

South Africa's Complex Dimensions of Poverty



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Background

Nearly 30 years since the end of apartheid, South Africa remains racially and economically segregated. The country is beset by persistent social inequality, poverty, unemployment, education disparities, a heavy burden of disease and the inequitable quality of healthcare service provision.

Challenges within the social provision environment in South Africa include lack of access to the basic requirements of life such as clean water, nutrition, sanitation and education. The country has seen substantial economic growth in the post-apartheid era, yet over half of South Africa's population lives in poverty.¹

The disparity between socio-economic groups in the country is one of the widest in the world. In 2018, the World Bank released a report on poverty and inequality in South Africa and named it the most unequal society globally, due not only to income inequality but also to wealth inequality. The report revealed that the top 1% of South Africans controlled 70.9% of the country's wealth while 60% of the population collectively controlled only 7% of the country's assets.² Despite the end of apartheid, this split is largely still along racial lines.

Post-apartheid, South Africa's government has invested heavily in social programmes that aim to reduce poverty and inequality. These include the establishment of the Black Economic Empowerment programme, geared towards investment in black-owned businesses; the expansion of social safety net schemes such as free primary education; the development of a National Health Insurance plan; school nutrition programmes; promotion of minimum income grants to parents; and ambitious infrastructure projects improving access to water, sanitation, housing, electricity, and healthcare facilities.

In many ways, the government's social protection programme is efficient and effective; but in totality, its degree of success is sporadic. Poverty levels in the country have been growing since 2015, and those at greatest risk include children, black Africans, people living in rural and remote areas, and those with little or no access to education.³

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1. Poverty Trends in South Africa: An examination of absolute poverty between 2006-2015, Statistics South Africa, 2017.
 2. V Sulla and P Zikhali, Overcoming Poverty and Inequality in South Africa : An Assessment of Drivers, Constraints and Opportunities (English), World Bank Group, 2018.
 3. Poverty Trends in South Africa: An examination of absolute poverty between 2006-2015, Statistics South Africa, 2017.

South Africa's legacy of exclusion means that the country's white minority, some 9% of the population, still benefits from apartheid's unequal policies. Those who have always had access to opportunity continue to have access – through intergenerational wealth and mobility, land ownership, quality education, and so on. This means that inequality is being passed down, and large numbers of South Africans remain vulnerable to the government's inability to address this extreme economic disparity.⁴

Poverty

What is poverty and what does it mean to be poor?

Vivid images may come to mind, though this may not tell the full story. Does it mean not having enough money to meet basic needs including food, clothing, and shelter? Or does it mean not being able to afford to buy a car or furniture for your home or even go on holiday because your income doesn't allow for those extra 'luxuries'? Invariably, the answer will differ in different contexts.

Essentially, poverty refers to a lack of enough resources to provide the necessities of life —food, clean water, shelter and clothing. Practically, that can be extended to include access to healthcare, education and even transportation.

From a government perspective, poverty is often further defined as 'absolute poverty' and 'relative poverty', which will be specific to a country's individual context.

However, the World Bank, as a widely recognised authority on the topic of 'extreme poverty', keeps a metric called the International Poverty Line. Developed in 2015, this is a number based on the monetary value of a person's consumption rather than income alone. This value will differ per country, but as a general principle, in 2022:

- » Extreme or absolute poverty relates to when people live on less than US\$1.90 per day.
- » Moderate poverty relates to living on between \$1.90 and \$3.10 per day.
- » One should also consider the practical implication of and relation between absolute poverty and relative poverty.
- » Absolute poverty: Below this line people are unable to meet their basic needs for food, water and shelter. They also have no access to social services such as healthcare, education and utilities.

4. K de Villiers, Bridging the health inequality gap: an examination of South Africa's social innovation in health landscape, *Infectious Diseases of Poverty*, 10(1): p. 19, 2021.

- » Relative poverty: This refers to people whose total incomes are less than a certain percentage – typically 50% – of the country’s median income. Because the median income can vary as a result of economic growth, the line for relative poverty can change.

South African context

No poverty line is perfect. Using a single income measure tells us nothing about how resources are distributed between family members, or how money is spent.

Statistics South Africa (Stats SA) uses a multi-tier approach to determine the level of poverty in the country,⁵ which is adjusted annually based on inflation.

