

**N.i.D.S.**

NATIONAL INCOME DYNAMICS STUDY

# Subjective Welfare: Analysis of the NIDS Wave 1 Dataset

## Discussion Paper no. 14

Benjamin Roberts  
Child, Youth, Family & Social Development (CYFSD)  
Human Sciences Research Council  
[broberts@hsrc.ac.za](mailto:broberts@hsrc.ac.za)

July 2009

# 1. Introduction

“This is an interesting approach...future household surveys for developing countries, such as the LSMS [Living Standards Measurement Study], should consider including subjective poverty line questions” - Martin Ravallion (1992:33-34)

“We are all in the gutter, but some of us are looking at the stars.” – Oscar Wilde, *Lady Windermere’s Fan* (1892), Act III

Over the last two decades, recognition of the multi-dimensional nature of poverty among the research community and policymakers, together with the rapid proliferation of nationally-representative survey data in developing countries, has provided the impetus for a more inclusive approach to measuring and addressing poverty. In consequence, there have been a number of exciting new developments in the field of economic measurement. This new research agenda has included, *inter alia*, the use of mixed qualitative and quantitative (Q-Squared) poverty appraisal (Kanbur, 2005; Kanbur & Shaffer, 2007), experimentation with multidimensional poverty measures, renewed interest in the so-called “economics of happiness”, as well as renewed interest in the derivation of subjective poverty measures and poverty lines.<sup>1</sup> This burgeoning field of research has encompassed, *inter alia*, concerns with self-assessed poverty status, relative economic position (the theory of ‘relative deprivation’), as well as socially perceived necessities and consensual definitions of poverty. In consequence, the long-established polarisation between ‘objective-quantitative’ and ‘subjective-qualitative’ traditions that has tended to dominate poverty analysis in developing countries has therefore begun to soften around the edges, with increasing experimentation and cross-fertilisation (Pradhan & Ravallion, 2000).

Foremost amongst the different reasons cited in the literature for this rising attention to subjective perceptions of poverty is an increasing acknowledgment of the complementarities between subjective and objective poverty analysis, which has played a role in encouraging efforts at integrating the two approaches (Lokshin et al 2006). Fundamental to this view is a belief that subjective poverty measurements are able to more fully capture the social and political dimensions

---

<sup>1</sup> The subjective poverty line approach is a field of endeavour in economics that dates back to the work of Dutch economists in the late 1960s and 1970s under the aegis of the Leyden School.

of poverty (Devereux et al., 2007:45). The information provided by subjective poverty thresholds, especially if conceived as a time series using consistent questions and field protocols, can also assist in determining the extent to which other types of thresholds – including official money-metric thresholds – are broadly consistent with public perception (Citro & Michael, 1995). A further reason why extensive work was conducted on the development of subjective poverty thresholds lies in the reliance on prevailing opinion in a society to set a poverty line for that society, as opposed to a reliance on experts to determine it exogenously. This has led to the approach being described as a more ‘democratic’ means to establishing minimum standards of living. The derivation of the poverty line from the public itself has also led to assertions that the approach overcomes the arbitrariness (or at least some of it) that is commonly ascribed to the objective approach (Rio Group, 2006).

Prior to the 1990s, experimentation with subjective poverty analysis occurred almost exclusively in Europe, the United States and Canada. Since then, there has been an interest in adapting and refining the measures to the developing country context. The World Bank has been instrumental in shaping this agenda, following on from the statement by Ravallion (1992:33-34) cited at the beginning of this paper that expresses interest in the subjective approach and recommends that future national living standards surveys should routinely incorporate subjective poverty questions. This call was subsequently taken up, and has seen the incorporation of such qualitative indicators of poverty in a number of LSMS surveys<sup>2</sup> in low and middle income countries. Through this, a process of adaptation, development and implementation of subjective poverty measures has occurred.

In the South African context, the 1993 Project for Statistics on Living Standards and Development (PSLSD) survey included a module on perceived quality of life which included measures on household-level subjective wellbeing. These have been the subject of significant interest in national

---

<sup>2</sup> The Living Standards Measurement Study (LSMS) was established by the World Bank in 1980 to explore ways of improving the type and quality of household data collected by statistical offices in developing countries. The overall objective is to measure and study the determinants of living standards in developing countries, especially the living standards of the poor. The surveys thus collect data on many aspects of living standards, on the choices that households make, and on the economic and social environment in which household members live. Much of the analysis undertaken using LSMS surveys endeavours to investigate the determinants of living standards (Grosh & Glewwe, 2000:8)

and international literature after 2000, with a focus on the nature and determinants of life satisfaction and their relationship with objective measures of poverty and deprivation (Klasen 1997; Powdthavee, 2003; Bookwalter and Dalenberg, 2004; Kingdon and Knight, 2006, 2007). Turning attention from subjective wellbeing poverty more broadly to other subjective welfare, deprivation and social exclusion approaches, it is apparent that there still exists much scope for research and experimentation. Nonetheless, a number of surveys have begun to take up this challenge.

The Human Sciences Research Council's annually conducted and nationally-representative South African Social Attitudes Survey (SASAS) has begun including and testing a range of subjective poverty measures since its inception in 2003. So too has the newly developed Living Conditions Survey (LCS) that was fielded for the first time by Statistics South Africa. Of particular relevance to this paper, the baseline wave of the National Income Dynamics Study (NIDS, 2008) included two subjective measures that are increasingly being thought to hold much promise in developing country contexts, namely the consumption adequacy questions (CAQ) and the economic ladder question (ELQ).

This paper reports on the results of a preliminary descriptive analysis of these two sets of subjective welfare questions that were collected at the household and individual levels in NIDS, and, where possible, provides comparative results from other nationally-representative surveys. The first section examines the household-level consumption adequacy questions, and, apart from discussing the methodological approach, presents the national findings and highlights notable geographic, demographic, and socio-economic differences. The second section focuses on the set of economic ladder questions in the adult (15 years and older) questionnaire that aim to assess retrospective, current and future ratings of economic welfare. Although comparative data is not readily available in order to test the robustness of the NIDS ELQ estimates, the findings provide insight into perceptions of mobility in living standards at a time of economic and political change in the country. The third and final section provides a summary of the NIDS findings and how they relate to other existing survey evidence in South Africa.

## 2. The Consumption Adequacy Approach

The most commonly known of the subjective poverty methods is referred to as the *minimum income question* (MIQ), and was initially proposed and developed by Dutch economists as part of the Leyden Income Evaluation Project, under the directorship of Bernard van Praag (Goedhart, Halberstadt, Kapteyn and Van Praag, 1977). The method entails asking survey populations what they would consider a minimal level of income for themselves. The poverty line derived using the answers to the MIQ has been termed the Subjective Poverty Line (SPL). In order to identify the poor using this measure, Gordon et al. (2000:73) contend that the simplest, most democratic technique for specifying the subjective poverty threshold would be to set it at the value corresponding with the geometric mean of the responses to the minimum income question for the survey sample. It could also be established by determining the average amount of income of those in 'budgetary balance'; in other words, the mean income for those households with a reported minimum income equivalent to actual income (Townsend et al, 1997). Despite the intuitive appeal and analytical ease of the method proposed by Gordon et al. (2000), more extensive use has been made of a model-based approach to determining the SPL. According to this tradition, a model is employed to explain the inter-household variation in responses to the survey question and, as such, individual responses alone are not used to directly estimate a poverty line (Garner & Short, 2005).

