The Challenge of Poverty

FEATURE ARTICLES

Female Headship and Poverty

Gaps in Maternal Mortality

Poverty Traps in South Africa

IN REVIEW

Improving Water and Sanitation

Slums and the Urban Poor
FROM THE EDITOR

In Focus is an online bulletin of the UNDP International Poverty Centre (IPC). Its purpose is to present succinctly the results of recent research on poverty and inequality in the developing world.

Based in Brazil, IPC joins the Oslo Governance Centre (Norway) and the Drylands Development Centre (Kenya) as the newest global thematic facility of UNDP. IPC is designed to facilitate, promote, and disseminate knowledge and experiences that may lead to tangible improvements in the lives of poor people in developing countries. A basic goal of IPC is to improve global understanding about the causes of poverty and inequality – a first step for devising policies and programs to tackle them. IPC’s activities are aligned with UNDP’s key objective of supporting the Millennium Development Goals, as unanimously adopted during the United Nations Millennium Summit in 2000.

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According to an oft-quoted source, 1.2 billion people live in extreme poverty around the globe, surviving on less than US$1 a day. This figure speaks volumes about a world that unabashedly spends trillions of dollars on conspicuous consumption and defense, yet is challenged to spend a fraction of those resources to provide dignified living conditions to so many of its impoverished citizens.

Ironically, the ‘1.2 billion’ figure may say a great deal about the state of the world, but it tells very little about poverty itself. Compressed into a single figure, the complex and distinct circumstances experienced by those who find themselves in poverty — their varied trajectories into it, the dimensions in which they are deprived and the reasons for their predicament — essentially become concealed behind a common label.

We need to move beyond aggregation, snapshots and easy labels to improve our understanding of poverty. This month, In Focus explores these issues by highlighting some of the shortcomings of conventional analyses of poverty and the complexities involved in conceptualizing it in a more meaningful way.

We open with a provocative article that probes into the existence of an alleged close link between household headship and the ‘feminization of poverty’. Female-headed households clearly are disadvantaged in many countries. But the inference that well-being is always enhanced in two-parent — that is, male-headed — families is wrong. It is largely informed by the narrow way in which well-being is defined and statistics gathered in conventional poverty research, which also ignores the important dimension of agency that allows women heads to offset gender discrimination as well as the foregone income from a male partner.

Next, we present a piece that sheds light on the extent to which risks for maternal mortality are unequally distributed among women from different socioeconomic backgrounds. While not surprising, this finding is not what previous studies have conclusively established. Done at a high level of aggregation, they typically show a weak relation between crude economic and mortality indicators for whole populations. But an examination of household level data reveals that poverty and maternal mortality are strongly associated, highlighting the need to move beyond country averages when assessing development performance.

Our third article goes deeper into the analysis of poverty, with post-apartheid South Africa as the backdrop. It illustrates the limitations of static analyses in depicting households that are trapped in or prone to fall into poverty, calling instead for a greater focus on people’s ability to build and use assets to escape from it. The article goes on to argue that entrenched inequality and persistent poverty have a dampening effect on growth, thus providing a welcome contribution to contemporaneous discourse on the relationship between growth, poverty and inequality in developing countries.

We end by reviewing two recent publications by UN agencies. The first deals with the so-called urbanization of poverty and its most visible expression — the urban slums that punctuate the landscape of cities in developing countries. Solving the ‘problem of slums’ requires transcending the standard housing-and-services approach as well as having plenty of foresight given predicted population trends in the decades ahead. The second publication makes a strong case for increasing investments in basic water and sanitation to meet development targets adopted internationally. Such investments will yield large health, productivity and income gains to the poor families and resource-scarce economies of the developing world.

Together, the articles contained in this issue reflect a call for moving beyond simple designations and engaging in analysis that at once allows for a more dynamic, disaggregated and contextual understanding of poverty.
Female Headship and the ‘Feminization of Poverty’

The term ‘feminization of poverty’ has been much used, and arguably abused, in the development lexicon in recent years. It has become commonplace to hear that poverty increasingly has a ‘woman’s face’ given that females purportedly account for 70% of the world’s 1.2 billion poor people.

Interestingly, the notion that women represent a disproportionate and rising share of the world’s poor has been attributed, in large measure, to the growing incidence of female household headship. The alleged close link between household headship and the feminization of poverty is not surprising. It is not only invoked by the growing numbers of women who head families and are poor, but also by the widely held belief that they are among the ‘poorest of the poor’.

This perception, in turn, rests upon the notion that poverty is a major catalyst for the formation of female-headed households — and, more particularly, an almost invariable consequence of it. Given that most societies are characterized by gender inequalities in access to resources, it is not unreasonable to suppose that these differences are exacerbated when poor women become responsible for household provisioning without male partners. The resultant privation not only affects these female heads but also is allegedly perpetuated across generations.

