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Poverty
Associated Risks and Alleviation

Edited by Andrzej Klimczuk and Delali A. Dovie

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Sustainable Development

Volume 38

Aims and Scope of the Series

Transforming our World: the 2030 Agenda for Sustainable Development endorsed by United Nations and 193 Member States, came into effect on Jan 1, 2016, to guide decision making and actions to the year 2030 and beyond. Central to this Agenda are 17 Goals, 169 associated targets and over 230 indicators that are reviewed annually. The vision envisaged in the implementation of the SDGs is centered on the five Ps: People, Planet, Prosperity, Peace and Partnership. This call for renewed focused efforts ensure we have a safe and healthy planet for current and future generations.

This Series focuses on covering research and applied research involving the five Ps through the following topics:

1. Sustainable Economy and Fair Society that relates to SDG 1 on No Poverty, SDG 2 on Zero Hunger, SDG 8 on Decent Work and Economic Growth, SDG 10 on Reduced Inequalities, SDG 12 on Responsible Consumption and Production, and SDG 17 Partnership for the Goals

2. Health and Wellbeing focusing on SDG 3 on Good Health and Wellbeing and SDG 6 on Clean Water and Sanitation

3. Inclusivity and Social Equality involving SDG 4 on Quality Education, SDG 5 on Gender Equality, and SDG 16 on Peace, Justice and Strong Institutions

4. Climate Change and Environmental Sustainability comprising SDG 13 on Climate Action, SDG 14 on Life Below Water, and SDG 15 on Life on Land

5. Urban Planning and Environmental Management embracing SDG 7 on Affordable Clean Energy, SDG 9 on Industry, Innovation and Infrastructure, and SDG 11 on Sustainable Cities and Communities.

The series also seeks to support the use of cross cutting SDGs, as many of the goals listed above, targets and indicators are all interconnected to impact our lives and the decisions we make on a daily basis, making them impossible to tie to a single topic.

Meet the Series Editor

Usha Iyer-Raniga is a professor in the School of Property and Construction Management at RMIT University. Usha co-leads the One Planet Network's Sustainable Buildings and Construction Programme (SBC), a United Nations 10 Year Framework of Programmes on Sustainable Consumption and Production (UN 10FYP SCP) aligned with Sustainable Development Goal 12. The work also directly impacts SDG 11 on Sustainable Cities and Communities. She completed her undergraduate degree as an architect before obtaining her Masters degree from Canada and her Doctorate in Australia. Usha has been a keynote speaker as well as an invited speaker at national and international conferences, seminars and workshops. Her teaching experience includes teaching in Asian countries. She has advised Austrade, APEC, national, state and local governments. She serves as a reviewer and a member of the scientific committee for national and international refereed journals and refereed conferences. She is on the editorial board for refereed journals and has worked on Special Issues. Usha has served and continues to serve on the Boards of several not-for-profit organisations and she has also served as panel judge for a number of awards including the Premiers Sustainability Award in Victoria and the International Green Gown Awards. Usha has published over 100 publications, including research and consulting reports. Her publications cover a wide range of scientific and technical research publications that include edited books, book chapters, refereed journals, refereed conference papers and reports for local, state and federal government clients. She has also produced podcasts for various organisations and participated in media interviews. She has received state, national and international funding worth over USD $25 million. Usha has been awarded the Quarterly Franklin Membership by London Journals Press (UK). Her biography has been included in the Marquis Who's Who in the World® 2018, 2016 (33rd Edition), along with approximately 55,000 of the most accomplished men and women from around the world, including luminaries as U.N. Secretary-General Ban Ki-moon. In 2017, Usha was awarded the Marquis Who's Who Lifetime Achiever Award.

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Preface

This edited volume, *Poverty – Associated Risks and Alleviation*, focuses on a multifaceted examination of one of the key global development challenges. The book is structured from international structures to national policies, and then to ground-level practices. The collection explores the foundational theoretical frameworks and macro-structural dynamics, delves into selected social policies, including their design and specific strategic approaches to address socio-economic disparities, and examines the concrete challenges of interventions and assessments related to poverty. By progressing from theory to applied practice, the volume provides a comprehensive and methodologically diverse perspective on poverty alleviation. Furthermore, it contributes to activities focused on achieving the Sustainable Development Goals (SDGs).

The presented collection includes 10 chapters prepared by 14 authors from the following countries: Greece, Malta, South Africa, the United Kingdom, and the United States of America. The chapters in this volume offer both research insights and practical recommendations, drawing on disciplines such as economics, management, sociology, social policy, and social work.

The chapters included in this edited book are divided into three sections. The first section, "Theoretical and Structural Frameworks", is focused on the foundational theories and high-level frameworks used to understand poverty. It covers chapters that analyze the overarching economic, social, and political structures that shape poverty. Also, it introduces the paradigms through which it is addressed, including issues of globalization, neoliberalism, monetary policy, as well as the diversity, equity, and inclusion framework.

The second section, "The Design and Analysis of Social Policy", covers case studies that highlight selected approaches in the formulation and analysis of governmental policies aimed at poverty reduction. The chapters included exploring strategic choices and analytical assessments. Both wide-ranging policy mixes and specific solutions, such as those targeted at job creation and paid maternity leave, are explored.

The final section, "Poverty in Practice: Intervention and Assessment", comprises chapters that focus on the practical application of anti-poverty efforts, particularly in addressing homelessness and agricultural extension as key strategies for alleviating poverty. On the one hand, these studies describe concrete social problems and on-the-ground interventions. On the other hand, they examine the practical methods used to assess the prevalence and features of poverty.

This book is a valuable resource for academics and professionals focused on poverty theories, development aid, public services, and policymaking related to poverty alleviation. Additionally, it serves as a supportive tool for students, practitioners, and individuals working in government, business, and non-governmental organizations.

We would like to thank each and every author for their contributions to this book. We hope it will foster international efforts to both study poverty and eliminate it. We would also like to thank Iva Horvat, Zrinka Tomicic, Sandra Maljavac, and Lucija Tomicic-Dromgool of IntechOpen, who, through excellent organizational skills, helped with the editorial and publication process.

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Section 1

Theoretical and Structural Frameworks

Chapter 1

Perspective Chapter: Globalization and Social Policy – National and Supranational Responses to Poverty and Social Exclusion

Stavros Pantazopoulos

Abstract

The complex interplay between globalization and social policy forms the foundation of contemporary debates in the social sciences. As economic and political landscapes become increasingly interconnected, traditional mechanisms of social policy, once confined to national borders, now operate within a broader global context. This study examines how globalization influences the formulation and effectiveness of social policy, emphasizing the adaptation of policy frameworks to address global challenges. The research highlights the growing impact of global economic dynamics on social equity and the sustainability of welfare states, identifying the limitations of national policies in addressing issues such as poverty, inequality, and social exclusion. Through a comprehensive analysis of the transformation of social policy from national to supranational levels, this study explores how countries and global entities respond to the challenges posed by globalization. The analysis incorporates theoretical foundations, historical evolution, current trends, and case studies, illustrating the interdependence of national and supranational policies. This research contributes to a deeper understanding of global social governance and emphasizes the need for a robust framework integrating national and global strategies to foster social equity and ensure the sustainability of welfare systems.

Keywords: globalization, social policy, welfare state, poverty, supranational governance, social equity

1. Introduction

In the framework of the contemporary interventionist state, social policy is strategically designed to mediate within the capitalist free market and economic systems. Its primary objectives are to redistribute income, safeguard vulnerable populations, mitigate social disparities, and enhance the general welfare of society. Achieving these objectives necessitates a multifaceted approach: firstly, through the

redistributive function, social policy channels income from workers to those facing social risks such as old age, illness, disability, and unemployment—individuals who are no longer active in the primary income distribution executed by market dynamics yet have historically contributed to social protection schemes. Secondly, the regulatory function of social policy governs the terms and conditions of labor market participation, ensuring fair employment practices and worker rights. Lastly, the welfare function facilitates sustained labor market participation through various supports and benefits, enhancing overall economic stability and individual well-being.

Historically, the formulation of social policy has been predominantly a national endeavor, with each country's development reflecting its unique historical events, sociopolitical dynamics, and cultural traditions. The structure and articulation of social institutions in each national context are distinct, yet they universally aim to address the inherent challenges posed by economic and social inequities [1].

The twentieth-century evolution of modern welfare states was notably influenced by the paradigm of the nation-state. It was within these centralized entities, protected from external economic pressures that interventionist Keynesian policies could be robustly applied. These policies included regulating economic activity, redistributing income, escalating corporate taxation while retaining business operations domestically, augmenting investments, and striving for full employment.

The classical welfare state, epitomized by the national welfare state, pursued two pivotal strategic objectives: the redistribution of the social product and the achievement of full employment. These twin aims were foundational in creating a more equitable social order and fostering economic stability and growth within the protected confines of the nation-state. This historical narrative underscores the crucial role of national frameworks in the evolution of social policies that effectively address the multifaceted challenges of modern societies.

The discipline of social policy intricately examines the theoretical and empirical aspects surrounding the concept of the social state. This academic field integrates insights from various scholarly domains, including political economy, sociology, and political science [2]. These disciplines converge in the analysis of social policy due to their shared and distinct interests in the multifaceted implications of governance and societal management.

The methodology employed in this chapter is a systematic literature review chosen to explore the complex relationship between globalization and social policy effectively. This approach is justified by the need to synthesize diverse theoretical and empirical perspectives from a wide array of peer-reviewed articles, books, and policy reports. The selection criteria prioritized relevance to the research question, academic rigor, and inclusion of recent publications from the last 4 years to ensure the analysis reflects current debates in the field.

The literature review was conducted using established databases such as JSTOR, Scopus, and Google Scholar, ensuring comprehensive coverage. Key themes and patterns were identified through thematic coding, allowing the study to address the research question methodically. While this methodology does not involve primary data collection, it provides a replicable framework for other researchers by explicitly outlining the selection and synthesis processes. This structured approach ensures that the chapter's findings are both robust and grounded in a thorough examination of existing scholarship.

2. Globalization and the evolution of social policy

In our foundational work, we opted not to explore the nuances of the classic social state or national social policy frameworks. Instead, we referenced earlier analyses for a foundational understanding of these concepts. Moving beyond the traditional scope, the past decade has witnessed the expansion of social policy into a third dimension. This newer aspect encompasses both comparative and, now, significantly, supranational or global analyses. These analyses aim to elucidate the development and implications of social policies on various scales ranging from international to global. This shift reflects a broader recognition of the transformative impacts of globalization on policy formation.

Globalization primarily drives the advent of supranational social policies. Furthermore, it catalyzes the weakening of nation-states, increasingly subordinated to expansive regional associations. This global dynamic is accompanied by the disintegration of authentic socialist regimes, signifying a pivotal shift in political and economic structures across the world [3]. This evolution in social policy discourse highlights the necessity for an expanded analytical framework that accommodates the complexities introduced by global interconnectivity and regional integration [4].

Globalization is conceptualized as the dynamic process of worldwide integration where diverse entities such as populations, economic systems, cultural practices, and political structures are increasingly subject to global influences. These entities undergo a transformative reconstruction, culminating in the formation of novel regional or global configurations. This evolution is characterized by unique mechanisms that differ significantly from those operative within traditional nation-state frameworks. Globalization, distinct from the narrower concept of internationalization, prioritizes the assimilation and integration of constituent parts into a cohesive whole. This is particularly salient in the context of globalization's role as an analytical and methodological foundation for the exploration and understanding of emergent supranational forms of social policy.

This research seeks to examine the evolution and role of social policy in a globalized environment, with a particular focus on the supranational dimension of social policy and how it influences and is influenced by economic globalization. The central question of this study is: What are the mechanisms through which globalization alters social policies, and what are the implications of these changes for maintaining social cohesion and protecting social rights at both national and supranational levels? [5] The research also explores the feasibility of implementing a supranational social framework that balances economic pressures with social justice, analyzing examples from the European Union (EU) and other regional associations as potential models.

In addition, the article explores the transition of social policy from the national to the supranational level in the context of globalization. While this shift has been recognized and studied to some extent, the research gap that emerges concerns the insufficient understanding and analysis of how supranational social policies are formulated and implemented in a globalized environment. Specifically, the article aims to address the gap in the literature related to the interaction between national social policies and emerging supranational policy frameworks. It examines the impacts of globalization on the development of these policies and proposes a framework for studying the multidimensional effects of supranational social policy on different social and economic systems.

In this discourse, it is essential to distinguish between globalization and internationalization, with the former implying a deeper level of integration and structural reformation across global societies. This perspective is crucial for framing the analysis of globalization's multifaceted impacts on a macro scale.

However, further analysis of globalization per se will not be pursued here. The copious scholarly literature and the intensity of global debates have already painted a detailed picture of this complex phenomenon. Our discussion will be confined to a brief overview of the contrasting perspectives that animate current debates.

On one side of the spectrum, the neoliberal viewpoint portrays globalization optimistically as a triumphant force that fosters global prosperity by facilitating the liberalization of capital flows, business operations, world trade, and the free movement of people across borders. Proponents of this view argue that globalization not only spurs the modernization and progress of less developed nations but also significantly reduces global poverty and enhances the development of industrialized countries. The cornerstone of the neoliberal argument is the belief that economic globalization disseminates progress and prosperity globally, thereby lifting societies at all levels of development.

The discourse surrounding globalization often polarizes into two starkly opposed views. The traditional Left perceives globalization as a detrimental force that erodes the sovereignty of the nation-state and its ability to provide social protection, simultaneously undermining democratic processes, devaluing the labor force in developed nations, and amplifying rates of unemployment. Contrasting this perspective, the opposition tends to glorify globalization, viewing it as a benign phenomenon heralding a new era of global cooperation and economic prosperity.

Between these extremes, a more nuanced analysis suggests that globalization represents neither a utopian ideal nor an apocalyptic downfall. It is an inherent process of economic and technological transformation that catalyzes the evolution of societal productive forces within the framework of international capitalism. This complex process necessitates a thoughtful integration into the existing social, political, and ideological frameworks that shape our world. Such integration is crucial to address and align the divergent interests and priorities of global stakeholders.

The traditional view often fails to recognize the objective nature of globalization, erroneously interpreting it as a deliberate scheme orchestrated by multinational corporations and international capital. This misconception leads to resistance against the regulatory measures needed to govern the processes of globalization. This resistance, in turn, often exacerbates the issues it purports to combat, resulting in a form of globalization that is unchecked and unaccountable, posing significant challenges to workers and citizens worldwide.

Addressing these challenges requires a concerted effort to develop and implement a robust framework for global regulation. The task is inherently complex, given the intertwined nature of economic, social, and political dynamics that span across national and international boundaries. The competing interests of nations, multinational corporations, social movements, and other entities make the creation of a universal regulatory framework a daunting task. Nonetheless, the development of such a framework is imperative to ensure that globalization can be managed in a way that equitably distributes its benefits and mitigates its risks. Developing supranational policies that effectively address these complex social issues is not only critical but necessary for fostering a more inclusive and sustainable global community.

In the domain of social sciences, particularly within the realm that intersects both reality and cognitive dimensions, the research community is tasked with the

development of distinctive conceptual and methodological frameworks. These frameworks are designed to enable a rigorous analysis, along with the development of strategic interventions and regulatory mechanisms pertinent to the study. This discourse extends to the exploration of the context, diversity of forms, and the intricate challenges presented by supranational social policy. In recent epochs, there has been a notable paradigm shift in the formulation and execution of social policies, primarily influenced by the gradual devolution of powers from nation-states to broader supranational entities. This shift encapsulates several pivotal transformations.

Initially, supranational institutions and organizations are increasingly pivotal in influencing the policies of individual nations, a trend primarily fueled by the forces of market liberalization and globalization. The resultant competitive pressures place nations with robust social protection frameworks in a precarious position, compelling international entities such as the International Monetary Fund (IMF) and the World Bank to engage more assertively. These organizations find themselves compelled to intervene in global markets, offering regulatory oversight and financial aid, particularly through mechanisms like loans, to the world's least developed countries.

Furthermore, the landscape of supernational social intervention is witnessing the emergence of novel paradigms. This evolution is characterized by the development of at least three distinct types of supranational social policies. These policies reflect a growing acknowledgment of the complex interdependencies that define contemporary global governance and the need for coordinated action across borders to address transnational social issues effectively. The overarching objective is to foster a cohesive and equitable global social order that can withstand the challenges posed by international economic dynamics and geopolitical shifts.

In the contemporary global arena, the interplay between economic and social policies is gaining unprecedented attention, particularly with respect to preserving social protection systems in developed countries. There is an emerging consensus around the necessity of formulating and implementing regulatory frameworks that can effectively manage international trade, business operations, and capital flows. These frameworks aim to ensure that the benefits of globalization are equitably distributed while maintaining the social safeguards established in more affluent nations. Despite these policies still being in the nasophil stages of development, there is a significant discord regarding the feasibility of replicating the EU's approach to social regulation of capitalism on a global scale.

Moreover, the redistribution of resources among nations is another pivotal aspect of international policy. Within the EU, such redistributive measures are facilitated through the Structural Funds, which primarily target the upliftment of economically disadvantaged regions. Reflecting on a broader scale, the 1992 United Nations (UN) Human Development Report advocates for the implementation of a progressive tax system between nations to foster a truly global human society. This proposition underscores the necessity for financial mechanisms that can support equitable development across different regions of the world.

Additionally, there is an increasing focus on policies designed to provide global welfare and assistance. For instance, the UN Commission on Refugees operates under a mandate to offer support on a worldwide basis. Similarly, the Council of Europe promotes the protection of human rights by enabling European citizens to seek redress at the European Court of Human Rights in Strasbourg if they encounter rights violations. Further emphasizing social cohesion, proposals have been put forward suggesting that Europe should establish a comprehensive social safety net to mitigate issues such as xenophobia and "welfare tourism" as highlighted by Adam in 2015 [6].

The politicization of social policy issues is becoming more pronounced within global governance. Forums such as the G7/8, the IMF, the World Bank, and the UN are increasingly prioritizing discussions around "basic social standards" and environmental concerns, exemplified by the Rio Conference on climate change. This shift is attributed to the growing apprehensions of political leaders concerning several critical issues: the dynamics of the global economy, escalating global poverty, the surge in migration, the outbreak of nationalist conflicts, and other factors crucial to social and ecological stability. These discussions mark a transformative phase where global governance begins to prioritize social and ecological imperatives alongside traditional focuses on military and security issues, highlighting a holistic approach to addressing the multifaceted challenges of globalization.

Based on the synthesis of extant research, it can be posited that supranational social policy, conceptualized as a global paradigm, encapsulates a comprehensive array of distinct social policies and initiatives. The integration of these individual policies forms a quartet of supranational social policies that constitute the primary focus and analytical framework of the supranational sociopolitical approach.

To delineate, the international milieu coupled with the dynamics of globalization exerts profound influences on national and local social policies. Moreover, the sociopolitical ideologies and strategies deployed by international and transnational bodies—such as the Organization for Economic Cooperation and Development (OECD), International Labour Organization (ILO), IMF, World Bank, UN, World Trade Organization (WTO), and the Group of Seven/Eight (G7/G8)—also play crucial roles. Additionally, the social policies of regional economic associations like the EU, African Union, Association of Southeast Asian Nations (ASEAN), and others represent another facet of these supranational policies. Lastly, the perceptions and interventions of international civil society, particularly through supranational non-governmental organizations engaged in advocating social protection, ecological sustainability, and social rights, constitute the fourth component of this framework.

In crafting this analysis, the terminology used deliberately eschews phrases such as "global social policy" or "global social policies," opting instead for "supranational social policy," or specifically abstract "supranational policies." This choice avoids the connotations of a monolithic global authority or unified governmental structure, which are suggested by the former terms. This distinction is pivotal, as it underscores the absence of a singular global center of command and highlights the considerable heterogeneity in perspectives that shape the ongoing formulation of these policies.

The discourse surrounding global social policy continues to evolve, building upon the foundational contributions of Bob Deacon's seminal work, Global Social Policy (1997). Recent studies have further enriched this field by exploring contemporary developments and addressing the complexities of supranational approaches to social welfare. For instance, Yeates [7] examines how traditional welfare state theories can be applied in a global context, emphasizing the roles of international organizations and transnational actors in shaping social policies that transcend national boundaries.

Similarly, Davies [8] highlights the transformative potential of grassroots movements in the Global South, arguing that these initiatives challenge traditional top-down approaches and advocate for a reimagined global order. This perspective underscores the significance of bottom-up processes in shaping global social policy frameworks.

In addition, Nullmeier et al. [9] provide a historical perspective, illustrating how interactions between international interdependencies and domestic factors have influenced the evolution of social policies across different regions and time periods.

Their work emphasizes the need to contextualize global social policies within specific historical and political frameworks.

The responses to global crises, such as the COVID-19 pandemic, have also provided valuable insights into the adaptability and limitations of social policies. For example, a study on the social policy responses to COVID-19 in the Global South (2021) showcases the diversity of strategies employed by 36 countries and highlights the critical role of international influences in shaping these responses [10].

Collectively, these contemporary analyses expand upon Deacon's initial insights, reflecting the growing complexity of global social policy in the twenty-first century. They not only deepen our understanding of the interplay between global and local dynamics but also advocate for a more nuanced and inclusive approach to addressing the multifaceted challenges of global governance and social welfare.

In contemporary scholarly discourse, various authors conceptualize supranational policies differently, with some reducing these to merely transnational cooperation policies or confining them to singular modalities such as social work. Globalization and the shaping of supranational policies have been extensively examined by Schmidt [11], who explores the multidimensional impacts of global interconnectivity on social policy frameworks. Schmidt's analysis highlights the evolving roles of international organizations and regional integrations, emphasizing the need to address both the broader implications and the specific objectives of supranational social policy.

Recent studies have highlighted the significant impact of globalization on welfare states in developed economies, particularly within OECD countries. As globalization intensifies, national governments face diminishing autonomy in maintaining traditional economic strategies such as full employment and sustained economic growth. This loss of policy sovereignty is driven by increased economic integration and competition on a global scale, which compels states to prioritize fiscal austerity measures. These pressures often result in reduced social spending and a reconfiguration of welfare policies, placing significant strain on social protection systems. Moreover, globalization exacerbates income inequality and disparities in working conditions, as labor market flexibility and the decentralization of collective bargaining undermine wages and employment stability. The resulting "social dumping" creates downward pressure on labor standards, disproportionately affecting vulnerable populations. These dynamics underscore the intricate relationship between globalization and the sustainability of welfare states [12], as states attempt to balance economic competitiveness with social equity [13].

These scholarly perspectives underscore the complex dynamics at play in the realm of global social policy [14], illustrating how globalization influences not only economic parameters but also the sociopolitical fabric of nations. Such analyses are crucial for understanding the multifaceted impacts of globalization and for devising effective strategies to mitigate its adverse effects on social welfare systems.

Globalization presents a profound challenge to the ideological underpinnings of social protection and national minimum standards, often eroding the basis of national solidarity and legitimizing wage disparities. As economic boundaries extend beyond national borders, the foundational elements of social cooperation and the established mechanisms of tripartite representation—comprising the state, labor, and employers—are significantly weakened. This shift tends to reallocate power dynamics, disproportionately favoring capital interests at the expense of labor and the governance capabilities of the state.

Moreover, globalization constrains the scope for nations to pursue alternative, left-leaning policies. It heralds an era perceived as the "end of ideologies" that prioritizes

market efficiency over social welfare concerns, thereby diminishing the role of state interventions in addressing socioeconomic inequalities. The logic of globalization often conflicts with that of national communities and democratic governance. The primary arena of conflict between global capitalism and democratic nation-states centers around the formulation and implementation of social policies. This contention highlights the complex interplay between global economic forces and local political realities, where the imperatives of global markets often collide with the principles of democracy and social justice.

Recent studies have examined the impact of trade and capital liberalization on developed welfare states during the 2020s, highlighting ongoing challenges and transformations in national economies and social policy frameworks. One such study is "Liberalizing Trade and Capital Flows and the Wage Gap: Does Sequencing Matter?" by Rashmi Ahuja and Sugata Marjit [15], which analyzes how the order of implementing trade and capital account liberalization affects wage inequality in developing economies. Their findings suggest that when the skilled sector is capital-intensive, wage disparities increase regardless of the sequencing of reforms.

Another relevant work is "Impact of Trade Liberalization on Household Welfare: An Analysis of Vulnerability, Income, and Expenditure" (2020), which constructs indices to represent household exposure-to-trade as proxies for trade liberalization. The study examines welfare through household vulnerability, income, and expenditure, providing unique insights into the effects of trade policies on domestic welfare.

In response to the increasing global integration of markets, traditional mechanisms of economic regulation, including Keynesian fiscal policies, interest rate management, and public expenditures, have faced significant challenges in maintaining their effectiveness. This shift has been driven by global supply chain disruptions, trade restrictions, and the complexities of economic nationalism. Recent studies emphasize the necessity of a strategic realignment of socioeconomic policies to ensure both economic competitiveness and social welfare in this evolving context. For instance, research published in the Journal of International Business Studies highlights the transition from traditional open trade principles to geopolitical realism, which undermines the efficacy of established economic regulations and necessitates adaptive policy strategies [16].

Similarly, findings from the IMF Economic Review indicate that the diminishing effectiveness of fiscal and monetary policies in the face of globalization has led nations to explore innovative frameworks that address global economic integration and its disruptions. These frameworks focus on maintaining growth and employment while navigating new economic constraints [17]. Furthermore, a study in Studies on Entrepreneurship, Structural Change, and Industrial Dynamics underscores the importance of strategic adaptation and the development of responsive capabilities. It argues that traditional economic regulations are insufficient without flexible mechanisms that account for dynamic global market conditions [18].

These contemporary perspectives build on earlier work by scholars such as Esping-Andersen, adapting their foundational insights to the present global economic landscape, where market dynamics necessitate constant innovation and responsiveness in socioeconomic policymaking.

Social democratic states, exemplified by Sweden, responded by reinforcing their commitment to societal prosperity through an expansion of public sector employment. This strategy aimed at mitigating unemployment and maintaining social stability but raised questions about its sustainability as a long-term solution. Conversely, liberal, Anglo-Saxon states, including the United Kingdom and the United States,

pursued economic attractivity through labor market deregulation and wage suppression to foster a business-friendly environment conducive to capital influx.

In Central Europe, notably Germany, corporatist states adopted a model of jobless growth. This approach emphasized investment in high-productivity sectors without a corresponding increase in employment, thereby channeling unskilled labor toward low-productivity sectors or bolstering unemployment safety nets. Such strategies led to the emergence of a dual society structure, where a segment of the workforce enjoyed high wages and robust social security, while another, comprising unskilled and unemployed individuals, also remained protected by comprehensive social security systems.

These divergent responses underscored the complex trade-offs between reducing unemployment and maintaining social equality. The corporatist model, while preserving social equality, often resulted in higher unemployment rates. In contrast, the Anglo-Saxon approach, though successful in reducing unemployment rates, intensified social inequalities. This contrast highlights the varied outcomes of adapting to global economic pressures, reflecting the intricate balance between economic liberalization and social welfare policies in the context of globalization.

Deacon articulates a comprehensive research agenda for future supranational social inquiries, consolidating the foundational context and delineating the structure of the supranational framework. Initially, Deacon examines the array of factors and dynamics that catalyze the globalization of social policies. These drivers include the intensification of global economic competition, fluidity of capital across borders, intricacies of international trade, migration trends, the imperative to govern the global system, initiatives aimed at poverty alleviation, the advancement of developing nations, the collective global efforts to combat diseases, and the protection of the climate and environment. Collectively, these elements underscore the pressing need for overarching supranational initiatives and regulatory frameworks.

Subsequently, Deacon transitions to an exploration of classical themes within social policy, albeit through the lens of international applicability. This exploration calls for a novel reinterpretation and application of traditional social policy tenets such as social justice, citizenship, the balance between universality and selectivity of benefits, the roles of welfare institutions, and the dynamics between public and private sectors in welfare provision. Moreover, the discourse extends to the principles of individual responsibility juxtaposed with collective solidarity, the establishment of social guarantees, and the evolving interpretations thereof within a supranational context. Amidst these discussions, emergent concepts and terminologies such as inter-state justice, supranational citizenship, global universality of benefits, the principle of subsidiarity applied to supranational entities, global social rights, and the discrimination based on gender, race, and nationality at a global scale are critically examined. These notions introduce a refreshed framework for analyzing and interpreting the phenomena of supranational social policies, marking a significant shift from national or local frameworks to a broader, more inclusive global perspective.

The third section of the analysis analyzes the intricacies of global regulation, redistribution, and welfare mechanisms. These mechanisms are integral components of governance both at regional levels, exemplified by entities such as the EU, and at a global scale. Within the global context, the advent of multinational corporations has raised significant concerns regarding social dumping, a practice that has compelled institutions like the World Bank to prioritize this issue on their agendas. This form of economic interaction, where companies move operations to countries with less stringent labor laws to cut costs, underscores the complex interplay between global economic practices and social policies.

Moreover, international assistance, particularly directed toward countries of the former Soviet Union, plays a crucial role in ensuring social stability and cohesion. This aid, often orchestrated by global organizations, targets the maintenance of societal equilibrium through economic and social support, mitigating the potential disruptions caused by political and economic transitions. The UN Commission on Refugees also contributes to these efforts by providing assistance that is specifically tailored based on civil status, thereby addressing the needs of displaced populations through a targeted approach.

The implementation of these regulatory, redistributive, and welfare policies employs a diverse array of tools, measures, and interventions. However, these instruments often appear contradictory, reflecting the disparate philosophies and policies of the various actors involved. For instance, the IMF (IMS) often conditions its assistance on the implementation of stringent budgetary cuts and reductions, which can conflict with the objectives of social welfare. In contrast, the ILO advocates for the establishment of comprehensive three-tiered social security systems, emphasizing the protection and welfare of the workforce.

Regional economic integration presents another layer of complexity, where economic policies such as trade liberalization can have dual effects. In Europe, the liberalization of trade has been counterbalanced by a redistribution of resources through the Structural Funds aimed at reducing economic disparities across the region. Such redistributive mechanisms were notably absent in the North American Trade Liberalization Agreement, highlighting the variable approaches to economic integration and the differing outcomes they produce in terms of social equity and welfare.

3. The development of the welfare state in European nation-states

Examining the historical background of the welfare state reveals its establishment during the late nineteenth and early twentieth centuries as a response to the transformative effects of industrialization and the pressures of emerging working-class movements. Otto von Bismarck's institutionalization of the welfare state in Germany in 1881 is widely regarded as a cornerstone of modern social policy. Despite the prevalence of liberal capitalism at the time, Bismarck's interventionist approach, particularly through measures like the introduction of social insurance programs, addressed the growing demands of industrial workers and sought to curb the rising influence of socialism [19].

Even though similar interventions by respective power centers can be identified in all historical periods, Otto von Bismarck institutionalized the welfare state for the first time in Germany in 1881. Despite the prevalence of liberal capitalism and imperfect competition in the economy, Bismarck ascribed to the state an interventionist role, especially in regard to welfare measures.

Already in the aftermath of the 1873 financial crisis and the collapse of the Vienna Stock Exchange, Bismarck intervened in free trade by imposing protective tariffs. This was a major reason for his break with the National Liberal Party, with whom he had been closely associated politically up until that point. The abandonment of liberalism, however, by Bismarck on domestic issues appears to have been more influenced by the conditions created by the Industrial Revolution, the emergence of the working class, and the pressures it exerted for measures to eliminate the miserable living and working conditions. As the influence of socialist ideas on the working-class grew, so did the intensity of this pressure. The influence of the Social Democratic Party on the

working classes, which was also reflected at the level of elections, had to be stopped in some way. Bismarck created a pension system, a system of medical care, as well as allowances for the lower strata of society afflicted by poverty and unemployment, in response to the conditions that led to this particular development.

Similarly, similar social policies were implemented in Austria during the 1880s, including Prime Minister Eduard count von Taaffe's initiatives. The eleven-hour ban on child labor (e.g., under the age of twelve in industry) and the ban on women working at night in factories were among the measures taken. After 1884, social policy was expanded with legislation on social security for industrial workers, followed by mandatory insurance for work-related accidents and health care coverage.

During his tenure as Liberal Party's Finance Minister, David Lloyd George accepted a similar package in Britain. As was the case in other nations, such as Germany and Austria, the labor movement in Britain lobbied the liberal governments of the time to take measures for the working class, which would take on a more formal form with the formation of the Labor Party in 1906. Social security and health insurance reforms represent one of the period's most significant reforms [20].

In the second half of the nineteenth century, liberal intellectuals and social scientists intervened with their analyses of the social responsibility of the state, exerting some influence on the formulation and implementation of policies in subsequent decades. Green's influence on a number of his students, who, upon entering politics, put his ideas to the test, is an illustration. Consequently, Booth's contribution to the rewriting of the poverty law in the early twentieth century (1905) is also considered to be of crucial importance [21].

Beveridge's report, published during World War II (1942), included measures of an allowance nature to support family households in the event of unemployment, as well as the establishment of a national health system in Great Britain. Beveridge did not, in fact, place the social action of the state outside of a liberal capitalist system. The state provides the individual with the means to alleviate the agony of survival, including relief from want, disease, ignorance, misery, and passivity [22].

Nonetheless, state and citizens must collaborate so that, on the one hand, the guarantees of a minimum standard of living are provided and, on the other hand, the individual ensures through his actions anything that will improve his position in society and the economy. Due to the circumstances of the time, the implementation of this social liberalism was deemed necessary. We cannot speak of a welfare state, but rather of regulations—state interventions that facilitate the unfettered operation of the free market. Nonetheless, the Beveridge report is regarded as pivotal to the manner in which the welfare state was established after World War II and beyond the borders of the United Kingdom, a process that is now in its second phase.

Postwar, society and the economy reshaped in a way that reintroduced the demand for state intervention in social issues in an even more dynamic manner. On the one hand, governments had to deal with material disasters and losses in manpower, and on the other, they had to construct a way of life in large cities and the organization of work in mass production facilities based on the Taylor and Ford models. It should be noted that the 1929 crash led to state intervention in social welfare issues as early as the second half of the interwar period. In Germany, the Direct Program, which included employment-related initiatives, was utilized to implement interventions. In 1936, the Leon Blum Popular Front Program increased wages, decreased weekly working hours, collective agreements, and holidays, decreased unemployment, and facilitated the retirement of the elderly in France. Some of these interventions can be identified in the United States and in Roosevelt's New Deal, including the social

security system and the distribution of unemployment benefits after 1935, the possibility of forming trade unions, and the demand for higher wages [23].

In contrast, this level of intervention has been modest in the United Kingdom. A proposal by Ernst Wigforss and supported by economists such as Myrdal and Ohlin, Sweden's economic program to reduce taxes and increase the budget during the crisis is of particular importance. Politics established the concept of the social state and its expansion into more aspects of citizens' daily lives following the war. During this time period, state intervention in the economy was consistent with the welfare state concept. During the 1940s and following the end of World War II, in the majority of European nations, including France, the United Kingdom, and Italy, a number of wealth-generating economic sectors were nationalized.

In light of the establishment of the Bretton Woods system (1944) and the prevalence of the Keynesian model of economics, the laissez faire–laissez passer doctrine has been abandoned since the Great Depression of 1929, despite the criticism of neoliberal economists that it would lead to the collapse of the capitalist system. In the majority of states in Western Europe, the primary responsibility of the state is to ensure the welfare of its citizens.

The following 30 years are referred to as the "golden years." This had to do with a general restoration of states following the devastation of World War II, but also with the prevalence of a more "just society" that would include reforms in a social direction: broadening social protection measures, strengthening the trade union movement in the workplace, etc., while simultaneously combating inflation and maintaining a balanced balance of payments [24].

With policies that, despite their differences, followed similar models of economic organization, European countries were able to avoid crises for nearly three decades. Positive natural migration of the population, the intention to maintain peace between states, and economic stability were related to social cohesion and the expansion of individual options for citizens. In the field of labor, wages have steadily risen, resulting in an improvement in living conditions, and there has been a strong mobilization for the prevalence of full employment in the workplace, as well as a gradual shift from agriculture to the service sector and industry over the course of several decades. Also, in many cases, the entry of women into the workforce is encouraged by the increase in the total family income, as well as by the benefits employers and governments provide for children.

The rising standard of living has made it possible for individuals to invest in their education and entertainment. As a result, investments are made in the education system, although many of these benefits are occasionally provided by the state and occasionally by the contributions of employees and employers. Governments have a greater capacity to invest within their own states as a result of monetary stability and the promotion of international trade in a manner that prevents monopoly speculation. In terms of capitalism, the welfare state was identified as the development model for postwar European countries. The welfare state was able to strike a balance between trade union demands by introducing a series of social protection measures in areas such as work, retirement, the health and education system, and the standard of living for citizens. In this context, common programs among Western European nations have not been implemented everywhere. For example insurance contributions, where sometimes insurance funds were financed by the taxation of workers by providing a minimum to all beneficiaries (Britain), sometimes relied on voluntary insurance (Germany, France, Belgium), resulting in inequality in benefits and sometimes the government intervened (Sweden) to mitigate these inequalities.

Moreover, different European regions, such as the North and the South, developed the welfare state at different rates. In most states, social service expenditures comprised a substantial portion of all public expenditures at this time.

The landscape that emerged in the 1970s, with the oil crises of 1973 and 1979 and the rise of stagflation in many Western economies, had an impact on the welfare state, destabilizing many of the characteristics of the preceding era. Politically, neoliberalism was associated with governments such as Reagan's and Thatcher's in the United States and Britain, respectively. This policy in the United Kingdom was characterized by unemployment, reduced spending on workers' compensation, reduced benefits, and an increase in homelessness [25].

It's possible that in other European countries, there were fewer measures against the welfare state, and despite the tendency for conservative factions to rise to power, the socialist model of the Scandinavian countries remained largely intact. The "Good Society," which, for instance, evangelized the neoliberal model as practiced in the United Kingdom, did not find many practical supporters. In the 1990s, a middle-of-the-road approach to welfare policy became the standard.

On the one hand, the free market does not appear to be a threat to the well-being of citizens as it did in the past, and on the other, social policy ensures that citizens will be able to claim it. Education and lifelong learning are points instrumentalized by this "third way" approach, which allows everyone, in terms of the free market, to claim the best they can while weakening the argument for inequality.

In concluding the historical overview and summarizing the stages of the social state's evolution in Europe, it is possible to distinguish five extended periods. The first was constructed between 1870 and 1930. Several political innovations are introduced at a time when the borders of Europe's states are shifting, and the old continent is becoming a battleground for World War I.

The second time cycle occurs between the years 1930 and 1950. A similarly turbulent period for Europe's nations, which paid a heavy price for their participation in the second world war. The bloodshed resulted in the realization and consolidation of the need for peace, which would lead to the reconstruction of the devastated European states, their economic and social development, and the social protection of their citizens.

About 1950 to 1975 is the duration of the third period. In the sense that European states are beginning, on the one hand, to restructure themselves economically and, on the other, to integrate social protection policies into the core of their central, national policies, this stage could be described as the "expansion stage." Key characteristics of this period include the rapid rate of growth, which has led to corresponding economic growth, the achievement of full employment, and the attempt to create infrastructures for the redistribution of wealth to disadvantaged social classes. The establishment of the European Economic Community in 1958, which laid the groundwork for the social and economic development of the states of continental Europe, is a significant factor for Europe.

1975 and 2008 comprise the penultimate time frame. The economic landscape of Europe is undergoing major transformations at present. In addition to the European Community consolidation, which foreshadowed the abolition of borders and tariffs and paved the way for the modern globalized environment, European states are experiencing years of economic recession. This is a characteristic of the entire Western world, not just Europe. The dissolution of the Soviet Union posed significant challenges for the newly established eastern European democracies, which were compelled to adopt liberal policies. The common dominance of the Western, liberal

economic model and the escalating economic crisis caused the European social model (ESM) to undergo a period of "questioning and reorganization."

2008 marked the beginning of the current time cycle. Its defining characteristics are economic globalization, the subsequent global economic crisis, and the coronavirus pandemic. The effects of this recession have been clearly reflected in the social protection provided by European states. On the one hand, the diminishing capabilities of European nation-states and, on the other hand, the restrictive fiscal policies have resulted in the deregulation and restriction of the social policy provided in European countries.

Consequently, the contemporary social state is based on three functional and necessary conditions: a single central authority, a central budgetary mechanism for concentrating and redistributing resources, and a single labor market. These conditions have made it possible to establish a social state, not only with regulatory but also interventionist-redistributive functions, capable of penetrating the labor market and influencing the redistribution of income either by regulating wages and salaries or by transferring social resources to the economically disadvantaged. Especially for the European continent, the social state, with all of its national peculiarities, was the most crucial component of the so-called European sociopolitical model after World War II.

This postwar European reality necessitated a response to social problems that, on the one hand, resulted from modern and contemporary conditions (the emergence of capitalism, liberal economic and social policies, and a globalized economy) and, on the other hand, aimed to protect society as a whole. In the light of the absence of state protection and the inability of family networks or the community to meet these needs, the need for a welfare state, that is, a centrally controlled and administered provision of social rights, has emerged.

Social protection at the national level is the result of the interaction between the family, the state, and the market, three fundamental social factors. Their interaction with one another and their impact on society lead, on the one hand, to the grouping and categorization of the characteristics of social policy from state to state and, on the other, to their categorization. This is due to the fact that, throughout the twentieth century, the welfare state acquired characteristics that varied from country to country in Europe based on policies, social, and economic conditions.

What we argue and confirm empirically and historically is that the integration of a country into the international economy requires not a weak but a strong social state, which will maintain social cohesion and contribute to the qualitative uplift of the country's human resources. Historiographically, this position is supported by the fact that countries with open economies as early as the 1960s (Belgium, Luxembourg, Denmark, Sweden, and the Netherlands) based their external expansion on the parallel construction of strong social states, which functioned as a defense for citizens who found themselves under the pressure of international competition [9].

However, contemporary empirical research demonstrates that countries with a high level of internationalization and globalization have fewer social inequalities than nations with a more cautious approach to the global economy. In other words, participation in a globalized economy requires and presupposes the existence of social security and protection mechanisms. The Asian nations of Korea, Thailand, and Indonesia, for instance, hurriedly erected social protection institutions for their citizens following the major stock market and economic crises of 1996–1997.

4. The social dimension at supranational level: The European Union project

Regional associations, such as the EU, NAFTA, ASEAN, MEPCOSUR, etc., have been the focal point of concerns regarding the effects of globalization on social relations, be they commercial, economic, monetary, or political. These organizations are the most advanced globalization manifestations. In the context of a global economy, their course and, above all, the course of the EU contain not only the fears but also the hopes of the people for prosperity and socioeconomic development. The latter, however, are not confirmed, as the social dimension, that is, the planning for maintaining social cohesion with common social protection institutions, is either entirely absent, remains a meaningless buzzword (North American Free Trade Agreement (NAFTA)), or is not in line with the requirements of economic integration (EU).

Nonetheless, the social Europe model and European social policy are regarded as successful examples of social regulation of globalization's effects. They contain, albeit to varying degrees, all four dimensions of a unified social policy. Specifically, social regulation, social redistribution, social welfare, and citizen engagement.

Obviously, social regulation is limited to issues pertaining to the health and safety of workers, participation and consultation, and gender equality. Other significant aspects, including wages, pensions, strikes, working hours, and workers' rights, have not been regulated. The Charters of Social Rights (1989) and Fundamental Rights (2000) continue to serve as declarations. Thus, the harmonization and homogenization of European countries' social protection systems lag hopelessly behind economic integration. Social dialogue and the recently implemented open method of coordination for national employment and social protection policies have not yet yielded tangible results. However, the European Court of Justice also reserves a prominent role in social issues, which ensures the pan-European implementation of social rights. The Court's guarantee mechanism is crucial for unification processes, and many believe it should serve as a model for all supranational social regulation.

Many countries of the Third World accuse the EU of being an imperialist, protectionist bloc that excludes weak nations from its markets. The EU represents a social model of regional and global governance, a model of globalization with social responsibility, worthy of imitation by other regional associations, according to the majority of researchers. Despite the rhetoric, the promotion of the objectives of the internal market and Economic and Monetary Union (EMU) has left little room for social issues. Any progress on the issue of political unification, if it is to be achieved, must, however, be accompanied by effective social protection and cohesion policies. This was the case in Canada, where social policy served as the mechanism for achieving political unity through cohesion and consensus.

If, however, the EU seems to exert a fascination as a successful model of economic globalization, with social sensitivity and regulation, this is also due to the social acquis of nation-states, that is, the existence of strong national social states that have been and can be a very strong barrier against the effects of economic globalization.

The so-called ESM is not the product of supranational intervention or regulation. It existed prior to the beginning of economic globalization, prior to the 1980s, and prior to the formation of the European Community (EEC). According to some authors and politicians, the ESM is the sum of the social institutions of the national European states that emerged historically through social struggles and controversies from the late nineteenth century to the 1970s. Its constituent elements, including the social

market economy, state intervention and state social protection, corporatist structures, and dialog between social partners, were formed by parallel developments in the member states. However, it is highly questionable whether all nations share these characteristics. Today, the aforementioned four social state regimes can be distinguished in Europe. At the level of social institutions, the differences between these four types of welfare states are significant and difficult to reduce to a common denominator.

Scientists and politicians have differing opinions on the matter. In the future, only the progress of a social Europe will provide a solution. Nonetheless, this observation must be emphasized in order to clarify the true nature of regional integration in Europe. The EU did not establish a supranational social state in anticipation of the effects of economic integration; rather, it discovered and utilized national social states in the course of its economic and monetary union. Instead of supranational social institutions, overdeveloped national social protection systems served as the basis for economic integration's legitimacy. This is evidenced by the fact that Europe has avoided the emergence of two extreme globalization manifestations. First, intense social protest, followed by extreme poverty. The first remained a marginal phenomenon, never attaining the proportions it assumed in less developed nations (e.g., the Zapatistas in Mexico, Chiapas). As for poverty, national resource transfers have succeeded in reducing it from 40 percent, which it would have been without government intervention and social protection transfer payments, to 18 percent.

However, the welfare state reforms that are currently occurring in European states are also carried out with national resources and according to national strategies. The reason is self-evident: to prevent and repel the social effects of EU economic integration and globalization. The Anglo-Saxon nations are responding by further deregularizing their labor markets. The Scandinavian nations, whose social services are of a universal nature, are responding with an expansion of the public sector, active forms of employment, and educational investments. Countries that adhere to the conservative Bismarck model have shown the most resistance to deregulate labor markets and reduce unemployment benefits. The repeated observations of the OECD regarding Germany are well-known. Finally, southern European nations, including Greece, Italy, Spain, and Portugal, are increasing their social expenditures to supplement their inadequate social protection system. With new institutions such as the minimum guaranteed income, family policies, rural pensions, minimum income support, etc.

5. The social dimensions of economic globalization

Globalization, when integrated with social responsibility, primarily involves the integration of social goals and regulatory frameworks into the dynamics of economic globalization. This encompasses various elements such as international commerce, the movement of short-term speculative capital, foreign direct investment, strategies and operations of multinational corporations, and tax policies.

The discourse on globalization often addresses the social dimensions of international and bilateral trade. The liberalization of trade, whether bilateral or multilateral, along with negotiations under the General Agreement on Tariffs and Trade (GATT) and discussions within the newly established WTO, have foregrounded concerns about the social and environmental standards prevailing in the production of goods within the globalized economy. Developed nations, predominantly from the Northern Hemisphere, argue that the absence of stringent social and environmental regulations

in developing countries confers upon these nations an unfair competitive edge in international markets.

As a response, developed countries are advocating for and actively promoting the inclusion of '"social or environmental 'clauses" in trade agreements with developing nations. However, these efforts are often perceived by developing countries as incognito forms of protectionism, serving to safeguard developed nations' own markets and economic interests under the guise of social responsibility. Consequently, these nations are often skeptical of the developed world's advocacy for environmental and social standards, labeling it as hypocritical.

Amidst these debates, proposals for adopting various ILO conventions to extend basic social rights to the developing world are frequently met with resistance. Leaders and policymakers in developing countries argue that imposing such social and environmental standards would undermine their competitive position in the global marketplace. Nevertheless, international entities like the ILO, WTO, and the EU have reached a consensus that any implemented social clauses should be limited to encompassing only the four fundamental social rights.

This scholarly approach underscores the need for a balanced perspective in the global discourse on trade and development, advocating for policies that not only foster economic growth but also ensure the upholding of fundamental human rights and environmental standards. Such a holistic approach is crucial for achieving a sustainable and equitable global economic system.

The discussion pivots around the establishment of fundamental human rights, including the prohibition of child and forced labor, the right to freedom of association, and the assurance of gender equality, specifically the enforcement of equal remuneration for equivalent labor. In numerous developing nations such as India, the abolition of child labor confronts significant resistance due to its integral role as a primary income source for numerous families. Consequently, such standards often fail to achieve universal acceptance.

It is posited that the implementation of social and environmental norms in developing regions ought to be contingent upon the receipt of economic aid and resource transfer from economically advanced Northern nations. This is proposed to offset potential losses in income and developmental progress, aligning with the paradigm of North-South trade complemented by North-South aid. Despite the rationality behind this framework, it has not yet succeeded in mobilizing broad-based endorsement across the international community.