By the early 1990s, scant evidence existed on the application of these subjective poverty measures in developing countries. In attempting to address this research gap, Pradhan and Ravallion (2000: 463) draw attention to the *potential* difficulties in replicating the MIQ approach in developing countries. Most importantly, 'income' tends not to be a well-defined concept in many such contexts, which could lead to differential interpretations of 'income' between respondents as well as biases in reporting specific types of income. Furthermore, the MIQ method presupposes that the respondent will have a good knowledge of current total income, an assumption that is arguably questionable. Fundamental conceptual problems such as these raise uncertainty of whether meaningful responses could even be elicited from the MIQ. In response, Pradhan and Ravallion (1998, 2000) developed and implemented an alternative qualitative model of perceived consumption needs that addresses the aforementioned concerns by identifying the subjective poverty line without the need for the MIQ.

The method is based on the inclusion of a set of consumption adequacy questions (CAQ) as part of a quantitative household survey. The data employed by Pradhan and Ravallion in developing the CAQ

method were derived from the following questions on perceived consumption adequacy that were included in two surveys conducted in the early 1990s as part of the World Bank's Living Standards Measurement Surveys (LSMS) - the Jamaica Living Conditions Survey (1993) and Nepal Living Standards Survey (1995/96):

I would like to ask you your opinion of your family's standard of living.

Concerning your family's <i>food consumption</i> over the past one month, which of the following is true?	Response codes:
Concerning your family's <i>housing</i> , which of the following is true?	1 = It was less than adequate for your family's needs
Concerning your family's <i>clothing</i> , which of the following is true?	2 = It was just adequate for your family's needs
Concerning the <i>health care</i> your family gets, which of the following is true?	3 = It was more than adequate for your family's needs
Concerning your <i>children's schooling</i> , which of the following is true?	4 = Not applicable
	"Adequate" means no more nor less than what the respondent considers to be the minimum consumption needs of the family.

(Pradhan and Ravallion, 2000: 465)

These questions followed the detailed consumption module that is standard practice in the LSMS instruments. In contrast with the MIQ method, the CAQ method focuses on respondents' perceptions as to whether current household consumption is adequate instead of the specific minimum consumption that they need. This, as Ravallion (2008) observes, serves as 'a multidimensional extension to the one-dimensional MIQ'. The subjective poverty line according to consumption adequacy approach is the level of total spending above which respondents specify on average that expenditures are adequate for their needs (Pradhan & Ravallion, 2000). In practice, subjective poverty lines are derived from the consumption adequacy questions by means of econometric modelling. An ordered probit is used to estimate the parameters of a model that relates the probability of attaining an adequate standard of living to total consumption spending

and other socio-demographic variables. The latter include log household size, log mean expenditure of the primary sampling unit (to allow for relative-income effects), and regional dummy variables. Ultimately, the aggregate poverty measures produced using this subjective poverty line method have been found to be largely consistent with previously estimates based on 'objective' methods, and robust to the method used for deriving the subjective poverty line. Nonetheless, substantive differences do tend to emerge between objective and subjective methods when analyzing poverty along geographic and demographic lines, though there was broad agreement on regional poverty rankings (Pradhan and Ravallion, 2000; Lokshin et al., 2006).

## **2.1 Consumption Adequacy in South Africa**

The 2007 round of SASAS represented the first time that the consumption adequacy questions had formally been included in a nationally representative household survey in the country. Their inclusion in NIDS is therefore the second occasion that the questions were tested, followed closely by their repeat inclusion in the 2008 round of SASAS, which was conducted in November and early December.

As with the World Bank's Living Standards Measurement Surveys (LSMS), the consumption adequacy questions included in NIDS and SASAS focus on a circumscribed set of expenditure categories. The NIDS household questionnaire includes food, housing, clothing and footwear, health care, and schooling, while the 2007 and 2008 SASAS rounds have the same list with the exception of the added inclusion of transport. According to the statistical release of the 2005/06 Income and Expenditure Survey, these five expenditure items account for approximately half (47%) of household consumption expenditure, with housing (incl. utilities) and food representing the largest proportional shares. Among the poorest four deciles of the expenditure distribution in 2005/06, the proportional share of the five expenditure categories in total household consumption expenditure rises to between 63 and 70 percent.

**Table 1: Percentage distribution of annual household consumption expenditure by main expenditure group and expenditure deciles (2005/06)**

	Expenditure Deciles										Total
	Lower	2	3	4	5	6	7	8	9	Upper	
Housing, water, electricity, gas and other	21	19	19	18	19	18	19	23	27	25	24
Transport	8	9	9	10	10	10	11	13	15	28	20
Food and non-alcoholic beverages	36	36	34	33	31	28	25	20	13	7	14
Furnishings, household equipment & maintenance of the dwelling	5	6	7	7	8	9	9	8	7	6	7
Clothing and footwear	10	9	9	9	9	8	8	7	5	3	5
Recreation and culture	2	2	3	3	3	4	4	4	4	5	5
Communication	3	3	4	4	4	4	4	4	4	3	4
Education	1	1	1	1	1	2	2	3	3	3	2
Restaurants and hotels	4	3	3	2	2	3	3	2	2	2	2
Health	2	2	2	2	2	2	2	2	2	2	2
Alcoholic beverages and tobacco	3	3	2	2	2	2	2	2	1	1	1
Miscellaneous goods and services	6	8	8	9	10	11	12	14	16	16	14
Other unclassified expenses	0	0	0	0	0	0	0	0	0	0	0
Total	100	100	100	100	100	100	100	100	100	100	100
Total for six core expenditure groups	70	67	65	63	62	58	56	55	50	40	47

*Note: shaded rows represent expenditure categories included in the consumption adequacy questions contained in NIDS.*

*'Miscellaneous goods and services' includes items such as personal care and insurance, with the latter constituting the principal component.*

*Source: Statistics South Africa (2008) Income and expenditure of households 2005/2006: Statistical release P0100, p.72*

In the 2008 wave of NIDS, the percentages of households that were classified by respondents as having less than adequate consumption relative to their needs ranged from 23% to 40% across the different expenditure categories (Table 2). The schooling category had the lowest percentage stating less than adequate,<sup>3</sup> while health care cover had the highest. For each of the consumption categories, less than a fifth (between 11% and 15%) of households viewed their expenditures as more than adequate.