- » The ‘upper bound’ poverty line is a monthly per capita income of R1 335 in 2022 (compared to R1 268 in 2020). Per capita income is calculated by adding all reported earnings for household members older than 15, adding the value of social grants received by anyone in the household, and dividing the total household income by the number of household members.
- » A ‘lower bound’ poverty line is calculated by adding to the food poverty line the average expenditure on essential non-food items by households whose food expenditure is below but close to the food poverty line. The value of the lower bound poverty line is R890 in 2022 prices. Those living below this line would not be able to pay for the minimum non-food expenses or would be sacrificing their basic nutrition to pay for non-food expenses.
- » A food poverty line is based on the cost of the minimum nutritional requirement of 2 100 kilocalories per person per day, without any allowance for non-food necessities. The value of the food poverty line is R624 in 2022. Anyone living below this line will be malnourished and their health and survival may be at risk.

The Constitution of South Africa, section 27(1)(c), states that ‘everyone has the right to have access to ... social security, including, if they are unable to support themselves and their dependants, appropriate social assistance’.⁶ The sad reality is that for many in South Africa, this social security, lacking as it might be, is the only means of survival.

5. Statistics South Africa (Stats SA), National Poverty Lines, Statistical Release No. P0310.1, 2018.

6. Constitution of the Republic of South Africa, Act 108 of 1996.

According to Statista,⁷ as of 2022 around 18.2 million people in South Africa live in extreme poverty (with the poverty threshold at US\$1.90 a day). This is about 25% of the South African population. Moreover, over 123 000 people were pushed into poverty compared to 2021. The headcount was forecast to increase in the coming years.

By 2025, around 18.5 million South Africans are projected to be living on a maximum of US\$1.90 a day. This poverty line is extremely low – below survival level – in a South African cost context.

The below graph (Figure 1) indicates how the number of people living in extreme poverty has increased from 2016 to a projected 2025. Sadly, notwithstanding multiple efforts by government, institutions and the private sector, this graph is slowly climbing and does not bode well.

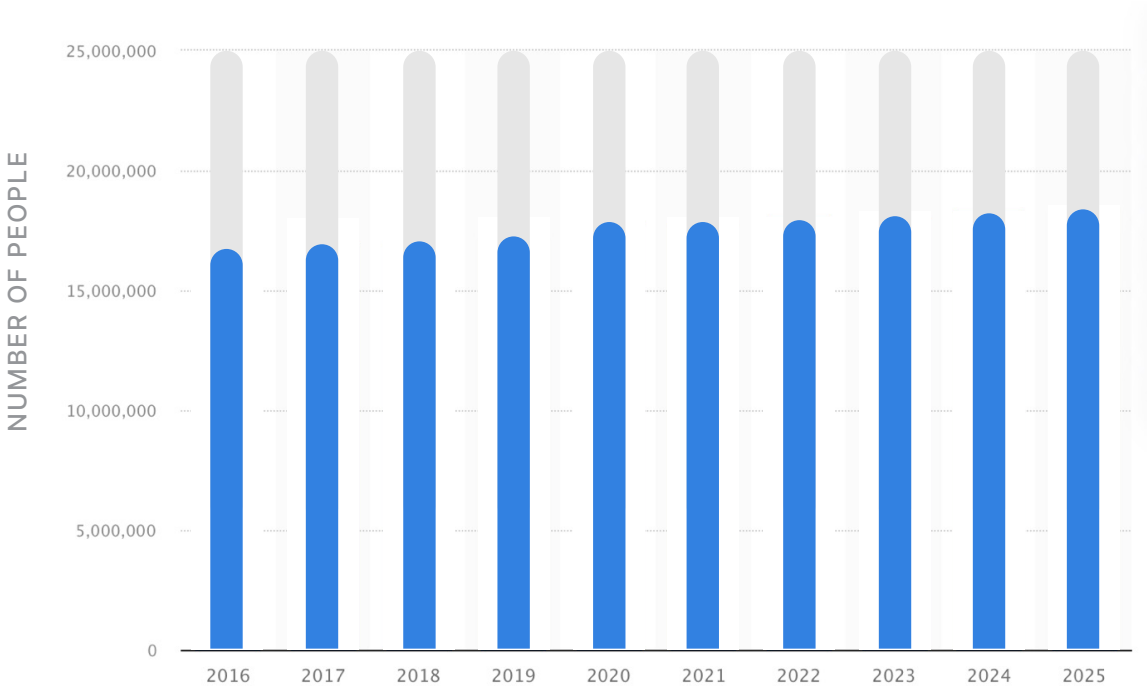


Figure 1: People living in extreme poverty in SA from 2016 to 2025.

Multidimensional perspective

Is poverty only about money though?

No. While common perceptions of poverty consider income and consumption alone, money doesn't tell the whole story. There are significant approaches that

7. Statista, www.statista.com

argue that other factors must be included, such as the Multidimensional Poverty Index (MPI)⁸ and the Human Development Index (HDI). The MPI was developed by Oxford University in 2010 and supported by the United Nations Development Programme. It measures poverty across three dimensions – health, education and standard of living – and then further breaks these down into 10 indicators.

