



Poverty and economics



For most of the country's poor, post-Apartheid South Africa did not deliver on the promises of the early 1990s. And even as the economy grew faster than it had done in decades and the state rolled out generous social security grants and invested heavily in public services, the burden of poverty and disease surged. Across the University of Cape Town, researchers are working to understand more about poverty and the country's increasing inequality, in order to find ways to turn the tide.

Turning the tide on poverty

When the late Alan Pifer, then president of the Carnegie Corporation, decided in the early 1980s that the time had come for a follow-up to Carnegie's 1932 *First Inquiry into Poverty or the Commission on the Poor White Problem in South Africa* – it was to a UCT labour economist that he turned.

Professor Francis Wilson, of UCT's Southern African Labour and Development Research Unit (SALDRU), would lead this defining study on poverty in South Africa titled the *Second Inquiry Into Poverty*, published as a book, *Uprooting Poverty: The South African Challenge*, in 1989.

At the end of 2011, Vice-Chancellor Dr Max Price was speaking to Professor Wilson about breaking ground on a third such study; this time, however, the aim would be to develop a set of suggestions and guidelines – “not prescriptions,” says Professor Wilson – for the National Planning Commission on how best to combat poverty and inequality in South Africa.

“We all agree that there’s now no need to do any further mapping of poverty in the country – been there, done that,” notes Professor Wilson, now an emeritus professor at the university. “But what we really need to focus on is how we’re going to overcome poverty, and how we’re going to overcome the terrible inequality in society, and what works and what doesn’t work.”

Redefining poverty studies

SALDRU is still redefining poverty studies in South Africa. One of its many projects is the National Income Dynamics Study (NIDS), described on page 73, which aims to track income, expenditure, assets, education, mental and physical health, and subjective well-being of the same 28 300 individuals over time, starting in 2008.

Such longitudinal studies are commonplace in developed countries, but are only now beginning to be used in Africa, explains Professor Murray Leibbrandt, the SALDRU director and holder of the DST/NRF SARCHI Chair in Poverty and Inequality Research. They give us a “wonderful lens on South Africa’s unfolding social dynamics”, he adds, but also offer very practical social science.

“Surveys like NIDS are very useful to government as tools of evidence-based policy research. We’re beyond measuring levels of poverty and levels of inequality, and trying to explain what generates these levels and the impacts of policy. We need surveys like this to do that.”

The economics of poverty

SALDRU is not the only research group at UCT shaping poverty-related policies. Right across from its offices in the university’s new Economics Building are the offices of the Development Policy Research Unit (DPRU).

Under the direction of Professor Haroon Bhorat, who holds the DST/NRF SARCHI Chair in Economic Growth, Poverty and Inequality, the DPRU has been collaborating with state departments and international institutions on many projects.

Among its current batch is a first-of-its-kind study on the impact of minimum wages and the enforcement of minimum-wage legislation, conducted on behalf of the Department of Labour. Working from a collection of national surveys, the DPRU has been measuring, firstly, compliance – and non-compliance – with minimum wage legislation across a range of sectors; secondly, they looked at what role minimum wages had on employment statistics, among other measurables.

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Their findings were varied, as could be expected, reports DPRU researcher Natasha Mayet. South Africa doesn’t just have one minimum wage, but more than 36 that are scattered; depending on variables such as sector, size of the firm or even occupation.

They found, for example, that larger firms were more likely to be compliant. In some sectors, like agriculture, they were not too surprised to see that enforced minimum wages meant a cut in employment numbers; while the retail sector actually experienced an upturn in employment, but with fewer hours being worked by employees.

At the same time, the unit also studied the role of the enforcement agency and its small and overrun battalion of inspectors, part of a three-country study. All this data, covering new ground, will slowly filter into public policy, says Mayet. “This is an emerging area of debate and research, especially in South Africa.”

Employment promotion

Another initiative of the DPRU that is focused on employment is the Employment Promotion Programme (EPP), funded by the UK Department for International Development. The



The poverty and inequality initiative is one of UCT's key institution-wide initiatives which seek to address critical social challenges. Professor Francis Wilson's main responsibility is to organise a national conference, to be called the Carnegie III Conference on Poverty and Inequality – Phase I, in support of the National Planning Commission's work in this regard. In preparation for this, he is identifying all research across faculties at UCT that are relevant to this theme, and developing a research agenda for the next few years.

aim of the programme is to “promote employment creation by specifically addressing the constraints to job creation in South Africa”, explain senior researcher Carlene van der Westhuizen and researcher Toughedah Jacobs.

