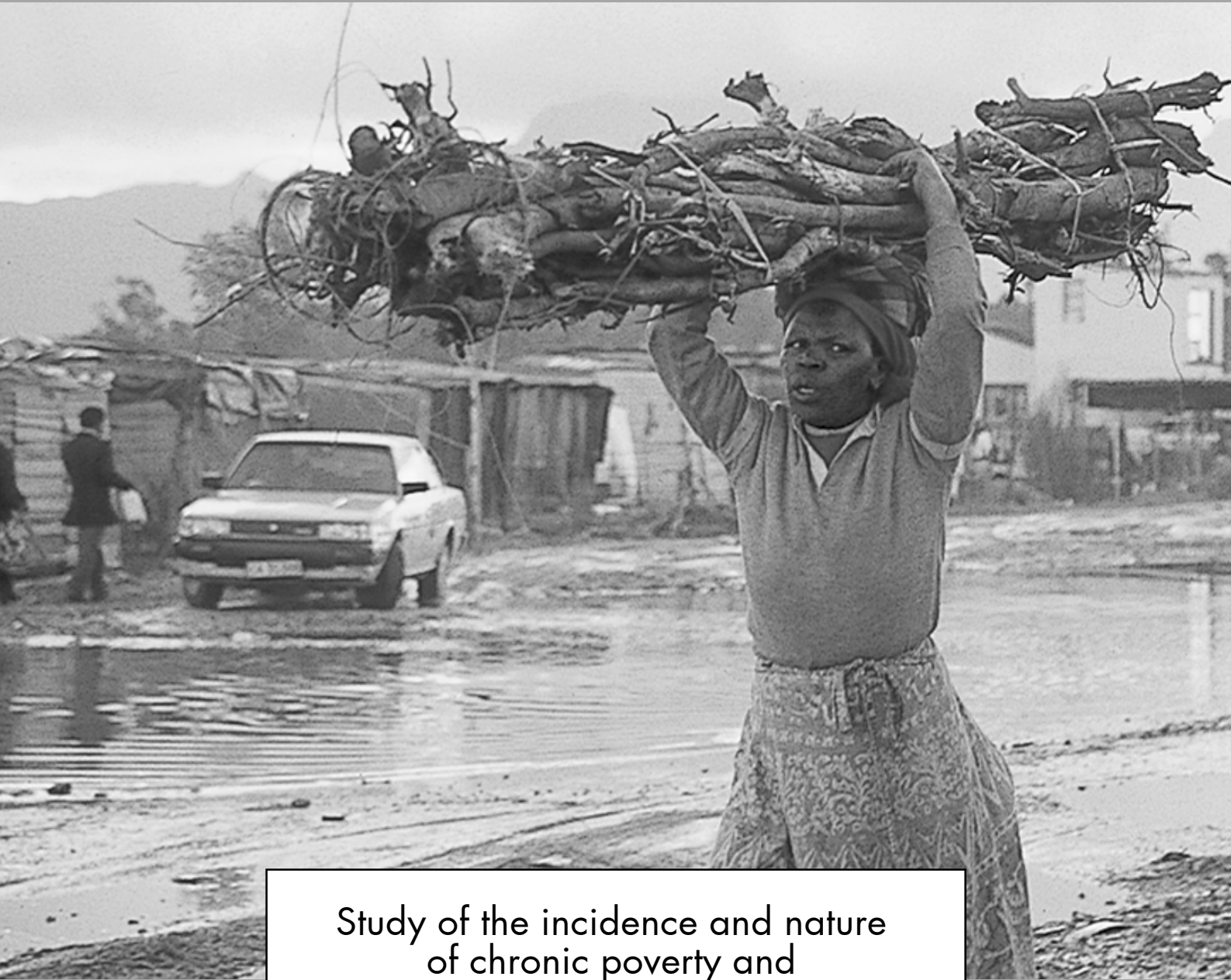
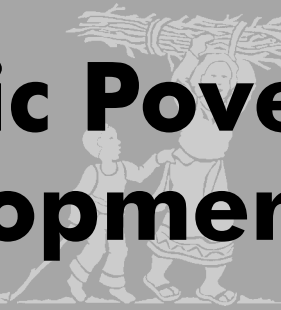
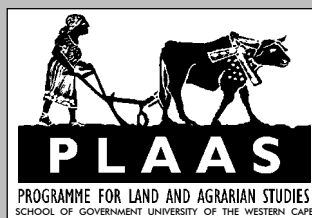
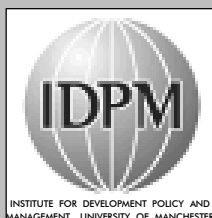


# Chronic Poverty and Development Policy



Study of the incidence and nature  
of chronic poverty and  
development policy in South Africa:  
An overview

Michael Aliber



## No. 1

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Programme for Land  
and Agrarian Studies

August 2001

**Study of the incidence and nature of chronic poverty and development policy in South Africa: An overview**

by **Michael Aliber**

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# Acronyms and abbreviations

ADEQ	Adult equivalent
ANC	African National Congress
CBO	Community-based organisation
Cosatu	Congress of South African Trade Unions
CSG	Child Support Grant
FBO	Faith-based organisation
GDP	Gross domestic product
GEAR	Growth, Employment, and Redistribution macroeconomic strategy
HSRC	Human Sciences Research Council
IFPRI	International Food Policy Research Institute
Idasa	Institute for Democracy in South Africa
IDT	Independent Development Trust
ISRDS	Integrated Sustainable Rural Development Strategy
KIDS	KwaZulu-Natal Income Dynamics Study
MCO	Micro-credit outlet
NDA	National Development Agency
NGO	Non-governmental organisation
NPO	Non-profit organisation
OHS	October Household Survey
PL	Poverty line
RDP	Reconstruction and Development Programme
RRP	Refugee Research Programme
RFI	Retail finance institution
SA-PPA	South African Participatory Poverty Appraisal
Saldru	South African Labour and Development Research Unit





# Abstract

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

For the purposes of this study, households or individuals are understood to be in chronic poverty when their condition of poverty endures over a period of time. Different researchers propose different time periods as characteristic of chronic poverty (for example, six months, ten years); this is usually taken to mean that the household or individual remains beneath the poverty line for all or virtually all of this period. Alternatively, and perhaps more meaningfully, chronic poverty can be understood as the inability of households or individuals, perhaps for lack of opportunity, to better their circumstances over time or to sustain themselves through difficult times. Chronic poverty can be a function of an individual's characteristics (for example, elderly, disabled), or of the environment (for example, sustained periods of high unemployment, landlessness), or of a combination of the two. Indeed, a common scenario in South Africa involves the coincidence of poor health, meagre education, and fractured families, on the one hand, with skewed resource distribution, inadequate infrastructure, and scarce employment opportunities, on the other. The combination is more than sufficient to trap many people in poverty.

To date, there has been only one set of data collected in South Africa which allows an inter-temporal comparison among the same households. This is the KwaZulu-Natal Income Dynamics Study (KIDS) which, as the name implies, covers only one of South Africa's nine provinces.

Because this data set and the analyses based upon it are unique, we discuss it at length. One of the important findings from the KIDS data is that 22 per cent of the 1 200 African households that were surveyed were poor in both 1993 and 1998. This represents about two thirds of all households that were poor in 1993, and one half of those that were poor in 1998, showing that at least half of those households that are poor, are chronically poor. Another interesting finding is that 'ultra-poverty' is not synonymous with chronic poverty. In other words, a household that is just below the poverty line in one period is no more likely to move above the poverty line in the next period than a household that started off much further below the poverty line. A key determinant of whether a household stays in poverty, escapes from poverty, or falls into poverty, is how that household fares in terms of employment. One of the surprising findings from the KIDS data set was the degree of employment volatility experienced by households. Notwithstanding the contribution of household income sources other than formal sector employment, employment apparently makes the difference between survival and total destitution, but less commonly associated with the difference between being poor and not being poor. Income sources outside the formal sector may make the difference between survival and total destitution, but are less likely to determine whether an individual or household is poor or not.

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



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

A number of challenges face government and civil society in addressing poverty in general and chronic poverty in particular. Among these are: first, the

absence of a coherent anti-poverty strategy, and particularly one that takes into account the distinction between chronic poverty and transitory poverty; second, the bleak prospects for growth in formal sector employment in the medium term, together with general uncertainty as to how to improve support to the small, medium and micro-enterprise (SMME) sector; and third, the HIV/AIDS epidemic, the effects of which will probably be far more apparent in the next 15 years than they are at present.

The paper concludes with suggested priority areas for further research.



# 1. Introduction and synopsis

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

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

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

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

This study marks the first stage of a multi-year research programme into

chronic poverty in South Africa. The research programme is a joint effort between the Programme for Land and Agrarian Studies (PLAAS) of the School of Government, University of the Western Cape, and the Chronic Poverty Research Centre (CPRC) based at the University of Manchester. Similar research programmes are simultaneously under way in partnership with the CPRC in Uganda, India, and Sri Lanka. Funding for the entire multi-country research framework is provided by the Department for International Development (DFID) of the United Kingdom.

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

For the purposes of this study, a household or individual is understood to be in chronic poverty when the condition of poverty endures over a period of time. Different researchers propose alternative



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



Chronic poverty is sometimes conceptualised as inter-generational poverty, meaning that children from poor households are likely to become poor adults, whose children will in turn risk remaining in poverty, and so on. In South Africa, the question of whether poverty tends to have an inter-generational dimension is complicated by the fact that until very recently the policy of apartheid cruelly limited the opportunities available to the majority black population. Almost all poverty was inter-generational, because colonialism and apartheid left little room for it to be otherwise. This is not to say that there was no mobility in African, coloured, and Indian communities, but it took place under a system that was engineered to make this difficult. This system was of course formally abolished in 1994. Too few years have elapsed since then to enable us to know to what extent poverty is still an inheritable condition, but initial indications are that, for the majority, it is. Unravelling the multiple factors that contribute to both medium-term chronic

poverty, and chronic poverty in an inter-generation sense, is the primary objective of the research programme of which this paper is but a modest first step.

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

In South Africa there has been only one data set collected to date allowing an inter-temporal comparison among the same households. This is the KwaZulu-Natal Income Dynamics Study (KIDS) which, as the name implies, covers only one of South Africa's nine provinces. The data set comprises information on the same 1 200 households for both 1993 and 1998, a time-span of five years. Because this data set and the analyses based upon it are unique, we discuss them at length. One of the important findings from the KIDS data is that 22 per cent of the 1 200 households that were surveyed were poor in both periods. This represents about two thirds of all households that were poor in 1993, and one half of those that were poor in 1998, meaning that at least half of those households that are poor are chronically poor. Another interesting finding is that 'ultra-poverty' is not synonymous with chronic poverty. In other words, a household that is just below the poverty line in one period is no more likely to move above the poverty line in the next period than a household that started off much further below the poverty line.

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

One of the goals of this overview study is to try to identify different categories of households or people that might be especially susceptible to being caught in chronic poverty. Drawing both on published analyses of the KIDS data, and on other contributions to the literature on poverty in South Africa, a number of vulnerable groups are identified, including rural households generally, women-headed households, the disabled, retrenched farm workers, the elderly, and so on. For each of these categories, it is important to understand why its members are prone to chronic poverty. Some of these reasons are fairly self-evident (for example, the disa-

bled have more difficulty finding employment), while others are less obvious and are rooted in the specific situation of South Africa (for example, retrenched farm workers who are forced to relocate and thus sever their social support networks). In addition, very rough first approximations are provided as to how many chronically poor households or individuals there might be in each of these categories. The purpose of this exercise is to provide some guidance for both policy and further research as to where the problem of chronic poverty is most severe. A sobering conclusion from this section is that, over the next 10 years or so, AIDS orphans and households directly affected by AIDS will probably become the categories with the largest number of individuals or households in a state of chronic poverty.

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



support for charitable causes. Developmental initiatives from government and from the private sector tie for third place. These initiatives include support for small, medium and micro-enterprises (SMMEs), as well as support for a variety of other kinds of community-based income-generating projects.

One might be tempted to conclude that, given South Africa's developmental priorities, the spending is skewed too far towards the provision of safety nets. While this may be the case, it is a system that works relatively well. By contrast, spending money on development has proven rather difficult, and spending that money effectively has proven even more difficult.

Among the problems that inhibit anti-poverty initiatives is the lack of a coherent anti-poverty strategy. The process of developing such a strategy might help to clarify the situation and help to define the needs of specific categories of poor people, such as the categories of chronically poor people described above. Another problem is the bugbear of inter-departmental co-ordination, in which some progress is perhaps being made via the recently introduced Integrated Sustainable Rural Development Strategy. A third serious problem is the fact that government employees do not appear well-suited to the task of kick-starting entrepreneurs. The efforts of government and civil society in this area are complicated by the fact that the trend of declining formal sector employment that began in the early 1990s has



continued unabated through the second half of the decade. Meanwhile, it is not at all clear what the absorptive capacity of the SMME sector is. Rural areas are likely to have relatively low capacity in this regard. The solution that has been offered by way of the newly-revised land redistribution programme is likely to promise more than it can deliver. Threatening all of the good intentions of government and civil society is the prospect of the worsening AIDS epidemic. The epidemic is likely to have devastating effects, and these will extend well beyond those unfortunate enough to be infected. How the epidemic will impact on the prospects for escaping poverty, and how it will force government and civil society to redirect their efforts, remains to be seen. Another major threat is looming cuts in the public service, which could increase the numbers of unemployed people much more quickly than new opportunities can be created through SMMEs.

While much is known already about chronic poverty in South Africa, there remains a great need for further research. This is so not least because of the fluidity of the socio-economic environment, and of government policy. The paper concludes with a list of identified research priorities to help guide the future course of this research programme. A key challenge will be to conduct the research in such a manner as to derive tangible lessons for policy formation.

# 2. Historical background and present economic context

## Introduction

This section seeks to provide historical background as context within which to place the more specific discussion of chronic poverty that follows. The presentation is necessarily cursory. It aims to capture two main themes.