Female headship is now so firmly entrenched in the development discourse about gender and poverty that it has effectively become a proxy for women’s poverty. This association has not been without its benefits insofar as concise slogans help secure resources to address the plight of poor women. Development organizations may also find it appealing to have a female-only target group for policies as it spares them the need to intervene in the conflictive ‘private’ domain of intra-household relations between two-parent families. Not surprisingly, such expediences have flourished in a climate in which targeting has become an increasingly favored strategy in poverty-reduction efforts.

However, branding single-parent families headed by women as the ‘poorest of the poor’ suggests that poverty is mainly determined by household characteristics, rather than the socio-economic context in which they are situated. Such labeling not only scapegoats female headship as a cause for poverty but also deflects attention from the wider structures of gender and socio-economic inequality that contribute to it. Placing excessive emphasis on the economic disadvantage of female heads misrepresents and devalues their enormous efforts to overcome gender obstacles. It also obliterates the personal significance that headship has for women.

This stereotyping also suggests that poverty among women is confined to cases where females head their families. There is no denying that households headed by women on low incomes stand to benefit from institutional support for parenting and provisioning. But one must acknowledge that women in male-headed households experience poverty too — and may even be worse off. This fact is obscured when one assumes that female-headed households are of necessity poorer than those controlled by men.

Prevaling methods of poverty research have undoubtedly played a role in...
popularizing the notion of a 'feminization of poverty' and its linkage to female household headship. Despite mounting rhetoric about the need for qualitative, participatory tools to assess poverty, 'money-metric' approaches continue to reign supreme. They prioritize questions of 'physical deprivation' to the detriment of 'social deprivation', which involves such dimensions as lack of power, agency or self-esteem. This concern has elevated the importance of the level of resources rather than focusing on who has command and control over them. By overlooking women's power to access household resources, standard 'money-metric' approaches tend to over-emphasize the poverty of female heads relative to women who reside in male-headed units.

Moreover, the household rather than the individual persists as the dominant unit of measurement in poverty assessments. Consequently, households headed by women stand out in poverty statistics, even though they may not represent as large a proportion of poor people given their smaller size compared to dual parent households.

But even if one takes aggregate household incomes as the welfare measure of choice, there is precious little hard data that shows a systematic link across space or time between household headship and poverty. In Latin America, for example, the incidence of female headship in urban areas — where women-headed families are usually more common — rose in every single country for which data exist for 1990 and 1999. At the same time, the proportion of urban households in poverty declined across the region from 35% to 29.8%, while those below the extreme poverty line fell from 17.7% to 13.9%.

It appears, then, that the case for a greater share and depth of poverty among female household heads rests on rather tenuous grounds.

The lack of definitive links between female headship and poverty, as suggested by the 'feminization of poverty' thesis, results in part from the heterogeneity of women-headed units. This heterogeneity can have important mediating effects on poverty depending on the social and cultural context.

It matters, for instance, whether a woman becomes head of a household by choice or involuntarily. Other sources of heterogeneity among female-headed units can be linked to household composition, the stage the woman is at in her lifecycle (e.g. age and relative dependency of offspring), the geographic location of the household (rural versus urban), and whether resources beyond the family unit are accessible.

**Stereotypes about women-headed households divert attention from the true sources of gender disadvantage.**

It is not unusual for female heads to contend with discrimination, above-average work burdens and time constraints. But in order to offset the negative effects of gender bias, they often organize their households so as to optimize the resources at their disposal.

A common strategy is to invite co-residence by members of their extended kin networks. Contributions from co-resident individuals as well as migrant family members can help compensate the personal disadvantage female heads face because of their gender. Those contributions increase a household’s access to resources for productive and reproductive labor, thereby reducing its vulnerability while also bolstering its earning capacity.

Aside from intra-group diversity, two other factors help explain why female headship does not automatically translate into privation. The first relates to intra-household power relations and the attendant implications for resource allocation, while the second pertains to poverty’s multi-dimensional and subjective nature. Analysis of these issues requires moving beyond the narrow focus of conventional money-metric poverty assessments and increasing scrutiny over what goes on inside households.

With respect to intra-household resource allocation, one must eschew the idealized notion that households are intrinsically cohesive and internally undifferentiated entities governed by 'natural' proclivities to benevolence, consensus and joint welfare maximization. Indeed, a major contribution of feminist research has been to debunk the myth of households as unitary entities operating on altruistic principles. Rejecting orthodox Household Economics thinking, many authors have argued instead that households are 'sites' of competing claims, rights, power, interests and resources, with domestic negotiations frequently shaped by a member’s age, gender or position in the family hierarchy.

It is more difficult to shun idealized notions of 'female altruism' and 'male egoism'. Findings from a remarkably large number of contexts confirm that women devote the bulk of their earnings to household expenditure, often with positive effects on other members’ nutritional intake, health care and education. Men, on the other hand, are prone to retain more of their earnings for discretionary personal expenditure. In some instances, they even command a larger share of resources than they actually bring home.

This implies that even if sufficient assets exist in a male-headed household, its female members (women and girls) may not be able to access them — at least not in their own right. Along with reducing the resources available to other members, irregular financial contributions from male heads can lead to a situation of acute vulnerability and 'secondary poverty' among spouses and children. Moreover, women in male-headed families all too often suffer from other extreme forms of dependence, including subjection to authority and violence.

