POVERTY DYNAMICS IN SOUTH AFRICA: TRENDS, POLICIES AND CHALLENGES

Dinamika siromaštva u Južnoj Africi: trendovi, politike i izazovi

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Abstract

This paper provides an overview of poverty reduction in South Africa from 1980 to 2013. It highlights the trends in poverty; those poverty-alleviation policies that have been implemented; as well as the challenges that have been faced in reducing poverty. Poverty-reduction policies that have been implemented comprise short- and long-term measures. Short-term measures have focused on increasing the disposable income of the poor. The long-term poverty-reduction reforms were aimed at the economic empowerment of the poor. Despite all the policies that have been implemented, South Africa – like other emerging economies – still faces a number of challenges related to reducing poverty.

Keywords: South Africa, reforms, poverty reduction

1. Introduction

Poverty reduction has received attention in the past decade because of its increasing importance in economic development. The literature abounds with studies on the relationship between poverty and other economic variables, like financial...
development, foreign direct investment, as well as trade. The objective was to find the best option to eradicate poverty. Governments actively seek the solutions to eradicate poverty – from both national and international partnerships. International partnerships have resulted in many countries from developing and developed countries being signatories to the Millennium Development Goals. Although the target set to halve extreme poverty and hunger by 2015 has been largely met at the global level, the results have been uneven across countries. At national level, governments have realised the importance of sustainable inclusive economic growth; and this has motivated the need to seek solutions to the endemic problem of poverty reduction. Some governments have set country targets on monetary and non-monetary poverty measures. The negative effects of poverty such as poor human capital, low investment, low productivity and poor health retard economic growth. These characteristics if not reversed draw economies to low economic growth and impoverishment.

The growing importance of poverty shows a shift in economic growth with emphasis on economic development where all economic agents actively participate and benefit from economic growth. The relationship between poverty and economic growth has been explored in a number of countries and studies and consensus is arising that economic growth is necessary for poverty reduction. The World Bank and IMF emphasised the importance of economic growth in poverty reduction and pointed to the active role it played in the achievement of some of the Millennium Development Goals (World Bank and IMF, 2015).

A number of studies also support the role of economic growth in poverty reduction. Odhiambo (2009), for example, in a study on South Africa, found economic growth to Granger-cause poverty reduction. Dollar and Kraay (2002) also found economic growth to have a positive effect on poverty reduction in developing and developed countries. In the same vein, Warr (2006), in a study on Indonesia, Malaysia, the Philippines, and Thailand, found economic growth to be one of the factors that positively affect poverty reduction. The exogenous and endogenous growth models provide capital and labour as inputs in the production process and growth of output is determined by the combination of these inputs. In endogenous models, endogenous technology offsets diminishing returns to achieve long-term growth. The resulting growth in output increases job opportunities for the poor, increases government resources through tax revenue and income for households. It is through this link that economic growth is important for poverty reduction.

South Africa, like other African countries, has implemented a number of policies in order to reduce poverty. Poverty levels in South Africa have been decreasing; although they still remain high. Poverty in South Africa varies across the provinces, and also in terms of sex and settlements, which demand broad and well-co-ordinated poverty-reduction policies. It is in this light that this study aims to review some of the policies that have been implemented in South Africa in order to reduce poverty. The study also aims to analyse the trends of poverty reduction in South Africa, as well as some of the challenges that the country is currently facing in its effort to reduce poverty.

The rest of this paper is divided as follows: Section 2 gives an overview of poverty reduction in South Africa and outlines some of the poverty-alleviation policies that have been implemented in South Africa. Section 3 provides the poverty trends in South Africa; and Section 4 highlights the challenges that have been faced in South Africa in reducing poverty. Section 5 concludes the paper.
2. Poverty reduction in South Africa: An overview

Poverty alleviation policies pursued between 1980 and 1994 were unequal contributing to the marginalisation of the majority South Africans. The social welfare system was administered by 14 different departments leading to inefficiencies and duplication of social welfare initiatives (Department of Welfare, 1997). Access to basic services like education and health was also unequal. Given that education is one weapon to emancipate the poor from chronic poverty, the majority of South Africans were trapped in poverty (Statistics South Africa, 2015c). In 1994 government policies focused on restoration and building an equal society with access to basic services and poverty alleviation programmes. The Reconstruction and Development Programme outlined government interventions which focused on equality, increasing employment and economic growth needed to absorb the labour force and also provide resources for development. The government approach to poverty reduction was two pronged, consisting of firstly, the need to provide relief to the poor as a short-term measure and economic empowerment as a sustainable way of eradicating poverty in the long run.

The White Paper on Social Welfare published in 1997, provided a framework to restructuring social welfare in South Africa. The Social Assistance Act of 2004 made government responsible for social security grants. In conjunction with the Constitution and the Bill of Rights, the South African government had shown a great commitment to eradicate poverty. A number of social grants were made available. These include: the old-age grant, disability grants, foster-care grants and the child-support grant. The number of beneficiaries of the social grants increased from 12.4 million in 2007/8 to 16 million in 2013/14 (South Africa Reserve Bank, 2015).

