

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

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## **Abstract**

The absence of unemployment benefits for those without work means that the majority of South Africans are expected to work their way out of poverty. However, the extent of income sharing in South Africa, coupled with a proliferation of low-paid work, may leave even those who are lucky enough to find employment unable to escape poverty at the household level. In-work poverty in South Africa is thus the ultimate contradiction. While employment is cited as the definitive means of escaping poverty and essential for reducing inequality, the reality is a set of circumstances where a significant portion of working families, despite their best efforts, are unable to lift themselves out of poverty. The lack of investigation into the experience of poverty by the employed, despite numerous poverty studies, provides motivation for this paper. Specifically, this paper evaluates the magnitude of in-work poverty in South Africa and investigates which workers are most vulnerable to poverty. This is achieved under the premise that there are two dimensions to the analysis of in-work poverty: the characteristics and employment conditions of the worker, and the composition of the worker's household. We find that both wages and household composition are important markers of in-work poverty and that the risk of poverty is greatest when these two markers intersect. Nevertheless, even 'high'-wage workers are at a high risk of poverty if they live in households where their income is shared with many non-working household members. Conversely, low-wage workers may be relatively protected from poverty due to household-level support.

**Key Words:** In-Work Poverty, Low-wage Work, Working Poor, South Africa, NIDS

**JEL Classification:** I32, J31, J24, D31

## 1. Introduction

South Africa is distinguished from other countries by its history of Apartheid, in which race-based policy resulted in vastly inferior education and labour market opportunities for African, Coloured and Asian individuals.<sup>1</sup> This resulted in exceptionally high levels of poverty and inequality constructed along racial lines at the onset of democracy in 1994, motivating the newly elected democratic government to make poverty alleviation a key component of their economic policy. They were however faced with the major challenge of utilizing government mechanisms which had historically systematically underprovided resources to the majority of the population. Thus while the economy has undergone significant change since the end of Apartheid, undergoing a dramatic transformation in the economic, political and social landscape, the dynamics of Apartheid continue to persist even more than two decades after it officially ended. South Africa remains one of the most structurally unequal societies in the world, resulting in persistently high levels of poverty in what is today an upper-middle income country. Using the lower bound cost of basic living poverty line developed by Hoogeveen and Ozler (2006), the poverty headcount ratio was relatively unchanged between 1993 and 2010, falling from 56% to 54% over the period (Leibbrandt et al., 2010).

Despite a proliferation of poverty studies, there has been almost no work focussing on poverty amongst employed South Africans. While many poverty analyses consider the role of the labour market, these have tended to focus almost entirely on the role of unemployment. This is unsurprising given the large and well-documented unemployment problem in South Africa, stemming from an Apartheid labour system which was geared towards producing a low-skilled, low-wage workforce with very little human capital development and isolation from any real economic opportunities. Currently, unemployment is measured at 24% using the official 'strict' definition and 35% using the 'expanded' definition (Stats SA, 2015).

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<sup>1</sup> These racial classifications continue to be used by the South African government.

The absence of unemployment benefits for those without work means that the majority of citizens are expected to work their way out of poverty. However, the extent of income sharing in South Africa, coupled with a proliferation of low-wage work, may leave even those who are fortunate enough to find employment unable to escape poverty at the household level. Thus in-work poverty in South Africa is the ultimate contradiction. While employment is cited as the definitive means of escaping poverty and essential for reducing inequality, the reality is a set of circumstances where a significant proportion of working families, despite their best efforts, are unable to lift themselves out of poverty. Ensuring the ability of those who are working to maintain sustainable livelihoods for both themselves and their households is therefore fundamental to South Africa's poverty reduction strategy.

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

Section 1 of this paper gives an overview of poverty in South Africa in 2012. Section 2 evaluates the vulnerability of workers to poverty, paying specific attention to worker and workplace characteristics such as race, gender and geographical location, as well as the sector in which the worker is employed. Section 3 evaluates the role of wages in exacerbating in-work poverty,

assessing which workers are vulnerable to low paid work as well as the incidence of poverty amongst these workers. Section 4 assesses the role of the household, specifically the incidence of poverty in male and female-headed working households, as well as the role of the employment dependency ratio within the household. Finally, section 5 attempts to intersect the characteristics of the worker and their household in order to assess the markers of poverty at both levels. This will enable us to assess which combination of worker and household is most vulnerable to poverty.

The approach is data-driven, utilising 2012 data from the third wave of the National Income Dynamic Study (NIDS). All values in the subsequent analysis have been adjusted for inflation, with the base set at the CPI for December 2012.

