Chapter 4

SOUTH AFRICAN POVERTY AND INEQUALITY

CHAPTER OVERVIEW

Poverty and inequality are primarily symptoms of exclusion – exclusion from employment, from education and from the economy. The twin drivers of transformation, economic growth and redistribution, should be effecting a reduction in poverty and narrowing inequality. However, more South Africans have sunk into poverty between 1996 and 2001, at least according to census data. Because there has been economic growth per capita, though, the combined effect is an unambiguous increase in inequality.

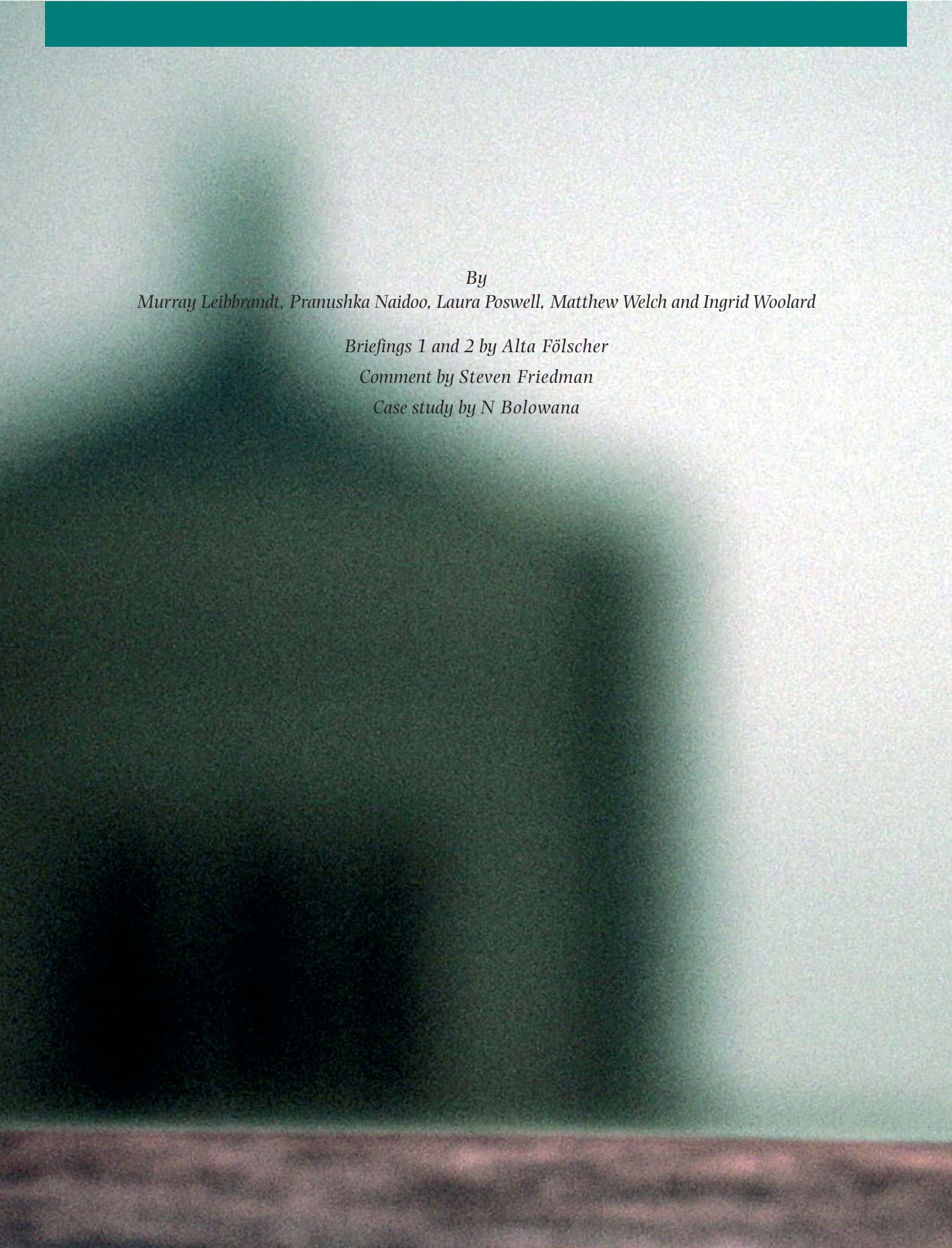
The main article investigates shifts in long-term poverty and inequality trends as represented by a careful comparison of new data from the 2001 census with the 1996 census. Income-related changes in this period show a clear increase in the proportion of the population in poverty, though not in absolute poverty. Not only does a higher proportion of the population fall into this 'middle' group of the poor in 2001 compared to 1996, but on average people within the group are closer to the level of destitution. This is particularly true for the African and coloured population groups. Coupled with an increased proportion of Africans in the upper income groups, this means that the long-term trend of increasing inequality within population groups has accelerated.

These findings need to be balanced against massive increases in access to services by the poor, particularly the poorest of the poor – although, as the data show, lack of income often prevents full take-up of the improved access. Such service increases were unequally balanced between provinces, with Limpopo residents enjoying faster increases than, for example, residents of the Eastern Cape.

However, our understanding of poverty and the progress against it is only as good as our data. Steven Friedman points out in his commentary that data problems should not stall the urgency of action, but that improved and more regular data are critical to any assessment of the success of redistributive interventions.

In a brief review of trend indicators since 2001, we argue that the increased take-up of grants alone, since the 1996–2001 period, together with accelerating economic growth, may be slowing further increases in poverty.

Note: *For the full version of this article (commissioned by the IJR), see www.transformationaudit.co.za or Leibbrandt, M, L, Naidoo, Poswell P, Welch, M & Woolard, I (2004) Measuring recent changes in South African inequality and poverty using 1996 and 2001 census data.* Working Paper No. 84. *Centre for Social Science Research.*



By
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Briefings 1 and 2 by Alta Fölscher
Comment by Steven Friedman
Case study by N Bolowana

Income poverty and inequality scorecard

Transformation goal	Reduced income poverty and inequality			
Desired outcome	**Indicator**	**Status 1996**	**Status 2001**	**Direction of change**
Reducing income poverty	Percentage of the population below the poverty line[1]	26%	28%	↓
Creating wealth	Percentage of the population above an 'affluence' line[2]	12.4%	12.4%	↔
Reducing inequality	African per capita income as a percentage of white per capita income	8.2%	6.9%	↓
	Income of female-headed households as a percentage of male-headed households	41%	45%	↑
	Gini coefficient for overall SA population	0.68	0.73	↓
	Gini coefficient for African population	0.62	0.66	↓

Source: Calculations by Matthew Welch, using data from the 1996 and 2001 censuses

1. R91 per person per day in 1996 rands
2. R1 500 per person per month in 1996 rands

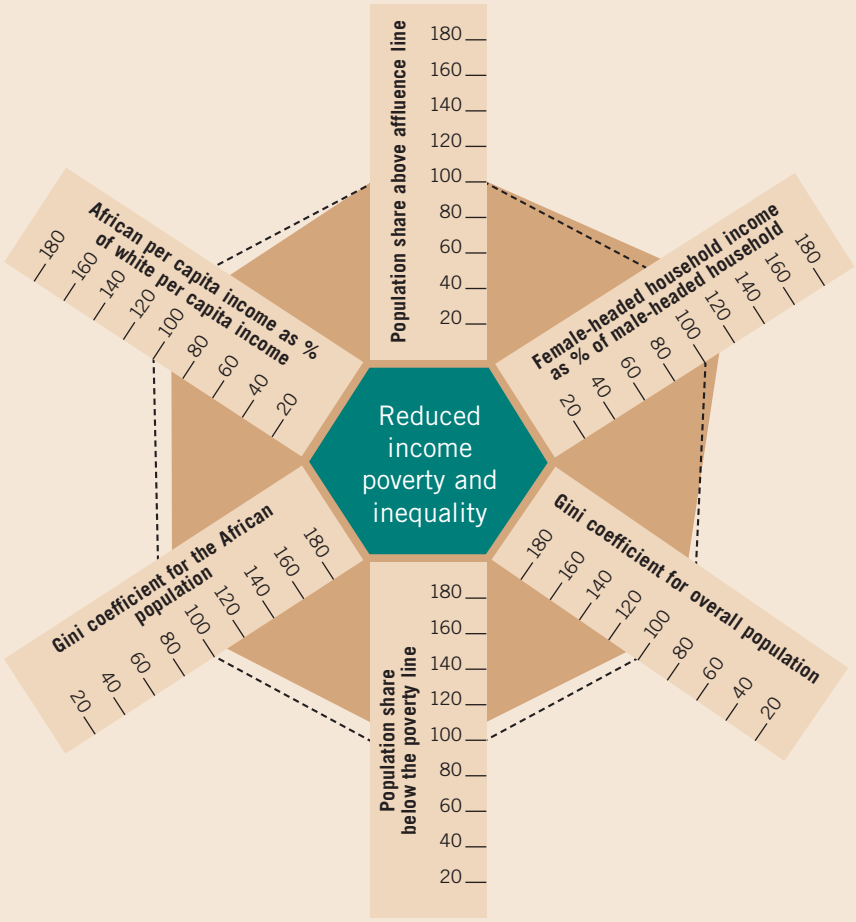
INTERPRETATION GUIDE

Desired direction of change

Measurement

---------- 1996 score (=100)

2001 scores



The Income Poverty and Inequality Scorecard and Star provide a snapshot impression of changes in key indicators of poverty and inequality. Apart from an improvement in gender equity, all indicators worsened by 2001, compared to 1996. More people are poor and overall inequality has increased, as has inequality within the African population group.

Access poverty scorecard

Transformation goal	Reduced poverty through better access to services			
Desired outcome	**Indicator**	**Status 1995**	**Status 2002**	**Direction of change**
Reduced access poverty	Percentage of households living in a permanent structure[1]	77.6%	73.8%	↓
	Percentage of households with access to electricity[1]	62.9%	76.6%	↑
	Percentage of households with access to clean drinking water in the home[1]	48.9%	67.6%	↑
Reduced education poverty	Percentage of children 7 to 17 in school[1]	95.7%	95.0%	↓
Reduced health poverty	Infant mortality rate[2, 3]	45 (1990)	59 (2003)	↓

1. *Sources*: Statistics South Africa, *October Household Survey 1995*; *General Household Survey 2002*
2. *Sources*: *UNDP Human Development Index* (1990); *Health Systems Trust* (2003) http://www.hst.org.za/healthstats/7/data/eth
3. The number of children younger than one year old who die in a year, per 1 000 live births during that year

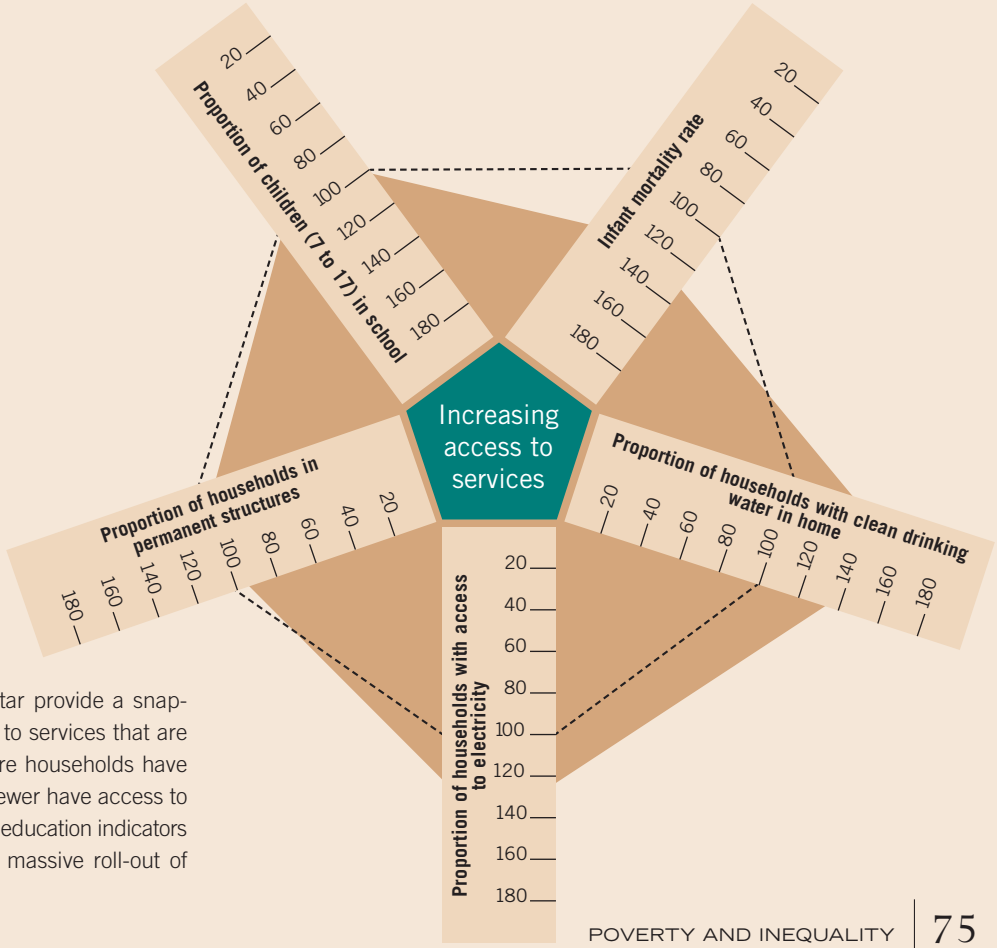
INTERPRETATION GUIDE

Desired direction of change

Measurement

---------- 1996 score (=100)

2001 scores



The Access Poverty Scorecard and Star provide a snap-shot impression of changes in access to services that are important for well-being. Whereas more households have access to electricity and clean water, fewer have access to formal housing. The two key health and education indicators show worsening outcomes, despite a massive roll-out of facilities.

