	62 (1.7)	84.7 (0.8)	74.4 (1.7)	87.3 (2.7)	87.2 (3.5)	66.2 (0.5)	58.1 (0.9)
Female	49.2 (0.8)	57.7 (1.2)	31.9 (1.0)	38 (1.7)	15.3 (0.8)	25.6 (1.7)	12.7 (2.7)	12.8 (3.5)	33.9 (0.5)	41.9 (0.9)
Total	100	100	100	100	100	100	100	100	100	100

Source: PSLSD 1993 & NIDS 2008, own estimates.

Notes: Standard errors in parenthesis; the data are weighted.

Figure 4: The proportion of females/males and males/females by class, 1993 & 2008

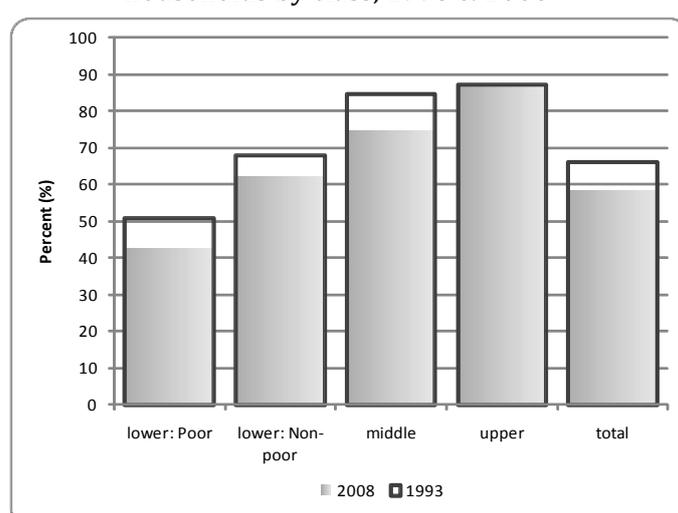


Source: PSLSD 1993 & NIDS 2008, own estimates.

Notes: Standard errors in parenthesis.

The data are weighted.

Figure 5: The percentage of male-headed households by class, 1993 & 2008



Source: PSLSD 1993 & NIDS 2008, own estimates.

Notes: Standard errors in parenthesis.

The data are weighted.

As displayed graphically in figure 4, there is a bias towards males as class status rises. Whereas the lower classes (both poor and non-poor) are comprised of more females than males, the middle class and upper class have more males than females. The proportion of males or females in the middle class (or in any of the class categories) did not change significantly between 1993 and 2008.

The male bias is also seen at the household level (see figure 5), where the proportion of male-headed households rises with class status. At first glance, it appears that the male bias has declined slightly over the period. More specifically, there was a 12% fall in the percentage of middle class households with a male head between 1993 and 2008. However, the population total proportion of male-headed households also fell by 12% between 1993 and 2008. Hence, the fall in the proportion of male-headed households in the middle class is a reflection of

changes at the population level, rather than transformation in the gender profile of the middle class.

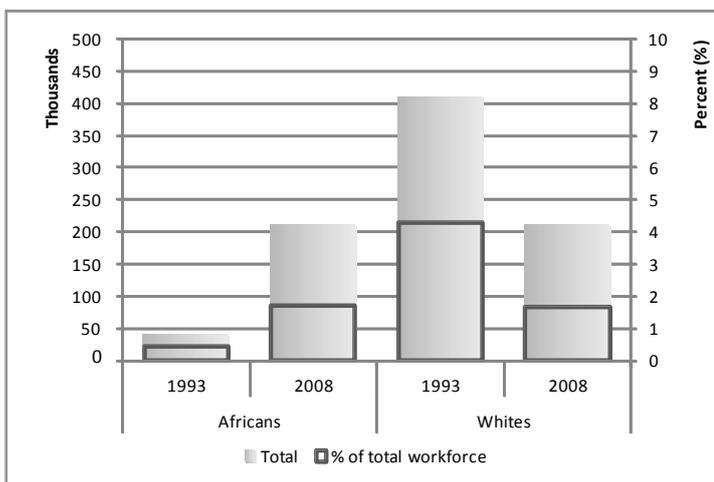
Overall, there has been significant churning in the composition of the middle class between 1993 and 2008. Such changes have been driven by a significant rise in the number of Africans and a significant fall in the number of Whites. This explains how the proportional size of the middle class remained stagnant despite the addition of 2.7 million Africans into the middle class. Interestingly, other historically disadvantaged groups did not appear to make any significant class gains over the period: The proportion of Coloureds and Indians in the middle class did not significantly change, nor did the proportion of females.

