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HOUSEHOLD BUDGETS AS A SOCIAL INDICATOR OF POVERTY AND INEQUALITY IN SOUTH AFRICA

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ABSTRACT. In the absence of a universally accepted method of calculating poverty, household expenditure can be used to provide an indication of inequality of wealth and serve as an indicator of poverty. Household expenditure comprises expenditure of private households on goods and services, irrespective of their durability. The portion of household budgets allocated to different types of goods and services provides an indication of the material standard of living of a population. The article discusses different definitions of poverty and compares the state of poverty according to these definitions in selected countries. This is followed by an analysis of South Africa's economic position in the world and a comparison of the household budgets and demographic profile of South African households that fall into different income groups in order to identify the differences between the poorest and the wealthiest households in South Africa. Income inequality in South Africa is further elucidated by means of the Gini coefficient. A comparison is also made between the household budgets of the poorest households with the minimum financial living level requirements in South Africa to maintain their health and have acceptable standards of hygiene and sufficient clothing for their needs.

KEY WORDS: food, household budgets, household expenditure, poverty, wealth

1. INTRODUCTION

The South African Human Development Report of 2003 (UNDP, 2003) states that the eradication of income poverty is an indispensable requirement for sustainable development. What people can or cannot do and, more importantly, how they survive in a market economy, depends to a large extent on access to the necessary financial resources and assets to meet an increasing portion of their needs.

At the same time, pronounced income and wealth inequality impedes sustainable development by contributing to a rise in poverty, distorting the utilisation of society's productive resources, frustrating the growth potential of a country and jeopardising the sustainability of its environmental well-being.

In his book, *A history of inequality in South Africa, 1652–2002*, Terblanche (2002) portrays the inequality of income in South Africa in 2001 as follows (See Figure 1):

The figure shows that Terblanche describes half of South Africa’s population as very poor, the so-called lumpen-proletariat. According to Terblanche, these people’s share in total income is only 3.3%.

The focus of this paper is to analyse inequality in wealth on the basis of household expenditure data. It will show that there is an immense skewness in the purchasing power of households in South Africa but not to the magnitude portrayed by Terblanche.

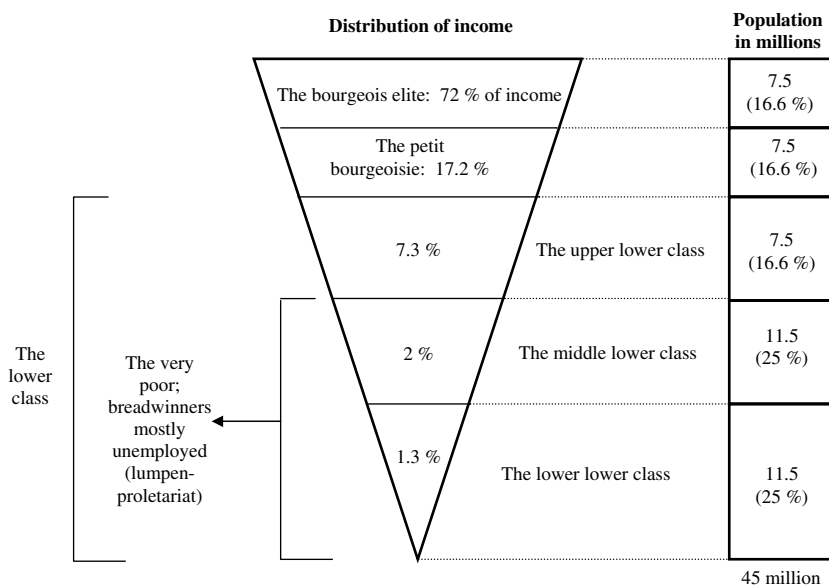


Fig. 1. Inequality in income in South Africa. Source: Terblanche (2002: 36).

2. PROBLEM STATEMENT, RESEARCH METHOD AND QUESTIONS

Despite the availability of numerous yardsticks for determining living standards and changes in living standards, there is widespread misunderstanding about what is actually measured and how it is measured. The objective of this paper is to show how total household expenditure as well as expenditure patterns (application of household budgets) point towards the existence of poverty. The research questions are: How can total household

expenditure be used to provide an indication of inequality of wealth (income) and serve as an indicator of poverty and how do the household budgets and demographic profiles of impoverished households differ from those of wealthy people? The question will be answered by analysing household expenditure data of Statistics South Africa (Stats SA) and the Bureau of Market Research (see section, Household expenditure patterns for selected countries'). The Bureau of Market Research, established in 1960, is a research institute at the University of South Africa. It has four research divisions, namely income and expenditure, behavioural and communication, economic, and demographic research. Research results accrued by the first mentioned division are used in this paper.