Accordingly, lower incomes among female heads relative to their male
counterparts may be countered by the extent to which income and assets are converted into consumption and investments for the benefit of the entire household. Seen in this light, the absence or loss of a male head may not necessarily precipitate destitution and may even enhance the economic security and well-being of other household members. Evidence from Mexico, Costa Rica and the Philippines reveals that many low-income women feel more secure financially without men, even when their own earnings are low or prone to fluctuations. They also claim to be better able to cope with hardship when they are not at the mercy of male dictat and thus freer to make decisions.

This evidence suggests that while the price of independence may be high for poor women, benefits in other dimensions of their lives may be adjudged to outweigh the costs. Many women seem willing to trade a lower income for a position of greater autonomy and self-reliance — a finding that fits well with ‘social deprivation’ thinking about poverty. Even if women are poorer in terms of income as heads of their own household, they may feel better off and less vulnerable in the absence of male control. It is difficult to grasp the importance of these transactions unless one incorporates people’s subjectivities into the conceptualization of poverty.

Indeed, viewing poverty as multi-dimensional helps explain why some low-income women make choices that, at face value, could seem prejudicial to their well-being. One such case is when female heads refuse offers of financial support from absent fathers in order to evade ongoing contact or sexual encounters. Another instance is where women forfeit assets such as houses and neighborhood networks in order to exit abusive relations. While financial pressures may force some women to search for new partners following a conjugal breakdown, it is significant that others choose to remain alone rather than return to ex-partners or form new relationships. Those who live without a male partner often do so by choice, preferring to rely on sons or other family members rather than spouses.

In the end, the ‘feminization of poverty’ thesis and its overriding preoccupation with both income and women household heads is dangerous for two reasons. First, it precludes an analytical consideration of the social dimensions of gender and poverty. Second, such preoccupation tends to translate into single-issue, single-group policy interventions with little power to destabilize the deeply embedded structures of gender inequality in the home, the labor market and other institutions.

Instead, explicit policies are required to redress the processes that make women poorer than men. The most important ones are gender-aware poverty interventions that do not just target women in isolation or focus mainly on those who head their own households.

We must recognize that, in most societies, women clearly lag behind men in terms of accessing the resources necessary for survival and self-determination. Yet in accepting the alleged ‘feminization’ of privation, one also is implying that there is a counterpart process of ‘masculinization’ of power, privilege and material accumulation.

If this is the case, then future research needs to explore how that process squares with the fact that, both collectively and individually, women appear to be forging new spaces in many countries. This is occurring not only in politics, the law and the labor market but even in their domestic environments, where women are arguably exerting more and more influence over their own lives.

Reducing the burden of mortality and morbidity that affects poor people is widely regarded as one of the foremost development challenges today. For many international organizations and national governments, improving poor people’s health has become a key policy goal. As a result, development assistance as well as the strategies devised by many low-income countries now commonly prioritize interventions based on their anticipated effect on poverty outcomes, including health. This focus stems from a growing recognition of the two-way relation between poverty and disease, and the importance to development of equity in health.

Debate continues, however, over the appropriate markers, measures and data sources for monitoring progress towards poverty-related goals. Maternal mortality has long been used as a marker of the health of populations. It is also seen as a litmus test of women’s status and a barometer of the functioning of a country’s health system. Its relevance as a marker of health has received explicit recognition in the UN Millennium Declaration, which set the target of reducing maternal mortality rates by 75% by 2015.

The problem is that tracking maternal health outcomes presents major operational challenges owing to measurement complexities and weak routine health information systems in most developing nations. While it is generally expected that maternal mortality will be highest among the poor, the majority of countries lack the data to confirm this assumption beyond the correlation of crude indicators for whole populations. Yet existing analyses of maternal mortality ratios and economic markers such as per capita GNP reveal a weak correlation with significant outliers.

For this reason, assessments of socioeconomic differentials at the sub-national level often rely on proxy indicators such as uptake of antenatal care or delivery with health professionals. These indicators typically show major gaps between rich and poor women, with as high as 18-fold differences in uptake between the top 20% and bottom 20% of a country’s population. The existence of such gaps highlights the dangers of monitoring development targets only in terms of national averages. Unfortunately, evidence of the link between maternal mortality and poverty is lacking at the level of individuals. But at the same time, survey data already exist for many countries that make it possible to examine gaps in maternal mortality between a nation’s rich and poor citizens.

Drawing from demographic and health surveys from ten developing countries (Burkina Faso, Chad, Ethiopia, Indonesia, Kenya, Mali, Nepal, Peru, the Philippines, and Tanzania), we have created percentage distributions of women according to their poverty and survival status. Each woman was assigned to one of three survival categories reported in the surveys: alive and aged 15-49 years, dying from non-maternal causes, and dying from maternal causes. The latter category includes all deaths to women that took place during pregnancy, delivery or in the six weeks after the end of pregnancy.

