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National Development Agency

STATE OF POVERTY AND ITS MANIFESTATION IN THE NINE PROVINCES OF SOUTH AFRICA

MARCH 2014

BEYOND 10 yrs
OF UNLOCKING POTENTIAL

Report Outline - State of poverty in South Africa

By

Human Sciences Research Council

Economic Performance and Development

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ACRONYMS

ACP	Assets and Capabilities Poverty
AMPS	All Media and Products Survey
CBN	Cost of Basic Needs
CSO	Civil Society Organisations
ECOWAS	Economic Community of West African States
FAO	Food and Agricultural Organisation
FFC	Financial and Fiscal Commission
FGT	Foster Greer and Thorbecke
GDP	Gross Domestic Products
GIC	Growth Incidence Curve
GIS	Geographic Information Systems
HSL	Household Subsistence Level
HSRC	Human Sciences Research Council
IES	Income and Expenditure Surveys
LCS	Living Conditions Survey
LED	Local Economic Development
MDG	Millennium Development Goals
MLL	Minimum Living Level
MTSF	Medium Term Strategic Framework
NDA	National Development Agency
OHS	October Household Survey
PCE	Private Consumption Expenditure
PIMD	Provincial Indices of Multiple Deprivations
PSLSD	Project for Statistics on Living Standards and Development
QLFS	Quarterly Labour Force Surveys
SAIRR	South African Institute of Race Relations
SASAS	South African Social Attitudes Survey

STATSSA	Statistics South Africa
UBN	Unsatisfied Basic Needs
UNICEF	United Nations Children's Fund
UNSD	United Nations Statistics Division

EXECUTIVE SUMMARY

About five years after a provincially disaggregated poverty profiling, the National Development Agency (NDA) deems it due for a similar assessment. The follow-up assessment is particularly relevant in connection to South Africa's bold adoption of the poverty-related millennium Development goals. This is the basis of the current report. The overriding question informing this assessment relates to active participation of the poor in the economic growth process.

This work does not only adopt quantitative measures of consumption-based poverty (in line with studies of this kind), but also analyses in the lens of the other dimensions of wellbeing, mainly, health, education, employment, access to services. We then examine the seriousness and distribution of poverty across space, gender and racial profile, followed by the characteristics of the poor, the changes in poverty and the associated factors over time. The changes are then linked to the policy context and the other dimensions identified in literature. The core datasets are from the Statistics South Africa (STATSSA). Those rich in consumption and income variables are the income and expenditure surveys (IES, 1995, 2000, 2005 and 2010) and household living conditions survey (2009).

The policy intent of the government of South Africa is contained in the Medium Term Strategic Framework (MTSF) from which the different national and provincial departments draw their strategic plans and budgets. At the centre of the MTSF policy framework is the role of economic growth and development, including decent work and investment in education and skills development. From this core objective flows five related sub-objectives, of which the first three and the fifth are directly relevant to our assessment of poverty and related dimensions:

1. The first is to halve poverty and unemployment by 2014.
2. Ensure a more equitable distribution of the benefits of economic growth and reduce inequality.
3. Improve the nation's health profile and skills base and ensure universal access to basic services.
4. Improve safety of citizens by reducing incidents of crime and corruption.
5. Build a nation free of all forms of racism, sexism, tribalism and xenophobia.

From the above set of objectives flow ten strategic areas of policy priority. In this work, we emphasise on six of these strategic areas as they relate directly to poverty and the different dimensions considered in this review. These strategic areas are:

- More inclusive economic growth, decent work and sustainable livelihoods.
- Economic and social infrastructure.
- Rural development, food security and land reform.
- Access to quality education.
- Improved health care.
- A developmental state including improvement of public services.

We group the strategic areas into the relevant dimensions that determine poverty outcomes. These are human capital, comprising education and health; labour market and access to assets (land).

The post-apartheid government has highlighted the importance of education in the national budget. The MTSF policy strategy emphasises strong skills and human resources base.

The first element is to create a culture of achievement, with the improved of learners' outcomes. The second is to enhance participation and quality of Early Childhood Development (ECD) services. The third is to expand access to and capacity of secondary education. Other strategies towards education and skills development relate to educational infrastructure, safe and supporting environment for children, development of a teaching profession with high ethical and professional standards for high quality education.

The key health policy direction is to transform the public health system in order to reduce inequality in the health system, improve quality of care and public facilities, boost human resources in the health system and enhance the fight against HIV and AIDS, TB and other communicable lifestyle diseases.

A set of tools are proposed in policy mix to achieved and improved health care system. The first element includes the phasing of the National Health Insurance (NHI) system. The second element is to enhance institutional capacity to deliver health system functions, which also involves structural reforms for the improved management of health services at all levels of the health care delivery chain. Policy to curb infant morbidity and mortality aims to introduce new vaccines against the major causes of infant morbidity – diarrhoea and pneumonia.

Although adequate human capital can contribute in improving labour market access by the poor, it largely addresses labour supply-side issues. The South African government is alive to this and has incorporated two broad areas of policy interventions to address the issues of labour demand. The one is addressing economic structural problems in order to speed up economic growth, transform the economy to create decent work and sustainable livelihoods. The other is an intervention for a massive public works programmes to build economic and social infrastructure.

In the poverty profiling exercise, we start by establishing the robustness of our poverty comparisons by performing sensitivity checks with a number of poverty lines. Ultimately for the rest of the exercise, we use the upper bound poverty line of ZAR 577. Only Gauteng, Western Cape and Free State have poverty incidence below the national average for all the poverty lines. By poverty and inequality standards, the poorest provinces are Limpopo, Eastern Cape and KwaZulu-Natal (KZN). These are the provinces of emphasis in further analysis.

In general, households headed by females tend to be poorer than those headed by male. KZN, Mpumalanga and Free State have the greatest gender disparity on poverty, bias against female. More pronounced disparities exist for extreme poverty in Mpumalanga, KZN and Gauteng. Limpopo shows less gender inequality amongst the poor. Of the three poorest provinces, the figures suggest more marginalisation of women among the poor in KZN than the other provinces.

- Poverty reduction policies should be strongly pro-female

One of the most serious problems in the poorest provinces of South Africa is the high proportion of child-headed households. The three poorest provinces account for up to 67% of

all the child-headed house-holds. Child-headed households exhibit the highest poverty. For all the poorest provinces, poverty starts high among households with youngest house hold heads (15-24 age group). It drops to the age group of 25-34 and rises steadily thereafter. After the age group of 25-34, the older the household head, the poorer the household. In contrast, for the richest provinces (Western Cape and Gauteng), poverty appears to be relatively constant across the different age groups. Northern Cape has 35% of youth poverty (15-24 age group), the highest for all the provinces

- Therefore antipoverty interventions should pay particular attention to children, youth and the elderly.

Poverty still remains a racial issue in South Africa. Black South Africans account for the highest poverty in South Africa and in the poorest provinces followed by the coloureds. Poverty does not seem to be an issue among the Indians and the whites.

- Policy attention should still focus on the Blacks and the coloureds

Most of the poverty is in traditional (39%), urban informal (28%) and rural (26%) settlements. Highest poverty in KZN is among the traditional dwellers (46%), followed by urban informal (35%) and rural (29%). In the Eastern Cape, poverty is also higher among the traditional environments (39%), followed by urban informal (36%).

An interesting pattern to note is that poverty among urban informal, traditional and rural populations is significantly high across all provinces, including even the richest provinces.

- Classification of poverty by settlement type shows great diversity across provinces. Therefore poverty reduction programmes in the different provinces will have to emphasise different settlement types according to provincial specificities in poverty distribution.

While in all other provinces, there is 2-3% poverty among university graduates, in Limpopo the poverty rate is 5% among graduates. In the richest provinces (Gauteng and Western Cape), there is no poverty among people with university degree. This may seem to suggest acute labour demand side issues that may be addressed by job creation interventions in Limpopo. There is significant poverty among households with grade 12 and above, but no university degree in Limpopo (up to 28%), KZN (24%), and Eastern Cape (20%). The richest provinces have less than 10% poverty among this category. Again, this seems to suggest labour demand side issues.

- Education and skills development should therefore be accompanied by programmes to create employment that can absorb the skills.

The three poorest provinces have the highest proportion of household heads with less than grade 12 attainment (above 70%). Across all provinces, households where the head has no education or and any education below grade 12 certificate are associated with significantly higher poverty. Even in the richest provinces, the poor are concentrated among these categories. These are the categories that are unable to take advantage of the opportunities that are being generated for lack of educational human capital.

- Skills development interventions should therefore lay emphases on those below grade 12 across all provinces.

- Interventions that aim at creating employment should focus on the poorest provinces while skills development and educational upliftment, (though may emphasise the poorest provinces) should be present in all provinces where there are pockets of poverty particularly in the urban informal residents for the richest provinces, traditional and rural for the poorest provinces.

Those with highest poverty in the poorest provinces do not have a clear source of income. In this category, poverty ranges from 37% to 38% for the three poorest provinces (KZN, Eastern Cape and Limpopo). For the two richest provinces (Western Cape and Gauteng), poverty incidence within this category is 12% and 16% respectively.

The second most popular source of household income is labour. The poorest provinces (Limpopo, Eastern Cape and KZN) have the least percentage of household (13%, 15%, 17% respectively) depending on labour income. More than 30% of household in the richest provinces depend on labour income.

Gauteng and Western Cape Respectively have 9% and 11% poverty among households depending on labour income. Limpopo, Eastern Cape and KZN respectively have 28%, 26% and 25% poverty in this category.

- It may be deduced from this that selling labour yields higher returns in provinces with more economic activities than others.
- The poor clearly have constraints in accessing the labour market in the poorest provinces.

Dependency on grants, allowances and remittances as main income is highest in the poorest provinces (22%, 20% and 17% for Limpopo, Eastern Cape and KZN respectively). KZN, Eastern Cape and Limpopo record the highest poverty (53%, 52% and 52% respectively). The least poverty in this category is recorded in the richest provinces, Gauteng and Western Cape (27% and 26% respectively).

The two richest provinces also have the highest share of financial capital, physical capital and entrepreneurial returns as main source of income, while the poorest provinces depend on these the least. Overall, these are also the categories with least poverty. Poverty among households depending mainly on financial capital ranges from 14% (Limpopo and Northern Cape) to 1% (Western Cape).

- Clearly, access to financial capital and financial investment is a significant way of poverty reduction.

Physical capital is associated with low poverty only in the richest provinces (3% in Gauteng and 11 % in Western Cape), where assets can yield high returns.

Without economic opportunities, physical capital has low returns and therefore associated with higher poverty in the poorest provinces (56% in Limpopo, 53% in the Eastern Cape, 31% in the Northern Cape and 21% in KZN). Similar logic applies for households depending on entrepreneurial income. Economic development comes with the inter-sectoral linkages that make entrepreneurial activities more rewarding. Consequently, the richest provinces have the lowest poverty among households depending on entrepreneurial income (9% for Gauteng and 11% for Western Cape). By the same token, there is relatively higher poverty for this category of income in the poorest provinces, 28%, 26% and 25% for Limpopo, Eastern Cape and KZN respectively.

Some of the poorest provinces contribute significantly to national GDP, and have economic growth rates close to or above the national average. This implies that existing economic activities are not pro-poor, or the poor lack the capability to capture significant portions of the economic growth to be able to come out of poverty. The richest provinces belong to high growth medium inequality (Gauteng) and high growth low inequality (KZN). Two of the poorest provinces (KZN and Eastern Cape) are in high growth-high inequality zone, while the other (Limpopo) is in low growth-low inequality zone. Northern Cape, which has shown high youth poverty, also belongs to this zone. In KZN and Eastern Cape, poverty is not so much a problem of absence of economic opportunities but rather lack of investment in the poor to access opportunities. On the contrary, in Limpopo (and the Northern Cape), there are less economic activities.

- Therefore antipoverty activities in Limpopo and Northern Cape should emphasise both expansion of economic activities together with investment in the skills of the poor.
- For KZN and Eastern Cape, the priority should be investment in the skills of, and access to opportunities by the poor.

Analysis of growth incidence curves show that while in rich provinces, growth predominantly goes to the middle class, in the poor provinces, the growth is clearly pro-rich. KZN, Limpopo and Northern Cape are in high risk of increasing inequality if growth is pursued without addressing the skewedness in the distribution of growth. Although Limpopo currently has low inequality, with strong growth, inequality will quickly increase given the shape of the GIC.

Access and ownership of land as a productive resource is important in determining income levels and poverty outcomes. The puzzling outcome relating to land and poverty is that there is higher poverty (about 50%) among those who have access to land that those who do not have access (32%). This means that access to land per say does not automatically lead to poverty reduction. Rather, two key factors that affect whether land contributes to poverty reduction are the size of land accessed and ownership of the land.

Analysis of the structure of sectors of employment suggests that the key employers in the rich provinces are in the financial and manufacturing sectors. Household, community services and to some extent trade and agriculture are key sectors of employment in poor provinces.

Manufacturing may contribute to a great deal of inequality given the high inequality in poor provinces with high manufacturing share. The implication is that for Northern Cape and Limpopo, policies that enhance the creation of manufacturing firms should be considered while paying attention to labour supply disparities to prevent inequalities. For EC and KZN on the other hand, investment must be made on the poor's ability to access manufacturing employment.

Key policy implications that can be drawn from the employment structure analysis are:

- Dealing with informality in poor provinces
- Upgrading and enhancing manufacturing investment in Limpopo and Northern Cape while improving access to manufacturing employment in KZN and Eastern Cape
- upgrading the skills of the poor to enable them to move from low paid employment (community service and households) to high paid ones (financial services, manufacturing)

A conclusion which can be drawn from analysis of levels and changes in self-reported health is that levels of living conditions-related diseases have been falling faster for poorer provinces relative to the richer ones. This may imply that health policies are getting to the target, though gaps may still exist in terms of quality of health service delivery.

From the poor's own perspective through the interviews conducted, the key determinant of poverty is education, which links to employment status. All other concerns come secondary.

A diagnostic analysis of policy commitment and effectiveness at capacity to deliver, of municipalities within the different provinces was carried out. The outcome is that the poorest provinces may not be allocating staff budget to increasingly fill key operational positions at municipality level. Rather, while the proportion of employment budget of municipalities has been dropping, that of councillors has remained stable.

In terms of pro-poor programming, poor provinces have generally fallen short of spending targets in key areas with strong link to poverty reduction. The result is that the outcomes of these service categories are also dismal.

Poor provinces paid less attention to the delivery of key services related to housing, electricity and sanitation.

Given the key role of electricity in income generation, especially in small and medium-size enterprises, as well as in the facilitation of effective functioning of health systems and respiratory disease prevention in households, it is important for these poor provinces to pay attention to this category of spending.

Given the important role of water and sanitation in the building of health human capital, the low share of this component for Limpopo is an issue of concern.

Given the significant proportion of household spending that the poor often devote to housing, one may conclude that these key services are not prioritised in spending decisions of poor provinces.

This analysis suggests that poorest provinces grapple with (skilled) staff attraction and retention. The key problem seems to be that staffing is not sufficiently prioritised in municipal spending decisions. This in turn jeopardises the effectiveness of spending on key poverty reduction programmes.

1 INTRODUCTION AND BACKGROUND

Poverty has remained topical in global development policy endeavours, especially in developing countries. It is much more topical in South Africa due to historicity and depth of inequality in assets, incomes and opportunities. Poverty is a multifaceted and dynamic phenomenon. As such, poverty reduction endeavours do not only require a multipronged approach, but also strategies that are adaptive enough over time and space to always measure up with the changing fundamentals.

The reasons for undesirability of poverty lie in two significant truths. The first is the fact that poverty is ethically unacceptable. It is not ethically conceivable that a proportion of the population of a society should be in deprivation of any kind of welfare. For this reason,

poverty reduction is for its own sake. The second truth is that both initial and current poverty affect the pace and spread of the economic growth that a nation experiences (Ravallion, 2009). The dissatisfaction due to poverty can also lead to stifled growth through socio-political unrest that may ensue (Ngepah and Mhlaba, 2013). In this regard, in recent years South Africa has been experiencing significant protests (from the seemingly deprived citizens at the lower scale of the welfare distribution spectrum) in demand of service delivery. In order to design and implement targeted poverty reduction policies, it is therefore important to understand how poverty is distributed in South Africa and what the main determinants may be.

1.1 Background

While the global policy objective with respect to poverty is to half the proportion of people living in extreme poverty[1] by the year 2015, starting from the 1990 level of extreme poverty, South Africa has shown more boldness in this objective by undertaking to half its national poverty by 2014. Cognisant of this, South Africa has vested resources in its national institutions to fight against poverty.

The National Development Authority (NDA) is one of the important anti-poverty organs of South Africa. Its main objective is to contribute to the eradication of poverty and its causes through funding of Civil Society Organisations (CSOs). The NDA works mainly in two areas: undertaking projects aimed at meeting the developmental needs of poor communities and strengthening the institutional capacity of CSOs that provide services to poor communities. Other secondary objectives are to promote consultation, dialogue and developmental experiences with civil society, national and local government entities; promote debate and develop and influence development policies; and to undertake research and publications that form the basis for development policy.

The NDA periodically undertakes research to inform its strategic goals. One of such research is Human Sciences Research Council (HSRC, 2008) report, which assessed the profile of poverty at the provincial level in South Africa. The HSRC (2008) report used a multiple deprivation approach to construct indices that were used to profile poverty comparatively at the provincial level in South Africa. The report also assessed provincial (budgetary) capacity, local economic development (LED) at the provincial level. It specifically looked at levels and growth of Gross Domestic Products (GDP) and the respective provincial contributions to national GDP; unemployment and sectoral contributions to employment. The report finally gives an overview of the poverty alleviation projects and policies within each province, concluding with a recommendation for the NDA intervention areas. The current study is a follow-up to the HSRC (2008) study.

1.2 Objectives of the study

About five years after the HRSC (2008) report, the NDA deems it due for a similar assessment. The follow-up assessment is particularly relevant in connection to South Africa's bold adoption of the poverty-related millennium Development goals. At the wake of 2014, it is important to assess and comparatively understand how South Africa has fared in its battle against poverty. The basis of this review hinges on the two approaches to poverty reduction,

[1] i.e. on less than US$ 1.08 per person per day

one of which is handing social grants to the poor, which though may alleviate current poverty and inequality, may not be sustainable. The second approach is to ensure that the poor effectively participate in the productive process and also share in the fruits of the ensuing economic growth. It is this last avenue that this assessment will lay emphasis on. The main objective of this work is therefore to do an assessment of the profile of poverty in South Africa across its nine provinces. It also aims to evaluate changes in poverty and incomes of the poor between 2005 and 2010, matching the changes to various determining factors like education, health, income source etc.

The rest of the report is outlined as follows. Section two highlights issues of conceptualisation of poverty in literature. Section three documents some earlier works in the subject matter including the HSRC (2008) report. Section four explores the methodology used in the assessment. Section five gives a brief overview of South Africa's policy framework as it relates to the fight against poverty. Section six profiles poverty in South Africa by various socio-demographic and spatial criteria. Following the poverty profile, the poorest provinces are selected based on poverty levels and inequality of poverty. The selected provinces are further analysed in comparison to the richest. The analysis focuses on economic growth and how the poor access its fruits. This is done in section seven. Section eight examines policy from the perspective of the poor, focusing only on the poorest provinces. Section nine presents policy diagnosis in terms of budgetary commitment, effectiveness in spending and human capacity to deliver, comparing the poorest provinces with the richest bench mark. Section ten concludes with relevant policy recommendations.

2 THE THEORY AND PRACTICE OF POVERTY CONCEPTUALISATION AND MEASUREMENT ISSUES

Before any attempt to know where the poor are and what distinguish them from the rest of the citizens, there must be a means of identifying the poor from the non-poor. How one conceptualises poverty can lead to materially different outcomes in terms of poverty profiling and policy guidance. The key question here is: what conceptual approaches of poverty are suitable for the specificities of the South African context? The racial and cultural diversity and the apartheid legacies of the South African society speak to these specificities. In attempting to adapt various poverty conceptualisations to South Africa, the usual debates and trade-offs becomes alive. Some of these debates relate to whether poverty should be: one-dimensional or multidimensional; monetary or non-monetary.

Poverty has been generally accepted to mean significant deprivations in wellbeing (Haughton and Khandker, 2009). Two related questions arise from this definition. The one is the meaning of wellbeing and the other is how deprived should one be from an appropriately defined wellbeing indicator in order to be considered poor.

2.1 The notion of wellbeing

The fundamental differences in poverty outcomes and profiles arise from the consideration of what wellbeing is. Three broad conceptualisation of wellbeing can be identified in literature of poverty measurement. The one is the utilitarian view (Sen, 1979), which considers poverty

as acute deprivation in utility. Proxies are used for utility due to the fact that utility cannot be observed and hence immeasurable. The most common proxies used are incomes or consumptions, which is considered as inputs to utility. The use of monetary measures of poverty is therefore justified by the fact that money can buy any input to attain a required level of utility. The shortfall is that the usual proxies of utility do not capture utility from publicly provided goods or leisure. One may argue that for the purpose of poverty measure, this short coming is not too acute to jeopardise the desired outcome. This is mainly because publicly provided goods are available to every citizens and lack of monetary mean may be the main reason why some people would not access.

The second broad conceptualisation focuses on whether a given household or individual attains a given dimension of wellbeing, such as health, education, nutrition etc. In this approach, money (income) could be just one dimension like others. Here, a broad range of dimensions can be considered such as infant mortality; life expectancy; assets; the share of spending allocated to food, housing conditions, or child schooling. The importance of this approach is that it spells out the multidimensionality of poverty. By this standard, poverty can be conceived in terms of non-attainment of certain minimal levels of these dimensions. It is based on this that poverty is sometimes viewed in terms of multiple deprivations. However, this approach poses an interpretational problem. For instance, someone may be educated, healthy, but poor in monetary terms. However, if on the other hand, someone has enough income to acquire the required minimal levels of the other dimensions of wellbeing, to what extent should the policy-maker be concerned?

The third broad approach is based on Sen (1987) who argues that wellbeing is a product of a capability to function in society. Poverty therefore arises when people lack key capabilities, and hence have inadequate income or education, or poor health, or insecurity, or low self-confidence, or in some way powerlessness, or the absence of rights such as freedom of speech. In this regard, poverty is equally multidimensional in nature. Multidimensionality in this context becomes relevant for the South African society given the history of racially targeted deprivations of different dimensions of wellbeing. These concur to impact on participation in the labour market and hence define the outcomes of other dimensions such as income. Before we return to the considerations of dimensions in poverty measurement, let us look at the fundamentals of measuring poverty.

Out of the three approaches, one may not chose a single one over the over for South Africa. Given that difference dimensions interrelate very closely with income, it is agreeable to use income as an overarching dimension and also a means of acquiring other dimensions. However, it is also necessary to analyse the other dimensions as they relate to incomes and the constraints of attaining them.

2.2 Fundamentals of poverty measurement

Irrespective of what dimensions one considers, and how these dimensions are considered (one at a time or a lumpy single index), the steps to identifying the poor is common, and well-established. Sen (1976) lays down two basic steps to measuring poverty, firstly identifying the poor and then constructing a numerical index that measures poverty.

2.2.1 Identifying the poor

In identifying the poor, a threshold level is established, that serves as criteria to separate the poor from the non-poor. This threshold, known as poverty line can be established using

various methods. The methods depend primarily on what one seeks to achieve with the poverty line, or what one wants to do with the ensuing poverty measures. There are three basic approaches to poverty line. These are absolute poverty line, relative poverty line and subjective poverty line.

If much emphasis has to be laid on equity in policy measures, one might consider relative poverty lines, which depends not only on the absolute attributes of the poor, but on the wellbeing (distribution) in the rest of the society. This is known as relative poverty lines, because it depends not only on the wellbeing of the poor but also on what happens to the wellbeing of the rest of the society. There are two ways of defining relative poverty line. The one consists of defining the poor as a proportion of the population at a given level of the lower end of the income distribution spectrum, such as 40 percent, or 20 percent of the population. The weakness of this approach as explained by Woolard and Leibbrandt (2001: 48) is that the ensuing poverty rates from this method may remain unchanged even when economic conditions change. The other way is to set poverty line in relation to the target societies' living standard. This can be a certain percentage of mean or median of income, or the wellbeing indicator of interest. For example, using this approach, one may draw the poverty line at a certain proportion of the mean or median income, or endowments of any dimensions of wellbeing in the society.

The other way of identifying the poor is establishing a poverty line that is absolute and independent of the rest of the society. This is usually based on the cost of a set of goods and services considered necessary for having a satisfactory life or a minimal level of a given dimension that is considered absolutely necessary for a satisfactory life. The most basic form of absolute poverty line is the food poverty line, which considers a nutritional threshold. To the extent that one includes the consumption preferences of the population, sub-classes of this type of poverty line may be derived. Examples are the normative and the semi-normative (also known as the cost of basic need-CBN) poverty lines (Expert Group on Poverty Statistics. Rio Group, 2006: 54-55). The normative is an estimated cost of a basket of food, which is constituted according to established nutritional and health norms. In the semi-normative, the basket is constituted based on the consumption preferences and the market prices facing a population whose poverty is of interest.

In the end, the approach adopted has to be informed by the nature of the exercise and the policy purpose thereof. For the purpose of poverty profiling and mapping, one would be conscious of issues of comparability and hence, the poverty line chosen for a given dimension of poverty must lend itself to profiling according to geographic, time and demographic and socio-professional grouping, and the overcoming of data constraints.

In this review, we will not concern ourselves a lot with the debates around poverty line, but the appropriateness of it for the purpose of poverty profiling at the relevant geographic, racial grouping, gender (etc.) disaggregation. For the purpose of targeting the poor, and the prioritisation in policy, in the context of limited resources, one can argue for absolute approach for certain dimensions of wellbeing. However, a combination of different approaches may be necessary for some dimensions.

2.2.2 Poverty measures

Once the poverty line is appropriately chosen, the task of aggregating the poor following the desired criteria becomes the next concern. For the purpose of profiling and comparison over space, time and different groups, the most important criteria of poverty index is that of sub-group decomposability. In this respect, the most elegant approach to aggregation of the poor is that proposed by Foster, Greer and Thorbecke (1984), which has come to be known as the FGT family of poverty indices. This is also the most widely used indices for quantifiable dimensions of wellbeing. The FGT poverty measures contain three important poverty indicators according to degrees of poverty. These are incidence, depth and severity of poverty.

The poverty incidence measures the percentage proportion of individuals in a society that are considered poor according to the appropriate threshold. This is simply the ratio of individuals under the poverty line and the total population. For policy purposes, one is often not just interested in how many people are poor but also in how poor people are. In this respect, this measure, though it gives a picture of the proportion of the poor, it is lacking. The poverty gap measure, which measures the depth or intensity of poverty is worthy in this respect. It measures on average how far away from the poverty line is the wellbeing of the poor. This measure can go beyond telling the policy-maker about who is poor, to determining what resources may be needed to lift a certain number of poor people out of poverty.

Beyond these, one may also be interested in knowing how unequal the poor are faring among themselves, that is are there among the poor, the very abjectly poor that may need to be targeted first in policy interventions. For this purpose, a measure of how severe poverty looks like becomes important.

Besides quantitative poverty measures that aggregate poverty to a single index, a number of dimensions of wellbeing are not quantifiable. This generally therefore calls for the combination of quantitative and qualitative methods in poverty analyses involving multiple dimensions. Clert et al (2001) provides more arguments for combining quantitative and qualitative methods in poverty analyses besides the argument of non-quantifiable nature of certain dimensions of wellbeing. One compelling argument is that quantitative poverty analyses are difficult to provide an answer to poverty causation issues because of failure to contextualise information. On the other hand, qualitative methods[2] can assist in clarifying the economic, socio-cultural and political contexts underlying the poverty outcomes. This discussion differs from another kind of discussion which considers lumping multiple dimensions into one index. The latter is considered below.

2.3 Considerations of dimensionality in poverty analyses

The multifaceted nature of poverty necessarily calls for analyses over different dimensions. Thinkers in the poverty space agree that poverty has to be approached in more than one dimension (Clert et al, 2001). Over time, attention has shifted beyond the consumption/income-based approaches to achievements in human capital. Attention has even broadened to include social disadvantage, vulnerability and powerlessness. Despite the

[2] Examples include participant observations, community surveys, key informant interview etc.

broadened attention from consumption/income, or money-metric wellbeing indicators approach, when it comes to practicalities of poverty measures and profiling there is still much dependency on money-metric wellbeing. The multidimensional approach to poverty is not under debate, it is a consensus. However, the dividing issue remains that of measurement and hence operationalization and interpretation. Below, we consider the different viewpoints of the use of dimensions in poverty measurement and analyses.

2.3.1 One-dimensional versus multi-dimensional indices in poverty measurement

The issue at debate goes beyond whether or not one should take other dimensions of wellbeing into account, but rather how to take these into account. In the attempt to take multiple dimensions into account, there are researchers (such as Alkire and Santos, 2010; Alkire and Foster, 2007; 2011) who think that such considerations should be done by aggregating deprivations in the various dimensions into a single index. This approach has led to the development of the Human Development Indices (HDI) and also a multitude of multidimensional poverty measures.

A sub-class of this approach is argued by researchers like Alkire and Foster (2007), Duclos et al (2006), Bourguignon and Chakravarty (2003), Tsui (2002). This consists of measuring poverty in each dimension separately. After such separate measurements one may compare across dimensions or carry out sub-aggregations or overall aggregations. This approach may be quite useful in the sense that it allows for the examination of the different dimensions or sets of dimensions separately. This approach is mostly used in the multiple deprivations studies.

The second viewpoint is that argued by Ravallion (2011). He views a multidimensional index not in the light of whether it is feasible, but whether it is necessary. From an interpretational and policy point of view, a composite index of poverty may not be quite useful. For example, when one develops an index that contains various mixtures of different dimensions, the question becomes how to understand what that end product stands for and how to prioritise the different components of the index in policy-making and implementation. In addition to this core challenge with multidimensional poverty indices, i.e. that of not lending itself to prioritisation in policy-making and implementation, there are other associated challenges.

In this regard Ravallion (2011) argues for a price weighted consumption attainment aggregate of different goods compared with a similarly defined poverty line. Here the focus is on consumption of market and non-market goods. In the case of market goods, actual prices or shadow prices can be used. For non-market goods, missing prices will have to be estimated. This approach can take into account (price-weighted) monetary consumptions that feed into the different dimensions therefore in essence this is still the consumption-based poverty measures we are acquainted with. The main criticism of the HDI-type approach is that of arbitrarily assigning relative weights to the different dimensions by the researchers. Such weights may not be compatible with preferences of the policy-makers and the poor themselves. Ravallion (2011) argues that the use of price-weight consumption poverty takes care of the problem by incorporating the preferences of the poor through prices.

Though not without weaknesses, the consumption poverty approach still stands the test for poverty comparisons in poverty profiling such as the task required of the present work. To the extent that money-metric consumption poverty measures and the corresponding poverty lines

take into account the different attainments of wellbeing indicators, one can argue that such measures are multidimensional. Therefore the monetary dimensions in this respect may be seen as a type of *catch all* dimension. Poverty studies from the World Bank mainly follow the consumption attainment approach.

However, this does not mean that money can do all things. Somehow, capabilities become crucial in converting assets (including financial) to utility and wellbeing, although one may to a limited sense argue that with money, you can acquire health, education etc. In addition, there must also be an acknowledgement of the challenges of the fact that not all dimensions of wellbeing can be easily quantified and capture in elegant single indices poverty measures. Nor does survey data of incomes and consumptions give adequate insight into the individuals' view about their own preferences, which may depend not only on prices but on other factors such as taste, cultures, demographics etc.

In the face of these factors, one might consider multiple approaches comparatively. The core may be consumption poverty but it may be useful to examine the different dimensions for a deeper understanding of what wellbeing aspects are more critical for different groups of individuals and over time. Beside exploring different indices for different dimensions in conjunction with consumption-based poverty, the risk of not being able to (adequately) capture some dimensions that may not be at all, or fully quantifiable has to be catered for. This can be done by a combination of quantitative and qualitative approaches of the type discussed in Clert et al (2001).

2.3.2 Some relevant dimensions in South Africa

The review of the relevant dimensions that have been considered in South Africa is principally based on the works of Woolard and Leibbrandt (1999), Noble et al (2006), Bhorat and van der Westhuizen (2013), the different works of Statistics South Africa, Human Sciences Research Council and a couple of international development organisations like UNICEF, OXFAM, FAO etc. The suitability of different dimensions lie principally on the policy objectives or purpose envisaged.

Woolard and Leibbrandt (1999) follow the World Bank type approach of consumption wellbeing, which sees poverty as the inability to attain a minimal standard of living in terms of consumption needs. After considering poverty as such, they then consider the characteristics of the poor by comparing consumption poverty with other dimensions of wellbeing. The main approach followed by Statistics South Africa (STATSSA) is also consumption based. For instance, STATSSA (2012) derives poverty indices according to the consumption approach. Like Woolard and Leibbrandt (1999), STATSSA (2012) then compares the poor by some other relevant wellbeing indicators.

However, unlike Woolard and Leibbrandt who compare the poor by outcomes of different other wellbeing indicators, STATSSA compare the poor in terms of expenses on the wellbeing indicators. Both approaches are important. On the one hand, following a policy intervention such as cash transfer to the poor, one may be interested to know what other dimensions the poor consider most important by observing their expenditure patterns on the other dimensions. On the other hand, over time and space, one may want to compare the poor by outcomes of the different wellbeing dimensions in order to gain insight of how well expenditures on the different dimensions translates to attainments of certain standards in

those dimensions. In this respect, both have to be considered to complement one another. In terms of the other dimensions, Woolard and Leibbrandt consider education, health, unemployment, access to services and access to transport. STATSSA considers health, education, unemployment, access to services and asset ownership.

UNICEF and FFC (2010) use consumption poverty, setting the poverty line at 40th percentile in order to study child poverty in South Africa. The study profiles poverty among children by age, racial groups, gender, rural/urban location and provinces. Of interest to us here is the provincial classification. Using the 40th percentile poverty line, poverty (head count) rate among children is shown to be highest in Limpopo (78%) and Eastern Cape (77.9%). The least poor provinces in terms of child poverty are Western Cape (37.9%) and Gauteng (41.3%)

Noble et al (2006) differ from the above approach in that they use a multiple deprivation framework. They calculate deprivation indices for individual wellbeing dimensions and aggregate them to a single index by apportioning weights to different dimensions. Five broad dimensions or domains were considered by these authors. The first is income and material deprivation. This is measured by people living in households with income of below 40% of the mean equivalent household income, and without certain assets (fridge, TV and radio). The second is employment deprivation, captured by people of working ages (15-65) who are either officially unemployed or unemployed due to illness or disability. The third is health deprivation, measured by years of life lost. The fourth is education deprivation, measured as people aged (18-65) with no schooling at secondary level or above. The fifth is living environment deprivation, with different components consisting of lack of access to piped water, toilet, electricity, telephone, and also shack dwelling and two or more people per room.

The main issue here is what has been highlighted already by Ravallion (2011) that of attributing weights to different dimensions in an arbitrary manner. Noble et al attribute equal weights to the different dimensions. Their argument is the absence of evidence suggesting differential weights to be used (Noble et al, 2006: 31). Yet there is no evidence suggesting equal weighted dimensions. Intuitively, it would be absurd to assume that the different dimensions are judged equally by the poor or the policy-maker.

Bhorat and van der Westhuize (2013) calculate asset poverty index for South Africa based on access to certain assets and services. These are mainly formal dwelling, piped water and electricity (for lighting and cooking). Using factor analysis, they assigned weights to various asset categories and derived an asset index.

This review helps to establish not only the relevant dimensions prominently used in South African poverty analyses, but also a comparison of methods of incorporating dimensions to poverty index. Top of the list for the dimensions are education and health, followed by unemployment, access to assets and services.