4.3 Occupation and the Affluent Middle Class

BEE policy emphasises economic transformation through strategies of Black skills development, occupational equity, and asset/enterprise ownership. I have shown that there is strong evidence in favour of the emerging African middle class in South Africa between 1993 and 2008. This trend however is specific to Africans, whereas the number of middle class Whites actually declined over the period. To what extent is this trend reflected in changing patterns of occupational status? In other words, do we see a significant rise of Africans (and a fall of Whites) in occupations that are commonly associated with middle class affluence?

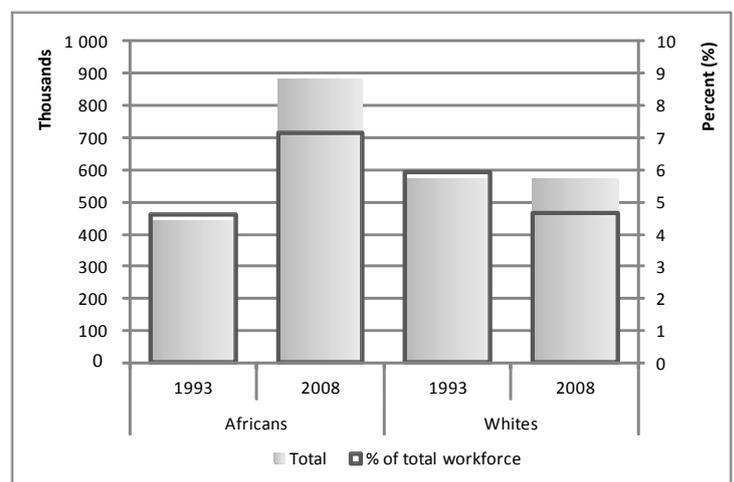
Unfortunately, broad occupational categories are not consistently classified across the PSLSD 1993 and the NIDS 2008. Fortunately however, there is consistency in the classification of two typical 'middle class' occupational categories: namely, 'managers, legislators and senior officials' ('managers/administrators') and 'Professionals, associate professionals and technicians' ('professionals'). Changes in these two occupational categories for Africans and Whites are shown in figures 6 and 7 below.

Figure 6: Managers, legislators and senior officials by race, 1993 & 2008



Source: PSLSD 1993 & NIDS 2008, own estimates.
Notes: Standard errors in parenthesis.
The data are weighted.

Figure 7: Professionals, assoc. professional and technicians by race, 1993 & 2008



Source: PSLSD 1993 & NIDS 2008, own estimates.
Notes: Standard errors in parenthesis.
The data are weighted.

There is a dramatic increase in the number of African managers/administrators over the period, accompanied by an equally large decrease in the number of White managers/administrators. The net result is that the number of African and White managers/administrators actually

equalise in 2008. There is also a large increase in the number of African professionals between 1993 and 2008, whereas the number of White professionals remains unchanged across the period. The increase in African professionals is sufficiently large such that Africans take-over the majority share of professionals in 2008. The fact that Whites have been able to keep the same number of jobs in professional occupations whilst losing a dramatic proportion of management/administrator positions may reflect the role of government in transformation as the economies biggest employer. However Africans are still underrepresented in both management/administrator and professional occupations given their large relative population share.