In order to estimate a woman’s poverty status, we used proxy indicators such as educational level, source of drinking water as well as the type of toilet facilities and floor in their dwellings. Following a routine technique in survey analysis, we extrapolated responses from some household members (the adult female respondents in the surveys)
to others (their adult sisters), whose poverty attributes were assumed to be the same as those of their respondent siblings. All of our surveys had a sample of more than 10,000 adult sisters. Together, they represent a highly diverse set of countries, both in terms of GDP, HDI values and estimated levels of maternal mortality, ranging from 240 to 1,800 maternal deaths per 100,000 live births.

Despite the contrasts between the countries selected, we found significant similarities in the associations between women’s survival and poverty status across countries. There is a gradient within and across survival categories so that the proportion of women dying from maternal and non-maternal causes tends to increase with poverty. Such increases are particularly consistent in the case of maternal deaths.

For example, Indonesian women who died during pregnancy, delivery or puerperium were more than twice as likely to be unschooled than those who were still alive at the time of the survey (1997). They were also about 50% more likely to rely on water unfit for drinking (open or unprotected water source), and had a 40% greater probability of living in dwellings with a dirt or bamboo floor as compared with women dying from non-maternal causes or still alive.

Further analysis of Indonesian data for 1994 and 1997 reveals large inequalities in survival status across households. For both years, around one-third of all maternal deaths were in women from the poorest 20% of the population, as compared with fewer than 13% among the wealthiest 20%. In terms of crude risk ratios, the probability of maternal death was three to four times greater in the poorest than the richest group. Similarly, the proportion of pregnancy-related deaths among women aged 15-49 years was 25%-29% in the bottom quintile versus 10%-17% in the top.

The same poverty gradient was also apparent in the data sets for the other countries in our study. As in Indonesia, data from Tanzania (1996) and the Philippines (1998) show an increasing risk of maternal death among women from the poorest than the richest quintile. Poorer women in these countries were at least two to over three times more likely to die from pregnancy-related causes than were wealthier women. The proportion of deaths reported as maternal was also much higher among women from the bottom quintile in both countries: 39% versus 22% in Tanzania, and 32% versus 12% in the Philippines.

The concentration of maternal deaths among women from the poorest households is noteworthy. In general, women dying from maternal causes were more likely to have had no formal education and worse dwelling conditions than those who had died from non-maternal causes or were still alive. While the strength of the associations is especially striking for education, the risk of maternal death also is clearly related to the other poverty attributes reported in the surveys.

Maternal mortality, moreover, seems to be a sensitive marker of disadvantage since non-maternal deaths generally do not show such extreme clustering in the poorest groups. This finding is perhaps not surprising in view of the unpredictable nature of obstetric complications and the substantial costs of treatments to avert death, which are often unaffordable for poor families. The higher risks of maternal death in poor women do not necessarily imply that they are more prone to pregnancy-related complications. Rather, these risks might be a reflection of the lower probability such women have of receiving adequate treatment before, during and after childbirth.

Demographic and health surveys
Since 1984, when the first Demographic and Health Survey (DHS) was carried out, 174 surveys have been implemented in 71 developing or transitional countries. With sample sizes ranging from about 3,000 to almost 100,000 households, the DHS use a standardized questionnaire that collects information on a wide variety of demographic, socioeconomic, health, nutrition, and health-service use variables focusing on reproductive, maternal, and child health.

Typically, poverty status is captured in terms of assets or wealth, rather than income or consumption. Questions are asked of the household head about ownership of consumer items such as a radio or car, as well as characteristics of the dwelling such as floor or roof type, toilet facilities, and water source. In addition, information on relevant individual level characteristics (e.g. education and literacy) is collected for all household members. For maternal mortality, data are gathered by interviewing adults (usually, women of reproductive age) about survival of their sisters in order to yield a retrospective estimate of the maternal mortality ratio as well as the lifetime risk by establishing whether any sisters died during pregnancy, delivery, or the six weeks after the end of pregnancy.

Since many DHS surveys include questions on both maternal mortality and poverty status, they provide a unique opportunity to explore the relation between the two. Moreover, several countries have had repeated surveys, thereby allowing time trends to be assessed.

As long as development goals are expressed as population averages, disparities between rich and poor may persist even if targets are met.
Our analysis relies on a number of assumptions. First, the poverty attributes of our target group are inferred from the survey responses of their adult female siblings, who are taken to be representative of all women. By extrapolating data from a respondent to her siblings, we are assuming that poverty is common to families rather than being a personal attribute. We further assume that the poverty status of the adult respondents has not changed since the reported deaths occurred.

Moreover, respondents are deemed able to distinguish the time of death of their sisters, specifically whether or not they happened while pregnant, during delivery or in the six-week period following childbirth. This is particularly relevant given that demographic and health surveys have unrestricted reference periods, meaning that some women will have died several years before the responses captured through the survey.

