

Shortcomings of South African Economic Growth on Poverty Alleviation and Job Creation

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Abstract: The paper analyses shortcomings of low economic growth that affects poverty alleviation and job creation in South Africa. After the 27 years of democracy, the South African government is still struggling to alleviate poverty within its unequal income societies. There is a massive gap of poverty imbalances between South African families especially the poor and marginalised who were previously disadvantaged by the apartheid system. The South African government introduced Grants for Old Age Pensioners, Children Support grants, Disability under the Department of South African Social Security Agency (SASSA, 1996). These are basic income grants introduced post 1994 to reduce poverty for the senior citizens, children from poor families and children whom their biological parents have passed on and the disabilities. After the apartheid era in South Africa, the grant for basic income was the main strategy to reduce poverty mostly from previously disadvantaged families being black, Indians and Coloureds South Africans. In the view of current government economic situation, this paper intends to analyse the shortcomings of South African government on economic growth for poverty alleviation and job creation. The exploring of literature review will thus address the existing shortcoming of government economic growth on poverty alleviation and job creation that seeks to address previous economic injustice. The unemployment remains a major challenge in South Africa. Job creation is declining after the tragic strike of covid-19 pandemic. This paper conclude that the government's fight against poverty and job creation will depend on the government's fight against corruption, deportation of illegal immigrants, build institutions and open the apartheid-built factories which were closed post-1994 to operate and centralise tenders to public works to create jobs.

Keywords: Economic growth, Job creation, Poverty alleviation, Unemployment

1. Introduction

The objective of economic growth is by raising the standards of living and the total well-being of the societies in the economy. The process of poverty alleviation and job creation refers to the growth in total and the per capita income in developing South Africa by fundamental reforms of economic structures. These reforms contain the increase of important industries such as factories and migration of labour from rural to urban areas. Hence the limiting of reliance on imports from developed countries for more advanced producer and consumer goods on agriculture and mineral products as main exports. The progress of city and squatter settlement development in the cities of South Africa has been transformed in provision of basic services in the cities and townships but poverty and job creation remains a major challenge in South Africa (Human Development Report, 2003). This is a concern after apartheid era when the country governed by black government is expected to close the poverty gap between the previously disadvantaged and those who benefited from apartheid system.

The ANC led government acknowledged this condition and has been aiming to put more energy on poverty alleviation by creating job opportunities and businesses. The ANC leadership from 2004 stated that poverty alleviation is their priority in the 2004 inaugural speech (Mbeki, 2004). Poverty is manifested in income, basic services and social capital. There is a need to create economic privileges to empower societies to access jobs and create businesses. There is a need for government to create measures that will expand economic opportunities on macro level scale for the historically marginalised by creating employment. The human development skills such as knowledge development and education can play a significant role in reducing poverty to the next generation. South Africa has a complex poverty profile, as are the causes and results of deprivation. The South African government make policies to create jobs and fight poverty, but it has been difficult to implement these policies after 27 years of democracy. The challenges to achieve speed economic growth by creation of jobs in post 2020 generation will only be difficult after South Africa faced MOODY downgrade recession and

Covid-19 global pandemic lockdown, debt crisis of about R500 billion economic support package borrowed from International Monetary Funds (IMF) to fight the impact of coronavirus pandemic in the country. The borrowed funds are equivalent to the 10 percent of the South Africa's annual GDP (Kings, 2020). This condition is increasingly endangering the country's ability to fight poverty alleviation and job creation to achieve economic growth.

2. The Economic Growth, Covid-19 Pandemic and Poverty

The worst scenario commenced in 2020, after the pandemic Covid-19 has affected economic growth negatively in many countries in all parts of the world. The lockdown of companies, schools, shops, except those selling essential services has contributed to increase of unemployment and poverty in the South African societies. Many businesses suffered expenses of rentals of their premises because government failed to subsidise all businesses. When the lockdown restrictions were lifted, most businesses did not afford to open their businesses. That is a major challenge as it has contributed to job losses and triggered poverty amongst the poor societies. More vaccine should be imported or made in South Africa to contain the spread of this Covid-19 pandemic for people look for capital and open their businesses again to create jobs and eradicate poverty. The problem of income poverty, unemployment and inequality are, to a massive extent, intractable unless labour market problems get to be resolved. It is well known that employment is the bridge between poverty alleviation, economic growth and privileges for human development, sustainable poverty reduction is impossible without sustained and economic growth.

