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Getting Out Of the Poverty Trap in South Africa.

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ABSTRACT : *Social theory and economic models, though divergent as they are, seem to suggest that the poor are untenable in their lives. It is no surprise that policies that deal with poverty correspond to the view of the poor in paternalistic formulas encapsulated in "welfare", "social protection", "war on poverty", and "foreign aid". These policy maxims have an important element of truth in them, but they are perpetuating poverty by imprisoning and encaging the ability of individuals to care for themselves. In this way, poverty is mistaken for poor economics (Banerjee & Duflo 2011). That is, the poor posses very little, therefore there is nothing they can do by themselves that lift them out of poverty.This article departs, antithetically, from the premise of doing things for the poor. I argue that the poor have the ability to get out of the poverty trap and that the condition of poverty is not permanent. I argue that a person's income today determines what they can and cannot do today and influence their future ability. With context based interventions it is possible to overcome poverty.*

KEYWORDS: *poverty trap, definitions, rates of poverty, poverty line, poverty levels, low wages, quality education, wage subsidy, social protection*

I. INTRODUCTION

1.1 What is poverty

Poverty manifest itself in various ways: lack of income; lack of productive assets and resources, hunger and malnutrition; limited or lack of access to health; limited or lack of access to education and other basic services; homelessness and inadequate housing; unhealthy and unsafe environments; and social discrimination and exclusion. As Noble et al (2004:3) points out:

> "The concept and definition of poverty in a society is like a mirror-image of the ideals of that society: in conceptualizing and defining what is unacceptable in a society we are also saying a great deal about the way we would like things to be. It is therefore vital that a concept and definition of poverty, as well as being theoretically robust, is appropriate is appropriate to the society in which it is to be applied. Having agreed on a definition or definitions, the method of measurement must appropriately operationalise the definition"

Following Ruth Lister's call for clear distinctions between conceptualizing, defining and measuring poverty, Noble et al (2004:3) draw our attention as follows: "By concepts, it is meant the general parameters out of which definitions are developed and these parameters are themselves informed by competing ideologies". "Definitions" distinguish the 'poor' from the 'non-poor', within the framework of the concepts. South Africa currently does not have official definition of poverty. However, Magasela (2006) argues that certain statements and official government documents contain pointers towards a definition and provide estimates of the extent of poverty. Towards the 1994 elections the ruling party came up with *Reconstruction and Development Programme (RDP)*. Politically RDP represented a consensus across different interests and a compromise between competing objectives. This document spelt out the extent of deprivations that people experience as a result of apartheid, and suggested distributive strategies including those directly related to poverty alleviation. It proposed growth and development through reconstruction and development, defines poverty in this way:

> "It is not merely the lack of income which determines poverty. An enormous proportion of very basic needs are presently unmet. In attacking poverty and deprivation, the RDP aims to set South Africa firmly on the road to eliminating hunger, providing land and housing to all our people, providing access to safe water and sanitation for all, ensuring availability of affordable and sustainable energy sources, eliminating illiteracy, raising the quality of education and training for children and adults, protecting the environment, and improving our health services and making accessible to all" (African National Congress, 1994).

The arguments raised in this document are raised within the parameters of development. However, when viewed from wider perspectives the deprivations are identified by politicians as people-centred means of dealing with poverty (Gray, 2006). The argument based on deprivation resonates with Townsend (1979) research which demonstrated that people live in poverty because of hardships and deprivations caused by exclusion from the society's institutions and processes. This represents a shift from absolute to relative conceptualization, definition and measurement of poverty. Since Townsend study generally there is a move from preoccupation with physical efficiency to the understanding of the poor as social citizens with social, economic and political roles and responsibilities and needs (Magasela, 2006).

In this way poverty can be conceptualised in “absolute” or “relative” terms. The former is frequently defined in terms of minimum subsistence levels, while the latter relate poverty to notions of exclusion from participation in mainstream society (Noble et al, 2004). With regards to absolute poverty, Alcock (1993) points out that it is the form of poverty that exists independently of any reference group. According to Alcock, it does not depend on the general living standards of the society in which it is conceived and nor does it vary over time. Current literature (Noble et al, 2004; Joseph, 1976; Bradshaw & Sainsbury, 2000; World Summit for Social Development, 1995) strongly associates absolute poverty with subsistence poverty. To be poor was to be unable to attain those things necessary for survival. This notion is directly in agreement with earlier research conducted by Rowntree (1901) which introduced the concept primary poverty in the lexicon of poverty, declare it to mean “families whose total earnings are insufficient to obtain the minimum necessaries for the maintenance of merely physical efficiency”. Many civil society groups in the developing world, as research (Palmer, 1989; Martinussen, 1997; Atkinson, Baker, & Milward, 1996; and Smith, 1996) indicates, prefer to use absolute poverty in their advocacy encounters. It is common to hear people saying: A family is poor if it cannot afford to eat. Primary poverty will remain part of discourse and lexicon on poverty. However, it must be noted that debates on absolute poverty are emotional and often confrontational. Therefore, some arguments in absolute poverty terrain are sometimes subjective and bias. On the other hand, relative poverty is claimed to be an objective, even a scientific notion. Alcock (1993) included tea as a necessity in his first study of poverty. We need to be cautious of this because it is culturally bias. Not all societies would regard tea as a basic necessity, and moreover tea has little nutritional value. What Alcock is trying to capture is that being poor changes over time and varies according to regions. A shift from absolute poverty to subsistence definition of poverty will recognize technologies which have no relations with physical requirements.

