Income poverty in South Africa

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It is important to understand child poverty as multi-dimensional and more than just a lack of income. Nevertheless, this essay specifically explores the extent of income poverty in South Africa and describes its relationship to unemployment and social assistance.

There are two reasons for this focus: Firstly, it is a fact that money supports access to improved education, health care, nutrition and many of the other dimensions of a minimum core discussed in the previous essay. Secondly, the extent and nature of available information makes it possible to get a fuller picture of income poverty in South Africa than of the other poverty dimensions discussed in the previous essay.

Much of the information presented in this essay on income poverty is based on data from the *General Household Survey* (GHS). This survey is conducted annually by Statistics South Africa and is designed to be representative of the whole population. More specifically this essay draws on two pieces of work by Debbie Budlender of the Centre for Actuarial Research at the University of Cape Town, both of which made use of the GHS data. The first was a piece specially commissioned for this edition of the *South African Child Gauge*, and the second was a paper she delivered in 2005 at a seminar on children and unemployment, initiated by Save the Children Sweden and hosted by the Institute for Democracy in South Africa (IDASA), the Children's Institute and Save the Children Sweden.

This essay focuses on the following questions:

- What is the relationship between unemployment and income poverty?
- What is known about household income?
- What role does social assistance play in boosting household income?
- What are the conclusions?

What is the relationship between unemployment and income poverty?

This section focuses on one of the main causes of income poverty for children: high levels of adult unemployment.

Unemployment rates

In September 2004, 26% of South Africa's economically active population was unemployed. Official unemployment definitions only partially reflect the situation. An expanded definition includes those who would like to find employment but who are discouraged, and therefore have not actively sought work in the previous month. By this expanded definition, unemployment levels were at a staggering 41% at the end of 2004.

The unemployment rate has remained almost unchanged since then. Statistics South Africa reported an official unemployment rate of 25% in March 2006. Employment levels are also highly differentiated by race.[1] According to the GHS 2005, Africans had a 31% unemployment rate, whereas white South Africans experienced a much lower (5%) unemployment rate.

The GHS 2005 indicated that 42% of South Africa's children live in a household where neither parent is employed. Women's situations are particularly important because far more children are living with women than with men. In March 2006, the official unemployment rate for women was 30%, compared to an unemployment rate of 22% for men.

The South African economy, even with its improved growth, has not been able to create employment fast enough to absorb entrants into the job market. This means that many households remain unable to access income from wage labour and/or self-employment.

Table 1 below draws on Debbie Budlender's examination of unemployment using the *General Household Survey 2004*. For the purpose of this table, a household is defined as 'poor' if it reports a monthly income of under R1,200 (an absolute poverty line, close to the upper threshold for the Child Support Grant). Table 1 suggests that the unemployment rate in poor households was more than double that in non-poor households. For women the employment rate in poor households was half of that in non-poor households. For men, the relative position of poor compared to not poor was slightly better than for women, but there is still a very marked difference. Unsurprisingly, employment is thus confirmed as a key factor in avoiding poverty.

Unemployment and child hunger

As discussed in the previous essay, income is not the only measure of poverty, or even of material deprivation. Another more concrete measure is hunger. The GHS asks each household how often its child members experienced hunger. For the purposes of Table 2, households that reported that children went hungry "sometimes", "often" or "always" were classified as "child hunger" households, and the remainder (including households with no children) were classified as

TABLE 1: Unemployment and employment rates in poor and non-poor households in 2004

	Unemployment rate			Employment rate		
	% Male	% Female	**% Total**	% Male	% Female	**% Total**
Poor	36	46	**40**	38	22	**29**
Non-poor	15	21	**17**	63	44	**54**

Source: Statistics South Africa (2005) *General Household Survey 2004*. Pretoria, Cape Town: Statistics South Africa. Analysis by Debbie Budlender, Centre for Actuarial Research, UCT.