Despite these caveats, there are still definitive advantages to using survey data to explore the synergy between poverty and a health outcome such as maternal mortality. Most importantly, the data for both poverty and survival status derive from the same source, thus bypassing the difficulties of varying quality, sampling frames and reference periods across surveys. The required data are already available for many low-income countries, and a similar analysis could be extended to other outcomes (e.g. adult male mortality) as well as process measures (e.g. use of health services). Apart from being simple, the analysis is done at the individual rather than aggregate level, thus avoiding the ecological fallacy.

The discrepancy in the risk of maternal death between the poorest and richest countries is often cited as a global injustice. Much less attention has been paid to differentials within countries. Yet, as long as health policy goals remain expressed as population averages, disparities between poor and rich people could persist even if the targets set by policy-makers are met.

Policies thus need to be assessed based not just on their cost-effectiveness, but also their contribution to poverty alleviation and equity enhancement. Better information is needed to track gains to the poor — including improvements in health — by making more efficient use of existing data while strengthening the array of methods and sources to monitor development outcomes like maternal mortality.

Our findings have shown the magnitude of the current gaps in maternal mortality between a country’s rich and poor women. They should thus provide a stimulus to setting and monitoring other development goals in accordance with their potential for addressing socio-economic inequalities.

Despite its relative success in terms of macroeconomic stabilization, South Africa’s post-apartheid economic policy has mostly failed to promote sufficient growth, job creation and poverty reduction. While a strict monetary policy regime and high real interest rates have kept inflation in single figures, growth rates have not come near the estimated 7%-8% per annum required to absorb new entrants into the labor market and make inroads into the large pool of unemployed people. As a result, unemployment has kept rising, and both poverty and inequality have remained high and may have even increased during this period.

This disappointing record has taken place against the backdrop of apartheid’s dual legacy of racially embedded inequality and highly segmented factor markets from which poor people are largely excluded. At the end of apartheid, almost half of South Africa’s population was categorized as poor using a national poverty line, and one-fifth was earning less than US$1 a day. Just 6% of the population captured more than 40% of national income and over 60% of Africans were poor compared to only 1% of whites, making South Africa one of the world’s most unequal societies.

While there is much attention paid to the impact of growth on poverty and inequality, we would like to turn the causality around and argue that South Africa’s sluggish growth may be rooted in its high and persistent inequality.

Highly unequal income and wealth distributions become economically costly and growth-reducing when large numbers of a country’s citizens are mired in poverty over time, unable to save, invest and progress. If this is the case, then South Africa’s stunningly high inequality may partly explain its weak post-apartheid economic record.

Indeed, panel data collected in KwaZulu-Natal shows evidence of widespread poverty traps in the province despite its not being among the country’s poorest. Expenditure-based headcount poverty rates jumped from 27% to 43% between 1993 and 1998. In turn, the average income shortfall of the poor increased from 27% to 33%, while the severity of poverty rose sharply.

While disturbing, these data do not necessarily indicate a clear failure in accumulation that traps people into poverty. The reported trends could have been due to the presence of significant upward and downward mobility just above and below the poverty threshold so that initially poor and non-poor households simply swapped places in the income distribution.

Clearly, a society in which some people are trapped in poverty over time is very different from one where households suffer transitory spells from which they can expect to escape periodically. In order to capture the differences between these two scenarios, one needs to move beyond static depictions of poverty that often understate the extent of vulnerability to being poor at some point in time.

By looking at the households below the poverty threshold in only one or both waves of our panel survey, we were able to distinguish the transitory from the chronic poor. One can see now that only 48% of sampled households were not poor either in 1993 or 1998, as compared with 30% who were poor in at least one year and 22% who were poor in both. Despite the presence of considerable movement into and out of poverty, it

South Africa’s weak economic record in the post-apartheid era may be rooted in its legacy of stunningly high, racially embedded inequality that has trapped large numbers of its citizens in poverty.

By lowering people’s expectations of income mobility and asset accumulation, persistent poverty can become a serious impediment for growth.

An agenda emphasizing micro reforms is required to increase the economic prospects of South Africa’s poor majority. The reforms will need to improve market access and rewards for the poor, while also lifting the financial and time constraints that prevent them from accumulating sufficient assets to escape poverty.
thus appears that a large number of households were unable to escape poverty at all during the time that elapsed between surveys.

Further analysis reveals that a large proportion of initially poor households has either held steady or fallen behind, while upwardly mobile households are mostly among those that had been better off from the outset.

In order to explore the reasons behind these movements, we reclassified households based on their possession of assets and the returns they obtain from their use. This allows us to break down the categories of people below the poverty line to observe whether their situation improved or worsened during the five-year period between the two surveys. The analysis seeks to distinguish random changes in well-being from those that reflect successful asset accumulation by a poor household.

What this exercise shows is that only 4% of households were able to get ahead during this period, but they still remained poor. A much larger proportion (21%) fell behind, meaning their ability to generate an income declined between 1993 and 1998. Another 16% of the sample appears to be trapped in poverty. Unable to accumulate assets for enhancing their well-being, these households are not improving their situation over time in order eventually to escape poverty. Finally, 11% of the households are found to be poor despite having the assets necessary to avoid poverty. These are the stochastic poor, who may be said to have suffered an entitlement shock from which they should be able to recover.

