

**THE ROLE OF EDUCATION AND TRAINING  
IN JOB CREATION AND POVERTY  
ALLEVIATION IN THE SICELO TOWNSHIP  
OF MIDVAAL MUNICIPALITY**

**MBUISWA MASOKA**

**BA HONOURS (ECONOMICS)**

**DISSERTATION SUBMITTED IN PARTIAL  
FULFILLMENT OF THE REQUIREMENTS FOR THE  
DEGREE OF**

**MAGISTER COMMERCII (ECONOMICS) IN THE  
SCHOOL OF ECONOMIC SCIENCES**

**AT THE NORTH-WEST UNIVERSITY**

**SUPERVISOR: PROF T.J.C. SLABBERT**

**VAN DER BIJLPARK**

**NOVEMBER 2005**

## **DECLARATION**

**I HEREBY DECLARE THAT  
THE ROLE OF EDUCATION AND TRAINING IN JOB CREATION AND  
POVERTY ALLEVIATION IN THE SICELO TOWNSHIP OF MIDVAAL  
MUNICIPALITY "**

**IS MY WORK, AND EVERY SOURCES QUOTED HAS BEEN INDICATED  
AND THAT I HAVE NOT PREVIOUSLY SUBMITTED IT AT ANY, OTHER  
TERTIARY INSTITUTION.**

**MBUISWA MASOKA**

## **ACKNOWLEDGEMENTS**

My gratitude is expressed to all those who contributed towards the success of this dissertation. Among other people I feel greatly indebted to: Chairman of the Board (Almighty God), for giving me life, courage, necessary insight and strength to complete this task. "When I ask favours and opportunities, and instead of giving me things on a silver tray and spoiling me you open doors and great doors for me to enter.

Prof Tielman Slabbert my mentor, supervisor and promoter for his devoted and sympathetic guidance, his enthusiastic encouragement, constructive suggestion and his criticism, make this arduous task easier. The time and attention he liberally granted me, his inspiring lecture and unremitting encouragement for half of a decade is sincerely appreciated. Many thanks to Tamzyn Dorfling for proof reading this work.

Ntombiyokwenzani Masoka (Mom), Kevin Welman & Mike Chapman (WesBank); Edith Kumalo (Reserve Bank); Erika Neubauer & Louis Theron (VKB) your support, encouragement and your pride in my success are highly appreciated.

Class of 2004: Mmapula Sekatane (Facilitator), Ishmael Maloma, Tshwinyane Mofokeng, Madibo Rampaku, Sechaba Tebakang, Zuki Nzo, Lefan Makumula, Onica Matsheke and Tshediso Sekhampu, your support is appreciated. Bafana Mkhwanazi and Liseko Mafereka for accompanying me to Sicelo.

My Family: A study of this nature demands a lot of time. To be able to concentrate on this work a lot of sacrifice was exhibited by my family: without their support the writings of this essay would not have been successful.

My sincere gratitude to National Research Foundation (NRF), your financial assistance (scholarship) is highly appreciated.

**STILL I RISE!!!**

**It is not the critics who counts, not the man who point out at how point out at how the strong man stumbled, or where the doer of deeds could have done better. The credit belong to the man who is actually in the arena “whose face is marred by dust sweat and blood” who strive valiantly, who errs and come short again and again..... who knows the great enthusiasm, the great devotion and spend himself in a worthy cause. Who at least knows the triumph of high achievements and who at the worst, if he fail, at least while doing something greatly, so that his place never be with those with cold and timid souls who knows neither victory nor defeat**

**Theodore Roosevelt**

**In the memory of**

**(Lindiwe Masoka – The First) 1975-1976**

**(Lindiwe Masoka – The Second) 2004-2005**

**Nobody Knows My Struggle They Only See The Trouble**

## ABSTRACT

This dissertation studies the role of education and training in job creation and poverty alleviation in the Sicelo Township. The study focuses on three areas, namely, unemployment, poverty and education and training. The actual state of unemployment and poverty in Sicelo is determined and the role of education and training in solving the problems of unemployment and poverty is discussed.

Unemployment is identified, amongst others, as a major determinant of poverty. The main component of any policy aimed at eradicating poverty should therefore focus on employment creation. Education and training is found to be important in labour force participation, finding employment and, therefore, in alleviating poverty. Across both genders, individuals with a low level of education have less chance of finding employment than those with a higher level.

Both unemployment and poverty is measured and a profile of the poor in Sicelo is given in terms of several household-level indicators. To measure poverty, the following tools are used: the household subsistence level (HSL) as poverty line, the headcount index, the poverty gap and the dependency ratio.

The dissertation shows that Sicelo, compared to Bophelong, experiences lower unemployment rates as well as lower levels of poverty. Most of the indicators show that households in Sicelo are better off than Bophelong.

From the analysis it is clear that a high percentage of the poor population have only a primary or incomplete secondary education, which could therefore imply that the lack of education (especially higher education) is a contributing factor to unemployment and poverty in Sicelo. Hence this study shows that access to education is clearly a key component, not only for human resource development, but also of an individual's ability to cope with modern living and to benefit from available opportunities.

The unemployment rate amongst the poor was determined at 61.7 percent for Sicelo and the number of poor unemployed persons estimated at 908. If the

poor unemployed with skills could be assisted in acquiring further training in the same field in which they already have skills, job opportunities could possibly be found in catering, retail trade, building/construction, sewing and welding. Assuming that jobs for all 908 unemployed poor persons in Sicelo could be created at an average monthly income of R600 per month, the impact on the Sicelo community would be that the headcount index would be reduced from 0.50 to 0.23 and the poverty gap index from 0.37 to 0.22. This implies that the percentage of households below their poverty lines would be reduced from the present 50 percent to only 23 percent, and the average shortfall in income of the poor households would be reduced from 37 percent to 22 percent. More training and/or higher qualifications may lead to an increase in the average income, which will result in the reduction of the headcount index.

Finally, the dissertation concludes that investing in education and training indeed can create job opportunities and reduce unemployment. This conclusion was drawn from the contention that uneducated individuals have fewer employment opportunities than their educated counterparts. Educated people have also a higher income earning potential, and are better able to improve the quality of their lives.

### **KEY TERMS**

Poverty, unemployment, education, training, Sicelo, Bophelong, Emfuleni, poverty alleviation, job creation, development, primary education, secondary education, incomplete secondary education, vocational training, earnings, labour market, education and training, poor, unemployment rate, headcount index, non-poor, average income, poverty line, HSL, skills.

## OPSOMMING

Hierdie verhandeling behandel die rol van opvoeding en opleiding in werkskepping sowel as die verligting van armoede in Sicelo. Die studie fokus op drie areas, naamlik werkloosheid, armoede en opvoeding en opleiding. Die diepte van werkloosheid en armoede in Sicelo is bepaal, en die rol van opvoeding en opleiding in die verligting van werkloosheid en armoede is bespreek.

Werkloosheid is onder andere as een van die hoof oorsake van armoede geïdentifiseer - dit is dus belangrik dat enige beleid wat gemik is op die verligting van armoede op werkskepping moet fokus. Daar is bevind dat opvoeding en opleiding 'n belangrike rol speel in die deelname in die arbeidsmag, by die aanstelling van mense in arbeidsposisies, en daarom ook in die verligting van armoede. Individue met lae vlakke van opleiding kry moeiliker werk as die beter opgeleides, en dit geld vir beide manlike en vroulike werksoekers.

Die diepte van werkloosheid sowel as van armoede is in hierdie verhandeling bepaal, en 'n profiel van die armes in Sicelo is gegee met behulp van verskillende indikatore. Om armoede te meet is die volgende indikatore gebruik: die „Household Subsistence Level (HSL)“ as armoede lyn, die „Headcount“ indeks, en die armoede gaping.

Hierdie proefskrif wys dat Sicelo, in vergelyking met Bophelong, laer werkloosheid en laer vlakke van armoede het as Bophelong. Die meeste indikatore dui aan dat Sicelo beter af is as Bophelong.

Uit die analise blyk dat 'n hoë persentasie van die arm bevolking 'n lae vlak van opvoeding het, naamlik net primêre of onvoltooide sekondêre opleiding. Dit impliseer dat die gebrek aan opvoeding 'n bydraende faktor tot Sicelo se armoede kan hê. Hierdie studie impliseer dat toegang tot opvoeding 'n sleutel komponent is, nie alleen vanuit 'n menslike hulpbron ontwikkeling standpunt nie, maar ook uit die oogpunt van 'n individu se moontlikheid om die moderne leefwyse te kan hanteer en om die beskikbare moontlikhede te kan benut.



Die werkloosheidskoers van arm mense in Sicelo is vasgestel op 61.7% en die aantal arm werklose persone word beraam op 908. Indien die arm werkloses gehelp kan word om verdere opleiding te kry in die rigting waarin hulle alreeds sekere vaardighede het, sal werkgeleenthede in die volgende rigtings geskep kan word: - spyseniering, handel, bou/konstruksie werk, naaldwerk en sweiswerk. Indien die moontlikheid sou bestaan dat werk vir al 908 arm werklose persone in Sicelo geskep kon word teen 'n gemiddelde inkomste van R600.00 per maand, sal die impak op die Sicelo gemeenskap wees dat die „Headcount“ indeks verminder van 0.50 tot 0.23 en die armoede gaping indeks van 0.37 na 0.22. Dit impliseer dat die persentasie huishoudings wat onder die armoede lyn lê, van 50% na 23% sal verminder en die gemiddelde tekort aan inkomste van die arm huishoudings verminder sal word van 37% na 22%. As die gemiddelde inkomste toeneem, sal die „Headcount“ indeks afneem.

Ten slotte kom hierdie verhandeling tot die gevolgtrekking, dat indien daar in opleiding en opvoeding belê word, daar daadwerklik werksgeleenthede geskep kan word en werkloosheid verminder kan word. Hierdie gevolgtrekking is gemaak op grond van die feit dat onopgeleide individue 'n kleiner kans staan om werk te kry as hul opgeleide mededingers, en dat opgeleide persone 'n beter kans het om 'n hoër inkomste te verdien en sodoende hulle lewenstandaard te verbeter.

## **SLEUTEL TERME**

Armoede, werkloosheid, opvoeding, opleiding, Sicelo, Bophelong, Emfuleni, verligting van armoede, werkskepping, ontwikkeling, primêre opleiding, sekondêre opleiding, onvoltooide sekondêre opleiding, beroepsopleiding, verdienste, werksmag, opvoeding en opleiding, werkloosheidskoers, „Headcount indeks“, nie-arm, gemiddelde inkomste, armoede lyn, vaardighede.

## TABLE OF CONTENTS

Acknowledgements .....	i
Abstract .....	iii
Opsomming .....	vii
Table of Contents .....	ix
List of Figures .....	xv
List of Tables .....	xvii
List of Abbreviations .....	xviii
<b>CHAPTER ONE</b> .....	<b>1</b>
<b>THE PROBLEM AND ITS SETTING</b> .....	<b>1</b>
1.1 Background to the problem .....	1
1.2 Statement of the problem .....	5
1.3 Aim of the research .....	6
1.4 Hypothesis .....	7
1.5 The research methodology .....	7
1.5.1 Literature study .....	7
1.5.2 Empirical study .....	7
1.5.3.1 Unemployment .....	8
1.5.3.2 Poverty .....	9
1.5.3.3 Methodology for the impact assessment of job creation on poverty .....	9

## TABLE OF CONTENTS

Acknowledgements .....	i
Abstract .....	iii
Opsomming .....	vii
Table of Contents .....	ix
List of Figures .....	xv
List of Tables .....	xvii
List of Abbreviations .....	xviii
<b>CHAPTER ONE</b> .....	<b>1</b>
<b>THE PROBLEM AND ITS SETTING</b> .....	<b>1</b>
1.1 Background to the problem .....	1
1.2 Statement of the problem .....	5
1.3 Aim of the research .....	6
1.4 Hypothesis .....	7
1.5 The research methodology .....	7
1.5.1 Literature study .....	7
1.5.2 Empirical study .....	7
1.5.3.1 Unemployment .....	8
1.5.3.2 Poverty .....	9
1.5.3.3 Methodology for the impact assessment of job creation on poverty .....	9

1.6	Outline of chapters.....	10
<b>CHAPTER TWO.....</b>		<b>12</b>
<b>THEORETICAL BACKGROUND TO UNEMPLOYMENT, POVERTY, AND EDUCATION AND TRAINING .....</b>		<b>12</b>
2.1	Introduction .....	12
2.2	Unemployment.....	12
2.2.1	Definition of unemployment.....	13
2.2.2	Types of unemployment .....	14
2.2.3	Measurement of unemployment.....	17
2.2.4	Dimensions of unemployment .....	20
2.2.4.1	Unemployment rate by provinces (official definition).....	20
2.2.4.2	Unemployment rate by population group and gender (official definition).....	21
2.2.4.3	Unemployment rate by highest level of education and gender (official definition) .....	22
2.2.4.4	Unemployment by age .....	23
2.2.5	Causes of unemployment.....	24
2.3	Poverty.....	25
2.3.1	Theories on poverty.....	26
2.3.2	Rationale behind the definition of poverty.....	28
2.3.3	Factors affecting the definition of poverty.....	29
2.3.3.1	Deprivation of basic needs .....	29
2.3.3.2	Political and cultural influences .....	29

2.3.4	Definition of poverty.....	30
2.3.5	Poverty in south africa.....	32
2.3.5.1	Dimensions of poverty in South Africa.....	33
2.3.5.2	Causes of poverty in South Africa.....	33
2.3.5.3	Approaches to poverty.....	34
2.3.5.3.1	Absolute approach.....	34
2.3.5.3.2	Relative approach.....	35
2.3.5.3.3	Qualitative and quantitative approaches.....	36
2.3.6	Measurement of poverty.....	36
2.3.6.1	Poverty lines.....	37
2.3.6.2	The headcount index.....	40
2.3.6.3	Poverty gap.....	40
2.3.6.4	Dependency ratio.....	42
2.3.7	Factors affecting the measurement of poverty.....	42
2.3.7.1	Income.....	42
2.3.7.2	Individuals and households.....	43
2.4	The link between unemployment, poverty, education and training.....	43
2.4.1	The relation between education and poverty and the labour.....	44
2.4.2	History of training in South African.....	46
2.4.3	Current race, gender and occupational segmentation in the training system.....	48
2.5	Summary and conclusion.....	50

<b>CHAPTER THREE</b> .....	53
<b>PROFILE OF THE POOR POPULATION OF SICELO</b> .....	53
3.1 Introduction .....	53
3.2 Demographics.....	53
3.3 Labour force.....	57
3.2.1 Profile of the employed.....	58
3.2.2 Profile of the unemployed.....	59
3.3 Poverty.....	64
3.3.1 Profile of the poor.....	66
3.3.2 Profile of the poor employed.....	67
3.3.3 Profile of the poor unemployed.....	70
3.4 Income and expenditure.....	73
3.5 Environmental issues.....	78
3.6 Crime .....	79
3.7 Summary and conclusion.....	80
<b>CHAPTER FOUR</b> .....	83
<b>THE ROLE OF EDUCATION AND TRAINING IN THE REDUCTION OF UNEMPLOYMENT AND IN POVERTY ALLEVIATION</b> .....	83
4.1 Introduction .....	83
4.2 Education and training system in South Africa.....	83
4.2.1 Characteristics of the system .....	84
4.2.1.1 Education sector.....	84

4.2.1.2	Training sector.....	85
4.2.2	Education and training in the context of poverty and unemployment reduction.....	85
4.2.2.1	Basic education.....	86
4.2.2.2	Work related training .....	88
4.2.2.3	Higher education .....	89
4.3	Key factors in reducing poverty.....	89
4.3.1	Action by developing countries.....	89
4.3.2	International undertakings .....	90
4.4	Crucial issues to be addressed by education.....	92
4.5	Summary and conclusion.....	93
<b>CHAPTER FIVE .....</b>		<b>95</b>
<b>JOB CREATION AND POVERTY ALLEVIATION THROUGH EDUCATION AND TRAINING IN SICELO .....</b>		<b>95</b>
5.1	Introduction .....	95
5.2	The essential role that education and training play in the alleviation of poverty .....	95
5.3	The productivity of education and training.....	98
5.4	Evidence that investing in education reduce poverty .....	100
5.5	Education and training in Sicelo.....	102
5.6	The impact of training in job creation and poverty alleviation in Sicelo .....	104
5.7	Summary and conclusion.....	107

<b>CHAPTER SIX</b> .....	110
SUMMARY, CONCLUSION AND RECOMMENDATIONS.....	110
6.1 Introduction .....	110
6.2 Summary.....	110
6.3 Conclusion .....	118
6.4 Recommendations .....	120
6.4.1 Employment creation in various fields .....	121
6.4.2 Recommendations for the implementation of priorities in education and training in Sicelo.....	121
References.....	123
Annexure A.....	<b>Error! Bookmark not defined.</b>
Survey design and application.....	131
Annexure B.....	<b>Error! Bookmark not defined.</b>
Household questionnaire June 2004 .....	134
Annexure C .....	<b>Error! Bookmark not defined.</b>
Methodology for the measuring of unemployment.....	139
Annexure D .....	<b>Error! Bookmark not defined.</b>
Methodology for the measuring of poverty .....	142
Annexure E.....	<b>Error! Bookmark not defined.</b>
Methodology for impact assessment .....	144



## LIST OF FIGURES

FIGURE 2.1	Unemployment rate (official definition) by province: March and September 2003 .....	21
FIGURE 2.2	Unemployment rate (official definition) by population group and gender: September 2003.....	22
FIGURE 2.3	Unemployment rate (official definition) by highest level of education and gender: September 2003 .....	23
FIGURE 2.4	Unemployment by age .....	24
FIGURE 3.1	Total population of Sicelo in age categories - 2004 .....	54
FIGURE 3.2	Gender distribution of the Sicelo population - 2004 .....	55
FIGURE 3.3	Qualifications of post-school population in Sicelo - 2004.....	56
FIGURE 3.4	Average length of stay in the Vaal Triangle - 2004 .....	56
FIGURE 3.5	Composition of the labour force in Sicelo - 2004 .....	57
FIGURE 3.6	Sectors of employment for the employed population in Sicelo - 2004.....	58
FIGURE 3.7	Duration of unemployment in Sicelo - 2004 .....	59
FIGURE 3.8	The unemployed in different age categories in Sicelo - 2004.....	60
FIGURE 3.9	Qualifications of the unemployed in Sicelo - 2004 .....	61
FIGURE 3.10	Skills of the unemployed in Sicelo - 2004 .....	62
FIGURE 3.11	Skills training preferred by the unemployed in Sicelo – 2004.....	63
FIGURE 3.12	Self-sustaining activities preferred by the unemployed in Sicelo - 2004.....	64

FIGURE 3.13	Poor households and their hsl ratios in Sicelo - 2004.....	65
FIGURE 3.14	Gender distribution of the poor population in Sicelo - 2004.....	66
FIGURE 3.15	Qualifications of the post-school poor population in Sicelo - 2004.....	67
FIGURE 3.16	The composition of the poor labour force in Sicelo - 2004.....	68
FIGURE 3.17	Sectors of employment for the poor employed in Sicelo - 2004.....	69
FIGURE 3.18	Age categories of the poor unemployed population in Sicelo - 2004.....	70
FIGURE 3.19	Duration of unemployment for the poor unemployed population in Sicelo - 2004.....	71
FIGURE 3.20	Qualifications of the poor unemployed in Sicelo - 2004.....	72
FIGURE 3.21	Skills training preferred by the poor unemployed in Sicelo - 2004.....	73
FIGURE 3.22	Percentage contribution of different sources to household income in Sicelo - 2004.....	74
FIGURE 3.23	Monthly expenditure for households on different items in Sicelo - 2004.....	75
FIGURE 3.24	Place where household products are bought in Sicelo - 2004.....	76
FIGURE 3.25	Household expenditure in Sicelo - 2004.....	77
FIGURE 5.1	Impact of job creation on poverty levels in Sicelo - 2004.....	107

## LIST OF TABLES

TABLE 1.1	Share of turnover in urban centres 1993 - 98 (%).....	3
TABLE 1.2	The population of the three municipalities that form the sedibeng district municipality .....	4
TABLE 2.1	Unemployment trends in south africa, 1994-2001 (%).....	19
TABLE 2.2	Enterprise training by occupation, race and gender - 2000.....	49
TABLE 5.1	Qualifications of post-school poor population in Sicelo – 2004 .....	103
TABLE 5.2	Institution of study preference.....	104

## **LIST OF ABBREVIATIONS**

AIDS	:	Acquired Immune-Deficiency Syndrome
ANCES	:	American National Centre for Educational Stats
BCEA	:	Basic Conditions of Employment Act
BEE	:	Black Economic Empowerment
BMR	:	Bureau of Market Research
CEAS	:	Central Economic Advisory Service
CEC	:	Commission European Communities
CPM	:	Capability Poverty Measure
CPS	:	Current Population Survey
DB	:	Development Bank
DFID	:	Department for International Development
DoE	:	Department of Education
EAP	:	Economically Active Population
EfA	:	Education for All
EPWP	:	Extended Public Works Programmes
EVSE	:	Economically Vulnerable and Socially Excluded
GGP	:	Gross Geographic Product
HDI	:	Human Development Index
HDR	:	Human Development Report
HEL	:	Household Effective Level
HIPC	:	Heavily Indebted Poor Countries

HIV	:	Human Immune-Deficiency Virus
HPI	:	Human Poverty Index
HRM	:	Human Resource Management
HRSC	:	Human Science Research Council
HSL	:	Household Subsistence Level
IES	:	Income and Expenditure Survey
IIP	:	Inward Industrialization Process
ILO	:	International Labour Organisation
IMF	:	International Monetary Fund
ISCOR	:	Iron and Steel Corporation
LAC	:	Labour Absorption Capacity
LFS	:	Labour Force Survey
MLL	:	Minimum Living Level
MHSL	:	Minimum Humane Standard of Living
NGO	:	Non Governmental Organisation
NTB	:	National Training Board
OHS	:	October Household Survey
PDL	:	Poverty Datum Line
PIR	:	Poverty and Inequality Report
PRSP	:	Poverty Relief Strategic Programme
PSLSD	:	Project for Statistics on Living Standards and Development

SAMANCOR	:	South African Manganese Corporation
SAPPA	:	South African Participatory Poverty Assessment
SARB	:	South Africa Reserve Bank
SLL	:	Supplementary Living Level
SMME	:	Small, Medium and Micro Enterprise
STATS SA	:	Statistics South Africa
TBVC	:	Transkei, Bophuthatswana, Venda, and Ciskei
UK	:	United Kingdom
UNDP	:	United Nations Development Programme
UNESCO	:	United Nation Educational, Scientific and Cultural Organisation
UNICEF	:	United Nations Children Fund
US	:	United States
USA	:	United States of America
USCO	:	Union Steel Corporation
VET	:	Vocational Education and Training
VRG	:	Vaal Research Group

## CHAPTER ONE

### THE PROBLEM AND ITS SETTING

#### 1.1 Background to the problem

Unlike the towns of the Witwatersrand, which owe their development to the discovery of gold, the towns that now form Emfuleni owe their establishment to the discovery of coal deposits in the region. In 1878 George William Slow discovered deposits of coal extending 100 kilometres north of Vereeniging and 32 kilometers south across the Vaal River, totalling an area of approximately 500 square kilometers. At the current rate of mining, it is expected that these deposits will only be exhausted within 400 years. At the request of Slow, Senator Samuel Marks, Isaac Lewis and Slow formed a company known as 'De Zuid Afrikaansche en Oranje Vrijstaatsche Kolen Mineralen Mijn Vereeniging'. They purchased a number of coal bearing farms in 1880, and started to operate coal mines in the area. By 1882, there was a large enough population and sufficient development in the area of the coal mines to justify the establishment of a town. The town Vereeniging was founded (Urban Econ, 1998:31).

The discovery of gold in the Witwatersrand in 1888 and the accompanying increase in mining and commercial activities, as well as the growing population, resulted in an increased demand for coal and steel. This resulted in the Vereeniging coal mines playing an increasingly important role (Urban Econ, 1998:31). The foundation of towns in the Vaal Triangle economic region, which also includes the Free State's Metsimaholo municipality, was very much related to the exploitation of coal resources and the establishment of iron and steel works by the Union Steel Corporation (USCO) and the Iron and Steel Corporation (ISCOR). At the end of the 19th century, huge coal deposits were discovered near Vereeniging, which became the location of the first African melting industry for scrap metals. New iron and steel plants gave birth to nearby Vanderbijlpark in 1941 and Meyerton (which is the town closest to Sicelo) a few years later, while one decade on the chemical giant, Sasol, created Sasolburg. The dynamics of the gold mining industry as well as finance and commerce in the nearby Witwatersrand also stimulated the economy (Pelupessy, 2000:1)

Past economic development was accompanied by the creation of corresponding Black labour force reservoirs on the urban boundaries. The oldest township, Evaton, was created in 1904, Sharpeville in 1941, Bophelong and Boipatong in the Emfuleni area in

1955, Sebokeng in 1965, while Zamdela; Refenkgotso appeared near Sasolburg in the 1970s and Sicelo in the Midvaal Municipality near Meyerton in 2002. Extensive road systems link these towns with the sources of labour and inputs, and Johannesburg markets (Pelupessy, 2000:1). Forced and voluntary migrations and relatively high birth rates among the Black population concentrated most of the area population of 658 422 in 2001 in the townships (Statistics South Africa, 2003a).

Earlier days Meyerton was part of Vereeniging, and Vereeniging was part of the Vaal Triangle. Nowadays, Meyerton is in the Midvaal Municipality, and Midvaal is not included in the Vaal Triangle. Although Meyerton is officially not part of the Vaal Triangle anymore, in reality it still forms an integral part of the Vaal Triangle economy. As regards the distribution of labour between the towns and townships of the Vaal Triangle, in 1998 the three towns comprised 21.3 percent of the population which contained 35 percent of the employed. The five largest townships, containing 78.7 percent of the labour force, housed 65 percent of the employed. This included those working in the towns (63 000), outside the Vaal Triangle (17 000) and in the informal sector (28 000) (Pelupessy, 2000:1).

Pelupessy (2000:1) stated that in 1999, 35 000 or one of every seven economically active persons were employed in the same township. The disequilibrium became far more significant when looking at the distribution of formal economic activities. This applied to more than 99 percent of those concentrated in the three towns where only one fifth of the economically active population (EAP) lived. Detailed information on turnover of registered businesses for the period 1993-98 shows a strong decline in the participation rate of those living in the Vaal Triangle from 0.81 to 0.44 percent in post apartheid South Africa.

In the three towns of the Vaal Triangle there has been a small shift in economic activities from Vanderbijlpark to Vereeniging and Meyerton from 1993 to 1998. In 1998, even in nominal terms, most townships were worse off than in 1993, the exception being the Indian community of Roshnee, where the turnover in this period increased only two percent above the inflation rate. In the townships, where most Black people live, employment had fallen sharply. The strongest declines were observed in Evaton, Sharpeville and Sebokeng, where the unemployment rate soared (Pelupessy, 2000:2).



**Table 1.1 Share of turnover in urban centres, 1993 - 98 (%)**

TOWN	1993	1998
Vereeniging	39.71	43.75
Vanderbijlpark	50.99	45.16
Meyerton	8.49	10.65
Subtotal towns	99.19	99.56
Evaton North	0.05	0.03
Evaton	0.18	0.10
Roshnee	0.10	0.10
Rus ter Vaal	0.02	0.01
Sharpeville	0.14	0.01
Boipatong	0.02	0.01
Bophelong	0.03	0.01
Sebokeng	0.28	0.17
Subtotal townships	0.81	0.44
TOTAL	100.00	100.00

Source: Pelupessy, 2000:2.

It appears that in the Lekoa Vaal as a whole more than 46 000 jobs were lost in 1993 (or 28 percent of total formal employment). The decrease occurred in practically all economic sectors. Still, in 1998, 96 percent of the unemployed lived in the five biggest

townships of the Vaal Triangle. More than half of the labour force in Evaton, Sharpeville and Sebokeng had no job at all. In 1998, about 140 000 people were unemployed in the Black townships of one of the most important industrial hubs in South Africa (Pelupessy, 2000:2).

Sedibeng District Municipality consists of the Emfuleni, Midvaal and Lesedi Municipalities, and houses a total population of 794 599 (Statistics South Africa, 2003a). The population of Sedibeng forms 9.0 percent of the population of Gauteng Province. **Table 1.2** indicates the population of the three municipalities forming the Sedibeng District Municipality.

**Table 1.2 The population of the three municipalities that form the Sedibeng District Municipality**

	Population	Households	Households Size	Area
Emfuleni	658,422	187,044	3.52	1.276 km
Midvaal	64,644	20,778	3.11	3.312 km
Lesedi	71,533	18,853	3.79	1.042 km
Total	794,599	226,675	3.51	4,638 km

Source: Slabbert, 2004.

The average annual growth rate of the Sedibeng population for the years 1996 to 2001 was two percent compared to 3.75 percent for the Gauteng population (the national average growth rate was also two percent per annum). Sicelo is a township in the Midvaal Municipality, in the vicinity of the town Meyerton. The number of households in Midvaal is estimated at 20 778, and the average household size in Midvaal is 3.11 in 2001 (calculated from Statistics South Africa, 2003a). The population in Sicelo is estimated at 6 400, and the number of households is estimated at 1 778. The average household size in Sicelo is 3.6 members for the year 2004 (Survey Data, 2004).

## 1.2 Statement of the problem

The Sedibeng economy experienced an average negative real gross geographic product (GGP) growth rate of -4.1 percent per annum from 1996 to 1999. From 1999 onwards the economy recovered, but the average annual real GGP from 1996 to 2001 remained low at 0.8 percent (Urban-Econ calculations based on data by Global Insight, in Slabbert, 2004:2). Between 1991 and 1996 there was a huge decrease in employment opportunities. In the Vaal Triangle alone (where Emfuleni comprises 85 percent of the population), this decrease in employment opportunities amounted to 54 000. The manufacturing sector alone shed almost 39 000 jobs in this period (Bloch & Dorfling, 2000:15). From 1996 to 2001 there was an additional decrease in employment opportunities of 4 955 in Sedibeng (Statistics South Africa, 2003a).

Against this background the future possibilities for formal employment in the area, including Midvaal, appear to be bleak. The chance for school leavers to acquire formal employment seems to be extremely limited. It is suspected that most of them end up unemployed and "hanging around", especially in the townships, like amongst others, Sicelo. The majority (if not all) has never been exposed to any technical or entrepreneurial skills or other skills training. With the limited possibilities for formal sector employment in Midvaal, there is an urgent need for:

- ❖ the identification of informal employment opportunities in and around the township/squatter areas, where the majority of the unemployed resides;
- ❖ the initiation of an inward industrialization process (IIP) aimed at the production of products that are consumed on a large scale in the townships/squatter areas (like mealie meal), using labour-intensive methods;
- ❖ a downstream manufacturing process whereby basic products (such as steel products) are further processed by small, medium and micro enterprises (SMME's) to become final products; a search for other (labour-intensive) manufacturing possibilities like clothing factories to enhance employment creation;
- ❖ ways and means to empower the unemployed in terms of technical and entrepreneurial skills and self-employment, to be absorbed in the IIP and;
- ❖ investigation into the possibility of forming co-operatives for the production of certain products by skilled people from the townships (Slabbert, 2003:2).

It is against this background that Mokoena (1994:42-44) and Slabbert and Pelupessy (1999:2) ascertain that the population growth in Vaal Triangle townships has accelerated and was above the national growth rates before 1996, and between 96 and 2001 the growth rate was the same as the national growth. This increase is not followed by an increase of employment opportunities, which means that unemployment and poverty is on the increase.

### **1.3 Aim of the research**

The Vaal Triangle occupies the southern part of Gauteng Province. The province is regarded as the most affluent in South Africa. Research has nevertheless shown that urban poverty and the problem of the working poor is widespread in the area (Bangane, 1999:46)

A survey undertaken in Emfuleni in 2003 showed that 51.5 percent of all households of Emfuleni live in poverty. The main cause of poverty is unemployment. The same survey showed that 96 percent of all the poor residing in Emfuleni lived in townships. It can therefore be concluded that the greatest need for employment and poverty relief is in the townships (Slabbert, 2004:3)

The above-mentioned is confirmed by Spier (1994:10), who states that unemployment is closely associated with poverty. Even people who live below the poverty line believe that their plight can be eased through job creation and training for work and entrepreneurship. Slabbert (1997:69) further argues that labour is the major resource available to the poor, and unemployment is one of the determinants of poverty. This implies that there is a direct relationship between unemployment and poverty.

The aim of the current research is to reflect the true state of affairs of the inhabitants of the Sicelo Township and the role that education and training can play in the creation of jobs and the alleviation of poverty alleviation. In addition, some products will be identified that may be used to kickstart an inward industrialization process (IIP) in and around the Sicelo township. The skills possessed by the unemployed and the activities they wish to engage in to sustain themselves will also be investigated.

## **1.4 Hypothesis**

Unemployment and poverty in Sicelo are related to lower levels of education and training, therefore, investing in education and training will reduce unemployment and poverty in the township.

## **1.5 The research methodology**

### **1.5.1 Literature study**

The method used in the literature study involves the use of secondary sources such as textbooks, government publications, published reports as well as unpublished information like doctoral theses. Internet websites, journals and primary sources such as newspaper and periodicals are also consulted. Several institutions and agencies such as the Vaal Research Group (VRG) have done empirical research in the Midvaal area. This dissertation captures the salient issues from the different studies and offers an analysis of the situation.

### **1.5.2 Empirical study**

For the purposes of this study a household survey was undertaken in the Sicelo Township by means of questionnaire-interviews to obtain the necessary data and make an analysis of poverty and unemployment. In order to determine the rate of unemployment in the Sicelo Township, sample surveys were undertaken on a sample basis to obtain the necessary data. The definition and measurement of poverty was done qualitatively by employing income and consumption data.

The household survey was done in the following way: maps were obtained for the Sicelo Township and a sample stratification was undertaken on account of the geographical distribution and concentration of people in the areas (for the survey design and application, see Annexure A). A questionnaire was designed for use in obtaining the desired information (for the questionnaire, see Annexure B). The area was divided into different areas and the questionnaires were apportioned evenly among the inhabited sites.

Plots/sites at which fieldworkers were to complete questionnaires were identified individually from the map before the fieldworkers went out. However, where people could not be secured for an interview, or where it was impossible to trace the

household, the next pre-selected household was interviewed. Information was obtained from the breadwinner or the spouse.

One fieldworker interviewed a total of 100 households. All the households approached were willing to partake in the survey and 100 questionnaires were completed in August 2004.

### **1.5.3.1 Unemployment**

Various methods can be used to measure unemployment. The following are more or less standard methods (Barker, 2003:8).

- ❖ The census method is used for measuring the economic status of the entire population. However, censuses are done periodically and only a limited number of questions pertaining to unemployment can be included. For this reason the method was not used.
- ❖ The registration method provides for the unemployed to register at placement offices - in South Africa, offices of the Department of Labour. Registration is compulsory to qualify for unemployment benefits. In South Africa, some categories of civil servants, domestic workers, farm workers, casual and seasonal workers, those earning more than the ceiling income and those whose period of benefit (6 months) has run out are excluded from the fund and therefore many Black persons have no reason to register. Registered unemployment figures published by the Department of Labour in South Africa consequently do not show the level of unemployment accurately, particularly not for Blacks. For that reason, this method was also not considered for this study.
- ❖ Sample surveys, the method used in this study, involve surveys being undertaken on a sample basis in order to obtain the data required to calculate unemployment rates for specific groups of people. In earlier years, the Central Statistics Services conducted surveys on a monthly basis for Blacks, Coloureds and Asians. It was called the Current Population Survey (CPS). However, since the figures obtained for Blacks were found to be inaccurate, their results have not been published since April 1990 (Baker, 1992:83).

In 1994, the CPS was terminated and the October Household Survey (OHS) was introduced. Statistics South Africa has conducted the OHS since 1996. It is an annual

survey based on a probability sample of a large number of households. It covers a range of development and poverty indicators, including unemployment rates (official and expanded), according to the definitions of the International Labour Organisation (ILO).

However, because of the lack of reliable sources of information on a regional basis, surveys have been conducted in the Vaal Triangle by Slabbert *et al.* (1988; 1994; 1997; 1999 and 2003) to determine the unemployment and poverty rate.

### **1.5.3.2 Poverty**

For the purpose of this study, poverty is defined as the inability to attain a minimum material standard of living. The standard of living is usually expressed in terms of household income and expenditure, as it is considered a reasonably adequate yardstick. The minimal material standard of living is normally referred to as a poverty line. It is determined by the income (or expenditure) necessary to buy those goods that ensure a minimum standard of nutrition and other basic necessities. The cost of minimum adequate caloric intake and other necessities can be calculated by looking at the prices of food and other necessities necessary to sustain a healthy living. A poverty line can therefore be calculated for a specific geographical area (World Bank, 1990:26).

Slabbert (1997:42) defines a poor household as a household for which the combined income of all its members is less than the calculated cost of the minimum adequate caloric intake and other necessities of the household. Poverty is usually measured by the headcount index and the poverty gap. The headcount index is defined as the fraction of the population below the poverty line. In this report the headcount index is adapted to indicate the fraction of households that fall below their individual poverty lines (World Bank, 1990:27).

The poverty gap usually measures the average shortfall of the incomes of the poor from the poverty line while the poverty gap index measures the extent of the shortfall of incomes below the poverty line. In this report the poverty gap index is adapted to be a measure of a specific household (Slabbert, 1997:47).

### **1.5.3.3 Methodology for the impact assessment of job creation on poverty**

Employment creation may help to supplement the existing income of households to such an extent that the headcount index for the population is decreased significantly.

The 2004 household survey data is used to determine the impact of job creation on poverty. The data renders all the information needed to test these models, for example, the age and gender of household members required to determine the individual poverty line for each individual household; the combined income of each individual household; and the number of unemployed members in a household (Slabbert, 1997:171).

## **1.6 Outline of chapters**

**Chapter 1** (*The problem and its setting*) introduces the field of study. The chapter further introduces the research problem and the aim of the study. In addition, it outlines the hypothesis and the research methodology of the study. Lastly, a clear and brief layout of the study is given to show all the main topics and aspects of research relevant to chapters' two to six.