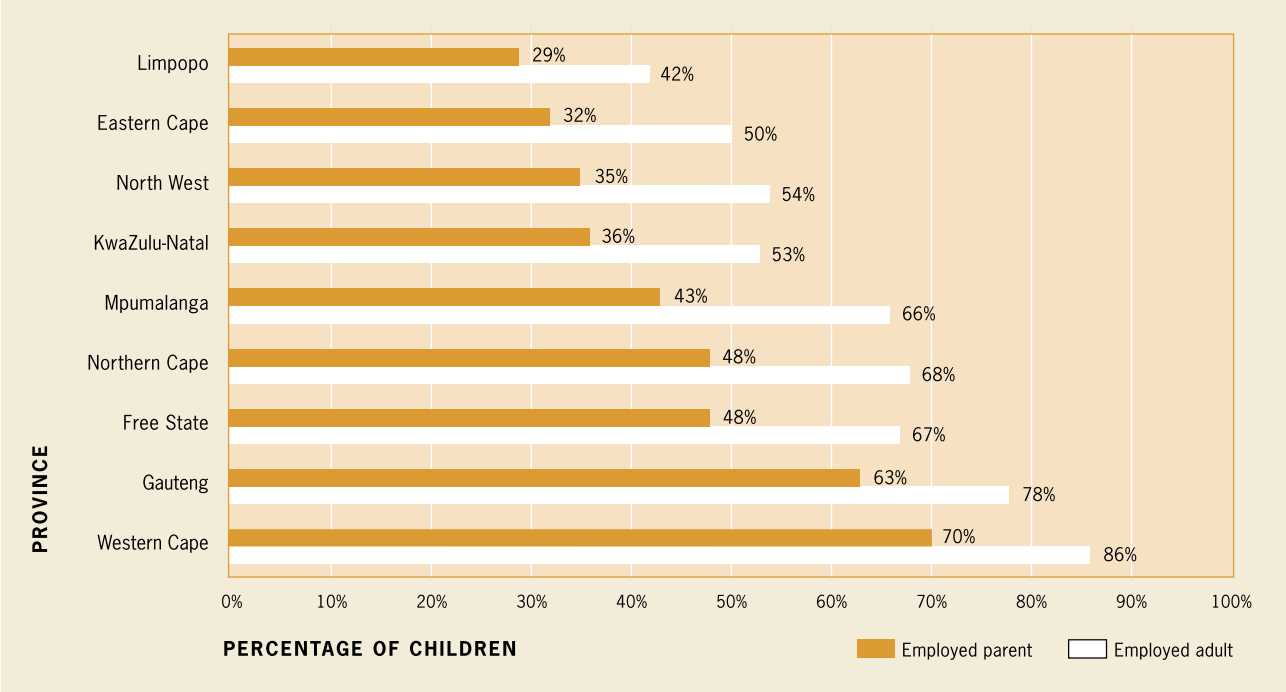
TABLE 2: Unemployment and employment in households, by experience of child hunger, in 2004

	Unemployment rate			Employment rate		
	% Male	% Female	**% Total**	% Male	% Female	**% Total**
No child hunger	22	30	**26**	53	34	**43**
Child hunger	52	56	**54**	23	17	**19**

Source: Statistics South Africa (2005) *General Household Survey 2004*. Pretoria, Cape Town: Statistics South Africa. Analysis by Debbie Budlender, Centre for Actuarial Research, UCT.

1 Racial terms, customarily used in South Africa for the purposes of measuring inequalities that prevail, are 'white' and 'black,' the latter of which comprises 'coloured', 'Indian', and 'African'.

FIGURE 2: Proportion of children living with employed parents and adults in 2004



Source: Statistics South Africa (2005) *General Household Survey 2004.* Pretoria, Cape Town: Statistics South Africa. Analysis by Debbie Budlender, Centre for Actuarial Research, UCT.

households with no child hunger. Table 2 confirms, as expected, that unemployment rates are much higher in households experiencing child hunger.

Provincial variations in employment

Apart from paying attention to the impact of unemployment on child poverty, consideration must also be given to how many children live in households where parents and other adults are employed. The GHS 2004 indicated that 42% of the total 18 million children in the country had an employed parent living with them in June 2004. At the same time 59% of children had an employed adult (whether a parent or someone else) living with them. Figure 2 above shows how the likelihood of a child living with an employed adult varies enormously across the different provinces in South Africa.

Children in the Western Cape were the most likely to live with employed parents (70%) or any employed adult (86%). Children in Limpopo were least likely, as only 29% lived with an employed parent and only 42% lived with at least one employed adult. These stark provincial differences underline the continuing impact of apartheid policies. Large parts of Limpopo, the Eastern Cape and KwaZulu-Natal provinces, for example, were demarcated as homelands or "Bantu-stans" under apartheid, and these areas have remained under-developed.

What is known about household income?

Given the high levels of unemployment and the number of children living without access to wage income through their parents and other adults, how extensive is child poverty when measured by income? This section presents some information on what is known about earned income and income poverty – an important part of material deprivation – in households with children.

