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Social Mobility in South Africa

2024

Reflections on the
consumer landscape 30th
years into South Africa's
democracy.

**UCT Liberty Institute of
Strategic Marketing**





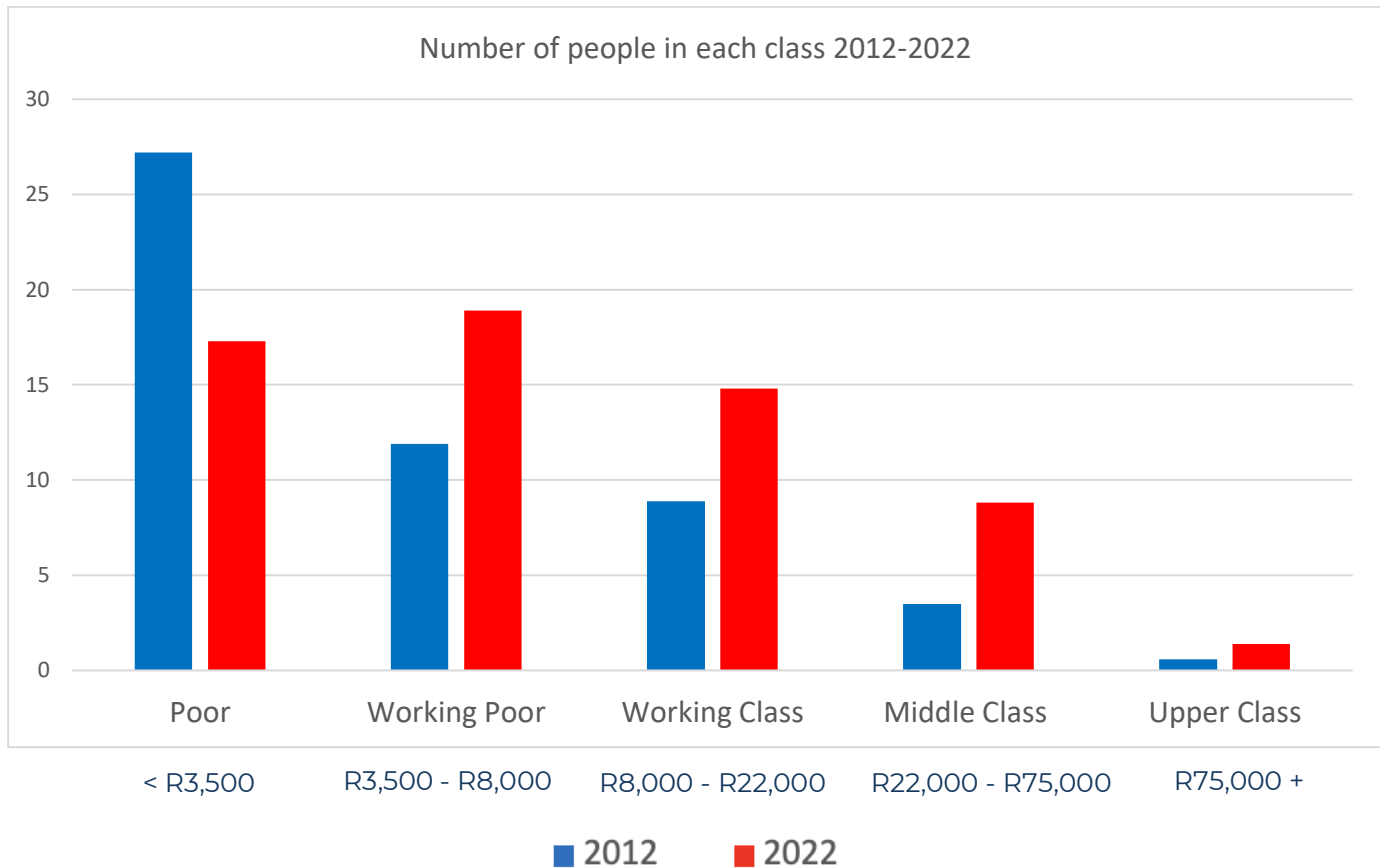
What Do South Africans Earn?

