

Chapter 8

Poverty Alleviation, Employment Creation and Sustainable Livelihoods in South Africa¹

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A strategic programme for poverty eradication and full employment requires a thorough understanding of the major characteristics of poverty and the factors that contribute to sustainable livelihoods. Based on analyses of statistics and data from several sources,² this chapter concludes that major structural problems inherited from the apartheid period are largely responsible for the persistence of the racial, gender and spatial dimensions of poverty as well as massive unemployment in South Africa.

The first section of the chapter focuses on the characteristics of poverty in South Africa and the complex and diverse strategies that people have evolved to ward poverty off. It shows that most households in South Africa depend on a narrow range of income-earning opportunities and seek wage work above anything else.

The second section looks at constraints to employment creation and poverty alleviation, and argues that GEAR has established an overall policy framework that is not conducive to employment creation or sustainable livelihoods.

The final section of this chapter proposes strategies to resolve the problems. It argues that to overcome the constraints on sustainable livelihoods and employment creation, proactive state intervention is necessary to ensure that policies take into account strategies adopted by people, particularly the rural poor, to achieve sustainable livelihoods.

Poverty in South Africa

This section explores due face of poverty, livelihoods, income and expenditure, and the informal economy

The face of poverty

Income inequality in South Africa has remained relatively constant over the past three decades and is second only to that in Brazil, the world's most unequal society. Although the position of some people from previously disadvantaged groups has improved, this improvement merely seems to indicate that the specific character of inequality is changing from being race-based to being class-based. However, the racial dimension of poverty in South Africa is still profound, with income patterns highly skewed against Africans. Of those categorised "poor"³ in the 1993 survey of the Project for Statistics on Living Standards and Development (PSLSD), almost 95% are Africans. The plight of the poor is exacerbated by a lack of basic services, poor housing and inadequate infrastructure.

African women have been worst affected by poverty. Apart from tending their families they are forced to earn an income, often at a remove from their homes. For women in rural areas, the situation is even worse because they also shoulder the burden of collecting wood and water. Children, too, are disproportionately represented among the poor and are the group most seriously affected by malnutrition and destitution. Over 45% of the poor are children under 16 years old, and when this figure is disaggregated for race, the results are even more alarming: 70% of African children under the age of 16 are classified as living in poverty. The impact of poverty and undernourishment on children is very serious, and the stunting rate for children in poor households is high.

While urban-rural differences in poverty have narrowed in the 1980s and 1990s, the pattern of poverty in South Africa still has a clear geographical component. Two-thirds of the poor live in the Eastern Cape, KwaZulu-Natal and the Northern Province. The wealthiest people are found in the four major metropolitan areas, while the highest levels of poverty prevail in rural areas, particularly the former bantustans (about

75% of the bantustan population are poor according to the PSLSD survey, compared to 41% in urban areas, and 20% in the major metropolitan areas).

Unemployment is high throughout the country and the number of new entrants to the job market is outstripping formal sector job creation by an increasingly wide margin. Semi-skilled and unskilled workers have been hardest hit by the shrinking of formal sector employment opportunities caused by economic restructuring, noticeably in the mining and agricultural sectors.

Livelihoods

The low absorption capacity of the formal economy has forced people to adopt diverse income-generating strategies. These strategies, aimed at ensuring “sustainable livelihoods”, have mostly been only successful for households that possess labour, human capital, productive assets and social capital.

The chapter shows that income sources vary significantly between households in formal housing, informal settlements and backyard shacks. The livelihood strategies of the poor and ultra poor⁴ are considerably more varied than those of others. Their dependence on remittances and social pensions is far greater than that of richer households. The income-generating activities of poor rural households are shown in Box 1.

Rural households headed by women, or where the men are absent, have smaller incomes than those households headed by men who are present. However, some female-headed households have managed to adopt very successful livelihood strategies.

The dependence of rural and urban households on income sources that only generate money on an irregular basis raises the level of poverty. A secure wage has a direct impact on the household's welfare, so those households that do not have access to wages in a direct or indirect form are the most vulnerable. As much as 20% of rural African households have no assets of any kind that can be converted to cash. The survival strategies of these people in times of crisis include migration, changing the household structure, loans and dietary change.

