

Perpetuating inequality on a daily basis – Klaus Schade

Reducing income inequality has been one of Namibia's national development objectives since independence. Although some progress has been made using the Gini-coefficient as a measure, much more needs to be done. High income inequality is not only detrimental to social cohesion and social development, but also to economic development. The better off in society spend a large share of their total income on imported goods and services, while the poorer people purchase more domestically produced goods, but can often not satisfy their needs. A more equal distribution of income would result in increased demand for local products and consequently in job creation.

Income inequality needs to be tackled at various fronts. To mention a few: On the macro level, we need the right policies that incentivise domestic and foreign direct investment in sustainable, genuine businesses as well as the creation of decent jobs. We need to improve the quality of education in order to empower the young generation to become successful in life and contribute to income and job creation. There are other factors that contribute to income inequality, but usually do not receive attention. One area are wages and salaries. While some in top management reportedly receive an annual guaranteed salary increase of 10%, the large majority of employees have to fight for an inflationary adjustment usually below 10%. However, the currently published average inflation rate is only a crude measure, since it covers vastly different consumption patterns caused by different income levels. For instance, high food price inflation affects poorer households more, since they spend a larger share of their total consumption on food than more affluent households. Calculating additional inflation rates for low, middle and high-income groups would provide more guidance for salary negotiations. Moreover, performance bonus payments to management only that are several times the average annual income in Namibia further cement inequality and are questionable not only at institutions that are continuously dependent on state bail outs, since achieving certain targets usually depends on the contribution of other employees as well.

Likewise, the habit of increasing rental fees annually automatically by 10% is not in line with the income increase of most tenants and hence widens the income gap between lessors and lessees.

There are many more examples in daily life, including fencing in of communal land, the allocation of land for residential, agricultural or business purposes, the allocation of licenses, etc. that prevent us from making more progress in reducing inequality.

Addressing these areas are relatively easy since they do not require new policies or new legislation. Breaking with these practices is in the hands of individuals that could play their part, as small as it may seem, in contributing to a more equal society.

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