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## **Black Advancement and Dependency Indices**

**A recent study by economist and researcher with the Free Market Foundation, Vivian Atud, reveals that, contrary to popular perception, black advancement in South Africa is increasing.**

### **Black Advancement Index**

This preliminary *Black Advancement Index* is constructed through the analysis of eight specific components of black advancement, some of which are composites of additional quantifiable measures. Each of the eight black advancement variables is graded on a scale from 0 to 100. The eight component scores are equally weighted and averaged to get an overall black advancement score for the economy. The following sections provide detailed descriptions of the methodology used to determine the scores for each of the eight components of black advancement. The eight indices used in this preliminary index are: government, financial sector, education, land, professional, housing, income, and employment.

There has been significant black advancement in all measurement variables.

The **public sector** employs 1,297,637 (9.9% of the total SA labour force) and 79% of these employees are black compared with only 42% black representation in 1994. Blacks also constitute 78% of management in the public sector.

The **financial sector** employs 1,631,000 (12.4% of total labour force) with blacks representing 71% of employees (African 56%, Coloureds 10%, Indian 5%).

In **management**, blacks constitute 52% (33% of which are African, 10% Indian and 9% Coloureds) of managers as against 48% for the white population. This is a significant improvement from 1994 when blacks held less than 5% of management jobs in the labour force and mostly in black owned businesses.

**Access to finance for the previously disadvantaged** has markedly improved as has access to banking for the majority of poor blacks. According to FinScope, 52% of blacks now bank as compared to only 19% in 1994.

Access to **collective investment schemes such as unit trusts** is still a preserve of the rich with only about 5% black ownership. However, this is indicative of the huge disparities within the SA economy. Investment on the JSE has seen a significant increase in both direct investment and in mandated shares (indirect) with 24.1% percent black ownership of the local component of the JSE and 18% of blacks now have a form of long term insurance up from less than 5% in 1994.

**Education** has seen an increase in enrolment and in graduation rates. Primary school attendance rate is 98% or 12.5 million pupils of whom 96% attend public schools. The overall **matric pass rate** was 67%, up from 44% in 1994 and the black pass rate increased from 49% in 1995 to 62% in 2010.

However the **higher education participation rate** stands at 18% lower than that for the BRICs countries (25%) and the US (70%) and SA may miss the development opportunity to make use of its youth population which is contributing to high growth rates in other BRICS countries.

Blacks made up 63% of our **university** population in 2010, an increase up from 38% in 1994. Whites make up 26% of the university head count enrolment, a decrease from 44% in 1994.

Contrary to popular belief, blacks have advanced significantly in every field of **tertiary education** since 1994. In 1991, there were:

- 80 white architecture and environmental design students for every one black student; today the white black ratio is 1.7 :1
- 44 white engineering and technology students for every one black student; today the ratio is 1:1
- 6.3 white students to one black student in mathematical sciences; today the ratio is 1:1.

However, the low black participation rate in higher education is a serious constraint as it has a negative impact on black advancement. Main challenges are the low enrolment rate, the dropout rate, and the overall education policy that does not work well for the majority of black students.

Entrance by blacks into the **professions** in South Africa has sharply increased mainly due to increased access to higher education and entrance examinations. Blacks now constitute 17% of registered chartered accountants (CAs) up from 5% in 1995. The actual number of African CAs has increased by 706% from a mere 220 in 2002 to 5,492 in 2010. African representation increased from 11% in 2000 to 55% in 2010, and Indian by 1% but Coloured representation decreased by 3% within the same period.

According to Stats SA 2011, there are 1.6million **financial service employees** of which 55% are African. This is significant black advancement. White financial service professionals decreased markedly from 71% in 2000 to 29% in 2010.

More than 50% of **registered medical practitioners** are black compared to only 26% in 1994.

Between 1996 and 2010 there has been a continuous increase in the representation of **ICT professionals** for all races. The average annual growth rate for the various races is: 1.2% African, 3.8% Coloureds, 0.2% Indian and 1.3% White between 1996 and 2010.

**Formal housing** increased by 80% between 1996 and 2009 and now constitutes 75.7% of all housing. There is a 139% improvement in the household type of dwelling for Africans between 1994 and 2009, while Whites own 43% of primary property in value, Africans own 41%, Indians 7% and coloureds 9% of all local ownership in 2010.

While black ownership of **non-residential property** increased significantly from about 2% in 1994 to 39% in 2010, whites still own 63% in **asset value of non-residential property** and Africans 11% and Coloureds and Indians 7% and 20% respectively.

There are 13,118,000 in the **formal employment sector** of whom 85%\* are black as defined under the Employment Equity Act up from only 46% in 1994. (\*70% African, 11% Coloureds, 4% Indian. Whites make up only 15% of the employed.

There are 12.8% of South African households living in **RDP/state subsidized houses** in 2009, while a further 9.4% receives a housing subsidy from the state and 7.7% pay rent for RDP houses. While there is freedom to access

housing for all South Africans the high levels of unemployment and poverty still keep many blacks in informal housing.