Government initiated policies towards economic empowerment as a long-term measure to reduce poverty. The Department of Trade and Industry (DTI) provide incentives for business development for previously disadvantaged population groups, women and disabled persons. Programmes related to economic empowerment include: Broad-Based Black Financial Assistance; Women Economic Empowerment Financial Assistance and Small, Micro and Medium Enterprises (SMMEs) Development Financial Assistance (DTI, 2015). Besides targeted business support programmes the government recognises the importance of economic competitiveness, infrastructure development and technological advancement. Incentives aligned to boost industrial development include: the Capital Projects Feasibility Programme, the Critical Infrastructure Programme and Production Incentive among other incentives that are industry specific (DTI, 2015). In addition to economic empowerment programmes, government has improved access to education, health and housing provision.

In 1993 poverty measured by the poverty headcount was 6.93% (World Bank, 2014). The poverty levels decreased to 5.22% in 1995 before increasing to 8.18% in 2000. From 2000 the percentage of the population below the poverty line decreased consistently to record 1.96% in 2011 (World Bank, 2014). There was a general decrease in poverty in South Africa as exhibited by other poverty measures like the human development index and poverty gap, although poverty levels vary across provinces, sex, age and settlement type.

Poverty levels in South Africa varied across provinces, sex, age and settlement type from 1980 to 2013. Rural areas have high poverty levels in comparison to urban areas (Statistics South Africa, 2014b). In 2006 rural poverty measured by poverty headcount was at 80.8% compared to 40.7% for urban settlements during the same year.
Magombeyi, M.T. | Odhiambo, N.M.

Poverty dynamics in South Africa: Trends, policies and challenges

(Statistics South Africa, 2014b). The poverty headcount decreased to 68% and 30.9% for rural and urban respectively in 2011.

Although poverty has decreased in some areas over the years, the gap between rural and urban poverty has remained wide. Poverty levels across the age groups also show that the groups that are mostly affected by poverty in South Africa in 2006 and 2011 were the 0-17 year age group, the 18-24 year, and the over-65 age groups. In 2006, for example, the poverty headcount of the 0-17 year age group, the 18-24 year and the over-65 age groups were 68.9%, 60.2% and 55.6%, respectively (see Statistics South Africa, 2014b). The age group that was the least affected by poverty was the 45-54 age group, which recorded the lowest poverty level of 44.8% in 2006, and 33.6% in 2011.

The provinces with the highest poverty levels measured by the poverty headcount were the Eastern Cape and KwaZulu-Natal with 30.2% and 22.3%, respectively in 2001 (Statistics South Africa, 2014a). The Western Cape has the lowest poverty levels. Its poverty level measured by poverty headcount was 6.7% and 3.6% in 2001 and 2011, respectively (Statistic South Africa, 2014a). Gauteng has the second-lowest poverty level. Its poverty headcount was 10.5% and 4.8% in 2001 and 2011, respectively.

Although poverty levels in South Africa are improving largely due to government policy interventions, they remained high in comparison to other emerging countries. A number of challenges have been faced in the effort to eradicate poverty in South Africa. The challenges faced include low economic growth, increase in disease burden, high unemployment levels, high HIV/AIDS prevalence rate, restrictive labour policies and less access to social welfare by the poor among a number of other challenges.

**Poverty Alleviation Policies**

Economic and social policies that were pursued from 1980 to 1994 were unequal with few South Africans set to benefit from the system. This contributed to high poverty levels among the majority of South Africans. The Child and Protection Act of 1913 provided for maintenance grants for children for the minority of South Africans. While the Old Age Pension Act of 1928 provided grants to a minority of South Africans the benefit was later extended to the majority South Africans in 1944. Another social security provision that was later extended to the majority of the population was the Disability Grants of 1937 which was later extended to the majority South Africans in 1947. When the government realised the minority labour force was not enough to sustain economic progress, job reservation laws were abandoned from 1990 (Bhorat, 1995). The South Africa Constitution of 1996 and the White Paper on Social Welfare of 1997 laid a foundation for government poverty alleviation through a developmental social welfare system and provision of other basic needs. The poverty reduction reforms were engrained in the Reconstruction and Development Programme (RDP) with socio-economic policies that were pursued from 1995. The focus of government on poverty reduction was on two fronts. First, was to establish programmes that aim to assist those already in poverty to meet basic needs. These policies were pursued through the social security system and increasing employment levels. Second, was to improve and expand social service provision in education, infrastructure, health, housing and integration of the disadvantaged into economic development. The social welfare is divided into social assistance and social insurance (Triegaardt, 2005). Social insurance is wage related and contributory by both employee and employer. Contribution is based on agreed percentages. The insurance covers pensions, provident funds, medical, maternity, injury and survivor benefits. The Unemployment Insurance Fund also covers cyclical
unemployment. The beneficiaries are supposed to have been formally employed at one time, thus excluding those who have never been employed.

