

Southern Africa Labour and Development Research Unit



In-Work Poverty in South Africa: The Impact of Income Sharing in the Presence of High Unemployment

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This is a draft chapter/article that has been accepted for publication by Edward Elgar Publishing in the forthcoming book *Handbook of Research on In-Work Poverty*, edited by Ive Marx and Henning Lohmann due to be published in 2017.

Recommended citation

Lilenstein, K., Woolard, I., Leibbrandt, M. (2016). *In-Work Poverty in South Africa: The Impact of Income Sharing in the Presence of High Unemployment*. A Southern Africa Labour and Development Research Unit Working Paper Number 193. Cape Town: SALDRU, University of Cape Town

ISBN: 978-1-928281-54-2

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In-Work Poverty in South Africa: The Impact of Income Sharing in the Presence of High Unemployment

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SALDRU Working Paper Number 193
University of Cape Town
October 2016

South Africa is distinguished from other countries by its history of Apartheid, in which race-based policies resulted in vastly inferior education and labour market opportunities for African, Coloured and Asian/Indian individuals.² This resulted in exceptionally high levels of poverty and inequality constructed along racial lines at the time of the transition to democracy in 1994, motivating the newly elected democratic government to make poverty alleviation a key focus of economic policy. The new political regime faced the major challenge of reforming government institutions which had historically been systematic in underproviding resources to the majority of the population. While the economic, political and social systems have undergone considerable change in the past two decades, the structural effects of colonialism and Apartheid are not easily undone. South Africa remains one of the most unequal societies in the world, resulting in persistently high levels of poverty in what is today an upper-middle income country. Using the lower bound cost of basic needs poverty line developed by Hoogeveen and Ozler (2006), the poverty headcount ratio was relatively unchanged between 1993 and 2010, falling from 56% to 54% over the period (Leibbrandt et al., 2010).

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² These racial classifications continue to be used by the South African government.

Despite a proliferation of poverty studies, there has been little work focusing on poverty amongst employed South Africans. While many poverty analyses consider the role of the labour market, these have tended to focus largely on the role of unemployment. This is unsurprising given the large and well-documented unemployment problem in South Africa, stemming from an Apartheid labour system which was geared towards producing a low-skilled, low-wage workforce with very little human capital development and isolation from any real economic opportunities. Currently, unemployment is measured at 25% using the official 'strict' definition and 32% using the 'expanded' definition which includes people that wish to work but are not currently actively seeking work (Stats SA, 2015b).

While finding employment is generally regarded as the primary means of escaping poverty, the reality is a set of circumstances where a significant proportion of working families are unable to 'work themselves out' of poverty. The extent of income sharing in South Africa, coupled with a proliferation of low-wage work, may leave even those who find employment unable to escape poverty at the household level. Ensuring the ability of those who are working to maintain sustainable livelihoods for both themselves and their households is therefore fundamental to South Africa's poverty reduction strategy.

The lack of studies analysing the experience of poverty by the employed provides motivation for this chapter. The overall aim is to consider poverty from a standpoint which is novel in the South African literature, as well as to provide insight into the global in-work poverty discourse from the unique South African perspective. Specifically, this chapter will evaluate the magnitude of in-work poverty in South Africa and investigate which groups of workers are most vulnerable to poverty. This is achieved under the premise that there are two dimensions to the analysis of in-work poverty: the characteristics and employment conditions of the worker, and the composition of the worker's household. The incidence of poverty may be greatest where these two measures intersect, i.e. where vulnerable workers are living in vulnerable households. However, even 'high' wage earners may find themselves in poverty due to the circumstances of the household in which they reside. Conversely, low-wage workers may be lifted out of poverty as a result of household level support. Analysis of these dimensions will allow us to determine the most relevant markers of in-work poverty in South Africa.

Section 1 of this chapter gives an overview of poverty in South Africa in 2012. Section 2 provides context on the South African labour market. Section 3 evaluates the vulnerability of employed workers to poverty, paying specific attention to worker and workplace characteristics such as race, gender and geographical location, as well as the sector in which the worker is employed. Section 4 evaluates the role of wages in exacerbating in-work poverty, assessing which workers find themselves in low paid work as well as the incidence of poverty amongst these workers. Section 5 assesses the role of the household, specifically the incidence of poverty in male and female-headed working households, as well as the role of the employment dependency ratio within the household. Finally, section 6 attempts to overlay the characteristics of the worker and their household in order to assess the markers of poverty at both levels. This will enable us to assess which combination of worker and households is most vulnerable to poverty.

The approach is data-driven, utilising 2012 data from the third wave of the National Income Dynamic Study (NIDS). All earnings in the subsequent analysis have been adjusted using the Consumer Price Index to reflect real values in December 2012.

The South African Labour Market in Context

South Africa is an upper-middle income country with the second largest economy in Africa. It has moved from reliance on the primary and secondary sector to a country in which 69% of GDP emanates from its tertiary sectors (Stats SA, 2015a). Similarly, employment is focused in tertiary industries such as trade and industry as well as community and social services, while employment in agriculture, mining and manufacturing has fallen from 34% of total employment in 2000 (Stats SA, 2000) to 20% in 2015 (Stats SA, 2015c). While overall employment has grown between the periods, rates of unemployment have remained relatively steady due to the growing size of the labour market. Job creation has therefore become a key component of the government's poverty reduction strategy, but progress in this regard has been slow and relatively unsuccessful to date.

