

**STUDY OF THE INCIDENCE AND NATURE OF  
CHRONIC POVERTY AND DEVELOPMENT POLICY IN SOUTH AFRICA:  
AN OVERVIEW**

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**Abstract**

The purpose of this study is fourfold: first, to summarise the current state of knowledge about chronic poverty in South Africa; second, to describe the range of existing governmental and civil society initiatives which address chronic poverty; third, to identify challenges to addressing chronic poverty in South Africa; and fourth, to identify themes for further research.

For the purposes of this study, a household or individual is understood to be in chronic poverty when its or her condition of poverty endures over a period of time. Different researchers propose alternative time periods as characteristic of chronic poverty (e.g. six months, ten years), usually taken to mean that the household or individual remains beneath the poverty line for all or virtually all of this period. Alternatively, and perhaps more meaningfully, chronic poverty can be understood as a household's or individual's inability, or lack of opportunity, to better its circumstances over time or to sustain itself through difficult times. As such, chronic poverty can be a function of the individual's characteristics (e.g. elderly, disabled), or of the environment (e.g. sustained periods of high unemployment, landlessness), or very likely of both. Indeed, a common scenario in South Africa involves the coincidence between poor health, meagre education, and fractured families, on the one side, with skewed resource distribution, inadequate infrastructure, and scarce employment opportunities, on the other side. The combination is more than sufficient to trap many people in poverty, i.e. to make them chronically poor.

To date, there has been only one data set collected in South Africa allowing an inter-temporal comparison among the same households. This is the KwaZulu-Natal Income Dynamics Study (KIDS), which as the name implies covers one of the provinces rather than the whole country. Because this data set and the analyses based upon it are unique, we discuss them at length. One of the important findings from the KIDS data is that 22% of the 1200 African households that were surveyed, were poor in both 1993 and 1998. This represents about two thirds of all households that were poor in 1993, and one half of those that were poor in 1998, meaning that at least half of those households that are poor, are chronically poor. Another interesting finding is that 'ultra-poverty' is not synonymous with chronic poverty. In other words, a household that is just below the poverty line in one period is no more likely to move above the poverty line in the next period, as a household that started off much further below the poverty line. A key determinant of whether a household stays in poverty, escapes from poverty, or falls into poverty, is how that household fares in terms of employment. One of the surprising findings from the KIDS data set was the degree of employment volatility experienced by households. Notwithstanding household income sources other than formal sector employment, these apparently make the difference between survival and total destitution, but less commonly

between being poor and being non-poor.

The KIDS-based studies as well as other poverty analyses, allow us to identify groups especially likely to be chronically poor. These include rural households, women-headed households, households effectively headed by elderly people, and former (retrenched) farm workers. Over the next 10 years, however, AIDS orphans and households directly affected by AIDS, will likely figure as the most prominent category of people mired in chronic poverty.

The paper goes on to survey the variety of anti-poverty measures of government and civil society. Measured by expenditure, the government's social security system is by far the largest anti-poverty instrument in the country, and probably one of the more functional. As a gross generalisation, government-led developmental initiatives have not proven to be terribly successful, not least because of the intrinsic difficulty of the task they set themselves.

A number of challenges face government and civil society to address poverty in general and chronic poverty in particular. Among these are: first, the absence of a coherent anti-poverty strategy, and particularly one that takes into account the distinction between chronic poverty and transitory poverty; second, the bleak prospects for growth in formal sector employment over the medium terms, together with general uncertainty about how to improve support to the SMME sector; and third, the HIV/AIDS epidemic, the effects of which will likely be far more apparent in the next 15 years than to date.

The paper concludes with suggested priority areas for further research.

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## **Acronyms and abbreviations**

ADEQ	Adult equivalent
ANC	African National Congress
CBO	Community-based organisation
CSG	Child Support Grant
FBO	Faith-based organisation
GDP	Gross domestic product
GEAR	Growth, Employment, and Redistribution
HSRC	Human Sciences Research Council
IDASA	Institute for Democracy in South Africa
IDT	Independent Development Trust
ISRDS	Integrated Sustainable Rural Development Strategy
KIDS	KwaZulu-Natal Income Dynamics Study
MCO	Micro-credit outlet
NDA	National Development Agency
NGO	Non-governmental organisation
NPO	Non-profit organisation
OHS	October Household Survey
PL	Poverty line
RDP	Reconstruction and Development Programme
RRP	Refugee Research Programme
RFI	Retail finance institution
SA-PPA	South African Participatory Poverty Appraisal
SALDRU	South African Labour and Development Research Unit
SMG	State Maintenance Grant
SMME	Small, medium, and micro enterprise
Stats SA	Statistics South Africa
TNDT	Transitional National Development Trust
UIF	Unemployment Insurance Fund

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*'The Government recognises that the current grant amounts are not sufficient to address large-scale poverty, deprivation and inequality in South Africa, but will continue to increase spending on social assistance as resource constraints allow....*

*'The department has been systematically undergoing a transformation process. We have changed the paradigm within which we operate from welfarism to social development as reflected in our change of name. We seek to promote services and programmes that enable people to move out of poverty.'*

*Minister For Social Development, Dr Zola Skweyiya  
Budget Vote Speech to the National Assembly  
3<sup>rd</sup> April 2001*

**1. Introduction and synopsis**

As the paragraphs quoted above reveal, there are at least two distinct strands within the government's approach to addressing the country's massive poverty problem. On the one hand, there is a system of social grants emanating from the Department of Social Development that aim to prevent certain people from slipping into total destitution. On the other hand, there is an avowed intention by Social Development, as well as by other departments, to deliberately move away from "welfarism" and towards "development", by which people will be empowered to lift themselves out of poverty. While in principle these strands are fully complementary, in practice they compete over scarce resources, both financial and human. Striking the best possible balance between them is a difficult and subtle task. We submit that an understanding of chronic poverty - whereby some individuals or households remain stuck in poverty over time - may go some way towards helping strike this balance, as well as informing the over-arching anti-poverty strategy of government and civil society together.

This study marks the first stage of a multi-year research programme into chronic poverty in South Africa. The research programme is a joint effort between the Programme for Land and Agrarian Studies (PLAAS) of the School of Government, University of the Western Cape, and the Chronic Poverty Research Centre (CPRC) based at the University of Manchester. Similar research programmes are simultaneously under way in partnership with the CPRC in Uganda, India, and

Sri Lanka. Funding for the entire multi-country research framework is provided by the Department for International Development (DFID) of the United Kingdom.

The objective of this study is fourfold: first, to summarise the current state of knowledge about chronic poverty in South Africa; second, to describe the range of existing governmental and civil society initiatives which address poverty and, by extension, chronic poverty; third, to identify challenges to addressing chronic poverty in South Africa; and fourth, to identify themes for further research.

For the purposes of this study, a household or individual is understood to be in chronic poverty when the condition of poverty endures over a period of time. Different researchers propose alternative time periods as characteristic of chronic poverty (e.g. six months, ten years), usually taken to mean that the household or individual remains beneath the poverty line for all or virtually all of this period. Alternatively, and perhaps more meaningfully, chronic poverty can be understood as a household's or individual's inability, or lack of opportunity, to better its circumstances over time or to sustain itself through difficult periods. As such, chronic poverty can be a function of the individual's characteristics (e.g. elderly, disabled), or of the environment (e.g. sustained periods of high unemployment, landlessness), or very likely of both. Indeed, a common scenario in South Africa involves the coincidence of poor health, meagre education, and fractured families, on the one side, with skewed resource distribution, inadequate infrastructure, and scarce employment opportunities, on the other side. The combination is more than sufficient to trap many people in poverty, i.e. to make them chronically poor.

Chronic poverty is sometimes conceptualised as inter-generational poverty, meaning that children from poor households are likely to become poor adults, whose children will in turn risk remaining in poverty, and so on. In South Africa, the question of whether poverty tends to have an inter-generational dimension is complicated by the fact that until very recently the policy of apartheid cruelly limited the opportunities available to the majority black population (section 2). Almost all poverty was inter-generational, because colonialism and apartheid left little room for it to be otherwise. This is not to say that some amount of mobility in African, coloured, and Indian communities did not take place, but only under a system that was engineered to make this difficult. This system was of course eliminated in 1994. Too few years have elapsed in the meantime to know to what extent poverty is still an inheritable condition, but initial indications are that, for the majority, it is. Unravelling the multiple factors that contribute to both medium-term chronic poverty, and chronic poverty in an inter-generation sense, is the primary objective of the research programme of which this paper is but a modest first step.

Chronic poverty as a distinct manifestation of poverty has not, by and large, received much focused attention in South Africa. This may be due in part to the fact that there have been few longitudinal data sets collected in South Africa which would serve as a rigorous basis for distinguishing the chronically poor from the episodically poor. On the other hand, the lack of specific attention to chronic poverty may be due to the huge scale of South Africa's poverty and the severity of its inequality, engendering the perception that *most* of South Africa's poor are chronically poor. Be that as it may, there has been a recent upsurge in interest in chronic poverty in South Africa, and beyond this there exists a large and rich literature on poverty generally from which much can be extrapolated about chronic poverty specifically.

In South Africa there has been only one data set collected to date allowing an inter-temporal comparison among the same households (section 3). This is the KwaZulu-Natal Income Dynamics Study (KIDS), which as the name implies covers one of the provinces rather than the whole country. The data set comprises information on the same 1200 households for both 1993 and 1998, thus over a 5 year span. Because this data set and the analyses based upon it are unique, we discuss them at length. One of the important findings from the KIDS data is that 22% of the 1200 households that were surveyed, were poor in both periods. This represents about two thirds of all households that were poor in 1993, and one half of those that were poor in 1998, meaning that at least half of those households that are poor, are chronically poor. Another interesting finding is that 'ultra-poverty' is not synonymous with chronic poverty. In other words, a household that is just below the poverty line in one period is no more likely to move above the poverty line in the next period, as a household that started off much further below the poverty line.

Whereas the KIDS data set mainly helps us examine the incidence of chronic poverty in terms of income poverty, other dimensions of poverty - including subjective ones - are also important. If in the context of quantitative analyses chronic poverty is understood as the persistence of income-poverty or expenditure-poverty over time, then in the experiential approach, presumably we understand chronic poverty to be the persistence over time of the subjective state of poverty. However, there are at least two other ways in which chronic poverty can be illuminated by qualitative and particularly participatory studies. First, these studies can assist us understand whether and how people experience the idea of poverty traps, and how they conceptualise the barriers to escaping them. And second, studies such as these can enrich our understanding of the causes of chronic poverty, including the conventional measures of income-poverty. In this regard, drawing on the South African literature on poverty, we examine aspects of the experience of poverty such as vulnerability, social exclusion, gender oppression, lack of access to services, etc. The literature confirms that many poor people feel resigned to poverty - i.e. to being chronically poor - and also that many of the day-to-day experiences that contribute to the perception of being poor, are aspects of the economic or social environment over which the poor person perceives little or no control.

One of the goals of this overview study is to try to identify different categories of households or people that might be especially susceptible to being caught in chronic poverty. Drawing both on published analyses of the KIDS data, and on other contributions to the literature on poverty in South Africa, a number of vulnerable groups are identified, including rural households generally, women-headed households, the disabled, retrenched farm workers, the elderly, and so on. For each of these categories, it is important to understand why its members are prone to chronic poverty. Some of these reasons are fairly straightforward (e.g. the disabled have more difficulty finding employment), while others are less obvious and are rooted in the specific situation of South Africa (e.g. retrenched farm workers are forced to re-locate and thus sever their social support networks). In addition, very rough first approximations are provided as to how many chronically poor households or individuals there might be belonging to each of these categories. The purpose of this exercise is to provide some guidance for both policy and further research as to where the problem of chronic poverty is most severe. A sobering conclusion from this section is that over the next 10 years or so, AIDS orphans and households directly affected by AIDS, will

likely become the most numerous and second most numerous groups reduced to chronic poverty.

South Africa has many initiatives in place to address poverty, emanating both from government and civil society (section 4). Few of these can be said to be aimed specifically at chronic poverty, not least because chronic poverty is not an analytical category used by policy makers or corporate donors or NGOs, in the design of their programmes. Nonetheless, we can broadly distinguish two types of anti-poverty initiatives, firstly those that create a safety-net, and those with a developmental goal. We attempt to survey, albeit incompletely, the activities of government and civil society in both of these areas. One striking finding is that the lion's share of anti-poverty expenditure in South Africa is government spending on the array of social security grants and subsidised health care. In terms of expenditure that is directed towards the poor, this category of expenditure dwarfs all the others. Indeed, the social grant system has become less of a net devised to catch an unfortunate few in times of temporary distress, than a major commitment to help a large fraction of the population over sustained periods of time. The next largest category of expenditure is that of a safety-net character from the private sector, which is largely through work-related insurance (e.g. unemployment insurance), as well as some private sector support for charitable causes. Developmental initiatives from government and from the private sector tie for third. These include support to small, medium and micro-enterprises (SMMEs), as well as support for a variety of other kinds of community-based income generating projects.

One might be tempted to conclude that, given South Africa's developmental priorities, the spending is skewed too far towards safety-nets. While this may be the case, this is the system that works relatively well. By contrast, spending money on development has proven rather difficult, and spending that money effectively has proven even more difficult (section 5). Among the problems that inhibit anti-poverty initiatives is the lack of a coherent anti-poverty strategy. The process of developing such a strategy might be an opportunity to contemplate specific categories of poor people such as the categories of chronically poor people described above. Another problem is the bugbear of inter-departmental coordination, in which perhaps some progress is being made via the recently introduced Integrated Sustainable Rural Development Strategy. And a third serious problem is the fact that government employees do not appear well suited to giving entrepreneurs a kick-start. Government's and civil society's efforts in this area are complicated by the fact that the trend of declining formal sector employment that began in the early 1990s, has continued unabated through the second half of the 1990s. Meanwhile, it is not at all clear what the absorptive capacity of the SMME sector is. Rural areas are likely to have relatively low capacity in this regard. The solution that has been offered by way of the newly revised land redistribution programme, is likely promising more than it can deliver. Threatening all of government's and civil society's good intentions, is the prospect of the worsening AIDS epidemic. The magnitude of the epidemic will likely be devastating well beyond those unfortunate enough to be infected. How exactly the epidemic will alter the prospects for escaping poverty, and how it will force government and civil society to redirect their efforts, remain to be seen. Another major threat is looming cuts in the public service, which could increase the numbers of unemployed people much more quickly than new opportunities can be created through SMMEs.

While much is known already about chronic poverty in South Africa, there remains a great need

for further research (section 6). This is so not least because of the fluidity of the socio-economic environment, and of government policy. The paper concludes with a list of identified research priorities to help guide the future course of this research programme. A key challenge will be to conduct the research in such a manner as to derive tangible lessons for policy.

## **2. Historical background and present economic context**

### **2.1 Introduction**

This section seeks to provide historical background as context within which to place the more specific discussion of chronic poverty that follows. The presentation is necessarily cursory. It aims to capture two main themes. First, South Africa's historical circumstances have shaped the present configuration of poverty and opportunities along racial lines. Disadvantaged groups were systematically left with relatively little in the way of land and other resources, were not afforded education of a quality comparable to that of whites, and were compelled to adopt coping strategies - such as spatially divided households - which have left a complicated and painful social legacy.

Second, developments in the six years since the first racially-inclusive democratic elections in 1994, have not augured well for poverty reduction. The calculated adoption by the ANC-led government of fiscally conservative market-oriented economic strategy, has failed to halt the decline in formal sector employment that began in the early 1990s. Government's commitment to fiscal stringency and downsizing of the public service have arguably exacerbated the situation of the poor, notwithstanding the importance of more long-term considerations. Improved provision of infrastructure and services has been the main positive development for which the post-1994 government can take credit.

### **2.2 The legacies of colonialism and apartheid**

The single most significant factor distinguishing South Africa from other African countries is its experience of colonialism and apartheid. This holds no less for the causes and incidence of its poverty. European colonisation began in the 17th century with Dutch and Huguenot settlement in the Cape. Initially, the impact of white settlement was mainly limited to the Cape, and mainly at the expense of Khoikhoi pastoralists (Ross, 1999). With the expansion of white settlement north and east, plus the arrival of British settlers in Xhosaland and Natal as an outgrowth of British imperialism, pressure on Bantu-speaking African groups became increasingly intense. The most direct aspect of this pressure was the dispossession of land by whites, through which African farmers were forced to either retreat to other areas such as Basutoland, become sharecroppers (especially on land owned by whites of British descent), or farm labourers (especially on land owned by farmers of Dutch descent). While African agriculture continued to thrive for a time and indeed pose a highly resented source of direct competition to white farmers, it was gradually reduced by further land conquests, as well as efforts to curb sharecropping (Keegan, 1986; Trapido, 1986).

In much of the eastern third of the country, the late 18th and early 19th centuries witnessed social and geographic upheaval due to wars between competing African polities. Livestock diseases of European origin had enormous implications for African populations, for whom livestock formed a critical source of sustenance. A lung-sickness epizootic hit in the mid-19th century, and foot-and-mouth disease and rinderpest hit with particular force in the 1890s, the latter wiping out 90% of the region's livestock (Ross, 1999).

In the latter half of the 19th century, the discovery first of diamonds, and then of gold, changed the situation completely. One aspect of the new situation was the rapidly growing demand for black mineworkers to work the mines of the Transvaal. Various white governments introduced laws and policies to facilitate the supply of this labour. The Natives Land Act dating from 1913, in particular, formalised the distinction between the African Reserves and white farming areas, prohibiting Africans from acquiring, owning, and renting land in the latter. This had the effect of limiting their economic options so severely as to compel many to sell their labour to the mines and white farms (Hendricks, 1990; Davenport, 1987; Bundy, 1979). Around that same time, there were some 180 000 African mineworkers in the country, of whom around half were from South Africa, and half from Lesotho, Swaziland, Mozambique and elsewhere.

Control of Africans' mobility remained a high priority for government through most of the 20th century. The government sought to balance the 'legitimate' demand for African workers for mines and unskilled and semi-skilled work in urban areas, with the desire to keep white settlements insulated from 'surplus' Africans. Since at least the late 19th century, a pattern emerged whereby Africans or coloureds were relegated to 'townships' adjacent to white towns. In 1950, as Minister of Native Affairs, H. F. Verwoerd (who later became Prime Minister) introduced the Urban Labour Preference Policy, along the same sentiments as - but more draconian than - the Natives Urban Areas Act of 1923. Among the more destructive effects of the system was to force many families to be split for long periods, with men working on the mines or in the cities, and women remaining in the rural reserves. Meanwhile, conditions in the reserves deteriorated as more and more people were forced to settle there. Between 1955 and 1969, population density in the reserves increased from 60 to 110 persons per square mile (Simkins, 1983, cited in Delius and Schirmer, 2000). Effectively, many households in so-called rural areas were and remain landless, while many others were left with tiny amounts of land.

The logical conclusion of this process came in the 1960s and 1970s, when the apartheid government 'elevated' the status of the African Reserves to ten putatively self-governing homelands, of which some were declared independent states. These homelands were thus set up with their own assemblies, government departments, rights to confer citizenship, etc. The idea of "separate development" was that they would also have their own economies. However, given that these reserves comprised only 13% of the country's land area, were often geographically isolated, and had terrible infrastructure, this was not very plausible. Poorly conceptualised investments in agricultural irrigation schemes benefited mainly a few score white development experts and consulting firms. The industrial decentralisation policy made only some inroads, but disintegrated rather quickly once the wage subsidies were removed after 1994. The main source of employment within the homelands was no doubt the public service itself. The homelands thus had virtually no tax base, and so had to rely almost entirely on transfers from the apartheid government. Poor health care services and vastly inferior 'Bantu education' were among the results. Those few Africans that did receive a decent education or health care, usually did so at mission schools and hospitals. Because of the dearth of meaningful income-earning opportunities within the homelands, the migrant labour system remained one of the most important survival strategies for African households, notwithstanding its high personal costs. As of the early 1970s, 54% of all Africans lived outside of the homelands in the 'white areas' (Butler *et al.*, 1977).

Coloureds and Indians faced similar but different forms of discrimination and economic oppression. Both groups were also subject to forced removals, restrictions on movement and settlement, were denied the right to vote (except on a limited basis in the Cape Colony and then again, briefly, through the bogus tricameral parliament established in the 1980s). Per capita spending on education, housing, and services was marginally higher for coloureds and Indians than for Africans, but still significantly inferior to that provided for whites. A large fraction of coloureds, concentrated in the Cape, relied on unskilled and semi-skilled farm work for sustenance, under conditions somewhat better than those of their African counterparts elsewhere in the country. Over the course of the 20th century, Indians, most of whose forebears originally came to South Africa in the late 1800s as indentured labourers to work on the sugar plantations of Natal, diversified into a number of different economic niches, including trading, manufacturing, and professions.

