

# POVERTY AND INEQUALITY

## Poverty and inequality

Development Indicators

### 17 PER CAPITA INCOME

**Goal** To halve poverty between 2004 and 2014.

**Trend analysis** Since 2002, strong overall income growth, including the expansion of social grants, resulted in the rise of the income of the poorest 10 and 20 per cent of the population. However, the rate of improvement of income for the poor has not matched that of the rich, and thus while income poverty is declining, inequality has not been reduced.

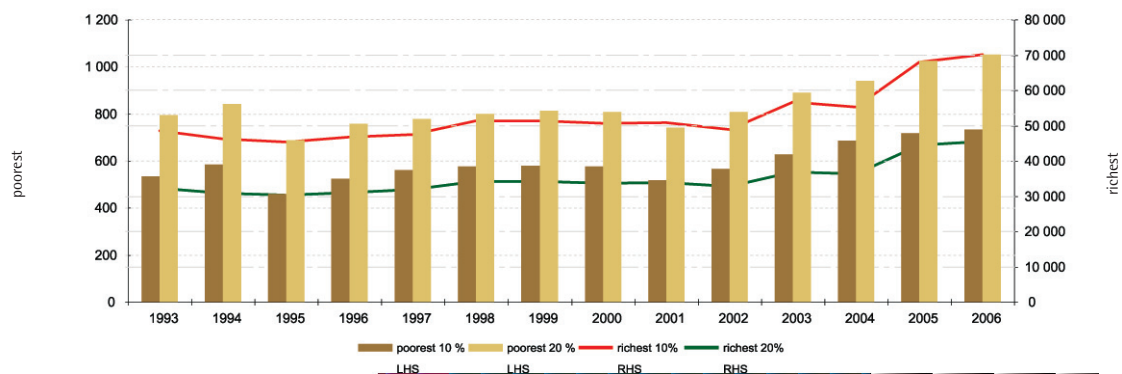
### PER CAPITA REAL INCOME

Rand	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
poorest 10 %	534	584	460	522	560	577	578	577	519	566	628	684	716	734
poorest 20 %	794	843	688	758	778	799	812	808	741	806	889	940	1 026	1 051
richest 10%	48 412	46 113	45 320	46 746	47 508	51 355	51 338	50 692	50 745	48 928	56 685	55 293	68 048	70 144
richest 20%	32 211	30 772	30 208	30 908	31 818	34 138	34 152	33 703	33 777	32 725	36 847	36 250	44 350	45 539

### PERCENTAGE OF TOTAL INCOME

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
poorest 10 %	0.6%	0.7%	0.6%	0.63%	0.7%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.7%	0.6%	0.6%
poorest 20 %	1.8%	2.0%	1.7%	1.82%	1.8%	1.7%	1.8%	1.8%	1.6%	1.8%	1.8%	1.9%	1.7%	1.7%
richest 10%	54.8%	53.9%	54.4%	55.59%	54.3%	55.4%	55.4%	55.3%	55.2%	53.5%	56.3%	55.4%	55.5%	55.9%
richest 20%	72.9%	72.0%	72.5%	73.41%	72.8%	73.6%	73.7%	73.5%	73.4%	71.6%	73.2%	72.7%	72.4%	72.5%

### PER CAPITA REAL INCOME



<b>Definition</b>	Annual per capita income (2000 constant Rand)
<b>Data source</b>	Van der Berg, et al (2006) based on All Media and Products Survey (AMPS) of various years (1993 - 2004). AMPS income is recorded in more than 30 household income brackets. Incomes were converted to per capita levels by applying household size. Pareto estimates of income were estimated in the open interval for each race and household size category. Income was assumed to be distributed equally within income brackets.
<b>Notes on calculations</b>	AMPS income data show very strong growth for 2005 and this income level was maintained and even grew in 2006. This is probably more the result of better capturing of incomes in the survey rather than of real income shifts. To rather err on the side of being conservative regarding poverty trends, AMPS incomes for these two years were adjusted downwards to give growth rates of income consistent with the National Accounts. Without these adjustments, poverty falls by another 3 percentage points in these years. These adjustments do not affect distribution estimates. Adjustment of AMPS income in 2005: Adjusted AMPS 2005 income / Unadjusted AMPS 2004 income = National Account 2005 current income / National Account 2004 current income. Adjustment of AMPS income in 2006: Adjusted AMPS 2006 income / Unadjusted AMPS 2004 income = National Account 2006 current income / National Account 2004 current income.