Complementing this is South Africa's pro-poor public spending strategy which has contributed to improved social indicators in a range of areas. This includes a broad social protection

framework which is essential in enabling the poor to access health care and education and ensuring decent living conditions for the elderly. Social assistance programmes pay monthly benefits to more than a third of the population and amount to 3.5% of GDP, more than twice the median level of spending for developing countries (World Bank, 2015).

However, there is a lack of comprehensive cover for the working population. While South African employees are entitled to basic leave and overtime pay, they are not required by law to receive health insurance or retirement benefits. In fact, in 2015 only 47% of the employed said that their employer contributed to a pension scheme on their behalf while just 30% were entitled to health insurance (which is known as ‘medical aid’ in South Africa) (Stats SA, 2015b). Workers are, however, protected under the contributory Unemployment Insurance Fund (UIF) and may claim benefits during absence from the workplace if they have contributed for a sufficient period of time. However, these benefits do not amount to a full monthly salary and may only be claimed for up to 8 months (DoL, 2014). Affirmative action policies have been implemented in an attempt to confront historical disadvantage, and to provide Black³ people with economic opportunities to control and manage South African businesses. Despite this, previously disadvantaged individuals remain severely underrepresented in the top tiers of management (Jain et al., 2012).

In addition, a national minimum wage has been proposed although not yet implemented. Currently, there exists a dual-wage setting mechanism comprised of a voluntary system of centralized bargaining (through bargaining councils, comprised of employee organizations and trade unions) combined with sectoral determinations as set out by the Department of Labour. Sectoral determinations regulate working conditions and minimum wages in sectors which have been identified as having large numbers of low-wage non-unionized workers who are at particular risk of exploitation. These are sectors such as contract cleaning, agriculture, private security and domestic work where it is particularly difficult for workers to organize and engage in collective bargaining.

For those workers not covered under sectoral determinations, trade unions play an important role in wage protection and are key influencers of the laws which regulate the labour market.

³ In South Africa, “Black” refers to the previously disadvantaged African, Coloured and Indian/Asian race groups

As of February 2016, there were 186 registered trade unions (DoL, 2015b) and 23 registered trade union federations (DoL, 2016a) in South Africa. In 2014, 30% of the employed were trade union members (Stats SA, 2014b). South Africa has a long history of the labour movement playing an important role in the political landscape. The Congress of South African Trade Unions (COSATU) formed a tripartite alliance with the African National Congress (ANC) and the South African Communist Party (SACP) when political organisations were unbanned in the early 1990s and there has been a steady movement of union leaders into senior positions in government since 1994 (Bhorat et al., 2014).

Poverty and the Labour Market

We begin by providing an overview of poverty amongst individuals and households across various labour market states. This sample (and all subsequent samples) is weighted to represent the total population of South Africa of 52.3 million individuals in 2012. Poverty was calculated at the household level, with households classified as poor if per capita household income was below R649 per month, utilizing the inflation adjusted Hooegeven and Ozler (2006) lower-bound poverty line previously mentioned. Table 1 provides the population share, poverty rate and poverty share for each subset of individuals and households.

Just under three-fifths of the working age population, 58%, were participating in the labour force and a quarter of these participants were unemployed. The headcount poverty rate (i.e. the proportion of the population living in households classified as poor based on the household's per capita income) was 44%. Unemployed adults and children were most vulnerable to poverty, with 61% and 57% of each group classified as poor, respectively. NEA⁴ adults also experienced high poverty rates, with 52% of those aged 15-64 living in poor households. The poverty rate for NEA adults over 64 was substantially lower at 35%. The reason for this is largely attributable to the existence of a fairly generous means-tested State Old Age Pension that goes to almost 80% of men and women over the age of 60 (Woolard & Leibbrandt, 2013). At R1200 per month in 2012, this amount was almost enough to keep the pensioner plus one other household member out of poverty every month. The poverty rate amongst employed individuals was 17%. While this was substantially lower than the rate for

⁴ Not Economically Active, i.e. neither working nor unemployed.

unemployed and NEA individuals, this nevertheless indicates that a large proportion of those who are able to find work are unable to escape from poverty at the household level.

Table 1: Poverty by Working and Non-Working Individuals and Households

	% Share of Population	% In Poverty	% Share of Poor
NEA: Age 0-14	30%	57%	39%
NEA: Age 15-64	28%	52%	33%
NEA: Age 65+	5%	35%	4%
Unemployed	10%	61%	13%
Employed	28%	17%	11%
All Individuals	100%	44%	100%
Non-Working Households	31%	59%	59%
Working Households	69%	19%	41%
All Households	100%	31%	100%

Source: National Income Dynamics Study, Wave 3, 2012

Notes: 1. All figures are weighted using calibrated weights. 2. Non-working household includes those households without any employed household members. Working households includes those households with at least one employed household member.

