

Children and inequality: An introduction and overview

Katharine Hall (Children's Institute, University of Cape Town)

and Ingrid Woolard (Southern Africa Labour and Development Research Unit, University of Cape Town)

There is growing concern about inequality, in South Africa and globally. A number of countries have experienced a rise in inequality despite economic growth, and there is compelling evidence that high rates of inequality have negative consequences not only for the poor but for society as a whole. The issue of inequality is particularly pertinent in South Africa, where inequities in access to resources and capital, opportunities and services have been structurally entrenched over many decades, and are hard to reverse.

Children who are born to poor parents and grow up in poor households are likely to remain poor, and in this way the inequalities of apartheid are reproduced. A key objective of the National Development Plan is to reduce inequality substantially by 2030.¹ This will require addressing the inequities which determine the opportunities available to people from the day they are born.

This essay considers the following questions:

- What is the difference between poverty and inequality?
- What do we know about inequality in South Africa?
- Why focus on children and inequality?
- What are some of the interrelated dimensions of inequality for children?

What is the difference between poverty and inequality?

Poverty and inequality are distinct, albeit linked, issues. Poverty is defined in reference to a poverty line – if a person or household has an incomeⁱ that is below this line, they are defined as being poor. Income inequality, on the other hand, refers to disparities in income, ie the gap between the rich and the poor. Inequality thus focuses on *relative* deprivation. At one extreme, one can imagine a society in which everyone is poor yet inequality is low because everyone has roughly the same income; at the other extreme, one can imagine a society in which nobody is very poor but inequality is high because some people are extremely rich compared to others.

These distinctions are important and can have important consequences for public policy. South Africa has high rates of both poverty and inequality. To address these it is necessary to reduce poverty while also reducing the gap between the rich and poor. In other words, while inequality could be reduced by “levelling down” (for example by introducing a maximum wage or increasing taxation) it is also necessary to ensure that poverty reduction strategies are

Box 2: Measuring poverty: Some common terms

Poverty line: Usually expressed in monetary terms, poverty lines are generally set at a minimal desired level of income (or expenditure) to cover the cost of basic needs. There is no single poverty line. Very low poverty lines are linked to the cost of basic nutritional needs (ie the cost of sufficient food to survive). Others are linked to a basket of goods, which may include the costs of essential clothing, accommodation, education access and so on. Some commonly used poverty lines are:

- The *international poverty line*: \$1.25 per person per day (equivalent to just under R200 per person per month in 2011, when adjusted for purchasing power parity. This line has been criticised for being below survival level in South Africa.)
- *South Africa minimal poverty line*: R458 per person per day in 2011 (recommended by the National Planning Commission as the minimum line, below which no person should live).
- *South Africa lower-bound poverty line*: R604 per person per month in 2011, or R575 in 2010. (This is an unofficial but commonly used poverty line proposed by Özler.²² It allows for sufficient nutrition to grow and develop, as well as some household necessities.)

- *South Africa upper-bound poverty line*: R1,113 per person per month in 2011. (Unofficial but commonly used, proposed by Özler. It is derived from the cost of meeting daily nutrition requirements, and also allows for a basic basket of goods.)

Poverty headcount

The number (or proportion) of people whose income is below a particular poverty line. The poverty headcount distinguishes the “poor” from the “non-poor”. An important limitation of the poverty headcount is that it does not reflect how poor people are. If the poverty line is for example set at R500 per month, then someone earning R499 per month would be counted as “poor”, while someone earning R501 per month would be counted as “not poor”, even though there is no real difference in their income. The difference between these two would be reflected the same as the difference between someone earning R1 per month and someone earning R1 million a month. The poverty headcount is therefore of little help in understanding inequality.

ⁱ Or expenditure or some measure of multiple deprivation. For simplicity, this discussion is restricted to income.

