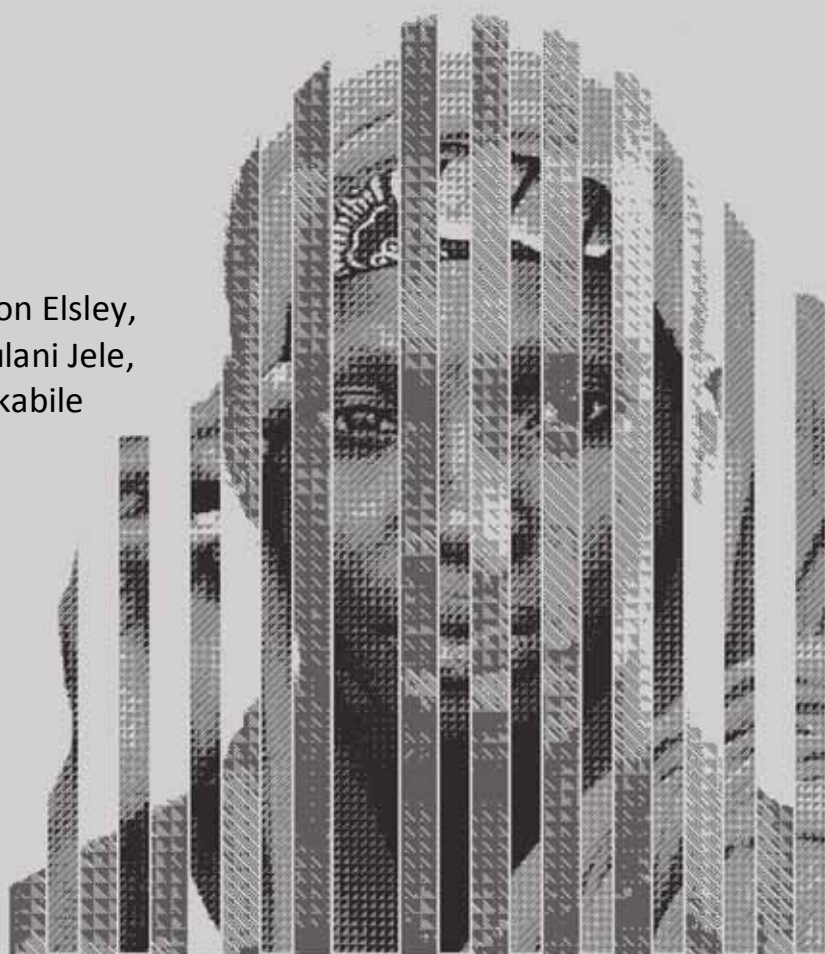


Towards a Decent Life for All

Decent Standard of Living Index Final Report

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DECENT
STANDARD
OF LIVING

DSL18

Ubomi obungahlelelekanga

#decentstandardofliving





CONTENTS

Acronyms	4
Executive Summary	5
1 Context	5
2 Quantifying a Decent Standard of Living in Rand amounts	6
Background	6
Defining a decent standard of living.....	6
Identifying the incomes associated with a decent standard of living.....	8
3 Creating a Decent Standard of Living Index with which to update the Decent Standard of Living amount	9
4 Implications for policy	10
Earnings.....	10
Poverty lines	11
Comparing the Decent Standard of Living thresholds with other benchmarks of income and earnings for South Africa	12
1 Introduction	14
2 Literature Review Part 1	15
2.1 Defining and measuring a decent standard of living	15
2.1.1 What is meant by 'standard of living'?	15
2.1.2 Why use the adjective 'decent'?.....	16
2.1.3 Who determines what is 'decent'?	17
2.2 Constitutional and international commitments to a decent standard of living in South Africa	18
2.3 The role of the 'social wage' in a decent standard of living.....	19
2.3.1 How to identify and value elements of the social wage.....	23
2.4 Linkages to national minimum wage and living wage debates.....	24
3 Literature Review Part 2	28
3.1 Local studies that have helped inform our understanding of a decent standard of living in the South African context.....	28
3.1.1 Indicators of Poverty and Social Exclusion	28
3.1.2 Decent Living Level.....	31
3.1.3 Minimum Nutritional Food Basket	32
3.1.4 Absolute money-metric consumption-based poverty lines.....	34
3.2 International attempts to quantify a decent standard of living in monetary terms	36
3.2.1 Minimum Income Standard (MIS)	36



3.2.2	European Reference budgets - ImPRove	39
4	Data and Methodology	40
4.1	Data	40
4.2	Determining the indicators for a Decent Standard of Living.....	40
4.3	Summary of steps to calculate an income level associated with a Decent Standard of Living	42
4.4	Summary of steps to calculate a Decent Standard of Living Index with which to update the DSL	42
5	Results.....	44
5.1	How many people in South Africa currently have a decent standard of living, defined in this way?	45
5.2	What is the income level associated with a decent standard of living?.....	46
5.3	What is the income level associated with a decent standard of living in 2018 amounts?.....	48
6	Comparing the DSL to Other Benchmarks.....	49
6.1	Relationship between possession of socially perceived necessities and earned income.....	49
6.2	How does the DSL income level relate to and compare to the poverty lines in South Africa?	50
6.3	How does the DSL income level compare to other benchmarks of income and adequacy in South Africa?.....	51
7.	Social Dialogues.....	54
	National Planning Commission	54
	Statistics South Africa and Department of Social Development.....	54
	Annual DSLI Colloquia.....	54
8.	Policy Implications of the Findings: Some First Thoughts	55
9.	Recommended Next Steps for DSLI.....	58
Annex 1	Results from the 2006 Socially Perceived Necessities Module.....	60
Annex 2	Further Details on the Preparation of the Income Data in the LCS 2014/15 63	
Annex 3	Order of Acquisition of SPNs	64
Annex 4	Further Details on the Analysis of Expenditure Patterns	69
	Data preparation	69
	Determining expenditure patterns.....	69
	Median expenditure approach.....	69



ACRONYMS

CPI	Consumer Price Index
DLL	Decent Living Level (the precursor to the DSL)
DSD	Department of Social Development
DSL	Decent Standard of Living
DSLI	Decent Standard of Living Index
ICESCR	International Covenant on Economic, Social and Cultural Rights
LCS	Living Conditions Survey
LRS	Labour Research Service
MIS	Minimum Income Standard
PACSA	Pietermaritzburg Agency for Community Social Action
SASAS	South African Social Attitudes Survey
SASPRI	Southern African Social Policy Research Institute
SPII	Studies in Poverty and Inequality Institute
SPN	Socially perceived necessity
TIPS	Trade and Industrial Policy Strategies



‘Ubomi obungahlelekanga’ - ‘a life without struggle’

This report presents the findings of a ground-breaking study which has developed a socially-derived definition of a Decent Standard of Living (DSL) that is expressed in monetary terms, and a Decent Standard of Living Index (DSLII) with which to update the DSL, in South Africa.

The Decent Standard of Living amount is R7,043 per person per month, in April 2018.

EXECUTIVE SUMMARY

1 Context

There is a crucial link that exists between the right to a decent standard of life and the right to dignity. The right to dignity is an inalienable right guaranteed in **Section 10 of the South African Constitution**. Dignity is associated with the well-being of an individual and the common good of society. The relational link between the distribution of ‘public benefits’, well-being and the common good was well articulated in the Constitutional Court case of *Khosa* by Justice Yvonne Mokgoro:

‘Sharing responsibility for the problem and consequence of poverty equally as a community represents the extent to which wealthier members of the community view the minimal well-being of the poor as connected with their personal well-being and the well-being of the community as a whole. In other words, decisions about the allocation of public benefits represents the extent to which poor people are treated as equal members of society’ (SAFLII, 2004).

In September 1994, South Africa signed the **UN International Covenant on Economic, Social and Cultural Rights (ICESCR)** (UNHCR, 1966) in New York. This was eventually ratified by the South African state on 12 January 2015.

Article 11(1) of the ICESCR states;

‘The States parties to the present Covenant recognise the right of everyone to an adequate standard of living for himself and his family, including adequate food, clothing and housing, and to the continuous improvement of living conditions’ (UNHCR, 1966).

There are still no empirically grounded measures of a decent living level in South Africa. This is a glaring omission in our national analysis and thinking on issues of incomes and livelihoods. We know about wealth and we know about poverty. What we know precious little about is what constitutes a decent standard of living. We do not have a robust measure of what it is to live, not merely to survive, but to live decently. It follows that efforts to move households from poverty towards decency are difficult to conceptualise and to measure.

This report presents a **Decent Standard of Living (DSL)** and a **DSL Index (DSLII)** for South Africa. The approach is based on a concept of relative poverty that focuses on **the ability of people to achieve a socially determined acceptable standard of living to enable them to participate fully in society.**



2 Quantifying a Decent Standard of Living in Rand amounts

Background

This project is informed by and advances the 'socially perceived necessities' approach which originated in Britain but has since been applied in many other countries including Bangladesh, Ireland, Japan, Uganda, Mali, Vietnam, Zimbabwe, and a Europe-wide study.

The starting point for this study was a set of indicators of a decent standard of living that had been obtained as part of an earlier study for the Department of Social Development. These were obtained through qualitative and quantitative enquiry: 48 focus groups were undertaken with people across South Africa, to explore which items, activities and services they regarded as essential that all people should have or have access to, in order to enjoy an acceptable standard of living. The material from these groups informed the design of a pilot module in the South African Social Attitudes Survey (SASAS) 2006, and a full module in SASAS 2007 which is nationally representative. Of the 50 items that were asked about in SASAS 2007, **36 were defined as essential** by a **majority** of respondents – these are referred to as '**necessities for an acceptable standard of living**' or '**socially perceived necessities**' (SPNs).

There was a high level of agreement around a set of indicators (SPNs), across different sections of society including population group, gender, area type and income status. The SPNs have continued to be used as a socially-derived set of indicators of an acceptable standard of living, and Statistics South Africa has included questions in the Living Conditions Survey (LCS) 2008/09 and LCS 2014/15 to measure possession of the SPNs across South Africa.

The list is a set of *indicators*, rather than an exhaustive list of necessities. This approach provides an elegant escape from the difficulty of determining the quality and quantity of a finite basket of goods. This list of indicators is also statistically robust. We know from international analysis and from statistical tests that the indicator approach is an equally legitimate approach to that which entails the collation of an exhaustive list. As set out below, the indicators are used to identify the median income of people who have all of the SPNs, and the goods and services procured by people in this income range are also taken into account in the construction of the DSLI.

In summary, the earlier focus group and survey analysis were revisited to explore the **monetisation of thresholds** of adequacy using the SPN approach. Numerous international studies have attempted to quantify a decent standard of living in monetary terms using a **reference budget standard**. We distinguish between three different reference budget operational methodologies, categorised as the normative approach (starting with expert knowledge), the social survey approach (starting with survey data) and the focused group interview approach (starting with focus groups) (Deeming, 2017). Each approach has its different strengths and weaknesses. The approach for the DSLI is informed by **all three** methodological approaches.

Defining a decent standard of living

For the purposes of this study, a **DSL** was **defined as living in a South African household with 21 SPNs**. These 21 SPNs had been defined as essential for everyone in South Africa to have or have access to for an acceptable standard of living, by **two-thirds or more of respondents in a nationally representative social attitudes survey**.

Possession of these SPNs has been measured by Statistics South Africa in the nationally representative LCS 2008/09 and most recently in the LCS 2014/15, and are listed in Table E1. The number of SPNs was dropped from 36 SPNs (the number of SPNs in the previous study) to 21 SPNs (those shown in the table below) for the following reasons:

- (i) only items defined as essential by two-thirds or more of respondents were included in order to apply a more stringent threshold of adequacy;
- (ii) child-related items were dropped as not all households have children and so for population-wide analysis it was not appropriate to measure possession of child-specific items, and instead sub-group analysis was undertaken by presence or absence of child in household;
- (iii) the SPN relating to 'paid work' was dropped as this would only apply to households containing people of working age, and instead sub-group analysis was undertaken for households by employment status; and
- (iv) the SPN relating to affordability of medicines had to be dropped as its wording had been changed in the LCS 2014/15 and the variable could not be used.

Table E1: Percentage of people defining an item as 'essential' for the 21 SPNs

Item	% Defining essential
Mains electricity in the house	92
Someone to look after you if you are very ill	91
A house that is strong enough to stand up to the weather e.g. rain, winds etc.	90
Clothing sufficient to keep you warm and dry	89
A place of worship (church/mosque/synagogue) in the local area	87
A fridge	86
Street lighting	85
Ability to pay or contribute to funerals/funeral insurance/burial society	82
Having police on the streets in the local area	80
Tarred roads close to the house	80
A flush toilet in the house	78
Someone to talk to if you are feeling upset or depressed	76
A neighbourhood without rubbish/refuse/garbage in the streets	75
A large supermarket in the local area	75
A radio	74
Someone to transport you in a vehicle if you need to travel in an emergency	74
A fence or wall around the property	74
Being able to visit friends and family in hospital or other institutions	73
Regular savings for emergencies	71
Television/TV	69
A neighbourhood without smoke or smog in the air	69

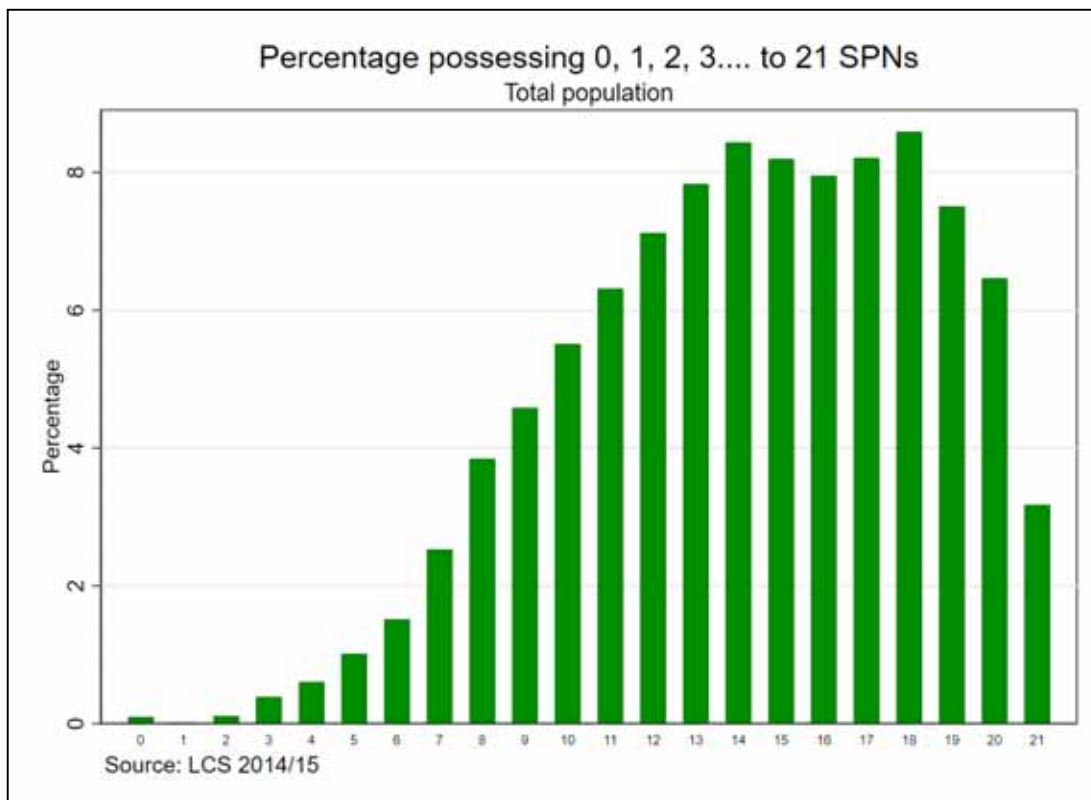
Source: South African Social Attitudes Survey 2006.

The SPNs comprise a set of *indicators* of a DSL. They are not, and are not intended to be, a comprehensive basket of goods that are required for a decent standard of living. Although the SPNs are indicators, these can be used to identify a **threshold of adequacy**. Although the sequencing of possession of these items varies by household, it is possible to explore the general trends. For example, funeral insurance tends to be acquired before living in a neighbourhood with street lighting and visible policing.

Using the LCS 2014/15 it was possible to measure the proportion of the population that possessed all 21 SPNs at the time of the survey. Figure E1 shows the percentage of people with 0, 1, 2, 3 through to all 21 SPNs. As can be seen, the proportion of the population with all 21 SPNs is very small, at around 3% (approximately 1.7 million people). Just over a quarter (26%) of the population have 18 or more

SPNs (approximately 14 million people). A much larger 42% of the population have 16 or more SPNs (approximately 23 million people).

Figure E1: Percentage of people with 0 through to 21 socially perceived necessities in 2014/15

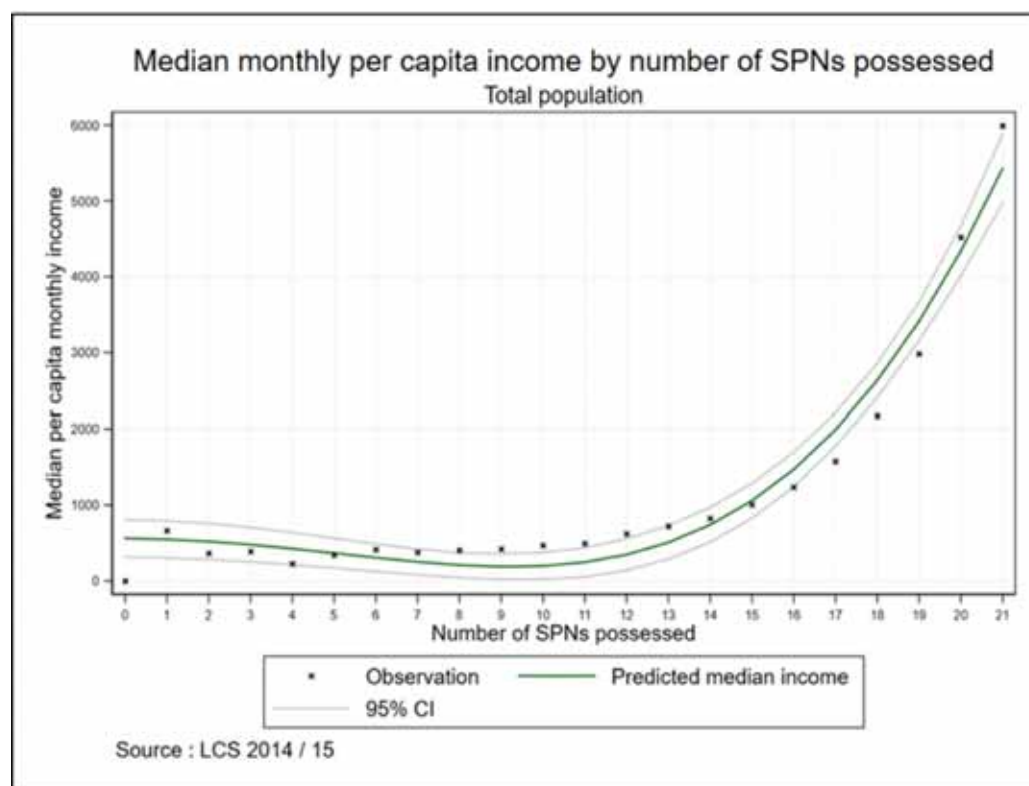


Progressive realisation of a DSL: In addition to focusing on people with all 21 SPNs, the analysis is also undertaken for those with 16 and 18 SPNs in order to explore the conditions of those who are close to but not in full possession of a DSL, defined in this way.

Identifying the incomes associated with a decent standard of living

In the LCS it is possible to examine the relationship between possession of the SPNs and income. **The analysis using the 2014/15 LCS reveals a clear relationship between per capita median income and number of SPNs possessed**, although this is not a linear relationship. The number of SPNs that are possessed by households increases as median per capita income increases, rather unsurprisingly, although the mix of SPNs at each level might differ (Figure E2).

Figure E2: Median monthly per capita income by number of socially perceived necessities possessed in 2014/15



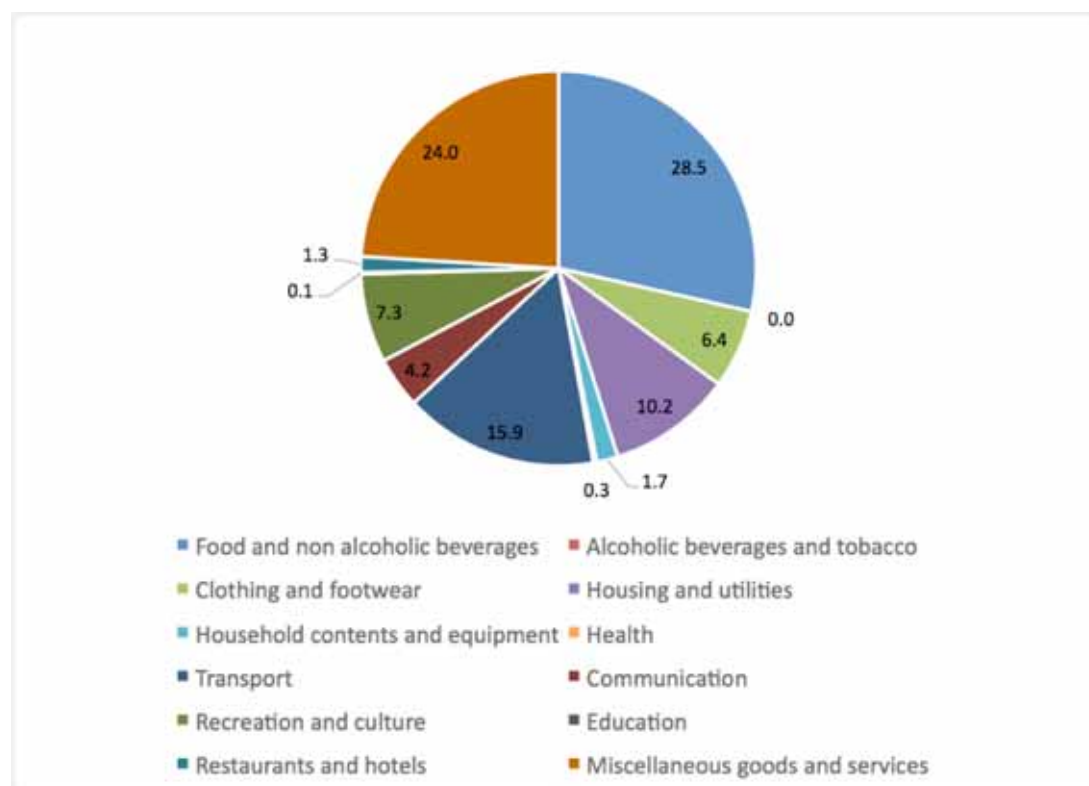
The per capita monthly median incomes for those with 16 and 18 and 21 SPNs are R1,238 and R2,172 and R5,993 respectively in April 2015 prices. These figures were then updated using the DSLI.

3 Creating a Decent Standard of Living Index with which to update the Decent Standard of Living amount

As the analysis was undertaken using the LCS 2014/15 it was necessary to develop a method to update this amount year on year. Although the Consumer Price Index could have been used, a tailor-made approach was developed which takes into account the expenditure patterns of people at different thresholds of adequacy. A DSLI was constructed, so that the income level associated with a DSL could be updated to an April 2018 time-point.

