

Unemployment and poverty halved by 2014?

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ABSTRACT

The paper examines the South African government's mandate to halve unemployment and poverty by 2014, noting the obstinacy with which officials and politicians cling to the belief that the goals will be met, despite growing evidence of the unlikelihood of this happening. The impact of the current international crisis on employment and unemployment is examined, showing that the progress made since 2006 has been wiped out. Confusion over economic performance in 2009 is considered, then an attempt is made to guesstimate unemployment levels in 2014. The calculations take into account the contributions to be made by Phase 2 of the EPWP. It is shown that unless a miracle occurs, there is no possibility that unemployment will be halved by 2014. There is a brief discussion on the merits of the EPWP and the Community Work Programme (CWP).

The inadequacies of the comprehensive social security that government is constitutionally obliged to provide are highlighted by the likelihood that in 2014, there will still be between three and five million unemployed lacking any kind of income protection.

Government's failure to apply its collective mind to the basic income grant (BIG) proposed by the Taylor Committee (DoSD, 2002) is examined, and an attempt to discover who is to blame for this neglect is undertaken.

Because of their vital role in charting progress (or the lack thereof) in the pursuit of the poverty-halving goal, poverty statistics are of obvious importance. Unfortunately, they leave a great deal to be desired. Disagreements among academics on the severity of poverty is traced to the failure by Statistics South Africa to conduct adequate surveys on poverty. Misuse of fragile poverty estimates by government to place its performance in the best possible light is revealed. A little speculation on what poverty levels might have been had the AIDS epidemic not killed so many people is attempted.

The likelihood of poverty being halved is argued to be remote – estimates published by the Presidency, which may or may not be robust, suggest that the poverty headcount has risen by 3.2 million between 1995 and 2008.

ABBREVIATIONS AND ACRONYMS

AMPS	All Media and Products Survey
ANC	African National Congress
APS	Anti-Poverty Strategy
AsgiSA	Accelerated and Shared Growth Initiative for South Africa
BIG	Basic Income Grant
BER	Bureau for Economic Research
Cosatu	Congress of South African Trade Unions
CPI	Consumer Price Index
CWP	Community Work Programme
DA	Democratic Alliance
DfID	Department for International Development (UK)
DoSD	Department of Social Development
DPRU	Development Policy Research Unit
DPW	Department of Public Works
EAP	Economically active population
EGS	Employment Guarantee Scheme
EPWP	Expanded Public Works Programme
FTE	Full-Time Equivalent
GCIS	Government Communication and Information System
GDS	Growth and Development Summit
IES	Income and Expenditure Survey
ISRDP	Integrated Sustainable Rural Development Programme
LFS	Labour Force Survey
MDG	Millennium Development Goals
MTEF	Medium-Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NEC	National Executive Committee (ANC)
Nedlac	National Economic Development and Labour Council
NREG	National Rural Employment Guarantee
PCAS	Policy Co-ordination and Advisory Services
QLFS	Quarterly Labour Force Survey
SABC	South African Broadcasting Corporation
Sapa	South African Press Association
URP	Urban Renewal Programme

PREFACE

In a country like South Africa, where abject poverty and the grotesquely conspicuous consumption of the wealthy are to be found in close proximity, it is inconceivable that the work of any social scientist (even an economist) immersed in that milieu would not feel its influence. Possible responses vary immensely – at one pole are those who imagine themselves to be value-free, neutral, objective social scientists, anxious to leave ‘politics’ to politicians and activists, doing all in their power to avoid the messiness of social reality. At another will be a cluster of protectors of one status quo or another – it could be the exaggeration of government achievements, or defence of the earnings of top executives in business. Yet another group (tagged sometimes with a variety of slighting labels) is moved to bend their research efforts to advance the wellbeing of society’s poor.

Inquiry into the psycho-social origins of such diversity would be interesting and informative, but that is the province of the counseling psychologist, not the researcher concerned with social policy, for whom speculation as to motives should be out of bounds. Although inquiry into motives may be off-limits, textual analysis aimed at uncovering bias is not. Ideological stance is not something that researchers conventionally declare when presenting their work – even if they did, there could be no guarantee that self-perception coincides with practice. So, useful as it may be imagined to be for readers to have advance notification of the allegiances of those whose work they encounter, bias must usually be detected by critical analysis, decoding written outpourings being one method by which insight into the proclivities of the researcher in question may be gained.

All of this by way of explaining something about the driving force behind the present paper. Chiselling away at the cognitive dissonance of an official smugness amounting almost to complacency, that co-exists with an acute awareness of the severity of South Africa’s poverty and unemployment, has, for me, been a pre-occupation for the past decade or more. This has resulted in a stream of conference papers, articles and monographs, all with a similar *leitmotif* – existing and planned anti-poverty measures in South Africa, the best efforts of government notwithstanding, are inadequate.

The present paper draws on that corpus to produce another attempt to persuade those in the power of the folly of certain crucial aspects of anti-poverty policy. Indulgence is craved in advance for the flood of self-citation

– the references serve as a *curriculum vitae*, one whose role is to give a sense of the extent to which I have worked in the field. Some of my research papers, I know, have been glanced at and rejected by high-ranking officials – being ignored or dismissed is a fate I share (proudly) with my fellow pensioner, the illustrious Sampie Terreblanche. It would be gratifying to be even half as persuasive and influential as one of my heroes, Richard Henry Tawney (1880-1962), but that, I fear, is not to be. More's the pity, for if my analysis is only partly correct, South Africa's ruling elite (political and economic) is storing up future problems that could make today's dysfunctional South Africa look utopian.

INTRODUCTION

For many years, loud (and vain) protestations that both unemployment and poverty would be halved by 2014 (the 20th anniversary of democracy) have been made by assorted cabinet ministers, senior politicians, government officials and ANC party hacks. Two recent indicators point to a slackening of the confidence (complacency?) with which this claim has hitherto been asserted. One is to be found in a statement by government to the effect that the country's inability to shield itself (entirely) from the current crisis in the world economy casts doubt on the likelihood of the targets being met. The other is the setback in the struggle to reduce unemployment, reported in the Quarterly Labour Force Surveys (QLFSs) for the first, second and third quarters of 2009. We glance at these indicators, then turn to a simple model (so simple it hardly merits the name 'model') of the labour market, to see whether there is any likelihood of the unemployment halving goal being achieved by 2014.

Having demonstrated that the probability is small, a short history is given of the peremptory dismissal by Cabinet of the one instrument that could alleviate the poverty of those for whom obtaining employment must long remain a dream, the basic income grant. The quiet re-appearance of a grant of this sort on the agenda, albeit in watered-down form, is then examined. Confirmation of the dismal prospects of the poor is sought in a review of the most recently published poverty statistics for South Africa. Apparent increases in their number, add to the urgency to the task of finding some way of granting relief to those among them of working age.

GOVERNMENT 'ADMITS' DEFEAT?

Examples of delusion in high political circles are so abundant that drawing attention to the general phenomenon excites little interest. Some instances of stupidity, particularly those that exceed the bounds of duty, especially in one's own country, are, however, much to be savoured. Probably the most deluded of all government statements ever made about inequality and poverty reduction (which, in South Africa, depends very heavily on the reduction of unemployment) was this astonishing claim:

‘Our second decade of freedom will be the decade in which we radically reduce inequality and virtually eliminate poverty. We know now that we

can do it, working together around an initiative which has the support of the nation.’ (AsgiSA, 2006, p.16)

The contrast between this strident rubbish and the second paragraph of the executive summary of the recently published Green Paper on National Strategic Planning, which reads as follows:

‘Over the past fifteen years, government has made significant progress, most critically in establishing sound and credible institutions and in extending basic services to millions deprived too long of these necessities. A stable economic platform has enabled rising investment, rising employment and a steady reduction in the proportion of people living in poverty. Nevertheless, the challenges remain monumental. Unemployment remains unacceptably high, poverty is rife and opportunities are still skewed. Two striking weaknesses in government are the lack of a coherent plan and poor coordination.’ (Presidency, 2009a, p.4)

could not be more stark. The cognitive dissonance referred to in the preface above consists in the co-existence of an awareness of the severity of the problems of unemployment, poverty and inequality, with the apparent belief that halving unemployment and poverty by 2014 (one of government’s highest profile domestic endeavours) is possible.

In recent times, the economic crisis that has engulfed the world has offered an opportunity for government to back away from the latter position without too much loss of face. Who could gainsay them if they claimed that things were going swimmingly until the excesses of the banking fraternity destroyed the growth spurt that promised to sweep South Africa to success in its bid to halve unemployment and poverty? Instead of grabbing this chance, the issue has been blurred by mealy-mouthed public relations-speak. In mid-April 2009, for example, the AsgiSA¹ Annual Report for the year 2007/2008 informed readers that:

‘... the original AsgiSA target of growing at an average rate of 6% between 2010 and 2014 now may appear implausible. In turn, the target of reducing poverty (*sic*) by half to 14% or less in 2010 (*sic*) may appear to be endangered, and possibly also the target of halving poverty between 2004 and 2014.’ (Presidency, 2009b, p.4).

Acknowledging defeat in the pursuit of some cherished goal is not something that comes easily to folk in government or in politics – instead of simply saying ‘we are unlikely to meet the unemployment halving goal’ (itself a loose statement of probability), this acknowledgement of the unlikelihood of the targets being met begins by telling us that the six percent growth target ‘may appear implausible’. Then, possibly distracted by the thought of the alarm and despondency that could result from an excess of candour, the compiler confuses the first of the targets that ‘may appear to be endangered’, unemployment, with the second, poverty. For good measure, he/she gets the year wrong as well.

When the report was released, this tentative preparation of the masses for failure in a relatively remote future, found its way, as one would have expected, into the media – Reuters and Sapa both ran articles on it, from which we quote below. In what looks like a damage-limitation exercise, a senior official from the Presidency appears to have been wheeled out in order to qualify still further the heavily qualified statement cited above – here is one report of part of the conversation:

‘Now the targets look more difficult. Because of the unpredictability of the economic future at this time, the targets to 2014 have not been revised.’

Alan Hirsch, deputy head of policy in the office of the President, said the economy had proved resilient in past years and may recover quicker than others, while it was also unclear how deep and how long the global crisis would be.

“There is nothing that tells us it is impossible at this stage,” he told reporters.²

That refrain was repeated in an article headed ‘Job creation on the skids as crisis bites into training budgets’, in the *Cape Times*, presumably from notes taken at the same press conference. Here is Hirsch again:

‘When asked if Asgisa needed to relook at its objectives to halve poverty and unemployment by 2014, he said there were no indications that these were impossible’.

‘Nobody can say for certain how deep and how long the current crisis is going to last.’

‘However, he said when government was replaced after the elections, it would be its prerogative to consider whether they would reach the goals.’³

Although there may not be anything that tells ‘them’ it is impossible (never say never?), there certainly is something that tells ‘them’ that it is unlikely that they will reach the goals – unfortunately, at the point that these utterances were made, ‘they’ chose not to hear it. So too, did the Minister Public Works at the unveiling in April 2009 of Phase 2 of the EPWP, when he reportedly said of government’s halving unemployment goal that:

‘It’s going to take a lot of work, it needs a lot of dedication and energy but I think it’s achievable by 2014, I’m confident ...’⁴

As the months go by, the confidence of yore shows ever such faint signs of slipping. On 14th July 2009, when the briefing on the Medium Term Strategic Framework (MTSF) was given (by Trevor Manuel, now Minister for National Planning in the Presidency), it contained the statement:

‘In this MTSF period, we aim to meet our target of halving poverty and unemployment by 2014 ...’⁵

Implicit in the use of the verb ‘to aim’ is an acknowledgement of the possibility of not hitting the target. Could the use of such language point to a recognition of the likelihood that neither target is achievable, and that even if they were, their achievement would not still the angry protests of the poor? (Or am I reading too much into the statement?) Is government paving the way to save face, if (when?) what looks to me like the inevitable overtakes them?

Although it is the ‘whistling in the dark’ like that reported above that gets the press coverage, former Minister of Finance Trevor Manuel is also to be found acknowledging the near-impossibility of finding a solution to the problem of mass unemployment. In early May 2009, the *Dinokeng Scenario Report*, the product of an intensive consultation process that commenced in July 2008, was placed before the public. One of the members of the secretariat was Pippa Green, author of a recently-published biography of

Manuel. Commenting in the *Mail & Guardian* on what she described as an unusual commission, that of speaking to the subject of the biography on what he thought about the Dinokeng Report, she said that he was ‘... in a word, trenchant.’⁶ His concerns were threefold – the first two are not of relevance here, but the third most certainly is. Here is how Green reported it:

‘His third concern relates to a section of the diagnostic that speaks about the “deep structural flaws in the economy” and the high levels of unemployment. But nowhere in [the] scenarios is there adequate reference to job creation.’

Here, I should put up a brief defence. It is perhaps the most critical challenge facing the country but it flummoxes the brightest in government. In an interview I did with him last July, as I was completing my book, Manuel admitted that unemployment was the most “intractable difficulty” that confronts us. ‘If we had answers to the fundamental problem of unemployed youth in this country, then we would have solved [it].’

No blame attaches to such an admission – none of us knows how to solve the problem. So now what? An important first step is for government to admit that it is unlikely to halve unemployment by 2014 and even less likely to halve poverty. With that as starting point, a conversation on what steps should be taken, could commence. Denying the obvious, can only increase the alienation and anomie of the poor. If the truth be said, there was never much hope that the halving goals could have been attained, and the international crisis has put paid to what little there was.

Government holds fast to the ‘halving unemployment and poverty’ stance, something that is possible only because its attainment lies in the future. In other areas, where its shortcomings cannot be disguised, service delivery, that catch-all category, being the most obvious, Government has been obliged to acknowledge failure. A recent example of this is to be found in the Green Paper on National Strategic Planning prepared by the newly-created Ministry for Planning in the Presidency. The opening paragraphs of the Preface, written by Minister Manuel, have this to say:

‘Our efforts to massively reduce poverty and roll back the extreme inequalities of the apartheid era have only begun to take effect.

Lack of a coherent long term plan has weakened our ability to provide clear and consistent policies. It has limited our capacity to mobilise all of society in pursuit of our developmental objectives. It has hampered our efforts to prioritise resource allocations and to drive the implementation of government's objectives and priorities. In addition, weaknesses in coordination of government have led to policy inconsistencies and, in several cases, poor service delivery outcomes.' (Presidency, 2009a, p.1)

Fine as this catalogue of weaknesses is, the Green Paper, when it elaborates on them, stops short of saying just how badly social goals have been affected. It fails to mention that one of government's fondest ambitions, that of halving unemployment and poverty by 2014, is one of the victims of the 'lack of a coherent long term plan'.

One of the most important tasks of the Planning Ministry sees for itself is that of trying to ensure that incoherence and other weaknesses become a thing of the past. To illustrate the envisaged role of the ministry, the Green Paper offers two examples of strategic priorities, energy and social security reform (2009b, pp.11-12). It is a relief to have it confirmed that the latter topic is still on the agenda, although it is as well to be on guard against possible future developments. Maybe one should not read too much into it at this early stage, but the picture sketched in the example on social security reform looks much like the contributions made by the National Treasury when Minister Manuel was Minister of Finance to the Social Cluster's attempts to design a comprehensive social security system.

Under the heading of 'A long term vision for development', the Green Paper spells out a list of desirable features for the country of the future. Referring to the Medium Term Strategic Framework, it says that:

'... in broad terms, South Africa Vision 2025 could project a society in which [inter alia]:

There are effective programmes to reduce poverty and inequality and protect the most vulnerable in society, including youth, children, people with disability and the elderly.'

Then, further down:

‘Able-bodied citizens and all work-seekers have access to decent jobs, workers’ rights are protected and *social security measures are comprehensive enough to cover all citizens in need.*’ (Presidency, 2009a, p.18, emphasis added)

About the most vulnerable, there is little contention. It is, however, the ‘citizens in need’, especially the able-bodied among them, that constitute the major obstacle en route to a comprehensive social security system. It will be decades before access to decent jobs, or indeed any jobs, becomes universal in South Africa. In the meanwhile, there will be millions of people requiring social protection. Government has failed so far in its attempts to address this problem – the EPWP is all very well, but even in its much expanded form, it can still only reach a small minority of those in need. So deeply rooted is government antipathy towards social grants for the able-bodied unemployed (the only feasible means of alleviating their poverty as they wait for economic growth to rescue them), that it is difficult even to imagine what could bring about a change of heart.

On that pessimistic note, let us glance at the impact of the crisis on South Africa’s labour market as depicted in recent Quarterly Labour Force Surveys (QLFSs), before turning to the calculating engine used to forecast possible employment and unemployment outcomes in 2014.

INTERNATIONAL CRISIS SPOILS A GOOD RUN

Although I have not been able to track down statements by any ANC luminary taking comfort from the decline in the official unemployment rate from 23.2 percent for the period June-September 2008, to 21.9 percent in October-December 2008 reported by successive QLFSs, the fall, bolstered by a reported increase in the total number employed of 189 000 over the quarter (Statistical Release P0210, 2 March 2009, p.vi), will no doubt have caused the odd sigh of relief in official circles.

Whatever the official response, financial journalists were frankly disbelieving – one article in *Business Day*, headed ‘Say that again?’ commenced thus:

‘It’s not too late for Statistics SA to admit that something is very wrong with its new quarterly labour force survey — and, more important, to do something about it.’ (3 March 2009)

An article by Avril Joffe, senior associate editor at Business Day, under the headline ‘Stats SA data is good but not infallible’, whose opening paragraph read thus:

‘JUST six months after the official statistics agency launches a new-look unemployment survey, the survey comes up with a result that amazes the market, because it seems so unlikely. Of course we’d all like to see the number of jobs rising and the unemployment rate falling, but last week’s rosy labour force figures were difficult to believe, and were greeted by at least some economists with outright scepticism.’ (10 March 2009)

was critical of the surveys and of the way in which Statistics South Africa responded to suggestions that there could be something wrong with the QLFS. There may or may not be problems with sampling, questionnaire design or fieldwork, as she suggests, but there certainly is something wrong with the way in which the results are presented.

As I have pointed elsewhere (Meth, 2008a and 2009b), since most of the changes reported by the QLFSs are not statistically significant, one can say almost nothing about changes at any level below national aggregates. Performing a detailed analysis of changes in employment in the different sectors of the economy, or in different occupations, or provinces is, therefore, mostly a waste of time.

In the QLFSs from the first quarter of 2009 onwards, Statistics South Africa provides information on sampling variability in three forms: coefficients of variation for successive quarters; upper and lower values (at the 95 percent confidence level) for estimates of quarter-to-quarter changes, and P-values for the differences between successive surveys. These have the usual meaning – as Statistical release P0211 (28 July 2009, p.xiv) points out:

‘If p-value <0,01 then the difference is highly significant; if p-value is between 0,01 and 0,05 then the difference is significant; and if p-value >0,05 then the difference is not significant.’

Misinterpreting the QLFSs results requires that one ignore these measures of reliability. Earlier versions of the QLFS gave only P-values. Nonetheless, this was sufficient to warn against the casual interpretation of changes from quarter-to-quarter. Among changes from the third to the fourth quarter of

2008 of employment by occupation and sex, three sub-aggregate results out of 33 are significant (Statistical release P0210, 2 March 2009, p.29). For the employed by sex by industry, five results among 33 are significant – for both sexes in agriculture and in construction; for men in agriculture and construction, and (bizarrely?) for women in mining (p.27). In the third quarter of 2008, total employment total was 13.655 million, while the fourth quarter figure was 13.844 – the P-value for the change was 0.01, which means the change was significant. By contrast, the P-value for the change in formal sector (non-agricultural) employment was 0.16, while that for the change in informal sector (non-agricultural) employment was 0.11 (Statistical release P0210, 2 March 2009, p.v).