This year South Africa held its 7th General Election since 1994. Much has changed when it comes to the consumer landscape over this period. At the *University of Cape Town Liberty Institute of Strategic Marketing*, we have conducted an in-depth analysis of income distribution across the South African population. Using the latest StatsSA General Household Survey (GHS) data, we aim to improve our understanding of how the South African consumer landscape has changed by focusing on household income as a key variable. We've compared the findings of the 2012 and 2022 General Household Survey data to highlight what has changed over time.

It should be noted that South Africa is widely recognised for having one of the highest levels of income inequality in the world. We believe this necessitates a more nuanced approach, as relying solely on metrics like average income or income to GDP can obscure the true socio-economic situation. To improve our understanding, we have categorized South Africans into different income bands. These segments are primarily based on government-defined income thresholds, such as those used to determine eligibility for social grants. This categorization has resulted in six income bands and forms the basis for a comprehensive class structure analysis².



Breakdown of The South African Population by Household Income 2012 v 2022 (millions of people).

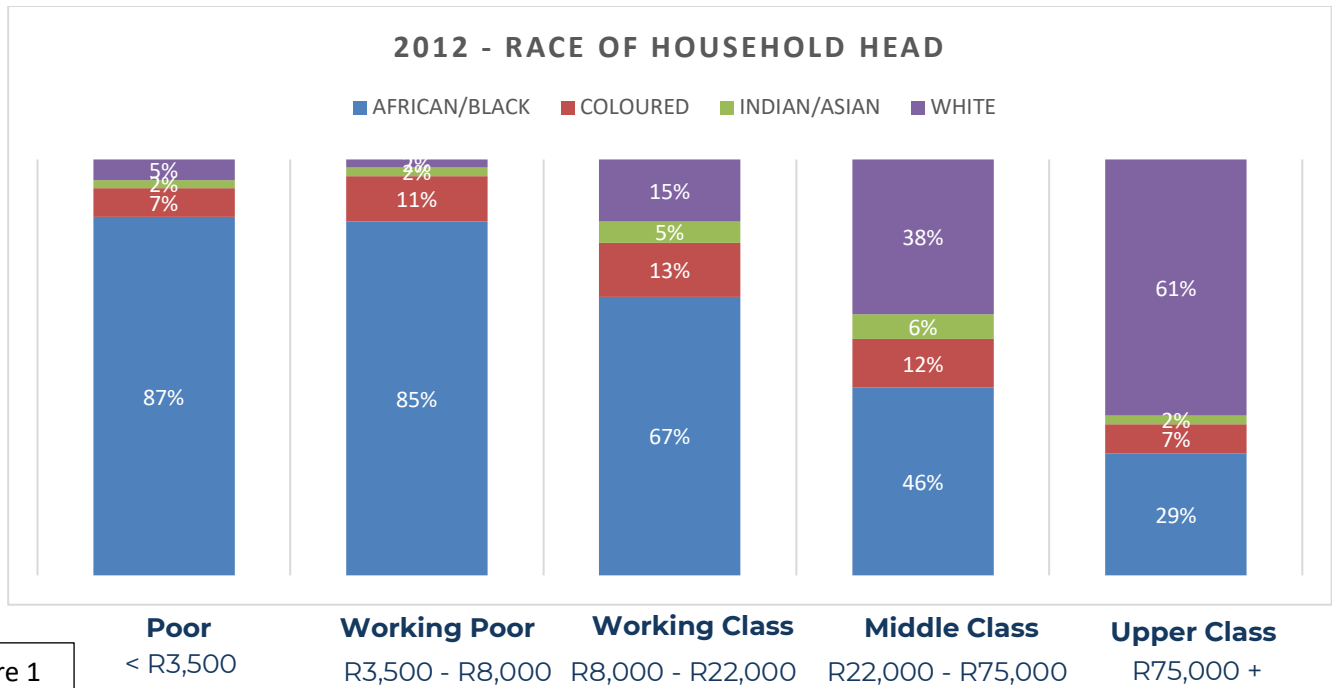


The latest General Household Survey also shows that there are still over 17 million South Africans living in households earning less than R3,500 per month, although this is 10 million less than in 2012. Across all other income bands there has been significant growth across when it comes to population and the number of households.