Poverty can be defined as a deficiency in an individual's socio-economic capabilities. Poverty can be clearly articulated as a state of multiple deprivation. Poverty is manifested in income, access to basic services, access to assets and land. The incapability for individuals to purchase electricity is associated with poverty. The high unemployment rate and failure to create jobs leads to poverty. Poverty alleviation supports economic growth through the generation of increasing job opportunities for the poor and marginalized through wage labor and self-employment. In the absence of rigorous statistics, we can use a reported household expenditure of R3500 a month for South African minimum wage as an

initial poverty line. Poverty alleviation needs that the economy generates job opportunities.

Job creation brings about and shapes the link between poverty alleviation and economic growth in South Africa. The productive work and employment are integral elements of development. Access of appropriately remunerating jobs and provision of descent jobs is an importance means of living standards and offers human dignity and empowerment. In South Africa, the unemployment is increasingly rising unabated. The deportation of illegal immigrants will increase the job opportunities for citizens and legal immigrants with specialised skills that are rare to citizens of South Africa. The township old factories that were abandoned after 1994 should be rebuilt to create job opportunities.

It empirically tests the validity of the argument that to alleviate poverty on a sustainable basis, economic growth needs to result in productive employment and increases in the income of the poor. South Africa is associated with high unequal state. Economic growth brings about rapid poverty alleviation, economic growth attributes towards increase in inequalities in income distribution. In this paper, we looked at the important dimensions of South Africa's development experience in public administration, that of the relationship between economic growth, job creation and poverty alleviation. Economic growth brings about poverty alleviation, and such alleviation is the results of the increased job creation. It is accepted that economic growth is a necessary condition that contributes in increasing income that pushes people out of poverty. The growth alone is insufficient to have an all encompassing and dominant effect on poverty alleviation, but its effect on poverty reduction could be shared by the redistribution of effect on income change (Kakwani, 1993). Poverty generally declines when economic growth is on the rise.

3. Determining the Poverty Status

In monitoring and evaluating the collective impact of the entire poverty and inequality reduction programmes, it is important to capture the changes in the circumstances of potential beneficiaries in the general population and groups that are deprived. It was achieved by monitoring the poverty status of individual, vulnerable people, communities and the entire society. Ravallion (2001:3) identified poverty status questions as: How do we assess economic well-being? At what point do we say that a person

is not poor? How do we aggregate this information into a measure of poverty? These first two questions are referred to as identification problems to identify which individuals are poor and how poor are they? The third question identifies how much poverty is there. The poor were identified by lack of resources, lack of capabilities, by hunger, by the absence of basic services, and by individual perception of poverty status. The wide range of possible answers to this questions translation into different approaches to poverty measurement. The data used to aggregate expenditure on goods and services – the consumption aggregate on which poverty lines are based comes from Stats SA surveys conducted in 2000 (2000 IES), the income and expenditure survey of 2000 and the bi-annual Labour Force survey September 2000 (Sept 2000 LFS). The Surveys was each nationally represented with a design sample of 30 000 households (Ravallion, 2001).

4. Poverty Between Rural and Urban Areas

The people living in a rampant poverty conditions in South Africa are in rural areas. There are no jobs and people travel long distances to their towns in searching for jobs. According to May (2000), it is estimated that about 70% of rural areas dwellers are living in poverty, as compared to the 30% of people living in the cities. About half of South African population resides in rural areas in underdeveloped conditions and the economic opportunities are therefore limited. The poor people face challenges of living in overcrowded conditions and it affects their health and education outcome (Laventhal & Newman, 2010). This contributes to a significant indication of poverty amongst poor societies. The number of people sleeping in one bedroom in a home is a measurement of overcrowding. There is a need for government to consider developing and transforming rural areas for poverty status. The ANC led government has tried to close the income poverty gap primarily by ensuring social grants. Such impact the tax payers negatively as the recipient's numbers are now increasing. Every year the new recipients from children grants, pensioners and orphans apply for the grant (Gumede, 2007).