About the GHS information on income

The information on income poverty presented here is based on income and expenditure data from the *General Household Survey 2005.* It is important to note that the GHS cannot

provide a full picture of poverty in South Africa as it does not ask households about all forms of income. It includes questions about earned income, such as wages and salaries and earnings from self-employment. It asks about income only from the 'main' job of household members. It also asks about government grants received by members of the household. It does not ask about earnings from investments or remittances, money sent by household members living and working elsewhere, or private maintenance paid by the father of children or ex-spouse.

One weakness of the GHS, and indeed of most surveys and censuses, is that income tends to be seriously under-reported. The patterns reported below should thus be taken as indicative rather than as representing the absolute state of income poverty in South Africa in mid-2005. More accurate information will be available only after the *Income and Expenditure Survey* is released at the end of 2007.

Provincial differences

Table 3 shows the proportion of children in each household earning bracket in each province, as was captured by the GHS 2005. It is clear that levels of reported earned income were very low.

Over half (55%) of all children were found in households with monthly earnings of R800 or less. Only 12% lived in households with reported monthly earnings of more than R6,000. There were big provincial variations, with the more urbanised provinces having relatively low proportions of their populations living below the ultra poverty line.

The poorest provinces were found to be those with large rural populations and little access to employment opportunities. Limpopo and the Eastern Cape presented the most poverty-stricken profiles, with close on three-quarters (73 – 74%) of children living in households with monthly earnings of R800 or less. The Western Cape presented a substantially more favourable picture than the other provinces. However, even in this province, nearly one in every five children (18%) live in very poor households in terms of earned income.

The ultra poverty line

A poverty line of R800 per month per household is regarded as an ultra poverty line, and is used by national government to denote an "indigent" household. Local governments are given funding based on the number of such households in their area. The R800 is not based on the calculation of any basket of goods, but it is presumed that subsistence is very difficult at these low levels of income. It is therefore of great concern that more than half of South Africa's children (55%, which amounts to 10 million out of 18 million) were living under these circumstances in 2005.

TABLE 3: Distribution of children by household earnings and province in 2005

	Proportion of children per province (%)									
Monthly household earnings (Rands)	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpuma-langa	Northern Cape	North West	Western Cape	Total %
R0 – 800	73	60	29	60	74	57	49	58	18	55
R801 – 1,200	5	6	6	5	4	9	8	5	5	5
R1,201 – 2,500	8	11	20	12	10	13	16	14	27	14
R2,501 – 6,000	8	12	20	13	7	12	16	15	27	14
R6,001 – 16,000	6	8	16	9	4	8	8	5	17	9
R16,000 plus	1	3	9	2	1	1	2	3	5	3
Total %	100	100	100	100	100	100	100	100	100	100
Number of children	**3,134,304**	**1,113,560**	**2,655,752**	**3,841,255**	**2,607,775**	**1,351,142**	**337,494**	**1,459,219**	**1,572,127**	**18,072,627**

Source: Statistics South Africa (2006) *General Household Survey 2005.* Pretoria, Cape Town: Statistics South Africa. Analysis by Debbie Budlender, Centre for Actuarial Research, UCT.

TABLE 4: Distribution of children by household earnings and population group in 2005

Monthly household earnings (Rands)	Proportion of children by population group (%)				Total	
	African	Coloured	Indian	White	%	Number
R0 – 800	63	24	15	4	55	10,020,175
R801 – 1,200	6	6	2	0	5	955,039
R1,201 – 2,500	13	22	12	10	14	2,469,157
R2,501 – 6,000	11	28	25	22	14	2,463,448
R6,001 – 16,000	6	17	37	35	9	1,617,263
R16,000 plus	1	3	9	29	3	547,546
Total %	100	100	100	100	100	18,072,627
No. of children	**15,158,079**	**1,504,671**	**342,599**	**1,058,797**	**18,072,627**	

Source: Statistics South Africa (2006) *General Household Survey 2005*. Pretoria, Cape Town: Statistics South Africa. Analysis by Debbie Budlender, Centre for Actuarial Research, UCT.

Population breakdowns

Table 4 above presents the picture in respect of population group, again demonstrating the continued effects of apartheid policies into the present. The GHS 2005 indicated that close on two-thirds (63%) of African children lived in ultra-poor households, compared to about a quarter (24%) of coloured children, 15% of Indian children, and only 4% of white children. A mere 1% of African children were living in households with earnings of R16,000 or more per month, compared to 29% of white children.

