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Facts, Myths, and Controversies: The Measurement and Analysis of Poverty and Inequality after Apartheid

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Abstract

The post-apartheid state's enthusiasm for data to identify needs and to measure progress does not mean that it takes kindly to data that suggest that levels of well-being have declined or grown more unequal under democracy. This paper reviews controversies over data on life expectancy, poverty, employment and unemployment, public welfare and services, and overall income inequalities. Whilst the new abundance of data has not brought certainty about trends, the best evidence suggests a mixed bag of progress and regress. Life expectancy has declined rapidly. Poverty initially deepened, but probably then declined in the early 2000s. Employment has grown slowly, but this has entailed primarily low-wage employment, and unemployment has grown much faster. Public welfare reaches more poor households, but still fails to reach all of the poor. There has been a remarkable improvement in access to electricity, water and other services, and perhaps to housing also. Overall, income inequality has worsened, unless one makes inappropriate inferences about the social wage. Pro-poor policies have been insufficient to counteract the inequality-increasing effects of other government policies.

1. Introduction

It is no exaggeration to say that one of the consequences of the transition to democracy in South Africa has been that the country is awash with statistics. In 1994, the African National Congress (ANC)-led government inherited a highly modern state, which had long treated statistics with considerable respect. Since Union in 1910, the South African state had, in Posel's words, a 'mania for measurement' (Posel, 2000), using statistics to legitimize and even sometimes inform policy-making. But the post-1994 democratic state has taken the passion for measurement to new heights. In terms of coverage, the pre-1994 state rarely collected good data on the country's black majority, whereas the democratic state has prioritized data-collection on the poor. Even prior to taking office, the ANC – together with the Congress of South African Trade Unions (COSATU) – had prompted South Africa's first ever thorough, country-wide survey of incomes and expenditures, i.e. the 1993 Project for Statistics on Living Standards and Development (PSLSD). But the intensity of data collection after 1994 goes far beyond even the efforts of the apartheid state with regards to its white constituents. The new state is committed to an understanding of 'development' that requires 'scientific' research and quantitative

measurement. Resources are allocated according to formulae. 'Progress' is counted. All of this requires data: lots, and lots, and lots of data.

The main producer of statistics is the parastatal Statistics South Africa (colloquially known as 'Stats SA'). Besides collecting standard economic statistics and a five-yearly Population Census (in 1996 and 2001), Stats SA has conducted an annual household survey (the October Household Survey or OHS from 1994 to 1999, and the General Household Survey or GHS from 2002), a bi-annual Labour Force Survey (LFS, since 2000), and a five-yearly Income and Expenditure Survey (IES, in 1995, 2000 and 2005). Unlike its counterparts in some other countries, Stats SA does an excellent job in putting its data into the public domain. Universities as well as the parastatal Human Sciences Research Council (HSRC) have also undertaken many cross-sectional and panel surveys. Universities generally do a good job in ensuring public access to data, but the HSRC jealously and deplorably restricts access to much of its data, even whilst announcing loudly controversial findings on matters of massive public importance (such as AIDS). Most recently, the Presidency has commissioned a National Income Dynamics Study, which is to be a household panel study.

The availability of data has allowed for an explosion of quantitative research in South Africa. The 'working paper' series of institutions such as the Centre for Social Science Research and the Development Policy Research Unit (both at the University of Cape Town) and the School of Development Studies (at the University of KwaZulu-Natal), as well as the publications of the HSRC, testify to the rapid growth of quantitative social science in South Africa, although this growth remains as uneven, with economists continuing to predominate over other social scientists (see Seekings, 2001).

One would expect, therefore, that we know far more about inequality and poverty in South Africa than we did in 1994. But the explosion of data has not been matched by an unambiguous growth of certainty about key trends, processes, or patterns. In 2001, Bhorat *et al*. (2001) – in one of the first major scholarly studies that used newly-available data on inequality – warned that:

> In South Africa, there is generally insufficient scrutiny of empirical results. The problem may be divided into two maladies. First, there is scant recognition of the fact that different measurement techniques will generate different results. … Second, the South African literature gives too little recognition to the fact that different data give different results. (Bhorat *et al*., 2001: 23)

In the early 2000s, there has been much good work on the sensitivity of 'findings' to the choices of technique and data, but much statistical and econometric research continues to emphasise the application of fashionable techniques and trendy measures to the detriment of maintaining a clear focus on the real social and economic problems that need to be understood. Rarely do scholars systematically compare the results of different studies, using alternative measures or data.

When debates do arise over measurement, it is often because they have become highly political. Poverty and inequality are highly political, so it is inevitable (and appropriate)

that the study of poverty and inequality is political. This was true even prior to 1994. National Party governments not only failed to fund serious research on poverty and inequality, but they denounced the efforts of university-based researchers to fill the gap. When the University of Cape Town hosted a major inquiry into poverty in 1984, under the leadership of Francis Wilson, President P.W. Botha felt the need to comment in Parliament. Why study poverty in South Africa, he asked, when it was the rest of Africa that was really poor? Botha was also angry about scholars drawing links between public policy and poverty: 'It is a pity that an occasion which could really have been used to carry out an in-depth search for answers to our real problems in South Africa and in the rest of this poverty-stricken continent, to a large extent degenerated, due to political overtones and ideological prejudices, into a denigration of South Africa's political system' (speech in the House of Assembly, 27th April, 1984, reproduced in *South African Outlook*, June 1984).

ANC-led governments since 1994 have been much more enthusiastic about data collection than their pre-1994 National Party predecessors. Post-1994 governments have been extraordinarily respectful of the power of numbers. For its 2003 assessment of its first ten years in office, the cabinet selected twenty-two indicators for measurement (South Africa, 2003). The President, Thabo Mbeki, structured his 2004 State of the National address around indicators of past and future delivery. In a 2006 'discussion document on macro-social trends', the Presidency proclaims that 'the methodology used in this analysis is premised primarily on facts and figures.' The report sensibly calls for 'an objective appraisal of social dynamics', but continues by expressing 'the hope – and the conviction – that the facts will speak for themselves' (South Africa, 2006: 8). Despite – or perhaps because of – this, the post-1994 governments have been more hostile to data-based criticisms of their performance than their pre-1994 predecessors. When criticisms of government performance are based on new data, then the data are called into question. Hemson and O'Donovan have pointed to 'the growing tendency for government to evince an attitude of skepticism, doubt or rejection of statistical trends which do not reflect progress. … [T]he current mood in government is to strongly criticize studies which show growing or continued impoverishment or backlogs, even if these make reasoned use of official statistics' (2006: 17-18).[1] One example of this is the debate over trends in the human development index.

2. AIDS, the Human Development Index, and Poverty

In May 2006, an opposition Member of Parliament asked the President of the Republic of South Africa, Thabo Mbeki, to explain the marked decline of the Human Development Index in South Africa, relative to other countries. The Human Development Index (HDI) is a measure of well-being developed by the United Nations Development Programme (UNDP), and reported in the UNDP's annual *Human Development Report*. Although the questioner did not detail in Parliament the trend in measured HDI, the UNDP data are

[1] Hemson and O'Donovan also point to the concurrence of the centralization of power in the Presidency with the government's increased use of indicators. The Presidency now fills the Union Building, which at one time accommodated the entire national government (2006:15).

readily available. Figure 1 shows the absolute HDI for South Africa together with South Africa's ranking relative to other countries.[2] The trend is clear: the South African HDI rose steadily in the last years of apartheid, peaked around 1995, and then declined steadily, at least until 2003 which is the most recent year for which data are available at present. South Africa's declining HDI meant that its global rank slipped dramatically, from 90th in 1994 and 89th in 1995 to 120th (in 2003).

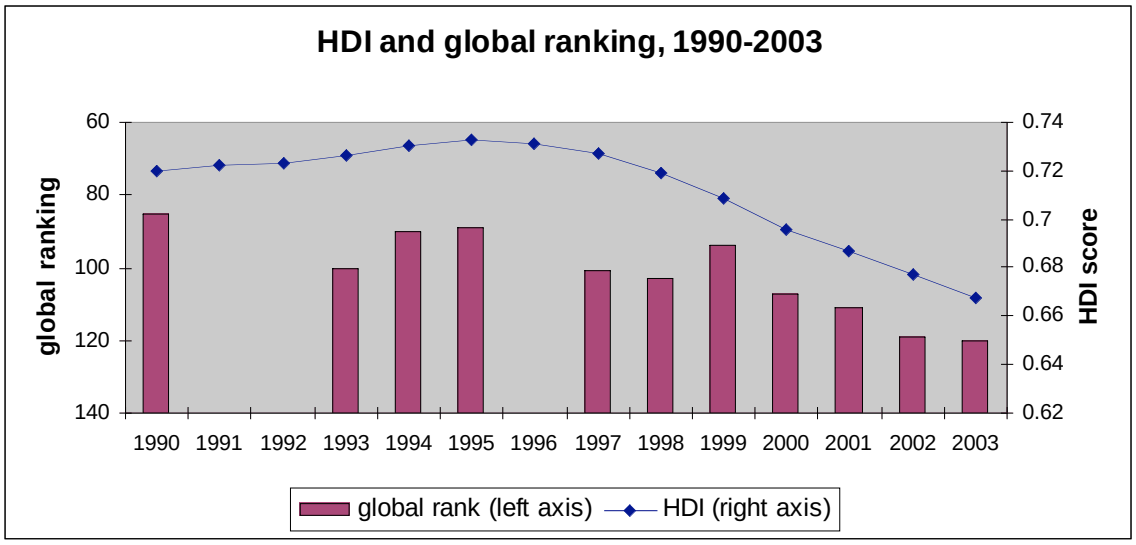

Figure 1: HDI in South Africa, 1990-2003

Mbeki replied that the Government had requested that the UNDP explain their data, 'because the conclusion is wrong, … patently wrong.' Pressed further, Mbeki declared that other studies pointing to rising poverty were also 'wrong'. Whilst he did not cite any substantive study for this assessment, he was echoing a similar criticism made of the UNDP by his Finance Minister, Trevor Manuel, earlier in the year.[3]

The HDI data had received publicity already in 2005. The opposition Democratic Alliance (DA) had lambasted the ANC because 'under the ANC, the gulf between the rich and poor is greater now than it was under apartheid'. The HDI trend was 'an incontestable demonstration of the failure of the ANC's delivery programme'. The data, said the DA, showed that 'the enrichment of a few by means of elite empowerment deals has had no impact on the grinding poverty that is the reality for most South Africans. It exposes the truth that, since 1994, the gap between the rich and the poor has continued to grow and the only significant change has been the race of the wealthiest.'[4]

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[2] Data in the UNDP's global *Human Development Reports* do not match precisely the time series data published in the 2003 *South African Human Development Report*. The HDI scores in Figure 1 and the decomposition in Figure 2 are from the *SAHDR* (UNDP, 2003), whilst the global ranking in Figure 1 is collated from various *HDR*s.

[3] The exchange was reported on in Business Report, 19th May. See also Trevor Manuel's address to a UNDP-World Bank Retreat, Johannesburg, 9 February 2006, available online.

[4] Quoted in afrol News, 8th September, 2005. www.afrol.com/articles/16932, accessed 5th July, 2006.