**Chapter 2** (*Theoretical background to unemployment, poverty and education and training*) discusses the theories of poverty, unemployment, education and training. The definitions of poverty and unemployment are also provided. The tools used to measure poverty and the various types of unemployment are identified. The link between unemployment, poverty, education and training is discussed in this chapter. This study is dedicated to a literature study of these concepts and lays a foundation for their use in subsequent chapters.

**Chapter 3:** (*Profile of the poor population of Sicelo*) constructs the profile of the poor population of the Sicelo Township compared to Bophelong Township. This is done in terms of information about household and employment structures, including the following: average household size, status of different household members, marital status of the heads of the households, age and gender structure of members, age and qualifications of school and post-school members, age of the employed, sectors of employment, mean earnings of the employed, age of the unemployed, qualifications of the unemployed and activities they wish to engage in, duration of unemployment, income and expenditure patterns of the households, environmental issues and, finally the state of crime in the township. The purpose of this chapter is to determine whether Sicelo is better off or worse off than other communities in the Emfuleni, and providing the base for measuring the impact of investing in education and training.

**Chapter 4:** (*The role of education and training in the reduction of unemployment and poverty alleviation*) focuses firstly on the context of education and training in combating



poverty and unemployment in South Africa. Secondly, the chapter discusses the international communities' programmes and policies on poverty and unemployment eradication by means of education and training.

**Chapter 5:** (*Job creation through education and training in Sicelo*) discusses an overview of education and training, followed by the economic and social benefits of learning, education and training. Evidence from Ghana, Uganda and South Africa, as to the question of whether investing in education reduces poverty is also discussed in this chapter. Finally, the impact of education and training in Sicelo is analyzed.

**Chapter 6:** (*Summary, conclusion and recommendations*) presents a summary of the findings of the study and evaluates the hypothesis against the findings. Conclusions have been drawn from these outcomes. The chapter contains recommendations regarding support needs for education and training.

## CHAPTER TWO

# THEORETICAL BACKGROUND TO UNEMPLOYMENT, POVERTY, AND EDUCATION AND TRAINING

## 2.1 Introduction

Structural and technological changes in the South African economy over the last three decades have, together with the legacy of apartheid policies in education and labour, created a labour market which is heavily segmented along racial lines, and escalating unemployment. South Africa's labour market situation has been characterised as one of high unemployment and negligible job creation. Unemployment is particularly high among the unskilled, and disproportionately affects the African population (Lewis, 2001).

This chapter deals with the theoretical background to unemployment, poverty, education and training. It outlines the definitions, types, causes, dimensions and measurement of unemployment and poverty. The link between education, poverty, education and training is also outlined, this include the relation between education and poverty and the labour market; the South African training system in the past and the current race, gender and occupational segmentation in the training system.

## 2.2 Unemployment

Unemployment is a big problem for the economy. Not only is it a severe personal blow to those concerned, but it is also an economic waste. Not only are the unemployed not working, and therefore not contributing to the economy, but they will also be claiming benefits and costing the government money. The aim should be to keep unemployment as low as possible. The main cost of unemployment is a personal one to those who are unemployed. However, if they suffer then the whole economy suffers. Individuals may become dispirited by unemployment; they may lose their self-esteem and confidence. This may affect their motivation to work. The longer they are unemployed the more they may lose their skills and this has to be bad for the economy as well. The whole economy suffers from people being unemployed (Anon, 2002).

## 2.2.1 Definition of unemployment

Unemployment is a multi-dimensional concept. There are two definitions of unemployment, that is, the strict and the expanded definitions. Statistics South Africa adopted the expanded definition of unemployment as endorsed by the International Conference of Labour Statisticians in Geneva in 1982 (Barker, 2003:202). The strict definition states that (Barker, 1992:81): "The unemployed are persons who:

- ❖ are fifteen years old and older;
- ❖ were not in paid employment or self employment i.e. did not work for five or more hours for a wage or salary or for profit or family gain during the seven days preceding the survey;
- ❖ were available for paid employment or self-employment during the reference week (the seven days preceding the interview); and
- ❖ took specific steps during the four weeks preceding the interview to find paid employment or self-employment; or
- ❖ have the desire to work and to take up employment or self-employment."

This definition, however, has some shortcomings. The first shortcoming is that the criterion of seeking work is not always realistic in a developing country. Those who are unemployed might have become discouraged and thus do not take steps to look for employment - or it may be costly to take active steps to search for a job. The International Labour Organisation (ILO) has made provision for the problem by indicating that the definition can be applied by waiving the criterion of taking steps seeking work. By relaxing this requirement, the expanded definition is arrived at. Therefore, other relevant tests to suit national conditions should be created (Barker, 2003:209).

However, in 1998 Statistics South Africa reintroduced the strict definition of unemployment as the official definition of unemployment. Statistics South Africa (2003:247) uses the following definition of unemployment as its official definition (strict definition). The unemployed are those people within the economically active population who,

- ❖ did not work during the seven days prior to the interview;
- ❖ want to work and are available to start work within a week of the interview; and

- ❖ have taken steps to look for work or start some form of self-employment in the four weeks prior to the interview.

Statistics South Africa (1998:8) justifies this change in the definition as an attempt to be in line with widely accepted international practice, as more than eighty percent of developed and less-developed countries and South Africa's major trading partners use this definition.

According to Barker (2003:208), this strict definition underestimates unemployment amongst women, and rural women in particular, because these categories of persons find it very difficult to actually take steps to find a job. Using the strict definition, the unemployment rate among rural women was 32 percent, but when the expanded definition is used, the rate shoots up to 51 percent.

### **2.2.2 Types of unemployment**

In order to address the problem of unemployment successfully, a distinction should be drawn between different types of unemployment. This gives an indication of the possible reasons for unemployment, and therefore also some idea of how the problem should be addressed (McConnell & Bruce, 1989:65).

Bangane (1999:10) mentions that usually a distinction is made between four main different types of unemployment. This would help to give an indication of the causes of unemployment, the consequences of unemployment (given the differences in duration with regard to each type of unemployment), and also some ideas as to how to tackle this problem. These four different types of unemployment are frictional, cyclical, structural, and seasonal.

Frictional unemployment arises as a result of normal turnover that happens in any dynamic economy and the time lags involved in the re-employment of labour as the labour market is always in a state of flux (Barker, 2003:203). This is the case even when aggregate demand is high enough to employ the entire nation's labour force and when those unemployed have skills that match those demanded by firms having job openings (vacancies). The nation's unemployment rate will remain positive because some people will be between jobs. This means that at any moment in time, there is considerable unemployment as not all active job seekers will have yet found employment and not all employers with job openings will have yet found suitable people to fill these vacancies. Frictional unemployment is thus unavoidable (Barker, 2003:203).

Ehrenburg and Smith (1991:585-586) argue that the level of frictional unemployment is determined by the turnover in the labour market and the speed with which the unemployed get the job. This speed is influenced by the existing economic institutions - thus institutional changes can influence the level of frictional unemployment. Barker (2003:202) contends that frictional unemployment is usually of relatively short duration, which can be reduced even further by improving labour market information and placement services so that the employer and jobseekers can find each other sooner and more effectively.

However, McConnell and Bruce (1995:545-546) ascertain that not all frictional unemployment is of a search nature. In some instances, unemployed workers willingly wait to be recalled from temporary lay-offs or willingly wait in job queues to obtain union jobs, which normally command relatively higher wage rates. Additionally, efficiency wages may attract workers into the labour force, who are then forced to wait for such jobs to open up. These types of frictional unemployment collectively might be explained as 'wait' unemployment.

Cyclical unemployment can appear even when aggregate demand equals aggregate supply. Cyclical or demand-deficient unemployment is caused by a decline in aggregate demand which in turn causes a decline in the demand for labour in the face of downward rigidity of wages. This implies that demand-deficient unemployment is associated with short-term fluctuations in the level of formal economic activity (a business cycle), hence it is called cyclical unemployment (Ehrenburg & Smith, 1991:591).

Barker (2003:202) argues that cyclical unemployment arises during recessionary periods, when aggregate demand, and therefore also the demand for labour, is low. During recessionary periods few or no jobs are created for new entrants so that they enter the labour market, and even existing workers might lose their jobs through retrenchments. Once the economy improves, however, the cyclically unemployed are again taken up. In South Africa cyclical unemployment has a dimension that makes it difficult to address successfully; it is superimposed on large-scale structural unemployment. As a result, the unemployment problem is highly complex and difficult to alleviate.

In the classical analysis, there is no cyclical unemployment. The classical economists believe that if workers can only accept the going market wage rate, cyclical unemployment cannot be a result. If, however, as a result of a minimum wage laws or wage maximizing activities of trade unions with personal preferences, workers are not prepared to accept less than their reservation wage, this can be described as voluntary idleness and it could be avoided by accepting a market wage rate. In the Keynesian model the downward rigidity of wages is not the cause of the fall in the demand for labour (Sadie, 1980:341-343).

Structural unemployment is more difficult to define, but generally refers to the overall inability of the economy, due to structural imbalances, to provide employment for the total labour force even at the peak of the business cycle. Even during periods of economic growth, job opportunities do not increase fast enough to absorb those already unemployed and those entering the labour market for the first time (Barker, 2003:202). There are various reasons for this, for example, the rapid growth of the labour force, the use of capital-skill intensive technology or inflexible labour market. Chanda (1994:23) argues that the major proportion of unemployment in South Africa is structural unemployment rather than cyclical.

Structural unemployment arises when changes in the pattern of labour demand cause a mismatch between the skills demanded and the skills supplied in a given area, or cause an imbalance between the supply of and demand for workers across areas (Ehrenburg & Smith, 1991:58). According to McConnell and Bruce (1995:547), structural unemployment shares many features with frictional unemployment but is differentiated by being long-lived. Therefore, structural unemployment can mean significant costs to the unemployed and substantial output loss to society. The extent of structural unemployment depends upon the degree of the compositional changes in labour demand and supply as well as the speed of the adjustments of the mismatches and imbalances. Efforts to shorten the spell of structural unemployment usually include the training and retraining of the unemployed so that their skills could match existing vacancies.

Finally, technological innovations are also cited as a factor exacerbating structural unemployment. To fill the vacancies created by technological changes, employers may have to embark on more concerted job training programmes (McConnell & Bruce, 1995:548).

Seasonal unemployment is similar to cyclical unemployment in that it is also determined by the changes in the demand for labour due to the changes in the demand of output that labour produces. The fluctuations can, in the case of seasonal unemployment, be regularly anticipated as they follow a systematic pattern over the course of a year. For example, the demand for farm labourers falls after the planting season and increases during the harvesting season (Ehrenburg & Smith, 1991:600)

Barker (2003:203) states that seasonal unemployment is due to normal and expected changes in economic activity during the course of a single year. It is found in many sectors, with agriculture probably being the best example. Persons working during peak periods are described as seasonal workers or are seasonally unemployed. This type of unemployment occurs on a regular and predictable basis.

The incidence of seasonal unemployment can be quite high in countries with severe winters, but over time its importance has faded away in most developed countries. The reason for this is that the share of agriculture in the national product has declined substantially. Since it is recurring and thus anticipated, its incidence can be reduced by appropriate measures, for example, by producing stock during off-seasons. Uncertainty about the ability to acquire enough labour during the peak seasons may lead to the hoarding of labour during the rest of the year (Sadie, 1980:336).

### **2.2.3 Measurement of unemployment**

Barker (2003:203) emphasizes that unemployment data in general could exaggerate the unemployment problem. This is because the data include persons who desire employment but are not interested in existing vacancies. It could even include persons who lie about their willingness to work or whether they have, in fact, taken steps to find employment. People might have unrealistic expectations about the kind of job for which they are suited and might hold back until they find such a job. This is thus not a true reflection of the actual unemployment scenario, although that problem is probably relatively small in South Africa.

Dawson (1992:32) argues that the main aim of measuring unemployment is to discover how many people satisfy the essential conditions of being without work yet interested in finding employment. Barker (1992:75) contends that the data concerning unemployment in South Africa is very unsatisfactory. This is typically the case in developing countries, but in South Africa there are additional shortcomings of the data. Firstly, there are no

unemployment series for all population groups combined for any length of time. Furthermore, individual series are not always comparable over time, because of changes in statistical techniques and the exclusion of certain geographical areas, for instance, the former homelands Transkei, Bophuthatswana, Venda, and Ciskei (TBVC) states in various years. None of the different methods that are used to measure unemployment has been found to be totally reliable; each has its own shortcomings. The unreliability of the data is either caused by an 'act of omission' (where tools used to gather data are insufficient to gather most of the relevant information, like underemployment) or as an 'act of commission' (where the authorities have incentives to tamper with the statistics to show a good public image and also in the instance that individual respondents decide to give false information about their economic status). Nevertheless, the data is very important to economists to project economic trends and is especially important to public policy-makers so that they can select appropriate remedial policies (Barker, 2003:204).

Despite all of the above shortcomings, it is very important to continue measuring the extent of unemployment in the country. In particular, this would help in policy formulation and implementation. Unemployment can be measured in a number of ways. The accepted international norm focuses on strict (or official or narrow) measures that include only those workers still actively looking for work. The broad (or expanded) definition also includes those parts of the labour force that say they would like to work, but have become discouraged. In South Africa, the review of both measures is important due to racial and gender biases: by far, the majority of discouraged workers are African rural women. Of the 7.7 million workers who were unemployed in 2001, 3.2 million were discouraged (Altman, 2003:159).

The chronic nature of unemployment is demonstrated by the fact that only 41 percent of urban men and 32 percent of urban women who were defined as strictly unemployed previously had a job. One-third to one-half of those strictly defined unemployed had been out of work for more than three years. Labour force participation rates are quite high and many people are looking for work. This may mean that people are more hopeful or, alternatively, more desperate, as the picture is still rather bleak. Even by the strict definition, unemployment is increasing each year. While unemployment is rising for all race groups, the racial incidence is significant, mostly falling on African workers (Altman, 2003:160).



**Table 2.1** presents unemployment trends in South Africa between 1994 and 2001. As noted, care should be taken in reviewing these figures, and year on year trends deserve less attention than the overall direction over the period. The official unemployment rate rose by ten percent between 1994 and 2001, reaching almost 30 percent of the labour force. The broad definition of unemployment that includes discouraged workers, increased from 28.6 percent to 41.5 percent over the same period. The recorded unemployment rate would have grown much faster had it not been for considerable growth in the informal sector (Altman, 2003:160).

**Table 2.1 Unemployment trends in South Africa, 1994-2001 (%)**

	1994	1995	1996	1997	1998	1999	2000	2001
Strict definition	20.0	16.9	19.3	21.0	25.2	23.3	25.8	29.5
Broad definition	28.6	26.5	34.9	38.9	37.5	36.2	35.9	41.5

Source: Altman, 2003:160.

The method used to determine the unemployment rate is explained below. The unemployed rate ( $Ur$ ) is calculated according to the standard equation:

$$\frac{\text{Number of unemployed}}{\text{Economically active population (EAP)}} \times \frac{100}{1} = Ur$$

In developed countries, this definition is relatively simple to apply. The criteria for measuring unemployment are straight and definite, i.e. a person is out of work and is actively looking for a job by means of a listing at a placement or other government office. However, in developing countries circumstances are very different and it is not always clear whether or not a person is seeking employment. Some unemployed persons become discouraged and therefore refrain from taking active steps to seek employment. In the survey for this section, only one criteria was taken as an indication of seeking work, namely if a person "has the desire to work and to take up employment or self-employment". The question asked was simply: "Do you want to work?" This is referred to as an expanded definition of unemployment (Slabbert, 1997:72).

Statistics South Africa's definition of employment was also simplified. It defines the 'employed' as those who worked for pay, profit or family gain in the seven days prior to the household survey interview, or who were absent from work during these seven days, but had some form of paid work to which they can return (Statistics South Africa, 2000). The question asked was: "Do you work for a business, for yourself or for your family?" Working for a business was regarded as formal employment. Self-employment and family employment was taken as working in the informal sector.

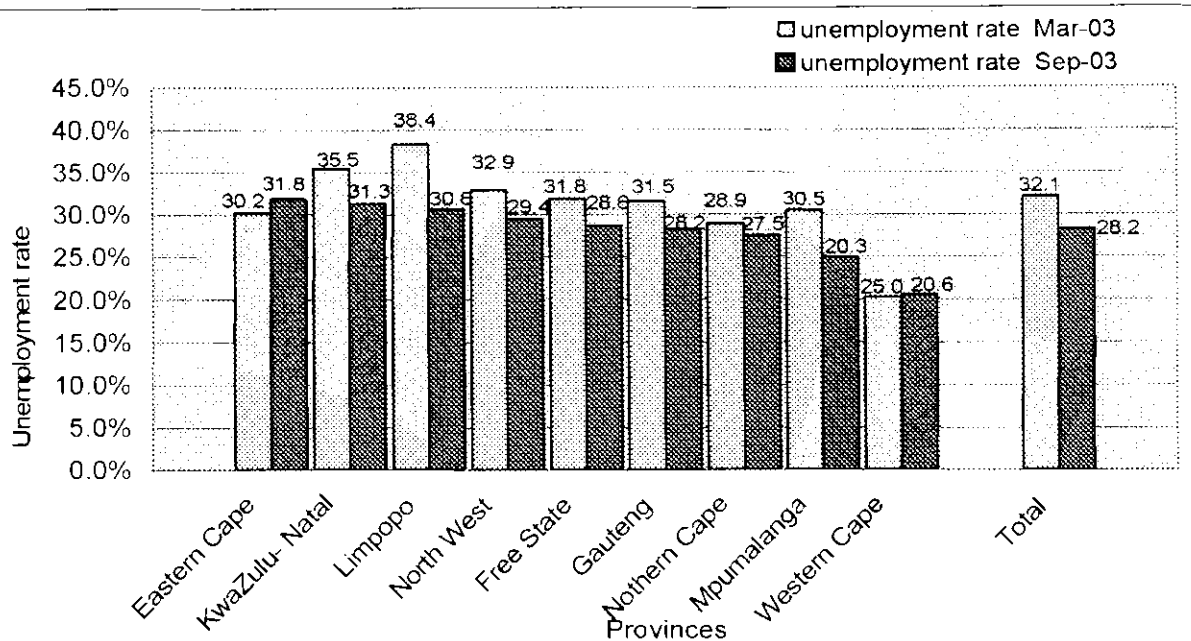
## **2.2.4 Dimensions of unemployment**

Aggregate unemployment statistics may be broken down by location, population group and gender, level of education and age in order to explore the distribution of unemployment among those segments in more detail (Statistics South Africa, 2003b).

### **2.2.4.1 Unemployment rate by provinces (official definition)**

**Figure 2.1** compares the provincial unemployment rate in March 2003 with September 2003 (Statistics South Africa, 2003b). The Eastern Cape had the highest unemployment rate (31.8 percent) of all the nine provinces in September 2003. All provinces showed a slight decrease in the unemployment rate between March and September 2003, except the Eastern Cape and Western Cape. However, the Western Cape still has the lowest unemployment rate (approximately 20.6 percent).

**Figure 2.1 Unemployment rate (official definition) by province - March and September 2003**



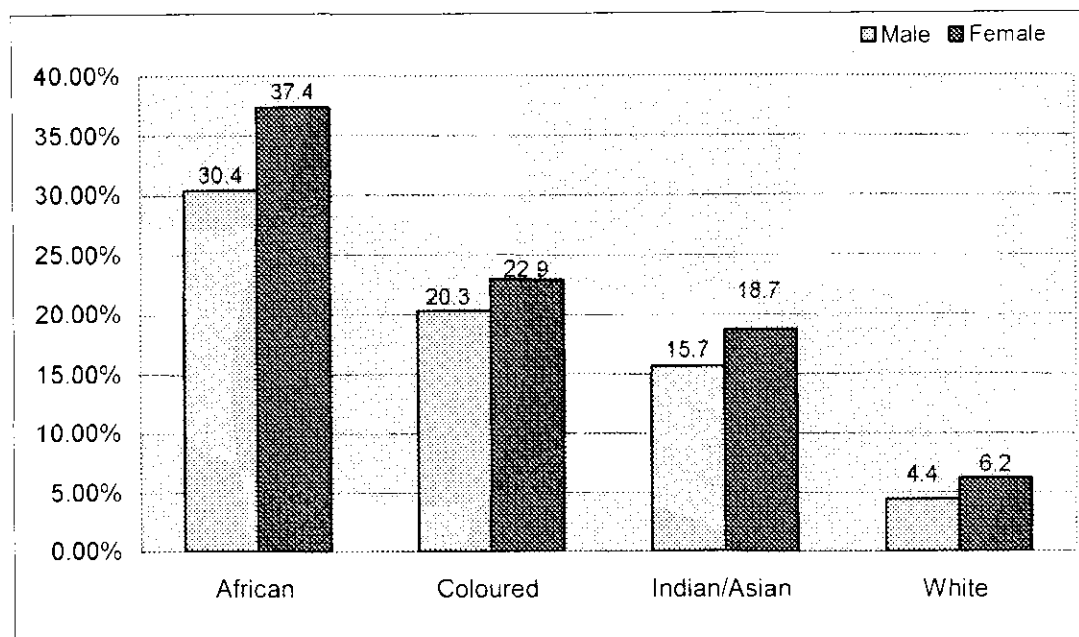
Source: Statistics South Africa, 2003b.

#### **2.2.4.2 Unemployment rate by population group and gender (official definition)**

In **Figure 2.2**, the official unemployment rate by population group and gender is described. The Figure indicates that (Statistics South Africa, 2003b):

- ❖ Africans had the highest unemployment rate in the country in September 2003, while Whites had the lowest unemployment rate; and
- ❖ the unemployment rate for women exceeded that of men in all population groups.

**Figure 2.2 Unemployment rate (official definition) by population group and gender in South Africa - September 2003**

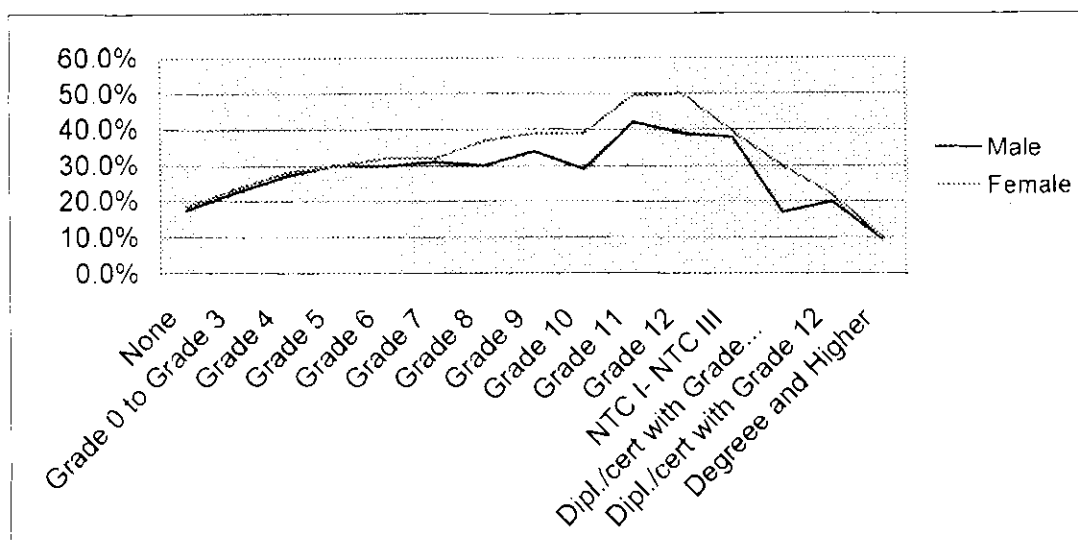


Source: Statistics South Africa, 2003b.

#### 2.2.4.3 Unemployment rate by highest level of education and gender (official definition)

**Figure 2.3** indicates the official unemployment rate by highest level of education and gender in South Africa in September 2003. The Figure indicates lower unemployment rates for people with low educational qualifications and for those with post-matric qualifications. The highest unemployment rates are found among those with educational qualifications of between Grade 8 and Grade 12, for both men and women. Generally, female unemployment rates are higher than those of males. However, there is not much difference for those with no education up until Grade 4. For example, the unemployment rate among men and women with no education is 17.3 percent and 18.3 percent respectively, rising steadily to 37.9 percent for men and 49.4 percent for women among those with Grade 11 as the highest level of education. But among those with tertiary education it drops sharply to 3.8 percent for males and 5.5 percent for women (Statistics South Africa, 2003b).

**Figure 2.3 Unemployment rate (official definition) by highest level of education and gender in South Africa - September 2003**

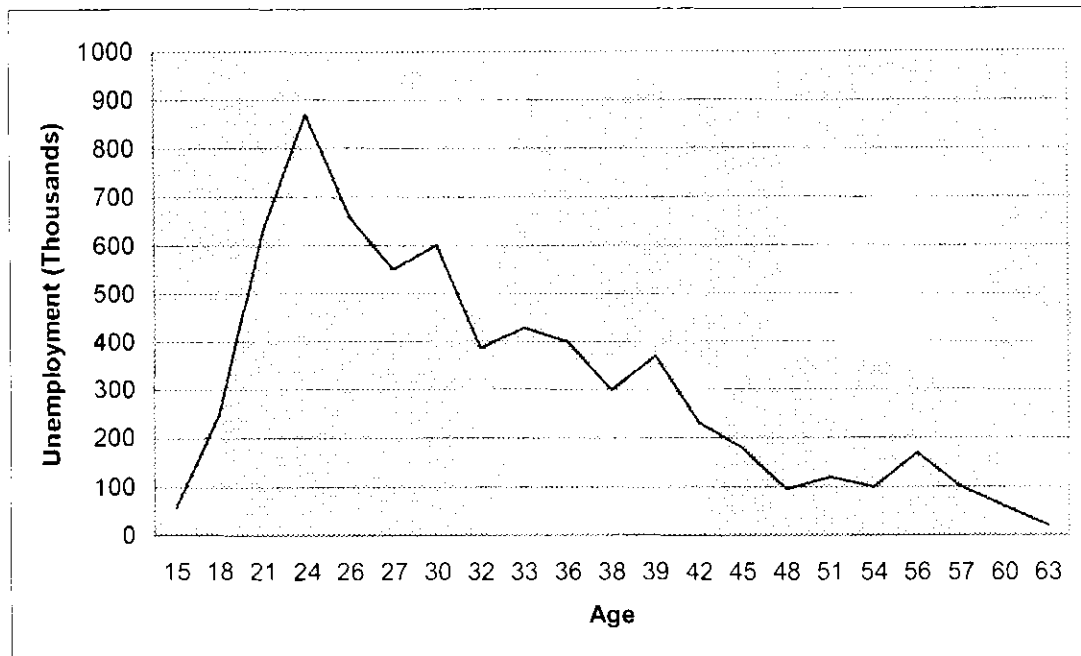


Source: Statistics South Africa, 2003b.

#### 2.2.4.4 Unemployment by age

**Figure 2.4** presents the unemployment rate by age in South Africa in 2003. Individuals aged up to 30 years constitute 56 percent of total unemployment, while the 15 to 24 years of age category comprises 30 percent of total unemployment, confirming the strong bias towards the youth being unemployed. This youth bias is largely a function of the demographic structure of the South African population, reflecting the fact that the largest proportion of the population falls into this age group. Addressing the needs of this segment of the unemployed presents a critical social and economic challenge to the government (Statistics South Africa, 2003b).

**Figure 2.4 Unemployment by age in South Africa - 2003**



Source: Statistics South Africa, 2003b.

### **2.2.5 Causes of unemployment**

The unemployment problem in South Africa is highly complex and its causes are not obvious. The question as to what causes unemployment is a question that has long both concerned and divided macro-economists. Identifying the different causes of unemployment in South Africa is very important because it aids in choosing the right policy package and strategies in addressing the unemployment problem (Barker, 1992:83).

Cawker and Whiteford (1993:22) attribute the unprecedented high levels of unemployment in South Africa, both past and present, to the interaction of several factors. Some of these factors have been beyond any government influence whilst others were largely associated with apartheid policies. Perhaps the most important factor has been the country's poor economic performance which can, in turn, be linked to a number of structural factors. In addition to the structural constraints, labour market policies, factor price distortions and transitional demographic factors have had a major effect on unemployment. This reflects the fact that the economy has been in a transition, changing from an inward looking and protected to a globalized economy.

According to Heyns *et al.*, (2000:205), the high level of unemployment in South Africa can be attributed to several factors, including:

- ❖ a slowdown in economic activity since mid-1980 and the early 1990's. The absence of adequate economic growth has led to stagnation in the labour market;
- ❖ the inability of the formal economy to create sufficient employment opportunities for a growing population;
- ❖ the increasing trend towards capital intensity in the South African economy due to labour market unrest, the influence of trade unions, the generally low level of skills, as well as rigid and inflexible labour markets;
- ❖ the presence of foreign work seekers or illegal immigrants. Evidence suggests that there could be between 2.5 million and 4 million illegal foreigners who live and work in South Africa;
- ❖ the general low level of skills in the labour force;
- ❖ external factors like the globalisation of markets, fewer trade restrictions, and availability of cheaper imported goods and the rigid development of new technology; and
- ❖ general uncertainty regarding the future economic prospects of South Africa.

The upswing in economic activity after June 1993 did not contribute, as did previous upswing cycles, to an expansion of employment opportunities. The latter can be partly attributed to the fact that, firstly, there had been an average annual increase of 2.9 percent in labour productivity since the beginning of the upswing phase, which serves as an indication that employers encouraged their existing workers to work harder. Secondly, under-utilization of production factors before the current upswing phase allowed employers to expand levels of capacity utilization during the present upswing phase before having to employ additional workers (Heyns *et al.*, 2000:205).

### **2.3 Poverty**

In 1995, the World Bank proposed that an assessment of poverty in South Africa be conducted in cooperation with the South African government. Around the same time, the United Nations Development Programme (UNDP) also approached the government with a request to prepare a Human Development Report (HDR) for South Africa. In October 1995, the South African State Cabinet agreed that a Poverty and Inequality

Report (PIR) be undertaken by South African researchers. The PIR brought together research undertaken over the previous 15 years in South Africa with an analysis of the existing policy framework for the alleviation of poverty prepared by the new government (May, 1998:2).

In per capita terms, South Africa is an upper-middle income country, but despite its relative wealth, the experience of most South African households is of outright poverty or continuing vulnerability to being poor. In addition, the distribution of income and wealth in South Africa is among the most unequal in the world, and many households still have unsatisfactory access to education, health care, energy and clean water. This situation is likely to affect not only the country's social and political stability, but also the development path it follows: countries with less equal distribution of income and wealth tend not to grow as rapidly as those with more equitable distribution (May, 1998:2)

Since 1994, the South Africa government has been ceaselessly striving to address the injustices of the past and to meet the basic needs of all South Africans. Most of its efforts were focused on reducing the physical infrastructure backlogs and establishing a social security system and other safety nets. It also tried to implement poverty alleviation measures directly in a way that did not place too great a burden on the national fiscus whilst ensuring that the economy was following a growth path (Hindson, Xaba & McIntosh, 1998:1)

Despite such efforts and a number of significant achievements, the formulation of an adequate strategy to reduce poverty remains one of the biggest challenges especially in the context of slow economic growth and employment. More than ever, it appears crucial to bring together social and economic development objectives through interconnected strategies, and to develop pro-poor patterns of growth that include the strengthening of the productive capabilities of the poor. Otherwise, as recently stated by the World Bank, the foregone cost of not accounting for the poor may compromise economic growth in the long run (Hindson *et al.*, 1998:1).

### **2.3.1 Theories on poverty**

Various theories about poverty have been developed to try and explain the existence of poverty. These theories enjoy a varying degree of empirical and intellectual support. Some of the most important ones will be highlighted below, as well as those that might



be relevant to the South African poverty situation. Numerous causes have been identified as contributing towards poverty and these will be sketched out in this section.

Wilson (1996:24) argues that poverty itself is a highly political issue where power and interest groups have had a significant influence on patterns of distribution. Indirectly, these power and interest groups influence the existence of poverty. The analysis of poverty, therefore, is contested territorially. Social scientists cannot be completely unaffected or neutral as regards the factors causing poverty. There is a need for all social scientists to be open to critical attacks on their most cherished theories. They should also recognize the corrective value of varying hypotheses in the search for an understanding of poverty.

According to Slabbert (1997:21), understanding the cause of poverty and devising strategies to reduce it is a central component of the development debate. Recognition thereof reinforces appreciation of the difficulties of the problem and serves as a reminder that a search for strategies and an understanding of poverty draws on the wider body of knowledge accumulated in the general field of development. Insight from development theory can thus be useful when considering the specific instance of poverty. The possibility of reducing poverty through effective redistribution policy is a good example.

Wilson (1996:26) identifies various theories of poverty in use in different parts of the world. These theories show where the emphasis lies as regards the understanding of poverty in different parts of the world. In South Asia, for instance, four theoretical frameworks can be identified:

- ❖ the neo-classical approach, with market-led development;
- ❖ the political economy approach, focusing on the history and on the creation of poverty through conflict of interests;
- ❖ the culture of poverty approach, which tends to blame the victim and tends to reinforce the status quo; and
- ❖ the participatory approach, whereby the energies of the poor themselves are harnessed to alleviate poverty.

In Europe, poverty is viewed from two research traditions: Firstly, there is the Anglo-Saxon tradition, which is primarily concerned with distribution issues. It concentrates on

the lack of resources at the disposal of the household or individual. Secondly, the continental or intellectual tradition, which looks at relational issues such as inadequate social participation and the problem of integrating the poor into the larger society. This focus on 'poverty as social exclusion' is reinforced in the Nordic countries where the theory of marginalization and underclass is mostly used (Wilson, 1996:26).

In the United States of America, the causes of poverty are classified by Miller (1994:19-24) according to:

- ❖ demographic causes;
- ❖ neighbourhood effects;
- ❖ cultural effects; and
- ❖ labour market causes such as human capital, mechanization, macro or Keynesian explanations, immigration ebbs and flows, and welfare disincentives.

The demographic model of Miller is a very important analysis of the causes of continuing poverty. Silva and Athoukara (1996:1) pinpoint the impact of steady population growth in the South Asian rural areas. In these areas agrarian reform has failed and the concentration of people on rural land remains high. The steady decline in the asset base of the population seems to be one of the primary factors leading to the increase in the number of poor people. This analysis is also true for South Africa in rural areas, and especially in the former 'homelands' (Wilson, 1996:261).

The debate on urban poverty emphasizes the increase in urban poverty. The increase in urban poverty is so large that the number of poor people is likely to grow at a faster rate than the rural poor (Wratten, 1995:11-19). This in itself calls for a new approach to the issue of poverty in the African and South African context.

### **2.3.2 Rationale behind the definition of poverty**

The rationale behind the definition of poverty lies in public and private initiatives aimed at its eradication. Definitions of poverty underpin policy objectives. Until there is an understanding of who the poor are, public and private policy aimed at assisting them will be misguided. The government and development agencies need more than a subjective impression of poverty; they need concrete facts and figures to work with. Defining poverty is basic to its measurement and subsequently to the justification of plans of action aimed at its eradication. Although necessary, poverty definition is not an easy

and forgone process. A number of factors need to be clarified before an acceptable definition can be reached (Horner, 1994:68). These factors are discussed in the next section.

### **2.3.3 Factors affecting the definition of poverty**

Poverty is a highly contested term. Defining it is not an easy task. Many works on the subject become so technical that it is very difficult to draw conclusions from them or to employ them in policy-making endeavours. The important factor with definitions of poverty is that definitions drive policies. How poverty is defined and measured tends to determine the types and direction of policies aimed at reducing it (Mokoena, 2004:15). The following factors are important in any attempt to define poverty.

#### **2.3.3.1 Deprivation of basic needs**

Most definitions of poverty are grounded in the idea of a state of deprivation. What the poor are deprived from is not often clear. What is seen as basic needs or necessities is not clear-cut and may differ from researcher to researcher and indeed from place to place. What is perceived as a basic need in one area may not necessarily be a need in another area. According to the ILO (1976) basic needs include “two elements. Firstly, it includes certain minimum requirements of a family’s private consumption. Adequate food, shelter and clothing are included, as well as certain household equipment and furniture. Secondly, it includes essential services provided by and for the community, such as safe drinking water, sanitation, public transport, and health and educational facilities.” Streeten (1982:41), on the other hand, emphasizes that there is nothing yet that could be described as a fully articulated Basic Needs Strategy, even as an adjunct to the other strategies. There is therefore little agreement as to what constitutes basic needs and therefore a state of deprivation from basic needs (Mokoena, 2001:10).

#### **2.3.3.2 Political and cultural influences**

In South Africa the proposition that poverty is a political issue is clear from the importance attached to income and wealth inequalities and disparities resulting from past policies in many definitions of poverty. The PIR does not, for example, divorce the notion of poverty from inequality. There seems to be an unquestioned assumption in the report that there exists a cause-effect relationship between the two. The prevailing political climate therefore underpins definitions of poverty. The same may be argued

regarding cultural differences. Even within the same political environment, people may be seen as poor or well-off depending on the cultural group to which they belong (May, 1998:1).

#### **2.3.4 Definition of poverty**

Poverty is a highly contested term. Defining it is not an easy task, which means it can mean different things to different people at different times and in different contexts. Many works on the subject become so technical that it is very difficult to draw conclusions from them or to employ them in policy-making endeavours. The important factor with definitions of poverty is that definitions drive policies. How poverty is defined and measured tends to determine the types and direction of policies aimed at reducing it (Mokoena, 2004:15).

There is a general agreement amongst researchers that the definition of poverty can be divided into two broad categories, namely the absolute and the relative definitions. Even though Alcock (1997:70) states that “the bald distinction between absolute and relative poverty is in practice an oversimplification of a much complex definitional problem”, the distinction is convenient.

Absolute poverty definitions are based on the notion of subsistence, i.e. the state of not having enough to sustain life or as Slabbert (1997:38) puts it, “the lack of sufficient income to satisfy basic needs”, Proponents of absolute poverty definitions and measurements see them as objective and scientific. This is because absolute poverty can be measured relatively independently of the subjects involved. Countries like the United States of America (USA) employ this definition in measuring poverty (Dalaker and Naifeh, 1997:i-v). Absolute reference to poverty attempts to define the poor not in terms of well-off but in terms of the needs of the poor themselves (Alcock, 1997:68-69). Those who attempt to alleviate poverty need to know what the minimum human survival requirement or level of necessity is, relating these to the income or expenditure of those who are not poor.

