Poverty Trends in South Africa

An examination of absolute poverty between 2006 and 2011

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An examination of absolute poverty between 2006 and 2011

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Preface

This report presents poverty and inequality trends based on data collected by Stats SA through the Income and Expenditure Survey (IES) 2005/2006 and 2010/2011, as well as the Living Conditions Survey (LCS) 2008/2009. The poverty indicators in this report have been derived using household expenditure data collected through a combination of the diary and recall methods. This report focuses on results at national and provincial levels.

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Cautionary notes

Readers are cautioned to take the following into consideration:

Rounding off

Due to rounding, the displayed totals in the tables do not always match the sum of the displayed rows or columns.

Global financial crisis of 2008/09

Data collection for the LCS 2008/2009 coincided with the global financial crisis that started in 2008. The crisis had a direct negative impact on the real economy of the country and the subsequent impact on households is reflected in the results of the LCS 2008/2009.

Weighting

Estimates generated from the IES 2005/2006, LCS 2008/2009 and IES 2010/2011 have not yet been benchmarked according to the findings of the recently released Census 2011. We are in the process of re-weighting these datasets to Census 2011 population estimates and a statistical revision of this report will be published accordingly.

Introduction

Introduction

Household expenditure surveys, like the Income and Expenditure Survey (IES) and Living Conditions Survey (LCS), are fundamental components to a survey programme of any statistical agency. They are an essential building block for the consumer price index (CPI) to stay current with the changing spending and consumption patterns of the country and are the best sources of data for the measurement of money-metric poverty and inequality. The consistent approach to the collection of expenditure data through these tools since the IES 2005/2006 allows us to measure trends in the poverty situation of the country between 2006 and 2011.

As stated in the Reconstruction and Development Programme (RDP) (1994) and reiterated in the National Development Plan (NDP) (2011), "no political democracy can survive and flourish if the mass of our people remain in poverty, without land, without tangible prospects for a better life…attacking poverty and deprivation must therefore be the first priority of a democratic government". The NDP and Vision for 2030, our most current guiding framework for development, is anchored by two fundamental objectives, namely the elimination of poverty and reduction of inequality. Success of the plan will be measured by the degree to which the lives and opportunities of the poorest South Africans are transformed in a sustainable manner. Through the data provided by the IES and LCS, we now have three data points that allow us to report on the progress towards meeting these priorities.

Background to the surveys

The data collection methodology of using diary and recall methods to capture household expenditure was first used by Stats SA in the IES 2005/2006. The primary purpose of the IES is to provide consumption expenditure data to CPI for the selection and weighting of a new basket of goods and services used for measuring inflation. Although not intended to measure poverty, the IES contains the crucial income and expenditure information necessary to derive money-metric poverty measures. While the IES did allow us to partly address poverty measurement, a process was set in place in 2007 to develop and implement a purpose-driven and user-guided multi-topic poverty survey, namely the LCS. This was the first data collection tool specifically designed to measure the multidimensional nature of poverty. The nucleus of the LCS maintained the detailed income and expenditure modules of the IES; however, it also included a host of other questions on assets, housing, access to services, living circumstances, perceived well-being and health status that, when combined with the money-metric data, allowed Stats SA to field its most comprehensive poverty measurement tool to date.

While the LCS cemented the diary and recall method as best practice with regard to collection of expenditure data, the methodology did impose a heavy burden on respondents to keep weekly diaries for the period of a month. In an effort to improve diary reporting, the diary-keeping period was reduced from one month to two weeks for the IES 2010/2011. After extensive testing, the reduced diary-keeping showed an increase in the number of items reported in the weekly diary and had a noticeable impact on reducing respondent fatigue (meaning households were less likely to drop out during data collection). Despite the reduction to two weeks, the survey was still designed to ensure diary data for every day across the whole 12-month data collection period. In other words, where previously there were 12 survey periods (one per month), the IES 2010/2011 had 26 survey periods (each period covering exactly two weeks) that covered the 52 weeks of the year. Table 1 compares various features of the three surveys used for this report.

Table 1: Comparison of the IES 2005/2006, LCS 2008/2009 and IES 2010/2011

Distinguishing features		IES 2005/2006	LCS 2008/2009	IES 2010/2011
Sample size		24 000 DUs	31 473 DUs	31 419 DUs
Methodology		Diary and recall	Diary and recall	Diary and recall
Household questionnaire		Five modules	Seven modules	Four modules
Diaries		Four weekly diaries	Four weekly diaries	Two weekly diaries
Expenditure data collection approach	Goods	Acquisition approach	Acquisition and payment approaches	Acquisition approach
	Services	Payment approach	Payment approach	Payment approach
	Own production	Consumption approach	Consumption approach	Consumption approach
Data collection period		September 2005 to August 2006	September 2008 to August 2009	September 2010 to August 2011
Visits per household		Six	Six	Four
Classification of expenditure items		COICOP	COICOP	COICOP

While these surveys provide the necessary data on household income and expenditure for poverty measurement, to derive poverty estimates one must apply a poverty line to the data to distinguish between poor and non-poor households.

Background to the national poverty lines

In 2012, South Africa published a set of three national poverty lines – the food poverty line (FPL), lower-bound poverty line (LBPL) and upper-bound poverty line (UBPL) – to be used for poverty measurement in the country. The FPL is the level of consumption below which individuals are unable to purchase sufficient food to provide them with an adequate diet. Those below this line are either consuming insufficient calories for their nourishment, or must change their consumption patterns from those preferred by low income households. The LBPL includes non-food items, but requires that individuals sacrifice food in order to obtain these, while individuals at the UBPL can purchase both adequate food and non-food items. The Rand value of each line is updated annually using CPI prices data. Table 2 shows the inflation-adjusted poverty lines for the period between 2000 and 2011.

Table 2: Inflation-adjusted poverty lines (per capita per month in Rands)

Year*	Food poverty line	Lower-bound poverty line	Upper-bound poverty line
2000	141	209	308
2001 (September)	148	219	323
2002	166	241	352
2003	197	280	401
2004	199	282	403
2005	202	288	413
2006 (March)	210	300	431
2007	227	321	458
2008	259	360	507
2009 (March)	305	416	577
2010 (March)	307	424	594
2011 (March)	321	443	620

* Unless otherwise indicated, the values are linked to January prices

The rows highlighted in grey are the poverty lines linked to the three data sources that are analysed in this report. The findings relate to the application of these poverty lines to survey data collected through the IES 2005/2006, LCS 2008/2009 and IES 2010/2011. In all three cases, the survey data and respective poverty lines have been benchmarked to March prices as these represent the mid-point of each survey. For the purposes of this report, the upper-bound poverty line will be used as the primary line unless stated otherwise.

The 'social wage'

While this report examines poverty from a money-metric perspective of households, it is critical to note the positive impact the provision of a 'social wage' package has been in helping reduce poverty in the country. The 'social wage' is a cornerstone of government's efforts to improve the lives of the poor and reduce their cost of living.

Social wages in South Africa are provided through a wide array of mechanisms. This includes free primary health care; no-fee paying schools; social grants (most notably old-age pensions and child support grants); RDP housing; and the provision of basic services to households, namely water, electricity and sanitation.

As noted in the MDG Country Report 2013, close to 60% of government spending is allocated to the social wage, and expenditure on these services has more than doubled in real terms over the past decade. There has been a doubling in per capita health spending over this period, 1,5 million free homes were constructed, and free basic education was provided to the poorest 60% of learners. Although initially seen as a short-term measure to address poverty, social grants have increasingly become a source of livelihood in South Africa and have played an instrumental role in reducing poverty levels.

Outline of this report

This report has five sections. This section provides the background information on the data sources and context. The next section presents the key findings on poverty and inequality in South Africa, as well as a review of the economic and social conditions over the last decade. This is followed by our detailed findings which are split into three parts covering individual poverty, household poverty and household expenditure. The fourth section covers explanatory notes that will provide greater detail on the development of the poverty lines, the design and implementation of the surveys, as well as other various technical information. The final section provides information on the relevant concepts and definitions.

Key findings

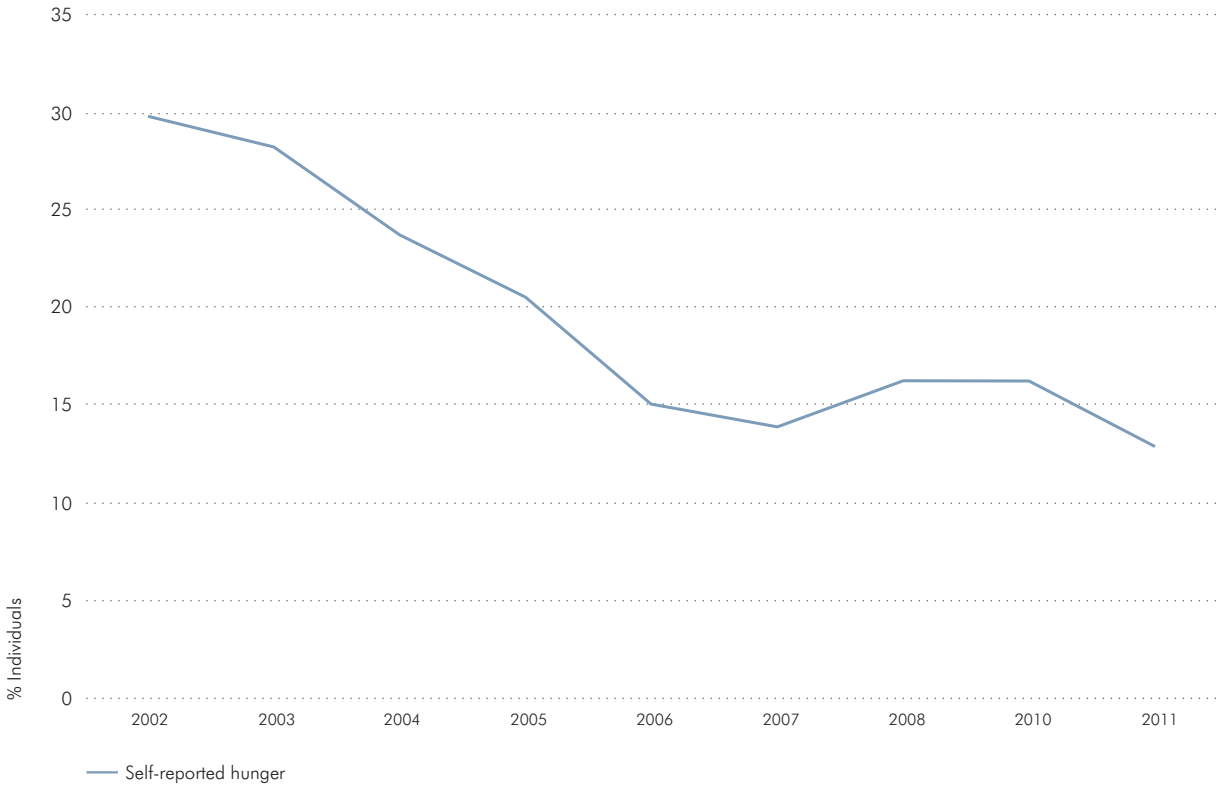
Poverty and inequality from 2006 to 2011

Poverty levels in the country have dropped since 2006, reaching a low of 45,5% in 2011 when applying the upper-bound poverty line. As shown in Table 3, this translates into roughly 23 million people living below the upper-bound poverty line. When one looks at extreme poverty, defined as those living below the food poverty line, we can see the dramatic impact the global financial crisis of 2008/09 has had on the livelihoods of South Africa's poorest. The number of people living below the food line increased to 15,8 million in 2009 from 12,6 million in 2006, before dropping to 10,2 million people in 2011. Despite this adverse impact of the financial crisis, poverty levels did noticeably improve according to 2011 estimates. This was driven by a combination of factors ranging from a growing social safety net, income growth, above inflation wage increases, decelerating inflationary pressure and an expansion of credit.

Table 3: Poverty headcounts in 2006, 2009 and 2011

Poverty headcounts	2006	2009	2011
Percentage of the population that is poor	57,2%	56,8%	45,5%
Number of poor persons (millions)	27,1	27,8	23,0
Percentage of the population living in extreme poverty	26,6%	32,4%	20,2%
Number of extremely poor persons (millions)	12,6	15,8	10,2

Figure 1: Percentage of individuals going hungry between 2002 and 2011



Source: GHS 2002 – 2011 (These questions were not asked in the 2009 questionnaire)

Results from the General Household Survey (GHS) show that self-reported hunger in South Africa has dropped from roughly 30% in 2002 to just 13% in 2011. When one considers that living below the food poverty line manifests itself most basically as hunger, the GHS corroborates the decline in the number of people living below the food poverty line. The brief increase in self-reported hunger seen in 2008 also further supports the trend we see in Table 3. Unfortunately, data for 2009 are not available as the GHS did not include these questions in that year, but it is likely that hunger increased further before dropping again in 2010.

While poverty headcounts are intuitively easy measures of deprivation to understand and communicate, the approach implies that all those who are below the poverty line are considered to be equally deprived. As a result, changes in the depth of poverty (how far the deprived are from the poverty line) are not depicted, and for those below the threshold, poverty could worsen or improve without any change in the headcount being observed. For this reason, the poverty gap is used as an indicator to measure the depth of poverty. The gap measures the average distance of the population from the poverty line and is expressed as a percentage of the poverty line, as shown in Table 4.

Table 4: Poverty gaps in 2006, 2009 and 2011

Poverty gaps	2006	2009	2011
Poverty gap for the UBPL	26,7%	27,9%	19,6%
Poverty gap for the FPL	8,5%	11,6%	6,2%

According to Table 4, we see a decline in the depth of poverty between 2006 and 2011. This indicates that beyond decreasing poverty levels, the country has also been successful in reducing the gap of those who remain poor. The smaller the gap, the easier it is for those households to graduate out of poverty as they are closer to the poverty line than before. Since the gap tells us how far away households are from the poverty line, it is possible to use that measure to quantify the amount of money needed to close the gap. In the case of the UBPL, the gap of 19,6% translates to R73,7 billion per annum to bring those classified as poor out of poverty. If we just wanted to eliminate food poverty in the country, an estimated R12 billion per annum would be needed. While quantifying the gap is a useful method to gauge the financial resources required to eradicate poverty, this is mainly an academic exercise as there is no mechanism that can properly transfer the unique amount of money each poor household requires directly to them. There would also be a host of administrative costs involved in the channelling of that money which would increase the overall cost of the exercise.

Another important conclusion we can draw based on the declining gap values is that the programmes and strategies implemented by government towards poverty alleviation have had a positive impact on those who are poorest. This reflects the various successes of pro-poor elements of the country's policies.

Unfortunately, while the poverty situation is improving, inequality in our society remains a serious problem. The Gini coefficient, which is a number between 0 and 1, where 0 indicates total equality and 1 indicates total inequality, is calculated to be approximately 0,65 based on expenditure data (per capita excluding taxes) and 0,69 based on income data (per capita including salaries, wages and social grants) in 2011. These high levels of inequality, amongst the highest in the world, are only slightly smaller than the Ginis recorded in 2006.

Table 5: Inequality, 2006 to 2011

Inequality indicators	2006	2009	2011
Gini coefficient (income per capita including salaries, wages and social grants)	0,72	0,70	0,69
Gini coefficient (expenditure per capita excluding taxes)	0,67	0,65	0,65
Share of national consumption of the poorest 20% (per capita)	4,4%	4,4%	4,3%
Share of national consumption of the richest 20% (per capita)	64,1%	61,4%	61,3%

The share of national consumption between the richest and poorest remains stubbornly stagnant. The richest 20% of the population account for over 61% of consumption in 2011 (down from a high of 64% in 2006). Meanwhile, the bottom 20% see their share remaining fairly constant at below 4,5%.

Progress towards the NDP's poverty target

The National Planning Commission (NPC) adopted the use of the lower-bound poverty line (R443 in 2011 prices) with regard to its poverty targets outlined in the NDP. They have set the ambitious target of eliminating all poverty below this line by 2030. As of 2011, 32,3% of the population or roughly 16,3 million people were living below this poverty line. According to the poverty gap, roughly R31,7 billion per annum would be needed to eliminate poverty at this level.

Table 6: Progress towards NDP's poverty target

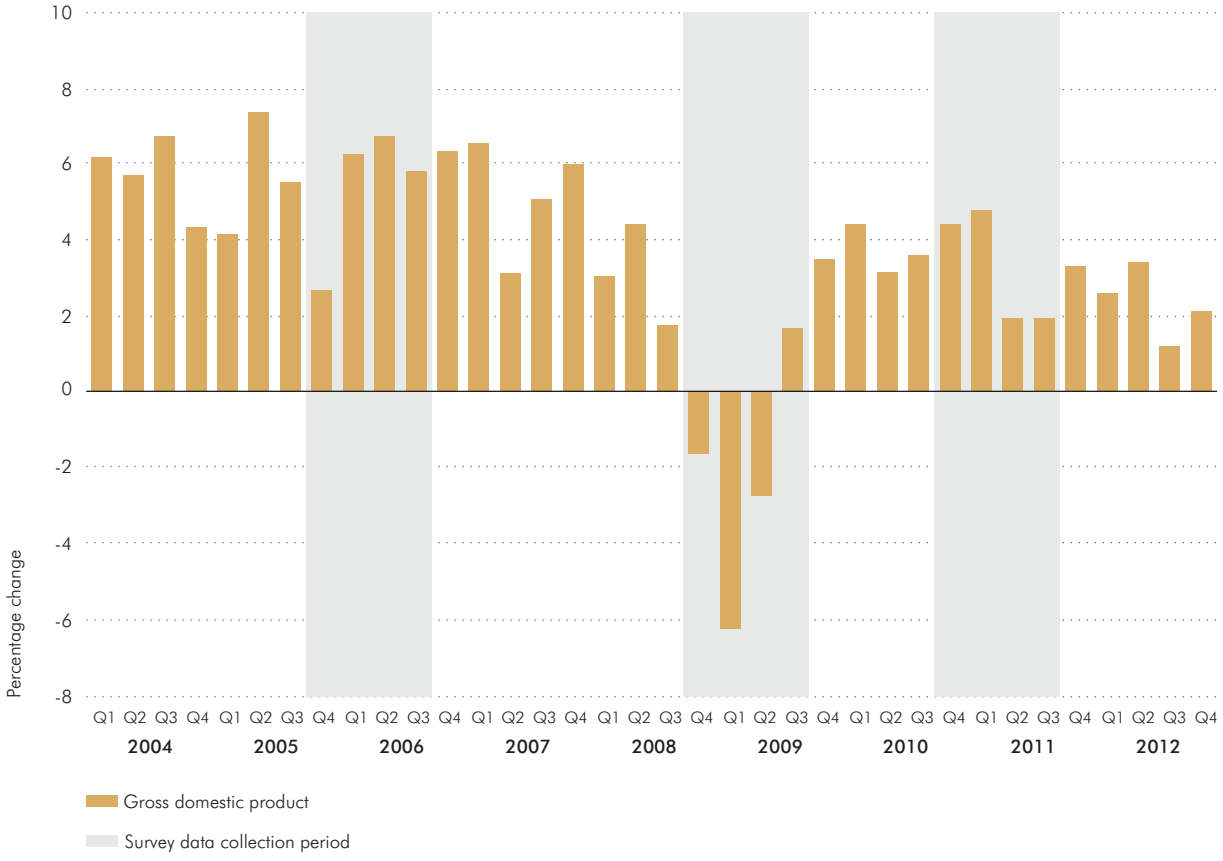
Poverty indicators	2006	2009	2011
Percentage of the population that is below the LBPL	42,2%	44,6%	32,3%
Number of people living below the LBPL (millions)	20,0	21,8	16,3
Poverty gap for the LBPL	16,4%	18,9%	11,8%

Overview of the economic and social environments

Economic growth was robust from 2004 to 2007 as South Africa reaped the benefits of macroeconomic stability and a global commodities boom. The first data point used in this report comes from the IES 2005/06 which was conducted in the middle of this boom period. The country's strong growth slowed during the first three quarters of 2008 due to the electricity crisis and then was further set back by the subsequent global financial crisis. In 2008, the global economy went into turmoil as the financial crisis in the US intensified and spread to other economies around the world. The uncertainty in the financial markets, particularly in

industrialised economies such as the US, Euro area and Japan, and the subsequent collapse of this market led to depressed consumer confidence and undermined the outlook for domestic demand. This resulted in a decline in global economic growth as industrialised economies experienced significant contractions in output. Even though the financial crisis spilled over into emerging market economies, the South African financial system was largely protected against global financial market turmoil. Nevertheless, the South African economy weakened considerably in 2009, recording the lowest quarterly growth rate in eleven years. By the first quarter of 2009, South Africa was officially in a recession. Our second data point, the LCS 2008/09 coincided directly with this period of global economic downturn. South Africa was out of the recession by the third quarter of 2009 and saw fairly decent growth in the period prior to the IES 2010/11, averaging 3,6% between Q4 of 2009 and Q3 of 2010.

