

Reflections on Poverty and Inequality in South Africa: Policy Considerations in an Emerging Democracy

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Abstract

Since the advent of the new democratic dispensation, the South African government has developed policies which have focused on poverty alleviation. The social security system has been expanded over the past few years, particularly to children and the disability sectors. However, the social security system may become unsustainable in the future. Van der Berg, Burger, Burger, Louw & Yu (2005) suggest that social assistance is nearing the boundaries of its ability to alleviate poverty.

Given all the gains that have been made, South Africa still remains one of the highest in the world in terms of income inequality (World Bank Report, 2006). Inequality is also demonstrated through lack of access to natural resources; a two-tiered educational system; a dual health system; and other socio-economic dimensions. This increasing inequality is an issue of concern to policy makers and social scientists.

The purpose of this paper is to analyse the nature and dimensions of poverty and inequality, focusing on the gains that have been made, but identifying the gaps that remain. In addition, policy options, consequences and recommendations will be entertained.

Introduction

Poverty and inequality have co-existed for generations both in developed and developing nations, and in spite of the multiple interventions, the progress in eliminating this problem remains elusive. Many writers have referred to the impact of globalisation and its concomitant and deleterious effects on nation's labour markets and dismantling the welfare state (Dominelli, 2004; Mishra, 1999). In many of the developed nations, welfare has become residualised through the restrictions of benefits which have

contributed to the intensification of poverty, and the further exclusion and marginalization of groups.

Since the genesis of the democratic dispensation, the South African government has developed policies which have focused on poverty alleviation, improving economic growth, relaxing import controls and reducing the budget deficit. In spite of the pro-poor policies, South Africa still remains one of the highest in the world in terms of income inequality (World Bank Report, 2006). The social security system failed to provide income security for the majority of the unemployed, and thus the safety net is not all encompassing (Taylor, 2002; Samson, 2004). Economic policies are unable to resolve the issue that there are more work seekers than jobs. In failing to address structural unemployment, in spite of the democratic government's pro-poor policies, its Achilles heel is its lack of vision and direction in comprehensively tackling poverty and inequality as a consequence of unemployment.

The purpose of this paper is to examine the nature and dimensions of this inequality in conjunction to poverty and unemployment, focusing on the gains that have been made, but identifying the gaps that remain. In addition, policy options, consequences and recommendations will be entertained.

Nature and Extent of Poverty, Unemployment and Inequality

Poverty is apparent to the human eye and is profiled by shacks, homelessness, unemployment, casualised labour, poor infrastructure and lack of access to basic services.

During the apartheid era, exclusion was based on race and class. Most of the energy of the liberation movement pre-1994, was devoted to eliminating the common enemy of racial exclusion. The issue of class, with its dimension of inequality, did not feature as prominently. However, in post-1994, inequality now features other categories of people who are excluded, and the shift profiles new zones of exclusion. Seekings and Nattrass (2005: 6) observe that “the distributional regime in South Africa has long served to privilege one section of the population while excluding others, but the composition of the privileged group and the basis of privilege have changed over time”.

Definitions of poverty are debatable. However, there is common agreement about the degrees of poverty. These are: absolute (extreme) poverty; moderate poverty, and relative poverty. *Absolute poverty* implies that households are unable to meet the basic needs for survival. They are chronically hungry, unable to access health care, lack the amenities of safe drinking water and sanitation, cannot afford education for some or all children, and perhaps lack rudimentary shelter, and basic article of clothing like shoes (Sachs, 2005: 20). *Moderate poverty* refers to conditions of life in which basic needs are met, but just barely. *Relative poverty* is generally perceived to be a household income level below a given proportion of average national income.

Almost half of the population continues to live under a poverty datum line (Adelzadeh, 2006). There are estimates that just over twenty two million people in South Africa live in poverty (DBSA, 2005a). Poverty and inequality in South Africa have racial, gender, spatial and age dimensions. Therefore, the concentration of poverty lies predominantly

with black Africans, women, rural areas and black youth. It is estimated that 11.4% of South Africa's population was HIV positive in 2002 (HSRC 2003:46). The HIV/AIDS pandemic has impacted the workforce, children and families, and industry. AIDS contributes to poverty and inequality. Women between 20-29 years are most affected and they have given up seeking employment (Vass, 2006).