Poverty among whites was also not unknown, though it was on a different scale than that of other groups. During the 19th century, most white poverty was associated with agricultural crises brought on by epizootics, drought, fluctuating commodity prices, as well as direct competition from better capitalised farmers (Bundy, 1986). At the turn of the century, the effects of rinderpest and drought were compounded by the South African (Anglo-Boer) War of 1899-1902. White tenant farmers, squatters on Crown land, and indebted landowners were especially vulnerable, and contributed to the influx of whites to mining areas and cities looking for employment immediately after the war. However, because of the semi-official policy of maintaining a wage differential between whites and blacks on the mines, only a limited number of unskilled whites were absorbed. Those that remained in the countryside became ever more dependent upon African tenants to resuscitate or maintain production, an indignity which did much to shape future policy with respect to the 'poor white problem' (Keegan, 1986). The main motivation behind the founding in 1909 of what is now the Land and Agriculture Bank, was to restore poor whites to the land. Much of Nationalist Party rule from 1948 on, can be interpreted as an effort to deal with the poor white problem, from the rapid expansion of the public service, to ever more generous subsidies to white farmers, and even provisions against the subdivision of farm land to so-called sub-economic units.

Generally speaking, women's economic and social status in South Africa, both black and white, has been largely determined in relation to men, i.e. fathers and husbands (see e.g. Govender, 2000). In some African societies, being widowed or failing to bear children could lead to a precipitous drop in one's welfare, depending in large measure on the forbearance of the (late) husband's relatives. In modern times, African women have struggled under the dual oppression of racism and sexism, as poignantly captured in the first-person accounts compiled in Bozzoli (1991) and Barrett *et al.* (1985). Influx controls and the migrant labour system in particular contributed to African women's burden, as will be discussed in more detail in a later section. Women farm workers are paid on average well below their male counterparts, and are often preferred over men particularly because of their vulnerability (Marcus, 1989). Among white women, a gradual increase in political inclusion and workforce participation paralleled but lagged behind those of Europe and North America.

Different South African communities had different social safety-nets, and these changed in different ways over the years. Among African households, the most significant safety-net was

traditionally the extended family and informal social networks of reciprocity. The extended family lent a degree of resilience in the face of calamities that, for example, allowed African households in the southern highveld to recover more quickly from the rinderpest and drought of the late 19th century (Keegan, 1986). Over the course of the 20th century, however, the growing dependence on urban-based incomes and the increasingly limited agricultural resources in rural areas, meant the decline "of reciprocal and redistributive rural relationships, within which poorer households could expect cattle loans, work opportunities and other forms of assistance from better-off neighbours" (Delius and Schirmer, 2000).

For whites, as already indicated, the state very early on assumed responsibility for addressing the problem of poverty. In addition, benevolent societies of various kinds were established in many towns, and the Dutch Reformed Church sponsored charitable programmes to help address the situation of poor whites.

### **2.3 Socio-economic policies since 1994**

On the eve of the first racially-inclusive democratic elections in 1994, the ANC embarked on drafting its vision of how it would transform the country. This strategy was the Reconstruction and Development Programme (RDP), which was defined by its authors as follows:

The RDP is an integrated, coherent socio-economic policy framework. It seeks to mobilise all our people and our country's resources toward the final eradication of apartheid and the building of a democratic, non-racial and non-sexist future (ANC, 1994).

The initial policy framework document spelled out the vast number of changes the future ANC-led government would seek to effect. The central theme was reducing the poverty of the majority of South Africans, and thereby redressing the inequalities and injustices of colonialism and apartheid. Access to water, jobs, land, education, and health care, were among the priorities highlighted. Apart from a massive investment in infrastructure, however, the document gave little indication what the new economic strategy would entail. Following the April elections, an RDP Office was established within the Office of the President, charged with the responsibility of coordinating RDP-related activities, including the spending of the initially modest RDP budget. In November 1994, the ANC-led government introduced the *RDP White Paper*, the content of which was not dissimilar to that of the earlier policy framework document, but arguably with a more 'business friendly' and fiscally conservative bent (Bond, 2000). In early 1996, after much public debate as to what the RDP meant for economic policy, the RDP Office was closed and its staff dispersed to various government departments.

The closure of the RDP office appeared to have been of a piece with the introduction by the Department of Finance in that year of the framework for Growth, Employment and Redistribution (GEAR). GEAR was a conventional neo-classical macroeconomic recipe for economic growth. While not intrinsically incompatible with the goals of either the RDP or the nascent National Growth and Development Strategy that complemented the RDP, GEAR eclipsed the latter as the central economic programme of the government. Business leaders applauded GEAR for its emphasis on fiscal restraint, the expressed commitment to controlling inflation and interest rates, as well as the promise of loosened foreign exchange controls. Among

the more controversial aspects of GEAR were the recommendations that the public service be down-sized and state-owned enterprises be "restructured", i.e. sold off. Not surprisingly, the adoption by government of GEAR as the blueprint for South Africa's economic policy, also outraged many observers and strained the tripartite alliance between the ANC, the South African Communist Party (SACP), and the Congress of South African Trade Unions (COSATU). Critics considered GEAR to be a neo-liberal sell-out by the ANC (e.g. Bond, 2000), as well as an inappropriate approach to solving the country's most pressing economic problems such as unemployment and poverty (Adelzadeh *et al.*, 1996). The RDP may have continued in name as an assortment of government activities broadly consistent with the aim of reducing poverty and hardship, but inside and outside of government, a common charge was that the RDP was dead.

Whatever the process of formulating GEAR may have lacked in transparency, the document that introduced it to the world made up for, complete with the results of the macro-model simulations running from 1996 through 2000. In the event, the only stated target that has been achieved is that of reducing the fiscal deficit. In terms of real GDP growth, the projected annual average was 4.2%, versus the actual average of around 2.3% (Department of Finance, 2000; SARB, 2000). In terms of formal sector employment growth, the projected cumulative increase over the 5 years was 1.3 million, versus an actual job loss of more than 800 000. Much hinged in the modelling - and arguably in the whole strategy - on the assumption that foreign direct investment would pick up substantially. The importance of foreign direct investment is particularly great in order to compensate for the low level of domestic savings. The modelling assumption that specifically informed the optimistic "Integrated Scenario Projections" of the GEAR document was that foreign direct investment would increase from the base scenario of no change by an annual average of \$509 million. However, in reality what has happened is that the easing of exchange restrictions has facilitated outward direct investment of South African companies wishing to diversify overseas. Contrary to the GEAR assumption, the net effect has been negative (i.e. outward direct investment has exceeded foreign direct investment into South Africa) for every year since 1994 (SARB, 2000). Of course, whether these unfortunate developments are the result of GEAR, or of the failure to implement GEAR fully, or whether the situation would have been worse in the absence of GEAR, is an involved debate which we will not enter into here.

By and large, the economy since 1994 has performed poorly relative to expectations, and the most glaring consequence has been the worsening of the already bad unemployment problem, even in the presence of modest growth. This scenario of 'jobless growth' became especially poignant in 2000, when growth reached a four-year high even while formal sector job losses accelerated.

Where there has been more cause for celebration, however, is in the delivery of services. While delivery of services has also been slow relative to expectations, it has nonetheless made a palpable change in many people's lives. Since 1994, the various government programmes and municipal infrastructure programmes, have improved access to safe water for 4 million people, improved sanitation services for over 3 million people, built 600 new clinics, 700 000 houses, had 1.5 million more households connected to the electrical grid, and so on. The study by CASE (2000) on behalf of the Human Rights Commission's "Second Economic and Social Rights Report", found that a substantial fraction of those surveyed reported some sort of development of infrastructure or services within the previous year.

## 2.4 Population profile and poverty statistics

Before proceeding to discuss the literature on chronic poverty, it may be useful for sake of reference to briefly record some basic statistics regarding the South African population and the incidence of poverty:

- The 1996 census undertaken by the government's statistical agency established that there were 40.6 million South Africans living in the country, of whom 31.2 million were African, 3.7 million were coloured, 1.2 million were Indian, and 4.5 million were white. Of the 9 million households in the country, 6.5 million were African, and 5.4 million were urban. Among African households, 51% were rural (Stats SA, 2000a; Stats SA, 2000b).
- The total fertility rate at the time of the census was around 3.0 to 3.2. The infant mortality rate was 0.051, and life expectancy at birth was 64.5 years (Stats SA, 2000a). The infant mortality rate is 8 to 10 times higher for blacks relative to whites.
- Based on a per adult equivalent poverty line of R352 per month, 71.6% of all poor people reside in rural areas, and 70.9% of all rural people are poor. With reference to the same poverty line, 61% of Africans are poor, 38% of coloureds, 5% of Indians, and 1% of whites (May *et al.*, 2000).
- Among households in the poorest quintile in 1995, 51% of all expenditure was on food (Budlender, 1999).
- Around 23% of children under 6 are stunted, indicating chronic under-nutrition. The most seriously affected children are those in rural areas whose mothers have relatively little education (Steyn, 2000).
- Income inequalities are extreme, with an individual-based (as opposed to household-based) Gini coefficient of 0.73 (Stats SA, 2000b).
- Access to services is highly skewed by income level, by location, and by race. For example, 18% of households within the poorest decile must travel more than one kilometre to access water, versus 1% of households in the top three deciles (Budlender, 1999).
- The adult illiteracy rate is 15% (UNDP, 2000).
- In terms of the United Nations Development Programme's Human Development Index published for 1998, South Africa ranks 103 out of 174 countries so ranked, just below Tunisia and Moldova, and just above El Salvadore and Cape Verde (UNDP, 2000).

## 2.5 Summary

South Africa's present-day configuration of poverty and inequality bears over-riding racial and gender dimensions resulting from the country's history. Land dispossession, followed by race-

based "separate development" policies together with influx controls, have left a legacy of maldistribution of wealth and marketable skills, spatially divided households, and inferior living conditions for the poor majority.

With the first all-race democratic elections in 1994, the ANC-led government inherited a more or less functioning social security system, but little in the way of programmes designed to directly assist poor people out of poverty. The principal strategy of the new government for poverty alleviation appears to have been to promote economic growth, which in turn would expand employment opportunities and raise incomes. However, real growth in the economy since 1994 has been modest, and has failed to reverse the trend of formal sector job losses that has been evident since the early 1990s. Meanwhile, the redistribution of productive assets has been very limited. The most tangible anti-poverty impact attributable to the post-apartheid government is the improved access to services and infrastructure in many areas, both urban and rural.

### **3. South Africa's chronically poor - a quantitative and qualitative picture**

#### **3.1 Introduction**

This section seeks to provide an up-to-date, critical survey of what is known about the incidence of chronic poverty in South Africa. However, because of the paucity of direct information about the incidence of chronic poverty, much of what we know is deduced from work pertaining to poverty generally.

A key aspect of the section is to seek to identify and enumerate specific categories of the chronically poor - for example the disabled, those living in deep rural poverty, AIDS orphans, etc.

In doing so, the section elaborates upon the factors that have contributed to these people's chronic poverty, including both factors relating to their personal characteristics, and those relating to the economic environment and resource distribution.

The section is organised as follows. Section 3.2 summarises direct quantitative evidence on the incidence of chronic poverty in South Africa. Much of this emanates from the one South African panel data set that has thus far been collected, namely the KwaZulu-Natal Income Dynamics Study. Given the critical link between employment and poverty, employment patterns and trends are discussed in their own right. Some of this discussion also relates to the KwaZulu-Natal data, but some does not. Then, section 3.3 surveys the South African literature on the qualitative and subjective aspects of the experience of poverty, and tries to relate this (not always successfully), to the specific theme of chronic poverty. Finally, section 3.4 surveys different categories of chronically poor people, or people at risk of falling into chronic poverty, and ventures some estimates as to how many households and individuals are included in these categories and in total.

#### **3.2 Recent quantitative research on chronic poverty in South Africa**

We examine two varieties of quantitative evidence on chronic poverty, the one dealing broadly with income dynamics as revealed by panel data, and the other focusing more particularly on *employment* dynamics and the changing pattern of employment over time. Obviously the two are closely related to one another, and moreover, some of the notable research into employment dynamics relies on the same panel data set from KwaZulu-Natal as the research into income dynamics. The distinction is made for sake of convenience of presentation.

The distinction between quantitative and qualitative treatments of chronic poverty is of course not always rigidly observed (though often it is). We mention in this respect what is probably the first panel study of poverty in South Africa, namely that of Ardington (1988, 1995), who studied the 70 KwaZulu households in 1982 and again in 1985 and 1993. While Ardington does not use her panel explicitly to gauge the extent of chronic poverty, she paints a vivid picture of the factors that often combine to keep households poor, in part by gauging the change in household incomes over the intervening period, and in part by relating the case histories of the households in her sample. What emerges is a portrait of extremely vulnerable households that fail to emerge from

poverty due to harsh environmental conditions, a fickle labour market, changing household composition.

### 3.2.1 The KwaZulu-Natal Income Dynamics Study (KIDS)

In 1998, a research consortium consisting of the University of Natal, the University of Wisconsin, and IFPRI, undertook a re-survey of some 1200 KwaZulu-Natal households that had five years earlier been interviewed as part of the 1993 SALDRU survey.<sup>1</sup> This re-survey comprises the KwaZulu-Natal Income Dynamics Study (KIDS), which, as the name suggests, aims to provide an empirical basis for understanding how households' fortunes change over time. Since this is the only large-scale panel study of income dynamics in South Africa to date, it is discussed at some length.

Thus far, the findings from KIDS have been summarised in three reports, by May *et al.* (1999), Roberts (2000), and Carter and May (1999a). Roberts presents a succinct overview of the data collection process for KIDS, as well as of basic findings. Of note is the fact that only African households from the original SALDRU sample were re-visited, but 15% of these were not possible to track down, while 41 additional 'split-off' household units were incorporated.<sup>2</sup> A household is defined as "poor" in a particular year, if its monthly per adult equivalent expenditure in that year is less than R237 (in constant 1993 Rand).<sup>3</sup>

Based on the roughly 1200 households included in the panel, the incidence of poverty in the two years is as follows:

Table 3-1: Proportion of sample that were ultra-poor and poor in 1993 and 1998

	Expenditure classes, 1998	
Expenditure classes, 1993	<i>below poverty line</i>	<i>above poverty line</i>
<i>below poverty line</i>	chronically poor - 22.3%	transitorily poor - 11.4%
<i>above poverty line</i>	transitorily poor - 19.3%	never poor - 47.0%

Source: adapted from Roberts, 2000, p.16.

<sup>1</sup> The 'SALDRU survey' stands for the household survey undertaken in 1993 under the auspices of the South African Labour and Development Research Unit, of the University of Cape Town. Part of the significance of the SALDRU survey was that it was the first national scale, all-race household survey undertaken in South Africa.

<sup>2</sup> The reasons for the attrition appear to be various, and are the subject of further inquiry by the project team. A 'split-off' household in 1998 is a separate household formed by one or more core members from one of the households interviewed in 1993.

<sup>3</sup> A household's adult equivalents is defined as  $ADEQ = (A + 0.5 \times C)^{0.9}$ , where A is the number of adults, C children less than 15, and the exponent provides for modest size economies. This value is derived from the 'household subsistence level' established by the Institute for Planning Research of the University of Port Elizabeth. In 1993, R237 was worth about £48 or \$72 US.

The table shows that 22% of the sampled households qualified as poor in both periods, and thus can be categorised as chronically poor.

As Roberts points out, the shares of households ascribed to these different categories is rather sensitive to definitions, for instance of the poverty line, of adult equivalents, and even when one accepts that a household has made the transition from one state to the other. For instance, McCulloch and Baulch (1999) propose a different definition of chronically poor, whereby a household's average adult equivalent expenditure between the two years must itself be below the poverty threshold, and where the difference between the adult equivalent expenditure figures for the two periods must be greater than 10% for it to be judged to have truly crossed the threshold. According to this definition, some 33% of the households are chronically poor (Roberts, 2000).

In addition, Roberts presents a 'transition matrix' showing households' inter-period mobility between four different expenditure ranges, from the 'ultra-poor' on up. A household is defined as ultra-poor if its monthly adult equivalent expenditure is less than half the poverty line as defined above.

Table 3-2: Transition matrix for KIDS data

Expenditure classes, 1993	Expenditure classes, 1998				Row sum
	<i>0 to 1/2 PL</i>	<i>1/2 PL to PL</i>	<i>PL to 2 x PL</i>	<i>&gt; 2 x PL</i>	
<i>0 to 1/2 PL</i>	<b>17.7%</b>	50.0%	25.8%	6.5%	100.0
<i>1/2 PL to PL</i>	17.2%	<b>48.6%</b>	25.4%	8.8%	100.0
<i>PL to 2 x PL</i>	8.0%	32.4%	<b>36.8%</b>	22.8%	100.0
<i>&gt; 2 x PL</i>	1.8%	11.9%	27.5%	<b>58.7%</b>	100.0

Source: Roberts, 2000, p.15.

The diagonal elements, marked in bold, represent those households that were in the same category in 1998 as in 1993.<sup>4</sup> For example, 48.6% of those households that were classified as poor but not ultra poor in 1993, were still such in 1998. More interestingly, of those that were classified as ultra-poor in 1993, only 17.7% remained such in 1998. While the majority of the rest moved up only one expenditure class, and thus remain poor and so qualify as chronically poor, one wonders whether their upward movement from 1993 to 1998 may in fact be part of a trajectory that extended beyond 1998. In other words, are they chronically poor, or just slow to

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<sup>4</sup> What may have happened in the intervening years is of course not known, which is one limitation of this particular panel. Other panels, such as the US' Panel Study of Income Dynamics and indeed a number of panels conducted in developing countries, are over a period of five or more years but with data collected on an annual basis.

make the transition to non-poor?

Another thing that can be seen in this table is the relationship between ultra-poverty and chronic poverty. One might suppose that the ultra-poor and the chronically poor are more or less the same people, because the poorer one is, surely the more difficult it is to escape poverty. Indeed, it is true that of those who were ultra-poor in 1993, 67% were still poor in 1998, and thus are designated as chronically poor. However, from a slightly different perspective, there is evidence to contradict this supposition. Note that a household that was ultra-poor in 1993 evidently had a 32% chance of finding itself above the poverty line in 1998, whereas for a household that in 1993 was poor but *not* ultra-poor, the probability was 35%. This is not a striking difference, and suggests that, in respect of the chances of remaining in or escaping poverty, the ultra-poor are not dissimilar to the less poor. Moreover, with a little manipulation, one can determine that of the total number of households that are designated as chronically poor by virtue of being below the poverty expenditure line in both periods, only around 20% were ultra-poor in either period.

Roberts proceeds to compare the different categories of households (chronically poor, transitorily poor, and never poor), in terms of rural versus urban residence, demographic characteristics, as well as a "suite" of other household characteristics. Among the various findings that distinguish the chronically poor are the following:

- 86.9% of all chronically poor households in KwaZulu-Natal are from rural areas, while 30% of rural African households are chronically poor;
- chronically poor households tend to have more members, are more likely to be female-headed, and on average have older household heads;
- adult members of chronically poor households are less educated and have a lower level of literacy than their counterparts from other categories of households (though between 1993 and 1998 enormous strides were evidently made even within the category of the chronically poor);
- chronically poor households have access to less arable land per capita;
- chronically poor households spend considerably less money on food per adult equivalent than other households from the other categories;
- chronically poor households are more likely to receive pensions.

It is not possible to say to what extent the results of the KIDS panel can be generalised to the rest of the country. KwaZulu-Natal has about 18% of all African households in the country, and ranks among the poorer provinces in terms of the prevalence as revealed by headcount measures. Most likely, the patterns described above obtain elsewhere, though the percentages would probably differ.

Carter and May (1999a) delve more deeply into the KIDS data to examine the nature of different categories of poverty. They do this in two distinct ways. First, they build on their earlier work involving the development of a 'class typology' (Carter and May, 1999b), which classifies people according to their "entitlement bases", and the extent to which these may or may not serve to help them rise out of poverty. They determine that those classes that are most likely to be

characterised by chronic poverty are "marginalised households", whose primary asset is unskilled labour; "remittance-dependant households", who rely on cash transfers from non-resident family members; and thirdly, those households which depend upon the secondary labour market, meaning for example casual workers and those involved in less remunerative informal self-employment.

The other interesting tack pursued by the paper is to try to understand how "entitlement shocks" (e.g. loss of productive assets) and "entitlement losses" (e.g. severance of relationships upon which one relies for assistance) affect households, and how this can help us understand the composition of the various categories of poor households. They produce a more nuanced view of the chronically poor, as well as of the transitorily poor and non-poor.