SOUTH AFRICAN POVERTY AND INEQUALITY: MEASURING THE CHANGES

Murray Leibbrandt, Pranushka Naidoo, Laura Poswell, Matthew Welch and Ingrid Woolard

The combination of poverty and inequality in South Africa is commonly cited as the most explosive factor in the political mix, the plainest proof of the absence of social justice and of the futility of reconciliation. Given this, it would be useful to know exactly how poverty and equality operate in South Africa, their directions of development and their distribution among South Africans. This chapter focuses on measurable aspects of poverty, as revealed by analysis of the census data of 1996 and 2001. It shows, among other things, some of the effects of social spending, but also of the economic stringencies before 2001, in which a number of marginally middle-class people became unemployed. A key motivation for our analysis is that specific information about what is happening, to whom and where, can be of assistance to policy-makers and administrators in targeting interventions for increased effectiveness.

Between 1996 and 2001 poverty measured in terms of income increased in South Africa, with more households falling below the poverty line of R250 per month in 2001 than in 1996. At the same time, real household income at the higher end of the income spectrum increased, resulting in an unambiguous widening in inequality, the first since 1975 for the population as a whole.

However, measuring changes in well-being on the basis of income alone is an unfair tipping of the perception scales. The increase in income poverty and inequality in this period cannot be understood separately from a decrease in the levels of the kinds of deprivation not measured in money terms. There has been marked progress in providing the poor with access to housing, water, electricity and sanitation services, all of which affects quality of life positively. These access increases have been particularly significant for the poorest of the poor. At the same time, changes in well-being within provinces, measured both in terms of income and access to services, are driven largely by ongoing rural–urban migration and the extension of access in the poorest provinces.

There is general agreement that it is important to know what has happened to poverty levels since the end of apartheid, but there is surprisingly little information currently available. Accordingly, we present the overarching trends that emerge from a comparison of the 1996 and 2001 censuses, with regard to both income and access poverty. The 10 per cent micro samples from the 1996 and 2001 censuses (released in 2004) provide a robust base for an assessment of changes to national well-being on account of the size and national reach of the datasets. The income data in the censuses are far from ideal (Cronje & Budlender, 2004) and a lot of work is necessary to get the data sets into shape for analysis. A number of key data decisions had to be taken in order to ensure that the data were comparable over time (since accurate assessment of the changes was the priority rather than deriving the best estimates within any given year) and that our analysis was comparable with the work of others. Key amongst these was the exclusion of households with zero incomes and the collapsing of the upper income bands in the 2001 data to make them comparable with the 1996 data. These decisions are detailed in the Statistical Appendix, together with an assessment of the impact of the decisions, as well as additional tables illustrating the main trends identified here.

NATIONAL CHANGES

Both income poverty and income inequality increased for the population as a whole between 1996 and 2001. This increase is unambiguous. No matter which definition of the poverty line is used or at what level it is drawn, the cumulative number of people falling below that line has increased. The increase in income inequality is equally unambiguous and not dependent on which particular inequality measure one chooses. However, these aggregate trends do conceal nuances and possible trend changes that are important.

Worsening poverty less acute for the poorest of the poor

While poverty increased overall, the degree of increase is dependent on where the poverty line is drawn. The indication is that the increase was less acute for the poorest of the poor. Using a poverty line of US$2 per day – which is widely used for international poverty comparisons – the cumulative number of households falling under that line in 2001 (28 per cent) is not much greater than in 1996 (26 per cent). In addition, as an indication that the depth of poverty below this line has not increased, the poverty gap ratio – that is, the percentage by which the average household income in this group falls short

Table 4.1: National poverty levels, 1996 and 2001

	Headcount	Poverty gap ratio	Headcount	Poverty gap ratio
	1996		2001	
US$2 per day	0.26	0.11	0.28	0.11
R250 (1996) per month	0.50	0.30	0.58	0.36

Source: Own calculations, Census 1996, 2001, Statistics SA

of the poverty line – remained at 0.11. In other words, in both years the average household required approximately US$7 per month more to reach the poverty line. At the higher poverty line of R250 (in 1996 rands) per person per month – the amount first used by Statistics SA in its poverty-mapping work – 8 per cent more households were under the poverty line in 2001 than in 1996. Disturbingly, too, the poverty gap ratio indicates that more households were further away from the line than in 2001. In 2001, the average household would have required R90 for each of its members to be classified as non-poor, compared to R75 per member in 1996. All in all, this evidence suggests that poverty worsened between 1996 and 2001 but that this worsening is not acute for the poorest of the poor. Thus, more people became poor, but for the very poorest, the degree of poverty did not increase.

Services extended fastest to the poorest of the poor

Access to basic services has improved, suggesting some increases in well-being. Unsurprisingly, in both 1996 and 2001, access to better quality social services rises as household income rises – indicated by the income quintile into which the household falls, with the poorest 20 per cent of households being the ultra-poor and the next 20 per cent the poor. If one considers the extent of improvements in access by quintile, the evidence suggests that even though the poorest quintiles are most deprived, it is generally these households that are experiencing the greatest gains.

The proportion of the ultra-poor living in formal dwellings increased from 49 per cent to 57 per cent from 1996 to 2001. Access to piped water for this group rose from 65 per cent to 72 per cent, and even though electricity was used for cooking by a mere 27 per cent of households in 2001 (up from 19 per cent in 1996), electricity used for lighting had risen from 35 per cent to 57 per cent of households, an increase greater than 20 percentage points over the period. Although sanitation improved, in that access to a flush or chemical toilet increased by 8 percentage points to 29 per cent in 2001, this was mainly an upgrading from pit latrines to toilets. The proportion of households with no toilet, however, remained stable at a very high 22 per cent. While small gains have been made in refuse removal, only one in three of the poorest households had their refuse removed by a local authority in 2001. Finally, and most spectacular, is the marked increase in access to telephones over the inter-censal period. In 1996, 32 per cent of ultra-poor households had no access to a telephone at all. In 2001 this number had fallen to 10 per cent. Complementing this is the increase in households having a telephone or cellular phone in the home. This figure rose from a mere 7 per cent in 1996 to 23 per cent in 2001. Most of this improvement reflects the massive increase in uptake of cellular telephones.

The pattern of gains is similar for the second-poorest 20 per cent of households, but generally the size of the improvements is slightly lower. The poorest 40 per cent of households outperform the remaining 60 per cent in terms of advances in access to better quality services on all measures except for telephones (while impressive gains have been achieved for the poor and ultra-poor, these have been even larger for the wealthier quintiles).

INTER-POPULATION GROUP SHIFTS

Africans remain poorest and most unequal

There is a clear ranking by population group in measured inequality and in income and access poverty. Africans are poorer on average and simultaneously more unequal within their group than any of the other population groups. The Gini coefficient – a measure of inequality

Table 4.2: 2001 household services access by income quintile as an index of 1996 access (1996=100)

	Quintiles					
	20%	**40%**	**60%**	**80%**	**100%**	**Total**
Dwelling types						
Formal	117	112	105	106	100	107
Informal	97	90	96	83	105	103
Traditional	80	79	83	85	127	82
Water access						
Piped	112	105	101	99	98	103
Borehole/tank/vendor	59	60	56	50	43	61
Spring/river/dam/pool	72	74	74	70	90	75
Energy source: Lighting						
Electricity	164	132	117	111	101	121
Paraffin	46	50	60	52	60	53
Candles	74	76	73	62	84	79
Energy source: Cooking						
Electricity	143	121	109	109	99	108
Paraffin	93	92	95	75	91	99
Wood	89	91	84	69	100	89
Sanitation						
Flush/chemical toilet	140	116	105	103	98	106
Pit latrine	85	84	88	90	106	88
Bucket latrine	83	72	80	75	88	87
None	101	118	116	103	180	111
Refuse removal						
Removed by local authority	121	107	103	102	98	104
Own refuse dump	97	98	101	97	113	100
No rubbish disposal	86	95	97	83	92	88
Telephone						
In this dwelling/cellular phone	330	224	169	155	114	148
At a public telephone nearby	124	103	95	68	64	107
At another location	89	78	64	46	36	79
No access to a telephone	30	37	37	24	28	33

Source: Census 1996 and Census 2001, 10 per cent samples

Table 4.3: Poverty levels by population group

Poverty line	Headcount	Poverty gap ratio	Headcount	Poverty gap ratio
	1996		2001	
US$2 per day				
African	0.34	0.14	0.35	0.14
Coloured	0.10	0.03	0.13	0.04
Indian/Asian	0.03	0.01	0.03	0.01
White	0.01	0.00	0.01	0.00
R250 (1996)				
African	0.62	0.38	0.69	0.44
Coloured	0.34	0.16	0.45	0.23
Indian/Asian	0.11	0.05	0.16	0.07
White	0.03	0.02	0.04	0.02

Source: Own calculations, Census 1996, 2001, Statistics SA

that ranges from 0 to 1, with 0 representing no inequality and 1 extreme inequality – is the highest for Africans in both 1996 and 2001 and the lowest for the white population group. Africans still have the worse access to services.

The ranking by population group is evident in the distribution of poverty. In both 1996 and 2001, at any poverty line, Africans are very much poorer than coloureds who, in turn, are very much poorer than Indians/Asians, who are poorer than whites. There are yawning differences between the groups in terms of absolute income levels. For example, at the R1 000 per capita per month income level, less than 10 per cent of Africans, 20 per cent of coloureds and 40 per cent of Indians/Asians have this real monthly income or more. The equivalent proportion of whites is just under 80 per cent. There were only small increases in poverty between 1996 and 2001 for Africans and coloureds when measured at the low poverty line (US$2 per day) but fairly large increases in poverty for these two groups and the Indian/Asian group when the higher poverty line (R250) is used. The increase in coloured poverty is especially stark. White poverty appears to be unchanged.

When the high poverty rates of the African group are combined with their dominant population share, the result is overwhelming African poverty shares for both 1996 and 2001. One subtlety is that the African share is higher for the poverty gap ratio than for the head-count ratio. This is due to the fact that the African poor are over-represented in the poorest of the poor group and the average African household income is therefore likely to be much further away from the poverty line.

Services to Africans improve

A comprehensive analysis of improvements in social circumstances needs an assessment of poverty and inequality based on income measures to be broadened to include other key indicators of living standards. Access to basic services such as clean water, electricity and sanitation also has a major impact on quality of life, leading to improvements ranging from health to productivity. When considering the types of dwelling that households occupy and access to basic services as further indicators of poverty and inequality, it is clear that, whereas Africans had less access in 1996 to the range of services considered, impressive progress has been made in providing access in the inter-censal period.