The DSLI uses the various expenditure categories of people within the income range of possession of a DSL - Figure E3 shows these for 2018. This methodology is explained at length in the body of the full report. Thus, **the full basket of people's expenditure patterns** at that threshold of adequacy is taken into account. For example, expenditure on food is taken into account for those at the threshold of adequacy (derived using the SPNs), even though there is no specific SPN for food itself.

Figure E3: Contribution of different expenditure types to the DSLI, for those in households with 21 SPNs



Source: LCS 2014/15

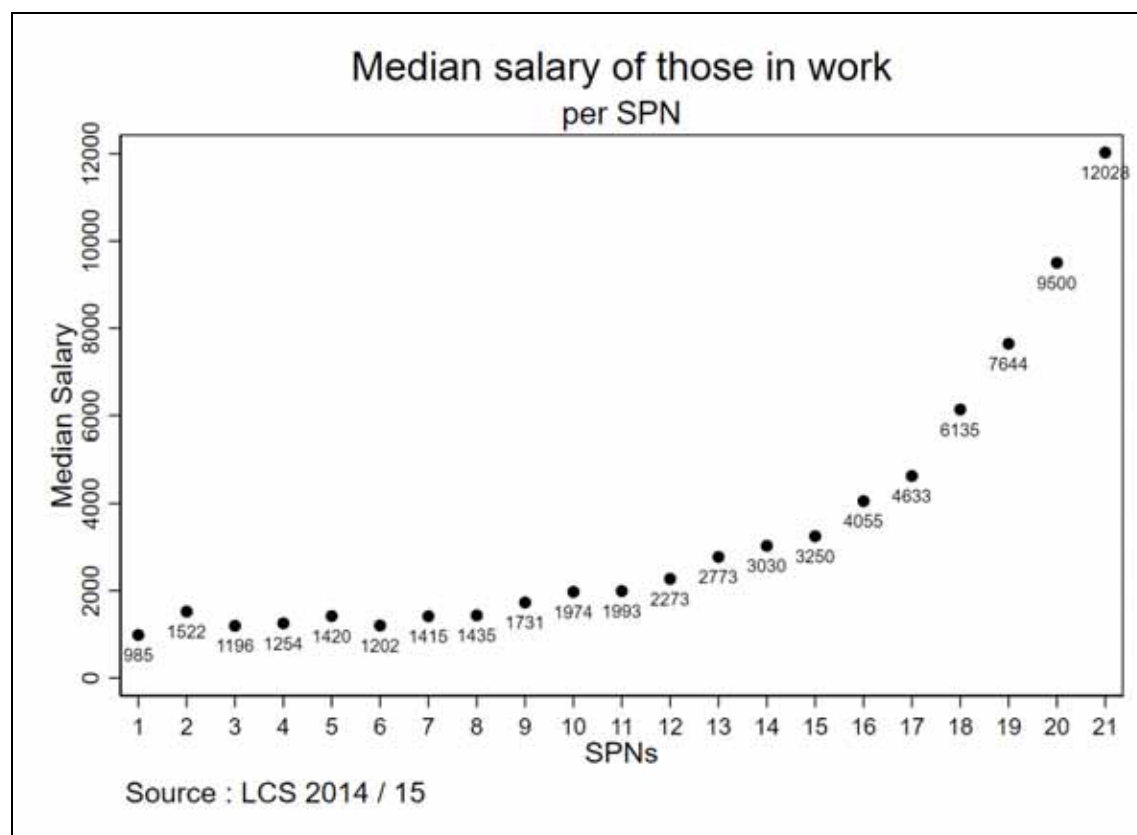
The median per capita incomes associated with a decent standard of living in April 2018 are as follows: R1,466 (16 SPNs); R2,555 (18 SPNs); and R7,043 (21 SPNs).

4 Implications for policy

Earnings

The relationship between possession of SPNs and earned income was explored by computing, for each number of SPNs possessed, the median monthly salary per adult earner within each household containing an adult earner. The chart below shows that **for those with 16 SPNs the associated median monthly salary was R4,055; for those with 18 SPNs it was R6,135; and for those with 21 SPNs it was R12,028**. These figures are all at April 2015 prices.

Figure E4: Median salary of those in work by number of socially perceived necessities possessed, April 2015 prices



The national minimum wage has been set at R3,500 per month. We can infer that this wage is associated with possession of around 15 SPNs.

Poverty lines

It will come as no surprise that the income level associated with a DSL is higher than the poverty lines that are in use in South Africa. The income level associated with a DSL should be regarded as complementary (rather than in opposition) to the poverty lines. A key distinction that can be drawn between the DSL and the poverty lines lies in the conceptualisation. The monetary values of South Africa's poverty lines measure at their heart a survivalist standard of living. The most minimal nutritional intake required by someone in order to survive informs the cornerstone measure, the food poverty line. The additional two lines are constructed using this cornerstone. The DSL on the other hand is founded on a concept of a decent life. As set out above, this is not a life of luxury but neither is it a basic, minimalist standard of living.

This DSL, unlike poverty measures, enables us to know how many people are able to meet this level, while providing an aspirational level that the state can commit itself to attain progressively, using its maximum available resources as determined by the UN Committee on Economic, Social and Cultural Rights. The DSL and the poverty lines have equally critical, although distinct, aims and objectives, as too do measures such as the poverty gap that derive from the poverty lines, and measures of inequality in South Africa.

The DSL offers more than a series of thresholds around which we can measure how many are below and how many are above. The DSL offers us ideas about how to move households towards a socially-derived vision of a decent standard of living.

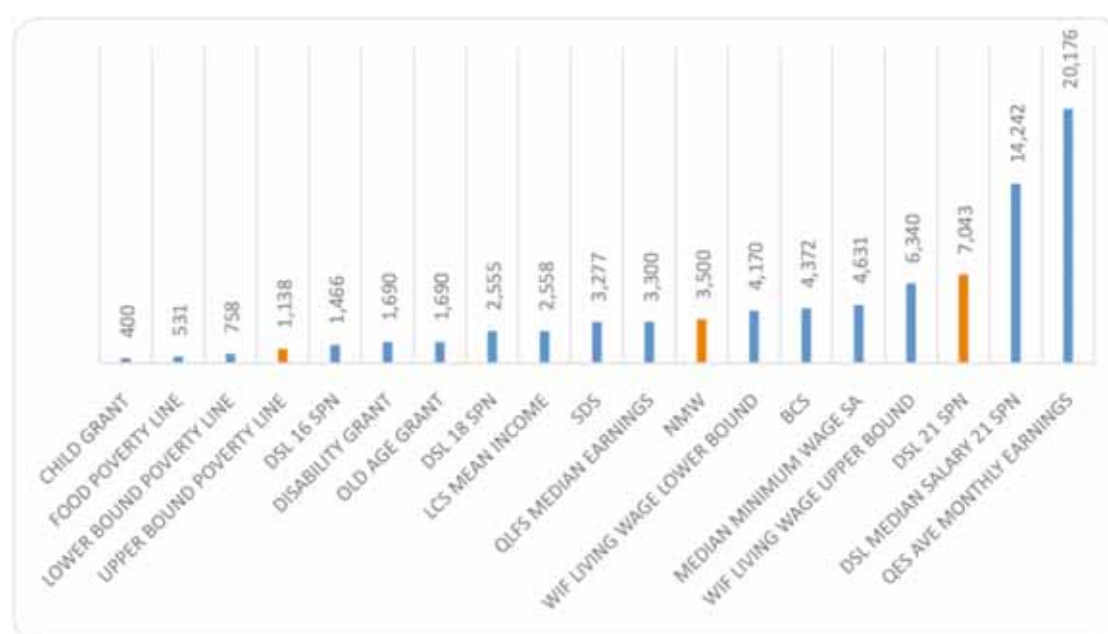
Comparing the Decent Standard of Living thresholds with other benchmarks of income and earnings for South Africa

Most of the benchmarks we review fall below the median per capita income associated with a DSL. The exceptions are the median salary associated with households that possess all 21 SPNs and average monthly earnings reported in the quarterly employment statistics by Statistics South Africa.

The national minimum wage sits at about 50% of the per capita income associated with a DSL – a life without struggle. The mean national income reported in the LCS is very close to the DSL threshold of 18 SPNs.

There is a vast distance between social grants and the median per capita income associated with a DSL. The Child Support Grant is 6% of the DSL amount, while the Old Age Grant is about a quarter (24%) of the DSL.

Figure E5: Selected benchmarks of median per capita income or earnings in South Africa, 2018



The highly unequal distribution of wealth in South Africa is likely to shape the incomes associated with the possession of SPNs. Put another way, it is perhaps likely that South African households that possess all the SPNs have higher per capita income than is required to possess all of those necessities. Conversely, **household per capita income associated with households possessing relatively few SPNs might not reflect the strain of acquiring those necessities or the ingenuity and social networking strategies deployed to acquire those necessities.**

It is possible to consider how households can acquire each of the SPNs. We identify three broad categories or modalities of acquisition. The first category is that of *social networks*. As an example, SPNs such as ‘someone to talk to when you are upset’ can be acquired through the household’s own social networks rather than bought. A second category is that of the *social wage*, understood here as goods and services that are best provisioned by the state. SPNs that could be considered as part of a social wage include ‘tarred roads close to the house’ and ‘street lighting’. A third category is that of *commodity*, simply put - goods or services that can be bought with money. Examples of SPNs likely to be acquired in this way include a refrigerator and funeral insurance.

These broad categories of acquisition are not mutually exclusive. For example, a household may commodify the acquisition of tarred roads close to the home and street lighting by moving to an area



where this infrastructure is better developed. This is a relatively expensive mode of acquiring a necessity and there will be significant barriers to entry for many households.

It is no coincidence that SPNs that can be acquired through social networks are likely to be possessed earlier rather than later. If we consider the SPNs from the point where the curve of associated incomes becomes steeper (the 'late jumpers'), we find that a number of them may be classified as elements of a social wage, including street lighting, police on the streets in the local area and a neighbourhood without rubbish/refuse/garbage in the streets. **The implication is that the development of quality, targeted community infrastructure is likely to assist households in acquiring many of the 'last mile' necessities.**

This data provides a rich source for future analysis and for informing policies regarding both public and private acquisitions in order to accelerate the realisation of a decent standard of living for all in South Africa.



1 Introduction

This report presents the findings of a ground-breaking study which has developed a definition of a decent standard of living (DSL) that can be expressed in monetary terms, and a Decent Standard of Living Index (DSLII) with which to uprate the DSL, in South Africa.

The report has six sections. Section 2 sets out the **process of defining and measuring a decent standard of living** in terms of the terminology used, the selection of a threshold of adequacy (and who determines that threshold), and methodological options for the measurement or quantification of that decent standard of living (Section 2.1). It also contains a review of constitutional and international commitments to a decent or adequate standard of living (Section 2.2), the literature on the social wage (Section 2.3) and linkages to debates around the national minimum wage and living wage (Section 2.4).

Section 3 summarises **local studies** that have been drawn upon to help inform the definition of a decent standard of living in the South African context, and presents examples of initiatives elsewhere in the world that have sought to concretise the details of a decent standard of living.

In Section 4 the **methodological approach** of this study is presented, including an account of how a DSL was quantified, the datasets used, and the process of developing the DSLII. The **results** are presented in Section 5. In Section 6 the **implications of the DSL and DSLII results** are considered, with particular reference to how they relate to poverty lines, benefit means-tests, and the national minimum wage. Finally, Section 7 sets out **recommendations** for ensuring that the DSL and DSLII are kept up-to-date and relevant to the realities of South Africa's fast-changing society.



2 Literature Review Part 1

2.1 Defining and measuring a decent standard of living

The process of defining and measuring a decent standard of living is neither a straightforward nor a technocratic task. In this section, several key issues for consideration are highlighted that should be addressed when attempting to define and measure a decent standard of living. Importantly, a ‘decent’ standard of living relates closely – as the antithesis – to an unacceptable or ‘indecent’ standard of living, which itself is often used to inform definitions of poverty and deprivation. Many who have used the expression ‘decent standard of living’ have done so in order to highlight the unacceptable conditions of those who lack a decent standard of living. It is therefore acknowledged upfront that – as with poverty – the process of defining and measuring a decent standard of living is not value-free, and nor could it ever be.

2.1.1 What is meant by ‘standard of living’?

While poverty is usually (though not always) defined with respect to access to resources (measured using income, expenditure, or consumption), a ‘standard of living’ usually encompasses both purchasable items (e.g. clothing and food) and less tangible qualities (e.g. air quality, and the ability to participate in social events). That is, a standard of living refers to more than just access to financial resources, although resources are usually needed in order to attain a certain standard of living. For example, when considering the question of living with a decent standard of air quality, with sufficient resources it would be possible to move to somewhere with better air quality even though clean air is itself not purchasable; or alternatively, again requiring resources but not for the household in question, a government may introduce clean air legislation that reduces the household’s need to move elsewhere.

When considering how to construct a DSLI that is linked to a monetary value, it is therefore important to seek an approach that can accommodate the fact that not all aspects of a decent standard of living may be directly purchasable, and also that certain aspects of a decent standard of living may be more akin to public goods than individual acquisitions. These issues are discussed further below (especially in Section 2.3 on the social wage), and in Section 4 where the methodological approach is set out in respect of how these issues are accommodated.



2.1.2 Why use the adjective ‘decent’?

In terms of the use of the adjective ‘decent’, there were several possible alternatives from which ‘decent’ was selected, including ‘minimum’, ‘minimum acceptable’, ‘acceptable’, ‘adequate’, ‘dignified’, and ‘good’.

In some contexts, ‘minimum’ or ‘minimum acceptable’ standard of living is used, in order to stress that the threshold of adequacy is not frivolously high. The Minimum Income Standards (MIS) programme of research in the UK is an example of this choice of turn of phrase (discussed in Section 3.2.1 below):

‘A minimum standard of living in the UK today includes, but is more than just, food, clothes and shelter. It is about having what you need in order to have the opportunities and choices necessary to participate in society.’ (Padley and Hirsch, 2017 p3)

However, in the South African context, ‘minimum’ has connotations of minimalism, survivalist calorie-linked poverty thresholds, and even racially differentiated thresholds, such as were constructed for the Minimum Living Level (MLL) by the Bureau of Market Research at the University of South Africa (Magasela, 2005).

A recent study in Mexico piloted the MIS methodology and selected ‘dignified’ as the adjective of preference, in order to emphasise the link to dignity:

‘A dignified life in Mexico today is about meeting basic needs, such as food, housing and clothing, as well as having the opportunity to work, access to healthcare, education and free time. It is also about living in a stable and secure environment that allows people to be connected and be part of society.’ (Valadez-Martinez et al., 2017 n.p.)

In the South African context, although dignity is a foundational principle in the Constitution, the adjective ‘dignified’ (rather than the noun ‘dignity’) can in some contexts convey a judgmental attitude towards (especially) women’s behaviour and what comprises impropriety, serving to reinforce sexist and patriarchal mores (Wright et al., 2014). ‘Dignity’ further can be invoked to suggest that people should just accept their lot of living in poverty, without protest.

For these reasons, ‘minimum’ and ‘dignified’ are not pursued. The adjective ‘acceptable’ had been used in an earlier study in South Africa (described in Section 3.1.1 below) and more recently the Decent Living Level (DLL) study, (described in Section 3.1.2 below) defined a *decent living level* (which can be equated with a decent standard of living) as follows:

‘People who have a decent living level are able to participate fully in society, however they choose to do so. A decent living level includes personal possessions, social networks, housing, services provided to the house and in the local area, and the ability to take part in social activities. A decent living level is not a luxury living level, but rather the level at which we think all people should be able to live in South Africa.’ (Byaruhanga et al., 2017 pp.8-9)

In the case of this DSL study, the decision was made to use the adjective ‘decent’ as it is more actively positive about the threshold of adequacy, whilst still implying that the level is socially derived as decency is inherently relational.

The intention behind the ongoing use of the adjective ‘decent’ for the DSLI project is therefore that it conveys that the standard of living in question is a threshold that society at large regards as not only adequate but also acceptable and desirable, and is therefore a benchmark against which social conditions and social provisioning can be measured.

Lastly, it is very important that any terminology about a decent standard of living is transferable across all of South Africa’s eleven official languages and retains the intended meaning. Matters of



translation are often underexplored and yet are vitally important if the DSLI is to be both socially derived and accepted. The earlier DLL study only took place in two languages, English and isiXhosa, and after extensive debate the expression '*Ubomi obungahlelekanga*' was selected in isiXhosa which literally translated means 'a life without struggle' (Byaruhanga et al., 2017 p9).

2.1.3 Who determines what is 'decent'?

Everyone has a certain actual and aspirational standard of living, but these standards generally vary across income distributions, societies, cultures, climates, and time (both across an individual's life-course, and across different time points in history). Questions we are confronted with in this study therefore include: what might a decent standard of living comprise in contemporary South Africa? And who determines what is decent?

A key distinction can be made between **expert-derived** and **socially-derived** definitions of a decent standard of living. At the two extremes there are, on the one hand, technical experts who tend to be people who may have no direct experience of anything other than a decent standard of living (although they may well have seen it being lacked by others), and on the other hand there are people who are so deprived that they may never have directly experienced a decent standard of living themselves (although again they may well have seen it being enjoyed by others).

Thresholds of adequacy were initially usually determined by social scientists (often falling into the former category of people who would not have had a direct experience of deprivation), such as the Poverty Datum Line of Edward Batson in the 1940s. However, both in South Africa and internationally, it is increasingly recognised that a 'democratic' or socially-derived definition of a decent standard of living brings with it much more authenticity, legitimacy and cachet (Deeming, 2017, Noble et al., 2007, Viet-Wilson, 1987).

In August 2012, 47 people died in South Africa, in what has justifiably become known as the 'Marikana Massacre'. One of the drivers of the underlying labour dispute between mine workers and Lonmin, the mining employer, lay in wage demands. Rock drillers were then receiving R4,000 per month. Under the banner of one trade union, AMCU, workers were demanding R12,500 per month. This amount is not the outcome of a scientific enquiry, but it is an example of a socially-derived decent living level articulated in an industrial relations setting by people who understood what it would mean for them and their households to live a decent life and to meet their basic needs.

The Marikana massacre prompted the authoring institutional partners to host a social dialogue to drive a better understanding of what does comprise a decent standard of living in South Africa, driven by an appreciation that people had sacrificed their lives in the Marikana massacre on a wage demand for R12,500 per month in 2012. The gap between what workers were earning and what workers demanded was about 300% and the distance from official poverty lines was far greater. The official poverty lines at the time were R366 per person per month for the food poverty line, R541 per person per month for the lower bound poverty line and R834 per person per month for the upper bound poverty line as set by Statistics South Africa. What we wished to explore was whether, given these vast income differentials in a country with very high income inequality, it was possible to speak of a commonly held idea of a 'decent standard of living'. The first public seminar to explore this question was held under the auspices of NEDLAC, the statutory South African social dialogue institute, in November 2013.

The outcomes from this dialogue confirmed the understanding that it was both possible and desirable to move away from a survivalist measure of human existence to a standard that would guarantee a decent standard of living, even if this could only be realised progressively. Two subsequent social dialogues were hosted by the institutions and the outcomes of these deliberations and related pieces of work were presented to the National Planning Commission in 2014.



In November 2016, SPII hosted the first of what has become an **Annual Dialogue/ Colloquium on a Decent Standard of Living**. This event was attended by a variety of stakeholders including high-level policy makers, which confirmed the level of interest that the topic had raised by then. The topic also resonated with the national negotiations that were taking place on the setting of a **national minimum wage** at NEDLAC. At the 2016 Annual Colloquium, the need to develop a definition of a decent standard of living that can be expressed in monetary terms was agreed on. The Second Annual Colloquium on A Decent Standard of Living took place in September 2017. This too enjoyed support from many civil society structures and high-level decision makers, including the (former) Deputy President Cyril Ramaphosa and the National Planning Commission.

2.2 Constitutional and international commitments to a decent standard of living in South Africa

From a jurisprudential perspective, most of the legal cases that have been decided on before the courts in South Africa regarding a 'decent standard of living' have involved **delictual** (monetary 'damages') claims relating to wrongful life and wrongful death. Although these do investigate the necessary quantification of the deficits of dimensions of a decent standard of living ('costs of a decent standard of life'), they are shaped strictly by developed delictual rules and jurisprudence.

There is, however, a crucial link that exists between the right to a decent standard of life and the right to dignity, as was introduced earlier. The right to dignity is an inalienable right guaranteed in **Section 10 of the South African Constitution**. Dignity is associated with the well-being of an individual and the common good of society. The relational link between the distribution of 'public benefits', well-being and the common good was well articulated in the Constitutional Court case of *Khosa* by Justice Yvonne Mokgoro:

'Sharing responsibility for the problem and consequence of poverty equally as a community represents the extent to which wealthier members of the community view the minimal well-being of the poor as connected with their personal well-being and the well-being of the community as a whole. In other words, decisions about the allocation of public benefits represents the extent to which poor people are treated as equal members of society.' (SAFLII, 2004)

In September 1994, on the crest of the wave of the celebration of the victory of human rights over Apartheid and colonialism, President Mandela signed the **UN International Covenant on Economic, Social and Cultural Rights (ICESCR)** (UNHCR, 1966) in New York. This was eventually ratified by the South African state on 12 January 2015.

Article 11(1) of the ICESCR states (in historic gendered terms):

'The States Parties to the present Covenant recognise the right of everyone to an adequate standard of living for himself and his family, including adequate food, clothing and housing, and to the continuous improvement of living conditions.' (UNHCR, 1966)

The Committee on the International Covenant (the CESCR) has elaborated on aspects of these specific elements identified as being part of an adequate standard of life, specifically the right to adequate food (General Comment 12), the right to adequate housing (General Comments 4 and 7) and the right to adequate water (General Comment 15). The rights to adequate health, education, work and just and favourable conditions of work have also been affirmed by the Committee as being integral aspects of a decent standard of living (Frye, 2017).

The following extract from the closing speech of the Director-General of Justice, Mr Vusi Madonsela, at SPII's **2016 Annual Colloquium on a Decent Standard of Living** codifies well acclaim for the progressive transformative potential of a DSLI and its applications in policy formation and evaluation:



'As advanced by a home grown legal and human rights expert in the field of socio-economic rights, Prof Sandy Liebenberg, who is currently a serving member of the UN Committee on the ICESCR, 'the right to an adequate standard of living protected in article 11 of the International Covenant can help ensure that efforts to realise socio-economic rights in South Africa cumulatively guarantee an adequate standard of living to all'. As it were, Prof Liebenberg challenges us to think outside the box by proposing that 'South Africa will have to undertake a national process of dialogue and policy formulation to ensure the realisation of this significant Covenant right.' (Madonsela, 2016)

2.3 The role of the 'social wage' in a decent standard of living

It is generally accepted that the *social wage* comprises goods and services that are provided to the population by the state funded from tax funded revenues, and yet its nature and definition has been and continues to be highly contested (Meth, 2008, SPII, 2006). In the literature review below we traverse some matured disagreements about the definition and measure of the social wage. We then follow some of the developments in thinking about how elements of the social wage could be measured, and we conclude with some thoughts on the possible relationship between these and the DSLI.

According to Demery, a social wage has both an 'efficiency' and an 'equity' component. Its main aim however is to compensate for **market failure** either in providing access to the good or benefit in question or in providing access to enough of the good or benefit for an adequate standard of living (Demery, 2000).