Figure 2: Distribution of income and expenditure shares across income deciles, 2008

(Y-axis reduced to 60%)



Source: Southern Africa Labour and Development Research Unit (2012) *National Income Dynamics Study 2008, Wave 1* [dataset]. Version 4.1. Cape Town: SALDRU, UCT [producer], DataFirst [distributor]. Calculations by Ingrid Woolard, SALDRU, UCT.

well targeted and sufficient to substantially improve the situation of poor households, who by most measures make up a large part of the population.

This raises the question of where one draws the line between the poor and the non-poor. It is generally acknowledged that “poverty” takes many forms: in addition to income poverty, one can talk of poverty or deprivation in the interrelated areas of health, nutrition, education, living standards, household assets and so on. But, in order to measure the level of deprivation in any of these dimensions, it is necessary to define the lines which distinguish those who are “poor” from those who are “not poor”.

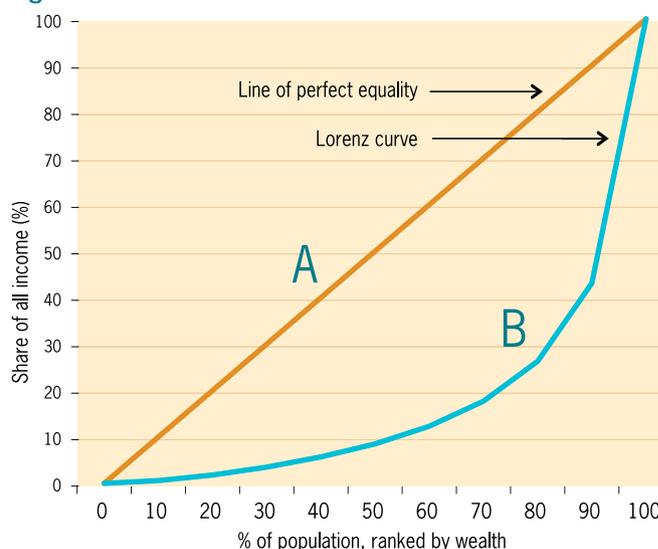
These lines can be quite arbitrary. In South Africa, a number of poverty lines are commonly used, ranging from around R200 per person per month to about R1,000 per person per month (see box 2 on p. 32). Counting the number of people above and below a poverty line can be useful – particularly for tracing poverty trends over time – but it tells us little about the differences between those who struggle to survive and those who live in comfort.

Many of the lines that separate the poor and non-poor are linked to a minimum core, or what is referred to as a “social protection floor”. This is a foundational level of income, assets and services that are seen as necessary for people to survive and live healthy and dignified lives.² The government provides targeted poverty alleviation programmes such as social grants, health-fee waivers and free basic services. But there would still be a gulf between the rich and poor even if the levels of basic “adequacy” were achieved for all. This matters because inequality is bad for society as a whole.

A large body of evidence suggests that growing inequality tends to impede economic growth and increase poverty.³ But inequality has also been directly linked to other indicators such as reduced life expectancy, lower educational outcomes and lower levels of trust within society.⁴ Most importantly, inequality harms the life chances of children.

Measures of poverty provide an indication of the quality of people’s lives and their ability to survive and develop. Measures of in-

Figure 3: A Lorenz curve for South Africa



Source: Southern Africa Labour and Development Research Unit (2012) *National Income Dynamics Study 2008, Wave 1* [dataset]. Version 4.1. Cape Town: SALDRU, UCT [producer], DataFirst [distributor]. Calculations by Katherine Hall, Children’s Institute, UCT.

equality tell us more about the nature of society. High levels of inequality require more than poverty alleviation efforts or economic growth; they require inclusive growth that enables “levelling up”.

It is therefore important to address not only poverty but also inequality.

What do we know about inequality in South Africa?

Like poverty, inequality can be measured across various dimensions, although the most common measure concerns the distribution of income across the population (see box 3 on p. 35). In South Africa the poorest 10% of the population receives a mere 0.6% of the national income, while the richest 10% receive more than half of the national income (57%). This pattern is consistent whether one uses income or expenditure, as illustrated in figure 2.