## **2. Poverty and the Labour Market**

We begin by providing an overview of poverty amongst individuals and households across various labour market states. This sample (and all subsequent samples) is weighted to represent the population of South Africa in 2012, approximately 52.3 million individuals in total. Poverty is calculated at the household level, with households classified as poor if per capita household income falls below R649 per month, utilizing the inflation adjusted Hoogeveen and Ozler (2006) lower-bound poverty line previously mentioned. Table 1 provides the population share, poverty rate and poverty share for each subset of individuals and households. Individuals are classified as not economically active (NEA) in three age categories: children (younger than 15); working age (age 15-64) and seniors (older than 65). Those individuals aged 15-64 who are not NEA make up the labour force. Individuals are characterised as employed if they were working at the time of the survey, which includes regular (full- or part-time), casual and self-employed workers.

Just over half of the working age population, 58%, are participating in the labour force and a quarter of these participants are unemployed. The headcount poverty rate (or proportion of the population in poverty at the household level) in 2012 is 44%. Unemployed adults and children

are most vulnerable to poverty, with 61% and 57% of each group classified as poor at the household level, respectively. NEA adults also endure high poverty rates, with 52% of those aged 15-64 living in poor households. The poverty rate for NEA adults over 64 falls substantially to 35%. The reason for this may be due to receipt of the State Old Age Pension, which was capped at R1200 per month for men and women over the age of 60 in 2012 (National Treasury, 2012). At this level, it is almost enough to keep two family members out of poverty every month. The poverty rate amongst employed individuals is 17%. While this is substantially lower than that of unemployed and NEA individuals, this indicates that a large proportion of those who are able to find work are unable to escape from poverty at the household level. The population share and poverty rate for each group gives rise to the poverty share across individuals. Children make up the majority of the poor, closely followed by working age NEA individuals. Employed individuals make up 11% of the poor population share.

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

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

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

The second half of Table 1 evaluates poverty in non-working and working households, with non-working households containing only NEA and unemployed household members and working

households containing at least one employed household member. Over two-thirds of households contain an employed member, despite the relatively low rate of employment. This affirms South African studies asserting that the majority of the unemployed are reliant on the income of present or absent employed household members (Ebrahim et al., 2013; Klasen & Woolard, 2009). The poverty rate amongst non-working and working households is 59% and 19%, respectively. Overall, working households make up 41% of the share of poor households.

### **3. Occupational and Worker Characteristics Associated with In-Work Poverty**

The following section evaluates the markers of poverty amongst the employed, paying specific attention to the characteristics of the workers and their occupation. Decomposing in-work poverty indicates that, as expected, African workers are overrepresented in the share of working poor. While African workers make up 78% of the population, their share of overall working poverty is 91%. This is due to the high incidence of poverty amongst these workers, with 22% living in poor households. Asian/Indian and White workers are least affected by in-work poverty and very few of these workers live in poor households (none, in the case of White workers). Therefore these groups make up negligible shares of overall working poverty. While there are also gender differences in in-work poverty, these are less pronounced. Nonetheless, poverty rates amongst working women are considerably higher than amongst working men. Thus while there are more male than female workers overall, females make up just over half the share of poor workers.

Educational attainment is also be an important marker of poverty. Table 2 shows that 21% of the working-age population (i.e. including the NEA and unemployed) a primary-school education or less. Overall, 66% of the population have not completed high school. When looking at the education of workers specifically, these proportions change - just under half of workers have completed high school or have some form of tertiary education. The incidence of poverty

amongst workers with different levels of education also varies greatly, with poverty rates consistently falling as the level of education of the worker increases. An important point is that completing high school is not enough to adequately protect the employed from poverty - there is an 11% incidence of poverty amongst workers who have completed secondary school. Nevertheless, this poverty rate is almost half of that of workers who have incomplete secondary school educations. Obtaining a tertiary education appears to be a strong shield against poverty.

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

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

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

Only 4% of diploma or certificate holders are poor, while none of the employed who have degrees are living in poverty. Overall, the majority of the share of poor workers have a primary school or incomplete secondary school education, while a substantial portion are workers who have completed high school.

Finally, the geographical location of the worker also has a bearing on their vulnerability to poverty. Poverty rates are far higher in traditional areas than in urban areas or farms, with a 35% poverty rate compared with 12% and 18%, respectively. Traditional areas are made up of villages which are on communally-owned land under the jurisdiction of traditional leaders. These areas suffer from poor economic opportunities due to their isolation. This means that although only 20% of workers dwell in these areas, traditional area workers make up 41% of the share of poor workers. While poverty rates are relatively low in urban areas, the influx of workers to cities and towns means that the majority of poor workers are living in urban areas.