The second half of Table 1 evaluates poverty in non-working and working households, with non-working households containing only NEA and unemployed household members and working households containing at least one employed household member. Over two-thirds of households contained an employed member, despite the relatively low rate of employment. This affirms South African studies asserting that the majority of the unemployed are reliant on the income of present or absent employed household members (Ebrahim et al., 2013; Klasen & Woolard, 2009). The poverty rate amongst non-working and working households was 59% and 19%, respectively. Overall, working households comprised 41% of poor households.

Occupational and Worker Characteristics Associated with In-Work Poverty

The following section evaluates the markers of poverty amongst the employed, paying specific attention to the characteristics of the workers and their occupations. Decomposing

in-work poverty indicates that, as expected, African workers are overrepresented in the share of working poor. Asian/Indian and White workers are least affected by in-work poverty and very few of these workers live in poor households (none, in the case of White workers). While there are also gender differences in in-work poverty, these are less pronounced. Nonetheless, poverty rates amongst working women were considerably higher than amongst working men.

Educational attainment is also an important marker of poverty. Table 2 shows that while 66% of working age adults had not completed high school, just under half of workers have completed high school or have some form of tertiary education. The incidence of poverty amongst workers with different levels of education varies greatly, with poverty rates consistently falling as the level of education of the worker increases. An important point is that completing high school is not enough to adequately protect the employed from poverty - there was an 11% incidence of poverty amongst workers who had completed secondary school. Nevertheless, this poverty rate was almost half of that of workers who had incomplete secondary school educations. Obtaining a tertiary education appears to be a strong shield against poverty. Only 4% of diploma or certificate holders were poor, while none of the employed who had university degrees were living in poverty.

Finally, the geographical location of the worker also has a bearing on their vulnerability to poverty. Poverty rates were far higher in traditional areas than in urban areas or farms, with a 35% poverty rate compared with 12% and 18%, respectively. Traditional areas are made up of villages which are on communally-owned land under the jurisdiction of traditional leaders. These areas suffer from poor economic opportunities due to their isolation. While poverty rates are relatively low in urban areas, the influx of workers to cities and towns means that the majority of poor workers are living in urban areas.

Table 2. Incidence of In-Work Poverty by Individual Characteristics

Individual Characteristic	% Share of Working-Age Population	% Share of Workers	% Workers in Poverty	% Share of Poor Workers
African	78%	72%	22%	91%
Coloured	9%	10%	14%	8%
Asian/Indian	3%	3%	3%	1%
White	9%	14%	0%	0%
Male	49%	58%	14%	48%
Female	51%	42%	21%	52%
No Education	4%	3%	50%	9%
Primary Education	16%	13%	38%	29%
Secondary Education (Incomplete)	45%	36%	21%	44%
Secondary Education (Complete)	19%	22%	11%	15%
Tertiary Education (Diploma/Certificate)	11%	18%	4%	4%
Tertiary Education (Degree)	4%	8%	0%	0%
Urban	63%	73%	12%	52%
Traditional Areas	31%	20%	35%	41%
Farms	6%	7%	18%	7%
All Workers	100%	100%	17%	100%

Source: National Income Dynamics Study, Wave 3, 2012

Notes: 2. All figures are weighted using calibrated weights.

Table 3 examines the extent to which occupational characteristics are markers of poverty amongst the employed. The ‘private household’ sector includes more than a million workers and deserves particular attention. The majority of workers employed in private households (such as domestic workers, gardeners and child-minders) are African women. These workers are at risk of exploitation due to the difficulty in regulating this type of employment. Wages in this sector tend to be low due to the perceived low level of skill required and high level of competition for these jobs. Additionally, many of the people employing domestic help are relatively low-wage themselves (Torres et al., 2000). When these employers experience

reduced levels of income this is passed on to their household help through reduced hours or even job loss. In 2015, 13% of the unemployed who had worked in the past five years had been previously employed in private households (Stats SA, 2015b).

The primary sector (including those employed in the agricultural and mining industries) has historically paid low wages. Agricultural workers are especially vulnerable due to the power that their employers hold over their livelihoods. These workers are often dependent on their employers for accommodation, schooling, water and electricity services as well as medical facilities. Education levels are particularly low, resulting in little chance of upward mobility – in 2012, 15% of Africans working in the agricultural sector had no schooling and only 13% had completed high school. Vulnerability is heightened by the fact that agricultural workers are also particularly susceptible to job loss, with changes in labour demand closely linked to technological advancement in farming methods, changing climates and changing government incentives such as taxes and subsidies (Torres et al., 2000).

Mining has played an important role in the growth and development of South Africa, although its economic prominence has been steadily declining since the 1970s. Historically, the mining sector has also been dependent on migrant workers and large inequalities have existed in terms of job quality between workers of different races, although on average mine workers have higher educational levels than farm workers (Torres et al., 2000). Working conditions in the mining industry have far reaching ramifications and it has been estimated that there are 10 dependants for each miner employed (Torres et al., 2000).

Table 3 indicates that private household workers face by far the highest poverty rates, with 42% of these workers considered poor at the household level, despite the existence of a sectoral determination which stipulates a minimum wage for employees working in private households. Although the incidence of poverty is lowest amongst tertiary sector workers, the fact that the majority of workers were employed in this sector meant that these workers made up 40% of the working poverty share in South Africa.

