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POLICY BRIEF 2

# Towards a Decent Living Level

NOVEMBER 2013 • BY ISOBEL FRYE



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POLICY BRIEF 2

# Towards a Decent Living Level

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# This Policy Brief sets out the parameters of a new study into developing a minimum living level being undertaken by SPII and contains an Appendix with useful current poverty, unemployment and social grant information.

**D**espite the political transition in 1994 from an exclusionary, racial capitalist state under Apartheid to an inclusive democratic one, and notwithstanding having one of the most progressive constitutions globally, South Africa continues to face the destructive and corrosive dynamics inherent in being a country with one of the most unequal levels of income inequality across both the developed and developing worlds and exceedingly high levels of income and asset poverty.

Broad unanimity exists that these dynamics pose a potentially insurmountable obstacle to building the levels of social cohesion necessary to complete the transformation of our society into a vibrant, inclusive and productive nation. High levels of income inequality have been found to reduce the potential of economic growth to reduce poverty levels<sup>1</sup> in any significant way, which effectively questions the underlying assumptions in the principle of 'redistribution through growth', first introduced officially through GEAR in 1996, although its resonance continues in the absence of any significant mechanisms for redistribution of vested ownership or access in subsequent policy iterations, including the National Development Plan 2030.

The status of an 'official' poverty line is unclear. Statistics South Africa has been using three poverty lines since 2009; however the process for formally adopting these at NEDLAC imploded due to an inability for the four constituencies to reach consensus on what it was that needed to be measured and tracked.

These three poverty lines include a food poverty line of R305 per person per month, a 'lower-bound' poverty line of R416 per person per month, and an 'upper bound' poverty line of R577 per person per month, in 2009 prices<sup>2</sup>.

The clear question that emerges however is: in an upper middle income country, to what extent do these figures correlate to peoples' own views of what constitutes an acceptable living level, and if so, what would this be?

Over a century of literature exists that documents trends in poverty related studies. In South Africa we have a documented past that sought to use 'scientific' studies to justify absolute, survivalist wages paid to black African workers under Apartheid. Since 1994, a number of studies have been undertaken that seek to expand policy makers' appreciation of the nature, extent and impact of poverty in South Africa.

For SPII, it is important to place such enquiries firmly within a human rights – based framework. This translates into an understanding of what would constitute an acceptable 'minimum social floor' – a standard of living below which no one should fall, and that would constitute an unmistakable trigger for the state to intervene to lift those people above the floor in a very tangible manner. As set out in the National Development Plan<sup>3</sup>, this would

<sup>1</sup> *World Development Report 2006. Equity and Development. The World Bank, 86.*

<sup>2</sup> *Statistics South Africa. Subjective Poverty in South Africa. Findings of the Living Conditions Survey 2008/09. 2012.*

<sup>3</sup> *National Planning Commission, The Presidency, Republic of South Africa. National Development Plan 2030. Our future – make it work, page 357.*

include income and livelihood security, food, water, sanitation, electricity, health care and education. However, if we seek a nation that thrives, rather than just survives, there are clearly a number of things that need to be added to that to ensure that a minimum floor might meet the Constitutional guarantee of a life of dignity to all who live in South Africa.

SPII and a number of collaborative partners produced an extensive scoping in 2006 of current approaches that could be used to conceptualise, define, measure and track poverty over time<sup>4</sup>. What we seek to spearhead over the next six months are a series of engagements that establish what ordinary people in South Africa believe should go into making up a full basket of basic needs that should be available to every South African.

## Cometh the time ....

This enquiry we believe is critical in our current socio- economic and political climate. COSATU, the largest trade union federation, has recently called for the introduction of a national minimum wage of R3 500 per worker per month. The tragic events of Marikana last August and the subsequent De Doorns agricultural workers strike demonstrate the desperation that people find themselves in who are not able to meet their basic needs.

It is also impossible to measure whether the current values of the social assistance social grants go anywhere near providing recipients with the means to meet their basic needs, in the absence of such an articulated basket.

## Methodology

There exist a myriad number of ways in which poverty is defined and measured. Elegant and complicated equations exist that seek to delineate the basic needs of children, grown men and women, and manual or executive workers. Questions of weighting for household size also seize attention, and this is important given the far higher dependency ratio in poor households (larger size of households dependant on far fewer income earners). From our own applied learning's, the complicated steps involved in these enquiries generally alienate ordinary people from being able to identify with the outcome which directly reduces the possible societal commitment we believe exists amongst the majority of people living in South Africa to ensure that these basic needs are met. Through this research project, we are seeking to find out whether we could really begin to sketch out consensus across the country about what should constitute a basic basket.

This work builds on the outcomes of a detailed study undertaken by CASASP – the Centre for the Analysis of South African Social Policy – around 2004, which included over 50 focus group studies across geographic spread, class and race in South Africa<sup>5</sup> found that there was indeed a very high correlation amongst all participants about what constitutes a basic basket of necessities, and too, that the majority of participants were not able to afford these items.

The CASASP study did not however seek to quantify the goods, or identify quality thresholds or cost out such a basket. In SPII's current project, which is being undertaken through the Community Constituency at NEDLAC and with the support of the Friedrich Ebert Stiftung and collaboration of COSATU, we shall seek to undertake, on an indicative rather than representative level at this stage, precisely such an enquiry.

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<sup>4</sup> SPII. *The Measurement of Poverty in South Africa Project: Key Issues, Working Paper No 1.* Available at [www.sp.ii.org.za](http://www.sp.ii.org.za).

<sup>5</sup> Department of Social Development, *Methodology for the Qualitative Stage of the Indicators of Poverty and Social Exclusion Project, Key Report 2, 2005.* Available at <http://www.casasp.ox.ac.uk/docs/IPSE%20Key%20Report%202%20DSD-CASASP.pdf>

The point of departure for such a study will begin with a nutritionally sufficient basket of food that is required to meet peoples' nutritional needs, preventing ill health and developmental deficits. This basket will be verified through focus groups that will also explore what other goods and services are deemed necessary to live an integrated life. Questions of clothing, transport costs, access to mobile phones and internet connectivity are crucial if we want to begin to provide the architecture for the subsequent costed detail.

The findings of these focus groups will then be shared at various seminars, and finally costed up, and then broadly disseminated by mid-2014.

One of the objectives of this study is also to begin to ask the question of how these costs should thus be met, in a society with as high income inequalities as ours. Should the poor bear the brunt of poverty, or should there be a societal commitment to dismantle the multigenerational consequences of Apartheid wages and alienation from the means of production?