Firstly, having adequate shelter is a basic necessity, a constitutional right and a keystone of social well-being. By 2001, 60 out of every 100 African households were living in a formal dwelling with walls made of bricks or concrete and tiled or corrugated iron roofs, up from approximately 50 in 1996. This increase was offset by a decrease in the proportion of Africans living in traditional housing.

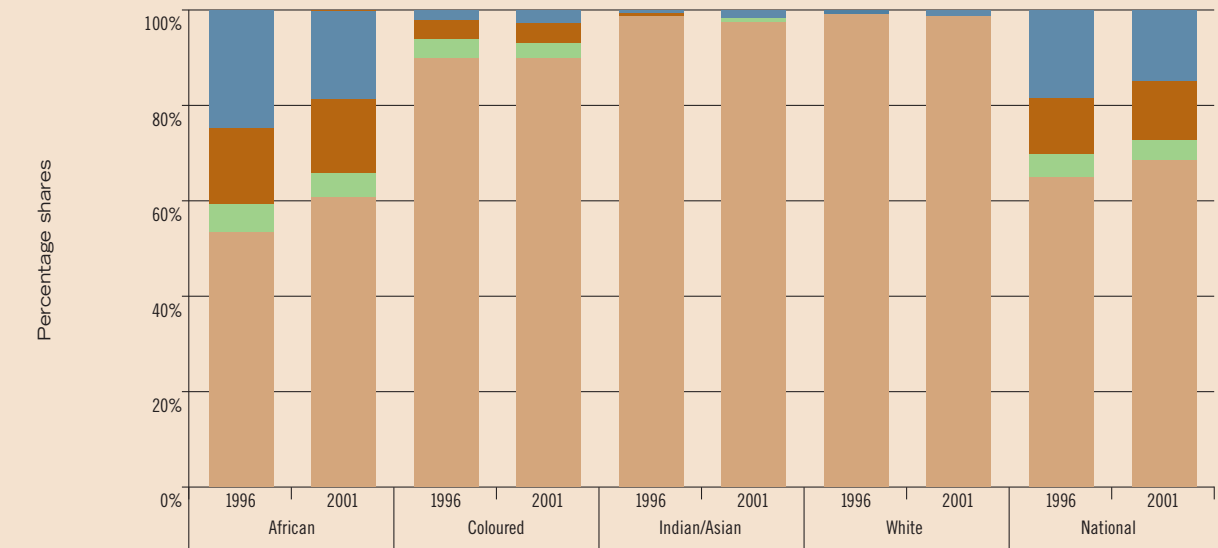
It is noteworthy that the number of Africans living in informal dwellings (approximately 15 out of every 100

Table 4.4: Poverty shares by population group

Poverty line	Headcount	Poverty gap ratio	Headcount	Poverty gap ratio
	1996		2001	
US$2 per day				
African	0.95	0.96	0.95	0.95
Coloured	0.04	0.03	0.05	0.04
Indian/Asian	0.00	0.00	0.00	0.00
White	0.01	0.00	0.00	0.00
R250 (1996)				
African	0.91	0.93	0.90	0.92
Coloured	0.07	0.06	0.08	0.07
Indian/Asian	0.01	0.00	0.01	0.01
White	0.01	0.01	0.01	0.01

Source: Own calculations, Census 1996, 2001, Statistics SA

Figure 4.1: Type of dwelling by population group, 1996 and 2001



	African		Coloured		Indian/Asian		White		National	
	1996	2001	1996	2001	1996	2001	1996	2001	1996	2001
Other	0.2	0.3	0.4	0.3	0.0	0.2	0.2	0.3	0.2	0.3
Traditional	25.0	18.5	1.9	2.7	0.6	1.4	0.7	1.1	18.3	14.6
Informal not in backyard	15.7	15.3	4.2	3.9	0.5	0.7	0.1	0.3	11.7	12.2
Informal in backyard	5.8	4.9	3.6	3.4	0.3	0.3	0.1	0.2	4.5	4.1
Formal	53.3	59.7	89.9	88.5	98.6	96.6	98.9	97.0	65.2	67.6

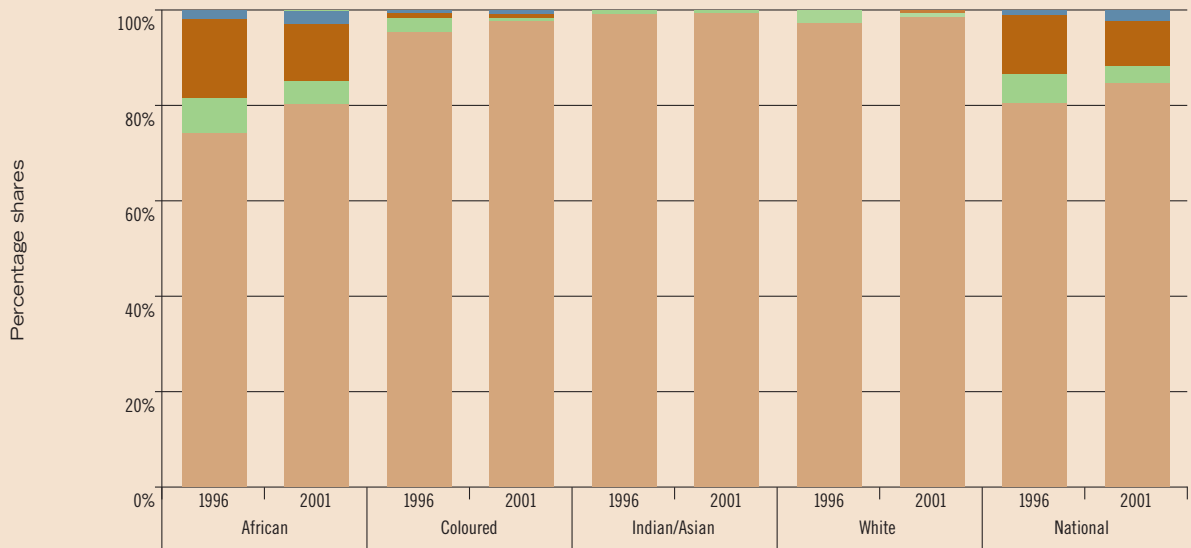
Source: Own calculations, Census 1996, 2001, Statistics SA
Note: Totals may not add up to 100 due to omission of unspecified category.

households) was stable. In terms of structural quality and overcrowding, informal dwellings are most vulnerable to shocks such as adverse weather conditions or spreading fires within densely populated locations. Informal dwellings are more vulnerable than traditional dwellings with regards to the condition of the dwellings' roofs and walls, thus rendering informal dwellings more susceptible to damage.

Secondly, more African households had access to piped water in 2001 (78 per cent) than in 1996 (73 per cent). Again, this makes a significant difference to quality of life, both cutting down on the amount of time mostly women have to spend on fetching water, and on the likelihood of illness, particularly among children. However, there remains a significant proportion of African households who in 2001 were still reliant on dams, rivers and springs as their main source of water for domestic use. Traditionally, people in poorer areas spend much time collecting water of varying quality from sources a great distance from their homes. A constant supply of clean water close to the home positively contributes to a household's well-being by promoting good health and freeing up time for alternative activities.

Thirdly, only two in five households used electricity for lighting in 1996. By 2001 this number had increased substantially to three in five households. Electricity is viewed as the most desirable form of energy and is required for the functioning of various household assets, such as refrigerators and computers. However, poorer households often lack the means to access electricity (due to lack of either infrastructure or income) and find themselves using other forms of energy such as wood, paraffin and candles, with the attendant increased risk of fire. Damage and loss of life caused by fires are a painful element of risk in informal settlements. Notwithstanding the improvements, the

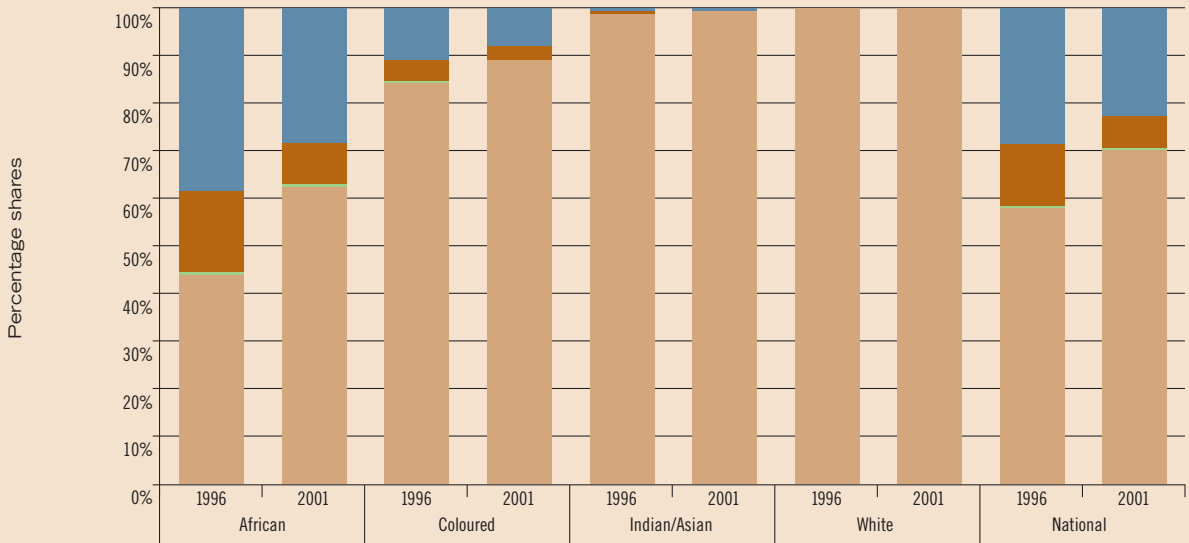
Figure 4.2: Access to water by population group, 1996 and 2001



	African		Coloured		Indian/Asian		White		National	
	1996	2001	1996	2001	1996	2001	1996	2001	1996	2001
Other	1.6	2.9	0.4	0.7	0.1	0.2	0.0	0.2	1.2	2.3
Dam/river/stream/spring	16.9	11.9	1.6	0.8	0.2	0.1	0.2	0.1	12.4	9.2
Borehole/rain-water tank/well/water carrier/ tap water	7.5	4.7	2.5	0.7	0.6	0.3	2.6	0.4	6.1	3.7
Piped	73.6	78.3	95.4	94.7	98.9	95.7	96.9	95.8	80.0	82.2

Source: Own calculations, Census 1996, 2001, Statistics SA
Note: Totals may not add up to 100 due to omission of unspecified category.

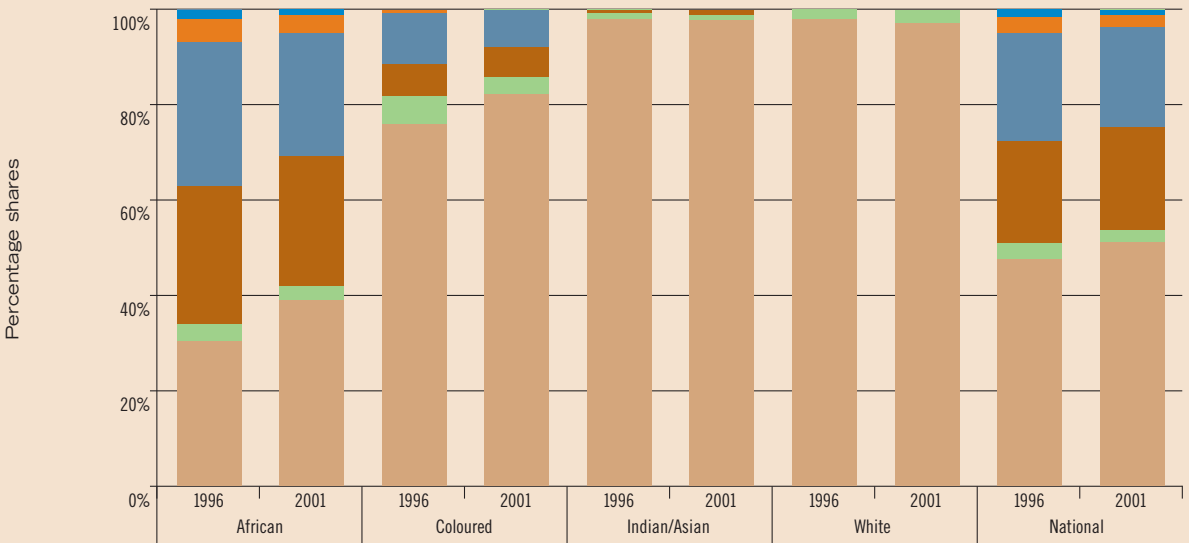
Figure 4.3: Energy for lighting by population group, 1996 and 2001



	African 1996	African 2001	Coloured 1996	Coloured 2001	Indian/Asian 1996	Indian/Asian 2001	White 1996	White 2001	National 1996	National 2001
Candles	38.1	28.5	11.2	8.2	0.5	0.6	0.2	0.3	28.5	22.6
Paraffin	17.0	8.5	4.4	2.2	0.3	0.2	0.1	0.1	12.7	6.7
Gas	0.5	0.3	0.3	0.2	0.1	0.1	0.1	0.2	0.4	0.3
Electricity	43.7	61.6	83.7	88.3	98.7	98.4	99.0	98.3	57.7	69.5

Source: Own calculations, Census 1996, 2001, Statistics South Africa **Note**: Totals may not add up to 100 due to omission of other and unspecified category.

