



# Black Tax

Do graduates face higher remittance responsibilities?

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## Background<sup>1</sup>

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A large portion of South Africa's Black<sup>2</sup> population remains restricted by intergenerational education and economic disadvantages. Just 10% of Black individuals have a high value qualification,<sup>3</sup> and poverty is a daily threat for 76% of South Africans. This risk is greatest among the Black population.<sup>4</sup>

In the face of adversity, private transfers between family members are important in the provision of economic and social security.<sup>5</sup> Recently, media discourse on black tax has highlighted the responsibilities that individuals face to financially support their family networks.<sup>6</sup>

## What does 'black tax' refer to?

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The term typically refers to financial contributions that Black professionals are expected to make to less fortunate family members. While young white South Africans might enter the labour market with generational wealth and additional support from their parents, young Black South Africans face an additional 'tax' on their income in the form of support offered to their families. The term, however, is contentious. A recently published book of essays on the topic, which delves into the lived experiences of the book's contributors and their kin, queries whether black tax is a 'burden or ubuntu'.<sup>7</sup> The contributors' stories are testament to the prevalence of private networks of support, although opinions vary about whether black tax is a burden or ubuntu.



### Definition 1: Ubuntu

The word ubuntu, common to many indigenous languages and cultures in South Africa, literally translates as 'humanity', but encompasses the idea that 'I am because you are'. It largely speaks to concern for others and/or community wellbeing, which can in turn govern solidarity, mutual exchange and reciprocity. It is against this culture of humanity that opponents of the term 'black tax' advocate for terms such as 'collective family responsibility' instead.<sup>8</sup>

## How is the concept of 'black tax' relevant to South African graduates?

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### *Why do we look at graduate responsibilities as an example of black tax?*



Labour market returns to tertiary qualifications in South Africa are high.<sup>9</sup>



Coupled with the relatively low share of the population that has access to these returns, completion of post-secondary education in particular may come with responsibilities to meet family and household needs through an increased ability to offer financial support.



Where graduation also induces greater responsibilities to make contributions over and above income or employment status, 'graduate responsibilities' may represent a particular manifestation of black tax.



### Definition 2: Graduate responsibilities

We use the term graduate responsibilities to refer to expectations on graduates to make financial contributions to their families. Responsibilities may arise from feelings of reciprocity, altruism or indebtedness, among others. Given that tax typically has a negative association, we prefer the term 'graduate responsibility' to 'black tax' as it encompasses both 'burden' and/or 'ubuntu'. Furthermore, we acknowledge that black tax is not unique to graduates, but we are particularly interested in how it manifests for this group of individuals, and the implication thereof for the post-school education and training [PSET] sector.

### Why are black African graduate responsibilities interesting in South Africa?

Firstly, interrogating graduate responsibilities is relevant to policy on the funding of post-secondary education. If post-secondary education were to be financed through a graduate tax, for example, Black graduates' incomes could be seen to be taxed twice – privately by transfers sent to support family members and publicly via the graduate tax. Understanding graduate responsibilities is thus key to understanding how sustainable funding mechanisms can be created and implemented in the future.

Secondly, we know that returns to tertiary education in South Africa are large and positive. However, without adequately understanding behaviour with respect to private financial support, and particularly how this manifests among higher income earners, we may inadvertently reach inaccurate conclusions about income inequality and wealth generating capacity, for example. Thus despite the fact that private transfers can

work to lower the persistence of poverty among receiving households,<sup>10</sup> where they hamper individuals' own wealth accumulation, they can manifest as an intergenerational transmission of social inequality.



### Definition 3: Graduate

In this study, a graduate is defined as an individual who has completed a post-secondary qualification. To enrol in post-secondary education, students must have passed Grade 12 with a bachelor or diploma pass on the National Senior Certificate [NSC]. Post-secondary education contrasts to post-school education, which additionally includes certificate or diploma qualifications that do not require an NSC.