Furthermore, the regulation of speculative short-term capital movements has emerged as a pivotal theme within global economic discourse, especially in the aftermath of the 1997 Asian financial crisis, which inflicted profound economic and societal disruptions. The proposal to curb such movements primarily includes the implementation of a tax on short-term speculative capital flows, famously conceptualized through the Tobin tax proposed by the distinguished American economist James Tobin in the 1960s. More recently, similar global tax initiatives have been advocated by the French government, although they face considerable opposition from international financial entities. Additionally, a proposal by former British Prime Minister Gordon Brown, aimed at establishing a supervisory authority within the IMF to oversee public finance, business conduct, and social policy, was not adopted. The establishment of a global consensus or agreement on these matters is deemed crucial for effectively regulating the impacts of economic globalization.

The inclusion of social objectives within the framework of the International Investment Agreement (IIA) represents a pivotal step in the evolution of global

investment norms. Nations such as France, along with various global citizen networks, are presently engaging with the prospect of an OECD-endorsed multilateral agreement on investment (MAI). The principal goal of this proposed framework is to eliminate discriminatory practices and unequal treatment of investors who, originating from one signatory nation, invest in another. Concerns are emerging that, upon the adoption of such an agreement, public social services may confront significant challenges. These challenges stem from a potential competitive disadvantage against private sector services, which would also invest in sectors like health and care. With the implementation of this agreement, private services might gain access to identical facilities and subsidies traditionally reserved for public institutions. If social objectives are indeed integrated into the MAI, it could potentially mandate exemptions for social and other services considered of public interest, thereby safeguarding them from undue competitive pressures.

The advocacy for corporate social responsibility (CSR) and the implementation of socially responsible strategies by multinational corporations are gaining momentum through various agents, including trade unions, citizens' networks, international consumer associations, and national governments. These stakeholders are compelling multinational corporations to adopt and adhere to specific codes of conduct. Such guidelines are crucial for sustaining social cohesion both nationally and globally and for ensuring that corporate decisions, particularly those affecting employment and unemployment, do not adversely surprise citizens and governments. These guidelines, while voluntary, are negotiated and agreed upon by businesses within the CSR framework, which has seen considerable growth across Europe. Furthermore, initiatives like the one led by former UN Secretary-General Kofi Annan for the Global Compact underscore the importance of global agreements that oblige multinational corporations to uphold fundamental social rights. These include prohibiting child and forced labor, ensuring the right to unionize, and enforcing nondiscrimination in the workplace. While these voluntary codes carry significant moral authority and stem from the pressures exerted by international civil society, they are instrumental in prompting corporations to address prevalent social issues proactively, in concert with broader societal expectations. These endeavors reflect a deeper understanding of the intrinsic link between corporate conduct and societal welfare, highlighting the need for ongoing engagement between the private sector and community stakeholders to foster a socially responsible corporate landscape.

The demographic dimensions play also a pivotal role in shaping social policy, particularly in the context of the sustainability and effectiveness of social protection systems. These systems, which are largely redistributive in nature, rely fundamentally on the contributions of a young and active workforce. This workforce is crucial in generating the tax revenues and social security contributions that underpin various social protection measures, including pensions, healthcare, and unemployment benefits. The ongoing viability of these systems is heavily dependent on maintaining a favorable ratio between the working-age population and those who are retired or otherwise dependent on social benefits.

However, many countries, particularly in Europe, are currently undergoing profound demographic transformations. These changes are characterized by aging populations, declining birth rates, and increased life expectancy. Such trends pose significant challenges to the traditional models of social protection [26]. As the proportion of retirees grows relative to the working population, the financial strain on these systems intensifies. This demographic imbalance raises serious concerns about the sustainability of social protection frameworks, potentially leading to funding deficits that may necessitate comprehensive reforms to maintain their efficacy.

Migration emerges as a critical factor in addressing the demographic challenges that many nations face. Particularly in Europe and other regions experiencing similar demographic shifts, migration can help counterbalance the effects of an aging population by bringing younger workers into the labor market. This influx of younger individuals is essential in sustaining the economic base required for robust social protection systems. However, the introduction of migrants into society also presents complexities, including the need for effective integration policies and the management of potential social tensions that may arise from increased cultural and demographic diversity.

The demographic shifts and patterns of migration are also contributing to the transformation of nation-states. These changes are not solely the result of internal population dynamics but are also significantly shaped by cross-border movements of people. Migration can alter the demographic composition of countries, which in turn impacts social policy needs and priorities. As nation-states adapt to these changes, there is an increasing need for policies that are responsive to the evolving demographic landscape, ensuring that social protection systems remain both equitable and sustainable. Incorporating demographic considerations into the analysis of social policy provides a comprehensive understanding of the factors that influence these systems, particularly in the context of globalization and demographic evolution. Policymakers must account for these demographic trends to design social protection systems that are resilient and capable of meeting the changing needs of their populations.

6. Conclusions

The analysis presented challenges the predominant neoliberal framework by illustrating that globalization is neither inherently detrimental nor a mere extension of capitalist ambitions. Instead, it represents an inevitable process fueled by technological advancements and global interconnectedness. This reconceptualization necessitates theoretical frameworks that incorporate globalization as a multifaceted and evolving phenomenon, reshaping the discourse on state responsibility and societal governance. The findings emphasize the importance of integrating supranational dynamics into traditional theories of social protection, particularly as nation-states share their roles with larger regional entities like the EU.

Globalization requires a robust regulatory framework to balance economic integration with social protection. Supranational organizations must align their strategies with national initiatives to ensure equity and mitigate the risks of social dumping and welfare state erosion. This alignment is particularly critical in addressing demographic challenges such as aging populations and migration flows. Policies must adapt to maintain the sustainability of welfare systems, ensuring that social cohesion is preserved in the face of these pressures. The EU offers a valuable model, albeit imperfect, for crafting integrated policies that balance economic growth with social equity. Policymakers in other regions could benefit from adapting similar approaches to mitigate globalization's uneven effects.

Practical approaches to socially responsible globalization necessitate collaboration among governments, civil society, and the business sector. Stakeholders must develop and institutionalize frameworks that prioritize ethical global engagement and protect fundamental social rights. Multinational corporations, in particular, have a responsibility to contribute to sustainable social policies rather than exacerbate inequalities

through unchecked practices. The emphasis on education, lifelong learning, and skills development will be critical for individuals to navigate an increasingly globalized labor market effectively.

This study acknowledges several limitations that may affect its findings. First, the focus on European and Western contexts may not fully capture the nuances of globalization's impact in other regions, such as the Global South. Future research should explore these dimensions to provide a more comprehensive understanding. Second, while the study highlights the role of supranational entities, the analysis is limited in assessing the effectiveness of specific policies across different member states. Comparative case studies could enhance the understanding of how national and supranational strategies interact. Lastly, the study primarily relies on theoretical analysis, which limits the generalizability of its findings. Empirical investigations and data-driven approaches are needed to validate and expand upon the conclusions drawn.

The national welfare state must evolve to address the dual challenges of globalization and societal shifts while preserving its foundational mission of safeguarding social welfare. This evolution requires striking a balance between integration and maintaining cultural identity and social cohesion. The pursuit of socially responsible globalization hinges on collective efforts to institutionalize principles of social accountability and equity. Only through such coordinated action can stakeholders ensure that globalization contributes to a just and equitable future rather than succumbing to the risks of fragmentation and inequality.

Conflict of interest

The author declares no conflict of interest.

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Chapter 2

Perspective Chapter: Interrogating the Paradox of the Concurrent Pursuit of Neoliberalism and Poverty Alleviation in Africa

Ntobeko Bambeni

Abstract

Poverty alleviation is in the mainstream policy agenda across the governments in the world and the United Nations Sustainable Development Goals and academic platforms. Despite all this, the world is still faced with a high number of its population trapped in poverty. International financial institutions such as the World Bank and International Monetary Fund joined the bandwagon to deal with Africa's economic crises by providing poverty reduction strategies targeting low-income and highly indebted poor countries through structural adjustment programs. Neoliberalism is a theory of political economic practice that contends that the well-being of the people can best be enhanced by emancipating individual entrepreneurial freedoms and skills within the societal arrangement that is resembled by a strong presence of strong private property rights, free markets, and free trade. The structural adjustments were driven and implemented within the neoliberal framework. There is overwhelming evidence that the interventions by the international financial institutions through structural adjustments and any other interventions for poverty alleviation within the neoliberal framework have instead of reducing poverty, worsened it. Despite the implementation of neoliberal reforms through structural adjustments, the African continent still has the biggest share of global poverty. Therefore, the ambition of achieving poverty alleviation within the neoliberal framework will remain a fantasy as the objectives of attaining neoliberalism and poverty alleviation are fundamentally antagonistic.

Keywords: neoliberalism, poverty, poverty alleviation, international financial institutions, structural adjustment programs

1. Introduction

Poverty alleviation is on the mainstream policy agenda across governments around the world. It also finds expression in the United Nations Sustainable Development Goals and academic platforms. Despite all these endeavors to alleviate poverty, most of the world's population is still trapped in poverty. International financial institutions, such as the World Bank and International Monetary Fund, joined the bandwagon to deal with Africa's economic crises by providing poverty reduction strategies

targeting low-income and highly indebted poor countries [1, 2]. The interventions by the World Bank and the International Monetary Fund had preconditions prescribed for countries seeking financial assistance for poverty alleviation. The preconditions set by the international financial institutions required these countries to introduce and implement economic and political policy reforms called structural adjustment programs. These economic and political reforms had to be formulated within the prescripts of the dominant neoliberal economic framework [2]. There is overwhelming evidence that the interventions by international financial institutions through structural adjustments and any other interventions for poverty alleviation within the neoliberal framework have, instead of reducing poverty, worsened it [2–5]. This chapter seeks to define neoliberalism and poverty, background about international financial institutions and poverty alleviation in Africa, examine the situation of poverty in Africa, neoliberalism and poverty alleviation, and whether there is any compatibility between neoliberalism and poverty alleviation.

2. Methodology

The data collection methodology used was a literature review. A literature review can be defined as a methodological way of collecting and synthesizing research that was conducted in the past [6]. The methods of data collection and analysis are narrated by briefly describing the procedures and processes that were followed. The type of literature review utilized is a narrative review. A narrative review critically examines and summarizes a body of literature and extrapolates the topic in question [7]. To achieve the objectives of this study, the author utilized the narrative review to analyze and synthesize the pursuit of neoliberal policies and poverty alleviation in the African continent.

The literature review design began with formulating the research question that informed the research and enabled the author to pick from the selection of relevant literature and orientation toward subsequent data analysis [8]. The research question was formulated: "Are poverty alleviation interventions accomplishable within the neoliberal policy framework in the African continent?" Through the literature review design, the internet search was implemented by considering relevant articles and deciding about the relevance of the material to be contemplated in the review [8].

The data collection encompassed extracting appropriate information from each primary source in the sample and deciding on what was relevant to the problem of interest [7, 9]. Regarding journal articles, the author started by perusing the abstracts to establish whether there was any summary of the literature review, findings, and discussions related to the concurrent pursuit of neoliberalism and poverty alleviation. Ramdhani, Ramdhani, and Amin [10] assert that to avoid reading each piece of extracted literature in total, the researcher can start by reading abstracts and select, then read full-text articles later before deciding on which articles to select. The author utilized the lists of references from some journal articles to identify other articles considered valuable for the review based on the relevance of their titles.

The data analysis includes examining the scrutiny of the synthesized data by extracting pertinent information from the selected articles [11]. The data were analyzed by lifting key concepts and themes that repeatedly featured prominently in the literature sources. The reciprocal translation analysis was used as a data analysis approach to establish key metaphors, themes, categories, and concepts in each literature source [12]. Specific concepts from different literature sources that had identical relationships were discussed under one broad theme.

3. Neoliberalism as a political and economic ideology

Neoliberalism was pioneered in the late 1970s as a systematic mechanism by political authorities to respond to the increasing strength of organized labor in developed countries and the initiative for a more independent development route for postcolonial development in developing countries [13]. According to Harvey [14] neoliberalism is a theory of political economic practice that contends that the well-being of the people can best be enhanced by liberating individual entrepreneurial freedoms and skills within the institutional arrangement that is resembled by the strong presence of strong private property rights, free markets, and free trade. Another proponent of neoliberalism, Foucalt [15] describes neoliberalism as an art of government and a form of political rationality that is managed using discourses that develop mindsets and ways of self-discipline that are essential for the continuous application of the neocolonial project. Foucault [15] further describes neoliberalism as a disciplinary project devoted to creating an entrepreneurial subject who subsequently invests in himself or herself and takes risks in a forward-looking manner. Expanding on these descriptions above, Brown [16] depicts neoliberalism as a political logic that regards people as autonomous and heterogeneous citizens who are accountable for their actions and get involved in several entrepreneurial pursuits to improve their knowledge and skills which are the principal source of their income and comfort.

Since its inception in the 1970s, neoliberalism has been a dominant ideology in developed countries [13]. Neoliberalism's doctrine on the free market is premised and implemented through notions of efficiency and growth, privatization, deregulation, and labor and financial reforms [13]. In the neoliberal framework, citizens are seen as autonomous actors who compete against one another to pursue their value in the market [3]. In neoliberalism, economics is the study of rational choices, whereby people are believed to make rational decisions through available options at marketplaces [13]. The underlying assumption is that neoliberalism frees market forces and encourages private enterprise, consumer choices, and reward entrepreneurship [13]. The neoliberal contention regarding instability in the world economic growth is blaming too much regulation and government regulation [17], hence advocating for deregulation of the economy and a minimal role of government. According to neoliberalism, people are better served by a free market with minimal interference by the government [6]. Through the neoliberal framework, the role of government is reduced to that of sheer generating and safeguarding markets [18]. The rest of the functions in the management of the economy are better performed by the profit motive to supply goods and services. Other crucial components that constitute neoliberalism are globalization, free trade, democracy, and human rights. From a neoliberal perspective, globalization can provide a platform for development through rapid integration with the world economy [19]. Through the neoliberal lens, the liberalization of trade contributes to the increase in the export of manufactured goods [13]. Regarding human rights, neoliberalism embraces the notion of the universal, free rational individual and places positive value on the freedom of the individual [20].

4. Background about international financial institutions and poverty alleviation in Africa

Poverty alleviation in Africa became part of the integral economic reforms introduced by the IMF and World Bank to resolve economic crises and stimulate economic

growth in postcolonial Africa. These international financial institutions introduced structural adjustment programs that were aimed at restructuring the productive capacities to increase efficiency and restore economic growth. This section delineates the introduction of the Structural Adjustment Programs in Africa and their effects on poverty alleviation.

4.1 Introduction of the structural adjustment programs

The essential elements of structural adjustment programs include trade liberalization, devaluation, the removal of government subsidies and price controls, recovering the expenses in health and education, privatization and credit crunch, and increased interest rates [21]. Most African countries became independent in the early 1960s, and with substantial support from the donor community, they had high hopes to achieve rapid economic growth and development to match their counterparts in the developed world [4]. The African leadership did not trust the private sector to steer the envisaged growth and development, instead, they relied on the government to play the dominant role [4]. Subsequently, development became primarily government, and with donor support, governments began to enact comprehensive basic industries, and comprehensive regulations to control prices, restrict trade, and allocate credit and foreign exchange [22].

During the 1960s and 1970s progress in education and health was remarkable [21]. African governments persistently assigned the highest share of their national income to education and health more than other developing regions other than the Arab states [21]. The 1980s, however, were earmarked by global economic crises caused by huge rises in oil prices and skyrocketing interest rates and aggravated by depreciating prices for their third-world exports, protection in industrialized countries, drought, civil war, poor leadership in Africa as it prioritized spending on the military at the expense of poverty reduction, and the explosion of AIDS [21]. Most countries were repaying debt and many of them failed to meet the demands [21]. The industrialized countries responded by requesting structural adjustment programs designed by IMF and World Bank in return for debt rescheduling [21].

Structural adjustment programs were conceived from the late 1970s onwards to address the perceived key problems of African countries, including weak management of the public sector, which resulted in unprofitable public enterprises, poor investment choices, and low-cost and unreliable infrastructure [4]. Structural adjustment programs were also introduced because of Africa's exchange problems and mounting debt [4]. The economies of these postcolonial African countries were characterized by price distortions, especially through overvalued exchange rates, price controls, and subsidized credits, which resulted in wasteful resource allocation [23]. Moreover, wage costs were high when compared to productivity, although net earnings fell by an average of 25% across the entire Africa in the 1980s. All these factors resulted in high business costs and scared local and foreign investors [4].

When the structural adjustment programs were implemented in African countries it was hoped that they would finally reduce poverty by advancing economic growth by altering relative prices in favor of agriculture and rural areas where most poor people live [4]. Between 1980 and 1989 alone, 36 sub-Saharan countries spearheaded 241 adjustment programs, while most of them have had multiple programs, with 11 countries implementing 10 or more [4]. Both the IMF and the World Bank consistently placed the blame on the African governments concerning the crises in Africa and combined this with an assertion that there should be greater reliance on market

forces to deal with the economic crises in Africa [4]. Customarily, structural adjustment programs include measures to enhance reliance on market forces and diminish the role of the state [5]. Specific measures include devaluation of the national currency, reduction of state spending on unprofitable consumption, removal of subsidies on essential commodities or services, abolition of laws for minimum wage, and privatization of economic activities [5].

4.2 Structural adjustment programs and poverty alleviation

In many structural adjustment programs, especially those implemented earlier, the disbursement of the budget had to shoulder the main responsibility [4]. There was less opportunity for raising tax income through import tariffs without disharmonizing the objectives of trade liberalization [4]. Because of this emphasis on cuts in expenditure, public support for infrastructure, education, and social services, as well as for research and extension, were disadvantaged, and rural areas with their high proportion of poor people, were severely affected [4]. Although the programs' immediate effects contributed to an escalation of the misery of the poor, it was argued that the changes were needed to lay the groundwork for sustainable growth. There is increasing evidence, however, not from the World Bank itself that structural adjustment programs have been unsuccessful even with precise economic measures in place [21]. They have been less successful in reducing poverty for those who gained nothing from the debt in the first place [21]. One decade later, the role of the state in Africa has been significantly curtailed, the market forces seizing control and economies opened to external penetration [21]. Yet substantial economic turnaround has not occurred in any of the countries that complied with structural adjustment programs as living standards for the Africans declined, investment in the productive and social sectors of the economy also dwindled, and reforms were necessary to satisfy external creditors [21].

The result of structural adjustment programs for the poor is commonly a swift rise in food and transport and the introduction of school fees while simultaneously there is a fall in wages and an increase in unemployment [21]. Land that is utilized to produce food is used to advance exports [21]. The major traditional adverse social effects of structural adjustment programs identified by Bond and Dor [2] include declining per capita income and real wages, depreciation in the levels of social services due to cuts on social public spending, rising poverty levels, and income inequalities. Other effects of structural adjustment programs include cuts in health and education, privatization of land rights, which has displaced small farmers, the removal of subsidies in basic foods, food prices, and fewer meals, resulting in inadequate nutrition. Cuts in healthcare spending result in inaccessibility to healthcare, while education cuts and introduction of high unemployment [21].

5. Definition of poverty from multi-dimensions

The definition of poverty is informed by various measurements such as income levels, varying from country to country. Traditionally, the measurement of poverty has often been based on the use of the physiological deprivation approach which is about the extent of an individual's or household's access to economic resources to satisfy basic material needs [24]. The threshold for defining poverty to determine whether an individual or household is subjected to poverty is when they cannot acquire the basket of goods and services that are essential for their livelihoods [24]. Therefore, through

the physiological deprivation approach the poverty line threshold is determined by income and expenditure to separate the poor and nonpoor [24]. The determination of absolute or relative poverty culminates from this measurement of poverty. Households that are in absolute poverty are those that cannot afford the minimum basic goods [24] and are often associated with frequent hunger, lack of safe drinking water, lack of access to education, lack of proper shelter, and inadequate clothing [25]. In determining relative poverty, the individual's or household's income and expenditure are below the national income distribution of their specific countries [25].

There is also another definition of poverty that stems from the capability approach. According to Sen [26], poverty is viewed as the deprivation of certain basic capabilities, such as simple physical needs of being well nourished, adequately clothed, and having shelter, avoiding preventable sickness to more complex social achievements such as being active in the community, being able to appear in public without shame, etc. Hick [27] affirms that the capability approach challenges the key role often bestowed on income in poverty. Sen [28] distinguishes between the actual opportunities or capabilities a person possesses which he contends are inherently important and their income, which is just a means to such opportunities, and their significance is therefore essential and contingent.

The definition of poverty can also be derived from a multidimensional approach to poverty. The dimensions of poverty that are interlinked with and reinforce each other include financial, economic, material, social, health, environmental, and seasonal [29]. The definition of poverty from a multidimensional approach is demonstrated in **Table 1**.

The definitions of poverty from financial, economic, and material dimensions embody the physiological deprivation approach. The above definition of poverty provides insight into the multi-dimensionality of poverty and may assist in comprehending the various dimensions of poverty that are prevalent in the African continent.

Type of dimension	Definition
Social	Includes constrained or unable to attend social activities or functions and lack of ability to take up roles that are socially emboldened or accepted [30].
Environmental	Concentrates on places where people live, including the inside and outside home environments [31]. This encompasses areas that are remote or isolated, lack infrastructure and communication systems, are susceptible to catastrophes such as floods and mudslides, lack of clean water and electricity, and are vulnerable to crime and drug abuse [32].
Seasonal	It can be found in all poverty dimensions and how they connect [33]. It includes actual experiences that, especially poor people, frequently encounter at certain times of the year, which are caused by or exacerbated by changing of the season, particularly weather conditions in particular [29, 33]. It often prevails during the wet seasons in the equatorial regions, when poor people experience a combination of multi-realities, lack of food and money, rising food prices, indebtedness, increasing prevalence of dengue, fever, snakebites, isolation when floods cut them off for weeks or months and collapsing and leaking shelter [29, 33].
Health	Refers to ill health the fact of being in poor health and inability to access health care [34, 35]. It encompasses other health realities such as malnutrition, low life longevity, vulnerability to diseases, sickness, high levels of stress, and exclusion from healthcare services [36].

Table 1.
Multidimensional approach to poverty.

6. The situation of poverty in the African continent

Since the early 2010s, the progress in the reduction of global extreme poverty has been measured by reducing poverty in sub-Saharan Africa much more than it did before [37]. Although the extreme poverty in sub-Saharan Africa has subsided over the past three decades, it only occurred at much lower rates than in other regions and the number of people living in extreme poverty in the region has almost doubled, increasing from 282 million to 464 million in 2024 [37]. Poverty has become comparatively higher in most sub-Saharan African countries than in other regions [38]. Evidence suggests that Africa has experienced slow progress in poverty reduction, particularly in sub-Saharan Africa [39]. Africa is the second most unequal continent with seven of the most unequal countries found in Africa [40]. Sub-Saharan Africa is characterized by both high poverty and extreme poverty and has recently been on the increase [41]. High and extreme poverty distinctively impinge on the rural population [37]. Socio-economic inequalities between the poor and the rich are rife in the African continent [37]. Poverty trends in sub-Saharan Africa show that out of 700 million people across the globe who lived in extreme poverty in 2025, a large percentage are in sub-Saharan Africa [42]. A forecast by the World Bank also discovers that approximately 9 in 10 extremely poor people will be in sub-Saharan Africa by 2030 [43].

Thorbecker [44] points out that the challenges of achieving poverty reduction in Africa, particularly in sub-Saharan African can be linked to the amalgamation of prevalent poverty, high inequality, and low growth. The extent of how well growth alleviates poverty is determined by the rate of economic growth, the economic growth itself, the initial inequality, and the change in equality [45, 46]. Evidence has demonstrated that higher income inequality impedes the transformation of growth into poverty reduction. Summarily, high-income inequality is linked with lower growth resilience of poverty [46].

The United Nations strives to improve the overall quality of life globally through the sustainable development goals (SDGs) [47]. Through the SDGs, growth, poverty, and distribution of income have increasingly become issues for the global agenda [47]. Three of the 17 SDGs deal with growth, poverty, inequality, and redistribution, and these are SDGs 1, 8, and 10. The first SDG seeks to end the poverty line or $1.90 a day spending power equivalence by 2030 and halve poverty at the national poverty line between 2015 and 2030 [47]. The evidence shows that more than 55% of African countries are adrift to the target of halving poverty between 2015 and 2030 in meeting SDG1 (41). The growth performance of the countries is deficient with regards to meeting preconditions, that is, high-income inequality and low-income level on the other and the historical trend as well as a reduction in income inequality [39]. Therefore, African countries are compelled to bring results for higher growth in income, that are above 2% in annual average national income, to be on course to halve poverty between 2015 and 2030 [35].

7. Neoliberalism and poverty alleviation

The neoliberal's assertion regarding poverty alleviation is its reliance on the market for creating opportunities that yield economic benefits for individuals to rescue themselves from poverty. This section discusses how this neoliberal assertion has induced the opposite on the poor through restructuring of the welfare state, creation of uncertainty and inequality in the labor market, and promotion of

an entrepreneurial approach to poverty alleviation. Neoliberalism has shaped and structured poverty across the globe including developed countries such as the United States and the United Kingdom [3]. Under neoliberalism, the conditions of the poor and the way they are treated are somewhat contradictory to neoliberalism's perception of the poor as free agents who can evade poverty *via* the markets [48]. On this basis, it dismisses pathological theories of poverty and regards the poor as equal to the rest of the mainstream society [3]. It is in that context that the poor are expected to make market-based decisions that would improve their lives as everyone is logically called out to do the same [3]. Conversely, neoliberalism creates the poor, especially women as they are perceived as deficient and immoral individuals who do not take full responsibility for their circumstances [3]. Consequently, neoliberalism often prescribes excessively severe and brutal treatment for poor people [49]. The effect of neoliberalism on poor people is articulated in various interconnected aspects that include the reorganization of the welfare state, increasing precarity and inequality, and the creation of entrepreneurial subjectivity [3].

7.1 Reorganization of the welfare state

The welfare state in the neoliberal era has abandoned the emphasis on income redistribution and provision of basic social services to the poor by favoring the one that focuses on facilitating effective market participation to harness what is viewed as the potential of markets to improve human lives [48]. In summary, neoliberalism has not necessarily dismantled social welfare programs targeted at the poor, instead, it has reconfigured them by neutralizing their redistributive and decommodifying functions. Consequently, people at the lowest ladder of the socio-economic stratum have become vulnerable and are susceptible to having their needs remain unmet [49]. Neoliberalism has also transformed the environment in which service providers operate in the provision of welfare services, especially in the field of operation [3].

The transformation in the provision of welfare services has been largely influenced by the new public management approach in the rendering of public services. Neoliberalism has substantially brought about the rise of the new public management approach, which put pressure on social service providers to embrace business and procompetitive-based habits that emphasize the measured scope of work [50]. In the implementation of privatization, subcontracting, outsourcing, and benchmarking, market rationality has become an overarching doctrine in the administration and distribution of social welfare programs for the poor [3]. Le Grand [51] contends that in the neoliberal era, service providers are viewed as rouge employees or elements, while service users are regarded as consumers. It is in this regard that Le Grand [51] subsequently suggests that the provision of welfare services should be based on competition. In criticizing this new public management approach, Dominelli [52] asserts that social service providers have become highly regulated in a neoliberal era that embraces deregulation. This new public management approach has imposed bureaucratic procedures that have diminished the capacity of public service technocrats to exercise independent judgment [3].

7.2 Increasing precarity and inequality

One of the outcomes of the reduced role of government in the neoliberal era and the transformation of the welfare state in recent decades has been widespread social insecurity and rising inequality [3]. One of the main characteristics of neoliberalism

can be linked to its ambition to instill new forms of insecurity into society [53]. Gill and Pratt [54] argue that the concepts of precariousness and precarity are emblems of neoliberalism that signify the proliferation of precarious, unstable, insecure forms of living. Standing [55] also asserts that neoliberalism has created a global precariat, comprising scores of millions worldwide without a pillar of stableness.

The state of precarity has happened in multiple social-economic fields. The labor market serves as an example of which the state of precarity is happening. The conception of precarious employment is constantly applied to illustrate an upheld type of employment that is vulnerable, unprotected, and adjustable and includes impermanent employment and temporary contracts associated with very little or zero benefits [56]. This type of employment is defined as jobs that have predetermined termination dates and have mostly affected workers in low-wage jobs and among OECD countries, the average rate of temporary employment was roughly 12% of all workers in 2017 [57]. The development of these new types of employment has emanated from the neoliberal notion that they will heighten the liberty of employees and stimulate the hiring of more workers [3].

From a neoliberal perspective, this type of employment is deemed essential as it brings new adaptability that fosters the movement of workers and skills around the evolving requirements of the market, avoiding the demands of unions and curtailing institutional operational expenditure and expectations [3]. The precarious nature of work in the neoliberal era has left many working people exposed to poverty [3]. Similarly, the neoliberal agenda has played a role in the staggering high prevalence of social and economic inequalities [58].

7.3 The fabrication of entrepreneurial subjectivity

Entrepreneurship surfaced as a cultural ideology that has been recognized across the board during the neoliberal era [3]. It is embraced because of the increased recognition of the individual as the basis of advancement [59]. Many scholars who espouse neoliberalism ideology agree that political governments that adopt neoliberalism agree and aspire to govern societies by transforming individual subjects into self-reliant entrepreneurs [60, 61]. During this neoliberal epoch, the citizenry is seen as nothing apart from independent economic agents who contest against each other in an endeavor to boost their treasure in the market. This overall entrepreneurialization of society has been made possible by the promotion of the entrepreneur's role and conduct in the state governments, organizations, and enterprises [62]. Neoliberal governments are driven by a strong desire for privatization, marketization, and commodification, and often relate the success of their government strategies to social subjects' adaptation of enterprising qualities such as self-reliance, personality responsibility, boldness, and willingness to take risks in the pursuit of goals [63].

According to Fieldman [3] the predominance of an entrepreneurial approach to social relations and human activity has infiltrated the contemporary discourses and shaped social welfare policy. The entrepreneurial approach insinuates that the causes of intricate societal concerns such as poverty are appropriated to the absence of individual desire and innovativeness among the impoverished [3]. This approach therefore implies that the remedy for poverty solely depends on an individual entrepreneurial initiative [3]. Through an entrepreneurial approach, people in poverty are anticipated to devise personalized solutions to their challenges by utilizing their entrepreneurial skills [3]. Certainly, the affirmation of the absence of desire and innovation among the indigent prevailed in other economic epochs.

The entrepreneurial idea is inextricably linked to the notion of personal responsibility, a neoliberal belief that implies that the poor are responsible for surmounting their unfavorable circumstances [3]. The traditional social welfare benefits and services are seen as resisting the establishment of an entrepreneurial culture in which the impoverished are educated on how to be worthy solitary participants in the predominant established capitalist economy against becoming productive partners that act conjointly [3]. Therefore, the entrepreneurial approach refutes that the societal and systematic factors that contribute to the prevalence and perpetuation of poverty is deeply rooted in the social, economic, and political structures of the society that influence the distribution of resources and opportunities.

8. Implications for theory, policy, and practice

Although neoliberalism rejects equality of outcomes, it is also more sympathetic to the idea of equality, while it regards it as something that does not require the intervention of government, because of the assertion that only the market can create opportunities [13]. Whether there is an element of sympathy among neoliberals toward equality, the market is an essential component of capitalism, whose foundation is embedded in inequality. Therefore, it is impracticable to attain social and economic equality through supposedly market-created opportunities.

At present international institutions such as the World Bank, International Monetary Fund, and World Trade Organizations are coordinating their endeavors to support the developing economies that have endorsed neoliberal policies [13]. Intrinsic to their plans to assist these developing economies, is the promotion of the concept of the market as the best regulator of production and investment in the globalization of the developing economies that are supposed to be globalized [13]. Conversely, it is only the predominant elite section of the population from these developing countries that have money to purchase present-day luxury items [13]. The rest of the population is characterized by illiteracy, poor health, low-income, low skills, and low productivity and these issues are not concerns of multinational corporations and international financial institutions [13].

Contrary to the claim made by the neoliberal model about the competitiveness of the market, the reality is the opposite as the markets are rarely competitive [3]. This lack of competitiveness in the market can be witnessed in the developed economies whereby the markets are dominated by huge corporations that have dominant control over the market and are faced with little competition from the developing and underdeveloped counterparts [3]. Capitalism is the bedrock of neoliberalism, its fundamental motive is to make profits, and therefore, capitalists could produce what really people want but also what the product thinks they want [13]. A high number of people suffering from poverty are from developing economies and the market remains dominated and controlled by the developed economies. This suggests that there are limited opportunities in the developing economies due to the small size of their markets as they cannot compete with the massive corporations of the developed economies.

There is a tendency to see the market in a historical context instead of viewing it as another institution [3]. Capitalism is often overlooked as a socio-economic system and is more than just a market [13]. Theorists of neoliberalism often hide the abusive nature of capitalism and mention some adaptations such as enlightenment, justice, welfare measures, efficiency, etc., which are viewed as having the potential for inner

modifications of internal reforms [3]. This magnification disregards the primary motive behind initiating and building capitalism [64].

Common economic and social consequences of neoliberalism include reduced access to social security and increased social inequality [65, 66]. In the post-neoliberal reform, there has been a noticeable increase in gross domestic product (GDP) growth rates, which has been simultaneous with the rise in poverty [13]. This neoliberal era has been earmarked by increased growth and persistent poverty [13]. The period of neoliberal policies has brought about decades of the richest minority at the top of the income structure, which is far richer than ever before, accompanied by rising unemployment and government cuts, leaving the majority at the lowest ladder of the income structure [13]. Relatedly, the state under neoliberalism gradually retreats from its role of providing social services that are meant to benefit the poor [13]. According to Siddiqui [13], neoliberalism is designed to serve the interest of the powerful elite in society, and its foundational aspect is freeing capital; on that basis, governments in developing countries cannot prevent capital from moving out of their countries. Therefore, the ambition of achieving poverty alleviation within the neoliberal framework will remain a fantasy, as the objectives of attaining neoliberalism and poverty alleviation are fundamentally antagonistic.

9. Conclusion

The neoliberal interventions for economic reforms implemented by international financial institutions in the developing countries have instead of helping to alleviate poverty worsened the poverty situation in the developing countries. The adverse consequences of these neoliberal interventions on the lives of the poor could have been expected as neoliberalism is a class ideology that favors the powerful wealthy elite and massive multinational corporations. The fact that neoliberalism permeates public expenditure on social services such as health, education, and social protection in favor of deregulation of labor, financial markets, commerce, and investments is indicative that it is not interested in improving the lives of the poor as the expenditure on social services is vastly spent to address the needs of the poor. The neoliberal's assertion on the rationale of every individual for being capable of rescuing himself from poverty and for taking responsibility by individuals for their state of poverty disregards the historical and structural aspects that had contributed to the current poverty and inequality. The historical and structural factors that have contributed to poverty, especially in the African continent include colonialism, neocolonialism, capitalism, and imperialism.

Although there has been noticeable economic growth during the implementation of neoliberal reform, the economic growth has coincided with high levels of wealth among the rich elite and worsened impoverishment among those who belong to the lower ladder of the income structure. Despite the implementation of neoliberal reforms, the African continent still has the biggest share of global poverty. High unemployment has been rife, accompanied by precarious employment among those already in employment. Governments are gradually reducing public expenditure on government services and that is likely to adversely affect the poor who heavily rely on government services for accessing essential services such as education, health, clean water, housing, etc. Because neoliberalism is a class ideology embedded in an economic system that is inherently grounded in inequality and has not improved the socio-economic conditions of the poor, there are no prospects of it doing so in the

future. Notwithstanding the concept of "globalization," African governments should strive to initiate local solutions to improve the socio-economic conditions of African citizens. These solutions should consider prevailing economic, political, and cultural material conditions that are peculiar and pertinent to the African continent.

10. Limitations of the study and research

The study was based on the reviews of neoliberalism in Africa about poverty alleviation by exploring the effects of structural adjustment programs implemented by the World Bank and the International Monetary Fund. Nevertheless, it would be beneficial to conduct further studies on the role of the New Partnership for Africa's Development (NEPAD) as Africa's brainchild and a homegrown economic strategy for the continent, and the role of the continental financial institutions in Africa.

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Chapter 3

Perspective Chapter: Monetary Policy as a Tool for Reducing Poverty – Transmission Mechanisms and Challenges

Ishak Demir

Abstract

Monetary policy plays an important role in maintaining macroeconomic stability and regulating inflation, interest rates, and currency exchange. Although primarily designed to manage aggregate demand and stabilize prices, monetary policy also holds profound implications for poverty reduction. Through various transmission channels—including the control of inflation, regulation of interest rates, and stabilization of exchange rates—central banks influence employment, access to finance, and the purchasing power of households. These macroeconomic effects have micro-level consequences, especially for poor and vulnerable populations. However, monetary policy, if not designed inclusively, may exacerbate existing inequalities. This chapter critically explores the pathways through which monetary policy can help reduce poverty while acknowledging its limitations. It emphasizes the necessity for coordinated policy frameworks that integrate monetary and fiscal instruments to maximize pro-poor outcomes. Drawing on global case studies and empirical literature, the chapter provides practical policy recommendations and highlights the importance of embedding social equity into monetary governance.

Keywords: monetary policy, poverty reduction, inflation targeting, financial inclusion, exchange rate stability

1. Introduction

Monetary policy refers to the set of actions undertaken by a nation's central bank to regulate the money supply, manage interest rates, and maintain macroeconomic stability [1]. Traditionally, its objectives have centered around price stability, full employment, and sustainable economic growth. Over time, however, it has become clear that monetary decisions not only shape aggregate outcomes like inflation and GDP but also have direct and indirect consequences for poverty and inequality [2, 3].

The relationship between macroeconomic policy and poverty reduction has evolved significantly over the past century. In the post-World War II period,

dominant development paradigms assumed that economic growth, spurred by significant state intervention, would inherently lead to poverty alleviation. Influenced by the works of Kuznets and Solow, policymakers believed that industrialization, employment creation, and infrastructure investment would result in trickle-down benefits for low-income populations [4]. This "big push" strategy emphasized large-scale state-led investment in key sectors and was exemplified by public ownership, import-substitution industrialization, and coordinated planning across the Global South.

However, by the 1970s, disillusionment with these models began to set in. Growth in many developing countries has failed to yield substantial poverty reduction or convergence with high-income nations. Rising income inequality and entrenched poverty prompted a re-evaluation of the growth-first approach. The 1974 publication of Redistribution with Growth by the World Bank and ILO marked a significant turning point, arguing for more inclusive strategies that prioritized education, rural infrastructure, and employment over capital-intensive development [5].

This reorientation was short-lived. The late 1970s and early 1980s brought an ideological and policy shift with the rise of monetarism and neoliberal economic prescriptions. Macroeconomic crises—including the Latin American debt crisis and stagflation in developed economies—undermined Keynesian approaches and made way for the Washington Consensus, coined by John Williamson in 1989. This policy framework promoted fiscal austerity, deregulation, trade liberalization, privatization of state-owned enterprises, and market-determined interest and exchange rates [6]. The IMF and World Bank enforced these prescriptions through Structural Adjustment Programs (SAPs) attached to development loans.

The central premise was that macroeconomic stabilization and liberalized markets would generate growth that would eventually reduce poverty. However, by the 1990s, these expectations proved overly optimistic. Evidence from sub-Saharan Africa, Latin America, and parts of Asia showed that growth was uneven, poverty persisted, and inequality often worsened [7]. In Latin America, the 1980s became known as the "Lost Decade," where inflation was controlled at the cost of employment, wage growth, and social services.

These outcomes sparked widespread criticism of the Washington Consensus. Critics argued that it ignored institutional quality, downplayed the role of the state, and treated poverty reduction as a secondary outcome of macroeconomic discipline. Fiscal contraction often came at the expense of pro-poor services, such as education and healthcare, and subsidy removals in agriculture made smallholder farmers more vulnerable to market shocks [8]. In response, development thinking evolved once more, moving toward the Post-Washington Consensus and the inclusive growth paradigm. This approach emphasized the importance of not just the pace but also the pattern of growth. Inclusive growth strategies recognize that economic expansion must be accompanied by investment in human development, access to financial services, and policies that directly target the needs of the poor [7].

Alternative models such as the Beijing Consensus also gained prominence during this era, stressing state-led development, gradual reform, and the primacy of national sovereignty over externally imposed liberalization agendas [9]. The failure of a purely market-oriented development approach to reduce poverty sustainably prompted international financial institutions to reconsider the role of equity and inclusion in macroeconomic frameworks.

It was in this context that scholars and policymakers began to scrutinize the poverty implications of monetary policy itself. While once considered a neutral, technical

domain limited to inflation and interest rates, monetary policy is now understood to have profound distributional effects.

This chapter seeks to answer the two central questions: How do key monetary transmission mechanisms shape poverty outcomes? And what policy frameworks can enhance their effectiveness in promoting social equity?

To address these questions, the chapter explores the role of monetary policy in poverty reduction by focusing on three primary transmission mechanisms:

1. Inflation control and price stability are essential because inflation disproportionately affects the poor. Low-income households spend a larger portion of their earnings on essentials such as food and housing, making them more vulnerable to price increases [5].

2. Interest rate policy significantly influences access to credit. High interest rates, while effective in curbing inflation, can constrain borrowing for low-income households and small businesses [10]. Inclusive financial instruments such as microcredit schemes are essential to ensure that monetary easing reaches marginalized communities [11].

3. Exchange rate stability impacts the cost of imported essentials, especially in developing economies. Currency depreciation can raise the cost of food and fuel, thereby exacerbating poverty [12]. Managing exchange rate volatility and ensuring trade resilience is key to maintaining household welfare and investment confidence [13].

While monetary policy alone cannot eliminate poverty, a well-calibrated strategy that considers these transmission mechanisms can help create a more inclusive and resilient economic environment. The remainder of this chapter discusses these channels in detail and proposes practical recommendations for integrating poverty reduction into central banking strategies.

1.1 Note on approach

This chapter is a policy-oriented discussion paper. It does not present original empirical findings but synthesizes insights from theoretical and empirical literature, institutional reports, and selected country case studies. The goal is to explore the role of monetary policy in poverty reduction through three transmission mechanisms: inflation control, interest rate policy, and exchange rate stability. While informed by the literature, this is not a systematic review but a thematic exploration aimed at policy relevance and conceptual clarity.

2. Inflation and poverty: The unseen tax on the poor

Inflation is one of the most pervasive and regressive economic forces impacting low-income households. While inflation affects all members of society, it does not do so equally. The poor—who spend a greater share of their income on food, fuel, rent, and transport—face higher exposure and fewer options for adaptation. Consequently, inflation directly erodes their purchasing power, compromises their ability to meet basic needs, and exacerbates existing vulnerabilities.

Studies have long established a strong connection between inflation and poverty. Chenery et al. [5] found that high and volatile inflation correlates with higher poverty rates and deeper inequality, particularly in low-income countries with weak safety nets. More recent data from Jayashankar. and Murphy [13] show that lower-income households report far greater financial strain during inflationary periods, especially when food and energy prices rise sharply.

One reason for this disproportionate burden is inflation inequality. National inflation figures often obscure the fact that poor households face different—and often higher—inflation rates than wealthier households. According to the Institute for Fiscal Studies (IFS), the inflation experienced by low-income households can exceed national averages because of their heavy reliance on goods like food and energy, which are more prone to rapid price increases [14]. For instance, a uniform 8% inflation rate may mean a 10–12% real cost-of-living increase for poorer families.

The IFS also highlights "cheapflation"—the faster price growth of low-cost, lower-quality goods consumed mostly by the poor. This phenomenon disproportionately affects those already on the economic margins by inflating the price of basic products while leaving higher-end goods consumed by the wealthy relatively stable [14]. This not only reduces the poor's ability to maintain consumption levels but also forces them to substitute with lower-quality or less nutritious alternatives.

In rural and informal economies, inflation often compounds existing structural challenges. Fielding [15] found that even modest food price shocks in the West African Economic and Monetary Union (WAEMU) region significantly increased short-term poverty, particularly in areas lacking reliable food distribution systems or market access. In such contexts, inflation drives families to reduce food intake, delay healthcare, or remove children from school, deepening intergenerational poverty.

Inflation also diminishes the real value of social protection programs when benefits are not indexed. Welfare transfers, pensions, and public sector wages in many developing countries remain fixed in nominal terms. As prices rise, the purchasing power of these transfers erodes, reducing the very support meant to insulate the poor from hardship. This effect is particularly acute during inflation surges, when support is needed most.

Monetary responses to inflation—especially interest rate hikes—can have mixed effects on poverty. While necessary to stabilize prices, higher interest rates may reduce access to credit for small businesses and informal workers, potentially suppressing employment and income generation. Without compensatory fiscal interventions, such as subsidies or direct transfers, tight monetary policy may unintentionally increase poverty in the short term.

However, several countries demonstrate how policy design can mitigate these effects. Brazil, for example, maintained inflation-targeting while expanding Bolsa Família, providing targeted cash transfers to cushion the poor from rising prices. Similarly, India combined inflation control through its central bank with extensive food and fuel subsidies, delivered digitally to reduce leakage and delay. Rwanda has pursued flexible inflation targeting in coordination with food price monitoring and strategic grain reserves.

To ensure inclusive inflation management, policymakers must monitor disaggregated inflation data across income groups, index social transfers to reflect real cost changes, and coordinate monetary tightening with protective fiscal measures. When inflation is treated not just as a macroeconomic indicator but as a distributional force, central banks and governments are better positioned to safeguard vulnerable populations.

In sum, inflation disproportionately affects the poor by increasing the cost of essentials, eroding the value of transfers, and amplifying insecurity. Addressing it requires more than price stabilization—it demands inclusive, data-driven policy coordination that protects households at the bottom of the income distribution.

3. Interest rates and financial inclusion

Interest rate policy is a fundamental tool of central banks used to influence aggregate demand, manage inflation, and stimulate or dampen economic activity. However, its effects on poverty are mediated by how it shapes access to credit, savings, and productive investment. In theory, lower interest rates should promote borrowing and consumption, creating opportunities for economic growth and job creation. In practice, the poor often remain excluded from the financial systems that transmit these effects, rendering standard monetary tools insufficient for inclusive development.

The transmission of monetary policy through interest rates is structurally unequal. Households and businesses in the formal sector, with established banking relationships and credit histories, benefit first and most from falling rates. In contrast, poor households—especially those in rural areas or the informal economy—often face barriers such as lack of collateral, inadequate documentation, and geographic isolation from financial services. This exclusion significantly limits their ability to borrow and invest, even when central banks implement accommodative monetary policies.

Fouda [1] highlights that in many countries, monetary easing fails to lower poverty unless it is explicitly paired with policies that extend financial access. In Central and West Africa, for example, even when interest rates are lowered, large segments of the population are unaffected due to low bank penetration and the absence of inclusive lending frameworks.

Access to affordable credit is critical for poverty alleviation. Credit allows households to invest in income-generating activities, smooth consumption, respond to shocks, and build human capital through education and health expenditure. However, when interest rates are high, borrowing becomes expensive, especially for small-scale entrepreneurs and the working poor. This limits the ability of low-income individuals to escape poverty through productive self-employment or business expansion.

Furthermore, when only wealthier individuals and larger firms benefit from lower interest rates, the result is a deepening of income and asset inequality. Monetary expansion under such conditions may inadvertently accelerate inequality by boosting real estate and stock prices, which are disproportionately owned by the wealthy. The European Central Bank (ECB) has acknowledged that asset purchase programs like quantitative easing (QE) have amplified wealth gaps by raising the value of financial and property assets [16].

To make interest rate policy pro-poor, expanding financial inclusion is critical. Financial inclusion refers to the availability and usage of affordable financial services—such as savings accounts, insurance, remittances, and credit—by disadvantaged populations. It increases the efficacy of monetary policy by enabling a broader base of individuals to respond to changes in interest rates.

Successful examples of financial inclusion have emerged in countries like Kenya, where M-PESA's mobile money services have brought banking to millions, including those previously unreachable by traditional banks. Bangladesh's Grameen Bank and other microfinance institutions have demonstrated that structured group lending and community-based finance can bridge gaps in formal lending systems.

Digital finance also offers powerful tools to connect monetary policy with the informal sector. By reducing transaction costs and improving transparency, digital financial services can accelerate credit provision and improve household resilience to shocks. However, these systems require regulatory support, infrastructure investment, and digital literacy initiatives to be effective.

Central banks and governments can actively influence credit flows through development finance institutions (DFIs) and targeted lending schemes. Refinancing lines for priority sectors such as agriculture, housing, and small and medium enterprises (SMEs) can help channel liquidity toward pro-poor investments. India's Priority Sector Lending mandates, for instance, require banks to allocate a fixed portion of their credit portfolio to underserved sectors, including small farmers, women, and microenterprises. Similarly, Brazil's Banco Nacional de Desenvolvimento Econômico e Social (BNDES) has played a pivotal role in financing infrastructure and inclusive industrial development, often counter-cyclically during economic downturns. These tools effectively link monetary expansion to targeted credit provision and can amplify the poverty-reducing effects of interest rate adjustments.

Monetary authorities can also employ interest rate subsidies for vulnerable borrowers. While this must be balanced against risks of distortion and fiscal burden, in contexts of high exclusion, well-targeted subsidies can have powerful developmental impacts.

Although lowering interest rates can stimulate investment and consumption, it also carries risks—particularly in the form of misallocated credit, rising debt, or financial instability. In fragile economies, monetary easing without robust regulatory oversight can lead to credit bubbles or inflationary pressures. Conversely, overly restrictive monetary policy may suppress job creation and economic recovery, disproportionately hurting low-income households. Therefore, macroprudential measures—such as debt-to-income caps, risk-based pricing, and consumer protection frameworks—are essential to ensure that pro-poor credit expansion does not lead to over-indebtedness or exclusion traps.