Table 3. Incidence of In-Work Poverty by Employment Type

Employment Type	% Share of Workers	% Workers in Poverty	% Share of Poor Workers
Private Household	11%	42%	29%
Primary Sector	10%	18%	11%
Secondary Sector	17%	19%	20%
Tertiary Sector	61%	10%	40%
Regular Paid Worker	81%	12%	60%
Casual Worker	11%	45%	22%
Self-Employed Worker	8%	26%	18%
All Workers	100%	17%	100%

Source: National Income Dynamics Study, Wave 3, 2012

Notes: 3. All figures are weighted using calibrated weights. 2. Primary sector includes agricultural, hunting, farming, fishing and mine workers; secondary sector includes manufacturing, construction and utility workers and tertiary sector includes sectors such as wholesale and retail, financial, catering and accommodation, transport storage and communication, community social and personal services, amongst others.

The relative security of regular paid work is evident, with the incidence of poverty for regular paid workers almost a quarter of that of casual workers and less than half of that of self-employed workers. Casual and self-employed workers represent workers who, though employed, are severely disadvantaged in the labour market and particularly vulnerable to poverty. Regular paid workers are more likely to be employed in the formal sector, where jobs are characterised by higher wages and higher skill level requirements and offer a greater likelihood of upward mobility for their workers. Conversely, casual and self-employed workers are more likely to be employed in the informal sector, which is characterised by low-wage, low-skilled work which offers less job security, poor development of the worker's human capital and few chances for upward social and or occupational mobility. These lower paying jobs constitute a 'trap', making it difficult for employees to move out of this type of employment and into higher quality jobs due to outright discrimination or an emphasis on skills or education that they do not have. Therefore both casual and self-employment are inferior alternatives to permanent wage-employment. A 2013 survey of informal sector self-employed South Africans indicated that 76% of these self-employed workers started their business because of unemployment, retrenchment or inadequate money-making alternatives

(Stats SA, 2013). However, the figures from Table 3 indicate that, if casual workers have the means, it may be more profitable for them to enter self-employment than to remain in casual employment.

Low-wage Work and In-Work Poverty

In light of the view that low-wage work is a key driver of in-work poverty, the following section evaluates both the incidence of low-wage work and its relationship to worker poverty. Wages are classified as low if they are below R11.54 per hour, which is two-thirds of the median hourly wage of R17.31, following the international norm for defining low-wage work (OECD, 2015).

The first two columns of Table 4 evaluate the incidence and share of low-wage workers, while the final two columns give the incidence of poverty among those above and below this low-wage line. Looking first at the incidence of low-wages, it is clear that the legacy of race-based disadvantage in the labour market persists. While on average 35% of all workers were in low-wage employment, African and Coloured workers were substantially more likely to receive a low wage than Asian/Indian or White workers. Women are also more likely than men to be earning a low wage, with 39% of women and 31% of men earning below two thirds the median wage.

Table 4. Low Wages and In-Work Poverty by Individual Worker Characteristics

Individual Characteristics	% Workers Earning Low Wage	% Share of Low Wage Earners	% Low Wage Earners in Poverty	% 'High' Wage Earners in Poverty
African	40%	85%	37%	8%
Coloured	40%	12%	26%	5%
Asian/Indian	9%	1%	14%	3%
White	7%	2%	0%	0%
Male	31%	50%	31%	5%
Female	39%	50%	38%	9%
No Education	70%	5%	57%	37%
Primary Education	60%	22%	44%	18%
Secondary Education (Incomplete)	48%	50%	33%	8%
Secondary Education (Complete)	26%	16%	26%	7%
Tertiary Education (Diploma/Certificate)	12%	6%	18%	2%
Tertiary Education (Degree)	1%	0%	0%	0%
Urban	28%	61%	29%	5%
Traditional Areas	54%	28%	50%	13%
Farms	57%	11 %	25%	8%
All Workers	35%	100%	34%	6%

Source: National Income Dynamics Study, Wave 3, 2012

Notes: 4. All figures are weighted using calibrated weights.

The level of education obtained by the worker is a strong marker of the likelihood of earning a low wage. There is a strong and consistent relationship between increasing levels of education obtained and decreasing incidence of low-wage work. This mirrors results found in the South African literature, where educational obtainment is found to be a good predictor of both employment and income (see, for example, Klasen & Woolard, 2005; Kingdon & Knight, 2004, Banerjee et al., 2008 and for the relationship between education and low-wage specifically, Oosthuizen, 2012). While 70% of workers with no education earned a low wage, only 1% of workers with a post-high school degree were low-wage earners. The importance

of completing high school is again highlighted by the fact that the proportion of workers earning a low wage almost halves when comparing workers with incomplete and complete secondary school educations. In terms of geographical location, the incidence of low wages is lowest amongst urban area workers. This provides further evidence for the hypothesis that non-urban workers are particularly vulnerable to poor quality working conditions.