3. DEFINITIONS OF HOUSEHOLD EXPENDITURE, POVERTY AND MINIMUM LIVING LEVEL

Household expenditure, as calculated in this study, comprises the expenditure (cash and in kind) of private households on goods and services, irrespective of their durability. Household expenditure therefore covers all outlays made and consumption in kind by private individuals during a particular period. Consumption in kind includes all goods and services received from employers as well as other organisations and individuals. Imputed rent, which is the nett benefit of an owner-occupying homeowner, is also included in 'in kind'. The norm for calculating household expenditure is not the value of purchases, but the sum expended in the period concerned, irrespective of the date and value of purchases. For instance, the deposit and instalments paid during the year on durable goods are taken into account and not their price. The household expenditure of an income group does not necessarily indicate that all the goods and services were consumed by the particular group. For instance, the value of food received by domestic workers is classified under their employers' household expenditure, and outlays on goods bought by migratory workers for their families living elsewhere are included under the area where the workers are employed.

For purposes of this paper, a private household is defined as consisting of one or more persons living together, whose food and other household expenses are usually managed as one unit. People who are temporarily absent and dependent children away at school are usually included.

The *United Nations Development Programme Poverty Report 2000: Overcoming human poverty* (UNDP, 2000: 20) provides the following four basic definitions of poverty:

Income Poverty

- Extreme poverty: Lack of income necessary to satisfy basic food needs, usually defined on the basis of minimum calorie requirements. (Often called absolute poverty.)
- Overall poverty: Lack of income necessary to satisfy essential non-food needs such as clothing, energy and shelter as well as food needs. (Often called relative poverty.)

Human Poverty

- Lack of basic human capabilities: Illiteracy, malnutrition, abbreviated life span, poor maternal health, illness from preventable diseases.
- Lack of access to goods, services and infrastructure – energy, sanitation, education, communication, drinking water – necessary to sustain basic human capabilities, are indirect measures of poverty.

The Chronic Poverty Research Centre (2005: 5) recognises five main poverty categories under three main headings, namely:

- The *chronically* poor include:
 - The *always poor*, whose poverty score in each period is below a defined poverty line;
 - The *usually poor*, whose mean poverty score over all periods is less than the poverty line, but who are not poor in every period.
- The *transitory poor*, who include:
 - The *fluctuating poor*, who are poor in some periods but not in others, and have a mean poverty score around the poverty line;
 - The *occasionally poor*, who have experienced at least one period in poverty; although their mean poverty score is above the poverty line.
- And the *non-poor* with poverty scores in all periods above the poverty line.

According to the *World Development Report 2000/2001: Attacking poverty* (World Bank, 2001: 320), conceptual and practical problems are encountered with international comparisons of poverty data since definitions of poverty differ in different countries. For example, people below the poverty line in wealthier countries tend to have greater purchasing power since more generous standards are applied to establish the poverty line than in poor countries.

Noble, Ratcliffe and Wright (2004) maintain that a distinction must be made between “absolute” and “relative” poverty. The concept of absolute poverty refers to poverty that exists independently of any reference group, while relative poverty is based on socially perceived necessities. These authors also argue that a consensual definition of poverty would provide a truer reflection of what most South Africans perceive as an acceptable standard.

Stats SA (2000: 54) in its report *Measuring Poverty in South Africa* uses the same definition as the United Nations in its development report of 1998, namely the denial of opportunities and choices most basic to human development to lead a long, healthy, wealthy life and to enjoy a decent standard of living, freedom, dignity, self-esteem and respect from others (United National Development Programme, 1998: 14). Stats SA accordingly compared the population of South Africa to expenditure in categories, type of dwelling, access to infrastructure and services, level of education, occupation and household demographics. This information is used to calculate Stats SA development indices (Stats SA, 2000: 76) but is not used by Stats SA to give an estimation of people living in poverty. Stats SA only used one category, namely expenditure, for their estimation of people living in poverty.

In the absence of a universally accepted method of calculating the poverty line, the minimum living level (MLL) – as calculated by the Bureau of Market Research (BMR) at the University of South Africa (Unisa) – has been used by analysts from time to time to estimate poverty lines for South Africa (World Bank, 1995; Whiteford and Van Seventer, 2000). However, usage of the MLL results in an overestimation of people falling under the poverty line, especially for areas outside the metropolitan areas of South Africa. This is because the MLL provides for slightly more consumer expenditure than the poverty line.