### 18 INEQUALITY MEASURES

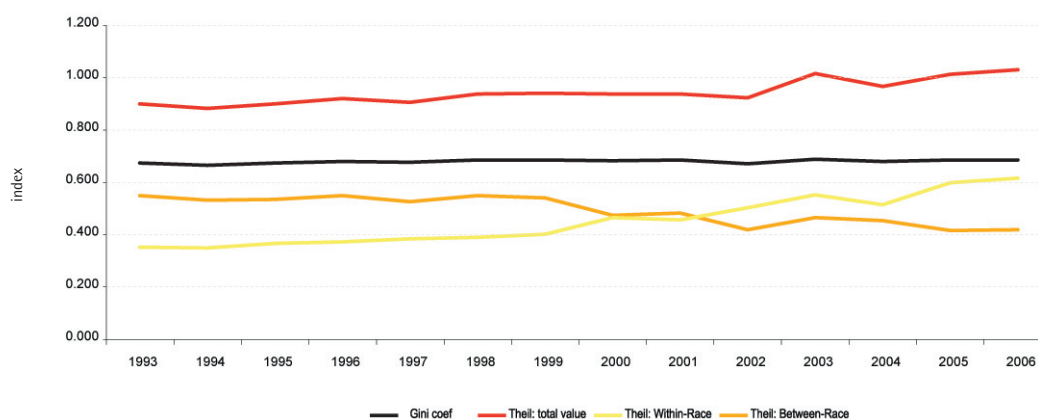
**Goal** To reduce inequality.

**Trend analysis** The Gini Coefficient measures income inequality and increased over most of the period. The overall increase in inequality shows that the beneficial impact of social grants and some job expansion was not enough to overcome widening income inequality, particularly between more and less skilled black workers. This points to a growing scarcity of high level skills and the need for more and better education. Large fluctuations in single years (e.g. 2002) can probably be ascribed to sampling and data issues rather than to real changes. The Theil index is another measure of inequality. While inequality by this measure has been rising, it has changed in nature. Inequality between races has declined, while inequality within race groups has grown. In 1993, 61 per cent of inequality was between race groups, however, by 2006 inequality between race groups had declined to 40 per cent. Over the same period, inequality within race groups has become much more prominent.

### INEQUALITY MEASURES

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Gini coefficient	0.672	0.665	0.674	0.678	0.674	0.683	0.685	0.682	0.685	0.670	0.686	0.678	0.683	0.685
Theil: total value	0.899	0.880	0.899	0.918	0.906	0.937	0.938	0.935	0.937	0.921	1.013	0.967	1.012	1.030
Theil: Within-Race	0.350	0.349	0.366	0.370	0.382	0.389	0.400	0.464	0.456	0.502	0.550	0.514	0.597	0.613
Theil: Between-Race	0.549	0.532	0.533	0.548	0.524	0.548	0.538	0.471	0.480	0.418	0.463	0.453	0.415	0.416

### INEQUALITY MEASURES



<b>Definition</b>	Gini coefficient: It measures the inequality as a proportion of its theoretical maximum. The Gini coefficient can range from 0 (no inequality) to 1 (complete inequality). Theil: This index calculate the weighted sum of inequality within subgroups
<b>Data source</b>	Van der Berg, et al (2006) based on AMPS of various years (1993 - 2004)
<b>Notes on calculations</b>	Gini coefficients calculated from data recorded in income brackets and without prodding on all individual income sources (such as census data or AMPS) are usually somewhat higher. Trends, however, should not be affected.

