

**Welfare Shifts in the
Post-apartheid South Africa:
A Comprehensive Measurement of Changes**

DPRU Policy Brief Series

Development Policy Research Unit

School of Economics

University of Cape Town

Upper Campus

February 2008

PB 08-16

ISBN No: 978-1-920055-59-2

Finding a Comprehensive Way to Measure Welfare

With more than a decade having passed since the advent of democracy in South Africa, much has been written about changes in the welfare of the poor. However, previous research has measured income welfare and non-income welfare separately and produced contradictory results: income levels were shown to have declined slightly or remained static while non-income welfare increased significantly.

As a result the net gain or loss of welfare or well-being, especially among the poor, cannot be easily discerned. In the paper on which this Policy Brief is based, we set out to measure the overall progress that has been made in this regard in the democratic South Africa. This is done **by constructing a comprehensive household welfare index that includes public assets (government-provided services), private assets (including education) and wage and grant income.**

The period of the review is between 1993 and 2005. Three sources of data are utilised:

- The 1993 SA Integrated Household Survey for the Project for Living Standards and Development;
- The 1999 October Household Survey and
- The 2005 General Household Survey.

The availability of the dataset for 1999 allows us to provide mid-period estimates for the period as a whole.

The paper, on which this policy brief is based, first analyses access to public and private assets, and household income from employment and social grants descriptively, and then more formally constructs indices to measure the changes in welfare.

Changes in Non-Income Welfare: Descriptive Overview

Access to Public Assets

The state delivery of specific services to households is used as a proxy for access to public assets. These include access to a formal dwelling, piped water, electricity for lighting and access to a flush/chemical toilet.

During the period under review (1993-2005) there were dramatic increases in access to public assets. During the first half of the period (1993 to 1999), household access to formal housing was the greatest, followed by piped water, flush and chemical toilets and electricity. However, by the end of the second period (2005), access to electricity was the greatest followed by formal housing, piped water and toilets. This suggests that government has done particularly well in the provision of electricity.

Access to public assets increased more sharply in the period 1993 to 1999 and then slowed down between 1999 and 2005. In the case of piped water, toilets and housing the slowdown affected the poorest most. Although the absolute numbers of households with access to these assets increased, the proportion of the poor (that is, share of total poor households) with access to these assets decreased over the period.

The slowdown in delivery of assets to the poorest section of the population must be seen in the context of important changes taking place in the South African landscape. These include increased urbanisation, changing household structure and smaller household sizes. These changes led to increasing demand for household-based services and growing backlogs despite accelerated government delivery.

Access to Private Assets

As far as access to private assets is concerned, ownership of telecommunications, vehicles, radios and television sets was analysed.

There is a very clear upward trend in the share of households with access to telecommunications. Between 1993 and 1999, household access to telecommunications increased from 27 percent to 34 percent and then quite substantially to 65 percent in 2005. This is a reflection of the large increase in cellular telephone ownership over the second half of the period.

Vehicle ownership was low in the base year 1993 and increased slightly in absolute numbers over the period. However the rate of vehicle ownership – that is, the proportion of households who owned a vehicle – decreased. By 2005 vehicle ownership stood at 24 percent.

The ownership of radios was already very high in 1993 and increased slightly in absolute numbers over the period. Just fewer than 80 percent of households owned a radio in 1993 and this increased marginally to 82 percent by 2005.

Ownership of television sets increased both in absolute numbers and as a proportion from 48 percent to 60 percent over the period.

The average years of education of a household are also included in the calculation of the comprehensive index. This increased slowly over the period but still stands at a relatively low level. The average years of education of adults in the household increased from 7,43 years in 1993 to 8,68 years in 2005.

Income Welfare

Household income includes income received from any type of employment and household income from social grants.

The proportion of households with per capita income of less than R3000 per month in real terms was marginally higher in 1993 than in 2005. In the first period real incomes declined, but rose again during the second period. At the lower end of the spectrum, there was almost no change in income poverty levels over the entire period. However, it is important to note that the proportion of households reporting zero per capita income decreased from about 20 percent in 1999 to 10 percent in 2005. This can be partly explained by the rapid expansion of the social grant system.