3 POVERTY PROFILING AND MAPPING IN SOUTH AFRICA: SCOPE AND GAPS

The major problems with the apartheid era study of poverty are inconsistencies and incompleteness of data. The first nationally representative survey was only conducted in 1993 just before the new democratic government. Carter and May (1999) used this dataset and found that 52 per cent of rural African households lived below a scaled per capita expenditure

poverty line. Our aim in this review is to focus on the most recent poverty profile exercises. However, we first take a brief overview of the earlier post-apartheid studies before closely looking at an HSRC (2008) study that was aimed at a similar exercise to the present task. We follow up with other similar studies within South Africa and then briefly examine some international examples before concluding with gaps in South African endeavours and recommendations for the present study.

3.1 Brief overview of earlier studies

Most of the work that exist in South Africa on poverty profiling are those produced by the Statistics South Africa (STATSSA), the Development Policy Research Unit (DPRU), the Human Sciences Research Council, various university research and researchers' publications. Here we focus on a few prominent ones and lay emphasis on studies that have made significant attempts to disaggregate poverty at different geographic and or socio-demographic units. We start by reviewing works that focus primarily on consumption attainment approach to poverty profiling, before we look at studies that have mainly used non-monetary poverty measures in poverty profiling in South Africa.

3.1.1 Consumption-based poverty profiling

One of the earlier consumption-based studies is Woolard and Leibbrandt (1999). They used various indicators of consumption (such as per capita consumption, total household consumption, per capita income, per capita food expenditure, per capita caloric intake, food ratio and educational level of adult household members) to define various poverty measures. An interesting exercise in their work is that of a simple correlation of the different indicators of wellbeing in their poverty measure, with private consumption expenditure (PCE). The useful outcome is that adult educational attainment[3] and caloric intake correlate only weakly with PCE. They explain that educational attainment of less than completed secondary school, is a poor predictor of finding employment and hence poverty. Also, the caloric intake measure, which basically considers income that can achieve a certain caloric level, is difficult in that food poverty may not mean energy poverty for a number of reasons.

These reasons have also been highlighted in very recent literature. Jensen and Miller (2010) explore some of the reasons. First is the lack of consensus on what should be the correct minimum or subsistence calorie threshold, how it should be computed, or even whether such a threshold exists at all. Second, is the possibility of considerable variations of any recommended threshold across individuals (and for the same individuals over time), and depend on a range of characteristics such as age, sex, height, weight, health status, level of physical activity, lean and muscle body mass, fitness level, stress levels and basal metabolic rate. Another reason is the high income elasticity of nutrition, whereby as incomes increase, individuals substitute away from certain food, for taste rather than calorie.

In the poverty profiling proper, Woolard and Leibbrandt (1999) disaggregate first by racial groups (mainly Africans and Coloureds)[4], then by locational classification (rural, small towns, secondary cities and metropolitan cities), by provinces, by gender, education, health,

[3] Educational attainment has a significant proportion of less than secondary school among the poor.
[4] These seemed to bear the significant burden of poverty.

employment, income sources, and access to basic services and transport. Africans and coloureds experience far higher poverty rates that Indians and whites. Except for caloric intake measures, all the other measure of consumption attainment poverty show that Africans are poorer than coloureds according to both 1993[5] and 1995[6] data. In terms of locational classification for 1995 data, poverty incidence decreases from 39.3% as one moves from rural, steadily to 5.1% for metropolitan areas. The 1995 rural population though contains the highest proportion of the poor, makes the highest proportion (48%) of the total population while the metropolitan, with the second highest population share (23.9%) has the smallest share of people in poverty. The picture is similar with poverty intensity, which measure consumption or income shortfall from the poverty line. However, the severity of poverty is much more pronounced in small towns than in rural areas. By provincial classification with 1995 data, the Eastern Cape has the highest proportion of poverty for all three measures (incidence, intensity and severity, followed by the Free State. Gauteng consistently ranks lowest in all the three measures, followed by Western Cape.

Comparing poverty across gender presents the difficulty of not being able to appreciate intra-household gender dynamics given that data is generally collected at the household level. As such, gender comparisons can only be achieved by comparing women in poor households with men in poor households. However, as Woolard and Leibbrandt (1999) point out, there may be women who are poor, living in non-poor households, who will not be counted in such comparisons. The way of identifying gender aspects is first by identifying (*de facto*[7] and *de jure*[8]) female-headed households to compare with male-headed ones. Using this classification, for the 1993 Project for Statistics on Living Standards and Development (PSLSD), they found 60% of female headed households in poverty, compared with 31% for male. They also establish that female-headed households depend quite heavily on remittances for principal income source. In addition, a great proportion of time is spent by females on non-paid work, such as child care, home cleaning, fetching of water and firewood, washing, ironing, shopping etc. this increases their vulnerability to poverty.

Comparing across levels of educational attainment, the main message is the little difference between groups with no education and less than seven years education. Although these two groups are the most prone to poverty, the no education group is worst-off in terms of severity of poverty. It is important to follow-up with this type of analyses along educational attainment groups because it can help to understand how policies fare in low-skilled employment and hence poverty reduction with the low skilled socio-professional category. Their comparison by health category shows that the poor have higher burden of poverty diseases (tuberculosis, diarrhoea, and fever), and mental and physical disability. A measure of children's health indicator relating to chronic under-nutrition (stunting), show that 38% of children in ultra-poor homes suffer from stunting, compared with 31% for the just poor and 18.5% for the non-poor. An important lesson in the work of Woolard and Leibbrandt (1999) on the issues of poverty and health is the measurement of health. They note that self-reported subjective health may be biased as the rich are more health conscious and thus over-report, while the poor under report. Therefore, a more objective measure of health is necessary for such exercise.

[5] The 1993 data is the October household surveys that Statistics South Africa undertook annually, starting from 1993.

[6] The 1995 data is a combination of 1995 income and expenditure survey, 1995 October household survey by Statistics South Africa.

[7] Where the head is female in practice because the designated male head is absent for most of the year.

[8] Where the household head is specified to be female.

The highest unemployment category in the 1995 data[9] is among the ultra-poor Africans 59.4%, compared to 52.7% for the poor and 24.5 for the non-poor. The racial group with the second highest unemployment among the poor are the coloureds, with 46.1% of the ultra-poor unemployed. Gender differences show female unemployment significantly higher than male unemployment. The tendency runs in similar ways amongst the poor and the ultra-poor. However, unemployment among the rural poor is less relative to the urban. The main sources of incomes for poor households are wages (40%), state transfers (26%) and remittances (17%). For the non-poor, their main sources of income are wages (72%) and capital income (13%)[10].

In terms of access to basic services, Woolard and Leibbrandt (1999)shows the poor significantly lagging relative to the non-poor in access to electricity, inside-dwelling toilets, and piped water. Accesses to clean water and sanitation facilities is significant in terms of the most obvious and direct benefits to the poor in terms of reducing mortality, poor health and increasing productive capacity (Woolard and Leibbarndt, 1999: 39). Access to transport is also an important dimension for comparing the poor because they can spend significant financial resources on transport. The poor are shown to depend largely on walking, bus transport and taxis while the non-poor depend largely on own transport (car or motorbike).

A number of other studies have profiled poverty in South Africa along the methodologies followed by Woolard and Leibbrandt (1999). One of the most useful, in terms of mitigating data challenges for finely disaggregated poverty profiling exercise of the type that may be required for this work is Alderman et al (2001). The fact that a finely disaggregated poverty profile is most useful for more precise targeting in anti-poverty policies is a given. However, such fine disaggregation comes at a cost that of trading-off representativity of survey data such as the Income and Expenditure Surveys (IES). On one hand, survey data samples, though rich in variables of interest, are too small to be representative enough at some of the finest levels of disaggregation that may be desired. On the other hand, census data, though having the best coverage to eliminate the problem of representativity, does not contain the richness of the variables of interest for poverty mapping. Aldelman et al (2001) use a method that was first applied on Ecuador by Hentschel et al (1999) and later revised by Elbers et al (2001), to combine survey data with census data in order to exploit their respective strengths to be able to use in more detailed disaggregated levels of poverty profiling in South Africa. They used the 1995 October Household Survey (OHS) and the IES data in conjunction with the 1996 population census to derive poverty measures at provincial, magisterial districts and local council levels. The statistical tests for this method they provide shows that the method can be reliably used to impute poverty indices at magisterial district and local council levels with good precision. This method is also known as small area estimation.

The consumption attainment poverty approach is what the official statistics organ of South Africa also follows. Statistics South Africa generally calculates poverty in monetary/consumption terms using the various poverty lines. It uses both nationally defined and the international threshold of $1 and $2 revised recently to $1.25 and $2.50. In accordance with Woolard and Leibbrandt (1999), various other relevant dimensions are often profiled according to levels of poverty (monetarily defined).

[9] The 1995 data is a combination of 1995 income and expenditure survey, 1995 October household survey by Statistics South Africa.

[10] These figures are from Woolard and Leibbrandt (1999)

In line with this approach, some of the recent poverty profiles of South Africa such as STATSSA (2012) profiled poverty by race, province and other dimensions such as access to assets and services, health and education. The dataset used is the Living Conditions Survey (LCS) for 2008/2009, which is the first survey designed purposefully by STATSSA to measure poverty, although the IES is very rich in income and expenditure data. The study shows that the poor's access to basic services is encouraging, with electrification rate at 70.1% for the poor compared to 89.5% for the non-poor; access to piped water inside dwelling or onsite at 51.8%, compared with 84.8% for non-poor. About 54.7% of the poor have social grants as the main income. Provincial classification shows Limpopo as the poorest province, followed by the Eastern Cape, while Gauteng remains the least poor followed by the Western Cape. The gender gap of poverty has narrowed somewhat, showing females as contributing to 53.8% of the overall poor and poverty incidence being 27.3 compared with 25.2% for male poverty according to the food poverty line. Comparing the report to Woolard and Leibbrandt (1999) it appears that poverty rates among Africans have remained unchanged, however it is unclear if STATSSA (2012) controlled for household demographic composition by taking adult equivalence into account.

The existing consumption-base poverty profiles for South Africa have hardly gone lower than provincial level. The difficulty lies in the fact that the survey data that is comprehensive in income and expenditure information loses precision as you disaggregate to smaller areas beyond the provincial level. Only Alderman et al (2001) attempted a municipality and district level profile by combining census and survey data. The few other small area mapping attempts are based on non-monetary dimensions such as the assets and capabilities poverty indices.

3.1.2 Non-monetary/deprivation poverty profiling

There have also been a number of early attempts to profile poverty according to non-monetary approaches like multiple deprivations. In their study, Noble et al (2006) provide a broad classification of wellbeing categories over which multiple deprivations are assessed. There are studies that take the broad multiple dimensions approach, which we review Noble et al (2006) as a sample for South Africa. There are a class of studies that focus on assets. For this we review Bhorat and van der Westhuizen (2013) and Simelane (2009).

The approach to multiple deprivations used by Noble et al (2006) is that of constructing a composite index of the different dimensions of wellbeing. The dimensions they considered are income and material deprivation, employment deprivation, health deprivation, education deprivation, living environment deprivation (akin to access to services). We discussed these dimensions in 2.4 above. Here, we are interested in the poverty profile that resulted from this approach. They construct provincial indices of multiple deprivations (PIMD) which are used to assess deprivation at provincial and ward levels. In each province, wards are ranked by PIMD scores.

Unfortunately, the PIMD measures does not allow for inter-provincial comparisons of deprivations. Besides the weakness of this approach discussed above, which is the difficulty of interpreting and using results of composite indices for policy specificity, there is also the problem of inter-comparability. With limited resources, one would prefer an approach that would lead policy to target the neediest areas. Secondly, this type of analysis, though gives an idea of deprivations, does not indicate what possible resource requirement would be

necessary to tackle the deprivation problem. Thirdly, the issues of which dimensions to be prioritised becomes crucial. As we discussed above, assigning equal weights to the respective dimensions gives the impression that the different dimensions are equally important from the point of view of the deprived and the policy maker. However, this is not the case and certain dimensions may be more important and would be required to be addressed first.

Data related issues are also worth discussing here. The census data used is good for small area profiling but as discussed earlier in the review of Alderman et al (2001), the capture of income by this dataset is not appropriate of reliable measures of quantitative poverty. Two main difficulties arise with the Census 2001 dataset, which are banded incomes and missing incomes. Because incomes are reported in bands and at individual levels, getting values of income at a household level poses a challenge. Noble et al uses logarithmic mean to proxy for incomes at household level. The second and most important are missing incomes, which have been estimated to about 28% in the 2001 census data. Although the authors find comfort in the fact that Stats SA impute values of missing observations using some reliable techniques (logical and hot deck), these techniques do have limitations. However, according to StatsSa (2011), the UN standard rule for the output of this method to be acceptable is that any variable imputed for less than 10% of its cases is acceptable, and for less than 5% it is very good. Comparing these thresholds to the 28% missing observations of the income variable may be worrisome.

An examination of the profile of the households with missing or zero incomes by Leibbrandt et al (2005) shows that most of the missing data pertains to the poorest provinces in South Africa. Three of the poorest provinces, the Eastern Cape, KwaZulu-Natal and Limpopo contributed the greatest (in excess of their population shares) to proportion of total missing and zero values in 1996 and 2001.

Simelane (2008) uses an approach similar to Noble et al (2006) in constructing an Assets and Capabilities Poverty (ACP) index for South Africa. He uses a method of principal component analysis which consists of employing the covariation of the variables in the index to assign weights to each dimension of deprivations. This tries to avoid the assigning of subjective weights. He uses two sets of variables, one for assets and the other for capabilities. The eight types of assets variables are types of dwelling; ownership of telephone; source of energy for cooking, heating, and lighting; main source of domestic water supply; type of toilet facility and means of refuse disposal. Capabilities variables consists of the proportion of adults in each household with high school education and above; proportion of employed adults in each household. His approach excludes a number of pertinent dimensions such as health.

A useful discussion in Simelane (2008) is the method employed in geographic mapping of poverty, however determined. Spatial maps of poverty may be misleading in interpretation due to the fact that some cluster patterns may occur just by chance and of no policy importance. Simelane (2008) does a statistical significance analysis to eliminate randomness of clustering. The method is a spatial autocorrelation, which examines the autocorrelation of variables by location, looking at the association of values of variables at a given location with those observed in neighbouring locations. When a spatial map of assets and capabilities distributions is thus established, a simple logit regression[11] is employed to determine which households are asset-poor.

[11] A logit model is a probabilistic model of regression that is used to predict outcomes of categorical variables using a set of predictors.

The index of asset poverty shows that over time, assets and capability poverty has fallen from 1996 to 2007 by about ten percentage points. The method does not only allow for comparison over time, but also over geographic locations of the poor. Simelane (2008) undertakes poverty profiling at the national, provincial and district levels using this approach. For example, the method classifies Alfred Nzo district in the Eastern Cape as the poorest in 1996 and the wealthiest also in the Eastern Cape (Nelson Mandela Bay). At the municipality level, Imbabazane (KwaZulu-Natal) was the poorest in 1996) and Overberg (Western Cape) the least poor. The 2007 picture shows the poorest to the Greater Sekhukhune in Limpopo.

Bhorat and van der Westhuizen (2013) use a similar method of factor analysis to construct an asset index of poverty. They conclude that non-income welfare has increased in South Africa from 1993 to 2004, with a more significant change from 1993 to 1999 than 1999 to 2004. Similar significant changes in non-income poverty (relative to the 40th percentile line) are observed, with a fall from 40% in 1993 to 21.6% in 2004. Their method also generated a poverty gap, which shows that similar changes happened over time on the gap measure. The main profiling of poverty by Bhorat et al (2013) is by race rather than geographic locations. The analysis shows that African households have the highest head count of non-income poverty, which is consistent with the income/consumption poverty by Woolard and Leibbrandt (1999). Although Africans accounted for the highest poverty in 1993, they also benefited the most from the decline in asset poverty between 1993 and 2004, dropping from 55.6% to 27.7% according to the 40th percentile poverty line.

However, as appealing as this method may appear in terms of its spatial decomposability and comparisons over time and sub group, the major weakness is similar to that which we discussed earlier, mainly that of interpretation for policy relevance. When a policy-maker knows that a district or household is poor in terms of the assets and capability poverty index, how can he then design targeted policies to tackle this kind of composite poverty? Therefore for better targeting and policy precision, an approach that considers a possible overarching dimension in comparison to the rest of the relevant dimensions may be preferred to the composite indices approaches.

3.2 The 2008 HSRC provincial poverty assessment, profiling and mapping

One of the most important studies for the purpose of this review is the 2008 provincial poverty assessment, profiling and mapping by the HSRC. The report was commissioned by the NDA for the same purpose and at the end of this review one will have to decide the way forward in relation to HSRC (2008). The purpose of situating the review of this study at this stage is to be able to compare the methodologies used and the levels of disaggregation in order to be able to construct an appropriate framework for analysis in this work. The study's approach consists of first giving a brief profile of monetary poverty and a map of an index of multiple deprivations at provincial level. It continues with an assessment of a subjective view of what dimensions the citizens consider most challenging at the provincial level. Then an assessment of each province's capacity to effectively deliver on anti-poverty programmes is carried out. Following this, a general survey of each province's socio-economic indicators is explored, including unemployment, contribution to national GDP overall and at sector levels. The last aspect is an overview of the state of local economic development at the provincial level. This is followed by a concluding section of policy prescriptions, mainly centred on capacity building, cooperative approach to interventions and sectoral intervention strategies.

The HSRC (2008) study starts with a poverty profile based on an earlier (2006) research[12]. It presents a provincial map of (consumption-based) poverty rates, presenting Free State as the poorest province (60.2%), followed by Limpopo (59.0%) and KwaZulu-Natal (55.1%). Although the figures seemed to have been borrowed from earlier literature, it is always important to discuss the methodology and data issues that underlie the earlier study. This can be useful in making meaningful comparisons with other aspects of poverty study also used in the report.

What appear to bear some significant link, methodologically speaking, to some aspects of (non-monetary) poverty is the multiple deprivation indices, based on the South African Social Attitudes Survey (SASAS) 2003 information. SASAS is a nationally representative, repeated cross-sectional survey annually undertaken by the HSRC since 2003. The aim of the survey has been to capture the interaction between the South Africa's changing institutions, its political and economic structures, and the attitudes, beliefs and behaviour patterns of its populations. The dimensions of deprivations considered in SASAS (2003) as reported in Pillay et al (2006) are income, employment, health and living environment, housing, education. The multiple deprivation indices seem to have been adopted from those calculated by SASAS, based on 2001 census data. The report does not discuss the data challenges of the type we have already highlighted earlier, precisely those related to significant non-response on income variables, income banding and implausible zeros. Nothing is said about the methodology of how this index of multiple deprivations was constructed, and the debatable issues of weighting are absent.

Provincial multiple deprivation indices were used to map poverty at the provincial level. However, the usefulness of such a map of a composite index for policy purpose becomes the one single most important challenge in appreciating the usefulness of the work. This challenge becomes quite apparent when one compares the monetary poverty map with the multiple deprivations map. Whereas the consumption-based poverty map shows Free State, Limpopo and KwaZulu Natal as the three poorest provinces, the multiple deprivation map shows Eastern, Northern and Western Capes as the poorest provinces. Equally, the consumption poverty map shows that Western Cape and Gauteng provinces are the least poor, but the multiple deprivation approach gives the lowest multiple deprivations to Gauteng and Mpumalanga. Although there may be some consensus with Gauteng, comparison for the rest of the provinces give mixed messages. In terms of policy direction, this kind of analytical approach for poverty profiling can be confusing therefore, with no clear guide emanating from the study.

One of the most interesting aspects of the study are the people's views in the SASAS data with respect to what they consider as the three most challenging issues. Based on the graphical representations of this information, unemployment appears to be the most important challenge in the minds of individuals across all the provinces, followed by poverty.

A similar presentation is made based on 2006 SASAS data, on individual's subjective ranking of what they consider should be government's expenditure priorities. Majority in most of the provinces, especially the poorest ones rank education first, followed by health and housing. This is a useful piece of outcome, and not surprising as the most important dimensions that affects ones capability and also the ability to participate in the labour market are education and health. One of the main aspects of the study appears to be based on an earlier study by Pillay et al (2006) who did some analyses on the 2003 edition of the SASAS. By this

[12] This study is not referenced in the 2008 HSRC report

standard, Western Cape, Northern Cape and Free State respectively tops the list of unhappiness due to income, with percentage proportions of unhappy population being 61.4, 61, and 59.5 respectively. It is not clear whether the proportions are weighted, or expressed with respect to national totals, rendering comparison difficult. However, from surface value, it appears that this indicator is quite unrelated to income poverty given that Western Cape being one of the least poor provinces is ranked highest by unhappiness due to income.

The originality of the study seems to lie in the construction of provincial capacity indicators. It first starts with a review and mapping of various poverty reduction policies at the provincial level. From the overall programs reviewed, the work selects a few core programs for evaluation. The selected ones related to food parcel, water and sanitation, education and training, urban renewal and human settlement development, land restitution, small and medium enterprise development program, community-based public works program and land care. These programs that were earmarked for review seem the most important as they relate closely to the major dimensions of deprivations that matter for poverty. Nutritional dimensions are addressed by food parcel programs, educational and access to important basic services are also included, but health dimension is absent. Though nutrition may be considered an input to a healthy life, it may not be enough to assess measures that aim at addressing the health deprivation of the poor. The methodology of selection of policy projects from a plethora of programs ought to be linked to a prior rigorous assessment that looks at how the different dimensions affect poverty outcomes or at least, associate closely to poverty outcomes. This will therefore ensure that the most relevant programs are selected for assessment.

The study then proceeded by examining provincial-level government spending as an indicator of government's capacity to deliver on poverty reduction programs. The budgetary analysis was then used to rank provinces according to spending effectiveness, mainly in terms of over- and under-spending. This approach did not yield full data, but was nonetheless useful. It was complemented by a survey of provincial government managers with the purpose of getting information on human resources skills, funding and funding sources, and the general views of the existing gaps and the role of the NDA. The analysis ranked Limpopo worst in terms of in terms of budget allocation, spending and reporting. Western, Eastern and Northern provinces were the best.

The next level of analysis was some socioeconomic indicators at the provincial level. These were mainly unemployment, contribution to national GDP, and contribution of different productive sectors to provincial GDP. The growth opportunities of the different sectors were also explored. The main pieces of analyses highlighted at the end of the study are poverty incidence (monetary standards), unemployment, contribution to GDP, multiple deprivation and budgetary indicators at the provincial level. At this stage, the study made a good attempt to link these pieces. These culminated in recommendations for identified provinces, mainly in the areas of interventions in health, education and skills development, and enhancement of growth and job creation opportunities.

The review of HSRC (2008) brings to light certain gaps. The first is the apparent disjuncture in the different pieces of analysis done, although towards the end, some minimal attempt is made to link some of the pillars, however, the disconnection remains clear. The recommendations that flowed from the study seem not so connected to the livelihood of the poor but from provincial level search for gaps in growth opportunities. For example, the recommendations to enhance growth and employment opportunities in certain areas should have followed a thorough analysis of socio-professional categories upon which the poor

depend. This difficulty would be traced to the fact that the level of disaggregation (provincial level) is not adequate enough for targeted poverty reduction policy recommendations.

Overall, the main gaps and pitfalls to minimise or avoid in the next study are highlighted here. They relate to levels of disaggregation, comparisons (over time, racial groups and socio-demographic groups), the appropriate indicators to better capture poverty and the impact of policies on poor and the degree of poverty.

Small area disaggregation: For purposes of better targeting of the poor, lower level disaggregation are important. However, as reviewed earlier, the main challenge is data issues. This challenge can be dealt with by combining Survey data with census data. However, certain levels of disaggregation can be done without facing such data challenges in a significant way; these are socio-demographics (gender, child poverty, racial groups etc). Except for racial, the other dimensions of disaggregation pose a different kind of challenge, which relates to the fact that intra-household resource allocations have to be accounted for. This is difficult because survey and census data are generally at household level, not individual level. However, this problem can be mitigated using the equivalence scaling method used to allocate resource consumption levels for different demographic elements within a household.

The appropriate indicators for capturing of poverty have to include elements of intensity and appreciation of inequality, beyond simple poverty incidence used in HSRC (2008). Beyond this, the assessment of growth in HSRC (2008) can be enriched with provincial level assessment of pro-poorness of the growth. This helps to understand how much of the growth in each sector accrue to the poor. The technique for this, which can be applicable for this purpose, is the Growth Incidence Analyses. HSRC (2008) basically gives a snapshot of the situation, and lacks appreciation of the time dynamics of the changes in the socio-economic indicators and the poverty dimensions. If one shies away from the complexities of the growth incidence types of analyses, cross tables showing association of socio-economic indicators and different poverty measures can be drawn for the different years and their trends appreciated. This can help to see which programs are possibly working and which ones are not.

Before we present some elements of a framework for poverty profiling that may be suitable for the exercise at hand, combining the strengths of the different reviews, it is necessary to first look at some international practices.

3.3 Some international examples

There are a number of international poverty profiling exercises that one may review here. However, at the end, the methods adopted will depend on a number of factors including what is required of the study, national social dynamics etc. in the review of international examples, we first look at global level poverty profiling by United Nations (UN, 2012). This is followed by some African level experiences, first at regional level, undertaken by the Commission for Economic Community of West African States and United Nations Statistics Division (ECOWAS and UNSD, 2007). This is a compilation of national level poverty profiles for fifteen West African States, with some varying degree of geographic disaggregation such as provinces. Following this, we review a recent African Development Bank working paper, which profiles poverty for Nigeria (Anyanwu, 2012). We then conclude with some non-

Africa reviews such as profile for Bolivia (Spatz et al, 2006), Bangladesh (Kotikula et al, 2010), Argentina (World Bank, 2010).

3.3.1 Global poverty profile

UN (2012) views poverty primarily in monetary terms at the household level and the provisions of basic infrastructure and public services at the community level. The suggestion here is that there are certain consumptions that households can access based on their monetary poverty status and others that they cannot access and depends on the publicly provided amenities. The profile starts with accessing where the poor live. By head count poverty rate (using the $1.25 poverty line for extreme poverty), they establish that 47.5% of the poor are in Sub-Saharan Africa. Dividing the world into different sub-continental regions, they use five poverty indicators to profile the world poverty. The first is monetary indicators (derived from poverty line of $1.25 per person per day). The rest of the indicators are nutrition, education and health related. Nutrition is measured in terms of those who suffer hunger. Education is measured in terms of children out of school and adult illiteracy. Health deprivations had bigger emphasis in their extreme poverty profiling, measured by a number of indicators, which are persons living with HIVAIDS, malaria deaths, under-five mortality, maternal mortality and child (under-five) stunting. They also included an indicator of lack of basic sanitation, which is captured by open defecation.

3.3.2 Some African Attempts

As expected, this type of high-level profiling paints only a broad picture for global development agenda. However, it cannot be useful for national and sub-national policy direction. ECOWAS and UNSD (2007) undertook an exercise to profile poverty in the ECOWAS region. Their approach seems more useful in our context as they first look at poverty at the ECOWAS aggregate level, but also disaggregate into national, and even sub-national levels. The report first identifies three types of datasets useful for poverty profiling at various levels. These are surveys on income and expenditure; surveys on non-monetary dimensions of poverty such as education, health, assets and access to public services; and surveys on subjective evaluations of poverty.

The report first starts with monetary poverty estimates, which it compares first across countries and then over time. In cross country comparisons, the report also distinguishes rural and urban poverty in the different counties. There are important highlights of possible sources of non-comparability when we are dealing with different countries and attempting to compare over region and time. These sources pertain to construction of consumption aggregates; adjusting for differences in the cost of living and demographic compositions of households; and setting of a poverty line. Fortunately, some of these challenges disappear when we are dealing with a single country and attempting to do comparison across sub-national geographic units. However, a number of these concerns remain when we compare over time. This is because the concerns arise primarily from differences in datasets and data collection methodologies, but also in some conceptual differences in defining certain aspects that affect our definition and profiling of poverty.

Although the ECOWAS report does not give any approach on how to overcome these challenges, we may look into our earlier reviews in this work. For the purpose of comparison over time, one has to ensure that the different consumption items listed in the different

datasets are consistent in the different rounds of the surveys. This does not arise when comparing across geographic space for a given country, if the dataset is nationally representative. Adjusting for differences in the cost of living is a real issue since even within the same country; cost of living may be markedly different from region to region. For example, cost of living may be higher in rural than urban areas. This challenge is related to poverty line in that the differences in cost of living may require slight adjustments to poverty line for different regions. The same approach applies over time. In accounting for demographic composition of households, the technique of equivalence scaling, discussed in Woolard and Leibbrandt (1999) becomes useful. The demographic composition (such as age and sex) within households may change over time, but the consumption requirements of each demographic profile may not. As such, any equivalence scaling approach adopted is not likely to change over a few years, and hence such challenge does not affect time comparison significantly.

The methodology of profiling adopted by ECOWAS and UNSD (2007) consists of first defining a consumption-based poverty measure, and then using the measure for comparisons, first across geographic space and time, then by the different other dimensions of poverty. Therefore, the report compares consumption poverty measures by household-size, occupational profile, education and gender. In terms of household size, it becomes apparent that larger households are associated with higher poverty. Comparison of poverty by occupational profile reveals that there is higher poverty for low skilled workers, especially in agriculture. By education, households whose heads have no education are the poorest. As one moves up from no education to post-secondary, poverty steadily decreases. Contrary to the case of South Africa (Woolard and Leibbrandt, 1999; STATSSA, 2012), in almost all West African countries, female-headed households contribute to less poverty than male-headed ones.

A recent profile that took an in-depth profiling of a single African country (Nigeria) is the African development Bank's attempt by Anyanwu (2012). He also follows a methodology along the lines of ECOWAS and UNSD (2007) in that he starts with a consumption-based poverty indicator, which he compares over time and geographic disaggregation in Nigeria. He then continues with comparing poverty within the different other dimensions like education, age group, occupational characteristics, gender. To that, he added religious affiliation and marital status. Perhaps an improvement by this paper to our methodological review is the fact that in profiling poverty, Anyanwu (2012) also estimates an econometric model of probability of poverty in Nigerian households. He finds that the probability of household poverty decreases with age of household head, urban location, post-secondary education and certain locational zones of the country. Higher probability of poverty is associated with household size, no education. Perhaps, because occupational characteristics are likely to be strongly associated with education, he (strangely) finds no significant association between profession and poverty.

In this review of African experience, a dimension of deprivation that is conspicuously absent is health. No apparent reason is given why health is not accounted for in poverty profiling, but other reviews suggest that it is too important a dimension to ignore, including nutrition. The weakness in econometric approach of the type of Anyanwu (2012) is that it may not adequately account for very small area disaggregation that may be required in our current exercise. Also, in danger of running the risk of too many dummy variables, such models may not be able to further break down demographic profile in order to appreciate child poverty.

We now look at some non-African profiling attempts, particularly Bolivia, Bangladesh and Argentina.

3.3.3 Three non-African experiences

The Bolivian exercise by Spatz et al (2006) is important to us because it gives some avenue of mitigating the challenges of data limitations. It also highlights the need for varying regional poverty lines within a given country. The type of data challenges that Spatz et al seek to address are those that relate to non-representativity of survey data, especially those carried out with limited geographic coverage. The challenge of non-availability of data that can lend itself to inter-temporal comparison is also addressed. Given that the major official surveys in South Africa have been nationally representative, the (very technical) suggestion of the paper may not be very useful. Nonetheless, the method consist of using two different datasets to generate covariates in one period for a given region to then generate nationally representative simulated data, over time and region. Perhaps the most useful aspects of this paper for us is the fact that it highlights the need to look at different poverty line for different regions. In South Africa, we generally have the upper bound and lower bound poverty lines, but for generating poverty lines that allow consistency of poverty measures with respect to cost of living, one has to question whether harmonised poverty line is not undercounting or over counting the poor in certain areas of South Africa.

In similar manner to the other profiling review, Spatz et al (2006) first start with a consumption-based poverty measures, derived from data that has been simulated to obtain nationally representative measures for Bolivia. They use the consumption measures comparatively with asset index poverty calculations. The profiling is then done first according to spatial disaggregation, down to municipality and departmental levels. The next step compares poverty by household size, age, gender, education and occupational characteristics. In terms of changes over time, growth incidence analyses are performed at the different levels of spatial disaggregation. This perhaps is very important in that understanding how income changes with changes in per capita GDP across the income distribution spectrum and for different geographic groups is of significant policy importance.

The profile of poverty in Bangladesh in a World Bank paper by Kotikula et al (2010) emphasises changes over time. Rather than going the growth incidence analysis, they rather decomposed changes in poverty or consumption and regress it on a number of determinants, specified in certain case as changes also. This is important in that one can directly link changes in poverty to changes in certain attributes that can be impacted by policy measures directly. It is also important to note that their approach to poverty profiling also starts with a consumption-based measure. They then tabulate such measures with factors that are likely to affect consumption levels. These are household demographics (size, age, and gender), education, occupational status, land ownership, remittances and access to micro-finance. They also carry-out a regression analyses, which differs from Anyanwu (2012) in that household per capita consumption is specified as a dependent variable instead of probability of poverty. Their findings from this approach indicate that larger households, dependency, female-headed are associated with lower household welfare. The behaviour of female-headed household in Bangladesh seems to be consistent with what has been observed in South Africa. Other determinants of (consumption) welfare are education, agricultural land ownership, occupational types and remittances. Education premium is locational-specific. This aspect suggests that location-specific characteristics have to be taken into account when assessing

the association between poverty in consumption terms and the rest of the other dimensions of welfare.

Maybe an even more important aspect of the Bangladesh review is the linking of changes in poverty to changes in other dimensions. This reveals that changes in the same factors can affect changes in poverty in different locations (urban-rural) differently. For example, among rural households, changes in household size, demographic variables, land ownership and geographic location impact more on rural than urban consumptions. Increase in educational endowment has stronger effect on consumptions in urban households. Occupational categories also show disparate effects, while increase in returns to agriculture labour and farming accounts for substantial poverty reduction in rural areas, return to non-farm and self-employment contribute more significantly to urban poverty reduction. The purpose of highlighting these disparities is to underscore the importance of carefully assessing the sources of incomes of the poor from different locations before making relevant recommendations for appropriate interventions.

Another poverty profiling exercise is that undertaken by World Bank (2010) for Argentina, which focused mainly on rural poverty. This particular study is quite interesting in that it raises the common problem of the fact that most poor in rural areas and in the informal economy are hardly accounted for in official developing country data. This problem generally arises because of strong urban bias in welfare data collection. The study emphasises the need to combine qualitative and quantitative approaches to poverty profiling especially when dealing with rural poverty. It also exposes the usual problem of using survey data on the one hand and census data on the other. While census data has good coverage, it is generally poor in some of the most important welfare dimensions of concern, such as income and expenditure and often dated far back in time, with less frequency for time comparison. On the other hand, survey data gets deeper with these variables of interest, with more frequent rounds and hence suitable for time comparison, but lacks coverage. In lacking coverage, it generally undercounts the poor in rural and difficult-to-reach areas.

We note two approaches here, both of which were reviewed earlier. The one by Clert et al (2001) combines quantitative and qualitative approaches to poverty profiling. The other, by Hentschel et al (1999), Aldelman et al (2001) and Elbers et al (2001) combines survey data with census data in order to complement their respective strengths. World Bank (2010) uses 2001 census data together with 2007 qualitative survey to profile poverty for Argentina. The qualitative data consist of key informants interviews, in-depth interviews, focus group discussions and secondary information sources. Some of the key background aspects to the qualitative study are large household size, extended families, coexistence of different family arrangements such as children cared for by grandparents or other relatives, multiple families in each household and more complex and extended family arrangements. Some of these elements are common in South African households, especially in rural areas, which merit closer examination.

The study starts with an in-depth examination of demographic structure and changes in Argentina, distinguishing rural and urban and different provinces. The next step it follows is the measurement of poverty. The approach is along the lines of consumption attainment, and measures poverty in terms of Unsatisfied Basic Needs (UBN). The UBN indicator considers a household to have unsatisfied basic needs if it is crowded, living in precarious dwelling place, has at least one child of school age not attending school, and has four or more persons per employed person. Although this approach is commendable if income or expenditure data is not available, The CBN indicator has some weaknesses. The one most important is that its

definition is arbitrary and does not follow any clear conceptual approach to poverty. The fact that what constitutes basic needs may vary over time and space is another weakness given that the CBN definition is applied to all households. The limitation is even more acute when applied to rural areas, since the UBN definition underestimates resource command.