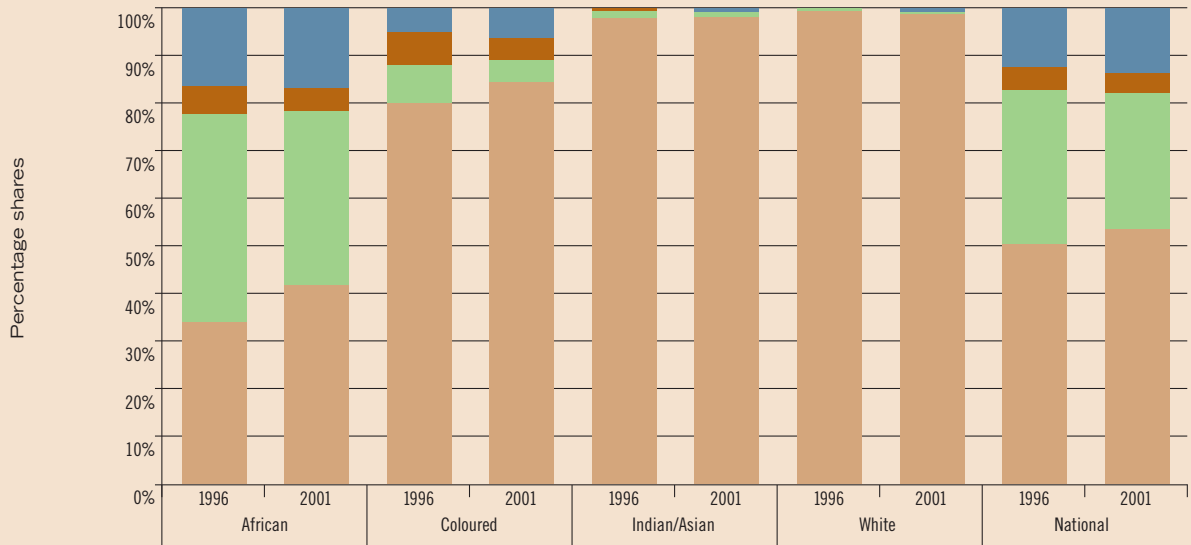
Figure 4.4: Energy for cooking by population group, 1996 and 2001



	African 1996	African 2001	Coloured 1996	Coloured 2001	Indian/Asian 1996	Indian/Asian 2001	White 1996	White 2001	National 1996	National 2001
Animal dung	1.6	1.2	0.1	0.1	0.0	0.1	0.0	0.1	1.2	1.0
Coal	4,8	3.5	0.5	0.4	0.0	0.1	0.1	0.1	3.6	2.7
Wood	30.4	25.6	10.8	7.5	0.2	0.2	0.2	0.3	22.9	20.3
Paraffin	28.9	27.0	6.7	5.9	0.5	0.6	0.1	0.2	21.5	21.3
Gas	3.3	2.5	5.8	3.3	1.1	1.3	1.8	2.4	3.2	2.5
Electricity	30.4	38.6	75.6	81.0	97.7	95.7	97.3	94.8	47.2	50.6

Source: Own calculations, Census 1996, 2001, Statistics SA **Note**: Totals may not add up to 100 due to omission of other and unspecified category.

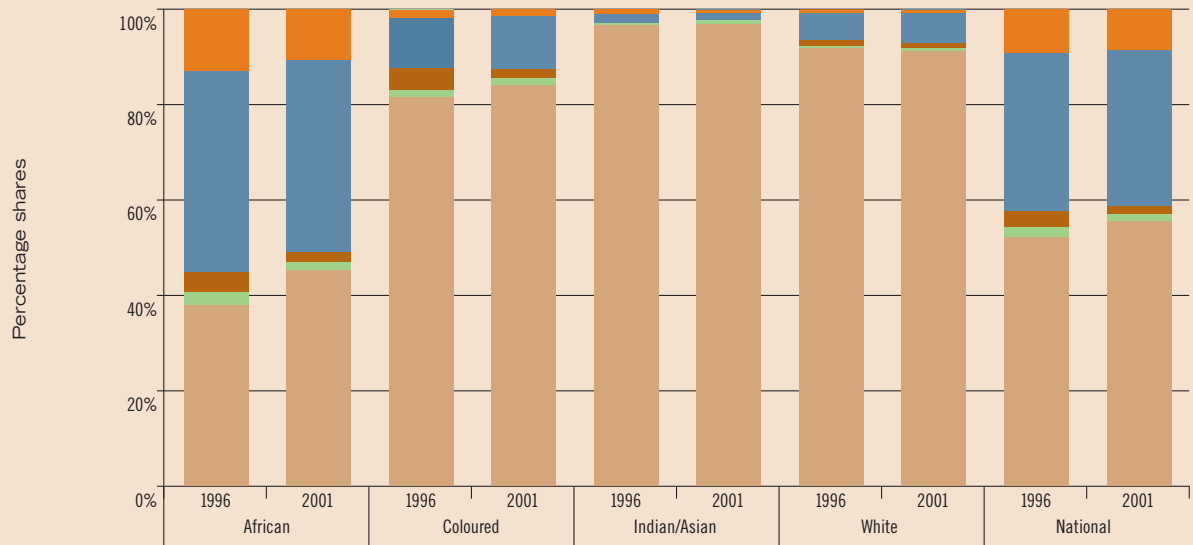
Figure 4.5: Access to sanitation by population group, 1996 and 2001



	African 1996	African 2001	Coloured 1996	Coloured 2001	Indian/Asian 1996	Indian/Asian 2001	White 1996	White 2001	National 1996	National 2001
None of the above	16.5	16.8	5.0	6.1	0.2	0.7	0.1	0.7	12.4	13.6
Bucket latrine	5.6	4.8	7.1	4.5	0.1	0.2	0.0	0.1	4.6	4.1
Pit latrine	43.8	36.2	7.9	4.9	1.8	1.0	0.3	0.4	32.3	28.3
Flush or chemical toilet	33.8	41.6	79.8	83.8	97.7	97.5	99.4	97.9	50.3	53.4

Source: Own calculations, Census 1996, 2001, Statistics SA **Note**: Totals may not add up to 100 due to omission of unspecified category.

Figure 4.6: Access to refuse removal by population group, 1996 and 2001



	African 1996	African 2001	Coloured 1996	Coloured 2001	Indian/Asian 1996	Indian/Asian 2001	White 1996	White 2001	National 1996	National 2001
No rubbish disposal	12.8	10.7	1.7	1.3	0.6	0.3	0.5	0.4	9.5	8.4
Own refuse dump	41.8	39.2	10.8	10.9	2.1	1.9	6.2	6.7	32.2	32.0
Communal refuse dump	3.7	1.9	4.2	1.9	0.3	0.3	0.9	0.7	3.2	1.7
Removed by local authority less often	2.8	1.7	1.2	1.2	0.4	0.5	0.5	0.7	2.2	1.5
Removed by local authority at least weekly	37.2	44.4	80.6	82.3	95.8	95.0	90.6	88.4	51.3	54.2

Source: Own calculations, Census 1996, 2001, Statistics SA **Note**: Totals may not add up to 100 due to omission of unspecified category.

population-group discrepancies remain clear with almost one-third of African households reliant on candles in 2001, compared with 8 per cent of coloured and a negligible proportion of white and Indian/Asian households.

Alternative sources of energy for cooking are different to those for lighting purposes, and include electricity, gas, paraffin, wood, coal and animal dung. The choice between energy sources will be dependent largely on the cost, availability and effectiveness of the energy source to perform the given task and the asset available for cooking (for example, type of stove). Even though there have been large increases in the delivery of electricity used for lighting purposes, there has been only a three percentage point increase in households using electricity for cooking purposes. In 2001, only half of South African households used electricity as the main source of energy for cooking purposes. Furthermore, we see that only two in every five African households use electricity, while more than half of all African households are reliant on either paraffin or wood for cooking. Indeed, of our indicators examined thus far, it appears that fuel used for cooking is most closely linked to income status.

Fourthly, during the inter-censal period there was an increase in the proportion of households with access to a flush or chemical toilet. However, in 2001 a little more than half of the households in the country had access to toilets. Whilst the majority of coloureds, Indians /Asians and whites had access either to a flush or chemical toilet, a mere 40 per cent of African households had this facility in 2001, which is an improvement since only a third of African households had access to toilets in 1996.

Fifthly, while there has only been a slight improvement over the inter-censal period in terms of refuse removal by local authorities, more African households gained access than any other population group. This indicator of living standards is closely linked to income status. For the different population groups, a similar pattern holds to that found for sanitation, with the majority of coloureds, Indians/Asians and whites having their refuse removed on a regular basis. Less than half of African households have their refuse removed on a regular basis, and a further two-fifths make use of their own refuse dumps. This probably also reflects relative urbanisation by population group, as well as affluence.

Inequality widening within groups, narrowing between groups

The reduction in inequality of access between population groups is mirrored by a reduction of income inequality between groups. However, inequality increased within all population groups between the 1996 and 2001.

Other studies helped us to get a longer-term perspective. Comparable Gini estimates from Whiteford and Van Seventer (2000) using 1975, 1991 and 1996 census data, provide a longer-run comparison of South African inequality. We see from their Gini coefficients that the widening of inequality within each group between 1996 and 2001 is the continuation of a trend going back to 1975, and is particularly acute for Africans. However, it seems that the widening of inequality at the national level between 1996 and 2001 is a break with the trend from 1975, and 1996 – Whiteford and Van Seventer found measured inequality at the aggregate level remained high but stable over the 1975–1996 period.

The data show increasing inequality within each population group as well as in aggregate inequality. As discussed by Bhorat *et al.* (2000), the strong between-group component of inequality has always been the starkest marker of apartheid-driven inequality in South Africa. The question, therefore, arises whether the upward turn in aggregate inequality can be attributed to a simultaneous increase in between-group inequality. However, the Theil index – a measure that allows national inequality to be broken down into a contribution due to inequality within groups and a contribution due to inequality between groups – shows a declining share of between-group inequality between 1996 and 2001.

Table 4.5: Comparisons of inequality for 1975 to 2001, using the Gini coefficient

	1975	1991	1996	1996	2001
	Whiteford & Van Seventer estimates				Our estimates
African	0.47	0.62	0.66	0.62	0.66
Coloured	0.51	0.52	0.56	0.53	0.60
Indian/ Asian	0.45	0.49	0.52	0.48	0.56
White	0.36	0.46	0.50	0.44	0.51
National	0.68	0.68	0.69	0.68	0.73

Sources: Whiteford & Van Seventer (2000) using 1975, 1991 and 1996 census data; Own calculations for 1996 and 2001, using Census 1996, 2001, Statistics SA

Table 4.6: Inequality comparisons within and between population groups, using the Theil index

	1975	1991	1996	1996	2001
	Whiteford & Van Seventer estimates				Our estimates
Within-group inequality	38%	58%	67%	57%	60%
Between-group inequality	62%	42%	33%	43%	40%
Total inequality	100%	100%	100%	100%	100%

Sources: Whiteford & Van Seventer (2000) using 1975, 1991 and 1996 census data; Own calculations for 1996 and 2001, using Census 1996, 2001, Statistics SA

This continues the trend established by the findings of Whiteford and Van Seventer for the period 1975 to 1996.