Table 3 examines the extent to which occupational characteristics are markers of poverty amongst the employed. Although South Africa does not currently enforce a national minimum wage, workers who are at particular risk of exploitation due to the lack of trade unions and other regulating mechanisms are covered by sectoral minimum wages in order to ensure that they can meet a minimum standard of living conditions. There are a number of industries that have a history of low pay and poor work conditions which are covered by sectoral minimum wages, particularly in agriculture and private households<sup>2</sup>. The majority of workers employed in private households (including domestic workers, gardeners and nannies) are African women. These workers are at risk of exploitation due to the difficulty in regulating this type of employment. Wages in this sector tend to be low due to the perceived low level of skill required and high level of competition for these jobs. Additionally, many of the private household employers tend to be low-wage themselves (Torres et al., 2000) and income fluctuations are therefore at risk of being passed on to workers in the form of job loss or decreased hours worked. In 2014, 12% of the

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<sup>2</sup> Although exact figures are not known, the majority of workers are covered by sectoral or union-set minimum wages. The construction sub-sector one of the few sectors which remains uncovered.

unemployed who had worked in the past five years were previously employed in private households (Stats SA, 2015).

The primary sector (including those employed in the agricultural, hunting, farming, fishery and mining industries) has historically high levels of poverty, particularly in rural areas. Agricultural workers are especially vulnerable due to the power that their employers hold over their livelihoods. These workers are often dependent on their employers for accommodation, schooling, water and electricity services as well as medical facilities. Education levels are particularly low resulting in little chance of upward mobility - in 1996 41% of Africans working in the agricultural and hunting sub-sectors had no schooling and only 2% had completed high school (Stats SA, 2000). Vulnerability is heightened by the fact that agricultural workers are also particularly susceptible to job loss, with changes in labour demand closely linked to technological advancement in farming methods, changing climates and changing government incentives such as taxes and subsidies (Torres et al., 2000). Mining has played an important role in the growth and development of South Africa, although its prominence has been steadily declining since the 1970s. Historically, the mining sector has also been dependent on rural workers and large inequalities have existed in terms of job quality between workers of different races, although on average mine workers have higher educational levels than farm workers (Torres et al., 2000). Working conditions in the mining industry have far reaching ramifications and it is estimated that there are 10 dependents for each miner employed (Torres et al., 2000).

Table 3 indicates that private household workers face by far the highest poverty rates, with 42% of these workers considered poor at the household level, despite the sectoral minimum wage covering private household employees. Therefore although only 11% of workers are employed in private households, they make up 29% of the share of poor workers in South Africa. Workers in the primary and secondary sector face similar poverty rates, with 18% and 19% of these workers in poverty, respectively. Although the incidence of poverty is lowest amongst tertiary sector workers, the fact that the majority of workers are employed in this sector means that these workers make up 40% of the working poverty share in South Africa.

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

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

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

The relative security of regular paid work is evident, with the incidence of poverty for regular paid workers almost a quarter of that of casual workers and less than half of that of self-employed workers. Casual and self-employed workers represent workers who, though employed, are severely disadvantaged in the labour market and particularly vulnerable to poverty. This is clear from the fact that 45% of casual workers and 26% of self-employed workers are living in poor households. Regular paid workers are more likely to be employed in the formal sector, where jobs are characterised by higher wages and higher skill level requirements and offer a greater likelihood of upward mobility for their workers. Conversely, casual and self-employed workers are more likely to be employed in the informal sector which is characterised by low-wage, low-skilled work which offers less job security, poor development of the worker’s human capital and few chances for upward social and or occupational mobility. These lower paying jobs constitute a ‘trap’, making it difficult for employees to move out of this type of employment and into higher quality jobs due to outright discrimination or an emphasis on skills or education that they do not have. Therefore both casual and self-employment are inferior alternatives to permanent wage-

employment. A 2013 survey of informal sector self-employed South Africans indicated that 76% of these self-employed workers started their business due to unemployment, retrenchment or inadequate money-making alternatives (Stats SA, 2013). However, the figures from Table 3 indicate that, if casual workers have the means, it may be more profitable for them to enter self-employment than to remain in casual employment.