BOX 1

The PSLSD data identify eight income-generating activities of poor rural households:

- agricultural production, which includes growing food and fibre for exchange as well as for sale;
- distribution, which refers to the sale of food and manufactured products;
- petty commodity production, which ranges from the manufacture of clothing and other commodities to the construction of houses;
- niche services or services with a competitive advantage, like back-yard mechanics, child minding, traditional healing, taxi services etc.;
- wage labour, which refers both to well-paid jobs offering career advancement (primary market) and poorly paid and insecure jobs (secondary market);
- claims against the state, in the form of pensions, disability grants, child support etc.;
- claims against households, which refer to remittances and other claims against relatives and community members; and
- unpaid domestic labour, which is the unremunerated work performed mostly by women.

Households also rely on community-based networks, particularly co-operative arrangements organised by women. Not only are these networks survival mechanisms, but they can also lead to a more secure livelihood for entrepreneurial women. Such networks do better in locales where security is greater and there is a stronger sense of community.

For all households, regular wage work remains the most important income source. This finding underlines the importance of short-term job creation strategies and a macro-economic policy that stimulates the economy into creating more formal sector employment.

The challenge for policy makers and development agencies is to design policies that assist in making livelihood strategies not only sustainable but also profitable to women and younger members of households.

Income and expenditure

The 1995 Income and Expenditure Survey (Box 2) reveals that 90% of households in the first quintile are either dependent on a pension or a Salary C occupation. The dependence on pensions is alarmingly high—almost 40%. Alarming, too, is that over 37% of household heads in the poorest quintile are categorised as “not economically active”.

BOX 2
<p>The 1995 Income and Expenditure Survey of almost 30 000 households in South Africa divides the country into four categories:</p> <ul style="list-style-type: none">• rural• informal settlement• peri-urban areas• urban areas <p>It also has four broad occupational categories:</p> <ul style="list-style-type: none">• salary and wage earners• self-employed• pensioners• other, including the economically inactive <p>Individuals earning a salary or wage are divided into three categories:</p> <ul style="list-style-type: none">• Salary A: professionals, managers, administrators or technical experts with an average income of R101 000 per annum;• Salary B: clerical and sales staff with an average annual income of R41 000; and• Salary C: those employed in production, transport and services, with an average annual income of R38 000.

When the survey results are disaggregated for race, the dependence of African household heads on the Salary C category becomes more pronounced. On the positive side, for African household heads, Salary A dominates in the richest quintile, which reflects the extent to which Africans are moving into professional and managerial employment. This is more pronounced in urban areas.

That African households are more vulnerable than other households is indicated by the fact that over 50% of households in the first quintile and almost 40% in the second quintile have no income earners. More African than other households depend on a single income in South Africa.

Households with one income earner in Salary C—a mine worker, farm worker or factory worker—are more vulnerable to losing that income than is the case for households with a Salary A income earner. In addition, the employment growth that has occurred in South Africa has been concentrated in the sectors associated with Salary A.

The informal economy

In an economy where labour absorption has declined rapidly, the development potential of the informal economy for urban and rural households grows.

The informal economy can be divided into “survivalists”⁵ and “informal entrepreneurs”,⁶ respectively comprising 83% and 61% Africans. There is some debate over the size of the informal economy in South Africa but the present estimate is about 2,7 million. There is also consensus that a complex and changing group of enterprises make up the informal economy.

Only about 14% of the informal sector can be categorised as viable micro enterprises, that is enterprises that have the potential to generate higher incomes and spin-off employment opportunities. The reason for this lack of viability is the preponderance of activity in informal trading rather than in services and manufacturing, where opportunities for employment and growth creation are better.

In terms of how and where people work and trade, the informal economy shows the clear impact of race and gender. African micro enterprises are typically located in the poorest and least lucrative segments of the informal sector. Women tend to be engaged in the least profitable activities and dominate “overtraded” sectors such as hawking. Incomes are higher in formal townships than in informal settlements.