It is hardly surprising that President Mbeki and the Minister of Finance felt the need to challenge the data. As it happens, the HDI is estimated in a transparent manner, and the UNDP publish the underlying data, cite their sources, and set out clearly the calculations. The HDI comprises three components: an 'educational attainment index' constructed out of adult literacy rates and gross school enrolment rates; a 'life expectancy index' derived from data on life expectancy at birth; and an index of GDP per capita taking into account purchasing power. The UNDP selected these variables for the HDI because they were readily measured and together provide a good indication of the reality of social and economic well-being in a country or region. The change in the South African HDI can be 'decomposed' into changes in each of the three components. Figure 2 shows how these have changed over time. The rapid decline in South Africa's absolute and relative HDI is almost entirely due to the rapid decline in life expectancy. In 2003, South Africa ranked 52nd in the world in terms of GDP per capita (taking into account purchasing power), 78th on the composite education index, but 150th on life expectancy. The reason why life expectancy has declined is AIDS, which has rolled back the gains of decades of development in Southern Africa (see Nattrass, 2002).

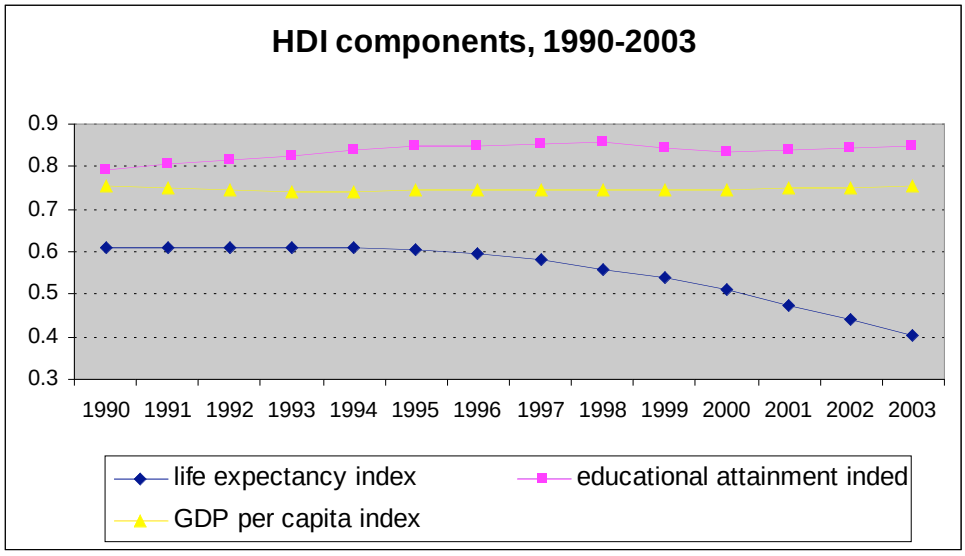

Figure 2: Trends in the three components of the HDI, 1990-2003

Figure 2 was included, together with the underlying data, in the UNDP's 2003 *South African Human Development Report* (UNDP, 2003: 45, 281-2).

The Government had already responded to the 2003 HDI data, although the President seems to have been ignorant in Parliament when questioned in May 2006. Not only had the Government produced a rather banal rebuttal of some aspects of the 2003 *South African Human Development Report* (South Africa, 2004), but it had also taken the HDI data to task in its document *Towards a Ten Year Review*. The Government claimed that alternative data on life expectancy – ostensibly provided by the South African Medical Research Council (MRC) – showed only a tiny decline in life expectancy between 1995 and 2001, from 57 years to 55 years, in stark contrast to the large decline in the UNDP's

data, from 65 years to 52 years over the same period. Using the MRC data resulted in the HDI actually improving under the ANC-led government (South Africa, 2003: 22).

So where does the UNDP get its data on life expectancy? The UNDP does provide slightly different data in its worldwide *Human Development Reports* and its specific *South African Human Development Report*. The former gives life expectancy declining from about 64 years in 1994-95 (UNDP, 1997, 1998) to below 49 years in each of 2002 and 2003 (UNDP, 2004, 2005). The latter gives the decline as from just under 62 years through the early 1990s to below 50 years by 2003 (UNDP, 2003: 279). The former data are credited to other UN agencies. The latter data are credited to the highly-regarded model demographic developed by Rob Dorrington for the Actuarial Society of South Africa (and known as the 'ASSA model').

It is a mystery, however, where the Presidency got its 'MRC' data. Unfortunately, there are no specific references in the *Towards a Ten-Year Review*, and the bibliography includes nothing by or referring to the MRC. The *Review* was largely based on a set of background documents commissioned from the HSRC and other sources. Most of these are available online. Two of these background documents discuss life expectancy. Both provide data that is very close to the UNDP's data (Van Aardt and Schacht, 2003: 19; Jooste, Shisana and Simbayi, 2003: 4). These sources have been ignored completely in the *Review*. The 'MRC' data are apparently also unknown within the MRC. The MRC itself uses the ASSA model in its research. One important MRC study (Dorrington *et al*., 2001) had used an early version of the ASSA model, which suggested a life expectancy at birth of 55 in 2000 (i.e. slightly higher than the estimates made by UN agencies and from the subsequent, improved ASSA model as used by the UNDP) – having fallen from 62.5 years in 1995.[5] Whatever the source of these 'MRC data', it is certainly possible that they were inserted within the Presidency, ignoring the contrary evidence presented in the background documents commissioned for this purpose and in published MRC work. It is also possible that the data were inserted at the behest of the president himself, reflecting his personal adherence to AIDS-denialism and his skepticism, in the early 2000s, with South Africa's mortality statistics.[6]

Life expectancy should be a far more important component of studies of income poverty and inequality than is currently the case, because of both changes in average life expectancy over time and inequalities in life expectancy across society. Studies of income poverty and inequality are rightly concerned with an individual's or household's income over time: chronic poverty is very different to transitory poverty, in terms of both

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[5] Information provided by Leigh Johnson.

[6] Nicoli Nattrass has brought to my attention the extraordinary letter written by Mbeki to the Health Minister, Manto Tshabalala-Msimang, in late 2001, in which he refers to some 'primitive analytical work' that 'we' did on death statistics from the World Health Organisation. The statistics ostensibly showed that AIDS was not a major cause of death in South Africa. The statistics, he wrote, would no doubt 'provoke a howl of displeasure and a concerted propaganda campaign among those who have convinced themselves that HIV/AIDS is the single biggest cause of death in our country', i.e. people whose prejudices led them to discover false realities, peddle false statistics, and fire 'hostile propaganda' at the truth. Mbeki's letter is posted on the denialist website, www.virusmyth.net/aids/news/letmbeki2.htm.

the experience for the people concerned and the implications for policy design. But long lives are clearly preferred to short ones.

The fact that so many South Africans are dying at a much younger age than in the past is primarily due to the AIDS pandemic. By 2010, it is estimated, AIDS will have reduced life expectancy at birth in South Africa by twenty years: without AIDS, it would have been 68 years, with AIDS, it will be 48, or perhaps even less. But the failures of government policy in response to the pandemic – both in terms of changing sexual behaviour, providing treatment for the AIDS sick, and using ARVs to slow the spread of the pandemic – constitute a massive indictment of post-apartheid policy.

The HDI is a very revealing measure of the quality of life, but it does not measure poverty or inequality directly. Adult literacy and life expectancy might be proxies for poverty and inequality in some respects, but the South African case reminds us that it is possible for life expectancy to plummet without any prior collapse in incomes, because of the onset of a pandemic and the failure of the government to respond. The UNDP does, however, calculate several other indices as well as reporting on trends in simple income poverty and inequality. All of these measures showed a worsening of life in South Africa in the late 1990s: income poverty worsened, income inequality worsened, the 'Human Poverty Index' worsened (due primarily to declining life expectancy), the 'Gender Empowerment Measure' worsened (meaning that gender differences widened), and the 'Service Deprivation Index' worsened (although only marginally) (UNDP, 2003). It is hardly surprising that the ANC-led government is hardly enamoured of the UNDP.

3. Has Income Poverty Worsened or Improved?

The Director-General of the National Treasury has been reported as saying that 'there is just hot air and noise about whether we are making progress in reducing poverty' (*Business Report*, Monday, 28 November 2005, quoted by Meth, 2006). Of course, findings of a lack of progress are more likely to be described as 'hot air and noise' than findings that imply that progress has been made since 1994. Government officials rarely hesitate before selecting findings, and citing statistics, that are convenient politically. This has required that the government favour findings based not on survey research by the government's own Stats SA, but rather on market research done for the advertising industry. And it has led the government to proclaim with gusto the findings of a single, uncorroborated study – by van der Berg *et al*. (2006) – that reaches a conclusion that reflects well on the government. `[T]he proportion of people with low (poverty) income increased marginally during the period 1993 to 2000', the government concedes, but Van der Berg *et al*.'s study 'shows that there has been a marked decline in poverty since 2000, from approximately 18,5 million poor people to approximately 15,4 million poor people in 2004' (South Africa, 2006: 12). In May 2006, Mbeki told Parliament that 'between

1994 and 2004, the real incomes of the poorest 20 percent of our population increased by 30% percent'.[7]

Monitoring trends in income poverty was one of the key concerns of Stats SA. Besides collecting data in regular household and labour market surveys, and asking questions about income in the Population Census, Stats SA ran dedicated Income and Expenditure Surveys in 1995, 2000, and 2005-06 (the data from which is not available yet). The census[8] and survey data provided a broadly consistent picture of changes in income poverty after 1994. A series of studies argued that income poverty grew sharply in the late 1990s (Statistics South Africa, 2002; UNDP, 2003; Hoogeveen and Ozler, 2004; Meth and Dias, 2004; Leibbrandt *et al*., 2004; Simkins, 2004; Leibbrandt, Levinsohn and McClary, 2005). Because these studies used different data from different combinations of surveys or censuses over different periods of time and with different assumptions, their precise findings varied. The UNDP (2003), using the 1995 IES rather and one of the 2002 LFSs, found that the absolute number of poor people had grown but the proportion of people living in poverty had declined marginally. Meth and Dias (2004), using expenditure data from the 1999 OHS and one of the 2002 LFSs, found that both the number and proportion of households and individuals living in poverty had risen. Leibbrandt *et al*. (2004), using census data, conclude that both the numbers and proportions of poor people had grown. Leibbrandt *et al*. (2005), analysing individual-level incomes using the 1995 IES/OHS and the 2000 IES/LFS, found that real incomes dropped sharply and substantially. The fact that the share of household expenditure spent on food rose gives additional credibility to the decline in real incomes.

Almost the sole dissenting voice prior to 2005 came from the South African Advertising Research Foundation (SAARF), which proclaimed boldly that 'Government is delivering' and they had 'the figures to prove it.' The figures came from the SAARF's bi-annual All Media and Products Survey (AMPS), which collects data for the advertising and marketing industry. Using AMPS data, SAARF categorises consumers into different 'Living Standard Measures' (LSMs) based on income, wealth, and standard of living. Between 1994 and 2001, the proportion of South Africans in the bottom LSM category dropped from just under 20 percent to 5 percent. Cyril Ramaphosa was quoted as remarking that South Africans had 'never had it so good' (SAARF, nd).

The overall growth rate of the South African economy speeded up somewhat in the early 2000s, fuelling hopes that poverty might decline. In 2005, Van der Berg *et al*. Began to circulate a study (published in 2006) that put forward a dissenting analysis: 'On the basis of the available evidence we have no doubt that there has been a noticeable decline in poverty in the last few years' (van der Berg *et al*., 2006: 23). (In their conclusion, however, they more cautiously note that 'we may be at risk of overestimating the

[7] Address of the President of South Africa, Thabo Mbeki, at a Joint Sitting of the Houses of Parliament on the Occasion of the 10th Anniversary of the Adoption of the Constitution of the Republic of South Africa, Cape Town, May 8, 2006, available on www.parliament.gov.za.