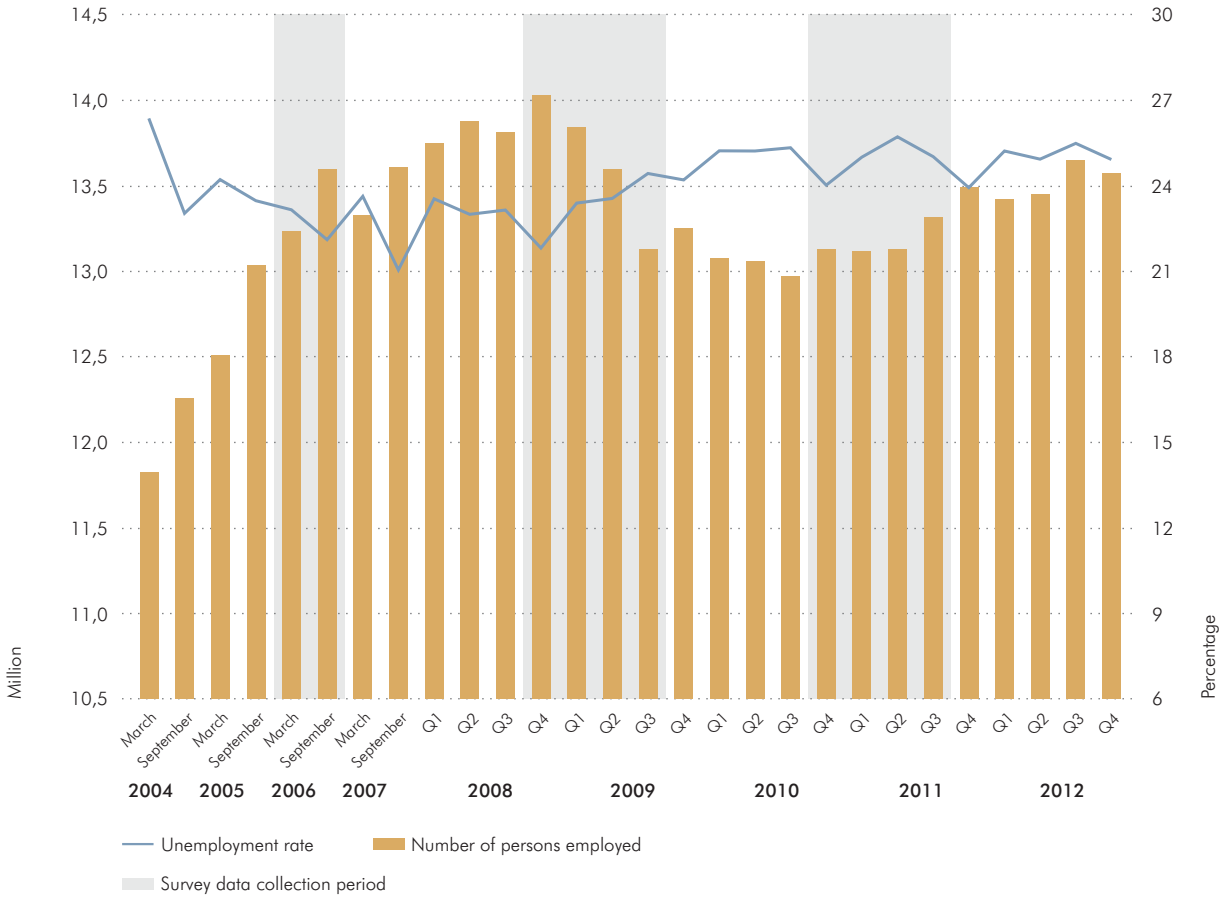
Figure 2: Gross domestic product from 2004 to 2012 (annualised percentage change in the seasonally adjusted quarterly values at constant 2005 prices)



Source: Gross Domestic Product (2004 – 2012), Stats SA

An estimated 1 million jobs were lost as a result of the crisis following the sharp decline in demand for South Africa's exports and the drop in commodity prices. Roughly 90% of these job losses happened during the data collection period of the LCS 2008/09. Employment levels have recovered slowly since the crisis; by the end of the IES 2010/11, roughly 350 000 jobs were reclaimed by the economy, mainly driven by public-sector employment growth. In 2011, growth in the public sector employment accelerated to 4,6%, the highest rate of growth since 1975 according to the South African Reserve Bank.

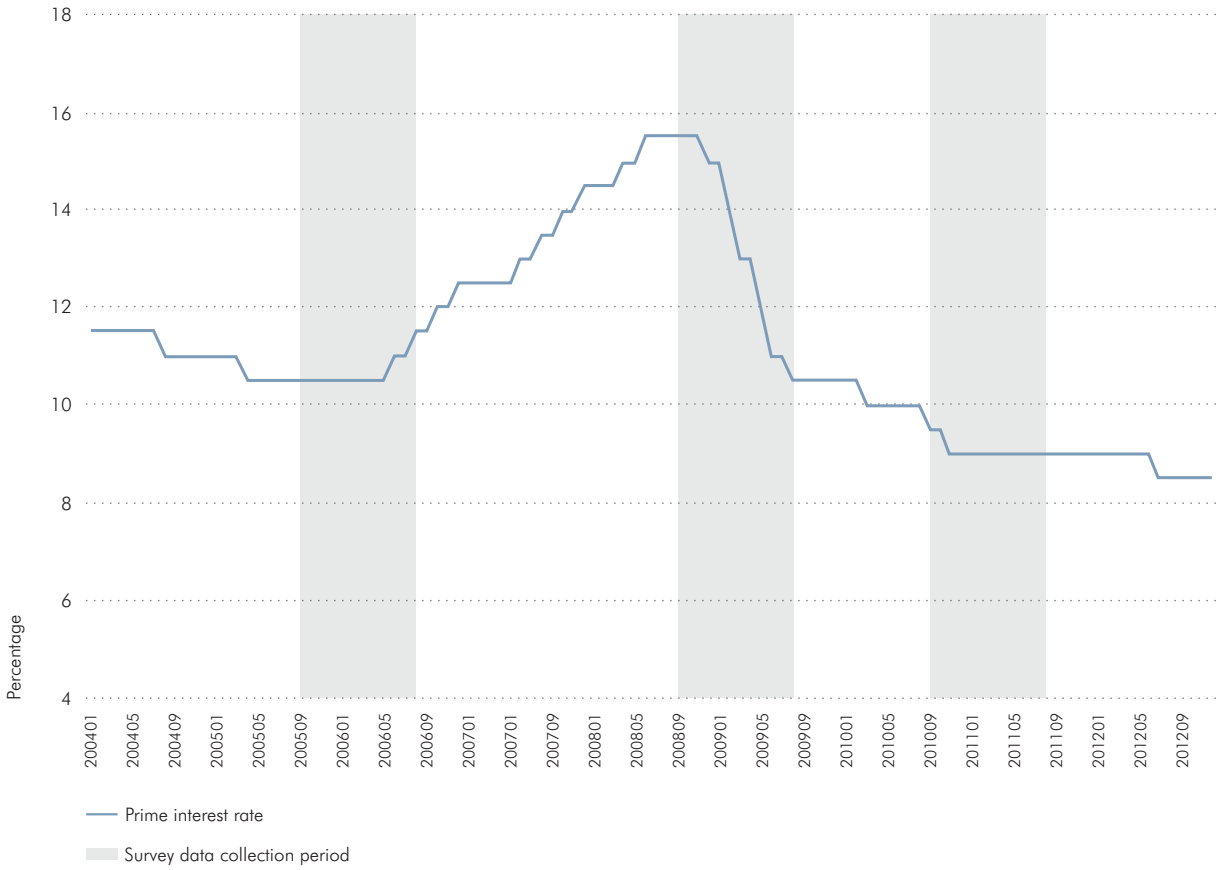
Figure 3: Number of employed persons and the unemployment rate from 2004 to 2012



Source: Labour Force Survey (2004 – 2007) and Quarterly Labour Force Survey (2008 – 2012), Stats SA

While there was still a net loss in jobs in the economy overall, the period saw significant wage increases that were above inflation. This, combined with the low interest rate environment, supported household spending going into and during the IES 2010/11. As shown in Figure 4, the prime interest rate peaked at 15,5% during the LCS 2008/09 and had dropped 650 basis points to 9% during the IES 2010/11.

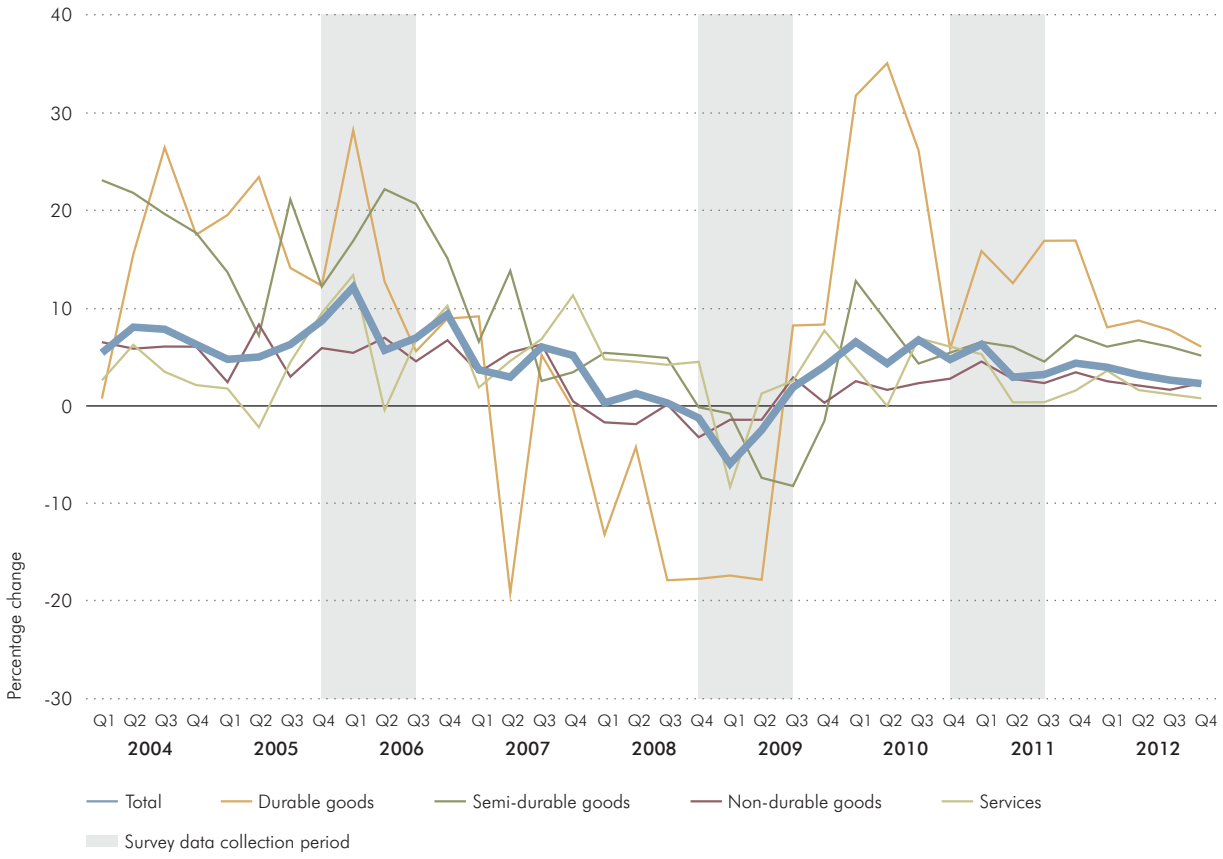
Figure 4: Prime interest rates from 2004 to 2012



Source: South African Reserve Bank

According to the South African Reserve Bank's Annual Report in 2012, real final consumption expenditure by households declined for the first time in 17 years in 2009. Purchases of consumer durables declined considerably in the period leading up to the LCS 2008/09 as shown in Figure 5. Consumption expenditure by households recovered and registered growth rates of 3,7% and 5% in 2010 and 2011 respectively. There were especially strong increases in spending on durable and semi-durable goods. This improvement in household spending was also reflected in the results of the IES 2010/11.

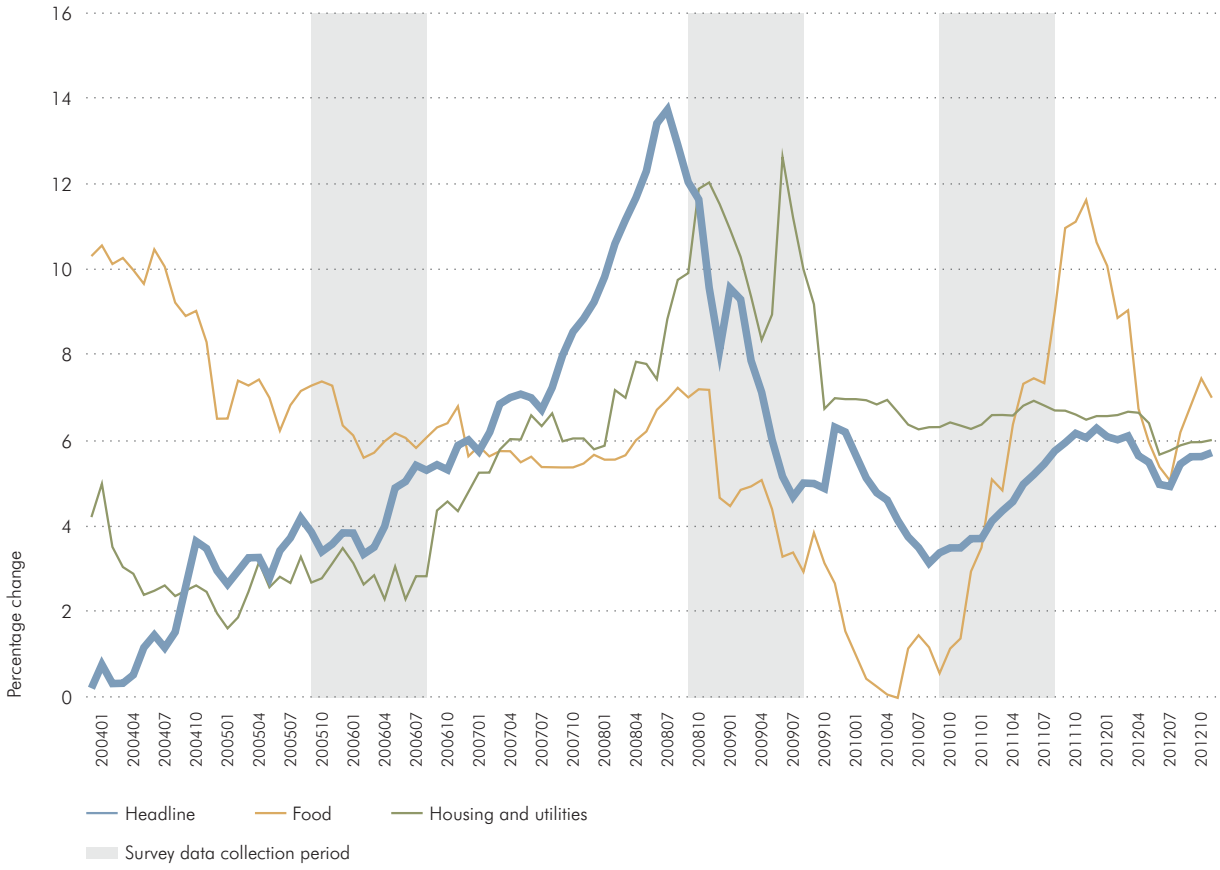
Figure 5: Percentage change from quarter to quarter on real final consumption expenditure by households (constant at 2005 prices and seasonally adjusted annualised rates)



Source: South African Reserve Bank

Between 2004 and 2012, headline consumer inflation was highest during data collection for the LCS 2008/09, averaging 8,7% between September 2008 and August 2009. This decreased to an average of 4,1% over the course of the IES 2010/11. Notably, inflation on consumer food prices decelerated to less than 1% by the start of the IES 2010/11 and hovered below headline inflation for half of the survey data collection period; this eased pressure on poorer households which spend a higher proportion (roughly 35%) of their income on food.

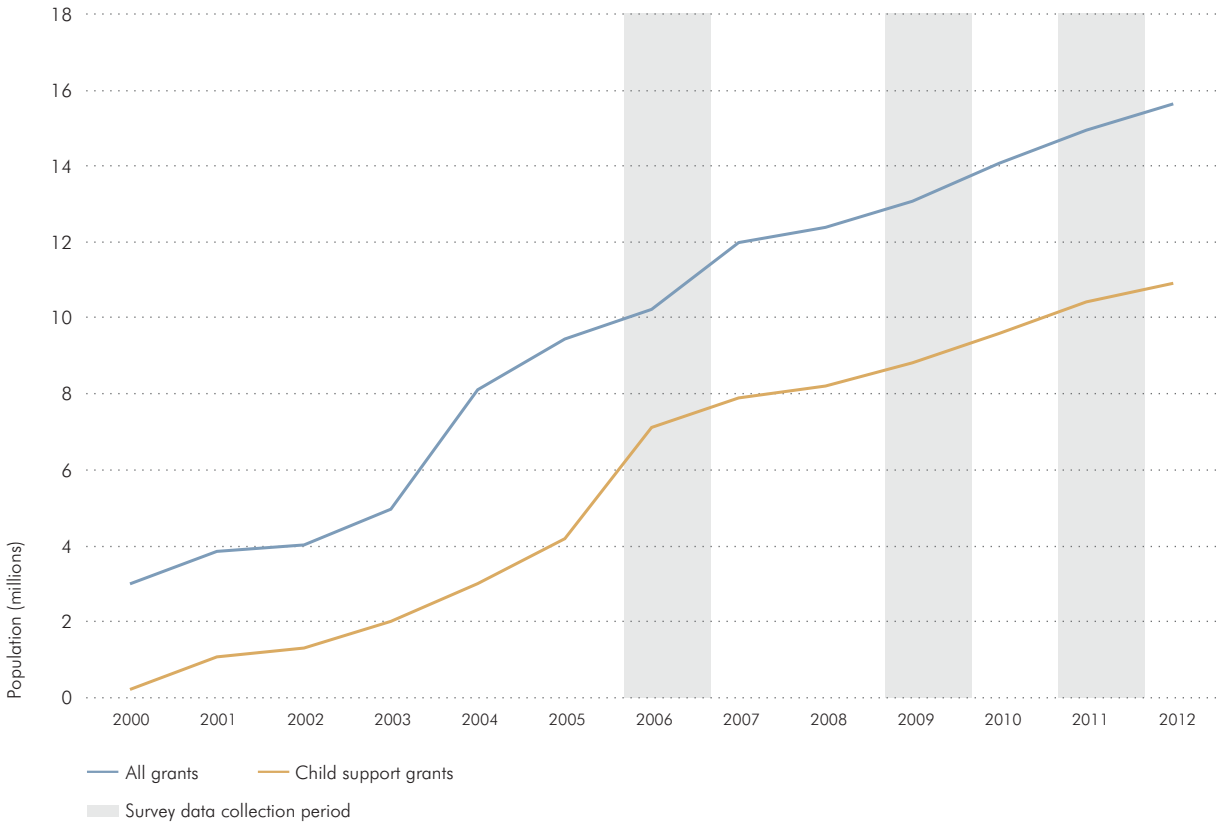
Figure 6: Inflation from 2004 to 2012



Source: Consumer Price Index (2004 – 2012), Stats SA

South Africa's social assistance system has expanded tremendously since 2000, growing from around 3 million grants to 15 million by 2011. Growth in grants has been primarily driven by the expansion of child support grants which increased from roughly 150 000 recipients in 2000 to over 10 million in 2011. The coverage of this grant has successively been extended to children in older years, reaching those between the ages of 15 and 16 in 2010 and thus increasing its ability and reach to improve the lives of those living below the poverty line. Between the IES 2005/06 and IES 2010/11, the number of grant holders increased by over 46%, growing from 10,2 million in 2006 to 14,9 million in 2011. Figure 7 highlights the role that South Africa's social security system played in the reduction of poverty levels since 2000.