4.4 The Affluent Middle Class: Evidence 1993 – 2008

The PSLSD 1993 and NIDS 2008 provide valuable insight into the development of the middle class affluent in post-Apartheid South Africa. Although some 2.2 million individuals were added to the middle class over the period, this growth was roughly inline with population growth and hence the proportionate size of the middle class changed only marginally. Furthermore, the income share of the middle class actually declined as the upper class (comprising only the wealthiest 3% of individuals) claimed an even bigger share over the period. The racial composition of the middle class changed substantially, with the number of Africans in the middle class rising rapidly, and the number of Whites in the middle class declining. By 2008, Africans had replaced Whites with the majority share of the middle class. This trend is mirrored by similar changes in the occupational structure for Africans and Whites. Other previously disadvantaged groups however (specifically Coloureds, Indians and females) did not experience any significant changes in their share of the middle class between 1993 and 2008.

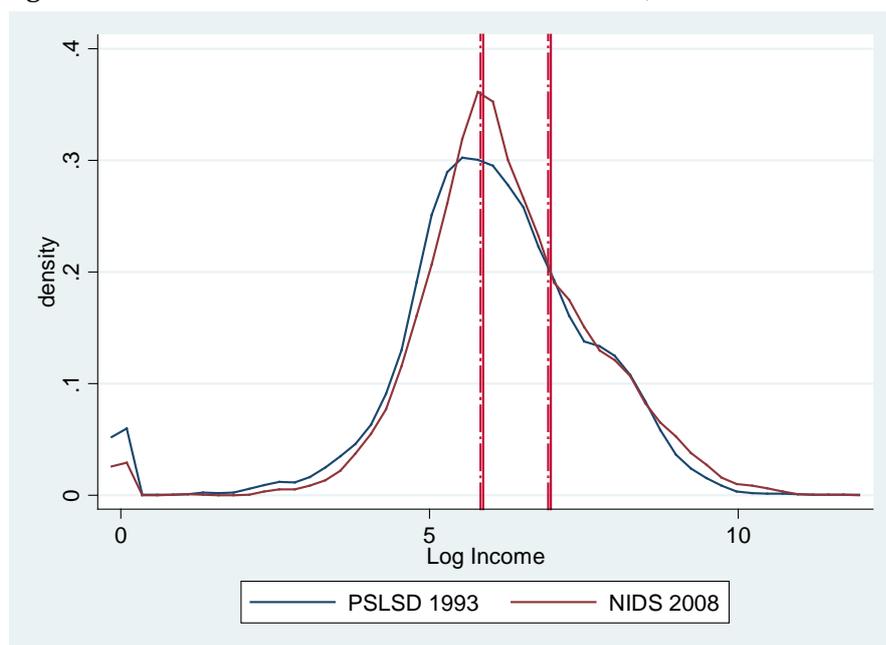
5. Development of the Middle Class Income Strata: 1993 - 2008

This ends the discussion of changes in the size and composition of the affluent middle class in post-Apartheid South Africa, but what of changes in the standard living of households more literally in the middle of the income strata? As has been demonstrated elsewhere (cf. Visagie and Posel, 2011), what is 'middle' in terms of the South African per capita household income distribution, is distinctly different from 'middle' in terms of the standard living typically ascribed to the middle class. A number of studies support the notion that a growing and economically empowered middle income strata leads to a more politically stable economy and ultimately enhances economic growth (cf. Easterly, 2001; Palma, 2011). The state of the middle class income strata also provides another window through which economic development and inequality can be viewed. In light of the economic and political oppression of the majority under Apartheid, it is interesting to examine the impact that a decade and a half of democracy has had on the 'average' South African.

5.1 The Income status of the Middle Class Income Strata: Measuring Progress

Figure 7 presents the per capita household income distribution at the level of the individual using the PSLSD 1993 and NIDS 2008, as well as the corresponding middle strata income thresholds (these are defined by 50% and 150% of the per capita income of the median household in the distribution). Panel data would enable us to match which households in particular moved up or down the distribution over time, however in its absence, cross-sectional snapshots of 1993 and 2008 at least show on aggregate whether the middle income strata improved its standing over the period.

Figure 7: Middle Strata and the income distribution, 1993 and 2008



Source: PSLSD 1993 & NIDS 2008, own estimates.
 Notes: Standard errors in parenthesis; the data are weighted.