<sup>3</sup> The lower than average levels on inadequate consumption are largely due to the sizable share of households (34%) for which the question is not applicable, primarily due to the absence of children of school-going age in the household.

**Table 2: Perceived adequacy of consumption in relation to specific household needs, 2007 (proportion of households)**

Proportions	Less than adequate	Just Adequate	More than adequate	Not Applicable
Food consumption	0.350 (0.015)	0.498 (0.014)	0.152 (0.012)	...
Clothing	0.377 (0.017)	0.483 (0.014)	0.140 (0.012)	...
Housing	0.366 (0.016)	0.487 (0.013)	0.147 (0.011)	...
Children's schooling	0.229 (0.015)	0.320 (0.012)	0.112 (0.013)	0.339 (0.009)
Health care	0.398 (0.015)	0.472 (0.013)	0.130 (0.010)	...

*Note: household weights have been applied. The unweighted base n = 7,305 for NIDS. Standard errors are in parentheses.*

The fielding of the CAQs in the 2007 and 2008 rounds of SASAS, with the National Income Dynamics Study (NIDS) fieldwork occurring in-between, provides an opportunity to perform a series of robustness and sensitivity tests using this set of subjective welfare measures. Firstly, comparing the 2007 and 2008 SASAS results on the consumption adequacy questions to the 2008 NIDS should impart a sense of how sensitive the questions are to survey design. Secondly, the availability of the SASAS data means that the responses to the questions can be compared in two consecutive rounds of a survey series that were conducted within relatively close succession (a year). Given the common survey design, operational protocols and identical phrasing and translation, this should impart a good indication of how consistently the subjective questions are answered. Also, the NIDS data offer greater prospects for drawing comparisons between objective and subjective poverty measurement due to the detailed expenditure module contained in the survey.

To some extent, the analysis is likely to be complicated by prevailing economic conditions in the country, which began to worsen appreciably during the time of the NIDS fieldwork and between the SASAS field rounds of late 2007 and late 2008. This is due to high food price inflation and the emerging impact of the 2008/2009 global economic crisis on economic growth, the labour market and by extension household incomes and poverty. The combined effect of these pressures on the actual and perceived economic welfare of the country's population as a whole and the differential impact it may have had on specific population subgroups is something that the analyst needs to consider in interpreting the results. Although the worst of the impact is likely to have been experienced by households after the 2008 SASAS field round was completed in early December, available empirical evidence suggests that the impact is likely to have been felt during the course of 2008. For instance, food prices increased by 15.8% between February 2008 and February 2009, while the growth in real gross domestic product (GDP) at market prices fell from 5.1% in 2007 to 3.1% in 2008, with a contraction of 6.4% in the first quarter of 2009 relative the last quarter of 2008 (Statistics South Africa, 2009). Other subjective indicators included in SASAS 2007 and 2008

reveal strong signs that it was beginning to exert a micro-level impact, with the percentage of South Africans older than 16 years declaring that they were satisfied with current economic conditions dropping from 43% to 27% over the year (representing a year-on-year percentage decline in satisfaction of 37%), while those that were dissatisfied increased from 36% to 52% (Roberts & Struwig, 2009).

Turning to the NIDS-SASAS comparison on the CAQs, we find that the reported percentages declaring the different consumption goods inadequate vary within a reasonably narrow range, with the possible exception of health care (Table 3). For food, clothing, housing and schooling, the proportions of households stating that their consumption is inadequate ranges between 0.9% and 3.5% of the 2007 SASAS results and 1.3% and 5.5% of the 2008 SASAS results. For these four consumption goods, the differences are not statistically significant at the 95% level. In the case of health care, the level of inadequacy in the NIDS sample is 7.7% higher relative to the 2007 SASAS sample and 9.5% higher than the 2008 SASAS sample. In this instance, the results are statistically significant. Complicating the comparison is the fact that the 2007 and 2008 SASAS survey fieldwork rounds occurred within the space of a single month, whereas the NIDS fieldwork was undertaken between February and December 2008, with most (77%) interviews occurring between March and June 2008. To try and accommodate this difference, the average of the responses to the CAQs from the two SASAS rounds was generated and compared to the NIDS CAQs responses (Table 3). These results are surprisingly consistent, with health care again emerging as somewhat anomalous.

Comparing the consumption adequacy responses based on the 2007 SASAS with those derived from the 2008 SASAS round, we find that the percentage of households that stated that their actual consumption was inadequate to meet their basic needs declined for each of the six consumption adequacy questions (Table 3). The scale of the change ranged from a nominal 0.4% in the case of children's schooling to approximately 6% in the cases of food and housing. The observed difference in the proportion of households reporting inadequate consumption is statistically significant at the 95% level for food and clothing, but not the other four goods. This is encouraging in that it suggests that this particular approach to measuring subjective economic welfare appears relatively robust in that it is being consistently responded to in the two consecutive survey rounds. The ranking of levels of inadequacy on the six items is similarly quite robust. The only difference in ranking is between food and clothing, which is a relative reversal in position occurring between the two years. With the exception of children's schooling, levels of perceived consumption inadequacy range within a fairly narrow band.

**Table 3: Perceived adequacy of consumption in relation to specific household needs, 2007-2008 (% of households)**

Percentages	Less than adequate	Adequate	More than adequate	Do not know	Not Applicable
<b>Food consumption</b>					
2007 (SASAS)	0.366 (0.015)	0.454 (0.014)	0.145 (0.010)	0.036 (0.004)	...
2008 (SASAS)	0.308 (0.013)	0.523 (0.012)	0.137 (0.009)	0.032 (0.004)	...
2008 (NIDS)	0.350 (0.015)	0.498 (0.014)	0.152 (0.012)	...	...
Mean SASAS 2007-2008	0.337	0.488	0.141	0.034	...
<b>Clothing</b>					
2007 (SASAS)	0.355 (0.014)	0.473 (0.013)	0.133 (0.008)	0.039 (0.004)	...
2008 (SASAS)	0.322 (0.014)	0.494 (0.013)	0.143 (0.009)	0.041 (0.005)	...
2008 (NIDS)	0.377 (0.017)	0.483 (0.014)	0.140 (0.012)	...	...
Mean SASAS 2007-2008	0.339	0.483	0.138	0.040	...
<b>Housing</b>					
2007 (SASAS)	0.401 (0.014)	0.435 (0.013)	0.100 (0.007)	0.064 (0.006)	...
2008 (SASAS)	0.341 (0.014)	0.485 (0.013)	0.141 (0.008)	0.033 (0.004)	...
2008 (NIDS)	0.366 (0.016)	0.487 (0.013)	0.147 (0.011)	...	...
Mean SASAS 2007-2008	0.371	0.460	0.121	0.048	...
<b>Children's schooling</b>					
2007 (SASAS)	0.220 (0.012)	0.296 (0.011)	0.090 (0.007)	0.017 (0.003)	0.377 (0.013)
2008 (SASAS)	0.216 (0.012)	0.348 (0.012)	0.121 (0.008)	0.030 (0.004)	0.285 (0.013)
2008 (NIDS)	0.229 (0.015)	0.320 (0.012)	0.112 (0.013)	...	0.339 (0.009)
Mean SASAS 2007-2008	0.218	0.322	0.105	0.024	0.331
<b>Health care</b>					
2007 (SASAS)	0.322 (0.013)	0.484 (0.012)	0.132 (0.008)	0.062 (0.006)	...
2008 (SASAS)	0.303 (0.013)	0.489 (0.013)	0.156 (0.010)	0.052 (0.005)	...
2008 (NIDS)	0.398 (0.015)	0.472 (0.013)	0.130 (0.010)	...	...
Mean SASAS 2007-2008	0.312	0.486	0.144	0.057	...
<b>Access to transport</b>					
2007 (SASAS)	0.320 (0.013)	0.507 (0.013)	0.109 (0.008)	0.064 (0.007)	...
2008 (SASAS)	0.291 (0.012)	0.525 (0.012)	0.133 (0.008)	0.052 (0.005)	...
2008 (NIDS)	n.a.	n.a.	n.a.	n.a.	n.a.
Mean SASAS 2007-2008	0.305	0.516	0.121	0.058	...