Nonetheless, in the absence of reliable income data, World Bank (2010) uses this approach. They then compare it across education, demographic characteristics, access to social service and employment. This approach is then complemented with qualitative analyses of socio-demographic characteristics, including family composition, asset ownership, and access to basic services, migration, labour market, health, social protection, and housing. The beauty of qualitative assessment is that one can zoom on different aspects of interest. World Bank (2010) also capture factors related to aspirations, conflict and discrimination in characterising poverty.

What arises from these reviews is that quantitative measures of consumption-based poverty have been preferred in many poverty profiling exercises, especially those that aim at generating targeted poverty-reduction policies. The consumption indicators have all been complemented with other dimensions of wellbeing, most often, health, education, employment, access to services and demographic composition. Comparisons over time have been done in the context of growth incidence analyses, but most often, in simple tabulations and cross tabulations of indicators over time. Another good approach is the breakdown of changes in poverty indicators comparatively with changes in other socio-economic and demographic characteristics. This has been able to match changes in poverty status with factors that are most likely to underlie these changes. An important insight in the reviews is the way data limitations can be overcome, especially in situations where small area disaggregation is necessary. We now turn our attention to creating a possible framework for poverty profiling in South Africa.

4 METHODOLOGY AND FRAMEWORK FOR PROFILING POVERTY IN SOUTH AFRICA

The overriding question with which we conduct this assessment relates to active participation of the poor in the economic growth process, and is twofold:

- What constrains the poor from accessing productive opportunities?
- What constrains the poor from gaining from the fruits of the ensuing economic growth?

Though social grants may constitute an important social safety net, the focus in this work is primarily on the sustainability of poverty reduction strategies rather than only a short term solution. The methodological framework used draws from the thorough review of literature in the practise of poverty profiling. The review has helped to establish not only the relevant dimensions for South African poverty analyses, but also a comparison of methods of incorporating dimensions into poverty index. Top of the list for the dimensions are education and health, followed by unemployment and access to assets and services.

The approach we adopted was to first define poverty in terms of consumption attainment, then examine the seriousness and distribution of poverty across space, gender and racial profile, followed by the characteristics of the poor, the changes in poverty and the associated factors

over time. The changes were then linked to the policy context and the other dimensions identified in literature.

The approach first involved a quantitative assessment of poverty based on a quantitative measure of poverty. This was followed secondly by a qualitative assessment, which included the poor's view about the dynamics of poverty, through qualitative information gathering. The following figure sketches the various blocks of activity undertaken in developing this poverty profile at appropriate levels of spatial disaggregation.

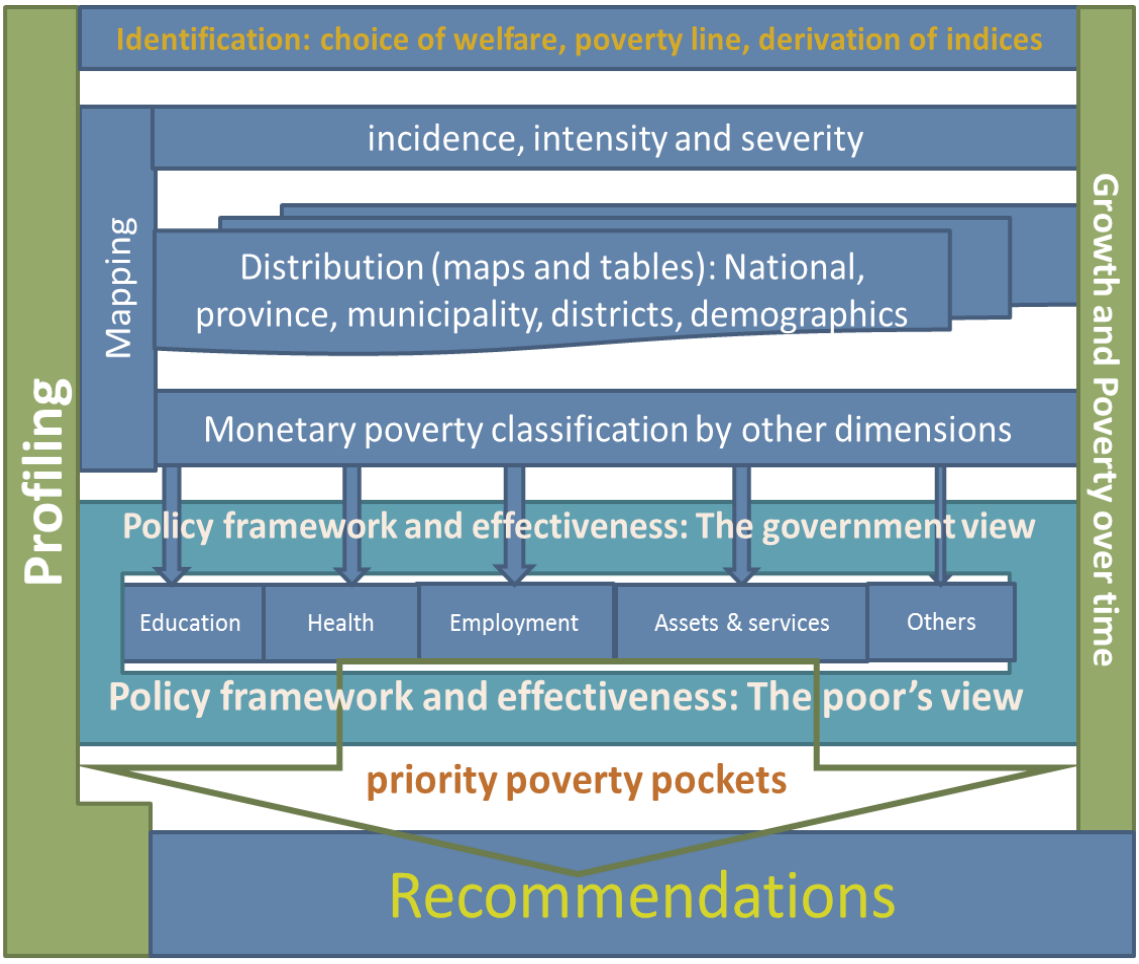

Figure 4.1: The flow of various activities for poverty profiling

This framework commenced with poverty identification and explanation of the extent and distribution of poverty. Then it went to identify and compare the characteristics of poverty before looking at changes over time. The policy context (from both the policy-maker's and the poor's view point) was subsequently explored before undertaking a comparative qualitative analysis.

4.1 IDENTIFICATION OF THE POOR

In identifying poverty, the first step consisted of determining a welfare indicator. We began with a consumption-based type of poverty measurement. Going with a consumption measurement, poverty line must be consistent with the consumption attainment approach.

Even when the welfare dimension is chosen, there can still be a number of ways to define poverty line. This stems from the wide variety of poverty line definitions.

Poverty line derived from the different definitions can vary significantly. Woolard and Leibbrandt (1999) suggest the use of "poverty critical range". We applied it in this work by choosing a set of poverty lines over which poverty comparison was not sensitive. Poverty measures plotted by different poverty lines can be a useful tool in performing comparisons that show the degree of robustness given different lines. Statistics South Africa (STATSSA, 2012) suggests using food poverty line, lower and upper bound poverty lines. These have been estimated for most of the datasets and only a sensitivity performance may be required. The one important factor that has been ignored for South African poverty line determination is to account for the fact that purchasing power parity may change from province to province and at different levels of spatial disaggregation. For this purpose, an approach that involved the analysis of the income distribution spectrum was employed.

The three different poverty indices to be calculated for each poverty line are the poverty head count index, poverty gap and severity. The calculation follows the Foster, Greer and Thorbecke (FGT) method. Each of these indices gives a different degree of poverty. Before calculating it, equivalent scales have to be employed in order to take into account difference in intra-household age structure. Woolard and Leibbrandt (1999: 12-17) provide an exposé of equivalence scaling which will also be employed here.

4.2 Distribution of poverty

The distribution of poverty was presented in tables and maps of poverty by geographic locations, gender, racial and demographic groups. Mapping depended on data generated by geographic information systems (GIS) with values fixed to specific locations on a grid. The use of GIS allows for the integration of multiple databases from different sources; analyses of spatial association between variables. It can also be used to incorporate spatially generated determinant variables that can be used to analysed poverty correlates such as education, health, labour market etc. It can also allow the analysis of the impact of poverty on other aspects of the socio-economy. Policy comparison can also be made possible through dynamic mapping (over time). Tabulation of poverty is also important in complementing the GIS mappings.

Our overall approach was to start at national level, then provincial. We then selected the provinces with the highest rate of poverty for deeper and more disaggregated analysis. Given that poverty measures give averages for the province, the extent of distribution of poverty within provinces is also important to consider. We therefore used the criteria of poverty inequality to further identify the provinces to probe beyond provincial level disaggregation.

4.3 Characteristics of the poor

Poverty reduction can happen through two types of redistribution. One is based on cash transfers such as various government grants. The other is based on improving the poor's endowment of the crucial dimensions that allows for more fruitful participation in the economic production process. Education and health are crucial dimensions for human capital development, which in turn determines access to the labour market and hence socio-professional status. We therefore paid particular attention to these.

After mapping the poor and distinguishing their distribution geographically and socio-demographically, we then classified the poor (relative to the non-poor) by various other dimensions of deprivations. The main dimensions by which to classify poverty are education, health (Poverty and infant/maternal mortality, Poverty and child stunting, Poverty and HIV, Poverty and other disease burden), Labour market (participation and occupational characteristics), gender and access to basic services.

Access to assets, in addition to human capital can help the poor by allowing them to gain stakes in productive value chain through investment. Therefore we lay particular emphases to the core dimensions of education, health and assets.

Poverty dominance, drawn from the methodology of stochastic dominance is also necessary. Dominance analyses of the type employed in Woolard and Leibbrandt (1999) will be undertaken. It is also a way of ensuring that the comparisons within each dimension are robust to the choice of poverty line. Poverty dominance curves are plots of the respective poverty measures on the y-axis and poverty line on the x-axis. The three different measures (incidence, depth and severity) were plotted within different welfare dimensions and socio-demographic categories.

4.4 Dynamic analyses of poverty

The dynamic analyses of poverty involved three main steps. The one was exploring the trends of the poverty measures over time for the different spatial disaggregation. The next was to map dynamic changes to the different characteristics and dimensions of poverty and thirdly we undertook growth incidence curves (GIC) analyses within different dimensional categories. The purpose of GIC analyses is to evaluate the pro-poorness of changes in the different dimensions of deprivations and in economic fundamentals (including GDP growth). The degree to which anti-poverty policies are effective over time depends on how strong it enables the poor to benefit from the fruits of economic growth. A growth incidence curve is a plot of income growth on the y-axis against the poorest x-per cent of the population ranked by per capita income. It shows what proportions of the growth (in income or any other dimension) accrue to the different segments of the income distribution spectrum.

4.5 Policy context and qualitative assessment

The policy context consists of systematic documentation of the various antipoverty policies that have been implemented over the last few years. First it starts with a review of the policy prescriptions that have been followed for poverty reduction, with particular emphases on the works of the NDA. The obvious starting point is the policy review work undertaken by HSRC (2008). The purpose was to map various policies from the national government level through provincial to district levels. The approach taken in HSRC (2008) to evaluate the effectiveness of antipoverty programs and institutional capacity through budgeting and staffing was particularly relevant here. Respective policies that are designed to directly affect incomes and consumptions of the poor, and indirectly via other factors such as labour market, education, health, access to public service etc. were explored from the top policy-making spheres to target population at the small area space level. Implicit in this assessment was the performance of the respective administrative units to deliver on various poverty reduction programmes, especially at the provincial level.

Within the frame of qualitative assessment of poverty, views of policy effectiveness were collected from a sample of the poor selected from three provinces with the highest levels of poverty within areas of NDA interventions. These views were linked to the top-bottom policy exploration. With this comparison, gaps in policy and policy effectiveness were identified for policy recommendation. The qualitative assessment of poverty, including views from the poor was not limited to policies but also to the other dimensions of poverty. The poor were asked to describe poverty and also indicate the possible causes. This information was then compared with the quantitative assessment before drawing conclusions of poverty profiling.

4.6 Data Sources

Data for the type of profiling described above was obtained from various sources, the major and reliable data source being Statistics South Africa data publications. In addition the South African Audience Research Foundation survey known as the All Media and Products Survey (AMPS) family surveys dataset was utilised. This dataset is also important and has often been used by the Presidency to produce the South African Development indicators. It is a good dataset for longer term time series analysis of poverty, especially at macro- and meso-levels. However, the data can have a strong urban bias since it is collected primarily for marketing purposes and it may under-represent some poor communities, especially rural poor, and those with less effective participation to the market economy. There are also data compiling firms that use various data sources to compute the indices of interest and other socio-economic indicators. These sources are listed below separately. We classify data according to household/individual and community-level statistics.

The core datasets utilised were from the Statistics South Africa (STATSSA). STATSSA has under-taken censuses and various surveys. Census data available for this work would was primarily the recent 2011 census, with some comparison to census 2001. There were various survey datasets and those rich in consumption and income variables were the income and expenditure surveys (IES, 1995, 2000, 2005 and 2010) and household living conditions survey (2009). The living conditions survey was designed specifically for poverty-related data collection. These datasets also contain rich information on other dimensions and qualitative aspects of poverty. However, for the other dimensions of deprivation like education and health, assets etc., the main source of data was the general household surveys.

Although we get some employment characteristics from the other datasets, there are also dedicated surveys that focus on the labour market namely the Quarterly Labour Force Surveys (QLFS) and labour market dynamics. In order to take a closer look at child and youth poverty, information from the survey of activities of young people was employed. Other datasets that we found useful for this analysis was the community survey (2007), financial census of municipalities, non-financial census of municipalities and various national and government statistics. Other datasets that were drawn on to map government spending against different aspects of anti-poverty policies came mainly from the National and Provincial treasuries and the different provincial governments.

Other data compiled from existing datasets included the South African Institute of Race Relations (SAIRR, 2012) South African Survey, compiled in 2012. It contains economic, demographic, educational, health and assets information, presented at the national level and also at various levels of spatial disaggregation. Other data firms which make use of the various censuses and survey data are the Global insight (Rexexplorer), and Quantec. Quantec dataset has some rich socio-economic indicators which are mainly demographic, incomes,

expenditures, housing and infrastructure. Qantec data covers provinces, metropolitan areas, and user defined areas based on district and town council. The main relevant dimensions that are covered are: Demographics and income at the individual and household level; Poverty indicators; HIV/AIDS incidence estimates; Education & training; Labour market indicators such as employment by skill, formal and informal and unemployment; Detailed consumer expenditure and retail sales; and development; Economic indicators such as GDP, labour remuneration and gross operating surplus at the industry level. The datasets are compiled using the primary data collected by STATSSA and AMPS.

5 POLICY FRAMEWORK

5.1 Poverty reduction policies from national to grassroots levels

The policy intent of the government of South Africa is contained in the Medium Term Strategic Framework (MTSF). It is the framework that guides planning and resource allocation across all spheres of government. The different national and provincial departments draw their strategic plans and budgets following guidance from the MTSF. Equally, the MTSF is the bases from which municipalities are expected to adapt their Integrated Development Plans (IDP). Although the recent (2014) Medium Term Expenditure Framework (MTEF) also draws from other policy documents such as the National Development Plan and the New Growth Path, the MTSF is meant to capture the key elements of the other policy documents. The MTSF also spells out the relevant strategic objectives for the period 2009 to 2014, which contains the relevant period of assessment in this work. Therefore the core policy objectives reviewed here are those contained in the MTSF.

5.1.1 General pro-poor policies

At the centre of the MTSF policy framework is the role of economic growth and development, including decent work and investment in education and skills development. From this core objective flows five related sub-objectives, of which the first three and the fifth are directly relevant to our assessment of poverty and related dimensions:

I. The first is to halve poverty and unemployment by 2014
II. Ensure a more equitable distribution of the benefits of economic growth and reduce inequality
III. Improve the nation's health profile and skills base and ensure universal access to basic services
IV. Improve safety of citizens by reducing incidents of crime and corruption
V. Build a nation free of all forms of racism, sexism, tribalism and xenophobia

The first objective seeks to tackles poverty directly through the improvement of the labour demand-side of the economy. The second objective seeks to ensure that the process of economic growth is more inclusive by tackling inequality. The third addresses the labour supply-side by seeking to tackle human capital and access to services. The fifth objective seeks to addresses racial, gender and geographic divide in economic opportunities and poverty. From the above set of objectives flows ten strategic areas of policy priority. In this

work, we emphasise on six[13] of these strategic areas as they relate directly to poverty and the different dimensions considered in this review. These strategic areas are:

- More inclusive economic growth, decent work and sustainable livelihoods
- Economic and social infrastructure
- Rural development, food security and land reform
- Access to quality education
- Improved health care
- A developmental state including improvement of public services

In the discussion of pro-poor policies in South Africa, we group the strategic areas into the relevant dimensions that determine poverty outcomes. These are human capital, comprising education and health; labour market and access to assets (land).

5.1.2 Education policy

Recognising the role of skills and education in helping individuals participate actively in the social and economic life of the nation, the government has since post-apartheid emphasised education in the national budget. In the MTSF, policy strategy in accomplishing a strong skills and human resources base includes a number of elements.

The first strategy is to create a culture of achievement, with the improvement of learners' outcomes. The target is to attain an overall 20% improvement in the key educational indicators by 2014, and improving South Africa's position in cross-country tests. The set of measures put in place seeks to achieve a more effective school outcome by increased resource utilisation in public schools, remove obstacles to access to education and completion of schooling programmes, implement a performance monitoring measures in the educational system etc.

The second is enhancing participation and quality of Early Childhood Development (ECD) services, with the target of a universal access to Grade R and doubling the participation of 0-4 year-olds to ECD services by 2014. The tools for this target include improved institutional framework for governing and facilitation of ECD services, improved system of registration of ECD centres, establishment of norms and standards for early childhood education, provision of curriculum support; provide incentives for ECD teacher education etc.

The third is to expand access to and capacity of secondary education, with a target of increasing secondary enrolment rates to 95% by 2014, and ensure high access and completion rates of young people. Tools to achieve these include a drive to make the first 12 years of schooling compulsory, encourage the acquisition of a senior certificate for every learner, diversify educational delivery modes, including curriculum adaptation to minimise age-related exclusions.

The other strategies towards education and skills development relate to educational infrastructure, safe and supporting environment for children, development of a teaching profession with high ethical and professional standards for high quality education. Improved conditions for effective school management system, including monitoring and evaluation, and

[13] The other strategic areas that we don't emphasise are: the fight against crime and corruption; cohesive and sustainable communities; creation of a better Africa and a better world; sustainable resource management and use.

schools performances management are also tools for this objective. Broadening of access to post-secondary education especially higher education, with emphasis on people with disability is also included in the policy package, with a target throughput rate of 20% by 2014. Finally, a recognition of skills mismatch has prompted policy objectives to include measures that ensure that skills development initiatives respond directly to the requirements of the economy, rural development challenges and social integration. Therefore policy direction in this area is to increase the number of skills personnel in key critical areas such in manufacturing, construction and cultural activities.

5.1.3 Health policy

As another key element in the human capital development, policy strategy acknowledges the challenges that the South African health system continues to face. The key policy direction in this respect is to transform the public health system in order to reduce inequality in the health system, improve quality of care and public facilities, boost human resources in the health system and enhance the fight against HIV and AIDS, TB and other communicable lifestyle diseases.

A set of tools is proposed in policy mix to achieved and improved health care system. The first element includes the phasing in of the National Health Insurance (NHI) system. A precursor to this being a revamp of the public health system in order to progressively provide quality health care. The second element is to enhance institutional capacity to deliver health system functions, which also involves structural reforms for the improved management of health services at all levels of the health care delivery chain. Policy to curb infant morbidity and mortality aims to introduce new vaccines against the major causes of infant morbidity – diarrhoea and pneumonia.

5.1.4 Employment policy

Although adequate human capital can contribute in improving labour market access by the poor, it largely addresses labour supply-side issues. Even the best trained labour force can do little in the absence of employment opportunities. The South African government is alive to this and has incorporated two broad areas of policy interventions to address the issues of labour demand. The one is addressing economic structural problems in order to speed up economic growth, transform the economy to create decent work and sustainable livelihoods. The other is an intervention for a massive public works programmes to build economic and social infrastructure.

5.1.4.1 Growth and economic transformation for decent work and sustainable livelihood

The set of policy prescriptions in the Medium Term Strategic Framework (MTSF) geared at addressing economic growth and transformation that delivers decent work and sustainable livelihood is born from the recognition that South Africa's economic growth needs to be sustained and that its benefits more equitably accrued to all sections of the society, especially the poor and the marginalised. It is also born from the recognition that few sectors have

driven growth and that sources of economic growth need to be broadened. The key main objective of this policy priority area is to ensure that growth in decent employment and income security are boosted and investment is sustained to enhance national economic capability and industrial competiveness. Five core pillars of this strategy have been identified as areas of policy intervention.

The first is to foster and maintain a pro-employment macroeconomic environment that promotes economic growth stemming from broad-based industrialisation with reduced income inequality. This is proposed to be achieved through a battery of macroeconomic interventions and state investment. Macroeconomic interventions are proposed in the areas of countercyclical monetary and fiscal policies; price stability and low inflation; reduction in currency volatility. Other policy instruments include expenditure management, a tax system that encourages productive investment and employment creation, implementation of the BEE charter, and a more focused investment of state and other pension funds.

The second pillar of policy intervention is implementing industrial policy that creates large scale decent jobs, broadens the industrial base and deals with the balance of payment constraints. The main vehicle is the scaling up and implementation of the Industrial Policy Action Plan (IPAP), with the provision of the necessary human and financial resources. The IPAP to be accompanied by various other complementary measures such as competition policy, regional economic integration, supporting progressive improvements in pay and conditions of workers and effective regulation of contract work and job sub-contracting.

The third area of policy intervention is the creation of inclusive growth through the expansion of opportunities for the poor to access labour market, and ensure the fruits of economic growth benefits all sectors, particularly the poor and marginalised. The major policy tools are facilitation of access to financial services in poor areas, with particular emphasis on the second economy; full implementation of the expanded public works programme; ensure location of working people closer to economic activities; upgrading and transformation of informal settlements; greater alignment of infrastructure and land use planning; and skills development.

The other two pillars of intervention are Small and medium-size enterprises (SMEs) and co-operatives, and the science and technological innovation and development as a pillar of industrial competitiveness and sustained growth. The SMEs pillar is driven through the facilitation of access to markets, access to value chain by small businesses and co-operatives, strengthening of institutions for the provision of business development support, access to micro-finance, partnership with private sector and leveraging of state procurement. The science and technological innovation focuses of strategies and support for innovation in firms, and R&D; increasing access and uptake of ICT services through partnership with business and civil society; and skills development in the area.

5.1.4.2 Massive economic and social infrastructure programmes

This strategic priority recognises the importance of infrastructure for economic growth and social transformation. It proposes massive infrastructure investment programmes in the areas of transportation, energy, water, sanitation and information and communications. The target is to scale-up infrastructure investment to up to 25% of GDP by 2014. This policy sphere contains the elements of access to assets such as land, and services.

The major elements include resource mobilisation for economic and social infrastructure programmes; revamp and maintenance of electricity infrastructure, including alternative energy sources; logistics infrastructure for the supply of liquid fuel to inland provinces, other transport infrastructure particularly agro logistics infrastructure for farming and agricultural products; ICT infrastructure; efficient and reliable public transport; building and maintenance of water infrastructure; development and provision of suitably located low-cost and affordable housing, with an inbuilt concept of integrated communities; development of rural infrastructure, particularly agriculture and production services in conjunction with land reforms, schools, health, water, energy, sports and other recreational infrastructure; improvement of provincial and local government capacity for efficient delivery of economic and social services.

5.1.5 Other poverty-related policies

In customising the MTSF at the local level, municipalities are expected to develop budgets that are aligned to key outcomes. In the local government and expenditure review for 2006/07 – 2012/13, National Treasury (2011) highlighted twelve outcome areas as the basis of the alignment of municipal budgets. The outcome areas are developed from the key priority areas of the MTSF, which is also informed by the six key sectors of the New Growth Path (NGP): infrastructure expansion (particularly, transport, energy, water, communication and housing; agriculture and agro-processing sector; mining and mineral beneficiation; green economy and associated manufacturing services; manufacturing sectors earmarked in the IPAP; tourism and selected services sectors. In Table 5.1, the twelve key outcomes and the role of local government with respect to each outcome is presented.

Table 5.1: Government's 12 priority outcomes and the role of local government

Cabinet outcome	Role of local government
1 high-quality basic education.	• Facilitate the building of new schools through participating in needs assessments done by provinces, identifying appropriate land and facilitating zoning and planning processes • Facilitate the eradication of municipal service backlogs in schools by extending appropriate bulk infrastructure and building connections
2 Improved health and life expectancy	• Many municipalities perform health functions on behalf of provinces • Strengthen effectiveness of health services managed by municipalities by specifically enhancing TB treatments and expanding HIV and AIDS prevention and treatments • Municipalities must continue to improve Community Health Service infrastructure, by providing clean water, sanitation and waste removal services
3 All people in South Africa protected and feel safe	• Facilitate the development of safer communities through better planning and enforcement of municipal by-laws • Direct the traffic control function towards policing high risk violations rather than revenue collection • Metro police services should contribute by increasing police personnel, improving collaboration with South Africa Police Service (SAPS) and ensuring rapid response to reported crimes
4 Decent employment through inclusive economic growth	• Create an enabling investment environment by streamlining planning application processes • Ensure proper maintenance and rehabilitation of essential services infrastructure • Ensure proper implementation of the expanded public works programme (EPWP) at the municipal level • Design service delivery processes to be labour intensive • Improve procurement systems to eliminate corruption and ensure value for money • Utilise community structure to provide services
5 A skilled and capable workforce to support inclusive growth	• Develop and extend intern and work experience programmes municipalities • Link municipal procurement to skills development initiatives
6 An efficient competitive and responsive and economic infrastructure network	• Ring-fence water, electricity and sanitation functions so as to facilitate cost-reflective pricing of these services • Ensure urban spatial plans provide for commuter rail corridors, as well as other public modes of public transport • Maintain and expand water purification works and waste water treatment works in line with growing demand • Assign the public transport function to cities • Improve maintenance of municipal road networks
7 Vibrant, equitable and sustainable rural communities and food security	• Facilitate the development of local markets for agricultural produce • Improve transport links with urban centres so as to ensure better economic integration • Work with provinces to promote home production to enhance food security • Ensure effective spending of grants for funding extension of access to basic services
8 Sustainable human settlements and improve quality of household life	• Cities to work towards fulfilling the requirement to be accredited for the housing function • Develop spatial plans to ensure new developments are in line with national policy on integrated human • Participate in the identification of suitable land for social housing • Ensure capital budgets priorities maintaining existing services and extending

	services
9 A responsive and accountable, effective and efficient local government system	• Adopt IDP processes appropriate to the capacity and sophistication of the municipality • Implement the community work programme • Ensure ward committees are representative and fully involved in community consultation processes around the integrated development plan (IDP), budget and other strategic service delivery issues • Improve municipal financial and administrative capacity by implementing competency norms and standards and acting against incompetence and corruption
10 Protection and enhancement of environmental assets and natural assets and resources	• Develop and implement water management plans to prevent water losses • Ensure effective maintenance and rehabilitation of infrastructure • Run water and electricity saving awareness campaigns • Ensure proper management of municipal commonage and urban open spaces • Ensure development does not take place on wetland and other sensitive areas
11 A better South Africa, a better and safer Africa and World	• Ensuring basic infrastructure is in place and properly maintained • Creating an enabling environment for investment
12 A development-orientated public service and inclusive citizenship	• Continue to develop performance monitoring and management systems • Comply with legal financial reporting requirements • Review municipal expenditures to eliminate wastage • Continue to implement the municipal turn-around strategies • Ensure councils behave in ways to restore community trust in local government

Source: National Treasury (2011)

6 PROFILE OF POVERTY IN SOUTH AFRICA

For the purpose of monetary poverty calculation, we use consumption as welfare indicator. Before profiling poverty, we first discuss the issue of equivalence scaling which is important to adjust for the fact that people's needs and consumption may differ according to age profile. There are various approaches to equivalence scaling, the simplest being the practice of taking the per capita indicator of welfare, in our case consumption within the household. However, the method indicated as plausible for South Africa is that suggested by May et al (1995)[14] and critically discussed in Woolard and Leibbrandt (1999). The method attributes a weight of 0.5 to children[15] and a coefficient of economies of scale of 0.9. We use the same approach to weight household consumption expenditures. It is worth noting from Woolard and Laibbrandt (1999) that poverty measures vary very little with changing in equivalence scaling methods.

Another issue to first discuss is that of poverty line. As discussed in the literature review, poverty lines can be established in two ways. The one is in absolute terms and independent of the distribution of wellbeing. The other is in relative terms, which is in some way related to the distribution of wellbeing. In South Africa, efforts have been made to estimate some indices of absolute poverty lines. These are food poverty line, lower-bound poverty line and upper-bound poverty line. In addition to these, there is the international poverty line of $1.25 per person per day and $ 2.50 per person per day, corresponding to lower and upper bounds respectively. With

[14] May, J., Carter, M. and Posel, D. (1995) "The composition and persistence of poverty in rural South Africa: An entitlement approach". Land and Agriculture Policy Centre Policy Paper No. 15.

[15] Considered by OECD to be household member below 14 years of age.

respect to relative poverty line, literature review shows that 40th percentile and 20th percentile are commonly used. STATSA (2012) has estimated the respective absolute poverty lines, adjusting for inflation. The period of the poverty lines also corresponds to the period of the income and expenditure survey (IES) of 2010/2011. For this reason, we use these poverty lines together with the two relative poverty lines for sensitivity check when making comparison, however, the rest of the work uses only a single absolute poverty line for analysis which is the upper bound poverty line of ZAR 577. Table 2 shows the values of the respective poverty lines to be used.

Table 6.1: Poverty lines in South Africa

Poverty line type	value	remark
Food poverty line	R305 per person per month (/p/m)	March, 2009 figures
Lower Bound poverty line	R416 per person per month	March, 2009 figures
upper Bound poverty line	R577 per person per month	March, 2009 figures
International poverty line	$1.25 (R4.81) /person/day (or 146.3 /p/m)	Adjusted for PPP
International poverty line	$2.50 (R9.63) /person/day (or 292 /p/m)	Adjusted for PPP
Relative poverty line	20th percentile (538.1 /p/m)	
Relative poverty line	40th percentile (914.5 /p/m)	

6.1 Poverty comparison by demographics

Figure 2 plots poverty incidence for South Africa and the nine provinces by poverty line. The figure indicates that irrespective of the choice of poverty line from the above table, poverty comparison across provinces remains consistent. Only three provinces have poverty incidence below the national average for all the poverty lines. These provinces are Gauteng, Western Cape and Free State respectively in order of increasing poverty incidence. The poorest provinces are Limpopo, Eastern Cape and KwaZulu-Natal, respectively in order of decreasing poverty incidence.

Similar analysis is done for poverty intensity (figure A1 in appendix) and severity (figure A2). The analysis shows that for lower poverty lines, there is no consistency in terms of which province dominates the other in poverty. However at higher poverty lines there is consistency and therefore comparison is safer. The figures show that poverty lines of R577 and higher are safe to use for comparison. This is why we chose the R577 absolute poverty line for further analysis. The three provinces (Limpopo, Eastern Cape and KwaZulu Natal) remain consistently top. These are the provinces that will attract particular emphasis in further analyses.

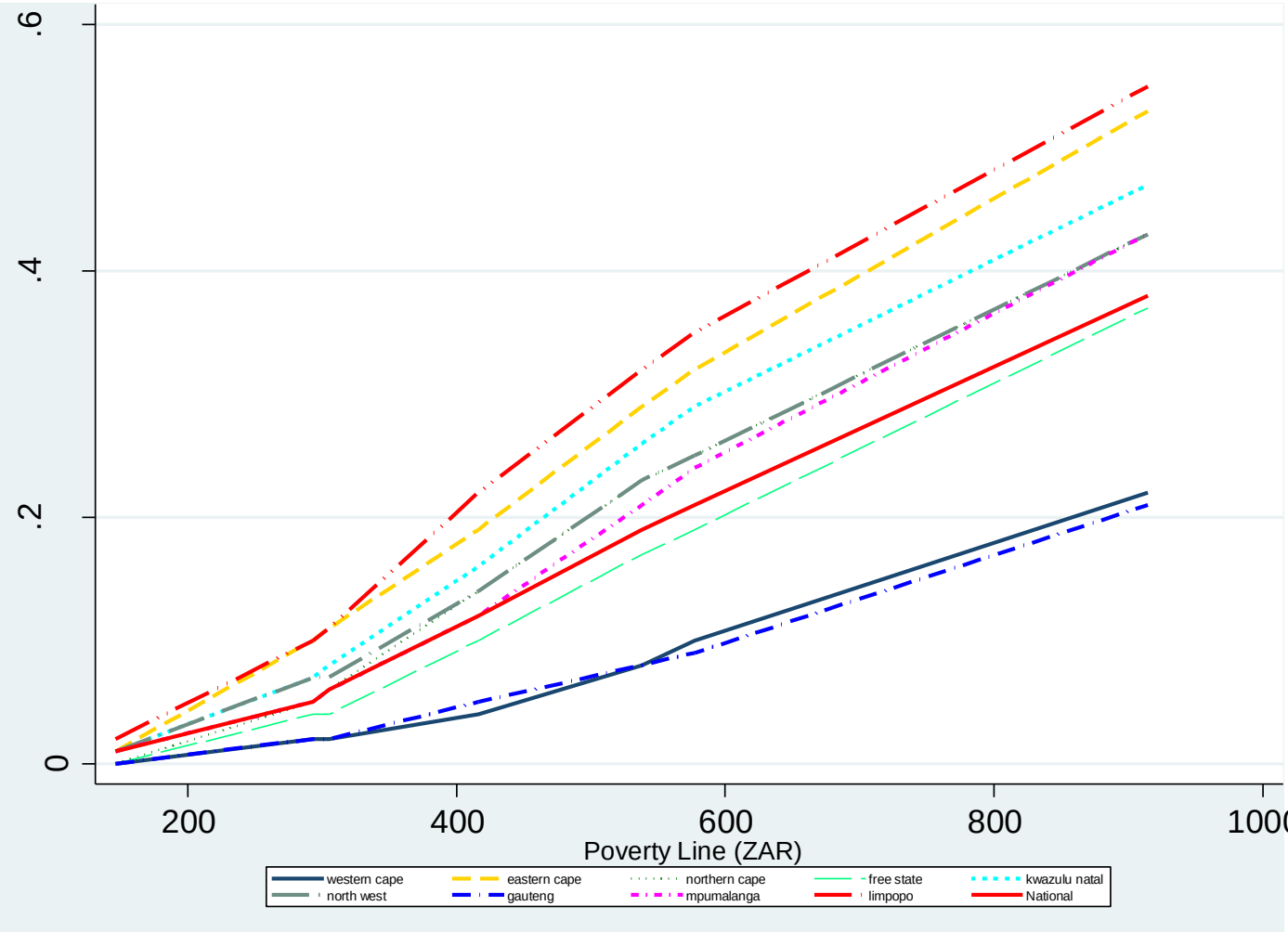

Figure 6.1: Poverty incidence sensitivity to poverty lines in 2010 data

In selecting provinces for further analyses, we also looked at inequality criteria. Figure 6.1 compares provincial inequality (Gini coefficients) and poverty severity according to levels of poverty incidence. Poverty severity has a measure of inequality in it, but focuses only on the poor. It measures how unequal the poorest are from the poor. Therefore it is more appropriate to select other provinces based on the poverty severity rather than Gini. The Gini measures inequality in overall income distribution, which is not our interest here. We are only interested in the distribution of poverty amongst the poor.

