The relationship between income and possession of socially perceived necessities in South Africa: an update

HSRC Seminar, 6th February 2017
Dr Gemma Wright

Overview

• The necessities for an socially acceptable Standard of Living aka The Socially Perceived Necessities methodology (SPN)
• Converting the SPN findings to a per capita rand equivalent
Socially Perceived Necessities Approach

• Takes as its starting point what ordinary people regard as an acceptable standard of living that all South Africans should enjoy in the present day.

• Resonates
  – with the collection of people’s political social and economic demands which were reported to the Congress of the People and which fed into the preparation of the 1955 Freedom Charter
  – Consultative approach employed in the development of the constitution

Challenges

Key challenges arise when involving people in defining the necessities (the SPNs) for an acceptable standard of living in South Africa e.g.

• In the context of such high levels of income poverty, will most people have minimalist views about necessities?

• Given the legacies of colonialism, segregation and apartheid (i.e. stark racial, spatial and wealth inequalities) will we find different ideas of an acceptable standard of living amongst different groups?
Methodology

• The SPN approach uses an indicator approach rather than a budget standards approach.
• This means that indicators covering a range of possessions, services and activities are defined which can be viewed as ‘necessary’ for an acceptable standard of living.
• These indicators are arrived at through a democratic process which uses a series of 48 focus groups followed by a nationally representative survey (SASAS 2006).
• In the survey there is a definition stage – respondents are asked which of a list of items (possessions, services or activities) are necessary for all South Africans to have or have access to enjoy an ‘acceptable’ standard of living.
• Once the list of ‘essentials’ is defined then there is, within the survey (or a subsequent survey), a measurement stage. i.e to find out who has the item and if they lack the item whether this is by choice or whether they cannot afford it.

SASAS 2006 module

• Module attempted to represent the breadth of issues raised in focus groups and a range of probable ‘basics’ through to probable ‘luxuries’.
• Module did not attempt to address issues of quantity and quality and made no assumption about the provider of the necessities.
• Module had 50 definitional questions: 33 about possessions, 4 about activities, 8 about the neighbourhood, and 5 about relationships with friends and family.
SASAS 2006 findings: the socially perceived necessities

• 36 of the 50 items were defined as essential by more than half the population

• 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

• The percentage of the population defining each of the 49 common items as essential in 2005 and 2006 correlates 0.96 (Spearman’s rho)

<table>
<thead>
<tr>
<th>Item</th>
<th>% of All saying essential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main electricity in the house</td>
<td>92</td>
</tr>
<tr>
<td>Someone to look after you if you are very ill</td>
<td>91</td>
</tr>
<tr>
<td>A house that is strong enough to stand up to the weather e.g. rain,</td>
<td>90</td>
</tr>
<tr>
<td>winds etc.</td>
<td></td>
</tr>
<tr>
<td>Clothing sufficient to keep you warm and dry</td>
<td>89</td>
</tr>
<tr>
<td>A place of worship (church/mosque/synagogue) in the local area</td>
<td>87</td>
</tr>
<tr>
<td>A fridge</td>
<td>86</td>
</tr>
<tr>
<td>Street lighting</td>
<td>85</td>
</tr>
<tr>
<td>Ability to pay or contribute to funerals/funeral insurance/burial</td>
<td>82</td>
</tr>
<tr>
<td>society</td>
<td></td>
</tr>
<tr>
<td>Separate bedrooms for adults and children</td>
<td>82</td>
</tr>
<tr>
<td>Having an adult from the household at home at all times when children under ten from the household are at home</td>
<td>81</td>
</tr>
<tr>
<td>Having police on the streets in the local area</td>
<td>80</td>
</tr>
<tr>
<td>Tarmacked roads close to the house</td>
<td>80</td>
</tr>
<tr>
<td>Paid employment for people of working age</td>
<td>79</td>
</tr>
<tr>
<td>For parents or other carers to be able to buy complete school uniform for children without hardship</td>
<td>79</td>
</tr>
<tr>
<td>A flush toilet in the house</td>
<td>78</td>
</tr>
<tr>
<td>People who are sick are able to afford all medicines prescribed by their doctor</td>
<td>77</td>
</tr>
<tr>
<td>Someone to talk to if you are feeling upset or depressed</td>
<td>76</td>
</tr>
</tbody>
</table>
Was there a consensus about the SPNs?

A striking level of agreement between groups e.g. % defining each of the 50 items as essential correlate highly:

- Women & men: 0.98
- Aged 16-24 & aged 25+: 0.97
- Aged 65+ & aged under 65: 0.95
- Equiv. hh income (R847 pcm): 0.92
- Urban & rural: 0.90

Patterns of possession of the SPNs

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Black African</th>
<th>Coloured</th>
<th>Indian/Asian</th>
<th>White</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average number of items defined as</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>necessities (from list of 50 items)</td>
<td>32</td>
<td>31</td>
<td>30</td>
<td>33</td>
<td>34</td>
</tr>
<tr>
<td>Average number of socially perceived</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>necessities possessed (from list of 56 items)</td>
<td>22</td>
<td>19</td>
<td>26</td>
<td>31</td>
<td>32</td>
</tr>
</tbody>
</table>
Patterns of possession of the SPNs