Among those commenting in the financial press on the results, it fell to Neva Makgetla to emphasise the obvious point that since most of the results in the QLFS are not statistically significant, being critical of them made little sense. As she pointed out, one of the few changes that was statistically significant, the increase in employment in construction, was plausible, given the huge infrastructural investment programme currently underway. As noted above, one of the major problems lies in the way in which Statistics South Africa publishes the survey results – she pointed out that:

‘... a more careful and balanced presentation of findings would add to the credibility of the statistical system. In particular, it is problematic to list a survey’s findings, only to note thereafter that the numbers are not statistically significant. Most people will not be able to interpret the results at all.’⁷

Whatever comfort was offered by the fourth quarter results for 2008, was to be short-lived. The QLFS for the first quarter of 2009 (Statistical release P0210, 5 May 2009, p.v), has the official unemployment rate climbing back up to 23.5 percent.⁸ The quarter-to-quarter change in employment is a fall of 208 000; the rise in the number of officially unemployed is 311 000. Both changes were said to be statistically significant (P-value = 0.01 and 0.00, respectively). Referring to the tables giving confidence intervals for the differences in estimates between successive surveys, we note that the fall in total employment of 208 000 between the fourth quarter of 2008 and the first quarter of 2009, could have been 353 000 or 63 000. Similarly, it can apparently be said with 95 per cent confidence, that the increase in unemployment (311 000) could have been anywhere between 185 000 and 437 000 (Statistical release P0210, 5 May 2009, p.23). The change in formal

sector (non-agricultural) employment was not significant (P-value = 0.216), while that for the change in informal sector (non-agricultural) employment was (P-value = 0.04).⁹ These movements, coupled with an increase in the number of economically inactive, and in the number of discouraged, cause both the labour absorption rate and the participation rate to fall.

One article in the press following the release of the first quarter 2009 results, was as fine a demonstration of straw-clutching as one has the right to expect from any politician. Under the heading 'Pinprick of light', the reporter (no byline) finds reason for a modicum of optimism in the 'fact' that 'not all the jobs that were created last year have been lost' (*Business Day*, 8 May 2009). This assertion is based on the respective employment totals for January-March 2008 (13.623 million) and January-March 2009 (13.636 million). Apart from the fact that these figures include notoriously difficult-to-measure areas, such the informal economy, and agriculture, the difference between them (13 000) cannot possibly be statistically significant (Statistical release P0210, 5 May 2009, p.v). As we have seen above, the confidence intervals for such estimates are wide, so total employment over the period could have risen or fallen by several hundred thousand (or, indeed, stayed the same), and we would be none the wiser. So much for the 'pinprick of light'.

If nothing else, the results churned out by the labour force survey for the second quarter served to dampen any speculation about 'pinpricks' or 'green shoots'. As is their custom, the press reported the statistically insignificant changes in the numbers as though something meaningful could be extracted from them. The estimated unemployment rate went from 23.5 percent in the first quarter of 2009 to 23.6 percent in the second (P value = 0.79), while the number of unemployed fell by 59 000 (P value = 0.45).¹⁰ *Business Day* (28 July 2009) presented this under the headline 'Second quarter unemployment rate at 23.6% v 23.5% first quarter', while the *Mail & Guardian* (also 28 July 2009) ran the story under the headline 'SA jobless rate ticks up as recession bites'.¹¹ The two results that were statistically significant, a quarter-to-quarter increase in the number of discouraged work seekers of 302 000 and a rise in the number of 'not economically active' of 419 000, do, however, justify the general air of gloom about the pieces in question. Both were given due prominence. Other than the comment in the *Mail & Guardian* article that: 'The economic downturn is starting to show its impact ... times are hard', both papers steered clear of speculation on economic growth prospects.

Among the more informative pieces prompted by the publication of the QLFS for the first quarter of 2009, was an article by Mariam Isa in *Business Day*, 6 May 2009, headed ‘Job losses need not be a bloodbath’. Canvassing opinion about likely developments in the year ahead, a view emerges that the unemployment rate will reach 25 percent, and about 400 000 jobs may be shed. Reference is made to a consensus that the economy will contract by about 0.6 percent this year. One economist predicted that growth would be about 1.9 percent in 2010, ‘quickenning’ to three percent in 2011.

After the first quarter QLFS figures were published, the quarterly GDP figures appeared. Pity the poor economics profession when it gazes into the crystal ball – forecasts for the quarter-to-quarter change ranged from -0.7¹² to -5.2 percent. In the event, it fell by 6.4 percent, causing (one) instant revision of the prediction of a 2009 contraction from -0.6 to -2.2 percent per annum.¹³

At this point, guesses at growth rates in subsequent years must be pure speculation, which is a little unfortunate. As one would expect, in any exercise aimed at predicting ranges in which future economic outcomes could lie, establishing plausible values of the determining variables is essential, even when the relationship between the relevant variables – in this case, the rate of growth of the economy as a whole (the independent variable), and the rate of job creation, and the rate of unemployment reduction (the dependent variables) – cannot be ascertained with any precision. In the task that lies ahead, guesswork is unavoidable.

To end this section of the paper, a little semantics – in the ‘bloodbath’ article, Mariam Isa observes that:

‘The Presidency has *admitted* the global downturn means SA is unlikely to meet its goal of reducing unemployment to 14% by 2014. The aim of boosting economic growth to a sustainable 6% by that time also seems unrealistic.’ (Emphasis added)

The likely source of this information is the 2008 AsgiSA Annual Report, referred to above. What is interesting about the statement above is Isa’s use of the word ‘admitted’. As we saw in the verbatim quote from the Report, its compilers went to great lengths to avoid ‘admitting’ anything. That was the line followed by Hirsch, who, in presenting the Report, was at pains to stress

the perception that ‘nothing told government the goals would be impossible to achieve’. Of course, it is not possible, as noted above, to dismiss Hirsch’s ‘impossible’ stance out of hand – it is, however, possible to form a reasonable view of the likelihood of the unemployment halving goal being achieved, so let us attempt to do so.

WHAT CHANCE FOR A HALVING OF UNEMPLOYMENT?

Little more than a year or two ago, politicians in many countries viewed the world economy with some complacency, making the shattering of their barely concealed self-satisfaction all the more complete when crisis overwhelmed country after country. This is no cause for celebration – rather it calls upon us, as social scientists, particularly the economists among us, to approach social reality with all due humility. Since the future is radically unknowable – all we have is a set of probabilities – when we try to foretell outcomes, like that of the drive to halve unemployment by 2014, we must exercise extreme caution.

It is clear from the statement made by the Minister of Public Works upon announcing the inception of Phase 2 of the EPWP (see above) that there is an expectation that the programme will make a substantial contribution to government’s goal of halving unemployment by 2014. What, precisely it means to ‘contribute’ to this goal is not entirely clear. How significant, for example, is a ‘contribution’ that sees an unemployed person experience one ‘work opportunity’ of say, 87 days paid work, before lapsing back into unemployment?¹⁴

Two sets of effects of the pursuit of this goal may be distinguished – the first of these is the macro-picture generated by survey instruments such as the Quarterly Labour Force Survey (changes in numbers unemployed, and in rates of unemployment). The second, and more important, is the socio-economic impact of the EPWP’s contribution to the goal, i.e., the programme’s effects on people’s lives. There is information available on this question, to some of which, reference is made below. In this paper, our concern is primarily with the macro-picture.

A few years ago, a paper of mine with the title ‘Half Measures: The ANC’s Unemployment and Poverty Reduction Goals’ was published (Meth, 2004). Using a simple purpose-built calculating engine, I concluded that the goal of halving unemployment by 2014 would not be met. In the unlikely event of

its being achieved, I argued that there would still be too many unemployed people (at least two-and-a-half million by the official measure) for comfort. Paradoxically, the ANC government's commitment to halving unemployment (and poverty) is thus both too ambitious, and too modest, an unfortunate fate for a catchy sounding political slogan.¹⁵

There is nothing particularly complicated about the calculating engine on which my conclusions are based – anyone who can drive a spreadsheet programme and who is familiar with the relevant variables could build a similar device. Since one is peering into an uncertain future, assumptions about the possible behaviour of the relevant variables have to be made. Movement outside of fairly narrow limits is, however, not all that likely – once plausible values have been assigned, out pop a set of scenarios – without fail, they say that unless employment creation at a very high rate can be maintained year after year, the goal is unlikely to be achieved.

Before we lift the bonnet to look into the workings of the calculating engine, let us spend a little while looking at the confusion caused by newly-elected President Zuma's misguided attempt to talk up job creation possibilities. The confusion came about because of a conflation of the unemployment halving target with the Phase 2 EPWP targets.

In his first State of the Nation address (June 3rd 2009), President Zuma announced government's plan to create '500 000 job opportunities' between that date and December 2009 (p.5).¹⁶ From the context in which this announcement was made, it seems most likely that this was a reference to the 'work opportunities' planned for Phase 2 of the EPWP. That being so, the President sowed the first seeds of the confusion by failing to point out (possibly because he did not know) that the period during which the 500 000 'work opportunities' are to be created, is Year 1 of Phase 2 of the EPWP. As far as can be ascertained, this runs from 1st April 2009 to 31st March 2010.

So, when on the 23rd July 2009, the President told **the Confederation of Black Business Organisations at the Sandton Convention Centre that:**

‘Even if the economy begins to grow again next year, we will have to wait a little longer for a significant increase in new job creation... ‘

his speech attracted howls of outrage in the blogosphere, with people accusing him of going back on his word (so soon, too!).¹⁷ Unaware, as most

probably are, of the President's own ignorance of what is being promised, they conclude, quite reasonably, that he is back-peddalling.

It is, in fact, quite possible for the EPWP Phase 2 to deliver 500 000 'work opportunities' in its first year.¹⁸ During the remainder of the calendar year, however (the period up until the end of December 2009), the wider economy will be shedding jobs. The EPWP 'work opportunities' provided during this period will not be sufficient in number to prevent a decline over the year, in the level of total employment.

Although it may look otherwise, this probably does not represent a retreat by government from an earlier promise. Rather it represents the almost inevitable outcome of two lapses: the first being the President's failure to draw to his audience's attention the fact that job growth (or loss) in the wider economy is separate from, and independent of the 'work opportunities' created by the EPWP; the second being the apparent error made by him when he announced government's plans, i.e., that of confusing the EPWP's financial year with the remainder of a calendar year.

THE CALCULATING ENGINE'S NUTS AND BOLTS

This section of the paper attempts to guesstimate unemployment rates and levels in 2014, assuming that the planned 'work opportunities' for Phase 2 of the EPWP materialise. Previous attempts that I have made to peep into the possible future of the unemployment halving project did not treat the EPWP contribution to employment creation separately – I simply assumed that the EPWP 'jobs' would be picked up by the Labour Force Surveys. Since material to consider the possible impact of Phase 2 of the EPWP is available, it will be interesting to see what difference the programme may make. Accordingly, the calculations made below assume that the planned 'work opportunities' for Phase 2 of the EPWP do materialise. They have to take into account a new programme, launched under the auspices of the Presidency's Second Economy Initiative, the Community Work Programme (CWP). The intention is that programme participants will be able to perform paid work for 100 days each year (two days per week) on an ongoing basis, providing community services. Background information (which is little a scarce) and commentary on the programme is offered at the end of this section of the paper.

To guesstimate future unemployment levels, assumptions about possible job creation in the wider economy, coupled with assumptions about such important variables as the rate of growth of the economically active population, have to be deployed. Apart from having to guess the future magnitudes of a range of salient variables, making predictions about the likelihood of the unemployment halving target's being achieved also entails coming to grips with a reasonably formidable set of data problems. The results of the attempt to do so are set out in Tables 1 and 2 below. They offer a set of possible outcomes for the year 2014, based on what is (thought to be) known about the labour market. In the table, except for the unemployment rate (percent) and the rate of growth of the economically active population (EAP) or labour force (percent per annum), all labour market magnitudes are in thousands. Before getting there, it is necessary to navigate through a bit of a quagmire. The first stretch plunges into the murkiness of the nature of the target itself.

Although the notion of halving unemployment may have been mooted earlier, news of its formal adoption appears for the first time in paragraph 2.1.2 of the Growth and Development Summit (GDS) Agreement reached in Nedlac on 7 June 2003, which states that:

‘The constituencies aim to halve unemployment by 2014. The agreements in this document are part of our collective efforts to achieve this objective.’

What, precisely is meant by ‘unemployment’, what the relevant period was on which the ‘halving’ goal would be based, and what date in the year 2014 was envisaged as that upon which stocktaking would occur, have not, to my knowledge been publicly announced.¹⁹

Over time, it has become apparent that the goal in mind was the official unemployment rate. This, of course, is only one among four alternatives: the rates of unemployment, and numbers of unemployed as measured by the official and expanded unemployment definitions. The fact that the latter concept has been abandoned by the authorities (on the spurious grounds that it causes confusion) does not mean that the discouraged (non-searching unemployed) regard themselves as any less ‘unemployed’ than their compatriots who search, mostly fruitlessly, for work.

Accepting (with reservations), that it is the official rate of unemployment that is to be halved, the next question that arises is what date should be taken as the starting point? At the time the agreement was struck, the most recent information on unemployment was from the Labour Force Survey for September 2002 – in Statistical release P0210, published on 25 March 2003 – the unemployment rate was 30.5 percent, and the number of unemployed was put at 4.84 million. The LFS for March 2003, estimated the official unemployment rate at 31.2 percent, and the number unemployed at 5.25 million (Statistical release P0210, 23 September 2003, p.ii), while that for September 2003 returned a rate of 28.2 percent and a headcount of the officially unemployed of 4.57 million (Statistical release P0210, 25 March 2004, p.ii).

The target rate of unemployment for the year 2014 appears to be 14 percent.²⁰ How that figure was settled upon is not clear. The 2006 AsgiSA Summary document states that the government was mandated in 2004 to halve unemployment and poverty by 2014 (AsgiSA, 2006, p.2). A little further down the page the AsgiSA document refers to ‘... the goal of reducing unemployment to below 15%’ A glance at the ANC’s election manifesto for the 2004 does not disclose any numerical target – Vision 2014, spelled out in the manifesto, has as its first target ‘Reduce unemployment by half’ (ANC, 2004).²¹ It would not have been inappropriate to have set the bar at 15 percent, roughly the rate when the GDS adopted the halving goal – be that as it may, the rate has been set at the slightly more difficult to achieve figure of 14 percent, and there the matter rests.

Inspired by international commitment to the Millennium Development Goals (MDGs), halving of various social ills by 2015 was all the rage in the early noughties. In addition to raising the bar on the desired unemployment rate, for symbolic reasons (to mark the 20th anniversary of democracy in South Africa), the ANC decided to go one better, and shorten the period in which the reduction was to be achieved by one year. Unfortunately, there is no apparent statement of precisely what end date in 2014 was envisaged. Should it be the first day of the year (New Year’s Day 2014), or the last (31st December 2014)? If the latter, the parties to the agreement would be giving themselves a little extra leeway (more time in which to reach the target). Alternatively, a date just before such important occasions as the annual state of the nation address, the budget speech of the Minister of Finance, or the 28th February when the state’s financial year ends, could have been intended. That would mean celebrating the occasion with labour market news that

dated back to the third, or at a pinch, the fourth quarter of 2013 (this year, results the Quarterly Labour Force survey data for the first quarter of the year only become available in the first week of May).

The choice of precise end point is, of course, arbitrary. Since it does not look as though the GDS participants agreed on a specific date, for purposes of the present exercise, it is necessary to do so. En route to choosing an end-point, the problem hinted at above – the non-coincidence of EPWP years with calendar years – has to be addressed. In what follows, it has been tackled (not solved) by selecting two dates. The first of these is March 31st 2014, when Phase 2 of the EPWP comes to an end. The second is 31st December 2014, chosen to give maximum time for the achievement of the halving goal.

Rather obviously, because the EPWP is an important creator of ‘work opportunities’, the estimates of the numbers of these ‘work opportunities’ have to be taken into account. Prior to the first quarter of 2008, Labour Force Surveys (LFS), run twice annually, in March and September, provided employment and unemployment data in South Africa. In the LFSs there were specific questions on the EPWP. The surveys are now run on a quarterly basis (the Quarterly Labour Force Survey – QLFS). The first quarter figures are referred to as being for the period January-March for the year in question, and so on for subsequent quarters. Although the EPWP-specific questions have been dropped from the QLFSs, EPWP workers are still picked up (among other workers) by the surveys.

Since the EPWP year runs from 1st April in one year to 31st March in the succeeding year, use of the first quarter (Q1) QLFS enables us to synchronise (roughly) the estimates of growth in the wider economy with estimates of EPWP ‘work opportunity’ creation. As the EPWP numbers are vital to the whole enterprise, the historical data on the basis of which guesses at the values of certain variables for the first year (2009/10) in Tables 1 and 2 are made, is the set of first quarter (Q1) and second quarter (Q2) QLFS figures for 2009.²²

To obtain a 2009/10 figure for the working age population, the Q1 QLFS estimate of 30 987 000 was allowed to grow by 0.9 percent (somewhat less than the average growth rate observed over the period 2003-2008).²³

Commentators in the financial press are predicting that between 300-400 000 jobs are likely to be lost during the calendar year 2009.²⁴ The year-

on-year reduction in the number of employed from the first quarter of 2008 to the first quarter of 2009, was 208 000. In the formal sector, 88 000 jobs were lost, while informal sector employment fell by 96 000.²⁵ Guided by these results, total employment for the year 2009/2010 is assumed to fall by a further 300 000. Employment in the Q1 QLFS stood at 13 636 000 (and in the Q2 QLFS at 13 369 000)²⁶ – employment at the end of 2009/10 is thus assumed to be 13 336 000.

The Q1 2009 participation rate (official) was 57.5 percent. It is assumed that bad news coming out of the labour market has a dampening effect on people's decisions to seek work – this is reflected in an assumed fall in the participation rate to 56.0 percent. This causes the official unemployment rate for the year 2009/2010 in the simulations to rise to 23.8 percent from its Q1 QLFS value of 23.5 percent (and its Q2 value of 23.6 percent). The number of officially unemployed falls from 4 184 000 to 4 173 000. The 2009 Q2 QLFS gives the number of officially unemployed as 4 125 000. It also has the participation rate falling – from 57.5 to 56.3 percent. Associated with this fall is a:

‘... massive increase of 724 thousand in the number of persons who are not economically active – 438 thousand being discouraged work-seekers.’²⁷

This jump in the number of discouraged work-seekers came on top of an increase in the previous quarter of 302 000, taking the total number of discouraged from 1 079 000 in the second quarter of 2008 to 1 517 000 in the second quarter of 2009.

Since what was thought to be the final draft of the present work was completed (August-September 2009), further bad news has been delivered. The third quarter (Q3) QLFS informs us that over the period July-September 2008 to July-September 2009, total employment fell by 770 000. Although over the same period, the number of officially unemployed rose by only 70 000, nudging the rate up to 24.5 percent, the number of not-economically active rose by 1.1 million, 560 000 of them being discouraged work seekers. In consequence, the labour force participation rate fell to 54.8 percent. Total employment in July-September 2009 was 12.885 million (Statistical release P0210, 29 October 2009, p.vi). This is not much higher than the September 2006 figure of 12.8 million (Statistical release P0210, 29 March 2007, p.ii).

It would be possible, with some effort, to reconfigure the calculating engine used to guesstimate unemployment in 2014 to take account of these new realities (if one believes the survey results, that is). This has not been done – the forecasts have been left as they stood in August/September 2009. Adopting that approach renders them conservative (makes the goal of halving unemployment by 2014 less onerous for government), because the assumptions about conditions in the base year (2009/10) understate the damage sustained by the economy during the current economic crisis.

To construct the estimates, a number of other assumptions are necessary – here they are:

1. The rate of growth of the labour force (economically active population – EAP)

This is allowed to take on values between 0.5 percent and 3.5 percent per annum over the period 2009/10-2013/14. Three EAP growth regimes (percent per annum), Fast, Moderate and Slow, are posited. Within each regime, values for each year are allowed to vary as economic growth resumes.