[8] Research on incomes using census data in fact uses data from a 10 percent micro-sample, i.e. a data-set for each census that incorporate data on 10 percent of households, and excludes information on precisely where people live to ensure anonymity.

progress that has been made' (*ibid*: 29)). Using a methodology that they describe as 'not uncontroversial', they claim to have demonstrated that poverty may have risen slightly in the late 1990s but then declined after 2000, especially between 2002 and 2004. Their finding holds for a variety of measures of income poverty. They explain this in terms of the 'massive expansion of the social grant system' and, perhaps, in job creation. Van der Berg *et al*. do suggest, however, that this reduction in poverty cannot be sustained, as the grant system cannot be expanded further.

In a detailed riposte, Meth (2006) argues that Van der Berg *et al*. underestimate substantially the numbers of people in poverty. Meth concedes that the proportion and number of poor people might have declined in the early 2000s. Indeed, given the substantial growth of coverage of means-tested social assistance in the early 2000s, it would be very surprising if there had not been some effect on both the poverty headcount and the poverty gap. But Meth holds that the rise in poverty in the late 1990s was larger than Van der Berg *et al*. admit, and the fall in poverty in the early 2000s was lower than they claim.

The sensitivity of poverty rates to changes in social assistance is in large part because, first, South Africa's poor have such low incomes, relative to the rich, and second, there are many poor people just below (as well as above) any of the widely-used poverty lines, so that small changes in incomes can raise people above the lines. Bhorat (2003), using 1995 IES data, calculated that the poverty gap in 1995 had been just R13 billion, using a poverty line of R293 per person per month. This amounted to 10 percent of government spending at the time, meaning that the government could eliminate income poverty entirely if it increased its expenditures by just 10 percent and allocated all of the additional funds to perfectly targeted transfers to the poor. Between 1995 and 2004, the government did substantially increase its real expenditure on well-targeted social assistance programmes (as we shall see further below), with the result that poverty was alleviated.

But findings on the extent of the decline in poverty are very sensitive to the methodology used. The state, for all of its respect for statistics, shows little or no respect for the sensitivity of findings to methodological choices. 'Facts' cannot speak for themselves, because these so-called 'facts' are really just estimates, the products of what can best be described as models. The value of the 'fact' depends on the quality of the model.

'Stripped to its barest essentials,' observes Meth pithily, 'the (income) poverty controversy in South Africa is about how to deal with the problem of under-reporting' (Meth, 2006: 40). Scholars have to build models of income distribution because it is recognized that surveys and censuses miss a significant share of the national income, because respondents provide no or incomplete data on their household's income and expenditure. Both censuses and surveys fail to collect any information on some households (i.e. households in the sample, in the case of surveys). They fail to collect complete data on the incomes and expenditures of other households, perhaps because respondents do not know about the incomes or expenditures of other co-resident household members (see Skordis and Welch, 2004). And they fail to collect credible data

on many households, either because incomes and expenditure data are inconsistent or because households say they have no incomes (Ardington *et al*., 2005). Overall, the incomes recorded by the censuses and surveys fail to match the data available on national income from the national accounts.

If under-reporting was consistent over time, it might not matter to the analysis of trends in income poverty. But if under-reporting seems to change over time, then any analysis of changes in the data collected must try to distinguish between the real changes in incomes over time and the changing level of reporting. There are at least three reasons to believe that under-reporting has changed over the post-apartheid period. First, the growth in aggregate income reflected in IES data from 1995 and 2000 is considerably lower than the growth in national income recorded in national accounts (Van der Berg *et al*., 2006). Secondly, non-response or incomplete response rates seem to have risen over this period (Ardington *et al*., 2005). Thirdly, recent Stats SA surveys make much less of an attempt to reconcile households' reported data on incomes and expenditures. There are also good reasons to think that non-response is non-random, both in terms of the sections of the population who are under-counted and the categories of income which are under-counted. It appears that rich people have become less and less willing to provide data (Seekings *et al*., 2004). And property income is counted less and less (Simkins, 200x).

Studies by Leibbrandt *et al.* (2004) and Ardington *et al*. (2005) illustrate one way of building models that address these problems. They report that 19 percent of households reported zero incomes and another 4 percent provided incomplete income data in the 1996 Population Census, and 23 percent and 5 percent of households did so in the 2001 Population Census (Leibbrandt *et al*., 2004: 41). They do not believe that many households really have zero income. The decision over whether to include thee zero-income households and missing-data households clearly makes huge differences to poverty rates – either in terms of headcounts or poverty gaps – in either year. But it makes little difference to the trend between 1996 and 2001. If these households are included in the analysis, poverty headcounts and the poverty gap rise; if they are excluded, poverty headcounts and the poverty gap rise (*ibid*: Appendix A). In a second paper, Ardington *et al*. (2005) impute data where income data are missing in the 2001 Census.[9] This results in a reduction in estimates of poverty (but an increase in inequality, as measured using a Gini coefficient). When they also substitute imputed data for zero-income households, it makes no statistically significant difference to poverty rates. This is because the imputed income remains zero for most of the affected households. Ardington *et al*. conclude by showing that, if they use imputed data for both 1996 and 2001, both poverty headcounts and income inequality rise over the 1996-2001 period.

Van der Berg *et al*. (2006) employed an entirely different (and 'not uncontroversial') methodology. Their model-building entails three stages. First, they accept the veracity of national accounts data on the overall growth of national income. Second, use data

[9] Stats SA provide imputed data, but using a single hotdeck imputation. Ardington *et al*. instead use a multiple imputation approach. The former means that missing values are replaced by values from similarly responding sampling units. The latter means that missing values are imputed using a multivariate regression technique.

from national accounts and other, non-survey sources to calculate inter-racial income distribution, i.e. the shares of national income accruing to white, Indian, coloured and African people. The third stage entails using survey data, but from market research (AMPS) not Stats SA or other social science research, in order to assess intra-racial income distribution. Combining these stages allows them to plot changes in overall income distribution and hence income poverty. Each of these stages is open to challenge. As Meth writes, 'it is not obvious why the magnitude of adjustments resulting from such a procedure should bear any resemblance to the size of actual under-reporting errors by income or expenditure class (which, all agree, are likely to plague any survey instrument)' (Meth, 2006: 10).

The inconsistency between trends in IES data and the national accounts is a major cause for concern. Van der Berg *et al*. argue convincingly that 'it appears implausible that [average or aggregate] household incomes have declined to the extent suggested' by raw IES data. They conclude that comparing data from IESs 'is likely to lead to erroneous conclusions regarding trends in poverty' (*ibid*: 14). Their response is to disregard entirely the trend in IES data and accept uncritically the trends in national accounts. Yet, as Meth (2006:) notes, the national accounts are not unproblematic. As Mohr *et al*. remind us in their *Practical Guide to South African Economic Indicators*, 'the measurement of GDP involves liberal use of estimation and guesstimation, of interpretation and extrapolation, of approximation and adjustment' (Mohr *et al*., 1995: 40).

Van der Berg *et al*.'s estimates for racial income shares are based on separate estimates of (most importantly) racial earnings from employment, (less importantly) racial shares of income from property, and (least importantly) racial shares of government transfers. They calculate racial income shares, suggesting that black South Africans' income share was steady (at about 34%) throughout the 1990s but rose sharply (to 40%) after 2002 (*ibid*: Figure 12). At the same time, however, the white share of the population declined and the African share rose. This demographic change means that per capita income among white South Africans rose steadily, whilst per capita income among African people only rose marginally. African people may have got a larger slice of the pie, after 2002, but there were more African claimants on this growing slice. (As far as I can tell from Van der Berg *et al.*'s figures, just over half of the growth in African peoples' incomes between 1993 and 2004 came from rising wages and employment, and just under half from rising government transfers).

In plotting intra-racial income distribution, Van der Berg *et al*. rely on data from the All Media and Products Survey (AMPS). AMPS data suggest that intra-racial income inequalities (measured using the Gini coefficient) rose between the mid-1990s and 2004 – except among African people, for whom inequality peaked in 2000 and declined thereafter. Overall inequality rose steadily throughout the period, with the Gini exceeding 0.7.

Van der Berg *et al.*'s finding on poverty declined is based on the combination of AMPS data on declining intra-African inequality and the finding from the second stage of their

analysis that the African income share rose. Poor people – i.e. poor African people – got a larger share (i.e. relative to non-poor African people) of a growing African share of the total pie (i.e. relative to non-African people).

Are the data on wages and employment, derived from the national accounts, accurate? Are the AMPS data on intra-African distribution accurate? Van der Berg *et al*. discuss these concerns in two appendices. With respect to the AMPS data, they report that they found that trends are broadly stable over time, and they had to manipulate the data in probably inconsequential ways. But they do not address the key question: are there recurrent or changing problems in the sample, and is the distributional data accurate? Without seeing the questionnaire or the protocol for selecting respondents within households, it is difficult to assess the accuracy of the data. Crucially, do the AMPS data indicate the rising incidence of social grants, or the decline in unskilled labour, or the rise in employment of African people in the public sector? Van der Berg *et al.* simply do not provide us with enough information to accept their use of the AMPS data. If the AMPS data, collected for the advertising and marketing industry, is to be preferred to data from the IESs and other StatsSA surveys, collected for the specific purposes of monitoring poverty, then a more serious and critical analysis of the AMPS is required, and the AMPS data need to be exposed to public scrutiny.

A major concern with any survey is the difficulty in interviewing rich households. This has major implications for the inter-racial distribution of income, as it is (on average) harder to collect information from (richer) white South Africans than (poorer) African South Africans. The standard response to this problem is to re-weight data by race (or by race and province) (see Seekings *et al*., 2004). This implies that non-response within the re-weighting categories is random. Non-random non-response within the re-weighting categories might have major implications for any analysis that requires data on distribution. Van der Berg *et al*. (2006) agree that the African 'middle class' has experienced dramatic growth. If AMPS data underestimates the growth of prosperity among rich African people, then Van der Berg will overestimate the benefits of growth that accrue to poor African people. Small underestimates in the size or prosperity of richer Africans mean that there have been proportionately large overestimates in the incomes of poor Africans: underestimating the income of richer Africans by R100 per month is a small underestimate, but overestimating the income of poorer Africans by the same amount transforms all of the poverty estimates. Leibbrandt *et al*. (2005) provide some information that is consistent with this hypothesis. Concerned that their finding of declining real individual incomes between 1995 and 2000 might be the result of bad data, they examine the educational attainment of age cohorts in the 1995 and 2000 cross-sectional surveys. They find statistically significant declines in years of schooling for a number of cohorts, although they assess that the decline (of about half-a-year) is insufficient to explain more than a small part of the decline in income. Leibbrandt *et al.* do not seem to consider the possibility that the missing respondents from the second survey might have been drawn disproportionately from the ranks of upwardly-mobile African people. Under-sampling this category in 2000 would result in underestimates of mean incomes in 2000 (and hence might explain some of the discrepancy between the trend from survey data and the trend from national accounts data) and of changes in intra-

racial inequality across this period, although it would not make little or no difference to poverty rates.

In responding to Van der Berg *et al.*, Meth builds on his previous work,[10] and tries to identify what assumptions would need to be made about Stats SA survey data to produce the kind of results provided by Van der Berg et al. using other sources and methodologies. What kinds of systematic under-reporting of income (or expenditure) in surveys could account for Van der Berg *et al*.'s results? He concludes that Van der Berg *et al*.'s estimates require assumptions about under-reporting that are beyond the bounds of plausibility.