## 19 POVERTY HEADCOUNT INDEX

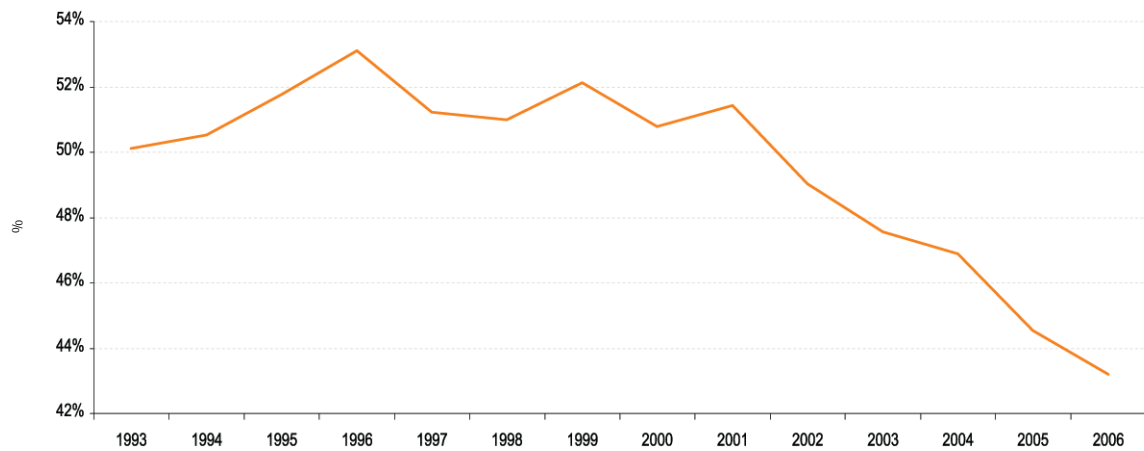
**Goal** Meeting basic needs of all South Africans.

**Trend analysis** This index measures the number of people living below a poverty line of R3 000 per capita per annum (in 2000 constant Rand). The strong decline in the headcount poverty rate (PO) after 2001 is mainly due to the expansion of social grants, and more jobs created in the economy.

### PERCENTAGE OF POPULATION LIVING BELOW R3 000 PER ANNUM

%	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Poverty headcount index	50.1%	50.5%	51.7%	53.1%	51.2%	51.0%	52.1%	50.8%	51.4%	49.0%	47.6%	46.9%	44.5%	43.2%

### POVERTY HEADCOUNT INDEX



<b>Definition</b>	Headcount index (PO), the proportion of the population below the poverty line, at a poverty line of R3 000 in 2000 constant Rand
<b>Data source</b>	Van der Berg, et al (2006) based on AMPS of various years (1993 - 2004). AMPS income is recorded in more than 30 household income brackets. Incomes were converted to per capita levels by applying household size. Pareto estimates of income were estimated in the open interval for each race and household size category. Income was assumed to be distributed equally within income brackets.
<b>Notes on calculation</b>	See notes on calculation Indicator 17.

## 20 POVERTY GAP ANALYSIS: POVERTY GAP INDEX (P1) AND SQUARED POVERTY GAP INDEX (P2)

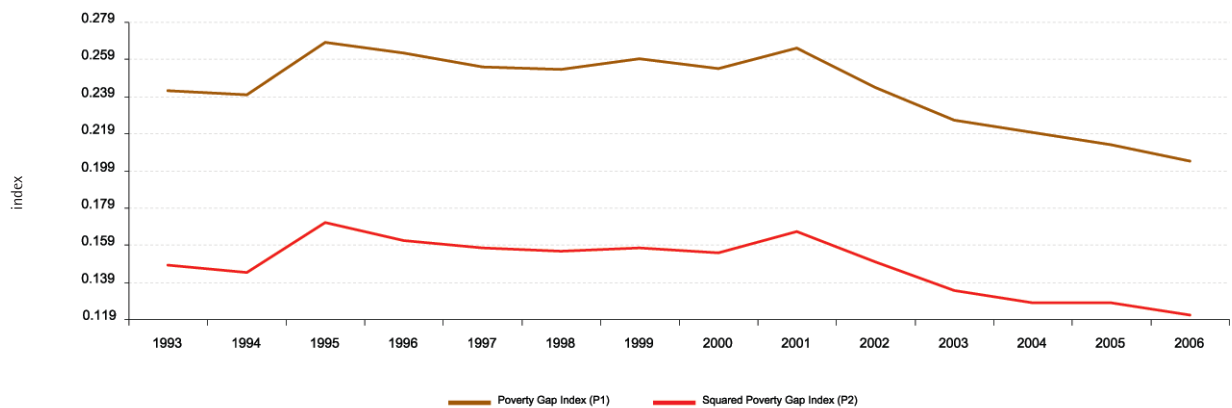
**Goal** To reduce the poverty gap and the severity of poverty

**Trend analysis** The P1 measures the depth of income poverty compared to a poverty line of R3 000 per capita per annum (in 2000 constant Rand). The declining P1 shows that the incomes and/or expenditure of those in poverty improved, bringing the very poor closer to the poverty line. In addition, the declining P2 shows that the severity of poverty has been reduced, especially since 2002.