In its 2004 paper, the Human Sciences Research Council (HSRC) links the concept of a social wage back to post World War II European reconstruction (Aliber and O'Donovan, 2003 p2). According to their analysis, the social wage emerged out of the need to reduce income inequalities through taxation, which enabled the delivery of state benefits to encourage aggregate demand. The acceptance of the state's legitimate and necessary interest in societal well-being however began to wane in the late 1970s. The term 'social wage' began to be associated with measurements of poverty levels as a means to measure the impact of state intervention or the 'value of state spend'. Around the same time, the use of the term 'social wage' began to be replaced by the term 'state spending' (Aliber and O'Donovan, 2003).

According to a recent paper by the Trade and Industry Policy Strategies (TIPS) research organisation, state spending is important in creating a socially coherent society that can engage 'more productively with the economy' (TIPS, 2017 p1). As stated in the South African National Development Plan, 'a commitment to a minimum living standard will ensure that all households can meaningfully participate in the economy. The costs of food, commuter transport and housing must be reduced, while raising the quality of free or low-cost education and health care' (The Presidency, 2011 p40).

One could argue that the social wage is necessary to compensate for market failure to provide sufficient full and decent work to enable people to procure the components of an adequate standard of living themselves from their own earned income. The effect of a social wage has been criticised from a class perspective as dampening radical resistance to a failing prevailing economic theory that corrects its distributional failings through state provision of basic needs and services (Aliber and O'Donovan, 2003). A link with monetary distribution can be identified in the intention contained in the NDP to optimise state spending to lower the cost of living to 'facilitate the call for wage moderation at both the middle and the top end of the income spectrum' (The Presidency, 2011 p39). Quality and appropriate state spending is seen as constituting a way of increasing the standard of living for workers 'without increasing costs for employers' (TIPS, 2017 p4).

In a fairly recent riposte to a 2015 report by the World Bank (Inchauste et al., 2015) praising the redistributive effects of state tax and spend in South Africa, Patrick Bond criticises the impact of both the taxation policies as well as state spending on reducing inequalities in the country (Bond, 2016). Bond concedes that his work is still in its infancy and calls for further evaluations to be done. One concern Bond raises is that the Bank focuses on personal income tax primarily, and does not venture far enough into the question of the relatively untaxed accumulated wealth in the country, much of which was accumulated under Apartheid (Bond, 2016).

While the ICESCR and the Constitution jointly enjoin the state to utilise 'maximum available resources' to progressively realise the rights of access to the constitutionally guaranteed socio-economic rights, the 'considerable resources' raised by the South African state and praised by the World Bank authors (Inchauste et al., 2015 p2) are not yet delivering the level and quality of state services that would meet the original aims of the social wage.

As indicated at the start of this section, both the concept and definition of a social wage are contested (May, 2004, Meth, 2008). While on the one hand, the authors of an HSRC paper claim that the 'meaning of the social wage is unambiguous: it is the total value of in-kind benefits received by a person or household from government, to that person or household', at the same time the same authors concede that 'the means of calculating that total value is not straightforward' (Aliber and O'Donovan, 2003 p4)

May writes that a social wage constitutes the value of social spending that is received by the poor (May, 2004). He cites Harding and Sefton in their 1982 and 2002 works respectively as narrowing the definition of a social wage to public social spend on healthcare, education and housing and 'personal social services'. One of Bond's concerns about the World Bank report is the obfuscation of the values and destinations of the remaining government spend, including debt servicing and capital inputs, given that the World Bank report focuses on 'social spend' entirely (Bond, 2016).

Meth draws attention to the fact that not all writers include the value of direct cash benefits or 'social transfers' in the definition of a social wage. According to Meth, the Australian use of the social wage excludes social transfers, as do some British writers. Meth's own work included both cash and in-kind benefits. He included as in-kind aspects of housing, electricity, water, sanitation, health care, education, school feeding and transport (Meth, 2008).

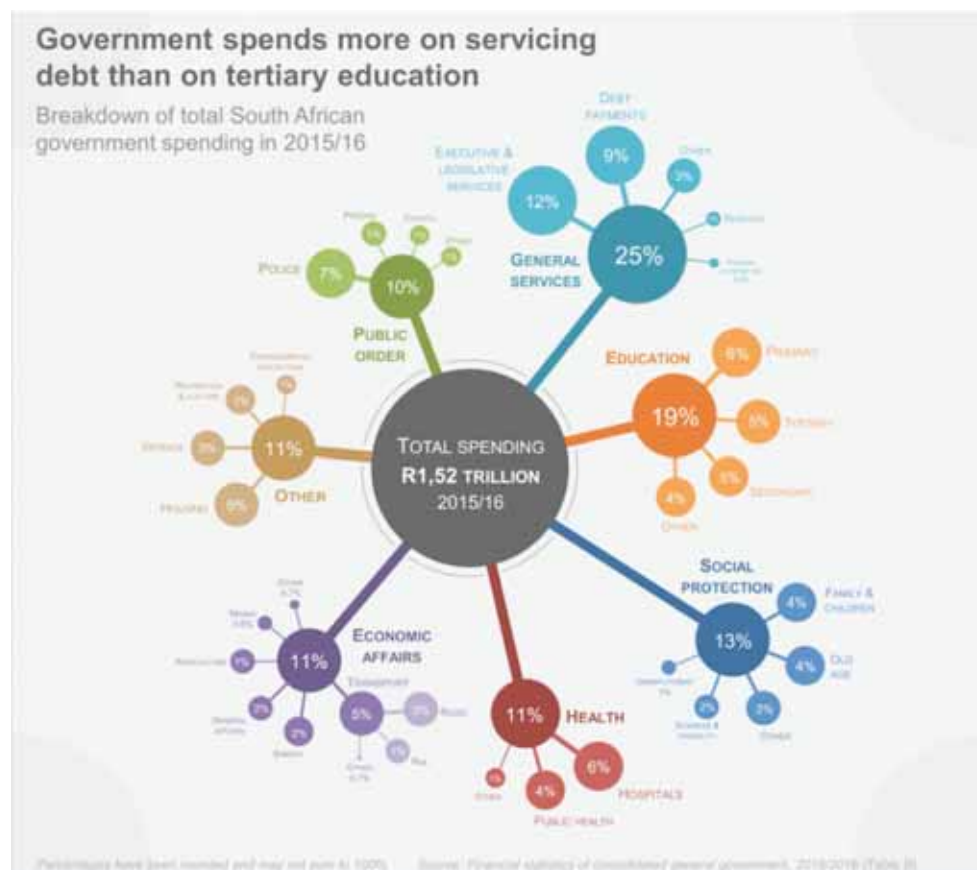
May categorises the social wage as constituting part of social protection, but from this he clearly distinguishes social security cash benefits, which he categorises as being social promotion, which suggests that cash transfers might have a greater transformative potential than the in-kind social benefit (May, 2004).

In its 2013 *Budget Review*, National Treasury clearly distinguished between the social wage and social security (social assistance and social insurance) in its dealing with 'state spending'. To attribute benefit per capita of social cash transfers would however be a travesty, given the ineligibility (some, would argue, unconstitutional in the absence of a remedial plan) of poor, able bodied people between the ages of 18 and 59, and also looking at the large value differential of grant values and between the value of social grants and the value of a social wage. The World Bank paper (Inchauste et al., 2015) includes the state spend on social grants in its calculation of the progressive pro-poor nature of state spend. The paper does refer to 'data limitations' (page 7) in terms of benefit allocation. They distinguish between direct transfers (cash transfers and allocation of municipal transfers for free basic services) and in-kind transfers for education and health. In terms of the latter, the paper states that '(T)he analysis thus assumes that the actual benefit received by individuals is equal to the amount spent per capita' (Inchauste et al., 2015 p23). The authors concede that as a Decent Standard of Living Index | Final Report

result of the poor quality of the education provided, and the pervasive racial concentration of spend due to income-determined spatial inequalities, the impact on the poor and the black African majority of children is not as progressive as the concluding numbers might suggest.

Given the absence of health information in the Statistics South Africa Income and Expenditure Survey (IES), the World Bank authors advised that health figures were imputed to the IES from the nationally representative National Income Dynamic Survey. The absence of detailed housing value data according to the authors led to the exclusion of housing from the analysis model (Inchauste et al., 2015 p26).

Figure 1: Government spend by category 2015/2016



Source: (STATSSA, 2017c)

Keith Rankin argues that the selection of the components and values of a social wage is always the result of political decisions, or the 'politics of public values, not economics' (Rankin, 1996 p1). Rankin utilises the concept of a 'social wage fund' which he defines as being made up of the 'the sale of all goods and services' derived from domestic resources which produce, in other words, a social profit (Rankin, 1996). The distribution of this 'social profit' is what funds a social wage and thus goods or services so provided should not be seen as either *free* or *tax funded*, but rather funded through this social profit of any country. It is clear that the political choice about the components of socially funded goods and services would determine the social justice aspect informed by the ultimate selection between distribution or redistribution in support of a particular interest or class.

Meth (2008) appears to reject the possibility of arriving at a definitive position on the meaning of the social wage, and instead affirms the importance of calculating the actual impact of state spending on the disposable income of people and households (Meth, 2008). Meth also raises the prickly question



of whether the good or service should be provided in kind by the state, or whether the recipient should instead be provided with the income to procure for her- or him-self the good or service from the private sector (Meth, 2008).

A further question emerges as to whether the components of a social wage providing the desired components of a decent standard of living will be the same across age, class, culture and urban or rural settings in a country with many differences, such as South Africa.

The selection of what is included in the make-up of the social wage is inherently political and will be determined by the prevailing balance of forces (Rankin, 1996). Indeed, Meth argues that the South African government seized on the concept of a social wage as a defence against the statistical evidence of the increases in poverty and inequality amongst South Africans in the early noughties (Meth, 2008). This then also called for the need to adopt methodologies that could translate gross government 'social spending' into per capita benefit, and, specifically, *income* benefit, as evidence of the commitment of the democratic state to decrease poverty (Meth, 2008).

The possibility of deriving a money-based value for the social wage is a further minefield (Meth, 2008). Demery distinguishes between two main approaches: the *individual preference* approach pioneered by Aaron and McGuire, and the *benefit incidence approach* (Demery, 2000). Demery favours the latter over the former approach for pragmatic reasons due to the very high demand for data of the former approach, although at the same time recognising the appeal of the individual preference approach for its more inclusive and subjective outcome (Demery, 2000). The benefit incidence approach, simply put, calculates the per unit cost of the good to the state, and then uses survey-based reporting to calculate the use of the good. The value of the benefit of the good is imputed to be the cost of the state spend (Demery, 2000). May questions the rigour of the direct apportionment of the total cost to the state on social spending as a per capita benefit to poor people or the recipients (users) of the funded state services, and the line of reasoning that ascribes any value that might be received by users into additional cash income for a household (May, 2004). Bond (2016) takes great issue with the conclusions derived by the World Bank in their use of 'state-of-the-art fiscal incidence' (Inchauste et al., 2015 p2).

May problematises additional costs that state provided ('free') services – such as free school education – might raise for beneficiaries, such as the cost of school transport, uniforms etc. (May, 2004). Ancillary costs include the monetary and time costs attendant on the benefit of state services, such as transport requirements for people living in state provided housing settlements located far from productive centres. There is then the cost of benefitting from the benefit (TIPS, 2017). How to allocate, in this rather simplistic accounting, the question of user fees is a further challenge.

Calculating the value of benefits raises a plethora of problems, and these do not seem to have been adequately solved (Meth, 2008, TIPS, 2017). In addition to the issues of ancillary fees and user fees, is the value of benefits delivered by a poorly performing state machinery identified above (Bond, 2016). A further challenge for monetising value lies in the actual distribution by the state of in-kind inputs, such as for informal settlement upgrading, and the inclusion of capital expenditure as constituting value received (Aliber and O'Donovan, 2003, Meth, 2008, TIPS, 2017).

Is a social wage only something that has benefit for the poor, as some definitions suggest? Meth argues that the value of income tax credits, received in South Africa as rewards for private purchasers of medical aid and retirement schemes, is as much a part of the social wage as are state provided public goods (Meth, 2008). Bond further problematises the value of tax provisions offered as incentives to businesses for development, and questions the distributional effect of some of the



indirect benefit from large corporate users of the outputs of much of the heavily subsidised infrastructure developments (Bond, 2016).

2.3.1 How to identify and value elements of the social wage

This question is deeply pertinent to the DSLI project. We have outlined above the range of ideas that have developed about what can constitute a social wage. In developing its work around how to reduce the cost of living and yet attain an adequate standard of living for the poor, TIPS has identified the main expenditure items for South African consumers as health, education, transport, housing, municipal services, clothing, furnishings and food (TIPS, 2017). The main findings from the TIPS study are summarised here.

Food: the prices of food items in general tend to rise faster than other goods for a variety of reasons, including trade agreements, concentration in the food value chains and subsidies. The authors identify that food has been increasingly purchased rather than self-produced, which impacts on the ability of poor people to secure sufficient food to meet an adequate standard of living (TIPS, 2017).

Housing: access to housing in South Africa mirrors Apartheid laws and restrictions. The very poor pay proportionately little for their housing. In fact, according to the TIPS findings, in real terms there was no rise in the cost of housing between 2001 and 2016 (TIPS, 2017 p26). In terms of the standard or quality of housing however, housing of the poor was very cramped, and people increasingly moved into informal housing in urban areas to be close to economic opportunities, which they either built or rented from others. According to the TIPS report, the dominant role played by the state in providing access to formal housing for poor people unable to access private finance for housing meant that the state in effect set the standards for the quality, and the cost, of housing for the poor (TIPS, 2017).

Education: spending allocation on education in South Africa is hard to link to a particular standard or expenditure. For the poorest 60% of South Africans, three quarters did not pay fees for school due to the introduction of fee free education (TIPS, 2017). The median expenditure on school education for this income group was R300 a year in 2015. However, 90% of students at university paid some percentage of their costs. In 2015, over half of households with a university student paid at least R20 000 per annum for fees, while 'most' of the others paid 'well over R8 000' (TIPS, 2017 p54). These costs certainly present a barrier to tertiary education attendance, with the result that income inequality is perpetuated across generations. Quality of education at most of the schools attended by the poorest also acted as a barrier to eligibility for productive employment, and tertiary education, 'locking in' as Bond concludes, 'inequality with regard to life chances' (Bond, 2016 p3). Between 2008 and 2016, school fees increased by around 3.5% per annum on average and 3.3% per annum on average for university tuition.

Health care: according to TIPS, the bulk of expenditure for all income levels was spent on medical schemes. The paper states that South African expenditure on private health insurance out of total health expenditure ranks it as an outlier amongst peer countries. In South Africa, only 13% of expenditure on private health care was not covered by insurance, compared to 72% amongst peers. Amongst poorer households, much of the health care costs were subsidised by other family members. The cost of out-of-pocket medical expenses in general stabilised after 2008, while during this period the average contribution costs to medical schemes increased in excess of 20%, and between 1996 and 2014, the average contribution (in constant Rand) per member increased by 99%. High levels of expenditure also failed to translate into quality healthcare (TIPS, 2017 p67).

Energy: TIPS analysis found that spending on energy was highly regressive, with the poor spending proportionately far more for the various types of energy consumed, with the poorer households substituting for lack of access to electricity by use of other fuels where access to electricity is non-existent (for instance where people reside in rural areas) or where access to electricity has been cut



off due to inability of users to pay tariffs. Large private sector entities have, and continue to, benefit from highly beneficial terms to inputs such as state subsidised energy (Bond, 2016). For households that are able to access and afford electricity, recent price hikes have affected their expenditure and consumption (TIPS, 2017). While there is a limited indigent policy for free basic services administered at a municipal level, there is little consistency in terms of targeting or reliability of service.

Water and sanitation: according to TIPS, this is generally a less significant expense for poorer households. This was due largely to the lack of access to piped water by the poor, especially in rural areas. In addition, some poor households did not pay for water, either because they reported having a free source of water, or due to subsidised water (TIPS, 2017 p44).

Transport: there is a large cost differential in transport that is determined by use of, or access to, commuter transport or private vehicles. The main driver of costs was the cost of fuel. Public transport, which in its definition included trains, buses and minibus taxis, was used significantly more by the poorest 40 % (over half), while just one third of people in the next two income quintiles used public transport (TIPS, 2017 p45). Distance travelled and types of transport used radically alter time-cost for users.

Clothing and household durables: this is not an aspect of the social wage, but clearly is important for the enjoyment of an adequate or a decent standard of living. Expenditure on clothing and 'lumpy' household durables depended on disposable income. Clothing and furnishings also tended to be imported, and so the primary control the state would have over affordability would be through subsidies and tariffs, or indeed provision of adequate resources through social security.

Social grants: the total percentage of national budget spend on social grants increased from about 2% in 1994 to 4% in 2016 (TIPS, 2017). This followed the significant expansion of category eligibility rather than increases in the values of the grants. There is a very large variation in the value of the majority of grants received by children compared to those received by recipients of the Old Age Grant and the Disability Grant. In terms of adequacy, in 2015, the Child Support Grant provided for about half of the lowest poverty line, the food poverty line, while the Old Age and Disability Grants provided for 220% of the value of the food poverty line for the recipient (TIPS, 2017).

Meth distinguishes in his writing between the 'bankable' and 'non-bankable' aspects of a social wage. A state-provided good, quite simply, is bankable if the receipt of the good frees up private disposable income (Meth, 2008).

Meth also however includes those items that are identified as being necessary for a decent standard of living, even if the individual or household (the unit) did not consume the goods before, or consumed less than socially perceived as being necessary. In such cases, he shifts the level of the poverty line to accommodate the value for the good now consumed (Meth, 2008).

Based on the studies reviewed here, the state has a compelling interest in the well-being of society and a role to play in refereeing access by people to the elements that make up social well-being. This affirms the pivotal value of a DSLI in identifying the constituent elements that ordinary people have identified as being essential to the achievement of a decent life.

2.4 Linkages to national minimum wage and living wage debates

The mainstream debate around a national minimum wage for South Africa, and even the negotiation on the subject in NEDLAC, has been a relatively crude one dominated by concerns about the employment effect of wage levels, with a lesser regard for the lived experience of the majority of households in South Africa. This is not entirely the fault of the social partners. The fact is that there are no empirically grounded measures of a decent living level or a decent wage in South Africa.



There is a glaring omission in our national analysis and thinking on issues of incomes and livelihoods. We know a little about wealth, who has it, how much they have and how it is reproduced. We also know a great deal about poverty, the extent and the depth of poverty. What we know precious little about is what constitutes a decent standard of living. We do not have a robust measure of what it is to live, not merely to survive, but to live decently.

The debate and negotiation around the national minimum wage has had few if any reference points. The benchmarks that we do have are essentially subsistence benchmarks, which is to say that they are based on the income required to satisfy biological minimums. These instruments include the Statistics South Africa poverty lines, the Pietermaritzburg Agency for Community Social Action (PACSA) food basket (2015) and the 'working-poor line' developed by SALDRU, which is also benchmarked on poverty lines (Finn, 2015).

In South Africa, the terms 'minimum wage' and 'living wage' are used loosely and their meanings shift with the context in which they are used.

The ILO has defined the minimum wage as a wage that 'represents the lowest level of remuneration or the qualification of the worker; it is the wage which in each country has the force of law and which is enforceable under threat of penal or other appropriate sanctions' (Eyraud and Saget, 2005).

ILO Convention No.131 states that the primary purpose of a minimum wage is to protect the wage earners against 'unduly low wages' (ILO, 1970). The minimum wage can be set as a salary per hour, day, week or year. It could be set at any level and does not necessarily cover the costs for basic needs of a worker or his/her family.

'Minimum wage may be understood to mean the minimum sum payable to a worker for work performed or services rendered, within a given period, whether calculated on the basis of time or output, which may not be reduced either by individual or collective agreement, which is guaranteed by law and which may be fixed in such a way as to cover the minimum needs of the worker and his or her family, in the light of national economic and social conditions.' (ILO, 1992 p13)

Different countries use different terms to describe the minimum wage and variations on the same theme. These terms variously utilise words like 'minimum', 'basic', 'living' and 'social' in combination with 'minimum'.

"'minimum living wage' (Argentina), a 'basic minimum wage' (Botswana), a 'basic wage' (Gambia), a 'minimum regulatory remuneration' (Myanmar), or 'guaranteed personal income' (Yugoslavia). Other designations refer to the social aspect of the minimum wage; this is the case of the 'minimum income' (Chile), and the 'minimum social wage' (Luxembourg). Or the designation may even refer to the objective of extending participation in the benefits of economic growth, as in the 'minimum growth wage' (France).' (ILO, 1992 p11)

Simply put, a minimum wage is a legal instrument that is not generally concerned with meeting the needs of wage earners. So, what about the living wage? Similarly to the social wage explored above, 'There is neither a generally accepted definition of what a living wage is, nor is there a generally agreed methodology on how to measure it' (Anker, 2011 p.V).

In 1968, the International Labour Organisation (ILO) defined a living wage as the 'amount necessary to meet the reasonable needs (or basic needs) of an unskilled labourer with a family of average size' (Cottle, 2014). At the very least then, the living wage is different from the minimum wage in that it is concerned with meeting the basic needs of an individual *and* a household.

Although the living wage remains a relatively vague concept, it is fair to say that it is generally understood by trade unions as a wage that allows workers to live a decent life. The concept of a living wage shifts the focus from wages (what you earn) to consumption (what you consume or possess). The concept of a living wage is concerned with the ability of a worker to access the freedoms, necessities, goods and services which are required to live a decent life, not simply those required to survive. It is also not limited to what a low-income earner might consume under prevailing conditions as is the case in income and expenditure surveys. The latter measure actual expenditure by households, subject to the resources which they have.

‘While there is no universal definition of a living wage, the majority of social initiatives with living wage clauses converge around the concept that a living wage should provide for basic needs, usually conceived of as the ability to obtain adequate food, clean water, shelter, clothes, education, healthcare, transport and energy.’ (EPFL, 2009 p5)

The idea of a living wage is strongly associated with the trade union movement in South Africa. Even so, the organisational report to the 2012 COSATU National Congress confirms that the living wage campaign is limited to the sum of a few parts. The report lists 12 priority campaigns, the first of which is the living wage campaign. In the discussion that follows in that report there is no commentary on the living wage campaign itself, except for a finding in the 2012 Workers’ Survey that the living wage campaign is less well supported than the campaigns around corruption, electricity prices, labour brokers and toll roads.

The notion of a social wage is related to that of a living wage. The social wage is a complementary and overlapping idea to that of the living wage. There is no universal definition of the social wage and it is not common currency in party politics, nor in social policy spaces. What we do know is that a social wage is concerned with the basic incomes and needs of all citizens and not only wage earners.

The living wage campaign in South Africa contains demands about workers’ social needs, and appears to presume the existence of a social wage that complements the minimum wage. The majority of the definitions of the social wage refer to the supplementary benefits of the state, through the welfare system. It could be through tax relief, grants and government services. Similar to the living wage, the social wage is meant to close the gap between the earnings and the actual needs of citizens. In countries like Sweden and Britain the term ‘social wage’ is synonymous with a universal welfare system, which guarantees a minimum adequate income to all citizens. It can also be argued that tax allowances, tax credits and other subsidies are no different from welfare benefits (Rankin, 1986). As discussed in earlier sections, the notion of a social wage goes beyond social security arrangements and can include the provision of healthcare, housing, subsidised transport to name just a few possibilities (Meth, 2008).

COSATU’s demand for a social wage complementing a living wage clearly views transfer payments to households and government services as part of the social wage (Coleman, 2013 p55). The COSATU demand focuses on the following policy interventions:

- Access to education, skills and human resource development to redress apartheid labour-market deficiencies
- Universal access to affordable, quality healthcare through the implementation of a National Health Insurance Plan
- Access to a cheap, reliable and safe public transport system
- Implementation of a national retirement/savings scheme



A DSL could clarify the conceptual grey area which exists where the minimum wage, social wage and living wage intersect by focusing on what the indicators of a decent standard of living are. The DSLI should allow us to grapple with the extent to which the minimum wage and the social wage deliver on the indicators of a decent standard of living.