Multidimensional poverty considers the many overlapping deprivations that poor people experience. Through this index, poverty is portrayed to be a deprivation of basic amenities that restricts individuals from leading a good and healthy life. It takes into account the systemic disparities within a country and stretches the boundaries of poverty beyond the shortage of material assets to a concept that encompasses multiple deprivations. This includes but is not limited to assets, living standards, education, sanitation and hygiene, health and nutrition.⁹

The deprivation score of a multidimensionally poor person is the sum of the weights associated with each indicator in which the person is deprived.

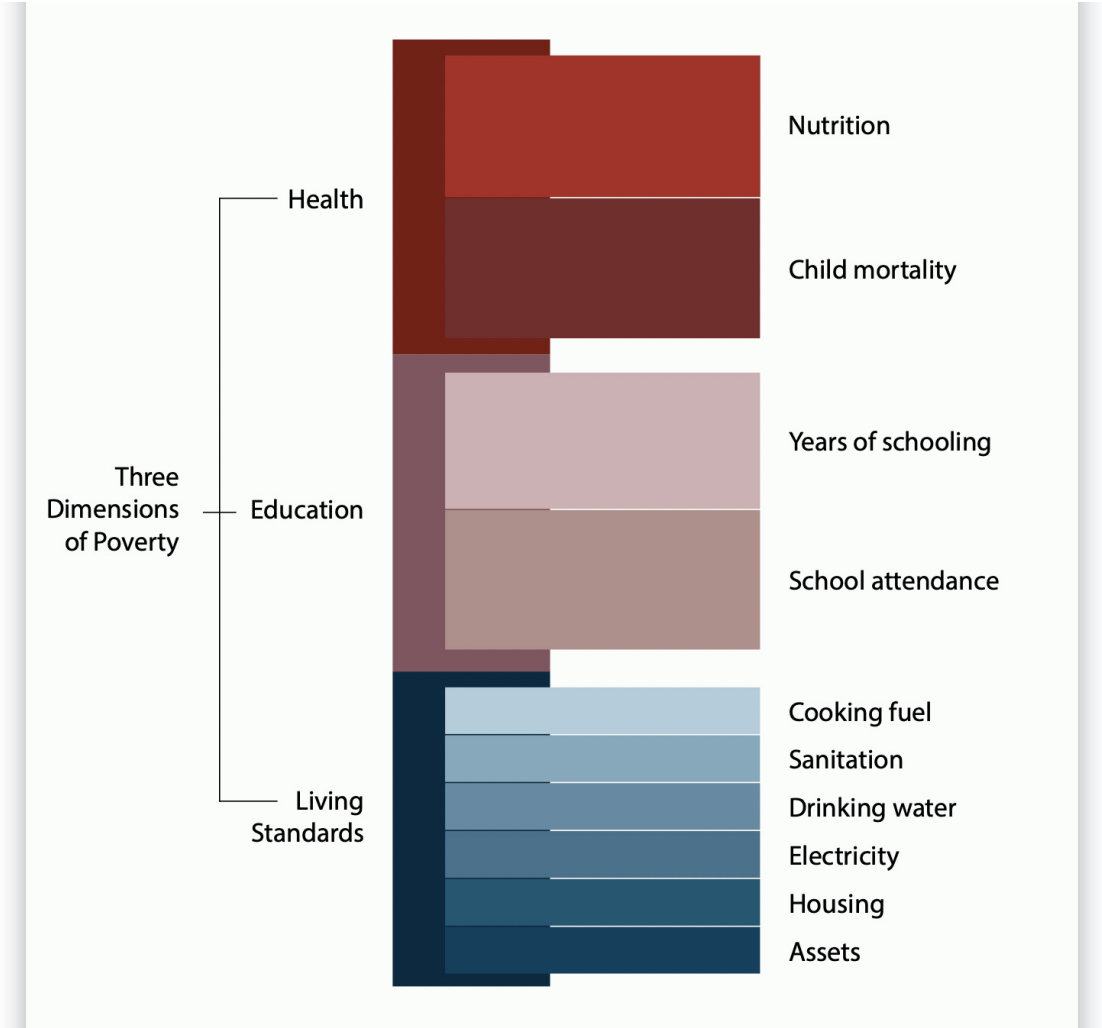


Figure 2 : Dimensions of Poverty, University of Oxford.

8. Global Multidimensional Poverty Index, University of Oxford, 2018.
9. *Frontiers in Public Health*, August 2020.

Explaining their disadvantages, people living in poverty regularly describe lack of education, poor health and nutrition, ramshackle housing, unsafe water and so on. These deprivations reflect the lived experiences of many poor people and the obstacles they face in achieving valuable capabilities. And they motivate the emphasis of the Sustainable Development Goals (SDGs) on addressing poverty in all its forms and dimensions.

