



INEQUALITY AND DEMOGRAPHY



INCLUSIVE SOCIETY INSTITUTE

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July 2022

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ACRONYMS AND ABBREVIATIONS

Acronym/abbreviation	Full description
ADR	Age Dependency Ratio
ART	Anti-Retroviral Therapy
ESA	East and Southern Africa
GDP	Gross Domestic Product
GII	Gender Inequality Index
IMF	International Monetary Fund
IOp	Inequality of Opportunity
LMIC	Low- and Middle-Income Countries
NEET	Not in Employment, Education, or Training
NIDS	National Income Dynamics Study
NPC	National Planning Commission
NTA	National Transfer Accounts
OADR	Old-Age Dependency Ratio
OECD	Organisation for Economic Co-operation and Development
SDG	Sustainable Development Goals
SRH	Sexual and Reproductive Health
StatsSA	Statistics South Africa
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNU-WIDER	United Nations University World Institute for Development Economics Research
YDR	Youth Dependency Ratio

1. INTRODUCTION

South Africa is widely regarded as the most unequal country in the world, ranking at the top of the global Gini index.¹ More than half of the nation's income is concentrated among the richest 10% of the population, while the poorest 40% share just 7.2% of the country's wealth.² Over the past 30 years, South Africa has seen significant gains in access to education, healthcare and social security, and a dramatic recovery in life expectancy following the public roll-out of HIV/AIDS treatment.² However, profound structural inequality has meant that the impact of these gains is not evenly distributed: far too few South Africans have realised the promise of democracy. Instead, distributions of power and privilege continue to trace and reproduce centuries-old fault lines of gender, race, and geography – trapping millions of South Africa's poor in cycles of multi-dimensional, intergenerational poverty.

The fact that South Africa's population growth has outpaced projections in the 2012 National Development Plan (NDP) might, for some, suggest an added challenge to reducing inequality and achieving the country's development goals. This report explores and complicates the relationship between South Africa's inequality and its demography. It outlines the nature, drivers, and implications of the country's demographic change, and then suggests a range of policy options for how we might harness population dynamics for greater equality. The report's overarching argument is that **while understanding, and paying attention to, population dynamics is critical for South Africa's development planning, we cannot rely on demography alone to shift inequality.** Although slowed population growth might seem to have a common-sense and immediate relationship with improved equality, particularly in Africa, the reality is a lot more complex. Instead, **the flourishing, wellbeing, and prosperity of a country's people hinge in large part on the shape (and not just the size) of their population, their intergenerational dynamics, and most especially, investment in their human capital.**

1.1 The relationship between population growth and inequality

In a 2017 paper on income inequality trends, Ayodele Odusola and his co-authors summarise the channels through which changes in population growth impact income inequality³:

1. **Fertility rate:** declining fertility rates increase women's labour market participation, improving their incomes and reducing both income and gender inequality⁴. Smaller families are also often able to invest more in the education of their children, which enhances human capital accumulation in the next generation, allowing them to earn higher incomes and thus reducing inequality.³ *As such, the positive effects of declining fertility hinge on quality jobs for women, and expanded access to early education, healthcare and nutrition.*
2. **Dependency ratio:** although declining fertility is often associated with the alleviation of inequality, the relationship between slowed population growth and reduced inequality is not straightforward. Indeed, declining fertility rates can also be associated with an ageing population, and thus higher old-age dependency ratios, which, in turn, can exacerbate inequality.⁵ *So, the gains of slowed population growth depend on whether the health, wellbeing and contribution of older persons is supported.*
3. **Share of the working age population:** an increase in the share of the working-age population is associated with improvements in per capita income, household income, and national output,³ all of which are expected to reduce overall inequality. *However, this is assuming that a growing working-age population translates into more people being gainfully employed.*
4. **Reduced mortality** in adults and children⁶: lower child mortality rates often reduce the incentive to have large families, and enables families to invest more resources in their children's education.⁶ Meanwhile, lower adult mortality rates, improve overall labour productivity, supporting economic prosperity.³ While extended longevity might increase the older-age

dependency ratio, it also means increased returns on human capital investment over a lifetime,⁶ *complicating the effects on inequality*.

In other words, there is robust evidence that we cannot rely on demography alone to shift inequality.

1.2 Demography and inequality in South Africa

Understandings of the relationship between population dynamics and human development in South Africa have been significantly shaped by neo-Malthusians, who dominated the discourse on population and development in the 1960s and 70s, and whose views are again gaining traction amid the climate crisis.⁷ Traditionally, neo-Malthusians have warned about the negative impacts of population growth on poverty, arguing that expanding populations inevitably put pressure on natural and national resources. Many have called for proactive population control, including highly coercive birth control practices targeted particularly at the poor.⁸ When South Africa's state-sponsored family planning programme was instituted in 1974, it too was widely interpreted as a strategy by the apartheid state to curb Black population growth.⁹ By the early 1990s, a more nuanced consensus on demography and development was gaining traction. Moving away from alarmist neo-Malthusian discourse, the 1994 Cairo International Conference on Population and Development emphasised the socio-economic structures that drive both fertility and poverty.⁷ Since Cairo, global policy has sought a more inclusive approach to population dynamics, promoting reproductive rights, empowering women, and advancing maternal and child health.⁷

In contemporary South Africa, questions about population dynamics often sit uncomfortably with justice and rights-based approaches to combat poverty and inequality. Nevertheless, the country is presently undergoing several complex and intersecting demographic shifts, each of which is entangled with the past, present and future of South African inequality:

1. In contrast to wider trends in Sub-Saharan Africa, South Africa's population growth is slowing along with a steady **decline in fertility**: total fertility has more than halved since the 1980s.⁹ Despite the fact that fertility rates have been slowing for nearly a century, poverty, unemployment, and inequality in South Africa have continued to deepen, suggesting a much more complex relationship between fertility and development than Malthusians might argue.
2. Declining overall fertility has meant that **the proportion of the population that is of working-age is growing**. This is anticipated to offset inequality by driving economic growth and reducing dependency ratios. Yet this is by no means a given: realising the advantages of South Africa's demographic dividend will hinge on the extent of investment in the children and young people that are forming, or will in future form, this working age population. **A dividend is a type of gain one receives when one invests; the so-called "youth dividend" is no different.**
3. Improved longevity has produced a growing **elderly population** in South Africa. Older people (particularly women) are frequently household lynchpins, providing essential care to children and grandchildren, and in many instances, serving as primary breadwinners (through their pensions). Their care contribution can offer a critical safety net to South Africa's poorest, thereby alleviating inequality. However, if the elderly themselves are not cared-for through quality healthcare and social support, this benefit will not be realised and households with elderly dependents may find themselves worse-off.
4. South Africa is **urbanising** rapidly, with nearly two-thirds of the population already living in towns and cities. This proportion is expected to increase to 77% by 2050.¹⁰ Urbanisation can be a boon for development, improving access to schooling, healthcare, and higher wages. However, it can also expose populations to pollution, heat-stress (as a result of building materials holding heat), violence, and overcrowding. More so, urbanisation and urban-focused development can widen the gap between rural and urban livelihoods, thereby deepening inequality. In South Africa, many households are 'stretched' across urban and rural locations, with children and youth most likely to move between them. This complicates how we think about the relationship between urbanisation and inequality, and indeed how we classify households. Children remain less urbanised than adults and many grow up without a co-resident parent.



5. Central to the relationship between demography and inequality in South Africa (and elsewhere) is **the question of generations**, i.e. how inequality is reproduced or undone across and between generations. South Africa has low levels of intergenerational mobility, which means that the livelihood prospects of the country's children are all-too-often tied to those of their parents. Yet it is possible that key interventions at critical life points could change the path, not only for that generation, but for all those with touchpoints to that person, as well as all future generations.

1.3 Core principles of this report

- Demographic variables like fertility, mortality and migration are closely connected to how socio-economic vulnerability, and indeed the benefits of economic growth, are distributed. As such, this report articulates a **bi-directional relationship between inequality and demography**.
- **Demography is not destiny**. Instead, demographic processes are mutually constituted by social, economic, and political processes to shape the nature of global and local inequality. Justice-oriented policies can help address or harness population dynamics.
- **The Gini Coefficient is useful but limited**, given its exclusive focus on income inequality. Adopting a wider scope that includes access to quality nutrition, health services, housing, education, water, and caring networks within the frame of inequity can offer us a better sense of its real effects on human life and flourishing, whilst still recognising the centrality of money, especially in circumstances where public services and infrastructure do not function well.
- Understanding the relationship between demography and inequality demands that we not only pay attention to population quantity (i.e. its size and shape), but also to *quality* of life and human potential, i.e. **to what extent is said population able to participate in social, civic, and economic activity?** Realising the benefits of certain population dynamics, like a youth dividend for example, hinges on these questions of 'quality'. Indeed, a growing youth dividend (that is, a large, young working-age population) can become a significant risk to social stability if the potential and wellbeing of young people are not adequately invested in. Seeing this requires a more holistic view of a person rather than simply looking at headcounts of people in different parts of the population – the term “demography” needs to be viewed with this depth.
- While we can observe, analyse, and model trends in population dynamics, **our ability to predict future population trends is limited** by the complexity of factors shaping demographic change, unanticipated shocks (like new epidemics, recessions, or natural disasters), and the possibility of powerful policy interventions. The public-sector rollout of Anti-Retroviral Therapy (ART) in South Africa, for example, had an astounding impact on longevity, saving and extending millions of lives. At the time, many doubted South Africa's ability to implement ART at the necessary speed and scale and questioned the level of uptake and adherence to medication they would be able to achieve.

The remainder of this report is structured as follows: Section 2 describes the speed, shape, and implications of South Africa's 'demographic transition', relative to other countries. It highlights stubborn, structural drivers of inequality that, despite demographic change, have limited our ability to reap so-called 'demographic dividends'. In Section 3, we explore three policy scenarios through which South Africa might better harness its population dynamics to alleviate inequality. A summary of findings and recommendations is provided in the Conclusion (Section 4).

2. DEMOGRAPHIC CHANGE IN SOUTH AFRICA

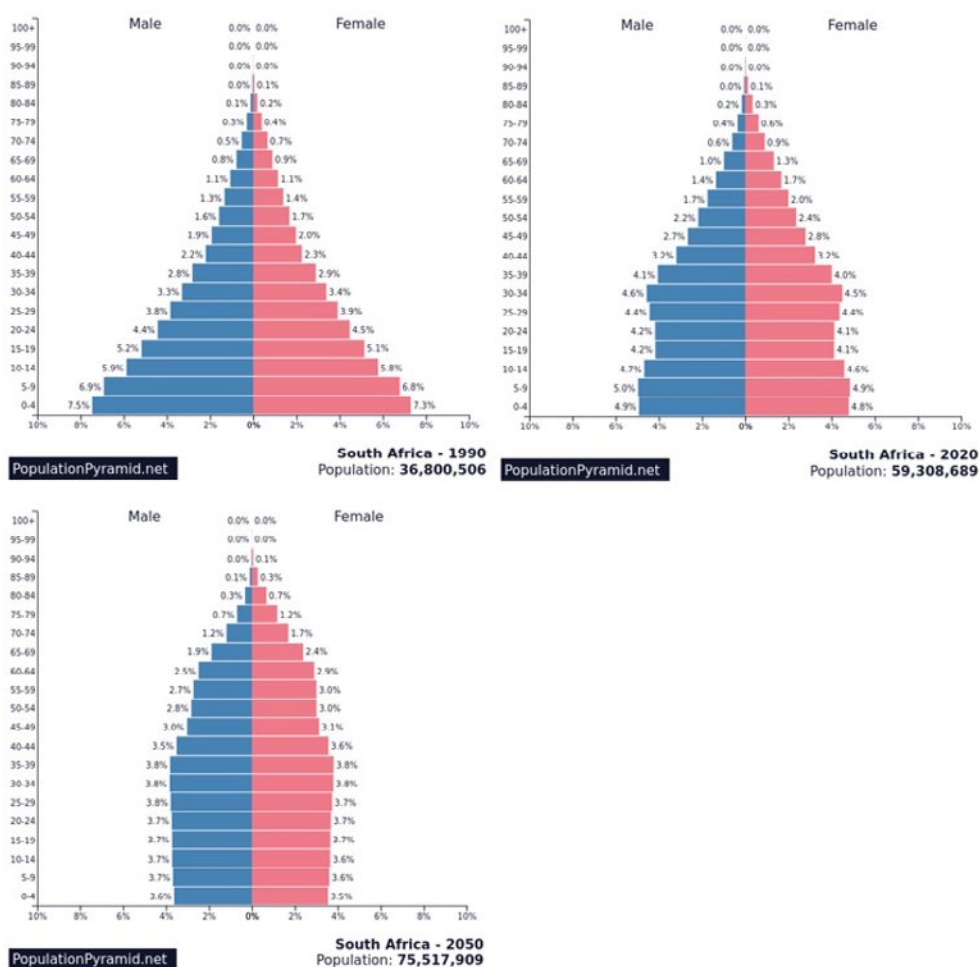
As of the most recent mid-year population estimates for 2021, South Africa's population is currently estimated to be around 60.1 million people.¹¹ This is almost 1.6 million higher than the 2012 National Development Plan (NDP)'s – somewhat ambitious – projections for 2030.¹² In a more conservative projection, The 2019 United Nations World Population Prospectus estimated that South Africa's population would be closer to 66 million by 2030.¹³ How should we read these demographic changes?

2.1 The 'demographic transition'

South Africa is currently undergoing a (much awaited) 'demographic transition'. As fertility rates decline and life is extended, the ratio of working-age people to 'dependents' is shifting, producing a swell in the economically productive youth population and associated hopes for an economic boom. Already 34% of the population are between the ages of 14 and 34 years,¹⁴ with the dependency ratio set to drop by a further 14% by 2050.¹³ This is often described as a demographic or youth 'dividend'.

South Africa's demographic transition is illustrated in the three population pyramids shown below in Figure 1.¹⁵ Lower fertility rates are depicted by the shrinking of the base of the pyramid (the under-15 population) and the widening of the middle of the pyramid (the working-age population aged 15 to 65).^{16,17}

Figure 1: Population pyramids for South Africa showing demographic transition



South Africa is currently experiencing a bulge in its working-age population and can expect to see growing elderly and shrinking child populations as it approaches 2050.

Source: PopulationPyramid.net, 2021

Growth in the country's working-age population relative to the dependent population can be leveraged to generate improved economic productivity, incomes, and social welfare.^{16,17} These benefits, which accrue from the dynamics of the demographic transition, are defined as the 'demographic dividend', which is estimated to last approximately 50 years.¹⁶

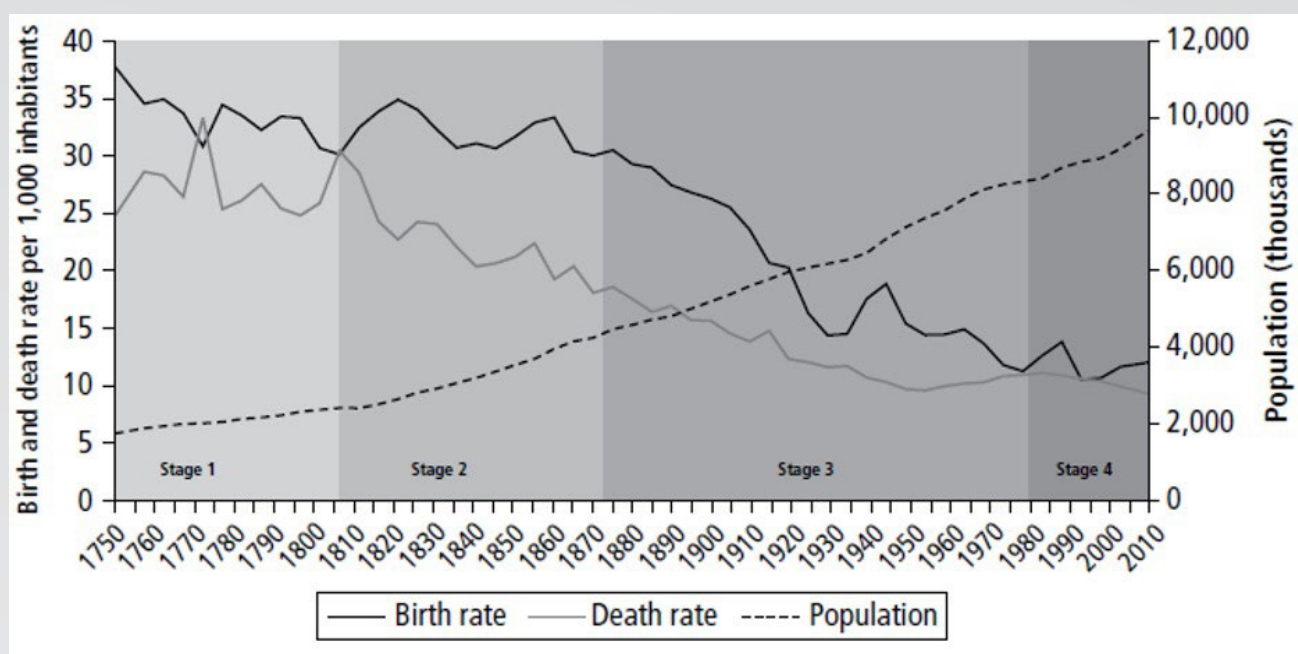
Info Box 1: What is demographic transition?