3 Literature Review Part 2

3.1 Local studies that have helped inform our understanding of a decent standard of living in the South African context

This chapter reviews local studies that could help inform our understanding of a decent standard of living in the South African context. The emphasis of the review is on *thresholds of adequacy* that are socially derived expressions of need rather than derived from current realities, i.e. the focus is on ‘needs rather than norms’.

3.1.1 Indicators of Poverty and Social Exclusion

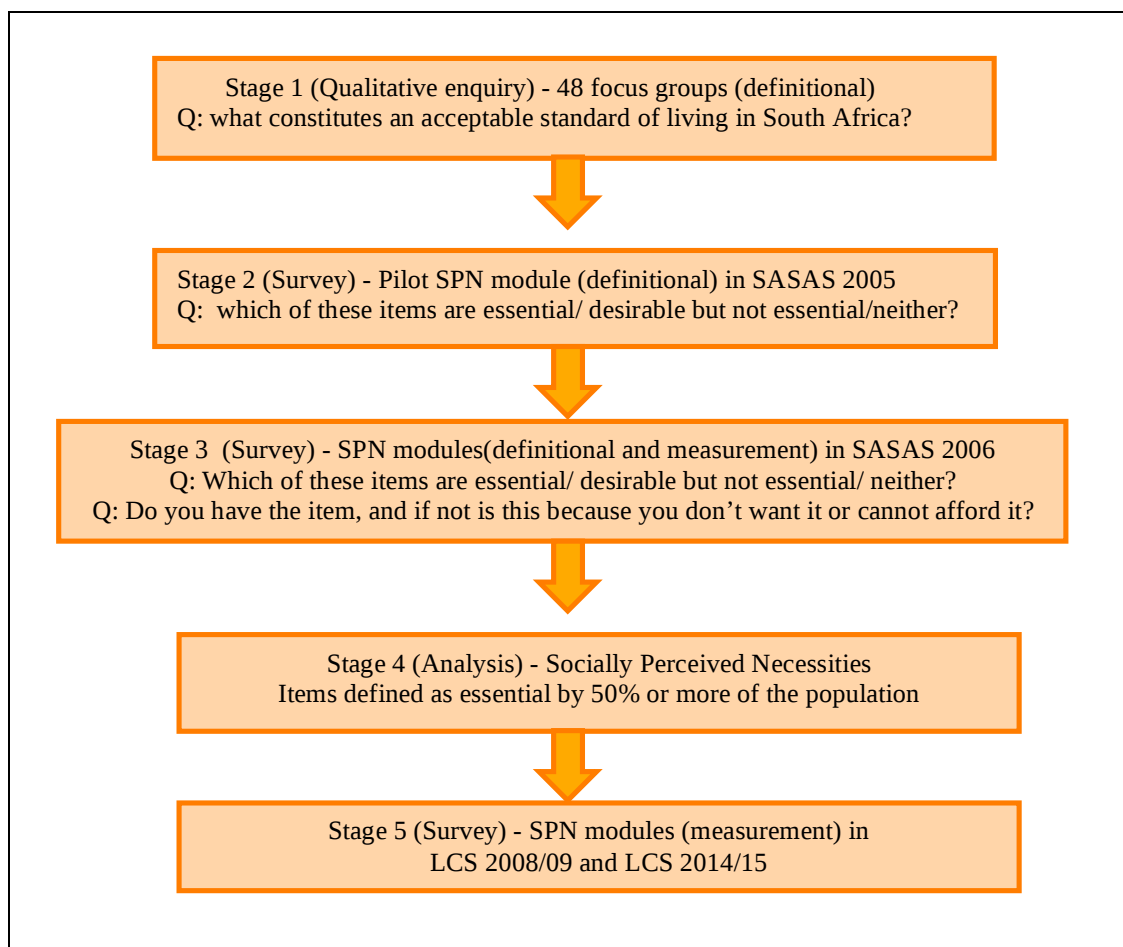
The DSLI project builds in part on a large project that was undertaken by members of the team and others for the Department of Social Development (DSD) over a decade ago (Wright, 2008).¹ The aim of the Indicators of Poverty and Social Exclusion (IPSE) project was to explore the views of people in South Africa about the necessities in life for an acceptable (or decent) standard of living. The approach taken was based on a concept of relative poverty that focuses on the ability of people to achieve a socially determined acceptable standard of living (Pantazis et al., 2006) to enable them to participate fully in society (Townsend, 1979). Such an approach includes but also goes beyond the meeting of basic needs and resonates well with principles contained in key South African policy documents, the Constitution (Magasela, 2005, Republic of South Africa, 1996), and influential historical documents such as Africans’ Claims in South Africa (ANC, 1943, Asmal, 2005) and the Freedom Charter (ANC, 1955, Asmal, 2005).

The project used the ‘socially perceived necessities’ approach which originated in Britain (Gordon and Pantazis, 1997, Mack and Lansley, 1985) but has since been applied in many other countries including Bangladesh, Ireland, Japan, Vietnam, Mali, Zimbabwe, and a Europe-wide study (e.g. Eurobarometer, 2007).

The figure below summarises the process by which a set of indicators of an acceptable standard of living – referred to as ‘socially perceived necessities’ (SPNs) – were derived in South Africa. Initially, a series of 48 focus groups were undertaken with people across South Africa, to explore which items, activities and services they regarded as essential that all people should have or have access to, in order to enjoy an acceptable standard of living (Noble et al., 2004, Ratcliffe et al., 2005). The findings were written up in respect of housing (Magasela et al., 2006), health and a safe environment (Cluver et al., 2007), education (Barnes and Wright, 2007) and necessities for children (Barnes et al., 2007).

¹ The IPSE project was undertaken as part of the UK Department for International Development Southern Africa’s Strengthening Analytical Capacity for Evidence-Based Decision-Making (SACED) Programme. The project involved collaborations between the Centre for the Analysis of South African Social Policy (CASASP) at the University of Oxford, the Human Sciences Research Council (which conducted SASAS) and researchers at the University of Fort Hare.

Figure 2: How were the socially perceived necessities derived?



Source: Authors' own compilation

The material from these groups informed the design of a pilot module in the South African Social Attitudes Survey (SASAS) 2006, and full module in SASAS 2007. The 2007 module contained both a definitional set of questions (asking whether items were essential or not), and a set of measurement questions (measuring whether or not people possessed or had access to the items or services). Enforced lack was explored by asking those who lacked the item whether it was by choice or due to lack of resources.

The results from the 2007 module are presented in Annex 1. Of the 50 items that were asked about, 36 were defined as essential by a majority of respondents – these are referred to as 'necessities for an acceptable standard of living' or 'socially perceived necessities' (SPNs) – and are highlighted in bold in the table in Annex 1.

The necessities encompass issues relating to material possessions, service provision/ infrastructure, and social relations and this was further substantiated using principal components analysis. The list in Table A1 does not comprise an exhaustive list of necessities, but rather a set of *indicators*. However, this list is very robust, and a statistical test called the Cronbach Coefficient Alpha test reveals that the list of 36 SPNs correlates 0.959 with a set of errorless true scores.²

² In order to test the reliability of this set of 36 items identified as 'essentials', the appropriate method to use is Cronbach's Coefficient Alpha test (Cronbach, 1951). For the 36 items that were defined as essential by 50% or more of the population, the scale reliability coefficient (alpha) was calculated to be 0.9201. This score measures the correlation of the set of 36 items with all other hypothetical 36-item sets of 'essentials'. The square root of the coefficient (alpha) is the estimated correlation of the set of Decent Standard of Living Index | Final Report



Analysis of the 2007 module revealed that there was a surprising level of agreement around a set of indicators (SPNs), across different sections of society including population group, gender, area type and income status (Wright, 2011a). Importantly, 28 of the 36 SPNs were possessed by a smaller percentage of the adult population than defined them as essential, suggesting that there was little cause for concern that people might have adapted their preferences downwards due to the experience of being in poverty and widespread lack. For those who lacked a purchasable SPN, most stated that this was enforced (i.e. due to lack of resources) rather than by choice (Wright, 2011b).

On average, respondents possessed 21.5 of the 36 SPNs. The items that were most commonly defined as essential (at the top of the list in Table 1 in Annex 1) were mains electricity in the house, someone to look after you if you are very ill, a weatherproof house, clothing sufficient to keep you warm and dry, and a place of worship. The six SPNs that were possessed by less than half of the respondents (having excluded employment and child-related items) were: having police on the streets in the local area, ability to afford all medicines prescribed by your doctor when you are sick, regular savings for emergencies, a bath or shower in the house, burglar bars, and meat/fish/vegetarian equivalent every day (Wright and Noble, 2012).

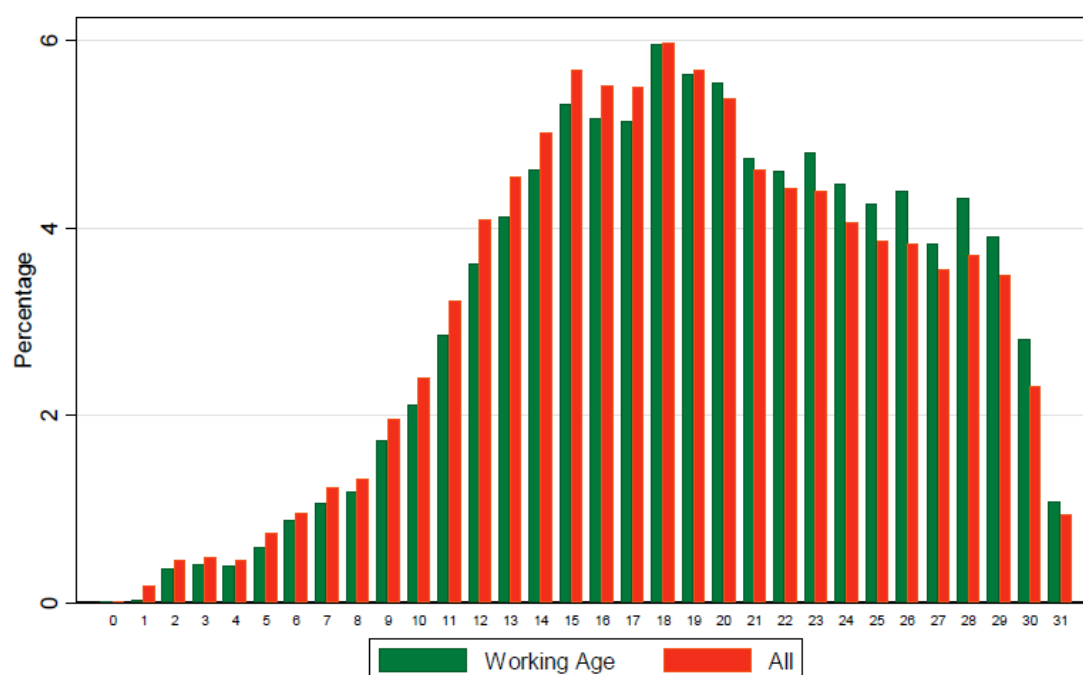
36 questions with a set of errorless true scores: this was calculated to be 0.9592. This means that although the 36 'essentials' that have been identified are not comprehensive they are capturing the underlying issue of poverty well (conceptualised in this way) and are a highly reliable set of items (Nunnally, 1981). Another way to test the robustness of the 2006 findings is to compare them with the results from the 2005 SASAS module. There are 49 common items between 2005 and 2006 in the SASAS definition modules. The percentage of the population defining each of the 49 common items as essential in 2005 and 2006 correlates 0.96 (Spearman's rho), which again suggests that the 2006 results are highly reliable.



3.1.2 Decent Living Level

The 2014-15 Decent Living Level (DLL) project was the first attempt to explore the monetisation of thresholds of adequacy obtained using the SPN approach. Following the completion of the original IPSE project (described in the section above), the SPNs continued to be used as a socially-derived set of indicators of an acceptable standard of living, and Statistics South Africa included measurement questions in the Living Conditions Survey (LCS) 2008/09 for all 36 of the SPNs. This enabled SASPRI, SPII and LRS to update the measurement of possession of the SPNs using the LCS 2008/09, and to explore the association between possession of the SPNs and income, having uprated the LCS income data to a 2014 time point using the Consumer Price Index (CPI).³ This DLL project demonstrated that it was possible to use the LCS to explore the relationship between possession of SPNs and people's income levels. For example, Figure 3 shows the percentage of the population (in red) and the working age group (in green) who possessed 0 through to 31 of the SPNs (the child-specific SPNs and paid employment were removed from the set of SPNs for the purpose of this comparison, reducing the number from 36 to 31). It clearly demonstrates that most people in South Africa do not possess all of the SPNs.

Figure 3: Percentage possessing 0, 1, 2, 3....to 31 socially perceived necessities for total population and working age population (LCS 2008/09)



Source: LCS 2008/9

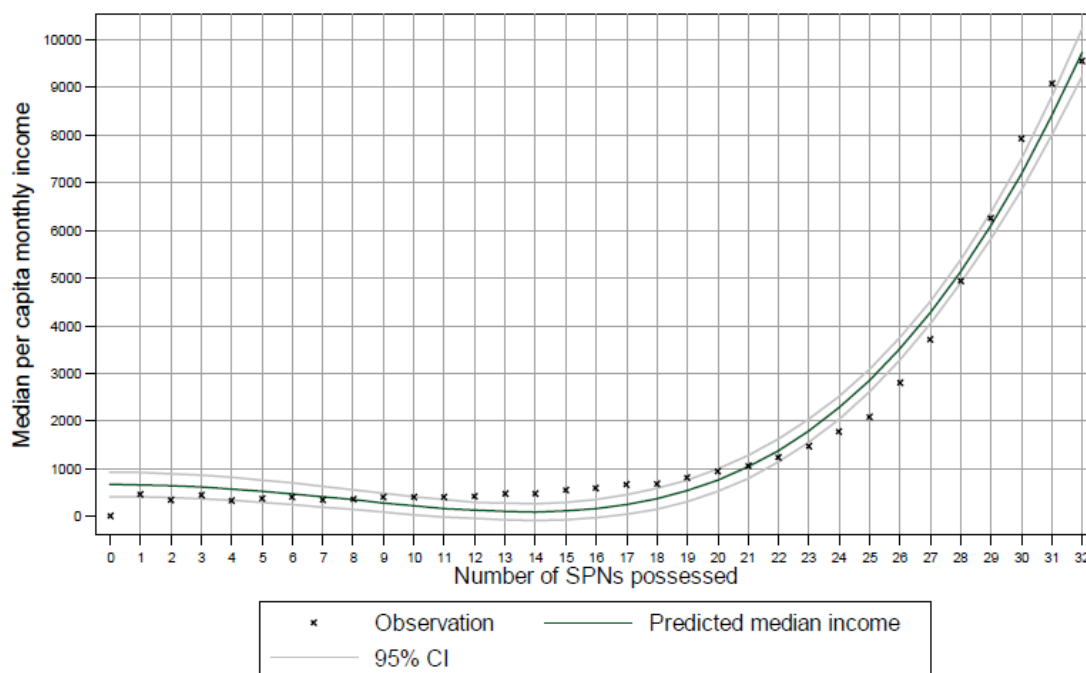
Source: DLL Project (Noble, 2015 p10)

Given the larger sample size of the LCS than SASAS, and the detailed questions about income and household structure, it was possible to examine the relationship between possession of the SPNs and income. Figure 4 shows the median per capita household income of working age people in possession of 1, 2, 3 through to 32 SPNs (excluding child-related SPNs, but including paid employment).

³ This project was referred to as the Decent Living Level project and was funded by Friedrich Ebert Stiftung, and was presented at a workshop entitled 'Towards a decent living level – income levels and socially perceived necessities' at the Human Sciences Research Council in Pretoria on 17th March 2015.

The figure revealed a clear relationship between per capita median income and number of SPNs possessed, though it was not a linear relationship: the income curve slopes quite steeply around 25/26 SPNs. A predictive model was fitted which is shown on the figure (as a dark green line) together with the 95% confidence interval bounds (the two grey lines). The figure shows how the number of SPNs that are possessed increases as median per capita income increases, although of course the mix of SPNs at each level might differ.

Figure 4: Median monthly per capita income by number of socially perceived necessities possessed or otherwise enjoyed (LCS 2008/09)



Source : LCS 2008 / 9

Source: DLL project (Noble, 2015 p11)

The analysis of SASAS and the LCS data as part of the DLL project provided a foundation from which to consider developing a DSLI in the South African context. The details of the proposed methodology are set out in Section 4, but first, several other key local and international studies are reviewed.

3.1.3 Minimum Nutritional Food Basket

The Pietermaritzburg Agency for Community Social Action (PACSA) spearheads work that seeks to enhance human dignity and one of its core initiatives involves the regular construction of a Food Price Barometer and a Minimum Nutritional Food Basket, in order to highlight the inadequacies of wage levels and social grant amounts (Smith et al., 2017).

The PACSA Food Price Barometer tracks monthly fluctuations in the cost of a food basket of low income households containing seven members in Pietermaritzburg, and has been updated regularly since 2006 (PACSA, 2017). Of greater relevance for the DSLI (as it is more oriented towards adequacy than current practices in financially constrained contexts), the Minimum Nutritional Food Basket 'includes a greater variety of better quality nutritionally rich foods and in higher quantities to provide a family with a basic but nutritionally complete monthly diet' (Smith et al., 2017 p3). The Minimum Nutritional Food Basket was first constructed with a registered dietician in 2014. For a five-person household in August 2017, the amount required for a Minimum Nutritional Food Basket was R3,025.23 per month. The Minimum Nutritional Food Basket has been designed with the flexibility to

accommodate different household structures, ages of children, and energy group levels (based on physical activity levels).

In recognition of the fact that additional expenditures are to be expected in a household beyond food costs, including transport and education, PACSA proposes that 'a South African minimum wage needs to be around R8,000 a month for a family of 5 to live a dignified life' (PACSA, 2017). The table below shows the different aspects of expenditure that are taken into account in PACSA's affordability tables, the derivations of which are described in PACSA (2017).⁴

Table 1: Income and expenditure for households of various socio-economic scenarios: August 2017

TABLE 6: Income and expenditure for households of various socio-economic scenarios: August 2017.

Household socio-economic scenarios	Household A	Household B	Household C	Household D	Household E	Household F	Household G
Total household income	R 2 360.00	R 2 900.00	R 3 500.00	R 4 500.00	R 6 000.00	R 8 000.00	R 12 500.00
Number of household members	5	5	5	5	5	5	5
MINUS Minimum Nutritional food basket	R 3 025.23	R 3 025.23	R 3 025.23	R 3 025.23	R 3 025.23	R 3 025.23	R 3 025.23
Monies left over AFTER FOOD to buy some essential household requirements*	R -665.23	R -125.23	R 474.77	R 1 474.77	R 2 974.77	R 4 974.77	R 9 474.77
MINUS Burial insurance	R 200.00	R 200.00	R 200.00	R 200.00	R 200.00	R 200.00	R 200.00
MINUS Electricity and water	R 674.13	R 674.13	R 674.13	R 674.13	R 674.13	R 674.13	R 674.13
MINUS Transport	R 720.00	R 720.00	R 720.00	R 720.00	R 720.00	R 720.00	R 720.00
MINUS Education	R 500.00	R 500.00	R 500.00	R 500.00	R 500.00	R 500.00	R 500.00
MINUS Communication and media	R 150.00	R 150.00	R 150.00	R 150.00	R 150.00	R 150.00	R 150.00
MINUS Clothing and footwear	R 416.66	R 416.66	R 416.66	R 416.66	R 416.66	R 416.66	R 416.66
MINUS Domestic & household hygiene items	R 560.23	R 560.23	R 560.23	R 560.23	R 560.23	R 560.23	R 560.23
MINUS Cultural obligations	R 350.00	R 350.00	R 350.00	R 350.00	R 350.00	R 350.00	R 350.00
Monies left over AFTER FOOD & SOME ESSENTIAL HOUSEHOLD REQUIREMENTS secured	R -4 236.25	R -3 696.25	R -3 096.25	R -2 096.25	R -596.25	R 1 403.75	R 5 903.75

* Please note expenditures in Table 6 above are the actual Pietermaritzburg-based costs of some important goods and services which PACSA calculates in conversations with women living in low-income households and tracks and updates through various research interventions. The expenditures reflected in the table are incomplete and exclude other important monies for debt repayments, health care, rent and emergencies amongst others; including monies for savings and investments.

Source: (PACSA, 2017 p7).

Not only is PACSA's work relevant for the DSLI study in terms of the costing out of a nutritionally adequate diet, the differentiation of household size, composition, and activity levels, and the consideration of non-food expenditure requirements, but they have also given careful consideration to how meaningful the CPI is for understanding cost fluctuations for low income families:

'The CPI is constructed on a range of expenditure levels and spending patterns. Because all South African data is skewed by our extreme structural inequality, national measures tend to capture the middle – the middle is not the majority. The CPI approximates the expenditure of households that spend R12 900 a month. Similarly the weighting given to the 12 categories making up the total CPI basket do not capture the reality of the majority of our people. Workers earning low wages spend money on fewer items in the CPI basket and the proportion of money spent on these items is higher e.g. food, transport and electricity account for ± 90% of the expenditure for the majority of Pietermaritzburg low-income households. In the CPI however; food, transport and electricity are weighted at less than 50% of the total basket of household expenditure.' (PACSA, 2017 p6)

PACSA go on to highlight the risk of inflating social security amounts by the headline CPI rather than the CPI for food, as the use of the headline CPI would fail to take into account the fact that low

⁴ Notably housing costs do not appear to be taken into account other than the costs of electricity, water and household hygiene items.

income households spend a higher proportion of their income on food than is assumed in the headline CPI. These observations mean that, for the purposes of constructing a DSLI, even though the focus is on 'needs rather than norms' and thresholds of adequacy that far exceed many households, it will be important to always keep in mind the expenditure patterns of low income households to ensure that there are no unintended detrimental consequences inherent in the methodological approach for such households.

3.1.4 Absolute money-metric consumption-based poverty lines

South Africa has always had numerous poverty lines (SPII, 2006). For comprehensive reviews of South African poverty lines see for example (Budlender, 1985, Magasela, 2005, Budlender et al., 2015).

In particular, South Africa has had a plethora of absolute money-metric consumption-based poverty lines.⁵ However these have all been derived from household surveys that contain information on current (actual) spending patterns rather than focusing on socially-derived thresholds of adequacy. As a result, the lines shed more light on the spending patterns of those whose expenditure on food is likely to provide insufficient calories, rather than on the extent to which people have a decent standard of living. For example, Statistics South Africa defines three consumption-based 'national poverty lines' as follows:

Table 2: Statistics South Africa's three consumption-based poverty lines

Poverty Line (March 2009 figures)	Description
Food Poverty Line (R305)	The amount of money that an individual will need to consume the required energy intake
Lower Bound Poverty Line (R416)	The food poverty line (R305) plus the average amount derived from non-food items of households whose total expenditure is equal to the food poverty line.
Upper Bound Poverty Line (R577)	The food poverty line (R305) plus the average amount derived from non-food items of households whose total food expenditure is equal to the food poverty line.

Source: Derived from (STATSSA, 2012 p5).

