

A Decent Living Level for South Africa: A report on how possession of socially perceived necessities relates to income

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Towards a Decent Living Level: A report on how possession of socially perceived necessities relates to income

1. Background

Over the last eighteen months, Friedrich Ebert Stiftung (FES) and Studies in Poverty and Inequality Institute (SPII), together with other partners such as COSATU, the Labour Research Service (LRS) and the Southern African Social Policy Research Institute (SASPRI) have co-hosted four seminars that brought experts together to consider the necessary components for constructing a 'Decent Living Level' (DLL) in South Africa, as called for in the National Development Plan 2030 (Frye, 2013; NPC, 2014). The intersection of the work with the promotion of both a living wage and a national minimum wage by organised labour was a further critical aspect of this enquiry. In addition to that, SPII, with the further support of FES, undertook a desk top analysis of appropriate modalities for constructing such a measure, as well as a number of focus group studies to test the efficacy of the selected modality (Frye et al., 2014). During this period, the National Planning Commission grew increasingly interested in this body of work, and also participated in the last two seminars and invited the above partners to an expert meeting of their own to advance their thinking around constructing a DLL.

This report adds to the body of knowledge by presenting some new analysis that builds on a study that was undertaken a number of years ago by the Centre for the Analysis of South African Social Policy (CASASP).

This report attempts to relate incomes in South Africa to a measure of a decent living level. It is an effort to describe what an income of a certain level might mean for the quality of life of an individual and a household.

In our view this element is lacking in contemporary debates. The ongoing negotiation around a national minimum wage for South Africa is an example of a too high - too low debate, with trade unions arguing that wages are too low and business arguing that higher wages are too high. The mainstream debate is a crude one dominated by concerns about the employment effect of wage levels, with little regard for the lived experience of the majority of households in South Africa. This is not entirely the fault of the social partners. The fact is that there are no empirically grounded measures of a decent living level or a decent wage. The work on which this report draws is an effort to begin to fill that gap in our understanding.

2. An acceptable standard of living and socially perceived necessities

A research project undertaken by the Centre for the Analysis of South African Social Policy (CASASP) for the National Department of Social Development between 2003 and 2006 set out to derive indicators of an acceptable standard of living that all South Africans should enjoy.

The project ran 48 focus groups to ascertain the kinds of possessions, services and activities that were thought to be markers of an acceptable standard of living. Questions about 50 possible items were put to a representative sample of adults in the South African Social Attitudes Survey (SASAS) 2005 and again in 2006. The respondents were asked which of the list were essential for all South Africans to possess, have access to or enjoy for an acceptable standard of living.

Of the 50 items, 36 were deemed necessary for an acceptable standard of living i.e. 36 items were defined as essential by more than half of the population (Wright, 2008). These items therefore stand as indicators or markers of an acceptable standard of living. The 36 items are collectively referred to as 'socially perceived necessities' or SPNs, and are shown in bold in **Table 1** below.

It should be stressed that this list does not comprise an exhaustive list of necessities, but rather a set of *indicators*. However, this list is very robust, and a statistical test called the Cronbach Coefficient Alpha test reveals that the list of 36 SPNs correlates 0.959 with a set of errorless true scores.¹ **Table 1** shows the percentage of people defining each of the 50 items as essential.

¹ In order to test the reliability of this set of 36 items identified as 'essentials', the appropriate method to use is Cronbach's Coefficient Alpha test (Cronbach, 1951). For the 36 items that were defined as essential by 50% or more of the population, the scale reliability coefficient (alpha) was calculated to be 0.9201. This score measures the correlation of the set of 36 items with all other hypothetical 36-item sets of 'essentials'. The square root of the coefficient (alpha) is the estimated correlation of the set of 36 questions with a set of errorless true scores: this was calculated to be 0.9592. This means that although the 36 'essentials' that have been identified are not comprehensive they are capturing the underlying issue of poverty well (conceptualised in this way) and are a highly reliable set of items (Nunnally, 1981). Another way to test the robustness of the 2006 findings is to compare them with the results from the 2005 SASAS module. There are 49 common items between 2005 and 2006 in the SASAS definition modules. The percentage of the population defining each of the 49 common items as essential in 2005 and 2006 correlates 0.96 (Spearman's rho), which again suggests that the 2006 results are highly reliable.

Table 1: Percentage of people defining an item as 'essential' (sorted in descending order)

Item	Percentage saying essential
Mains electricity in the house	92
Someone to look after you if you are very ill	91
A house that is strong enough to stand up to the weather e.g. rain, winds etc.	90
Clothing sufficient to keep you warm and dry	89
A place of worship (church/mosque/synagogue) in the local area	87
A fridge	86
Street lighting	85
Ability to pay or contribute to funerals/funeral insurance/burial society	82
Separate bedrooms for adults and children	82
Having an adult from the household at home at all times when children under ten from the household are at home	81
Having police on the streets in the local area	80
Tarred roads close to the house	80
Paid employment for people of working age	79
For parents or other carers to be able to buy complete school uniform for children without hardship	79
A flush toilet in the house	78
People who are sick are able to afford all medicines prescribed by their doctor	77
Someone to talk to if you are feeling upset or depressed	76
A neighbourhood without rubbish/refuse/garbage in the streets	75
A large supermarket in the local area	75
A radio	74
Someone to transport you in a vehicle if you needed to travel in an emergency	74
A fence or wall around the property	74
Being able to visit friends and family in hospital or other institutions	73
Somewhere for children to play safely outside of the house	72
Regular savings for emergencies	71
Television/ TV	69
A neighbourhood without smoke or smog in the air	69
Someone to lend you money in an emergency	66
A cell phone	63
Meat or fish or vegetarian equivalent every day	62
A bath or shower in the house	62
Burglar bars in the house	62
Special meal at Christmas or equivalent festival	56
Some new (not second-hand or handed-down) clothes	55
A sofa/lounge suite	54
A garden	51
A car	49

Item	Percentage saying essential
A landline phone	48
Washing machine	44
A lock-up garage for vehicles	43
A small amount of money to spend on yourself not on your family each week	42
Having enough money to give presents on special occasions such as birthdays, weddings, funerals	41
For parents or other carers to be able to afford toys for children to play with	39
A burglar alarm system for the house	38
A holiday away from home for one week a year, not visiting relatives	37
A family take-away or bring-home meal once a month	34
An armed response service for the house	28
A DVD player	27
A computer in the home	26
Satellite Television/DSTV	19

Source: SASAS 2006 (Wright et al., 2010)

Note: Items defined as essential by more than 50% of respondents are highlighted in bold – these are referred to as ‘socially perceived necessities’ (SPNs). Child-specific items (highlighted in grey) are excluded from most of the analysis below as not all households contain children.