Absolute poverty notions have been widely criticized, according to Williams (1998:7-8), as escaping the battle to survive does not necessarily mean escaping poverty. Another problem as mentioned above is to decide what constitutes the minimum requirements (basic needs). Relative poverty definitions attempt to address the problems raised by definitions of absolute poverty.

Relative poverty is seen as a normative concept that depends on the comparison of the standards of living of the poor and those of the non-poor (Slabbert, 1997:38). According to Saunders (1997:39), the definition of poverty must contain two central ideas: Firstly, poverty involves involuntarily restrictions on choice and, secondly, poverty is socially specific, grounded in a particular society or culture. Saunders further argues that, "a measure of poverty is not only socially determined, but must also meet with community agreement if it is to have social legitimacy." This indicates that acceptability within a certain culture or community plays an important role in the definition of relative poverty.

Relative definitions of poverty imply inequality in wealth and income distribution that leads to a lopsided societal stratification and social classes. This has led to the view that redistribution of wealth, income and land is the solution to eradicating poverty.

Relative poverty is not without criticism. Based on the definition that poverty means being worse-off than somebody else, all but one of us are poor (Hazlitt, 1973:33). It is Beisner (1995:6) who identifies the following problems relating to relative definitions:

- ❖ relative definitions are arbitrary. Who decides for example where the level of income necessary for poverty alleviation is? Who sets the poverty datum line / threshold? And based on what criteria?;
- ❖ relative definitions are self-contradictory. If national product per capita is the standard of comparison and not world product per capita, then it can be shown that some people with more wealth are poorer than others with less; and
- ❖ relative definitions make eliminating poverty impossible. These definitions carry an assumption that eradicating poverty means making all equal. This is not possible

Poverty was traditionally associated with a lack of income and material deprivation and this led to the use of quantitative approaches and measurement, such as poverty lines. Poverty is still defined as the inability of individuals, households or entire communities to command sufficient resources to satisfy a socially acceptable minimum standard of living (May, 1998:2).

Other concepts are being used to approach poverty, such as inequality (which refers to the unequal distribution of income across a country and is measured internationally by the Gini coefficient on the one hand and by the income shares of deciles of households on the other) and vulnerability (particularly relevant in reflecting the phenomenon of transient poverty and to target those poor "who move in and out of poverty, as the

negative outcome of processes of change, whether they be economic, social, environmental or political" (HDR, 2000:3). The notion of assets (such as housing) that poor people can resort to in times of crises is critical to this latter concept (Davies, 1996).

More recently, a distinction emerged between chronic and transient poverty whereby the former is defined as persistent poverty, whose duration is five years or more and is measured by a holistic approach that considers factors such as education levels, gender discrimination, effectiveness of social services, political freedoms and land policies among others (Armstrong, 2003:32).

### **2.3.5 Poverty in South Africa**

Between 45 and 55 percent of the South African population live in dire poverty, still experiencing insufficient access to basic services, overcrowding in informal settlements, malnutrition, ill health, limited economic resources and opportunities, insecure tenure of land, spatial isolation, social exclusion, joblessness, and feelings of powerlessness and indignity. Absolute poverty is rife and it is estimated that 20 percent of South Africans still live on less than a dollar a day. Poverty has deepened over the last ten years, and what is now commonly referred to as chronic poverty (or long term poverty) has firmly taken root (Hindson *et al.*, 2003:2).

While poverty is mainly concentrated in the rural areas with the highest poverty rates in the Free State, the Eastern Cape and the Limpopo Province, high levels of poverty are also experienced in and around urban areas, mostly affecting the small rural towns but also secondary cities and metropolitan areas (Hindson *et al.*, 2003:2).

Actually, many poor households maintain dual residence or 'double rootedness' as a strategy of finding economic opportunities both in rural and urban areas. Although an increasing number of Black people are joining the middle class, most rural and urban African households have a worse quality of life than fifteen years ago. The poorest third of Black households experience long term destitution, even in urban centres (Hindson *et al.*, 2003:2).

Women and children are much more vulnerable to poverty, with an increasing number of women finding themselves as heads of households, especially in rural areas. Overall, women tend to have less access to resources than men and it is estimated that

between 57 percent and 75 percent of children are living in varying degrees of poverty. In addition, women and children are also often discriminated against regarding the allocation of resources within households (Hindson *et al.*, 2003:2).

### **2.3.5.1 Dimensions of poverty in South Africa**

According to Heyns *et al.* (2000:221), poverty in South Africa has the following dimensions:

- ❖ approximately 75 percent of the poor people in South Africa live in rural areas where access to employment opportunities and basic services like health, education, water, sanitation and electricity is much lower than in urban areas;
- ❖ poverty is a function of both low incomes and the exceptionally high unemployment rate. Evidence shows that an estimated 50 percent of poor households are dependent on pensions and remittances as their primary source of income;
- ❖ poverty has a strong gender dimension. Research indicated that the incidence of poverty among female-headed households is 50 percent higher than among male-headed households; and
- ❖ the higher the incidence of poverty among children, the higher the incidence among the population as a whole. It is estimated that approximately two-thirds of children under fifteen years of age live in poverty (Heyns *et al.*, 2000:221).

### **2.3.5.2 Causes of poverty in South Africa**

In the South African context, a number of specific causes of poverty can be identified as follows (May, 1998:12):

- ❖ the impact of apartheid, which stripped people of their assets, especially land, distorted economic markets and social institutions through racial discrimination, and resulted in violence and destabilization;
- ❖ the undermining of the asset base of individuals, households and communities through ill health, over-crowding, environmental degradation, the mismatch of resources and opportunities, race and gender discrimination and social isolation;
- ❖ the impact of a disabling state, which included the behaviour and attitudes of government officials, the absence of information concerning rights, roles and

responsibilities, and the lack of accountability at all levels of government. These triggers have shaped the nature of poverty in South Africa, and have continued to aggravate it, despite political reform. The legacy of apartheid certainly counts heavily for the high incidence and persistence of poverty in South Africa;

- ❖ discriminatory planning, spatial isolation and underdevelopment of townships and former homelands have effectively left the poor with limited access to productive resources such as land and capital, and prevented their exploitation of economic opportunities (Hindson *et al.*, 2003:2);
- ❖ the increasing level of unemployment since 1994 has been another important factor. Over the last ten years, employment fell sharply (in the formal sector) and retrenched workers faced immense difficulties in finding income-earning opportunities, even in the informal sector of the economy. Globalization has compounded these negative tendencies in the labour market by limiting the need for unskilled labors, and therefore reinforcing the economic and social exclusion of the poor (Hindson *et al.*, 2003:2); and
- ❖ last but not least, the Human Immune-Deficiency Virus/ Acquired Immune-Deficiency Syndrome (HIV/AIDS) epidemic has become the best ally of poverty further reducing the access of the poor to income and assets, and weakening their capabilities, all to the detriment of the productivity and economic growth of the country (Hindson *et al.*, 2003:2).

### **2.3.5.3 Approaches to poverty**

There is a general agreement amongst researchers that the definition of poverty can be divided into two broad categories, namely the absolute and the relative definitions. Even though Alcock (1997:70) states that “the bald distinction between absolute and relative poverty is in practice an oversimplification of a much complex definitional problem”, the distinction is convenient.

#### **2.3.5.3.1 Absolute approach**

Absolute poverty definitions are based on the notion of subsistence, i.e. the state of not having enough to sustain life or as Slabbert (1997:38) puts it, “the lack of sufficient income to satisfy basic needs”, Proponents of absolute poverty definitions and measurements see them as objective and scientific. This is because absolute poverty



can be measured relatively independently of the subjects involved. Countries like the United States of America (USA) employ this definition in measuring poverty (Dalaker & Naifeh, 1997:i-v).

Absolute reference to poverty attempts to define the poor not in terms of well-off but in terms of the needs of the poor themselves (Alcock, 1997:68-69). Those who attempt to alleviate poverty need to know what the minimum human survival requirement or level of necessity is, relating these to the income or expenditure of those who are not poor.

Absolute poverty notions have been widely criticized, according to Williams (1998:7-8), as escaping the battle to survive does not necessarily mean escaping poverty. Another problem as mentioned above is to decide what constitutes the minimum requirements (basic needs). Relative poverty definitions attempt to address the problems raised by definitions of absolute poverty.

#### **2.3.5.3.2 Relative approach**

Relative poverty is seen as a normative concept that depends on the comparison of the standards of living of the poor and those of the non-poor (Slabbert, 1997:38). According to Saunders (1997:39), the definition of poverty must contain two central ideas: Firstly, poverty involves involuntarily restrictions on choice and, secondly, poverty is socially specific, grounded in a particular society or culture. Saunders further argues that, "a measure of poverty is not only socially determined, but must also meet with community agreement if it is to have social legitimacy." This indicates that acceptability within a certain culture or community plays an important role in the definition of relative poverty.

Relative definitions of poverty imply inequality in wealth and income distribution that leads to a lopsided societal stratification and social classes. This has led to the view that redistribution of wealth, income and land is the solution to eradicating poverty.

Relative poverty is not without criticism. Based on the definition that poverty means being worse-off than somebody else, all but one of us are poor (Hazlitt, 1973:33). It is Beisner (1995:6) who identifies the following problems relating to relative definitions:

- ❖ relative definitions are arbitrary. Who decides for example where the level of income necessary for poverty alleviation is? Who sets the poverty datum line / threshold? And based on what criteria?;

- ❖ relative definitions are self-contradictory. If national product per capita is the standard of comparison and not world product per capita, then it can be shown that some people with more wealth are poorer than others with less; and
- relative definitions make eliminating poverty impossible. These definitions carry an assumption that eradicating poverty means making all equal. This is not possible.

### **2.3.5.3.3 Qualitative and quantitative approaches**

Measurements of poverty can be divided into qualitative and quantitative measures. Mokoena (2001:20) contends that qualitative measurements of poverty draw from the experience of poverty by those individuals actually suffering from it. Such experiences give meaning to the seemingly dry and impersonal mathematical tables and graphs. Quantitative measures make use of data independent of feelings and emotions.

The World Bank (1997:1-4) has compared the two approaches (qualitative and quantitative) in terms of inherent characteristics. Some of the findings include the following:

- ❖ external surveyors use quantitative determinations of poverty whereas participants and facilitators use qualitative approaches ;
- ❖ the philosophical underpinning of the quantitative approach is a positivist paradigm rejected by qualitative approaches; and
- ❖ geographic coverage of quantitative approaches is country-wide whereas the qualitative one is small in selected communities.

The two approaches have difficulties, advantages and disadvantages and are the best when used together as they complement each other.

### **2.3.6 Measurement of poverty**

One consequence of apartheid has been a lack of comprehensive social indicator data that could assist in policy formulation. For example, between 1976 and 1994 official data excluded the supposedly 'independent' Transvaal, Venda, Bophuthatswana and Ciskei (TVBC) territories, thus excluding many poor South Africans. The PIR accordingly made use of the 1993 Project for Statistics on Living Standards and Development (PSLSD), which provided a baseline survey, the 1995 OHS, and the 1995

Income and Expenditure Survey (IES), supplemented qualitatively by the South African Participatory Poverty Assessment (SA-PPA).

Measurements of poverty can be divided into qualitative and quantitative measures. Mokoena (2001:20) contends that qualitative measurements of poverty draw from the experience of poverty by those individuals actually suffering from it. Such experiences give meaning to the seemingly dry and impersonal mathematical tables and graphs. Quantitative measures make use of data independent of feelings and emotions.

The World Bank (1997:1-4) has compared the two approaches in terms of inherent characteristics. Some of the findings include the following:

- ❖ external surveyors use quantitative determinations of poverty whereas participants and facilitators use qualitative approaches ;
- the philosophical underpinning of the quantitative approach is a positivist paradigm rejected by qualitative approaches; and
- ❖ geographic coverage of quantitative approaches is country-wide whereas the qualitative one is small in selected communities.

The two approaches have difficulties, advantages and disadvantages and are the best when used together as they complement each other.

This section will provide a broad description of the instruments that are used to measure poverty. For this study poverty will be measured quantitatively using income and consumption. In most cases the discussion will be linked to measurement in the context of South Africa.

#### **2.3.6.1 Poverty lines**

Slabbert (1997:43) contends that the poverty line shows the income level needed to provide a minimum subsistence level. The use of poverty lines to measure poverty is an old practice, with some of these lines being antiquated and irrelevant in modern societies. Generally, they demarcate a group of households whose income or consumption is too low in comparison to that of the general population (Mokoena, 2000:21).

Mokoena (2001:21) ascertains that poverty lines are income and price elastic, which means they are adjusted to changes in the median or mean income or consumption of

the general population as well to the general price level. The reason for this is that as technology progresses and new products are introduced, these new products may initially be bought by the upper income households, but generally diffuse to lower income households. This causes the income elasticity of these goods. The goods may initially be seen as conveniences, but end up as necessities. For example, cell phones are slowly becoming necessities in modern society. The price elasticity occurs as a result of inflation. Thus poverty lines are normally adjusted upwards with the passage of time due to technology and inflation.

Until 1973 the term 'Poverty Datum Line' (PDL) was generally used to describe the theoretical minimum cost of living in South Africa. It was based on the calculation of the lowest possible cost of maintaining a person (household) in good health and decency. Since 1973, in addition to the PDL, different institutions developed several other poverty lines. They are the Minimum Living Level (MLL) and the Minimum Humane Standard of Living (MHSL), by the Bureau of Market Research, the Household Subsistence Level (HSL) and the Household Effective Level (HEL) by Potgieter of the University of Port Elizabeth (Slabbert, 1997:44).

The PDL is used widely by sociologists, as well as by labour unions and employers in the determination of minimum wage levels. Lowest-cost, calorie-adequate and nutritionally balanced food as well as such necessities such as shelter, transport, clothing, fuel, and lightning and cleaning materials are commonly used in such measures. The PDL is used mainly to measure absolute poverty, based on the ability of a person to afford basic needs with available income. The PDL in South Africa today encompasses different measurements, depending on different researchers and circumstances (Slabbert, 1997:44).

The MLL and the MHSL are used by the Bureau of Market Research. The MLL is the minimum level at which a Non-White family would be able to maintain the health of its members and conform to Western standards of decency. It includes the cost of items such as tax, medical expenses, education and households' equipment in addition to the items included in the PDL. The MHSL is a modest low-level standard of living index (Mokoena, 2001:22).

The HSL and the HEL were invented by Potgieter (1980). Potgieter (1980:4) defines the HSL as an estimate of theoretical income needed by an individual household to

maintain a defined minimum level of health and decency in the short-term and is calculated at the lowest retail cost of a basket of necessities of adequate quality. The 'basket' includes: food, clothing, fuel and lighting and washing and cleaning material for each individual in a household and for the whole household and the cost of rent and transport.

A comparable calculation can thus be made for any household of any given size and composition (Slabbert, 1997:44-45).

Slabbert (1997:40) further asserts that the two most widely used poverty lines in South Africa today are the HSL and the MLL. The first reason for selecting the HSL as a poverty line for the purposes of this study is because it is the only measure available for all the major centres in South Africa. Unlike the HSL, the MLL does not specify separate poverty lines for urban and rural populations. The HSL is therefore the only poverty line with specific data regarding Emfuleni households. This data is also available for several years. The second reason is that the HSL has been the most frequently used measure in recent years. The third reason is that the method of calculating the HSL as employed by Potgieter (1994:63), and the publication of the details, makes it possible to calculate a unique HSL for individual households. Potgieter provides a breakdown of the subsistence cost for different age groups of the different genders, as well as certain costs of a household as a whole. By calculating the HSL for an individual household, and comparing this figure with the combined income of the different members of the same household, the degree of poverty can be measured at micro-level or household level.

Max-Neef, Elizalde and Hopenhayn (1989:41) emphasize that the components of the HSL are limited to the short-term satisfaction of basic needs and make no provision for such essential requirements for decent living such as medical expenses, education, savings, hire purchases and replacements of household equipment, and incidental transport. This implies that there are other poverties as well, not only the material poverty of subsistence. The Max-Neef approach will be very helpful in identifying and categorizing the other poverties. Slabbert (1997:46) also argues that although the HSL indicates the cost of a theoretical budget of necessities, it does not suggest an adequate income. In practice, one third of the total income equivalent to an HSL budget will be diverted from specified items to the other immediate essentials.

### 2.3.6.2 The headcount index

According to the World Bank (1994:27), the simplest method of measuring poverty is to express the number of the poor as a proportion of the population. Deaton (1994:122) defines the headcount index as the fraction of the population below the poverty line. The purpose of the headcount index is therefore to quantify the number of those individuals or households that fall below the poverty line. If the distribution of incomes is represented by  $y$  and the poverty line  $z$ , a poverty measure may be expressed by the function  $P(y; z)$ . According to Borooah and McGregor (1991:359), a population of  $N$  income units with income  $y_i$  ( $i=1\dots N$ ) ranked in ascending order by subscript,  $M$  units have incomes equal to or less than  $z$ ; then the headcount ratio ( $H$ ) may be defined as follows:

$$\text{Headcount Index} = H(y; z) = \frac{M}{N}$$

### 2.3.6.3 Poverty gap

According to the World Bank (1993:15), the headcount index alone is a limited measure of poverty. It does not take into account the degree of poverty. In order to capture the degree of poverty, the poverty gap measure is used in conjunction with the headcount index. The poverty gap measures the average shortfall of the income of the poor from the poverty line, that is, the difference between the poverty line and the mean income of the poor expressed as a ratio of the poverty line. The larger the value, the larger the gap between the poverty line and the mean income of the poor, indicating a larger depth in poverty. Instead of taking the difference between the poverty line and the mean income of the poor a more accurate measure would be to calculate the poverty gap for each household individually. This is done by measuring the difference between the household's income and its own poverty line. To calculate the poverty gap ratio, the difference between the income and the poverty line of each household is expressed as a ratio of its own poverty line. The formula for calculating the poverty gap index ( $R$ ) for a specific household will then be:

$$R_i(y; z) = (z_i - y_i) / z_i$$

Where:

$R_i$  = the income shortfall of a household expressed as a proportion of the household's poverty line;

$y_i$  = the income of a specific household; and

$z_i$  = the poverty line of a specific household.

The mean poverty gap ratio of all households gives the poverty gap ratio for the population concerned, expressed by the equation (Slabbert, 1997:47):

$$R(y; z) = \left[ \sum_{i=1}^M (z_i - y_i) / z_i \right] / M$$

Where:

$R$  = the mean of the poverty gap ratios of individual households;

$z_i$  = the individual poverty lines of households;

$y_i$  = the incomes of households; and

$M$  = the number of households with incomes below or equal to their individual poverty lines.

The mean of all individual poverty gap ratios will be the poverty gap ratio for the population concerned.

Slabbert measure poverty by determining a poverty line for each household, by calculating a basket of necessities for each member of the household. Slabbert's household questionnaires make provision for determining the exact income of a household. The income of the household is then calculated by adding together the individual incomes of all members of the household. Slabbert uses the Household Subsistence Level (HSL) developed by Potgieter (1980) to determine whether a household is poor or not. By comparing the combined income of a specific household with the HSL of the household, it can be determined whether the household is poor or not. Once the number of poor households is determined, the different income indicators of poverty can be applied to analyse poverty in that specific area. This study has adopted the same method.

#### **2.3.6.4 Dependency ratio**

The dependency ratio refers to the ratio of the number of non-income earners that depends on income earners. This tendency is particularly acute in extended family systems. Those who earn income have to support many non-earners so that their incomes are spread so thinly that they can afford very little food, clothes and shelter (Slabbert, 1997:57). This tendency obviously increases the incidence of poverty. Dependency ratios are calculated by dividing the total number of non-earners by the total of earners.

#### **2.3.7 Factors affecting the measurement of poverty**

According to Mokoena (2001:18), in order to arrive at an estimate of poverty, a series of difficult measurement choices must be made. Issues like individuals versus households, relative versus absolute approaches, qualitative versus quantitative measures, as well as the constitution of income if indeed income is to be used as a measure. Since the relative and absolute approaches have already been discussed, the other issues will be discussed below.

##### **2.3.7.1 Income**

Most quantitative measurements of poverty are based on income levels. This is evident in most works on the subject. The value of 'in-kind or cash benefits' should also be included in what is regarded as income. Omission of this will understate income and may have adverse effects on the measurement of poverty based on income (Slabbert, 1997:12).

The Central Economic Advisory Service (CEAS, 86:16) includes the following in the description of income:

- ❖ salaries, wages, overtime pay and commissions before deduction of pension and taxes;
- ❖ net profit from business activities;
- ❖ estimated cash value of fringe benefits; and
- ❖ any other income such as interest and dividends.



The questionnaire used in the Sicelo Township survey was constructed so that income and expenditure information for both the household and the individual members of the household could be obtained.

Hence some researchers prefer non-income measurement of poverty because of the uncertainty involved in the use of income as a measure (Mokoena, 2001:20).

### **2.3.7.2 Individuals and households**

Individuals experience poverty, and the state of deprivation is essentially an individual matter. Individuals are members of family units or households with which they share resources (Alcock, 1997:99). According to Mokoena (2001:19), this phenomenon is particularly acute amongst Blacks in South Africa due to the extended family system. Therefore, the concept of household is used instead of a family concept. The two differ in that whereas a family comprises of members with compulsory moral obligations and responsibilities towards one another (for example, through marriage), a household is a looser concept implying any arrangement where there is sharing of resources.

Alcock (1997:19) emphasizes that a further aspect that needs to be considered is the life cycle of income. An individual receives varying resources over his/her life span. Earlier in life (child) and in late (old and retirement) years, an individual may find that he or she depends on the other family members more than during early adulthood and middle age.

## **2.4 The link between unemployment, poverty, education and training**

What is the difference between education and training? Formal education is usually thought of studies done in schools. The students range from the very youngest through college to those in adult education. There is also informal education or self-study, where adults read books, listen to tapes and learn through other media. Observing life itself is a form of education. The objective of classes or of self-education is usually to gain knowledge about facts, events, principles, concepts, and such. In some classes the student is required to demonstrate the memorization of facts and the association between concepts. In other classes, they must apply rules to solve problems. On the other hand, formal training is usually concerned with gaining a skill. Training is done in trade schools, seminars, and business training classes. Learners of training are usually

adults, although there are some classes to teach youngsters certain skills (Kurtus, 1999).

#### **2.4.1 The relation between education and poverty and the labour**

The preceding discussion demonstrates that high poverty rates have been linked to low levels of educational attainment. Low levels of formal educational have been linked to subsistence living.

The American National Center for Educational Stats (NCES, 1993) argues that literacy is a major issue related to poverty. Literacy may be defined as the ability to read, write and speak, to compute and solve problems at levels where one can function in a job and in society. In the job market literacy has been equated with the level of education a person has completed. Miller (2004:2) ascertains that not having a high school diploma or some post high school education has been associated with the poverty status of people. Although having a high school or even college education does not guarantee a high paying job, educational attainment is one of the most significant things an individual can ensure to keep from being poor.

In Ohio when poverty rates were related to the level of educational attainment, it was found that poverty rates of high school dropouts are three times higher than the poverty rates among high school graduates. Less obvious is the fact that the poverty rates for men and women at different levels of education show a gap that narrows as people go up the educational ladder (Miller, 2004:2). In 1994, the South African poverty rate for men aged 25 to 54 years who did not finish high school was found to be very high. The poverty gap is very small between men and women of similar ages who are college graduates. The results show that the higher the level of educational attainment, the less significant differences there are between the incomes of men and women and between the races. Today's technological society and the work environment will make it more difficult to find good paying jobs. Technical jobs will require technical knowledge and skills that are usually acquired at the post high school level and above. So, the level and kind of educational attainment will have an even stronger relationship to income and standard of living in the future (McCord & Borat, 2003:137).

According to McCord and Borat (2003:137), the South African economy has not been creating jobs at a sufficiently rapid rate to absorb the growing economically active population because of the low labour absorption rate and rising unemployment. This is

disproportionately affecting poor and illiterate African workers. The technical and structural changes that have shaped the South African labour market over the last 30 years have been influenced by changes in the domestic and international policy environment. They have resulted in a situation of rising unemployment in the context of a low growth development path. This has resulted in particularly poor employment growth for unskilled workers in the primary sector where African labour is concentrated. This concentration of unemployment among unskilled African workers is exacerbated by the legacy of apartheid education and labour market policies, resulting in the continuing failure of African workers to acquire the human capital demanded in the current labour market.

Participation in the labour market is a key mechanism for the reduction of poverty and inequality in South Africa. Hence the trends of growing unemployment and continuing skills bias are contributing to an increasingly segmented and, for many, inaccessible labour market, thereby exacerbating inequality and creating a growing polarization between those who gained access to rationed employment and those who are excluded. Education is a particularly important determination of success in the labour market process in the context of employment rationing. The accumulation of education, however, is not in itself a sufficient condition for improving employment prospects. There is a need for closer examination of the quality of training and education offered at all levels, including tertiary education, in order to address the apparent mismatch between the skills demands of the economy and the supply of workers (Bhorat & Lundall: 2002:43).

According to McCord and Bhorat (2003:134), there is no single labour market in South Africa, but a series of linked labour markets, with diverse characteristics related to race, location, gender and location. Racially, the labour market can be divided into segments, one comprising African and Coloured workers and the other, White and Indian workers, who engage in broadly separate labour market processes, characterized by educational and occupational differences. The spatial dimension within the labour market is also stark in South Africa, with the rural labour market being characterised by lower labour demand in terms of both quantity and quality. It is a factor which impacts more significantly on Africans than the other races, due to the concentration of Africans in rural areas and the restricted mobility of rural workers. According to the McCord and Bhorat (2003:136), when the various components of the labour market process are considered together, some broad conclusions may be drawn. Primary and secondary

education tends to increase the probability of participation but is not sufficient to ensure employment, due to the skewing of labour demand towards the skilled.

Education and training is found by Borat and Leibbrandt (2003:136) to be important in determining employment, eradicating poverty, as well as encouraging labour force participation. Across both genders, individuals with low levels of education have less chance of finding employment than those with higher levels. South African labour demand patterns reflect a growing demand for higher skilled labour and declining demand for skilled workers. Reducing labour market inequality would thus require substantial improvement in the supply of skills through more and better quality of training and education.

#### **2.4.2 History of training in South African**

The international development literature shows that economic growth contributes most in terms of reducing poverty if it utilizes the major asset of the poor, their labour. This may require expanding and improving education and training so as to reduce earnings differentials and thereby improve access for the poor to available jobs. Education enhances the earning potential of the poor, both in terms of competing for jobs and earning in static labour markets, and as a source of growth and employment in itself (De Haan, Lipton, Darbellay, O'Brien & Samman, 1997:1-2).

While the apartheid system was central to the construction of a low-skills regime defined by race and a short-term perspective in South Africa, it was employers who tended to ignore the upskilling needs of the majority of the population in the period before 1990. In fact, the apartheid state was a strong critic of the training record of South African employers during the reform period from 1980 onwards (McCord & Borat, 2003:112).

During the 1980s and early 1990s, the National Training Board (NTB), in association with the HRSC, undertook a series of studies of industrial training in South Africa. In each study the lack of adequate employer training was heavily criticized. The 'Investigation into a National Training Strategy' (HRSC, 1991), for example, highlighted a number of factors that constrained training in South Africa:

- ❖ there was lack of commitment to training among many employers;
- ❖ many employers believed that the training of employees meant that less production would take place;

- ❖ a lack of awareness among employers of the benefits of training made them reluctant to send workers for training; and
- employers found it difficult to identify the actual training needs in their companies.

Historically, South Africa's education and training system can best be described as a low-skills training regime, shaped largely by racial segmentation in the labour market and social discrimination in the education system and larger society. Up until the mid-1970s, the South African labour market was rigidly shaped by racial factors that demarcated the more privileged primary market for White workers, and ensured that African, Colored and Indian workers were trapped in permanent secondary market employment. The secondary stratum was predominantly low-paid, unskilled and insecure work, while the independent primary market stratum offered the best opportunities and skilled positions. The predominance of Whites in the independent primary market was as a result of access to the best schools, colleges, and universities, as well as very privileged admission to the labour market (Badroodien, 2003:435).

According to Kraak (1987:15), pressure for reform began to build up in the period from the late 1970s to the early 1990s, mainly in response to new labour market requirements associated with economic modernization and the collapse of influx control. Reform was also a response to the intensification of political struggle as regards education and training in the workplace.

The implementation of mechanized technologies and mass production technologies from the late 1960s and throughout the 1970s required new forms of cheap, semi skilled labour power. This meant that the racial division of labour and segmentation of labour markets in South Africa had to be considerably reconstituted so as to allow for the employment of a greater number of African semi-skilled workers (Webster, 1985:36). In this regard, a number of measures were introduced in the late 1970s that sought specifically to move African workers from unskilled employment to semi skilled operative positions.

Hindson (1991) further ascertains that by 1990, semi skilled African workers exceeded two million in South Africa and for the first time, superseded the unskilled African proletariat as the numerically dominant stratum of the African working class. However, alongside the re-segmentation and partial de-radicalization of the labour market from the 1980s, there was also a dramatic collapse of the apprenticeship labour market in

South Africa. This collapse was the result of the impact of sanctions, labour market unrest and the economic crisis of that period.

### **2.4.3 Current race, gender and occupational segmentation in the training system**

According to Kraak *et al.* (2000:44-46), training in South Africa is still racially framed and strongly gender biased. Many occupations remain male and white-dominated. **Table 2.2** reveals that many more Whites receive training, in high skills occupations. In 2000 about 71 percent of employees trained in the professional/managerial category were White, while only 16 percent were African. This finding was also evident in World Bank study of 2000 (education and training in poverty alleviation) which found that 80 per cent of the managerial and the 70 percent of professional and technical workers being trained by small, medium and large firms in the Johannesburg metropolis were White (Chandra *et al.*, 2000:40).

Table 2.2 also indicates that the majority of those trained in semi-skilled operative tasks in 2000 were low skilled African workers. In 2000, Kraak *et al.* noted that only five percent of those trained in lower level occupations were Whites, while 85 percent were African (Kraak *et al.*, 2000:49). These findings are supported by the World Bank study undertaken in 2000 that found that 81 percent of plant operators and 91 percent of low skilled workers being trained in Johannesburg metropolis were Africans (Chandra *et al.*, 2000:40). With regard to the training of women, the table shows that women continue to dominate jobs such as clerical and administrative positions (58 percent) and are significantly under-represented in the professional and managerial categories (28 percent). At the lower skills levels, only seven percent of the craft workers and 17 percent of the technical occupational workers being trained were women (Kraak *et al.*, 2000:48).

**Table 2.2 Enterprise training by occupation, race and gender, 2000**

Occupation	People trained %	Gender Male %	Gender Female %	Race African %	Race Coloured %	Race Indian %	Race White %
Professional & managerial	10.9	71.9	28.1	16.4	4.9	7.4	71.3
Technicians	11.1	82.9	17.1	27.8	8.6	8.6	55.1
Clerical & administrative	23.2	41.2	57.9	30.9	15.8	15.3	37.9
Service & sale workers	14.4	67.0	33.0	44.3	17.3	16.2	22.2
Craft & related workers	11.4	93.5	6.5	49.0	8.8	2.6	39.6
Plant & machine operators	14.1	77.9	22.1	83.6	9.3	2.3	4.9
Unskilled labourers	14.9	79.1	20.9	89.4	9.6	0.6	0.4
Overall percentage	100	69.9	30.1	47.5	11.5	8.6	32.4

Source: Kraak, 2000:46.

## 2.5 Summary and conclusion

The theoretical underpinnings of this study were presented in this chapter. The chapter reveals that unemployment is a complex phenomenon, and its nature, causes and cures remain a matter of dispute. Unemployment is seen as a situation where members of the labour force are without work, yet are currently available for work, and are seeking work. With regard to the different types of unemployment, there are several forms of unemployment. The first is frictional unemployment which is inevitable, and, secondly, structural unemployment which usually persists for a long time. Thirdly, cyclical unemployment, associated largely with changes in economic activity especially the change in demand in the output market, and fourthly, seasonal unemployment which can be anticipated and therefore contingency plans can be made to counter it. In South Africa, the type of unemployment that is prevalent is structural in nature. The other types of unemployment are super-imposed on structural unemployment.

None of the different methods that are used to measure unemployment has been found to be totally reliable; each has its own shortcomings. The unreliability of the data is either caused by an 'act of omission' (where tools used to gather data are insufficient to gather most of the relevant information, like underemployment) or as an 'act of commission' (where the authorities have incentives to tamper with the statistics to show a good public image and also in the instance that individual respondents decide to give false information about their economic status). Nevertheless, the data is very important to economists to project economic trends and is especially important to public policy-makers so that they can select appropriate remedial policies. Unemployment in South Africa is more concentrated among women (especially African women) and young people. The unemployment rate is higher for African workers than for other groups.

While poverty is multi-faceted and everyone's experience of poverty is different, poverty has been traditionally associated with a lack of income and material deprivation and this has led to the use of quantitative approaches and measurement, such as poverty lines. Poverty is still defined as the inability of individuals, households or entire communities to command sufficient resources to satisfy a socially acceptable minimum standard of living. Between 45 and 50 percent of the South African population live in dire poverty, with 20 percent living on less than a dollar per day. Women and children experience higher vulnerability to poverty. The apartheid era is largely accountable for the persistence of poverty in South Africa, together with increasing levels of unemployment



since 1994. This chapter also discusses various approaches to poverty (that is absolute, relative, qualitative and quantitative approaches). Various measurements of poverty are used for the purpose of this study. These include the poverty gap, poverty lines, dependency ratios and the headcount index. The HSL is employed as a poverty line for the purposes of this study since it covers all major centers in South Africa and it has been a frequently used measure in recent years (this study includes a comparison between Sicele and other areas).

Literacy is defined in this chapter as the ability to read, write, and speak, to compute and solve problems at levels where one can function in a job and in society. In the job market literacy has been equated with the level of education a person has reached. Not having a high school diploma or some post high school education has been associated with the poverty status of people. Although having a high school, or even college education does not guarantee getting a high paying job, educational attainment is one of the most significant ways that can prevent an individual from becoming an individual can prevent being poor. Poverty rates for men and women at different levels of education show a gap that narrows as people go up the educational ladder.

Participation in the labour market is a key mechanism for the reduction of poverty and inequality in South Africa. Hence the trends of growing unemployment and continuing skills bias are contributing to an increasingly segmented and, for many, inaccessible labour market, thereby exacerbating inequality and creating a growing polarization between those who gained access to rationed employment and those who are excluded. Education is a particularly important determination of success in the labour market process in the context of employment rationing. The accumulation of education, however, is not in itself a sufficient condition for improving employment prospects. There is a need for the closer examination of the quality of training and the content of education offered at all levels, including tertiary education, in order to address the apparent mismatch between the skills demands of the economy and the supply of workers.

It can be concluded that unemployment is a significant contributor to poverty. Education and training is found by to be important in determining employment, eradicating poverty, as well as encouraging labour force participation. Across both genders, individuals with low levels of education have less chance of finding employment than those with higher levels. The South African labour demand pattern reflects a growing demand for higher

skilled labour and declining demand for skilled workers. Therefore this study in Sicelo is a way of finding solutions to the problem of unemployment and poverty through investment in education and training.

## CHAPTER THREE

### PROFILE OF THE POOR POPULATION OF SICELO

#### 3.1 Introduction

The previous chapter discussed and applied various poverty measurements that could be used to quantify poverty in Sicelo. The objective of this chapter is to give a profile of the Sicelo Community in general. Where necessary, a profile is included of the poor population (members of households below their respective poverty lines). A profile is like a snapshot, showing specific characteristics at a particular point in time. An essential pre-condition to keep track of changes in characteristics over time is to start with a clear profile of the situation at one particular departure point. It serves as a reference point to monitor the impact of poverty policies. In fact, poverty policies should be updated every number of years (Slabbert, 1997:91).

The approach in this chapter is to profile the poor in comparison with the total population, making use of survey data. The discussion also encompasses the different indicators of poverty in Sicelo, and compares Sicelo with Bophelong in terms of these indicators.

The information for Sicelo originates from household a survey by means of questionnaires administered in the area during July/August 2004, and the information for Bophelong is based on a study conducted in 2003 by Slabbert. One fieldworker interviewed a total of 100 households. All the households approached were willing to partake in the survey and 100 questionnaires were completed in August 2004.

#### 3.2 Demographics

Any change in the economy of a region will have an effect on its population in terms of employment opportunities, income (remuneration), expenditure patterns, the level of poverty and social services (Slabbert, 2004:61).

This section employs various indicators to develop a profile of Sicelo, as well as to compare this with the Bophelong profile. The population in Sicelo is estimated at 6 400, which is lower compared to the population of Bophelong (37 779 people) (Statistics South Africa, 2003). The number of households in Sicelo is estimated at 1 778 compared to 12 352 in Bophelong (Slabbert, 2003:1).

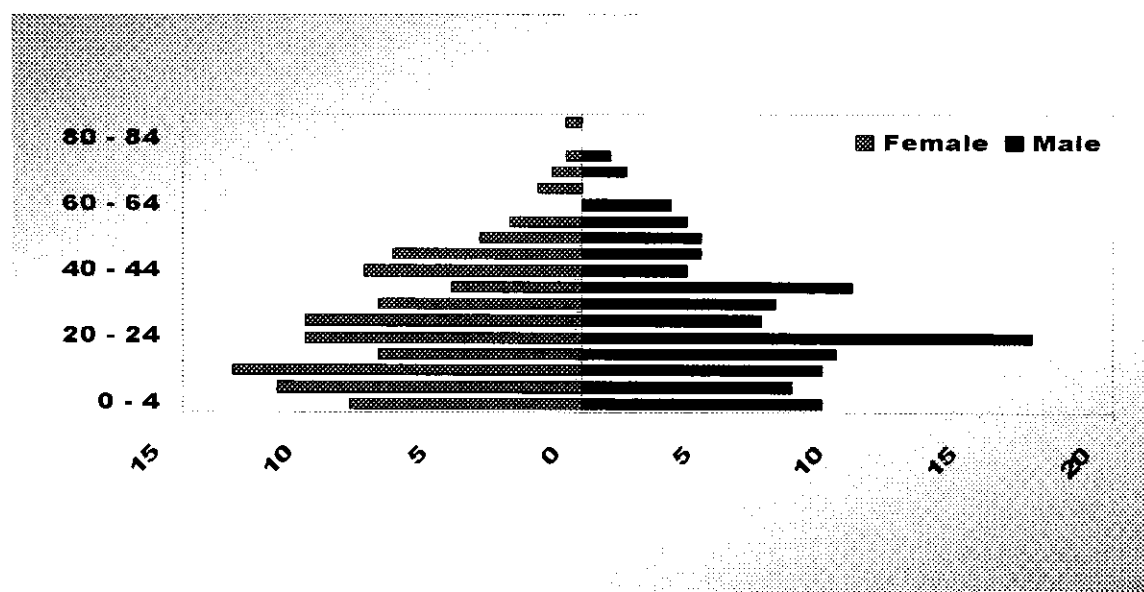
The average household size in Sicelo is 3.6 members for the year 2004, compared to 3.8 persons per household for Bophelong in 2003. The average household size in Sicelo is slightly lower than that in Bophelong.