Table 1: Gini coefficients on per capita household income, for the whole population and for children,ⁱⁱ by race

Whole population	All races	African	Coloured	Asian/Indian	White
1993	0.67	0.55	0.43	0.46	0.42
2000	0.67	0.61	0.53	0.50	0.47
2008	0.70	0.62	0.54	0.61	0.50
Children	All races	African	Coloured	Asian/Indian	White
1993	0.65	0.53	0.42	0.52	0.41
2000	0.66	0.58	0.53	0.45	0.42
2008	0.69	0.58	0.55	0.61	0.50

Sources: Calculations by Arden Finn, SALDRU, UCT, based on data from the 1993 Project for Statistics on Living Standards and Development, *Income and Expenditure Survey 2000* and *National Income Dynamics Study 2008*.

The pattern of inequality is further illustrated by the Lorenz curve in figure 3, which also shows how the poorest 10% of the population in South Africa receive only 0.6% of all income, the poorest 50% receive 8.5% of all the income, with a sharp rise in the income share in the top two deciles.

The Gini coefficient is derived from the Lorenz curve and measures the extent of inequality in a population (see definitions in box 3 on p. 35). With a Gini coefficient of about 0.70, South Africa ranks as one of the most unequal societies in the world.⁵ Gini coefficients in table 1 show levels of inequality for the population as a whole, within race groups as well as for children. Contrary to expectations, overall inequality has continued to rise post apartheid. The analysis also confirms other evidence⁶ – that the rise in inequality is associated with a rise in within-race inequality. When analysing inequality between children, it is found that levels of inequality are slightly lower than for the overall population (because high-income households are less likely to contain children), but the trends in terms of

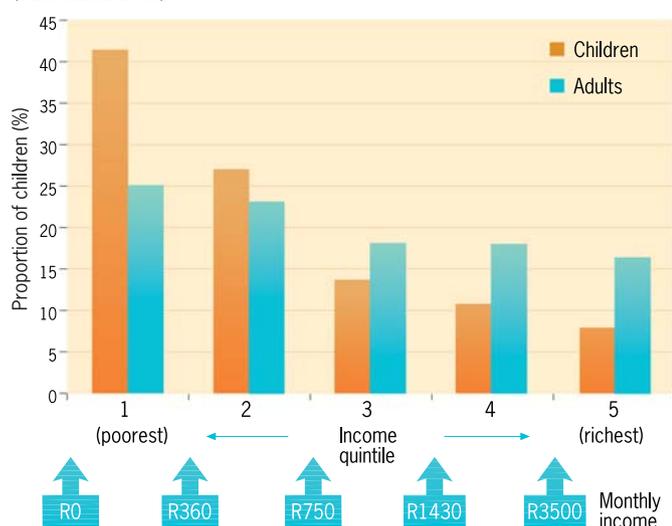
rising overall inequality and within-race inequality are the same.

There is little doubt that income inequality is firmly rooted in the labour market. Labour market income can be shown to have been “responsible for” 83% of income inequality in 1993 and 85% in 2008.⁷ Among the poorest quintile (the poorest 20% of the population), only 10% of adults are working versus 71% for the richest quintile. And even among those who are working, the average wage in the poorest quintile is less than one-tenth of that in the richest quintile.⁸

Two redistributive policies – progressive taxation and pro-poor social grants – have been shown to reduce South Africa’s Gini coefficient by about 6%.⁹ This level of redistribution is higher than that achieved by the tax-transfer systems in Latin America (where the Gini only shifted by about 2%) but much lower than that achieved in Europe (where the Gini shifted by almost 20%). In South Africa, the positive impact of redistributive policies on inequality has not been enough to offset other factors, such as unequal employment opportunities and wages, which have caused inequality to rise further post apartheid. Without progressive taxation and social grants, levels of inequality would be even higher.

Figure 4: Differences in the distribution of children and adults across income quintiles, 2010

(Y-axis reduced to 45%)



Source: Statistics South Africa (2011) *General Household Survey 2010*. Pretoria: Stats SA. Calculations by Katharine Hall, Children’s Institute, UCT.

Why focus on children and inequality?