The MLL denotes the minimum financial requirements of members of a household if they are to maintain their health and have acceptable standards of hygiene and sufficient clothing for their needs (Martins and Maritz, 2004: 1).

The MLL is the lowest sum possible on which a specific household size can live in our existing milieu. Sufficient consumption quantities are allowed under each of 10 relevant expenditure items, but rational expenditure on them is assumed throughout. As it is unlikely that persons at this living level know a great deal about dietary requirements or about managing their household budgets to curb unnecessary spending, the sum estimated for the MLL is at best a theoretical minimum.

The average monthly MLLs for the 13 major urban areas of South Africa for different household sizes were as follows for March 2004 (Martins and Maritz, 2004):

Household size	All products and services	Food only
2 members	R1 049,95	R 475,70
3 members	R1 379,62	R 698,80
4 members	R1 696,19	R 919,87
5 members	R2 031,51	R1 144,84
6 members	R2 373,13	R1 383,80
7 members	R2 673,88	R1 606,72
8+ members	R3 247,52	R2 004,89
Average household	R1 945,79	R1 067,16

4. POVERTY IN THE WORLD

The Chronic Poverty Research Centre (2005: 9–11) estimates that between 300 and 420 million people worldwide are chronically poor with the upper end of this range more plausible. The average percentage of poor assumed chronically poor is estimated at between 30% and 40% for sub-Saharan Africa, between 17% and 27% for East Asia and Pacific, between 25% and 35% for South Asia and between 23% and 32% for the rest of the world. The following countries are, inter alia, listed as desperately deprived, moderately deprived and relatively deprived and relatively non-deprived:

Desperately deprived – Burkina Faso, Burundi, Central African Republic, Côte d'Ivoire, Ethiopia, Malawi, Mauritania, Mozambique, Niger, Nigeria, Rwanda and Tanzania.

Moderately deprived – Bangladesh, Cameroon, Ghana, India, Kenya, Lao PDR, Madagascar, Nepal, Senegal, Uganda, Yemen and Zimbabwe.

Relatively non-deprived – Algeria, Bolivia, Brazil, Colombia, Ecuador, Egypt, El-Salvador, Guatemala, Honduras, Iran, Jordan, Mexico, Mongolia, Morocco, Peru, Russian Federation, Tunisia, Ukraine, Venezuela and Vietnam.

The percentage of people living on less than US\$1 a day is estimated by the Chronic Poverty Research Centre (2005: 101) as 11.5% for South Africa for 1993. The number of percentage points by which the poor fall below the poverty line for South Africa is estimated at 15.7% for 1993.

Stats SA (2000: 2) estimates the percentage of poor in the population as 28.4% using imputed expenditure based on the 1996 population census and a household poverty line of R800 per month.

5. SOUTH AFRICA'S ECONOMIC POSITION IN THE WORLD

Four indicators published by the United Nations Development Programme (UNDP) (2003) have been selected to show the wealth of the population of selected countries. These indicators are population, gross domestic product (GDP), gross domestic product (GDP) per capita and the human development index (HDI). The table also shows the ranking according to GDP, GDP per capita and HDI of all the countries included in the UNDP report. Note that the aim was to select countries for which household budget information is available. The GDP and GDP per capita are expressed in terms of Purchasing Power Parity (PPP). PPP is a theory, which states that exchange rates between currencies are in equilibrium when their purchasing power is the same in the countries. The exchange rate between countries should equal the ratio of the price level of a fixed basket of goods and services.

Germany with a ranking of 5 has the highest ranking for total GDP in Table I while Denmark has the highest ranking (6) for GDP per capita. Sweden tops the list with a ranking of 3 for HDI. South Africa is ranked 17 for total GDP, 43 for GDP per capita and 111 for the HDI. Norway, followed by Iceland, Sweden, Australia and the Netherlands, are the five countries with the highest ranking for the HDI out of 175 countries. The countries at the bottom of the list are Sierra Leone (175), Nigeria, Barkina Faso, Mali and Burundi.