The dependency ratio, an indicator of the average number of persons who depend on the income of one earner, is determined at 2.9 in Sicelo for 2004 and 3.6 in Bophelong for 2003. The number of people who depend on the income of one person in Sicelo is thus lower than that of Bophelong.

The demographic analysis in this chapter done is in terms of age categories of the population, gender distribution, qualifications of the post-school population, and the average length of stay in the Vaal Triangle of the Sicelo community.

**Figure 3.1** shows the age categories of the population in Sicelo. There seems to be a relatively high percentage of the population between 20 and 40 years of age in both townships (i.e. Sicelo and Bophelong). This is the age at which people in general are most productive.

**Figure 3.1 Total population of Sicelo in age categories - 2004**

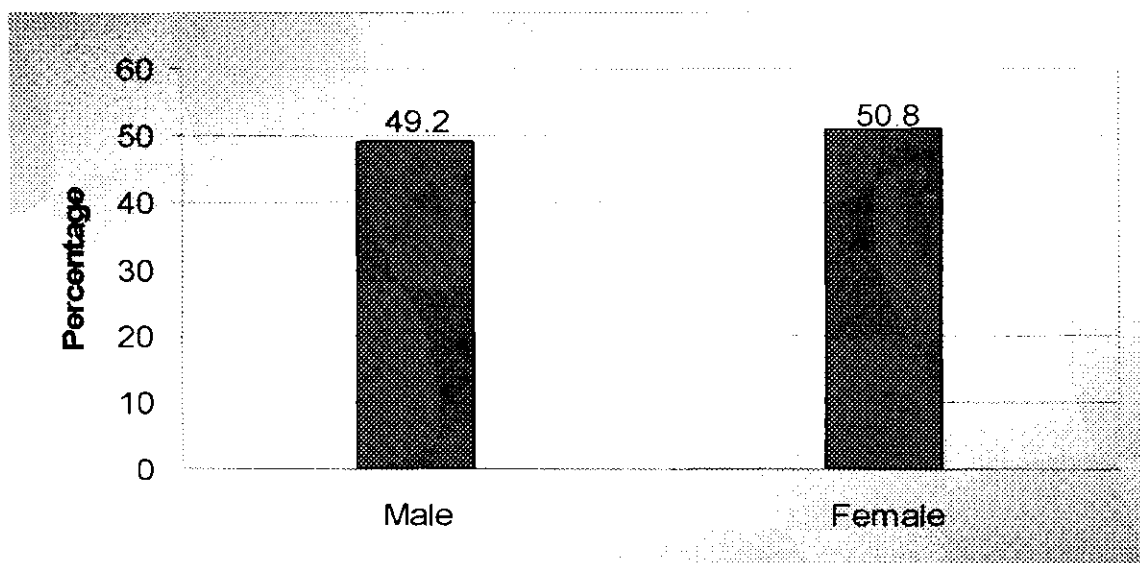


Source: Survey Data, 2004.

**Figure 3.2** shows the gender distribution of the population of Sicelo. It shows that approximately 49.2 percent of the population is male, while 50.8 percent is female. The figures for Bophelong show that 46.5 percent of the population is male, while 53.5 percent is female (Slabbert, 2003:5). For South Africa, the national figure is 47.7

percent male and 52.3 percent female (Statistics South Africa, 2003:7). For Gauteng Province, the percentages of males and females are given as 51 percent male and 49 percent female - it is the only province with a slightly higher number of males than females (Statistics South Africa, 1999:8-9). The figures for Sicelo are therefore very similar to those for Bophelong and South Africa as a whole, with a higher percentage of females than males.

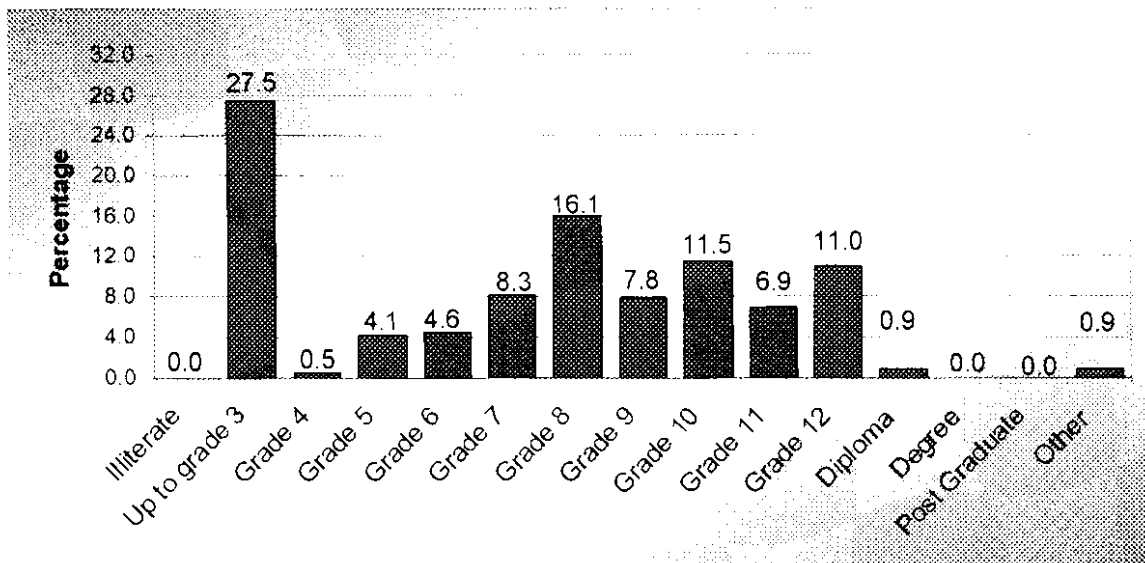
**Figure 3.2 Gender distribution of the Sicelo population - 2004**



Source: Survey Data, 2004.

The qualifications of the post-school population in Sicelo are portrayed in **Figure 3.3**. The figure shows that 12.8 percent have a Grade 12 and higher (or other) qualification. The figure is 22.8 percent for Bophelong (Slabbert, 2003:5), ten percent higher than Sicelo. For South Africa, the national figure is 29.2 percent (Statistics South Africa, 2004:iv). There seems to be a relatively big difference between the two communities with respect to education levels. The Sicelo figure is also lower in comparison with the national figure. As for the illiterate category, or category with no education, Sicelo has zero percent while Bophelong has five percent. Nationally, this category is 11.8 percent for this category (Statistics South Africa, 2004:iv).

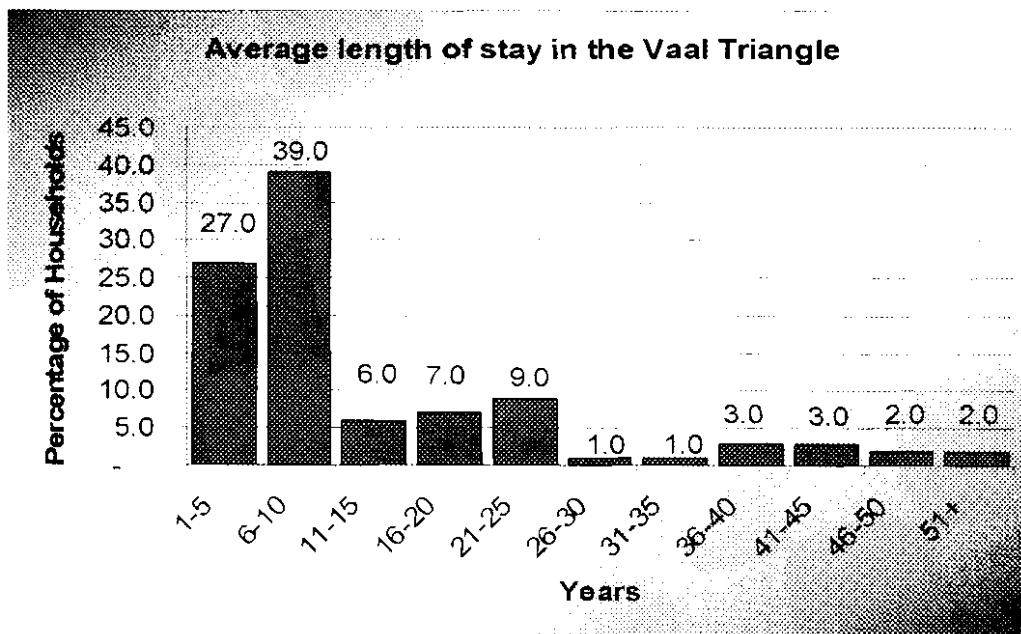
**Figure 3.3 Qualifications of post-school population in Sicelo - 2004**



Source: Survey Data, 2004.

**Figure 3.4** portrays the average length of stay of respondents in the Vaal Triangle. Out of the entire population of Sicelo, 66 percent of the residents moved into the Vaal Triangle in the last 10 years. This explains the increase in the unemployment rate to a certain extent. This is also the case in Bophelong, where a significant influx of people (25 percent) was experienced in the last 10 years (Slabbert, 2004:5).

**Figure 3.4 Average length of stay in the Vaal Triangle - 2004**



Source: Survey Data, 2004.

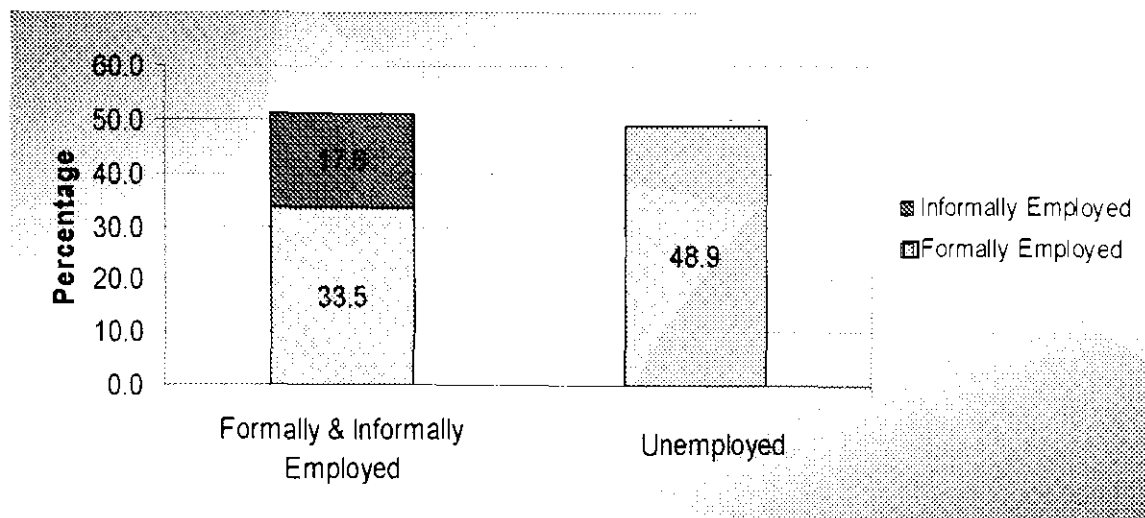
### 3.3 Labour force

As mentioned in Section 2.2.3, the Unemployment rate ( $U_r$ ) is calculated according to the following standard equation:

$$\frac{\text{Number of the unemployed}}{\text{Economically active population (EAP)}} \times \frac{100}{1} = U_r$$

From the survey data in this study, unemployment in Sicelo is determined at 48.9 percent (for the method see **Annexure C**). This is depicted in **Figure 3.5**. This rate is lower than that for Bophelong which was determined at 55 percent (Slabbert, 2003:7). The average size of households is 3.6 persons of which, on average, 0.9 persons are unemployed. The average household size is slightly lower than the Bophelong figure (3.8).

**Figure 3.5 Composition of the labour force in Sicelo - 2004**



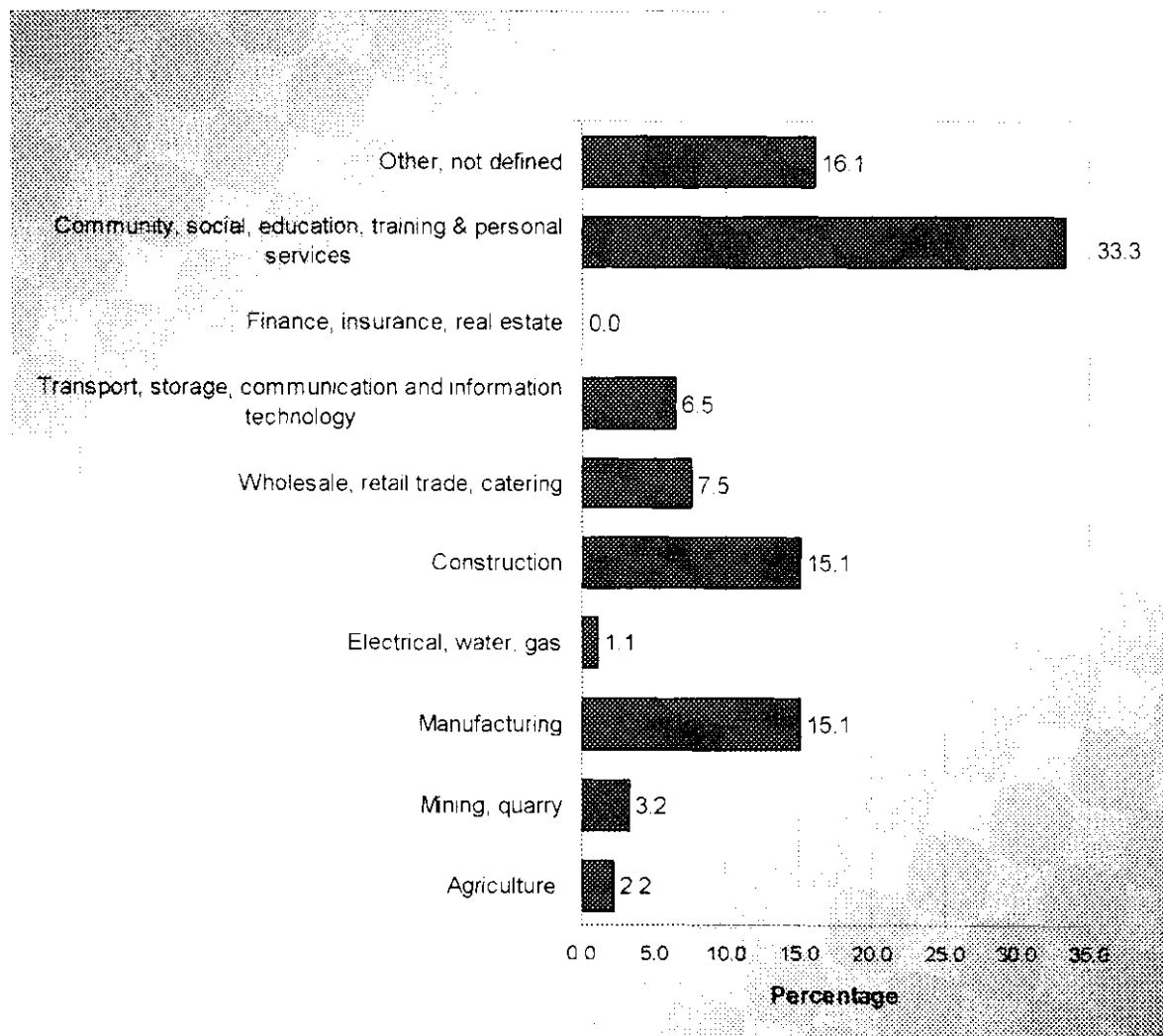
Source: Survey Data, 2004.

**Figure 3.5** also shows that of the total labour force, 33.5 percent are employed in the formal sector while 17.6 percent are employed in the informal sector. The formal employment figure for Bophelong is slightly higher at 34.9 percent, and the informal employment figure lower, at 10 percent (Slabbert, 2003:7). Sicelo, therefore, has a higher proportion of the labour force employed in the informal sector.

### 3.2.1 Profile of the employed

**Figure 3.6** portrays the sectors in which the employed of the Sicelo community are working. Most of those who are employed are in low income, vulnerable and short-term jobs. This exacerbates poverty levels. About one third of the employed indicated that they are employed in the community, social, education, training and personal services sector. Other major sectors of employment are: 'other' sectors (16.1 percent) which are in most cases domestic services, construction (15.1 percent) and manufacturing (15.1 percent). These figures are in stark contrast to the figures for Bophelong. The 'service' category for Bophelong employs 21.9 percent of the workforce; 'other' sector employ 30 percent, construction employs 13 percent, and manufacturing employs 8.4 percent (Slabbert, 2003:7).

**Figure 3.6 Sectors of employment for the employed population in Sicelo - 2004**



Source: Survey Data, 2004.

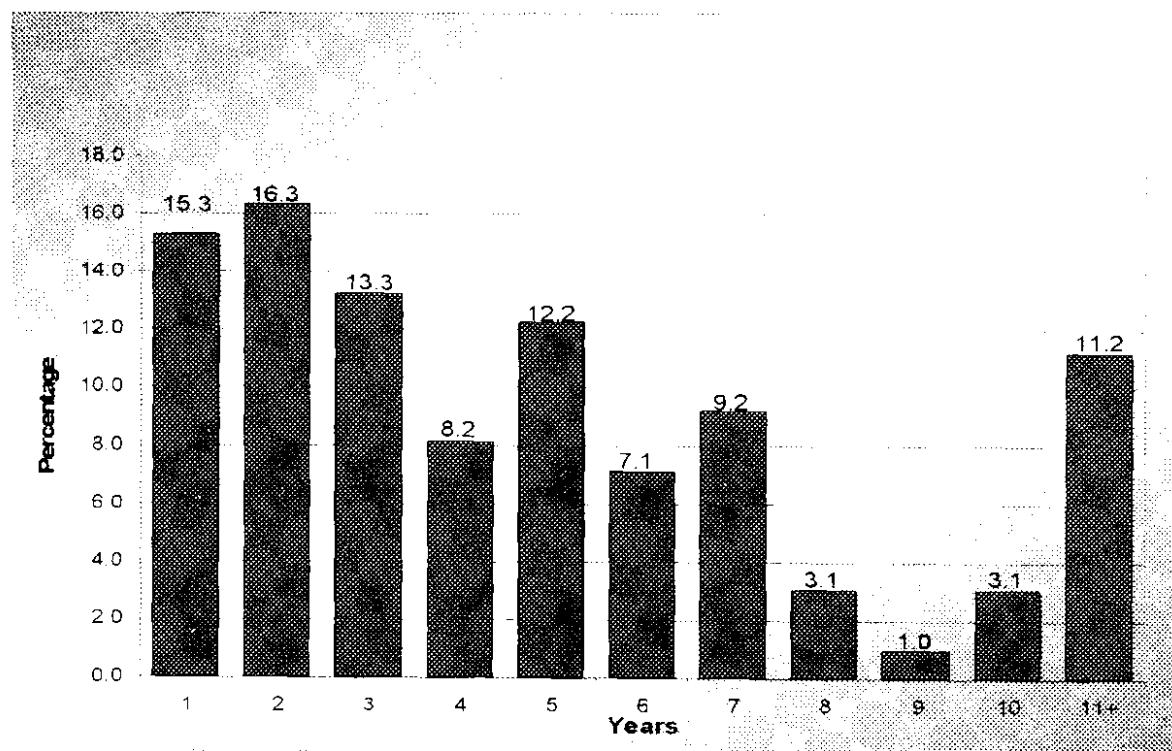


As regards the influence of labour legislation on the working class in Sicelo, the survey revealed the following: 63.2 percent of the respondents indicated that their income increased as a result of minimum wages while 36.8 percent responded that it had decreased. Of the employed population, 81.9 percent believed that their employers could afford to increase their salaries because of minimum wages and 18.4 percent indicated that their working hours had been reduced due to minimum wages.

### 3.2.2 Profile of the unemployed

Many unemployed persons have been unemployed for a number of years, as shown in **Figure 3.7** below. Of the unemployed, 31.6 percent were unemployed for up to two years. In Bophelong, 30.2 percent of the unemployed were unemployed for up to two years. It is probable that these are school leavers who have entered the labour market as job seekers.

**Figure 3.7 Duration of unemployment in Sicelo - 2004**

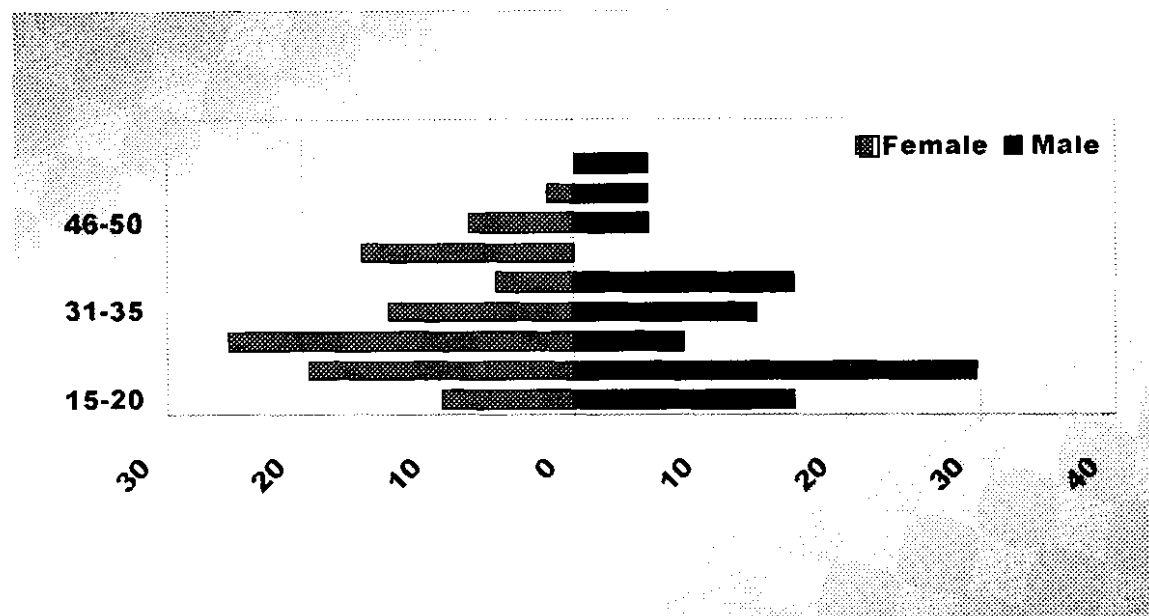


Source: Survey Data, 2004.

**Figure 3.8** shows the age distribution of the unemployed. It is evident that the main concentration is around the ages 21 to 35 for both males and females. This is similar to the Bophelong distribution. The majority of the unemployed are in their youth, with 51.4 percent of the males and 58.8 percent of the females being between 21 and 35 years of

age. For Bophelong, the comparative figures show that 57 percent of the males and 64.7 percent of the females are between 21 and 35 years of age (Slabbert, 2003:17). The unemployed are therefore still relatively young in both areas.

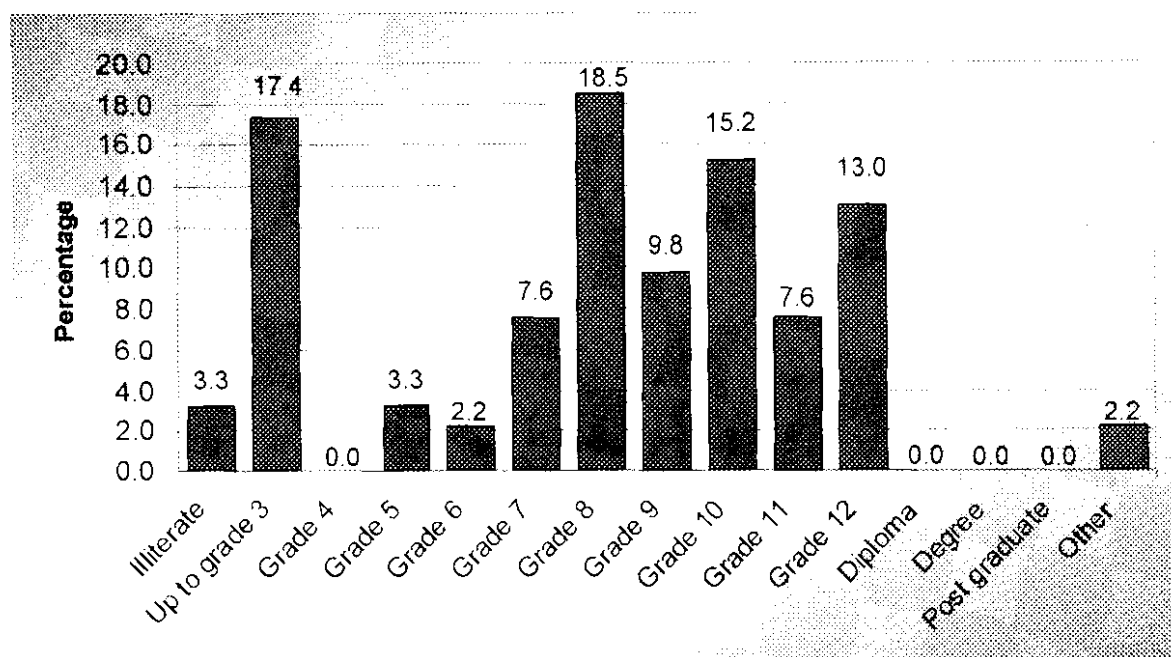
**Figure 3.8 Unemployed in different age categories in Sicelo - 2004**



Source: Survey Data, 2004.

**Figure 3.9** portrays the qualifications of the unemployed. About 15.2 percent of the unemployed have qualifications of Grade 12 or other. For Bophelong, 25.8 percent of the unemployed have qualifications of Grade 12 or other (Slabbert, 2003:18). However, the percentage of the unemployed with a diploma or degree is zero percent compared to 2.6 percent for Bophelong. The unemployed in Sicelo are thus less qualified than those in Bophelong. This means that those unemployed in Bophelong have a relatively better chance of finding a job than those in Sicelo.

**Figure 3.9 Qualifications of the unemployed in Sicelo - 2004**

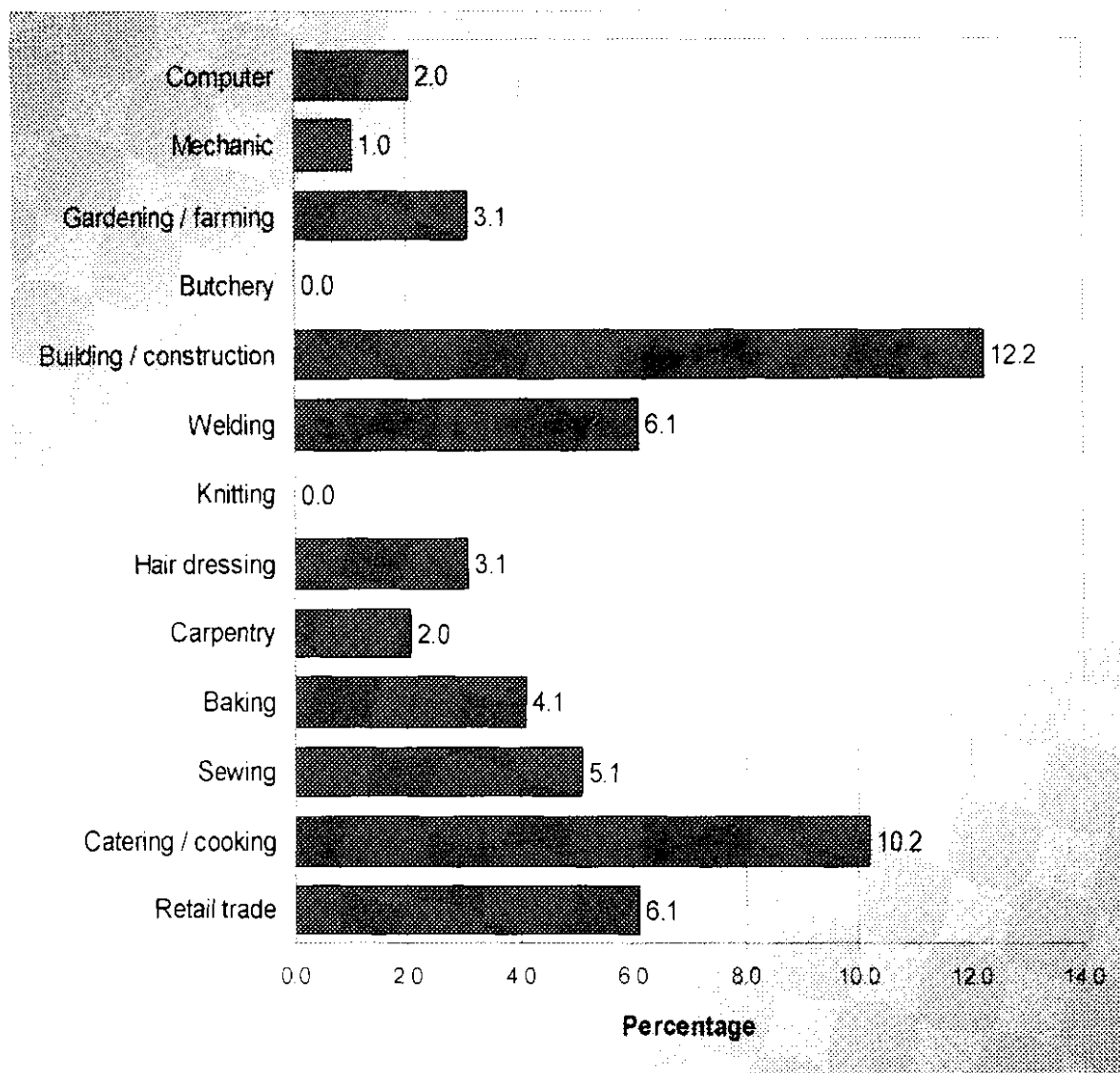


Source: Survey Data, 2004.

**Figure 3.10** shows the skills of the unemployed. The highest percentage of the unemployed has skills in building/construction (12.2 percent). This is in contrast to the situation in Bophelong where the highest percentage of the unemployed has skills in catering/cooking (22 percent) (Slabbert, 2003:10).

The predominantly 'female' skills possessed by the unemployed in both areas are catering/cooking, sewing, baking and knitting (19.4 percent for Sicelo and 45.4 percent for Bophelong), while the predominantly 'male' skills are gardening/farming, building/construction, welding and carpentry (24.4 percent for Sicelo and 22.2 percent for Bophelong). A smaller percentage (19.4) in Sicelo has skills in the predominantly female areas compared to Bophelong.

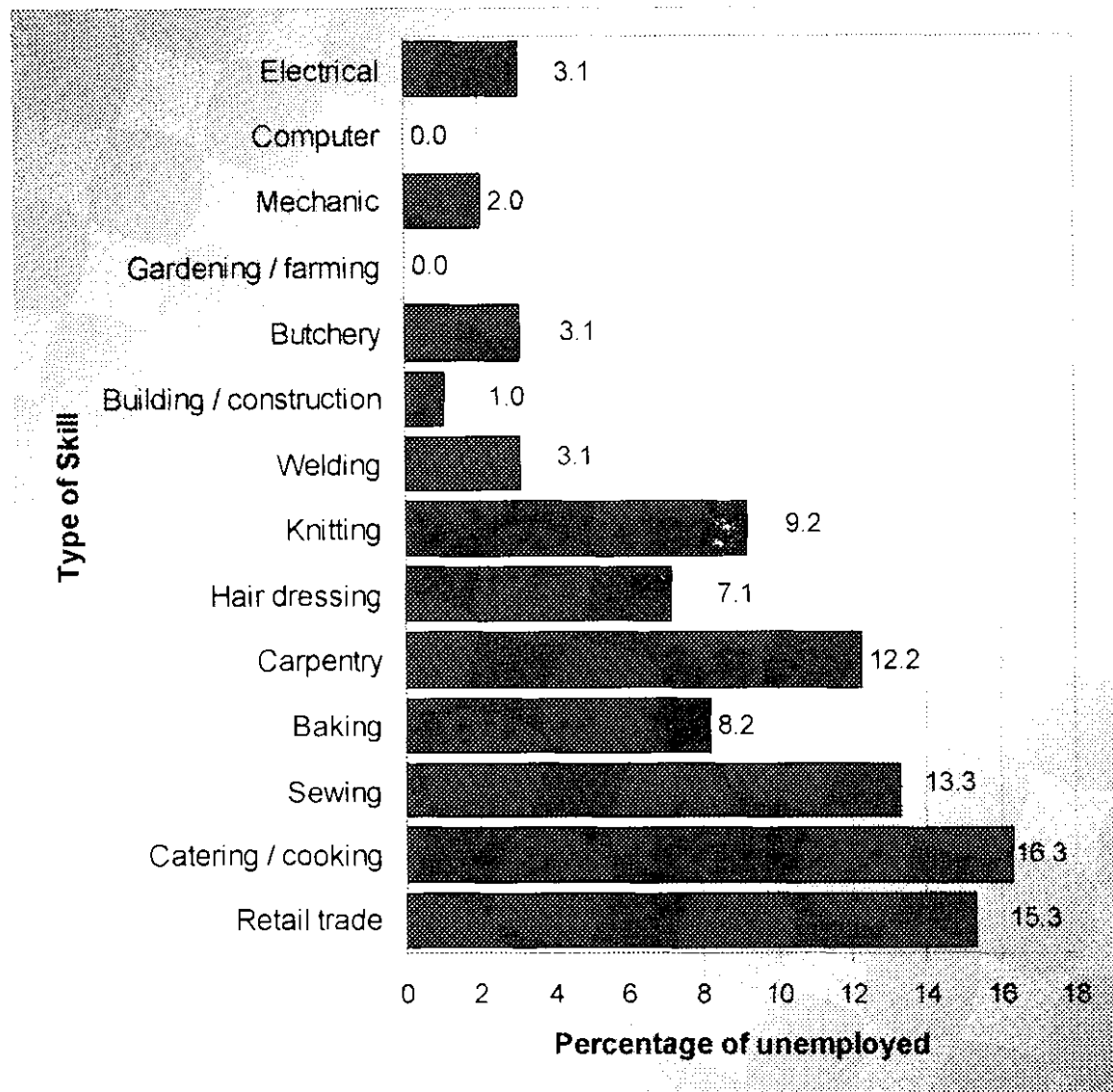
Figure 3.10 Skills of the unemployed in Sicelo - 2004



Source: Survey Data, 2004.

**Figure 3.11** shows the kind of skills that the unemployed wish to be trained in. it is clear that many respondents want further skills training in the fields they already have certain skills in. In Bophelong many respondents want further skills training in the fields in which they already have skills.

**Figure 3.11 Skills training preferred by the unemployed in Sicelo - 2004**



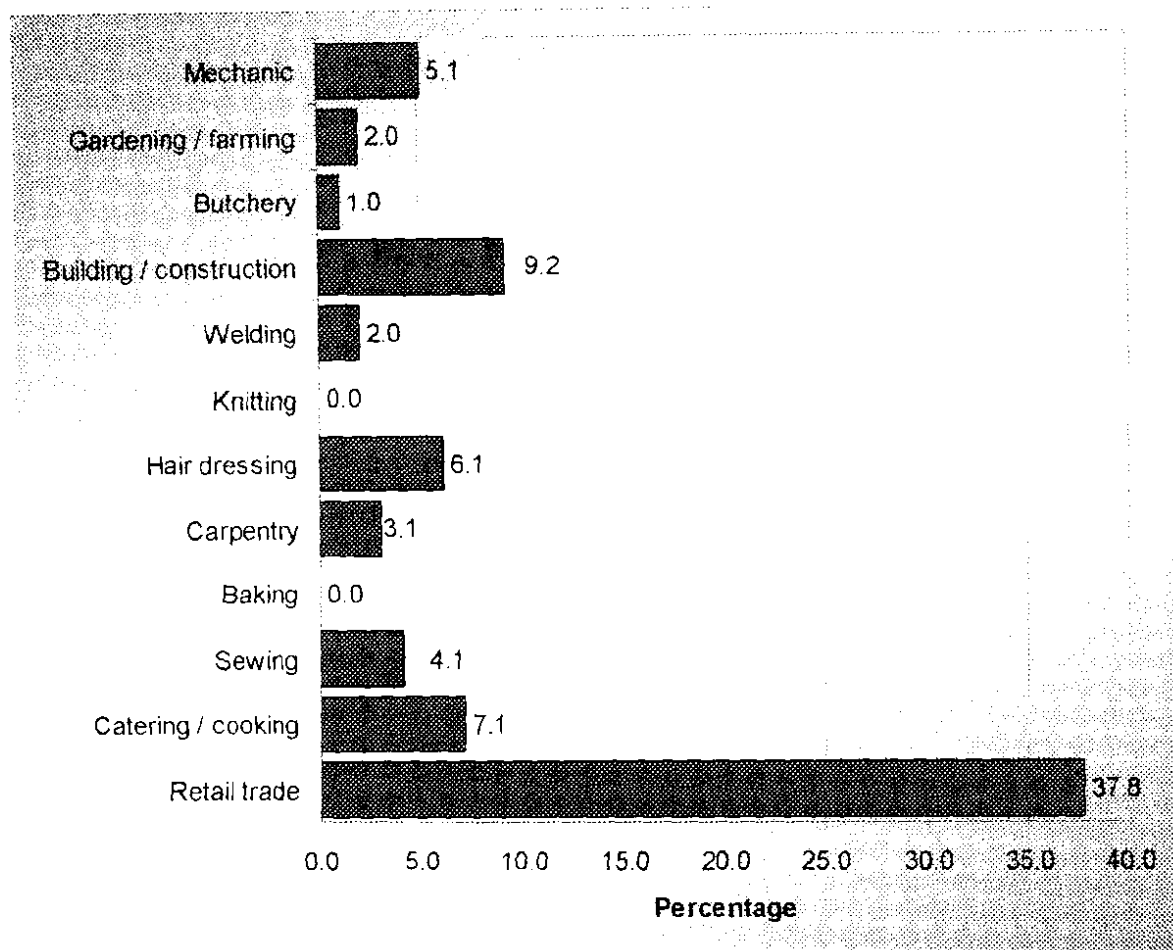
Source: Survey Data, 2004.