Table 3-3: Decomposing categories of the inter-period income

	1998	
1993	<i>poor</i>	<i>non-poor</i>
<i>poor</i>	chronically poor - 22.3%, of whom: <ul style="list-style-type: none"> <li>· 14% in dual entitlement failures</li> <li>· 86% in poverty trap</li> </ul>	got ahead - 11.4%, of whom: <ul style="list-style-type: none"> <li>· 46% stochastically poor in 1993</li> <li>· 54% structurally poor in 1993</li> </ul>
<i>non-poor</i>	fell behind – 19.3%, of whom: <ul style="list-style-type: none"> <li>· 30% chronic poor, but fortunate in 1993</li> <li>· 45% stochastically poor in 1998</li> <li>· 9% new structurally poor</li> </ul>	never poor - 47.0%, of whom: <ul style="list-style-type: none"> <li>· 19% dual positive shocks and vulnerable</li> <li>· 81% structurally non-poor</li> </ul>

Source: Carter and May, 1999a, p.29.

Notwithstanding the fact that the sophisticated statistical methodology is difficult to grasp, the findings are quite intuitive. The chronically poor are not a homogeneous group, but rather can be divided into two distinct types: there are those households that are truly in a "poverty trap", and then those households that happened to be poor in both 1993 and 1998 due to adverse shocks in or just before both years. In a sense, then, their use of the term "poverty trap" is akin to what we have generally meant by "chronic poverty". By their reckoning, the true proportion of African households in KwaZulu-Natal that are chronically poor (in our less precise sense) is not 22%, but rather 19%. Thus, while the distinction may be interesting, the difference it makes to our order-of-magnitude estimates of the number of people stuck in poverty traps, is fairly slight.

### 3.2.2 The dynamics of unemployment and employment in relation to poverty states

The importance of employment to household income and welfare is well-established (e.g. Cichello *et al.*, 2000), and thus merits specific focus in any overview treatment of chronic poverty. After presenting an overview of the employment situation in South Africa, we extract three themes from the sizeable South African literature: first, the dynamics of employment, as revealed in the KIDS data set; second, the changing nature of employment in the formal sector; and third, the nature of employment in the informal sector.

### 3.2.2.1 A picture of unemployment and employment in South Africa

Unemployment is high and rising in South Africa. Between 1994 and 1998, the aggregate unemployment rate has risen from 20% to 26%, according to the "narrow definition" used by Stats SA, whereby a person is unemployed if he or she has actively sought work in the past four weeks. According to the "broad definition" of unemployment, whereby one wishes to be employed but has not necessarily sought work in recent weeks, the change between 1994 and 1998 was from 31% to 39%. As Kingdon and Knight (2000a) point out, the gap between the narrow and broad definition figures suggests that a large fraction of the work force is 'discouraged', that is, have ceased actively searching for employment out of frustration, or for lack of resources, or both.

Table 3-4 shows that the incidence of unemployment is considerably greater for Africans and coloureds than for whites. It also disaggregates employment by 'sector', by which we mean here informal and formal, and employment versus self-employment. Overall, Africans and coloureds are more likely to be employed or self-employed in the informal sector, and in absolute terms whites comprise a relatively tiny share of activity in the informal sector.

Table 3-4: Incidence of employment and unemployment, by race and sector, 1999

	African and Coloured		White	
	millions	percent	millions	percent
unemployed	6.7	45.5%	0.2	8.5%
employee, formal sector	5.4	36.9%	1.5	69.4%
employee, informal sector*	1.4	9.6%	0.1	2.4%
self-employed, formal sector	0.1	1.0%	0.3	14.3%
self-employed, informal sector	1.0	7.0%	0.1	5.4%
total	14.7	100.0%	2.2	100.0%

Source: calculated from OHS 1999.

\* Note: includes domestic workers.

Not surprisingly, the incidence of unemployment is strongly differentiated according to race, gender, place of residence, and so forth. In 1999, the incidence employment and unemployment is as follows, where unemployment is understood according to the broad definition<sup>5</sup>:

Table 3-5a: Incidence of employment and unemployment, by race and gender, 1999

	African	Coloured	White
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<sup>5</sup> Concerns have been expressed by readers of earlier drafts that the unemployment rates for rural Africans and coloureds are too low. Stats SA notes that its new labour survey methodology may soon provide a more accurate picture, particularly for rural areas. It is important to note that these figures are inclusive of informal sector employment, which is readily captured in the October Household Survey. Also note that in general figures for 'Indians/Asians' are not reported in this section, as they comprise a very small fraction of the workforce participants captured in the Survey.

	women	men	women	men	women	men
full-time	18.8%	32.0%	32.9%	50.5%	42.0%	62.1%
part-time	3.4%	4.2%	3.3%	3.3%	5.2%	3.0%
casual	2.5%	3.2%	6.1%	5.6%	1.3%	1.1%
unemployed	75.3%	60.5%	57.8%	40.5%	51.6%	33.7%

Source: calculated from OHS 1999.

Table 3-5b: Incidence of employment and unemployment, by race and location, 1999

	African		Coloured		White	
	urban	rural	urban	rural	urban	rural
full-time	45.6%	37.5%	57.3%	71.1%	82.8%	84.1%
part-time	6.9%	5.7%	5.0%	3.8%	6.7%	5.5%
casual	4.2%	5.5%	8.6%	8.1%	1.9%	3.0%
unemployed	43.3%	51.4%	29.1%	17.0%	8.6%	7.4%

Source: calculated from OHS 1999.

Unemployment is clearly more severe among women than among men, and among Africans is considerably more severe in rural areas than in urban areas. The fact that unemployment among Africans is higher in rural than in urban areas, is something of an international anomaly, and probably in large measure is due to the insufficiency of African's access to agricultural land. Part-time and casual employment make up relatively small shares of employment, though it must be noted that the survey picks up those who have been casually employed within the previous week, as opposed to those who may have had casual work within, say, the year.

In addition to the static picture presented above, we note the following salient facts (following Kingdon and Knight, 2000b), based again upon data from the 1999 October Household Survey:

- Seventy percent of those who are presently unemployed have never had a job. The figure for women is 73%; for Africans 73%; for rural dwellers 76%; and for rural African women 79%.
- Around 69% of those who are presently unemployed have been unemployed for more than one year, while 41% have been unemployed for more than three years; among the African unemployed, the figures are 72% and 44%, respectively.
- Quality of life is considerably worse for those who are employed or self-employed in the informal sector than for those in the formal sector, and still worse for the unemployed; for example, of African and coloured households whose head is employed (or self-employed) in the formal sector and having children younger than 7 years, 16% reported insufficient money to feed those children at some point in the previous year, whereas for those in the informal sector, the figure was 27%, and for those whose household head is unemployed, the figure was 40%.<sup>6</sup>

<sup>6</sup> Direct comparisons in terms of income are rendered difficult with the October Household Survey, because income from

In light of these figures, it is reasonable to suppose that the protracted nature of unemployment is a major factor maintaining chronic poverty. This supposition is explored systematically in the next section.

### 3.2.2.2 Panel studies of employment

Thus far, there have been at least two labour-oriented studies based upon the same KIDS data set described in the previous section. These offer additional insights into the dynamics of livelihoods over time. We briefly review each of them in turn.

First, Keswell (2000) attempts to relate the incidence of transitions between different employment states and types, to demographic factors and personal characteristics. In Table 3-6 below, the 1993-1998 transition frequencies are shown, after the same manner of the expenditure class transition frequencies reported above:

Table 3-6: Transition matrix of employment states, based on KIDS data

1993	1998				Row sum
	<i>out of labour force</i>	<i>unemployed</i>	<i>self-employed</i>	<i>employed</i>	
<i>out of labour force</i>	<b>46.9%</b>	31.7%	2.7%	18.6%	100.0%
<i>unemployed</i>	7.7%	<b>52.1%</b>	5.1%	35.0%	100.0%
<i>self-employed</i>	30.8%	19.5%	<b>21.9%</b>	27.8%	100.0%
<i>employed</i>	10.3%	16.7%	2.8%	<b>70.2%</b>	100.0%

Source: adapted from Keswell, 2000, p.14.

What is revealed is that, among those out of the labour force or unemployed in 1993, transition into self-employment is less likely than remaining in one's present state. A person who was unemployed in 1993, however, had a 35% chance of gaining employment, which is not trivial, but also not hugely encouraging in light of the 5 year time lapse. Interestingly, the probability of an unemployed person entering self-employment - meaning informal sector self-employment - is much smaller, at only 5.1%. This raises the question about the extent to which unemployment is truly involuntary, in the sense that unemployed people seem either unable or unwilling to engage in self-employment when efforts to find (formal sector) employment fail. However, as can also be seen in the table, the status of self-employment is somewhat precarious: half of those who in 1993 were engaged in self-employment, ended up either unemployed or out of the labour force

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employment is reported pre-tax, while income from self-employment is reported both pre-tax and without taking costs into account.

by 1998.<sup>7</sup> We return to the issue of self-employment below.

Keswell relates the incidence of these transitions to individuals' age, education, place of residence, and so on.<sup>8</sup> He infers, *inter alia*, that: women are especially apt to go from employment to unemployment; membership in a savings club (e.g. *stokvel*) decreases one's probability of going from employment to unemployment; greater age and being female both heighten the chances of one's leaving the labour force from self-employment; and education is critical in boosting the chances of those not in the labour force to get employment, but is not so important for those that are presently employed. Some of the results pertaining to the transition out of self-employment, might imply that many of those who are self-employed are women whose ability to pursue self-employment is apt to be interrupted by other obligations.

Cichello *et al.* (2000) also make use of the KIDS data, but draw a somewhat different (which is not to say inconsistent) set of conclusions to Keswell's. What is particularly useful in Cichello *et al.*'s approach is that they seek to make an explicit link between employment states and household income, by means of determining the 'earnings line' that corresponds to the same poverty used by Roberts and by Carter and May above. The table that follows therefore indicates the probability of making various transitions, as a function of employment changes between 1993 and 1998.

Table 3-7: Transitions between earnings thresholds, 1993 and 1998, based on KIDS data

1993	1998	
	<i>below</i>	<i>above</i>
<i>below</i>	59.9% (80%)	14.9% (20%)
<i>above</i>	9.0% (36%)	16.3% (64%)

Source: adapted from Cichello *et al.*, 2000, p.7.

The two off-diagonal values have particular interpretations. The probability of being a household which was above the earnings line in 1993 but below it in 1998, is 9%, which is dubbed the "risk rate", i.e. the chance of falling into poverty by virtue of a change in employment status. The figure may seem low, but is in fact high relative to the total number of households that were above the earnings line in 1993, as shown by the row percentage of 36% in brackets. Contrariwise, the probability of being below the earnings line in 1993, but above it in 1998, is dubbed the "escape rate", and is 15%, or 20% amongst all those that started out in 1993 below the

<sup>7</sup> Keswell's use of the term 'out of the labour force' is somewhat mysterious; it is not altogether clear that these people should in many instances not be counted among the unemployed.

<sup>8</sup> Keswell also makes inferences about race, which is difficult to understand as the panel only consists of African households and individuals.

earning line.

In addition to demonstrating that earnings are extremely volatile and account for a large degree of movement between states of poverty and non-poverty, Cichello *et al.* attempt to identify factors that contribute to risk and escape, and conclude that: "ceteris paribus, males and urban residents are more likely to move out of poverty and less likely to fall into poverty, heads of household are more likely to move out of poverty, and unionised workers and KwaZulu residents [as opposed to Natal residents] are less likely to fall into poverty" (p.20). In addition, the authors reject the 'cumulative advantage hypothesis', whereby the fortunate become more so, while the less fortunate remain so. Rather, the job market has the tendency to equalise the fortunate and the unfortunate over time, which may be merely another way of saying that, given the volatile nature of earnings, there tends to be regression towards the mean.

### 3.2.2.3 The changing nature of employment in the formal sector

The overall pattern of formal sector employment in South Africa over the past several years, is that fewer people have employment but those that do, have enjoyed real increases in remuneration. However, there is also a broadening grey area involving more employment through the so-called secondary labour market, whereby tasks that had previously been performed by permanent, regular workers, are increasingly being performed by temporary, casual, and part-time workers, or what are sometimes euphemistically called "independent contractors". The evidence of this trend mainly comes to us through industry-specific micro-studies. For example, the pattern of 'flexibilisation' has been documented for retailing (Valodia, 1991; Kenny and Webster, 1999; Clarke, 2000), shipping (Hemson, 1996), clothing (Altman, 1995; Kesper, 1999; Netshitomboni, 1998), electronics (Ray, 1997), and agriculture (Simbi and Aliber, 2000). Valodia (2000) notes three important characteristics of the growth of the secondary labour market: first, the reliance upon labour brokers and sub-contractual relationships; second, the increase in home-based work (especially in the clothing industry); and third, the increasing prevalence of women in such work. Broadly speaking, flexibilisation most strongly affects unskilled and semi-skilled types of work. Thus, at the margin, many low-income earners who are able to remain employed, find themselves more vulnerable.

While this trend is not dissimilar to that which prevails elsewhere in the developed and developing world, it comes at a time in South Africa when there are diminishing employment opportunities, and within an environment where governmental and non-governmental institutions set up to protect workers' rights are weak. In some sectors, for instance textiles, the pressure on industry to cut direct wage and overhead costs is extreme due to the rapid lowering of tariff barriers. However, in other instances the move to flexibilisation is driven by employers' disinclination to honour new comprehensive labour legislation, whether these impose actual costs or rather reduce employers' manoeuvrability (Clarke, 2000). In the commercial agricultural sector, however, Simbi and Aliber show that many farmers feel compelled to casualise their work force as a means of reducing the perceived danger of various types of land claims, and moreover are willing to incur the cost of mechanising in order to do so. The decline and flexibilisation of employment in this sector is especially damaging for rural livelihoods, because commercial agriculture represented almost one third of formal sector employment in rural areas in 1998, and

yet the total amount of regular employment on farms has declined by about 20% over the past decade.

There are no clear, comprehensive measures of the extent of the secondary labour market. The table below attempts to give some idea of the relative incidence of non-permanent work at one point in time.

Table 3-8: Forms of employment, 1999

	African	Coloured	White
permanent	75.1%	75.9%	89.1%
fixed contract	2.4%	3.7%	2.5%
temporary	12.1%	5.3%	4.6%
casual	7.3%	10.4%	3.3%
seasonal	1.3%	3.6%	0.04%
don't know	1.9%	1.1%	0.5%

Source: calculated from OHS 1999.

Ostensibly, three quarters of all employment among Africans and coloureds is permanent, while the balance is of a more temporary or insecure nature. One thing that is worrying, however, is that a large fraction of those who describe their positions as permanent, have either no written contract, or do not know whether they have such a contract. This suggests that up to 45% of African and coloured workers who deem their work to be permanent, may be more insecure than they realise.

Table 3-9: Frequency of written contracts among 'permanent' employees, 1999

	African	Coloured	White
written contract	55.5%	52.7%	76.7%
no written contract	37.5%	39.5%	19.3%
don't know	7.0%	7.8%	4.0%

Source: calculated from OHS 1999.

Among African and coloured women employees describing theirs as permanent work, only 48% have written contracts.

Finally, one other measure of the 'secondariness' of one's employment, is the extent to which one receives non-wage remuneration such as pension and medical aid contributions. Table 3-10 below shows that among African and coloured employees, fewer than half receive a pension contribution from their employer, and around one quarter to one third receive contributions towards medical aid.

Table 3-10: Pension and medical contributions to employees

	African		Coloured		White	
	pension	medical	pension	medical	pension	medical
employer contributes	44.1%	23.2%	43.3%	29.5%	69.1%	65.2%
does not contribute	49.0%	72.9%	50.2%	66.8%	27.0%	32.9%
don't know	6.8%	3.9%	6.5%	3.7%	3.9%	1.9%

Source: calculated from OHS 1999.

The picture that emerges is that an undefined but large share of people employed in the formal sector, occupy a marginal status that affords them neither security nor significant non-cash benefits.

### 3.2.2.4 Employment and self-employment in the informal sector

Stats SA's reported employment trends based on consecutive October Household Surveys from 1996 and 1998, purported to show that employment levels had stabilised, but mainly because formal sector job losses were roughly off-set by increases in informal sector employment and self-employment. While the fact that these consecutive surveys do not comprise a panel does not allow us to know for certain, it seems likely that many of those entering self-employment in 1998 were those who lost formal sector employment in 1996 and 1997, a process which COSATU calls - not without reason - "disguised unemployment" (COSATU, in *Business Day*, 1 June 2000).

Still, notwithstanding the fact that informal sector employment is inferior to formal sector employment, from both an individual and societal point of view it is preferable to unemployment.

Kingdon and Knight (2000b) marvel at the fact that the share of informal sector employment in South Africa's economically active population is so low, despite such high levels of unemployment. Drawing again on Table 3-4, we see that among Africans and coloureds in 1999, there were 6.7 million unemployed people versus 2.4 million employed in the informal sector, of whom one third were domestic workers. By contrast, 90% of India's workforce are employed in the informal sector. Indeed, Keswell's transition matrix shown above (Table 3-6) reveals that, at least for the KwaZulu-Natal sample, a person who was unemployed in 1993 was 10 times more likely to still be unemployed in 1998 than self-employed.<sup>9</sup>

Kingdon and Knight therefore ask the question why the unemployed do not enter informal sector employment and self-employment in larger numbers, and conclude that, in so far as the unemployed are much worse off than the informally employed across a range of indicators, then there must be barriers to entry. Among these barriers to entry are possibly lack of capital, lack of entrepreneurial skills, and inability to penetrate informal community networks that may control opportunities, e.g. by controlling access to street space or taxi routes.

Informal sector self-employment in particular can also be quite risky. In a survey of different

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<sup>9</sup> The likelihood of such a person ending up in 1998 as employed in the *informal sector*, however, cannot be discerned from Keswell's table. Excluding domestic workers, about one third of all informal sector employment among Africans and coloureds involves working for someone else, while two thirds is self-employment. Of the share that involves working for someone else, a large but unknown share involves unpaid work for family members.

types of SMMEs operating in Winterveldt and Gazankulu, Aliber (2001) found that most SMMEs encounter serious risks on a daily basis. Taxi owners risk being killed by rival taxi owners, public telephone huts and hair salons risk theft of equipment, automobile mechanics risk theft of clients' cars, tavern owners risk having patrons stabbing and shooting one another; and since SMMEs operate almost entirely on a cash basis, they all face a constant risk of robbery. Moreover, it would appear that the more lucrative enterprises require the most start-up capital, and face the most serious risks, which in the absence of widely available micro-finance and micro-insurance, puts them beyond the reach of the average unemployed person. To these we might add lack of a market.

Opportunities for starting remunerative SMMEs may be most limited in rural areas, and, as Ardington (1988) shows, income-earning opportunities from self-employment tend to diminish when formal sector ("core economy") employment falls, since lower remittances to rural areas means less disposable income fuelling the informal economy there.

### **3.3 Quality of life and experiential aspects of chronic poverty**

One of the short-comings of the panel study approach to the study of poverty dynamics is the focus on money metric measures of poverty. Even where the incidence of chronic poverty is explicitly related to qualitative aspects of people's lives or environments, as illustrated in Carter and May's paper, the focus is nonetheless on explaining or interpreting the bottom-line measure, e.g. expenditure per adult equivalent, which is typically not the only important dimension to people's experience of poverty. Indeed, over the course of the past two decades, there has been increasing attention to the fact that poor people's experience of poverty involves a great deal more than inadequate income or consumption (Chambers, 1994; Kanbur and Squire, 1999). This has been forcefully illustrated in South Africa by means of a number of qualitative research initiatives, of which perhaps the most ambitious is the excellent South African Participatory Poverty Assessment, or "SA-PPA" (1998).<sup>10</sup>

If in the context of quantitative analyses chronic poverty is understood as the persistence of income-poverty or expenditure-poverty over time, then in the experiential approach, presumably we understand chronic poverty to be the persistence over time of the subjective state of poverty. However, there are at least two other ways in which chronic poverty can be illuminated by qualitative and particularly participatory studies. First, these studies can assist us understand

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<sup>10</sup> The SA-PPA consisted of 14 individual studies undertaken in different communities around the country, with somewhat different emphases, and all using participatory appraisal techniques. The individual studies were conducted in 1995, and a final synthesis report was assembled by May *et al.* in 1998 under the title, *Experience and Perceptions of Poverty in South Africa*. Apart from the SA-PPA, South Africa has a tradition of 'personal histories' of relatively poor people which reveal much about their economic circumstances and strategies, including, to name a few, Bozzoli, 1991, *Women of Phokeng*, Keegan, 1988, *Facing the Storm*, and van Onselen, 1996, *The Seed is Mine*. In addition, in 1998 the South African NGO Coalition (SANGOCO) and other organisations sponsored the Speak Out on Poverty Hearings, the proceedings of which are available in two volumes, namely *The People's Voice* and *Poverty and Human Rights*.

whether and how people experience the idea of poverty traps, and how they conceptualise the barriers to escaping them.<sup>11</sup> And second, studies such as these can enrich our understanding of the causes of chronic poverty, including the conventional measures of income-poverty. These latter two dimensions are of course characteristic of the philosophy of participatory appraisal methodologies, wherein the 'subjects' of the study are esteemed for their analytical input as well as or more than providers of data (Chambers, 1994).