Table 4: Income thresholds of the middle strata

	1993	2008
Median Per Capita Income	R 677	R 705
Lower Bound (50% of median)	R 339	R 353
Upper Bound (150% of median)	R 1016	R 1058

Source: PSLSD 1993 & NIDS 2008, own estimates.
 Notes: Standard errors in parenthesis
 The data are weighted.

Table 5: The size of the middle strata

	1993	2008
Size of Middle Strata (millions)	12.0 (0.1)	15.3 (0.2)
% Share	30.0 (0.2)	31.5 (0.4)
Income (billions)	6.7 (0.1)	9.3 (0.1)
% Share	14.5	13.2

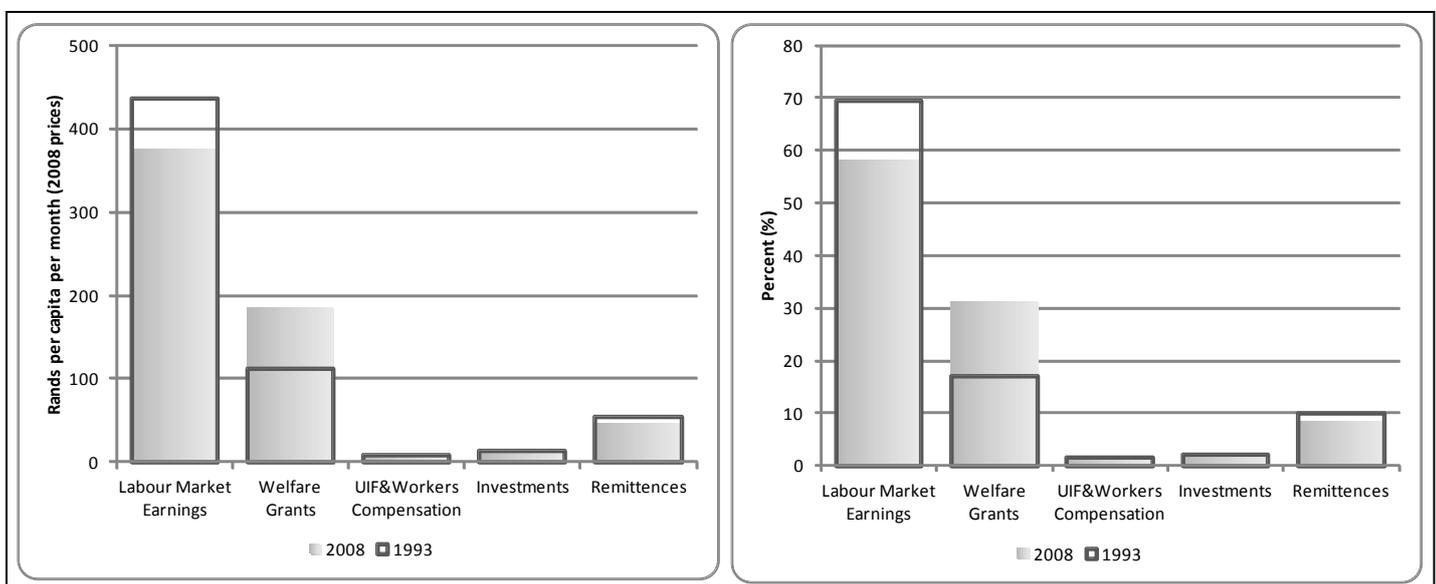
Source: PSLSD 1993 & NIDS 2008, own estimates.
 Notes: Standard errors in parenthesis
 The data are weighted

As seen by the kernel density estimates, the income distribution has shifted rightward between 1993 and 2008, most notably in the lower and upper thirds of the distribution. Nevertheless, this improvement must not be overstated. The rightward shift in the income distribution is very slight. In particular, the median per capita household income increased by only 4% between 1993 and 2008. This means that the lower and upper income boundaries for defining the middle strata also increased by only 4% between 1993 and 2008. In absolute terms, the lower bound increased slightly from R339 to R353 per capita per month, and the upper bound increased slightly from R1016 to R1058 per capita per month. Clearly, individuals living in households within the middle of the distribution have experienced very little change in their income status, despite fifteen years of democracy. Moreover, such slow growth in the income status of the middle strata is in spite of mean per capita household income growth of 15% for the period. The total share of national income accruing to the middle class income strata also showed a slight decline between 1993 and 2008 (although this change was not significant at the 95% level of confidence). Hence the relative standing of the middle strata did not, at best, show any significant change over the period (and may even have deteriorated). The size of the pie may have grown between 1993 and 2008 (as is shown by mean per capita income growth), but the proportion of it enjoyed by those in the middle remained unaffected.