Poverty and inequality accompanies unemployment. The unemployment rate is 26.7% or approximately four and a half million people (StatsSA, September 2005). Critics of the strict definition would suggest that the unemployment rate is more likely to be over 42.5% with about 8 million people. The official definition of unemployment is:

Persons aged 15-65 years who did not have a job or business in the seven days prior to the survey interview but had looked for work or taken steps to start a business in the four weeks prior to the interview and were able to take up work within two weeks of the interview (StatsSA, 2005: ii).

The highest rate of unemployment was found to be in KwaZulu-Natal, Eastern Cape, Free State and Limpopo with the lowest rate in the Western Cape (STATSSA, 2005: xiv). In provinces such as Gauteng and North West, there has been a steady decline in the unemployment rate since 2003. There are more unemployed women than men. Research revealed that women are disadvantaged in the labour market (Stevens, 2003). They are more likely to be unemployed, or to be in poorly remunerated work. Seidman-Makgetla (2004) observes that black women are still more likely to be unemployed, to be paid less than men when employed, and to perform unpaid labour. Seventy percent of the unemployed are unskilled workers. In a 5-year period, the informal sector grew from 1 million jobs to 2.7 million jobs (Taylor, 2002:20). Women are dominant in the informal sector. Work is being restructured. Labour is more casualised without benefits. Workers

were retrenched from the clothing and canning industries. In 1996, there were 300 000 clothing workers, and the number has decreased to 185 000 workers (Brown & Mde, 2005:1). The share of formal sector employment is decreasing. In 1995, 50% of GDP comprised the wage economy; the wage share declined relative to the profit share to 45% in 2005 (Adelzadeh, 2006).

There are 15.8 million people in the former homelands and 9.2 million in the urban townships making a total of 25 million, of which 14.8 million are in the working age group of 15 -65 years (Turok, 2006). Of these 2.1 million are unemployed in the former homelands, and 2.3 are unemployed in the townships.

In 2002/2003, out of 12 million who were economically inactive, 1.2 million were people with disabilities. Low educational levels exacerbate unemployment among people with disabilities. There is poor integration into the workplace, for example, a lack of transport that is disability friendly (Leshilo, 2004; Report by the Employment Equity Unit, DBSA, 2005b).

South Africa's response to the welfare of its people

Post-1994, the South African government's fiscal policies have been devoted to making a difference to the lives of the poor. What has been achieved to date in the past thirteen years of democracy?

Most of the pro-poor policies have been effected in housing, healthcare, social security and education. Over a million houses were built. Parity was achieved in 1993 in social security when white and black pensioners received the same amount for social pensions. The democratic government deracialised and restructured social security further by introducing the Child Support Grant(CSG), phasing out the State Maintenance Grants, and amalgamated all 14 administrative social security systems which included the former satellite states with the rest of the country (Patel, 2003: 221). Social grants have continued to be a major source of poverty reduction for millions of South Africans. There has been an unprecedented expansion of grants in the past four years, with an increase in real terms of 22 billion rand, more than 70 percent (van der Berg, Burger, Burger, Louw & Yu, 2005: 22). Just under 12 million South Africans are receiving social grants in 2007, the majority of whom are children receiving the CSG (Budget Speech, 2007). The CSG was extended to include children up to the age of 14 years in 2003. This policy decision was proposed by the Committee of Inquiry into a Comprehensive Social Security System. Research has demonstrated that the CSG has made a significant difference to poverty-stricken households (CASE, 2000:43). The grant was mainly used for food, clothes and education. Research has also confirmed that social pensions provide considerable poverty relief to extended households, particularly in the rural areas (Ardington & Lund, 1995). The unemployment insurance system was reformed. The purpose of unemployment insurance is to safeguard the individual from financial catastrophe during periods of involuntary short-term unemployment (Triegaardt & Patel, 2005: 137). The government extended its safety net to the unemployed to include domestic workers in 2003. UI benefits are available at 38% of one's salary. In the latest

Budget Speech (2007), the Minister of Finance proposed that a basic saving and social protection system must be put in place for the needs of low-income employees. Therefore, a mandatory earnings-related social security scheme will be provided with improved unemployment insurance, disability and death benefits which will target the income needs of dependants and a standard retirement savings arrangement. In addition, to offset the cost of social security tax for low-income workers and to lower the cost of creating employment, a further proposal of introducing a wage subsidy for those whose earnings fall below the income tax threshold will be introduced. More work is required on these proposals, but clearly the plans are ambitious with the intention of building a safety net for low-income workers.