The social assistance is broad with a number of non-contributory grants covering a wide range of social classes. The old age pension, disability, foster care, child support, care dependency, and war veteran are some of the grants that are administered on a tested needs basis. The child support grant introduced in 1998, initially covered children below 7 years old before being revised to cover children below 14 years in 2005 (Pauw and Mncube, 2007). The child support grant was expanded to cover children up to 18 years in 2012. The social grants were administered through the Social Assistance Act of 1992 using provincial structures. This act was replaced by the Social Assistance Act of 2004 and administration of grants is now done nationally through the South African Social Security Agency (SASSA).

South Africa was one of the signatories to the Millennium Development Goals (MDG) in 2000. The government aligned its policies with those of the MDG. This gave a huge commitment especially to the MDG for the eradication of extreme poverty and hunger. South Africa achieved universal education and is still working to achieve the other MDGs (Statistics South Africa, 2013). MDG act as a complement to government policies that were already in place to reduce extreme poverty and hunger; achieve universal primary education; reduce child mortality; improve maternal health and combat HIV/AIDS, malnutrition and other diseases.

The Expanded Public Works Programme was introduced in 2004 to increase income through the creation of short-term employment opportunities (Department of Public Works, 2015). The Department of Public Works is a dedicated department to champion public works programmes in partnership with municipalities, provinces and non-state organisations. The programme is self-select in that those who are poor and unemployed are willing to work under the project. The programme is rolled out in five year periods starting with the first phase in 2004/5 to 2008/9 with a target to create one million jobs (Department of Public Works, 2015). The second phase commenced in 2009/10 to 2013/14 and was targeted to create 4.5 million jobs with the third phase running from 2014 to 2019 targeting 6 million jobs (Department of Public Works, 2015). Labour intensive projects are offered in infrastructure, social and cultural, non-state sectors and community works programmes. Recipients under the programme earn income to meet immediate needs while getting skills and experience that would increase their chances of finding employment in the formal market.

The Department of Public Works has stepped up training programmes that are offered to recipients as a way of increasing skills which are relevant for formal employment. Training is focused on technical and soft skills with more emphasis on technical skills training that results in a formal qualification. An example of such a programme is the Vuk’uphile Training Programme (Department of Public Works, 2015). The main objectives of training are to close the skills gap in South Africa and provide skills relevant for economic development.

In 2009, the Department for Women, Children and People with Disability was created to further government objectives of reducing poverty by focusing on the most vulnerable in the society. This also consolidates South Africa’s part to the United Nations Convention on the Right of the Child (UNICEF, 2014). Furthermore, the Department for Trade and Investment (DTI) crafted a number of initiatives in the form of allowances and grants to support women and the disabled. These incentives include the Women Economic Empowerment Financial Assistance and Co-operative Development Financial Assistance.
The incentives under the aegis of women economic empowerment include: i) The Isivande Women’s Fund, which provides funding to business, with 50% plus one share owned by women; and ii) the Small Enterprise Development Agency Technology Programme, which provides funding and technological support to small businesses, which are marginalised by the lack of access to technology, business skills, access to markets and funds. The Technological Transfer Unit provides technological support to businesses owned by women (DTI, 2015). The Co-operative Development Financial Assistance, on the other hand, provides 100% grants to co-operators with five or more members that were previously disadvantaged; and it is biased towards women, youth and the disabled. These incentives were created to empower the vulnerable in growing their own business and in being able to provide for themselves (DTI, 2015).

A number of incentives are provided by the Department of Trade and Industry focusing on Broad-Based Black Economic Empowerment Programmes (B-BBEE) and Small, Micro and Medium Enterprises (DTI, 2015). Incentives offered include the Support Programme for Industrial Innovation; Black Business Supplier Development Programme (BBSP) and the Incubation Support Programme (ISP). The schemes require ownership to be biased toward the historically disadvantaged, women, youth or the disabled. Other incentives to support businesses include the Trade, Export and Investment Assistance Incentives, the Automobile Investment Scheme, the Capital Project Feasibility Programme and the Critical Infrastructure Programme (DTI, 2015). The incentive structure that is provided is broad and deep to cover newly established and growing businesses.

The desire to fight poverty in South Africa is also reflected by government participation in regional groupings like the African Union (AU) and the New Partnership of African’s Development (NEPAD) and the SADC (Department of International Relations and Cooperation, 2015). Collective action to build healthy nations through fighting a number of diseases is outlined in the AU objectives, while poverty reduction is a renewed initiative in NEPAD. The participation of South Africa in regional poverty alleviation programmes helps to complement national policies.