Figure 6.2 compares income inequality and the three measures of poverty by province. In general, except for Limpopo, the poorest provinces also have the highest Gini, while the richest provinces have the lowest Gini. Poverty severity consistently decreases with decreasing poverty incidence. Consequently we do not add any other province to our list of further analyses since those chosen using poverty criteria are also chosen using inequality criteria.

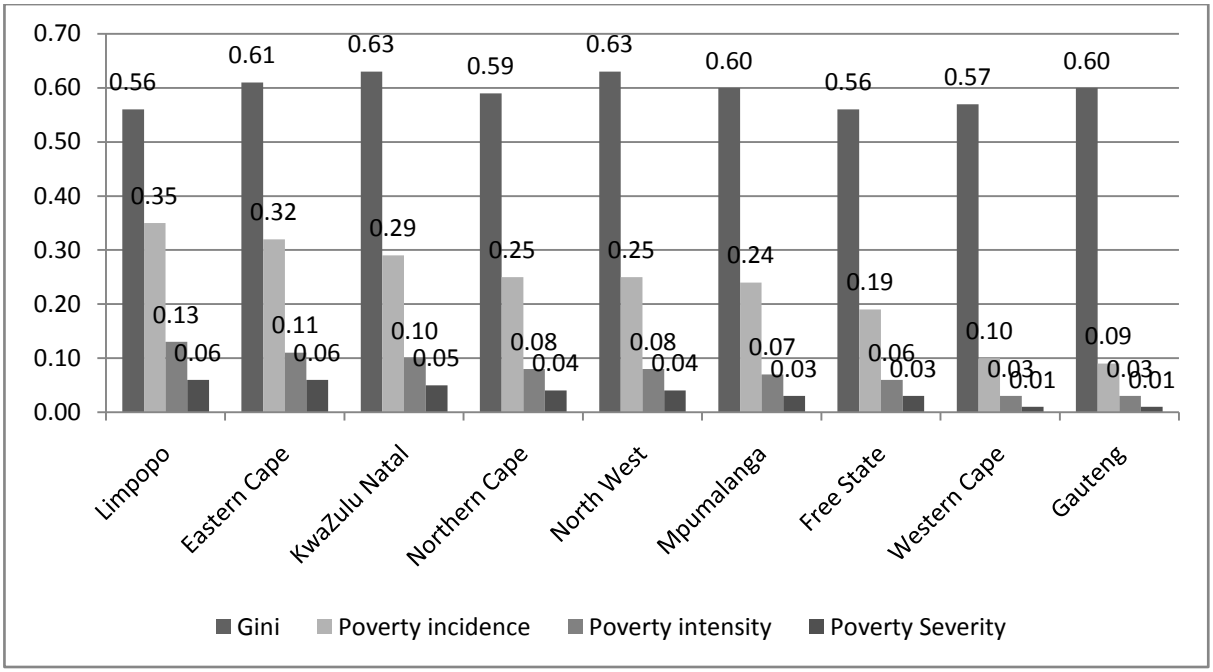

Figure 6.2: Inequality and poverty by province (Poverty line of R 577, 2010)

Figures 6.3, 6.4 and 6.5 respectively present the maps of provincial distribution of poverty incidence, severity and inequality (Gini). The poverty incidence and severity indicators are disaggregated by gender. The maps complement figure 6.2 and clarify the explanations of the distribution above.

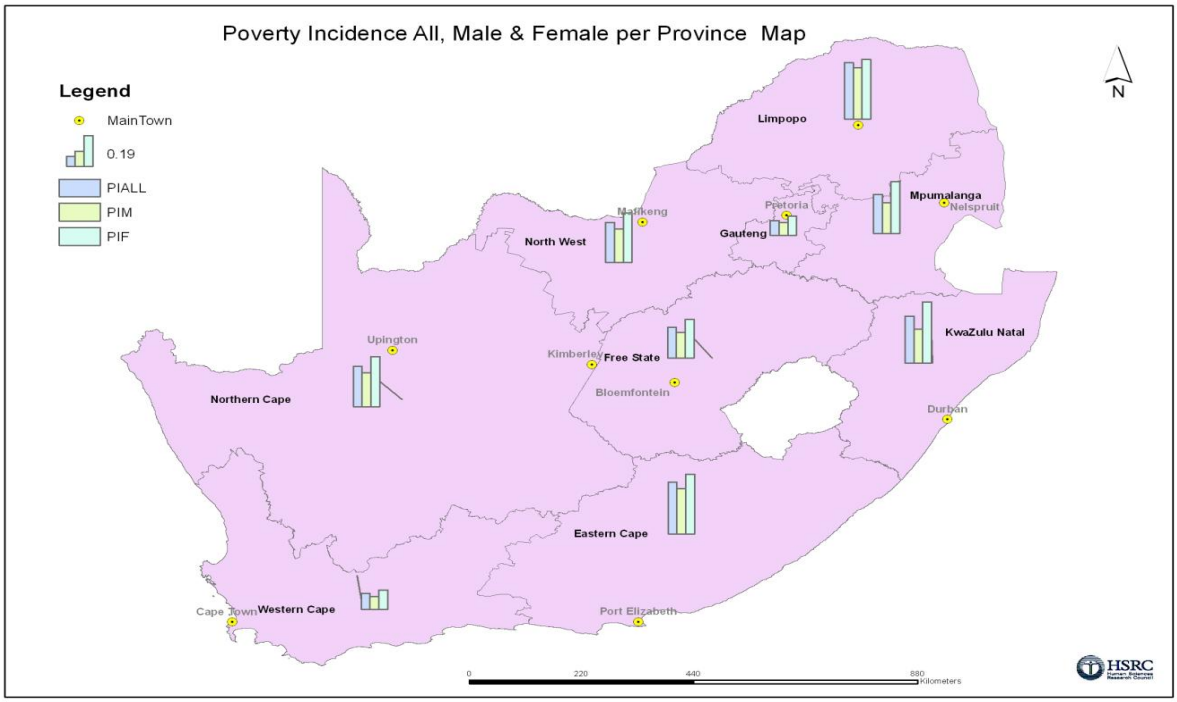

Figure 6.3: Provincial map of poverty incidence by gender[16]

[16] Generated from poverty rates that were calculated from the IES, 2010 dataset.

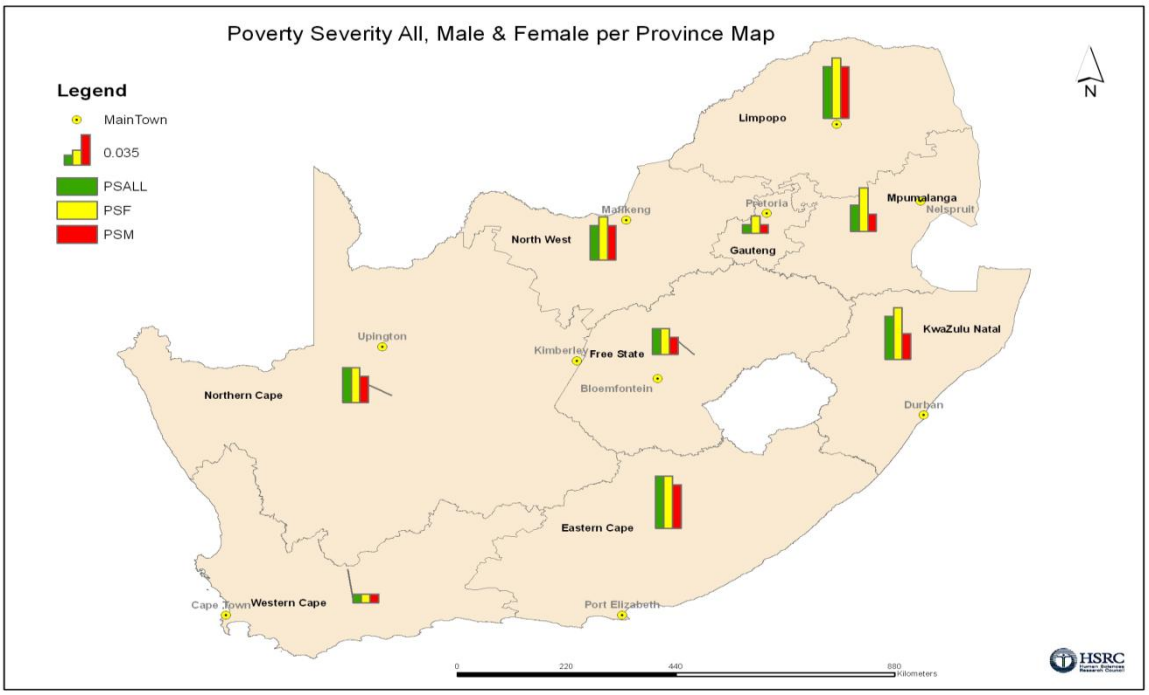

Figure 6.4: Provincial map of poverty severity by gender[17]

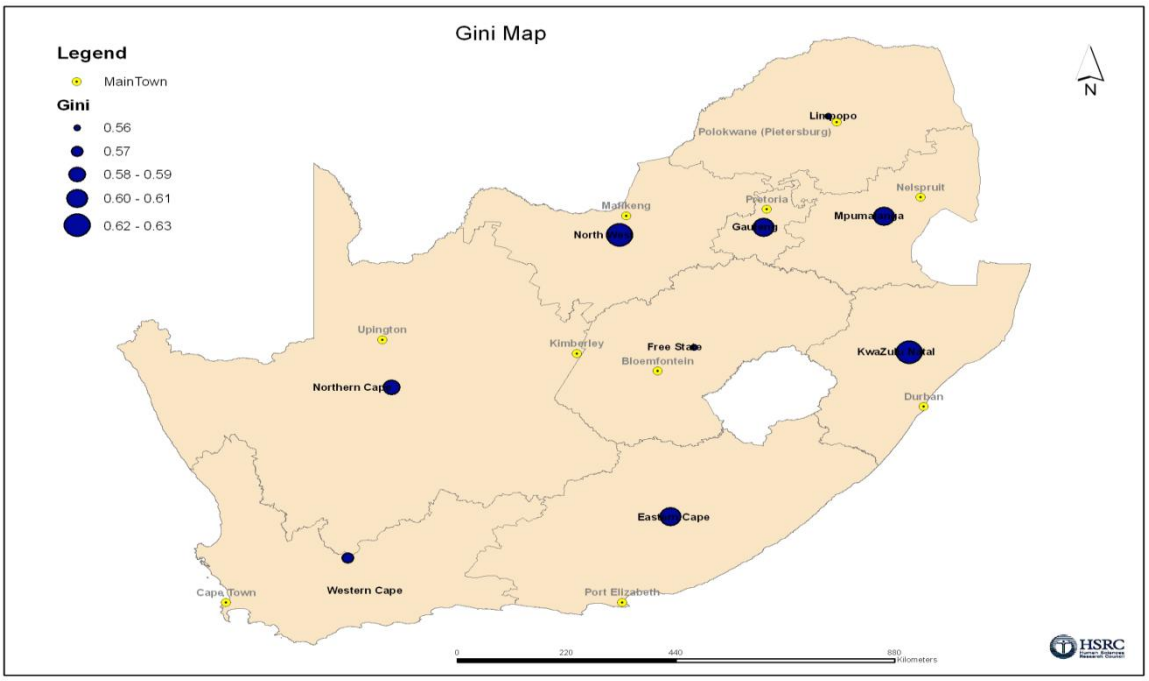

Figure 6.5: Provincial map of inequality (Gini) [18]

[17] Generated from poverty rates that were calculated from the IES, 2010 dataset.
[18] Generated from poverty rates that were calculated from the IES, 2010 dataset.

6.1.1 GENDER

Table 6.2 shows the indices of poverty disaggregated by gender across all provinces. In general, households headed by females tend to be poorer than those headed by male. This is so across all three poverty indicators. However, for Western Cape, Eastern Cape and North West Provinces, the female/male poverty gap is not significant for poverty severity.

Table 6.2: Poverty and inequality by province and gender (Poverty line of R 577) [19]

province	Gini	Poverty								
		incidence			intensity			severity		
		All	Male	Female	All	Male	Female	All	Male	Female
National	0.63	0.21	0.17	0.28	0.07	0.06	0.10	0.03	0.03	0.05
Western Cape	0.57	0.10	0.08	0.12	0.03	0.02	0.03	0.01	0.01	0.01
Eastern Cape	0.61	0.32	0.28	0.37	0.11	0.10	0.13	0.06	0.05	0.06
Northern Cape	0.59	0.25	0.21	0.31	0.08	0.07	0.10	0.04	0.03	0.04
Free State	0.56	0.19	0.16	0.24	0.06	0.05	0.08	0.03	0.02	0.03
KwaZulu Natal	0.63	0.29	0.21	0.38	0.10	0.07	0.13	0.05	0.03	0.06
North West	0.63	0.25	0.21	0.31	0.08	0.07	0.10	0.04	0.04	0.05
Gauteng	0.60	0.09	0.08	0.12	0.03	0.03	0.04	0.01	0.01	0.02
Mpumalanga	0.60	0.24	0.19	0.32	0.07	0.06	0.11	0.03	0.02	0.05
Limpopo	0.56	0.35	0.32	0.37	0.13	0.12	0.14	0.06	0.06	0.07

Figure 6.6 presents a chart of female/male poverty differential in relative term, calculated as (female-male/female) by province. Among the provinces, KwaZulu-Natal has the highest gender poverty incidence and intensity differentials, (45%, and 46%) respectively. This means that in KZN, females contribute 45% and 46% more to poverty incidence and intensity respectively than their male counterparts. This is followed by Mpumalanga where females contribute respectively 41% and 45% more to poverty incidence and intensity than males, and Free State (33% and 38%). In terms of poverty severity, females contribute up to 60% more in Mpumalanga than their male counterparts, followed by KZN and Gauteng (50% each). Although levels of poverty and inequality are high in Limpopo compared to most of the other provinces, it shows less gender inequality amongst the poor. It has the least gender disparity for poverty incidence and intensity, followed by Eastern Cape. Of the three poorest provinces, the figures suggest more marginalisation of women among the poor in KZN than the other provinces.

[19] Calculated using IES, 2010 of STATSSA

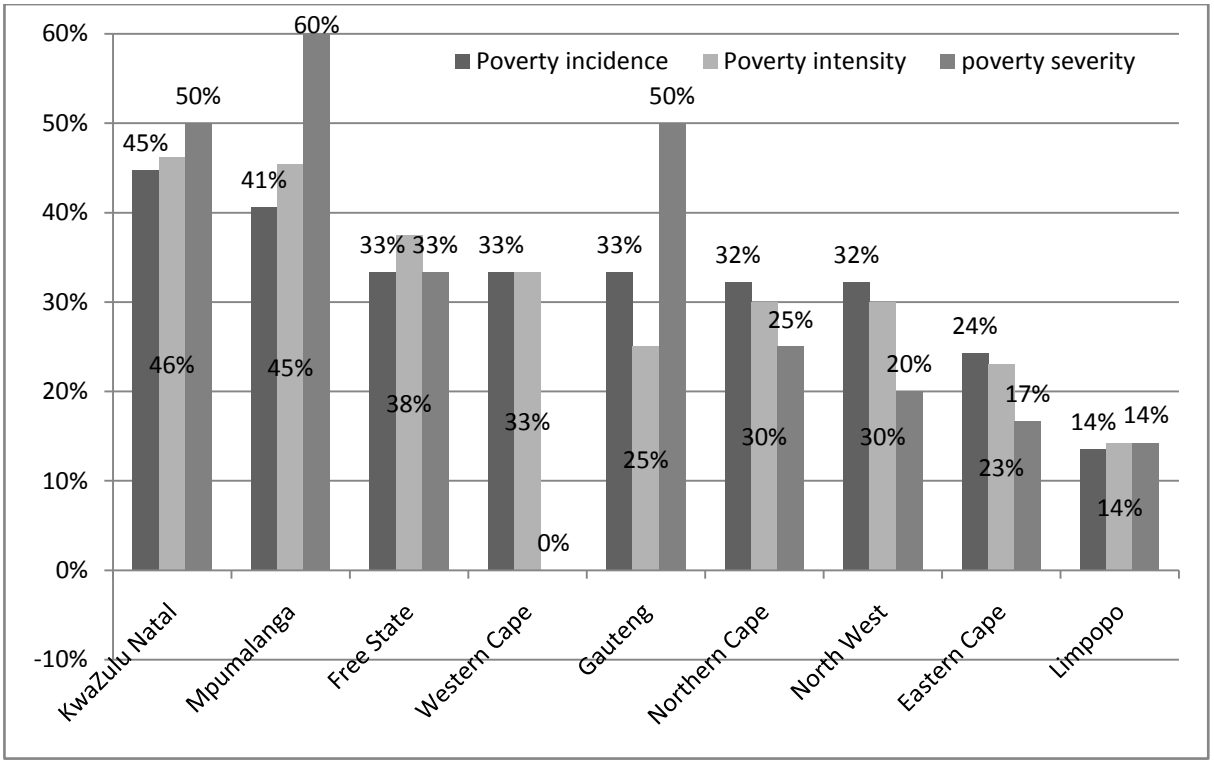

Figure 6.6: Female-male poverty differential by province (Poverty line of R577)[20]

6.1.2 Age

Perhaps one of the most serious problems in the poorest provinces of South Africa is the high proportion of child-headed households. The three provinces together account for up to 67% of all child-headed households in the country. Figure 6.7 shows the extent of poverty by age group. Child-headed households exhibit the highest poverty, of up to 50% in Eastern Cape. For all the poorest provinces, poverty starts high among households with youngest house hold heads (15-24 age group). It drops to the age group of 25-34 and rises steadily thereafter. After the age group of 25-34, the older the household head, the poorer the household. This trend is evident not only for poverty incidence, but also for poverty intensity and severity. In contrast, for the richest provinces (Western Cape and Gauteng), poverty appears to be relatively constant across the different age groups. Therefore antipoverty interventions should pay particular attention to children, youth and the elderly.

[20] Calculated using IES, 2010 of STATSSA

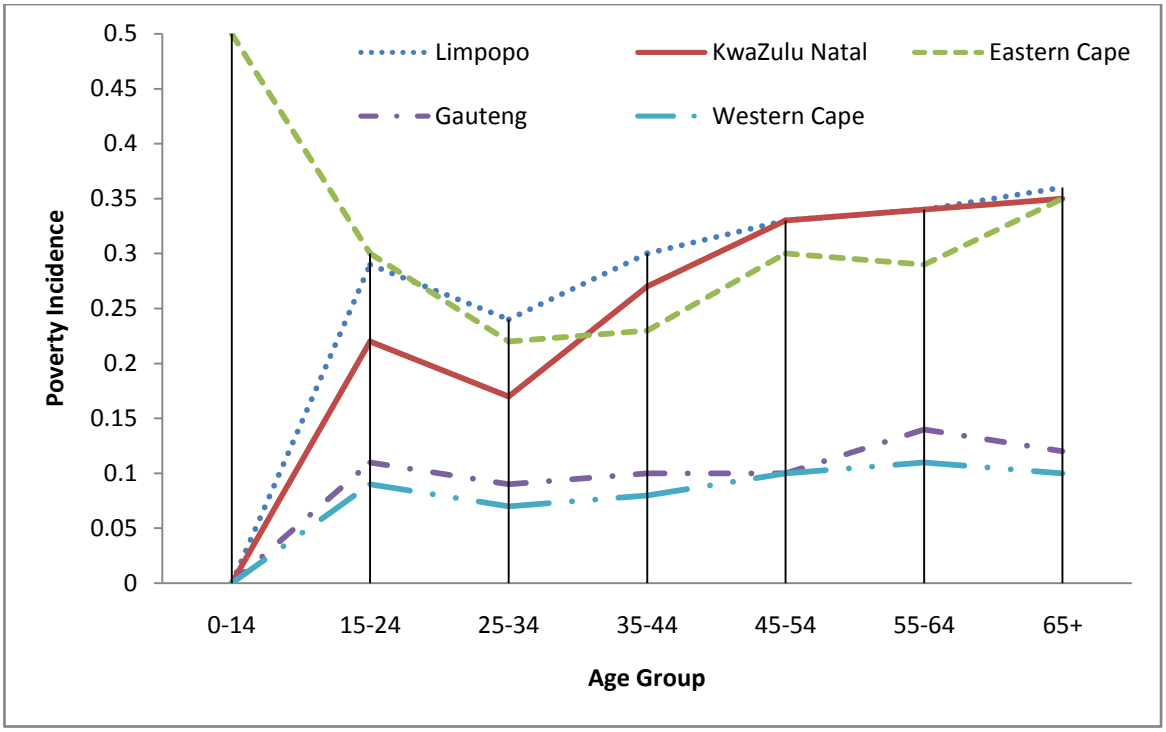

Figure 6.7: Poverty by age group (Poverty line of R577) [21]

Table 6.3: Poverty incidence by age group in South Africa (Poverty line of R577) [22]

province	0-14	15-24	25-34	35-44	45-54	55-64	65+
National	0.13	0.21	0.16	0.19	0.23	0.25	0.28
Western Cape		0.09	0.07	0.08	0.10	0.11	0.10
Eastern Cape	0.50	0.30	0.22	0.23	0.30	0.29	0.35
Northern Cape		0.35	0.20	0.20	0.30	0.26	0.27
Free State		0.14	0.15	0.19	0.23	0.22	0.21
KwaZulu Natal	0.00	0.22	0.17	0.27	0.33	0.34	0.35
North West	0.00	0.20	0.19	0.24	0.28	0.24	0.33
Gauteng		0.11	0.09	0.10	0.10	0.14	0.12
Mpumalanga		0.19	0.17	0.21	0.23	0.31	0.29
Limpopo	0.00	0.29	0.24	0.30	0.33	0.34	0.36

Table 6.3 presents the information in the graph above for all provinces. It is worth noting that Northern Cape has significantly high levels of youth poverty (15-24 age group). The poverty incidence of 35% in this age group is the highest for all the provinces

[21] Calculated using IES, 2010 of STATSSA
[22] Calculated using IES, 2010 of STATSSA

6.1.3 Race

Presenting poverty by race (Table 6.4) indicates that poverty still remains a racial issue in South Africa. Black South Africans account for the highest poverty in South Africa and among the poorest provinces. The coloureds have the second highest poverty in South Africa and among the poorest provinces. Poverty does not seem to be an issue among the Indians and Whites.

Table 6.4: Poverty by province and race in South Africa (Poverty line of R577) [23]

	Poverty incidence				Poverty intensity				Poverty severity			
	Afr	col	Ind	Wh	Afr	col	Ind	wh	Afr	col	Ind	wh
KwaZulu Natal	0.33	0.13	0.01	0.00	0.11	0.04	0.00	0.00	0.05	0.02	0.00	0.00
Eastern Cape	0.32	0.19	0.00	0.00	0.11	0.05	0.00	0.00	0.05	0.02	0.00	0.00
Limpopo	0.32	0.33	0.00	0.01	0.12	0.10	0.00	0.00	0.06	0.03	0.00	0.00
Northern Cape	0.28	0.28	0.00	0.01	0.10	0.09	0.00	0.00	0.04	0.04	0.00	0.00
North West	0.27	0.23	0.00	0.01	0.09	0.08	0.00	0.00	0.04	0.04	0.00	0.00
National	**0.26**	**0.15**	**0.01**	**0.00**	**0.09**	**0.04**	**0.00**	**0.00**	**0.04**	**0.02**	**0.00**	**0.00**
Mpumalanga	0.25	0.00	0.10	0.00	0.08	0.00	0.05	0.00	0.04	0.00	0.02	0.00
Free State	0.21	0.14	0.00	0.00	0.07	0.04	0.00	0.00	0.03	0.02	0.00	0.00
Western Cape	0.13	0.11	0.00	0.00	0.03	0.03	0.00	0.00	0.01	0.01	0.00	0.00
Gauteng	0.13	0.03	0.00	0.00	0.04	0.01	0.00	0.00	0.02	0.00	0.00	0.00

KwaZulu-Natal has the highest poverty among Blacks (33%), followed by Eastern Cape (32%) and Limpopo (32%). Northern Cape and North West also have significantly high population of Black poor (28% and 27%). Highest poverty among the Coloureds is in Limpopo (33%). Compared to the national average of 15%, Coloured poverty in Eastern Cape and KZN is not too high (19% and 13% respectively). Beside Limpopo, other provinces that exhibit high poverty among the Coloureds are Northern Cape (28%) and North West (23%)

6.1.4 Poverty by settlement type

Table 6.5 presents poverty by settlement types. In South Africa, most of the poverty is in traditional (39%), urban informal (28%) and rural (26%) settlements. KZN shows similar poverty distribution by settlement types. Its highest poverty is among the traditional dwellers (46%), followed by urban informal (35%) and rural (29%). In the Eastern Cape, poverty is also higher among the traditional settlements (39%), followed by urban informal (36%).

Table 6.5: Poverty by settlement type in South Africa (Poverty Line of R577) [24]

	Urban formal			Urban informal			Traditional			Rural		
	Incidence	Intensity	Severity	Incidence	Intensity	Severity	Incidence	Intensity	Severity	Incidence	Intensity	Severity
Eastern Cape	0.24	0.09	0.09	0.36	0.12	0.12	0.39	0.14	0.14	0.14	0.04	0.04
Northern Cape	0.22	0.07	0.07	0.55	0.22	0.22	0.48	0.16	0.16	0.28	0.08	0.08
Free State	0.16	0.05	0.05	0.36	0.14	0.14	0.27	0.09	0.09	0.27	0.09	0.09

[23] Calculated using IES, 2010 of STATSSA
[24] Calculated using IES, 2010 of STATSSA

North West	0.16	0.05	0.05	0.28	0.10	0.10	0.31	0.10	0.10	0.27	0.11	0.11
Limpopo	0.13	0.04	0.04	0.08	0.03	0.03	0.39	0.15	0.15	0.37	0.12	0.12
Mpumalanga	0.12	0.04	0.04	0.28	0.09	0.09	0.36	0.12	0.12	0.24	0.06	0.06
National	0.11	0.03	0.03	0.28	0.09	0.09	0.39	0.14	0.14	0.26	0.08	0.08
KwaZulu Natal	0.11	0.03	0.03	0.35	0.11	0.11	0.46	0.16	0.16	0.29	0.10	0.10
Gauteng	0.08	0.02	0.02	0.21	0.07	0.07	-	-	-	0.05	0.01	0.01
Western Cape	0.07	0.02	0.02	0.28	0.09	0.09	-	-	-	0.27	0.08	0.08

There is higher poverty in the Eastern Cape among urban formal residents (24%) than rural (14%). The picture in Limpopo is somewhat different with most of the poor concentrated in traditional (39%) and rural (37%) settlements. Northern Cape presents significant poverty when classified by settlement types, with urban informal settlement accounting for up to 55% of poverty incidence, followed by traditional (48%).

An interesting pattern to note is that poverty among urban informal, traditional and rural populations is significantly high across all provinces, including even the richest provinces. Western Cape urban informal poverty is up to 28%. It is 21% in Gauteng. Limpopo is the province with the least urban informal poverty (8%). Rural poverty is highest in Limpopo (37%), followed by KZN (29%) and Northern Cape (28%). However, Western Cape, one of the richest provinces is closer, with rural poverty incidence of 27%. Gauteng has the least rural poverty of 5%. To put the figures in context, Table 6.6 gives the proportion of population in each settlement type for each province. Western Cape, Gauteng, Northern Cape and Free State have majority of their population in urban formal category.

Table 6.6: Proportion of population in the different settlement types[25]

	Urban formal	Urban informal	Traditional	Rural
Western Cape	90%	5%	0%	6%
Eastern Cape	42%	4%	53%	1%
Northern Cape	87%	6%	1%	7%
Free State	80%	5%	10%	5%
KwaZulu-Natal	34%	9%	54%	3%
North West	39%	5%	52%	4%
Gauteng	88%	12%	0%	1%
Mpumalanga	43%	7%	44%	6%
Limpopo	17%	1%	80%	1%

Classification of poverty by settlement type shows great diversity across provinces. Therefore poverty reduction programmes in the different provinces will have to emphasise different settlement types according to provincial specificities in poverty distribution.

[25] Calculated using IES, 2010 of STATSSA

6.2 Poverty by other dimensions of wellbeing

After exploring poverty along socio-demographic and geographic lines, we also show poverty in the different provinces according to the other dimensions of wellbeing. The relevant dimensions considered here are those that determine the labour-market outcomes (education and health), source of income as an indicator of financial capital endowment, asset ownership as an indicator of physical capital, and socio-professional category, which captures elements of labour demand and supply.

6.2.1 Education and poverty

One of the most important correlates of poverty in literature is education, as a major indicator of human capital. Good education does not only predispose people to be able to seize employment opportunities, but also endows them with the capabilities to be able to access and make productive use of the other capitals. Figure 6.8 presents the percentage of household with the different levels of education, while Figure 6.9 plots poverty incidence within the different levels of education by province. The levels of educational attainment range from no education, education without grade 12, grade 12 and more and university degree.

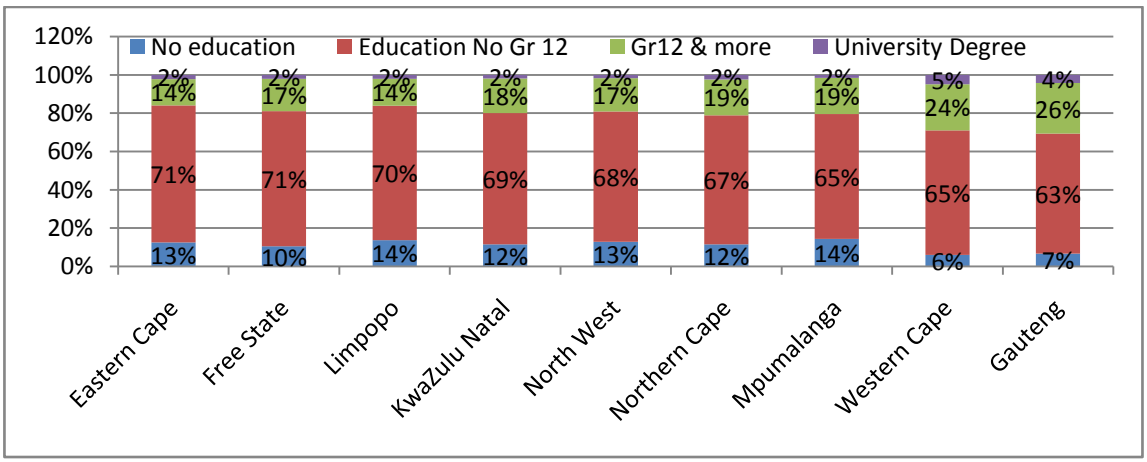

Figure 6.8: Proportion of household heads by educational attainment[26]

[26] Calculated using IES, 2010 of STATSSA

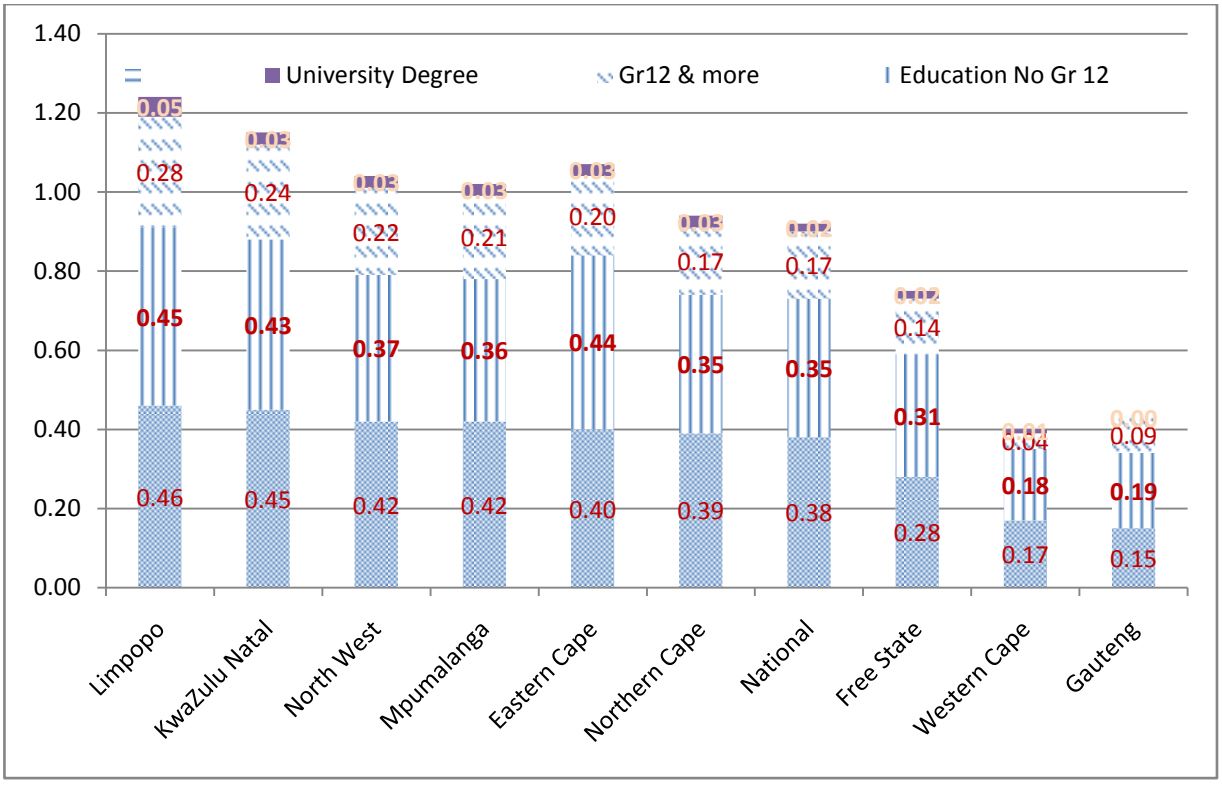

Figure 6.9**:** Poverty by educational attainment (Poverty line of R577) [27]

Gauteng and Western Cape respectively have 4% and 5% of their household heads with university education. The rest of the provinces have just about 2% each. Clearly, at the national level and across all provinces, university degree is associated with significantly lower poverty in all provinces (less than 5%). While in all other provinces, there is 2-3% poverty among university graduates, there is up to 5% poverty among graduates in Limpopo. In the richest provinces (Gauteng and Western Cape), there is no poverty among people with university degree. This may seem to suggest acute labour demand side issues that may be addressed by job creation interventions.

The two richest provinces also have a higher proportion of households with post Grade 12 certificate (26 and 24% respectively for Gauteng and Western Cape). The poorest provinces have the least households with post grade 12 certificate (14%, 14% and 18% respectively for Eastern Cape, Limpopo and KZN). Grade 12 with related post-grade 12 certificates and diplomas are only associated with lower poverty (less than 14%) in provinces where poverty rate is less than national average. There is significant poverty among households with grade 12 and above, but no university degree in Limpopo (up to 28%), KZN (24%), and Eastern Cape (20%). The richest provinces have less than 10% poverty among this category. Again, this seems to suggest labour demand side issues. Education and skills development should therefore be accompanied by programmes to create employment that can absorb the skills. Largely, similar patterns are observed for poverty intensity and severity, with a steep fall in poverty post grade 12 certificate and insignificant poverty among people with a university degree (see Table A2 in appendix).

The three poorest provinces have the highest proportion of household heads with less than grade 12 attainment (above 70%). Across all provinces, no education and any education below grade 12 certificate are associated with significantly higher poverty. Even in the richest provinces, the poor

[27] Calculated using IES, 2010 of STATSSA

are concentrated among these categories. These are the categories that are unable to take advantage of the opportunities that are being generated for lack of educational human capital. Skills development interventions should therefore lay emphases on them across all provinces. The main outcome of analysis by education is that interventions that aim at creating employment should focus on the poorest provinces while skills development and educational upliftment, (though this may emphasise the poorest provinces) should be present in all provinces where there are pockets of poverty particularly in the urban informal residents for the richest provinces, traditional and rural for the poorest provinces.