1.2 Global picture

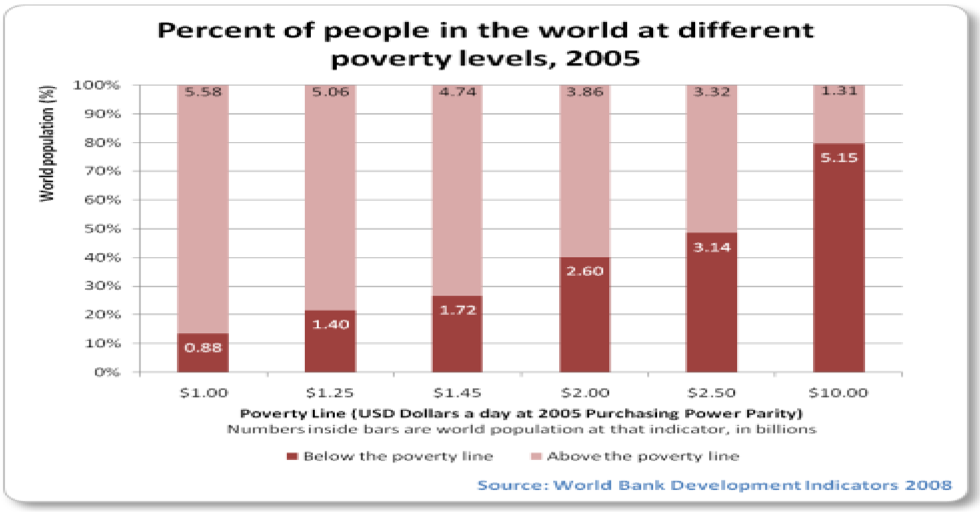
Although new estimates reveal a drop in poverty in the period 2005-2010 (The World Bank, 2013), the number of people living in extreme poverty remain a major concern for international and national organizations. The World Bank (2013) shows that 22% of the developing world's population (i.e 1.29 billion people) lived on \$1.25 or less a day. The world carried a survey on 850 household in 130 countries representing 90% of the developing world's population. This estimates proved that :

> “the developing world has made remarkable progress ion fighting extreme poverty, and has proved resilient to economic shocks that destroyed major economies of the world.”

Figure 1: Rates of poverty by regions

The map shows the spread of poverty across different regions. Generally, trends show a decline in extreme poverty. However, Shah (2013) does not agree with the World Bank. Shah argues that extreme poverty is rising and provides evidence for the claim. Shah argues that "almost half of the world, i.e, over three billion people, live on less than $2.50 a day".

Figure 3: Percentage of people by poverty levels

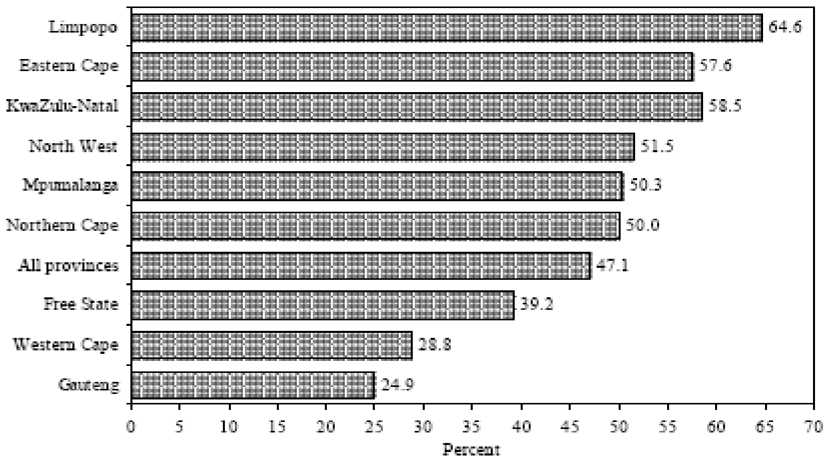


Shah uses this data to argue that although 80% of the world's population lives on $10 a day, more than 80% of the world's population lives in countries where income differentials are widening. Shah emphasize that the poorest 40% of the world's population account for 5% of global income. The richest 20% of the world's population account for three-quarters of the world income. Shah refutes the claim that the developing world is making progress towards reaching the goals of the Millennium Development Goals (MDGs). Shah's views hold water particularly when taking into account statistics from UNICEF and World Health Organization. Shah argues that developing countries are not close to achieving MDGs. Shah utilizes UNICEF's statistics which shows that 22 000 children die each day due to poverty, particularly in the rural villages.

1.3 South Africa

The situation in South Africa is not different. As part of the Sub-Saharan region South Africa shows prevalence of extreme poverty. The figure below shows provincial poverty rates among individuals. 64.6 percent of individuals are poor in Limpopo. In Eastern Cape the total number of individuals poor hovers at 57.6. KwaZulu-Natal has the second highest percentage of individuals living in extreme poverty, 58.5%. Conversely, a small number of individuals live below the poverty line in Gauteng (24.9%) and in the Western Cape (28.8%).

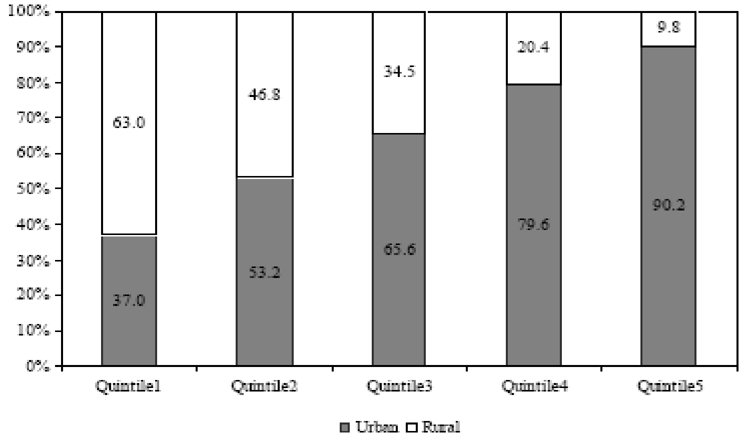
Figure 4 : Provincial poverty rates among individuals.



Source: Armstrong et al: 2008

A further disaggregation of data on poverty demonstrates that there is a significant difference of poverty in urban and rural areas. The percentages below show that poverty is highly prevalent in rural areas. 63.0% of the poorest of the poor (quintile 1) are highly concentrated in rural areas, while only 9.8 live suburban areas.