Questions were further asked in SASAS 2006 as to whether the survey population possessed the items, undertook the activities or enjoyed the services. Perhaps unsurprisingly, possession of SPNs varied by income (Wright and Noble, 2013).

This led to the hypothesis that if one were to examine the mean or median income levels of those who possessed the items it would be possible to estimate the income levels required to enjoy a democratically defined and therefore socially acceptable standard of living. Whereas SASAS had a sufficiently large sample size to gauge which items were regarded as essential, a larger survey would give more reliable results in terms of estimating the incomes of those possessing the essential items. Fortunately, Statistics South Africa included all 36 SPNs in the 2008 Living Conditions Survey (LCS) (and have also included them in the forthcoming LCS update). The LCS has a much larger sample size (just over 25,000 households in the LCS compared to around 3,000 households in SASAS) and contains many detailed questions about people’s incomes. By upweighting the LCS incomes to 2014 using the CPI it was possible to explore the relationship between possession of the SPNs and income.

3. Results

Number of SPNs possessed

In the rest of this report, new analysis of Statistics South Africa’s Living Conditions Survey (LCS) 2008/9 is presented, in order to explore how income relates to the possession of the socially perceived necessities (SPNs). First, and by way of context, the table below (**Table 2**) shows the percentage of the working age population that possesses 1, 2, 3 through to 31 SPNs. The last column shows the percentage of the total population (of all ages) that possesses 1, 2, 3 through to 31 SPNs.

Table 2: Number of SPNs possessed (out of 31)

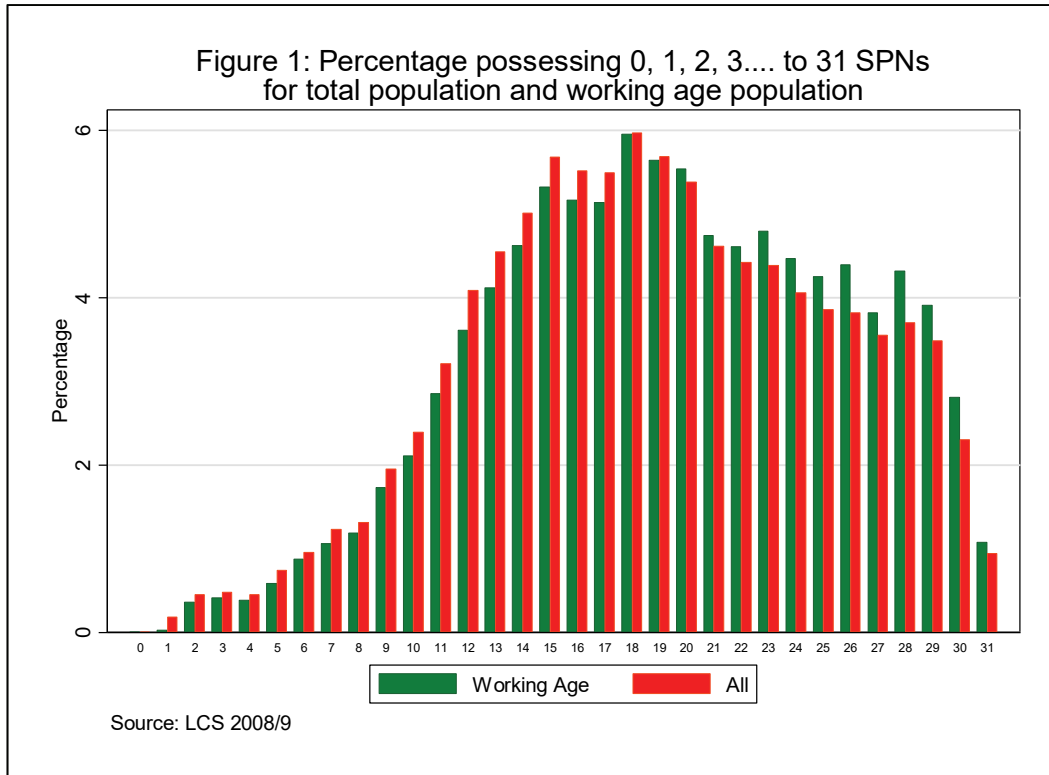
Number of SPNs possessed	Percentage of working age population	Percentage of total population
0	0.00	0.01
1	0.03	0.18
2	0.37	0.46
3	0.42	0.48
4	0.39	0.45
5	0.59	0.75
6	0.88	0.96
7	1.07	1.23
8	1.19	1.32
9	1.73	1.96
10	2.11	2.40
11	2.86	3.22
12	3.62	4.09
13	4.12	4.55
14	4.63	5.02
15	5.33	5.68
16	5.17	5.52
17	5.14	5.50
18	5.96	5.97

Number of SPNs possessed	Percentage of working age population	Percentage of total population
19	5.64	5.69
20	5.54	5.39
21	4.74	4.62
22	4.61	4.42
23	4.80	4.39
24	4.47	4.06
25	4.25	3.86
26	4.40	3.82
27	3.82	3.55
28	4.32	3.70
29	3.91	3.49
30	2.81	2.31
31	1.08	0.95

Source: LCS 2008/9

Note: There are only 31 SPNs in this table (all the child SPNs and paid employment have been excluded). While the exclusion of paid employment was not necessary for the analysis of people of working age (and is incorporated in the later analysis), it was excluded here to make the columns comparable.