There are three main reasons why it is important to consider children specifically when thinking about inequality. First, patterns of inequality are quite different for adults and for children. Second, inequality has particular consequences for children. Third, inequality within a generation of children is a marker of the likelihood that inequality will persist into the next generation, and can help us to understand the causes of inequality among adults.

Although inequality within the child population (as measured by the Gini) is no higher than that in the general population, there are inequalities between adults and children. Figure 4 shows that children are more likely than adults to live in poor households (the poorest two quintiles) and are under-represented in relatively non-poor households (quintiles 4 and 5).

These different distributions can be explained partly by the fact that households in which children live tend to be larger, so household income needs to be shared by more people. It is also related

ii The income of the household is assumed to be equally shared by all the members of the household, ie the per capita income of household is attached to each person, including the children. For the “child” analysis, the per capita household income is attached to each child under 18 years.

to where children live – many of them are in households where adults are not working or are absent migrants (see the essay on pp. 43 – 47).

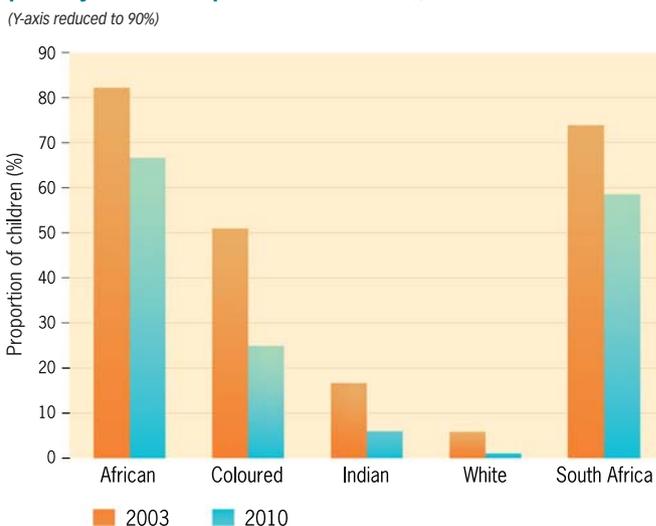
Richard Wilkinson and Kate Pickett examined the relationship between child well-being, income levels and inequality in different developed countries.¹⁰ They found that children’s well-being is significantly correlated to a country’s level of income inequality and to the percentage of children in relative poverty, but not to a country’s average income. Similarly, inequality is associated with a range of health and social problems. Irrespective of their average income, more unequal countries have higher infant mortality rates, higher pregnancy rates, higher homicide rates, greater prevalence of mental illness, lower educational outcomes and lower life expectancy than countries with more equal distribution of income. This suggests that reducing inequality would do more to promote children’s well-being than further increases in economic growth.

What are some of the interrelated dimensions of inequality for children?

There are 18.5 million children in South Africa; nearly 40% of the population is under 18 years.¹¹ Using a lower-bound poverty line (equivalent to R575 per person per month in 2010), 60% of children are poor.¹²

Looking at income poverty rates amongst children in South Africa, there are no significant differences between younger and older age groups, or between girls and boys. But there are notable spatial differences,

Figure 5: Poverty headcount by race: Proportion of children with per capita household income below the lower-bound poverty line (R575 per month in 2010), 2003 and 2010



Source: Statistics South Africa (2011) *General Household Survey 2010*. Pretoria: Stats SA. Calculations by Katharine Hall, Children’s Institute, UCT.

with child poverty rates ranging from 74% in the Eastern Cape to 31% in the Western Cape (using the lower-income bound).¹³ The most striking dimension of income inequality is the difference between races, as illustrated in figure 5. Income poverty rates have declined for children overall, and within race groups. But stark differences in poverty headcounts (see box 2 on p. 32), particularly between White and African children, illustrate the lasting effects of apartheid.

Unequal poverty rates are not the consequence of race; rather inequality between races is correlated with a range of other factors, such as location, adult employment and parental education, which are themselves correlated.