The strategy of this sub-section is simple. Using SA-PPA and other qualitative and participatory studies, we describe key facts of life that appear to figure prominently in South Africans' perceptions of poverty, and then seek to embellish these where appropriate with information from other sources. In doing so, we attempt to understand whether this 'fact of life' may be of a 'chronic' (enduring) nature, and/or how this factor contributes to other dimensions of chronic poverty.

### 3.3.1 Vulnerability and resignation

Poor people are vulnerable to a number of harmful and potentially devastating threats, which they may not have the resources or power to avert. Among such threats are fire (e.g. shack fires, which destroy one's home and possessions); floods (because poorer people often end up erecting their shelters in flood-prone areas); job loss; crime (theft of money and possessions, and bodily harm); poor agricultural conditions (e.g. for those who rely in part on food production for sustenance); and illness and death in the family (often with no resources to seek medical care).

While on one level this notion of 'vulnerability' has its correlate in the quantitative treatments of poverty dynamics discussed above (e.g. 'risk rates', 'stochastic poverty', 'entitlement shocks', etc.), on a deeper level the experience of vulnerability is an aspect of poverty in and of itself, that is, a palpable disturbance to one's 'peace of mind'. In the SA-PPA, this sense of vulnerability was articulated in a number of different ways. For example, many participants expressed concern for their ability to cope with unpredictable crises. Bedford (1995, cited in May *et al.*, 1997) notes the extreme stress and anxiety suffered by street children, who are exposed to constant threats of violence and sexual abuse. Chopra and Ross (1995, cited in May *et al.*, 1997) indicate that African women in northern KwaZulu-Natal were particularly aware of the threat of children falling ill during certain times of year. Among the homeless, there is a constant sense of threat about being the victim of crime or of being harassed by the police (van der Merwe *et al.*, 2001).

For many people in South Africa, the experience of vulnerability is long-term, since the underlying threats are themselves long-term, and some (e.g. HIV/AIDS) are clearly becoming worse. Also, as is well known, the sense of vulnerability has an effect on people's ability to escape poverty. For example, people mitigate income risk by means of having a multiple livelihood strategy (Ellis, 1998), which although being adaptive and rational, may inhibit the individual from concentrating on a single, potentially more lucrative enterprise. On the positive

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<sup>11</sup> In fact, the synthesis report has a chapter entitled, "The Poverty Trap: The Context for the Future". Arguably, however, the chapter collects observations of the researchers as to what hinders escape from the poverty trap. Even so, discussion elsewhere in the report speaks vividly of people's perceptions of the poverty trap.

side, some of these risks can be attenuated through government and non-governmental interventions, even where income-poverty is not itself improved.

Closely related to the experience of vulnerability is the state of being resigned to always remaining poor. Resignation is perhaps the most succinct subjective correlate to the notion of chronic poverty, i.e. that the poverty will endure. Such resignation may be a person's honest and sober assessment of the low probability of ever escaping poverty, but it may also have the practical effect of discouraging people from taking steps to increase their chances of living a more rewarding life, or of escaping their present state. Job seekers who remain unemployed for year after year, households that repeatedly lose what little they have been able to accumulate by dint of family illness, crime, or natural disasters, can readily account for pessimism that things will not improve. Participants in the SA-PPA expressed resignation in a number of ways, for example by expressing the sentiment that life's difficulties are endless and must simply be accepted (May *et al.*, 1997, p.54).

### 3.3.2 The migrant labour system, female-headed households, and gender roles

South Africa's migrant labour system developed in distinctive ways owing to a combination of the singular importance of employment on mines (a 'male job'), influx controls which limited the mobility of non-employed family members, and inadequate land resources left to black people on account of the inequitable land distribution. We focus here on one particular consequence of this system, namely a large number of effectively female-headed households.

In its 'ideal' form, the migrant labour system means that husbands earn an income in relatively lucrative jobs outside of the labour reserves (homelands), which they remit to their families back home and/or save. While this may often happen as planned, it frequently does not. First, migrant workers may lose their work, and thus have nothing to remit. Some of these industries, especially mining, are highly dangerous, and over the years many workers have sustained disabling injuries, succumbed to occupation-related illnesses,<sup>12</sup> or been killed. Second, migrant workers may find other uses of their earnings, and may send remittances intermittently and insufficiently. From OHS 1999, we find that 21% of all households have one or more family members who are considered migrant workers, of whom 19% send remittances back to the household no more than once per year.

The SA-PPA relates the experience of many disillusioned women whose male partners failed to send remittances according to plan (May *et al.*, 1997, p.37). Bank's study of a community in the Eastern Cape as part of the SA-PPA, revealed that: "In Duncan Village, we discovered that the classic formula for chronic impoverishment for female-headed households seemed to be the absence of a reliable male breadwinner in two consecutive generations" (1995, p.69; cited in May *et al.*, 1997). Many of these women have the worst of both worlds. On the one hand, they receive inadequate or unreliable support, while on the other hand, by virtue of cultural norms, they often lack rights (e.g. in land), independence (e.g. to make own economic decisions), and voice (see below).

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<sup>12</sup> South Africa's Chief Inspector of Mines recently stated to the media that some 196 000 former mineworkers suffer from occupation-related diseases (SAPA, 19 September 2000).

The history of absent partners and fathers has perhaps served to emphasise and exaggerate the role of women as care-givers and providers. This is so to such an extent that, even when men are not absent, women are often expected to bear financial responsibility for most things to do with the household, including paying for food, paying school fees, and coping with health emergencies (May *et al.*, 1997, p.55). Intra-household financial decisions are in these instances rife with conflict. Many women participants in the SA-PPA studies evoked the image of male partners who "pose an economic and physical threat to women and children" (*ibid.*, p.18), in part by dissipating scarce financial resources on alcohol, drugs, and tobacco. Moreover, male idleness is juxtaposed to women's 'time poverty' (*ibid.*, p.106). Such circumstances limit households' potential for improving their circumstances.

There are other dimensions to South Africa's migrancy patterns that can have negative consequences for households. One of these dimensions is that children are often left in the care of their grandparents, and in particular grandmothers, on rural homesteads. This reflects the increased participation of women in the formal sector, town-based workforce, and the need to have someone look after their children while they do so. While this arrangement may benefit the household economically as a whole, it may also put undue pressure on elderly people, whose old age grants end up being used effectively to support whole households rather than just themselves.

Ironically, however, the most deprived areas are those from which out-migration is relatively subdued. O'Donovan (2000) suggests that areas that are especially remote and poor send out relatively few migrant workers, and thus fail to take advantage of more lucrative opportunities elsewhere. Thus while the incidence of out-migration can in some cases lead to specific kinds of impoverishment of those households left behind, the absence of out-migration can be even worse, because it means that households lack remittances, and that the pool of remittances circulating within the local economy is very limited. This suggests a particular kind of poverty trap.

Finally, it is important to note that migratory patterns do not necessarily conform to the rural-to-urban (or rural-to-mine) picture of job-seeking described above. Cross *et al.* (1998) show that, at least for KwaZulu-Natal, a large and growing share of internal migration involves whole households engaged in rural-to-rural movements (e.g. from former homeland areas to areas around rural towns), and is inspired at least as much by the desire to gain better access services and resources (e.g. water) and to flee violence (i.e. "crisis moves"), as to look for employment. Cross *et al.* point out that one consequence of this greater mobility is a disruption of social networks that hitherto had served as critical safety-nets.

### 3.3.3 Access to infrastructure, services, and amenities

Improved access to infrastructure, services, and amenities, is of course a major challenge of the post-apartheid government. The cholera epidemic currently rampaging through KwaZulu-Natal is a vivid example of the human costs of the infrastructure backlog.

A formidable amount of information is available on the extent of people's access, including disaggregations by race and place of residence (e.g. Stats-SA, 2000a; May *et al.*, 1995); on improvements since 1994 in this access (Khosa, 2000); on the problems with maintenance that

have been discovered in respect of new infrastructure, e.g. water pumps (Department of Housing, 2000); on the capital costs associated with remedying the delivery backlogs (e.g. Jackson and Hlahla, 1999); and on the institutional mechanisms that must be put in place in order to accelerate delivery and ensure sustainability (e.g. Stavrou, 2000; Jackson and Hlahla, 1999). The number of different kinds of infrastructure and services is of course large, including electricity, water (for home use and production), communications, education, the judicial system, health care, sanitation, housing, refuse removal, financial services, and so on.

Our purpose here is not to review or summarise this wealth of information, but rather to emphasise that, even when services are present, lack of access to them is still experienced by the most marginalised members of communities. The SA-PPA shows how some community members' ability to access services is hampered by a range of factors, some of which have to do with the design of the services themselves, and others of which relate to the extremity of people's poverty. For example, even where a health clinic does exist in the vicinity, and where it may offer free basic care, travelling costs may still be prohibitive, and people may find it difficult to be at the clinic during the times when it is open (May *et al.*, 1997, p.61). Employees such as farm workers may hesitate to miss work in order to visit a clinic, for fear of being retrenched (Simbi and Aliber, 2000). Foreign workers who are undocumented migrants may be denied access to health services by xenophobic clinic staff (*Mail & Guardian*, 25 September 2000).

#### 3.3.4 Crime and violence

Crime and violence contribute to the experience of poverty at two levels. On one level, the exposure to crime and violence directly detracts from the quality of life of its victims and those fearful of being victimised. On another level, the high incidence of crime and violence which forms a salient feature of everyday life in South Africa, are symptomatic of a profound social malaise, wherein the cycle of poverty and the cycle of violence are indistinguishable.

Crimes such as burglary and robbery can result in poor people losing what little assets they have (May *et al.*, p.18), while the prevalence of violence adds to people's sense of vulnerability and oppression. While state-sponsored violence ended with apartheid and political violence has greatly subsided, violence among people who know one another in poor communities is rife, and is often linked to substance abuse. A 1996 study of homicide in the Eastern Cape found that 93% of all cases were linked to alcohol and drugs, while in Northern Cape, research had similar findings, and found as well that most cases were related to family disputes (CIAC, 1997, cited in Hamber and Lewis, 1997).

Violence and crime are increasing in rural areas (Hamber and Lewis, 1997), and in fact homicide rates are higher in South Africa's rural areas than in its urban centres (Hamber, 1999). That poor people are more likely to be victims of violent crime is borne out by the statistics, which show that a poor person is 80 times more likely to be injured or killed through violent crime than a wealthy person (Steinberg, 1999, cited in Hamber, 1999).

Women and children are especially likely to be victims of violence. Women face abuse by partners, while women and girls are subjected to a high risk of being raped. The incidence of rape is already high according to official police statistics (119 per 100 000; SAPS, 1999), but women's

rights groups estimate that only 1 in 20 to 1 to 35 rapes are reported (People Opposing Women Abuse, 1995, cited in Hamber and Lewis, 1997). The highest incidence of rape is in rural areas (CIAC, 1997, cited in Hamber and Lewis, 1997).

Some studies suggest that the growing incidence of rape over the past 15 years or so, and particularly of gang rape, are aspects of a broader 'culture of violence', which in turn is a function of the protracted marginalisation experienced by many young men (Vogelman and Lewis, 1993). Arguably, the fact that economic opportunities accessible to many young men have not improved since 1994 despite the political watershed of that year, has served only to exacerbate the experience of marginalisation (*ibid.*). It is noteworthy that, of all South African men between the ages of 18 and 40, approximately 2-3% are presently in prison.

Little hard information exists about the extent of child abuse in South Africa. Research conducted in 1995 showed that, of child abuse cases reported to the Child Protection Unit, two thirds involved sexual abuse, and 85% of the time the perpetrator was known to the victim (HSRC, 1995, cited in Hamber and Lewis, 1997). As with rape, however, it is commonly supposed that the majority of child abuse incidents go unreported.

A study of perceptions of crime in Alexandra township in Gauteng (Stavrou, 1993), stressed residents' view that unemployed youth in search of an identity and status (e.g. through gang allegiance) are the most apt to commit violent and other crime, and that this was aggravated by the rapid influx of residents in the township. Residents' quality of life was seriously affected by the prevalence of crime, not least because its perceived randomness means that it is difficult to take precautions to avoid it.<sup>13</sup> In addition, the personal vulnerability engendered by exposure to violent crime is aggravated by enduring and widespread distrust of the police and the criminal justice system (Hamber, 1999).

On a community or social level, the incidence in South Africa of child abuse, broken homes, violent crime, and poverty, contribute to an inter-generational cycle of deprivation and social malaise that is not dissimilar to that evident in deprived communities in developed countries and elsewhere<sup>14</sup> (Godsi, 1998). The fact of declining employment opportunities, especially for youth, serves only to reinforce this cycle.

### 3.3.5 Lack of voice and social exclusion

One other aspect of the experience of poverty as revealed in the SA-PPA, is that of lack of 'voice', which is a growing area of attention internationally (e.g. Das Gupta, 1999; Kanbur and Squire, 1999). Broadly, a person 'has voice' when she feels she has an opportunity to somehow participate in decisions that may affect her life, as well as having avenues to lodge grievances with relevant authorities and institutions if she so wishes. Lack of voice was of course an acute aspect of many people's experience under apartheid, and was reversed in a significant way with the first

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<sup>13</sup> "Fear of crime and violence is widespread and people panic easily. Responses indicated that all of the respondents have high levels of anxiety about the prospect of personal victimisation" (Stavrou, 1993).

<sup>14</sup> A recent survey of young male prisoners revealed that a high proportion of inmates experienced traumatic loss, emotional deprivation and/or abuse as young children (Dissel, 1999).

all-inclusive democratic elections in 1994. The importance attached in the new dispensation to local government is a further reflection of the new government's earnestness to allow people these means of expression.<sup>15</sup>

However, much of the experience of voicelessness in South Africa, particularly among the poor, is not at the formal political level, but at the level of communities and households. In their study of trends in public participation, Roefs and Liebenberg (2000) note that the majority of South Africans have little understanding of the role of local councils and parliament (80% and 73%, respectively), and only a minority of poor people specifically participate in any way in local councils or public hearings (23% and 22% respectively). However, 46% of poor respondents surveyed reported that they participate in some sort of community activity or organisation, and 30% of respondents indicate that community organisations are the most appropriate venue for addressing "problems in the community". While these figures are encouragingly high, they underline the fact that more marginal members of these same poor communities are apt to have an acute sense of social exclusion and voicelessness in their communities. This comes through vividly in the studies conducted as part of the SA-PPA. Chopra and Ross (1995, cited in May *et al.*, 1997), for example, led their community participants in an exercise to identify the distinguishing characteristics of the poorest homes in their village in northern KwaZulu-Natal. Amongst the five characteristics identified, low income was not included, but not being part of community gardens or crèches was.

Social exclusion is experienced in distinct ways by different sub-groups. For the elderly, for example, the experience of social exclusion can be the result of fraught or absent family relationships. Maphorogo and Eager's study in Northern Province (1995, cited in May *et al.*, 1997) identified that "a 'bad' or 'rude' daughter-in-law is a main cause of unhappiness of older people", as was living without one's spouse. Poor support generally from one's children or partner is thus considered emblematic of poverty. Apart from the fact that loneliness diminishes one's sense of well-being, the absence of supportive family members can attenuate one's links to the community, and render more difficult tasks such as collecting one's pension on pension day, etc. A recent report by the Ministerial Committee on Abuse, Neglect and Ill-Treatment of Older Persons (Department of Social Development, 2001a), draws a frightening picture of the insensitive and/or exploitative treatment to which some elderly people are subjected. In addition to the abuse directed at some elderly people by their own family members, the report highlights poor conditions in residential homes, pension pay-out points, and clinics.

For women in abusive relationships, the sense of having voice may be critically damaged, as for example the woman in Teixeira and Chambers' (1995) study in the Eastern Cape (cited in May *et al.*, 1997), who felt she could not insist that the father of her children provide support for fear of being beaten.

For homeless people, an almost defining characteristic is severed relationships with family members, on whom they might otherwise rely for moral and material support. In addition, a

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<sup>15</sup> In the words of the RDP policy framework document of 1994, "Local authority administrations should be structured in such a way as to ensure maximum participation of civil society and communities in decision-making and developmental initiatives of local authorities."

strikingly large number of homeless people cite as a major problem the loss of their identity documents. On a practical level, this puts homeless people altogether beyond the reach of the formal economy; on a figurative level, the absence of identity documents reflects the extreme nature of their marginal status relative to society (van der Merwe *et al.*, 2001).

Cross-border migrants are also prone to being socially excluded. In a recent survey of 403 cross-border migrants in Gauteng, three quarters of the respondents signalled discrimination and xenophobia as a major reason for disliking South Africa (CASE, 1998). Respondents indicated that the single largest source of harassment is the police, with the second largest source being neighbours.<sup>16</sup>

Finally, people with disabilities face forms of social exclusion which contribute directly to their likelihood of missing out on economic opportunities. This social exclusion operates independently of the actual physical or mental challenges that disabled people may face. As such, 'disabilities' are in large measure a social construct which has the effect of excluding certain individuals (Yeo, 2000).

### **3.4 Categories of chronically poor people**

We now turn our attention from aspects of the experience of poverty, to focus on specific groups that are especially prone to chronic poverty. The emphasis is on measures of income poverty, though qualitative aspects obviously play an important role as well. For the most part, we try to gauge numbers of households that are prone to chronic poverty, rather than individuals. The reasoning is that being a particular kind of person (e.g. disabled) is likely to contribute to chronic poverty in a particular household context. That is, if the disabled and the elderly are to be singled out as particular categories of people vulnerable to chronic poverty, then are we searching for the number of disabled and elderly that are members of chronically poor households, or are we seeking something more specific, i.e. households that are apt to remain in poverty because the main (would-be) bread-winner is disabled or is old? The argument in favour of the latter focus is that it may provide more useful information as to why the household is stuck in chronic poverty (i.e. due to the nature of the individual in conjunction with the composition of the household). However, there is also an argument in favour of the other approach, in that the policy intervention may or may not focus on the breadwinner, and can rather focus on individuals within the household who for whatever reason are particularly well suited to being recipients of assistance.<sup>17</sup>

#### **3.4.1 The rural poor**

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<sup>16</sup> Interestingly, the CASE study also found that cross-border migrants often do have functional social networks within South Africa, as almost 70% of respondents indicated that they found their present positions through family or friends.

<sup>17</sup> For example, old age pensions effectively function as social welfare grants for poor households, but the virtue of targeting the older household member is that this person may be more likely to share the grant in the best interests of the household, i.e. more so than other possible family member recipients.

That poverty is especially prevalent in rural areas, and particularly among Africans and coloureds, is already clear from earlier sections. The national data on poverty and unemployment, together with some of the statistics derived from the KIDS data, indicate that as a group, rural blacks have a high chance of being poor.

The particular factors that contribute to chronic poverty in rural areas are worth drawing attention to. First, according to the Rural Survey (Stats SA, 1997), there are some 900 000 African households living in former homelands that have no access to arable land, 1.4 million that have no livestock (other than chickens), and 770 000 households that have neither. Notwithstanding the fact that most arable plots and most herds are quite small (on average 0.2 hectares and 2 large stock units), they make a critical contribution to the well-being of those households that have access to them, and especially so for the poorest households. Based on the 1993 SALDRU data, it is estimated that among the poorest 20% of households in former homeland areas having access to arable land, agricultural production contributed 35% of total (actual and imputed) income (LAPC, 1996). Moreover, as Ardington has shown (1988), poor households in particular rely on selling livestock to offset financial crises.

To a large extent, lack of land and livestock is a function of the overcrowded conditions that obtain in the former homelands, which in turn are the result of the land conquest practised by the colonial and apartheid governments. Shackleton, Shackleton, and Cousins (1999), have shown that beyond 'conventional' land-based products such as grains, vegetables, meat and milk, are many other valuable products that can be harvested or derived from the land, and which people who may not have their 'own' land may nevertheless access on the commons. However, given the great number of people that depend on the commons, land resources are typically insufficient to mitigate widespread poverty.

Second, formal sector employment opportunities are scarce in many rural areas. Mention was made above of the rapid decline of farm employment, which accounts for almost one third of all rural employment opportunities. Many mine workers retrenched in the past five years are also remaining in or returning to rural areas. Other conditions that exacerbate poverty - and thus the experience of persistent poverty - in rural areas, is the lack of infrastructure and poor quality of services, the relatively low levels of education, the high number of single-parent households, and relatively poor opportunities to engage in non-agricultural self-employment.

As a very crude first approximation to the amount of chronic poverty in rural areas across the country, we can take Roberts' (2000) figure that 30% of rural African households are chronically poor, together with the fact that there are roughly 3.3 million rural African households country-wide, to say that approximately 950 000 African households are chronically poor. If we add in coloured households, and make a reasonable adjustment in light of the fact that coloured households are less apt to be poor by a factor of 40%, then the total figure comes to about one million households.