A pro-poor interest rate framework requires more than just rate cuts. It demands a parallel financial architecture that ensures accessibility, affordability, and security of credit for low-income populations. Central banks must collaborate with financial regulators, fintech companies, cooperatives, and development institutions to build this architecture. At the same time, transparency and accountability are essential. Central banks should regularly publish disaggregated data on credit flows by income, gender, and region to monitor the inclusiveness of their policy tools. Surveys and feedback loops can further help assess whether changes in policy are reaching the intended populations.

4. Exchange rate stability and the cost of living

Exchange rate fluctuations significantly shape poverty outcomes in both direct and indirect ways. Although often discussed in macroeconomic or trade terms, currency movements can alter the cost of living, public service delivery, and economic opportunities—especially for low-income and vulnerable households. In developing countries, where consumption baskets are heavily dependent on imported goods, and financial safety nets are limited, the consequences of currency depreciation can be particularly severe.

A depreciating currency raises the local prices of imported food, fuel, medicine, and agricultural inputs. These essential goods often form a disproportionate share of poor households' expenditures [9]. As prices rise, low-income families—who typically lack savings or formal credit access—are forced to reduce consumption, delay healthcare, or pull children from school to cope. The poverty impact is immediate and multidimensional.

For example, Fielding [15] showed that in the West African Economic and Monetary Union (WAEMU), exchange rate shocks significantly increased rural poverty by raising the price of imported staples and reducing real wages among agricultural workers. In such contexts, a mere 5–10% depreciation could translate into significant caloric shortfalls or lost school days for children in poor families.

Additionally, public sector budgets are squeezed when exchange rate depreciation raises the cost of servicing foreign debt. This can result in cuts to social spending on education, subsidies, or healthcare—critical safety nets for the poor. Thus, currency movements affect not only household purchasing power but also the state's ability to support those most in need.

Exchange rate volatility also disrupts economic activity and employment patterns. When businesses face uncertainty about input costs or export revenues due to unstable currency values, they may delay hiring, cancel orders, or shift to more precarious employment models. The result is a contraction in job opportunities—especially in sectors like agriculture, construction, and informal services, which employ the bulk of low-income workers.

Moreover, informal workers—w`ho often rely on fixed payments or piece-rate income—are hit hardest by inflation triggered by currency depreciation. Unlike salaried workers, they lack wage bargaining power or contractual protections to maintain real incomes. For poor families relying on cash remittances or informal trade, even small swings in the exchange rate can destabilize livelihoods.

While wealthier actors may hedge against exchange rate risks through diversified assets or foreign holdings, poor households remain exposed. They generally earn in local currency, save in cash, and consume imported essentials. This asymmetric exposure means that currency depreciation leads to a decline in real income and household welfare while offering no compensating gain through asset revaluation or export income.

Furthermore, the poor cannot substitute easily. While richer households may shift consumption from imported to domestic goods during price spikes, low-income housing is the cheapest available options and lack room to adjust. This lack of substitution elasticity amplifies their vulnerability to depreciation-driven inflation.

In urban areas, exchange rate depreciation often translates into faster price increases for fuel and transport, which affects the cost of commuting, food distribution, and household electricity. As transport and retail prices rise, wage earners in low-skilled jobs may find their real earnings eroded, forcing cutbacks in nutrition, education, or basic services. For example, when the Nigerian naira depreciated sharply in 2016 and again in 2020, the price of rice—a staple food—nearly doubled in urban markets. For daily wage earners and informal vendors, the rise in food and transportation costs reduced effective disposable income by over 30% in real terms, pushing many into food insecurity.

Despite these risks, exchange rate policy can be leveraged to protect the poor if used strategically. Countries with high exposure to imported essentials should aim to manage currency volatility—not necessarily fix the rate but ensure predictable

and gradual adjustments. This enables poor households and small businesses to plan, smooth consumption, and avoid crisis-level disruptions.

Some policy options include:

1. Buffer stock management: Countries like India and Ethiopia maintain food grain reserves to protect against import-driven price spikes.

2. Subsidy targeting: Indonesia's cash transfer programs during periods of currency depreciation help offset higher food and energy prices for the poor.

3. Inflation-indexed transfers: Welfare programs in Latin America, such as Brazil's Bolsa Família, adjust benefit levels in line with inflation, including that caused by exchange rate changes.

4. Regulatory tools: Temporary tariff reductions or price ceilings on essential goods during periods of currency stress can provide short-term relief.

In the long run, the best protection against exchange rate-induced poverty lies in economic diversification. Countries heavily reliant on imported food and fossil fuels are most vulnerable. Investment in local agriculture, renewable energy, and manufacturing can reduce external dependency and insulate the poor from global currency volatility.

For instance, Rwanda's strategy to develop domestic fertilizer production and food self-sufficiency has reduced its vulnerability to both price and currency shocks. Similarly, Bangladesh's emphasis on garment exports—an industry with high employment elasticity—has allowed it to translate depreciation into job creation rather than inflation.

In conclusion, while exchange rate policy is often treated as a technocratic tool for managing trade and capital flows, its implications for poverty are profound. Currency depreciation directly reduces the real incomes of poor households, inflates their consumption baskets, destabilizes informal jobs, and undermines public service delivery.

Central banks and governments must therefore treat exchange rate policy not only as a macroeconomic variable but also as a social policy lever. By coordinating with fiscal agencies, using targeted safety nets, and supporting inclusive industrial strategies, they can shield vulnerable populations from the worst impacts of currency instability and transform exchange rate management into a tool for resilience and poverty reduction.

5. Policy coordination: A unified approach to pro-poor macroeconomics

Monetary policy affects poverty through indirect macroeconomic channels—shaping inflation, employment, and financial access—while fiscal policy directly reallocates resources through taxes, subsidies, and public spending. Historically, these two domains have been institutionally and ideologically separated. Yet, in practice, sustainable poverty reduction requires tight coordination between monetary and fiscal policy to ensure that macroeconomic stabilization efforts do not come at the expense of the poor.

When monetary and fiscal policies are poorly aligned, their goals can conflict, undermining both macroeconomic stability and social outcomes. For example, a central bank may raise interest rates to curb inflation, while the finance ministry increases public spending to stimulate employment or expand social transfers. If these

efforts are uncoordinated, they can neutralize each other—leading to macroeconomic inefficiency and policy confusion. Worse, they can create volatility that erodes real incomes and destabilizes household welfare. This conflict is particularly dangerous in developing countries where social safety nets are thin, and market shocks translate quickly into poverty. If monetary tightening is not offset by targeted fiscal interventions, poor households may bear the brunt of inflation control—through job losses, reduced credit access, or rising loan repayments.

Conversely, expansive fiscal policies without regard for inflationary pressures can provoke destabilizing responses from central banks, prompting aggressive rate hikes that suppress employment growth. The poor lose twice: first through reduced purchasing power, and then through reduced income opportunities.

Some countries have demonstrated the benefits of strategic coordination. Brazil in the 2000s is often cited as a successful example. The Central Bank of Brazil pursued inflation targeting and conservative monetary policy, while the federal government expanded Bolsa Família, a conditional cash transfer program reaching over 40 million people. Because the transfers were targeted and did not significantly raise inflation, the result was a dual success: low inflation and declining poverty [17].

Indonesia offers another instructive case. Following the Asian Financial Crisis, Indonesia's central bank focused on stabilizing the currency and controlling inflation, while the government implemented large-scale food subsidies and cash-for-work programs in rural areas. The central bank did not resist this fiscal expansion because it was temporary, well-targeted, and essential for social stabilization.

South Africa, despite facing criticism for high unemployment and inequality, has also acknowledged the need for "policy synergy." The South African Reserve Bank has held dialogs with the National Treasury and the Department of Social Development to align macroeconomic stabilization with poverty alleviation strategies. Although implementation has been uneven, the recognition of joint mandates is a step toward more coordinated governance.

Traditionally, central banks are tasked with maintaining price stability and financial market integrity, while elected governments manage redistribution and development. However, in the face of widening inequality and climate risk, many central banks are rethinking their mandates. The ECB, for example, now includes inequality indicators and employment impacts in its internal review processes [18]. The U.S. Federal Reserve, under its dual mandate, has emphasized "inclusive employment" as a key criterion for policy normalization.

Some scholars have called for "triple mandates" for central banks: stability, growth, and inflation. While controversial, this proposal underscores a growing consensus that macroeconomic institutions cannot be blind to distributional outcomes. Rather than infringing on central bank independence, this approach advocates strategic coordination grounded in clearly defined objectives and transparent accountability.

Effective policy coordination does not require a merger of institutions, but it does demand frameworks for communication and mutual adjustment. Several tools can facilitate this:

1. Medium-term expenditure frameworks (MTEFs) that align budget planning with monetary projections.

2. Inflation-targeting frameworks that explicitly allow for temporary deviations when social protection is needed.

3. Joint macroeconomic surveillance units that assess the distributional effects of policy interactions.

4. Crisis coordination task forces, particularly during external shocks (e.g., pandemics and commodity collapses).

Additionally, institutional reforms—such as creating formal inter-ministerial working groups or legislative mandates for joint policy reporting—can institutionalize these practices beyond electoral cycles.

One of the major obstacles to coordination is institutional culture and political fragmentation. Central banks often prize independence and technocratic neutrality, while finance ministries face political pressures and shifting priorities. This asymmetry leads to distrust or inertia, especially in countries with weak governance or polarized political systems.

However, ignoring coordination comes at a cost. The COVID-19 pandemic revealed that emergency macroeconomic responses work best when monetary and fiscal levers are pulled together. Central banks offered liquidity and asset purchases, while governments delivered cash transfers, food, and health subsidies. The synergy mitigated mass destitution and market collapse. These lessons must now inform peacetime policymaking.

The political will to institutionalize coordination is often shaped by civil society, think tanks, and multilateral institutions. The IMF and World Bank increasingly encourage coordinated policy assessments in their Article IV consultations, recognizing that fragmentation undermines resilience and inclusion.

For poverty reduction, coordination is not just a technical improvement—it is an ethical imperative. Uncoordinated macroeconomic policy risks imposing adjustment burdens on those least equipped to carry them. Strategic alignment allows governments and central banks to:

1. Shield the poor during disinflation and currency corrections.

2. Expand credit access while avoiding overheating.

3. Protect social spending during fiscal consolidation.

4. Promote employment without undermining price stability.

Moreover, by coordinating signals to markets and citizens, governments and central banks can strengthen policy credibility, reduce uncertainty, and improve the quality of growth.

6. Conclusion

Monetary policy plays a vital, if often underestimated, role in shaping poverty outcomes. While it is typically crafted with macroeconomic goals such as inflation control, currency stability, and interest rate management in mind, its indirect effects on low-income households are profound. The poor live closest to the margins of economic security, and even marginal shifts in prices, borrowing costs, or exchange rates can trigger immediate and long-lasting hardship.

Inflation, particularly in essential goods like food and fuel, erodes the real income of the poor more than any other group. Because their consumption baskets are narrow and largely composed of non-discretionary spending, they are least able to adjust or shield themselves from cost increases. High interest rates similarly inhibit opportunities for mobility, especially where credit markets are inaccessible or underdeveloped. When monetary tightening occurs in such contexts, it risks excluding the very populations that policy is supposed to serve.

Currency depreciation introduces further risks by inflating the cost of vital imports and eroding public sector capacity to deliver pro-poor services. Poor households do not have the buffers—financial or institutional—to navigate sudden price shocks. Their earnings are seldom indexed, their savings are vulnerable to inflation, and their public support systems are often under strain during economic crises.

Despite these challenges, monetary policy can be designed and deployed to protect, and even empower, vulnerable populations. Targeted measures such as inflation-indexed welfare payments, priority sector lending, support for financial inclusion, and managed exchange rate regimes offer pathways toward equitable outcomes. Central banks can monitor distributional impacts and coordinate with fiscal authorities to ensure policy synergy rather than conflict.

The broader lesson is clear: monetary policy should not be confined to the realm of abstract aggregates and financial indicators. It is a powerful tool that shapes the daily economic experiences of citizens—especially those at the base of the income pyramid. As global economies contend with rising inequality, climate risk, and external volatility, the case for inclusive monetary frameworks has never been more urgent.

If central banks and policymakers embrace this imperative, monetary policy can shift from being a neutral force—or even a regressive one—into a key component of inclusive and sustainable development.

This chapter is limited by its reliance on secondary sources and lacks primary empirical data. While it draws on a broad set of international cases, regional nuances and institutional heterogeneity warrant deeper country-level analysis in future research."

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Chapter 4

A Thriving Future through Diversity, Equity, and Inclusion for Resilient and Innovative Communities

Duncan Borg Ellul and Jesmond Friggieri

Abstract

This study explores the critical role of Diversity, Equity, and Inclusion (DEI) in sustainable development, emphasising reducing poverty. Through a systematic literature review, we analyse scholarly perspectives, policy discussions, and case studies from various sectors, including project management, labour markets, women's entrepreneurship, and sustainable agriculture. Our findings show that DEI strengthens stakeholder engagement, promotes inclusive decision-making, and empowers disadvantaged populations by addressing their socio-economic needs, thereby contributing to efforts to combat poverty. However, significant obstacles, such as cultural resistance, institutional biases, and systemic inequalities, hinder the effective integration of DEI initiatives to support vulnerable groups. To address these challenges, the study recommends policies focused on educational reform, capacity-building, and grassroots engagement to uplift underserved communities. This research presents a framework for embedding DEI in sustainable development, proposing a pathway to more inclusive, resilient communities where poverty is systematically reduced. By integrating DEI into Sustainable Development Goals (SDGs), particularly SDG 1 (No Poverty), SDG 5 (Gender Equality), and SDG 10 (Reduced Inequalities), policymakers can promote a justice-oriented approach that actively includes marginalised populations in development processes.

Keywords: diversity, equity, inclusion, sustainable development, poverty alleviation, stakeholder engagement, marginalised communities, policy interventions

1. Introduction

Sustainable development has evolved from focusing solely on environmental and economic goals to integrating social equity as a core principle. This shift, highlighted in the Brundtland Report [1], underscores that true sustainability is interwoven with addressing structural inequities. This commitment was reinforced by the 2015

Sustainable Development Goals (SDGs), which placed social justice at the heart of sustainability, mainly through interconnected targets like SDG 1 (No Poverty), SDG 5 (Gender Equality), and SDG 10 (Reduced Inequalities) [2, 3]. These goals illustrate the profound links between poverty reduction, gender equity, economic growth, and environmental care. Achieving poverty eradication, therefore, requires a holistic, structural approach that dismantles systemic inequities and promotes inclusive, sustainable development.

In this vision, poverty is both a systemic failure and a self-perpetuating condition, trapping communities in cycles that undermine sustainability. Eradicating poverty demands a multifaceted strategy combining social, economic, and environmental imperatives into a cohesive, interdependent framework [4].

2. Theoretical perspectives on diversity, equity, and inclusion initiatives and sustainable development

Theoretical considerations provide a deeper understanding of how Diversity, Equity, and Inclusion (DEI) principles align with sustainable development frameworks. By examining foundational concepts such as Intersectionality, the Triple Bottom Line (TBL), and Doughnut Economics, this section explores how these frameworks can be leveraged to address structural inequities and foster inclusive community resilience.

Intersectionality, as explored in Crenshaw's work [5], provides a lens for understanding how overlapping identities (such as race, gender, and socioeconomic status) impact access to resources and opportunities within sustainable development frameworks. The literature review in Section 2 explores key concepts and models, such as the Triple Bottom Line (TBL), Doughnut Economics, and Intersectionality, which provide insights into how DEI principles can be leveraged to address systemic poverty. The diagram in **Figure 1** below illustrates how DEI principles interconnect with these elements of sustainable development to foster inclusive, resilient communities.

Research shows that diverse teams contribute to resilience and innovation within organisational settings, as discussed by Hunt, Layton, and Prince [6]. DEI principles are critical for recognising variegated perspectives, ensuring equitable resource distribution, and dismantling structural barriers that impede the substantive engagement of marginalised constituencies in developmental paradigms [7, 8]. Ascendant sociopolitical movements, exemplified by #MeToo and Black Lives Matter, underscore how DEI can spark significant social changes by addressing systemic inequalities [9].

These movements signify that DEI needs to be equipped with sustainable development mechanisms to reduce poverty among socioeconomically disadvantaged groups [10, 11]. The Coronavirus Disease 2019 (COVID-19) pandemic has particularly affected marginalised populations, highlighted economic setbacks and health disparities, and brought these issues into tight focus; as a result, DEI initiatives play a crucial role in creating more inclusive governance structures and enhancing stakeholder engagement.

As Bell and Hartmann discussed, the discourse around DEI often includes ambiguities and contradictions, which complicate the adoption of universal DEI standards [12]. Global cultural heterogeneity exacerbates this complexity, usually bewildering the formulation of universally endorsed DEI protocols. **Table 1** below summarises the critical barriers to DEI integration in sustainable development and proposed solutions to address these barriers.

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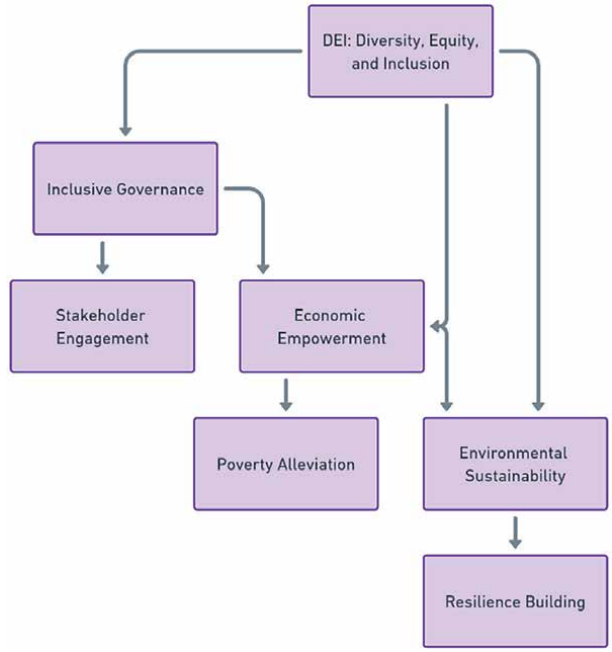

Figure 1.
Diversity, Equity, and Inclusion Structure. Source: Own Elaboration.

Barrier	Description	Proposed solution
Cultural Resistance	Social norms that oppose inclusivity, especially in patriarchal societies.	Community outreach and awareness programmes involving local leaders.
Institutional Inertia	Slow adoption of DEI policies within traditional institutions.	Leadership training and accountability frameworks for inclusivity.
Systemic Inequities	Structural inequalities prevent marginalised groups from accessing resources.	Equity-focused policies like affirmative action and resource redistribution.
Data Deficiency	Lack of detailed data on marginalised populations to guide DEI initiatives.	Invest in collecting disaggregated data to inform policies.
Digital Divide	Limited access to digital tools for low-income and rural communities.	Expand digital infrastructure and affordable access programmes.

Source: Own Elaboration.

Table 1.
Key barriers to diversity, equity, and inclusion integration and proposed solutions.

In many regions, entrenched socio-cultural norms, including patriarchal and caste systems, impede DEI agendas [13]. Nominal DEI efforts, such as tokenising marginalised individuals to prominent roles, may even reinforce existing inequities [14]. Genuine DEI integration requires structural reform to address poverty's root causes effectively.

Empirical evidence suggests that including marginalised perspectives in decision-making can significantly enhance anti-poverty efforts by revealing unique insights [15, 16]. While diversity introduces challenges, such as the need for consensus in

decision-making [17], it also strengthens resilience by broadening perspectives on complex issues [18]. Thus, skilful diversity management can be a strategic asset in combating poverty.

Equity, distinct from equality, emphasises targeted resource redistribution to rectify historical and systemic disenfranchisement [19]. Redistributive policies, like affirmative action and social welfare initiatives, are essential for dismantling entrenched structures of poverty [20, 21]. However, such measures often face resistance from those perceiving them as preferential treatment, highlighting the tension between equity aspirations and existing power dynamics [22, 23]. Without an equity-centred focus on marginalised populations, sustainable development may entrench existing social stratifications rather than enabling upward mobility [24, 25].

As the third pillar of DEI, inclusivity involves creating environments that allow marginalised individuals to engage meaningfully and benefit from development initiatives. However, achieving genuine inclusivity often faces institutional inertia and conflicting stakeholder priorities [26, 27]. For instance, international entities may prioritise gender equity while local authorities focus on economic stability, resulting in misaligned developmental goals [28, 29]. Cultivating inclusivity strengthens social cohesion and community resilience by empowering marginalised groups to actively participate in development [30, 31], as shown in **Figure 1**.

Embedding DEI into SDG frameworks, such as Goals 1 (No Poverty), 5 (Gender Equality), and 10 (Reduced Inequalities), represents a shift towards justice-oriented, inclusive development models [32, 33]. This reframing emphasises the necessity of inclusivity and participatory governance for socio-economic upliftment, ensuring that marginalised populations are pivotal agents in policy design and governance [34].

Nonetheless, operationalising DEI within the SDG framework poses complexities. Critics caution that DEI efforts risk becoming performative without transformative policy changes [35]. Symbolic inclusion, such as increasing female representation without addressing systemic barriers, fails to empower women socio-economically [36–38]. Genuine change demands substantive equity-driven measures.

Conversely, diversity-driven leadership encourages innovation and resilience, as seen in Germany's refugee workforce integration programmes. These initiatives promote economic inclusion and skill diversity, driving social and economic resilience [39]. This chapter explores how integrating DEI into sustainable development frameworks can enhance poverty reduction and foster resilient communities through a systematic literature review (SLR).

3. Literature review

Integrating DEI within sustainability forms a complex theoretical network [1] that balances social, economic, and environmental imperatives while promoting equitable access to resources and opportunities [40, 41]. Examining frameworks such as the TBL, Doughnut Economics, and Intersectionality provides insights into how DEI principles can address structural poverty and foster a more inclusive approach to sustainable development [42,].

3.1 The triple bottom line paradigm

The TBL, conceptualised by Elkington in 2004 [3], challenges organisations to look beyond financial profit by equally prioritising social and environmental impacts.

This framework posits that genuine sustainability emerges from economic activities that generate positive social and ecological outcomes. Within this paradigm, DEI is essential for achieving social equity, as inclusive and diverse workplaces are more likely to engage in practices that benefit broader society, including impoverished communities [9]. Empirical studies indicate that organisations with diverse leadership are more innovative and resilient, better equipped to tackle complex social issues such as reducing poverty, and can devise solutions that account for various perspectives and needs [43].

However, some scholars argue that TBL's implementation often lacks depth. Many organisations adopt superficial diversity initiatives that fail to address structural inequalities such as income inequality and labour market discrimination [44]. These scholars highlight the risk of "performative DEI," where companies might endorse diversity rhetorically without fostering natural economic mobility or reducing poverty among marginalised groups [45, 46]. For TBL to effectively address poverty, it requires substantive, equity-driven strategies within Corporate Social Responsibility (CSR) frameworks that directly support low-income communities through measures such as fair wages, local hiring, and community investment programmes [29, 47, 48].

3.2 Doughnut economics and distributive justice

Doughnut Economics, proposed by Kate Raworth [4], aims to conduct economic activities within a "safe and just space" where social needs are met without exceeding ecological limits. This framework aligns with DEI principles, emphasising equitable access to essential resources. However, translating Doughnut Economics into actionable policy in developing economies presents significant challenges [35]. Socioeconomic disparities, limited resources, and pressure from powerful interest groups often hinder efforts to balance social and environmental goals [24]. Furthermore, a lack of reliable data on social and ecological indicators complicates the application of Doughnut principles [22]. Cross-sector collaboration, crucial for the model's success, is also challenging due to weak institutional structures [17, 37, 49]. Despite these obstacles, localised adaptations are underway, such as initiatives in South Africa focusing on access to water and sanitation while reducing pollution [27]. Successful implementation requires adapting the framework to local conditions, improving data collection, and fostering collaboration to make it actionable in low-resource settings.

3.3 Intersectionality and the matrix of social justice

Intersectionality, introduced by Kimberlé Crenshaw [5], provides a framework for understanding how overlapping identities, such as race, gender, and socioeconomic status, shape individuals' experiences with poverty and discrimination. In sustainable development, an intersectional approach helps reveal how poverty interacts with other disadvantages, creating complex barriers for marginalised groups [50]. However, applying intersectionality in policy-making faces challenges such as limited data on intersecting identities, bureaucratic silos, and social resistance to intersectional policies [8, 19, 28]. Cross-sectoral coordination is often needed to address these intersecting barriers, which is difficult in low-resource settings. Tailoring approaches to local contexts and building community buy-in are essential [20, 51]. Pilot programmes, such as India's NRLM, incorporate intersectional analysis to target specific vulnerabilities and refine strategies on a smaller scale [33]. While intersectionality is

a valuable tool for understanding complex disadvantages, practical implementation requires data, collaboration, and cultural sensitivity [20, 42].

3.4 Empirical evidence of diversity, equity, and inclusion's impact on sustainability

Empirical research demonstrates that integrating DEI within sustainable development initiatives can significantly enhance efforts to tackle economic hardship, creating more resilient and inclusive communities. This section examines case studies from diverse international contexts to show how DEI initiatives support poverty reduction through community resilience, expanded economic opportunities, and empowerment of marginalised populations.

3.5 Case study 1: Community resilience and poverty reduction in Latin America

In Latin America, participatory governance paradigms have increasingly conferred agency upon marginalised constituencies by vesting them with authority over allocating local development resources and adjudicating communal decisions [10]. The participatory budgeting model in Porto Alegre, Brazil, is a significant example of economically disadvantaged communities actively distributing a specific portion of the city's budget [11]. This praxis has engendered more equitable resource allocation while strengthening social capital within socioeconomically disadvantaged neighbourhoods, thereby augmenting access to essential public goods such as sanitation, education, and healthcare [52, 53].

3.6 Case study 2: Labour market inclusivity and poverty alleviation in Europe

The European Union (EU) has integrated DEI into its sustainability agenda through initiatives that promote inclusive labour markets [34]. For example, the European Social Fund (ESF) funds vocational training and employment programmes for marginalised groups, including refugees, people with disabilities, and ethnic minorities [54]. In Germany, targeted workforce integration programmes for refugees have contributed to economic participation and reduced poverty among immigrant communities [39].

3.7 Case study 3: Women's entrepreneurship and economic empowerment in sub-Saharan Africa

In Sub-Saharan Africa, initiatives such as microfinance, cooperatives, and business training for women have effectively reduced poverty and fostered community development [55], demonstrating that DEI-driven social innovation provides tangible pathways out of poverty, particularly for women and marginalised groups. A notable example is Kenya's Greenbelt Movement, founded by Wangari Maathai, where women were mobilised to lead reforestation efforts, restore degraded land, and create economic opportunities for impoverished rural women [55, 56]. Through this initiative, participants received small payments for tree planting, which enabled them to invest in their families' healthcare and education, thus breaking cycles of poverty and fostering economic empowerment. Additionally, the following bar chart, **Figure 2**,

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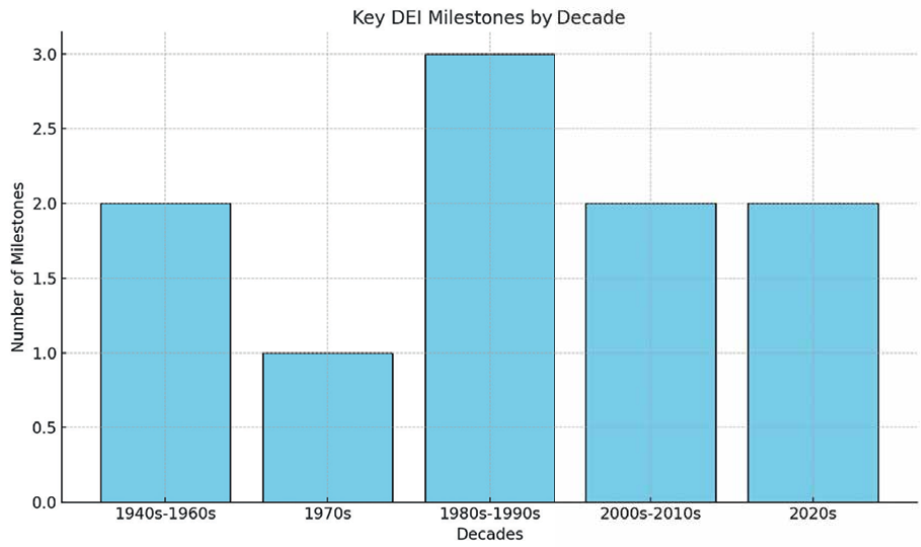

Figure 2.
Key diversity, equity, and inclusion milestones by decade. Source: Own Elaboration.

illustrates the distribution of significant DEI milestones across different decades, offering a concise overview of progress and highlighting periods of increased activity in Diversity, Equity, and Inclusion initiatives globally.

As shown in the above figure, the peak of DEI milestones occurred during the 1980s–1990s, indicating substantial progress or initiatives. In contrast, the 1970s witnessed fewer milestones, suggesting a relative lull in DEI-related advancements or recognitions. This trend highlights the growing awareness and efforts towards DEI over time, with notable resurgence or sustained efforts in the 2000s–2010s and into the 2020s. The chart suggests that societal movements and policies have periodically accelerated DEI initiatives, reflecting shifting priorities and cultural shifts. Understanding these milestones helps evaluate progress and identify areas where continued focus is needed.

3.8 Comparative analysis

The case studies illustrated in the previous section demonstrate that DEI-cantered sustainable development initiatives can significantly impact poverty alleviation; however, their effectiveness is heavily dependent on local conditions and institutional support. For instance, the participatory budgeting model in Brazil [11] has effectively reduced poverty by improving resource allocation in impoverished communities, but it relies on solid local governance structures to succeed. Similarly, the EU's labour market integration programmes aim to reduce poverty by opening up economic opportunities for marginalised groups. Yet, they require a comprehensive DEI strategy to support long-term career growth and sustainable income [23, 34]. The comparative analysis of these case studies reveals varying emphases on women's empowerment, refugee integration, and inclusive governance across different contexts. **Figure 3** below provides a visual breakdown of these focal areas, highlighting the proportional attention given to each category within DEI-driven sustainable development initiatives.

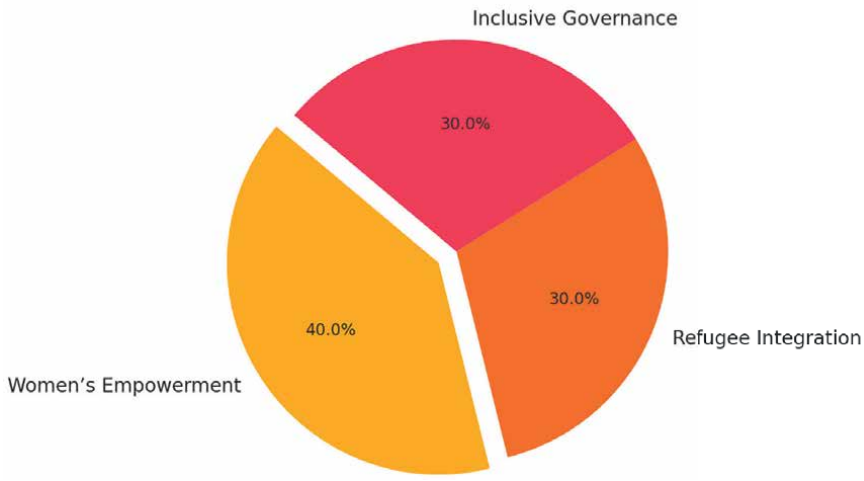

Figure 3.
Proportionate focus of different diversity, equity, and inclusion case studies. Source: Own Elaboration.

As illustrated in the pie chart above, these data clearly represent the distribution and illustrate the relative emphasis of various DEI case studies on three key focus areas: Women's Empowerment, Inclusive Governance, and Refugee Integration. The largest segment, representing 40%, highlights Women's Empowerment as the most emphasised area, reflecting substantial efforts and initiatives in addressing gender disparities and supporting women's roles in socio-economic development. Meanwhile, Inclusive Governance and Refugee Integration are represented by equal segments of 30%, indicating a shared focus on creating participatory governance frameworks that include marginalised groups and initiatives supporting refugee inclusion through economic and social integration.

This chart underscores the diversity within DEI initiatives, demonstrating a balance among governance reforms, gender equity, and refugee support while suggesting areas where additional emphasis or resources may be needed to ensure comprehensive DEI efforts. The literature's takeaways further suggest that DEI enhances stakeholder engagement, democratises decision-making, and empowers marginalised communities by addressing their socio-economic needs, ultimately advancing poverty reduction efforts. In this context, key examples worldwide illustrate how DEI initiatives have been applied in different settings to achieve these outcomes. **Table 2** below summarises these examples, highlighting various DEI strategies and their outcomes across diverse regions.

Further, it is interesting to learn that the success of women's entrepreneurship initiatives in Sub-Saharan Africa highlights the role of targeted financial and training programmes in empowering marginalised groups to escape poverty [28]. However, the digital divide remains a critical barrier, limiting the capacity of these entrepreneurs to expand into emerging markets. In Southeast Asia, green technology projects promise inclusive development but require significant investment in skills training and equitable policies to ensure marginalised communities can participate meaningfully [31].

These examples underscore the need for context-sensitive DEI strategies that prioritise poverty alleviation by addressing structural inequalities [17]. While DEI frameworks provide a universal blueprint for inclusive growth, their application must be tailored to local realities, with institutional support that amplifies their impact.

Case Study	Location	DEI Focus	Outcome
Participatory Budgeting [10]	Porto Alegre, Brazil	Inclusive governance	Equitable resource distribution; improved access to public services.
Greenbelt Movement [55]	Kenya	Women's empowerment	Economic opportunities for rural women; environmental restoration.
Community Forestry Programmes [55]	Nepal	Indigenous inclusion	Sustainable resource management; economic benefits for locals.
Refugee Workforce Integration [39]	Germany	Workforce training	Increased refugee employment; economic inclusion.
European Social Fund (ESF) [34]	European Union (EU)	Vocational support	Reduced poverty in disadvantaged groups; higher workforce participation.

Source: Own Elaboration.

Table 2.
Key case studies on diversity, equity, and inclusion in sustainable development.

Effective DEI-driven poverty alleviation requires adaptable strategies backed by local governance structures and robust social programmes that sustain economic inclusion over the long term [57].

3.9 Summary of the literature review

The literature underscores the importance of integrating DEI within sustainable development to address poverty effectively. Frameworks such as TBL, Doughnut Economics, and Intersectionality provide valuable insights into how DEI can enhance poverty-focused sustainable development. Empirical evidence further shows that DEI initiatives, such as community-driven governance, inclusive labour markets, and women's entrepreneurship, can yield tangible poverty reduction outcomes.

However, the literature highlights significant challenges, including cultural resistance, institutional rigidity, structural disparities, and data deficiencies. These barriers reveal the need for context-sensitive DEI strategies that prioritise poverty alleviation by addressing structural inequalities. DEI initiatives must overcome these challenges to avoid becoming performative rather than transformative, limiting their potential for sustainable poverty reduction.

The following section will outline the methodological approach for this inquiry, focusing on an SLR. This method will comprehensively synthesise existing research, aligning empirical findings and theoretical frameworks to understand DEI's role in sustainable development and uplifting low-income groups.

4. Research methodology

This research embarks upon a rigorous SLR to meticulously interrogate the importance of DEI as a pivotal element in advancing sustainable development, particularly

with an emphasis on poverty eradication. The SLR methodology permits an exhaustive synthesis and a nuanced critique of existing scholarly discourses, elucidating recurrent motifs, delineating gaps, and discerning new insights across multiple academic domains.

4.1 Justification for systematic literature review

The choice of an SLR as the primary methodological approach is driven by its capacity to provide a structured, detailed, and comprehensive synthesis of academic discourse on DEI's impact on poverty within sustainable development [43]. This study adopts an SLR approach to critically examine the role of DEI within sustainable development, addressing concerns raised by scholars such as Telleria and Garcia-Arias [58], who argue that the 2030 Global Development Agenda may perpetuate an idealised narrative that overlooks structural inequalities. By systematically reviewing the literature, this SLR aims to identify whether DEI initiatives genuinely address socio-economic disparities, particularly in poverty reduction. The SLR method is particularly well-suited for research inquiries that span multiple disciplinary perspectives, making it ideal for understanding the multifaceted nature of DEI in addressing poverty [58, 59]. This approach facilitates a critical evaluation of methodological rigour in existing studies, identifying dominant scholarly trends and pinpointing epistemological gaps that require further exploration. The SLR aligns seamlessly with theoretical frameworks such as the TBL and Intersectionality, which are highlighted in the literature review as essential for examining the socio-economic impacts of DEI on poverty [3–5].

4.2 Data collection and selection criteria

Data were collected through a systematic literature review covering sources published between 1987 and 2024. This extensive period reflects the foundational concepts and contemporary advancements related to sustainable development in Diversity, Equity, and Inclusion (DEI). The data acquisition entailed a comprehensive interrogation of prominent academic repositories, including JSTOR, Scopus, Web of Science, and Google Scholar. This approach ensured a robust corpus of interdisciplinary scholarship encompassing social sciences, environmental studies, economics, public policy, and other relevant fields. The search methodology relied on a carefully tailored combination of key terms, including "Diversity, Equity, and Inclusion," "sustainable development," "poverty alleviation," "community resilience," and "social equity." This precise approach enabled the systematic extraction of relevant scholarly works at the intersection of DEI, sustainable development, and poverty alleviation, ensuring the comprehensiveness and relevance of the literature gathered.

Only English-language studies were included to ensure consistency in analysis and interpretation. The review incorporated peer-reviewed journal articles, empirical case studies, policy reports, and systematic reviews explicitly addressing the intersection of DEI and sustainable development, focusing on poverty. Both qualitative and quantitative studies were considered to enable a broad and nuanced synthesis. Non-English publications were excluded to ensure analytical consistency and mitigate potential translation inaccuracies. Opinion pieces, commentaries, and non-peer-reviewed articles were excluded from upholding the methodological rigour of the review. Only studies demonstrating substantial empirical evidence or theoretical depth were included.

4.3 Thematic analysis

The selected corpus was analysed using a rigorous thematic analysis method, as outlined by Braun and Clarke [60]. This approach identifies, analyses, and reports patterns within the dataset, facilitating an in-depth examination of DEI's role in poverty reduction within sustainable development. The thematic analysis proceeded through a structured six-phase protocol, which included (i) familiarisation with the data, (ii) coding, (iii) generating initial themes, (iv) reviewing and refining themes, (v) defining and naming themes, and (vi) composing the analytical narrative.'

4.4 Evaluation criteria

Each selected study was subjected to rigorous evaluative criteria, assessing methodological rigour, empirical validity, and theoretical contributions [23]. This critical appraisal ensured that only high-quality, empirically robust studies formed the foundation of the synthesis, thus enhancing the scholarly rigour and credibility of the findings. Evaluative scrutiny also allowed the study to distinguish high-impact insights from less substantiated claims, reinforcing the analytical strength of the conclusions.

4.5 Synthesis of findings

The thematic analysis enabled a synthesised interpretation of how DEI impacts sustainable development's poverty reduction objectives. The review identifies commonalities and divergences in outcomes by conducting comparative analysis across studies, providing a nuanced understanding of the contextual factors that facilitate or hinder DEI's alleviation role.

4.6 Summary of research methodology

The SLR approach provided a comprehensive framework for examining DEI's potential to address poverty within sustainable development. Through thematic analysis, this study identified key patterns and challenges in the literature, offering a detailed account of how DEI initiatives can reduce poverty by enhancing community resilience, promoting equitable resource distribution, and supporting inclusive economic growth.

With a clear methodological approach established, we now turn to the findings of this analysis. The following section presents the core themes and insights from the literature, highlighting how DEI contributes to reducing poverty within sustainable development contexts.

5. Findings and discussion

5.1 The role of diversity, equity, and inclusion in sustainable development and poverty alleviation

Incorporating DEI tenets into sustainable development paradigms is incontrovertibly pivotal in strengthening communal resilience and engendering adaptive

methodologies to confront multifaceted socio-economic and environmental difficulties, with a pronounced focus on poverty mitigation. The SLR suggests three cardinal mechanisms through which DEI exerts an influence on poverty alleviation within the ambit of sustainable development: (i) amplifying stakeholder engagement, (ii) democratising participatory governance and decision-making architectures, and (iii) instigating social innovation as a transformative impetus.

5.1.1 Augmenting stakeholder engagement

Empirical evidence reveals that incorporating marginalised voices in decision-making leads to more equitable resource distribution, as demonstrated by Nepal's community forestry programme, where Indigenous groups manage natural resources [13]. This inclusive approach helped conserve the local environment and generate economic benefits by allowing communities to harvest resources sustainably, creating new income streams, and reducing poverty. Empowering local voices strengthened both environmental stewardship and economic resilience within the programme. DEI focuses on marginalised groups, making development initiatives more responsive to the needs of impoverished communities. This approach fosters a sense of ownership and commitment among those involved, supporting sustainable outcomes. The concept of diversity in decision-making can also be viewed similarly to genetic diversity in ecological systems, where varied perspectives contribute to a more resilient structure [19].

5.1.2 Democratising decision-making

Incorporating DEI is crucial for democratising decision-making, allowing marginalised groups to impact policies that affect their lives [29, 46]. Such inclusive decision-making modalities have demonstrated pronounced efficacy in urban planning and disaster management, wherein heterogeneous perspectives elucidate latent opportunities and foster innovative solutions that benefit vulnerable demographics [30].

A salient example is evident in the post-2010 earthquake reconstruction efforts in Haiti, wherein community-based organisations assumed a pivotal role in tailoring the rebuilding efforts to the specific needs of local constituencies [48]. Integrating marginalised cohorts, such as women's collectives and youth associations, into the decision-making framework allowed reconstruction initiatives to align more closely with the priorities of the affected communities. This approach fostered a more equitable allocation of resources and enhanced social legitimacy.

5.1.3 Catalysing social innovation

DEI catalyses social innovation by bringing diverse perspectives that challenge traditional problem-solving paradigms [42, 61], similar to how ecological diversity supports resilience in natural systems [40]. This diversity of thought is precious in developing creative solutions to poverty-related issues, as it enables the design of adaptive, context-specific strategies that address social and economic needs [52].

The Greenbelt Movement in Kenya, founded by Wangari Maathai, demonstrates DEI's power to drive innovation in combating poverty [56]. This initiative mobilised women to lead reforestation efforts, which created economic opportunities for impoverished rural women and played a crucial role in restoring degraded environments; by integrating environmental conservation with women's economic

empowerment, the Greenbelt Movement effectively tackled poverty and ecological challenges simultaneously.

Similarly, community-led adaptation projects in Bangladesh have combined traditional hydrological knowledge with modern infrastructure to manage seasonal flooding [53]. This hybrid approach has protected livelihoods and reduced the economic impact of natural disasters on impoverished communities. These examples underscore DEI's potential to produce sustainable development solutions that are locally relevant and effective in addressing poverty.

5.2 Barriers to effective diversity, equity, and inclusion integration in poverty alleviation

Despite DEI's potential as a transformative force in sustainable development and poverty reduction, its practical implementation is hindered by significant barriers. The SLR [13] identifies three major obstacles, namely, (i) cultural resistance, (ii) institutional inertia, and (iii) structural inequities. These barriers often reinforce each other, necessitating comprehensive strategies to overcome them.

5.2.1 Cultural resistance

Cultural resistance remains a significant challenge to DEI, especially in societies where traditional norms conflict with principles of inclusivity [56]. In patriarchal cultures, efforts to improve gender equity, such as increasing women's participation in the workforce, often encounter opposition from those who perceive such initiatives as a threat to established social structures [37]; this resistance is particularly problematic for efforts aimed at uplifting low-income groups, as it restricts access to economic opportunities for women and other marginalised groups. Additionally, in some rural parts of Southern Africa, traditional knowledge and local biodiversity [55] significantly shape community approaches to sustainable development. For example, in parts of the Middle East, attempts to increase women's labour force participation are constrained by societal norms that valorise traditional gender roles [62], so although legal reforms may support gender equity, societal attitudes often limit the practical impact of these policies [33]. Thus, effective DEI strategies in such contexts must involve culturally sensitive approaches, such as engaging community leaders and framing gender equality in terms of collective benefits like economic growth and improved public health.

5.2.2 Institutional inertia

Institutional inertia, defined by slow adaptation to change [26], poses another significant barrier to DEI. Longstanding practices and implicit biases within institutions like education and healthcare limit equitable access to essential services, perpetuating poverty among marginalised groups [27]. Even when DEI policies are formally adopted, their effectiveness is often undermined by organisational cultures that resist change [8, 28].

For instance, diversity policies may be introduced in the corporate sector but fail to impact hiring or promotion practices meaningfully [43]. This performative approach limits DEI's capacity to reduce economic inequalities and can lead to disillusionment among marginalised employees [29, 44]. Similarly, statutory inclusivity measures

may be ineffective in the public sector without political will or resources for enforcement [58]. Addressing institutional inertia requires a commitment to DEI at all levels of leadership, along with sufficient resources to support systemic change that benefits impoverished and vulnerable groups.

5.2.3 Structural inequities

Structural inequities, including income disparities, racial and gender discrimination, and uneven access to resources, are deeply intertwined with poverty, creating substantial barriers to DEI integration [45, 46]. Addressing these inequities requires broader socio-political reforms, as isolated DEI initiatives cannot dismantle the structural barriers that keep marginalised populations impoverished. In developing nations, weak governance and economic instability further exacerbate these challenges, making it difficult to implement sustainable DEI initiatives that can benefit low-income communities. Sachs argues that, for DEI to be effective, it must be part of a comprehensive strategy that includes investments in foundational areas such as education, healthcare, and infrastructure. To ensure that DEI has a meaningful impact on poverty, legal and regulatory reforms are necessary to enforce anti-discrimination laws and provide fair access to resources. The critical barriers to effective DEI integration are illustrated in the following flowchart (**Figure 4**). It visually outlines each barrier alongside the proposed strategic solutions to mitigate them, thereby highlighting the interconnected nature of DEI challenges and offering a structured approach to addressing them.

The initial barrier, Cultural Resistance, arises from societal norms that challenge inclusivity, particularly in patriarchal or traditionally rigid environments. Solutions such as Community Outreach Programmes can be implemented to address this challenge, promote education, and raise awareness of DEI principles. Furthermore,

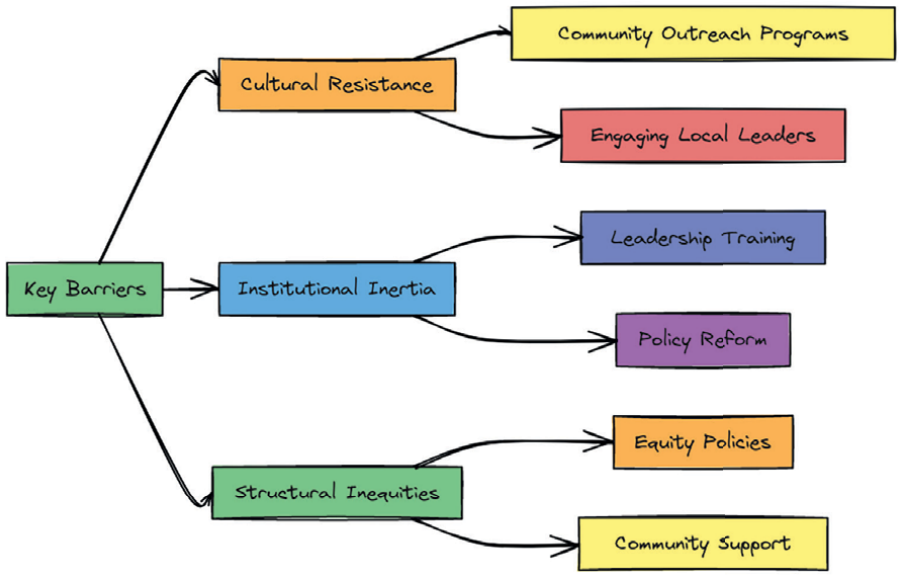

Figure 4.
Key barriers and proposed solutions for diversity, equity, and inclusion integration. Source: Own Elaboration.

involving local leaders can help build grassroots support and facilitate cultural shifts towards more inclusive attitudes.

The second barrier, Institutional Inertia, highlights the slow pace at which established institutions adopt and implement DEI policies due to entrenched practices and internal resistance to change. Addressing this inertia requires Leadership Training to cultivate inclusive leaders capable of championing DEI within their organisations. Moreover, Policy Reform is necessary to systematically embed DEI principles into institutional frameworks, ensuring long-term change and meaningful impact.

The third barrier, Structural inequalities, refers to deeply rooted disparities that limit marginalised populations' access to resources and opportunities. Overcoming these inequities necessitates implementing Equity Policies, such as affirmative action, to redistribute opportunities and address historical imbalances. Furthermore, Community Support initiatives can strengthen social cohesion and give marginalised groups greater access to essential resources and opportunities.

5.2.4 Data deficiency and evidentiary gaps

A lack of disaggregated data is a significant barrier to effective DEI in poverty alleviation [54]. Many organisations lack the infrastructure or willingness to systematically collect data that would reveal inequalities within their structures [48]. Without detailed data, it is challenging to assess DEI initiatives' impact on poverty or to identify areas for improvement, which weakens the credibility of DEI efforts.