5. Poverty Alleviation and Access to Shelter

Moser (1996:09) stated that shelter is the key asset for the poor that can improve their living conditions.

A house can serve as a security for the bank to grant loans. A home contributes as the significant privilege for economic activity. A house is another form to alleviate poverty. The ANC led government has introduced RDP (low cost houses) houses that are now improved and are offered to the black people in South Africa as the previously disadvantaged. These houses have contributed to fight inequality and poverty. The challenge of South African societies is to sell their RDP houses to the foreign immigrants whenever they are unemployed and stay in new squatter settlements in the townships. People have houses but no jobs to sustain paying water, electricity and food. They used to have backrooms in their yards to rent them out to afford paying municipal services and food.

6. Education as a Means to Alleviate Poverty

The South African government has been offering the previously disadvantaged families with free basic education and the tertiary study funding loans (NSFAS). During the financial year of 2018, university students went for a massive protest for the ANC led government to repay their study fees in full yearning for a free education and the ANC government have positively responded to the students by introducing educational grants. The student study loans were converted into a grant and it is now a permanent decision for the poor and previously disadvantaged to be offered education grant by NSFAS. It is a strategy to alleviate poverty and offer skills and knowledge to the poor masses for being employed and open businesses in the country. This has not done enough to alleviate poverty as graduates are sitting at home with their qualifications due to government failure to create adequate jobs. Education is seen as a weapon to reduce poverty in South Africa (Case, 1997).

7. Health as a Means of Poverty Alleviation

The government introduced free health care post-apartheid period which aimed at improving health care provision that will minimize the children and maternal mortality of diseases within the societies. Free health care for pregnant women and children was introduced (Poggenpoel & Classen, 2004:3). The provision of health services and facilities were improved. In 2006 about 5.4 million people in South Africa were estimated to be living

with HIV which made the highest number of people living with this virus in the world (UNAIDS, 2008). AIDS became the leading cause of death across South African provinces (Dorrington, Johnson et al., 2006). The Comprehensive HIV/AIDS program was formed and given support to prevention of the disease, treatment, care and support by implementing Operational Plan for Comprehensive HIV/AIDS care, Management and Treatment for South Africa country wide (Streak, 2005).

8. Social Cohesion and Capacity to the Poor

The social cohesion has been promoted by the Department of Arts and Culture (DAC) in building a national unity. The aim of social cohesion is to ensure that business, NGOs, churches, labour movements and all societies exercise solidarity with communities. This needs institutional development and building on structures and initiative that will contribute to poverty eradication in working together. The community structures to encourage infrastructure, employment programmes and local institutions is influenced by increase in resources and opportunities that strengthens the communities.

9. Social Grants Security

The South African Social Security Agency (SASSA) grants in South Africa is increasingly becoming the largest category of government spending from the year 2001 totaling about R70 billion in one financial year. Most previously disadvantaged black communities rely on government grant securities due to high unemployment rate (Manuel, 2006:4). These grants are designed to support the senior citizens, the vulnerable and the poor people being the Children below the age of 18, the disabled. Stats (2019) indicates that the social security grant is now benefiting a total population of 17 million people in South Africa. The official SASSA stated that social grants expand the number of beneficiaries rapidly. The old age pension is a social grant that benefits the senior citizens from the age of 60 years. The disability grant benefits the disabled citizens whom the number of years is active in the economy but are unable to work. The Child support grant is benefiting children from birth until the age of 18. The foster care grant supports orphans' children or whom are under the responsibility of guardians. The aim of these grants administration is to offer an opportunity to reach poor working

and unemployed people to activate their participation in the economy (Stats, 2019). There was a consistence tremendous increase of social grants beneficiaries in the past 27 years of democracy. The social grants have been successful in alleviating extreme poverty in the South African poor societies (National Treasury, 2021).

10. Strategies on Job Creation

The state can tackle issues of unemployment by creating job policies and labour legislation. These policies need to be implemented as government has a tendency of making good policies but fail to implement them. There was capital incentive for firms to employ black people as a measure to tackle poverty. The policies of affirmative action and black economic empowerment played a vital role in fighting unemployment in early post-apartheid years. It is now being changed to transformation whereby women previous disadvantaged races are given an opportunity to top position in institutions to balance the previous inequalities between black and white races in South Africa.