*We hope that you will follow this debate and participate in it as much as possible. All information will be available on [www.spii.org.za](http://www.spii.org.za).*

# APPENDIX

## Statistics in Brief<sup>6</sup>

### Highlights

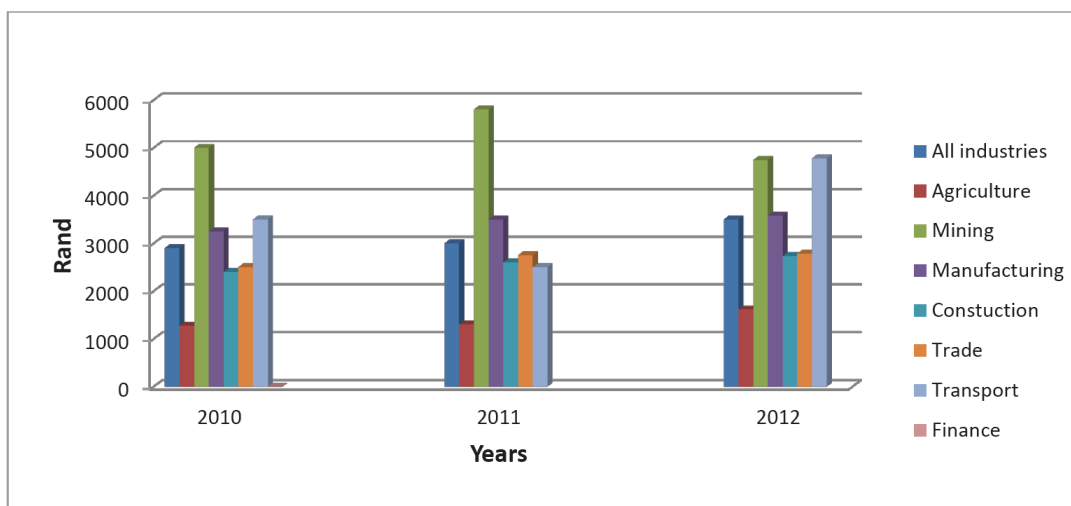
- ▶ In the 2011 Census, the South African population was recorded to be at about 51.8 million which reflects a 27.5% growth from the 1996 Census.
- ▶ In 2013: Q2, the broad unemployment rate was 38.4% ( 7.1 million people) and the narrow unemployment rate was 25.6% (4.7 million people)
- ▶ In 2013:Q2, the total number of unemployed people was 7.1 million; this includes 2.4 million discouraged work-seekers.
- ▶ Of the total white population, 41.9% (1.9 million people) were found to have been employed relative to 23.3% (9.8 million people) of the total black African population, in the second quarter of 2013.
- ▶ The mean minimum wages for all industries was R3 500 per month in 2012, the lowest being agriculture at R1 614 and the highest being transport at R4 778.
- ▶ At the end of 2012, there were on average 16.1 million grant recipients.
- ▶ The majority of grants recipients receive the Child Support Grant. This was set at R290 a month in April 2013 (R300 per child

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<sup>6</sup> This information is taken from a soon to be published Poverty Stats Brief by SPII.

# Socio-economic indicators

## SA wages

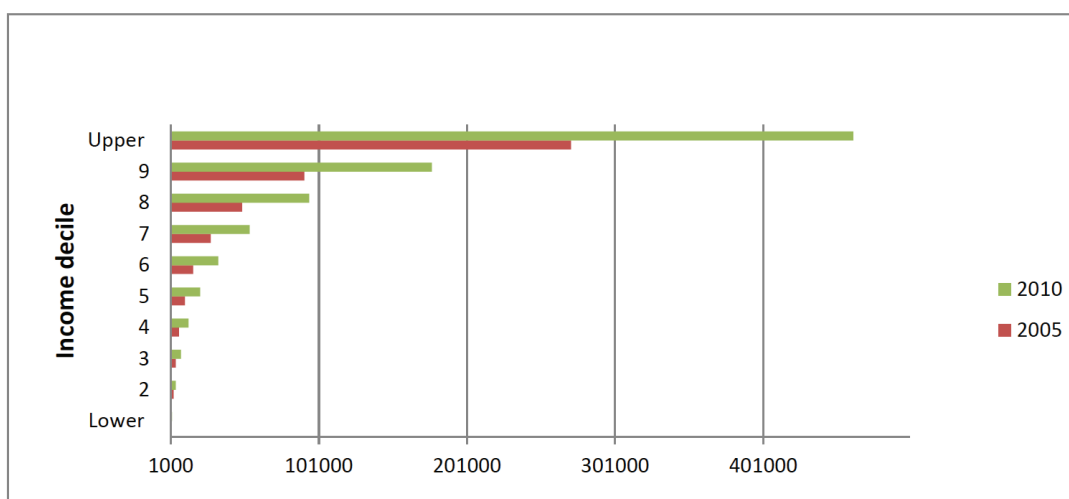
### Minimum earnings by Industry, 2010-2012



Source: Labour Market Dynamics, <http://www.statssa.gov.za/publications/statspastfuture.asp?PPN=Report-02-11-02&SCH=5317>, various years

- ▶ In 2012, the median minimum wage for all industries was R3 500 per month.
- ▶ The median minimum wage earnings in the mining industry was about R5 800 in 2011. This figure decreased however to R4 743 in 2012. The mining sector has experienced a number of strikes in the past couple of years. These strikes were over higher wage demands and better working conditions. Mining bosses threatened to fire workers and some have already starting retrenching miners in the face of demands for better work conditions and pay. This contributed significantly to the number of job losses in this sector and the overall increase in the unemployment rate.<sup>7</sup>
- ▶ Agriculture offered a median minimum wage which was set at R1 600 in 2012. The median minimum wage in this sector is the lowest compared to other sectors.

### Average household income deciles, 2005 & 2010



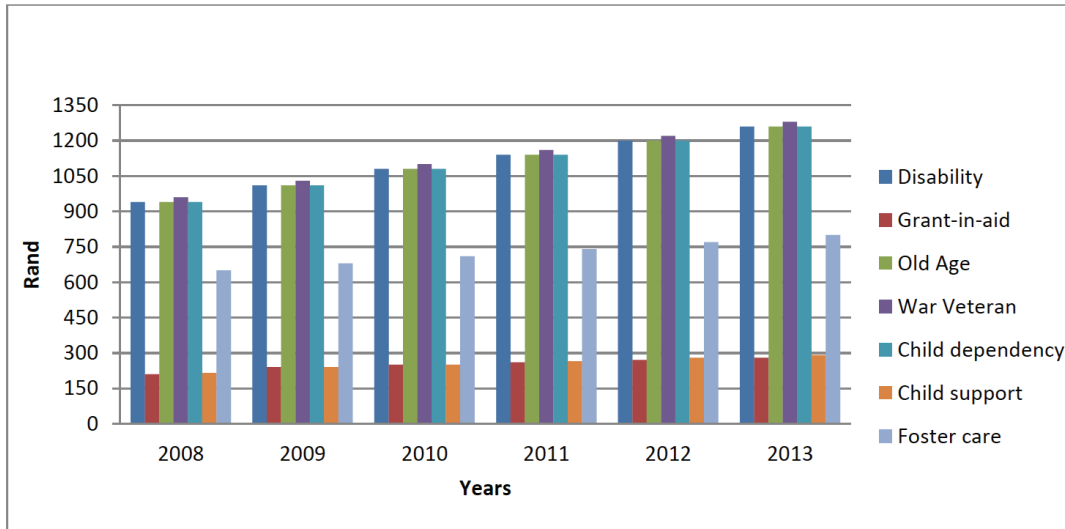
Source: Income and Expenditure survey, [www.statssa.gov.za](http://www.statssa.gov.za), various years

<sup>7</sup> Bench-marks Foundation, <http://www.bench-marks.org.za/>

- ▶ In 2005 households in the upper income decile received an average of R271 256 per annum from salaries and wages. This increased to R461 804 in 2010 i.e. a 70.3% increase.
- ▶ Households in the lower income decile received an average of R1 159