6.2.2 Poverty by income source

Presentation of poverty by source of income is important. The source of income can help shed light on the type of capital an individual possess and makes use of for income generation. Incomes sources were classified into six groups- labour, entrepreneurial, physical capital, financial capital, grants, allowances and remittances, and other categories, (figure 6.10). Labour income comprises salaries and wages. Entrepreneurial income is made of net profit from business or professional practice, activities of commercial farming and income from royalties. Physical capital income is the total of income from letting fixed property. Financial capital return comprises interest received and/or accrued on deposits, loans, savings and dividends on building society shares; dividends on shares other than building society and regular receipts from pensions from previous employment and annuity funds. Grants allowances and remittances include all social welfare grants; allowances from alimony, maintenance etc. and remittances from other family and non-family members from elsewhere. The other category includes unspecified incomes, not applicable response and other income.

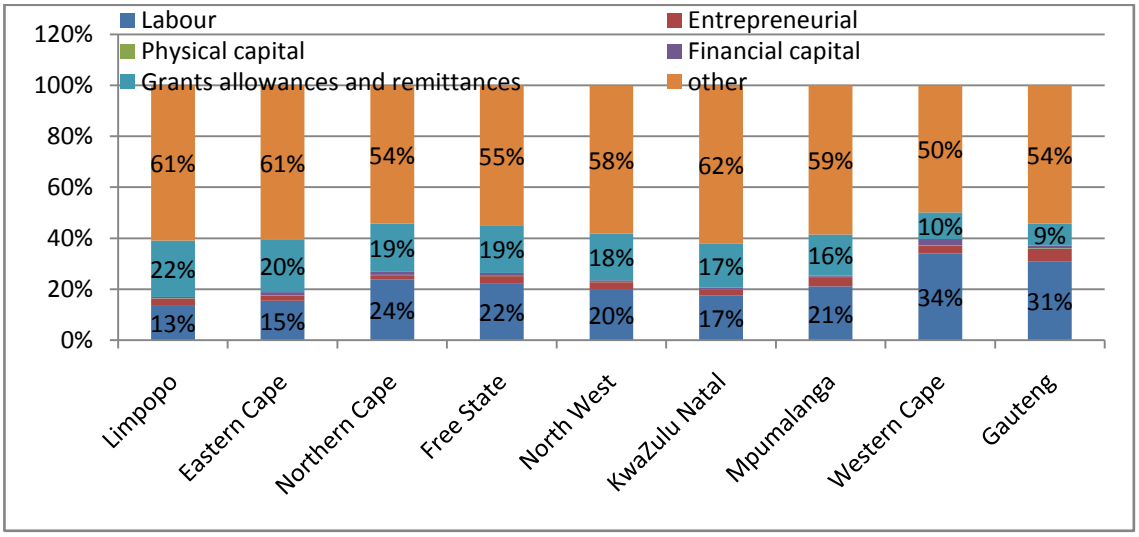

Figure 6.10: Proportion of household by income sources[28]

[28] Calculated using IES, 2010 of STATSSA

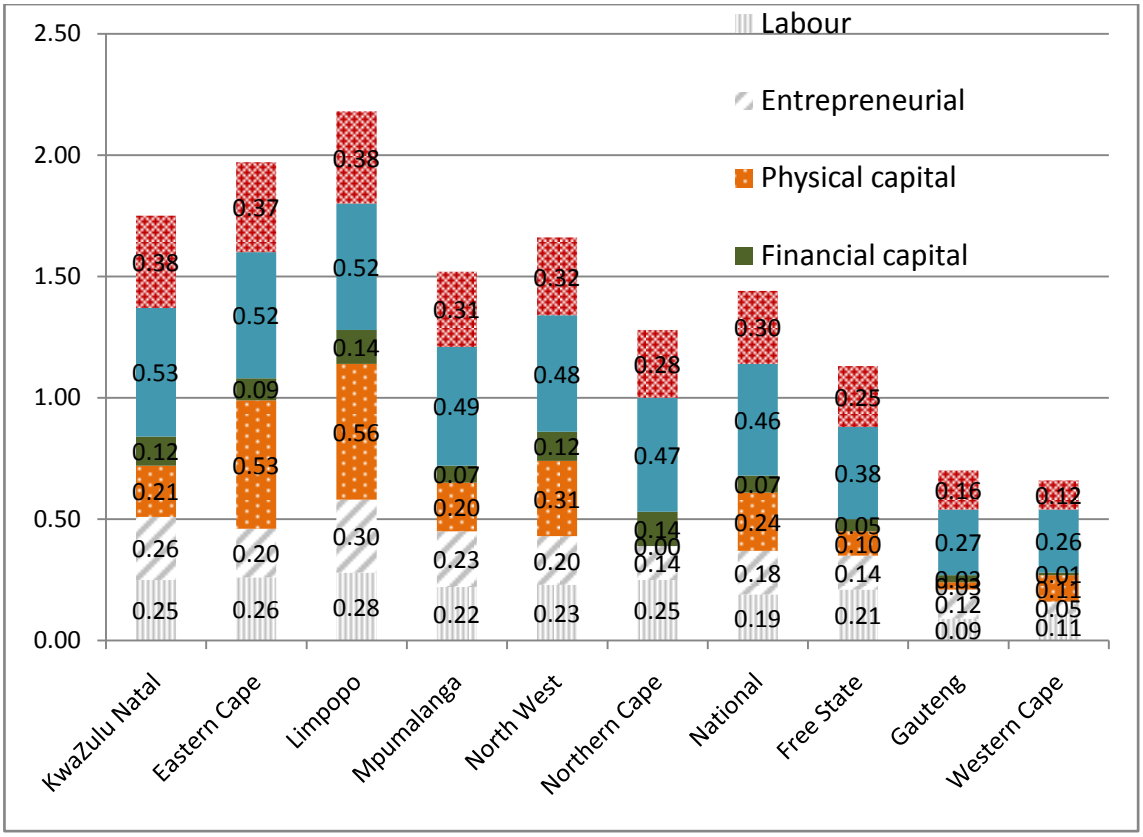

Figure 6.11: Poverty by income source (Poverty line of R577) [29]

Figure 6.11 shows the percentage of households in each province that depend on each income source as main source of income. Poverty incidence by the respective income sources for national and all the provinces are presented in Figure 6.8. Majority (more than 50%) of household across all provinces do not have a clear source of income, they depend on other (unidentified categories) for living. In this category, poverty ranges from 37% to 38% for the three poorest provinces (KZN, Eastern Cape and Limpopo). For the two richest provinces (Western Cape and Gauteng), poverty incidence within this category is 12% and 16% respectively. For the rest of the provinces, poverty within this category range from 25% to 32%.

The second most popular source of income on which households depend for living is labour. The poorest provinces (Limpopo, Eastern Cape and KZN) have the least percentage of household (13%, 15%, 17% respectively) depending on labour income. More than 30% of household in the richest provinces depend on labour income, while in the rest of the provinces, household depending on labour income range from 20% to 24%. Gauteng and Western Cape Respectively have 9% and 11% poverty among households depending on labour income. Limpopo, Eastern Cape and KZN respectively have 28%, 26% and 25% poverty in this category. For the other provinces, poverty ranges from 21% (Free State) to 25% (Northern Cape). It may be deduce from this that selling labour yields higher returns in provinces with more economic activities compared to others.

Dependency on grants, allowances and remittances as main income is highest in the poorest provinces (22%, 20% and 17% for Limpopo, Eastern Cape and KZN). The dependency on this category is least for the richest provinces (9% and 10 % for Gauteng and Western Cape respectively. At national level and for all provinces, the highest poverty is among households

[29] Calculated using IES, 2010 of STATSSA

depending mainly on grants, allowances and remittances. In this category, KZN, Eastern Cape and Limpopo record the highest poverty (53%, 52% and 52% respectively). The least poverty in this category is recorded in the richest provinces, Gauteng and Western Cape (27% and 26% respectively). For the rest of the provinces, poverty in this category range from 49% to 38%.

The two richest provinces also appear to have the highest share of households depending on financial capital, physical capital and entrepreneurial returns as main source of income while the poorest provinces depend on these the least. Overall, these are also the categories with least poverty. Poverty among households depending mainly on financial capital ranges from 14% (Limpopo and Northern Cape) to 1% (Western Cape). Clearly, access to financial capital and financial investment is a significant way of poverty reduction. However, this necessarily comes through a savings and investment culture within an investment-conducive environment.

Physical capital is associated with low poverty only in the richest provinces (3% in Gauteng and 11 % in Western Cape), where assets can yield high returns. Without economic opportunities, physical capital has low returns and therefore associated with higher poverty in the poorest provinces (56% in Limpopo, 53% in the Eastern Cape, 31% in the Northern Cape and 21% in KZN). Similar logic applies for households depending on entrepreneurial income. Economic development comes with the inter-sectoral linkages that make entrepreneurial activities more rewarding. Consequently, the richest provinces have the lowest poverty among households depending on entrepreneurial income (9% for Gauteng and 11% for Western Cape). By the same token, there is relatively higher poverty for this category of income in the poorest provinces, 28%, 26% and 25% for Limpopo, Eastern Cape and KZN respectively. Similar conclusions can be reached for the other measures of poverty (see Tables A3).

6.2.3 Poverty by Land ownership

Access and ownership of land as a productive resource is important in determining income levels and poverty outcomes. The only dataset that allows us to undertake this type of analysis is the Living Conditions Survey. Of the 25075 observations, only 5% have access to land and 75% do not. About 18% were unspecified. Some technicalities of sampling technique and difficulties with the land variable could not allow us to do analysis at the provincial level. So the report is based on national level assessment.

The puzzling outcome is that there is higher poverty (about 50%) among those who have access to land that those who do not have access (32%). This means that access to land per say does not automatically lead to poverty reduction. Of the 5% who have access to land, only 39% put the land to any productive use, while 36% do not use the land for anything and 25% are unspecified. Still puzzling is the fact there are similar levels of poverty among those who put the land to productive use (48.4%) compared with those who do not put their land to any productive use (48.4%). This seems to answer the question why many people may not put land into productive use. There don't seem to be any immediate benefit in land use.

However, the answer to these puzzles seems to lie in three aspects. First is that the size of land one accesses matters for poverty reduction; second is that the type of ownership also matters for poverty reduction and the third is that for those who put the land into any productive use, the proportion utilised is important for poverty reduction. Of those with access to productive land, up to 64 percent access only less than a hectare. Figure 8 shows land size by poverty levels.

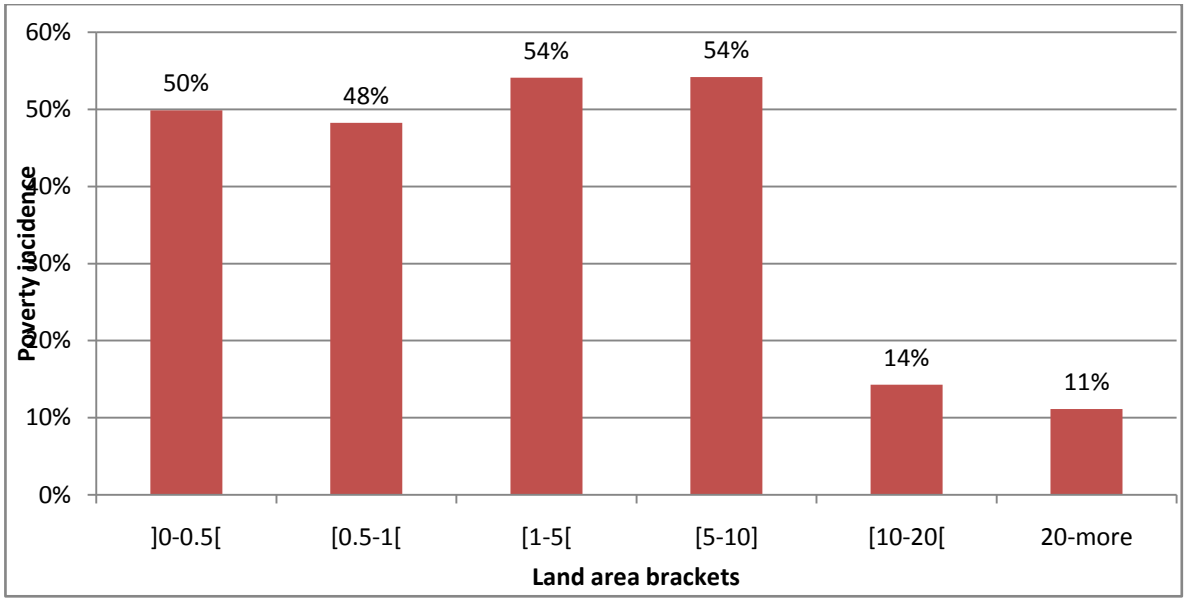

Figure 6.12: Land Size and poverty[30]

Reading from Figure 6.12, it is immediately evident that land sizes below 10 hectares is associated with significantly high poverty levels (above 50 percent) while above 10 hectares, poverty levels fall below 15%. It is therefore not surprising that most of the land lies unproductive. More than 50% of those who leave land unproductive are those who have access to less than 10 hectares. Therefore the size of the piece of land that one accesses matters a lot for productivity and hence poverty reduction.

In terms of land ownership, a direct cross tabulation shows that those who own their own land have higher poverty (46%), compared to those who access land on rental basis (13%). There is also significantly high (57%) poverty among those who access land on communal basis. However, this may be misleading since most (72%) of those who own their own land only own less than 0.5 hectares. Therefore what is driving poverty in land ownership is land size and not the fact that one owns land. When we control for land size, it emerges that the lowest poverty is among those who own their own land. For those who access about five hectares, there is 4% poverty among those who own the land, compared with 7%, 23% and 11% among those who access land on rental, shared cropping and through tribal authorities respectively. As one increases the land size in each category, poverty levels also fall. This implies that owning a piece of land is important for poverty reduction.

The assessment shows that it is not access to land per say that matters for poverty reduction. Two key factors that affect whether land contributes to poverty reduction are the size of land accessed and ownership of the land. Obviously, poverty might have a feedback effect in terms of acquiring other productive inputs to invest on the land. However, theoretically, the effects of other factors are likely to be minor given that access and ownership of the right size of land can serve as collateral to access other capital like financial and physical.

[30] Calculated using LCS, 2009 of STATSSA

7 ECONOMIC GROWTH AND POVERTY

7.1 MAIN INCOME SOURCES (ECONOMIC ACTIVITIES)

This section starts by presenting the contributions to national GDP of the respective provinces and the percentage growth rates of GDP. These are in Table 7.1.

Table 7.1: Contribution of GDP and GDP growth rates[31]

Province	2005	2006	2007	2008	2009	2010	2011	Period average
Percentage contributions to National GDP								
Gauteng	34.3	33.8	34	33.8	34	34	34.3	34.0
KwaZulu-Natal	16.2	16.2	16.1	16	16	15.9	15.7	16.0
Western Cape	14.6	14.5	14.5	14.3	14.1	14.2	14.1	14.3
Eastern Cape	7.9	7.7	7.5	7.5	7.6	7.6	7.4	7.6
Mpumalanga	6.6	6.9	6.9	7.1	7	7	7.2	7.0
Limpopo	6.6	6.8	6.8	7	7	7.1	7.2	6.9
North West	6.4	6.5	6.5	6.6	6.5	6.5	6.6	6.5
Free State	5.2	5.4	5.4	5.4	5.4	5.4	5.2	5.3
Northern Cape	2.2	2.2	2.3	2.3	2.3	2.3	2.2	2.3
Percentage annual growth rates								
National	5.3	5.6	5.5	3.6	-1.5	3.1	3.6	3.6
Gauteng	5.5	6.4	6	4	-1.3	3.5	4.4	4.1
Western Cape	5.9	5.9	6.2	4.3	-1.3	2.8	3.9	4.0
KwaZulu-Natal	5.8	5.5	5.9	4	-1.6	3.7	3.6	3.8
National	**5.3**	**5.6**	**5.5**	**3.6**	**-1.5**	**3.1**	**3.6**	3.6
Eastern Cape	4.9	5.4	5.4	3.7	-1.1	2.4	3.6	3.5
Mpumalanga	4.6	4.6	4.7	2.3	-1.7	2.8	2.4	2.8
Limpopo	4.3	4.8	4.5	2.6	-1.4	2.5	2.2	2.8
Free State	4.2	4.5	4.5	3.1	-2.1	2.5	2.5	2.7
North West	5.1	4.5	4.2	2.2	-2.6	2.9	2.7	2.7
Northern Cape	3.6	4.1	3.9	1.7	-3.2	2.6	2.2	2.1

The first surprising fact from Table 7.1 is that some of the poorest provinces contribute significantly to national GDP, and have economic growth rate closed to or above the national average. This implies that existing economic activities are not pro-poor, or the poor lack the capability to capture significant portions of the economic growth to be able to come out of poverty. KZN for example contributes up to 16% on average to national GDP in the period 2005-2011. This is next only to Gauteng (34%). GDP growth rate in KZN is also high for the same period (3.8%), close to Gauteng (4%) and Western Cape (4 %). Eastern Cape follows with 7.6% contribution to national GDP and a growth rate of 3.5%.

[31] Calculated from STATSSA GDP Dataset, available at http://beta2.statssa.gov.za/?page_id=1849, last visited 21/02/2014

Following these facts, we classify the provinces into four quadrants according to growth/inequality pair (Figure 7.1). The upper left quadrant corresponds to low growth, high inequality; upper right is high growth, high inequality; lower right is high growth low inequality and the lower left is low growth, low inequality.

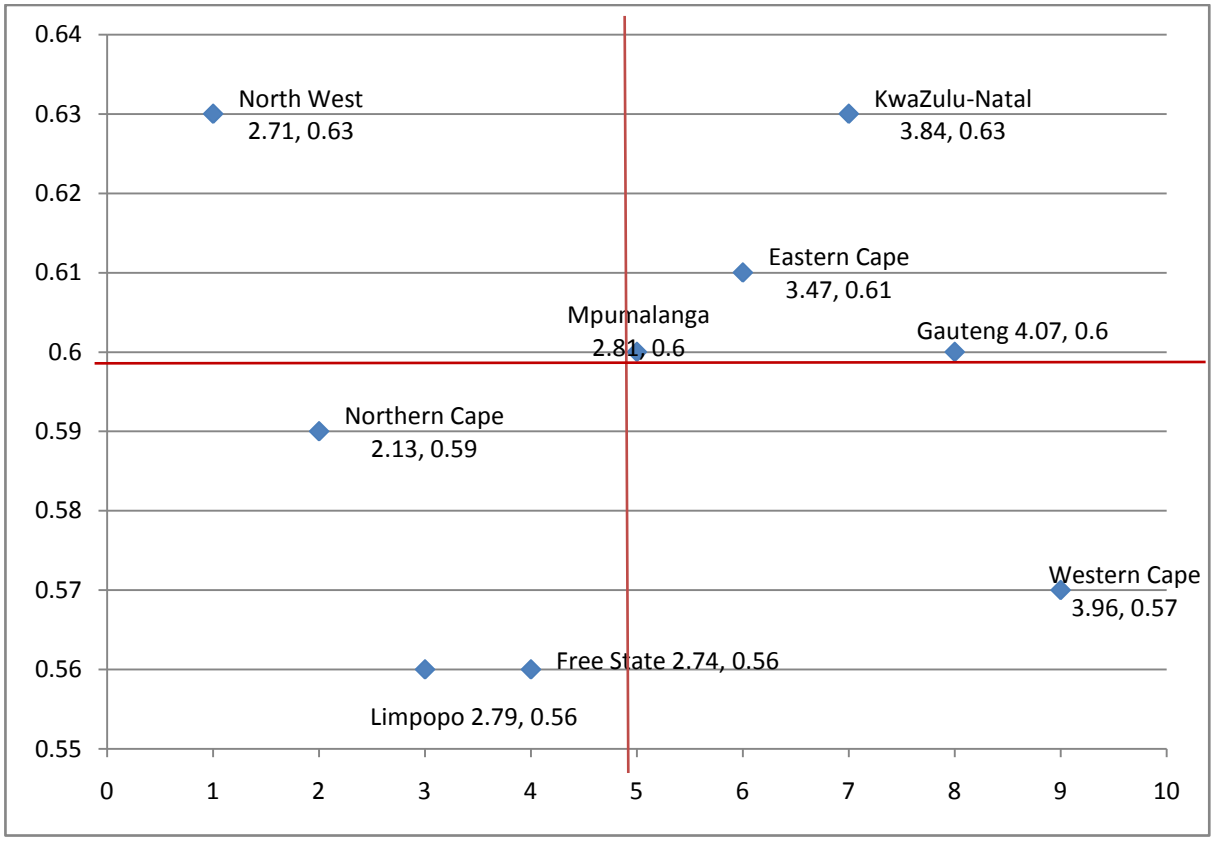

Figure 7.1: Classification of provinces by growth-inequality pair[32]

It emerges that the richest provinces belong to high growth medium inequality (Gauteng) and high growth high inequality (KZN). Two of the poorest provinces (KZN and Eastern Cape) are in high growth-high inequality zone, while the other (Limpopo) is in low growth-low inequality Zone. Northern Cape, which has shown high youth poverty, also belongs to this zone. The conclusion from this analysis is that in KZN and Eastern Cape, poverty is not so much a problem of absence of economic opportunities but rather lack of investment in the poor to access opportunities. On the contrary, in Limpopo (and the Northern Cape), there are less economic activities. Therefore antipoverty activities in Limpopo should emphasise both expansion of economic activities together with investment in the skills of the poor. For KZN and Eastern Cape, the priority should be investment in the skills of, and access to opportunities by the poor.

[32] Calculated from STATSSA GDP Dataset, available at http://beta2.statssa.gov.za/?page_id=1849, last visited 21/02/2014

7.2 Analysis of Growth Incidence Curves

The essence of growth incidence analysis is to determine which segment of the population in the different income distribution groups (percentile) benefit from South Africa's economic growth. The Growth Incidence Curves (GICs) are plotted for the national, the two richest provinces (Gauteng and Western Cape), the three poorest provinces in South Africa (Eastern Cape, KwaZulu-Natal and Limpopo) and Northern Cape for its high youth poverty. The GICs are computed using data from the Income and expenditure Surveys of 2005 and 2010.

Figure 7.2 reports the national GIC. The figure shows that of the average 3.6 GDP growth rate between 2005 and 2011, less than 14% went to the poorest 20%. On average, about 15% went to the middle class (30-60 percentiles), while above 16% went to the top 20% of the population. One can only conclude pro-poorness of this growth at the national level if we consider only the weak definition of pro-poor growth[33]. The strong definition[34] implies that growth in South Africa is still lacking in terms of benefiting the poor since the poor in relative terms benefit less than the rich. One must note that in South Africa, because of high inequalities, much of which is rooted in apartheid legacies, strong gains that will lead to a reversal of these legacies must mean that we adopt the strong (relative) definition of pro-poor growth.

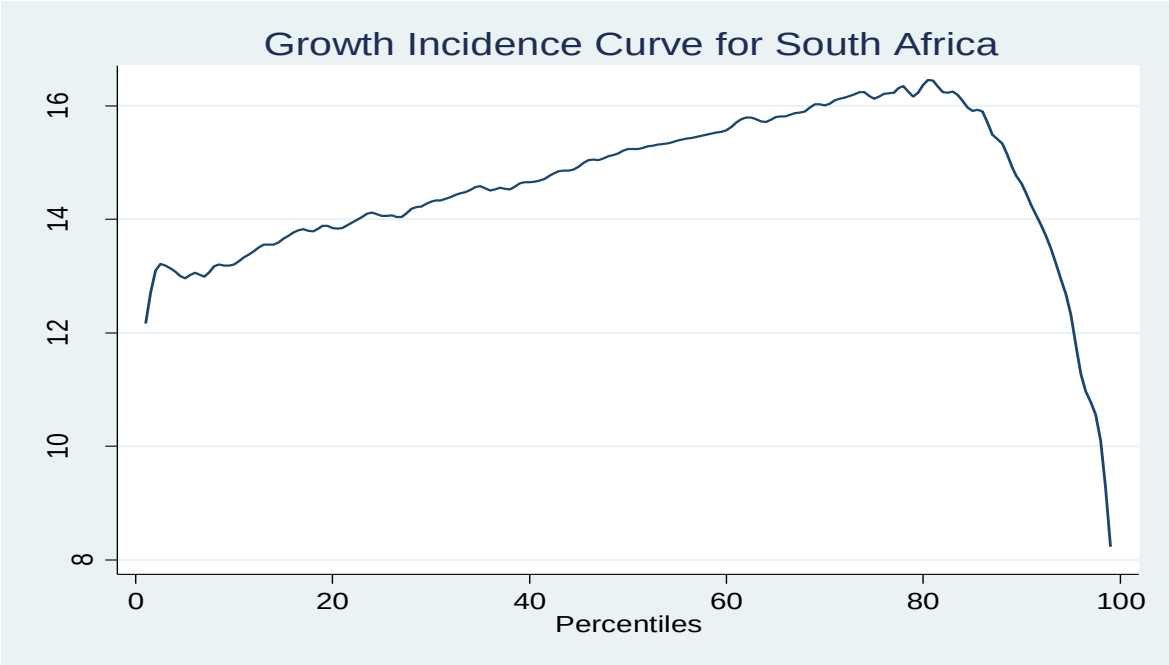

Figure 7.2: Growth incidence curve: National[35]

The disaggregated curves by province start with the richest provinces. Even the pattern of distribution of growth in the richest provinces is different, but clearly much of the growth is not

[33] The weak definition of pro-poor growth requires growth to simply be poverty reducing, irrespective of the inequality in how the growth is distributed.

[34] The strong definition of pro-poor growth requires that in relative terms, the proportion of growth going to the poor should be higher than that going to the rich.

[35] Source: computed from IES, 2005 and 2010.

going to the top class. For Gauteng (in Figure 7.3), growth is strongly pro-middle class, getting up to 10% of its average 4.1 growth rate for the period of 2005 and 2010. Both the bottom and the top 10% get less than 10% on average. This picture of Gauteng calls for policy prescription that should pay greater attention to abject poverty. If growth continues to leave then behind, then there is little hope for them. However, the fact that the shares of growth going to the different groups are positive implies that in weak pro-poor terms, all the poor benefit from growth in Gauteng.

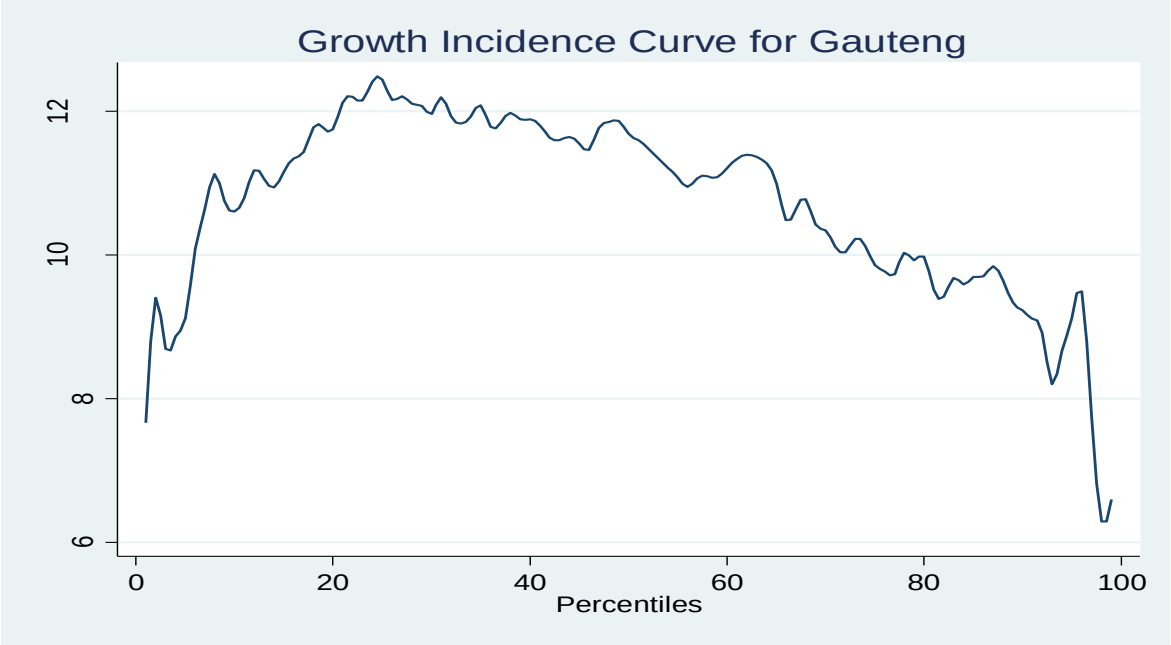

Figure 7.3: Growth incidence curve: Gauteng[36]

In Western Cape, as shown in Figure 7.4, growth is clearly pro-poor in strong terms especially when we compare the bottom (poorest) 10% getting close to 18% on average, to the top (richest) 10 % getting about 18% also. From the 20th percentile to the 60th percentile, the shares stably hover between 16 to 19%. Like Gauteng, the bulk of the growth goes to the middle class.

[36] Source: computed from IES, 2005 and 2010.

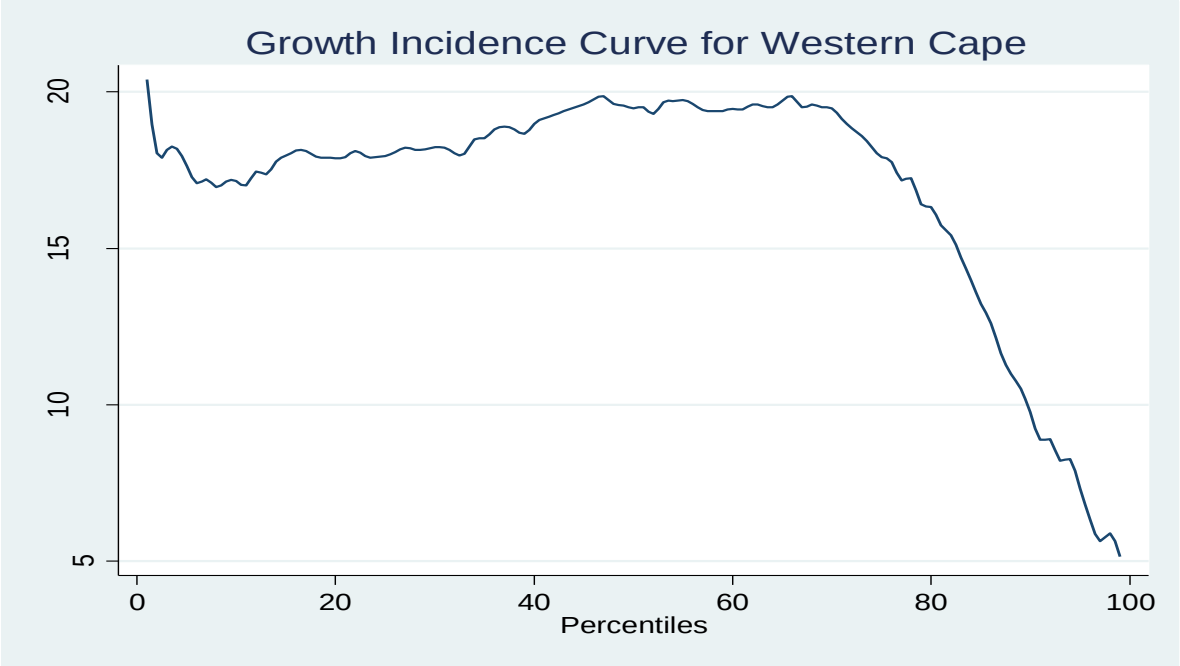

Figure 7.4: Growth incidence curve: Western Cape[37]

Relative to the richest provinces, where growth predominantly goes to the middle class, the growth in the poorest provinces is relatively skewed to the rich. For the Eastern Cape in Figure 7.5, the peak of the curve clearly shifts to the right of the graph. Although the slope of the curve is not as steep as the other poor provinces, the 20^{th} percentiles gains only about 9% of the 3.5 average GDP growth rate.

The picture in KZN (Figure 7.6) clearly depicts the high inequality where growth is narrowly distributed mostly to the top 10% of the population, gaining about 21% of the 3.8 average GDP growth. The poorest segment of the population gains only about 15%. Not only is this picturing a depiction of the already existing high inequality in KZN, but it implies that if the situation is not reversed, inequality will get worse.

Limpopo also has a similar scenario to KZN in terms of the shape of the GIC (Figure 7.7). The poorest 20% shares only about 10% of the GDP growth, while up to about 16% goes to the top 20%. In Figure 7.1, we had noted the low growth/low inequality situation of Limpopo. The GIC here shows the low inequality is only as a result of the fact the growth is also very dismal. In a situation where there is very little, and the accrual on the little base is also small, that distribution may not show a wider dispersion, not because of equality, but because of the small base. If the fundamentals (human capital especially) of the poor are not addressed, the situation of inequality over time will become wider. Any strong growth in this situation will quickly lead to widening income gap in the province. Similar conclusion can be drawn for Northern Cape.

[37] Source: computed from IES, 2005 and 2010.

In summary, the poorest provinces are characterised by growth that is strongly pro-rich. The overall situation is such that if nothing is done, income gap between the rich and the poor will further widen, with possibility of jeopardising any growth and poverty reduction efforts in the future.

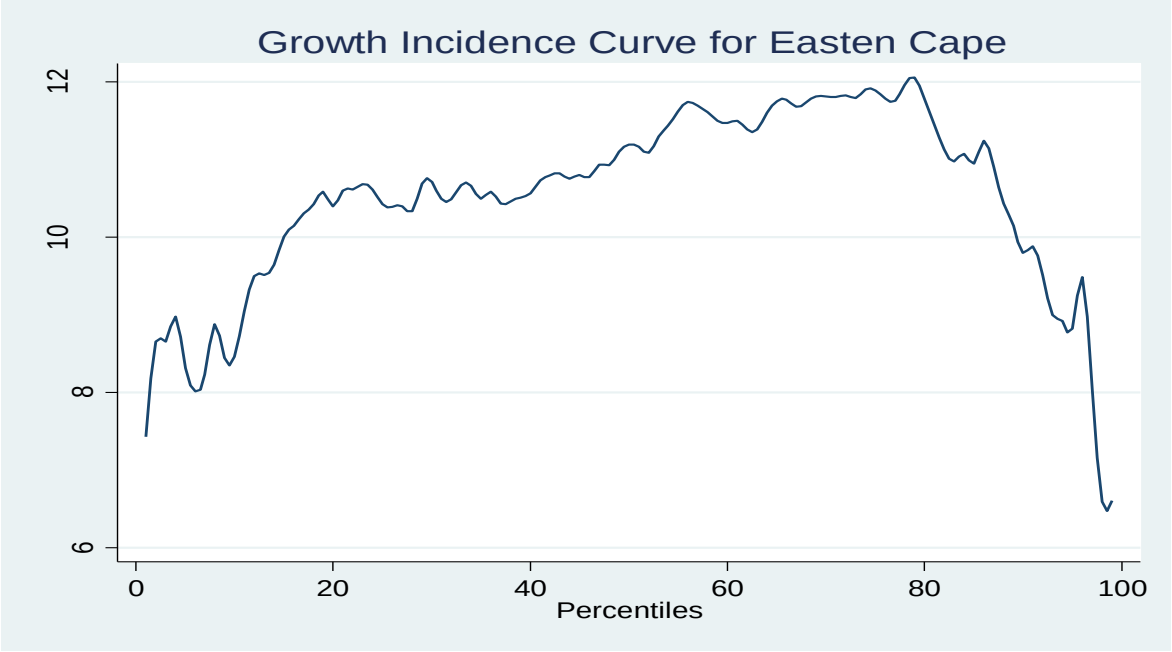

Figure 7.5: Growth incidence curve: Eastern Cape[38]

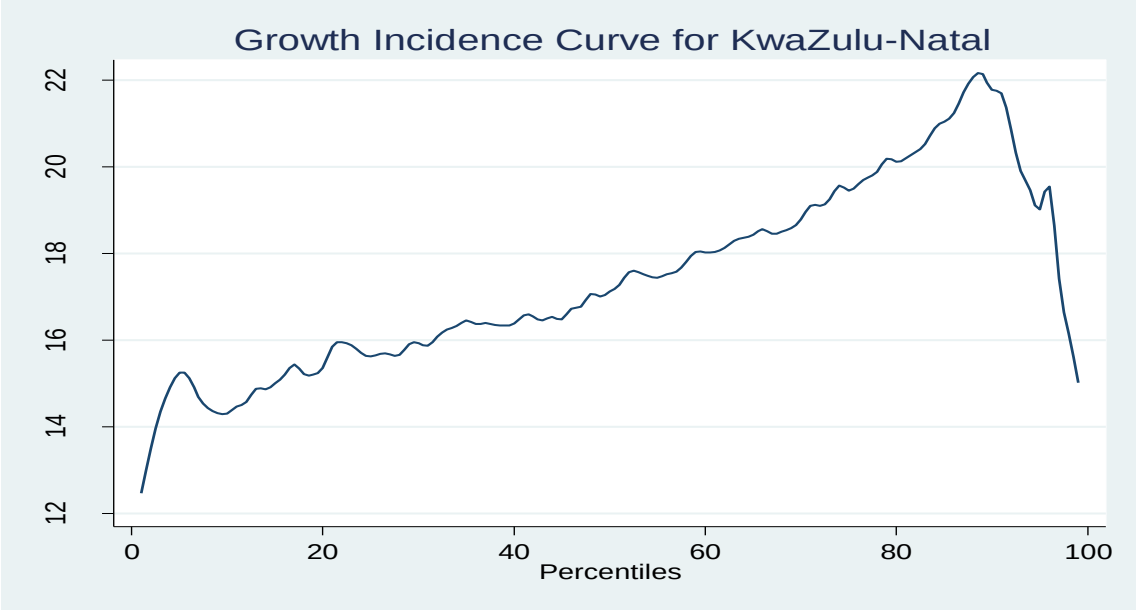

Figure 7.6: Growth incidence curve: KwaZulu-Natal[39]

[38] Source: computed from IES, 2005 and 2010.