This data deficiency often results in generalised policies that fail to address the specific needs of impoverished communities. For example, gender-neutral policies may overlook barriers unique to women, such as limited access to education and employment [63]. Addressing data gaps requires a commitment to collecting detailed, disaggregated data, enabling DEI strategies that are empirically grounded and tailored to the unique challenges faced by marginalised populations.

5.3 Case studies: Best practices and lessons learned

The Sustainable Development Report (SDR), an annual publication that tracks and evaluates progress towards achieving the United Nations SDGs, highlights the role of DEI principles in empowering marginalised communities and reducing poverty by providing data-driven insights, ranking countries' performances, and identifying areas requiring further efforts for a sustainable future; key examples, such as Porto Alegre's participatory budgeting model, illustrate the impact of integrating DEI into governance and community development, leading to increased sanitation services and school enrolments that enhance social equity [11, 31].

In Haiti, community-based reconstruction post-2010 earthquake led to affordable housing, restored essential services, and a 40% rise in local employment, underscoring DEI's transformative potential [48]. The Greenbelt Movement in Kenya showed how women's reforestation efforts combated deforestation and boosted household incomes by 35% [56].

Germany's refugee integration programme led to a 45% employment rate for refugees, contributing €5 billion to the economy [39]. DEI-focused microfinance programmes in Sub-Saharan Africa empowered women, increased household assets by 60%, and created over 100,000 local jobs, driving community development [28].

The Gender-Based Analysis Plus (GBA+) framework in Canada emphasises the importance of intersectional approaches in policy-making to ensure that social

interventions effectively target marginalised groups [33, 64], as it serves as an analytical tool to assess how diverse groups of people may experience policies, programmes, and initiatives differently. Going beyond gender to encompass various identity factors such as race, ethnicity, age, and disability, GBA+ promotes a more inclusive and equitable approach to policy-making and implementation. Furthermore, these case studies illustrate that DEI initiatives enhance stakeholder engagement, democratise decision-making, and support sustainable development while addressing socio-economic needs.

The case studies mentioned in this section illustrate that effective DEI integration in poverty-focused sustainable development requires visionary leadership, community engagement, and adaptable strategies. Furthermore, monitoring and evaluation mechanisms are essential for measuring DEI's impact, as they enable iterative improvements based on feedback from affected communities.

In summary, while DEI holds transformative potential for poverty alleviation within sustainable development, realising its benefits necessitates overcoming substantial cultural, institutional, and structural barriers. Addressing the challenges associated with DEI through context-specific strategies and an unwavering commitment to inclusivity can significantly advance the development of equitable and resilient societies. This leads us to present policy recommendations to enhance DEI integration in sustainable development efforts to combat poverty. These recommendations address the identified barriers and provide practical steps for policymakers and practitioners, ultimately fostering more inclusive, equitable, and sustainable communities.

6. Policy recommendations

Drawing upon the findings and insights from successful case studies, this section presents policy recommendations to integrate DEI into sustainable development frameworks focusing on poverty alleviation. These recommendations are designed to overcome barriers that hinder DEI's potential to foster equitable development, strengthen community resilience, and stimulate social innovation. The strategies are categorised into three principal areas: (i) strategic policy formulations, (ii) capacity-building and educational initiatives, and (iii) leveraging technological innovations to advance DEI and uplift low-income groups' goals.

6.1 Strategic policy approaches for diversity, equity, and inclusion and poverty reduction

Implementing DEI within sustainable development requires deliberate policy actions that foster inclusive environments and empower at-risk populations to break the cycle of poverty. The following strategic policy approaches are recommended:

6.1.1 Inclusive policy design

Policy formulation should embed inclusivity as a foundational imperative, systematically integrating a plurality of perspectives throughout all phases of the policymaking continuum. Such an approach necessitates the deliberate incorporation of historically marginalised and economically disenfranchised groups via structured engagement mechanisms, including but not limited to community consultations,

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focus group methodologies, and participatory budgeting frameworks. Enlisting these constituencies in the deliberative process renders policies more adept at addressing the nuanced and context-specific exigencies of low-income communities, thus engendering a sense of collective proprietorship and augmenting the sustainability of resultant socio-economic outcomes.

The participatory budgeting paradigm, as operationalised in Porto Alegre, Brazil, exemplifies an archetype of inclusive policy architecture, wherein marginalised cohorts are empowered to exert tangible influence over the apportionment of public resources towards critical sectors such as healthcare, education, and infrastructural development [11]. Analogous participatory governance frameworks should be adopted to institutionalise DEI tenets across the entire policy lifecycle, particularly emphasising initiatives aimed at poverty mitigation. Embedding DEI principles within each discrete phase of the policy process, from initial strategic planning to iterative evaluation, allows policymakers to ensure that resultant programmes are intrinsically attuned to impoverished constituencies' lived realities and socio-economic vulnerabilities [46].

6.1.2 Intersectional approaches to policy

An intersectional framework in public policy development is essential for effectively addressing the complex and diverse needs of populations experiencing impoverishment, particularly in contexts where automated and algorithmic systems might exacerbate inequalities if not designed with fairness in mind [16]. Grounded in Crenshaw's theoretical construct of intersectionality [5], this paradigm recognises the multiplicative and interconnected dimensions of identity, encompassing, but not limited to, race, gender, and socioeconomic status, that collectively shape the lived experiences of individuals. Policies enriched through intersectional scrutiny possess an enhanced capacity to discern and alleviate the idiosyncratic impediments encountered by distinct demographic cohorts to extricate themselves from poverty.

A pertinent model of this is the GBA+ framework employed in Canada, which systematically evaluates the differential impacts of policies across diverse societal groups, thereby enabling adaptive refinements intended to mitigate adverse outcomes for vulnerable subpopulations. Deploying an intersectional methodology in poverty-alleviation policies could ensure operational efficacy and distributive equity, thereby reducing the propensity for inadvertent repercussions that may disproportionately afflict marginalised constituencies [48, 64]. In socio-culturally pluralistic and economically stratified environments, this analytic approach facilitates the development of targeted policy interventions finely tuned to the specific difficulties of various communal strata.

6.1.3 Long-term commitment to equity

Achieving meaningful change in DEI and poverty reduction requires a sustained, long-term commitment from the public and private sectors. Short-term initiatives can provide immediate relief but often fail to address systemic inequalities perpetuating poverty. Therefore, DEI goals must be embedded within national development strategies and aligned with broader sustainability and poverty alleviation agendas.

This can include establishing dedicated DEI directorates within government agencies, developing accountability frameworks to monitor progress, and aligning DEI objectives with national strategies on climate resilience and economic development.

Public-private partnerships should also be leveraged to pool resources and expertise for long-term DEI initiatives. Such a sustained approach ensures that DEI remains a priority, transcending political changes and fostering structural transformations that support impoverished communities over the long term.

6.2 Capacity-building and education for poverty reduction

Building communities' and institutions' capacity to implement DEI effectively is crucial for overcoming cultural resistance and institutional inertia that hinder poverty reduction. This involves investing in education and training programmes to promote DEI principles and equip stakeholders with the skills to create inclusive, poverty-focused initiatives.

6.2.1 Diversity, equity, and inclusion awareness and sensitisation programmes

Awareness programmes are essential to shift cultural perceptions and reduce resistance to DEI, particularly in areas where traditional norms may clash with inclusive values. These programmes should be tailored to engage various stakeholders, from local community leaders to policymakers and the general public. Through workshops, seminars, and public campaigns, awareness initiatives can build an understanding of the socio-economic benefits of DEI, especially in addressing poverty.

Empirical evidence [65] indicates that sensitisation efforts can create a more supportive environment for DEI policies, making implementing poverty-focused programmes in resistant communities easier. Such programmes can also highlight successful examples of DEI-driven poverty alleviation from different contexts, demonstrating how inclusive practices can improve economic and social outcomes.

6.2.2 Training for inclusive leadership

Developing inclusive leadership skills within government, corporations, and civil society is crucial for effectively implementing DEI and reducing poverty initiatives. Leadership training should emphasise competencies in inclusive communication, cultural sensitivity, and adaptive leadership, enabling leaders to effectively manage diverse teams and engage with economically disadvantaged communities.

For instance, leadership programmes inspired by corporate diversity initiatives can help public sector leaders understand and address the unique needs of impoverished communities within their development agendas. Such training should be continuous rather than one-off, ensuring that leaders are constantly evolving to meet the needs of diverse communities. This sustained approach to leadership development may strengthen DEI as an enduring priority, enhancing the ability of leaders to respond to emerging challenges and support poverty reduction goals.

6.2.3 Supporting grassroots initiatives

Capacity-building efforts should empower grassroots organisations that deeply understand local poverty-related challenges. These organisations play a critical role in advancing DEI at the community level and are well-positioned to implement inclusive development initiatives that directly address poverty.

Governments and international organisations should provide grassroots entities with financial support, technical expertise, and networking opportunities. For

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instance, community-led environmental initiatives address socio-economic needs and contribute to local biodiversity conservation, as evidenced by various environmental efforts across regions such as Southern Africa [55]. Supporting such initiatives ensures that DEI principles are grounded in the lived realities of impoverished communities, creating a multiplier effect where local successes inspire broader regional and national adoption [56].

6.3 Leveraging technology for diversity, equity, and inclusion and poverty alleviation

Digital technology can transform how DEI initiatives are implemented, making poverty-focused programmes more accessible, transparent, and efficient. However, maximising this potential requires addressing the digital divide and ensuring that technological solutions are accessible to marginalised populations [65].

6.3.1 Using digital platforms for inclusive decision-making

Digital platforms can revolutionise participatory governance by facilitating inclusive decision-making processes. Online platforms and mobile applications can enhance community engagement in poverty-focused policy development, enabling marginalised groups to participate directly in decision-making [15, 34].

In participatory budgeting frameworks, for instance, digital tools have allowed residents in remote or low-income areas to have a say in resource allocation, improving the responsiveness of local governments to their needs [10, 11]. Governments should invest in user-friendly digital platforms to support civic engagement, ensuring that poverty-stricken communities have a voice in policies that impact their lives.

6.3.2 Addressing the digital divide

To leverage technology effectively for DEI and poverty alleviation, it is essential to address the digital divide, which often excludes low-income and marginalised populations from digital access. This requires investments in expanding digital infrastructure to rural and underserved areas and providing affordable access to digital devices.

Moreover, digital literacy programmes are necessary to equip impoverished communities with the skills to engage in digital platforms and leverage technology for economic opportunities [53, 66]. Partnerships between government and non-governmental organisations (NGOs) can establish digital literacy hubs, teaching essential skills for digital participation, advocacy, and economic development.

6.3.3 Enhancing transparency and accountability through technology

Advanced technological paradigms, including blockchain and sophisticated data analytics, significantly augment the transparency and accountability mechanisms within Diversity, Equity, and Inclusivity frameworks, ensuring an equitable resource allocation that reaches the targeted beneficiaries. Blockchain technology, characterised by its decentralised, secure, and immutable ledger system, facilitates the meticulous documentation of financial transactions and community engagement processes, thereby instituting a transparent and verifiable apparatus for fund tracking and accountability enforcement [35].

Additionally, data analytics can help policymakers evaluate the effectiveness of DEI initiatives in reducing poverty by providing real-time insights into programme outcomes [59, 67]. However, implementing these technologies requires strict adherence to ethical standards, particularly data privacy, to avoid reinforcing exclusionary practices.

6.4 Summary of policy recommendations

The policy recommendations above highlight the necessity of a holistic approach to embedding DEI within sustainable development frameworks, focusing on poverty reduction. Prioritising inclusive policy design, targeted capacity-building, and advanced digital technologies can address entrenched barriers such as cultural resistance, institutional inertia, and systemic inequities. Achieving these goals requires collaboration among governments, civil society, and the private sector to create an ecosystem supporting DEI and uplifting impoverished communities.

In conclusion, these policy recommendations underscore the transformative potential of DEI when strategically implemented in sustainable development frameworks. The following section synthesises the key findings and policy implications, offering final reflections on the role of DEI in reducing poverty and directions for future research.

7. Conclusion

7.1 Summary of findings

The findings of this study underscore the transformative potential of DEI as a foundational pillar in sustainable development, particularly in efforts to alleviate poverty and build resilient communities. Fostering inclusive governance, empowering marginalised voices, and driving social innovation can directly address structural inequalities and create pathways out of poverty through DEI initiatives. However, realising this potential requires a sustained commitment from all sectors of society.

Through SLR, this research synthesises a broad range of academic literature, case studies, and policy analysis to demonstrate how DEI can be embedded into sustainability frameworks to build resilience, advance social equity, and support entrepreneurship in impoverished communities. The results show that DEI is essential for consolidating stakeholder involvement, democratising governance structures, and catalysing social innovation, all of which are crucial for poverty reduction. For example, inclusive governance models such as Porto Alegre's participatory budgeting initiative in Brazil show how involving underserved groups in decision-making can lead to a more equitable distribution of resources, benefiting low-income populations directly [11]. Similarly, Kenya's Greenbelt Movement exemplifies grassroots mobilisation and participative leadership, connecting environmental care with socio-economic development to empower rural women facing poverty [56]. For instance, community-led environmental initiatives address socio-economic needs and contribute to local biodiversity conservation, as evidenced by various environmental efforts across regions such as Southern Africa [55]. This study also highlights significant obstacles to implementing DEI effectively in poverty-focused sustainable development initiatives. This mirrors other community-based initiatives that address poverty and social issues through localised action, such as efforts in Gunungkidul, Indonesia [56].

This study also highlights significant obstacles to implementing DEI effectively in poverty-focused sustainable development initiatives. These challenges include structural, institutional, and socio-political constraints, such as cultural resistance to social change, institutional inertia, and entrenched inequalities hindering marginalised groups' economic mobility. For instance, patriarchal norms in some societies [13, 37] pose barriers to gender parity, while bureaucratic obstacles prevent marginalised groups from accessing leadership roles and economic opportunities. Addressing these inequalities requires closely examining underlying social and political structures, as DEI initiatives must dismantle these barriers to achieve a fairer distribution of opportunities and resources.

To overcome these challenges, this study advocates for policy strategies to ensure that DEI initiatives are impactful and sustainable. Key recommendations include adopting intersectional policy frameworks, investing in capacity-building and educational initiatives, and utilising digital technologies to enhance transparency and inclusivity. Significantly, these strategies must be adapted to local contexts, as the effectiveness of DEI in addressing poverty often depends on aligning with each community's specific socio-economic and political realities.

The time to act is now. As global inequalities continue to deepen and climate change disproportionately affects vulnerable populations, compounded by recent challenges like the COVID-19 pandemic [53], integrating DEI into sustainable development frameworks is no longer optional; it is essential. Policymakers must prioritise equity-centred policies beyond symbolic inclusion and tackle systemic barriers head-on. Development practitioners should collaborate closely with local communities to design context-sensitive initiatives that amplify marginalised voices and ensure that resources reach those most need them. Scholars and researchers, in turn, should continue to explore the intersections of DEI, combating poverty, and sustainability, providing empirical insights that inform effective policies and practices.

7.2 Study limitations

This study underscores the transformative potential of DEI within sustainable development frameworks but acknowledges certain limitations that may affect the applicability and impact of its findings. A fundamental limitation is the reliance on Western DEI frameworks, which may not fully address the unique socio-cultural dynamics in non-Western contexts. DEI principles shaped in North America and Western Europe often emphasise issues like race and gender, which may not resonate in regions where factors such as caste, tribal affiliations, or colonial histories play a more significant role in shaping social inequities. Developing DEI approaches sensitive to local contexts is essential for broader global applicability.

Data limitations also pose a challenge, particularly in low-income regions where reliable, disaggregated data on marginalised communities are often lacking. This data deficiency can hinder the development of targeted DEI initiatives and introduce a selection bias, as much of the available literature focuses on success stories from developed countries. Addressing this gap by strengthening data collection infrastructure in underserved areas will enable more nuanced and effective DEI interventions.

Furthermore, the variability in cultural, economic, and political conditions across different regions complicates the generalisability of DEI's impact on poverty reduction and resilience-building. While participatory governance models and inclusive decision-making processes may work well in some settings, they may face resistance in others, mainly where civil society participation is limited. Future research should

explore how DEI principles can be adapted to suit diverse contexts rather than applying a one-size-fits-all approach.

Another critical concern is the potential for DEI initiatives to become performative, particularly in corporate and governmental settings. Without genuine commitment and accountability, some DEI efforts may prioritise symbolic actions over substantive change, undermining their impact. Finally, although intersectionality is highlighted as a valuable framework, it is often challenging to implement in practice. The lack of detailed, cross-sectional data and the complexities of addressing multiple overlapping identities mean that many DEI initiatives fail to capture the multidimensional nature of marginalisation fully.

While DEI holds significant promise for sustainable development and poverty alleviation, these limitations highlight the need for more context-sensitive, data-driven, and intersectional approaches. Addressing these research gaps can ensure that DEI initiatives are genuinely inclusive, effective, and capable of driving meaningful social change across diverse global contexts.

7.3 Future directions for research

Further research is essential to deepen our understanding of how DEI can be systematically embedded in sustainable development across diverse cultural and socio-economic contexts, mainly focusing on ensuring just accessibility within planetary boundaries [34]. These challenges encompass structural, institutional, and socio-political constraints, including cultural resistance to social change, institutional inertia, and entrenched inequalities that hinder the economic mobility of marginalised groups [67]. Therefore, longitudinal studies that track the long-term impact of DEI interventions on poverty reduction are crucial for advancing this field, along with research on emerging technologies like Artificial Intelligence (AI) and blockchain supporting DEI efforts [16, 68]. While AI systems offer transformative potential for sustainable practices, they raise important questions about equity and inclusivity. Moreover, comparative studies across regions such as Asia, Africa, and Latin America can reveal context-specific strategies that maximise DEI's effectiveness in reducing poverty [63, 69].

7.3.1 Final thought

Creating a future free from poverty requires more than technical solutions; it demands an unwavering commitment to justice, inclusivity, and equity. Embracing DEI as a core value in sustainable development presents the opportunity to build a world where every individual, regardless of background, has a fair chance to thrive. Let us seize this opportunity to drive meaningful change that not only lifts people out of poverty but also fosters truly inclusive, resilient, and sustainable societies for generations to come.

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Conflict of interest

The authors declare no conflict of interest.

Notes/thanks/other declarations

This article was prepared as part of an ongoing investigation into the role of Diversity, Equity, and Inclusion in sustainable development, focusing on tackling economic hardship. All research methodologies and findings align with the ethical standards required by academic institutions and the guidelines set forth by IntechOpen.

Nomenclature

AI	artificial intelligence
COVID-19	coronavirus disease 2019
CSR	corporate social responsibility
DEI	diversity, equity, and inclusion
ESF	European Social Fund
EU	European Union
GBA+	gender-based analysis plus
NGO	non-governmental organisation
SDGs	sustainable development goals
SDR	sustainable development report
SLR	systematic literature review
TBL	triple bottom line
UN	United Nations

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Section 2

The Design and Analysis of Social Policy

Chapter 5

Perspective Chapter: A Look at the Risks and Solutions Associated with Poverty – The South African Context

Frederick Kakwata

Abstract

Despite the nation's abundant natural resources and comprehensive policy framework, poverty remains a profound socio-economic challenge in South Africa. Within this context, poverty is intricately interconnected with multiple risk factors that perpetuate a cycle of disadvantage, thereby reinforcing systemic inequalities. This study adopts a methodological approach based on document and content analysis to investigate the risks associated with poverty and assess potential remedial measures. The findings underscore that economic, social, and political factors significantly exacerbate these risks. Moreover, the study highlights that economic growth alone is insufficient to alleviate poverty, as periods of economic downturn often intensify its prevalence. The research suggests that the most effective strategies for poverty reduction and risk mitigation include the provision of social grants, active community participation, and institutional reforms.

Keywords: poverty, poverty solutions, poverty in South Africa, socio-economic risks, economic inequality, social development, anti-poverty strategies

1. Introduction

The issue of poverty in South Africa is deeply entrenched and complex, shaped by various historical, economic, and social factors. Despite its position as one of the most economically developed countries in Africa, South Africa faces significant inequality and poverty, largely due to its legacy of apartheid, economic disparities, and persistent structural unemployment. According to Ngepah, although the government has made efforts to alleviate poverty, the poverty rate in South Africa remains notably high [1]. Recent data suggest that approximately 55% of the South African population, or more than 30 million people, live below the poverty line [1]. Furthermore, the country has one of the highest unemployment rates globally, a trend that is particularly pronounced among young people [1].

The implementation of apartheid policies led to economic exclusion and land dispossession, resulting in long-term disadvantages for a large portion of the Black South

African population, even after the establishment of democracy in 1994 [1]. South Africa is widely regarded as one of the most economically unequal nations, with a Gini coefficient of around 0.63, reflecting severe wealth disparities [1]. A significant proportion of the population, especially in rural areas, struggles to secure stable employment. When employment is available, wages are often insufficient to support a decent standard of living. Limited access to quality education in disadvantaged regions is another major barrier to upward mobility, perpetuating cycles of poverty. Additionally, inflation and the rising cost of living, particularly increases in food and fuel prices, disproportionately affect low-income households.

Poverty is especially prevalent in rural provinces such as the Eastern Cape, Limpopo, and KwaZulu-Natal, where employment opportunities are scarce [2]. Many impoverished South Africans live in densely populated townships, where poor housing, inadequate sanitation, and limited access to essential services are commonplace. While the effects of economic deprivation are widespread across racial groups, they are particularly severe for individuals of African descent, a consequence of the historical marginalisation and discrimination faced by this demographic [3].

The inefficient allocation of financial resources and the prevalence of corruption have been identified as significant obstacles to progress in addressing poverty [3]. The economy has experienced prolonged periods of slow growth, leading to a reduction in employment opportunities. Furthermore, many communities continue to struggle with accessing essential services, including healthcare, education, and infrastructure [4].

In response, the government has provided social grants, such as child support, disability grants, and old-age pensions, which have helped to reduce extreme poverty [4]. Additionally, policies such as Black Economic Empowerment (BEE) have been implemented to enhance economic participation among historically disadvantaged groups [5]. Government initiatives like the Expanded Public Works Programme (EPWP) aim to offer temporary employment opportunities [6]. Despite these efforts, South Africa continues to face entrenched structural barriers to sustainable development. A thorough understanding of the risks associated with poverty in South Africa is crucial, given their far-reaching consequences for individuals, families, and society as a whole.

This study is driven by the need to explore the multidimensional nature of poverty in South Africa. It is important to note that poverty is often linked to various risks, which contribute to a cycle of disadvantage that is challenging to break and that perpetuates inequality. In response to this, the chapter titled "A Look at the Risks and Solutions Associated with Poverty: The South African Context" employs a methodological framework of document and content analysis to investigate the risks associated with poverty and assess potential remedial measures. The research question is framed as follows: "What are the key risks associated with poverty, and what effective remedial measures can be implemented to mitigate these risks?" This formulation enables an analysis of both the consequences of poverty and the potential solutions, providing a comprehensive approach to the subject matter.

The research aims not only to identify the challenges related to poverty in South Africa but also to explore possible opportunities for breaking the persistent cycle of poverty. By conducting a comprehensive analysis of the associated risks and solutions, the study aspires to contribute to the development of policies and strategies that promote a more inclusive and equitable society. Ultimately, the goal is to ensure that the fundamental needs of all citizens are met, enabling each individual to reach their full potential and improve their quality of life.

The following section offers an overview of the research methodology utilised in this chapter.

2. Research methodology

The research methodology utilised in this study is document and content analysis, both of which are fundamental qualitative research techniques that facilitate the systematic examination of various document types to extract meaningful insights. These methodologies encompass a variety of approaches, including qualitative content analysis, thematic analysis, and the application of software tools to enhance data interpretation [7]. These approaches enable researchers to identify patterns and themes across a wide array of documents, spanning from historical manuscripts to contemporary digital content [7]. The qualitative content analysis approach utilised in this study emphasises the identification and interpretation of thematic elements within documents, thereby enabling a comprehensive analysis of underlying meanings.

The adoption of this methodology is based on its ability to interpret and analyse large volumes of textual data effectively. As Heater asserts, document and content analysis methodologies have proven to offer robust frameworks for qualitative research [8]. By examining historical shifts, societal norms, and media representations, these methods provide the potential for a comprehensive and nuanced understanding of content across different contexts [7]. Consequently, this study involved a systematic analysis of books and scholarly articles to identify patterns, themes, and biases, thereby extracting the deeper meanings within the text.

In addition to documents and content analysis methodology, this study incorporated qualitative observation and analysis. These approaches are fundamental to qualitative research, which aims to explore human behaviour and social phenomena through non-numerical data. These methods prioritise the collection of rich, descriptive information that can elucidate the complexities of social interactions and contexts.

Qualitative observation involves the systematic examination and documentation of behaviours and interactions within their natural settings, often distinguishing between participant and non-participant observation (see Ref. [9]). Qualitative analysis, in turn, involves the organisation, evaluation, and interpretation of data derived from interviews, observations, and various textual or visual materials (see Ref. [10]).

The author's prolonged residence in South Africa, spanning over two decades, has provided an immersive context for observing the nation's socio-economic challenges, particularly the intricate relationship between poverty and multiple risk factors. This extensive exposure served as the foundation for the interpretive process, wherein the data were meticulously analysed to discern the underlying meanings, patterns, and insights inherent in non-quantitative evidence.

3. Limitations of the study

This study is situated within the South African context and, as such, does not incorporate comparative perspectives from other countries. This limitation may constrain the generalisability of the findings to broader socio-economic or political settings. To enhance the applicability and robustness of future research outcomes, it is recommended

that subsequent studies adopt a comparative approach, either through cross-national analyses or case studies conducted in varied geographical and institutional contexts.

The research primarily utilised secondary data sources, including governmental reports and publications by non-governmental organisations. While these sources offer valuable insights, they may be influenced by reporting biases or contain outdated information, potentially affecting the precision of the analysis. To mitigate this limitation, the study incorporated primary data obtained through field observations, offering contemporaneous and context-specific perspectives. Additionally, efforts were made to utilise the most recent editions of statistical reports to ensure the analysis reflects the latest available data.

Furthermore, the study did not sufficiently engage with the evolving political environment, recent policy shifts, or administrative barriers that may influence the success of anti-poverty strategies. Factors such as political will, corruption, and governance capacity are crucial determinants of implementation effectiveness; however, they are not examined in depth, as this is beyond the scope of the study.

4. Understanding poverty in South Africa

As previously noted, South Africa's history of apartheid (1948–1994) significantly influenced the nation's levels of poverty and inequality. The apartheid regime enacted policies of racial segregation that systematically disenfranchised Black South Africans, limiting their access to quality education, employment opportunities, and land ownership. Although apartheid was formally abolished, its socio-economic consequences continue to be evident in contemporary South Africa.

4.1 Statistics and data on poverty rates

A thorough analysis of poverty in South Africa reveals a complex landscape marked by substantial geographic disparities and demographic challenges. Recent research indicates that, although overall poverty levels declined between 2008 and 2017, certain districts—especially those in rural regions—continue to experience persistently high poverty rates. The following sections provide a detailed examination of poverty statistics and trends in South Africa.

4.1.1 Poverty rate and trends

The upper-bound poverty line, as defined by Statistics South Africa, serves as a critical reference point for assessing poverty levels within the country. In 2018, an estimated 55.5% of the population was recorded as living below this threshold [6]. Notably, rural districts such as Zululand, OR Tambo, and Sisonke have been identified as areas of significant concern, exhibiting high poverty gap ratios indicative of severe deprivation [11]. Longitudinal data from 2008 to 2017 indicate that poverty levels declined in 82% of districts, whereas 13% experienced an increase, highlighting the uneven distribution of poverty alleviation efforts across different regions [12].

4.1.2 Demographic vulnerabilities

Several demographic vulnerabilities have been identified, encompassing a diverse array of challenges. These include high youth unemployment rates, significant income

inequality and poverty, the enduring prevalence of HIV/AIDS, and critical public health issues. Furthermore, the rapid pace of urbanisation and the expansion of informal settlements present additional socio-economic and infrastructural concerns.

The population of South Africa is predominantly youthful, with a median age of approximately 27 years. The socio-economic status of the youth population is a critical factor in the country's development. Their standard of living exerts a substantial influence on their development and future opportunities [13]. Notably, the unemployment rate among the youth demographic (ages 15–34) has reached alarming levels, often surpassing 60% in certain regions [11]. The dearth of employment and opportunities has been a contributing factor to social unrest, criminal activity, and economic inequality. South Africa has one of the highest Gini coefficients (a measure of income inequality) in the world. According to recent data, over 55% of the population lives below the poverty line. The historical implementation of apartheid policies has been identified as a major contributing factor to the economic inequality that is currently observed [1].

The transition to a democratic government in 1994 represented a pivotal political transformation; however, deep wealth disparities persist, influenced by factors such as globalisation, governmental policies, and social stratification. Although racial income disparities have marginally declined, interracial inequalities have intensified, thereby reshaping the landscape of economic equity [14]. McKeever contends that income inequality in South Africa remains a pressing issue, rooted in historical injustices and further exacerbated by contemporary economic conditions [14]. This trend suggests a deficiency in political commitment to addressing the issue effectively, which, in turn, perpetuates the persistence of poverty.

Recent estimates indicate that earnings inequality remains both substantial and persistent, despite some improvements at the lower end of the wage distribution [15]. The Gini index consistently ranks South Africa among the most unequal countries globally, highlighting the urgent need for effective policy interventions [16]. While income disparities pose significant challenges, some scholars argue that targeted measures, such as increased social spending and initiatives promoting economic inclusion, could contribute to reducing inequality and fostering a more equitable society [14].

The presence of HIV/AIDS in South Africa presents significant public health challenges, which are exacerbated by socio-economic disparities, co-infection with tuberculosis, and barriers to treatment adherence [17]. Due to the complexity of these issues, a comprehensive, multifaceted approach is essential to effectively address and reduce the impact of the epidemic. High levels of poverty and unemployment have been shown to increase the vulnerability to HIV infection, particularly among marginalised populations [17], where survival strategies often include high-risk behaviours.

The historical legacy of apartheid has fostered enduring inequalities that hinder the effectiveness of health interventions [18]. Adolescents and young adults face difficulties in accessing and adhering to antiretroviral therapy (ART) due to factors such as stigma, mental health challenges, and systemic obstacles [19]. Additionally, the emergence of drug resistance and the concurrent use of other treatments complicate the long-term management of viral load [20]. Despite these challenges, ongoing efforts aim to improve health outcomes through innovative interventions and community engagement. However, persistent socio-economic inequalities and limited access to healthcare remain significant barriers to achieving comprehensive public health goals.

The process of urbanisation in South Africa has contributed to the widespread development of informal settlements, which are characterised by inadequate infrastructure and significant socio-economic challenges. These settlements have emerged primarily as a response to increased rural-to-urban migration and a shortage of affordable housing, a trend affecting more than 60% of the urban population in Sub-Saharan Africa [21]. Studies have shown that informal settlements undergo considerable land-use changes, with degradation impacting approximately 93% of the area, while only 5% of the land is subject to reclamation [22]. Research in Cape Town highlights densification as a notable trend, driven by factors such as high unemployment and proximity to transport routes [22].

Informal settlements are often constructed from repurposed materials, reflecting the socio-economic circumstances and immediate needs of their residents [21]. The enduring effects of apartheid, coupled with persistent socio-economic challenges, hinder the advancement of inclusive urban development, underscoring the need for innovative policy reforms [22]. Despite the challenges posed by urbanisation, it also presents opportunities to rethink urban landscapes and improve living conditions through targeted interventions and community-driven initiatives.

4.1.3 Policy implications

Despite the advances made, South Africa remains one of the most unequal countries globally, with deep-rooted income inequality and limited access to resources, education, and healthcare [4]. To tackle this widespread issue, several recommendations have been suggested, including the enhancement of social security systems and the prioritisation of agricultural support and education. These measures are proposed as effective strategies to fight poverty [11]. While notable progress has been achieved in alleviating poverty, the ongoing inequality and the specific challenges faced by vulnerable groups, such as youth, indicate that comprehensive and targeted policy interventions are crucial for sustainable progress.

4.2 Factors contributing to poverty

As previously discussed, poverty in South Africa is a multifaceted issue with deep historical, economic, and social foundations. Despite the introduction of various initiatives designed to alleviate poverty following the end of apartheid, South Africa remains one of the most unequal countries globally. The nation continues to face significant challenges, including high unemployment rates, stark wealth disparities, and limited access to quality education. These issues are intricately interconnected, creating a persistent and challenging cycle of poverty. The following section will provide an overview of the key factors contributing to poverty in South Africa.

4.2.1 Unemployment

The Republic of South Africa faces the challenge of structural unemployment, a critical determinant of the country's widespread poverty. The labour market exhibits a mismatch between the skills possessed by the workforce and the requirements of the economy [23, 24]. Unemployment rates are particularly high among Black South Africans, women, and youth, thereby intensifying poverty within these specific demographic groups [23].

4.2.2 Inequality

As previously stated, South Africa is widely acknowledged as one of the most economically unequal countries in the world, with a small segment of the population controlling a disproportionately large share of national wealth [23, 25]. This economic disparity is rooted in historical factors, particularly the racial segregation and land distribution policies enforced during the apartheid era, which continue to shape contemporary economic opportunities [23, 25]. Furthermore, the dualistic structure of the education and healthcare systems, characterised by their segregation, restricts access to high-quality services for economically disadvantaged individuals, thereby exacerbating these inequalities [25].

4.2.3 Lack of access to education

The South African education system exhibits significant disparities in educational quality, particularly between urban and rural areas, as well as among different racial groups [25, 26]. Limited access to quality education has been shown to hinder social mobility and reinforce cycles of poverty by restricting individuals' ability to acquire essential skills for improved employment prospects [23]. While these educational inequities contribute substantially to poverty, it is imperative to consider the broader socio-economic context. The enduring effects of apartheid, coupled with ongoing economic challenges, create a complex environment in which poverty persists despite governmental interventions. Sustainably addressing these issues requires a holistic approach that integrates policy innovation, economic development, and social investment [23, 24].

4.3 Impact of poverty on individuals and communities

The pervasive nature of poverty in South Africa exerts a substantial influence on individuals and communities, giving rise to a range of socio-economic challenges. This phenomenon is rooted in a multifaceted interplay of economic, social, and political factors, which disseminate its repercussions across diverse geographical regions and demographic groups. The ramifications of poverty manifest in myriad aspects of individuals' lives, including health, educational opportunities, and overall well-being. Moreover, the intricacies of gender and age further accentuate the multifaceted nature of this issue. The ensuing sections will delve into these challenges with greater scrutiny, underscoring the intricacies and multifaceted nature of poverty in South Africa.

4.3.1 Economic and social factors

In South Africa, economic growth has proven insufficient in mitigating the poverty-inducing effects of inequality. Although economic expansion has contributed to poverty reduction, it has not been effective in fully counteracting the adverse impacts of economic downturns, which disproportionately affect marginalised populations [1]. The persistence of poverty is largely attributed to institutional weaknesses, high unemployment rates, and inefficiencies in the provision of essential services. The compounded effects of these challenges, further exacerbated by corruption and security concerns, hinder the ability of governmental institutions to effectively combat poverty [3].

4.3.2 Health and public expenditure

The effectiveness of public health expenditures is significantly impacted by regional poverty levels. A study conducted by Dlamini and Mbonigaba [27] demonstrated that provinces with lower income levels experienced less favourable health outcomes in response to public health investments compared to wealthier regions. This finding highlights the critical need for region-specific interventions to mitigate disparities in health outcomes. Despite the implementation of public health programmes, variations in income per capita, and allocations for public health expenditures, efforts to enhance life expectancy in economically disadvantaged regions have yielded limited success [27].

4.3.3 Multidimensional poverty and demographics

The prevalence of multidimensional poverty in South Africa is shaped by various factors, including age and gender. Empirical research has demonstrated that women experience higher levels of deprivation relative to men. Age significantly influences key dimensions such as food security, education, and employment, whereas gender has a pronounced effect on time allocation and environmental conditions. The effectiveness of poverty alleviation initiatives that adopt strength-based and holistic approaches has been well documented, highlighting the critical role of community participation and targeted interventions in addressing the complex nature of poverty [28].

Despite persistent poverty-related challenges in South Africa, the formulation of effective policy responses necessitates a comprehensive approach that accounts for the diverse experiences of different demographic groups. Policies aimed at reducing inequality and fostering economic growth are essential. Simultaneously, the establishment of effective governmental institutions is crucial for addressing the underlying determinants of poverty. This integrative strategy is fundamental to the development of sustainable and long-term poverty reduction solutions in South Africa.

The subsequent section will examine the risks associated with poverty in South Africa through a comprehensive analysis.

5. Risks associated with poverty in South Africa

A significant issue in South Africa is the persistent challenge of intergenerational poverty, which sustains a cycle of socio-economic disadvantage across successive generations. Individuals born into impoverished conditions often experience limited access to quality education and healthcare, thereby constraining their opportunities for upward social mobility and economic advancement. Furthermore, empirical research has established a correlation between poverty and increased incidences of criminal activity, substance abuse, and mental health disorders within affected communities. These factors collectively exacerbate the difficulties faced by individuals experiencing poverty. A comprehensive understanding of these challenges is essential for the development of effective policy interventions and sustainable solutions.

5.1 Health risks

Poverty in South Africa is intricately connected to various health risks, with malnutrition and disease being among the most frequently identified concerns.

The persistent socio-economic disparities within the country further exacerbate these health challenges, presenting significant public health implications. The following sections will explore the primary health issues associated with this socio-economic condition. A substantial body of research has established the profound influence of poverty on health outcomes. The relationship between socio-economic disadvantage and adverse health conditions is well documented, as epidemiological studies consistently indicate that marginalised populations experience disproportionately higher rates of both infectious and non-communicable diseases. This review seeks to analyse the critical health risks linked to poverty, with a particular focus on malnutrition and disease prevalence.

5.1.1 Malnutrition

Despite notable advancements in certain aspects of this indicator over the past two decades, South Africa continues to face a pervasive issue of malnutrition, encompassing both undernutrition and overnutrition, which together contribute to a dual health crisis. For example, Nkrumah highlights a rising prevalence of a new form of malnutrition—obesity—currently affecting 31.1% of men and 59.5% of women [29]. This phenomenon is attributed to a complex interplay of factors, including household assets, livelihoods, occupational status, gender, geographical location, household structure, and demographics. Malnutrition remains a significant public health challenge, particularly among children and other vulnerable groups.

A considerable proportion of the population experiences food insecurity, with prevalence rates ranging from 18 to 91%, depending on the demographic group [30]. This insecurity is a major contributing factor to malnutrition, especially among children and adolescents. For instance, approximately 27% of children under 5 years of age suffer from stunting, a condition linked to chronic dietary inadequacy and poverty [31]. Furthermore, low birth weight, which results from both in-utero growth and postnatal nutrition, affects 14.7% of infants and is associated with an elevated risk of childhood illness [32].

5.1.2 Disease burden

Empirical research has established that regions characterised by economic disadvantage often experience higher rates of diseases such as tuberculosis and malaria, a situation further compounded by limited access to healthcare services [33]. The HIV epidemic has disproportionately affected impoverished populations, exacerbating the broader health implications within these communities [31]. Additionally, food insecurity has been linked to an increased risk of chronic diseases, including hypertension and diabetes, highlighting the extensive health consequences associated with poverty [31]. While existing discourse predominantly addresses issues related to malnutrition and infectious diseases, it is essential to recognise that poverty also plays a significant role in mental health challenges, such as anxiety and depression. These conditions, in turn, may hinder individuals' ability to break the intergenerational cycle of poverty [31].

5.2 Economic risks

Poverty in South Africa is closely linked to significant economic risks, particularly the limited availability of employment opportunities and low-income levels. As noted earlier, despite considerable advancements since the end of apartheid, the country

still faces persistently high unemployment rates and a predominance of low-wage jobs, which further exacerbate the incidence of poverty. The following sections will examine the key economic challenges associated with poverty in South Africa.

5.2.1 Limited employment opportunities

Unemployment continues to be a significant issue, with high levels of joblessness exacerbating persistent poverty [2]. While informal employment can offer a potential source of income, it is typically marked by instability and the lack of benefits, limiting individuals' capacity to break free from poverty [34]. The labour market is characterised by a mismatch between the skills of the workforce and the available employment opportunities, a disparity that is particularly salient for individuals living in disadvantaged neighbourhoods [34].

5.2.2 Low income

A substantial segment of the workforce experiences low wages, resulting in a phenomenon termed 'in-work poverty', wherein individuals remain below the poverty threshold despite being employed [35]. Income inequality is salient, with a small proportion of top earners starkly contrasting a considerable population enduring persistent poverty [23]. Additionally, factors such as gender and educational attainment further shape economic disparities by affecting income levels and employment opportunities. While the economic consequences of these inequalities are severe, some argue that well-designed policies and strategic social investments can mitigate these challenges by fostering a more inclusive labour market and enhancing income distribution.

After analysing the various risks associated with poverty, this section will explore potential solutions to address poverty in South Africa.

6. Solutions to address poverty in South Africa

As previously noted, historical injustices, unemployment, and economic inequality have contributed to the persistent poverty in South Africa. To effectively address this pervasive issue, a comprehensive approach is required, incorporating social assistance, community engagement, and institutional reforms. Given the complex nature of poverty in South Africa, which arises from historical, economic, and social factors, it is essential to adopt a multifaceted and nuanced strategy to ensure its successful alleviation.

6.1 Role of social financial grants

Research has shown that Social Financial Grants (SFGs) play a significant role in poverty alleviation, primarily by improving economic stability and reducing income inequality [36]. Moreover, the expansion and efficient management of SFGs, especially when integrated with job training programmes, have been found to provide considerable benefits to vulnerable populations [36].

6.2 Community engagement

A groundbreaking body of research has identified churches and community-based organisations as central to efforts to reduce poverty. These entities advocate for a

missional ecclesiology framework, which is a theological approach that emphasises the mission of the church. This framework is designed to maximise the influence of these institutions in addressing poverty and related issues [37]. Initiatives such as urban agriculture and community income-generating enterprises have the potential to enhance household autonomy and reduce reliance on government assistance [37].

6.3 Institutional reforms

Institutional reforms play a pivotal role in fighting corruption and enhancing service delivery, which is crucial for achieving effective poverty reduction [3]. Furthermore, policies that promote economic growth while addressing inequality are imperative, as economic prosperity can mitigate the adverse effects of poverty during periods of economic downturn [1]. However, the implementation of such policies is often hindered by pervasive issues such as corruption and unequal access to resources, which continue to impede South Africa's efforts to combat poverty effectively.

7. Conclusion

Poverty in South Africa presents multifaceted risks, particularly for vulnerable populations such as children and adolescents, as it profoundly impacts various aspects of life. These risks stem from a complex interplay of social, political, and institutional factors that not only sustain poverty but also hinder economic and social progress. Therefore, a comprehensive understanding of these underlying mechanisms is essential for the development of effective and sustainable interventions.

It is crucial to recognise that economic growth does not equitably benefit all individuals; rather, structural inequalities often exacerbate poverty, particularly during economic downturns. Households across the country experience deprivation in critical areas such as education, food security, and sanitation, with salient regional disparities further deepening these challenges. Additionally, ineffective governance and widespread corruption significantly undermine poverty alleviation efforts, eroding public trust in state institutions and impeding policy implementation.

Addressing poverty in South Africa requires a multidimensional approach. Key strategies include the expansion of social financial grants, greater community engagement, and institutional reforms. While social financial grants alone cannot eradicate poverty, they serve as a crucial mechanism for reducing inequality and fostering economic stability. Moreover, improving access to quality education is imperative for breaking the cycle of intergenerational poverty and enhancing employment opportunities. Community engagement, particularly through local churches and civil society organisations, can also play a vital role in fostering collective responses to poverty and integrating social justice into broader poverty alleviation efforts. Although these measures offer a pathway toward mitigating poverty, the deeply entrenched nature of socio-economic disparities underscores the necessity for sustained efforts and systemic reforms. Meaningful progress requires a long-term commitment to addressing structural inequalities, strengthening governance, and fostering inclusive economic growth.

The conclusion effectively addresses the research question by highlighting the primary risks associated with poverty in South Africa, including those related to health, malnutrition, disease burden, and other critical sectors. It further proposes targeted remedial actions, such as enhancing financial social grants, implementing

institutional reforms, and promoting community engagement, as potential solutions to mitigate these risks. By aligning the research findings with practical interventions, the conclusion provides actionable recommendations for policymakers, organisations, and communities. In doing so, it not only summarises the identified risks but also presents concrete solutions, thereby offering a comprehensive framework for addressing poverty in South Africa and answering the research question.

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Conflict of interest

The authors declare no conflict of interest.

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Chapter 6

Perspective Chapter: Job Creation as a Catalyst for Poverty Alleviation in South Africa

Ntshengedzeni Evans Netshivhambe

Abstract

Poverty remains a global challenge, exacerbated by economic downturns, national debt, and systemic inequalities, particularly in developing regions like Sub-Saharan Africa. South African President Cyril Ramaphosa's 2024 G20 Summit address highlighted the urgent need to address these interconnected crises, emphasising Africa's disproportionate vulnerability to global challenges such as economic stagnation, debt burdens, and climate change. This study critically examines poverty and inequality in South Africa, focusing on the structural barriers that perpetuate socio-economic divides despite the country's classification as an upper-middle-income nation. Drawing on multidisciplinary sources, including public reports, academic literature, and political discourse, the research highlights the disconnect between public rhetoric by government officials and on-the-ground realities. Findings reveal that government interventions often default to short-term solutions like social grants, which, while providing immediate relief, fail to address the systemic roots of poverty, such as limited education, inadequate job creation, and unequal access to resources. The study argues for a paradigm shift from rhetorical commitments to actionable strategies, emphasising job creation, capacity building, and equitable resource distribution. The research calls for accountability, transparency, and community involvement in policy implementation to bridge the gap between rhetoric and results. By addressing structural inequality, it highlights how nations like South Africa can drive sustainable empowerment and hold global leaders accountable for meaningful poverty alleviation.

Keywords: poverty alleviation, global challenge, inequality, job creation, social grants, economic stagnation, sustainable empowerment

1. Introduction

Poverty remains one of the most pervasive and persistent challenges worldwide, as evidenced by extensive research and statistical data [1–5]. Economic downturns and escalating national debts have compounded social inequalities in developing countries, intensified poverty, and driven millions to adopt desperate survival strategies amidst soaring unemployment rates. South African President Cyril Ramaphosa

addressed this pressing issue during an impactful speech at the G20 Summit in Brazil on Monday, 18 November 2024 [6]. According to the *World Bank Group Report* 2024, which Ramaphosa cited in his speech, nearly 700 million people are currently living in extreme poverty, with Sub-Saharan Africa accounting for a staggering 67% of this [7]. President Ramaphosa's speech at the G20 Summit was both powerful and deeply moving, effectively emphasising the urgent need to address global inequalities. However, it carried a familiar tone, characteristic of the often-predictable rhetoric typical of such high-level summits. His address was marked by strong and impactful phrases, including a call to action emphasising that "more needs to be done to uplift Africa". Ramaphosa pointed to critical challenges faced by the continent, such as declining economic growth prospects, escalating debt burdens, reduced investment flows, and the severe impacts of climate change [2]. He highlighted how these interconnected issues are compounding the already immense suffering experienced by developing nations, particularly those in Africa [8].

Like many speeches made by world leaders, his plea to the G20 leaders was to make the alleviation of poverty and hunger in developing countries a top priority [6]. Ramaphosa stressed that Africa, while being a region of immense potential, remains disproportionately affected by these global crises, impeding the continent's ability to realise this potential. He argued that addressing these challenges is not only a matter of justice but also an essential step toward fostering a more equitable and sustainable global economy [9]. Speeches like this are used as a call for collaboration, urging the world's most influential nations to take decisive action together to support vulnerable regions in overcoming systemic obstacles and achieving lasting development. But speeches such as these often evoke a sense of déjà vu, with the impression of having heard it all before. In spite of recurring exhortations and subsequent promises, tangible progress in alleviating poverty and reducing hunger for the most vulnerable remains elusive. In his address, Ramaphosa underscored South Africa's commitment to these pressing global challenges by pledging that food security would remain a top priority during the nation's G20 presidency. This bold commitment reflects South Africa's understanding of the interconnectedness of global food systems and its readiness to spearhead collaborative efforts toward ensuring equitable access to resources for all. However, despite lofty commitments made during international summits like the G20, the translation of these pledges into tangible benefits for those grappling with poverty and hunger often falls short, indicating a shortfall between what is intended by nations and what is practical in terms of execution [10]. For many people on the ground, such commitments remain aspirational rhetoric, encapsulated in the polished language of leadership rather than clear, transformative action. Leaders frequently proclaim their mission to "leave no one behind" in the fight against poverty and hunger, yet the gap between promises made in these global forums and the lived realities of marginalised communities remains stark and at the same levels as they are prior to such public calls [10–12].

The research question is what structural factors perpetuate poverty and socio-economic inequality in South Africa despite its classification as an upper-middle-income country? Through a thorough and critical examination of the intersection of poverty and inequality, this study focuses on the structural barriers that perpetuate socio-economic divides in South Africa [13–15]. May ([15], p. 54) notes that in 1995 the World Bank recommended South Africa undertake a poverty assessment, which revealed a striking paradox: despite being classified as an upper-middle-income country, the majority of households were grappling with poverty and hunger. South Africa serves as a microcosm of broader global struggles, where systemic challenges

such as historical inequalities, economic stagnation, and inadequate policy implementation hinder progress regardless of the country's apparent status [14–16]. The study employs a conceptual framework to interrogate these issues, drawing on a multidisciplinary approach that includes a review of academic literature, analysis of public reports, insights from civil society, and speeches by political leaders, such as the aforementioned speech by President Ramaphosa's in Brazil.