These three poverty lines are minimalist in their orientation. The food poverty line relates only to money required to obtain the calories needed for survival (and nothing else); the lower bound poverty line uses as its reference point the spending patterns of those who sacrifice food in order to purchase other necessities (and therefore may well consume fewer calories than required for survival)⁶; and the upper bound poverty line uses as its reference point the spending patterns of those whose expenditure on food hovers around the bare minimum required for survival. The upper and lower bound poverty lines are derived using Ravallion's cost-of-basic-needs methodology (Ravallion, 1998).

For the period 2008/09, Statistics South Africa estimated that 26.3% of the population were below the food poverty line (R305); 38.9% were below the lower bound poverty line (R416); and 52.3% were below the upper bound poverty line (R577).

⁵ Budlender et al. (2015, p6) clarify that in South Africa, consumption of home-grown goods only makes up a small part of national consumption and so its inclusion or exclusion makes little difference to the measure.

⁶ Budlender et al. state that the lower bound poverty line is not 'conceptually coherent or valuable' and recommend that it should not be used (Budlender et al., 2015 pp.2 and 31).

More recently, Statistics South Africa rebased the poverty lines using the Income and Expenditure Survey (IES) 2010/11. For the food poverty line they used as their reference households, the food items consumed by households in deciles 2-4 per capita expenditure, in order to determine the food basket of 27 items (STATSSA, 2015). They caution, however that:

'it should be stressed that the basket presented here does not represent a recommended food plan for the South African population or a basket that would be preferred by South Africans. It is simply an analytical tool [...] for selecting food items that are representative of food consumption patterns as reported in IES 2010/11.' (STATSSA, 2015 p7)

This cautionary note is particularly apposite as the study identified that the food basket of this reference group only yielded 60% of the 'normative energy intake of 2 100 kilo-calories per capita per day' and so the figures had to be scaled up to this level (STATSSA, 2015 p10). This further demonstrates the hazard of constructing poverty lines on the basis of current consumption patterns, as the reference group was consuming too few calories.

The rebased poverty lines were set at R335 for the food poverty line (capturing 22% of the population); R501 for the lower bound poverty line (capturing 37% of the population), and R779 for the upper bound poverty line⁷ (capturing 54% of the population), all per capita per month at February-March 2011 prices (STATSSA, 2015 p11). However, they add an additional caution that these lines:

'do not replace or affect existing criteria for other poverty alleviation programmes, nor can they be used to determine wages or remuneration of any kind.' (STATSSA, 2015 p15)

These rebased poverty lines were then uprated to subsequent years using the CPI. For example, in 2015, it was estimated that 55.5% of the population fell below the upper bound poverty line (R992 in April 2015 prices), although this varies a great deal by population group: 77% of black African people fell below this line, compared to 56% of coloured people, 21% of Indian/Asian people, and 1% of white people (STATSSA, 2017b p58). There was also a wide variation by province, ranging from 33% in Gauteng, to 73% in the Eastern Cape, although almost a quarter of people who fell below the upper bound poverty line lived in KwaZulu-Natal (STATSSA, 2017b pp.64-66).

The most recent poverty lines available from Statistics South Africa are for April 2017: **R531 for the food poverty line, R758 for the lower bound poverty line and R1,138 for the upper bound poverty line**, though no poverty headcounts are provided for this date (STATSSA, 2017b p8).

The table that follows describing annual income and expenditure quintiles for South Africa provides a contextual note.

⁷ Notably, a decision was made to only include households in the 2nd – 7th consumption deciles (whose food expenditure is around the food poverty line of R335 per capita per month) as the reference group for the non-food component of the upper bound poverty line, as the inclusion of all households (whose food expenditure is around the food poverty line of R335 per capita per month) as the reference group caused the average non-food expenditure amount to look 'implausibly high' (STATSSA, 2015 p10). Budlender et al. (2015) opted for an alternative approach to removing outliers and obtained a much higher upper bound poverty line with the same dataset.

Table 3: Income and expenditure per capita quintiles per annum (LCS 2014/15)

Quintile	Income	Expenditure
Upper quintile	R71,479 and above	R52,078 and above
4 th quintile	R28,092-R71,478	R23,156-R52,077
3 rd quintile	R13,819-R28,091	R12,781-R23,155
2 nd quintile	R6,486-R13,818	R7,030-R12,780
Lower quintile	Up to R6,485	Up to R7,029

Source: (STATSSA, 2017a pp.19-21)

3.2 International attempts to quantify a decent standard of living in monetary terms

Numerous international studies have attempted to quantify a decent standard of living in monetary terms using a reference budget standard. Deeming traces such work in Europe back to the 17th Century, and distinguishes between three different reference budget operational methodologies which he categorises as the **normative approach** (starting with expert knowledge), the **social survey approach** (starting with survey data) and the **focused group interview approach** (starting with focus groups) (Deeming, 2017).

Each approach has its different strengths and weaknesses, and the approach for the DSLI that is outlined in Section 4 will be informed by all three methodological approaches, though in practice would be categorised as the 'social survey approach'. Deeming distinguishes such an approach from 'top-down' or 'bottom-up' methodologies as follows:

'The 'top-down' normative tradition involving experts has long attempted to define universal needs from a scientific or theoretical perspective. In the 'bottom-up' research tradition involving focus groups, needs are classified by members of the public. The large-scale survey approach falls somewhere in between. Here needs-based standards are grounded in observed social statistics, revealing expressed views and opinions about necessities, but needs-based thresholds are usually set by experts who decide where to draw the line in the survey results.' (Deeming, 2017 p41)

In the rest of this section we summarise the 'bottom-up' Minimum Income Standards approach, and a recent initiative to harmonise a budget standard methodology across countries (the ImPROve programme).

3.2.1 Minimum Income Standard (MIS)

The Minimum Income Standard (MIS) research programme is undertaken by the Centre for Research in Social Policy at the University of Loughborough in the UK. Inspired and informed by amongst others the work of Townsend (1979), Bradshaw (1993), Bradshaw et al. (1987; 2008), Walker (1987) and Middleton (2000), the aim of the MIS approach has been described as follows:

'The MIS approach aims to identify a minimum socially acceptable standard of living; it is a 'minimum' in the sense that it refers to a threshold under which no one should fall; it is 'socially acceptable' in the sense that such a threshold is defined by society.' (Valadez-Martinez et al., 2017)

The MIS methodology involves an iterative series of focus groups, which derive a detailed set of items and services that are required for a socially acceptable standard of living. The actual process is summarised as follows:

'The Minimum Income Standard research entails members of the public drawing up lists of items that a range of different households require. The lists are principally drawn up through a series of deliberative focus groups, and successive groups build up budget lists through

negotiation and consensus. The method is not an opinion poll of individuals, nor does it seek to average the views of different groups, but is rather a mediated set of negotiations whose results have been built up through multiple interactions: between individuals within groups, between different groups and between members of the public and experts.’ (Davis et al., 2017 p3)

These lists are produced for different households, and are then translated into a weekly budget for these different household types, taking into account the lifespan of items, in order to calculate the income required to reach that standard of living. Therefore although the name of the approach includes ‘income’, the main emphasis is on the collation of the detailed set of the items and services and assigning life spans and costs to them. The MIS team recognise that the cost of extra requirements for different groups is not specified, and so stress that ‘not everybody who has more than the minimum income can be guaranteed to achieve an acceptable living standard. However, someone falling below the minimum is unlikely to achieve such a standard’ (Padley and Hirsch, 2017 p4).

The MIS online calculator (<http://www.minimumincome.org.uk/>) enables members of the public to find out how much they would need to earn in order to be able to afford a minimum socially acceptable standard of living. For example, the figure below shows the breakdown of costs for a single, childless adult, which amounts to a net income of UK Pounds 296.83 per week.

Table 4: MIS: Weekly outgoings and income breakdown for a single adult household in the UK

- Show outgoings breakdown		- Show income breakdown	
Weekly outgoings - 7		Weekly Income - 7	
£296.83		£296.83	
Food	£45.59	Your Pre-tax Earnings	£343.94
Alcohol	£5.02	Your Income Tax	-£24.68
Clothing	£7.53	Your National Insurance	-£22.43
Water rates	£5.77	After Tax Earnings	£296.83
Council Tax	£15.76	Working Tax Credits	£0.00
Household Insurances	£1.29	Housing Benefit	£0.00
Gas, electricity, etc	£16.48	Council Tax Support	£0.00
Other housing costs	£1.95	Income Support /	£0.00
Household goods	£12.61	Jobseeker's Allowance	
Household services	£3.03		
Childcare	£0.00		
Personal goods and services	£14.26		
Travel costs and motoring	£30.47		
Social and cultural activities	£47.37		
Rent	£89.70		
Mortgage	£0.00		

Source: (MIS) www.minimumincome.org.uk

Each list of goods and services is rebased every four years with new groups, and reviewed every two years; in the interim years the MIS budget is inflated to take into account rising prices. As an example, the following table shows the inflators for different components of the 2017 MIS budget.



Table 5: Inflation rates for UK MIS budget categories, for the year to April 2017

Budget category	Inflation rate, year to April 2017
Food	1.9%
Alcohol	2.6%
Clothing*	5.8%
Water rates	1.8%
Council Tax	3.8%
Household insurances	7.4%
Fuel	3.3%
Other housing costs	0.1%
Household goods	3.4%
Household services	2.3%
Personal goods and services	1.8%
Motoring	8.1%
Bus and coach travel	17.1%
Other travel	6.4%
Social and cultural participation: leisure goods	3.0%
Social and cultural participation: leisure services	2.7%

Note: * The clothing inflation rate used here is an average of the CPI and RPI rates: according to RPI, clothing had increased by 9.2%, compared to a 2.4% increase in the CPI.

Source: (Padley and Hirsch, 2017 p8)

The information from MIS is used in the UK to inform the levels of the Living Wage (D'Arcy and Finch, 2016). The calculation of the hourly Living Wage is described as follows:

'The calculation is built on a basket of goods that represents a decent standard of living, determined through research with the public. The hourly Living Wage rates are then calculated by taking a weighted average of the earnings required (accounting for tax and benefits) for a range of family types (with and without children) working full-time to reach a level of income that provides that decent standard of living. These rates provide a benchmark for employers that voluntarily commit to go further than paying government-set minimum wages, ensuring their staff earn a wage that they can live on.' (D'Arcy and Finch, 2016 p2)

As well as being applied in the UK, the MIS approach has also been applied in Austria, France, Ireland, Japan, Portugal and Singapore, with pilots in Mexico (Valadez-Martinez et al., 2017) and South Africa (Byaruhanga et al., 2017). The approach has also been applied for specific geographical areas, including London, rural England and remote rural Scotland (Padley and Hirsch, 2017).

The MIS approach is heavily dependent on reaching consensus across groups about the minutiae of a household's requirements, including their quantity and quality. The result is a series of thresholds for different household structures, that can be used as benchmarks of adequacy, and against which social provision can be assessed.

Although a pilot of the MIS approach was achieved in South Africa for a restricted subset of issues, it was evident that to expand the exercise to all aspects of a standard of living, different household structures, and regions of South Africa would be an immensely costly and time-consuming exercise that falls beyond the scope of the DSLI project. Nevertheless, efforts to pursue the MIS approach in the South African context are still underway, and would complement the analysis presented here.



3.2.2 European Reference budgets - ImPRove

The European Commission is funding a project called ImPRove ('Poverty Reduction in Europe: Social Policy and Innovation'). Coordinated by a team at the University of Antwerp, it has a wide mandate that includes contributing to the development of indicators in the area of minimum income protection, in order to measure the adequacy of minimum income protection schemes across Europe. As part of this programme of work, the team have explored cross-nationally comparable reference budgets for six countries (Belgium, Finland, Greece, Hungary, Italy and Spain) – see <http://improve-research.eu/>. So for example, Goedemé et al. explore the feasibility of constructing reference budgets across several different cities in Europe (Goedemé et al., 2015). Penne et al. explore the utility of reference budgets as measures of poverty in Belgium, Finland and Spain, and highlight the challenges of insufficient household types, problems of robustness and comparability, and the need for better microdata (Penne et al., 2016).



4 Data and Methodology

4.1 Data

South Africa has a large number of possible data sources that could help inform the measurement of a decent standard of living and the construction of a DSLI. Members of the team have recently completed a review of South African microdata for the Office of the Presidency (McLennan et al., 2017) which has helped to confirm the recommendation made here that the Living Conditions Survey (LCS) 2014/15 (STATSSA, 2017a) should be the preferred dataset for this study.

The two main reasons for the selection of the LCS are as follows:

- 1) The LCS 2014/15 is designed and implemented by a dedicated team at Statistics South Africa on a rotational basis, alternating with the IES. In addition to a whole raft of questions relating to general living conditions, the LCS contains many detailed income and expenditure questions, and so **it has the necessary detailed income and expenditure data for a nationally representative sample of households** and is the most up-to-date of the IES/LCS surveys.
- 2) The LCS 2014/15 **contains questions about possession of the SPNs** that were derived from an earlier study using a dedicated module in SASAS (see Sections 3.1.1 and 3.1.2). The juxtaposition of data on possession of SPNs and data on household income and expenditure questions (which could not be included in an attitudinal survey such as SASAS) enables a detailed exploration of the interplay between attainment of a socially-determined decent standard of living, and people's income and expenditure patterns, which is required for this study.

Most of the LCS 2014/15 dataset was made publicly available in May 2017, and additional sections about expenditure were released in October 2017.

Although other surveys contain important information on standards of living, such as the General Household Survey, the National Income Dynamics Study, the Labour Force Survey, and of course the IES⁸, none of them bring together the information required for this study.

The preparation of the income data in the LCS data for this study is summarised in Annex 2.

4.2 Determining the indicators for a Decent Standard of Living

For the purposes of this study, a decent standard of living (DSL) – or the 'threshold of adequacy' – was defined as living in a South African household with 21 SPNs, shown in Table 6 below. These 21 SPNs had been defined as essential for everyone in South Africa to have or have access to for an acceptable standard of living, by two-thirds or more of respondents in SASAS as part of an earlier study for the Department of Social Development (see Section 3.1.1).

Possession of these SPNs has subsequently been measured by Statistics South Africa in the nationally representative LCS 2008/09 and most recently in the LCS 2014/15.

⁸ The IES is a sister survey to the LCS and is run in between two LCS surveys with many questions in common. However, it does not contain any questions on possession of the SPNs and its income data is less detailed than the LCS.

Table 6: Percentage of people defining an item as 'essential' for the 21 SPNs

Item	% Defining essential
Mains electricity in the house	92
Someone to look after you if you are very ill	91
A house that is strong enough to stand up to the weather e.g. rain, winds etc.	90
Clothing sufficient to keep you warm and dry	89
A place of worship (church/mosque/synagogue) in the local area	87
A fridge	86
Street lighting	85
Ability to pay or contribute to funerals/funeral insurance/burial society	82
Having police on the streets in the local area	80
Tarred roads close to the house	80
A flush toilet in the house	78
Someone to talk to if you are feeling upset or depressed	76
A neighbourhood without rubbish/refuse/garbage in the streets	75
A large supermarket in the local area	75
A radio	74
Someone to transport you in a vehicle if you need to travel in an emergency	74
A fence or wall around the property	74
Being able to visit friends and family in hospital or other institutions	73
Regular savings for emergencies	71
Television/TV	69
A neighbourhood without smoke or smog in the air	69

Source: South African Social Attitudes Survey 2006.

In the original IPSE study, 31 SPNs were identified as essential by over half of the respondents to the social attitudes survey. However, for the purposes of the DSLI project, the number of SPNs was dropped to 21 (those shown in Table 6) for the following reasons: (i) only items defined as essential by two-thirds or more of respondents were included in order to apply a more stringent threshold of adequacy; (ii) child-related items were dropped as not all households have children and so for population-wide analysis it was not appropriate to measure possession of child-specific items, and instead analysis was undertaken by presence or absence of child in household; (iii) the SPN relating to paid work was dropped as this would only apply to households containing people of working age, and instead analysis was undertaken for households by employment status; and (iv) the SPN relating to affordability of medicines had to be dropped as its wording had been changed in the LCS 2014/15 and the variable could not be used.

The SPNs comprise a set of *indicators* of a decent standard of living. They are not, and are not intended to be, a comprehensive basket of goods that are required for a decent standard of living. Although the SPNs are indicators, these are used to identify a threshold of adequacy and then the full basket of people's expenditure patterns at that threshold of adequacy is taken into account. So for example, with reference to food, expenditure on food *is* taken into account for those at the threshold of adequacy (derived using the SPNs). We know from international analysis and from statistical tests that the indicator approach is an equally legitimate approach to that which entails the collation of an exhaustive list. For example, the Cronbach Coefficient Alpha (see Section 3.1.1) for the list of 21 SPNs is still high, at 0.8788.



A range of different thresholds were considered. Following deliberations within the research team it was agreed that in addition to focusing on those with all 21 SPNs, the analysis would also be undertaken for those with 16 and 18 SPNs in order to explore the conditions of those who are close to but not in full possession of a DSL, defined in this way.

4.3 Summary of steps to calculate an income level associated with a Decent Standard of Living

Using the LCS 2014/15 it was possible to explore the relationship between possession of a DSL (determined by possession of SPNs) and income.

The mean and median per capita household incomes of people living in households with varying numbers of SPNs was calculated using the LCS 2014/15. These incomes provide information on the income level associated with a DSL. However, as discussed further below, they do not equate to the amount of income required to obtain a DSL as acquisition can be achieved in various ways.

4.4 Summary of steps to calculate a Decent Standard of Living Index with which to update the DSL

Although the income associated with a DSL could simply be updated each year using the CPI, a more sophisticated approach would be to update the incomes with reference to the *expenditure patterns* of people with a DSL and to take into account the proportions spent by them on different aspects of expenditure. *Importantly, information on sub-categories of the CPI is taken into account within the DSLI, but the emphasis placed on the CPI sub-categories is determined on the basis of expenditure patterns of people with a DSL (having 16, 18 or 21 SPNs).*

The LCS 2014/15 contains very detailed information about household expenditure, comprising over 700 categories that are categorised using COICOP codes.⁹ These expenditure codes can be grouped into twelve sub-groups of expenditure, to correspond with the twelve sub-categories of the CPI that are released by Statistics South Africa. The CPI is described by Statistics South Africa, and contrasted with the Producer Price Index (PPI) as follows:

'The Consumer Price Index (CPI) and Producer Price Index (PPI) are the two primary measures of inflation for South Africa. Both indicators are published on a monthly basis. The Consumer Price Index tracks the rate of change in the prices of goods and services purchased by consumers. The headline CPI is used as the inflation target measure which guides the South African Reserve Bank on the setting of interest rates.

The Producer Price Index tracks the rate of change in the prices charged by producers of goods. Stats SA publishes PPIs for different industries with the PPI for final manufactured goods being the headline PPI. Additional PPIs are compiled for Agriculture, forestry and fishing; Mining and quarrying; Electricity and water; Intermediate manufactured goods; Imports and Exports; and Construction.

The PPI is widely used by businesses as a contract escalator and as a general indicator of inflationary pressures in the economy.' (STATSSA, October 2017)

The CPI measures how the prices of selected goods and services for consumers have changed, while the PPI is a measure of pricing at the so-called 'factory gate'. For the purposes of updating the cost elements of a DSLI, the CPI is the most appropriate index. The CPI is further described as follows:

⁹ An internationally used code referred to as the Classification of Individual Consumption according to Purpose (COICOP) (see <https://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=5>).



'The CPI is a current social and economic indicator constructed to measure changes over time in the general level of prices of consumer goods and services that households acquire, use, or pay for. The index aims to measure the change in consumer prices over time. This is done by measuring the cost of purchasing a fixed basket of consumer goods and services of constant quality and similar characteristics. The products in the basket are selected as being representative of households' expenditure during a year or other specified period. Such an index is called a fixed-basket price index. The index also aims to measure the effects of price changes on the cost of achieving a constant standard of living (i.e. level of utility or welfare). This concept is called a cost-of-living index (COLI).'' (STATSSA, 2017d p5)

One of three 'equally important' objectives of the CPI is:

'To measure changes in the cost of living of South African households to promote equity in the measures taken to adjust wages, grants, service agreements and contracts.' (STATSSA, 2017d p5)

The CPI distinguishes between provinces, primary urban, secondary urban and rural areas when calculating the inflationary effect of changes in the prices of goods and services, and Statistics South Africa also publishes the CPI on a monthly basis by expenditure decile. (STATSSA, 2017e p10).

The question of the relative weights of the indicator products in the CPI is an important one.

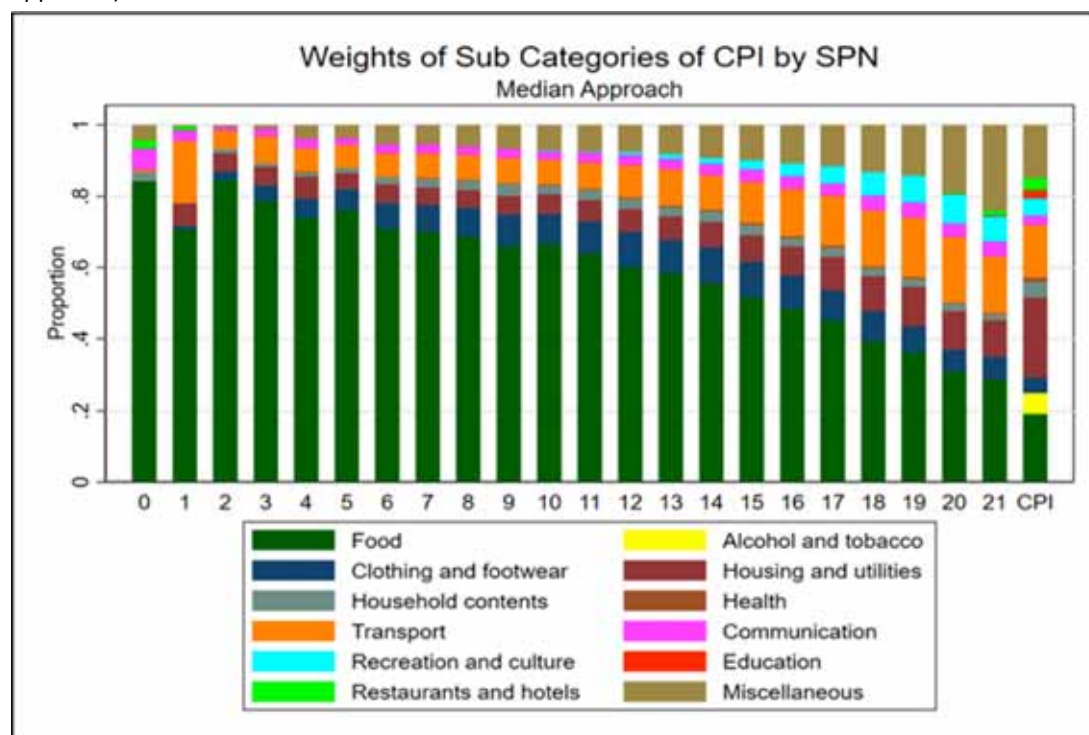
'The weights of the CPI represent the proportions of consumption expenditure by households in a specific period. Each indicator product in the CPI has a weight attached to it which reflects its relative importance in the overall index. The impact that a price change for a good or service has on the overall index is therefore determined by the weight attached to it. The weighted sum of changes in the price of specific products and services in the CPI provides the rate of inflation. Whereas the prices are updated on a monthly, quarterly or annual basis, the weights are normally updated only every four or five years.' (STATSSA, 2017d p13)

The research team explored a number of different approaches for summarising households' expenditure patterns within the LCS 2014/15, and decided to use the '**median expenditure approach**'. Taking as an example those living in households with all 21 SPNs, the process was as follows: (i) the weighted per capita household expenditure for each household in this group was calculated by 'CPI expenditure category'; (ii) the median amount for households in this group (i.e. with 21 SPNs) was calculated by CPI expenditure category; (iii) the amounts were re-weighted to take into account under-reporting of expenditure in the LCS using information from Statistics South Africa (STATSSA, 2017a); (iv) ratios of expenditure types were calculated by CPI expenditure category. For further details about this approach see Annex 4.