[39] Source: computed from IES, 2005 and 2010.

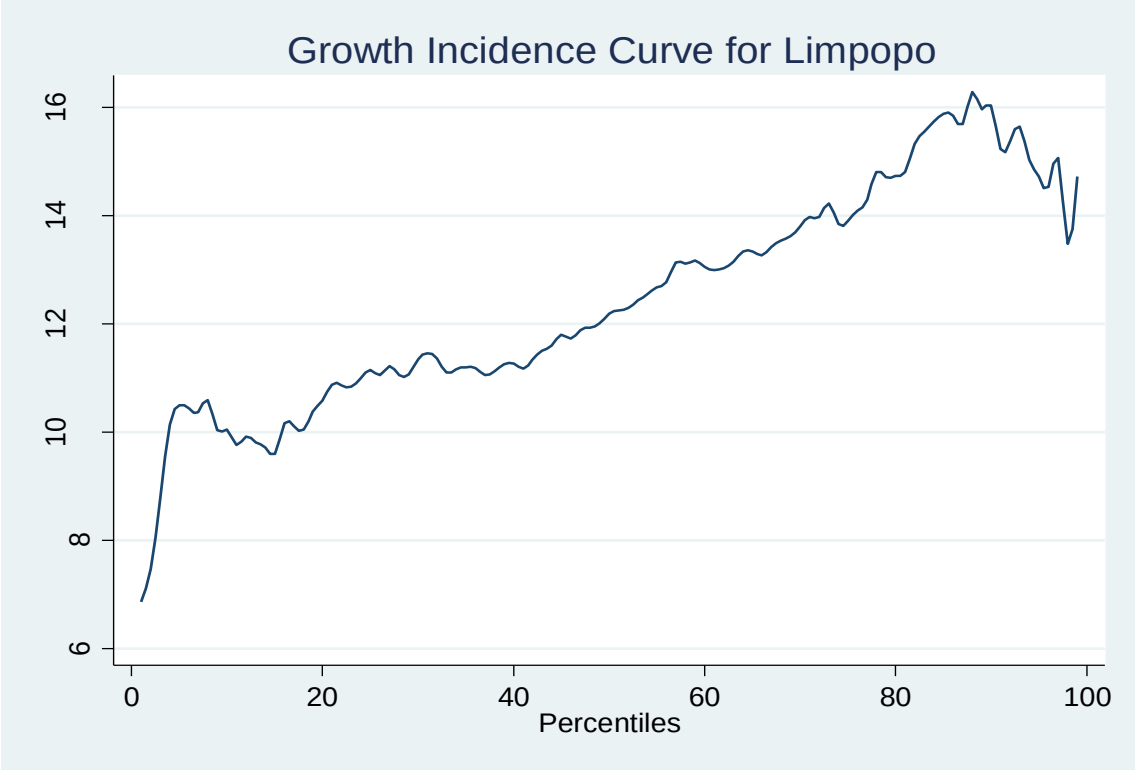

Figure 7.7: Growth incidence curve: Limpopo[40]

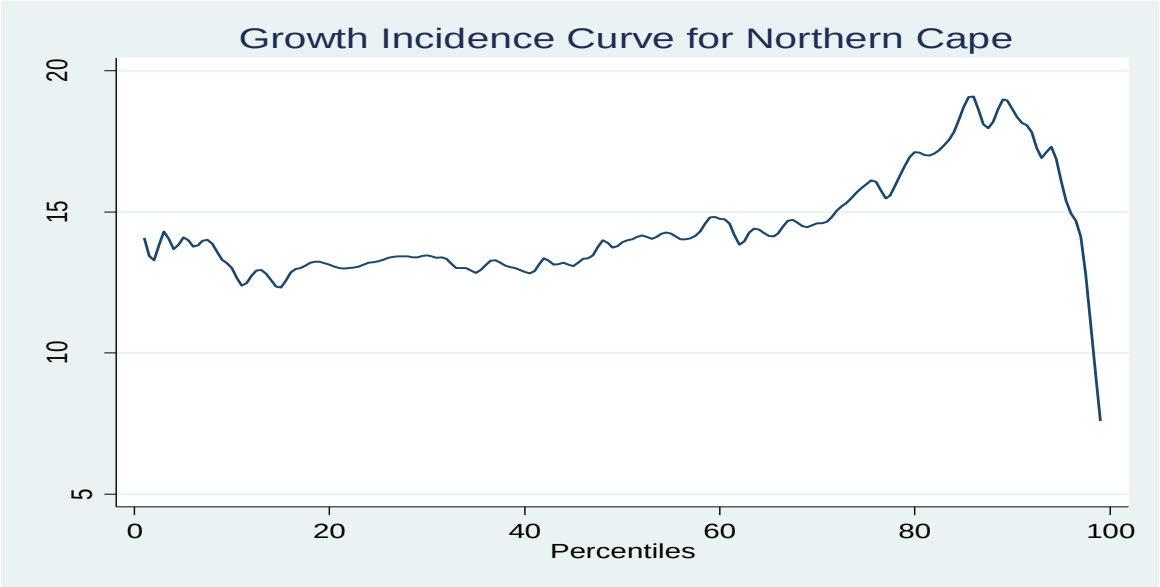

Figure 7.8: Growth incidence curve: Northern Cape[41]

[40] Source: computed from IES, 2005 and 2010.

[41] Source: computed from IES, 2005 and 2010.

7.3 Changes in Socio-professional categories

The key issue of different dimensions of welfare especially education and health is how they relate to labour market access. In the absence of data that combines incomes with the dimensions of employment status, we rather analyse the structure of the labour market in terms of the sectors that contribute to employment in the different provinces. The analysis starts with levels of unemployment followed by the proportion of informal employment and the different sectors of employment categories.

7.3.1 Unemployment

Table 7.2 shows levels of unemployment in the respective provinces of interest. One immediately notices that unemployment, though high in the poorest provinces has dropped between 2005 and 2010. On the contrary, unemployment is low in the richest provinces but has mildly risen. Possibly, migration from poorer to richer provinces may be driving this trend in unemployment. The gender dimension of unemployment is mixed. In Eastern Cape, male unemployment was 38%, and female is 34.2% in 2005. This dropped to 36.1% and 31% respectively. EC is the only province where male unemployment is higher than that of female. In KZN, male/female unemployment levels are also equal, being 34.9 and 35.7% for 2005 and 24.1%and 22.9% for 2010. The balance tripped between 2005 and 2010 in favour of females. All the other provinces, both rich and poor have significantly higher female unemployment than male.

Table 7.2: Unemployment, by sex[42]

		EC	KZN	LP	NC	GP	WC
2005	Male	38.0%	34.9%	23.4%	26.6%	17.8%	15.9%
	female	34.2%	35.7%	33.1%	39.2%	24.4%	19.0%
	Total	36.0%	35.3%	28.3%	32.2%	21.0%	17.4%
2010	Male	36.1%	24.1%	20.2%	27.6%	21.3%	20.3%
	female	31.0%	22.9%	27.6%	36.8%	26.8%	21.3%
	Total	33.6%	23.5%	23.8%	31.5%	23.8%	20.8%

7.3.2 Employment structure

The structural analysis of employment starts with the proportion of informal employment in total employment for the six provinces under consideration. Clearly, the poorest provinces rely mainly on informal employment (Figure 7.2). In 2005, KZN and Limpopo topped the list with informal employment contributing to more than 25% of total employment. EC comes next with just above 20%. Northern Cape compares rather with the rich provinces, at below 15%. The shares remain relatively stable between 2005 and 2010. By implication, policies have to adequately address informality in the poorest provinces and lift up their proportion of formal employment.

[42] Source: Constructed from Global Insight, February 2014

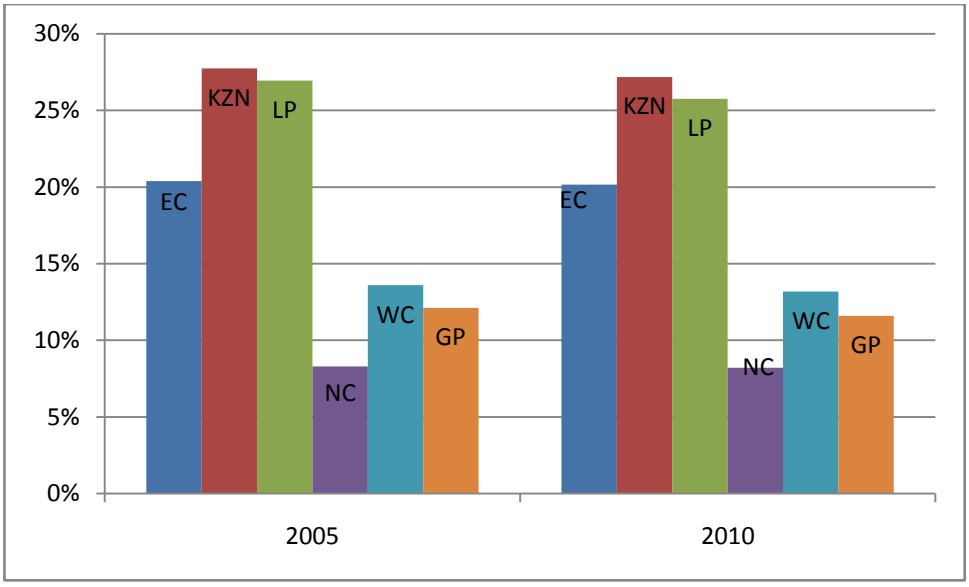

Figure 7.9: Share of informal employment in total[43]

Following the analysis of formal/informal employment, we look at the contributions of the major economic sectors to overall employment in the provinces. The key sectors are financial, trade, manufacturing, agriculture, households and community service. Figure 9 B presents the comparisons. Financial sector is the key employer in rich provinces, contributing 15% for WC and 20% for Gauteng in 2010. The figures were slightly lower in 2005. On the contrary, the sector contributes barely above 5% in poor provinces across both periods. KZN has a higher proportion, below 10% in 2005, which increased to about 11% in 2010.

Manufacturing is also a key sector of employment in rich and some poor provinces. Manufacturing contributes to 14% and above in both rich provinces in 2010, falling from about 15%. Among the poor provinces, manufacturing contributes to more than 16% of employment in KZN in 2010, falling from about 18% in 2005. Eastern Cape also has a significant contribution of manufacturing to employment (about 13% in 2010, from 15% in 2005). Limpopo and Northern Cape have the least share of manufacturing remaining constant at below 5% for both periods. It may be inferred from this that manufacturing contributes to a great deal of inequality given the high inequality in poor provinces with high manufacturing share (see Figure 6.9). The implication is that for Northern Cape and Limpopo, policies that enhance the creation of manufacturing firms should be considered while paying attention to labour supply disparities to prevent inequalities. For EC and KZN on the other hand, investment must be made on the poor's ability to access manufacturing employment.

The levels of trade shares to employment are not too dissimilar between the poorest and the richest provinces. In all the provinces, the contribution is above 17%, being highest for Limpopo (26%), KZN, Western Cape and Gauteng (24%), and least for Eastern Cape and Northern Cape, but also above 20% in 2005. The proportion drops for EC and NC to below 20%, but above 15%. The key issue to consider here is that trade might be small-scale and more informal in poorer provinces than richer ones.

[43] Source: Constructed from Global Insight, February 2014

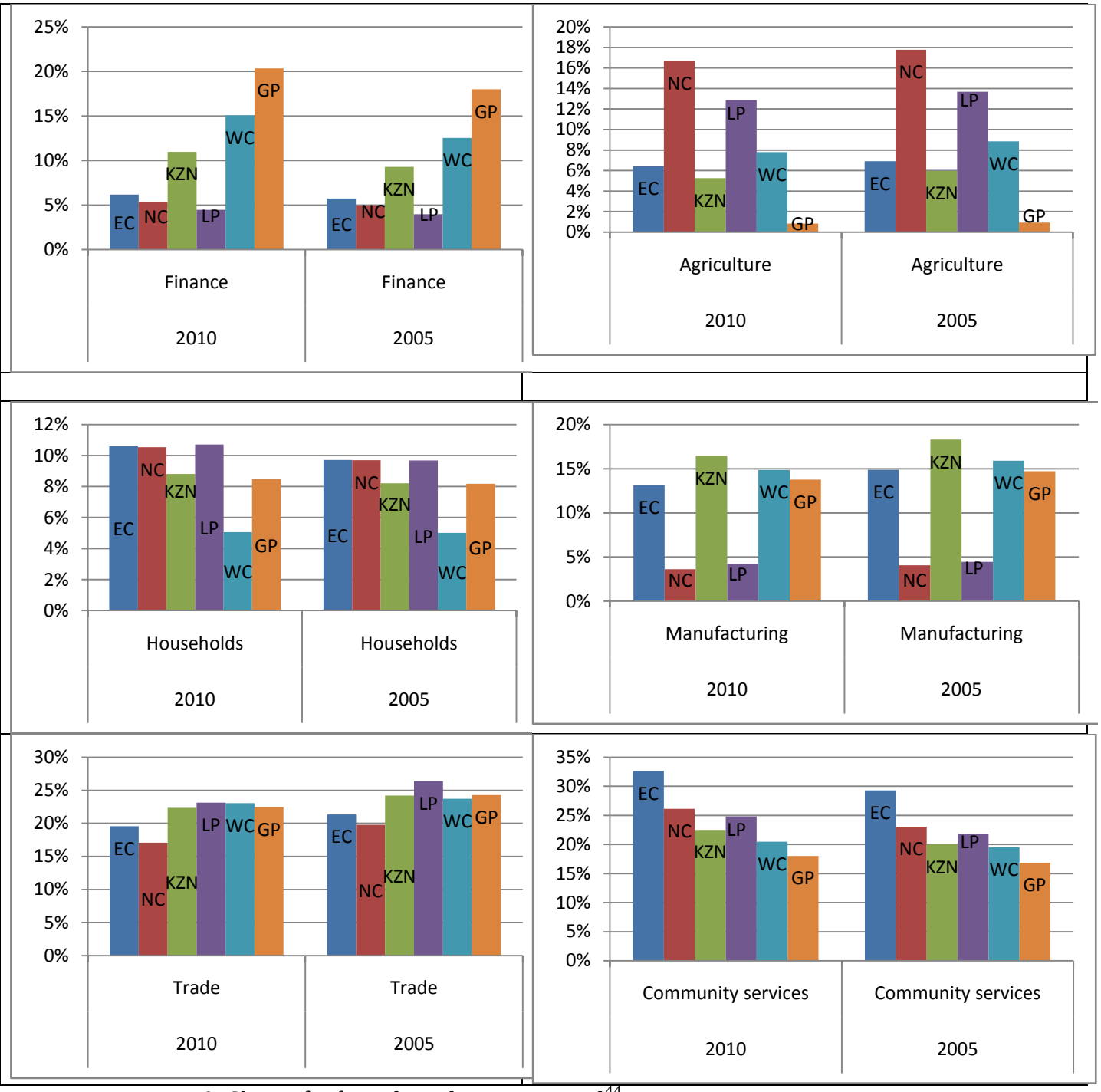

Figure 7.10: Share of informal employment in total[44]

Agricultural sector employs significantly in Northern Cape (16%), Limpopo (12.4%) in 2010, the shares being slightly higher for 2005. Gauteng has the least share of agricultural employment, followed by KZN, EC and WC. There is no clear indication here that belonging to the agricultural sector is associated with higher poverty. However, it is clear that the poor in agriculture may either be employees there or practice small-scale farming. Inferring from the analysis of land

[44] Source: Constructed from Global Insight, February 2014

ownership and poverty, we have previously established that small-scale farming (on less than 10 hectares) may be associated with significantly high poverty.

Community services and households are sectors that contribute strongly to employment in poor provinces. The highest share of community employment in 2010 is in EC (32%), NC (26%), Limpopo (25%) and KZN (23%). The proportions for these provinces have increase slightly from 2005. The shares are consistently below 20% for Gauteng and Western Cape. Households also employ relatively highly in poor provinces (above 10%) in EC, NC, and Limpopo. KZN is about 9% while the richest provinces are around 8% for Gauteng and 5% for WC. The picture has hardly changed between 2005 and 2010.

Clearly, there are policy implications that can be drawn from the employment structure analysis:

- Dealing with informality in poor provinces
- Upgrading and enhancing manufacturing investment in Limpopo and Northern Cape
- while improving access to manufacturing employment in KZN and Eastern Cape
- upgrading the poor to move from low paid employment (community service and households) to high paid ones (financial services, manufacturing)

7.4 Changes in Self-reported health indicators

We use self-reported health indicators obtained from 2005 and 2010 General Household Survey (GHS) to analyse the other leg of human capital – health. With the absence of adequate dataset that gives health indicators and income in one set, we are unable to compare poverty within different health categories. The analysis here is only a second-best approach. We first consider general illnesses as reported by the respondents surveyed. Following this, we look at two groups of diseases. The one is life-style related disease – diabetes and high or low blood pressure. The other comprises the diseases that may be closely related to living conditions – diarrhoea and TB or severe cough with blood.

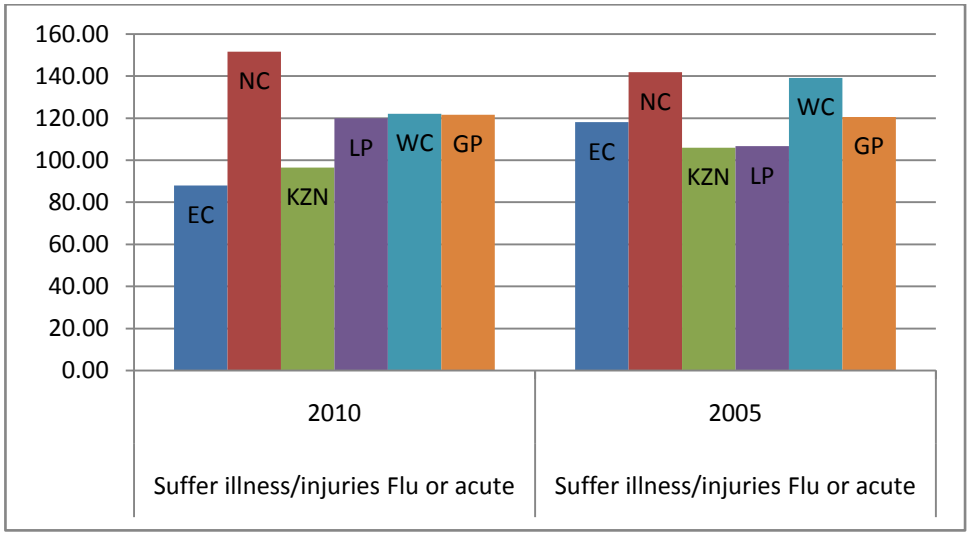

Figure 7.11: Self-reported disease (per thousand) [45]

[45] Source: Constructed from General Household Surveys (2005 and 2010)

While self-reported disease levels have remained the same for Gauteng (120 per thousand) from 2005 to 2010, the level dropped for WC from 140 to 120 per thousand. Compared to the poorest provinces, similar drop can be noticed for EC (118 to 98 per thousand) and KZN (105 to 98 per thousand). For Limpopo and Northern Cape, self-reported disease has actually risen (105 to 120 per thousand and 140 to 150 per thousand). Because of the mixed picture, one may only try to make sense of the structure of self-reported illnesses for specific diseases.

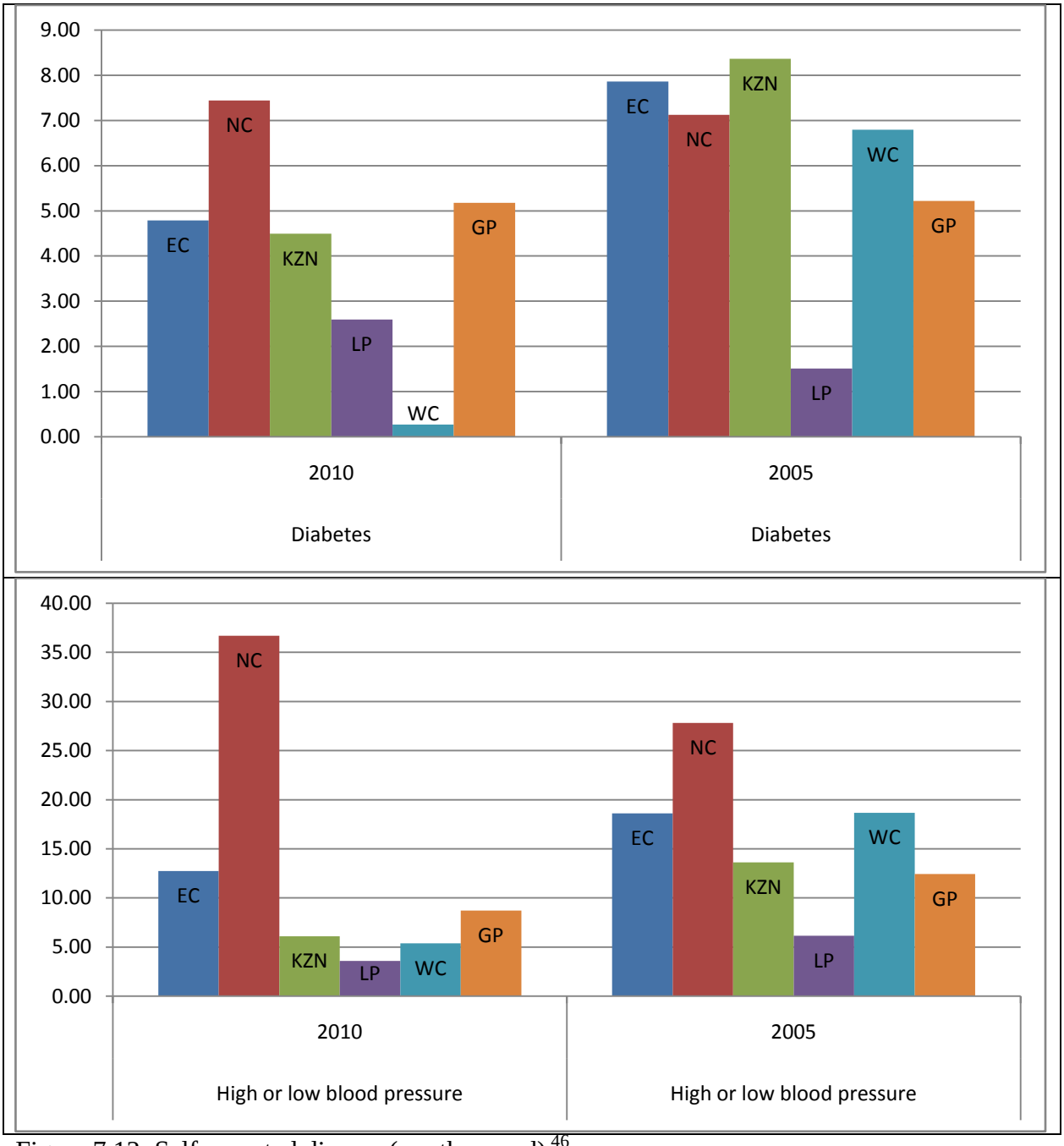

Figure 7.12: Self-reported disease (per thousand) [46]

[46] Source: Constructed from General Household Surveys (2005 and 2010)

Figure 7.5 reports levels of self-reported life-style diseases at the different provinces of interest. In general, except for Limpopo, all provinces, poor and rich alike have been affected by diabetes. The level for Gauteng has remained low (5 persons per thousand) between 2005 and 2010. The level in WC has significantly dropped from 6.8 to near zero per thousand. The level in Limpopo in Limpopo has been low but increasing, from 1.5 to 2.5 per thousand. EC and KZN have high relative general disease prevalence, with decreasing tendencies from 7-8 per thousand to about 4.5 per thousand between 2005 and 2010. The level has changed from 7 to 7.5 in the Northern Cape. Clearly there is no discernible pattern that would separate poor provinces from rich ones. However, in terms of high/low blood pressure, WC and GP have recorded significant decreases from 18and 12 to 5 and 8 per thousand respectively between 2005 and 2010. Similar but less pronounced decreases have been recorded for EC, KZN and Limpopo. The trend has been in the rise for Northern Cape.

Although all provinces battle with life style-related diseases, one can generally conclude on changes that while the rich provinces are winning the battle, the poorest provinces are not recording similar levels of improvements.

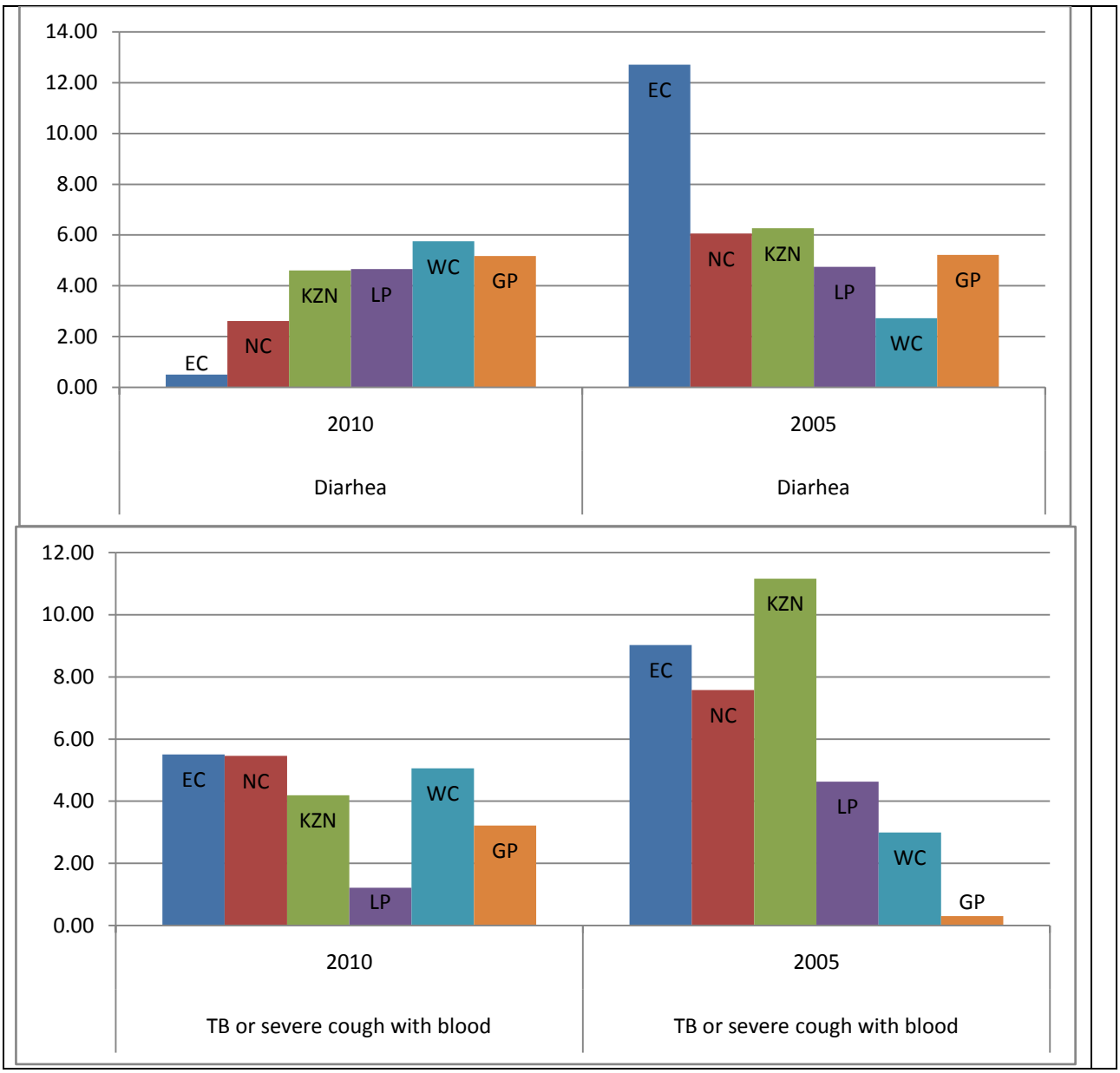

Figure 7.13: Self-reported disease (per thousand) [47]

Living conditions-related disease prevalence is reported in table 7.6. The table clearly indicates that in 2005, the poorest provinces had relatively high proportion of self-reported diarrhoea and TB, ranging from 12 for EC and 5 for Limpopo, and 11 for KZN and 5 for Limpopo respectively. For both diseases, Gauteng recorded 5 and 0.3 and WC 3 and 3 per thousand respectively. However, while on average, the poorest provinces remain higher than the richest ones, they recorded significant improvements in the burden of these diseases between 2005 and 2010. In summary, one would conclude that levels of living conditions-related diseases have been falling faster for poorer provinces relative to the richer ones. This may imply that health policies are getting to the target, though gaps may still exist in terms of quality of health service delivery.

8 POLICY PERCEPTION BY THE POOR

The purpose of the fieldwork was to help understand perception of policy from the perspective of the poor. It therefore makes sense of focus on the poor themselves. Due to resource and time constraints, we could not undertake the field work in all the provinces in South Africa. We utilised a purposive sampling approach in selecting the three poorest provinces in South Africa based on criteria of poverty and inequality levels namely Eastern Cape, KwaZulu-Natal and Limpopo Provinces.

For the selection of projects from which beneficiaries would be selected we requested the NDA to provide us with lists of all projects funded by the NDA in these provinces. The list was further disaggregated to highlight only projects which were spatially located in an urban informal settlement, a traditional authority settlement and a rural settlement. We further narrowed down the sample of projects to those NDA funded projects which were directly addressing income poverty and food insecurity interventions. Finally based on this a short list of 3 projects per province were identified and 1 project from each site was randomly selected to ensure that we had an informal site, a rural site and a traditional authority site.

The three projects selected were:

- Vukuzenzele Weaving Project and the Zamokuphila Piggery Farming Cooperative in the Eastern Cape.
- Asisukume Msinga Agricultural Cooperative in KZN; and
- RASEKO Agricultural Cooperative in Limpopo.

In each project, 15 respondents were selected. In Eastern Cape, 6 respondents each came from Zamukhupila Piggery Cooperative and VukuZenzele weaving project and 3 from Emazizini Primary Cooperative. In KwaZulu-Natal 5 respondents were selected from each of three sites of 53 food gardens in Asisukume Msinga Cooperative. In Limpopo province 7 respondents came

[47] Source: Constructed from General Household Surveys (2005 and 2010)

from Ramoshoane Primary Cooperative, 3 respondents from Seopa Primary Cooperative and 5 respondents from Kordon Primary Cooperative.

8.1 General perceptions and experiences of poverty

Almost all the respondents in the three provinces linked the definition of poverty to unemployment, sources of income, lack of necessities and shortage of food in the household. Majority of the respondents in Limpopo province linked poverty to lack of necessities which includes shortage of food and shelter in defining poverty. In Eastern Cape and KwaZulu-Natal the respondent's defined poverty as a shortage of employment opportunities which could assist the household head generate income to provide sustenance to the household.

The respondents were asked as to whether they consider themselves poor, rich and non-poor. As reported in Table 8.1, most (86%) of the respondents in Eastern Cape considered themselves not poor and not rich while only 13% who considered themselves to be poor. In KwaZulu-Natal 80% of the respondents considered themselves to be poor and only 20% considered themselves not poor or not rich. In Limpopo province 73% of the respondents considered themselves poor while 26% of the respondents considered themselves not poor or rich. These responses are show in Table 8.1.

Table 8.1: Respondents self-perception of level of poverty

Response	Eastern Cape (%)	KwaZulu-Natal (%)	Limpopo (%)
Poor	13.33	80	73.33
Not poor or not rich	86.67	20	26.67

At household Level, 52% of the respondents in Eastern Cape considered the situation in the household as being the same with the neighbouring households and 15% of respondent considered their household to be better off compared to other households. In KwaZulu-Natal, 75% of the respondents considered the situation in the households to be worse off compared to other households. About 28% of the respondents compared the situation in the household to be the same and only 15% who realised improvement in the households. In Limpopo province, 69% of the respondents considered the situation in the household to have improved over the years compared to the neighbouring households and 19% considered the situation in the household to be the same with other households. About 25% of the respondents considered their household to be worse off compared to other households. Table 8.2; show the responses of the interviewed respondents in the three provinces.

Table 8.2: Respondents household compared to other households

Responses	Eastern Cape	KwaZulu-Natal	Limpopo
Better	15.38	14.29	60
About the same	84.62	42.86	26.67
Worse-off	0	42.86	13.33

The respondents mentioned a number of factors which leads to poverty in the communities. These factors are absence of parents, disability and sickness, environmental factors, insufficient income, lack of qualifications, laziness and unemployment. Majority of the respondents viewed unemployment as one of the factors which exacerbates poverty in their communities. Those who mentioned lack of qualification emphasised that education serves as an entrance to wage employment. The NDA project beneficiaries also stated that laziness of members of the communities causes poverty in the households. Some of the respondents identified lack of clothes for their children as a factor which makes a household to be poor. Those who considered themselves not to be poor or rich highlighted that education played a crucial role in lifting their households out of poverty because educated members of the households provide sustenance in the households.

8.2 Employment policy

The sources of income for Eastern Cape respondents who came from the communities of Efata, Rosedale and Tshandatsha include social grants, disability grants and old age pension. It should also be noted that the some of the project participants were disabled. The respondents also mentioned that other community members rely completely on the projects and some on temporary employment. The respondents from communities in Mbono and Mabaso villages in KwaZulu-Natal mostly rely on farming during rainy season and social grants. Some of the community members rely on self-employment which includes construction. In Limpopo province the respondents came from the communities of Ramoshoane, Kordon and Seopa and they mostly depended on RASEKO agricultural project, old age pension and social grants. Some also depends on wage employment in the cities.

The respondents in Eastern Cape reported that there is high level of unemployment in the communities and some of the educated members of the communities are also unemployed. One respondent said the employment level had decreased compared to previous years. In KwaZulu-Natal the respondents reported that the levels of unemployment are high because there are no employment opportunities in the cities. Majority of the respondents in Limpopo Province view level of unemployment in the communities as high, relating it to the underlying reason for high poverty.

