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Make today matter



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Lefapha la Disaense tša Ekonomi le Taolo





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Poverty, inequality and unemployment in South Africa: some insights from current and past research

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Introduction

- South Africa has made tremendous progress since 1994
 - Improvement in status of the previously disadvantaged by apartheid policies
 - Coloured, Indian and especially African
- However, many glaring problems still exist
 - Key persisting problems: poverty, inequality and unemployment
 - These problems need a concerted effort by the government
- All research reported here used computable general equilibrium (CGE) modelling

Introduction

	Unemployment	Poverty rate (\$1.9/day PPP)	Poverty rate (\$3.1/day PPP)	Inequality (Gini)
2006	22,6			0,72
2007	22,3			
2008	22,5			
2009	23,7			0,7
2010	24,9			
2011	24,8			0,69
2012	24,9			
2013	24,7	15,7	33,6	
2014	25,1	15,6	33,6	
2015	25,3	15,7	33,6	
2016	26,7	15,9	34,1	
2017		16	34,1	

Presentation outline

- Research in progress
 - Poverty
 - Policy strategies to attain SDG 1.1 and 2.1 targets in South Africa
 - Strategies focussed on rural areas
- Previous studies
 - Unemployment
 - Education funding
 - To tackle skills shortages through improving school quality
 - Requirements needed for South Africa to reach MDGs
 - Inequality
 - Affirmative action
- Lessons learnt for possible research agenda to meet some SDGs

South Africa: Poverty and hunger

South Africa: Poverty-related background

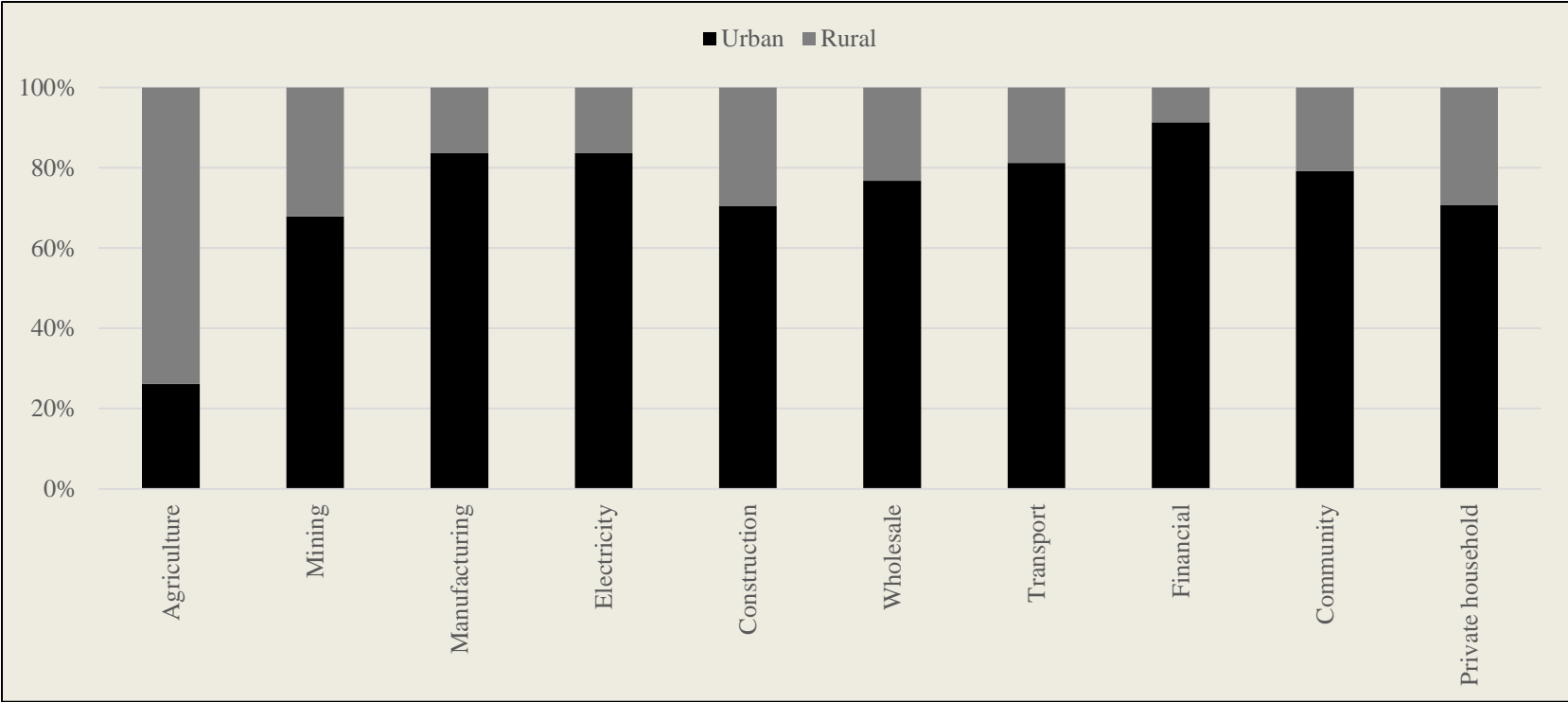
- South Africa is middle income country
 - But its poverty level is much higher than expected, given its GDP per capita
- The workforce is predominantly urban based
 - With agriculture being predominantly rural based
- Stigmatisation of rural areas:
 - Poverty stricken
 - Low economic performance
 - Low economic contribution