Note: household weights have been applied. The unweighted base n = 3,164 in 2007 SASAS, n=3,321 in 2008 SASAS, and n=7,305 for NIDS. Standard errors are in parentheses. (Source: HSRC SASAS 2007, 2008; NIDS 2008 June 2009 Release.)

While the NIDS and SASAS samples provide a reassuringly similar aggregate view of consumption adequacy in the country over the last couple of years, it is equally important to examine subgroup differences. For the purposes of this paper, the focus will be exclusively on select indicators that will impart a sense of geographic, demographic and socio-economic differences in perceived consumption adequacy within and across the different surveys.

### ***2.1.1 Geographic variation in perceived consumption adequacy***

Table 4 shows the average proportion of households across the nine provinces that deem their consumption inadequate to meet their needs. The NIDS results show that perceived consumption adequacy exhibits substantial variation geographically. Lower levels of dissatisfaction are reported among households in the Mpumalanga, Western Cape and Northern Cape, while higher proportions are found in KwaZulu-Natal, Limpopo and the Eastern Cape. For instance, food consumption was deemed insufficient by more than 40 percent of households in KwaZulu-Natal and the Eastern Cape, whereas marginally less than a quarter of households in Mpumalanga and the Western Cape felt that their expenditure on food was inadequate. The rankings across the other consumption categories also follow a largely similar pattern.

**Table 4: Proportion of households who consider their level of expenditures inadequate by consumption categories, by province 2008**

Percentages	Food	Clothing	Housing	Children's schooling	Health care
Western Cape	0.242 (0.044)	0.261 (0.042)	0.263 (0.048)	0.170 (0.041)	0.349 (0.050)
Eastern Cape	0.409 (0.034)	0.444 (0.046)	0.404 (0.039)	0.251 (0.032)	0.395 (0.042)
Northern Cape	0.314 (0.045)	0.273 (0.049)	0.263 (0.042)	0.145 (0.028)	0.328 (0.039)
Free State	0.333 (0.037)	0.349 (0.041)	0.353 (0.049)	0.199 (0.038)	0.349 (0.047)
KwaZulu-Natal	0.456 (0.044)	0.443 (0.041)	0.442 (0.042)	0.300 (0.034)	0.482 (0.039)
North West	0.307 (0.037)	0.355 (0.039)	0.343 (0.047)	0.234 (0.032)	0.369 (0.036)
Gauteng	0.338 (0.034)	0.386 (0.042)	0.395 (0.039)	0.182 (0.024)	0.400 (0.032)
Mpumalanga	0.237 (0.033)	0.274 (0.042)	0.223 (0.034)	0.142 (0.032)	0.268 (0.047)
Limpopo	0.377 (0.035)	0.420 (0.038)	0.379 (0.036)	0.364 (0.034)	0.471 (0.036)
<i>National</i>	<i>0.350 (0.015)</i>	<i>0.377 (0.017)</i>	<i>0.366 (0.016)</i>	<i>0.229 (0.012)</i>	<i>0.398 (0.015)</i>

*Notes: all figures have been weighted using household weights. Standard errors are given in parentheses and are corrected for complex survey design.*

One area of potential concern is the apparent lack of consistency with regard to both the level and ranking of perceived consumption adequacy across the provinces when one compares the NIDS to the SASAS results. In both the 2007 and 2008 SASAS rounds, dissatisfaction with expenditure on all

the categories remained the highest for households in the Eastern Cape and the lowest in the Western Cape. In-between these extremes and across consumption categories, there appears to have been a substantial amount of churning in the relative ranking of provinces over the one-year interval. However, significance tests reveal that most of the changes are not significant at the 95% level. The main exceptions include improvements experienced in the Western Cape and KwaZulu-Natal (food, clothing and housing), the Eastern Cape (food), Free State (housing, schooling and health care), as well as Mpumalanga (food). The latter province also displays the only statistically significant rise in perceived consumption inadequacy, which is in relation to health care. In terms of comparing NIDS with the two SASAS rounds, there is a relatively good fit across perceived adequacy of expenditure across the five common consumption categories in the North West and Free State. Yet, in virtually all the other provinces, the reported levels of inadequacy are statistically different in all except a couple of categories. In the Eastern Cape and KwaZulu-Natal, the level of dissatisfaction with household expenditure was statistically different from both SASAS rounds across all five consumption categories.

**Table 5: Provincial differences in the proportion of households who consider their level of expenditures inadequate by consumption categories, 2007-2008**