TABLE I
Wealth indicators for selected countries, 2001

Country	Population (millions)	Gross domestic product (GDP)				HDI	
		Total		Per capita		Index	Rank
		PPP US\$* (billions)	Rank	PPP US\$	Rank		
Canada	31.0	843.2	11	27.130	9	0.937	8
Denmark	5.3	155.4	41	29.000	6	0.930	11
Finland	5.2	126.8	47	24.430	17	0.930	14
Germany	82.3	2086.8	5	25.350	13	0.921	18
Greece	10.9	184.7	37	17.440	28	0.892	24
Mauritius	1.2	11.8	115	9.860	45	0.779	62
South Africa	44.4	488.2	17	11.290	42	0.684	111
Sweden	8.9	215.1	31	24.180	18	0.941	3
Switzerland	7.2	203.2	35	28.100	7	0.932	10
United Kingdom	58.9	1420.3	7	24.160	19	0.930	13

*US\$1 = R7.00, at the time of writing this paper.

6. HOUSEHOLD EXPENDITURE PATTERNS FOR SELECTED COUNTRIES

Table II shows the structure of the household expenditure for the countries mentioned in the previous section.

Table II clearly indicates that expenditure patterns of households in first world countries differ considerably from those in poorer countries. In general the higher the ranking of per capita income in Table I the smaller the percentage of the household budget that is spent on food. The percentage expenditure on food ranges from 9.6% of total household expenditure by households in Switzerland to 31.9% in Mauritius. South Africa's percentage for expenditure on food is second highest (22.8%) of the countries listed in Table II.

On the basis of his studies, Ernst Engel formulated the empirical relationship, which became known as Engel's Law (*Ernst Engel's Law and Curves*, 2001), as follows: "The poorer a family, the greater is the proportion of the total outgo which must be used for food...The proportion of the outgo used for food, other things being equal, is the best measure of the material standard of living of a population."

The allocation of a high share of household budgets to food is therefore a sign of poverty. The Economic Research Service of the United States Department of Agriculture (2003) used 1996 data to analyse nine major consumption groups and eight food sub-groups for 114 countries. Countries where more than two-thirds of household budgets are spent on food are as follows: Albania (69.3%), Armenia (69.7%), Azerbaijan (73.5%), Tajikr-aton (68.9%) and Tanzania (73.2%). These proportions constitute an internationally recognised level of poverty.

The countries where the share of food is the lowest of the total household budget are the United States (9.7%), Hong Kong (10.3%), Barbados (11.1%) and Canada (11.7%). These low percentages indicate that households have far more discretionary income available to spend on other products than food and services.

7. TOTAL HOUSEHOLD EXPENDITURE BY HOUSEHOLD EXPENDITURE QUINTILE

Poverty can be measured by pooling a variety of sources. The personal or size distribution of income is the measure most commonly used by economists. Todaro (1994) states that economists and statisticians like to arrange all individuals (households) by ascending personal incomes and then divide the total population (households) in district groups or sizes. A common

TABLE II
Structure of households' expenditure in selected countries

	Switzerland ^b 2000	UK ^a 1999	Germany ^a 1999	Denmark ^a 1999	Canada ^c 2000	Finland ^a 1999	Sweden ^a 1999	Greece ^a 1999	South Africa ^d 2004	Mauritius ^e 2001/2
Food and non-alcoholic beverages	9.6	10.5	11.1	13.1	14.2	14.2	15.4	16.6	22.8	31.9
Alcoholic beverages and tobacco	1.5	3.0	2.8	4.2	2.8	2.9	2.9	3.5	5.1	9.1
Clothing and footwear	3.8	5.5	5.7	5.5	5.4	4.6	5.2	8.6	4.4	6.4
Housing and energy	20.4	28.3	31.2	28.4	23.9	28.1	26.8	21.9	20.1	9.4
Furnishing, household appliances and equipment	3.7	7.3	7.4	6.4	3.6	4.5	5.0	7.5	3.3	6.1
Health	12.2	1.1	3.6	2.4	3.1	3.7	3.0	6.3	4.4	2.5
Transport	8.7	13.6	13.3	14.1	17.2	17.0	13.4	11.2	11.0	12.7
Communication	2.1	2.3	2.5	2.1	2.8	2.8	2.6	3.3	2.6	3.3
Recreation and culture	7.7	13.4	11.9	11.2	8.4	10.7	14.6	4.5	1.8	4.7
Education	0.5	1.3	0.5	0.4	1.9	0.2	0.1	2.4	3.3	3.7
Restaurants, cafes and hotels	7.5	7.9	4.9	4.1	—	4.1	3.8	8.8	2.1	5.3
Other goods and services	22.3	5.8	5.0	8.1	19.5	7.1	7.2	5.5	19.1	4.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: ^aKultusmenojen määrät ja rakenne (2003). ^bExpenditure structure of private households, 2000 (2002). ^cWhat Canadians spend (2004). ^dMartins (2004a). ^eMauritius in figures (2002).

method is to divide the population into successive quintiles (fifths) or deciles (tenths). The size and composition of household budgets from the expenditure side (which will add up to total income in the medium to long term, especially as household expenditure is defined above) can be used as an indicator of the purchasing power of households indicating the existence or non-existence of overall poverty.