### 3.4.2 Female-headed households

From OHS 1999, 42% of all African households, i.e. 2.7 million, are female-headed. By and large, these can be considered single-parent households, though they may occasionally receive

remittances from absent males. In 35% of these households, the household head is the only adult (18 years and older) in the households. Around 17% are so-called 'granny households', i.e. the female household head is the grandmother rather than the mother of the children in their care.

The reasons for which female-headed households have a high probability of being stuck in chronic poverty are numerous. The most obvious reason is that many female-headed households rely only on the income of the mother, meaning, *ceteris paribus*, that adult equivalent expenditure is likely to be low. This presumes the female household head has an income, which she may not. She may rely mainly on child support grants from government, or on intermittent remittances from relatives or gifts from benefactors. As likely, the household head does have some form of employment, but there is a good chance that it will be self-employment or employment in the secondary labour market, meaning a low level of remuneration. Many heads of female-headed households find it difficult to pursue better employment opportunities because they must look after their children, because they do not have access to a crèche, cannot afford one, and do not have a family member (e.g. mother) who can oblige.

From the data provided by Roberts (2000) on the share of chronically poor households that are female headed, we can deduce that, among Africans, roughly 28% of all female-headed households are chronically poor. Using the same sort of province-by-province adjustments used for rural households as mentioned above, this brings us to a very approximate national figure of 767 000 African female-headed households that live in chronic poverty. Obviously, many of these households are the same as those indicated above as chronically poor rural households. Moreover, this does not tell us anything about the incidence of chronic poverty among white and coloured single-parent households. A very rough estimate is that around 250 000 female-headed households of all races are in chronic poverty in addition to those that are among the rural poor.

### 3.4.3 People with disabilities

According to the 1996 census, 2.7 million people in South Africa have disabilities, of whom about 41% are sight disabled, 21% are physically disabled, and 14% are hearing disabled (Stats SA, 2000a).<sup>18</sup> Of these 2.7 million people, 1.6 million are adults between the ages 20 and 65.

Disabilities can vastly reduce one's chances of obtaining a job, can impede one's pursuit of self-employment in the informal sector, and can also impose medical and other costs that one would not otherwise have to bear. Of course, being disabled does not imply that there are not other household members who earn decent incomes.

Surprisingly, data from the 1996 census show that there is not such a strong link between disabilities and unemployment. The unemployment rate for Africans with disabilities, for

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<sup>18</sup> As Stats SA points out, the term "disability" can mean different things to different people as well as to different governmental statistics agencies, as clearly shown by the fact that official statistics for Australia indicate that 23% of all Australians have disabilities. For the purposes of the 1996 census respondents were asked whether any household member had a "serious sight, hearing, physical, or mental disability". One problem noted is that the census did not cover residents of institutions, including those that exist specifically to serve people with disabilities (Stats SA, 2000a, p.73).

example, is 45.3%, which is only marginally above the unemployment rate (broad definition) for Africans for that year of 42.5%. Likewise, for coloured people with disabilities, the unemployment rate is 26.7%, versus 20.9% for all coloured people. Moreover, the occupational profiles of the disabled are not very different from those for the general population. If we focus on the roughly 3% of disabled Africans and 6% of disabled coloured people that might have been employed in the absence of their disabilities, then this implies around 38 000 people who one might surmise are 'structurally' unemployable.

The plausibility of this figure can be assessed by examining the issue from a slightly different perspective. From OHS 1999, we can discern that around 4.6% of all households are headed by disabled people. If we compare, say, the incidence of self-reported household hunger between these households and all other households, it is clear that households where the head is a disabled person tend to be more deprived. First, of those households having a child that is 6 years or younger (about 40% of both categories of households qualify), one third of the households headed by a disabled person lacked sufficient money to feed that child in the previous year, while this was true of one fifth of the households headed by non-disabled people. Similarly, households headed by disabled people have experienced hunger (i.e. for any household member) 27% of the time, versus 16% of the time for other households. A crude inference is that about 11% of disabled-headed households face hunger at least in part due to the status of the household head. This works out, remarkably enough, to 38 000 households. We speculate furthermore that these households are chronically poor in the sense that the circumstances that maintain them in poverty are not easily changed, be they the personal attributes of the household head, or the social forces that limit the opportunities available to disabled people generally.

This figure of 38 000 households might appear remarkably small relative to some of the other figures mentioned above. The reason may be that, because the incidence of joblessness and poverty are so extremely high, being disabled is in a sense superfluous, though it may well make one's poverty worse. In other words, this is an attempt, however crude, to place a figure on the number of households that are chronically poor *because* of the disability of the household head, which is not at all the same thing as a figure purporting to show how many chronically poor households are headed by a disabled person. In addition, it should be borne in mind that our figure does not capture households that may be mired in poverty due to the high costs (in time or money) of providing care or support, say, to a disabled family member other than the household head.

#### 3.4.4 The elderly

Elderly people are a specific concern in terms of poverty especially if, like the disabled, they must fend entirely for themselves and for dependants. Many elderly people who do not have others on whom to rely for support, do receive old age grants, but it is clear from Roberts (2000) that these grants are in no way sufficient to keep a household out of poverty. In other words, the widespread allocation of old age grants is not an indication that there are no chronically poor households effectively headed by elderly people.

The problem with the concept of chronic poverty when considering the elderly is that one does not expect the elderly to improve their circumstances by means of finding gainful employment.

Thus to the extent a poor elderly person manages to escape his or her state of poverty, it would generally be because her household circumstances have changed, for instance a daughter or son has found a good job, or some kind of financial burden has been removed.

As with the disabled, we cannot look to the papers based on the KIDS data for guidance as to what share of the elderly might be in chronic poverty.<sup>19</sup> We therefore attempt a similar exercise to that used for the disabled above, i.e. we look at households where the head of household is elderly (arbitrarily defined as 65 years or older). Extrapolating from OHS 1999, some 4.2% of households might belong to the category of being poor by virtue of being dependent on a low-earning or non-earning elderly person, or 378 000. Of course, many of these will be included amongst the other categories already considered, such as female-headed and rural households.

### 3.4.5 Retrenched farm workers

As mentioned above, one of the critical factors contributing to households' vulnerability and lack of opportunity, is social exclusion. Bekker *et al.* (1992) argue that one group particularly susceptible to social exclusion is former farm workers. The reason is that, having been retrenched, farm workers are usually evicted from the farms where they have resided. Many retrenched farm workers were in fact born and raised on the farm from which they are eventually ejected; thus they have no 'roots' elsewhere to which to return. (In principle these types of evictions should have ended with the Extension of Security of Tenure Act Bill of 1997, but in practice this has often not been the case.) Retrenched farm workers are thus severed from their existing social network - e.g. other farm workers in the immediate area - and forced to settle, typically with little or no savings or other capital, in townships, squatter settlements, or in communal areas. Some attempt to switch to seasonal agricultural employment, as other employment prospects may be even poorer, given the non-transferability of farm workers' skills.

Agricultural employment peaked around 1968-1970 at over 1.6 million, of whom 99% were African, coloured, or Indian (Department of Agriculture, 1995). It is not possible to say how many of these were regular, and how many were seasonal or casual workers. Very likely around 8%-15% were casual or seasonal, and the rest regular. For 2000, the total number of regular farm workers was around 580 000, implying a decline over the past three decades of some 860 000. It is impossible to say how many of these would have been retrenched, as opposed to retired, died, or left farm employment voluntarily. Also, the fact that there are around 860 000 fewer regular agricultural jobs does not necessarily imply that as many fewer families are employed in agriculture, as some of those retrenched or leaving through some other means, may have been male and female partners. As a conservative guess, we might conjecture that over this period, some 300 000 to 600 000 households lost employment and their residences through the process of farm retrenchments.

### 3.4.6 AIDS orphans and households with AIDS sufferers

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<sup>19</sup> Roberts (2000) reports the mean age of household head by poverty category, but this is not sufficient for our purposes.

AIDS orphans are defined by UNAIDS as children under the age of 15 who have lost their mother or both parents to AIDS. The number of AIDS orphans is set to rise as South Africa's high HIV prevalence rate among adults translates into a higher prevalence of AIDS and then AIDS deaths. UNAIDS estimates that as of the end of 1999, there were around 371 000 living AIDS orphans in South Africa (UNAIDS/WHO, 2000, p.3), while 50 000 AIDS orphans have already died (presumably from AIDS but also other causes, as HIV negative AIDS orphans have a higher-mortality rate than non-orphans). The Metropolitan Life model estimates that by 2005 there will be 920 000 AIDS orphans in South Africa, and by 2010 there will be roughly two million (reported in Whiteside and Sunter, 2000).

By contrast, according to the 1996 census, the total number of motherless orphans 14 years and younger in the country was about 400 000. This figure is presumably inclusive of AIDS orphans of that time, but at any rate the number of AIDS orphans will soon account for a very large increase in the total number of orphans in the country.

Left untreated, adults who become infected with HIV develop symptoms of AIDS within 6 to 8 years, and most die within 10 years. Treating HIV to delay the onset of AIDS and opportunistic infections, will mean a longer life, but in the absence of government support, this will generally be affordable only to those who are relatively well off. For everyone else, the economic effects of the infection will mainly occur when one develops AIDS, after which one might live another 3 or 4 years, on average. During this period, the economic effects on the AIDS sufferer and his or her family, can be devastating. Notwithstanding the fact that many people living with AIDS will not survive beyond the 5-year timeframe used (by default) in this paper to define chronic poverty, a fair number will, and their chances of emerging out of poverty under such circumstance are remote. A study of urban households in Côte d'Ivoire, for example, showed that the average decline in household income when a household member becomes ill with AIDS is 52% to 67%. Household health expenditure quadruples, and food consumption declines by 41% (UNAIDS, 1999a). Moreover, households with one or more members suffering from AIDS may endure the impoverishing effects of the disease well beyond the deaths of those members, not least because they may have divested themselves of all of their assets in order to pay for health care.

Presently, there are an estimated 200 000 adults in South Africa living with AIDS, and it is estimated that in 2005 and 2010 there will be 500 000 and 850 000 South Africans with AIDS, respectively (Health Systems Trust, 2000)<sup>20</sup>. Assuming very crudely that on average half of those households with an AIDS sufferer have two members infected rather than one, there might be 375 000 and 640 000 different households directly affected in these two years, respectively. Because of the well-noted link between poverty and the incidence of AIDS, it is likely that the vast majority of those households affected by AIDS will be further impoverished by it. Some share of these households, however, would presumably have counted among the chronically poor even in the absence of the illness.

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<sup>20</sup> The Health Systems Trust reports projects AIDS cases under best and worst infection scenarios. For 2005, these are, respectively, 497 000 and 535 000, for 2010 they are, respectively, 805 000 and 932 000. For our purposes, we use intermediate figures from each range.

### 3.4.7 Cross-border migrants

Refugees, asylum seekers, and undocumented migrants face particular kinds of exclusion and deprivation in South Africa. The vast majority of these people are from the immediately neighbouring African states seeking economic opportunities, though asylum seekers are more likely to come from other countries as well. Some migrants indeed manage to improve their circumstances significantly over what they left in their country of origin, particularly those with entrepreneurial skills (CASE, 1998).

The number of undocumented migrants is by definition difficult to gauge. Estimates range from 250 000 to 8 million (National Population Unit, 2000; CASE, 1998). If the trend observed among visa-overstayers is any indication, of whom there were an estimated 800 000 as of 2000, then 70% to 80% have probably arrived in South Africa since 1994.

Undocumented migrants tend to be vulnerable because they are poor in the first place, but also because of their undocumented status, which makes them ripe for exploitation of various kinds. The Refugee Research Programme (RRP) of Wits University has studied undocumented migrant farm workers in Northern Province and Mpumalanga, and found that relative to their South African counterparts, they are likely to be paid less (many work only for food) and have frequently interrupted employment spells. Stories abound of immigrant workers who on the day before they are to receive their monthly wages, are suddenly discovered by the police and deported (CASE, 1998). The use of child immigrants as farm labourers is also widespread, and includes both children of immigrant farm workers, and children who have come to South Africa alone in search of work, often because they are themselves AIDS orphans (RRP, 2000). The Department of Labour's own research (2000) corroborates that commercial farmers often prefer migrant workers over local people mainly because they perceive migrant workers to be more "obedient". The study found that of 13 519 farm workers on commercial farms north of the Zoutpansberg in Northern Province, 70% are undocumented migrants.

That these individuals and families can be described as chronically poor is in little doubt. However, it is impossible to venture an intelligent guess as to how many of the alleged 2 to 8 million undocumented migrant workers generally, are in similar circumstances to those that work on farms.

### 3.4.8 The 'street homeless'

'The homeless' is an amorphous category. This is particularly so in South Africa due to the fact that there exist hundreds of thousands of people living in informal squatter settlements who do have homes, but whose homes are obviously very unsatisfactory. More than 100 000 of these are members of the Homeless People's Federation. Many are former farm workers, as discussed above. Many are wage earners in urban areas who cannot afford decent housing there, and for whom the costs of commuting into and out of the city are a significant burden. Their solution may be to pay rent in overcrowded flats in urban slums (Lund, 2001).

Those homeless living 'on the street' would appear to be a somewhat different category, though there may not be a clear line separating the two. These people, who are often referred to as the 'street homeless', are typically lone individuals or children rather than family units, and have

severed or lost ties with social networks they may once have had (van der Merwe *et al.*, 2001). The street homeless frequently ascribe their situation to some sort of personal tragedy, such as being put in prison for a petty crime, suffering post-traumatic stress disorder due to army service, losing a loved one, or being subjected to sexual or physical abuse. The precipitating event is then often compounded by use of alcohol and drugs, and/or rejection by parents and other family members. Unlike those living in squatter camps, the street homeless are racially diverse, and are not infrequently from middle class or lower middle class families. Many of the street homeless shun missions and homeless shelters, because they do not wish to, or are not able to, conform to their rules.

The October Household Survey does not pick up the street homeless by virtue of the fact that they do not have identifiable households. However, Olufemi (2000) estimates that there are some 3 million homeless people in the country, versus 8 million shack dwellers. However, Olufemi also states that there are around 7 500 street homeless in the Johannesburg inner city (of whom 1100 are children), and 900 in Cape Town. That these figures are so low relative to the national figure of 3 million, may suggest that the latter figure is too high. In her survey of street homeless women, Olufemi finds that 8% are migrants, presumably mostly undocumented.

As for other categories of people that may sometimes be called homeless (e.g. shack dwellers), these are not considered here to be a distinct category of poor people for the purposes of this report, though many belong to one of the other categories identified, e.g. retrenched farm workers.

#### 3.4.9 Putting the picture together

As a final step, we assemble the numerical estimates generated above, and attempt to arrive at a national total figure for chronically poor households and individuals. The purpose is not to promote an invidious debate as to which is the most deprived group, but rather to provide some sense of the overall scope and composition of chronic poverty in the country. It must be stressed that this exercise purports to provide no more than rough order-of-magnitude estimates, and is subject to a number of pitfalls. First, the category-specific estimates upon which it relies are themselves tenuous. Second, we move away from a rigorous definition of chronic poverty as was used by Roberts and by Carter and May, to a relatively fuzzy notion of vulnerability or susceptibility to being chronically poor. And third, the categories are obviously over-lapping, and yet the degree of this over-lap is not easy to establish. The degree of over-lap is ascertainable among some of the categories on the basis of survey information (i.e. rural, elderly, and female-headed), but not all and not with a great degree of accuracy.

Bearing these caveats in mind, the table below ventures estimates for individual categories as well as in aggregate, where the latter attempts to adjust for overlaps among the other categories. The two columns on the right-hand side include projections about individuals and households affected by AIDS, for the purpose of adding some perspective as to the growing relative significance of AIDS in the future. No projections are ventured for other categories of people or households susceptible to chronic poverty, which is not to say that there are not any.

Table 3-11: Preliminary estimates of numbers of chronically poor households and individuals, with base year = 2000

<i>Category</i>	<i>Households</i>	<i>Individuals</i>	<i>2005</i>	<i>2010</i>
Rural poor	1 000 000			
Female-headed	767 000			
Disabled	38 000			
Elderly	378 000			
AIDS orphans		371 000	1 000 000	1 900 000
AIDS families	60 000		320 000	540 000
Fmr. farm workers	300 000 - 600 000			
Migrants		250 000 - 500 000		
Street homeless		20 000 - 100 000		
Total	1.6 - 2.1 million	641 000 - 971 000		

According to this reckoning, at least 18% to 24% of all households are presently living in chronic poverty or are highly susceptible to chronic poverty. In addition, by 2010, AIDS may contribute to the chronic impoverishment of 26%-33% additional households, i.e. bringing the total share of chronically poor households to a minimum of 24% to 30%. This does not seek to take into account the indirect effects of AIDS on communities, such as diverted health care resources and the burden of caring for AIDS orphans.

### 3.5 Summary

This section had four main goals. First, it sought to review the recent work on chronic poverty based on the KwaZulu-Natal Income Dynamics Study (KIDS) data set. This work established that around 19% to 22% of African households in KwaZulu-Natal are chronically poor, in the sense that their per adult equivalent expenditures were below the poverty line in both 1993 and 1998. Second, the section attempted to highlight the singularly important role of employment and unemployment, in part in relation to the KIDS data, but additionally in respect of longer term trends in formal sector employment, the relative growth of the secondary labour market, and informal sector employment and self-employment. One finding from the literature is that transitions into and out of poverty are closely related to changes in employment states. Third, the section surveyed the South African literature on the non-income and experiential aspects of poverty, on the premise that these may also persist over time, and/or contribute to the persistence of income poverty, even in terms of inter-generational poverty. These aspects included vulnerability, migration patterns and gender roles, crime and violence, and lack of voice and social exclusion. And fourth, the section sought to single out different categories of people especially susceptible to chronic poverty, and to venture rough estimates as to how many such people there are in each category as well as in aggregate. One important observation resulting from this

exercise is that chronic poverty is not dominated by people who are hindered from gainful employment by old age or disability. Rather, the majority of the chronically poor could be described as people who are able and willing to work, but for whom there are insufficient appropriate opportunities.

## 4. Government and civil society interventions

### 4.1 Introduction and overview

This section presents a survey of existing governmental and civil society measures to address the situation of the poor and, by inference, the chronically poor. The primary aim of the survey is descriptive, but where possible we offer a cursory assessment of the efficacy and sufficiency of these measures.

The strategy of the section is to focus in turn on two broad types of interventions that impact on the poor and chronically poor. First, we survey interventions with a 'social security' or 'safety-net' objective, that is, to cushion people against the effects of poverty. Foremost here is the government's system of social security grants aimed at specific groups of vulnerable people, but civil society interventions are also critically important in this regard. And second, we survey developmental initiatives, meaning attempts to assist poor individuals, households, and groups, improve their circumstances in the short or medium-run. The majority of these latter initiatives involve training and capital investments in order to launch income-generating projects or to boost the SMME sector.

One over-arching finding from this preliminary survey, from both a perusal of relevant documents as well as discussion with key informants, is that 'chronic poverty' does not figure as a distinct category among South African institutions and officials working on poverty and poverty-related initiatives. While there is casual mention of 'poverty traps', it does not serve as an organising theme or suggest particular kinds of interventions. Nonetheless, broadly speaking we can think of social security measures and development initiatives as both having a close relationship to the concept of chronic poverty. South Africa's social security system, as will be shown, has become less of a net devised to catch an unfortunate few in times of temporary distress, than a major commitment to help a large fraction of the population over a sustained period. Absent are the vituperative public and government debates about how to pry people off the welfare rolls, and implicit is the recognition that government in particular must support some people over a long period of time.<sup>21</sup> Similarly, the gathering developmental impetus to provide people skills and other means to better their circumstances, as exemplified in the new 'developmental welfare' approach introduced with the 1997 *White Paper for Social Welfare*, can be understood as an attempt to help people escape their poverty traps. However, this is not to say that chronic poverty as such is implicitly well understood, nor that the mechanisms are in place to combat it effectively. On the contrary, what is still largely missing is a recognition that, amongst the poor, there is a sub-category of people who for various reasons have particularly poor chances of escaping poverty, not least because they are less able to take advantage of whatever opportunities - including these same government programmes - may come their way. Recognition of this heterogeneity among poor households and individuals might result in different types of anti-poverty measures, or different strategies for executing existing anti-poverty

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<sup>21</sup> Arguably, one reason this debate is absent is that the system offers relatively little to the working-age unemployed. Even so, proposals for a basic income grant have been met with little public opposition, suggesting a broad recognition that poverty is endemic and for many people enduring.

measures.<sup>22</sup>

Three important areas of government and non-government intervention are excluded from the present discussion. First, we do not examine infrastructure investments and the impact these may have on poor people's quality of life or economic opportunities. Second, we do not touch upon interventions that may have a longer-term impact on the nature of poverty and chronic poverty, such as education. And third, we largely ignore the vast number of legislative changes that have a bearing on people's rights or the rights of specific categories of individuals, such as women and the disabled, as well as various social work services that also seek to assist such groups. That these important areas have been excluded here should not imply that they do not merit close attention in any future research programme.