Demographic transition refers to the gradual changes in the demographics of a country. It is characterised by declining birth rates, followed by declining mortality rates which cause a period of rapid population growth.¹⁸ These changes in fertility and mortality rates usually happen as a country becomes more industrialised, moving from a largely agrarian society to an industrialised one.^{16,18}

Figure 2 below describes the four stages of demographic transition in Sweden between 1750 to 2010. According to Bongaarts (2009), before a demographic transition begins, high mortality rates pretty much offset high birth rates resulting in almost zero population growth; this phenomenon is typical of agrarian societies.¹⁸ This is visible in stage 1 of Figure 2, where Sweden's population grows only by a few hundred thousand over this 50-60 year period.

Figure 2: Stages of demographic transition in Sweden, 1750-2010



Source: Canning, et al. & Statistics Sweden, 2015

It is in the second stage that demographic transition begins: birth rates remain high, but mortality rates begin to fall which leads to population growth.^{18,19} In the third stage, birth rates then begin to fall as mortality rates continue to decline. This leads to a decline in the population growth rate; however, this growth rate remains positive.^{18,19} This entire process of demographic transition tends to take more than a century to complete and ends with a significantly larger population size.¹⁸ In the case of Sweden, it took more than two centuries with an almost five-fold increase in population size. Currently, different countries lie at different stages of this demographic transition.¹⁸

Declines in fertility and mortality rates result in a "bulge" in the country's working-age population and a relatively smaller number of dependents.¹⁹ If there are enough labour opportunities for these working-age people, this translates to increased labour productivity and rapid economic growth.¹⁹ This boost in economic growth as a result of changes in the population age structure caused by demographic transition is called the **demographic dividend**.¹⁹

The first demographic dividend

The first demographic dividend is a result of increase in labour supply and productivity that result from the change in the age structure of the population.¹⁹ This dividend occurs if:

- There are improvements in health status, particularly as a result of reductions in child mortality and declines in the fertility rate and fewer children being born.¹⁹ This produces a population bulge in the working-age population.¹⁹ Lower fertility rates also mean that fewer children are born, meaning that the young dependent population becomes smaller over time.
- When this bulge occurs, there are increased investments in education and healthcare. Since families have fewer children, there are more resources available to invest in human capital making the working-age population more productive over time.¹⁹ There is also an increase in labour supply as lower fertility rates mean that more women can participate in the labour force.¹⁹
- The economic environment enables the working-age population to find meaningful employment, as opposed to being unemployed or employed in low-productivity work.¹⁹

These three factors need to be well timed to be successful in boosting household and national income.¹⁹

The second demographic dividend

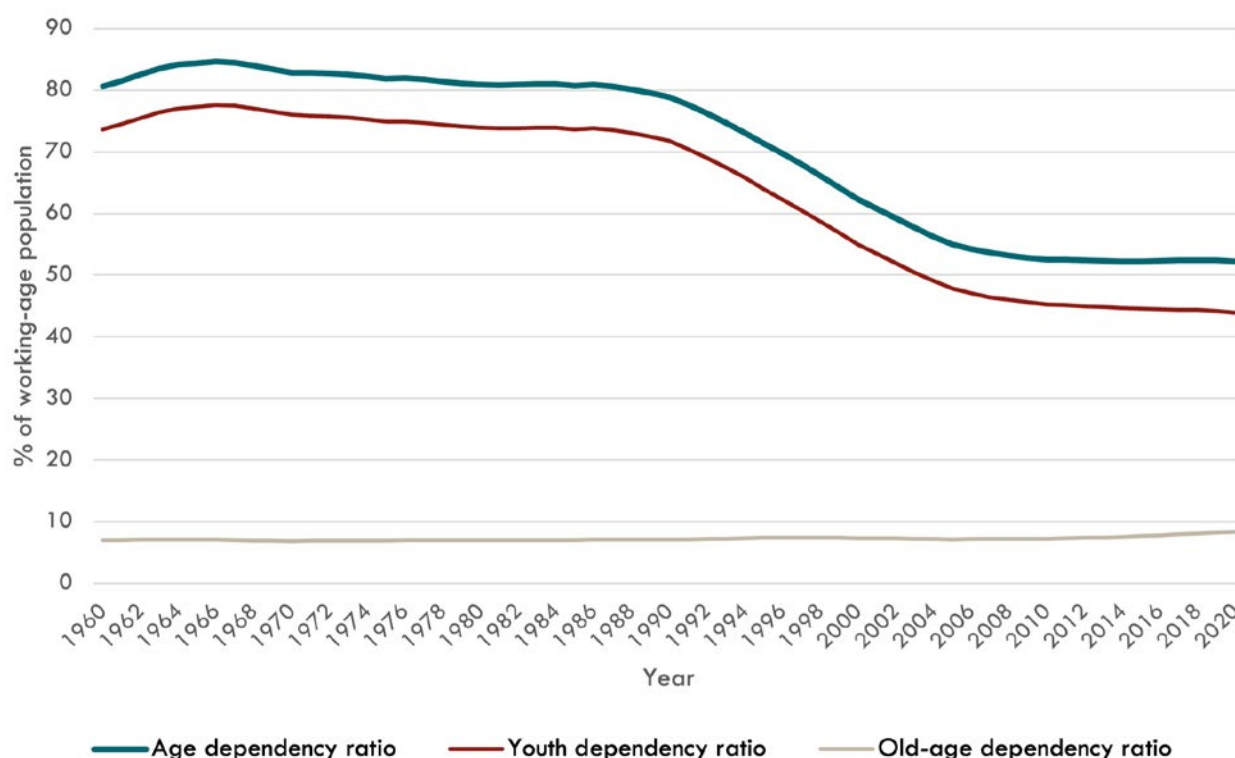
This second dividend comes from the savings and investments of the larger working-age population's retirement savings. This dividend is achieved if policies are put in place to encourage retirement savings and the economy's financial sector is well developed enough to attract savings and invest them productively.¹⁹ These savings also need to be enough to finance the retirement of the larger working-age ("bulge cohort") population's retirement because, over time, as this cohort ages, the share of elderly non-working-age people will increase relative to the working-age population.¹⁹

South Africa's population pyramids (above) show that some of these dynamics are at play in South Africa. Over the last 30 years, the share of young children has declined, and the working-age and elderly population share has grown, resulting in a narrowing of the population pyramid which is projected to continue over the next 30 years and beyond.

Figure 3 (next page) shows how this translates in terms of dependency ratios. The Age Dependency Ratio (ADR), indicated by the blue line, is the proportion of the dependent population – those under the age of 14 and over 65, to the working-age population – those aged between 15 and 64.²⁰ The higher the ADR, the higher the level of dependency on the working-age population. The ADR gives us a sense of the age structure of our population and can help with informing how policies and services need to account for a relatively young or older population.



Figure 3: South Africa's age dependency ratios, 1960-2020



South Africa's age dependency ratio is steadily declining, driven largely by a decrease in the youth dependency ratio.

Source: The World Bank, 2022

South Africa's ADR is estimated to be 52.2%,²¹ which means that for every 100 economically active (working-age) South Africans, there are on average 52.2 people that are economically dependent on them. The Youth Dependency Ratio (YDR), indicated by the red line in Figure 3, is the percentage of people 14 years of age or younger that are dependent on the working-age population, and the Old-Age Dependency Ratio (OADR) is the percentage of people aged 65 years and older that are dependent on the economically active population.²⁰ In 2020, the YDR was 43.8% and the OADR was 84% for South Africa.^{22,23} The country's ADR has been declining since the late 1960s and this decline has been largely driven by the declining YDR. Meanwhile, the country's OADR has been increasing steadily since the early 1980s, linked to improved longevity. It declined slightly in the early 2000s but has continued to steadily increase again since 2007.

In addition to impacting OADRs, population ageing has also been shown to increase income inequality due to its impact on labour supply.²⁴ It is theorised that since population ageing leads to a larger share of elderly people and a decline in labour supply, this results in reduced labour productivity overall and thus lower national income^{1,24}. However, this is not yet a major concern for South Africa, because despite the ageing of the country's population, the decline in the fertility rate has not yet resulted in a decline in labour supply.

Table 1 provides a comparison of South Africa to other countries in the African region, as well as to higher-income countries and regions. South Africa's ADR is more similar to that of Organisation for Economic Co-operation and Development (OECD) countries as opposed to other countries in East and Southern Africa (ESA). However, due to South Africa's relatively young population compared to that of OECD countries, the split between ADR, YDR and OADR is more similar to other countries in the region.^{22,23,25} Japan and Uganda are highlighted separately in this table to indicate the stark difference between the dependency ratios of an ageing country, such as Japan, compared to a youthful country like Uganda.

¹ See Luo et al. (2018) "Ageing and inequality: The link and transmission mechanisms" for a detailed decomposition of the transmission mechanism.

Table 1: Comparison of dependency ratios, 2020

Country	Age Dependency Ratio (ADR)	Youth Dependency Ratio (YDR)	Old-Age Dependency Ratio (OADR)
South Africa	52.2%	43.8%	84%
ESA	80.9%	74.2%	5.7%
OECD countries	54.5%	274%	26.8%
Japan	69.1%	21.0%	48.0%
Uganda	924%	88.5%	3.8%

South Africa's age dependency is significantly lower than others in the East and Southern African region.

Source: The World Bank, 2022

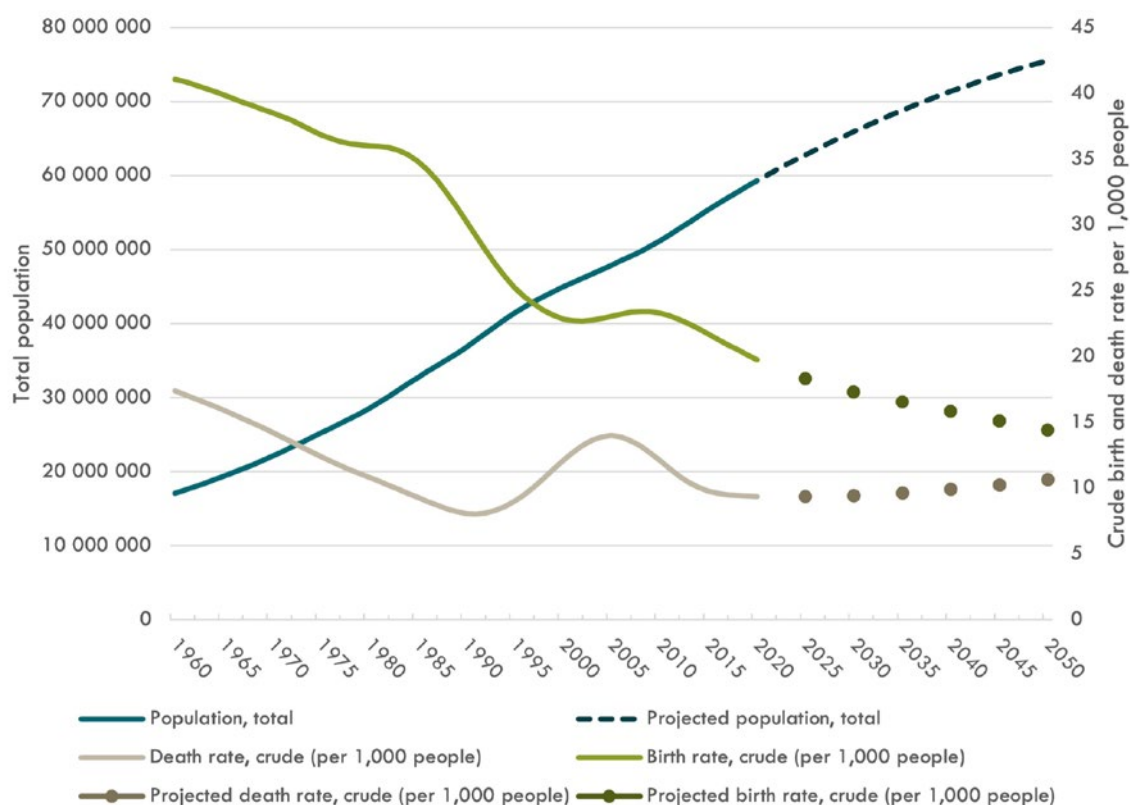
Given what has been described above and in Box 1, population growth – which could be driven by increased longevity – is not necessarily a problem in and of itself, but rather a natural process of demographic transition, where the second and third stages of this transition are characterised by rapid population growth. This implies that it is not the size of the population that is most important for realising equality, but rather its *shape*. Whether population growth bears positive economic dividends is predicated on whether the shape and composition of the population changes favours more working-age people relative to dependents (children under 15 and the elderly over 64 years), *and* whether people in this working-age population can find meaningful employment.



2.2 Where is South Africa in the demographic transition?

Figure 4 shows the total population size, crude birth and death rate trends, and projections for South Africa from 1960 to 2050.²⁶ The graph shows that South African birth and death rates have shown a declining trend since 1960. The crude birth rate has fallen by more than half from 41.1 live births per 1,000 people in 1960 to 19.8 in 2020, and is projected to almost half again to 10.6 by 2050.²⁶ South Africa's death rate per 1,000 people fell consistently from 17.4 to 8.04 from 1960 to 1991, after which it began to rise again due to the HIV/AIDS pandemic and peaked at 13.99 deaths per 1,000 people in 2005.²⁶ Due to the widespread roll out of Anti-Retroviral Therapy for people living with HIV, the death rate has since continued to fall since then and is projected to continue to do so until 2025.²⁶ The country's population is projected to continue to increase to over 75.5 million people by 2050.²⁶

Figure 4: South Africa's demographic transition, 1960-2050

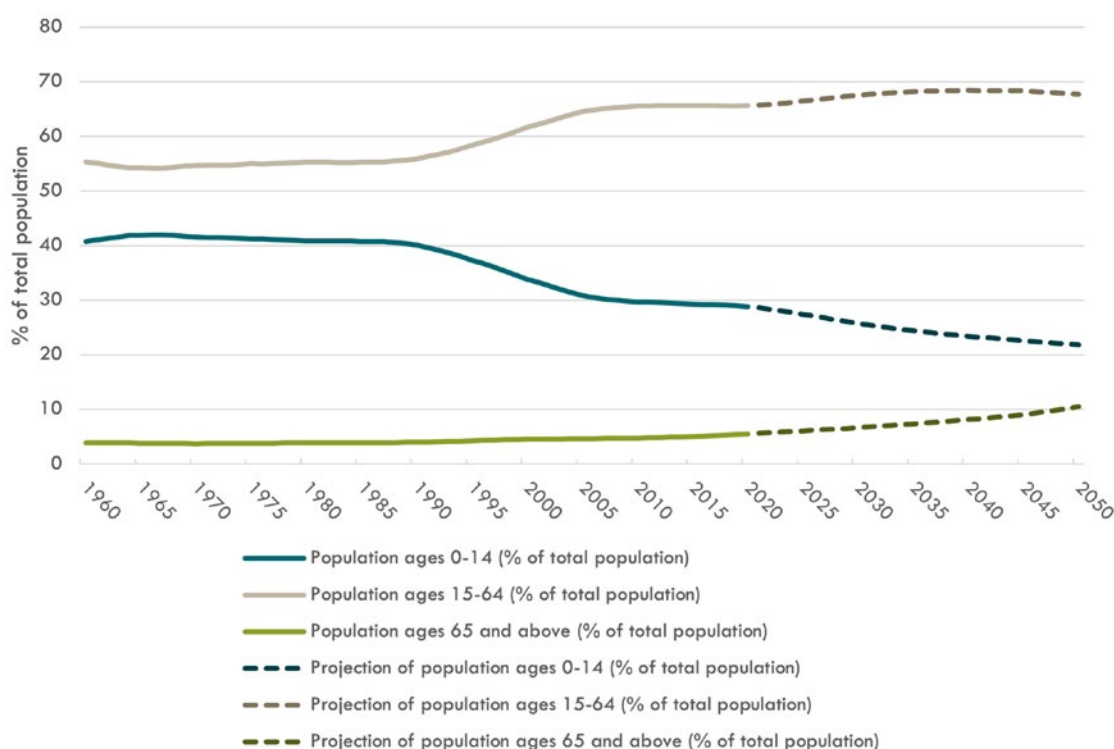


While South Africa's population continues to grow (perhaps faster than anticipated), both birth and death rates are steadily declining.