In pursuance of increasing access to other social services, such as education, the government has made available feeding schemes for children who attend school. The National School Nutrition Programme is one of the government’s anti-poverty programmes aiming to increase school attendance. The programme has helped in increasing school attendance hence improving education by increasing the number of children attending school in South Africa (UNICEF, 2014). The programme targeted primary school children until 2010 when it was extended to include secondary school children (National Treasury, 2013). The number of beneficiaries has increased gradually from 6 million in 2007 to 8.9 million by end of 2012 (National Treasury, 2013).

The majority of South African schools prior to 1994 were underfunded and understaffed with poor quality education (OECD, 2008). In 1994 the government consolidated the fragmented institutions to form a single national system leading to the establishment of the Department of Education (OECD, 2008). The department was later divided into Department of Basic Education and Department of Higher Education and Training in 2009. A number of acts have also been passed to govern education delivery since 1994. The South Africa Schools Act of 1996 and the National Education Policy Act of 1996 outlined an equitable education system, standards of education, planning and monitoring and evaluation. Compulsory nine years of schooling were also introduced through the South African Schools Act. Under the same act children from poor families were exempted from paying fees or part of fees depending on the parent’s
income (OECD, 2008). The assessment for the grant is income based (Department of Basic Education, 2015).

The Adult Basic Education Training Act was passed in 2000 which made provision for the establishment of public and private adult education. The White Paper of 2001 laid out the foundation for service delivery. The paper also made provision of special needs education covering the disabled and vulnerable. The South Africa Qualification Authority Act of 1995 provided for the establishment of a National Qualification Framework. The White Paper on Higher Education in 2004 led to a merger and harmonisation of higher education institutions. There has been a general improvement in terms of the quality of education and the enrolment level in schools (OECD, 2008).

Access to housing for the majority of South Africans was limited and unequal resulting in poor housing provision before independency. The government inherited a housing backlog in access of 1.2 million in 1994 (Department of Human Settlements, 2015). The Housing Act of 1997 set the principles applicable to housing development in all government spheres. It also made provision for the South Africa Housing Development Board. Other acts that were passed to support housing were the Rental Housing Act of 1998, Prevention of Illegal Eviction from and Unlawful Occupation of Land Act of 1998 and Social Housing Act of 2008. After realising that majority of the households could not afford housing in both rural and urban areas, the Housing Subsidy Scheme was introduced for urban households and the Rural Housing Loan Fund for rural homes. A total of 1.32 million households have benefited under the Housing Subsidy Scheme (Department of Human Settlements, 2015). The National housing Finance Cooperation was formed in 1996 to assist in housing finance (Department of Human Settlements, 2015). To date, a total of 2.8 million houses and 903 543 serviced stands have been provided (Department of Human Settlements, 2015).

3. Poverty trends

South Africa’s ranking on the Human Development Indexed improved from 121st position out of 187 countries in 2012 to 118th out of 187 countries in 2013 (UNDP, 2013). According to UNDP (2015), HDI is a summary measure of average development in health, education and standards of living. Figure – 1 shows the trends in HDI in South Africa from 1980 to 2013.

**Figure – 1: Trends in Human Development Index 1980 to 2013**

![Human Development Index Trends](source: UNDP, 2014)
Poverty measured by HDI improved between 1980 and 2013 with an exception of the period between 2000 and 2005 where a negative growth was recorded (UNDP, 2014). In 1980 the HDI was at 0.569 (UNDP, 2014). Between 1980 and 1990, the average growth of the index was 8.8%. The growth in HDI slowed between 1990 and 2000 with a growth rate of 1.45%. The HDI worsened between 2005 and 2008 with a negative growth of 3.18% and the actual HDI fell from 0.628 to 0.608 (UNDP, 2014). From 2008 to 2013 the HDI increased at a decreasing rate with 2.47% in 2008 to 0.61% growth in 2013. The growth rate of the HDI between 1993 and 2013 was 15.6% (UNDP, 2014).

There was a general decline in poverty in South Africa between 1993 and 2011 as measured by poverty headcount, poverty gap and poverty severity. Table – 1 exhibits trends in poverty levels over the period.

Table – 1: Poverty Headcount, Poverty Gap and Poverty Severity 1993 to 2011

<table>
<thead>
<tr>
<th>Year</th>
<th>Poverty Headcount (%)</th>
<th>Poverty Gap (%)</th>
<th>Poverty Severity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>6.92</td>
<td>24.30</td>
<td>5.90</td>
</tr>
<tr>
<td>1995</td>
<td>5.22</td>
<td>21.43</td>
<td>4.59</td>
</tr>
<tr>
<td>2000</td>
<td>8.18</td>
<td>26.20</td>
<td>6.86</td>
</tr>
<tr>
<td>2006</td>
<td>3.06</td>
<td>16.72</td>
<td>2.80</td>
</tr>
<tr>
<td>2009</td>
<td>2.27</td>
<td>13.67</td>
<td>1.87</td>
</tr>
<tr>
<td>2011</td>
<td>1.19</td>
<td>9.42</td>
<td>0.89</td>
</tr>
</tbody>
</table>