The African group's share of the population is still disproportionate to its share of income. This is nothing new and is a legacy of apartheid. What is new is that the long-term shift of share in income to the African group (mostly from the white group) was halted in the period 1996 to 2001. Earlier results from 1970 to 1996 show that the share of income for the African group rises strongly, though from a very low base relative to population share (Whiteford & Van Seventer, 2000). Our results show that in 2001, Africans' share of total income remained at 38 per cent, its share in 1996. In contrast, the white and Indian/Asian shares of total income increased, after consistent decline, at least for the white group, since 1975. This is even more marked when taking into account the growth of the African share of the population. The slight growth in the share of white income is accompanied by a decrease in the population share of the white group. All in all, the 1996 and 2001 results suggest a break in the trend from 1970 to 1996.

Similarly, the disparity between mean white income per person and income per African and coloured person widened between 1996 and 2001, after 26 years of narrowing. White per capita income increased from nine times higher than African income in 1996 to 11 times higher in 2001. This is a break in the trend from 1970 to 1996, which showed the disparity decreasing. The disparity between coloured and white incomes also increased between 1996 and 2001, while the disparity ratio with Indians/Asians remained constant. Thus, as with the movement of income shares by population group, the movement of the disparity ratios between 1996 and 2001 contrasts with the decreasing inequality between the 1970 and 1996.

Africans moving into top income groups

There has been a shift in the population-group composition of income deciles, characterised particularly by the percentage of Africans in the upper six deciles, which has increased between 1996 and 2001, with a marked increase of 7 per cent in the second highest decile since 1996. The share of African incomes in the lower deciles remains fairly constant over the period. This helps to explain some of the widening inequality within the African group, as seen above in the changes in the Gini coefficients between 1996 and 2001. The shares of whites in the bottom eight deciles remain constant

Table 4.7: Income and population shares, 1970–2001

	Share of total income						Share of population					
	1970	1980	1991	1996	1996	2001	1970	1980	1991	1996	1996	2001
	Whiteford & Van Seventer estimates				Our estimates		Whiteford & Van Seventer estimates				Our estimates	
African	19.8%	24.9%	29.9%	35.7%	38%	38%	70.1%	72.4%	75.2%	76.2%	78%	80%
White	71.2%	65.0%	59.5%	51.9%	47%	48%	17.0%	15.5%	13.5%	12.6%	11%	9%
Coloured	6.7%	7.2%	6.8%	7.9%	9%	9%	9.4%	9.3%	8.7%	8.6%	9%	9%
Indian/Asian	2.4%	3.0%	3.8%	4.5%	5%	6%	2.9%	2.8%	2.6%	2.6%	3%	3%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Sources: Whiteford & Van Seventer (2000) using 1970, 1975, 1980, 1991 and 1996 census data; Own calculations for 1996 and 2001, using Census 1996, 2001, Statistics SA
Note: Totals may not add up to 100% due to rounding.

Table 4.8: Disparity ratios: whites to other population groups

	1970	1980	1991	1996	1996	2001
	Whiteford & Van Seventer estimates				Our estimates	
African	15.0	12.9	11.1	8.8	9.0	11.19
Coloured	6.0	5.3	5.7	4.5	4.3	5.26
Indian/Asian	5.1	3.9	3.0	2.3	2.3	2.39

Sources: Whiteford & Van Seventer (2000) using 1970, 1980, 1991 and 1996 census data; Own calculations for 1996 and 2001, using Census 1996, 2001, Statistics SA

between 1996 and 2001, with a decrease in the shares of the upper two deciles. The shares of coloureds and Indians/Asians in all deciles remain fairly constant over the period. These group shares help to make it clear that the increase in the white share of income over the 1996–2001 period, and the increase in the white/African disparity ratio, were being driven by a few very high-earning whites at the top of the distribution. The general trend is still one in which there is notable upward mobility of Africans into the top sections of the income distribution. At the same time, there is no real evidence of downward mobility of whites, especially not into the lowest few deciles.

SHIFTS BETWEEN PROVINCES

There is evidence that poverty increased in all provinces, but it increased slightly faster in the best-off provinces, reflecting a migration of the poor from the worst-off to the best-off provinces. While the increase was particularly marked for real income levels between the low poverty line and the higher line (and less marked for incomes below the low poverty line), the evidence is that it is the poorest of the poor who migrated between provinces.

No shift in relative wealth of provinces

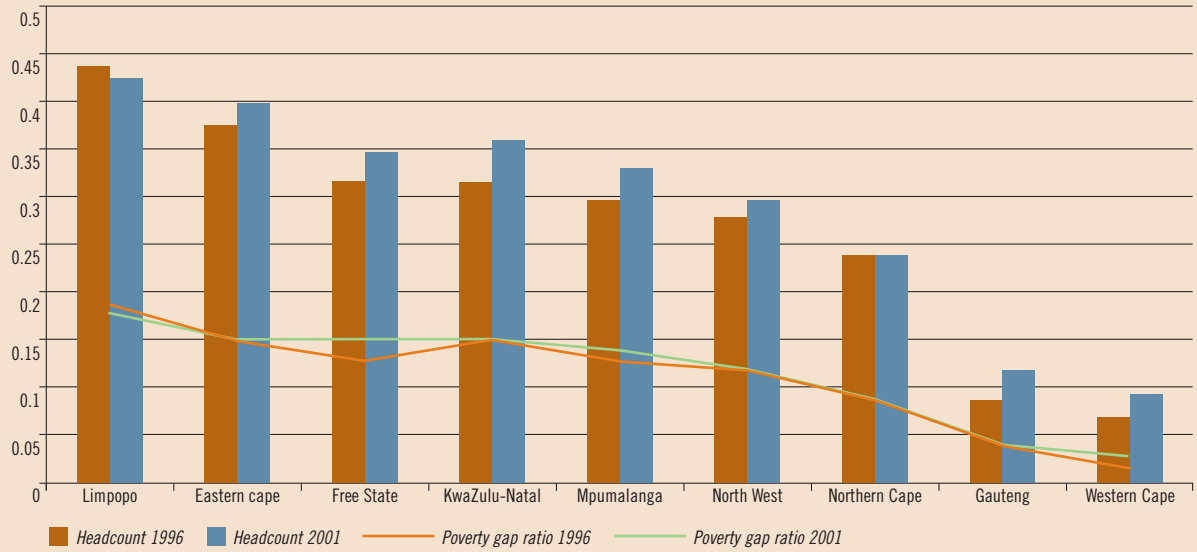
The rankings of best-off and worst-off provinces are unchanged over time. In both years, the Western Cape and Gauteng have the lowest poverty rates, while the Eastern Cape and Limpopo have the highest poverty rates, regardless of where the poverty line is drawn. There is evidence of an increase in poverty in all of the provinces, including the two best-off provinces. In spite of excluding zero incomes (which, if included would severely worsen the results) the poverty rates in the

Table 4.9: Population-group composition of per capita income deciles, 1996–2001

	African		White		Coloured		Indian/Asian	
Decile	1996	2001	1996	2001	1996	2001	1996	2001
1	97%	96%	0.4%	0.3%	3%	4%	0.2%	0.2%
2	95%	95%	1%	0.3%	4%	5%	0.4%	0.4%
3	93%	92%	1%	1%	6%	7%	0.4%	1%
4	89%	90%	1%	1%	10%	9%	1%	1%
5	84%	85%	2%	1%	13%	12%	2%	1%
6	79%	81%	3%	2%	15%	14%	3%	2%
7	72%	74%	5%	6%	18%	16%	5%	4%
8	63%	63%	12%	12%	17%	17%	7%	8%
9	43%	50%	35%	30%	14%	13%	8%	8%
10	21%	23%	67%	63%	6%	7%	5%	7%

Source: Own calculations, Census 1996, 2001, Statistics SA

Figure 4.7: Headcount and poverty gap ratios at US$2 per day by province, 1996 and 2001

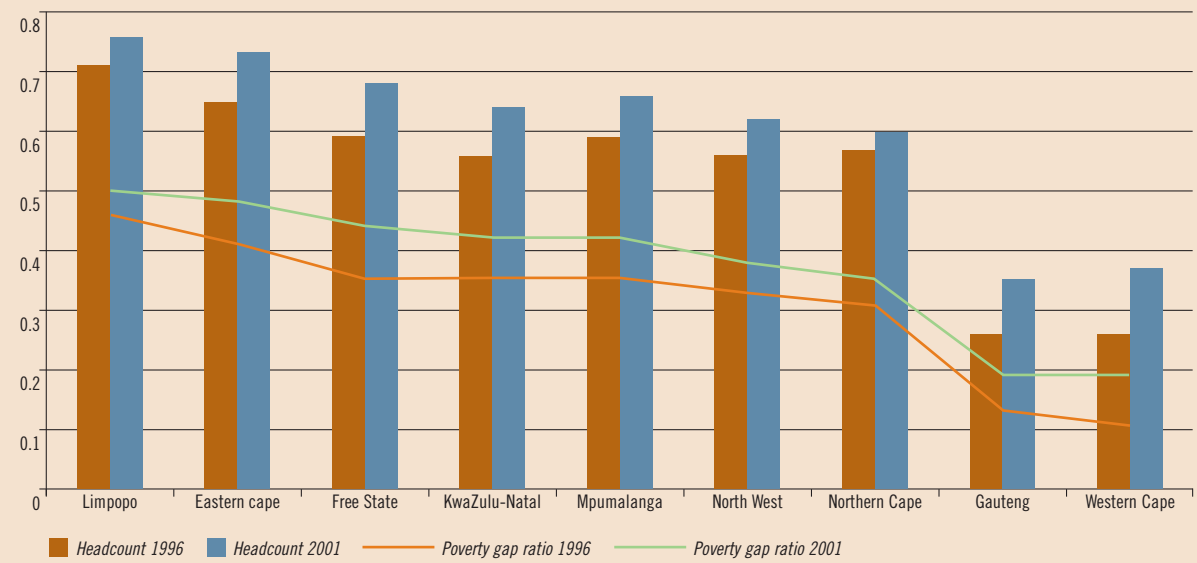


Source: Own calculations, Census 1996, 2001, Statistics SA

Eastern Cape, Free State, Limpopo, Mpumalanga and KwaZulu-Natal are all in excess of 30 per cent, even at the extremely low poverty line of US$2 per day.

The increase in poverty is particularly marked for real income levels between the low poverty line and the higher line, and less marked for incomes below the low poverty line, holding the pattern for the nation consistently in all the provinces. A similar pattern holds for changes to the depth of poverty in the provinces. The widening of the gap between the average household income and the

Figure 4.8: Headcount and poverty gap ratios by province, at R250 per month, 1996 and 2001



Source: Own calculations, Census 1996, 2001, Statistics SA

Table 4.10: Poverty shares by province, excluding zero incomes

Poverty line	Headcount	Poverty gap ratio	Headcount	Poverty gap ratio
	1996		2001	
US$2 per day				
Western Cape	0.03	0.02	0.04	0.03
Eastern Cape	0.20	0.19	0.18	0.17
Northern Cape	0.02	0.02	0.02	0.02
Free State	0.08	0.08	0.08	0.08
KwaZulu-Natal	0.25	0.26	0.26	0.27
North West	0.09	0.09	0.09	0.09
Gauteng	0.07	0.06	0.09	0.08
Mpumalanga	0.08	0.08	0.08	0.08
Limpopo	0.17	0.18	0.17	0.17
R250 (1996)				
Western Cape	0.06	0.04	0.07	0.06
Eastern Cape	0.18	0.19	0.17	0.17
Northern Cape	0.03	0.02	0.02	0.02
Free State	0.08	0.08	0.07	0.08
KwaZulu-Natal	0.23	0.24	0.22	0.24
North West	0.09	0.09	0.09	0.09
Gauteng	0.10	0.09	0.13	0.11
Mpumalanga	0.08	0.08	0.08	0.08
Limpopo	0.15	0.16	0.14	0.15

Source: Own calculations, Census 1996, 2001, Statistics SA

chosen poverty line is much more pronounced for the R250 than for the US$2 poverty line. At the US$2 per day line, the increase in depth of poverty – as represented by the poverty gap ratio – is most apparent for the Free State, followed by Mpumalanga and the Western Cape. This is true at the R250 poverty line as well. In Limpopo, which has the highest headcount and poverty gap ratio in both measures, the depth of measured poverty at the US$2 per day line decreased, but increased with the other provinces at the R250 per month line.