The process of profiling expenditure patterns resulted in ratios of the twelve components of expenditure for people living in households with 0 through to 21 SPNs. The ratios of expenditure are, in effect, new weights which can be applied instead of the weights used by Statistics South Africa in their construction of the overall CPI. These new weights can be applied to Statistics South Africa's sub-category-level indices of the CPI and summed to generate a re-weighted CPI - or the DSLI. The DSLI can then be used to inflate/deflate the April 2015 DSL to April 2018 (and indeed April 2019 etc). These reweighting steps are straightforward and can be undertaken in EXCEL using the 'DSLI Calculator' (separately supplied).

Figure 5 below shows the weights of the 12 separate expenditure categories, for people living in households with 0 through to all 21 SPNs. It also shows the Statistics South Africa CPI weights for comparison.

Figure 5: Weights of sub-categories of CPI by number of SPNs possessed (median expenditure approach)



Two other approaches to summarising expenditure patterns were also explored: a ‘total expenditure approach’ and an ‘income approach’, described briefly here, and in more detail in Annex 4. For the ‘total expenditure approach’, the total expenditure for each of the 12 categories was calculated; then adjusted for underreporting of expenditure in the LCS, then ratios were constructed and finally weights were prepared for each category of SPNs possessed.

In contrast for the ‘income approach’, expenditure patterns were summarised for those whose income was between 90% and 110% of the median per capita income for households in possession of 0 through to 21 SPNs. Specifically, the median per capita expenditure was calculated for those cases where the income of those with the appropriate number of SPNs lay between 90% and 110% of median income for that SPN. This was adjusted for underreporting of expenditure; ratios constructed; and finally weights derived.

Having considered these three different ways of profiling expenditure patterns of people with different numbers of SPNs, and the expenditure ratios generated (see Annex 4), the research team made the decision to use the ‘median expenditure approach’.

In summary, the DSLI calculator is an EXCEL spreadsheet which enables one to update the income associated with a DSL, taking into account the expenditure patterns of those in households with different numbers of SPNs (i.e. possessing 16, 18, 21 SPNs in particular). The DSLI calculator includes weights generated on the basis of expenditure patterns of those in households with 16, 18, and 21 SPNs broken down by the CPI’s twelve sub-categories; and the sub-category CPI indices. Using this information it is possible to calculate a DSLI-uprated DSL, rather than a CPI-uprated DSL. The next section presents the results using this methodological approach.

5 Results

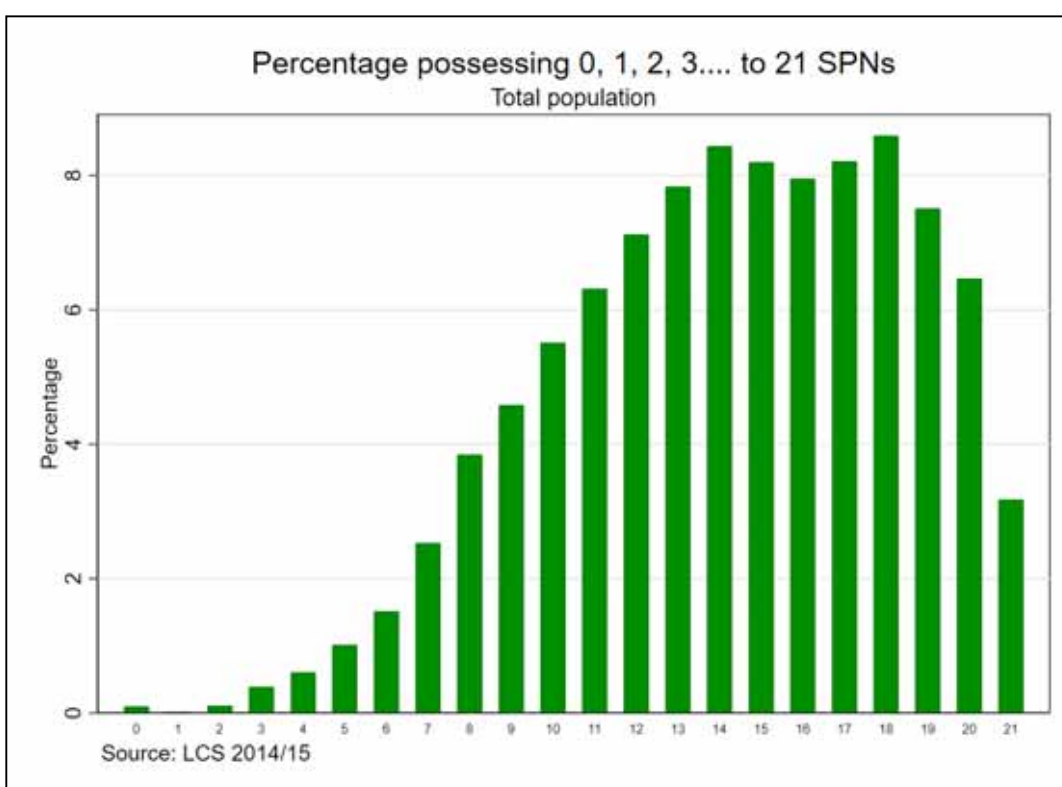
The analysis presented here relates to the whole population. Analysis has also been undertaken for three subgroups of the population: households with children, households without children (see Annex 5) and households containing an adult of working age in paid employment (see Annex 6). Such subgroup analysis could be expanded further as a separate exercise and would be very worthwhile for the purposes of exploring the implications for policy of these findings.

5.1 How many people in South Africa currently have a decent standard of living, defined in this way?

Using the LCS 2014/15 it was possible to measure the proportion of the population that possess the 21 SPNs at that timepoint. The following figure shows the percentage of people with 0, 1, 2, 3 through to all 21 SPNs. As can be seen the proportion of the population with all 21 SPNs is very small, at around 3 percent (approximately 1.7 million people).

Taking into account the different thresholds of adequacy referred to in Section 4, 26% of the population have 18 or more SPNs (approximately 14 million people), and a much larger 42% of the population have 16 or more SPNs (approximately 23 million people).

Figure 6: Percentage of people with 0 through to 21 SPNs





5.2 What is the income level associated with a decent standard of living?

The LCS 2014/15 contains detailed information on individuals' incomes and so it was possible to explore how possession of the SPNs is associated with per capita household incomes using the LCS 2014/15. Table 7 shows the mean and median monthly per capita income of those possessing 0 – 21 SPNs.

A decision was made to use the **median** income as the reference point, rather than **mean** as the mean is more affected by high income outliers as is illustrated in Table 7 below. The per capita per month median incomes for those with 16, 18 and 21 SPNs are R1,238, R2,172 and R5,993 respectively in April 2015 prices.

Table 7: Median and mean monthly per capita income of those possessing 0 – 21 SPNs, April 2015 prices

<i>Number of SPNs possessed</i>	<i>Median Monthly per capita income (Rands)</i>	<i>Mean Monthly per capita income (Rands)</i>
0	0	0
1	665	670
2	366	679
3	390	535
4	228	502
5	342	635
6	414	691
7	378	605
8	406	676
9	421	741
10	469	909
11	494	946
12	622	1117
13	721	1442
14	825	1632
15	1007	1946
16	1238	2639
17	1578	3476
18	2172	4452
19	2983	5341
20	4521	7550
21 (DSL)	5993	9646

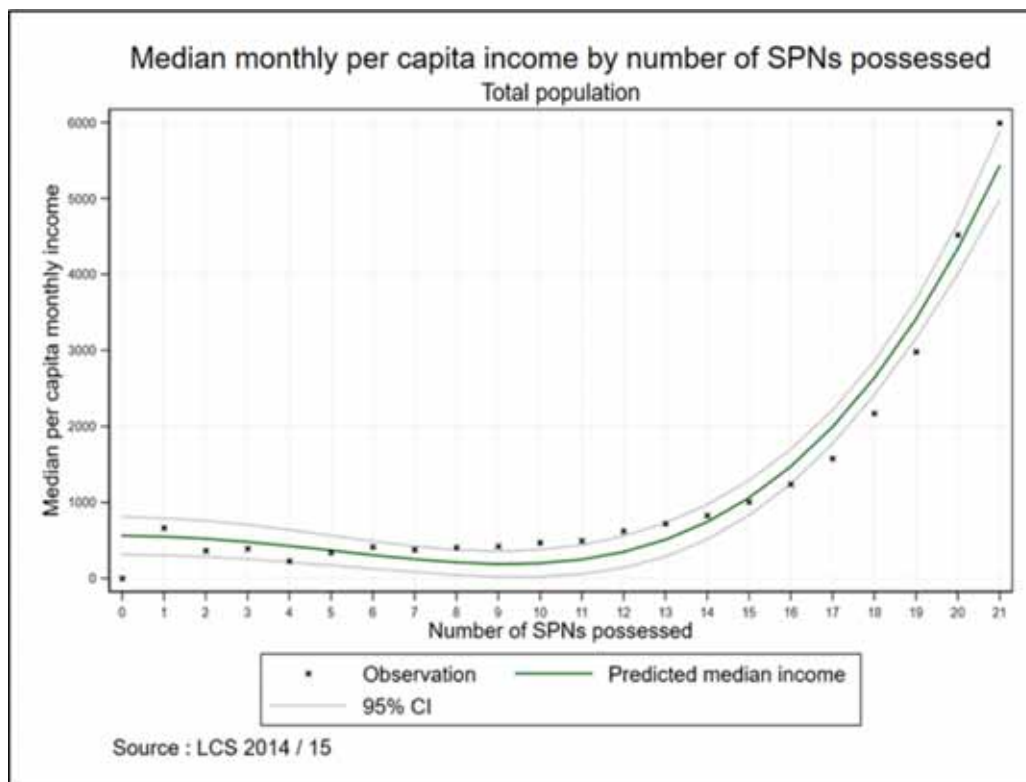
Source: LCS 2014/15

As on average there are 3.86 people per household (own analysis using the LCS 2014/15), the median income associated with a DSL for an average household would be R23,133 per month in April 2015 prices, or R277,600 per year.

The implication of this table is not that the average household needs to have an income of R23,133 per month in order to have a decent standard of living; rather it demonstrates the income levels associated with households that have a DSL.

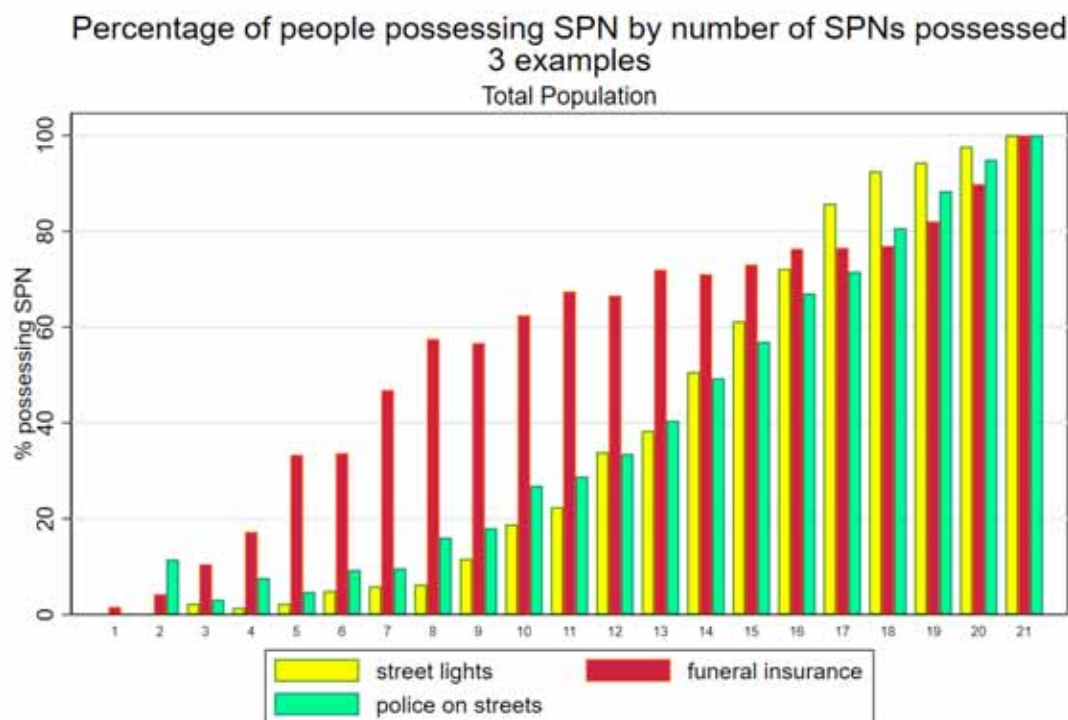
The figure below displays Table 7 graphically. It illustrates the median monthly per capita income by number of SPNs possessed for the total population in April 2015 prices.

Figure 7: Median monthly per capita income by number of SPNs possessed, April 2015 prices



We explored the SPNs to identify those which are most likely to be acquired before others, and those which are mainly associated with higher incomes. Although this will vary by household, it is possible to explore the general trends: Figure 8 illustrates this, showing the percentage of people possessing a specific set of SPNs by number of SPNs possessed. As can be seen, funeral insurance tends to be acquired before living in a neighbourhood with street lighting and visible policing. Other examples are contained in Annex 3.

Figure 8: Percentage of people possessing SPN by number of SPNs possessed: three examples



5.3 What is the income level associated with a decent standard of living in 2018 amounts?

The income level associated with a DSL was updated using the DSLI from an April 2015 timepoint to an April 2018 timepoint. The figures for April 2018 are as follows: R1,466 (16 SPNs); R2,555 (18 SPNs); and R7,043 (21 SPNs). These figures are median per capita incomes.

The updated amounts take into account the expenditure patterns of those with 16, 18 or 21 SPNs. Using the DSLI in this way, the inflator is very slightly greater for those in households with 16 SPNs (1.184) than for those with 18 SPNs (1.176) and those with 21 SPNs (1.175). For all three thresholds, the multiplier using the DSLI is slightly greater than the CPI (1.169).

Analysis was undertaken to compare how the amounts would increase using the CPI, rather than the DSLI. It was found that the DSL for those with 16 SPNs in 2018 (having inflated using the DSLI) is R1,466 per month per person, as compared to R1,447 using the CPI.

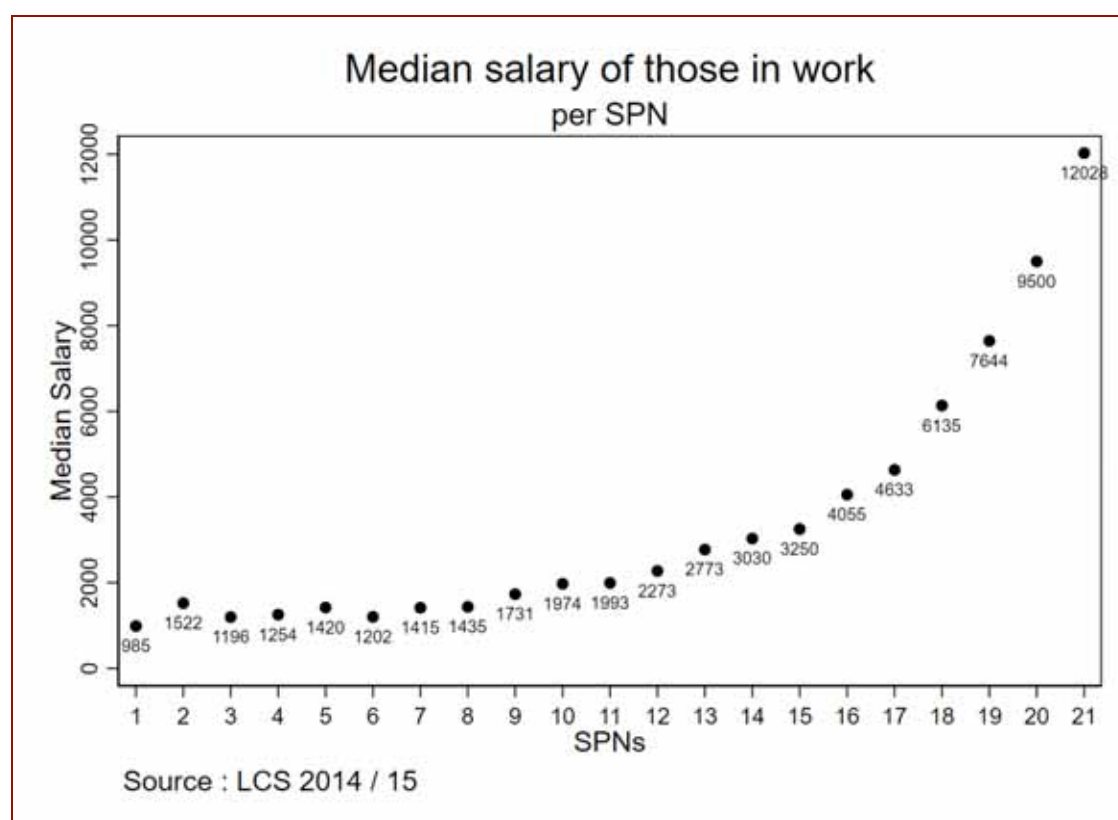


6 Comparing the DSL to Other Benchmarks

6.1 Relationship between possession of socially perceived necessities and earned income

The relationship between possession of SPNs and earned income was explored by computing for each number of SPNs possessed the median monthly salary per adult earner within each household containing at least one adult earner.¹⁰ The chart below shows that for those with 16 SPNs the median monthly salary was R4,055; for those with 18 SPNs it was R6,135; and for those with 21 SPNs it was R12,028. These figures are all at April 2015 prices.

Figure 9: Median salary of those in work by number of SPNs possessed



The national minimum wage has been set at R3,500 per month. From Figure 9 we can identify that this wage is associated with possession of around 15 to 16 SPNs.

¹⁰ Adults aged 18 and over in receipt of earnings from paid employment.



6.2 How does the DSL income level relate to and compare to the poverty lines in South Africa?

It will come as no surprise that the income level associated with a DSL is higher than the poverty lines that are in use in South Africa. The income level associated with a DSL should be regarded as complementary (rather than in opposition) to the poverty lines.

It must be borne in mind that poverty lines are often described as random measures drawn to measure upward or downward trends over time, usually either of income or expenditure (consumption). Noble et al. (2007) outline three distinct although sequential steps in approaching poverty: conceptualisation of poverty, definition, and measurement (Noble et al., 2007). How poverty is conceptualised is deeply steeped in societal values of belonging, the weight a society ascribes to inclusion and equality and to the inherent right to live a life of dignity. A definition would constitute delineating these values in absolute or relative terms, and the measurement would then be developed as a marker of trend growth of the application of this marker against data. As such, it is important to bear in mind that there is no 'right' or 'wrong' way to measure poverty. A measurement is merely a tool to obtain information for a given purpose.

In 2012, after much consideration, Statistics South Africa adopted three poverty lines that it announced it would be 'piloting', although these do seem to have stuck and become adopted formally into the poverty lexicon, shaping and setting our thinking about the matter. These three poverty lines are set out in more detail in Section 3.1.4 above. While the findings of the DSLI study demonstrate that the values of the poverty lines do not constitute anything close to the incomes associated with a decent life in an upper middle-income country, it is extremely useful to have had an indication of **trends** of people's consumption levels over time. The most recent Poverty Trends Report of Statistics South Africa (STATSSA, 2017b), using the three poverty lines, was able to show very clearly over time how poverty along all three poverty lines has increased **significantly** in 2011 after an initial reduction in the measured poverty levels of people living in South Africa.

As set out in Section 3.1.4 above, the three poverty lines uprated for April 2017 prices were R531 for the food poverty line, R758 for the lower bound poverty line and R1,138 per person per month for the upper bound poverty line.

Much has been written about the racially discriminatory choices practiced in the past in the development of poverty measures in South Africa's history. It is important to recognise that the values that determined the income measures adopted both shaped our past and will – even implicitly – colour the normative acceptance of current poverty measures. The construction of the first Poverty Datum Line in South Africa took place just after World War II to measure well-being amongst Coloured people living in the Western Cape. The crafter of this line, Professor Batson, said that this line 'fulfills its purpose of stating the barest minimum upon which subsistence and health can theoretically be attained under Western conditions. But it would not be accepted as providing a civilised standard of living' (quoted in Budlender, 1985 p1).

A key distinction that can be drawn between the DSL and these poverty lines, lies in the conceptualisation. The monetary values of South Africa's poverty lines measure at their heart a survivalist standard of living – the most minimal nutritional intake required by someone in order to survive informs the cornerstone measure, the Food Poverty Line. The additional two lines are constructed using this cornerstone. The DSLI on the other hand is founded on a concept of a decent life. As set out above, this is not a life of luxury but neither is it a basic, minimalist standard of living.



The reason for the insistence on the construction of an index that measures, very clearly, the level of a standard of living based on proxy indicators identified by ordinary people as being important for living a life of decency in South Africa is thus clear. While it enables us in the immediate context to know how many people are able to meet this level, it is also critical for providing an aspirational level that the state must commit itself to attain progressively, using its maximum available resources as determined by the UN CESC. It is therefore argued here that the DSL and the poverty lines have equally critical although distinct aims and objectives, as too do measures such as the poverty gap that derive from the poverty lines, and the measures of the extent of income and wealth inequalities in South Africa.

6.3 How does the DSL income level compare to other benchmarks of income and adequacy in South Africa?

In this section we compare the thresholds of a DSL with other measures or benchmarks of income, earnings and adequacy that exist for South Africa.

Most of the benchmarks we review fall below the median per capita income associated with a DSL (using all 21 SPNs). The exceptions are the median salary associated with households that possess all 21 SPNs and average monthly earnings reported in the quarterly employment statistics by Statistics South Africa.

So for example, the national minimum wage of R3,500 per month sits at about 50% of the per capita income associated with a DSL – a life without struggle.