Informal enterprises no longer face the bureaucratic and legislative obstacles imposed by apartheid. Rather, they face a lack of credit, too

much competition and inadequate infrastructure. Research suggests that a combination of training, credit and infrastructure is crucial for the success of policy initiatives aimed at the informal economy.

The informal sector has considerable potential for contributing to development, employment and the creation of urban and rural livelihoods. To maximise this potential, policies need to acknowledge the heterogeneous nature of the sector.

Constraints to employment creation and poverty alleviation

Poverty is itself a major structural constraint to sustainable growth in South Africa. A more equitable income distribution is necessary to achieve sustainable growth, a notion that is supported by recent theoretical and empirical evidence. In addition to poverty, two other crucial factors constrain sustainable growth: South Africa's economic structure and the overall policy framework.

Economic structure

South Africa's economic structure, largely inherited from the apartheid era, limits access and participation and perpetuates vulnerability. The structural problems fall into three categories: key micro- and macro-economic attributes; backlogs in investment in human resources and social services; and labour market constraints on job creation and poverty eradication.

Micro- and macro-economic attributes that have contributed to high unemployment and poverty include:

- Slow, zero or negative growth since the early 1980s: between 1982 and 1997 the real GDP growth rates were below 3%.
- Substantial capitalisation of production processes since the 1960s: between 1960 and 1995 the use of capital relative to labour more than doubled throughout the economy.

Empowerment through Economic Transformation

- Underdeveloped home market: the high level of poverty among the majority of the population has led to their extremely limited purchasing power.
- Wealth and decision making were concentrated in the real and financial sectors of the economy.

The persistence of poverty and non-sustainable livelihoods in South Africa is directly linked to significant *backlogs in investment in human resource development and in the delivery of basic social services*, such as education, health and housing, to the majority of the population. These backlogs have led to lack of skills development, lack of access to social services and lack of access to critical economic assets such as land and credit.

The current difficulties of the *labour market* cannot be separated from the policies of apartheid. These policies dispossessed the black population from their self-sustaining economic base while actively undermining their ability to create a new one. They also created a massive landless low-wage labour pool to service white capital.

Demand for labour has been limited by South Africa's low growth since the early 1980s. Domestic and foreign aggregate demand⁷ has direct and indirect effects⁸ on employment opportunities. In the agricultural sector, which together with mining is very important for the economy as a whole and particularly for poor households, the employment multiplier is larger than in any other, with both backward and forward linkages. For an increase of R1 million in expenditure there is an overall employment increase of 57 persons in new direct and indirect jobs.⁹ However, the backward production linkages decline as the degree of mechanisation in commercial agriculture increases.

The strength of the employment multiplier in the manufacturing sector depends on the type of industry. For R1 million invested in clothing (the highest multiplier) 55 new jobs are generated, whereas for the lowest multiplier (basic non-ferrous metals) the figure is 37 new jobs.

Apartheid policies encouraged capital-intensive activities, particularly in the agricultural, mining and manufacturing sectors. But the legacy of apartheid is nowhere more evident than in the organisation of work. Apartheid's job reservation laws resulted in long chains of command, authorita-

rian control, limited opportunities for black mobility and limited training of black workers. In the mining sector, for example, it was extremely difficult for blacks to move out of their historical job categories and work environments. Skills improvement opportunities were very limited. Not only did this encourage a strict hierarchy with blacks in the lower levels but it also perpetuated poverty for the majority of mine worker households.

Similarly, in the manufacturing and engineering sectors there was a glaring absence of opportunities for skills improvement and job advancement. In agriculture, forestry and fishing, 94% of workers were concentrated in semi- and unskilled job categories, with farm workers representing the poorest group.

Given the biased organisation of work in the country, it is no surprise that the majority of retrenched workers come from the 47% of the country's semi-skilled or unskilled workers. With no retrenchment schemes and retraining policies to generate alternative forms of employment, the sustainability of the livelihoods of the communities hit by retrenchments has deteriorated even more in recent years. Few workers who do receive retrenchment packages are able to use these packages to develop viable forms of subsistence, and the ensuing hardship is severe. Job insecurity has been exacerbated by the use of migrant and contract labour, as well as by the dwindling number of apprenticeships and training opportunities, and the lack of multi-skilling.

