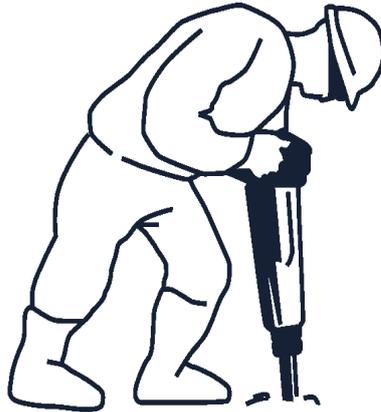


# Southern Africa Labour and Development Research Unit



What happened to multidimensional poverty in  
South Africa between 1993 and 2010?

*by*

*Arden Finn, Murray Leibbrandt and Ingrid Woolard*

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The authors acknowledge financial support for this paper from the Programme to Support Pro-poor Policy Development in the South African Presidency. Arden Finn acknowledges support from the National Research Foundation's Human and Social Dynamics in Development Grand Challenge. Murray Leibbrandt acknowledges the Research Chairs Initiative of the Department of Science and Technology and National Research Foundation for funding his work as the Research Chair in Poverty and Inequality.

## Recommended citation

Finn, Arden., Leibbrandt, M., Woolard, I., (2013). What happened to multidimensional poverty in South Africa between 1993 and 2010?. A Southern Africa Labour and Development Research Unit Working Paper Number 99. Cape Town: SALDRU, University of Cape Town

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ISBN: 978-1-920517-40-3

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# What happened to multidimensional poverty in South Africa between 1993 and 2010?

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SALDRU Working Paper Number 99  
University of Cape Town  
July 2013

## Abstract

Gauging levels of welfare using data on income and expenditure is informative yet limited and can be enhanced by including non-money-metric measures. Nationally representative data sets from 1993 and 2010-2011 which cover a broad set of domains are used to calculate a multidimensional poverty index (MPI) for each year. This paper calculates these indices and uses them to assess trends in multidimensional poverty in South Africa over the post-apartheid period. From 1993 to 2010 MPI poverty fell by 29 percentage points from 37% to 8%. During this time period, the level of severe MPI poverty also dropped substantially from 17% of the population in 1993 to just over 1% in 2010. Not only did the incidence and intensity of multidimensional poverty fall significantly, but the average distance from the multidimensional poverty line across all dimensions also decreased over the period. These declines in multidimensional poverty are notably stronger than the estimated declines in money-metric poverty, which are also estimated and compared for the post-apartheid period.

## Introduction

There are a number of studies of the trends in poverty and inequality in South Africa over the post-apartheid period using income and/or expenditure as welfare measures (Leibbrandt *et al.*, 2010, 2012, Borat *et al.*, 2007; Borat and van der Westhuizen, 2009; van der Berg *et al.*, 2008). While these money-metric studies are important and useful there is general recognition that they need to be complemented by work that examines changes in non-money metric measures of well-being. Incomes or expenditures are limited indicators of well-being. As argued by Sen “[h]uman lives are bettered and diminished in all kinds of different ways, and the first task... is to acknowledge that deprivations of very different kinds have to be accommodated within a general overarching framework” (Sen 2000).

While income and consumption are reasonably good proxies for well-being, they cannot capture all aspects of poverty. Indeed, when the poor are asked to characterise what it means to be poor, their answers reflect a wide range of answers. For example, in the South African Participatory Poverty Assessment (May, 1998), the poor characterized poverty as an isolation from the community, a lack of security, low wages, a lack of jobs, poor nutrition, poor access to water, having too many children, poor educational opportunities and the misuse of resources.

It is important, therefore, to complement money-metric analyses with other domains of Sen’s overarching framework. In leading to a better understanding of what it means to be poor, multidimensional poverty indices lead to better policy-making. The more policy-relevant information available on poverty, the better-equipped policy makers will be to reduce it. For example, a province in which most people are deprived in education is going to require a different poverty reduction strategy to a province where most people are deprived in housing conditions. Thus, over the post-apartheid period a South African literature has developed that moves away from money-metric measures and looks at welfare in terms of access to public and private assets (Bhorat *et al.*, 2007, Borat and van der Westhuizen, 2009). This work has predominantly made use of data from the General Household Survey (GHS) and from wave 1 of the National Income Dynamics Study (NIDS). There is also a related literature that has looked at indices of multiple deprivation using census data (Noble *et al.*, 2010).

That said, defining multidimensional poverty and finding satisfactory ways to integrate these dimensions into a single index remain highly debated topics in the development literature. Recent work has seen an important theoretical and conceptual innovation in the coherent derivation of such multidimensional indices and in their use to measure poverty (Alkire & Foster, 2011; Alkire & Santos, 2011). This work has sparked substantial international interest, partly because it assimilates but broadens the asset-based approaches.

As yet there has not been a study that looks at the evolution of multidimensional poverty (MPI) in South Africa since the end of Apartheid. Part of the reason for this is the fact that this approach is even more data hungry than the other non-money-metric approaches as it covers a broader set of domains. Even though a growing number of data sets have become available for this sort of work over the post-apartheid period, there are few nationally representative surveys in South Africa that are designed to measure each component of the well-being in sufficient detail so as to be useful. This multidimensional poverty index (MPI)

approach requires detailed data on health, education and standard-of-living measures. The 1993 Project for Statistics on Living Standards for Development (PSLSD) is a broad survey of living standards and offers a potential baseline data set for this sort of work (SALDRU, 1995). Then, in terms of a contemporary picture, the first two waves of the National Income Dynamics Study (NIDS) meet these requirements (Brown *et al*, 2012). Indeed, Alkire *et al*. (2013) derive a set of estimates of multidimensional poverty for South Africa in 2008 using wave 1 NIDS data.