The historical record of the rates of change of the size of the working-age population, and the number of economically active (the labour force) over the period September 2004-September 2007 are 1.26 and 2.96 percent respectively.²⁸ In constructing the scenarios presented in the tables below, these figures are used as guides to set outer bounds. Under the most optimistic growth conditions in 2013/14, when over one million new jobs are created, the rate of growth of the economically active population (EAP) is allowed to reach an assumed level of 3.5 percent per annum.

The size of economically active population is the more volatile (and difficult to predict). This stands to reason, because the rate of growth of the working-age population is a function of the standard demographic variables, whereas the rate of growth of the economically active population (the labour force) is a function of individual and collective economic decision-making. The latter can bring about rapid changes in the size of the labour force, and hence in participation rates. Although mortality and migration rates can sometimes change quite quickly, by comparison with participation rates, population growth rates change relatively slowly.²⁹

Of the variables that together determine the numbers of jobs that have to be created to meet the halving goal, changes in the participation rate (the joint outcome of changes in the size of the working age population, and the numbers of economically active) have the largest impact. As far changes in the number of economically active are concerned, neither theory³⁰ nor extrapolation of past experience, that old standby, allow for the prediction of outcomes (levels of economic activity) with any accuracy. Generally, when economic growth picks up, so too does the rate of growth of the labour force, i.e., there is a tendency for participation rates to rise during periods of rapid economic growth, and, as we have seen, to stabilise or fall during downturns or slowdowns. Increases in employment associated with rising economic growth, can cause unemployment rates to rise, presumably because of changes in the perceptions of the probability of obtaining employment among those who were previously inactive or discouraged.

As noted above, during the moderate growth spurt between September 2004 and September 2007 (one million new jobs in total), the rate of change of the size of the working-age population was almost three percent per annum. This caused the participation rate to rise by 2.7 percentage points, from 53.8 percent to 56.5 percent.³¹ Over the period September 2004-September 2006, the participation rate went from 53.8 to 57.3 percent (an increase of 3.5 percentage points). For women, the change, from 46.2 to 51.1 percent, was more than double that for men (62.0 to 63.9 percent). By contrast, during the slow growth period from September 2001-September 2003, the rate fell from 56.3 to 54.8 percent (63.7 to 62.7 percent for the men, and 49.4 to 47.4 percent for the women). As has been shown above, the current crisis has driven the official participation rate from 57.5 percent in the first quarter of 2009, to 54.8 percent in the third quarter. These changes are of obvious consequence for the scenarios whose results are presented in Tables 1 and 2 below.

2. Job creation in the economy after 2009

This may be robust (the ‘Optimistic’ assumption) – economic growth is assumed to hit five percent per annum by 2012/13, and speeds up thereafter.³² It may also be not so robust (a ‘Pessimistic’ assumption) – by 2013/14, economic growth is still only about four percent per annum. In all of the scenarios, economic growth, possibly at 2-3 percent per annum, resumes in 2010-11.³³ The likely effect of this is a surge in the numbers seeking employment, in particular, many of the discouraged are likely to commence (or recommence) the search for work.

Like the assumptions about employment and unemployment in the base year 2009/10 discussed above, the growth estimates, even those described as ‘pessimistic’, are conservative (are generous to government in the sense of overstating the probability of the halving goal being achieved). The National Treasury has recently revised its estimates of growth over the next few years downwards. At the end of October 2009, in the speech accompanying the Medium Term Budget Policy Statement, the Minister of Finance stated that:

‘Against the background of the global economic decline, the outlook for the South African economy is significantly weaker than projected in February.

- Real GDP is expected to be 1.9 percent lower this year than in 2008, and growth of 1.5 percent is projected for 2010, rising to 2.7 percent in 2011 and 3.2 percent in 2012... ‘ (Treasury, 2009, p.13).³⁴

As may be seen in the footnote below, these growth rates are lower than those deemed likely to generate the employment growth assumptions used in the different scenarios.

3. Estimates of the numbers of FTEs – full-time equivalent ‘jobs’ – to be created by Phase 2 of the EPWP

These are available for the years 2009/10 to 2013/14.³⁵ The 2013/14 figure is 680 000 FTEs. In order to take the results up to the end of calendar year 2014, it is assumed that a further 600 000 EPWP FTEs (not ‘work opportunities’) are created. For the same period in the wider economy, the Optimistic assumption is that a further 600 000 jobs are created. Its Pessimistic counterpart is 400 000. It is assumed that all the EPWP Phase 2 targets are met. It is also assumed (as noted above) that EPWP ‘workers’ are picked up by the Quarterly Labour Force Surveys, even though the questions specifically on the EPWP appear to have been dropped.

EPWP work opportunities vary greatly in duration – the mean is about 100 days. It is assumed that all job slots occupied during any year are emptied at year end. They are refilled either by the previous incumbents, new incumbents, or some combination of the two. The numbers of FTEs are not affected by the identity of the incumbents.

4. Estimates of the numbers of FTEs to be created by the Community Work Programme (CWP)

Following Philip (2009), participants in the CWP are assumed to number 50 000 by the end of 2009. With each participant assumed to take up the full 100 days of work offered per annum, this translates into 22 000 FTEs. No attrition is assumed in the first year of operation of the programme.

Table 1 Halving official unemployment – three scenarios

Scenario 1	Jobs created by economic growth	EPWP FTEs	CWP FTEs	EAP growth (% pa)	No. of unemployed (Official)	Unemployment rate (%)	Excl EPWP Excl CWP	Incl EPWP Excl CWP	Excl EPWP Incl CWP
Conditions:	Pessimistic employment growth		Fast EAP growth						
2009/2010	-300	210	22		4 151	23.7	23.8	23.8	23.7
2010/2011	200	260	84	1.0	3 993	22.6	23.5	23.2	22.9
2011/2012	250	360	139	2.0	3 857	21.4	23.6	22.7	22.2
2012/2013	300	500	195	2.5	3 673	19.9	23.8	22.2	21.4
2013/2014	400	680	250	3.0	3 398	17.8	23.6	21.1	20.3
End of 2014	400	600	305	3.5	3 439	17.4	23.7	21.7	19.4
Scenario 2	Jobs created by economic growth	EPWP FTEs	CWP FTEs	EAP growth (% pa)	No. of unemployed (Official)	Unemployment rate (%)	Excl EPWP Excl CWP	Incl EPWP Excl CWP	Excl EPWP Incl CWP
Conditions:	Optimistic employment growth		Fast EAP growth						
2009/2010	-300	210	22		4 151	23.7	23.8	23.8	23.7
2010/2011	300	260	84	1.0	3 893	22.0	22.9	22.6	22.3
2011/2012	400	360	139	2.0	3 607	20.0	22.2	21.4	20.8
2012/2013	500	500	195	2.5	3 223	17.4	21.4	19.8	19.0
2013/2014	600	680	250	3.0	2 748	14.4	20.1	17.7	16.9
End of 2014	600	600	305	3.5	2 589	13.1	19.4	17.4	15.1
Scenario 3	Jobs created by economic growth	EPWP FTEs	CWP FTEs	EAP growth (% pa)	No. of unemployed (Official)	Unemployment rate (%)	Excl EPWP Excl CWP	Incl EPWP Excl CWP	Excl EPWP Incl CWP
Conditions:	Pessimistic employment growth		Moderate EAP growth						
2009/2010	-300	210	22		4 151	23.7	23.8	23.8	23.7
2010/2011	200	260	84	0.5	3 905	22.2	23.1	22.8	22.5
2011/2012	250	360	139	1.0	3 592	20.2	22.4	21.6	21.1
2012/2013	300	500	195	1.5	3 224	17.9	21.9	20.3	19.5
2013/2014	400	680	250	2.0	2 755	15.0	21.3	18.7	17.5
End of 2014	400	600	305	2.5	2 589	13.7	20.7	18.6	15.8

Table 2 Reducing expanded unemployment – three scenarios

Scenario 4	Jobs created by economic growth	EPWP FTEs	CWP FTEs	EAP growth (% pa)	No. of unemployed (Expanded)	Unemployment rate (%)	Excl EPWP Excl CWP	Incl EPWP Excl CWP	Excl EPWP Incl CWP
Conditions:	Optimistic employment growth			Fast EAP growth					
2009/2010	-300	210	22		5 668	29.8	29.9	29.9	29.8
2010/2011	300	260	84	1.0	5 425	28.2	29.0	28.8	28.5
2011/2012	400	360	139	2.0	5 170	26.4	28.4	27.6	27.1
2012/2013	500	500	195	2.5	4 825	24.0	27.6	26.2	25.5
2013/2014	600	680	250	3.0	4 398	21.3	26.5	24.2	23.5
End of 2014	600	600	305	3.5	4 297	20.1	25.8	24.0	21.9
Scenario 5	Jobs created by economic growth	EPWP FTEs	CWP FTEs	EAP growth (% pa)	No. of unemployed (Expanded)	Unemployment rate (%)	Excl EPWP Excl CWP	Incl EPWP Excl CWP	Excl EPWP Incl CWP
Conditions	Pessimistic employment growth			Moderate EAP growth					
2009/2010	-300	210	22		5 668	29.8	29.9	29.9	29.8
2010/2011	200	260	84	0.5	5 430	28.4	29.2	28.9	28.7
2011/2012	250	360	139	1.0	5 132	26.6	28.6	27.8	27.3
2012/2013	300	500	195	1.5	4 787	24.4	28.1	26.7	25.9
2013/2014	400	680	250	2.0	4 349	21.8	27.5	25.2	24.1
End of 2014	400	680	305	2.5	4 223	20.6	27.0	25.1	22.5
Scenario 6	Jobs created by economic growth	EPWP FTEs	CWP FTEs	EAP growth (% pa)	No. of unemployed (Expanded)	Unemployment rate (%)	Excl EPWP Excl CWP	Incl EPWP Excl CWP	Excl EPWP Incl CWP
Conditions:	Pessimistic employment growth			Fast EAP growth					
2009/2010	-300	210	22		5 668	29.8	29.9	29.9	29.8
2010/2011	200	260	84	1.0	5 525	28.8	29.6	29.3	29.0
2011/2012	250	360	139	2.0	5 420	27.7	29.7	28.9	28.4
2012/2013	300	500	195	2.5	5 275	26.3	29.9	28.4	27.7
2013/2014	400	680	250	3.0	5 048	24.4	29.7	27.4	26.7
End of 2014	400	600	305	3.5	5 147	24.0	29.8	28.0	25.9

Source: Own calculations from Labour Force Surveys, EPWP Phase 2 targets in DWP (2009), and guesstimates in Philip, 2009.

Discussing strategies to scale up the programme, Philip speculates that if the number of participants can be raised to 4000 per municipality, and if the programme could be spread to 228 municipalities in three years, then the number of participants would reach one million (Philip, 2009, p.13). This seems to me to be unrealistic.

Table 1 presents the results of the first three simulations:

Scenario 1 estimates **official** unemployment rates and numbers if employment growth is **pessimistic**; EAP growth is **fast** and CWP jobs are **included**. By the end of 2014, the rate of unemployment is down to 17.4 percent. The number unemployed is 3.4 million.

Scenario 2 estimates **official** unemployment rates and numbers if employment growth is **optimistic**; EAP growth is **fast** and CWP jobs are **included**. By the end of 2014, the rate of unemployment is down to 13.1 percent. The number unemployed is 2.6 million.

Scenario 3 estimates **official** unemployment rates and numbers if employment growth is **pessimistic**; EAP growth is **moderate** and CWP jobs are **included**. By the end of 2014, the rate of unemployment is down to 13.7 percent. The number unemployed is 2.6 million.

Table 2 presents the results of the second three simulations:

Scenario 4 estimates **expanded** unemployment rates and numbers if employment growth is **optimistic**; EAP growth is **fast** and CWP jobs are **included**. By the end of 2014, the rate of unemployment is down to 20.1 percent. The number unemployed is 4.3 million.

Scenario 5 estimates **expanded** unemployment rates and numbers if employment growth is **pessimistic**; EAP growth is **moderate** and CWP jobs are **included**. By the end of 2014, the rate of unemployment is down to 20.6 percent. The number unemployed is 4.2 million.

Scenario 6 estimates **expanded** unemployment rates and numbers if employment growth is **pessimistic**; EAP growth is **fast** and CWP jobs are **included**. By the end of 2014, the rate of unemployment is down to 24.0 percent. The number unemployed is 5.1 million.

Accordingly, a guess of 500 000 for the number of participants in 2012/13 is used in the simulations. An attrition rate of 15 percent (the percentage of the previous year's participants who leave the programme) is assumed. If each participant took up their full 100 days, it would translate into a total for the year of 195 000 FTEs. Values for other years are fitted by linear interpolation and extrapolation.³⁶

Total employment increases come from three sources: (i) employment growth as a result of growth in the economy, (ii) EPWP 'work opportunities', and (iii) CWP participation. Like the jobs resulting from economic growth, the CWP jobs are permanent jobs – the total contribution to employment in each case is thus the cumulative number of jobs created. The contribution of Phase 2 of the EPWP to total employment is the number of 'new' FTEs for that year, minus the FTEs for the previous year. So, the increase in employment in Scenario 2 in Table 1 between 2009/10 and 2010 is 300 000 plus 260 000 minus 210 000, i.e., 350 000, plus the 84 000 CWP FTEs, i.e. 434 000.³⁷

The last three columns in the tables enable the reader to look separately at the impact on unemployment of job creation in economy (EPWP 'work opportunities' and CWP participants excluded); at the combined effect of job growth plus the EPWP (CWP participants excluded), or at the combined effect of job growth plus the CWP (EPWP participants excluded). As will be seen below, the resulting set of figures yields the strong policy prescription that the CWP should be scaled up as fast as possible.

Despite the employment growth performance in **Scenario 1** being described as pessimistic, in reality, it is likely to be better than that actually achieved over the period 2010-14. When that growth recommences in 2011-12 it is likely to call forth a rapid increase in the number of economically active. That will ensure that the halving goal remains well out of reach.

The halving goal is achieved in **Scenario 2**. Such an outcome must, however, be firmly ruled out. Today's gloomy growth prospects make the achievement of employment growth of such a magnitude unlikely in the extreme.

Achieved once again in **Scenario 3**, the halving goal looks as though it is within striking distance. There are two reasons why this is unlikely to happen. The first is that pessimistic economic growth assumption used is

more generous than most predictions currently doing the rounds. The second is that, if the requisite number of jobs could be created by the economy, it would be impossible to restrain EAP growth rates to the moderate level used in this scenario. In other words, an outcome like that in Scenario 1 would probably ensue.

Restricting the reach of unemployment to that identified by the ‘official’ definition may suit a government anxious to minimise the extent of the problem – any hint of an intention to obfuscate in this matter is to be condemned in the strongest possible terms. The Table 2 scenarios seek to highlight the illegitimacy of such a stratagem by speculating on the magnitude of the residual problem after the target year of 2014 has passed. Depending on what combination of population growth; EAP growth, and economic growth (and the employment elasticity of that growth) eventuates, the likely outcome, even under the most benevolent assumptions, is a host of unemployed numbering between four and five million.³⁸ For years now, the ANC has proclaimed its intention to provide comprehensive social security (as the Bill of Rights in the Constitution requires it to). The fact that apart from the subsidised services provided under the municipal indigent policy,³⁹ there is virtually no other social support planned for this army of (mainly) able-bodied poor is a shocking indictment.

Finally, a glance at the relative efficacy of the EPWP and the CWP, made possible by estimating unemployment rates excluding one or the other or both. The results of the exercise, as noted above, are in the last three columns of Tables 1 and 2. Although individual results in the various scenarios differ somewhat, on average, by the fifth year of operation of Phase 2 of the EPWP, the combined effect of the EPWP and the CWP is to reduce the unemployment rate by about six percentage points. By itself, the EPWP knocks about two percentage points off the unemployment rate, whereas the CWP by itself reduces unemployment rates by about four percentage points. Thus although by the end of Phase 2, the EPWP looks as though it is roughly twice as large as the CWP, the reality is that the latter grows much faster in absolute size than the former. To illustrate, the increase in the number of EPWP FTEs between 2009/10 and 2010/11 is 50 000. The number of CWP FTEs, however, grows by 84 000. The policy implication is obvious – if government is prepared to grasp the nettle, the ‘ongoing’ employment offered by the CWP (wage costs are assumed to be the same for the EPWP and CWP) has a far greater impact on poverty, an entirely predictable outcome. Even so, unless the CWP can be made much larger, it

would still, as discussed in the previous paragraph, leave many millions with but little social protection.

REFLECTIONS ON THE EPWP AND CWP

Like the Millennium Development Goals (MDGs) that were probably their inspiration, South Africa's unemployment and poverty halving goals have a certain rhetorical appeal – their achievement, if that were possible, would doubtless be celebrated at length. The reality, as we have seen above, with its many millions still unemployed, is likely to be somewhat less than impressive.⁴⁰ Supplementing the bald statistical artifacts spewed out in the simulation process (e.g., the halved unemployment rate – 14 percent has been/has not been achieved) by going behind them to think about the socio-economic outcomes of the proposed policy measures, takes one a little closer to an understanding of the predicament of those affected. In South Africa, a great deal of work has been done on this topic by McCord (2004, 2009)⁴¹ – all that will be offered here is a glance at a few of the less shiny sides of the EPWP, if for no other reason than to temper the glowing testimonials reproduced in the *EPWP Five Year Report* (DPW, 2009, pp.68ff).

Insofar as it provides opportunities for poor people to earn a little income, and to contribute to the creation and maintenance of social assets, the EPWP has merit. It stops a long way short, however, of being an adequate response to unemployment, something that its top managers readily acknowledge.⁴² In year 5 of Phase 2 of the EPWP, 1.5 million people will be shuffled through what, for most of them, will be short spells of work. Some of them may be people who have previously enjoyed EPWP 'work opportunities'. Almost three-quarters of the 'work opportunities' (72 percent) will be in the Infrastructural and Environmental sectors. Projected mean durations of work opportunities are 87 days in the former and 70 days in the latter.⁴³

The difference between an EPWP 'work opportunity' and other jobs in the economy in terms of duration is striking. Among those employed in South Africa, it is typical for more than 80 percent to work for 40 hours or more per week. Almost 90 percent work 30 hours or more each week. About three percent work 1-9 hours per week, and a further three percent between 10-19 hours per week. Among the latter two groups, only a quarter wish to work for longer hours (i.e., the majority are part-time workers by choice).⁴⁴ If one assumes that in the Infrastructural and Environmental sectors of the EPWP, that each participant only enjoys one work opportunity per annum, and if a

standard workweek is 40 hours, then the length of their average workweeks, spread out over a year, would be 15 and 12 hours respectively.

Given the poverty of the EPWP target group (which is not to say that all participants are necessarily poor), it is extremely unlikely that they would want to work part-time. Of course, it is possible that some participants are enjoying a second or third work opportunity each. So far, the EPWP management has been silent on the extent to which this occurs. If that is happening on a significant scale, the social consequences are not trivial – after all, the opportunity cost of any participant enjoying more than one work spell, is the exclusion of some other unemployed person from the programme.

In Phase 1 of the EPWP, workers were allowed two days training for every 22 days worked. Little meaningful training can be undertaken in the 6-8 ‘training’ days accumulated on the average ‘work opportunity’ with a workforce consisting mainly of people who have never in the past been employed. For a variety of reasons, training for many of the participants in Phase 1 of the EPWP was a failure, for most, it simply did not happen (Meth, 2009a). It is heartening to see that the EPWP’s top management seem to have recognised that there is little reason to expect Phase 2 to deliver anything better for the vast majority of its workers – one of the outcomes of an internal review of Phase 1 of the EPWP, is that in Phase 2:

‘Training [will only be] provided by EPWP where important to maintaining service standards/enables people to do work’ (Lieuw-Kie-Song, 2009, p.17)

Critical scrutiny of the achievements (and failures) of Phase 1 of the EPWP is long overdue – the hopes entertained that the recently published *EPWP Five Year Report* (DWP, 2009) may have provided some of the information required to perform such an evaluation have been dashed – the section of the report devoted to the monitoring and evaluation of the programme (DWP, 2009, pp.68-73) is deeply disappointing. If a competent research paper lies behind the trivia in the report, then the sooner it is released into the public domain, the better. Little confidence can be placed in the ability of government to design and implement Phase 2 adequately, until this is done.

