

## **The Measurement of Poverty in South Africa Project: Key issues**

*'Endemic and widespread poverty continues to disfigure the face of our country. It will always be impossible for us to say that we have fully restored the dignity of all our people as long as this situation persists. For this reason the struggle to eradicate poverty has been and will continue to be a cornerstone of the national effort to build the new South Africa' (President Thabo Mbeki, 2004).*

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## Foreword

*Studies in Poverty and Inequality is an independent Institute (not for profit Trust) operating in South Africa, The vision of the Institute is to promote innovative thinking and dialogue around the development and implementation of policies engaged with eradicating poverty and inequality, and those that address the effects of such states of existence. The Institute works in collaboration with government, civil society and academics. It is committed to the strengthening of participative democracy, including through working with the constitutional institutions established to promote and oversee inclusive and transparent consultative participation in the development of effective, empirically based policies.*

*SPII is committed to the dissemination of knowledge and the pursuit of innovative and new ways of thinking about ways of successfully addressing poverty and inequality in South Africa. Studies into the dynamics and drivers of poverty and inequality have developed at a fast pace over the last 30 years internationally. SPII is committed to contributing to the development of this field of study in South Africa.*

### **A note about this work.**

*Early in 2006, SPII began to enter into discussions around how poverty could be most effectively measured in South Africa. The South African government is bound to do so through a number of international obligations. We tracked the announcement by the Minister of Finance in 2005 of government's intention to introduce an official national poverty line. We were also aware that various studies and projects were ongoing in South Africa that explored different dynamics and manifestations of poverty and inequality.*

*In an on-going twelve month process, SPII has brought together a number of academics and representatives of government departments and agencies to engage in what the different approaches to measuring poverty currently are in South Africa, and to better understand the strengths and weaknesses inherent in each of these approaches.*

*This concept paper is a reflection of the work of this team. It is intended to be an accessible document that explores these questions and in so doing, seeks to inform debate around, and participation in, the very important step of adopting official and appropriate measures of poverty in South Africa.*

*This is an ambitious document, in that it seeks to place a theoretical approach to understanding the issues involving the conceptualisation, definition and measurement of poverty in an accessible manner, as well as to reflect more technical concerns regarding the nature and quality of data that exists which any poverty measure would have to draw on in a manner that does not alienate "lay people". We have also tried to provide a description of historical attempts to measure poverty in South Africa to ensure that current discussions do not take place in an acontextual manner.*

*This document will inform broader consultative fora through the partnership with the National Labour and Economic Development Institute as part of SPII's commitment to strengthening informed participation in the development and implementation of empirically based policies in South Africa.*

*This document should not be seen as comprising a definitive or exhaustive analysis of the alternative approaches to measuring poverty in South Africa, but as a contribution to mapping what the alternative poverty measures could be and the strengths and weaknesses of each.*

## **Acknowledgements**

*This work reflects the hard work and dedication of a committed reference team who have given up their own time to engage with this process. Debate has been open and robust, but always constructive.*

*The views and opinions reflected in this document reflect the outcomes of this process, and should not be taken to represent the position of any individual involved in the reference team.*

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## 1 Introduction

*'Society means a shared life. If some and not others are poor, then the principles on which life is shared are at issue: society itself is in question.'* (Halsey, 1985: xxiii).

Poverty is a contested concept; and it is contested with good reason. Arguments over how poverty should be conceptualised, defined and measured go beyond semantics and academic hair-splitting. The conceptualisation, definition and measurement of poverty in a society is like a mirror-image of the ideals of that society: in conceptualising, defining and measuring what is unacceptable in a society we are also saying a great deal about the way we would like things to be. It is therefore vital that the concepts, definitions and measurements of poverty, as well as being theoretically robust, are appropriate to the society in which they are applied.

Poverty is also political because it relates to the allocation or distribution of resources, and reflects the impact of past and present policy choices (Meth, 2006). The ways in which politicians, citizens and experts use the concept of poverty have very divergent and diverse roots in social, political and philosophical discourses. Present day poverty discourse draws on complex and sometimes contradictory underlying assumptions about what people are supposed to need in order to live a minimally human life; about the obligations between individuals and society, about the relation between have and lack, ill-being, well-being and suffering; and about social life and individual agency. These underlying discourses and narratives are not neatly aligned — and this means that the concept of poverty as it exists in ordinary language has an inherent 'messiness' about it. It can (and is) often used in divergent ways, to highlight different phenomena, and to serve a wide range of purposes. This is not necessarily a bad thing. In fact, its protean breadth and inner diversity is part of what makes the concept of poverty so important and powerful in the debates by which government, social arrangements, institutions and policies are legitimised. It allows the concept to be used in very nuanced, complex and responsive ways (du Toit 2005). Given this 'messiness', it is not possible to refer to any single 'scientific' understanding of poverty (Alcock, 1993, quoted in Magasela, 2005a).

Enquiry into levels of poverty amongst South Africans is not new. Levels of poverty amongst the white population formed the basis of the first Carnegie Commission Inquiry into Poverty during the Great Depression in an attempt by the government to address the "poor white problem" in 1928 (Magasela, 2005). In the early 1980's, as a result of concerns by progressive forces within the country about growing levels of poverty amongst the population as a whole, the Second Carnegie Commission Inquiry<sup>1</sup> into Poverty in South Africa was held, and this was followed by the 1993 "Project for Statistics on Living Standards and Development" undertaken by the World Bank and South African researchers for the African National Congress who wanted a definitive assessment of the extent of poverty within the country prior to taking office (Magasela, 2005). This work built on a strong tradition of documentation, research and analysis into income levels and causes of poverty by researchers such as Simkins and McGrath and Pillay, and research units including the Economic Research Unit at the former University of Natal, and other research initiatives such as the project into the gap between white and black incomes funded by the Anglo American Chairman's Fund.

After 1994, a number of seminal reports on poverty were commissioned by various bodies, including the office of the Deputy President. These included the 1995 Key Indicators of Poverty in South Africa, the Participative Poverty Assessment – South Africa report and the Poverty and Inequality Report, both published in 1998. These studies and reports were part of a national commitment to eradicating poverty that was embodied in the "War on Poverty" declared by then

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<sup>1</sup> These Inquiries were so called because they were funded by the American philanthropic Corporation of Andrew Carnegie.

President Nelson Mandela on behalf of the state, together with broader civil society organisations in 1996. Following on the footsteps of these works was the very comprehensive work, including useful analysis of the state of poverty in South Africa, undertaken by the Committee of Inquiry into a Comprehensive System of Social Security for South Africa (the 'Taylor Committee' whose work was published in March 2002 in a report entitled *Transforming the Present – Protecting the Future*. The committee recommended the adoption of a five pronged social protection system to address not just widespread income poverty, but also a lack of access to assets and basic needs, as well as widespread capabilities poverty<sup>2</sup>.

In terms of the 1995 Copenhagen Declaration, South Africa has a commitment to adopt an official measure of poverty. It has not yet done so. Instead, different measures have been developed and used by different researchers as well as different government departments and agencies.<sup>3</sup> This lack of consensus on poverty measures has in truth had both positive and negative consequences. While the use of different measures has led to dissent — and sometimes confusion — about some of the findings of research on poverty, it is interesting to note that certain government departments have begun to conceptualise and define poverty in ways that reflect the different dimensions of the manifestation of poverty, with specific reference to their constitutional mandate. This has enabled these departments to develop more comprehensive applications of anti-poverty policies than those they might have devised had they simply 'defaulted' to an already established poverty line. Many of these dimensions of poverty correspond with the socio-economic rights guaranteed in the Constitution of South Africa. Because of this fundamental link, Magasela (2005a) argues that there is a need for poverty research to focus more keenly on the use of indicators of multiple deprivation in South Africa rather than absolute or minimalist income based poverty lines, to enable government departments to be true to the realisation of their constitutional mandates.

At the same time, the lack of official measures has also sometimes led to confusion, and has certainly fed into the development of differences and contestations around actual levels of poverty in the country. According to Everatt (2003, 77), "The impact of definitional imprecision has been and remains considerable, affecting the development programmes while fuelling ill-tempered, if ultimately rather hollow, debate". Meth (2006) argues that there are two main aspects to the dissent in South Africa - firstly around the actual conceptualisation of poverty, and secondly relating to both the execution and the interpretation of the surveys that provide the data for studies into the incidence of poverty. Sometimes this has led to great uncertainty about poverty levels and the changes in the extent and nature of poverty in South Africa.

Thus, according to the 2003 UNDP South Africa Human Development Report, income poverty and inequality were found to have increased during recent years. Despite this, the report also found that using a national poverty line of R354 per month per adult equivalent based on 1995 values, the total percentage of people living in poverty had fallen from 51.1% in 1995 to 48.5% in 2002, likewise the total number of people living below the World Bank line of \$2 per day had fallen from 24.2% in 1995 to 23.8% in 2002. The total number of people living below \$1 per day

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<sup>2</sup> There has been much political interest nationally and internationally regarding the extent to which poverty has increased or decreased since 1994 (Bhorat and Kanbur, 2005: 3). There have been numerous studies on the extent to which income poverty levels have changed overall and for different subgroups of the population during the first years of democracy (e.g. Adato et al., 2004; Agüero et al., 2006a; Bhorat et al., 2004; Bhorat and Cassim, 2004; Bhorat and Kanbur, 2005; Hoozevee and Özler, 2005; Leibbrandt et al., 2004; Leibbrandt et al., 2005; Leite et al., 2006; May and Meth, 2005; Meth, 2006; Meth and Dias, 2004; Roberts, 2005; Simkins, 2004; UNDP, 2003; Van der Berg et al., 2006; Woolard and Klasen, 2005). There have also been several studies on the extent to which different poverty alleviation strategies have reduced poverty levels, particularly regarding social security transfers (Agüero et al., 2005; Barrientos, 2005; Case and Deaton, 1998; EPRI, 2004). This political interest has sharpened the focus on poverty measurement and data sources over the past few years.

<sup>3</sup> The Key Indicators of Poverty in South Africa used five different types of poverty lines in its study on levels of poverty (Magasela, 2005), while the Poverty and Inequality Report (PIR), considered both money-metric measures of poverty as a standard proxy for poverty, but it also used a "broader, composite indicator of deprivation" (May, 1998) to deepen understandings about the comprehensive manifestations of poverty.

(in other words, in destitution) however was found to have risen from 9.4% to 19.5% between 1995 and 2002, and the study also found that despite a slight drop in the rate of people living in poverty, the total number of poor people had actually risen from 20.2 million to 21.9 million people between 1995 and 2002 (UNDP, 2003, page 41).

Again, according to the Towards a Ten Year Review Discussion Document released by PCAS, since 1994, South Africans have grown wealthier at slightly more than 1% per annum (PCAS, 2003, page 35). However, according to a subsequent discussion document, A Nation in the Making. A Discussion Document on Macro-Social Trends in South Africa, 2006, the number of households living below an estimated poverty line of R322, per month rose from 28% in 1995 to 33% in 2000 (PCAS, 2006, page 12). Yet the document also claims that since 2000, the total number of people living in poverty has fallen from approximately 18.5 million poor people to 15.4 million (ibid). This claim, which has its origins in Van der Berg at al (2005) however has been vehemently rejected by economists such as Charles Meth (2006a; 2006b). The fact that such heated argument was generated by minute percentile differences demonstrates both the height of the political stakes and the lack of clarity about the meaning of these statistics. Constructive debate needs to be much better informed, with more clarity as to both the nature of the underlying concepts and the meanings of the statistical data and findings themselves.

Moves are currently afoot to dispel some of this confusion and lack of a shared approach. In his 2005 Budget Speech, the Minister of Finance announced government's intention to adopt an official measure of poverty. It is hoped that this initiative will aid in the development of appropriate policy interventions to reduce the impact of poverty and ultimately, work towards its eradication. In addition it may significantly increase the public debates on the various measures of poverty, the causes and implications of poverty in South Africa. This represents an important political opportunity in the development of poverty-related policy in South Africa. More often than not internationally, the task of defining poverty falls to those in power, and hence the conceptualisation as well as the definition is reflective of the dominant ideologies (Magasela, 2005a). The task of defining poverty is often given the appearance of technical neutrality, which masks the political and ideological assumptions which are made. Embarking on a transparent consultative process in finalising the state's approach to defining poverty will go far in ensuring that those who support the objectives of government, but not necessarily the dominant political and economic ideologies, will not view the result of such enquiries as the exclusive domain of the state.

The new emphasis on finding 'official' measures of poverty in South Africa therefore can have a positive effect, but could also bring its own dangers. On the one hand, measures and indicators are vital: they can help take poverty debates beyond rhetoric, and can bring a great deal of concreteness and specificity into discussions that could otherwise be rather ungrounded. On the other, concrete measurement is only one of the ways in which poverty should be understood, there is a degree of inherent complexity that measurement cannot (and should not) dissipate. As this document will argue in the pages below, this means *inter alia* that South Africans should beware of thinking that there is one single 'objective' measure or indicator that can satisfy all the quantitative needs involved in engaging with the reality of poverty in South Africa. Given the fact that a significant proportion of the population lack the means to meet basic needs in South Africa, including food, housing, education and health provision, there is no doubt that there is a need for a measurement of poverty in South Africa that is based on meeting these basic needs, many of which are guaranteed in the South African Constitution. However – even if it were possible to reach agreement on just what those 'basic needs' are – there is also a need to take into account more than just the meeting of basic needs. This is because in some important respects stark economic divisions could continue to exist even once everyone's' most basic needs have successfully been met. Thus it is important to acknowledge the impact of equality and inequality of access to resources in addition to the study of the actual state of impoverishment or enrichment of access to these same resources.

Neither is this a process that can simply be left to experts. For post-apartheid South Africa the definition and selection of a set of appropriate poverty measures presents an opportunity for a participative national expression of the “values, ideals and aspirations” which informed the hard fought battle against the exploitation and oppression of the majority of South Africans for so long (Magasela, 2005). Though expertise is important, as important is a process of engaging with the underlying issues involved in this exercise, and developing a shared approach to the broader problems of poverty and inequality in South Africa.

