

Why poverty's more than sums

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One of the key dilemmas facing the government is to eradicate, or at least reduce, poverty. The first step is to understand which are the most affected groups. In the labour market there are three groups which together explain more than 80% of the poverty in South Africa. They are unemployed people, domestic workers and farmworkers.

Domestics and farmworkers may have jobs, but they are still living in poverty. While less than 4% of labourers in the mining and manufacturing sectors live in poverty, 38% of domestics are poor and 27% of farmworkers earn below the poverty line.

>From a policy perspective, this means that labour market interventions aimed at poverty alleviation need to give credence to the fact that poverty exists not only among the unemployed, but also among narrowly (and indeed easily) defined sections of the employed. Some commentators may argue that while these groups are very poor, they could be living in households that are not poor; that the collective income in a home they have access to will make them non-poor.

Statistics show, however, that this is patently untrue: the three poorest groups also come from the three poorest types of households in the country.

The statistics show that in the homes where farmworkers live, more than 60% live in dire poverty. In the case of the unemployed and domestics, more than 40% of their homes are poor.

Knowing who most of the poor people are, in which homes they live and how much money each of these homes earns enables one to undertake a theoretical exercise giving each of these poor households enough money to place them above the poverty line.

For example, if a home is earning an income of R500 and the poverty line is about R900, then we would need to give that home R400 and it would no longer be poor.

If we use this approach, what would it cost, in theory, to eradicate most of the poverty in society?

In total, the number of poor homes which have domestics, unemployed people or farmworkers living in them amounts to just more than two million. The calculations show it would cost about R10-billion a year to place all these homes out of poverty. This translates into giving each of these poor homes an average of R3 300 a year.

How do we evaluate this amount? Is it inordinately large or surprisingly small? To put it in perspective: it represents about 6% of the government's total expenditure outlays.

The government spends about 20% of its budget on paying the interest on its debt, and about the same amount on education each year. This 6%, then, is a relatively low amount, and it would seem to indicate that the problem of poverty is easily solved.

Does this mean all that needs to happen is for the government to make provision for an income grant of this sort on an annual basis, and we could immediately talk of a poverty-free society? The answer is no.

As is the case with most theoretically appealing calculations, such a potential income grant throws up a whole host of obstacles.

The first difficulty is that the government will not find it easy to target the poorest of the poor effectively. Large wastage could occur through ineffective targeting, and while the money may get into the hands of poor homes, it won't reach the poorest of the poor.

Then there are the not insignificant administration costs that inevitably go with the setting up of such a scheme.

Thirdly, giving grants to indigent homes could result in an undesired outcome: individuals may cease work, or stop looking for work. Apart from the obvious moral issues here, such a

withdrawal of labour would have serious negative economic consequences. One can imagine the growing drain on the state of such a scheme, as new entrants in the labour market refused to find jobs and rather relied on the state's income transfer.

What is clear, however, is that we can describe the nature and extent of poverty in South Africa quite simply and vividly. It is also evident that those individuals who are poor invariably live in homes that are indigent.

Finally, while the above calculations are simplistic and rather tell a story about the size of the problem than offer a tangible policy intervention, they suggest the government needs to think more energetically about social security and welfare provision for the poor.

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