As depicted below, the number of SPNs possessed peaks at 18 SPNs and falls again, meaning that most people in South Africa do not have all of the SPNs.



There are many ways in which possession can be analysed further (e.g. Wright, 2011) but this report focuses on the relationship between possession and *income*.

Relationship between number of SPNs possessed and per capita income

Figure 2 below shows how the number of SPNs possessed relates to median per capita income. The per capita income is calculated in the usual way, by dividing the total household income by the number of people (of any age) in the household. This is then plotted against the number of SPNs possessed for people of working age only. All analysis in this report relates to people of working age, unless stated otherwise. As the analysis is of the working age population, the paid employment SPN is included meaning there are 32 SPNs in total.

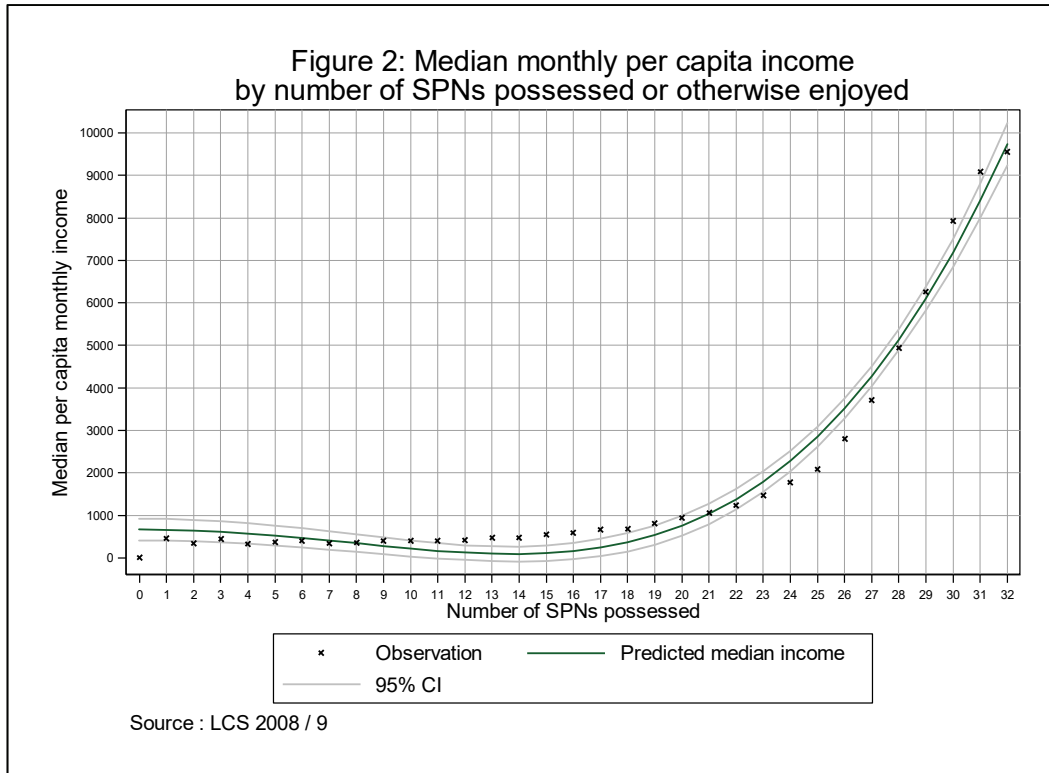


Figure 2 shows the median monthly per capita income (taking into account all people in the household) of people in possession of 1, 2, 3 through to 32 SPNs. Grant income is included. Possession of the SPNs is presented for working age people only. So for example, people of working age who have 20 SPNs live in households with a median monthly per capita income of approximately R1,000 per month.

It is evident that there is a clear relationship between per capita median income and number of SPNs possessed, though it is not a linear relationship: instead, the income curve slopes quite steeply around 25/26 SPNs. It is possible to fit a predictive model which is also shown on the figure (as a dark green line) together with the 95% confidence interval bounds (the two grey lines). The figure shows how the number of SPNs that are possessed increases as median per capita income increases. The mix of SPNs at each level might differ and this is considered later in the paper.

Based on analysis of the number of people per household (see Annex 1), we know that there are 3.89 people per household on average. This would imply that – if the working age person was the sole earner and there were no grants or other sources of income being received within the household – their salary would need to be approximately R3,890 per month in order to have a standard of living that matched the median monthly per capita income of people of working age who possess 20 of the SPNs. The salary would need to be much higher in order to match the median income of those who have all 32 SPNs. These issues are explored further below.

Median income of those who possess an SPN

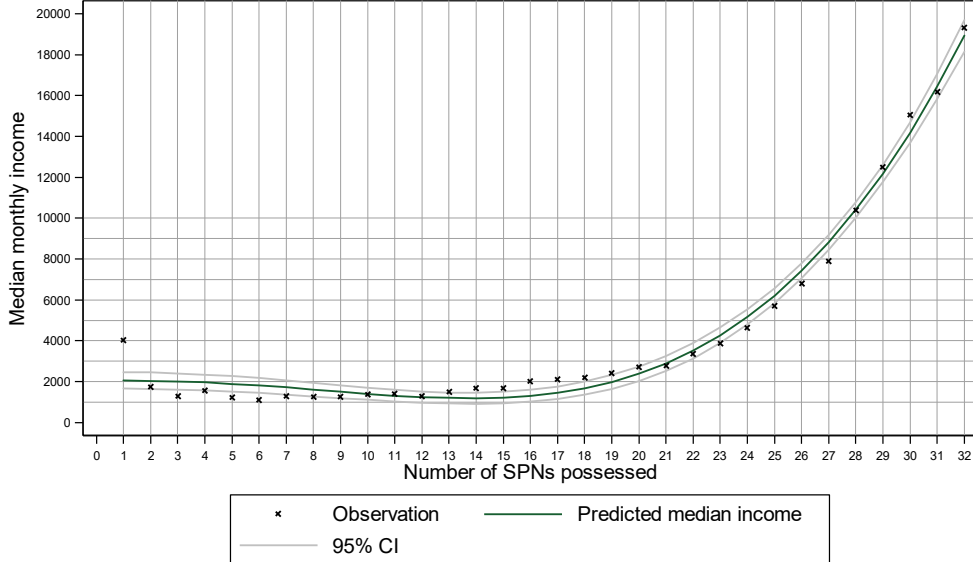
The question could be asked whether certain SPNs are possessed sooner than others, and indeed at what income level certain SPNs are acquired.