In this paper we use the 1993 PSLSD data and wave 2 (2010) NIDS data to compare changes in MPI over the post-apartheid period. It would have been useful to find a data set that provided a satisfactory mid-period MPI estimate. Two potentially promising candidates are the 2003/2004 Demographic and Health Survey (DHS) and the 2008/2009 Living Conditions Survey (LCS). The LCS overlaps with NIDS, but does not contain birth history or child mortality components. Thus, half of the health dimension would be excluded. The 2003/2004 DHS contains data on most of the relevant dimensions, but is not in wide use given concerns over its quality (Hosegood *et al.*, 2005). Also, in this paper we spend some time comparing MPI poverty to money-metric poverty and the DHS data has no income or expenditure data. Given our attempt to adopt a framework to analyse multidimensional poverty that is as broad as possible, we are restricted to using the PSLSD and NIDS.

The rest of this paper is organised along the following lines. Section two describes how the MPI measures are constructed and how dimensions and indicators are weighted. Section three discusses the datasets used and highlights where minor differences between the datasets may confound comparisons over time. Section four analyses the MPI measures in detail for both years and focuses on which dimensions have driven the change between 1993 and 2010. Section five compares this MPI picture of changes with the money-metric poverty and section six provides concluding remarks.

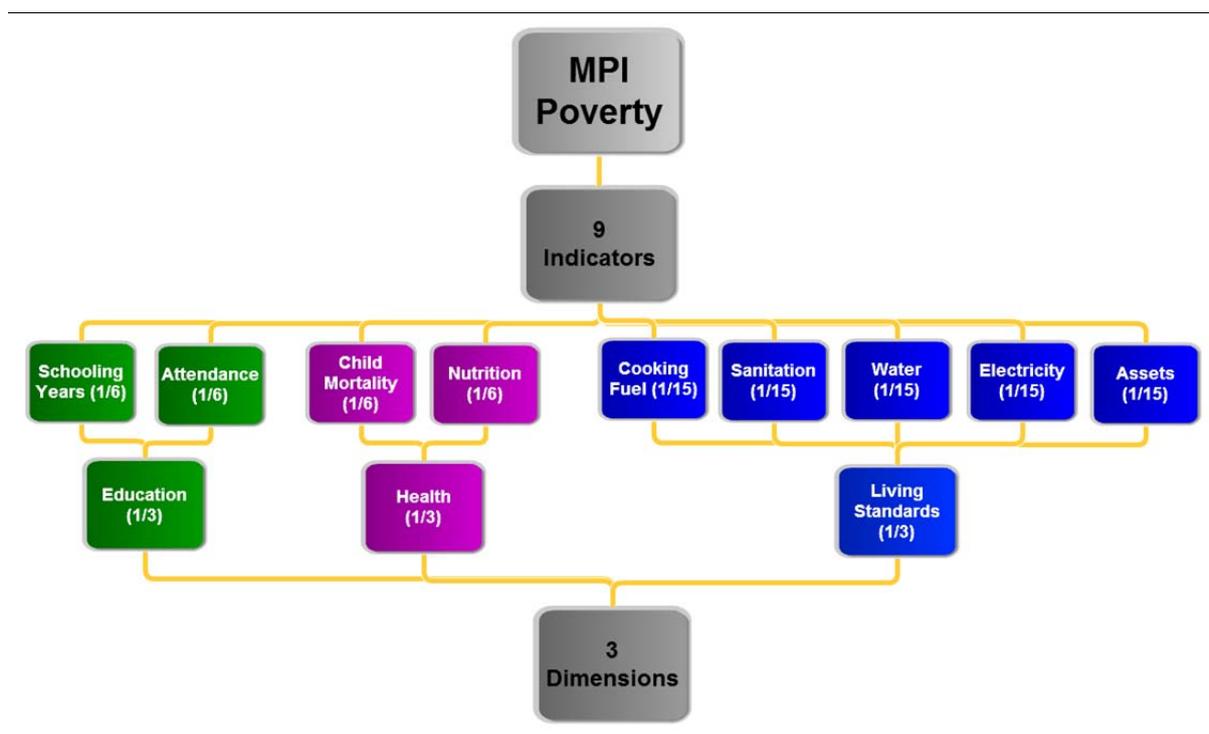
## **The construction of the Multidimensional Poverty Index (MPI)**

A detailed explanation of the methodology behind the construction of the MPI index is contained in Alkire and Foster (2011). The MPI for South Africa has three dimensions and nine indicators, which are shown in the box below<sup>1</sup>. Each dimension is equally weighted and each indicator within a dimension is also equally weighted. These weights are shown in brackets in Figure 1.

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<sup>1</sup> The MPI that Alkire and Foster (2011) use for various countries contains 10 indicators. We omit the “floor type” category from our analysis due to the lack of data on this.