Evaluating the incidence of poverty amongst low and 'high'-wage workers reveals that it is the historically disadvantaged workers who are most likely to be living in poverty, even when wage-levels amongst workers are comparable. When looking only at low-wage earning workers, there is a high incidence of poverty amongst African and Coloured workers, with 37% and 26% living in poor households, respectively. Only 14% of low-wage earning Asian/Indian workers were in poverty and no White individuals earning a low wage were in poverty. Female low-wage earners were also more likely to be in poverty than their male counterparts. The proportion of both low and 'high' wage earners in poverty also systematically fell as level of education increased. Poverty rates amongst low-wage earners ranged from 57% for workers with no education to 18% for workers with a post high school diploma/certificate, but fell to zero for those with a degree, primarily due to very low rates of low wage earners in this category. Although the incidence of low-wage earnings was similar in farm and traditional areas, half of all low-wage traditional area workers were poor compared with a quarter of low-wage workers living in farming areas.

Overall, this indicates that while the presence of low wages is a strong marker for in-work poverty, this is primarily for already vulnerable population groups, who appear to be residing in households which exacerbate their likelihood of poverty. Further, even earning a 'high' wage may not adequately protect these vulnerable workers from poverty. 'High' wage earning African, female and non-urban workers, as well as those with low educational attainment, all faced a high incidence of poverty despite their relatively high earnings.

Table 5 evaluates low-wage incidence across occupational characteristics of workers. On average, 65% of those employed in private households were earning a low wage. It should be noted that at the time of the survey the range of sectoral minimum wages per hour for domestic workers was below the low wage threshold of R11.31 used here. Low wages are

also more common amongst primary and secondary sector workers than amongst tertiary sector workers. As expected, regular paid workers were the least likely to be earning a low-wage, while 75% of casual workers were earning a low hourly wage.

Table 5. Low Wages and In-Work Poverty by Employment Type

Employment Type	% Workers Earning Low Wage	% Share of Low Wage Earners	% Low Wage Earners in Poverty	% 'High' Wage Earners in Poverty
Private Household	65%	21%	50%	25%
Primary Sector	48%	13%	34%	7%
Secondary Sector	42%	20%	34%	7%
Tertiary Sector	25%	46%	27%	4%
Regular Paid Worker	29%	68%	29%	5%
Casual Worker	75%	19%	49%	33%
Self-Employed Worker	42%	13%	41%	13%
All Workers	35%	100%	34%	6%

Source: National Income Dynamics Study, Wave 3, 2012

Notes: 5. All figures are weighted using calibrated weights. 2. Primary sector includes agricultural, hunting, farming, fishing and mine workers; secondary sector includes manufacturing, construction and utility workers and tertiary sector includes sectors such as wholesale and retail, financial, catering and accommodation, transport storage and communication, community social and personal services, amongst others.

Individuals working in private households were also most likely to be in poverty at the household level across both low and 'high' wage levels. On average, poverty rates were 50% amongst low-wage earning private household workers and even 25% of 'high' wage earners are poor. This is due in part to the fact that workers earning a 'high' wage in this sector are likely to have wages clustered just above the low wage threshold. This is illustrated by the fact that the mean 'high' wage for workers employed in private households is R33.80, compared with R58.56 for individuals working in the other three sectors. Casual and self-employed workers are far more likely to be in poverty than regular paid workers, even when restricting the sample to only low-wage earning workers. This is likely due to the relative consistency of wage receipt enjoyed by regular paid workers.

Overall, the findings from the analysis of low wages and poverty are unsurprising given the history of the labour market in South Africa. There is a high incidence of low wage earners among African and Coloured workers, those with low levels of education, those working outside of urban areas, as well as those working in private households or in self-employment. These vulnerable workers also tend to reside in particularly vulnerable households, for example households with high unemployment rates, high dependency rates or a high incidence of low wage earners, as the incidence of household poverty amongst both low and 'high' wage workers is exceedingly high.

Household Compositions Associated with Working Household Poverty

We define 'working households' as households that contain at least one employed person. The following section evaluates the characteristics of working households in order to determine which households are particularly vulnerable to poverty, despite the presence of one or more employed household members. Special attention is paid to the gender of the household head. This follows from research for South Africa which suggests that female-headed households are more likely to be in poverty (Armstrong et al., 2008; Maitra & Ray, 2003), chronic poverty (Aliber, 2003) and food poverty (Rose & Charlton, 2001) than male-headed households.

Table 6 indicates that while 14% of male-headed working households were in poverty, the incidence of poverty amongst female-headed working households was much higher, at 24%. It is interesting to note that while Table 4 showed that workers living in traditional authority areas and in farming areas were almost equally likely to be earning a low wage, Table 1 and Table 6 have indicated that workers and their households in traditional authority areas have a higher incidence of poverty than workers and their households living on commercial farms. Below, we explore the role of differences in household size in explaining this.

Table 6. Household Incidence of In-Work Poverty

	Share of Working Households	Working Household Poverty Rate	Share of Poor Working Households
Male Head of Household	52%	14%	39%
Female Head of Household	48%	24%	61%
Urban	73%	13%	51%
Traditional Areas	21%	38%	42%
Farms	6%	21%	7%
All Working Households	100%	19%	100%

Source: National Income Dynamics Study, Wave 3, 2012

Notes: 6. All figures are weighted using calibrated weights.