In this paper all households in South Africa are classified into quintiles on the basis of total household expenditure. Expenditure data was sourced through an extensive questionnaire since such questionnaires often provide more reliable information than when income information is specifically requested from respondents.

Calculations were based mainly on data from the survey of income and expenditure of households in 2000 by Stats SA (Stats SA, 2002), adjusted using more recent information where necessary, from BMR research reports (Van Wyk, 2001; Martins, 2002; Martins, 2003; Martins, 2004b).

Households were divided into the following expenditure quintiles (income groups):

- A. First quintile: < R10 460
- B. Second quintile: R10 460-R19 509
- C. Third quintile: R19 510-R37 112
- D. Fourth quintile: R37 113-R80 005
- E. Fifth quintile: R80 006 +

Figure 2 depicts estimated total household expenditure in South Africa by income group in 2004. It is anticipated that the 20% of households in the fifth quintile (highest income group) will be responsible for 64.9% of the

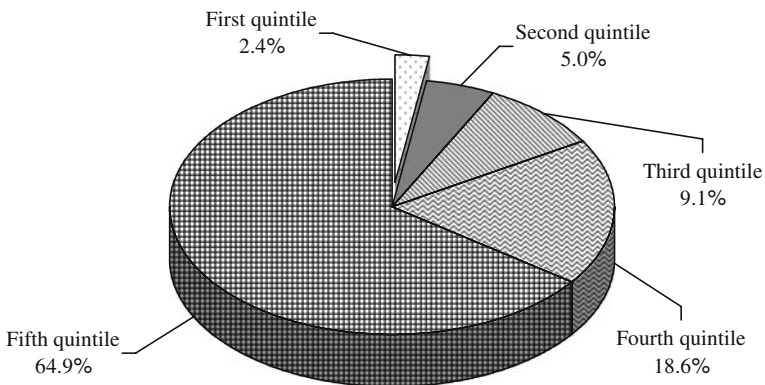


Fig. 2. Market share of income groups in total household expenditure, 2004. Source: Martins (2004a).

total household expenditure in 2004 as against the 2.4% of the 20% poorest families in South Africa. The figure clearly demonstrates the skewness in wealth distribution in South Africa.

Figures 3 and 4 reflect the expenditure patterns of the poorest 20% (first quintile) and the wealthiest 20% (fifth quintile) of households in South Africa.

Liao (2002) compared the expenditure patterns of high- and low-income families in the United States of America (USA), dividing the sample data into two income groups: high-income and low-income. The before-tax income of every household was compared by Liao to the poverty line

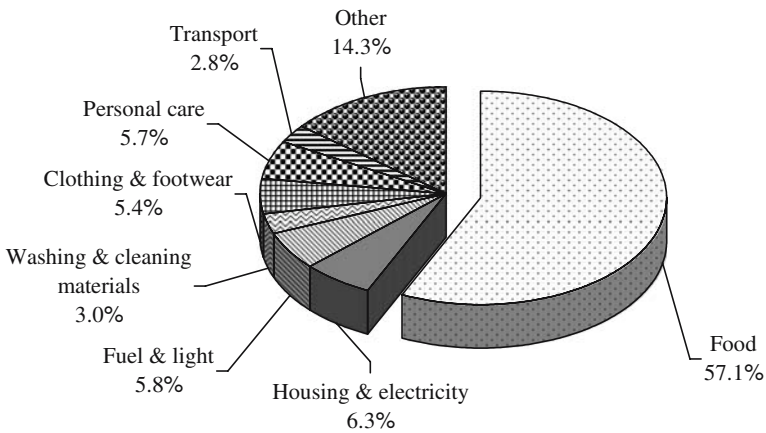


Fig. 3. Expenditure of the poorest 20% of households in South Africa by main expenditure group, 2004. Source: Martins (2004a).