South Africa: Some poverty details

- Dwellers living in poverty in 2011:
 - => Rural 68.8% ; (*total pop rural is 35% (2015)*)
 - => Urban 30.9%

- The rate of reduction between 2006 and 2011:
 - => Rural: 15%
 - => Urban: 24%

Urban-Rural Employment Structure, Hours Worked



Government initiatives to address rural poverty

- Rural development through:
 - National Development Plan (NDP) Vision 2030
 - The Medium Term Strategic Framework (2014-2019)
 - Integrated and Inclusive Rural Economy by 2030
 - Through successful land reform
 - Infrastructure development
 - Job creation
 - Poverty alleviation
 - Signing the Sustainable Development Goals (SDGs)
 - Rural development
 - Poverty and hunger eradication

Achieving poverty and hunger targets of SDGs

- Agricultural growth and rural development
- Prioritisation of public investments/spending and interventions
 - Assessment of income (or expenditure) growth and distribution targets
 - To reduce poverty (SDG 1.1)
 - Eradicate hunger (SDGs 2.1)
 - Poverty reduction goals for rural areas

Scenarios

- Investment Growth Strategy
 - Domestic Private Investments increase
 - Foreign Investments increase
- Export Growth Strategy
 - Agri-food Export Volumes increase
 - Agri-food Export Prices increase
- Productivity Growth Strategy
 - Food and Beverage Productivity and Production increase
 - Agricultural Productivity and Production increase

Results

- Best options: an increase in foreign investments, Agri-food commodity exports, and agriculture productivity and production.
- Used in a rural development strategy to find out how much each must increase to reach the SDGs targets
 - Annual growth rate of foreign investment of 10.5%,
 - plus an average annual growth rate of agricultural productivity of 2.5%,
 - plus an average annual growth rate of Agri-food commodity exports of 3.5%
- Model also shows that the required growth rate for the agriculture sector and the entire economy would in turn be 3.6% and 2.7%, respectively

Lessons

- Government focussed (rather than the many scattered) interventions can better tackle poverty reduction, particularly in rural areas
- Rural development interventions can spill over to overall national economic growth
 - This can make it possible to attain the SDGs mainly on poverty and hunger, while structurally transforming the economy

South Africa: Education

Education

- Apartheid education policies discriminated against non-White
 - Schools were racially organised
 - Excellent conditions available to *White* households
 - Deplorable conditions for other households, especially *African* communities
 - South Africa has high enrolment rates and sizeable education infrastructure
 - But attains worse results than its neighbours

Scenarios

- Two scenarios, both increase in govt expenditure on education, one with no fiscal policy, another with household tax increase to finance

- Impact of an increase in public education expenditure on:
 - The performance of the education system
 - The labour market

Results

- Because education quality improves, dropout rate falls
- More students stay and complete their education
- Employment increases
- But, government deficit deteriorates
- In second scenario results still good for improved education
- But, increased household taxes reduces household consumption and not sustainable in long run (just about 13-15% individuals pay tax in SA)

Results from MDG paper

- MDG paper sought to find out the general equilibrium effects of attaining specific MDGs
- Its clear from the paper that some goals have more general equilibrium benefits than others
- Might be important to think seriously about this for SDGs in budget constrained countries

Lessons

- Improving the quality of education is key to South Africa
 - However, jobs need to be produced faster than at present if an education policy is to be successful
- Developing skills increases earnings potential
 - Which would possibly impact positively on health outcomes as well
- Financing this policy should be done through an appropriate fiscal policy to ensure sustainability
 - Relying on government borrowing for education expenditure is likely to be unsustainable in the long term

South Africa: Affirmative action

Employment status early 2000s

	African	Coloured	Indian	White	Total
Skilled labour	16.2	20.8	31.6	43.4	100
Semi-skilled labour	44.8	46.6	37.5	30.9	100
Low-skilled labour	39.0	32.6	30.9	25.7	100
Total	100	100	100	100	

Simulation and result

- Impact of an increase of the shares of historically disadvantaged people in skilled positions: increase African skilled share by 10%, and both Coloured and Indian by 5% each
- Results show:
 - a deep decrease in unemployment
 - impact on White skilled labour demand is not as harsh as might have been expected
 - poverty falls for each population group

Results

Groups #	Headcount	Depth	Severity
African	-0.36	-0.46	-0.42
Coloured	-0.41	-0.70	-0.74
Indian	-0.01	-0.37	-0.48
White	-1.5	-0.45	-0.38
TOTAL	-0.37	-0.47	-0.53

Lessons

- The argument that affirmative action is bad for the economy is not correct

Some thoughts

- Rural centric development policies have the capacity to achieve the poverty and hunger aspirations of the SDGs even where agric sectors are very small as in SA
- Investment in quality education, esp. at secondary and higher level is critical to the growth and development of SA. But, such education has to prioritise HDGs
- SDGs are a chance to focus on the groups that have traditionally not been prioritised by policy makers
- An important role for research is to investigate who these are and what policies would be appropriate
- Then, another role is to find better ways for academia and policy makers to talk to each other more effectively- with the voice of the HDGs also being given prominence- through specific training

References

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