Table 7 explores differences in household composition as a marker of working household poverty. Household composition is examined across different working household types, paying particular attention to the ratio of dependants to workers within the household. Starting with the review of the composition of working households across geographical locations, this table shows that traditional area households were on average the largest, followed by farm and urban area households. While the average number of employed per working household did not differ substantially across areas, there were almost double the number of dependants per employed in traditional area households than in households in urban areas. This table sheds light on the difference between farm and traditional area households in terms of the impact of low-wage earners within the household. While Table 4 showed that workers in both household types are almost equally likely to be earning a low wage, the higher number of dependants per worker in households living in traditional authority areas is likely to be one of the factors contributing to the vulnerability of these households and workers to poverty.

Male-headed working households had an average household size of 2.6, substantially smaller than the average household size of 4.1 in female-headed working households. The average number of employed household members across male and female-headed working households was almost identical, therefore there are on average more dependants per employed household member in female-headed households. The last column of Table 7

indicates that, per employed household member, the average number of dependants in female-headed households was 2.2, compared with only 1.0 in male-headed households. The average number of 0-14 and 15-64 aged dependants per employed was almost the same within each household type, indicating that workers are on average as likely to have a child as a working aged adult dependent on them in their household.

Table 7. Household Employment Dependency Ratio

	Household Size	Average # Employed in Household	Average # Dependants per Employed: Age 0-14	Average # Dependants per Employed: Age 15-64	Average # Dependants per Employed: Age 65+	Average # Dependants per Employed: Total
Male Head of Household	2.6	1.3	0.4	0.5	0.0	1.0
Female Head of Household	4.1	1.4	1.0	1.0	0.1	2.2
Urban	3.0	1.4	0.6	0.6	0.1	1.3
Traditional	4.5	1.3	1.1	1.2	0.1	2.5
Farms	3.5	1.5	0.7	0.8	0.1	1.5
All Working Households	3.3	1.4	0.7	0.8	0.1	1.6

Source: National Income Dynamics Study, Wave 3, 2012
Notes: 7. All figures are weighted using calibrated weights.

Vulnerable Workers Living in Vulnerable Households

Previous sections have made it clear that both household and worker level characteristics are important in understanding which employed workers are living in poverty. This final empirical section consolidates this discussion by overlaying household and worker level markers of poverty in order to assess which combination of worker and household are most vulnerable to poverty.

Multi-generational households are common in South Africa and account for the large household size found at the bottom of the income distribution (Burns, Keswell & Leibbrandt, 2004). Overall, 32% of all working households studied here were found to be non-nuclear,

where nuclear is defined as a two-generational parent-child relationship where the child is biological, a step-child, adopted or a foster child. While many existing developed country studies focus on differences in working household poverty rates between single and two-parent households⁵, this high prevalence of non-nuclear families provides motivation for including alternate household compositions in this study, as well as within in-work poverty analysis in other developing countries.

The previous section indicated that household poverty rates are closely linked to household size. While the average number of working household members was similar across working household types, the presence of additional dependants in female-headed, traditional and farm area households appears to leave them particularly vulnerable to poverty. Household size was therefore used as the first marker of vulnerable working households in this section. Households were first divided into three main household compositions. These were the presence of one, two or three or more adults within the household (Types 1 to 3). Only working households were evaluated, meaning that at least one of the adults in each household was employed. These household compositions were further divided by the absence or presence of children in the household. To incorporate employment dependency in the household, households were divided into those with only one worker and those with two or more workers residing in the household. Finally, to incorporate the impact of the quality of employment, workers were separated into those earning a low and those earning a 'high' wage. The result is 20 mutually exclusive combinations of household composition and worker characteristics, presented in rows 1.1.1 to 3.2.4 in Table 8.

Looking first at single-adult households (Type 1), these were divided into those without (1.1) and with (1.2) children in the household. Rows 1.1.1 and 1.1.2 indicate that 33% of working households contained only one adult and no children. Of these solitary workers, over two-thirds were high-wage earners (1.1.1). Rows 1.2.1 and 1.2.2 contain "single-parent" households, which made up only 5% of all working households. ("Single-parent" is loosely defined here as an adult residing with children in the household, regardless of whether the adult is the legal parent of any of the children). On average, 86% of these households were

⁵ See, for example: Marx and Nolan (2012); Marx et al. (2012); Lawton (2009); Gardiner and Millar (2006).

nuclear. In the remaining non-nuclear households, the resident child was a niece, nephew or other family or non-family household member. Overall, both wages and family composition are important in marking the incidence of poverty in these households. Incidence of poverty amongst single-adult households is highest in single-parent households where the parent was earning a low wage (1.2.2), with 47% of these households in poverty. Conversely, the incidence of poverty was relatively low in single-parent households where the parent was a 'high'-wage earner (1.2.1). This indicates that the quality of work (in terms of wage level) was crucial in enabling single-parent workers to keep their households out of poverty. Even when there were no dependants in the household, low-wages are a strong marker of poverty, with 23% of low-wage earning workers who are the sole household member in poverty (1.1.2). This also illustrates the importance of household composition as a poverty marker. Comparing rows 1.1.2 and 1.2.2 indicates that where there was one low-wage earning worker in the household, the presence of young dependants considerably increased the incidence of poverty. Single-adult households made up 20% of the overall share of poor working households.