Developing a Comprehensive Welfare Measure

The aim of the paper is to construct a comprehensive welfare measure that enables one to track overall shifts in total household welfare between 1993 and 2005. Without going into detail about the technical methodology used, this is done through the construction of three indices:

- **A Public Asset Index (derived from access to government services)**
- **A Private Asset Index (derived from ownership of assets and years of education in the household) and**
- **A Comprehensive Welfare Index which combines the two types of assets, and includes household income from employment and social grants.**

Changes in Overall Welfare

Using these indices and tracking the changes in the period under consideration yields the following results:

- **The Comprehensive Welfare Index increased over the entire period and in both of the sub-periods**, meaning that the average household became less poor over the 12-year period when all aspects of welfare were considered. The bulk of the increase took place over the first sub-period (1993-1999).
- **African households experienced large increases in their total welfare over the period.**
- **When we calculated a poverty line for the Comprehensive Welfare Index we found that at the 40th percentile, poverty among Africans halved from 54 percent to 27 percent.** Most of the decline took place over the first half of the period. Using the 20th percentile poverty line, poverty decreased from 27 to 11 percent – a decline of almost 60 percent.
- **We compared shifts in Limpopo, a relatively poor rural province, to Gauteng, a relatively rich province.** Households in Limpopo experienced massive decreases in their poverty levels. For example, at the 40th percentile, poverty decreased by almost 70 percent. However, in Gauteng there was not much change in welfare over the entire period. Improvements made in the first sub-period were eroded in the second.
- **In terms of gender, we compared female-headed households in general and African female-headed households in particular against male-headed households.** Although both types of households experienced large decreases in poverty rates over the period, by 2005 female-headed households remained in a worse-off position than male-headed households. Of these, African female-headed households had the lowest levels of welfare. (This was true for all three indices).

Changes in Public Asset Welfare

An index for public assets was derived to measure changes in access to public assets over the period. The findings were as follows:

- **The average Public Asset Index value of households increased between 1993 and 1999 but did not change significantly between 1999 and 2005.** This reflects a slowdown in the delivery of government services during the second period.
- **In terms of race, the biggest gains were made by African households.** At the 40th percentile poverty line, the public asset poverty of African households decreased from just over 55 percent to 29 percent – a decline of almost 50 percent. At the 20th percentile poverty line the decrease was larger, with the rate dropping from 27 percent to 12 percent. The bulk of the decline took place in the first half of the period.
- **In terms of location, poverty as measured by access to public assets increased slightly in Gauteng.** There were massive decreases in public asset poverty in Limpopo, but poverty levels remained much higher in this province than in Gauteng in 2005.

Changes in Private Asset Welfare

- **The average Private Asset Index value increased over the entire period but at a faster rate over the second half of the period under review (1999-2005).**
- **African households experienced massive improvements in their ownership of private assets.** The headcount ratio according to the 40th percentile poverty line improved by 60 percent, and the 20th percentile followed a similar pattern. In contrast to the other two indices, more than half of the decline took place between 1999 and 2005.

- **In terms of location, the trend regarding private assets was markedly different to both public assets and overall welfare.** In Gauteng at the 40th percentile the poverty rate dropped from 20 to nine percent meaning that the ownership of private assets increased dramatically in this province. Limpopo showed a relatively larger gain in public asset ownership, with the rate of private asset poverty declining from 58 percent to 22 percent

Conclusion

This paper (on which this Policy Brief is based) was an attempt to, for the first time, present a comprehensive overview of changes in welfare in post-apartheid South Africa, by taking into account changes in both income and non-income welfare between 1993 and 2005.

On the one hand, previous research had suggested that income poverty increased (or at best remained stable) between 1995 and 2000 or 1996 and 2001. On the other hand, research examining the changes in non-income welfare found significant decreases in the levels of non-income poverty. These two streams of research presented contradictory evidence about the shifts in welfare in the country since 1994.

However, using various analytical tools, the paper constructed an overall measure of household welfare, which combined both income and non-income poverty and took into account both private and publicly owned assets.

Overall, the evidence suggests that total household welfare increased between 1993 and 2005 with the increase in the first period driven largely by increased government service delivery. In the second half of the period, overall welfare increased at a slower pace and was driven almost exclusively by the growth in private asset ownership.