Figure 5: Representation of urban and rural households in each quintile



Source: Armstrong et al: 2008

Table 1:Poverty indicators by province

Province	No. of poor persons (million)	% of population in poverty	Poverty gap (R billion)	Share of poverty gap
Eastern Cape	4.6	72%	14.8	18.2%
Free State	1.8	68%	5.9	7.2%
Gauteng	3.7	42%	12.1	14.9%
KwaZulu-Natal	5.7	61%	18.3	22.5%
Limpopo	4.1	77%	11.5	14.1%
Mpumalanga	1.8	57%	7.1	8.7%
North West	1.9	52%	6.1	7.5%
Northern Cape	0.5	61%	1.5	1.8%
Western Cape	1.4	32%	4.1	5.0%
South Africa	25.7	57%	81.3	100.0%

Source: Human Sciences Research Council, 2004.

Table 2: Estimate absolute poverty lines

	Total Expenditure		Total Expenditure excl. certain lumpy and other expenditures	
	Original Food Spending	*Adjusted Food Spending*	*Original Food Spending*	*Adjusted Food Spending*
Monthly Cost of 2 230 calories p.c. per day, ie food poverty line (Rands)	230	275	226	271
Food share of individuals whose total expenditure is within 10 percent of the food poverty line (percent)	33.0	39.6	38.6	44.3
Lower bound poverty line (Rands per capita per month)	384	442	364	421
Lower bound poverty rate (percent)	45.3	51.5	53.6	56.9
Food share of individuals whose food expenditure is within 10 percent of the food poverty line (percent)	14.4	17.6	19.0	21.9
Upper bound poverty line (Rands per capita per month)	1 597	1 561	1 187	1 233
Upper bound poverty rate (percent)	83.1	82.8	83.8	83.7

Source: Oosthuizen, 2013.

1.4 Poverty trap

Poverty trap can be referred to as a mechanism which makes it very difficult for people to escape poverty. A poverty trap is created when an economic system requires a significant amount of various forms of capital in order to earn enough to escape poverty. When individuals lack this capital, they may also find it difficult to acquire it, creating a self-reinforcing cycle of poverty. Poverty trap is a self-perpetuating condition where an economy, caught in a vicious cycle, suffers from persistent underdevelopment. Although it is often modeled as a low-level equilibrium in a static model of coordination failures, we discuss the concept in a dynamic setting. This is because, in a static setting, we will not be able to distinguish poverty traps from (possibly temporary) bad market outcomes, such as recessions and financial crises, that are also often modeled as a low-level equilibrium in a static model of coordination failures.Many definitions abound as to what poverty trap is. Barnett, Barrett and Skees (2008) define poverty trap as being unable to lift oneself out of poverty despite access to technology. Chronic Poverty Research Centre (2011) utilizes the concept chronic poverty to define poverty trap. This definition concurs with that of Barnett et al. Chronic poverty is a varied and complex phenomenon, but at its root is powerlessness. Poor people expend enormous energy in trying to do better for themselves and for their children. But with few assets, little education, and chronic ill health, their struggle is often futile.

1.5 What entraps people into poverty?

The definitions given above invoke the idea of typology of poverty traps. In this section we will analyze factors locking people in chronic poverty. A burgeoning body of literature (Quintano, 2012; Matsuyama, 2012; Azariadis & Stachurski, 2012; and Dasgupta, 2012) outlines the following as key determinants of poverty: Education, geography, low wages, unemployment, intergenerational poverty, and policy.

1.5.1 Education trap

With regards to education, Van der Berg et al (2011) argue that low quality education ensnares and locks people in poverty. To these researchers low quality education causes poverty. They justify their claims on the link between education and employment. Their argument is that with poor quality education a person may not get employment, thus trapping them into poverty. This is directly linked to the definition of poverty being lack of income.In the same vein, Maile (2013) argue that cross-country studies that South Africa participates in clearly show that our learners cannot read and write. International benchmark studies (UNESCO's Monitoring Learning Achievement (MLA); South African Consortium for Monitoring Education Quality (SACMEQ) I & II, Trends In International Mathematics and Science Study (TIMSS) I & II, and Progress In Reading Literacy Study (PIRLS)) have revealed a major gap on the quality of outcomes of the schooling system. For South Africa international benchmark tests are disappointing, showing that their children lag considerably behind that of extremely poor countries. The tests demonstrate that South African children are behind their counterparts by the equivalent of several years of schooling despite huge investment made in education. The costs of not improving schools are dire for South Africa. Without the necessary human capital the economy cannot grow (OECD,2010). To demonstrate the probabilities of economic stagnation and decline, OECD (2010) illustrates through a simple model with the underlying idea that moving from one quality level to another of the workforce that is highly skilled. OECD study concludes that the higher levels of human capital allow each country to innovate, improve its production, and to import new technologies for economic growth. And that cannot happen in South Africa in the current status quo. More and more people are trapped in poverty as they cannot find employment due to the poor state of education.

Table 3: Not in Education, Not in Employment and Not in Training Youth 18-24

Education level	Age							Total
	18	19	20	21	22	23	24	
Unspecified	2,595	2,457	3,786	4,762	4,998	4,054	4,595	27,351
Primary or less	61,056	64,285	70,496	78,564	73,575	75,261	77,425	500,662
Secondary education less than Grade 10	51,192	59,643	73,194	79,050	83,367	81,502	80,649	508,597
Grade 10/Std 8 or higher but less than Grade 12	65,228	94,608	132,158	164,596	176,733	174,325	183,146	990,794
Grade 12/NTCIII (no exemption	47,447	65,190	89,292	99,797	100,711	96,139	100,080	598,657
Grade 12/Std 10 (with E)	10,226	13,526	14,778	14,259	16,910	13,869	14,766	98,335
Certificate with Gr 12	2,732	4,025	6,299	8,157	9,672	8,340	7,811	47,035
Diploma with Gr 12	388	1,151	2,464	3,461	6,103	5,733	5,995	25,294
Bachelors degree	188	322	430	1,774	1,460	2,831	2,347	9,352
BTech	6	126	192	312	78	654	414	1,780
Post grad diploma			244	405	400	581	867	2,498
Honours degree			60	220	383	694	337	1,695
Masters/PHD			48	77	110	135	50	420
Total	241,056	305,333	393,441	455,434	474,501	464,119	478,587	2,812,471

Source: Cloete, N. (ed.). 2009. Responding to the Educational Needs of Post School Youth. Cape Town: CHET.