### POVERTY GAP ANALYSIS: POVERTY GAP INDEX (P1) AND SQUARED POVERTY GAP INDEX (P2)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
P1	0.2419	0.2397	0.2678	0.2624	0.2549	0.2535	0.2591	0.2539	0.2649	0.2440	0.2262	0.2193	0.2130	0.2039
P2	0.1482	0.1441	0.1711	0.1615	0.1574	0.1554	0.1574	0.1547	0.1661	0.1499	0.1346	0.1276	0.1278	0.1211

### POVERTY GAP ANALYSIS



**Definition** Depth of poverty (P1), at a poverty line of R3 000 in constant 2000 constant Rand. It is based on how far the poor are from the poverty line, i.e. how deep their poverty is. Severity of poverty (P2), at a poverty line of R3 000 in constant 2000 constant Rand. It is based on the square of the gap between the poverty line and the incomes of the poor, thus it gives great weight to those who are most deeply in poverty.

**Data source** Van der Berg, et al (2006) based on AMPS of various years (1993 - 2004). AMPS income is recorded in more than 30 household income brackets. Incomes were converted to per capita levels by applying household size. Pareto estimates of income were estimated in the open interval for each race and household size category. Income was assumed to be distributed equally within income brackets.

**Notes on calculation** See notes on calculation Indicator 17.

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Development Indicators

### 21 SOCIAL-ASSISTANCE SUPPORT

**Goal** To provide appropriate social-assistance support to all eligible beneficiaries.

**Trend analysis** At present, nearly 12 million people receive social grants, and 3.2 per cent of GDP is spent on social grant assistance. The increase in the number of beneficiaries over the years has been as a result of increased government efforts to reach out to those people that are eligible to receive social assistance grants. The strong growth in grants in aid, care dependency grant and disability grant, is a reflection of government's programme of social assistance and poverty reduction for persons with disabilities. The strong growth in the uptake of grants has stabilised over the past two years as the majority of eligible beneficiaries have been registered.