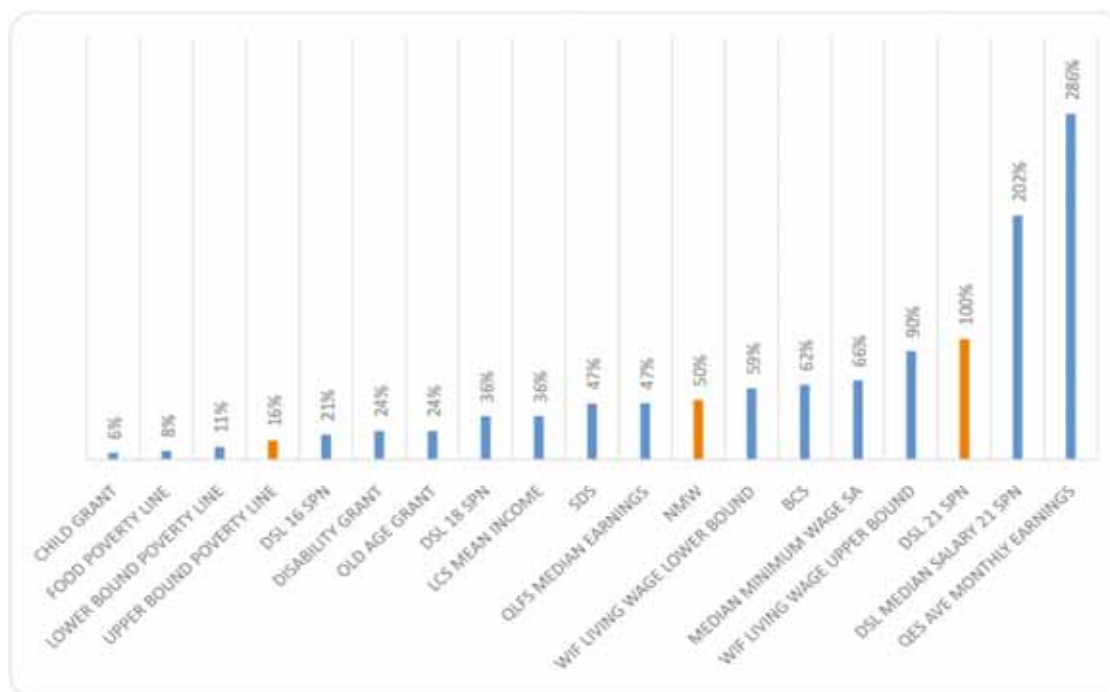


Table 8: Selected benchmarks of per capita income/earnings and living wage measures in South Africa (monthly amounts in Rands)

Measure	Amount (ZAR)	Date
Child Support Grant	400	April 2018
Food poverty line (Statistics South Africa)	531	April 2017
Lower bound poverty line (Statistics South Africa)	758	April 2017
Upper bound poverty line (Statistics South Africa)	1 138	April 2017
DSL 16 SPNs	1 466	April 2018
Disability Grant	1 690	April 2018
Old Age Grant	1 690	April 2018
DSL 18 SPNs	2 555	April 2018
Mean income (Living Conditions Survey)	2 558	2014/2015
Sectoral Determinations	3 277	September, 2018
Median earnings (QLFS)	3 300	2016, STATSSA
National Minimum Wage	3 500	2018
Living wage lower bound (Wage Indicator Foundation)	4 170	January 2018
Bargaining Councils	4 372	September 2018
Median minimum wage SA	4 631	September 2018
Living wage upper bound (Wage Indicator Foundation)	6 340	January 2018
DSL 21 SPN	7 043	April 2018
DSL median salary 21 SPN	14 242	April 2018
Average monthly earnings (QES)	20 176	June 2018

There is a vast distance between social grants and the median per capita income associated with a DSL, using all 21 SPNs (R7,043 per person per month). As can be seen in Figure 10, the Child Support Grant is 6% of the DSL (21 SPN) amount, while the Old Age Grant is about a quarter (24%) of the DSL (21 SPN) amount.

Figure 10: Selected benchmarks of monthly per capita income or earnings in South Africa as a proportion of the median per capita income associated with a decent standard of living (21 SPNs) at R7,043 per month



Notes: For dates see Table 8. BC: Bargaining Councils; DSL: Decent Standard of Living measure; LCS: Living Conditions Survey; NMW: National Minimum Wage; QES: Quarterly Employment Survey; QLFS: Quarterly Labour Force Survey; SD: Sectoral Determinations; SPN: Socially Perceived Necessities; WIF: Wage Indicator Foundation.



7 Social Dialogues

Integral to the concept of an inclusive standard setting process is the issue of broader engagement with people who are not technical experts in the field. As part of the development of the architecture of the construction of a DSLI, all the partners agreed that it would be necessary and desirable to host social dialogues to discuss some of the issues that emerged from the data analysis and other more conceptual work.

Accordingly, three social dialogues were hosted. The first was early in 2018, once the framing literature report and initial testing of the data analysis was completed and digested by the leading project actors. This was hosted in Gauteng, and involved a mixture of social actors. The team held a further dialogue in Johannesburg in September 2018 involving worker representatives drawn from different trade union federations and economic sectors as well as migrant workers. The participants were very receptive to the decent standard of living framework. The participants, like so-called 'expert' audiences before them, did raise questions about 'missing items', but this was more a means of developing their understanding of the approach than a rejection of the index. The participants began to distinguish quite quickly between items that could be bargained for with employers and items that were best bargained for with the state. Some participants were struck by the fact that while they considered themselves relatively affluent by comparison to some, they themselves did not possess all the socially perceived necessities.

National Planning Commission

The National Planning Commission (NPC) has kept an active interest in the development of the DSLI, given the commitments in the NPC's National Development Plan to advance a decent standard of living for all, identified through national dialogues on the essential elements of such a standard of living.

Our first formal briefing of the NPC took place at their invitation in 2014 which was when our thinking was far more conceptual. As recently as September 2018, we were able to present early findings from the DSLI study to a meeting of a reference panel of the NPC. Initial discussion suggested that a concrete basket would satisfy people's immediate curiosity, and yet the explanation of the proxy indicator methodology was well received.

Statistics South Africa and Department of Social Development

Meetings have been held with both Statistics South Africa and the DSD on the methodology and approach to the DSLI to provide opportunities to strengthen the work if required. The meetings provided invaluable opportunity to do just that and have been much appreciated. Similarly, the regular meetings with DSD, the ultimate source of financing for this work, have sharpened our appreciation for the very concrete ways in which the DSLI could contribute to policy making and evaluation in the real time work of policy makers in South Africa.

Annual DSLI Colloquia

In 2018 the 3rd Annual Colloquium on a Decent Standard of Living will be hosted. The first Colloquium, hosted in 2016, explored the legal obligations of achieving a standard of living located primarily in South Africa's Constitution and the ratification of the UN ICESCR. The 2nd Colloquium explored critical constitutive elements of a DSL as represented by sector-specific interest groups. In the 2018 Annual Colloquium the DSLI will be presented together with ideas about the location of the DSLI as part of the broader national anti-poverty machinery, in order to guarantee its ongoing use and development in a heavily populated policy environment.



8 Policy Implications of the Findings: Some First Thoughts

This section explores the possible policy implications of the DSL and DSLI. The findings offer more than a series of thresholds around which we can measure how many are below and how many are above. They offer ideas about how to move households along the curve towards the possession of all SPNs. We begin by making a few observations about the analysis with the intention of equipping the reader to make their own informed assessment of the validity of any assertions that are made in this section.

Strictly speaking, in order to be considered to be living at a decent standard, a household should possess all, rather than some, of the SPNs presented in the analysis. If a household is not in possession of even one of those necessities then they are not at the threshold of a DSL. Even so, the real world demands that we balance our desire for a decent life for all with the finite resources at our disposal as a society. So, while we recognise the ideal, we acknowledge that it might be necessary to realise that ideal progressively.

At the outset, we must also make it clear that our analysis shows the incomes associated with the possession of SPNs. Our analysis does not show what it costs to acquire the SPNs. This is an important distinction.

We acknowledge that we cannot definitively know the order in which any particular household acquires SPNs. We can, however, make an informed guess as to the likely order or at least patterns of acquisition of necessities by households.

The flatness of the curve of incomes plotted against possession of the SPNs (Figure 4 above) suggests that households can acquire up to about 14 SPNs without large increases in the per capita income associated with possessing those necessities. This is an interesting observation from a policy perspective. It appears that progress in possessing SPNs up to this point need not be driven by cash transfers to individuals or households. The modalities of possession are explored further below.

The increasing steepness of the curve from the possession of about 15 SPNs onwards suggests that relatively large increases in household per capita income are associated with the possession of each subsequent necessity.

The highly unequal distribution of wealth in South Africa is likely to shape the curve of incomes associated with the possession of SPNs. Put another way, it is perhaps likely that households that possess all the SPNs have higher per capita income than is required to possess all of those necessities. Conversely, household per capita income associated with households possessing relatively few SPNs might not reflect the strain of acquiring those necessities or the ingenuity and social networking strategies deployed to acquire certain necessities.

It is possible to consider how households can acquire each of the SPNs. We identify three broad categories or modalities of acquisition. The first is social networks. SPNs such as 'someone to talk to when you are upset' can be acquired through the household's own social networks rather than bought.

A second category is that of the social wage, understood here as goods and services that are best provisioned by the state. SPNs that could be considered as part of a social wage include 'tarred roads close to the house' and 'street lighting'.



A third category is that of commodity, simply put - goods or services that can be bought with money. SPNs likely to be acquired in this way include a refrigerator and funeral insurance.

These broad categories are not mutually exclusive. For example, a household may commodify the acquisition of tarred roads close to the home and street lighting by moving to an area where this infrastructure is better developed. This is a relatively expensive mode of acquiring a necessity and there will be significant barriers to entry for many households.

A SPN such as 'a large supermarket in the local area' is more difficult to categorise. Business tends to follow incomes and infrastructure development, and so this necessity appears to be a derivative of other factors, rather than something that can be provided or acquired. In a similar way, the SPN of 'regular savings for emergencies' is also a function of the amount of disposable income a household has, although it might also be incentivised through efforts to foster a culture of saving, access to low cost banking for low income households and innovative savings schemes such as stokvels.

It is no coincidence that SPNs that can be acquired through social networks are likely to be possessed earlier rather than later. If we consider the SPNs from the point where the curve of associated incomes becomes steeper (the 'late jumpers'), we find that a number of them may be classified as elements of a social wage, including street lighting, police on the streets in the local area and a neighbourhood without rubbish/refuse/garbage in the streets. The implication is that the development of quality targeted community infrastructure is likely to assist households in acquiring a number of the 'last mile' necessities. This is very relevant for policy makers in the wake of the current upsurge of the long smouldering community protests relating to lack of social and development infrastructure and the sense of community-wide isolation.

The adoption of constitutionally- guaranteed socio-economic rights subject to progressive realisation, which mirror the construction of the rights guaranteed in the UN ICESCR was, arguably, done so with an appreciation of the high levels of historic multi-generational deliberate under-development of the many dimensions of well-being and dignity of the majority of South Africans under colonial and Apartheid rule.

Both local jurisprudence and UN CESCR Comments have made very clear that the principle of progressive realisation cannot be used as an excuse to not aggressively advance towards universal enjoyment of these rights. In practice however, the most committed policy makers are at a disadvantage in advancing universal realisation in the absence of markers or yardsticks by which to measure progress.

The negotiation of a national minimum wage too was premised on an acknowledgement that the initial level of the national minimum wage falls far short of a living wage, and the negotiated agreements include a commitment to advance towards the latter as expeditiously as possible.

The DSL should be seen as a crucial contribution or tool to advance understanding of input standards that build towards the universal enjoyment of a decent or adequate standard of living for all in South Africa. It provides a bold declaration of aspiration, as well as providing a measure to track progress and to understand regress if and where it occurs. The broad range of SPNs cover both public and privately acquired goods, as indicated above. As such, it provides a tool that can be used to consider income-related assessments and policy interventions as well as achievements in advancing a better social wage.

A simple illustration of the potential use of the DSL, for instance in relation to the annual increase of the national minimum wage and in the setting of the levels of social grants, would be to describe them in terms of their proportion of the DSL on a yearly basis. Currently, annual settings, for instance, of the Child Support Grant and other social grants are considered against real increases of the previous year's values, or with reference to the overall levels of inflation, rather than in terms of an



adequate standard of living for the child or the beneficiary in question. As we continue to develop this analysis using the rich available data about household types and rural/ urban locations as well as the gendered and age demographics of households, so we will be able to build our understanding of what is required to achieve a decent standard of living for all, a life of dignity and without struggle, in South Africa.



9 Recommended Next Steps for DSLI

This study has drawn upon the findings of many earlier studies and publicly available survey datasets. There are two ways in which the findings can be kept up to date.

First, the DSLI can be updated each year using CPI data that is released by Statistics South Africa. This does not require any further primary research beyond that which is already undertaken in-house by Statistics South Africa. The updating process for the DSLI would be straightforward and quick, and could be undertaken by updating a small number of cells within the DSLI calculator.

Second, the threshold of adequacy, i.e. the DSL, should be regularly refreshed. This is urgently required as the current threshold of adequacy was derived from research conducted over a decade ago. Specifically, the DSL refers to items that were derived from a large study involving focus groups and definitional modules in the SASAS in 2006-2008 (Wright, 2008). Given that society's views about necessities can be expected to change over time, an update of this work is already overdue. There is little cause for concern that the SPNs have completely changed since the initial analysis was undertaken, as most people who lack the SPNs state in the LCS 2014/15 that they do not possess them due to lack of resources rather than by choice. Nevertheless, it would strengthen the findings greatly to undertake the refresh process.

Given the elapsed time since the initial research was undertaken, the ideal process for 'refreshing' the DSL is set out in the table below. This would comprise conducting extensive focus groups with people across South Africa, to explore what items, activities and services they regard as essential that everyone in South Africa should have or have access to (Step 1). In the initial study, 48 such focus groups were undertaken. The qualitative phase would then be followed by a module in a nationally representative survey such as SASAS to identify the SPNs (Step 2). Possession of the SPNs would then be measured in a survey that also captured detailed information on income and expenditure (Step 3), so that the analysis presented here could be updated (Step 4). The refreshed DSLI could then be updated again on an annual basis (Step 5).

Table 9: Summary of steps to refresh the DSL and update the DSLI

Activity	Method
1. Refresh the SPNS through qualitative enquiry	New qualitative research: Repeat the focus groups to explore what items, activities and services people regard as essential that everyone in South Africa should have or have access to.
2. Refresh the SPNs using a nationally representative survey	New module in a social attitudes survey: Design, pilot and run a module to identify which of a set of items (informed by the focus groups) are regarded as essential
3. Measure possession of the refreshed SPNs	New module in Living Conditions Survey or similar: Measure possession and enforced lack of the necessities
4. Analyse relationship between possession of the refreshed SPNs and income and expenditure	Secondary data analysis: Identify incomes and expenditure patterns of those with a decent standard of living; update the income levels associated with a DSL. Redo the construction of the DSLI, taking into account the updated information on incomes and expenditures.
5. Annual update of the DSLI	Secondary data analysis: Update the income associated with a DSL, using the DSLI and CPI data on an annual basis

The qualitative phase would inevitably be time-consuming and costly, as it would entail focus groups across South Africa in different provinces and languages. The exercise could be reduced in scope to a Decent Standard of Living Index | Final Report



smaller number of focus groups with the narrower remit of revisiting the items in the 2008 SASAS module and exploring whether the indicators still capture a representation of the breadth of possible necessities as well as encompassing items that are likely to be regarded by many as luxuries and therefore not essential (in order to demonstrate that distinctions are being made by respondents on this basis and that it cannot be dismissed as merely aspirational). Whether undertaken in full or in part, this qualitative phase could inform an update of the definitional questions for inclusion in a module in a future round of the SASAS, for example in 2019.

The update process would reveal the extent to which views about necessities have changed since 2007. For example, some items may now be regarded as essential by a higher proportion of the population than previously (e.g. the washing machine as in the UK) or may have become less essential (e.g. landline, as in South Africa between the pilot in 2007 and the full module in 2008). This would update our understanding of the 'social minimum' for an acceptable standard of living, the possession of which could then be measured either in the same SASAS module (as previously in 2008/09 and 2014/15) or in Statistics South Africa's next Living Conditions Survey. This would ensure that the DSLI was anchored in current views about what comprises a decent standard of living.

In summary, in terms of the **frequency of updating the DSL this can be undertaken on an annual basis, and can take place quickly using the DSLI calculator template**: the input data would remain the same apart from that obtained from Statistics South Africa in published CPI reports. The more substantive **full refresh of the SPNs should be undertaken on a 10-yearly (or even better less than 10-yearly) basis**.

In the meantime, the current data can be explored in more detail: examples of sub-group analysis are provided in Annexes 5 and 6, for presence of child/ren in the household, and for households containing one or more employed adults of working age. However, this could be expanded in scope and depth.

Annex 1

Results from the 2006 Socially Perceived Necessities Module

TABLE 1. Percentage of people defining an item as essential (sorted in descending order) and rates of possession/non-possession

Item	A % of all saying essential	B % of all that possess the item	C % of all that do not have the item and cannot afford it 'DHCA'	D % of all that do not have the item and do not want it 'DHDW'
* Mains electricity in the house	92	82	17	1
* Someone to look after you if you are very ill	91	87	—	—
* A house that is strong enough to stand up to the weather, e.g. rain, winds etc.	90	75	24	1
* Clothing sufficient to keep you warm and dry	89	81	16	3
* A place of worship (church/mosque/synagogue) in the local area	87	83	—	—
* A fridge	86	70	28	3
* Street lighting	85	51	—	—
* Ability to pay or contribute to funerals/funeral insurance/burial society	82	64	32	3
* Separate bedrooms for adults and children	82	72**	24	4
* Having an adult from the household at home at all times when children under ten from the household are at home	81	67**	—	—
* Having police on the streets in the local area	80	45	—	—
* Tarred roads close to the house	80	52	—	—
* Paid employment for people of working age	79	33**	—	—
* For parents or other carers to be able to buy complete school uniform for children without hardship	79	60**	17	19
* A flush toilet in the house	78	51	42	6
* People who are sick are able to afford all medicines prescribed by their doctor	77	48	45	6
* Someone to talk to if you are feeling upset or depressed	76	86	—	—
* A neighbourhood without rubbish/refuse/garbage in the streets	75	54	—	—
* A large supermarket in the local area	75	51	—	—

TABLE 1. Continued.

Item	A % of all saying essential	B % of all that possess the item	C % of all that do not have the item and cannot afford it 'DHCA'	D % of all that do not have the item and do not want it 'DHDW'
A radio	74	84	13	3
* Someone to transport you in a vehicle if you needed to travel in an emergency	74	59	—	—
* A fence or wall around the property	74	65	32	4
* Being able to visit friends and family in hospital or other institutions	73	75	22	3
* Somewhere for children to play safely outside of the house	72	39**	—	—
* Regular savings for emergencies	71	42	53	4
* A neighbourhood without smoke or smog in the air	69	51	—	—
Television/ TV	69	72	25	3
Someone to lend you money in an emergency	66	58	—	—
A cell phone	63	69	27	4
* Meat or fish or vegetarian equivalent every day	62	49	44	7
A bath or shower in the house	62	42	50	8
Burglar bars in the house	62	40	51	9
Special meal at Christmas or equivalent festival	56	57	35	7
Some new (not second-hand or handed-down) clothes	55	53	41	5
A sofa/lounge suite	54	64	32	4
A garden	51	52	33	15
A car	49	30	63	7
A landline phone	48	24	57	18
Washing machine	44	32	57	12
A lock-up garage for vehicles	43	22	62	16
A small amount of money to spend on yourself not on your family each week	42	32	58	10
Having enough money to give presents on special occasions such as birthdays, weddings, funerals	41	32	61	7
For parents or other carers to be able to afford toys for children to play with	39	26**	45	24
A burglar alarm system for the house	38	12	71	16
A holiday away from home for one week a year, not visiting relatives	37	32	53	14
A family take-away or bring-home meal once a month	34	42	47	10

TABLE 1. Continued.

Item	A % of all saying essential	B % of all that possess the item	C % of all that do not have the item and cannot afford it 'DHCA'	D % of all that do not have the item and do not want it 'DHDW'
An armed response service for the house	28	11	67	21
A DVD player	27	39	49	11
A computer in the home	26	18	64	17
Satellite Television/DSTV	19	13	67	19

Notes: The 36 items that were defined as essential by more than half of the respondents are highlighted in bold.

* These 26 asterisked items are explained below.

** These figures in Column B should be treated with caution as they do not take into account the respondent's age or parental status.

Source: SASAS, 2006.



Annex 2

Further Details on the Preparation of the Income Data in the LCS 2014/15

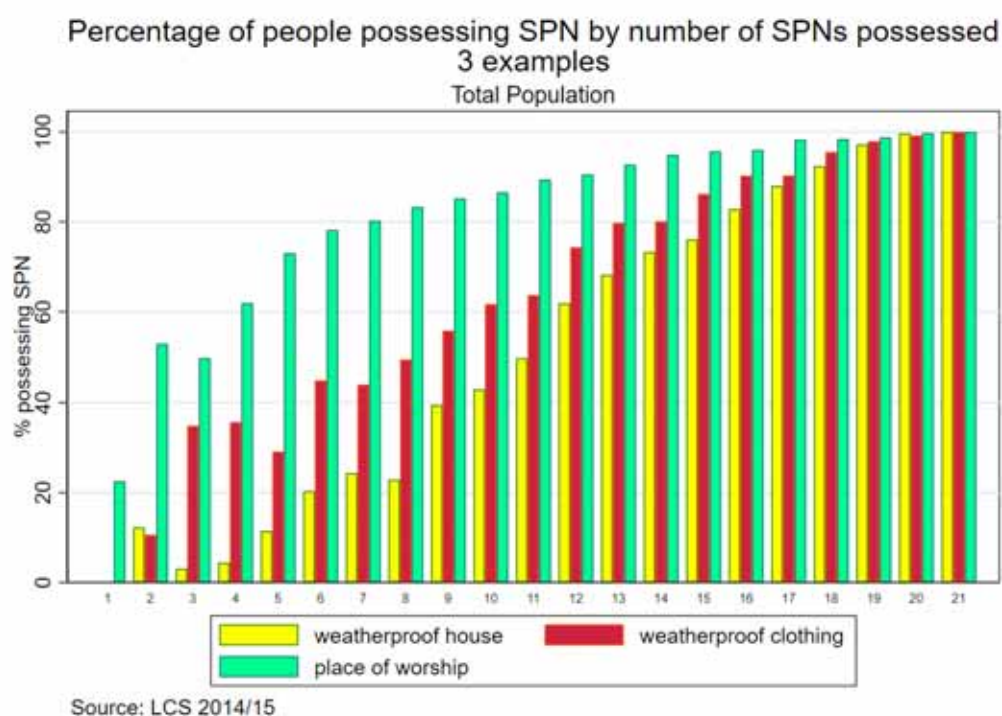
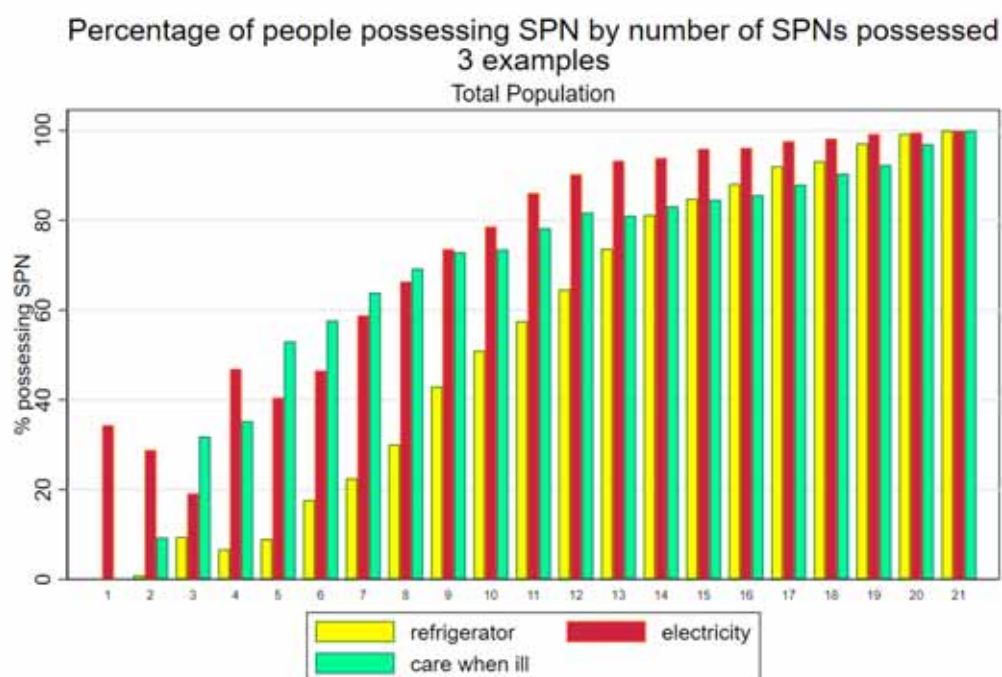
As part of the data preparation stage of this study, the income data in the LCS 2014/15 was carefully scrutinised. Initially, a composite total household income was generated and compared against Statistics South Africa's published analysis of the LCS 2014/15 (STATSSA, 2017a). This revealed some differences in conceptualization of income: Statistics South Africa's composite income variable excludes the following: goods and services received by virtue of occupation, non-refundable bursaries, value of housing and value of transport. However, all other sources of income, such as imputed rent on owned dwelling are included by Statistics South Africa.