The supply of labour to the market is determined by several factors, including the size of the population, racial and gender participation rates, and the occupational, educational and geographic distribution of the labour force. Black participation and female participation in the labour market are significantly lower than white participation and male participation respectively.

Labour discrimination is often masked by an assumption that certain people are not available, for example women are not deemed available for work in the mining sector. Because of this so-called "unavailability", women are over-represented in the agricultural sector and in the informal labour market in rural and urban areas.

The incidence of unemployment is, not surprisingly, skewed towards those with little formal education or training. Although lack of schooling alone is not the cause of unemployment, it does hinder those who might otherwise improve their circumstances. This is particularly evident in the agricultural sector where 50% of black farm workers have received no formal education and a further 40% only achieved between Standard one and Standard five.

There is a disjuncture between potential workers and the locality of potential jobs, which poses a problem for labour supply. Both internal migration between rural and urban areas and migration from neighbouring countries pose problems for the labour market. The South African mining sector has relied almost completely on migrant labour from within the country and neighbouring countries and these migrants have generally had to live in very poor conditions. In addition, the illegal status of some migrant labourers from neighbouring countries in the mining and agricultural sectors makes them especially vulnerable to abuse and exploitation. The adequacy of the legal and policy instruments for managing the movement of temporary migrants, including those who are illegally in South Africa, should be carefully scrutinised and the system of informal, unregulated labour recruitment and deployment carefully managed.

Although many rural people have moved to urban areas, the relatively high cost of urban living means that the majority of these former ruralists live in crowded and sub-standard housing conditions. They also frequently have to travel far to work, which is expensive and time-consuming. Poor families are burdened, in addition, by the lack of adequate social security. Making private provision for social security is just not possible for them.

In the formal labour market, employment creation and sustainable livelihoods are set against the backdrop of institutional constraints that perpetuate the cycle of low-wage employment and poverty. The statutory and non-statutory regulation of the labour market during the apartheid era created many of the social and economic distortions that persist today. Employment creation is hampered by a labour market that is segmented by race, gender and age, and also by underinvestment in black education, inadequate training programmes, discriminatory obstacles that prevent

upward job mobility and lack of job security. Moreover, adversarial industrial relations militate against an effective employment-oriented industrial strategy. The absence of stable and secure employment and thus of employment benefits means that households have to find other means of meeting basic needs.

Since 1994, new legislation and institutions have been introduced in collaboration with labour. While the government has sought regulations that positively affect growth and efficiency, labour has been concerned about greater security for workers. Labour market flexibility, the largest non-statutory institutional constraint, continues to be a hotly debated issue since workers generally associate it with insecurity and lowering of wages. However, flexibility and security can best be balanced through bargained arrangements between employer and employee representatives. Labour has also been concerned that redistributive mechanisms should be incorporated into the regulations.

The existing Basic Conditions of Employment Act (BCEA) is meant to be comprehensive but is systematically undermined by other laws and regulations, individual contracts, collective agreements and the exclusion of large groups of workers.

The Labour Relations Act (LRA) of 1995 is a significant new piece of labour legislation that extends protection to almost all workers, including farm workers and domestic workers. It embodies the philosophy of collective bargaining as a means to achieving harmonious industrial relations and economic growth, and binds the country to International Labour Organisation (ILO) conventions. It also tries to minimise arbitrariness through its provisions on unfair dismissals and retrenchments.

Both the LRA and other statutes are still being tested, as are the institutions meant to operationalise them, such as the Commission for Conciliation, Mediation and Arbitration (CCMA).

Additional policies introduced by the Labour Commission favour, amongst other things, a tripartite approach to collective bargaining, minimum wage protection to all sectors, skills training and public works programmes. The policies advocated by the Labour Commission and the

ILO are clearly meant to remove the vestiges of structural and institutional labour market constraints.

