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**SPEECH BY FORMER PRESIDENT FW DE KLERK
TO THE FW DE KLERK FOUNDATION CONFERENCE
ON ADDRESSING INEQUALITY
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THE STRUGGLE FOR EQUALITY

I would like to welcome you to this - the FW de Klerk Foundation's - 10th annual conference. We instituted the conferences in 2010 to mark the 20th anniversary of the commencement of our great national transformation process.

In June this year the Foundation will be celebrating its 20th birthday: for 20 years we have been doing everything we can to uphold and promote the Constitution that is the foundation of our new society - and that remains the best hope for peace, progress and justice for all South Africans.

I welcome this opportunity - on the eve of the 25th anniversary of our new non-racial constitutional democracy - to join in a discussion on one of the most important challenges facing our country: the need to achieve equality.

The achievement of equality was one of the prime goals that we set for our new society when we adopted our present Constitution in 1996. Together with human dignity, the advancement of human rights and freedoms, non-racism and non-sexism it was one of the core founding values on which our new constitutional dispensation was constructed.

It is a matter of the deepest national shame that we have not only failed to make progress in achieving equality - but that we are now an even more unequal country than we were in 1994. Indeed, by any measure we are now the most unequal society in the world.

Inequality is generally measured by the Gini index, which reflects the distribution of income on a scale where 0 indicates perfect equality - where all citizens would have exactly the same income - to 100 - where all the income in a country would be bestowed on a single individual.

South Africa's dismal failure to achieve greater income equality is reflected in the fact that our Gini index is now 63.4. This makes us, according to the World Bank, the most unequal country in the world. Inequality has also increased within all our population groups - and particularly among black South Africans where it mirrors national inequality levels.

Inequality in the distribution of wealth - as opposed to income - in South Africa is equally shocking. According to recent study by the Research Project on Employment, Income Distribution and Inclusive Growth, 1% of South Africans were estimated to own at least half the wealth in the country and the richest 10% "at least 90-95% of all wealth".



There are indications that the situation is getting worse for the bottom 40% of the population. According to the World Bank, their consumption expenditure - which increased by 3.5% between 2005 and 2011 - actually decreased by 1.4% between 2011 and 2015.

The actual circumstances of most South Africans have, however, been alleviated by the payment of more than 17 million social grants and by substantial improvements in access to housing, electricity, water and sanitation, and by enormous expenditure on public education and health. Although these developments have led to substantial decreases in poverty levels, they have done little or nothing to address inequality.

Before we examine the causes of these unacceptable levels of inequality we should consider what the Constitution says about equality:

- In the first place it proclaims that, “Everyone is equal before the law and has the right to equal protection and benefit of the law”. This means, above all, that nobody should be subjected to unfair discrimination of any kind.
- Secondly, section 9.2 states that, “Equality includes the full and equal enjoyment of all rights and freedoms.”

However, apart from formal equality there is a clear requirement for equality of outcomes. Indeed, when most observers refer to the degree of equality or inequality in a society they almost invariably have in mind the degree to which material benefits are distributed.

There is, of course, little possibility that, given mankind’s varied talents, proclivities and circumstances, there is any prospect that any society will ever be able to attain a condition of absolute material equality. The last one that tried was Pol Pot’s regime in Cambodia.

Even supposedly communist countries like China and Vietnam have only middling Gini indexes (China - 42.2 and Vietnam 35.3), which puts them in the same range as the archetypal capitalist United States with 41.5. The most equal countries in the world are the Czech Republic, Norway and Sweden and Denmark - all of which have Gini indexes below 27.3. In such countries the top 10% of the population earn a little less than the combined incomes of the bottom 40%.

By contrast, the top 10% in South Africa earn over seven times more than the bottom 40% - yet another indication that our society is the most unequal in the world.

What then are the roots of the increasing inequality in our society?

Race and Gender

Race and gender discrimination were certainly factors.

- White South Africans had an enormous head start in the race for development and wealth.



- Add to this decades of exploitation that severely limited black economic rights and their ability to accumulate wealth.
- Whites are still the most privileged community in terms of both income and education levels. Nevertheless, the situation is changing. In 1995, whites accounted for 69% of those in the top earnings decile. By 2007, their share had diminished to 43%. According to Stats SA's 2017 *General Household Survey*, whites now account for only 38% of households with monthly expenditure exceeding R10 000.
- In 2016 there were some 1.7 million Black, Coloured and Indian households with higher monthly expenditure than 30% of white households. There were also 3.9 million Black, Coloured and Indian South Africans with higher educational qualifications than more than half the white population.
- Gender was also a factor - but the ANC government has made considerable progress since 1994 in addressing many aspects of gender discrimination.
- However, according to a 2018 study by the World Bank on "Overcoming Poverty and Inequality in South Africa" race and gender are now declining as drivers of inequality, while labour market incomes and education are growing in importance.

