



**STUDIES IN POVERTY AND
INEQUALITY INSTITUTE**

*Building up knowledge
to break down Poverty*

POLICY BRIEF 3

Towards a Decent Living Level

MARCH 2014 • BY ISOBEL FRYE



**STUDIES IN POVERTY AND
INEQUALITY INSTITUTE**

*Building up knowledge
to break down Poverty*

31 Quinn Street, Newtown
Johannesburg
South Africa
2000
Phone: + 27 11 833 0161
Fax: + 27 11 832 3085

 SPII1

 SPII

Email: advocacy@spii.org.za
www.spii.org.za

POLICY BRIEF 3

Towards a Decent Living Level

MARCH 2014 • BY ISOBEL FRYE

Policy Brief: Participative Construction of a Basket of Basic Goods and Services for a Decent Living Level in a Democratic South Africa



On 22 November 2013, Studies in Poverty and Inequality Institute (SPII), the Labour Research Service (LRS) and the Friedrich Ebert Stiftung (FES) held a second seminar as part of the project “Constructing of a Basket of Basic Goods and Services in a Democratic South Africa”. This seminar followed the initial public seminar hosted at NEDLAC on 27 September 2013. The second seminar was attended by civil society organisations, the media, and academia. This report summarises the Context and Objectives of the Project, and then provides brief insights from the presentations made at the Seminar by the Labour Research Service, the Bureau for Market Research as well as SPII.

The aim of this ongoing work is to derive an understanding of what constitutes a broadly acceptable living level that should be used to reflect a basic living level. Central to this ambitious target is an awareness of the necessity of moving away from the minimalist ‘poverty lines’ that have been used in the design and evaluation of anti-poverty programmes. The use of such very basic levels, which are set out below, is dangerous in an upper middle- income country such as South Africa that is already characterised by one of the highest levels of income inequality globally. Using such low levels might create more palatable poverty figures, but it dulls our ambitions of really ensuring that people live the life of dignity as guaranteed to them in the Constitution of South Africa¹, let alone a life of one of greater equality as the Constitution further provides for. This work is thus inherently rights- based, rather than being a technocratic exercise. It is about trying to understand through asking ordinary people what such a decent living level should be for all in a post- Apartheid democracy.

Context and Objectives

Despite the recognition of the destructive reality of poverty for many millions of people living in South Africa, there is still a lack of national consensus in South Africa on what is meant by the inverse of ‘poverty’, namely ‘sufficiency’. This has particular resonance in an upper middle- income country such as South Africa.

A stark illustration of the huge distance between what the state views as constituting ‘poverty’ and what ordinary South Africans view as constituting a basic decent living level is evident from the tragic incident of the Marikana massacre in August 2012. Miners at the Lonmin mine in the North West province went on strike over wage negotiations, demanding an entry level wage for rock drill operators of R12, 500 per worker per month. The workers, 36 of whom were killed by police action during the strike, substantiated their demands by showing how it was not possible to exist with any semblance of decency on an amount less than that. Most of the workers have become indebted to local ‘loan sharks’ when they have had to borrow for consumption purposes in the past. At the same time, farm workers in the Western Cape embarked on an equally historic strike, demanding an amount of R150 per worker per day in 2012 prices, about R3, 000 per month, as constituting the minimum level that could be seen to guarantee any possibility of a decent life.

At the other end of the scale, Statistics South Africa and many government policies and plans currently use three poverty lines which they have developed. These three lines reflect firstly

¹ Section 10, *The Constitution of South Africa, Act 108 of 1996*.

a survivalist 'food poverty' line, a second, 'lower bound' poverty threshold and an 'upper bound' poverty line.

The 'food poverty line' is based on a costing of 2,261 kilo calories per capita per day². The 'lower bound poverty line' combines the food poverty line and an average amount of non-food items consumed by households whose total consumption was equal to the food poverty line (i.e. that which people chose to purchase instead of the food that they would need to consume the nutritionally approved basic daily consumption). Finally, the 'upper bound poverty line' is a combination of the food poverty line and the average consumption on non- food items by households that spend the full food poverty line amount on food.

These three lines are R305 (in March 2009 figures) per person per month, R416 and R577 per person per month³. None of these figures suggest anything close to a sufficiency or the ability to command a decent standard of living given the multi-dimensional facets of deprivation, and the difference between these figures and those demanded by workers as referred to above, are clear.

There have been a number of commitments by government to finalise a Comprehensive National Anti- Poverty Strategy in South Africa. These began in 2005 through The Presidency. The initial 'Strategy' appears now to have been downscaled to the status of a national 'Project', and a final Strategy was never published.

The initiatives were headed by a 'National War Room', located in The Presidency. The idea was for initiatives to also operate provincially and at local government level through decentralised 'War Rooms' to implement the Comprehensive Anti-Poverty Strategy.

A common understanding of what constitutes deprivation, in a tangible 'Rands and Cents' approach however appears to continue to elude discussions on poverty. This appears to be crucial, especially in a country that is characterised by such extremes of income inequality such as South Africa.