The most recent survey data that was publicly available for South Africa's MPI estimation refer to 2016. Based on these estimates, 6.3% of the population in South Africa (3.7 million people in 2020) are multidimensionally poor while an additional 12.2% are classified as vulnerable to multidimensional poverty (77.2 million people in 2020).¹⁰

It is interesting to note that there is a discrepancy between the occurrence of multidimensional poverty and the percentage of the population living below the monetary poverty line. This could be due to individuals living below the monetary poverty line who may have access to non-income resources (e.g. social aid).

Given the comprehensive scope, one would expect to see a stronger emphasis on the multidimensions of poverty. The SDGs endeavour to do just that, but still require intentionality from individuals and corporates alike.

The question one should ask is: Have we become so accustomed to poverty around us that it does not really have a personal face anymore? But we know her – as she is in our midst.



10. United Nations Development Programme, www.hdr.undp.org.

Face of poverty

According to a report released by Stats SA titled Subjective Poverty in South Africa: Findings from the General Household Survey 2019,¹¹ the profile of a subjectively poor household in South Africa is one typically headed by a black African female who is younger than 35, residing in a rural area located in a rural-based province and who has lower levels of education. The dwelling usually has between 0 and one bedrooms. When taking the happiness status of this household into account, they tend to be less happy than they were 10 years ago, with the general health status of its household head being poor. In these households it is more likely that all economically active individuals (age 15 and above) are unemployed.

‘The face of poverty in our country is the face of an African woman,’ President Cyril Ramaphosa stated in 2022.¹² This is based on validated statistics, as per the below graph from Stats SA. It gives a clear indication of how the productive potential of South African women in the labour market remains unused, with 47% of women economically inactive.¹³

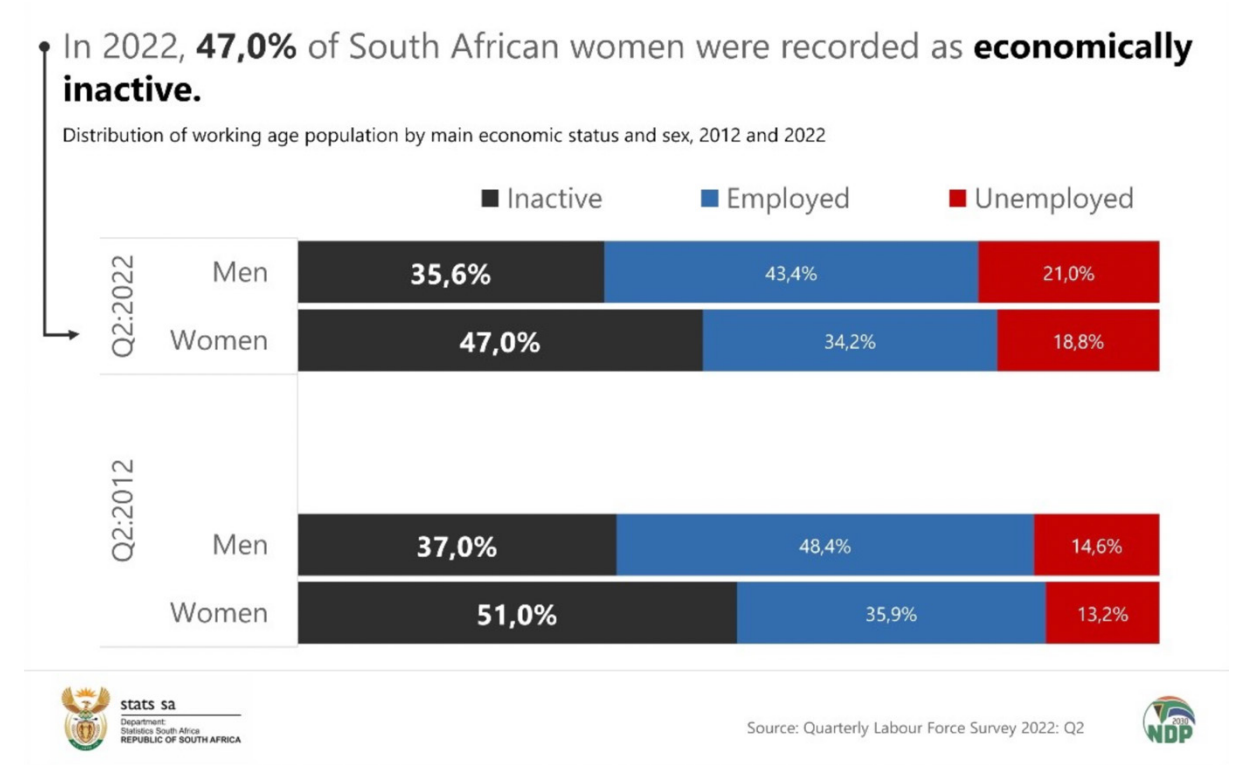


Figure 3: Distribution of economic inactivity in South Africa.