## Social Grants

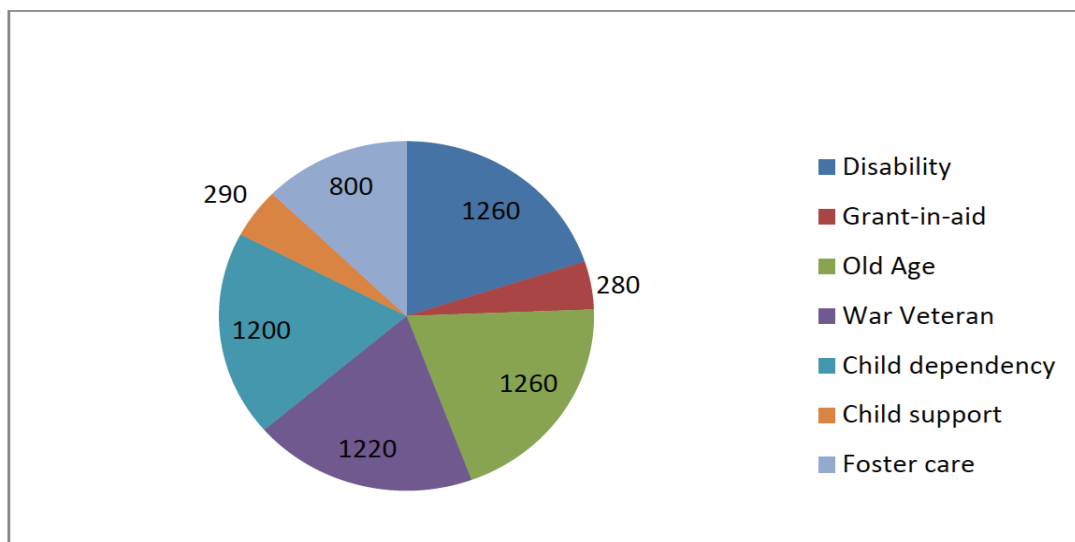
### Value of Social Grants, 2008-2013



Source: National Treasury, <http://www.treasury.gov.za/>, various years

- ▶ The nominal value of all social grants increased between 2008 and 2013.

### Social Grant Amount, 2013

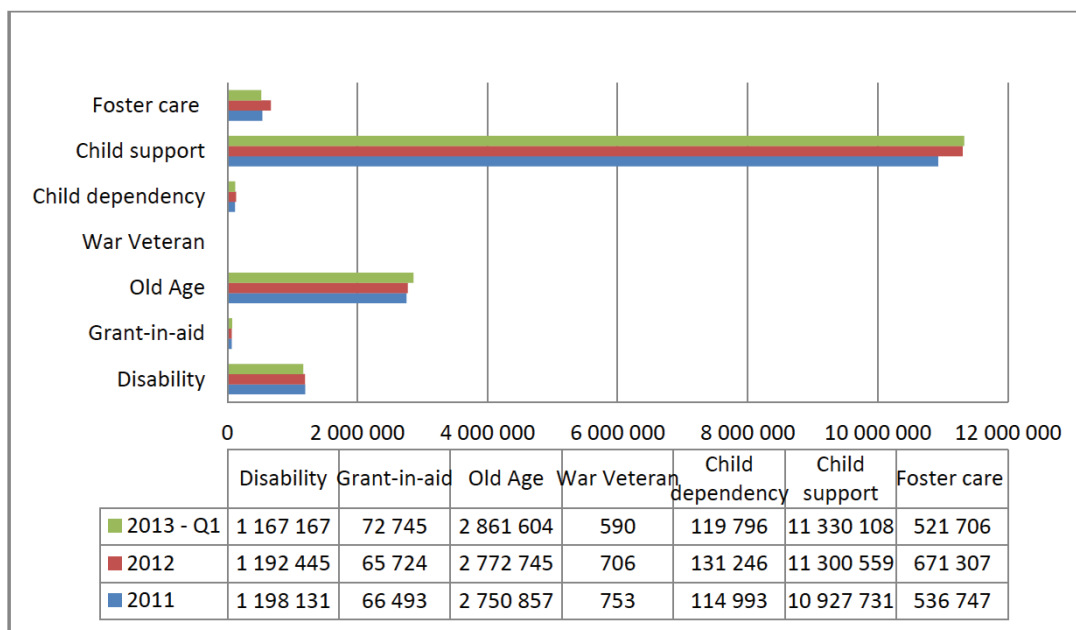


Source: Social Grants Summary, <http://www.blacksash.org.za.2013>

- ▶ Recipients accessing the Child Support Grant received R290 from April 2013, it then increased to R300 per child per month in October 2013.
- ▶ Disability and Old Age Grant recipients received R1 260 monthly in 2013.



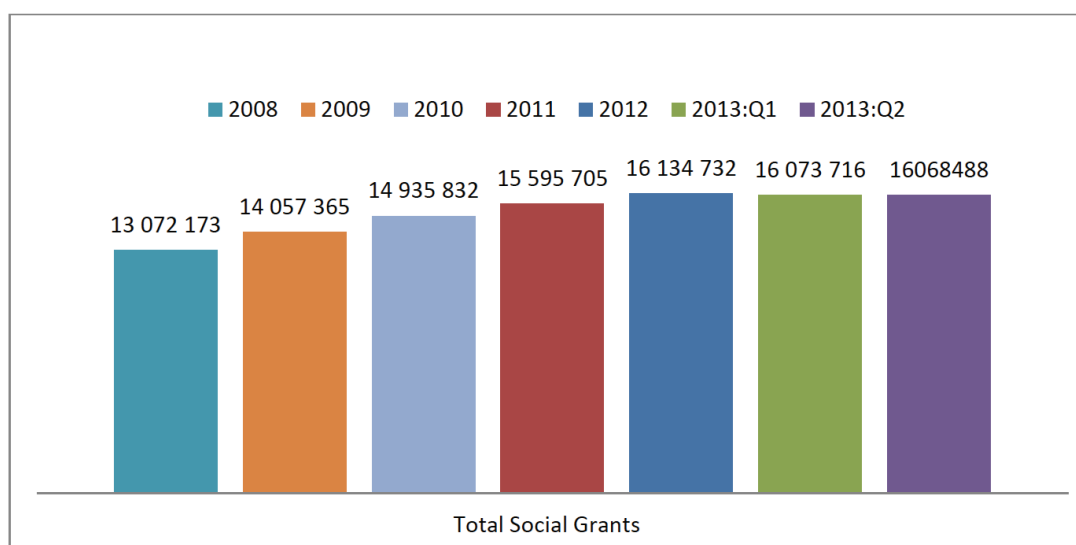
## Grant Recipients, 2011-2013:Q1



Source: SASSA Annual Report, <http://www.sassa.gov.za/ANNUAL-REPORT-635.aspx>, various years

SASSA Statistical Report: Fact Sheet no. 1 of 2013, <http://www.sassa.gov.za/STATISTICAL-REPORTS-654.aspx>

## Grant Recipients, 2008-2013:Q2



Source: SASSA Annual Report, <http://www.sassa.gov.za/ANNUAL-REPORT-635.aspx>, various years

SASSA Statistical Report: Fact Sheet no. 1 of 2013, <http://www.sassa.gov.za/STATISTICAL-REPORTS-654.aspx>

- ▶ In 2008, South Africa had 13.1 million social grant recipients which increased substantially to 16.1 million in 2012, mainly due to the Constitutional Court ruling on the extension of the Child Support Grant to all children who complied with the means test up to the age of 18 years.
- ▶ It is interesting to note the decline in the number of people receiving grants. In 2013:Q1, there were 16 073 716 grant recipients, which reduced to 16 068 488 grant recipients in 2013:Q2. This is attributed to some recipients having not collected their grants in that period, on-going investigations at SASSA to deal with fraud, and the transition from the old to the new SASSA Payment Card system.