Firstly, South Africa's historical circumstances have shaped the present configuration of poverty and opportunities along racial lines. Disadvantaged groups were systematically left with relatively little in the way of land and other resources, were not afforded education of a quality comparable to that of whites, and were compelled to adopt coping strategies – such as spatially-divided households – which have left a complicated and painful social legacy. Secondly, developments in the six years since the first racially-inclusive democratic elections in 1994 have not augured well for poverty reduction. The calculated adoption by the African National Congress (ANC)-led government of a fiscally conservative market-oriented economic strategy has failed to halt the decline in formal sector employment that began in the early 1990s. Government's commitment to fiscal stringency and downsizing of the public service have arguably exacerbated the situation of the poor, notwithstanding the importance of more long-term considerations. Improved provision of infrastructure and services has been the main positive development for which the post-1994 government can take credit.

## The legacies of colonialism and apartheid

The single most significant factor distinguishing South Africa from other African countries is its experience of colonialism

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

In much of the eastern third of the country, the late 18<sup>th</sup> and early 19<sup>th</sup> centuries witnessed social and geographic upheaval due to wars between competing African polities. Livestock diseases of European origin had enormous implications for African populations, for whom



livestock formed a critical source of sustenance. A lung-sickness epizootic struck in the mid-19<sup>th</sup> century, and foot-and-mouth disease and rinderpest struck with particular force in the 1890s, the latter wiping out 90 per cent of the region's livestock (Ross 1999).

In the latter half of the 19<sup>th</sup> century, the discovery first of diamonds, and then of gold, changed the situation completely. One aspect of the new situation was the rapidly growing demand for black mineworkers to work the mines of the Transvaal.<sup>1</sup> Various white governments introduced laws and policies to facilitate the supply of this labour. In particular, the Natives Land Act of 1913 formalised the distinction between the African reserves and white farming areas, prohibiting Africans from acquiring, owning, and renting land 'white' areas. This had the effect of limiting their economic options so severely as to compel many to sell their labour to the mines and white farms (Hendricks 1990; Davenport 1987; Bundy 1979). Around that same time, there were some 180 000 African mineworkers in the country, of whom around half were from South Africa, and half from Lesotho, Swaziland, Mozambique and elsewhere.

Control of Africans' mobility remained a high priority for government through most of the 20<sup>th</sup> century. The government sought to balance the 'legitimate' demand for African workers for mines and unskilled and semi-skilled work in urban areas with the desire to keep white settlements insulated from 'surplus' Africans. Since at least the late 19<sup>th</sup> century, a pattern emerged whereby Africans or coloureds were relegated to 'townships' adjacent to white towns. In 1950, as Minister of Native Affairs, HF Verwoerd (who later became Prime Minister) introduced the Urban Labour Preference Policy, along the same lines as – but more draconian than – the Natives Urban Areas Act of 1923. One of the more destructive effects of the system was to split many families for long periods, with men working on the mines or in the cities, and women remaining in the rural reserves. Meanwhile, conditions in the reserves deteriorated as more and more

people were forced to settle there. Between 1955 and 1969, population density in the reserves increased from 60 to 110 persons per square mile (Simkins 1983, cited in Delius & Schirmer 2000). Effectively, many households in so-called rural areas were (and remain) landless, while many others were left with tiny amounts of land.

The logical conclusion of this process came in the 1960s and 1970s, when the apartheid government 'elevated' the status of the African reserves to ten putatively self-governing homelands, of which some were declared independent states. These homelands were thus set up with their own legislative assemblies, government departments, rights to confer citizenship and so on. The idea of 'separate development' was that they would also have their own economies. However, given that these reserves comprised only 13 per cent of the country's land area, were often geographically isolated, and had grossly inadequate infrastructure, this was hardly plausible. Poorly conceptualised investments in agricultural irrigation schemes benefited mainly a few score white development experts and consultancies. The industrial decentralisation policy made only some inroads, but disintegrated rather quickly once the wage subsidies were removed after 1994. The main source of employment within the homelands was no doubt the public service itself. The homelands thus had virtually no tax base, and so had to rely almost entirely on transfers from the apartheid government. Poor health care services and vastly inferior 'Bantu education' were among the results. Those few Africans that did receive a decent education or health care, usually did so at mission schools and hospitals. Because of the dearth of meaningful income-earning opportunities within the homelands, the migrant labour system remained one of the most important survival strategies for African households, notwithstanding its high personal costs. As of the early 1970s, 54 per cent of all Africans lived outside of the homelands in the 'white' areas (Butler et al. 1977).

Coloureds and Indians faced similar but different forms of discrimination and





economic oppression. Both groups were also subject to forced removals, to restrictions on movement and settlement, and were denied the right to vote (except on a limited basis in the Cape Colony, and then again, briefly, through the bogus tricameral Parliament established in 1983). Per capita spending on education, housing, and services was marginally higher for coloureds and Indians than for Africans, but still significantly inferior to that provided for whites. A large fraction of coloureds, concentrated in the Cape, relied on unskilled and semi-skilled farm work for sustenance, under conditions somewhat better than those of their African counterparts elsewhere in the country. In the course of the 20<sup>th</sup> century, Indians, most of whose forebears came to South Africa in the late 1800s as indentured labourers to work on the sugar plantations of Natal, diversified their economic activities into a number of different economic niches, including trading, manufacturing, and the professions.

Poverty among whites was not unknown, though it was on a different scale from that of other groups. During the 19<sup>th</sup> century, most white poverty was associated with agricultural crises brought on by epizootics, drought, fluctuating commodity prices, as well as direct competition from better capitalised farmers (Bundy 1986). At the turn of the century, the effects of rinderpest and drought were compounded by the South African ('Anglo-Boer') War of 1899–1902. White tenant farmers, squatters on Crown land, and indebted landowners were especially vulnerable, and contributed to the influx of whites to mining areas and cities in search of employment immediately after the war. However, because of the semi-official policy of maintaining a wage differential between whites and blacks on the mines, only a limited number of unskilled whites were absorbed. Those that remained in the countryside became ever more dependent upon African tenants to resuscitate or maintain production, an indignity which did much to shape future policy with respect to the 'poor white problem' (Keegan 1986). The main motivation

behind the founding in 1909 of what is now the Land and Agriculture Bank was to restore poor whites to the land. Much of National Party rule from 1948 onwards can be interpreted as an effort to deal with the poor white problem, from the rapid expansion of the public service, to ever-more generous subsidies to white farmers, and even to provisions against the subdivision of farm land into so-called sub-economic units.

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

Different South African communities had different social safety nets, and these changed in different ways over the years. Among African households, the most significant safety net was traditionally the extended family and informal social networks of reciprocity. The extended family lent a degree of resilience in the face of calamities that, for example, allowed African households in the southern Highveld to recover more quickly from the rinderpest and drought of the late 19<sup>th</sup> century (Keegan 1986). Over the course of the 20<sup>th</sup> century, however, the growing



dependence on urban-based incomes and the increasingly limited agricultural resources in rural areas meant the decline of reciprocal and redistributive rural relationships, within which poorer households could expect cattle loans, work opportunities and other forms of assistance from better-off neighbours (Delius & Schirmer 2000).

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

## Socio-economic policies since 1994

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

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

The initial policy framework document spelled out the vast number of changes the future ANC-led government would seek to effect. The central theme was reducing the poverty of the majority of South Africans, and thereby redressing the inequalities and injustices of colonialism and apartheid. Access to water, jobs, land, education, and health care, were among the priorities highlighted. Apart from a massive investment in infrastructure, however, the document gave little indication what the new economic strategy would entail. Following the April elections, an RDP Office was established within the Office of the President, charged with the responsibility of co-ordinating RDP-related activities, including the spending of the initially

modest RDP budget. In November 1994, the ANC-led government introduced the *RDP White Paper*, the content of which was not dissimilar to that of the earlier policy framework document, but arguably with a more 'business friendly' and fiscally conservative bent (Bond 2000). In early 1996, after much public debate as to the implications of the RDP for economic policy, the RDP Office was closed and its staff dispersed to various government departments.

The closure of the RDP office appeared to have been of a piece with the introduction by the Department of Finance in that year of the framework for Growth, Employment and Redistribution (GEAR). GEAR was a conventional neo-classical macroeconomic recipe for economic growth. While not intrinsically incompatible with the goals of either the RDP or the nascent National Growth and Development Strategy that complemented the RDP, GEAR eclipsed the latter as the central economic programme of the government. Business leaders applauded GEAR for its emphasis on fiscal restraint, the expressed commitment to controlling inflation and interest rates, as well as the promise of loosened foreign exchange controls. Among the more controversial aspects of GEAR were the recommendations that the public service be downsized and state-owned enterprises be 'restructured', that is, sold off to the private sector. Not surprisingly, the adoption by government of GEAR as the blueprint for South Africa's economic policy also outraged many observers and strained the tripartite alliance between the ANC, the South African Communist Party (SACP), and the Congress of South African Trade Unions (Cosatu). Critics considered GEAR to be a neo-liberal sell-out by the ANC (for example, Bond 2000), as well as an inappropriate approach to solving the country's most pressing economic problems, such as unemployment and poverty (Adelzadeh et al. 1998). The RDP may have continued in name as an assortment of government activities broadly consistent with the aim of reducing poverty and hardship, but inside and outside of government, a common charge was that the RDP was dead.



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

By and large, the economy since 1994 has performed poorly relative to expectations, and the most glaring consequence has been the worsening of the already serious unemployment problem, even in the presence of modest growth. This scenario of ‘jobless growth’ became especially poignant in 2000, when growth

reached a four-year high while formal sector job losses accelerated.

There has, however, been some cause for celebration when it comes to the delivery of services. While delivery of services has also been slow relative to expectations, it has nonetheless made a palpable change in many people’s lives. Since 1994, the various government programmes and municipal infrastructure programmes have improved access to safe water for 4 million people, improved sanitation services for over 3 million people, built 600 new clinics, 700 000 houses, had 1.5 million more households connected to the electrical grid, and so on. A study by the Community Agency for Social Enquiry (CASE) on behalf of the South African Human Rights Commission’s *Second economic and social rights report* (2000) found that a substantial fraction of those surveyed reported some sort of development of infrastructure or services within the previous year.

## Population profile and poverty statistics

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

- The 1996 census undertaken by the government’s agency Statistics South Africa established that there were 40.6 million South Africans living in the country, of whom 31.2 million were African, 3.7 million were coloured, 1.2 million were Indian, and 4.5 million were white. Of the 9 million households in the country, 6.5 million were African, and 5.4 million were urban. Among African households, 51 per cent were rural (Stats SA 2000a; Stats SA 2000b).
- The total fertility rate at the time of the census was around 3.0 to 3.2. The infant mortality rate was 0.051, and life expectancy at birth was 64.5 years (Stats SA 2000a). The infant mortality rate is 8 to 10 times higher for blacks than for whites.



- Based on a per adult equivalent poverty line of R352 per month, 71.6 per cent of all poor people reside in rural areas, and 70.9 per cent of all rural people are poor. With reference to the same poverty line, 61 per cent of Africans are poor, compared to 38 per cent of coloureds, 5 per cent of Indians, and 1 per cent of whites (May et al. 2000).
- Among households in the poorest quintile in 1995, 51 per cent of all expenditure was on food (Budlender 1999).
- Around 23 per cent of children under 6 years are stunted, indicating chronic under-nutrition. The most seriously affected children are those in rural areas whose mothers have relatively little education (Steyn 2000).
- Income inequalities are extreme, with an individual-based (as opposed to household-based) Gini coefficient of 0.73 (Stats SA 2000b).
- Access to services is highly skewed by income level, by location, and by race. For example, 18 per cent of households within the poorest decile must travel more than 1km to access water, versus 1 per cent of households in the top three deciles (Budlender 1999).
- The adult illiteracy rate is 15 per cent (UNDP 2000).
- In terms of the United Nations Development Programme's Human Development Index published for 1998, South Africa ranks 103 out of 174 countries, just below Tunisia and Moldova, and just above El Salvador and Cape Verde (UNDP 2000).



## Summary

South Africa's present-day configuration of poverty and inequality bears overriding racial and gender dimensions resulting from the country's history. Land dispossession, followed by race-based 'separate development' policies together with influx controls, have left a legacy of maldistribution of wealth and marketable skills, spatially divided households, and inferior living conditions for the poor majority.

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

## Notes

- <sup>1</sup> In 1994 the Transvaal province was divided into Northern Province, Mpumalanga, Gauteng and a part of North-West.

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

## Introduction

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

**A** key aspect of the chapter is to seek to identify and enumerate specific categories of the chronically poor – for example the disabled, those living in deep rural poverty, AIDS orphans, and so on. In doing so, the section elaborates upon the factors that have contributed to these people's chronic poverty, including factors relating to their personal characteristics, as well as those relating to the economic environment and resource distribution.

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

erty, and ventures some estimates as to how many households and individuals are included in these categories and in total.

## Recent quantitative research on chronic poverty in South Africa

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

The distinction between quantitative and qualitative treatments of chronic poverty is of course not always rigidly observed (though often it is). We mention in this respect what is probably the first panel study of poverty in South Africa, namely that of Ardington (1988; 1995), who studied the 70 KwaZulu households in 1982 and again in 1985 and 1993. While Ardington does not use her panel explicitly to gauge the extent of chronic



poverty, she paints a vivid picture of the factors that often combine to keep households poor, in part by gauging the change in household incomes over the intervening period, and in part by relating the case histories of the households in her sample. What emerges is a portrait of extremely vulnerable households that fail to emerge from poverty due to harsh environmental conditions, a fickle labour market, and changing household composition.

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

In 1998 a research consortium consisting of the University of Natal, the University of Wisconsin, and the International Food Policy Research Institute (IFPRI), undertook a re-survey of some 1 200 KwaZulu-Natal households that had five years earlier been interviewed as part of the 1993 Southern Africa Labour and Development Research Unit (Saldru) survey.<sup>1</sup> This re-survey comprises the KwaZulu-Natal Income Dynamics Study (KIDS), which, as the name suggests, aims to provide an empirical basis for understanding how households' fortunes change over time. Since this is the only large-scale panel study of income dynamics in South Africa to date, it is discussed at some length.