By integrating these diverse sources, the research aims to uncover the dissonance between high-level commitments in public speeches and on-the-ground realities. It seeks to identify not only the structural factors that sustain inequality but also the limitations of alleviating poverty. Seekings [17] argues that South Africa's economic growth since the 2000s has followed a trajectory that disproportionately disadvantages the poor. Building on Seekings' [17] argument, this research contends that the South African economy has consistently failed to improve the lives of the poor. Despite the democratic transition achieved in 1994, the reality is that the impoverished have only grown poorer over time. Furthermore, the study explores the role of global leadership in shaping sustainable development goals (SDGs) and questions whether these commitments genuinely address the root causes of poverty or merely offer a veneer of progress [18]. Ultimately, this research aspires to bridge the gap between rhetoric and action, advocating for more inclusive and accountable strategies that prioritise the voices and needs of the most affected communities. In doing so, it aims to contribute to a deeper understanding of how nations like South Africa can lead in addressing poverty and inequality, which, according to Van der Berg [14] are rooted on the labour market, while holding global leaders accountable to their promises.

The findings highlight a significant gap between public discourse on poverty alleviation and the implementation of actionable, long-term solutions. While political rhetoric frequently emphasises the urgency of reducing poverty, the findings reveal that these discussions seldom lead to practical outcomes, such as the creation of sustainable employment opportunities [18]. Instead of addressing the root causes of poverty, hunger, and job creation, government interventions in South Africa often default to social grants [19], which, while providing immediate relief, fall short of offering meaningful empowerment—particularly for young, unemployed individuals who represent a critical demographic for driving economic growth and societal transformation [20–22]. Granlund and Hochfeld [23] contend that a significant portion of South Africa's unemployed population relies on social grants as a means of survival [24]. This reliance on social grants underscores a reactive approach to poverty alleviation, where short-term fixes overshadow the need for structural reforms. While such measures are necessary to prevent dire poverty, they do not tackle the systemic barriers that perpetuate socio-economic inequalities. For example, insufficient investment in education, skills development, and entrepreneurial opportunities limits the ability of marginalised communities to break the cycle of poverty and achieve upward mobility [14].

This study argues that genuine poverty alleviation demands a paradigm shift, moving beyond high-profile summit speeches, toward translating dialogue into impactful and measurable actions [25]. It emphasises the importance of prioritising policies that foster job creation, equitable access to resources, and capacity-building initiatives. This includes strengthening vocational training programmes, incentivising industries to hire youth, rehabilitating abandoned mines and supporting small and medium enterprises (SMEs) that can serve as engines of economic development. The study also calls for greater accountability and transparency in the implementation

of poverty reduction strategies. Governments must set clear, measurable goals and timelines for addressing poverty, ensuring that resources are allocated efficiently and progress is regularly evaluated. This also involves engaging civil society, private sector stakeholders, and marginalised communities in co-creating solutions that are locally informed and globally supported, but with government as the main driver still because it also tends to abdicate responsibility when civil society and the private sector become more involved [26]. Addressing poverty requires moving from rhetoric to results. This entails not only acknowledging the limitations of existing approaches but also committing to bold, innovative strategies that address the systemic roots of inequality. By bridging the gap between discourse and action, governments can foster sustainable empowerment, offering individuals and communities the tools they need to build a more equitable future [18].

2. Literature review

2.1 Understanding poverty through lived experience

Those who have never experienced hunger firsthand cannot fully grasp its reality; their understanding is limited to theories, second-hand accounts, or observations [27]. Similarly, those who have never lived in poverty can only speak about it from a detached and often superficial perspective [28, 29]. The adage "experience is the best teacher" underscores the transformative power of firsthand knowledge, as those who have endured a particular hardship can articulate its depth and complexity in ways that outsiders cannot. Most leaders discuss poverty without the perspective of lived experience, as they have never personally faced the challenges of being poor. Without lived experience, discussions about poverty and hunger risk becoming abstract and disconnected from the struggles of those most affected [5]. Africa, for centuries, has borne the brunt of poverty and hunger, a legacy deeply rooted in the era of colonisation. Colonialism introduced profound suffering to the continent, subjecting its people to slavery, exploitation, and dehumanisation. The labour of African hands enriched the colonisers, yet left the local populations impoverished, stripped of their resources, and denied basic human dignity. This systemic oppression not only disrupted traditional economies but also eroded the social fabric and self-sufficiency of African societies, creating cycles of dependency and inequality that persist to today [30].

Understanding poverty and hunger through the lens of lived African experiences is essential for addressing these challenges [27, 28]. It provides the nuance and authenticity needed to develop solutions that honour the resilience and agency of those most affected. Only by acknowledging the historical injustices that shaped these issues and engaging with the insights of those who have lived through them can meaningful, transformative change be achieved contemporaneously [29]. Before colonisation, black communities in rural areas thrived through farming and self-sustenance, relying on agricultural practices to meet their needs. However, colonisation introduced a disruptive ideology, promoting the belief that rural living was unsustainable compared to the allure of urbanised city life [31, 32]. Cities were presented as hubs of opportunity, but for many, they became centres of hardship, where survival depended entirely on money—a stark departure from the self-reliant lifestyles of rural communities [33, 34].

2.2 Cycles of exploitation: African labour and the colonial economy

Colonial powers exploited Africa's vast natural resources, initiating large-scale mining operations that transformed the continent's economic and social landscapes. Black men were recruited—and often forced—into working as labourers in mines, leaving their families behind in rural homes [35–37]. This migration marked the beginning of a new way of life for many, as the promise of employment and urban living drew them away from their land and traditions. Denied access to education and other opportunities under colonial rule, many African people had little choice but to accept gruelling, low-paying jobs in industrial sites and mines, and continued to do so even after South Africa achieved democracy [38]. While this labour was framed as a path to a better life, it ultimately served to enrich the shareholders and colonial enterprises that owned these industries [39]. Black workers were exploited as cheap labour, enduring harsh conditions to sustain their families, while the wealth generated from their toil flowed into the hands of a privileged few [39]. This systemic exploitation not only deepened economic inequalities but also disrupted traditional African livelihoods, creating cycles of dependency and marginalisation that persist to this day. Magubane [39] asserts that the South African economy was deliberately structured to ensure that black individuals were perpetually subjugated to working for white people. Regardless of their own economic status, white individuals were guaranteed the presence of a black servant to perform labour for them. The colonial legacy reshaped the aspirations of many African communities, tying survival to urban industrial labour while eroding the self-sustaining practices that once defined their way of life [30]. South Africa, with its thriving industrial and mining sectors, became a magnet for black labourers from across the continent, drawn by the promise of steady employment [40, 41].

As African nations began to achieve independence, many newly formed governments focused on rebuilding their economies and creating opportunities for their citizens. Efforts were made to address inequalities and expand access to education, as leaders sought to redress the injustices of colonial rule and uplift their impoverished populations. However, these aspirations were overshadowed by the emergence of a new challenge: greed and corruption among some of the very politicians entrusted with driving change. This "new colonial animal" eroded progress, diverting resources meant for development, and exacerbating poverty and hunger across the continent [42, 43]. Instead of fostering equitable growth and opportunity, corruption deepened socio-economic divides, leaving many nations struggling to fulfil the promises of independence.

2.3 The price of escaping poverty in modern Africa

African countries with relatively stronger economies, like South Africa, became destinations of hope for those fleeing dire conditions in their home countries [44–46]. Most of these nations served as a refuge for individuals and families seeking escape from poverty and hunger, as they pursued a better life in regions perceived to offer greater stability and opportunity. Yet, the influx of migrants added pressure to already fragile systems, underscoring the interconnected nature of Africa's economic and social challenges [44, 46]. Reports of African migrants moving out of Africa to places like Italy, rather than moving to other countries within Africa, losing their lives in capsized, overcrowded boats while attempting to escape poverty and hunger in

their home countries have become tragically common [47]. These desperate journeys, often made across treacherous seas, highlight the extreme risks people are willing to take in search of a better life. Driven by unbearable living conditions, many individuals view migration as their only hope, even if it means facing the possibility of death along the way. Countries perceived as being more prosperous or relatively stable regions within Africa—even in places like Europe—have experienced a significant influx of foreign immigrants arriving by land, sea, and air. This mass migration reflects collective desperation, as people feel they have little to lose and would rather risk everything for a chance at survival and opportunity than endure hunger and poverty in their own countries [48]. These movements place immense pressure on host nations while exposing the global failure to address the systemic inequalities that force so many to flee their homelands.

2.4 Greed and inequality: The elite's role in global poverty and hunger

The greed of the world's wealthy elite has significantly contributed to widespread poverty and hunger, as their pursuit of profit often comes at the expense of vulnerable populations [49, 50]. Many of the world's richest individuals and corporations prioritise business ventures that increase their private wealth, often disregarding the broader social and environmental consequences. Sahan [50] contends that the wealthiest individuals and their corporations reap the largest dividends from their profits, while the majority continue to toil as labourers, struggling to meet even their basic needs. Small-scale farmers and rural communities are bearing the brunt of the devastating impacts of climate change, which are exacerbated by capitalist greed and the exploitative practices of large corporations [51, 52]. These environmental changes have disrupted traditional farming systems, leaving many rural households unable to sustain their livelihoods through agriculture, which had historically been a reliable way of life for them. As climate change intensifies, the scarcity of arable land, unpredictable weather patterns, and reduced crop yields force these communities to seek alternative means of survival. Many individuals who once thrived on their self-sustained agricultural practices are now being pushed into the capitalist economy, compelled to accept low-paying and often exploitative jobs. This shift not only undermines their economic independence but also erodes their cultural and social ties to the land. The transition to wage labour as a means of offsetting agricultural losses highlights the stark inequality in the global economic system, where the most vulnerable populations suffer the consequences of environmental degradation driven by the profit-driven activities of major corporations. This cycle perpetuates poverty, increases dependency on exploitative economic systems, and exacerbates the vulnerabilities of these communities, making them even less resilient to future climate challenges.

Efforts to address these issues must include equitable policies, sustainable agricultural support, and strategies to mitigate the effects of climate change on a practical level. Moreover, challenging the structural inequalities perpetuated by capitalist systems is essential to empower small-scale farmers and rural communities to regain control over their livelihoods instead of engaging in discussions that rarely translate into meaningful poverty alleviation for the millions of people who continue to suffer [25]. The exploitation of poorer people by rich individuals has become particularly evident in global discussions on climate change (such as at the G20 summits) [53–55]. Rural communities that once depended on farming for their livelihoods are now struggling to survive as extreme heat waves devastate crops and livestock [32, 55].

At the same time, water scarcity has become an escalating crisis, further threatening the survival of small-scale farmers who rely on consistent access to natural resources [15]. These environmental challenges, compounded by climate change, have left many people in dire situations, unable to sustain themselves or their families [2]. The root cause of these issues often lies in the actions of powerful industries that release harmful pollutants into the atmosphere, contributing to global warming [56]. Despite being fully aware of the dangers posed by their industrial emissions, these entities prioritise their profits over the wellbeing of the planet and its inhabitants. This cycle of greed enriches a select few while endangering millions, exacerbating global inequalities and accelerating the environmental degradation that disproportionately affects the most vulnerable [49, 50].

As the world's temperatures soar, extreme heat is causing widespread devastation, leading to the death of numerous organisms and threatening the survival of countless communities [57, 58]. Meanwhile, world leaders gather at summits and in boardrooms to discuss the alarming consequences of global warming, yet their talks often fail to bring about meaningful change, leading to persistent problems of poverty and hunger [6, 8]. The discussions, though well-intentioned, seem to dissipate into rhetoric with little tangible impact. Those who have invested trillions of dollars into industries driving climate change are reluctant to alter their practices, as they prioritise protecting their vast profits over addressing the environmental crisis [2]. The result is a cycle of empty promises, where greed and vested interests overshadow the urgency of the situation. The question then arises: what is the value of these high-level talks and speeches if they fail to translate into concrete action and real-world impact? The disconnect between discourse and reality only serves to deepen the frustration, as global warming continues unchecked while the powerful remain insulated from its most severe consequences.

2.5 Global summits and the perspective of inequality and poverty

Dobson [18] argues that the G20 has a crucial responsibility to ensure that poverty alleviation and the reduction of inequalities are prioritised and addressed during its summits, as these issues significantly impact the majority of the global population. However, world leaders often engage in dialogues and summit discussions that are meant to drive meaningful change, such as poverty alleviation and hunger reduction, yet these conversations frequently remain confined to the boardrooms, disconnected from the realities faced by the world's most vulnerable [59]. While these talks can be full of promises, the truth is that people across the globe continue to suffer, growing ever poorer and hungrier, driven by human greed that has clouded our collective conscience. The United Nations has been outspoken about the need for poverty alleviation and hunger eradication in many developing countries, but critics argue that many of its statements and initiatives are not enforceable, meaning the core issues are never fully addressed [25]. Furthermore, many nations resist signing international agreements or protocols because they are unwilling to comply with the terms set by these global bodies. As a result, the critical challenges faced by developing nations remain unaddressed, leaving them in far worse condition than their developed counterparts. This ongoing failure to act only deepens the divide between the rich and the poor, perpetuating cycles of poverty and inequality.

For example, addressing poverty and hunger in Africa could serve as a powerful message from President Cyril Ramaphosa to the G20 leaders. He could have been emphasising that when they arrived in South Africa for the summit, the visible

poverty should not come as a surprise but rather as a reminder that tackling these issues is a shared responsibility of all world leaders. This imbalance between poverty on the ground and political speeches has seen widespread migration continue, as people from developing countries seek to escape poverty and hunger by moving to wealthier nations, hoping for a better chance at survival. Poorer people from developing nations are faced with a few, unattractive prospects—remain in their countries, where joblessness and poverty are left unaddressed, exacerbated by rising food prices from goods brought in from more developed countries, or take the risk of moving to a more developed country, where their situation is unlikely to improve drastically, and where they are unlikely to be able to sustain themselves in a similar way to how they did back home, leaving them to work in lower income jobs [60, 61]. In many places soaring food prices, driven by unsustainable growth projections from developed countries, exacerbate the hardships faced by developing nations. Joblessness further compounds these problems, as the lack of employment opportunities becomes a major driver of poverty and hunger, particularly in Africa, where millions of people are left without the means to sustain themselves or their families.

2.6 Methodology

This is a conceptual study that employed a multidisciplinary approach, drawing on a diverse range of sources to provide a comprehensive understanding of the disconnect between public rhetoric by government officials from various platforms and on-the-ground realities. Data were collected from public reports, academic literature, and political discourse, ensuring a broad perspective on the issue. This included government documents, policy papers, and institutional reports. Peer-reviewed journal articles, books, and studies were reviewed to identify theoretical perspectives and empirical findings that contextualise the challenges faced by South African structural and systemic barriers impacting employment outcomes. Statements from political leaders, debates, and discussions in global forums were also explored as part of methodology.

3. Findings

3.1 Social grants and the poverty trap: Challenges and opportunities for change

The findings reveal several structural factors that perpetuate poverty and socioeconomic inequality in South Africa. These include an overreliance on social grants as a primary poverty alleviation strategy, the dysfunction of industries such as mining that have the potential to create more jobs but are dominated by capitalists prioritising personal profit, and the manipulation of government loyalty, which often comes at the expense of the marginalised and poor. The 2023/24 State of the Nation Address revealed that 19 million individuals currently rely on social grants, with a total expenditure of approximately R232 billion (equivalent to around $12 billion) allocated to these grants [62]. In South Africa, the governing party has been struggling to reduce poverty and hunger for the majority of its citizens. To mitigate some of these problems, it has relied heavily on social grants as a means to address poverty, but these grants often serve more as a political tool than a long-term solution to unemployment and economic hardship [21, 24, 63]. Initially, the child grant was introduced with the intention of alleviating the financial burden on parents who were struggling to care

for their children without a steady income. However, over time, the child grant has become a source of income for many young, unemployed women, some of whom resort to having more children to increase the amount of money they receive [64, 65].

Motivated by the prospect of financial support through government grants, many young women find themselves caught in a cycle of poverty, giving birth to more children who, in turn, become reliant on these grants for survival. This, in turn, creates a dangerous cycle where children are born into already impoverished families, perpetuating the cycle of poverty. Instead of lifting families out of poverty, the child grant has inadvertently contributed to its increase, as the growing number of children in destitute households only exacerbates their hunger and living conditions [24, 63]. According to Statistics South Africa [66], the Child Support Grant has the highest number of recipients among the three major social grants, with approximately 13 million beneficiaries. In comparison, the Old Age Pension supports 3.7 million recipients, while the Disability Grant provides assistance to about 1 million individuals [24, 63], ([66], p. 2). Rather than fostering economic self-sufficiency, this approach has turned social grants into a form of dependency, undermining the potential for meaningful job creation and sustainable development [18].

What was meant to be a poverty alleviation strategy has instead become a plan that inadvertently perpetuates poverty, which is not sustainable [25]. Kloke-Lesch [67] argues that "the eradication of poverty becomes part and parcel of sustainable development", which means it should be aligned to the sustainable development goals of the country. Roy ([68], p. 61) contends that civil society organisations are the ones that play a crucial role in holding G20 members accountable for the commitments made during their summit speeches and to translate these speeches into a reality. These civil society organisations have the capacity to influence global issues, particularly those related to environmental and social justice, where promises are made by world leaders around the world. South Africa's pursuit of long-term solutions raises significant concerns about the effectiveness of South Africa's interventions or those proposed by these world leaders at summits, such as social welfare grants, particularly when they overshadow the pressing need for policies cantered on job creation, education, and empowerment—key strategies for addressing the root causes of poverty [21, 64].

When the COVID-19 pandemic swept across the globe, many countries implemented relief strategies aimed at protecting vulnerable populations. In South Africa, the pandemic deepened existing inequalities, further exposing the limitations of the current social grant system [20]. While emergency grants provided short-term relief, they did little to address the deeper structural issues of unemployment and poverty that have plagued the country for decades [64]. The pandemic underscored the need for a comprehensive approach to poverty alleviation—one that goes beyond temporary financial aid and focuses on sustainable economic development, job creation, and access to education [25, 69]. Without these long-term solutions, the cycle of poverty will persist, undermining efforts to build a more equitable and prosperous society. A 1995 World Bank study conducted just a year after South Africa achieved democracy, revealed that the majority of households faced significant challenges in accessing essential resources, including clean water, healthcare, education, and energy [15]. In South Africa, a social grant was introduced during the COVID-19 pandemic as a means of supporting those who were unemployed and struggling due to the crisis; this amounted to $20 per month [20, 70, 71]. Initially intended as a temporary relief measure, this grant was extended after the pandemic and has since become a central component of the country's poverty alleviation strategy for the

unemployed [25, 69]. However, the widespread reliance on social grants has raised serious concerns about their sustainability and long-term effectiveness [24]. While these grants have provided immediate financial relief, they have also highlighted the limitations of such strategies [24].

3.2 Illegal mining vs. economic growth: The case for repurposing abandoned mines

South African mines have been a major contribution to the GDP throughput, which helps with job creation and poverty alleviation. On the downside, the South African mining sector has approximately 6100 abandoned mines, many of which were operated by multinational corporations and predominantly owned by foreign entities, which means the benefit of ownership sits outside the country too. These abandoned sites, particularly the 2000 that contain substantial mineral deposits, present an untapped opportunity to create jobs and alleviate poverty and hunger. Despite the potential to harness these resources for economic development, these mines remain inactive, contributing to the country's persistent unemployment challenges [53, 54]. Instead of being repurposed to boost the economy, many of these abandoned mines have become havens for illegal activities, including criminal operations and illegal mining, the output and gain of which is often also based outside of SA's borders. Recently, in 2024, media reports highlighted the tragic case of illegal miners, including foreign nationals, who were trapped underground while attempting to extract minerals from these abandoned shafts. This situation underscores the stark contrast between the underutilised potential of these mines and the illicit exploitation that has taken place [55]. Rajak [72] asserts that certain job losses in the mining sector are due to mines' and companies' response to financial losses, retrenching workers to maintain higher dividends. Similarly, when international prices fall, these companies may halt trading and wait for prices to recover, leaving workers to bear the burden of retrenchments and economic hardship (**Figure 1**), [19, 25, 53, 54].

According to the General Industries Workers Union of South Africa (GIWUSA), the mining industry historically operated under a colonial extractivist model, where raw minerals were extracted from the country and sent abroad for refining, generating profits that largely benefitted foreign companies, leaving South Africa with little economic return [54]. This model has continued into the modern era, with many mines failing to implement proper environmental management and rehabilitation plans after their closure. As a result, abandoned mines remain hazardous and underutilised, although with the promise of some financial yield, becoming vulnerable to illegal mining activities. The failure to close or repurpose these mines effectively is compounded by corruption, which often allows mining companies to avoid their legal and environmental responsibilities. Instead of rehabilitating the sites, companies frequently obtain new mining licences for other operations while neglecting the abandoned ones. This perpetuates a cycle of environmental neglect and economic disparity. GIWUSA highlights that, in the face of widespread unemployment and poverty, many South Africans are desperate for survival opportunities. For many, abandoned mines become a tempting but dangerous solution, as people seek out any means to sustain themselves amidst the ongoing hunger and lack of job prospects. The lack of government action to repurpose these sites for legal, sustainable use leaves them exposed to exploitation, which undermines both environmental and social efforts to address poverty [53–55].

Figure 1.
This image depicts a graduate student holding a placard made from a cardboard box in a desperate attempt to capture the attention of potential employers.

This situation demonstrates the systemic failure to address both the environmental and socio-economic challenges posed by abandoned mines and the failure to use these abandoned mines to create jobs for many through rehabilitation processes. Not only does the continued neglect of these sites deprive South Africa of valuable resources that could be used for economic growth, but it also exacerbates the cycle of poverty by leaving communities vulnerable to exploitation and unsafe working conditions [30, 48, 55, 73]. The research highlights the urgent need for effective policies that hold corporations accountable for the rehabilitation of abandoned mines, while also investing in long-term, sustainable solutions that create jobs and reduce poverty. Disparities and a deep sense of hopelessness often become most evident during election seasons, as citizens grow disillusioned with the promises made by political candidates. Many voters, particularly in African countries, choose not to cast their ballots, frustrated by the empty pledges made by politicians year after year. This sense of fatigue is driven by the lack of tangible change, with politicians continuing to make commitments that remain unfulfilled. As a result, voter turnout has steadily declined across the continent, with a growing number of citizens losing faith in the political system.

3.3 The price of loyalty: How liberation parties perpetuate poverty and hunger

In countries such as Zimbabwe (led by the Zimbabwean African National Union—Patriotic Front—(ZANU-PF)), Namibia (led by South West Africa People's Organisation—(SWAPO)), Mozambique (led by Frente de Libertação Moçambique—(FRELIMO)), and South Africa (led by the African National Congress (ANC)),

the political parties that emerged from the liberation movements have struggled to address the socio-economic challenges facing their people [74–77]. These parties, once seen as the architects of freedom from colonial rule, have faced significant challenges in delivering on their promises of job creation, poverty alleviation, and improved living conditions [19]. While some parties have held power for extended periods, their inability to bring about meaningful change has led to growing disillusionment among the electorate [78]. In some cases, opposition parties that once presented a challenge to these liberation parties have also faltered, with some losing power to political rivals due to internal divisions or public dissatisfaction. Many citizens feel trapped in a cycle of loyalty to the political parties that led their nations to independence, even when they see little progress [74]. This sense of indebtedness to the liberation movements has become a burden for many, as they continue to support parties that have failed to deliver on the promises of economic development and social justice. Despite being freed from colonial powers, many feel that they are now enslaved by the unfulfilled promises of their current leaders, with little hope for change or improvement in their daily lives [75]. This growing disconnect between the political class and the people they represent highlights the urgent need for genuine political reform and more effective policies that can tackle the root causes of poverty and unemployment.

Many political parties that emerged from liberation movements maintain power through tactics such as fear, manipulation, and exploitation, capitalising on the vulnerability and political naivety of rural voters, but also nostalgia and sentimentality [79, 80]. These voters, often lacking political literacy, are hesitant to challenge the party they believe brought them freedom from colonial rule. In South Africa, for example, grants are used as a tool to ensure continued loyalty from poor, predominantly black voters [81]. The message is clear: if you do not vote for the party that liberated you, you will lose access to assistance such as these grants, which are crucial for survival [21, 64, 81]. This manipulation perpetuates dependence on the state rather than fostering independence through job creation and sustainable development [18]. In countries like Zimbabwe and South Africa, voters are reminded of the party's historic role in the struggle for independence, with messages like, *We went into exile and fought for this democracy – how can you support a new party that has no scars of the struggle*? *Wouldn't you rather vote for the party that fought for your freedom*? As it is also believed that their experienced gained in exile would benefit the society of their home country ([82], p. 373). Such rhetoric appeals to the sense of loyalty and gratitude toward liberation movements, yet it exploits the very real struggles of citizens who remain trapped in poverty and hunger under their rule [81]. These parties, feeling entitled to remain in power because of their role in liberation, often overlook the fact that they have failed to deliver on the promises of economic growth, jobs, and a better life for their people. Mbandlwa [81] postulates that "the ANC strategically plays on these strengths during elections, warning the poor that they may lose social security if another party comes to power, even if this claim is untrue."

Instead of prioritising the needs of their citizens, these governments tend to rely on their historical identity as freedom fighters to shield themselves from accountability; even as the country sinks deeper into crisis, they still expect their people to be loyal to the party that liberated them [75]. The irony is that while these parties claim to have fought for the wellbeing of the people, poverty and hunger persist as everyday realities and jobs are not created to solve the problem of a high unemployment rate. This has led to a crisis of confidence and trust, as citizens, disillusioned by the failure

of their governments to bring about meaningful change, no longer believe in the promises of their leaders [80]. The disconnect between the liberation narrative and the harsh socio-economic conditions under these leaders' watch is widening the gap between the ruling elite and the people they were meant to serve. In many African countries, political parties are increasingly forced to form coalitions to secure a majority, as it becomes progressively difficult for any single party to win enough votes to govern alone [83, 84]. This trend has been particularly evident in South Africa, where for the first time in 30 years, the ruling party, the African National Congress (ANC), has not been able to secure a majority vote and has entered a Government of National Unity (GNU), which came into operation in 2024 [85]. This marks a significant shift, reflecting growing dissatisfaction and disillusionment among the electorate as they lose trust and hope in their political leaders. The inability of the ANC, which once commanded widespread support for its role in liberating South Africa from apartheid, to maintain a clear majority is a powerful indication that the public's trust has eroded [19, 81].

4. Discussion of the findings

4.1 From campus to crisis: The struggle for graduate employment in South Africa

Graduate students are significantly impacted by unemployment and poverty-related challenges in South Africa. The economic landscape currently affects all job seekers, particularly graduates [86–88]. Due to South Africa's inability to foster significant employment growth, many are struggling to secure even entry-level jobs, contributing to poverty and hunger and the overall growth and development of the workforce. South Africa's economy is largely dominated by a few large corporations across nearly all sectors, making it even more difficult for graduates to penetrate the job market, especially if there is no facility within these organisations to recruit graduates [89]. Most well-established companies are fully capacitated, with little room to absorb new workers, leaving few opportunities for the increasing number of university graduates entering the job market each year [86]. Most sectors have a very small number of role-players, such as in telecommunications, where there are four major players controlling the market; in retail, the landscape is similarly dominated by four to five major companies. The banking sector also features just a handful of large institutions [90].

Despite the considerable need for employment, these sectors are already operating at full capacity and unable to create additional jobs. As a result, university graduates face the challenge of finding work in an environment where the existing companies are not expanding their workforce [87, 88, 91]. The limited number of small and medium enterprises (SMEs) that do exist are unable to absorb a substantial number of new workers, and they struggle to remain sustainable in a market heavily controlled by large corporations. These smaller businesses often lack the financial resources to compete, leaving them vulnerable to the dominance of the big players, which have the capital reserves to weather economic fluctuations even though they are often directly responsible for the unemployment problem in South Africa [92–95]. Consequently, the majority of young South Africans remain unemployed, as they are unable to find meaningful job opportunities. The economic system thus perpetuates a cycle of underemployment, where young graduates are left to navigate a stagnant labour market with few opportunities for growth or advancement (**Figure 2**) [95, 96].

Figure 2.
This image illustrates the reality faced by many young South Africans seeking employment, where government departments are filled with countless boxes of job applications, each containing numerous papers for a single advertised position. It serves as a stark example of the overwhelming and competitive nature of the job market, highlighting the daily struggle of job seekers in the country.

4.2 Government jobs and inclusivity in learnership and internship programmes in South Africa

Government work is another avenue for employment in South Africa, but this comes with its own set of challenges. Many positions in the public sector are filled through corruption, with jobs often going to individuals with connections rather than merit due to government daily pressures of overwhelming job seekers. Additionally, many employees who are near retirement age choose to extend their careers because they too need more money to sustain themselves into retirement, preventing younger graduates from entering the system [97, 98]. This creates a bottleneck in the workforce, where qualified young people struggle to find employment because opportunities are monopolised by older workers who are reluctant to leave. Meanwhile, the private sector is also unable to absorb sufficient graduates, and the government jobs that do exist are insufficient to address the scale of unemployment [99, 100]. This imbalance further exacerbates the cycle of poverty and hunger, leaving many individuals to resort to whatever means necessary to survive. The lack of accessible, meaningful employment opportunities places a heavy strain on vulnerable populations, and the government is increasingly seen as failing to take a proactive role in addressing these issues. Instead of creating the opportunities needed to uplift the most marginalised, the system seems to perpetuate inequality, leaving many to struggle in a system that seems indifferent to their plight.

The government should focus on creating pathways for young people to access the corporate sector and actively participate in the business value chain. Initiatives such as reopening abandoned mines and fostering environments conducive to graduate employment can play a pivotal role in achieving this goal. This would not only provide them with the chance to thrive but also open doors for others to follow. For many young South Africans, democracy feels hollow because they are unable to find work—an issue compounded by an economy that is not generating enough jobs to accommodate the growing youth population. In response to the challenge of many unemployed youth, the South African government introduced internship and leadership programmes designed to offer workplace training and skill-building for those who left school, college, or other higher education institutions without a qualification [87, 88, 101, 102]. These programmes also cater to graduates who struggle to secure employment, as many job listings require prior work experience. Although many of these opportunities are limited to non-renewable, 12- or 24-month contracts, they provide invaluable work experience, equipping young people with the skills necessary to enhance their employability [87, 88, 102]. In some cases, these internships may even lead to permanent positions when vacancies arise. While these initiatives are beneficial, they remain insufficient in addressing the larger systemic issue of unemployment, highlighting the urgent need for more sustainable solutions to support the youth and foster long-term economic growth.

A significant issue in relation to learnership programmes arose when the Department of Higher Education and Training (DHET) imposed an age restriction for participation in learnership programmes, limiting eligibility to individuals aged between 18 and 35 [87, 88, 102, 103]. This age classification sparked a crisis, with many arguing that it was unfair and discriminatory. Numerous individuals over the age of 35, who continue to struggle with unemployment, felt excluded from these vital opportunities to upskill and improve their employability. For many, this exclusion exacerbates their difficulties in securing a job, effectively closing the door on their chances of finding sustainable employment [104]. The government's decision to impose this age limit has led to widespread frustration, as it further marginalises an already vulnerable demographic. Furthermore, the incentive for companies to participate in learnership programmes is largely driven by government tax breaks, which many businesses leverage when filing their tax returns. While these tax incentives encourage companies to engage with the programme, they also highlight the transactional nature of the initiative. Companies often prioritise the financial benefits over the long-term goal of addressing unemployment, leaving some participants with limited prospects once the programme ends. These dynamic underscores the need for a more inclusive and sustainable approach to upskilling and employment opportunities for all, regardless of age [105, 106].

5. The limitations of this study

The research relies heavily on secondary sources, including political speeches, public reports, and existing literature. While these provide valuable insights, they may lack the depth and contextual specificity of primary data derived directly from affected communities or stakeholders through interviews. South Africa is used as a case study to explore global poverty and inequality while its dynamics offer significant parallels to broader issues, the findings may not fully capture the nuances of

other developing countries with different socio-economic, cultural, or political contexts. Although the research calls for government-driven solutions, it acknowledges but does not fully address the complex interplay between civil society, the private sector, and state agencies in addressing poverty and inequality effectively. Further research is needed to employ diverse methodologies to investigate the challenges associated with poverty alleviation in developing countries.

6. Conclusion

The research highlights significant socio-economic challenges in South Africa, particularly in the context of poverty alleviation, unemployment, and the ineffective use of social grants. While the introduction of social grants, including the Child Support Grant, aimed to alleviate financial burdens and support vulnerable populations, these measures have inadvertently fostered dependency and perpetuated cycles of poverty. The overreliance on grants as a poverty mitigation strategy, coupled with the lack of sustainable job creation and skills development initiatives, undermines the country's efforts to achieve meaningful economic self-sufficiency and empowerment. Initiatives such as the effective rehabilitation and repurposing of abandoned mines present untapped opportunities for economic growth and employment. By transforming these sites into sustainable mining operations, South Africa can address unemployment, generate revenue, and reduce the socio-economic impact of illegal mining activities. The role of liberation parties, emphasising how their historic identity as freedom fighters has, in many cases, failed to translate into effective governance and economic development. Political parties like the ANC in South Africa and others across the continent have used loyalty, nostalgia, and manipulation to maintain power, often at the expense of meaningful reform and accountability. This has led to widespread disillusionment among citizens, with declining voter turnout reflecting a growing loss of faith in the political system. The reliance on social grants as a political tool to secure votes, rather than fostering independence and sustainable livelihoods, highlights a critical flaw in current governance strategies.

The challenge of graduate unemployment in South Africa reflects a complex interplay of economic, systemic, and structural factors that continue to marginalise young job seekers. The inability of the economy to generate sufficient employment opportunities, combined with the dominance of a few large corporations in key sectors, has created a bottleneck in the labour market, leaving many graduates unable to secure meaningful work. Furthermore, the limited capacity of small and medium enterprises and the saturated nature of both the private and public sectors exacerbate the problem, perpetuating cycles of poverty, hunger, and inequality. Government-led initiatives, such as internships and learnership programmes, provide a glimmer of hope by offering workplace training and skill development for young people. However, their effectiveness is undermined by systemic shortcomings, including restrictive age limits and a transactional approach that prioritises financial incentives for businesses over sustainable employment solutions. These programmes, while beneficial, remain insufficient to address the larger systemic barriers to employment. The struggle for graduate employment in South Africa highlights the urgent need for more inclusive and innovative strategies to foster economic growth, create meaningful job opportunities, and empower the youth. Without addressing these fundamental issues, the promise of democracy and equitable progress will remain unfulfilled for many young South Africans.

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Chapter 7

The Effects of Paid Maternity Leave on Female Poverty: Evidence from Chile

Luis Faundez

Abstract

Despite the large decrease in poverty rates across the globe during the last century, poverty remains alarmingly high among some groups. Poverty rates are higher among women and children. The overall gender difference in poverty rates is approximately 2 percentage points; however, this figure masks a stark contrast along the life cycle. During childhood, there is no meaningful gender difference, but the entrance into the labor force marks the beginning of the gender gap in poverty rates that might persist during the whole active life. The gap is larger during the childbearing years, reaching up to 6 percentage points. One possible explanation is that women have historically received lower compensation than men on average. Maternity leave benefits are designed to offer mothers job protection and income replacement. These policies might increase labor force attachment of mothers of infants, positively impacting family income, which in turn might help attenuate poverty. In this chapter, I explore the effects of extending the paid maternity leave period on employment, income and poverty using quasi-experimental methods and data from Chile.

Keywords: gender poverty gap, maternity leave, female employment, female-headed households, intra-household insurance

1. Introduction

Poverty rates dramatically dropped during the last century; however, that decrease stalled in the first decade of the twenty-first century and there have even been some minor increases in poverty during the last decade. For example, by the end of the 1950s, the official poverty rate in the United States was close to 25% and by the year 2000 it had reduced nearly in half to approximately 12%. However, the lasting effects of the 2008 financial crisis pushed poverty rates up to 15% and remained around that level during the first half of the last decade [1]. The story is similar in other countries. Most countries in the Americas and Europe had higher poverty rates by 2019 than they did in 2010 [2].

Poverty rates not only exhibit large variations across countries but also within countries. Rates are usually higher among children and women. In this chapter, I will focus on the gender differences in poverty rates: the gender poverty gap. This gap

has been observed for decades, and it has been documented to be present in many countries with different development levels [3–9]. For example, the official gender poverty gap was nearly 4 percentage points in the United States in the early 1990s [6], but by 2023 it had reduced to 1.7 percentage points [1]. Some studies have looked into the gender poverty gap by comparing poverty rates for female-headed households to poverty rates for other households. Using data from the early 1990s, they showed that in some countries the gender poverty gap was very small and insignificant (Belgium, Czech Republic, Hungary, Italy, Luxembourg, Slovak Republic, Spain, Poland, and Switzerland), in a larger group of 11 countries the gender poverty gap was between 2 and 6 percentage points, and there was a small group of four countries (Canada, Australia, Russia, and the United States) that had a very large gap of up to 18 percentage points [9].

Focusing on a less developed country, as it is the case of Chile, it can be observed that there is a relatively small gender poverty gap of approximately 2 percentage points. Unfortunately, as overall poverty rates decreased over time, female poverty decreased less than male poverty, increasing the gender poverty gap in up to 1 percentage point by 2011. The relatively small overall gender poverty gap masks a stark contrast along the life cycle. During childhood there is no meaningful gender difference, but the entrance into the labor force marks the beginning of the gender poverty gap, which might persist during the whole active life. The gender poverty gap is larger during the childbearing years, reaching up to 6 percentage points.

One possible explanation for the gender poverty gap is that women have historically had a lower labor force attachment than men and when they join the labor force, they receive a lower compensation than men on average. Scholars have postulated many theories to explain this gender differences in labor market outcomes from differences in productivity (neoclassical theory) to differences in schooling and experience level (human capital theory). Others argue that societal views about the role of women can lead to discrimination and others that maternity mark the beginning of gender gaps in the labor market [10]. Due to the conventional social role of women as caregiver of children, women's decision of joining the labor force could be postponed until after maternity, and if they decide to participate, they might need to take time off work to take care of their newborns. Maternity leave entitlements are intended to help mothers bond with their newborns and recover after childbirth, while offering them job security and income replacement. These policies might increase labor force attachment of mothers of infants, positively impacting family income, which in turn might help attenuate poverty. However, neither economic theory nor empirical research have been able to provide a definite answer to whether paid maternity leave benefits reduce female poverty.

In this chapter, I explore the causal effects of paid maternity leave on employment, income and poverty using quasi experimental methods and data from Chile. Specifically, I take advantage of the increase in paid maternity leave period from 12 to 24 weeks that went into effect in 2011 in Chile to implement a difference-in-difference strategy to estimate the causal effect of paid maternity leave on poverty. This research design compares poverty rates of women affected by the longer paid maternity leave policy to poverty rates of women not affected by the policy, before and after the policy went into effect in 2011. I use the same research strategy to estimate the causal effect of paid maternity leave on the main mechanisms through which it can affect poverty, namely employment and income.

The remainder of this chapter is organized as follows. Section 2 provides some background about poverty and maternity leave entitlements and discusses some

theoretical models. Section 3 summarizes what we know so far about how maternity leave policies affect poverty and labor market outcomes. Section 4 discusses the empirical strategy and its limitations, providing information about the Chilean maternity leave policy and the data used for the analysis. Section 5 presents the empirical results and Section 6 concludes.

2. Background and theory

2.1 A theoretical approach to poverty

Poverty is defined at the family level rather than the individual level [6]. There are two important factors that determine a family's economic status: the total family income and the ratio of dependents to earners (dependency ratio) in the family [11]. Hence, to understand poverty determinants, we need to understand the determinants of family income and family size. In general, scholars have addressed this issue by following the tradition of Becker's unitary model, where households are considered single decision units that choose joint consumption and the number of children. These types of models generate important insights about family policy design. For example, the model proposed by Cigno [12] indicates a potential trade-off between the number and quality of children in the absence of externalities. A very simple model proposed by Apps and Rees [13], where men inelastically supply one unit of labor and women distribute their time between market work and childcare, can be used to explain changes in the relationship between female labor supply and fertility. The authors argue that changes in public policy from joint to individual taxation and from child-related cash transfers to in-kind childcare transfers could boost fertility without negatively impacting the female labor supply. These simple models have been extended to account for women's leisure, child mortality, fertility control, urbanization [14], and maternity leave entitlements [15].

Since a few decades ago, it has caused additional concern the fact that poverty has become feminized: women are much more likely to be poor than men [9]. This gender poverty gap can be attributed to the fact that women make less than men on average, the infamous gender pay gap. The neoclassical economic theory attributes wage differentials primarily to productivity differences. Those more valuable to the company will be paid more than those who contribute less to company's revenues [9]. In the human capital theory context [16–18], such differences are explained by individual differences in education and experience level. More educated workers are more productive and should be paid more as well as more experienced workers are also more productive and should also be paid more. Pressman [9] suggests that gender discrimination could also explain the gender poverty gap. Even when women do the same work and provide the same benefits to firms as men, women would receive a lower wage than men due to societal views about the worth of women and their work. Others argue that occupational sex segregation has placed women in jobs and sectors with lower pay [19–21]. Finally, according to Keynesian theory, both the income distribution and poverty rate depend on fiscal policy decisions made by the government. Both social transfer payments (or spending programs) and tax policy can be oriented toward single-earner or dual-earner households, thereby affecting the gender poverty gap. Cross-national studies have demonstrated the importance of fiscal policy in reducing both overall poverty rates and the gender poverty gap [6, 9].

2.2 Poverty in the twenty-first century

Even though poverty rates dramatically dropped during the twentieth century, there was a change in the trend during the first decade of the twenty-first century, and there have even been some minor increases in poverty during the last decade. In the United States, for example, during the second half of the last century, the official poverty rate reduced nearly by half from 25% at the end of the 1950s to approximately 12% in 1999. Nonetheless, the lasting effects of the 2008 financial crisis increased poverty rates up to 15% and they remained around that level during the first half of the last decade [1]. The story is similar in other countries. **Figure 1** depicts poverty rates for select countries in Europe, the Americas, and Australia using data from the OECD, which defines poverty as having disposable income below 50% of the national median disposable income. The first thing to notice is that poverty rates are significantly higher in the Americas than in Europe, but the trends are similar: most countries had higher poverty rates by 2019 than they did in 2010. Also worth noting is the divergence in poverty rates from 2020 onwards as a result of the Covid-19 pandemic. As countries tackled the pandemic in different ways, from basically no restrictions to full mobility restrictions along with generous transfers, they affected poverty in opposite directions. Those countries that provided generous cash transfers saw a significant decrease in poverty rates (e.g., Brazil), while others that provided little or too focalized help went in the other direction.

Poverty rates not only exhibit large variations across countries, but also within countries. Rates are usually higher among children and women. The gender poverty gap has been observed for decades, and it has been documented to be present in many countries with different development levels [3–9]. For example, the official gender poverty gap was 1.7 percentage points in the United States in 2023 [1] and it was approximately 2 percentage points in Chile in 2003. **Figure 2** depicts the poverty rates by gender in Chile between 2003 and 2015. Unfortunately, as overall poverty rates decreased over time, female poverty decreased less than male poverty, increasing the gender poverty gap in up to 1 percentage point by 2011.

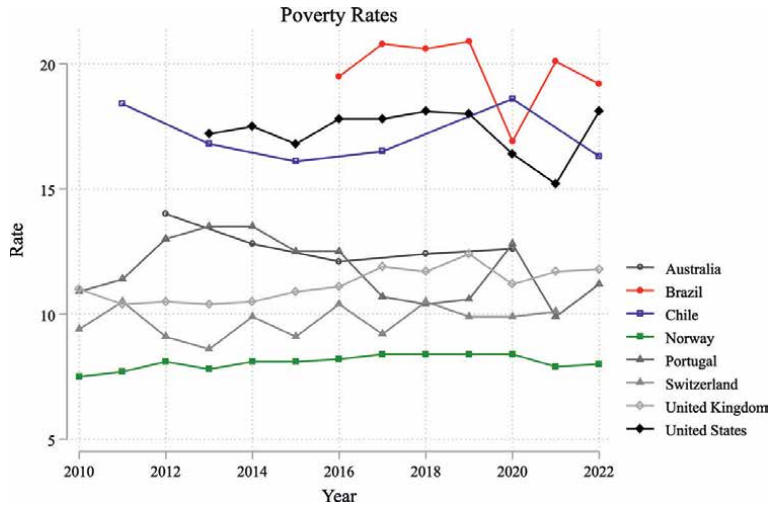

Figure 1.
Poverty rates for select countries. Source: own elaboration using OECD data [2].

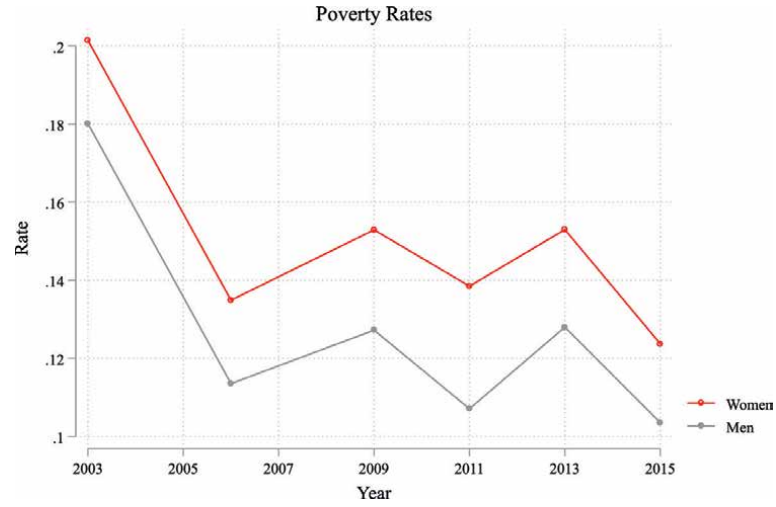

Figure 2.
Poverty rates by sex in Chile. Source: own elaboration.

The relatively small overall gender poverty gap of 2 percentage points masks a stark contrast along the life cycle, as it can be seen in **Figure 3**. During childhood there is no meaningful gender difference, but the entrance into the labor force marks the beginning of the gender poverty gap, which might persist during the whole active life. After retirement, poverty rates are again similar for men and women. The gender poverty gap is larger during the childbearing years, reaching up to 6 percentage points.

2.3 How could paid maternity leave affect poverty?

As stated earlier, poverty depends on both family income and the number of people in the household, namely the number of children. Maternity leave entitlements are designed

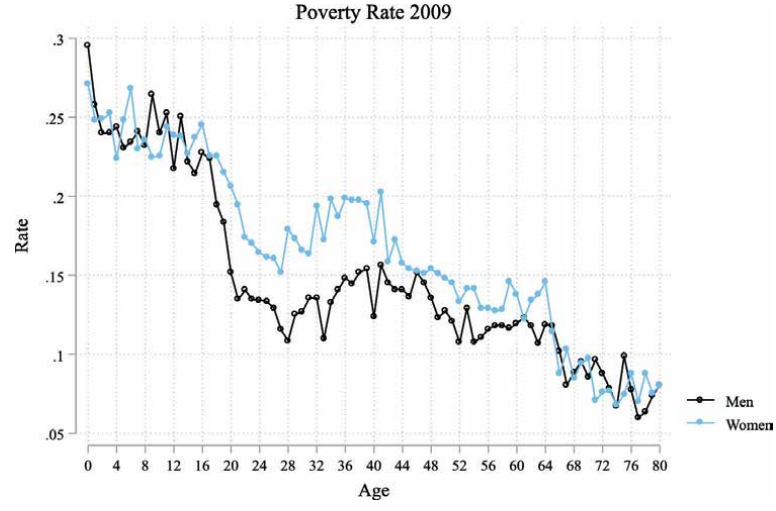

Figure 3.
Poverty rates by age and sex in Chile. Source: own elaboration.

to protect mothers' employment and provide income replacement while they are recovering from childbirth. Hence, we can expect these policies to affect poverty mainly through their direct impact on employment and income. However, these policies can also affect poverty through an indirect effect on female labor supply *via* fertility. In the model proposed by Del Rey, Kyriacou and Silva [15], maternity leave entitlements affect women's labor supply decision by reducing the time cost of market work and by reducing women's earnings. The time cost reduction of female market work directly increases female labor supply, but also indirectly reduces it because the lower time cost raises fertility. Lower female earnings reduce labor supply when the substitution effect dominates.

The effects of maternity leave entitlements on employment are theoretically ambiguous [22]. After childbirth, a woman can be absent from work using maternity leave or out of the labor force. In the presence of a competitive labor market, maternity leave entitlements could weaken economic efficiency by constraining both employers' and workers' ability to freely select the optimal compensation package [23].

As argued by Kamerman [24], maternity leave entitlements can decrease unemployment among women and increase firm-specific human capital by reducing women's need to change jobs if they want to devote more time to their newborns. Under competitive labor markets, those more likely to use maternity leave entitlements will bear the cost by getting a lower wage. This implies that with a mandatory maternity leave policy, childbearing age women will obtain a lower compensation [23]. Furthermore, occupational segregation could increase if the maternity leave length is long enough as employers may restrict childbearing age women to positions where absences are less costly [25]. If there is asymmetric information, it might arise an adverse selection problem as a large share of "high-risk" childbearing age women could self-select into firms that are required to or voluntarily offer better maternity benefits, forcing these firms to pay lower wages. Alternatively, low-risk women will sort out of these companies. A public policy could possibly eradicate the incentives for such sorting and increase welfare [23].