In 1996, the **annual average household income** in South Africa was R 48,139 increasing by 178% to R 143,101 in 2010 for all races. Africans saw an increase of 200% from R 27, 178 to R 81, 557; 183% for Coloureds from R 43,324 to R 122,439; Indians by 159% from R 84, 598 to R 218,736. Whites saw the largest increase of 217% from R 126,219 to R 400,344.

**African per capita income** increased 269% from 5,710 to 21,075; Coloureds increased 236% from 8,930 to 30,032; Indians 197% from 19,276 to 58,672 and the white increase was 253% from 42,181 to 149,002. There is significant black advancement in income earnings (\*see page 4) however the challenges of inequalities between the races remain.

The way to solve this inequality is not by government intervention and BEE policies but by self-advancement through improved education, enhanced access to the labour market and more entrepreneurship.

**Land ownership:** the state owns 24% of SA land and private individuals 75%. The breakdown of this 75% is critical in taking the land debate forward.

According to PopSA, Africans own 27.0%, Coloureds 12.5%, Indians 1.4% and Whites 59.0%. The main problem is the per capita land ownership: blacks make up 80% of the population and own 27% of the land while whites make up 9% of the population and own 59%.

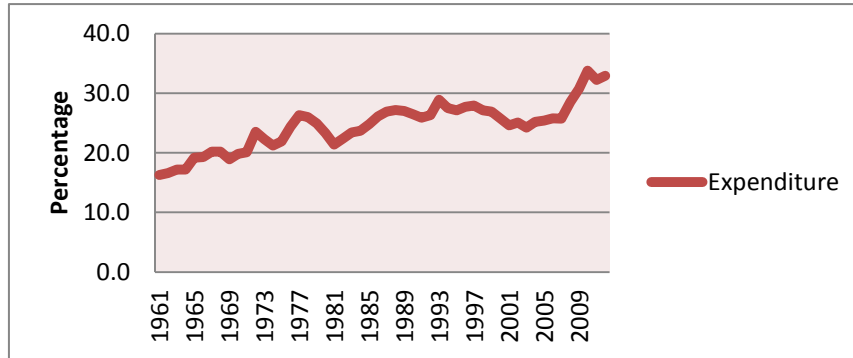
**Table 1: South African Black Advancement index 2012 (lowest 0, highest 100)**

	<b>2012</b>
Government	94
Financial sector	55
Education	67
Land	27
Professional	75
Housing	55
Income	62
Employment	45
	373
<b>BAI</b>	<b>47</b>

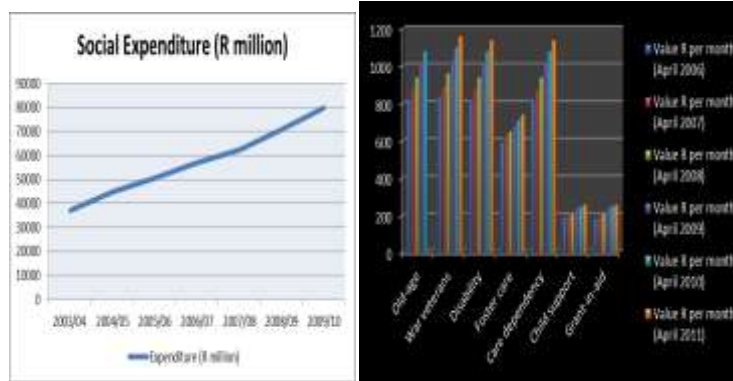
Table 1, shows that there has been black advancement in all sectors studied. However the average income for white South African is still 14 times more than the average income for blacks. These differences reflect the fact that the majority of the unemployed are blacks who earn no income. The areas with little advancement include land ownership and employment. Policies that can promote employment will go a long way to promote black advancement

## The Dependency Index

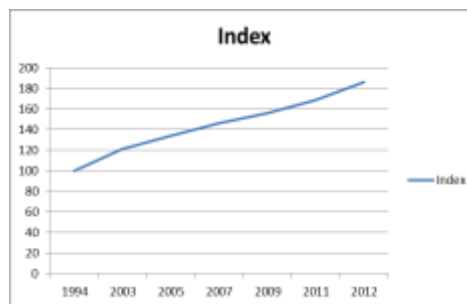
### Government Expenditure as a percentage of GDP



The dependency index looks at government expenditure on child grants; housing and old age. The variables were then weighted and the index calculated in a similar manner to the CPI with 1994 as the base year and analysed in terms of number of dependents and value of expenditure.



### SA Dependency Index 2012



South Africa's dependency expense is rising at an increasing rate. Taxes are not increasing proportionately and this will increase the government deficit. Decisive action needs to be taken, not only to ensure fiscal soundness, but also to restore societal values of Ubuntu, a sense of community and increased accountability. Decreasing dependency will lead to the dignity of the more than 16 million South Africans being restored. What is needed is an economic environment where people can take care of themselves. Increasing dependency is not sustainable.

Further detail is available from  
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