Thus far, the findings from KIDS have been summarised in three reports, by May et al. (1999), Roberts (2000), and Carter and May (1999a). Roberts presents a succinct overview of the data collection process for KIDS, as well as of basic findings. Of note is the fact that only African households from the original Saldru sample were re-visited, but 15 per cent of these were not possible to track down, while 41 additional 'split-off' household units were incorporated.<sup>2</sup> A



household is defined as 'poor' in a particular year, if its monthly per adult equivalent expenditure in that year is less than R237 (in constant 1993 rand).<sup>3</sup>

Based on the roughly 1 200 households included in the panel, the incidence of poverty in the two years is presented in Table 1.

Table 1 shows that 22 per cent of the sampled households qualified as poor in both periods, and thus can be categorised as chronically poor.

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

In addition, Roberts presents a 'transition matrix' (Table 2) showing households' inter-period mobility between four different expenditure ranges, from the 'ultra-poor' on up. A household is defined as ultra-poor if its monthly adult equivalent expenditure is less than half the poverty line as defined above.

The diagonal elements, marked in bold, represent those households that were in the

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

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

Adapted from Roberts 2000:16.

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

Table 2 also reveals the relationship between ultra-poverty and chronic poverty. One might suppose that the ultra-poor and the chronically poor are more or less the same people, because the poorer one is, surely the more difficult it is to escape poverty. Indeed, it is true that of those who were ultra-poor in 1993, 67 per cent were still poor in 1998, and thus are designated as chronically poor. However, from a slightly different perspective, there is evidence to contradict this supposition. Note that a household that was ultra-poor in 1993 evidently had a 32 per cent chance of finding itself above the poverty line in 1998, whereas for a household that in 1993 was poor but *not* ultra-poor, the probability was 35 per cent. This is not a striking difference, and suggests that the ultra-poor have about as much chance of remaining in or escaping from poverty as the less poor. Moreover, with a little manipulation, one can determine that of the total number of households that are desig-

nated as chronically poor by virtue of being below the poverty expenditure line in both periods, only around 20 per cent were ultra-poor in either period.

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

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



**Table 2: Transition matrix for KIDS data**

<i>Expenditure classes 1993</i>	<i>Expenditure classes, 1998</i>				<i>Row sum</i>
	<i>0 to ½ x PL</i>	<i>½ x PL to PL</i>	<i>PL to 2 x PL</i>	<i>&gt; 2 x PL</i>	
<i>0 to ½ x PL</i>	<b>17.7%</b>	50.0%	25.8%	6.5%	100.0
<i>½ x PL to PL</i>	17.2%	<b>48.6%</b>	25.4%	8.8%	100.0
<i>PL to 2 x PL</i>	8.0%	32.4%	<b>36.8%</b>	22.8%	100.0
<i>&gt; 2 x PL</i>	1.8%	11.9%	27.5%	<b>58.7%</b>	100.0

Source: Roberts 2000:15.

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

Carter and May (1999a) delve more deeply into the KIDS data to examine the nature of different categories of poverty. They do this in two distinct ways. First, they build on their earlier work involving the development of a 'class typology' (Carter & May, 1999b), which classifies people according to their 'entitlement bases', and the extent to which these may or may not serve to help them rise out of poverty. They determine that those classes that are most likely to be characterised by chronic poverty are 'marginalised households', whose primary asset is unskilled labour; 'remittance-dependant households', who rely on cash transfers from non-resident family members; and thirdly, those households which depend upon the secondary labour market, meaning for example casual workers and those involved in less remunerative informal self-employment.

The other interesting tack pursued by the paper is to try to understand how 'entitlement shocks' (for example, loss of productive assets) and 'entitlement losses'

(for example, severance of relationships upon which one relies for assistance) affect households, and how this can help us understand the composition of the various categories of poor households. They produce a more nuanced view of the chronically poor, as well as of the transitorily poor and non-poor.

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

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

The importance of employment to household income and welfare is well-



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

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

Source: Carter and May 1999a:29.



established (for example, Cichello et al. 2000), and thus merits specific focus in any overview treatment of chronic poverty. After presenting an overview of the employment situation in South Africa, we extract three themes from the sizeable South African literature: first, the dynamics of employment, as revealed in the KIDS data set; second, the changing nature of employment in the formal sector; and third, the nature of employment in the informal sector.

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

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

Table 4 shows that the incidence of unemployment is considerably greater for Africans and coloureds than for whites.

It also disaggregates employment by 'sector', by which we mean here informal and formal, and employment versus self-employment. Overall, Africans and coloureds are more likely to be employed or self-employed in the informal sector, and in absolute terms whites comprise a relatively tiny share of activity in the informal sector.

Not surprisingly, the incidence of unemployment is strongly differentiated according to race, gender, place of residence, and so forth. In 1999, the incidence of employment and unemployment is as presented in Tables 5 and 6 on the next page, where unemployment is understood according to the broad definition<sup>5</sup>:

Unemployment is clearly more severe among women than among men, and, among Africans, is considerably more severe in rural areas than in urban areas. The fact that unemployment among Africans is higher in rural than in urban areas, is something of an international anomaly, and probably in large measure is due to insufficient access of Africans to agricultural land. Part-time and casual employment make up a relatively small proportion of employment, though it must be noted that the survey picks up those who have been casually employed within the previous



**Table 4: Incidence of employment and unemployment, by race and sector, 1999 (including domestic workers)**

	<i>African and coloured</i>		<i>White</i>	
	millions	per cent	millions	per cent
<i>unemployed</i>	6.7	45.5%	0.2	8.5%
<i>employee, formal sector</i>	5.4	36.9%	1.5	69.4%
<i>employee, informal sector*</i>	1.4	9.6%	0.1	2.4%
<i>self-employed, formal sector</i>	0.1	1.0%	0.3	14.3%
<i>self-employed, informal sector</i>	1.0	7.0%	0.1	5.4%
<i>total</i>	14.7	100.0%	2.2	100.0%

Source: calculated from October Household Survey 1999 (Stats SA 2000c).

week, as opposed to those who may have had casual work within, say, the year.

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

- Seventy percent of those who are presently unemployed have never had a job. The figure for women is 73 per cent; for Africans 73 per cent; for rural dwellers 76 per cent; and for rural African women 79 per cent.
- Around 69 per cent of those who are presently unemployed have been unemployed for more than one year, while 41 per cent have been unemployed for more than three years; among the African unemployed, the figures are 72 per cent and 44 per cent, respectively.
- Quality of life is considerably worse for those who are employed or self-employed in the informal sector than for

those in the formal sector, and still worse for the unemployed; for example, of African and coloured households whose head is employed (or self-employed) in the formal sector and having children younger than 7 years, 16 per cent reported insufficient money to feed those children at some point in the previous year, whereas for those in the informal sector, the figure was 27 per cent, and for those whose household head is unemployed, the figure was 40 per cent.<sup>6</sup>

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

#### Panel studies of employment

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



**Table 5: Incidence of employment and unemployment, by race and gender, 1999**

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

Source: calculated from October Household Survey 1999 (Stats SA 2000c).

**Table 6: Incidence of employment and unemployment, by race and location, 1999**

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

Source: calculated from October Household Survey 1999 (Stats SA 2000c).

over time. We briefly review each of them in turn.

First, Keswell (2000) attempts to relate the incidence of transitions between different employment states and types to demographic factors and personal characteristics. In Table 7, the 1993–98 transition frequencies are shown, after the same manner of the expenditure class transition frequencies reported above.

What is revealed is that, among those out of the labour force or unemployed in 1993, transition into self-employment is less likely than remaining in one's present state. A person who was unemployed in 1993, however, had a 35 per cent chance of gaining employment, which is not insignificant – but neither, in the light of the five-year time lapse, is it very encouraging. Interestingly, the probability of an unemployed person entering self-employment – meaning informal sector self-employment – is much smaller, only 5.1 per cent. This raises the question about the extent to which unemployment is truly involuntary, in the sense that unemployed people seem either unable or unwilling to engage in self-employment when efforts to find (formal sector) employment fail. However, as can also be seen in Table 7, the status of self-employment is somewhat precarious: half of those who in 1993 were engaged in self-employment, ended up either unemployed or out of the labour force by 1998.<sup>7</sup> We return to the issue of self-employment below.

Keswell relates the incidence of these transitions to individuals' age, education,

place of residence, and so on.<sup>8</sup> He infers, *inter alia*, that women are especially liable to go from employment to unemployment; that membership in a savings club (for example, a *stokvel*) decreases one's probability of going from employment to unemployment; that being older and being female both heighten the chances of one's leaving the labour force through self-employment; and that education is critical in boosting the chances of those not in the labour force to obtain employment, but is not so important for those that are in employment. Some of the statistics relating to the transition from self-employment seem to suggest that many self-employed persons are women whose ability to remain self-employed is liable to be interrupted by other obligations.

Cichello et al. (2000) also make use of the KIDS data, but draw a somewhat different (which is not to say inconsistent) set of conclusions to that of Keswell. What is particularly useful in their approach is that they seek to make an explicit link between employment states and household income, by determining the 'earnings line' that corresponds to the same poverty data used by Roberts (2000) and by Carter and May (1999b). Table 8 on the next page indicates the probability of making various transitions, as a function of employment changes between 1993 and 1998.

The two off-diagonal values have particular interpretations. The probability of being a household which was above the earnings line in 1993 but below it in 1998 is 9 per cent; this is called the 'risk rate',



**Table 7: Transition matrix of employment states, based on KIDS data**

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

Adapted from Keswell 2000:14.

and refers to the likelihood of falling into poverty by virtue of a change in employment status. The figure may seem low, but is in fact high relative to the total number of households that were above the earnings line in 1993, as shown by the row percentage of 36 per cent in brackets. On the other hand, the probability of being below the earnings line in 1993, but above it in 1998, is referred to as the 'escape rate', and is 15 per cent, or 20 per cent amongst all those that started out below the earning line in 1993.

In addition to demonstrating that earnings are extremely volatile and account for a high degree of mobility between states of poverty and non-poverty, Cichello et al. attempt to identify factors that contribute to 'risk' and 'escape', and conclude that:

*ceteris paribus, males and urban residents are more likely to move out of poverty and less likely to fall into poverty, heads of household are more likely to move out of poverty, and unionised workers and KwaZulu residents [as opposed to Natal residents] are less likely to fall into poverty (2000:20).*

In addition, the authors reject the 'cumulative advantage hypothesis', whereby the fortunate become more so, while the less fortunate remain so. Rather, the job market has the tendency to equalise the fortunate and the unfortunate over time, which may be merely another way of saying that, given the volatile nature of earnings, there tends to be regression towards the mean.

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

The overall pattern of formal sector employment in South Africa over the past

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

While this trend is not dissimilar to that which prevails elsewhere in the developed and developing world, it comes at a time in South Africa when there are diminishing employment opportunities, and within an environment where governmental and non-governmental institutions set up to protect workers' rights are weak. In some sectors,



**Table 8: Transitions between earnings thresholds, 1993 and 1998, based on KIDS data**

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

Adapted from Cichello et al. 2000:7.

for instance textiles, the pressure on industry to cut direct wage and overhead costs is extreme due to the rapid lowering of tariff barriers. However, in other instances the move to flexibilisation is driven by employers' disinclination to honour new comprehensive labour legislation, whether these impose actual costs or reduce employers' manoeuvrability (Clarke 2000). In the commercial agricultural sector, however, Simbi and Aliber (2000) show that many farmers feel compelled to casualise their work force as a means of reducing the perceived danger of various types of land claims, and moreover are willing to incur the cost of mechanising in order to do so. The decline and flexibilisation of employment in this sector is especially damaging for rural livelihoods, because commercial agriculture represented almost one third of formal sector employment in rural areas in 1998, and yet the total amount of regular employment on farms has declined by about 20 per cent over the past decade.

There are no clear, comprehensive measures of the extent of the secondary

labour market. Table 9 tries to give some idea of the relative incidence of non-permanent work at one point in time.

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

Among African and coloured women employees describing their work as permanent, only 48 per cent have written contracts.

Finally, one other measure of the 'secondariness' of one's employment is the extent to which one receives non-wage remuneration such as pension and medical aid contributions. Table 11 overleaf shows that, among African and coloured employees, fewer than half receive a pension contribution from their employer, and around



**Table 9: Forms of employment, 1999**

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

Source: calculated from October Household Survey 1999 (Stats SA 2000c).

**Table 10: Frequency of written contracts among 'permanent' employees, 1999**

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

Source: calculated from October Household Survey 1999 (Stats SA 2000c).

one quarter to one third receive contributions towards medical aid.

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

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

Stats SA's reported employment trends, based on consecutive October Household Surveys from 1996 and 1998, purported to show that employment levels had stabilised, mainly because formal sector job losses were roughly offset by increases in informal sector employment and self-employment. While we cannot arrive at certainty, as these consecutive surveys do not comprise a panel, it seems likely that many of those entering self-employment in 1998 were those who lost formal sector employment in 1996 and 1997, a process which Cosatu calls – not without reason – 'disguised unemployment' (Cosatu 2000).

However, while informal sector employment is inferior to formal sector employment, from both an individual and societal point of view it is preferable to unemployment. Kingdon and Knight (2000b) marvel at the fact that the share of informal sector employment in South Africa's economically active population is so low, despite such high levels of unemployment. Drawing again on Table 4, we see that among Africans and coloureds in 1999, there were 6.7 million unemployed people as opposed to 2.4 million employed



in the informal sector, one third of whom were domestic workers. By contrast, 90 per cent of India's workforce are employed in the informal sector. Indeed, Keswell's transition matrix (Table 7) reveals that, at least for the KwaZulu-Natal sample, a person who was unemployed in 1993 was ten times more likely to still be unemployed in 1998 than self-employed.<sup>9</sup>

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

Informal sector self-employment can also be quite risky. In a survey of different types of SMMEs operating in Winterveldt and Gazankulu, Aliber (2001) found that most SMMEs encounter serious risks on a daily basis. Taxi owners risk being killed by rival taxi owners, public telephone huts and hair salons risk theft of equipment, automobile mechanics risk theft of clients' cars, tavern owners risk having patrons stabbing and shooting one another; and since SMMEs operate almost entirely on a cash basis, they all face a constant risk of robbery. Moreover, it would appear that the more lucrative enterprises require the

**Table 11: Pension and medical contributions to employees**

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

Source: calculated from October Household Survey 1999 (Stats SA 2000c).

most start-up capital, and face the most serious risks, which, in the absence of widely available micro-finance and micro-insurance, puts them beyond the reach of the average unemployed person. To these factors we might add lack of a market.