Figure 7: Number of social grants disbursed between 2000 and 2012



Source: Social Pension System (SOCPEN) (2000 – 2012), South African Social Security Agency

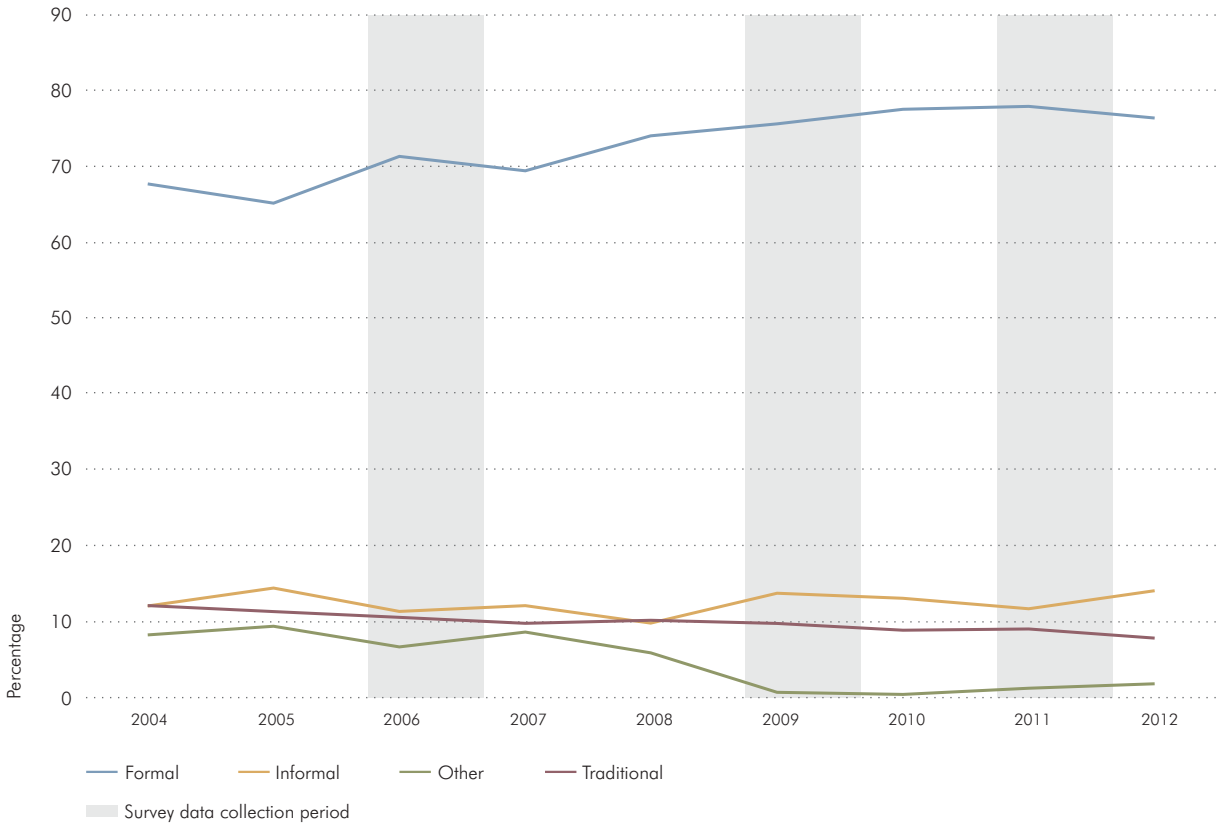
Another important factor influencing the decrease in poverty levels is strong income growth in households. Between 2006 and 2011, households recorded a 16,7% real increase in income. This growth was especially strong in households in the middle quintiles (quintiles 2, 3 and 4) where real income growth was 27,4% (roughly double the increase observed for the whole population). This adds to the increasing evidence that a strong middle class is emerging in South Africa. As reported in the IES 2010/2011 statistical release (P0100 2011), almost all income growth is happening in non-white households. Black African-headed households saw their incomes increase by 34,5% in real terms between 2006 and 2011 compared to a 0,4% increase for white-headed households. However, there is still tremendous disparity between the

average income levels of a white-headed household and a black African-headed household; so, even though black Africans are recording much stronger growth rates, this is done from a relatively low base.

Even though households see their incomes growing, many households in South Africa are also becoming increasingly dependent on debt to increase their spending power. According to the National Credit Regulator (NCR), credit granted nearly doubled from R53,6 billion in Q3 of 2009 to R98,9 billion by the end of the IES 2010/11 in Q3 of 2011. This expansion of credit since 2009 has mainly come in the form of unsecure lending. It is important to note that while household spending was boosted by this credit extension (resulting in lower poverty levels), it does also pose a risk for many households should they default on their loans. Households which have graduated out of poverty by 2011 could easily slip back below the poverty line if their debt situation becomes unsustainable.

While there are many economic and social dynamics that have aided the fight against poverty, the drop in poverty from 2009 to 2011 was also impacted by the jump in household expenditure on housing captured by the IES 2010/11. This is mainly the result of increases in formal housing (Figure 8 shows the increasing share of formal housing in the country), as well as a combination of higher estimation of house values (the base) relative to the IES 2005/06 and LCS 2008/09 and higher rental yields which are used to impute rental values for owner-occupied dwellings (proportion of the base).

Figure 8: Distribution of type of dwelling



Source: General Household Survey (2004 – 2012), Stats SA

Summary

Despite the economic downturn in 2008/09, South Africa succeeded in reducing poverty between 2006 and 2011. As noted above, this was driven by an expanding social safety net, income growth, above inflation wage increases, decelerating inflationary pressure on households (although since the IES 2010/2011 inflation has started accelerating again), expansion of credit (especially unsecure lending) and the growth in formal housing. While the expansion of grants is probably the most significant of all these forces, it is a combination of multiple factors that has aided the country in poverty alleviation.

With regard to inequality, there has not been much change between the years observed. In the long run, if we are to achieve the targets set out by the NDP to reduce the Gini to 0,6 by 2030, greater emphasis must be placed on battling the structural issues perpetuating inequality in the country.

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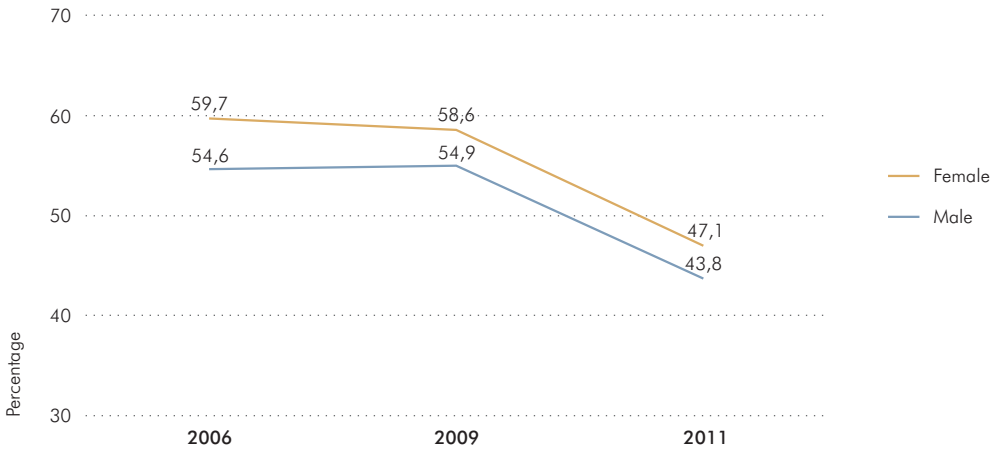
Findings
Individual poverty

Poverty at individual level

The proportion of the population living below the upper-bound poverty line has decreased substantially from 2006 to 2011. In 2006, more than half (57,2%) of the population of South Africa were living in poverty. While there was a marginal decline in 2009 to 56,8%, by 2011 less than half (45,5%) of all South Africans were living below the poverty line. This reflects a 20% reduction in poverty from 2006 to 2011. As Table 7 shows, the poverty gap and severity of poverty have also decreased over this period although both measures increased from 2006 to 2009. What this means is that while the proportion of people in poverty slightly decreased from 2006 to 2009, the situation for the poor deteriorated during this period.

Figure 9: Poverty headcount by sex



The levels of poverty amongst males and females have seen similar reductions from 2006 to 2011. In 2006, six out of every ten (59,7%) females were living in poverty, as were 54,6% of males. By 2011, the level of poverty for females had dropped by 21% to 47,1% and by 20% to 43,8% for males. Even though females remain more impoverished than males, the difference in the poverty headcount between males and females is, however, decreasing – the difference in headcount between males and females decreased from 5,1% in 2006 to 3,7% in 2009 and further decreased to 3,3% in 2011. In terms of poverty share, females made up the majority (53,4%) of the poor in 2011, a proportion that has remained fairly constant since 2006 (53,0%).

It is also evident from Table 7 that the experience of poverty was more intense for females, as shown by the poverty gap – this measure was 28,2% in 2006 as compared with 25,2% for males. While the difference between males and females had narrowed by 2011, females still had a higher poverty gap (20,5%) than their male counterparts (18,8%). The severity of poverty showed a similar trend.

Table 7: Poverty measures by sex

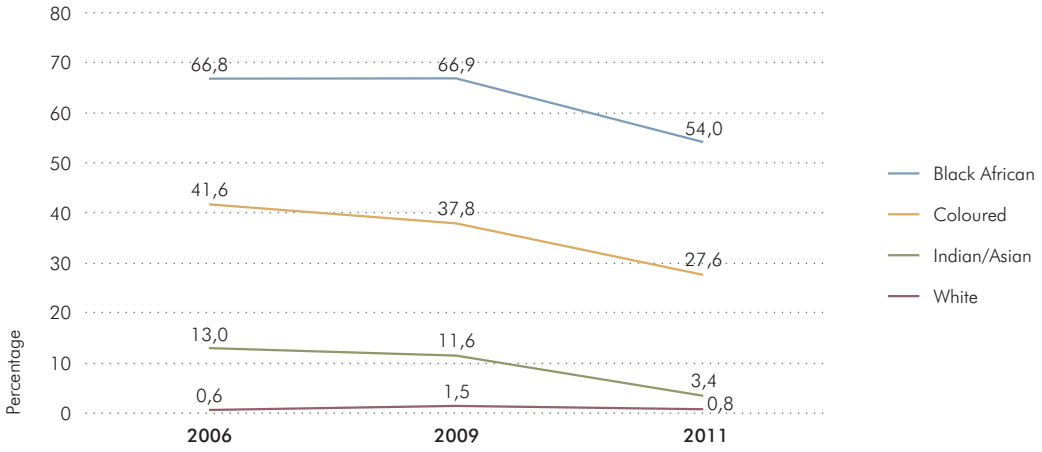
	Headcount (P_0)			Poverty gap (P_1)			Severity (P_2)		
	2006	2009	2011	2006	2009	2011	2006	2009	2011
Total	**57,2**	**56,8**	**45,5**	**26,7**	**27,9**	**19,6**	**15,4**	**16,7**	**10,8**
Male	54,6	54,9	43,8	25,2	26,8	18,8	14,5	16,0	10,3
Female	59,7	58,6	47,1	28,2	28,9	20,5	16,3	17,3	11,3

Poverty and population group

There are significant differences in poverty levels between the population groups in South Africa. In terms of poverty share, more than 9 out of 10 (94,2%) poor people in South Africa were black Africans in 2011, a proportion that increased slightly from 2006 (92,9%) and 2009 (93,2%).

In 2006, two-thirds (66,8%) of black Africans were living under the upper-bound poverty line. This proportion remained relatively unchanged in 2009 (66,9%) before declining to 54,0% in 2011 – this reflects a 19% decrease in the level of poverty amongst black Africans from 2006 to 2011. As can be seen in Figure 10, these levels of poverty were significantly higher than the levels amongst the other population groups. In 2006, two-fifths (41,6%) of coloureds were found to be poor, as were one in eight (13,0%) Indians/Asians and very few (0,6%) whites. Levels of poverty amongst coloureds have progressively decreased to 37,8% in 2009 and 27,6% in 2011, showing an overall decline of 34% during the period.

Figure 10: Poverty headcount by population group



From 2006 to 2011, the Indian/Asian population also saw a significant decrease of 74% in the proportion of people living below the upper-bound poverty line, where in 2011 only 3,4% were found to be poor. The poverty headcount for whites, where less than 1% were found to be poor in 2011, remained fairly similar from 2006 to 2011.

The poverty gap also differed significantly between the population groups. In 2006, black Africans had a poverty gap of 31,6%, which was almost twice as large as the gap for coloureds (17,0%) and significantly larger than that for Indians/Asians (3,3%) or whites (0,2%). While the poverty gap for black Africans had decreased to 23,6% by 2011, it was still more than twice as large as for any other group. The severity of poverty was similarly more than twice as large for black Africans than for other groups at each point in time. In addition, the severity increased from 2006 (18,3) to 2009 (20,1) before it fell to 13,1 in 2011.

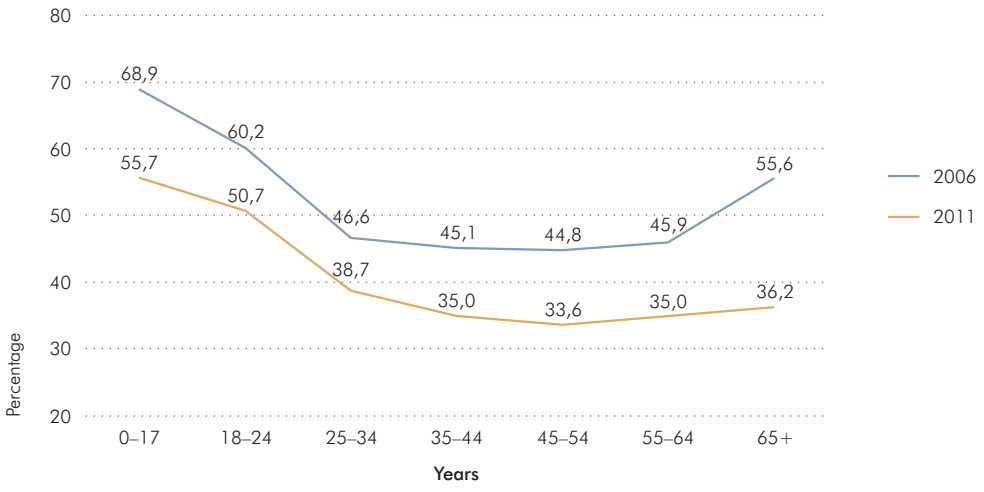
Table 8: Poverty measures by population group

	Headcount (P_0)			Poverty gap (P_1)			Severity (P_2)		
	2006	2009	2011	2006	2009	2011	2006	2009	2011
Total	**57,2**	**56,8**	**45,5**	**26,7**	**27,9**	**19,6**	**15,4**	**16,7**	**10,8**
Black African	66,8	66,9	54,0	31,6	33,4	23,6	18,3	20,1	13,1
Coloured	41,6	37,8	27,6	17,0	15,1	9,6	8,9	7,7	4,5
Indian/Asian	13,0	11,6	3,4	3,3	2,1	1,0	1,6	0,6	0,4
White	0,6	1,5	0,8	0,2	0,6	0,3	0,1	0,3	0,1

Poverty and age

Figure 11 shows the different levels of poverty across the different age cohorts as well as the decreases in poverty levels within each cohort from 2006 to 2011. The general trend shows that poverty levels drop as one gets older and then start to increase again from the 55 to 64 age cohort.

Figure 11: Poverty headcount by age



It is very clear that the highest levels of poverty were among the younger sections of the population. In 2006, more than two-thirds (68,9%) of all children (those aged 17 and younger) in the country were living in poverty. By 2011, although this proportion had decreased by 19%, the majority (55,7%) of children were still living below the poverty line. Not only was the headcount highest in this cohort, but the poverty gap and severity of poverty measures were also highest as detailed in Table 9. The poverty gap stood at 33,9% in 2006 before increasing to 35,2% in 2009 and then dropping to 24,8% in 2011.

The share of poverty for this youngest age cohort was also alarming. In 2011, children constituted 37,6% of the total population and yet almost half (46,0%) of all poor people in South Africa were children.

Table 9: Poverty measures by age

	Headcount (P_0)			Poverty gap (P_1)			Severity (P_2)		
	2006	2009	2011	2006	2009	2011	2006	2009	2011
Total	**57,2**	**56,8**	**45,5**	**26,7**	**27,9**	**19,6**	**15,4**	**16,7**	**10,8**
0–17	68,9	68,5	55,7	33,9	35,2	24,8	20,1	21,5	13,8
18–24	60,2	60,5	50,7	28,2	30,1	22,1	16,3	18,2	12,2
25–34	46,6	49,0	38,7	20,0	22,8	16,2	11,0	13,2	8,8
35–44	45,1	43,9	35,0	20,0	19,9	14,1	11,2	11,3	7,5
45–54	44,8	43,5	33,6	19,8	19,9	14,2	11,1	11,6	7,7
55–64	45,9	45,4	35,0	20,5	21,0	14,4	11,5	12,1	7,7
65+	55,6	49,1	36,2	24,4	23,4	14,9	13,3	13,6	7,9

Levels of poverty were also very high amongst the youth aged 18 to 24 – six out of every ten (60,2%) were living in poverty in 2006. By 2011, the poverty headcount had only fallen by 16%, which was the lowest decrease for any age cohort. As a result, the majority (50,7%) of youth aged 18 to 24 were also still living in poverty. In terms of poverty share, this cohort accounted for 15,3% of the poor in 2011. This means that approximately six-tenths (61,3%) of all poor people were under the age of 25.

Table 9 also shows the poverty headcounts in 2009 for each age cohort. It is important to note that the only two cohorts that showed an increase in headcount were the two youth cohorts – the headcount for the 18 to 24 cohort increased slightly from 60,2% to 60,5%, while it increased from 46,6% to 49,0% for the 25 to 34 cohort.

While the levels of poverty were fairly similar from the age of 25 to 64 in 2006, levels of poverty among the elderly (those aged 65 and older) were high with more than half (55,6%) living below the upper-bound poverty line. By 2011, these high levels of poverty had substantially declined – the 35% decrease was the largest decrease for any age cohort – to where slightly more than a third (36,2%) of the elderly were living in poverty.