Within each of the two main types of interventions that we survey - that is, social security and developmental - we attempt to identify the distinct roles of various sectors: government, meaning collectively the national, provincial, and local spheres of government; private sector, by which we mean the benevolent activities of private companies, either individually through their separate programmes, or collectively through joint initiatives or in conjunction with government programmes; NGOs and CBOs, (non-governmental and community-based organisations, respectively); and faith-based organisations (FBOs). To a large extent, much of our information is scanty, and we are left with representative examples rather than accurate summary information.

This is particularly true for the activities of private companies, NGOs, CBOs, and FBOs, for which no comprehensive data bases exist that are suitable to our purposes.

Nonetheless, a summary of the main *types* of initiatives and programmes is presented in the following matrix (Table 4-1). The purpose of the matrix is to indicate the typical activities of each of the sectors in terms of social security and development. The table also ventures some extremely rough order-of-magnitude estimates as to the average annual expenditure associated with each sector for the main types of initiatives. (To avoid double-counting, for NGOs and CBOs, these estimated expenditure figures do not include what originates from the government or private sectors.) Although expenditure is not synonymous with impact, the figures begin to convey a sense of which sectors are and are not relatively significant in these two broadly defined areas of intervention.

Table 4-1: Typical poverty-related activities of different sectors<sup>23</sup>

	Government/ Parastatal	Private sector	NGOs and CBOs	FBOs
Social security	<ul style="list-style-type: none"> <li>• Social grants (i.e. old age, disability, etc.)</li> <li>• Subsidised health</li> </ul>	<ul style="list-style-type: none"> <li>• Occupational insurance (unemployment insurance, medical aid, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Community-based home-care, e.g. for orphans</li> <li>• Charities, child</li> </ul>	<ul style="list-style-type: none"> <li>• Soup kitchens</li> <li>• Health services</li> <li>• Shelters/ missions</li> </ul>

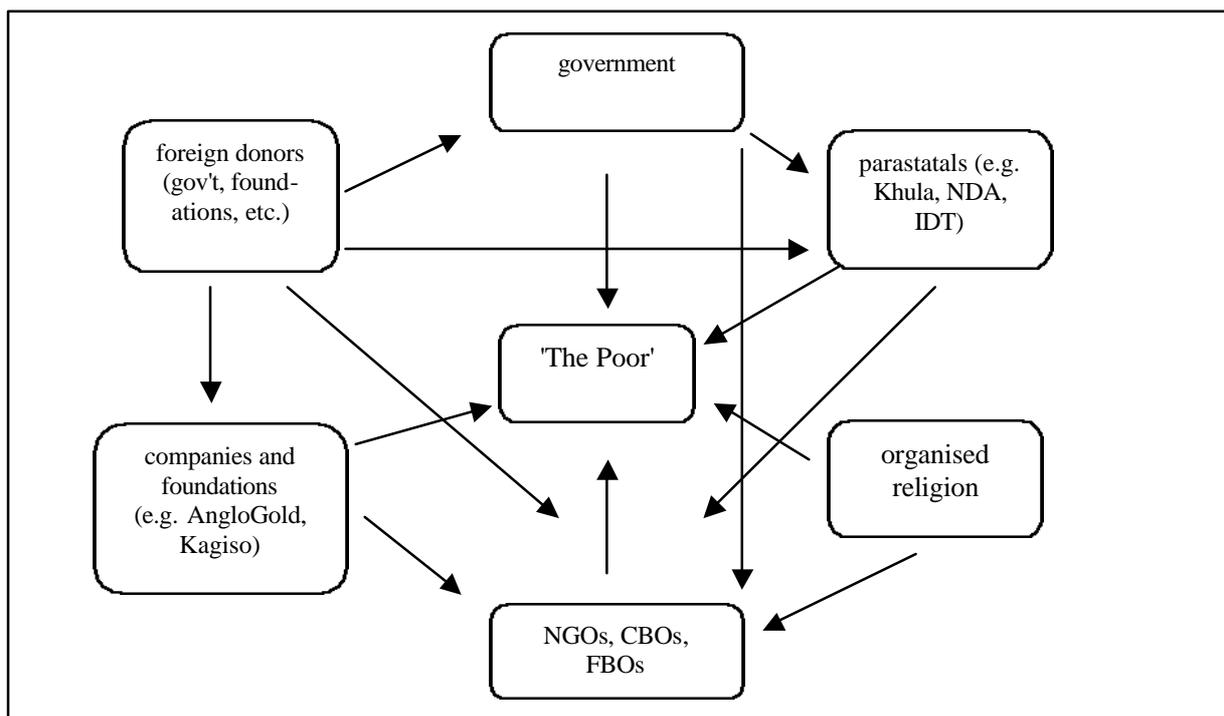
<sup>22</sup> There is admittedly some recognition of this heterogeneity, as shown for example in the attempts to target certain groups, e.g. rural women and the poorest geographical areas. However, it remains very crude. The issue of targeting is addressed in section 5.

<sup>23</sup> The assistance of Professor Anthony Asher in quantifying various categories is gratefully acknowledged. Note that the figures may or may not be inclusive of personnel costs, depending upon whether the benefit consists primarily of cash transfers or of services rendered. As of Oct. 2000, R1 bn was worth about £92 mn or \$134 mn.

	care <ul style="list-style-type: none"> <li>School feeding programmes</li> </ul> <i>[R48 - R50 bn]</i>	medical aid, etc.) <ul style="list-style-type: none"> <li>Grants for charitable causes, e.g. child welfare</li> </ul> <i>[R50 - R80 bn., of which R5-R10 bn to low-income hh's]</i>	welfare organisations, etc. <i>[R1 - R2 bn]</i>	<i>[R0.5 - R1.5 bn]</i>
Development and Job Creation	<ul style="list-style-type: none"> <li>Poverty Alleviation Fund</li> <li>SMME support</li> <li>Land redistribution</li> <li>Community-Based Public Works</li> </ul> <i>[R1 - R2 bn]</i>	<ul style="list-style-type: none"> <li>SMME investment and support</li> </ul> <i>[R0.2 - R0.5 bn]</i>	<ul style="list-style-type: none"> <li>SMME support</li> <li>Income generating community projects</li> </ul> <i>[&lt;R0.2 bn]</i>	<ul style="list-style-type: none"> <li>Income generating community projects</li> </ul> <i>[&lt;R0.2 bn]</i>

Of course, there are also numerous partnerships and funding flows between sectors in various initiatives. For example, many NGOs and CBOs that provide SMME support receive funding from government and the private sector. Put another way, government and large corporations often reach their target clients through the mediation of NGOs and CBOs. The business sector sometimes combines efforts with government through public-private partnerships, e.g. for provision of schools and other facilities. Indeed, it is important to appreciate these inter-relationships in order to understand how the poverty is addressed. The figure that follows is a simplistic attempt to capture this complex picture, where the arrows represent funding flows (Figure 4-1).

Figure 4-1: Funding relationships among sectors addressing poverty



## 4.2 Social security

### 4.2.1 The government's social security system

The South African government has a well established social security system which, in terms of its sophistication and the share of government resources it mobilises, is anomalous among middle-income countries (van der Berg, 1997). Much of this owes to the system's curious historical development. During the apartheid era, the two main pillars of the social security system were established to support whites, namely occupational insurance and social assistance. Occupational insurance involved business and worker-financed schemes, including retirement benefits, unemployment insurance, and workers' compensation, all eventually governed by statute and regulation. Social assistance, meaning mainly old age grants, disability grants, and child and family support grants, was introduced by government to cater to those who were not covered by occupational insurance, on a means-tested basis. Over a number of decades, benefits that were originally available only to whites were extended to coloureds, Asians, and Africans, but with benefit levels initially significantly lower for members of these other groups. However, because of the relatively low formal sector employment levels of Africans in particular, this gradual process of inclusion meant in aggregate that blacks started to capture an ever greater share of social assistance, while the importance of social assistance grew relative to that of occupational insurance. Old age pensions were not extended to Africans until 1944, but by 1990, 67% of all old age pension expenditure went to Africans (van der Berg, 1997). By 1993, parity of benefit levels was finally achieved between members of different races for the old age grant and disability grant (Lund, 1999).

However, there was one grant for which government reckoned parity would be unaffordable. This was the State Maintenance Grant (SMG), which was designed to assist women-headed households for a maximum, in 1996, of R700 per month, depending on the number of children and the extent of need. In 1997, there were some 150 000 recipient households of the SMG (Department of Welfare, 2000a), a figure that was disproportionately white and coloured due to involuntarily low uptake among Africans. Had the grant been available with full parity to all race groups, the total cost would have been an estimated R13.7 billion per year (Haarmann, 1999, cited in Zain, 2000), or 15 times the actual budget for the SMG for 1997. For this reason, the Department of Welfare (now the Department of Social Development) started reducing and phasing out the SMG in 1998, a process which was completed by March 2001. The SMG was replaced with the Child Support Grant, which offers a much more modest R100 per month per child under the age of 7.<sup>24</sup>

Table 4-2 below presents a summary picture of the government's social security grant system, for the year 1999/2000.

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<sup>24</sup> The cancellation of the SMG in favour of the CSG has been harshly criticised. One line of argument is that if not for the budget stringency imposed by GEAR, the state could indeed afford to offer the SMG to all deserving of it (Zain, 2000). Perhaps a more convincing criticism is that the cut-off age under the CSG of 7 years is too low. Partly in light of the initial flurry of criticism, the R75 per month per child originally proposed by the Lund Committee was raised to R100.

Table 4-2: Social security grants, 1999/2000

	budget (Rand million)	est. number of recipients	grant per recipient per month (Rand)
State maintenance grants	891	170 000	436
Child support grants	418	348 000	100
Foster care grants	268	57 000	394
Grants for the aged	10 202	1 635 000	520
Grants for war veterans	61	9 800	520
Grant-in-aid for carers of aged	10	8 300	100
Grants for the disabled	4 192	671 800	520
Care dependency grant	81	13 000	520
Grant-in-aid for carers of disabled	4	3 000	100
Social relief	61	not available	not applicable
Total	16 213	~ 2 916 000	not applicable

Source: Department of Welfare, 1999; Department of Social Development, 2000.

Note: Values are in general the maximum amounts that were available in that period, depending on the outcome of the means test. Most maximum grant levels have since increased or been scheduled for increase, e.g. the old age grant is due to increase to R570 per month in July 2001 (Department of Social Development, 2001b). As of January 2000, exchange rates with the pound and dollar were £1 = R10.05 and \$1 US = R6.12.

Some of these grants have a fairly broad coverage, particularly the old age grant, which is by far the most significant in terms of numbers of recipients and total budget. The Department of Welfare's 1999/2000 *Annual Report*, for example, indicated that 70% of the aged, 50% of those with disabilities, and 15% of children relative to a target of 30%, were covered by the system. A number of studies have furthermore established that the old age grant in particular is well targeted, in the sense that it reaches poorer households (though not necessarily the poorest), women, and rural areas (see e.g. Lund, 1999, for a concise summary). It is also clear that in the absence of the old age grant, many recipients and their dependants would be much worse off. The role of the old age grant in facilitating job search among working-age family members has also been alluded to, though the disadvantages associated with the formation of "granny households" has also been highlighted.

Relative to many other government programmes aimed at improving the lot of the poor, the social grant system functions and accomplishes what it is meant to accomplish. This is not to say that there are not criticisms of it. For example, concerns have been raised that the coverage of the disability grant is too limited, and that eligibility criteria are too subjective and poorly applied (e.g. Kimani, 2000). Another area of criticism includes the inconvenience of accessing pensions at pay-out points, the time delay in having new applications processed, the incorrect dropping of hundreds or thousands of grant recipients in the course of the ongoing re-registration process, and the weakness of attempts to make people aware of their eligibility to apply for grants,

especially the new CSG.<sup>25</sup> However, perhaps the most serious concern that can be raised with respect to the social grant system is its gaps. Specifically, non-disabled working-age unemployed people are not covered, and given the high rate of unemployment such people are very numerous. The rationale for an old age grant is that the elderly (60 years and older for women, 65 years and older for men) can not or should not be expected to work, and in the absence of adequate savings or support from family members, risk falling into desperate poverty. However, many individuals still in their working years find themselves in essentially the same position. South Africa has a high formal sector unemployment rate relative to most developed countries, and a scarcity of resources and opportunities for self-employment relative to many developing countries. A compelling - albeit counter-intuitive - argument is that young African and coloured men are in fact among the most socially and economically disadvantaged marginal section of the population, particularly so in the absence of a state-sponsored safety-net designed to support them (Asher, 2000).

Two other important types of social security assistance provided by the government, are subsidised health care and the Integrated Nutrition Grant (formerly the Primary School Nutrition Programme). While these are not categorised as social security by the government (and they emanate from other departments), they arguably belong to the same category. Health care in public health facilities is subsidised in different ways. First, there is free primary health care for all South Africans, meaning public health clinics provide certain services free of charge. In addition, there is free health care to pregnant women and children up to the age of 6. And third, health services and certain medications (e.g. light painkillers) are subsidised, including those provided through the public hospitals and clinics. Given that there is only modest cost recovery in the public health system, virtually the whole public health budget - R32 billion for 2000/01 - can be considered a form of social security assistance, mainly focused on poorer households. Of this, a relatively small amount, R582 million, is for the Integrated Nutrition Grant, which according to data from the 1999 October Household Survey, benefits roughly 45% of school children between the ages of 7-15.<sup>26</sup>

Notwithstanding the huge budget dedicated to the health care system, access to health care is still problematic in many cases. Poor rural people remain the most disadvantaged in this respect, in part because they are more likely to have to travel far to the nearest health facility and often have difficulty paying for transport; and in part also because they are sometimes unable to pay even the subsidised fees for medical attention, especially if it is an inherently costly procedure. Nonetheless, there is also survey information to demonstrate that significant improvements in access have been achieved since 1994, for example through the building of new clinics (Heath Systems Trust, 1999).

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<sup>25</sup> It needs to be noted that the increase in uptake of the CSG between 1999/2000 and March 2001, from 312 000 to 1.1 million (Department of Social Development, 2000b), is quite satisfactory, if not an indication of the intensity of the need for these grants.

<sup>26</sup> This figure could overstate the reach of the Integrated Nutrition Grant, in that the October Household Survey does not distinguish what food distributed freely at school is financed by the Grant as opposed to other sources. Moreover, it should be noted that the Integrated Nutrition Grant consists of a mid-morning snack, and does not aim to meet the entire nutritional needs of school-age children.

#### 4.2.2 Social security services provided through or by the private sector

The main form of social security provided through the private sector is 'occupational insurance'. Occupational insurance falls into four main categories: retirement benefits, unemployment insurance and severance, workers' compensation, and health benefits. Taking together *statutory* unemployment insurance (through the Unemployment Insurance Fund, or UIF) and workman's compensation, the total payouts for 1999/2000 were estimated to be R4.5 billion (Department of Finance, 2000).<sup>27</sup> The main limitation of UIF is that it only applies to people employed in the formal sector, and is gauged according to the level of one's salary while employed. Also, UIF benefits are available only to employees who have been enrolled, which until recently did not include full-time farm employees, and still does not include domestic workers, seasonal workers, and of course those in the informal sector. Benefits extend for six months following retrenchment, at a level of 40% of one's salary. According to the Labour Relations Act of 1995, on termination of one's employment one is entitled to a severance package of not less than one week's pay for each year of continuous service, based on the rate of remuneration at the time of dismissal.

Life assurance and medical aid schemes are of course large industries in South Africa, and the total annual value of benefits paid out through them is on a par with if not greater than the government-financed social security system. These benefits do not however accrue in large measure to the poor, and are also skewed in terms of race. For example, notwithstanding the fact that white households comprised only about 16% of all households in 1995, they accounted for almost two thirds of all personal insurance cover in that year.<sup>28</sup> This is not to cast aspersions on the life assurance and medical aid industries, but rather to point out that they contribute in only a modest way to buffering the poor against worse hardship. In other words, the figures in the top row of Table 4-1 should be interpreted with great care. It should also be noted that both statutory and non-statutory occupational insurance are financed primarily through members' own contributions.

The relative unimportance of both statutory and non-statutory occupational insurance to the poor, is underscored by a recent study of how unemployed people survive (Erasmus, 1999). Of the almost 2000 unemployed respondents, 81% indicated that they survived by means of depending on some sort of assistance or transfer, but 63% of these people depended on assistance from a resident family member, 32% depended on remittances, and 5.1% relied on begging. By contrast, only 4.3% and 1.8% depended at all on the UIF or the workman's compensation fund, respectively, and no mention was made of any sort of non-statutory benefit. For African respondents, dependence upon the UIF and the workman's compensation fund was 3.3% and 1.2%, respectively. The implication is that occupational insurance mechanisms do not play a large role in providing sustenance to the unemployed. This serves to emphasise the point made above about the gaps in the social security system. Combined with what was reported above about the extent of unemployment, the high incidence of people who have never been

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<sup>27</sup> The Department of Finance also reports that the payouts for the Accident Road Fund in 1999/2000 was around R2.1 billion. The Road Accident Fund is supported through a special levy on petrol and diesel.

<sup>28</sup> Based on data from the Income and Expenditure Survey of Stats SA, 1997. Unfortunately, more up-to-date statistics are not available.

unemployed, the predominance of involuntary unemployment, and the average duration of unemployment, it is not surprising that occupational insurance mechanisms play a relatively minor role among the unemployed, and by extension a large fraction of the poor.

Apart from occupational insurance mechanisms, the private sector offers philanthropic programmes that complement government's efforts to provide poverty relief. For example, in recent years AngloGold has financed the building of health clinics in areas where retrenched mine employees reside. The Nelson Mandela Children's Fund relies on corporate and individual gifts to finance projects having to do with direct services to children, and approved disbursement of just less than R17 million for 2000.

It is difficult to estimate the sum total of these efforts, not least because there is no data base of such gifts.<sup>29</sup> A very rough guess is that total South African corporate gift giving runs at between R0.5 and R1 billion per year. For sake of argument, suppose that about one third of this falls into the category of promoting social security (with the other two thirds roughly divided between education and development projects). Much or most of this amount, of course, is funnelled through NGOs and CBOs. It may be very significant for those individuals or households that happen to benefit, but in cash terms it is trivial relative to the social security role played directly by government. Where such initiatives may have a disproportionate impact, however, is where they combine funding with technical expertise in collaboration with government, e.g. to improve service delivery. This for example is one of the key strategies of the National Business Initiative, which pools resources from 181 South African and foreign companies, and often develops partnerships with national and provincial government departments around specific initiatives.

#### 4.2.3 Social security services provided by NGOs, CBOs, and FBOs

As with corporate gift giving, there is no data base indicating the total expenditure or total number of people reached by NGOs, CBOs, and FBOs. We therefore attempt to interpolate the magnitude of the collective role of these entities from the few bits of information that we can assemble.

One source of information comes from Dangor (1997), who reported that in 1994, the Development Resources Centre estimated that South Africa had 54 000 non-profit organisations. Other estimates reported by Dangor range from 45 000 to 80 000. The Centre also estimated that the amount of money which "circulated through the sector" each year was in the order of R10 billion. This is a staggering figure, representing 4.7% of GNP for that year. Even if this is true, however, it is difficult to know what it means. For one, presumably the vast majority of this is for salaries and operational expenses such as rent and telephones. How much might be left over for, say, transfers or service provision to poor people, is in any event impossible to say. Among the 108 non-profit organisations that the Centre surveyed in 1996, 46% indicated that their primary activity was education, whereas job creation was the primary activity for 27%. Of course, to

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<sup>29</sup> The Southern African Grantmakers Association (SAGA), in 1998 published a *Donor Directory* of just over 300 South African and multinational companies and foundations which extend grants to community projects and other initiatives. Unfortunately, only 70 of these disclosed their expenditure (combining to R242 mn for 1998), and these are not broken down according to specific fields (e.g. health, training, community projects, etc.).

extrapolate from these 108 organisations to the 54 000 that were estimated, would be rather hazardous.

The Department of Social Development maintains a data base of non-profit organisations (NPOs) which must, by law, register with it. The data base presently includes over 1200 organisations, but little information is provided about activities, level of funding, etc. A large number of those listed are day care centres and religious organisations, suggesting a mix of what we are calling NGOs, CBOs, and FBOs.<sup>30</sup> Interestingly, some of the others are group-based income generating projects which formulated themselves as NPOs so as to be eligible for government funding for such projects (see section 5.2.3).