11. Stats SA, Money CAN buy happiness, www.statssa.gov.za/?p=15224.
 12. Women’s Economic Assembly, 2022.
 13. Stats SA, www.statssa.gov.za.

Poverty, food scarcity and malnutrition

A critical driver of the multidimensional poverty index is health, specifically as it relates to food security and nutrition. At the household level, food security refers to access to food, which is the ability of households to produce or purchase sufficient food for their needs. In 2020, 23.6% of South Africans were affected by moderate to severe food insecurity while 14.9% were affected by severe food insecurity.¹⁴ For the poorest households, food typically accounts for half, and often more, of their total expenditure. It follows that fluctuations in food prices against the backdrop of poverty budget lines can have marked effects on welfare and nutrition.

Female-headed households tend to spend a greater share of their income on food. Moreover, in rural contexts, they generally have less access to land and participate less in agricultural income-generating activities, putting them at a disadvantage.¹⁵

One must thus consider the impact that food scarcity, due to poverty, has on malnutrition and the vicious poverty cycle that it feeds.

Malnutrition has long been linked to poverty as higher rates of malnutrition are found in areas with chronic poverty. The impact of poverty on individuals can be seen through multiple manifestations and includes poor nutritional status, food insecurity, vulnerability to disease, reduced productivity levels, and compromised physical and intellectual development (i.e. increased unemployment).

Moderate and severe forms of malnutrition are significant underlying causes of child mortality in South Africa, which is associated with nearly one third of hospital deaths.¹⁶ Twenty-seven percent of South African children are stunted, which leads to developmental and cognitive challenges that are irreversible.¹⁷ The World Health Assembly set a target of no more than 900 000 stunted children by 2025. South Africa is projected to fall short of this target with 1.7 million stunted children.¹⁷

A vicious cycle exists through which both poverty and malnutrition fuel and reinforce each other. Globally, the poorest countries are those that bear the highest burden of malnutrition. The question that now arises is whether malnutrition is a cause or consequence of poverty, and vice versa.

Human capital is an integral asset of any country, and the process of developing human capital begins from infancy and continues throughout the course of an individual's life. Nutritional status has a profound impact on human capital. The reasoning is simple: improved nutritional status is vital for escaping poverty, as good health is needed to increase productivity levels, contribute to economic growth, and improve a country's overall welfare.

14. Stats SA, Report 03-00-19, Measuring Food Security in South Africa: Applying the Food Insecurity Experience Scale, 2020, 2022.

15. Food and Agriculture Organization of the United Nations, The State of Food and Agriculture.

16. J May et al., South African Child Gauge 2020: Food and nutrition security, 2020.

17. HH Vorster, The link between poverty and malnutrition: a South African perspective, *Health SA Gesondheid*, (2010) 15:1–6. doi: 10.4102/hsag.v15i1.435, 2010.

Without adequate nutrition, human capital starts to decline. This is because malnutrition negatively impacts physical and mental development, intellectual capacity, productivity, and the economic potential of an individual. As a consequence, economic stability is threatened, making a country more vulnerable to poverty.

In short, nutritional imbalances reduce work capacity and human capital; and this makes countries more susceptible to poverty. Furthermore, malnutrition is also a consequence of poverty, as poverty increases food insecurity and hidden hunger, which contributes to the problem of malnutrition.¹⁷ This makes both these elements a cause and a consequence of each other.

Unemployment

While it has been established that poverty is not just a monetary issue, the various dimensions of poverty and unemployment remain intrinsically linked.

With South Africa's economic growth stagnating over the past decade, the economy hasn't created enough jobs to absorb the unemployed and new entrants to the labour market. South Africa's unemployment rate is significantly higher than in other emerging markets, with youth unemployment exceeding 50%.

The official unemployment rate was 33.9% in the second quarter of 2022.¹⁸ This 'reduced' to 32.9% in the third quarter, or 7.7 million people. According to an expanded definition of unemployment that includes those discouraged from seeking work, 43.1% were without work in the third quarter, from 44.1% in the second quarter.¹⁹



18. Stats SA, Quarterly Labour Force Survey (QLFS) – Q2:2022, <https://www.statssa.gov.za/?p=15685>, 2022.

19. Reuters, www.reuters.com.



Figure 4: Unemployment rate in South Africa.