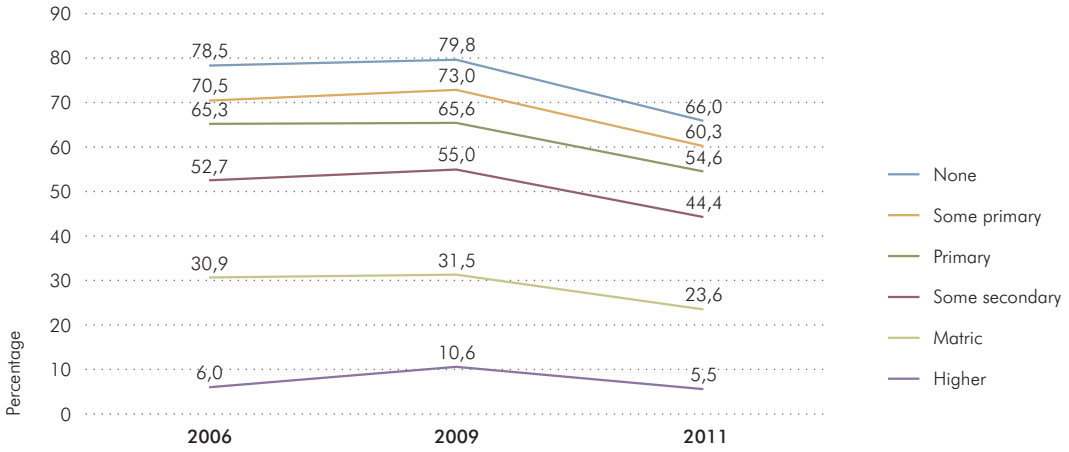
Earlier we profiled the significant increase in social grants over the last decade. While these grants have undoubtedly contributed to the decreasing levels of poverty, further research is needed to fully understand their impact. Are social grants, particularly in the case of child support grants, reaching their intended targets when levels of poverty amongst children remain so high? Have old-age pensions contributed to the significant decrease in poverty levels for the elderly since 2006?

Poverty and education

In 2006, approximately half (49,8%) of the population aged 18 and above in South Africa were living below the upper-bound poverty line. By 2009, the proportion had not changed much (49,6%), whereas there was a significant decrease to less than two-fifths (39,4%) of the population living below the poverty line by 2011. This reflects a 21% reduction in the levels of poverty amongst adults from 2006 to 2011.

Figure 12 shows the significant differences in levels of poverty amongst the adult population when looked at by the level of education they had attained. In 2006, only 6,0% of individuals with an education level higher than matric were living in poverty. While this proportion increased to 10,6% in 2009 it had decreased again to 5,5% in 2011.

Figure 12: Poverty headcount by education level attained for individuals aged 18 and older



In stark contrast, those individuals with little or no education displayed significantly higher levels of poverty. More than three-quarters (78,5%) of adults with no formal schooling were poor in 2006, as were seven out of every ten (70,5%) adults with some primary school education. While these high levels of poverty increased in 2009, there were significant decreases by 2011 – this trend was seen within each different category of educational attainment. Nevertheless, despite a 16% decrease in poverty headcount for adults with no formal schooling from 2006 to 2011, almost two-thirds (66,0%) remained impoverished in 2011.

Table 10 shows that there was a slight increase in the poverty gap for all adults, from 22,2% in 2006 to 23,4% in 2009. By 2011, the poverty gap stood at 16,5%. The severity of poverty also displayed a similar trend, increasing from 12,5 in 2006 to 13,7 in 2009 before dropping to 9,0 in 2011. As one would expect, these poverty measures were significantly higher amongst adults with lower levels of education. Whereas the poverty gap for adults with post-matric education was only 1,9% in 2011, for those adults with no education it stood at 29,9%, while those with some primary school education had a poverty gap of 26,9%.

The relationship between education and poverty appears strong – as the poverty measures reflect, the lower the level of education attained, the more likely adults were to be poor and experience more intense levels of poverty.

Table 10: Poverty measures by education level attained for individuals aged 18 and older

	Headcount (P_0)			Poverty gap (P_1)			Severity (P_2)		
	2006	2009	2011	2006	2009	2011	2006	2009	2011
All adults (18+)	**49,8**	**49,6**	**39,4**	**22,2**	**23,4**	**16,5**	**12,5**	**13,7**	**9,0**
None	78,5	79,8	66,0	39,4	41,9	29,9	23,6	25,9	16,8
Some primary	70,5	73,0	60,3	33,4	36,3	26,9	19,4	21,8	15,1
Primary	65,3	65,6	54,6	29,8	31,8	23,6	16,8	18,9	13,1
Some secondary	52,7	55,0	44,4	22,9	25,5	18,3	12,6	14,7	9,8
Matric	30,9	31,5	23,6	11,7	13,3	9,0	5,9	7,3	4,6
Higher	6,0	10,6	5,5	2,0	4,2	1,9	0,9	2,2	1,0

Poverty at provincial level

In 2006, the majority of the population in seven out of the nine provinces in South Africa was living below the upper-bound poverty line. As shown in Table 11, the highest poverty levels were found in Limpopo, where three-quarters (74,4%) of all residents were poor, followed closely by Eastern Cape (69,5%) and KwaZulu-Natal (69,1%). The poor were only in the minority in the two provinces of Western Cape (36,9%) and Gauteng (32,4%).

Table 11: Poverty measures by province

	Headcount (P_0)			Poverty gap (P_1)			Severity (P_2)		
	2006	2009	2011	2006	2009	2011	2006	2009	2011
Total	**57,2**	**56,8**	**45,5**	**26,7**	**27,9**	**19,6**	**15,4**	**16,7**	**10,8**
Western Cape	36,9	35,4	24,7	13,8	13,8	8,5	7,0	7,0	3,9
Eastern Cape	69,5	70,6	60,8	34,1	36,7	27,2	19,7	22,6	15,3
Northern Cape	63,8	63,0	46,8	31,1	29,9	19,1	18,2	17,1	9,9
Free State	53,2	61,9	41,2	22,0	28,4	17,5	11,4	15,8	9,3
KwaZulu-Natal	69,1	65,0	56,6	35,7	33,4	25,5	22,0	20,6	14,4
North West	60,2	61,4	50,5	28,1	29,3	22,6	16,2	17,2	12,6
Gauteng	32,4	33,0	22,9	11,3	13,1	8,1	5,3	6,8	4,1
Mpumalanga	66,3	67,1	52,1	32,0	34,1	21,7	18,8	20,7	11,5
Limpopo	74,4	78,9	63,8	36,8	44,4	30,0	21,9	28,6	17,3

It is important to remember that there is an uneven distribution of people in South Africa. Census 2011 found that Gauteng and KwaZulu-Natal were the most populous provinces in South Africa. In this context, it is useful to look at poverty share as well as headcount. Figure 13 shows the share of poverty across the nine provinces in 2011, as well as the change in share from 2006. In 2011, more than a quarter (26,3%) of all poor people lived in KwaZulu-Natal,

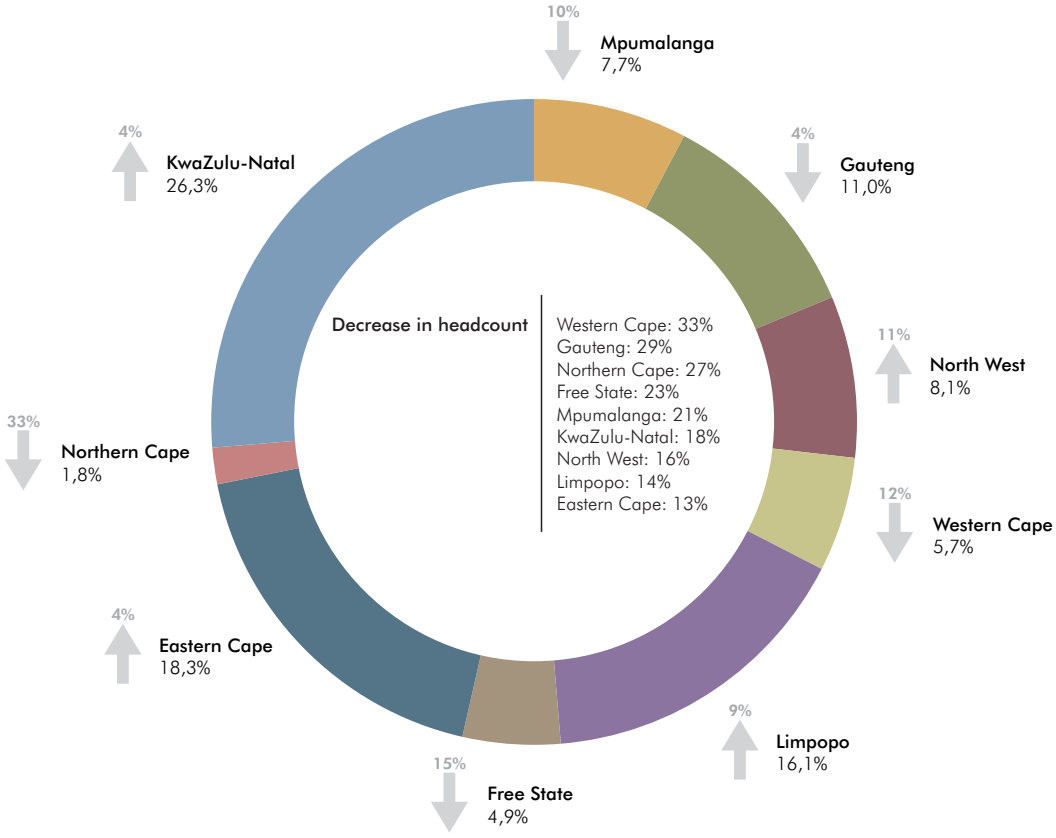
followed by Eastern Cape (18,3%) and Limpopo (16,1%). The three provinces with the highest poverty headcounts also have the highest number of poor people. Unfortunately, these three provinces have all seen their share of the poor increase since 2006 – as the arrows in Figure 13 show; KwaZulu-Natal and Eastern Cape have both seen their share of the poor increase by 4% while in Limpopo this increase was 9%. The only other province to have increased its share of the poor since 2006 was North West, which saw an 11% increase during this period.

What Figure 13 also shows is that despite Gauteng having the lowest headcount of individuals living below the poverty line, it had the fourth highest number of poor people (11,0%) in 2011. As one would expect, the Northern Cape – with a poverty headcount of 46,8% in 2011 – was home to only 1,8% of the country's poor because of the small number of people that live in the province.

In addition, the percentage decrease in the poverty headcount from 2006 to 2011 is shown in the centre of the graph. Western Cape and Gauteng – the two provinces with the lowest headcounts in 2006 – had the biggest decreases in headcounts from 2006 to 2011 of 33% and 29% respectively. At the other end of the scale, Eastern Cape (13%) and Limpopo (14%) saw the smallest reduction in poverty headcounts.

The poverty gap and severity of poverty measures indicate that the three provinces with the highest number of poor people and the highest poverty headcounts also had the more severe poverty situations. The poverty gap for Limpopo was the highest in all three periods – it was 36,8% in 2006 before increasing to 44,4% in 2009 and then decreasing to 30,0% in 2011.

Figure 13: Poverty share by province in 2011 and change from 2006

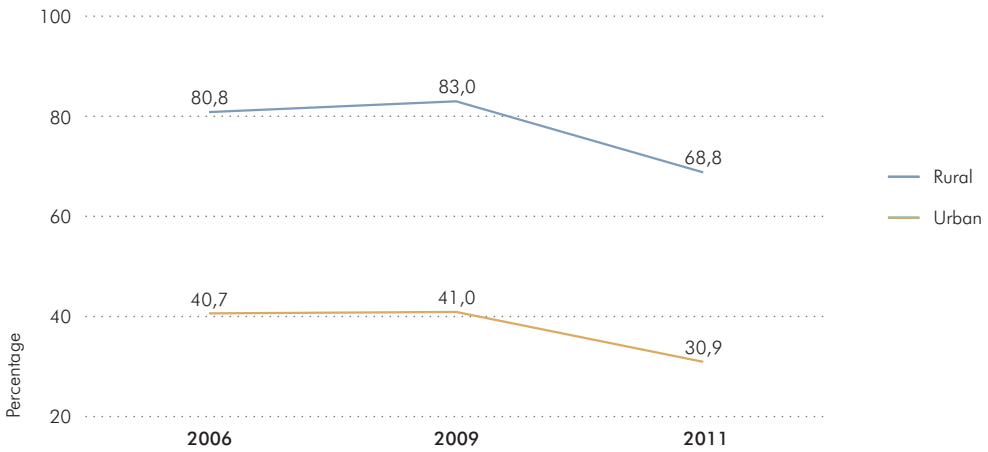


Poverty and settlement type

The IES 2005/2006 only differentiated settlement type into urban and rural areas. For comparative purposes, this differentiation has been used for the LCS 2008/2009 and IES 2010/2011, despite these surveys having a more detailed differentiation of settlement type.

Figure 14 shows that poverty levels differ significantly across settlement types. In 2006, eight out of ten (80,8%) people living in rural areas were poor, which was double of that in urban areas (40,7%). By 2009, the proportion of poor people had increased to 83,0% in rural areas compared to 41,0% in urban areas. In 2011, more than two-thirds (68,8%) of rural dwellers were still living in poverty as compared with less than a third (30,9%) of residents in urban areas. The rate of reduction between the two settlement types from 2006 to 2011 was also different – there was a 15% reduction in poverty levels in rural areas, which was much lower than the 24% reduction in urban areas.

Figure 14: Poverty headcount by settlement type



In terms of poverty share, almost six out of ten (58,3%) poor people lived in rural areas in 2011. This proportion had remained relatively constant from 2006 (58,0%).

The experience of poverty also differed significantly between the settlement types. Poverty was much deeper in rural areas than in urban areas, as shown by the poverty gap. The poverty gap in 2006 was 41,9% in rural areas and 16,1% in urban areas. While it increased in 2009 to 45,0% in rural areas and to 17,6% in urban areas, by 2011 the gap was far larger in rural areas (31,8%) than in urban areas (12,0%).

Similarly, the severity of poverty was far worse in rural areas than in urban areas. In 2006, the severity level stood at 26,6 for rural areas, which is three times larger than that for urban areas (8,3). Although the severity had decreased by 2011, it was still almost three times as large in rural areas (18,1) as in urban areas (6,2).

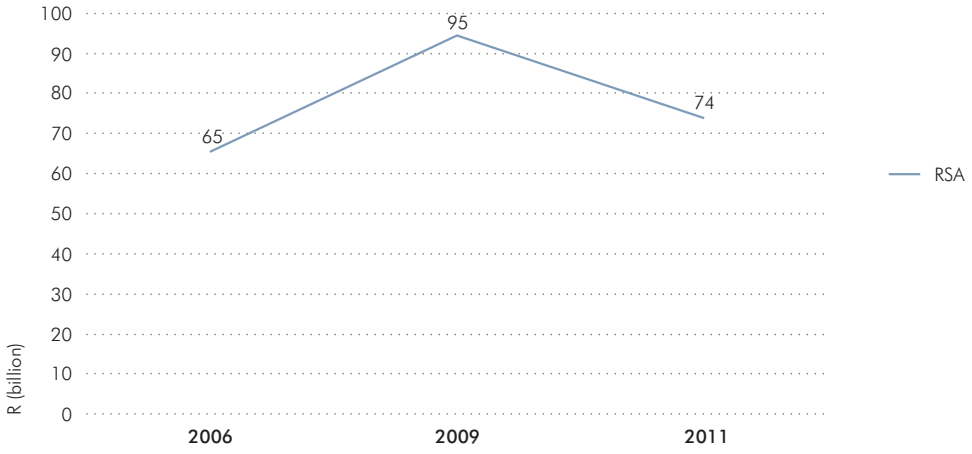
Table 12: Poverty measures by settlement type

	Headcount (P_0)			Poverty gap (P_1)			Severity (P_2)		
	2006	2009	2011	2006	2009	2011	2006	2009	2011
Total	**57,2**	**56,8**	**45,5**	**26,7**	**27,9**	**19,6**	**15,4**	**16,7**	**10,8**
Urban	40,7	41,0	30,9	16,1	17,6	12,0	8,3	9,7	6,2
Rural	80,8	83,0	68,8	41,9	45,0	31,8	25,6	28,3	18,1

Quantifying the poverty gap

The poverty gap measure can also be used to calculate the "minimum cost" (or the total amount of resources necessary) to eradicate poverty. As noted earlier, the underlying assumption is one of perfect targeting, where each poor person is easily identified and given the exact amount required to lift them out of poverty.

Figure 15: Quantifying the poverty gap



At the upper-bound poverty line, the minimum cost to eradicate poverty in 2006 was R65 billion. While this jumped sharply to R95 billion in 2009 – as a result of the increase in the actual number of poor people in the country and the increase in the poverty gap measure – the minimum cost in 2011 was R74 billion, constituting an overall increase of 13% from 2006. In 2011, this minimum cost was equivalent to approximately 3% of GDP.

Table 13 shows the minimum cost in 2011 by province as well as the change from 2006. What we see is that in Western Cape, Northern Cape and Mpumalanga, the minimum cost to eradicate poverty actually decreased from 2006 to 2011. Table 13 also shows the payments made by provinces in the 2010/2011 financial year and calculates the minimum cost to eradicate poverty in each province as a proportion of those actual payments. In Western Cape, for example, the R3,3 billion required to eradicate poverty per annum represented 10% of the total expenditure. In contrast, the R12,9 billion required to eradicate poverty in Limpopo represented 31% of the total expenditure in 2010/2011.

Table 13: Quantifying the poverty gap in 2011 by province

	Minimum cost in 2011	% change from 2006	2010/11 provincial payments	Minimum cost as % of payments
Western Cape	R 3 313 673 372	-2%	R 34 031 044 000	10%
Eastern Cape	R 14 011 828 744	16%	R 48 333 981 000	29%
Northern Cape	R 1 259 561 707	-31%	R 9 297 641 000	14%
Free State	R 3 582 147 326	7%	R 20 974 002 000	17%
KwaZulu-Natal	R 20 284 511 580	11%	R 67 662 724 000	30%
North West	R 6 188 548 306	29%	R 21 873 449 000	28%
Gauteng	R 6 658 894 264	18%	R 61 453 286 000	11%
Mpumalanga	R 5 481 080 053	-6%	R 26 046 565 000	21%
Limpopo	R 12 917 238 448	26%	R 41 323 808 000	31%

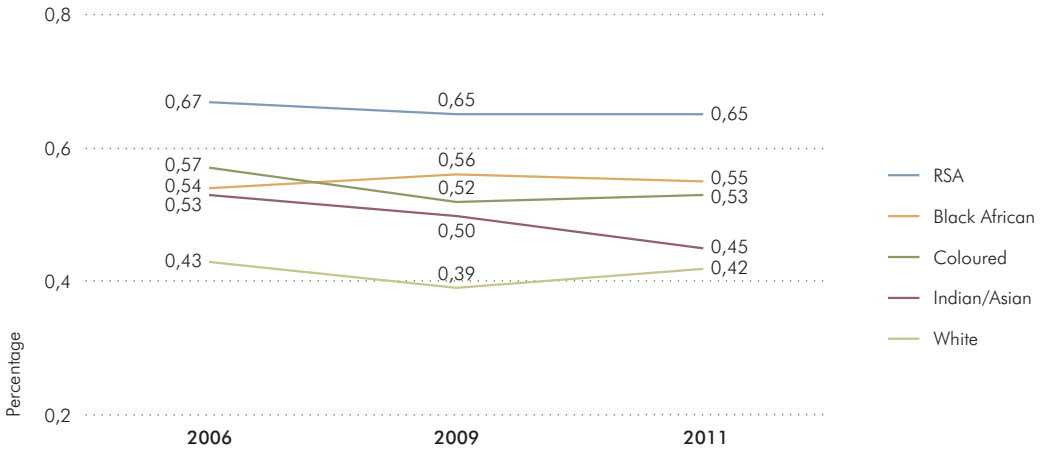
Inequality at individual level

The Gini coefficient is a commonly used measure of inequality. The coefficient ranges from 0, which would reflect complete equality, to 1, which reflects complete inequality. For the purposes of this report, the Gini coefficient is calculated using expenditure per capita – it includes consumption expenditure items and in-kind expenditure, but excludes taxes.

As shown in Figure 16, the Gini coefficient for the country as a whole decreased slightly from 0,67 in 2006 to 0,65 in 2009. There was no change in the coefficient from 2009 to 2011. These scores reflect the high levels of inequality that persist in South Africa.

Examining the Gini coefficient within each population group, we see that the highest levels of inequality were within the black African population in 2011. The Gini increased from 0,54 in 2006 to 0,56 in 2009 and was at 0,55 in 2011. In contrast, levels of inequality amongst the white population were lowest with a score of 0,42 in 2011.