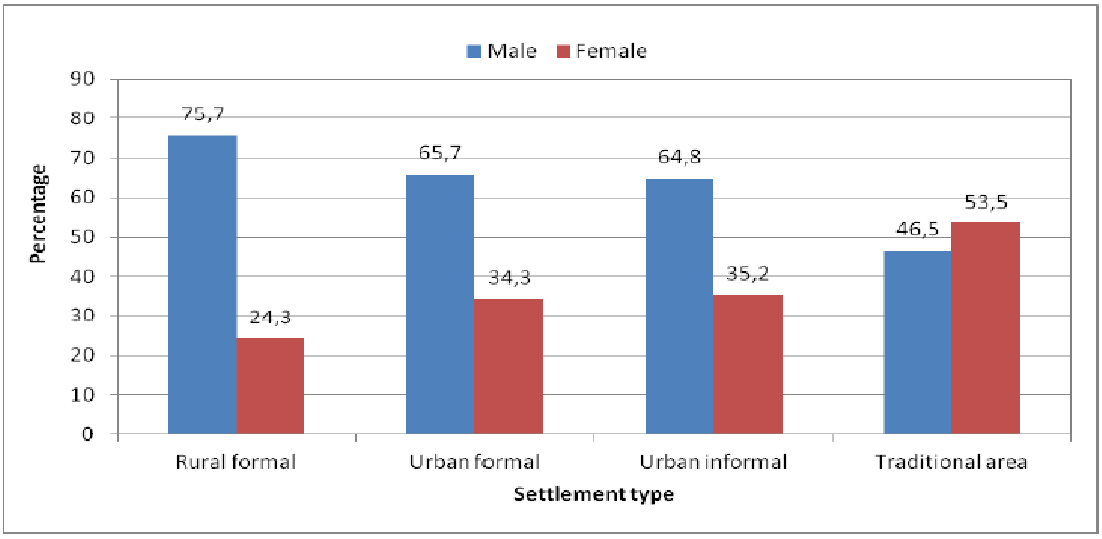
The National treasury (2011) argues that youth unemployment can be attributed to:

- Employers look for skills and experience; they regard unskilled, inexperienced jobseekers as a risky investment.
- Education is not a substitute for skills. Schooling is not a reliable signal of capabilities, and low school quality feeds into poor workplace learning capacity.
- Given the uncertainty about the potential of school leavers, employers consider entry-level wages to be too high relative to the risk of hiring these inexperienced workers.

1.5.2 Spatial poverty trap

Spatial poverty trap refers to geographically remote region or area with low potential or marginal economic activity. These areas are neglected politically and are not integrated into the main stream economy. In South Africa many of these areas will fall under former homelands where there was no industrialization. The apartheid government deliberately left this areas under developed and to serve as reserves for labour.Jalan and Ravallion (2012) also argue that as a multidimensional process poverty trap is closely linked to geography. Jalan and Ravallion (2012) claim that poverty trap is affected by locality of an individual. For instance, if you live in rural areas far away from economic opportunities that situation will trap and make one chronically poor. Current research (Tsheola, 2012; Krishna, 2012; Barrett, 2012 and Gaspart & Thomas, 2012) demonstrates that women constitute the majority of rural dwellers experiencing the worst effects of poverty.

Figure 6:Percentage distribution of households by settlement type



Source: Statistics South Africa, 2012

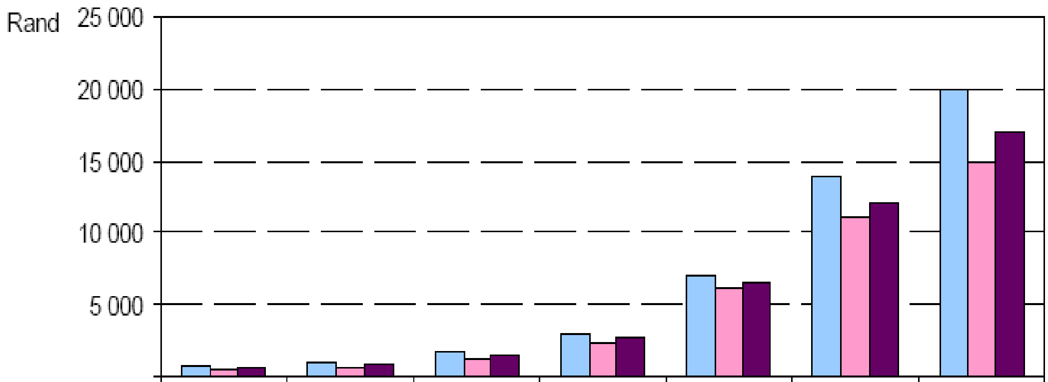
This figure tells us that a large percentage of men, 75.7%, are concentrated in rural areas. Given the lack of opportunities and low industrialization in rural areas it means a significant number of men concentrated in rural areas are not working. It also suggest that a significant number of men experience poverty. In traditional areas governed by tribal chiefs women form 53.5 percent, while men constitute 46.5. overall, what this data tells us is that many men are concentrated in urban areas.Grant (2010) takes a different direction with regards to the link between poverty and geography. She argues that poverty traps are not only prevalent in rural areas, but also persist in urban areas. She points out that urban spatial poverty traps exist in the developing world. She frames her argument within a discussion of rapid urbanization putting stress on existing resources and thus giving rise to urban poverty and urban inequality.