The respondents were also asked to compare the level of unemployment in the communities compared to five years ago. In Eastern Cape, 20% of the respondents said the level of unemployment in their communities had decreased, 60% reported that the level of unemployment had increased and 20% said the level of unemployment had not changed. These finding are supported by the respondents view on the level of education where about 40% said the members of the community are less educated. In KwaZulu-Natal about 46% of the respondents reported the level of unemployment decreased, 33% said the level of unemployment had increased and only about 20% of the respondents who said the level of unemployment had remained unchanged. The levels of unemployment could have decreased because 73.3% of the respondents reported that more people are educated in KwaZulu-Natal province. 33% of members of the Raseko project in Limpopo province said that the level of unemployment in their communities had decreased, while 33% also said the level of unemployment increased and 33% also said the level of unemployment had not changed.

Table 8.3: Trends in levels of unemployment

Responses	Eastern Cape (%)	KwaZulu-Natal (%)	Limpopo (%)
Decreased	20	46.67	33.33
Increased	60	33.33	33.33
No change	20	20	33.33

Table 8.4 presents the type of employment which the community members in the provinces are involved in. In Eastern Cape, most of the respondents reported that the main types of employment in their communities are the project which absorbs the unemployed people on temporary basis. Some of the members are involved in farming, domestic work and taxi industry. In KwaZulu-Natal, the respondents reported majority of the community members do construction work. This construction work is either formal or informal. Formal construction work involved community members who are working for registered construction companies and informal construction work involves those community members who are self-employed. The respondents also said the community members are involved in farming and security related work. Respondents in Limpopo Province said the community members mostly worked for Extended Public Works Programme (EPWP) however some of the community members in particular women do domestic work. The other types of employment which the respondents mentioned included nursing and teaching.

Table 8.4: Main types of employment in the provinces

Eastern Cape	KwaZulu-Natal	Limpopo
Farming	Construction	Construction (1)
Domestic work	Farming	Domestic work
Taxi industry	Security company	EPWP projects and other projects
Zenzele weaving project and other	Teaching	Teachers
		Piece jobs

The key problem limiting access to employment is both demand- and supply-side. Most people reported fewer available jobs couples with skills and educational requirements which most don't have. However, in general, the respondents reported that it is easier to get employment in the projects, domestic work and construction because they don't want qualifications.

8.3 Educational policy

All the respondents in Eastern Cape linked poverty to education saying that education reduces poverty in the communities. In KwaZulu-Natal 93% of the respondents agreed that education reduces poverty in the communities while about 6% of the respondents disagreed and Limpopo province 93% of the respondents concurred with the view that education reduces poverty. In all the provinces the respondents viewed education as important because it provides skills which can enable the educated person to acquire decent employment. One of the respondents in Limpopo

province said educated people have high chances of getting employment although it was noted that there are those who are educated but unemployed.

Table 8.5: Perceptions of link between education and poverty

Responses	Eastern cape (%)	KwaZulu-Natal (%)	Limpopo (%)
Yes	100	93.33	93.33
No	0	6.67	4.75

Table 8.6 shows perceptions of the respondents about the level of education compared to five years ago, 14% of the respondents in Eastern Cape said members of the communities are more educated and 66% said they are less educated and 40% of the respondent realised that the numbers of educated people have not changed. Majority of the respondents said people dropped out of high school. Adult basic education and training (ABET) was also recognised by some of the respondents as playing an important role in advancing education of adult people in the communities. In KwaZulu-Natal, 40% of the respondents said members of the community are more educated while 16% of the respondents said members of the communities are less educated and 60 % said the number of people who are educated compared to five years ago has not changed. The respondents who realised an improvement in the number of community members who are educated said the number of people who had matriculated the past five years had increased. Their concerns however was that substance abuse disrupted learners' efforts. In Limpopo province, 44% of the respondents noticed that compared to five years ago members of the community are more educated and only 14% of the respondents said they are less educated. More people are graduating from the universities and some are attending in colleagues.

Table 8.6: Educational Levels compared to five years ago

Responses	Eastern Cape (%)	KwaZulu-Natal (%)	Limpopo (%)
More	40	73.33	92.31
Less	40	6.67	7.69
No change	20	20.00	0

The respondents reported that there are crèche/day care, primary schools and high schools in their communities. Majority of the respondents said the children are able to attend school both primary and high school however some of the household are not able to take their children to crèche/day care because they cannot afford to pay the fees. The same also applies in Eastern Cape where in the communities the respondents have crèche/day care, primary schools and high schools. The respondents said primary and high school facilities are easily accessible.

8.4 Health policy

All respondents noted the link between health and poverty. Majority of the respondents said poor people are vulnerable to diseases and poverty makes lives of the poor people difficult. Some of the respondents said when the household head is unhealthy it is a cost to the household because there

will be no income in the household and when poverty strikes a household it worsens health condition of the sick person.

The respondents in Eastern Cape mentioned that community members are affected by deceases such as HIV/AIDS and high blood pressure. However access to health institutions is also a challenge because the respondents reside in remote areas. Majority of the respondents in KwaZulu-Natal said they do not have clinics in their communities and that they travel long distances to the nearest health facilities. One of the respondents in Limpopo province mentioned that sometimes they do not have medication in the health institutions and that there not enough ambulances.

Table 8.7 below shows that 62.5% of the respondents in Eastern Cape said health services in their communities had decreased while 37% reported no change. The respondents said there had been no new clinic and hospital established in the past five years thus they have not seen an improvement however mobile clinics system which had been introduced brought a slight change. Mobile clinics do not visit the communities every day. Majority of the respondents (46%) of the respondents in KwaZulu-Natal said health services in their communities had decreased while 40% said there is no change in the health services provided by the institutions. Only 13% of the respondents said health services had increased. In Limpopo 40% of the respondents said health services in their communities decreased, 50% of the respondents said it has increased while 25% of the respondents said the health services health services had not changed. The respondents said health services had decreased because sometime there is no medicine in the hospitals. Those reporting that health services had increased did so largely due to their ability to access a mobile clinic. Most of the respondents in Eastern Cape and Limpopo Province said the biggest challenge faced by the communities to access the health facilities is distance that people had to travel to the facilities. This means that the community members in these provinces incur high transport cost to the facilities.

Table 8.7: Access to health services compared to five years ago

Responses	Eastern Cape (%)	KwaZulu-Natal (%)	Limpopo (%)
Decreased	62.50	46.67	61.54
Increased	0	13.33	15.38
Not changed	37.50	40	33.33

8.5 Other poverty-related policies

8.5.1 Water and sanitation

The respondents were asked of their perception of link between water and sanitation and poverty in their communities. Majority of the respondents in all provinces mentioned that they do not have access to water and that water scarcity contributed to poverty. Some respondents reported that scarcity of water can cause diseases and that if there is no water people cannot survive.

Table 8.8: Link between poverty and water and sanitation

Response	Eastern Cape (%)	KwaZulu-Natal (%)	Limpopo (%)
Yes	50	86.67	100
No	50	13.33	0

Table 8.8, above shows that 50% of the respondents in Eastern Cape reported that water and sanitation challenges which include long distances travelled to access water in the communities affected both men and women equally. In KwaZulu-Natal 86.67% of the respondents said that water and sanitation challenges affect both men and women while 13% thought otherwise. All the respondents (100%) in Limpopo Provinces reported all the challenges of water and sanitation in the province affect both men and women equally.

Table 8.9 shows that 16.7% of the respondents in Eastern Cape said that access to water and sanitation in their communities had decreased and 33% said the access to water compared to five years ago have not changed while 50% said it has increased. Most of the respondents reported that government had in the past constructed boreholes and every household has a tap but the taps are dry. The responses reflected the disappointment of community members with government. In KwaZulu-Natal 40% of the respondents said access to water and sanitation had decreased and 60 % said it has not changed. Few respondents reported that they had taps in their household and used to access piped water but currently there was no water in the area. The respondents also mentioned that due to climate changes they had experienced a shortage of rainfall. 30% of the respondents reported that access to water and sanitation in Limpopo province had improved. Most of the respondents said that government was able to install boreholes in the communities. About 23% said the supply of water had decreased in the communities and also reported that the toilets used are not of good quality. 46% said there is no change.

Table 8.9: Trends in water and sanitation

Response	Eastern Cape (%)	KwaZulu-Natal (%)	Limpopo (%)
Decreased	16.67	40	23.08
Increased	50	0	30.77
No change	33.33	60	46.15

The respondents in Limpopo province reported that the water service providers are local government. The municipalities contract a private company to install boreholes in the communities. In Eastern Cape some of the respondents believe that Department of Water Affairs is the service provider of water in the community. In Limpopo the challenges in accessing water included distance to travel as the boreholes are scattered, In Eastern Cape the respondents said the taps had run dry.

8.5.2 Land

Majority of the respondents reported that access to land is important in the communities, mainly for poor households because they can practice farming on the land to provide food for their households. One respondents added that household with large land parcel can even produce for

market. Some of the respondents understood the importance of land in the communities however they reported that even if people had access to land they often did not use it productively because they are lazy. One respondent mentioned that land is important to women not men because men are mainly employed in off-farm employment.

The respondents related the land access problems in their communities. In Eastern Cape, the communities reported that it is difficult to acquire land because the community members cannot afford to buy the land from the traditional councils. These respondents also mentioned that acquiring land involves processes which discourage the community members. Community members in KwaZulu-Natal did not report any challenges with access to land. The respondents mentioned that laziness and lack of farming inputs affect agricultural production. In Limpopo province the community members are affected by lack of money and knowledge to acquire the land.

Table 8.10: Access to land compared to five years ago

Responses	Eastern Cape (%)	KwaZulu-Natal	Limpopo
Decreased	22.22	13.33	30.77
Increased	33.33	80.60	46.15
No change	44.44	6.67	23.08

Table 8.10 above shows the respondents perception of communities access to land over the past years. 22% of the respondents in Eastern Cape perceive access to land by the community members to have decreased and 33% perceive it to have increased. 44% of the respondents said access to land compared to five years ago had not changed. In KwaZulu-Natal, 13% of the respondents perceived land access to have decreased while 80% deemed it to have increased. These finding shows that access to land in KwaZulu-Natal is easier compared to Eastern Cape and Limpopo province. 30% of the respondents in Limpopo said access to land in their communities had decreased and 46% said it has increased.

8.5.3 Finance

Those respondents who considered themselves as poor said most (80%) the community members rely on credit from spaza shops[48] and those who are non-poor said only about 47% of the community members relied on Spaza shops for their food purchases. The non-poor respondents also said that some of the community members might be using registered micro lenders. Both the poor and non-poor respondents said community members relied on informal unregistered micro-credit lenders (referred to as Loan sharks). The responses are shown in Table 8.11.

The most preferable source of credit by both groups is Stokvel[49] because the community members will not have to pay hefty amount of interest when returning the money. In the stokvel the participants rotate money or food stamps among the members of the stokvel on monthly or annual basis. The community members rely on this practice because they are able to buy food and other household necessities.

[48] A spaza shop is an informal retail shop, usually run from home.
[49] A stokvel is a saving scheme or credit club in South Africa, where members contribute a fixed amount monthly.

Table 8.11: Saving and lending practices

Credits	Poor	Not rich not poor
Stokvel	52.38	47.62
Spaza Shops	80.00	20
Loan sharks	50	50
Registered Micro lenders	0	100
Banks	50	50

The respondents mentioned various challenges in respect to accessing credit facilities and loans. Most people also reported their preference to borrowing goods from spaza shops rather than getting money from loan sharks. However, because some of the goods they need are not always available in the spaza shops, they are then forced to borrow money from the loan sharks. Loan sharks were expensive as they charge high interest rates. If the community members are unable to pay, the loan sharks confiscate the lenders property. The loan sharks target pensioners. One of the challenges with stokvel is that it could lead to conflicts amongst community members.

Table 8.12: Trend in access of credit

Responses	Eastern Cape (%)	KwaZulu-Natal (%)	Limpopo (%)
Decreased	0	13.33	8.33
Increased	83.33	40	58.33
No change	16.67	46.67	33.33

The above table (8.12), reflects trends in access to microcredit over the past five years. The respondents in Eastern Cape reported that access to microcredit levels in their communities had increased while 16% said it has not changed. 13% in KwaZulu-Natal the respondents reported that access to microcredit levels in their communities had decreased and 40% said it has increased and 46.67 said it has not changed compared to five years ago. In Limpopo about 8% of the respondent said access to microcredit in their communities had decreased while 58% said it had increased. Only 33% who said it has not changed.

8.6 Access to poverty alleviation programmes

In order to gain understanding of the level of involvement of the locals in certain poverty-reduction related programmes, we selected some NDA-funded projects in our sample provinces. The NDA funded poverty alleviation projects which were selected for the study by the HSRC research teams in three provinces namely Eastern Cape, KwaZulu-Natal and Limpopo Provinces are Vukuzenzele Weaving Project, Asisukume Msinga Agricultural Cooperative and RASEKO Agricultural Cooperative.

8.6.1 Asisukume msinga agricultural cooperative in KwaZulu Natal Province

The cooperative is involved in crop and livestock farming at Mawele Location, Othame, Msinga top, Msinga Local Municipality in Umzinyathi District. It compromises of five members of the board of directors, 8 core members, 10 shareholders and 640 beneficiaries. The co-operative started with 416 members who were direct beneficiaries and communally owning 52 arable units. Since its inception the cooperative has captured an interest of many community members and to dates its membership rose from 416 to 640 members currently. The cooperative started with maize production, and later extended its farming activities to beans production and broiler production.

The research team interviewed 15 members of the Asisukume agricultural cooperative. Few of the responded who perceived themselves to be poor reported that the project assisted them to provide food for the households and one responded mentioned that his/her family is delighted that he is a member of the project. However, some of the respondents are not happy about the progress of the project because they have not received income from the project. This is shown on table 21.1 below where 71% of the respondents in KwaZulu-Natal said that participation in the project had not increase their access to income. At community level the respondents reported that the project had contributed to reduced poverty. This is shown in table 21.2.

8.6.2 VukuZenzele weaving project in Eastern Cape Province

The project is led by disable people who are involved in making floor-mats, chair backs, cushion covers, door-mats, place-mats, wall hanging mats, bathroom sets, twill material and beaded tradition. The objective of the project is to create job opportunities for people with disabilities and the non-disabled impoverished having interest in working with people living with a disability.

The research team interviewed 15 members of the projects. The non-poor respondents reported that their participation in the project played an important role in provision of income to buy food for their households. In table 21.1, 92% of the participants in the projects said the project had helped increase income in the household and 7% said the project had not increased income. In table 21.2, all the respondents reported that the project reduced poverty in the households. The research team reported that some of the respondents in Eastern Cape could not be captured because the respondents were blind / deaf.

8.6.3 RASEKO agricultural cooperative in Limpopo province

The RASEKO agricultural cooperative project is situated in the village called Ga-Ramoshoane and it is a secondary cooperative which represent three communities. These are Ramoshoane, Seopa and Kordon communities. Ramoshoane was established in 2006, Seopa was established in 2006 and Kordon was established in 1997. RASEKO is the name which was initiated by combining the first two letters of the names of the three communities. The community members were concerned with high levels of unemployment and poverty prevailing in the area and accordingly approached NDA with a view to responding to this challenge.

The RASEKO agricultural cooperative project consists of 35 beneficiaries from the three primary cooperatives. Ramoshoane which serves as the Central Service Unit of the cooperative has 14 members. Seopa has 8 members and lastly Kordon cooperative has 13 members. The beneficiaries of this cooperative includes male, female and disabled people. The research team in Limpopo

province interviewed 15 respondents of RASEKO agricultural project, mostly from the Kordon and Seopa communities. Majority of the respondents said that the project did not add value in to their lives because they did not get any source of income from the project. Despite having been established as long back as 1997 and 2006, these cooperatives have not managed to be sustainable though they have received substantial support from government institutions since 1998. Raseko Agricultural Cooperative still relies on grants from different government departments and other institutions to buy stock and feed annually. The cooperative expects more support from the state in order to provide the members with monthly stipends. Some of the infrastructure on the project site was incomplete or not installed and or constructed properly. For example, the installation of the egg sorting and packing machine is not yet completed and the cooperative members don't know when that will be done as they don't have the money and the grant for that was already finished. In addition, the stock feed tanks were incorrectly installed and cannot be used.

Table 8.13: Project Increased Income

Responses	Eastern Cape (%)	KwaZulu-Natal (%)	Limpopo (%)
Yes	92.31	28.57	53.85
No	7.69	71.43	46.15

Table 8.14: Project reduced poverty

Responses	Eastern Cape (%)	KwaZulu-Natal (%)	Limpopo (%)
Yes	100	66.67	76.92
No	0	33.33	23.08

9 DIAGNOSIS

9.1 POLICY COMMITMENT: BUDGET SHARES

The analysis of the commitment of government to policies is done along budgetary lines. Budget share of different programmes will give some indication about the priority placed on those programmes. Although analysis is at the provincial level, the budgets are municipal level aggregates for the respective provinces. There are two categories of municipal expenses. One relates to operational expenditure, which is the category that covers the cost of running the municipality. The other relates to capital expenditure, which covers the budgetary commitment to programme executions. We started by comparing the proportion of operational spending with capital spending, followed by an analysis of the respective components of each spending category. We did this for four provinces, the three poorest (Eastern Cape, KwaZulu-Natal and Limpopo) and Northern Cape selected due to high youth poverty levels noticed earlier. We compared these provinces with the two richest provinces (Gauteng and Western Cape).

9.1.1 OPERATIONAL VERSUS CAPITAL EXPENDITURE

In terms of operational versus capital expenditure, there is no significant difference between the poorest and the richest provinces. Table 9.1 shows that operational expenditure is significantly higher than capital expenditures for all provinces. Therefore nothing significant can be inferred

from the difference between operational and capital spending in relation to poverty reduction programming.

Table 9.1: Comparison of Capital and Operational Expenditures[50]

		2006	2007	2008	2009
EC	Opex	77%	78%	76%	77%
	Capex	23%	22%	24%	23%
KZN	Opex	81%	75%	75%	76%
	Capex	19%	25%	25%	24%
LP	Opex	80%	69%	66%	68%
	Capex	20%	31%	34%	32%
NC	Opex	83%	83%	84%	84%
	Capex	17%	17%	16%	16%
GP	Opex	85%	84%	80%	85%
	Capex	15%	16%	20%	15%
WC	Opex	82%	78%	73%	77%
	Capex	18%	22%	27%	23%

9.1.2 Composition of operational expenditure

Operational expenditure is mainly composed of employee costs, remuneration of councillors, repairs and maintenance cost, depreciation and amortisation, financial charges, material and bulk purchases, grants and subsidies and other expenditures. We pay attention on the shares of employee costs and remuneration of councillors, comparing poorest provinces with the richest ones.

[50] Source: Constructed from Local Governments Revenue Database, 2006 to 2009

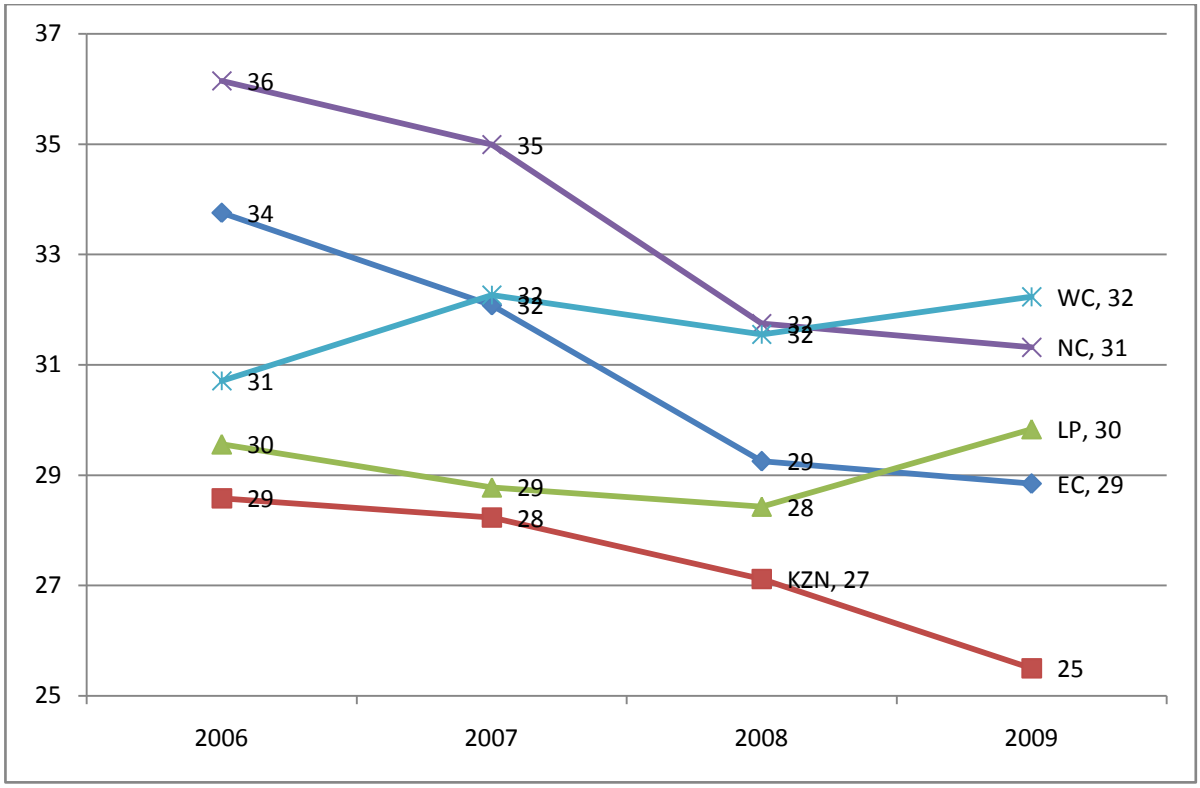

Figure 9.1: Percentage share of employee costs[51]

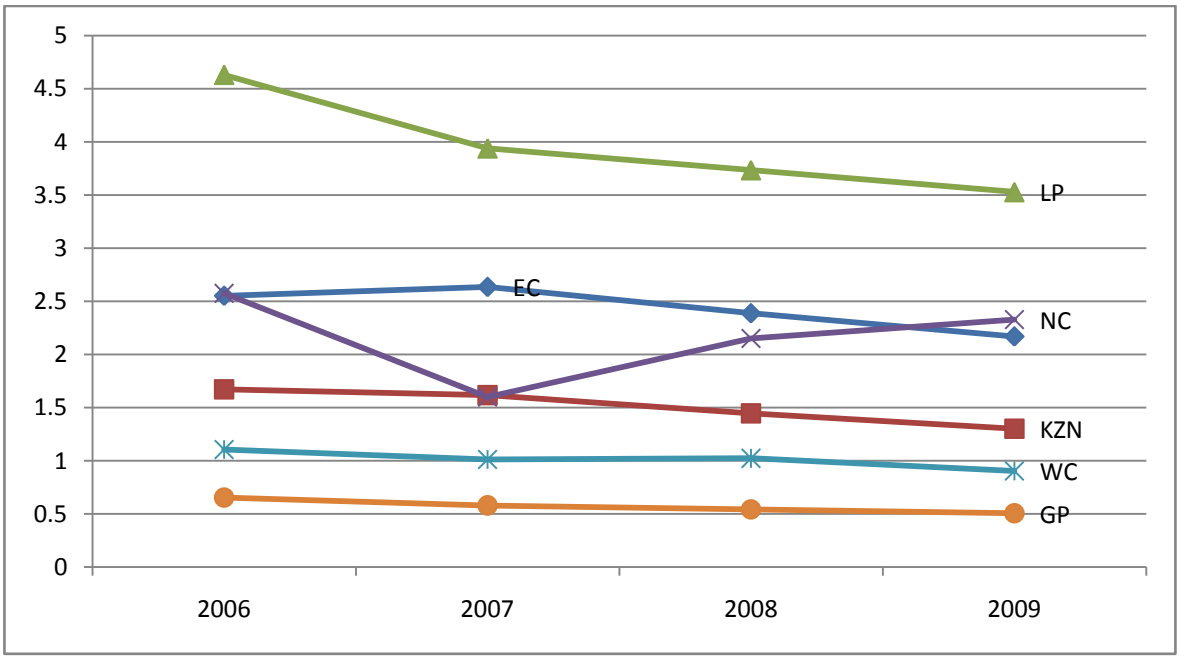

Figure 9.2: Percentage share of remuneration of councillors[52]

[51] Source: Constructed from Local Governments Revenue Database, 2006 to 2009

Figures 10a and 10b respectively show the proportion of employee costs and remuneration of councillors. Except for Northern Cape, all the poorest provinces have relatively low proportion of employee costs as a share of their operational budget. While the share of employee cost has increased between 2006 and 2009 from 31% to 32% for Western Cape, the proportion for all the other provinces in addition being low has decreased for the poorest provinces in the same time period. However, the contrary is true for remuneration of councillors. The proportions for the poorest provinces have remained high above those of the two richest provinces. Although the proportion has declined slightly for Limpopo, it remains the highest, between 3.5% and 4.5%.

This seems to imply that the poorest provinces may not be allocating staff budget to increasingly fill key operational positions in the municipality. Rather, while the proportion of employment budget has been dropping, that of councillors have remained stable.

9.1.3 Composition of capital expenditure

Capital expenditure is comprised of water and sanitation, electricity, housing, roads and storm water and other. All the other capital spending categories are at similar level across all the provinces except housing, electricity and water and sanitation. Roads and storm water shares of capital spending range from 26% to 34% for the richest provinces in 2009. In the poorest provinces, it ranges from 21% to 34%. Only Northern Cape falls far below the richest provinces with 11%.

Electricity share ranges from 12% to 19% for richest provinces. The poorest provinces all on average fall below the richest provinces with electricity spending shares ranging from 5% for Limpopo to 10% for KZN. Northern Cape's share of 14% is in line with those of the richest provinces. Given the key role of electricity in income generation, especially in small and medium-size enterprises, but also in the facilitation of effective functioning of health systems and respiratory disease prevention in households, it is important for these poor provinces to pay attention to this category of spending.

Water and sanitation share is 15% for the richest provinces. This share is significantly high for poorest provinces (EC, 27%; KZN, 34%; NC, 27%). However, Limpopo lags behind in this important category of spending, with a share of only 13%. Given the important role of water and sanitation in the building of health human capital, the low share of this component for Limpopo is an issue of concern.

One of the key areas of capital spending with the lowest proportion among the poorest provinces is housing. The share of spending on housing is at 5% and 8% for Western and Gauteng provinces. This share is at 2% for KZN, 1% for Northern Cape and Eastern Cape, and 0% for Limpopo in 2009. Given the significant proportion of household spending that the poor often devote to housing, one may conclude that these key services are not prioritised in spending decisions of poor provinces.

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[52] Source: Constructed from Local Governments Revenue Database, 2006 to 2009

9.2 Policy effectiveness: spending variations

In assessing policy effectiveness, we rather evaluate how the different provinces keep to committed budgetary allocations. We do so by looking at the difference between actual and budgeted expenditures of the different categories. First a noteworthy fact is that variations within operational spending are negative for both the richest provinces, while positive for all the poorest provinces. This implies that there is always over-spending in this category for the poorest provinces, but an under-spending for the richest provinces. The over-spending significantly increased for the poorest provinces between 2006 and 2009. For example, EC increased from 8% to 14%, Limpopo increased from 7% to 23%, while Gauteng decreased from -1% to -4%, and Western Cape decreased from -4% to -22%. The key component accounting for high over-spending seems to be remuneration of councillors, with variations of more than 3000% for Eastern Cape and more than 2000% for KZN (see Table 9.2). However, there is under-spending in the category of employee cost. This implies that the poorest provinces under-spend on employee remunerations compared to rich provinces.

On capital spending, Figure 9.3 shows that the poorest provinces incur significant spending deficits compare to the richest provinces. Limpopo had up to -52% spending deficit in 2006 and -17% in 2009. Eastern Cape had -16% and -18% respectively. With these significant spending deficits coupled with high deficits on employee costs, the effectiveness of the poorest provinces in delivering on antipoverty programmes is strongly questionable.

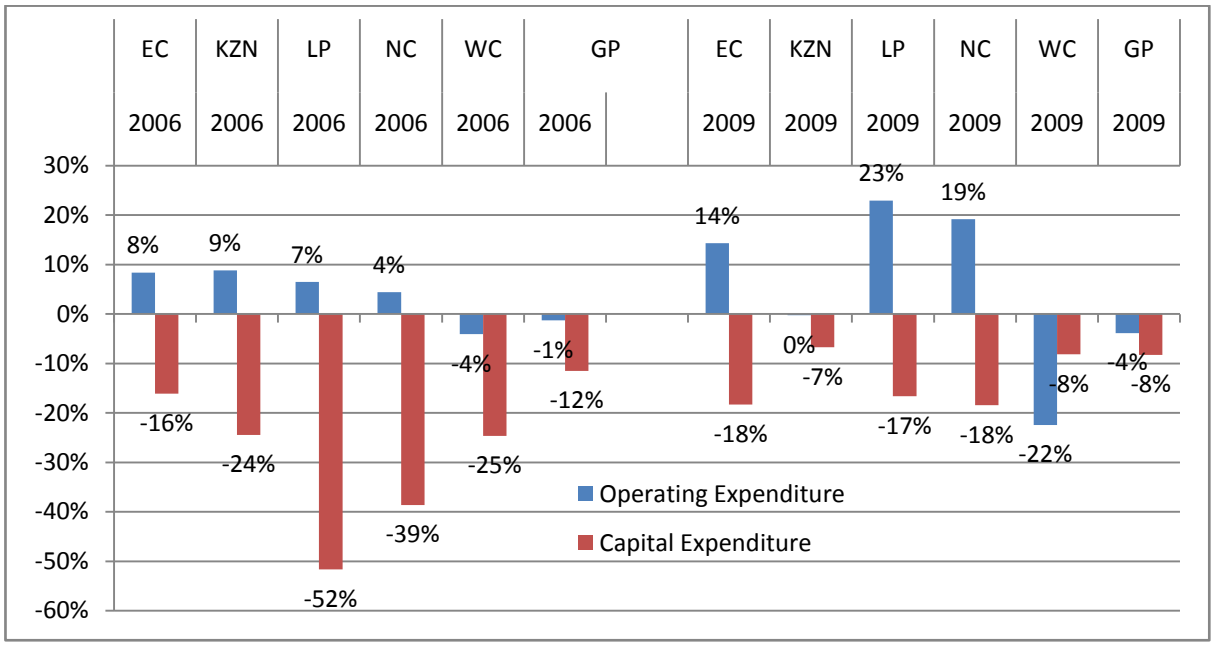

Figure 9.3: Variations in Capital and Operational Expenditures[53]

[53] Source: Constructed from Local Governments Revenue Database, 2006 to 2009

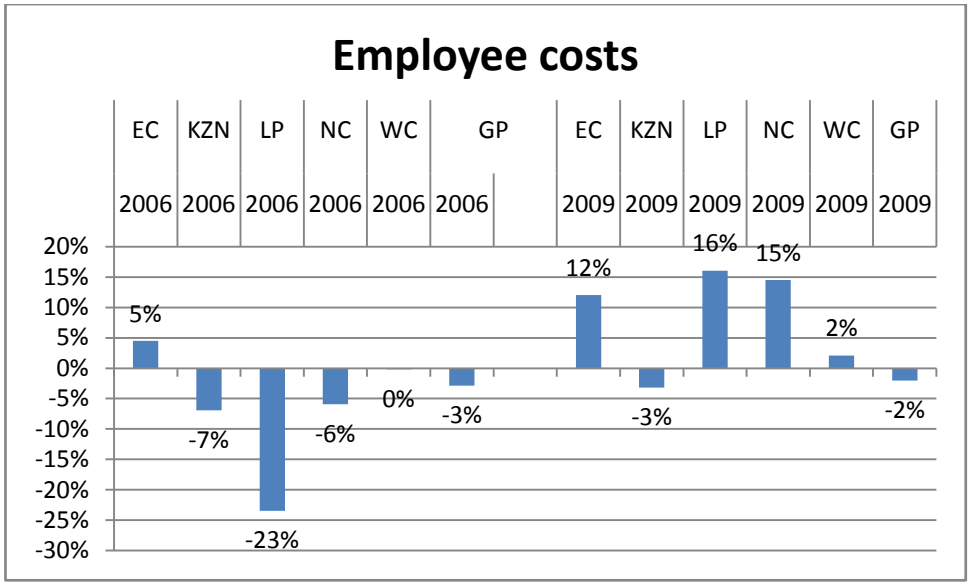

Figure 9.4: Variations in employee costs[54]

Table 9.2: Variations in other operational spending categories[55]

	EC	KZN	LP	NC	WC	GP	EC	KZN	LP	NC	WC	GP
	2006						2009					
Employee costs	5%	-7%	-23%	-6%	0%	-3%	12%	-3%	16%	15%	2%	-2%
Remuneration of Councillors	3735 %	2630%	-	-	27%	134%	-	7207%	-	-	-	-
Repairs and maintenance	-1%	-22%	-12%	-23%	3%	-30%	-	9938%	-	3115%	-	-
Depreciation and amortisation	-	4330%	-	-	55%	18%	-	-	-	-	-	-
Finance charges	-3%	-27%	-53%	-69%	21%	-5%	21%	-28%	-7%	-32%	2%	6%
Materials and bulk purchases	-1%	2%	-3%	-6%	1%	4%	6%	1%	32%	10%	0%	-5%
Grants and subsidies	192%	26502%	-	-	-30%	11%	-	1282%	-	-	-	-

With respect to capital spending that depicts the actual programmes on poverty alleviation service delivery, the poorest provinces also show worse and deteriorating performance. In water and sanitation category for example, Limpopo had an under spending of -61% in 2006, which persisted in 2009 (-67%). Similar picture obtains for Northern Cape. Whereas Eastern Cape and KZN were better-off in spending effectiveness in 2006 (33% and 14% overspending), the situation deteriorated over the years to a 22% under spending for EC in 2009, and 1% overspending for KZN in 2009.

[54] Source: Constructed from Local Governments Revenue Database, 2006 to 2009

[55] Source: Constructed from Local Governments Revenue Database, 2006 to 2009

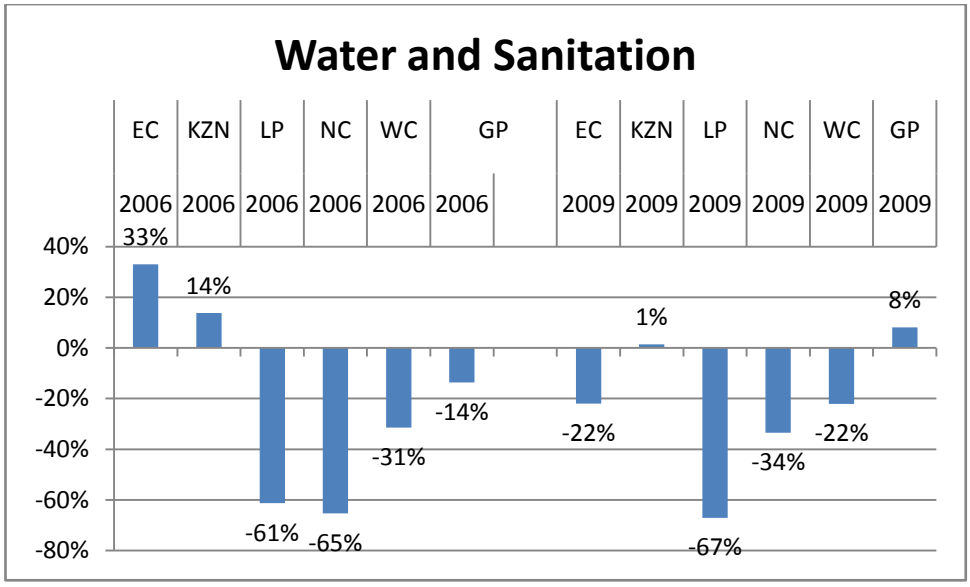

Figure 9.5: Variations in water and sanitation spending

In the housing category, the poorest provinces also accumulated significant under-spending. Eastern Cape had an under-spending of -92%, which deteriorated to -98% in 2009. There was similar picture for KZN (-90% and -85% respectively). Comparing these to the very dismal and at times zero share of spending on housing in the poorest provinces, we can conclude that the capacity for poor provinces to deliver on housing is almost inexistent. The picture is similar for the electricity, and roads and storm water spending categories, leading to similar service delivery conclusions.