Nor has the proportional size of the middle strata undergone any dramatic changes. The middle class income strata did grow in the right direction from 30.0% of the total population in 1993 and 31.5% of the population in 2008 (with an absolute increase in size of 3.3 million additional individuals), but such a small proportionate change in the size of the middle strata in over a decade and a half of democracy is not enough to change the description of South Africa as a highly unequal society with a small and disempowered middle class income strata. This accords with numerous empirical estimates of income inequality in South Africa which agree that income inequality has risen in the post-Apartheid period (cf. Hoogeveen and Osler, 2006; Borat and van der Westhuizen, 2009; Leibbrandt et al, 2010).

What may be the reason for the lack of (or at best very slow) progress in the development of the middle income strata? Although a comprehensive answer to this question is beyond the scope of this paper, a deeper analysis of the sources of income of the middle income strata between 1993 and 2008, provide some clue as to the reason for the slow development.

Figure 9: Sources of income of the middle strata, 1993 & 2008



Source: PSLSD 1993 & NIDS 2008, own estimates.

Notes: The data are weighted.

As seen in figure 9, labour market earnings fell substantially for households in the middle income strata, both in terms of the average rand value of labour market earnings per person per household (constant 2008 prices) and in proportional terms. Similarly, income from remittances (which is arguably redistributed labour market earnings) also showed a slight decline over the period. The middle class income strata therefore appears to have lost ground in terms of labour market earnings. Studies of the South African labour market post-1994 note falling levels of formal sector employment in the 1990's (Seekings and Nattrass, 2005), a general shift from unskilled to skilled labour employment (Bhorat, 2003; Oosthuizen, 2003), and steady increases in the unemployment rate (whether strict or expanded) up until 2002 (Seekings and Nattrass, 2005). All of the abovementioned factors could have arguably undermined the aggregate labour market earnings of households in the middle strata in South Africa.

Surprisingly, declines in labour market earnings did not lead to a fall in per capita earnings of the middle income strata (recall table 4). This is because the fall in labour market earnings was

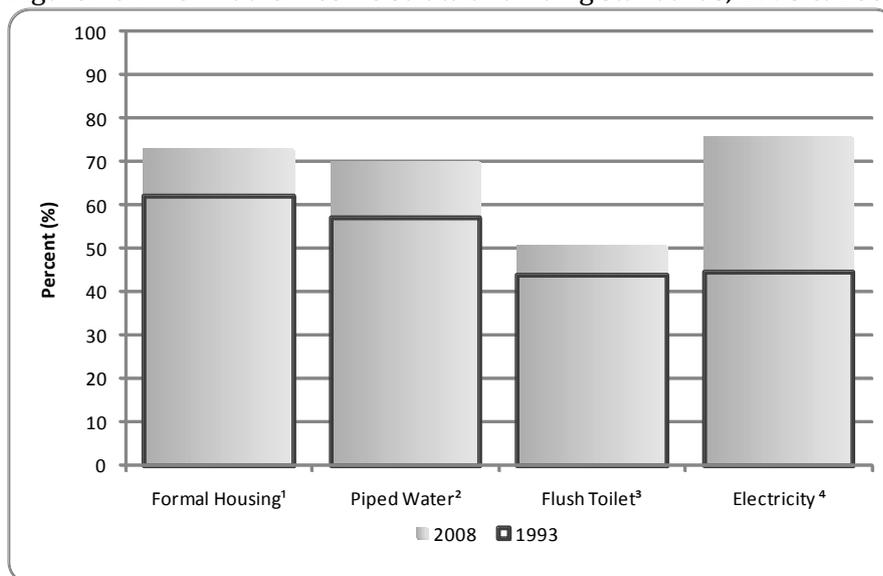
buffered by an increase in government grant income. More specifically, the average proportion of income derived from government grants, rose from 17% to 31% for middle income households between 1993 and 2008, an increase of R74 in per capita terms (roughly commensurate to the R70 fall in labour market earnings, including remittances). Hence, the fact that the income status of the middle income strata did not fall over the post-Apartheid period appears to be the result of active fiscal redistribution through the expansion of the social grant system.