**Figure 1: Composition of Multidimensional Poverty Index**



Each indicator has its own cut-off point which determines whether a household is deprived in that particular area. These are as follows:

**Health – Each of two indicators is weighted equally at 1/6**

- Child mortality: Any woman in the household has had a child (aged 0 to 15 years old) who has died in the last 20 years
- Nutrition: At least one adult (> 18 years old) has a Body Mass Index (BMI) less than 18.5, or at least one child has a World Health Organisation (WHO) weight-for-age score z-score less than -2.<sup>2</sup>

**Education – Each of two indicators is weighted equally at 1/6**

- Schooling years: No household member has at least 5 years of education
- Enrolment: At least one child of school-going age (7-15 years old) does not attend school

**Standard of living – Each of five indicators is weighted equally at 1/15**

- Water: Source of water is not from a pipe on site
- Toilet: No flush toilet or pit latrine, or household shares toilet with another household
- Cooking fuel: Household does not use electricity, gas or paraffin for cooking
- Electricity: Household does not have electricity

<sup>2</sup> Ardington & Case (2009) explain the BMI calculation using NIDS data in detail.

- Assets: A household is considered deprived if it owns zero or one of the following “small” assets – television, radio, telephone, cell phone, fridge, bicycle AND the household does not own a vehicle.

The first set of cut-offs that we outlined above determine poverty lines for each indicator, while the second cut-off stipulates that a person is identified as poor if he or she is deprived in at least one third of the weighted indicators. The MPI reflects both the proportion of the population that is multi-dimensionally poor, denoted H (for the headcount ratio) and the average intensity (A) of their poverty. That is, A is the average proportion of indicators in which poor people are deprived. The MPI is calculated by multiplying the incidence of poverty by the average intensity across the poor (H\*A).

The strength of the MPI measure is that it allows for a rich interrogation of which dimensions and indicators are driving the change in the aggregate MPI. However, while the adjusted headcount measure gives us a sense of how many indicators the poor are deprived in, it is not sensitive to the depth of poverty that an MPI-poor person experiences. In a one-dimensional money-metric setting, this is the equivalent of saying that the poverty headcount is not satisfactory, as it ignores how far below the poverty line the poor actually are.

The solution to this problem in both one-dimensional and multidimensional frameworks is to use the Foster-Greer-Thorbecke (FGT) (Foster *et al.*, 2010) approach to defining the headcount, the poverty gap and the squared poverty gap. Where we are measuring MPI poverty, we define the poverty gap that person  $i$  experiences in indicator  $j$  as  $\left(\frac{z_j - x_{ij}}{z_j}\right)^\alpha$ , where  $x_{ij}$  is individual  $i$ 's achievement in indicator  $j$ , and  $z_j$  is the poverty line associated with indicator  $j$ . We then construct a matrix with N rows (for the number of people) and M columns (for the number of dimensions). Each element of the matrix contains the poverty gap experienced by person  $i$  in dimension  $j$ , unless  $i$  is not MPI poor, in which case each entry is 0. When we set  $\alpha=0$  and take the mean of the matrix, we have calculated the adjusted headcount. When  $\alpha=1$  we take the mean of the matrix for the adjusted multidimensional poverty gap and when  $\alpha=2$  we have the adjusted multidimensional poverty gap squared. The advantage of the adjusted poverty gap over the adjusted headcount is that it is sensitive to how deprived a person is in any particular dimension, and not just how many dimensions that person is deprived in. The squared measure accounts for this too, but assigns increasing weight the further away a person is from the poverty line in any dimension. Thus it is able to incorporate an aversion to inequality amongst the poor in a multidimensional setting.

## Data

The data for this analysis come from the 1993 PSLSD (SALDRU, 1995) and the second wave (2010) of NIDS (SALDRU, 2012).<sup>3</sup> Methodologically, the datasets allow for a direct comparison of multidimensional poverty in that they are both nationally representative, contain data in all relevant dimensions, and measure respondents' outcomes in the same way.

There are two minor exceptions that need to be addressed before comparisons can be made. Adult weight and height (and therefore BMI) were not measured in the 1993 data. Height and weight measures were obtained for children, which allows for the calculation of WHO z-scores. Although both the adult BMI and child z-scores were measured in the 2010 data, we do not include the adult component of this health indicator so that we may compare the datasets with a higher degree of confidence. The exclusion of adult BMI will result in a lower MPI poverty headcount ratio, but this is unlikely to significantly affect our results. We can establish the size of this downward shift in 2010 by calculating the MPI headcount with and without adult BMI for the 2010 data. The reduction in the MPI headcount through this exclusion is only one percentage point.

The second indicator that is not comparable without slight modifications is the asset component of the living standards dimension. Respondents in the 2010 dataset were asked about owning a cell phone, but the same is not true for 1993. Because of this, the cell phone component of asset ownership is excluded from the 2010 dataset. The effect of leaving this out on the multidimensional poverty headcount, as well as the overall MPI measure is negligible.

Analyses for both years are weighted up to nationally representative figures. The weights for 1993 and 2010 are the census-raised weights and the post-stratified weights respectively.<sup>4</sup>

## The evolution of MPI poverty in post-apartheid South Africa

Table 1 provides an overview of multidimensional poverty in South Africa in 1993 and 2010. The first column presents the multidimensional headcount ratio which is simply the fraction of the population classified as multidimensionally poor according to our cut-off. In 1993, 37% of the population was MPI poor. This fell by 29 percentage points to 8% in 2010, representing a far more significant reduction in poverty than contemporaneous money-metric poverty measures.<sup>5</sup> The average intensity of poverty among the poor, measuring the average number of indicators in which the MPI poor are deprived, fell from almost 50% of indicators in 1993 to just under 40% in 2010. While both the headcount measure and the intensity of MPI poverty experienced by the poor reduced over the period, the reduction in the former was far larger.

