

Children and income poverty: A brief update

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It is now widely accepted that child poverty is not simply about lack of income but occurs in multiple and interrelated dimensions. Money is, however, a good general indicator of an individual's or household's wealth and ability to buy the things they need, and therefore a useful indirect measure of children's well-being. Income poverty measures also provide us with the basis for comparing wealthier and poorer segments of the population; in other words, for looking at inequality.

This Children Count brief looks at income poverty and adult unemployment from the perspective of children, drawing on nationally representative household surveys conducted by Statistics South Africa.

Children have a right to income support

There are strong links between income and the realisation of other socio-economic rights. These links are recognised in the South African Constitution, which gives children the right to direct support from the state, including social assistance (social grants), when families cannot meet their basic needs. The duty to provide for children is therefore shared between parents (or caregivers) and the state.

Children are poorer than adults

Children are not expected to earn income, but are instead expected to be dependent on the earnings of adults in the households where they live. Reports on poverty rates are widely available, but these seldom reflect the levels of poverty experienced by children in particular. Separate analyses of poverty rates for adults and children show that children are more likely than adults to be poor. The severity of child poverty, compared with adult poverty, is partly a reflection of where children live – in larger, poorer households, disproportionately located in areas with high unemployment rates. These arrangements reflect historic spatial and other inequalities.

Child poverty is alleviated by social grants, and is gradually decreasing

Child poverty rates in South Africa have gradually decreased over the last seven years. However, in 2009 60% of children still lived in households that had too little income to provide their basic nutritional and living requirements. The expansion of social grants in the last decade has helped to alleviate poverty, particularly for the poorest children. But child support grants are not large enough in value to bring the majority of children out of income poverty.

Child poverty is linked to adult unemployment

Over one third of children (37%) live in households in which no adult is employed. There has been little overall change in the unemployment rate in recent years. As would be expected, child poverty rates are related to unemployment, and even if only one adult in the household is working, this can make a large difference to the chance that a child will be poor.

Poverty lines: comparing children and adults

We often read or hear that a certain percentage of people live in poverty. Statements like this are meaningless unless 'poverty' is defined.

One way of identifying how many children are living without enough resources to meet their needs is to use a poverty line. This involves choosing a fixed amount of income (an 'absolute' poverty line) as defining what it means to be poor and then measuring the number of children who live beneath it. If the poverty line is adjusted each year so that the real value of the poverty line stays the same over time, it is then possible to monitor changes in poverty rates from year to year.

The table below gives a brief description of three commonly used poverty lines and shows the proportions of all adults and all children who fall below each threshold.

Poverty line	Adults below the poverty line	Children below the poverty line
<p>\$2-a-day poverty line: R278 per person per month in 2009 prices</p> <p>This is an ultra-poverty line. Although the \$1 and \$2-a-day poverty lines are useful for international comparison, they are not linked to a local basket of goods and services but are instead derived from poverty lines in low-income countries – and are therefore minimalist. The \$2-a-day measure is not linked to the cost of meeting minimum nutritional requirements and is used here as a measure of extreme poverty. No child should be living in such severe poverty, yet over a third of children in South Africa are below this poverty line.</p>	24%	37%
<p>'Lower bound' poverty line: R552 per person per month in 2009 prices</p> <p>This is the lower of two commonly used poverty lines in South Africa. It is derived from the cost of meeting the minimum daily energy requirement recommended by the South African Medical Research Council. Added to this is a small monetary amount spent on other basic household necessities which are so essential that households at this level of poverty will sacrifice food in order to purchase them.</p>	42%	61%
<p>'Upper bound' poverty line: R1 016 per person per month in 2009 prices</p> <p>This is the higher of the two commonly used poverty lines for South Africa. It is derived in the same way as the lower bound, but allows for households to meet their basic nutritional needs and adds an amount for basic non-food necessities. The upper bound is preferable to the lower bound as a poverty measure because it is based on the profile of people who actually spend on food the amount calculated to be necessary to satisfy daily energy needs. Even the upper bound poverty line represents a very small amount of money necessary for survival; being above this line does not necessarily mean that children's basic needs are being met.</p>	60%	76%