There was a sharp rise in unemployment during the COVID-19 lockdown of 2020. Three million jobs were lost between February and April 2020. Two million of those who lost employment were women.²⁰ By the end of 2020, despite two quarters of employment growth, the number of employed people was still nearly 1.5 million people fewer, and the wages of workers who still had jobs had fallen by 10-15%.²¹

According to Stats SA, 35% of children live in a household where both parents are unemployed. This creates an intergenerational unemployability problem due to lack of quality education, proper healthcare and malnutrition.²²

The impact on poverty, in all its dimensions, should be evident, and one could argue that creating more low-skilled jobs to improve labour force participation, especially in the poorest provinces, will spur inclusion and future prospects.

20. N Spaul et al., NIDS-CRAM Synthesis Report Wave 1, Overview and Findings, <https://cramsury.org/wp-content/uploads/2020/07/Spaul-et-al.-NIDS-CRAM-Wave-1-Synthesis-Report-Overview-and-Findings-1.pdf>.

21. South Africa Economic Update: South Africa's Labor Market Can Benefit from Young Entrepreneurs, Self-Employment, www.worldbank.org/en/country/southafrica/publication/south-africa-economic-update-south-africa-s-labor-market-can-benefit-from-young-entrepreneurs-self-employment.

22. South African Child Gauge, 2021/2022.

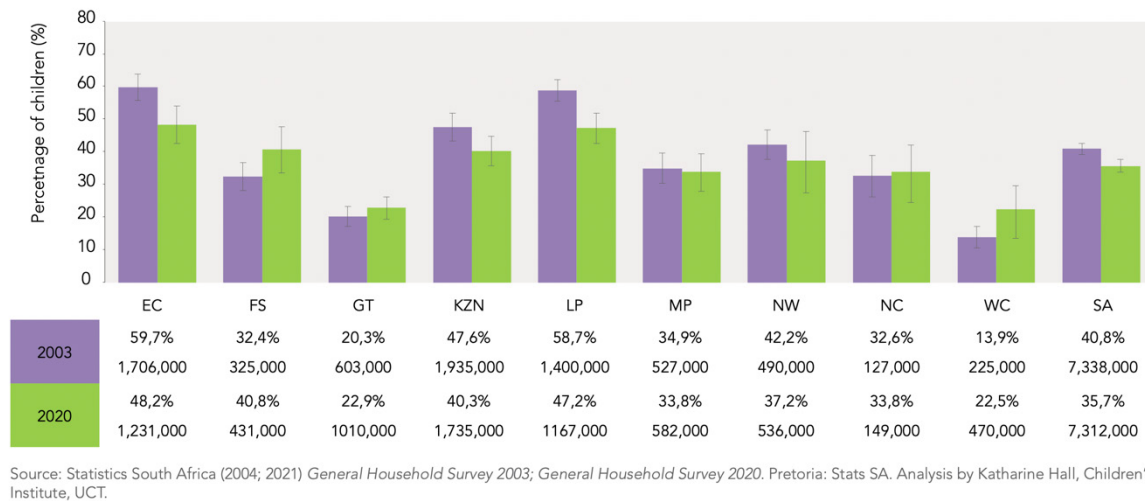


Figure 5:²³ Children living in households without an employed adult.

Unemployment and poverty

Unemployment and underemployment lie at the core of poverty. For the poor, labour is often the only asset they can use to improve their wellbeing. Hence the creation of productive employment opportunities is essential for achieving poverty reduction and sustainable economic and social development. It is crucial to provide decent jobs that both secure income and empowerment for the poor, especially women and younger people.²⁴

Rapid economic growth can potentially bring a high rate of expansion of productive and remunerative employment, which can lead to a reduction in poverty. Nevertheless, the contribution of the growth process to poverty reduction does not depend only on the rate of economic growth, but also on the ability of the poor to respond to the increasing demand for labour in the more productive categories of employment (which is hard to do if you do not have a proper education and suffer from malnutrition).

Given the importance of employment for poverty reduction, job creation should occupy a central place in national poverty reduction strategies. Many employment strategies are often related to agricultural and rural development and include using labour-intensive agricultural technologies, developing small and medium-size enterprises, and promoting micro projects in rural areas.

Many strategies promote self-employment, non-farm employment in rural areas, targeted employment interventions, microfinance and credit as a means of

23. Stats SA, 2021.

24. United Nations Department of Economic and Social Affairs, Poverty, Employment and Decent Work, www.un.org/development/desa/socialperspectiveondevelopment/issues/employment-and-decent-work.html.

employment generation, skill formation and training. Such strategies, however, often address the quantity of employment while the qualitative dimensions, such as equity, security, dignity and freedom, are often absent or minimal.