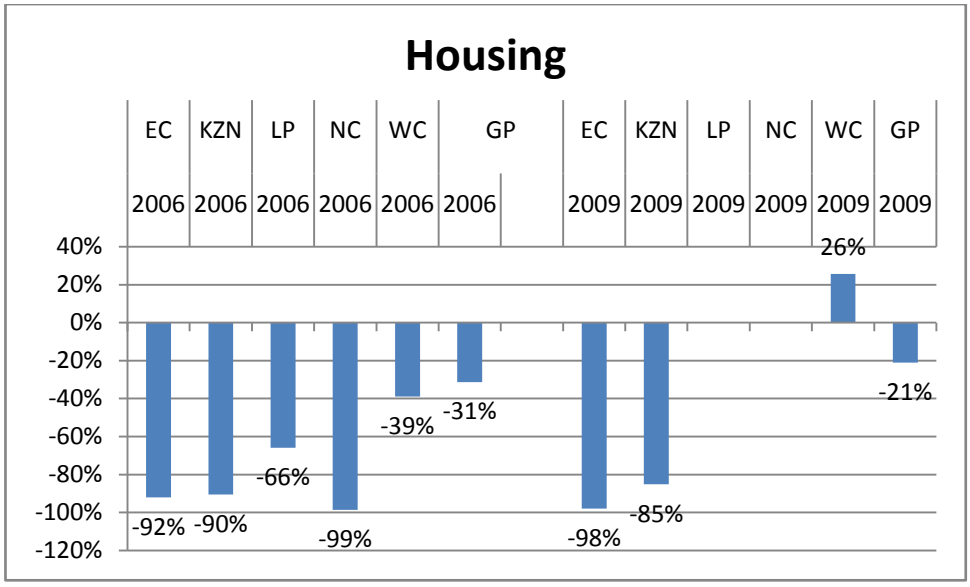

Figure 9.6: Variations in housing spending[56]

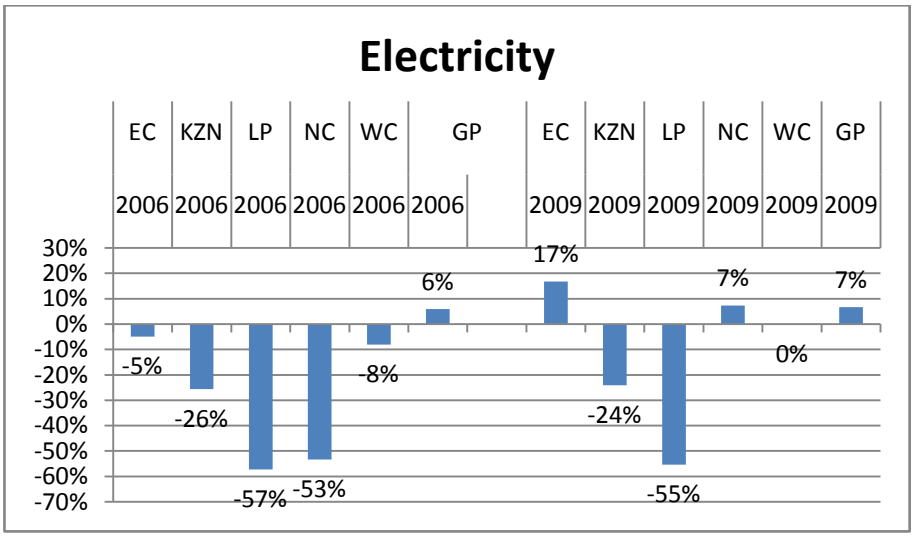

Figure 9.7: Variations in electricity spending[57]

[56] Source: Constructed from Local Governments Revenue Database, 2006 to 2009

[57] Source: Constructed from Local Governments Revenue Database, 2006 to 2009

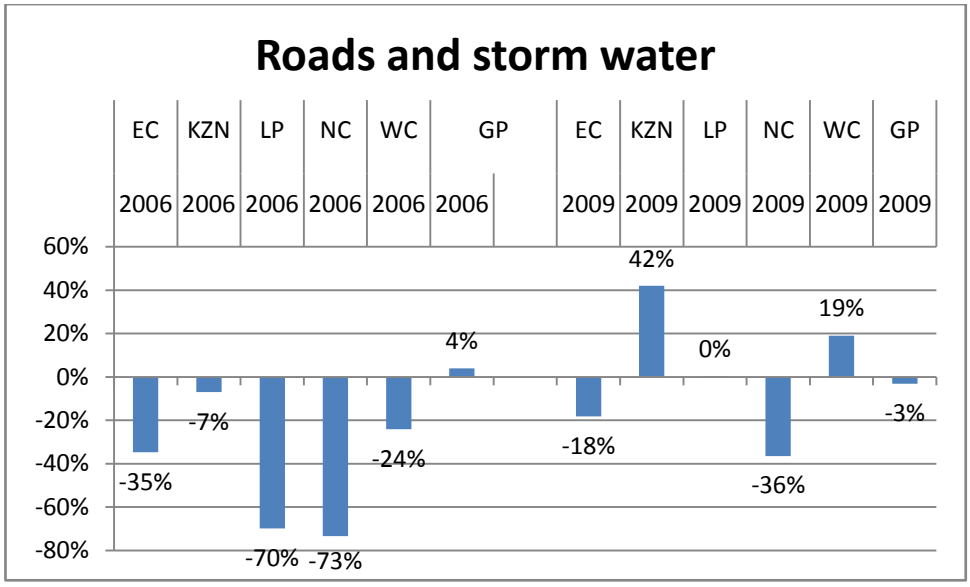

Figure 9.8: Variations in roads and storm water spending

9.3 Capacity to deliver

In assessing the capacity of provinces to deliver on antipoverty programmes, we look at the aggregate municipal staff profile in the province. Lack of data on the skills profile of municipal staff could not allow us to assess capacity in terms of qualification. However, given the very small shares of employee cost and employee spending deficits, the ability of poor provinces to attract and retain qualified high-skilled staff may be questionable. Table 9.3 analyses municipal staff profile in terms of vacancy rates. The proportion of filled vacancies does not deviate much from that of Western Cape (44%), although Limpopo has the lowest (41%). The low levels of spending on employee cost are depicted in Table 9 by the relatively lower proportion of funded positions in the poorest provinces. Eastern Cape has the lowest funded positions with 31%, followed by KZN and Limpopo (45% and 55% respectively). The proportion for Western Cape is 66%. Only Northern Cape comes ahead of Western Cape with 73% funded positions.

Table 9.3: Provincial aggregates of municipal staff profile[58]

	employed	Approved positions	proportion filled	Funded	unfunded	proportion funded	Appointments to non-existent positions
Eastern Cape	16370	20408	45%	3298	7181	31%	6441
KwaZulu-Natal	18110	21264	46%	3186	3825	45%	3857
Limpopo	8780	12833	41%	2429	1951	55%	327

[58] Source: Constructed from Local Governments Revenue Database, 2006 to 2009

Northern Cape	6602	7487	47%	1470	537	73%	1121
Western Cape	15566	19644	44%	4666	2425	66%	3013

This analysis suggests that poorest provinces grapple with (skilled) staff attraction and retention. The key problem seems to be that staffing is not sufficiently prioritised in municipal spending decisions. This in turn jeopardises the effectiveness of spending on key poverty reduction programmes.

10 CONCLUSIONS AND RECOMMENDATIONS

This work constitutes an effort to profile poverty in the nine provinces of South Africa. It is a follow-up of an earlier (2008) assessment. The overriding question with which the assessment was undertaken relates to active participation of the poor in the economic growth process.

This work does not only adopt quantitative measures of consumption-based poverty (in line with studies of this kind), but also analyses in the lens of the other dimensions of wellbeing, mainly, health, education, employment, access to services. We then examined the seriousness and distribution of poverty across space, gender and racial profile, followed by the characteristics of the poor, the changes in poverty and the associated factors over time. The changes were then linked to the policy context and the other dimensions identified in literature.

The policy intent of the government of South Africa is contained in the Medium Term Strategic Framework (MTSF) from which the different national and provincial departments draw their strategic plans and budgets. At the centre of the MTSF policy framework is the role of economic growth and development, including decent work and investment in education and skills development.

The post-apartheid government has highlighted the importance of education in the national budget. The MTSF policy strategy emphasises strong skills and human resources base.

The first element is to create a culture of achievement, with the improved of learners' outcomes. The second is to enhance participation and quality of Early Childhood Development (ECD) services. The third is to expand access to and capacity of secondary education. Other strategies towards education and skills development relate to educational infrastructure, safe and supporting environment for children, development of a teaching profession with high ethical and professional standards for high quality education.

The key health policy direction is to transform the public health system in order to reduce inequality in the health system, improve quality of care and public facilities, boost human resources in the health system and enhance the fight against HIV and AIDS, TB and other communicable lifestyle diseases.

Although adequate human capital can contribute in improving labour market access by the poor, it largely addresses labour supply-side issues. The South African government is alive to this and has incorporated two broad areas of policy interventions to address the issues of labour demand. The one is addressing economic structural problems in order to speed up economic growth, transform the economy to create decent work and sustainable livelihoods. The other is an intervention for a massive public works programmes to build economic and social infrastructure.

In the poverty profiling exercise, we started by establishing the robustness of our poverty comparisons by performing sensitivity checks with a number of poverty lines. Ultimately for the rest of the exercise, we used the upper bound poverty line of ZAR 577. Only Gauteng, Western Cape and Free State have poverty incidence below the national average for all the poverty lines. By poverty and inequality standards, the poorest provinces are Limpopo, Eastern Cape and KwaZulu Natal (KZN). These are the provinces of emphasis in further analysis.

In general, households headed by females tend to be poorer than those headed by male. KZN, Mpumalanga and Free State have the greatest gender disparity on poverty, bias against female. More pronounced disparities exist for extreme poverty in Mpumalanga, KZN and Gauteng. Limpopo shows less gender inequality amongst the poor. Of the three poorest provinces, the figures suggest more marginalisation of women among the poor in KZN than the other provinces.

- Poverty reduction policies should be strongly pro-female

One of the most serious problems in the poorest provinces of South Africa is the high proportion of child-headed households. The three poorest provinces account for up to 67% of all the child-headed house-holds. Child-headed households exhibit the highest poverty. For all the poorest provinces, poverty starts high among households with youngest house hold heads (15-24 age group). It drops to the age group of 25-34 and rises steadily thereafter. After the age group of 25-34, the older the household head, the poorer the household. In contrast, for the richest provinces (Western Cape and Gauteng), poverty appears to be relatively constant across the different age groups. Northern Cape has 35% of youth poverty (15-24 age group), the highest for all the provinces

- Therefore antipoverty interventions should pay particular attention to children, youth and the elderly.

Poverty still remains a racial issue in South Africa. Black South Africans account for the highest poverty in South Africa and in the poorest provinces followed by the coloureds. Poverty does not seem to be an issue among the Indians and the whites.

- Policy attention should still focus on the Blacks and the coloureds

Most of the poverty is in traditional (39%), urban informal (28%) and rural (26%) settlements. Highest poverty in KZN is among the traditional dwellers (46%), followed by urban informal (35%) and rural (29%). In the Eastern Cape, poverty is also higher among the traditional settlements (39%), followed by urban informal (36%).

An interesting pattern to note is that poverty among urban informal, traditional and rural populations is significantly high across all provinces, including even the richest provinces.

- Classification of poverty by settlement type shows great diversity across provinces. Therefore poverty reduction programmes in the different provinces will have to

emphasise different settlement types according to provincial specificities in poverty distribution.

While in all other provinces, there is 2-3% poverty among university graduates, there is up to 5% poverty among graduates in Limpopo. In the richest provinces (Gauteng and Western Cape), there is no poverty among people with university degree. This may seem to suggest acute labour demand side issues that may be addressed by job creation interventions in Limpopo. There is significant poverty among households with grade 12 and above, but no university degree in Limpopo (up to 28%), KZN (24%), and Eastern Cape (20%). The richest provinces have less than 10% poverty among this category. Again, this seems to suggest labour demand side issues.

- Education and skills development should therefore be accompanied by programmes to create employment that can absorb the skills.

The three poorest provinces have the highest proportion of household heads with less than grade 12 attainment (above 70%). Across all provinces, no education and any education below grade 12 certificate are associated with significantly higher poverty. Even in the richest provinces, the poor are concentrated among these categories. These are the categories that are unable to take advantage of the opportunities that are being generated for lack of educational human capital.

- Skills development interventions should therefore lay emphases on those below grade 12 across all provinces.
- Interventions that aim at creating employment should focus on the poorest provinces while skills development and educational upliftment, (though may emphasise the poorest provinces) should be present in all provinces where there are pockets of poverty particularly in the urban informal residents for the richest provinces, traditional and rural for the poorest provinces.

Those with highest poverty in the poorest provinces do not have a clear source of income. In this category, poverty ranges from 37% to 38% for the three poorest provinces (KZN, Eastern Cape and Limpopo). For the two richest provinces (Western Cape and Gauteng), poverty incidence within this category is 12% and 16% respectively.

The second most popular source of household income is labour. The poorest provinces (Limpopo, Eastern Cape and KZN) have the least percentage of household (13%, 15%, 17% respectively) depending on labour income. More than 30% of household in the richest provinces depend on labour income,

Gauteng and Western Cape Respectively have 9% and 11% poverty among households depending on labour income. Limpopo, Eastern Cape and KZN respectively have 28%, 26% and 25% poverty in this category.

- It may be deduced from this that selling labour yields higher returns in provinces with more economic activities than others.
- The poor clearly have constraints in accessing the labour market in the poorest provinces.

Dependency on grants, allowances and remittances as main income is highest in the poorest provinces (22%, 20% and 17% for Limpopo, Eastern Cape and KZN). KZN, Eastern Cape and Limpopo record the highest poverty (53%, 52% and 52% respectively). The least poverty in this category is recorded in the richest provinces, Gauteng and Western Cape (27% and 26% respectively).

The two richest provinces also have the highest share of financial capital, physical capital and entrepreneurial returns as main source of income, while the poorest provinces depend on these the least. Overall, these are also the categories with least poverty. Poverty among households depending mainly on financial capital ranges from 14% (Limpopo and Northern Cape) to 1% (Western Cape).

- Clearly, access to financial capital and financial investment is a significant way of poverty reduction.

Physical capital is associated with low poverty only in the richest provinces (3% in Gauteng and 11 % in Western Cape), where assets can yield high returns.

Without economic opportunities, physical capital has low returns and therefore associated with higher poverty in the poorest provinces (56% in Limpopo, 53% in the Eastern Cape, 31% in the Northern Cape and 21% in KZN). Similar logic applies for households depending on entrepreneurial income. Economic development comes with the inter-sectoral linkages that make entrepreneurial activities more rewarding. Consequently, the richest provinces have the lowest poverty among households depending on entrepreneurial income (9% for Gauteng and 11% for Western Cape). By the same token, there is relatively higher poverty for this category of income in the poorest provinces, 28%, 26% and 25% for Limpopo, Eastern Cape and KZN respectively.

Some of the poorest provinces contribute significantly to national GDP, and have economic growth rate closed to or above the national average. This implies that existing economic activities are not pro-poor, or the poor lack the capability to capture significant portions of the economic growth to be able to come out of poverty. The richest provinces belong to high growth medium inequality (Gauteng) and high growth low inequality (KZN). Two of the poorest provinces (KZN and Eastern Cape) are in high growth-high inequality zone, while the other (Limpopo) is in low growth-low inequality Zone. Northern Cape, which has shown high youth poverty, also belongs to this zone. In KZN and Eastern Cape, poverty is not so much a problem of absence of economic opportunities but rather lack of investment in the poor to access opportunities. On the contrary, in Limpopo (and the Northern Cape), there are less economic activities.

- Therefore antipoverty activities in Limpopo and Northern Cape should emphasise both expansion of economic activities together with investment in the skills of the poor.
- For KZN and Eastern Cape, the priority should be investment in the skills of, and access to opportunities by the poor.

Analysis of growth incidence curves show that while in rich provinces, growth predominantly goes to the middle class, in the poor provinces, the growth is clearly pro-rich. KZN, Limpopo and Northern Cape are in high risk of increasing inequality if growth is pursued without addressing the skewedness in the distribution of growth. Although Limpopo currently has low inequality, with strong growth, inequality will quickly increase given the shape of the GIC.

Access and ownership of land as a productive resource is important in determining income levels and poverty outcomes. The puzzling outcome relating to land and poverty is that there is higher poverty (about 50%) among those who have access to land that those who do not have access (32%). This means that access to land per say does not automatically lead to poverty reduction. Rather, two key factors that affect whether land contributes to poverty reduction are the size of land accessed and ownership of the land.

Analysis of the structure of sectors of employment suggests that the key employers in the rich provinces are financial and manufacturing. Household, community services and to some extent trade and agriculture are key sectors of employment in poor provinces.

Manufacturing may contribute to a great deal of inequality given the high inequality in poor provinces with high manufacturing share. The implication is that for Northern Cape and Limpopo, policies that enhance the creation of manufacturing firms should be considered while paying attention to labour supply disparities to prevent inequalities. For EC and KZN on the other hand, investment must be made on the poor's ability to access manufacturing employment.

Key policy implications that can be drawn from the employment structure analysis are:

- Dealing with informality in poor provinces
- Upgrading and enhancing manufacturing investment in Limpopo and Northern Cape
- while improving access to manufacturing employment in KZN and Eastern Cape
- upgrading the poor to move from low paid employment (community service and households) to high paid ones (financial services, manufacturing)

Analysis of levels and changes in self-reported health concludes that levels of living conditions-related diseases have been falling faster for poorer provinces relative to the richer ones. This may imply that health policies are getting to the target, though gaps may still exist in terms of quality of health service delivery.

From the poor's own perspective through the interviews conducted, the key determinant of poverty is education, which links to employment status. All other concerns come secondary.

A diagnostic analysis of policy commitment, effectiveness at capacity to deliver, of municipalities within the different provinces was carried out. The outcome is that the poorest provinces may not be allocating staff budget to increasingly fill key operational positions in the municipality. Rather, while the proportion of employment budget has been dropping, that of councillors has remained stable.

In terms of pro-poor programming, poor provinces have generally fallen short of spending targets in key areas with strong link to poverty reduction. The result is that the outcomes of these service categories are also dismal.

Poor provinces paid less attention to the delivery of key services related to housing, electricity and sanitation.

Given the key role of electricity in income generation, especially in small and medium-size enterprises, but also in the facilitation of effective functioning of health systems and respiratory disease prevention in households, it is important for these poor provinces to pay attention to this category of spending.

Given the important role of water and sanitation in the building of health human capital, the low share of this component for Limpopo is an issue of concern.

Given the significant proportion of household spending that the poor often devote to housing, one may conclude that these key services are not prioritised in spending decisions of poor provinces.

This analysis suggests that poorest provinces grapple with (skilled) staff attraction and retention. The key problem seems to be that staffing is not sufficiently prioritised in municipal spending decisions. This in turn jeopardises the effectiveness of spending on key poverty reduction programmes.

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APPENDIX

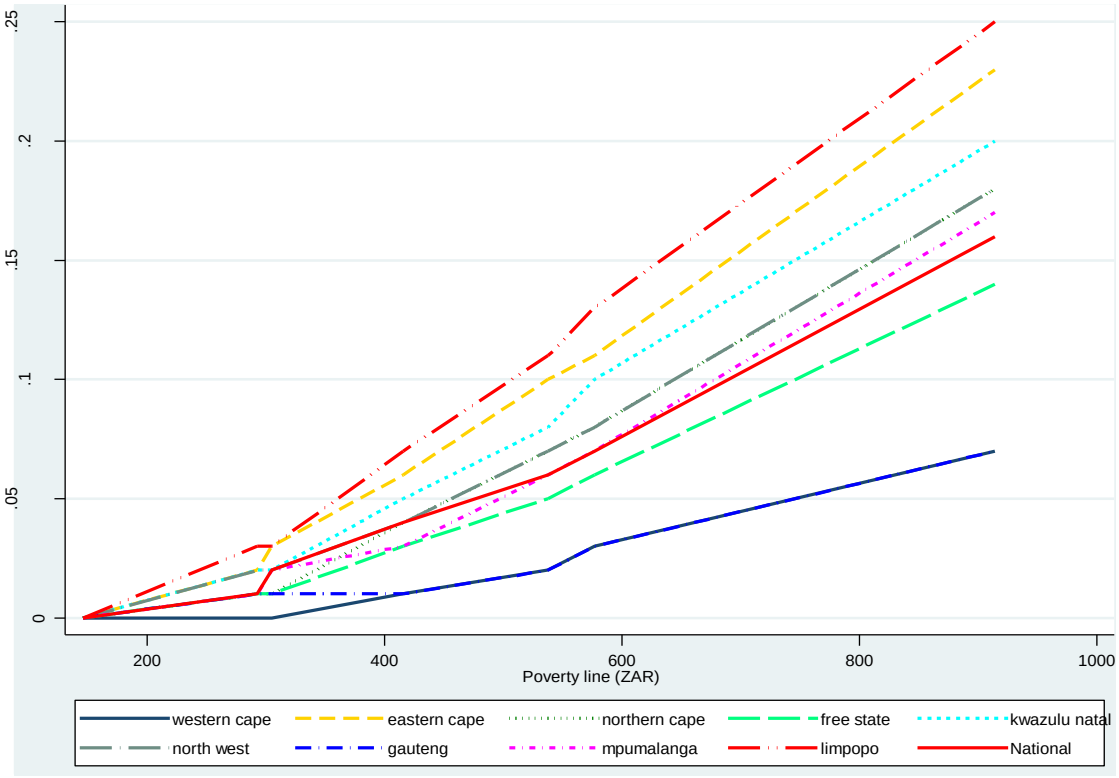

Figure A 1: Poverty intensity by province and poverty line in South Africa

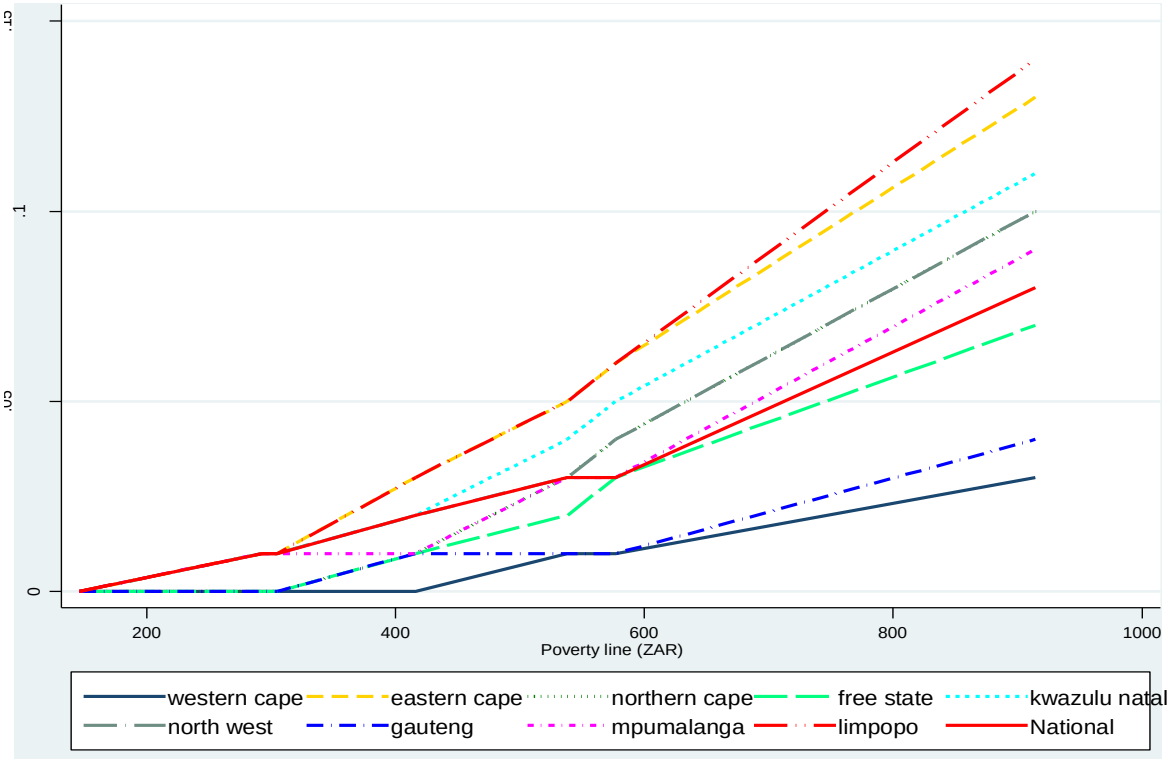

Figure A 2: Poverty severity by province and poverty line in South Africa

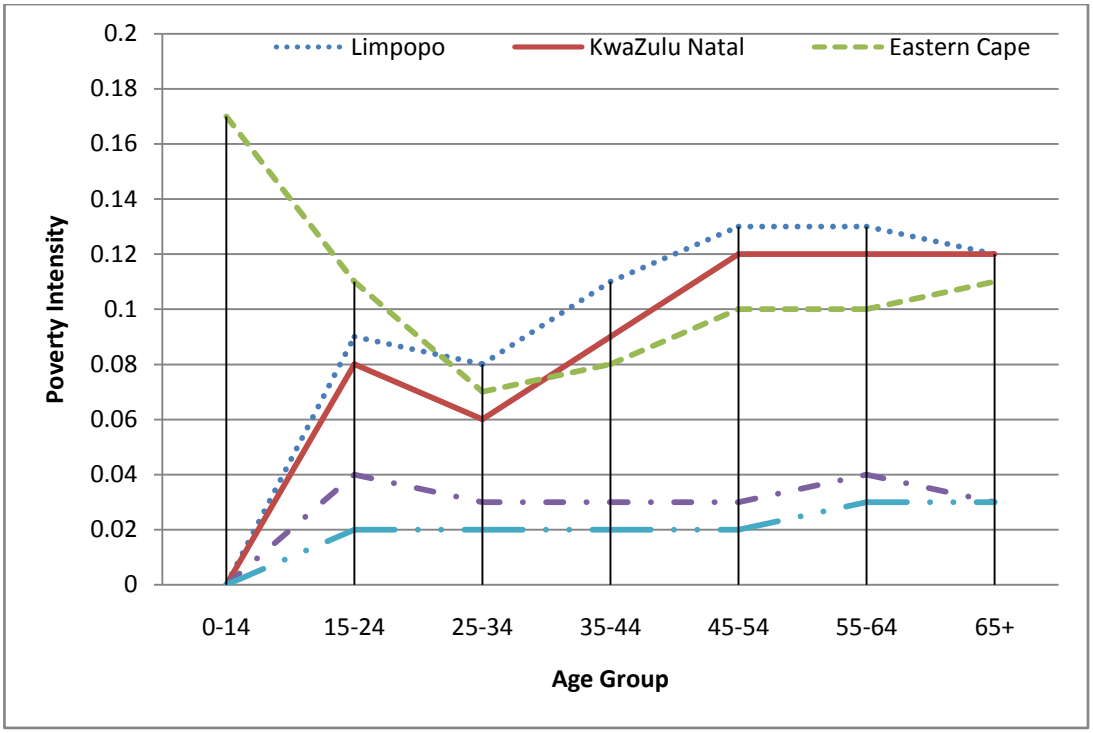

Figure A 3: Poverty intensity by age group

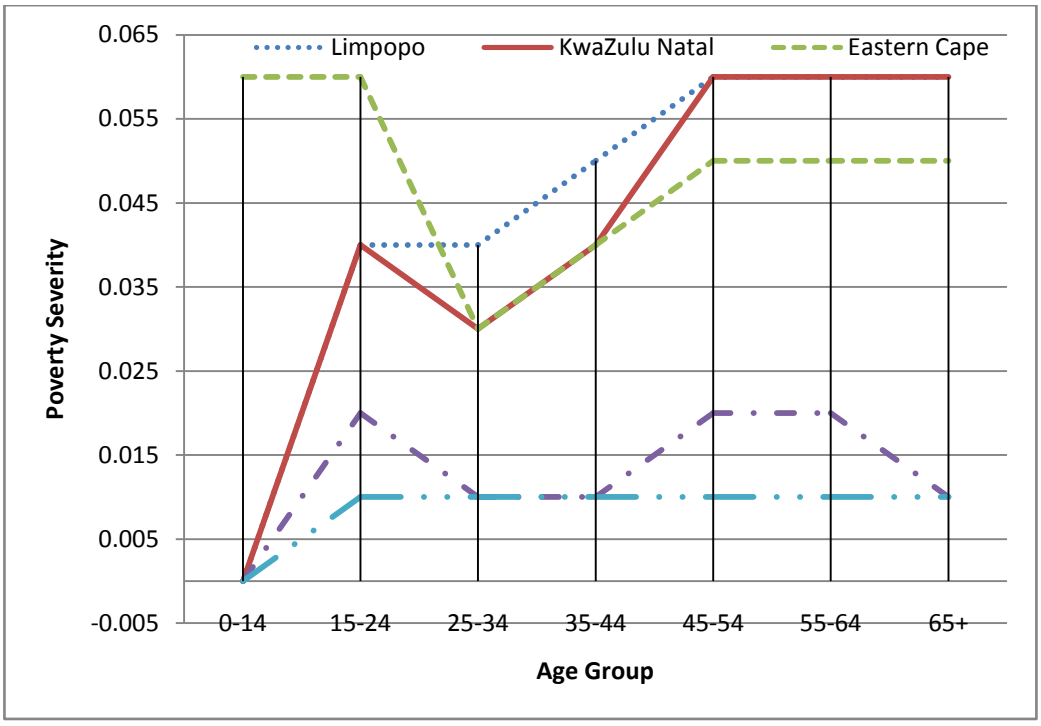

Figure A 4: Poverty severity by age group

Table A 1: Poverty intensity and severity by province and age group (poverty line of R577)

Poverty Intensity							
province	0-14	15-24	25-34	35-44	45-54	55-64	65+
National	0.04	0.07	0.05	0.06	0.08	0.09	0.09
Western Cape		0.02	0.02	0.02	0.02	0.03	0.03
Eastern Cape	0.17	0.11	0.07	0.08	0.10	0.10	0.11
Northern Cape		0.09	0.06	0.06	0.11	0.09	0.10
Free State		0.04	0.04	0.07	0.08	0.06	0.06
KwaZulu Natal	0.00	0.08	0.06	0.09	0.12	0.12	0.12
North West	0.00	0.08	0.06	0.08	0.10	0.08	0.11
Gauteng		0.04	0.03	0.03	0.03	0.04	0.03
Mpumalanga		0.07	0.05	0.07	0.08	0.09	0.09
Limpopo	0.00	0.09	0.08	0.11	0.13	0.13	0.12
Poverty Severity							
National	0.01	0.04	0.02	0.03	0.04	0.04	0.04
Western Cape		0.01	0.01	0.01	0.01	0.01	0.01
Eastern Cape	0.06	0.06	0.03	0.04	0.05	0.05	0.05
Northern Cape		0.03	0.03	0.02	0.05	0.04	0.04
Free State		0.01	0.02	0.03	0.03	0.03	0.03
KwaZulu Natal	0.00	0.04	0.03	0.04	0.06	0.06	0.06
North West	0.00	0.04	0.03	0.04	0.05	0.04	0.05
Gauteng		0.02	0.01	0.01	0.02	0.02	0.01
Mpumalanga		0.04	0.02	0.03	0.04	0.04	0.04
Limpopo	0.00	0.04	0.04	0.05	0.06	0.06	0.06

Table A 2: Poverty by educational attainment (poverty line of R577)

province	No education			Education No Gr 12			Gr12 & more			University Degree			Other		
	Inc	Int	Sev	Inc	Int	Sev	Inc	Int	Sev	Inc	Int	Sev	Inc	Int	Sev
National	0.38	0.14	0.07	0.35	0.13	0.07	0.17	0.06	0.03	0.02	0.01	0.00	0.19	0.06	0.02
Western Cape	0.17	0.04	0.02	0.18	0.06	0.02	0.04	0.01	0.00	0.01	0.00	0.00	0.05	0.01	0.00
Eastern Cape	0.40	0.14	0.07	0.44	0.17	0.08	0.20	0.07	0.03	0.03	0.01	0.01	0.23	0.07	0.03
Northern Cape	0.39	0.15	0.08	0.35	0.13	0.06	0.17	0.06	0.03	0.03	0.01	0.00	0.19	0.06	0.03
Free State	0.28	0.09	0.04	0.31	0.11	0.05	0.14	0.05	0.02	0.02	0.01	0.00	0.14	0.03	0.01
KwaZulu Natal	0.45	0.18	0.09	0.43	0.17	0.09	0.24	0.09	0.05	0.03	0.00	0.00	0.27	0.08	0.03
North West	0.42	0.16	0.09	0.37	0.14	0.07	0.22	0.07	0.03	0.03	0.01	0.01	0.22	0.07	0.03
Gauteng	0.15	0.06	0.03	0.19	0.06	0.03	0.09	0.03	0.02	0.00	0.00	0.00	0.08	0.03	0.01
Mpumalanga	0.42	0.16	0.08	0.36	0.13	0.06	0.21	0.07	0.03	0.03	0.01	0.01	0.17	0.04	0.02
Limpopo	0.46	0.18	0.09	0.45	0.18	0.09	0.28	0.10	0.05	0.05	0.02	0.01	0.25	0.08	0.03

Table A 3: Poverty by income source (poverty line of R577)

province	Labour	Entrepreneurial	Physical capital	Financial capital	Grants allowances and remittances	other
Poverty intensity						
National	0.07	0.06	0.09	0.02	0.18	0.11
Western Cape	0.03	0.01	0.05	0.00	0.08	0.04
Eastern Cape	0.09	0.07	0.22	0.02	0.20	0.13
Northern Cape	0.09	0.04	0.00	0.05	0.18	0.10
Free State	0.07	0.04	0.01	0.01	0.13	0.08
KwaZulu Natal	0.09	0.09	0.09	0.03	0.22	0.14
North West	0.08	0.07	0.09	0.03	0.19	0.12
Gauteng	0.03	0.04	0.01	0.01	0.09	0.05
Mpumalanga	0.07	0.08	0.07	0.02	0.18	0.11
Limpopo	0.11	0.11	0.20	0.05	0.21	0.15
Poverty Severity						
National	0.03	0.03	0.04	0.01	0.09	0.05
Western Cape	0.01	0.01	0.02	0.00	0.04	0.02
Eastern Cape	0.04	0.04	0.10	0.01	0.10	0.07
Northern Cape	0.04	0.01	0.00	0.02	0.09	0.05
Free State	0.03	0.02	0.00	0.01	0.06	0.04
KwaZulu Natal	0.04	0.04	0.05	0.01	0.11	0.07
North West	0.04	0.03	0.03	0.01	0.10	0.06
Gauteng	0.01	0.02	0.00	0.00	0.05	0.03
Mpumalanga	0.03	0.04	0.03	0.01	0.09	0.05
Limpopo	0.06	0.06	0.10	0.03	0.11	0.08

TECHNICAL APPENDIX

A. FGT Poverty measures

For the number of poor (m) among a population (n), and a poverty line z defined on the income (or any welfare indicator) of the i-th person yi: the three common members of the FGT family of measures can be derived as follows

- Head Count Ratio (HCR)

$$HCR = \frac{m}{n} \quad (1)$$

- Poverty intensity: Poverty Gap (PG)

$$PG = \left(1/n\right)\sum_{i=1}^{m}\left(\frac{z - y_i}{z}\right) \quad (2)$$

- Poverty severity: Square of poverty Gap (SPG)

$$SPG = \left(1/n\right)\sum_{i=1}^{m}\left(\frac{z - y_i}{z}\right)^2$$

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