Ownership patterns and structures also influence employment practices. In the agricultural sector, which employs many of South Africa's poor, ownership is highly concentrated. Large-scale commercial farms are exclusively white-owned. Some large farmers whose need for international competitiveness requires a stable labour force, are now engaging in progressive labour practices. Labour practices on medium-sized farms, however, tend to be characterised by poor labour relations and highly exploitative work conditions.

In other sectors, a few large conglomerates dominate the economy. The mining industry, for example, is dominated by six mining houses. Through direct ownership and holding companies, 80% of all mineral production is controlled by these companies, who, through their membership of the Chamber of Mines, have the power to frustrate the development of small-scale mining.

Macro-economic policy framework as a constraint to sustainable livelihoods

Since most macro-economic policies affect employment and the sustainability of livelihoods, the overall policy framework needs to be assessed to establish whether government policies are likely to facilitate or hinder the attainment of sustainable livelihoods and high employment.

The government's macro-economic strategy, Growth, Employment and Redistribution (GEAR), prioritises budget cuts, deregulation, privatisation and tight monetary policy. These measures are aimed at boosting investor confidence and growth. However, the trickle-down theory of economic development is an inappropriate framework for the achievement of sustainable livelihoods in South Africa. It ignores the link between better income distribution and growth, fails to explore the role of a developed domestic market in achieving sustainable development and reduces the role of government while increasing the role of the private sector in economic transformation.

Fiscal policy has major direct and indirect effects on poverty reduction, employment creation and growth, and can therefore play a critical role in helping create sustainable livelihoods. It can provide households and communities at risk with free or affordable access to education, health and other social services, and it can be utilised to enhance employment creation.

Achieving this challenge rests on the public sector. However, GEAR's adoption of a fixed-deficit GDP ratio of 3% is likely to reduce public infrastructure investment. Recent evidence suggests that investment in infrastructure and human resource development in fact positively affects growth performance because of the relatively larger output and employment multipliers associated with government capital expenditure. Cuts in public capital expenditures will therefore reduce the government's contribution to employment creation, poverty eradication and sustainable growth.

South Africa's *monetary policy* framework has remained unchanged since 1989 despite the dramatic changes in government priorities since 1994. Monetary policy is generally used to stimulate or dampen economic activity and thus is an important factor for growth and employment. The South African Reserve Bank relies principally on the bank rate as an instrument of monetary policy. Although the costs of South Africa's disinflationary monetary policy in terms of reduced growth, lower national income and higher unemployment are difficult to measure, they can be quantified by using techniques drawn from New Keynesian economics and growth theory. A National Institute for Economic Policy (NIEP) study in 1997 showed that the average yearly costs of the disinflation policy in terms of GDP growth not achieved ranged between R9 bn and R13 bn for the period 1990 to 1995. A high real interest rate negatively affects investment, consumption and government interest payments on its debt. High real interest rates also promote instability in the financial market by encouraging speculative investment and attracting international short-term capital, which increase the volatility and vulnerability of the economy to the international financial market.

In terms of *trade and industrial* policy, GEAR's growth framework is centred on export-led growth. But the rush to integrate with the global economy has increased the fragility of the country's financial and real markets, thanks largely to the removal of restrictions on the inflow and outflow of foreign capital and accelerated trade liberalisation beyond that required by South Africa's GATT agreement.

Moreover, the disproportionate emphasis on exports for long-term economic growth threatens to frustrate the development of a viable home market and reduces the economy's ability to reduce unemployment, two factors that have considerable importance for South Africa's ability to achieve sustainable growth. International experience shows that North America and Asian and European countries have maintained low export-GDP ratios. Moreover, empirical studies show that production for the domestic market creates more jobs than production for exports.

The agricultural sector was previously a well-protected sector that focused on local markets and national self-sufficiency, and constituted the major source of livelihood for a large portion of poor households. Studies show that increases in agricultural production can significantly improve growth, employment and the balance of payments. However, GEAR ignores the potential of commercial agriculture for economic growth, job creation and poverty alleviation, particularly in rural areas. Furthermore, its focus on an export-driven economy and the removal of "constraints" will have serious implications. GEAR fails to assess the extent to which international competition may limit the expansion of South Africa's agricultural exports. Farmers and farm workers producing field crops for the domestic market will be adversely affected by competition from highly subsidised maize and wheat products from the United States and Europe.

The World Bank has supported the land reform programme in the expectation that it would lead to the creation of a class of "emerging farmers". But small-scale black farmers, who represent the cornerstone of land reform and rural poverty alleviation, are likely to struggle to succeed in an open economy without ongoing state support, and GEAR advocates only temporary assistance to them.

Strategy for employment creation and promotion of sustainable livelihoods

To transform constraints into appropriate and implementable policies for job creation and the promotion of sustainable livelihoods, a pro-poor transformation strategy is needed. This should incorporate three main elements:

- a pro-poor growth strategy driven by the government;
- mainstreaming the eradication of poverty and unemployment into national policy making; and
- transforming the labour market by removing racial and gender barriers to increased demand.

Pro-poor growth strategy

A pro-poor growth strategy must expand the employment, productivity and wages of the poor and must ensure the more equal distribution of social outputs among social classes through expanded spending on infra-structural investment and human development. Furthermore, the pro-poor growth strategy must give high priority to the expansion of the domestic market, and set realistic targets for expansion and change in the composition of exports. A more egalitarian society not only makes long-term social and political stability possible, but is also necessary for achieving a high and sustainable level of growth.

It is only through government's putting in place policies to stimulate effective demand and economic growth that South Africa can equalise opportunity throughout society.

Mainstreaming the eradication of poverty and unemployment into national policy making

In order to mainstream poverty reduction, the government's *fiscal policy* should focus on targeted deficit spending that will have a stimulating effect exceeding any short-run negative effects. Public productive expenditures in infrastructure and social services play an important role in promo-

ting productivity, growth and private investment and in correcting problems of underdevelopment in black communities. Public investment levels need to be planned in conformity with macro-economic needs instead of short-term budgetary limits defined by a fixed-deficit/GDP target.

Monetary policy should be reoriented towards a significantly lower real interest rate, higher monetary base and higher credit relative to GDP. The Reserve Bank should aim at observed and projected macro-economic performance as measured by real GNP growth, unemployment, excess capacity and other indicators of slack economic performance.

The speed at which *trade* liberalisation is taking place needs to be reassessed in terms of the ability of a more open economy to create jobs and ameliorate the position of the country's disadvantaged majority. Protective tariffs could have a positive effect on domestic demand, and the encouragement of import substitution could expand the domestic traded goods sector.

In creating jobs and income, small, medium and micro enterprises face challenges such as their lack of access to finance, inadequate infrastructure and lack of skills. These challenges need to be addressed through policy.

Ways must be found to improve conditions for the rural poor in the *agricultural sector*. The liberalisation of agriculture often affects resource-poor farmers more than those with greater resources. The Department of Agriculture and Land Affairs must therefore be prepared to support small-scale farmers more extensively and for longer than envisaged by GEAR.

Transforming the labour market

A pro-poor growth and policy-making strategy requires the expansion of employment opportunities for the poor and the removal of labour market constraints.

- Many of the previous government's policies were aimed at influencing investment patterns and increasing the capital factor of production. However, to alleviate urban and rural unemployment and poverty, *labour-intensive production techniques* need to be used.

- *Investment in human capital* through education and training is an essential component of any programme aimed at raising employment and promoting sustainable livelihoods. Policies to improve the employment prospects of members of the poorest households should take account of the fact that a typical member of these households is not likely to have completed primary school and is likely to be female.
- The government also has a responsibility to address the structural inequalities in the distribution of land, credit, housing and social services. Expanding public *infrastructural investment* in housing, telecommunications, electricity and potable water is also essential. Investment in social services provides individuals with assets and status, and also empowers them to fight poverty.
- To promote *job stability* and thus reduce the pressures on poor households, policies to protect workers from arbitrariness, unfair dismissal and unnecessary retrenchments must be encouraged and supported. Workers' collective bargaining positions must also be strengthened.
- The new Labour Relations Act and the Mines Health and Safety Act have significantly extended the *protection of all workers*, including the previously excluded farm workers and domestic workers, but efforts need to be increased to combat child labour.
- Policies must *identify and target the most impoverished groups* for assistance. Female-headed households in rural areas, for example, need help in obtaining an income from sources such as rural wage labour markets.
- *Incentives* such as better access to credit and subsidies should be offered to employers with better and fairer practices. This would encourage other employers to follow suit if they are not to find themselves at a competitive disadvantage.
- In poor rural households at the margin of survival, the ability to obtain regular earnings is a crucial determinant of welfare. Tackling rural poverty therefore requires interventions to *improve the wages and working conditions* of those employed in the agricultural sector,

as well as policies designed to increase and widen access to rural wage employment opportunities.

- Strengthening the *employment rights* of temporary, seasonal or part-time rural workers and women in particular will benefit the sustainability of the livelihoods of the poorest households. The formation of labour unions in sectors with historically weak organisation should also be promoted and encouraged.
- There needs to be recognition that *self-employment is not always a viable option*. For the poorest rural households, self-employment in crop or livestock production is viewed as a supplement to other sources of income, not as a self-sustaining activity.
- There need to be *reliable institutional structures to distribute remittances*, which are a critical source of income for poor households.
- The lack of infrastructural linkages has a serious effect on *time available* for alternative and productive activities, particularly for women. The improvement of infrastructures and the fulfilment of basic needs therefore need to be addressed.
- *Expansion of local jobs* and local labour markets is substantially increasing rural real income. The trend therefore needs to be encouraged.
- *The means of alleviating rural poverty need to be diversified*. Re-allocation of land will only benefit a few and probably not the poorest. In addition it may actually lower already low rural living standards by reducing local wage employment. The government needs to increase agricultural employment independently of land reform.
- Policies are needed to *support the informal sector*. Mechanisms to provide access to credit and improved infrastructure could be particularly valuable to this sector and facilitate the creation of viable urban and rural livelihoods.

Conclusion

Poverty in South Africa has a race, gender and spatial dimension, and the challenge to eradicate it is enormous. The persistence of poverty and

unemployment is shown to be the result of major structural problems such as the country's key micro- and macro-economic attributes, serious backlogs in investment in human resources and social services, and the structure and operation of the labour market.

The chapter suggests that most South African households remain dependent on an alarmingly narrow range of income-earning opportunities. It highlights consistent evidence that wages in rural and urban livelihoods are to be seen as a foundation for survival.

It argues that the development of a pro-poor transformation strategy with policies to promote sustainable livelihoods and achieve full employment requires proactive state intervention and that GEAR is not an appropriate policy framework for this to take place.

Notes

- ¹ This chapter is a summary of a longer and more detailed document that is available from the National Institute for Economic Policy.
- ² The authors used statistics on employment and poverty from the census of the Central Statistical Service (CSS), its annual October Household Survey (OHS), the Development Bank of Southern Africa, the Bureau for Market Research, the Human Sciences Research Council and the Institute for Planning Research. They also used data from large-scale representative studies and smaller-scale studies that identified patterns and causal factors. In addition they used the 1993 Project for Statistics on Living Standards and Development (PSLSD) and the OHS poverty rankings by household or by individual.
- ³ This chapter defines "poor" as those having an income of less than R300 per month (53% of the population).
- ⁴ The "ultra poor" are defined as those having incomes of less than R178 per month.
- ⁵ "Survivalists" are people earning less than R500 a month, regardless of whether they are in the formal or informal sector of the economy.
- ⁶ "Informal entrepreneurs" are those entrepreneurs operating unregistered enterprises, who are not survivalists.
- ⁷ Aggregate demand is composed of demands from consumption, investment, government and exports.

⁸ The indirect employment effects of investment in a given sector depend on the linkages between the economic activity of that sector and other sectors. The direct employment effects depend on the structure of production in that sector, which encompasses the production technique and the organisation of work.

⁹ The figure for mining is 42 new direct and indirect jobs.