Figure 16: Gini coefficient by population group



Summary

Status in 2011

- Less than half (45,5%) of all South Africans were living below the UBPL
- Females remain more impoverished with 47,1% found to be poor as compared with 43,8% of males
- The relationship between population group and poverty levels is strong with more than half (54,0%) of black Africans living in poverty
- Age and poverty are also intertwined – children (55,7%) and youth aged 18 to 24 (50,7%) displayed the highest levels of poverty while those individuals aged 45 to 54 (33,6%) displayed the lowest levels of poverty
- Education remains an important tool in the fight against poverty – while two-thirds (66,0%) of adults with no formal education were found to be poor, this was true for only 5,5% of those with a post-matric qualification
- Levels of poverty differ significantly across the provinces, with Limpopo (63,8%), Eastern Cape (60,8%) and KwaZulu-Natal (56,6%) displaying the highest levels of poverty
- The rural/urban divide is stark in terms of poverty – not only were levels of poverty more than twice as high in rural areas (68,8%) than in urban areas (30,9%), but the majority (58,3%) of poor people in South Africa were living in rural areas
- Inequality is a key challenge in South Africa with a high Gini coefficient of 0,65

Change from 2006

- Levels of poverty have declined substantially from 57,2% in 2006 to 45,5% in 2011
- The poverty gap and severity of poverty measures have also improved from 2006, despite the increases seen in 2009, reflecting the pro-poor approach adopted in South Africa
- Unfortunately, levels of inequality remain relatively unchanged over this period

please scroll down

Findings
Household poverty

Poverty at household level

In 2006, more than two out of every five (42,2%) households in South Africa were living below the upper-bound poverty line. While the level of poverty was found to be very similar in 2009 at 42,7%, there was a decline in households living in poverty in 2011 with approximately a third (32,9%) of all households below this level. This shows a significant reduction in the proportion of poor households in the country from 2006 to 2011. However, given the results of Census 2011, this still translates into approximately 4,75 million households in South Africa living below the poverty line.

As can be seen in Table 14, the poverty gap for households increased from 17,9% in 2006 to 19,1% in 2009. What this means is that while the proportion of households living in poverty remained fairly constant during this period, the average distance of poor households from the poverty line increased – in other words, their poverty situation worsened. By 2011, the poverty gap had closed to 13,1%. The severity of poverty shows a similar trend, increasing from 9,8 in 2006 to 10,8 in 2009 before falling to 6,9 in 2011.

Table 14: Poverty measures of households by sex of household head

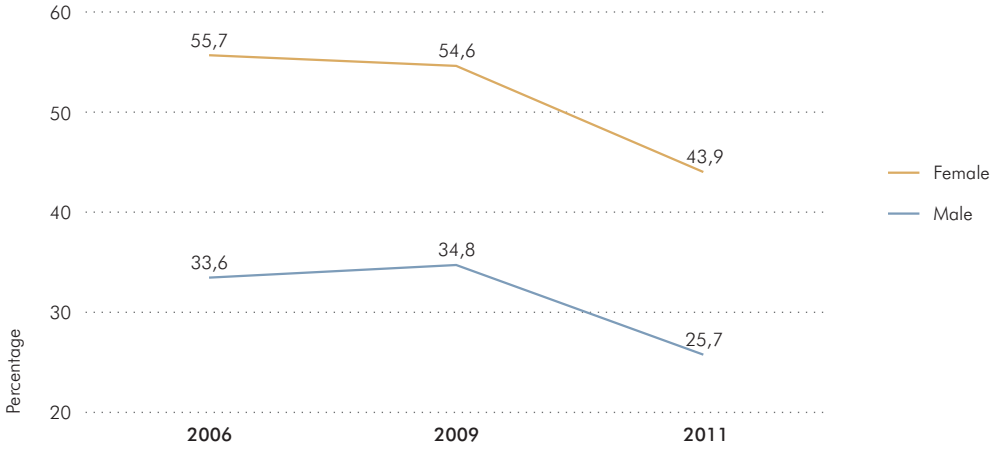
	Incidence (P_0)			Poverty gap (P_1)			Severity (P_2)		
	2006	2009	2011	2006	2009	2011	2006	2009	2011
Total	**42,2**	**42,7**	**32,9**	**17,9**	**19,1**	**13,1**	**9,8**	**10,8**	**6,9**
Male-headed	33,6	34,8	25,7	13,5	14,8	9,9	7,2	8,1	5,1
Female-headed	55,7	54,6	43,9	24,7	25,6	18,2	13,8	14,8	9,7

Figure 17 shows the significant differences in levels of poverty amongst male-headed and female-headed households. In 2006, more than half (55,7%) of all female-headed households were living below the poverty line. This proportion decreased slightly to 54,6% in 2009, whereas by 2011 the incidence of poverty amongst female-headed households was 43,9%. In contrast, a third (33,6%) of all male-headed households were living in poverty in 2006 with a slight increase to 34,8% in 2009. By 2011, one in four (25,7%) male-headed households were below the poverty line.

It is worth remembering that there are far more male-headed households in South Africa – Census 2011 found that approximately six out of every ten households were headed by men. Despite this situation, in terms of poverty share, female-headed households make up the majority of poor households. In 2006, 51,3% of poor households were headed by women. This proportion had slightly increased to 52,6% in 2011.

Not only were the levels of poverty higher amongst female-headed households, but their experience of poverty appears far worse. In 2006, the poverty gap for households headed by women (24,7%) was almost double that for households headed by men (13,5%). While the gap had diminished by 2011 for both groups, it was still almost double for female-headed households (18,2%) than for their male counterparts (9,9%). As Table 14 shows, the trend for the severity of poverty was very similar.

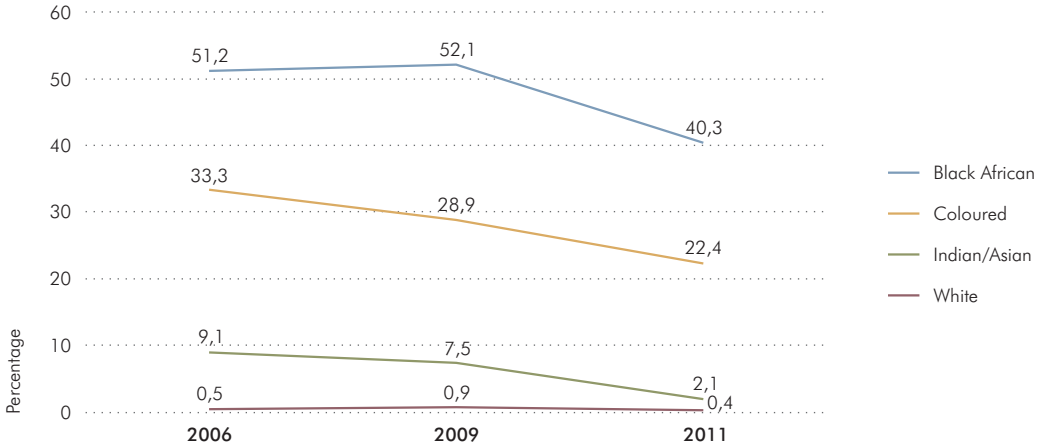
Figure 17: Poverty incidence of households by sex of household head



Household poverty by population group

The levels of poverty across households headed by different population groups were significantly different from 2006 to 2011. More than half (51,2%) of households headed by black Africans were living below the poverty line in 2006 in contrast to a third (33,3%) of coloured-headed households, less than a tenth (9,1%) of those headed by Indians/Asians and only 0,5% of households headed by whites. By 2009, the levels of poverty had marginally increased for black African-headed and white-headed households, whereas they had dropped for households headed by coloureds and Indians/Asians.

Figure 18: Poverty incidence of households by population group of household head



In 2011, four-fifths (40,3%) of black African-headed households were living in poverty. This reflects a 21% reduction in the level of poverty from 2006. However, there was a corresponding 33% decrease in the level of poverty for coloured-headed households during that period and a 77% decrease for Indian/Asian-headed households.

Table 15 details the differences across the poverty gap and the severity of poverty. Households headed by black Africans displayed far higher poverty gaps and severity of poverty at each of the three points in time. In 2006, the poverty gap for black African-headed households was 21,9%, significantly higher than that for Indian/Asian-headed (2,2%) and white-headed (0,2%) households, and almost twice as high as for coloured-headed households (12,8%). While this gap had decreased to 16,3% in 2011, it was still more than double that of any other population group.

In terms of poverty share, black African households made up the vast majority of poor households. In 2006, they accounted for 93,2% of all poor households – a proportion that marginally grew to 93,7% in 2009 and to 93,9% in 2011.

Table 15: Poverty measures of households by population group of household head

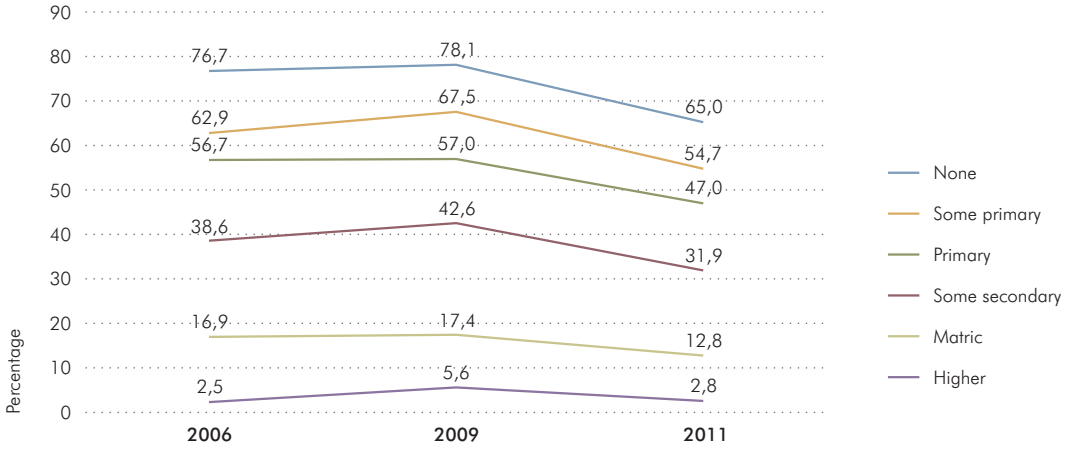
	Incidence (P_0)			Poverty gap (P_1)			Severity (P_2)		
	2006	2009	2011	2006	2009	2011	2006	2009	2011
Total	**42,2**	**42,7**	**32,9**	**17,9**	**19,1**	**13,1**	**9,8**	**10,8**	**6,9**
Black African	51,2	52,1	40,3	21,9	23,6	16,3	12,0	13,4	8,7
Coloured	33,3	28,9	22,4	12,8	10,8	7,4	6,5	5,3	3,4
Indian/Asian	9,1	7,5	2,1	2,2	1,2	0,6	1,0	0,3	0,3
White	0,5	0,9	0,4	0,2	0,3	0,1	0,1	0,2	0,1

Household poverty and education level of household head

As we saw when looking at individuals, Figure 19 shows a strong relationship between the incidence of household poverty and the education level of the household head. In 2006, more than three-quarters (76,7%) of households where the head had no formal schooling were poor. This proportion gradually diminished where the head had some primary school education (62,9%) or had finished primary school (56,7%). More than a third (38,6%) of households where the head had some secondary school education were poor, whereas this proportion had dropped to one in six (16,9%) households where the head had a matric. Only 2,5% of households where the head of household had some form of post-matric education were found to be poor.

Across all levels of education, the proportion of poor households had increased by 2009. Interestingly, the biggest increase in the proportion of poor households, albeit from a small base, was amongst those whose head had post-matric education (123%). However, these households were also more likely to have recovered by 2011 – the proportion of poor households fell by half from 5,6% in 2009 to 2,8% in 2011. At the other end of the education spectrum, the decline in poverty levels from 2009 to 2011 was least dramatic – two-thirds (65,0%) of all households where the head had no formal schooling remained poor, constituting a drop of only 17%.

Figure 19: Poverty incidence of households by education level of household head



In terms of poverty share in 2011, the relationship between these variables was again found to be strong. More than nine-tenths (92,3%) of all poor households had a head who had not attained matric. This proportion had remained fairly constant from 2006 (92,6%) and 2009 (91,9%).

As can be seen in Table 16, the pattern for the incidence of poverty was similar when looking at the poverty gap or the severity of poverty. Poor households where the head had no formal schooling had a poverty gap of 37,6%, reflecting their significantly disadvantaged position. This gap was also higher than the national average for households where the head had some primary school education (28,3%) or had completed primary school (23,4%). In contrast, the gap was only 5,2% for those households whose head had a matric or 0,7% for those where the head had some form of post-matric education, reflecting the minimal resources required to bring these households above the poverty line.

Table 16: Poverty measures of households by education level of household head

	Incidence (P_0)			Poverty gap (P_1)			Severity (P_2)		
	2006	2009	2011	2006	2009	2011	2006	2009	2011
Total	**42,2**	**42,7**	**32,9**	**17,9**	**19,1**	**13,1**	**9,8**	**10,8**	**6,9**
None	76,7	78,1	65,0	37,6	39,8	29,2	22,2	24,2	16,3
Some primary	62,9	67,5	54,7	28,3	31,9	23,2	15,9	18,6	12,6
Primary	56,7	57,0	47,0	23,4	25,1	18,5	12,4	13,9	9,7
Some secondary	38,6	42,6	31,9	14,5	17,4	11,7	7,2	9,3	5,9
Matric	16,9	17,4	12,8	5,2	6,4	4,2	2,4	3,2	2,0
Higher	2,5	5,6	2,8	0,7	1,9	0,9	0,3	1,0	0,4

While the poverty gap increased in 2009 across all education levels, by 2011 the gap had dropped below the 2006 levels in all instances except where the household head had post-matric education (although the gap had only moved from 0,7% to 0,9%). The rate of decline in the poverty gap was fairly similar across the other categories, with those households where the head had no formal schooling showing the highest rate of decline at 22%. However, the poverty gap for these poor households was still at 29,2% in 2011, reflecting the significant resources that would be needed to get these households out of poverty.

Household poverty at provincial level

In 2006, the majority of households in four of the nine provinces in South Africa were living below the upper-bound poverty line. The situation was worst in Limpopo, where six out of every ten (59,8%) households were found to be living in poverty. This was the case for 55,8% of households in Eastern Cape, 53,8% in Mpumalanga and 51,3% in KwaZulu-Natal. At the other end of the scale, approximately a quarter of households in Western Cape (27,0%) and Gauteng (22,6%) were poor in 2006.

By 2011, the situation had improved across all nine provinces. Poor households were in the majority only in Limpopo, where just over half (50,9%) of all households were living below the poverty line. Eastern Cape (47,5%), KwaZulu-Natal (42,0%) and Mpumalanga (38,3%) joined the other provinces in having more households living above the poverty line than below. The reduction in levels of poverty from 2006 to 2011 was highest in Western Cape, which saw a 34% decline in the proportion of poor households, while the decline in Mpumalanga was 29% and 28% in Gauteng. In contrast, the reduction in poverty levels was far less in the poorest provinces of Limpopo and Eastern Cape, which each only saw a 15% decline in the proportion of poor households.

Given the differences in the number of households in each province, it is important to also look at the poverty share of each province. Northern Cape, with its small population, had a relatively high incidence of poverty but, by 2011, accounted for only 2,0% of all poor households in the country. In contrast, more than one in ten (12,8%) poor households in 2011 were found to be in Gauteng, the province with the lowest incidence of poverty. The largest number of poor households in 2011 was in KwaZulu-Natal where almost a quarter (23,2%) of all poor households were found, followed by Eastern Cape (18,3%) and Limpopo (16,1%).

Not only were the levels of poverty higher in certain provinces, but the depth and severity of poverty were also greater in these provinces. As shows, the poverty gap for poor households was highest in Limpopo (26,9%) in 2006 followed by Eastern Cape (25,1%) and KwaZulu-Natal (24,2%). By 2011, the gap had closed somewhat. However, the poverty gap was still highest in the same three provinces of Limpopo (22,5%), Eastern Cape (19,7%) and KwaZulu-Natal (17,5%).

Figure 20: Household poverty share by province in 2011 and change from 2006

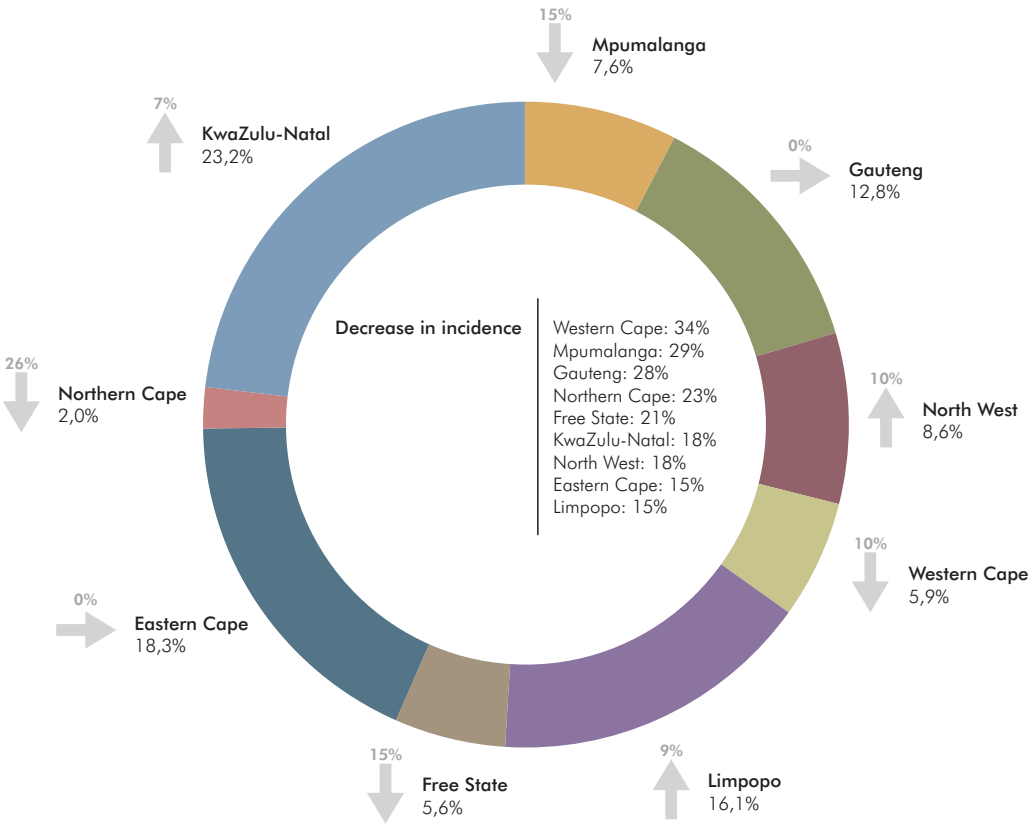


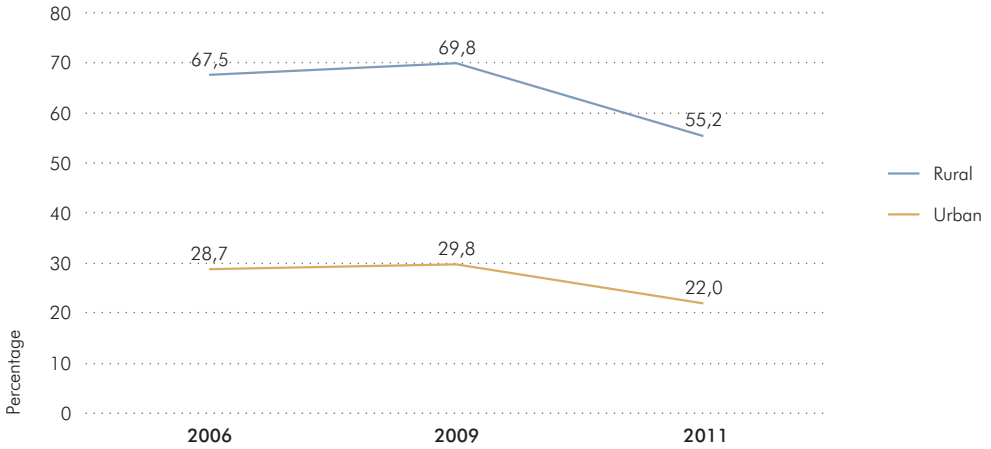
Table 17: Poverty measures of households by province

	Incidence (P_0)			Poverty gap (P_1)			Severity (P_2)		
	2006	2009	2011	2006	2009	2011	2006	2009	2011
Total	**42,2**	**42,7**	**32,9**	**17,9**	**19,1**	**13,1**	**9,8**	**10,8**	**6,9**
Western Cape	27,0	25,2	17,8	9,4	9,3	5,7	4,5	4,6	2,6
Eastern Cape	55,8	55,0	47,5	25,1	25,8	19,7	13,8	14,9	10,6
Northern Cape	47,5	49,0	36,5	21,4	21,3	14,0	12,1	11,6	7,0
Free State	38,5	48,2	30,5	14,8	20,4	11,9	7,4	10,8	6,1
KwaZulu-Natal	51,3	48,7	42,0	24,2	22,8	17,5	14,1	13,3	9,5
North West	45,2	46,6	37,2	19,3	19,9	15,3	10,5	11,0	8,2
Gauteng	22,6	24,0	16,2	7,4	8,8	5,4	3,3	4,4	2,6
Mpumalanga	53,8	53,1	38,3	23,2	24,1	14,8	12,8	13,7	7,6
Limpopo	59,8	67,7	50,9	26,9	35,0	22,5	15,2	21,6	12,6

Household poverty and settlement type

In 2006, two-thirds (65,1%) of all households were found in urban areas, a proportion which had grown to 67,3% by 2011. As can be seen in Figure 21, the incidence of poverty in both areas increased from 2006 to 2009 and then decreased in 2011. What the graph also shows is that the levels of poor households were significantly higher in rural areas than in urban areas. Two-thirds (67,5%) of all rural households were found to be living below the poverty line in 2006 as opposed to just over a quarter (28,7%) of those in urban areas. By 2011, the proportion of poor households in urban areas (22,0%) had declined by 23%; despite an 18% decline in rural areas, the majority (55,2%) of households in these areas remained poor.