There is, however, a project that looks, at least in its pilot phase, as though it may be able to address some of the major failings of the EPWP, namely, the

Community Work Programme (CWP). An important innovation, its policy implications have been but little discussed in public – a likely reason is the sensitivity of the programme to opposition from significant actors in both government and civil society.

As a result of process initiated by the Presidency for addressing the ‘Second Economy’, Cabinet approved in January 2009, a vast expansion of the EPWP. One element of the ‘EPWP plus’ package is the Community Work Programme, whose role it is to act as an ‘ “ anchor strategy” for approaches intended to target the most marginalised first’ (Philip, 2009, p.2). Describing the programme at a recent conference, she said that:

‘It is an area-based programme, *intended to be ongoing*; this allows it to target the poorest areas: *where market-based jobs are unlikely to come any time soon.*’ (Philip, 2009, p.3, emphasis added)

Great things are expected from the CWP – in the period June-December 2009 it is expected to grow from three or four sites with 1000 participants in each, to 50 sites each involving 1000 participants. Growth thereafter is expected to be exponential, setting in place:

‘the institutional architecture required to deliver a minimum employment guarantee [100 day’s paid work per annum] in SA.’ (Philip, 2009, p.13)

The programme represents a major new departure – *for it is nothing less than the first step on a road that could lead to a national employment guarantee scheme (EGS)*. An EGS, reduced to its essentials, is a promise by the state to act as employer of last resort.

Proposals to create ‘community work’ are certainly not new – Miriam Altman (amongst many others) has been punting them for years – she has long argued that they feature importantly among the jobs required to achieve the unemployment halving goal by 2014.⁴⁵ What was not forthcoming in the past, was a sign from the state of willingness to hire a second tier of government workers (pay and conditions would not be the same as for ordinary employees of government), on a more or less permanent basis. That is the debate that now looms.

For all the importance of the CWP, its arrival on the scene, as noted above, has been remarkably quiet. Among those with an interest in such matters, it

was known, of course, that the UK government had sponsored a trial of the programme at a few sites. It was known as well that EPWP officials had visited India to look at the National Rural Employment Guarantee scheme (NREGS).⁴⁶ Apart from hearsay on how the trials were developing, there has been little news about the programme. The first reference I can find to the CWP after an (admittedly) brief search of government websites, is in the AsgiSA annual report for the year 2008, where talking of Phase 2 of the EPWP, it is noted that:

‘The extension of this programme targets 400 000 full-time equivalent longer-term jobs in the social and municipal services sectors, home-based and community care, as well as project-based employment in infrastructure and environmental protection, in adult literacy initiatives and in programmes delivered through non-governmental organisations. A new modality for delivery will be the Community Work Programme in which unemployed poor people will be employed for two days a week on communal projects developed and agreed to by poor communities.’
(Presidency, 2009b, p.57)

It is publicly announced by President Zuma in the State of Nation address on 4th June 2009, with the following words:

‘As part of Phase Two of the Expanded Public Works Programme (EPWP), the Community Work Programme will be fast-tracked. It will offer a minimum level of regular work to those who need it, while improving the quality of life in communities.’⁴⁷

Most of what I know about the topic, I have learned from two conference presentations by Kate Philip, the DfID specialist responsible for the trial runs (Philip, 2008; 2009). I can find no reference to the programme on the EPWP website. *Business Day* has run two articles in which the CWP merits a brief mention, while the *Mail & Guardian* has run one.⁴⁸

Potentially, the CWP looks as though it could make a significant contribution to the reduction of unemployment and poverty in South Africa, its current small size notwithstanding. Snatches of information on it are presented in the document that is supposed to show how to bring coherence and vision to the country’s chaotic anti-poverty policies, the draft Anti-Poverty Strategy (APS). There are three versions of the document (Presidency, 2008c; 2009c and 2009d) – all make reference to the CWP,

sometimes in a rather odd way. In the October 2008 version, under the heading ‘The role of Economic Policy’, we find the following:

‘To ensure an adequate focus on generating and improving employment for the poor, the following targets have been set for the Economics Cluster:’

And then, inside a box we have:

‘Quick hits

1. Public and community work programmes for 1 million full-time employment equivalents a year by 2010.’ (Presidency, 2008c, p.53)⁴⁹

This must surely be a typographical error – there is no possibility of one million FTEs being created by 2010. Year 1 of Phase 2 of the EPWP is supposed to provide 500 000 ‘work opportunities’ – 210 000 full-time equivalent jobs (DPW, 2009, p.139). Either the APS is being hopelessly over-optimistic, or somebody knows something about the potential of CWP to create jobs that they have not shared with the programme’s organisers.

In addition to the surprising target above, we find a little earlier on the assertion that:

‘The Community Work Programme will *complement* the EPWP.’
(Presidency, 2009c and 2009d, p.39, emphasis added)

If the viral growth predicted for the programme can be maintained, before long it would not merely complement the EPWP, it would dwarf it. Philip talks of the possibility of one million participants in about three year’s time (2009, p.13) – wage costs alone for that would probably be something in excess of R6 billion per annum, overtaking the EPWP’s ‘wage incentive’ by some large margin.

The argument that establishes the need for public employment programmes is to be found in the section of APS that elaborates on Pillar 1: Creation of Economic Opportunities (Presidency, 2009d, pp.28-31). It discusses mass poverty, unemployment and the limited absorptive capacity of the informal economy, locating them within the distorted political economy of apartheid, which shaped much of today’s dismal landscape, from which the need for a CWP (and, most importantly, for government to step forward as employer of

last resort), can be derived. In an admirably understated assessment of the time it will take to reduce unemployment to manageable proportions, the APS says that:

‘... despite our best efforts to stimulate employment creation, South Africa’s unemployment challenge will remain massive into the medium term at least. Markets will take time to create jobs at the scale required, and will still tend to exclude some of the poorest areas and the poorest people.

In this context, the policy case for a massive programme of public employment in South Africa is strong. This is also an area of significant innovation at present, as reflected in the EPWP Phase 2 Proposals: from fiscal incentives for infrastructure to energy strategies that impact on the lives of the poor; from social sector programmes such as home-based care to community works. What is required is a fiscal and policy commitment to build the institutions and capacity required to take this to scale, as a vital part of rebuilding a sense of the dignity of labour amongst those who have no alternatives.’ (Presidency, 2009d, pp.54-55)⁵⁰

As yet, that commitment does not seem to have been forthcoming. The 2009/10 national budget make no reference whatsoever to the CWP. There is a massive increase in expenditure by the Department of Public Works (Vote 5) over the Medium Term Expenditure Framework (MTEF period), but none of this is formally set aside for the CWP. According to the expenditure estimates, the increase is to fund the proposed ‘wage incentives’ for the creation of EPWP ‘work opportunities’ (National Treasury, 2009d). There is no allowance for the CWP in the budget for the Presidency (Vote 1) either (National Treasury, 2009e).

Whatever the origins of the programme (remorseless critique of the EPWP, sympathetic ear of dedicated activist researcher, connected with international networks promoting EGSs, support from international donor, meets official sufficiently high up in government to champion the programme?) reception in the communities where it has been tested, seems to have been enthusiastic. Part of the explanation for the success of the trials seems to be the method used to introduce it into a community – the conducting of an ‘Organisation Workshop’ lasting a month in which participants acquire the skills necessary to make the programme work (Philip, 2009, p.10). Once

word starts to get about at grassroots level (it probably already has) demand for similar programmes in other deprived communities is likely to grow.⁵¹

It is hard to overstate the potential importance of the CWP – if it works, in the sense of attracting some large proportion of the poor and the unemployed into government-funded employment, not only will it bring substantial relief from poverty, it will also cause a few nightmares at the National Treasury – accommodating the programme in the budget will be no trivial matter. In South Africa, there are roughly four million-odd officially unemployed, two million or so discouraged, and the three-four million who are reluctantly (unwillingly) not economically active. Suppose that these figures do not change too much, and suppose further, that in the not-too-distant future, the take-up rate among them for the CWP is a modest 30 percent.⁵² Three million participants, all assumed to take up their 100 days of employment at about R60 per day, would cost R18 billion per annum (excluding administrative costs).⁵³ More relevantly, if the target of 50 000 is reached in December 2009, and a total of 100 000 is reached by the end of 2010, the wage cost (same assumptions as above) could reach R300 million for the year 2009/10 and R1.2 billion for the year 2010/11.⁵⁴

Successful, organic growth of the programme is likely to land government in a quandary. Virtually all government commentators who have seen fit to pronounce on the subject, stipulate that access to the public purse must be linked with economic activity. Not only does the CWP meet this requirement, as is pointed out by Philip (2009), it also has the potential to promote social cohesion, to build social capital, and to contribute as well to the project of creating a developmental state. Unlike the basic income grant, around which it is difficult for communities to mobilise, a programme with the appealing features described above could act as a catalyst for community organisation. Apart from social grants, the CWP looks potentially like the most successful anti-poverty intervention to date.⁵⁵ Whatever else it may be, the CWP is certainly not merely a ‘... change [in] the trajectory of anti-poverty initiatives in the country...’ as the APS suggests (Presidency, 2009d, p.16). The problem is that some of those in positions of power are almost certainly going to regard it as too costly to scale up to national level.

Government is not the only institution likely to face a dilemma if the CWP grows rapidly, organised labour, Cosatu in particular, which insists on ‘decent work’ for everyone, will probably have serious objections to the creation of hundreds of thousands (or millions?) of government ‘jobs’ for

which people are paid only R60 or so per diem. The unions are likely to find themselves in between a rock and a hard place – refusing to support the project would penalise the very poor, whereas wholehearted endorsement would open the way to something like an official two-tier labour market. Little wonder there has been no open attempt to date to stimulate debate in civil society about the CWP.

Critics of the draft APS are bound to ask why, if this programme is as promising as initial reports would have us believe, it has not been singled out for special attention in the APS? Great was the fanfare when President Mbeki launched the EPWP with its ‘million jobs in five years’ slogan. Yet here we have a policy team blithely talking (probably mistakenly) about one million FTEs in a little over a year – some (large?) proportion of them from a programme about which there is very little accessible public knowledge. The APS informs us, in the only other reference to the programme, that:

‘In addition, the second economy strategies and programmes need to be implemented with vigour. The action/implementation plan highlight (*sic*) these fundamentals and refer (*sic*) to, for example, the community works programme, which should also contribute significantly to social cohesion and/or social capital.’ (Presidency, 2009d, p.54)

If the ‘action/implementation plan’, which has not yet been released, does not provide significantly more information than is currently available, then citizens would be owed an explanation. We are entitled to know what government’s intentions as regards the CWP are. If this is to be a centre-piece of anti-poverty policy, some sense of how it is viewed by government and others with an interest in the matter⁵⁶ ought to be made known. If, in addition, the programme is gathering support, it is important for us to know what thoughts have been given to alternatives or supplementary measures to address the needs of the working-age able-bodied poor, if CWPs do not live up to expectations. As has been demonstrated above, the EPWP, which does not inspire a great deal of confidence anyway, is not large enough, even in its supercharged Phase 2 form, to help government achieve its unemployment halving goal. There is nothing else on the horizon – certainly not in the APS document. With a generous dollop of luck, the CWP in conjunction with the rest of Phase 2 of the EPWP, may just enable government to squeak home in the race to halve (the official rate of) unemployment by 2014. Even if it does, however, there will still be millions

lacking social protection – there is no indication in the APS of what is to be done for them.

To conclude, a miracle is required to ensure that the unemployment halving target is met by 2014. It has two components: one is rapid, job-creating economic growth by the year 2012 at the very latest. The other is a muted response by the unemployed to news that the demand for labour has increased substantially. Hundreds of thousands of those who have given up the search for employment in recent months must remain supine in the face of changed economic conditions. If the halving target is to be met, the unemployed will have to ignore market signals telling them that a chance to escape poverty is presenting itself. Only a terminal optimist could believe that such forbearance is likely. If, by some chance, the official unemployment rate were halved by 2014, the economy would still be saddled with several million unemployed. Since the better-qualified (and better-networked) will have been at the head of the queue for jobs, among those not employed will be many who are considered difficult-to-place. In short, even if the halving goal were to be achieved, the remaining problem is so large as to make all current efforts to address it seem woefully inadequate.

SIDESTEPPING THE SOCIAL PROTECTION ISSUE

Persuaded as he was of the intractability of South Africa's unemployment problem, what courses of action were open to Minister Manuel, when, as Minister of Finance he watched each Labour Force Survey record snail-like progress in the struggle to reduce it? One of them would have been to have supported his colleague Zola Skweyiya, former Minister of Social Development, whose response to government's inability to make significant inroads into unemployment, was to champion a basic income grant (BIG), in order at least, to alleviate poverty, much of it caused by unemployment. In November 2006, a member of the Democratic Alliance in the National Assembly (Mike Waters), prefacing his question with observations about continuing poverty in the country, asked Minister Skweyiya:

‘Is it not time that government reconsiders its position regarding the introduction of a basic income grant?’

Inevitably, knowledge of the extreme sensitivity of the ANC on this issue ensured that sound-bites from the Minister's response found their way into

some of the papers the next day. The Minister's response to the question is, however, worth reproducing in full:

'Hon member, quite obviously, I do agree with you that there is a lot of poverty in this country. I would like to invite this House to go to those areas where there is worse poverty, especially the Eastern cape, KwaZulu-Natal and Limpopo so that members can be able to understand what causes some of the problems we have in this country, especially crime and all the other antisocial activities that exist within this country.

We have not yet decided to institute the issue of a basic income grant. We are basically working towards something like that, so that all of us can be able to agree that there is a need for it. But that has not been policy so far. Some of the things that have been causing that are mostly the inability of government to basically reach everybody; and the problems we have in the department itself of reaching almost all the poorest of the poor.

I personally believe – and this is not an ANC position but my position – that we do need something like that. We do need something like that. I am sure that in the coming conference of the ANC next year it is one of the issues that we will have to debate and agree on quite clearly, that there is a need to relook at how we look after people.

Personally, I do not think that we would be able, in the next 10 years, to ensure that each and every able South African works. In the meantime, some of the social problems will increase. That is something that we still have to debate amongst ourselves. It's no secret but, basically, it is something that we ought to be doing and not be answering here during question time only but in our daily lives.

We are all empowered and well-affirmed individuals, 400 in all, but there are more than 23 million people that are not affected or do not know what they will eat tonight. That is a question about which we, as South Africans, individually and collectively, should do everything to ensure that we do discuss. The same issue arises, not only for us as parliamentarians but also for society. That is why the role of nongovernmental organisations becomes very very important since we are unable to touch everybody as a government while, at least, they have that possibility.' (Hansard, 9 November 2006)

Unflattering comparisons of the lives of 400 pampered individuals with those of millions cooped up in remote areas seldom visited by the 400, coupled with an impatience with the fact that their predicament was still a matter of debate, should have caused many of those present to cringe (especially those embroiled in the Travelgate saga). What effect the speech had on its audience cannot, however, be ascertained. For our purposes here, the single most important statement in the response is this one:

‘Personally, I do not think that we would be able, in the next 10 years, to ensure that each and every able South African works.’

Of course, policy success does not require that each and every ‘able’ person works – merely getting unemployment and poverty down to tolerable levels would be an immense achievement. The words are not to be taken literally – read metaphorically, they are a critique of government, one that says that employment cannot grow fast enough to reduce poverty at an acceptable rate. Although there is no arguing with the proposition that rapid economic of the job-creating kind is necessary for the eradication of poverty, it can also not be denied that fast growth alone is often not sufficient – the able-bodied poor of working age need help now, not at some point in a distant future. Under such conditions, the only reasonable policy response is to seek out other means to alleviate poverty – for instance, the basic income grant suggested by Minister Skweyiya.

The object of the discussion that follows is not to survey the arguments in favour of, and against the basic income grant, rather, it is to provide one more example of the failure of the ANC to apply its collective mind to the means proposed by Cosatu at the Presidential Job Summit in 1998 for alleviating mass poverty, and endorsed after exhaustive investigation of alternatives by the Taylor Committee of inquiry into comprehensive social security for South Africa (DoSD, 2002). Instead, a power elite within the party, wielding an ideologically tainted perception of social policy design, has been able, time and again, to steamroller a call for serious consideration of one of the very few instruments capable of reaching most of the poor.

The most comprehensive coverage of the speech by the former Minister of Social Development in the articles I looked at⁵⁷ was by Linda Ensor, whose piece in *Business Day* (‘Skweyiya calls for basic income grant for poor’, 10 November 2006), not only captured every major point he made, but also offered a useful commentary that located the speech in the wider context of

the debate about the basic income grant. This commentary outlined Manuel's two-pronged objection to the grant. The first of these was the alleged unaffordability of the grant. Manuel quotes a figure of R90 billion per annum:

‘... a massive spending commitment from which [government] would be unable to extricate itself in the event of an economic downturn.’

The second objection is the view, apparently widely shared in the upper (well-paid) reaches of the ANC, that social grants ‘foster a dependency culture’.

Responding to the first of these, Ensor points out that the figure Manuel quotes is the estimated gross cost of the grant.⁵⁸ Because the gross figure ignores the claw-back of the grant through the tax system (not to mention the possibility of raising tax levels), it overstates the size of the burden. Estimates of the net burden (the value of the transfer to recipients after tax-clawback) made after the Taylor Committee reported (from 2001 onwards) ranged from R15-R32 billion.⁵⁹

Although the disagreement over the numbers is important, our concern here is not so much with the cost of the grant as it is with the ANC elite's fixation with welfare dependence. At this point, it is useful to turn once more to the Pippa Green interview with Minister Manuel printed in the *Mail & Guardian*, with its revealing heading ‘Too much, take, take, take’ (May 10 2009). Green writes that the Minister's second concern with the Dinokeng Scenarios (recall that in the interview with her he articulated three ‘concerns’):

‘... centres on the responsibility of citizens themselves. Where the report talks about the high school drop-out rate or the increase in infections of HIV/Aids, he points out that the drop-out rate is also something “that families must take responsibility for ...” And, sure, government must take responsibility [for HIV/Aids], but when do people start taking responsibility for themselves, saying I must condomise, I mustn't just sleep around?’

Manuel was in Bonteheuwel on election day. ‘I've never seen the place so filthy. But people still voted for the DA. A few weeks before that in Mitchells Plain the place was also filthy. A woman said: “They come and

clean the place from time to time, but people send their children to drop rubble and rubbish and all kinds of stuff [in the streets].” Then you can’t just blame the council.’

Students of the ideology of social policy will recognise instantly, the ‘rights and responsibilities’ framework from which such sentiments emanate. It is clear, however, that the division of rights and responsibilities hinted at in the outburst above leans towards the agency axis of the structure/agency debate within which individual and social conduct may be understood. One’s impression of the comments is that they are the superficial product of casual empiricism, even down to the hallmark single anecdote, offered as evidence. One could, of course, be wrong – unlikely as it may seem, it is possible that the comrade Minister consulted every relevant sociological and anthropological study before articulating such views.

It is not the intention to mine that lode for evidence that structure plays an overwhelming part in determining the anti-social behaviour that so disgusted him (and to say that is not to deny that ultimately, people do make choices). Comment is confined to reference to a study conducted for the Department of Social Development conducted not long ago in the 21 Integrated Sustainable Rural Development Programme (ISRDP) and Urban Renewal Programme (URP) nodes (Everatt *et al*, 2006). The survey found very high levels of anomie (People like me cannot influence developments in my community) and alienation (No-one cares about people like me). Perhaps predictably, alienation is deeper in urban than in rural areas, in spite of the allegedly greater hardships of rural life. Whatever the case, in aggregate, one-fifth of people in ISRDPs and nearly one-third of those in URPs reported feelings of alienation. In both ISRDPs and URPs, however, levels of alienation and anomie vary enormously. Alienation levels in ISRDPs varied from five percent in Umzinyathi to 46 percent in Sekhukhune. Anomie ranged from ten percent in Umzinyathi to 50 percent in Bohlabela. Alienation levels in URPs ranged from 17 percent in Galeshewe to 57 percent in Inanda and 59 percent in KwaMashu. In URPs, levels of anomie are lowest in Khayelisha and Galeshewe (27 and 28 percent respectively). These climb to 46 and 53 percent respectively in Inanda (an urban node) and Mitchell’s Plain (Everatt *et al*, 2006, paragraphs 160-167).