There are a number of different ways of conceptualising poverty which we unpack in the body of this paper. These range from the historical narrow or subsistence view that equates poverty with the lack of resources necessary for the basic survival of a person, to a broader view that recognises that poverty is multidimensional and that the state of well-being or social inclusion for any person requires access to a far wider range of resources than those necessary to ensure mere survival. This second, more recent conceptualisation of poverty seeks to define the resources that any person living in a community or society requires in order to promote social cohesion and inclusiveness, which are inherent in the right to human dignity. This diversity in the conceptualisations of poverty affects both how poverty is defined and measured and the tools that are used to operationalise these measures.

One key theme in this paper is that it is important to pay attention to the underlying assumptions that shape the form and content of a particular poverty measure. The outcome of any measurement exercise is determined by the initial parameters, or put more starkly, “the measure determines the result” (Bradshaw (2000), quoted in Magasela, 2005(a)). The more simplistic the measure, the less able can the result reflect comprehensively the nature or extent of the state of impoverishment being studied (Meth, 2006). One of the purposes of this paper is to make these underlying assumptions and trade-offs explicit, and to render them more available for debate.

### **The Structure of this Report**

Chapter 2 seeks to explain a number of different terms that are used in poverty and inequality debates.

In Chapter Three we discuss the history of the social and political contestations relating to the discourse on poverty within the recent South African history.

Chapter Four engages with why a need exists to measure poverty with reference to both constitutional and international obligations.

Chapter Five sets out some of the alternative ways in which poverty can be conceptualised, including the various assumptions that inform the differences in these approaches.

Chapter Six maps out a number of different definitions of poverty and inequality in existence internationally.

Chapter Seven explains in greater detail the existing possible measures of poverty and inequality, and Chapter Eight maps the different measures as applied in South Africa, and considers the various data sets that are available for the application of poverty measures in South Africa.

This document is intended to provide a discussion of the issues involved in the conceptualisation, definition and measurement of poverty, and to set out in accessible terms the various alternative ways of measuring poverty. This document seeks to find the appropriate balance between being comprehensive, but also being accessible and easy to understand. In the coming months people across all sectors will be called upon to comment on these issues as government develops an official measure of poverty for South Africa. It is important that as many sectors of people are



involved in this discussion as possible, as the way we define poverty will reflect our underlying national values inherent in our concepts of freedom and equality.

## 2 An exploration of terms and language

A number of terms are often used interchangeably in discussions and debates about poverty. However they can refer to quite different things. In this chapter we set out a number of these terms and explore some of the meanings that have been attributed to them.

### **Poverty**

Poverty can mean a number of different things. In popular discourse, poverty is a 'portmanteau' concept that captures a range of meanings. One important 'thread' in poverty discourse is the notion of material lack – especially the lack of resources necessary for survival. At their most crude, poverty studies and definitions have resorted to identifying what goods a human being would require to prevent them from dying. But agency and dignity is also another important thread: people who are able to survive may still be considered poor if survival requires them to give up their self-respect, or if they are not able to fulfil their minimal social obligations in society. Another important thread is that of subjective experience: people are ordinarily considered poor if they experience forms of lack that lead to *suffering*.

All these aspects of poverty are present in various degrees in more technical conceptualisations of poverty. As has been considered above however, the study of poverty is multi-disciplinary. It is not the exclusive domain of any single science, including economics.

Poverty can be construed in a narrow or broad sense. In the narrowest sense it means lack of income. In a broader sense poverty can be seen as multidimensional, encompassing other issues such as housing, health, education, access to services and to other avenues of accessing resources, and what is somewhat controversially referred to as 'social capital', and access to social power relations. Poverty can be construed in a minimalist or more expansive way: the most minimalist way is to consider people who are poor as being those who are unable to survive even in the short term, i.e. people who are utterly without the means of survival. A more expansive understanding of poverty is that people are poor if they are unable to participate in society as full citizens.

As will be explored further in Chapters Five and Six, there are a number of ways of conceptualising and defining poverty. The definition of poverty has been expanded over recent years from representing a state of bare survival, to embracing access to resources that would enable a person to participate fully in their broader society.

### **Deprivation**

Deprivation refers to the effects of poverty on a person's life. 'Multiple deprivation' is often used interchangeably with 'multidimensional poverty' and the term 'deprivation' is popular with some commentators as it is not 'contaminated' with notions of minimal subsistence which is sometimes associated with the word 'poverty'.

Deprivation also takes into account how being poor limits what a person "can and cannot do" both in terms of immediate and future actions. This definition of deprivation can be compared to an understanding of poverty reflecting what poor people "have or do not have" (Alcock, 2006). Deprivation is therefore usually assessed using indicators that directly measure different types of deprivation rather than solely measuring lack of income. In South Africa, quite often, various scholars have talked about "lived poverty" (Mattes et al., 2003). It is a much more direct way of measuring what it means to be poor. Indicators of deprivation usually include lack of access to key services such as electricity, water and sanitation, or lacking decent housing.

### **Inequality**

Inequality has two equally important meanings. In a sociological sense, inequality is a characteristic of social power relations. Inequality is said to be present if membership of different social groups is linked to highly differential power relations. In this sense, inequality is closely linked to the notion of social exclusion, in that unequal power relations may be linked to differential access to political or socio-economic rights. Inequality here also is linked to the existence of deeply institutionalised social hierarchies, as between 'masters' and 'servants' in slave and post-slave societies, or in societies where class identity and race are closely linked (Kabeer). Inequality in this sense cannot be directly measured because it is a feature of relations. It is however possible to develop indirect indicators that measure the impact of unequal social power relations.

In a much narrower quantitative and economic sense, inequality can refer to an imbalance in the *distribution* of particular resources, such as income, in a specific population. In a well-resourced country, the existence of poverty can be said to be a manifestation of inequality. The gini coefficient is a measure of distributional inequality in a population (see Annex 1). Other ways of measuring inequality include mean log deviation and the Theil Index. These last two measures are both general entropy class inequality measures (Hoogeveen and Ozler, 2006, 72). It is important to track inequality on a very regular basis as inequality measures provide a disaggregation of poverty dynamics.

Policies that are adopted to reduce inequality must contain some element of redistribution of resources from the wealthier to the poorer members of that society (Alcock, 2006). A progressive income tax system that taxes wealthier people at a higher tax rate than poorer people is one such measure that most countries adopt.

Development Economists in the last century were divided on whether inequality posed a positive stimulus to economic growth and development, with one view being that a certain amount of inequality would stimulate competition with a positive impact on levels of productivity. The World Bank's 2006 World Development Report however articulates a concern that very high levels of inequality can and do retard rates of economic development.<sup>4</sup>

### **Vulnerability**

Vulnerability is a concept that is often used in widely divergent ways (Alwang et al 2001). Vulnerability in this paper is used to refer to a state of being that is defenceless to threats to someone's well-being. Vulnerability and insecurity are often used interchangeably to describe situations in which people are not able to cope with threats to their well-being without damaging loss (Dercon, 2005). People are vulnerable when they are at a tipping point, when a shock that they would otherwise recover from with relative ease causes a catastrophic and hard to reverse reduction in their well-being or access to resources (Devereux 2002; Ellis 2003). An important contribution has been made by the study of ecological vulnerability which emphasises that vulnerability is a property of systems, and focuses on how systems respond to shocks. Vulnerability is often defined as a function of two properties of a system: its *sensitivity* (how heavily it is impacted by a shock or event) and its *resilience* (the ease and speed with which it recovers. People are vulnerable when the systems on which they depend for their livelihoods are *highly sensitive* but not very *resilient* (Du Toit & Ziervogel 2004).

### **Indigent**

South African Government often refers to poor people as being 'indigent'. 'Indigent' (like the related 'pauper') is an archaic, Middle English word, which is used to refer to people who are in need or destitute, and is usually used in the South African context to refer to those poor people

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<sup>4</sup> While economic growth has the potential to beneficially impact on poverty eradication, the impact will in general only be positive if the growth is accompanied by a progressive shift in expenditure distribution, according to Hoogeveen and Ozler (2006). The writers conclude that in the absence of such a progressive shift it would take 23 years of sustained economic growth of 5% per annum for the average poor household to move out of poverty.

who are eligible for certain municipality-administered poverty relief programmes. In Eighteenth Century France this term was used to describe people living in chronic poverty, as opposed to people who experienced seasonal or transitory poverty (Hulme and McKay,2005).

### **Social Wage**

The 'social wage' refers to that part of government spending dedicated to the provision of income security, goods and services that confer a personal benefit to individuals. The term is often used to refer to composite state spending on education, social security and housing (although sometimes social security expenditure is removed from the ambit of the social wage).

### **Social Exclusion**

"Social exclusion" originated from European debates on welfare policy, and originally referred narrowly to particular minority groups (immigrants, single mothers, the insane) who were assumed to be inadequately integrated into the welfare state (Silver 1994) . Since then the term has become much more widely used, and currently it usually refers to the process by which poor people are excluded or marginalised from mainstream economic, social and political life. The main way in which social exclusion is different from other poverty-related concepts of poverty is that it focuses attention on social process and social relations, and emphasises the ways in which adverse power relations, discrimination and identity can help to marginalize and impoverish people (Hickey & du Toit 2007).

Simplistic approaches to social exclusion often seem to operate within a naïve assumption that all forms of exclusion are bad, and that inclusion is *per se* a good thing. A more nuanced approach highlights that poverty is often related to a complex interplay of inclusion *and* exclusion. Apartheid society, for instance, involved the forcible and adverse *incorporation* of Black people into the economy, on adverse terms, while they were politically excluded. These approaches to social exclusion often emphasise *adverse incorporation* (Wood 2000, Murray 2001; Bracking 2003). Social exclusion analysis can avoid simplistic or naïve liberalism by going beyond the simple opposition between inclusion and exclusion, and by looking more carefully also at the *terms of* inclusion (du Toit 2004; du Toit & Hickey 2007).

Other definitions of social exclusion focus on exclusion from full 'citizenship' (Silver 1994; Kabeer 2000; Kabeer 2004) which may have particular resonance in the South African context, given emphasis on 'social citizenship'<sup>5</sup> which is contained in the South African Constitution.

### **The Poverty Gap**

The poverty gap refers to the level of resources required to bring everybody above a designated measure of poverty. It is a measure of the severity of poverty. According to Meth (2006), using a poverty line of R250 per capita per month<sup>6</sup> the poverty gap in 2004 was approximately R40 billion. Estimating that Gross Domestic Product (GDP) for the same year to be R1 400 billion, Meth concludes that to have closed the poverty gap in 2004 (and therefore to have effectively moved everybody out of poverty), would have required less than 3% of GDP. Such a direct transfer would have to be made on an annual basis to keep the poverty gap closed.

### **Poverty dominance**

Thuysbaert and Zitikiz (2005, p.) state that:

"... if poverty dominance holds, the poverty ordering is robust both to the choice of the poverty measure [e.g. headcount ratio, poverty gap ratio or poverty gap ratio squared] and the choice of the poverty line."

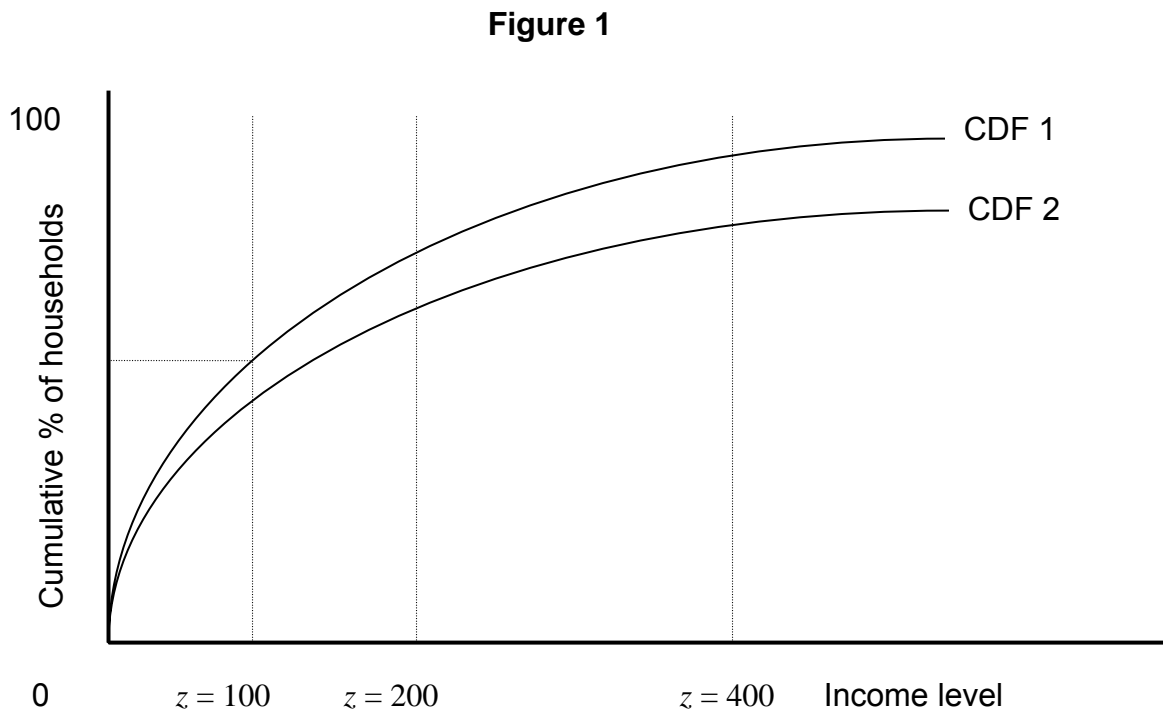
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<sup>5</sup> 'Citizenship' in this context must be seen as broader than political citizenship. All of the socio-economic rights in the South African Constitution are guaranteed to 'everyone', not just to South African citizens.

<sup>6</sup> In 2000 prices, which is approximately R309 per month in 2004 prices

Simply stated, cumulative distribution functions in a comparison of income distributions, say, within any country at different points in time, or between countries, should not cross. If they do, then for poverty lines to the right of the intersection of any two CDFs, welfare conditions are incommensurable.

This is illustrated in Figure 1 below.