Education

South Africa's dismal education performance is now one of the major drivers of inequality. We should not be fooled by annual improvements in matric results. Our education system has been a catastrophic failure.

- In education rankings compiled by the OECD in 2015, South Africa came 75th out of the 76 countries that were assessed.
- In November 2016 South Africa came bottom - or near to the bottom - in an international mathematics and science study involving 57 countries. South African children fared worse than children from much poorer countries in Africa.
- After six years at school, 27% of South African pupils could not read, compared with 4% in Tanzania and 19% in Zimbabwe.
- One of the problems is that millions of children, after the first three years of school, are taught in English - a language that - particularly in the rural areas - they do not understand.
- Of 100 pupils who start school, 50 will drop out before matric; 40 will pass - but only 12 will qualify for university. This means, in effect, that only 12 out every 100 children who enter school emerge 12 years later with an acceptable qualification.

There is also a direct link between the education enjoyed by children from different economic levels. Children in the top quintile experience education levels similar to those in other middle-income countries. However, education standards decline precipitously as one descends to the lower quintiles. These differing educational standards inevitably perpetuate inequality.



The very poor education outcomes of the great majority of South African children is one of the principal drivers of poverty and inequality - because there is - unsurprisingly - a direct correlation between education levels, income levels and unemployment,

Unemployment

Unemployment is undoubtedly one of the principal causes of inequality. It is far more serious than official statistics indicate.

- At the end of the second quarter of 2018 the official unemployment level was 27.2%. However, this did not include 2.86 million South Africans who have given up their search for employment. If they are added, the unemployment level jumps to 40%.
- The depressing reality is that only 40% of black South Africans between the ages of 15 and 64 are in employment - compared with 62% among whites. How can we achieve greater equality under these circumstances?
- Part of the problem lies in South Africa's rigid labour policies that are often dictated by the ANC's trade union allies. Hiring and firing practices, the flexibility of wage determinations and the ease of hiring foreign workers, are, according to the World Economic Forum, amongst the most difficult in the world.
- Another problem arises from South Africa's toxic labour relations. Many of our strongest unions are led by SACP supporters who regard employers as their class enemies. According to the World Economic Forum, our level of cooperation in labour/employer relations is one of the worst in the world.
- The main inequality divide in South Africa is no longer between blacks and whites but between those who have skills and education and those who don't; and between people who have jobs and the 40% of the population who are unemployed. It is a divide that lies at the heart of our inequality challenge.

Family size, structure and location

Family size and structure - and where families live - also play a major role in driving inequality.

- The World Bank study also pointed out that poverty levels are consistently highest among female-headed households, large families and children.
- Just consider that in 2016, 33.5% of South African households did not include a single employed person.
- Also in 2016, almost half (47.6%) of South Africa's children lived in single-parent families.
- According to Stats SA, only 36% of children live with their biological father in the same household. The burden of bringing up children falls increasingly on the shoulders of single mothers assisted by extended families.
- The location of households is also an important factor. Households in rural areas experience serious disadvantages when it comes to promoting equality because of the difficulty of accessing proper housing, health services and functional schools.

Low Economic Growth



Add to this toxic list South Africa's failure since 2007 to achieve high sustained levels of economic growth.

- Our economy has grown by an average of only 1.6% since the financial crisis in 2008.
- This compares with our average population growth during this period of about 1.2% per annum - leaving us with a paltry nett increase per capita of only 0.4% - which is far too low to make any impact on poverty and inequality levels.
- If we wish to make progress in combatting inequality, we will have to attain the 5%+ growth rates that we achieved briefly in 2006 and 2007 under the guidance of Trevor Manuel and President Thabo Mbeki.

From all of this one can distil the following:

- We are the most unequal country in the world - and we are more unequal than we were in 1994;
- The roots of this unacceptable situation lie in
 - patterns of race and gender inequality inherited from our past;
 - the failure of our education system;
 - a real unemployment level of 40%;
 - the structure, size and location of families; and
 - sluggish levels of economic growth.

What we have in South Africa is a four-layer cake, including

- a 4% elite - that in 2014 was 57% white;
- a 20% middle and lower middle class that is 72% black, Coloured and Indian;
- a working class of 35% that is 85% black;
- an unemployed underclass of 40% that is 95% black.

What then is to be done?

It was with this degree of inequality in mind - much of it the result of discriminatory policies of the past - that the framers of the Constitution drafted section 9(2). It provides that "to promote the achievement of equality, legislative and other measures designed to protect or advance persons or categories of persons, disadvantaged by unfair discrimination, may be taken."

