



# Conference 2006



## Sticking to the Facts: Official and Unofficial Stories about Poverty and Unemployment in South Africa

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**Accelerated and Shared Growth in South Africa:  
Determinants, Constraints and Opportunities**

**18 - 20 October 2006**

**The Birchwood Hotel and Conference Centre  
Johannesburg, South Africa**



Conference organised with  
support from the EU



## Sticking to the Facts: Official and Unofficial Stories about Poverty and Unemployment in South Africa

Paper to be presented at the DPRU/TIPS annual conference,  
Johannesburg, 18-20th October 2006.

**This is a first draft – please do not quote.** Some of the arguments are highly contentious, an unavoidable consequence of writing on subject matter that is, itself, highly contentious.

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6<sup>th</sup> October 2006

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## **Abstract**

Poverty's major cause is unemployment. In the unlikely event that unemployment is halved by 2014, there will still be millions of people in workerless households. The only way to address this is to develop a truly comprehensive social protection system. This paper looks at aspects of the way government responds to claims that are made, chiefly by academics, about poverty and unemployment. Bearers of good tidings are effusively welcomed while critics are dismissed with a hail of numbers about the achievements, actual or projected, of the democratic government.

Official statistics on poverty and unemployment enjoy little favour among senior politicians and civil servants. 'Unofficial' poverty and unemployment statistics, by contrast, are seized upon with enthusiasm if they contradict the gloomy picture created by numbers that suggest (with monotonous regularity) that improvements in the lives of the poor are not happening fast enough. The first part of the paper explores government's treatment of results it finds displeasing, attempting to find reasons for its responses to criticism.

The second part of the paper looks at an old chestnut, the repeated claim by government that the severity of the unemployment problem has (in part?) to do with the 'fact' that the number of economically active people has grown faster than the number of working age people. The claim is false, and may readily be seen to be so. It sits awkwardly with the equally frequently repeated claim that 'we are on target to halve unemployment'. The usefulness of the claim is presumably the sympathy and understanding it provokes for the plight of a government faced, in its attempts to solve an immensely difficult problem, by continually moving goalposts.

The third part of the paper looks briefly at the van der Berg *et al* (2005) poverty reduction estimates for the period 2000-2004 (they have the headcount falling from 18.5 to 15.4 million), before reproducing my estimates for the period 2001-2004 (the headcount falls from about 19.5 to somewhere in the region of 18 million). Extracted from two recent papers (Meth 2006a and 2006b), a brief description of the way these figures have been constructed, including a discussion of the many data difficulties faced in doing so, is offered. The van der Berg *et al* finding of a headcount fall of three million, said largely to be the result of massive expansion of the social grant system (and possible improved job creation) is argued to be dubious. My results suggest that the grants lifted an additional 1.2-1.5 million people over the poverty line. They also suggest that job creation benefited the well-off rather than the poor. Figures from a paper by Burger and Yu (2006), two of van der Berg's co-authors, suggest that earnings growth, the only other possible source of income for raising the poor out of poverty, cannot account for more than a trivial proportion of such movement out of poverty as did occur during the period.

Suggestions are offered for the proper academic conduct upon releasing contentious results into a highly-charged political debate.

## 1. Introduction

Between them, two statements provide a framework within which to understand much of what is happening in the struggle to arrive at an understanding of the problems of unemployment and poverty in South Africa. One is Marx's well-known claim that: 'If the essence and appearance of things directly coincided, all science would become superfluous'. The other is that: 'Justice must not only be done, it must also be seen to be done'.<sup>1</sup>

The essence of poverty, of course, is the lived experience of the poor. Appearance that obscures the nature of the essence, or that reflects only a fraction of the essence, is probably what the casual onlooker sees. The same could possibly be said of the analysis of a not-very-competent social commentator. Social science could be thought of as the attempt to reduce the distorting and refracting effects of the medium that separates essence and appearance. Scientific analysis can never recreate essence—the simulacrum or representation that a systematic observer constructs when attempting to translate the experience of the poor into images that convey a general understanding of the problem, must always be less than satisfactory—the disjunction between appearance and essence can never wholly be dissolved. Moving from essence to systematic representation involves the creation and deployment of concepts adequate to the task. Disagreements over the extent and severity of poverty and unemployment in South Africa (and elsewhere) arise because of disagreements over the concepts themselves, and/or the way in which attempts have been made to measure the phenomena they represent have been executed and/or interpreted.

Where discontent is widespread, there is always the potential for social unrest. Part of the reason why discontent among those who are poor and/or unemployed is so threatening is because of the unrest that may be unleashed when people who glimpse only the small part of the problem that is their daily life, meet others who share their predicament. This is but one of reasons why it is important not only to succeed in the struggle against poverty, but also to make that success known far and wide. In a country with a history like South Africa's, the sheer scale of the unemployment and poverty problems adds to the urgency of the need to address them. It adds, as well, to the need have it known that government is succeeding in its efforts. There cannot be many who do not recognise the immensity of the undertaking. Even so, appeals to the patience of the poor cannot be made indefinitely. Doing justice (like addressing poverty), and having it seen that justice has been done, is a political process. Stung by a barrage of criticism, ranging from accusations of having surrendered to international capital's neo-liberal agenda, to dismay at the corruption and incompetence of the civil service, to increasing civil unrest, the country's political elite needs constantly to be reassured that it has been successful in

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<sup>1</sup> The statement by Marx is either an aphorism (A pithy statement which contains a general truth), or a dictum (A formal pronouncement from an authoritative source. A short statement that expresses a general truth or principle). The statement about justice is probably a maxim (A short, pithy statement expressing a general truth or rule of conduct). It could also possibly be a dictum. The richness of the English language leaves one a little breathless at this point.

improving the lives of many of the poor, and that success in countering the continued suffering of the many millions still to be reached by policies intended to improve their lives, will not be long in coming.

In this intensely charged political climate, any suggestion that government is failing in its mission to solve the poverty and unemployment problems, is unlikely to be welcome. A recent incident, typical of its kind, illustrates the sort of response such claims are likely to receive. John Pilger's book called *Freedom Next Time*, published a short while ago, is not terribly polite about South Africa's achievements in the field of poverty and inequality reduction. The book excited comment at the very highest level—no less a personage than the Minister of Finance saw fit to respond to it. It is not the purpose of the present paper to consider what these two protagonists had to say,<sup>2</sup> rather, it is to focus on three issues that arise out of another response to Pilger, this one by Joel Netshitenzhe, head of the policy unit in the Presidency. It appeared on the same page as Pilger's response to the Minister of Finance in the *Sunday Independent*, under the headline "Voters do not share Pilger's perception". This has underneath it, a somewhat lurid strap that reads "Journalist has distorted facts to suit his ideology and fails to acknowledge the immense changes that have taken place since 1994".<sup>3</sup>

Two of the issues arising out of the Netshitenzhe piece are empirical matters. The third issue, referred to briefly above, is that of government's propensity to clutch at straws in defence of its anti-poverty policy. One of the empirical matters concerns the relationship between unemployment and changes in the participation rate, and government's persistent misinterpretation of the record, a question I have addressed in the past (Meth, 2004; 2005). The other is about two sets of estimates of the progress of the struggle against poverty (van der Berg *et al.*, 2005; Meth, 2006a and 2006b) currently doing the rounds. To get behind the veil of silence surrounding actual (anti-poverty) policy formation, we begin with an examination of the conceptual status of the various claims made in the debate over poverty. After that, we glance at some of the forces acting on the South African state as it attempts to go about the business of formulating and implementing anti-poverty policy. The discussion on concepts, which will be used to open the proceedings, begins with a consideration of the distinction between 'facts' and 'artefacts'.<sup>4</sup> A blurring of this distinction, it is argued, is, if not a necessary, then certainly a very useful part of the post-apartheid state's defence against critics who claim that it is not making sufficient progress in the war against poverty.

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<sup>2</sup> Pilger seems to have started the ball rolling with an article that appeared in the *Sunday Independent* of July 30 2006, under the heading "Reich is in the shadows, but still in control". The Minister of Finance's response, with the headline "Pilger loses the plot in quest for drama" appeared in the *Sunday Independent* of August 13 2006. Pilger's reply to the Minister was run in the *Sunday Independent*, August 20 2006 (" 'Moribund' social spending is holding back the marginalised majority").

<sup>3</sup> Stated this way, it looks as though facts are being reported. The newspaper would have done its readers (and itself) a service if it had distanced itself from what is merely Netshitenzhe's opinion. Similar considerations apply, of course, to the headline above the Pilger piece on the same page.

<sup>4</sup> *artefact*: Something observed in a scientific investigation that is not naturally present but occurs as a result of the investigative procedure. (*Oxford English Dictionary*) Reversion to the authority of the dictionary here should be seen for what it is—the uncertainty of one who works with words, of precisely what certain words actually mean, as opposed to what one thought they meant (hence the brief exploration above of the nuances of aphorism, maxim and dictum).

## **2. 'Facts', artefacts and anti-poverty policy**

That Netshitenzhe finds Pilger's views disagreeable (as indeed they are) is clear. In his response Netshitenzhe considers 'invective', and 'rubbishing' or 'flaying' Pilger's work. Instead of indulging himself in any of these relatively unproductive pursuits, he declares his intention of tackling Pilger on the 'facts'. Acknowledging Pilger's right to hold contrary views, he says:

“There is nothing wrong in holding such views. The problem is when facts are distorted to argue a profoundly ideological predisposition.”