Income inequality

The severeness of poverty and unemployment is especially evident if one analyses the income inequality trends in a country. The United Nations says extraordinary economic growth and widespread improvements in wellbeing have failed to close the deep divides across countries and within societies.

More than 70% of the world's population now live in countries where income inequality has increased in the past three decades. Inequalities between social groups, including those based on age, gender, race, ethnicity, migrant status and disability, are pervasive in developed and developing countries alike.²⁵

Inequality in South Africa

South Africa suffers among the highest levels of inequality in the world when measured by the commonly used Gini index (an index that measures inequality). Inequality manifests itself through a skewed income distribution, unequal access to opportunities, and regional disparities. Low growth and rising unemployment have contributed to the persistence of inequality.²⁶

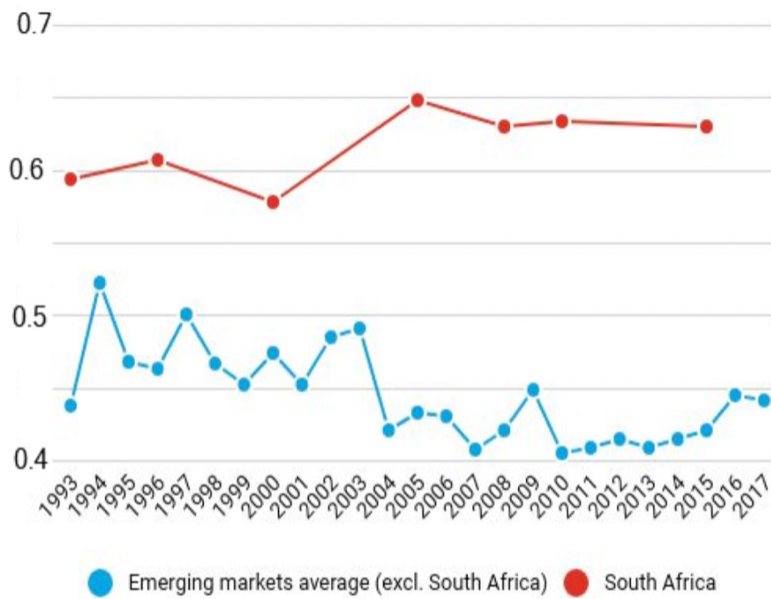
Inequality has remained stubbornly high. South Africa started the 1990s with already elevated inequality as the policy of apartheid excluded a large portion of the population from economic opportunities. South Africa's Gini index has further increased in the early 2000s and has remained high ever since. Meanwhile, its peers have been able to make inroads in reducing inequality.

South Africa is the most unequal country in the world, ranking first among 164 countries in the World Bank's global poverty database.²⁷

25. United Nations Department of Economic and Social Affairs, Poverty, Inequality, www.un.org/development/desa/socialperspectiveondevelopment/issues/inequality.html.

26. International Monetary Fund, www.imf.org.

27. The World Bank, Inequality in Southern Africa: An Assessment of the Southern African Customs Union, 2022.



Source: World Development Indicators.

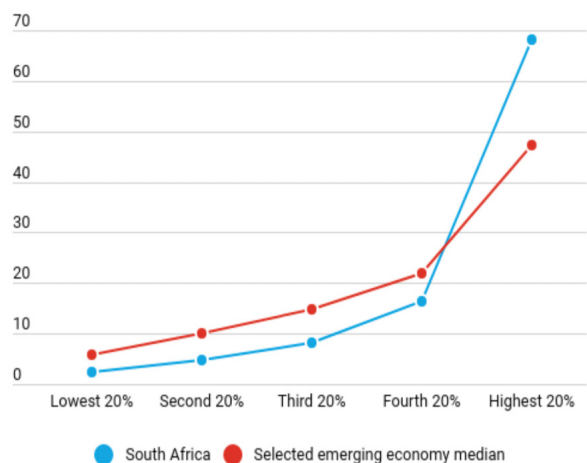
Figure 6: World Bank, Inequality Index.

Income distribution remains highly skewed. The top 20% of the population holds over 68% of income (compared to a median of 47% for similar emerging markets). The bottom 40% of the population holds 7% of income (compared to 16% for other emerging markets). Similar trends can be observed across other measures, such as the income share of the top 1%.

Concentrated wealth

South Africa's income distribution is skewed towards the richest 20 percent.

(Income held by income group, 2017, or earlier, percent)



Source: World Bank Poverty and Equity Database.

Figure 7: Income distribution in South Africa.