Following the 2010 study, Grant (2012) continues with another study which investigated the patterns of urbanization across developing countries in relation to urban economic growth and implications for urban poverty, particularly among urban youth. There is a strong association between nations' per capita incomes and their level of urbanisation, but urbanisation is not uniform within countries or regions. Despite their economic clout, there are relatively few large urban concentrations with much urbanisation actually occurring within a large number of smaller urban centres, and one of the reasons urban change has been so rapid in recent decades is that it started from a small base. Urbanisation has been strongly associated with urban poverty and slum growth too. There is some evidence that some sub-Saharan African countries are now stagnating or urbanising very slowly, perhaps reflecting declining economic opportunities in many urban areas and a rising crisis of urban poverty and livelihood insecurity.

1.5.3 Low wages

Critical literature (Antman & McKenzie, 2005; Knab & Plum, 2010; Salazar & Villa, 2012) tell us that lower wages contribute to entrapment of people in poverty. Antman and McKenzie (2005) argue that the old adage saying that anybody can make it through hardwork does not hold in current economic times. Antman and McKenzie (2005) clearly demonstrated that lower income accounts for the possibility of individuals facing poverty traps. In the same vein, Knab and Plum (2010) argue that being employed is not sufficient condition for escaping poverty. They continue to say that many jobs pay a meager wage. As such low paid workers still face higher poverty risk than workers in higher-paid jobs. Similarly, Salazar and Villa (2012) conclude that poverty trap exist under high economic inequality.In the South African context lower wages are tied to past discriminatory practices. Apartheid has created remuneration practices that discriminated against women irrespective race. Across the board women were paid less than men. Data drawn for Statistics South Africa (2010) clearly demonstrates that there is still huge gap between the earnings of men and women. Men are paid higher salaries than women even though they do the same job. In addition, certain jobs were reserved for women – which means that high paying jobs were reserved for man. Hence, there are very few women at the upper echelons of the corporate.

Figure 7:Distribution of monthly earnings for employees by gender

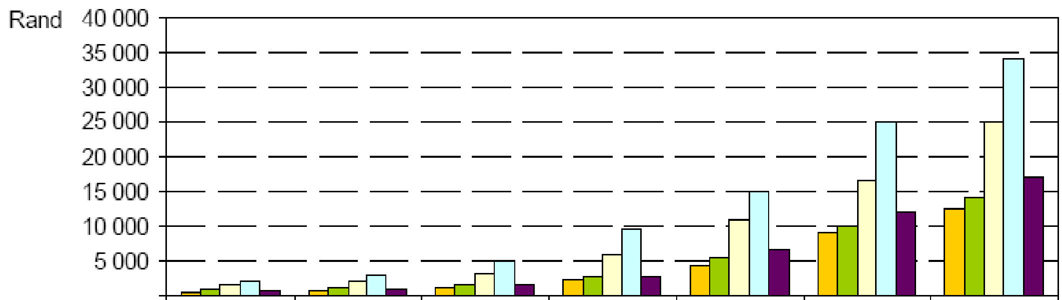


	Bottom 5%	Bottom 10%	Bottom 25%	Median	Top 25%	Top 10%	Top 5%
Men	750	1 040	1 733	3 033	7 000	14 000	20 000
Women	500	650	1 200	2 340	6 200	11 000	15 000
Both sexes	570	845	1 500	2 800	6 500	12 000	17 000

Source: Statistics South Africa, 2010.

Similarly, the distribution of monthly earnings by population group (depicted in the figure below) clearly shows a link with apartheid model of remuneration. Data in the figure below shows that whites earn more than other races. The model of apartheid was created to plunge other races into poverty. What is surprising is that the situation is not improving despite the new human rights legal dispensation

Figure 8: Distribution of monthly earnings for employees by population group

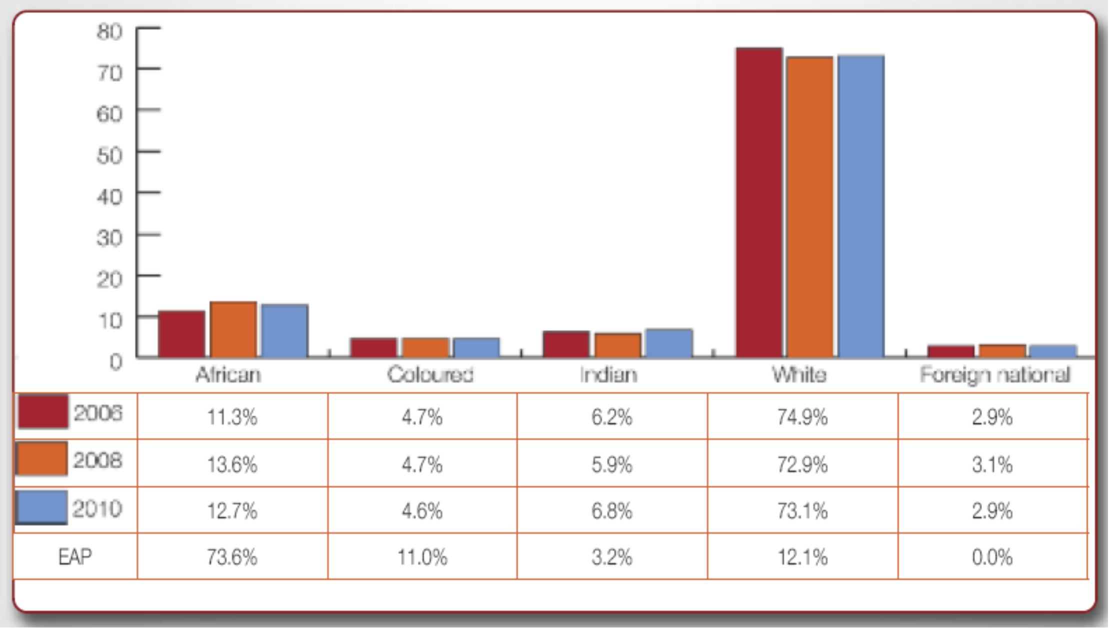


	Bottom 5%	Bottom 10%	Bottom 25%	Median	Top 25%	Top 10%	Top 5%
Black African	500	700	1 200	2 167	4 500	9 000	12 567
Coloured	850	1 083	1 560	2 652	5 500	10 000	14 000
Indian/Asian	1 500	2 000	3 300	6 000	11 000	16 500	25 000
White	2 000	3 000	5 000	9 500	15 000	25 000	34 000
RSA	570	845	1 500	2 800	6 500	12 000	17 000

Source: Statistics South Africa, 2010.