Per capita breakdown

Table 5 shows the per capita (per person) income within each household earning bracket, as well as by population group, for 2005. This was calculated by dividing the total amount of income earned by household members by the total number of people in each household. As expected, the per capita amount is higher in each succeeding bracket. In other words, the very poorest households are likely to have more members than those households with more resources.

In terms of population group, the per capita amount tends to be higher for the African and white groups within each earnings bracket than for coloured and Indian households. The

TABLE 5: Per capita income by household earning bracket and population group in 2005

Monthly household earnings (Rands)	Average per capita income within household income band (Rands)				
	African	Coloured	Indian	White	Total
R0 – 800	75.11	54.83	24.30	8.32	69.51
R801 – 1,200	522.39	406.85	309.01	650.36	513.17
R1,201 – 2,500	908.57	637.63	770.99	991.33	851.08
R2,501 – 6,000	1,650.80	1,206.86	1,620.47	1,812.70	1,574.65
R6,001 – 16,000	3,252.97	2,899.05	3,105.70	4,518.46	3,634.08
R16,000 plus	8,567.27	6,734.86	8,700.42	10,832.24	9,737.55

Source: Statistics South Africa (2006) *General Household Survey 2005*. Pretoria, Cape Town: Statistics South Africa. Analysis by Debbie Budlender, Centre for Actuarial Research, UCT.

exception is the lowest bracket for whites. This is explained by a relatively large proportion of the white households in this bracket having zero earned income. This would be the case, for example, in households consisting of old people living alone.

The information in this table gives some indication of the very low levels of income available per person in a household for food, clothing, and transport, and school fees for children.

What role does social security play in boosting household income?

Thankfully, income from employment is not the only source of money for households. In particular, South Africa has a well-developed social security system that delivers grants in the form of cash transfers to a substantial percentage of the population. Social grants are the most significant poverty alleviation measure, especially for children and the elderly.

The right to social assistance

One of the rights enshrined in the South African Constitution is the right to social assistance. Social assistance is made up of non-contributory cash grants, and is contrasted with contributory social insurance, which includes private pensions and unemployment insurance. Social assistance and social insurance together make up social security. Section 27 (1) (a) – (c) of the Constitution 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".

South African grants

Seven cash grants constitute social assistance in South Africa, and together go to almost 25% of the population each month. Social grants are currently targeted at those who are too old, too young, too disabled or busy caring for disabled dependants to work for an income. Table 6 outlines the number of child and adult beneficiaries of social assistance grants at the end of July 2006.

However, there remains a portion of the population not targeted for social assistance: the vast number of those who cannot find employment.

TABLE 6: Number of adult and child beneficiaries of social assistance grants by end July 2006

Grant type	Number of adult recipients	Number of child recipients
Old Age Pension	2,162,990	
War Veterans Grant	2,624	
Disability Grant	1,356,937	
Grant in Aid	28,441	
Child Support Grant		7,410,760
Foster Child Grant		351,702
Care Dependency Grant		92,853
Total	**3,550,992**	**7,855,315**

Source: Department of Social Development (2006) *SOCPEN database*. Pretoria: Department of Social Development.

What South Africa spends on social assistance

The South African government's spending on social assistance is substantial. The *Intergovernmental Fiscal Review* reports that 88.5% of social development spending went to social assistance grants in 2004/05. This percentage is expected to decrease slightly to 87.6% in 2007/08. The most recent medium-term expenditure framework provides for social security allocations of R57,7 billion in 2006/07; R62,6 billion in 2007/08; and R68,3 billion in 2008/09.

Research has shown that social assistance grants help in lifting households out of deep poverty. Research has also shown that even grants that are not targeted at children – such as the Old Age Pension – are often used to the benefit of the children in that household. However, these grants are directed at individuals with particular characteristics and thus do not reach all households that are poor. Grants are also limited in size. In particular, most of the grants targeted at children and their caregivers are much lower than what even people working in the informal economy are likely to earn. One of these grants – the Child Support Grant – will be discussed in greater detail in the next essay.

What are the conclusions?

This essay explored one dimension of child poverty, as experienced within the "material deprivation" domain, in some depth. It looked at unemployment and the resulting low levels of household income. It showed that in 2005, over a third of children lived in households where no adult was employed. More than 10 million children in South Africa lived in households with R800 or less reported earned income per month, and in the same year nearly 13.5 million children lived in households with an income of R2,500 or less per month.

The contribution of government spending on social assistance to ameliorate these high levels of income poverty was discussed. Social assistance was found to have a relatively large impact on household income, though many households that do not meet the criteria for specific social assistance grants are still left with insufficient resources to meet their needs.

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