Maternity leave rights will probably shift the labor supply curve to the right for those groups more likely to use the entitlements. At the same time, the demand curve would shift leftwards to the degree that non-wage costs increase (expenses associated with hiring and training temporary replacements, or efficiency losses in case of not hiring a replacement), as in Chile income replacement costs are paid by with public funds. There is evidence that firms respond quickly to absences arising from maternity leave by increasing hiring, but less than one-for-one replacement [26]. This increase in non-wage costs could be partially offset by a reduction in other maternity-related expenses that employers bear in Chile, such as childcare provision. Hence, the shift in the labor supply could be larger than the labor demand shift, which would lead to an increased relative employment of childbearing-age women and a decline in their relative wages in equilibrium. Right after childbirth, employment could be reduced due to increased leave-taking; however, some argue [22] that employment could increase after childbirth if some women who otherwise would have exited the labor force to spend more time at home with their newborns than the previous maternity leave policy permitted, now stay in their employments and return to work sooner than before.

Conversely, there are some arguments to support a rightward shift of the labor demand curve. If longer maternity leave entitlements boost firm-specific human capital by permitting women to continue in their jobs, then there could be productivity gains. This rightward shift of the labor demand would further raise employment and completely or partially offset the decrease in wages [23].

3. Literature review

Despite its relevance for public policy implementation, the empirical relationship between maternity leave entitlements and poverty has not been vastly studied. Perhaps due to the difficulty of implementing causal studies or due to the multiplicity of channels through which maternity leave entitlements could affect poverty. For example, Misra et al. [27] find that parental leave entitlements are associated with lower poverty rates in 19 mostly wealthy countries and that they operate through boosting mothers' employment, with larger effects among single mothers. Although not directly studied, Kang's [28] findings suggest that paid maternity leave might decrease poverty. She finds that in the United States, paid maternity leave reduces the use of welfare benefits among low-income families. This scarcity of studies linking maternity leave entitlements and poverty is compensated by the large body of research studying maternity leave effects on female employment, which is the main channel between leave entitlements and poverty.

In the same way that economic theory does not provide a clear answer about the effects of maternity leave entitlements on employment, the empirical literature offers mixed evidence. The estimated effects differ in the same way maternity leave features differ from country to country, or even within a country from state to state, and also seem to vary according to the level of development of a country. While most research has focused on developed countries, there is an incipient body of research studying maternity leave entitlements in developing countries. In developed countries, the effect of maternity leave benefits on female labor force participation is U-shaped and depends on the leave length and income replacement rate [15, 29–35]. A moderate-length and generously paid leave increases female labor force participation [36–38], while long and/or low-paid leave decreases labor force participation [39, 40]. Del Rey, Kyriacou and Silva [15], using data from 159 countries, estimate that this inverted U-shape relationship between leave duration and female labor force participation peaks around 30 weeks. Below that threshold, increasing maternity leave duration would raise women's labor force attachment because the positive effect of the decreased work-time cost of employed mothers strongly dominates the negative effect of a wage penalty. There is also evidence that any positive effects are usually only in short-term employment, while the long-run labor force participation is practically unaffected by maternity leave entitlements [41].

In less developed settings, the effects of maternity leave benefits on female employment are also mixed. For example, Van der Meulen-Rodgers [42] finds that in Taiwan maternity leave benefits are associated with increased female labor force attachment, and Chang [43] finds that in 16 developing countries, maternity leave entitlements promote women's access to the labor market by allowing women to better combine the roles of mother and worker. On the other hand, Hiriscau [44] finds no effect of maternity leave on labor force participation in Romania, and Fallon, Mazar and Swiss [45], using data from 121 developing countries, also find no effect of maternity leave policies on female labor force participation. Some explanations offered by the literature include the possible inhibition of women's entry into the labor market due to employment and social protection policies that specifically target women [46] and employers' reluctance to hire women in response to their higher labor cost imposed by maternity leave policies [47, 48].

4. Empirical strategy and data

4.1 Empirical strategy: The Chilean case

Female workers have had maternity benefits for more than 100 years in Chile [49]. The first benefit was introduced in 1917, and it required firms employing 50 or more women aged 18 or older to provide a space within their premises where women could breastfeed their children and have them taken care of until they turn 1 year old. The first maternity leave entitlement was enacted in 1925. The benefit included 60 paid days of leave: 40 days prior to childbirth and 20 days after giving birth. Women were allowed to collect 50% of their previous income, and it was entirely paid by their employers. Six years later, the maternity leave length was increased to a total of 12 weeks and the income replacement cost was shared by the social security system and employers. The income replacement rate was increased to 100% in 1952, and it was completely paid by the social security system.

A new extension of the maternity leave benefits occurred in October of 2011. Under the new policy, women are allowed to take 12 extra weeks of paid full-time postnatal maternity leave (for a total of 24 weeks), or up to 18 extra weeks of paid part-time maternity leave (for a total of up to 30 weeks). The law added a new feature: working mothers can transfer part of the additional maternity leave period to their child's working father. The transfer can only happen after the sixth week of the additional leave period, and it can be for up to 6 weeks of full-time leave or 12 weeks of part-time leave. In this case, the father's salary is used to determine the amount of the leave subsidy. Self-employed women who are part of the social security system can also use this benefit.

The income replacement rate remained at 100% of previous earnings and it continued to be fully paid with public funds. The leave payment amount is capped at the maximum amount employed to establish the contributions to the social security system (approximately USD $3300 per month). This cap lowers the income for less than 5% of the highest earning women. The eligibility requirements are easily met for women with some degree of labor force attachment. They need to have had their first contribution to the social security system at least 6 months before the start of their maternity leave and have been working for at least three continuous months before the start of the maternity leave.

There are additional maternity benefits for women in Chile, both during pregnancy and after childbirth. Women cannot be fired during their pregnancy and their job is also protected after the end of the maternity leave for 1 year. After returning to work, women have the right to take off up to 1 hour per day to feed their newborn until the child turns 2 years old, and they can use paid sick leave whenever their child younger than 1 year old is seriously ill. Additionally, companies employing 20 or more women are mandated to cover the childcare costs of their workers until their children turn 2 years old.

All these benefits inflict greater relative costs of hiring women, especially child-bearing-age women, which could explain part of the gender pay gap. However, one of the objectives of the maternity leave length extension was to decrease the costs associated with hiring female workers. It was expected that the new benefit would decrease the uncertainty regarding when women would go back to work, as many women used to overuse the paid seriously ill child leave. Similarly, employers would see a reduction in their childcare costs. They must now pay for 12 weeks less of childcare. It was also expected that fathers' employers would bear part of the costs associated with having

children, if men used part of the leave as it was conceived by the 2011 legislation. Thus, hiring childbearing age women would be relatively less expensive than before compared to men. Nonetheless, men have not been using the leave benefit. The proportion of men taking the leave benefit has remained relatively constant at around 0.3%.

4.2 Identification methodology

I take advantage of the 2011 maternity leave length extension in Chile to identify the causal effect of paid maternity leave on poverty. I use a differences-in-differences (DiD) methodology to compare changes in poverty rates among a treatment group to changes in poverty rates among a control group before and after the paid maternity leave extension in 2011. Ideally, the treatment group would be composed of those who are the target of the maternity leave policy: eligible working women who give birth. Unfortunately, the data do not allow me to identify whether a woman used the maternity leave benefit or whether she was eligible to use it. As a proxy, I use women who are the most likely to use the maternity leave benefit: those who gave birth in the last 12 months, in other words, those who have a child younger than 1. Hence, I estimate an intent-to-treat effect rather than a treatment-on-the-treated effect.

The internal validity of this approach depends on having a proper control group. The ideal control group is comparable to the treatment group, both in observable and unobservable terms, but unaffected by the maternity leave extension. There are a few options to consider as a possible control group. First, I could use childless women, who are clearly unaffected by the maternity leave policy but also are unlikely to be similar to women with children. Second, I could use women with older children, who are more likely to be comparable to women who gave birth recently but could also be affected by (or eligible to use) the extended maternity leave if they gave birth after the new policy went into effect. This last point can be alleviated by limiting the age of their children to 5 years old. In this way, a woman with a 5-year-old child in 2015, the last year in my data, would have given birth before the maternity leave period was extended in 2011. Considering this last point, I use a few different control groups: mothers of 5-to-10-year-old children, mothers of 11-to-15-year-old children, mothers of 11-to-18-year-old children, mothers of 5-to-15-year-old children, and mothers of 5-to-18-year-old children. The preferred control group is that of the youngest children (5–10), as those women are more likely to be similar to mothers of infants. I limit the sample to women aged 18–50 years old, as new pregnancies are very unlikely after a woman turns 40 years old.

Additionally, I study the potential mechanisms through which paid maternity leave policies could affect poverty. I focus on individual labor market outcomes such as employment, weekly hours and income, and household-level income measures. To identify a causal effect, I use the same DiD strategy used to identify a causal effect on poverty. For each outcome, I estimate the following equation:

$$y_{it} = \beta_0 + \beta_1 Treatment_i \times Post_t + \beta_2 Treatment_i + \gamma_t + \zeta_a + \mathrm{X}'\delta + \varepsilon_{it} \qquad (1)$$

where y_{it} is the relevant outcome for individual i surveyed in year t, Treatment is a dummy equal to 1 if the woman has a child younger than 1, zero if the woman has a child in any of the age ranges of the control groups described above; Post is a dummy equal to 1 for 2011 onwards, γ_t represents year-fixed effects, ζ_a are age dummies,

and X is a vector of covariates such as marital status, schooling, etc. The coefficient of interest is β_1, which will provide a causal change in the outcome (e.g., poverty) for mothers of infants due to the new maternity leave policy.

4.3 Data

The data used in this chapter come from a cross-sectional survey managed by the Chilean Ministry of Social Development (MIDESO). The National Socioeconomic Characterization (CASEN) survey comprises a representative nationwide sample of households. CASEN survey gathers individual-level and household-level data on employment, income, education, demographic characteristics, and health, among others. I use the following waves: 2003, 2006, 2009, 2011, 2013 and 2015.

The main outcome is poverty, which is a dummy equal to 1 if the person is part of a household categorized as poor using the MIDESO definition, zero otherwise. Other outcomes include labor force participation, employment, usual weekly hours, labor income, total household income, total autonomous household income and total subsidies. Labor force participation is equal to 1 if the person was employed or actively looking for employment, zero otherwise. Employment is equal to 1 if the person was employed, zero otherwise. Weekly hours are the reported number of hours usually worked; for those unemployed or out of the labor force, it was coded to zero. All individual-level and household-level income-related variables were changed to real terms using the Chilean consumer price index and then transformed into logarithms. For those variables with value zero, logarithm of 1 was used. The covariates include age (in years), schooling (in years), head of household (dummy) and marital status (1 if single, zero otherwise).

The analysis of the data provides interesting stylized facts. For example, it shows that poverty rates have been decreasing in Chile and that some groups facing higher poverty likelihood have seen the largest decrease of up to 10 percentage points. **Figure 4** depicts the female poverty rates in Chile from 2003 to 2015 for women with one child and for women with 2 or more children. Poverty rates among larger families

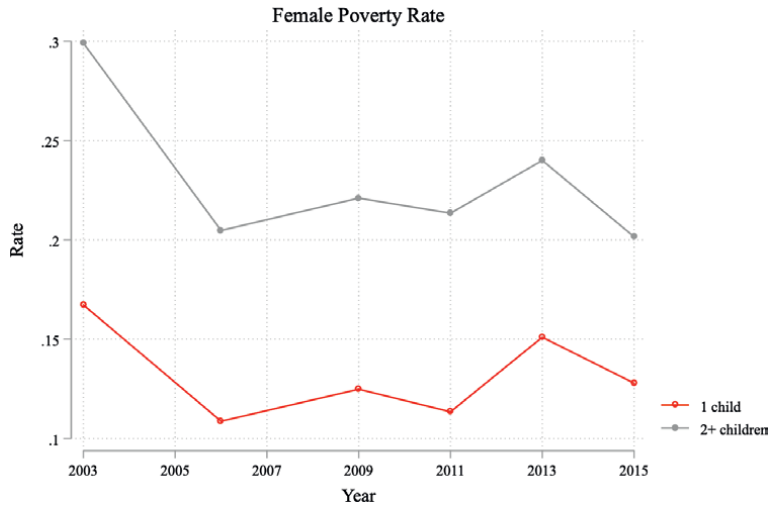

Figure 4.
Female poverty rates by number of own children in Chile. Source: own elaboration.

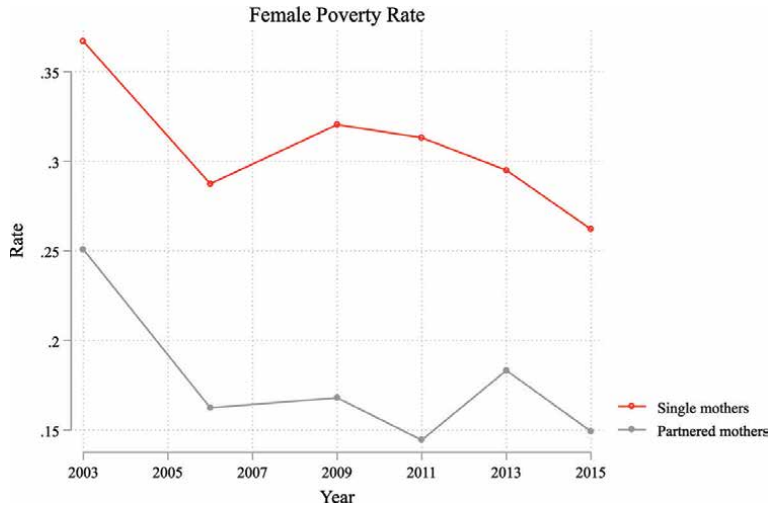

Figure 5.
Female poverty rates by mother's marital status in Chile. Source: own elaboration.

have come down from 30% in 2003 to 20% in 2015. Similarly, poverty rates for single mothers have come down from 37% in 2003 to 27% in 2015, as shown in **Figure 5**.

It can also be observed in **Figure 4** that the gap between families with one child and families with 2 or more children has reduced during this time frame: it was 13 percentage points in 2003, and by 2015, it was only 7 percentage points. Unfortunately, the gap between single mothers and partnered mothers has remained unchanged since 2003, and it stands at 12 percentage points.

The differences-in-differences strategy identifies causal estimates conditional on the common trend assumption. In this case, the identifying assumption is that absent this maternity leave extension, outcomes (e.g., poverty rate) for mothers of infants and mothers of older children would have trended in the same way.

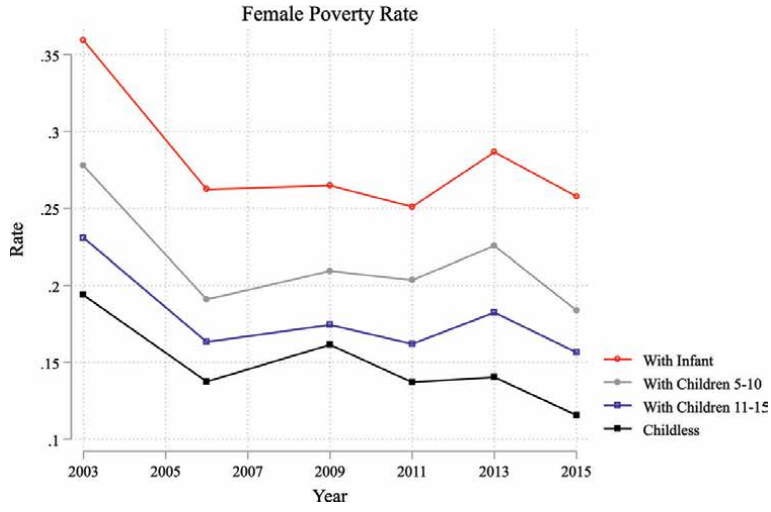

Figure 6.
Female poverty rates by age of own children in Chile. Source: own elaboration.

Figure 6 depicts the poverty rates for women depending on the age of their children. Poverty rates have been declining for all groups since 2003, although the most significant decrease happened between 2003 and 2006. These unconditional or raw trends in poverty look similar across all groups. The youngest the age of children in the household, the largest the likelihood of falling into poverty. Women with infants are the most likely to face poverty while childless women are the least likely to be poor.

4.4 Study limitations

Besides the aforementioned impossibility of identifying both maternity leave eligibility and usage due to data availability, this study faces some of the standard limitations of DiD research designs. Although I cannot completely rule out the existence of a simultaneous policy that could affect poverty rates and labor market outcomes of treatment and control groups differentially, to the best of my knowledge such policy does not exist. Additionally, even though it seems unlikely, it is impossible to rule out that the maternity leave benefit extension changed the composition of the treatment and control groups over time. Finally, the main identification assumption, the common trend assumption, is essentially untestable; nevertheless, the unconditional trends in poverty rates for mothers of infants and mothers of older children shown in **Figure 6** suggest that the common trend assumption is likely to hold.

5. Results

5.1 Paid maternity leave effect on poverty

The main objective of this chapter is to study whether paid maternity leave policies have any effect on female poverty rates and the possible mechanisms through which they can affect poverty. I begin by presenting estimates of the causal effect of paid maternity leave on poverty likelihood. **Table 1** shows the estimates using the DiD methodology described in the previous section. Each column in **Table 1** displays estimates for a regression using a different control group, which is identified in the first column. Regardless of the control group used, DiD estimates show no evidence of any statistically or economically significant effect of paid maternity leave on poverty. The preferred control group is mothers of children ages 5 to 10 (Column 1), and this will be the control group used in the upcoming analyses.

5.2 Labor market mechanisms

The main mechanism through which paid maternity leave entitlements could affect poverty is labor income. If a longer paid maternity leave entitlement increases mother's labor force attachment, then their income could be positively affected, thereby reducing poverty likelihood. In the previous section, I documented a null effect on poverty rates. Now, I study whether the extended paid maternity leave had any effect on mothers' labor market outcomes. **Table 2** shows the DiD estimates using mothers of 5- to 10-year-old children as control group. Columns 1 and 2 of **Table 2** show that allowing women to stay home with their newborns for a longer time effectively increases their labor force attachment and employment by over 5

	(1)	(2)	(3)	(4)	(5)
	Poor	**Poor**	**Poor**	**Poor**	**Poor**
5-to-10 years old	−0.00107				
	(0.00875)				
11-to-15 years old		−0.00296			
		(0.00904)			
11-to-18 years old			−0.00950		
			(0.00878)		
5-to-15 years old				−0.00302	
				(0.00853)	
5-to-18 years old					−0.00609
					(0.00848)
Observations	69,336	47,500	63,524	106,226	122,250

Each coefficient represents the difference between the treatment group and control group after the longer paid maternity leave policy went into effect. For clarity purposes, each coefficient is labeled with the control group used in the regression. All regressions include year-fixed effects and demographic controls (age, schooling, and marital status). Robust standard errors are in parentheses.

Table 1.
Difference-in-Difference results for poverty likelihood.

	(1)	(2)	(3)	(4)
	Labor Force Participation	**Unconditional Employment**	**Weekly Hours**	**Log Labor Income**
Treatment # Post	0.0544***	0.0520***	−2.178***	0.470***
	(0.00930)	(0.00923)	(0.376)	(0.116)
Observations	69,518	69,518	69,518	69,518

*** *p < 0.001.*
All regressions include year-fixed effects and demographic controls (age, schooling, and marital status). Robust standard errors in parentheses

Table 2.
Difference-in-difference results for individual labor market outcomes.

percentage points. These results are in line with previous research that has found that relatively shorter maternity leave entitlements of up to 30 weeks have a positive effect on employment.

After finding a large effect on the extensive margin, the next question is what the effect on the intensive margin is. Column 3 of **Table 2** displays the DiD estimate of paid maternity leave on usual weekly hours. The point estimate suggest that mothers reduce their weekly hours worked by 2 hours on average when they return to work after giving birth. Even though these women are working fewer hours after the longer paid maternity leave was in place, the large increase in their probability of being employed leads to a large increase in their labor income of 47 percentage points, as shown in Column 4 of **Table 2**.

After seeing this large increase in mothers' income, it is puzzling that there is no effect on poverty. The natural thing to examine next is household-level measures of income, as poverty is defined at the household level. There are theoretical models and empirical evidence of intra-household insurance, where spousal labor supply is a key insurance mechanism, especially among poorer households [50]. Under such scenario, the increased female labor supply driven by the availability of paid maternity leave might be offset by a decrease in their partner's labor supply. I first study what happened to total household income after the paid maternity leave period was extended.

Column 1 of **Table 3** shows that there is an increase in total household income of 7 percentage points; however, this increase is significantly lower than the increase observed in mothers' income. Since women make significantly less than men on average, it is likely that their income would represent less than half of total household income in a two-earners household, hence we should expect a lower effect on total household income. Another point to keep in mind is that total household income includes government transfers or subsidies. Prior research has shown the importance of government transfers in reducing both overall poverty rates and the gender poverty gap. Hence, I proceed to disentangle autonomous or self-generated household income and government transfers from total household income and study the effect of paid maternity leave on each. The estimate in Column 2 of **Table 3** suggests a small, but indistinguishable from zero, increase in autonomous household income due to the longer paid maternity leave. At the same time, the DiD estimate in Column 3 of **Table 3** shows a large and significant decrease in the amount of government transfers received by families that made use of the paid maternity leave benefit.

The results in **Table 3** suggest the possible presence of intra-household insurance, and other household members might have reduced their labor supply in response to the increased mother's labor supply induced by the longer paid maternity leave. Add to this a decrease in the government transfers received by the family and you get a small total family income increase that might be barely enough to cover the additional expenses of adding a new member to the household, thereby having a null impact on poverty.

5.3 Heterogeneity analysis

As shown earlier in the chapter, poverty rates differ significantly by the number of children in the household and marital status. Even if the longer paid maternity leave

	(1)	(2)	(3)
	Log Household Income	**Log Autonomous Household Income**	**Log Subsidies**
Treatment # Post	0.0722***	0.0419	−0.263**
	(0.0219)	(0.0390)	(0.0944)
Observations	69,518	69,518	69,518

** $p < 0.01$.
*** $p < 0.001$.
All regressions include year-fixed effects and demographic controls (age, schooling, and marital status). Robust standard errors are in parentheses.

Table 3.
Difference-in-difference results for household-level outcomes.

policy had no effect on poverty for the average household, it could still have had an effect on some specific groups that are at a higher risk of poverty such as households headed by single mothers. To explore this possibility, I split the sample by the number of children in the household (1 child and 2 or more children) and by mother's marital status (single and partnered). One caveat of this approach is the loss of statistical power due to splitting the sample into two smaller samples.

Table 4 displays the DiD estimates of the effect of longer paid maternity leave on poverty likelihood for the four groups described above. None of the estimates is statistically different from zero, with the caveat of the loss of power due to the smaller samples. Nonetheless, the estimates in Columns 1 and 2 of **Table 4** point to possible different effects on poverty based on the number of children in the household. A longer paid maternity leave might help reduce the risk of facing poverty among first time mothers. There are no meaningful differences in poverty likelihood by marital status.

Next, I investigate whether paid maternity leave affects individual labor market outcomes and household income differently based on the number of children in the household and mother's marital status. **Table 5** shows those effects estimated using the same DiD approach as before. Panel A of **Table 5** indicates that the effect on employment does not significantly differ based on the number of children; however, the increase in employment is over 3 percentage points larger among single mothers than among partnered mothers. In terms of usual weekly hours, there are no meaningful differences across these groups. All women exhibit a decrease in the number of hours worked due to the longer paid maternity leave, although the effect for single mothers is imprecisely estimated.

The effect of paid maternity leave on household-level variables varies significantly by the number of children and marital status, as shown in Panels C, D and E of **Table 5**. For example, total household income only increases significantly among first time mothers, while the estimated effect among families with 2 or more children is indistinguishable from zero. Households headed by single mothers saw a 34-percentage-point increase in total income due to the maternity leave policy, while the increase among partnered mothers was only 6 percentage points. In terms of autonomous income, only households headed by single mothers saw a statistically significant increase due to the paid maternity leave. The largest differences in the effects of paid maternity leave are seen on the amount of government transfers families received. First time mothers saw a large decrease in the subsidies amount they received after the longer paid maternity leave was in place, while the DiD analysis suggests a much

	(1)	(2)	(3)	(4)
	1 child	**2+ children**	**Single mothers**	**Partnered mothers**
Treatment # Post	−0.0203	0.0106	−0.00746	−0.00899
	(0.0146)	(0.0105)	(0.0318)	(0.00907)
Observations	17,470	51,585	11,511	57,825

$^{*}p < 0.05$
$^{**}p < 0.01$
$^{***}p < 0.001.$
All regressions include year fixed effects and demographic controls (age, schooling, and marital status). Robust standard errors in parentheses.

Table 4.
Difference-in-difference results for poverty likelihood by number of children and marital status.

	(1)	(2)	(3)	(4)
	1 child	**2+ children**	**Single mothers**	**Partnered mothers**
a. Unconditional employment				
Treatment # Post	0.0446*	0.0459***	0.0848**	0.0502***
	(0.0186)	(0.0106)	(0.0318)	(0.00981)
b. Weekly hours				
Treatment # Post	−2.352**	−2.425***	−1.814	−1.759***
	(0.772)	(0.429)	(1.330)	(0.396)
c. Log total household income				
Treatment # Post	0.132*	0.0385	0.341**	0.0629**
	(0.0531)	(0.0232)	(0.121)	(0.0215)
d. Log autonomous household income				
Treatment # Post	0.0807	0.00882	0.471*	0.0493
	(0.0795)	(0.0451)	(0.227)	(0.0369)
e. Log subsidies				
Treatment # Post	−0.451*	−0.113	−0.0181	−0.220*
	(0.191)	(0.107)	(0.314)	(0.100)
Observations	17,470	51,585	11,676	57,842

*$p < 0.05$.
**$p < 0.01$.
***$p < 0.001$.
All regressions include year fixed effects and demographic controls (age, schooling, and marital status). Robust standard errors in parentheses

Table 5.
Difference-in-Difference results for individual- and household-level mechanisms by number of children and marital status.

smaller and statistically indistinguishable from zero decrease among families with 2 or more children. Similarly, partnered mothers saw a significant decrease of 22 percentage points in subsidies while single mothers' subsidies amount was not affected by the longer paid maternity leave.

Overall, the results presented in this section suggest that paid maternity leave policies can impact women differently based on the number of children they have or their marital status. In fact, these policies can have stronger positive effects on labor market outcomes among the most disadvantaged groups, such as single mothers, even if these positive effects, such as increased income, do not translate into a lower probability of poverty.

6. Conclusions

I provided an estimate of the causal effect of paid maternity leave entitlements on poverty. I exploited plausible exogenous variation from a maternity leave length extension in Chile to implement a difference-in-difference research design to study its impact on poverty and on some of the mechanisms through which paid maternity leave can affect poverty. My findings show a null effect on poverty likelihood despite

a strong positive effect on mothers' employment and their personal income. This somewhat surprising finding can be explained by a small and indistinguishable from zero effect on household autonomous income and a reduction in government transfers, which combined lead to a small increase in total family income after taxes and transfers. This small increase in family income is probably barely enough to cover the associated increased expenses of welcoming a new family member, thereby having a null effect on poverty. I also studied whether the effects varied for different demographic groups. While no group poverty likelihood was significantly affected by paid maternity leave, the results suggest that more disadvantaged groups, such as single mothers, might see stronger positive effects on employment and income.

These findings provide valuable insights for public policy formulation. First, the fact that total autonomous household income barely increases despite mother's income increasing over 40% on average suggests the presence of intra-household insurance. Second, and perhaps more importantly, the reduction in government transfers (subsidies) without a decrease in total household income suggests that paid maternity leave policies can help families become more self-dependent, changing welfare income for self-produced income. Another possibility to explain the reduction in government transfers is that families (or some family members) might become ineligible for some welfare programs due to the increased autonomous income, or the family might be unaware of welfare programs for which they might qualify after childbirth. In either case, social welfare can be increased by ensuring that these families have access to welfare programs through either extending program eligibility or by providing better welfare information to mothers right after childbirth. Finally, these findings reinforce the premise that fiscal policy should target the most disadvantaged groups as they might benefit the most from public policies.

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Section 3

Poverty in Practice: Intervention and Assessment

Chapter 8

Perspective Chapter: Homelessness – Poverty at Its Worst

Donald W. Burnes

Abstract

In the United States, homelessness has become a major social problem. Fueled by the rapidly increasing cost of housing, the recent influx of immigrants, and stagnant wages and job opportunities, increasing numbers of residents are finding themselves unable to afford to live in housing units in urban and suburban areas across the country. In this article, using a literature review approach, we will document the extent of the problem and will examine some of the reasons for this significant human tragedy. We explore various issues and barriers related to housing and to the income and wages needed to afford housing. We also suggest some possible ways to reduce the barriers, thus making housing more affordable. Spoiler alert: this is not a field research report. Rather, based on 40 years of working on homelessness, writing, teaching, researching the literature, and talking with knowledgeable experts, this is one person's perspective on America's failed attempts to end homelessness, along with a few suggestions for possible changes.

Keywords: homelessness, affordable housing, evictions, cost of housing, zoning, inadequate wages

1. Introduction

Since the late 1970s and the 1980s, America has witnessed an explosion of homelessness.[1] Fueled initially by the deinstitutionalization of those with mental illness, the decriminalization of public intoxication, the widespread effects of urban renewal, and the huge increase in the numbers of teenagers and adults from America's baby boom [2] and more recently by the COVID pandemic, higher housing costs, and immigration, the US now has its highest total of people experiencing homelessness since the Great Depression. Despite spending billions of dollars to address the problem, utilizing the efforts of hundreds of thousands of paid staff supplemented by even more hours of volunteer time, and focusing more and more public attention on the issue, the numbers keep expanding. Why? What can we do about it?

[1] This article borrows heavily from portions of an as yet unpublished book: [1].

2. The numbers of people experiencing homelessness: According to the dept of housing and urban renewal

The annual Point-in-Time survey (PIT) in the US, conducted every year towards the end of January, is the most frequently cited count of the overall number of people without homes. (The PIT is intended as a census count of all people without homes and is required by the US Department of Housing and Urban Development). The most recent data from the PIT, data collected in January 2023, shows a marked increase in the overall numbers, now at over 653,000 individuals, a staggering 12% increase over the previous year [3] (Most analysts and researchers agree that the PIT survey is a substantial undercount of the people experiencing homelessness, because in most geographical areas it is very difficult to find and count some of the unhoused that really do not want to be found. In addition, increasingly, some of the individuals being counted are irritated at having to answer survey questions every year so are refusing to participate. They may be counted but their demographic information is not available). There are several factors that account for this increase, but the single most important cause for the increase is a combination of an inadequate supply of housing units and huge increases in the cost of housing.

According to federal US guidelines, no household should be spending more than 30% of their family income on housing, including utilities. One recent study compiled by the National Alliance to End Homelessness compared housing costs as a percentage of income for the top 20% of households versus a comparable percentage for the bottom decile of households (See graph below). For the top 20%, their average income was $153,300 a year, and they spent 19% on housing, leaving them about $125,000 a year for all other items. For the bottom 20%, their average annual income was $10,100 a year, and they spent 87%, on average, for housing, leaving them about $1300 a year for everything else, or a little over $100 a month for food, clothing, healthcare, childcare, transportation, etc. These are staggering differences, and they underscore the poverty conditions of those at the bottom of the economic ladder. What's more, even the bottom decile does not include those experiencing homelessness, because the unhoused are not paying for housing; if they were, they would not be counted among the unhoused. Admittedly, the data for this study were collected almost 15 years ago. However, in the intervening years since then, there is every reason to believe that the comparisons are about the same (**Figure 1**).

Another indicator of the high cost of housing is the "housing wage," what the National Low Income Housing Coalition (NLIHC) says is needed on an hourly basis to afford an average two-bedroom housing unit. In its annual "Out of Reach" report for 2023, [4] the national housing wage was $28.58 for an average two-bedroom housing unit and $23.67 for a modest one-bedroom rental unit. Given the federal minimum wage of $7.25 an hour, the housing wage for a two-bedroom unit was almost four times the minimum wage and three times the minimum wage for a one-bedroom unit. Even in a city like Denver that has increased the minimum wage substantially to over $17 an hour in 2023, the Denver metro area housing wage was still over two times the local minimum wage [4]. This same NLIHC report stated that there is no state in the country where the minimum wage will provide enough money for renting a modest two-bedroom housing unit, and in only 1% of the nation's counties will the minimum wage provide enough for a one-bedroom unit [4].

The other annual NLIHC report, "The Gap," estimates the shortage of affordable and available homes for the nation, with a special focus on those households with

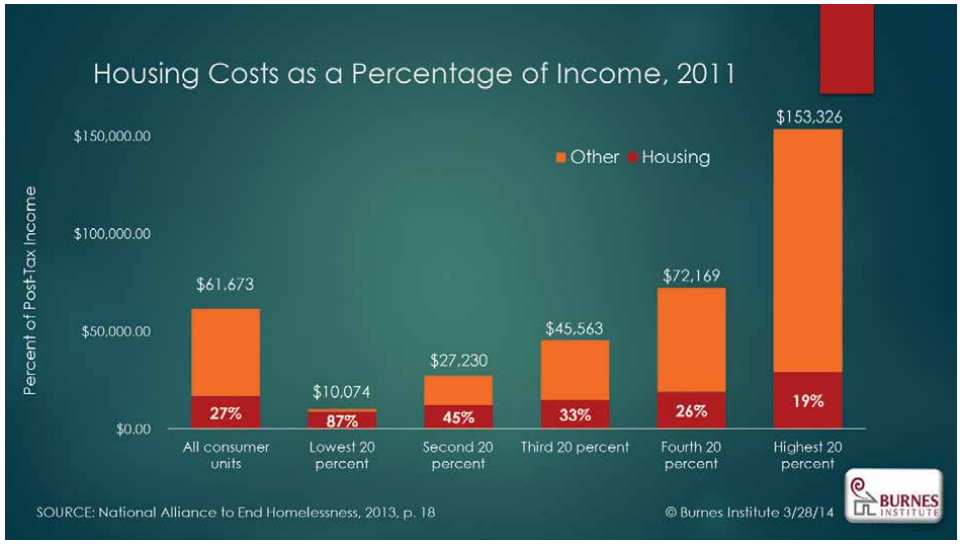

Figure 1.
Housing costs as a percentage of income, 2011.

extremely low incomes, (ELI) i.e. below the federal poverty guideline or 30% of the Area Median Income, whichever is greater. In its 2024 report, NLIHC indicated that there was a shortage of 7.3 million affordable and available units for ELI renters in the US; for every 100 ELI renter households, there were only 34 such units. In other words, two out of every three ELI renter households could not find an affordable and available housing unit [5]. The report goes on to say, "Eighty-seven percent [of ELI renters] are cost burdened [spending more than 30% of their income] and 74% are severely cost-burdened [spending more than 50% of their income]" ([5], p. 1).

As if basic rent and utility costs were not high enough already, add in junk fees, algorithmic price fixing, quick evictions, and rocket dockets that we will discuss later, and the current state of the national housing scene becomes unacceptable, especially for those at the low end of the economic ladder.

Furthermore, the most recent data about homelessness in the US are from the beginning of 2023, long before the full effects of the recent surge of migrants from Central and South America were felt. Therefore, PIT counts in 2024 and 2025 will, in all likelihood, represent even more increases in the overall numbers, even though the nation as a whole is spending increasing amounts of money to address homelessness (With the recent election of Donald Trump as the next US President, federal spending on social issues like homelessness may even decline).

Two other significant points about national US statistics about homelessness should be noted. First, for the first time since national information about homelessness was being systematically collected, in 2022 the number of unsheltered individuals surpassed the number of sheltered individuals. This means that there were more individuals, mostly men, who were living on the streets and in encampments than there were individuals in shelters or transitional housing of one kind or another. This was due in part to the lack of shelter space in many communities. Also, because congregate shelters are often noisy, unsafe, unhealthy, crowded, prohibit couples from staying together and family pets from entering, and create very difficult hours for night workers, unhoused people sometimes choose to stay elsewhere.

Secondly, the racial characteristics of the unhoused population is at striking odds with the overall characteristics of the American population. While only about 12–13% of the US population is African American, almost 40% of the homeless population is. That percentage increases to over 50% of the families experiencing homelessness. The same discrepancy holds true for Latinx, Native Americans, and other indigenous people of color.

To give the reader an even stronger sense of the increase in homelessness in 2023, I turn to my home city of Denver. According to the PIT data for the Mile High City, Denver ranked fifth among urban areas across the country in total numbers of people experiencing homelessness, although it ranks only 19th in overall population. In addition, its percentage increase in homelessness was 46%, the second highest percentage increase of any city in the country, second only to Chicago [6]. These numbers include the 1000 migrants who were here in Denver in January of 2023. Since the beginning of the migrant surge, some 40,000 have arrived in Denver, most of them since January of 2023, when the latest PIT survey was conducted. Of these recent arrivals, over 5000 are now considered unhoused, thus adding to the numbers that will appear in the 2024 and 2025 PIT surveys [6].

3. Numbers of unhoused people- according to the dept of education and the homelessness management information system

In the above paragraphs, we have focused exclusively on the numbers generated by the PIT surveys. Those are all predicated on the definition of homelessness generated by the US Department of Housing and Urban Development. However, in its purview of schools around the country, the US Department of Education utilizes a different definition, one that specifically includes those students and families that are in doubled up or "couch surfing" situations (HUD specifically excludes those individuals and families from its counts). The USED rationale, backed by considerable research, is that students in doubled up situations are not in optimal learning environments and therefore do worse than their housed counterparts in schools. These students therefore should receive additional support as needed (There is a McKinney-Vento federal program that does provide some assistance, mostly bus transport for unhoused students). We also know that, on average, there is one child under six and one parent in each of the families that have doubled up students that are not counted in the PIT. Therefore, because there are about 1 million school-age children experiencing homelessness [7], there are close to 3 million people who are considered without housing by USED that are not counted by HUD (We should also point out that the student numbers are collected over the course of a full school year, rather than a single point in time, thus making them hard to compare precisely with the single point in time data from the PIT surveys).

In most parts of the country, there is a Homelessness Management Information System (HMIS) that counts on an unduplicated basis the number of unhoused people that are in any kind of contact with homelessness service providers, including outreach workers. In Denver, for example, between July 1 of 2022 and June 30 of 2023, almost 31,000 different people experiencing homelessness had some contact with homeless service providers. That was 3.4 times the number of unhoused people counted in the 2022 PIT survey. Using that ratio, and including the doubled-up families, there were somewhere between 5 and 6 million separate people experiencing homelessness across the US in 2023, about 1.5 percent of the total US population.

4. Flaws and solutions for the homelessness housing system

In light of these numbers, the flaws in the current systems of assistance to those experiencing homelessness take on even greater significance. As the overall numbers of people experiencing homelessness grow, the importance of addressing the tragedy of homelessness grows. Identifying flaws in the system and then addressing them is an important first step in the process.

A major barrier to a more successful effort to reduce homelessness is the absence of affordable housing units. For those experiencing homelessness and those who are spending more than 30% of their income on housing and are at risk of losing their homes, as we mentioned earlier, there is a 7.3-million-unit deficit of affordable and available units across the country. There is simply not enough housing for everyone who needs it. Why?

There are many answers to what turns out to be a very complex question. These include: the cost of construction; land use and zoning restrictions that prevent multi-unit buildings from being built; rules and regulations about parking requirements, tap fees, approval processes, and other local requirements; the unwillingness of developers to create new housing without adequate profit; inadequate fiscal incentives to persuade developers; insufficient numbers of vouchers to help the unhoused afford housing; the loss of public housing; landlord activities that penalize tenants; evictions; the failure of wage increases to meet the rising cost of rents and mortgages; and the lack of overall will to invest in housing for the impoverished members of our society.

4.1 Cost of construction

One of the major barriers to constructing multi-unit buildings is the cost of construction. "The average cost to build a unit in a large permanent housing complex is about $300,000 [or more], a figure that is substantially higher in high-cost regions like San Francisco and Los Angeles" [8]. The cost of materials is ever-increasing, and the cost of labor is also growing. An additional cost is the actual purchase of the land on which a building is constructed.

Builders and developers are beginning to think outside the box regarding building costs. For example, 3D printing has reduced the cost of construction substantially. In Austin, Texas, "each of its 3D printed homes only cost about $4,000. Almost 200 people have been provided homes at a cost of approximately $720,000….If only 1,000 of these 3D-printed homes were built each year, 1,000 households could be housed for about $4 million, as opposed to $300 million using traditional building materials" [9].

Shipping containers represent another way to reduce costs. Smaller, retrofitted containers cost between $10,000 and $35,000 to create, while larger container homes cost only $100-$175 K to build [10]. Tiny homes are yet another way to lower construction costs. At an average cost of about $21,160 per home, these homes are considerably cheaper to build than traditional units [11]. See **Table 1**.

As for construction materials, admittedly, these alternative strategies for reducing the cost of construction have only been tried on a single-story level for the most part, but it is safe to say that these and other new strategies for lowering construction costs will continue to appear and improve, including costs for multi-level buildings.

Increasingly, various strategies are being utilized to reduce the cost of land. Land trusts are proliferating across the country; they buy up vacant parcels of land and either give them to the landlord/developer or charge a pittance for use of the land,

Unit in Large Multi-Unit Building	$300,000 +
3D Printing Unit	$4000
Small Shipping Container	$10,000–$35,000
Larger Shipping Container	$100,000–$175,000
Tiny Home	$21,160

Table 1.
Cost of building a housing unit.

e.g., $1 a year for 99 years. In other cases, religious congregations are increasingly setting aside portions of their land, including large parking lots, for use as space for affordable housing, thus giving rise to a new moniker, YIGBY, Yes In God's Back Yard.

4.2 Local requirements and restrictions

Various local and state requirements and regulations further hinder the building of multi-unit facilities. Since land use and zoning ordinances in most cities and suburbs require single-family dwellings in 70–80% of the zoned residential land, multiunit buildings can only be constructed in limited available space unless the developer gets a specific waiver, a process that often takes months, if not years, and may or may not be successful. Tap fees for water, gas, and electricity can reach into the tens of thousands of dollars. Parking requirements that insist on a parking space for each specified number of livable square feet in a multi-unit building often limit the number of units, due to fixed square footage of land. Once a development plan has been created, it must go through a long and arduous approval process that can again take months, if not years. Finally, inclusionary zoning requires that developers set aside a small percentage of the multi-unit facility specifically for very low-income tenants or pay a fine. Unless the fine is substantial, most developers opt to pay the fine, rather than lose the income from market-rate housing units.

There must be major initiatives at the state and local level to change these rules and regulations. Several states are considering significant shifts in land use and zoning requirements. For each of the last 2 years, for example, the state legislature in Colorado has considered major revisions of the zoning and land use codes across the state, and several cities, including Denver, are considering similar changes. At the local level, city councils, including Denver's, are changing parking requirements and application approval processes to entice more multi-family housing initiatives. Fines for failure to set aside appropriate numbers of low-income housing are increasing, as local jurisdictions get more serious about inclusionary zoning.

4.3 Tax credits

The absence of sufficient fiscal incentives for developers is an additional barrier to addressing the deficit in housing units. The virtually universal sentiment is that unless there are sufficient tax credits for construction, erecting multi-unit buildings "doesn't pencil out." In other words, only tax credits allow developers to gain the level of profit that they demand. However, the Low-Income Housing Tax Credits (LIHTC) are very limited and extremely competitive, and the preparation of adequate plans and appropriate proposals for submission to the local housing authority is very staff and time consuming. Because of the fractious nature of federal budgetary debate at the current

time, it is highly unlikely that there will be a substantial increase in the number of such tax credits. Furthermore, the tax credits are only good for a specified length of time, usually 20–30 years. At the end of the tax credit period, all the units can be turned over into market rate housing, thus decreasing the number of low-income units available.

If the country is going to overcome the huge deficit in affordable housing units, the number and availability of tax credits must increase substantially, thus lessening the competition in all states, and there must be the federal investment in creating affordable housing through a substantial expansion of the LIHTC program. In addition, the timeline for the end of the tax credit in each tax credit building must be extended. The federal government needs to extend the 15, 20, and the 30-year limits, so we do not lose valuable affordable housing units to the free market. California, for example, is now using state funds to extend the 30-year limit to 50 years, thus protecting significant numbers of low-income housing.

4.4 Housing choice vouchers

An important corollary is the availability of tenant vouchers to help pay for housing. Only one out of every four prospective tenants is awarded a housing voucher, leaving hundreds of thousands without the financial wherewithal to rent homes [12]. The reality is that most of the appropriated funds for vouchers go towards keeping existing voucher recipients in housing. In one case in suburban Denver, 90% of the voucher funding went specifically for that purpose [13]. In addition, many wait months or years to receive a voucher, and then they discover that having a voucher is only the first step in a long process. According to Shawn Donovan, the former Secretary of HUD and now the President and CEO of The Enterprise Foundation, 40% of housing vouchers across the country are returned, unused, and if a prospective tenant cannot find a housing unit within a specified time frame, they lose the voucher, only to be sent to the back of the waiting list (I was informed that 60% of the vouchers 1 year in Adams County, a Denver suburb, were returned to the housing authority unused [13]). Vouchers are typically returned because available units do not exist, or a landlord refuses to rent their units to people with vouchers.

As Matthew Desmond argued in his best-selling book, *Evicted*, there must be a substantial increase in the number of vouchers available for those experiencing homelessness. Again, because of the political deadlock at the national level, such an increase may not be forthcoming soon, but it must come if we are to truly address homelessness. Also, as is happening with increasing frequency, local communities are forbidding landlords to ask about the source of income that tenants will use to pay their rent. The "ban the box" effort is specifically intended to prevent landlords from rejecting tenant application because of their use of vouchers.

4.5 Other housing subsidies

At a recent conference on affordable housing, the presenter asked, "How many of you live in subsidized housing?" One person raised their hand. The presenter then went on to explain that she received a mortgage interest tax deduction, so she considered herself as a recipient of a housing subsidy. She then asked her same questions again, "How many of you live in subsidized housing?" and all the hands in the room went up.

One indication of the inequity is federal housing subsidies. A recent Federal Reserve Board study indicates that through the tax code, wealthy homeowners receive 80% of these subsidies through such exemptions as the mortgage interest deduction,

deductions for state and local taxes, and other deductions for luxury items, while low-income taxpayers receive only 20% of these subsidies through various housing subsidy programs [14]. In other words, those who need it the least get the most; those who need it the most get the least.

> *In summary, our neighbors experiencing homelessness do work, but their jobs often only pay a minimum wage, not a living wage. With only a minimum wage salary, many cannot secure housing, let alone purchase their own homes, which keeps them from a major source of wealth generation. Public benefits provide relatively little assistance, and many people experiencing homelessness do not receive the benefits for which they are eligible. America's tax code provides little assistance, as it favors the wealthy far more than it does the poor [and the unhoused]. ([15], pp. 113–114)*

As a real subsidy, only those taxpayers who itemize their deductions can take advantage of the Mortgage Interest Deduction (MID) and the other tax deductions for state and local taxes and other very allowable deductions. However, even those taxpayers that take the standard deduction are getting a subsidy; instead of paying the full amount of taxes on all their income and assets, they are being allowed to reduce that amount by a standard amount. Where does the size of that amount come from? Undoubtedly, some of it comes from an algorithm based on a calculation of what most people pay for their housing. Once again, here is a kind of housing tax subsidy.

There has been considerable national debate about reducing or eliminating the MID. Advocates for change argue that the current system only serves to increase the growing financial inequities in our current economic system. Proponents for keeping the MID state that this subsidy encourages home ownership and the home building industry. I would argue that the mortgage interest deduction may be the most regressive instrument of tax policy in our current tax code and should definitely be eliminated. Furthermore, the designers of the tax code should consider how to improve the ability of renters to grow their financial assets. Just as home ownership is a primary tool for asset growth through increasing home equity, should not there be some kind of provision for asset growth for renters? Certainly, the child tax credit and the earned income tax credit are important sources of benefits, but how does one build assets if one rents their home? Should home ownership be the only housing way to build assets? Could there be tax benefits for the length of time spent in a rental property, for instance?

4.6 Public housing

For about 30 years after President Franklin Delano Roosevelt declared that every American family had a right to a decent home, the major bulk of federal assistance was through the availability of public housing. Thanks to the economic boom following WWII, public housing buildings dotted the American landscape. Some high-rise complexes earned national attention, not necessarily for positive reasons. Although Pruitt-Igo in St. Louis won a national architectural award for innovation in the 1950s, a decade later it was the focus of negative attention from both law enforcement and the press, and it was eventually torn down. The Chicago version of Pruitt-Igo, Cabrini Green, suffered similar circumstances, and within years of its construction, that city was under severe pressure to tear it down, which eventually it was forced to do.

