Intergenerational education mobility of black and white South Africans

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Abstract Using the October Household Surveys, we found that the intergenerational education mobility of whites is higher than that of blacks. Among blacks, females have a higher intergenerational education mobility than males, while the poorest have the lowest intergenerational education mobility. The lower education mobility of blacks than that of whites indicate that factors such as access to the credit market, as well as the availability and quality of schools, are important determinants of educational attainment. Interestingly, the cross section estimates of black intergenerational education mobility do not differ from those obtained by using pseudopanel data, which control for unobserved community effects.

Keywords Education · Intergenerational mobility · South Africa

JEL Classification I21 · J24

1 Introduction

South Africa emerged from apartheid with stark racial, wealth, and wage inequalities (Mwabu and Schultz 2000). It is estimated that white South Africans own 87% of the land (Percival and Homer-Dixon 1995), while close to 50% of black South Africans, who constitute about 80% of the population, live in poverty (Bhorat et al. 2001). As investing in one’s human capital leads to gains in earnings (Schultz 1961; Mincer 1974), education is, therefore, one way out of poverty. So as to determine
whether future generations of black South Africans will fare better than their forefathers, we investigate the determinants of intergenerational mobility in education. The estimates of the determinants of intergenerational education mobility of black and white South Africans allow us to assess the persistence of apartheid-inherited distortions and to identify policies that may improve educational outcomes.

Although there are many studies of intergenerational mobility (see Table 1), few have been concerned with South Africa. To the best of our knowledge, that of Thomas (1996) is the first such study. Using the 1991 South African census, he documents the growth in educational attainment, convergence across racial groups, but finds that blacks are still substantially less educated than whites. His estimates indicate that the educations of black and Indian parents matter most for their children’s schooling. However, as reported by the author, the 1991 census excludes the so-called independent states, which account for a large share of the black population in South Africa. It is therefore of interest to see how robust those results are on a representative sample of blacks.¹

We also differ from Thomas (1996), and many other analyses of intergenerational mobility, by exploring the extent to which our estimates are robust to unobserved household and community effects. These factors may matter through a number of channels, such as aggregate human capital effect (Datcher 1982; Borjas 1995), and affect firms’ technological choice (Azariadis and Drazen 1990; Acemoglu 2002), which in turn determine private decisions to invest in education. Cross sectional studies cannot account for such characteristics because one needs both time series and cross-sectional (panel) data. Such a failure may lead to biased estimates. On the one hand, we may overestimate the impact of the head-of-household’s education if the true effect is channeled, for example, through access to the credit market for those who are better educated. Similarly, the distortions created by apartheid, such as limited geographical mobility through the pass laws, and the geographical inequality in educational infrastructure, may have also affected an individual’s educational decisions. On the other hand, we may underestimate the impact of parents’ education on children’s attainment if there are measurement errors and we do not observe children who no longer live with their parents.

Unfortunately, to the best of our knowledge, there are no representative panel data for South Africa. One partial geographical panel, known as the KwaZulu-Natal Income Dynamics Survey (KIDS), is available. KIDS resurveyed households in the KwaZulu-Natal province who were first interviewed in 1993 for the Project for Statistics on Living Standards and Development. Apart from being concerned with only one out of nine provinces in South Africa, the KIDS could not locate 16% of households that were originally interviewed in 1993. These problems preclude us from using the KIDS. We therefore resort to Deaton’s (1985) method to create a pseudopanel by linking five cross-sectional October Household Surveys (OHS) spanning from 1995 to 1999. We are the first to use a representative sample of blacks, and to account for unobserved household and community characteristics, in a study of intergenerational mobility in South Africa.

We establish the following results: Whites have higher intergenerational education mobility than blacks. The magnitude of our estimate of black intergenerational

¹ Apartheid South Africa consisted of four independent states (Bophutatswana, Ciskei, Transkei, and Venda) and six homelands (Gazankulu, Kangwane, Kwa Ndebele, Kwa Zulu, Lebowa, and Qwaqwa).