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<td>22</td>
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<td>32</td>
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<td>socially perceived</td>
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<tr>
<td>necessities possessed</td>
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<td></td>
<td></td>
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<tr>
<td>(from list of 36 items)</td>
<td></td>
<td></td>
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</tbody>
</table>

Median number of SPNs lacked by self-defined poverty status

<table>
<thead>
<tr>
<th>Self-defined poverty status</th>
<th>Median number of SPNs lacked - enforced</th>
<th>Average per capita monthly income (Rand)</th>
<th>% of the population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very comfortable</td>
<td>1</td>
<td>3550</td>
<td>7</td>
</tr>
<tr>
<td>Reasonably comfortable</td>
<td>3</td>
<td>1523</td>
<td>25</td>
</tr>
<tr>
<td>Just getting along</td>
<td>9</td>
<td>763</td>
<td>39</td>
</tr>
<tr>
<td>Poor</td>
<td>18</td>
<td>429</td>
<td>23</td>
</tr>
<tr>
<td>Very Poor</td>
<td>21</td>
<td>222</td>
<td>6</td>
</tr>
<tr>
<td>All</td>
<td>10</td>
<td>1051</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: SASAS 2008
Living Conditions Survey

- The 36 SPNs (from SASAS 2006) were included in the LCS 2008/9
- The LCS asked about possession of the SPNs and reasons for lack
- The LCS also includes detailed information about households and income, enabling us to explore in more depth the relationship between possession of the essential items, and per capita income.

Decent Standard of Living?

- The SPN study has shown that
  - people regard an acceptable standard of living in a multi-dimensional way and the ‘essentials’ go beyond mere subsistence
  - There are striking levels of agreement across different groups about what constitutes an acceptable standard of living
- BUT there was no attempt to translate the ‘acceptable’ standard of living described in the project into a cash equivalent – a decent standard of living.
- There are a number of ways to approach this:
  - Benchmarking the collection of indicators against income (variously defined) in a representative survey
  - Generating detailed consensual household budgets
Methodology

- Proposition: 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.
- Statistics SA 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) than 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.

The Context

Percentage possessing 0, 1, 2, 3... to 31 SPNs for total population and working age population.
The Findings

- There is a clear relationship between per capita median income and number of SPNs possessed.
- The following chart 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.
- It is not a linear relationship: the income curve slopes quite steeply around 25/26 SPNs.
- It is possible to fit a predictive model which is also shown on the chart (as a black line) together with the 95% confidence interval bounds (the two grey lines).

Figure 2: Median monthly per capita income by number of SPNs possessed or otherwise enjoyed

Source: LCS 2008/9 with incomes adjusted to November 2016
What does this imply?

- Adults of working age with only 20 SPNs have a median per capita per month income of c. R 1 000.
- We know that on average there are 3.89 people in households.
- Thus in the average household (3.89 people) possessing 20 SPNs the total income per month would be R 3 890.
- These figures inflate rapidly as the numbers of SPNs increase.
- For example, adults of working age with 27 SPNs have a median per capita per month income of c. R 4 000 (a total household income of R16 000 pm for 3.89 people).

Which SPNs are associated with each level of possession?

- It is important to get some sense of the order in which SPNs are possessed as income rises.
- Are there particular SPNs associated with low levels of possession (and per capita income)?
- Do non-purchaseable items such as social capital items appear first?
- For different levels of possession 1, 2, 3 etc. It is possible to look at the mix of SPNs possessed.
Percentage of people possessing SPN by number of SPNs possessed
3 examples
Working age adults

- Care when ill
- Fridge
- Flush toilet

Percentage of people possessing SPN by number of SPNs possessed
3 examples
Working age adults

- Television
- Prescribed medicines
- Transport in an emergency
Percentage of people possessing SPN by number of SPNs possessed
3 Examples
Aged 18 - 59 inclusive

0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32
% possessing SPN

0 10 20 30 40 50 60 70 80 90 100

3 Examples
Tarred roads
Radio
Someone to transport

Percentage of people possessing SPN by number of SPNs possessed
3 Examples
Aged 18 - 59 inclusive

0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32
% possessing SPN

0 10 20 30 40 50 60 70 80 90 100

3 Examples
Regular savings
Someone to borrow
Employment
Percentage of people possessing SPN by number of SPNs possessed
3 Examples
Aged 18 - 59 inclusive

Examples
- Look after when ill
- Medicines
- Look after when upset

Percentage of people possessing SPN by number of SPNs possessed
3 Examples
Aged 18 - 59 inclusive

- Street lights
- Police on streets
- Tarred roads
Conclusion

- The SPN project demonstrates there is a high level of agreement across the country about what comprises an acceptable standard of living or decent living level
- The population don’t set their sights unreasonably high but simply seek a decent standard of living commensurate with what is needed for full participation in society
- There is a clear relationship between income and possession of the SPNs
- Only a small proportion of the population enjoys a standard of living which is regarded as acceptable by the majority
- This is yet another indication of unsustainable inequality