Type 2 households include two adults, where at least one of these adults is employed. These are further divided into households without (2.1) and with (2.2) children in the household. Of these two-adult households, a quarter were non-nuclear households. Looking at two-adult households without children, it is clear that both employment dependency and wage type play an important role as poverty markers within these households. When both adults were employed (rows 2.1.3 and 2.1.4), regardless of wages earned, the incidence of poverty was low. When only one of the resident adults was employed, the wage level became an important marker of poverty. In the case where the sole earner was receiving a 'high' wage (2.1.1), only 6% of households were in poverty. Conversely, when the wages received by the sole-earner were low, the incidence of poverty was 16%. The presence of young dependants exacerbates poverty - households with one low-wage worker and child dependants (2.2.2) have the second highest incidence of poverty across all 20 household compositions, with 66% of these households experiencing poverty. Overall, two-adult households made up 21% of the working household poverty share.

Table 8. Incidence of In-Work Poverty by Worker and Household Composition

Household Type			% Working Household Share	% Working Households in Poverty	% Share of Poor Working Households
Type 1: One Adult	1.1) No Children in HH	1.1.1) One Worker, "High" Wage	23%	2%	2%
		1.1.2) One Worker, Low Wage	10%	20%	11%
	1.2) Children in HH	1.2.1) One Worker, "High" Wage	3%	7%	1%
		1.2.2) One Worker, Low Wage	2%	47%	5%
Type 2: Two Adults	2.1) No Children in HH	2.1.1) One Worker, "High" Wage	5%	6%	2%
		2.1.2) One Worker, Low Wage	3%	16%	2%
		2.1.3) Two Workers, Both "High" Wage	3%	0%	0%
		2.1.4) Two Workers, At Least One Low Wage	2%	5%	1%
	2.2) Children in HH	2.2.1) One Worker, "High" Wage	6%	12%	4%
		2.2.2) One Worker, Low Wage	3%	66%	11%
		2.2.3) Two Workers, Both "High" Wage	5%	1%	0%
		2.2.4) Two Workers, At Least One Low Wage	2%	12%	1%
Type 3: 3+ Adults	3.1) No Children in HH	3.1.1) One Worker, "High" Wage	3%	7%	1%
		3.1.2) One Worker, Low Wage	1%	50%	4%
		3.1.3) Two+ Workers, All "High" Wage	4%	0%	0%
		3.1.4) Two+ Workers, At Least One Low Wage	2%	10%	1%
	3.2) Children in HH	3.2.1) One Worker, "High" Wage	6%	33%	12%
		3.2.2) One Worker, Low Wage	5%	85%	23%
		3.2.3) Two+ Workers, All "High" Wage	5%	9%	2%
		3.2.4) Two+ Workers, At Least One Low Wage	8%	33%	15%
All Working Households			100%	19%	100%

Notes: 8. All figures are weighted using calibrated weights.

Type 3 working households have three or more adults residing in the household, divided into those without (3.1) and with (3.2) children in the household. These were the most common household type, making up 60% of poor working households. On average, 67% of these households were non-nuclear and included extended family or non-family household members. Among three-adult households without child dependants (3.1), wages were an important marker of poverty. While only 7% of single-worker 'high'-wage households (3.1.1) were poor, this increased to 50% when the sole earner was receiving a low wage (3.1.2). Even when two or more of the adults were employed, when at least one of these workers was earning a low wage (3.1.4), the incidence of poverty was 10%. The majority of poor working households (53%) were found in row 3.2, which is made up of three-or-more adult households with child dependants. Amongst these households, the only household type with a relatively low incidence of poverty is those including two or more workers where every worker is earning a 'high' wage (3.2.3). Each of the other three household types have high incidences of poverty, with the highest being households with only one low-wage earner. This household type had a working poverty rate of 85% and made up 23% of all poor working households. Overall, 60% of poor working households contain three adult household members.

The analysis from Table 8 makes it clear that both household composition and employment conditions are important markers of poverty. Poverty is greatest when vulnerable workers (low-wage earners) live in vulnerable households (large household size and high employment dependency), as illustrated by row 3.2.2. This table also reveals that even when a worker is not particularly vulnerable to poverty (earning a 'high' wage), they may be unable to escape poverty at the household level due to high dependence on their wages by other non-working household members. This is particularly clear in row 3.2.1, where 'high' wage earners are facing high incidence of poverty at the household level due to their household composition. In other cases, it is apparent that some low wage workers are protected from poverty by means of household level support. This is clear, for example, when comparing rows 1.1.2 and 2.1.4. While neither of these household types contains dependants, the former contains only one low-wage earning worker while the latter contains a dual income where at least one of the workers is earning a low wage. While the single-earner household (1.1.2) has a poverty rate of 20%, the presence of an additional worker in the dual-earner household (2.1.4) shields the low-wage earner from poverty – the poverty rate in these households is only 5%.