Income is not an end in itself; one cannot eat or wear money. Rather, it is a means to buy goods and services, acquire assets and exercise choice – for example to make deliberate and strategic decisions about where to educate children, which health services to use and where to locate one’s home. In a society where services and opportunities are publicly available and equally distributed, the ability to buy and choose would be less important.

Inequality is compounded when disparities in income are coupled with inequities in access to services or treatment. For example, health risks are greater for children in very poor households with poor living conditions, yet these children also have poorer access to quality health care services than those who are better off and carry a lower burden of disease. Inequalities are also compounded across dimensions: children who are poorly nourished and hungry are less likely to be able to perform well at school, for example.

Inequalities persist in multiple and interrelated forms. For children these include:

- Income inequality between child and adult populations (which is linked to inequalities in access to adult employment and the availability of wage income to households);

Box 3: Measuring inequality: Some common terms

Inequality measures

- **Income shares:** The total income of the population is divided into equal quintiles (five equal segments each containing 20% of the population) or deciles (10 equal segments each containing 10% of the population). The income share is the amount of all income that accrues to each segment (quintile or decile).
- **Lorenz curve:** It traces income distribution across the total population. A straight line would signify an equal society (where 10% of the population has 10% of the income and so on). The line is always curved to some extent, because no society is perfectly equal. The more pronounced the curve the more unequal the society.
- **Gini:** The Gini coefficient quantifies the extent of inequality in a population. It measure the area between the line of perfect equality and the Lorenz curve (area A in figure 3, divided by the total area (A+B)). The Gini has a value ranging from 0 to 1, with 0 representing a perfectly equal society, and 1 representing a perfectly unequal society, where one person has all the income and everyone else earns nothing. The higher the coefficient, the more unequal the distribution. In the social democratic states of Sweden, Denmark and Norway the Gini is about 0.25, whereas in Mexico and Chile it is about 0.50.²³

Table 2: Child-centred analysis of inequality in indicators of deprivation

Dimension of deprivation	Measure	Average for children	Poorest 20%	Richest 20%
Rural home*	Household is situated in rural area	47%	67%	10%
Inadequate housing*	Non-formal dwelling (informal settlement, backyard shack or traditional homestead)	27%	37%	3%
Inadequate water*	Household does not have piped water in dwelling or on site	36%	54%	3%
Inadequate sanitation*	Household does not have access to a flush toilet or improved pit latrine	33%	46%	3%
No electricity*	Household does not have a mains electricity connection	17%	23%	1%
Overcrowding	Household has a ratio of more than two people per room, excluding bathroom but including kitchen	23%	31%	2%
Maternal absence*	Child's biological mother does not live in the household	27%	31%	10%
Maternal/double orphaning*	Child's biological mother is deceased or her vital status is unknown	8%	9%	1%
Children out of school*	Children of school age (7 – 17) who are not attending an educational institution	3%	4%	2%
Inaccessible schools*	Children who travel more than half an hour to reach school	18%	21%	12%
Educational attrition*	16 – 17-year-old children who have not completed basic education (grade 9)	37%	46%	11%
Food insecurity*	Households where children sometimes or often go hungry	17%	26%	0%
Infant mortality rate [†]	Probability of dying before reaching first birthday, deaths per 1,000 live births	68	87	22

Sources: * Statistics South Africa (2011) *General Household Survey 2010*. Pretoria: Stats SA. Calculations by Katharine Hall, Children's Institute, UCT.
[†] World Health Organisation (2007) *World Health Statistics 2007*. Geneva: WHO.¹⁴

- income inequality within the child population, especially between races, provinces and types of residential areas (formal and informal, rural and urban);
- differences in household form, which may reflect inequities in care arrangements;
- spatial inequalities and related inequity in access to services, infrastructure and other public resources;
- inequalities in child health, linked to inequitable living environments and access to health services;
- inequalities in schooling and particularly in school resources and educational outcomes; and
- inequalities in access to early childhood interventions, including early learning programmes.

Using income quintiles, it is possible to compare the poorest 20% of children in South Africa with the least poor 20% across a range of child-centred indicators (see table 2).