Slight shift in poverty shares from poorest to richest provinces

While it is clearly useful to know in which provinces the poverty rates are highest, it is also constructive to interrogate which provinces have the largest numbers of poor people. Altogether, 25 per cent of the poor live in KwaZulu-Natal and 20 per cent in the Eastern Cape. Generally, the provincial poverty shares are quite stable across the two poverty lines and across time. The most notable change is the fact that the two poorest provinces appear to have given up small shares of poverty to the two richest provinces between 1996 and 2001. Such a change in the shares would be consistent with a migration of poor South Africans from these very poor provinces to the better-off provinces.

Service access increases most in Limpopo, decreases in the Western Cape and Gauteng

It is noticeable how differently the provinces performed in increasing access to services. Access to all types of services, except for piped water, increased fastest in

Table 4.11: Increases in access to services and changes in poverty headcount ratio by province, 1996–2001

	Limpopo	Eastern Cape	Free State	KwaZulu-Natal	Mpuma-langa	North West	Northern Cape	Gauteng	Western Cape
Percentage of households in formal dwellings									
2001 as ratio of 1996	1.16	1.06	1.02	1.07	1.06	1.01	1.02	0.98	0.98
2001 percentage	73%	50%	65%	60%	70%	71%	82%	73%	80%
Percentage of households with access to piped water									
2001 as ratio of 1996	1.02	1.14	0.99	1.06	1.03	1.04	1.04	0.98	0.98
2001 percentage	77%	61%	94%	71%	85%	85%	95%	94%	95%
Percentage of households using electricity for lighting									
2001 as ratio of 1996	1.73	1.56	1.30	1.14	1.20	1.59	1.08	1.01	1.02
2001 percentage	64%	50%	74%	61%	68%	70%	76%	80%	88%
Percentage of households using electricity and gas for cooking									
2001 as ratio of 1996	1.25	1.15	1.08	1.02	1.09	1.22	1.05	0.98	0.99
2001 percentage	26%	31%	50%	50%	41%	47%	65%	74%	81%
Percentage of households with access to a flush or chemical latrine									
2001 as ratio of 1996	1.32	1.13	1.04	1.11	1.05	1.12	1.11	0.99	1.00
2001 percentage	17%	35%	47%	47%	40%	36%	67%	82%	86%
Percentage of households with access to refuse removal									
2001 as ratio of 1996	1.22	1.05	0.94	1.13	1.00	1.03	1.01	0.99	1.03
2001 percentage	15%	37%	61%	49%	40%	37%	71%	84%	87%
Percentage of households under headcount poverty line of R250 per month									
2001 as ratio of 1996	1.07	1.12	1.15	1.14	1.12	1.11	1.05	1.35	1.42
2001 percentage	76%	73%	68%	64%	66%	62%	60%	35%	37%

Source: Own calculations, Census 1996, 2001, Statistics SA

Limpopo. In the case of piped water, access increased fastest in the Eastern Cape, from a low base in 1996. Despite its headcount poverty still being the worst, by 2001 Limpopo no longer ranked the lowest in the percentage of households in formal dwellings, with piped water and electricity for lighting. In the case of these services, the Eastern Cape had the worst access by 2001.

In contrast. access to most services decreased in the Western Cape and Gauteng, the least poor of all the provinces. This may be on account of migratory patterns into the provinces, combined with a lesser focus on service extension, given existing high levels of access. Despite the decrease, access to most services in these provinces is still higher in 2004 than anywhere else.

Focusing on the increase in access to the most preferable types of service available can hide shifts from the worst to slightly better alternatives, and can also obscure issues of quality. For example, in Limpopo, although the increased percentage of households in formal dwellings seems quite extraordinary, given both its income poverty and rural nature, it must be noted that the majority of dwellings classified as formal in this province are simple

shells with brick walls and corrugated iron or zinc roofs, and which will scarcely be found with a flush or chemical toilet. There are also persistent rural–urban disparities in access to services.

In the Eastern Cape, almost a third of households collect their water from dams, rivers and springs. This is particularly evident in the rural areas, where more than half of the households obtain their water from these sources. Furthermore, in 2001 only a third of households in the Eastern Cape had access to toilets, whilst approximately 31 per cent had no access to either a toilet, or a pit or bucket latrine. A similar pattern holds for Limpopo, where less than one in five households had access to a toilet (contrasting with high access to piped water), and another one in five had no type of sanitation at all. Moreover, in 2001 less than 10 per cent of households in the rural areas of the Eastern Cape and Limpopo had access to a toilet. Thus, it is evident that quality sanitation facilities are severely lacking in the income-poor provinces. Rural households in the North West and Mpumalanga also have relatively poor access to a toilet. Although there has been an increase in the proportion of rural households with access to a toilet, it is important to note that in both 1996 and 2001 more than a quarter of households in the rural areas of South Africa had no access to either a toilet or to a pit or bucket latrine. This has considerable health implications.

The proportion of households in KwaZulu-Natal with access to piped water is smaller than in Limpopo. Although there has been an increase in the proportion of households with access to piped water during the inter-censal period, less than half of rural KwaZulu-Natal households obtain their water from this source. Thus, the outbreak of waterborne diseases, such as cholera, in these rural regions is not surprising. Clearly, there is room for much improvement in terms of household access to piped water.

On a provincial level, yet again the Eastern Cape and Limpopo perform quite poorly in terms of household access to regular refuse removal. In particular, only a third of households in the Eastern Cape and a discouraging 14 per cent of households in Limpopo have their refuse removed on a regular basis. More importantly, in 2001 less than 5 per cent of rural households had their refuse removed by a local authority on a regular basis. It appears that the majority of rural households are reliant on their own refuse dump, with almost three-quarters of households using their own dumps, whilst a further 18 per cent of households have no outlets for rubbish disposal.

The income-poor Eastern Cape is the most deprived province regarding access to electricity for lighting, with only half of households having access. It is interesting to note that the main alternative to electricity in most provinces is candles, but that in the Eastern Cape paraffin is also a major source of energy for lighting and is used by just under a quarter of households. In Limpopo, there has been considerable success in the electrification programme compared with five years earlier; an additional 25 per cent of households had access to electricity in 2001, with electricity largely replacing paraffin.

The financial constraints facing households in Limpopo and the Eastern Cape are apparent in that they once again lag behind the other provinces with regards to using electricity for cooking purposes. In the rural areas of Limpopo, less than one in five households use electricity for cooking purposes, and more than two-thirds are reliant on often freely available wood. Rural households in the Eastern Cape appear to be worse off than their counterparts in Limpopo, with less than one in ten households using electricity for cooking. More than half of rural households use wood for cooking purposes. However, in urban areas where wood is not readily accessible, households are mainly reliant on electricity and paraffin. As such, poorer urban households are forced to use their meagre resources to pay for this energy source. They become especially vulnerable to fluctuations in the price of paraffin, which swings greatly with changes in the oil price.

RURAL–URBAN SHIFTS IN POVERTY

The rural–urban divide cuts across population group and province. While rural poverty rates are substantially higher than urban poverty rates (regardless of the poverty line we choose), the rates unambiguously increased in urban areas over the inter-censal period.

However, the same cannot unequivocally be concluded for rural areas. The increase in urban poverty resonates with our earlier finding that poverty increased in Gauteng and in the Western Cape. In this context, it is interesting to note that poverty also increased in KwaZulu-Natal.

This is explained by the fact that while a much higher

Table 4.12: Urban and rural poverty shares

	Headcount	Poverty gap ratio	Headcount	Poverty gap ratio
Poverty line	**1996**		**2001**	
US$2 per day				
Urban	0.29	0.28	0.34	0.32
Rural	0.71	0.72	0.66	0.68
R250 (1996)				
Urban	0.38	0.34	0.44	0.40
Rural	0.62	0.66	0.56	0.60

Source: Own calculations, Census 1996, 2001, Statistics SA

proportion of the rural population are poor, the proportion of the poor who are in rural areas is declining with migration. Using the higher poverty line, 38 per cent of the poor were in urban areas in 1996, whereas 44 per cent of the poor were in urban areas in 2001. This is to be expected, given that a significant amount of rural to urban migration occurred over the period.

CONCLUSION: MORE POOR AND MORE RICH

In this chapter we address changes in the well-being of South Africans between 1996 and 2001 across two dimensions – the distribution of income and access to basic goods and services. The income-based analysis details increases in inequality and poverty at the national level. It also shows a persistent but changing population-group footprint in the structure of South African inequality and poverty.

Inequality between population groups is still extremely high but continues a long-run decline in importance. The African group overwhelmingly dominates both the incidence and share of poverty. At the same time, Africans continue to increase their share in each of the top three income deciles. Inequality continues to widen within each group, evidencing something of the dynamism of post-apartheid South Africa. Within the African and coloured groups, and to a lesser extent the Indian/Asian group, this widening of inequality is due to improvements at the top end of the intra-group distribution as well as increases in measured poverty at the bottom.

For white South Africans, the increase in inequality seems to be driven by increases in income for a few at the top of the distribution, which are so large that they lead to a small increase in the aggregate income share of whites and in a widening of group disparity ratios. There is very little evidence of increasing white poverty.

Provincial poverty shares have remained fairly stable, with the important exceptions of an increase in the shares for the two best-off provinces (the Western Cape and Gauteng) as well as KwaZulu-Natal, and a decrease in the poverty share of the Eastern Cape. These changes in provincial poverty shares, together with a complementary increase in the urban share of poverty, give an indication of the importance of the migration of people from the poorest, predominantly rural, provinces to major metropolitan centres.

The analysis of access poverty and inequality make it clear that inequalities in access to basic services persist in South Africa on a population-group and regional level. Whites and Indians/Asians outperform coloureds, who, in turn, enjoy better access than Africans on nearly all measures.

The wealthier provinces of Gauteng and the Western Cape have the greatest access rates to quality services, with the income-poor Limpopo and the Eastern Cape faring worst. Other provinces that perform quite poorly in terms of access to services include KwaZulu-Natal and Mpumalanga. Furthermore, we see that the urban–rural divide in terms of access to services is quite stark, with rural areas dramatically worse off than urban areas. The provinces that contain former homeland areas, which were severely neglected by the apartheid government, are particularly deprived of basic services.

Given these persistent inequalities in access, it is not surprising to find that households with poorer access tend to be found in the poorest income quintiles. However, it is important to note that access to basic goods and services has improved for many households in our society, including those in the poorer quintiles. Thus, there is an optimistic lack of correspondence between the slight increase in poverty when measured in income terms and the decrease in poverty when measured in access terms.

briefing 1

TRENDS SINCE 2001: SIGNS OF HOPE?

Alta Fölscher

While the 2001 census data provide important and meaningful information – confirming several studies on data from the late 1990s and early 2000s that poverty and inequality were increasing – it leaves open the question of what changes may have occurred in the three years since. There is no clear answer to this question, since no direct data are available. Changes in some of the main factors that correlate with changes in poverty levels provide contradictory evidence: while there are signs of an economic upturn, and while the roll-out of social services and direct grant transfers to the poor have increased significantly, unemployment has also seen an increase and the real average wage earned by the employed has dropped.

In this brief update on likely poverty trends since 2001, we examine three factors that have a direct or indirect impact on poverty. Firstly, we examine changes in the size of the economy between 2001 and 2004. While economic growth on its own is not a sufficient condition for reducing poverty, the chances of accelerated job-creation, and hence reduced poverty, are significantly enhanced when the economy grows.

Secondly, we look at changes in employment and unemployment on the one hand and average wages on the other, earned between 2001 and 2003. Household poverty status – particularly as regards income poverty – is linked to the employment status and earned income of its members (Bhorat *et al.*, 2001).