The inequalities depicted in both figures explain the concentration of poverty among Blacks. When viewed from equity point of view, it means that Whites occupy senior position in the workplace. Blacks are concentrated at the lower rung of the corporate ladder. The figure below confirms this claim. Data from this figure clearly shows Whites constitute 74,9% of the top management level positions in South Africa. African only make 11,3% of top management level positions in South Africa . Unless issues of equity are addressed poverty will not be defeated. Inequalities increase poverty.

Figure 9: Trends for the top management level from 2006 to 2010 by race

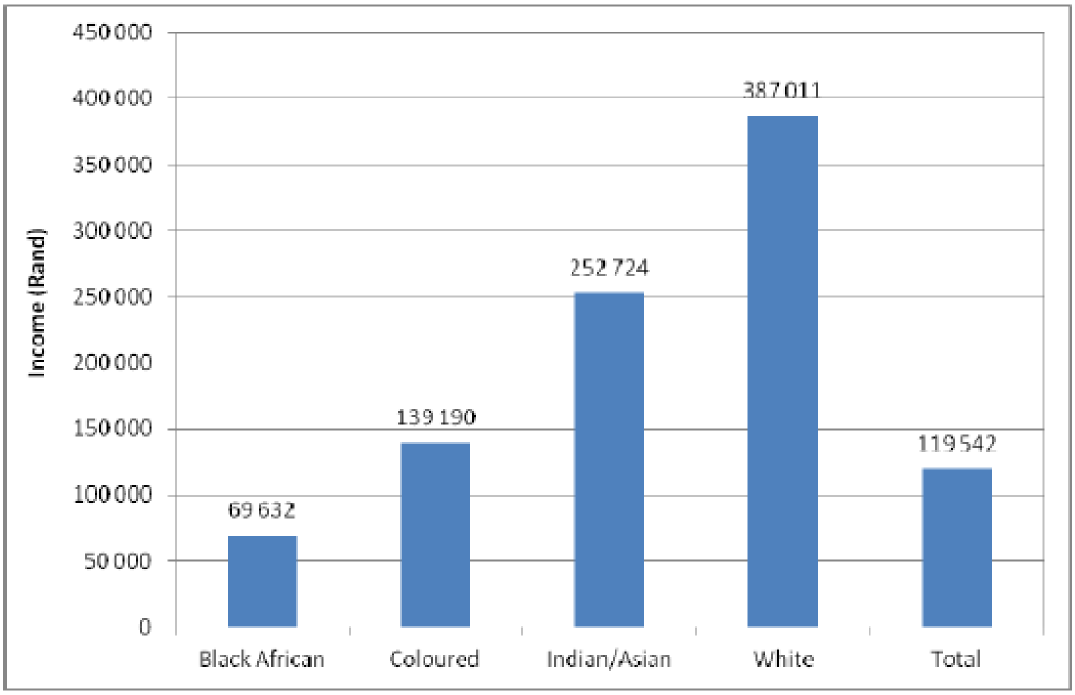


	African	Coloured	Indian	White	Foreign national
2006	11.3%	4.7%	6.2%	74.9%	2.9%
2008	13.6%	4.7%	5.9%	72.9%	3.1%
2010	12.7%	4.6%	6.8%	73.1%	2.9%
EAP	73.6%	11.0%	3.2%	12.1%	0.0%

Source: Department of Labour, 2012.

Looking at the income side, the average annual household income according to the Income ES 2010/2011 was R119 542. This reflects a real increase of 16,7% from IES 2005/2006. The average levels of income also remain significantly different across the population groups. The average for households headed by black Africans was R69 632, while the average for coloured-headed households was R139 190. Indian/Asian-headed households had an average of R252 724 per annum and white-headed households had an average of R387 011, more than 5.5 times the income of the average black African-headed household (Statistics South Africa, 2012).

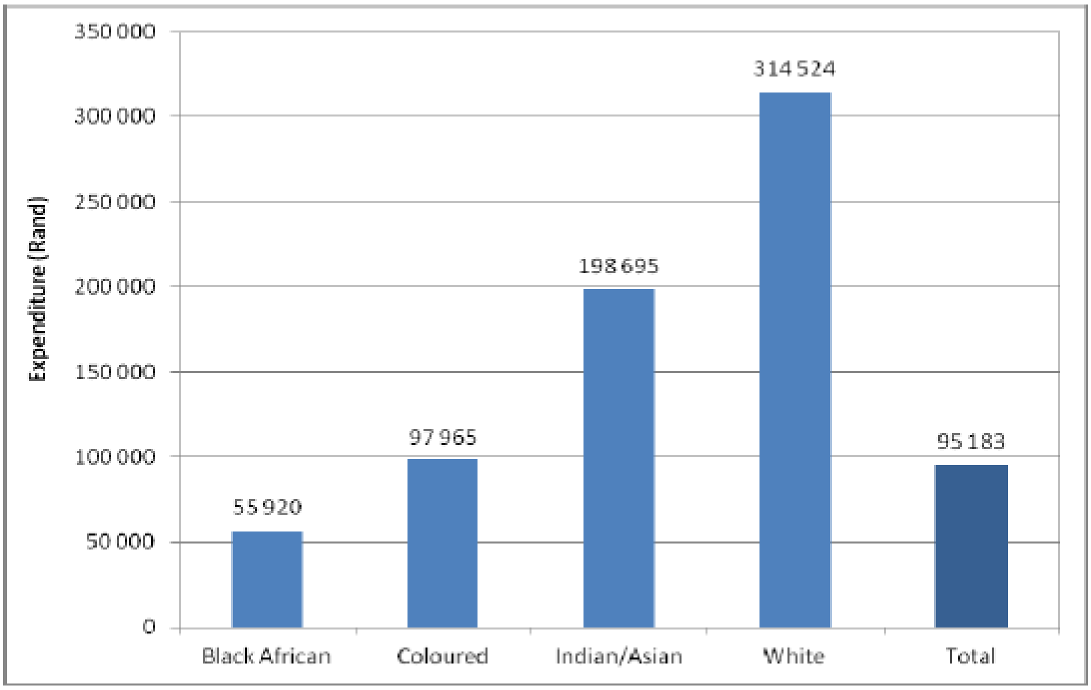
Figure 10: Average household income by population group