If we plot cumulative percentages of households (or individuals) against income levels we obtain a cumulative distribution function (CDF). For CDF 1, about 50% of the population has an income less than some hypothetical poverty line  $z = 100$ . Two hypothetical distributions are shown in Figure 2, CDF 1 being above CDF 2 over all income ranges. The situation in CDF 2 represents an unambiguous reduction in poverty, as measured by the headcount ratio (the proportion of the population below any poverty line  $z$  is less for CDF 2 than for CDF 1). Poverty dominance in the headcount measure may be said to hold in this situation.

The requirement for dominance specified in the statement by Thuysbaert and Zitikiz is strict – a relationship similar to that spelled out above must hold for all poverty measures, not just the headcount ratio.

If, in any comparison of conditions, say between countries, or within countries at different time periods, the CDFs cross each other, it is not possible to compare conditions to the right of the point of intersection without making explicit value judgements about social justice.

**“The Poorest of the Poor”**

This is a term that is frequently used by various government departments in South Africa to designate the targeted beneficiaries of various state intervention policies. There is no official definition of the term, but it is taken to refer to the most vulnerable groups within the country, including poor children and old age pensioners, women headed households and rural, rather than urban dwellers. Its use can be misleading if it is understood to suggest that the states of poverty experienced by others who do not fall into these groups should not be addressed with equal vigour. Because it has not been clearly defined, its use can lead to confusion: on the one hand it could imply that *only* the 'poorest' of the poor are deserving of assistance and that those who are poor (but not among the poorest) should be left to fend for themselves. On the other hand it may just be a pragmatic decision within the constraints of limited resources to target first those who are the poorest.

### **Chronic poverty**

"Chronic poverty" describes a state of poverty that exists over time. A definition of the "chronic poor" developed by the Manchester based Chronic Poverty Research Centre (CPRC 2004) is people who "experience poverty for extended periods of time or throughout their entire lives". According to this definition, chronic poverty is likely to be transferred across generations, and so will probably affect the children of adults currently living in a state of chronic poverty.

Chronic poverty is sometimes juxtaposed with the concept of "transitory poverty" which refers to a state in which people are able to move out of poverty after a short spell. The concepts of chronic and transitory poverty are important because they focus attention on the dynamics associated with escaping poverty or staying poor (Hulme & Shepherd 2003).

### **Poverty relief, Poverty alleviation, Poverty reduction and Poverty eradication**

These terms are often used interchangeably, which can lead to some confusion.

**Poverty relief** refers to policies and interventions that seek to give short term assistance to people who are living in poverty, and is usually linked to some external shock that pushes people into a more severe state of vulnerability than before. It is accordingly often seen as "emergency relief". Examples of these programmes include the Department of Social Development's short term "Social Relief of Distress Grant", as well as food parcels and drought or flood relief. These policies are not intended primarily to be developmental, but to give aid to address immediate needs.

**Poverty alleviation** also aims to reduce the negative impact of poverty on the lives of poor people, but in a more sustained and permanent way than poverty relief programmes. It includes the state's social grant programmes which alleviate the impact of poverty for many people. Poverty alleviation programmes tend to have longer term goals and are in general more developmental than Poverty Relief programmes. Thus the state's social grant policies both provide immediate relief for poor people, but have also been found to provide a developmental stimulus by empowering people to look for jobs who live in households in which members (children, disabled persons or old age persons) receive social grants, or start their own small businesses and of course strive to ensure that children are able to receive sufficient nutrition to enable them to grow up healthier.

**Poverty reduction** usually refers to strategies and policies that reduce the number or percentage of people living in poverty or the severity of the impact of poverty on the lives of poor people.

### **Poverty eradication**

Very simply this means ending the existence of poverty. The state has committed itself to the eradication of poverty in South Africa, and as a half way mark, to halving the rate of people living in poverty by 2014.

### **Wellbeing**

“Wellbeing” is a term that is increasingly used in analysis of poverty and development. While widely used, it has no agreed upon definition and should be seen as an “umbrella term” which includes a number of different theories and approaches (Gough, McGregor and Camfield, 2006). Some writers argue that wellbeing should include both an objective approach which measures externally verifiable aspects of existence, as well as a subjective analysis of the feelings in regard to these externally verifiable aspects of the person whose wellbeing is being assessed (Gasper, 2007, quoted in Gough et al, 2006).

### **Measurement and measuring**

“Measure” and “measurement” can refer both to the unit of qualification (indicator) as well as the act of quantification or calculation itself.

### **Poverty Line**

A poverty line is a statistical representation of the value of all the goods and services considered necessary for either an individual or a household. Once this value has been determined as a poverty line, it can be used to analyse the distribution of resources within a country using quantitative survey data in order to answer how many people in that country fall above the poverty line and how many fall below it (Rio, 2006). Such a measure can only give a snapshot of the distribution of resources within a country: it does not on its own describe the depth of poverty nor does it provide a nuanced analysis of the prevalence of different manifestations of poverty and needs.

### **A note about causes of poverty**

There are a number of different approaches to understanding the causes of poverty. Different views about the causes of poverty can impact on the types of policies that are used to reduce the levels of poverty.

Explanations of the causes of poverty can be broadly divided into three kinds: structural, residual and pathological. ‘Residualist’ notions of poverty see poverty simply as the result of being left out of the growth and development process (Bernstein *et al* 1992). This assumption is made, for example, in Dollar and Kraay’s famous ‘Growth is good for the poor’ argument. Often reliant on a notion of trickle-down, residualist approaches tend to assume that ‘a rising tide lifts all boats’ and that what is required is simply getting more people linked to markets or participating in employment.

Residualist assumptions that economic growth and participation is good for poverty as such are often linked to explanations of the persistence of poverty that pathologises the poor. ‘Pathological’ explanations emphasise the responsibility of individuals for their own poverty. Simply put, those who advocate for such an analysis of the causes of poverty would argue that each individual should be responsible for moving themselves out of poverty. A pathological line of reasoning would argue that a person’s poverty can be attributed to their failure to get a job. This approach would attribute the failure to find a job to a person’s lack of initiative or ‘preference for leisure’ above an understanding that finding a job for many people is not possible due to a labour surplus, or that the total costs of finding and maintaining a low paid job (including transport costs, child care costs and the need for additional nutrition etc) might exceed the total cost benefit that that employment might be able to provide.

In contrast, structural or relational explanations point out that growth and development can in themselves produce poverty and inequality. In order to address the resultant poverty, it must therefore be necessary to change the structure of the nature of the social and economic forces (Alcock, 2006). An applied example of this in South Africa is understanding that poverty for many people is caused by unemployment, which is itself influenced by changes in both global and national production strategies and hence also of the historical trajectory of the political economy.





### **3. Political contestations around poverty.**

Poverty occurs internationally. It may well be argued that the structure of the global economy itself amasses poverty and inequality which is experienced regionally and locally. There is increasing consensus that initiatives to tackle the root causes and the impact of poverty are required on both national and the international arena (Alcock, 2006). Growing awareness of the international scale of poverty led the member states of the United Nations to commit to the eradication of poverty at the 1995 UN World Summit on Social Development (ibid, Rio Group, 2006). Governments have involved themselves in such calls to address the impact of both poverty and biased trade practices that favour developed countries over developing countries. The Commission for Africa is one such initiative, while the Global Campaign Against Poverty is an example of an international civil society call to end poverty. This new articulation of the ways in which poverty and inequality can be addressed, specifically between developed and developing countries has in turn led to an increase in the contestations in these domains. Developing countries have begun to interrogate the assumptions around international aid, and have started to voice trade related demands informed by their domestic economies. Perhaps the starkest illustration of this increase in the nature and intensity of the contestations can be seen in the increasingly unsuccessful successive rounds of the World Trade Organisation negotiations.

In many regions such as Latin America and sub-Saharan Africa, mass poverty has increased. Former USSR states have experienced increases in poverty at an alarming rate. In addition to absolute levels of poverty, levels of inequality have increased within countries as well as between countries (Rio Group, 2006). According to a UNDP report quoted in the 2006 work quoted in the 2006 Compendium of Best Practices in Poverty Measurement (Rio Group), the average income of the world's richest 20% in 1960 was 30 times the value of the world's poorest 20%, but by 1997 this had risen to 74 times as much. Poverty is growing in many regions, and inequality is dividing communities, countries and regions at an ever increasing rate.

Poverty and inequality in South Africa result from a complex history and as such cannot be understood without reference to the impact of race and racism. Given its history, it is unsurprising that race influenced studies of poverty in South Africa. Official statistical categories were combined with racial attitudes and stereotyping in the collection and presentation of data. Important work on poverty in South Africa undertaken by Potgieter since the 1960's, while hugely significant even today, was marred by apartheid, its assumptions and bigotry. To the (perhaps naïve) surprise of many, the defeat of the apartheid political order did not signal a decline or reversal of poverty and resultant social and economic dynamics of exclusion. In fact, the subsequent increases in the levels of poverty and inequality have led some economists to argue the existence of new dynamics that are aggravating the apartheid dynamics of exclusion and impoverishment (Terreblanche, 2002).

Most people within South Africa are in agreement about the need to address and reduce poverty. This can be seen in a number of national initiatives that have attempted to identify ways to reduce unemployment and poverty such as the 1998 Presidential Jobs Summit, and the 2003 Growth and Development Summit and the subsequent provincial Growth and Development initiatives. In addition, high levels of public engagement around poverty have been championed by amongst others, former President Nelson Mandela and Emeritus Archbishop Desmond Tutu and their respective philanthropic trusts. South Africa has also seen a very large increase in the rate of corporate social investment in recent years, and there is also a high level of individual giving to charities, especially to religious organisations addressing various states of vulnerability.

There is however disagreement about both the pace, and the choice of paths to end poverty, including the allocation of state resources for this end. Within civil society widespread and ongoing campaigns exist (such as the People's Budget Campaign and the Basic Income Grant Campaign) that seek to engage with the state around its allocation of resources and design of its

macro-economic policies on the basis that they do not create enough space to adequately address the needs of the poor and the working poor. Within the tripartite alliance of the African National Congress, the South African Communist Party and the Congress of South African Trade Unions, the latter two bodies have adopted a number of resolutions calling for greater redistribution of existing wealth, including through a more redistributive progressive income tax system, as part of an ultimate realisation of socialism in South Africa. The ANC as the ruling party has adopted economic policies that argue for a more gradual approach to addressing the needs of people living in poverty. The Growth, Employment and Redistribution policies (GEAR) argued for redistribution through economic growth via a trickle down mechanism. In the absence of the desired levels of economic growth, very little relief reached the poor, and instead levels of unemployment and poverty increased. Research has now shown that the 'trickle down' approach to poverty alleviation does not work (2006 World Development Report).

The South African government has more recently announced that it wants to accelerate economic growth as well as transform the economy. By adopting a more interventionist and developmental approach it hopes that the benefits will be shared more widely through the policies eg. of ASGISA, BBBEE, etc., This indicates that contestations around resources and their distribution are far from settled, and it is important that the nation as a whole engages in discussing how poverty affects the values to which we aspire.

In engaging in the poverty discourse, it is important for all concerned to acknowledge that a certain degree of contestation is inevitable in any society.

Du Toit in '*Chronic and Structural Poverty in South Africa: Challenges for action and research*' (2005:2) argues that

"... to engage with the structural dimensions of poverty and chronic poverty requires close attention to the complexity and diversity of the social dynamics and power relations that underpin it. The 'livelihoods framework' .....can make a contribution to this exploration, but by itself it is not enough. Closer home, another set of limitations that needs to be questioned is the re-emergence in Southern Africa analyses of poverty of an unquestioned analytical liberalism. Both these traditions tend to depoliticise the study of poverty, underemphasizing the persistence of racialised hierarchies and unequal social power relations within modern South African society."

Du Toit goes on to call for ".....a broadening of the conceptual and theoretical terrain of poverty studies : for an enlargement of what can be said about poverty, and specifically for a re-engagement with the complexities of antagonism, power, political economy and agency." He points out that "....."the theoretical traditions of critical sociology and anthropology provide the tools for exploring complex questions about the interrelations between poverty, power relations, vulnerability and agency".

If recent South African discussion about poverty and inequality appear to have been polarised between rights-based and a more economics - based, technocratic approach, perhaps we can locate this difference in how the South African constitution formulated the socio-economic rights that are enshrined in Chapter Two thereof, namely the Bill of Rights.

South Africa is one of the few countries in the world that guarantees socio-economic rights within its constitution. These rights include access to housing<sup>7</sup>, health care, food, water and social security<sup>8</sup>, and education<sup>9</sup>. The formulation of the rights of access in chapters 26 and 27 are subject to an internal limitations clause that reads that:

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<sup>7</sup> Section 26.

<sup>8</sup> Section 27

<sup>9</sup> Section 29.

*“The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right/ each of these rights”.*

In other words, the current contestation could be understood to turn on the pace of the progressive realisation of these rights required to give substance to the constitutional rights to equality, human dignity, life and freedom (as enshrined in sections nine to eleven respectively of the constitution).

An illustration of this lies in the interaction between the state and certain civil society based campaigns that claim that the cutting of income taxes and the budget deficit reduces the state's available resources that it could instead allocate to greater poverty eradication programmes. The state's response to this has been to claim that to guarantee long term access to these rights it is essential to have a stable and sustainable economy, and in order to ensure this, it is necessary to adopt more conservative fiscal and monetary policies.

Another illustration lies in the response to the state's declaration that the rate of poverty and unemployment is to be halved by 2014. While some people greeted the adoption of this target with approval, others raised concerns about whether the achievement of this and other Millennium Development Goals was in fact possible at the current rate of progress, yet others felt that this target was far too conservative and unambitious. “What do we tell the other half in the interim?” was the sentiment that summed up this latter position.

In order to promote the national transformation within South Africa that most people aspire to, it is important to allow the space for the articulation of divergent views. The important caveat to that is that positions need to be informed by evidence based knowledge rather than rhetoric, which in turn calls for the need to generate a greater informed understanding about poverty, both quantitative, and qualitative, in order to ensure that resultant policies are based on empirical evidence against which progress can be constantly monitored.