Consistent with this approach, most of the remainder of the Netshitenzhe piece is devoted to an examination of “Pilger's assertions on just three issues: poverty, the social wage and unemployment.” Proceeding in calm and measured tone, he unrolls a series of 'facts' in support of his argument that:

“... the problem with his [Pilger's] treatise is that he gets the facts wrong, and very wrong. Quite clearly, moving from his ideological standpoint, Pilger set out to find a democratic revolution betrayed, and he found it.”

The piece ends as politely<sup>5</sup> as it began, with a: “... what we do request from him [Pilger] is: the facts, next time!” (*Sunday Independent* of August 20 2006).

What we have here is a classic case of someone seeing the mote in someone else's eye while missing the beam in their own. Netshitenzhe's 'examination of Pilger's assertions' is a mixture of facts (without scare commas), (selected) artefacts and unsupported assertions. It is important to distinguish between them.

When the Department of Social Development says that it has paid out 4 309 772 million child support grants in the month of April 2004, it is stating a fact, verifiable by means of the paper trail in its wake. Netshitenzhe is on safe ground when he recites such numbers.

As soon, however, as he ventures into the interpretation of what such facts might mean for poverty, he exchanges the security of the verifiable for uncertainty of the artefact. It were a good thing if everyone recognised that results pulled out of survey data by social scientists are not 'facts'. They are artefacts, which may, if they are well constructed, allow glimpses of a complex reality. When a social scientist says, as I do below, that the child support grants raised such and such a number of people out of poverty, that is an artefact. Its 'truth', if it embodies any, depends on many other factors, starting with the concept of poverty, and proceeding through such questions as whether or not the survey from which it is drawn has been competently designed and administered, and whether or

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<sup>5</sup> Pilger does not regard Netshitenzhe's piece as polite. In his reply to Netshitenzhe (“ANC government has yet to free citizens from fear of poverty”, *Sunday Independent*, September 10 2006) Pilger says that Netshitenzhe “resorts to ridiculous abuse”

not respondents have been truthful. Finally, the survey results have to be raised to a population total, so the ‘truth’ of the statement depends as well on whether population figures are correct.

Sliding from the insecurity of artefact into unsupported (or barely supported) assertion, Netshitenzhe proclaims that:

“... [we] are on course to meet – the target of halving unemployment and poverty by 2014.”

Extrapolated from artefacts, some of which are given in his ‘examination of Pilger’s assertions’, neither claim is supported by the alternative interpretations of South African reality offered below.

Careful readers will also note that Netshitenzhe engages in selective use of the artefacts in his two primary sources, van der Berg *et al* (2005) on poverty, and Bhorat *et al* (2006) on the social wage.<sup>6</sup> So, not only does Netshitenzhe not follow his own advice and stick to the facts, he also does not draw reader’s attention to artefacts in his chosen sources that take the shine off his glowing presentation of his government’s achievements.

The question is: why does government’s most senior spokesperson, outside of Cabinet, find it necessary to offer evidence of progress which he knows to be contested, and which he must know, will be criticised when it is used? Before setting out to find an answer to this question, it is as well to acknowledge that any explanations offered will, of necessity, be both speculative and fragmentary—it is impossible to tell the whole story.

The quest begins with a consideration of one of the ways the ANC in government responds to criticism. It is clear that certain criticisms strike a raw nerve, exciting what may seem to onlookers, a disproportionately vigorous response. One of these criticisms, which Pilger makes,<sup>7</sup> is that the policies of ANC in government are ‘neo-liberal’.

For critics, the use of labels can be economical, insofar as they make it possible to invoke, with admirable brevity, a response to a web of policy measures. Using labels against the wielders of power is also very satisfying, especially if the labels accurately describe the conduct in question. Adopted as political slogans, labels can help to create

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<sup>6</sup> Netshitenzhe mines Bhorat *et al* piece for the most spectacular sounding achievements in the asset provision field. He fails to mention their finding that asset poverty reduction appears to have been more rapid between 1993 and 1999 than it was between 1999 and 2004. Nor does he mention their conclusion that the relative headcount reduction in the bottom decile was much lower than that that higher up the distribution (2006, p.33). Netshitenzhe also does not draw reader’s attention to the continuing “marginalisation of poor African women living in rural areas” where Bhorat *et al* discover the asset poverty headcount rates in 2004 to have been above those in 1993 (2006, p.31).

<sup>7</sup> Pilger’s closing argument in his response to Minister Manuel in the article “ ‘Moribund’ social spending is holding back the marginalised majority”, *Sunday Independent*, August 20 2006, says that: “It is a fact, alas, that Manuel has opted for neo-liberal growth strategy which is ideological, and that real growth that would benefit the majority has been anaemic. By any measure, it is a false strategy in the war against poverty and indignity. The majority of South Africans, who saw off apartheid, deserve better.”

countervailing power. The neat label of neo-liberal, while capturing aspects of the reality of South African economic and social policy, is too limiting, however, to be used exclusively to describe a complex, messy politics.

A recent research report into government's approaches to poverty and development policy (Swilling *et al*, 2005), argues that the South African state has followed neither "the classic neo-liberal state model, nor the developmental state model" (p.16). They try to make sense of the messiness of policy by focusing on the search (by government) for the 'elusive developmental state' during the first democratic decade, and into the second, where the search intensifies (2005, p.6). Parts of their analysis seem facile,<sup>8</sup> but they are certainly no apologists for the state. In any case, one need not swallow their whole analytical apparatus. To the uninitiated, the 'developmental state' may sound cuddly. For those without knowledge of the forebears of this state form they spell out the characteristics of the 'classic developmental state'. It has the "following elements:

- a 'determined developmental elite' committed to the modernisation project; 'relative autonomy' from major capitalist economic interests who are always keen to capture the state;
- 'a powerful, competent and insulated economic bureaucracy' that enjoys the highest possible political support but operates without too much political interference;
- a 'weak and subordinated civil society' which means there are no rival centres of alternative policy formation;
- the 'effective management of non-state economic interests' via formal structured compacts, incentives and penalties; and
- accessible and usable institutions of 'repression, legitimacy and performance' <sup>9</sup>

In an era where the discourse of policy formation was generously sprinkled with calls for 'transparency' among 'stakeholders' in finding the 'way forward', open acknowledgement of a desire to see the third of these preconditions met would not have been politically advisable. The preferred kind of developmental state (at least in public discourse) would have been what Swilling *et al* term the 'pragmatic' developmental state. Such a model would:

"... look for a leading developmental role for the state (with a focus on human capacity, knowledge and skills), but via creative and complex partnerships with non-state actors (especially the ethical and responsible wings of the corporate sector), and with civil society formations rooted in poor and working class communities in particular." (2005, p.15)

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<sup>8</sup> For example, where they speculate on the possibility that black economic empowerment (BEE) and broad-based black economic empowerment (BBBEE or BBEE) "... will manage to break white control of investment decision-making quickly enough to ensure that private sector investment levels climb back up over the 15% of GDP mark" (Swilling *et al*, 2005, p.74). No reasons are offered as to why black capitalist behaviour should differ from white.

<sup>9</sup> The authors are citing Leftwich, 1995, pp.400-406. See Swilling *et al* (2005, pp.8-9).

This vision may (or may not) have been in the minds of those thinking about development policy in the first development decade, but, argue Swilling *et al*:

“... there is a lot of evidence that key thinkers in the South African state who are leading the post-2004 ‘developmental state’ perspective are using a ‘classic developmental state’ model.” (2005, p.15)

Whatever the case, the fledgling state could not match word and deed. As Swilling *et al* observe:

“Despite aspirations to be a developmental state, the necessary capacity for purposive, decisive and autonomous policy coordination was not successful prior to 2004, despite various attempts.” (2005, p.16).

The reality was one of a desperate scurrying to fill posts, write reports and compile budgets, forcing many:

“... progressives in government to make a trade-off between no progress in achieving broadly defined transformation goals, and achievable more narrowly defined short term strategic advances.” (2005, pp.16-17)

Their conclusion on the upshot of this ‘muddling through’ is worth citing at length:

“ ‘Policy choices’ during the first decade of democracy in South Africa”, they argue, “were based on what was invariably an imperfect and incomplete reading of a complex reality (including the balance of class forces), after which choices were made under extreme time pressures and developed their own relatively autonomous momentum as they got ‘sold’ to many diverse constituencies to mean different things – hence the (suspect and dangerous) assumption that the more bland a policy document was, the wider the support base would be. What often started off as a half-baked idea at a pressurised meeting must suddenly be packaged by desperate (and quite often ignorant) political leaders to win stakeholder support by government officials and advisors who were often plagued by doubt and / or shallow mandates. But often it was too late to reverse the process and all that could be done was to pretend that this was all part of a well-conceived plan.” (Swilling *et al*, 2005, p.18)

This, of course, is an hypothesis about the way in which policy formation took place.<sup>10</sup> Clearly, it does not apply to all policy. As far as aspects of anti-poverty policy are concerned, however, it has about it, the ring of truth. Equally clearly, it alone cannot explain the shape of the policy whose results Netshitenzhe seeks so vigorously to defend.

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<sup>10</sup> Among the more obvious candidates for the award of the title of most ‘half-baked’ policy is the Expanded Public Works Programme (EPWP), in its guise as filler of the chasm in the social protection system, said chasm being the absence of any other social protection for all people of working age not protected by the provisions of the Unemployment Insurance Act. As a scheme for providing some small number of the unemployed with employment while at the same time creating infrastructure, it is commendable. As a means of bolstering social services, it is laudable. As a substitute for proper social security, it would be laughable, were it not so pathetic.