#### **4. Low-wage Work and In-Work Poverty**

The following section evaluates both the incidence of low-wage work and its relationship with worker poverty, in light of the view that low-wage work is a key driver of in-work poverty. Wages are classified as low if they are below two-thirds of the median hourly wage, following the international norm.

The first two columns of Table 4 evaluate the incidence and share of low-wage workers, while the final two columns of give the incidence of poverty amongst both low and 'high' wage earning workers (where 'high' wage earners are simply those workers who are not classified as earning a low wage). Looking first at the incidence of low-wage, it is clear that the legacy of race-based disadvantage in the labour market persists. While on average 35% of all workers are in low-wage employment, African and Coloured workers are substantially more likely to receive a low wage than Asian/Indian or White workers. In fact, African workers have a more than five times higher incidence of low paid work than White workers, with 40% of the former and only 7% of the latter in low-wage work. This means that both African and Coloured workers are over-represented in the share of low-wage workers, when compared with their population shares. Women are also more likely than men to be earning a low wage, with 39% of women and 31% of men earning below two thirds the median wage.

The level of education obtained by the worker is a strong marker of the likelihood of earning a low wage. There is a strong and consistent relationship between increasing levels of education

obtained and decreasing incidence of low-wage work. This mirrors results found in South African literature, where educational obtainment is found to be a good predictor of both employment and income (see, for example, Klasen & Woolard, 2005; Kingdon & Knight, 2004, Banerjee et al., 2008 and for the relationship between education and low-wage specifically, Oosthuizen, 2012). While 70% of workers with no education earn a low wage, only 1% of workers with a post-high school degree are low-wage earners. The importance of completing high school is again highlighted by the fact that the proportion of workers earning a low wage almost halves when

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

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

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

comparing workers with incomplete and complete secondary school educations. In terms of geographical location, incidence of low-wage is lowest amongst urban area workers. This provides further evidence for the hypothesis that non-urban workers are particularly vulnerable to poor quality working conditions.

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

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

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

below the low wage threshold of R11.31 used here. Low wages are also more common amongst primary and secondary sector workers than amongst tertiary sector workers. As expected, regular paid workers are least likely to be earning a low-wage. The extent of the vulnerability of casual workers to poor quality work is clear, with 75% of these workers earning a low hourly wage.

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

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

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

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

wage earning workers. This is likely due to the relative consistency of wage receipt enjoyed by regular paid workers.

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

## **5. Household Compositions Associated with Working Household Poverty**

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

Table 6 indicates that female-headed working households are overrepresented in the poverty share of working households. While there are roughly equal proportions of male and female-headed working households, 61% of poor working households are headed by a female. This is due to the high rates of poverty in these households – while 14% of male-headed working households are in poverty, the incidence of poverty amongst female-headed households is 24%. While only 21% of working households are found in traditional areas, the proportion of poor working households is double this figure. Just over half of all working households are in urban areas. It is interesting to note that while Table 4 indicated that traditional and farm workers are

almost equally likely to be earning a low wage, Table 1 and Table 6 have indicated that both traditional area workers and their households have a higher incidence of poverty than farm area workers and their households. This may be due to household level factors, for example differences in household size, employment intensity or grant or remittance receipt.

Table 6. Household Incidence of In-Work Poverty

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

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

Table 7 explores differences in household composition as a marker of working household poverty. Household composition is examined across different working household types, paying particular attention to the ratio of dependents to workers within the household. Male-headed working households have an average household size of 2.6, substantially smaller than the average household size of 4.1 in female-headed working households. The average number of employed household members across male and female-headed working households is almost identical. This means that, given the larger household size of female-headed households, there are on average more dependents per employed household member in these households. The last column of Table 7 indicates that, per employed household member, the average number of dependents in female-headed households is more than double that of male-headed households, at 2.2 and 1.0 respectively. The majority of these dependents fall within the 0-14 and 15-64 age brackets. In addition, the average number of 0-14 and 15-64 aged dependents per employed is

almost the same within each household type, indicating that workers are on average as likely to have a child as a working aged adult dependent on them in their household.

Table 7. Household Employment Dependency Ratio

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

Notes: 7. All figures are weighted using calibrated weights.

Table 7 also reviews the composition of working households across geographical locations. This table shows that traditional area households are on average the largest, followed by farm and urban households. While the average number of employed per working household does not differ substantially across areas, there are almost double the number of dependents per employed in traditional area households than in households in urban areas. Again, the majority of dependents are children or working age adults. This table sheds light on the difference between farm and traditional area households in terms of the impact of low-wage earners within the household. While table 4 showed that workers in both household types are almost equally likely to be earning a low wage, the higher number of dependents per worker in traditional area households is likely to be one of the factors contributing to the vulnerability of these households and workers to poverty.