Percentages	Food	Clothing	Housing	Children's schooling	Health care
<i>Western Cape</i>					
2007 (SASAS)	0.196 (0.040)	0.206 (0.032)	0.269 (0.040)	0.132 (0.024)	0.198 (0.029)
2008 (SASAS)	0.107 (0.021)	0.112 (0.018)	0.159 (0.026)	0.102 (0.021)	0.165 (0.025)
2008 (NIDS)	0.242 (0.044)	0.261 (0.042)	0.263 (0.048)	0.170 (0.041)	0.349 (0.050)
<i>Eastern Cape</i>					
2007 (SASAS)	0.596 (0.037)	0.557 (0.044)	0.567 (0.036)	0.421 (0.036)	0.537 (0.037)
2008 (SASAS)	0.499 (0.031)	0.539 (0.033)	0.524 (0.033)	0.439 (0.030)	0.495 (0.028)
2008 (NIDS)	0.409 (0.034)	0.444 (0.046)	0.404 (0.039)	0.251 (0.032)	0.395 (0.042)
<i>Northern Cape</i>					
2007 (SASAS)	0.311 (0.044)	0.396 (0.040)	0.437 (0.044)	0.227 (0.037)	0.413 (0.045)
2008 (SASAS)	0.404 (0.057)	0.408 (0.074)	0.494 (0.064)	0.330 (0.053)	0.338 (0.058)
2008 (NIDS)	0.314 (0.045)	0.273 (0.049)	0.263 (0.042)	0.145 (0.028)	0.328 (0.039)
<i>Free State</i>					
2007 (SASAS)	0.376 (0.048)	0.422 (0.053)	0.483 (0.056)	0.251 (0.044)	0.398 (0.046)
2008 (SASAS)	0.317 (0.039)	0.346 (0.038)	0.286 (0.048)	0.107 (0.026)	0.277 (0.046)
2008 (NIDS)	0.333 (0.037)	0.349 (0.041)	0.353 (0.049)	0.199 (0.038)	0.349 (0.047)
<i>KwaZulu-Natal</i>					
2007 (SASAS)	0.356 (0.032)	0.331 (0.034)	0.366 (0.032)	0.197 (0.023)	0.283 (0.029)
2008 (SASAS)	0.269 (0.031)	0.242 (0.029)	0.286 (0.030)	0.175 (0.025)	0.294 (0.026)
2008 (NIDS)	0.456 (0.044)	0.443 (0.041)	0.442 (0.042)	0.300 (0.034)	0.482 (0.039)
<i>North West</i>					
2007 (SASAS)	0.318 (0.051)	0.387 (0.050)	0.366 (0.065)	0.229 (0.044)	0.332 (0.053)
2008 (SASAS)	0.398 (0.058)	0.517 (0.061)	0.450 (0.050)	0.219 (0.037)	0.374 (0.063)
2008 (NIDS)	0.307 (0.037)	0.355 (0.039)	0.343 (0.047)	0.234 (0.032)	0.369 (0.036)
<i>Gauteng</i>					
2007 (SASAS)	0.228 (0.025)	0.262 (0.027)	0.353 (0.031)	0.140 (0.019)	0.255 (0.024)
2008 (SASAS)	0.245 (0.024)	0.272 (0.030)	0.301 (0.032)	0.183 (0.024)	0.232 (0.028)
2008 (NIDS)	0.338 (0.034)	0.386 (0.042)	0.395 (0.039)	0.182 (0.024)	0.400 (0.032)
<i>Mpumalanga</i>					
2007 (SASAS)	0.555 (0.048)	0.385 (0.042)	0.399 (0.039)	0.221 (0.030)	0.241 (0.033)
2008 (SASAS)	0.348 (0.049)	0.392 (0.049)	0.406 (0.048)	0.251 (0.050)	0.366 (0.048)
2008 (NIDS)	0.237 (0.033)	0.274 (0.042)	0.223 (0.034)	0.142 (0.032)	0.268 (0.047)
<i>Limpopo</i>					
2007 (SASAS)	0.276 (0.024)	0.236 (0.028)	0.322 (0.030)	0.125 (0.028)	0.211 (0.032)
2008 (SASAS)	0.353 (0.028)	0.292 (0.028)	0.355 (0.032)	0.192 (0.035)	0.281 (0.030)
2008 (NIDS)	0.377 (0.035)	0.420 (0.038)	0.379 (0.036)	0.364 (0.034)	0.471 (0.036)
<i>National</i>					
2007 (SASAS)	0.366 (0.015)	0.355 (0.014)	0.401 (0.014)	0.220 (0.012)	0.321 (0.013)
2008 (SASAS)	0.308 (0.013)	0.322 (0.014)	0.341 (0.014)	0.216 (0.012)	0.303 (0.013)
2008 (NIDS)	0.350 (0.015)	0.377 (0.017)	0.366 (0.016)	0.229 (0.012)	0.398 (0.015)

Notes: all figures have been weighted using household weights. Standard errors are given in parentheses and are corrected for complex survey design. Source: HSRC SASAS 2007, 2008; NIDS June 2009 Release.

Analysing the five CAQs included in the NIDS household questionnaire by geographic location, there emerges a consistent pattern and rank-order for perceived adequacy of expenditure on food,

clothing and housing. Households in informal settlements are most likely to perceive their expenditure as inadequate for these three consumption categories, followed by those residing in rural traditional authority areas and rural formal households. Households in formal urban areas emerge as significantly less likely than average to express dissatisfaction with food, clothing and housing expenditure. The perceived inadequacy of consumption expenditure among households in informal settlements is approximately double that of households in formal urban areas for each of these three categories. Views towards household spending on children’s schooling correspond fairly closely, with the principal difference being that households in rural traditional authority areas display greater discontent than those in informal settlements. Finally, perceived inadequacy of expenditure on health care cover is highest among rural formal households, followed closely by those living in rural traditional authority areas and in informal settlements.

With respect to the relative ranking of perceived inadequacy of expenditure across the five consumption categories, households in all geographic types except informal settlements were most likely to rate spending on health care cover as inadequate. By contrast, spending on housing (including household services) was the most inadequate in the case of residents of informal settlements, with health care cover receiving the second lowest level of dissatisfaction after schooling expenditure.

**Table 6: Proportion of households who consider their level of expenditures inadequate by consumption categories, by geographic type, 2008**

	Food	Clothing	Housing	Children's schooling	Health care
Urban formal	0.263	0.292	0.285	0.154	0.331
Urban informal	0.519	0.554	0.564	0.291	0.474
Tribal	0.450	0.475	0.436	0.354	0.481
Rural formal	0.390	0.406	0.422	0.257	0.491
Total	0.350	0.377	0.366	0.229	0.398

*Notes: all figures have been weighted using household weights. Standard errors are given in parentheses and are corrected for complex survey design.*

Comparing the locational differences in responses to the CAQs in NIDS to those in the 2007 and 2008 SASAS rounds, there appears to be much more consistency in levels of reported inadequacy across the five common types of consumption than is the case with regard to provincial variation (Table 7). There do however appear to be some difference in terms of the ranking of levels of inadequacy across the four geographic types. Residents of formal urban areas consistently have the lowest level of dissatisfaction across the five consumption categories in each of the three surveys. As with NIDS, the 2007 SASAS round revealed that informal settlements also have the highest level

of dissatisfaction in relation to food, clothing and housing consumption expenditure. The same was true in the 2008 SASAS with regard to the clothing and housing categories, though the ranking of food changed substantially. Another difference between NIDS and SASAS was that rural formal households emerge as slightly more dissatisfied with than traditional authority areas in the case of the latter.