For the purposes of this project, where the focus is on the incomes associated with a decent standard of living, it could be argued that any 'non-cash' sources of income (or income in kind) should be excluded. Therefore, after careful deliberation it was decided that the per capita income variable to be used for the DSLI project should exclude the following: goods and services received by virtue of occupation, non-refundable bursaries, value of food received, value of housing, value of clothing, value of transport, value of other benefits, donations, gifts etc., lobola or dowry received, and imputed rent on owned dwelling.

Data cleaning steps involved a number of further checks on the income data to identify missing or implausible values (e.g. analyzing response rates, investigating obvious outliers in different income categories). Statistics South Africa undertakes its own validation exercise, comparing the LCS against National Accounts. The LCS 2014/15 captured 71.0% of total expenditure reported in National Accounts from 2015 (STATSSA, 2017a pp.7-9). With regard to real and nominal change over time comparing the IES 2010/11 and LCS 2014/15, Statistics South Africa report a similar pattern to the National Accounts. Through another project being undertaken by SASPRI (the South African Microsimulation Model - SAMOD) which also utilises the LCS 2014/15, it has become apparent that there may be an issue with the income distribution as there seem to be too many taxpayers in the lower tax brackets and too few in the higher tax brackets, when compared to National Treasury reports. This finding is compatible with a health-warning provided at the front of the LCS report which warns that the survey captures too few high-income individuals. The consequence of this would be that the results of this study, in terms of the incomes associated with a DSL, may be under-estimations, and so the DSL estimates are probably slightly lower than they might otherwise be.

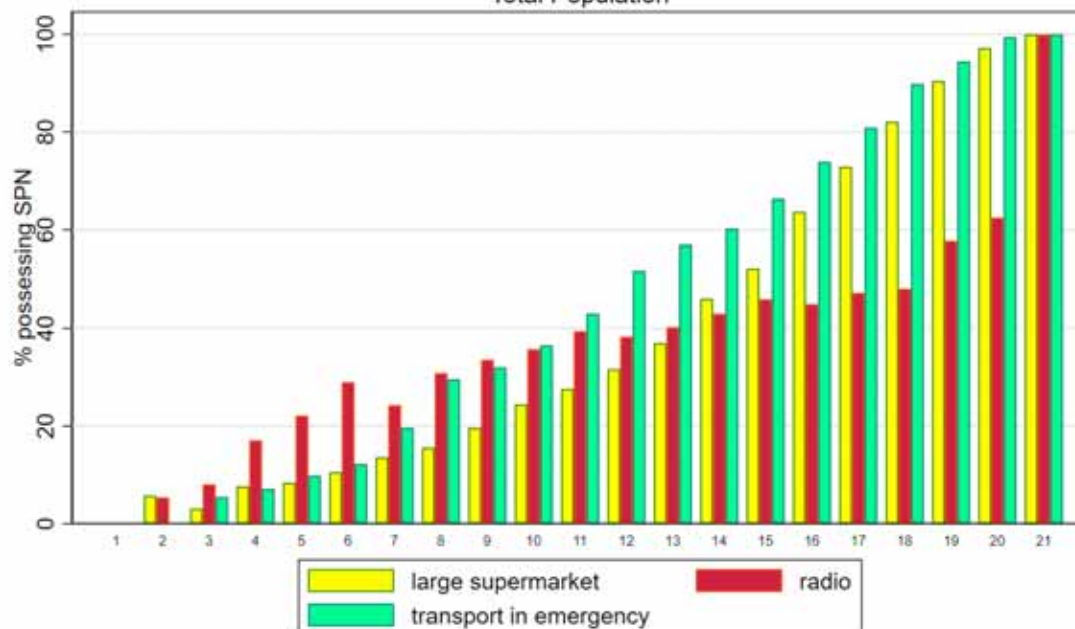
Annex 3

Order of Acquisition of SPNs



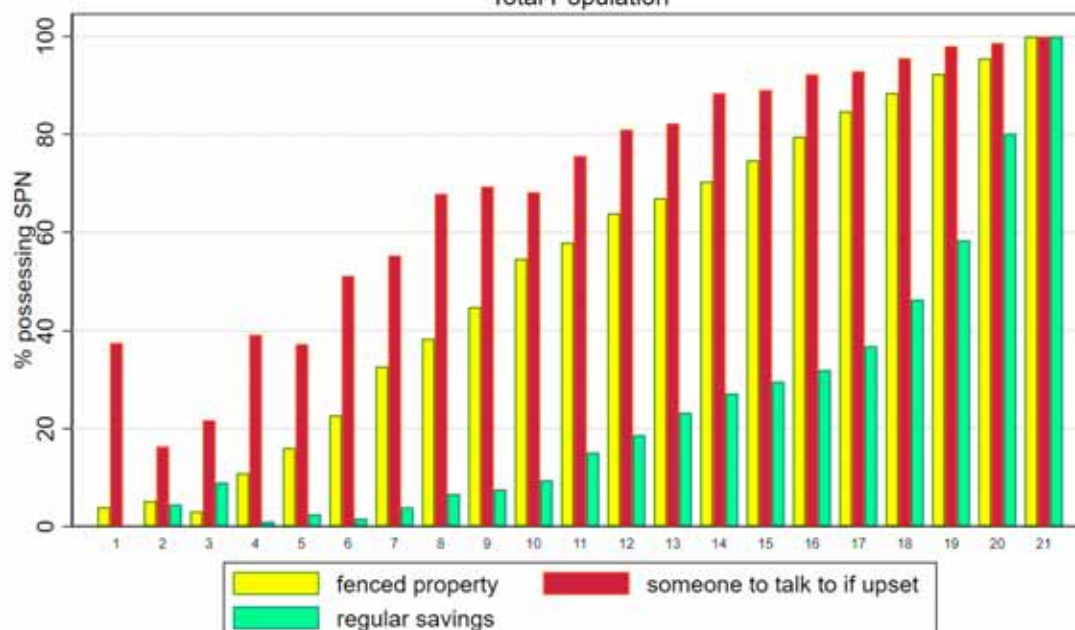


Percentage of people possessing SPN by number of SPNs possessed
3 examples
Total Population



Source: LCS 2014/15

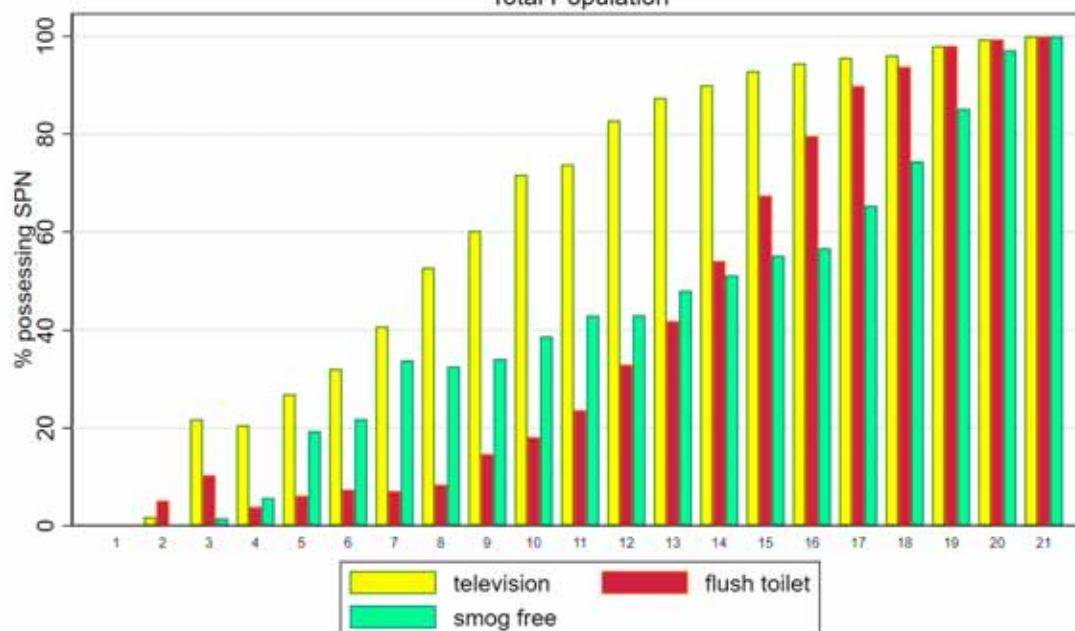
Percentage of people possessing SPN by number of SPNs possessed
3 examples
Total Population



Source: LCS 2014/15

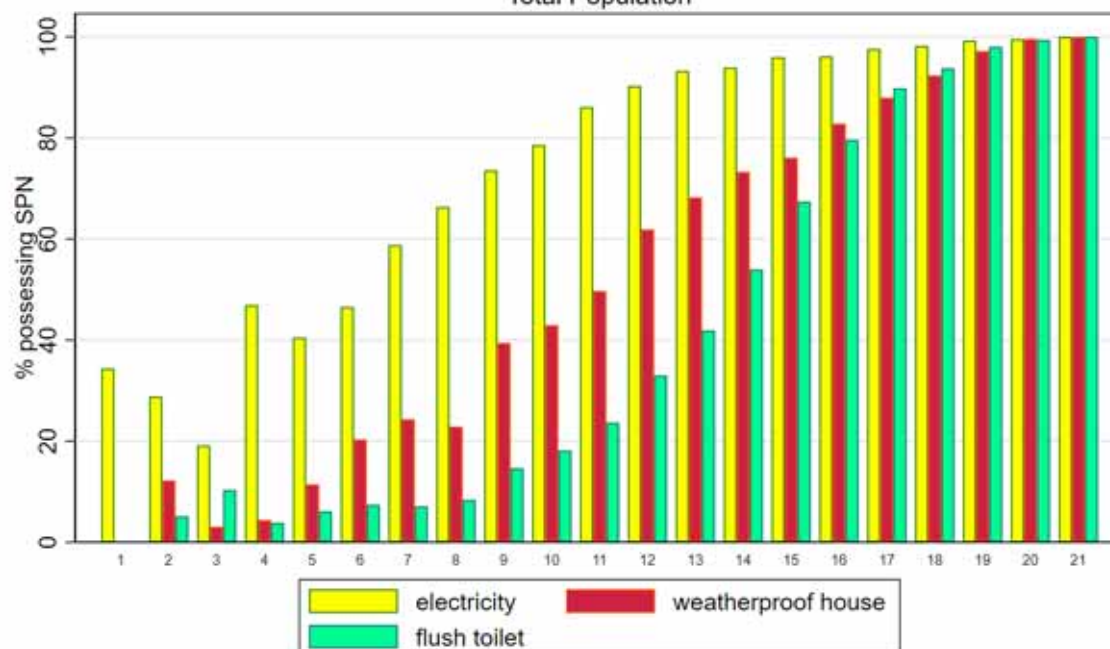


Percentage of people possessing SPN by number of SPNs possessed
3 examples
Total Population



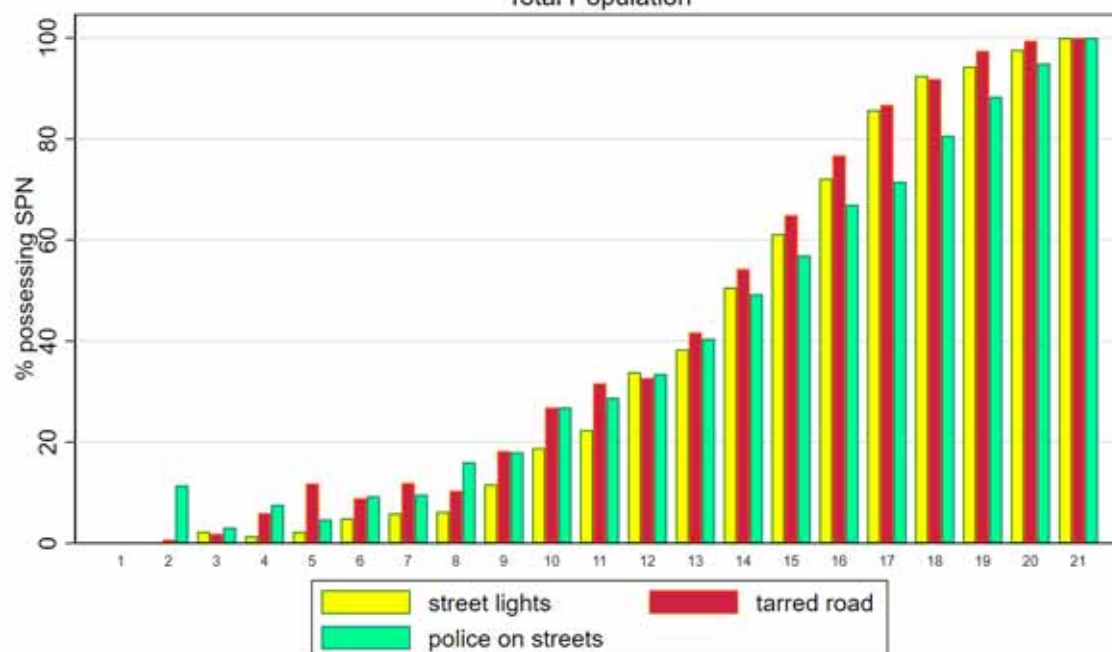
Source: LCS 2014/15

Percentage of people possessing SPN by number of SPNs possessed
3 examples
Total Population



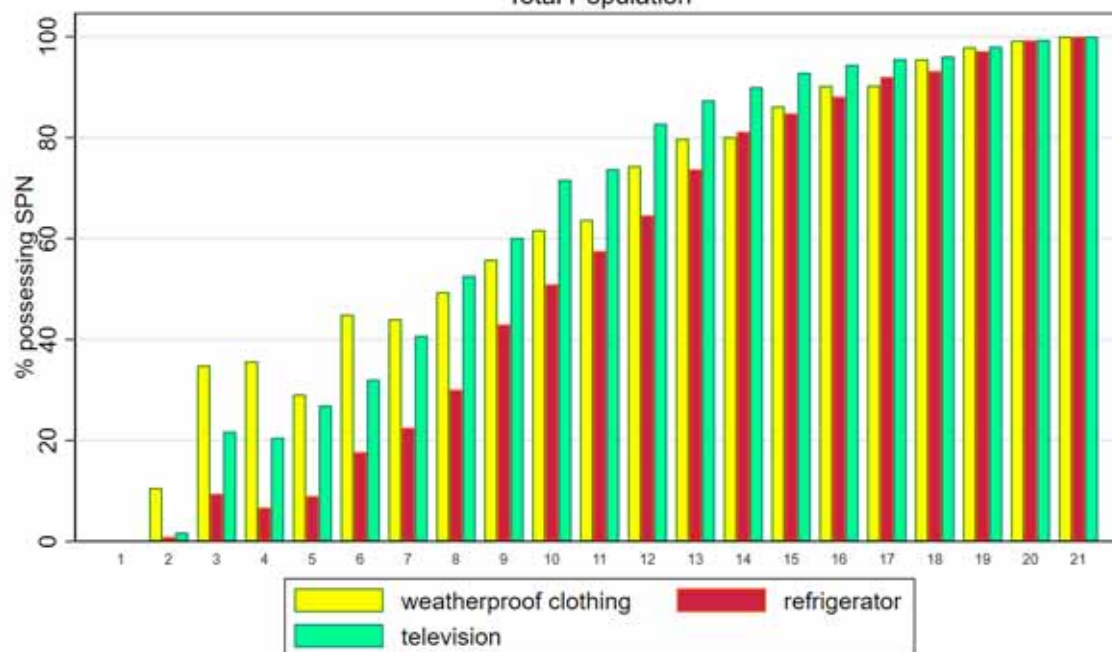
Source: LCS 2014/15

Percentage of people possessing SPN by number of SPNs possessed
3 examples
Total Population



Source: LCS 2014/15

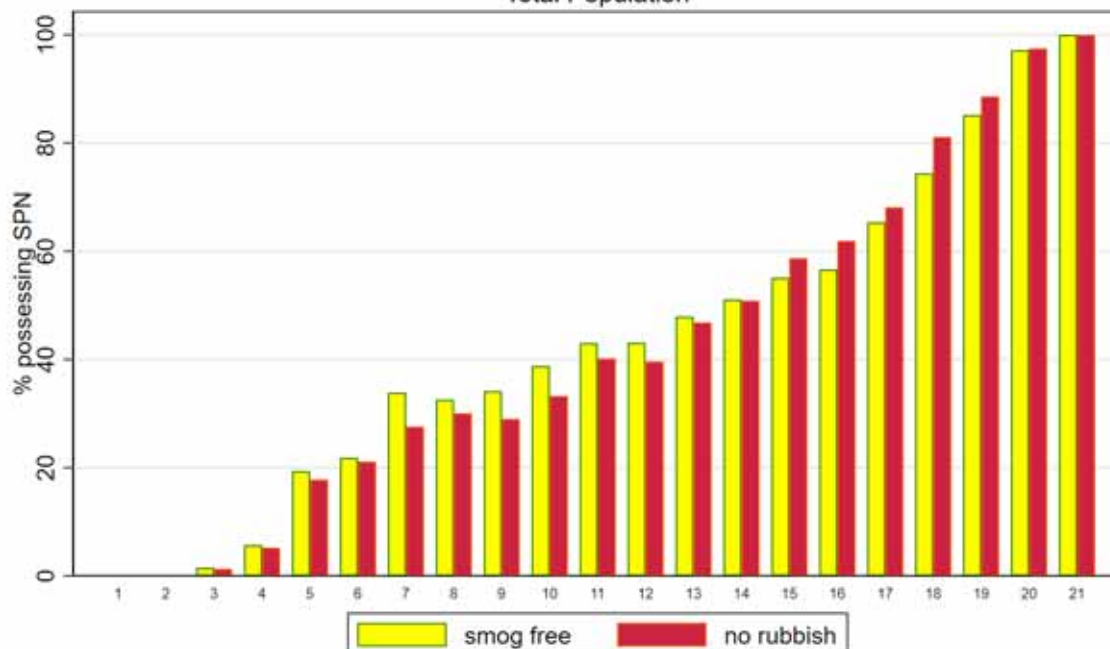
Percentage of people possessing SPN by number of SPNs possessed
3 examples
Total Population



Source: LCS 2014/15

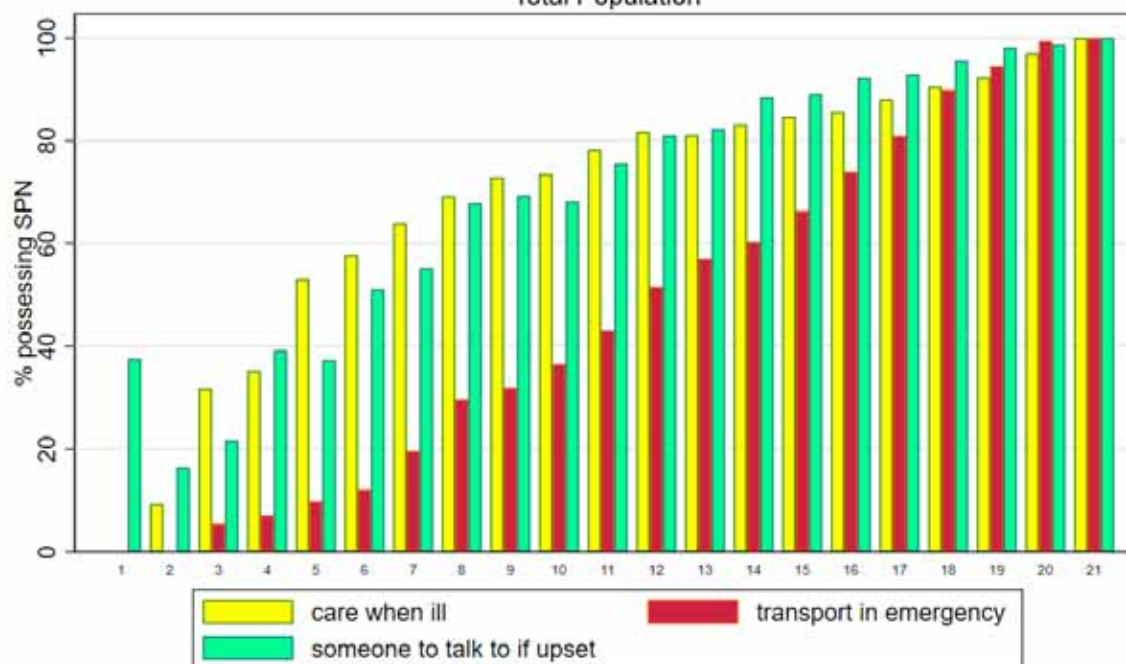


Percentage of people possessing SPN by number of SPNs possessed
2 examples
Total Population



Source: LCS 2014/15

Percentage of people possessing SPN by number of SPNs possessed
3 examples
Total Population



Source: LCS 2014/15



Annex 4

Further Details on the Analysis of Expenditure Patterns

Data preparation

Using expenditure data from the LCS 2014/15, twelve expenditure sub-categories were constructed using COICOP codes: (1) *food and non-alcoholic beverages*, (2) *alcoholic beverages and tobacco*, (3) *clothing and footwear*, (4) *housing, water, electricity, gas, and other fuels*, (5) *furnishing, household equipment, routine household maintenance*, (6) *health*, (7) *transport*, (8) *communication*, (9) *recreation and culture*, (10) *education*, (11) *restaurant and hotel*, and (12) *miscellaneous goods and services*.

Having combined the LCS expenditure data into these twelve CPI expenditure sub-categories the following steps were undertaken: (i) calculate household expenditure for each CPI category; (ii) divide total household expenditure by household size in order to generate per capita expenditure (equivalization of household expenditure); (iii) multiply the per capita expenditure by person weight to obtain national figures; (iv) calculate the median expenditure, total expenditure and median per capita income for households in possession of 0 through to 21 SPNs; (v) re-weight the amounts to take into account under-reporting of expenditure in the LCS using information from Statistics South Africa (STATSSA, 2017a); (vi) calculate ratios of expenditure types for each SPN level by CPI expenditure category.

For each of the 21 SPNs that were defined as essential by two thirds or more of the population, the expenditure patterns of people possessing different numbers of SPNs was analysed using three different approaches, namely: a 'Median expenditure approach', a 'Total expenditure approach' and an 'Income approach'.

Determining expenditure patterns

The research team explored various different approaches for summarising households' expenditure patterns, and decided to use the median expenditure approach because the other two approaches generate much more noise. However, in this section we provide methodological information for all three approaches.

Median expenditure approach

This approach entails the calculation of the median expenditure for each number of possessed SPNs by CPI expenditure categories. The median expenditures are then aggregated at each SPN level. Lastly, the ratios are calculated to determine the expenditure patterns for different SPNs. The ratio is calculated as follows: