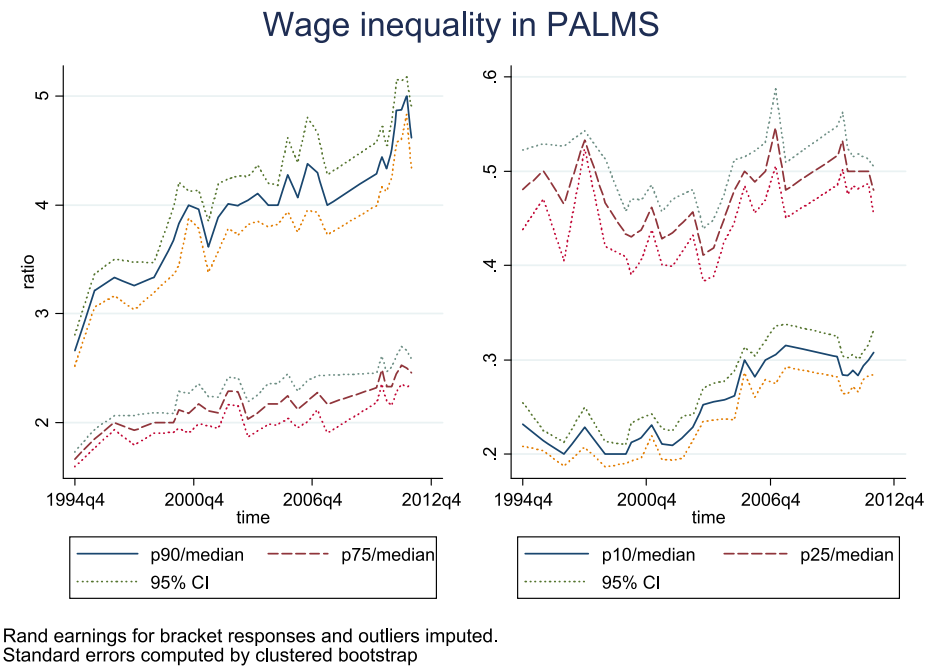

Figure 9. Wage increases of employees at different percentiles relative to the median [Colour figure can be viewed at wileyonlinelibrary.com]

the 10th percentile has shifted up. This suggests some compression of the earnings distribution right at the bottom. Presumably labour legislation, including minimum wages for domestics and agriculture workers, has had the effect of boosting wages among the lowest earners.

The contrasting trends at the top and the bottom of the distribution helps us to reconcile the divergent pictures provided by the Atkinson indices. With low or moderate levels of inequality aversion the increasing spread at the top of the distribution leads to the conclusion that overall inequality has increased. With high levels of inequality aversion the Atkinson index pays more attention to the bottom of the distribution and the compression of the distribution leads to the conclusion that inequality is decreasing. This shows why it is useful to rely not only on inequality measures in judging trends.

In Figs. 10–13 we extend this approach by considering the p90/median, p75/median, p25/median and p10/median ratios within the four education categories we considered earlier. Interestingly enough the patterns are quite divergent. Fig. 10 suggests that the ratio of top earnings to the median among the least educated workers has not increased, while the bottom percentiles seem to have gained on the median. This suggests an overall compression of the distribution among these workers. As noted earlier, however, this is a shrinking group within the South African labour market.

Fig. 11 suggests that high earners have gained relative to the median among wage earners with at least some secondary schooling. There is also evidence in this category of wage compression at the bottom of the distribution. The tendency of the top tail to move away from the median is strongest among individuals with a matric, as shown in Fig. 12. Unlike the previous two cases, inequality also seems to be increasing at the