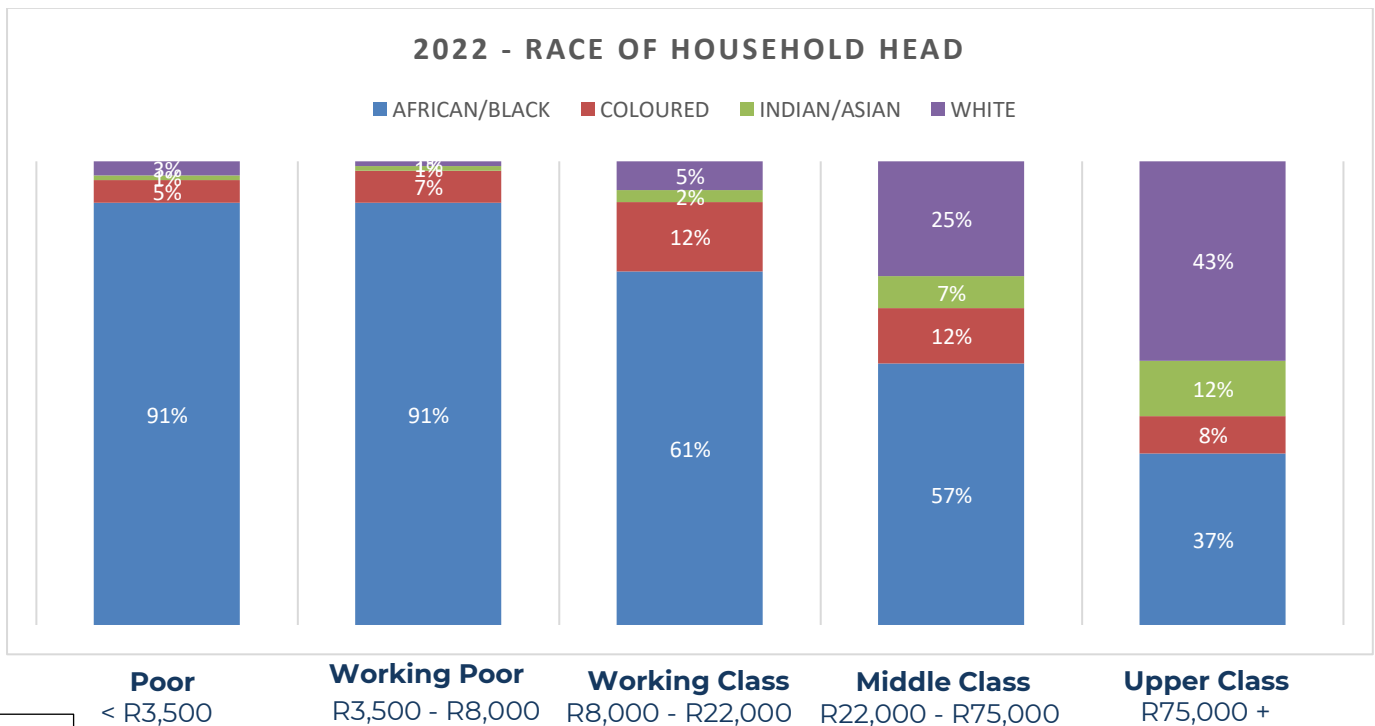
Breakdown of the South African consumer landscape by income and race 2012 vs 2022

Given South Africa's history, the question of consumer income distribution by race is unavoidable. Below is a comparison between 2012 and 2022.