Investment in public housing owned by the government has been in decline for over 50 years. Starting with the formal federal shift from public housing to reliance

on the private sector for housing in the early 1970s and President Nixon's moratorium on all federally assisted housing programs in 1973, political and economic attention has turned away from public housing. In 1971, over 3 million people lived in public housing [16]. Fifty years later there were 880,000 households with approximately 1.8 million renters still in public housing [17]. In the 1990s, under President Clinton, there was a 61% reduction in funding for public housing, some $17 billion, while there was a simultaneous increase of $19 billion, 171%, for prisons. As Michelle Alexander stated in her seminal book titled *The New Jim Crow*, the construction of prisons became "the nation's housing program for the urban poor" [18]. "As a result of decades of underinvestment, the waiting period for public housing can be measured in decades: a young mother experiencing homelessness who signs up for public housing today could be a grandmother by the time her application is reviewed" ([19], p. 59).

To alleviate the decline in public housing, our overall thinking about who should carry the main load for creating housing must change. It certainly has been advantageous for the private sector to be primarily involved, but our commitment to public housing must increase. There is a move afoot for local governments to buy affordable housing from developers, a form of social housing; this is a start. In addition, in some communities, the local government has the right of first refusal to purchase a building that includes low-income housing. However, the federal government must appropriate more funding for the maintenance and repair of deteriorating public housing and for the construction of new public housing units. The tragic story of the huge public housing complexes should be a warning; new housing should be low-rise facilities and homes to mixed-income renters.

4.7 Landlord/tenant relations

Many of the nation's landlords, especially the large ones like Greystar, sometimes behave in a rent-seeking manner. Multi-month security deposits, junk fees, cursory trials often called rocket dockets, evictions for unsupported and unsubstantiated reasons, and failure to maintain units adequately are all symptomatic of rent-seeking behavior. Some landlords will evict tenants for truly spurious reasons to increase the rent for the next tenant, knowing full well that there will be a new tenant quickly because of the high demand for affordable housing units. The unfortunate victims of these landlords are those very low-income tenants who are trying to scrape by in their housing as best they can (Not all landlords are as egregiously harmful as some. Landlords with smaller numbers of units tend to be less predatory). The fact that there is such a high demand for low-income housing rentals means that landlords can exercise negative practices without significant concern because there will always be new prospective tenants to fill vacant units.

One successful approach to the often-disharmonious interaction between tenant and building owner or landlord is the advent of landlord recruiters. One such recruiter, Cathy Blair, works in this capacity for Aurora, Colorado, the third largest city in the state. She considers herself an ombudsman for both sides of the interaction; both the tenant and the landlord are her clients. It is her goal to make sure the tenant can move into an apartment with the firm approval of the landlord and then to ensure that the tenant is able to maintain a stable and mutually satisfactory relationship with the landlord; she calls it access and stability. Because of her success in her role, she has recently partnered with a property management veteran to create Keyheart Training, a training program for landlords, tenants, and case managers, that has been highly

successful in improving access to affordable housing for unhoused tenants while simultaneously working closely with landlords and building owners. Efforts like this must expand.

4.8 Evictions

The COVID pandemic of 2020–2022 has had a profound influence on the number of evictions across the US. In September 2020, the Biden administration issued a moratorium on evictions that substantially reduced the number nationally. The moratorium lasted for a year, ending in August 2021, at which point, the number of evictions escalated rapidly [20]. Recent data in the Denver metro area provide an excellent example of the recent surge in evictions. In the first 4 months of 2024, 5613 eviction cases were filed, a 75% increase over the same 4-month period in 2019. The four-month numbers in 2020 and 2021 were 2250 and 1528 respectively. Already in 2024, over 8000 families have filed requests for rental assistance. Projected out to a full year at the same rate, Denver will experience almost 17,000 evictions in 2024, almost twice as many as the average yearly number in the 10 years before the pandemic [21].

Furthermore, eviction case filings are only part of the story. Many families, faced with the threat of eviction, pick up and leave their apartments prior to an eviction case being filed by the landlord to avoid having an eviction proceeding on their record as they search for new rental units.

Since some eviction cases are brought by landlords for spurious reasons to create room for new tenants and higher rents, several states across the US are creating "just cause eviction" statutes that limit landlords from creating unwarranted and non-sensical evictions. In fact, the Colorado state legislature finally passed such a statute in its most recent legislative session, thanks in part to the lobbying efforts of the Community Economic Defense Project staff and advisors.

One important counter for evictions is the availability of emergency assistance for housing. The above-mentioned CEDP has become the major provider of emergency rental assistance in the state of Colorado. From its inception about 6 years ago with the agreement of its two founders to focus on emergency rental assistance, CEDP is now the second largest nonprofit organization in the state, with an annual budget of about $80 million, thanks in large part to its success in securing the state-wide contract for federal and state emergency assistance distribution. The CEDP staff of over 140 works tirelessly to review requests for financial assistance and dole out funds in a record-setting time frame.

4.9 Lack of political will

Underlying many of the barriers to ending homelessness is the overall lack of political will to make the tough choices and create the level of resources that is so desperately needed. Even with increases in federal, state, and local increases in budgetary spending to end homelessness, the dollars fall far short of what's necessary. As a recent expert on housing and affordable housing said, "There were some really encouraging developments at the federal, state, and local levels regarding statutes and ordinances about housing and homelessness. More attention is being paid than ever before. However, *the real problem is there is no money attached to these laws, so they really won't have much effect*" [22] (Emphasis added).

The legislative approach to homelessness, i.e., pass a few laws that seem to make life better for the unhoused but do not provide money, is analogous to the NIMBY phenomenon at the local level, namely, yes, we think something should be done to help those experiencing homelessness but not in my backyard. In both cases, "let's talk a good talk about addressing the problem, but for heaven's sake let's not walk the walk. Besides, those people are really not worthy, not deserving of our going the extra mile." Yet once again, the negative, uninformed, and misguided stereotypes about our unhoused brothers and sisters guide our overall policies and funding. The rent seeking and predatory actions of many landlords are all part of the legislative lethargy around providing the necessary funding to truly address homelessness. As we suggest later in the article, this must change too.

5. Flaws and solutions for the systems of wages, work, and wealth

5.1 Wages

A major factor in our national failure to address homelessness successfully is the woeful inattention to wages and wealth and their relationship to the ability to rent and maintain adequate housing. At the federal level, the minimum wage of $7.25 an hour has not been increased in 15 years, despite significant increases in the cost of housing. In all, 14 states currently use the federal minimum wage as their state wage level, and Georgia and Wyoming actually use a $5.15 minimum wage with the stipulation that employers subject to the Fair Labor Standards Act must abide by the $7.25 an hour rate [23]. In addition, after adjusting for inflation, in 2023 dollars, the value of the current minimum wage is 47% less than the value of the minimum wage in 1968 ([15], p. 108). The fact that about 45% of individuals experiencing homelessness are employed, many full time, but cannot afford housing, is a further indication of the paltry nature of our national wage structures. Despite strong national support for increasing this wage figure to $15 an hour, opponents have marshaled sufficient opposition in our polarized political arena to defeat such a step.

Another way of looking at wages is to compare average worker wages with those of national CEO averages. In 1965, the ratio of CEO salaries to typical worker salaries was 20:1. By 2018, that ratio had exploded to 278:1. "In terms of actual salaries, …the bottom 90% of workers saw their salaries increase from $31,265 to $40,085 between 1979 and 2020. For the top 1% of wage earners in the same period, salaries increased from $656,823 to $3.2 million" ([15], p. 108). In short, wage inequality has exploded in the US over the last 45 years.

Attitudes about wages are symptomatic of the larger problem about economic improvement in the capitalist system. For example, according to one Wall Street senior official, Sam Polk:

> *In my last year on Wall Street my bonus was $3.6 million---and I was angry because it wasn't big enough. I was 30 years old, had no children to raise, no debts to pay, no philanthropic goal in mind. I wanted more money for exactly the same reason an alcoholic needs another drink: I was addicted.*
>
> *"Polk, who had previously abused alcohol and drugs, diagnoses the business culture on Wall Street as a form of "wealth addiction." ([15], p. 108)*

5.2 Public benefits

The drop in the number of people receiving public benefits such as the Temporary Assistance for Needy Families, the successor to the welfare Aid to Families with Dependent Children, TANF, and the Supplemental Nutrition Assistance Program, the new name for food stamps, SNAP, is striking. "Federal funding for the TANF block grant has been set at $16.5 billion each year since 1996; as a result, its real value has fallen by 40 percent due to inflation. State allotments were determined in 1996 based on historical spending and have not changed to account for demographic changes or population growth" [24].

In addition, the number of families served through TANF has plummeted. In 1982, for example, 82 out of every 100 families in poverty were receiving TANF benefits. In 2020, only 21 families out of every 100 were receiving TANF benefits. If the number of families in 2020 had been at the same rate as in 1996, there would have been 2.3 million more families receiving TANF. In fact, in 14 states, fewer than 10 families out of every 100 families in poverty were receiving TANF benefits; in all but one of these states, there was a substantial decrease from 2006. As of 2021, in no state were TANF levels more than 60% of the Federal Poverty Level (FPL) [24, 25]. Clearly, it is imperative that more money should be made available for TANF.

One of the significant problems with TANF is the eligibility requirement that the family be below the FPL. Unfortunately, this eligibility marker is 60 years old and does not reflect current family spending patterns. Created in 1963–1964 by Mollie Orshansky---she calculated that a family of three would spend one third of their income on food---this ratio has remained in place ever since then with only modest increases in the actual amounts based on inflation. However, a recent US Bureau of Labor Statistics report suggests that food constitutes only 12.4% of a family's income, not one-third [26]. Calculating the federal poverty level using this latter percentage would increase the level substantially, thus making many more families at least eligible for benefits. However, without more substantial federal appropriations, it's not clear whether more families would, in fact, be served under this program. Also, again considering our current political climate, it's not clear that Congress would ever change the FPL.

One analysis of SNAP indicates that:

> *Many families struggle once SNAP benefits run out. About one-quarter of all households exhaust virtually all their benefits within a week of receipt, and more than half exhaust virtually all benefits within the first two weeks. To be sure, SNAP benefits are intended to supplement other income that households can use to purchase food, and households may economize by purchasing in bulk when they get their benefits. But food expenditures and consumption fall — and food insecurity increases — as families use up their benefits and other resources during the rest of the month [27]. (Emphasis in the original)*

Furthermore, not every working poor SNAP-eligible family actually receives this benefit; on average only 74% do [28].

In its infinite paternalistic wisdom, the federal government, especially the Department of Agriculture, has very strict rules about what SNAP funds can be used to purchase. In essence, the federal government has decided what food

and related necessities are beneficial, and which ones are not, thus determining what recipients can use their dollars to purchase. Isn't this the very definition of paternalism?

Clearly the need for food assistance is a very real national phenomenon, and about one quarter of SNAP eligibles are not receiving any benefits. Therefore, SNAP benefits should be expanded substantially. In addition, much greater determination of what the SNAP funds can be used for should be left up to the recipients.

5.3 Wealth and assets

A final topic in this section regards the accumulation of wealth in the US. "In no small part as a result of who the government prioritizes, over the past four decades, inequality [in overall financial wealth] in the US has skyrocketed" ([15], p. 113). Forty years ago, the top 1% of households owned 33.8% of all the wealth in the country; the bottom 80% of households owned 18.7%. 36 years later, the figures were 38.2 and 11.1% respectively. During that span, the bottom 80% went from owning 55 to owning 29% of what the top 1% own in this country ([15], p. 113).

Another characteristic of wealth is that substantial amounts are inherited, not earned. In the US, as of the 1970s decade, almost 50% of all the wealth in this country was inherited, and it has been increasing substantially since then. One estimate suggests that among high-net-worth individuals, $84 trillion dollars will be inherited by 2045, some three to four times the total Gross Domestic Product in the US at the present time [29].

The gross disparity between the billionaires and the multi-millionaires at one end of the spectrum and the vast majority of Americans at the other end, especially those at the very bottom of the economic ladder including those experiencing homelessness, is frightening, and it only threatens to get worse. In 1990, there were 66 such people; by 2023, there were 748 people with that much wealth, 11 times as many as 33 years earlier. Furthermore, there was a very steady increase over this period. In 2008, there were about 4.3 million people in the US with over $1 million in wealth. 12 years later, that number had increased by almost 62%, to 6.98 million people. In contrast, by 2020, 90% of the workers had seen their salaries jump to a whopping $40,085, a mighty 4% of the measly $1 million figure [30].

Some will argue that the extremely wealthy deserve everything they have gotten. Others, like me, wonder what people in fact deserve. If one adopts the concept of the ovarian lottery, namely that we do not choose to whom we are born, then one must wonder what each of us deserves. Or, as Professor Leroy Pelton has written, none of us really deserves anything.

> *"The community has benefitted most of us far beyond anything we can imagine to have deserved….The truth is that most of us have been getting 'something for nothing.'….We convince ourselves that…there are some individuals…who are deserving of nothing at all….We must consider the possibilities of starting from another perspective on justice, grounded in the unconditional and non-exclusionary affirmation of life." ([31], p. 14)*

Another approach to this gross inequality has been articulated by Economist Ingrid Robeyns in her 2024 book entitled, *Limitarianism: The Case Against Extreme*

Wealth. She argues that people do not need huge amounts of wealth, and she would place an international limit on wealth, perhaps $10 million.[2]

6. The human aspect of homelessness: Relational poverty

In the previous pages, we have described in some detail various issues that are preventing people experiencing homelessness from accessing housing, and we have indicated a few ideas about possible solutions to these flaws in our housing and work, wages, and wealth systems across the county. What we have not discussed is the human aspect of homelessness, all the negative stereotypes about the unhoused and the stigma that is created, and what I call relational poverty.[3]

One of the most universal characteristics of those experiencing homelessness is social isolation, i.e., being removed from others, not having any networks of support, not having any community. A telling quote from *When We Walk By* is the following: "I never realized I was homeless when I lost my housing, only when I lost my family and friends" ([15], p. 19). Because of this isolation, people experiencing homelessness suffer from relational poverty in two different ways. First, their own isolation means they have a poverty of relationships that can be of assistance to them. They may be in a small community of equals, as in some permanent supportive housing or in street-level encampments, but their networks are not able to provide any real financial support. Thus, they are very real victims of relational poverty [15]. Furthermore, there is a significant impact of this poverty on the health of those without homes: early death, increased likelihood for dementia, higher incidence of debilitating diseases, higher incidence of heart disease and stroke, and higher incidence of depression and suicide ([15], p. 27).

Many of the members of housed communities across the nation have a very negative regard for those experiencing homelessness, based on lack of information and the presence of significant misinformation. For many of us, our stereotypes and stigma constitute a kind of poverty of relationships with those experiencing homelessness, thus the second kind of relational poverty [32]. This form of poverty has its own kind of impact on the unhoused: increased policing of street encampments, anti-camping ordinances, refusal to develop affordable housing, the all-too-familiar Not In My Back Yard (NIMBY) syndrome, and a general attitude that "those people are not deserving." Our often-paternalistic approach to homelessness, combined with a hyperindividualistc sense that if you only work hard enough, everything will turn out well, only serves to create a narrative that is extremely detrimental to those without homes. Thus, people experiencing homelessness are the very real victims of both kinds of relational poverty, from their own isolation and from the negativity of those who are safely tucked away in their own housing.

It is imperative that we work hard to change this narrative. At the very least all of us must become better informed about the issue so that we can overcome the negative

[2] In a compelling fashion, Robeyns claims that limitarianism would: dismantle neoliberal democracy, reduce class segregation, establish an economic balance of power, restore the government's fiscal agency, confiscate dirty money, create a fair international economic architecture, and halt the intergenerational transmission of wealth.

[3] For a much more extensive discussion of relational poverty, see the first five chapters of [15].

stereotypes that so many of us have about those without homes. Think of it this way. If your brother or sister, your aunt, your uncle, your niece, your nephew, or anyone else close to you was experiencing homelessness, you would go out of your way to make sure that person was able to find and maintain affordable housing. Of course you would; I certainly would. In fact, everyone currently without a home is, in fact, someone's brother or sister, aunt or uncle, niece or nephew, or someone else' close friend. Everybody is someone's somebody. So, why cannot we work hard to make sure they all have a decent home? Everyone deserves it; no one is underserving of that chance. As Professor Leroy Pelton wrote, none of us really deserves anything, or rather everyone deserves everything [31].

It will be hard to get everyone to believe all this. However, we must try. We need to talk to our friends and neighbors and help them understand the true nature of homelessness and correct people's misinformation. We need to get to know people who are experiencing homelessness; that can be truly transformative, since they really are just like us. We need to talk to our elected officials and urge them to appropriate the necessary resources for a complete effort to address the problem, not the abridged version we have now. In fact, we know what to do to end homelessness; we just do not have the resources, and that includes physical, financial, and human resources. We have not created the political will to push for those resources.

7. Limitations of this perspective

I have laid out in the preceding pages a perspective about homelessness that is based on: almost 40 years of direct service; research; a thorough review of the literature; discussions with many officials, service providers, and people with homelessness experience; co-authorship of four books on the topic; and a teacher at university and senior adult levels. However, despite this history, not everyone agrees with me. Some argue that we are spending too many dollars on an insoluble problem. Others claim that those experiencing homelessness deserve the situations they are in and that their circumstances are their own fault. Even though the data I report are from accepted reports from respected organizations, some claim they are from biased sources. In short, I cannot claim that everyone agrees with my perspective on this troubling topic. The one thing everyone agrees to is that we have a shortage of housing for the people in poverty.

In addition, all my remarks are from my perceptions about the situation in the United States, and all the data are from US sources about circumstances in this country. Therefore, since the demographics and social policies in other countries may well be quite different from what we find in the US, researchers, policy analysts, and decisionmakers should take those differences into account. Some of what I have reported may be applicable in other countries; some of it will certainly not be.

However, regardless of the situation in your country, I would urge you to at least be cognizant of the issue of homelessness and to consider possible ways of addressing the issue. I would argue that everyone deserves a home.

8. Conclusion

In the preceding pages, we have explored some of the many problems that people experiencing homelessness in the US face in gaining access to full-fledged housing

and homes. We examined the housing system and some of the barriers that exist there. We have suggested ways to reduce the impact of some of those barriers and strategies to eliminate other barriers. Since part of the problem is the insufficient income that many unhoused people have to pay their rent, we have also looked at wages and wealth and the barriers erected in that realm. Once again, we have suggested a few remedies to overcome those barriers. Finally, we have briefly examined the more human aspect of homelessness and the ways in which folks without homes are impacted by what we call relational poverty and the failure of so many of us to treat our brothers and sisters humanely and with love and respect. As we indicate, much of this negativity is generated by lack of information and misinformation, and there are ways around even that, as we have noted.

As we have indicated, over the course of the last 40 years, as a nation, we have developed a panoply of strategies for dealing with homelessness; in fact, through our various efforts, we have evidence-based information about what to do and what not to do. However, we lack the financial and human resources to implement all the good programs and build all the necessary housing units. Because too many of us still approach the issue of homelessness with great negativity, we have not created the political will to generate the resources. Too many people view all those without homes as undeserving.

To overcome this major barrier, it will take two significant developments. First, we require a true national champion to lead the effort to produce resources. It will take a recognized person with significant personal resources to provide that kind of campaign leadership, someone like Oprah, who can grab the leadership mantle and move mountains. Second, it will take a full-fledged campaign, across the country, around the world, to persuade our elected leaders to generate the necessary resources. It's like the MADD campaign and the Just Say No effort, the 50-year fight for marriage equality. It can be done, but there is no time to waste. A single person experiencing homelessness is one too many!

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Chapter 9

The Role of Agricultural Extension toward Poverty Alleviation of Rural People: Breaking the Vicious Cycle of Poverty for Sustainable Livelihood

Mona Ben Matiwane and Vuyani Matiwane

Abstract

Many of the world's poor live in rural areas, relying on their land for survival. Some individuals do not have family members working in urban areas, so they depend solely on the land they have acquired to sustain their livelihoods. Poverty in these rural regions is evident in various ways, including a lack of adequate food, access to safe drinking water, high unemployment rates, and a pervasive sense of vulnerability. This chapter aims to explore the role of agricultural extension in alleviating poverty and breaking the vicious cycle of poverty in rural areas. The study will focus on three main questions: What are the objectives of extension services directed at rural communities, and what role does agricultural extension play in poverty alleviation? How can we break the cycle of poverty affecting the rural poor? A desktop study was conducted to review previously published articles in scientific journals and books. The selection and inclusion of the articles and books reviewed in this chapter were primarily based on the topic. The key findings revealed that extension officers are key resource individuals who are well-trained and positioned in the areas where agriculture occurs. They can induce change and play a significant role in improving the lives of rural communities. The conclusion of this chapter indicates that agricultural extension should adopt a variety of approaches such as participation, facilitation, coordination, as well as methods such as demonstration trials and farmer field schools. These strategies aim to combat poverty and assist communities and farmers in overcoming the cycle of poverty.

Keywords: agricultural extension, rural people, poverty, sustainable livelihood, programmes, projects

1. Introduction

Even though poverty is always tangible and felt in a local setting, efforts to reduce it should have a global and comprehensive perspective [1]. Most people consider poverty to be a sign of a lack of resources and opportunities for earning money [2, 3].

It is linked to the denial of health, education, food, knowledge, and other necessities that distinguish truly living from merely surviving, rendering the impoverished more susceptible to shocks like diseases, accidents, and loss of employment. As per Wang and Zhou [4], the first objective of the 17 Sustainable Development Goals (SDGs) of the United Nations 2030 Agenda is to eradicate poverty in all its manifestations worldwide [2].

Countries must address structural constraints, socio-political events, and natural phenomena that are beyond their control and can impede poverty reduction efforts. These challenges include a vicious cycle of poverty, government inefficiency, economic fluctuations, ineffective investments, conflicts, and climate change. Structural transformation is crucial for overcoming these obstacles and ultimately achieving the goal of ending poverty [2].

Research indicates that approximately 80% of people living in poverty globally are rural residents who primarily depend on agriculture or related industries for their livelihoods [5]. Therefore, increasing agricultural production is viewed as one of the most effective strategies to combat poverty [6]. The agriculture sector is crucial in reducing poverty and fostering economic development in many countries [7].

The rural sector requires immediate and significant attention. At least half of the world's impoverished population resides in rural areas, with most of these individuals working on the land [8]. Poverty reduction can be achieved by stimulating economic growth to raise incomes and create employment opportunities for those in need. This can be done through economic and institutional reforms to enhance efficiency and improve resource utilization. Additionally, implementing targeted cash transfers can ensure that poverty reduction initiatives' social and economic benefits reach demographics that might otherwise be overlooked. Efforts to eradicate extreme poverty are greatly influenced by the structure of societies and the distribution of resources. While these societal frameworks will continue to impact the issue indirectly, effectively reaching those in extreme poverty will require more targeted actions and comprehensive interventions [9].

This chapter is divided into the following sections: introduction, research questions, objectives, methodology, a review of literature on specific keywords related to the study, results, discussion, and conclusion. The reference materials used to compile this document are included.

2. Research questions

Efforts to eliminate extreme poverty must consider the social and economic factors that contribute to the challenges faced by these communities. To better understand how to alleviate poverty and tackle this critical issue, we should consider the following research questions:

a. What is the purpose of extension services for rural communities?

b. How does agricultural extension contribute to improving the livelihoods of rural residents?

c. What effective methods can help break the cycle of poverty and promote sustainable living?

3. Aims and objectives

The primary aim of this study is to explore the role of agricultural extension in alleviating poverty among rural populations and to identify strategies to overcome the cycle of poverty for sustainable livelihoods, with the following specific objectives:

a. Identifying the objectives of extension services directed at rural communities.

b. Determine the role of agricultural extension in poverty alleviation.

c. Identify strategies for breaking the vicious cycle of poverty in rural communities.

4. Review of literature on specific keywords related to the study

1. Agricultural extension—Due to its dynamic nature, there is no single accepted definition. Therefore, in its broad sense, agricultural extension is an informal educational function that involves transferring agricultural technology and information to farmers for use in production and marketing decisions and transferring information from researchers to farmers. It is a two-way process in which extension agents advise farmers and their families and impart knowledge and ideas [8].

2. Poverty—It is defined as a diminished (or total lack of) access to the material, economic, social, political, or cultural resources required to meet the basic needs [3], but according to Engberg-Pedersen and Ravnborg [1], poverty is frequently conceptualized in one of three fundamentally different ways: (i) as a material condition in which people are impoverished when their income or level of consumption is insufficient to cover their basic living conditions; (ii) as a multifaceted condition in which people's poverty is context-specific, dynamic, and social and political, as well as economic; and (iii) as a relationally shaped condition in which people are impoverished because social relations (related to gender, labor, land, etc.) impede them from improving their situation.

3. Rural people—Rural people can be defined by population density or geographical isolation. Rural living definition changes depending on several variables. The term "rurality" has no universal definition and varies across geographical and temporal dimensions. What is deemed rural in the Global North may vastly differ from rural conceptions in the Global South, indicating a profound disparity in socioeconomic and cultural contexts [10].

4. Sustainable livelihood—A sustainable livelihood is one that can withstand and recover from shocks and stress, preserve or improve its assets and capabilities, and offer sustainable livelihood opportunities for the next generation. It also contributes to other local and global livelihoods, in the both short and long terms. A livelihood is made up of the activities, assets (stores, resources, claims, and access), and capabilities necessary for a means of subsistence [6].

5. Research methodology

This study utilized a desktop approach to review previously published articles in scientific journals and books. The selection and inclusion of the articles and books for this chapter were primarily based on their relevance to the topic. A pre-planned strategy was implemented to systematically review all literature related to the subject of interest.

A scoping study was conducted prior to the full systematic review to assess the range of research surrounding the topic. This scoping process, as outlined by Refs. [11, 12], follows a structured approach to map existing literature on a broad subject, identify knowledge gaps, and clarify concepts. The process involves defining a research question, conducting comprehensive literature searches, selecting relevant studies, extracting data, and summarizing and reporting findings. Additionally, a critical and systematic review was employed to provide a thorough evaluation and interpretive analysis of the existing literature on the specific topic of interest. This analysis aimed to reveal strengths, weaknesses, contradictions, controversies, inconsistencies, and other significant issues regarding theories, hypotheses, and research methods, as well as to assess study quality and define inclusion/exclusion criteria for results, as described by Kitsiou et al. [13].

Only a limited amount of gray literature, such as dissertations and conference papers, was used, which, according to Higgins [14], refers to literature that is not formally published as a book or journal article.

5.1 The limitations of the study

Writing a perspective chapter is challenging, especially for someone accustomed to using structured questionnaires in quantitative or mixed methods research, where both quantitative and qualitative approaches are applied. This makes it difficult to quantify the impact of extension services on sustainable livelihoods, as this involves a complex interplay of factors beyond just agricultural production. Furthermore, the study faces difficulties related to the sustainability and scalability of interventions and encounters limitations if data is not collected and analyzed effectively.

Designing a coherent format and flow of ideas was a challenge in addressing the topic. However, breaking the problem down into sub-problems helped facilitate the completion of the chapter. The "vicious cycle of poverty" presents a complex issue with interconnected social, economic, and environmental dimensions. A study might oversimplify this problem by focusing on only one aspect, such as the role of agricultural extension.

While the research is financially supported by my employer (the university), the number of undergraduate students assigned and the volume of honors degrees related to teaching and learning were substantial. Additionally, I was supervising both honors and master's students on their research, which made the workload overwhelming. Consequently, I struggled to manage my responsibilities in teaching, research, and community engagement effectively. Time constraints limited my ability to focus on certain details in this book. However, despite the challenges of adapting to a new writing style, I succeeded because of my experience in writing scientific articles.

6. Results and discussion

6.1 The objectives of extension services toward rural communities

The agricultural extension aims to shift farmers' perspectives on their challenges. Extension aims to achieve physical and economic improvements and foster the development of rural communities [15]. To accomplish this, extension agents engage in conversations with rural residents, helping them better understand their issues and find effective solutions.

Agriculture is frequently the primary source of income, and its ability to alleviate poverty primarily depends on how well extension programs work [16]. In rural areas, extension programs play a vital role in connecting farmers and other stakeholders involved in the rural development agenda. Since farmers are the primary stakeholders at the grassroots level, these programs' applicability in agriculture primarily rests on their capacity to satisfy their needs. According to Maulu [16], extension programs have changed significantly over time in response to the shifting needs of farmers and the market in which they operate; therefore, a "one-size-fits-all" approach is not recommended for effective service delivery and outcomes, as farmers have diverse needs influenced by their geographical locations and social and economic structures. Extension strategies are essential for governments aiming to reduce poverty among the rural poor, as poverty is a multi-dimensional issue. Various approaches have been developed to address the diverse livelihoods of individuals, including the "Sustainable Livelihoods Approach" (SLA) and the "Farming Systems Approach" (FSA). These approaches also consider biodiversity conservation, which, as noted by Abdu-Raheem [17], is well-suited to be addressed through extension services. Additionally, they encompass environmental protection, industrial public relations, and ongoing education [18]. To effectively reduce poverty, agricultural extension programs must prioritize the needs of the rural poor.

Extension activities are prevalent in the developing world, with most governments establishing formally structured extension services to carry out various programs and projects. The United Nations Food and Agriculture Organization (FAO) has outlined several principles that guide these extension activities [15]. These principles are designed to ensure that extension programs and projects effectively assist individuals in improving their livelihoods. Here are some of these key principles of agricultural extension: (a) Extension works with people, not for them, it provides information, assists individuals in solving problems, and encourages farmers to make informed decisions, (b) it is accountable to its clients, serving the rural population and fulfilling their needs. Therefore, extension programs are designed based on the needs of the community, as well as technical requirements and national economic considerations, (c) is a two-way channel, it should be prepared to both receive and provide farmers with ideas, suggestions, and advice, (d) it works with various target groups and recognizes that not all farmers in any area face the same challenges. Therefore, Extension must acknowledge the diversity of farming groups and tailor its programs accordingly. (e) It works with other rural development organizations, including local schools, support groups, political institutions, and community development. (f) The reciprocal relationship between research, extension, and farmers is essential for effective extension practice and should be a foundational principle of extension activities. (g) Decentralization and Local Decision-Making, when making decisions,

it is essential to consider the input of local communities. Programs designed to assist farmers should incorporate feedback from those directly affected. Demand-Led Extension Services, farmers have specific needs, and extension services should address the actual requirements of farmers in their communities. Extension programs should be tailored to target the distinct needs of farmers. (h) Capacitating Extension Personnel, her agricultural industry is dynamic, with a constantly changing array of producers. Therefore, extension officers must remain relevant. They should regularly participate in workshops and training to stay updated on new technologies and practices. Appropriate Extension Methodology, a range of extension methods that should be explored to effectively resolve the problems presented, and Coordinated Agriculture Extension Services, to guarantee the benefit of rural poverty, should acknowledge the services offered by other institutions and coordinate them.

6.2 The role of the extension toward poverty alleviation of rural people

6.2.1 The strategy for providing extension services to communities

The practice of agricultural extension cannot function well in a rural setup unless it is supported by a budget, properly trained extension officers, offices, and other resources. The following guiding principles, proposed by FAO [15], should serve as a guide when implementing programs for rural development. *Participation* is the most critical approach, which involves consulting local communities, seeking their input, and involving them as much as possible in the program, creating a program that supports farmers without making them or their livelihoods dependent on it.

The extension programs and their benefits should be accessible to those in need. It is important to be cautious of the consequences if some farmers have access while others do not.

Sustainability in projects or programs aimed at improving livelihood is key; it is important to ensure that the plans and solutions of the program are relevant to the local economic, social, and administrative context. While short-term solutions can provide quick results, long-term initiatives that are in harmony with the local environment generally achieve greater success. In the future, the technological aspects of rural development programs should help farmers make gradual progress rather than necessitating drastic changes. It is better to aim for modest advancements that can be sustained, rather than suggesting significant improvements that most farmers may find unrealistic to adopt.

The effectiveness of a program should focus on effectively using local resources rather than solely on their most efficient use. While efficiency is important, its demands are often unrealistic. Maximizing fertilizer use is often not feasible for most farmers. However, using resources efficiently within the means of most farmers can have a greater overall impact. As extension programs are implemented, the methods for delivering these programs should be continuously adjusted to address the specific environmental and socioeconomic needs of the farmers. Agricultural extension uses different extension methods and approaches in executing its role of assisting communities or farmers. According to Duvel [19], an ideal or universal program planning approach does not exist. Different options and choices depend on various factors. It is essential to clearly define the following:

a. Who is planning the institutional framework?

b. Who are the potential beneficiaries?

c. Who is taking the initiative?

d. What are the specific goals?

e. What does the project mean?

f. What is the time frame?

g. What is the socio-political environment?

h. What is the source of funding?

i. What is the scope of the project?

According to Duvel [19], extension agents can employ the following problem-solving techniques when working with farmers or communities:

6.3 The problem-solving approach (bottom-up)

The problem-solving approach associated with participatory planning involves engaging farmers in focus group discussions to articulate their needs and the challenges they face in their farming activities. Based on their responses, extension officers can better identify these needs [20]. This participatory approach emerged in the late 1980s when it became clear that many technologies developed solely by researchers were unsuitable for smallholder farmers [21].

Farmers actively participate in the design, management, implementation, and evaluation of experiments and projects in participatory extension. Their involvement is crucial for accurately identifying their goals and problems. This approach is currently emphasized as a key element in farming system development.

Problem-solving is a higher-order cognitive process that requires the modulation and control of more fundamental skills. It is a mental process that encompasses a larger set of steps, including problem-finding and problem-shaping. The key components of the problem-solving process include: (a) Problem Exploration: Investigating the problem by breaking it down into sub-problems and defining relevant terms. This step involves stating, clarifying, explaining, and contextualizing the problem. (b) Goal Establishment: Establishing ideal practical goals to guide the problem-solving process. (c) Idea Generation: Generating possible solutions through reading, research, brainstorming, and discussion. (d) Idea Selection: Evaluating the possibilities and choosing the most suitable solutions. (e) Implementation: Trying out the selected solution through tests and experiments, adjusting as necessary during the process. (f) Evaluation: Investigating whether the solutions were effective and determining the extent to which modifications are needed. This may involve selecting and testing additional solutions or considering different approaches, if necessary, such as, bottom-up, top-down approach and a centralised system.

6.4 Production technology (top-down approach)

According to Duvel [19], production technology focuses on several key aspects: (a) Rural Development Policy: This policy is often developed "from above," representing national and macroeconomic interests. It tends to formulate agricultural problems

and objectives without a deep understanding of the rural population's circumstances. This approach is based on the belief that sufficient information already exists or that there is insufficient time or means to gather more. (b) Top-down approach: This approach aligns with conventional program development methods, such as the training-and-visit system, which was one of the earliest strategies that emphasized knowledge transfer from higher levels to lower levels [22].

Critics have pointed out that this methodology creates a passive role for farmers, limiting their ability to influence the various socioeconomic and bureaucratic challenges they face. This disconnect ultimately impacts the transformation of attitudes among farmers. [23], (c) Centralized system: This system is based on several key assumptions and principles, including clearly defined and widely accepted objectives, detailed and precise knowledge of the processes needed to achieve these objectives, political will to utilize available power and resources, and a predetermined timeline and well-known resource allocations.

6.4.1 Extension methods used by extension officers to implement projects and programs

Extension officers can employ various methods to assist farmers in enhancing their production. Some of these methods include demonstration, which is vital for extension work, especially when teaching applied procedures are undertaken [24]. The extension officer demonstrates technology or practice, such as dehorning animals, deworming, or fertilizer application, in the presence of farmers. During this demonstration, the officer explains the process, after which farmers are allowed to practice the technology themselves.

On-farm trials are another method that involves conducting experiments on the farmer's land, while farmers, extension officers, and researchers observe the outcomes together. This method enables farmers to make their own observations and conclusions without being pressured to adopt a specific practice or technology.

Information and Farmers' Days are also crucial for disseminating knowledge to farmers. These events serve as platforms where farmers learn about new technologies available to assist them. Various institutions that support extension are invited to share information or display their technologies to the farmers.

Digital media has been found to be an effective tool for disseminating information, provided there is access to computers and mobile devices with the internet. However, this can be particularly challenging for rural and economically disadvantaged farmers. Videos, for instance, can be more effective than written materials because they are engaging and allow farmers to see the application of the discussed topic [25]. Additionally, videos can be translated into various local languages, making them more accessible to specific groups.

Another method is awareness campaigns that aim to inform farmers about improved technology adoption, leading to enhanced business efficiency and sustainable livelihoods [19].

The Farmer Field School (FFS) is a participatory teaching approach based on adult learning principles and practical experience. In this model, farmers gain knowledge through direct observation of field activities and engage in group discussions about their experiences. This approach also includes practical field management activities that extend to the harvest phase [25].

The demand-driven approaches represent a recent model for delivering extension programs [26]. This method is associated with improved efficiency and ensures

that extension programs are relevant to the needs of various stakeholders, including farmers [24]. While the demand-driven approach is appealing, it must be carefully directed and implemented, as it primarily relies on requests from farmers or community-led initiatives [7].

6.4.2 The expected duties of agricultural extension officers in rural communities

The contribution of rural agricultural extension programs to poverty reduction has been the subject of several studies. The following are the roles and duties of extension that have been identified

- *Information dissemination*—Testing and sharing research-based agricultural knowledge and technology with rural communities is essential for improving the agricultural sector [27].

- *Needs identification*—Identifying the needs of farmers is crucial for the success of rural extension programs aimed at alleviating poverty. This requires that the methodologies for delivering extension programs are continuously adapted to align with farmers' needs in their unique environmental and socioeconomic contexts [28].

- *Knowledge transfer*—Rural farmers need information on various aspects of income generation to enhance their livelihoods and reduce poverty vulnerability.

- *Facilitation*—Establishing Farmer Field Schools allows farmers to learn through observation and engage in discussions about their experiences. This approach enhances their decision-making abilities [25].

- *Technology transfer*—Agricultural extension services help narrow the gap between potential and actual yields in farmers' fields by facilitating technology transfer. This process reduces both the technology and management gaps, enabling farmers to become better farm managers [29]. It involves conveying modern innovations and expert knowledge to farmers through agricultural extension workers, ultimately aimed at enhancing production and revenue [27].

- *Excursions*—Farmer excursions are events where farmers meet face-to-face at their farms. This approach, known as farmer-to-farmer, emphasizes sharing knowledge and information among farmers. It is considered one of the most effective methods for disseminating technology, based on the belief that farmers can share technologies with their peers more efficiently than visiting extension workers can [30].

- *Facilitation*—Facilitation is a crucial process that fosters discussion among participants. It involves moderating conversations and guiding overall understanding. Effective facilitation, as noted by Stofer [31], should not be mistaken for mere information delivery; instead, it plays a vital role in building relationships through engagement.

- *Coordination*—Coordination involves the integration of various components of work. It requires a clear definition and communication of mission and objectives that are understood by all farmers and stakeholders. For coordination to be

successful, there must be open, two-way channels of communication that allow farmers and communities to contribute toward achieving coordinated efforts.

- *Program development*—Extension officers are responsible for developing programs that benefit farmers by improving their market advantage and their produce quality. This process involves collaborating with farmers to identify unsatisfactory situations or challenges and determining possible solutions, objectives, and goals. Additionally, it encompasses making decisions about the direction and intensity of extension-education efforts to achieve social, economic, and technological changes.

- *Projects*—Extension services require a budget to support investment activities, where financial resources are allocated to create capital assets that yield benefits over time for rural communities.

- *Linkages*—Creating linkages involves connecting farmers with others who produce the same commodity and with researchers, markets, processors, and related businesses. These connections can help farmers enhance their access to inputs, information, and market opportunities.

- *Creating opportunities*—To create opportunities for farmers, it is essential to enable access to knowledge and technology, develop infrastructure, facilitate market access and value addition, and provide financial support and incentives, along with the funding opportunities.

- *Productivity improvements*—Productivity improvements can occur when there is a gap between the current farm production levels and the potential output achievable through better knowledge and practices while considering farmers' preferences and resource limitations [29].

- *Advice*—Effective extension services provide farmers with timely and relevant advice, ensuring they have adequate access to the information necessary for their success.

6.5 Strategies for breaking the vicious cycle of poverty in rural communities

6.5.1 Conceptual framework

Economists define the cycle of poverty as a series of conditions or events that trap individuals in poverty, creating a persistent situation that continues until there is some form of external intervention. This harsh cycle of deprivation often extends from generation to generation if measures are not taken to address it. Effective interventions can target key factors such as increasing agricultural productivity, ensuring access to essential resources (including land, water, and credit), improving market connections, and enhancing education and health services. Additionally, establishing social safety nets and robust institutional support is crucial. **Figure 1** shows areas of intervention where the poverty cycle can be curbed. For example, providing credit to the rural poor can enable them to purchase necessary production inputs, enhancing their agricultural output. As they acquire these inputs, agricultural extension services can introduce relevant technologies and required infrastructure to improve production

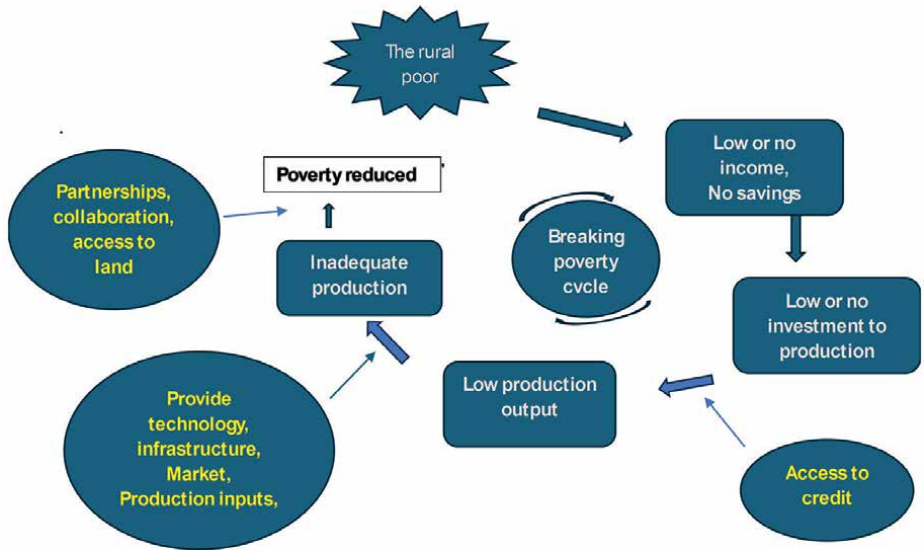

Figure 1.
Conceptual framework showing the breakdown of the rural poor's cyclical poverty.

further. When agricultural production becomes sufficient, it can foster partnerships and collaborations between rural communities and larger markets or businesses. This approach can significantly reduce poverty and help break the cycle of poverty.

6.5.2 Access to credit

Investing in rural development is a beneficial endeavor [8]. Agricultural development and rural development are closely interconnected; however, it is essential to distinguish between them, particularly in terms of extension functions and discussions surrounding poverty and poverty alleviation. Governments, with support from international organizations, are increasingly promoting various decentralized programs. These programs often follow the principle of subsidiarity, empowering communities and rural producer organizations to develop their own local development initiatives.

According to the World Bank, the promotion of community-driven development (CDD) projects is commendable [8]. These CDD projects help communities formulate proposals that can be reviewed and potentially funded. Access to credit is crucial for improving farmers' ability to acquire new production technologies and enhance productivity. The ability of farmers to purchase improved seeds and fertilizers is especially vital. If suitable technologies are available but not utilized by farmers, the government's handling of credit may be a contributing factor.

It is important to understand the context of credit—this includes government and banking policies, the availability of credit, and the institutional relationships involved in credit delivery. A thorough examination of the existing credit situation is necessary to identify the factors affecting its use, such as unfair access to credit and insufficient amounts. Formal financial systems enable individuals to save money, send and receive payments, and manage their finances effectively [32].

Having the ability to save and access credit allows individuals and businesses to plan, set long-term goals, and respond to unexpected challenges. Without safe and

secure methods for saving, people often resort to riskier and more costly ways of managing their assets [22].

6.5.3 Improved infrastructure

An adequate supply of infrastructure services has long been recognized in academic literature as a key ingredient for economic development [33]. Improved infrastructure refers to the enhancement of a country's physical systems, including transportation, communication, and energy. Adequate infrastructure, such as efficient transportation networks, robust energy systems, and advanced telecommunications, is essential for fostering economic growth and development.

Enhanced infrastructure reduces transportation costs, improves market access, and facilitates trade, which in turn stimulates economic activity and attracts investment. Infrastructure development also plays a critical role in poverty alleviation by providing access to essential services such as clean water, sanitation, healthcare, and education. Basic infrastructure in rural areas can improve living standards, create employment opportunities, and connect individuals to markets and social services, ultimately helping lift people out of poverty.

Moreover, efficient infrastructure boosts productivity by lowering production costs, enhancing logistics and supply chain efficiency, and enabling businesses to operate more effectively. For instance, better transportation infrastructure minimizes delays and allows goods to be moved more quickly and cost-effectively, thus improving overall competitiveness.

Additionally, infrastructure development encourages innovation and the adoption of new technologies, leading to greater efficiency, productivity, and competitiveness. For example, investments in digital infrastructure can stimulate innovation in information and communication technologies (ICT) and promote the growth of the digital economy.

6.5.4 Improved production

Improved production can be achieved by adopting advanced farming technologies, such as modern machinery, new seed varieties, pesticides, and irrigation systems, as well as through public policies that encourage innovation and risk-taking among farmers [34]. Several factors contribute to low productivity in African agriculture, including insufficient investment in agricultural research, unfavorable geographic conditions, conflicts, and the challenges of managing production and marketing risks.

The role of agricultural growth in reducing poverty is undeniable. Many rural poor individuals possess very limited assets; they often work as casual laborers and sharecroppers, or operate very small farms [35]. Access to sufficient food is essential for their survival. An increase in food production signifies a more favorable situation for the rural poor compared to a decrease in availability. Agricultural growth is critical for poverty reduction, both in absolute terms and relative to other sectors, primarily because poverty is predominantly a rural issue.

6.5.5 Sustainable poverty relief mechanisms

Improving rural livelihoods has become a primary goal for many developing countries [36]. Achieving this involves increasing the income of farming households, which can enhance food security, nutrition, and access to health services and education for

rural children. Many nations, along with various agricultural extension systems, are shifting their focus towards improving rural livelihoods [36]. This can be accomplished through extension systems that will, (a) enhance the technical, management, and marketing skills of all farmers, as well as landless individuals, rural youth, and other vulnerable groups, (b) encourage public extension systems to prioritize and allocate more resources for educating farmers on low-cost, sustainable natural resource management practices, (c) organize farmers into different types of producer groups, helping these groups connect to markets for high-value crops and products, (d) establish rural youth groups as an effective, long-term strategy for building both human and social capital within rural communities, (e) recognize that, throughout the twentieth century, most national extension systems primarily focused on transferring agricultural technologies aimed at increasing the productivity of major crop and livestock production systems to achieve national food security, (e) advocate for public extension to adopt a broader strategy that emphasizes changes in markets for high-value crops and products, the organization of farmers into producer groups to supply these markets, and the implementation of sustainable natural resource management practices, and (f) address one of the most critical constraints directly influencing productivity: the availability and allocation of financial resources. Governments must allocate resources to enhance the capacity of extension services to assist rural communities continuously. Additionally, they should provide support systems such as grants or the provision of production inputs.

6.5.6 Creation of partnerships, collaboration, and linkages

There is a need for a major rethinking of the institutional design of rural development to better incorporate the off-farm income dimension into these strategies [8]. While the urban sector is well supported, rural areas often receive neglect, which drives migration from rural to urban regions as individuals seek to escape poverty.

To help people in rural areas achieve the poverty line, it is essential to provide permanent income transfers. Some households experiencing temporary poverty also require access to safety nets to prevent the loss of productive assets and to avoid making irreversible adjustments in response to economic shocks.

To combat food insecurity, efforts should focus on developing integrated and multisectoral extension networks. These emerging national systems should involve collaboration among public and private sector organizations, as well as international project donors, all working together to achieve food security goals.

6.5.7 Access to land and other resources

Access to land and other resources is a fundamental foundation of the agricultural industry. Poor individuals often lack secure land tenure or are entirely landless, which limit their livelihood options and economic opportunities in rural areas [2]. Agrarian reforms should not only focus on the (re)distribution of land to assist the poor but also ensure that necessary investments, such as infrastructure development, input distribution, technology transfer, and better market access, are in place.

Policies that secure tenure rights for vulnerable groups, including indigenous people, landless farmers, rural women, and youth, could significantly contribute to eradicating extreme poverty [37]. While land tenure security is essential, it is not sufficient on its own to promote land investment and income growth [38]. The rural extreme poor are in dire need of support mechanisms, yet they often have the least access to such resources.

7. Conclusion

Poverty in rural areas is evident in various ways, including a lack of access to safe drinking water, high unemployment rates, and insufficient food. Governments and private sector organizations worldwide appoint extension officers to provide crucial services in these communities, aiming to ensure sustainable livelihoods for the rural population that relies on their land for survival.

Three questions have been raised regarding the role of agricultural extension in poverty alleviation and breaking the cycle of poverty. Additionally, three key objectives have been established: (1) to identify the goals of extension services directed at rural communities, (2) to determine the role of extension in alleviating poverty, and (3) to disrupt the cycle of poverty within these projects.

From the study in relation to objective (1), it can be concluded that the primary aim of agricultural extension is to achieve both physical and economic improvements while fostering the development of rural communities. This includes helping communities better understand their challenges, finding effective solutions, connecting them to the rural development agenda, and ultimately reducing poverty among the rural poor. Addressing poverty is especially important as it is a multi-dimensional issue that requires sustainable livelihoods.