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

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

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

If in the context of quantitative analyses chronic poverty is understood as the persistence of income-poverty or expenditure-poverty over time, then in the experiential approach, we presumably understand chronic poverty to be the persistence over time of the subjective state of poverty. However, there are at least two other ways in which chronic poverty

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

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

### Vulnerability and resignation

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

While on one level this notion of 'vulnerability' has its correlate in the quantitative treatments of poverty dynamics discussed above (for example, 'risk rates', 'stochastic poverty', 'entitlement shocks', and so on), on a deeper level the experience of vulnerability is an aspect of poverty in and of itself; it constitutes a palpable disturbance to one's 'peace of mind'.



In the SA-PPA, this sense of vulnerability was articulated in a number of different ways. For example, many participants expressed concern for their ability to cope with unpredictable crises. Bedford (1995, cited in May et al. 1997) notes the extreme stress and anxiety suffered by street children, who are exposed to constant threats of violence and sexual abuse. Chopra and Ross (1995, cited in May et al. 1997) indicate that African women in northern KwaZulu-Natal were particularly aware of the threat of children falling ill at certain times of year. Among the homeless, there is a constant fear of becoming victims of crime or of police harassment (Van der Merwe & Aliber 2001).

For many people in South Africa, the experience of vulnerability is long-term, since the underlying threats are themselves long-term, and some (for example, HIV/AIDS) are clearly becoming worse. As is well known, the sense of vulnerability has an effect on people's ability to escape poverty. For example, people mitigate income risk by developing a multiple livelihood strategy (Ellis 1998); although this is adaptive and rational, it may inhibit the individual from concentrating on a single, potentially more lucrative enterprise. On the positive side, some of these risks can be reduced through government and non-governmental interventions, even where income-poverty is not itself improved.

Closely related to the experience of vulnerability is the state of being resigned to always remaining poor. Resignation is perhaps the most succinct subjective correlate to the notion of chronic poverty: it is the assumption that poverty will endure. Such resignation may be a person's honest and sober assessment of the low probability of ever escaping poverty, but it may also have the practical effect of discouraging people from taking steps to increase their chances of living a more rewarding life, or of escaping their present state. Where job seekers remain unemployed for year after year, or households repeatedly lose what little they have been able to accumulate by dint of family illness, crime, or natural disasters, pessi-

mism is likely to be the outcome. Participants in the SA-PPA expressed resignation in a number of ways, such as by expressing the sentiment that life's difficulties are endless and must simply be accepted (May et al. 1997:54).

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

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

In its 'ideal' form, the migrant labour system means that husbands earn an income in relatively lucrative jobs outside of the labour reserves (homelands), which they remit to their families back home and/or save. While this may often happen as planned, it frequently does not. First, migrant workers may lose their work, and thus have nothing to remit. Some of these industries, especially mining, are highly dangerous, and over the years many workers have sustained disabling injuries, succumbed to occupation-related illnesses,<sup>12</sup> or been killed. Second, migrant workers may find other uses of their earnings, and may send remittances intermittently and insufficiently. From OHS 1999 (Stats SA 2000c), we find that 21 per cent of all households have one or more family members who are considered migrant workers, of whom 19 per cent send remittances back to the household no more than once per year.

The SA-PPA relates the experience of many disillusioned women whose male partners failed to send remittances according to plan (May et al. 1997:37). Bank's study of a community in the Eastern Cape as part of the SA-PPA, revealed the following: 'In Duncan Village, we discovered that the classic formula for chronic impoverishment for female-headed households





seemed to be the absence of a reliable male breadwinner in two consecutive generations' (1995:69; cited in May et al. 1997). Many of these women have the worst of both worlds. On the one hand, they receive inadequate or unreliable support, while on the other hand, by virtue of cultural norms, they often lack rights (for example, to land), independence (for example, to make their own economic decisions), and voice (see below).

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

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

Ironically, however, the most deprived areas are those from which out-migration is relatively subdued. O'Donovan (2000)

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

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

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

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

A formidable amount of information is available on the extent of people's access, including disaggregations by race and place of residence (for example, Stats SA 2000a; May et al. 1995); on improvements since 1994 in this access (Khosa 2000); on the problems with maintenance that have been discovered in respect of new infrastructure, for example, water pumps (Department of Provincial and Local



Government/ Department of Housing 2000); on the capital costs associated with remedying the delivery backlogs (for example, Jackson & Hlahla 1999); and on the institutional mechanisms that must be put in place in order to accelerate delivery and ensure sustainability (for example, Stavrou 2000; Jackson & Hlahla 1999). The number of different kinds of infrastructure and services is of course large: these include electricity, water (for home use and production), communications, education, the judicial system, health care, sanitation, housing, refuse removal, financial services, and so on.

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

### Crime and violence

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

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

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

Women and children are especially likely to be victims of violence. Women face abuse by partners, while women and girls are subjected to a high risk of being raped. The incidence of rape is already high according to official police statistics (119 per 100 000) (SAPS 1999), but women's rights groups estimate that only 1 in 20 to 1 in 35 rapes are reported (People Opposing Women Abuse 1995, cited in Hamber & Lewis 1997). The highest incidence of rape is in rural areas (CIAC 1997, cited in Hamber & Lewis 1997).

Some studies suggest that the growing incidence of rape, and particularly of gang rape, over the past 15 years or so are aspects of a broader 'culture of violence', which in turn is a function of the protracted marginalisation experienced by many young men (Vogelman & Lewis 1993). Arguably, the fact that economic opportunities accessible to many young men have not improved since 1994 despite the political watershed of that year, has



served only to exacerbate the experience of marginalisation (Vogelman & Lewis 1993). It is noteworthy that, of all South African men between the ages of 18 and 40, approximately 2–3 per cent are presently in prison.

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

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

On a community or social level, the incidence in South Africa of child abuse, broken homes, violent crime, and poverty contribute to an inter-generational cycle of deprivation and social malaise that is not dissimilar to that evident in deprived communities in developed countries and elsewhere (Godsi 1999).<sup>14</sup> The fact that employment opportunities are declining, especially for youth, serves only to reinforce this cycle.

#### **Lack of voice and social exclusion**

One other aspect of the experience of poverty as revealed in the SA-PPA, is that of lack of 'voice', which is a growing area of attention internationally (for example, Das Gupta 1999; Kanbur & Squire 1999).

Broadly, people 'have voice' when they feel they have an opportunity to somehow participate in decisions that may affect their lives, as well as having avenues to lodge grievances with relevant authorities and institutions if they wish. Lack of voice was of course an acute aspect of many people's experience under apartheid, and was reversed in a significant way with the first all-inclusive democratic elections in 1994. The importance attached in the new dispensation to local government is a further reflection of the new government's earnestness to allow people these means of expression.<sup>15</sup>

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

Social exclusion is experienced in distinct ways by different sub-groups. For



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



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

For homeless people, an almost defining characteristic is severed relationships with family members, on whom they might otherwise rely for moral and material support. In addition, a strikingly large number of homeless people cite as a major problem the loss of their identity documents. On a practical level, this puts homeless people altogether beyond the reach of the formal economy; on a figurative level, the absence of identity documents reflects the extreme nature of their marginal status relative to society (Van der Merwe & Aliber 2001).

Cross-border migrants are also prone to being socially excluded. In a recent survey of 403 cross-border migrants in Gauteng,

three quarters of the respondents signalled discrimination and xenophobia as a major reason for disliking South Africa (CASE 1998). Respondents indicated that the single largest source of harassment is the police, with the second largest source being neighbours.<sup>16</sup>

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

## Categories of chronically poor people

We now turn our attention from aspects of the experience of poverty, to focus on specific groups that are especially prone to chronic poverty. The emphasis is on measures of income poverty, though qualitative aspects obviously play an important role as well. For the most part, we try to gauge numbers of households that are prone to chronic poverty, rather than individuals. The reasoning is that being a particular kind of person (for example, disabled) is likely to contribute to chronic poverty in a particular household context. If the disabled and the elderly are to be singled out as particular categories of people vulnerable to chronic poverty, then are we searching for the number of disabled and elderly that are members of chronically poor households, or are we seeking something more specific, that is, households that are likely to remain in poverty because the main (would-be) bread-winner is disabled or old? The argument in favour of the latter focus is that it may provide more useful information as to why the household is trapped in chronic poverty (that is, this would be due to the nature of the individual as well as the composition of the household). However, there is also an argument in favour of the other approach, in that policy intervention may or may not focus on the bread-

winner, but rather on individuals within the household who for whatever reason are particularly well-suited to being recipients of assistance.<sup>17</sup>

### The rural poor

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

The particular factors that contribute to chronic poverty in rural areas are worth drawing attention to. First, according to the 1997 *Rural survey* (Stats SA 1999), there are some 900 000 African households living in former homelands that have no access to arable land, 1.4 million that have no livestock (other than chickens), and 770 000 households that have neither. Notwithstanding the fact that most arable plots and most herds are quite small (on average 0.2ha and 2 large stock units), they make a critical contribution to the well-being of those households that have access to them, and especially so to the poorest households. Based on the 1993 Saldru data, it is estimated that among the poorest 20 per cent of households in former homeland areas having access to arable land, agricultural production contributed 35 per cent of total (actual and imputed) income (LAPC 1996). Moreover, as Ardington has shown (1988), poor households in particular rely on selling livestock to offset financial crises.

To a large extent, lack of land and livestock is a function of the overcrowded conditions that obtain in the former homelands, which in turn are the result of the land conquest practised by the colonial and apartheid governments. Shackleton et al. (2000), have shown that beyond 'conventional' land-based products such as grains, vegetables, meat and milk, are many other valuable products that can be harvested or derived from the land, and which people who may not have their 'own' land may nevertheless access on the

commons. However, given the great number of people that depend on the commons, land resources are typically insufficient to mitigate widespread poverty.

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

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

### Female-headed households

From OHS 1999 (Stats SA 2000c), 42 per cent of all African households, that is, 2.7 million, are female-headed. By and large, these can be considered single-parent households, though they may occasionally receive remittances from absent males. In 35 per cent of these households, the household head is the only adult (18 years and older) in the households. Around 17 per cent are so-called 'granny households', that is, the female household head is the grandmother rather than the mother of the children in their care.

There are many reasons why female-headed households have a high probability



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



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

### People with disabilities

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

1.6 million are adults between 20 and 65 years of age.

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

Surprisingly, data from the 1996 census shows that there is not such a strong link between disabilities and unemployment. The unemployment rate for Africans with disabilities, for example, is 45.3 per cent, which is only marginally above the unemployment rate (broad definition) for Africans for that year of 42.5 per cent. Likewise, for coloured people with disabilities, the unemployment rate is 26.7 per cent, as compared with 20.9 per cent for all coloured people. Moreover, the occupational profiles of the disabled are not very different from those for the general population. If we focus on the roughly 3 per cent of disabled Africans and 6 per cent of disabled coloured people that might have been employed in the absence of their disabilities, then this implies that there are around 38 000 people whom one might surmise are 'structurally' unemployable.

The plausibility of this figure can be assessed by examining the issue from a slightly different perspective. From OHS 1999 (Stats SA 2000c), we can discern that around 4.6 per cent of all households are headed by disabled people. If we compare, say, the incidence of self-reported household hunger between these households and all other households, it is clear that households where the head is a disabled person tend to be more deprived. First, of those households having a child that is six years old or younger (about 40 per cent of both categories of households qualify), one third of the households headed by a disabled person lacked sufficient money to feed that child in the previous year, while this was true of one fifth of the households headed by non-disabled people. Similarly, households headed by disabled people have experienced hunger (that is, for any

household member) 27 per cent of the time, compared with 16 per cent of the time for other households. A crude inference is that about 11 per cent of disabled-headed households face hunger at least in part due to the status of the household head. This works out, remarkably enough, to 38 000 households. We speculate furthermore that these households are chronically poor in the sense that the circumstances that maintain them in poverty are not easily changed, be they the personal attributes of the household head, or the social forces that limit the opportunities available to disabled people generally.

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

### The elderly

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

The problem with the concept of chronic poverty in relation to the elderly is

that one does not expect the elderly to improve their circumstances by finding gainful employment. Thus to the extent a poor elderly person manages to escape his or her state of poverty, this would generally be because his or her household circumstances have changed (for instance a daughter or son has found a good job), or some kind of financial burden has been removed.

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

### Retrenched farm workers

As mentioned above, one of the critical factors contributing to households' vulnerability and lack of opportunity is social exclusion. Bekker et al. (1992) argue that one group particularly susceptible to social exclusion is former farm workers. This is because after retrenchment farm workers are usually evicted from the farms where they have resided. Many retrenched farm workers were in fact born and raised on the farms from which they are eventually ejected; thus they have no 'roots' elsewhere to which they can return. (In principle these types of evictions should have ended with the Extension of Security of Tenure Act of 1997, but in practice this has often not been the case.) Retrenched farm workers are thus severed from their existing social network – for example, other farm workers in the immediate area – and forced to settle, typically with little or no savings or other capital, in townships, squatter settlements, or in communal areas. Some attempt to switch to seasonal



agricultural employment, as other employment prospects may be even more limited, given the non-transferability of farm workers' skills.

Agricultural employment peaked around 1968–70 at over 1.6 million, of whom 99 per cent were African, coloured, or Indian (Department of Agriculture 1995). It is not possible to say how many of these were regular, and how many were seasonal or casual workers. Very likely around 8–15 per cent were casual or seasonal, and the rest regular. For 2000, the total number of regular farm workers was around 580 000, implying a decline over the past three decades of some 860 000. It is impossible to say how many of these would have been retrenched, as opposed to having retired, died, or left farm employment voluntarily. Also, the fact that there are approximately 860 000 fewer regular agricultural jobs does not necessarily imply that as many fewer families are employed in agriculture, as some of those retrenched or leaving for other reasons may have been male and female partners. As a conservative guess, we might estimate that over this period some 300 000 to 600 000 households lost both employment and their residences through the process of farm retrenchments.



### **AIDS orphans and households with AIDS sufferers**

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

million (reported in Whiteside & Sunter 2000).