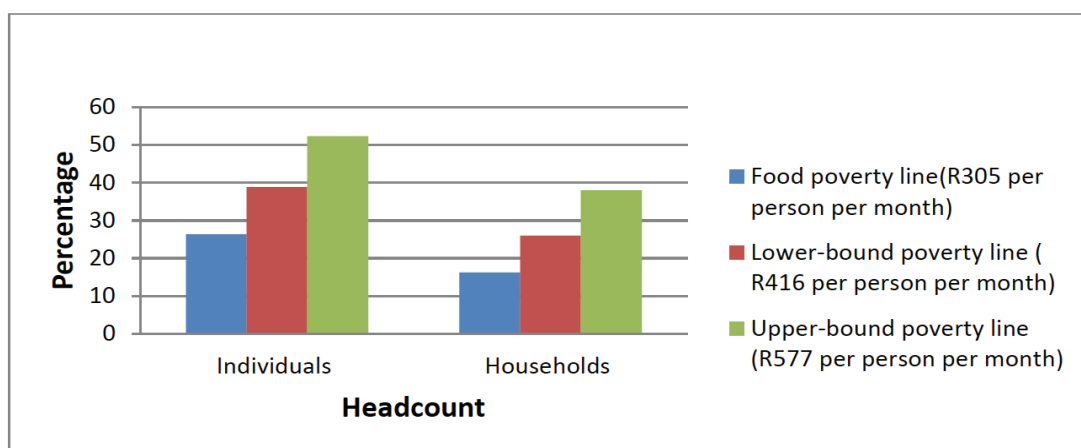
## Poverty – Subjective and Objective Poverty Levels, the Statistics South Africa Living Conditions Survey 2008/09.

### Objective poverty

Objective poverty is based on an 'expert' or externalised definition of poverty. Stats SA used both the objective, absolute money-metric poverty line approach and, for the first time in SA, a subjective approach in their analysis of the 2008/09 Living Conditions Survey data.

To obtain the lower and upper-bound poverty lines of R416 and R577 per person per month in 2009 prices, a food poverty line of R305 pm was used, which was the costing of the calorific threshold of Kilocalories.

### Objective poverty, 2008/09



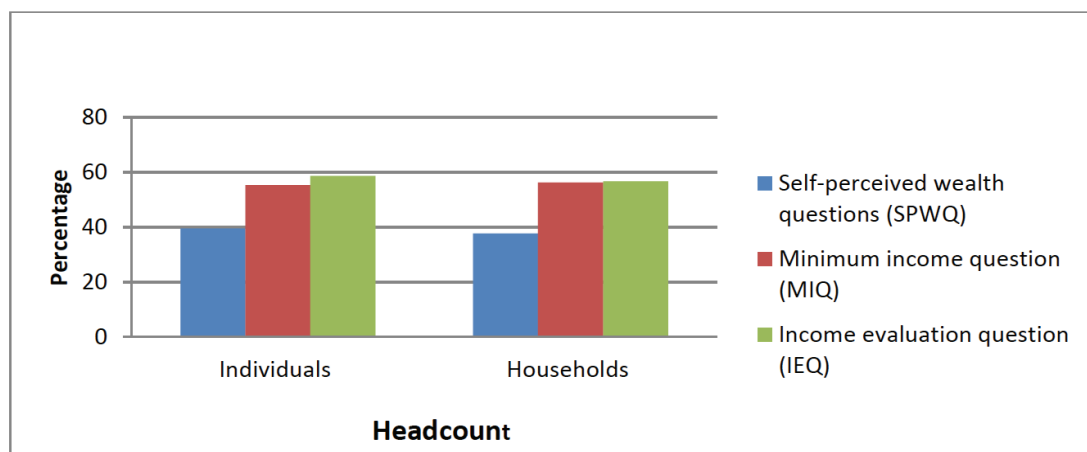
Source: Living Conditions survey, <http://www.statssa.gov.za/publications/P0310/P03102008.pdf>, 2008/09

- ▶ In 2008/09, 26.9% of households in SA lived below the poverty line of R416 per person per month.
- ▶ Fifty-two per cent of individuals live below an income of less than R577 per person per month.
- ▶ A comparison between individuals and households reveals interesting results. Using all three measures of objective poverty, the LCS data show that those living in a household are better off than an individual living alone. For example, if there are three people in a household and each person receives R577 per month, their combined total household income will be R1 731, whereas an individual living on their own relies only on an income of R577 per month.

### Subjective Poverty

Subjective poverty is an individual's assessment of his or her own welfare, utility or happiness. It challenges the mainstream view that poverty is an objective, money-metric and uniformly applicable concept. Proponents of subjective poverty measures argue that by asking respondents whether they are poor provides a direct lens on well-being that could otherwise not be obtained from objective measure (Ravallion 2012).

## Subjective poverty, 2008/09



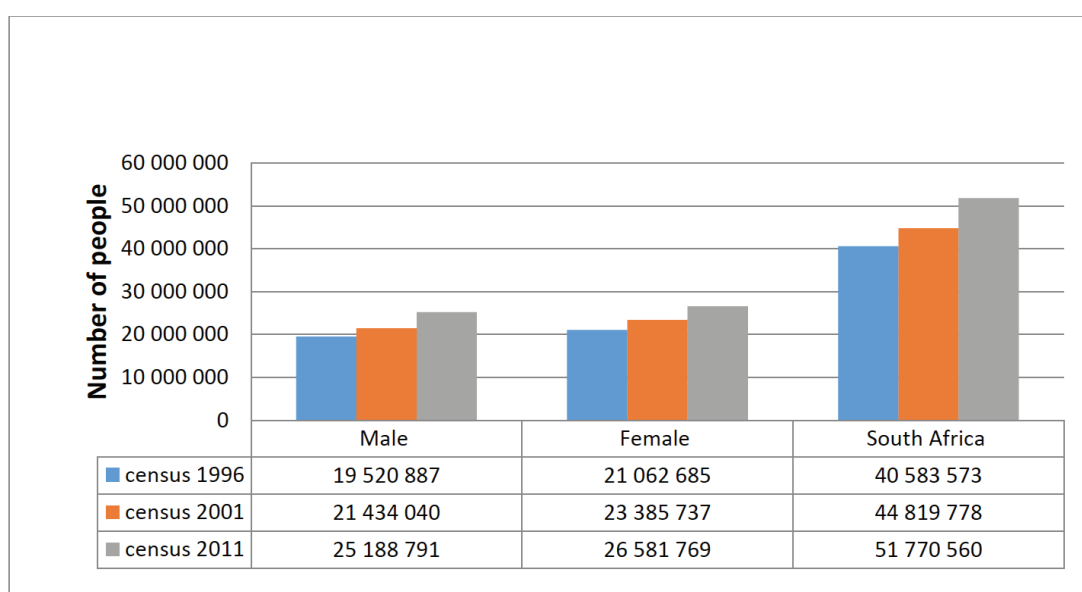
Source: Living Conditions survey, <http://www.statssa.gov.za/publications/P0310/P03102008.pdf>, 2008/09

- ▶ According to the 2008/09 Living Conditions Survey (LCS), 39.5% of individuals in the country perceive themselves as poor.
- ▶ In the 2008/09 LCS, respondents were asked to state the minimum amount which the household would require in order to make ends meet. This is what is known as the Minimum Income Question (MIQ). Using this classification as a measure of subjective poverty, 55.3% individuals, in other words, more than half of South Africans are classified as poor.