Whatever the funding to NGOs, CBOs, and FBOs used to be prior to 1994, it is generally agreed that it is far less now, as foreign donors have reduced their funding to these organisations in favour of direct support to government. Dangor reports that in 1991, the total funding through the three largest "conduit agencies" - Kagiso Trust, the South African Catholic Bishops' Conference, and the South Africa Council of Churches - was R436 million. By the late 1990s, the funding to Kagiso from some of its main international donors had dropped by 90%. In 1999/2000, foreign government donors contributed R760 million to the South African government, of which R350 (46%) was for the RDP Fund, and the rest was in-kind "technical cooperation" (Department of Finance, 2000). It is likely that foreign donors' collective contribution to the NGO/CBO/FBO sectors, is considerably less than this. Of course, NGOs, CBOs, and FBOs also have other sources of funding to draw on, but these are equally difficult to quantify. One lifeline that has been held out to NGOs and CBOs is from the National Development Agency (NDA), a parastatal set up to finance them using government and donor resources. In 2000, the NDA was allocated about R100 million for this purpose. Much of the R200 million budget voted to the Department of Social Development for direct welfare services, is also spent via NGOs and CBOs.

None of this information helps us discern the magnitude of resources funnelled through NGOs and CBOs that is specifically for social security purposes. Moreover, there is more to assisting poor households than spending money. Some information can be gathered from the same HSRC survey mentioned above. Of the 81% of unemployed respondents that depend on transfers or gifts for income support, 2% mentioned support from a charity or a church. Of course, this may understate the role of charities and churches in providing in-kind support to poor people, for example through soup kitchens and homeless shelters. Overall, this remains an under-researched area.

Apart from soup kitchens and shelters, about which we have very little direct information, perhaps the most important areas in which the non-government, non-corporate sector contributes to social security, is through the health facilities provided by FBOs. However, whereas in the past most hospitals serving South Africa's rural areas were sponsored by churches and religious organisations, many of these have closed down or have been absorbed into provincial health departments. The majority of the remaining FBO-related health facilities draw the bulk of their

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<sup>30</sup> The distinction between NPOs and private sector entities is also fuzzy. For instance, the National Business Initiative is technically an NPO, but given the manner in which it was created and is budgeted, has a greater affinity (for our purposes) to the private sector.

funding from the government (Health Systems Trust, 2000). Thus the amount of additional resources provided by FBOs in this area is also not as great as it used to be, though it is also difficult to quantify.

In summary, our information about the aggregate role of NGOs, CBOs, and FBOs in providing social security-type benefits or services, is very poor. Our shaky, indirect evidence suggests that, relative to government, these organisations play a small but important role in this particular area. However, this may change in the next few years. One area where there may be a significant increase in social security-type services, is in the area of community-based care, as for AIDS orphans and AIDS sufferers. An example is Tateni Home Care Services in Mamelodi (UNAIDS, 1999b), which may be the most viable model for dealing with the growing health care crisis associated with HIV/AIDS.

### **4.3 Development and job creation**

#### 4.3.1 Government-led schemes for development and job creation

We describe here four initiatives launched by government in order to increase people's incomes through job creation or asset redistribution: first, we describe the Poverty Alleviation Fund; second, we examine the Flagship Programme for Unemployed Women With Children Under Five Years; third, the government's broad strategy for supporting the SMME sector; and finally, the land redistribution programme and the Integrated Sustainable Rural Development Strategy. This list does not exhaust all that the government is doing by way of fostering development and creating jobs, but it represents some of the more important initiatives, and conveys a useful idea of how government is faring in this important area.

##### 4.3.1.1 The Poverty Alleviation Fund

The first of these is the 'Special Allocation for Poverty Relief, Infrastructure Investment and Job Summit Projects', or simply the 'Poverty Alleviation Fund' (sometimes also referred to as the 'Poverty Relief Programme'). As the name suggests, the purpose of the Fund is broader than just job creation, but job creation remains the main thrust. The Poverty Alleviation Fund initially took over the remaining RDP funds, but in 1998/99 was capitalised by the central government with an additional R598 million, or 0.35% of the total non-interest government budget for that year. Part of the original thinking around the Poverty Alleviation Fund was apparently to balance the impact of GEAR, not least in terms of public perceptions that were hostile to GEAR and to the closing of the RDP Office. Indeed, the Poverty Alleviation Fund continues to be very popular with politicians. In October and November 2000, for instance, just prior to the local government elections, there was a sudden flurry of news stories about launches of projects financed through the Fund, despite the fact that the Fund had already been around for a few years.

The way the Fund works is that national government departments are invited to submit proposals ("business plans") to the Department of Finance (now the National Treasury), which makes

recommendations to Cabinet. The process is independent of departments' normal budgeting cycle, in part because the departments are meant to be requesting money for functions that they would not otherwise perform or have not traditionally budgeted for. Indeed, one of the original stated rationales for the Poverty Alleviation Fund was to "assist provinces in re-orienting their services to the poor" (Department of Finance, 2000).

In the event, the Poverty Alleviation Fund has had successes and some failures. One major problem has been the slowness with which allocations were officially finalised to respective departments. In 1998/99, for instance, the allocation was only made in November, leaving less than 5 months in the fiscal year. R480 million out of the R598 million were unspent and then rolled over to the following year, at which time they were boosted by an additional R1 billion as a result of the Presidential Job Summit. Roughly the same amount was rolled over the following year as well (IDASA, 2000).

It is difficult to say how effective spending from the Poverty Alleviation Fund has been in terms of the Fund's objectives. Some of the departments to which resources from the Fund have been allocated have reportedly made significant accomplishments, notably the "Working for Water" programme managed from the Department of Water Affairs and Forestry, and the Community-Based Public Works Programme managed by the Department of Public Works. These two accounted for more than half of the Fund for 1999/2000. However, the allocation to the Department of Welfare of R204 million in 1998/99, went almost entirely unspent, and was the source of an Auditor General's inquiry as well as a great deal of public controversy. The Department of Welfare sought to compensate for its lack of management capacity by forging an alliance with the Independent Development Trust, a parastatal. While this does appear to be solving some of the problem, the move in itself reveals a major weakness of the Poverty Alleviation Fund, namely that many government departments lack the capacity to make effective use of it. A second problem often linked to the Fund is that, by virtue of the apparently *ad hoc* manner in which the Fund is allocated among different departments' business plans, it does not form part of or contribute to a "coherent, systematic and integrated poverty reduction strategy" (IDASA, 2000, p.3). More will be said about the project-oriented approach in a later section. The poverty impact of the Poverty Alleviation Fund is presently the subject of a thorough external evaluation.

#### 4.3.1.2 The Flagship Programme for Unemployed Women With Children Under Five Years

As mentioned above, developmental programmes launched under the auspices of the Poverty Alleviation Fund or in terms of departments' normal line functions, tend to be targeted in a very general way. The most common approach in fact is to concentrate resources in the poorest provinces, or to establish project approval guidelines that emphasise the desirability of reaching women or people in rural areas. One important exception to this is the Department of Social Development's 'Flagship Programme: Developmental Programmes for Unemployed Women with Children under Five Years'. The Flagship Programme was introduced in the 1996/97 budget year, as part of the Department of Social Development's 'Developmental Social Welfare Services', which collectively absorb roughly 8% of the Social Development Budget. The allocations to the Flagship Programme were R3 million for 1996/97, R1.6 million for 1997/98, R2.7 million for

1998/99, and R1.6 million for 1999/2000 (Department of Welfare, 2000b).

The interesting feature of the Flagship Programme, as the name suggests, is the specificity with which it is targeted. The decision to create such a specialised programme evolved from the observation that women-headed households are very apt to be poor, with dire consequences for their children. Being unemployed and living in a rural area further exacerbate this trend, placing unemployed single mothers at particularly great 'risk', and in great need of assistance to become self-reliant (Department of Welfare, 1996). While this does not amount to saying that the Department of Welfare identified this group as especially susceptible to chronic poverty, it is very close, i.e. a conjunction of personal characteristics and environmental factors that conspire against the likelihood of lifting oneself out of poverty.

The overall design of the Flagship Programme is that the Department of Welfare (Social Development) assumes responsibility for overall management, while provincial welfare departments must identify pilot projects in their respective areas. The initial target number of projects was 20 projects overall. Provinces failing to spend their apportioned shares would forfeit the funds back to the kitty. Five years later, it is somewhat difficult to evaluate the Flagship Programme. The 1999/2000 *Annual Report* of the Department of Welfare indicates that 15 pilots have been implemented, incorporating 867 participating women, and 946 participating children. Apart from raising the question of how much of the money budgeted for the Programme has actually been spent, it suggests that the Programme could not possibly be having a discernible impact in the vast majority of communities. Indeed, the fact that the *Annual Report* still makes use of the term "pilot" suggests that the Programme is not maturing very rapidly. The projects launched under the auspices of the Programme was evidently meant to have become financially self-sustaining already, but this goal is proving elusive. It is premature to suggest that the Programme has failed, but the difficulties encountered are a sobering omen in light of the fact that the Flagship Programme is, at least on paper, one of the government's most carefully targeted development initiatives.

#### 4.3.1.3 Support to SMMEs

Providing support to the development of small, micro, and medium-enterprises (SMMEs) is a key tenet of government policy. This is so in recognition of the fact that government has chosen not to contribute to employment growth directly through expanding the public service (and only temporarily through public works programmes), and even if the optimistic private sector employment growth were to actually take place à la GEAR, it would still leave a large gap. One of the vehicles for invigorating the SMME sector is the Poverty Alleviation Fund itself. For example, of the projects that the Department of Social Development (Welfare) has sought to establish through its share of the Fund, a large number are income-generating community-based projects, often agricultural or small-scale manufacturing. However, a completely different approach for supporting the SMME sector has emanated from the Department of Trade and Industry, which has spawned two parastatals, namely Khula Enterprise Finance Ltd. and Ntsika Enterprise Promotion Agency. The main function of Khula is to wholesale finance to accredited SMME-oriented finance retailers (RFIs) and micro-credit outlets (MCOs). The performance of Khula has been subject to scepticism on account of the disappointing uptake from retailers, as

well as the poor controls that contributed to the failure in 1999-2000 of three of the largest and most promising of the 20 or so RFIs. Notwithstanding these problems, the establishment of Khula is based on a clear rationale, namely that entry into self-employment in the informal sector is not costless, while the mainstream commercial banks are averse to devoting resources to this sector, and the burgeoning micro-lending sector is oriented predominantly to high-cost consumption loans. The high incidence of SMME failure and poor loan repayment, continue to strain remaining RFIs. In a bid to survive, some of these remaining RFIs are moving up towards the top end of the SMME scale. The relatively newer MCOs, meanwhile, which are specifically geared to focus on the lower end of the SMME scale, have adopted a step-up design together with something like a peer-monitoring approach. Whether or not the peer monitoring aspect will be applied in a sufficiently rigorous fashion remains to be seen. Presently a fair number of the MCOs are struggling with poor repayment rates.

The other main arm of the SMME support strategy, Ntsika, seeks to provide advisory services to existing and new SMMEs. Ntsika reaches its clientele largely through its Local Business Service Centres, of which there were over 80 in 2000 (BRAIN, 2000). One data bank lists another 300 - 400 NGOs and companies which exist to support the SMME sector (BRAIN, 2000).

#### 4.3.1.4 Land redistribution and rural development

As pointed out above, one of the damaging legacies of the colonial and apartheid past is the inequitable distribution of agricultural land between race groups. Apart from being a source of ongoing social tension, this means that many poor households with poor employment prospects, have limited opportunities for providing for themselves through subsistence production or commodity production. The problem is threefold: many rural people are essentially landless; many rural people who do have access to land have very little land or very poor land, or both; and rural households having access to land often fail to derive much economic benefit from that land, even in terms of subsistence production. Lack of financing, training, and market access, are among the problems faced by smallholders. Scores of rural people therefore incur the disadvantages of being in rural areas - i.e. where there are few employment opportunities, underdeveloped infrastructure, and scarce amenities - without much enjoying the advantages of land access.

The government's Land Reform Programme was foretold in RDP documents before the 1994 elections. The Programme, introduced by the Department of Land Affairs, comprises three main parts: restitution, whereby people seek restoration of land from which they were forcibly removed (or equivalent redress); redistribution, whereby other people desiring to own or access land are provided an opportunity to do so with the assistance of government financing; and tenure reform, involving the introduction of more secure forms of land-holding among previously disadvantaged people that already access land.

We focus here on redistribution, mainly because it is the aspect of the Land Reform Programme that has the most overt developmental goals. Since 1995, with the introduction of the Land Reform Pilot Programme, redistribution has accounted for the transfer of just under 0.6% of the country's agricultural land to around 60 000 black households. Another 0.3% has been transferred in terms of municipal commonages, whereby land is vested in the municipality and is

then made available to low income households, mainly for the grazing of their livestock. To date, the vast majority of the land has been acquired from private land owners who willingly sold their property. The total capital expenditure on the redistribution programme between 1995 and 2000 was around R820 million (in 2000 Rand). At its peak in 1998/99, the capital expenditure represented about 0.2% of the total government budget excluding interest.

The original vision of the land redistribution programme, as set out in the 1997 *White Paper on Land Policy*, embraced the transfer of land for a variety of purposes, including secure tenure, land for subsistence purposes, and commercial production. However, the primary mechanism for the redistribution programme, the R16 000 per household Settlement/Land Acquisition Grant, revealed the core thrust of the programme was certainly not commercial. Yet, even from very early on, there was a damaging lack of clarity as to the economic goals of redistribution. The vast majority of redistribution projects were to groups of households that formed Communal Property Associations or trusts. These in turn functioned not only as legal entities for the purposes of holding land, but typically attempted to operate commercial enterprises as a group. Most of the time, this meant attempting to carry on with the farming enterprise taken over from the land seller, often with dubious embellishments proposed by an agricultural engineer commissioned to assist applicants with their 'business plans' (Aliber, 1999). The poor performance of many projects was a consequence of confusion as to what sort of economic empowerment was possible within the confines of the grant instrument provided and the organisational form assumed by beneficiary groups. In addition, the rate of delivery has been well below initial expectations and, indeed, promises.

Despite a lengthy review of the land redistribution programme occupying much of 1999-2000, the Department of Land Affairs and the Department of Agriculture introduced a new programme that still reveals confusion as to the economic role that land redistribution can play. The revised redistribution programme was authored by the joint team from the World Bank and a South African university that was also charged with developing the new Integrated Sustainable Rural Development Strategy (ISRDS) on behalf of the Office of the President. As explained in one of the background papers to the ISRDS, a key tenet of the ISRDS is that, by resolving inefficient factor distortions (i.e. land to labour) and harnessing growth linkages, a properly formulated redistribution programme can "catalyze widely shared growth" in the rural economy (Brooks *et al.*, 2000). The two primary points of difference from the earlier redistribution programme are that, henceforth all applicants must make an own contribution in order to qualify for a grant, and grants will be available in a range, the small end of which is effectively more than three times the size of the old grant.

Whether or not the revised model of redistribution will prove more viable than the old one is difficult to say, and will be an important area of future research. An unwieldy implementation system may impede delivery to such an extent that the efficacy of the model will be difficult to observe. On the other hand, if delivery does recover, there are reasons for pessimism that the programme will serve as an engine of rural development. First and foremost, the new strategy was designed in ignorance of the nature of the demand for land, which is overwhelmingly for subsistence-sized plots (LAPC, 1997). Secondly, evidence from former homeland areas, where land allocations are often highly inequitable between households, suggests that beyond a very modest threshold, black commercial farmers adopt labour-saving production strategies that are

very similar to those of their large white commercial farmer counterparts, and thus contribute little or negatively to labour use and demand. And third, the new programme reveals little comprehension of the various non-agriculture benefits accruing to land access (Shackleton *et al.*, 2000), which can be reaped more easily if land is not apportioned in large amounts to a relatively small number of beneficiary land owners. Indeed, the unfortunate consequence of pursuing an ill-conceived commercialisation-equals-growth redistribution strategy, is that the genuine economic safety-net potential of land redistribution will be neglected. The ISRDS does however have some important virtues. The most significant of these is that it seeks to provide a mechanism to improve inter-departmental communication and coordination.

#### 4.3.2 Development and job creation through the private sector

The private sector's role in promoting income-generating projects and SMMEs, probably rivals what the government is presently able to do. A large (but unknown) share of private companies' 'social responsibility' spending falls into this category, and is probably not less than R300 million per year. Companies use different strategies for pursuing these goals, including contributing money to professional grant-making institutions such as the National Business Initiative, linking up to development-oriented NGOs and CBOs, linking directly with government, and establishing their own programmes. Some companies have hired development professionals to help them assess opportunities to make contributions or undertake training of recipients (e.g. AngloGold), while others have established their own offices for providing services directly to aspiring entrepreneurs. As an example of the latter, Eskom, Mondi, Nedcor, South African Breweries, Standard Bank, and Hollard, have each introduced special units that seek to provide financial and/or technical support to SMMEs or emerging franchise operators. Arguably, the private sector-led initiatives furnish a greater degree technical support relative to cash than kindred government-led initiatives, though the results are probably similarly uneven (e.g. Hollard, 2000).

#### 4.3.3 Development via NGOs, CBOs, and FBOs

NGOs and CBOs play a critical role in conducting the developmental groundwork on behalf of government and the private sector: broadly speaking, government looks to NGOs and CBOs to mobilise income generating projects and community development projects, whereas the private sector relies on NGOs and CBOs to support SMMEs. Needless to say, this is not always the case. Some NGOs and CBOs mobilise funds from foreign donors for similar purposes, but this appears to be the exception rather than the rule, not least because of the redirection of donor money since 1994 towards government (Dangor, 1997). One important conduit of development funding for NGOs has been the Transitional National Development Trust (TNDT), which channels government and foreign donor money to NGOs for a variety of poverty alleviation activities. According to the TNDT's annual report of 1998-99, of the R106 million that had been disbursed since 1996, 17% had been for SMMEs, while another 12% had been for "rural development" (TNDT, 1999; most of the rest had gone to education, training, and health). The newly constituted National Development Agency (NDA), which took over from the TNDT in 2000, was in that year allocated another R100 million, presumably to pursue a similar range of activities. The advantage of this approach is that the NDA can attract the necessary skills to

ensure that development funds are disbursed to NGOs that are likely to make successful use of them, unlike poverty relief funds emanating directly from government departments, which tend to be "thrown around" (to use the words of one frustrated government employee). However, as NDA staff indicate, the demand expressed by NGOs for financial support hugely exceeds the NDA's resources (Sokalis, 2000).

Less is known about the extent to which FBOs are involved in these types of activities, though it would appear to be far less common than the provision of welfare-oriented services.

#### **4.4 Summary**

This section presented an overview of the anti-poverty activities of government and civil society, and provided as well a number of examples of these activities. These anti-poverty activities were divided into two broad categories, firstly those with a social security goal, and secondly those designed to foster development and job creation. In terms of social security, the government's system of social grants is by far the most important intervention reaching low-income households. And, notwithstanding the Department of Social Development's commitment to embrace a more developmental approach, these grants are likely to remain an indispensable part of the country's anti-poverty efforts for the foreseeable future. Social security services provided by or through the private sector are of an equal magnitude, but are not on the whole directed at low-income households, many of whom lack formal sector employment or are employed only in the secondary labour market where such benefits are usually not available. CBOs, NGOs, and FBOs, play a critical role in providing a number of specific services to poor individuals and households, but this role has not been comprehensively captured in this report.

Government spending on development and job creation is far more modest, not least because, unlike the social security spending, these are mostly new areas of activity since 1994, but also because they are inherently more difficult to accomplish. The section paid special attention to three government initiatives, namely the promotion of income generating 'projects', the promotion of SMMEs, and land redistribution. These initiatives, while laudable, have arguably had little overall impact on reducing poverty, in part because of their small scale, and in part because even at the micro level they often fall short of their desired impact. The activities of private sector, CBOs, NGOs, and FBOs, have been equally spotty in terms of development and job creation.

## **5. Constraints and challenges to addressing chronic poverty in South Africa**

### **5.1 Introduction**

The purpose of this section is to reflect on what inhibits government - and to a lesser extent civil society - from better addressing the situation of chronically poor people. The section focuses on three main issues. First, we draw attention to the fact that there exists no specific strategy to address chronic poverty, and furthermore that there are obstacles to the development of such a strategy. Second, we revisit the issue of formal sector unemployment and self-employment. The key question here is whether government's approach to stimulating entrepreneurship is such as to provide opportunities for the poorest of the poor to escape poverty. And third, we touch on the issue of HIV/AIDS, and what it means and will mean in particular for those living in marginal rural areas.