**Figure 3.12** shows the self-sustaining activities (own small businesses) in which the unemployed prefer to be engaged. If compared with **Figure 3.10**, it is clear that there is a significant difference between the skills possessed and preferences in the predominantly 'female' areas. A total of 19.4 percent possess skills in these areas and 11.2 percent prefer these activities. This is in contrast to Bophelong where the skills and preferences of the predominantly 'female' areas match quite closely. A total of 45.4 percent have skills in these areas and 41.5 percent prefer these activities (Slabbert, 2003:12).

The predominantly 'male' skills match quite closely with preferences in Sicelo, with 24.4 percent having skills in these areas, and 21.4 percent preferring these activities. In

Bophelong, 22.2 percent have 'male' skills, and 20.9 percent prefer these activities. Only 6.1 percent have skills in retail, while 37.8 prefer this activity.

**Figure 3.12 Self-sustaining activities preferred by the unemployed in Sicelo - 2004**



Source: Survey Data, 2004.

Females in Sicelo seem to be more interested in starting their own businesses in other fields than those in which they already possess skills, like retailing, whereas females in Bophelong are more interested in starting their own small businesses with the skills they possess. In both areas males are more interested in starting their own businesses with the skills they have.

### 3.3 Poverty

A poor household is defined as a household in which the combined income of all its members is less than the HSL as determined for the specific household (see Section 1.5.3.2).

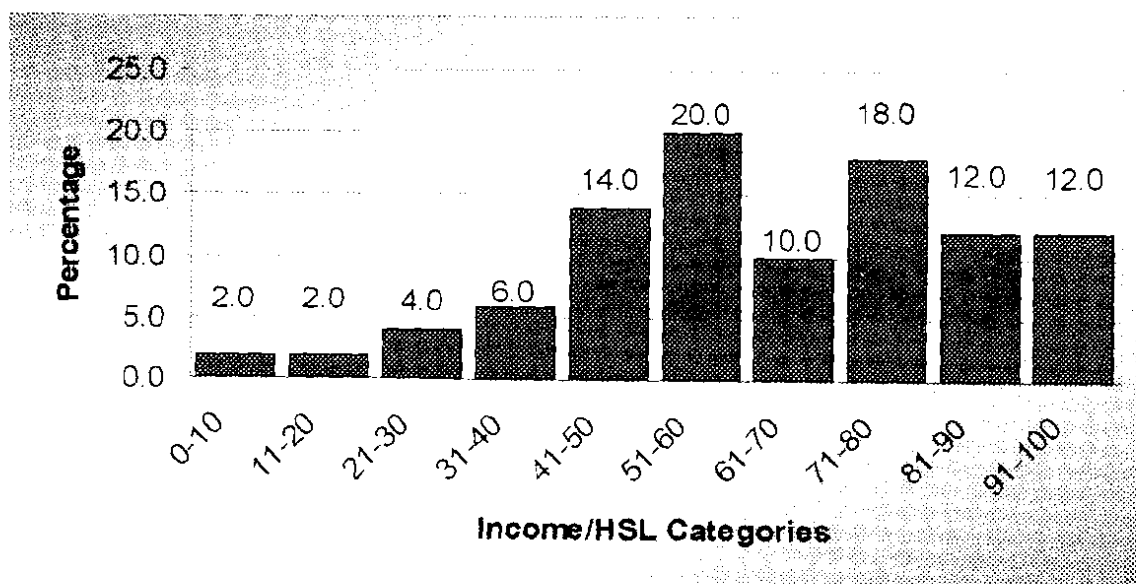
Poverty is measured in terms of the headcount index and the poverty gap index. The headcount index is defined as the fraction of the population below the poverty line. In this report, the headcount index is adapted to indicate the fraction of households that fall below their individual poverty lines.

The poverty gap usually measures the average shortfall of the income of the poor from the poverty line, whilst the poverty gap index measures the extent of the shortfall of income below the poverty line (the methodology is detailed in **Annexure D**).

The headcount index for Sicelo, as calculated from the survey data in this study, is 0.50 and the poverty gap ratio is 0.37. The headcount index for Bophelong was determined at 62 percent and the poverty gap ratio is 0.48.

**Figure 3.13** gives the distribution of the poor households' income as a percentage of their specific HSL. If a household income is above the poverty line, the household falls in the income/HSL category above 100 percent. An increase in the number of households below the poverty line indicates an increase in the proportion of the poor population.

**Figure 3.13 Poor households and their HSL ratios in Sicelo - 2004**



Source: Survey Data, 2004.

Slabbert (2003:13) points out that "if most households earn 90-100 percent of their own HSL, this would indicate that the poverty is not very severe". In line with this assertion,

**Figure 3.13** shows that 28 percent of all households in Sicelo have an income of less than 50 percent of their HSL compared to 45.8 percent for Bophelong.

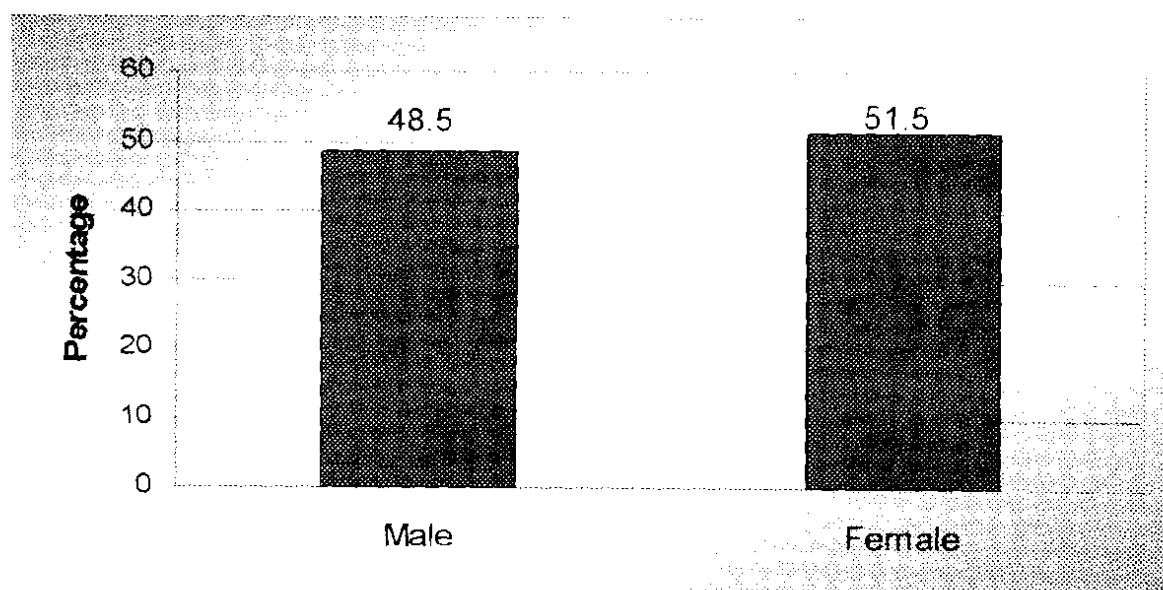
The poverty gap ratio is calculated at 0.37, indicating that, on average, poor households lack 37 percent of the income required to attain a level equal to their poverty line. This is far lower than the figure for Bophelong. The depth of poverty in Sicelo is therefore significantly less when compared to other areas.

### 3.3.1 Profile of the poor

This section analyses that portion of the population that has been found in the survey to be poor. A number of indicators are used to profile the poor. The purpose is to show the differences between the poor and the total population as this would be useful in determining a strategy to alleviate poverty.

As shown in **Figure 3.14**, 51.5 percent of the poor population is female and 48.5 percent male, compared to 50.8 percent and 49.2 percent respectively for the whole population of Sicelo. The Bophelong data showed that 55.8 percent of the poor population is female and 44.2 percent male, compared to 53.5 percent and 46.5 percent respectively for the whole population of Bophelong (Slabbert, 2003:14). In both areas the female population is slightly more affected by poverty than the male population.

**Figure 3.14 Gender distribution of the poor population in Sicelo - 2004**

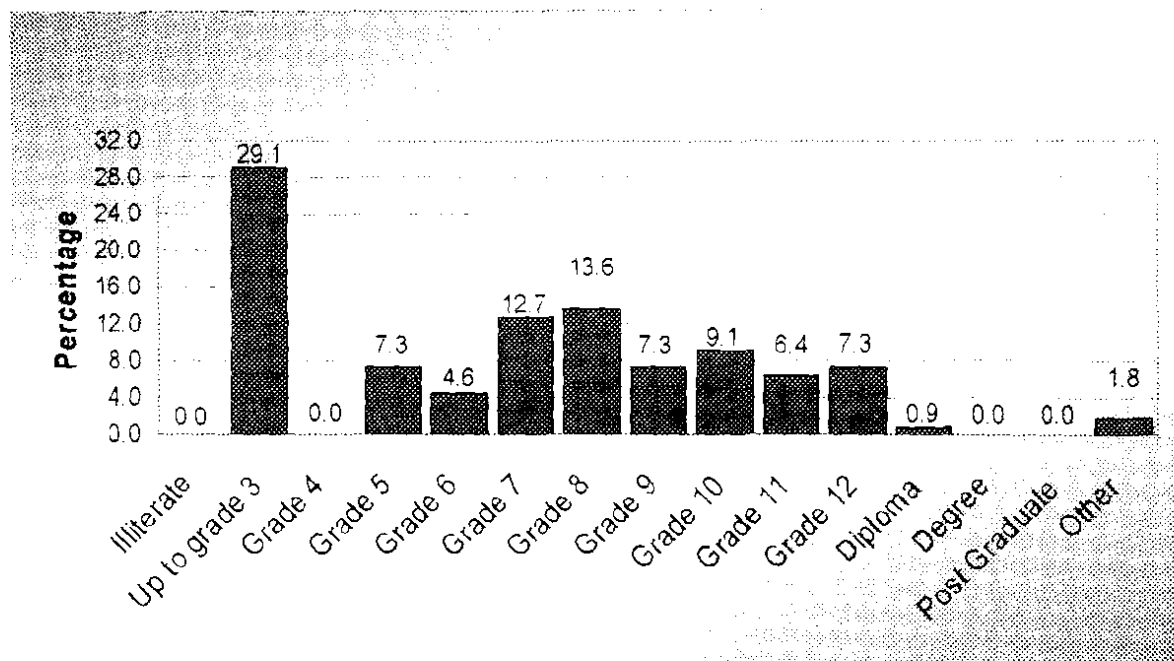


Source: Survey Data, 2004.



**Figure 3.15** shows the qualifications of the post-school poor population. A total of 10 percent of the poor post-school population has a qualification of Grade 12 or higher, compared to 12.8 percent for the population as a whole. The figures for Bophelong show a similar trend where 16.9 percent of the poor post-school population has qualifications of Grade 12 or higher, compared to 22.8 percent for the population as a whole. The population with a diploma or degree living in poor households is the same as that for the population as a whole (i.e. 0.9 percent). The figure for Bophelong is 1.3 percent for the poor and 3.1 percent for the combined population. Slabbert (2003:14) concludes that the difference between the total population and the poor shows an inverse correlation between especially higher qualification and poverty. This therefore implies that lack of education (especially higher education) may be a contributing factor to poverty. In Sicelo the percentage of the post-school population with a diploma or degree is the same for the total population as for the poor population. However, in both cases the percentages is extremely low.

**Figure 3.15 Qualifications of the post-school poor population in Sicelo - 2004**



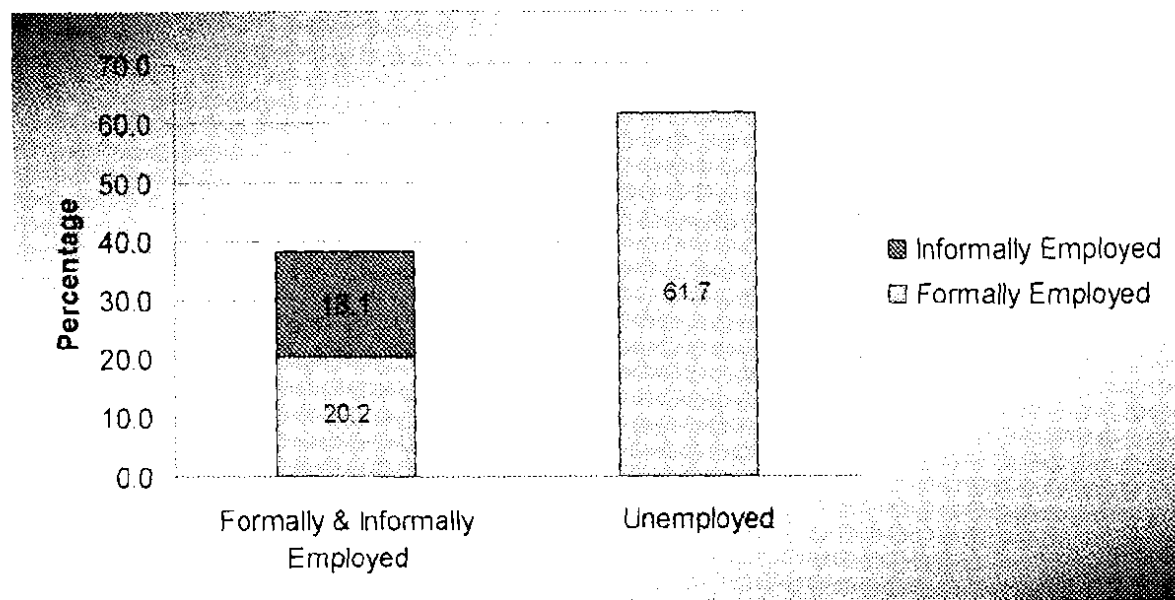
Source: Survey Data, 2004.

### 3.3.2 Profile of the poor employed

**Figure 3.16** portrays the status of the labour force that comes from poor households. A total of 38.3 percent of the poor labour force is employed. The unemployment rate of the poor is 61.7 percent, compared to 48.9 percent in general in Sicelo. For Bophelong, the

comparative figure for the unemployed poor is 68.3 percent compared to 55 percent for the whole population (Slabbert, 2003:15). There is thus only a marginal difference between these townships.

**Figure 3.16 The composition of the poor labour force in Sicelo - 2004**



Source: Survey Data, 2004.

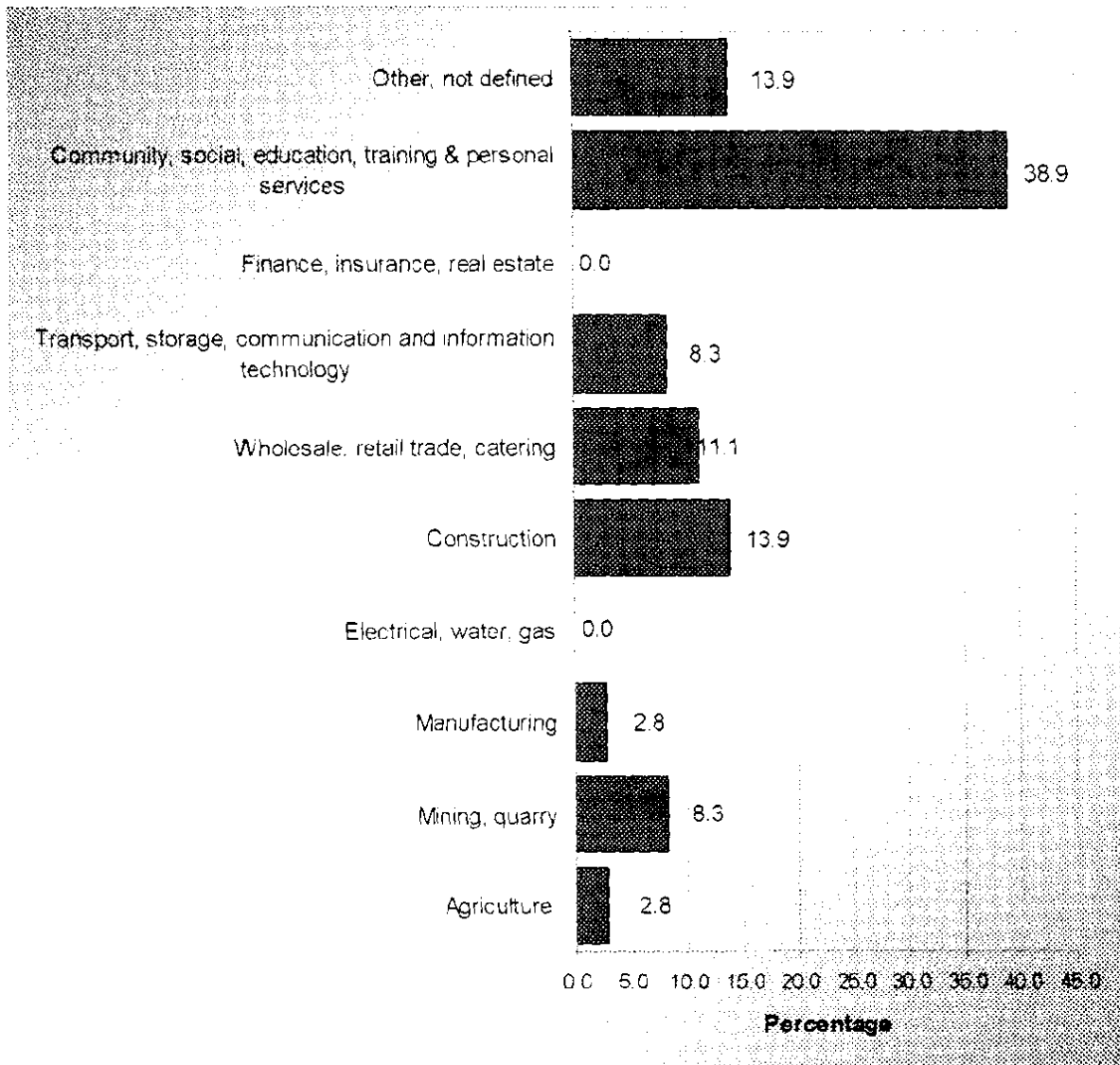
Concerning the poor employed, 20.2 percent are formally employed and 18.1 percent informally employed, compared to 33.5 percent and 17.6 percent respectively for Sicelo as a whole. The figures for the poor in Bophelong are 24.9 percent in formal and 6.7 percent in informal employment, compared to 34.9 percent and 10 percent respectively for Bophelong as a whole (Slabbert, 2003:15). This shows that employment, and especially formal employment is an important determinant of poverty.

The Sicelo figures show a slightly higher participation in informal employment for the poor than for the total employed population (18.1 percent versus 17.6 percent). The percentage of the employed poor that are in the formal sector is very low, at 20.2 percent. This supports the fact that informal employment usually has lower wages than formal employment (Slabbert, 2004:167).

**Figure 3.17** portrays the sectors where the poor employed work. A comparison with **Figure 3.6** (sectors of employment for the employed of Sicelo as a whole) shows that a greater percentage of the poor work in the community, social, education, training and personal services sector (38.9 percent compared to 33.3 percent for the total

population). Furthermore, a greater percentage of the poor work in the construction sector (13.9 percent compared to 15.1 percent). The same categories account for 39.8 percent of the employed poor in Bophelong (Slabbert, 2003:16). These are sectors with comparatively low wages which easily lead to the perpetuation of poverty, vulnerability to shocks and income risks (Mokoena, 2004:118). Although 2.8 percent of the poor population is employed in the manufacturing sector which is one of the sectors with higher wages, that percentage is not enough to uplift the state of poverty in the area.

**Figure 3.17 Sectors of employment for the poor employed in Sicelo**

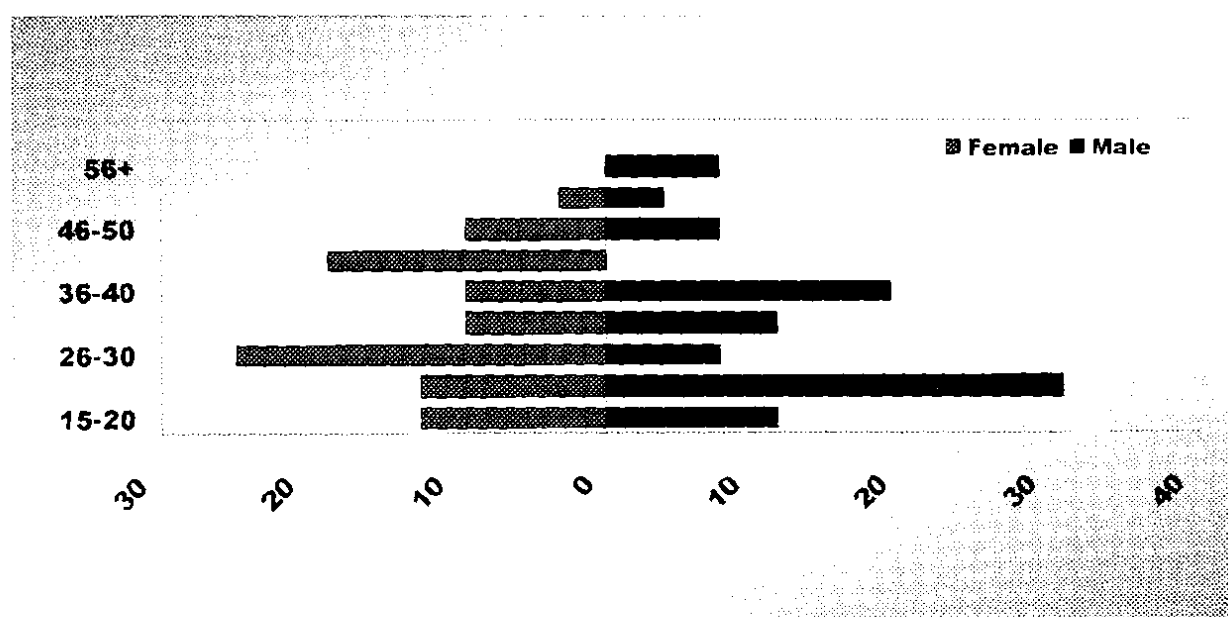


Source: Survey Data, 2004.

### 3.3.3 Profile of the poor unemployed

**Figure 3.18** gives an age profile of the poor unemployed in Sicelo. The figure shows that amongst the poor, the youth are the most affected by unemployment. About 48.3 percent of the total poor unemployed are between 20 and 35 years of age. In the case of males, it is higher (50 percent) than in the case of females (46.9 percent). The percentage of the poor unemployed between 20 and 35 years of age is slightly lower than for the unemployed (poor and non-poor combined), which amounts to 51.4 percent for males and 58.8 percent for females. Comparatively, the figure for Bophelong for the population in this category is 58 percent (Slabbert, 2003:16-17). The combined figure for females is 61.5 percent and 52.2 percent for males. The figures for Bophelong are higher than those for Sicelo. In both townships females are more affected.

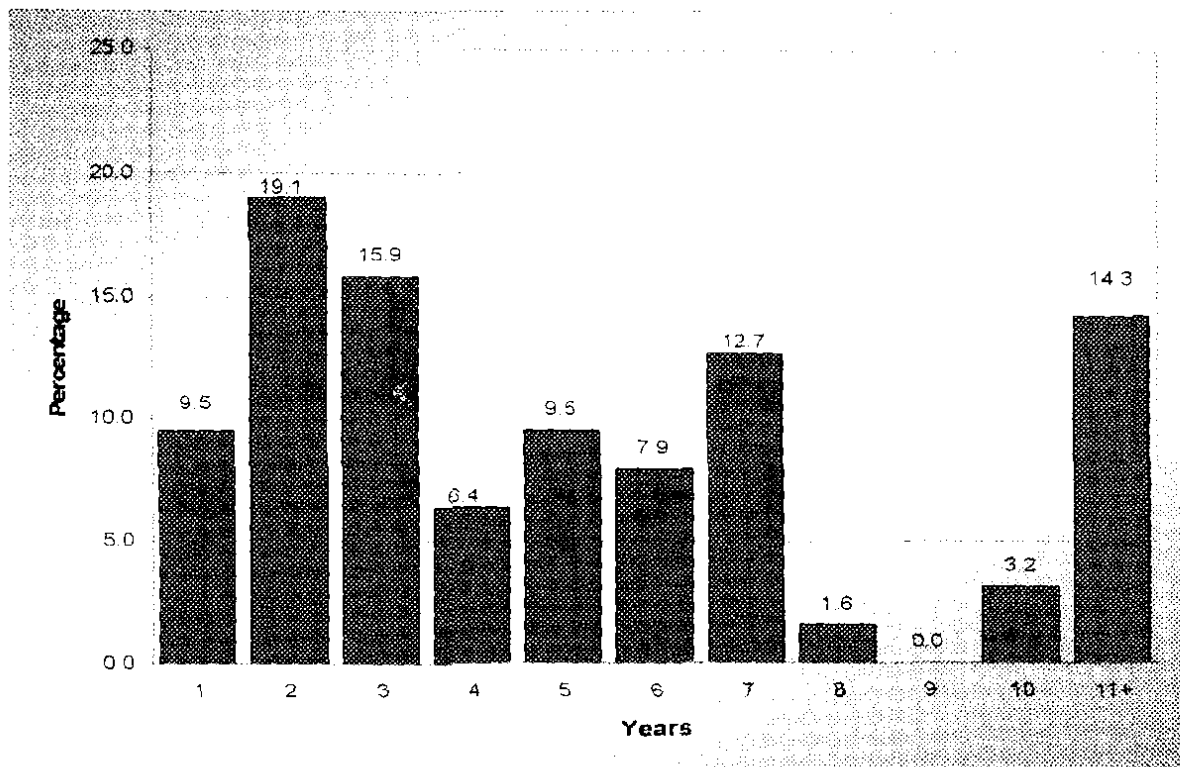
**Figure 3.18 Age categories of the poor unemployed population in Sicelo - 2004**



Source: Survey Data, 2004.

**Figure 3.19** shows the duration of unemployment in the poor population. This is about the same as for the Sicelo population as a whole. The figure shows that 28.6 percent of the poor population has been unemployed for up to two years. The figure for Bophelong is only 29.4 percent.

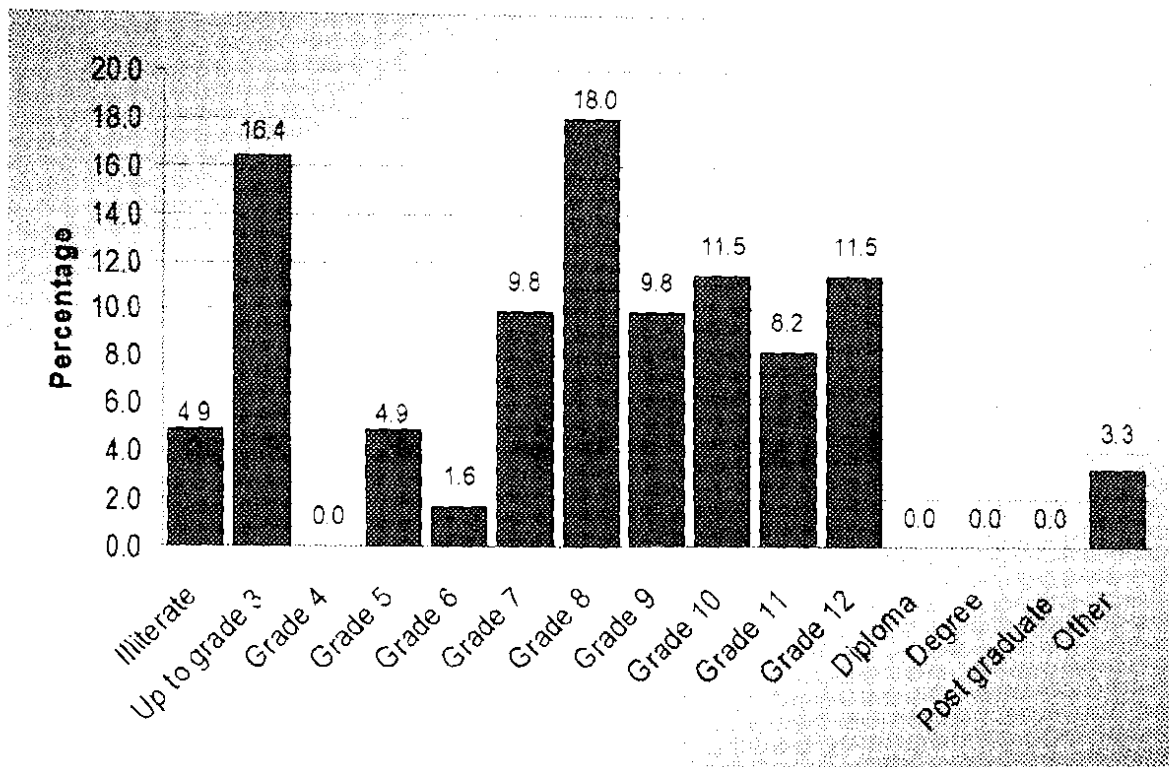
**Figure 3.19** Duration of unemployment for the poor unemployed population in Sicelo - 2004



Source: Survey Data, 2004.

**Figure 3.20** shows the qualifications of the poor unemployed. The percentage of the poor unemployed with a Grade 12 or other qualification is 14.8. This figure is 22.7 percent for Bophelong. Zero percent of the poor unemployed have diplomas in Sicelo, compared to only 1.3 percent in Bophelong. The poor unemployed population in Bophelong is thus better qualified than that in Sicelo.

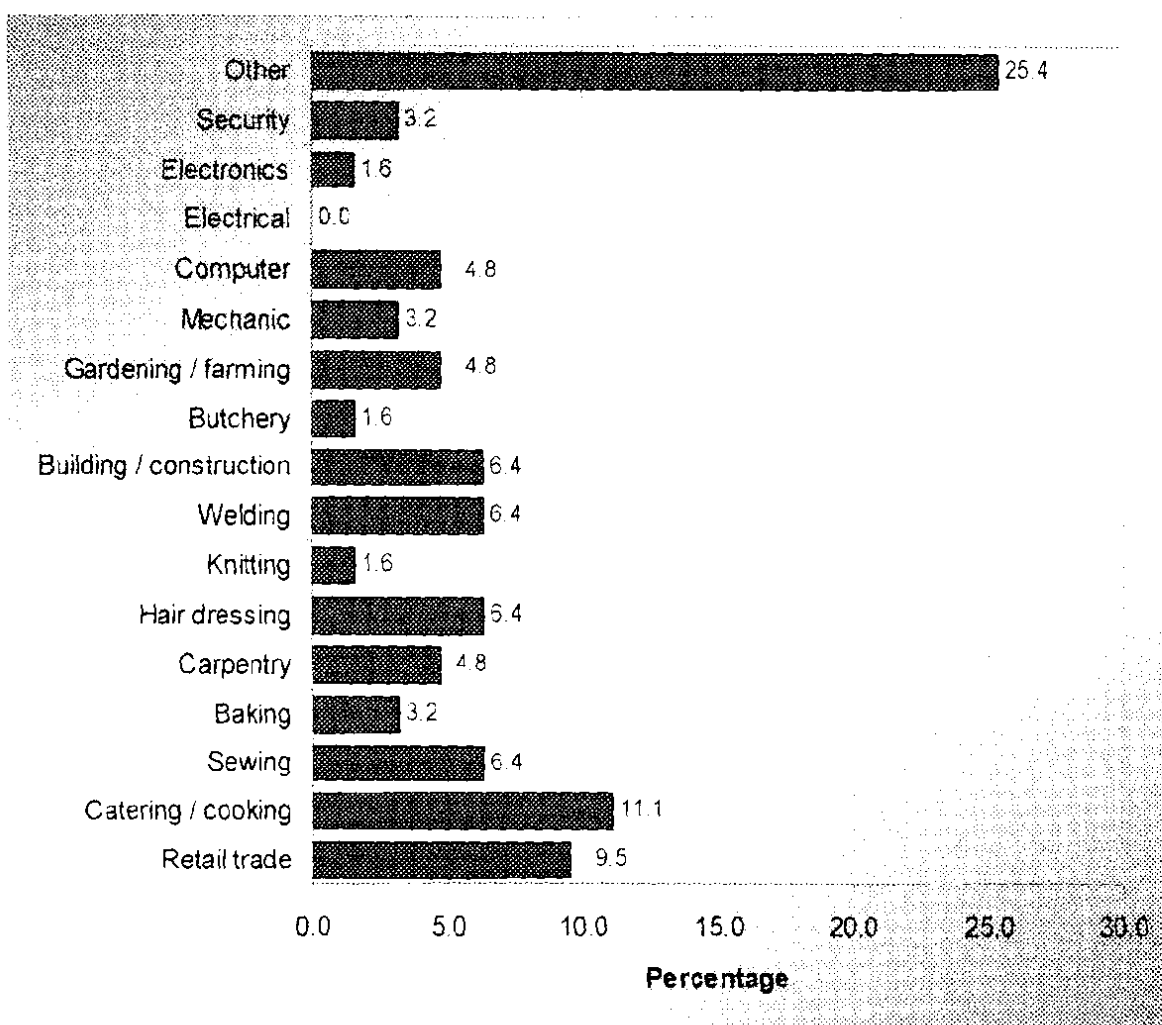
Figure 3.20 Qualifications of the poor unemployed in Sicelo - 2004



Source: Survey Data, 2004.

Figure 3.21 gives an indication of the kind of self-sustaining activities in which the poor unemployed would like to be trained. The majority of the poor unemployed would like to be trained in the catering/cooking field (11.1 percent, compared to 16.3 percent for the poor and non-poor unemployed combined). About 9.5 percent (compared to 15.3 percent for the poor and non-poor population) of the poor population would like to be trained in the retail trade field, which is one of the high paying sectors. A strategy for poverty alleviation should perhaps focus on creating jobs in the catering/cooking, and the trading fields. Both fields are regarded as high paying sectors.

**Figure 3.21 Skills training preferred by the poor unemployed in Sicelo - 2004**



Source: Survey Data, 2004.

### **3.4 Income and expenditure**

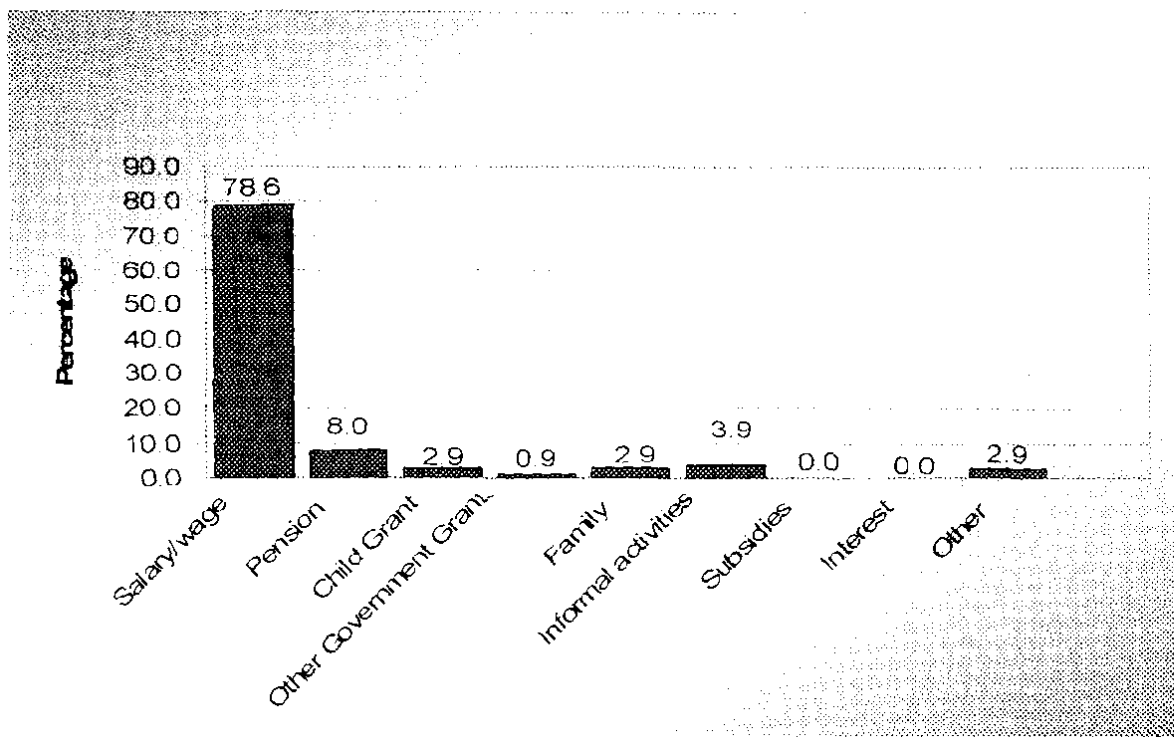
This section examines the state of income and expenditure in Sicelo. Although much care was taken to solicit as much information as possible on the various kinds of incomes and income sources, the 'phenomenon of expenditure surplus' was observed in the survey for many households. This happens when expenditure exceeds income. The reason for this may lie in the fact that some households tend not to declare some income, especially if the source of such income is suspect (for example, income gained through illegal means), but will more readily declare expenditure (Mokoena, 2004:121).

The average household income for 2004 in Sicelo is determined at R1 616 per household per month. In Bophelong it was determined at R1 497 per month in 2003

(Slabbert, 2003:19). The Bophelong figure is a year earlier and considering the inflation rate, the real difference is not that big between the two townships.

**Figure 3.22** shows the different sources of income and their contribution to the total household income in Sicelo. The figure shows that in Sicelo 78.6 percent (61.4 percent for Bophelong) of the average household income comes from wages and salaries. This is therefore by far the most important source of household income. This is followed by pensions at 8 percent (12.1 percent for Bophelong) and informal earnings at 3.9 percent (13.2 percent for Bophelong). No income comes from interest and subsidies in Sicelo whereas this source together contributes 0.4 percent to the household income of Bophelong.