One’s most optimistic expectation therefore, upon finding oneself in any of the 21 ‘nodes’ that make up the ISRDP and URP (13 in the former, and eight in the latter), is that at least a quarter of the local population is likely to feel

seriously marginalised, believing that they are unable to influence developments in their communities (anomie), and believing as well, that nobody cared about people like them (alienation). Discovering a sense of civic pride among such people would be more than a little surprising.

To say that somewhere between one- to two-thirds of a population report feelings of anomie and/or alienation, is, of course, to say at the same time that the others do not – the woman whose complaint Minister Manuel referred to belongs among the latter. Discovering what makes people in roughly similar circumstances respond so differently to their conditions is no simple matter. Ultimately, anti-social behaviour is a conscious choice, but to bypass the analysis that could produce an understanding of why such choices are made is not useful. It may be personally gratifying for someone dismayed by the loss of political control of the province⁶⁰ to insist that people need to start ‘taking responsibility for themselves’, but if such thinking forms the basis for social policy formation, the consequences of compressing a complex social reality into a few simplistic assertions could be disastrous.

Sure enough, when Cabinet came to discuss the question of Minister Skweyiya’s call for the ANC to rethink its position on the basic income grant⁶¹ the impression was created that ‘cold water’ had been poured on the proposal. From the statement made after the Cabinet meeting on 6th December 2006, it appears that discussion of the BIG, a universal grant, was neutered (as usual)⁶² into a harmless chat about grants to the ‘able-bodied poor’, conditional upon their taking part in ‘activation’ programmes. Cabinet spokesperson Themba Maseko said that:

‘... the Cabinet had noted a proposal for linking social grants to poverty alleviation initiatives and other economic activities.

But it said the beneficiaries of social grants – “most of whom are able-bodied individuals” – would be given incentives linked to exit strategies.

“These would include skills development and participation in labour intensive programmes such as the extended public works programme.”

A proposed model was referred to the social cluster ministers for further consideration “and development”.⁶³

It would be interesting to know what part, if any, Minister Manuel played in that decision. Apart from former President Mbeki, he probably exerted more power in Cabinet than any other minister – what was his response to Minister Skweyiya’s intervention? None of his public utterances on the question of a BIG incline one to suspect that, if present, he would have sprung (sidled?) to Skweyiya’s defence. It is more likely that he would have joined in the chorus of ill-informed denial (by the seekers of mythical ‘exit strategies’) that shunted Minister Skweyiya’s appeal into a harmless siding.

How are we to understand the process by which one socio-economic policy rather than another finds favour? An obvious starting point is in the literature on public sector economics. Unfortunately, to the two central questions with which it is confronted, viz., (i) what proportion of total income should be devoted to public uses, and (ii) how that should be divided between the competing claims of the various arms of the public sector, the discipline has no answer. It can offer some guidance on the virtues of differing allocations, but as the standard texts all point out, the major allocation questions are settled in a political process. Ideally, allocations would be the outcome of continuous democratic interaction. In practice, even in well-functioning democracies, the ‘will of the people’ is difficult to determine in any other than the broadest terms. In any case, it is not obvious that ‘the will of the people’ always provides an infallible guide to policy design, as the popular clamour for the restoration of the death penalty in South Africa reminds us.

Major decisions about policy direction are made by the ANC ‘in conference’ for execution by the party ‘in government’.⁶⁴ How they are hammered out in conference is a complex and not necessarily democratic story. Be that as it may, at the party’s 51st National Conference in 2002, the resolution taken on the basic income grant expressed the intention to:

‘4. To continue to engage progressive forces campaigning for the introduction of the Basic Income Grant (BIG) on our approach of focusing on a comprehensive social security system consistent with a people-driven and people-centred developmental approach to poverty eradication.’ (ANC, 2002)

By the time the ANC’s 52nd National Conference came to be held in 2007, direct reference to a basic income grant had disappeared from the resolutions in the section ‘Social transformation’. Under the heading ‘On Social

Security and Broad Social Development’, part of the preamble reads as follows:

- ‘8. We are building a developmental state and not a welfare state given that in welfare state (*sic*), dependency is profound.
- 9. Our attack on poverty must seek to empower people to take themselves out of poverty, while creating adequate social nets to protect the most vulnerable in our society.
- 10. Beyond poverty alleviation, interventions must seek to develop exit programmes that capacitate households and communities to empower themselves. It is the duty of the developmental state to achieve this.’

The relevant resolutions on social grants appear to be these two:

- ‘14. That a comprehensive social security net provides a targeted and impeccable (*sic*) approach in eradicating poverty and unemployment.
- 17. Grants must not create dependency and thus must be linked to economic activity.’ (ANC, 2007a)

Government’s repeated use of the term ‘comprehensive’ is offensive double-speak – apart from a set of research proposals for social grants for the able-bodied poor developed by the Department of Social Development under former Minister of Social Development (DoSD) Zola Skweyiya,⁶⁵ there is little evidence of enthusiasm among the ANC elite of any support for the only plausible means of making the social protection system ‘comprehensive’, universal social grants (or, at very least, means-tested grants for the able-bodied working age poor). Instead, government is pressing ahead with its version of what is good for the poor, as the following statement, drawn from the policy discussion document produced for the ANC’s 2007 National Conference, makes clear:

- ‘To respond to the plight of the poor who do not qualify for social assistance, government has set up Public Works Programmes to draw the unemployed into productive and gainful employment while also delivering training to increase the capacity of participants to earn an income once they leave the programme.’ (ANC, 2007a, p.4)

The bland assumption that this will suffice to keep the wolf from the door of the poor, until economic growth can rescue them, takes no account either of the ability of growth to do so, or of the limits of the ability of the EPWP to

‘respond to the plight of the poor who do not qualify for social assistance’. Although they do not say so in as many words, the EPWP management, by contrast, seem to be all too aware of the limits of the programme. On the EPWP website, for example, one finds the following acknowledgement:

‘The EPWP will not solve the structural unemployment problem. It is merely one element within a broader government strategy to reduce poverty through the alleviation and reduction of unemployment.’⁶⁶

Warming to the topic, the *EPWP Five Year Report* calls for the EPWP to be evaluated against the backdrop of mass structural unemployment, none of whose causes the programme was intended to address, saying that:

‘Critically, while it provided an important avenue for labour absorption and income payment to poor households in the short to medium term, the EPWP was not designed to be a policy instrument to address the structural nature of the unemployment crisis. Stated differently, the objective was not to create sustainable employment opportunities. Rather, PWP’s were viewed as a means of creating a high volume of employment in the short term.’ (DPW, 2009, p.59)

Further on in the *Five Year Report*, the limited reach of Phase 1 of the EPWP is offered as rationale for the enlargement proposed for Phase 2. The Report’s compilers state that:

‘While the EPWP reached its goal of creating one million work opportunities, this effort only reached 11% of unemployed people in the 2007/08 financial year.’⁶⁷ And while there has been a general decline in the rate of unemployment during the first years of the EPWP’s existence, the scale of the programme needs to be expanded significantly in order for it to make its contribution to the government goal of halving unemployment by 2014.’ (DWP, 2009, p.137)

By my reckoning, in year 5 of Phase 2 of the EPWP (2013/14), if we ignore any CWP jobs that may be created, and we assume that the target of 680 000 full-time equivalent jobs is achieved, this will reduce the total number of unemployment days experienced by the officially unemployed by about 18 percent if the other Scenario 1 conditions in Table 1 hold. It should not be necessary to point out that this is not good enough.

Clinging to the belief that this otherwise worthy undertaking is an adequate response ‘to the plight of the poor who do not qualify for social assistance’ is a dangerous delusion (probably not one suffered by the good folk at the EPWP). With the best will in the world, they cannot reach more than a quarter of the poor in need of assistance. It is high time that someone in authority looked critically at Polokwane’s promise of help for the able-bodied poor of working age – my analysis of it⁶⁸ suggests that the cup is more than half empty.

As to the ANC ‘in government’, appeals for a basic income grant have been treated in a cavalier manner. No evidence of a serious attempt by officialdom to evaluate the BIG (in the form of a universal grant to all except pensioners and the disabled) has ever been disclosed. It may well be that after all the evidence has been considered that the policy is rejected – it is, however, essential, in view of the manifest inability of current and proposed policies to address the twin evils of poverty and unemployment, that all plausible policy measures be considered.

Understanding why this has not been done requires access to information not normally available to the public – documents such as Cabinet minutes, and records of the goings-on in the innermost recesses of the ANC. The story, if it could be told, would be about the delicate balance between the resolutions of the ANC in conference, and the actions of the executive, among whom power is differentially distributed.

Budget allocation processes in South Africa are quite opaque, with little participation by parliamentarians in the final shape of the document presented as *fait accompli* each year by Treasury to the National Assembly. Broadly speaking, views on the extent of influence that the National Treasury is perceived to have exercised over the design of social policy⁶⁹ vary according to the ideological stance of the viewer – business favours Treasury’s ‘anti-populist’ stance and fiscal prudence; labour has protested vociferously⁷⁰ at what it has often termed, not wholly accurately, Treasury’s neo-liberal stance. By developing country standards, South Africa’s funding of the three major components of the so-called ‘social wage’, education, health and social grants,⁷¹ has apparently been relatively generous. Of the three, however, only the delivery of social grants may be considered to be successful. For the majority of ‘learners’ (pupils), education is widely claimed to be dysfunctional, while the public health service goes from bad to worse.⁷²

As far as social grants are concerned, the core issue is the stance one takes on the desirability of further redistribution (through increased taxes) in what still is one of the most unequal countries in the world. BIG proponents insist that tax rates should be increased – opponents insist with equal fervour (and a generous measure of self-interest) that South Africa’s taxes are already too high, and there the matter of the BIG in the form of a universal grant rests.

The basic income grant has, however, been resurrected in diluted form as part of government’s attempt to create a comprehensive social protection system. Despite an obvious distaste for making social grants available to the working age poor (whether unemployed or not), the persistence of poverty and continuing high rate of unemployment has made it necessary for the ANC (in government) to investigate the possibility of doing so. From hearsay and occasional interactions with officials from both the National Treasury and the Department of Social Development, one gathers that within the so-called ‘Social Sector Cluster’ (of Ministers), these two ministries vied strongly for control over the design of the required social protection policy. Drafting the terms of reference for the necessary research was an apparently an important part of this tussle. After a false start in December 2006 where at least one call for quotations was made by Treasury,⁷³ the Department of Social Development (DoSD) appears to have been given primary responsibility for writing the terms of reference for research to be conducted into the possibilities and costs of making grants to certain identifiable groups, and to a catch-all category of those not among them.⁷⁴ The groups that could (relatively?) easily be identified contained:

- Young unemployed people between the ages of 18-24 years,
- Caregivers in families that are recipients of the Child Support Grant, and
- Former recipients of Unemployment Insurance Fund (UIF) benefits, whose entitlement to benefits had been exhausted.⁷⁵

The catch-all group consisted of ‘able bodied adults who face the challenge of gainful employment (*sic*)’, apart from those who fell into any of the three categories listed above. For the catch-all group, the researcher was required to specify conditionalities, which were to include participation in educational programmes, and special employment programmes. The call for quotations for this piece of research went out in April 2008. The benefit was

dubbed ‘basic income support’, and the target group was the long-term unemployed between the ages of 25 and 59 years.

Progress of the proposals for income support for the target group through the various stages that have to be negotiated en route to legal enactment may be tracked in the recent (July 2009?) *Strategic Plan Update 2009/10 – 2011/12*, published by the Department of Social Development (DoSD, 2009). In a table with the heading ‘Programme performance and targets over the MTEF’, in the functional area ‘Social assistance’, one finds the time lines for the introduction of what is now referred to as a ‘basic income grant’. These are reproduced below in Table 3. A development of the first order of importance, it is little short of amazing that this enterprise has not attracted a great deal of attention.

Table 3 Programme performance and targets over the MTEF – Social assistance

Measurable objective	Performance Measure	09/10 (target)	10/11 (target)	11/12 (target)
Develop policy options for basic income grant for unemployed adults	Policy options presented to the Social Sector Cluster	Undertake broad consultation on the introduction of income support for the unemployed	Prepare strategy for basic income grant linked to work activation and financial plan	Draft legislation to introduce basic income support for unemployed adults

Source: Extracted from DoSD, 2009, p.54.

The announcement in the second column that the options have been presented to the Social Sector Cluster, followed by a commitment to undertake consultations during 2009/10 suggests that the options survived the Cluster’s scrutiny. As far as the income grant for unemployed adults is concerned, if whatever is proposed survives the stages mapped out above, and is passed into law, it will happen some ten years after the Taylor Committee (DoSD, 2002) recommended the introduction of a (universal) basic income grant. The poor have suffered untold misery while government dithered. They may have to be patient a while longer – the problems of establishing eligibility for a grant of this sort are formidable. If the ANC insists on ‘work activation’ for receipt of the grant, the proposal is likely to sink – South Africa has neither the administrative structures, nor the jobs into which those needing to be ‘activated’ can be slotted. Unless ‘activation’ is softened until all that is required is registration with the Labour Centres

and some sort of proof of attempts to find work, there is no possibility that a conditional grant of this type could be introduced (Meth, 2009a).

Grants for the long-term unemployed are not all that is contemplated – in the original table from which the contents of Table 3 above have been extracted, plans for increasing the maximum age for receipt of the child support grant, and plans for ‘income benefits’ for youth and caregivers, are all reported as having been submitted to the social cluster.⁷⁶ Draft legislation, where necessary, is penciled in for 2010/11. Although the status of these proposed benefits is less clear than that of the ‘basic income grant’ for the long-term unemployed, one can see in the proposed grants, an attempt to introduce a ‘basic income grant by stealth’. If all of the proposed grants were to be approved, South Africa would finally have a truly comprehensive social protection system. The price, means-tests and strict conditionality, plus the associated stigma, would be high. Instead of an administratively simple grant, clawed back from those who do not need it by the tax system, the proposals on the table call for an expensive, complicated and inferior substitute.

How events will unfold is difficult to predict. Power distributions within Cabinet do not appear to have shifted in favour of the Department of Social Development.⁷⁷ Elevated to Minister in the Presidency responsible for National Strategic Planning, Manuel is said by some to be even more powerful.⁷⁸ Although it is not entirely clear what Minister Manuel’s role will be,⁷⁹ his continued presence in the Cabinet (backed up by the ‘safe hands’ of the new Minister of Finance, Pravin Gordhan), is likely to drown further demands for a (universal) BIG, in the (unlikely?) event that they surface once more. In this their position will be reinforced by the impact of the financial crisis on profits and earnings, and hence on tax revenues. The budget deficit that looms as a result of revenue shortfalls is predicted to rise to about six percent of GDP instead of the planned 3.8 percent.⁸⁰ Treasury will no doubt be patting itself on the back (with business approval) for having avoided the trap of a large-scale commitment to a social grant that would have made the deficit bigger still. Such self-congratulation is misplaced – if serious consideration had been given to the raising of taxes necessary to finance a BIG, an enlarged cyclical deficit could have been weathered.

WHAT ABOUT POVERTY AND INEQUALITY?

There is little possibility that (income) poverty will be halved by 2014, and even if it were, government would probably be unable to detect it, having had only the vaguest idea of what the level of poverty in the year (2004) in which it was mandated to halve poverty (and unemployment). Attention was drawn above to the vague manner in which the unemployment halving goal was specified. A similar lack of clarity applies to the poverty halving goal. One place where the goal is spelled out, doubtless there are others, is in the Asgisa Summary document, which notes that the intention is to reduce the poverty rate ‘to less than one sixth of households’ (AsgiSA, 2006, p.3). During an era when substantial increases in the numbers of households were taking place, the use of ‘proportion of households’ as a poverty indicator is of questionable wisdom. As it so happens, few if any of the poverty estimates presented by government have reported in that way – nearly all have furnished poverty rates for individuals.

Before examining some of these estimates, let us look briefly at the form in which income poverty (the estimates at issue here are all of income poverty) is conventionally measured. It is useful to begin with the rather obvious point that in the real world, income poverty reduction policies and processes work by reducing the amount by which the incomes (or expenditure) of some (or all) individuals in poverty,⁸¹ are below some income level known as a poverty line. One way of capturing changes over time is to estimate the set of decomposable poverty measures defined by Foster, Greer and Thorbecke (1984).⁸² They are expressed as three ratios, the poverty headcount ratio, the poverty gap ratio, and the poverty gap squared ratio – referred to respectively as P_0 , P_1 and P_2 . P_0 is the proportion of the population below the agreed poverty line, P_1 is the amount by which the income of the average poor person is less than the agreed poverty line, expressed as a percentage of the poverty line, while P_2 , by squaring the gaps between the incomes of those below the poverty line and the poverty line, summing them and estimating the average, gives the poverty of the poorest greater weight. Perhaps the simplest way to make P_2 comprehensible is to note that if P_2 rises while at the same time P_1 falls (or remains constant), then, although poverty, by one measure has fallen (or remained constant) the poorest have become worse off.⁸³

Grateful though we should possibly be to Foster, Greer and Thorbecke for this formulation, we should acknowledge too, that the seemingly scientific

nature of the resulting measures can make them hide as much they reveal. Quoted as ratios or percentages, as is so often done, they tell the ordinary person or policymaker but little. Of the three ratios, P_0 is most easy to understand. As we shall see below, however, the absence of headcounts can give rise to misplaced optimism about the success of the struggle against poverty. The other two measures are more obscure. Of course, their presentation in ratio or percentage form has its uses, but if we were to say of P_1 that:

‘There are n million people below the poverty line, and assuming that they have no other income sources, then it is necessary to transfer x billion rands each year to them, to raise their income to the poverty line ...’

then everyone would have some understanding of the magnitude of the problem. An example of the mischief caused by giving poverty gap ratios in percentage terms only will be examined below. If, in addition to producing a hard-to-interpret measure for the severity of poverty like the squared poverty gap ratio, people were informed, for example, that in the bottom decile of the distribution, people had, on average only, say, half of the poverty level income, and so on, popular understanding of the severity of the problem would be enhanced.

A report on poverty, one whose results should have aroused suspicion, was made by the Presidency in *Development Indicators 2008*, where it was announced that:

‘Using various income poverty measures, the number of people living in poverty has declined especially between 1999 to 2007.’ (PCAS, 2008a, p.26)

This conclusion is presented at the head of the page in *Development Indicators 2008* (PCAS, 2008a, p.26)⁸⁴ that offers estimates of poverty headcounts and poverty headcount ratios. The first table on the page contains three sets of the ‘Percentage of population living below various poverty lines (in constant 2007 Rand).’ The first and third of these are from a paper was commissioned from Bhorat and van der Westhuizen (2008), of the Development Policy Research Unit (DPRU) in the University of Cape Town. The second is also from a piece of commissioned work, this one from van der Berg and his colleagues in the University of Stellenbosch.

As primary data source, the Bhorat and van der Westhuizen paper makes use of the Income and Expenditure Surveys (IESs) conducted by Statistics South Africa in 1995, 2000, and 2005/2006. The van der Berg *et al* paper uses their by-now standard source – the AMPS data sets. For van der Berg *et al*, not the least of the charms of the AMPS data sets, is the fact that they appear on an annual (or semi-annual) basis, thereby making the tracking of poverty and the identification of ‘irregular’ survey results a relatively simple matter (van der Berg *et al*, 2007a, p.3). The paper for the Presidency (unpublished) makes use of the poverty estimates in van der Berg *et al* 2007a and 2008, extending them from 2004 to 2007.

The Bhorat and van der Westhuizen paper uses poverty lines of R462 and R250 per capita per month, while the van der Berg *et al* piece uses R367 (all in 2007 prices). The first of the lines used by Bhorat and van der Westhuizen is the R322 per capita per month (in 2000 prices) line used in the seminal Hoogeveen and Özler (2004) paper. The R250 per capita per month in 2007 prices (R174 in 2000 prices), although significantly lower than their preferred poverty line, was declared to be useful for international comparisons because of its proximity to the \$2/day line (Hoogeveen and Özler, 2004, p.9).⁸⁵ The R367 line in 2007 prices, (roughly the equivalent of R250 per capita per month in 2000 prices) is used in most of the van der Berg *et al* poverty estimates, starting with their path-breaking but seriously flawed 2005 paper, and floating through various incarnations between that year and 2008.

There are two tables on p.26 of *Development Indicators 2008*. The first contains poverty headcount ratios estimated using the three poverty lines referred to above (R462, R367 and R250 per capita per month in 2007 prices). For the R462 and R250 poverty lines (the Bhorat and van der Westhuizen paper), there can only be results for three years, 1995, 2000 and 2005, because those were the only years in which IESs were conducted. For the R367 line (the van der Berg *et al* work), there are results for each year between 1993 and 2007. It is from this stuff that the conclusion about ‘poverty declining between 1999 and 2007’ is drawn. Since the headcount ratios are not transformed into headcounts, unless the reader makes their own estimates, they have no way of knowing whether or not the claim is true. As it so happens, the fall in the headcount ratio from 1999 to 2007 (52 percent to 41 percent) reported by van der Berg *et al*, is so large that if the 1999 population was in the region of 43 million,⁸⁶ while that for 2007 was

about 47.9 million,⁸⁷ then the headcount would have fallen by about 2.8 million.⁸⁸ Clearly, establishing whether or not the van der Berg *et al* results are to be relied upon is a task of the utmost importance.⁸⁹

The second table on p.26 of *Development Indicators 2008* contains a set of poverty headcounts broken down by province for the years 1995/1996 and 2005/2007. The headcount ratios are from the 1995 and 2005 IESs, while the population estimates are respectively from the 1996 Population Census and the 2007 Community Survey. The poverty line, R250 per capita per month in 2007 prices, is the starvation line used by Borhat and van der Westhuizen. At this low level a fall in the headcount from 12.6 million in 1995/1996 to 11 million in 2005/2007 is registered.

Scanning the three sets of estimates presented in the first of the two tables on p.26 of *Development Indicators 2008*, one cannot but be struck by the fact that according to van der Berg *et al*, using the R367 poverty line, the poverty rate (the proportion of the population below the poverty line), was 52 percent in 1995, 51 percent in 2000 and 45 percent in 2005, whereas the corresponding figures from Borhat and van der Westhuizen, using the R462 line are 53, 58 and 48 percent respectively (PCAS, 2008a, p.26). Disregarding the 2000 IES-derived estimate because the survey is widely believed to contain grave errors, we have a situation in which two poverty lines separated by nearly R100 generate poverty rates that are disturbingly similar.⁹⁰

More telling are the similarities between the estimates of the poverty gap (the proportion of the poverty line income by which the income of the average poor person falls below that poverty line) estimates made by the van der Berg *et al*, and Borhat and van der Westhuizen, respectively. Ignoring the erratic 2000 figures once more, we are presented with poverty gap ratios for 1995 of 26 percent by latter, and 27 percent by the former. For 2005, they both report poverty gaps of 21 percent (PCAS, 2008a, p.27). It is not possible for both sets of figures to be correct – the Borhat and van der Westhuizen figures may or may not be reliable, but the van der Berg *et al* figures are definitely incorrect.

Not long after *Development Indicators 2008* was published, the Presidency followed it up with the *Fifteen Year Review* (PCAS, 2008b). Despite the alleged ‘desirability’ of the AMPS-based figures, with their ability to provide time-series estimates of poverty levels, when it came to writing the

Fifteen Year Review the Presidency omitted the van der Berg *et al* poverty estimates. One would not expect an explanation to be given for what seemed like a fall from grace (none is offered). My conclusion was that by dropping the estimates, the Presidency had, for once, treated the van der Berg *et al* figures appropriately. As will be seen, however, like the greatly exaggerated reports of Mark Twain’s death, the figures are not defunct at all – they have been revived in *Development Indicators 2009*, a matter to which we shall return below.

Before getting there, let us turn to the Borhat and van der Westhuizen figures used in the *Fifteen Year Review*. Table 4 below is reproduced from Table 2 on p.18 of the *Fifteen Year Review* (PCAS, 2008b), which, in turn, comes from Table 1 on p.3 of the Borhat and van der Westhuizen (2008) paper.⁹¹ As may be seen, the results for 2000 no longer appear. If one restricts oneself when commenting about poverty, as the Presidency did, to presenting these figures in the form of rates (percentages), there is room for some celebration – at the higher poverty line, the headcount ratio falls by nine percent (4.6 percentage points), and the poverty gap ratio by 21 percent (5.4 percentage points). At the lower line (roughly \$2/day), the percentage falls are even larger – 27 percent (8.2 percentage points) and 39 percent (4.6 percentage points) respectively.

Table 4 Poverty Shifts by Race: 1995 – 2005

Category Year	Headcount Rate		Poverty Gap Ratio	
	1995	2005	1995	2005
R322 a month poverty line (2000 prices)				
African	63.04%	56.34%	31.86%	24.44%
Coloured	39.00%	34.19%	14.66%	12.98%
Asian	4.71%	8.43%	1.03%	2.17%
White	0.53%	0.38%	0.22%	0.11%
Total	52.54%	47.99%	26.04%	20.61%
R174 a month poverty line (2000 prices)				
African	38.18%	27.15%	14.71%	8.55%
Coloured	14.62%	12.30%	4.09%	3.88%
Asian	0.82%	1.60%	0.14%	1.07%
White	0.23%	0.01%	0.09%	0.00%
Total	30.92%	22.68%	11.77%	7.15%

When, however, one converts the headcount rates into headcounts,⁹² the picture is a little less rosy – at the R174 poverty line it falls by 1.5-1.6

million (from 12.2 in 1995 to 10.6 in 2005),⁹³ whereas at the R322 line, it rises from 20.7 to 22.5 million, an increase of 1.8 million over the period 1995-2005.⁹⁴ These results are a little sensitive to the population estimates one uses (on which, more below), but not so much so as to alter the headcounts by much more than 100 000 or so, each way.

Hairsplitting aside, it seems likely that the number of people living in poverty as measured by a poverty line of R462 per capita per month (in 2007 prices) rose over the decade 1995-2005, possibly by something approaching two million. It is also possible, of course, that the figures are garbage, but if the compiler of *Development Indicators 2008* suspected that they were, he or she gave no hint of it.

Why, in view of all of this, does the Presidency attempt to persuade its audience that ‘the number of people living in poverty has declined’? In one instance where poverty is demonstrated as having fallen, it does so at a poverty line so low, that people whose incomes are in that region can barely survive. At the poverty line nominated by Hoogeveen and Özler (2004, p.9) as the lower bound of the poverty range they sought to identify (the upper bound was set at R593 per capita per month in 2000 prices),⁹⁵ ‘the number of people living in poverty has *not* declined’. In the other case, the van der Berg *et al* R250 poverty line estimates, the results are wholly unreliable.⁹⁶

Since the discussion on poverty in the *Fifteen Year Review* is conducted entirely in terms of percentages (PCAS, 2008b, pp.18-19), it is possible for the *Review’s* author to claim that:

‘In the absence of an official poverty line, two lines were used in research for the review: a lower poverty line of R174 per person per month; and an upper line of R322 per person per month, in 2000 prices.

There was reduction in both absolute income poverty (the income of poor people) and relative income poverty (the poverty gap, that is, the gap between the average income of poor people and the poverty line).’
(PCAS, 2008b, p.18)

There should be a law against the presentation of Foster-Greer-Thorbecke-type poverty gap estimates in simple percentage terms – as noted above, results of that sort have little meaning for those not trained in economics. Not only that, offering the results in percentage terms means that it is

possible to make a trivial change look more impressive than it really is. Consider, for example, the way in which the compilers of *Development Indicators 2008* interpret the poverty gap results at the R174 poverty line (R250 in 2007 prices) in Table 4 above. They say that:

‘Using a R250 per month poverty line [the starvation line. CM], the IES data shows that in 1995 the average poor person’s income was 12% below the poverty line, while in 2005 the depth of poverty had been reduced almost by half.’ (PCAS, 2008b, p.27)

‘Reduced by half’ sounds impressive, but what does it mean when translated into income terms? One way of presenting poverty gap results to make them comprehensible has been described above. Another way of doing so is shown in Table 5 below. The figures under the two columns headed 1995 and 2005, are estimates of the mean incomes of the ‘average’ poor person below the poverty lines of R174 and R322 (in 2000 prices).⁹⁷

Table 5 Making sense of poverty gap ratios

	Mean income of the poor (R/month)	
	1995	2005
Poverty line (z) = R322 per capita per month		
African poor	219	243
All poor	238	256
Poverty line (z) = R174 per capita per month		
African poor	148	159
All poor	154	162

Source: Estimated from the results in Table 1, p.3 in Borat and van der Westhuizen, 2008
 Note: Incomes and poverty lines are in 2000 prices

The reality behind the boastful claim about the reduction in the poverty headcount ratio, is that if the figures in Tables 4 and 5 are to be believed, the conditions of the average poor person barely improved over the decade. Where the African poor had, on average, monthly incomes R100 below the R322 poverty line in 1995, the year 2005, saw them pocket an additional R20 or so. Africans below the starvation line of R174 per capita per month in 1995 saw the income of the average poor person increase by about R11 over ten years.⁹⁸

In South Africa, it is thought that the poor are clustered relatively densely around quite a low mean income. This makes estimates of the poverty

headcount ratio sensitive to relatively small changes in the poverty line, or the mean income of the poor. Looking at the results in Tables 4 and 5 together, it would appear the small change in the mean monthly income of those at the bottom of the heap (a mere R8 per month) is capable of pushing the headcount ratio from 30.9 percent in 1995 to 22.7 percent in 2005, a fairly respectable fall. For those directly concerned (as opposed to those who make political capital out of them), the change is much less impressive.

On the inequality front, the news that Borhat and van der Westhuizen offer is not good. Finding that the Gini coefficient had risen from 0.64 to 0.69⁹⁹ over the period under consideration, they observe that:

‘This is a disturbing result for a number of reasons: Firstly measures of income inequality by international experience, do not alter significantly over time in either direction. It takes large shifts in economic growth for example, to change an economy’s income distribution or a very particular pattern of growth Secondly, the result is disturbing within the context of South Africa being historically ranked as the most unequal society in the world with Brazil. This new result would suggest that South Africa is now the most consistently unequal country in the world. Simply put, while the democratic period has delivered declining poverty levels, it has also been marked by a significant rise in aggregate income inequality.’
(2008, p.11)

Read in conjunction with the re-interpretation offered above of the Presidency’s optimistic analysis of progress in the struggle to at least reduce poverty, the findings on inequality make for depressing reading. Yet much, although not all of what has been concluded above, depends on whether or not the Borhat and van der Westhuizen estimates are reliable. Unlike the van der Berg *et al* figures, which are demonstrably untrustworthy, we have no way at present of ascertaining how good the Borhat and van der Westhuizen results are. Despite the raised eyebrows about a paper on asset poverty (Borhat *et al*, 2006), the DPRU has a good reputation, so we must assume, until it is demonstrated otherwise, that they have managed to ‘tame’ their primary data sources, the 1995 and 2005/2006 Income and Expenditure Surveys. The former of these is, however, beset by some serious problems, and they warn readers that since the full data set for the latter was not available at the time they undertook the research, the results should be treated as ‘preliminary only’.¹⁰⁰ Predictably, this warning, despite its

prominence in the Borhat and van der Westhuizen paper, is nowhere to be seen in the *Fifteen Year Review*.

It is time now for a peep at the poverty results in *Development Indicators 2009* (PCAS, 2009). The layout of the tables reporting poverty headcount indices is the same as that in *Development Indicators 2008* – even the page numbering is the same. The headcount ratio estimates have been extended through to the year 2008. Apart from the 2008 estimates, all the headcount ratios are the same as their counterparts in *Development Indicators 2008*. Poverty lines have been expressed in 2008 prices – the R467 line goes to R524 (which looks a little steep, implying inflation of about 13 percent); the R367 line grows to R388 (about five percent inflation), while the R250 line jumps to R288 (13 percent inflation once more).¹⁰¹ The downward trend detected by the (incorrect) van der Berg *et al* results continues – an updated paper of theirs (2009) has the poverty headcount ratio falling from 41 percent in 2007 to 39 percent in 2008 (PCAS, 2009, p.26).

A new paper by Borhat (2009¹⁰²) applies an interesting technique to the Consumer Price Index (CPI) data to estimate a headcount ratio for 2008. It is described on p.23 of *Development Indicators 2009*. How robust this is cannot readily be determined. Whatever the case, Borhat now estimates that at the R467/524 line, the headcount ratio goes from 48 percent in 2005 to 49 percent in 2008 (PCAS, 2009, p.26). The overview at the head of the page, much less upbeat than the previous year's comment, read as follows:

‘Using various income poverty measures, the *number* of people living in poverty has declined especially between 1999 to 2007, although the rate of this decline is slow. In other words, although poverty has reduced over time, more worrying is the fact that the rate of eliminating poverty is slow.’ (PCAS, 2009, p.26, emphasis added)

How is it possible, one is bound to ask, for the Presidency to confuse number with rate or proportion, year after year? In any case, repeating the exercise carried out above to convert Borhat's estimates from ratios in headcounts, we discover that the headcount rose from 20.7 million in 1995, to 22.5 million in 2005, and to 23.9 million in 2008.¹⁰³

In view of what has been shown above to be the most recent information on poverty and inequality used in a publication from the Presidency, how are we to respond when the Minister in the Presidency responsible for National

Strategic Planning (Trevor Manuel), informs readers of the recent Green Paper that:

‘Ours is a society in which poverty levels have declined but inequality has not significantly decreased.’ (2009a, p.7)

In my opinion, we should cry ‘Shame’, and for several reasons: one of them, as we have seen above, according to the Borat and van der Westhuizen, not only did inequality not decrease significantly’, it is estimated to have increased.¹⁰⁴ Another is that while according to one measure, the poverty headcount ratio fell for a while, the poverty headcounts implied by the headcount ratios at that poverty line have not. Also, although the poverty gap ratio has fallen, the effect of this fall on mean incomes of the average poor person over ten long years is minuscule (about R1-2 per capita per month annually).

Although government acknowledges that poverty is still rife, persistent attempts to talk up what little has been achieved, to paper over unpleasing results, or to distort figures so as to make improvements seem more significant than they are, speak to an inability to confront reality. Government uses research in a shabby manner – boasting about poverty headcount ratios while ignoring the possibility that the poverty headcount could have risen by an estimated 1.8 million between 1995 and 2005 (or by 3.1 million between 1995 and 2008), is inappropriate, to say the very least. What makes it worse is the fact that the piece of research in question was commissioned specially for the Presidency. There can be no excuse for those who have to work with poverty figures being unaware of the debate in the literature (Kanbur, 2004; 2008) over what is to be said about poverty when the headcount rate falls, while at the same time the headcount rises, a phenomenon usually caused by population increases. Boasting about poverty gap ratios falling, while ignoring the likelihood that the increase in the income of the ‘average’ poor person was probably trivial (if we are to believe the Borat and van der Westhuizen results), is equally shabby.

AIDS, POVERTY AND KANBUR’S ‘HARD QUESTION’

The question of what to say about poverty is apposite in more than just the sense in which Kanbur posed it – since some point in the 1990s, South Africa has been undergoing a demographic transition wholly unlike that proposed by conventional models – namely, a drastic reduction in population

growth rates caused by the AIDS epidemic. According to the most recent estimates, Statistics South Africa thinks that the population growth rate fell from 1.38 percent per annum over the year 2001-2002 to 1.07 percent per annum over the year 2007-2008 – corresponding rates for women, who are worse affected by AIDS, are 1.30 and 0.99 percent, respectively (Statistical release P0302, 27 July 2009, p.8). Although substantial, this decline in the growth rate is much less dramatic than the results reported in the previous year which saw it falling by about ten basis points (one-tenth of one percentage point) each year.¹⁰⁵

Faced by such a calamity, it clearly is necessary for us to reflect on the linkages between poverty reduction and AIDS. One thing to do would be to speculate about what poverty might have been in the absence of AIDS – if we had the data, we could, for example, decompose estimated changes in poverty into those attributable to AIDS, and those to all other causes (the reductions being chiefly caused by expansion of the social grant system, especially the child support grant).

Regrettably, your average economist (and possibly your average demographer) would soon run into difficulties. Not only is it not possible (for reasons given below) to make the decomposition referred to above, it is also difficult to take the first step in that exercise, namely, estimating what the population would (might?) have been in the absence of AIDS. Nowhere in the catalogue of important national statistics from the official statistics producer are the numbers less satisfactory than in the field of population estimates. In the 2005 mid-year population estimates, Statistics South Africa claimed that year-on-year population growth for 2000-2001 was 1.10 percent, and 0.92 percent for 2004-2005 (Statistical release P0302, 31 May 2005, p.10). Its 2008 counterpart gave corresponding estimates of 1.45 and 1.16 (Statistical release P0302, 31 July 2008, p.7). It is hard for a non-specialist to reconcile population estimates in an official annual publication like *South African Statistics* with published growth rates in the mid-year estimates. Digging back into the pre- or early democracy era does little to decrease the difficulties – a 1996 report by the Financial and Fiscal Commission, for example, informs us that the Development Bank of Southern Africa put the population growth rate between 1990-1995 at between 2.29 and 2.31 percent per annum, while Prof Simkins returned a figure of 1.96 percent per annum for the period 1991-2001.¹⁰⁶

One institution (there are probably others) that has attempted the task of reconciling the confusing growth rates referred to above, if not actually producing population estimates that agree with the Statistics South Africa figures, is the Centre for Actuarial Research in the University of Cape Town. The job of preparing counterfactual estimates of a population growth has clearly been performed in that centre. Dorrington *et al*, 2006, for example, informed us that ‘life expectancy was some 13 years below what it is expected it would have been without HIV/AIDS...’ (p.3). The table on p.21 of that work smoothes growth rates in such a way as to allow a population growth rate of 2.3 percent per annum in 1995 to fall away to 0.8 percent per annum in 2005 (which number, of course, was close to Statistics South Africa’s 2007-2008 estimate).

To cut short the ride on the merry-go-round, let us write a counterfactual by simply mixing the Statistics South Africa and Dorrington *et al* stuff. We start by accepting a population size of 40 583 573 for the census month of October 2006¹⁰⁷. We cut this back to a mid-year figure of 40.27 million, then estimate a 1995 mid-year figure of 39.36 million, using the Dorrington *et al* 1995 growth rate. Assume now that that rate of 2.3 percent per annum declines in a ‘normal’ demographic transition process by 0.03 percentage points (three basis points) each year, to give a population growth rate in 2005 of 2.0 percent per annum. That would yield, all other things being equal, a population in 2005 of 48.64 million. The Statistics South Africa mid-year estimate for that year was 46.89. In other words, over the period 1995-2005, HIV/AIDS caused the population to be smaller by 1.76 million people than we would otherwise have expected it to have been. As we read the figure, let us keep in mind what it is – a crude order of magnitude – the ‘real’ figure could have been anywhere between say, half-a-million and two-and-half million¹⁰⁸.

The critical question is: how many of these people would have been poor, as defined, for instance, by either of the two poverty lines referred to above (or by any other measure that could be devised)? The answer is that we do not know – AIDS deaths are educated guesses – AIDS deaths grouped by income category require assumption-making well beyond the heroic.

What we should *not* do, is to take the Bhorat and van der Westhuizen headcount poverty rates for 2005 in the Table 4 above, and apply them to our counterfactual population estimate for that year. Let us simply say instead, that between 1995 and 2005, the number in poverty at the modest

poverty line of R322 per capita per month probably increased by about 1.8 million, while at the very low poverty line of R174 it could have fallen by about 1.5 million. We may say, without fear of contradiction, that the increase in the number of poor would have been much greater had the social grant system not been expanded so dramatically. We should also say, however, that it is possible that the number in poverty in 2005 could have been even larger, were it not for HIV/AIDS.

With that, we are back where we started, namely, with the complaint about Statistics South Africa having taken about 14 years to initiate a survey that may yield authoritative estimates of poverty (and inequality?), when its results are published in the last quarter of 2010. For a government whose first priority is supposed to be the poor, the record of the provision of data with which to measure progress in the fight against poverty, is not merely unimpressive, it is (or at least it would be, if politicians were not so thick-skinned), an embarrassment.

CONCLUSION

Poverty will not be halved by 2014, nor, in all likelihood, will unemployment – to achieve either would be a great feat, to achieve both requires little less than a miracle. Even if it occurred, the residual poverty and unemployment would still be too high to be humanly (humanely?) or politically acceptable for much longer. Flowing from this finding is a two-fold plea to the powers-that-be: (i) redo the sums on employment and unemployment, and (ii) revisit the debate about the basic income grant (in its universal form) and this time, do it properly. By all means, reject the appeal for the grant if that is appropriate, but do so on the basis of a thorough investigation, not a handful of threadbare prejudices, dressed up as the ‘will of the masses’ (who are said by the elite to find ‘handouts’ demeaning).

The present paper has worked through the employment and unemployment figures produced by Statistics South Africa, and the estimates of the numbers of ‘work opportunities’ to be created by Phase 2 of the EPWP, to guess at what the likely unemployment rates would be in the year 2014, under a range of different scenarios. Unless by means of the aforementioned miracle, a growth path can be engineered that combines rapid economic growth (and job creation) with slow growth in the participation rate (an unlikely marriage), the target will be missed by some significant number. The Community Work Programme (CWP), if it can find a powerful

champion, has the potential to create many hundreds of thousands of socially useful jobs. Even if it is driven rapidly to scale, however, it will still leave many millions unemployed.

News of the latest doings in the labour market, most of it not statistically significant, now appears on a quarterly basis. Commentary by anxious statistical release watchers, some of it remarkably ill-informed, now appears with greater frequency than in the good old days of the bi-annual Labour Force Survey. Foraging in the survey results and the articles on them in the press, confirms the impression that Statistics South Africa is remiss in publishing figures that are so open to misunderstanding. Far from contributing to policy formation, decision-making by other economic actors, and more informed discussion in general, the additional information appears to heighten confusion in some quarters. It is a pity that so few people are distressed by the waste of resources involved in producing the Quarterly Labour Force Surveys.¹⁰⁹

There is one policy instrument – the basic income grant (BIG) in its universal form – that potentially has the capacity to bring relief to those who suffer the worst poverty, who cannot be reached by any other social protection mechanism – folk like those in ‘workerless’ households (households containing working-age persons, but in which no-one has paid employment, and in which there is no child or pensioner who qualifies for a social grant), or those in households with one or more individuals eking out a bare subsistence income through ceaseless toil. An attempt is made in the paper to explain the forces behind the offhand rejection of the BIG by government. Inevitably, it is necessary to rely on the public record for evidence of the actions of those visibly involved. This means that others who may have played an important part in the proceedings escape notice.

Most visible of all the participants was former Minister of Finance Trevor Manuel (although ex-President Mbeki was also quite partial to disparaging the proposal). Much of the discussion above on the basic income grant is thus like a charge sheet, read out against Minister Manuel. As an individual politician, he wielded and continues to wield considerable power – if his actions in Cabinet accord with his public utterances on the matter, then he is likely to have played a significant role in stifling debate on the basic income grant in government. His power notwithstanding, he would not, however, have been able single-handedly to stop the appeal for the grant from being given a proper hearing – for that, the support of an even more powerful

constituency is necessary. It is to be found among the ranks of the ANC elite, and the business community (with conservative academics tagging along for good measure).

It is difficult to see how the group described in the 2002 ANC conference resolutions as ‘progressive forces’ could carry the day against such formidable opposition. The heyday of community organisation has passed – although still vociferous and capable of winning local battles, co-ordinated national action by civic groups appears to be impossible. Trades union federations like Cosatu could campaign (and have campaigned) around the issue, but it is not clear that they have either the commitment or capacity to tackle the conservatives head-on.

Assuming that the speculation above about the role of the Treasury and the former Minister of Finance is correct, then it is probable that the Department of Social Development, recognising the unlikelihood of persuading Treasury to think again on the question of a basic income grant of the universal type, has adopted a strategy of attempting to persuade the Social Sector Cluster to close the gaping hole in the social protection system by the extension of piecemeal grants to those presently excluded from the social protection. The proposed grants, many of which would, if implemented, have to be means-tested, others of which require the beneficiaries to be ‘activated’ as well, are aimed at different groups (identifiable with varying degrees of difficulty). It may well be that grants of this sort are all that is politically feasible, and as such, are better than nothing. They are, however, a less than ideal substitute for a universal basic income grant. It will be at least a year or two before it is known whether or not this ploy is going to succeed – in the meanwhile, it is probably sensible for activists in the field to begin preparing an appeal to the Constitutional Court. In that forum, expert evidence may be led to show that government has not applied its collective mind to the problem, and that it has sheltered for too long behind the ‘progressive realisation’ clause in the Bill of Rights.

A brief overview of recent estimates of the severity of poverty discloses the apparent supplanting in the Presidency of the remorselessly optimistic results generated by van der Berg and his colleagues in the University of Stellenbosch, by a tentative set of figures produced by Bhorat and van der Westhuizen in the Development Policy Research Unit in the University of Cape Town. Some comfort has been taken from the finding that the poverty gap ratio has fallen. When, however, the reported fall is converted into a

monetary sum, the effect on the mean income of the poor is modest indeed. Modest though this fall is, it translates into an approximately 4.5 percentage point decline in the poverty headcount ratio between 1995 and 2005 at the highest of three poverty lines. Converting the headcount ratios into headcounts (by multiplying by population estimates), takes the shine off this performance – the numbers in poverty at the R322 per capita per month poverty line (in 2000 prices) rise from 20.8 million in 1995 to 22.5 million in 2005, and then to 23.9 million in 2008, an increase of 3.1 million over the period 1995-2008. Citing poverty measures in percentage or ratio form only (as the Presidency does), is argued to be dangerous because it is not only the relative size of the problem that matters – the absolute numbers involved are important as well. Ravi Kanbur’s hard question (what to do if the headcount rate falls but the headcount rises) ought not, by sleight of hand, to be avoided.

Finally, after dabbling a little in the highly contentious literature on the impact of HIV/AIDS on mortality, we conclude that the number of poor would probably have been much larger in recent years, if the epidemic had not carried off so many people, some large proportion of whom would have been poor.

FOOTNOTES

1. AsgiSA is the Accelerated and Shared Growth Initiative for South Africa.
2. The Reuters article containing the announcement and the interview with Hirsch was featured on a business news programme on New Zealand TV on 17th April 2009. I downloaded it from: <http://tvnz.co.nz/business-news/south-africa-economic-growth-implausible-2651780> on 7th May 2009. It ran under the headline ‘South Africa economic growth “implausible” ‘.
3. The article was credited to Sapa (the South African Press Association). It ran in the *Cape Times* on April 21, 2009.
4. See the article ‘SA on track to halve unemployment by 2014’ by Wendell Roelf, in the *Mail & Guardian* online, 6 April 2009.

5. Downloaded from <http://www.info.gov.za/speeches/2009/09071411151001.htm>, 15 July 2009. The full sentence from which this is drawn reads as follows: ‘In this MTSF period, we aim to meet our target of halving poverty and unemployment by 2014 and, in conjunction with other priorities, to strengthen human capabilities, promote shared values and social solidarity and strive to reduce overall inequality.’ The preamble to the document announces the fact that the MTSF is ‘the foremost frame of reference outlining the government’s policy posture and programme to improve the conditions of life of South Africans over the next five years. The MTSF identifies the development challenges facing South Africa and defines the priorities over the next five years.’
6. See the article headed ‘Too much, take, take, take’ by Pippa Green in the Comment section of the *Mail & Guardian*, May 10 2009.
7. See the article ‘Stats SA’s figures not so far off the mark’, *Business Day*, 4 March 2009.
8. No matter how bad the news, politicians need to be remorselessly optimistic – here is former minister in the Presidency, Essop Pahad, dismissing signs of the recession that was shortly to overtake the economy. The occasion was the delivery of the Government Communication and Information System (GCIS) budget to Parliament in May 2008: ‘Despite [the] challenges’, he said, ‘we are confident that, while South Africa’s economic growth for this year will slow a bit, growth will still be range bound. We need to cut through the noise of pessimism and communicate this message. South Africa is not entering a recession and we will be ready to host the 2010 World Cup. We need to communicate, communicate and communicate some more.’
Downloaded from <http://www.gcis.gov.za/newsroom/speeches/minister/2008/080514.htm>, 5 November 2009.
9. See Statistical release P0210, 5 May 2009, p.v.
10. See Statistical release P0210, 28 July 2009, pp.v-vi.
11. The *Business Day* feed was I-Net Bridge, while the *Mail & Guardian* picked up their story from Reuters.

12. This surprisingly wide range prompts the author of the article from which that and the following figures are taken, to say of it (in parentheses), '[it] is odd given all the news flow'. See 'SA GDP declined by a shock 6.4% in first quarter of 2009', (no byline), in *Business Day* online version, 26 May 2009. See also the piece by Mariam Isa headed 'Economists warn of recession shock' in *Business Day*, 26 May 2009, which must have been written before the GDP figures were released, but which warned of a likely shock when they were.
13. The National Treasury, putting a brave face on matters, offered the reassurance that 'the economy is expected to improve in the final two quarters of the year'. It acknowledged, however, that this year's growth target (1.2 percent per annum) was 'unlikely' to be achieved. Press release downloaded from http://www.treasury.gov.za/comm_media/press/2009/2009052601.pdf, 26th May 2009. The press release was followed, the next day, by a statement from Lesetja Kganyago, director-general in the National Treasury, to the effect that 'If we record zero growth this year we would be doing very well...' Other commentators were less sanguine, one predicting a fall in GDP of 2.2 percent in 2009. See the article '“Zero-growth” is best we can expect this year – Treasury', by Mariam Isa in *Business Day*, 27 May 2009. In the comment section of that paper on the same day, a short piece appeared reminding readers that a large annualised quarter-to-quarter decline in GDP, was a prediction, rather than an account of what actually happens to GDP over a year – zero-growth was thus still possible despite the surprising first quarter drop of 6.4 percent. See 'Growth news is bad, but it's not the whole story' in *Business Day*, 27 May 2009.
14. Research performed as part of the monitoring and evaluation of Phase 1 of the EPWP found that: 'Of all the respondents interviewed, 55% were still working on EPWP projects, and 45% had exited the programme. Of the respondents who were no longer working on EPWP projects, 27% were employed, as opposed to 73% unemployed. Of the beneficiaries that were employed, 50% were employed on a full-time basis, [whilst] 50% found themselves in part-time employment.' (DPW, 2009, p.70).

On the next page of the *EPWP Five Year Report* in which this finding is made known, we are told that: ‘Interestingly, more than half of the unemployed still maintained that the EPWP had positive consequences, suggesting lingering benefits from previous employment or benefits accrued through the training component of the programme.’

15. ‘Halving’ is a topic to which I returned several times thereafter – a couple of years after that first paper, I revised and updated the estimates and reached the same conclusions. These were published in 2006 in an article with a similar title, in a volume called *Poverty and Policy in Post-Apartheid South Africa*, edited by Haroon Borat and Ravi Kanbur (Meth, 2006a). A slightly different approach generated the same general conclusion in Meth (2007a). My most recent skirmish with the unemployment halving numbers appears in a paper written with Anna McCord (McCord and Meth, 2009).
16. Downloaded from:
<http://www.info.gov.za/speeches/2009/09060310551001.htm>, 4th June 2009.
17. See the (Sapa) article in *Mail & Guardian*, 24 July 2009, headed ‘Zuma: ‘SA will wait for jobs increase’’. The thread may be picked up in the comment section below the article.
18. With the aid of the EPWP sausage machine, President Zuma will probably have his 500 000 ‘work opportunities’ (about 210 000 full-time equivalent jobs) squeezed out for him in Year 1 of Phase 2 of the EPWP (but not by the end of 2009, as he said). Results for the last year of Phase 1 of the EPWP suggest the creation of ‘work opportunities’ at that rate is not impossible (DPW, 2009). Indeed, if the figures in the *EPWP Five Year Report* are to be believed, the programme created 440 000 work opportunities between April 2008 and March 2008 (DPW, 2009, p.95). It is, however, predicted that total employment (including the EPWP work opportunities) at the end of 2009 will almost certainly be lower, by several hundred thousand, than it was at the end of 2008. This makes the 500 000 boast sound at best, confusing, and at worst, plain silly. The newspapers finally got round to decoding the 500 000 on 17th November 2009. See the article ‘Turning work opportunities into proper jobs’, by Hilary Joffe in *Business Day*.

19. This information may be in a document bearing the title of *Growth and Development Summit Implementation Plan, 28 November 2003*, referred to at <http://www.nedlac.org.za/top.asp?inc=docs/agreements/main.html>. Unfortunately, I have not been able to obtain a copy of it. The GDS document itself is available on the website of the National Economic Development and Labour Council, at <http://www.nedlac.org.za/top.asp?inc=summit/gds/agreement.html>.
20. From the confused statement from the Presidency quoted above ‘... the original AsgiSA target of growing at an average rate of 6% between 2010 and 2014 now may appear implausible. In turn, the target of reducing poverty (*sic*) by half to 14% or less in 2010 may appear to be endangered...’, one gains the impression that the target rate of unemployment for 2014 is 14 percent.
21. The word ‘unemployment’ appears only twice in the manifesto.
22. Statistical release P0210, 5 May 2009 and 28 July 2009 respectively.
23. A revised estimate of the working age population in March 2003 was given in Statistical release P0210, 26 September 2005 (p.2). The estimate for the first quarter of 2008 appears in Statistical release P0210, 5 May 2009 (p.v).
24. The year-on-year change (Q2 2008 to Q2 2009) was a fall in total employment of 360 000. See Statistical release P0210, 5 May 2009, p.v.
25. Statistical release P0210, 5 May 2009, p.v.
26. Statistical release P0210, 28 July 2009, p.v.
27. Statistical release P0210, 28 July 2009, p.v.
28. The data for these estimates comes from Statistical Release P0210, 26 September 2005, p.2, and Statistical Release P0210, 27 March 2008, p.ii.
29. In South Africa, the population growth rate is estimated to have fallen from 1.38 percent per annum in 2001-2002 to 1.07 percent per annum in 2007-2008 (Statistical release P0302, 27 July 2009, p.8). This large

drop, caused mainly by the AIDS epidemic, will not, however, affect the growth rate of the working-age population for some years yet, and certainly not before the target year of 2014 is reached. Possibly offsetting the drop in the growth rate of working-age people, and difficult to detect in the population statistics more broadly, is migration into South Africa from other African countries.

30. The standard model for the theoretical centerpiece of labour economics, the work/leisure trade-off, is unable to say whether substitution effects dominate income effects, or *vice-versa*. Outcomes are, hence, indeterminate.
31. Estimated from Statistical release P0210, 26 September 2005, p.2, and 27 March 2008, p.ii.
32. The relationship at issue here is the employment elasticity of output growth – for the economy as a whole, the proportional change in employment divided by the proportional change in GDP over some period. Observed values could lie in the region of 0.2-0.6 (Islam, 2004, pp.4-5). Clearly, the closer elasticity is to zero the higher the associated labour productivity change. Conversely, the closer to unity, the lower the labour productivity growth. If a labour surplus economy like South Africa were to absorb large numbers of unskilled and semi-skilled workers during a growth spell, an elasticity somewhere in excess of 0.6 or so may be anticipated. Measuring the elasticity is difficult – predicting what it may be in the future even more so. In the simulation whose results are reported in Tables 1 and 2, guesses at the numbers of new jobs created in the economy at particular growth rates are thumbsucks based roughly on recent growth experience. If the assumed growth rates under the optimistic job creation scenarios for years 2 to 5 of the EPWP Phase 2 are 3, 5, 6 and 6 percent respectively, and the corresponding rates for the pessimistic scenarios are 2, 3, 4 and 4 percent respectively, then the employment elasticity of output growth will lie between 0.5 and 0.7.
33. The Bureau for Economic Research (BER) forecast growth of 2.7 percent in 2010, and a decline of 2.0 percent in 2009. See the article ‘Growth set to contract by 2% in 2009’ (source I-Net Bridge) in *Business Day*, 28 July 2009

34. For commentary on the policy statement, see the article by Hilary Joffe 'Doing things differently: will Gordhan's colleagues agree?', in *Business Day*, 28 October 2009.
35. The figures have recently been published in the *EPWP Five Year Report*. See DPW, 2009, p.139.
36. There is some danger that in future, the EPWP and possibly CWP employment figures will distort the QLFS results. These part-time jobs are likely to be numbered as FTEs unless great care is data during the data gathering phase of the surveys.
37. In the spreadsheet model used to generate the Table 1 and 2 results, the EPWP increment for the period 2008/09 to 2009/10 does not enter into the calculus. This is because the opening employment total of 13.336 million workers is derived from a guess at how many jobs will be lost over the period 2008/09 to 2009/10. It is assumed that EPWP FTEs are included in the total employment statistics for 2008/09.
38. Their number would be even larger were it not for the fact that Statistics South Africa 'disappeared' many of the discouraged after September 2007 by means of a definitional change. See Table 1 in Meth (2009d).
39. The so-called 'social safety net' (essential household services – water, sanitation, refuse, energy, access to housing) is the 'focus of municipal indigent policy'. See DPLG (2005, p.3).
40. This matter has not received the attention it deserves.
41. See, for example, the discussion on pp.300ff in McCord, 2009.
42. In recent times, the EPWP people have gone to some lengths to stress the fact that the EPWP cannot address the problem of structural unemployment. These warnings are cited further below.
43. Estimated from the figures in the *EPWP Five Year Report* (DWP, 2009, p.141).
44. Estimated from the data set for the September 2007 Labour Force Survey.

45. See, for example, Altman, 2005.
46. A good overview of NREGs is to be found in Ranjan, 2009. Note that in terms of the NREG Act, if employment cannot be provided within 15 days of an application, a daily unemployment allowance in cash has to be paid (Ranjan, 2009, p.11). How well this alternative is functioning is not easy to determine.
47. This is repeated in government's Programme of Action, 2009, p.4. Downloaded on 8th October from:
http://www.gcis.gov.za/resource_centre/multimedia/posters_and_brochures/brochures/poa2009.pdf
48. Linda Ensor referred to it in her report on the State of Nation address – see 'Zuma unveils plans to fight recession, tackle poverty', *Business Day*, 4th June 2009. Eddie Webster made a brief reference to the CWP in an opinion piece 'Why "jobs for all" should be the guiding principle for SA', *Business Day*, 21st July 2009. The *Mail & Guardian* also refers to the CWP in a wrap-up of the State of Nation address, in the article 'Zuma sets help for poor as priority' (no byline, article dated – oddly – 3rd June 2009).
49. The other two versions contain this statement as well.
50. This statement appeared in the 2008 draft as well – see Presidency, 2008c, p.53.
51. There appears to be some kind of link between the CWP and the broader government initiative aimed at fostering development through the media. This initiative has resulted in the commissioning and production of radio and television programmes that seek to empower communities. One of them, a 13-part series called Kwanda (which means 'wealth' and 'growth') currently being shown on SABC TV1, is a reality show in which projects undertaken by volunteer teams in different poor localities are the subject matter of each episode. The CWP has several projects of this sort. See <http://www.comminit.com/en/node/303375/36> and <http://allafrica.com/stories/200910270731.html>, both accessed on 5th November 2009. This initiative is part of a broad campaign by

government to harness the media in service of community development. See, for example, the ‘Parliamentary Media Briefing: Economic, Investment and Employment Cluster by the Honourable Minister of Trade and Industry’, Mandisi Mpahlwa, on 12 February 2008.