2012



2022



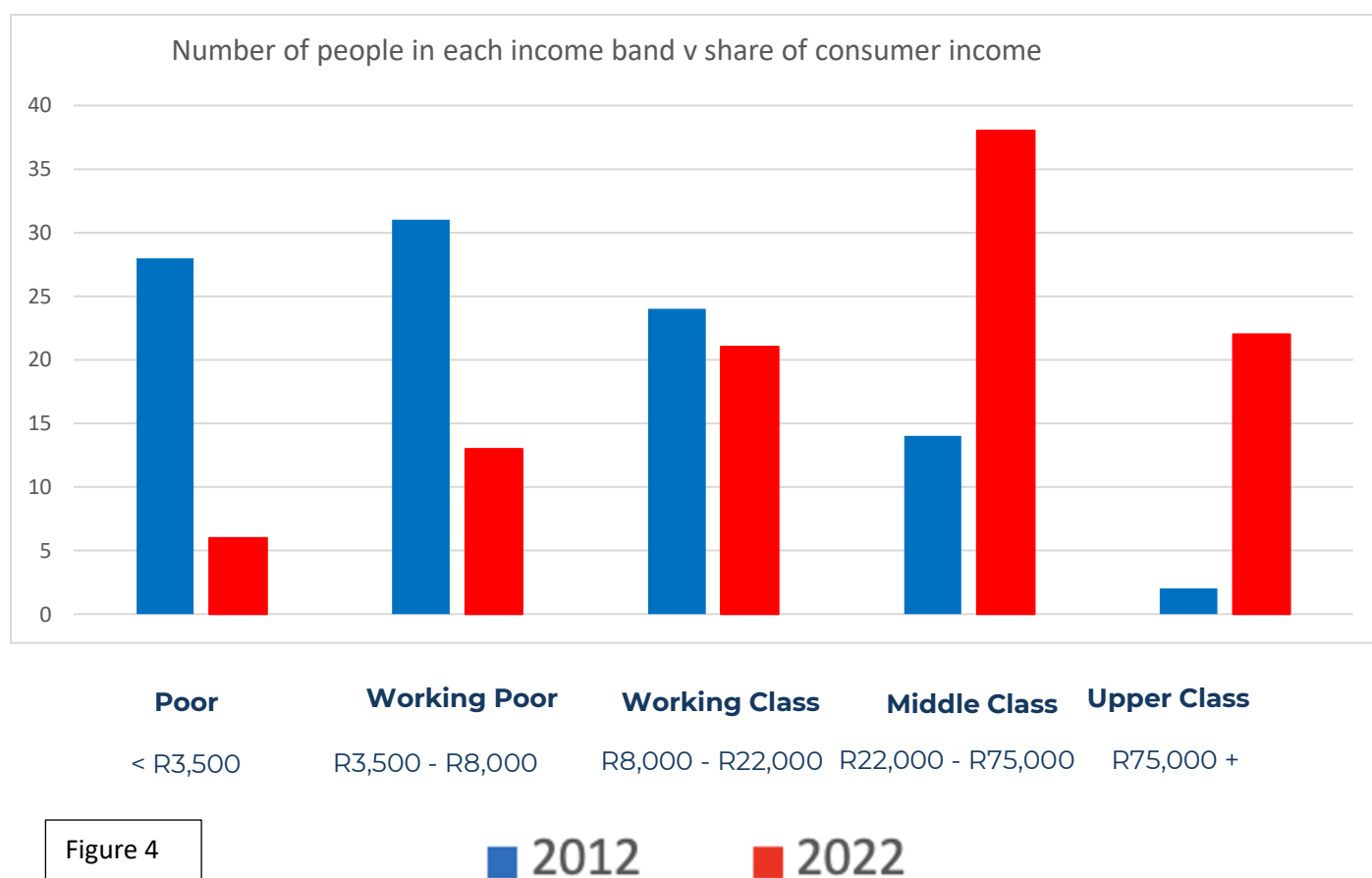
2012 v 2022 by Race

Figure 2 above, show that in 2012, the upper income brackets in South Africa were dominated by white households. In 2012 over 60% of households earning over R75,000 per month were white. By 2022, the proportion of white households in the upper class income brackets had decreased to just over 40%. Concurrently, the proportion of Black, Coloured, and Indian/Asian households in the top three income brackets rose significantly..

It is also worth noting that during this period, the number of middle and upper class households also increased, leading to a notable shift in demographics. For example, the number of Black individuals in the top two income brackets (i.e. over R22,000 per month) tripled, from 1.7 million in 2012 to 5.6 million in 2022. Similarly, the number of Indian/Asian individuals in these brackets nearly quadrupled, rising from just over 200,000 to around 800,000. The Coloured population in these income brackets also saw significant growth, increasing from 430,000 to 1.1 million.