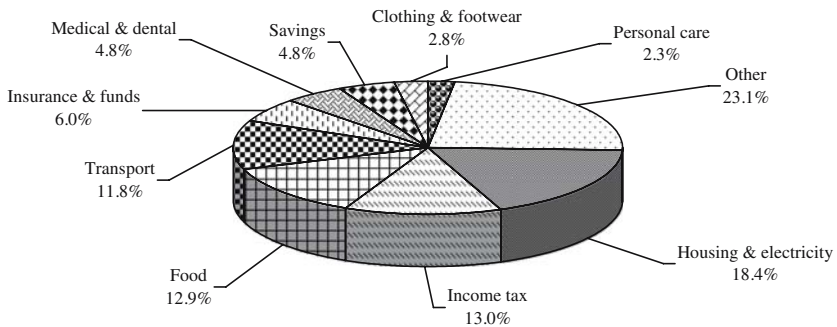


Fig. 4. Expenditure of the wealthiest 20% of households in South Africa by main expenditure group, 2004. Source: Martins (2004a).

applicable to that household. Household size and the age of the reference person determine the poverty line. So different households have different poverty lines. Liao chose 150% as dividing line. If a household's income exceeded one and a half times the poverty line it belonged to the high-income group, otherwise it was considered to belong in the low-income group. Figure 5 compares the high-income and low-income groups' expenditure patterns.

The low-income group spent almost 40% of their home budget on housing, and over 20% on food, while only 15% was allocated to transport. Their higher-income counterparts tended to allocate a greater share to transport (19%) than to food (15%). Although housing still consumed a large portion of total expenditure for the high-income group, the percentage was seven percentage points less than that for the low-income group.

A comparison of the expenditure patterns of the 20% poorest and 20% wealthiest households in South Africa with the low-income and high-income groups in the USA shows substantial differences. However, it must be remembered that the classification of households and expenditure differs and that income tax is included in the South African figures. Figure 3, when compared to the low-income group of the USA, shows that poor households in South Africa spend far more on food (57.1%) than their counterparts in the USA (21%). Housing (39%) and transport (15%) in the USA take a larger part of the low-income group's budget than the housing, electricity and fuel and light (the latter refers to non-electrical energy sources such as firewood, paraffin and coal) (12.1%) and transport (2.8%) of poor house-

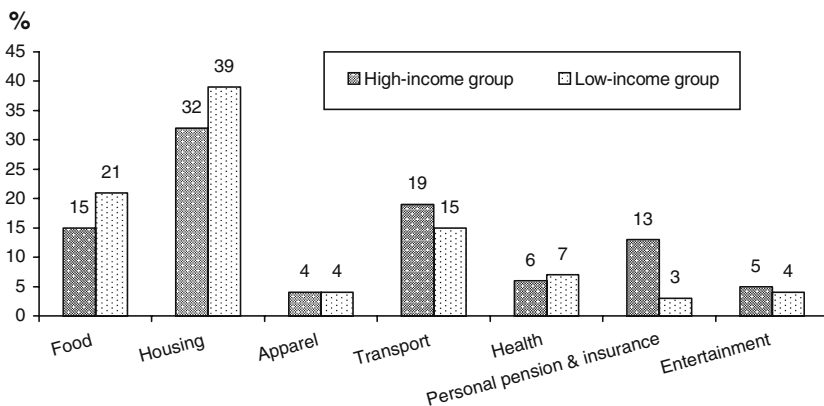


Fig. 5. Comparison of spending shares of high-income and low-income groups in the USA. Source: Liao (2002).

holds in South Africa. The majority of poor households in South Africa live in rural areas in traditional dwelling units and housing costs mainly entail expenditure on energy. They tend to depend on survivalist economic activities and have limited need of transport. The poor in urban areas mostly reside in informal housing (shacks) and, similarly, their housing costs are allocated mainly to energy sources. A comparison of the high-income group in the USA with the 20% wealthiest households in South Africa shows that South Africans spend relatively less on food (12.9% compared to 15%) and housing (18.4% compared to 32%) than the Americans.

8. GINI COEFFICIENT AS A MEASURE OF WEALTH INEQUALITY

The Gini coefficient is a measure of income inequality developed by the Italian statistician Corrado Gini. The Gini coefficient is a number between 0 and 1, where 0 means perfect equality (everyone has the same income) and 1 means perfect inequality (one person has all the income, everyone else earns nothing). While the Gini coefficient is mostly used to measure income inequality, it can be used to measure wealth inequality as well. The Gini coefficient is calculated using areas on the Lorenz curve diagram (*Gini coefficient*, 2004).

Figure 6 shows the Lorenz curve for South Africa for 2004. Two assumptions are made in the construction of the curve, namely household expenditure is equal to household income and the percentage distribution of the number of households is the same as for the population. The last assumption implies the same average household size per income group.