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

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

Presently, there are an estimated 200 000 adults in South Africa living with AIDS, and it is estimated that in 2005 and 2010 there will be 500 000 and 850 000 South Africans living with AIDS, respectively (Health Systems Trust 2000).<sup>20</sup>



Assuming very crudely that on average half of those households with an AIDS sufferer have two members infected rather than one, there might be 375 000 and 640 000 different households directly affected in these 2002 and 2010 respectively. Because of the well-noted link between poverty and the incidence of AIDS, it is likely that the vast majority of those households affected by AIDS will be further impoverished by it. A proportion of these households, however, would presumably have counted among the chronically poor even in the absence of the illness.

### Cross-border migrants

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

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

Undocumented migrants tend to be vulnerable because they are poor in the first place, but also because of their undocumented status, which makes them ripe for exploitation of various kinds. The Refugee Research Programme (RRP) of Wits University has studied undocumented migrant farm workers in Northern Province and Mpumalanga, and found that relative to their South African counterparts, they are likely to be paid less (many work only for food) and have frequently interrupted employment spells. Stories abound of immigrant workers who on the day before they are to receive their monthly wages, are suddenly discovered by the police and

deported (CASE 1998). The use of child immigrants as farm labourers is also widespread, and includes both children of immigrant farm workers, and children who have come to South Africa alone in search of work, often because they are themselves AIDS orphans (RRP 2000). The Department of Labour's own research (2000) corroborates that commercial farmers often prefer migrant workers over local people mainly because they are perceived to be more 'obedient'. The study found that of 13 519 farm workers on commercial farms north of the Zoutpansberg in Northern Province, 70 per cent are undocumented migrants.

There is little doubt that these individuals and families can be described as chronically poor. However, it is impossible to venture an intelligent guess as to how many of the alleged 2–8 million undocumented migrant workers live in circumstances like those of the farm workers discussed above.

### The 'street homeless'

'The homeless' is an amorphous category. This is particularly so in South Africa where there are hundreds of thousands of people living in informal squatter settlements who do have homes, but whose homes are obviously very unsatisfactory. More than 100 000 of these are members of the Homeless People's Federation. Many are former farm workers, whose situation has been discussed above. Many are wage earners in urban areas who cannot afford decent housing there, and for whom the costs of commuting into and out of the city are a significant burden. Their solution may be to pay rent in overcrowded flats in urban slums (Lund 2000).

Those homeless living 'on the street' would appear to be a somewhat different category, though there may not be a clear line separating the two. These people, who are often referred to as the 'street homeless', are typically solitary individuals or children rather than family units, and have severed or lost ties with social networks they may once have had (Van der Merwe & Aliber 2001). The street homeless frequently ascribe their situation to some



sort of personal tragedy, such as being imprisoned for a petty crime, suffering post-traumatic stress disorder due to army service, losing a loved one, or being subjected to sexual or physical abuse.

The precipitating event is then often compounded by use of alcohol and drugs, and/or rejection by parents and other family members. Unlike those living in squatter camps, the street homeless are racially diverse, and are not infrequently from middle class or lower middle class families. Many of the street homeless shun missions and homeless shelters, because they do not wish to, or are not able to, conform to their rules.

The October Household Survey does not pick up the street homeless by virtue of the fact that they do not have identifiable households. However, Olufemi (2000) estimates that there are some three million homeless people in the country, compared to eight million shack dwellers. However, Olufemi also states that there are around 7 500 street homeless in the Johannesburg inner city (of whom 1 100 are children), and 900 in Cape Town. That these figures are so low relative to the national figure of 3 million may suggest that the latter figure is too high. In her survey of street homeless women, Olufemi finds that 8 per cent are migrants, presumably mostly undocumented.

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

### Putting the picture together

As a final step, we assemble the numerical estimates generated above, and attempt to arrive at a national total figure for chronically poor households and individuals. The purpose is not to promote an invidious debate as to which is the most deprived group, but rather to provide some sense of the overall scope and composition of chronic poverty in the country. It must be

stressed that this exercise purports to provide no more than rough order-of-magnitude estimates, and is subject to a number of pitfalls. Firstly, the category-specific estimates upon which it relies are themselves tenuous. Secondly, we move away from a rigorous definition of chronic poverty as was used by Roberts (2000) and by Carter and May (1999a; 1999b), to a relatively fuzzy notion of vulnerability or susceptibility to being chronically poor. And thirdly, the categories obviously overlap, and yet the degree of this overlap is not easy to establish. The degree of overlap is ascertainable for some of the categories on the basis of survey information (that is, rural, elderly, and female-headed), but not for all and not with a great degree of accuracy.

With these caveats in mind, Table 12 overleaf ventures estimates for individual categories as well as in aggregate, where the latter figures attempt to adjust for overlaps among the other categories. The two columns on the right-hand side include projections for individuals and households affected by AIDS, in order to provide a perspective as to the growing relative significance of AIDS in the future. No projections are ventured for other categories of people or households susceptible to chronic poverty.

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

### Summary

This chapter had four main goals. Firstly, it sought to review the recent work on chronic poverty based on the KwaZulu-Natal Income Dynamics Study (KIDS) data set. This work established that approxi-



**Table 12: Preliminary estimates of numbers of chronically poor households and individuals with base year = 2000**

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

mately 19–22 per cent of African households in KwaZulu-Natal are chronically poor, in the sense that their per adult equivalent expenditures were below the poverty line in both 1993 and 1998. Secondly, the section attempted to highlight the singularly important role of employment and unemployment, in part in relation to the KIDS data, but additionally in respect of longer term trends in formal sector employment, the relative growth of the secondary labour market, and informal sector employment and self-employment. One finding from the literature is that transitions into and out of poverty are closely related to changes in states of employment. Thirdly, the section surveyed the South African literature on the non-income and experiential aspects of poverty, on the premise that these may also persist over time, and/or contribute to the persistence of income poverty, even in terms of inter-generational poverty. These aspects included vulnerability, migration patterns, gender roles, crime and violence, lack of voice and social exclusion. And fourthly, the section sought to single out different categories of people especially susceptible to chronic poverty, and to venture rough estimates as to how many

such people there are in each category as well as in aggregate. One important observation from this exercise is that chronic poverty is not primarily attributable to unemployment resulting from old age or disability. Rather, the majority of the chronically poor could be described as people who are able and willing to work, but for whom there are insufficient appropriate opportunities.



### Notes

- <sup>1</sup> The 'Saldru survey' stands for the household survey undertaken in 1993 under the auspices of the Southern Africa Labour and Development Research Unit (Saldru) of the University of Cape Town. Part of the significance of the survey was that it was the first national scale, all-race household survey undertaken in South Africa.
- <sup>2</sup> The reasons for the attrition appear to be various, and are the subject of further inquiry by the project team. A 'split-off' household in 1998 is a separate household formed by one or more core members from one of the households interviewed in 1993.

- <sup>3</sup> A household's adult equivalent is defined as  $ADEQ = (A + 0.5 \times C)0.9$ , where A is the number of adults, C children younger than 15, and the exponent provides for modest size economies. This value is derived from the 'household subsistence level' established by the Institute for Planning Research of the University of Port Elizabeth. In 1993, R237 was worth about £48 or US\$72.
- <sup>4</sup> What may have happened in the intervening years is of course not known, which is one limitation of this particular panel. Other panels, such as the US Panel Study of Income Dynamics and indeed a number of panels conducted in developing countries, are over a period of five or more years but with data collected on an annual basis.
- <sup>5</sup> Concerns have been expressed by readers of earlier drafts that the unemployment rates for rural Africans and coloureds are too low. Stats SA notes that its new labour survey methodology may soon provide a more accurate picture, particularly for rural areas. It is important to note that these figures are inclusive of informal sector employment, which is readily captured in the October Household Survey. Also note that in general figures for 'Indians/Asians' are not reported in this section, as they comprise a very small fraction of the workforce participants captured in the Survey.
- <sup>6</sup> Direct comparisons in terms of income are rendered difficult with the October Household Survey, because income from employment is reported pre-tax, while income from self-employment is reported both pre-tax and without taking costs into account.
- <sup>7</sup> Keswell's use of the term 'out of the labour force' is somewhat mysterious; it is not altogether clear that these people should in many instances not be counted among the unemployed.
- <sup>8</sup> Keswell also makes inferences about race, which is difficult to understand as the panel only consists of African



- households and individuals.
- <sup>9</sup> The likelihood of such a person ending up in 1998 as employed in the *informal sector*, however, cannot be discerned from Keswell's table. Excluding domestic workers, about one third of all informal sector employment among Africans and coloureds involves working for someone else, while two thirds is self-employment. Of the share that involves working for someone else, a large but unknown share involves unpaid work for family members.
- <sup>10</sup> The SA-PPA consisted of 14 individual studies undertaken in different communities around the country, with somewhat different emphases, and all using participatory appraisal techniques. The individual studies were conducted in 1995, and a final synthesis report was assembled by May et al. in 1997 under the title, *Experience and perceptions of poverty in South Africa*. Apart from the SA-PPA, South Africa has a tradition of 'personal histories' of relatively poor people which reveal much about their economic circumstances and strategies, including, to name a few, Bozzoli (1991), *Women of Phokeng*, Keegan (1986), *Facing the storm*, and Van Onselen (1996), *The seed is mine*. In addition, in 1998 the South African NGO Coalition (Sangoco) and other organisations sponsored the 'Speak Out on Poverty' hearings, the proceedings of which are available in two volumes, namely *The people's voice* and *Poverty and human rights*.
- <sup>11</sup> In fact, the synthesis report has a chapter entitled 'The poverty trap: The context for the future'. Arguably, however, the chapter collects observations of the researchers as to what hinders escape from the poverty trap. Even so, discussion elsewhere in the report speaks vividly of people's perceptions of the poverty trap.
- <sup>12</sup> South Africa's Chief Inspector of Mines recently stated to the media that some 196 000 former mineworkers suffer from occupation-related dis-

- eases (Sapa 19 September 2000).
- <sup>13</sup> 'Fear of crime and violence is widespread and people panic easily. Responses indicated that all of the respondents have high levels of anxiety about the prospect of personal victimisation' (Stavrou 1993).
- <sup>14</sup> A recent survey of young male prisoners revealed that a high proportion of inmates experienced traumatic loss, emotional deprivation and/or abuse as young children (Dissel 1999).
- <sup>15</sup> In the words of the RDP policy framework document (ANC 1994), 'Local authority administrations should be structured in such a way as to ensure maximum participation of civil society and communities in decision-making and developmental initiatives of local authorities'.
- <sup>16</sup> Interestingly, the CASE study also found that cross-border migrants often do have functional social networks within South Africa, as almost 70 per cent of respondents indicated that they found their present positions through family or friends.
- <sup>17</sup> For example, old age pensions effectively function as social welfare grants for poor households, but the virtue of targeting the older household member is that this person may be more likely to share the grant in the best interests

- of the household, that is, more so than other family members who could possibly be recipients.
- <sup>18</sup> As Stats SA points out, the term 'disability' can mean different things to different people as well as to different governmental statistics agencies, as clearly shown by the fact that official statistics for Australia indicate that 23 per cent of all Australians have disabilities. For the purposes of the 1996 census respondents were asked whether any household member had a 'serious sight, hearing, physical, or mental disability'. One problem noted is that the census did not cover residents of institutions, including those that exist specifically to serve people with disabilities (Stats SA 2000a:73).
- <sup>19</sup> Roberts (2000) reports the mean age of household head by poverty category, but this is not sufficient for our purposes.
- <sup>20</sup> The Health Systems Trust report projects AIDS cases under best and worst infection scenarios. For 2005, these are, respectively, 497 000 and 535 000, and for 2010 they are, respectively, 805 000 and 932 000. For our purposes, we use intermediate figures from each range.



# 4. Government and civil society interventions

## Introduction and overview

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



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

One overarching finding from this preliminary survey, from both a perusal of relevant documents as well as discussion with key informants, is that ‘chronic poverty’ does not figure as a distinct category for South African institutions and officials working on poverty and poverty-related initiatives. While there is casual mention of ‘poverty traps’, this does not serve as an organising theme or suggest particular kinds of interventions. Nonetheless, broadly speaking we can think of social security measures and development

initiatives as both having a close relationship to the concept of chronic poverty. South Africa’s social security system, as will be shown, has become less of a net devised to catch an unfortunate few in times of temporary distress than a major commitment to help a large fraction of the population over a sustained period. Absent are the vituperative public and governmental debates about how to pry people off the welfare rolls, and implicit is the recognition that government in particular must support some people over a long period of time.<sup>1</sup> Similarly, the gathering developmental impetus to provide people with skills and other means to better their circumstances, as exemplified in the new ‘developmental welfare’ approach introduced with the 1997 *White Paper for Social Welfare*, can be understood as an attempt to help people escape their poverty traps. However, this does not imply that that chronic poverty as such is well understood, nor that the mechanisms are in place to combat it effectively. On the contrary, what is still largely missing is a recognition that, amongst the poor, there is a sub-category of people who for various reasons have particularly poor chances of escaping poverty, not least because they are less able to take advantage of whatever opportunities – including these same government programmes – may come their

way. Recognition of this heterogeneity among poor households and individuals might result in different types of anti-poverty measures, or different strategies for executing existing anti-poverty measures.<sup>2</sup>

Three important areas of government and non-government intervention are excluded from the present discussion. Firstly, we do not examine infrastructure investments and the impact these may have on poor people's quality of life or economic opportunities. Secondly, we do not touch upon interventions that may have a longer-term impact on the nature of poverty and chronic poverty, such as education. And thirdly, we largely ignore the vast number of legislative changes that have a bearing on people's rights or the

rights of specific categories of individuals, such as women and the disabled; we also exclude from consideration the various social work services that seek to assist such groups. That these important areas have been excluded here should not imply that they do not merit close attention in any future research programme.