Source: World Bank: 2014 and own calculation

According to the World Bank (2015) poverty headcount is the proportion of the population whose income falls below the poverty line and the poverty gap measures the depth of poverty by capturing the mean distance between the population and the poverty line. Poverty squared (poverty severity) is the squared distance separating the population from the poverty line (World Bank, 2015). Table 1 shows a decline in poverty levels using the poverty headcount from 1993 to 1995 with 6.92% and 5.22% respectively (World Bank, 2014). Poverty worsened from 1995 to 2000. The poverty headcount increased by 2.96% to reach a peak of 8.18% in 2000 before falling to 3.06% in 2006 (World Bank, 2014). The headcount maintained a downward trend from 2009 to 2011 with the headcount of 2.27% and 1.19% respectively.

The poverty gap declined from 24.3% in 1993 to 21.43% in 1995 before increasing by 4.8% to 26.2% in 2000 (World Bank, 2014). The poverty level measured by poverty gap decreased consistently from 2000 to record 16.72%, 13.67% and 9.42% in 2006, 2009 and 2011 respectively (World Bank, 2014). The same trend is depicted by poverty severity. In 1993 poverty severity was at 5.9% and a decline of 1% was recorded in 1995. However, the poverty severity worsened between 1995 and 2000 with an increase of 2.2% before a decline of 4.1% was recorded in 2006. Poverty severity continued the downward trend recording 1.87 in 2009 and 0.89 in 2011.

South Africa has high poverty rates in rural areas compared to urban dwellings (Statistics South Africa, 2015b). Figure – 2 shows the trends in poverty by settlement type (rural and urban).
In 2006 the rural poverty headcount was at 67.5% which was more than double the urban poverty headcount at 28.7% during the same year (Statistics South Africa, 2014b). The poverty gap during the same year showed a gap of 21.5% between rural and urban settlement. The same trend is exhibited by the poverty severity in Figure 2, which recorded 18.4% for rural and 5.2% for urban settlements (Statistics South Africa, 2014b). In 2009 there was a deterioration in poverty marked by a general increase in poverty headcount, poverty gap and poverty severity. Despite the increase, the variation between urban and rural poverty across all poverty measures remained high. In 2011 the gap between rural and urban poverty narrowed slightly in comparison to 2006 (Statistics South Africa, 2014b). Poverty headcount for rural settlement was 55.2% in 2011 while urban recorded 22% resulting in a gap of 33.2% compared to a gap of 38.8% in 2006 (Statistics South Africa, 2014b). The gap between rural and urban poverty narrowed from 21.2% in 2006 to 15.8% in 2011 (Statistics South Africa, 2014b). Poverty severity gap between rural and urban also narrowed from 13.2% to 9.2% in 2011 (Statistics South Africa, 2014b).

Poverty is high among women in South Africa compared to their male counterparts (Statistics South Africa, 2014b). Figure – 3 shows trends in poverty measured by poverty headcount, poverty gap and poverty severity.

Figure – 3 shows high poverty headcount and poverty gap for females compared to their male counterparts in 2006 and 2011. Poverty headcount was 59.7% in 2006 for females while male poverty headcount was 54.6% giving a gap of 8.5% (Statistics South Africa, 2014b). The same trend is observed for the poverty gap that was at 28.2% in 2006 for females and 25.2% for males (Statistics South Africa, 2014b). Between 2006 and 2011 there has been an improvement in poverty levels among the two categories although the difference between the groups did not change. Females in 2011 continue to have high poverty headcount at 47.1% and poverty gap of 20.5%, while males recorded 43.8% in poverty headcount and 18.8% in poverty gap (Statistics South Africa, 2014b). The poverty severity for both categories remained the same over the years recording 11.3% in 2011 from 16.3% in 2006 (Statistics South Africa, 2014b).
South Africa poverty levels vary across age groups. Table 2 provides figures on poverty across different age groups measured by poverty headcount, poverty gap and poverty severity between 2006 and 2011.