Although it is appealing to think that certain SPNs are acquired at certain income levels, in practice the reality is not so straightforward. For example, certain SPNs are not usually directly purchased by individuals (e.g. street lighting) and touch on the whole issue of the social wage (Meth, 2008); others could manifest themselves differently for different people (e.g. someone to lend you money in an emergency could relate either to social networks or access to private financial services); some SPNs might be received as gifts from other wealthier relatives (e.g. a fridge); while others might have been purchased at a time when the household had a higher per capita income than reported in the survey.

Different income concepts and allocations to individuals

A number of different ways of defining income and allocating them to individuals were explored by the team. Just one example is presented here. In **Figure 3**, grant income received by the household is subtracted first from the total household income, and then the balance is divided by the number of employed people of working age in the household. This provides a very rough approximation of the average salary of the employed members of the household. This is an unconventional way of equalising income and is referred to as the 'equalised earnings amount' to make it clear that it is not a per capita income.

Figure 3: Median monthly income (excluding grant income) per employed adult of working age in household by number of SPNs possessed or otherwise enjoyed

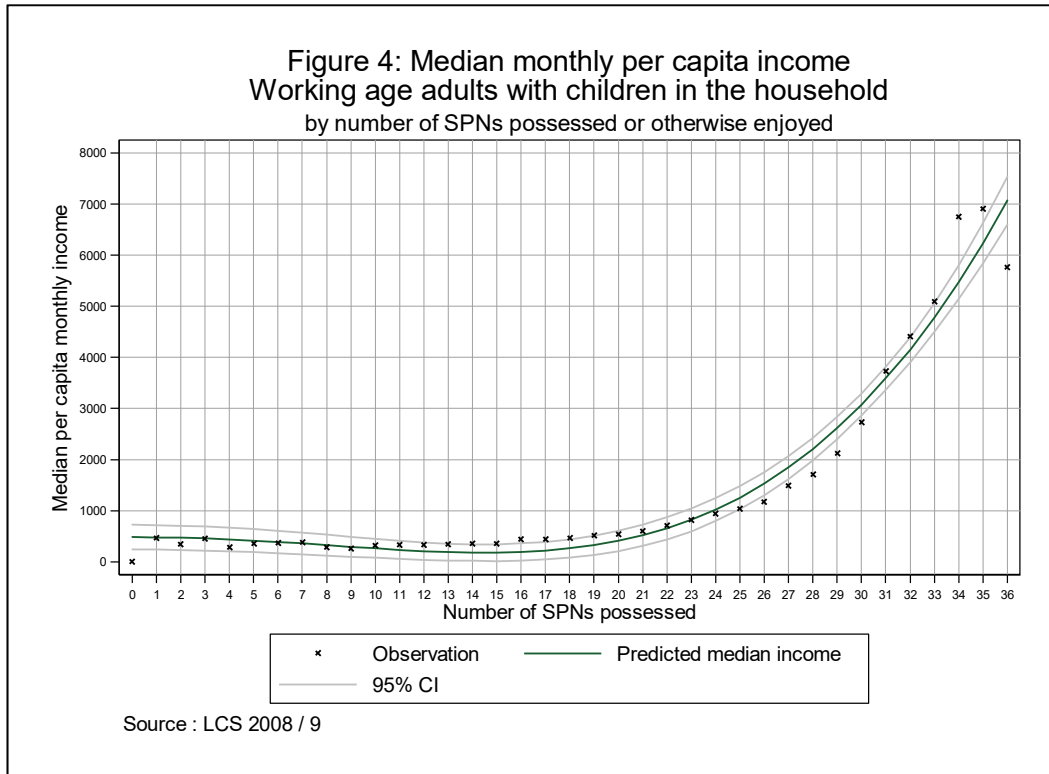


Source : LCS 2008 / 9

Taking 20 SPNs as the example again, the median monthly ‘equivalised earnings amount’ (for employed people of working age) is R2,714. As with **Figure 2**, this can be further interpreted using the analysis of the number of people per household (see Annex 1). On average, there are 3.88 people in households that contain at least one employed person of working age, and 1.51 employed people of working age. This would mean that – if we apply these averages – their combined salaries of R4,098 per month (i.e. R2,714x1.51) would translate into a per capita monthly income in the household of R1,056 (i.e. R4,098/3.88) which corresponds well with **Figure 2**.

Relationship between number of SPNs possessed and per capita income, for people with children in the household

Most of the analysis so far has been based on 32 items. In this section the additional child-related items are included, bringing us to a total of 36 SPNs.² In the figure below (**Figure 4**), results are presented for working age people with at least one child in the household.



The median per capita income figures are lower than when considering all households as children 'dilute' the per capita household income. On average households with one or more working age adults and at least one child contain 2.44 children.

² See Barnes and Wright (2012) for analysis of a separate, dedicated module in SASAS on adults' views about necessities for children.

Possession of an SPN – when does it happen?

Although it was stated earlier that SPNs may be acquired at different income levels for different people, it can be observed, when looking at the number of SPNs possessed, that certain SPNs are obtained sooner than others.