Within each of the two main types of interventions that we survey – that is, social security and developmental – we attempt to identify the distinct roles of various sectors. These are, firstly, government, which includes the national, provincial, and local spheres of government; secondly, the private sector, by which we mean the benevolent activities of private companies, either individually through their separate programmes, or collectively

**Table 13: Typical poverty-related activities of different sectors<sup>3</sup>**

	<i>Government/ Parastatal</i>	<i>Private sector</i>	<i>NGOs and CBOs</i>	<i>FBOs</i>
<i>Social security</i>	<ul style="list-style-type: none"> <li>· Social grants (for example, old age pensions and disability grants)</li> <li>· Subsidised health care</li> <li>· School feeding programmes</li> </ul> <p><i>[R48–R50 billion]</i></p>	<ul style="list-style-type: none"> <li>· Occupational insurance (unemployment insurance, medical aid, etc.)</li> <li>· Grants for charitable causes, for example, child welfare</li> </ul> <p><i>[R50–R80 billion, of which R5–R10 billion goes to low-income households]</i></p>	<ul style="list-style-type: none"> <li>· Community-based home-care, for example, for orphans</li> <li>· Charities, child welfare organisations, etc.</li> </ul> <p><i>[R1–R2 billion]</i></p>	<ul style="list-style-type: none"> <li>· Soup kitchens</li> <li>· Health services</li> <li>· Shelters/missions</li> </ul> <p><i>[R0.5–R1.5 billion]</i></p>
<i>Development and job creation</i>	<ul style="list-style-type: none"> <li>· Poverty Alleviation Fund</li> <li>· SMME support</li> <li>· Land redistribution</li> <li>· Community-Based Public Works Programme</li> </ul> <p><i>[R1–R2 billion]</i></p>	<ul style="list-style-type: none"> <li>· SMME investment and support</li> </ul> <p><i>[R0.2–R0.5 billion]</i></p>	<ul style="list-style-type: none"> <li>· SMME support</li> <li>· Income-generating community projects</li> </ul> <p><i>[&lt;R0.2 billion]</i></p>	<ul style="list-style-type: none"> <li>· Income-generating community projects</li> </ul> <p><i>[&lt;R0.2 billion]</i></p>



through joint initiatives or in conjunction with government programmes; thirdly, NGOs and CBOs (non-governmental and community-based organisations); and fourthly, faith-based organisations (FBOs). The available information is scanty, and we are left with representative examples rather than accurate summary information. This is particularly true for the activities of private companies, NGOs, CBOs, and FBOs, for which no comprehensive data bases exist that are suitable for our purposes.

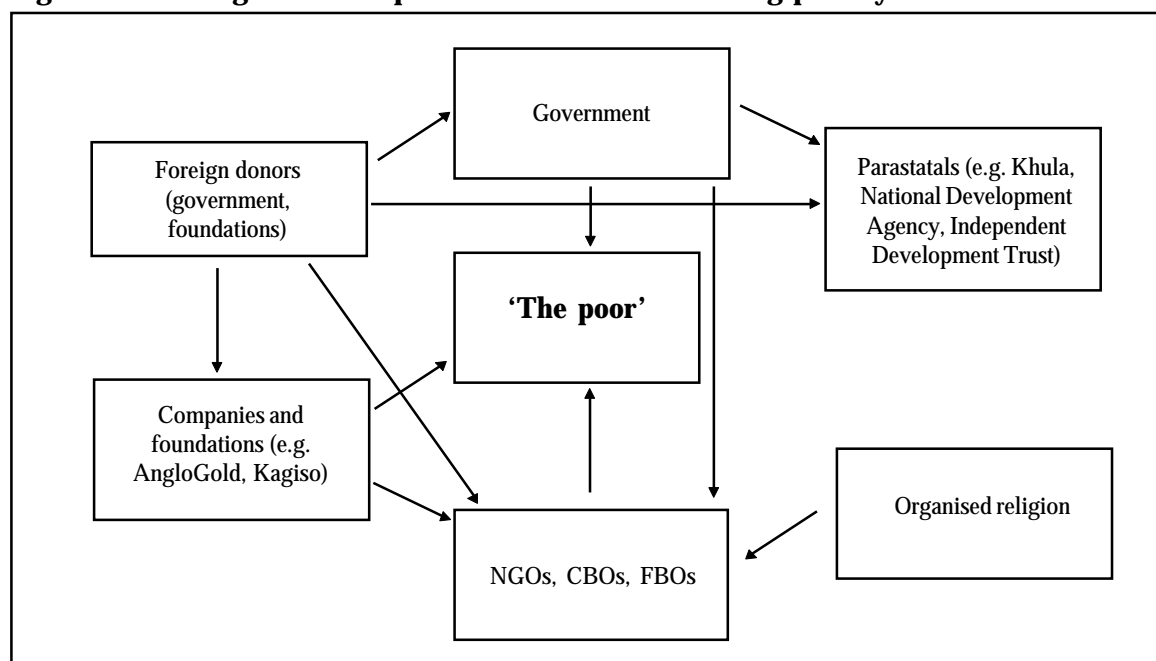
Nonetheless, a summary of the main *types* of initiatives and programmes is presented in Table 13 on the previous page. The purpose of the matrix is to indicate the typical activities of each of the sectors in terms of social security and development. The table also ventures some extremely rough order-of-magnitude estimates as to the average annual expenditure associated with each of the main types of initiatives. (To avoid double-counting, the estimated expenditure figures for NGOs and CBOs do not include that which originates from the government or private sectors.) Although expenditure is not synonymous with impact, the figures begin to convey a sense of which sectors are and are not relatively significant in these two broadly defined areas of intervention.



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

The quality and completeness of our information is variable. Government programmes are relatively well captured, though even there are difficulties due to the absence of a central database reflecting the activities of all national and provincial departments in respect of anti-poverty initiatives. Information on NGOs, CBOs, and FBOs, however, is much less adequate, as is our knowledge of the exact role of foreign donors in funding these activities.

**Figure 1: Funding relationships between sectors addressing poverty**





## Social security

### The government's social security system

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

However, there was one grant for which government estimated parity would be unaffordable. This was the State Maintenance Grant (SMG), which was designed to assist women-headed households for a maximum (in 1996) of R700 per month, depending on the number of children and

the extent of need. In 1997, there were some 150 000 recipient households of the SMG (Department of Welfare 2000a), a figure that was disproportionately white and coloured due to involuntarily low uptake among Africans. Had the grant been available with full parity to all race groups, the total cost would have been an estimated R13.7 billion per year (Haarmann 1999, cited in Zain 2000), or 15 times the actual budget for the SMG for 1997. For this reason, the Department of Welfare (now the Department of Social Development) started reducing and phasing out the SMG in 1998, a process which was completed by March 2001. The SMG was replaced with the Child Support Grant (CSG), which offers a much more modest R100 per month per child under the age of 7 years.<sup>4</sup>

Table 14 on the next page presents a summary picture of the government's social security grant system for the year 1999/2000.

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

Relative to many other government programmes aimed at improving the lot of the poor, the social grant system functions and accomplishes what it is meant to



accomplish. This is not to say that there are not criticisms of it. For example, concerns have been raised that the coverage of the disability grant is too limited, and that eligibility criteria are too subjective and poorly applied (Kimani 2000). Another area of criticism includes the inconvenience of accessing pensions at pay-out points, the time delay in having new applications processed, the incorrect dropping of hundreds or thousands of grant recipients in the course of the ongoing re-registration process, and the inadequacy of attempts to make people aware of their eligibility to apply for grants, especially the new CSG.<sup>5</sup> However, perhaps the most serious concern that can be raised with respect to the social grant system is its gaps. In particular, non-disabled working-age unemployed people are not covered, and given the high rate of unemployment such people are very

numerous. The rationale for an old age grant is that the elderly (60 or more years for women, 65 or more years for men) cannot or should not be expected to work and, in the absence of adequate savings or support from family members, risk falling into desperate poverty. However, many individuals still in their working years find themselves in essentially the same position. South Africa has a high formal sector unemployment rate relative to most developed countries, and a scarcity of resources and opportunities for self-employment relative to many developing countries. A compelling – albeit counter-intuitive – argument is that young African and coloured men are in fact among the most socially and economically disadvantaged section of the population, particularly in the absence of a state-sponsored safety net designed to support them (Asher 2000).

**Table 14: Social security grants, 1999/2000**



	<i>Budget (R million)</i>	<i>Estimated number of recipients</i>	<i>Grant per recipient per month (R)</i>
<i>State maintenance grants</i>	891	170 000	436
<i>Child support grants</i>	418	348 000	100
<i>Foster care grants</i>	268	57 000	394
<i>Grants for the aged</i>	10 202	1 635 000	520
<i>Grants for war veterans</i>	61	9 800	520
<i>Grant-in-aid for carers of aged</i>	10	8 300	100
<i>Grants for the disabled</i>	4 192	671 800	520
<i>Care dependency grant</i>	81	13 000	520
<i>Grant-in-aid for carers of disabled</i>	4	3 000	100
<i>Social relief</i>	61	not available	not applicable
<i>Total</i>	16 188	~ 2 916 000	not applicable

Source: Department of Welfare 2000a; Department of Social Development 2000

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

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

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

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

The main form of social security provided through the private sector is ‘occupational

insurance’. Occupational insurance falls into four main categories: retirement benefits, unemployment insurance and severance, workers’ compensation, and health benefits. Taking together *statutory* unemployment insurance (through the Unemployment Insurance Fund – UIF) and worker’s compensation, the total payouts for 1999/2000 were estimated to be R4.5 billion (Department of Finance 2000).<sup>7</sup> The main limitation of UIF is that it only applies to people employed in the formal sector, and is gauged according to the level of one’s salary while employed. Also, UIF benefits are available only to employees who have been enrolled, which until recently did not include full-time farm employees, and still does not include domestic workers, seasonal workers, and of course those in the informal sector. Benefits extend for six months following retrenchment, at a level of 40 per cent of one’s salary. According to the Labour Relations Act of 1995, on termination of employment, an employee is entitled to a severance package of not less than one week’s pay for each year of continuous service, based on the rate of remuneration at the time of dismissal.

Life assurance and medical aid schemes are of course large industries in South Africa, and the total annual value of benefits paid out through them is on a par with if not greater than the government-financed social security system. These benefits do not however accrue in large measure to the poor, and are also skewed in terms of race. For example, notwithstanding the fact that white households comprised only about 16 per cent of all households in 1995, they accounted for almost two thirds of all personal insurance cover in that year.<sup>8</sup> This is not to cast aspersions on the life assurance and medical aid industries, but rather to point out that they contribute in only a modest way to buffering the poor against worse hardship. In other words, the figures in the top row of Table 13 should be interpreted with great care. It should also be noted that both statutory and non-statutory occupational insurance are financed primarily through members’ own contributions.



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

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

It is difficult to estimate the sum total of these efforts, not least because there is no database of such gifts.<sup>9</sup> A very rough guess is that total South African corporate giving

runs at between R0.5 and R1 billion per year. For sake of argument, one may suppose that about one third of this falls into the category of promoting social security (with the other two thirds roughly divided between education and development projects). Much or most of this amount, of course, is funnelled through NGOs and CBOs. It may be very significant for those individuals or households that happen to benefit, but in cash terms it is trivial relative to the social security role played directly by government. Where such initiatives may have a disproportionate impact, however, is where they combine funding with technical expertise in collaboration with government, for example to improve service delivery. This is one of the key strategies of the National Business Initiative, which pools resources from 181 South African and foreign companies, and often develops partnerships with national and provincial government departments around specific initiatives.

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

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

One source of information is Dangor (1997), who reported that in 1994 the Development Resources Centre estimated that South Africa had 54 000 non-profit organisations. Other estimates reported by Dangor range from 45 000 to 80 000. The Centre also estimated that the amount of money which 'circulated through the sector' each year was in the order of R10 billion. This is a staggering figure, representing 4.7 per cent of GNP for that year. Even if this is true, however, it is difficult to know what it means. In the first place, presumably most of this amount is for salaries and operational expenses such as rent and telephones. It is impossible to estimate how much might be left over for, say, transfers or service provision to poor people. Among the 108 non-profit organi-



sations that the Centre surveyed in 1996, 46 per cent indicated that their primary activity was education, whereas job creation was the primary activity for 27 per cent. It would, of course, be rather hazardous to extrapolate from these 108 organisations to the 54 000 that were estimated.

The Department of Social Development maintains a database of non-profit organisations (NPOs) which must, by law, register with it. The database presently includes over 1 200 organisations, but little information is provided about activities, levels of funding and other factors. A large number of those listed are daycare centres and religious organisations, suggesting a mix of what we term NGOs, CBOs, and FBOs.<sup>10</sup> Interestingly, some of the others are group-based income generating projects which formulated themselves as NPOs so as to be eligible for government funding (see Chapter 5).

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

for this purpose. Much of the R200 million budget voted to the Department of Social Development for direct welfare services is also spent via NGOs and CBOs.

None of this information helps us discern the magnitude of resources funnelled through NGOs and CBOs that is specifically for social security purposes. Moreover, there is more to assisting poor households than spending money. Some information can be gathered from the same HSRC survey mentioned above (Erasmus 1999). Of the 81 per cent of unemployed respondents that depend on transfers or gifts for income support, 2 per cent mentioned support from a charity or a church. Of course, this may understate the role of charities and churches in providing in-kind support to poor people, for example through soup kitchens and homeless shelters. Overall, this remains an under-researched area.

Apart from soup kitchens and shelters, about which we have very little direct information, perhaps the most important areas in which the non-government, non-corporate sector contributes to social security is through the provision of health facilities by FBOs. However, whereas in the past most hospitals serving South Africa's rural areas were sponsored by churches and religious organisations, many of these have closed down or been absorbed into provincial health departments. The majority of the remaining FBO-related health facilities draw the bulk of their funding from the government (Health Systems Trust 2000). Thus the amount of additional resources provided by FBOs in this area is also not as great as it used to be, though it is also difficult to quantify.

In summary, our information about the aggregate role of NGOs, CBOs, and FBOs in providing social security-type benefits or services is very poor. Our shaky, indirect evidence suggests that, relative to government, these organisations play a small but important role in this particular area. This may, however, change in the next few years. One area where there may be a significant increase in social security-type services, is in the area of community-based care, in particular for AIDS orphans



and AIDS sufferers. An example is Tateni Home Care Services in Mamelodi (UNAIDS 1999b). This may be the most viable model for dealing with the growing health care crisis associated with HIV/AIDS.