Source: The World Bank, 2022

In a 2017 paper, demographer Tom Moultrie argues that South Africa's demographic transition is almost complete, yet the "youth bulge" which the demographic dividend requires to deliver economic growth has not materialised.²⁷ According to a narrower definition of the demographic dividend put forward by the United Nations (UN), the window to reap the benefits of a demographic dividend opens when the dependent population aged 0-14 falls below 30% and before the elderly dependent population aged 65 and older is above 15% of the total population.²⁷ Figure 5 shows that South Africa's youth dependent population fell below 30% in 2009 and the elderly dependent population will not have crossed the 15% threshold by 2050.

Figure 5: Young, working-age, and elderly population share for South Africa, 1960-2050



South Africa's demographic change is being driven by a declining child population and a growing elderly population.

Source: The World Bank, 2022

However, Moultrie (2017) argues that, despite this, South Africa's fertility decline has been slow, meaning that the rate at which the structure of the country's population has changed has not created the required "youth bulge", since the population under 15 years is still relatively large.²⁷ The high death rates during the height of the country's HIV/AIDS pandemic in the 1990s and early 2000s also greatly reduced the number of people in the working-age population.²⁷ These factors, Moultrie argues, have meant that this "youth bulge" is unlikely to materialise for South Africa and that the opportunity to capture the first demographic dividend has already passed, making the second dividend all the more unlikely.²⁷

It should be noted that the economic benefits of a demographic dividend have not been observed in all countries.²⁷ In fact, East Asia² and Latin America³ seem to be the only regions where the two demographic dividends have materialised in observable positive effects on GDP per capita for developing countries.^{17,27} They have not materialised in the rest of Latin America, the Middle East and North Africa, or the transitional economies of Eastern Europe.²⁷ In sub-Saharan Africa, the first demographic dividend has been negative and the second has been marginally positive.²⁷ This is because, as Moultrie puts it, "the benefits of the demographic dividend do not mechanically translate into economic benefit." Rather, they depend very much on health, education, social, and economic policies that precipitate and leverage changes in the country's population structure.²⁷

Comparing ADRs for South Africa and other Low- and Middle-Income Countries (LMICs) – as we did in Table 1 – illustrates the importance of the relationship of the young and working-age population in leveraging the demographic dividend. The bulk of South Africa's dependent population are young people that will eventually graduate into the working-age population. To fully reap the demographic dividend, this young population needs to be adequately equipped with the tools to maximise their productive potential. These tools include human capital in the form of education which boosts their productivity, and jobs which are well matched to these skills.

² China, Indonesia, Malaysia, Singapore, South Korea and Thailand experience demographic transition between 1960 and 2015, along with high rates of economic growth.¹⁷

³ Brazil, Chile, Colombia, Ecuador, Peru and Venezuela also went through demographic transitions between 1960 and 2015, but their growth rates were not as strong as the above mentioned Asian countries.¹⁷

2.3 Why are we not realising the demographic dividend?

"Although statistically South Africa is in a position to cash in on a demographic dividend, the challenges of joblessness and HIV/AIDS are a burden on those who are working. If not managed, the perfect window could become the perfect storm."

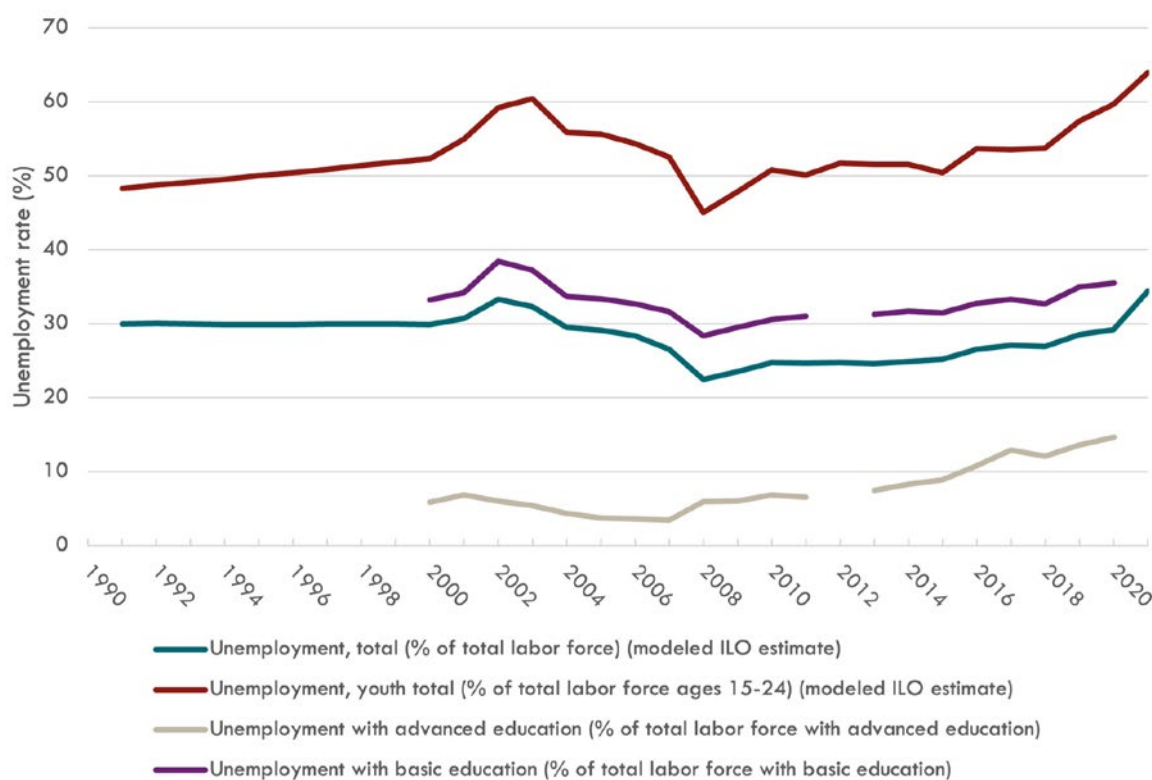
Source: South African National Planning Commission (NPC), 2012

As described in Box 1, one of the necessary conditions for realising the demographic dividend is that there must be sufficient livelihood opportunities for the larger working-age population; this is essential to increase household and national incomes, and to further invest in the education of the (smaller) cohort of children.

2.3.1 Unemployment

Figure 6 shows that South Africa's unemployment rate has remained stubbornly high for decades^{17,28–31} and, due to weak economic growth,³² the economy has struggled to create enough jobs to absorb the number of young people entering the labour market every year. This graph also shows that people with lower skills find it more challenging to find work than their higher-skilled peers; the unemployment rate for those with only basic education is 35.5% compared to those with advanced education at 14.7%. However, South Africa's unemployment rate overall has been trending upward since 2008, and more recent estimates for the fourth quarter of 2021 place it at 35.3%.³³ This translates to 7.9 million people under the official definition of unemployment, but according to the expanded definition, **12.5 million South Africans of working age (46.6%) are unemployed**.³³

Figure 6: South African unemployment rates, 1991-2021



Between 2007 and 2019, the working-age population increased by 6.5 million⁴, while the number of people employed increased by just under 2 million.³⁴

Source: The World Bank, 2021 & 2022

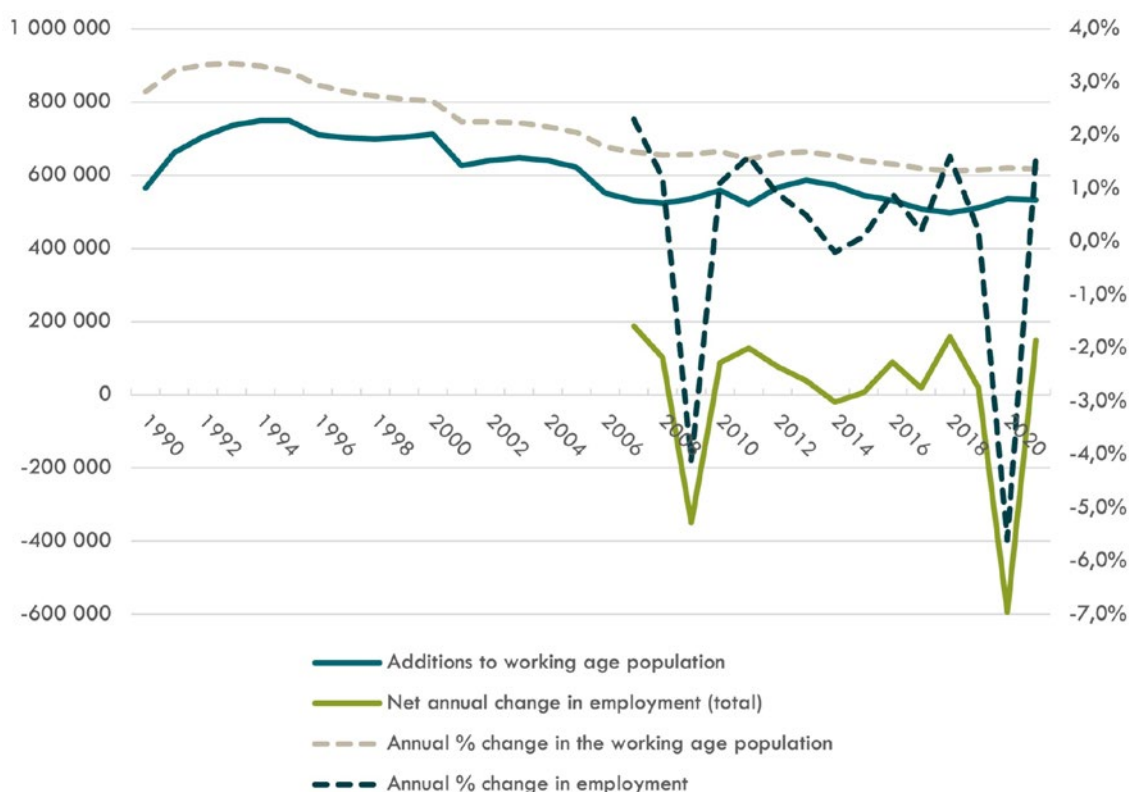
⁴

This number is calculated by subtracting the total number of people who left the working-age cohort (those aged 65 or older) between 2007 and 2019 from the total number of people who entered the working-age cohort (those aged 15 to 64).

The South African economy has also struggled to create jobs. Figure 7 below compares the changes in the working-age cohort to the changes in total employment. The solid blue line shows that the working-age population has been increasing, with on average 600,000 people added to this cohort annually between 1990 and 2021. However, it is increasing at a lower and lower rate each year; this rate is shown by the grey dashed line which has declined from 34% growth in the working-age cohort in 1993 to 14% growth in 2021.²⁶ This decline in growth is projected to continue to the furthest projection of 0.3% in 2050.²⁶ This is in line with declining fertility rates, and increasing life expectancy, therefore fewer people are being added to this cohort over time relative to the people that are living past the age of retirement and graduating out of this cohort.

The solid green line in Figure 7 represents the year-on-year increase or decrease in the total number of people employed and the dashed blue line reflects what this means in terms of the percentage year on year change in total employment. Statistics South Africa's (Stats SA) quarterly employment statistics from 2007 to 2019 show that the number of people employed increased by just under 2 million (from 8.2 to 10.2 million),³⁴ however the working-age population increased by 6.5 million⁵ over the same period.²⁶ It should also be noted that during the COVID-19 pandemic-induced economic downturn, 594,000 jobs were lost in 2020, as shown by the sharp drop in the number of net annual change in employment in Figure 7.³³

Figure 7: Changes in working-age population compared to total employment in South Africa



The South African economy has not been able to create enough jobs to keep up with the growing working-age population. The number of people employed increased by just under 2 million between 2007 and 2019, but the working-age population increased by 6.5 million over the same period.
Source: Stats SA, 2008-2022. Quarterly employment statistics; The World Bank, 2022

Although it should be noted that South Africa's labour force participation rate has averaged about 50% for the last 30 years,³⁵ the economy has only been able to create jobs for about half of its economically active adults. More so, this jobs shortfall has only deepened pre-existing inequalities, concentrating unemployment among young, Black women (in particular). Even when they are employed, this cohort of workers is less secure, earns less, and often remain stuck in the unskilled labour bracket.³⁶

⁵ This number is calculated by subtracting the total number of people who left the working-age cohort (those aged 65 or older) between 2007 and 2019 from the total number of people who entered the working-age cohort (those aged 15 to 64).

Today, South Africa has the second highest youth unemployment rate in the world, standing at 59.6% in 2020, with most recent estimates placing it at 64% due to the job losses caused by the economic impact of the COVID-19 pandemic.^{32,37} This means that rather than driving South Africa's social and economic flourishing, many young people are trapped outside the labour market, excluded from circuits of social and economic capital. Without the right support, long-term unemployment can impact young people's mental well-being, self-confidence, social relationships, and physical health, which reproduces cycles of social exclusion. Alcinda Honwana (2014) has described this period as one of 'waithood' – *waiting for adulthood* – as a way of articulating young people's lived experience of social immobility.³⁸ Because poor, Black youth make up the largest proportion of those without work, patterns of youth unemployment in South Africa are reinforcing decades of structural inequality. These have also concentrated disadvantage among poor, Black women, reproducing cycles of racialised, gendered and class inequality.

Graham and Mlatsheni (2015) describe the youth unemployment problem as having its roots in the shift in government policy in the late 1990s and early 2000s to support a "high productivity, technology led growth path".³⁹ The aim of this was to promote investment in skills development and boost wages.^{39,40} However, this policy was implemented at a time when the size of the lower-skilled labour force was increasing and there was a decline in the labour-intensive agricultural industry. This resulted in a decline in the employment of lower-skilled workers.³⁹ At the same time, workers with higher skills were needed to drive technological development, which resulted in an increased demand for them; meaning that people with tertiary qualifications found it much easier to find work.³⁹ Therefore, the 20% gap between the unemployment rates of those with advanced versus basic education, shown in Figure 5, can be partially explained by a mismatch between the skills which the majority of workers have versus the skills needed by the labour market.

As discussed in ISI's previous report, "*Ideas of Hope: Policy directions and recommendations for reducing inequality in South Africa*", although there is much anxiety around the growth prospects for the South African economy in the medium term, growth in GDP does not always translate into a reduction in inequality – what matters is what types of jobs are created by GDP growth.⁴¹ Recent labour market statistics published by Stats SA for the fourth quarter of 2021 show a recovery in the job market with a 1.6% increase in total employment, with job growth in the trade, community services, and manufacturing industries.⁴² However, this increase is driven by growth in part-time employment and hides the 0.5% decline (44,000 jobs lost) in full-time employment, with the construction, transport, business services, mining, and electricity sectors all shedding jobs in the last quarter of 2021.⁴² Although this gradual improvement in job creation is welcome given the significant job losses during the pandemic, the quality of jobs created also impacts the ability of young people to improve their life outcomes.