Todaro (1994: 135) explains the construction of a Lorenz curve as follows:

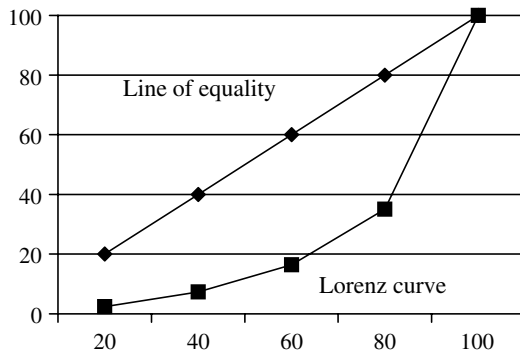


Fig. 6. Lorenz curve for South Africa, 2004.

The number of income recipients is plotted on the horizontal axis, not in absolute terms but in cumulative percentages. For example, at point 20 we have the lowest (poorest) 20% of the population, at point 60 we have the bottom 60%, and at the end of the axis, 100% of the population has been accounted for. The vertical axis portrays the share of total income received by each percentage of the population. It is also cumulative up to 100%, meaning that both axes are equal in length. The entire figure is enclosed in a square, and a diagonal line is drawn from the lower left corner (the origin) of the square to the upper right corner. At every point on that diagonal, the percentage of income received is exactly equal to the percentage of income recipients.

The more the Lorenz line curves away from the diagonal (perfect equality), the greater the degree of inequality represented. The greater the degree of inequality, the greater the bend and the closer to the bottom horizontal axis the Lorenz curve will be. If the area between the line of perfect equality and the Lorenze curve is A , and the area underneath the Lorenz curve is B , the Gini coefficient is $A/(A + B)$. This is expressed as a percentage or as the numerical equivalent of the percentage, which is always between 0 and 1.

By using the above information, the Gini coefficient is calculated as 0.667 for South Africa in 2004. The UNDP (2003) shows the following Gini coefficients for the selected countries mentioned in Tables I and II:

Denmark – 0.247 (1997); Sweden – 0.250 (1995); Finland – 0.256 (1995); Canada – 0.315 (1997); Switzerland – 0.331 (1992); Greece – 0.354 (1998); United Kingdom – 0.360 (1995); Germany – 0.382 (1998) and South Africa – 0.593 (1995). Mauritius' Gini coefficient is calculated by their statistics department as 0.371 (*Mauritius in figures*, 2002). The Gini coefficient for the five top ranked HDI countries, according to the UNDP report, varies from 0.250 for Sweden to 0.352 for Australia and for the five lowest ranked countries from 0.333 for Burundi to 0.629 for Sierra Leone.

The Lorenz curve for South Africa suggests immense inequality of wealth in South Africa. This may be attributed to an economy where first and third world economic conditions prevail. As widely known, populations engaged in first world economic activities are generally wealthier while those who are dependent on a survivalist third world economy are poorer.

9. PROFILE OF THE POOR HOUSEHOLDS

The question arises, who are these poor people? Table III provides a summary of the profile of the 20% poorest households. Information for the 20% wealthiest and all households is also given to facilitate comparison.

TABLE III

Profile of the 20% poorest and 20% wealthiest households in South Africa, 2004

	Households		
	Poorest 20%	Wealthiest 20%	All
<i>Household head</i>			
Average age (years)	46.6	44.5	46.5
Gender			
Male (%)	45.8	82.2	61.4
Female (%)	54.2	17.8	38.6
Level of education			
None (%)	30.2	1.8	16.3
Primary (7 years' schooling) (%)	41.3	7.3	29.5
Secondary (8–12 years' schooling) (%)	27.5	45.0	40.8
Post-matric (%)	1.0	45.9	13.4
<i>Households</i>			
Average size (members)	3.58	3.70	3.87
Race			
African (%)	95.1	37.7	74.9
Asian (%)	0.2	5.8	2.4
Coloured (%)	4.1	7.8	7.9
White (%)	0.6	48.8	14.8
Provincial location			
Eastern Cape (%)	26.1	7.5	14.1
Free State (%)	8.8	5.5	7.2
Gauteng (%)	3.0	40.9	21.5
KwaZulu-Natal (%)	23.0	14.4	18.9
Limpopo (%)	20.9	3.6	10.7
Mpumalanga (%)	4.8	4.9	6.7
Northern Cape (%)	2.4	1.9	2.1
North West (%)	8.5	5.2	8.7
Western Cape (%)	2.4	16.1	10.0
<i>Expenditure</i>			
Total budget per household (R)	7072	193 869	59 728
Food budget per household (R)	4040	24 918	12 527

The average age of 46.6 years for the heads of the poorest households coincides with the 46.5 for all household heads but is higher than the 44.5 years for the wealthiest group. The gender and the level of education of the household heads of the poorest households differ considerably from those of the wealthiest households – 45.8% males as against 82.2% males; 71.5% with no or only primary schooling as against 90.9% with secondary or post-matric schooling, respectively.

The average household size of the poorest households of 3.58 members is lower than the 3.70 for the wealthiest and 3.87 for all households. The poorest

households frequently consist of a single member (known as a single household) subsisting on a survivalist income or a social grant or working as a migratory labourer (such as domestics). The vast majority (95.1%) of the poorest households are Africans. However, it must not be generalised that all Africans are poor. An analysis of the 2000 household income and expenditure dataset of Stats SA (2002) reveals an average annual expenditure per capita in 2000 for Africans with English as home language of R31 824 as against an average per capita of R5 459 for all Africans, R4 854 for those with Nguni as home language and R6 015 for those with Sotho as home language. The average per capita expenditure for the total population in 2000 was R10 072, for Asians R20 969, for Coloureds R10 742 and for Whites R49 288. Furthermore, Table III shows that 37.7% of the 20% wealthiest households are Africans. Seventy percent of the poorest households live in three provinces – Eastern Cape (26.1%), KwaZulu-Natal (23.0%) and Limpopo (20.9%). These figures are way above the share of these provinces in the total population of South Africa – Eastern Cape – 15.6%; KwaZulu-Natal – 20.9%; and Limpopo – 12.3%. Reasons for the relatively higher concentration of poverty in these provinces, when compared to the others, are the high percentage of people living in rural areas as well as large concentrations settled in the former so-called homelands where little or no development took place. The average annual budget for 2004 of the 20% poorest households amounts to R7 072 as against the R193 869 of the 20% wealthiest households in 2004. The food budgets for the two groups were R4 040 and R24 918, respectively.

10. CONCLUSION

The analysis in this chapter indicates that household expenditure information clearly shows inequality in the distribution of wealth in South Africa. The expenditure pattern of the poorest households, where more than half of their household budgets is spent on food, points to the existence of overall income poverty among these households. The demographic profile of these poor households seems to corroborate this finding. The South African per capita income of US\$11 290 in 2001 and a ranking of 42 out of 175 countries suggest a middle-income country. However, a Gini coefficient of 0.667 for 2004 points towards an extremely unequal wealth distribution. The data show that most of the impoverished people in South Africa are Africans and 70% of the 20% poorest households live in the Eastern Cape, KwaZulu-Natal and Limpopo. As mentioned earlier, this may be due to the numerous households in these provinces that live in the former so-called homelands where development was limited.

A comparison of the MLL financial requirements for all products and services with the household budget of the 20% poorest households in South Africa shows that their average budget of R7 072 in 2004 is less than half of the MLL requirements of R18 877 for a household of 3.58 members, the average for the 20% poorest households. It is even lower than the MLL requirements of R9 934 for food only. The consumption of own production is not taken into account in the household budget figures. However, even when taking that into account in the South African context it can be stated that the vast majority of these people probably lived in poverty. The average household budget of R14 792 for the second quintile, the next 20% poorest households (calculated from Martins, 2004a) indicates a lower budget than the MLL requirements of R18 877 for all products and services but higher than the R9 934 for food. By using the above-mentioned information and taking consumption of own production into account the percentage of people in South Africa living in poverty in 2004 probably lies in the vicinity of 28% calculated by Stats SA for 1996. The percentage of $\pm 28\%$ is well below the 50% of households described by Terblanche (see Figure 1) as the very poor or the lumpen-proletariat. However, it is far higher than the 11.5% of people living on less than US\$1 calculated by the Chronic Poverty Research Centre for 1993. Terblanche's suggestion (Figure 1) that 50% of the population in South Africa contains only 3.3% of the total income seems far too low. The first quintile (20% poorest households) has a share of 2.4% in total household expenditure in South Africa and the second quintile a share of 5.0%, giving a total of 7.4% for the 40% poorest households. However, this still points to a very skewed income distribution.

A similar blank yardstick to measure poverty, such as an income below US\$1 a day, cannot be applied to the whole population. Differences in climate conditions, consumption of own production especially of food from agricultural sources available, and urbanisation, to mention a few, must be taken into account when developing a poverty measurement yardstick. Further research is therefore needed to determine the actual poverty datum line for people living in the different areas of South Africa. This will facilitate informed decision making as to where the most urgent interventions can be made to alleviate poverty nationally.

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