## Population

The first census conducted in the democratic South Africa was in 1996, and since then the South African population has increased significantly. South Africa has had two censuses conducted after that (in 2001 and 2011 respectively) and from these reports one can see the extent to which the country's population has increased.<sup>8</sup>

## SA Population, by gender, 1996-2011

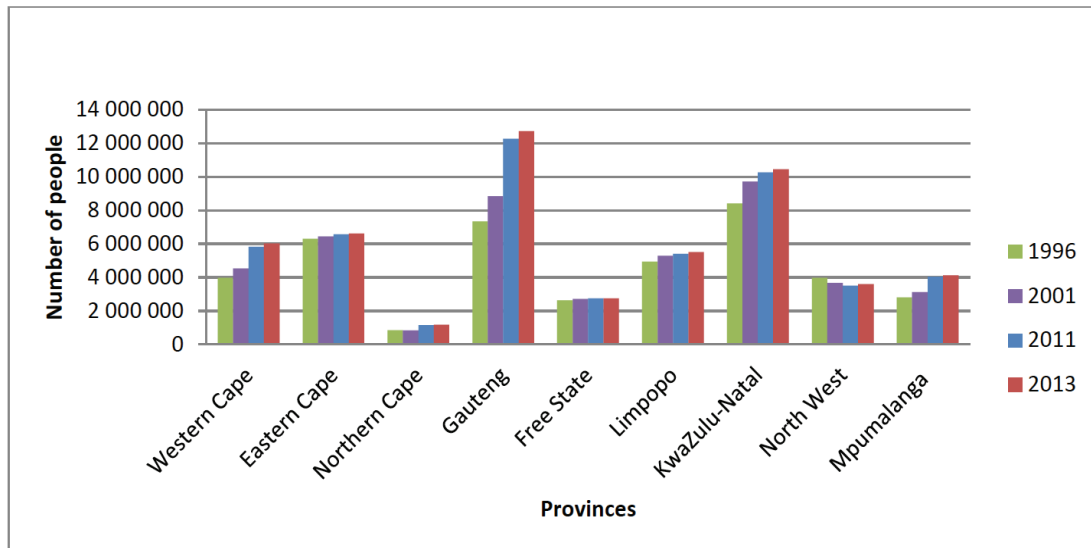


Source: Census 2011, [www.statssa.gov.za](http://www.statssa.gov.za)

<sup>8</sup> StatsSA, [www.statssa.gov.za](http://www.statssa.gov.za)

- ▶ The Census results show that the population of South Africa increased by 4 million between 1996 and 2001.
- ▶ The population increased by a further 7 million between 2001 and 2011. This means that the South African population increased by 27.5% in the past 15 years.

### SA Population, by Province, 1996-2013



Source: Census 2011, [www.statssa.org.za](http://www.statssa.org.za)  
 Mid-year Population Estimate, [www.statssa.gov.za](http://www.statssa.gov.za), various years

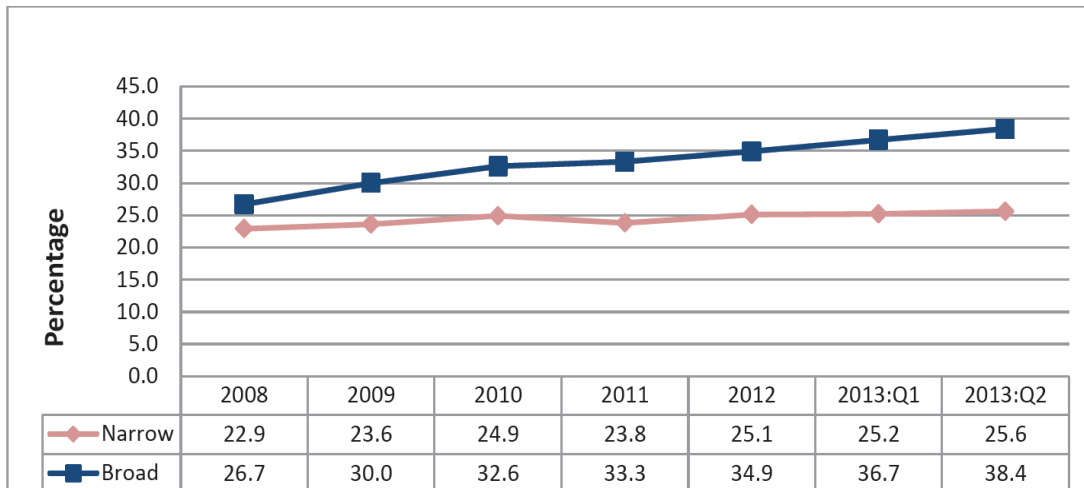
- ▶ Between 1996 and 2011, Gauteng's population almost doubled. In 1996, there were 7.4 million people in the province. The population increased to 12.3 million people in 2011.
- ▶ Between 1996 and 2001, the highest number of people lived in KwaZulu-Natal (KZN) – 8.4 million and 9.7 million people respectively. For the first time in 2011, Gauteng's population was higher than that of KZN.
- ▶ Since 1996 the province with the least number of people residing in it has been the Northern Cape. In 1996, the population in the Northern Cape was 840 thousand increasing slightly to 1.1 million people in 2011.

### Unemployment

South Africa is faced with a huge unemployment crisis and the youth are the significantly affected.

The unemployment rate has risen since 2008. This is due to the lack of jobs being created and also people simply giving up their search to find a job. – the so- called 'discouraged workseekers' who are however excluded from the official unemployment rate, and so are neither employed nor unemployed.

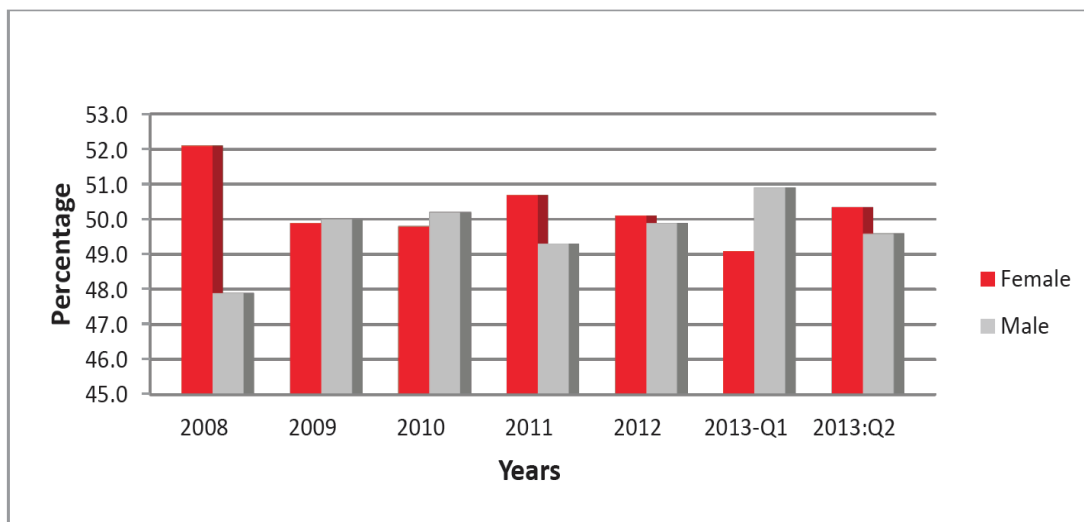
### Unemployment rate, 2008-2013:Q2



Source: Own calculations, Quarterly Labour Force Survey (QLFS) [www.statssa.gov.za](http://www.statssa.gov.za), various years