The next table (**Table 3**) shows that if a person enjoys only one SPN then that SPN is very likely to be 'having someone to look after you when you are ill'. It is noteworthy that this is an SPN that can be acquired socially and is not simply a matter of having enough money. Similarly, the second SPN to be acquired is 'someone to talk to when you are feeling upset or depressed'.

The first need to be acquired, which has a defined monetary value, is a cell phone. The last SPNs to be acquired are regular savings for emergencies and a garden.

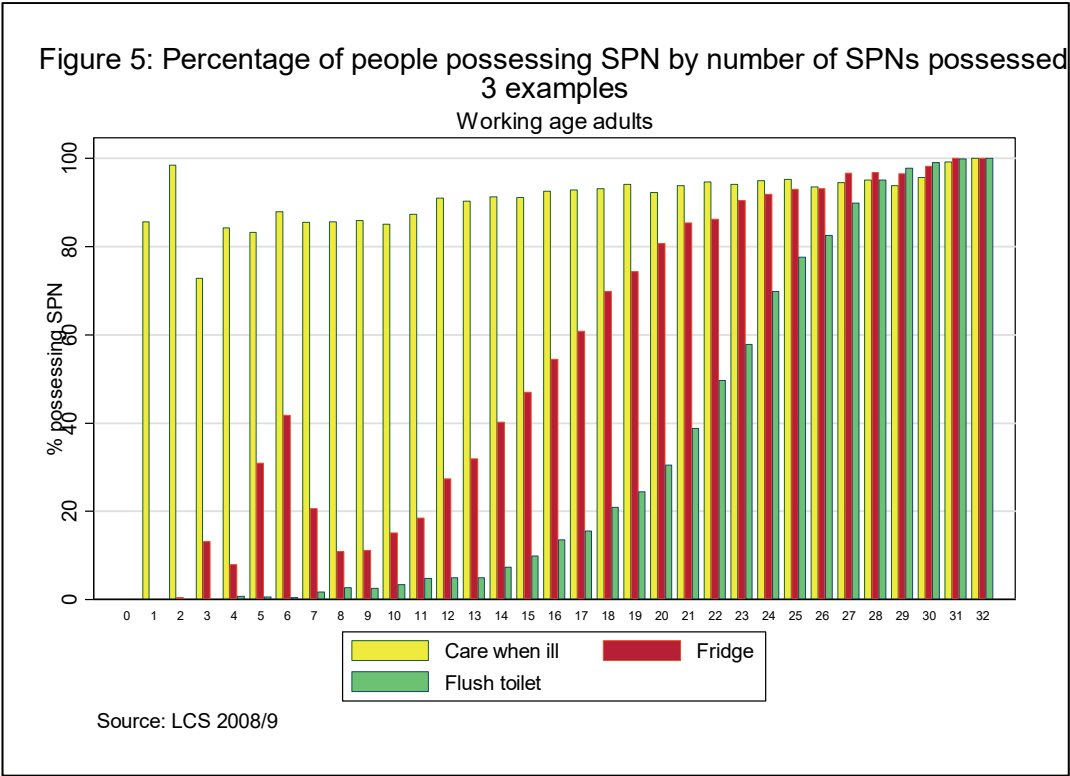
Table 3: When do most people of working age possess each SPN?

SPN	Average number of SPNs possessed when 50% of people of working age possess the item
Someone to look after you if you are very ill	1
Someone to talk to if you are feeling upset or depressed	2
A cell phone	6
A place of worship (church/mosque/synagogue) in the local area	8
Being able to visit friends and family in hospital or other institutions	8
Clothing sufficient to keep you warm and dry	10
Mains electricity in the house	12
A house that is strong enough to stand up to the weather e.g. rain, winds etc.	12
Special meal at Christmas or equivalent festival	12
Ability to pay or contribute to funerals/funeral insurance/burial society	15
A fence or wall around the property	15

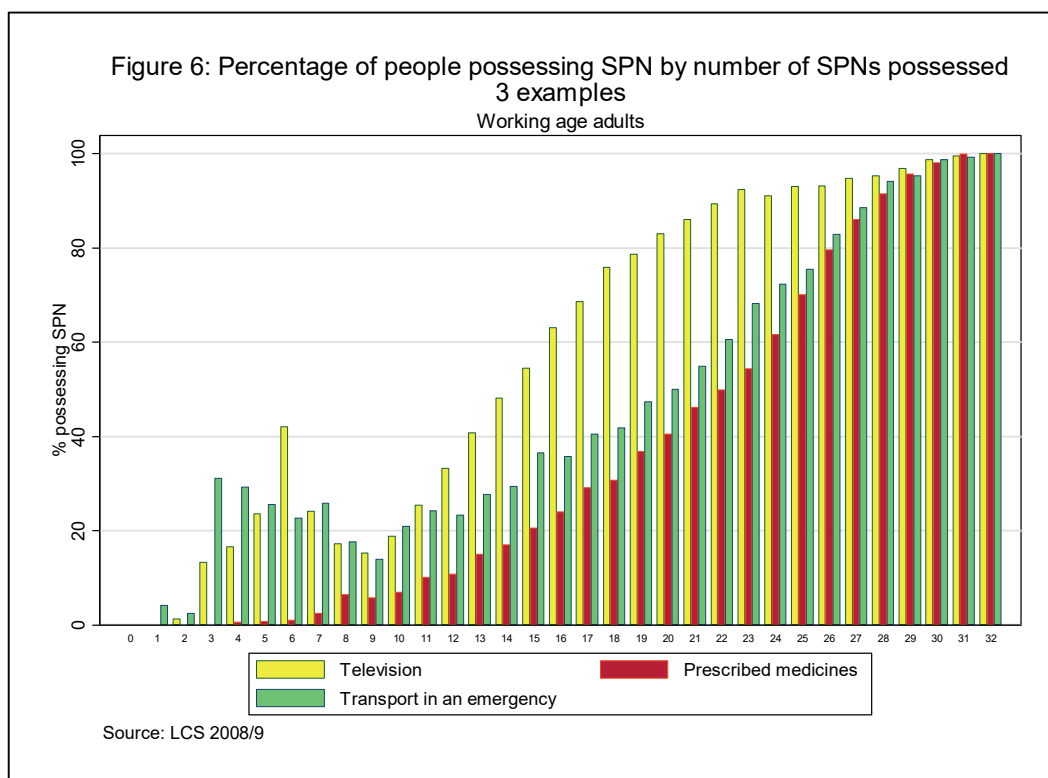
SPN	Number of SPNs possessed when 50% of people of working age possess the item
Television/ TV	15
Some new (not second-hand or handed-down) clothes	15
A fridge	16
Someone to lend you money in an emergency	16
Having police on the streets in the local area	18
Tarred roads close to the house	18
Meat or fish or vegetarian equivalent every day	18
Street lighting	19
A radio	19
A sofa/lounge suite	19
A large supermarket in the local area	20
Someone to transport you in a vehicle if you needed to travel in an emergency	20
A neighbourhood without smoke or smog in the air	22
Paid employment for people of working age	23
A flush toilet in the house	23
People who are sick are able to afford all medicines prescribed by their doctor	23
A neighbourhood without rubbish/refuse/garbage in the streets	23
A bath or shower in the house	23
Burglar bars in the house	23
Regular savings for emergencies	27
A garden	27