The Department of Public Works has outsourced its service provision to public tender system. The system of tender has a tendency of irregular expenditure whereby companies and individuals' entrepreneurs do not finish their work, they are paid in advance and offer poor quality of work yearning for more profit and employ unqualified people for temporary basis accompanied by underpaying them without contributing to tax payments and Unemployment Insurance Fund (UIF). When the contract ends, or the project expires, people are back to the unemployment conditions. The government tender system does not contribute positively to poverty alleviation and creation of jobs in South Africa.

All these poverty conditions had an influence for government to bring about RDP reflected from the existing National Development Plan (NDP). It was introduced in a way that it redresses the previous race inequalities to balance the huge inequality gap between the poor and the rich in South Africa. The main aim is to fight poverty and leaving the poor and marginalised living in better conditions by 2030. It is clearly known that labour force participation in the poor societies is lower than in the middle-class households. Thus, it becomes a norm that jobs scarcity and poverty are interrelated in South Africa (Woolard, 2002). The South African

government introduced anti-poverty strategies in 1994 post-apartheid. The Reconstruction and Development Program (RDP) was prepared in 1993 from ANC manifesto that aimed at poverty alleviation being the priority as poverty was the main concern. The RDP was implemented for previous disadvantaged to improve access of education, shelter and sanitation. The Broad-Based Black Economic Empowerment (B-BBEE) policies was introduced to redress the past poverty gap and income imbalances to extend the economic justice access to the previous disadvantaged societies. The main aim of (B-BBEE) was to encourage the poor black South Africans to starts businesses and own companies in the country to create jobs and fight poverty (Aregbeshola, 2012). The ANC led government introduced Expanded Public Works Programme (EPWP) as a programme that have been executed by local, provincial and national sphere of government for job opportunities to the previous disadvantages in South Africa (Phillips, 2004).

South Africa is currently facing a high form of corruption. Corruption is the biggest factor that prevents job creation and poverty reduction. There is a need for ethical standards administration that will ensure the economic growth and social development to eradicate poverty and create jobs in the country. There is a need to strengthen political commitment and ethical leadership in corporates, private and public sector to work together and contribute to fight for poverty alleviation.

11. Conclusions and Recommendations

The current government social security system is not addressing enough to the shortcomings of poverty alleviation in South Africa. Government needs to work in collaboration with NGOs, Private sector and the community to fast track poverty alleviation. South Africa is a country rich in mineral resources, only if they were utilized effectively to benefit the citizens of this country to eradicate poverty and improve economic growth. Migration issues needs to be tackled so that labor regulations benefit the citizens of the South Africa to be prioritized in employment opportunities. The availability of job created have been shared amongst all the international and African migrants living in South Africa as competition to secure a job is high. Regulations of foreign immigrants should be revisited and to be strengthened so to issue employment permit only on scares skills job opportunities.

More South African factories which were operating during apartheid era in townships and cities have been closed. That has a negative impact on job creation and poverty eradication strategies amongst South African societies. There is a need for government to address issues of abandoned factories in the townships and cities of South Africa across the country.

The most major challenge that government needs to tackle is issues of tender system. If public work can centralize tenders to employ more people on its own than outsourcing its services provision for tender system whereby an individual citizen or company wins a tender to hire unskilled labor with material that compromises quality to gain profit and to pay unqualified labors so to maximize profit. The irregular expenditure and corruption of tender system is the shortcomings for government to create jobs and fighting poverty. Therefore, government needs to intervene and do away with tender system to centralised service provisions to public works for creating more permanent jobs to tackle strategies of anti-poverty. There is a need for good governance to improve the effective and efficiency of managing public resources to alleviate poverty. An ethical standards governance in managing public goods is important for fiscal control and economic growth. Any form of corruption affects the poor and marginalized. Good governance beyond 1994 includes building legal and regulatory framework capacity, building institutions, and encourage a sound macroeconomic framework to build an efficient and productive domestic investment in South Africa.

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