Thirdly, we take into account the extension of grants and other social services to households. The link between reduced inequality and social transfers was quantitatively established in the work by Van der Berg and Burger (2002) on 1997 Household Survey data, which showed that the Gini coefficient measure of inequality dropped by 35 per cent when social transfers were taken into account. Subsequent work by Meth and Dias (2004) attempted to estimate the value of the 'social wage'. While the argument can be made that the so-called social wage is limited in effect on account of the poor not having the income to afford the improved services, the analysis of census data in the main article of this chapter shows that access did indeed increase for the poorest of the poor (and the poor), although it was still limited by income constraints.

ECONOMIC GROWTH

At the time of the 2001 census, South Africa had recovered from the brief economic slowdown on the back of the Asian crises, and real growth had picked up to levels comparable to the pre-1998 period. According to the September 2004 *Reserve Bank Quarterly Bulletin*, the growth downturn experienced in 2003 was short-lived, with the annualised pace of growth accelerating to 4 per cent in the second quarter of 2004. While the latest trend seems promising, it is too early to tell whether it is an indication of a renewed growth path.

EMPLOYMENT AND UNEMPLOYMENT

Employment and unemployment data do not paint a particularly rosy picture for poverty trends since 2001. Despite a return to higher economic growth by 2001, there is evidence that formal sector employment continued to decline in 2000 from its 1995 level, perhaps as firms

Table 4B.1: Year-on-year real economic growth

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Year-on-year real increase	3.12%	4.31%	2.65%	0.75%	2.03%	3.51%	2.68%	3.56%	1.85%

Source: SARB Quarterly Bulletin, June 2000 and June 2004

Table 4B.2: Formal and informal employment and real average earnings, 1997–2003

	1997	2000	2001	2003
Formal workers ('000s)	6 839	6 777	6 885	7 541
Real monthly earnings (2000=base year)	R3 339	R3 290	R3 340	R3 241
All informal workers ('000s)	1 161	1 831	1 847	1 843
Real monthly earnings (2000=base year)	R1 523	R1 109	R991	R941
Self-employed informal workers ('000s)	552	1 128	1 231	1 209
Real monthly earnings (2000=base year)	R1 648	R1 154	R971	R968

Source: Casale *et al.* (2004)

were still adjusting to the new global environment. This seemed to have reached its nadir in 2000, with the number of formal sector workers increasing again in 2001. However, this may have had a temporary negative effect on income levels, reflected in the 2001 census data. It is, therefore, important to examine changes in employment and unemployment trends, which show that both formal and informal sector employment have increased since the census.

Firstly, the increase in the labour force has slowed down, as predicted by Rulof Burger in Chapter 3. In the last four years of the 1990s, the broadly defined labour force increased by an average of 6 per cent per year (using October Household Survey and September Labour Force Survey data). In the first four years of the 2000s, this slowed down to 4 per cent.

Secondly, over the same period, the average annual increase in broad unemployment has slowed down from 14 per cent to 6 per cent (the March 2004 Labour Force Survey shows a small decline in unemployment since the March 2003 survey). This, however, merely indicates that people have been entering the labour force at a slower rate in the last few years, and that the growth in people seeking, but not finding, jobs has slowed down. Translated into poverty terms, a best scenario conclusion would be that the growth in poverty may have slowed down, but has not been reversed.

The changes in the labour force and unemployment need to be balanced with a view on employment. Datasets prepared by Casale, Muller and Posel (2004) show that informal sector employment has been on the rise since the late 1990s, driven by growth in self-employment. Formal sector employment has recovered from the decline at the turn of the century, and is also slowly increasing. However, the distinction between formal and informal workers is important from an income poverty perspective: Casale *et al.* also calculate that informal workers – the group that shows the largest growth between 1997 and 2003 – have also experienced the largest fall in real wages. Moreover, their income is also 'variable'. Overall, average real wages have declined from R3 014 in 1995 to R2 360 in 2003. Examining the phenomenon of the working poor, Casale *et al.* find that between 1995 and 2003 the number of non-subsistence agricultural workers whose real income was less than US$2 per day expanded by more than 80 per cent.

INCREASES IN GRANT BENEFICIARIES

Finally, on a positive note: when Van der Berg and Burger (2002) calculated the impact of social transfers on inequality, it was on the basis of 1997 data. In the meantime, grants in particular have increased many-fold. In 1997, 2.5 million people benefited from grants. By December 2004, this number is expected to have grown to more than 7.5 million (National Treasury, 2004). A large proportion of this increase happened in the last four years, as fiscal space for increases in social spending was created by falling interest payments. For the child grant alone, nearly one million children were registered in the first six months of 2003/4. The increases in grant beneficiaries are supported by a continued expansion of other social services, such as housing, potable water supplies, electricity and health services.

The increased take-up of grants alone, since the 1996–2001 period, together with accelerating economic growth, may be slowing further increases in poverty.

briefing 2

HIV/AIDS: DEADLY ENEMY OF TRANSFORMATION

Alta Fölscher

HIV/AIDS is a major threat to full economic transformation, in terms of both its impact on overall economic performance and the distribution of its effects on South African society. HIV/AIDS has a clear economic cost – on account of its direct costs and effects on the productive capacity of the economy. More importantly, however, it signals a humanitarian crisis that may render futile many of the gains made since 1994 in improving the lives of poor South Africans. By 2010, approximately 700 000 people will die annually and we can expect a total of 3 million AIDS orphans.

An additional 1.8 million children will become AIDS orphans between 2003 and 2010, if anti-retroviral (ARV) treatment is not rolled out, according to a 2003 National Department of Health and National Treasury report. These would be the surviving children of parents with AIDS, together with the children already orphaned by 2003. In 2001, the Actuarial Society of South Africa (ASSA) projected that, without ARV treatment, the infant mortality rate would double by 2010, and the cumulative number of children orphaned by AIDS would be 3 million.

The two commonly used models to project the impact of the epidemic – the Abt Associates/Metropolitan model and the ASSA 2000 model – show a clear bias in the path of the epidemic related to province, employment status, skills, income level and population group. If you live in KwaZulu-Natal or Mpumalanga, are female, unskilled, unemployed, poor and African, your likelihood of dying an AIDS-related death increases many times. To put it plainly, HIV/AIDS is most strongly affecting those already at the bottom of the population pile, the poorest and the least powerful. That cannot be good for transformation.

In 2001, the proportion of semi-skilled and unskilled workers who were HIV-positive (14 per cent) was double that of highly skilled workers (7 per cent), according to an Abt/Metropolitan survey. South Africa is different in this respect to its neighbours, where the prevalence of HIV/AIDS is greater in more highly skilled groups. In South Africa it was estimated in 2001 that prevalence rates amongst the unemployed were 30 per cent to 50 per cent higher than for the employed. Thus, Africans are the most affected, because higher proportions of Africans are unskilled or unemployed and poor. Evidence shows a drastic reduction in infection rates from African semi-skilled workers to African middle- and senior-level managers (Bureau for Economic Research (BER), 2001). The ASSA 2000 model, generally seen as less conservative but more realistic, predicts that overall prevalence will peak at 3 per cent amongst whites in 2011 and at nearly 20 per cent for Africans in 2006.

Prevalence amongst women is 10 per cent to 20 per cent higher than for men, while HIV-positive rates are estimated to be up to three times higher in KwaZulu-Natal and Mpumalanga than in the Western and Northern Cape and Limpopo.

By 2010 more than 600 000 people a year will die an AIDS-related death, given no ARV roll-out. According to the more conservative Abt/Metropolitan model, this would increase to 709 000 by 2015, with 1.6 million being sick with AIDS, and 6.6 million (15 per cent of the population) being infected with HIV.

This impacts on economic performance. Estimates by ING Barings set GDP growth at only 0.3 percentage points lower on average between 2002 to 2010, while Arndt and Lewis (2002) estimated 2 percentage points lower. In 2001, the BER at Stellenbosch University estimated that the epidemic would result in a 5.7 per cent lower GDP in 2015. These estimates are based on a combination of factors – a reduced population (10 million fewer people by 2015), a workforce whose numbers remain almost stagnant over the next 11 to 12 years, the changed economic behaviour of households and, of course, the direct cost of caring for people with and affected by HIV/AIDS.

In fact, both demographic models predict negative population growth by 2015. The population impact will continue to be felt long after 2015, since HIV/AIDS disproportionately affects people in their productive and

reproductive years. In terms of the present, South Africa is in the foothills of total impact: for example, the BER estimates current GDP growth to be only 0.1 per cent lower on account of HIV/AIDS (in comparison to 10 times as much by 2015). Including the full cost of ARV roll-out, public health spending on the epidemic is projected to be more than double its current levels by 2010.

However, a recent survey conducted for the South African Business Coalition on HIV/AIDS by the BER found that HIV/AIDS has already reduced labour productivity and has raised the cost of employee benefits in more than a third of the 1 006 companies surveyed. Another major impact identified by firms is the loss of experience and skills. Fewer than 10 per cent of the companies reported that HIV/AIDS has affected their sales negatively, but more than 30 per cent expected an adverse impact by 2008.

Of course, ARV roll-out would significantly delay AIDS-related deaths, decrease time taken up by illness and could mitigate some of the economic and social impact. The Treasury/Department of Health report estimated that more than 1.7 million deaths could be delayed until after 2010 – thereby stabilising mortality rates – with 100 per cent roll-out of ARVs. With 50 per cent of AIDS sufferers on ARVs, which the report argues is more realistic on evidence from countries already implementing ARV programmes, 733 000 deaths would be averted. Given that ARV treatment will extend the life of an AIDS patient by between four and six years, a 50 per cent take-up will result in over 7 million years of life gained. Moreover, 350 000 children aged under 15 years will be parented for an additional six years, which significantly increases not only their immediate chances of survival but their long-term chances of well-being and productivity, reducing the public cost of their care.

The cost of ARV roll-out accrues mostly to the state. In health care alone, the state is already spending R5.4 billion per year more on account of HIV/AIDS, without the provision of ARV treatment. The Treasury/Department of Health report estimates the total cost (including management, care and nutritional supplements) of a 50 per cent roll-out of ARV treatment to be between R10 billion and R12 billion by 2010, and up to R21 billion in a 100 per cent take-up scenario. These estimates assume that ARVs will become progressively cheaper – if not, the cost would be significantly higher. Given an economic growth rate equal to the average rate of the past five years, and assuming total general government expenditure as a steady percentage of GDP, and full ARV roll-out, public health spending on HIV/AIDS alone would increase from approximately 1.5 per cent of total expenditure in 2003/4 to 5 per cent in 2010/11. If economic growth stalls, this would rise to 1.7 per cent of GDP. The implication is clear: in order to mitigate the inevitable humanitarian, economic and social consequences of HIV/AIDS, steady economic growth is essential.

This is an even starker truth when the ongoing cost to welfare budgets is considered; and, for the long-term prospects of economic transformation, social welfare spending is particularly critical. Given existing HIV/AIDS prevalence, the mortality and distribution of the epidemic are inexorable, even if delayed by ARVs. South Africa will face a totally changed demographic landscape by 2015.

If you live in KwaZulu-Natal or Mpumalanga, are female, unskilled, unemployed, poor and African, your likelihood of dying an AIDS-related death increases many times

Clearly, care and relief for people with HIV/AIDS is a moral duty. Taking care of those, particularly children, who are affected by the epidemic is equally important, and this is arguably not only a moral duty but also an economic priority. In facing up to the aftermath of apartheid, South Africa is all too familiar with the long-term debilitating consequences of social disintegration and the destruction of families. The care of AIDS orphans should perhaps be viewed in the same light. AIDS orphans will count close to 3 million by 2010, even taking into account ARV treatment. That number can only rise as AIDS prevalence peaks in the subsequent years, making orphans a significant proportion of all children.