**Table 7: Proportion of households who consider their level of expenditures inadequate by consumption categories, by geographic type**

Percentages	Food	Clothing	Housing	Children's schooling	Health care
Urban formal					
2007 (SASAS)	0.251 (0.019)	0.270 (0.019)	0.340 (0.021)	0.168 (0.015)	0.255 (0.017)
2008 (SASAS)	0.247 (0.016)	0.258 (0.018)	0.283 (0.018)	0.200 (0.015)	0.240 (0.016)
2008 (NIDS)	0.263 (0.017)	0.292 (0.020)	0.285 (0.020)	0.154 (0.015)	0.331 (0.021)
Urban informal					
2007 (SASAS)	0.553 (0.034)	0.508 (0.037)	0.553 (0.035)	0.314 (0.028)	0.437 (0.036)
2008 (SASAS)	0.369 (0.034)	0.425 (0.041)	0.463 (0.041)	0.247 (0.034)	0.385 (0.043)
2008 (NIDS)	0.519 (0.036)	0.554 (0.061)	0.564 (0.043)	0.291 (0.039)	0.474 (0.044)
Traditional authority areas					
2007 (SASAS)	0.490 (0.026)	0.437 (0.027)	0.438 (0.025)	0.287 (0.026)	0.374 (0.028)
2008 (SASAS)	0.398 (0.028)	0.396 (0.030)	0.401 (0.028)	0.239 (0.026)	0.381 (0.024)
2008 (NIDS)	0.450 (0.023)	0.475 (0.022)	0.436 (0.022)	0.354 (0.020)	0.481 (0.023)
Rural farmworker households					
2007 (SASAS)	0.490 (0.039)	0.470 (0.042)	0.515 (0.041)	0.213 (0.035)	0.457 (0.041)
2008 (SASAS)	0.377 (0.040)	0.403 (0.033)	0.406 (0.042)	0.211 (0.031)	0.401 (0.038)
2008 (NIDS)	0.390 (0.033)	0.406 (0.033)	0.422 (0.039)	0.257 (0.038)	0.491 (0.034)
<i>South Africa</i>					
2007 (SASAS)	0.366 (0.015)	0.355 (0.014)	0.401 (0.014)	0.220 (0.012)	0.321 (0.013)
2008 (SASAS)	0.308 (0.013)	0.322 (0.014)	0.341 (0.014)	0.216 (0.012)	0.303 (0.013)
2008 (NIDS)	0.350 (0.015)	0.377 (0.017)	0.366 (0.016)	0.229 (0.012)	0.398 (0.015)

Notes: all figures have been weighted using household weights. Standard errors are given in parentheses and are corrected for complex survey design.

Source: HSRC SASAS 2007, 2008; NIDS 2008 June 2009 Release.

Between the two consecutive SASAS rounds, the ranking of schooling and health care consumption expenditure remained unchanged. Yet, this ranking on the two categories does diverge slightly from that derived from NIDS. With respect to children's schooling, households in traditional authority areas are more discontent with spending than those in informal settlements in SASAS, while the converse is true in NIDS. The ranking of households on commercial farms and in formal urban areas nonetheless remains constant. A similar change in pattern occurs in relation to health care, with the ranking of the most and least dissatisfied (rural formal households and formal urban areas respectively) remaining common to both NIDS and SASAS, but with the relative ranking of the other two locational types reversing in the two survey series.

### ***2.1.2. Demographic differences in perceived consumption adequacy***

With regard to demographic variation in levels of inadequacy, the NIDS results on the consumption adequacy questions, as expected, demonstrate a strong gradient on the basis of population group (Table 8). For each of the five consumption groups, African households are inclined to the highest levels of inadequacy, and White households the lowest. The proportion of African households rating their consumption as inadequate ranges from 2.5 times higher than White households in the case of clothing (43% compared to 17%) to as high as 7.7 times with respect to children's schooling (26% versus 4%). Coloured households have the second highest level of inadequacy for all consumption groups excepting schooling, in which instance Indian households record slightly higher levels of inadequacy.

**Table 8: Proportion of households who consider their level of expenditures inadequate, by population group**

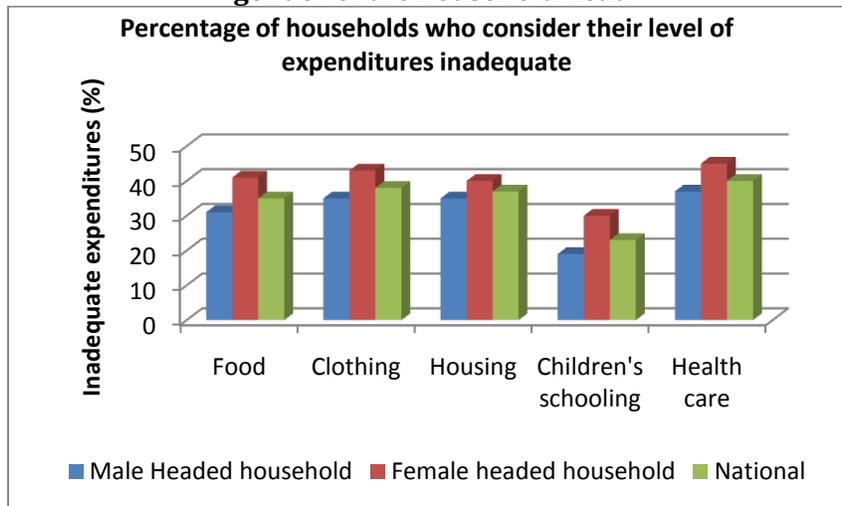
Proportions	Food	Clothing	Housing	Children's schooling	Health care	Access to transport
<b>Black African</b>						
2007 (SASAS)	0.426 (0.017)	0.412 (0.017)	0.459 (0.016)	0.256 (0.014)	0.361 (0.016)	0.364 (0.015)
2008 (SASAS)	0.349 (0.015)	0.374 (0.017)	0.393 (0.016)	0.249 (0.014)	0.339 (0.015)	0.330 (0.014)
2008 (NIDS)	0.404 (0.015)	0.429 (0.018)	0.425 (0.016)	0.272 (0.013)	0.449 (0.015)	n.a.
<b>Coloured</b>						
2007 (SASAS)	0.263 (0.027)	0.263 (0.027)	0.354 (0.029)	0.167 (0.019)	0.303 (0.029)	0.293 (0.030)
2008 (SASAS)	0.262 (0.029)	0.251 (0.025)	0.312 (0.029)	0.212 (0.026)	0.309 (0.028)	0.277 (0.028)
2008 (NIDS)	0.264 (0.032)	0.271 (0.032)	0.286 (0.043)	0.141 (0.031)	0.337 (0.051)	n.a.
<b>Indian</b>						
2007 (SASAS)	0.176 (0.033)	0.218 (0.042)	0.248 (0.037)	0.151 (0.032)	0.215 (0.037)	0.202 (0.035)
2008 (SASAS)	0.205 (0.029)	0.129 (0.025)	0.128 (0.021)	0.074 (0.023)	0.156 (0.022)	0.123 (0.025)
2008 (NIDS)	0.190 (0.069)	0.188 (0.069)	0.225 (0.063)	0.169 (0.054)	0.204 (0.068)	n.a.
<b>White</b>						
2007 (SASAS)	0.071 (0.014)	0.069 (0.014)	0.078 (0.014)	0.027 (0.008)	0.089 (0.017)	0.068 (0.013)
2008 (SASAS)	0.091 (0.015)	0.072 (0.013)	0.064 (0.013)	0.025 (0.008)	0.087 (0.015)	0.073 (0.015)
2008 (NIDS)	0.103 (0.026)	0.170 (0.039)	0.092 (0.029)	0.036 (0.015)	0.178 (0.026)	n.a.
<b>South Africa</b>						
2007 (SASAS)	0.366 (0.015)	0.355 (0.014)	0.401 (0.014)	0.220 (0.012)	0.321 (0.013)	0.320 (0.013)
2008 (SASAS)	0.308 (0.013)	0.322 (0.014)	0.341 (0.014)	0.216 (0.012)	0.303 (0.013)	0.291 (0.012)
2008 (NIDS)	0.350 (0.015)	0.377 (0.017)	0.366 (0.016)	0.229 (0.012)	0.350 (0.015)	n.a.