#### 4. Why do we need to measure Poverty?

Some people might say that arguing about definitions and measures of poverty is splitting hairs: that in a country such as South Africa, the presence of poverty is so obvious that there is no reason to undergo complicated processes to measure and quantify poverty – instead we should be concentrating on doing something to eradicate the causes of poverty and to alleviate its effects. Everatt (2003) as cited by Meth in *'Half Measures revisited- the ANC's unemployment and poverty reduction goals'* (2006) describes poverty studies somewhat critically as:

“.....a small crafts industry... measuring poverty and deprivation (which) has now grown into a major transnational industry (in inverse proportion to poverty reduction)...”.

While the existence of poverty might be all too clear, it is also true that government is currently directing many billions of rands to social spending – and specifically on spending that is directed at poor people, such as the social grants programme. However, being able to measure aspects of poverty helps ground debate, and is essential as part of the design of policy and government interventions. Clarifying what we mean by poverty can contribute to effective poverty eradication in the following ways:

- By being able to measure poverty we can also begin to map geographically where poverty is more severe and so direct resources accordingly.
- By understanding the various dimensions of deprivations experienced by people living in poverty government can focus its resources on specific programmes, such as housing, basic services etc.
- By having a poverty measure we are able at appropriate intervals to evaluate whether the poverty programmes are being effective and moving people out of poverty and improving their well-being, both in the short term and over an extended period of time.
- By placing information about the levels of poverty and the resultant inequality in South Africa in the public domain we can build a national commitment to eradicate poverty that goes beyond government.

In addition, South Africa is bound by a number of international obligations to both adopt a poverty measure, and to work towards ending the current levels of poverty.

#### **South Africa's obligations under international treaties and the South African Constitution.**

##### **International Obligations:**

- South Africa is a signatory to the 1995 Copenhagen Declaration which emerged from the United Nations World Summit on Social Development. In terms of this Declaration, signatories undertook to develop a country specific measure of poverty by 1996.
- South Africa also has obligations in terms of the United Nations Millennium Development Goals to halve poverty and unemployment by 2015. In fact, South Africa has committed to reaching these goals by 2014. While the default Millennium Development Goal uses a poverty line of \$1 per day, countries have been encouraged to use their own national poverty measures.
- There are a number of other international covenants and treaties that South Africa has signed which commit signatory states to the advancement of the socio-economic rights of their inhabitants which have a direct bearing on people's states of well-being or impoverishment. These include the International Covenant on Economic, Social and Cultural Rights, the African Charter on Human and Peoples Rights, the African Charter on the Rights and Welfare of the Child, the Convention on the Rights of the Child, the

Convention on the Elimination of All Forms of Discrimination against Women, and the International Convention on the Elimination of All Forms of Racial Discrimination (Liebenberg, 2005).

### **The South African Constitution**

The final constitution of our new democracy was adopted in 1996<sup>10</sup>. The constitution has won international praise for the inclusion of a number of justiciable socio-economic rights within the Bill of Rights (Chapter Two of the constitution).

While the Bill of Rights does not guarantee a specific level of income for any person, nor, importantly, the right to a job or paid employment, it does address a number of domains that relate to people's well-being, in particular there is a right to adequate housing, to health care, to sufficient food and water and to social security, including social assistance, and to education. In addition, children's rights to basic nutrition, shelter, health care services and social services are specifically guaranteed<sup>11</sup>.

The state has a positive obligation in terms of section 7(2) of the constitution to realise these rights. While the state's obligation in terms of sections 26 and 27 is subject to progressive realisation within the state's available resources, the Constitutional Court has ruled that for the realisation of each of these rights the state needs to be able to demonstrate that it has adopted a plan for the realisation of these rights that is reasonable both in its planning and implementation (Liebenberg, 2006).

In addition, the Constitutional Court has ruled that an element of reasonableness is that the state must make short term provision for people who are living in intolerable circumstances (Government of the Republic of South Africa and others vs Grootboom and others, 2000 (11) BCLR 1169 (CC)), or who face irreparable harm to their health or lives (Minister of Health and Others vs Treatment action campaign and Others (1) 2002 (10) BCLR 1033 (CC)), or who would face destitution without state assistance (Khosa and others vs Minister of Social Development and others; Mahlaule and another vs Minister of Social Development and others, 2004 (6) BCLR 569 (CC) ) (Liebenberg, 2006).

In order for the state and society to know whether progress is being made towards the full realisation of these rights, comprehensive and accessible measures of poverty are vital.

### **A Cautionary note**

Poverty measures such as poverty lines are powerful tools because of the way they can impart focus and concreteness to discussions and debates about policy. This however also brings with it certain dangers, because this power can be abused. The most important way in which this power can be abused is when the (always political, always ideological) decisions that inform the design of a particular tool are hidden from view. A poverty line based on the (conservative) notion that people can only truly be said to be poor if they are verging on starvation can be used, for instance, to downplay the level of poverty in a society. The simplifying power of poverty measures thus could be misused, imparting a spurious objectivity to statements and judgements which might otherwise look much more questionable.

The poverty line or lines chosen by the South African government will be an important contribution to the policy debate on poverty in South Africa. However, while we all know that the chosen poverty line or lines is not the definitive measure of poverty in South Africa, it will in all probability be *seen* as definitive. The National Treasury is developing a poverty line or set of lines for South Africa, and this can be seen as a positive step for policy makers and researchers. What must be understood though is that while this is a technical exercise on the one hand, it is vitally

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<sup>10</sup> Act 108 of 1996.

<sup>11</sup> These rights are contained in sections 26, 27, 29 and 28 respectively.

important that it is also discussed within the broader society, as both the process of constructing an official poverty line or lines and the choice of a specific line or lines are important (Magasela 2005).

Official poverty lines often develop a 'momentum' of their own. Due to their official status, they may easily be used in setting targets in contexts where the considerations that were taken into account in their development are not operative: making the issues and considerations involved in the formulation of a poverty line explicit is one way of reducing this danger. Discussions on the poverty line should for that reason focus not only on the *level* of the line but also on the ways in which these indicators are to be used, and what other indicators may be used in addition to the poverty line. As Leibbrandt *et al* (2004) conclude in their analysis of inequality and poverty using the 1996 and 2001 Census survey data using two income based poverty lines:

*“This income-based approach presents only one of many dimensions to the measurement of wellbeing in South Africa. The narrowness and limitations of this approach are revealed when we show that, over the same 1996/2001 period, there have been important improvements in access to basic goods and services for many households”* (page 5).

With regard to the process, this opportunity that presents itself could be used to discuss the values, aspirations and ideals of the post-apartheid society that we live in as well as the type of society we are in the process of creating. Historically, poverty lines were based on the minimal nutrition required for survival; more recent poverty lines have included other material requirements. However these remain at minimum levels, and should be guarded against.

#### **Uses and Users of Poverty Measures**

As set out above, government has a pressing need to understand both the poverty head count and the levels of poverty experienced by people in South Africa.

The South African government often targets its social spending, through which targeting it seeks to be able to benefit the “poorest of the poor”. The development of rational targeting policies is dependent on an awareness of thresholds of poverty and destitution. Reasonable policies require empirical data, which in turn needs to be based on clearly understood measures.

Currently each national department uses its own operationalised definition and measurement of poverty, which has been developed in accordance with how each understands its mandate. While it is necessary for departments to dovetail their definitions to their functions, it is important that these are based on an empirical understanding of levels of poverty and poor peoples needs to ensure that the different targeted relief programmes are appropriately designed, implemented and monitored.

Statistical agencies need to be able to collect information to service government’s needs based on a clear definition of poverty.

However the use of accessible poverty measures extends well beyond the remit of government. Academics and researchers in social policy and economics clearly require some form of quantification of poverty, and equally clear is the fact that the value of their work will increase if they are all able to refer to set of transparently derived measures in their various studies.

Organised Labour requires information on poverty levels and the costs of acceptable levels of well-being for effective wage bargaining.

In addition to these social actors, society in general can only benefit from accessible measures and data on poverty and inequality. Society in general also benefits from information on poverty since it reflects the well-being of communities, and contributes to the development of an informed

society. There are various ways in which this information can be disseminated, including through the media and through civil society campaigns.

## 5. Conceptualising Poverty

Concepts of poverty and definitions of poverty are phrases that are often used interchangeably in academic literature about poverty; however this can lead to confusion. This document distinguishes between concepts, definitions and measurements of poverty. By 'concepts', we mean the frameworks out of which definitions are developed. These frameworks are themselves informed by competing ideologies. 'Definitions' may be used to distinguish 'the poor' from the 'non-poor', within the framework of the concepts, and 'measurements' operationalise the 'definition'. This separation is important, particularly when formulating policies to combat poverty:

*'The policies developed to tackle poverty reflect dominant conceptualisations. In practice, concepts are mediated by definitions and measures and it is important to differentiate between the three as they are frequently conflated. Thus for instance, 'concept' and 'definition' are often used interchangeably. A clearer separation between the three terms helps to avoid confusion and unnecessary confusion between broader and narrower notions of poverty.'* (Lister, 2004: 3).

Some of the frameworks for conceptualising poverty include 'absolute' and 'relative' approaches, the 'capability' and the well-being approach.

### **Absolute Poverty**

Absolute poverty - a concept associated with the late nineteenth century British social reformers Booth and Rowntree (e.g. Rowntree, 1901) — usually refers to a state of deprivation defined in relation to a supposedly objective, invariant and value free external definition of basic human needs. Accordingly, the standard of absolute poverty supposedly does not change according to prevailing living standards of a society, or over time, or according to needs of different groups in society.

Rowntree made use of a concept of 'primary poverty' which he described thus: 'Families whose total earnings are insufficient to obtain the minimum necessities for the maintenance of merely physical efficiency' (Rowntree, 1901 p. 86). In the present day, this approach lives on in the development of 'food poverty lines' which are based only on calculations of the income needed to secure minimum human calorie requirements, i.e. the cost of keeping people alive, and does not take into account any of their other needs, far less, desires.

The World Bank adopted an absolute approach when conceptualising poverty in the international development context, explicitly linking its approach to Rowntree's 1901 study:

*'In a classic study first published in 1901, Seebohm Rowntree calculated that 10 percent of the population of the English city of York in 1899 was living in poverty (below minimum needed expenditures). As we enter the next century, the World Bank calculates that a fourth of the population of the developing world—about 1.2 billion people—is living in poverty (below \$1 a day). These two calculations of income poverty are separated by a century and have very different coverage. Nevertheless, the basic concepts and methods they embody have strong similarities.'* (World Bank, 2000, p.17)

An alternative – and more multi-dimensional - concept of 'absolute' poverty was given at the World Summit for Social Development in Copenhagen in 1995 as follows:

*'a condition characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It*



*depends not only on income but also on access to social services'* (World Summit for Social Development, 1995).

Absolute poverty is claimed to be 'an objective, even a scientific notion' (Alcock, 1993. 68). This is a mystification: *any* definition of basic human needs is in fact based on underlying political and ideological assumptions. The popularity of food poverty lines, for example, owe some of their power to their supposed foundation in "facts" of human biology – but they are also linked to a (deeply conservative) underlying assumption that people can only be called truly poor if they are verging on starvation – so that food poverty lines routinely and paradoxically mean that there are many above the poverty line whom common sense would still call poor. Additionally, even the earliest applications of an absolute concept of poverty can be shown to contain some element of 'relativity'. For example, Alcock (1993, 70) rightly points out that Rowntree included tea as a necessity in his first poverty study despite its being of negligible nutritional value. By the time of his 1936 study Rowntree had included owning a radio and being able to buy a daily newspaper as necessities, tacitly accepting that what it is to be poor changes as society changes. The 'shopping basket' of basic human needs in fact is always based on contestable assumptions of what people need for mere survival, and what must be allocated to a wide range of components such as, for example, housing or transport.

It seems that any definition of poverty must make some allowances for prevailing tastes, for different assumptions about how people survive, and so must, to some degree, be relative. This can be seen in the fact that if a diet is constructed to provide the necessary nutritional minimum at the lowest cost it will invariably be so monotonous that no-one would consider it really adequate. Far from being an objective notion, absolute poverty is wholly dependent on the views of those who determine the minimum requirements or basic needs at the definition stage.

### **Relative poverty**

In contrast, the concept of relative poverty explicitly relates poverty to a reference group. Rather than refer to a supposedly objective standard, it links poverty to a particular point in the *distribution curve* of a particular variable such as income. People are judged to be poor if they are poor *in comparison* to those around them. This notion of poverty is therefore particularly relevant when debates on social justice do not merely focus on the needs of bare survival, but also on the question of *inequality* in society. It is also explicitly acknowledged that what it means to be poor will change over time and from place to place. As Townsend wrote:

*'there is no list of the absolute necessities of life to maintain even physical efficiency or health which applies at any time and in any society, without reference to the structure, organisation, physical environment and available resources of that society.'* (Townsend, 1962. 219).

In its narrowest sense, relative poverty is conceptualised in relation to the national distribution of income/expenditure (e.g. May, 1998). However the parameters of a concept of relative poverty can range from the notion of 'making ends meet' (e.g. Goedhart *et al.*, 1977) or satisfying a socially acceptable minimum standard of living (e.g. May, 1998), to living in a way which is customary or average for society (e.g. Galbraith, 1958; Townsend, 1979); and beyond that to full participation in society (e.g. Noble *et al.*, 2004). Each of these parameters precedes and informs the definition process.

Relative poverty can be conceptualised by reference to the general living standards or norms of the society as a whole or in terms of the resources required to participate fully in that society. For example, in 1958 Galbraith stated that:

*'People are poverty stricken when their income, even if adequate for survival, falls markedly behind that of the community. Then they cannot have what the larger*

*community regards as the minimum necessary for decency; and they cannot wholly escape, therefore, the judgement of the larger community that they are indecent. They are degraded, for, in a literal sense, they live outside the grades or categories which the community regards as respectable.'* (Galbraith, 1958: 323).