## Development and job creation

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

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



### The Poverty Alleviation Fund

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

projects financed through the Fund, despite the fact that the Fund had already been around for a few years.

The way the Fund works is that national government departments are invited to submit proposals ('business plans') to the Department of Finance (now the National Treasury) which makes recommendations to Cabinet. The process is independent of departments' normal budgeting cycle, in part because the departments are meant to be requesting money for functions that they would not otherwise perform or have not traditionally budgeted for. Indeed, one of the original stated rationales for the Poverty Alleviation Fund was to 'assist provinces in re-orienting their services to the poor' (Department of Finance 2000).

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

It is difficult to say how effective spending from the Poverty Alleviation Fund has been in terms of the Fund's objectives. Some of the departments to which resources from the Fund have been allocated have reportedly achieved significant results, notably the 'Working for Water' programme managed from the Department of Water Affairs and Forestry, and the Community-Based Public Works Programme managed by the Department of Public Works. These two accounted for more than half of the Fund for 1999/2000. However, the allocation to the Department of Welfare of R204 million in 1998/99 went almost entirely unspent, and was the source of an inquiry by the Auditor General as well as a great deal of public controversy. The Department of Welfare sought to compensate for its lack of man-

agement capacity by forging an alliance with the Independent Development Trust, a parastatal. While this does appear to be solving some of the problem, the move in itself reveals a major weakness of the Poverty Alleviation Fund, namely that many government departments lack the capacity to make effective use of it. A second problem often linked to the Fund is that, by virtue of the apparently *ad hoc* manner in which the Fund is allocated among different departments' business plans, it does not form part of or contribute to a 'coherent, systematic and integrated poverty reduction strategy' (Idasa 2000:3). More will be said about the project-oriented approach in a later section. The poverty impact of the Poverty Alleviation Fund is presently the subject of a thorough external evaluation.

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

As mentioned above, developmental programmes launched under the auspices of the Poverty Alleviation Fund or in terms of departments' normal line functions tend to be targeted in a very general way. The most common approach in fact is to concentrate resources in the poorest provinces, or to establish project approval guidelines that emphasise the desirability of reaching women or people in rural areas. One important exception to this is the Department of Social Development's 'Flagship Programme: Developmental Programmes for Unemployed Women with Children under Five Years'. The Flagship Programme was introduced in the 1996/97 budget year, as part of the Department of Social Development's 'Developmental Social Welfare Services', which collectively absorb roughly 8 per cent of the Social Development budget. The allocations to the Flagship Programme were R3 million for 1996/97, R1.6 million for 1997/98, R2.7 million for 1998/99, and R1.6 million for 1999/2000 (Department of Welfare 2000b).

The interesting feature of the Flagship Programme, as the name suggests, is the specificity with which it is targeted. The decision to create such a specialised programme evolved from the observation

that women-headed households are very likely to be poor, with dire consequences for their children. Being unemployed and living in a rural area further exacerbate this trend, placing unemployed single mothers at particularly great 'risk', and in great need of assistance to become self-reliant (Department of Welfare 1996). While this does not mean that the Department of Welfare identified this group as especially susceptible to chronic poverty, it does approximate this: both personal characteristics and environmental factors are seen to reduce the chances of lifting oneself out of poverty.

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

#### **Support to SMMEs**

Providing support to the development of small, micro, and medium enterprises



(SMMEs) is a key tenet of government policy. This is so in recognition of the fact that government has chosen not to contribute to employment growth directly through expanding the public service (it has made only temporary use of public works programmes). Furthermore, even if the optimistic expectations of private sector employment growth were to actually take place à la GEAR, there would still be a high level of unemployment. One of the vehicles for invigorating the SMME sector is the Poverty Alleviation Fund itself. For example, of the projects that the Department of Social Development (Welfare) has sought to establish, through its share of the Fund, a large number of income-generating community-based projects, often agricultural or small-scale manufacturing. However, a completely different approach for supporting the SMME sector has emanated from the Department of Trade and Industry, which has spawned two parastatals, namely Khula Enterprise Finance Ltd. and Ntsika Enterprise Promotion Agency. The main function of Khula is to wholesale finance to accredited SMME-oriented retail finance institutions (RFIs) and micro-credit outlets (MCOs). The performance of Khula has been questioned on account of the disappointing uptake from retailers, as well as the poor controls that contributed to the failure in 1999/2000 of three of the largest and most promising of the 20 or so RFIs. Notwithstanding these problems, the establishment of Khula is guided by a clear rationale, namely, that while entry into self-employment in the informal sector is not costless, the mainstream commercial banks are averse to devoting resources to this sector, and the burgeoning micro-lending sector is oriented predominantly to high-cost consumption loans. The high incidence of SMME failure and poor loan repayment continue to place a strain on remaining RFIs. In a bid to survive, some of these remaining RFIs are moving up towards the top end of the SMME scale. The relatively newer MCOs, meanwhile, which are specifically geared to focus on the lower end of the SMME scale, have adopted a step-up design together with something like a peer-monitoring



approach. Whether or not the peer monitoring aspect will be applied in a sufficiently rigorous fashion remains to be seen. Presently a fair number of the MCOs are struggling with poor repayment rates.

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

#### **Land redistribution and rural development**

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

The government's Land Reform Programme was anticipated in RDP documents before the 1994 elections. The programme, introduced by the Department of Land Affairs, comprises three main parts: restitution, whereby people seek restoration of land from which they were forcibly removed (or equivalent redress); redistribution, whereby other people



desiring to own or access land are provided an opportunity to do so with the assistance of government financing; and tenure reform, involving the introduction of more secure forms of landholding among previously disadvantaged people that already have access to land.

We focus here on redistribution, mainly because it is the aspect of the Land Reform Programme that has the most overt developmental goals. Since 1995, with the introduction of the Land Reform Pilot Programme, redistribution has accounted for the transfer of just under 0.6 per cent of the country's agricultural land to around 60 000 black households. Another 0.3 per cent has been transferred in terms of municipal commonages, whereby land is vested in the municipality and is then made available to low income households, mainly for the grazing of their livestock. To date, the vast majority of the land has been acquired from private landowners who willingly sold their property. The total capital expenditure on the redistribution programme between 1995 and 2000 was around R820 million (in 2000 rand). At its peak in 1998/99, the capital expenditure represented about 0.2 per cent of the total government budget excluding interest.

The original vision of the land redistribution programme, as set out in the 1997 *White Paper on Land Policy*, embraced the transfer of land for a variety of purposes, including secure tenure, land for subsistence purposes, and commercial production. However, the primary mechanism for the redistribution programme, the R16 000 per household Settlement/Land Acquisition Grant, revealed that the core thrust of the programme was certainly not commercial. However, even from very early on, there was a damaging lack of clarity as to the economic goals of redistribution. The vast majority of redistribution projects were to groups of households that formed communal property associations or trusts. These in turn functioned not only as legal entities for the purposes of holding land, but typically attempted to operate commercial enterprises as a group. Often this meant attempting to carry on with the farming enterprise taken over from the land seller,

frequently with dubious embellishments proposed by an agricultural engineer commissioned to assist applicants with their 'business plans' (Aliber 1999). The poor performance of many projects was a consequence of confusion as to what sort of economic empowerment was possible within the confines of the grant instrument provided and the organisational form assumed by beneficiary groups. In addition, the rate of delivery has been well below initial expectations and, indeed, promises.

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

Whether or not the revised model of redistribution will prove more viable than the old one is difficult to say, and will be an important area of future research. An unwieldy implementation system may impede delivery to such an extent that the efficacy of the model will be difficult to observe. On the other hand, if delivery does recover, there are reasons for pessimism that the programme will serve as an



engine of rural development. First and foremost, the new strategy was designed in ignorance of the nature of the demand for land, which is overwhelmingly for subsistence-sized plots (LAPC 1997). Secondly, evidence from former homeland areas, where land allocations between households are often highly inequitable, suggests that beyond a very modest threshold, black commercial farmers adopt labour-saving production strategies that are very similar to those of their large white commercial farmer counterparts, and thus contribute little or negatively to labour use and demand. And thirdly, the new programme reveals little comprehension of the various non-agriculture benefits accruing to land access (Shackleton et al. 2000), which can be reaped more easily if land is not apportioned in large amounts to a relatively small number of beneficiary land owners. Indeed, the unfortunate consequence of pursuing an ill-conceived commercialisation-equals-growth redistribution strategy, is that the genuine economic safety-net potential of land redistribution will be neglected. The ISRDS does however have some important virtues. The most significant of these is that it seeks to provide a mechanism to improve inter-departmental communication and co-ordination.



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

The private sector's role in promoting income-generating projects and SMMEs probably rivals what the government is presently able to do. A large (but unknown) share of private companies' 'social responsibility' spending falls into this category, and is probably not less than R300 million per year. Companies use different strategies for pursuing these goals, including contributing money to professional grant-making institutions such as the National Business Initiative, linking up to development-oriented NGOs and CBOs, linking directly with government, and establishing their own programmes. Some companies have hired development professionals to help them assess opportunities to make contributions or to under-

take training of recipients (for example, AngloGold), while others have established their own offices for providing services directly to aspiring entrepreneurs. As an example of the latter, Eskom, Mondi, Nedcor, South African Breweries, Standard Bank, and Hollard have each introduced special units that seek to provide financial and/or technical support to SMMEs or emerging franchise operators. Arguably, the private sector-led initiatives furnish a greater degree of technical support relative to cash than kindred government-led initiatives, though the results are probably similarly uneven.

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

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

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

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

## Summary

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

Government spending on development and job creation is far more modest, not least because, unlike social security spending, these are mostly new areas of activity since 1994, but also because they are inherently more difficult to accomplish.

The section paid special attention to three government initiatives, namely the promotion of income-generating 'projects', the promotion of SMMEs, and land redistribution. These initiatives, while laudable, have arguably had little overall impact in reducing poverty, in part because of their small scale, and in part because even at the micro level they often fall short of their desired impact. The activities of the private sector, and of CBOs, NGOs and FBOs have been equally spotty in terms of development and job creation.

## Notes

- <sup>1</sup> Arguably, one reason this debate is absent is that the system offers relatively little to the working-age unemployed. Even so, proposals for a basic income grant have been met with little public opposition, suggesting a broad recognition that poverty is endemic and for many people enduring.
- <sup>2</sup> There is admittedly some recognition of this heterogeneity, as shown for example in the attempts to target certain groups, for example, rural women, and the poorest geographical areas. However, it remains very crude. The issue of targeting is addressed in Chapter 5.
- <sup>3</sup> The assistance of Professor Anthony Asher in quantifying various categories is gratefully acknowledged. Note that the figures may or may not be inclusive of personnel costs, depending upon whether the benefit consists primarily of cash transfers or of services rendered. As of October 2000, R1 billion was worth about £92 million or US\$134 million.
- <sup>4</sup> The cancellation of the SMG in favour of the CSG has been harshly criticised. One line of argument is that were it not for the budget stringency imposed by GEAR, the state could indeed afford to offer the SMG to all deserving of it (Zain 2000). Perhaps a more convincing criticism is that the cut-off age under the CSG of 7 years is too low. Partly in light of the initial flurry of criticism, the R75 per month



- per child originally proposed by the Lund Committee was raised to R100.
- <sup>5</sup> It needs to be noted that the increase in uptake of the CSG between 1999/2000 and March 2001, from 312 000 to 1.1 million (Department of Social Development 2000b), is quite satisfactory, if not an indication of the intensity of the need for these grants.
- <sup>6</sup> This figure could overstate the reach of the Integrated Nutrition Grant, in that the October Household Survey does not distinguish what food distributed freely at school is financed by the grant as opposed to other sources. Moreover, it should be noted that the Integrated Nutrition Grant consists of a mid-morning snack, and does not aim to meet the entire nutritional needs of school-age children.
- <sup>7</sup> The Department of Finance also reports that the payouts for the Road Accident Fund in 1999/2000 were around R2.1 billion. The Road Accident Fund is supported through a



- special levy on petrol and diesel.
- <sup>8</sup> Based on data from the Income and Expenditure Survey of Stats SA (1997). Unfortunately, more up-to-date statistics are not available.
- <sup>9</sup> The Southern African Grantmakers Association (SAGA), in 1998 published a *Donor directory* of just over 300 South African and multinational companies and foundations which extend grants to community projects and other initiatives. Unfortunately, only 70 of these disclosed their expenditure (a total of R242 million for 1998), and these are not broken down according to specific recipient sectors.
- <sup>10</sup> The distinction between NPOs and the private sector entities is also fuzzy. For instance, the National Business Initiative is technically an NPO, but given the manner in which it was created and is budgeted, has a greater affinity (for our purposes) to the private sector.

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

## Introduction

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



## Absence of a strategy for the chronically poor

**'Chronic poverty' has not entered the lexicon**

In the course of speaking to government officials who deal with anti-poverty programmes for the purposes of researching this report, it was established that the distinction between chronic and episodic poverty – whatever terms are used – is not observed: that is, it is not a distinction that government officials are aware of when devising policies or evaluating progress. Government documents also reflect the fact that 'chronic poverty' is not regarded as a distinct dimension of poverty. Neither Stats SA's recent volume *Measuring poverty in South Africa* (2000b), nor the Department of Social Development's recent *National report on social development, 1995–2000* (2000), nor the South

African Human Rights Commission's *Second economic & social rights report, 1998–1999* (2000) make any allusion to the distinction between chronic and transitory poverty.

As mentioned above, the government's broadly two-fold approach to poverty – safety net and development – can be construed as an implicit recognition of this distinction, but only very crudely. That is, there might be a recognition that many poor people are stuck in a poverty trap, but developmental programmes do not generally attempt to target those who are most likely to be chronically poor.<sup>1</sup>

That 'chronic poverty' has not entered people's lexicon may owe something to the fact that, until relatively recently, there has been little research activity in South Africa focusing on it. Only with analyses based on the KIDS data have there been quantitative estimates as to the incidence

of chronic poverty, and this only for KwaZulu-Natal. In addition, we might speculate that the problems of poverty and inequality are so vast that the distinction between chronic and episodic poverty might appear somewhat esoteric to many observers.