It is clear, then, that focusing on the likelihood of being poor, rather than on observed levels of poverty, permits a richer understanding of changes in well-being.

More detailed scrutiny of our data set reveals three dimensions that correlate with persistent poverty in South Africa. First, the marginal returns to uneducated labor are positive but so low that they fail to generate an income sufficient to meet the subsistence requirements of incremental units of labor. Claims on other economic or social assets thus become necessary to lift a family above the poverty line. Secondly, financial constraints limit the ability of poor people to utilize effectively the productive assets and endowments they do possess, such as land. And thirdly, the burden of meeting basic needs like water and fuel wood creates ‘time poverty’, which further constrains a household’s ability to employ the resources at its disposal. Indeed, for a given work capacity, household reproduction time sharply diminishes its pool of uneducated labor power and, therefore, its ability to generate an income.

It would seem that poverty not only reflects the lack of sufficient assets to which the extant economy pays significant returns, but also the presence of tight constraints on the effective use of those assets. It is a case of multiple market failures, in which wage opportunities are weak and ancillary factor markets are not working well.

As a result, people remain poor because they cannot borrow against future earnings to invest in inputs or accumulate assets for production, including education. They are unable or unwilling to engage in entrepreneurial activities because the costs of failure are too high. They cannot insure themselves against risks and lack information about market opportunities. And they are deprived of many public goods such as property rights, public safety and infrastructure, thereby incurring high direct and time costs when trying to obtain them.

This may lead to a dilemma in which people living in communities with

| Poverty measures in KwaZulu-Natal, 1993 and 1998 |
|----------------------------------|--------|--------|
| 1993 | 1998 |
| Poverty headcount | |        |
| Poor | 26.8 | 42.5   |
| Indigent | 3.3 | 10.0   |
| Depth of poverty* | |        |
| Poor | 27.1 | 33.0   |
| Indigent | 30.4 | 4.9    |
| Severity of poverty** | |        |
| Poor | 0.03 | 0.063  |
| Indigent | 0.005 | 0.0004 |
| Gini coefficient | 0.38 | 0.42   |

* Average income shortfall as % of poverty line.
** Foster-Greer-Thorbecke-2.
equivalent current poverty levels but
different future expectations behave
in dissimilar ways — politically, socially
and economically.

Persistent poverty shapes people’s
expectations of income mobility
and could lead to risk-minimizing
behavior and potentially undesirable
asset accumulation paths. Those who
may be able to pull ahead and escape
this poverty trap are only a small —
and perhaps declining — portion of
the population. If this trend persists
into the future, it may lock South
Africa into a situation of increased
poverty and sluggish aggregate
growth as large numbers of families
find themselves unable to make the
investments needed to realize their
own and their children’s potential.

Without a fundamental
rethinking of its present
economic strategy,
South Africa may
become locked into
a low growth-high
poverty trap.

Indeed, if sluggish growth is partly
rooted in the numbers of people
trapped with little prospects of income
mobility or asset accumulation, then a
fundamental rethinking of South Africa’s
economic strategy may be required.
Particularly in the rural areas, few
people will be able to prosper as
long as their ability to utilize productive
assets and resources effectively remains
hindered. To lift these constraints,
policies will need to move beyond
macroeconomic stabilization into an
agenda centered on “microeconomic
reform” with support from an enabling
and complementary macroeconomic
policy framework.

Microeconomic reforms should
seek to eliminate the conditions
that create poverty traps, both through
interventions targeting people with
limited or no assets and by improving
market access, information and rewards
for the rural poor. Measures such as land
reform, infrastructure development and
financial services are examples of
policies that could help improve access
to productive assets and release the
financial and time constraints faced by
poor households. In the absence of such
policies, widespread market failure
reflected by missing, thin or distorted
markets will keep on reproducing the
ossified socioeconomic structure
inherited from apartheid.

The need for micro reforms has begun
to enter the South African policy debate.
But the development of these policies is
limited by an inadequate knowledge
base. The linkages between macro-
économic and microeconomic policies
have received little attention. At the
same time, there is not enough
information about the determinants of
the behavior of poor producers and
consumers or the operation of markets
in which they participate.

These are areas where more research will
be essential to inform policy if South
Africa is to get ahead on a more
sustained and equitable path.

Michelle Adato, Michael Carter, Julian May
and Phakama Mhlongo, “Persistent poverty
in South Africa: Severity, sources and
Slums have existed for many centuries, but their growth in recent decades has been explosive. Today, almost one billion people live in overcrowded and un-serviced slums, often situated on marginal or dangerous land. As the world becomes more urban, the challenge of ensuring adequate shelter and services for a growing number of low-income households will become daunting in the absence of concerted action by municipal and national authorities, civil society and the international community.

In the first global assessment of its kind, UN Habitat calls for stepping up efforts to arrest the growth of informal settlements and improve the lives of slum dwellers in the cities of the developing world. The report also lays the foundations for reaching the ambitious goal of ‘cities without slums’.