Source: LCS 2008/9

Here are examples that illustrate the dynamics associated with the possession of particular SPNs. **Figure 5** provides information about three of the SPNs: someone to look after you when you are very ill (in yellow); a fridge (in red); and a flush toilet (in green). The number of SPNs possessed is given on the y axis and the percentage of adults of working age possessing the selected SPNs is given on the x axis.



In this figure it can be seen that people with very few SPNs do not have flush toilets, but do have someone to look after them when they are very ill (perhaps an unemployed or older relative). The fridge is particularly interesting as it reveals a 'spike' towards the left of the figure: where very few SPNs are possessed, a higher proportion than would be expected possess a fridge. In **Figure 6** below, the same 'spike' can be seen for the television and for someone to transport you in an emergency.



The 'spike'

The apparent spike in the graphs prompted further exploration of the group of people who possess between 1 and 9 SPNs. For people possessing between 1 and 9 SPNs who have a fridge, 56% live in so-called 'tribal' areas, i.e. former homeland areas, while 36% live in urban formal areas. For people possessing between 1 and 9 SPNs who have a television, 49% live in tribal areas while 37% live in urban formal areas. Taking each number of SPNs in turn (i.e. 1, 2, 3 etc up to 9 SPNs), the pattern in terms of tribal areas follows the spike on the graph in that at around 5 or 6 SPNs, the percentage of individuals residing in tribal areas is at its highest. For example, at 5 SPNs, 76% of those who have a fridge live in tribal areas.

It can be hypothesised that for the individuals living in tribal/former homeland areas with low median income, the possession of a fridge or television is probably a gift from a relative living elsewhere (e.g. working in a city), or that the individuals obtained the items during a period of employment (probably elsewhere).

The 'late jumpers'

Items like the flush toilet and ability to afford medicines that have been prescribed are items that tend to be possessed after most other SPNs have been possessed – referred to here as 'late jumpers'.

Table 3 above shows that, for example, the majority (50% of people of working age) possess electricity by the time they have 12 SPNs. Conversely (though bear in mind small numbers³), over 50% have someone to look after them when they are very ill when they have just 1 SPN (i.e. it is often the only SPN possessed).

Some SPNs are not possessed by people until they have acquired a number of other SPNs. These 'late jumpers' include paid employment, a flush toilet in the house, being able to afford prescribed medicines, a neighbourhood without rubbish in the streets, regular savings, a neighbourhood without smoke or smog, a bath or shower in the house, burglar bars and a garden, where 50% do not possess the SPN until they have over 20 SPNs. The majority (50%) do not have regular savings and a garden until they have 27 SPNs.

³ The weighted count of people possessing 1 SPN is 6,480.

4. Two case studies

Two case studies are presented here, using an income level of R4,700 (which falls towards the lower end of the band of incomes under consideration in relation to a national minimum wage (COSATU, 2015)) and an income level of R12,500 which is linked to the Marikana demand and the call for a living wage (Phakamani Opstaan Newspaper, 2012:1). Note that the following analysis is based on an unconventional way of equivalising income: it is calculated as the total household income⁴ divided by the number of employed people of working age in the household (as in **Figure 3** above). This is referred to as the 'equivalised earnings amount' to make it clear that it is not a per capita income.

For employed people of working age with 'equivalised earnings' of approximately R4,700⁵, the mean number of SPNs possessed is 21.9. People at this income level have at least 7 SPNs and half have 21 or more. The percentage of employed working age people with 'equivalised earnings' of approximately R4,700 who possess each SPN is shown in the table below (**Table 4**) in the second column. By definition, all people in the analysis have one SPN: paid employment. For some of the other SPNs possession rates are over 90%: mains electricity, someone to look after you if you are ill, clothing sufficient to keep warm and dry, someone to talk to if you are feeling upset or depressed, being able to visit friends and family in hospital or other institutions, and a cell phone. At this income level six items are possessed by less than 50% of people: a flush toilet in the house, a neighbourhood without rubbish in the streets, regular savings, a neighbourhood without smoke or smog in the air, a bath or shower in the house, and a garden.

For employed working age people with 'equivalised earnings' of R12,500⁶, the mean number of SPNs possessed is 26.6. All people at this income level have at least 13 SPNs and half have 27 or more. The percentage of employed working age people with 'equivalised earnings' of approximately R12,500 who possess each SPN is shown in the table below in the third column. At this income level there are no SPNs (other than paid employment) that are possessed by everyone, although mains electricity is possessed by 99.9%. In total, 12 SPNs are possessed by over 90% of people. There are a few SPNs where possession rates are relatively low, for example a neighbourhood without rubbish in the streets (65%), a radio (57%), regular savings (48%) a neighbourhood without smoke or smog in the air (60%) and a garden (62%).

