POVERTY AND INEQUALITY IN SOUTH AFRICA
Presentation by
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1 Background
The analysis of poverty and inequality in South Africa has had a long history. In 1922, the First Carnegie Inquiry on poverty was undertaken which focussed on the ‘poor white’ problem, and fed into the subsequent policy framework for the eradication of poverty amongst whites. Much later, the Second Carnegie Conference held in 1983 examined the poverty amongst South Africa’s black population and highlighted the appalling conditions in the rural areas and townships of South Africa.

The transition period witnessed renewed interest in poverty and inequality heralded in by the national survey on living standards undertaken by SALDRU in 1993. This study provided the first data of the extent and distribution of poverty across South Africa. This quantitative survey was followed by the South African Participatory Poverty Assessment that was expected to report to the RDP Office. Due to the closure of this office, to date this report has only been informally distributed. In addition to these largely externally initiated studies, research has also been carried out by the different spheres of government concerned with the policies related to the reduction of poverty and inequality.

In 1995, the South African Government was approached by the World Bank with a proposal that an overall poverty assessment be undertaken collaboratively by the World Bank and the government. Around the same time, the United Nations Development Programme also approached government with a request to prepare a county Human Development Report. In October 1995, the South African cabinet agreed that a Poverty and Inequality Report be undertaken by South African researchers. This report, referred to as the PIR, brings together research undertaken over the past 15 years in South Africa, with an analysis of the current policy framework for the reduction of poverty and inequality prepared by the new government.

2 Growth, development, poverty and inequality
Over the past decade governments have been seen to be increasingly constrained in terms of the actions that they are able to take which promote growth or regulate the ways in which the benefits of growth are distributed. An inherent belief behind this approach has been that the benefits of growth would reach the poor through a trickle down effect. All that was needed for successful development was the freeing up of markets and removal of state controls and intervention. Increasingly these views are being challenged from both the perspectives of neo-classical economics and political economy. Experience has also shown the unqualified belief in the market to be incorrect. In many instances, the poor have not benefited from market-oriented macroeconomic policy reforms because the underlying institutional context has remained the same.
Views tend to converge on several sources of market failure that might call for some form of state intervention. It is also argued that the state also has a central role to play in the development of non-tradable goods such as infrastructure and public administration. Finally, there has also been widespread agreement on the importance of the state in the provision of social safety nets such as employment guarantees and other public works programmes, food distribution and other types of nutrition programmes and micro-enterprise credit. To this list, it strengthening the abilities of poor people to fight poverty may be added.

The approach adopted by the PIR is based on breaking the forces that have perpetuated a vicious circle of poverty at one extreme, while encouraging income, wealth and opportunity to be amassed at the other. In particular, it is suggested that economic growth and human development are linked through the constraints and opportunities that each imposes upon the other. Thus, while growth is a necessary condition for the alleviation of poverty, it is not a sufficient condition. Enlarging what South Africans can do, or can be, correctly emphasises human development as being the primary objective of government’s actions.

3 An Analysis of Poverty and Inequality in South Africa

In per capita terms South Africa is an upper-middle-income country, but most South African households experience outright poverty or vulnerability to being poor. In addition, the distribution of income and wealth in South Africa is among the most unequal in the world, and many households still have unsatisfactory access to clean water, energy, health care and education.

For the purposes of this analysis, “poor” is defined as the poorest 40% of households and as “ultra-poor” the poorest 20% of households in terms of consumption expenditure. For comparison, the international “rule-of-thumb” measure of 1US$ per day is also shown.

Table 1: Alternative Poverty Lines

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<tr>
<th>Poverty Line Measure</th>
<th>% of Households classified as Poor</th>
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<tr>
<td>“Poor”: Poorest 40% (R352.53 per month per adult equivalent)</td>
<td>50%</td>
</tr>
<tr>
<td>Ultra-Poor: Poorest 20% (R193.77 per month per adult equivalent)</td>
<td>27%</td>
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<td>1$ per day</td>
<td>21%</td>
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About 18 million people live in the poorest 40% of households and are thus classified as poor, and 10 million people live in the poorest 20% of households and are thus classified as ultra-poor. Most of the poor live in rural areas: 45% of the population is rural, but the rural areas contain 72% of those members of the total population who are poor. The poverty rate (the proportion of people falling below the poverty line) for rural areas is 71%. Poverty is not confined to any one race group, but is concentrated among blacks,
particularly Africans: 61% of Africans and 38% of Coloureds are poor, compared with 5% of Indians and 1% of Whites. Three children in five live in poor households, and many children are exposed to public and domestic violence, malnutrition, and inconsistent parenting and schooling. Women are more likely to be poor than men: the poverty rate among female-headed households is 60%, compared with 31% for male-headed households.

At 0.58 South Africa’s measure of the degree of inequality, the Gini coefficient, is one of the highest in the world. Another way to express the degree of inequality in a country is to examine the income shares of deciles of households. Using this approach, the poorest 40% of households, account for only 11% of total income, while the richest 10% of households, equivalent to only 7% of the population, accrue over 40% of total income.

Within race inequality, especially among the African and white population groups is substantial. Inequality amongst African households accounts for between 29% and 49% of overall inequality, depending on the measure chosen. This is borne out by the high Gini coefficient amongst African households of 0.54.

The heterogeneous nature of South Africa is starkly revealed if the outcomes of development are considered. At the time of analysis, South Africa ranked 86th amongst countries for which the HDI had been measured. However, there are great disparities in the level of human development in different parts of the country. The provinces of the Western Cape and Gauteng are considered to show a high level of human development, similar to that of Venezuela or Singapore. The Northern Province, on the other hand, has a low HDI, comparable with that of Zimbabwe or Namibia. As with the poverty line, there are large racial disparities in human development in South Africa. White South Africans have a level of human development similar to that of Israel or Canada, while Africans score lower on the HDI than countries such as Egypt or Swaziland.

Statistics such as those given above say little about the actual experience of poverty. The experiences documented in the various reports prepared for the recently completed South African Participatory Poverty Assessment (SA-PPA) provide a clear picture of what results from extreme poverty. Generally, what emerges is a situation of continuous ill health, arduous and often hazardous work for virtually no income, no power to influence change, and high levels of anxiety and stress.

The absence of power is almost a defining characteristic of the poor. Clearly, powerlessness is linked to gender power relations as is illustrated in KwaZulu-Natal within the household: “My husband is demanding money. I have no choice, I must give him. I am alone. No-one is helping me”. Amongst other reactions, the emotional stress produced by the struggle, uncertainty and extreme living conditions can be linked to the resignation that little will change. This is summed up by a woman in the SA-PPA: “Since birth I have had a difficult life. Things did not improve after my marriage. Through my experience, I have got used to the difficulties.”
4 The Causes of Poverty and Inequality

In the South African context, a number of specific causes of poverty can be identified. These are:

- The impact of apartheid which stripped people of their assets, especially land, distorted economic markets and social institutions through racial discrimination, and resulted in violence and destabilisation;
- Under-mining the asset base of individuals, households and communities through ill health, over-crowding, environmental degradation, the mis-match of resources and opportunities, race and gender discrimination and social isolation;
- The impact of a disabling state, which included the behaviour and attitudes of government officials, the absence of information concerning rights, roles and responsibilities, and the lack of accountability by all levels of government.

These triggers have shaped the nature of poverty in South African, and are apartheid’s apartheid. Importantly, they have the potential to ensure the persistence of poverty even though many other aspects of the South African political economy are being transformed.

5 Achievements since 1994

Since coming to power, the current government has adopted a broadly pro-poor policy framework. There has been an increase in the share of total government expenditure going to social services. This has increased from about 43% in 1985 to 57% in 1995/96. In the 1997-98 budget allocations, social services account for 60% of non-interest spending and 46.9% of total consolidated national and provincial expenditures. Of this allocation, education receives the largest share followed by health, social security and housing.

During 1993-94 South Africa spent 7.1% of its GDP on education as compared to an average of 2.9% for countries with a medium HDI. The value for the 1997/98 budget year is 6.5% of GDP. However, there is room for improvement in terms of targeting as an incidence analysis of the benefits of this expenditure reveals that fiscal activities in 1993/94 were serving to redistribute income away from the richest quintile to the middle quintiles, but not to the poorest quintile.

The PIR identified over 50 programmes, pilot projects and grants that are relevant to the reduction of poverty and inequality. The preparatory work for the majority of these have been completed, and most are in the process of implementation. These programmes include issues related to the welfare of children, water provision, municipal services, adult education, the capacity of different spheres of government and job creation.