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<sup>3</sup> See SALDRU (1995) and Brown *et al* (2012), respectively, for detailed discussions of these two data sets.

<sup>4</sup> See SALDRU (1995) and Brown *et al* (2012) for a detailed discussion of these weights.

<sup>5</sup> For example, Leibbrandt *et al* (2010) find that income poverty for a real 2008 poverty line of R515 per capita per month fell from 56% in 1993 to 54% in 2008.

The overall MPI index, or H multiplied by A dropped from 0.17 in 1993 to 0.03 in 2010. This measure is important as it is sensitive to both the proportion of the population that is poor (the H component) and to how intense poverty is amongst the poor (the A component). The advantage of this measure over the previous headcount measure is that it is sensitive to the number of dimensions that an individual is deprived in, not simply whether they fall above or below the MPI poverty threshold. This strong decrease in this MPI measure was driven mainly by a fall in the headcount ratio.

Extending the analysis a bit further, it is common in this literature to define a group who are vulnerable to poverty as those who are deprived in 20% to 33.2% of weighted indicators. Recall that our cut-off for MPI poverty is 33.33%, so these are individuals who are close to the cut-off but are not classified as MPI poor. The drop in the proportion vulnerable to MPI poverty was very small – from 21% to 20% - when compared to the falls in the headcount ratio and the average intensity measure. There has, however, been sizeable improvement in the proportion of the population in severe poverty. Severe poverty is defined as being deprived in 50% or more of the weighted indicators. In 1993, close to 17% of the population was classified as being severely MPI poor, and this fell to just over 1% in 2010.

Columns 6 and 7 give the adjusted multidimensional poverty gap and the adjusted multidimensional poverty gap squared measures, respectively. From these we see that the adjusted multidimensional poverty gap dropped from 0.13 to 0.02 and the adjusted multidimensional poverty gap squared fell from 0.12 to 0.02 between 1993 and 2010. This adds another layer to what columns 2 and 3 tell us. Not only did the incidence and intensity of multidimensional poverty fall significantly, but the average distance from the poverty line across all dimensions also decreased over the period.

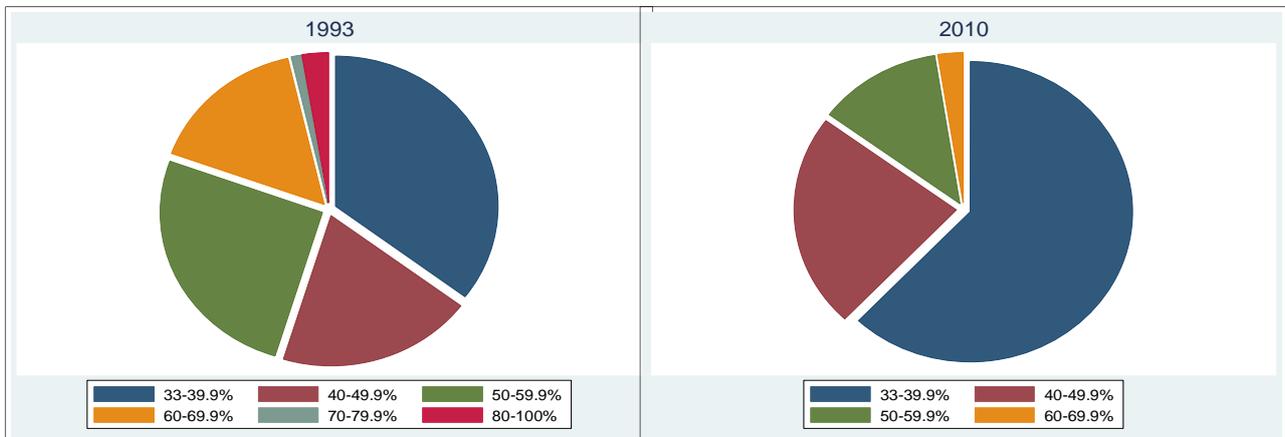
**Table 1: Multidimensional Poverty Measures for South Africa - 1993 and 2010**

Year	Incidence (H)	Intensity (A)	MPI = HxA	% Vulnerable	% severe	M <sub>1</sub>	M <sub>2</sub>
1993	0.37	0.47	0.17	21.14	16.85	0.13	0.12
2010	0.08	0.39	0.03	19.61	1.12	0.02	0.02

Source: Own calculations using weighted PSLSD (1993) and weighted NIDS wave 2 (2010-2011).

The intensity of poverty facing the MPI poor is explored in Figure 2. Each slice of the pie chart represents the proportion of the MPI poor who fall into each category of intensity. In 1993, just over 35% of the MPI poor fell into the lowest intensity category. This means that, of the MPI poor, just over a third was deprived in 33-40% of weighted indicators. In 2010, most of the MPI poor were in the lowest category of intensity, indicating a significant improvement over the years. 20% of the MPI poor in 1993 were deprived in 60% or more of weighted indicators, and this dropped to 2.5% in 2010.