In their study of transitory⁶ and chronic⁷ unemployment in South Africa, Wakefield and Swanepoel (2022) found that although those who were defined as the transitory unemployed are relatively more educated than the chronically unemployed, these two groups share many of the same characteristics.⁴³ Both groups tend to be urbanised, Black females between the ages of 25-44 years old and living in Gauteng, KwaZulu-Natal and the Eastern Cape.⁴³ The chronically unemployed also tend to be younger.⁴³ The authors found that the transitory and chronically unemployed people who were recorded as employed in the most recent data were predominantly employed in low-skill occupations and were earning on average one-third of what people in consistent employment were.⁴³

Wakefield and Swanepoel find that although the transitory and chronically unemployed share characteristics, particularly that they are young, transitory-unemployed people outnumber the chronically unemployed by a factor of 10.⁴³ This, coupled with the increase in jobs in the part-time sector, mean that policies should be geared towards ensuring that those in transitory employment find entry-level work with more ease that allows them to be employed with more intensity.⁴³

⁶ The transitory unemployed are defined as those who reported being unemployed in one or two of the four NIDS survey waves.⁴³

⁷ The chronically unemployed are those who are in three to four of the NIDS survey waves.⁴³

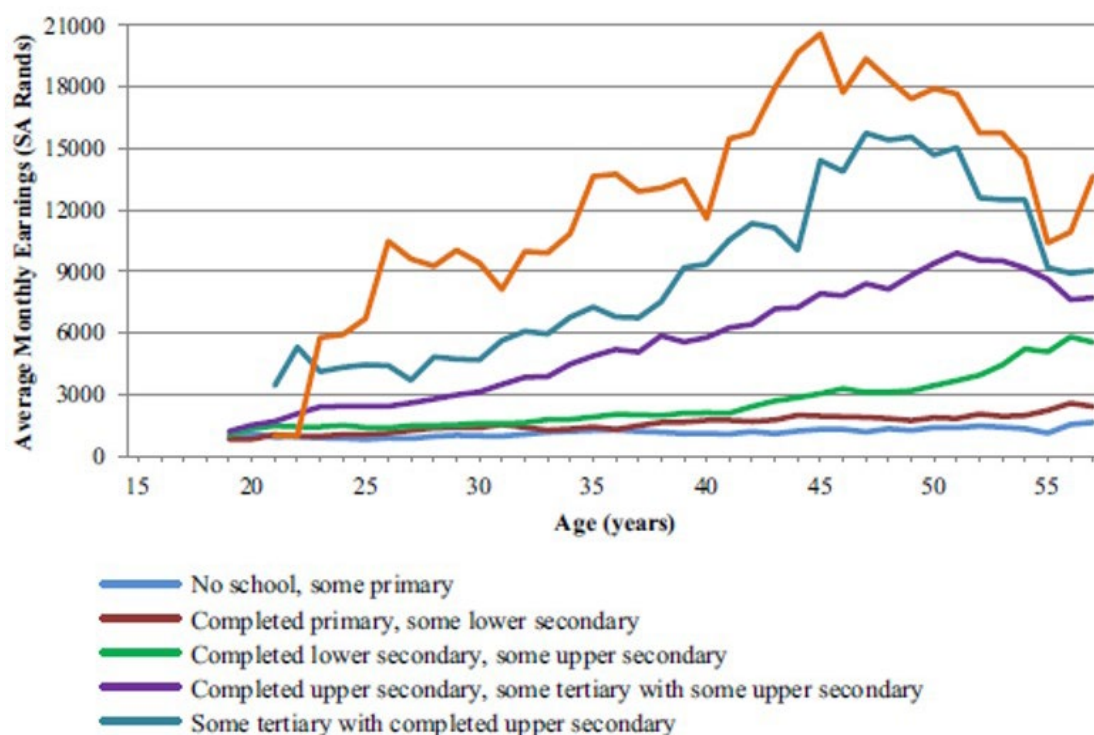
2.3.2 Educational attainment

Although education is often quoted as “the great equaliser”, in highly unequal societies, wealthier parents tend to spend more of their private income on education for their children than poorer parents. More financial resources mean that the wealthy can afford to spend more on education and other human capital investments than poor people, which widens the income attainment gap. In turn, high levels of income inequality mean that poorer people have fewer educational opportunities, and therefore fewer chances of earning higher incomes and achieving upward social mobility. As a result, they invest less in the education of their children, further reinforcing the attainment gap and intergenerational inequality.

In South Africa, only half of children who start school complete all 12 years of education, which the National Planning Commission (NPC) justifiably describes as “wasting significant human potential and harming the life-chances of many young people”.¹⁷ In describing South Africa’s higher education landscape, the NPC goes further: “The South African post-school system is not well designed to meet the skills development needs of either the youth or the economy... Though some institutions perform well and have the academic expertise and infrastructure to be internationally competitive, many lack adequate capacity, are under-resourced and inefficient... The data on the quality of university education is disturbing... The need to improve quality is demonstrated by the reports of graduates who are unable to find employment.”¹⁷

Despite the variable quality of education in South Africa, it is still an important mediator of inequality across generations.⁴⁴ As mentioned before, in order to fully leverage the youth dividend, one needs to ensure that they are equipped with the requisite skills and opportunities for employment to maximise their productive potential. Figure 8 shows estimates by Taylor Salisbury (2016) that illustrate the differences in average lifecycle earnings by level of education in South Africa.⁴⁵ It shows that for those with no schooling or some lower secondary education, earnings remain relatively flat on average and peak at about double early career earnings.⁴⁵ For those with complete upper secondary education, their starting monthly earnings are already much higher and increase by three-five times by the time they reach their peak.⁴⁵

Figure 8: Average earnings by age and level of education completed (five -year moving average)



The returns to education in South Africa are high, approximately 18.7% for each additional year of schooling. Those with the most education (complete matric or more) see their earnings increase by higher magnitudes throughout their lives compared to those with less schooling (incomplete secondary education or less).

Source: Salisbury, 2016

Salisbury also estimates that the return to an additional year of schooling is approximately 18.7%. Therefore, in order to level the playing field, more investment is needed in improving equality of access to and the quality of basic and higher public education. This education also needs to match the skills required by the labour market, so that graduates can find meaningful employment.

How do we leverage demographic change in our efforts to alleviate inequality? The policy scenarios explored in this report suggest that answers to this question are necessarily intergenerational. The flourishing of current and future generations rests heavily on our ability to build and harness multi-dimensional forms of intergenerational wealth: the health, education, financial security, and social ties of one generation have indelible consequences for the next. At the heart of South Africa's inequality challenge is whether its citizens can escape long-held patterns of social exclusion and deprivation. Inequality meets demography in the ways it is reproduced or undone across and between generations.

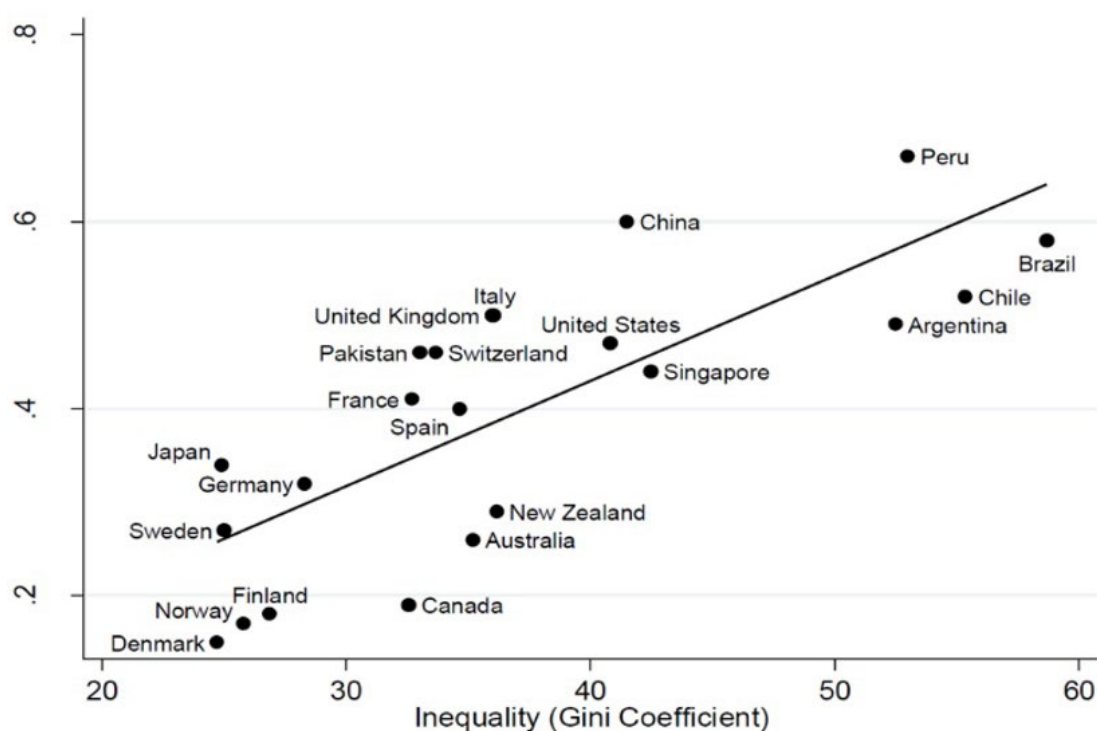
2.3.3 Intergenerational wealth transfer and social mobility

When considering the tools that young people need to maximise their opportunities for employment and increased earnings, one can divide these tools into two categories. The first category are those which are afforded to them by society or the state, in the form of public education institutions, such as schools and universities, and public health facilities. The second are those that are "inherited" from their parents or family; these may include literal inheritances of wealth or "softer" inheritances in the form of social capital.

In theory, the first category of tools should be equal for all children, but they are not. Due to the history of racial oppression and segregation in South Africa, the quality of education and healthcare that South African children have access to varies by race and the geographic location where these children live, which is also still largely a function of race. This is also true for the second set of inherited tools; due to generations of privileged and exclusive access to better schooling, healthcare access, and labour market protections, White South Africans are on average born into wealthier families with more social and financial capital to bequeath to their children.

For almost every country where there is available data, the income of parents is found to be a determinant of the future earnings of their children.⁴⁶ One of the major challenges created by income inequality is that it limits social mobility, producing an inequality of opportunities. This means that upward social mobility is challenging even for talented, hardworking people who are born into poverty.⁴⁷ Therefore, countries with higher levels of income inequality also tend to have very low levels of social mobility; this relationship is known as the Great Gatsby Curve (GGC).⁴⁷

Figure 9: The Great Gatsby Curve for a set of developed and developing countries



Countries with high levels of inequality, measured by the Gini Coefficient on the x-axis, tend to have low rates of social mobility, measured by Intergenerational Earnings Elasticity on the y-axis (where values close to zero represent high social mobility and values close to one represent low or no social mobility).

Source: Corak, 2012

In the inequality literature, two measures are used to quantify social mobility – Intergenerational Elasticity (IGE) and the index of Inequality of Opportunity (IOp). The IGE is the most widely-used measure of intergenerational inequality and measures the degree of association between the incomes of parents and their children, whereas the IOp estimates how much total inequality can be explained by a set of predetermined circumstances outside of one's control (such as parental education, parental occupation, and race).^{46,47} Lower IGE measures mean that the income of parents has less of an association with the income of their child, and a higher IGE means that parental income is a stronger determinant of their child's income.^{48(p1)} Similarly, a low IOp measure indicates that predetermined circumstances have little bearing on overall inequality, and a high IOp measure implies that the opposite is true.⁴⁶

Using three waves of NIDS panel data, Patrizio Piraino (2015) estimates that the IGE and IOp for South Africa are 0.6 and 0.241, respectively.⁴⁶ This means that in South Africa, 60% of one's earnings can be explained by the earning of one's parents and 24.1% (almost a quarter) of income inequality can be explained by predetermined circumstances, in this case parental education and race.⁴⁶ According to Piraino, these measures indicate that "inherited circumstances explain a significant fraction of South Africa's earnings inequality" and "the inequality of opportunity index is high in view of the limited set of circumstances (parental education and race) included in the analysis."⁴⁶

Piraino's findings are congruent with Oosthuizen's analysis described in Box 2. Wealthier families invest significantly more resources in their children; this inevitably translates into better health, education, and other factors which contribute to human capital development, and thus higher earnings. Also, given the legacy of South Africa's history of segregated and inferior education, health services, urban planning, and "colour bar" policies in the labour market, it is not surprising that intergenerational resource transfer follows the patterns described by Oosthuizen, and that parental education and race are still major determinants of inequality in South Africa.

Info Box 2: Measuring inequalities in intergenerational transfers between racial groups



Morné Oosthuizen (2019) uses National Transfer Accounts (NTA) methodology to unpack how intergenerational transfers differ between racial groups in South Africa.⁴⁹ The NTA methodology is explained by the identity below:

$$\underbrace{C_x - Y_x^l}_{\text{Lifecycle deficit}} = \underbrace{\tau_x^+ - \tau_x^-}_{\text{Net transfers}} + \underbrace{Y_x^A - S_x}_{\text{Asset-based reallocations}}$$

Age reallocations

C refers to consumption, Y^l is labour income (income earned through employment), τ^+ is transfer inflows, τ^- is transfer outflows, Y^A is income from assets, and S is saving, while the subscript x denotes the age cohort.⁴⁹ What this identity means is that for each person, inflows (which are made up of labour income, asset income, and transfer inflows) must be equal to outflows (made up of consumption, transfer outflows, and saving).⁴⁹ Using this methodology, Oosthuizen estimates transfers for South Africans across generations. See Figure 19 in the appendix for a graphical representation.

Consumption, transfers, and asset-based reallocations can either come from private or public flows.⁴⁹ Private flows come from the private sector, which may include corporations, households, household enterprises, and non-profit institutions which serve households.⁴⁹ Public flows come from the public sector which refers to government. Public versus private consumption and transfers are of particular importance for this discussion.

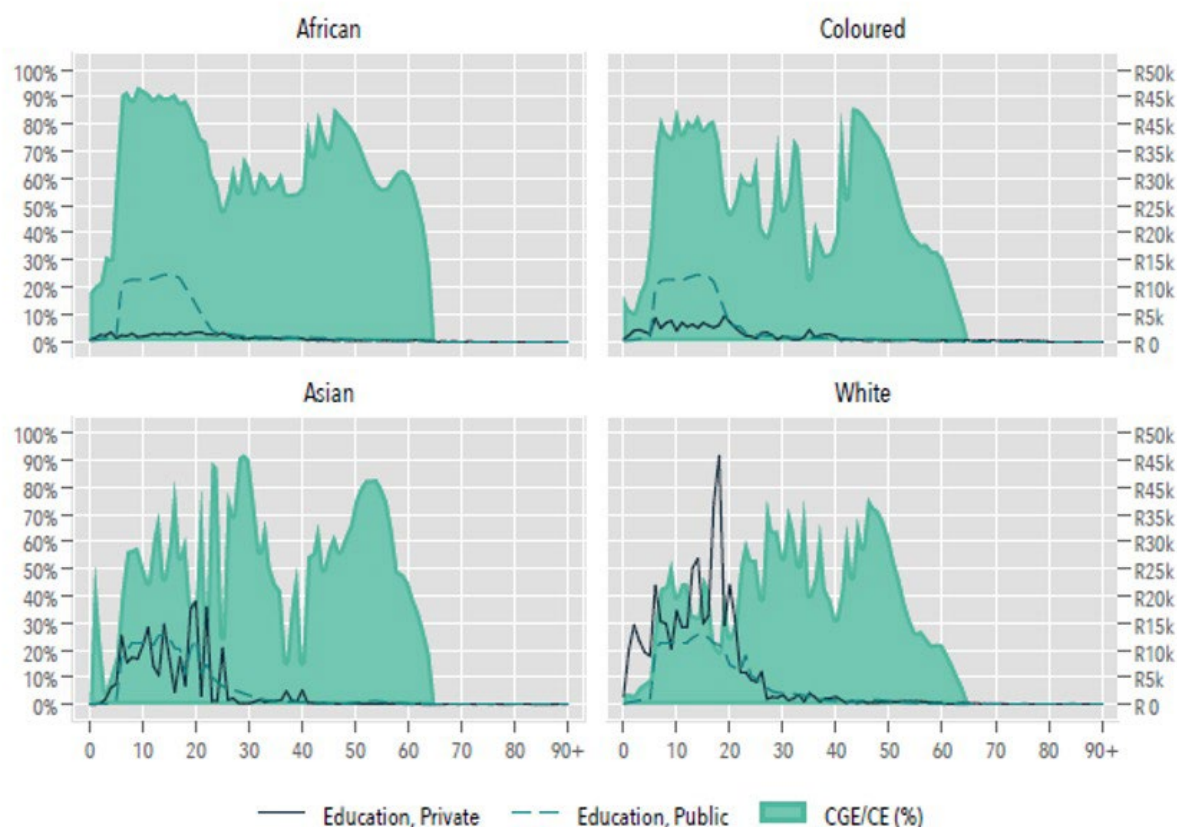
Figure 19 shows that on average, labour income peaks at R107,000 in one's late forties, however these peaks vary significantly by race. Labour income peaks in the mid-forties for Black South Africans at R70,000, peaks at R111,000 for Coloured people in their mid-forties, at R169,000 for Asian people in their late thirties, and peaks at R309,000 for White South Africans in their late forties. These discrepancies explain much of the variations between racial groups described below.