- ▶ Between 2008 and in 2012, the official unemployment rate increased by 2.2% from 22.9% to 25.1% respectively; that translates into 4.5 million people who are unemployed. This excludes discouraged worked seekers i.e. those who are not actively looking for work.<sup>9</sup>
- ▶ In 2013:Q2, the broad unemployment rate (which includes discouraged work-seekers) was 38.4% of the labour force, which reflects a marginal increase from 36.7% in 2013: Q1.
- ▶ In 2011, there was a slight decline in the percentage of people unemployed (23.8%), from 24.9% in the previous year, but this increased again quite significantly to 25.1% in 2012.

### Unemployment by Gender, 2008-2013:Q2

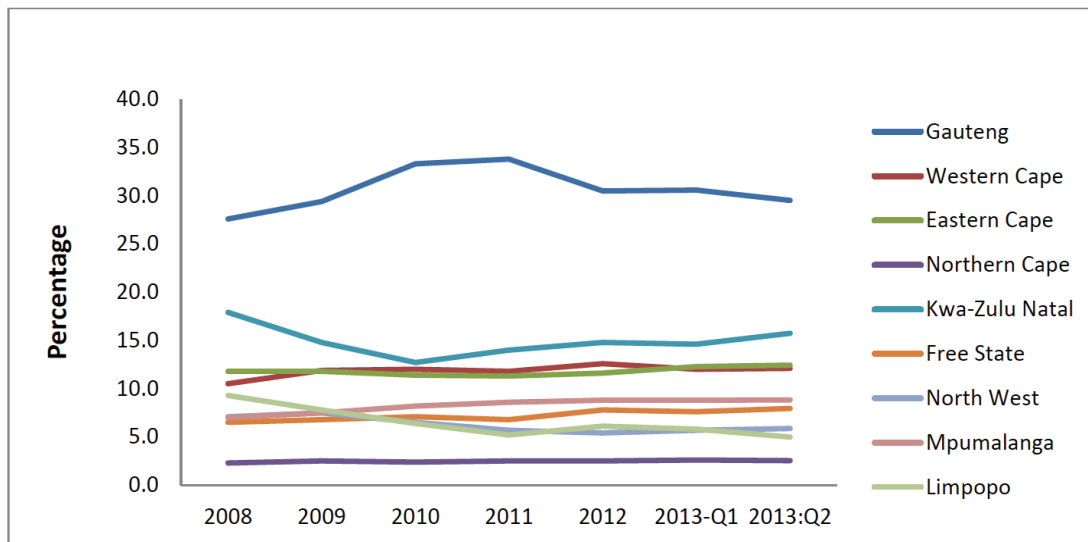


Source: Own calculations, Quarterly Labour Force Survey (QLFS) [www.statssa.gov.za](http://www.statssa.gov.za), various years

<sup>9</sup> Between 2008 and 2012, the average number of people in the labour force was 33 million.

- ▶ In 2008, 52% of the total unemployed population were females. This meant that a little over 2 million women were unemployed in 2008.<sup>10</sup>
- ▶ In 2013:Q2, 49.6% of men were unemployed, which is a decrease of 1.3% from the previous quarter.
- ▶ Interestingly, male unemployment fell to 49.3% in 2011 from 50.2% in 2010, but then rose again in subsequent years.
- ▶ Female unemployment increased from 49.1% in 2013: Q1 to 50.3% in 2013:Q2.

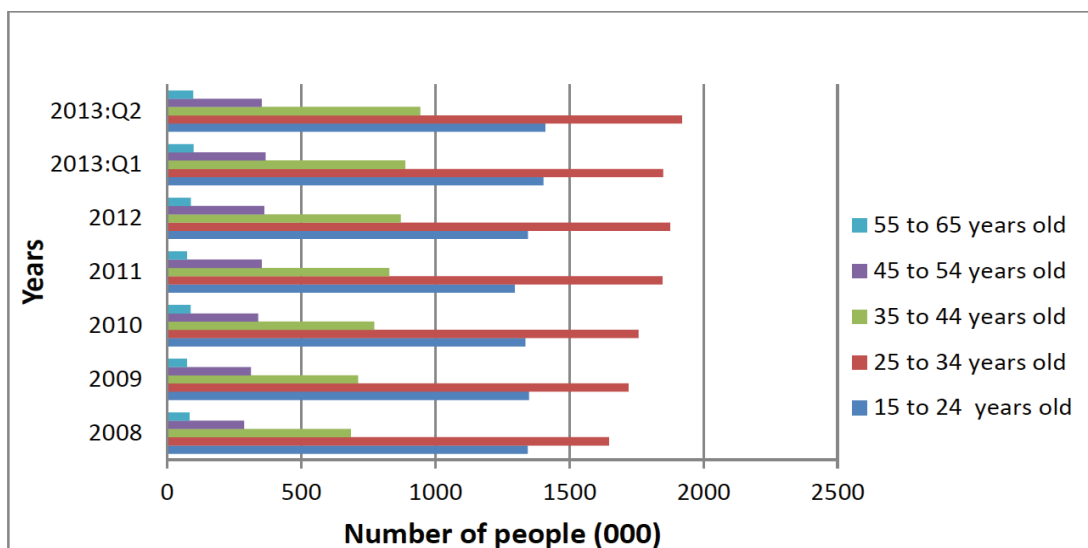
### Unemployment by Province, 2008-2013:Q2



Source: Own calculations, Quarterly Labour Force Survey (QLFS) [www.statssa.gov.za](http://www.statssa.gov.za), various years

- ▶ Gauteng has shown to have had the highest rate of unemployment since 2008 relative to other provinces. In 2008, 27.6% of the population in Gauteng was unemployed; this increased to 33.8% in 2011.
- ▶ It is interesting to note that the province with the highest number of people, KZN, between 2008 and 2011 had massive high levels of unemployment been this period (17.9% in 2008 and 14% in 2008). However, in 2010, there was a sharp decline in the percentage of people that were unemployed in the province (12.7% in 2010).

### Unemployment by Age, 2008-2013:Q2

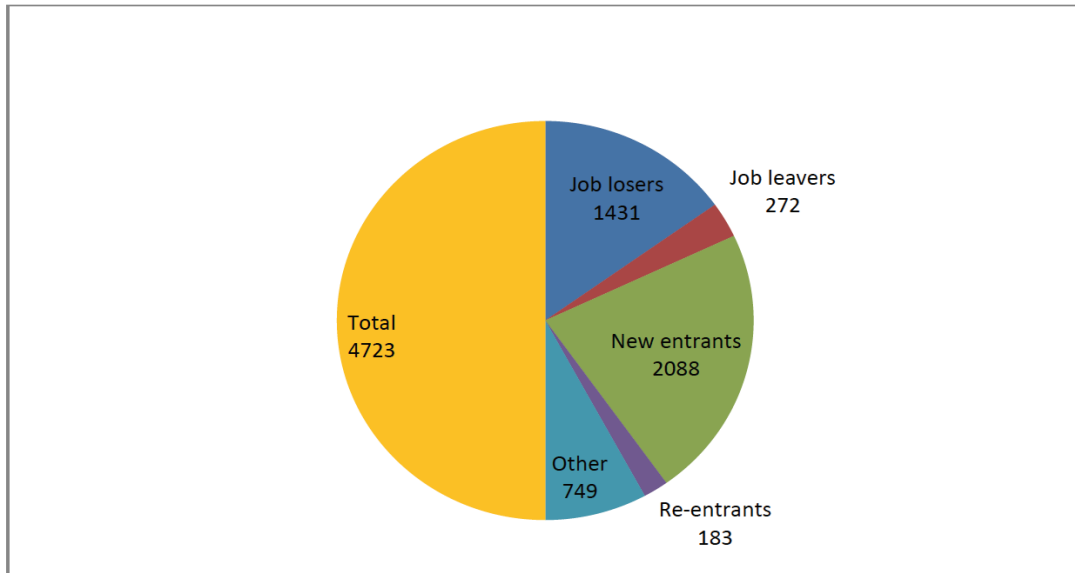


Source: Own calculations, Quarterly Labour Force Survey (QLFS) [www.statssa.gov.za](http://www.statssa.gov.za), various years

<sup>10</sup> In 2008 there were 16 million women in the labour market.

- ▶ Between 2008 and 2012, there has been an increase in the number of unemployed young people between the ages 25 and 34.
- ▶ In 2008, the number of unemployed people between 15 and 24 years was million and that number increased to 1.4 million in 2012.
- ▶ There has also been a consistent increase in the percentage of people unemployed between ages 35 to 44.

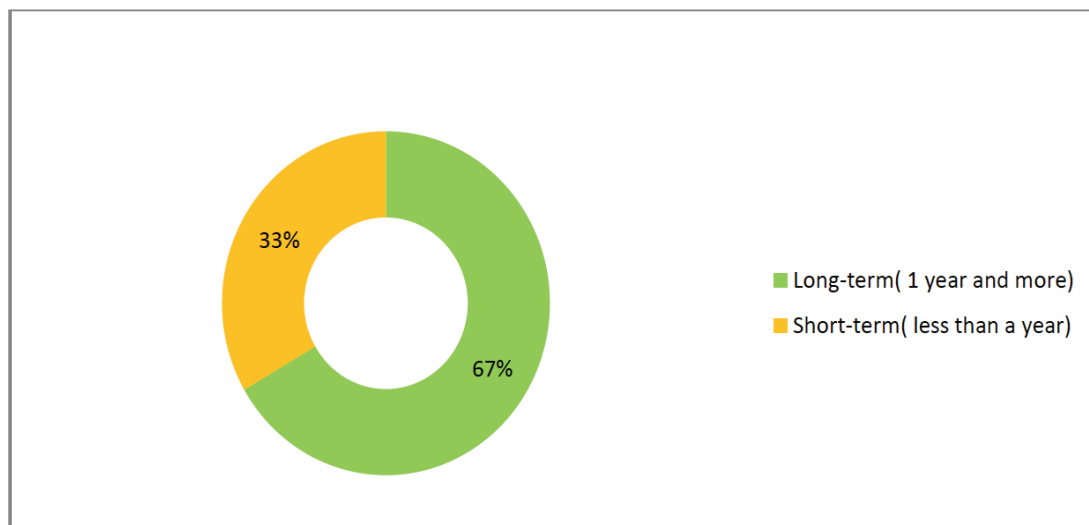
### Unemployment by type of Unemployment, 2013:Q2



Source: Own calculations, Quarterly Labour Force Survey (QLFS) [www.statssa.gov.za](http://www.statssa.gov.za), various years

- ▶ Of the total number of unemployed people in 2013:Q2, 44% (2 million people) were new entrants into the labour market.
- ▶ There were 1.4 million job losers in 2013:Q2, namely individuals that were laid off, fired or the business they worked for closed down.

### Length of unemployment, 2013:Q2

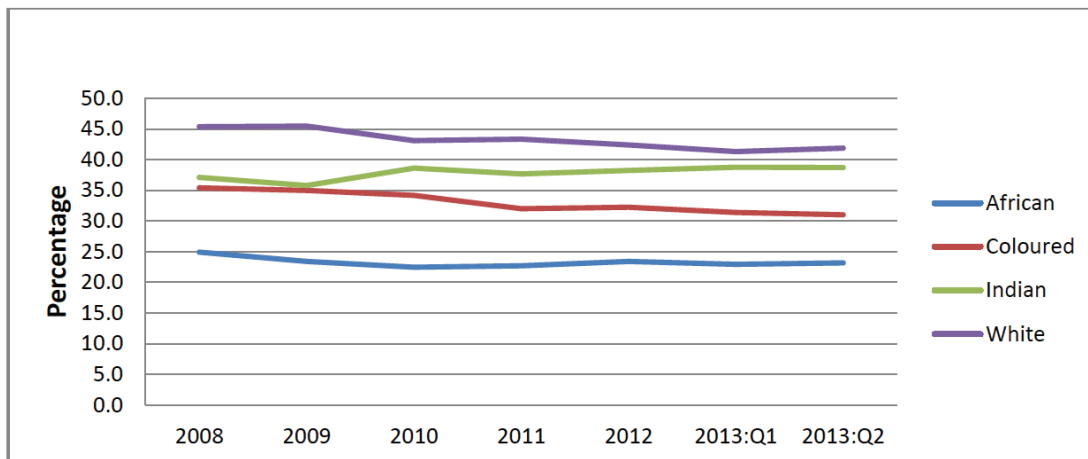


Source: Own calculations, Quarterly Labour Force Survey (QLFS) [www.statssa.gov.za](http://www.statssa.gov.za), various years

- ▶ Sixty-seven per cent of the total persons unemployed in 2013:Q2 had already been unemployed for one year and more this is about 3 million people. Only a third were unemployed for less than a year at this point. Unemployment beyond one year significantly reduces a person's probability for finding a new job, which is part of the structural nature of the unemployment crisis in South Africa.

## Employment

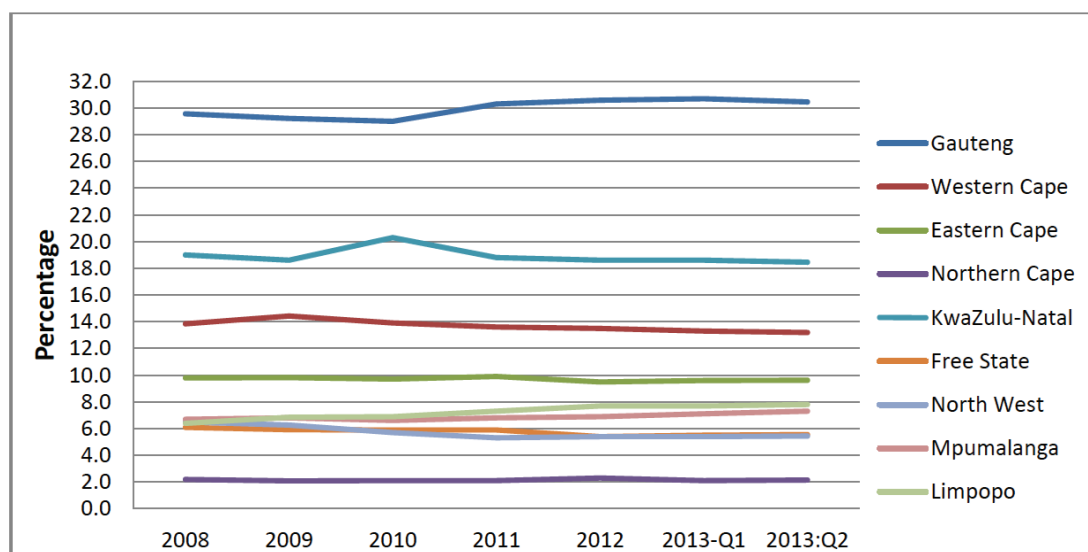
Employment by Race, 2008-2013:Q2



Source: Own calculations, Quarterly Labour Force Survey (QLFS) [www.statssa.gov.za](http://www.statssa.gov.za), various years  
Mid-year Population Estimate, [www.statssa.gov.za](http://www.statssa.gov.za), various years

- ▶ In 2012, 23.4% of Africans were employed, this is the equivalent of approximately 9.5 million Africans who were absorbed into the labour market. In South Africa, Africans make up 80% (41 million as at census 2011) of the total population.
- ▶ An average of 1.9 million white people were employed in 2012. That figure relative to the total white population shows that 42.4% of whites were employed.

Employment by Province, 2008-2013:Q2

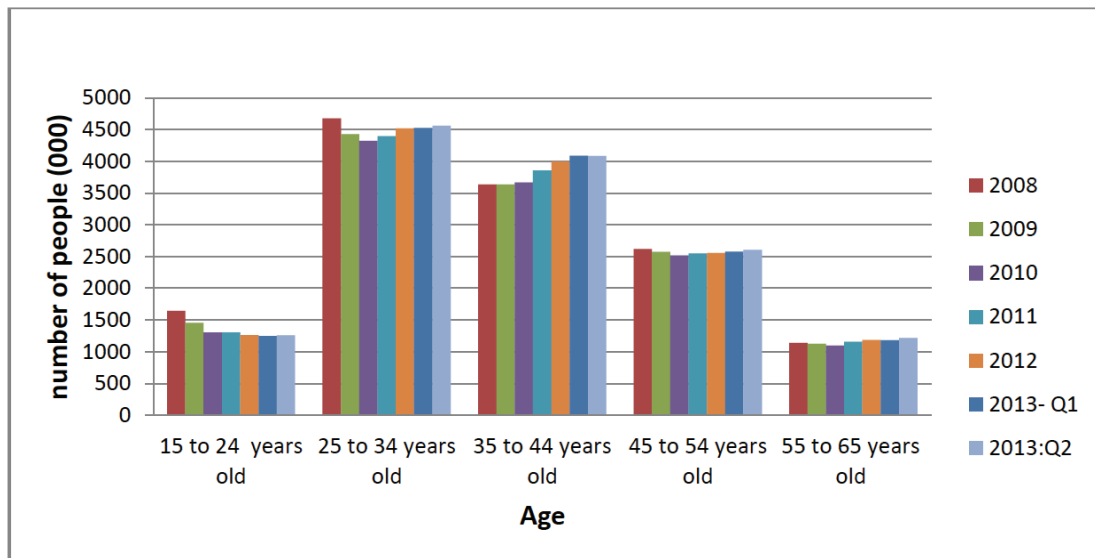


Source: Own calculations, Quarterly Labour Force Survey (QLFS) [www.statssa.gov.za](http://www.statssa.gov.za), various years



- ▶ The total number of employed people in South Africa 2011 in was 13 million.
- ▶ In Gauteng, 30.7% of the labour market or 4.2 million people were employed in 2013:Q1. Gauteng has consistently remained as the Province with the highest number of people employed between 2008 to 2012; and the latest quarterly data reflects this upward trend.
- ▶ KZN is the province with the second highest percentage of people employed, followed by the Western Cape, and then to Eastern Cape. The province with the lowest percentage of people employed is the Northern Cape, this is also the province with the least number of people.

### Employment by Age, 2008-2013:Q2

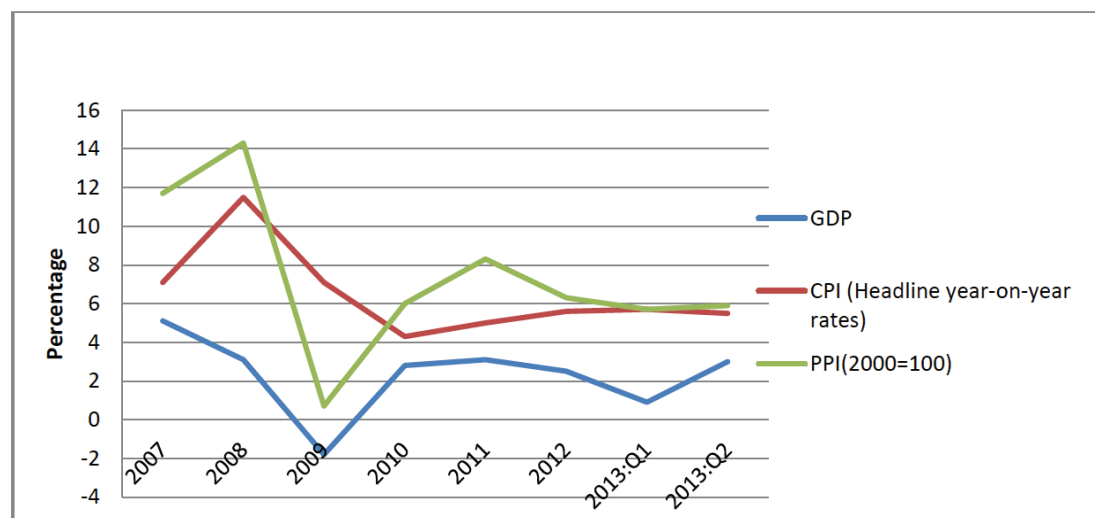


Source: Own calculations, Quarterly Labour Force Survey (QLFS: quarter 1-4) [www.statssa.gov.za](http://www.statssa.gov.za), Various years

- ▶ In 2008, individuals between ages 25 to 34, the age cohort with the highest employment was a little over 4.6 million people. This age group accounts for 17% of the total population.

## Economic Indicators

### Economic performance, 2007-2013:Q2



Source: CPI, PPI, GDP, [www.statssa.za](http://www.statssa.za)

- ▶ The Consumer Price Index (CPI) which tracks the price changes in a basket of goods and services purchased by consumers increased to just over 11% in 2008 and in 2010 is decreased to 4.3%. The inflation rate for food and non-alcoholic beverages was 16.1% in 2008 and 3.1% in 2010.<sup>11</sup>
- ▶ The Producer Price Index (PPI) which measures the average change in the price of domestic goods and services (from the sellers side) was 14.3% in 2008 and decreased to just below 1% in 2009.
- ▶ In 2007, GDP was at 5.1% and contracted to -1.8% in 2009. GDP in 2013:Q1 was at 0.9%



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