⁴ This is household income minus grant income to get closer to a wage income.

⁵ Those people with an 'equivalised earnings amount' in November 2014 of between R4,600 and R4,800.

⁶ Employed people of working age with 'equivalised earnings' (in November 2014 prices) of between R12,400 and R12,600 per month.

Table 4: Which SPNs do employed people of working age have?

SPN (ordered by percentage saying essential, in descending order)	Percentage of employed people of working age with 'equivalised earnings' of R4,700 who possess each SPN	Percentage of employed people of working age with 'equivalised earnings' of R12,500 who possess each SPN
Mains electricity in the house	90.53	99.90
Someone to look after you if you are very ill	91.21	94.11
A house that is strong enough to stand up to the weather e.g. rain, winds etc.	77.27	82.27
Clothing sufficient to keep you warm and dry	90.80	90.93
A place of worship (church/mosque/synagogue) in the local area	88.65	98.73
A fridge	76.91	91.85
Street lighting	68.10	91.54
Ability to pay or contribute to funerals/funeral insurance/burial society	66.73	75.53
Having police on the streets in the local area	65.89	77.67
Tarred roads close to the house	71.40	88.62
Paid employment for people of working age	100.00	100.00
A flush toilet in the house	47.89	84.93
People who are sick are able to afford all medicines prescribed by their doctor	52.84	83.16
Someone to talk to if you are feeling upset or depressed	90.20	95.15
A neighbourhood without rubbish/refuse/garbage in the streets	45.02	65.10
A large supermarket in the local area	62.76	78.36
A radio	57.46	57.08

SPN (ordered by percentage saying essential, in descending order)	Percentage of employed people of working age with 'equivalised earnings' of R4,700 who possess each SPN	Percentage of employed people of working age with 'equivalised earnings' of R12,500 who possess each SPN
Someone to transport you in a vehicle if you needed to travel in an emergency	61.52	85.49
A fence or wall around the property	66.13	91.25
Being able to visit friends and family in hospital or other institutions	91.28	98.86
Regular savings for emergencies	39.95	47.51
Television/ TV	86.24	93.69
A neighbourhood without smoke or smog in the air	44.32	59.51
Someone to lend you money in an emergency	56.31	71.34
A cell phone	92.83	93.44
Meat or fish or vegetarian equivalent every day	69.90	82.88
A bath or shower in the house	45.18	81.87
Burglar bars in the house	57.43	85.04
Special meal at Christmas or equivalent festival	74.89	83.80
Some new (not second-hand or handed-down) clothes	69.00	79.53
A sofa/lounge suite	58.59	84.81
A garden	30.99	61.72

Source: LCS 2008/9

Please note that the facts presented in these two case studies are calculated in an unusual way and could easily be misinterpreted. For example, although we know that in households with at least one employed person of working age there are on average 3.88 people, the information in the table does not control for this.

So for example, the table reveals that on average, 91% of employed people of working age who have equivalised earnings of around R4,700 have access to electricity but it does not reveal how many people there are in the household. This is a very different calculation from **Figure 2** in which one can read across and see – for those of working age with a *median per capita income* of R4,700 – how many SPNs they possess.

5. Wages in South Africa and socially perceived necessities

In this section we relate benchmarks of minimum wages in South Africa to the socially perceived necessities that constitute a decent living level.

Table 5: Possession of SPNs by median equivalised earnings along with selected minimum wage benchmarks

Total SPNs	Median equivalised earnings (Rand pcm)	Median wage/earnings benchmarks (Rand pcm)
1	4013	
2	1730	
3	1285	
4	1544	
5	1209	
6	1107	
7	1290	
8	1264	
9	1242	
10	1365	
11	1403	
12	1298	
13	1498	
14	1691	
15	1688	
16	2018	
17	2105	
18	2192	
19	2404	Sectoral determinations (2420)
20	2714	
21	2787	Earnings in the 2014 QLFS (3033)
22	3346	LRS estimate of low wage employment
23	3862	
24	4640	COSATU NMW reference (4700)
25	5702	
26	6788	
27	7896	
28	10395	LRS housing-based minimum wage (10224)
29	12495	Marikana wage demand (12500)
30	15051	
31	16178	
32	19299	

Table 5 above indicates the median equivalised earnings associated with possession of one or more SPNs. The third column of the table presents the minimum wage benchmarks. It is evident that the minimum wage benchmarks are far off the earnings associated with the possession of all SPNs.

The median minimum wage across sectoral determinations is associated with the possession of 19 SPNs (see Figure 3), if we consider just employed people of working age.

6. What do these findings tell us?

These findings show that there is a clear relationship between possession of the SPNs and income: as one might expect, as income increases so does the average number of SPNs possessed.

The median per capita income of people who possess all of the socially perceived necessities is quite high. However, the relationship varies by item as some items are more prevalent amongst those who have most of the SPNs (e.g. paid employment), whereas other items can be common even for those who have very few (e.g. someone to look after you when you are very ill).

It is also important to be explicit about what these findings do not tell us. **These results do not tell us how much it costs to obtain the SPNs.** As discussed above, the SPNs can be obtained in a number of different ways. Rather, the results reveal the median incomes of those who do possess the items. **The results also do not tell us how much it would cost to obtain a basket of goods and services needed for a Decent Living Level.** This would require a much more detailed and comprehensive set of items, and there are a number of ways in which this approach could be implemented (e.g. Storms et al., 2013).

Nevertheless, what the findings do highlight is that society has set its threshold for an acceptable standard of living at a level that is higher than most people currently enjoy. In a country with high levels of income poverty it is perfectly possible that the threshold of adequacy lies higher than the average. However, it does raise important questions about how we move from here to there.