Figure 21: Poverty incidence of households by settlement type



Not only was the incidence of poverty higher in rural areas, but the majority of poor households were also found to be in rural areas. The poverty share of rural households was 55,8% in 2006, with a similar proportion (54,9%) found in 2011.

As one would expect, the gap and severity of poverty were far higher for poor households in rural areas. In 2006, the poverty gap for poor rural households was 31,7%, which was three times higher than the gap for poor urban households (10,5%). The reduction in the poverty gap by 2011 was similar across both settlement types – 24% in urban areas and 25% in rural areas – meaning that the gap remained approximately three times higher in rural areas (23,8%) than in urban areas (8,0%). As shown in Table 18, the trend for the severity of poverty was similar.

Table 18: Poverty measures of households by settlement type

	Incidence (P_0)			Poverty gap (P_1)			Severity (P_2)		
	2006	2009	2011	2006	2009	2011	2006	2009	2011
Total	**42,2**	**42,7**	**32,9**	**17,9**	**19,1**	**13,1**	**9,8**	**10,8**	**6,9**
Urban	28,7	29,8	22,0	10,5	11,8	8,0	5,2	6,1	3,9
Rural	67,5	69,8	55,2	31,7	34,4	23,8	18,4	20,5	13,1

Summary

Status in 2011

- Approximately a third (32,9%) of all households in South Africa were living below the upper-bound poverty line

- Female-headed households (43,9%) were more likely to be poor than those headed by males (25,7%)

- Four out of every ten (40,3%) households headed by black Africans were poor as compared with approximately a quarter (22,4%) of households headed by coloureds

- The education level of the household head is closely related with levels of poverty – two-thirds (65,0%) of households where the head had no formal education were poor as compared with only 2,8% of households where the head had a post-matric qualification

- Limpopo was the only province in which the majority (50,9%) of households were living in poverty – nevertheless, although Gauteng (16,2%) had the lowest incidence of poor households, the large number of households in the province meant that more than one in ten (12,8%) poor households in South Africa were found in Gauteng

- More than half (55,2%) of all households in rural areas were poor compared to approximately a quarter (22,0%) of households in urban areas

Change from 2006

- The proportion of households living in poverty has declined substantially from 42,2% in 2006 to 32,9% in 2011

- The poverty gap and severity of poverty measures have also declined between 2006 and 2011

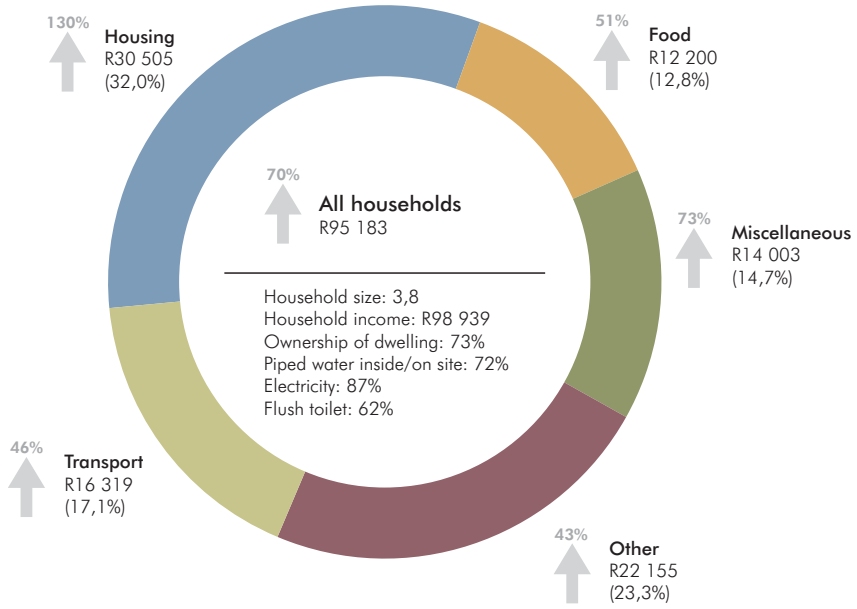
- North West, KwaZulu-Natal and Limpopo are the only provinces that have seen an increase in their share of poor households from 2006 to 2011

Findings
Household expenditure

Average household expenditure

The average household size in South Africa was 3,8 in 2011, and the 2010/11 IES found that almost three-quarters (73%) of all households owned the dwelling they were living in (even if they had not finished paying it off). In this year, the average household expenditure in South Africa was R95 183, a nominal increase of 70% from 2006 or a real increase of 25% in 2011 constant prices. With regard to access to basic services in 2011, almost nine out of every ten (87%) households had electricity, almost three-quarters (72%) of households had piped water either inside their dwelling or in their yard, and more than six out of every ten (62%) households had access to a flush toilet.

Figure 22: Average annual household consumption expenditure in 2011 by broad area and change from 2006



In terms of the broad groups of expenditure, Figure 22 shows that housing and utilities was the single largest contributor to household expenditure at 32,0%, reflecting a real increase of 48% from 2006. In contrast, food and non-alcoholic beverages accounted for 12,8% of expenditure in 2011 (down from 14,4% in 2006), and while there was a nominal increase of 51% in total expenditure on this broad group from 2006, this translated into a real increase of only 1% during this period.Transport was the second largest contributor to household expenditure in 2011, accounting for 17,1% of expenditure and showing an increase of 46% from 2006.

Expenditure on the miscellaneous category (which consists of personal care, personal effects, social protection, insurance, financial services and other services not classified elsewhere) accounted for 14,7% of expenditure in 2011. This category showed the second largest increase from 2006 at 73%.The "other" category (which consists of clothing, education, health, communication, recreation and culture, restaurants and hotels and alcohol and tobacco) accounted for the remaining 23,3% of average household expenditure and was up only 43% from 2006.

Average household expenditure differed significantly across the population groups. As Table 19 shows, the average household expenditure in 2011 for households headed by black Africans was R55 920, which was approximately six times smaller than that for white-headed households at R314 524. Households headed by coloureds had an average annual expenditure of R97 965 in 2011, while those households headed by Indians/Asians (with an annual expenditure of R198 695) spent about twice as much as this on average.

Table 19: Average annual household consumption expenditure in 2011 by population group of household head and change from 2006

	Black African		Coloured		Indian/Asian		White	
	2011 (R)	Change (%)	2011 (R)	Change (%)	2011 (R)	Change (%)	2011 (R)	Change (%)
Food	10 454	60	16 049	47	13 282	31	20 133	31
Transport	9 453	77	14 359	38	40 641	59	55 067	26
Housing	14 802	171	29 816	111	73 371	163	119 163	111
Miscellaneous	7 206	85	13 626	94	29 216	117	53 119	63
Other	14 005	51	24 115	48	42 186	54	67 041	33
Total	**55 920**	**83**	**97 965**	**67**	**198 695**	**90**	**314 524**	**58**

The increase in household consumption expenditure from 2006 was, on average, lowest amongst white households. The amount they spent increased by 58% in nominal terms, reflecting a real increase of only 16% during this period. The increase was greatest amongst households headed by Indians/Asians, which saw a nominal increase of 90% and a real increase of 41%. Average expenditure in households headed by black Africans showed the second largest increase of 83% from 2006, while in coloured-headed households the overall increase in expenditure was 67%.

In terms of the nominal increase in expenditure from 2006 to 2011, the broad expenditure group that showed the highest increase across households of all population groups was housing and utilities. Coloured- and white-headed households showed a nominal increase of 111% on this expenditure group, while for households headed by Indians/Asians it grew 163%, and for thoseheaded by black Africans it grew 171%.

The broad expenditure group to show the second largest increase across all population groups was the miscellaneous category. The increase from 2006 was highest amongst Indian/Asian-headed households (117%), followed by households headed by coloureds (94%), black Africans (85%) and whites (63%).

White- and Indian/Asian-headed households showed the smallest increase in their food expenditure from 2006 to 2011, with a nominal increase of 31% for each. In contrast, food expenditure for black African-headed households was up 60% from 2006 and for coloured-headed households it was up 47%. However, as Table 19 also shows, the average black African-headed household was still only spending approximately half (R10 454) the amount on food in 2011 than the average white-headed household (R20 133).

Household expenditure for poor and non-poor households

As one would expect, the characteristics of poor and non-poor households differ in many respects. In 2011, the average household size of non-poor households was 3,1, which was significantly smaller than that for poor households at 5,1. Interestingly, poor households (84%) were more likely to own their dwelling than non-poor households (68%), although this is influenced by the type of dwelling that they were likely to own.

Access to basic services also differed across poor and non-poor households, particularly with regard to water and sanitation. Four out of every five (82%) non-poor households had access to water in their house or in their yard as compared with only half (53%) of poor households. In terms of access to a flush toilet, three-quarters (75%) of non-poor households had such access in 2011, while the same was true for approximately a third (35%) of poor households. Access to electricity, while higher for non-poor households (92%), was still significantly high for poor households (78%), reflecting the electrification that has taken place across the country in the last 20 years.

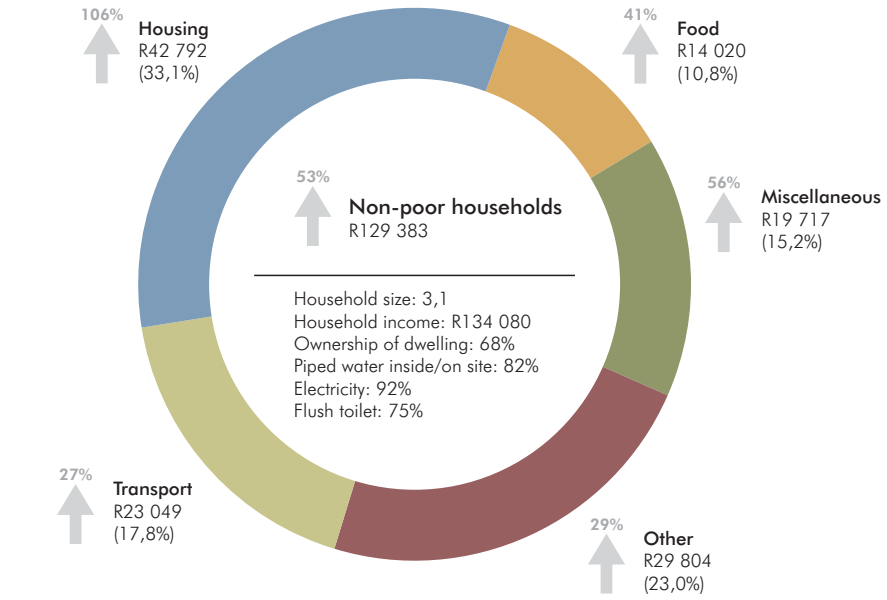
The average non-poor household had an annual expenditure of R129 383 in 2011, up 53% from 2006. As Figure 23 shows, a third (33,1%) of their expenditure went on housing and utilities – the largest proportion by some margin – which saw a nominal increase of 106% from 2006 (or a real increase of 32%). The second largest single category of expenditure in 2011 was transport – with an annual expenditure of R23 049, this category accounted for 17,8% of total expenditure and was up a nominal 27% from 2006.

Expenditure on the miscellaneous category constituted 15,2% of annual expenditure and was up 56% from 2006 in nominal terms (the second largest increase). On average, R14 020 was spent on food and non-alcoholic beverages by non-poor households (with approximately one out of every ten Rand being spent on this category), which is a nominal increase of 41% from 2006 but an actual decrease in real terms of 6%. The "other" category accounted for the remaining 23,0% of expenditure in 2011, up 29% from 2006.

In contrast, the average poor household spent R25 348 in 2011, approximately five times less than the average non-poor household. This expenditure was up 47% in nominal terms from 2006, which is a similar overall increase to that of non-poor households. For poor households, the single largest category of expenditure was food and non-alcoholic beverages, accounting for a third (33,5%) of all expenditure of poor households – the R8 485 spent on this category was up 52% in nominal terms from 2006 or 1% in real terms.

Poor households spent approximately a fifth (21,4%) of their expenditure on housing and utilities, the second largest single category of expenditure. While the annual figure of R5 416 in 2011 for this category was up 83% in nominal terms, it signalled a real increase of 17%. Transport costs, which accounted for a tenth (10,2%) of annual expenditure in 2011, were up 50% from 2006. The "other" category increased 28% from 2006 and accounted for a quarter (25,8%) of annual household consumption expenditure in 2011.

Figure 23: Average annual household consumption expenditure in 2011 and change from 2006 by poverty status



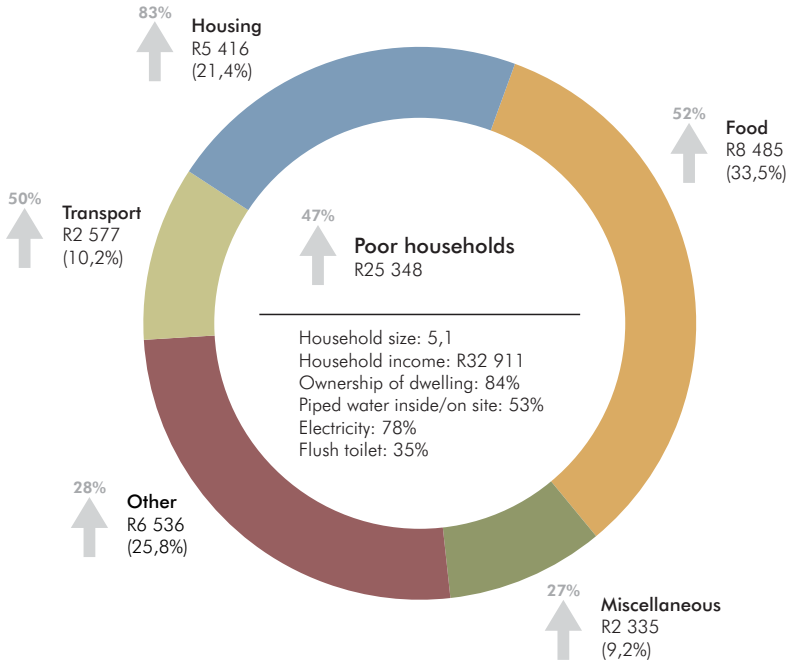


Table 20: Average expenditure on food items by poverty status

Poor households			Non-poor households	
Average expenditure (Rands)	Proportion	Item	Proportion	Average expenditure (Rands)
		Bread and cereals		
2 948	34,7%		21,1%	2 954
430	5,1%	Rice	2,8%	394
290	3,4%	White bread	3,5%	484
710	8,4%	Brown bread	4,4%	615
964	11,4%	Mealie meal/maize flour	3,9%	544
208	2,4%	Cake flour	1,0%	147
86	1,0%	Bread flour	0,3%	42
260	3,0%	Other	5,2%	728
		Meat and fish		
1 897	22,4%		28,9%	4 059
288	3,4%	Beef	7,1%	1 001
15	0,2%	Lamb	1,6%	218
1 119	13,2%	Poultry	10,0%	1 396
90	1,1%	Boerewors	2,0%	281
116	1,4%	Canned pilchards	0,8%	113
269	3,1%	Other	7,4%	1 050
		Milk, cheese and eggs		
625	7,4%		10,3%	1 445
137	1,6%	Fresh full cream milk	2,8%	389
67	0,8%	Long life full cream milk	1,0%	141
109	1,3%	Sour milk/maas	0,6%	81
164	1,9%	Eggs	2,0%	277
148		Other	3,9%	557
		Oils and fats		
419	4,9%		3,8%	526
309	3,6%	Cooking oils	1,8%	257
110	1,3%	Other	2,0%	269
		Fruits and vegetables		
1 039	12,3%		12,3%	1 719
109	1,3%	Fruits	2,8%	389
263	3,1%	Potatoes	1,7%	237
102	1,2%	Cabbage	0,4%	58
117	1,4%	Tomatoes	1,0%	139
81	1,0%	Onions	0,8%	108
106	1,2%	Dried beans	0,3%	43
261	3,1%	Other	5,3%	745
		Sugar, jam, honey, chololate and confectionery		
514	6,1%		4,6%	645
368	4,3%	White sugar	2,1%	290
87	1,0%	Brown sugar	0,4%	58
59	0,8%	Other	2,1%	297
		Other food products		
629	7,4%		11,0%	1 537
166	2,0%	Baby food	1,5%	194
463	5,4%	Other	9,5%	1 343
		Non-alcoholic beverages		
414	4,9%		8,1%	1 135
136	1,6%	Coffee, tea and cocoa	2,0%	281
193	2,3%	Aerated cold drinks	3,7%	519
35	0,4%	Fruit juices	1,4%	190
50	0,6%	Other	1,0%	145
8 485	**100,0%**	**Total**	**100,0%**	**14 020**

Food expenditure for poor and non-poor households

We saw previously that non-poor households spent R14 020 per annum in 2011 on food and non-alcoholic beverages, which constituted 10,8% of their annual household consumption expenditure. In contrast, poor households spent only R8 485 per annum on food and non-alcoholic beverages – however, this accounted for a third (33,5%) of their annual expenditure. We focus our attention now on what the average poor and non-poor household were buying to eat in 2011.