It is merely one part of the story, another part of which is related by Friedman (2006). The entry point is the following statement from the Netshitenzhe piece:

“Pilger”, he says, “concedes that his treatise is not meant to “suggest that people fail to recognise the achievements of the ANC government”. How else would he have been able to explain the growing expression of confidence in government’s programmes during successive elections since 1994?” (*Sunday Independent* August 20 2006)<sup>11</sup>

Netshitenzhe’s leap from increasing support for the ANC to a “growing expression of confidence in government’s programmes” may not be made without analysis of the reasons why voters voted the way they did (i.e., it is an unsupported assertion). Steven Friedman’s piece supplies an answer to the question Netshitenzhe asks of Pilger—and the answer is: identity voting. The argument is that (among some significant sections of the population?) the “... chief rationale for voter choices is who voters believe they are and their assessment of which party can best provide a vehicle for who they are” (Friedman, 2006, p.5).<sup>12</sup>

There are both strengths and dangers to identity politics. One of the latter is the ease with which criticism of government is “dismissed as evidence of prejudice” (p.6). Friedman argues, however, that the constraints of identity politics are:

“... less remarkable than the fact that government politicians do continue to feel the need to respond to media criticism or the views of white-led civil society organizations. This is the consequence not of strategic calculation but of a particular racial dynamic. Postapartheid politics has been under-pinned by a theme, often not stated overtly, which is pervasive; whites expect a black government to fail and the leaders of that government know they do. It is, therefore, a key preoccupation of much of the new governing elite to demolish these assumptions by demonstrating that black people can govern an industrialized society with a complex market economy. Indeed, the central preoccupation of the post-1994 administrations has been to prove white racism wrong.” (Friedman, 2006, p.6)

This preoccupation, Friedman argues, “... weakens the quality of democracy by prompting enthusiasm for technical and managerial solutions<sup>13</sup> rather than for democratic broadening or deepening.” (p.6)

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<sup>11</sup> This is translated, presumably by the newspaper’s sub-editors, into the headline “Voters do not share Pilger’s perception”.

<sup>12</sup> For a discussion of the political economy of identity voting in South Africa, see MacDonald, 2006, Ch.7.

<sup>13</sup> Swilling *et al* make the point that under the stressful conditions of the first decade of policymaking, “many discourses were adopted from international experiences heavily influenced by the interests of donors who funded study tours (eagerly seized by overworked officials needing a welcome break from the office to think and reflect), and technical advisors who tended to frame the questions in the language of the day (what Stiglitz has called the ‘roaring nineties’), namely a kind of technocratic neo-liberalism devoid of liberalism’s own original moral humanism and unsubstantiated by a rigorous theory of justice” (2005, p.17) As an example, government enthusiasm over public works, even if it does not have its origins in World Bank proselytising about the wonders of what it called ‘workfare’ as the preferred form of social security in

Although they approach the question from different angles, the arguments presented by Swilling *et al* (2005) on the one hand, and that offered by Friedman (2006) begin to converge around a story of a new elite, anxious to show that it will solve the poverty problem its way. The aspirant developmental state that they lead lacks, however, some of the key elements of the classic developmental state, necessary to solve the poverty problem by ‘technical and managerial’ means. Not only is its “ ‘relative autonomy’ from major capitalist economic interests who are always keen to capture the state” limited, it also does not dispose of a ‘a powerful, competent and insulated economic bureaucracy’. One consequence is the attempted implementation of ‘half-baked’ anti-poverty policies.

Organisations representing the poor, although vociferous, are not able to ensure that their concerns are heard, with sufficient clarity, by the elite. As Friedman points out, the participation of many voters, lacking resources to take part in public policy debates in a meaningful way:

“... is largely limited to expressing their identities in periodic ballots. Because the poor—about two-fifths of the society—are not heard, their experiences cannot translate into effective policy.” (p.4)

To defend election campaign rhetoric like the ANC’s 2004 manifesto “A people’s contract to create work and fight poverty”, government must needs be selective in its use of such information as is available. Since a lot of it is critical of government’s attempts to address poverty, an adherence to the principle of *audi alteram partem* (hear the other side) could undermine an otherwise plausible account. It is for this reason, I suspect, that Netshitenzhe uses the poverty figures published by van der Berg *et al* (2005), rather than the much less optimistic figures I have produced (Meth, 2006a).<sup>14</sup> In short, to defend the barely defensible, Netshitenzhe is obliged to resort to selective presentation of facts and artefacts; to unsupported assertion; and where unemployment is concerned, as we shall see below, to misinterpretation of (dubious) artefacts.

As almost everybody recognises, the ANC government deserves praise for a number of very important achievements. It is not backward about coming forward to hear these praises sung. It is a pity that its enthusiastic reception of praise is not matched by an ability to accept criticism for the failures over which it has presided. High on the list of these is the failure to devote sufficient resources to the task of monitoring its attempts at redressing poverty. Government support for research into poverty and inequality, South Africa’s most pressing problems, is miserly.

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developing countries, was probably positively influenced by the Bank’s viewpoint (see World Bank, 2001, pp.155-156 and 167).

<sup>14</sup> Netshitenzhe may not have been aware of the existence of my estimates. Senior officials from the Presidency, however, certainly were. Two of them were present at a workshop held in the HSRC offices in Pretoria on 17<sup>th</sup> February 2006, at which our respective results and methodologies were aired and critically evaluated by Professors Lam (my work) and Leibbrandt (that of van der Berg *et al*). Neither of the sets of estimates on offer was accepted by the workshop participants as definitive.

Government needs to summons up the courage and the humility to face its diverse critics, without recourse to routine defensiveness of the sort displayed by Netshitenzhe in his response to Pilger. From all walks of life in South Africa, these critics express their dismay with perceived policy failures. They do so in a variety of ways, from violent demonstration to econometrics-heavy scholarly work. It needs to be recognised that many of the white critics who engage critically, do so not with the expectation that the black government will fail, but with the profound hope that it will succeed. Believing, as Friedman argues, that the voices of the poor are inaudible (or if audible, are so only through a filtering system that removes unpleasant noise), they throw their energies into creating the artefacts and speculations that approximate the voices of the poor. Aware that this is not the same as the authentic voices themselves, they urge government to be less dogmatic, less convinced of its superior knowledge, as it goes about the business of policy formation and implementation.

### **3. Misunderstanding unemployment**

Repeated criticism of South Africa's unemployment statistics suggests an unwillingness on the part of government to engage seriously with the problem.<sup>15</sup> Nowhere is this more apparent than in the refusal by the Presidency to pay attention to the story told by those statistics. Instead, various officials in that august office reproduce, at regular intervals, a story dreamed up to explain the growth in the number of unemployed. It surfaces once more in Netshitenzhe's response to Pilger. In essence, the tale is that the number of unemployed has grown faster over the medium term (1997-2005, in the version below) than the number of employed because the participation rate (the total of those working or wanting to work divided by working age population) outstripped growth in the working age population.<sup>16</sup>

Netshitenzhe puts it this way:

“Since 2001, job creation has grown at the pace of 350 000 a year.

For the period 1997 to 2005, the labour force participation rate (ie the ratio of economically active adults to the total working age population) increased from 45.3 percent to 56.5 percent. This reflected a growth rate of more than 4,8 percent a year in the economically active population (from 11.4 million to 16.7 million) during a period in which the population growth rate was about 2 percent a year.

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<sup>15</sup> A fine example of the essence/appearance duality, in the form of a critique of the official unemployment figures, is to be found in the “Letter from the President” in *ANC Today* 5(20) of 20-26 May 2005.

Commenting on the Statistics South Africa estimate of an official unemployment rate of 26.9 per cent, the President said that: “Given the structure of our society and our labour market, this means that in March 2004 there were at least 4 million South Africans walking about in our villages, our towns and cities “actively looking for work”. This is such a large number of people that nobody could possibly have missed the millions that would be in the streets and village paths “actively looking for work” in all likely places of employment.”

<sup>16</sup> In addition to pointing out in person to senior Presidency officials, that this story is not true, I have, as noted above, also published two articles that show why it is wrong (Meth, 2004; 2005).

Only part of the growth in the economically active sector can therefore be ascribed to population growth and the rest is a result of greater numbers of people, especially women, *defining themselves as looking for work.*<sup>17</sup> (*Sunday Independent*, August 20 2006, emphasis added)

The sources of this story are the October Household Surveys for the period 1997-1999, and the Labour Force Surveys for the period from 2000 onwards. The relevant figures are reproduced in Tables 1 and 2 below. Let us use the information they offer to deal with his interpretation of labour market developments. To be pedantic, job creation, on the basis of the LFS figures, was not 350 000 per annum in the period 2001-2005, it was about 300 000.<sup>18</sup> More importantly, though Netshitenzhe could also have pointed out that by 2005, according to the figures in Table 2, employment had recovered its 2000 level. End-point selection to embellish a weak argument is not a good idea. He could also have pointed out that all of the employment figures in Table 2 are suspect anyway, because they include the poorly-behaved agricultural employment estimates.