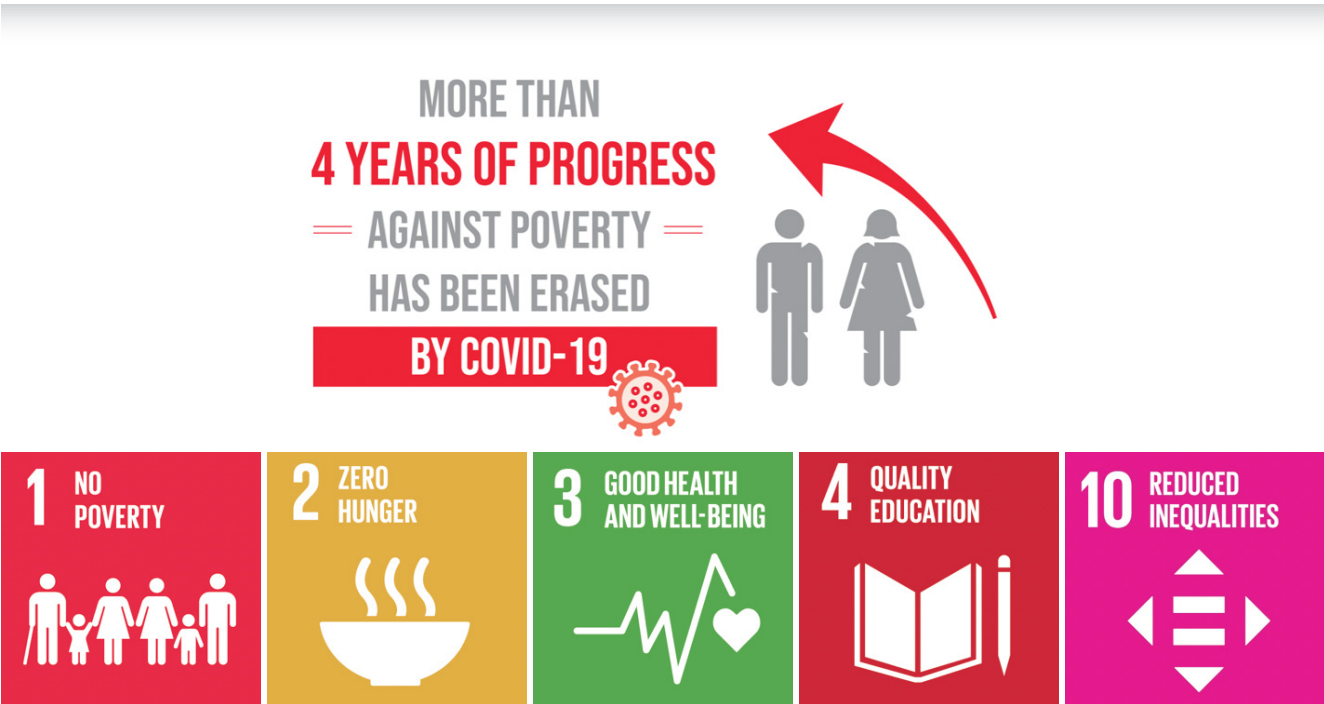
A process to equalise

Some of the inequality in South Africa is explained by inherited circumstances such as location, gender, age, parental background and race. The sharp inequality in land ownership also contributes to perpetuating the historically high levels of income inequality. Lack of access to key productive assets such as skills and land is slowing progress towards a more equitable income distribution. Improving access and availability of private sector jobs and access to productive assets such as land will help equalise opportunities.

From a government perspective, promoting policy measures that foster equality of opportunity and address the highly skewed distribution of productive assets should have a positive impact. Enhancing the efficiency and effectiveness of social spending, and improving the targeting of key social protection programmes to redirect resources towards the most vulnerable for more sustainable and efficient fiscal redistribution, are key for accelerating reduction in inequality.

However, addressing the country’s increasing poverty, unemployment and lack of income requires a multifaceted and intentional approach by role players on all levels of society – i.e. government, corporate sector, private sector, and non-government organisations.

This is also at the core of the SDGs, as defined in 2015, and more specifically SDG 1, SDG 2, SDG 3, SDG 4 and SDG 10. Sadly, according to the United Nations, four years of progress towards achieving these goals and eradicating extreme poverty have been erased due to COVID-19. If anything, this should serve as a motivation to increase the fight against poverty and enhance our efforts.



Conclusion

Nobel Laureate Amartya Sen said: 'Poverty is not just a lack of money; it is not having the capability to realise one's full potential as a human being. Poverty is the deprivation of opportunity.'²⁸

The complex dimensions of poverty and its cause-and-effect relation to unemployment and employability should be evident. The consequence thereof is a country where 25% of the population live in severe poverty, where income inequality is the worst in the world and where a vast number of people are deprived of the opportunity to develop their potential.

How can South Africa be different and make a dent in that growing poverty curve? Together, as individuals and corporate entities, we must work together to affect that change.

28. A Sen, Development as Freedom, 1999.