**Figure 2: Intensity of Deprivation among the MPI Poor**

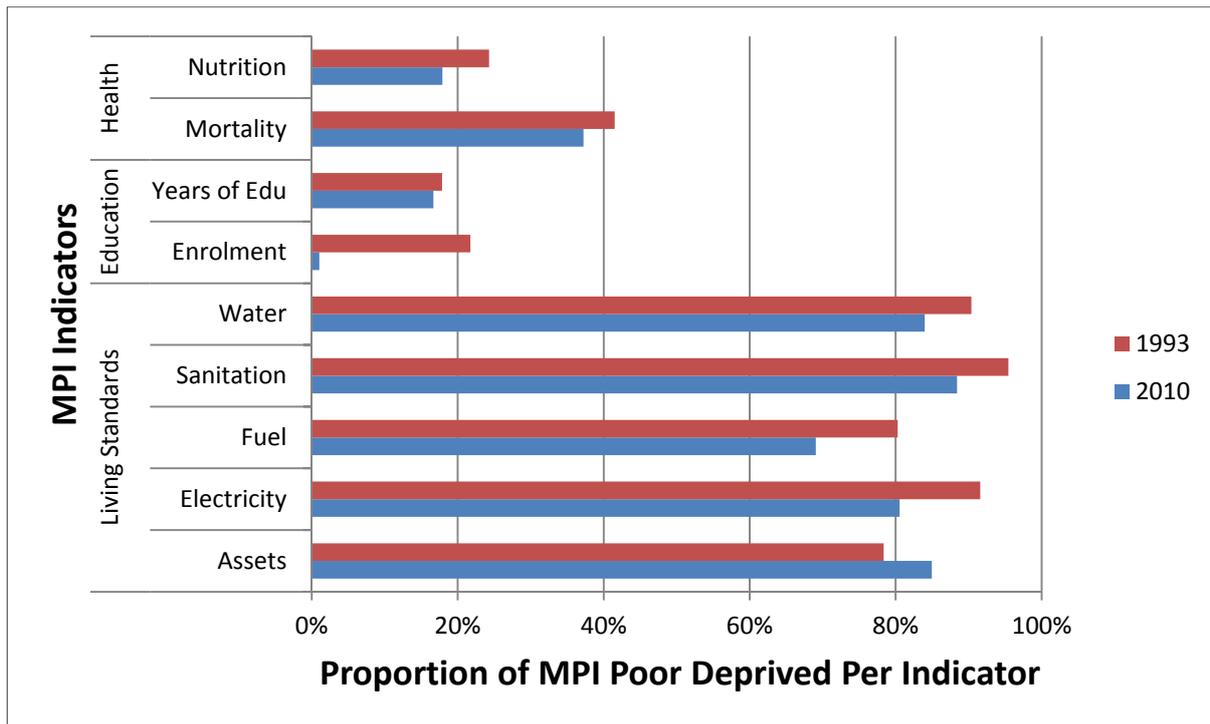


Source: Own calculations using weighted PSLSD (1993) and weighted NIDS wave 2 (2010-2011).

Decomposing the MPI by indicator for 1993 and 2010 reveals some interesting findings. Figures 3 and 4 show where deprivation was concentrated amongst the MPI poor and in the entire population, respectively. In 1993, water, sanitation and electricity were the three indicators in which the MPI poor were the most deprived. In 2010 sanitation and water were the two areas of highest deprivation, with asset deprivation moving into third place. The area with the biggest improvement was enrolment, which declined to almost zero in 2010. This figure is not representative of the changes taking place at the population-level, as it focuses only on the MPI poor (37% in 1993 and 8% in 2010).