For objective (2), extension officers play a vital role in transforming the lives of rural individuals through various methods and approaches. Their responsibilities include facilitating training sessions, linking farmers to markets, providing advice, creating opportunities for collaboration among progressive farmers, identifying farmers' needs, and addressing those needs effectively.

Objective (3) focuses on identifying strategies to break the vicious cycle of poverty in rural communities. These strategies include improving access to credit, enhancing community infrastructure, and introducing sustainable poverty relief mechanisms. Such mechanisms may involve providing technical, management, and marketing skills to all farmers, allocating more resources to educate them on low-cost, sustainable natural resource management practices, and organizing farmers into groups. This organization helps these groups connect with markets for high-value crops and products while also facilitating the transfer of agricultural technologies aimed at increasing productivity in major crops and livestock. Furthermore, establishing partnerships, fostering collaboration, creating links, and improving access to land are essential for these efforts.

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Chapter 10

The Gap between Measured and Perceived Poverty in South Africa

Ralitza Dobreva, Claire Vermaak and Thobani Nzuza

Abstract

This study investigates the gap between perceived and measured poverty in South Africa, using data from the 2022 General Household Survey. Measured poverty relies on income-based thresholds, while perceived poverty reflects individuals' self-assessments of their economic situation. The study applies probit and multinomial probit models to identify household and individual characteristics associated with each poverty measure and the differences between them. Key factors such as education, employment, household composition, and geographic location are found to influence both poverty statuses, though in distinct ways. Results show that approximately one-third of households are classified differently depending on the measure used, indicating a significant divergence between perceived and measured poverty. These discrepancies have important policy implications, as they suggest that traditional income-based poverty lines may overlook households experiencing economic distress. The study highlights the need for multidimensional poverty assessments that incorporate both objective and subjective indicators. By providing updated, nationally representative evidence, the research contributes to understanding poverty dynamics in South Africa and offers insights for designing more inclusive and responsive poverty alleviation policies.

Keywords: poverty measurement, money-metric poverty, perceived poverty, South Africa, multinomial probit

1. Introduction

Studies of poverty pervade social science and economics scholarship because reliable measurement is indispensable for policies that ease deprivation. In South Africa, where poverty is a core policy concern and a pillar of the National Development Plan Vision 2030 [1, 2], both precise measurement and a clear grasp of what each poverty metric truly captures are vital for devising effective alleviation strategies. A large empirical literature shows that vague or inconsistent definitions of poverty translate into measurement error, hindering the impact of interventions [3–5]. Individual self-assessments complicate the picture: surveys reveal sizeable gaps between households' own perceptions of their poverty status and official poverty statistics [6]. Explaining these discrepancies is the core aim of this chapter.

A well-established lesson from global research is that carefully chosen indicators clarify both the extent and the correlates of poverty [7–9]. In South Africa, official

practice relies on measured poverty—a money-metric benchmark that classifies households with income or expenditure below a predetermined poverty line as poor [10, 11]. These thresholds are transparent yet narrow, ignoring non-monetary aspects of well-being. By contrast, perceived poverty asks individuals whether they regard their households as poor. Because it dispenses with an externally imposed cut-off, this subjective approach can capture intangible hardships and local norms [12]. It is not, however, free of bias: perceptions are filtered through respondents' past experiences and the reference groups to which they compare themselves [13–15].

International and South African empirical evidence confirms that the two approaches often diverge [16, 17], partly because they rest on different conceptual foundations [4, 18]. In this chapter, *perceived poverty* is defined as a self-assessment of household disadvantage, whereas *measured poverty* results from comparing household income per capita with the national poverty line. A family can rank above the line yet describe itself as poor if it believes essential needs remain unmet; conversely, a household below the line may feel adequate if its own expectations are low.

Divergence also reflects the different variables that shape each metric. Subjective assessments are especially sensitive to household composition, location, education, and food security [19]. Objective status, in contrast, is pinned to the cost of a reference basket of goods [20]. Where these determinants coincide, the two indicators overlap; where they differ, a gap appears [18, 21]. Additional sources of mismatch include regional variation in living costs and short-term income shocks—situations in which a household enduring temporary hardship may perceive itself as poor even if its longer-run income exceeds the official threshold [22].

Over time, the content and real value of official poverty lines evolve, limiting their ability to guide durable policy [3, 23, 24]. In a deeply unequal society such as South Africa, a single indicator can seldom capture the full complexity of poverty, prompting calls for multiple measures [25]. A nuanced understanding of both objective and subjective deprivation is therefore essential for designing targeted anti-poverty programmes.

Against this backdrop, the problem addressed here is how contemporary South Africans' perceptions of poverty align—or fail to align—with the standard money-metric classification. Posel and Rogan [4] provided the seminal comparison, but their data are more than 15 years old, and no subsequent study has modelled the factors underpinning the gap and overlap between measured and perceived poverty. Using a recent nationally representative dataset, the 2022 General Household Survey [26], this chapter presents fresh evidence by analysing three key factors and answering three research questions.

1. Comparative incidence: How do poverty rates based on perceptions compare with those based on income-derived poverty lines?

2. Correlates: Which household or individual characteristics are associated (a) with being perceived as poor and (b) with being measured as poor?

3. Determinants of mismatch: Which factors predict whether a household falls into the gap—or the overlap—between the two statuses?

The roadmap of the chapter is as follows. Section 2 reviews theoretical and empirical work on poverty measurement, with special attention to studies juxtaposing money-metric and subjective indicators. Section 3 introduces the data, details variable construction, and sets out the econometric strategy; descriptive statistics provide

initial context. The regression results, robustness checks, and interpretations that link the findings to existing theory and evidence are presented in Section 4. Section 5 discusses policy implications—especially how recognising gaps between perceived and measured poverty can refine targeting and communication—and identifies limitations. Section 6 concludes by summarising the main insights and proposing avenues for future research.

By illuminating where and why measured and perceived poverty diverges, the chapter aims to inform both scholars and policymakers seeking to design interventions that resonate with lived experience as well as with official indicators.

2. Literature review and conceptual framework

The traditional practice of classifying households as poor solely based on income or expenditure is now widely regarded as inadequate [27]. A growing body of work argues that reliable poverty assessment—and, by extension, successful anti-poverty policy—requires attention both to non-monetary aspects of well-being and to the way individuals themselves judge their circumstances [28, 29]. This section, therefore, (i) sketches the main theoretical strands that shape contemporary thinking about poverty, (ii) summarises empirical studies that compare measured (money-metric) and perceived (self-reported) poverty, (iii) identifies unresolved questions, and (iv) explains how this chapter seeks to address them.

2.1 Concepts and measures of poverty

2.1.1 Classical economic views

Classical economists examined poverty through the lens of rational decision-making under resource scarcity. Writers from Smith to Ricardo argued that an expanding population unsupported by commensurate economic growth suppresses real income per capita and entrenches deprivation [30]. Subsequent commentators added that thin labour-market opportunities, unequal access to education, and weak governance limit individuals' scope for "rational" advancement, reinforcing poverty even when people make sensible choices [31]. Recent evidence linking schooling to higher lifetime earnings supports the inclusion of education-related variables in poverty analysis [32].

2.1.2 The monetary approach

The monetary approach equates poverty with having too little cash (or consumption) to attain a socially defined minimum standard of living [33, 34]. Its appeal lies in a single, observable metric that can be benchmarked against national poverty lines and harmonised across space or time [35]. Implementation, however, is fraught. Respondents may under-report incomes for privacy or because earnings are irregular, while official poverty lines rely on contentious choices about reference baskets and caloric norms [36, 37]. Methodological alternatives—such as using half the median equivalised income in fast-growing economies [38] or switching between food-energy-intake and cost-of-basic-needs lines [39]—can alter who is labelled poor. Foster-Greer-Thorbecke indices allow incidence, depth, and inequality of poverty to be decomposed consistently [40, 41], yet they still rest on the accuracy of the underlying money measure.

2.1.3 Sen's capability perspective

Sen contends that poverty is better conceived as a deprivation of capabilities—the real freedoms to achieve valuable "functionings"—than as a shortfall of income alone [42]. Incorporating health, education, agency, and social participation into poverty diagnostics highlights deficits that purely monetary tests miss [43]. Within this framework, three overlapping notions recur: (i) income poverty, (ii) unmet basic needs (food, clothing, shelter, schooling, health) [44, 45], and (iii) a lack of opportunities to convert resources into well-being [46]. Sen's approach thus complements rather than displaces monetary metrics, signalling that any single indicator will illuminate only part of the story.

2.1.4 Composite and perceived indicators

Growing dissatisfaction with narrow money metrics has spurred the design of composite deprivation indices that pool indicators across health, education, assets, and services [47–51]. Yet even the most sophisticated composite still relies on externally fixed thresholds. Perceived poverty measures differ fundamentally: they ask respondents to evaluate their own household's position, capturing psychological and relational dimensions that official lines may overlook [3]. The method avoids pre-set cut-offs, but it is sensitive to reference groups, past shocks, and local norms [52–54]. A household may feel poor when compared with wealthier neighbours, while another whose per capita income falls below the national poverty line might not see itself as poor because of modest expectations.

2.2 Empirical evidence on perceived vs. measured poverty

Researchers typically elicit perceived status in one of two ways. Economic-ladder questions invite respondents to place their household on, say, a 10-rung scale ranging from "richest" to "poorest"; analysts then deem the bottom rungs poor [3, 4, 11, 55]. Minimum-income questions (MIQs) ask what monthly income a household would need to "make ends meet," classifying it as poor if actual income falls short [56–59], depending on the varying needs of its members [60, 61].

Studies using these tools reveal systematic—but incomplete—overlap between subjective and objective poverty. Across diverse settings, a shared pattern emerges: perceived poverty systematically reflects more than income shortfalls. Household demographics (size and composition) and basic-needs security weigh heavily in Pakistan, where Mahmood et al. show food insecurity and family structure add explanatory power beyond consumption in a multinomial probit model [3]. Similar multi-factor sensitivity appears elsewhere: Duvoux and Papuchon link French poverty feelings to income volatility, class and household form [56]; Posel and Rogan trace South African mismatches to household composition, tenure and service access [4]; and Wang et al. find that almost one-third of "non-poor" rural Chinese still deem themselves poor because their own minimum-income benchmark exceeds the official line [59]. Even where measured and perceived poverty rates are numerically close—Albania in Carletto and Zezza's study [11]—the two indicators seldom tag the same individuals, confirming that subjective assessments capture psychosocial dimensions such as security and relative status that escape money-metric tests.

Differences arise chiefly in the size of the perception gap and the drivers that dominate in each context. In Hong Kong, Peng et al.'s panel data reveal that income

growth alone is insufficient; sustained stability and psychological well-being are needed to exit subjective poverty [58]. In France, class and income instability loom larger than absolute earnings [56], whereas in Pakistan and South Africa, food security and service access, respectively, are pivotal [3, 4]. Rural China highlights another contrast: official thresholds may be set too low for local expectations, inflating the subjective poor share [59]. Transition-economy evidence from Czechia and Slovakia shows that, even after macroeconomic convergence, subjective poverty gaps narrow only gradually, suggesting perceptions lag material change [57]. Taken together, these studies underscore a universal theme—poverty "felt" is multifaceted—while exposing context-specific mixes of economic, demographic, and psychosocial factors that policy must address to align objective relief with lived experience.

Taken together, these findings confirm that measured poverty captures material deprivation, whereas perceived poverty captures expectations, insecurity, and social comparison [6, 62]. Both perspectives are necessary for policy: income transfers may raise measured welfare, yet programmes enhancing stability, neighbourhood amenities, or hope could be equally important for perceived well-being.

2.3 Gaps in the literature

Despite the breadth of existing work, two gaps persist. First, few studies decompose the gap and overlap into their underlying drivers, and almost none do so in an African context. Second, the most recent South African evidence [4] relies on data from 2008/2009, leaving open the question of how subsequent economic shocks, social grants, and service roll-outs have altered the alignment between subjective and objective poverty. Addressing these gaps is the central empirical task of this chapter.

2.4 Summary

The theoretical and empirical literature converge on three propositions. (i) Monetary resources matter, but they are an imperfect proxy for life circumstances; capability deficits and social exclusion often persist above the poverty line [42–46]. (ii) Self-assessed poverty embodies psychological, relational, and security concerns not captured by income metrics [52–54]. (iii) Measured and perceived poverty overlap only partly, and the size of the gap varies systematically with household demographics, local costs, and macroeconomic volatility [3, 4, 11, 56–59].

For South Africa—a country still wrestling with deep historical inequalities—these insights imply that any effective anti-poverty strategy must integrate income support with interventions that address education, health, infrastructure, and subjective well-being. By updating national evidence on the correlates of measured and perceived poverty, this chapter aims to sharpen that policy toolkit and to contribute to the international debate on how best to understand, and ultimately to alleviate, poverty in all its forms.

3. Data and descriptive statistics

This chapter uses the 2022 General Household Survey (GHS 2022) to analyse the alignment and mismatch between *measured* poverty—income or expenditure per capita benchmarked against the national poverty line—and *perceived* poverty,

captured through respondents' own assessments. Few South African studies have compared these two perspectives, making this nationally representative survey a suitable data source.

3.1 Data source

The GHS is Statistics South Africa's annual household survey; it has been collected for more than two decades, and in 2022, it included 3324 primary-sampling units and roughly 33,000 dwelling units *via* computer-assisted personal interviews [26]. Household and individual questionnaires spanned 15 thematic blocks, yielding detailed information on demography, income, expenditure, labour activity, education, health, service access, assets and agriculture. This extensive set of variables allows both the standard money-metric test and several subjective indicators of poverty to be constructed in a single dataset.

Subjective poverty in the GHS 2022 was captured through three complementary instruments, described in detail in **Table 1**. The self-perceived wealth question (SPWQ) asked respondents to place their household on an economic "ladder"; selections on the lowest rungs are interpreted as poor. The minimum-income question (MIQ) then elicits the minimum monthly income required to "make ends meet"; a household is classed as subjectively poor if its reported income per capita falls short of this amount—an approach common in both South African and cross-country research [56–59].

Finally, the income evaluation question (IEQ) invites respondents to judge whether their current income is below, adequate for, or above household needs. Comparing the IEQ response with the MIQ threshold offers an additional poverty flag and a consistency check across subjective measures. Together, these three questions provide a nuanced window on how South Africans themselves perceive deprivation, complementing conventional money-metric indicators.

Subjective poverty indicator	**Response items**	**Poverty cut-off**
Self-perceived wealth question (SPWQ) *"Would you say you and your household are at present?"*	1 = Wealthy 2 = Very comfortable 3 = Reasonably comfortable 4 = Just getting along 5 = Poor 6 = Very poor	5 = Poor 6 = Very poor
Minimum income question (MIQ) *"Which net household income per month in Rand would be at the absolute minimum for your household? That is to say, that you would not be able to make ends meet if your household earned less."*	Continuous	If the reported per capita household income falls below the perceived minimum income level, then the household is classified as poor
Income evaluation question (IEQ) *"Is the total monthly income of your household higher, lower, or more or less the same as the minimum income given above?"*	1 = Much higher 2 = Higher 3 = More or less the same 4 = Lower 5 = Much lower	4 = Lower 5 = Much lower

Source: Author's construction from GHS (2022) questionnaire.

Table 1.
Subjective poverty questions and response options, verbatim.

Only the designated household respondent answers these items, so the analysis assumes a common perceived status for all members. Hence, the analysis is conducted at the household level. Non-response to any of the three questions is rare but handled by excluding such cases from subjective poverty calculations, a limitation noted in prior work [26].

Measured poverty is calculated as total household income divided by household size, compared with the lower-bound national poverty line. *Perceived* poverty is recorded separately for each of the three subjective instruments.

The GHS 2022 provides the first post-pandemic micro-dataset in South Africa that contains both comprehensive income data and multiple subjective poverty questions. Its scale and thematic depth enable a nuanced, nationally representative comparison of measured and perceived poverty.

3.2 Measures and variables

This chapter uses GHS 2022 to construct five key variables: measured poverty status, perceived poverty status, the official (upper-bound) poverty line, a subjective poverty line, and household income per capita, alongside demographic, labour-market, and educational controls. A household is *measured poor* when income per person falls below Statistics SAs upper-bound line of R1 417 per month, covering basic food and non-food needs [20]. It is *perceived poor* when the respondent selects rung 5 or 6 on the self-perceived wealth ladder, signalling that felt deprivation extends beyond income shortages [3, 20, 63]. Because household-level questions are answered by one member—often, but not always, the head—models include specific characteristics of this respondent [26]. Dummy variables for head gender (important given the higher poverty risk in female-headed households [4, 17]) and other categorical traits are entered alongside continuous covariates: age, age^2/100 (allowing a non-linear effect [64]), counts of children by age group, pensioners, and employed members. Educational attainment of the respondent and the number of earners proxy opportunities in Sen's capabilities framework [44].

South Africa's official measured poverty rates are anchored to the Food, Lower-Bound, and Upper-Bound National Poverty Lines that Statistics South Africa (Stats SA) first published in September 2012. These thresholds were developed after Cabinet mandated Stats SA in 2007 to lead a technical task team that included the National Treasury, the Department of Social Development, and other experts, and they have been rebased (e.g., 2015) and updated annually for inflation since then [20]. Constructed *via* a cost-of-basic-needs method, these lines rely on consumption patterns of low- and middle-spending reference households. This choice, while operationally convenient, may understate the resources required by urban or higher-cost households, potentially classifying many as non-poor even when they *feel* deprived. Consequently, the very design of the poverty line is likely to widen the gap between measured and perceived poverty—a central issue explored later in this chapter. **Table 2** shows that among roughly 19,000 surveyed households, 45.7% are income-poor, yet perceptions diverge widely—only 27.3% call themselves poor on the self-perceived wealth question, a striking 82.2% fall below their own minimum-income threshold, and 47.3% judge their income as lower or much lower than that threshold—highlighting a large gap between objective and subjective poverty measures.

GHS 2022 asks three subjective-poverty items—the self-perceived wealth ladder (SPWQ), the minimum-income question (MIQ), and the income-evaluation question (IEQ). Because SPWQ alone elicits judgement without requiring respondents

	Measured poverty	Perceived poverty		
		SPWQ	MIQ compared to income	IEQ
Poor	45.69	27.29	82.20	47.26
Not poor	54.31	72.71	17.80	52.74
Total	18,932	19,348	18,932	19,348

Source: GHS (2022) own calculations. Note: Estimates are weighted using the survey weights.

Table 2.
Poverty rates, by different poverty measures.

to reveal earnings—information people are often reluctant to disclose [4]—this chapter adopts it as the primary indicator of perceived poverty. Households ranking themselves on rungs 5–6 are coded poor, while *measured* poverty is defined as income per capita below Stats SA's 2023 upper-bound line of R1 417, which covers basic food and non-food needs [20]. Under these definitions, 27.9% of households report being poor subjectively, whereas 45.7% are poor by the money-metric test, suggesting that official poverty lines may overstate deprivation relative to people's own assessments. Conversely, 72.7% perceive themselves as non-poor compared with 54.3% classified as non-poor objectively, indicating a substantial mismatch.

To analyse these gaps, the study constructs five core variables: measured poverty status, perceived poverty status, the objective poverty line, the subjective poverty line (from MIQ and IEQ, used in robustness checks), and household income per capita, supplemented by the respondent and household controls from GHS 2022s wide array of demographic, labour-market and education items [26]. Particular attention is paid to the identity of the survey respondent, since household-level questions are answered by a single member who may not be the head. Dummy variables capture head gender—important because female-headed households face higher poverty risk [4]—while continuous covariates include age, age^2/100, counts of children, pensioners, and employed members, plus head schooling, mirroring Sen's opportunity emphasis.

Finally, the section reviews Stats SA's cost-of-basic-needs methodology, noting that national poverty lines were first released in 2012 after a technical task-team process and are updated annually for inflation. Reliance on consumption patterns of low- and middle-spending "reference" households may understate urban living costs, potentially classifying many families as non-poor despite felt hardship. This structural bias offers a plausible explanation for the sizeable measured-versus-perceived gap documented above and motivates the comparative analysis in the remainder of the chapter.

3.3 Descriptive statistics

Table 3 shows the descriptive statistics for all variables used in the analysis.

Table 4 displays averages and proportions of explanatory variables used in the study restricted to poverty status, both measured and perceived poverty. Measured poor households are more likely to live in rural areas, have more children, and have fewer working members. On the other hand, measured non-poor households are more urbanised (78.6% compared to 55.7%) and have substantially higher employment rates (1.237 relative to 0.526). Another important factor is education; only 4.8% of respondents in households that were measured as poor had a diploma

Variables	Perceived poor	Perceived not poor	Measured poor	Measured not poor
Household characteristics				
Children aged 0–5	0.398	0.339	0.570	0.212
	(0.012)	(0.006)	(0.010)	(0.006)
Children aged 6–12	0.452	0.430	0.678	0.275
	(0.012)	(0.007)	(0.011)	(0.007)
Children aged 13–17	0.317	0.317	0.479	0.211
	(0.009)	(0.006)	(0.009)	(0.006)
Pensioners	0.218	0.306	0.263	0.299
	(0.007)	(0.006)	(0.006)	(0.007)
Employed	0.588	1.058	0.526	1.237
	(0.012)	(0.009)	(0.009)	(0.010)
Urban	0.568	0.737	0.557	0.786
	(0.010)	(0.005)	(0.007)	(0.005)
Rural	0.432	0.263	0.443	0.214
	(0.010)	(0.005)	(0.007)	(0.005)
African	0.937	0.782	0.933	0.755
	(0.005)	(0.005)	(0.004)	(0.006)
Coloured	0.045	0.077	0.051	0.081
	(0.004)	(0.003)	(0.003)	(0.003)
Indian	0.006	0.030	0.005	0.034
	(0.001)	(0.002)	(0.001)	(0.003)
Female head	0.460	0.410	0.535	0.347
	(0.008)	(0.005)	(0.006)	(0.006)
Respondent characteristics				
Age in years	36.033	40.058	34.392	42.162
	(0.246)	(0.152)	(0.197)	(0.171)
$Age^2/100$	15.786	18.467	14.731	19.825
	(0.187)	(0.139)	(0.144)	(0.164)
No schooling	0.088	0.035	0.091	0.021
	(0.004)	(0.001)	(0.003)	(0.001)
Primary	0.208	0.098	0.197	0.079
	(0.006)	(0.003)	(0.005)	(0.003)
Incomplete secondary	0.433	0.296	0.416	0.275
	(0.008)	(0.005)	(0.006)	(0.005)
Matric	0.235	0.344	0.248	0.362
	(0.007)	(0.005)	(0.006)	(0.006)
Diploma/degree	0.036	0.227	0.048	0.263
	(0.003)	(0.005)	(0.003)	(0.006)
Male	0.560	0.533	0.491	0.574
	(0.008)	(0.005)	(0.006)	(0.006)

Variables	Perceived poor	Perceived not poor	Measured poor	Measured not poor
Married	0.143	0.316	0.165	0.342
	(0.005)	(0.005)	(0.005)	(0.006)
Not married	0.782	0.595	0.764	0.563
	(0.006)	(0.005)	(0.005)	(0.006)
Divorced	0.017	0.029	0.013	0.035
	(0.002)	(0.002)	(0.001)	(0.002)
Widowed	0.058	0.060	0.057	0.060
	(0.003)	(0.002)	(0.002)	(0.002)
Sample	5193	13,826	8483	10,126
Population	4,796,299	13,321,946	7,327,709	10,326,657

Source: GHS (2022), own calculations. Note: Data are weighted using the survey weights, standard errors in parentheses. Reference categories are: Urban, White, Male head, no schooling, Female, Married.

Table 3.
Descriptive statistics by poverty status.

		Perceived poverty		Total
		Not poor	Poor	
Measured poverty	Not poor	8,707 (46.00)	1,575 (8.32)	10,282 (54.32)
	Poor	5,031 (26.58)	3,617 (19.11)	8,648 (45.68)
Total		13,738 (72.57)	5,192 (27.43)	18,930 (100.00)

Source: GHS (2022), own calculations. Note: Data are unweighted, and cell percentages are in parentheses.

Table 4.
Four category poverty descriptive statistics.

or degree, whereas 26.3% of those who were measured as not poor had one. The association between household structure and economic vulnerability is further supported by the fact that female-headed households are more prevalent among the impoverished.

There are also notable differences in marital status and race. With 93.3% of the measured poor being African, they are disproportionately represented in poverty, while other racial groups are more common among those who are not. Given that only 16.5% of those who are measured as poor are married, compared to 34.2% of those who are not, marriage seems to be a protective factor. In poor households, the average age of the household head is lower (34.4 years vs. 42.2 years), indicating that younger people experience more financial hardship. Overall, the results show that household composition, work, and education are important factors that determine poverty, and that measured poverty exhibits more severe structural disadvantages than perceived poverty.

Table 4 reveals that 19.11% of South African households are both measured poor and self-identify as poor, 26.58% fall below the money-metric poverty line, yet do not feel poor, 8.32% feel poor while exceeding the line, and 46.00% are neither measured

nor self-perceived poor. The first and last categories together represent a 65% overlap, meaning the two approaches concur for nearly two-thirds of households [65].

This overlap is greater than the 29% reported by Bradshaw and Finch for the United Kingdom, where discrepancies dominate [66], and exceeds the 50% found by Saunders for Australia, where agreement is stronger albeit not complete [67]. The remaining 35% of South-African households display mismatched statuses: some lack adequate income yet do not regard themselves as deprived, while others perceive hardship despite crossing the poverty threshold. Such divergence hampers policy targeting, as households that feel poor but are classified non-poor risk exclusion from support, a situation that can entrench a poverty trap [68, 69].

3.4 Summary

This section describes the GHS 2022 and the key variables needed for the analysis. Statistics SA's upper-bound poverty line of R1 417 per person per month is employed as a definition of measured poverty, while perceived poverty is defined using the self-perceived wealth ladder (SPWQ) [20, 26, 63]. What remains unclear is how measured and perceived poverty correlate with the full range of household and respondent traits. Section 4 addresses these questions by modelling the determinants of each poverty status and the factors linked to their overlap or divergence.

4. Methodology and results

This section estimates the determinants of measured and perceived poverty using binary and multinomial probit models. A cross-sectional household-level dataset—created by merging the household- and individual-level files from GHS 2022—links each household's resources to the characteristics of the respondents who answered the poverty questions. While the design permits a rich description of factors linked to the likelihood of being classified as poor under each approach, it cannot establish causality. Particular attention is paid to how coefficient significance shifts once respondent traits are added, thereby clarifying where objective and subjective poverty overlap or diverge.

The section proceeds as follows. Section 4.1 outlines the econometric specifications. Section 4.2 presents and interprets results from the binary probit and multinomial probit estimations. Section 4.3 synthesises the main findings and situates them within the broader poverty literature, and Section 4.4 acknowledges data and modelling limitations before concluding.

4.1 Econometric analysis strategy

Because poverty status in this chapter is a binary variable (1 = poor, 0 = non-poor), each measure (money-metric or self-reported) is first modelled with a probit specification of the form

$$\Pr\left(Poverty_i\right) = \Phi\left(\alpha hh_i, \beta respondent_i\right) \tag{1}$$

where hh_i is a vector of household traits (child counts by age, pensioners, employed members, location, race, head gender, etc.) and $respondent_i$ contains respondent traits (age, schooling and marital status). Household size is omitted to avoid

multicollinearity with the compositional counts [70]. Two regressions are run per poverty definition: a basic model with only household variables and a full model that adds respondent characteristics, revealing how coefficients shift when the respondent's profile—potentially influencing how the household reports its own deprivation—is taken into account. Because probit coefficients are not directly interpretable, marginal effects are reported, consistent with earlier work on subjective poverty in Pakistan and South Africa [3, 4, 71].

To examine the overlap and divergence between the two poverty indicators, we recast the dependent variable into four mutually exclusive categories (poor-poor, poor-non-poor, non-poor-poor, and non-poor-non-poor) and estimate a multinomial probit (MNP):

$$\Pr\left(Category_i\right) = f\left(\gamma hh_i, \delta respondent_i\right) \tag{2}$$

MNPs avoid the Independence of Irrelevant Alternatives restriction that can bias multinomial logit results and are recommended by Greene and Gujarati for discrete-choice problems where alternatives may be correlated [70, 72]. Prior subjective-poverty research in Pakistan also employed MNPs, enhancing comparability [3]. Together, the binary and multinomial probit models illuminate which household and respondent attributes drive measured poverty, perceived poverty, and the gap between them.

4.2 Results and interpretations

Table 5 presents the marginal effects from four probit specifications that relate household- and respondent-level covariates to the probability of being poor under two definitions: income per capita below the upper-bound line (*measured poverty*) and self-placement on rungs 5–6 of the self-perceived-wealth ladder (*perceived poverty*). The *basic* models include only household characteristics; the *full* models add attributes of the individual who answered the survey, recognising that the respondent's view may not mirror every member's. Comparing basic and full versions serves three purposes: (i) to gauge whether coefficients on household variables shift once respondent traits are controlled, (ii) to see how each set of characteristics influences the likelihood of being poor in objective and subjective terms, and (iii) to identify where the same covariate affects the two poverty measures differently.

Consistent with earlier South African evidence that larger families face higher money-metric deprivation [73], the number of children in every age bracket (0–5, 6–12, and 13–17) significantly raises the probability of *measured* poverty. For *perceived* poverty, these child counts are insignificant, except for teenagers: each additional 13- to 17-year-old lowers the chance of feeling poor at the 10% level. One plausible explanation is that very young children keep caregivers—often mothers—out of paid work, heightening subjective hardship, whereas school-age children free up adult time even though tuition and related costs still inflate the household budget [74, 75].

Pension income is known to shield South African households from both material and felt hardship [4, 76], and the regressions confirm that more pensioners reduce poverty under either metric. Similarly, every additional employed member sharply lowers the probability of measured and perceived poverty; the marginal effects are large, negative and highly significant, echoing studies that link employment,

	Perceived poverty		Measured poverty	
	Basic model	**Full model**	**Basic model**	**Full model**
Household characteristics				
Children aged 0–5	0.010	0.004	0.152***	0.137***
	(0.009)	(0.009)	(0.009)	(0.009)
Children aged 6–12	−0.006	−0.002	0.116***	0.112***
	(0.008)	(0.008)	(0.008)	(0.008)
Children aged 13–17	−0.016*	−0.015*	0.125***	0.118***
	(0.009)	(0.009)	(0.009)	(0.009)
Pensioners	−0.076***	−0.046***	−0.138***	−0.074***
	(0.010)	(0.012)	(0.010)	(0.011)
Employed	−0.148***	−0.121***	−0.283***	−0.261***
	(0.008)	(0.008)	(0.008)	(0.008)
Rural	0.098***	0.061***	0.073***	0.048***
	(0.013)	(0.013)	(0.011)	(0.011)
African	0.334***	0.178***	0.268***	0.134***
	(0.036)	(0.034)	(0.029)	(0.031)
Coloured	0.295***	0.138***	0.263***	0.127***
	(0.041)	(0.040)	(0.034)	(0.035)
Indian	0.129**	0.069	0.033	−0.018
	(0.059)	(0.057)	(0.053)	(0.049)
Female head	−0.030***	−0.023	−0.005	−0.044***
	(0.010)	(0.015)	(0.009)	(0.014)
Respondent characteristics				
Age in years		0.008***		0.007***
		(0.002)		(0.002)
$Age^2/100$		−0.010***		−0.011***
		(0.002)		(0.002)
Primary education		−0.020		0.015
		(0.027)		(0.024)
Incomplete secondary		−0.119***		−0.026
		(0.027)		(0.023)
Matric		−0.247***		−0.134***
		(0.029)		(0.024)
Diploma/degree		−0.361***		−0.263***
		(0.029)		(0.026)
Male		−0.007		−0.075***
		(0.014)		(0.014)
Not married		0.083***		0.045***
		(0.012)		(0.012)

	Perceived poverty		Measured poverty	
	Basic model	**Full model**	**Basic model**	**Full model**
Divorced		0.051*		−0.039
		(0.029)		(0.024)
Widowed		0.034*		0.021
		(0.018)		(0.018)
F-statistic (P-value)	51.16 (0.000)	52.92 (0.000)	142.45 (0.000)	83.30 (0.000)
Sample	10,708	10,639	10,437	10,370
Population	10,681,766	10,595,874	10,376,089	10,292,743

Source: GHS (2022), own calculations. Note: The data are weighted. Standard errors in parentheses. Reference categories are: urban, White, male head, no schooling, female, and married. $^{*}p < 0.1$. $^{**}p < 0.05$. $^{***}p < 0.01$.

Table 5.
Probit regression of binary poverty statuses (marginal effects).

education and earnings to poverty alleviation [77, 78]. Education effects appear directly in the respondent controls: having matric or a tertiary credential, relative to no schooling, cuts the risk of poverty under both measures.

Race and geography remain powerful predictors. African and Coloured households are significantly more likely than White households to be poor on both definitions, implying that many of these households earn below R1 417 per capita *and* identify themselves as deprived. Rural residence likewise increases poverty probabilities relative to urban residence. Female-headed households heighten perceived poverty in the basic model but lose significance once respondent traits are added; conversely, head gender moves from insignificant to significant for measured poverty in the full model.

Including age, age^2/100, schooling and marital status of the respondent hardly alters the significance of most household variables, yet it shifts coefficient magnitudes in predictable ways. In the perceived-poverty regressions, all negative significant effects (e.g., number of employed and pensions) become more negative, and all positive effects become smaller once respondent controls are added. These patterns suggest the respondent's own human capital endowment mediates but does not overturn, the influence of broader household resources.

Notable switching occurs for two variables. Indian ethnicity is a significant positive correlate of perceived poverty in the basic model but becomes insignificant when respondent traits are controlled, and it is insignificant for measured poverty in both models. Female-headed status shows the opposite pattern: it loses significance for perceived poverty after controls but gains significance for measured poverty. Such shifts imply that respondent characteristics partially proxy for headship and race interactions in the basic specifications.

Across the full models, most covariates preserve the same sign for both dependent variables, indicating broad agreement on what drives objective and subjective deprivation. Two exceptions stand out: the numbers of 6- to 12-year-olds and 13- to 17-year-olds turn from negative in the perceived specification to positive in the measured one, strengthening the view that child-related costs weigh more heavily in money metrics than in self-assessments of hardship.

These divergences mirror Carletto and Zezza's finding for Pakistan that similar aggregate poverty rates can mask substantial non-overlap at the household level because each measure captures a distinct facet of deprivation [11]. In the South-African context, the results indicate that while employment, pensions and education jointly mitigate both forms of poverty, household composition and certain demographic markers (race, geography, and gender of head) shape measured and perceived hardship to differing degrees.

Taken together, the regressions show that income-based and self-reported poverty share many correlates—especially employment, pensions, and education—but diverge in their sensitivity to household size and demographic traits. The persistence of significant mismatches underlines the importance of using both indicators when identifying vulnerable groups: reliance on a single measure risks overlooking households that either feel deprived despite their income being above the official threshold, or conversely, lack resources but do not self-identify as poor.

Table 6 reports marginal effects from a multinomial probit that classifies households into four mutually exclusive groups: (i) perceived poor/measured non-poor, (ii) perceived non-poor/measured poor, (iii) poor on both measures, and (iv) non-poor on both measures. The coefficients therefore indicate how household and respondent characteristics shift the probability of falling into each "gap" or "overlap" category, rather than simply being poor, as in **Table 4**.

Several patterns emerge. Female-headed households are significantly more likely than male-headed households to appear in the mixed category "perceived non-poor/measured poor" but less likely to be "non-poor on both measures." Since female-headed households often rely on stable grants and adopt more modest consumption norms, they can feel financially adequate even when their incomes remain below the poverty line, but their structural income disadvantage persists [17]. A larger number of children in any age band, rural residence and a male respondent are all associated with a greater probability that perceived and measured poverty will coincide, narrowing the discrepancy between the two indicators.

Race matters as well: African and Coloured households are less likely than White households to report themselves as poor while being classified as non-poor by income, again suggesting a smaller subjective-objective gap for these groups. Being unmarried shows the same tendency toward convergence. Overall, household composition, location, race, and the sex of the head markedly influence whether measured and perceived deprivation agree or diverge, reinforcing the need to consider both metrics when targeting policy [50].

4.3 Discussion of the results

Household composition dominates both money-metric and self-reported poverty, yet it shapes the two measures in different ways. **Table 4** shows that each additional child—whether aged 0–5, 6–12 or 13–17—significantly raises the probability that a household falls below the upper-bound poverty line, confirming earlier South African evidence on dependency ratios [73]. For perceived poverty the pattern is weaker: the youngest two age groups have no significant effect, while teenagers slightly *reduce* the chance of feeling poor, perhaps because school attendance lightens day-care demands even though it does not lower out-of-pocket costs [74, 75]. Pensioners exert the opposite asymmetry: their presence eases measured poverty—social grants lift cash income—but has little influence on self-assessments, echoing findings that grants stabilise budgets more than they change subjective well-being [79, 80].

	Poverty status gap		Poverty status overlap	
	PP and MN	**PN and MP**	**PP and MP**	**PN and MN**
Household characteristics				
Children aged 0–5	0.057***	0.078***	0.057***	0.078***
	(0.012)	(0.013)	(0.005)	(0.008)
Children aged 6–12	0.046***	0.066***	0.038***	0.074***
	(0.010)	(0.010)	(0.004)	(0.007)
Children aged 12–17	−0.038***	−0.078***	0.053***	0.063***
	(0.012)	(0.012)	(0.005)	(0.008)
Pensioners	0.066***	0.012	0.017**	0.096***
	(0.011)	(0.012)	(0.007)	(0.011)
Employed	0.197***	0.065***	0.039***	0.223***
	(0.008)	(0.008)	(0.006)	(0.008)
Rural	0.017	0.064***	0.043***	0.004
	(0.014)	(0.013)	(0.008)	(0.011)
African	0.130***	−0.020	0.091***	0.059*
	(0.025)	(0.027)	(0.030)	(0.031)
Coloured	0.109***	−0.035	0.060*	0.083**
	(0.031)	(0.031)	(0.032)	(0.036)
Indian	−0.013	0.019	0.027	−0.033
	(0.045)	(0.051)	(0.055)	(0.050)
Female-head	−0.004	0.051***	0.005	0.052***
	(0.016)	(0.016)	(0.010)	(0.014)
Respondent characteristics				
Age in years	−0.003*	−0.004*	0.001	0.006***
	(0.002)	(0.002)	(0.001)	(0.002)
Age squared/100	0.005***	0.006***	−0.002*	0.009***
	(0.002)	(0.002)	(0.001)	(0.002)
Primary	0.026	−0.040	0.008	0.006
	(0.024)	(0.025)	(0.019)	(0.024)
Incomplete secondary	0.057**	−0.030	−0.024	−0.003
	(0.024)	(0.026)	(0.019)	(0.024)
Matric	0.109***	0.024	0.070***	−0.063**
	(0.025)	(0.028)	(0.019)	(0.025)
Diploma/degree	0.220***	0.042	0.122***	0.140***
	(0.028)	(0.029)	(0.019)	(0.026)
Male	0.037**	0.042***	−0.014	0.065***
	(0.016)	(0.016)	(0.010)	(0.014)
Not married	−0.027*	−0.016	0.012	0.031***
	(0.014)	(0.014)	(0.008)	(0.012)

	Poverty status gap		Poverty status overlap	
	PP and MN	**PN and MP**	**PP and MP**	**PN and MN**
Divorced	0.030	0.010	−0.012	−0.028
	(0.029)	(0.030)	(0.018)	(0.023)
Widowed	−0.012	−0.008	−0.008	0.028
	(0.021)	(0.021)	(0.012)	(0.018)
Sample	10,370			
Population	10,292,743			

Source: GHS (2022) own calculations. Notes: The data are weighted using the survey weights. Standard errors in parentheses. PP = perceived poor, PN = perceived not poor, MP = measured poor, MN = measured not poor. Reference categories are: urban, white, male head, no schooling, female, and married. $^{*}p < 0.1$.
$^{**}p < 0.05$.
$^{***}p < 0.01$.

Table 6.
Multinomial probit regression of a combined poverty outcome.

Employment and education powerfully offset both kinds of deprivation. Each extra worker slashes the probability of being poor on either metric, and respondents with matric or tertiary qualifications are markedly less likely to report or be classified as poor, in line with human capital theory [81]. Demographic markers reinforce South Africa's historical divides: African or Coloured households, rural residences, and female headship all raise poverty risks relative to White, urban, or male-headed households. Age enters non-linearly; adding age and age^2/100 reveals the classic U-shape of life-cycle poverty, with middle-aged heads facing the lowest risk [64, 82].

Table 4 recasts the outcome into four categories—poor/poor (PP and MP), poor/not poor (PP and MN), not poor/poor (PN and MP), and not poor/not poor (PN and MN)—and estimates a multinomial probit. A positive coefficient in the PP and MP column signals greater overlap; a negative one indicates divergence. More children raise the likelihood of being poor on both measures, confirming that large families suffer simultaneous material and felt hardship, a result that matches cross-country evidence for Pakistan [83]. Conversely, households with additional workers are less likely to appear in PP & MP and more likely in PN and MP, showing that jobs dampen perceived deprivation even when wages leave income below R1 417 per capita.

Pensioners deliver a mixed message: their coefficient is positive in PP and MN but negative in PN and MN. Stated differently, more pensioners make it likelier that a household feels poor even while income grants lift it above the line, yet unlikelier that it feels comfortable once cash metrics also signal adequacy. This dual role mirrors earlier research that grants boost objective welfare but cannot fully dispel insecurity [79, 80].

Gender and location illustrate how social context widens or narrows the perception gap. Female-headed households are significantly more likely than male-headed ones to fall into PN and MP—income-poor but self-assessed non-poor—and less likely to be non-poor on both measures. Grants tied to childcare, coupled with lower material aspirations, appear to cushion feelings of deprivation without lifting total income, yielding the "perceived okay, measured poor" pattern. Rural households show a similar mismatch: they are often measured as poor yet do not label themselves poor, suggesting adaptation to local living standards and a narrower set of reference comparisons than urban dwellers.

Race remains a decisive factor. African and Coloured households are less likely than White households to report being poor while classified non-poor (PN and MP), implying that subjective and objective lines converge more tightly for historically disadvantaged groups. Being unmarried also pushes households toward overlap, reducing the PN and MP gap.

Comparing the results with earlier national work, Posel and Rogan [4] documented a three-fifths overlap between subjective and money-metric poverty in 2008/2009 and found employment and household size to affect both indicators similarly. The current results sharpen that picture in three ways. First, while household size still matters, the number of children now drives measured poverty far more than perceived poverty, pointing to rising education-related costs that are reflected in income tests but not fully in subjective judgements. Second, employment has become a stronger psychological buffer: even when income remains below the poverty line, having additional earners now markedly lowers the chance that a household feels poor, a shift that may reflect upgraded labour-market attachment after a decade of social-grant expansion. Third, the rural-urban divergence is wider: rural families are increasingly measured as poor yet self-assess as non-poor, whereas urban households report deprivation at higher income levels, consistent with relative deprivation theory.

Taken together, the findings corroborate Sen's capabilities view that poverty encompasses both resources and perceptions: the same covariate—children, pensioners, and jobs—can raise or relieve hardship depending on whether the lens is cash-based or experiential. They also echo the life-cycle argument that poverty risk traces a U-shape across age [64, 82] and aligns with human capital theory in highlighting education's protective role [81]. At the same time, the chapter adds nuance: pension income narrows measured poverty but only partially narrows perceived poverty; female headship and rural residence widen the measured–perceived gap by elevating subjective resilience or lowering reference thresholds.

Some lessons for policy emerge. Because 35% of households sit in the "mismatched" cells, programmes that target only one indicator risk misallocating support. Large families with many young children may require direct childcare subsidies even if parents do not self-identify as poor, while female-headed or rural households might benefit from psychological or informational support that acknowledges their felt adequacy yet recognises hidden material shortfalls. Improving job quality and expanding post-school training remains critical, as employment lowers perceived poverty even before incomes surpass the line. Finally, the widening rural-urban gap argues for place-based adjustments to the national poverty line or supplementary regional benchmarks.

The analysis is subject to several limitations. The cross-sectional design prevents causal claims. In addition, unobserved reference-group effects may bias coefficients, particularly for urban households exposed to higher consumption norms. Instrumental-variable strategies or experimental vignettes could help isolate such influences.

Household composition, employment, education and demographic markers jointly determine material and subjective deprivation in South Africa, yet their effects are often asymmetric. Children and rural residence drive income poverty more than felt hardship, while employment and female headship tilt perceptions upward without always lifting cash resources. The 2022 evidence therefore both confirms and updates earlier work [4], implying that the gap between subjective and money-metric poverty is evolving alongside social grants, labour-market shifts and changing reference norms. Policy that ignores either indicator risks missing sizeable groups in need.

4.4 Summary

To disentangle the determinants of household deprivation and the mismatch between objective and subjective benchmarks, the section first estimates binary probit models for each poverty measure and then applies a multinomial probit to the four-way overlap categories. Each household is treated as a single observation; marginal effects for the probit regressions are reported because raw probit coefficients lack intuitive probabilistic meaning [71]. In the initial binary probit analysis, two specifications are run for each poverty measure. The basic model includes only household traits (children by age, pensioners, employed members, race, location, and head gender); the full model adds respondent attributes (age, schooling, and marital status), following evidence that the interviewer's proxy perceptions can shape reported hardship [4]. Household size is excluded to avoid multicollinearity with the compositional counts [70].

To explore where the two poverty indicators diverge, the analysis reclassifies outcomes into four mutually exclusive categories—poor/poor, poor/non-poor, non-poor/poor, non-poor/non-poor—and estimates a multinomial probit (MNP). Unlike the multinomial logit, the MNP relaxes the independence-of-irrelevant-alternatives assumption, which can be unrealistic when alternatives are correlated [70, 72].

Results reveal common and distinct drivers. Employment and education sharply reduce both measured and perceived poverty, while African or Coloured ethnicity and rural residence elevate both risks. Social grants (proxied by pensioners) cut measured poverty but leave subjective assessments largely unchanged, indicating income support alone does not guarantee a feeling of security. Conversely, perceived poverty is strongly shaped by economic stability and reference expectations, whereas measured poverty is more sensitive to dependency ratios. Policy should therefore combine job creation, targeted transfers, and behavioural interventions to tackle monetary shortfalls and subjective well-being simultaneously.

5. Conclusion

Accurately gauging poverty is pivotal for diagnosis and policy [84]. Drawing on the 2022 General Household Survey, this chapter revisits South Africa's gap between *measured* (income-based) and *perceived* poverty, last assessed nationally with 2008/2009 data [4]. Using the upper-bound national poverty line to define income-based poverty and the self-perceived wealth question (SPWQ) to gauge perceived poverty, this chapter compares households' classification under both approaches. Using nationally representative data from the 2022 GHS, there is sizeable agreement—nearly half of households rank non-poor on both measures, and roughly one-fifth rank poor on both—yet about one-quarter are income-poor but do not feel poor, and around one-tenth feel poor despite exceeding the upper-bound national poverty line. The divergence confirms that subjective and objective indicators capture related but distinct facets of deprivation.

Probit regressions reveal both shared and divergent drivers. More income earners or pensioners sharply lower the odds of poverty on either measure, whereas additional children raise *measured* poverty but leave *perceived* poverty unchanged—mirroring findings for Malawi and Pakistan [3, 83]. African and Coloured households, rural residence, and low education heighten both risks, while higher schooling and employment lessen them, in line with human capital theory [81].

A multinomial probit then models the four overlap categories. Female-headed households in South Africa are disproportionately concentrated in the "income-poor yet self-assessed non-poor" group and, by contrast, are under-represented among households that are non-poor on both metrics. This pattern likely stems from the steady flow of social grants and tighter budgeting norms that temper women's perceptions of hardship even as enduring labour-market disadvantages keep their cash incomes below the poverty line. More children, rural location and male headship, by contrast, widen the mismatch. The chance that African households feel poor while classed non-poor also falls relative to White households, implying a narrower gap for historically disadvantaged groups.

Taken together, the results refine earlier work by Posel and Rogan [4]. Household composition and social grants remain pivotal, but employment has become a stronger psychological buffer: even where wages leave incomes below the national line, work reduces the sense of poverty. Rural households increasingly adapt subjectively to low cash incomes, while urban dwellers compare themselves to higher standards, supporting relative deprivation arguments. Policy must therefore blend income support, job creation and behavioural interventions, as relying on a single metric risks mistargeting a substantial minority of households.

The study's limitations include the cross-sectional design—precluding causal claims or intra-household perception analysis—and potential unobserved heterogeneity. Future work should exploit panel data, probe equivalence scales [60] and refine subjective poverty lines to deepen understanding of South Africa's evolving poverty gaps.

Conflict of interest

The authors declare no conflict of interest.

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This edited volume, *Poverty – Associated Risks and Alleviation*, presents a structured examination of the multifaceted challenge of global poverty. Moving from the international to the local level, it provides a comprehensive examination based on the continuum from theory to practice. The chapters combine the theoretical underpinnings of inequality, the features of national social policies, and the complexities of program-level interventions. Through its methodologically diverse approach, the volume contributes to achieving the Sustainable Development Goals. The chapters in this volume provide both research insights and practical recommendations, spanning disciplines such as economics, management, sociology, social policy, and social work. This book is helpful for academics and professionals focused on poverty theories, development aid, public services, and policymaking related to poverty alleviation. Additionally, it serves as a supportive tool for students, practitioners, and individuals working in government, business, and non-governmental organizations.

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