These statistics demonstrate that children in relatively wealthy households are also consistently better off in a range of other ways, and are therefore likely to have better opportunities in life.

There are exceptions to this: children have very high rates of school attendance, irrespective of their income level. The most striking inequality is that children in the top quintile are much less likely to die in early childhood than those in the poorest quintile.

Persistent spatial inequalities are particularly relevant for children. Compared with adults, and certainly adults of working age, the child population is disproportionately located in the former homelands – about half of all children are “rural”. These areas remain under-resourced, often deprived of the most basic services and social infrastructure. Long distances to schools, clinics, social welfare offices and shops mean that valuable social grants are spent on transport. Spatial inequality is however not simply an urban/rural dichotomy – small area level analysis reveals geographic patterns of inequality that resemble apartheid-era arrangements. Even within wealthy provinces and cities, the inequalities between suburban and township areas remain stark.¹⁵ These inequalities are discussed in the next two essays.

Differences in living environments, and the extent and quality of service provision, including basic water and sanitation, take their toll on children's health. Social determinants and poor living environ-

iii For example, the *National Core Standards for Health Establishment in South Africa* (2011) and the National Health Insurance scheme.

ments underlie many childhood illnesses and contribute to high child mortality rates. For instance, 22% of hospital deaths in children aged 1 – 5 years are attributed to diarrhoea, and about 70% of children who die are malnourished or underweight for their age.¹⁶ South Africa faces serious health challenges, not least extremely high HIV and tuberculosis prevalence rates. There are questions about equity in access to preventative interventions and curative health care. This is now being addressed through the development of policies and guidelines which aim to provide quality health care to all through an improved public health service.ⁱⁱⁱ The underlying assumption is that remedying inequalities in health financing and service provision will reduce inequalities in health outcomes. This is discussed in the essay on pp. 58 – 64.

Social grants have been a significant contributor to income poverty reduction, with the greatest change affecting those at the lowest income levels.¹⁷ But adult grants have had a greater impact on child poverty rates than those targeted to children.¹⁸ This is because the main child transfer, the Child Support Grant, is a very small benefit, about a quarter of the value of the Old Age Pension. Currently, social grants may be the main mechanism for reducing inequality, albeit slightly, and there is evidence that the Child Support Grant effectively buffered poor households against shocks, including the worst effects of the global recession of 2009/10.¹⁹ Income poverty rates for children have declined, but it is not enough to shift patterns of inequality. In addition, weaknesses in the social assistance system reduce the ability of grants to shift inequalities between children. These are discussed in the essay on pp. 48 – 51.

Human development is widely seen as key to breaking inter-generational cycles of poverty and inequality. Children born into poverty are likely to remain poor, but if children are healthy and receive more and better education from early on, they may be able to transcend the poverty of their childhood, so that their children may in turn have better opportunities. Despite the majority of children diligently attending school, South Africa has struggled to improve the quality of education it offers poor (mainly Black) learners. This is despite attempts to redress the imbalances of apartheid through revisions to the school funding norms, which are now explicitly redistributive.²⁰

Completing 12 years of schooling is associated with a dramatic rise in the likelihood of employment, and better performance (university exemption) is associated with higher wages.²¹ This suggests that improvement in the quality of education – from the early years through to matric and beyond – is essential to break inter-generational cycles of poverty.

What are the conclusions?

Although South Africa's children have equal rights under the Constitution, the worlds into which they are born and their opportunities in life are very unequal. Children's survival, development and life trajectories are to a certain extent pre-determined by their circumstances at birth, and then by the contexts in which they

grow up. Like poverty, inequality is structural and is transmitted down generations.

Reducing inequality in the future requires shifting opportunities for children in the present. This extends beyond poverty alleviation, and requires levelling the playing field in a way that promotes children's optimal development irrespective of their characteristics or contexts.

The essays contained in this issue describe and explore various dimensions of inequality from the perspective of children, and highlight some critical strategies for reducing inequality. Early childhood development, education and health are foundational areas which need to be addressed to break the cycle of persistent inequality.

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