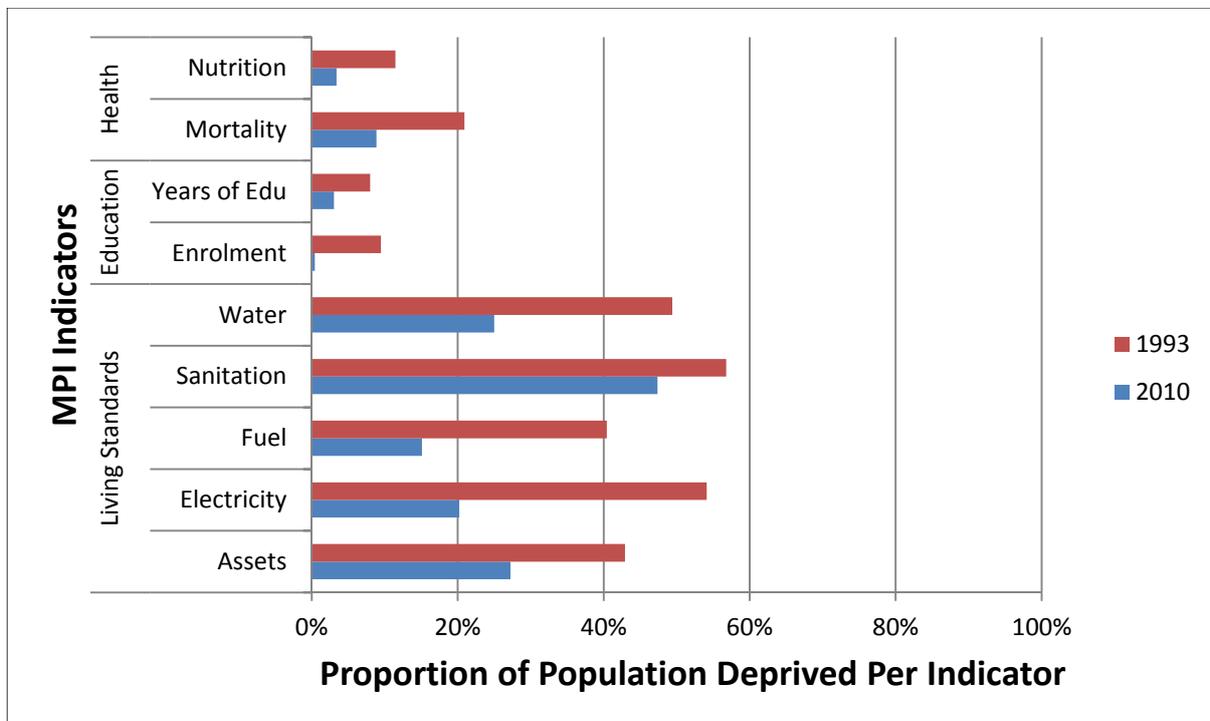
Figure 4 provides the same information as Figure 3, except at the population level. It is here that the changes are most pronounced. Half the population was classified as water deprived in 1993. By 2010 this had halved. The gains in sanitation were more modest, with a 10 percentage point fall being recorded, from 57% to 47%. Electricity deprivation fell substantially in the period under study. In 1993 more than half the population lived in a dwelling without electricity. By 2010 this had fallen to one fifth. The health dimension saw a fall in mortality deprivation in the population from 21% to 9% and a fall in nutritional deprivation from 11% to 3%. It is worth bearing in mind though that the proportion of the population suffering from nutritional deprivation in both years is an under-estimate, given that adult BMI was not included in the MPI calculations for either year.

**Figure 3: Drivers of Deprivation among the MPI Poor**



Source: Own calculations using weighted PSLSD (1993) and weighted NIDS wave 2 (2010-2011).

**Figure 4: Drivers of Deprivation among the Population**



Source: Own calculations using weighted PSLSD (1993) and weighted NIDS wave 2 (2010-2011).

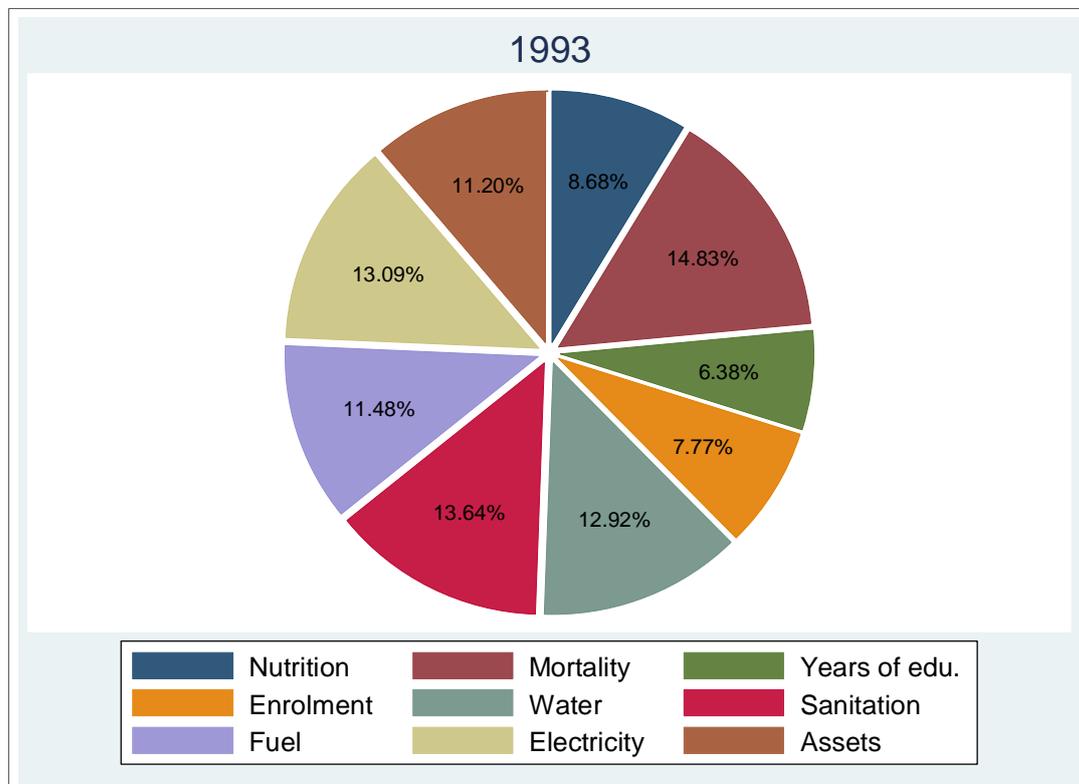
The two figures above present the proportion of the poor and the proportion of the population who are deprived in each indicator, respectively. Our final step in unpacking MPI poverty is to analyse the weighted contributions of each of these indicators in the overall MPI measure (0.17 and 0.03 in 1993 and 2010, respectively). The contribution of each indicator is calculated in the following way (Alkire et al, 2011):

$$Contribution_i = 100 * \left( \frac{w_i * CH_i}{MPI} \right)$$

where  $w_i$  is the weight of indicator  $i$ ,  $CH_i$  is the censored headcount of indicator  $i$ , which is simply the number of MPI poor who are deprived in indicator  $i$ , divided by the total population.