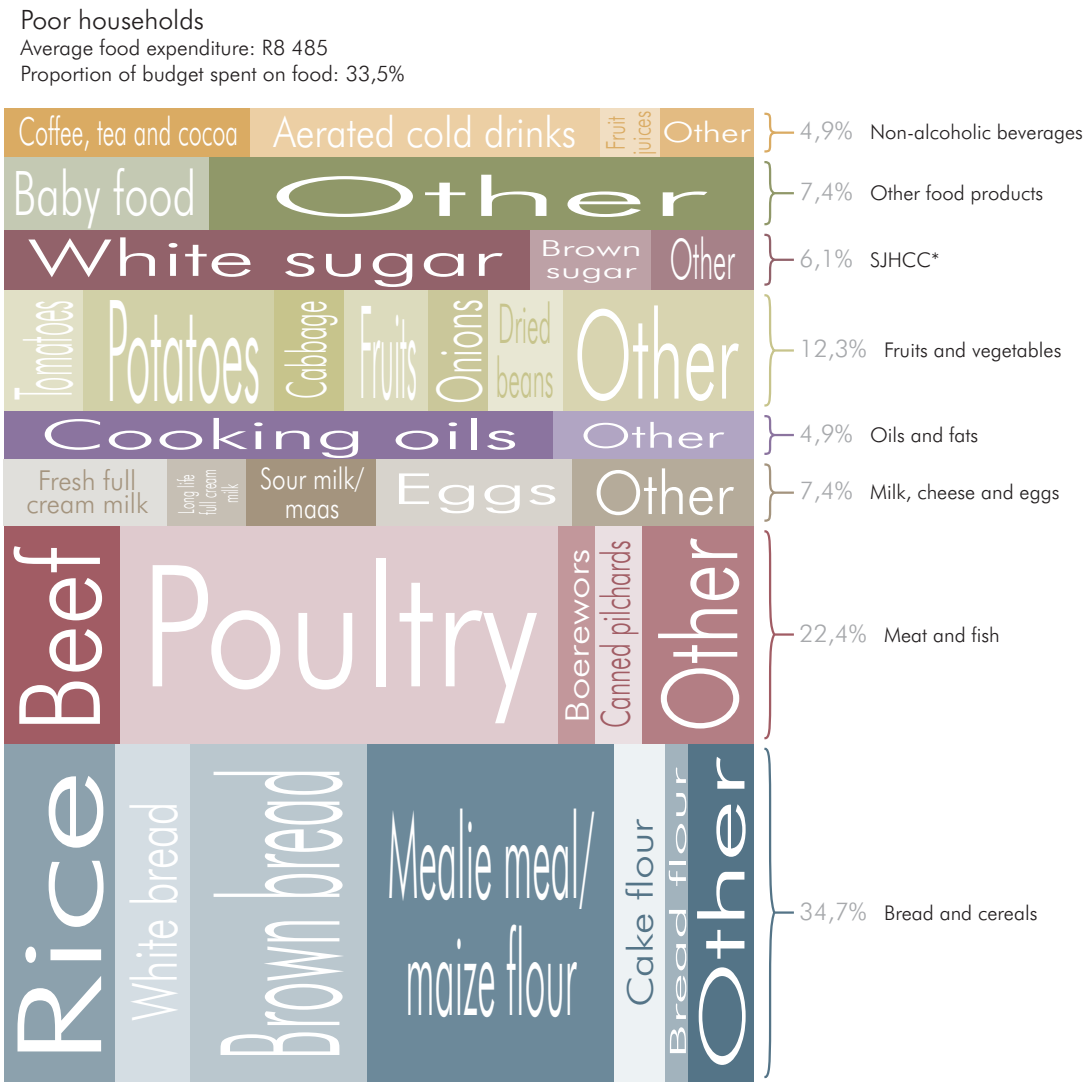
The largest component of a poor household's food expenditure was on bread and cereals, accounting for more than a third (34,7%) of total food expenditure. The largest category under this component was mealie meal/maize flour (11,4%), followed by brown bread (8,4%) and rice (5,1%). On the other hand, non-poor households spent approximately a fifth (21,1%) of their food expenditure on bread and cereals, with brown bread (4,4%) making up the largest category, followed by mealie meal/maize flour (3,9%) and white bread (3,5%). In Rand terms, spending on breads and cereals by poor and non-poor households is essentially identical, with poor households spending R2 948 compared to R2 954 by non-poor households. This spending parity further illustrates just how essential breads and cereals are to poor households.

For non-poor households, the largest component of their food expenditure was meat and fish, accounting for more than a quarter (28,9%) of total expenditure. As Figure 24 shows, there was also likely to be far more variety in the meat products purchased by non-poor households, with poultry (10,0%) most common, followed by beef (7,1%), boerewors (2,0%) and lamb (1,6%). While poor households spent a fifth (22,4%) of their food budget on meat, it was dominated by expenditure on chicken (13,2%) and, to a lesser extent, beef (3,4%). In Rand terms, non-poor households spent on average R4 059 on meat and fish, more than twice as much as poor households who spent R1 897; spending on beef alone is four times more than the poor (R1 001 compared to R288).

Another distinguishing feature of the non-poor is the greater proportion of "other" items purchased in each category. While the poor are limited to a much smaller and set basket of items to depend on, the non-poor can afford to buy a greater range and variety of products. This translates into many items that have a smaller share of overall expenditure.

Interestingly, non-poor households spend, in Rand terms, almost three times more on aerated cold drinks compared to poor households. Another surprising difference when you compared the two groups is that non-poor households spend four times more money on fruits. When you compare the types of fruits purchased you also see that while non-poor households purchased a greater variety of fruit items, poor households primarily depend on just apples and bananas. This indicates that fruit is more of a luxury item rather than a staple food item for households.

Figure 24: Food expenditure patterns of poor vs non-poor households in main expenditure groups

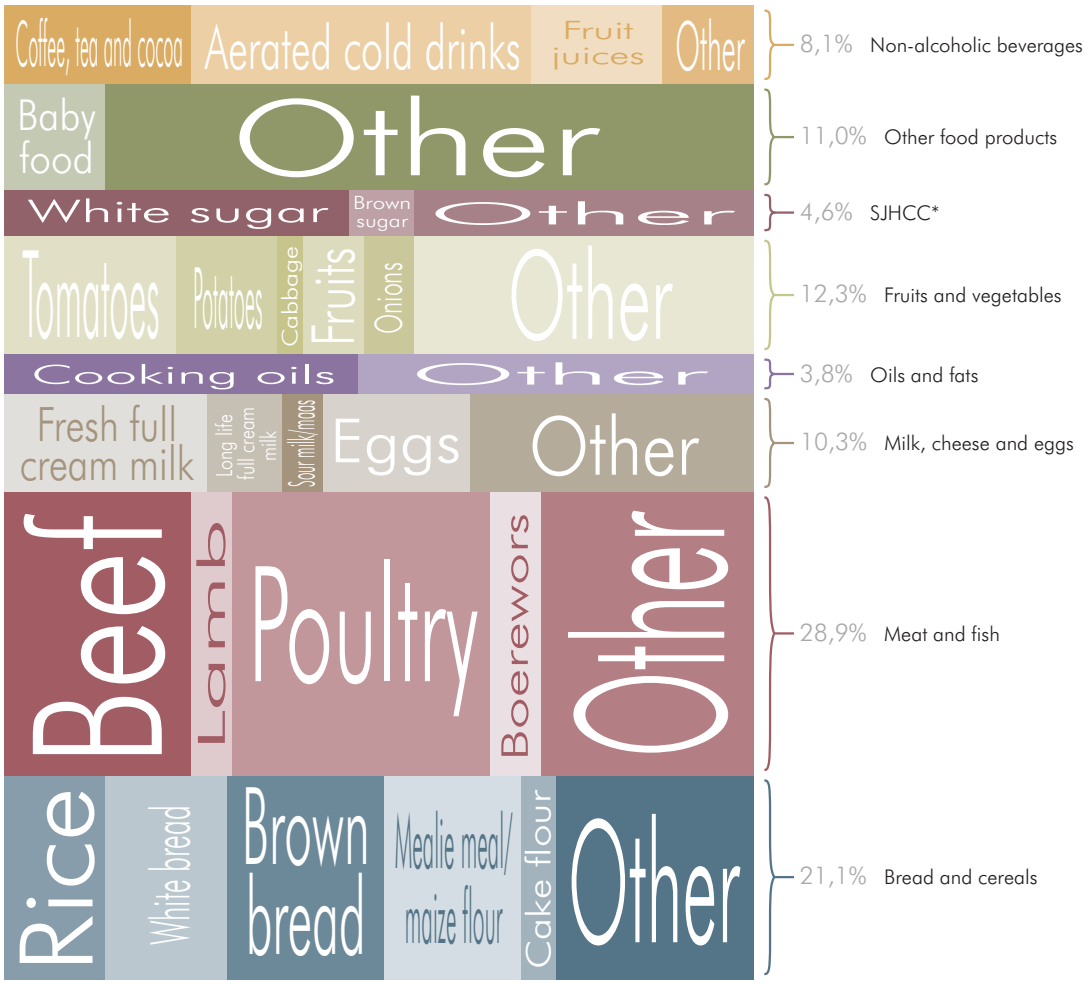


*Sugar, jam, honey, chololate and confectionery

In the printed version of this report, Figure 24 appeared on an A3 sized fold-out page to allow for side-by-side comparison of food expenditure by poor and non-poor households. However, for the purposes of the electronic version, this figure was split over two regular A4 pages. Nevertheless, the page numbering of the printed version was maintained, resulting in no unique page numbers being assigned to these pages.

Figure 24: Food expenditure patterns of poor vs non-poor households in main expenditure groups (concluded)

Non-poor households
Average food expenditure: R14 020
Proportion of budget spent on food: 10,8%



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Household expenditure and sex of household head

In 2011, approximately six out of every ten (60,6%) households in South Africa were headed by men. The average household size in male-headed households was 3,6, and more than two-thirds (69%) of these households owned their dwelling. For female-headed households, the average size was 4,1, and four out of every five (80%) households owned their dwelling. While levels of access to electricity were identical, male-headed households were more likely (68%) to have access to flush toilets than female-headed households (54%). In addition, three-quarters (76%) of male-headed households had access to piped water in their dwelling or on site as compared to two-thirds (67%) of female-headed households.

The average annual income for male-headed households in 2011 was twice as large (at R126 444) as the average income for female-headed households (R63 434). It is also worth noting that the sources of income differ and the extent to which female-headed households rely on social grants and remittances from other family members. The IES 2010/2011 found that three-quarters (75,7%) of all income in male-headed households was derived from work as compared with 62,8% of income in female-headed households. Furthermore, more than a tenth (10,9%) of income in female-headed households came from pensions, social insurance and family allowances, while this was the case for only 3,1% of income in male-headed households.

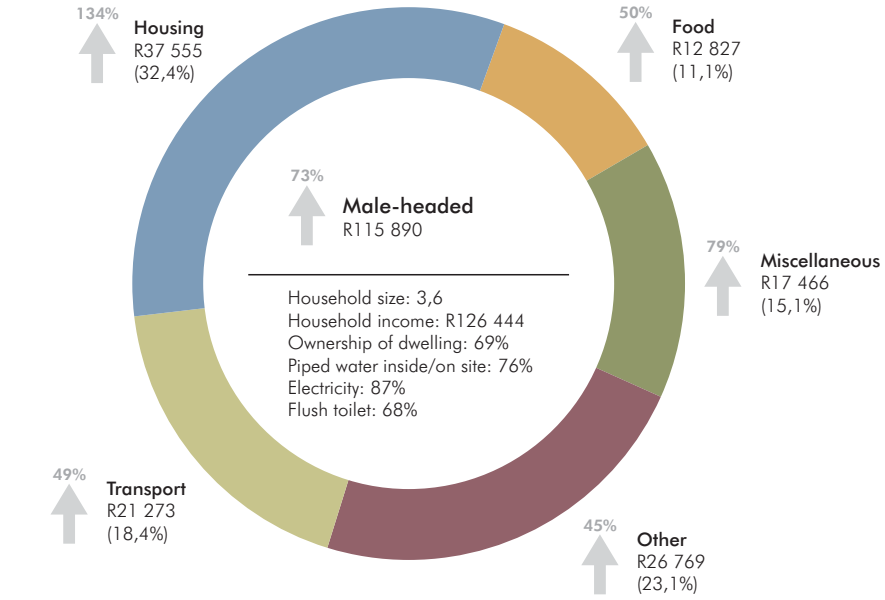
The average annual household consumption expenditure for male-headed households was R115 890, almost twice as large as the average expenditure for female-headed households at R63 307. Expenditure in male-headed households had grown 73% in nominal terms since 2006 as compared with growth of 63% for female-headed households (this translated into real growth of 27% and 19% respectively).

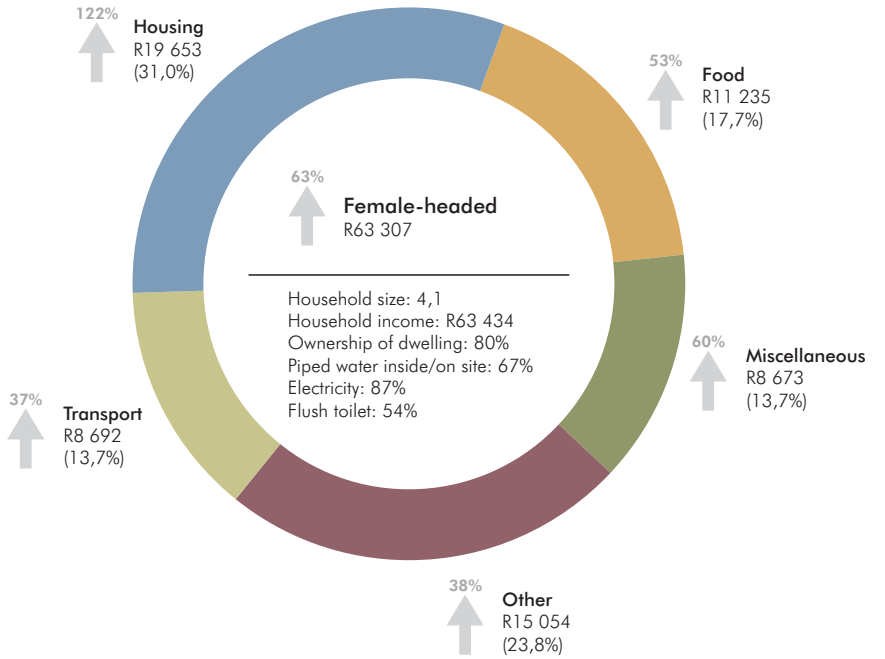
As can be seen in Figure 25, housing and utilities remained the largest contributor to expenditure for both male- (32,4%) and female-headed (31,0%) households in 2011. This category saw significant increases from 2006, up 134% in nominal terms for male-headed households and 122% for their female counterparts. For male-headed households, the second largest single category of expenditure was transport in 2011, accounting for almost a fifth (18,4%) of all expenditure and up 49% in nominal terms from 2006. This was followed by expenditure on miscellaneous goods (15,1%), which was up 79% from 2006. The "other" category accounted for 23,1% of expenditure in male-headed households, which showed the smallest nominal increase from 2006 of 45%.

On average, male-headed households spent R12 827 on food and non-alcoholic beverages in 2011, which accounted for 11,1% of their expenditure. While female-headed households spent a similar amount (R11 235), it translated into a much larger proportion (17,7%) of their expenditure and was their second largest single category of expenditure in 2011. Female-headed households spent the same proportion of their 2011 budget on transport and miscellaneous goods (13,7% for both). However, the nominal increase in expenditure from 2006 was higher for miscellaneous goods (60%) than it was for transport (37%).

The "other" category accounted for 23,8% of total expenditure in female-headed households, which was a similar proportion to that spent by male-headed households, and showed a similar nominal increase from 2006 at 38%.

Figure 25: Average annual household consumption expenditure in 2011 and change from 2006 by sex of head of household





Household expenditure in rural and urban areas

More than two-thirds (67,3%) of all households in 2011 were found in urban areas. The average household size was 3,5, and 67% of all households owned their dwellings. Dwelling ownership in rural areas was far higher at 86%, and the average household size was also larger at 4,3. The average annual household income in urban areas was R127 576 in 2011, more than two-and-a-half times that in rural areas at R47 847.

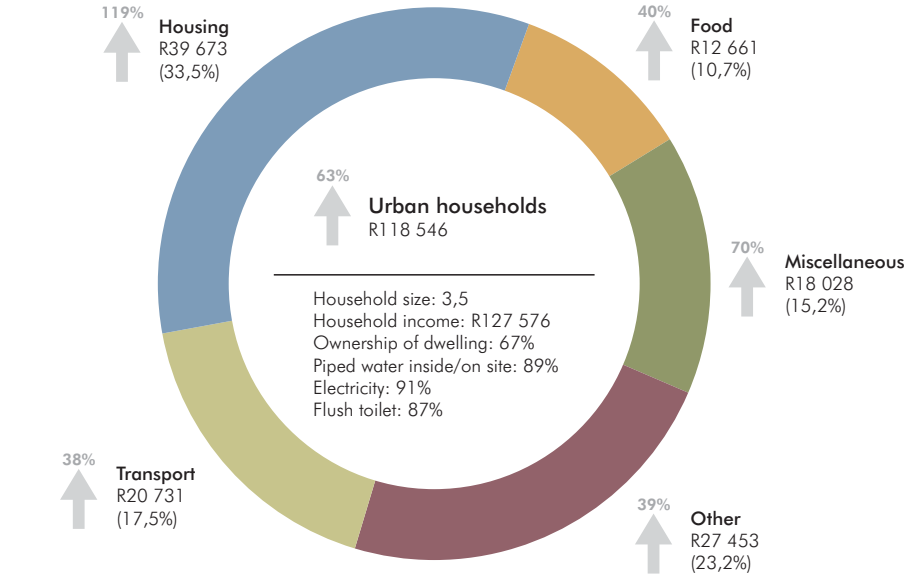
As one would expect, access to basic services differed significantly across settlement type in 2011, again particularly with regards to water and sanitation. Nine out of every ten (89%) urban households had access to piped water inside their dwelling or on site as compared to only 39% of rural households. Similarly, 87% of urban households had access to a flush toilet as did only one in ten (11%) rural households. Nevertheless, it is encouraging that almost eight out of every ten (79%) rural households had access to electricity as did 91% of urban households.

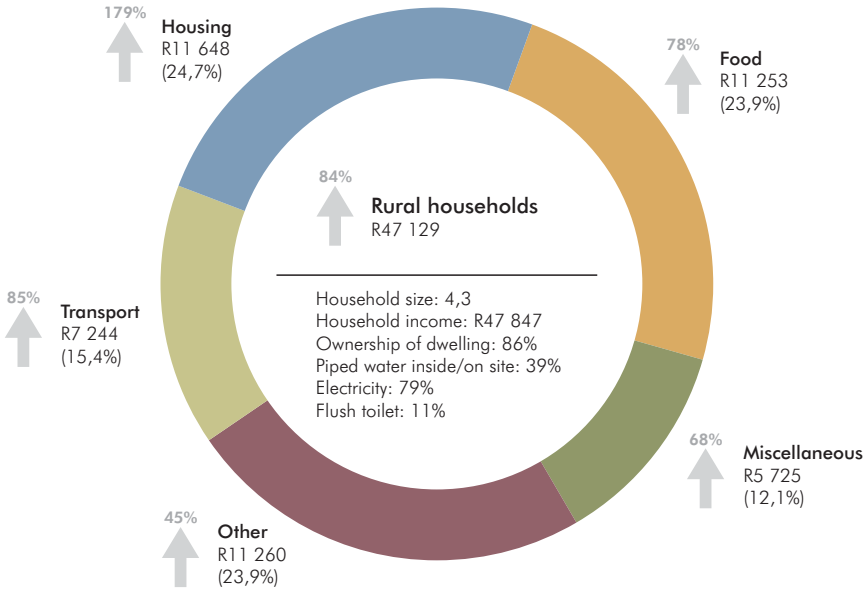
Average expenditure in urban households was R118 546 in 2011, also two and a half times larger than in rural households at R47 129. The nominal increase in expenditure for rural households from 2006 was, however, larger at 84% as compared with the 63% increase for urban households. This increase was driven by the higher increases for rural households on housing and utilities (179% versus 119%), transport (85% versus 38%), food and non-alcoholic beverages (78% versus 40%) and "other" (45% versus 39%). It was only on the miscellaneous category where urban households had a slightly higher increase on expenditure from 2006 to 2011 (70% versus 68%), although the difference was insignificant.