Source: Statistics South Africa, 2012

According to Statistics South Africa (2012) average household consumption expenditure in South Africa increased from R56 152 in 2005/2006 to approximately R95 183 in 2010/2011 (a nominal increase of 69,5%). In constant 2011 prices, we see a real increase in spending of 24,6% or roughly R18 779 per annum. The main components of consumption expenditure for South African households remain housing (including water, electricity and other utilities), transport, food and miscellaneous goods and services (such as personal care items and insurance). Average levels of expenditure remain significantly different across the population groups. The average for households headed by black Africans was R55 920, while the average for coloured-headed households was R97 965. Indian/Asian-headed households had an average of R198 695 per annum and white-headed households had an average of R314 524.

Figure11: Average annual household consumption expenditure by population group



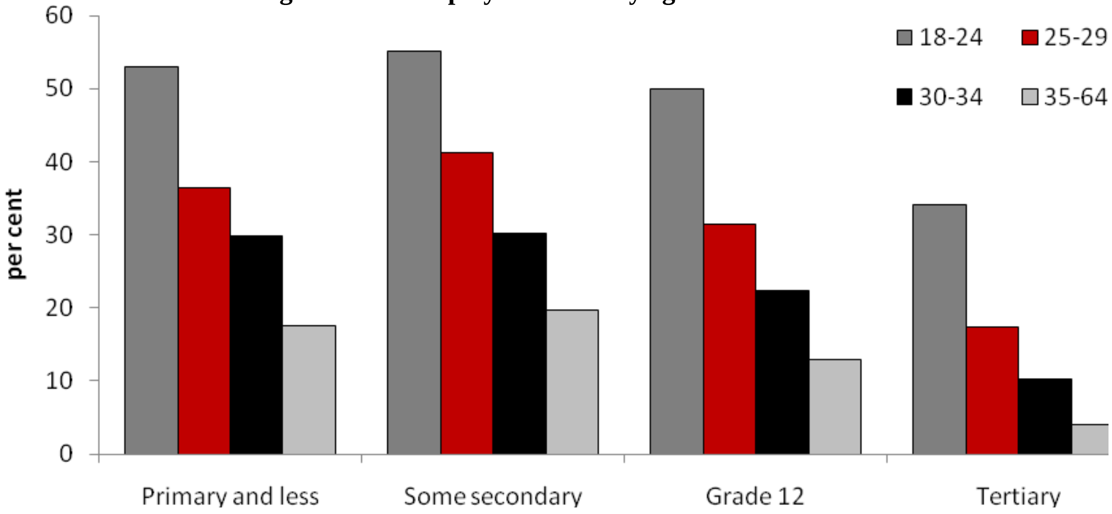
Source: Statistics South Africa, 2012

Even though South Africans are seeing increases to their income, overall there are still very high levels of inequality across and within population groups. It is important to note that while almost everyone reported making financial gains between the two surveys, the majority of the population are doing so from a relatively low base (i.e. big percentage gains do not necessarily translate into big Rand gains).

1.5.3 Unemployment

Employment prospects are constrained by low teaching standards and high drop-out rates. Over the past five years, the continuation rate from Grade 11 to Grade 12 has averaged 67 percent. This implies that one-third of all Grade 11 students either drop out from secondary school or repeat Grade 11. A further 7-8 per cent of Grade 12 students fail to write the Matric exams each year. Combining these figures with the Matric pass rate, which was 67.8 per cent in 2010, illustrates the low rate of secondary school completion. Labour force data supports this, showing that only 44 per cent of working age individuals has completed secondary education. Poor school quality feeds into low workplace learning capacity. Exacerbating the skills issue, negotiated wages are a poor reflection of entry-level productivity. The interaction between productivity and real wages is a critical determinant of job creation and a gap between real wages and productivity undermines competitiveness, discourages businesses from hiring workers and pushes unemployment higher. Figure 6 indicates that unemployment rates across emerging economies are positively correlated with their ranking for how well pay reflects productivity. South Africa ranks 112th out of 139 countries in the World Economic Forum's *Global Competitiveness Report 2010/11* for this measure of labour market efficiency. The gap between real wages and productivity is particularly high for young and lower-skilled workers, due to poor education, low skills and a lack of work experience, and contributes to the problem of youth unemployment, as companies are reluctant to increase hiring when they cannot adequately assess potential.

Figure 12: Unemployment rate by age and education



Source: National Treasury, 2011

1.5.4 Intergenerational poverty

Research on poverty has recently focused on structural constraints that prevent the poor from moving out of poverty. Debates around intergenerational poverty embody claims on the fact that people are poor because they do not have assets (Barrett, 2004; Giesbert & Schindler, 2010 and Janzen, Carter & Ikegami, 2012). Assets are considered to determine a household’s income earning potential and future welfare. Households below a certain asset level are predicted to be trapped in poverty in the long term Parents' unemployment in general reduces family income; their children's educational demand may fall as a consequence for three reasons. First, the consumption demand for education will be lower. Second, a reduction in the first period income reduces the investment demand for education, assuming decreasing absolute risk-aversion (Micklewright, Paerson & Smith, 1990). Third, with imperfect capital markets, lower family incomes may restrict access to credit, with a further deleterious impact on education demand.