The role the state must play in addressing this problem is unambiguous. Projected public budgets for welfare services to people affected by HIV/AIDS do rise in real terms between 2003/4 and 2006/7. That is good, but not good enough – as a percentage of GDP, it drops slightly. Given that the numbers of AIDS orphans will certainly rise over this period, national resources need to be targeted more effectively.

comment

UNDERSTANDING POVERTY: THE LIMITS OF DATA

Steven Friedman

Can it be that the only thing we really know for certain about poverty is that we have far too much of it? Like many current studies (including some by official institutions such as Statistics SA and the Human Sciences Research Council), Leibbrandt *et al.* (2004) paint a disturbing picture. Not only are more people falling into poverty, but perhaps the most important stated government goal, the reduction of racial inequality, was, according to their findings, halted in the 1996–2001 period. This latter finding is particularly significant since it would suggest, as some critics have repeatedly insisted – much to the government's ire – that the creation of a new class of wealthy and middle-class black people has indeed occurred in a context in which the average black person's circumstances have not improved.

The problem, however, is that it is not at all clear that we know this much about poverty trends.

Leibbrandt *et al.* (2004), like other economists working on poverty, are at pains to stress that their findings can tell us much about how to make the fight against poverty more effective. It is not enough, they imply, to know that we have a poverty problem. We need to understand trends so that we know which policies are working, and which must be revised. Like other policy-oriented researchers, they have a conviction that we can learn enough about the problem to devise successful interventions that will serve the public good.

They are, of course, correct in principle. Given the extent of poverty, it is easy to sympathise with Charles Meth and Rosa Dias (2004: 84) when they quote the American Michael Harrington's call for academics in his country to abandon 'statistical quibbling' about poverty and to realise that the society has a massive challenge, whichever way you slice the numbers. But if we do not know more about the trends – who is getting richer, who poorer, and why – how are we going to address that challenge?

The problem is that we cannot be sure that we do know enough about the trends to propose policies with great confidence. While all the poverty studies are conducted by academics whose professional competence is beyond question, there is good reason for us non-economists to worry that, despite all the fine efforts of excellent minds, we simply do not know enough about poverty and what to do about it.

The first warning flag comes from the economists themselves. Just about every current work on poverty is replete with cautions about the limits to our current knowledge (see May, 2004; Meth & Dias, 2004; Van der Berg, 2002). The reason is not the lack of analytical competence, but the paucity of reliable data. The studies suggest that, while economists did feel more confident about our poverty data for a while after 1994, that trust has dissipated: complaints about the data are widespread.

Having decried the unreliability of the data, some of the studies then go on to assert that, despite this, we know some broad trends, but it is often unclear to the uninitiated how we know this. After all, if a dataset is unreliable, can we know how unreliable it is?

Second, there is sometimes a striking lack of consensus about the broad trends. One example of this is the measure of inequality. One eminent group of economists (Leibbrandt *et al.*, 2004) tell us that we have the highest level of inequality in the world, with a Gini coefficient of 0.73. Another eminent economist, Van der Berg (2002), tells us that, when we take other factors such as grants and social services into consideration, our inequality level is quite middling, at a relatively modest 0.44. They may well both be right, but the difference is profound, and how to make policy in the face of analyses with such different implications is a dilemma. Discrepancies this wide, with such widely differing implications, give cause for pause on how much we really do know.

Third, there seems no clear solution to one of the key issues in policy debate – how to calculate the effect of the roll-out of social services since 1994. Some economic analysts do make a strenuous effort to arrive at calculations, but they are careful to stress that much of this is approximation (see Meth & Dias, 2004: 73, on 'guesstimating' housing costs). The problem here is that the government insists that the extension of services to many people who lacked them has significantly increased the living standards of the poor. It is not clear that the specialists know whether it has done this, particularly

as some are eager to warn of the problems that confront attempts to measure this (see, for example, Meth & Dias, 2004: 70).

Fourth, the fact that data, even if trusted, are always available some time after having been collected and that there may be long waits for some datasets (there seems to be no data older than 2002), may mean that some arguments cannot be settled.

Thus, Leibbrandt *et al*. (2004) find that access to social services has increased significantly. This is at least a partial rebuttal to left arguments that the services roll-out has little effect because the poor cannot afford the services and are forced to go without (because they cannot meet the required payments and are thus subject to cut-offs). However, the fact that the finding is based on the 2001 census could allow for a left response that they do not take into account substantial service cut-offs in the past three years. On the other side of the argument, government sympathisers could argue that the significant extension of social grants to new beneficiaries over the past three years might have reduced the poverty figures (the number of recipients rose from 2.9 million in September 1998 to 5.6 million in 2003, see Voucher Generation Report cited in May, 2004: 8).

Fifth, even if we agree that poverty has increased, there is no agreement on why. Thus, while some insist that the government's failure to take the needs of the poor seriously is the problem, Van der Berg (2002: 8–19) argues, with considerable evidence, that the problem lies not in government intentions but in a failure to translate them into reality.

Inevitably, of course, these apprehensions are increased by the fact that economists, like all human beings, have values and beliefs, and that our economic debate is often polarised. When the government is determined to insist that things are getting better – to demonstrate that it is 'delivering' – and social movement activists are determined to show that poverty is increasing – to show that it is not – research inevitably gets seized upon not to solve policy challenges but to score points. We are hardly the only society in which this happens, but the debate does not match the idealised image of a policy process in which competent researchers inform attentive policy-makers of their next step.

Are we, then, left to blunder in the dark? For two reasons, the picture may not be quite as bleak as that.

Firstly, as Harrington implies in the American context, we know that we have a substantial problem. No economist comes remotely close to finding that we are beating poverty and so we know that fighting it needs to remain a national preoccupation.

Secondly, the fact that there are inadequate data now does not mean that this needs to be accepted as an eternal fact of life. A public campaign for better poverty data may be an implausible candidate for winning mass support. Complaints about data quality are currently heard in academic papers, not in the mainstream debate. The media's frequent tendency to accept all research that contains numbers without demur and the already-mentioned polarised nature of the debate means that public discussion very often proceeds on the assumption that we know everything we need to know. There is, therefore, room for a campaign that seeks to show the government that an administration concerned about poverty ought to be worried about the quality of the information it receives, and which wins the support of key social actors for that view. The issue would not go beyond the policy elite, but this is where it surely belongs.

While good data and excellent analysis are always useful, it may well be that the economists, like most policy-oriented researchers, overestimate the importance of research to policy.

Even the most impeccable study will not lead to action unless there is a social constituency behind it. More importantly for our purposes, there may be no better source of information on the poor than poor people themselves – not only as research subjects but also as participants in the policy debate.

Economists are not the only specialists who have problems with working out what is happening at the grassroots of our society. The evidence suggests that the key reason for the failure of development initiatives to really address poverty is a wide gulf between policy-makers and the needs and circumstances of the poor (for examples, see Friedman, 2002). While research has certainly helped to illumine these, the problem may be not only a failure of data collection and analysis but, more importantly, of representation.

The gap shows that poor people are not being heard in our new democracy – at least on social and economic issues. Until they are, there may be a distinct limit to what we can know and do about poverty.

case study

HLABISA, KWAZULU-NATAL: HARD EDGES OF SURVIVAL IN A SHRINKING CENTRE

N Bolowana

Doris Nyathikazi lives in a homestead in Hlabisa with her seven children and her husband. She is unemployed. So is her husband, who only brings money home if he gets 'piece jobs here and there'.

Her oldest child is 22 and the youngest is 3 years old. She receives child grants for the three youngest children who all qualify. Six of the children are still in school, and the 22-year-old has finished matric but is unemployed. He is looking for something, says Nyathikazi, but there are no job opportunities this side of town.

Nyathikazi also receives a disability grant, which, along with the children's grants, is the income that keeps the family going. Apart from this, Nyathikazi says, there is no form of reliable income in her home. The money is spent on food, electricity and some pocket money for the school-going children.

'It has been a year since I started receiving the child grants for the three children,' she says. 'We spend all of it on food; it is very helpful. If the children need something for school, we get the money from the grants, mine and theirs. We supplement the grants with the vegetable garden at home. We only buy meat and other things that we do not have in the garden,' says Nyathikazi.

The children leave home at half past six in the morning so that they can get to school on time. They walk. Nyathikazi says that the government's nutrition programme at the school also eases her burden. If she does not have anything to give the children, she no longer worries too much because she knows they will get food at school.

There is not much activity in Hlabisa – there are no community halls, no libraries, no stadiums and no sports fields (young people use open spaces to play football). Neither young nor old have much interest in politics. During weekends or school holidays, Nyathikazi says, her children entertain themselves by playing on the streets.

The family's blessing is that all are generally healthy. For medical problems, mobile clinics are quite accessible

and helpful, Nyathikazi says. Home-based care programmes and non-governmental organisations (NGOs), which are active in the community, provide additional support.

Hlabisa, in the heart of rural Zululand, is a large district with a population, almost exclusively African, of about 250 000. It is divided into four areas, namely Matuba, Hluhluwe, Hlabisa and Nhlwatho, each of which is headed by traditional leaders. Hlabisa Hospital, with 15 associated clinics, is the only hospital in the district. There are more than 170 schools in Zululand, and about 20 of them are in Hlabisa. The nearest bank is 50 kilometres away in Mtubatuba (a return trip by taxi costs R36). There is a game reserve in Hluhluwe called the Hluhluwe-Umfolozi Game Reserve.

Revival Mtshali, a nurse-manager at Hlabisa Hospital, who was 'born and bred' in the area, says the biggest challenges in Hlabisa are poverty and high mortality. 'Most of our households are unemployed. We have lots of child-headed households and female-headed families,' she says. Child sexual abuse in this part of Zululand seems to have become part of the community; a doctor at the hospital says that she has seen many cases of children who came to hospital because they had been sexually abused, and she was afraid it was becoming the norm.

Mtshali says that death is plaguing the society. 'People are dying,' she says. It is suspected that HIV/AIDS is behind the deaths, but this cannot be confirmed because people do not want to know their status. However, most deaths are caused by retroviral diseases such as tuberculosis, pneumonia, meningitis and diarrhoea.

The HIV/AIDS statistics kept at Hlabisa Hospital are not encouraging. Only 604 people in the whole area have been to the hospital for pre-test HIV counselling. From that number, only 147 agreed to be tested, and 44 of these were HIV-positive. However, it is believed that there are 7 000 pregnancies per year and an HIV prevalence of 30 per cent in pregnant women, according to the Health Systems Trust.

'Most of the people are not tested. It's a problem,' says Mtshali. Nevertheless, NGOs are actively involved in communities and are encouraging people to be tested. The hospital is also running educational programmes around health and HIV/AIDS. Mtshali says that a catholic-church-based NGO is soon to offer anti-retroviral treatment to 100 people in the community. Although the roll-out has not as yet started at the hospital, Mtshali says that the hospital has just received a licence to treat patients and believes the roll-out will happen soon.

The four areas in Hlabisa are developing at different paces, depending on the chief in the area, says deputy nurse-manager, Duduzile Ndwandwe, who is also involved in community health education and works with NGOs. 'Traditional leaders are the driving force behind development. Some of them are active, but some don't have time. It depends on which chief you are under. Some areas had water before Hlabisa. In Mpukunyoni area, on the other side of the game reserve, the men are taking charge, they own sugar cane plantations, they are real farmers,' says Ndwandwe.

In other areas of Hlabisa, women are holding the fort. Women are involved in poverty alleviation programmes such as sewing, handcrafts and beadwork because, according to Ndwandwe, 'it is women who are faced by hungry children.' Ndwandwe says, 'The women from this side are illiterate. If there is opportunity, they come and take it. They need the money for many things.'

The clinics are also encouraging women to have vegetable gardens. There are demonstration gardens at the clinics, and women are shown how to start and maintain their own gardens.

Ndwandwe says that men are no longer going away to find employment, because so many had come back after being retrenched. Large numbers of people used to work in mines and factories in Johannesburg but many had closed and the men had returned. Because there is no employment and there is hardly anything to do, most men spend their time in shebeens drinking, she reports.

Hlabisa is a large area and 'people are scattered all over'. Although there are 15 clinics, services are inadequate because the clinics are still inaccessible to many people. The same accessibility problem is experienced with police stations and schools. 'People don't trust police because there have always been delays; the police would get to the crime scene too late or they would say there was no vehicle available to get there,' says Ndwandwe.

Because of the lack of economic activity, shops in the area have been closing. 'Most of the shops are closing down because people are not coping,' says Ndwandwe. For end-of-the-month groceries, people often have to travel the 50 km to Mtubatuba, paying the R36 taxi fee.