This plethora of policies and programmes reflect the broad commitment to the reduction of poverty and inequality that has constantly formed the basis of the vision presented by government. However, these policies have yet to be presented as a systematic response in which priorities and sequencing is indicated. In addition, the implications of current macroeconomic policy for the implementation of sectoral policies remain a subject for debate, while the microeconomic impact of different policies is unclear.
Of particular concern are the many programmes that have encountered problems in their implementation. In some instances this can be traced to insufficient resource allocations, and in others, the problems relate to poor planning and targeting. A general concern is the capacity of the inherited institutional structure to implement a developmental agenda and the risk of corruption that is associated with this.

6 Recommendations
To avoid generating another “wish list” of interventions, the PIR puts forward proposals that can be accommodated within the current constraints placed on government expenditure. The central recommendations are:

1. As an on-going strategy, maintaining, and preferably increasing the share of current government expenditure on social services. This should apply to all spheres of government and should be reflected within current initiatives to prepare Medium Term Expenditure Framework’s at these different spheres.

2. In the medium term, increasing the resources available to programmes for the redistribution of assets. This should also be reflected within the MTEF of the national government. Specifically, resources for the land reform programme should be increased, and measures should be investigated by which other forms of asset can be redistributed. As an example, the potential role of the privitisation of state assets should be reviewed as an element of this process.

3. As an on-going strategy, and into the long-term, maintaining the current system of social pensions which acts both as support for the elderly, and a safety net for other members of the household. In the short-term, on-going improvements in the efficiency of this service should be implemented, and private sector pension planning amongst workers should be promoted.

4. In the medium term, promoting labour intensive approaches to the delivery of infrastructure and services by government. This need not be done by government itself, and procurement and tendering policies could be adapted to assist this;

5. In the medium to long term, identifying mechanisms for the expansion of micro-finance facilities. Specifically, the feasibility of expanding existing micro-finance organisations should be investigated and, if possible, policy adopted to encourage the entry of the private sector into this sphere.

6. In the short-term, developing more accurate mechanisms for targeting under-resourced schools at provincial level, and redirecting government resources to these schools. This support must include In-Service Training.

7. In the short term, directing financial and technical resources towards the implementation of the Consolidated Municipal Infrastructure Programme, while ensuring the mechanisms for the long-term sustainability of this infrastructure is being put in place.

8. In the short-term, prioritising urban and rural housing and tenure programmes.

9. In the short term, directing resources towards the maintaining the current activities of DWAF.Water should be provided for productive as well as consumptive uses.
10. In the short-term, deploying the Community Based Public Works Programmes as an interim measure, pending the anticipated increase in the pace of job creation in other sectors. Such public works programmes should be carefully targeted towards areas of high vulnerability, as well as areas in which existing livelihoods are being undermined (for example, areas in which jobs are being lost).

11. As an immediate priority, strategies should be supported that improve both the commitment and capacity of local governments to plan and implement development related activities, including the delivery of services, local economic development and the collection of payments.

12. As an immediate priority, a high-level committee should take responsibility for the co-ordination of the many activities relating to the reduction of poverty and inequality, as well as for the assessment of progress in this regard;

13. To do this, as an immediate priority, a system and procedures for monitoring the impact of government policy on poverty and inequality should be established and adequately resourced. This should comprise three elements:

   - The collection of input information concerning the activities of departments and the programmes that they are implementing. This should cover all spheres of government, be collated by the central statistical service, but collected by the departments as a part of their on-going management.
   - The collection of impact information via national household surveys at one level, and through the establishment of surveillance sites in vulnerable areas;
   - Finally, the analysis of the impact of government expenditure through procedures such as a state expenditure review. This could be developed from exercises such as the Women’s and Children’s budget projects, whereby in the impact of state expenditure is disaggregated by gender, social group, income and livelihood class.

6.1 Detailed Recommendations
In addition to these, almost 60 specific proposals are made which would strengthen the proposed framework. There are:

6.1.1 Linking Growth to Human Development
1. It is recommended that government reassess the use of monetary policy to contain consumption and inflation due to the negative impact that this may have had on growth, employment creation and access to home ownership. Certainly, ways need to be found in which the interests of the poor are taken into consideration in the formulation of monetary policy.

2. It is recommended that initiatives to increase the current low levels of INSET (in-service training) be prioritised;

3. It is recommended that the resources allocated to Adult Basic Education and Early Childhood Development be increased and both should become a permanent line function of Department of Education;
4. It is recommended that an education and information programme should be embarked upon to improve the capacity of potential beneficiaries to take up new opportunities.