## **6. Vulnerable Workers Living in Vulnerable Households**

Table 8 attempts to overlap household and worker level markers of poverty in order to assess which combination of worker and household are most vulnerable to poverty. Multi-generational households are common in South Africa and account for the large household size found at the bottom of the income distribution (Burns, Keswell & Leibbrandt, 2004). Overall, 32% of all working households studied here are non-nuclear, where nuclear is defined as a two-generational parent-child relationship where the child is biological, a step-child, adopted or a foster child. While many existing developing country studies focus on differences in working household poverty rates between single and two-parent households, this high prevalence of non-nuclear families provides motivation for including alternate household compositions in this study, as well as in-work poverty analysis in other developing countries.

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

Looking first at single-adult households (Type 1), these are divided into those without (1.1) and with (1.2) children in the household. Rows 1.1.1 and 1.1.2 indicate that 33% of working households contain only one adult and no children. Of these solitary workers, over two-thirds are high-wage earners (1.1.1). Rows 1.2.1 and 1.2.2 contain “single-parent” households, which are make up only 5% of all working households (“Single-parent” is loosely defined here as an adult residing with children in the household, regardless of their relationship with each other). On average, 86% of these households are nuclear. In the remaining non-nuclear households, the resident child is a niece, nephew or other family or non-family household member. Overall, both wages and family composition are important in marking incidence of poverty in these households. Incidence of poverty amongst single-adult households is highest in single-parent households where the parent is earning a low wage (1.2.2), with 47% of these household in poverty. Conversely, incidence of poverty is relatively low in single-parent households where the parent is a ‘high’-wage earner (1.2.1). This indicates that the quality of work (in terms of wage level) is crucial in enabling single-parent workers to keep their households out of poverty. Even when there are no dependents in the household, low-wages are a strong marker of poverty, with 23% of low-wage earning workers who are the sole household member in poverty (1.1.2). This also illustrates the importance of household composition as a poverty marker. Comparing rows 1.1.2 and 1.2.2 indicates that where there is one low-wage earning worker in the household, the presence of young dependents considerably increases the incidence of poverty. Single-adult households make up 20% of the overall share of poor working households.

Type 2 households include two adults, where at least one of these adults is employed. These are further divided into households without (2.1) and with (2.2) children in the household. Of these two-adult households, a quarter are non-nuclear households. Looking at two-adult households without children, it is clear that both employment dependency and wage type play an important role as poverty markers within these households. When both adults are employed (rows 2.1.3 and 2.1.4), regardless of wages earned, incidence of poverty is low. When only one of the resident adults is employed, wage level becomes an important marker of poverty. In the case where the

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

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

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

sole earner is receiving a 'high' wage (2.1.1), only 6% of households are in poverty. Conversely, when the wages received by the sole-earner are low, incidence of poverty is 16%. The presence of young dependent exacerbates poverty - households with one low-wage worker and child dependents (2.2.2) have the second highest incidence of poverty across all 20 household compositions, with 66% of these households experiencing poverty. Overall, two-adult households make up 21% of the working household poverty share.

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

The analyses from table 8 makes it clear that both household composition and employment conditions are important markers of poverty. Poverty is greatest when vulnerable workers (low-wage earners) live in vulnerable households (large household size and high employment dependency), as illustrated by row 3.2.2. This table also reveals that even when a worker is not particularly vulnerable to poverty (earning a 'high' wage), they may be unable to escape poverty

at the household level due to high dependence on their wages by other non-working household members. This is particularly clear in row 3.2.1, where 'high' wage earners are facing high incidence of poverty at the household level due to their household composition. In other cases, it appears as if low wage workers are shielded from poverty as a result of household level support. This is clear, for example, when comparing rows 1.1.2 and 2.1.4. While neither of these household contains dependents, the former contains only one low-wage earning worker while the latter contains a dual income where at least one of the workers is earning a low wage. While the single-earner household (1.1.2) has a poverty rate of 20%, the presence of an additional worker in the dual-earner household (2.1.4) shields the low-wage earner from poverty – the poverty rate in these households is only 5%.