**Table 1 Economic activity, 1996-1999**

	Oct 1996	Oct 1997	Oct 1998	Oct 1999
Working age population (1000s)	24 700	25 200	25 800	26 300
No. employed (1000s)	9 300	9 300	9 400	10 400
Official unemployment				
No. (1000s)	2 300	2 500	3 200	3 200
Rate (%)	19.3	21.0	25.2	23.3
Expanded unemployment				
No. (1000s)	4 600	5 300	5 700	5 900
Rate (%)	33.0	36.0	37.5	36.2
Participation rate (%)				
Official	46.7	46.6	48.8	51.5
Expanded	56.2	57.5	58.4	61.8
No. of economically active (1000s)				
Official	11 600	11 700	12 600	13 600
Expanded	13 900	14 500	15 100	16 300

Source: P0317, 31 July 2000, Tables B and D

<sup>17</sup> This (suspicious) statement is interesting, drawing attention, as it does, to the difference between the act of 'defining oneself as looking for work' (appearance) and actually being unemployed (essence).

<sup>18</sup> From Statistical Releases P0210 of 26 September 2005 and 24 January 2006, one may estimate that formal sector employment increased by 141 000 per annum in the period 2000-2005, and by 193 000 per annum in the period 2001-2005. Corresponding figures for the informal economy, with agriculture removed because of its poor behaviour) were 86 000 and 124 000 respectively. Totals, adjusted for changes in the numbers of domestic workers and the 'unspecifieds' were 160 000 and 291 000 respectively.

Two factors contribute to the rapid rise in participation rates between 1996 and 1999. One is an increase of 1.1 million in the number employed, 900 000 of whom were in the informal economy. The other is the increases in the numbers of unemployed, 900 000 official and 1.3 million expanded. Doubts have been expressed about the validity of both the increases in the numbers unemployed, and in the unprecedented increase in the size of the informal economy. Speculative reduction of employment and unemployment growth to more plausible figures significantly reduces the gap between the growth rate of the working age population, and the growth rate of the economically active, mooted by government as one of the causes of rising unemployment.

Apart from the questionable nature of the early results, one of the most important features of the two tables is the unmistakably clear indication they give of the break in labour market statistics caused by the abandonment of the October Household Survey in 1999, and the introduction of the Labour Force Surveys, the first of which was conducted in February 2000 (a pilot in 10 000 households). An appendix in the February 2001 LFS (Statistics South Africa 2001, pp.12-13) in the published results explains some of the differences in numbers, but stops a long way short of a reconciliation of the pre-2000 numbers with their counterparts from 2000 onwards.

**Table 2 Economic activity, 2000-2005**

	Sept 2000	Sept 2001	Sept 2002	Sept 2003	Sept 2004	Sept 2005
Working age population (1000s)	27 900	28 200	28 600	29 000	29 400	29 700
No. employed (1000s)	12 300	11 200	11 300	11 500	11 700	12 400
Official unemployment						
No. (1000s)	4 200	4 700	5 000	4 500	4 200	4 500
Rate (%)	25.4	29.4	30.4	28.0	26.2	26.7
Expanded unemployment						
No. (1000s)	6 400	7 700	8 200	8 300	8 100	7 800
Rate (%)	34.3	40.6	41.9	41.8	41.0	38.8
Participation rate (%)						
Official	59.0	56.3	56.9	54.8	53.8	56.5
Expanded	67.0	67.0	68.1	67.8	67.3	67.7
No. of economically active (1000s)						
Official	16 400	15 900	16 300	15 900	15 800	16 800
Expanded	18 700	18 900	19 500	19 700	19 800	20 100

Source: P0210, 26 September 2005, various tables.

Some large part of the increase in the number of economically active which Netshitenzhe thinks he detects in the numbers is pure statistical artefact, i.e., it did not occur. Employment in South Africa manifestly did not rise by 1.9 million between October 1999 and September 2000, nor did the number of officially unemployed increase by one million. It is ridiculous to suggest that the official participation rate could have jumped by 7.5 percentage points in a single year, or that the expanded rate could have risen by more than five percentage points in the same period (October 1999 and September 2000).

There have been a couple of attempts to construct a continuous labour market series for the period 1995-2004.<sup>19</sup> No-one, however, can avoid the fact that the information required to bridge the gap does not exist. Part of the problem lies with the estimates of the working age population. Year-on-year growth in Table 1 is about 500 000 a year, while the Table 2 figures suggest roughly 400 000 a year. Whatever the exact number, it is clear that the leap from 26.3 million in 1999 to 27.9 million did not occur.<sup>20</sup> Nor did the economically active population increase from 11.4 million in 1997 to 16.7 million in 2005, as Netshitenzhe claims. It is possible that growth of the working age population averaged about 1.5 per cent over the period 1997-2005. Growth of the economically active population could have been in the region of 2.0 per cent.<sup>21</sup> Altering the end-year to 2004 causes this relationship to reverse, growth of the working age population remains near 1.5 per cent per annum, while growth of the economically active population falls to 1.3 per cent per annum. This is because 700 000 new jobs, most of them in the informal economy, appeared in the year 2004-2005.<sup>22</sup> That single figure is enough to distort outcomes significantly.

It is time to call a halt to this nonsense—the figures not only do not say what Netshitenzhe says they do, they also do not bear out the predictions he makes. He claims, as we noted above, that government and its social partners are on target to halve unemployment (and poverty). Unless one accepts that it is appropriate to predict the future from a single year's results, then as far as unemployment is concerned, there is no evidence to support his 'halving' prediction. His 'analysis' of the relationship between economic participation and unemployment sits awkwardly with his concluding remarks on the matter. Having delivered us of the numbers repeated above, he says that:

“This is not to underplay the unemployment problem. According to the World Bank, at 56 percent, South Africa's labour force participation is low compared with 75

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<sup>19</sup> During the years that the Employment Dynamics Group put together by Miriam Altman at the HSRC met (roughly 1993-1995), the question of the 1999-2000 break in the series arose on a number of occasions. Participants could not agree on a satisfactory way of dealing with it.

<sup>20</sup> The OHS figures are weighted by the 1996 Population Census, while the LFS figures are weighted by the 2001 Population Census.

<sup>21</sup> These are the results one obtains if one assumes that the working age population grew by 450 000 a year in the 1996-1999 period. It also assumes that the participation rate in 1999 was the same as it was in 2000. If one subtracts from the values for prior years, the absolute percentage changes observed in the 1996-1999 series, one arrives at a participation rate of 54.7 per cent in 1997. Multiplying the simulated 1997 working age population (26.55 million), by the simulated participation rate, yields an economically active population of 14.5 million, not the 11.4 million that Netshitenzhe finds.

<sup>22</sup> Between 2004 and 2005, formal economy employment grew by 250 000, while informal economy employment, if one ignores subsistence agriculture, grew by 500 000.

percent in middle-income countries. What is critical is that, in acknowledging the problem and understanding its true, rather than imagined, origins, we are able through the Accelerated and Shared Growth Initiative South Africa (AsgiSA) and other programmes to find sustainable solutions.” (*Sunday Independent*, August 20 2006)

There is a distinct lack of fit between the asserted ‘understanding of the true origins of the unemployment problem’ and the peculiarities disclosed above. South Africa’s labour market statistics may not be ideal. Misunderstanding them or misrepresenting the complex message they send out, ill becomes the body charged with the formulation of policy to deal with unemployment, one of the major causes of poverty.

#### **4. Progress in the struggle against poverty?**

Poverty is a political problem. The land is bountiful – there is more than enough for everyone to live well above poverty levels. The fact that some starve while others die of diseases of over-consumption is the outcome of political choices, past and present. Solving the poverty problem is possible only if appropriate policy choices are made. Making and implementing those choices requires reliable information, a commodity seemingly in short supply.

When poverty is as widespread as it is in South Africa, the time and energy devoted to formulating and implementing policies to reduce, or better still, eradicate poverty must needs be large. If commitment to these goals were gauged by the number of measures introduced, government’s performance would be rated highly. How effective these measures have been, is, however, a different matter.

For many years, poverty researchers have claimed that both poverty and inequality have worsened. Rather obviously, such claims will be, and have been poorly received by politicians. Government has responded by repeatedly pointing to the vast amounts spent each year on the ‘social wage’ (essentially, housing, health, sanitation, education, electricity, and water plus social grants). This has not stilled the protests about poverty (and poor service delivery).

Then, at the end of September last year, like manna, came the news from Professor Servaas van der Berg and his colleagues in the University of Stellenbosch, that the poverty headcount (the number of people below the poverty line), having climbed from about 16.2 million in 1993 to 18.5 million in 2000, fell thereafter to 15.4 million in 2004. The poverty line used was R250 per capita per month in 2000 prices, which amounted to about R10 per day per person in 2004 (van der Berg *et al*, 2005, p.17). The primary cause of the drop in the poverty headcount (and the improvement in the conditions of those still below the poverty line) is said to be the massive increase in the numbers of people receiving social grants.

Government lost a little, but not much time,<sup>23</sup> before harvesting the propaganda fruits of these findings. President Mbeki used the van der Berg *et al* figures to reassure Prince N E Zulu, during question time in Parliament on March 30<sup>th</sup> this year, that government was on course to halve the poverty rate by 2015. The numbers surface again in *A Nation in the Making: A Discussion Document on Macro-Social Trends in South Africa* (PCAS, 2006, p.12), a follow-up to the *Ten Year Review* (PCAS, 2003).<sup>24</sup> Netshitenzhe uses them once more in his critique of Pilger (*Sunday Independent*, August 20 2006), in an attempt to show that the conditions of the poor are not as bad as Pilger claims. Given that one of Pilger's favourite quotations is some advice from Claud Cockburn, who said "Never believe anything until it is officially denied", denial will presumably have confirmed (for him) that he is on target, even if not in the bulls-eye. And he [Pilger] would be right to be suspicious, for despite Netshitenzhe's (and the President's) apparent confidence in the van der Berg *et al* results, they certainly do not deserve the appellation 'facts'—they are, as suggested above, one among a set of competing artefacts produced by a group of social scientists.