By the mid 1960s relative concepts of poverty while still focussing on the adequacy of resources began more explicitly to look at exclusion from customary or approved living standards customs and activities, (e.g. Townsend and Abel Smith 1965)<sup>12</sup>. In the words of Townsend:

*'Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet, participate in the activities and have the living conditions which are customary, or at least widely encouraged or approved, in societies to which they belong. Their resources are so seriously below those commanded by the average family or individual that they are in effect excluded from ordinary living patterns, customs and activities.'* (Townsend, 1979, p.31)

Thus, over the last hundred years, debates about poverty have shifted from ones that focus solely on the minimum resources required for subsistence, to the minimum required, in terms of resources and other endowments, to participate in society with dignity as a full citizen. That is, concepts and definitions of poverty have moved from a narrow focus on absolute resource based subsistence definitions to ones which are both relative and *multi-dimensional*, and which can also change over time (Lister, 2004).

### **Capabilities Approach**

It is important to note that a relative conceptualisation of poverty should also encompass the meeting of basic needs. Defining the poor merely as the bottom 20% of society, would for example be ridiculous if almost everyone in that society was struggling to eat. Such considerations caused Sen to state that an adequate concept of poverty should always contain an absolute component:

*'There is, I would argue, an irreducible absolutist core in the idea of poverty. One element of that absolutist core is obvious enough ... If there is starvation and hunger, then-no matter what the relative picture looks like - there clearly is poverty.'* (Sen, 1983: 159)

He went on to develop his now widely used capabilities approach. This approach conceived of poverty as being absolute in the space of 'capabilities' - in other words, referring to supposedly universal human needs with relation to nutrition, education, human dignity and participation in society - but relative in the space of 'commodities, resources and income' that are required to realise those capabilities. 'Capabilities' include such things as nutrition, shelter, and the capacity to move from A to B, and should be defined in absolute terms; the 'commodities' required to meet them will be relative and depend on a particular society at a particular time. For example, it is necessary to have the capability to get from A to B, but in different societies this would require differing commodities such as a car, a bicycle or a pair of shoes (Sen, 1983).

Sen also touches on notions of participation in society when he talks about the capability of "avoiding shame":

*'An absolute approach in the space of capabilities translates into a relative approach in the space of commodities, resources and income if dealing with some important*

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<sup>12</sup> Both Sen and Alcock argue that Marx and Adam Smith had relative definitions of poverty; relative poverty as a concept therefore has a history going back long before the 1960s.

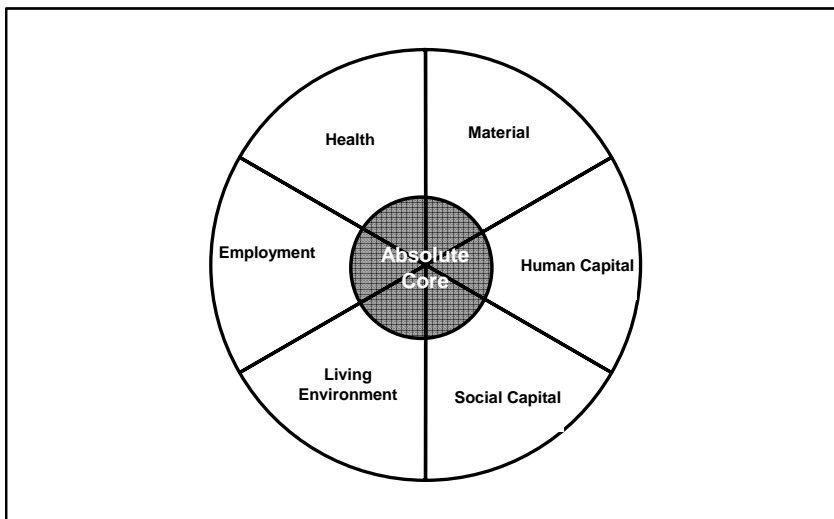
*capabilities, such as avoiding shame from failure to meet social conventions, participating in social activities, and retaining self-respect.'* (Sen, 1983: 167)

### **Relative Poverty with an Absolute Core**

A way of combining absolute and relative work, and drawing from the capabilities approach, is to conceptualise poverty in a multi-dimensional and relative way that incorporates the meeting of basic needs. By conceptualising poverty in this way, to be poor would mean to be excluded from full participation in society, i.e. excluded from full citizenship. There would also be an absolute 'core' which relates to the meeting of basic needs across the various dimensions of poverty.

A diagrammatic example of such a model of poverty is shown below in Figure 2. The dimensions shown are illustrative rather than prescriptive.

**Figure 2.**



Such a model is consistent with the vision for South African Society articulated in the preamble to The White Paper on Social Welfare:

*'a humane, peaceful, just and caring society which will uphold welfare rights, facilitate the meeting of basic human needs, release people's creative energies, help them achieve their aspirations, build human capacity and self-reliance, and participate fully in all spheres of social, economic and political life'* (Department of Welfare, 1997: Preamble).

## 6. Definitions of Poverty

The previous chapter considered different concepts of poverty, and the many ways in which the parameters can be set: from achieving survival through to full participation in society. Having considered these issues and if one is seeking to count the poor, it is then necessary to distinguish the poor from the non-poor in some way: this is the definition stage.

Sometimes the definition will be expressed in terms of a 'poverty line' by reference to the income required to avoid poverty (however conceptualised): this is sometimes referred to as an *indirect* definition of poverty (Ringgen, 1988). Poverty may also be defined using a set of poverty indicators, which would comprise a *direct* definition of poverty (and in some instances, the set of poverty indicators are then combined to create an index). Therefore, it is possible to choose whether poverty is to be defined *indirectly* in terms of number of Rands, or *directly*, using a set of indicators. There are strengths and weaknesses with both approaches to defining poverty and the following two chapters contain examples of both approaches.

One further distinction can be made. There has been extensive debate internationally about who is best placed to define poverty: is it best achieved by 'experts' or by ordinary people (who may have much more experience of what it means to be poor)? Definitions of poverty can be divided into those which are expert-derived and those which are not solely expert-derived, i.e. which additionally take into account (to varying extents) the views of ordinary people. Examples of expert-derived definitions of poverty are given in Chapter 7, and examples of different definitions of poverty which take into account the views of ordinary people, are given in Chapter 8.

The first section of this chapter contains a discussion about general issues relating to poverty lines, indicators and indices. The second section considers whether, instead of just having one definition of poverty, it is preferable to use several definitions of poverty.

### Poverty Lines, Indicators and Indices

The use of a single datum ("datum" here meaning "information") line to separate the "poor" from the "non-poor" was first used in initial attempts to quantify levels of poverty (Rio, 2006). There are two types of poverty lines which are generally in use: first, those which represent the value of a selection of goods or services that are identified as necessary, and second, those which relate to the distribution of income/expenditure within a society.

*Poverty lines which represent the value of a selection of goods or services that are identified as 'needs'*

This type of poverty line is generally calculated by giving a monetary value to a basket of goods or services that are identified according to the standard of living or well-being that policy makers decide should reflect a state of impoverishment. Decisions about how to quantify the contents of the basket have to be made, and so do decisions about what services policy makers can assume people are receiving for free and thus can be excluded from the basket of goods.

This type of poverty line can be used to depict what is known as a "head-count" of the total number of people living in poverty. However, using a single poverty line does not help policy makers learn about whether people are in fact accessing the goods and services that have been included in the basket, or whether they are benefiting from services which policy makers have included in the social wage. A poverty line can at best reflect that people who live above it ought to be enjoying a certain quality of life, but it cannot provide any guarantee of the actual well-being of these people. It is therefore seen as being a proxy of the goods that the money could purchase if used to buy exactly the same goods or services as listed by the policy makers. It is clear that those who design the line will have to take into account whether prices of goods are equivalent across the country and the listed goods (or similar substitutes) are easily available. In

some countries, separate urban and rural poverty lines are constructed in an attempt to avoid any such difficulties.

There is no single blueprint for what goods and services constitute “basic needs”, or who decides what these should be. Often the tool used is a money metric poverty line that is represented as a single global amount of money, with no clear reference to what basic needs the amount is meant to cover and what is excluded. The resultant chosen level of minimum well-being can often appear to be very arbitrary (Arndt and Simler, 2004). In addition, people have argued over time (not without rejoinder) that basic needs are culturally specific (Hulme and McKay, 2005) – in other words it is not possible to decide on a minimum core of basic needs which are relevant universally.

Similarly, these types of poverty lines do not necessarily need to be set within the parameters of meeting ‘basic needs’ (however defined). It is also possible to cost out a basket of goods that instead reflects, for example, the standard of living that is customary in the given society. The importance of what constitutes the contents of the basket of goods on which the value of the line is based, is clear. What is included in that basket should reflect what the broader society believes constitutes a minimum acceptable standard of life.

In 1995, the post-Apartheid government, together with the World Bank, undertook a study of poverty known as the Key Indicators of Poverty in South Africa. This study based its enquiries on 5 different poverty lines, which ranged in value from R143.20 per month in 1993 values to R391.10 per month. Based on this range of poverty measures, between 39.3% and 56.7% of the population were found to be living on poverty. The use of more than one poverty line to create a ‘poverty critical range’ has been used in a number of subsequent works, including Leibbrandt and Woolard (2001) and Meth (2004).

*Poverty lines which relate to the distribution of income/expenditure within a society.*

In South Africa, the relative poverty line is often set at the level that includes people living below 40% of national income, with those living below 20% as being very poor. Internationally, however, such poverty lines are more typically defined as people or households living below a percentage of median or mean equivalised income. These latter have the advantage that it is possible to imagine a society where relative poverty, so defined, has been eliminated, whereas there will always be a bottom 20 or 40% of the income distribution and so relative poverty defined in that way could never be eradicated.

*Units of measurement*

The most common units of measurement for poverty lines are either individuals or households. Measuring poverty levels of *individuals* has been criticised in the past for the fact that it cannot take into account economies of scale; typically if an individual lives in a household he or she is able to share a number of costs, such as rental, services and food. The use of the *household* as a unit of measurement however has also attracted a number of criticisms, principally that there must be consensus about the size and composition of a household (which of course varies greatly from household to household), and that it does not take into account distribution of resources within a given household. Thus while an old woman might live in a relatively affluent household, she may not herself have access to many resources. Her state of poverty, which is linked to the power relations within that household, is completely masked at a household level. The decision about the choice of measurement unit invariably has to be influenced by the type of data available. Thus if a national Census is undertaken at a household level then this would probably lend itself to being the best unit of measurement for a national poverty line.

*Income or Expenditure?*

Poverty lines can either be applied to levels of income or expenditure. Both of these have their advantages and disadvantages. Income is generally seen as being easier to measure than expenditure, since most people struggle to record everything that they have spent over a certain

period. However, surveys using income as a source for data have found that people tend not to report their full incomes. It is also important for data gatherers to be aware that sometimes people receive and use goods in kind that are not generally perceived as being either income or expenditure.

#### *Indicators and Indices*

A basket of poverty indicators can be collated that reflect the different dimensions of poverty and deprivation that have been identified (by experts or through consultation) as important. In some respects, each indicator can be seen as being a mini-poverty line: the selection of each indicator requires just as much attention as a poverty line, e.g. is one 'poor' in terms of access to water if one has no access to clean running water within a certain distance, or if one does not have a tap with running water in the house? Indicators can be left uncombined which has the advantage of transparency but the possible disadvantage of losing an 'overall message' regarding levels of poverty. When indicators are combined into indices it is important that a clear theoretical rationale is used and that statistical techniques are used to address issues such as double-counting, cancellation properties (e.g. does being deprived in terms of education cancel out not being deprived in terms of income?) and explicit and implicit weights (Noble *et al.*, 2006b).

#### *Updating the thresholds*

It is important to be aware that any poverty threshold will need to be updated from time to time. The prices or values of the contents of a basket of goods constituting a poverty line need to keep track with real prices, and the actual contents need to be re-evaluated frequently to ensure that they still reflect what constitute basic needs. Likewise, indicators and indices need to be frequently revisited to ensure that the selected indicators and their thresholds still adequately capture a state of well-being. Where measures reflect relative participatory conceptualisations of poverty, it is equally necessary to interrogate at regular intervals whether the perceived necessities still reflect socially perceived needs adequately. Also, as statistical surveys are developed to assist in understanding the nature of poverty, definitions should be regularly reviewed.

#### *Limitations of definitions*

A general problem when trying to reach a definition is that there will always be people who fall just outside that definition. This is particularly problematic with income/expenditure based poverty lines, but also applies to direct measures of poverty as the possession or otherwise of certain items does not take into account issues such as quality.

An additional consideration is that people who only just fall within a binary definition of poverty will be grouped with those who are much poorer. This issue can be dealt with by taking into account the depth – or severity – of poverty.

It is also important to note that definitions of poverty often masquerade as being 'scientific'. However, as Piachaud cautions:

*'The definition by an individual, or by society collectively, of what level represents 'poverty', will always be a value judgement. Social scientists have no business trying to pre-empt such judgements with 'scientific' prescriptions'. (Piachaud, 1981)*

It is therefore very important that the definition process is as transparent as possible and that the value judgements are made explicit.

### **'More than one is best'<sup>13</sup>**

Poverty can be conceptualised and defined in a wide range of different ways. These different definitions and their associated measures are actually focussing attention on and quantifying different aspects or dimensions of poverty. Each of these definitions are important as there is no single 'perfect' definition which captures the complexity of poverty. If only one poverty line or set of indicators are selected, it is highly probably that important dimensions of poverty will be overlooked.

A related but different point is that the higher the income threshold is set, the likelihood that a greater number of people will be defined as poor (e.g. more people will be poor using the income threshold of \$2 per day than when using the income threshold of \$1 per day). This is not an example of 'more than one is best': the \$1 a day and \$2 a day thresholds are simply different thresholds of the same concept/definition. Having more than one income threshold is useful, but it is not enough: in addition to monetary income, other aspects of poverty should also be tracked and measured.

Different concepts (and their associated definitions) of poverty capture different proportions of the population who are qualitatively different from each other. This has been demonstrated empirically in a number of studies internationally. For example, based on household survey data from Cote d'Ivoire, Glewwe and van der Gaag (1990) used nine definitions of poverty to examine whether they would designate the same people as poor. They found that different poverty lines often do not select the same people, the implication being that different poverty definitions may yield different policy recommendations. Bradshaw and Finch (2003) demonstrate in relation to the British Poverty and Social Exclusion Survey that when three different definitions of poverty are considered (lacking socially perceived necessities, being subjectively poor, and having a relatively low income), different groups of the population are captured, with only a small amount of overlap between each of the definitions. In a recent study of child poverty in South Africa, Bradshaw has demonstrated that this is also the case here.