### Box 1: Data

The data in this study comes from Wave 5 of the National Income Dynamics Study [NIDS].<sup>11</sup> NIDS is the first nationally representative panel study in South Africa. The first wave of data was collected in 2008 on a sample of over 28 000 individuals in about 7 300 households across the country. Individuals from the baseline survey were then recontacted every two years and interviewed along with their current household residents. In addition, in Wave 5 the sample was topped up to account for high attrition in high income areas.<sup>12</sup> The Wave 5 sample therefore includes 37 368 successfully interviewed respondents. Our sample of interest is Black African remitters and their households. Black households comprise 76% of households successfully surveyed in Wave 5.

## How similar are graduates' households compared to other individuals' households, and do they differ for those who remit and those who do not?

Table 1 broadly shows a reduced reliance on traditional household support structures as we move from those who do not remit to those who do. Graduates within the group that do not remit are marginally less reliant than other individuals, and then graduate remitters are even less reliant than graduates who do not remit. The biggest difference in household structure, however, is between those who remit and those who do not – i.e. selection into remitting. Compared to those who do not remit, remitters are less likely to co-reside with a biological child, are more likely to live alone, or more likely to reside in households with fewer children and other individuals in general. That is, the household structure of graduate and other remitters is closer in similarity than the household structure of graduates and other individuals who do not remit.

But being a graduate may be correlated with an individual's level of independence – due in part to labour market factors – to start their own household. So rather than an increased responsibility (conditional on income) alone, remitting may also be a function of being in a different place. That is, other individuals could be equally called upon to remit, but are more likely to reside in their original household.

### Definition 4: Remitters

In NIDS, questions about inter-household transfers (cash and in-kind<sup>13</sup> contributions sent to non-residents) are asked of all household residents aged 15 and above as part of an individually-administered adult questionnaire. A remitter is someone who reports having sent a contribution in the last year.



### Box 2: Remittance-sending households

The NIDS data shows that remittance-sending households represent 20.5% of all Black households. This is in line with national estimates for Black households in Posel (2001),<sup>14</sup> but is lower than rates reported in surveys from other developing countries such as Indonesia where 88% of households report sending a transfer.<sup>15</sup> The lower share of remittance sending in South Africa is perhaps unsurprising, though, given extensive social support programmes.

### Box 3: Intra-household transfers

While the data shows that only a small portion of the population send remittances, it should in no way be read as discrediting the existence or importance of private support networks. If black tax is confined within household boundaries, a question about remittances will not elicit its pervasiveness. We thus acknowledge that remittances are only one of the lenses through which we may observe graduate responsibilities. We do not attempt to comment on graduate responsibilities to share within households, although literature suggests this is common. Contributing authors to Mhlongo's (2019) book on black tax attest to opening their doors to non-biological children and other relations who need somewhere to stay while looking for work, or attending school or university.<sup>16</sup> Klasen & Woolard (2008) similarly find that household formation is a preferred means to help less fortunate relatives.<sup>17</sup>

**Table 1:** Mean co-residency and other household characteristics of those of remit and those who do not by their graduate status

	Remitter=no		Remitter=yes	
	Graduate?		Graduate?	
	No	Yes	No	Yes
Father is co-resident	0.10	0.09	0.02	0.02
Mother is co-resident	0.27	0.21***	0.07	0.04*
Have at least 1 biological child with whom they are co-resident+	0.44	0.49**	0.23	0.31**
At least 1 child aged 7-17 in household (yes=1)	0.62	0.49***	0.21	0.25
At least 1 child under 7 in household (yes=1)	0.49	0.39***	0.21	0.19
Number of children aged 7-17 in household	1.22	0.78***	0.35	0.40
Number of children under 7 in household	0.83	0.58***	0.30	0.23*
Urban location (yes=1)	0.54	0.73***	0.72	0.75
Household size (number of residents)	5.01	3.82***	2.49	2.38
Individual lives alone (yes=1)	0.13	0.26***	0.51	0.49
Observations	15 505	1 617	1 387	510

**Notes:** Data are weighted using post-stratification weights. Statistically significant differences between graduates and other individuals are indicated by \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$  and \*  $p < 0.1$ .

+ Respondents without children are assigned the value zero on this indicator. Male respondents are not asked whether they have any biological children in the survey. We can thus only identify biological children with whom they reside.