### **5.2 Absence of a strategy for the chronically poor**

#### 5.2.1 "Chronic poverty" has not entered the lexicon

In the course of speaking to government officials who deal with anti-poverty programmes for the purposes of researching this report, it was established that the distinction between chronic and episodic poverty - by whatever terms - is not observed, that is, it is not a distinction that government officials are aware of when devising policies or evaluating progress. Government documents also reflect the fact that "chronic poverty" is not held as a distinct dimension of poverty. Neither Stats SA's recent volume *Measuring Poverty in South Africa* (2000b), nor the Department of Social Development's recent "National Report on Social Development, 1995-2000" (2000), nor the Human Rights Commission's "Second Economic & Social Rights Report, 1998-1999" (2000), make any allusion to the distinction between chronic and transitory poverty.

As mentioned above, the government's broadly two-fold approach to poverty - safety-net and development - can be construed as an implicit recognition of this distinction, but only very crudely. That is, there might be a recognition that many poor people are stuck in a poverty trap, but developmental programmes do not generally attempt to target those who are most likely to be chronically poor.<sup>31</sup>

That "chronic poverty" has not entered people's lexicon may owe to the fact that, until relatively recently, there has been little research activity in South Africa focusing on it. Only with the analyses based on the KIDS data have there been quantitative estimates as to the incidence of chronic poverty, and this only for KwaZulu-Natal. In addition, we might speculate that the size of the poverty problem, as well as the problem of inequality, is so vast that to many observers the distinction between chronic and episodic poverty would appear somewhat esoteric.

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<sup>31</sup> A notable exception, as indicated above, is the Flagship Programme: Developmental Programmes for Unemployed Women With Children Under Five Years.

At any rate, given that the distinction between chronic and episodic poverty is not generally acknowledged, it is not surprising that there are few government programmes that seem to be geared specifically to addressing chronic poverty. However, now that there are a number of research reports based on the KIDS data, will there be a shift in government (and non-government) policy? This would appear to be unlikely in the short-term. Key respondents interviewed for this report indicated that even academic research that is specifically commissioned by and for government, mainly ends up unread on civil servants' book shelves. Officials responsible for co-ordinating anti-poverty initiatives for KwaZulu-Natal (by all accounts one of the better organised provincial programmes), were not even aware of KIDS or the published analyses based on the KIDS data. Within government circles, there is a fair amount of disillusionment about the usefulness of academics and consultants, while among academics and consultants, there appears to be an equal measure of scepticism about the delivery capacity, intellectual capital, and institutional memory of government.

### 5.2.2 There is no over-arching anti-poverty strategy

A number of officials interviewed expressed a concern at the absence of an over-arching anti-poverty strategy. Notwithstanding the creation within government of co-ordinating clusters at national and provincial level, the feeling was that these were not in service of an actual strategy that precisely articulated goals and roles. Moreover, no system exists to help harmonise or identify the respective roles of government and the private sector in poverty reduction. IDASA (2000) raises the concern that the present emphasis on solving the problem of under-spending from the Poverty Alleviation Fund, while important, is doing little to solve the bigger problem of "the absence of a coherent and systematic framework for poverty reduction". Ben Turok, Member of Parliament for the ANC, writes that the central reason for government's ineffectiveness in addressing poverty is not lack of commitment (which is belied by large budget allocations to social services), but the absence of a "special ministry of economic development", of which the main purpose would be "to develop a coherent, intersectoral poverty and development strategy and synchronise policy between departments" (*Business Day*, 23 November 2000).

Perhaps the creation of such an over-arching strategy would provide government an opportunity to reflect on the heterogeneous nature of poverty, including *inter alia* the distinction between chronic and episodic poverty. We would go further and say that this could be a critical distinction to inform any anti-poverty strategy, which is not to say the only one. It would constitute a more thoughtful approach to targeting than the one that presently obtains, which mainly seeks to concentrate anti-poverty resources to the 'three poorest provinces'.

### 5.2.3 The limits to 'development by piggeries'

Government-led and government-funded development interventions are hindered by a paucity of ideas about how to help people help themselves. One manifestation of this is that, in some provinces, one finds the welfare department, health department, and agriculture department, all independently attempting to launch community agricultural projects, often to the frustration of

the agriculture department (e.g. KwaZulu-Natal Director General's Office, 2000). In some provinces, different departments may collaborate or co-fund rather than duplicate or compete (e.g. in Northern Province, the health department has made funds available for community gardens to be implemented by the agriculture department), but the point remains that agricultural projects are excessively popular, probably for lack of alternative ideas about what one can do. One astute observer working with anti-poverty programmes within government, has dubbed this 'development by piggeries', not just because of the widespread over-subscription to agricultural projects (which also figure prominently in the Department of Social Welfare's Flagship Programme), but more generally because this piecemeal project-by-project approach ultimately has not reached very broadly or deeply. The project-by-project approach is costly to administer, often fails to reach the poorest of the poor (because funding is more likely to be secured by those who are relatively well organised, which tend not to be or include the poorest), and is virtually always based on the rather problematic 'group approach'.

By the 'group approach', we mean that the project involves a group of members who are expected to work and profit as a group. Projects sponsored by the Gauteng Department of Social Development, for example, must be registered as non-profit organisations, which cannot have fewer than 10 members according to the Nonprofit Organisations Act, No.71 of 1997. As with similarly constituted land redistribution projects, these projects have a high mortality rate due to age-old problems such as lack of accountability and free-riding.

In essence, the government is struggling with a paradox. On the one hand, having embraced 'developmental welfare', the government wishes to see people become economically self-sufficient and thus no longer reliant upon social security grants for survival. People must learn to provide for themselves by being entrepreneurial. However, government is intrinsically ill-suited to nurturing entrepreneurs. Social workers and other civil servants make poor extension agents for helping people launch and manage income generating projects, partly for lack of sufficient technical expertise, and partly for lack of own entrepreneurial experience (IDT, 2001). Moreover, the group aspect itself might have the effect of reducing the ability to reach the most marginalised. Probably the most efficacious government interventions at present for job creation are the Community Based Public Works Programme and the Working for Water programme, which are run by the Department of Public Works and the Department of Water Affairs and Forestry, respectively (both funded, at least in part, through the Poverty Alleviation Fund). One principal reason they are successful relative to, say, the Department of Social Development's efforts to support income generating projects, is that they do not require government to do what it is not qualified to do. A second reason is that the market for their 'products' is given, whereas for income generating projects such as piggeries, the market may or may not be proven. Having said this, it is important to state that governments' and others' efforts to support and invigorate the SMME sector are absolutely critical and a good start has been made. If the pay-offs of these efforts are not what they should be, that is in no small part because of the enormous size and complexity of the task.

### 5.3 Employment and unemployment

A major challenge facing the country's ability to reduce poverty is the high rate of unemployment in the formal sector and low rate of SMME growth in the formal and informal sector. One reason households remain in poverty, is because their members repeatedly fail to gain employment over sustained periods. The prospects for employment growth in the formal sector is therefore a key consideration in the future extent of chronic poverty. In a previous section, it was shown that the government's projections as depicted in the initial GEAR document, turned out to be overly optimistic. The question is whether there is any reason to hope that the situation will change in the near future. If not, government and civil society must look elsewhere to see what can be done to address the needs of the chronically poor.

It is a fairly safe conjecture that formal sector employment growth is not likely to take off in the near future, particularly as the government remains loathe to embark on an ambitiously expansionary macroeconomic policy. Prospects are especially bleak for unskilled and semi-skilled employment, where demand is most slack. Even in commercial agriculture, which has traditionally been a labour-intensive sector, unskilled workers are gradually being replaced by machinery, contributing to higher rural unemployment. While the weakening Rand may have somewhat changed the perception that South Africa is a high labour-cost economy, technological change in the manufacturing industry is following the same trend. The prospect of AIDS-induced labour cost rises will no doubt further propel this trend. (More on this below.) In addition, informal sources indicate that government is gearing up for a large-scale retrenchment over the next 5 to 10 years. Taking into account both parastatals (Telkom, Eskom, etc.) and the public service itself, 600 000 to 1.2 million workers could be retrenched within that time frame, representing up to a staggering 15% of the present formal sector workforce.<sup>32</sup>

This sobering prospect means that, at least over the next 10 to 20 years – i.e. as one generation of the economically active population is replaced by the next – the formal economy is unlikely to contribute substantially to the reduction of chronic poverty. Even if the thrust to improve skills in mathematics, science, and information technology is successful, this will do little to benefit large segments of the population.

This implies that the onus will be on government and civil society to make up the difference. The two main areas in which they can attempt to do so are public works programmes and SMME promotion, with the social security system remaining a critical safety net. Much therefore depends upon government's capacity to manage interventions of this kind. In its response to the most recent government budget unveiling, IDASA argues that this is precisely where government is most deficient, casting doubt that it can spend (and spend effectively), the budget amounts it has allocated for, say, human resource development and infrastructure development (IDASA, 2001).

Beyond this, however, too little is understood about the potential role of the SMME sector in the

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<sup>32</sup> Government is preparing for this process by putting in place training programmes that will allow those people who are retrenched to either find jobs elsewhere or, mainly, set up their own businesses. Sources indicate however that the success rate of such training programmes is at best 7%, meaning only 7% of the trainees manage to start SMMEs that survive beyond the critical start-up period. Supposing that all 1.2 million retrenched individuals did enter self-employment, this would represent an implausible increase in that sector of 50%-60%.

economy. To what extent does SMME growth depend on the growth of the formal sector economy? Will SMMEs remain predominantly 'survivalist' activities, or can they serve as engines of broad-based growth? What are the prospects for SMME growth in rural areas? To what extent does SMME growth depend on the population at large having larger disposable incomes, even if these are derived from social security grants? If a 'basic income grant' is introduced like that presently being studied by the Portfolio Committee on Welfare and Population Development, what will this mean for the expressed demand for the goods and services rendered by SMMEs? How effective are such indirect means of supporting SMMEs, relative to the variety of measures now in place? And finally, even in the event self-employment through SMMEs takes off, who will be able to share in the opportunities, and who will be left out?

The final issue we wish to draw attention to here is the role of asset redistribution via the land redistribution programme. The contention here is that there has been no satisfactory resolution to the debate about whether land redistribution can serve as an efficacious strategy for employment creation. The newly-formulated redistribution programme and rural development strategy hold that it is, but back-of-the-envelope calculations suggest that there is plenty of room for doubt. For example, suppose that in the next 15 years, government is in fact able to accomplish its avowed goal of redistributing 30% of private farm land, plus all available agricultural state land, and that this is all dedicated to settling commercial farmers. This implies about 25.6 million hectares. If farms are designed with the idea of providing each beneficiary with enough land to earn a modest net farm income of R15 000 per year, then this would imply (in theory) around 280 000 beneficiaries, or 11% to 14% of rural unemployment. The total cost would be (very roughly) around R27 billion, or R97 000 per beneficiary, or R1.8 billion per year over 15 years. Private sector debt and own contribution might contribute up to 30% of this. However, since the vast majority of this redistribution would be in terms of acquired private land, numerous farm jobs would also be lost. Given the 30% target mentioned above, roughly 200 000 farm worker jobs would be lost. The net gain of 80 000 represents an almost negligible share of the rural employed. The social and economic dislocation would likely far outweigh the modest gains. Even counting on the fact that the 280 000 beneficiaries would in theory have larger incomes than the displaced farm workers, it is unclear whether this would do much to stimulate the rural economy. A large share of the income would in fact go to debt servicing, at least for the medium term. Of course, this represents an extreme hypothetical case. In practice the redistribution programme will not be so heavily weighted exclusively towards one type of small-scale commercial farmer. The point is that land redistribution may not serve as the engine of rural economic revitalisation that is accorded to it, and there remains scope for introducing other ways of pursuing land redistribution as part of a well-targeted anti-poverty strategy.

#### **5.4 HIV/AIDS and the implications for marginal rural areas**

The last issue we touch on in this section is HIV/AIDS, and its implications over the next few decades for the economy at large, and for marginal rural areas in particular. At least two macroeconomic modelling exercises have been conducted seeking to illustrate the potential impact of HIV/AIDS on the South African economy. In the one, ING Barings (2000) identifies

seven "key impact channels" that link the demographic effects of AIDS to the South African economy: "1. A lower labour force; 2. Lower labour productivity through absenteeism and illness; 3. Cost pressures for companies through higher benefit payments and replacement costs; 4. Lower labour income, as employees bear some of the AIDS-related costs; 5. Lower population translating into lower expenditure; 6. Increased private sector demand for health services; 7. Higher government expenditure on health services". While the focus here is on the impact of AIDS on the formal economy, the implications are wide reaching, for example: lower disposable household income means lower demand for services that might be provided by SMMEs; higher state expenditure on health care may displace government attention from anti-poverty initiatives; and household resources depleted by caring for ill family members will become unavailable for investment in own enterprises.

Arndt and Lewis' simulation study (2000) examines similar 'channels', and arrives at similar conclusions. One important conclusion is that, relative to the no-AIDS scenario, the future with AIDS will have similar unemployment rates for unskilled and semi-skilled workers: "The net effect of AIDS-related mortality and slower growth is to leave the unemployment rate largely unchanged" (p.17). The implication however is that, in absolute terms, the number of unemployed people will fall proportionally to the decline in the number of economically active people due to the higher mortality rate.

Drawing on research conducted in rural areas of other African countries, there are certain impacts that can be anticipated for South Africa's rural areas that have especially grave implications for vulnerable groups. Cohen (1997) and Ayieko (1998), for example, have undertaken case studies showing that households with an AIDS sufferer frequently seek to keep up with medical costs by selling livestock and even land. Baier (1997) shows that women who are widowed due to AIDS sometimes lose rights to land, adding to an already precarious situation. Baier (1997) and Cohen (1998) draw attention to the manner in which AIDS can cause affected households to become socially excluded, thus diminishing their ability to cope with further crises. Similarly, extended family networks sometimes collapse, not least due to the pressure of having to support orphaned children (Halkett, 2000). Topouzis and du Guerny (1999) note that in a number of countries, the HIV/AIDS epidemic has resulted in a return to rural areas of community members who have been living and working in towns and cities. It can be anticipated that in South Africa, one certain effect of growing AIDS-related mortality will be ever more intense pressure on grandparents. 'Granny households', which previously were a means by which grandmothers could care for their grandchildren to enable their children to derive an income, will increasingly be called upon to raise children whose parents have died. This suggests that the present system of old age grants may soon become due for an overhaul. This, as well as other possible effects of the epidemic, will have to be studied carefully as the epidemic progresses.

## **5.5 Summary**

This section has enumerated a number of challenges facing government and civil society in respect of tackling chronic poverty. At the most basic level, neither government nor, arguably,

civil society, are in an optimal position to address chronic poverty because there does not exist a strategy for doing so. "Chronic poverty" as such has not entered the lexicon of either policy makers or development practitioners, but rather remains an esoteric interest of sundry academics. While government anti-poverty initiatives do sometimes ostensibly target especially deprived or vulnerable groups, often it proves very difficult to reach such groups, in large measure because those that succeed in attracting government or civil society assistance tend to be those who are most vocal or organised. Most targets, moreover, are defined spatially, i.e. that anti-poverty programmes should prioritise the poorest provinces or poorest districts. While this is not bad in and of itself, it may not be sufficient to address the plight of the chronically poor.

A second challenge to addressing chronic poverty is the probability that formal sector employment will fail to expand dramatically in the near future. Prospects are especially bleak for unskilled work. This implies that if chronic poverty is to be reduced then the SMME sector will have to pick up the slack. The fact that the SMME sector is only partially able to do so now (among Africans and coloureds, there are more than 5 times as many unemployed people as there are employed or self-employed in the informal sector, excluding domestic workers), suggests as a necessary condition that government and civil society will have to step up their efforts considerably from what they are presently. Whether this will be a sufficient condition, however, is doubtful. A key question is whether markets for the goods and services that SMMEs provide are sufficiently large. Another key question is whether an increasing number of SMMEs can move beyond the 'survivalist' mode and thereby provide actual escapes from poverty.

A third challenge facing the reduction of chronic poverty is the AIDS epidemic. Research conducted in countries where the epidemic is more advanced reveals the numerous ways in which AIDS can devastate households, during and beyond the illness of infected household members. Similar tragedies are presently being experienced among South African households, but the full scale of the epidemic has yet to be realised. The macroeconomic effects of AIDS will also increasingly be felt in the course of the next several years, for example in diminishing government resources available for social services and investment, and in damaging the vitality of the informal economy, e.g. where many would-be SMMES would have been expected to operate.

## 6. Priority areas for research

This study has sought to bring together what is known about chronic poverty in South Africa, in part by summarising the small but important literature that addresses chronic poverty directly, and in part by selectively drawing together other strands of the literature on poverty. The study has also aimed to provide an overview of anti-poverty measures of government and civil society, and to speculate on whether and in what way these may be having an impact on the chronically poor.

Despite the wealth of information about poverty in South Africa, much remains to be learned about chronic poverty specifically, and still more remains to be learned before we can say with certitude how particular attention to chronic poverty might figure in a coherent, over-arching anti-poverty strategy. We conclude this paper by means of identifying themes and research topics that, on the basis of earlier sections, would appear to be priority areas for a longer-term research programme on chronic poverty.

- *Dynamic aspects of multiple livelihood strategies* - This is arguably the integrating, overarching theme of the entire research programme. To the extent poor households seek to survive and, where possible, to improve their circumstances by tapping into different sources of sustenance, how do these strategies evolve over time? A key aspect of this theme is to track changes in assets and entitlements over time, as well as household composition, and to understand the reasons for changes.
- *Role of social security grants* - Social security grants are recognised as vital to keep individuals and households from falling into total destitution, but they are also controversial in that they can allegedly create dependency and inhibit initiative - thus maintaining chronic poverty. Economic theory provides no guidance on the matter. A number of factors could be examined, including the size of grants, the household member to whom they are allocated, the effects on household composition over time, whether the grants provide a source of investment, and their role in the economy of the local community.
- *Access to and effects of government and civil society programmes* - Most communities are touched by at least some initiatives introduced to promote development or expand economic opportunities. They may originate with the community, or they may be introduced from outside. Among the key issues that must be addressed are who in the community becomes included in these initiatives, what governs this process, and how the included and the not-included are impacted.
- *The impact of government-funded income generation projects* - One of the government's most significant anti-poverty interventions is the financing of income generation projects. To date, a number of in-house evaluations have been done of these projects, but these are not generally publicly available, nor has there been a summary or comparison of these various evaluations, the better to understand the impact of government's spending in this important area. Assembling lessons learned to date, with particular reference to issues such as targeting, might provide a valuable resource to the development community generally.

- *Role of land, tenure patterns, and agriculture* - Land access forms a critical part of households' livelihood strategies for those who have it. However, land access is also vulnerable to changes over time, and the benefits themselves are also susceptible to vagaries of weather, theft, etc. A key policy issue that could be directly addressed within this research programme is whether and in what way land access benefits households whose land use is of a part-time or subsistence nature. The trend among provincial departments of agriculture, for instance, to assume that these forms of land use are inappropriate or maintain households in poverty, must be examined up close. At the same time, households with more than the average amount of agricultural land can also be studied, not least to assess their role in stimulating the local economy, which itself forms a key tenet of the new Integrated Sustainable Rural Development Strategy.
- *Dislocation, internal migration, and social capital* - Social exclusion has been highlighted as an important factor that can contribute to poverty and to an inability to seize opportunities to escape poverty. Different factors may contribute to social exclusion, but there is scope for improving our understanding of how these may arise and change over time. Bekker *et al.* (1992) stress that former farm workers in particular are susceptible to chronic poverty, because following retrenchment they typically must resettle somewhere where they have no social network on which to rely in times of stress. The continued decline of employment in this important sector over the past two decades, has meant that this describes a large number of rural people, especially those in rural townships and nearby squatter settlements. One important research question is what these households do, if anything, to compensate for the lack of such networks. Another question is whether and to what extent such networks can be built or re-built over time, and how this is done. A third question of immediate concern, is what avenues of re-deployment have been discovered by retrenched farm workers, and to what effect?
- *The effect of HIV/AIDS on households and communities* - What is the effect of HIV/AIDS on household structure, household welfare, internal migration, and social support networks? The present research programme offers an opportunity to gain a better understanding of the implications of AIDS for poverty traps in the South African context, potentially with critical lessons for policy.
- *Extrapolating to the question of inter-generational poverty* - Despite the limited timeframe of the research programme, it offers an opportunity to examine the inter-generational aspect of poverty. One possible approach to this issue is to examine households' attention to investing in the future of their children. What conscious strategies are adopted so as to promote the chances that a child born to a poor household will have an opportunity for a better future? What sacrifices are made, and according to what expectations? What are the prospects for these strategies being successful?
- *The political economy of poverty and development policy in South Africa* - Especially since 1994, what has governed the evolution of South Africa's approach to addressing poverty? What is responsible for the trend towards 'developmental welfare', and away from grants and towards work-related remuneration? What informs the balance struck between attention to urban versus rural areas? And what is the relationship between the public promises of government, and the means put into place to realise them?

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