Bhorat *et al.*, (2006) have also argued that it is important to take into account not only income deprivation but also possession of assets and services accessed by the population, both through private means and through provision of the various components of the social wage (and see Klasen, 2000). Statistics South Africa recently argued that poverty should be seen:

*'... in a broader perspective than merely the extent of low income or low expenditure in the country. It is seen here as the denial of opportunities and choices most basic to human development to lead a long, healthy, creative life and to enjoy a decent standard of living, freedom, dignity, self-esteem and respect from others.'* (Statistics South Africa, 2000: 54)

In order to really understand who the poor are, what they lack and where they are situated, it is necessary that we have ways of defining and measuring as many aspects of the manifestation of poverty as possible, not for arcane or esoteric purposes, but in order to be able to develop appropriate and empirically based policy interventions.

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<sup>13</sup> See Bradshaw, J. (2001) 'Methodologies to measure poverty: more than one is best!' Paper for the International Symposium Poverty: Concepts and Methodologies, Mexico City, 28<sup>th</sup> and 29<sup>th</sup> March 2001.

## 7. Examples of definitions of poverty which are expert-derived

In this chapter we look at existing poverty concepts and definitions within South Africa and how these definitions are operationalised (i.e. measured). This chapter considers definitions which are 'expert-derived'. The following chapter will present examples of definitions which additionally take into account the views of ordinary people.

### *Example 1: Fractions of the income distribution*

A number of definitions of relative poverty exist which are linked to the national income or expenditure distributions. As mentioned in Chapter 6, in South Africa this resource-based conceptualisation of relative poverty is often defined by reference to the bottom 20% or 40% of the expenditure distribution. So for example, the approach used in the Poverty and Inequality Report is to define the bottom four deciles of the distribution as 'poor':

*'Recognising that poverty lines will differ over time and space and that deciding where to draw the poverty line is ultimately something of an arbitrary decision, the practice adopted by the earlier RDP study has been followed. 'Poor' has been defined as the poorest 40% of households and 'ultra poor' as the poorest 20% of households' (May, 1998: 27).*

The selection of the bottom 20% or 40% of the income/expenditure distribution is problematic as, inevitably, 'poverty' so defined could never be eradicated. An alternative definition that is also based on the income distribution (but which does not suffer from this problem) is used in OECD<sup>14</sup> countries. In these countries, poverty is defined as households living below various percentages of mean or median equivalised household income. However, poverty lines – whether based on fractions of the income distribution, or fractions of the mean or median income – have no empirical basis and are inevitably arbitrary unless validated in some way.

### *Example 2: \$1 and \$2 a day<sup>15</sup>*

Since its development in 1990, the World Bank's \$1 or \$2<sup>16</sup> per day poverty lines have been used to measure poverty in many developing countries (World Bank, 2000). One of the reasons for this popularity is that they are said to allow for comparisons of poverty levels between countries to be drawn with relative ease.

The \$1 per day measure has received a fair amount of criticism however on the grounds that it is both difficult to operationalise and its actual value is an extremely arbitrary measure of calibration. In order to make the \$1 per day measure specific to any given country, it is necessary to correct it for differences in the relative purchasing power of the domestic currency and the dollar. These so-called Purchasing Power Parity (PPP) conversions are problematic in countries in which 'benchmark' surveys are not performed – the use of regression techniques to estimate PPPs in non-benchmark countries like South Africa, can, and does result in errors.

The accusation of arbitrariness is largely due to the way that the line was developed. The actual value of \$1 per day when the line was constructed consisted of the median of the ten lowest national poverty lines in developing countries then available which was then rounded down from \$1.08 (Rio, 2006). The selection of the ten lowest national poverty lines clearly determined that the emerging poverty line would itself be low. It also does not lend itself to any real analysis of

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<sup>14</sup> Organisation for Economic Co-operation and Development

<sup>15</sup> According to Hoogeveen and Ozler (2006), \$1 per day amounted to R87 per capita per month in South Africa in 2000 prices, while \$2 per day reflected a poverty threshold of R174 per capita per month

<sup>16</sup> \$1 a day is meant to designate destitution and \$2 per day, poverty.



what goods or items of basic needs people should be able to purchase with the value in local currencies.

Although this definition of poverty has been accepted for the Millennium Development Goals, it has been criticised for its narrow approach (e.g. Townsend & Gordon, 2002) and the threshold has been criticised for being set too low. Townsend argues that the \$1 per person per day rate 'suggests that the needs of poor countries are less than those of the rich countries. This carries with it racist imputations which cannot be accepted in the 1990s and also results in entirely misplaced economic strategies.' (Townsend, 1990: 55) Almost twenty years on, Townsend also argued that the use of \$1 a day for low income countries 'led to a form of apartheid between the first and third worlds' and resulted in policy priorities being avoided or confused (Townsend *et al.*, 2006: 73).

*Example 3: The Poverty Datum Line*

Money-based absolute poverty lines were the first type of poverty measure developed in South Africa. All of the poverty lines that were developed provided for an extremely limited basket of goods, and therefore reflect an absolute conceptualisation of poverty. The first poverty line constructed in South Africa was the Poverty Datum Line which was developed in the 1940's (Magasela, 2005). This line was made up of two parts – the Primary Poverty Datum Line which consisted solely of the cost of food, clothing, cleansing materials and fuel and light, and the Secondary Poverty Datum Line which in addition made provision for the cost of accommodation, transport for the breadwinner, and taxation (Ibid).

*Example 4: Minimum Living Level and Supplemental Living Level*

The Minimum Living Level (MLL) was first developed in the mid-1970s by the Bureau for Market Research at the University of Pretoria and covered only the barest essentials. It has been described as the "lowest sum possible on which a specific size household can live" (Budlender *et al.*, 1984, quoted in Magasela, 2006). A secondary poverty line was developed to include a few more basics and was known as the Supplemented Living Level (SLL). The compilation of these poverty lines was discontinued in 2002 (Meth, 2006).

*Example 5: The Household Subsistence Level and Household Effective Level*

The Household Subsistence Level was developed by Potgieter at the University of Port Elizabeth. This line included no provision for the following: medical expenses, education, savings, holidays/recreation, insurance, buying household equipment and any transport beyond that of the breadwinner going to and from work (Meth, 2006). To address these needs, the basic Household Subsistence Level was augmented by the Household Effective Level which in effect increased the value of the line by 50% (Meth, 2006).

The process of setting of these poverty lines in general made no provision for public consultation or comment about the appropriateness of their values, despite the fact that many employers based their wages on these poverty lines.

At the time that Potgieter began his work on the HSL, academic debate around consensual definitions was in its infancy. It is important to acknowledge the historical importance of his work. Prior to the development of the HSL and HEL, employers could pay more or less what they liked and no 'scientific' challenge could be mounted against them (the defence of low wages used in Wage Board determinations was invariably 'ability to pay', and it was invariably accepted)<sup>17</sup> – after the 1973 strikes, John Vorster berated the Durban Chamber of Commerce for using this excuse to deny wage increases, which they promptly granted after a little violence. Once

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<sup>17</sup> The Chamber of Mines was of course, aware of the cost of reproduction of a household from a very early stage – and they refused resolutely to pay black migrant workers any more the (bare) cost of reproduction of a single man on the grounds that back at the farm, other household members were enjoying the fruits of subsistence output, as a result of which, black real wages were constant (or fell) between 1900 or so and the early 1970s when labour shortages at the prevailing wage began to be experienced.

Potgieter came along, it was possible to use 'science' to show that starvation wages were being paid. Since he provided detailed tables giving the costs of keeping persons of varying types (children, adults, male, female) alive, the subsistence income level for a household of any size (in the major metropolitan areas) could be computed. This information was in turn used by the trade union movement to force employers into admitting that they were paying starvation wages.

*Example 6: Hoogeveen and Ozler - Upper and Lower Bound Poverty Lines.*

In 2004 Hoogeveen and Ozler developed both an upper and a lower bound normative consumption -based poverty line using the "cost of basic needs" approach (based on 2000 prices). Their upper bound line was set at R593 per capita per month, and the lower bound line was set at R322 per capita per month.

The authors included in their basket of goods food, beverages, cigarettes, housing and utilities, compensation for domestic workers, personal care, household services and other household consumer goods, fuel (excluding firewood and dung), clothing and footwear, transport (excluding the cost of purchased vehicles), communication costs, education, reading material, licenses and rentals and insurance. The authors however excluded the following items from their costed basic needs: water, firewood and dung, health, household durables, food consumption from home production, lobola, funerals, weddings, religious or traditional ceremonies, gambling, and lumpy expenditures including furniture, appliances, vehicles etc.

*Example 7: Food Insecurity Measures of Poverty.*

Work has been done to develop a food poverty line which sought to cost a nutritionally balanced minimalist diet for a household (Rose and Charlton, 2001). This work used the 'very low cost food ration scale' for food items used by the Household Subsistence Level (HSL), and then used the 1995 Income and Expenditure Survey to calculate the costs of this subsistence diet for households.

The HSL provides three cost scales to meet nutritional demands for different age-gender groups. The food items used to design the food poverty line for a male of over 19 years old per month were:

Item	Quantity in Grams
Skimmed milk powder	1200
Meat (red and chicken)	795
Fish (pilchards)	397
Eggs (1 egg = 50 grams)	650
Fresh vegetables	9000
Fresh fruit	1083
Margarine	600
Cooking oil (ml)	606
Brown bread (800g)	8400
Maize meal, samp	7200
Sugar, jam	2100
Peanut Butter	433
Legumes (beans and peas)	390
Coffee and tea	217
Salt	130
Dry spices, condiments, e.g. pepper, curry	44
Liquid spices, condiments, e.g. vinegar	87

According to the authors' calculations, 42.6% of South Africans experienced food poverty, or fell below the food poverty line (Rose and Charlton, 2001). The study provides detailed disaggregation of household incidence across the different provinces, as well as for rural and

urban areas, and it further disaggregated according to race, sex of the head of the household and household size.

This approach is also referred to as a “calorific” approach to setting a poverty line. Certain poverty lines are drawn based on a calorific base for food consumption, to which other non-food items are then added. The most common way in practice of identifying what else should be added as non-food items often involves reflecting those goods that poor people who fall below a certain income level in a national survey, buy or consume or use.

The danger of such an approach is that instead of identifying what poor people need, one can merely consign poor people to poor standards of living since in effect their past choices which are used to identify other needs beyond food, have all been prescribed by their poverty and lack of access to money to buy what they need or want.

*Example 8: UNDP Indices*

The United Nations Development Programme has developed a series of indices. The Human Development Index includes three equally weighted indices, namely the life expectancy index, the educational attainment index and the gross domestic product index. The Human Poverty Index measures the distribution of progress and the backlog of deprivation in the same dimensions of development as the Human Development Index, namely longevity, knowledge and economic positioning. The Gender Empowerment Index measures gender equality in terms of political participation and economic opportunities. The Service Deprivation Index seeks to measure progress and existing backlogs in access to basic services looking at seven dimensions of basic services, namely housing, energy for cooking, energy for heating, energy for lighting, water, toilets and refuse removal (UNDP, 2003).

*Example 9: Indices of Multiple Deprivation*

Nine Provincial Indices of Multiple Deprivation for South Africa have been produced at ward level using 2001 Census data (Noble *et al.*, 2006b; Noble *et al.*, 2006c). The conceptual model behind each Provincial Index of Multiple Deprivation (PIMD) is based on the idea of distinct uni-dimensional domains of deprivation which can be recognised and measured separately. The domains included were:

- Income and material deprivation
- Employment deprivation
- Health deprivation
- Education deprivation
- Living environment deprivation

People may be counted as deprived in one or more domains, depending on the number of types of deprivation that they experience, but are not double-counted within a domain. The domains of deprivation were combined, with equal weighting, into a single measure of multiple deprivation to produce a weighted area level aggregation of the specific domains of deprivation. Each PIMD was created using 13 indicators from the 2001 Census, and provides a tool for people to identify the most deprived areas within each province. They are a starting point from which to consider small area level deprivation, and can be used alongside local up-to-date information. Using this approach, a set of Provincial Indices of Multiple Deprivation for Children (PIMDC) is being developed by the same research team. The team have recommended that the approach could be refined by developing new datasources other than the Census, so that the Index can be updated more regularly, and so that additional dimensions can be included e.g. poor health and prevalence of crime; and by developing a statistical geography with equal population size so that areas can be compared across the whole country.

*Example 10: Other examples of Composite Indicators.*

Other South African composite indices include:

- Klasen’s Deprivation Index for 1997 and 2000

- Provincial-level 'Development Indices' comprising a 'Household Infrastructure Index' and a 'Household Circumstances Index' (Hirschowitz *et al.*, 2000)
- Four magisterial district-level Deprivation Indices which focus on the relationship between deprivation and health inequalities in South Africa (McIntyre *et al.*, 2000) and
- Vichi 1997's Index of Deprivation using factor analysis on Project for Statistics on Living Standards and Development;

## 8. Examples of definitions of poverty which take into account the views of ordinary people

A series of methods have been conceived over the last few decades that use subjective information from surveys to identify thresholds that distinguish the poor from the non-poor. Therefore, in contrast with the conventional absolute poverty line approach, where consumption-based poverty lines are specified by experts, the subjective poverty line is the outcome of people's perceptions and assessments of their own well-being. These can be achieved by asking people (a) how much they think a family of four would need as an income in order to be able to make ends meet e.g. Kilpatrick (1973) and Rainwater (1974); or (b) how much their own family would need to make ends meet e.g. the classic study by Goedhart *et al*, 1977<sup>18</sup> or (c) whether they feel poor, not poor etc., sometimes called the perceptual poverty line (Gordon, 2006); or (d) whether they feel poorer, less poor than before etc; or (e) what amount of money they would assign to the label 'poor', 'rich' etc.