The racial make-up of both the poor and the working poor in both 2012 and 2022 were overwhelmingly Black/African.

Number of people v share income



Source: StatsSA, GHS, 2022

Figure 4 above highlights South Africa's income inequality. Although South Africans living in households earning less than R8,000 per month make up nearly two-thirds of the population, together this group only accounts for 20% of all consumer income. At the same time the Upper Class account for less than 2% of the population but account for over 22% of all consumer spending power.

QUICK FACTS



1,000+ the number of new households created across South African every day.

4 million the number of new households since 2012. In 2012 there were an estimated 14 million households in South Africa. By 2022 this figure had risen to over 18 million.

17 million the number of South Africans living in households earning less than R3,500 per month.



To cite this document use: Egan, P. & Lappeman, J. (2024). Social Mobility in South Africa: An overview of the consumer landscape on the 30th anniversary of South Africa's democracy. UCT liberty institute of strategic marketing. For more information on the consumer landscape or one of the individual segments, contact: Paul Egan (paul.egan@uct.ac.za) or Dr James Lappeman (j.lappeman@uct.ac.za)

Notes

(1) **Poor:** Qualify for RDP house/housing subsidy (2012-2022). **Working Poor:** Qualify for child support grant (2012-2022). **Working Class:** Qualify for Gap Market Housing Subsidy [FLISP] (2012-2022). **Middle class:** No longer qualifies for direct government support but still have a household income of less than R75,000 per month. **Upper Class:** The top end constitutes the top 2 % of earners and generally have a household income of more than R1m per year or R75,000 per month

(2) Social class is well used categorisation in consumer behaviour theory. The term has a wide range of sometimes conflicting meanings, and there is no broad consensus on a definition of "class." Some people argue that due to social mobility, class boundaries do not exist. In common practice, the term social class is usually synonymous with socio-economic class. While terminology, categorisations, and implications of using a class structure are contested, the concept allows for marketers and policy makers to understand the nature of society and shifts that take place. Membership in a social class can for example be dependent on education, wealth, occupation, income, and belonging to a particular subculture or social network, these evolve over time. For example, a general decrease in significance ascribed to hereditary characteristics and increase in the significance of wealth and income as indicators of position in the social hierarchy have made class models more popular. The use of labels like poor, middle class and working class are all contested and there is no unified definitions. Individual analysts and economists will also have preferences for different terminology. The terminology used in this model was published in Marketing to South African Consumers (UCT), which has been downloaded 150 000 times from over 130 countries at the time of printing. (<https://openbooks.uct.ac.za/uct/catalog/book/29>)

(3) The General Household Survey (GHS) tracks the progress of development in South Africa and identifies persistent service delivery gaps. The target population of the survey consists of all private households and residents in workers' hostels across all nine provinces of South Africa. Since its inception in 2002 the survey has yielded a rich set of information across a wide variety of fields. The low response rates reported in GHS 2020 and other Stats SA household surveys due to the introduction of Computer Assisted Telephone Interviewing (CATI) have been a point of concern for many users. Stats SA re-introduced face-to-face interviews in 2022 and we trust that the response rates will return to pre-Covid levels for GHS 2022. (<https://www.statssa.gov.za/publications/P0318/P03182021.pdf>)

(4) Why households? While per capita income is a common measure, there are a number of advantages to work with household income. First, in South Africa, high unemployment means that many people live in households with only one earner. The rest of the household may not contribute directly to income, but they do contribute economically in other ways and also are part of household decision-making processes. In higher income segments, per capita income is highly skewed towards men. The role of women in household decision-making is therefore underreported. Household income is used worldwide to understand development and economic growth. Please be aware that the racial classification of a household is based on the self-identification of the head of the household.

(5) Note that the GHS data provides a perspective on household income (all stated sources) and does not account for individual asset wealth.

(6) International Monetary Fund (IMF), South Africa: Labour Market Dynamics and Inequality, Working Paper, July 2016, www.imf.org