**Source:** Authors' own calculations using NIDS Wave 5.

## Are graduates more likely to send remittances than other household members?

There is a higher prevalence of remitting among graduates. Although Black graduates constitute a much smaller share of the population – just 12% of Black adults (15+) report a post-secondary qualification – a greater share of graduates remit (30%) compared to other individuals (13%). Of those who do remit, graduates comprise just over one quarter of these individuals – roughly double the share of graduates in the population.

Table 2 shows that graduate remitters earn, on average, just over two-times the labour market income of other remitters, are less likely to receive a social grant – the majority of which are child support grants for both groups – and are significantly more likely to be in regular employment.

The fact that graduates who do not remit earn more than other individuals who do remit, however, suggests that income alone cannot be a sole determinant of remitting. Both graduate remitters and other remitters have higher rates of employment than graduates who do not remit, and also earn a greater share of total household income.

Results of a multivariate analysis confirm that graduates are more likely to remit than other individuals, even after controlling for other determinants of remitting. After controlling for labour market characteristics and household structure, graduates are 9 percentage points more likely to remit than other individuals. We also find a weaker relationship between labour

market income and the probability of remitting for graduate remitters compared to other remitters. Where graduates face responsibilities to remit owing to their graduate status over and above their earnings capacity, this observation

is not unexpected. This likely implies black tax may manifest differently for graduates, at least with respect to remittances. Labour market characteristics and household structure are also important determinants of who remits.

#### Box 4: Gender of remitters

Post-secondary education may increase the likelihood that women live and work away from their household of origin, or it could shift household norms and decision-making hierarchies that restricted women's mobility.



**Table 2:** Characteristics of graduates and other individuals, by remitters status

	Remitter=no		Remitter=yes	
	Graduate?		Graduate?	
	No	Yes	No	Yes
Age	36.08	34.82***	36.60	36.38
Gender (Male=1)	0.44	0.39**	0.70	0.54***
Individual is a graduate	0.00	1.00	0.00	1.00
Mother's education – years <sup>a</sup>	5.02 (976)	7.50 (56)***	4.49 (74)	7.43 (17)***
Father's education – years <sup>a</sup>	4.40 (2 717)	6.95 (253)***	3.97 (241)	6.59 (59)***
Graduate mother (yes=1) <sup>a</sup>	0.04	0.14***	0.03	0.14***
Graduate father (yes=1) <sup>a</sup>	0.03	0.12***	0.02	0.14***
Individual labour market income	1 109.60	8 079.16***	4 816.47	11 918.59***
Individual income from non-labour market sources	643.58	1 571.98	530.79	450.86
Individual income as a share of household income	0.33	0.54***	0.73	0.74
Individual is in regular employment	0.24	0.61***	0.71	0.84***
Individual is in non-regular (casual/self) employment	0.10	0.09	0.15	0.13
Individual receives a social grant	0.38	0.20***	0.19	0.10***
Observations	15 505	1 617	1 387	501

**Notes:** Data are weighted using post-stratification weights. Statistically significant differences between graduates and other individuals are indicated by \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$  and \*  $p < 0.1$ .

a) Parental education contains high rates of missingness, especially for father's education. The number of missing observations is shown in brackets following the mean. The graduate parent indicator is similarly conditional on non-missing information.