**Figure 3.22 Percentage contribution of different sources to household income in Sicelo - 2004**



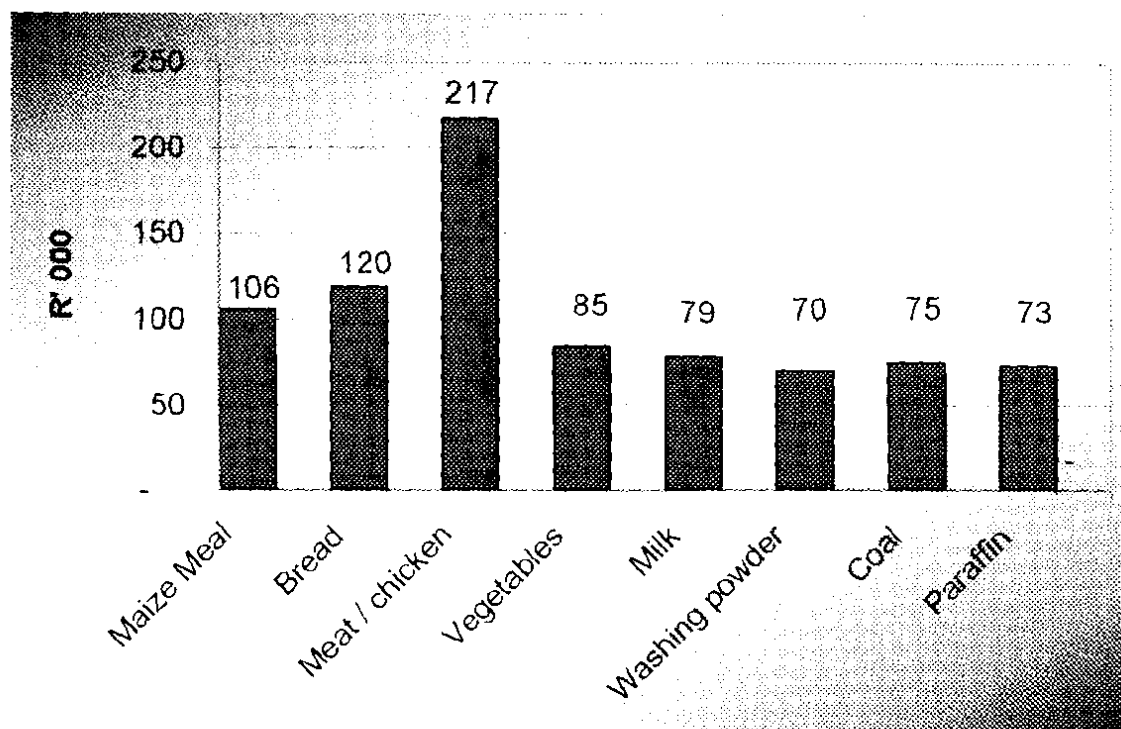
Source: Survey Data, 2004.

**Figure 3.23** shows the average amount spent on a few very commonly consumed items by the households of Sicelo. Residents in Sicelo consume 38 672 kilograms of mealie meal per month, amounting to an expenditure of R106 000 per month (R1.3 million per year). A total of R120 000 is spent monthly on bread (R1.4 million per year), and a further R217.000 is spent monthly on meat (R2.6 million per year). A total of R85 000 is



spent monthly on vegetables (R1.0 million per year), R79 000 on milk per month (R0.95 million per year), R70 000 on washing powder per month (R0.84 million per year), R75 000 on coal per month (R0.90million per year) and R73 000 on paraffin (0.88 million per year). The monthly expenditure for the same items in Bophelong is higher compared to that in Sicelo, except for coal which is higher in Sicelo.

**Figure 3.23 Monthly expenditure for households on different items in Sicelo - 2004**



Source: Survey Data, 2004.

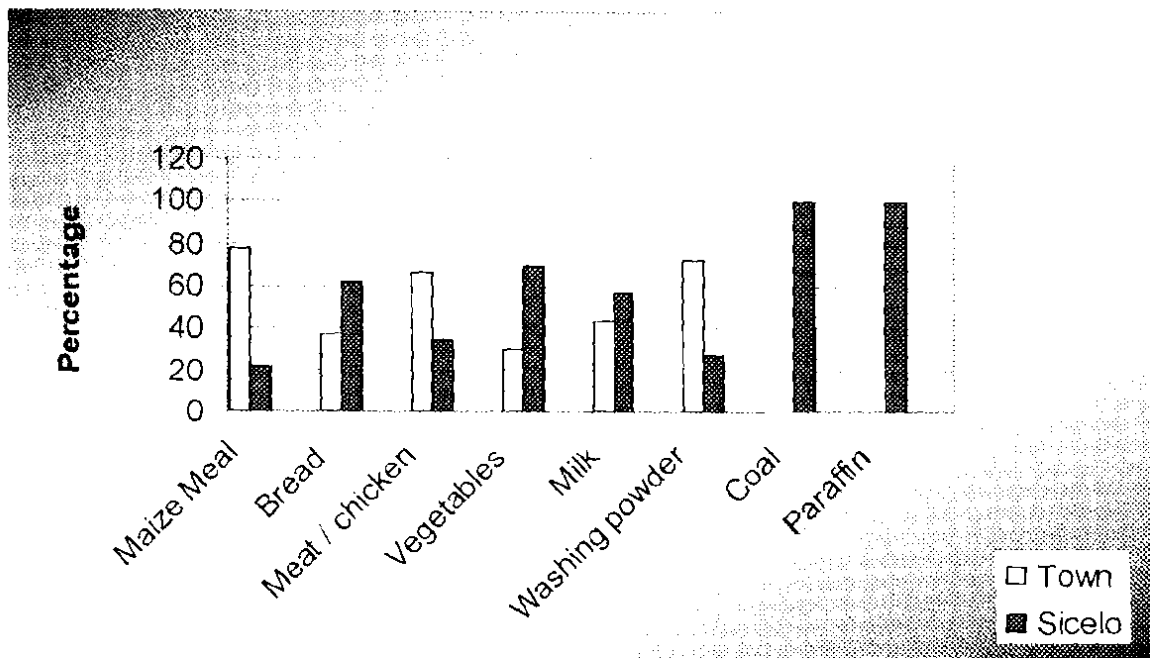
The chief items of expenditure are meat/chicken, bread and mealie meal, so this identifies these items as staple food in the area. The total expenditure on the eight items amounts to R9.9-million per year.

**Figure 3.24** indicates the place where the products mentioned in **Figure 3.23** are purchased. The majority of these products are bought in Sicelo itself, except for mealie meal, meat and washing powder. This corresponds with the findings in Bophelong, except with regards to mealie meal (Slabbert, 2003:21).

Although most of these products are bought within Sicelo, none of them are manufactured or produced in or around the area. The total expenditure on the eight

items amounts to R9.9-million per year which provides the opportunity for an inward industrialization process, whereby some of these products may be produced on a small scale by local residents for the Sicelo community. This would result in money being retained in the area, and a multiplier effect in terms of income and employment would come into effect in Sicelo.

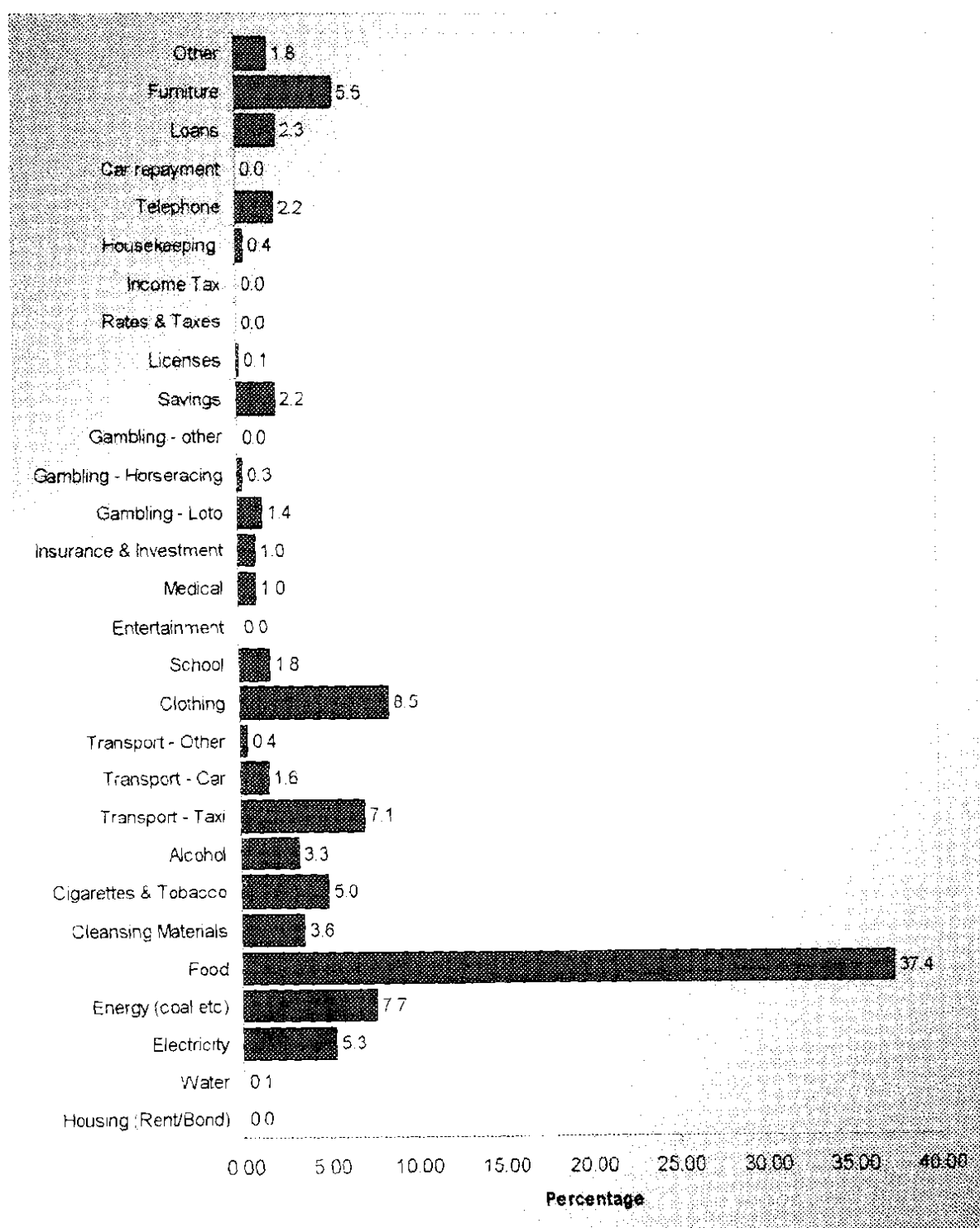
**Figure 3.24 Place where household products are bought in Sicelo - 2004**



Source: Survey Data, 2004.

**Figure 3.25** depicts the average expenditure of households in Sicelo. In Sicelo, 37.4 percent of all household income is spent on food, 8.5 percent on clothing, 7.7 percent on energy (for example, coal) and 7.1 percent on transport (taxi). Housing (rent/bond) accounts for zero percent since Sicelo is a squatter area. The percentage spent on food is slightly higher than that spent in Bophelong which is 36 percent.

Figure 3.25 Household expenditure in Sicelo - 2004



Source: Survey Data, 2004.

### **3.5 Environmental issues**

This section evaluates perceptions about pollution in Sicelo compared to perceptions in Bophelong. The section will focus on three types of pollution, namely littering, air pollution and noise pollution.

About 68 percent of the population in Sicelo (75 percent in Bophelong) feels that the environment is polluted and dirty. This probably relates to indiscriminate littering in non-designated areas. A total of 47 percent (16 percent in Bophelong) of Sicelo respondents feels that each individual should take the responsibility for cleaning the environment. About 41 percent of the Sicelo residents felt strongly that they should take the responsibility, while 40 percent in Bophelong feels that the municipality should take responsibility.

Air pollution is mostly the result of smoke and dust in the townships. In Sicelo, 79 percent of the sample stated that they are affected by air pollution (31.4 percent believes that it is from the usage of coal and 68.7 percent from nearby industries). About 55 percent in Bophelong stated that they are affected by air pollution.

Since the two areas lie close to large industries (Sicelo close to South African Manganese Corporation (SAMANCOR) and Bophelong close to ISCOR), they experience higher pollution levels caused by industries than outlying areas. Gravel roads in some places, as well as the lack of trees and groundcover leads to dust, especially during the dry autumn and winter months.

Out of the whole population, 72 percent indicated that they are affected by noise pollution in Sicelo and 47 percent in Bophelong indicated that they are affected by noise pollution. Noise pollution originates mainly from loud music and vehicles.

Residents of Sicelo feel that it is the responsibility of the street committee to deal with those that cause noise pollution, whereas in Bophelong most people feel that it is the responsibility of the police.

According to the respondents, Sicelo is polluted, dirty and experiences a higher percentage of air and noise pollution.

### 3.6 Crime

Poverty, unemployment and inequality cause crime. Inequality of opportunities and widespread poverty gives rise to criminal activities that deter economic development and sustain high poverty levels. Sociologists and criminologists have long emphasised that poverty and idleness result in high crime rates. The longer the person is unemployed, the higher the relative attractiveness of crime (Mehlum, Moene & Torvik, 2000:1).

The Anomie theory, developed by Durkheim, considers that a breakdown of crucial institutions (such as the family, church, and school) that teach individuals values and norms held within the society will result in an increase in crime. These breakdowns are thought to take place in poverty-stricken areas because individuals experience 'normlessness'. Normlessness is usually defined as a result of a lack of standards and values within a community. However, 'normlessness' according to the Anomie theory is a result of common goals held by individuals within society, but without equal means and opportunities of achieving these goals. As a result of this goal-means gap, delinquent subcultures are often formed by status-frustrated individuals. Within these subcultures, values are constructed that often completely reject the norms and values held by society as a whole. These subcultures achieve goals through illegitimate means because legitimate means are not available to them, in contrast to the middle and upper class (Hagan, 1994:32).

Crime in South Africa has been publicized as one of the serious challenges facing post-apartheid democracy. The country's crime rates are among the highest in the world and no South African is insulated from its effects. The Western Cape, Gauteng and the Northern Cape Province occupy the three top spots in terms of crime in South Africa. Gauteng appears thirteen out of fifteen times in the top three crime categories: only in common assault and stock theft does Gauteng not feature in the top three spots. There is therefore a high incidence of crime in the Province, including serious crimes, such as murder, rape, and robbery with aggravating circumstances (Mokoena, 2004:132).

About seven percent of the households in Sicelo were affected by crime in the last 12 months, compared to and 23 percent in Bophelong. Sicelo has, therefore, low crime rates compared to Bophelong.

### **3.7 Summary and conclusion**

This chapter utilizes various household level indicators to assess the level of poverty and unemployment in Sicelo. This is done primarily by comparing the findings of a survey conducted in 2004 in Sicelo with findings of a survey conducted in 2003 in Bophelong

The Sicelo population has slightly more females than males. There seems to be a relatively high percentage of the population between 20 and 40 years of age in both townships (i.e. Sicelo and Bophelong). This is the age where people in general are most productive.

The dependency ratio, an indicator of the number of persons who depend on the income of one earner, was revealed to be 2.9 for Sicelo, compared to 3.6 for Bophelong.

The poor post-school population in Sicelo is less qualified than the poor and non-poor population combined. The population of Sicelo is less qualified than that of Bophelong, but those with no education is calculated at zero percent for Sicelo and five percent for Bophelong.

Sicelo has a lower rate of unemployment (48.9 percent) compared to Bophelong (55 percent). Both townships have about the same percentage in the formal sector, but Sicelo has, in addition, more in the informal sector. The poverty gap ratio is lower in Sicelo; the reason for this could be that those who have formal jobs or even informal jobs may be receiving higher wages than those in Bophelong.

The average household size in Sicelo is 3.6 persons, with 0.9 members of the household unemployed. The figure for Bophelong is 3.8 persons per household, and there is on average one unemployed person per household.

It was indicated that in both areas those employed are mostly employed in the community, social, education, training and personal services sector (38.9 percent for the poor population compared to 33.3 percent for the whole population in Sicelo), while 15.1 percent of the poor are employed in the construction sector. About 9.5 percent (compared to 15.3 percent for the poor and non-poor population) of the poor population would like to be trained in the retail trade field, which is one of the high paying sectors.

A strategy for poverty alleviation should perhaps focus on creating jobs in the catering/cooking, and the trading fields. Both fields are regarded as high paying sectors.

Of the unemployed, 31.6 percent were unemployed for up to two years. In Bophelong, 30.2 percent of the unemployed were unemployed for up to two years. It is probable that these are school leavers who have entered the labour market as job seekers. In both townships, unemployment is concentrated among the youth between 20 and 35 years of age (for both poor and non-poor populations).

The highest percentage of the unemployed in Sicelo has skills in building/construction. This is in contrast to Bophelong, where the highest percentage of the unemployed has skills in catering/cooking. Females in Sicelo seem to be more interested in starting their own businesses in fields other than those in which they already have skills, like retailing, whereas females in Bophelong are more interested in starting their own small businesses with the skills they possess. In both areas males are more interested in starting their own businesses with the skills they have.

The headcount index as calculated from the survey data for Sicelo is 0.50, meaning that 889 households live in poverty. That means 3 200 people are poor in Sicelo. Of all households in Sicelo, 28 percent have an income of less than 50 percent of their HSL compared to 45.8 percent for Bophelong. The poverty gap ratio is calculated at 0.37, indicating that, on average, poor households lack 37 percent of the income necessary to attain a level equal to their poverty line. This is far lower compared to the figure for Bophelong. The depth of poverty in Sicelo is therefore less than in Bophelong.

The average household income for 2004 in Sicelo is determined at R1 616 per household per month compared to that for Bophelong at R1 497. The Bophelong figure is a year earlier and considering the inflation rate, the real difference is not that big between the two townships. Expenditure on certain commonly used items (like mealie meal, bread, meat/chicken, vegetables, milk and washing powder) in both townships follow the same pattern, but the Sicelo expenditure is low compared to that of Bophelong. Both townships spend a high percentage of their income on food.

A high percentage of the populations in both areas indicated that they are affected by pollution (littering, air, and noise pollution). Sicelo experienced low crime rates in the last 12 months compared to Bophelong.

Sicelo experiences lower unemployment rates and lower levels of poverty based on the indicators employed. This survey shows that according to most indicators, compared to Bophelong, Sicelo is better off.



# THE ROLE OF EDUCATION AND TRAINING IN THE REDUCTION OF UNEMPLOYMENT AND IN POVERTY ALLEVIATION

## 4.1 Introduction

Poverty and illiteracy are intrinsically interrelated. The poor who lack access to basic education opportunities get trapped in a vicious cycle of poverty. By providing equitable access to productive assets and to educational opportunities related to skills and knowledge, it is hoped that poverty, unemployment and illiteracy will be alleviated. The challenge of alleviating poverty and unemployment by means of education and training is an arduous task faced by many developing nations in Asia, Africa and the Pacific regions. However, there are a number of countries which have successfully addressed poverty through training and literacy programmes in the region. They can help to guide others in designing and implementing projects on poverty alleviation with the proviso of capacity-building, particularly in informal settlements. Inter-country cooperation and networking through the sharing of successful and unsuccessful experiences in different countries and in developing and managing programmes/projects in poverty alleviation through education and training would therefore be an essential and necessary step in right direction (UNESCO, 2000).

The chapter focuses, firstly, on the context of how education and training combat poverty and unemployment. Secondly, the chapter discusses the international communities' programmes and policies on poverty and unemployment eradication by means of education and training.

## 4.2 Education and training system in South Africa

The post-apartheid government inherited an education and training system with severe racial, regional and other inequities. The axes of disadvantage ran parallel to and reinforced each other, and the biases in the resultant education and training placed obstacles in the paths of individuals who did not follow restricted formal patterns of learning. It also worked against effective synergies between the education and training system and the world of work (Budlender, 2002).

According to the Department of Education (DoE, 2004), the South African education and training system can be split into two distinct sectors. On the one side of the

spectrum, a sophisticated world class system exists, while on the other, primitive conditions prevail. An ambitious programme to reform the education system was started in 1994, which led to the restructuring of the entire system and the introduction of many new pieces of legislation. Despite this effort, and considerable spending on the sector by government, delivery has been poor and a large part of the population still receives sub-standard education. The whole process has now been reassessed and the government has renewed its efforts to deliver better results. A slight improvement was seen at the end of last year, with a 60 percent pass rate for matric students. Other positive aspects include:

- ❖ the development of a National Qualification Framework;
- ❖ new pieces of legislation which encourage employers to invest in the education and training of their employees; and
- ❖ centres of excellence are emerging in areas where there is adequate social capital, proving that where communities get positively involved, it is possible to achieve good results even with limited financial resources (DoE, 2004).

The DoE (2004) further recommends that if South Africa is to compete globally, significant investment will be required in the development of human capital. It is widely acknowledged that both the private and the public sector will be required to invest heavily in the education and training of all South Africans.

#### **4.2.1 Characteristics of the system**

According to the DoE (2004), the South African education and training sectors have the following characteristics.

##### **4.2.1.1 Education sector**

Education has split into two sectors, namely state and private schools. Within each sector there is considerable diversity in the quality and delivery of education and training. There are some truly outstanding schools and some with low quality schools in both sectors. State funded schools within organised and more affluent communities manage to achieve excellent results at a relatively low cost to parents. However, in poorer areas parents and pupils are struggling with a largely dysfunctional education system. In the private sector, traditional 'public' type schools are still attracting large numbers of pupils despite very high fees. In response to high demand a few years ago,

a number of 'for profit' schools emerged. These schools have positioned themselves slightly differently, focusing more on academics as opposed to the sports focus of the more traditional private schools. Both types of schools are doing well and most have waiting lists, especially at the entry level. However, it is important to mention that the independent schools with very limited financial resources, for example many church schools in informal settlements and farm schools as well as schools for the disabled and mentally challenged, are struggling to survive (DoE, 2004).

#### **4.2.1.2 Training sector**

According to the DoE (2004), the vocational sector is highly sophisticated and well developed in South Africa. Many world-class courses have been available in the country for many years but they were made not accessible to non-Whites. There is considerable demand by large manufacturing companies and parastatal organizations like Eskom, Telkom and Transnet to correct the injustices of the past by offering training to previously disadvantaged people. Many companies and institutions now offer internationally recognized training courses and in some cases, international trainers come to South Africa to support these programmes. It has been relatively easy for these companies to broaden their offerings in response to new legislation and extend their market reach. Many of these companies are now offering value-added services to clients, which includes assistance in drawing up skills plans and assistance with the claiming back of skills levies. There is keen interest from this sector for world class and innovative training products, but it is a price sensitive market, which is also self sufficient to a great degree (DoE, 2004).

#### **4.2.2 Education and training in the context of poverty and unemployment reduction**

To stress the vital importance of education and training in reducing poverty and unemployment, the various priorities should be taken in consideration, including basic education (and primary education in particular), teacher training, and work related training and higher education – all particularly at regional level. It is also important to ensure balanced development of education. In other words an improved education system at all levels is necessary (Education for All (EfA, 2002).

#### **4.2.2.1 Basic education**

The total resources channelled into education (and primary education in particular) need to be substantially increased. The primary responsibility for implementing this strategy lies with the government. A clear sign of commitment to this strategy will be their ability to allocate resources in a way that enhances education in primary education in particular as it is the cornerstone of basic education. It is also the area in which the community could play an important role as a catalyst, specifically through its budgetary support, and in ensuring that resources are targeted towards regions and disadvantaged groups (EFA, 2002:10).

The efficiency of education systems can be ensured by drawing up strategies that take the specific situation and the conditions of the (informal) settlements into account. An increase in education expenditure is not enough on its own to improve progress in education; there is a need to make education systems more efficient. For instance, it could help to improve school access opportunities and move towards free and compulsory access to primary education. Parents are discouraged from sending their children to school because they have to pay for education. There is world-wide consensus that primary education should be universal and free. The introduction of free and compulsory education may, however, have consequences for a country in terms of additional financial resources. Providing the largest possible number of children with access to school is also a way of combating child labour (EFA, 2002:10).

Gearing budgets towards the most urgent needs for poor and vulnerable population groups which have only limited access to schools. Priority should be given to informal settlements and rural areas rather than the urban areas where school attendance is easier and gross attendances rates are much higher. This should be the case even though severe problems of poverty in towns and cities may prevent children from attending school: girls and women, children, and adults with special needs need to be taken into account through intercultural dialogue. From this point of view, the urban/rural balance needs to be seriously considered. Recognition of these urgent needs should be reflected by the construction of more schools closer to areas in which disadvantaged population groups live, and by training more teachers in these areas (EFA, 2002:10).

Reducing the existing gender based inequalities in relation to access to education by promoting the participation of women. Gender equality is a fundamental priority in

connection with access to, and the fairness and quality of education. The EFA (2002) is underpinned by a strong commitment to gender equality in education, although the gap between the school attendance of girls and boys is failing, and girls are still lagging behind. This means that educational strategies must be supported by gender analysis. Gender analysis means that the specific measures need to be taken from the point of view of teacher training, and programmes should be focused on stepping up the demand for education of girls and the opening up of opportunities for female training (EFA, 2002:11).

To reduce gender based inequalities in education systems, the Commission of the European Communities recommended the following priorities:

- a national policy to support women's advancement;
- ❖ campaigns to make parents aware of the advantages of educating girls;
- ❖ curricula and teaching from which gender stereotypes have been removed;
- ❖ more appropriate and better distributed education training infrastructure and facilities, in particular in informal settlements in rural areas;
- ❖ active promotion among parents' choices of education that helps girls to advance, including in non-traditional areas;
- analysis of instruments and statistics through which girls' performance can be genuinely measured; and
- consultation of and participation by the actors when planning education measures (EFA, 2002:11).

Placing emphasis as much on the quality as the quantity of education. The issue of quality overlaps the issue of stimulating the demand for education and training. Such stimulation programmes highlight the value of education and training. Specific measures that can help to improve the quality include local community participation in the management of educational issues and increase in the number and improvement status and training of the teachers. Curricula must be practical and adaptable. There must be opportunities to monitor and evaluate educational performance so that progress can be measured in quantitative terms (EFA, 2002:11).

Attention should be given to the impact of Aids on the education system. According to the EFA (2002:12), Aids has an impact on the education and training sectors, and education can play a key role in limiting the epidemic and in protecting the health of the people affected. Aids affect the education systems in two ways. Firstly, there is increasing pressure on education systems to provide information on HIV/AIDS. Secondly, HIV/AIDS can have a negative impact on the school system (fewer people and teachers, and therefore fewer classes), the methods of teaching and learning, and the quality of education (owing to higher rates of absenteeism). Lack of training and education and the existence of poverty are serious obstacles to the fight against HIV/AIDS, and in helping people to cope with its effects. Experiences in Thailand and Uganda show that a political will on the part of government to use education to combat HIV/AIDS - by introducing special curricula into school syllabi and training - have been helpful in combating the spread of the disease (EFA, 2002:12).

#### **4.2.2.2 Work related training**

The EFA (2002:13) ascertains that training can be provided in specialist centres through apprenticeship via distance learning using new technologies, or directly in the workplace. It has been recognized that technical education and vocational training are necessary for the establishment of an education system that offers an alternative to students leaving the system. These people will ultimately provide a skilled workforce for the formal and informal sectors. However, attempts to make school into combined centres of education and training have led almost everywhere to a decline in the standard of education; without providing a standard of vocational training that can be recognized by employers in the formal sector.

This means that it is necessary to support educational strategies, systems and processes that promote the demand for education and the acquisition of qualifications paving the way for economic growth, increased productivity and the efficiency of those in employment. Any development strategy has to look in further depth at the complex relations between training, education, qualifications and employment within the integrated framework of a poverty reduction strategy (EFA, 2002:14). This requires the introduction of active labour markets policies linking the development of skills with employment. They could possibly include: job-seeking aid, improvements to employment services, programmes of targeted training combined with income substitution benefits, direct assistance for job creation and other measures related to

the closest structural policies, including private sector development. Close cooperation with businesses on matching the supply and demand of skills in specific economic sectors also plays an important part in this approach (EFA, 2002:14).

#### **4.2.2.3 Higher education**

Support for higher education is a key component in combating unemployment and poverty. Educators and planners are trained in higher education institutions in which there are also centres for educational research. Support for higher academic, technical and vocational education is just as necessary as the support for primary education. Support for higher education is also necessary for a country's institutional development. Institutional capacity-building is an essential component of programmes in all sectors of development cooperation. In this context, information and communication technologies can improve the management, implementation, content and quality of education services throughout the world. These technologies, which are a tool and not a priority in themselves, can help greatly to improve the organization of education systems, access to these systems (support for teachers training, access to foreign languages, overseas training etc) and quality (access to a wider range of knowledge, inter-institutional network assistance). This applies, for instance, to the upgrading of learning methods for teachers and trainers training (EFA, 2002:14).

### **4.3 Key factors in reducing poverty**

Poverty and illiteracy are intrinsically interrelated. The poor who lack access to basic education opportunities get trapped in a vicious cycle of poverty. By providing equitable access to productive asset to productive assets, to educational opportunities, to skills and knowledge, etc, it is hoped to overcome poverty and illiteracy. (UNESCO; 2003:21). Micro-economic strategies are important in promoting employment creation; however they need the support of macro-economic policies. These macro-economic policies are indispensable as many of the major policy measures and instrument that influence urban poverty especially the labour market (Amis (1995:156).

#### **4.3.1 Action by developing countries**

Some developing countries have succeeded in significantly increasing school attendance rates, although considerable problems remain as to the quality of education. Essential measures for improving the quality of education include: increasing the funds

devoted to educational systems, good governance, a credible and stable macro-economic framework, and the ownership of reforms by government. Other countries have failed to translate their international commitments into budget appropriations and to encourage initiatives benefiting the poorest. School attendance rates are continuing to rise, but not quickly enough. In overall terms, demographic growth is also having an adverse effect on trends in school attendance rates throughout the world: this is true even though birth rates are tending to decline, although the extent of this decline is very different in different regions (CEC, 2002:7).

#### **4.3.2 International undertakings**

At the *World Summit for Social Development* in Copenhagen (1995), the developing countries also undertook to increase the resources channeled to the social sectors with voluntary dialogue on the 20/20 principle, under which 20 percent of aid and 20 percent of the budgets of developing countries are to be channeled into the basic social sectors of these countries. The *Framework for EfA* in April 2000 reiterated the international commitment to provide support for basic education within the framework of the millennium development objectives. This commitment was strengthened through increased action and extension to other objectives within the sector. No country seriously committed to education for all will be thwarted in their achievement of this goal by a lack of resources. The objectives adopted can be summarised as follows (CEC, 2002:7):

- ❖ generic declaration on education and the protection of infants and the acquisition of life competences by young people;
- ❖ compulsory and free primary education for all by 2015;
- ❖ fifty percent improvement of adult and in particular female literacy by 2015;
- ❖ elimination of gender-based inequalities by 2005 and introduction of equality in primary and secondary education by 2015; and
- ❖ improvement, in all respects, of the quality of education that can be measured by quantifiable results.

In the years following the *World Summit for Social Development* in Copenhagen (1995), much has been achieved worldwide. The United Nations Development Programme (UNDP) has undertaken a number of important studies on poverty eradication in developing countries, many of which are already preparing their national *Poverty*



*Reduction Strategy Papers (PRSP)*, and some of which – including Burkina Faso, Mauritania, Tanzania and Uganda - have already finalized them. Some countries have also established offices for planning and monitoring poverty reduction policies and programmes. The Department for International Development (DFID) has produced a *White Paper on International Development* that focuses on the eradication of extreme poverty. The World Bank has published a source book of poverty reduction strategies covering most of the dimensions of poverty, and is the prime mover behind the PRSPs. Similarly, many other agencies and institutions have refocused their programmes to place greater emphasis on this persisting issue. The planned investments for poverty eradication programmes should make an impact if they are appropriately channeled and monitored (UNESCO, 2001).

The World Bank and International Monetary Fund (IMF) are instituting new frameworks to address poverty by aligning social sector development closely with macro-economic policies and strategies. One of these new efforts is the *Heavily Indebted Poor Countries Initiative (HIPC)* which has reduced the debt burdens of many of the world's poorest nations - a proposal to link debt relief to country-owned *Poverty Reduction Strategies* is being negotiated. Examples already exist of countries (for example, Mozambique and Bolivia) that have used their debt relief to channel resources to education (UNESCO, 2001).

In the context of macro economic programmes, special attention must be paid to breaking the poverty cycle in the case of children. The adoption of systemic changes should be urged to ensure good quality education for all children. Individual developing countries (for example, Indonesia) are attempting to design their education systems so as to cater for children's diverse needs, and even to provide additional support outside academic classes. Furthermore, there are schools and communities that, particularly through NGOs and missionary groups, have successfully provided for the education of poor children. Such experiences usually combine school education with health care, guidance and counseling services, and income generating activities. Unlike economic strategies, the impact of education on poverty eradication tends to be less direct, although providing long term benefits. Nonetheless, education is pivotal in breaking the vicious cycle of poverty and social exclusion that is the reality for many people (UNESCO, 2001).

#### **4.4 Crucial issues to be addressed by education**

Poor children have numerous disadvantages in relation to their better-off counterparts. They are usually less healthy, their language skills are less developed (a factor that has a negative influence on school achievement), and they are generally less well equipped - socially, emotionally and physically - to undertake a school programme. If their disadvantaged position and different day-to-day experiences are not taken into account by school education, it is no wonder that they are unable to benefit fully from the school system (UNESCO, 2001).

In situations of extreme poverty, girls are particularly at risk as they tend to inherit the poverty of their mothers. They are prone to abuse of all forms, and very often confined to households in which they are virtually slaves. UNICEF has been working on this issue as part of the follow-up to the 1993 *Ouagadougou Pan-African Conference on the Education of Girls*. Other groups of poor children who merit special attention are children orphaned by HIV/AIDS, street children, and children of some ethnic minorities. For them, the provision of non-academic support and security is essential in order to contribute to their total well being and success in life. Moreover, dialogue and cooperation with parents and families should improve their participation and performance in education (UNESCO, 2001).

As previously mentioned, wealth creation is a significant aspect in education programmes which are intended to contribute to poverty eradication. How can education assist learners to create wealth? Integration of school education within the economic activities of a community is one example. For instance, in a carpet-weaving village, lessons could also cover various aspects of the carpet industry. In this way, school education could help children to improve the traditional trade skills of the village alongside other curriculum contents. It would aid their future employment possibilities and contribute to the (economic) well being of the whole community. Furthermore, the school would not then be alienated from the community, and traditional trades would reinforce learning (UNESCO, 2001).

For the education system to truly respond to the needs of poor children and to contribute to wealth creation in communities and society at large, it needs to take the issue of poverty into special consideration in the planning of educational services. Essentially, it has to stress the preparation of all children to achieve at school, and empower them by heightening their awareness of their rights and responsibilities, their

abilities, and enhance their self-confidence to enable them to improve their lives. The challenge calls for a stocktaking of the 'state' of poor children (for example, their situation, conditions, reasons for poverty) so that appropriate support can be planned and targeted at them. The education system needs to heed the lessons of successful, and less successful initiatives implemented by NGOs, private individuals, religious bodies and governments themselves, and translate these initiatives into policies, strategies, and specific actions that can be taken large-scale (World Bank, 2001). This resulted in the international communities presenting workshops on poverty eradications (UNESCO, 2001).

#### **4.5 Summary and conclusion**

This chapter offers an overview of the South African education and training system. The South African education and training system can be split into two distinct sectors. On the one side of the spectrum, a sophisticated world class market exists, while on the other, primitive conditions prevail. The South African education and training system as follows:

- ❖ education sector: the education sector is split into two sectors, namely state and private schools. State funded schools within organized and more affluent communities manage to achieve excellent results at a relatively low cost to parents. However, in poorer areas parents and pupils are struggling with a largely dysfunctional education system. In the private sector, traditional 'public' type schools are still attracting large numbers of pupils despite very high fees. Unlike the 'for profit' schools which are focusing more on academics, the traditional public schools are more sports focused.
- ❖ training sector: the vocational sector was found to be highly sophisticated and well developed in South Africa. Many world-class courses have been available in the country for many years but they were made not accessible to non-Whites. There is considerable demand by large manufacturing companies and parastatal organizations like Eskom, Telkom and Transnet to correct the injustices of the past by offering training to previously disadvantaged people.

To stress the vital importance of education and training in reducing poverty and unemployment the following priorities should be taken in account: basic education (primary education in particular), teacher training, work related training (provided in specialist centres through apprenticeship via distance learning using new technologies

or directly in the workplace) and higher education - and all at a regional level in particular.

Some developing countries have succeeded in significantly increasing school attendance rates, although considerable problems remain as to the quality of education. Essential measures in this field are: increasing the funds devoted to educational systems, good governance, a credible and stable macro-economic framework, and the ownership of reforms by government.

Education and training play an essential role in reducing poverty and in development. This is borne out by a series of undertakings by international communities such as the *World Summit for Social Development in Copenhagen (1995)*, *Framework for Action on Education For All (April, 2001)*, the World Bank and the IMF.

Some crucial issues to be addressed by education were also outlined. These includes: (i) the fact that poor children have numerous disadvantages in relation to their better-off counterparts; (ii) in situations of extreme poverty, girls are particularly at risk as they tend to inherit the poverty of their mothers; and (iii) wealth creation is a significant aspect in education programmes intended to contribute to poverty eradication. For the education system to truly respond to the needs of poor children, and to contribute to wealth creation in communities and society at large, it needs to take the issue of poverty into special consideration in the planning of educational services. Essentially, it has to stress the preparation of all children to achieve at school, and empower them by heightening their awareness of their rights and responsibilities, their abilities, and enhance their self-confidence to enable them to improve their lives.

Against the above background one can conclude that the poor who lack access to basic education opportunities get trapped in a vicious cycle of poverty. By providing equitable access to productive assets, and to educational opportunities as regards skills and knowledge, it is hoped that poverty, unemployment and illiteracy may be overcome.