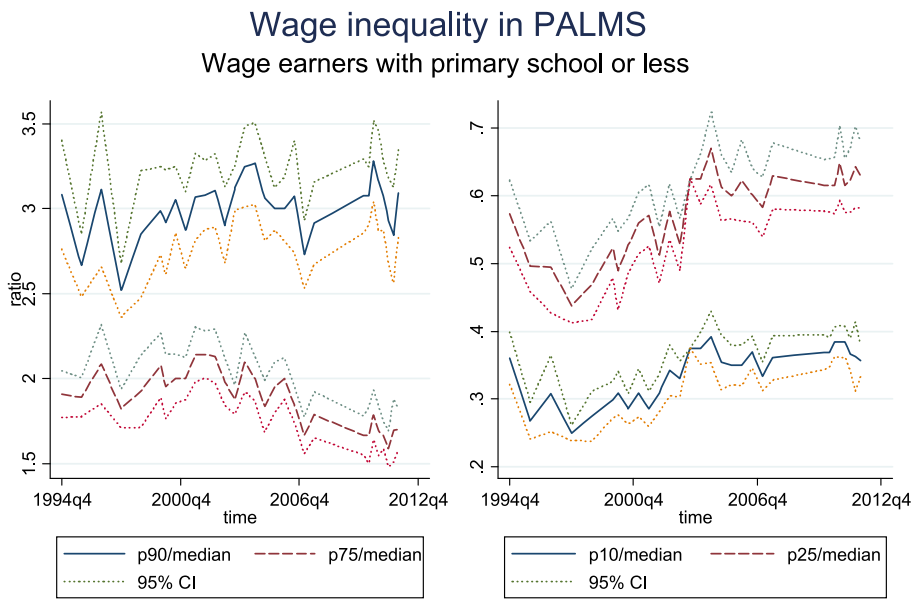

Figure 10. Wage inequality among the least educated seems to have decreased [Colour figure can be viewed at wileyonlinelibrary.com]

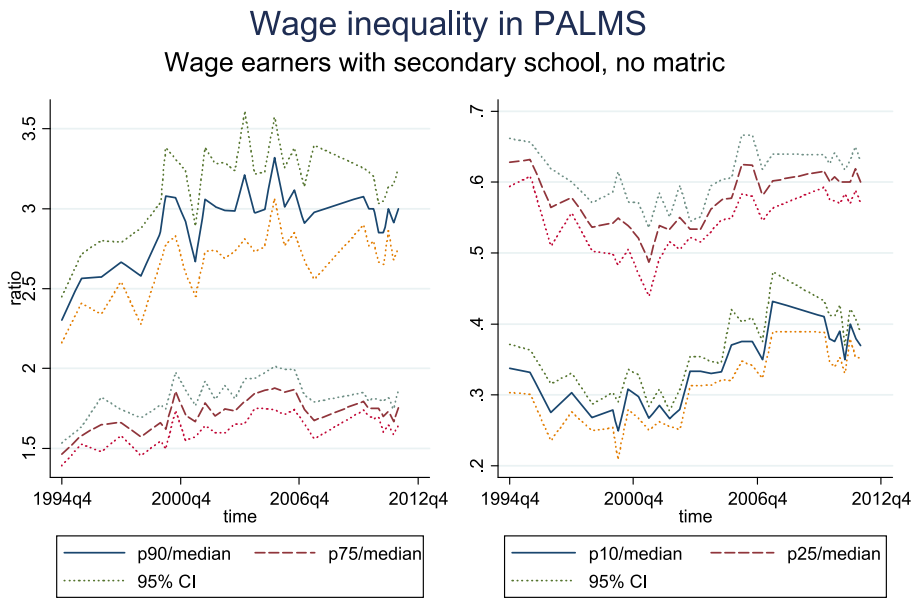

Figure 11. Wage trends relative to median among individuals with secondary schooling [Colour figure can be viewed at wileyonlinelibrary.com]

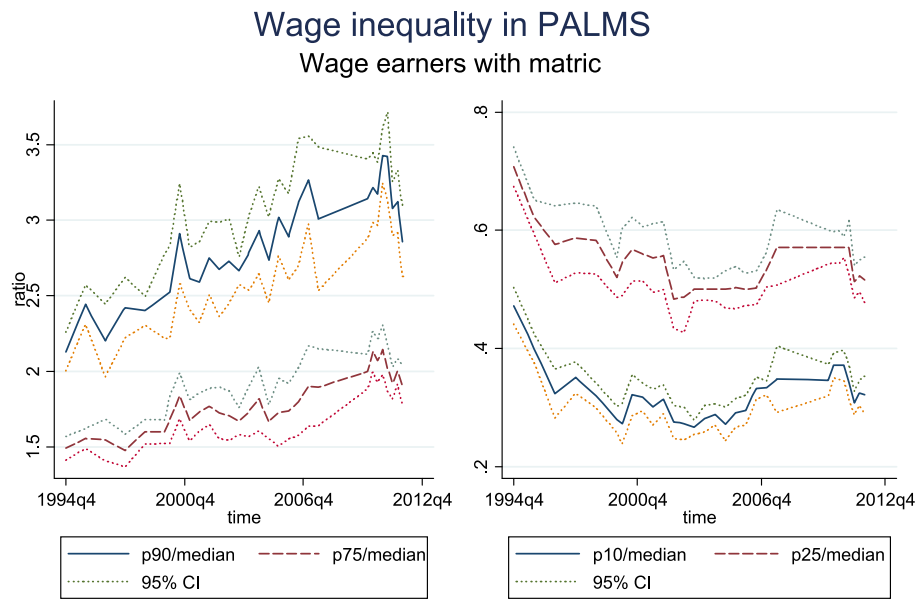

Figure 12. Wage trends relative to median among wage earners with a matric [Colour figure can be viewed at wileyonlinelibrary.com]