**Source:** Authors' own calculations using NIDS Wave 5.

*Box 5: Methods for the multivariate analysis*

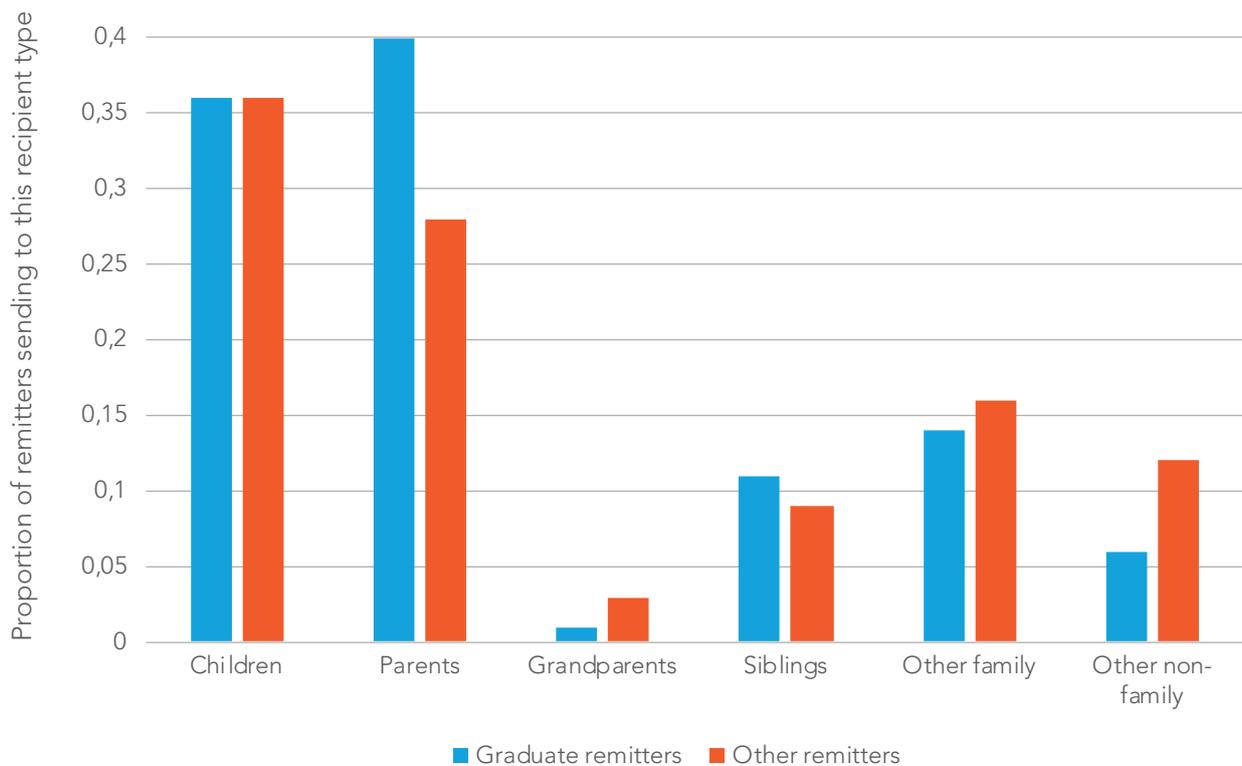
The multivariate analysis uses ordinary least squares and household fixed effects regressions to analyse the relationship between remitting and labour market outcomes, household structure, and graduate status (education).

## Do graduates remit to different groups of family members, compared to other remitters?

Figure 1 shows that while a similar share of graduate remitters and other remitters send contributions to their children (36%), graduates are more likely to send contributions to their parents (40%) than others (28%). This is consistent with the idea that parents may support their children’s education in the form of a loan that is later repaid. It is also consistent with lower parental

co-residency rates for graduates. Other remitters are less likely to have regular employment, and this may contribute to a delay in the formation of their own household.<sup>18</sup> The number of individuals whom a remitter supports is also slightly higher for graduate remitter than for other remitters (not shown in the figure).

**Figure 1:** Characteristics of remitters by identity of recipient and remitter graduate status



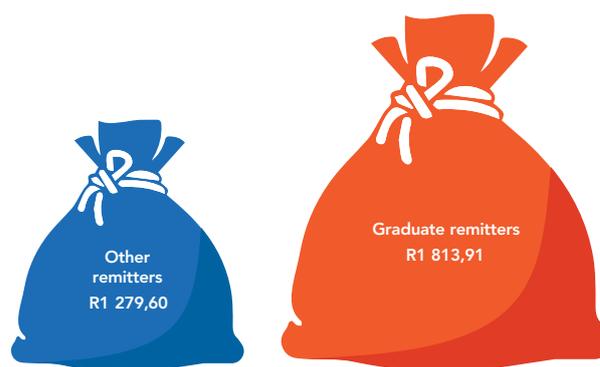
**Notes:** Data are weighted using post-stratification weights. N=1 888. The categories are not mutually exclusive, i.e. a remitter can remit to more than one person.