Figure 10 illustrates education consumption over the lifecycle by race; on the x axis of the graph is age, on the left y axis is the percentage of total consumption, and on the right y axis is the Rand value of consumption. In his analysis of differences in private versus public consumption of education over the lifecycle, Oosthuizen finds that although per capita public consumption of education follows a very similar pattern across racial groups (shown by the dashed line in Figure 10), Asian and White people spend significantly more of private expenditure⁸ on education than African (Black) and Coloured people. What is also unique about the distribution of private per capita spending on education among White people is their relatively high per capita spending on early childhood education (the under five year old cohort), compared to very little or no spend among African, Asian, and Coloured people.⁴⁹ Among Asian and White people, there is also a notable spike in private education consumption in the late teens and early 20s age group, which may correspond with higher education spending.

The solid green area of the graphs in Figure 10 represents the per capita consumption of education as a share of total education consumption (CGE/CE). According to Oosthuizen's estimations, as a share of total education consumption, the public sector accounts for 90% of education consumption for Africans, 75% for Coloured people, 55% for Asians, and 38% for White people for the age cohorts of 6 to 20 years.⁴⁹

⁸ Private expenditure on education is not necessarily spending on private education, but rather private expenditure related to education regardless of whether the education is provided by the state or not.

Figure 10: Education consumption by race, 2015



Notes: profiles are expressed in 2015 rands.

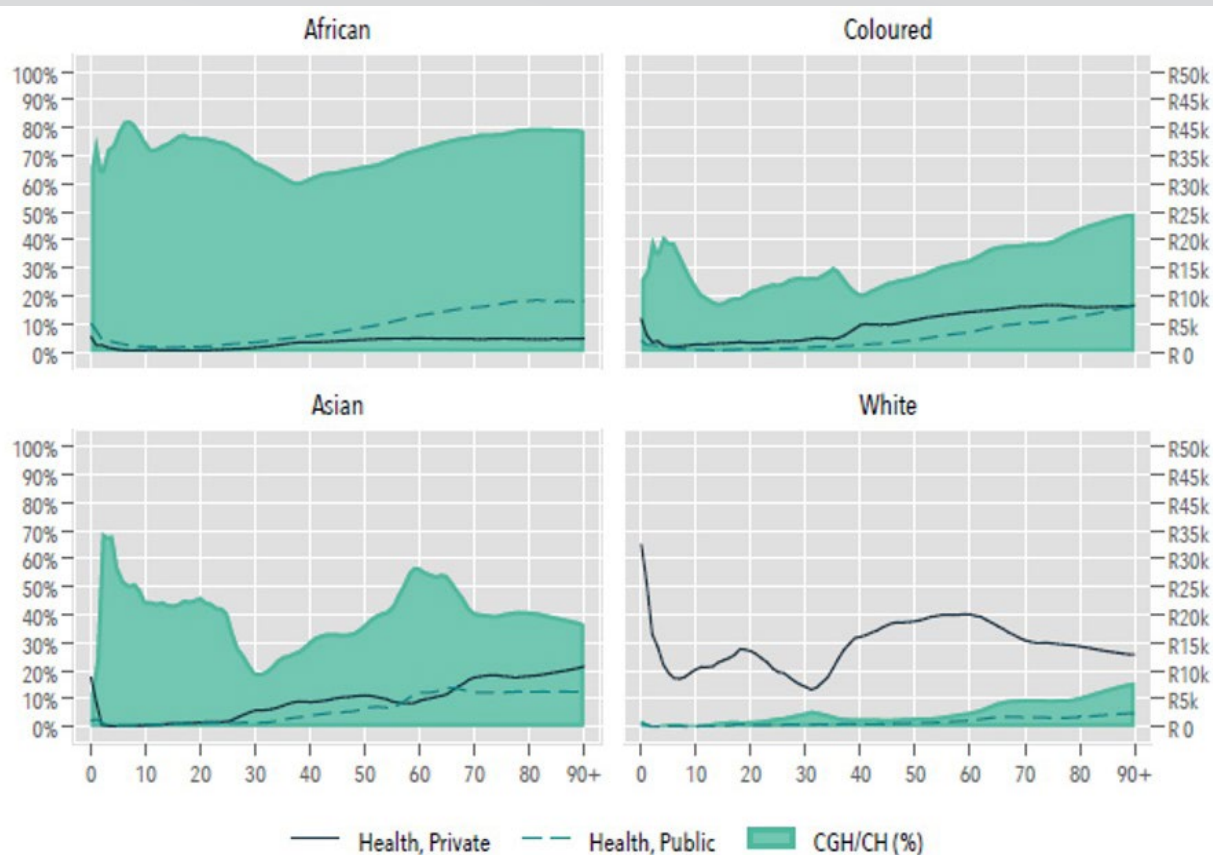
Source: author's calculations based on National Treasury (2014, 2018); South African Reserve Bank (2018); Statistics South Africa (2017a, 2017b, 2017d, 2018b); United Nations (2017); World Bank (2019).

Source: Oosthuizen, 2019

Figure 11 tells a similar story, but for health consumption. With all race groups, there is a higher level of resource allocation for private health consumption for infants and young children compared to other age cohorts.⁴⁹ Among Black South Africans, public sector health consumption accounts for 60-80% of total health consumption across almost all age cohorts, compared to White people for whom it accounts for not more than 15% of total health expenditure for any cohort with their health spend largely funded privately.⁴⁹



Figure 11: Health consumption by race, 2015



Notes: profiles are expressed in 2015 rands.

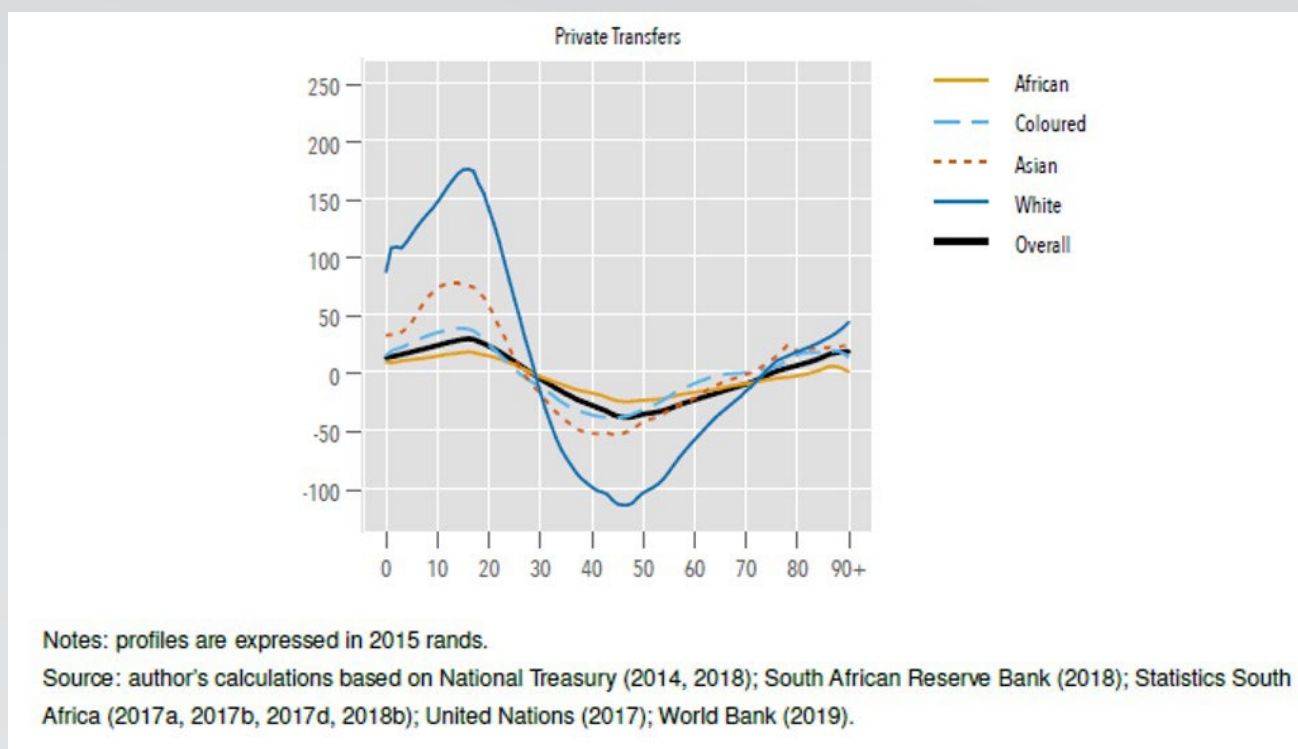
Source: author's calculations based on National Treasury (2014, 2018); South African Reserve Bank (2018); Statistics South Africa (2017a, 2017b, 2017d, 2018b); United Nations (2017); World Bank (2019).

Source: Oosthuizen, 2019

Figure 12 illustrates private transfers, which are financial transfers financed by either income or assets, and are measured in thousands of Rands (R'000).⁹ Private transfer inflows and outflows can be between (inter) or within (intra) household and may take the form of remittances, maintenance payments, and gifts.⁴⁹ Inter (between) household transfers do not make up much of the net transfers, with inflows making up less than 3% of peak lifecycle earnings and outflows making up less than 2%. Private transfers are dominated by intra (within) household flows.

⁹ Public net transfers have not been included in this discussion, but they consist of inflows and outflows as well. Public transfer inflows refer to government funded programs and services such as education, health, and social grants. Public transfer outflows refer to taxes paid to the government.⁴⁹

Figure 12: Private net transfers by race, 2015



In South Africa, White children receive the highest amounts of private spending from within their own households (i.e. from parents or caregivers) compared to children of other races. African children receive the least, followed by Coloured and Asian children.

Source: Oosthuizen, 2019

The figure above shows that although the graphs for the different races follow the same pattern, their magnitudes vary significantly. Net private transfers peak at over R170,000 for White children between the ages of 14 and 17 years, compared to about R75,000 for Asian, R40,000 for Coloured, and R20,000 for Black children in the same age group. These transfers represent the differences in private spending on children. Given the differences in peak lifecycle earnings between races in South Africa, this is not surprising.

Despite inter-household transfers being so small in magnitude, they display an interesting characteristic. Unlike the other racial groups, inter-household transfer outflows peak at 2% of labour income at around 50 years of age and remains close to almost 1% into old age for Africans, compared to a peak of around 1% for other races at the same age which tapers off to nearly zero in old age. Oosthuizen postulates that this indicates that supporting other households (inter-household transfer outflows) represents a greater burden for Black households compared to other races, which is in line with the concept of "Black tax". It also provides a quantitative depiction of how South African households are 'stretched' across urban and rural locations.



So, what does this all mean?

Oosthuizen's analysis shows that private spending on White children in health and education in their early years is much greater than among other races, and Black children receive the lowest levels of private spending of all. This is due to the differences in lifecycle earnings across racial groups. This finding is consistent with the literature which shows that in countries with higher levels of inequality, such as South Africa, there are larger differences between the resources which wealthy families spend on their children compared to poorer ones.⁴⁴ This begins even prior to birth with higher quality prenatal care, and extends into childhood with spending on early childhood education (as shown by Oosthuizen's own estimates) and educational inputs, among other investments.^{44,49} This means that even before children begin formal schooling, cognitive gaps have already emerged, and these gaps are compounded by the fact that wealthier children will live in wealthier areas with better resourced schools, which then widens the skills gap between children from wealthier homes and those from poorer ones.⁴⁴ In South Africa, wealth is still largely split along racial lines meaning that Black children fair the worst of all as a result of income inequality.

3. POLICY SCENARIOS FOR REALISING THE DEMOGRAPHIC DIVIDEND

In the remainder of this report, we present three policy strategies for harnessing South Africa's demographic dynamics to advance greater equality and prosperity. As already demonstrated, realising the dividends of the country's youthful population hinges on our ability to invest in their potential, create opportunities, and support them throughout the life course. Investments in children – which determine whether or not they have an equal start – are made in the context of homes and families, and inherited by older generations. Similarly, as young people enter working-age, their labour participation and social mobility often hinges on financial and social support afforded by generations above them. This is where intergenerational inequality is made or broken.

In the first two scenarios presented below, we take a view of demographic change from the perspective of women and older groups. These two populations are not only particularly vulnerable to the effects of inequality, but can offer critical support to children and working-age adults. Indeed, **realising dividends from future generations rests on our support of the existing generations caring for them**. In the final scenario, we suggest that investments in healthcare not only support demographic change, but also propel demographic dividends by alleviating inequality, bolstering social and economic life, and improving the future chances of children.

3.1 Elevating women

"Parents suffer, children suffer, and they also suffer for each other"

Source: ATD Fourth World, 2019

Achieving the benefits of a youthful population rests (in part) on our ability to elevate women and their work. Today, more than one in three of South Africa's young people (aged 15-34) are not in employment, education, or training (NEET)⁵⁰: most of them are women. While 'waithood' aptly reflects the powerlessness, and 'stuck-ness', that many defined as NEET may feel, it risks underplaying the agentive and aspirational forms of unpaid and/or unseen labour that young people undertake during this time, including job-seeking, domestic chores, and various forms of entrepreneurial hustling, chance-taking and volunteering. Women, for example, rather than 'waiting', often undertake intensive caregiving responsibilities, performing the bulk of household work and unpaid care (including for children, the elderly and the sick) that drives social reproduction.

Women's underemployment is entangled with their disproportionate care burden, which makes it difficult to look for, and keep, a job. From an early age, disproportionate caregiving and domestic responsibilities can also shape young women's future employability by making it difficult for them to stay, and succeed in, school.^{51,52} When relatives fall sick or there are younger siblings at home and in need of childcare, women and girls are more likely to take on caregiving responsibilities, again illustrating the interdependency of thriving and well-being across generations.

Despite having made great strides in expanding women's education and labour participation since the early 1990s, women continue to fare worse than men in the South African labour market. Women are more likely to complete school and more likely to achieve a tertiary qualification, but the irrefutable benefits of these human capital gains seem to nevertheless be capped for women. At present, women remain less likely to be employed than men⁵³; are concentrated in low-skilled and less secure positions³⁶; and earn lower wages for work of equal value (75% of what their male peers earn).⁵⁴ The overall gender wage gap has widened significantly since 2007.⁵⁵ In the early months of the 2020 COVID-19 lockdown, women accounted for two-thirds of net job losses⁵⁶ and have also been slower to recover employment since.⁵⁶ Female-headed homes are often caring for multiple generations of children and grandchildren.



The higher dependency ratio, coupled with lesser employment and earnings, means that female-headed households are poorer than those headed by men,³⁶ despite women being the primary recipients of state social support. NIDS data (waves one-five) suggests that about 15% of household entries into poverty are associated with the household head shifting from male to female.⁵⁷ Children inherit the effects of this gender inequity, reproducing cycles of intergenerational poverty, in which their own prospects are limited by those of their caregivers. Even with expanded access to health and social services post-democracy, health and economic outcomes of children remain strongly tied to the conditions of previous generations.⁵⁸

Women are more likely than men to invest a higher share of their household income on educating their children,¹ meaning that realising demographic dividends, both now and in the future, is critically dependent on elevating women.⁶⁰

Info Box 3: Quantifying the impact of empowering women



In a report published by the IMF, Christian Gonzales and his co-authors (2015) empirically illustrate the impact of gender inequality on income inequality.⁵⁹ Using a composite measure of gender inequality developed by the United Nations Development Programme (UNDP) called the Gender Inequality Index (GII), the study quantifies the magnitude of the impact of gender inequality on the per capita GDP growth rate, the Gini index, the share of income held by the top 10% and 60% of income earners, and the bottom 40% and 20% of income earners.