“
Most of the workers have become
indebted to local 'loan sharks'
when they have had to borrow for
consumption purposes in the past.
”

In a presentation made by the National War Room on Poverty to the Portfolio Committee on Social Development on 13 October 2009⁴, poverty was defined as “a condition of deprivation below a minimum standard of living”, a deficiency in individual's socio- economic capabilities’.

The term 'minimum standard of living' appears again in the National Development Plan. What is absent from the plans and the reporting, however, is any concrete reference to what such a 'minimum standard of living' is - or should be.

SPII believes that a broad, national discussion is very necessary to reduce the sense of social distance that surrounds poverty, with the burden of poverty- induced deficits and the social and political implications of stark income inequality seeming to be disproportionately relegated to people living in poverty. Advancing a national debate about what constitutes an acceptable living level for all, albeit aspirational for many for today, is necessary to begin to reduce that social distance.

Is this possible?

Developing a basket is not without methodological as well as ideological challenges. Ultimately, a decision on what constitutes a basic need is deeply normative. As such, many studies undertaken in the field in the past have shied away from attempting to quantify and cost what such a basket would contain to support the quantification of a decent living level.

² *Measuring poverty in South Africa: Methodological report on the development of the poverty lines for statistical reporting. Technical report D0300. Statistics South Africa.*

³ *Poverty Profile of South Africa: Application of the poverty lines on the LCS 2008/2009 / Statistics South Africa. Pretoria: Statistics South Africa, 2012.*

⁴ *The presentation is available at <http://www.pmg.org.za/docs/2009/091013waronpoverty-edit.pdf>.*

Critical to this idea is accepting that poverty is multi-dimensional and as such should reflect a basic standard of access to goods and services identified as being necessary by people .

In the early 2000's, CASASP – the Centre for Applied South African Social Policy – undertook extremely comprehensive work under its Indicators of Poverty and Social Exclusion Project. This included fifty focus group studies held in nine provinces and amongst diverse social and economic classes. Their findings demonstrated that despite the very deep divisions in South Africa, there is a strong consensus on what goods and services should be included as basic needs. This project however did not proceed to attempt to quantify or cost what levels of these items should be included in a single basket.

Examples of such work exist in other countries. In the United Kingdom, a country that has undertaken extensive research into poverty (including pioneering work by Seebohm Rowntree and Friedrich Engels), an innovative project called the Family Budget Unit was established at the University of York in 1987. This unit had the following aims and objectives:

- ▶ To advance the education of the public in all matters relating to comparative living standards and living costs throughout the United Kingdom
- ▶ To carry out research into the economic requirements and consumer preferences of families of different composition, for each main component of a typical family budget
- ▶ To publish the useful results of such work.

The Unit over time developed very detailed household budgets that reflected an acceptable level of adequate living for a variety of low income family types, taking into account the various social wage benefits that were available through different levels of the state to begin to address these needs. Unfortunately this Unit was dissolved in 2011.

Some of its work however informed the thinking and methodology around the Minimum Income Standards (MIS) project based at the University of Loughborough (fittingly, given the above, with the support of the Joseph Rowntree Foundation). This work, available at <http://www.lboro.ac.uk/research/crsp/mis> is based on participatory research that sets out items that are considered to be necessary for a low but adequate level of living. Currently the project has produced standard budgets for 107 household types and the costings for these budgets are updated every July. Their work includes input by experts for example on nutritional standards, and includes a Minimum Income Calculator that shows how the household budgets are calculated and how much people would need to earn to be able to meet this weekly household budget, in the sense of a living wage.

Civil society organisations in Zambia and Malawi (the Zambian Centre for Theological Reflection and the Centre for Social Concern respectively) have also developed 'Basic Needs Baskets' that they use very effectively for advancing information pertaining to the rising costs of basic items as experienced at localized spaces. The ZCTR monthly analysis also reflects the average minimum wages for public civil servants in Zambia against their analysis to demonstrate the shortfalls between income and needs.

Once a costed basket has been established, the above projects provide useful examples of how the basket could be updated and applied further.

Going Forward: Towards Constructing a Decent Living Level

There is a clear opportunity for South Africa to construct a democratically devised decent living level. The concept of a 'minimum living level', as indicated, is already used in diverse policy documents, but without any substantive details. Understanding what a decent living level is will also allow us to map out what we mean by a 'living wage' for all and how other popular campaigns (including for increases to the social wage, national healthcare, e-tolls, a

national minimum wage) relate to the broader living wage campaign, how they relate to one another and what the implications are for the various mass- based campaigns.

SPII, together with its current partners and through the auspices of NEDLAC, will contribute to the first phase of this national discussion, which we hope will take root and flourish and guide interventions aimed at reducing current levels of deprivation and inequality as we move into the third decade of democracy.

In the first half of 2014, SPII will be hosting ten focus groups to elicit feedback across diverse regions and income classes in South Africa to identify to what extent this basket reflects what people consider to be necessary for a decent living level, and this will enable us to make additions and/ or deletions to the list which has been compiled from the SPII household expenditure survey.