While the DPRU is the implementing agent, all decision-making is carried out by a tripartite reference group, made up of high-level representatives from government, organised business, and organised labour.

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Now in its third phase, the EPP has taken some twists and turns since it was first launched in 2005. Leaping straight into the fray, Phase I focused on the design of solutions to a set of hurdles to employment – skills shortages, the efficiency of

labour and non-labour market regulations, and support for labour market institutions. Phase II was concerned with the implementation of those solutions. In turn, Phase III, started in 2010, has been exploring the quality of the country's employment-generating strategies, among other things.

Every phase had one goal in mind – creating jobs. Thanks to its support for the Training Layoff Scheme, for example, the EPP ‘saved’ the jobs of 11 000 people who were enrolled in training courses, rather than retrenched when their employers were experiencing financial distress; through the EPP, the Department of Labour commissioned a regulatory impact assessment of key pieces of labour legislation that, through its recommendations, saved up to 900 000 jobs; and the EPP funded the initial pilots of the community works programme that has created at least 80 000 jobs, with the government hoping to eventually reach one million participants through an expansion of this initiative.

“Our objective, whenever a proposal comes in or there is a request for funding, is for the work to be geared towards policy intervention or a policy solution aimed at job creation,” says van der Westhuizen.

Research groupings associated with this theme



■ Development Policy Research Unit

The Development Policy Research Unit (DPRU) specialises in socio-economic research with a focus on labour markets, poverty, and inequality. The DPRU'S mandate is to undertake academically sound, high-quality policy relevant research; to maintain and develop effective networks with government, civil society, and the research community in Southern Africa; to engage in training and teaching activities; and to participate directly in the process of formulating, implementing and evaluating policy. The DPRU further aims to train a new generation of research economists within the unit.

Director: Professor H. Bhorat
E-mail: Haroon.Bhorat@uct.ac.za
Web: <http://www.dpru.uct.ac.za>

■ Southern Africa Labour and Development Research Unit

The Southern Africa Labour and Development Research Unit (SALDRU) conducts research directed at improving the well-being of South Africa's poor. It was established in 1975 and played a central role in documenting the human costs of Apartheid through conferences and the Second Carnegie Enquiry into Poverty and Development in South Africa (1983–1986). From 1992 to 1994 SALDRU co-ordinated South Africa's first non-racial national living standards sample survey and, in the post-Apartheid period, it

has continued to gather data and conduct research directed at informing and assessing anti-poverty policy. SALDRU's largest contemporary project is the running of South Africa's first national longitudinal survey of well-being, the National Income Dynamics Study, on behalf of the Presidency. Every year SALDRU offers extensive training in the analysis of survey data to a broad array of South Africa's academics, graduate students and researchers from NGOs and government.

Director: Professor M. Leibbrandt
E-mail: Murray.Leibbrandt@uct.ac.za
Web: <http://www.saldru.uct.ac.za>

■ Health Economics Unit

The Health Economics Unit (HEU) was established in early 1990 in the School of Public Health and Family Medicine and was accredited as a formal research entity by the university in 2007. The HEU works to improve the performance of health systems through informing health policy and enhancing technical and managerial capacity in sub-Saharan Africa. Its foundation is academic excellence in health economics and management. The core objectives of the HEU are: to conduct high-quality research in health economics, health policy, and systems; to develop capacity in health economics, health policy, and systems research in Africa through postgraduate training and related capacity development initiatives; and to translate research findings into policy and practice.

Director: Associate Professor S. Cleary
E-mail: Susan.Cleary@uct.ac.za
Web: <http://heu-uct.org.za/>

DST/NRF SARChI Chairs associated with this theme

■ Health and Wealth in South Africa



Professor Diane McIntyre is based in the School of Public Health and Family Medicine and was the founding Director of the Health Economics Unit in the Faculty of Health Sciences. Professor McIntyre has provided extensive and high-level policy inputs within South Africa and other African countries, particularly in relation to healthcare financing issues, including currently contributing to the development of the National Health Insurance policy. Her current focus is on conceptual and empirical research centred around how to achieve universal healthcare coverage in low- and middle-income countries. She has also been centrally involved in developing health economics capacity within the African region. She holds the SARChI Chair in Health and Wealth in South Africa in recognition of her pioneering work in this area.

■ Economic Growth, Poverty, and Inequality: Exploring the Interactions for South Africa



Haroon Bhorat is Professor of Economics and Director of the Development Policy Research Unit (DPRU) and holder of the SARChI Chair in Economic Growth, Poverty, and Inequality. He completed his PhD in Economics at Stellenbosch University. His research interests cover the areas of labour economics, poverty, and income distribution. He has co-authored two books on labour market and poverty issues in South Africa, and has published more than 150 academic journal articles, chapters in books, and working papers. He has undertaken extensive work for numerous South African government departments, most notably the South African Department of Labour, the Presidency and the National Treasury. He has served on a number of government research advisory panels and consults regularly with international organisations such as the International Labour Organisation, World Bank, and the UN Development Programme. Professor Bhorat served as an economic advisor to Presidents Thabo Mbeki and Kgalema Motlanthe, formally serving on the Presidential Economic Advisory Panel. He is currently an advisor to the Minister of Finance.

■ Poverty and Inequality Research



There is widespread recognition of the importance of ensuring that South Africa's growth processes embrace the poor and those in the bottom half of the income distribution. This appointment facilitates a sustained programme of research to measure and analyse South Africa's unfolding poverty and inequality dynamics. Professor Murray Leibbrandt, Director of the Southern African Labour and Development Research Unit (SALDRU), was appointed to this position. For the last thirty years SALDRU has been conducting large social surveys to generate the data needed to inform such analysis of poverty and inequality.

Transfer of income

A third project of the DPRU sets out to add further dimensions to existing poverty statistics. It plans to do so through a technique growing in popularity – the National Transfer Accounts methodology.

It is based on the premise that in any household – or across households – there would be a certain number of ‘inter-generational transfers’, explains researcher and

DPRU deputy director, Morné Oosthuizen. Working-age adults would earn more than they consume, using their surplus to support others (children, the elderly) who would, in contrast, consume more than they earn and are so considered to be in deficit. “The project is really about understanding that deficit as well as investigating how long people are in deficit or surplus,” says Oosthuizen.

The second part of the exercise concentrates on the financing of this deficit by government, be it through

grants or other social spending on items like education and health, and by households themselves, through transfers or saving and dissaving (when spending is greater than income).

For now, Oosthuizen has worked from only 2005 data. A long-term objective is to draw a time line from 1995 to 2008 or even 2010, surveys allowing, he explains.

"That way, we can track the way social security has changed, the way the behaviour of the state has changed, and how that has affected the behaviour of households, and how they finance deficits and the like," he says.

Health and poverty

Across town on the medical school campus, the Health Economics Unit (HEU) explores a different and very specific aspect of poverty – health. Based in the School of Public Health and Family Medicine at UCT, the HEU – the first such unit in Africa – sees itself as a "world-class, independent authority in health economics, health policy, and systems".

Few can argue with that claim, going by the reach and scope of its projects alone. These include its part in a three-continent project on universal health coverage, the Global Network for Health Equity (GNHE). It's a topic it also explores in a collaboration with Tanzania, through the research project titled *Universal Coverage in Tanzania and South Africa: Monitoring and Evaluating Progress*. It teamed up with 11 organisations in Africa and Europe for a major network known as the Consortium for Health Policy and Systems Analysis in Africa. Its work has been applied to everything from healthcare financing to the treatment and prevention of HIV/AIDS.

"Basically, we do policy-relevant work," explains the unit's Professor Diane McIntyre, who holds the DST/NRF SARChI Chair in Health and Wealth in South Africa. "Our aim is to provide evidence to inform policy-making and practice; it's not only done on the macro or national level, but we also work at the district level."

Professor McIntyre's research has found its way into sundry public policies and regulations. Her work in the



Empowering communities while waiting for services at a public health clinic.



The Employment Promotion Programme (EPP) – an initiative of the DPRU is seeking to promote employment creation by specifically addressing the constraints to job creation in South Africa.

1990s on user fees, for example, led to the removal of such fees at primary healthcare facilities.

It is ongoing research that is likely to shape the South African health system for decades to come. One of Professor McIntyre's most recent projects, with the GNHE, is likely to influence the very structure of the country's future health system. It is looking at how best and most equitably to finance the system and investigates which kinds of

financing systems the country should be pursuing. "We want to look at our research findings from Africa, Asia, and Latin America and ask, what does this tell us about how we should be funding health systems? Are there very clear messages that are coming through from this?"

These are the kinds of questions anyone dealing with policy should ask themselves. Some of them are coming up with very good answers.