Section 9(2) has subsequently become the fountainhead of all the ANC's affirmative action and black economic empowerment programmes.

However, in the face of increasing national inequality there is good reason to conclude that the government's affirmative action and BEE policies have failed to address inequality - and might even have aggravated it. This is because most affirmative action and BEE occur in the



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top 10 to 15% of the income pyramid and have little or no impact on the bottom 85% of our society.

Indeed, unbalanced affirmative action, which has contributed to service delivery problems in municipalities and key government departments, may well have limited the access of people to “full and equal enjoyment of all rights and freedoms”. It may thus have *diminished* the level of equality in our society.

It may accordingly be appropriate for government to rethink the measures that it needs to take to promote the achievement of equality.

One of the obvious solutions is to redistribute wealth from the rich to the poor. We already have such a system: it is called income tax. It is non-racial, legitimate and effective. It means that most people in the top income brackets - after paying income tax, VAT, rates and company tax - spend about half the year working for their fellow South Africans.

As early as 1992, the World Bank considered the potential for racial redistribution of wealth. It found that average white South Africans paid 32% of their income in tax but even then, received only 9% back in direct services. This gave them a relative tax burden of 23% - which was one of the highest in the world.

Of course, tax levels can be increased but experience all over the world has shown that excessive tax levels can easily kill the geese that lay the golden eggs.

As I see it, we should be doing much more to achieve real equality of opportunity so that everyone can begin the great race of life from the same starting line. This will necessitate positive discrimination to ensure that less advantaged people do not start the race hundreds of metres behind the starting line. More resources should be poured into education, social services and job opportunities for the poorest segments of the population.

On the other hand, many people believe that equality means that there should be equality of outcomes - so that all the runners should cross the finishing line at the same time. This necessitates negative discrimination against the faster runners who will have to be handicapped to stop them from winning.

But under such circumstances, why should the best runners bother to compete in the race at all - and what would the implications be for society and the economy if healthy competition were to be eliminated from the race?

The best approach might be to strive for the levels of equality of outcome that have been achieved by the Nordic countries - where there is still healthy competition but where even the losers get prizes.

My recommendations for the promotion of equality are accordingly as follows:



- We must fix the education system. The budget this year is R227 billion. Together with other education expenditure this amounts to almost R16 000 per pupil and student. We must really concentrate our efforts on ensuring that we and our children get proper value for this enormous investment. This means that we will have to:
 - provide decent educational environments for all our school children;
 - upgrade the quality of our teachers;
 - find, train and appoint excellent principals;
 - provide the first six years of education in the child's mother tongue - before switching to English in high school; and
 - combat the toxic influence of some teacher trade unions.
- We must make it much easier for the private sector and small businesses to create jobs. This means that we must develop a much more flexible labour system - particularly for first-time job-seekers. This will not happen for as long as trade unions are in alliance with the ruling party and are able to dictate labour policy. It will also not happen while the leadership of key trade unions remains in the hands of communists who regard employers as their class enemies.
- We must ensure sustained and accelerated economic growth. This will require
 - the creation of a secure and friendly destination for foreign and domestic investment.
 - certainty regarding property rights and the cessation of intrusive racial employment and procurement practices;
 - the elimination of costly and expensive over-regulation of small and medium size enterprises;
 - orthodox macro-economic policies of the kind that were implemented by the ANC before 2008;
 - greater fiscal discipline with smaller and more effective government departments.

In effect, we must follow the examples of countries that have achieved enormous economic success by respecting property rights and freeing their economies.

The government's own National Development Plan already makes provision for many of these policies.

- We must abandon race-based and divisive ideologies based on demographic representivity. We must shift the accent in affirmative action programmes from race to relative disadvantage.
- We must launch a nationwide campaign to encourage fathers to accept their responsibilities to their children. We need an environment in which every child that is born is wanted and will be nurtured and loved by two parents.
- We must place greater accent in black empowerment deals on share schemes for employees rather than enriching people with political connections.
- We must vastly improve service delivery by stopping cadre deployment and by appointing people to key jobs solely on merit.



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- We must take real steps to root out corruption - which is eviscerating our ability to provide decent and affordable services to the people. We must start by re-establishing the Scorpions and by cleaning out the National Prosecuting Authority.
- We must make it a national priority to improve our Gini index down to 45 in the next 15 years.

This may sound impossible.

But if we cast our minds back to 1994, we South Africans should remember that we specialise in the impossible!

Of this we can be sure: present levels of inequality are unacceptable and unsustainable. We need a national consensus on the kind of steps that we must take to achieve the vision in the founding values of our Constitution.