Urban households spent a third (33,5%) of their expenditure on housing and utilities in 2011, the single largest category of expenditure. The proportion of expenditure for rural households on housing and utilities was 24,7%, also the single largest category of expenditurein 2011. However, for rural households, the second single largest category of expenditure was food and non-alcoholic beverages. While the amount spent on food and non-alcoholic beverages was similar across urban (R12 661) and rural (R11 253) households, this amount accounted for almost a quarter (23,9%) of the average expenditure of rural households and only a tenth (10,7%) for urban households. For rural households, it was also the biggest real increase in expenditure on food and non-alcoholic beverages across all household types profiled in this report, reflecting a 19% increase from 2006 to 2011.

The proportions spent on transport, miscellaneous goods and "other" were fairly similar across urban and rural households. Urban households spent 17,5% on transport, while rural households spent 15,4% in 2011 – for urban households this was the second largest single category of expenditure. The miscellaneous category accounted for 15,2% of expenditure in urban households and 12,1% in rural households, while expenditure on the "other" category was 23,2% for urban households and 23,9% for rural households.

Figure 26: Average annual household consumption expenditure in 2011 and change from 2006 by settlement type





Expenditure and quintiles

In the section on individual poverty, we looked at the Gini coefficient as a measure of inequality. We now look at another measure of inequality – the share of annual household consumption expenditure held by the poorest (quintile 1) and richest (quintile 5) expenditure quintiles. For the purposes of this report, the quintiles have been calculated on a per capita basis and include consumption expenditure items as well as in-kind expenditure. Households are then ranked according to their per capita expenditure and divided into 5 groups – or quintiles – with equal numbers of households in each group.

Figure 27: Share of annual household consumption expenditure by poorest and richest expenditure quintiles

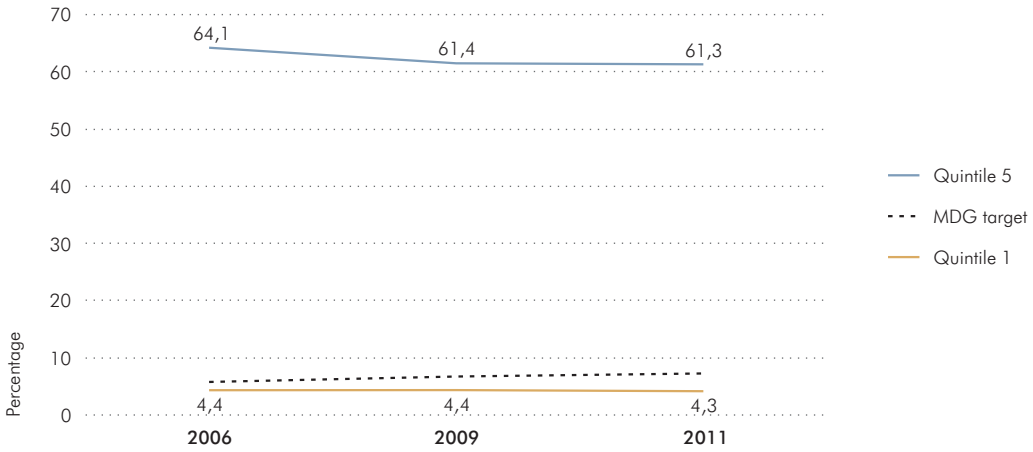


Figure 27 shows the very small percentage of total consumption expenditure held by the poorest quintile, a proportion that has remained relatively constant from 2006 to 2011. The poorest quintile accounted for only 4,3% of annual household consumption expenditure in 2011, slightly down from 4,4% in both 2006 and 2009. As Figure 27 also shows, this situation means that South Africa is not moving towards one of the targets of the Millennium Development Goals, to double the share of consumption expenditure held by quintile 1 by 2015.

At the other end of the scale, the richest quintile accounted for almost two-thirds (64,1%) of annual household consumption expenditure in 2006. While this proportion decreased to 61,4% in 2009, it remained at this level in 2011 (61,3%). These significant differences between the share of consumption expenditure of the richest and poorest quintiles again highlight the high levels of inequality that are found within South Africa.

The profiles of these two quintiles are very different. In 2011, the average household size for those households in quintile 1 was 5,8, which meant that quintile 1 accounted for 30,3% of all individuals in the country, down slightly from the 31,1% in 2006. The majority (55,1%) of households in quintile1 were headed by women, while almost all (94,9%) were headed by black Africans. Six out of every ten (59,2%) households were located in rural areas, with a quarter (24,8%) of all households in quintile 1 found in KwaZulu-Natal.

The average household size in quintile 5 was 2,6 in 2011. Only 13,6% of the total population fell into this quintile, which is a slight increase from the 13,3% in 2006. Three quarters (74,1%) of households in quintile 5 were headed by men, while just over half (51,7%) were headed by whites and a third (34,1%) by black Africans. The proportion of households in quintile 5 headed by whites had decreased from 54,4% in 2006 with a slight increase for those headed by black Africans from 33,1%. The vast majority (92,0%) of quintile 5 households were in urban areas, with two-fifths (41,5%) of all households found in Gauteng – up from 35,3% in 2006.

Summary

Status in 2011

- Average annual household expenditure was found to be R95 183, with the largest contributor being housing and utilities (32,0%)
- Households headed by black Africans had an average annual household expenditure of R55 290, approximately half that of coloured-headed households (R97 965), a quarter that of Indian/Asian-headed households (R198 695) and a sixth that of white-headed households (R314 524)
- The average poor household spent R25 348, approximately five times less than the average non-poor household (R129 383), with the largest contributor (33,5%) being food
- Roughly half of all food expenditure for both poor and non-poor households goes toward breads, cereals, meat and fish; however, non-poor households see a larger share go towards meat and fish, while the inverse is true for poor households
- Female-headed households spent an average of R63 307, almost half that spent by male-headed households (R115 890)
- Average expenditure in urban households was R118 546, two-and-a-half times larger than in rural households (R47 129)

Change from 2006

- Average household expenditure in 2011 had increased by 70% in nominal terms from 2006
- Poor households saw a nominal increase of 47% in average expenditure, while non-poor households increased their expenditure by 53%
- Expenditure in male-headed households had grown 73% in nominal terms since 2006 as compared with growth of 63% for female-headed households
- The nominal increase in expenditure for rural households from 2006 was larger at 84% as compared with the 63% increase for urban households
- The poorest quintile has not increased their share of national consumption expenditure since 2006, which remains miniscule in comparison to the richest quintile

Explanatory notes

Poverty lines

In 2007, Stats SA was officially tasked by government to conceptualise, consult widely and develop a national poverty line for the statistical reporting of poverty in South Africa. In developing the national poverty line, Stats SA used an internationally recognised approach, namely the cost-of-basic-needs approach, which links welfare to the consumption of goods and services. The line was constructed as a combination of two parts, which are the food and non-food components.

Construction of the food reference basket

There are three key stages in the construction of poverty lines based on the cost-of-basic-needs approach used by Stats SA. These are to establish the food basket, followed by an exercise to establish the cost of a minimum basket of food items and making allowance for the non-food expenses.

The basket of food was selected based on the food items that are commonly consumed by a reference group of households. The cost of the basket was calculated to obtain a standard cost per kilocalorie. The reference group of households selected in this process are those in the lower to middle distribution (deciles 2 to 4). High-income groups tend to have higher costs per calorie or expensive calories for the same goods consumed by the lower-income groups.

The food items are included on the basis of their share of the total food expenditure in the households and by the total number of households that consume the food item. The cost of the food component alone is referred to as the food poverty line. For statistical purposes, those falling below this line are regarded as extremely poor since they cannot afford the minimum food intake on which the food line is based. The threshold for food expenditure share per item was set at 0,6%, and the minimum number of households was set at 10%. At the end of this stage, 33 food items were selected out of 133 food items collected during the IES 2000.

The food basket is anchored in the observed consumption behaviour that takes into consideration people's choice of food items, but costed to achieve a minimum nutritional standard – in this case the food energy intake. The energy content of food items was obtained from the Medical Research Council (MRC) while food prices were acquired from Stats SA's CPI price series.

Deriving the lower and upper-bound poverty lines

To obtain the lower and upper-bound poverty lines, the common variation of Ravallion's cost-of-basic-needs approach was followed. In this method, two different sets of non-food expenditure were obtained from two separate reference households and added to the food poverty line to yield two sets of poverty lines, namely the lower-bound and the upper-bound poverty lines.

In the first reference group, the non-food components of the poverty lines were obtained taking the average non-food expenditure of households whose total expenditure was close to the food poverty line. Adding this non-food component to the food poverty line estimated the lower-bound poverty line. The choice of reference households for the lower-bound poverty line was based on the assumption that households whose total expenditure is close to the poverty line subsist on survival for food needs, therefore they sacrifice fulfilment of basic food needs in order

to meet their non-food needs. This implies that the non-food basic expenditure of such households represents minimum expenditure on the non-food basic needs.

In the second reference group, the average non-food expenditure of households whose food expenditure was close to the food poverty line estimated the upper-bound poverty line. A key assumption behind the cost-of-basic-needs approach is that in cases where food expenditure is equivalent to the food line, households are considered able to meet basic food and non-food monetary needs. By adding the average non-food expenditure of such households to the food poverty line, an upper-bound poverty line was obtained.

Unlike in the food consumption, no universal standards for consumption of non-food goods and services such as shelter, clothing, transportation and so forth are specified. Although it is possible to determine a bundle of specific non-food goods and services, Ravallion questions whether it would gain wide acceptance or maintain material relevance over time.

The methodology followed in the construction of the poverty lines presented in the report produces period-specific poverty lines. Cost of goods and services, as well as their consumption patterns are key drivers in the design of absolute poverty lines. Goods and services are expected to change over time, though in different ways and at different rates. With time, changes in the cost of living affect purchasing power or value implied by poverty lines. To maintain integrity in the absolute poverty lines, two types of updates are required. These include adjustments by means of an inflation index (these updates happen annually using CPI price data) or the construction of new lines. Stats SA is currently constructing new lines based on the IES 2010/2011 to update these lines (the base of the current lines is rooted in the IES 2000).

For further documentation regarding the construction of the national poverty lines, please see Stats SA's technical report D0300 entitled "Measuring Poverty in South Africa: Methodological report on the development of the poverty lines for statistical reporting".

The instruments of data collection

The IES and LCS used three data collection instruments, namely the household questionnaire, the weekly diary, and the summary questionnaire to collect information from households.

Household questionnaire

The household questionnaire is a booklet of questions. These questions are split into different modules and were administered to respondents during the course of the survey period. One module was completed during each visit to the household.

Weekly diaries

This is a booklet that was left with the responding household to track all acquisitions made by the household during the diary-keeping period. The household (after being trained by the Interviewer) was responsible for recording all their daily acquisitions as well as information about where they purchased the item (source) and the purpose of the item. A household completed a different diary for each week of the survey period.

Summary questionnaire

This is a booklet of questions for the sole use of the Interviewer. The instrument has two primary functions. It serves as a code list for Interviewers when assigning COICOP (classification of individual consumption according to purpose) codes for the reported items recorded in the weekly diary, and it also helps to summarise the household's total consumption expenditure on a weekly basis to allow the Interviewers to better understand the household's acquisition patterns to ensure accuracy and completeness of the diary.

How the surveys were conducted

IES 2005/2006 and LCS 2008/2009

A household was in a sample for a period of six weeks. The instruments outlined above were administered in stages at different visits during the six weeks of data collection. A module was administered in the beginning of each week. A detailed list of activities conducted each week is shown in Table 21 below.

Table 21: Data collection activities by week

Week 0 *(Week before the survey period)*	**Weeks 1 to 4** *(The survey period)*	**Week 5** *(Week after the survey period)*
• Hand-over by publicity team • Establish rapport with household • Train household on diary completion • Conduct interview 1 • Make appointments for anthropometric measurements*	• Drop weekly diaries to be completed by household • Conduct interviews 2/3/4/5 • Collect completed diaries for weeks 1/2/3 • Verify completed diaries for weeks 1/2/3 • Conduct anthropometric measurements (Module 7)* • Codification by means of the summary questionnaire	• Conduct interview 6 • Collect and verify completed diary for week 4 • Codification by means of the summary questionnaire

* Only applicable to the LCS 2008/2009

IES 2010/2011

A household was in a sample for a period of four weeks. The survey instruments were administered in stages at different visits during the four weeks of data collection. A module was administered at the beginning of each week. A detailed list of activities conducted each week is shown in Table 22.

Table 22: Data collection activities by week for the IES 2010/2011

Week 0 *(Week before the survey period)*	**Weeks 1 to 2** *(The survey period)*	**Week 3** *(Week after the survey period)*
• Hand-over by publicity team • Establish rapport with household • Train household on diary completion • Conduct interview 1	• Drop weekly diaries to be completed by household • Conduct interviews 2 and 3 • Collect completed diaries for week 1 • Verify completed diaries for week 1 • Codification by means of the summary questionnaire	• Conduct interview 4 • Collect and verify completed diary for week 2 • Codification by means of the summary questionnaire

Data collection

There are three main approaches used to collect data on household consumption expenditure, namely the acquisition, the payment and the consumption approaches. All three methods were used at some stage during data collection for all three surveys.

The *acquisition approach* entails taking into account the total value of goods and services acquired (not necessarily consumed, but for household consumption purposes) during a given period, whether the household paid for them or not. This is the general approach that was followed for most of the items. Information on non-durable, semi-durable and durable items is collected using the acquisition approach.

The *payment approach* takes into account the total payment made for all goods and services in a given period, whether the household has started consuming them or not. This approach is followed when collecting data of expenditure on services such as education, health, insurance, etc.

The *consumption approach* takes into account the total value of all goods and services consumed or used during a given period. This approach is used when collecting information on own production.

Time span

Data collection for these expenditure surveys covers a period of 12 months. The IES 2005/2006 was conducted between September 2005 and August 2006, the LCS 2008/2009 was conducted between September 2008 and August 2009, and the IES 2010/2011 was conducted between September 2010 and August 2011.

Sample coverage

The sample for the three surveys included all domestic households, holiday homes and all households in workers' residences, such as mining hostels and dormitories for workers. It did not include institutions such as hospitals, prisons, old-age homes, student hostels and dormitories for scholars. Boarding houses, hotels, lodges and guesthouses were also excluded from the sample.

Response details

Table 23 shows the response rates for the three surveys across the nine provinces. Due to the legislative power provided through the Statistics Act, households sampled to participate in our surveys are required to participate. This has helped South Africa to achieve some of the highest response rates for household expenditure surveys in the world.

Table 23: Response rates for the IES 2005/2006, LCS 2008/2009 and IES 2010/2011

Province	IES 2005/2006 (%)	LCS 2008/2009 (%)	IES 2010/2011 (%)
RSA	**93,5**	**88,0**	**91,6**
Western Cape		85,2	94,3
Eastern Cape		94,2	95,8
Northern Cape		90,4	95,6
Free State		95,9	94,7
KwaZulu-Natal		84,8	92,3
North West		89,3	91,6
Gauteng		79,7	82,9
Mpumalanga		88,5	93,5
Limpopo		94,9	90,3

Comparison to previous poverty reports

In 2012, Stats SA published a series of poverty reports that detailed the findings of the LCS 2008/2009. The poverty estimates for 2009 reported in those publications will be lower than the poverty estimates provided in this report. The reason for the difference is because of the use (or non-use) of adjustments made to food expenditure in the LCS 2008/2009 based on retail and sales data. To ensure proper comparability between the LCS and the two IESs, these adjustments had to be removed as no such adjustments were made to the IES datasets.

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Concepts and definitions

Acquisition approach – An approach taking into account the total value of goods and services actually acquired during a given period, whether fully paid for or not during that period.

Classification of individual consumption according to purpose (COICOP) – International system of classification of goods and services based on individual consumption by purpose.

Consumer price index (CPI) – An index that measures the price of a fixed basket of consumer goods and services.

Consumption approach – An approach that takes into account the total value of all goods and services consumed (or used) during a given period.

Consumption expenditure – Expenditure on goods and services acquired, and privately used by household members, including imputed values for items produced and consumed by the household itself.

Diary – A record with discrete entries arranged by date reporting on what has happened over the course of a defined period of time. With regard to the IES and LCS, diaries recorded all acquisitions made by the household during the diary-keeping period. This included the description of the item, value, source, purpose, area of purchase and the type of retailer.

Durable goods – Household items that last for a long time, such as kitchen appliances, computers, radios and televisions, cars and furniture, usually acquired once in several years.

Dwelling unit (DU) – Structure or part of a structure or group of structures occupied or meant to be occupied by one or more than one household.

Enumeration area (EA) – The smallest geographical unit (piece of land) into which the country is divided for census or survey purposes.

Farm – An area of land, together with its buildings, concerned with the growing of crops or the raising of animals.

Gift – An item received by the household from people who are not members of the household or items given away by members of the household to non-members, without compensation.

Gini coefficient – The Gini coefficient is the ratio of the area between the 45-degree line and the Lorenz curve and the area of the entire triangle. As the coefficient approaches zero, the distribution of income or consumption approaches absolute equality and absolute inequality if it approaches 1.

Household – A group of persons who live together and provide themselves jointly with food and/or other essentials for living, or a single person who lives alone.

Household head – A person recognised as such by the household, usually the main decision-maker, or the person who owns or rents the dwelling, or the person who is the main breadwinner.

Household income – All receipts by all members of a household, in cash and in kind, in exchange for employment, or in return for capital investment, or receipts obtained from other sources such as social grants, pension, etc.

Income (individual) – All money received from salary, wages or own business; plus money benefits from employer, such as contributions to medical aid and pension funds; plus all money from other sources, such as additional work activities, remittances from family members living elsewhere, state pensions or grants, other pensions or grants, income from investments, etc.

Income-in-kind/expenditure-in-kind – This refers to items acquired by the household without paying for them, e.g. bursaries, subsidies from employer, free medical services, private use of a company car or similar vehicle, value of discounted fares for educational purposes, grants from schools and other educational institutions, excluding gifts and maintenance from other household members.

Master Sample (MS) – A sample drawn from a population for use on a number of future occasions, so as to avoid ad hoc sampling on each occasion.

Non-durable goods – Household items that do not last long, for example food and personal care items. Households acquire these items on a daily, weekly or monthly basis.

Own production – Own production is the activity of producing goods that the household can consume or sell in order to supplement the household income. Many households – especially low-income households – need to grow food items such as vegetables, mealies, etc., or to keep chickens or livestock to consume and/or sell so that they can provide more adequately for themselves.

Payment approach – An approach taking into account the total payment made for all goods and services in a given period, whether the household has started consuming them or not.

Poor – Population living below a poverty line.

Poverty gap – This provides the mean distance of the population from the poverty line (this is also referred to as P_1).

Poverty headcount – This is the share of the population whose income or consumption is below the poverty line; that is, the share of the population that cannot meet its basic needs (this is also referred to as P_0).

Poverty line – Line drawn at a particular level of income or consumption; households/individuals whose incomes fall below a given level of the poverty line or whose consumption level is valued at less than the value of the poverty line are classified as poor.

Poverty severity – This takes into account not only the distance separating the population from the poverty line (the poverty gap), but also the inequality among the poor. That is, a higher weight is placed on those households/individuals who are further away from the poverty line (this is also referred to as P_2).

Primary sampling unit (PSU) – Geographical area comprising one or more enumeration areas of the same type (and therefore not necessarily contiguous) that together have at least one hundred dwelling units.

Rural – Farms and traditional areas characterised by low population densities, low levels of economic activity and low levels of infrastructure.

Sample – Part of the population on which information can be obtained to infer about the whole population of units of interest.

Settlement type – Classification according to settlement characteristics.

Semi-durable goods – Items that last longer than non-durable goods but still need replacing more often than durable goods, for example clothing, shoes and material for clothing.

Subjective poverty – Considers that people's perception of what constitutes the minimum necessary household budget is the best standard of comparison for actual incomes and expenditures.

Traditional area – Communally owned land under the jurisdiction of a traditional leader.

Urban – Formal cities and towns characterised by higher population densities, high levels of economic activities and high levels of infrastructure.

Vacant dwelling – Dwelling that is uninhabited, i.e. no one lives there.

Visitor (household) – Person visiting or staying with a household who is not a usual member of the household.

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