Downloaded from

<http://www.info.gov.za/speeches/2008/08021216151001.htm>, on 3rd November 2009. The Government Communications and Information System is very active in this sphere – see, for example, GCIS, 2009, p.34.

52. In India, two years after the NREG scheme commenced, 10.8 percent of all eligible (rural) households completed 100 days work (Mehrotra, 2009, p.17). In addition, a substantial proportion of households enjoyed work spells of less than the 100 days allowed.
53. Not only does the CWP have the potential to make the basic income grant look small, but the only tax that can be clawed back will be through VAT!
54. The analysis below of the potential contribution of the CWP to the unemployment halving goal suggests that wage costs alone could be in the region of about R3.5 billion by 2014.
55. This is not to suggest that EGSs are all plain sailing. See, for example, CEC, 2009, p.35.
56. I vowed never to use the dreadful word ‘stakeholders’ – quite a bit of circumlocution is necessary to avoid it.
57. The *Mail & Guardian* article ‘Skweyiya calls for basic income grant’, (no byline), 10th November 2006, (picked up from the *Star*), ran to only 200 words. In the Ensor piece, by contrast, *Business Day* allowed the article to go over 500 words. Of course, quantity does not equal quality, but as noted above, my view is that the Ensor article is both balanced and comprehensive.
58. At the time, an amount of R100 per month per person was proposed. With a population of 45 million, the gross cost of the grant before delivery costs would have been R54 billion per annum. The remainder of Minister Manuel’s R90 billion was made up of delivery costs. That

figure came from opponents of the grant who suggested that these would add at least a third to the R54 billion. Proponents of the grant pointed out that using South Africa's advanced financial sector (and cell-phone) technology, delivery costs could be shaved to a tiny fraction of this, even in rural areas. The major stumbling block was, and still is, the incompetence of the Department of Home Affairs.

59. My estimate of the net value of the transfer, based on the workings of a simple micro-simulation model, was R27 billion in 2003 prices (Meth, 2003). In 2006 prices, that would have been about R30 billion. The assumed cost of delivering the grants was a little over R1 billion per annum (about two percent of the gross cost of R54 billion).
60. An outcome to which the ANC administration's incompetence, corruption, fractiousness and failure to deliver, contributed in no small measure.
61. At a press briefing about ten days after the speech in parliament, Minister Skweyiya repeated his view that the basic income grant ought to be discussed at the ANC's 52nd National Conference to be held in December 2007, in Polokwane. See the article by Donwald Pressly headed 'Skweyiya sticks by his call for basic income grant', *Mail & Guardian online*, 20th November 2006.
62. Not long after the Taylor Committee delivered its report, the head of the ANC's social transformation 'department' at the time, Thoko Didiza, delivered the response, which, with minor variations, is trotted out almost every time the basic income grant question is raised. This is what she said: 'A basic income grant to the poor should be carefully considered', said Agriculture and Land Affairs Minister Thoko Didiza yesterday. The possibility of such a grant creating dependency should be taken into account, she said. 'This discussion at the moment is about the values underpinning such a grant.' Didiza was speaking at the release of discussion papers for the 51st national conference of the African National Congress (ANC)..... Didiza said discussions about a basic grant as part of a social safety net should not be conducted in isolation. 'It must be looked at within the context of other interventions by government to help the poor.' This included free health care for pregnant women and children under the age of six. A basic income grant could be linked with public works projects that provided the

jobless with temporary employment. This would help prevent the grant from being a mere hand-out, Didiza said. The discussion paper said the ANC believed the state's role should be to enable people to help themselves. For those unable to do so because of old age or health problems, there should be a social security system. The paper said the ANC should concern itself with two strategic objectives making sure that existing social grants reached their target and improving the provision of services. 'We must make sure that all departments who have antipoverty programmes, deliver them timeously and efficiently,' the paper said. See the article 'Didiza cautious about basic income grant', in *Business Day*, Wednesday 14 August 2002, p.2.

63. See the article 'Cabinet pours cold water on basic income grant' by Donwald Pressly that appeared in the *Mail & Guardian* on December 7 2006.
64. Since national conferences only take place every five years, guardian of the resolutions taken in conference appears to be Luthuli House, the ANC headquarters. The degree of control over policy exercised in the past by Luthuli House is a matter for debate. An attempt to keep ministers on a tight rein certainly seems to be underway now. In a recent interview Cosatu general secretary Zwelinzima Vavi told reporters that: '...some people were complaining that Zuma was "becoming the stooge of Luthuli House"', but that is exactly what Cosatu wanted. 'We are the policy makers; the government must implement. No minister should be allowed to develop policy. The policy is developed by the alliance and the ANC, and the appropriate minister must implement it,' Vavi said. See the article 'Zuma now willing to serve two terms', by Hajra Omarjee in *Business Day*, 5 June 2000.
65. A little detail on the four research projects commissioned by the DoSD is presented further below.
66. Statement downloaded on 12th July 2009 from the EPWP website home page: <http://www.epwp.gov.za/index.asp?c=Welcome>.
67. The figure of 11 percent seems more than a little optimistic – by my reckoning it is to five percent.

68. The full account is to be found in Meth (2009a). Government's obsession with 'activating' the unemployed in preference to giving them social grants, is discussed at length in that work.
69. Treasury's ability to exert (undue?) influence is partly a consequence of the sheer concentration of power resulting from control over the nation's purse strings, backed up by more in-house brain-power than is to be found in any other government department (plus unlimited access to 'policy experts', particularly those located in the international financial institutions).
70. The poor and the unemployed, mostly unorganised, fragmented and voiceless, have responded to poor service delivery with protests, often violent, in thousands of incidents of social unrest.
71. In the R773 billion budget for 2009/2010, the biggest item was Economic affairs (which includes infrastructural spending) at R180 billion. This was followed by Education at R140 billion, Social protection at R118 billion, and Health at R87 billion. See National Treasury, 2009a, p.2.
72. International comparisons are often invoked to defend allocation decisions. They can, however, be misleading. A recent editorial in the *Mail & Guardian* headed 'A legacy of incoherence' (May 29 2009) reports that: **'... the ANC has consistently underfunded state hospitals and shifted resources away from them amid ... a burgeoning Aids epidemic. State health spending per citizen declined after 1996, returning to the same levels almost a decade later.... One consequence of systematic underfunding is the absurdly low pay of state healthcare workers and their often inhumanly long hours. It is a national scandal that interns in state hospitals, who have completed a demanding medical degree, earn R9 000 a month and sometimes work 80-hour weeks.'** As usual, there is disagreement about how good or bad things actually are. The *2009 Budget Review* reports that there were 20 health professional for every 100 000 uninsured South Africans in 2003, 24 in 2006 and 28 in 2008. Infant mortality under the age of one year is said to have fallen from 48.8 in 2004, to 46.5 in 2006, and to 45.2 in 2007 (National Treasury, 2009b, p.88).

73. Early in 2007, I received a request from Treasury to quote for research into trends in the UIF and into proposals for reform of its benefits.
74. One assumes that other ministries in the Social Sector Cluster have oversight of the calls for tenders.
75. The call for quotations from the DoSD for the research into the UIF benefit 'exhaustees' (which fell to my lot), went out in September 2007 – the contract was awarded early in 2008. In the terms of reference, the conditionality stipulation was worded thus: 'The attachment of appropriate conditions to achieve necessary labour activation for long-term unemployment [for] social assistance beneficiaries.'
76. The brave thing for government to do prior to all of the consultations referred to by the DoSD Plan of Action, would be to place in the public domain (if it is not already there) all of the research listed above.
77. In the *Mail & Guardian* report on ministerial appointments made by President Zuma, the new Minister of Social Development, Edna Molewa is described as a 'Doubtful performer'. The article claims that: **'Molewa is widely seen as having failed as premier of North West, which saw little infrastructure development or poverty alleviation during her tenure.'** See the article 'Zuma's top ministers: A thoroughly mixed bag', May 15 2009.
78. Views on this are divided. A commentary by Richard Calland on the Zuma cabinet observes that **'Whereas for the past 13 years Manuel has with the political cover provided by Mbeki enjoyed almost untrammelled control, now it is shared in portions as yet unquantified between the new minister of finance, Pravin Gordhan, Patel and the newly promoted Rob Davies at trade and industry -- with Manuel lurking stage right.'** See 'A new coalition has been formed', *Mail & Guardian*, May 18 2009.
79. The outlines of the role that the National Planning Commission began to see for itself, became visible in the Green Paper released by the Presidency on 4th September 2009. See Presidency, 2009b. Cosatu's analysis of the Green Paper warns of Manuel becoming an 'imperial' prime minister. The federation was incensed at the fact that the role of the Cosatu nominee to Cabinet Ebrahim Patel, Economic Development

Minister in the Presidency, does not even rate a mention in the Green Paper. See the article ‘Cosatu guns for imperial’ Manuel, by Amy Musgrave in Business Day, 16 September 2009.

Thereafter, the debate hotted up – on 5th October 2009, the Mail & Guardian reported, under the headline ‘Zuma under pressure on economy powers’ (Reuters and M&G reporter) that the President was taking advice on the legality of giving, at Cosatu’s behest, more ‘responsibility to manage macroeconomic policy’ to the Economic Development Minister.

On 21 October 2009, the resignation of Joel Netshitenzhe (a powerful figure in the Presidency in the Mbeki days). A re-organisation of the Cabinet ‘clusters’ was also announced – in the process, Minister Manuel was dropped from the all-important Economics cluster. In an apparently important victory for Cosatu, the importance of Minister Patel at Economic Development was reasserted by President Zuma. See ‘Netshitenzhe steps aside as Zuma signals policy switch’, by Karima Brown and Amy Musgrave in Business Day, 21 October 2009.

A week later, in an opinion piece headed ‘Odd to shut Manuel out of economic planning’ that was generally approving of the policy shift, Aubrey Matshiqi said that ‘What I will not support is the kind of nonsensical balancing act that made [President Zuma] exclude Trevor Manuel from the economic planning cluster.’ See Business Day, 28 October 2009.

The plot thickens – writing in Business Day on 5 November 2009, in a piece headed ‘ANC, allies hatch new plan to curb Manuel’s authority’, Karima Brown describes a document to be discussed by the ANC’s National Executive Committee, which proposes a Presidential Planning Commission (chairs of Cabinet clusters and nominated ministers), as against the National Planning Commission (staffed by ‘experts’ including outsiders – which ‘could amount to “outsourcing” a key function of the developmental state’) proposed by Manuel’s Green Paper. The fear seems to be that: ‘... presidential weight is needed behind the planning commission to allay fears that one cabinet minister would become more senior to others.’

At the time the final draft of the present paper was written (17th November 2009), the state of play was that after a meeting of the ANC’s National Executive Committee (NEC), Manuel was as head of the proposed Planning Commission, over the heads of vociferous complainants in Cosatu. See the article ‘Manuel to lead planning commission’, by Kenicho Serino in the Mail & Guardian, 9 November 2009.

80. See the article ‘Gordhan’s R60bn tax shortfall bombshell’, by Linda Ensor in *Business Day*, 2 July 2009.
81. The benefits of poverty reduction policies are unevenly spread. Obviously, the distribution of such changes as occur has to be taken into account when assessing the performance of these policies.
82. They satisfy Sen’s (1976) axioms.
83. In the general class of measures developed by Foster, Greer and Thorbecke (1984), of the form: $P_{\alpha} = (1 / n) \sum_i ((z - y_i)/z)^{\alpha}$, the relevant variables are the sum of the people in a population n , with incomes y_i below some poverty line z , where setting $\alpha = 0$ generates the headcount ratio, $\alpha = 1$, the poverty gap ratio and $\alpha = 2$, the poverty gap squared ratio. Less (more) weight could be given to the poverty of the poorest by decreasing (increasing) the value of this exponent. At the limit, it approaches the poverty gap ratio, implying that the poverty of everyone below the poverty line is equally weighted.
84. This is the third compendium of development statistics published by the Presidency, the first having been published the previous year (PCAS, 2007), while that for 2009 was launched on 25th September 2009.
85. It is worth noting that R174 per capita per month (in 2000 prices) is estimated to be insufficient to pay for the food, let alone anything else, required by an ‘average’ individual.
86. The figure given in *Statistics South Africa 2000*, p.1.2, is 43.054 million.
87. The mid-year estimate for 2007 in Statistical release P0302, 3 July 2007, p.1.
88. ¹ There is a little sleight of hand in the *Development Indicators 2008* work, involving judicious selection of end-points. According to the van der Berg *et al* figures, the poverty headcount rate hovered in the 50-52 percent range from 1993 to 2001. If the 1994 population was about 38.6 million, then the poverty headcount would have been roughly the same in 2007 as it was in 1994 (about 19.7 million).

89. *Development Indicators 2008* (p.25) gives the source of their R367 per month poverty estimates as an (unpublished) paper by van der Berg *et al*. Although I cannot find a published version of it, its results appear to be an extension of those van der Berg *et al*, 2007, p.14. None of the van der Berg *et al* estimates, I have argued, convincingly, I hope, is to be trusted (Meth, 2006b, 2007b, 2009c). My 2009c paper is an exhaustive (and exhausting) examination of the poverty estimates sponsored or adopted by government in recent years. It looks in some detail at most of the papers on poverty and inequality published by van der Berg *et al* between 2004 and 2008.
90. In their 2005 paper, van der Berg et al use two poverty lines, R250 and R281 per capita per month in 2000 prices (2005, p.17). The first of these is the R367 (in 2007 prices) referred to immediately above, while the second is approximately R403 in 2007 prices. Their estimate of the poverty rate in 2004 at the R250 line was 0.332, and at R281 line, 0.366. So, decreasing the poverty line by about R40 (in 2007 prices) raises the poverty rate by 3.4 percentage points. The headcount in 2004 goes from 15.4 to 18 million, an increase of 2.6 million. Turning to the figures in *Development Indicators 2008*, if the population in 2005 was about 47 million, then the van der Berg et al poverty line of R367 per month with its poverty rate of 45 percent would yield a headcount of about 21.2 million. The Borat and van der Westhuizen line of R462 finds a poverty rate of 48 percent, which translates into a headcount of about 22.6 million. So, a R40 difference in poverty line levels (in 2007 prices) sees the headcount rise by 2.6 million in the van der Berg et al 2004 estimates, whereas a R100 (in 2007 prices) poverty line difference in the Borat and van der Westhuizen paper corresponds to a headcount difference of only 1.4 million. This means that the 2005 poverty rates of 45 and 48 percent are actually quite close.
91. The results in Table 4 are estimates of P_0 and P_1 .
92. In neither the original paper by Borat and van der Westhuizen, nor the *Fifteen Year Review* are the poverty headcount ratios converted into poverty headcounts. Similar reticence was not in evidence when it came to a discussion in the *Fifteen Year Review* of the 'Key drivers of decline in poverty' – for that occasion out came the big, impressive-sounding numbers – '7.8 million child support grant beneficiaries in 2007 as opposed to 34 000 in 1999' (PCAS, 2008b, p.19).

93. In a second table on p.26 of *Development Indicators 2008* a set of estimates of provincial headcounts at the lowest of the poverty lines (R250 per month in 2007 prices is given). Population distributions are given in the table. Apparently to make it possible to prepare the set of provincial poverty estimates, the 1995 poverty headcount rate (31 percent) is applied to the 1996 Population Census estimates, while the 2005 rate (23 percent) is used on the 2007 Community Survey population estimates. This yields a headcount reduction of 1.6 million – from 12.6 to 11.0 million (PCAS, 2008a, p.26).
94. It is important to note that discovering an increase in the poverty headcount between 1995-2005, is not inconsistent with the decline (of disputed magnitude) widely thought to have taken place after 2000-2001 – all that is necessary is that the increase between 1995-2000/2001 be sufficiently large.
95. Özler, a World Bank employee, was a member of a team assembled by Statistics South Africa in 2003 to establish a poverty line for South Africa. The paper prepared by the team (Babita *et al*, 2003) has never been published (Statistics South Africa, with assistance from Treasury, is still dithering over the matter). Özler went ahead with Hoogeveen and published a set of poverty and inequality estimates using the poverty lines established by the team. The South African authorities were furious.
96. The primary reason for the incorrectness of the van der Berg *et al* poverty estimates is the fact that this particular set is based on data that have not been adjusted for under-reporting of income in the surveys on which the estimates are based. The errors involved are huge. This matter is discussed at length in Meth, 2009c.
97. Although presenting the results in this way is an improvement on the bald ratios in Table 4, without knowledge of the distributions of income below the poverty line, we are still not all that much better informed about the conditions of the poor.
98. Squaring this result with reported increases in real income as measured by the AMPS data used to produce the results presented in *Development Indicators 2008* (or 2009) is impossible. In the 2008 report, for

example, per capita per month (in constant 2007 prices) in the bottom decile is reported to have increased from R807 in 1994 to R1032 in 2007, while that of the bottom 20 percent reportedly increased over the same period from R1237 to R1478 (PCAS, 2008a, p.23).

99. According to the results in *Development Indicators 2009*, the Gini coefficient eased to 0.68 in 2008 (PCAS, 2009, p.25). Whether such tiny movements mean anything is moot.
100. The warning appears in the very first footnote in the paper (2008, p.2n).
101. Most of the difference between these inflation estimates is probably accounted for by the fact that the Borat approach attempts to compensate for the bias in CPIs caused by ‘plutocratic’ weighting, i.e., weighting by share of expenditure rather than population shares (PCAS, 2009, p.23).
102. Presumably commissioned by the PCAS for *Development Indicators 2009*, the Borat paper is referred to on p.26 of the publication. I do not even know its title, having been unable to download the last pages of *Development Indicators 2009* from the Presidency’s website.
103. According to Statistical release P0302, 31 July 2008, p.3, the mid-year population in 2008 was 48.687 million.
104. Borat’s estimates attracted criticism from on high. Joel Netshitenzhe (not long before he resigned) said that the Gini coefficients failed to take into account the difference that the ‘social wage’ made to inequality, an argument backed by Minister Manuel, who is reported to have said that he ‘... was not sure how relevant the Gini coefficient data (*sic*) was “any longer”’. See the article ‘South Africa has widest gap between rich and poor: Study finds SA now falls below Brazil’, by Donwald Pressly in *Business Report*, 28 September 2009.
105. In the mid-year population estimates for the year 2008, Statistics South Africa reported that population growth rate fell from 1.45 percent per annum over the year 2001-2002 to 0.82 percent per annum over the year 2007-2008 – corresponding rates for women were 1.41 and 0.74 percent, respectively (Statistical release P0302, 31 July 2008, p.7). Statistics South Africa is remiss in not pointing out to users the large

differences in estimated population growth rates between their 2008 and 2009 estimates. There is possibly some connection between the new, improved 2009 population growth rates, and a paper by Eric Udjo (2008), a demographer formerly employed by Statistics South Africa. The paper suggests that AIDS prevalence may not be as high as was thought, and that previously estimated falls in life expectancy may be an exaggeration. Udjo's findings are challenged by Dorrington and Moultrie (2008).

106. The fragment of a report, whose full title I have not been able to track down, from which these figures come was downloaded from <http://ffc.co.za/docs/submissions/1996/0513-app4.asp> on 23rd March 2009. The originals could, of course, be traced to their roots. That, however, is unnecessary.
107. See *South African Statistics 2007* (p.2.1).
108. Using an entirely different approach, Chigwedere *et al* (2008, p.410) offer a 'conservative' estimate of 330 000 lives lost between 2000-2005 as a result of the failure of Mbeki's government to implement a 'feasible and timely' ARV programme in South Africa.
109. A draft of a paper I wrote prior to the inception of the QLFS arguing that the additional surveys add little, if anything, to our understanding of the workings of the labour market, was submitted to the Statistics Council in 2008. It was ignored, as was a direct appeal to Minister Manuel, under whose wing Statistics South Africa fell at the time. The paper, in modified form, was subsequently published – see Meth, 2008a.

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