## **JOB CREATION and poverty alleviation THROUGH EDUCATION AND TRAINING IN SICELO**

### **5.1 Introduction**

It was revealed in Chapter 3 that Sicelo has unemployment rate of 48.9 percent. The unemployment rate amongst the poor was determined at 61.7 per cent, and the number of poor unemployed persons estimated at 908 for the year 2004. The headcount index as calculated from the survey data (2004) for Sicelo is 0.50, meaning that 889 households live in poverty. Education and training is important in determining employment, eradicating poverty as well as labour force participation. Across both genders, individuals with low levels of education have less chance of finding employment than those with higher levels. Therefore, the impact that skills training could have in terms of job creation and poverty alleviation in the township is analysed in this chapter.

This chapter focuses on job creation and poverty alleviation through education and training in Sicelo. An overview of the education and training system is discussed, followed by the economic and social benefits of learning, education and training. Evidence from Ghana, Uganda and South Africa, as to the question of whether investing in education reduces poverty is also discussed. Finally, the impact of education and training is analysed.

### **5.2 The essential role that education and training play in the alleviation of poverty**

Education is a basic human right. Its fundamental role as regards poverty reduction is universally recognized. Access to education contributes directly to human development by improving capacities and opportunities for the poor, and promoting greater social, regional and gender equity. Without a doubt, knowledge is an indispensable means of improving the living conditions of humankind. Education is also essential for rapid growth, as it expands the quantity and quality of human capital available for productive activities, and the ability of the nation to absorb new technologies. The main objective in the area of education includes achieving universal primary education, while rapidly

expanding secondary education, informal education, and technical-vocational training (Botswana Institute for Development Policy Analysis (BIFDPA, 1997:125).

Basic education has multiple roles in poverty alleviation. It facilitates individual knowledge and skills acquisition. Skilled and knowledgeable personnel substantially contribute to the economic growth of their nations. For instance, research has shown that literate workers are more likely to seek ways of improving their work and adapting to new situations. Education therefore tends to increase the productivity levels of workers. In general, studies have shown substantial rates of return (to both collectives and individuals) from education, with primary education registering higher returns than secondary and tertiary education. Although macro-economic growth does not always improve the quality of life at the individual or even family or household level, it does represent a basic condition for social progress and poverty reduction (BIFDP, 1997:125-126).

At household level, education reduces poverty by improving the earnings capacity of individual members through either employment or self-employment. Comparative studies have shown that countries with high literacy rates have, on average, a higher GNP per capita. Education reduces poverty by improving individuals' absorption capacity for techniques and methods associated with other social services and enlistment programmes (for example, appropriate health habits, effective methods of agriculture, utilization of health and education facilities). In a non-quantifiable way, basic education improves people's overall quality of life by opening up opportunities for participation in development processes, including the social, economic, political, and cultural spheres of life. Basic education, particularly for women of maternal age, has also been associated with the reduction of other poverty-related symptoms such as high infant mortality rates, high fertility rates and the resultant population growth, malnutrition, and lack of children's participation in schooling. For most developing countries, therefore, investing in basic education offers multiple routes towards poverty alleviation (BIFDP, 1997:126).

The literature on poverty shows that wage employment is the most important factor in fighting poverty. Of those employed, the lowest incidence of poverty is among those with tertiary education. This is also the case in Sicelo. The largest proportion of poverty-stricken earners is those with no education or with primary schooling. Education appears to be more important in determining the income from employment as opposed

to whether one becomes employed. The rates of return to secondary schooling are higher than those achieved by primary schooling. Tertiary education greatly enhances the possibility of being employed. Individuals with lower levels of education have less chance of finding a job, whereas those with a higher level of education, particularly tertiary education, run a better chance of finding a job (Strydom, 2004:1).

According to Bennell (1999:3), the critical role of training in providing badly needed skills to improve productivity, income and equitable access to employment opportunities in the context of mass poverty in most developing countries seems particularly obvious and straightforward. Pronouncements abound on the fundamental importance of skills and capacity building in the development process, especially in the fight against poverty. Knowledge, skills and competencies of all men and women have become the cornerstone of personal growth and employability, enterprise competitiveness, and society's economic and social sustainability (ILO, 1997:5). Statements of this kind are supported by a large body of research clearly demonstrating that poverty is directly correlated with the level of human capabilities. Self evidently, therefore, there is an enormous need to upgrade the knowledge and skills of the economically vulnerable and socially excluded (EVSE).

According to Ducci (1994:183), training for the informal sector is "a vast and promising area for future action". However, a particularly striking feature of most government and donor poverty reduction strategies in developing countries is that vocational education and training (VET) in its wide variety of forms is largely absent. For example, in the UNDP's Human Development Report, training is not treated as 'basic social service' for all (unlike primary education and basic health care), although it is acknowledged that there is an urgent need "to strengthen the institutional capacity for delivering these services" (UNDP, 1998). Apart from the ILO, the invisibility of training for the poor as a priority issue is equally apparent in most other high profile reviews of poverty alleviation and human resource development which have been produced by both bilateral and multilateral donors (see World Bank, 1995; DFID, 1997; and UNICEF, 1998).

This neglect is puzzling not only because of the extent of absolute poverty in most countries, but also because it is widely accepted that training is an essential instrument of public policy, especially for the most vulnerable groups in society. Certainly, the standard definition of 'basic education for all' which emerged from the *Jomtien Conference* in 1990 does cover all the skills and knowledge that people need if they are

to lead a decent life. These 'basic learning needs' include early childhood education, primary schooling, and non-formal literacy and other programmes for youth and adults, including vocational training that helps to provide basic life and employment skills (UNESCO, 1991).

For many, it is precisely because the vast potential of training has not yet been realised that the role of VET has become so marginalized in most poverty reduction strategies. This looks, therefore, like a major contradiction. Just as governments and donors have begun to give due recognition to the need for concerted efforts to build the human assets/capabilities of poor, training is being accorded less and not more importance (Bennell, 1999:3).

Some would go so far as to argue that VET is in danger of becoming a 'Cinderella sector' as donors and governments focus their efforts on basic education and other forms of intervention, most notably microfinance. While the standard definition of 'basic education for all' clearly does include the provision of basic vocational skills, this key area of skill formation has been largely excised from poverty reduction discussions and debates within the donor community. This process of policy exclusion needs, therefore, to be carefully analyzed (Bennell, 1999:4).

### **5.3 The productivity of education and training**

Learning, education and training benefit individuals, enterprises and society alike. Individuals benefit from education and training provided that it is supported by other economic and social policies. Education and training make individuals employable, help them gain access to decent work and escape poverty and marginalization. Education and training also improve individuals' productivity and income earning opportunities at work, their mobility in the labour market, and widen their choice of career opportunities. An American study found that private returns of two year associate (middle level, vocationally oriented training) degrees were as high as 20 to 30 percent, particularly in the business and technical fields for men, and health fields for women (Grubb & Ryan, 1999:93). In France, during the 1970-93 period, possession of vocational post-secondary qualifications conferred substantial benefits to the individual, in terms of access to employment, reduced likelihood of unemployment, and significant increases in life-cycle earnings (Minni & Vergnies, 1994; and Grubb & Ryan, 1999:93).



Education and training help individuals escape poverty by providing them with skills and knowledge that raise their output as farmers and workers. According to the World Bank (1990), primary education is the single largest contributor to growth and development in developing countries. A farmer with four years schooling is much more productive than one who has no education. As poverty is increasingly concentrated amongst women, increasing girls' and womens' access to education will reduce poverty significantly (ILO, 2003:4).

Enterprises also reap rewards from education and training. By investing in their human resources, enterprises can improve productivity, and compete successfully in increasingly integrated world markets. The economic performance of 62 world-wide car assembly plants around 1990, measured in terms of labour productivity and product quality (assembly-related defects per vehicle), proved to be closely associated with the presence of three dimensions of business strategy: team working and innovative human resource management (HRM) practices. Training provision, for both new recruits and ongoing employees, constituted two out of five practices in the HRM dimension. The benefits of training in terms of improved productivity was found to depend strongly on the choice of a compatible organization of production, work, recruitment and remuneration (pay) structures. In Denmark, enterprises that introduced process and product innovations, combined with targeted training were more likely to report higher output, job and labour productivity growth than those who had not introduced these innovations (Danish Ministry of Business and Industry in ILO, 1999). Studies in many countries, including Germany, Italy, Japan and the United States, concur that traditional employer-provided training raises individual productivity and wage rates (Bishop, 1994:24). As observed by Bishop (1994:24) in the case of the United States, provided such investments are initiated by the enterprise, they are likely to benefit both the enterprise and the individual.

Economic growth and social development of countries are invariably associated with large and sustained investments in education and training. Countries with the highest incomes are also those where workers are most educated. Witness enrollments of high income countries in primary education, which is universal, secondary education, which is almost universal and tertiary education which is approaching 50 percent of the relevant age group. Some 98 percent of the adult population in these countries is considered literate. By contrast, in the poorest (or least developed) countries, primary education enrollments were in 1997 around 71.5 percent, secondary enrollments 16.4

percent, and tertiary education enrollments a mere 3.2 percent of the respective age groups (UNESCO, 1999:11-20).

Basic literacy, essential for learning and trainability, and for employability and access to decent work in today's world, eludes a significant share of adults in Sub-Saharan Africa and Southern Asia. Advanced countries invest at least 30 times more per student in education and training than the least developed countries. Human resources development and training contribute to improved productivity in the economy, reduce skills mismatch in the labour market, and promote a country's international competitiveness. A comparative study of Germany and the UK shows that the greater willingness of German employers to offer apprenticeship training, (as opposed to the regular procedure to youth employment) and informal training which came to dominate in the UK, contributed to Germany's higher productivity and better trade performance (ILO, 2003:5).

Finally, and beyond any economic considerations, education and training bring benefits to society. Human resources development and training underpin the fundamental values of society: equity, justice, gender equality, non-discrimination, social responsibility and participation of all in economic and social life (ILO, 2003:5).

#### **5.4 Evidence that investing in education reduce poverty**

Three broad facts about education have emerged from recent research. Firstly, almost universally education is found to lift people out of poverty. Secondly, when a comparison is made between investing in education and other forms of investment, the (direct) returns from investing in education are on average lower. Thirdly, the returns to education, in the sense of the increment in income that accrues to each year of education are much higher for those with higher levels of education (Appleton, Kingdon, Knight, Söderbom & Teal, 2003). What factors influence these trends?

A research project (Does investing in education in education reduce poverty? Evidence from Ghana, Uganda and South Africa), conducted in Ghana, Uganda and South Africa, by Appleton *et al.*, 2003 confirmed that households with a higher level of education are less likely to be poor. It has also confirmed the finding that returns to education rise with the level of education. The comparative project has shown that there are substantial differences across African economies and that large changes can occur within those economies. Two important findings relate to a comparison of macro methods (that is,

using national estimates of income and education) with micro (those based on household and firm data). Firstly, macro evidence does not support the view that investing in education has an impact on underlying productivity growth. Secondly, the macro evidence that education does have an impact on the level of income is much weaker than the micro evidence (Appleton *et al.*, 2003).

More specific research (Does investing in education in education reduce poverty? Evidence from Ghana, Uganda and South Africa) findings include the following:

- ❖ education is nearly as valuable for the self-employed as it is for those in formal sector jobs;
- in Uganda and Ghana, education plays an important role in access to certain types of employment whereas in South Africa, the issue is access to employment;
- ❖ the returns to education are lower in the rural than the urban sectors. This makes it likely that one of the effects of education is to encourage a shift towards the urban sector; and
- ❖ there was evidence that greater electoral competition lead to greater expenditure on primary education.

According to Appleton *et al* (2003), the implications for policies towards poverty are:

- ❖ the micro evidence is consistent with macro evidence that economic growth is a key part of any poverty reduction strategy. Poverty reduction has been much more rapid in Uganda than in Ghana because economic growth has been much greater;
- ❖ the key policy issue for Ghana and indeed for most sub-Saharan African countries is how to accelerate economic growth;
- ❖ using macro data, a clear role has been found from openness to productivity growth. Economies that increase their trade have faster rates of productivity growth than those that do not. Policies that improve trade outcomes for poor countries help reduce poverty by promoting growth; and
- ❖ political reform will feed into greater resources for primary schools.

In South Africa, racial differences in unemployment incidence cannot simply be dismissed as a problem of the poorer productive characteristics of the African, Coloured, and Indian groups relative to Whites. While a substantial part of the race gap in the incidence of unemployment in the mid-1990s was explained by inter-group

differences in observed characteristics, there remained a residual that could not be explained in this way. The residual may be due to employer discrimination or to racial differences in unmeasured determinants such as the quality of education. Poverty reduction in this context is inextricably linked to the creation of low-skill jobs (Appleton *et al*, 2003).

## **5.5 Education and training in Sicelo**

This section shows the state of education and training in Sicelo. **Table 5.1** shows the qualifications of the post school poor population in Sicelo. The percentage of the poor population with primary or incomplete secondary education is higher (90 percent) than for the poor and non poor population combined, which is 87 percent. This could therefore imply that the lack of education (especially higher education) may be a contributing factor to unemployment and poverty. McCord and Borat (2003:113-137) reveal that the relationship between low levels educational, employment and earnings is not clear. In particular, low levels of education do not provide much advantage, if any, in terms of employment over no education at all. Nevertheless, access to education is clearly a key indicator, not only of human resource development, but also of an individual's ability to cope with modern living and benefit from the opportunities available.

**Table 5.1 Qualifications of post school poor population in Sicelo – 2004**

	Frequency	Percentage
Illiterate	0	0.0
Up to grade 3	32	29.1
Grade 4	0	0.0
Grade 5	8	7.3
Grade 6	5	4.6
Grade 7	14	12.7
Grade 8	15	13.6
Grade 9	8	7.3
Grade 10	10	9.1
Grade 11	7	6.4
Grade 12	8	7.3
Diploma	1	0.9
Degree	0	0.0
Post graduate	0	0.0
Other	2	1.8
Total	110	100.0

Source: Survey Data, 2004.

From the survey data (2004), it was found that, there are people in the poor population in Sicelo that has skills in retail trade; and the same people also prefers further training in that field. This is one of the sectors with higher wages; therefore, theoretically, if assistance can be offered to these people, then the state of poverty in the area will be uplifted.

**Table 5.2** shows the type of institutions where the poor unemployed population of Sicelo would like to further their studies. About 88.9 percent would like to further their studies at a Technical College, and 11.1 percent at a University. Assuming that those

people with an interest in studying further could be assisted to further their studies, especially in direction where there are skills shortages, then assistance should be in the form of study bursaries, study loans, access to finance and exposure to information regarding access to bursaries, loans and finance in general. Assuming that these people are assisted to further their education, this can improve their chances of getting jobs - as McCord and Borat (2003:127) ascertain that the rate of unemployment decreases as education levels increases.

**Table 5.2 Institution of study preference**

	Frequency	Percentage
Technical College	32	88.9
Technikon Training	0	0.0
University	4	11.1
Total	36	100.0

Source: Survey Data, 2004.

## **5.6 The impact of training in job creation and poverty alleviation in Sicelo**

In **Section 3.3**, the unemployment rate for Sicelo was determined at 48.9 percent for the year 2004. The unemployment rate amongst the poor is 61.7 percent. The number of poor people in Sicelo is estimated at 3 200. About 46 percent of the poor population in Sicelo is economically active (an estimated 1 472 economically active poor persons). With an unemployment rate of 61.7 percent amongst the poor, the number of unemployed poor persons is estimated at 908 for the year 2004 in Sicelo. Most of the unemployed poor persons that have some kind of skill, would, if they could get the opportunity, prefer to get further training in the same field and would like to start self-sustaining activities in the same field. Therefore, theoretically, if they could be assisted in starting a business, and if there would be a sufficient market for these activities, the following job opportunities could be created:

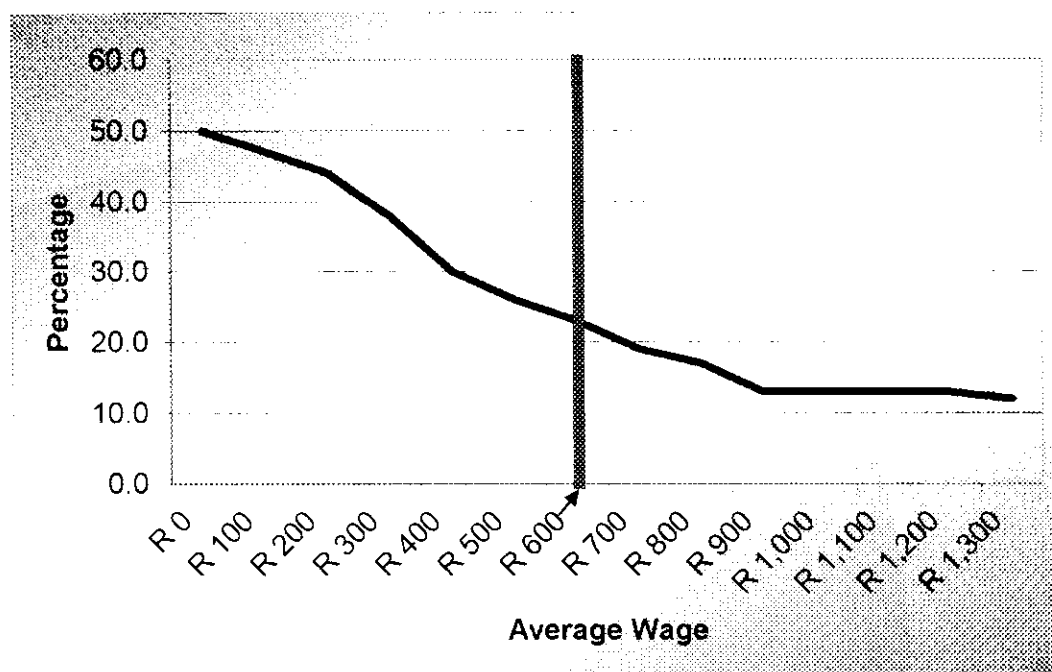
- ❖ about 11.1 percent prefers training in catering and 101 job opportunities could be created;
- ❖ of the poor unemployed population, 9.5 percent prefers training in retail trading, and if they could be assisted, 86 job opportunities could potentially be created;
- ❖ of the total, 6.4 percent prefers training in building/construction and 58 job opportunities could be created;
- ❖ of the poor unemployed population, 6.4 percent prefers training in sewing and 58 job opportunities could be created;
- ❖ of the poor unemployed population, 6.4 percent prefers training in hairdressing and 58 job opportunities could be created;
- ❖ of the poor unemployed population, 6.4 percent prefers training in welding and 58 job opportunities could be created.
- ❖ of the poor unemployed population, 3.2 percent prefers security training and 29 job opportunities could be created.
- ❖ of the poor unemployed population, 1.6 percent prefers training in electronics and 15 job opportunities could be created.
- ❖ of the poor unemployed population, 4.8 percent prefers training in computers and 44 job opportunities could be created.
- ❖ of the poor unemployed population, 3.2 percent prefers training in mechanic and 29 job opportunities could be created.
- ❖ of the poor unemployed population, 4.8 percent prefers training in gardening and farming and 44 job opportunities could be created.
- ❖ of the poor unemployed population, 1.6 percent prefers to be trained as a butchers and 15 job opportunities could be created.
- ❖ of the poor unemployed population, 1.6 percent prefers training in knitting and 15 job opportunities could be created.
- ❖ of the poor unemployed population, 4.8 percent prefers training in carpentry and 44 job opportunities could be created.
- ❖ of the poor unemployed population, 3.2 percent prefers training in baking and 29 job opportunities could be created.

- ❖ about 25 percent of the poor unemployed population prefers training in 'other' fields which were not included in the questionnaire, and if they could also be assisted, 227 job opportunities could be created.

The impact of job creation at different income levels on the level of poverty in Sicelo is illustrated in **Figure 5.1** below. Assuming that jobs for all 908 unemployed poor persons in Sicelo could be created at an average monthly income of R600, the impact (for methodology on impact assessment, see Annexure E) on the community would be that the headcount ratio would be reduced from 0.50 to 0.23 and the poverty gap index from 0.37 to 0.22. This implies that the percentage of households below their poverty line would be reduced from the present 50 percent to only 23 percent. The average shortfall in income of the poor households would be reduced from 37 percent to 22 percent (without taking the multiplier effect into account). At an average monthly income of R1 000 per month, the impact on the community would be that the headcount index would be reduced from 0.50 to 0.13 and the poverty gap index from 0.37 to 0.30. This implies that the percentage of households below their poverty line would be reduced from the present 50 to 13 percent and the average shortfall in income of the poor households would be reduced from 37 percent to 30 percent. A lower headcount index would prevail at an average income of R1 500 per month, which would be 0.12 and a poverty gap index of 0.31. The reason that the poverty gap index does not decrease, but later increases, is that there would be very few poor households left, mainly those who have no economically active members, but live on, for instance, pensions. As the poverty gap index is an average measure, it measures the average poverty gap of the few remaining households that do not benefit from the increase in job opportunities (Slabbert, 2003:31).



**Figure 5.1 Impact of job creation on poverty levels in Sicelo - 2004**



Source: Survey Data, 2004.

## **5.7 Summary and conclusion**

This chapter focuses on job creation in Sicelo through education and training. Education is a basic human right. Its fundamental role in poverty reduction is universally recognized. Access to education contributes directly to human development by improving capacities and opportunities for the poor, promoting greater social, regional and gender equity. Basic education has multiple roles in poverty alleviation. It facilitates individual knowledge and skills acquisition. Skilled and knowledgeable personnel substantially contribute to the economic growth of their nations. For instance, research has shown that literate workers are more likely to seek ways of improving their work and adapting to new situations.

The literature on poverty shows that wage employment is the most important factor in fighting poverty. Of those employed, the lowest incidence of poverty is among those with tertiary education. The largest proportions of poverty-stricken earners are those with no education or with primary schooling. Education appears to be more important in determining the income from employment as whether one becomes employed. The rates of return to secondary schooling are higher than those achieved by primary schooling. Tertiary education greatly enhances the possibility of being employed.

Individuals with lower levels of education have less chance of finding a job, whereas those with a higher level of education, particularly tertiary education, have a better chance of finding a job.

Learning, education and training benefit individuals, enterprises and society alike. Individuals benefit from education and training, provided that this is supported by other economic and social policies. Education and training make individuals employable, help them gain access to decent work, and escape poverty and marginalization. Education and training also improve individuals' productivity and income-earning opportunities at work, their mobility in the labour market, and widen their choice of career opportunities. Enterprises also reap rewards from education and training. By investing in their human resources, enterprises can improve productivity, and compete successfully in increasingly integrated world markets. Economic growth and social development of countries are invariably associated with large and sustained investments in education and training. Countries with the highest incomes are also those where workers are most educated. A research project (Does investing in education in education reduce poverty? Evidence from Ghana, Uganda and South Africa) using cross-sectional data sets confirmed that households with a higher level of education are less likely to be poor. It also confirmed the finding that returns to education rise with the level of education.

The percentage of people without formal schooling remains high (2003), suggesting that larger numbers of South Africans are ill-equipped to take advantage of whatever work, human resources development, and other opportunities become available. The limited educational levels also have implications for the education of future generations, since less educated parents and particularly mothers are less able to assist their children with their school work. The budget currently allocated for adult basic education and training is extremely limited, which means that the number of adults without basic education will not diminish rapidly.

A high percentage of the poor population in Sicelo has primary or incomplete secondary education. This could therefore imply that the lack of education (especially higher education) may be a contributing factor to unemployment and poverty. The relationship between educational levels, especially low educational levels, employment and earnings is not clear. Nevertheless, access to education is clearly a key indicator, not only of human resource development, but also of an individual's ability to cope with modern living.

A higher (88.9 percent) percentage of the poor unemployed population would like to further their studies at a technical college compared to other forms of institutions (that is technikon and university). Assuming that those people with an interest in studying further could be assisted to further their studies, then assistance should be in the form of study bursaries, study loans, access to finance and exposure to information regarding access to bursaries, loans and finance in general. Assuming that those people with an interest in studying further could be assisted to further their studies, then assistance should be in the form of study bursaries, study loans, access to finance and exposure to information regarding access to bursaries, loans and finance in general.

Assuming that these people are assisted to further their studies, this can improve their chance of finding jobs, as it was indicated in this chapter that the rate of unemployment decreases as education levels increase.

The unemployment rate amongst the poor was determined at 61.7 percent and the poor unemployed estimated at 908 people for the year 2004. If the poor unemployed with skills could be assisted to acquire further training in the same fields, 852 job opportunities could be established.

Assuming that jobs for all 908 unemployed poor persons in Sicelo could be created at an average monthly income of R600 per month, the impact on the Sicelo community would be that the headcount index would be reduced from 0.50 to 0.23 and the poverty gap index from 0.37 to 0.22. This implies that the percentage of households below their poverty lines would be reduced from the present 50 percent to only 23 percent and the average shortfall in income of the poor households would be reduced from 37 percent to 22 percent (without taking the multiplier effect into account). As the average income increases, the headcount index would be reduced.

## CHAPTER SIX

### SUMMARY, CONCLUSION AND recommendations

#### 6.1 Introduction

The main objective of this study was to investigate the role that education and training could play in creating job opportunities and alleviating poverty in Sicelo. This chapter provides a summary of the main points of the dissertation, and draws some conclusions and recommendations from the findings in the other chapters.

#### 6.2 Summary

Poverty is about not having enough money to buy basic food, clothing and other essential commodities like health and education. In an urban context (like Sicelo) the fact that everything needs to be purchased means that the cash costs of survival are high. In an urban setting like Sicelo, poverty is strongly related to unemployment, as most of the urban poor are unemployed, or engaged in casual and informal sector work.

Unemployment is increasingly seen as a multi-dimensional concept, resulting in a much wider range of factors being considered. The problem of unemployment in South Africa is a complex one and without obvious causes. Factors such as the absence of adequate economic growth which led to stagnation in the labour market, inability of the formal sector to create sufficient employment opportunities for a growing population, general low levels of skills in the labour force, and general uncertainty regarding the future economic prospects of South Africa are regarded as some of the underlying causes of unemployment in the country. In South Africa, unemployment is more concentrated among African people, women, especially Black women, and the youth.

Despite its relative wealth and existence as a well-developed modern economy, the new South Africa remains plagued with widespread poverty. Defining poverty is not an easy task. Many works on the subject become so technical that it is very difficult to draw conclusions from them or employ them in policy-making endeavours. The important issue as regards definitions of poverty is that the definition of poverty drives policies - how poverty is defined and measured tends to determine the types and direction of policies aimed at reducing it. Factors such as political and cultural influences, deprivation, and basic needs are essential to note in an attempt to define poverty. Many

definitions of poverty are based on income or material-based poverty, and this then militates in favour of income-based policies in poverty reduction.

The apartheid era, and the increasing level of unemployment since 1994, accounts heavily for the high incidence and persistence of poverty in South Africa. Women tend to have less access to resources than men, and it is estimated that between 57 percent and 75 percent of women and children are living in varying degrees of poverty in South Africa. Although an increasing number of Black people are joining the middle class, the situation of most African households, both in rural and urban areas, is in many ways worse than fifteen years ago, with the poorest third of Black households experiencing long term destitution, even in urban centres.

In an income-based poverty approach, poverty is usually measured against a poverty line. A poverty line is a quantitative approach which is used to measure poverty in this study. A poverty line is a line which shows the level of income necessary to offer a minimum subsistence level. Poverty lines are income and price elastic; they are adjusted for changes and mean income or consumption of the general population as well as changes in the general price level. Price elasticity occurs as a result of inflation. Thus poverty lines are normally adjusted upwards with the passage of time due to technology and inflation.

Examples of poverty lines used in South Africa are the Poverty Datum Line, Minimum Living Level, Supplementary Living Level, Household Subsistence Level and the Household Effective Level. The HSL was used in this study. It is defined as an estimate of theoretical income needed by an individual household to maintain a defined minimum level of health and decency in the short-term and is calculated at the lowest retail cost of a basket of necessities of adequate quality. The basket includes food, clothing, fuel and lighting, and washing and cleaning material for each individual in a household, and for the whole household, and the cost of rent and transport. The reasons for using the HSL in this study are the following. Firstly, the HSL covers all major centres in South Africa. Secondly, it has been the most frequently used measure in recent years. Finally, as this study includes a comparison between Sicelo and Bophelong, the HSL offers a common measure.

Other measures used to measure poverty are the headcount index, the poverty gap ratio, and the dependency ratio. For the purposes of this study, the headcount index

was adapted to indicate the fraction of households that fall below their individual poverty lines, which is below their HSL. The poverty gap measures the average shortfall of the incomes of the poor from the poverty line while the poverty gap ratio measures the extent of the shortfall of incomes below the poverty line. The dependency ratio refers to the ratio of the number of non-income earners that depends on one income earners, on average.

It is commonly that there is a strong correlation between poverty and lack of education. Literacy in this study is defined as the ability to read, write and speak, to compute and solve problems at levels where one can function in a job and in society. In the job market literacy has been equated with the level of education a person has completed. Not having a high school diploma or some post high school education has been associated with the poverty-stricken status of people. Although having a high school or even college education does not guarantee finding a high paying job, educational attainment is one of the most significant things an individual can do to keep from being poor. The narrow gap that prevails between the poverty rates for men and women at different levels of education as people go up the educational ladder supports the notion that investment in education and training can reduce unemployment and alleviate poverty in Sicelo Township.

Participation in the labour market is a key mechanism for the reduction of poverty and inequality in South Africa. The trends of growing unemployment and continuing skills bias are contributing to an increasingly segmented and, for many, inaccessible labour market, thereby exacerbating inequality and creating a growing polarization between those who gained access to rationed employment and those who are excluded. Education is a particularly important determination of success in the labour market process in the context of employment rationing. The accumulation of education, however, is not in itself a sufficient condition for improving employment prospects. There is a need for closer examination of the quality of training and the content of education offered at all levels, including tertiary education, in order to address the apparent mismatch between the skills demands of the economy and the supply of workers.

Education and training is found to be important in determining employment, eradicating poverty, as well as encouraging labour force participation. Across both genders, individuals with low levels of education have less chance of finding employment than

those with higher levels. The South African labour demand pattern reflects a growing demand for higher skilled labour and declining demand for unskilled workers. Thus reducing labour market inequality would require substantial improvements in the supply of skills through more and better quality training and education.

The study utilizes various household level indicators to assess the level of poverty and unemployment in Sicelo, primarily in comparison with Bophelong Township. The Sicelo population was estimated at 6 400 in 2004, which is lower compared to the population of Bophelong of 37 779 in 2001. The population in Sicelo includes slightly more females (50.8%) than males (49.2%) and the majority of males are younger than 19 years of age, while the majority falls in the age category of between 20 and 40 years of age. The dependency ratio, an indicator of the number of persons who depend on the income of one earner, was determined at 3.6 in Bophelong and 2.9 in Sicelo. This means that in Sicelo, on average, less people are dependent on the income of each earner, which could indicate a lower level of poverty in Sicelo compared to Bophelong.

The level of level of education is alarming in Sicelo. The poor post-school population in Sicelo is less qualified than the poor and non-poor population combined. The population of Sicelo is less qualified than that of Bophelong, but those with no education is calculated at zero percent for Sicelo and five percent for Bophelong.

The unemployment rate in Sicelo was determined at 48.9 percent (61.7 percent for the poor population), which is lower than for Bophelong which was determined to be 55 percent (68.3 percent) in 2003. Both townships have about the same percentage in the formal sector, but Sicelo has, in addition, more in the informal sector. The poverty gap ratio is lower in Sicelo; the reason for this could be that those who have formal jobs or even informal jobs may be receiving higher wages than those in Bophelong. The average household size in Sicelo is 3.6 persons with 0.9 members of the household unemployed, and the figure for Bophelong is 3.8 persons per household with one person unemployed.

The headcount index as calculated from the survey data for Sicelo is 0.50, meaning that 50 percent or 889 households live in poverty. That means 3 200 people are poor in Sicelo. Of all households in Sicelo, 28 percent have incomes of less than 50 percent of their HSL compared to 45.8 percent for Bophelong. The poverty gap ratio is calculated at 0.37, indicating that, on average, poor households lack 37 percent of the income

necessary to attain a level equal to their poverty line. This is far lower compared to the figure for Bophelong. The depth of poverty in Sicelo is therefore less than in Bophelong.

In both areas, the greatest percentage employed is in the community, social, education, training and personal services sector (38.9 percent for the poor population compared to 33.3 percent for the whole population in Sicelo and 27.2 percent and 21.9 percent respectively for Bophelong). Of the poor, 11.1 percent are employed in the trade sector compared to 7.5 for the whole population. The figures for Bophelong are 18.5 percent compared to 15.6 percent respectively.

Of the unemployed, 15.3 percent were unemployed for one year. In Bophelong, 21 percent of the unemployed were unemployed for one year. These are most likely to be school leavers that have entered the labour market as job seekers. In both townships unemployment is concentrated among the youth between 20 and 35 years of age (for both poor and non-poor populations).

The highest percentage of the unemployed in Sicelo has skills in building/construction. This is in contrast to Bophelong, where the highest percentage of the unemployed has skills in catering/cooking. Females in Sicelo seem to be more interested in starting their own businesses in fields other than those in which they already have skills, like retailing, whereas females in Bophelong are more interested in starting their own small businesses with the skills they possess. In both areas males are more interested in starting their own businesses with the skills they have.

About 9.5 percent (compared to 15.3 percent for the poor and non-poor population) of the poor population would like to be trained in the retail trade field, which is one of the high paying sectors. A strategy for poverty alleviation should perhaps focus on creating jobs in the catering/cooking, and the trading fields. Both fields are regarded as high paying sectors.

The average household income for 2004 in Sicelo is determined at R1 616 per household per month compared to that for Bophelong at R1 497. The Bophelong figure is a year earlier and considering the inflation rate, the real difference is not that big between the two townships. Expenditure on certain commonly used items (like mealie meal, bread, meat/chicken, vegetables, milk and washing powder) in both townships follow the same pattern, but the Sicelo expenditure is low compared to that of Bophelong. Both townships spend a high percentage of their income on food.



A high percentage of the populations in both areas indicated that they are affected by pollution (air, dust and noise pollution). Sicelo experienced low crime rates in the last 12 months compared to Bophelong. Poverty and idleness explain high crime rates. The lower crime rate in Sicelo correlates well with the lower poverty levels in Sicelo.

Sicelo experiences lower unemployment rates and lower levels of poverty based on the indicators employed. Compared to Bophelong, most indicators show that Sicelo is better off.

The South African education and training system is characterised by the following:

- ❖ education sector: the education sector is split into two sectors, namely state and private schools. State funded schools within organized and more affluent communities manage to achieve excellent results at a relatively low cost to parents. However, in poorer areas parents and pupils are struggling with a largely dysfunctional education system. In the private sector, traditional 'public' type schools are still attracting large numbers of pupils despite very high fees; and
- ❖ training sector: the vocational sector was found to be very sophisticated and well developed in South Africa. Many world-class courses have been available in the country for many years but they were made inaccessible to non-Whites. There is a huge demand by large manufacturing companies and parastatal organizations like Eskom, Telkom and Transnet to correct the injustices of the past by offering training to previously disadvantaged people.

To stress the vital importance of education and training in reducing poverty and unemployment the following priorities should be taken into account: basic education (and primary education in particular), teacher training, work related training (provided in specialist centres through apprenticeship via distance learning using new technologies or directly in the workplace) and higher education – and at the regional level in particular.

Some developing countries have succeeded in significantly increasing school attendance rates, although considerable problems remain as to the quality of education. Essential measures in this field are: increasing the funds devoted to educational systems, good governance, a credible and stable macro-economic framework, and the ownership of reforms by government. A series of undertakings made by international communities such as the *World Summit for Social Development in Copenhagen (1995)*,

*Framework for Action on Education For All* (April, 2001), the World Bank and the IMF shows the essential role that education and training play (and can play in Sicelo) in reducing poverty and in development. But there are some crucial issues to be addressed by education. These include the fact that poor children have numerous disadvantages in relation to their better-off counterparts. Furthermore, in situations of extreme poverty, girls are particularly at risk as they tend to inherit the poverty of their mothers. A further fact is that wealth creation is a significant aspect in education programmes intended to contribute to poverty eradication.

How can education assist learners to create wealth? The study indicates that for the education system to truly respond to the needs of poor children and to contribute to wealth creation in communities and society at large, it needs to take the issue of poverty into special consideration in the planning of educational services. Essentially, it has to stress the preparation of all children to achieve at school, and empower them by heightening their awareness of their rights and responsibilities, their abilities, and enhance their self-confidence to enable them to improve their lives. Against this background one can conclude that the poor who lack access to basic education opportunities get trapped in a vicious cycle of poverty. By providing equitable access to productive assets, to educational opportunities as regards skills and knowledge, it is hoped that poverty, unemployment and illiteracy will be alleviated. The challenge of alleviating poverty and unemployment by means of education and training is an arduous task.

Access to education contributes directly to human development by improving capacities and opportunities for the poor, promoting greater social, regional and gender equity. The study outlined that basic education has multiple roles in poverty alleviation. It facilitates individual knowledge and skills acquisition. Skilled and knowledgeable personnel substantially contribute to the economic growth of their nations. For instance, research (Does investing in education in education reduce poverty? Evidence from Ghana, Uganda and South Africa) has shown that literate workers are more likely to seek ways of improving their work and adapting to new situations.

The literature on poverty shows that wage employment is the most important factor in fighting poverty. Of those employed, the lowest incidence of poverty is among those with tertiary education. The largest proportions of poverty-stricken earners are those with no education or with primary schooling. Education appears to be more important in

determining the income from employment as whether one becomes employed. The rates of return to secondary schooling are higher than those achieved by primary schooling. Tertiary education greatly enhances the possibility of being employed. Individuals with lower levels of education have less chance of finding a job, whereas those with a higher level of education, particularly tertiary education, have a better chance of finding a job.

This study identifies individuals, enterprises and society alike as beneficiaries of learning, education and training. Individuals benefit from education and training, provided that these are supported by other economic and social policies. By investing in their human resources, enterprises can improve productivity, and compete successfully in increasingly integrated world markets. Economic growth and social development of countries are invariably associated with large and sustained investments in education and training. Countries with the highest incomes are also those where workers are most educated. A research project (Does investing in education in education reduce poverty? Evidence from Ghana, Uganda and South Africa) using cross-sectional data sets confirmed that households with a higher level of education are less likely to be poor. It also confirmed the finding that returns to education rise with the level of education.

The percentage of people without formal schooling remains high (2003), suggesting that large numbers of South Africans are ill-equipped to take advantage of whatever work, human resources development, and other opportunities become available.