5.2 Non-income Measures of Progress: Living-standards of the Middle Class Income Strata

Although income measures of the economic status of the middle strata in South Africa present a mediocre picture of development between 1993 and 2008, non-income measures of welfare fair comparatively much better.

Figure 10 below reports the percentage of households within the middle strata that had access to basic resources in 1993 and 2008 respectively. On all accounts, the percentage of middle class income strata households with access to these resources increased significantly between 1993 and 2008. This was most dramatic in terms of the percentage of households with access to electricity (which increased from 44% to 76%) and the percentage of households with access to piped water (which increased from 57% to 70%).

Figure 10: The middle income strata and living standards, 1993 & 2008



Source: PSLSD 1993 & NIDS 2008, own estimates.

Notes: The data are weighted.

¹ A dwelling where the main materials used in the walls are brick, concrete or wood.

² Private piped water; may be internal or external to the premises.

³ Toilet may be shared with other households.

⁴ Household is connected to an electricity supply.

These findings concur with Borat and van der Westhuizen (2009) who find evidence of substantial progress in non-income measures of welfare for South African households, post-1994, particularly households in the lower income deciles. Therefore, whilst the middle strata arguably lost ground in terms of their income and labour market status between 1994 and 2008, this was balanced by an expansion of access to public services.

5.3 The Middle Class Income Strata: Evidence 1993 – 2008

The middle class income strata appear to have only marginally improved their income status between 1993 and 2008. Although the median household in the distribution received greater financial support through government grant income, this increase was matched by a roughly equal decline in labour market income. The middle income strata also lost ground in terms of their proportionate share of total national income. Despite a lack of progress in terms of income, non-income measures of welfare, such as access to electricity and piped water, show substantial improvement over the period.

6. Conclusion:

This paper examines the development of the middle class in post-Apartheid South Africa from two different perspectives of the 'middle class': a middle class defined by affluence, and a middle class defined by the middle income strata.

The middle class affluent focuses attention on the relatively privileged within South African society. This is particularly interesting in light of South Africa's current political regime which actively seeks to promote the development of a multi-racial middle class through policies of 'Affirmative Action' and 'Black Economic Empowerment'. Data from the PSLSD 1993 and NIDS 2008 shows that the South African middle class has become more multi-racial between 1993 and 2008. However this change is only significant with respect to an increased share of middle class Africans and a shrinking number of middle class Whites. Coloureds and Indians (as well females) do not experience a significant change in their proportionate share of the middle class between 1993 and 2008. The net effect on middle class growth is that the total size of the middle class increases by 2.2 million individuals between 1993 and 2008. However this growth is in-step with population growth and hence the proportionate share of the middle class in fact increases only marginally.

The middle class income strata draws attention to the development of the 'average' or 'regular' South African. Between 1993 and 2008, the per capita income of the median household in the South Africa income distribution experienced only a marginal improvement of 4%. Although government grant income significantly increased for the middle strata, this was accompanied by a commensurate decrease in labour market income, such that total per capita income increased only marginally for the middle income strata. Non-income measures of welfare on the other hand showed significant improvement between 1993 and 2008 with respect to access to electricity, piped water, a flush toilet and formal housing.

Taken together, the middle class affluent and middle class income strata reveal a more nuanced version of economic development in post-Apartheid South Africa. Class may have become more multi-racial for the affluent in the first fifteen years of democracy, nevertheless the challenge also remains on how to best increase the level of welfare for the average South African citizen.

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