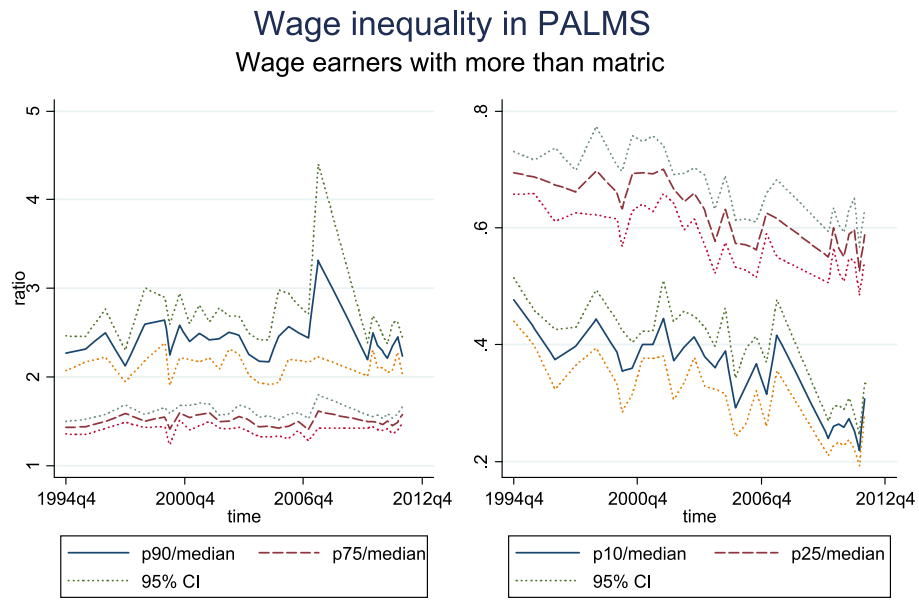

Figure 13. Wage trends relative to median among earners with some post-matric education [Colour figure can be viewed at wileyonlinelibrary.com]

bottom of the distribution, with the lower percentiles seeming to lose out to the median. Overall this would suggest increasing inequality within this education category.

An increasing gap between the median and lower percentiles is also evident in the right hand panel of Fig. 13, which graphs the estimates for individuals with some post-matric education. In this case, however, the median is keeping pace with the wage increases higher up the income distribution.

Overall the picture is somewhat heterogeneous: among workers with lower education levels (*i.e.* the least skilled), the wage distribution has become more compressed at the bottom, with some "fanning out" of wages at the top, at least for workers with some secondary school. For matrics the entire distribution seems to have widened over time, whereas for people with some post-matric education the median has kept up with higher earnings, but there are bigger wage disparities at the bottom. This heterogeneous picture again highlights why a single summary measure of inequality may conceal as much as it may reveal.

6. SHARE OF THE TOTAL WAGE BILL GOING TO THE RICH

Piketty has made the same point about "synthetic indices" of inequality: "it is impossible to summarise a multidimensional reality with a unidimensional index without unduly simplifying matters and mixing up things that should not be treated together" (2014, p. 266). Indeed he also cautions against placing too much stock on ratios of percentiles (p. 267), such as those we reported in the previous figures. For instance the p90/median ratio can conceal what happens to incomes above the threshold, in this case the ninetieth percentile. Piketty prefers to analyse the shares going to various portions of the distribution. Analytically this is equivalent to focusing on what happens to various points on the Lorenz curve.

In Fig. 14 we show the evolution of the shares of the top 10%, top 5%, top 1% as well as the bottom 50% of the wage distribution. Again there are fluctuations in the series, but it appears that the top percentiles have gained share, while the bottom 50% has unambiguously lost ground. To calibrate the size of the concentration of wages at the top, it is worth noting that in France the share of the top 10% has been steadily in the range 25 to 28% for most of the last 100 years (Piketty 2014, figure 8.1, p. 272), while the share of the top 1% has been between 6 and 8% (Piketty 2014, figure 8.2, p. 273). By those standards the South African wage distribution shows considerably more inequality.

7. WAGE INEQUALITY AND OVERALL INEQUALITY

Nonetheless the shares going to the top decile of wage earners are not as large as the shares going to the top decile of the *per capita* household income distribution as reported, for instance, in Leibbrandt *et al.* (2010, p. 26 and Table A.3.3). Those figures show the top decile taking 54, 57 and 58% of all income in 1993, 2000 and 2008, respectively. There are two reasons why the overall income distribution is even more unequal than the wage distribution. Firstly, there are other types of income which exacerbate inequality, such as self-employment income and capital income. While the latter is likely to be extremely important (as argued by Piketty, 2014), it is measured rather poorly in most household surveys. Secondly, however, the way in which wage earners group into