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>0-17</td>
<td>68.9</td>
<td>55.7</td>
<td>33.9</td>
<td>24.8</td>
<td>20.1</td>
<td>13.8</td>
</tr>
<tr>
<td>18-24</td>
<td>60.2</td>
<td>50.7</td>
<td>28.2</td>
<td>22.1</td>
<td>16.3</td>
<td>12.2</td>
</tr>
<tr>
<td>25-34</td>
<td>46.6</td>
<td>38.7</td>
<td>20.0</td>
<td>16.2</td>
<td>11.0</td>
<td>8.8</td>
</tr>
<tr>
<td>35-44</td>
<td>45.1</td>
<td>35.0</td>
<td>20.0</td>
<td>14.1</td>
<td>11.2</td>
<td>7.5</td>
</tr>
<tr>
<td>45-54</td>
<td>44.8</td>
<td>33.6</td>
<td>19.8</td>
<td>14.2</td>
<td>11.1</td>
<td>7.7</td>
</tr>
<tr>
<td>55-64</td>
<td>45.9</td>
<td>35.0</td>
<td>20.5</td>
<td>14.4</td>
<td>11.5</td>
<td>7.7</td>
</tr>
<tr>
<td>65+</td>
<td>55.6</td>
<td>36.2</td>
<td>24.4</td>
<td>14.9</td>
<td>13.3</td>
<td>7.9</td>
</tr>
<tr>
<td>South Africa</td>
<td>57.2</td>
<td>45.5</td>
<td>26.7</td>
<td>19.6</td>
<td>15.4</td>
<td>10.8</td>
</tr>
</tbody>
</table>

Source: Statistics South Africa, 2014b

Poverty levels as exhibited in Table – 2 were high among the children at 68.9% in 2006 and 55.7% in 2011. The 0-17 age group recorded the highest percentage of individuals in poverty compared to any other age group. This grouped was followed by the 18-24 aged group with 60.2% poverty headcount in 2006. The elderly recorded the third highest impoverished age group in South Africa measured by poverty headcount with 55.6% in 2006 (Statistic South Africa, 2014b). The poverty gap and poverty severity follow the same ranking in impoverishment of the age groups as the poverty
headcount. South Africa has a high percentage of impoverished youths, children and the elderly despite social programmes in place targeting the same categories. The age group with the lowest poverty measured by poverty headcount was the 45-54 age group in 2006 and 2011 with 44.8% and 33.6% respectively (Statistics South Africa, 2014b). While the poverty gap maintains the 45-54 age group as least impoverished, the poverty gap and severity show a shift to 35-42 age group as the least impoverished in 2011 (Statistics South Africa, 2014b).

Poverty in South Africa varies from one province to the other. Table – 3 shows poverty levels across nine provinces in South Africa using poverty headcount, poverty severity and South Africa Multidimensional Poverty Index (SAMPI). SAMPI is a composite measure of development in health, education, standard of living and economic activity (Statistics South Africa, 2014a).

### Table – 3: South Africa Poverty Distribution by Province

<table>
<thead>
<tr>
<th>Province</th>
<th>Poverty Headcount</th>
<th>Poverty Intensity</th>
<th>SAMPI</th>
<th>Poverty Headcount</th>
<th>Poverty Intensity</th>
<th>SAMPI</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001</td>
<td></td>
<td></td>
<td>2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>30.20%</td>
<td>43.70%</td>
<td>0.13</td>
<td>14.40%</td>
<td>41.90%</td>
<td>0.06</td>
</tr>
<tr>
<td>KwaZulu Natal</td>
<td>22.30%</td>
<td>43.90%</td>
<td>0.10</td>
<td>10.90%</td>
<td>42.00%</td>
<td>0.05</td>
</tr>
<tr>
<td>Limpopo</td>
<td>21.80%</td>
<td>43.50%</td>
<td>0.09</td>
<td>10.10%</td>
<td>41.60%</td>
<td>0.04</td>
</tr>
<tr>
<td>North West</td>
<td>19.50%</td>
<td>43.40%</td>
<td>0.08</td>
<td>9.20%</td>
<td>42.00%</td>
<td>0.04</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>18.80%</td>
<td>43.20%</td>
<td>0.08</td>
<td>7.90%</td>
<td>41.80%</td>
<td>0.03</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>11.30%</td>
<td>42.30%</td>
<td>0.05</td>
<td>7.10%</td>
<td>42.10%</td>
<td>0.03</td>
</tr>
<tr>
<td>Free State</td>
<td>17.40%</td>
<td>44.30%</td>
<td>0.08</td>
<td>5.50%</td>
<td>42.20%</td>
<td>0.02</td>
</tr>
<tr>
<td>Gauteng</td>
<td>10.50%</td>
<td>45.00%</td>
<td>0.05</td>
<td>4.80%</td>
<td>43.80%</td>
<td>0.02</td>
</tr>
<tr>
<td>Western Cape</td>
<td>6.70%</td>
<td>44.90%</td>
<td>0.03</td>
<td>3.60%</td>
<td>42.60%</td>
<td>0.02</td>
</tr>
<tr>
<td>South Africa</td>
<td>17.90%</td>
<td>43.90%</td>
<td>0.08</td>
<td>8.00%</td>
<td>42.30%</td>
<td>0.03</td>
</tr>
</tbody>
</table>