Discussion

The analysis of in-work poverty has recently become more prominent in the international literature. Despite this and the many poverty studies existing in South Africa, there has been little analysis of the experience of poverty by working South Africans. The focus of this chapter has therefore been to provide a baseline descriptive analysis of the markers of poverty among the employed and their households. While the employed are substantially less likely to be in poverty than the non-working population, a significant proportion of working South Africans are living in poverty. Further, the fact that the majority of households contain at least one employed household member means that policies affecting the working population cannot be viewed in isolation from their effect on non-working dependants within their households. Therefore the analysis in this chapter is performed under the premise that there are two dimensions of in-work poverty which need to be taken into account – the characteristics of the worker and the characteristics of the household in which they reside.

The findings surrounding the vulnerability of workers to poverty are not surprising. In South Africa it is clear that there are specific, historically disadvantaged groups which are most likely to suffer from in-work poverty. These include African and Coloured workers, females, those with low education levels and those living in rural areas. Occupational characteristics are also important markers of poverty amongst the employed. Casual and self-employed workers face an exceedingly high risk of poverty, as do those working in private households, despite the sectoral minimum wage put in place by the Minister of Labour in an effort to protect them.

The role of low wages is examined as a possible driver of poverty for these vulnerable workers. Overall, there is high incidence of low-wage work, with 35% of workers earn a wage which is below two thirds of the median wage. Of these low-wage workers, 35% are living in poor households, compared with only 6% of 'high'-wage workers. The striking difference in poverty rates between low and 'high' wage workers indicates the importance of occupational quality in protecting workers from poverty. What is clear is that historically vulnerable workers are both more likely to be earning a low wage and more likely to be in poverty, given that they are earning a low wage. Not only are these workers at the greatest risk of poor quality working conditions, they are also more likely to be living in household structures which deepen their

risk of poverty. Female-headed working households appear to be more likely to contain additional non-working dependants than male-headed households. Moreover, non-urban area households, especially those living under the authority of a chief in 'traditional' areas, are exceptionally large and prone to poverty. This confirms findings from South Africa arguing that the households which are able to and expected to provide support to the unemployed are found in rural areas, which both removes the unemployed from the job opportunities in urban areas and puts additional strain on rural households. This demography of households and the dynamics of household support in exacerbating or alleviating in-work poverty cannot be ignored.

Clearly, special vulnerability to in-work poverty lies in the intersection of individual and household level markers. The final empirical section of this chapter honed in on this intersection. Household size and employment intensity within the household are included as markers of household vulnerability to poverty. Furthermore, the wage-level of employed household members is taken into account through the marker for whether the worker is earning a 'high' or low wage.

We have shown that both wages and household composition are important markers of in-work poverty but, this analysis makes it clear that the risk of poverty is greatest when these two markers intersect. In households with low employment intensity where workers are earning a low wage, the incidence of poverty can be up to 85%. Nevertheless, even 'high'-wage workers are at a high risk of poverty if they live in households where their income is shared with many non-working household members; in the most severe case, 'high'-wage workers face a 33% incidence of poverty. Conversely, low-wage workers may be relatively protected from poverty due to the composition of the household in which they reside. When there is a dual income and no dependants, low-wage workers are at little risk of poverty, regardless of the wage level of the second income.

This analysis is significant in contributing to our understanding of the long-standing tension between pushing the expansion of low-paying jobs in order to decrease unemployment versus upholding competitiveness, and ensuring some basic standard of living for existing workers. While it is exceedingly difficult to balance job creation and increasing the quality of

existing employment, improving the quality of work cannot be discounted as a major driver of poverty relief in South Africa. It is clear that as well as the need for more effective employment creation strategies, there is also a need for access to more high-quality employment opportunities, as the former will not necessarily adequately protect vulnerable members of society from poverty.

It is clear that regular wage employment is the best form of protection against in-work poverty. Further, access to human capital development, further training and education will provide vulnerable workers with a greater chance of upward mobility and therefore the means to assist them in escaping from the 'trap' of unstable, low-paying work. While increases in the minimum wage may go some way in protecting low-wage workers from poverty, these policies will not affect the plight of self-employed workers, who experience a high degree of income variation. The vulnerability of the self-employed therefore warrants further consideration, particularly via appropriate strategies to improve South Africa's Small, Medium and Micro-sized Enterprise (SMME) policies.

This chapter has provided an initial analysis of the markers of poverty amongst employed South Africans and their households. There are a number of important issues in this discourse which deserve further attention. The first of these is the role of government grants in in-work poverty alleviation. Social assistance grants play an important role in protecting vulnerable South Africans from poverty, specifically for pensioners, children and the disabled. While these grants are not going directly to the employed, they play a vital role in mitigating the effect of high employment dependency within working households. Therefore the extent to which government grants are able to assist the employed in lifting their households out of poverty deserves consideration. In addition, the role of minimum wages and other labour market institutions in alleviating in-work poverty should be addressed, specifically by looking at trends in minimum wages and the subsequent effect on living standards of working households.

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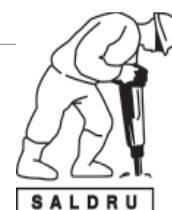
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southern africa labour and development research unit

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. 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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