5. It is recommended that remaining hidden and unhidden subsidies to the private health sector be identified and removed;

6. It is recommended that the coverage of health insurance needs be expanded. A starting point would be in the SMME sector where large number of workers do not have any form of health cover;

7. It is recommended that in planning for District Health Authorities (DHAs) provincial health departments retain certain decision-making powers in relation to inter-district resource allocation to ensure that decentralisation is not accompanied by increasing geographic inequities;

8. It is recommended that the establishment of integrated, comprehensive primary care service centres be investigated, which permit a ‘one stop shop’. Longer hours of opening should be considered, the routine availability of essential medicines must be ensured, and training provided that stresses empathetic staff attitudes, especially when concerning HIV/AIDS and reproductive health;

9. It is recommended that exemptions from outpatient fees should be considered for residents in rural areas who live closer to a hospital than a clinic.

10. It is recommended that greater political, bureaucratic and financial commitment be given to the National AIDS Plan and that the principles identified within the Plan be adhered to and that an institutional mechanism be put in place that ensures greater co-ordination by the various departments involved implementing the plan;

11. It is recommended that additional resources be allocated to the nutrition units within the DoH so that these are empowered to support other sectors as they develop and implement nutrition-relevant activities;

12. It is recommended that a prominent role in nutrition-related activities be allocated to service and community based organisations and these should receive appropriate support from government for their services.

13. It is recommended that specific crime prevention strategies be developed for the poor, who are largely dependent on the public provision of security and risk management services;

14. It is recommended that a component of police training should provide the skills and attitudes necessary to meet the security needs of the poor.

6.1.2 Redistribution of assets and opportunities

15. It is recommended that stronger policy links be developed between the Department of Land Affairs and both national and provincial land reform offices. If and when provincial land reform offices develop ‘district-based’ offices, this link can possibly be made very strong and mutually beneficial.
16. It is recommended that national, provincial and local government housing strategies broaden the conventional notion of housing to include a diversity of alternative shelter options and adapt their procedures for implementation accordingly.

17. It is recommended that the housing subsidy scheme be reviewed and implicit discriminatory requirements for women be eliminated.

18. It is recommended that minimum standards of thermal performance be required in all new low-cost housing to ensure that such housing is more energy efficient.

19. It is recommended that national departments delivering the same services adopt consistent policies concerning the design of systems for cost recovery.

20. It is recommended that consideration be given to the fair allocation of subsidies to all households, not just new connections such as is the case for energy at present.

21. It is recommended that in the short-term, the subsidisation of the cost of paraffin be investigated and in the long-term, that alternative energy sources be given greater attention by existing programmes.

22. It is recommended that the current urban and rural target ratios of telephones per 1,000 households be prioritised. In particular, resources should focus on ensuring that there is at least one public telephone within every settlement of 100 or more households and that no school, library, hospital, clinic, place of worship and local authority office is without a telephone by the year 2000.

23. It is recommended that the unit charge on all telephones throughout South Africa should be adjusted to ensure that they are equitable, regardless of where the telephone is located and by whom it is supplied.

24. It is recommended that making calls from public phones to emergency numbers such as ambulance and support lines such as rape crisis be made free of charge.

25. It is recommended that the development and maintenance of local roads in rural areas be seen as an important component of South Africa’s strategy for the reduction of poverty and inequality and that adequate funds be made available for this purpose. One option would be to dedicate a portion of the fuel levy for this purpose.

26. It is recommended that a coherent approach to disaster management be agreed upon as a matter of urgency, and that appropriate institutional structures be established in all spheres of government.

27. It is recommended that the provision of advice and support by the Departments of Agriculture includes micro-scale activities such as community gardens, peri-urban agriculture and small-scale livestock;

28. It is recommended that the developmental responsibilities of local government include reviewing the potential for local interventions that support SMME development, especially in the survivalist enterprise sub-sector.

29. It is recommended that the role of land use zoning and infrastructure provision such as storage facilities, toilets and rudimentary shelter be investigated in terms of their impact upon the micro-enterprise sector. Rural-urban trading linkages should also be explored;
30. It is recommended that integrated development planning take account of the set of specific factors that confine participation in the SMME economy to survivalist enterprise for specific groups.

31. It is recommended that existing Ntsika and Khula initiatives merit further financial support, extension and fine-tuning in order to boost micro-enterprise development and to expand the ranks of emerging entrepreneurs and integrate them into the mainstream economy.