The GII ranges from 0 (perfect gender equality) to 1 (perfect gender inequality). This index measures inequalities in three aspects of human development⁶¹:

- **Reproductive health:** quantified by the maternal mortality ratio and adolescent birth rates;
- **Empowerment:** measured by the proportion of seats in parliament held by women and the share of adult women and men over the age of 25 with some secondary education;
- **Economic status:** estimated by labour force participation rate of the female and male populations aged 15 years and older.

Using the same framework as the Inequality-Adjusted Human Development Index (IHDI), the GII highlights the differences in health, empowerment, and economic achievement between men and women.⁶¹ According to the GII, the most gender equal country in the world is Switzerland with a score of 0.037, and the most unequal country is Yemen, with a GII score of 0.834.⁶²

Figure 13 shows the results of a fixed effects regression model which estimates the effect of gender inequality (GII) on income inequality (Gini) after controlling for other factors which have been empirically shown to impact inequality, such as trade and financial openness, technology, the depth of the financial sector, and the share of the population over the age of 65, among others.

Given that South Africa has a Gini index of 63¹ and a GII of 0.422,⁶² using the estimates provided by Gonzales et al., if, holding all other factors constant, South Africa's GII improved to that of Switzerland (the highest ranked country on the GII) to 0.037, this could translate to a 3.8% decline in its Gini index. It could also result in a 6.5% and 3.9% decline in the income share of the top 10% and top 60% of income earners, respectively, and a 3.6% and 2.3% increase in the income share of the bottom 40%- and 20%-income earners, respectively.

Figure 13: Gender Inequality and Income Distribution as estimated by Gonzales et al. (2015)

VARIABLES	Dependent Variable: Net GINI and Income Shares				
	(1) Net GINI	(2) Top 10	(3) Top 60	(4) Bottom 40	(5) Bottom 20
United Nations Gender Inequality Index (GII)	9.761* (5.589)	16.81* (8.431)	10.09** (4.444)	-9.367** (4.385)	-5.934** (2.390)
Trade Openness	-0.0109 (0.0140)	-0.00942 (0.0121)	-0.0146 (0.0101)	0.0132 (0.0102)	0.00588 (0.00550)
Financial Openness	0.0422*** (0.0113)	0.0310*** (0.0115)	0.0347*** (0.00967)	-0.0291*** (0.0100)	-0.0141** (0.00544)
Technology	-1.567 (18.53)	25.30 (20.74)	22.83* (12.21)	-22.24* (12.45)	-14.59** (6.187)
Financial Deepening	0.0233** (0.00916)	0.0230*** (0.00785)	0.0208** (0.00809)	-0.0200** (0.00800)	-0.00876** (0.00385)
Financial Deepening * AM Interaction	-0.0286*** (0.0101)	-0.0208** (0.00952)	-0.0315*** (0.00847)	0.0296*** (0.00841)	0.0132*** (0.00408)
Educational Attainment	-0.793** (0.334)	-0.504 (0.318)	-0.481** (0.194)	0.546*** (0.203)	0.292*** (0.109)
Labor Market Institutions	0.688*** (0.197)	0.268 (0.172)	0.331** (0.133)	-0.249* (0.140)	-0.133* (0.0733)
Government Spending	-0.320*** (0.102)	-0.356*** (0.105)	-0.112** (0.0501)	0.132** (0.0533)	0.0660** (0.0256)
Population over the Age of 65	0.361** (0.150)	0.206 (0.175)	0.251* (0.136)	-0.292** (0.134)	-0.140* (0.0709)
Observations (five-year averages)	338	208	244	244	244
Countries	97	66	89	89	89
Adjusted R-squared	0.236	0.421	0.359	0.345	0.305

Sources: Barro-Lee education attainment data set; Fraser Institute; IMF, World Economic Outlook; Solt Database; UNU-WIDER World Income Inequality Database; World Bank, World Development Indicators; World Economic Forum; and IMF staff estimates.

1/ Estimated using country and year fixed-effects panel regressions with robust standard errors clustered at the country level shown in parentheses, *p < 0.10; **p < 0.05; ***p < 0.01.

The coefficients for the GII show that, if all other factors remained unchanged, and a country moved from perfect gender equality (a GII of 0) to perfect gender inequality (a GII of 1), the country's net Gini Coefficient would increase by 9.761 (column 1), the income share of the top 10% and 60% of earners would increase by 16.81% and 10.09% respectively (column 2 and 3), and the income share of the bottom 40% and 20% would decline by 9.367% and 5.34% respectively (column 4 and 5).

Source: Gonzales et al. 2015. Catalyst for Change: Empowering Women and Tackling Income Inequality.



Table 2 below shows how these changes would translate in terms of shifts in South Africa's income distribution. An improvement in South Africa's GII to that of Switzerland would reduce the income share of the country's top 10% of earners from 50.5%⁶³ to 44% and almost double the income share of the bottom 20% from 24%⁶³ to 4.7%.

Table 2: Estimated shifts in South African inequality measures with improved GII score

Indicator	Current measure	Measure with lower GII
Gini index	63	59.6
Income share held by top 10%	50.5%	44.0%
Income share held by top 60%	81.2%	77.3%
Income share held by bottom 40%	18.9%	22.5%
Income share held by bottom 20%	24%	4.7%

A higher GII score (i.e. more gender equality) will result in a lower income inequality and a more equitable income share for South Africa as a whole, not just women.

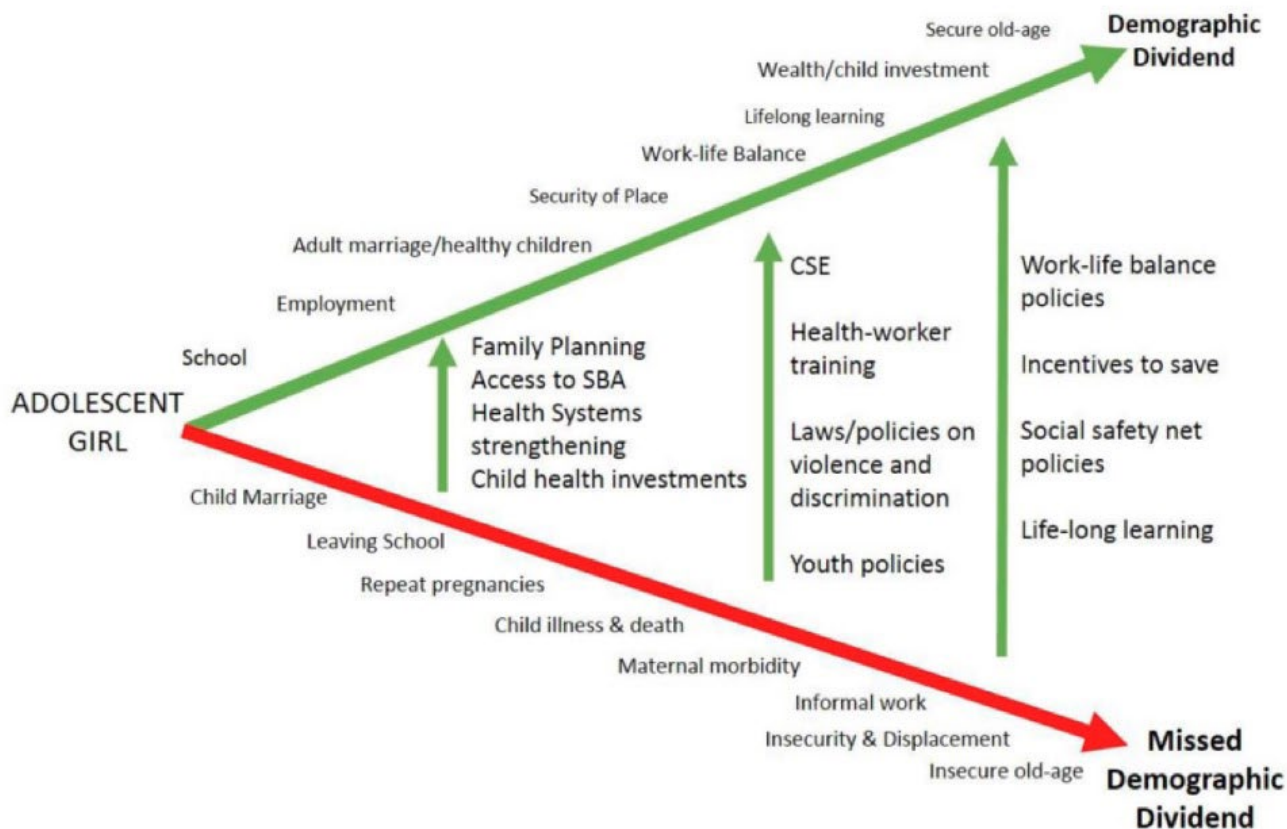
Source: World Bank, 2015; UNDP, 2020; Author's own calculations

Despite the significant hypothetical shift in South Africa's GII score, the estimated decline in the Gini index to 59.6 would still see South Africa remaining the most unequal country in the world; still outranking Namibia, the second most unequal country with a Gini index of 59.1.¹ What this shows, as illustrated by the covariates listed in Figure 13, is that although gender inequality is an important contributor to income inequality, there are a number of social and economic factors which also play a role.

3.1.1 Policy strategies to elevate women

Policies which empower women are also policies which enable the demographic dividend to be realised. Figure 14 below, from the United Nations Population Fund, illustrates policies which can be used to empower adolescent girls to leverage the demographic dividend; these include sexual and reproductive health policies, strengthening institutions, and providing social safety nets and support.⁶⁴ More specific policy recommendations are described below.

Figure 14: Policies which support women and leverage the demographic dividend



Policies which promote education, sexual and reproductive health, and economic empowerment of women and girls also increase the likelihood of achieving the demographic dividend. The absence of these policies result in a missed demographic dividend.

Source: Herrmann, 2017. *Demographic transitions, demographic dividends, and poverty reduction*. United Nations Population Fund.

Boost women's labour participation

Even with a generous social grants system, labour market income makes up 85% of household income in South Africa.⁵⁵ As such, improvements in employment are critical to alleviating poverty and inequality. Boosting women's economic participation not only reduces gender inequality in the labour market but is also particularly effective in alleviating overall poverty and inequality because of how women's assets are distributed among household members, with knock-on effects for children. Amid the COVID-19 lockdown in South Africa, for example, food insecure women were more likely to shield children from hunger.⁶⁵

By increasing paid work among women, remunerating and supporting care work, and closing gender gaps in the labour market, countries are expected to be healthier and more productive both now and in the future. Some describe these benefits as 'gender dividends'.⁶⁰ This is the responsibility of all employers, be it state or private.

Invest in the care economy

In addition to providing the bulk of household care, women also constitute the vast majority of most of the care economy (healthcare workers, teachers, early childhood practitioners, domestic workers etc.), in which care providers are notoriously

overworked and underpaid. Lay and informal care work, performed predominantly by Black women, is particularly undervalued and insecure. The achievement of minimum wage for these care workers has been critical to reducing the gender wage gap at the lower end of the wage distribution.⁵⁵ The minimum wage is currently R23.19 per hour.⁶⁶

Because of the benefits for both care providers and care beneficiaries, investing in the care economy represents a multi-pronged strategy to securing demographic gains and reducing inequality. By improving skills-building, remuneration, working conditions and rates of employment in the care economy, we are driving women's labour-force participation, advancing gender equality, and supporting the health, well-being, and education of millions of care beneficiaries. Through investments in care, we disrupt pre-existing distributions of care, power and privilege that have kept (particularly Black) women on the margins of social and economic life and thwarted the future chances of their children.

The multiplier effects are particularly pronounced when investing in affordable and accessible early learning programmes.

Expanding early learning programmes not only expands jobs for historically marginalised women and stimulates women-led micro-enterprises, but also improves access to childcare, which frees women to enter the workforce and unlocks the future potential of their children.

Support pregnant women

Research suggests that there is often a bi-directional relationship between poverty and fertility. Relative to other women of reproductive age, pregnant women in South Africa are 45.6% less likely to have an income.⁶⁷ Among those receiving an income, those employed in the informal sector will not receive maternity leave. This has significant implications for the health and wellbeing of both women and children and can deepen pre-existing inequality.

Research, by the National Scientific Council on the Developing Child 2007, over the past two decades has shown that many life-long patterns of illness and health, as well as emotional and cognitive development, are calibrated in the first years of life, especially during pregnancy.⁶⁸ The physiological and neurological capital accrued in these early years influences not only a child's ability to survive, but also to grow, learn and rise out of poverty.⁶⁹ At present, a quarter (27%) of children under five are nutritionally stunted, making them more likely to drop out of school, struggle to find work, and live in poverty. **Stunting is driven, in part, by mothers' mental health and nutritional status,⁶⁸ yet studies suggest that pregnant women in South Africa's disadvantaged communities are experiencing high rates of food insecurity and depression.⁷⁰**

Income support and access to affordable antenatal care could improve the nutrition and psychological well-being of pregnant women, as well as the physical and cognitive functioning of their children.⁷¹ If stunted children receive extra nutrition and cognitive stimulation, their life-time earnings potential can increase by 25-40%.⁷²

Extending support to pregnant women should include supporting both expectant and new mothers to stay in school. South African public discourse is gripped with concerns about teenage pregnancy, partly because of its perceived age-inappropriateness, and partly because of the potential effects on the well-being of mother and child. From a demographic perspective, earlier childbearing is also associated with higher fertility rates. Notwithstanding the recent dramatic spike in young pregnancy over the COVID-19 lockdown,⁷³ South Africa's adolescent fertility rates have been steadily declining, dropping by 27% over the past 50 years.⁷⁴ Adolescent fertility now falls well below the regional (sub-Saharan African) average.⁷⁴ However, adolescent girls are still far more likely to fall pregnant in South Africa than in most other low- and middle-income countries.⁷⁴

Research tells us that there is a mutually reinforcing relationship between pregnancy and school dropout (Stoner et al. 2019): young women who leave school are more likely to fall pregnant, and young women who fall pregnant are more likely to leave school. **What is often missing from the narrative is the role that schools, households, and policymakers play in determining whether a young mother returns to school or not.**

.....

For many girls and young women, an unintended pregnancy means social stigma and isolation, along with major disruptions to schooling. **Without the right type of support, the physical toll of pregnancy, regular antenatal visits, and caring for a new-born often come at the expense of young women's schooling.**

If we are to leverage declining fertility and a growing working-age population to reduce inequality, we cannot afford to back-track on the gains made in women's education and employment. Keeping young mothers in school will improve their chances in the labour market, and improve the future health, education and earning potential of their children. Both are likely to have the added consequence of reducing future childbearing.

All the above advocate for supporting and elevating women, particularly at critical life points – points that can powerfully determine each woman's path as well as those of the many that depend on women, thereby aiming to drive a way out of poverty and inequality.

3.2 Taking care of the elderly

Declining fertility and improved longevity mean that South Africa's population growth rate is slightly slower than the global average, and significantly slower than other countries in the region. In 2015, people over the age of 60 constituted an estimated 8% of South Africa's total population,¹⁷ with this proportion expected to increase to 15.4% by 2050.⁷⁵

A growing elderly population has a range of potential implications for poverty and inequality. Older persons are often positioned as 'dependents' in need of care, which can translate into significant costs for the state and for households. While the 'demographic dividend' of a growing working-age population is often associated with a decreasing dependency ratio, a growing elderly population (which is an inevitable consequence of current demographic shifts) attracts greater ambivalence because of its ability to increase the dependency ratio. In South Africa, the link between old age and chronic illness will likely contribute to a growing burden of chronic multi-morbidity and disability in the country.⁷⁶

Moreover, high levels of poverty and unemployment might thwart South Africans' ability to save for old age. While income support coverage, through the state-provided old-age grants or pensions, is very high (92.6%), an estimated 40% of the elderly are poor.⁷⁷ The maximum pension rate, as of 2022, is R2,000 per month.⁷⁸ More so, 46% of older persons are considered functionally illiterate, which risks compounding their vulnerability.¹⁷

Age malleability means that there is significant diversity in how people age. The vulnerability of South Africa's elderly population is exacerbated by inequalities experienced over a life course. Health, function, and survival among elderly people are therefore unequally distributed across the population, with the poor more likely to be disabled or in ill-health.⁷⁷

Common assumption: all countries are ageing.