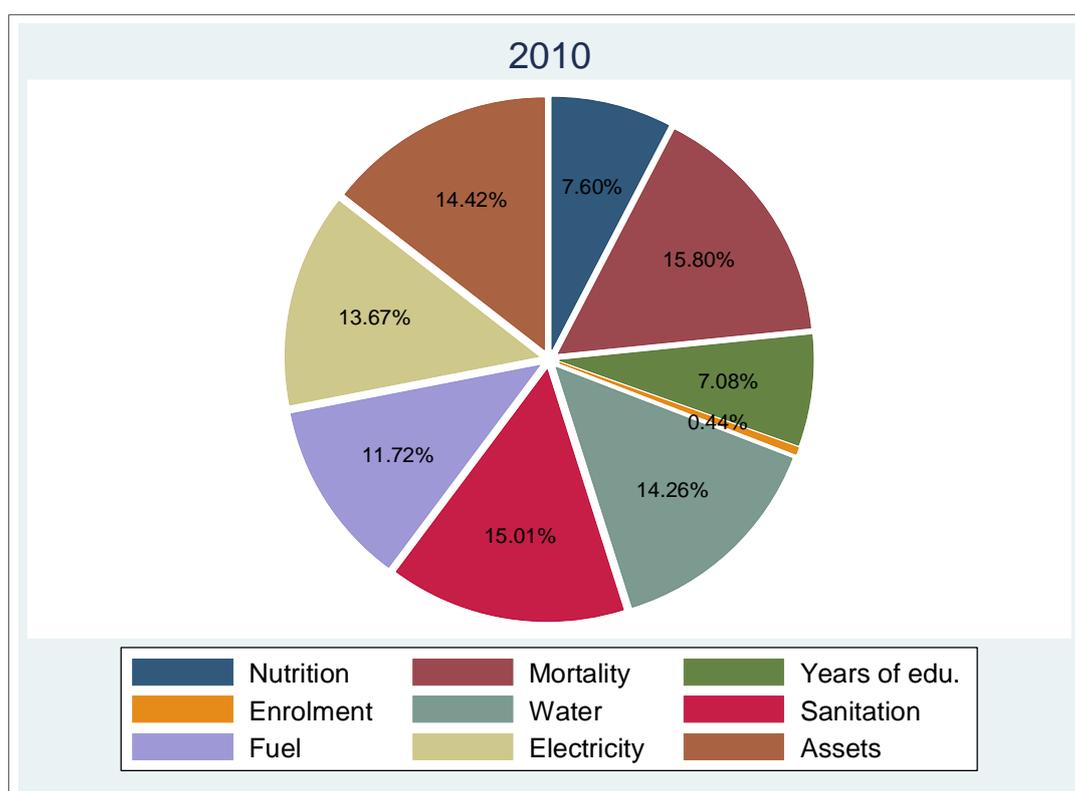
Figures 5 and 6 present the contributions of each weighted indicator to the overall measure of MPI. The most striking feature about the figures is the fact that the contribution of enrolment deprivation to MPI fell from 7.77% in 1993 to 0.44% in 2010. The weighted contributions of electricity, fuel, mortality, and years of education were similar in both years. The relative importance of asset deprivation increased, as it did for sanitation.

**Figure 5: Contributions of Weighted Indicators to MPI - 1993**



Source: Own calculations using weighted PSLSD (1993) and weighted NIDS wave 2 (2010-2011).

**Figure 6: Contributions of Weighted Indicators to MPI - 2010**



Source: Own calculations using weighted PSLSD (1993) and weighted NIDS wave 2 (2010-2011).

## **A comparison of what happened to multidimensional and money-metric poverty**

Our final table presents a breakdown of the multidimensional and money metric headcount changes by different subgroups for 1993 and 2010. The money-metric poverty line is set by taking the multidimensional headcount in 1993 (37%) and finding a money metric poverty line below which 37% of the population falls in the same year. This is the equivalent of R292 in 2010 Rands. The amount is kept consistent in real terms so that we can see the difference in poverty reduction between the two measures.

The national headcount ratio for multidimensional poverty in 1993 was 37% and this matches the money-metric poverty rate in that year by construction. While the national MPI poverty prevalence fell from 37% to 8%, the national drop in money-metric prevalence over the period was a much more modest fall from 37% to 28%. This pattern is similar for all the subgroups that are reported on below.

Africans experienced the largest decrease in MPI prevalence over the period. In 1993, almost half of Africans in the population were classified as MPI poor. This fell to 9% in 2010. This fall of 38 percentage points is not matched in magnitude on the money-metric side, where a more modest reduction from 47% to 34% took place, at the real 2010 poverty line

of R292 per capita per month. The headcount rates for the other racial groups were already low in 1993, but fell in small amounts nevertheless. The exception is money metric poverty for Coloureds which increased slightly for the given poverty line.