Consequently, one of the key advantages of the subjective method is that it may be considered to be more democratic (Gordon and Spicker, 1999:131; Gustaffson *et al*, 2004).

### *Example 1: Minimum Income Question (MIQ)*

This could arguably be considered the most commonly known of the subjective poverty line methods, and was initially proposed by Dutch economists as part of the Leyden Income Evaluation Project (Goedhart, Halberstadt, Kapteyn and Van Praag, 1977). The method entails asking survey populations what they would consider a minimal level of income for themselves. The general form of the minimum income question is as follows: "We would like to know which net family income would, in *your* circumstances, be the absolute minimum for *you*. That is to say, that you would not be able to make both ends meet if you earned less" (Goedhart *et al*, 1977: 510).

The responses to the question are used to estimate a regression equation according to which the subjective minimum income depends on the income of the respondent and other household characteristics, such as household size. The poverty line is defined as being the level at which a person's income is at the same level as the amount of income they say they need in order to make ends meet.

Past empirical work has found that the expected value of the answer to the MIQ conditional on actual income tends to be an increasing function of actual income – in other words, when the individual's actual income rises, his minimum income rises too (Goedhart *et al*, 1977; Danziger *et al*, 1984; Kapteyn, Kooreman and Willemse, 1988.) It has been suggested that this may be because relatively large proportions of high incomes are committed to expenditures, such as mortgages (Goedhart *et al*, 1997: 513). The only value judgement involved in this approach seems to be that 'people themselves are best qualified to judge what their minimal requirements are.' (Goedhart *et al*, 1977: 518).

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<sup>18</sup> Goedhart *et al* (1997) explored what happened when people were asked to define a minimum income for themselves. They undertook a written survey of 2,885 Dutch families in 1975 which included questions on the household's size, composition and net family income, as well as how much the minimum net family income would be for their family to be able to make ends meet (Goedhart *et al*, 1997: 510). He identified that 'when the individual's actual income rises, his minimum income rises as well' (Goedhart *et al*, 1997: 513), suggesting that may be because relatively large proportions of high incomes are committed to expenditures, such as mortgages. He defines the poverty line as being the level at which a person's income is at the same level as the amount of income they say they need in order to make ends meet. 'The only value judgement involved seems to be that people themselves are best qualified to judge what their minimal requirements are.' (Goedhart *et al*, 1977: 518).

*Example 2: Leyden Poverty Line (LPL)*

A second, more complex approach is that of the *Leyden Poverty Line* (LPL), which was again introduced by Goedhart et al (1977) and named after its place of origin in the Netherlands. The approach is based on the *Income Evaluation Question* (IEQ), which was developed by Van Praag (1971). The most widely used form of the survey question is as follows:

*'Please try to indicate what you consider to be an appropriate amount of money for each of the following cases. Under my/our conditions I would call an after-tax income per week/month/year of:*

*about .....very bad,  
about .....bad,  
about .....insufficient,  
about .....sufficient,  
about .....good,  
about .....very good,*

*Please enter an answer on each line and underline the period you refer to.'*

(Flik and Van Praag, 1991:314; Van den Bosch, 2001: 93)

The amounts stated by the survey respondents in relation to each of the aforementioned labels are used to estimate individual *Welfare Functions of Income* (WFIs), which, it is claimed, are cardinal and interpersonally comparable measures of welfare (Van Praag, 1993; Van den Bosch, 2001). The verbal labels "very good" through to "very bad" are transformed into numbers on a zero-one scale by identifying these evaluations with equal quantiles. In this way one obtains points on a graph of the individual's welfare function" (Goedhart et al 1977: 507).

Families are poor if their after-tax family income falls below an income amount, which corresponds to a specific utility/welfare level measured by the welfare function of income (WFI).

*Example 3: 'Get-along' question*

In the United States, the Gallup Poll asked samples of adults the so-called 'get along' question approximately 37 times between 1946 and 1989, and again in 1992: "What is the smallest amount of money a family of four (husband, wife and two children) needs each week to get along in this community?" The result is a single long-term series representing the public's judgments of minimum income needs. The 'get-along' approach can be differentiated from the minimum income and income evaluation questions in that it is premised on a publicly-orientated evaluation of the income needs of families in general rather than the respondent's own situation or what a particular income would mean to *them* (Van den Bosch, 2001).

*Example 4: Consumption Adequacy Questions*

In practice, most empirical evidence on the MIQ emanates from OECD countries. While there exists scant evidence on the application of the MIQ method in developing countries, Pradhan and Ravallion (2000: 463) draw attention to two *potential* difficulties in doing so, namely that income tends not to be a well-defined concept in many such contexts, and the uncertainty of whether meaningful responses could even be elicited from the MIQ. In response, they develop an alternative qualitative model of perceived 'consumption needs' that addresses these concerns by identifying the subjective poverty line without the need for the MIQ.

The following questions on perceived consumption adequacy were added to two household surveys conducted by the World Bank in Jamaica (1993) and Nepal (1995/96) alongside detailed consumption modules:

I would like to ask you your opinion of your family's standard of living.

Concerning your family's *food* consumption over the past one month, Response codes:

which of the following is true?

Concerning your family's *housing*, which of the following is true?

Concerning your family's *clothing*, which of the following is true?

Concerning the *health care* your family gets, which of the following is true?

Concerning your *children's schooling*, which of the following is true?

1 = It was less than adequate for your family's needs

2 = It was just adequate for your family's needs

3 = It was more than adequate for your family's needs

4 = Not applicable

"Adequate" means no more nor less than what the respondent considers to be the minimum consumption needs of the family.

(Pradhan and Ravallion, 2000: 465)

In deriving subjective poverty lines from the consumption adequacy questions, an ordered 'probit regression' is used. The aggregate poverty measures produced using this subjective poverty line method were found to be largely consistent with previously estimates based on 'objective' methods, and robust to the method used for deriving the subjective poverty line. Nonetheless, substantive differences did emerge between objective and subjective methods when analyzing poverty along geographic and demographic lines (e.g. a greater subjective than objective urban-rural difference in poverty, and greater perceived than actual household scale economies in consumption) (Pradhan and Ravallion, 2000: 470-71).

Other countries that have since adopted an identical or equivalent approach to setting subjective poverty lines include Bangladesh (Sen, 2003) and Madagascar (Lokshin, Umapathi and Paternostro, 2006). There are plans to include the consumption adequacy questions in the 2007 round of the HSRC's South African Social Attitudes Survey (SASAS).

##### 5. *Own Economic Welfare Question (EWQ)*

A recent addition to the subjective approaches is based on what has been labeled as the *Economic Welfare Question (EWQ)* by Ravallion and Lokshin (2002: 1455). In contrast with the aforementioned methods, this approach tends to be more open-ended, and dispenses with the income-based metrics in favour of self-rated welfare as the chosen welfare indicator. The questions underpinning this approach thus make explicit use of the words 'poor' and 'non-poor', and require individuals to make evaluations of their own situation rather than their household or familial situation. Instead of imposing any assumptions about how to measure economic welfare, this decision is left to the respondent. As Ravallion and Lokshin (1999: 8) note, this approach "...does not presume that 'income' is the relevant variable for defining who is 'poor' and who is not". In spite of these differences, by virtue of the use of the terms 'poor' and 'non-poor', the EWQ continues to focus on a narrower concept of economic *welfare* relative to the more encompassing concept of *well-being*.

The EWQ approach has assumed two principal forms in practice. The first of these is the self-rated poverty question. The longest running example comes from public opinion surveys conducted by the Social Weather Station in the Philippines since 1983 (Mangahas, 1995, 1999, 2004). The surveys ask adult respondents to specify whether their family is 'not poor', 'on the line', or 'poor'. More recently, variations of the self-rated poverty question have been applied in Bolivia (Arias & Sosa Escudero, 2004), Argentina (Lucchetti, 2006) and South Africa (Roberts, 2006).

A second common version requires people to rate their economic welfare using a modified version of the ladder question that was developed by Cantril (1965) to capture general life satisfaction. Accordingly, respondents are asked to place themselves on the rungs of a ladder running from 'poor' at the bottom to 'rich' at the top. A typical representation of this type of questions follows:

*'Please imagine a 9-step ladder where on the bottom, the first step, stand the poorest people, and on the highest step, the ninth, stand the rich. On which step are you today?'*

An early example of the welfare ladder question can be found in the Eurobarometer survey (Riffault, 1991), and more recently in the Latinobarometer (Graham & Pettinato, 2002; Graham & Felton, 2005) and Afrobarometer series (Bratton *et al*, 2000; Graham & Hoover, 2006). The Eurobarometer classified as poor those respondents who placed themselves on the lowest two rungs of a seven-step ladder are classified as the poor. Other countries that have included the welfare ladder question are Russia (Ravallion & Lokshin, 2002, 2005a; Lokshin & Ravallion, 2000, 2005), Tajikistan (Falkingham 2000, Falkingham & Klytchnikova 2006), Albania (Carletto and Zezza, 2004, 2006), and Malawi (Ravallion and Lokshin, 2005b).

*Example 5: Developing a Democratic Definition of Poverty*

As has been shown in Chapter 5, relative poverty (in the broad sense) can be conceptualised in terms of full participation in society. The question remains, though: what is full participation? For example, relating back to Townsend's 1979 quote in Chapter 5, what are the prevalent or approved types of diet, living conditions and activities? The challenges that arise using a relative definition of poverty that is linked to full participation in society, can be summarised as follows:

- Who defines what comprises participation in society? Experts or ordinary people?
- Is the focus on 'normal' (average) patterns of current participation or on views about what 'normal' *should be* (but isn't yet) like?

The first, pioneering attempt to conduct a social survey to gauge peoples' views about poverty in terms of participation (identified by the lack of socially determined necessities) was undertaken in Britain in 1983 in a survey called *Living in Britain* (Mack and Lansley, 1985). The aim of the survey was 'to define poverty in relation to the minimum living standards that the majority of people believe to be essential in Britain' (Gordon and Pantazis, 1997: xx). These surveys have since been repeated in the UK (Gordon and Pantazis, 1997; Gordon *et al.*, 2000; Pantazis *et al.*, 2006a). Though originating in this form in the UK, this approach has subsequently been used in many other countries across the world, e.g. Australia (Saunders and Bradbury, 1989), Belgium (Van den Bosch, 2001), Holland (Driven and Fouarge, 1998), Sweden (Halleröd, 1993) and Vietnam (Davies and Smith, 1998).

This approach has now been explored in South Africa. CASASP has conducted 50 focus groups in a variety of locations in South Africa, with individuals from a range of income groups. People were asked to state what services, activities and possessions they thought that each and every South African citizen should have or have access to in order that they could participate in contemporary South African society and to explore perceptions of poverty. The findings of these interviews were used to generate a list of goods and activities which were possible socially perceived necessities, or 'badges of inclusion'. This list was incorporated (with other items) into the Human Sciences Research Council's South African Social Attitudes Survey (SASAS) 2005. The survey asked respondents which of the goods/activities they considered to be essential for everyone to have in order to enjoy an acceptable standard of living in South Africa today.. From the resultant data a list of socially perceived necessities has been derived. A repeat of the definitional module was included in SASAS 2006, with a measurement module to see who has and does not have the socially-perceived necessities.

The following list of items were defined as essential by 50% or more of the population, in the nationally representative 2005 SASAS module:

Item	% of All saying essential
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* Someone to look after you if you are very ill	91
* A house that is strong enough to stand up to the weather	91
* Street lighting	90
* Mains electricity in the house	90
* A fridge	89
* Clothing sufficient to keep you warm and dry	85
* Separate bedrooms for adults and children	85
* Tared roads close to the house	85
* A flush toilet in the house	84
* For parents or other carers to be able to buy complete school uniform for children without hardship	83
* Having an adult from the household at home at all times when children under ten from the household are at home	83
* Ability to pay or contribute to funerals/funeral insurance/burial society	81
* A place of worship (church/mosque/synagogue) in the local area	81
* People who are sick are able to afford all medicines prescribed by their doctor	81
* Somewhere for children to play safely outside of the house	78
* A radio	77
* Having police on the streets in the local area	77
* Regular savings for emergencies	74
* A neighbourhood without rubbish/refuse/garbage in the streets	74
* Being able to visit friends and family in hospital or other institutions	74
* Electric cooker	74
Television/ TV	72
* Someone to transport you in a vehicle if you needed to travel in an emergency	72
* Someone to talk to if you are feeling upset or depressed	72
* A fence or wall around the property	71
* A bath or shower in the house	69
A large supermarket in the local area	67
* A neighbourhood without smoke or smog in the air	65
Burglar bars in the house	64
A landline phone	64
Some new (not second-hand or handed-down) clothes	63
A cell phone	63
Someone who you think could find you paid employment if you were without it	61
Someone to lend you money in an emergency	59
* Meat or fish or vegetarian equivalent every day	59
A garden	56
A car	56
A sofa/lounge suite	52

Source: Noble, Wright, Magasela and Ratcliffe, forthcoming.

Note: Items with a “\*” were defined as essential by 50% or more of each of the following subgroups: women, men, people in rural areas, people in urban areas, people who are Black African, Coloured, Indian/Asian, White, people aged 16-25 and people aged 65 and over.

*Example 6: Measuring capabilities-based concepts of poverty defined in terms of wellbeing*<sup>19</sup>

The recent work by Clark and Qizilbash has sought to provide a capabilities focused definition to poverty. According to Hulme and McKay (2005), Clark and Qizilbash set out to “develop a method that can identify admissible specifications for poverty. A statement about poverty is ‘super true’ only if it is true in all admissible ways of making it more precise. They refer to someone who is poor in this sense as ‘core poor’, meaning that they are unambiguously poor. To be core poor, a person must be poor in any single ‘core dimension’ of poverty (i.e. one that is part of all admissible specifications for poverty) and must fall at or below the lowest critical level in that dimension. Other people who are ‘ambiguously poor’ in a core dimension (i.e. poor in terms of at least one but not all admissible specifications of the corresponding poverty threshold), are classed as ‘vulnerable’. In this usage, vulnerability relates to the possibility of being classified as poor, rather than any risk of becoming poor’ (Qizilbash, 2003, p.52). It is important to note that this approach does not aggregate scores in different dimensions. If a person is below the critical minimum level in a core dimension s/he is unambiguously poor regardless of their scores in all other dimensions.”

