

## South Africa's Cycle of Poverty

Written by James Arvanitakis and David J. Hornsby

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# South Africa's Cycle of Poverty

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JAMES ARVANITAKIS AND DAVID J. HORNSBY, DEC 1 2023

**This case study is an excerpt from McGlinchey, Stephen. 2022. *Foundations of International Relations* (London: Bloomsbury).**

Rising poverty levels and inequality between and within states has become an increasingly notable phenomenon. Poverty is also exacerbated in contexts where there is political instability and corruption – both examples of government ineffectiveness. Brady et al. (2014: 123) extrapolate the poverty and institutional linkages further by contending that contemporary poverty is impacted by previously established rules, policies, and practices which are slow to evolve over time. This hypothesis is well illustrated in South Africa, where despite more than two decades of efforts to reduce poverty, levels of inequality rank amongst the world's most extreme.

The nature of poverty in South Africa largely stems from the enduring legacy of colonial and apartheid policies, but also the prolonged low levels of economic growth in more recent times which has been insufficient to generate the economic resources necessary to alleviate poverty. Under colonialism the indigenous population was used as slave labour for the Dutch and British settlers. This was expanded with the arrival of slaves from the Indian sub-continent. Despite the abolition of slavery in the early 1800s rights and economic resources were still demarcated racially. Apartheid, which emerged officially in 1948, entrenched the inequitable and racially defined distribution of rights to social services and access to economic resources to the minority white population and further marginalised the majority Black population.

Another element of the poverty dynamic in South Africa, and a direct effect of apartheid era segregation policies can be observed geographically. This is seen in inequities between urban and rural spaces, but also fundamentally reshaped gender dynamics related to household responsibilities and work opportunities. As a result, contemporary poverty in South Africa is characterised as mainly Black South Africans who are disproportionately economically inactive, less educated and living in rural areas. Additionally, incidences of poverty increase under scenarios where there are female-headed households and households with a large number of children (World Bank 2018b).

Poverty alleviation in post-apartheid South Africa has been articulated in a number of national policy documents such as the Reconstruction and Development Program (1993) and National Development Plan (2011) and supported by the use of fiscal policy to facilitate redistributive measures. These measures primarily include social wage expenditures such as investment in education and health, transportation, housing, local amenities as well cash transfers. Relatively strong economic growth in the period after 1994 helped sustained these measures and resulted in poverty levels falling significantly in the period leading up to the Global Financial Crisis in 2007. The impact of the Crisis on South Africa was a sustained period of low economic growth, insufficient to generate the revenues necessary to support social wage expenditures. As such, between 2011–2015, the population living in poverty increased from 27.3 million to 30.4 million (Oxfam 2019). More importantly than the increase in poverty in numerical terms is that current levels of poverty in South Africa are deeper and more unequal when assessed against poverty indicators – building on the point made earlier in the chapter about the thin margins that people close to the poverty line often live on in developing countries.

For South Africa, poverty indicators are categorised into four dimensions; health, education, standards of living and economic activity. Addressing redistribution under these four dimensions has been restricted by systemic and

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historical inequities, particularly in the area of education and health. Under apartheid, poor access to education opportunities, skewed government spending in favour of White learners and policies such as job reservations for specific racial groups meant that the majority of the population suffered from unequal distribution of skills and training. This in turn negatively impacted their vertical mobility within the labour market and massively skewed income distribution in South Africa (Woolard 2002). Such a deeply structural issue as this takes time and effort to overcome otherwise it exacerbates over generations. Even if the playing field is levelled for a child today technically through a redistribution programme, these structural issues within their family situation leave them in a vastly different starting position than the child of a more historically wealthy, presumably white, South African.

Despite investments in education that amount to approximately 20 per cent of the government budget in the post-apartheid era, the groups that were previously denied educational opportunities are still the same groups that suffer from educational inequity today. The historical legacy of underfunded Black and mostly rural schools has made it difficult to redress deficits in schooling infrastructure and teacher training, implying that the 75–80 per cent of South African learners that depend on the public schooling system have poorer educational outcomes, thus exacerbating inequality further (Mlachila and Moeletsi 2019). A similar bimodal system also prevails in the public health care system, on which more than 80 per cent of South African households rely on. A study by Atuguba et al. (2011) showed that despite the lowest socio-economic groups bearing the largest burden of illness, this group also recorded the lowest level of health service utilisation and derived the least benefits. Research has shown that the relationship between health and poverty is inextricably linked, and that ill health prevents individuals from actively engaging in labour.

The engagement of the international community in South Africa's efforts to address poverty and inequality has been primarily focused on multilateral trade and foreign direct investment. Until recently, South Africa had been able to avoid seeking assistance from international financial institutions like the World Bank or the International Monetary Fund, instead engaging in multilateral trade and promoting foreign direct investment. However, the South African government was eventually compelled to enter into discussions with the World Bank and International Monetary Fund around the development of an economic assistance programme due to the significant economic impact of the Covid-19 pandemic. As a middle-income state, South Africa has been a recipient of Official Development Assistance particularly since international sanctions were lifted at the end of apartheid in 1994. That said, contributions have remained relatively low in relation to the overall budget – amounting to approximately 0.2 per cent of total government spending. National Treasury (2020) data notes that in 2019/20 South Africa received approximately US\$300million in contributions from foreign governments and international organisations. The inability of the current government to lift South Africans out of poverty and allow them to become economically engaged and active citizens reflects trends elsewhere in the Global South where current manifestations of inequality are deeply rooted in pre-colonial and colonial political and economic systems. The inability to break away from this trajectory has been worsened by the effects of the Global Financial Crisis and more recently the Covid-19 pandemic, which have brought about deeper and wider cuts to social welfare and support services thus pushing more people into poverty.

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