Reality: it depends on how we understand and measure ageing. If we measure old age as years lived since birth, then many countries are getting older. However, if we define ageing as proximity to death, then there is a sense in which countries are getting 'younger' with longer futures ahead of them. As South Africans live beyond 65, their diversity of experiences and outcomes will become more evident, challenging policy responses framed purely in terms of chronological age.⁷⁹



3.2.1 A picture of South Africa's elderly population

Older persons in South Africa are participating in the labour market

By 2035, people over the age of 50 are expected to be about 25% of the workforce.¹⁷ At present, the majority (55%) of older persons (aged 50-64) are in the labour force.¹⁷ Even after retirement (age 60), more than 10% of South Africans continue to work.¹⁷

Old age in South Africa is feminised

60% of people over age 60 in South Africa are women,¹⁷ owing in part to their significantly longer life expectancy. These women are also more likely to be living with high blood pressure, diabetes, or arthritis.¹⁷

Longevity is unevenly distributed

South Africa's population is ageing at different rates, reflecting patterns of structural inequality. Black South Africans have the lowest proportions of older people to children. Older Black South Africans are most likely to live in extended (as opposed to nuclear) households and less likely to have completed schooling.¹⁷

Older persons are more urbanised than we think

Gauteng experienced a 38.6% growth in the older (60+) population between 2011 and 2016¹⁷; with rural provinces like Limpopo and the Eastern Cape facing out-migration. This might reflect older persons' own labour-related mobility, or their support of migrating working-age children. While the old-age grant constitutes 81% of older persons' income in rural areas, those in urban areas earn 33% of their income from salaries, wages and commissions.¹⁷ Urbanisation can enhance the wellbeing and productivity of older people, improving access to healthcare and employment. But it can also expose them to pollution, heat-stress, violence, and overcrowding.

Older persons are household lynchpins

Older persons in South Africa play a critical role, both as care providers and often as household breadwinners, bolstered by the state old-age pension. As working-age South Africans migrate from lesser-resourced areas in search of work, some will leave their children in the care of elderly kin. In previous decades, HIV/AIDS-related death and illnesses among working-age adults contributed to older people assuming the role of caregiver for their co-resident grandchildren. As a result, skip generation households are more prevalent (above 10%) amongst households headed by the elderly than among South African households in general.¹⁷ One in three older persons lives in a triple-generation household.¹⁷ Nationally, the ratio of children to older persons was visibly higher amongst females (1,37) than males (0,75).¹⁷ This indicates that households headed by older women were more likely to reside with or care for children than men. Widespread unemployment and the impact of HIV/AIDS on families have left many older adults with significant care and financial responsibilities, as they use their pensions and their time to support their children and grandchildren. This financial and caregiving burden can impact their well-being.

Older persons rely heavily on the public health system

Only 18% of older South Africans (above the age of 60) have medical aid, meaning that the remaining 82% rely on the public health system for healthcare.¹⁷

3.2.2 Leveraging the longevity dividend

Policy responses to a growing older population have often emphasised the direct costs of ageing, overlooking the significant and growing contributions that older people make to social and economic thriving. As critical sources of childcare support, South Africa's older persons unlock the potential of younger generations, supporting working-age children to participate in the labour market, and providing the nurturing and nourishment essential to children's development.

If we are to leverage demography to alleviate inequality, we must build public systems that will support older persons to thrive and allow us to reap the benefits of a longevity dividend. These systems should empower older persons to continue to live meaningful lives in a society that recognises them as important sources of enrichment, expertise, and community building and support.

Continue and bolster the old-age pension

Not only is the old-age pension critical for supporting the health and wellbeing of older persons themselves, research demonstrates that it also has knock-on benefits for their households, with whom older grant recipients regularly share their income. The South African social protection system has historically not provided income support to unemployed persons of working-age, with the recent Sustainable Development Goal (SDG) being landmark in this respect. As a result, old-age pensions and other grants are often redistributed informally to unemployed relatives of the beneficiary. More than half of older persons in South Africa are living in households in which no-one is employed.¹⁷ This redistribution creates an implicit subsidy for unemployed persons, but also risks minimising the potential benefit to older persons themselves.⁸⁰ Research suggests that living in a household with an old-age pension boosts members' chances of employment. Women (aged 20-30) living in recipient households are reported to be up to 15% more likely to be employed, and 9% more likely to participate in the labour market than those in non-recipient households.⁸⁰

Overall, those living in a household with an old-age pension recipient report even better labour market and poverty outcomes than those living with a child support grant recipient, most likely because of its higher value, and the role that a well-supported older person can play in providing childcare for working-age adults.⁸⁰ Compared to non-recipient households, those receiving an old-age pension also report higher shares of expenditure on food and education.⁸⁰ Children also experience improved health outcomes, including better height-for-age and weight-for-height.⁸⁰

Align health services with the needs of older populations

To start, we must begin to think about ageing before people get old, strengthening preventative healthcare interventions. Our health systems must also be strengthened to deliver chronic and long-term care that is affordable and accessible to older people. Research shows that in countries that spend more on health, older people work and volunteer more, bolstering society's social and economic systems.⁷⁹

Rather than being a demographic drain, older persons in South Africa can provide a critical lever to unlocking the potential of younger generations and maintaining nurturing homes and communities. Recognising this and acting accordingly can create a powerful impact on poverty and inequality.

3.3 Investing in people-centred, high-quality universal health coverage

Leveraging population dynamics to achieve a more equal society depends largely on the health of its population. As this report has illustrated, the health of children is often entangled with that of their parents, and their parents' parents. Caregivers (whether children, adults, or elderly) can also compromise their own health in their attempt to care for others. As such, ill-health not only impacts the well-being of the individual, but can also burden families, drain public resources, weaken communities, and squander human potential.

Because poor health is an impediment to intergenerational mobility, it holds significant implications for our ability to realise demographic dividends and alleviate poverty and inequality. Ill-health is often a poverty trap, placing significant financial burdens on households, with already-vulnerable households most likely to experience health-related shocks. Many people in poverty also cannot practice preventative care because they are unable to access healthy food, work under risky conditions, or live in polluted areas. As such, the relationship between ill-health and poverty is bi-directional.



Despite expanding health and social services since democracy, South Africa remains among the sickest nations on earth.⁸¹ Relative to other middle-income countries, it has worse age-adjusted death rates, years of life lost to premature death and life expectancy at birth.⁸²

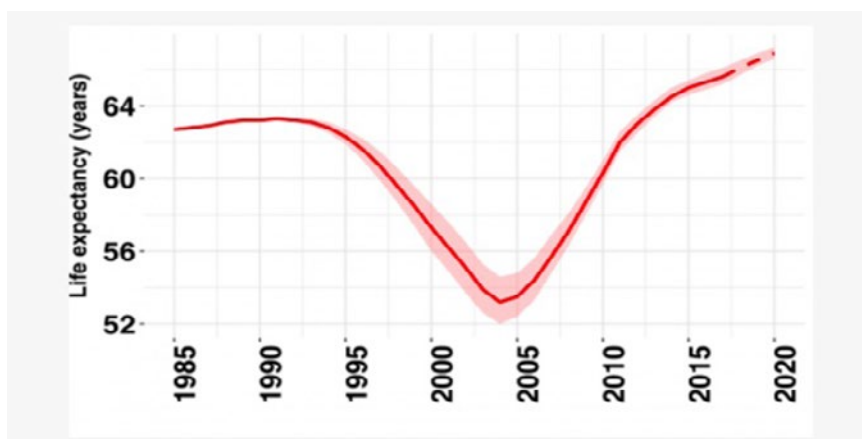
The country's HIV/AIDS epidemic, and the subsequent (though unjustly delayed) roll-out of Anti-Retroviral Therapy, illustrates not only the staggering toll of HIV, but also the radical possibilities of expanding access to affordable, quality healthcare.

3.3.1 The demographic impacts of Anti-Retroviral Therapy

Over a period of less than 20 years, post-apartheid South Africa saw a dramatic and unprecedented rise and fall in mortality because of the HIV/AIDS epidemic and subsequent ART roll-out. These effects were not evenly distributed, with those in the poorest municipalities more likely to die of AIDS-related illness and less likely to benefit from subsequent treatment programmes. As a consequence, both mortality and absolute mortality inequality by income spiked (for 18–59-year-olds) in the lead-up to 2006⁸³ and dropped rapidly thereafter as South Africa's ART programme was scaled. By the time the HIV/AIDS epidemic peaked, in 2004, 10 years had been cut from South Africa's 1990 life expectancy.⁸⁴

Over the same period, the under-five mortality rate had risen to 79.2 per 100 000 births.⁸⁵ Many who were dying were doing so at the prime of their lives: homes and communities lost their most economically and biologically productive generation. Often it was close relatives, especially grandmothers, who assumed care for the orphaned children of their dead, bringing emotional and material resources to bear on AIDS illness with little assistance from the state. Indeed, the HIV/AIDS epidemic has contributed to a series of generational anomalies: the elderly have buried their young, small children have nursed their parents, and adolescents have headed households. **It has also amplified and necessitated intergenerational reciprocity, as grandmothers and grandchildren step in to complete the work of their ailing children or parents.**

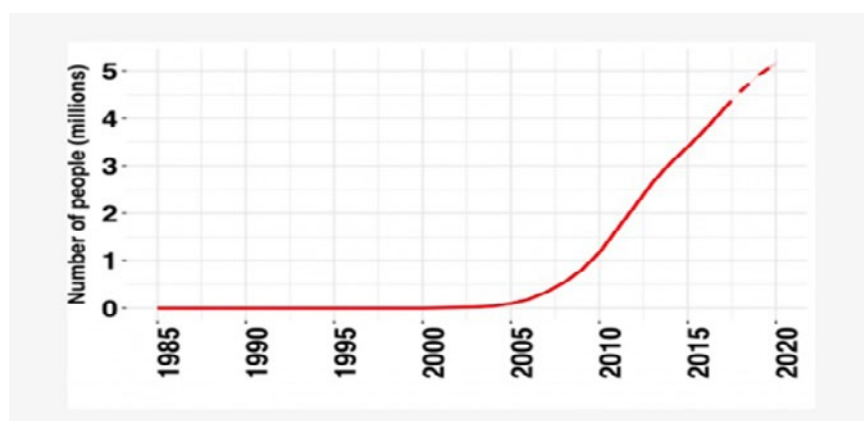
Figure 15: Life expectancy of South Africans from 1985 to 2020



The HIV epidemic caused a dramatic decline in the life expectancy of South Africans, but since the roll-out of ART, the life expectancy has recovered and now exceeds the pre-HIV epidemic level.

Source: MacDonnell and Low, 2019

Figure 16: Roll-out of Anti-Retroviral Therapy in South Africa from 1985 to 2020

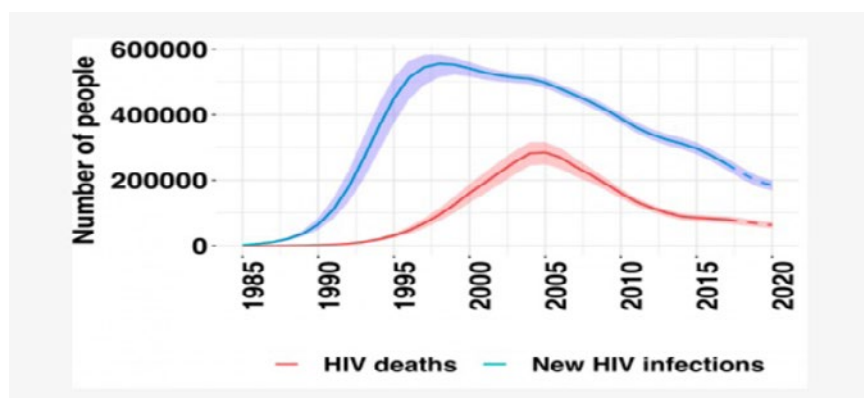


Source: MacDonnell and Low, 2019

The HIV/AIDS epidemic took a serious, but also uneven, death toll. Death was concentrated among the poor, and although HIV infection rates were higher among women, men were disproportionately more likely to die of AIDS.⁸³ While the country has made significant inroads in curbing mortality since 2006, poor, Black men continue to have the lowest chances of survival.

Having reached a low of 53.2 in 2004, life expectancy has since recovered dramatically – to an estimated 66.5 by 2019.⁸⁴ Meanwhile, under-five mortality has reached a low of 32.2.⁸⁵ Research tells us that child health and survival also have knock-on effects for fertility, as mothers of healthy children tend to have fewer children.⁸⁶ Almost all these changes in mortality occurred among Black South Africans.

Figure 17: Number of new HIV infections compared to deaths in South Africa from 1985 to 2020



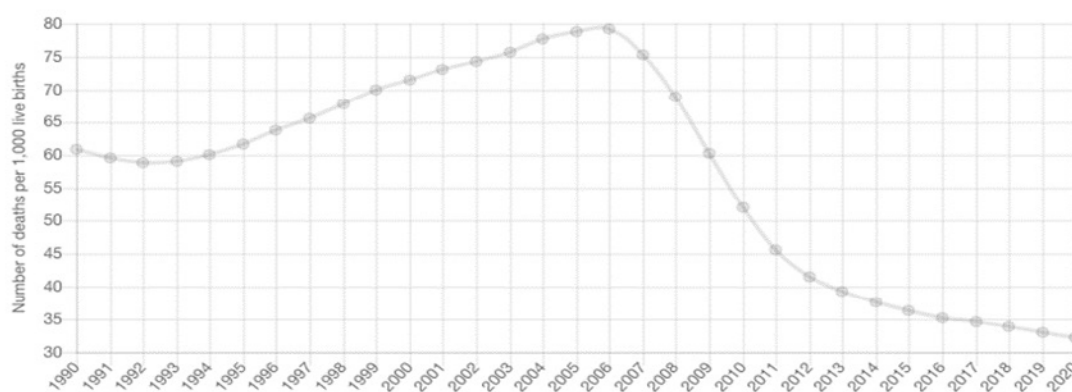
The rapid roll-out of ART has resulted in the rapid decline of new HIV infections and AIDS related deaths.

Source: MacDonnell and Low, 2019

These staggering gains in life expectancy have been attributed to the widespread roll-out of Anti-Retroviral Therapy across the country. South Africa now has the largest HIV treatment programme in the world: in 2020, 5.1 million people (age 15 and older) were receiving ART.⁸⁴ As the death toll has plummeted, so too has the likelihood of new infections, with consistent ART radically reducing the infectiousness of those living with HIV. Curbing the HIV/AIDS epidemic will depend on the rate at which people are starting ART relative to the rate of new infections. In 2009, the rate of treatment initiation surpassed the rate of new infections for the first time – a trend that the country must work to maintain.⁸⁴



Figure 18: Trends in the under-five mortality rate in South Africa



Under-five mortality has declined dramatically over the last 30 years, with the 2020 rate at almost half of what it was in 1990.

Source: MacDonnell and Low, 2019

Some researchers suggest that poorer municipalities benefited more from ART during the first five years of the roll-out, despite reports of poorer provinces lagging.⁸³ Widespread ART availability has also been associated with larger decreases in AIDS-mortality for women than men, in part because of higher infection rates among women, but also because of poor testing and delayed health-seeking among men.