Notes: all figures have been weighted using household weights. Standard errors are given in parentheses.

Comparing the NIDS with the SASAS results, there is a fair amount of consistency. If one takes the mean scores of the two SASAS rounds (not shown), the differences with NIDS are mostly less than five percent. The main exceptions include African households in terms of health care, White households in relation to clothing and health care, and Indian households with respect to schooling. In addition, there is remarkable agreement in the ranking of consumption inadequacy between NIDS and the two SASAS rounds. In fact the only observed difference in rank-order across the three

surveys is that in the case of the SASAS rounds, the reversal of positions between Coloured and Indian households for schooling that emerges in NIDS does not occur.

**Figure 1: Percentage of households who consider their level of expenditures inadequate, by gender of the household head**



*Notes: all figures have been weighted using household weights. Standard errors are given in parentheses and are corrected for complex survey design.*

As for gender of the household head, the NIDS survey shows that female headed households are more likely to rate their consumption expenditures as more inadequate than male headed households (Figure 1). This pattern is common to all five consumption types.

### ***2.1.3. Socio-economic variation in perceived consumption adequacy***

It is critically important that the subjective consumption adequacy questions be compared to objective indicators of household welfare in order to gain an understanding of the degree of comparability between these indicators. Ideally, one would compare perceived consumption adequacy responses with observed consumption expenditure. Unfortunately, at the time of writing, imputations had not yet been conducted on the NIDS expenditure data to correct for missing data. As a proxy, this paper has used quintiles of household income per capita, for which imputations have already been performed.

**Table 9: Percentage of households who consider their level of expenditures inadequate, by quintiles of household income per capita**

Response	All	Poorest	Q2	Q3	Q4	Richest
Food	35.0	54.2	48.4	43.6	35.5	13.2
Housing	36.6	52.7	45.7	48.0	38.3	15.6
Clothing	37.7	54.7	49.6	47.0	37.9	17.7
Health care cover	39.8	51.4	51.6	48.4	40.5	22.5
Children's schooling	22.9	41.4	33.8	29.1	19.5	7.4
Food and housing	26.2	42.8	38.8	34.4	25.6	7.3
Food, housing and clothing	22.3	37.0	34.4	29.6	21.4	5.5
Food, housing, clothing and health care cover	18.8	30.9	29.3	24.9	18.1	4.7
Food, housing, clothing, health care cover and schooling	12.8	24.7	22.2	16.7	10.1	2.3

*Note: Survey respondents were ranked according to household income per capita.*

As can be observed in Table 9, there again is a strong gradient when one compares levels of perceived inadequacy of consumption across the income distribution. If one takes food consumption as an example, the level of perceived inadequacy among those households in the poorest income quintile is over four times higher than those in the richest quintile. Similarly, in the bottom row of the table, the percentage of households in the poorest quintile reporting inadequacy in all five types of consumption is almost 11 times higher than those in the richest quintile (13% compared to 2%).

Despite this reassuring pattern, it is equally important to note that relatively sizable shares of those in the upper income quintiles consider their consumption expenditure on the different goods and services as inadequate. This suggests the possible presence of *preference drift* or adaptation to high standards of living, with norms about adequacy changing as one's welfare situation changes. It could also be attributable to *reference drift* or relative deprivation. Households at the top end of the income distribution could feel worse off than neighbours or other comparison group(s), or even to the household's position in the past, which may have been better off than currently due to difficult economic times. This phenomenon will need to be further explored as part of the ongoing analysis of the NIDS.

Comparative analysis of NIDS and SASAS in relation to perceived versus observed economic welfare has not been attempted in this paper, as SASAS relies on single banded income and expenditure questions in contrast to the detailed information that is collected in NIDS. While one would expect a similar pattern of results to emerge, direct comparison is thus likely to be frustrated by methodological variation in measuring household income and expenditure.

### 3. For Richer or Poorer: Individual Perceptions of Economic Welfare using the Economic Ladder Question (ELQ)

The other approach to subjectively measuring economic welfare that has been included in NIDS and that has become increasingly popular in developing countries is based on what has been termed the *Economic Welfare Question* (EWQ) by Ravallion and Lokshin (2002: 1455). The method has developed in response to concerns about using the generic satisfaction-with-life question as the basis for determining perceptions about poverty at the household and individual-levels. Ravallion and Lokshin (1999, 2002) argue that happiness or satisfaction-with-life-as-a-whole could be viewed as a concept that is conceivably 'too broad' as a basis for measuring economic welfare and assessing conventional income-based measures. This approach is relatively open-ended, and uses self-rated welfare as the chosen welfare indicator. The questions underpinning this approach thus make explicit use of the words 'poor' and 'non-poor', and require individuals to make evaluations of their own situation rather than their household or familial situation. Instead of imposing any assumptions about how to measure economic welfare, this decision is left to the respondent. As Ravallion and Lokshin (1999: 8) note, this approach "...does not presume that 'income' is the relevant variable for defining who is 'poor' and who is not". By virtue of the use of the terms 'poor' and 'non-poor', the EWQ continues to focus on a narrower concept of economic *welfare* relative to the more encompassing concept of *well-being* derived from life satisfaction or happiness questions.

In response, an economic welfare question, especially in the form of the nine-step economic ladder question (ELQ), is advocated as an alternative Cantril-type method. The measure does not presuppose that income is the relevant metric for determining the poor from non-poor, but at the same time is seen to focus more on economic welfare than the life satisfaction ladder by virtue of the explicit inclusion of the descriptors 'rich' and 'poor' (Ravallion & Lokshin, 2001). In a comparison of relative, subjective and official poverty lines in the Russian Federation using data from the late 1990s, Ferrer-i-Carbonell and Van Praag (2001) find that the incidence of well-being poverty is sizably lower than economic or welfare poverty (whether measured in absolute or subjective terms). They concede that subjective well-being poverty is a more complex construct to measure and interpret than self-rated economic welfare, and as such suggest that the well-being poverty estimates be viewed judiciously (ibid., p.169).