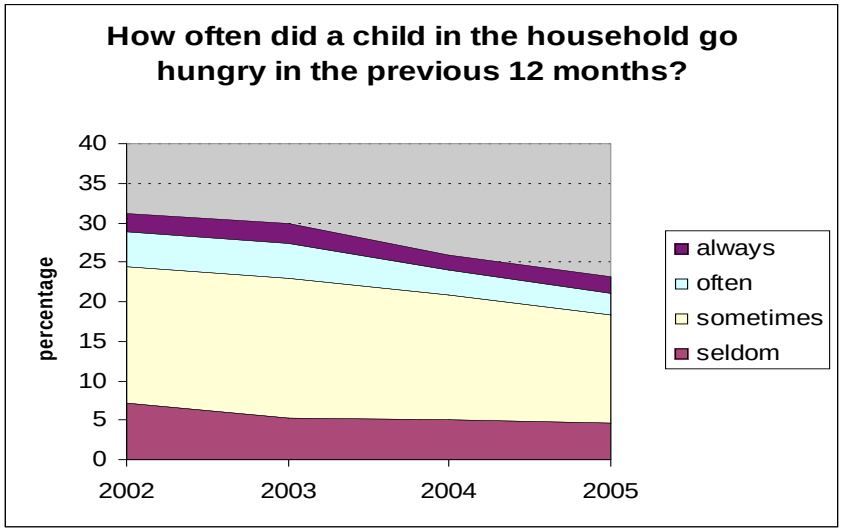

Figure 3: Hunger among children, 2002-06

Stats SA has collected some subjective data on poverty that has a bearing on this. The GHSs ask respondents two questions about hunger: 'In the past twelve months, did any adult [or child, in the second question] go hungry because there wasn't enough food?' Respondents had to choose between five response options: never, seldom, sometimes, often and always. The proportions of households with children answering anything other than 'never' when asked about the frequency of child hunger, are shown in Figure 3. The pattern indicates clearly that successive GHS samples saw the incidence of child hunger declining over time, with the proportion of households saying 'seldom' declining slightly but the proportion saying 'sometimes', 'often' or 'never' declining markedly, by one quarter between 2002/03 and 2005. Reported hunger among adults also declined. Unfortunately, it is not possible to trace this series back before 2002. No such questions was included in the 2000 IES. Questions about children were included in the OHSs of

[10] Meth does disavow the methodology he used in an earlier paper (Meth and Dias, 2004), as not having much to recommend it (Meth, 2006: 26)!

1997-99, but the wording differed significantly (1997-98: 'In the past year, was there ever a time when you could not feed the children in the household?' And in 1999: 'In the past year was there ever a time when children under seven years of age went hungry because there was not enough money to buy food?') and respondents were given a binary choice ('yes' or 'no') rather than five response options.

Meth also takes issue with the policy implications of Van der Berg *et al*.'s analysis. Even if there had been some decline in the poverty headcount and gap in the early 2000s, Meth suggests, the important question for public policy is whether the remaining poverty is amenable to elimination through economic growth alone, or is there a continuing need for the further expansion of dedicated pro-poor interventions, including social assistance? Meth is somewhat unfair to Van der Berg *et al*. in alleging that they conclude 'that further poverty alleviation can only come from growth' (*ibid*: 21). Van der Berg *et al*. themselves note that, if the decline in poverty is due to the expansion of the welfare system, then this decline in poverty is probably not sustainable. Whilst Van der Berg *et al*. seem to believe that the welfare system should not be expanded further, Meth is happy to argue that it should be made more generous (*ibid*: 21).

Meth's skepticism about the political abuse of research on poverty trends makes more sense when we examine some of the evidence on the views of government ministers and officials on the underlying problem of employment and unemployment. In possibly unguarded moments, ministers and officials claim that the unemployment crisis is nowhere near as bad as indicated in both the official statistics and mainstream scholarship.

4. How High is Unemployment, and is it Getting Worse?

Poverty in South Africa is rooted in deagrarianisation and unemployment. South Africa's poor are not land-holding peasants, supplementing subsistence production with occasional sales of agricultural produce, casual employment or remittances from migrant labour. South Africa's peasantry was slowly destroyed in the course of the Twentieth Century. Forced removals from large commercial farms, overcrowding in the 'homelands' or 'bantustans', low-quality schooling, poor links into urban and industrial labour markets, and the growing capital-intensity of production in most economic sectors resulted in the growth of unemployment among unskilled workers and of mass poverty among them and their dependents. Large-scale open unemployment seems to have replaced underemployment in the 1970s, and then grew steadily through the 1980s and early 1990s (Seekings and Nattrass, 2005: chapter 5). Surveys conducted around 1994 suggested that the unemployment rate was less than 20 percent, using a strict or narrow definition of unemployment, and about 30 percent by a broad or expanded definition.

Unemployment rates rose steadily under post-1994 ANC governments, at least until 2002. Figure 4 shows unemployment using the narrow and broad definitions; the 1993 data come from the 1993 PSLSD survey, 1994-1999 data from OHSs, and 2000-05 data from the LFSs conducted in September of each year. Unemployment peaked at 31.2

percent (by the narrow definition) and 42.5 percent (using the broad definition), in early 2003 (as recorded in the March 2003 LFS). Unemployment rates have dropped marginally since 2003. The coincidence of steady economic growth, rising unemployment rates and apparently stagnant employment growth led many commentators to describe the South African economic experience in terms of 'jobless growth'. Given that trade liberalization contributed to job losses in unionized sectors, COSATU joined the chorus of critics of the government, whose policies were said to have produced a 'jobs bloodbath'.

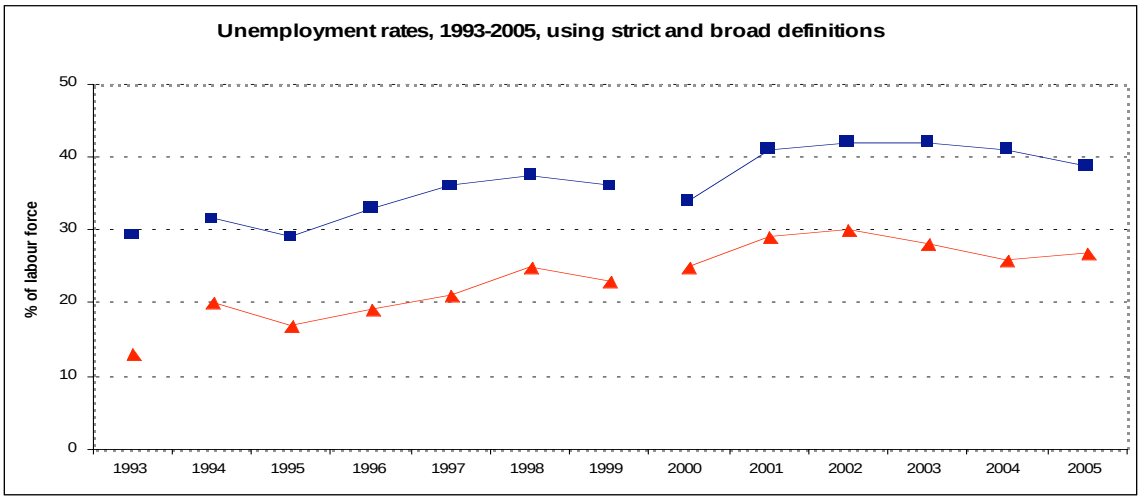

Figure 4: Unemployment rates, 1993-2005

Unsurprisingly, the government has seized on opportunities to deflect criticism of its performance on this crucial issue. Its first response, borrowed from Thatcherite Britain, was to confer 'official' status on the strict definition of unemployment, which produced much lower unemployment rates than the expanded definition favoured by most social scientists. The strict definition includes only active job-seekers, which might be appropriate in Europe or North America but is very inappropriate in Southern Africa where few people get jobs through the recognized search activities, instead relying on friends and family to inform them of opportunities – because of both the absence of job opportunities and the fact that most employers themselves fill vacancies by word of mouth, making 'active' job search a futile exercise.

Secondly, the government seized on research by Bhorat that claimed to show that growth had not been 'jobless'. Bhorat's research was premised on the inaccuracy of statistics on employment from Stats SA's Survey of Employment and Earnings (SEE). The SEE collects data from a sample of formal, non-agricultural employers. It tells us nothing about informal, agricultural or domestic employment, and even the data on formal employment may err if the sample of firms omits fast-growing sectors. Bhorat and Kanbur (2005) boldly proclaim that 'perhaps the most vivid example of the importance of data quality lies in the national debate around "jobless growth"'. Using data from post-

1993 household surveys (the OHS and LFS), rather than surveys of employers, total employment seems to have risen: More than 2 million net new jobs were created between 1995 and 2003 or 2004 (Bhorat, 2003b; Bhorat and Cassim, 2004; Oosthuizen, 2005). This research, first commissioned by the Presidency, was music to the government's ears. The claimed new jobs were trumpeted in the *Towards a Ten-Year Review* document (South Africa, 2003), by the Minister of Labour in Parliament in February 2004 (*Hansard*, 10th February, 2004), and by the Minister of Trade and Industry in speeches and in an article in the *Sunday Independent* that was later reproduced on the ANC's website, in the party's virtual newsletter *ANC Today*.[11]

Most recently, government ministers have voiced further doubts over the accuracy of official labour market statistics. In December 2004, the Minister of Finance (Trevor Manuel) voiced skepticism about official data in an interview:

> The one difficult we have in respect of employment is that we don't yet have an accurate measure. If you look at the surge in expenditure [on] consumer durables or the white goods sector and take that as a proxy for a series of things, if you look at the profitability of the retail apparel sector and companies like Edcon and Woolworths, I think the single story that comes out is that this is not a country with unemployment at 32% or 40%. … People who are really unemployed and completely down and out are not going to have the resources to purchase the kind of non-essentials – clothing, appliances, furniture, that whole range of goods – at quite the rate we're seeing.

Manuel proceeded to suggest that in countries like India and Brazil, many people earn a living through informal activities. In South Africa, such people were missed in surveys

> The carpenter, the bricklayer, the welder are no longer employees, they are independent contractors, they have no obligation to tell the truth when somebody comes to ask them about their income and so on. They are therefore off the radar screen. … I'm not in denial about the fact that we are not creating sufficient jobs. But I think we are not counting [existing jobs and sustainable livelihoods accurately] because of the complexities of casualisation. (*Sunday Times*, 'Business Times' section, 12th December, 2004).[12]

The implication of this is that employment is underestimated and unemployment overestimated in official statistics, so that employment growth has been even stronger than claimed on the basis of Bhorat's figures.

The claims of employment creation made by Bhorat and the government have been dissected most clinically by Casale, Muller and Posel (2004, 2005). Casale *et al*. show that some of this employment growth is the product of changes in measurement. The LFS interrogates more fully than the prior OFSs activities that might comprise self-

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[11] *ANC Today*, vol.4, no.9, 5th-11th March 2004, on www.anc.org.za/ancdocs/anctoday/2004.

[12] See also comments by Manuel in *Business Report*, 28th February 2005, and by Mbeki in *Sunday Times*, 22nd May 2005, both cited by Hemson and O'Donovan (2006: 18).

employment. Changes in measurement might account for one-third of the 2 million net new jobs. The actual jobs created divide almost equally between the survivalist (i.e. very low-income) informal sector and the formal sector. Rising employment did not lead to a drastic reduction in poverty, but rather to a growing number of 'working poor'. By 2003, almost one-third of employed South Africans reported earnings that were lower than the statutory minimum wage for a domestic worker. More than one-quarter of the employed excluding the informal sector self-employed reported earnings below the domestic worker's minimum wage. The comparison of the 1995 OHS and 2003 LFS suggests that the ratio of total earnings to total population in South Africa, i.e. average real earnings per capita, declined by almost 20 percent over this eight-year period. Overall, it is clear, recent economic growth has not been markedly more pro-poor than growth in previous decades.