## **7. Discussion**

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

The findings surrounding the vulnerability of workers to poverty are not surprising. While in developed country studies the working poor may not be a well-delineated group, in South Africa

it is clear that there are specific, historically disadvantaged groups which are most likely to suffer from in-work poverty. This includes African and Coloured workers, females, those with low education levels and those living in rural areas. Occupational characteristics are also important markers of poverty amongst the employed. Casual and self-employed workers face an exceedingly high risk of poverty, as do those working in private households, despite the sectoral minimum wage put in place to protect them. The role of low wages is examined as a possible driver of poverty for these vulnerable workers. Overall, there is high incidence of low-wage work, with 35% of workers earn a wage which is below two thirds of the median wage. Of these low-wage workers, 35% are living in poor households, compared with only 6% of 'high'-wage workers. The striking difference in poverty rates between low and 'high' wage workers indicates the importance of occupational quality in protecting workers from poverty. What is clear is that historically vulnerable workers are both more likely to be earning a low wage and more likely to be in poverty, given that they are earning a low wage. This indicates that not only are these workers at the greatest risk of poor quality working conditions, they are also more likely to be living in household structures which deepen their risk of poverty. Female-headed working households appear to be more likely to contain additional non-working dependents than male-headed households. Moreover, non-urban area households, especially in traditional areas, are exceptionally large and prone to poverty. This confirms findings from South Africa arguing that the households which are able to provide support to the unemployed are found in rural areas, which both removes the unemployed from the job opportunities in urban areas and puts additional strain on rural households (Ebrahim et al., 2013). This means that the role of the household in exacerbating or alleviating in-work poverty cannot be ignored.

The final table of this paper provides a descriptive analysis of the implication of the most prominent individual and household level markers of in-work poverty. Table 8 incorporates the household size and employment intensity within the household as a marker of household vulnerability to poverty. Furthermore, the wage-level of employed household members is taken into account, specifically whether the worker is earning a 'high' or low wage. These conditions are combined to create 20 distinct household structures. Findings from this table are that both

wages and household composition are important markers of in-work poverty. The risk of poverty is greatest when these two markers intersect. In households with low employment intensity where workers are earning a low wage, the incidence of poverty can be up to 85%. Nevertheless, even 'high'-wage workers are at a high risk of poverty if they live in households where their income is shared with many non-working household members - in the most severe case, 'high'-wage workers face a 33% incidence of poverty (see Table 8 row 3.2.1). Conversely, low-wage workers may be relatively protected from poverty due to the composition of the household in which they reside. When there is a dual income and no dependents, low-wage workers are at little risk of poverty, regardless of the wage level of the second income.

This analysis is significant for the long-standing conflict between pushing the expansion of low-paying jobs in order to decrease unemployment and uphold competitiveness, and ensuring some basic standard of living for existing workers. While it is exceedingly difficult to balance job creation and increasing the quality of existing employment, quality of work cannot be discounted as a major driver of poverty relief in South Africa. It is clear that as well as the need for more effective employment creation strategies, there is also a need for access to more high-quality employment opportunities, as the former will not necessarily adequately protect vulnerable members of society from poverty. It is clear from this analysis that regular wage employment is the superior form of protection against in-work poverty. Further, access to human capital development, further training and education will provide vulnerable workers with a greater chance of upward mobility and therefore the means to assist them in escaping from the 'trap' of unstable, low-paying work. Wage inequality is seen to be a key marker of the risk of poverty faced by workers and their households. While increases in the minimum wage may go some way in protecting low-wage workers from poverty, these policies will not affect the plight of self-employed workers, who endure high levels of inconsistency in their incomes. The vulnerability of the self-employed therefore warrants further consideration, particularly via appropriate strategies to improve South Africa's Small, Medium and Micro-sized Enterprise (SMME) policies.

This paper has provided an initial analysis of the markers of poverty amongst employed South Africans and their households. However, there are a number of important issues in this discourse which deserve further attention. The first of these is the role of government grants in in-work poverty alleviation. Social grants play an important role in protecting vulnerable South Africans from poverty, specifically for pensioners, children and the disabled. While these grants are not going directly to the employed, they may be vital in minimising the harmful effect of high employment dependency within working households. Therefore the extent to which government grants are able to assist the employed in lifting their household out of poverty deserves consideration. In addition, the role of minimum wages and other labour market institutions in alleviating in-work poverty should be addressed, specifically by looking at trends in minimum wages and the subsequent effect on living standards of working households. This analysis has also been performed in isolation of the post-Apartheid trends in in-work poverty – an examination of this will enable us to put the current in-work poverty rate in context. As it stands, while we know that a significant proportion of workers and their families are poor, we do not know whether the current situation is an improvement or not. Therefore, there is much scope for further analysis of both the drivers and alleviators of in-work poverty in South Africa.

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