**Source:** Authors’ own calculations using NIDS Wave 5.

## Do graduates send higher value remittances?

Descriptive statistics suggest that graduate remitters do not remit more frequently than other remitters, but they do remit significantly more on average (except in the case of in-kind transfers where there is no statistical difference in value by remitter type). Higher remittances sent by graduates is likely enabled by their higher average incomes. Multivariate analyses confirm that individual labour market income is a significant predictor of remittance value among those who remit. Specifically, for every additional R100 earned roughly R12 to R14 more will be remitted, after controlling for other determinants of remittance value.

Results further suggest that the relationship between income and the amount remitted is stronger for other remitters versus graduate remitters. Again, this likely suggests that the amount sent by graduates is not as strongly



determined by the income they earn, consistent with the literature that graduates face a responsibility in addition to their income. However, conditional on remitting, a remitter's graduate status alone is not related to higher remittance values. Other, non-labour market income is not a significant predictor of remittance value. The strength of the relationship between income and the amount of remittance sent weakens as income increases, from a certain point.

## Are patterns of education support in households with children of school-going age different for children residing with a graduate?

### *Box 6: Education expenses and contributors*

The NIDS survey allows us to directly observe a form of intra-household financial transfer through questions posed about respondents enrolled in education. Specifically, these questions ask who contributed to their education expenses in the year prior to the survey. We consider the identity of individuals from inside and outside the household who are listed as contributing to a child's annual education expenditure in 2016 (from the perspective of the child). Our sample of children comprises those enrolled in 2016, who were between the age of 6 and 16 (7 to 17 in the survey year – 2017).

To complement our understanding of inter-household transfer patterns, we additionally look at patterns of support within the household. Our exploratory results suggest that private support

networks are prevalent within households, and there are potential differences within the household depending on whether or not a graduate is resident. For example, we find that

over half of the children residing with a graduate receive support from that graduate and of those, 16% receive support from a graduate who is not their parent. Children residing with a graduate are significantly more likely to receive support from a parent (whether they are co-resident or not), and

significantly less likely to receive no support at all. This shows that while most financial contributions to education spending come from within the household, they are not limited to children’s parents.

**Table 3:** Average share of children in Black households whose education is supported by specific supporter types

	All	Children not residing with a graduate	Children residing with a graduate
Receives private support	0.81	0.78	0.89***
Observations	8 054	6 300	1 754
Receives support from [...]			
A resident in the household	0.92	0.92	0.94***
A parent	0.83	0.81	0.86***
A co-resident parent	0.72	0.70	0.78***
A graduate	0.16	0.00	0.58***
A grandparent	0.20	0.22	0.16***
A sibling	0.02	0.03	0.02
An aunt or uncle	0.06	0.06	0.06
Other family	0.01	0.01	0.01
Other non-family	0.00	0.00	0.00*
Observations	6 300	4 801	1 499

**Notes:** Data are weighted using post-stratification weights. Statistically significant differences in mean characteristics of children residing with at least one graduate and children not residing with any graduates are indicated by \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

The categories are not mutually exclusive, i.e. more than one individual can contribute to a child’s education expenses.

**Source:** Authors’ own calculations using NIDS Wave 5.

## What are the implications of these findings?

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The discussion on black tax and private networks of support is becoming more prominent as an increasing share of young Black individuals access a post-secondary education. Information on inter-household transfers captured in survey data allows us a lens through which we can begin to interrogate the responsibilities graduates face to offer financial assistance to family members in need.

Finding that the probability of remitting is higher for graduates, even once individual income is controlled for, is our first indication that graduates face a differential responsibility to remit. Secondly, the fact that graduates' labour market income has a weaker effect on the probability of remitting, compared to other individuals, is suggestive that there is an element of responsibility that arises from graduate status alone. Our results further suggest that graduates are more likely to remit to their parents and support more people, versus other remitters in general. However, conditional on remitting, it does not appear that graduates face responsibilities to remit more owing to their graduate status.

Our results provide a descriptive overview of graduate responsibilities evidenced in remitting behaviour, and we do not attempt to identify causal effects of being a graduate on family and extended family responsibilities. Nonetheless, our results still have some relevance for policy, including policies aiming to disrupt intergenerational social inequality, policies aimed at altering saving behaviours in the economy, or policies for funding post-secondary education. In this latter regard, our results suggest that post-secondary education financed through a graduate tax, for example, would essentially tax Black graduates twice.