32. It is recommended that local government should address employment creation in their Integrated Development Planning process. Rural local authorities may require assistance in this regard.

33. It is recommended that the national Department of Public Works facilitate greater co-ordination between the different spheres of government in order to implement a broad programme of employment creation through public works.

6.1.3 Market Reforms

34. It is recommended that government, labour and business co-operate to identify measures to reinforce those sectors of the economy which can provide labour intensive employment. However, government should not be expected to act as the financier of such measures;

35. It is recommended that government policies concerning the quality of labour force through improved access to basic service, education and training be incorporated as key elements of the strategy for the reduction of poverty and inequality;

36. It is recommended that government ensures that internal labour market practices, including regulations, employment standards and the labour relations framework are implemented in a way that protects vulnerable groups within the work-force;

37. It is recommended that consideration be given to extending protective legislation to the Small and Micro enterprise sector, at least in terms of protection against injury or disablement; and,

38. It is recommended that specific policies be investigated that would foster more vibrant labour markets in the countryside.

39. It is recommended that government policies that are already assisting the establishment of micro-finance facilities, such as those of the Departments of Housing and Trade and Industry, be encouraged as an important component of government’s strategy to reduce poverty and inequality.

6.1.4 Spatial Development

40. It is recommended that a coherent national framework be developed urgently as a component of a strategy to restructure the apartheid space economy. This is an essential step to confront apartheid’s spatial inequalities and thereby ensure that the existing disjunctures between the livelihoods, assets and infrastructures of South Africa’s urban and rural poor are overcome.
41. It is recommended that a properly funded and resourced unit be established within government that will assume responsibility for the Rural Development Framework.

42. It is recommended that a targeting mechanism to subsidise the transport costs of the working poor within a specified maximum radius be investigated.

43. It is recommended that trust funds established by commercial transport concerns be investigated as one way in which the transportation of the poor can be subsidised. Capital and funding could be sourced from both the private sector and public sector, through cross subsidisation and multi-sectoral subsidisation.

44. It is recommended that a set of performance indices be developed to assess and monitor the implications of SDIs for poverty-reduction in South Africa.

45. It is recommended that the impact of the SDIs on livelihoods and household assets be carefully monitored.

6.1.5 Institutional Reforms

46. It is recommended that widespread dissemination of information on the roles, responsibilities and procedures of different spheres of government be undertaken.

47. It is recommended that the development of RAID facilities should not be held up or delayed by lack of information or decisions about other facilities, and that this programme should be allocated the funds required for its implementation.

48. It is recommended that the role of NGOs in assisting government to reach the most vulnerable be explored and, where possible, act as one delivery mechanism in government’s strategy for the reduction of poverty and inequality.

49. It is recommended that preparation of provincial medium-term expenditure frameworks be grounded in provincial growth and development strategies.

50. It is recommended that institutions concerned with eliminating corruption in government be adequately resourced.

51. It is recommended that consideration be given to multi-purpose community centres with the equipment and the resources to empower historically disadvantaged communities in collecting, analysing and sharing information related to their development needs.

52. It is recommended that local authorities become a source for information, and be equipped with the technology necessary to access certain types of information.

53. It is recommended that the SABC be used, particularly through the medium of radio, to inform people in all areas of the country. The SABC has already recognised its obligations to the development of the country in its policies regarding provincial split time on radio stations, the increased use of African languages and local content television programming, and increased educational broadcasting.

54. It is recommended that a central monitoring advisory service such as the CSS could be considered to provide support, to ensure conformity with national standards and definitions, and so ensure comparability.
55. It is recommended that departments responsible for a particular programme or policy should bear primary responsibility for developing appropriate indicators. Administrative records and vital registration systems are the simplest and cheapest sources of indicator data that are provided as by-products of the administrative process.

56. It is recommended that budgetary information be considered as one way of providing information about the key input measures for all activities.

7 Conclusion

The challenge facing the new South African government is immense and from the perspective of policy formulation the government has responded in a credible fashion. From the perspective of implementation, however, current progress does not appear to have met either the expectations of policy makers or the poor. There are many reasons for this, the most important of which relate to the underlying distortions in economic markets and social institutions introduced by apartheid, that continue to produce and reproduce poverty and inequality in South Africa. The purpose of the PIR has been to offer a critical insight into the coherence and effectiveness of this policy response, and in this manner, contribute towards the monitoring and evaluation of government’s actions.