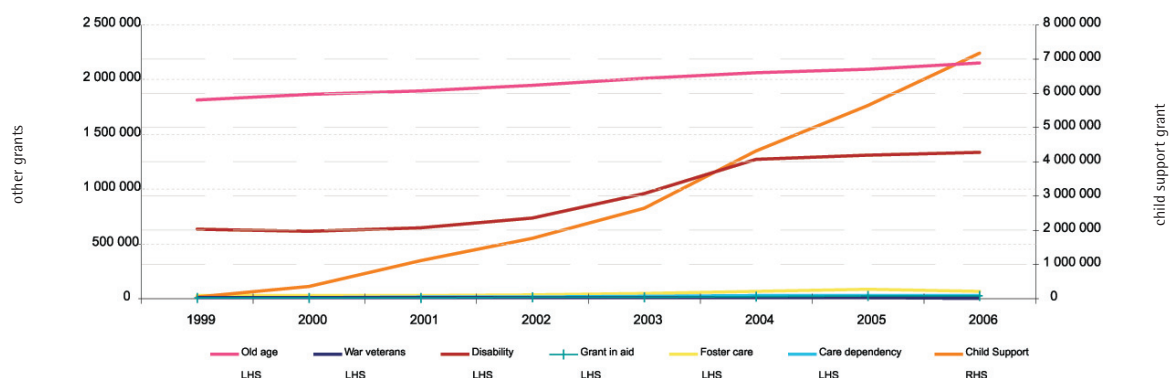
#### SOCIAL-ASSISTANCE SUPPORT GRANTS

	1999	2000	2001	2002	2003	2004	2005	2006	2007
Old age	1 812 695	1 860 710	1 896 932	1 946 313	2 009 419	2 060 421	2 093 075	2 149 406	2 187 985
War veterans	9 197	7 554	6 175	5 266	4 594	3 961	3 340	2 795	2 340
Disability	633 778	612 614	641 459	732 928	953 965	1 270 964	1 307 459	1 332 547	1 429 593
Grant in aid	8 496	8 748	8 529	10 435	12 787	18 170	23 131	27 252	31 722
Foster care	71 901	79 937	85 315	108 207	138 763	200 340	256 325	209 093	398 264
Care dependency	16 835	24 438	33 545	43 325	58 140	77 934	85 818	88 997	98 336
Child support	34 471	352 617	1 102 957	1 751 563	2 630 826	4 309 772	5 633 647	7 170 564	7 873 314
Total beneficiaries	2 587 373	2 946 618	3 774 912	4 598 037	5 808 494	7 941 562	9 402 795	10 980 654	12 021 554
Growth rate		13.9%	28.1%	21.8%	26.3%	36.7%	18.4%	16.8%	9.5%

#### SOCIAL-ASSISTANCE GRANT EXPENDITURE

	2003	2004	2005	2006	2007
Expenditure (R million)	36 982	44 885	50 708	57 720	62 238
% of GDP	2.9%	31.0%	3.2%	3.3%	3.2%

#### SOCIAL-ASSISTANCE SUPPORT GRANTS



**Definition** Total number of recipients of social-assistance grants as recorded at April of each year

**Data source** Social Security Pension System (Socpen); Estimates of National Expenditure (ENE) 2007 National Treasury

## 22 LIFE EXPECTANCY

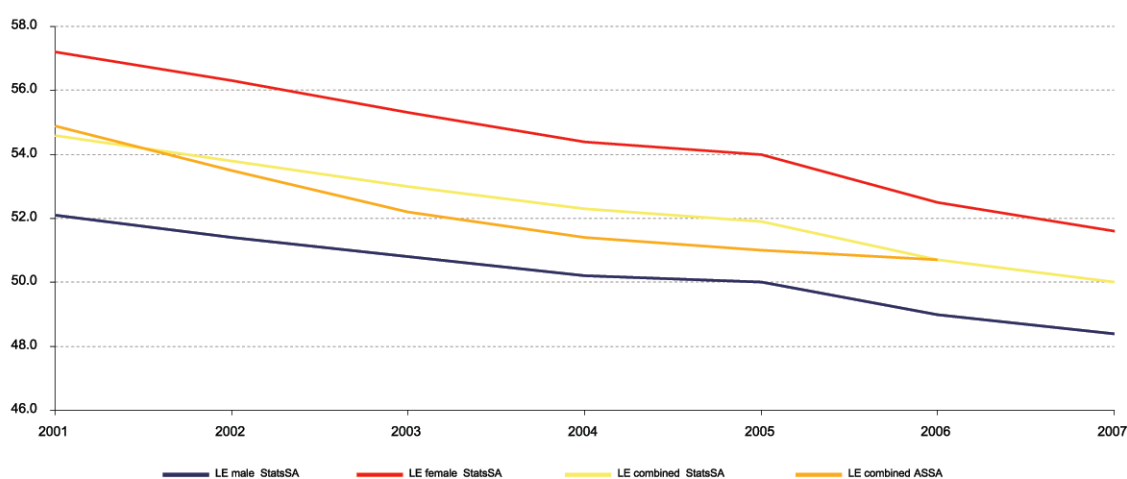
**Goal** Building a healthy, well-educated and prosperous nation.

**Trend analysis** There are competing positions on calculating Life Expectancy in South Africa. Given the limitation of reliable data before 2000, Life Expectancy calculations before 2000 needs to be further investigated. However, since 2000, there is a trend of increasing mortality, especially of the young. This seems to be related to HIV prevalence rates that have been increasing relatively significantly since 1998.

### LIFE EXPECTANCY

	2001	2002	2003	2004	2005	2006	2007
1 LE male StatsSA	52.1	51.4	50.8	50.2	50.0	49.0	48.4
2 LE female StatsSA	57.2	56.3	55.3	54.4	54.0	52.5	51.6
3 LE combined StatsSA	54.6	53.8	53.0	52.3	51.9	50.7	50.0
4 LE combined ASSA	54.9	53.5	52.2	51.4	51.0	50.7	

### LIFE EXPECTANCY



**Definition** Life expectancy: The number of years a new-born infant would live if prevailing patterns of age-specific mortality rates at the time of birth were to stay the same throughout the child's life.