7. Socially perceived necessities and the setting of a national minimum wage?

The findings highlight that the amounts under discussion in relation to the national minimum wage are very modest.

The set of 32 SPNs is conceptually indivisible. It is by possessing all of these SPNs that a household is situated at a decent living level. Strictly speaking, to not possess even one of the SPNs is to fall short of a decent living level.

If we take the SPNs to be indivisible and wish to move households to a place where the majority will possess all of these necessities, then we require households to have a single wage earner (as measured by equalised earnings) who earns over R19,000 per month (see Figure 3).

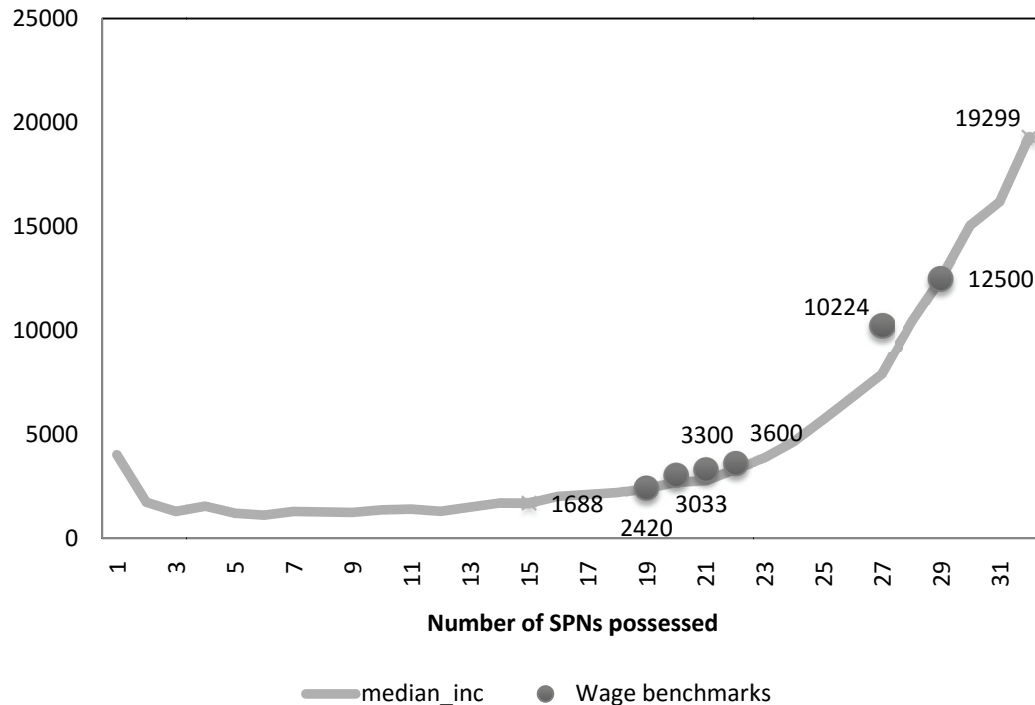
The fact that it is not currently economically viable to shift minimum wages to this level should not be taken to mean that the measure is irrelevant. What it suggests is that the political economy of South Africa is one that manifests a 'decent living level deficit' of a very large magnitude.

The steepness of the curve when tracking household income against the possession of socially perceived necessities is evident in the figure below (**Figure 7**). The possession of SPNs from around 21/22 onwards is associated with relatively large increases in household earnings.

The possession of 23 SPNs is associated with equalised earnings of R3,862 per month, while the possession of all SPNs except regular savings and a garden is associated with equalised earnings of R15,000 per month.

What is also striking is the flatness of the curve up to a point. It suggests that an individual can acquire successive SPNs with relatively small increases in earnings, certainly up to 15 SPNs.

Figure 7: Median equivalised earnings monthly earnings by number of SPNs possessed, with selected wage benchmarks



Notes:

- i. The drop in earnings associated with possessing one through to three SPNs is likely an aberration due to small numbers.
- ii. Earnings of R1,688 marks how flat the curve is up to possession of 15 SPNs.
- iii. R2,420 is the median minimum across sectoral determinations and is associated with possession of 19 SPNs.
- iv. R3,033 is median earnings reported in the 2014 QLFS.
- v. R3,300 is the median minimum across bargaining councils.
- vi. R3,600 is an estimate of the median wage floor across different types of wage determination (bilateral bargaining, SDs, BCs and bargaining forums).
- vii. R10,224 is an estimate of the earnings required to finance a decent low cost house (the finance cost is set of one third of total disposable income).
- viii. R12,500 is the wage demand that emerged at the Marikana mining operations of Lonmin in 2012.
- ix. R19,299 is the earnings associated with possessing all 32 SPNs.

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Annex A Household size

The following table summarises facts relating to household size, number of children and number of employed adults within households. The means are provided here.

Average household size and other related facts (LCS 2008/9)

	N
Average household size in SA	3.89
Average household size - in households where the per capita income is below R3000 per month	4.28
Average household size - in households where the per capita income (minus grants) is below R3000 per month	4.27
Average household size - in households where the per capita income is below R4500	4.18
Average household size - in households where the per capita income (minus grants) is below R4500	4.17
Average household size - in households containing at least one working age person who is employed	3.88
Average number of employed adults per household - in households containing at least one working age person who is employed	1.54
Average number of employed adults of working age per household - in households containing at least one working age person who is employed	1.51
Average number of children per household	1.49
Average number of children per household - in households that contain children	2.43
Average number of children per household - in households that contain children and at least one person of working age	2.44
Average number of children per household - in households containing at least one person of working age	1.55
Average number of children per household - in households containing at least one working age person who is employed	1.38
Average number of children per household - in households containing at least one child, and at least one person of working age who is employed	2.28

Note: Incomes were updated to 2014 using the CPI before applying the thresholds in this table.