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

### **There is no overarching anti-poverty strategy**

A number of officials interviewed expressed a concern at the absence of an overarching anti-poverty strategy. Notwithstanding the creation within government of co-ordinating clusters at national and provincial level, the feeling was that these were not in service of an actual strategy that precisely articulated goals and roles. Moreover, no system exists to help harmonise or identify the respective roles of government and the private sector in poverty reduction. Idasa (2000) raises the concern that the present emphasis on solving the problem of underspending from the Poverty Alleviation Fund, while

important, is doing little to solve the bigger problem of 'the absence of a coherent and systematic framework for poverty reduction'. Ben Turok, member of Parliament for the ANC, writes that the central reason for government's ineffectiveness in addressing poverty is not lack of commitment (which is belied by large budget allocations to social services), but the absence of a 'special ministry of economic development', the main purpose of which would be 'to develop a coherent, intersectoral poverty and development strategy and synchronise policy between departments' (*Business Day*, 23 November 2000).

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

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

Government-led and government-funded development interventions are hindered by a paucity of ideas about how to help people help themselves. One manifestation of this is that, in some provinces, one finds the welfare department, health department, and agriculture department all independently attempting to launch community agricultural projects, often to the frustration of the agriculture department (for example, KwaZulu-Natal Director General's Office 2000). In some provinces, different departments may collaborate or co-fund rather than duplicate or compete (for example, in Northern Province, the health department has made funds available for community gardens to be implemented by the agriculture department), but the point remains that agricultural projects are inordinately popular, probably for lack



of alternative ideas about what can be done. One astute observer working with anti-poverty programmes within government has dubbed this 'development by piggeries', not only because of the widespread over-subscription to agricultural projects (which also figure prominently in the Department of Social Welfare's Flagship Programme), but more generally because this piecemeal project-by-project approach has ultimately not reached either very broadly or very deeply. The project-by-project approach is costly to administer, often fails to reach the poorest of the poor (because funding is more likely to be secured by those who are relatively well organised, rather than those who are most in need), and is virtually always based on the rather problematic 'group approach'.

By the 'group approach', we mean that the project involves a group of members who are expected to work and profit as a group. Projects sponsored by the Gauteng Department of Social Development, for example, must be registered as non-profit organisations, which cannot have fewer than ten members according to the Nonprofit Organisations Act 71 of 1997. As with similarly constituted land redistribution projects, these projects have a high mortality rate due to age-old problems such as lack of accountability and free-riding.

In essence, the government is struggling with a paradox. On the one hand, having embraced 'developmental welfare', the government wishes to see people become economically self-sufficient and thus no longer reliant upon social security grants for survival. People must learn to provide for themselves by being entrepreneurial. However, government is intrinsically ill-suited to nurturing entrepreneurs. Social workers and other civil servants make poor extension agents for helping people launch and manage income-generating projects, partly for lack of sufficient technical expertise, and partly for lack of their own entrepreneurial experience (IDT 2001). Moreover, the 'group approach' might itself have the effect of reducing the ability to reach the most marginalised. Probably the most efficacious government

interventions for job creation at present are the Community Based Public Works Programme and the Working for Water programme, which are run by the Department of Public Works and the Department of Water Affairs and Forestry respectively. Both are funded, at least in part, through the Poverty Alleviation Fund. One principal reason for their success (relative to, say, the Department of Social Development's efforts to support income-generating projects) is that they do not require government to do what it is not qualified to do. A second reason is that the market for their 'products' is given, whereas for income-generating projects such as piggeries, the market may not be proven. Having said this, it is important to state that the efforts of governments and others to support and invigorate the SMME sector are absolutely critical and a good start has been made. If these efforts have not so far had the desired effect, that is in no small part a consequence of the enormous size and complexity of the task.

## Employment and unemployment

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

It is a fairly safe conjecture that formal sector employment growth is not likely to take off in the near future, particularly as the government remains loathe to embark on an ambitious expansionary



macroeconomic policy. Prospects are especially bleak for unskilled and semi-skilled employment, where demand is most slack. Even in commercial agriculture, which has traditionally been a labour-intensive sector, unskilled workers are gradually being replaced by machinery, contributing to higher rural unemployment. While the weakening rand may have somewhat changed the perception that South Africa is a high labour-cost economy, technological change in the manufacturing industry is following the same trend. The prospect of AIDS-induced labour cost rises will no doubt further propel this trend (see below). In addition, informal sources indicate that government is gearing up for a large-scale retrenchment over the next five to ten years. Taking into account both parastatals (Telkom, Eskom and others) and the public service itself, 600 000 to 1.2 million workers could be retrenched within that time frame, representing up to a staggering 15 per cent of the present formal sector workforce.<sup>2</sup>



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

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

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

The final issue we wish to draw attention to here is the role of asset redistribution via the land redistribution programme. The contention here is that there has been no satisfactory resolution to the debate about whether land redistribution can serve as an efficacious strategy for employment creation. The newly formulated redistribution programme and rural development strategy hold that it is, but back-of-the-envelope calculations suggest that there is plenty of room for doubt. For example, suppose that in the next 15 years, government is in fact able to accomplish its avowed goal of redistributing 30 per cent of private farm land, plus all available agricultural state land, and that this is all dedicated to settling commercial farmers. This implies an amount of about 25.6 million ha. If farms are designed with the idea of providing each beneficiary with enough land to earn a modest net farm income of R15 000 per year, then this would imply (in theory) around 280 000 beneficiaries, or 11–14 per cent of rural unemployment. The total cost would be (very roughly) around R27 billion, or R97 000 per beneficiary, or R1.8 billion



per year over 15 years. Private sector debt and own contribution might contribute up to 30 per cent of this. However, since the vast majority of this redistribution would be in terms of acquired private land, numerous farm jobs would also be lost. Given the 30 per cent target mentioned above, roughly 200 000 farm worker jobs would be lost. The net gain of 80 000 represents an almost negligible share of the rural employed. The social and economic dislocation would probably far outweigh the modest gains. Even counting on the fact that the 280 000 beneficiaries would in theory have larger incomes than the displaced farm workers, it is unclear whether this would do much to stimulate the rural economy. A large share of the income would in fact go to debt servicing, at least for the medium term. Of course, these estimates are all hypothetical. In practice the redistribution programme will not be weighted exclusively towards one type of small-scale commercial farmer. The point, however, is that land redistribution may not fulfil expectations that will serve as the engine of rural economic revitalisation, and the opportunity exists to introduce other ways of pursuing land redistribution as part of a well-targeted anti-poverty strategy.

## HIV/AIDS implications for marginal rural areas

The last issue we touch on in this chapter is HIV/AIDS, and its implications over the next few decades for the economy at large, and for marginal rural areas in particular. At least two macroeconomic modelling exercises have been conducted which seek to illustrate the potential impact of HIV/AIDS on the South African economy. In the one, ING Barings (2000) identifies seven 'key impact channels' that link the demographic effects of AIDS to the South African economy:

- a lower labour force
- lower labour productivity through absenteeism and illness
- cost pressures for companies through higher benefit payments and replacement costs

- lower labour income, as employees bear some of the AIDS-related costs
- lower population translating into lower expenditure
- increased private sector demand for health services
- higher government expenditure on health services.

While the focus here is on the impact of AIDS on the formal economy, the implications are wide reaching. For example, lower disposable household income means lower demand for services that might be provided by SMMEs; higher state expenditure on health care may displace government attention from anti-poverty initiatives; and household resources depleted by caring for ill family members will become unavailable for investment in own enterprises.

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

Research conducted in rural areas of other African countries suggests that the impact of AIDS in South Africa's rural areas will have especially grave implications for vulnerable groups. Cohen (1997) and Ayieko (1998), for example, have undertaken case studies showing that households with an AIDS sufferer frequently seek to keep up with medical costs by selling livestock and even land. Baier (1997) shows that women who are widowed due to AIDS sometimes lose rights to land, adding to an already precarious situation. Baier (1997) and Cohen (1998) draw attention to the manner in which AIDS can cause affected households to become socially excluded, thus diminishing their ability to cope with further crises.



Similarly, extended family networks sometimes collapse, not least due to the pressure of having to support orphaned children (Halkett 2000). Topouzis and du Guerny (1999) note that in a number of countries, the HIV/AIDS epidemic has resulted in a return to rural areas of community members who have been living and working in towns and cities. It can be anticipated that in South Africa, one certain effect of growing AIDS-related mortality will be ever more intense pressure on grandparents. 'Granny households', in which grandmothers could care for their grandchildren, thereby enabling their children to derive an income, will increasingly be called upon to raise children whose parents have died. This suggests that the present system of old-age grants may soon be due for an overhaul. This, as well as other possible effects of the epidemic, will have to be studied carefully as the epidemic progresses.



## Summary

This chapter has enumerated a number of challenges facing government and civil society in respect of tackling chronic poverty. At the most basic level, neither government nor, arguably, civil society, are in an optimal position to address chronic poverty because a strategy does not exist for doing so. 'Chronic poverty' is not a term which has entered the lexicon of either policy makers or development practitioners; it remains an esoteric interest of sundry academics.

While government anti-poverty initiatives do sometimes ostensibly target especially deprived or vulnerable groups, it often proves very difficult to reach such groups, mainly because those that succeed in attracting government or civil society assistance tend to be those who are most vocal or best organised. Most targets, moreover, are defined spatially, in that anti-poverty programmes prioritise the poorest provinces or poorest districts. While this is not in itself a bad strategy, it may not be sufficient to address the plight of the chronically poor.

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

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

## Notes

- <sup>1</sup> A notable exception, as indicated above, is the Flagship Programme: Developmental Programmes for Unemployed Women with Children Under Five Years.

<sup>2</sup> Government is preparing for this process by putting in place training programmes that will allow those people who are retrenched to either find jobs elsewhere or, mainly, set up their own businesses. Sources indicate however that the success rate of such training programmes is at best 7 per

cent, meaning only 7 per cent of the trainees manage to start SMMEs that survive beyond the critical start-up period. Supposing that all 1.2 million retrenched individuals did enter self-employment, this would represent an implausible increase in that sector of 50–60 per cent.



## 6. Priority areas for research

This study has sought to bring together what is known about chronic poverty in South Africa, in part by summarising the small but important literature that addresses chronic poverty directly, and in part by selectively drawing together other strands of the literature on poverty. The study has also aimed at providing an overview of anti-poverty measures of government and civil society, and it has attempted to assess the possible impact of these on the chronically poor.

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

- *Dynamic aspects of multiple livelihood strategies.* This is arguably the integrating, overarching theme of the entire research programme. To the extent poor households seek to survive and, where possible, to improve their circumstances by tapping into different sources of sustenance, how do these strategies evolve over time? A key aspect of this theme is to track changes in assets and entitlements over time, as well as household composition, and to understand the reasons for changes.
- *Role of social security grants.* Social security grants are recognised as vital to keep individuals and households from falling into total destitution, but they are also controversial in that they can allegedly create dependency and inhibit initiative – thus maintaining chronic poverty. Economic theory provides no guidance on the matter. A number of

- factors could be examined, including the size of grants, the household member to whom they are allocated, the effects on household composition over time, whether the grants provide a source of investment, and their role in the economy of the local community.
- *Access to and effects of government and civil society programmes.* Most communities are touched by at least some initiatives introduced to promote development or expand economic opportunities. They may originate with the community, or they may be introduced from outside. Among the key issues that must be addressed are who in the community is included in these initiatives, what governs this process, and how this impacts on the included and the not-included.
- *The impact of government-funded income generation projects.* One of the government's most significant anti-poverty interventions is the financing of income-generation projects. To date, a number of in-house evaluations of these projects have been done, but these are not generally publicly available, nor has there been a summary or comparison of these various evaluations in order to better understand the impact of government's spending in this important area. Assembling lessons learned to date, with particular reference to issues such as targeting, might provide a valuable



resource to the development community generally.

- *Role of land, tenure patterns, and agriculture.* Land access forms a critical part of households' livelihood strategies for those who have such access. However, land access is also vulnerable to changes over time, and the benefits themselves are also susceptible to vagaries of weather, theft, and so on. A key policy issue that could be directly addressed within this research programme is whether and in what way land access benefits households whose land use is of a part-time or subsistence nature. The trend among provincial departments of agriculture, for instance, to assume that these forms of land use are inappropriate or maintain households in poverty, must be closely examined. At the same time, households with more than the average amount of agricultural land should also be studied, not least to assess their role in stimulating the local economy, which itself forms a key tenet of the new Integrated Sustainable Rural Development Strategy.
- *Dislocation, internal migration, and social capital.* Social exclusion has been highlighted as an important factor that can contribute to poverty and to an inability to seize opportunities to escape poverty. Different factors may contribute to social exclusion, but there is scope for improving our understanding of how these may arise and change over time. Bekker et al. (1992) stress that former farm workers in particular are susceptible to chronic poverty, because following retrenchment they must typically resettle in areas where they have no social network on which to rely in times of stress. The continued decline in employment in this important sector over the past two decades has meant that a large number of rural people have been affected, especially those in rural townships and nearby squatter settlements. One important

research question is what these households do, if anything, to compensate for the lack of social networks. Another question is whether and to what extent such networks can be built or re-built over time, and how this is done. A third question of immediate concern is what avenues of re-deployment have been discovered by retrenched farm workers, and to what effect?

- *The effect of HIV/AIDS on households and communities.* What is the effect of HIV/AIDS on household structure, household welfare, internal migration, and social support networks? The present research programme offers an opportunity to gain a better understanding of the implications of AIDS for poverty traps in the South African context, with the potential to provide critical lessons for policy formation.
- *Extrapolating to the question of inter-generational poverty.* Despite the limited timeframe of the research programme, it offers an opportunity to examine the inter-generational aspect of poverty. One possible approach to this issue is to examine households' attention to investing in the future of their children. What conscious strategies are adopted so as to promote the chances that a child born to a poor household will have a better future? What sacrifices are made, and according to what expectations? What are the prospects for these strategies being successful?
- *The political economy of poverty and development policy in South Africa.* Especially since 1994, what has governed the evolution of South Africa's approach to addressing poverty? What is responsible for the trend towards 'developmental welfare', and away from grants and towards work-related remuneration? What informs the balance struck between attention to urban as opposed to rural areas? And what is the relationship between the public promises made by government, and the means put into place to realise them?



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