Clark and Qizilbash used a random election of “ordinary people” for their study from disadvantaged regions in South Africa. Participants were asked how they themselves distinguished between poor and non-poor, with specific reference to the basic essentials required to “get by” as opposed to “live well” (Hulme and McKay, 2005). As a result of their work in three poor communities in South Africa, Clark and Qizilbash developed a ranking of the 30 most essential things reflected by the participants.

**Clark and Qizilbash’s Ordinal Ranking of the Top 30 Essentials of Life.**

- 1 Housing/Shelter
- 2 Food
- 3 Water
- 4 Work/Jobs
- 5 Money/Income
- 6 Clothes
- 7 Education/Schools
- 8 Health/Health Care
- 9 Electricity/Energy
- 10 Safety and Security
- 11 Transport/Car
- 12 Family and Friends
- 13 Sanitation
- 14 Infrastructure
- 15 Leisure/Leisure Facilities
- 16 Land and Livestock
- 16 Own business/Enterprise
- 16 Religion
- 19 Furniture
- 20 Happiness and Peace of Mind
- 21 Community Development
- 22 Love
- 23 Freedom/Independence

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<sup>19</sup> This section is taken from Hulme and McKay, 2005.

24 Better Life  
24 Oxygen  
24 Respect  
27 Blankets  
27 Heat/Temperature  
29 Sexuality  
29 Sunlight

Source: Clark and Qizilbash (2005: 32), quoted in Hulme and McKay, 2005,

## 9. Conclusion

Measuring poverty is essential as a first step in understanding the nature and extent of deprivation in South Africa. It is clear that there are a number of different ways in which the state of poverty can be conceptualised, defined and subsequently measured.

In the early body of this paper we set out an overview of the different ways in which poverty has been conceptualised over the years, culminating in the most recent understanding of the relative nature of poverty built around an essential core of absolute poverty. While this paper does not examine the causes of structural poverty in South Africa, we have examined the different schools to understanding the manifestation of poverty in people's lives, namely the pathological approach, the residual approach and the structural or relational approach.

This paper then proceeded to set out a broad overview of the alternative ways of conceptualising, defining and measuring poverty.

An absolute poverty line can be used to provide a headcount of the number of people living in poverty, but it is not able to reflect poverty depth nor can it provide any information on the types of deprivation experienced by people living in poverty. In addition, an absolute poverty line is not able to provide any information on levels of inequality in a given country.

This paper accordingly sets out alternative ways of measuring poverty and deprivation, and provides references to actual application of such approaches in South Africa. We have argued that adopting more than one poverty measure would assist in deepening our understanding about both the level and nature of poverty in South Africa.

In this regard, it would be useful to consider adopting a range of tools that measure:

- calorie based food poverty
- expenditure based basket of extended basic needs
- asset/capability measure
- perception based measure
- poverty adjusted inequality measure (given the very unequal nature of South African society)
- deprivation indicator based on a consensual selection of domains

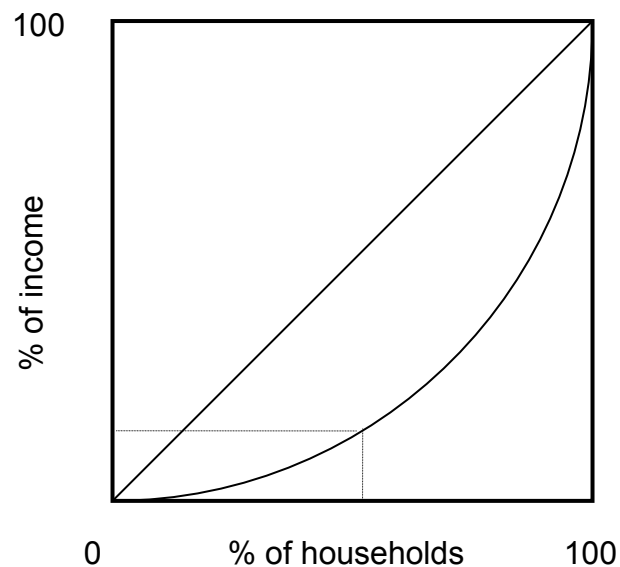
Once these decisions have been taken, the real work will begin on designing the methodology for each of these measures. If this work is going to be undertaken by technical experts, we urge the driving parties to ensure that this work is based on broad based consultation with social actors in South Africa, and to further ensure that the various components that make up each measure of poverty are easily accessible and transparent to ensure that ordinary people are able to use the measures and understand what the measures reflect.

The process of adopting poverty measures reflects a choice of values in both senses of the word. We trust that values chosen will reflect the honest commitment of South Africans to accept that the current levels of poverty in South Africa need to be urgently addressed, so that in years to come we will be able to reflect on this moment as marking the launch of innovative, empirically – based successful poverty eradication policies.

## Annex 1. The Lorenz Curve

Inequality has been defined in a number of different ways. Within Economics, one of the more common ways of depicting income inequality is by means of the Gini coefficient. Its derivation may be understood by reference to the Lorenz curve in Figure 3 below.

**Figure 3**



The Lorenz curve, which may be plotted for individuals or households, shows the proportions of income accruing to various proportions of the population. The dotted lines show that in the hypothetical distribution plotted in the diagram above, about 50% of households receive about 15% of income. If all values lay along the 45° line, income would be equally distributed. The greater the distance of the curve from the 45° line, the greater the inequality. The Gini coefficient is estimated (graphically) by dividing the area between the curve and the 45° line by the area of the triangle which contains the curve. Clearly, the smaller the area between the curve and the 45° line, the lower the inequality and the smaller the Gini coefficient (which can assume values between zero and unity).

Changes in inequality may be represented graphically by plotting Lorenz curves representing, say, the distribution of income in a given country at time  $t_0$  and time  $t_1$ . If the Lorenz curve for time period  $t_1$  lies wholly within (outside of) the area between the Lorenz curve for period  $t_0$  and the 45° line, the distribution of income that it represents is less (more) unequal than that

represented by the Lorenz curve for period  $t_0$ . Comparisons may be made for any desired number of time periods, or countries or for sub-groups of populations within given countries.

One interesting aspect of the Gini coefficient is that, because it simply measures the depth of the area below the line of equality it does not distinguish clearly between two different lines which may deliver the same area. Differently put, it simply reflects the average amount of inequality in society – the total deviation from complete inequality, and is blind to more complex distributional issues. Two crossing distribution lines may well deliver the same coefficient – but our notions of social justice may still dictate that one of the distributions – that in which there is a greater number of extremely poor people – is more problematic. Other indicators can be used that are more sensitive to the 'shape' of the curve, and not just its depth.

## **Annex 2      Longitudinal panel surveys**

A longitudinal panel survey includes an ongoing study of the same sample of people (individuals or households) in regular intervals over a period of time. This allows for the collection of data on an ongoing basis about people. In studies of people living in poverty, information can be gathered to inform policy makers' knowledge about poor people's development, the influence of state designed interventions on their lives (housing, health, education, skills, grants), their aspirations and how these grow or diminish with time, their income levels and coping strategies.

They can be the source of invaluable information to inform policy development, but they are very costly, absorb much time in data collection and analysis and are very sensitive to data corruption.

**Example 1. University KwaZulu- Natal KwaZulu- Natal Income Dynamics Study (KIDS)** which has sampled the same 1 200 households in 1993, 1998 and 2004.

**Example 2. University of Cape Town based Cape Area Panel Study (CAPS)** which has tracked the lives of a sample of 5000 adolescents (between the ages of 14 and 22) in Cape Town since 2002.

### **Example 3. The National Income Dynamics Study (NIDS)**

In addition, the Presidency has recently commissioned South Africa's first national longitudinal panel survey, the National Income Dynamics Study, an integrated qualitative and quantitative survey which aims to track changes in living standards and social mobility - important issues which are not answerable with the existing household surveys conducted every year by Statistics South Africa.

The first wave of the study will be conducted by the Southern Africa Labour and Development Research Unit (SALDRU) based at the University of Cape Town School of Economics. The research team is led by SALDRU director and UCT economics Professor Murray Leibbrandt and SALDRU chief research officer Dr Ingrid Woolard.

Quantitative fieldwork will be carried out in 2007 in 8000 households across the country by about 300 fieldworkers. A smaller qualitative survey, closely integrated with the quantitative component, will investigate particular issues related to household and individual decision making in greater depth. Preliminary results are expected to reach government in 2008 and first results will be publicly announced in 2009. It is expected that the survey will be repeated with the same panel of individuals - even if they move to another part of the country - every two to three years. As a result, important information about little-understood issues such as internal migration, transitions from school to work, and the forces which shape the years from youth to adulthood, are all expected from the survey.

The National Income Dynamics Study will examine income, consumption and expenditure of households over a period of time. It will also interrogate issues such as the coping strategies deployed by people in response to shocks and unexpected events whether negative or positive, such as a family member dying of AIDS or an unemployed relative obtaining a job.

In addition to the issues of income and expenditure dynamics, other main themes include the determinants of changes in poverty and well-being; household composition and structure; fertility and mortality; reliance on migrancy and migrant strategies; labour market participation and economic activity; human capital formation, health and education and vulnerability and social capital.

South Africa is a country undergoing transition. Fundamental changes are taking place in the political, economic and social spheres. While South Africa has made considerable progress in understanding social change, there are some important household dynamics that are not yet fully understood and which have not been captured by existing household surveys. A nuanced appreciation of dynamics at a household level has serious implications for policy making. The study aims to reduce the probability of pursuing government interventions which could inadvertently undermine household coping strategies. This study should improve the South African government's understanding of the rapidly changing dynamics in society.

In South Africa to date, most panel studies have been regional, including the KwaZulu-Natal Income Dynamics Study (KIDS) and the Cape Area Panel Study (CAPS). The NIDS panel study, the first national panel, and the first to explicitly highlight the need to integrate quantitative and qualitative research in the analysis of poverty and wellbeing, is therefore an important undertaking.



### **Annex 3      A note on Data Sets**

As was noted in the Introduction, dissent has appeared in analyses of levels and trends in poverty studies in South Africa over both issues of the conceptualisation of poverty on the one hand, and issues pertaining to the methodology and execution of surveys and the subsequent interpretation and use of the survey data.

A well documented illustration of dissent over the selection and interpretation of the use of surveys can be found in the recent paper by Van der Berg, Servaas, Burger, Ronelle; Burger, Rulof; Louw, Megan and Yu, Derek. "Trends in poverty and inequality since the political transition", Stellenbosch Economic Working Papers, No. 1 / 2005, and the rejoinders to this work by Meth in "What was the poverty headcount in 2004 and how does it compare with recent estimates by Van der Berg *et al*?", SALDRU Working Paper No 06/01, Southern African Labour and Development Research Unit, University of Cape Town, June 2006 and "Income poverty in 2004: A second encounter with the recent Van der Berg *et al* figures", Working Paper No. 47, School of Development Studies, University of KwaZulu-Natal, September 2006.

The remit of this document does not include an analysis of the concerns about data sets, beyond the very noting of these concerns. In the following section we set out firstly a brief overview of the main relevant surveys undertaken by Statistics South Africa, followed by certain references to studies that have been undertaken in certain fields using

#### **Data provided by Statistics South Africa**

Multi-topic household surveys are indispensable sources of information for measuring and understanding poverty in its many dimensions. The Income and Expenditure survey (IES) conducted by Statistics South Africa every 5 years is one example. Although the core expenditure module was traditionally designed to collect consumption data to update the Consumer Price Index basket of goods and service, with the addition of carefully structured additional modules the survey becomes a comprehensive source of data for poverty measurement. Additional modules include household level information (for example: household size, composition, housing, access to basic services) or individual level information (for instance: educational attainment, labour force status). Expenditure data is gathered at household level using the 'recall' or 'diary' method. Each methodology has both advantages and disadvantages which are considered during the survey design stage to ensure that the objectives of the survey are achieved. To date, Statistics South Africa has conducted 3 nationally representative post-apartheid IES: the 1995 and 2000 data are already in the public domain, and the 2005/6 data are expected during the second half of the 2007.

While the IES is main source of data for most poverty measures used in South Africa (money-metric dimension), other Statistics SA household surveys such as the annual General Household Survey, the Labour Force data have been also been put to good use in exploring other dimensions of poverty. Another useful set of data are the Census Series (specifically the 1996 and 2000 data) which are used to measure poverty (however defined) at small area level.

As every researcher knows, no data are perfect, and improving data quality – be it better response rates or plausible responses – is an ongoing task for Statistics South Africa. For instance, the IES data were particularly vulnerable to sampling design issues (in the absence of proper sampling framework for parts of the country in 1995) and biased non-response (in fairly affluent neighbourhoods during 2000). For poverty measurement, each dataset has to be evaluated in terms of 'fit-for-purpose' to ensure meaningful results.

#### **Example 1: General analysis into changes in inequality and poverty using the 1996 and 2001 Census Survey.**

Leibbrandt, Murray; Poswell, Laura; Naidoo, Pranushka; Welch, Matthew and Woolard, Ingrid. "Measuring Recent Changes in South African Inequality and Poverty Using 1996 and 2001 Census Data", CSSR Working Paper No. 84, South African Labour and Development Research Unit (SALDRU), University of Cape Town, 2004.

**Example 2: Small area poverty measurement using census and household surveys**

Alderman, Harold; Babita, Miriam; Lanjouw, Peter; Makhata, Nthabiseng; Mohamed, Amin; Özler, Berk, and Qaba, Olivia. "Combining census and poverty data to construct a poverty map of South Africa", in Hirschowitz (ed), 2000, pp.5-52.

Hirschowitz, Ros (ed). Measuring poverty in South Africa, Pretoria: Statistics South Africa, 2000.

**Example 3: Measuring asset and service poverty using censuses and household surveys**

Bhorat, Haroon, Naidoo, Pranushka and van der Westhuizen, Carlene. "Shifts in Non-Income Welfare in South Africa: 1993-2004", DPRU Working Paper 06/108, Development Policy Research Unit, University of Cape Town, May 2006.

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