In the 90s, the government spent a considerable amount on public education. In 1996-7, all teachers were moved onto single consolidated scale, based on the scale of the former white education departments. Approximately 40 percent of teachers were moved into higher salary brackets, and average salaries rose by between 12 and 15 percent (Seekings & Nattrass, 2005: 359). However, the quality of education for poor children is of great concern. Bloch notes that ‘...education is failing to make the grade in poor, rural and township schools’ (Cape Times, 2006:11). However, the children of the poor have benefited from redistribution via the budget, in the form of free public education and substantially free public health care.

Gender equality has been provided for in the Constitution, policy documents and the formal institutions of the state. Albertyn (2003:604) states that ‘by 2000, women in

South Africa enjoyed unprecedented political and legal equality in the form of political participation and entrenched human and legal rights’.

The Expanded Public Works Programme (EPWP) was introduced in 2004 as a national priority public works programme with the purpose of creating jobs for the unemployed utilizing labour intensive methods rather than capital based technologies. The aim of the programme is to create opportunities for the unemployed to engage in productive work, and obtain skills which would be sustainable. The EPWP was created with the purpose of job creation, infrastructure development and service delivery, training and skills development (DBSA, 2005:30). Most of the jobs that have been created are located in construction. Since its inception, 300 000 jobs have been created, the majority of which are in the rural areas, and mostly for women (Budget Speech, 2007). On a practical level, the idea of EPWP is to improve unemployed people’s prospects by creating learnerships, life skills and on-the-job training. The targets which are set for the EPWP programme with respect to people with disabilities, are that 20 000 should be employed by 2009.

The Policy Gaps in Socio-economic Services

South Africa is considered to have one of the world’s most unequal economies with a Gini coefficient measuring .58. However, May and Hunter (2004:2) suggest that the Gini coefficient could be as high as .68, which is worse than Brazil, the Bahamas, Jamaica and 33 other developing countries. They argue that the more recent measures of poverty based on a minimum accepted standard of living “suggest that poverty is more severe than the rather arbitrary international rules of thumb would imply”.

The issue of poverty and unemployment continues to remain a challenge for the government. Borat (2005 in Padayachee, 2005: 566) suggests that between 1995-2002, using the expanded definition of unemployment, the economy created over 1.6 million jobs. The data suggests that between that same period, the number of new entrants to the labour market increased by about 5 million individuals. In the 2007 Budget Speech, indications that only 500 000 jobs a year are being created. These are inadequate in the face of the overwhelming numbers of people seeking jobs. The informal economy has grown apace over the last decade. Writers have suggested that the numbers have almost doubled in the period from 1997 to 2001, and then rapidly declining by almost a million workers over the period February 2001 to February 2002 (Devey et al in Padayachee, 2005: 566). However, the number of informal sector workers cannot be precisely determined.

South African unemployment in the main is a structural problem, not a cyclical problem, and thus the policy response needs to address the type of unemployment which prevails in the labour market. The Development Report (2005a:94) observes that unemployment in South Africa is clearly chronic rather than acute or cyclical, yet the EPWP offers short-term, temporary employment only, and characterises the unemployment problem as transient, pending the rising tide of employment resulting from economic growth. The criticism of EPWP is that the average duration of these EPWP jobs is 4 months (McCord, 2006). There is a small number of learnerships available, limited training (8-12 days), but the individuals obtain life skills training. A further criticism is that the supply of

unemployed low and unskilled workers exceeds the demand for work. EPWP will not provide sustainable employment. EPWP will not provide long-term employment, and thus is not a credible response to the unemployment crisis (McCord, 2006).

Even though the system of social grants continues to expand, there are writers (see Van der Berg et al, 2005: 22) who suggest that as a poverty reduction strategy, social grants may be nearing the boundaries of its effective use, given fiscal constraints. Therefore, when the Basic Income Grant (BIG) was proposed by the Committee for a Comprehensive Social Security (Taylor, 2002) it was vetoed by the government ostensibly because it may create dependency and become unsustainable as a universal grant. COSATU, faith-based organisations and the NGO sector have continued to support the introduction of BIG because the estimation is that it would take over 6 million people out of poverty, and it would certainly tide people over during periods of unemployment (Taylor, 2002:62). The estimates for a BIG are R 15 billion per year (Seekings & Natrass, 2005:35).

South Africa has an acute shortage of skilled workers. The demand for skilled workers has been well documented. The government has introduced the Accelerated Shared Growth Initiative (ASGISA) and the Joint Initiative on Priority Skills Acquisition (JIPSA) in an effort to stimulate economic growth and to identify solutions for skill shortages in critical areas. The DBSA is involved with identifying those much needed skills through its Siyenza Manje initiative which provides hands-on technical expertise to municipalities.

In spite of the gains that have been made with respect to gender equality, critics have expressed concerns that the redistribution of resources and power has not shifted the structural forces with respect to the oppression of women. Inclusion has rather been an avenue for reinforcing elite women's access to the formal political system while not (as yet) translating clearly into policies that address the needs of poor women (Hassim, 2006:364).

The HIV/AIDS pandemic is one of the few social health problems in which the disease impacts not only the physical health of individuals, but also their social identity. The HIV/AIDS pandemic is the major factor which has put South Africa back in terms of the Millennium Development Goals 2, 4, 5, and 6, which are devoted to health and education (Gelb, 2003:4).

Challenges for the Policies on Poor and Inequality

- Intellectual challenge – difficulty in designing pro-poor policies without vision and understanding
- Political challenge – requires political will and commitment
- Policy challenge – difficulty moving out of the current envelope of policies
- Institutional and implementation challenges – resources required for these processes
- Measurement, monitoring and evaluation – this is a continuous process, and requires fine-tuning (Adelzadeh, 2006).

If one examines the first thirteen years of democracy, progressive policy frameworks have been developed with enabling legislation, and human and legal rights are being entrenched, but the acid test will be the ability of policy makers and development practitioners to make a difference in the lives of the large numbers of poor people.

Conclusion

- Inequality will rise as the HIV/AIDS pandemic lowers economic growth, and have a devastating impact on the poor and unemployed (Seekings & Natrass, 2005: 335)
- Vocational education and training, adult basic education (ABET), and vocational rehabilitation are key elements in the successful engagement of people with disabilities
- The Basic Income Grant (BIG) should be considered an option to tide people over during periods of protracted unemployment and need
- There has been a declining share of rural poverty as a consequence of increased migration and urbanization (Bhorat & Kanbur, 2005: 14).
- Gains have been made in terms of women's access to formal institutions of the state whilst racial and gendered biases in the economy remain intact (Hassim, 2006:366)
- There has been an increase in relative poverty
- There has been an increase in income inequality

- Despite some employment growth (economic growth of 5 percent), there has been a rapid expansion of the labour force, which has caused an increase in unemployment rates irrespective of the definitions used
- EPWP as a programme has short-term merit, but is not a credible, long-term, sustainable employment response to South Africa's unemployment crisis
- Many of the poverty reductions strategies focus on the short to medium term.

Recommendations

Development strategies must consider quality job creation. Serious consideration should be paid to BIG as a grant to tide people over during periods of protracted unemployment and great need. Transport subsidies are required for the unemployed, and user-friendly transport is required for people with disabilities. These will facilitate work seekers in their job seeking efforts. There should be awareness of the limitations of EPWP as a programme. In the international arena, a cautionary note is offered by Gilbert (2002:73) in their US to welfare-to-work programme, namely, Temporary Assistance to Needy Families (TANF). He indicates that it is widely believed that people who left the welfare rolls for low-paying, minimum-wage jobs remain poor. Policies which are pro-poor must be supported by research evidence with monitoring and evaluation included in the conceptualisation and planning stages. We need to begin to conceptualise long-term strategies to reduce dependency on social grants because the consequence will be that we trap the poor in a cycle of poverty. The poor and unemployed are to be encouraged to take ownership of processes and decisions, and thus enhance social and human capital.

Without policies that encourage the growth of low wage jobs for the unskilled unemployed, and promote the more efficient use of public spending on education, inequality is unlikely to diminish significantly, if at all (Seekings & Natrass, 2005:395).

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