Anyone who is interested in participating in this discussion, is encouraged to contact Isobel Frye at isobel@spii.org.za



Appendix. Summary of Presentations made at the Seminar held on 22 November 2013.

1 Living Levels and the Living Wage, Minimum Wage and Social Wage

Trenton Elsley, director of the Labour Resource Service, outlined the history of the Living Wage debate which has been driven by the labour movement in South Africa for many years. He suggested that there is a need to spark a new debate amongst unions in regard to reviving the campaign. Key to the notion of a 'Living Wage' is a need to establish benchmarks that move beyond surviving towards living – and it is critical to get the right terminology. Should we thus not also consider moving away from speaking of a survivalist '*Minimum Living Level*' to speak of a '*Decent Living Level*'?

According to Elsley, "(T)he challenge with regards to defining poverty is that the methodical approaches have been contested. There is a huge gap with regards to those studies."

What, if any, are the interlinkages between the notion of a *living wage* and a *national minimum wage*? According to Elsley, again, the former has traditionally been more of an aspirational collection of what society should deem to be a 'sufficient' wage, whilst the latter would constitute a significant policy shift in South Africa in which wage setting is still organised on a sectoral basis.

Further comments arising from this presentation include:

Summary points

1. There is a poverty of ideas apparent in the debate around measurement of poverty.
2. There is a need to create benchmarks for living in addition to benchmarks for surviving. A decent living level and a poverty level are not the same thing.

3. The national minimum wage campaign being driven by trade unions in South Africa has international precedent and the support of the ILO.
4. COSATU itself is clear that a national minimum wage should be seen as only part of a more comprehensive wages or incomes policy.
5. The ruling party has acknowledged the need to explore this as a possible policy response to poverty.
6. Any effort to quantify a national minimum wage or a living wage requires an empirical as well as a process basis. These concepts must be related to existing objective social and material conditions as well as more subjective social needs.
7. The ILO Minimum Recommendation (135) indicates what factors should be taken into account when setting a minimum wage.
 - i. The needs of a worker and his/her family
 - ii. The general level of wages
 - iii. The cost of living
 - iv. Social security benefits
 - v. Relative living standards of different social groups
 - vi. Economic factors including development, productivity and employment.
8. The LRS has mapped the minimum wage landscape in South Africa to assist in relating proposed benchmarks to existing wages levels.
9. There is a wealth of literature to draw on in attempting to further develop concepts of a decent living level.
10. There are no empirical estimates of a decent living level in South Africa. Indeed, there is no consensus of what would constitute a decent living level in South Africa.
11. There is important work to be done in stimulating research and social dialogue for defining a living wage or living level in South Africa. We must also develop a vocabulary around poverty and living that facilitates communication with ordinary people.
12. An improved understanding of each key concept and the inter-relations between key concepts such as a living wage, living level, national minimum wage and the social wage will promote more integrated policy formulation and aid strategy development by the various social partners.
13. There is then the improved prospect of labour market and economic policy interventions supported by and supporting social development, education and training, health, transport and social protection.
14. The underlying challenge is to address the political question of what a decent living level would mean for policy and practice in South Africa. Obvious reference points here are social security, industrial relations and poverty reduction. We cannot ignore the political implications of setting a higher benchmark. The work in this area must be translated into the policy-making environment.
15. "The moment is propitious for negotiation when both sides perceive that they may be better off with an agreement than without one" - Zartman & Berman, 1982
16. There is work to be done in cultivating this perception among the social partners in South Africa.

It is time to move away from the fixation on creating jobs for people towards a focus on developing people who are productive and can work. This offers a more sustainable development path.

2 Mapping “Wellness” in South Africa – new work by the Bureau of Market Research, UNISA

Carl van Aardt and Bernadene De Clercq from the Bureau of Market Research (BMR) then presented a paper on recent work that they have undertaken, using the concept of “wellness”. The piloting of the methodology of this work is still being finalised, but the aim is to develop a multi- dimensional reflection that encapsulates a far broader index than just the financial situation of a person. This work has also been highly consultative and participatory and its release should contribute to enriching the debate on living levels.

3 Towards Developing an Initial Basket – SPII’s research in Evaton

Between November 2011 and June 2012, SPII, with the assistance of Statistics South Africa, conducted a Household Expenditure survey in Evaton, south of Johannesburg. Taku Fundira, a researcher at SPII, presented a report on the income and expenditure survey that SPII conducted. Using frequency modelling, SPII was able to create a list of goods and services that households in Evaton consumed. This list of goods together with recommendations given by a nutritionist on the sufficiency of the food items listed in the frequency modelling, will act as a base for constructing a basket of basic goods and services. This work should be available on www.spii.org.za by March 2014.



*Building up knowledge
to break down Poverty*

31 Quinn Street, Newtown
Johannesburg
South Africa
2000
Phone: + 27 11 833 0161
Fax: + 27 11 832 3085



SPII1



SPII

Email: advocacy@spii.org.za
www.spii.org.za