Source: Own calculations from General Household Survey 2009

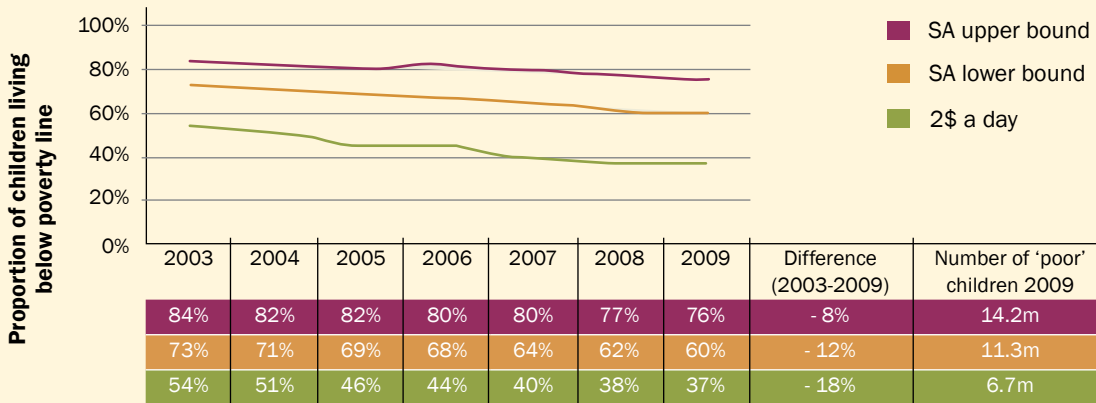
Notes:

- The method for constructing the upper and lower bound poverty lines is derived from Hoogeveen and Ösler (2006).
- Original Rand values of the respective poverty lines in 2000 prices are R174 (\$2-a-day), R322 (lower bound) and R593 (upper bound).
- Household income is calculated as the total income received from all wages and income-generating activities, plus the value of all reported social grants. This analysis excludes remittances, maintenance payments and investment income as these are not adequately captured in the survey.
- Per capita poverty lines are calculated by dividing the total income to the household by the number of household members.
- The General Household Survey (GHS) is not the best source of income data. However, it is the only national survey that allows for regular (annual) monitoring of child poverty indicators. A comparative analysis by Barnes & Wright of CASASP, Oxford, suggests that the income poverty rates derived from the GHS are plausible when compared to results from other sources such as the Community Survey and the National Income Dynamics Study. The Children Count project will therefore continue to use the GHS to monitor income poverty for children.

Child poverty is decreasing but many children still live in acute poverty

Income poverty decreased for all three poverty lines between 2003 and 2009, with the greatest reduction for those under the lowest 'ultra-poverty' line of \$2-a-day.

Fig.1 Income poverty trends for children: 3 poverty lines



Source: Own calculations from General Household Survey 2003-2009

These declining poverty rates coincide with rapid expansion of social grants. The number of children on child support grants more than doubled from 3.9 million in 2003 to 8.8 million in 2009. While social grants have helped reduce poverty rates, for most households the grant values are not sufficient to bring children out of poverty. The value of the child support grant is R270 per month in 2011 – well below even the lowest 'ultra-poverty' line.

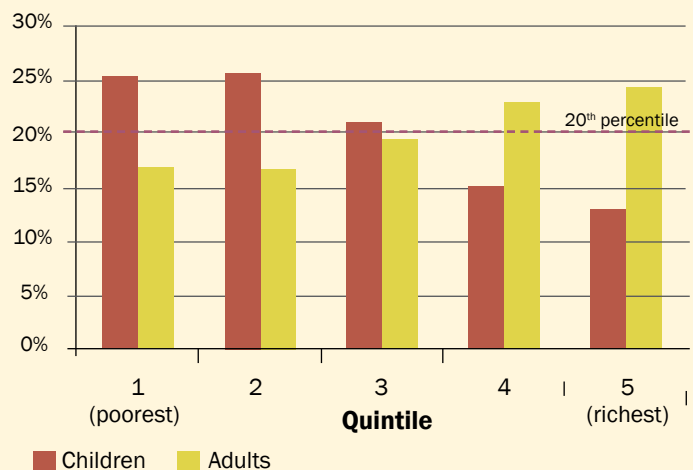
More than 11 million children are below the lower bound line, meaning that they are unlikely even to be getting the recommended daily nutrition requirement. Poor nutrition, particularly in young children, has lasting effects on children's health and physical development. Along with education, child health is regarded as key to breaking cycles of poverty.

Children are concentrated in poorer households

Dividing the population into quintiles allows for comparison of richer and poorer sections of the population. Quintiles are derived by ranking all individuals (or households) from poorest to richest, and then dividing them into five equally sized groups, so that quintile 1 represents the poorest 20% of the population and quintile 5 represents the richest 20%. The graph shows the proportion of children (out of all children) and adults (out of all adults) who fall into each income quintile – for example, 25% of children are in the poorest 20% of the population, but only 16% of adults are in this quintile.