*Source: Statistics South Africa 2014a*

There was a general improvement in poverty across all provinces depicted in Table – 3, using the poverty headcount, intensity and multidimensional measure from 2001 to 2011 (Statistics South Africa, 2014a). The province with the highest poverty levels as measured by poverty headcount was the Eastern Cape in 2001 and 2011 with 30.2% and 14.45% respectively (Statistics South Africa, 2014a). The Eastern Cape also had the highest score on the SAMPI at 0.13 in 2001 and 0.06 in 2011. The second impoverished province was KwaZulu Natal which recorded a poverty headcount of 22.3% in 2001 and 10.9% in 2011 (Statistics South Africa, 2014a). The province also recorded the highest poverty gap during 2001 and 2011 with 45% and 43.8% respectively. Although poverty levels decreased from 2001 to 2011 the level of poverty across the provinces remain much the same over the years. The provinces with the lowest poverty levels as measured by poverty headcount and poverty gap were Western Cape and Gauteng. Western Cape poverty measured by poverty headcount and poverty
gap was at 6.7% and 44.9% in 2001 and by 2011 (Statistics South Africa, 2014a). The poverty headcount levels halved to 3.6% in 2011 and the poverty gap decreased marginally to 42.6% in the same year. While Gauteng poverty headcount halved between 2001 and 2011 from 10.5% to 4.8%, the poverty gap decreased slightly from 45% to 43.8% in 2001 and 2011 respectively (Statistics South Africa, 2014a). Gauteng poverty severity improved but remained the highest among all provinces between 2001 and 2011. Gauteng SAMPI improved from 0.5 in 2001 to record the same SAMPI as Western Cape of 0.02 in 2011 (Statistics South Africa, 2014a).

Provision of basic services such as electricity, water and sanitation improved following government expansion on provision of basic services and poverty reduction initiatives from 1994 (The Presidency, 2015c). Access to electricity improved with over 5.8 million households being connected resulting in the reduction of households without electricity to 14% (The Presidency, 2015c). In 2002, 58% of South Africans had access to electricity and over the years electricity access improved gradually to reach 79.4% in 2014 (Statistics South Africa, 2015b). The same development was registered in water access where 40% of households had no access to water and by 2012 only 5% remained without connection (The Presidency, 2015c). In 2002, 84.9% South Africans had access to piped water and the percentage grew to 89.9% in 2013 (Statistics South Africa, 2015b). Sanitation also improved from 50% households without basic sanitation in 1994 to a coverage of 83% in 2012 (The Presidency, 2015c). The province with the highest improved sanitation coverage is Western Cape at 94.8% in 2013 followed by Gauteng at 90.9% and in the third place is the Free State at 83.3% in 2013 (Statistics South Africa, 2015b). The provinces with the lowest access to improved sanitation in 2013 were Limpopo, Eastern Cape and Mpumalanga with 50%, 71.2% and 62.7% respectively (Statistics South Africa, 2015b).

Access to education improved over the years after government policy reforms in 1994 to redress past inequalities. Enrolment in primary schools increased from 96.7% in 2002 and rose to 98% in 2012 (The Presidency, 2015c). Gross secondary enrolment improved from 51% in 1994 to 89% in 2012 (The Presidency, 2015c). The proportion of population with no education from 29 years and over fell from 19% in 1996 to 9% in 2011. The universities, technikon and teacher’s colleges jointly also realised a rise in the number of enrolment from a total of 495 356 students in 1994 to 953 373 in 2012 (The Presidency, 2015c) annually. South Africa has 60% schools which are non-fee paying in poor communities (The Presidency, 2015a). South Africa achieved universal education, which was one of the MDG’s targets, by 2015.

The health sector registered improvement in health provision through a number of government initiatives. Access to primary health care increased through government infrastructure and expansion in the health sector from 1994 that resulted in a health centre being located within 5 km of settlement areas in most areas (The Presidency, 2015c). Although the disease burden in South Africa has increased over the years, partly due to the HIV/AIDS pandemic, South African life expectancy recovered over the years. In 1990 life expectancy was at 67 years for females and 60 years for males and later dropped to 51.6 in 2005 before improving to 59.6 years in 2013. The number of people accessing anti-retroviral (ARV) drugs also increased from 47 000 in 2004 to 2.4 million in 2013 (The Presidency, 2015c). The policies pursued in combating HIV/AIDS resulted in the reduction of people dying of AIDS from 300 000 in 2010 to 270 000 in 2011. The government also worked to increase and improve the quality of health professionals. The enrolment of medical students increased from 1000 in 1990 to 1400
per year by 2013 (The Presidency, 2015c). This development was aimed at increasing the number of doctors in health centres across the country.

South Africa recorded an improvement in the Human Development Index over the years from 1980, as well as in poverty levels as measured by poverty headcount, poverty gap, poverty severity and South Africa multidimensional measures (access to health, education, water, sanitation and electricity). Although there has been a general improvement in poverty levels as exhibited by different poverty measures a number of challenges still remain in the reduction of poverty in South Africa.