Meeting this challenge will not be easy. Already, slum dwellers comprise nearly one-third of the world’s urban population, ranging from 6% in the industrialized countries to 78% among the least developed. In no developing region did the pace of slum formation slow down during the 1990s, turning slums into a prominent feature of most cities. Demographic changes will bring added pressure in the coming decades. As the world’s rural population reaches its peak, urban settlements will absorb the bulk of a rapidly expanding population at a rate that will far outstrip their capacity to provide sufficient jobs, shelter and services. These developments will gradually shift the locus of global poverty to cities, where the number of slum dwellers may reach about two billion people over the next 30 years.

Slums are a physical and spatial manifestation of urban poverty and intra-city inequality. They result from rapid urbanization and the failure of housing and job markets to accommodate the needs of a growing pool of low-income earners. Consequently, slum areas have high concentrations of socio-economic and physical deprivation, including substandard housing in hazardous locations, inadequate access to basic amenities and infrastructure, and unhealthy living conditions.

Poor sanitation and indoor air quality, lack of waste disposal facilities and the presence of vermin compromise the health of slum communities, leading to chronic illness and truncated lives. Thus, urban mortality rates may generally be lower than in rural areas but not among slum dwellers, who suffer disproportionately from AIDS, tuberculosis and water-borne diseases such as typhoid and cholera. To make matters worse, slums are often recipients of the city’s nuisances, including industrial effluent and noxious waste, which are deposited in the only land the poor can afford because no one else wants it.

Slum dwellers’ reliance on informal land and housing markets for shelter also results in a high degree of tenure insecurity and a constant threat of forced eviction. Insecure tenure not only undermines community cohesion but also limits access to urban services and the ability to build up assets to escape poverty. Not surprisingly, connections to infrastructure in informal settlements are, on average, only about half the level in better-off parts of developing-country cities. Differences in service provision may even widen under current strategies of fiscal decentralization and privatization, since slum residents can seldom pay for services or mobilize effectively to attract resources to their neighborhoods.
Insecure as they may be, informal shelter arrangements are usually the only choice for the urban poor. Due to stigmatization and geographic isolation, they are rarely able to obtain formal sector jobs or access regular sources of finance to develop their own businesses. Most earn their living from low-paying occupations in the informal economy, including a host of street- and home-based enterprises. A response to the failure of formal job markets to absorb new entrants, the informal economy now accounts for well over one-third of the urban work force in the developing world and is expected to provide more than 90% of additional jobs in urban areas in the next decade. Despite being an important source of livelihoods for many people, informal employment can easily lead to dead-end jobs in exploitative working environments.

At the same time, one must beware of stereotypes that equate slums with poverty. Not all slum dwellers are poor, and many of the urban poor live outside them. Slums may actually perform numerous positive functions for their residents. Apart from providing cheap accommodation, slum housing can be used for profit, either as a source of rental income or a location for family-run businesses that deliver low-cost goods and services to urban consumers. Slums also serve as support networks for new migrants to the city and, under certain conditions, a springboard for upward social and economic mobility.

But turning slums into places of opportunity requires an enabling policy and regulatory environment, and many past responses to the plight of the urban poor have been either feeble or inadequate. They have ranged from negative policies such as forced eviction, benign neglect and involuntary resettlement, to more positive ones such as self-help and in situ upgrading.

Underlying many of these policy responses was the erroneous belief that solving the slum problem simply required their physical eradication or their upgrading through improved housing and services. Ill-conceived transport policies have often compounded the problem by relocating the urban poor to remote areas with limited access to jobs. In the meantime, the poor have been left out of most housing efforts, including subsidized sites and services that have normally been more expensive than poor people can afford.

Past solutions essentially failed to address the underlying causes of slums. Future strategies need to go beyond the provision of housing and physical services and become part of a broader poverty reduction agenda that offers tenure security and employment opportunities for low income-earning families. Along with urban finance, security of tenure helps unleash the potential of the urban poor for bettering their living and working environments. It allows them to improve their shelter conditions, access basic services, and raise credit for housing and livelihood activities.

More generally, urban policy should give more attention to the location of affordable housing to maximize employment opportunities and reduce transport costs for low-income earners. Participatory upgrading programs that have spurred local economic development and socially cohesive communities need to be scaled up and accompanied by investments in citywide infrastructure to ensure that networks of basic services reach the entire population. Still, upgrading slums will merely address the backlog of urban neglect. Forestalling the growth of future slums will require substantial improvements in the provision of jobs, housing and services for new urban residents over the next few decades.

The MDG target on slums reflects the growing global concern about urban poverty. Given the enormous scale of predicted growth in the number of slum dwellers, the MDG target must be considered the bare minimum that the international community should strive to achieve. Much more will be needed if ‘cities without slums’ are to become a reality.