A larger number of children are found in the poorest two quintiles of the population than in the wealthiest two quintiles. Conversely, more adults fall in the two highest quintiles than in the bottom two quintiles. This picture confirms that children are over-represented in households with lower per capita income.

Fig.2 Per capita income quintile distributions, for adults and children

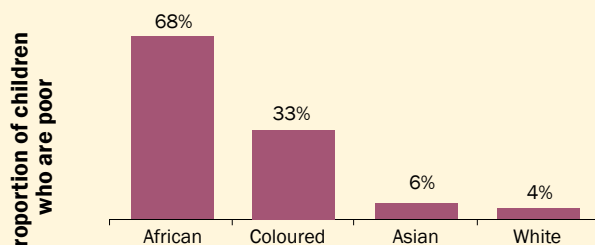


Source: Own calculations from General Household Survey 2009

Child poverty is linked to child inequality

Fig.3 Racial inequality in child income poverty

(using lower bound poverty line)



Source: Own calculations from General Household Survey 2009

While poverty rates have declined since 1994, inequality has not (Leibbrandt et al 2010). Income inequality across provinces largely mirrors the racial disparities that continue to exist in South Africa. Provinces which include apartheid-era homelands have particularly high levels of child poverty: around 78% of children in Limpopo and the Eastern Cape live below the lower bound poverty line, compared with 36% and 28% of children respectively in the metropole-dominated provinces of Gauteng and the Western Cape. Persistent racial inequality in child poverty is illustrated in Figure 3.

References

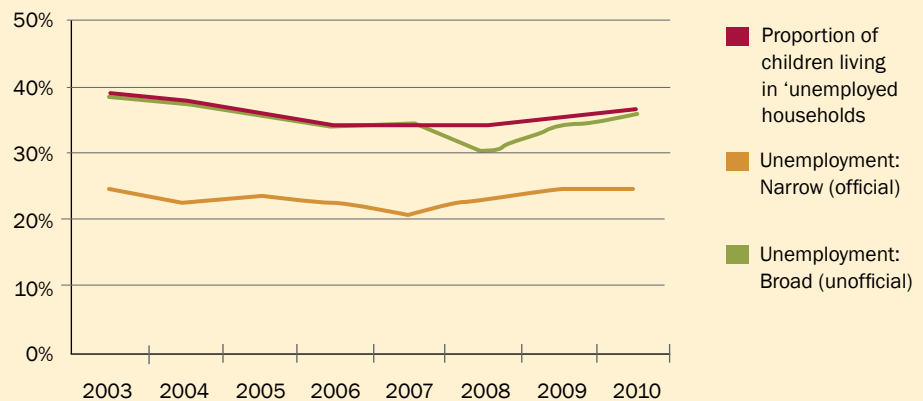
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Unemployment and child poverty

National unemployment rates in South Africa are high, with 25% of the labour force unable to find work. An even greater proportion of the labour force, around 36%, are unemployed in terms of the broad definition which includes those who are not actively looking for work (Office of the President 2010). The recent global financial crisis and the resulting contraction of global markets give little hope for a serious reduction in unemployment in the coming years.

In 2010, nearly 7 million children (37%) lived in households where no adults were working. Gradually declining unemployment rates in the 2000s were reversed from 2008 and by 2010 had almost regained their 2003 levels. Overall there has been little change in employment levels between 2003 and in 2009. This pattern is found in both the child-centred analysis and in the national statistics. The decrease in child poverty cannot be attributed to increased employment opportunities for adults within the households where children live. This, in turn, highlights the importance of social grants.

Fig.4 Children living in unemployed households, compared with national adult unemployment rates



Sources:

Children: Own calculations from Labour Force Survey (2002-2007) and Quarterly Labour Force Survey (2008-2010)
National (adult) unemployment: Development Indicators 2010

It is worrying that unemployment rates remain considerably higher for women than for men, particularly as children are more likely to live with their mother than their father. In addition, the prospects of future work for children growing up are poor: amongst youth aged between 18 and 24, the unemployment rate is around 50%.

Long-term poverty reduction will require the development of meaningful employment opportunities, together with improved quality of education. In the meantime, social grants – and particularly the larger adult grants – provide an important buffer against the worst effects of child poverty.

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