The poorest province in MPI terms in 1993 was (what is now) Limpopo, with 65% of the population classified as MPI poor and 61% as money-metric poor. These rates fell to 9% and 42% respectively in 2010. Reductions in MPI poverty were significant in the Eastern Cape, North West, Free State, KwaZulu-Natal and Mpumalanga with falls of 39, 37, 35, 32 and 31 percentage points respectively. The direction, if not the size, of these decreases were matched in money-metric terms. By 2010 the poorest province according to the multidimensional index was KwaZulu-Natal, while Limpopo was the poorest province at the R292 poverty line. In both 1993 and 2010 the Western Cape had the lowest multidimensional and money-metric poverty rates, although there was a slight increase in money-metric poverty over the period.

Finally, MPI poverty prevalence in rural areas fell from 61% to 15% while in urban areas the corresponding figures were 10% and 2%. The money-metric counterparts were, respectively, 56% to 43% and no change at 17% in both 1993 and 2010. Thus, there two perspectives tell notably difference stories.

**Table 2: Multidimensional and Money Metric Poverty Headcounts by Subgroups**

	<u>MPI Poverty Headcount</u>		<u>Money Metric Poverty Headcount</u>	
	1993	2010	1993	2010
<b>Race</b>				
<b>African</b>	0.47	0.09	0.47	0.34
<b>Coloured</b>	0.06	0.02	0.10	0.13
<b>Asian/Indian</b>	0.00	0.00	0.04	0.01
<b>White</b>	0.01	0.00	0.02	0.01
<b>Province</b>				
<b>W. Cape</b>	0.06	0.01	0.09	0.13
<b>E. Cape</b>	0.53	0.14	0.57	0.38
<b>N. Cape</b>	0.14	0.04	0.28	0.20
<b>Free State</b>	0.37	0.02	0.33	0.25
<b>KZN</b>	0.47	0.15	0.45	0.39
<b>North West</b>	0.43	0.06	0.37	0.24
<b>Gauteng</b>	0.07	0.02	0.13	0.15
<b>Mpumalanga</b>	0.36	0.05	0.36	0.30
<b>Limpopo</b>	0.65	0.09	0.61	0.42
<b>Geo-type</b>				
<b>Rural</b>	0.61	0.15	0.56	0.43
<b>Urban</b>	0.10	0.02	0.17	0.17
<b>National</b>	<b>0.37</b>	<b>0.08</b>	<b>0.37</b>	<b>0.28</b>

Source: Own calculations using weighted PSLSD (1993) and weighted NIDS wave 2 (2010-2011).

## Conclusion

We find significant reductions in MPI poverty between 1993 and 2010. These findings are, to a certain extent, subject to the weights that we assigned to them. We used a balanced weighting scheme that is an intuitive starting point and affirms the broad coverage of the multidimensional approach. It is not inappropriate for the South African context. In any event, one of the strengths of the MPI approach is that detailed unpacking of changes for each dimension and indicator are part of the analysis. We showed that although there were large reductions in MPI poverty, the nature of that poverty – that is, the areas in which the MPI poor were deprived – were similar in both years. For example, we can see from our analysis that if we chose a larger weight than 1/15 for sanitation, then the improvements in MPI poverty would not have been so significant. Indeed, we are able to select weights for the components of the index to focus on what we think are the key issues. For example, using two indicators to define the education dimension, there was low education poverty in 1993 and almost none by 2010. These are access indicators, focussing on completed years of schooling and enrolment of youth. This lack of access poverty in education does not mean that education is not important to poverty alleviation. Rather it means that, going forward, the emphasis must be directed at building on these achievements in access to ensure quality in the education that is being broadly accessed.

The reduction in MPI poverty is notably higher than the concomitant fall in money-metric poverty. This speaks to the fact that although policies to attain universal enrolment, reduce child mortality and expand access to electricity and decent sanitation have been effective, the labour market has not managed to bring in the large fraction of the population who were excluded in 1993 and are still excluded now. Those trying to enter the contemporary labour market do so with better levels of education and health than in 1993 and from within households that are better off in terms of water, electricity and assets. Yet this is not translating into higher real incomes or real expenditures. South Africa is not garnering full social returns from the considerable achievements in the reduction of multidimensional poverty over the post-apartheid period.

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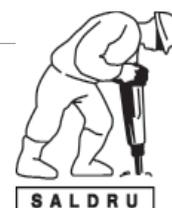
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# southern africa labour and development research unit

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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. Over the next two decades the unit's research played a central role in documenting the human costs of apartheid. Key projects from this period included the Farm Labour Conference (1976), the Economics of Health Care Conference (1978), and the Second Carnegie Enquiry into Poverty and Development in South Africa (1983-86). At the urging of the African National Congress, from 1992-1994 SALDRU and the World Bank coordinated the Project for Statistics on Living Standards and Development (PSLSD). This project provide baseline data for the implementation of post-apartheid socio-economic policies through South Africa's first non-racial national sample survey.

In the post-apartheid period, SALDRU has continued to gather data and conduct research directed at informing and assessing anti-poverty policy. In line with its historical contribution, SALDRU's researchers continue to conduct research detailing changing patterns of well-being in South Africa and assessing the impact of government policy on the poor. Current research work falls into the following research themes: post-apartheid poverty; employment and migration dynamics; family support structures in an era of rapid social change; public works and public infrastructure programmes, financial strategies of the poor; common property resources and the poor. Key survey projects include the Langeberg Integrated Family Survey (1999), the Khayelitsha/Mitchell's Plain Survey (2000), the ongoing Cape Area Panel Study (2001-) and the Financial Diaries Project.



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