4. Challenges in poverty reduction efforts

Government has a challenge to put the economy on a high growth path (The Presidency, 2015a). Economic growth increases job opportunities for the poor and also increases government revenues to support poverty alleviation programmes. This makes economic growth important in the poverty reduction effort. South Africa faces another challenge of the high unemployment rate, which negatively affects household income (The Presidency, 2011). Unemployment affects the income and thus poverty among the majority of the population through lost job earnings. Despite government’s effort to increase employment, the number of jobs being created is not enough to absorb the growing labour force. Unemployment increased from 22% in 1994 to 25% seasonally adjusted in 2014 (Statistics South Africa, 2015a). A large pool of the unemployed people is unskilled thus creating structural unemployment as more skilled and semi-skilled jobs are created in the economy. In 1994, the number of low skilled was 2.9 million or 32% of the population (Statistics South Africa, 2015a). In 2014, the number increased to 4.3 million or 29% of the population. This is in comparison to the skilled population which was at 21% in 1994 and increased to 25% in 2014 (Statistics South Africa, 2015a).

South Africa faces the challenge of the quality of education, especially in public schools, which the majority of South African children attend (Presidency, 2011). Government has policies in place to improve and orient educational programmes towards imparting knowledge relevant to current economic and market needs (Presidency, 2011). The restructuring of the education system will improve the unemployment rate, especially among the youth, which has consistently been growing (Presidency, 2011). Taylor (2002), in a report on social welfare in South Africa, highlighted the fact that low job creation negatively affects social progress. Inflexible, segmented and restrictive labour market policies in South Africa are hampering employment opportunities important in providing a source of income for the poor (Presidency, 2011).

Labour policies in South Africa are protective of the employees, thus making the cost of firing employees high. The government regulates the labour market, in order to protect employees, support equity and general health and safety (Government Communication and Information System, 2015). This tends to discourage the hiring of new employees, unless this is necessary; since companies work to minimise low productive employees. A study carried out by the IMF (2005), showed labour-market rigidities to be associated with high levels of unemployment.

The social assistance programmes have helped to reduce poverty, but the challenge that South Africa faces is expanding coverage of social assistance and increasing awareness of the programmes to cover more poor people who qualify (The Presidency, 2015b). Government support of social grants has increased to 16.6 million
beneficiaries in 2014 (South Africa Social Security Agency, 2015). The second highest source of income for households after salary is the grant that accounted for 42.3% of household income in 2014. This illustrates the importance of government grants in increasing household income and poverty reduction. A number of the poor individuals and households remain uncovered either because of lack of awareness or because they are excluded from the social welfare programmes (South Africa Social Security Agency, 2015). Some segments of the South Africa poor are not covered under the social security provisions and also fall outside the economic mainstream to benefit from economic growth (Taylor, 2002).

The South African health system has to contend with the increasing disease burden (Presidency, 2011). South Africa is among the countries with a high HIV prevalence rate currently at 19% (World Bank, 2014). HIV/AIDS increases government expenditure on support programmes for orphans, health, single parent homes and education. Absenteeism and sickness due to the disease also affect productivity. The IMF (2005), in a cross-country analysis of 75 industrial and developing countries, found that low productivity results in high levels of unemployment. Although government approved the access to anti-retroviral (ARV) drugs through the public health system in 2003 and stepped up the campaign on HIV/AIDS awareness, more still needs to be done to reach out and increase awareness of the disease (IMF, 2004).

5. Conclusion

This paper has given an overview of poverty reduction in South Africa. It highlights the reforms, trends and challenges that have been faced in seeking to reduce poverty. The government has implemented a number of short-term and long-term poverty-alleviation policies that focus on the delivery of education, health, housing and basic services to all South Africans. The policies aimed at offering short-term relief to the poor through providing immediate income support include: social welfare programmes and expanded public-work programmes. The long-term policies that were aimed at including the poor in the economic development process have, however, focused on business support through technology, market access, funding and training. These policies have resulted in a gradual decline in poverty in its multi-dimensional measures. The trends in poverty reveal a modest reduction in poverty when using the poverty headcount, the poverty gap and poverty severity. The Human Development Index also shows a decrease in poverty between 1980 and 2013. Poverty levels in South Africa tend to vary across sex and settlement type. For example, poverty levels tend to be high among women in comparison to their male counterparts. Likewise, high poverty levels tend to prevail in rural areas in comparison with urban areas measured by poverty head count and poverty gap. An analysis of poverty by age group also shows that high poverty levels exist among the vulnerable groups, consisting of children, the elderly and the youth. Although positive developments have been recorded on poverty reduction in South Africa, a number of challenges remain. Poverty-reduction efforts have been dampened; and in some cases hampered by challenges, such as low employment levels, low skill levels, weak economic growth and restrictive labour-markets policies.
References


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**Apstrakt**


**Ključne reči:** Južna Afrika, reforme, smanjenje siromaštva