A close examination of data from the OHSs in the late 1990s and the 1996 Population Census, by Wittenberg (2004), provides further grounds for caution. Wittenberg shows that the Population Census and, to a lesser extent, the OHSs undercounted manufacturing jobs relative to Stats SA's Manufacturing Census, which collects information from employers. Wittenberg is unable to explain the discrepancies, but their existence reminds us of the imprecision of labour market statistics from the late 1990s.

Given the growth in recorded informal self-employment, how plausible is it that a large number of informal jobs are still going uncounted, as the Minister of Finance avers? In 2002, President Mbeki himself wrote, in his column in the ANC's online *ANC Today*, that 'the informal sector of our economy is out of sight of many statisticians and public commentators'.[13] The Statistician-General, i.e. the head of Stats SA, also says in interviews that he believes that official statistics underestimate informal employment (ref). Yet, both Stats SA and independent researchers have expended considerable effort in assessing whether the unemployed really are jobless, or are perhaps not reporting various kinds of income-generating work.[14] It is certainly the case that many working people do not think that they have 'real jobs'. But surveys do not allow respondents to classify themselves. Besides asking about waged or salaried employment, the LFS asks about business activities ('big or small', providing as examples 'selling things, making things for sale, repairing things, guarding cars, brewing beer, hairdressing', etc), working on a plot or farm, fishing or hunting, and even begging 'for money or food in public'. It also enquired how every unemployed household member supports him- or herself, asking specifically whether they 'did odd jobs during the past seven days'; if the person was said to have done such odd jobs, they were routed back into the sequence of questions about work. Despite these probes, very many people answer consistently that they are not doing any work, but want work. Other surveys have examined informal businesses directly. Stats SA (2002) conducted a detailed survey of informal businesses, and Berry *et al*. (2002) examined small, medium and micro-enterprises. A recent overview of the

[13] http://www.anc.org.za/ancdocs/anctoday/2002/at42.htm.

[14] This was alleged by Schlemmer and Worthington (1996a, 1996b) and Schlemmer and Levitz (1998), on the basis that gaps between reported household expenditure and reported household income reflected unreported earnings. This inference was disputed at the time (Klasen and Woolard, 1999), and is much less plausible given subsequent changes to data collection in the LFS and comparable surveys.

informal sector does *not* suggest that there is major mismeasurement in recent official statistics (Devey *et al.*, 2005). The Development Bank of South Africa (2005), in a report that is generally sycophantic towards the government, criticizes harshly the government for its unplanned and incoherent policies with regard to the so-called 'second economy'. There appears to be no research to sustain the Minister of Finance and Statistician-General's skepticism about the statistics produced by the agency they control.

There is little reason to believe that the standard unemployment data are fundamentally flawed. And the standard unemployment data show an alarming trend. By the early 2000s, more than 4 million people were unemployed by the narrow definition and about eight million were unemployed by the broad definition. Whether the unemployment rate is 27 percent or 39 percent or even 43 percent, it has risen dramatically since the end of apartheid, and is higher than almost any other country besides war-ravaged Iraq. Long-term unemployment is common. The September 2005 LFS shows that two out of every three unemployed people (using the strict definition) have never had a job; one-third of these – or about 1 million people – had been unemployed for three years or more.

5. Public Welfare and Service Delivery

The slight decline in poverty in the early 2000s identified by Van der Berg *et al.* (2006), is attributed to, primarily, the expansion of social assistance, i.e. tax-financed, non-contributory programmes providing for the elderly, the disabled, and poor parents with young children (see also South Africa, 2006). In other work, Van der Berg (2001, 200x) applies standard fiscal incidence analysis to calculate the benefits to the poor of public services provided in kind as well as cash transfers. His work shows that the government's social spending has been redirected towards the poor. In addition, a range of studies show a rapid expansion since 1994 in access to water, electricity and other municipal services, and housing. Unsurprisingly, the government cites these studies as evidence of its stellar performance in addressing apartheid's legacy of poverty.

Unfortunately, government ministers tend to overstate their case. In *Towards a Ten-Year Review*, the Presidency stated that 'under Apartheid, social grants were still being allocated on a racial basis', and that it was only after 1994 that the government removed racial discrimination in old-age pension benefits (South Africa, 2003: 17). Pro-poor public expenditure massively reduced inequality in the late 1990s, claimed the report; the Gini coefficient for the distribution of 'income' was reduced by 33 percent in 1997 and 41 percent in 2000. 'A comparison with 1993 data shows that social spending in 1993 had virtually no impact on the Gini, suggesting that this change is due to post-1994 redistributive policies' (*ibid*: 90). In a similar vein, the Minister of Finance implied in Parliament in 1999 that black South Africans had never received old-age pensions under apartheid (*Hansard*, 11th February, 1999: col.2,042).

In fact, the ANC-led government inherited in 1994 a welfare system that had long been exceptional in the global South. Unlike other semi-industrialised countries in the developing world, social insurance (i.e. contributory schemes) remained stunted in South

Africa whilst social assistance was emphasized. Non-contributory, means-tested old-age pensions, disability grants and grants for single mothers (state maintenance grants) pre-dated apartheid, although there was racial discrimination in benefits, few African mothers were eligible for state maintenance grants, and the devolution of welfare administration to the Bantustans had meant that there were problems of delivery and corruption in large parts of the country. In the 1980s, the National Party government moved slowly towards racial parity in benefits, and finally eliminated racial discrimination in benefits in 1993. By 1994, pensions were set at a generous level, with a value equivalent to just over one-third of GDP per capita.[15]

The government's claims about the effects of redistribution on inequality are based on research by Van der Berg. In an article published in 2001, Van der Berg (2001a) used standard analysis of 'fiscal incidence', estimating the shares of government spending on welfare, education, health and housing that went to different sections of the population. Welfare spending entailed cash transfers, but the other categories of public expenditure provided benefits in kind, in the form of free or subsidized education, health care and housing. Van der Berg showed that 33 percent of spending in 1997 went to the poorest household income quintile (i.e. the poorest 20 percent of households), compared to just 8 percent for the richest household income quintile. Given that the rich pay almost all tax, there was indeed considerable redistribution through the fiscus in 1997. But, contrary to the claims made in the Ten-Year Review document, there was already considerable redistribution in 1993. In that year, Van der Berg estimated, 31 percent of spending went to the poorest quintile and 12 percent to the richest. Whilst spending was more pro-poor in 1997 than in 1993, the difference in shares was minor. Because spending had increased, however, the slightly higher share of the poor meant a significant increase in spending on them. In a second article, Van der Berg (2001b) showed that the share of social expenditure spent on African people rose steadily from about 1970 to 1993. By 1993, per capita spending on African people was about three-quarters that on white people. But, because white people paid at least ten times as much tax per capita, there was already very considerable redistribution from white to black people, i.e. from rich to poor. Curiously, Van der Berg (2005: 1) subsequently summarised his initial research as showing that 'the first years after the political transition to democracy saw a large and significant shift of social spending from the affluent to the more disadvantaged members of society', although his own published data did not support this precise conclusion.[16]

In his 2005 paper, Van der Berg repeated his earlier analysis, but for 1995 and 2000, using data from the two IESs. The paper sets out clearly the many problems with the data, and the various assumptions that were therefore required. The conclusion is in line with Van der Berg's earlier work: between 1995 and 2000, the share of spending on the poorest income quintile rose marginally, from 31.7 percent to 34.4 percent, whilst the share of the richest income quintile fell marginally, from 11.4 percent to 9.7 percent of total spending. The poor benefited from increased real spending on well-targeted programmes, including social assistance programmes and expenditure on primary health

[15] GDP per capita in current prices was R12,000; the maximum pension was R4,400 p.a..

[16] Van der Berg should have written that the benefits of *increased* spending accrued largely to the poor, in terms of standard fiscal incidence analysis.

care. The poor also benefited from a pro-poor reallocation of funds within the education budget, with more resources going to schools in poor areas. The poor were the beneficiaries of the increases in social expenditure (in real terms) over this period. Whilst it is correct to say that there has been some pro-poor reallocation of public spending since 1994, it is incorrect to claim that pro-poor spending began in 1994. Van der Berg's own work suggests that the shifts in shares of spending since 1994 have been marginal.

The problem with fiscal incidence analysis is that it apportions government spending among different sections of the population without assessment of the actual value of this spending to the poor (see Van der Berg, 2005: 39-43). Government spending in South Africa is pro-poor primarily in the sense that the government pays salaries to teachers working in schools in poor neighbourhoods and to doctors and nurses in public clinics and hospitals. Health spending might be an effective means of assisting the poor, but it is far from clear what benefit the poor actually receive from the considerable funds spent on teachers' salaries. It is clear that schools in rural areas, and many urban areas, provide a very poor education, and that there is at most a weak relationship between spending on schools and the actual quality of education. Indeed, pro-poor spending on education might be viewed more accurately as pro-teacher spending, not pro-poor spending (Seekings, 2004).

Cash transfers are the most direct way of addressing income poverty. Since 1994, there have been no substantive changes in the design of the public welfare system. No substantially new programmes have been introduced, and existing programmes have only been terminated when replaced by others serving the same purpose. The real value of the major grants is still below the value in mid-1994, although the real value of each has risen somewhat since 2002 (see Figure 4). The post-1994 government did complete the deracialisation of social assistance through reforms of the grant system for low-income parents, which has resulted in rapid growth in the number of total grant beneficiaries and a more limited growth in real expenditures, but this part of the welfare state was expanded only after a massive reduction in the value of the grant paid to poor mothers. The post-1994 government has continued its predecessor's policy of encouraging the expansion of contributory welfare schemes. Expenditures on disability grants have risen due to growing numbers of claimants, probably due to AIDS. The welfare system continues to make almost no provision for unemployment, which is the major cause of poverty in the country. In 2002 an official commission of inquiry recommended radical expansion of the welfare system, but the government's response was hostile.

Figures 5 to 8 show the major trends with regard to social assistance. Figure 5 shows the maximum value of each if the major grants, in constant (2000) prices.[17] Grants have been raised intermittently, declining in value due to inflation in between raises. The real value of the old-age pension declined until mid-2003, and then rose, but is yet to attain its value at the beginning of 1994.[18] In relation to GDP per capita, the maximum value of the old-age pension is still significantly lower than it was in 1994. The foster care grant

[17] These are the maxima, because the grants are means-tested.
[18] The disability and care dependency grants have been set at the same amount as the old-age pension.

shows a similar pattern. The state maintenance grant was initially very generous, but declined in value rapidly as it was being phased out. It was replaced by the very modest child support grant. The cut in value was defended on the grounds that it made possible the extension of the grant to all poor children.

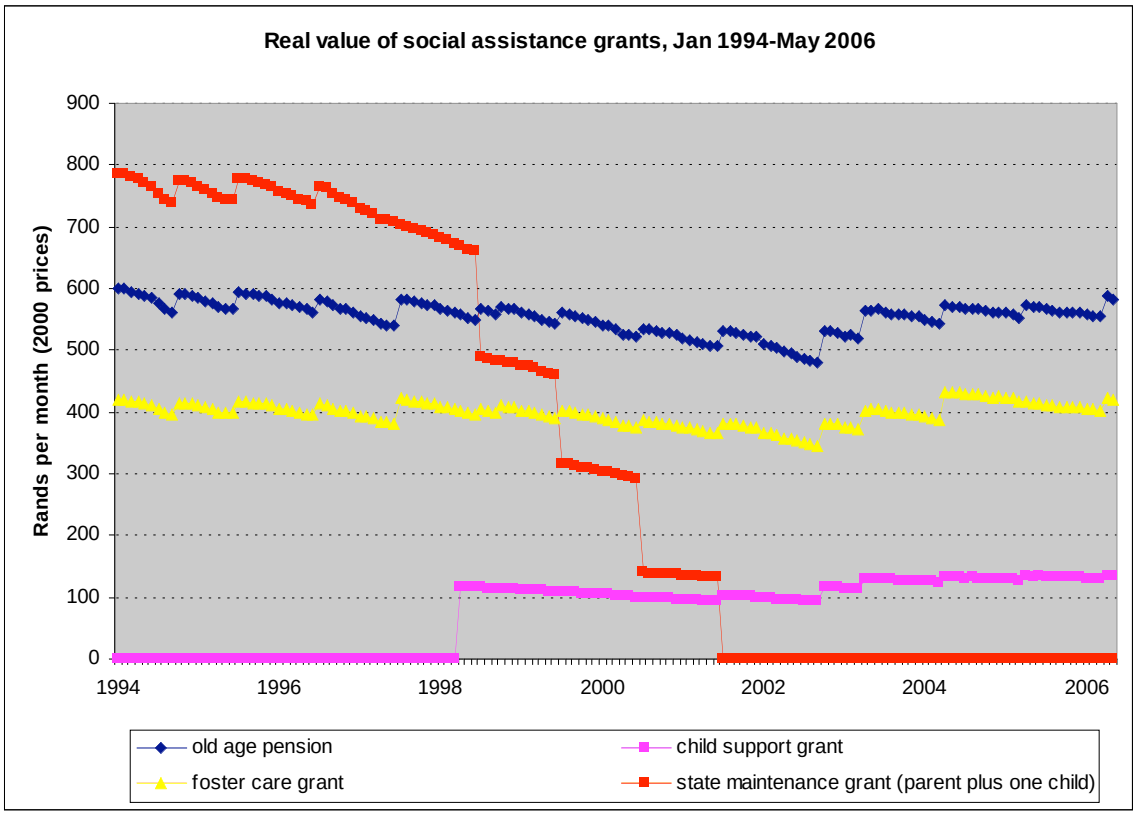


Figure 5: Real value of social assistance grants, 1994-2006

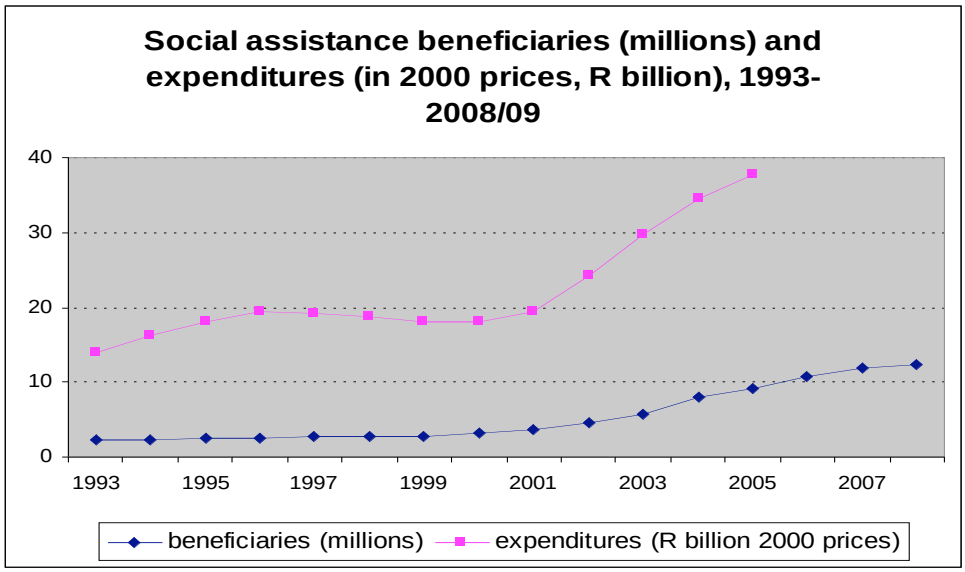
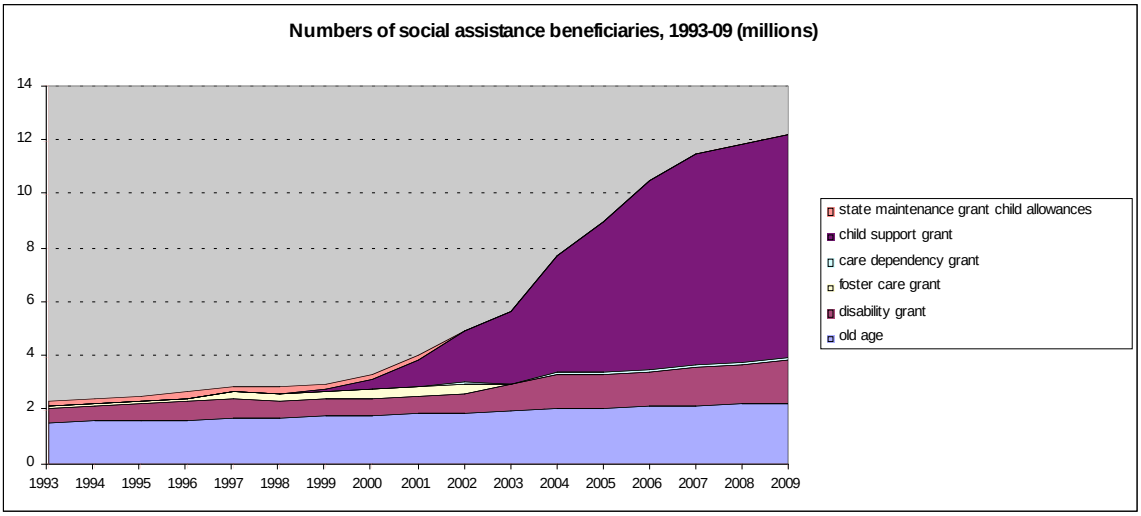


Figure 6: Beneficiaries and real expenditure, 1993-2008

Figure 6 shows the growth in beneficiaries and real expenditure. Both the number of beneficiaries and total expenditure (in real terms) was stable in the late 1990s, and grew rapidly in the early 2000s. Expenditure on social assistance doubled from about 2 percent of GDP in 1994 to almost 4 percent ten years later.

Figures 7 and 8 disaggregate the growth in expenditures and numbers between the major programmes. Figure 7 includes the projected figures for the immediate future as well as the actual figures for past years. Figure 8 only covers a short period because of the difficulties in collating a consistent series on expenditure per programme prior to 2002.



Note: some data for 1994-6 are extrapolations; SMG parent allowances are not included.

Figure 7: beneficiaries by programme, 1993-2009

Figure 7 shows that there was little change in the number or pattern of beneficiaries until 2000. Thereafter there was an extraordinary explosion in the number of beneficiaries, but this was almost entirely due to the growth of child support grants being paid out. The child support grant, although modest in value, very quickly reached ten times the number of children reached by its predecessor, the state maintenance grant. By April 2006 – i.e. the most recent actual data – about 7 million child support grants were paid monthly, compared to just 230,000 child allowances under the state maintenance grant at the peak year of 1998. Figure 7 also shows the slow but significant rise in disability grants.

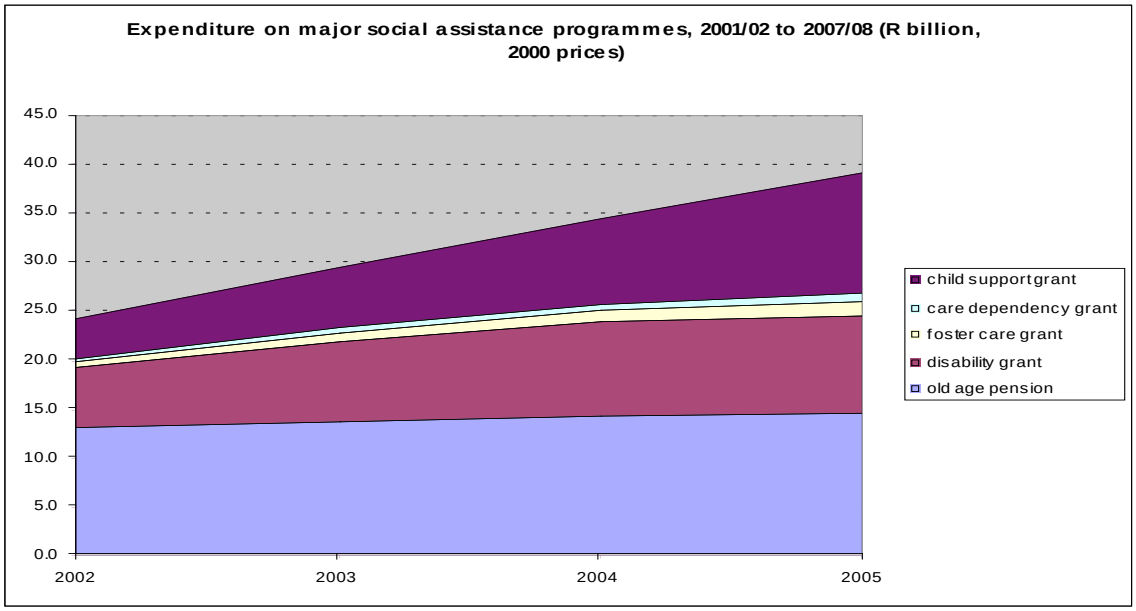


Figure 8: Expenditure by programme, 2002-06

The growth of actual expenditures, shown in Figure 8, is less dramatic than the growth in the number of beneficiaries, for the simple reason that the child support grant is so modest in value compared to the other grants. Nonetheless, in 2003-04, for the first time, old-age pensions counted for less than one-half of all social assistance. In our book, we wrote that 'the single most important instrument of redistribution via the budget is the old-age pension' (Seekings and Nattrass, 2005: 360). Whilst the government's projections envisage that the old-age pension will remain the largest single programme in terms of cost, expenditures have risen rapidly on both child support and disability grants (see Figure 7). The number of old age pensioners is now dwarfed by the number of child support grant beneficiaries (see Figure 6).

The government's attitude towards the growth of spending has been confused. On the one hand, government ministers often take pride in what Mbeki has called the 'third pillar' of the government's strategy. The first pillar is the promotion of 'the growth and development of the First Economy'; the second is addressing 'the challenges of the Second Economy'. The third pillar comprises 'building a social security net to meet the objective of poverty alleviation'. This positive take conflicts with the hostility shown towards social assistance on many occasions. Ministers and officials have denounced rising expenditure on 'handouts', which (they assert) leads to a culture of 'dependency' and 'entitlement'. The government is said to be spending 'too much' on social assistance, and the move to a 'welfare state' is to be resisted. In this, the post-apartheid state has adopted the discourse of the late-apartheid state.

What is clear is that there remain large holes in the social safety net, and many poor people slip through the net. The elderly and disabled are assisted generously, and poor parents receive more modest assistance. But there is no social assistance for those people who are poor despite being able-bodied and of working age. Unemployment insurance covers only a very small proportion of the unemployed, because most unemployed people have never contributed to the insurance fund. Many poor people are dependent on friends, neighbours or relatives.

There are four possible ways in which the social safety net might be extended. The first is through better take-up of existing grants. Samson (2002) estimated that social assistance reduced the poverty gap by 23 percent. Complete take-up of the existing grants would only reduce the poverty gap by a total of 37 percent. Since then, the age of limit on children being eligible for the child support grant has been raised, so that full take-up of grants would reduce the poverty gap by more than Samson's estimate. But, writes Meth, 'there is tentative evidence', writes Meth, that the child support grant 'suffers from the usual shortcoming of means-tested grants – it excludes many who qualify, and includes many who do not' (Meth, 2006: 7). It seems that biological mothers are the only people claiming the grant, even though care-givers in many other households are eligible. The second means of extending the social safety net is to expand coverage through incremental reform of existing programmes. There are currently legal actions over both the exclusion of 14-18 year-old children from the child support grants, and the discrimination against men aged 60-64 (who are ineligible for old-age pensions, although women of the same age are eligible). The state defends its existing policies on the grounds that it is allocating scarce resources to categories of people who suffer the most disadvantage, and are thus most deserving of support.

The third and most radical means of extending the social safety net would be through the introduction of a universal or basic income grant (BIG). A BIG of R100 per month was recommended by the Taylor Committee in 2002 and supported by a 'BIG Coalition' comprising primarily church and trade unions, but has been opposed by government ministers (Standing and Samson, 2003). The fourth means of extending the social safety net, and the one favoured by the state, is through public works programmes. Public works programmes provide cash incomes, but only for those who are able to work and in areas where work is provided. In South Africa, trade unions hold sufficient political power to prevent public works programmes paying very low wages, which has the effects of limiting the number of jobs that can be provided within any given budget, and possibly has disruptive effects on existing opportunities to earn a modest income (Seekings, 2006a).

The government has been cautious in overemphasizing its record in terms of social assistance, presumably because of its reservations about dependency. But it has shown no hesitation in proclaiming loudly its triumphs in delivering services to the poor in the form of water, electricity and housing, especially in the run-up to and campaign for the 2004 parliamentary elections. The *Towards a Ten-Year Review* document collated data into an index of infrastructural services that improved from 0.46 to 0.6 between 1995 and 2002 (South Africa, 2003: 88). These claims are made largely on the basis of data from

the 1996 and 2001 Population Censuses and from household surveys (the OHSs and GHSs). These data certainly indicate a dramatic improvement in access to water, electricity and housing (as has been widely acknowledged; see Leibbrandt *et al*., 2004; Bhorat *et al*., 2006; Seekings, 2006b). Table 1 summarises the improving access to infrastructure between 1993 and 2004, using data from the 1993 PSLSD and the 2004 GHS. Access to (and use of) electricity and telephones has expanded very rapidly. The number of households with electric connections doubled, and the number with telephones rose almost threefold (through the spread of cell phones, not fixed landlines). Access to water and sanitation has improved, as has access to formal housing (in terms of the number of households in formal housing but not in terms of the proportion of the total number of households). The most recent household survey, the 2005 GHS, indicates continuing progress in infrastructural delivery between 2002 and 2005 (Stats SA, 2006; also *Business Report*, 1st June 2006).

Table 1: Infrastructural provision, 1993-2004

	1993		2004	
	Number (million)	% of total	Number (million)	% of all households
Households using electricity for cooking	3.8	45	n/a	n/a
Households using electricity for lighting	4.4	52	n/a	n/a
Households with electricity connections	4.6	54	9.8	80
Households with piped water supply inside house or in yard	5.0	59	8.3	68
Households with flush or chemical toilet on site	4.5	53	6.9	56
Households with a landline or cell phone	2.4	28	6.7	55
Households with formal housing	5.8	68	8.4	69
Total number of households in South Africa	8.5	100	12.2	100

Source: Bhorat *et al*. (2006): 11 and own calculations using PSLSD 1993 and GHS 2004.

But the government's claims about service delivery have been disputed, especially with respect to water. Government policy might be to ensure that everyone is connected, and local government is required to provide a limited quantity of free water. But many households have been disconnected because they have been unable to pay for the water they consumed beyond the free basic supply. McDonald (2002: 170), extrapolating from data from a 2001 HSRC survey, claimed that ten million people had been affected by water cut-offs (and a similar number had been affected by electricity disconnections). Two million people were said to have been evicted from their homes because they had been unable to pay outstanding water and electricity bills, and a further 1.5 million people were said to have had their property seized. The government disputed these figures, and research in Cape Town (Seekings, 2006) suggests that in this one city, cut-offs were much less frequent than indicated by McDonald. But McDonald's basic point remains valid: many households might not be benefiting from infrastructural development because of an insufficiency of income. The UNDP, in its 2003 *South African Human Development Report* (UNDP, 2003), calculated a 'service deprivation index' that measures access to energy for cooking, heating and lighting, together with water, toilet facilities, refuse removal and housing. Using the 1996 and 2001 Census data, the UNDP

found that both the number and proportion of households without access to 'good' quality basic services had increased.

Hemson and Owusu-Ampomah (2006) examine carefully data on water services from the 2002 GHS and the 2003 South African Social Attitudes Survey (SASAS), conducted by the HSRC. They find that about one in three households complained that water services had been interrupted in the previous year, usually once or twice or several times but less than once a month. Asked what was the main reason for the interruption, most respondents said that it was because of maintenance problems (such as burst pipes) or for consequent repairs. Of the one in three respondents who complained of interruptions, only 3 percent (GHS) or 8 percent (SASAS) attributed the interruptions to cut-offs because of non-payment (although there were also many 'don't knows' in SASAS). Respondents in SASAS were also asked directly, 'Has your household had its water cut off for non-payment in the last year?', to which 11 percent of respondents answered affirmatively. The 'direct' question thus elicited about four times the response of the 'indirect' question. But many of the households reporting water cut-offs because of non-payment say that they get their water for free from a communal tap, or they have no meters or pre-paid meters, all of which undermine the claim that their water was cut off for non-payment. When pressed, many of the respondents who initially claimed that their water was cut off for non-payment, then gave other reasons. Hemson and Owusu-Amponah conclude that the number of people affected by cut-offs because of non-payment is at least one million per year, and might be higher than that – but is clearly very much lower than McDonald's estimate of ten million people.

The area of service delivery in which the state has been most obviously and consequentially negligent is health, especially AIDS-related healthcare and the provision of ARVs. By stalling the roll-out of ARVs and failing to organize government publicity around the threat of HIV/AIDS, the government has failed to prevent the explosion of ill-health and death among people who are still young. Life expectancy, as we have seen, has plummeted since the early 1990s. Whilst rich people can get ARVs, if necessary through private medical aid schemes, the poor suffer, lose incomes, and die young. There can surely be nothing as fundamental to inequality as this.

6. Overall Trends in Inequality

There can be no doubting the sincerity of official concern with *some* aspects of inequality. Even the neoliberal GEAR programme had 'redistribution' in its name ('Growth, Employment And Redistribution'), although this was a mere rhetorical gesture. But it is the racial aspect of inequality that has attracted most attention. In 1998, Mbeki famously described South Africa as a 'two-nation' society: 'One of these nations is white, relatively prosperous, regardless of gender or geographic dispersal. … The second and larger nation … is black and poor, with the worst-affected being women in the rural areas, the black rural population in general, and the disabled.' These two 'nations' were distinguished by unequal access to infrastructure of all kinds, and unequal access to opportunities (*Hansard*, House of Assembly, 29th May, 1998, col.3,378). Subsequently,

Mbeki shifted to a deracialised discourse of two 'economies'. Although this suffered from analytic shortcomings (see, for example, Devey *et al*., 2006), at least it draws attention to the marginalized unemployed and other 'outsiders' in South African society without blaming everything on race. This discourse was inserted into the *Towards a Ten Year Review* document (South Africa, 2003). The 2005 Accelerated and Shared Growth Initiative for South Africa (ASGISA), which is said to have replaced GEAR, similarly emphasises the importance of 'shared' growth – although it is far from clear that the resdistributive ambitions of ASGISA are any more realistic (or genuine?) than those of GEAR.

The trend in overall income inequality, however, has been one of worsening rather than declining inequality since 1994. This trend has been found by studies using a variety of data-sets, and stands in contrast to the picture of stable levels of overall income inequality in the previous twenty-odd years. Leibbrandt's calculations using the 1995 and 2000 IESs showed that the Gini coefficient – i.e. a widely-used measure of inequality, which can vary in value from an egalitarian 0 to an inegalitarian 1 – rose by about five percentage points over five years, from 0.65 to 0.7 (Seekings *et al*., 2004; see also Hoogeveen and Ozler, 2004). Leibbrandt *et al*. (2004: 9) compared data from the 1996 and 2001 Population Censuses, finding that the Gini coefficient rose by five percentage points, from 0.68 to 0.73. Simkins (2004) corroborates both the IES and Census findings. Even Van der Berg *et al*. (2006), whose findings on poverty rates are contentious, found that their model of income distribution indicates that overall income inequality rose through the 1994-2004 period.

The Gini coefficient might not be the most appropriate measure of income distribution in the South African case, as it is reportedly less sensitive to changes at either end of the income distribution and more sensitive to changes in the middle. South Africa's rich are unusually rich and South Africa's poor are exceptionally poor, even relative to other unequal societies. If the poor are getting relatively poorer, therefore, the Gini shows less change than alternative measures of distribution, such as the mean logarithmic deviation (see Hoogeveen and Ozler, cited in van der Berg *et al*., 2006: 7). There are also, as I have already suggested, grounds for suspecting that the weights used in survey and census data do not pay adequate attention to the problem of low response rates among rich, and therefore necessarily upwardly-mobile, African households. This would lead to an underestimate of the growth of overall income inequality.

In a detailed analysis of the changing nature of inequality in South Africa in the second half of the Twentieth Century, Nattrass and I argue that the basis of inequality shifted from race to class (Seekings and Nattrass, 2005). Apartheid served to transform the state-imposed privileges of being white into the advantages of class that were rewarded by markets, ensuring that the white elite became a middle-class whose continued privileges no longer depended upon active racial discrimination by the state. This shift meant that the state could dismantle policies of racial discrimination without undermining white privilege. This, in turn, meant that growing numbers of black South Africans could be upwardly mobile into the middle classes.

The Theil index is a measure of inequality that allows for overall inequality to be decomposed into 'within-group' and 'between-group' components. Applied to South African racial categories, this decomposition distinguish the shares of inequality arising from inter-racial as opposed to intra-racial differences. Whiteford and Van Seventer (2000), using Population Census data on incomes, showed that the between-race share declined from 62 percent in 1975, to 42 percent in 1991, and 33 percent in 1996, whilst the within-race share rose commensurately, from 38 percent to 58 percent to 67 percent. Leibbrandt did similar calculations using the 1995 and 2000 IESs (Seekings *et al*., 2004; Seekings and Nattrass, 2005: 308). The trends in between- and within-race shares proved to be highly sensitive to the choice of weights (which were used primarily to compensate for low response rates among white households). Using his preferred weights, Leibbrandt showed that the previous trend continued, with the between-race share falling and the within-race share rising. Leibbrandt *et al*. (2004: 9) use the 1996 and 2001 Population Censuses. Although their estimates for 1996 are different to those of Whiteford and Van Seventer, they find that the existing trend continues: the within-race share rises, and the between-race share falls. Bhorat *et al*. (2006: 45) have similarly decomposed asset inequality into within-race and between-race components. The construct a poverty-oriented asset index comprising characteristics of accommodation (roof, walls, etc), infrastructure (such as use of electricity) and other assets (television, car, etc). The between-race share of inequality in asset ownership declined from 37 percent in 1993 to 18 percent in 2004, whilst the within-race share rose commensurately from 63 percent to 82 percent. The evidence supports the unsurprising conclusion that the removal of racial constraints has led to continuing upward mobility among African people, in terms of both occupations and incomes, such that class differences within the African population are becoming more important as inter-racial differences decline.

Other measures of changing racial income dynamics include trends in racial income shares and the racial composition of rich income deciles. Data on income shares are ambiguous. Between the mid-1970s and mid-1990s, the African income share (i.e. the share of national income received by African people) rose steadily, whilst the white income share declined. The 1995/2000 IES data suggest that this trend continued, although the pace of change depends on the selection of weights (Seekings *et al*., 2004). Van der Berg *et al*. (2006) reached a similar assessment. But the 1996/2001 census data suggest a stabilization (see Leibbrandt *et al*., 2004: 10). Because of differential rates of population growth, however, the ratio of white to African mean incomes per capita probably actually widened (see *ibid*: 11; Van der Berg *et al*., 2006). The data on the racial composition of the top income deciles is more emphatic. Both the 1995/2000 IES data and the 1996/2001 Census data suggest that African people comprised a fast-growing proportion of the top two income deciles (Seekings *et al*., 2004; Leibbrandt *et al*., 2004: 11).

The rich are no longer all white (although almost all white people are still rich). According to press reports, the number of dollar millionaires in South Africa rose by 16 percent during 2005, with most of the approximately six thousand new dollar millionaires created by black economic empowerment deals (*Sunday Times*, 9th July, 2006). Of course, this dramatic enrichment does not preclude its beneficiaries defending it in terms

of 'transformation'. As Wendy Luhabe puts it, 'South Africa is a rich country: the distortion in the ownership patterns that were a direct benefit of a system designed to benefit white citizens disproportionately has to be rectified. … BEE in itself will create successful entrepreneurs, wealthy black people, a black middle class … Ultimately, whatever benefits black people benefits the country…' (*Financial Mail*, 5th August, 2005). The deracialisation of affluence and of self-serving justifications of privilege are two of the trends that exposes the idiocy of Mbeki's 'two nations' imagery, at least in economic terms (as we have argued previously, see Nattrass and Seekings, 2001; Seekings and Nattrass, 2005).

Another trend confounding the 'two nations' analogy is the trend of deepening class differentiation within the African population. In previous work, we have argued that our understanding of the class structure of post-apartheid South Africa has to accommodate the extraordinary rise in open unemployment, which has massive and far-ranging effects in terms of both opportunities and outcomes in life. At least some of the unemployed, and their dependents, should be considered as an 'underclass', suffering systematic disadvantage and constrained opportunities (Seekings, 2000, 2004b; Seekings and Nattrass: chapter 8). The concept of an 'underclass' is not used lightly. I show that there is little evidence for denoting the unemployed as an underclass in terms of criminality (although it would be surprising if chronic unemployment does not have violence-inducing psychological effects on men). Rather, a large section of the unemployed (and their dependents) constitute an underclass because they suffer systematic disadvantage in the labour market. It is not just that they lack employment, but also that they lack the skills, credentials and (especially) connections (i.e. social capital) which are crucial in terms of securing unemployment. It is the lack of social (and human) capital that defines a section of the unemployed as an underclass, not the fact of their unemployment per se.

Unfortunately, little progress has been made in measuring social capital in ways that allow for an more robust delineation of a chronically-disadvantaged underclass. In previous work, I used a simple and readily-available measure as a proxy for social capital: is there anyone else in the household who is working? The logic of this is that friends and family are the key connections who help individuals to secure employment. If you have employed friends and family, then you are more likely to get a job. Asking about employed co-resident household members is a poor proxy for a measure of employed connections, but it is easily applied in household surveys.

The number and proportion of the unemployed living in 'workerless' households, i.e. where no one is in wage employment, are not only high but rising. Oosthuizen (2005: 47) reports that the number (and proportion) of unemployed people living in workerless households, using the broad definition of unemployment, rose from 1.8 million (42 percent) in 1995 to 4 million (49.4 percent) in 2004. Pirouz (2005), using national cross-sectional survey data from 1995 to 2002, also detects a trend of 'employment polarisation'. The proportion of households with unemployed members, and of workerless households, has risen dramatically (to 27% and one-third respectively). Although, on average, household size has fallen, this is because households with

employed members have shrunk. Households comprising unemployed people remain large.

7. The distributional regime: reform or transformation?

Insofar as progress has been slow, or even absent, in reducing inequality and poverty, to what extent is this the product of public policy? In *Race, Class, and Inequality in South Africa* (Seekings and Nattrass, 2005), we examine public policies in terms of what we call an overall 'distributional regime'. We argue that the persistence of inequality in South Africa in the late Twentieth Century was largely due to the reproduction after 1994 of the late-apartheid distributional regime. In short, the pre-1994 distributional regime was reformed, but not transformed, and this has ensured the reproduction of underlying patterns of inequality.

The distributional regime comprises at least three key elements. Redistribution through the budget is the most obvious, with the state taxing the rich and redistributing *to* the poor through social assistance programmes and subsidized housing and services, and redistributing ostensibly *for* the poor through public spending on education and health care. Van der Berg's careful analysis shows convincingly that public spending is redistributive, although – as he himself acknowledges – there is a big gap between spending for the poor and redistributing to the poor in the case of education, where large sums are spent on teachers' salaries whilst the quality of schooling in many poor areas is shockingly low. But the programmes of redistribution are not novel; all the major social assistance programmes predated 1994, as did substantial spending on schools and clinics in poor areas. The deracialisation of these programmes (especially of assistance to poor parents and school spending) has been completed since 1994, but no new programmes have been introduced.

The second key element in the distributional regime is the set of policies and institutions regulating wages and working conditions. The post-apartheid government announced with great fanfare the introduction of 'new' labour' legislation in the late 1990s: a Labour Relations Act in 1995, the Basic Conditions of Employment Act of 1997, the 1998 Employment Equity Act, and the Skill Development Act of 1999. But just how new were these? Notwithstanding their claimed novelty, the Labour Relations Act and Basic Conditions of Employment Act essentially extended existing legislation, introduced to protect unionized, skilled and semi-skilled white workers in the 1920s, to protect unionized, skilled and semi-skilled African workers. This deracialisation is clearly just, in many senses. But in deracialising the legislation that protected the privileges of an elite of white workers, the state was introducing legislation that would ensure privileges for an elite of post-apartheid workers, of whatever race or skin colour. The remaining vestiges of a division between insiders and outsiders inside the workplace were moved outside of the workplace, so that the (formally) employed were now all insiders whilst the unemployed, casual workers and informally employed remained outsiders.

The third key element in the distributional regime is the set of policies and institutions shaping the growth path of the economy, i.e. the direction in which the economy 'develops'. Under apartheid and after apartheid, the state has encouraged more capital-intensive production, despite unemployment. Policies and institutions that affect wage determination and working conditions also serve to promote a capital-intensive, and relatively jobless, growth path, insofar as they push up labour costs, especially among unskilled workers, and provide incentives to employers to substitute capital for labour.

Labour market policy has negative effects on the demand for unskilled labour in two major ways. First, industrial relations procedures result in very high costs to employers of dismissing labour. By one estimate, it costs business 1 percent of GDP to dismiss workers each year, and three times the number of work-days are lost through dismissal procedures than through work stoppages. Some of the labour lawyers responsible for drafting the relevant labour legislation have spoken out against the gap between what they intended and what has ensued.[19] Secondly, wages are negotiated in centralized, sector-based Bargaining Councils, which are dominated by the large, more capital-intensive employers together with the trade unions who have a common interest in setting wages at high levels to eliminate competition from small, less capitalised and less organized employers.

The government itself has slowly shifted toward accepting the need for labour market reform. In 1999, the government initiated a review of labour legislation, but only very minor reforms were implemented. In the same year, the Minister of Labour introduced very minor changes to the regulations affecting small businesses employing less than ten workers. Most recently, in mid-2005, ANC leaders finally declared their intention of tackling the 'holy cow' of labour market policy. A discussion document, tabled at a major ANC conference in 2005, proposed excluding small employers from some regulatory requirements and from the sectoral wage deals negotiated between large employers and unions. Such reform of labour market policy has been strongly opposed by the ANC's powerful allies COSATU and the South African Communist Party, who lobbied strongly against them at the conference, and secured a final resolution that left labour market reform off the immediate agenda.[20]

The precise extent to which labour market policies serve to advantage employed insiders at the expense of unemployed outsiders is unclear. Much of the evidence and argument presented in defence of current labour market policies is much less decisive than their champions believe. But nor is the evidence that labour market policies restrict job creation conclusive. The argument against labour market policies essentially rests on the absence of any alternative explanation of why profit-seeking South African employers do not choose to invest in labour-intensive production techniques that entail large-scale employment of unskilled labour, but instead invest again and again in capital-intensive production that entails modest employment of skilled or semi-skilled labour. If wages or hidden labour costs (such as the costs of dismissal) are not high in South Africa, or if the

[19] *Financial Mail*, 18 February 2005, pp.34-35; 4 March 2005, p.26.
[20] Financial Mail, 1 July 2005, pp.18-20.

labour market is really as flexible as some pro-union researchers claim, then why is there not more employment of cheap, unskilled labour?

8. Conclusion

There is no shortage of data on poverty and inequality in post-apartheid South Africa. Twenty-odd surveys conducted by Stats SA, together with university-run panel studies in KwaZulu-Natal and Cape Town, and a battery of studies run by the HSRC, provide an extraordinary abundance of data. The fiercely modern ANC-run state displays a deep rhetorical respect for statistics. But the inevitable consequence of this is that statistics are highly politicized. Data that shows plummeting life expectancy or worsening poverty or growing inequality or rising unemployment or lengthening infrastructural backlogs or rising crime (which I have not considered in this paper) is frequently dismissed by government ministers, whose general respect for statistics vanishes behind a fog of political self-interest. Ministers seize on dissident analyses offered by social scientists, publicizing them without any of the qualifications often emphasized by the social scientists themselves. Having played a large part in elevating debate into uncertainty, the state frequently opts to move forward by funding yet another survey that will provide supposedly definitive statistics on the controversial topic of the moment.

Existing studies can, however, be used to identify with reasonable clarity some trends in post-apartheid economic and social change. There is overwhelming evidence that life expectancy has plummeted, almost entirely because of HIV/AIDS; that poverty worsened in the late 1990s, but has improved somewhat in the early 2000s; that inequality remains high and has probably increased; that unemployment is very high and has risen since 1994, although informal and formal employment has grown in the early 2000s; social assistance is reaching many more poor people than before, but still fails to reach many other poor people; services have been extended in much of the country, but large backlogs remain, and cut-offs are a problem for many even if the number of people affected is much, much smaller than has sometimes been suggested. HIV/AIDS and the lack of demand for unskilled workers are the key short-term factors driving poverty and playing a major part in income inequality.

Much more research is warranted on all of these trends. It is not clear, however, that more data are the priority. More and better analysis of existing data, systematic comparisons of existing analyses (and the implicit 'models' provided), careful study of the methodologies of data collection and analysis, and the weaving together of quantitative and qualitative research are probably more fruitful activities than more data collection. The state's enthusiasm for a National Income Dynamics [panel] Study – costing R24 million (plus VAT) for the first three years alone, tells us more about the South African state itself than it does about the state of social science knowledge in South Africa. Not that long ago, the Minister of Finance felt the need to defend the expenditure of about R1 billion on the 2001 Population Census: 'We need good statistics to plan for the delivery of education, housing, electricity and water'. The Statistician-General added

that 'the challenge is now to make sure that this information is used'.[21] Given that existing data is both extensive and under-used, why run a new, national household panel study?

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