A high percentage of the poor population in Sicelo has primary or incomplete secondary education. This could imply that lack of education (especially higher education) may be a contributing factor to unemployment and poverty. Low levels of education do not provide much advantage, if any, in terms of employment over no education at all. Nevertheless, access to education, especially higher levels of education, is clearly a key indicator, not only of human resource development, but also of an individual's ability to cope with modern living. Most (88.9 percent) percentage of the poor unemployed population would like to further their studies at a technical college compared to other forms of institutions (that is technikon and university). Assistance to these people should be in the form of study bursaries, study loans, access to finance, help in finding the right course of studies, and exposure to information regarding access to bursaries, loans and finance in general. Assuming that these people are assisted to further their education,

this could improve their chances of finding jobs, as it was revealed in this study that the rate of unemployment decreases as education levels increase.

The unemployment rate amongst the poor in Sicelo was determined at 61.7 percent, and the poor unemployed estimated at 908 people for the year 2004. If the poor unemployed with skills could be assisted to acquire further training in the same fields, provided there is a sufficient market for their skills 852 job opportunities could be established.

Assuming that jobs for all 908 unemployed poor persons in Sicelo could be created at an average monthly income of R600, the impact on the Sicelo community would be that the headcount index would be reduced from 0.50 to 0.23 and the poverty gap index from 0.37 to 0.22. This implies that the percentage of households below their poverty lines would be reduced from the present 50 percent to only 23 percent, and the average shortfall in income of the poor households would be reduced from 37 percent to 22 percent (without taking the multiplier effect into account). As the average income increases, the headcount index would be reduced.

Unlike economic strategies, the impact of education on poverty eradication tends to be less direct, although providing long term benefits. Nonetheless, education is pivotal in breaking the vicious cycle of poverty and social exclusion that is the reality for many people

### **6.3 Conclusion**

Unemployment and poverty in Sicelo are related to low levels of education and training. The level of unemployment in Sicelo was determined at 48.9 percent. The level of unemployment for the poor population was determined to be 61.7 percent. The average size of households is 3.6 of which, on average, 0.9 persons are unemployed. Especially among the poor population, the unemployment rate is very high. The rate of poverty is 50 percent, and the poverty gap ratio is 0.37, which means that, on average, the poor households have 37 percent less income than their respective HSL's. From the above information, the hypothesis is proved to be true by saying that Sicelo has a high level of unemployment and a high rate of poverty.

Education and training is found to be important in determining employment, eradicating poverty, as well as encouraging labour force participation. Across both genders,

individuals with low levels of education have less chance of finding employment than those with higher levels. The South African labour demand pattern reflects a growing demand for higher skilled labour and declining demand for skilled workers. Thus, reducing labour market inequality would require substantial improvements in the supply of skills through more and better quality training and education.

The literature on poverty shows that wage employment is the most important factor in fighting poverty. Of those employed, the lowest incidence of poverty is among those with tertiary education. Education appears to be more important in determining the income from employment as whether one becomes employed. The rates of return to secondary schooling are higher than those achieved by primary schooling. Tertiary education greatly enhances the possibility of being employed. Individuals with lower levels of education have less chance of finding a job, whereas those with a higher level of education, particularly tertiary education, have a better chance of finding a job, which will lead to a reduction in poverty.

Of the poor unemployed population in Sicelo, 85.2 percent of the poor population has primary or incomplete secondary education. This could imply that lack of education (especially higher education) may be a contributing factor to unemployment and poverty. Educated people have higher income earning potential, and are better able to improve the quality of their lives. From the above information, the hypothesis is proved to be true by saying unemployment and poverty in Sicelo Township is related to low levels of education and training.

Most of the poor unemployed persons in Sicelo have some kind of skill and they would, if they could get the opportunity, prefer to get further training in the same field and would like to engage in self-sustaining activities in the same field. Assuming that jobs for all 908 unemployed poor persons in Sicelo could be created at an average monthly income of R600, the impact on the community would be that the headcount index would be reduced from 0.50 to 0.23 and the poverty gap index from 0.37 to 0.22. This implies that the percentage of households below their poverty lines would be reduced from the present 50 percent to only 23 percent. The average shortfall in income of the poor households would be reduced from 37 percent to 22 percent (without taking the multiplier effect into account). At an average monthly income of R1 000, the impact on the community would be that the headcount index would be reduced from 0.5 to 0.13, and the poverty gap index from 0.37 to 0.30. This implies that the percentage of

households below their poverty lines would be reduced from the present 50 to 13 percent and the average shortfall in income of the poor households would be reduced from 37 percent to 30 percent. A lower headcount index would prevail at an average income of R1 500 per month, which would be 0.12 and a poverty gap index of 0.31. The reason that the poverty gap index is not decreasing, but later increasing, is that there would be very few poor households left, mainly those who have no economically active members, but live on, for instance, pensions. As the poverty gap index is an average measure, it measures the average poverty gap of the few remaining households that do not benefit from the increase in job opportunities.

From the above information and figures, one could conclude that the creation of jobs (even low-wage jobs) alleviate poverty to a great extent. As better education and training leads to a greater chance of finding or creating jobs (with the result of poverty alleviation), it is clear that education and training have a great impact on poverty. Therefore, the hypothesis is proved true by saying that unemployment and poverty in Sicelo are related to low levels of education and training, and therefore investing in education and training will reduce unemployment and alleviate poverty.

#### **6.4 Recommendations**

Education is a basic human right. Its fundamental role for poverty reduction is universally recognised. Access to education contributes directly to human development by improving capacities and opportunities for the poor, promoting greater social, regional and gender equity. Without a doubt, knowledge is an indispensable means for improving the living conditions of humankind. Education is also essential for rapid growth, as it expands the quantity and the quality of human capital available for productive activities and the ability of the nation to absorb new technologies. The main objective in the area of education includes achieving universal primary education, while rapidly expanding secondary education, informal education and technical/vocational training. The programme must also show commitment to combat HIV/AIDS through schools.

Several processes explain why education matters for the reduction of unemployment and poverty. Firstly, the cognitive skills, social skills, and credentials that can be acquired at school expand the choices available to people. The skills and credentials increase the probability that people can become productive and obtain better paid jobs.

They also increase the likelihood that individuals adopt practices that lead to better health, and increase the possibility of effectively influencing people to get educated.

#### **6.4.1 Employment creation in various fields**

From the analysis, it appears that there are ample opportunities for an inward industrialization process, especially with regards to the production of mealie meal, bread, meat/chicken and vegetables, and even washing powder. It is recommended that the production of these products on a small scale with labour intensive techniques be investigated, as well as the skill requirements to operate such enterprises.

As part of their social responsibility, industries could be approached to 'adopt an enterprise', in the sense that they could help to establish one of the above-mentioned production units or alternatively identify downstream industries that could use some of their base products. Retailing, electrical work, catering, mechanical work, hairdressing, building and construction have a high priority on the preferred activities and skills training list, so possibilities should possibly be investigated as regards the establishment of SMMEs in those fields. Involvement of industry and training institutions will also be required to establish SMMEs. 'Market' research should be done to investigate if there is a market for these enterprises' products

#### **6.4.2 Recommendations for the implementation of priorities in education and training in Sicelo**

- ❖ **Implementation of a sector-wide approach:** The sector-wide approach in education must be accompanied by high quality monitoring and evaluation systems and be more results-oriented. The sector-wide approach has the advantage of managing the large number of education cooperation measures.
- ❖ **Taking account of the needs of the poor and their participation:** one of the main risks of the sector-wide approach being applied to education is that people who are below the poverty line (like the case of the Sicelo squatter area) remain outside of the system and fail to benefit from the advances in access to and quality of education measures. Education measures need to be targeted at poverty within the medium-term programming and budget implementation process.
- ❖ **Improving access of the poor to productive resources:** The small farmer development project (including 'urban agriculture' and / or food gardens) needs to

be established. The aim is to improve the socio-economic conditions of poor people through institutional training and community development. These people would group themselves and undergo training. In the view of the important role that credit plays in poverty alleviation, the Development Bank is providing credit through simple procedures in rural poor self-employed and income-generating activities. The Bank has provided 40 000 group members with credit and supported them in self-employment activities so that they can increase their income.

- There is a need for concerted efforts to build the human assets/capabilities of poor; training is being accorded less and not more importance.
- ❖ Training provision, for both new recruits and ongoing employees, constituted two out of five practices in the human resource management dimension. The benefits of training in terms of improved productivity was found to depend strongly on the choice of a compatible organization of production, work, recruitment and remuneration (pay) structures.

Youth and adult education should include as part of its more far reaching programmes, the following strategic elements:

preferential attention to primary and secondary education of deprived youths and primary school dropouts;

- programmes intended to support the placement of deprived youths in the labour market;
- ❖ significantly expand access to general secondary education to meet the needs of the labour market;
- ❖ expand the access of technical and vocational training;
- ensure the availability of commercial, agricultural and industrial specialization involving a necessary partnership with the private sector and other interested actors;
- rehabilitate, build, and equip elementary agricultural and arts and craft schools; and
- ❖ rehabilitate, equip and rationalize the elementary, basic and intermediate technical schools network.



## REFERENCES

- ALCOCK, P. 1997. Understanding poverty. 2nd ed. London : MacMillan Press.
- ALTMAN, M. 2003. Economy: the state of employment and unemployment in South Africa. (*In* Daniel, J., Habib, A. & Southhall, R., eds. State of the nation. Cape Town : HSRC Press. p158-183.)
- APPLETON, S., KINGDON, G., KNIGHT, J., SÖDERBOM, M. & TEAL, F. 2003. Does investing in education reduce poverty? Evidence from Ghana, Uganda and South Africa. [Web:] <HTTP://WWW.ID21.ORG/SOCIETY/S5BFT1G1.HTML> [Date of access: 19 OCT. 2005].
- ARMSTRONG, H. & TAYLOR, J. 2000. Regional economics and Policy. 3rd ed. Great Britain : Philip Allan.
- BADROODIEN, A. 2003. Enterprise training. (*In* Human Sciences Research Council. Human resource development review 2003: education, employment and skills in South Africa. Cape Town : HSRC Press.)
- BANGANE, W.T. 1999. The unemployment problem in South Africa with a specific reference to the Lekoa Vaal Triangle Metropolitan Area (LVTMA). Johannesburg : RAU.
- BARKER, F.S. 1992. The South African labour market. Pretoria : Van Schaik.
- BARKER, F.S. 2003. The South African labour market. Pretoria : Van Schaik.
- BEISNER, E.C. 1995. Poverty: a problem in need of definition. *Premise*, 2(7):6-14.
- BENNELL, P. 1999. Learning to change: skills development among the economically vulnerable and socially excluded in developing countries. Geneva : International Labour Office.
- BHORAT, H. & LEIBBRANDT, M. 2002. Measurement of the determinants of unemployment in South Africa. Cape Town : Development Policy Research Unit.
- BISHOP, J. 1994. The incidence of and pay-off to employer training: a review of the literature with recommendations for policy. Geneva : International Labour Office.

- BLOCH, R. & DORFLING, T. 2000. Vaal Region: Industrial Regeneration Potential. Final Report. Office for Metropolitan and Industrial Research.
- BOROOAH, V.K. & MCGREGOR, P. 1991. The measurement and decomposition of poverty: an analysis based on the 1995 family expenditure survey for Northern Ireland. *The Manchester School*, 4:357-377, Dec.
- BIFDP (Botswana Institute of Finance and Development Planning). 1997. Study of poverty alleviation in Botswana. Phase 1(1). Gaborone : BIFDP.
- BROWN, S. & LOMBARD, K. 2002. Beyond budget 2004: job creation and poverty alleviation in SA: what should we be doing? Cape Town : UCT Graduate School of Business
- CAWKER, G. & WHITEFORD, A. 1993. Confronting unemployment in South Africa. Pretoria : HSRC.
- CEAS (Central Economic Advisory Services). 1986. Social accounting matrices for South Africa. Pretoria.
- CEC (Commission of the European Communities). 2002. Communication from the commission to the council and European parliament on education and training in the context of poverty reduction in developing countries. Brussels : CEC.
- CHANDRA, V., MOORTY, L., RAJATATMN, B.G. & SCHEFER, K. 2000. Constraints for growth and unemployment in South Africa: statistics from the large manufacturing firm survey. Johannesburg : Greater Johannesburg Metropolitan Council.
- DALAKER, J. & NAIFEH, M. 1998. Poverty in the United States: 1997. Washington : US Government Printing Office.
- DAVIES, R. 2003. Current approaches to poverty: Defining poverty. (In Hindson, V., Xaba, M. & Associates, eds. Tackling poverty: South Africa's biggest challenge. [Web:] <http://www.hologram.org.za/newsletter/n123-tackling%20poverty.htm> [Date of access: 16 Apr. 2004]).
- DAWSON, G. 1992. Inflation and unemployment: causes, consequences and cures. Aldershot : Edward Elgar.

- DEATON, A. 1994. The analysis of household surveys: Microeconomic analysis for development policy. Princeton : Princeton University.
- DE HAAN, A., LIPTON, M., DARBELLAY, E., O'BRIEN, D. & SAMMAN, E. 1997. The role of government and public policy in poverty alleviation in sub-Saharan Africa. Review of the literature prepared for the African Economic Research Consortium's collaborative project on poverty, income distribution and labour Markets. Sussex : Poverty Research Unit.
- DFID (Department for International Development). 1998. Creating sustainable livelihoods to eliminate poverty. [Web:] [http //www.livelihoods.org](http://www.livelihoods.org) [Date of access: 16 Apr. 2004]
- DOE (Department Of Education). 2004. White Paper on education and training market in South Africa. Pretoria : Government Printers.
- EFA (Education For All). 2002. The education situation. (*In* CEC. Communication from the commission to the council and European parliament on education and training in the context of poverty reduction in developing countries. Brussels : CEC.)
- EHRENBERG, R.G. & SMITH, R.S. 1991. Modern labour economics: theory and public policy. 4th ed. New York : Harper Collins.
- GRUBB, W.N. & RYAN, P. 1999. The roles of evaluation for vocational education and training: Palin talk on the field of dreams. Geneva : International Labour Office.
- HAGAN, J. 1994. Crime and disrepute. University of Toronto : Pine Forge Press.
- HAZLITT, H. 1973. The conquest of poverty. New York : Arlington House.
- HEYNS, J.S.I., BOTHA, R.F., GREYLING, L., LOOTS, A.E., SCHOEMAN, C.H., BERGH, J. & VAN ZYL, G. 2000. Introductory economics: principles and issues from a South African perspective. Johannesburg : Magic print.
- HINDSON, D. 1991. The restructuring of the labour markets in South Africa: 1970s and 1980s. (*In* Geld, S., ed. South Africa's economic crisis. Cape Town : David Phillip.)

HINDSON, V., XABA, M. & ASSOCIATES. 2003. Tackling poverty: South Africa's biggest challenge. [Web:] <http://www.hologram.org.za/newsletter/n123-tackling%20poverty.htm> [Date of access: 16 Apr. 2004].

HORNER, S. 1994. Measuring poverty. *The Courier*, 143(1):47-49

IJR (Institute for Justice and Reconciliation). 2004. Beyond budget 2004: job creation & poverty alleviation in SA: what should we be doing? Report on the Public Symposium, 10 March 2004. Cape Town : UCT Graduate School of Business.

ILO (International Labour Office). 1995. New approach to poverty analysis and policy-1. Geneva : International labour office.

ILO (International Labour Office). 1999. World employment report 1998-99. Geneva : International labour office.

ILO (International Labour Office). 2003. Education and training for work in the knowledge society. Report no. IV(1). Geneva : International labour office.

KLASSEN, S. 1999. Levels, trends and consistency of employment figures in South Africa. *Development Southern Africa*, 16(1):3-35.

KOUTSOYIANNIS, A. 1979. Modern microeconomics. 2nd ed. London : Macmillan Press.

KRAAK, A. 1987. Uneven capitalistic development: a case study of deskilling and reskilling in South Africa's metal industry. *Social Dynamics*, 13(2):14-31.

LEWIS, J. 2001. Policies to promote growth and employment in South Africa. Discussion paper, no. 16. Washington D.C. : World Bank.

MAY, J. 1998. Poverty and inequality in South Africa. Report prepared for the office of Executive Deputy President and the inter-ministerial committee for poverty and inequality. Pretoria : Government Printer.

Max-Neef, M., Elizalde, M. & Hopenhayn, M. 1989. Human scale development. *Development dialogue*, 1:1-81

- McCORD, A. & BHORAT, H. 2003. Employment and labour market trends. (*In* Human Sciences Research Council. Human resource development review 2003: education, employment and skills in South Africa. Cape Town : HSRC Press. p.112-137.)
- McCONNELL, C.R. & BRUE, S.L. 1995. Contemporary labour economics. 4th ed. New York : McGraw-Hill.
- MEHLUM, H., MOENE, K.O. & TORVIK, R. 2000. Crime induced poverty traps. Oslo : University of Oslo. [Web:] <http://www.oekonomi.uio.no/memo/memopdf/memo3599.pdf> [Date of access: 24 Oct. 2004].
- MILLER, S.M. 1994. Poverty in the United States. Paper presented at the CROP/UNESCO Scientific Symposium on the Regional State-of-the-art Review on Poverty Research. Paris : CROP/UNESCO.
- MINNI, C. & VERGNIES, J.F. 1994. "La diversité des facteurs de l'insertion professionnelle", *Economie et Statistique*, p.45-61.
- MOKOENA, T.D. 1994. Poverty: a look at the position of the Vaal Triangle townships. Unpublished research essay. Vanderbijlpark : Vista University.
- MOKOENA, T.D. 2001. The status of material poverty in the Vaal Triangle Area. Vanderbijlpark : Vista University. (Dissertation – M.Com.)
- MOKOENA, T.D. 2004. A critical analysis of community-driven development projects aimed at poverty alleviation in Evaton West. Vanderbijlpark : North-West University. (Thesis – PhD.Com.)
- NTB/HSRC (National Training Board / Human Sciences Research Council). 1991. Investigation into national training strategy. Pretoria : HSRC.
- PELUPESSY, W. 2000. Job creation in townships is affirmative action. [Web:] <http://ivo.uvt.nl/fulltext/job%20creation%20in%20townships%20is%20affirmative%20action.pdf> [Date of access: 11 Feb. 2004].
- PISA (Poverty and Inequality in South Africa). 1998. Durban : Fishwicks.
- POTGIETER, J.F. 1980. Background and interpretation of the household subsistence level. Port Elizabeth : Institute for Planning Research.

- SADIE, J.L. 1980. Labour demand and supply. Stellenbosch : KOSMO.
- SAUNDERS, P. 1997. Toward a better poverty measure. Focus. 19(2). Institute for Research on Poverty : University of Wisconsin-Madison.
- SILVA, K. & ATHUKORALA, K. 1996. South Asia: an overview. (In Øyen, E., Miller, S.M. & Samad, S.A., eds. Poverty: A global review. Oslo : Scandinavian University Press.)
- SLABBERT, T.J.C & LEVIN, M. 1988. The unemployment rate of Blacks in the Vaal Triangle Complex: Lekoa Municipal Area. Research Report no. 9. . Vanderbijlpark : Employment Research Unit, Vista University.
- SLABBERT, T.J.C. & LEVIN, M. 1994. Black households in the Vaal Triangle in economic perspective. *Africa Insight*, 25(2):144-154.
- SLABBERT, T.J.C. 1997. Poverty amongst black households in the Vaal Triangle Metropolitan Area: a micro-analysis. Vanderbijlpark : Vista University. (Thesis – PhD.Com.)
- SLABBERT, T.J.C. & PELUPESSY, W. 1999. Towards the reduction of unemployment in South African townships: a case study of Lekoa Vaal. Paper presented at DSSA-Biennial Conference on the South African Development Scenario: challenges for the New Millennium. Johannesburg : University of Randse Afrikaanse.
- SLABBERT, T.J.C. 2003. Bophelong: a socio-economic & environmental analysis. Research report no.12. Vanderbijlpark : Vaal Research Group.
- SLABBERT, T.J.C. 2004. An investigation into the state of affairs and sustainability of the Emfuleni economy. Pretoria. Pretoria University. (Thesis – D.Com.)
- SPIER, A. 1994. Poverty, employment and wealth distribution. Pretoria : HSRC.
- STATS SA (Statistics South Africa). 2001. Census 2001. Pretoria : Statistics South Africa.
- STATS SA (Statistics South Africa). 2003. Results from the 2001 Census. Pretoria : Statistics South Africa.

- STREETEN, P. 1982. First things first: meeting basic human needs. New York : Oxford University Press.
- STRYDOM, P. 2004. Poverty and income distribution in South Africa. [Web:] [http://www.fnb.co.za/economics/rt20040319\\_01.asp](http://www.fnb.co.za/economics/rt20040319_01.asp) [Date of access: 31 Mar. 2005].
- SURVEY DATA. 2004. Unpublished results of a survey conducted among households in Sicelo. Midvaal.
- UNESCO (United Nation Educational, Scientific and Cultural Organisation). 2000. Education for all year 2000 Assessment: statistical document. [Web:] <http://www.unesco.org/education/efa/efa-2000-assess/index.shtml> [Date of access: 16 Apr. 2004].
- UNESCO (United Nation Educational, Scientific and Cultural Organisation). 2001. (International workshop on education and poverty eradication, Kampala, 30 July to 3 August.) [Web:] <http://www.unesco.org/education/poverty/news.shtml> [Date of access: 16 Apr. 2004].
- URBAN ECON. 1998. Socio-economic impact assessment of disinvestment options for Iscor Flat Products: Vanderbijlpark Works. Report for Iscor Steel. Pretoria : URBAN ECON
- WEBSTER, E. 1985. Work, worker organization and labour market segmentation in South African foundries, capital and society, 18(2):344-371.
- WILLIAMS, D.T. 1998. Capitalism, socialism, Christianity and poverty. Pretoria : Van Schaik.
- WILSON, F. 1996. South Africa: poverty under duress. (In Øyen, E., Miller, S.M., & Samad, S.A., eds. Poverty: a global review. Oslo : Scandinavian University Press.)
- WORLD BANK. 1990. Poverty. Washington D.C : Oxford University Press.
- WORLD BANK. 1993. Poverty reduction handbook, Washington D.C.: International Bank for Reconstruction and Development.

WORLD BANK. 1994. South Africa, 1993-1994. 1993 LSDS. Africa Household Survey Databank: standardized welfare indicators. World Bank : Africa Region Poverty Reduction & Social Development – Poverty Monitory Unit.

WORLD BANK. 1995. Key indicators of poverty in South Africa. Washington D.C : The World Bank Group.

WORLD BANK. 1997. Combining the quantitative and qualitative approaches to poverty measurement and analysis: the practical and the potential. Washington D.C : The World Bank.

WORLD BANK. 2001. Poverty manual. Washington D.C : The World Bank Group.

WRATTEN, E. 1995. Conceptualizing urban poverty. *Environment and Urbanization*, 7(1):11-36.



# **ANNEXURE A**

## **SURVEY DESIGN AND APPLICATION**

### Questionnaires

A questionnaire was employed in soliciting data from households in Sicelo: the Household Survey Questionnaire. The questionnaire was carefully constructed to utilize specific indicators. It was compiled from a number of other questionnaires used in the field such as by Slabbert (2003). In total, 100 household questionnaires were employed.

Maps of Sharpeville were obtained from the Midvaal City Council. These were used to stratify the area and allocate questionnaires evenly throughout. Household Questionnaires were completed on site. Details with regard to each site were listed, but no names were recorded with regard to the head of the household, or other persons living at the site. This was done to ensure anonymity, thereby encouraging honest and reliable information. A sample of the questionnaire is annexed.

### Fieldworkers

The researcher/fieldworker interviewed a total of 100 households. All the households approached were willing to partake in the survey, and 100 questionnaires were completed in August 2004.

## ANNEXURE B

### HOUSEHOLD QUESTIONNAIRE JUNE 2004

Sicelo	Section: Old / RDP / shack	Date:	Questionnaire no:
Street:	House number:	Interviewer:	

N.B.: The information in this questionnaire will be treated in strict confidence. (9 June 2004)

Please note that the Head of the Household should preferably answer this questionnaire.

#### A: BACKGROUND INFORMATION

What is the position of the respondent in the Household? Cross \*

Head of household	Spouse or child	Extended family member	Boarder
-------------------	-----------------	------------------------	---------

How many housing units are on the site?

How many people stay permanently on the site?

How long have you (respondent) stayed in the Vaal Triangle (years)?

#### B: ENVIRONMENTAL

How do you feel about the environment in which you stay? (Mark 2 options) \*

1. It is clean and pleasant	2. It is littered, untidy and dirty	3. Indifferent – No opinion	4. Something should be done to clean it	5. It can be left as it is
-----------------------------	-------------------------------------	-----------------------------	---	----------------------------

If you feel it should be cleaned up, who should take the initiative and responsibility? (\* More)

1. The municipality	2. A street committee	3. Everyone should be made responsible	4. A campaign should be organised	5. Other: explain
---------------------	-----------------------	--	-----------------------------------	-------------------

If you would have the money, what would you be prepared to pay monthly to have your environment cleaned up?

How do you experience, especially in winter, the smoke levels (air pollution) in your area? \*

1. Not affected	2. Slightly affected	3. Affected	4. Badly affected	5. Unbearable (Severely Affected)
-----------------	----------------------	-------------	-------------------	-----------------------------------

If you are making fire for cooking & heating purposes, would you like to be introduced to technologies that will reduce the smoke levels at your house? \*

1. Not making fire: using electricity for cooking & heating	2. Making coal / wood fire: but not interested	3. Making coal / wood fire: And interested	4. Using paraffin: Not interested	5. Using paraffin: Interested
---	--	--	-----------------------------------	-------------------------------

What would you be prepared to pay monthly to have your environment smoke-free?

a) What % of the smoke pollution do you think comes from industry?  and  coal fires?

b) Number of persons in your household whose health is affected by air pollution?

c) What are most of them suffering from \_\_\_\_\_

How do you experience, especially in winter, the dust levels in your area? \*

1. Not affected	2. Slightly affected	3. Affected	4. Badly affected	5. Unbearable (Severely Affected)
-----------------	----------------------	-------------	-------------------	-----------------------------------

What would you be prepared to pay monthly to have your environment dust free?

Especially in the spring & summer some people are using amplifiers to make loud music. How are you affected by this in your area? \*

1. Not affected (quiet in the area).	2. I hear it but I don't care (accepting it)	3. I hear it and it is affecting me (don't like it)	4. I hear it and I am badly affected	5. I hear it and it is unbearable (severely affected)
--------------------------------------	--	---	--------------------------------------	---

If you feel that something should be done in your area to reduce the noise levels, who should be responsible and what should be done? (Mark × more than one option)

1. The municipality should control & restrict people to play loud music.	2. The police should control & restrict people to play loud music.	3. A street committee should control & restrict people to play loud music.	4. People who disturb the neighbourhood with noise should be fined / punished	5. The instruments of those who disturb the neighbourhood should be confiscated
--	--	--	---	---

If you would have the money, what would you be prepared to pay monthly to have your environment quiet?

Has any person in your household been a victim of crime in the last 12 months?  Yes  No

What kind of crime? (Can mark × more than one option)

1. Assault	2. Robbery	3. Rape	4. Murder	5. Abduction	6. Other
------------	------------	---------	-----------	--------------	----------

**C: CONSUMPTION**

How much of the following items does your household buy per week/per month & about how much does your household spend on these items per week/per month?

Product	Kilograms / litres per week	Kilograms / litres per month	Rand per week	Rand per month	Town ✓	Town-ship ✓
1. Maize Meal						
2. Bread						
3. Meat / chicken						
4. Vegetables						
5. Milk						
6. Washing powder						
7. Coal						
8. Paraffin						

How does your household spend their income monthly?

Item	Rand per month	Name of shop	Town	T/ship	
Housing (Rent/Bond)					1
Water					2
Electricity					3
Other energy (coal, paraffin etc)					4
Food					5
Cleaning materials					6
Cigarettes & Tobacco					7
Beer, wine & spirits					8
Transport:		Total			9
Taxi.....					
Car.....					
Other.....					
Clothing					10
School					11
Entertainment					12
Medical Expenses					13
Insurance					14
GAMBLING: Lotto.....					15
Horseracing...					16
Other (casino etc)..					17
Savings					18
Licenses (e.g. TV, Vehicle)					19
Rates and taxes					20
Housekeeping Services (e.g. Garden)					21
Telephone.....					22
Cell.....					23
Car Repayment					24
Loan repayments					25
Furniture					26
Other: Specify					27

## D: EMPLOYMENT & EDUCATION STATUS

How does your household spend their income monthly?

	1	2	3	4	5	6	7	8
Number of people in the household								
Composition of members (Code list 2)								
Age of each member in years								
Sex (Male = 1; female = 2)								
Marital Status (code list 5)								
Qualifications (still at school) (Code list 6)								
Qualifications (not at school) (Code list 7)								
Employment Status (Code list 8)								
Sector of employment (Code list 9)								
Has your salary increased as a result of minimum wages? (10)								
Can employer afford increases because of minimum wages?								
Working hours been reduced because of minimum wages?								
(10 – 17 for <u>unemployed</u> only) Skills of the unemployed								
Duration of unemployment in years								
Dismissed because employer could not afford minimum wage								
Willingness & type of Skills Training required (code list 13)								
What is the Unemployed doing presently								
Do you have matric exemption?								
If persons would like to study further: preferences								
Preferences to start self-sustaining activities								
Minimum wage required to take a job								
<b>Income:</b> Wages/salaries per month (Take home pay)								
Pension/Remittance								
Child Grant from Government								
Other Grants from Government								
Help (family/relatives/etc) Also help in kind								
Informal activities (e.g. SMME)								
Subsidies (e.g. Housing)								
Interest/dividends								
Other (Specify)								

Does someone in your household have a vegetable garden? .....

Would someone in your household be interested in receiving assistance to start a food garden in your yard?

Yes	No
-----	----

Would someone in your household like to be involved in a community food garden project?

Yes	No
-----	----

Would someone in your household be interested in farming?

Yes	No
-----	----

Do you know small farmers in the area? If so, give the address:

Yes	No
-----	----

\_\_\_\_\_

Does someone in your household own a sewing machine?

Yes	No
-----	----

Do you know a clothing manufacturing business in your township?

If so, give the address:

Yes	No
-----	----

\_\_\_\_\_

Do you know any small scale welding / metal work firm in the township?

Yes	No
-----	----

If so, give the address:

\_\_\_\_\_

Has any member of your household operated a SMME / still operating one? If so, what kind of SMME?

Yes	No
-----	----

\_\_\_\_\_

Taking into account your skills (or that of your household members), would you or someone in your household (unemployed persons) be interested in starting your own business or rather work together with others in a cooperative?

Own business	Cooperative
--------------	-------------

What kind of business would you like to start? \_\_\_\_\_

If you would like to start your own business, what kind of support do you think you will need? \_\_\_\_\_

Do you know somebody with a catering business in your township? If so, give the address:

Yes	No
-----	----

\_\_\_\_\_

Do you think you will get a job if you are better trained?

Yes	No
-----	----

THANK YOU FOR YOUR COOPERATION!

Source: Adapted from questionnaires of Slabbert.



## ANNEXURE C

### METHODOLOGY FOR THE MEASURING OF UNEMPLOYMENT

Methods for the measurement of unemployment

Various methods are used to measure unemployment. The following three are more or less standard methods (Slabbert & Levin, 1997).

a. The census method

This method is used for measuring the economic status of the entire population. However, censuses only take place periodically and even then only a limited number of questions pertaining to employment can be included.

b. Registration method

This method provides for the unemployed to register at placement offices - in South Africa these are offices of the Department of Labour. Registration is compulsory to qualify for unemployment benefits. In South Africa some categories of civil servants, domestic workers, farm workers, casual and seasonal workers, those earning more than the ceiling income and those whose period of benefit (6 months) has run out, are excluded from the fund. Many persons, therefore, have no reason to register. Registered unemployment figures published by the Department of Labour in South Africa consequently do not show the level of unemployment accurately.

c. Sample surveys

Surveys are undertaken on a sample basis to obtain the data required to calculate unemployment rates for specific groups of people. In earlier years the Central Statistical Services conducted surveys on a monthly basis for Blacks, Coloureds and Asians. It was called the CPS. However, since the figures obtained for Blacks were found to be inaccurate, their results have not been published since April 1990 (Barker, 1992:83). In 1994, the CPS was terminated and the October Household Survey (OHS) was introduced. Statistics South Africa has published the OHS since 1996. It is an annual survey based on a probability sample of a large number of households. It covers a range of development and poverty indicators, including unemployment (official and expanded), according to the definitions of the International Labour Organisation.

Because of the lack of reliable sources of information on a regional basis, surveys were conducted in the Vaal Triangle by Slabbert (1997; 2003 and 2004) and Mokoena (2001) to determine the unemployment and poverty rate. The method used to determine the unemployment rate in Sedibeng district is explained below.

#### Definition of unemployment

Statistics South Africa uses the following definition of unemployment as its official definition:

The unemployed are those people within the economically active population who:

- a) did not work during the seven days prior to the interview;
- b) want to work and are available to start within a week of the interview; and
- c) have taken active steps to look for work or to start some form of self-employment in the four weeks prior to the interview.

These general criteria are translated into statistically meaningful criteria, namely:

- ❖ the population of potential working age (i.e. 15 years and older);
- the economically non-active (i.e. those who prefer not to or who cannot work – for instance housewives, persons 65 years and older, the disabled, etc); and
- ❖ the economically active population (all those who are fit to work, wish to work, have no employment and are ready for and actively looking for work, plus the employed and self-employed).

The unemployment rate ( $U_r$ ), then, is calculated according to the standard equation:

$$\frac{\text{number of unemployed}}{\text{Economically active population (EAP)}} \times \frac{100}{1} = U_r$$

In developed countries, this definition is relatively simple to apply. The criteria for measuring unemployment are straight and definite, i.e. a person is out of work, and is actively looking for a job by means of a listing at a placement or other government office. However, in developing countries circumstances are very different, and it is not always clear whether or not a person is seeking employment. In South Africa some

unemployed persons become discouraged and therefore refrain from taking active steps to seek employment.

In the survey for this section, only one criterion was taken as an indication of seeking work, namely if a person "has the desire to work and to take up employment or self-employment". The question asked was simply: "Do you want to work?" When the standard Statistics South Africa definition is used, but its strict criteria are relaxed - as was done in this survey - it is referred to as an expanded definition of unemployment. The expanded definition includes (a) and (b) but not (c) (Statistics South Africa, 2000: xv).

Statistics South Africa's definition for employment which defines the 'employed' as those who performed work for pay, profit or family gain in the seven days prior to the household survey interview, or who were absent from work during these seven days, but had some form of paid work to which they can return (Statistics South Africa, 2000) was also simplified. The question was simply asked: "Do you work for a business, for yourself or for your family?" Working for a business was regarded as formal employment. Self-employment and family employment were taken as working in the informal sector.

Source: Slabbert & Slabbert, 2002:17.

## ANNEXURE D

### METHODOLOGY FOR THE MEASURING OF POVERTY

Following the guidelines of the World Bank, a poor household is defined as a household of which the combined income of all its members is less than the HSL as determined for the specific household. If the combined income of a household is described by  $y_i$  and the poverty line (HSL) of the same household is described by  $z_i$ , the extent of poverty,  $P_i$ , of this household is described by  $P_i (y_i; z_i)$ .

The headcount index is defined as the fraction of the population below the poverty line. In this report, the headcount index is adapted to indicate the fraction of households that fall below their individual poverty lines, and is described by means of the equation:

$$H(y; z) = M/N$$

Where:       $H$  =    the fraction of households below the poverty line;  
  
               $y$  =    household income;  
  
               $z$  =    the poverty line of households;  
  
               $M$  =    the number of households with incomes less than  $z$ ; and  
  
               $N$  =    the total number of households.

The poverty gap usually measures the average shortfall of the income of the poor from the poverty line while the poverty gap index measures the extent of the shortfall of income below the poverty line. In this report the poverty gap index is adapted to be a measure of a specific household, described by the equation:

$$R_i(y; z) = (z_i - y_i)/z_i$$

Where:       $R_i$  =    the income shortfall of a household expressed as a proportion of the household's poverty line;  
  
               $y_i$  =    the income of a specific household; and  
  
               $z_i$  =    the poverty line of a specific household.

The poverty gap of an individual household (in monetary terms) can therefore be expressed by the equation:

$$G_i(y; z) = z_i - y_i$$

Where:  $G_i$  = the income shortfall of a household;

$y_i$  = the income of a specific household; and

$z_i$  = the poverty line of a specific household.

From the three equations above it is clear that the poverty gap can only be reduced by increasing household income.

Source: Slabbert, 1997:47.

## ANNEXURE E

### METHODOLOGY FOR IMPACT ASSESSMENT

Employment creation may supplement the existing income of households to such an extent that the headcount index for the population is decreased significantly. If the number of unemployed persons in a household is described by  $u_i$ , and employment opportunities can be created at an average wage level of  $W$ , the poverty gap  $G_i$  of a single household can be reduced by:

$$G_i - (u_i W)$$

Or

$$z_i - (y_i + u_i W)$$

Where:  $u_i$  = the number of unemployed members in a household;

$W$  = the average wage earned by unemployed members of households as a result of an employment creation scheme.

An employment creation scheme aimed at the poor unemployed will have an immediate effect on the extent of poverty, because it reduces the poverty gap. However, to have a significant effect, it should reduce the headcount index. The extent to which the headcount index is reduced will indicate the success of an employment creation programme. The condition for reducing the headcount index is that the poverty gap of a household or households becomes zero or negative. This condition is described by the following equation:

$$G_i - (u_i W) \leq 0$$

Where:  $G_i$  = the poverty gap of a single household;

$u_i$  = the number of unemployed members in a household;

$W$  = the average wage earned by unemployed members of households as a result of an employment creation scheme.

The larger the number of households satisfying this condition, the smaller the headcount index becomes.

The 2003 Household survey data will be used for determining the impact of job creation on poverty in the Sedibeng District. The data renders all the information needed to test these models, for example, the age and gender of household members required to determine the individual poverty line ( $z$ ) for each individual household; the combined income of each individual household ( $y$ ); and the number of unemployed members in a household ( $u$ ).

Source: Slabbert, 1997: 171.