**Data source** 1,2,3) Life Expectancy Statistics South Africa calculations  
4) Life Expectancy: Actuarial Society of South Africa (ASSA) 2003 model

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## 23 LIVING STANDARDS MEASURE (LSM)

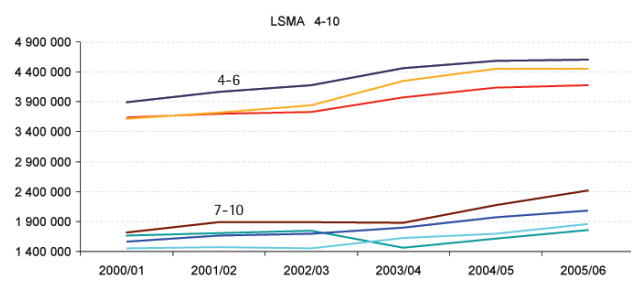
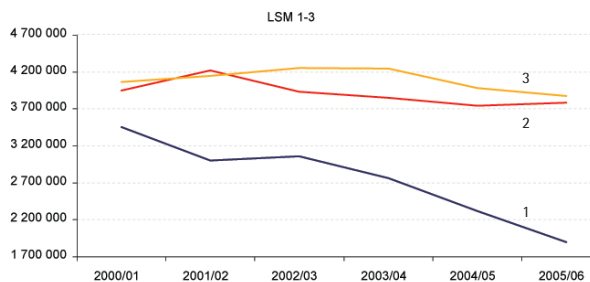
**Goal** Reducing income inequalities.

**Trend analysis** Between 2000 and 2005, the LSM data shows a significant decrease of the number of people in the poorest categories (LSM 1-3), with a marked reduction of the number of people living in LSM 1. The number of people living in LSM 4-10 shows an increase and in part reflects the growth of the middle classes.

### TABLE LIVING STANDARDS MEASURE

	2001/02		2001/02		2002/03		2003/04		2004/05		2005/06	
	nu	imputed avg monthly income	nu	imputed avg monthly income	nu	imputed avg monthly income	nu	imputed avg monthly income	nu	imputed avg monthly income	nu	imputed avg monthly income
LSM 1	3 456 000	R 742	3 003 000	R 804	3 059 000	R 860	2 764 000	R 878	2 317 000	R 911	1 895 000	R 999
LSM 2	3 950 000	R 883	4 221 000	R 963	3 935 000	R 1 129	3 848 000	R 1 076	3 745 000	R 1 103	3 784 000	R 1 214
LSM 3	4 062 000	R 1 092	4 149 000	R 1 200	4 257 000	R 1 355	4 250 000	R 1 412	3 979 000	R 1 434	3 878 000	R 1 521
LSM 4	3 896 000	R 1 541	4 066 000	R 1 596	4 179 000	R 1 761	4 465 000	R 1 792	4 582 000	R 1 888	4 603 000	R 1 940
LSM 5	3 634 000	R 2 195	3 703 000	R 2 239	3 725 000	R 2 421	3 978 000	R 2 436	4 132 000	R 2 518	4 176 000	R 2 681
LSM 6	3 621 000	R 3 555	3 716 000	R 3 625	3 842 000	R 3 970	4 246 000	R 4 057	4 451 000	R 4 194	4 454 000	R 4 404
LSM 7	1 717 000	R 5 349	1 886 000	R 5 662	1 886 000	R 5 991	1 877 000	R 6 437	2 174 000	R 6 444	2 413 000	R 6 841
LSM 8	1 663 000	R 7 212	1 705 000	R 7 537	1 745 000	R 8 396	1 462 000	R 8 429	1 609 000	R 9 174	1 759 000	R 9 252
LSM 9	1 559 000	R 9 568	1 666 000	R 10 234	1 699 000	R 11 561	1 799 000	R 11 499	1 971 000	R 11 864	2 085 000	R 12 558
LSM 10	1 455 000	R 13 416	1 469 000	R 15 072	1 446 000	R 17 173	1 621 000	R 18 643	1 695 000	R 18 822	1 857 000	R 19 817

### TABLE LIVING STANDARDS MEASURE



**Definition** The SAARF Living Standards Measure LSM divides the population into 10 LSM groups, 10 (highest) to 1 (lowest) and LSMs are calculated using 29 variables taken directly from the SAARF AII Media and Products Survey. It calculates an imputed average monthly income.

**Data source** South African Advertising Research Foundation