### **Different database – different artefacts**

Professor van der Berg has created one set of artefacts—here is an alternative set—using the same poverty line as they did, research I have undertaken this year suggests that the poverty headcount in 2004 was about 18 million, and about 19.5 million in 2001 (Meth, 2006a; 2006b). Instead of a fall in the headcount of three-million reported by van der Berg *et al*, my guess is thus that it was closer to one-and-a-half million.

The 18 million people below the poverty line can be divided into two groups. About 14 million of them were in 'workerless' households, most of which contain working age people, none of whom reports having done any work, paid or unpaid,<sup>25</sup> in the seven days prior to the LFS interview taking place. People in these households survived on a mix of social grants and/or migrant remittances. Among the remaining four million people (located in 700 000 households) about 800 000 were employed. Their presence below the poverty line indicates that the problem of the working poor is still very much with us. Research into ways of dealing with it is urgently required.

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<sup>23</sup> There was no mention of their results in the President's State of the Nation speech (3<sup>rd</sup> February 2006). The President refers instead to the social wage paper by Bhorat *et al* (2006). In the Minister of Finance's Budget Speech (15<sup>th</sup> February 2006), poverty and the social wage are each mentioned once by name. Poverty statistics are not discussed. The social wage is treated at some length. Apropos the education component of social spending, the Minister, with characteristic flair, said that "School fees will be phased out in low-income communities this year, and Minister Pandor confirms that in three weeks time the last remaining 17 trees will no longer substitute for classrooms."

<sup>24</sup> Netshitenzhe appears to have played an important role in both.

<sup>25</sup> The unpaid labour of 'homemakers' (chiefly housewives) does not count as work for purposes of the employment definition. Several other unpaid activities do—of the eight listed, only begging does not count as employment. Any of the other seven activities need only have been performed for one hour during the reference period to qualify as employment. See Question 2.1 in the September 2004 LFS. Information on time spent fetching water and wood or dung (Questions 1.14-1.17) is collected, but this is not treated as employment.

On the positive side, the poverty rate (the proportion of people below the poverty line) even if it did not fall by the amount suggested by van der Berg *et al*, is likely to have fallen. In the absence of such a fall, and the improved social protection by which it was caused, poverty would have been much worse. In addition to this, the poverty gap (the sum that would need to be transferred to the poor each year to raise all of them above the poverty line) has probably fallen as well. It has done so in both absolute terms (the size of the transfer) and in relative terms (the proportion it represents of GDP).

Since full descriptions are available in two recent papers (Meth, 2006a; 2006b) of the means by which my results have been extracted from their primary data sources,<sup>26</sup> only the briefest of descriptions of their origins, and of the way in which the numerous obstacles encountered *en route* were addressed, need be offered here. Once that has been done, we take a look at the plausibility of the claim that three million people were lifted over the poverty line between 2000 and 2004, mainly by social grants. The paper concludes with a few recommendations, one of which refers to the need, given the highly politicised nature of the debate over poverty and inequality, for greater care in the production and use of estimates that purport to measure their severity.

## **Matters methodological**

Understanding poverty in South Africa, at least on a national scale, a difficult enough task as it is, is made more difficult still by inadequacies in the survey and census data on which research must be based. Among the limitations are (i) the fact that survey respondents under-state income and expenditure levels, (ii) surveys miss some forms of income, e.g. investment income such as rent, interest and profit, and (iii) there are many households for which income is zero because respondents refuse to answer or income questions, or do not know the answers to the question. These problems are faced, in varying degree, by all poverty researchers.

Because income and expenditure is under-reported in surveys, the value of total income or expenditure that can be estimated from household surveys is invariably smaller than the total estimated from the national accounts. Reliance on unadjusted survey figures is likely to cause poverty to be over-stated. One technique for dealing with this problem is to raise survey totals (or means) to match national accounts totals (or means). This, however, is likely to cause poverty to be under-stated. Its use is therefore not recommended (Ravallion, 2000, 2003; Deaton, 2003).

Part of the source of the van der Berg *et al* results is a hitherto untouched (as far as poverty studies are concerned) set of surveys, the All Media and Products Surveys, (AMPS). This innovative attempt to break out of the straitjacket of reliance on official statistics is thoroughly commendable. To deal with the under-reporting problem, however, they flout Deaton's and Ravallion's recommendations, saying that they:

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<sup>26</sup> The Labour Force Surveys for September 2001 and September 2004, and the General Household Survey for 2004.

“... trust national accounts data for aggregate household income, [and] trust survey data for the distribution of such income between households.” (van der Berg *et al*, 2005, p.11)

Doing so must at least raise questions about the methodological soundness of their approach, and hence, of the reliability of their findings.

In their paper, van der Berg *et al* engage critically with existing poverty studies in South Africa. Most of these are based either on the population censuses of 1996 and 2001, or the marriage of the Income and Expenditure Survey (IES) of 1995 to the 1995 October Household Survey (OHS), and the similar pairing of the 2000 IES to the LFS of September 2000. Not only are these data sources more than somewhat dated, they have also been mined so extensively that they are probably also approaching the point of exhaustion. If any further insights are to be gained from exiting official statistics, they are going to have to come from the two major household surveys, the Labour Force Survey (LFS) and the General Household Survey (GHS).<sup>27</sup> Far from being fully-exploited, the Labour Force Surveys (at least up until September 2004) and the General Household Surveys offer a wealth of data from which plausible estimates of the extent of poverty can be squeezed.

Although neither the LFS nor the GHS are designed to measure poverty,<sup>28</sup> one advantage they have over the AMPS when pressed into this duty, is that they collect information on both income and expenditure. The AMPS, by contrast, whose purpose is also not to answer questions about poverty, only collect information on income, and then only in intervals or categories. This feature of the LFS and GHS makes it possible to impute expenditure estimates where income figures are missing, and vice-versa. The independence of the income and expenditure data allows estimates of poverty made from one source to be checked against the other. Accordingly, I made one set of estimates using the expenditure data (Meth, 2006a). This was followed by a paper containing a second set of estimates (Meth, 2006b), extracted from the income data in the surveys. It is from the latter paper that the results given in this section of the present paper are taken. They offer support to the findings of the earlier paper. Obstacle encountered along the way fell into four categories. Three of them plague almost all censuses and surveys. They are: missing income estimates; implausible the zero-income estimates and under-reporting of income and expenditure. The fourth, the inadequacy of the data on social grants collected by the Labour Force Surveys (LFSs), is peculiar to that survey.

Among the employed in September 2004, only 6.8 per cent of respondents did not furnish adequate income data.<sup>29</sup> After imputation based on household expenditure data, the proportion of the employed for which no income data was available, was reduced to 1.8

<sup>27</sup> Earlier Income and Expenditure Survey (IES) used the recall method to capture data. The current survey uses the diary method. It is not possible to tell yet, what insights may come from the revamped IESs.

<sup>28</sup> Both surveys have their origins in the October Household Survey, last conducted in 1999. That the OHS was intended to be used as an instrument for monitoring poverty is made clear in the explanatory notes. See SR P0317, 31 July 2000, p.i.

<sup>29</sup> The September 2001 LFS figures are similar. Details of the ‘refuses’ and ‘don’t knows’ and other missing income estimates are given in the next section of the paper

per cent. The bulk of these were among (mainly white) households which refused to supply both income and expenditure data. They are assumed to be unlikely to be poor.

Workerless households, by definition, do not receive any of their incomes in the form of earnings from persons in the household. At the bottom (the poor end) of the income distribution, these zero-(earned) income households subsist on social grants and migrant remittances. After allowing for income from these sources in the roughly four million workerless households that contained more than 14 million people below the poverty line in 2004, the number of people for whom no incomes could be found dwindled to about 1.8 million. A possible explanation for their lack of income is the shortness of the reference period during which reported incomes were received (the seven days previous to the interview). The people involved have the typical characteristics of the poor. It is argued that zero-incomes among this group are not implausible.

Under-reporting of income and expenditure is considered at some length in Meth (2006a and 2006b). In the latter, the paper from which the results considered here are taken, the adjustment required to raise estimated survey total income to national accounts totals, is in the region of about 80 per cent, i.e., earned income is multiplied by 1.8 (the adjustment to correct for a 100 per cent under-reporting error is a doubling of earned incomes). To arrive at this figure entails making the assumptions that under-reporting of earned-incomes is uniform across all income groups, and that investment income that is not detected by the LFS amounts to about 15 per cent of the national accounts income estimate. Evidence in support of these assumptions is difficult to obtain. There is a suggestion in the literature that under-reporting is a monotonically increasing function of income. Arguments could be mustered to suggest that the under-reporting function may be U-shaped, being most significant at very-low and very-high incomes. In the absence of convincing evidence in support of this, the uniform assumption is preferred. In any case, there are so few workers among poor households, that to get somewhere near the van der Berg *et al* results, it has to be assumed that earned incomes are under-reported by 200 per cent or more (i.e., actual earned income is three times as high as reported income). Roughly similar income patterns to those yielded by the September 2004 LFS are reported by the 2004 GHS. It seems unlikely that respondents in two completely independent surveys would tell similar lies about incomes. Unless convincing evidence of bias among low-income respondents can be found, modesty dictates that an adjustment in the region of about 80-85 per cent would be appropriate. This would raise total survey income to roughly the same as the national accounts total. If the South African national accounts are prey to over-estimation of income and expenditure levels as Ravallion (2000, 2003) and Deaton (2003) suggest is the case elsewhere in the world, then an assumed under-reporting error of that level<sup>30</sup> would probably be conservative in that it would tend to understate poverty.

Prior to September 2004, both the GHS and the LFS set out to capture information on the receipt of social grants. Of the two, the GHS did a better (though not quite satisfactory) job. This was because of the wording of the relevant questions. The LFS merely asked

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<sup>30</sup> The 80-85 per cent under-reporting error is coupled with the estimate that the surveys miss an assumed 15 per cent of total national accounts income in the form of investment income.

whether anyone in the household received any of the listed grants, whereas the GHS asked which individuals received them. Comparing both surveys with the administrative data from the Department of Social Development (the SocPen database) discloses their inadequacies in the collection of data on the ‘big three’, the old age pension, disability grants and the child support grant. Of about 3.05 million people lifted over the poverty line of R309 per month per capita in 2004 (R250 in 2000 prices), the big three are responsible for about 3.02 million. Doubling or even trebling numbers of the lesser grants (foster care, care dependency and the grant-in-aid) would have a measurable, but small effect on numbers in poverty. Attention was focused therefore, on the big three when it came to devising ways to compensate for the weakness of the LFSs in their role as collector of information on social grants. The GHS finds too many state old age pensioners. Correcting the LFS by multiplying the number of households reporting receipt of a pension by the mean number of pensioners per household reported by the GHS brings the LFS totals close to the administrative data. Not much more was necessary as far as the pensions were concerned. Child support grant numbers were taken over the top of the administrative figures by awarding a grant to a household reporting receipt of the grant and containing one eligible child; two to a household containing two eligible children, and so on, where eligibility was determined by age alone (less than 12 years, the age group reached by the grant system in 2004). To deal with the over-estimate of the number of grants paid out, their value was scaled downwards to make total payout the same for the survey as it was according to the administrative figures.

Most troublesome to deal with adequately was the disability grant. Although it may be appropriate to argue that almost all of the disability grant payout goes towards the reduction of the poverty gap, it is not correct to treat the grant’s impact on the poverty headcount in a similar way. This is because the extent to which the grant is capable of meeting the special needs of the disabled is not known. In other words, the poverty line for the disabled is likely to be quite a lot higher than that for the non-disabled. Partial compensation for the fact that the LFS undercounts the number of disability grants is made by multiplying the value of the grant going into households by the ratio of the number of grants detected by the GHS, to the number of households reported by the LFS as receiving at least one disability grant. This pumps up the value of the grant going into mainly poor households, making some (arbitrary) correction for the condition referred to above, namely the fact that a poverty line of R250 per month per capita almost certainly does not allow for the special needs of many of the disabled to be met. A more parsimonious correction assumes that only half of the 1.36 million grant recipients recorded by the administrative data receive enough to meet their needs. The value of the grant is scaled downwards and delivered to the 894 000 households detected by the LFS. These two assumptions are called respectively (the first of them somewhat misleadingly), the full value and half value assumptions.

Migrant remittances presented the final problem that had to be dealt with to produce a set of poverty estimates. The question here is with the extent of under-reporting of remittances. Two assumptions are used—one that under-reporting is zero; the other that under-reporting of remittances is the same as that of other earned incomes.

Together, the procedures described above yield Table 3 below (Table 6 in Meth, 2006b). Poverty in September 2004 is probably going to be somewhere in the region shaded grey in the middle of the table (as noted above, making a 100 per cent income under-reporting adjustment would be excessive). In place of the van der Berg *et al* (2005, Table 2, p.17) poverty headcount ratio of 0.332, we are looking at something in the region of 0.39, while the poverty gap ratio, instead of sinking to 0.146 in 2004 from 0.205 in 2000, as they suggest, was possibly about 0.23. Translating the latter into the value of the annual transfer that would need to be made to eradicate poverty (as defined by the miserly R250 line!) would be about R35 billion per annum (in 2004 prices). This was less than four per cent of the value of the national accounts estimate of income in 2004.

**Table 3 Poverty estimates, 2004 - Income from all sources**

Error level	Zero	75%	100%	200%
<b>1. Half-value disability grant, Zero under-reporting of remittances</b>				
Headcount ratio ( $P_0$ )	0.507	0.423	0.395	0.365
Poverty gap ratio ( $P_1$ )	0.286	0.245	0.237	0.216
Headcount	23 200 000	19 300 000	18 400 000	16 700 000
Poverty gap Rbn	45.5	38.5	37.1	33.4
<b>2. Half-value disability grant, Remittance under-reporting same as income</b>				
Headcount ratio ( $P_0$ )	-	0.408	0.376	0.358
Poverty gap ratio ( $P_1$ )	-	0.235	0.224	0.209
Headcount	-	18 600 000	17 600 000	16 400 000
Poverty gap Rbn	-	36.7	34.9	32.2
<b>3. Full-value disability grant, Zero under-reporting of remittances</b>				
Headcount ratio ( $P_0$ )	0.495	0.413	0.386	0.332
Poverty gap ratio ( $P_1$ )	0.277	0.237	0.229	0.197
Headcount	22 600 000	18 900 000	18 000 000	15 200 000
Poverty gap Rbn	44.0	37.0	35.7	30.1
<b>4. Full-value disability grant, Remittance under-reporting same as income</b>				
Headcount ratio ( $P_0$ )	-	0.399	0.367	0.325
Poverty gap ratio ( $P_1$ )	-	0.227	0.216	0.191
Headcount	-	18 200 000	17 100 000	14 900 000
Poverty gap Rbn	-	35.3	33.4	29.0

Note: 'All sources' means all income from employment, migrant remittances and all social grants

Source: Own calculations using September 2004 LFS data set

As may be seen, the headcount hovers somewhere around the 18-million mark, depending on what assumptions are deployed. The estimates are sensitive to the assumptions, but even on the most parsimonious of them (with survey total income almost certainly climbing above the national accounts total) the headcount does not fall below 17 million. So much for the 2004 estimate—let us look now at the figures for 2001.

## Changes in poverty 2001-2004

An estimate of changes in poverty levels between 2001 and 2004 is presented in Table 4 below.<sup>31</sup> The September 2000 LFS cannot be used to test the proposition (from the van der Berg *et al* piece) that the headcount fell by three million or so between 2000 and 2004, because in its infancy, the LFS did not ask for expenditure data.<sup>32</sup> The non-response problem for the income questions in the September 2000 LFS cannot be addressed with any ease because the absence of expenditure data robs us of the simple method by which to impute incomes.

**Table 4 Poverty in South Africa, 2001-2004**

<b>2004 GHS</b>				
Error level	Zero	75%	100%	200%
Headcount ratio ( $P_0$ )	0.542	0.460	0.442	0.401
Poverty gap ratio ( $P_1$ )	0.231	0.186	0.180	0.155
Headcount	25 100 000	21 300 000	20 400 000	18 600 000
Poverty gap Rbn	55.0	47.5	46.3	42.0
<b>September 2004 LFS</b>				
Error level	Zero	75%	100%	200%
Headcount ratio ( $P_0$ )	0.510	0.427	0.399	0.370
Poverty gap ratio ( $P_1$ )	0.305	0.262	0.255	0.235
Headcount	23 300 000	19 500 000	18 600 000	16 900 000
Poverty gap Rbn	48.8	41.4	40.1	36.6
<b>September 2001 LFS</b>				
Error level	Zero	75%	100%	200%
Headcount ratio ( $P_0$ )	0.549	0.459	0.439	0.389
Poverty gap ratio ( $P_1$ )	0.375	0.322	0.310	0.310
Headcount	24 800 000	20 700 000	19 800 000	17 600 000
Poverty gap Rbn	50.5	43.0	41.3	37.7
Change: Sept 01-Sept 04	-1 500 000	-1 200 000	-1 200 000	-700 000

Source: Own calculations using September 2004 LFS, the 2004 GHS, and the September 2001 data sets. Revised weights, supplied by Statistics South Africa, have been applied to the 2001 LFS data.

Note: Income equals income from employment plus social grants. No data on remittances are collected by the GHS and the September 2001 LFS.

Fortunately, the expenditure question (which used to be in the October Household Surveys - OHSs) was restored to the LFSs in September 2001. Non-responses or poor responses to the income question do not disappear in that and subsequent LFSs (and GHSs as well). The expenditure questions in them, however, elicit far fewer 'Refuses' or

<sup>31</sup> This is Table 8 in Meth (2006b).

<sup>32</sup> The first LFS was conducted in February 2000, the last October Household Survey having been carried out in 1999.

‘Don’t knows’ (or other forms of missing information) than do the income questions. That makes it possible to impute income for all but a small percentage of the workforce, even if the simple category-type questions only permit rough approximations.<sup>33</sup> So, although it is not possible (or, at least, not very easy) to look at changes in poverty over the period 2000-2004, it is possible to do so for the period 2001-2004.

Three sets of results are presented, two of them for the year 2004. One set is obtained from the September 2004 LFS and the other from the GHS for that year. Neither the GHS nor the September 2001 LFS collected data on migrant remittances. To make the September 2004 LFS figures comparable, it is necessary, therefore, to strip remittances from the income definition. It is also necessary to treat disability grants for the two years in the same way. Accordingly, the September 2004 LFS figures in Table 4 use the ‘full value’ assumption (described above) for disability grants. Poverty headcounts for September 2004 thus exceed their counterparts in Table 3 by the amount by which remittances reduce poverty. A little mental arithmetic suggests that remittances appear to lift somewhere between one and one-and-a-half million people over the poverty line (depending on the extent to which incomes and remittances are under-reported). Lest it be thought that this number is small, it should be borne in mind that remittances fulfil the vital function of sending income into workerless households, even if they are not large enough to lift many of these households out of poverty.

There are three striking features in the results in Table 4. The first is that it looks, from the two sets of LFS results, as though the headcount fell by about 1.2 million over the three years, a far cry from the 3.1 million reported by van der Berg *et al* for the four-year period. The second, however, is the quite substantial drop in the poverty gap ratio (possibly from about 0.316 to about 0.258). Third are the big differences between the LFS and GHS results for 2004, the latter generating a far more gloomy picture.

Digging into the finding that the poverty headcount fall between 2001 and 2004 could have been about 1.2 million (let us be generous and say that it could have been as high as 1.5 million) if we discount the zero-error and 200 per cent error estimates, it could be argued that this is not inconsistent with expectations. A substantial part of the social grant system was already in place,<sup>34</sup> employment growth was slack, and there were simply not enough workers in poor households for income growth to have made much of a dent in poverty.

To reject the finding that the fall in the headcount was approximately one-and-a-half million (instead of three million), a number of arguments could be advanced, the first being that it is inappropriate to use two sets of cross-section survey results as though they were time-series data. If this objection is valid, however, it must apply with equal force to the van der Berg *et al* effort, which does the same thing with AMPS survey data.

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<sup>33</sup> Where expenditure fails us, it has at least been possible to use race as a proxy (albeit a very crude one) to permit an educated guess to be made of the likelihood of particular workers being poor.

<sup>34</sup> See Table 4 in Meth (2006b).

Another possible problem is that the sample for the 2001 LFS was not adequate.<sup>35</sup> It is also possible that the survey design is such that unemployment, the major cause of poverty in South Africa, is significantly overstated, while employment is understated. To investigate fully each of the ways in which the results may have been infected, is no small undertaking. The onus is upon those who would dismiss these findings, to show why it is appropriate to do so.

Although estimated declines in headcounts in Table 4 are relatively slight, the falls in the headcount ratio are fairly substantial. Possible increases in poverty caused by population growth, on the one hand, and the reduction in poverty caused by the extension of the social grants,<sup>36</sup> on the other, are working in opposite directions, with the latter dominant, in part, because population growth rates are falling.<sup>37</sup> This outcome prompts a consideration of the contribution, positive or negative, of population growth to poverty reduction. South Africa's poverty reduction goal, like that of the other countries committed to the achievement of the Millennium Development Goals, is one of halving the 'rate', i.e., the headcount ratio ( $P_0$ ).<sup>38</sup> The adoption of such a goal does not mean that headcount itself must fall as well—it is quite possible for population growth to cause headcounts to rise while headcount ratios fall. Whether or not one could then say that poverty had 'gone down' is one the 'hard questions' posed by Kanbur (2004, pp.6-7).

Poverty in the period 2001-2004 in South Africa appears, however, unambiguously to have 'gone down'. The headcount ratio ( $P_0$ ) and the headcount, as well as the poverty gap ratio ( $P_1$ ) and the poverty all fall. The critical question, of course, is, by how much? Presumably emboldened by the van der Berg *et al* (2005) findings on poverty reduction, senior politicians, as we have seen above, have taken recently to asserting with confidence that the poverty halving goal will be met.<sup>39</sup> It is not known if these assertions

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<sup>35</sup> The 'missings', 'don't knows' and 'refuses' among respondents in the September 2001 LFS are similar in proportion and number to those in the September 2004 LFS. In 2001, there were 26 532 employed respondents. Of them, 18 920 (71.3 per cent) gave point estimates of income, while 5997 (22.6 per cent) gave category estimates. 'Missings', 'don't knows' and 'refuses' numbered 1618 (6.1 per cent of the employed). After imputation using data on expenditure, this was reduced to 637 cases (2.4 per cent of the employed). Source: own calculations using September 2001 LFS data set.

<sup>36</sup> In the absence of the increases in the numbers of social grants, poverty would obviously have been much worse in 2004. Applying the 2001 headcount ratios to the 2004 population suggests that there would have been somewhere between 1.8-2.2 million more poor people in 2004 than are reported in Table 4.

<sup>37</sup> See Statistics South Africa's *Stats in brief 2005*, Table 2.5, p.11.

<sup>38</sup> In South Africa's case, the target year is 2014, the 20<sup>th</sup> anniversary of the commencement of democratic rule, rather than by 2015. It is not obvious what base year the South African government has in mind. The United Nations uses 1995. Because of the fragmented nature of South African statistics, poverty levels in 1994 or 1995 are the subject of some disagreement. AsgiSA seems to suggest that the intention is to halve the rate of poverty to "less than one sixth of households". This precedes a statement which says that "there remain about a third of South African households not yet able to benefit directly from our economic advances". I take it that this is a way of saying that the (household) poverty rate is (currently) about 0.33. One could conclude from this that the base year is 2006.

<sup>39</sup> Recall that President Mbeki used the figures to reassure Prince N E Zulu, during question time in Parliament on March 30<sup>th</sup> this year, that government was on course to halve the poverty rate by 2015, while Joel Netshitenzhe uses them to make the same claim in his critique of Pilger (*Sunday Independent*, August 20 2006).

are based on a model, or are merely back-of-envelope calculations informed by the apparent success of poverty reduction in the period 2000-2004.

Building a model to examine future possibilities is, of course, simplicity itself. Assume, for argument's sake, that the van der Berg *et al* poverty reduction estimates for period cannot be extrapolated into the future. Assume instead, that the headcount falls by three million between 2004 and 2014. With a sustained decline in the population growth rate of 0.06 percentage points each year from a reported population growth rate of 0.92 per cent per annum in 2004-2005 (*Stats in brief 2005*, p.11), the headcount ratio would fall from 0.410 to 0.325. If it were assumed instead that the population growth rate were, say, 2.5 per cent per annum, and that it fell by 0.02 percentage points per annum, the headcount would be roughly static. If the population growth rate did not fall, the headcount would begin to rise slowly, producing the situation (and the hard question) to which Kanbur (2004) refers.

In South Africa's case, it is unlikely that Kanbur's hard question will be posed. Even if the rate of poverty reduction slows to a trickle, HIV/AIDS has reduced the population growth rate by enough to ensure that a fall in the headcount ratio will be accompanied by a fall in the headcount itself. It would be sobering, amidst the premature celebration of the likely attainment of the poverty halving goal, for the contribution of this awful epidemic to that (possible, but unlikely) achievement, to be acknowledged.

### **A three-million headcount fall, 2000-2004?**

Poverty reduction can come about for three reasons: employment growth; earnings growth and increases in social grant income. The claim by van der Berg *et al* that the number of people living in poverty fell by three million between 2000 and 2004 does not receive much support from the available evidence. That evidence is reviewed in Meth (2006b). It is not the intention to do much more than to summarise the major findings here.

As far as employment is concerned, it looks as though those in the best-off households scored handsomely, while the numbers employed at lower income levels fell. The number of workers living in households with incomes of R10 000 or more per month, increased by more than 600 000 between 2001 and 2004. In households where income was less than R1236 per month, home to more than 70 per cent of the poor, over 200 000 jobs were lost between 2001 and 2004. In the van der Berg *et al* paper, a simulation exercise (2005, p.21) finds a pro-poor bias to one million hypothetical jobs. If the LFSs are to be believed, the reality is quite the opposite.

For evidence of earnings growth, we turn to the work of two of the co-authors of the van der Berg *et al* (2005) paper, Burger and Yu (2006). The authors present their results in graphical rather than table form, but even with this drawback it is clear that interpretation is sensitive to end-point selection. Looking at their Figure 3 (p.8), if one starts with the very first LFS, earnings of informal economy workers appear to increase from about

R500 per month (in 2000 prices) in February 2000 to about R900 in September 2005. Real earnings in September 2000, however, look as though they were about R800 per month. They dip (inexplicably?) to about R600 per month in February 2001, only to climb again. This erratic behaviour undermines the validity out of their claim that “the earnings of the self-employed have been steadily increasing” (2006, p.8). Real earnings of the self-employed show a more substantial increase, possibly from about R1900 to about R2500 between September 2000 and September 2004 (2006, Figure 4, p.9). They, however, are unlikely to have been numbered among the poor in the first place, so are not of great interest to us. A similar conclusion holds for workers in the formal sector, where average earnings rise from about R2700 to R2800 per month between September 2000 and September 2004 (2006, Figure 5, p.10). African workers in the formal sector see their average real earnings rise from about R1800 to R2000 per month between September 2000 and September 2004 (2006, Figure 8, p.12). Average earnings of the unskilled show precious little change over the period September 2000 and September 2004 (2006, Figure 10, p.13), possibly rising from about R900 in 2000 to R1000 in 2004.

There is little in all of this to encourage the belief that rising real incomes contributed much to the decline in the poverty headcount asserted by van der Berg *et al* to have taken place between 2000 and 2004. If employment of lower skilled workers fell, or was static (as the figures in Table 11 in Meth, 2006b suggest, and as one would expect in a time of high and rising unemployment), there would be even less reason to believe that any part of the asserted headcount fall was due to income increases. In short, the case for poverty reduction of the magnitude they claim comes to rest on social grants

## **Social grants**

Without social grants, it is safe to say, conditions among the poor would have been dire indeed. The grants appear to have lifted about 1.7 million people over the poverty line in 2001 (and brought many others below it, closer to the line). By 2004, rapid expansion in the number of grants made, raised the number released from poverty to about 3.2 million. So, although there was a large increase in the number of social grants, the increase was not enough to lift more than an additional 1.3-1.5 million or so people out of poverty.

While the increase in social grant expenditure (in partial fulfilment of the State’s constitutional obligations) is to be welcomed, the poverty gap in rand terms in 2004 was still some R35 billion per annum in 2004. This sounds, and is, a large sum of money to redistribute each year. It was, however, less than three per cent of GDP in 2004 —that is what it would take to eradicate income poverty, if some way of delivering it could be found.

Three grants, as we noted above, do most of the work: the old age pension, child support grants and disability grants. It is important to bear in mind that none of these is intended to meet the needs of the unemployed, although through the process known as benefit dilution, the unemployed almost certainly share this source of income. Old age pensions have the greatest impact on poverty. In 2004, the approximately two million pensions

raised about 1.5 million people in 600 000 households over the poverty line. Five million child support grants look as though they lifted about 900 000 people in 150 000 households out of poverty. In terms of the numbers of beneficiaries, the grant with the largest increase was the child support grant. This had a relatively limited effect on the numbers living below the poverty line, however, because of the small size of the CSG, and because many of the households into which the grants flow are so very poor, having no other sources of income (which implies, of course, that the grants are well targeted).

Next in importance to these two is the disability grant. Estimating its impact poses serious problems. Since most of the recipients of disability grants are poor, it is appropriate to allocate most of the money paid out in the form of disability grants to a reduction of the poverty gap. The same cannot be said about headcounts. This is because the costs of meeting the special needs of the disabled are not known with any precision. The degree to which the grant lifts them (and the households in which they are located) out of poverty, cannot, therefore, be determined.

The number claiming disability grants (and foster care grants) is spiralling, a wholly predictable consequence of (a) the AIDS epidemic, and (b) the yawning gap in South Africa's social protection system. Apart from the few hundred thousand reached (each for a short while) by the EPWP, there is effectively no social protection for the working age population. Given government's concern with 'perverse incentives' in the social grant system, finding ways to halt the growth in the number of successful applications for disability benefits must be a matter currently exercising the minds of those whose job it is to act on such things. If trends in recent times were extrapolated into the future, disability grants would overtake the old age pensions in terms of numbers in the not-too-distant future. Understanding the impact of the disability grants is a matter of obvious importance.

## **5. Conclusion**

Stories about poverty and unemployment in South Africa differ, depending on who is telling them. Differences of interpretation are less easily justified in the case of unemployment, than they are in the case of poverty. Government appears not to have much faith in the 'official' figures gathered by the biannual Labour Force Surveys.<sup>40</sup> No less a personage than the President himself, as we have seen, prefers the appearance of casual observation (the non-appearance of '... at least 4 million South Africans walking about in our villages, our towns and cities "actively looking for work" ') to the essence portrayed by the LFSs. Social commentators are, of course, perfectly at liberty to reject the LFS findings—they may do so on the basis of casual empiricism; they could turn to surveys like the AMPS,<sup>41</sup> or even, as some have, to proxies like the Unemployment

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<sup>40</sup> The rejection of 'official' poverty estimates in South Africa (Statistics South Africa, 2002) was even more emphatic. It is ironic that the poverty estimates that currently enjoy favour at the highest political level are generated from 'unofficial' (private sector) data.

<sup>41</sup> The economic activity question in the 2004 AMPS (Question PD2) asks; "Which one of these statements best describes your working life?" Respondents are offered the options of working full-time or working

Insurance Fund records. If they do not do that, they then discover that apart from the odd lapse, the (revised)<sup>42</sup> LFSs tell a fairly coherent tale.<sup>43</sup> That tale does not accord with government's oft-repeated claim that (one of the causes of) the continuing unemployment problem is the 'fact' that the rate of growth of the numbers of economically active, exceeds that of the working age population.<sup>44</sup> Everybody knows that the unemployment problem is serious—nobody can say for certain why it is so bad. Taking refuge in a mistaken interpretation of events between 1996 and 2005 contributes nothing to its solution. Nor does repetition of the slogan 'we are on track to halve unemployment by 2014'—careful analysis suggests that there is little basis, other than faith, to underpin this assertion—there are simply too many unknowns to permit statements of this sort to be made with confidence (Meth, 2004; 2006c).

Unemployment is difficult to measure, employment more so. Poverty measurement, however, is in a league of its own. Surprisingly, given the fact that poverty eradication (or at least, poverty alleviation) is one of government's most important goals, no national survey, specifically dedicated to the task of measuring poverty (and inequality) has been conducted since the dawn of democracy. Academics interested in the subject have thus had to make do with whatever has been available.<sup>45</sup> Both my results (Meth 2006a; 2006b) and those of van der Berg *et al* (2005) are further instances of academics 'making-do'. As noted above, the decision by van der Berg and his co-authors to make use of the AMPS data is bold and innovative. Such are the uncertainties of their methodology, however, that their results could be regarded as tentative and exploratory, rather than authoritative. The political attractiveness of the results, unfortunately, is such that important users in government have shown themselves incapable of resisting the allure of figures that say what they, the users, want to hear. How much these users were emboldened by the way in which van der Berg *et al* put out their results is not easy to say. The results have enjoyed extensive coverage in the press, on the radio and on television. Here is the way in which their paper's abstract presents the findings:

*“To steer clear of an unduly optimistic conclusion, assumptions are chosen that would tend to show the least decline in poverty. Whilst there were no strong trends in poverty for the period 1995 to 2000, both data series show a considerable decline in poverty after 2000, particularly in the period 2002-2004. Poverty dominance testing shows that this decline is independent of the poverty line chosen or whether the poverty headcount, the poverty ratio or the poverty severity ratio are used as measure. We find likely explanations for **this strong and robust decline in poverty in the massive expansion of the social grant system as well as possibly in improved job creation in recent years.**” (van der Berg *et al*, 2005, p.2, emphasis added)*

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part-time. If they are not working, they are invited to select among 'housewife', 'student', 'retired' or 'unemployed'. This simplicity contrasts strongly with the LFS questionnaires. The quality of the information collected in the AMPS is anybody's guess.

<sup>42</sup> See statistical release P0210, 26 September 2005, and subsequent LFSs.

<sup>43</sup> About the October Household Surveys, it is less easy to be sure.

<sup>44</sup> It is only possible to tell this story if one willfully ignores the obvious break between the OHS series, which ends in 1999, and the LFS series, which commences in 2000.

<sup>45</sup> A few surveys attempt to gather data in smaller jurisdictions, the KwaZulu-Natal Income Dynamics Study, being a notable example.

Using the LFSs as primary data source, my calculations suggest that not only are headcounts likely to have been higher than van der Berg *et al* suggest, but also that the fall in poverty was likely to have been much smaller. The LFSs appear as well to suggest that ‘improved job creation’ played little or no role in such reduction of poverty as did occur. My results are tentative, because of the numerous obstacles that have had to be surmounted. That said, the LFSs (whatever other shortcomings as data sources they may have), do allow the poverty question to be addressed, almost independently, from both the income and the expenditure sides. This is a strong point in their favour. Because the surveys collect data on both income and expenditure, it is possible to use simple imputation to reduce missing or implausible figures on either side to a minimum. To the extent that it is able, the 2004 GHS, which also collects income and expenditure data, offers some support to the conclusions generated by the LFS.

Painless, the process of extracting poverty information from official statistics, certainly is not. A great deal of guesswork (some of it educated, some of it less so) has to be done. Similar strictures apply to van der Berg and his colleagues—like the rest of us, they are forced to make a variety of assumptions to compensate for deficiencies in the data they use. This means that the quality of all of our (guess)estimates leaves more than a little to be desired. In short, there is much work to be done, and a number of problems to be solved before any of the household surveys conducted in South Africa is capable of yielding more precise poverty estimates.

Since precision remains tantalizingly out of reach, the ‘actual’ headcount and the true magnitude of the poverty gap, and the ways that these have changed in recent years, must remain a matter for conjecture. This has implications for the way that all of us (producers and users of information about poverty) should behave. As poverty researchers, we must make the caveats that apply to all of our work so prominent that nobody can ever miss them. We should refrain from the unjustifiable use of words like ‘robust’, when ‘fragile’ and ‘tentative’ are more apposite. The spurious accuracy of single point estimates is to be avoided—all of the results from my work are approximations—in each case, they lie within a range, whose width, unfortunately, it is not very easy to estimate. Neither my results nor those of van der Berg *et al* are ‘facts’—they are possibilities. That is the spirit in which they should be used.

Prescribing the ways in which users should deploy research findings is not so simple. Even if politicians, for example, were inclined to read ‘directions for use’, it is not obvious that they have much incentive to heed them. This could be so for many reasons. Often, they address audiences with notoriously short attention spans, among whom caveats would go unheard. Politicians impelled, either by inclination or necessity, to advance particular agendas (as part, for example, of the imperative of attempting to show that justice has been done), are also likely to ignore or downplay the fragility of research results. The only protection citizens have against this is a vigilant and well-informed press, able to dispel myth or self-serving assertion wherever they find it. This leads back to the uncomfortable conclusion that when academics engage in research in highly sensitive areas, they have to forsake the comfort of the ivory tower where arcane matters

are normally settled (or not, as the case may be—as one economist quipped, some debates in the discipline drone on for centuries) for a cockpit in full view of a (probably) partisan public. Oh dear!

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