Exploratory insights into intra-household sharing suggest differing patterns of support for households with a resident graduate to those without. Although we cannot explicitly comment on graduate responsibilities within household boundaries, this preliminary evidence suggests that sharing responsibilities within households may manifest differently for graduates too.

## Endnotes

- 1 This report is based off the following Working Paper: Whitelaw, E., & Branson, N. (2020). *Private transfers and graduate responsibilities: Evidence from the National Income Dynamics Study* [SALDRU Working Paper Number 270]. Southern Africa Labour and Development Research Unit, University of Cape Town.
- 2 Black African.
- 3 See Siyaphambili website [here](#). High value qualifications include diplomas, bachelor's degrees and post-graduate degrees awarded at universities, colleges or other post-school institutions. These contrast to all qualifications which additionally include short-course qualifications or certificates.
- 4 The World Bank. (2018). *Overcoming poverty and Inequality in South Africa. An assessment of drivers, constraints and opportunities*. Available: <http://documents1.worldbank.org/curated/en/530481521735906534/pdf/124521-REV-OUO-South-Africa-Poverty-and-Inequality-Assessment-Report-2018-FINAL-WEB.pdf>
- 5 Cox, D., & Fafchamps, M. (2008). Extended family and kinship networks: Economic insights and evolutionary directions. In *Handbook of Development Economics* (Vol. 4, pp. 3711–3784).
- 6 Daya, R., & Mpete, L. (2017). How to Escape the “Black Tax.” *The Citizen*, 21.
- 7 Mhlongo, N. (Ed.). (2019). *Black Tax*. Johannesburg & Cape Town: Jonathan Ball Publishers.
- 8 Maqetuka, M. (2019). Black millennials don't have it all wrong. In N. Mhlongo (Ed.), *Black Tax* (pp. 250–257). Johannesburg & Cape Town: Jonathan Ball Publishers.
- 9 Branson, N., Ardington, C., Lam, D., & Leibbrandt, M. (2013). *Changes in education, employment and earnings in South Africa – A cohort analysis* [SALDRU Working Paper Number 105]. Southern Africa Labour and Development Research Unit, University of Cape Town.  
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- 10 Posel, D. (2016). *Inter-household transfers in South Africa: Prevalence, patterns and poverty* [SALDRU Working Paper Number 180/ NIDS Discussion Paper 2016/7]. Southern Africa Labour and Development Research Unit, University of Cape Town.
- 11 Southern Africa Labour and Development Research Unit. National Income Dynamics Study 2017, Wave 5 [dataset]. Version 1.0.0 Pretoria: Department of Planning, Monitoring, and Evaluation [funding agency]. Cape Town: Southern Africa Labour and Development Research Unit [implementer], 2018. Cape Town: DataFirst [distributor], 2018. <https://doi.org/10.25828/fw3h-v708>
- 12 Branson, N., & Wittenberg, M. (2019). *Longitudinal and cross-sectional weights in the NIDS data 1-5* [NIDS Technical Paper Number 9]. Southern Africa Labour and Development Research Unit, University of Cape Town.
- 13 A in-kind transfer refers to a transfer of goods e.g. clothing, airtime, electricity, rather than money.
- 14 Posel, D. (2001). Intra-family transfers and income-pooling: A study of remittances in Kwazulu-Natal. *South African Journal of Economics*, 69(3), 501–528. <https://doi.org/10.1111/j.1813-6982.2001.tb00023.x>
- 15 LaFave, D., & Thomas, D. (2017). Extended families and child well-being. *Journal of Development Economics*, 126, 52–65. <https://doi.org/10.1016/j.jdeveco.2016.11.006>
- 16 Mhlongo, N. (Ed.). (2019). *Black Tax*. Johannesburg & Cape Town: Jonathan Ball Publishers.
- 17 Klasen, S., & Woolard, I. (2008). Surviving unemployment without state support: Unemployment and household formation in South Africa. *Journal of African Economies*, 18(1), 1–51. <https://doi.org/10.1093/jae/ejn007>
- 18 Klasen, S., & Woolard, I. (2008). Surviving unemployment without state support: Unemployment and household formation in South Africa. *Journal of African Economies*, 18(1), 1–51. <https://doi.org/10.1093/jae/ejn007>

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