ART has had a dramatic impact on recovering mortality in South Africa: between 2000-2014, ART is estimated to have saved 1.72 million lives, and 6.15 million life years.⁸⁷ However, the delay in rolling out treatment constituted a devastating loss of life. Researchers suggest that as many as 8.8 million life years might have been saved if South Africa had more readily taken up WHO guidelines and moved more quickly in scaling ART uptake.⁸⁷

3.3.2 Health interventions to tackle inequality and harness population dynamics

People-centred, high-quality universal health coverage

South Africa's health system is starkly unequal: a small proportion (27%) of South Africans is enabled, through medical scheme contributions and those who pay out of pocket, to access expensive private healthcare services. Meanwhile, the majority (71%) is reliant on the public health system, which is notoriously under-resourced and under-staffed.⁸⁸ To advance health equity, and expand access to affordable quality care, South Africa has initiated a pathway to universal health coverage. Because of the bi-directional relationship between poverty and ill-health, removing the financial burden of accessing quality care is critical to alleviating poverty and facilitating social mobility in South Africa. Universal health coverage must include:

Non-judgemental, accessible sexual and reproductive health services

South Africa's population is constituted by a growing proportion of young people. Safeguarding the Sexual and Reproductive Health (SRH) rights of these young people is a prerequisite to them achieving their potential, and the country's ability to reap the benefits of their contribution. Expanded SRH services should empower young people to make choices in their sexual lives. They should enable them to avoid, delay or space pregnancies and seek out healthcare. Young people who are empowered to stay healthy also do better in school, acquire more skills, and take on a life course that is both more productive, and more fulfilling. With expanded access to SRH, young people usually delay their first birth, and choose to have fewer children, which can contribute to a demographically induced economic upswing.⁸⁹ More so, because they are more likely to stay healthy, and in school, the children they do have also inherit greater human capital.

Despite high contraceptive prevalence rates (64.6%), contraceptive service delivery, choices, access, and contraceptive counselling are relatively weak.⁹⁰ Affordable and comprehensive SRH (including family planning options) are not widely available in the South African public health sector and many women who try to access these services experience stigma and punitive treatment. Despite an overall decline in fertility rates, South Africa saw a slight increase in unwanted births between 1998 and 2016 (i.e. births to women who did not want any more children).⁵⁴

Improving men's access to primary healthcare

The story of South Africa's HIV/AIDS epidemic illustrates worse mortality outcomes, and poorer treatment access for men. This reflects a more generalised challenge in the health system, in which men frequently delay or avoid health seeking, and health facilities are perceived as feminised spaces. This has implications for their own physical and psychosocial well-being as well as that of their families and workplaces. Men and adolescent boys in South Africa experience higher rates of premature mortality and are more likely to die from preventable causes.⁹¹ Men are also less likely to know their HIV status or access treatment; and are at greater risk of mortality from injuries or suicide.⁹¹ The health outcomes of men and women are interdependent, which means that as South Africa moves towards universal healthcare, our interventions must be responsive to the varied needs and risks of all genders.



4. CONCLUSION

This report has explored the shape and pace of South Africa's demographic transition and the complex implications for inequality. At the crux of the country's inequality problem is the reality of a large unemployed working-age population, with no secure income and few footholds in the labour market. As this young population grows faster than the growth in employment, so too does the back-log of young people 'in waithood' (Figure 7). We cannot expect reducing fertility rates to do the work of shifting inequality: future demographic change does little to address the scale of the historical problem that we face. Indeed, even if South Africa were to realise the same level of gender equality as Sweden, for example; it is estimated that our Gini index would not fall by more than 3.8% (see Box 3) – which is not to say that the change in gender equality would not have other profound effects and is desirable in and of itself. As further evidence of the intractability of the Gini: our previous report⁹² shows little to no effect on the Gini Coefficient if one were to remove the top 1% of earners, or even the elderly (over age 65) population from calculations. **A radical shift in the Gini means that we must find ways to absorb our growing working-age population into the labour market.**

Economic growth, alone, will not be enough to secure the livelihoods of young people. Economic growth must translate into jobs and livelihoods; and young people must be resourced, equipped and connected enough to take up these opportunities. More so, these opportunities must translate into transferable skills and quality work to break existing patterns of youth 'churn' in the economy. **Realising 'demographic dividends' and advancing equity hinge on education, jobs, intergenerational support and quality healthcare.**

There is no escaping the urgent need to address the jobs shortfall. But policy must also drive resources to the people and programmes that will have the most impact, both on overall inequality, and young people's future chances. To this end, this report has explored South Africa's demographic change through *the youth*, through the increase in the working-age population; the lens of *women*, due to the declining birth rate; and the lens of *the elderly*, who are living longer and are becoming an increasing share of the total population. The report also considers the importance of the health system in both supporting this demographic shift, and sustaining the well-being and economic productivity of South Africans. Equity in quality health access is also an important lever for reducing inequality overall and reaping demographic dividends.

The discussion on the youth dividend shows how inequality of opportunity is an inheritance. In South Africa, parental income and, still, race are important determinants of the opportunities one is afforded for social mobility. Despite this, education is still shown to be an important mediator of inequality. Therefore, empowering the youth with access to quality education maximises their opportunities to find work in an economy which favours highly qualified employees. Economic policies also need to focus on not only driving growth but creating employment, opportunity and livelihoods for the many young people who do not complete school or have access to higher education, and thus have lesser qualifications.

In exploring inequality through the lens of women, the role of policies which support women's labour force participation and protect pregnant women and girls is crucial. We provide analysis illustrating that gender inequality has been empirically shown to exacerbate overall income inequality. Given that women are also more likely to invest higher shares of their income in educating their children, investing in the elevation of women is also an investment in the next generation.

Considering the elderly, we challenge certain assumptions of this population. The over 60 population is not a homogenous group. Although many rely on the state old-age pension, 33% of those who live in urban areas earn their income from salaries. The elderly are also the lynchpins of South African households. They are an important source of childcare support which enables women to find and retain work. Their pensions together with incomes earned through work support their working-age children to look for work and participate in the labour market.

The livelihoods, social mobility, and contribution of all three of these groups – youth, women and children – rests on their wellbeing – their being able to afford and access healthcare, and prevent health shocks that risk plunging them and their families into financial crisis. Given the nature of South Africa's demographic change, all three groups will also be living longer, with potentially more chronic illness, and thus reliance on the health system. Therefore, moving towards equity in access to quality healthcare must form part of the policy tool kit for reducing inequality.

South Africa has a declining fertility rate, a youthful population, and steadily decreasing infant and adult mortality. We have also seen a radical expansion in post-apartheid access to education, healthcare and social services. At this level, we appear to have all the ingredients for social and economic flourishing. Yet, we are failing dismally to realise the promises of democracy. As illustrated in our first Inequality Report,⁹² access to public services has not translated into quality services, nor meaningful gains in equity, wellbeing and social mobility.

Primarily, we are failing our young people, the majority of whom have the odds stacked against them well before they reach school. These inequalities compound as they make their way through the schooling system, and finally into the labour market. The recommendations in this report are each critical to supporting, preparing and boosting young people at key moments over their life-course, so that they approach adulthood ready to contribute to social, economic and civic life. And the world they arrive in must also be ready to embrace them.



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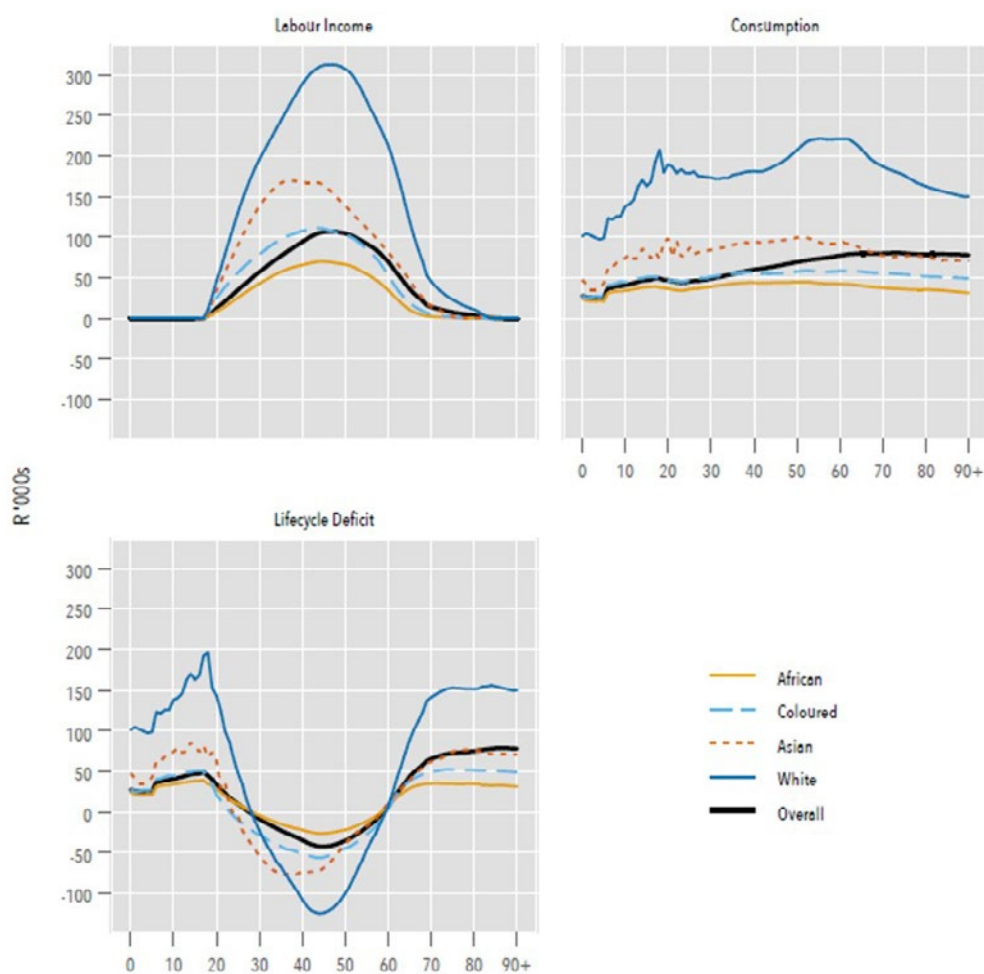
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APPENDICES

Figure 19: Components of the lifecycle deficit by race, 2015

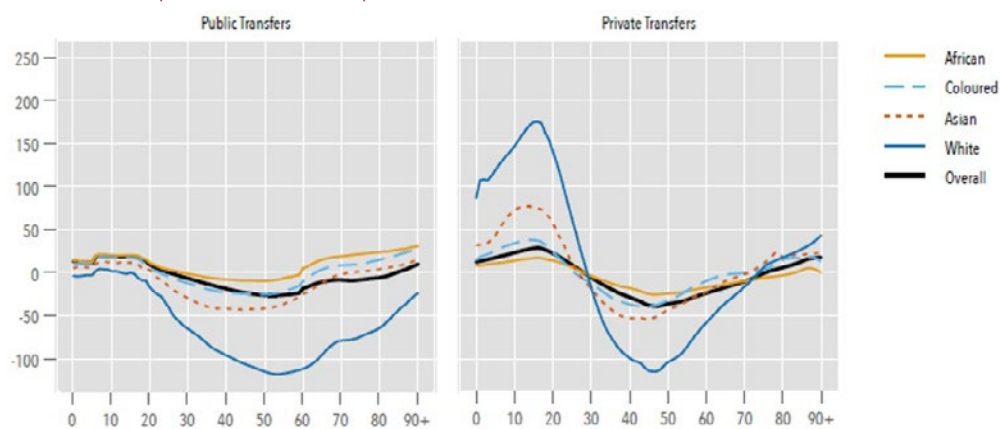


Notes: profiles are expressed in 2015 rands. Self-normalized profiles are available in Figure A1 in the Appendix.

Source: author's calculations based on National Treasury (2014, 2018); South African Reserve Bank (2018); Statistics South Africa (2017a, 2017b, 2017d, 2018b); United Nations (2017); World Bank (2019).

Source: Oosthuizen, 2019

Figure 20: Private versus public transfers by race, 2015



Notes: profiles are expressed in 2015 rands.

Source: author's calculations based on National Treasury (2014, 2018); South African Reserve Bank (2018); Statistics South Africa (2017a, 2017b, 2017d, 2018b); United Nations (2017); World Bank (2019).

Source: Oosthuizen, 2019



INCLUSIVE SOCIETY INSTITUTE



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The ISI's work is motivated by its desire to achieve non-racialism, non-sexism, social justice and cohesion, economic development and equality in South

Africa, through a value system that embodies the social and national democratic principles associated with a developmental state. It recognises that a well-functioning democracy requires well-functioning political formations that are suitably equipped

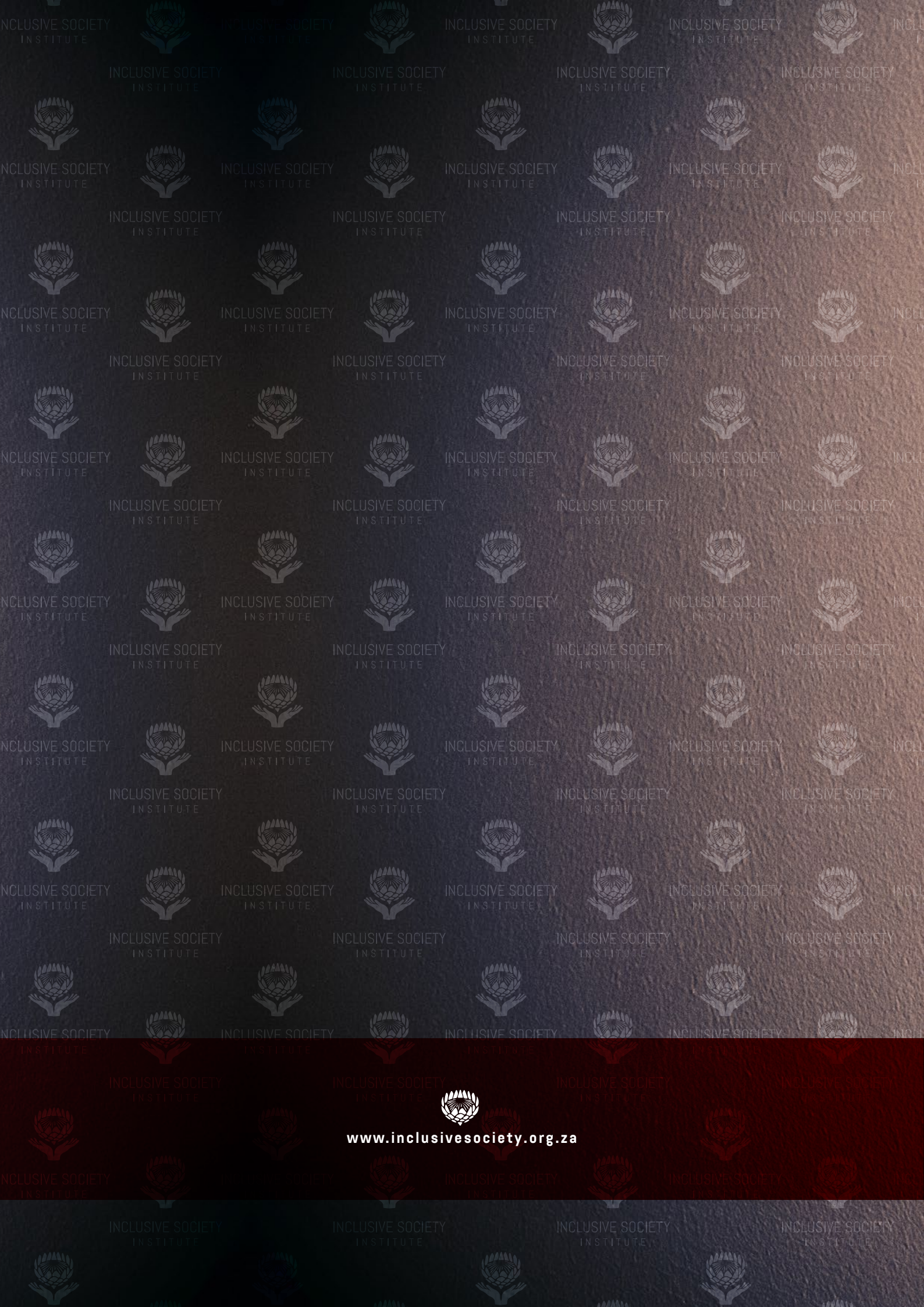
and capacitated. It further acknowledges that South Africa is inextricably linked to the ever-transforming and interdependent global world, which necessitates

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