Improving Water and Sanitation Facilities

For every US$1 invested, the world’s developing regions would gain between US$3 and US$35 from introducing low-cost improvements aimed at halving the proportion of people without access to basic water and sanitation facilities by 2015, a Millennium Development Goal (MDG) established in the year 2000. The health benefits from those improvements would be just as significant. Over the next 10-15 years, 546 million episodes of diarrhea could be prevented if the necessary investments are made. This amounts to a 10% average global reduction of predicted diarrhea cases and a proportionate drop in the number of deaths caused by water-borne and water-washed diseases.

These estimates are contained in a report released by the World Health Organization last month, which evaluates the costs and benefits of expanding access to safe drinking water and basic sanitation to the world’s poor citizens. Specifically, the study calculates the full investment and operating costs of different types of water and sanitation improvements, as well as a number health and non-health benefits that include the direct and indirect economic gains from avoiding diarrheal disease and associated deaths.

Despite substantial investments during the 1980s and 1990s, the shortfalls in access to improved water sources and sanitation services continue to be dismal. In regions like Africa, 40% of the people do not have access to these basic necessities, while more than half of those living in Asia are deprived of adequate sanitation facilities. Not surprisingly, some 1.6 million deaths occur every year due to water-related causes. The burden of disease is concentrated among children under five, suggesting that priority interventions should target this group in an effort to achieve rapid and sustainable health gains.

Meeting the MDG target for water would bring improvements in water supply to nearly 700 million people around the globe. Another 1.5 billion people could benefit if the MDG target for sanitation is also reached by 2015. This would amount to 30% of the world’s population by that year, two-thirds of it in Asia and another 20% in Sub-Saharan Africa.

Poor countries have a wide array of options for increasing access rates given that a sizeable proportion of their population remains un-served. The options range from low-technology improvements that require simple maintenance to more costly and sophisticated ones, such as water disinfection at the point of use, regulated piped water supply, and household connection to the sewage system. Since total funding requirements will vary considerably depending on the technology used, a sound economic evaluation is crucial before deciding which type of intervention is best suited to a specific setting.

The health impacts from increased service provision would vary from one region to another. Globally, WHO predicts that providing basic water and sanitation to the entire world could help achieve a 17% annual reduction in the incidence of diarrheal disease. The present value of deaths avoided from these interventions would surpass US$5.5 billion annually, with the gains overwhelmingly concentrated in the poorest regions where the number of un-served people is higher and the burden of infectious diarrhea heavier.
Expanding access rates would confer many other benefits beyond reducing the burden of water-related diseases. For example, the relocation of a well or borehole to a site closer to user communities, the installation of in-house piped water supply and closer access to latrines could save people substantial time previously spent on fetching water or walking to an open-air pit-hole. Households would gain about 20 billion additional working days per year from the time saved from having those facilities more conveniently located. Spread over the entire population, the value of these time savings represents an annual economic benefit of US$64 billion.

Similarly, improved health translates into higher school attendance and large productivity gains arising from lower morbidity and fewer deaths associated with diarrhea. The WHO study estimates that the lower incidence of diarrhea would yield a global gain of over 270 million days of school attendance and 3.2 billion productive days for the working population aged 15 to 59.

In addition to these direct benefits, meeting the MDG targets for water and sanitation could deliver important cost savings. For the health sector, the resultant lower demand for treatment could save as much as US$7 billion in annual health care costs. In turn, patients would avoid hefty treatment costs — including expenditures on drugs and transport to a health facility — as well as the opportunity costs of time spent ill or seeking care. These savings could be very large for poor households, especially when patients have to travel long distances to a health facility or pay for its services.

When all the health and non-health benefits are combined, halving the proportion of people without access to basic water and sanitation is predicted to bring the total economic gain to US$84 billion per year. In contrast, providing these services would cost less than US$2 billion annually for water alone and slightly over US$11 billion for water and sanitation combined. While not insignificant, these expenditures dwarf in comparison with the potential benefits from such preventive measures. And when the costs are spread over the entire population, they range from US$0.2 to US$2.2 per capita, depending on the region.

It is true that most expenses would have to be made upfront, while the benefits accrue over time. But even in the most pessimistic scenarios, a careful assessment of the total benefits and costs involved in water and sanitation projects tips the balance in favor of positive investment decisions. Whether simple or more sophisticated technologies are used, WHO has found all water and sanitation improvements to be cost-beneficial in every one of the world’s regions. Choosing advanced technologies would yield massive overall health gains, but at a cost that very few countries can afford. For developing countries, therefore, low-cost options seem the best choice. They generate large health benefits without demanding heavy investments or maintenance.

Despite their low cost, it is unreasonable to expect the poor themselves to pay for those investments. At the same time, the meager health budgets of developing countries are unlikely to provide more than a fraction of the front-loaded expenses for improving water and sanitation services. Given the large non-health sector outlays and benefits of health care interventions, a variety of financing mechanisms spanning several sectors will have to be put in place to meet those costs in the coming years.

Ultimately, increasing resources for water and sanitation will require strong advocacy and political will at the national and international levels. The potential productivity and income effects of improved access are strong arguments for funneling resources towards those sectors. Even more compelling is the fact that greater access will lead to longer and healthier lives for the world’s poor.