1.5.5 Policy

Mills (2010) argues that the main reason Africa’s people are poor is because their leaders have made this choice. Mills based his argument on observation of other economies in similar conditions. He concludes that other countries in similar conditions as Africa grow faster economically because their leaders take sound decisions in the national interest. To Mills success in the global economy does not require a miracle, an elixir. No country prospers under special conditions.In a similar vein, Mbeki (2009) shows that the story of African development is a tale of lost opportunities and extinguished hopes. Mbeki argues that African are architects of their own poverty. To Mbeki African leaders sell off the continent’s assets to enrich themselves and the rest of the world. Hence, Ayittey (2005: 33) concludes that:

> “ True freedom never came to Africa after independence (from colonial powers). In many African countries, independence was in name only; all that occurred was a change in the color of the master – from white colonialists to black neo-colonialists – and the oppression and exploitation of the African people continued relentlessly”.

Ayittey (2005) laments the economic regression permeating African states. He argues that present governments are invidious and worse than colonial masters. Ayittey argues that African leaders are parasites who sap on the resources of the state to lavish themselves while the majority of the people are suffering. For Amadi-Ihunwo (2010) it is this lack of interest in national development that leads leaders to adopt foreign policies that are alien to African context and end up praising themselves of having put in place world class policies. Yet the policies have no effect to the Africans. For this reason, Lines (2008) argues that poverty persist in Africa because of policy failure. Lines avers that policies are based on prevailing economic forces that are unique to each country. So, therefore to transplant economic policies from other countries does not give a guarantee that policy will succeed.

In the same vein, Moyo (2009) argues that African leaders adopt policies to attract development aid and campaign for more funding. When the aid is secured the money is stashed away from the poor people. Arguing in the same way, Hodler and Dreher (2013) argue that the international development community has advanced various development paradigms, but failed due to poor productive capacity and country-specific policies. Policy borrowing does not work for Africa. The existence of poverty trap may call for tailored policies to lift households above a critical threshold (Barret & Carter, 2012).

II. BREAKING THE POVERTY TRAP

2.1 Youth wage

That South Africa has a serious unemployment problem is universally accepted. But it is also clear that, when it comes to youth unemployment, we are in a crisis. The vast majority of the unemployed in this country are under the age of 34. The labour market, like any other, reaches an equilibrium based on the supply of, and demand for, labour. In South Africa, wage and non-wage regulation of the labour market is a major contributor to unemployment – a point accepted by most economists. Research by the World Bank shows that long-term youth unemployment is particularly damaging to individuals and society. The longer first-time job seekers have to look for work, the less employable they become. This has inevitable negative social effects.A wage subsidy allowance for all 18-year olds can be used throughout their life to facilitate the school to work transition and to assure that the educational skills of the new cohorts do not deteriorate through a long period of unemployment. We will propose that during the probation period in which the allowance is used, employers be free to dismiss workers without any justification.A wage subsidy will not result in a lowering of wages, which is important given South Africa's relatively high cost of living. An analysis in the Financial Mail correctly attributes these high costs to the "legacy of the apartheid economy, in particular poor transport infrastructure, long distances to work and high, monopolistic pricing. A wage subsidy allows the State to take on some of these costs. This is especially relevant in a labour market that imposes numerous wage taxes like Skills Development Levies, Unemployment Insurance Fund contributions and Workmen's Compensation Assurance premiums that together add nearly 5% to the cost of employing workers in South Africa.

2.2 Broad economic growth and participation by all

South Africa has a highly unequal economy in which people with access to wealth experience. SA as a developed modern economy, while the poorest still struggle to access even the most basic services. The differences in conditions between the two are so stark they appear to be worlds apart – giving the notion of 'two economies' resonance. Yet these realities are in fact connected and interdependent in a range of complex ways, with certain common processes producing or reinforcing these extremes in access and opportunity. Analysing these processes has been a long standing source of debate in SA – this debate necessarily also informs the development of a strategy for the second economy. The approach taken in the second economy strategy process has been to use the terms 'first' and 'second' economy to describe the conditions at the two different ends of this spectrum: with wealth and resources concentrated at one end – and poverty and disadvantage at the other; with a strong focus on how certain key legacies of apartheid make this inequality deeply structural – in particular:

- The centralised, monopoly structure of SA's core economy - including the labour market legacies of pass laws, as well as the highly skewed distribution of assets such as land and capital;
- The spatial legacy of bantustans and apartheid cities;
- The legacies of deep inequality in the development of human capital.

Despite the many changes in South African society since 1994, these forms of structural inequality continue to hamper the best efforts of development policy, reinforcing old forms of economic marginalisation at the same time as facilitating new ones. The concept of the 'second economy' is used to describe this economic marginalisation, and the poverty and social alienation that characterise it – in order to focus policy attention on the need to change it.

A strategy for the second economy is intended to contribute to the following goals:

- Employment creation – widely recognized as South Africa's single biggest priority for addressing poverty, inequality and economic marginalisation.
- Improving the terms on which people participate in the economy – whether they are working for themselves or someone else – so that such participation lifts them out of poverty.
- Increasing poor people's ability to gain and secure assets;
- Ensuring basic needs are accessible and affordable;

- Improving the distribution of returns from economic activity more equitably across the society.

The strategy targets people who are willing and able to earn a living, but are either unemployed, or earn too little from economic activity to exit from poverty. This includes discouraged work-seekers, the working poor, many in the informal sector as well as subsistence or poor farmers. This comes to about 11.6 million people, almost all of whom are black; with women and youth most affected, particularly in rural areas – especially in former *bantustan* areas.

2.3 Second chances

This strategy starts from a premise that young people should be enabled to take up their entitlement to education and training because of the social and economic benefits this brings to the individual and to society more broadly. Second chances programmes must give prominence to young people's economic challenges and contribute a detailed picture of how young people who have disengaged can be developed, helping them to make the transition back to education, training or employment. The programme should be based on interpretation of young people's experiences with the accounts of those working closely with them to understand what succeeds in re-engaging young people and what the barriers and challenges may be.

III. CONCLUSION

Poverty traps happen in many ways. There are structural problems which are beyond the individual. No matter how hard one works, one cannot defeat the traps that come from structural challenges. Secondly, there are individual weaknesses which entrap a person into poverty. The paper outlined many of the challenges that entraps people into poverty in the South African context. At the end I suggested practical ways in which poverty traps can be overcome.

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