The EWQ approach has assumed two principal forms in practice. The first of these is the self-rated poverty question. The longest running example comes from public opinion surveys conducted by the Social Weather Station in the Philippines since 1983 (Mangahas, 1995, 2001, 2004). The surveys ask adult respondents to specify whether their family is 'not poor', 'on the line', or 'poor'. Variations of the self-rated poverty question have been applied in Bolivia (Arias & Sosa Escudero, 2004) and Argentina (Lucchetti, 2006) and South Africa (Roberts, 2006). A second common version requires people to rate their economic welfare using a modified version of the ladder question that was developed by Cantril (1965) to capture happiness or general life satisfaction. Accordingly, respondents are asked to place themselves on the rungs of a ladder running from 'poor' at the bottom to 'rich' at the top. A typical representation of this type of questions follows:

Please imagine a 9-step ladder where on the bottom, the first step, stand the poorest people, and on the highest step, the ninth, stand the rich. On which step are you today?

An early example of the welfare ladder question can be found in the Eurobarometer survey (Riffault, 1991), and more recently in the Latinobarometer (Graham & Pettinato, 2002; Graham & Felton, 2005) and Afrobarometer series (Bratton *et al*, 2000; Graham & Hoover, 2006). The Eurobarometer classified as poor those respondents who placed themselves on the lowest two rungs of a seven-step ladder are classified as the poor. The welfare ladder question is increasingly being included in national living standards surveys as part of a subjective welfare module to be fielded alongside detailed income and expenditure modules with which to derive objective poverty estimates, with examples including Russia, Tajikistan, Albania, Indonesia and Malawi.<sup>4</sup>

### **3.1 NIDS and Economic Ladder Questions (ELQs)**

The NIDS survey included a set of items in the adult questionnaire that were modelled on the Economic Ladder Question. These focused on current individual perceptions of poverty, past rating of own poverty, as well as two self-evaluations of the prospects of upward mobility. Each of the items makes use of a six-point ladder, ranked from the poorest on rung 1 to the richest on rung 6. For the exact phrasing of the questions, see the Appendix.

---

<sup>4</sup> See, for example, Ravallion & Lokshin (2002, 2005a, 2005b), Lokshin & Ravallion (2000, 2005), Falkingham (2000), Falkingham & Klytchnikova (2006), Carletto and Zezza (2004, 2006), Devereux *et al.*, (2007).

The weighted distribution of ELQ responses is provided in Table 10. Approximately an eighth (14%) of the adult population sampled ranked themselves as currently being on the poorest rung of the ladder, with a further third (34%) selecting the second rung. A similar share placed themselves in the middle of the scale, while less than five percent of adults chose the two wealthiest categories. From a retrospective perspective, respondents clearly perceive that substantial gains have been made in their economic welfare since the time when they were 15-years-old. Accordingly, nearly two-fifths (37%) of adults placed themselves on the lowest rung of the welfare ladder, with two-thirds of the adult population falling in the bottom two categories. A comparably smaller share falls in the upper tail of the distribution. The mean ELQ score on the retrospective evaluation is significantly lower than that based on the current welfare assessments (2.07 versus 2.61 respectively), reaffirming that adult South Africans feel less impoverished today relative to the past.

**Table 10: Individual perceptions of economic welfare, 2008**

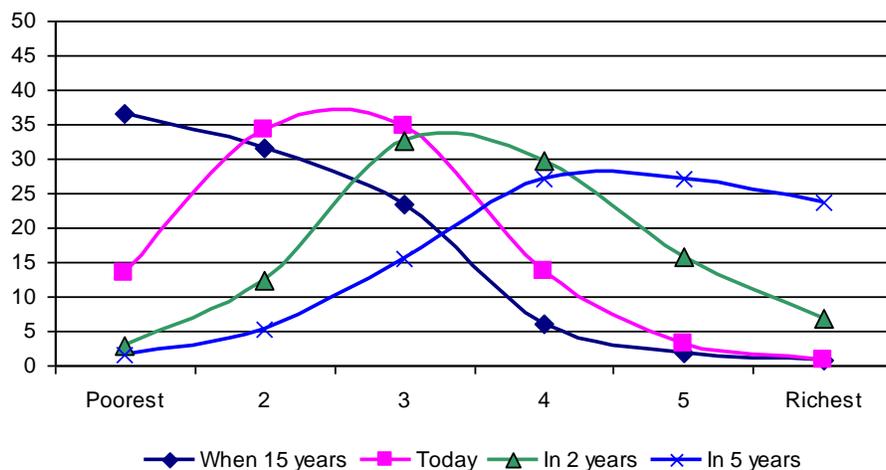
Economic welfare ladder	Current position	Perceived welfare ranking when 15-years-old	Expected position in 2 years	Expected position in 5 years
<b>Proportions</b>				
Poorest 1	0.135 (0.008)	0.365 (0.012)	0.028 (0.003)	0.016 (0.002)
2	0.343 (0.011)	0.315 (0.009)	0.124 (0.008)	0.051 (0.006)
3	0.346 (0.008)	0.234 (0.009)	0.327 (0.010)	0.156 (0.007)
4	0.137 (0.008)	0.062 (0.005)	0.296 (0.008)	0.270 (0.009)
5	0.031 (0.004)	0.018 (0.003)	0.158 (0.008)	0.270 (0.008)
Richest 6	0.008 (0.002)	0.007 (0.002)	0.068 (0.006)	0.237 (0.013)
Total	1.000	1.000	1.000	1.000
Mean	2.61 (0.008)	2.07 (0.008)	3.64 (0.009)	4.44 (0.010)
<b>Unweighted n</b>				
Poorest 1	2,455	6,121	497	272
2	5,891	5,129	2,192	923
3	5,138	3,237	5,637	2,856
4	1,641	787	4,304	4,571
5	332	186	1,963	3,729
Richest 6	68	61	871	3,074
Total	15,525	15,521	15,464	15,425

*Note: the questions are phrased as follows: Please imagine a six step ladder where the poorest people in South Africa stand on the bottom (the first step) and the richest people in South Africa stand on the highest step (the sixth step). On which step was your household when you were 15? On which step are you today? On which step do you expect to be 2 years from now? On which step do you expect to be 5 years from now?*

In the lead-up to and aftermath of the 2009 general election, there has been much public debate on the expectations of the electorate on the incumbent administration to accelerate developmental

progress and deliver upon campaign promises and socio-economic rights.<sup>5</sup> Therefore, measuring and understanding the expectations that South Africans have in relation to their future economic welfare is fundamental to the design, support of, implementation and evaluation of social policy (Delavande et al, 2009). From Table 10 and Figure 2, it is immediately apparent that there are appreciably high expectations of upward mobility over the next two to five years. For instance, the percentage of adults located in the poorest two welfare rungs is expected to decrease from the current 48% to 15% in two years to a mere 7% at the end of five years. If we were to assume that those placing themselves in the bottom two steps of the ladder are to be classified as poor, this would represent not only an anticipated halving of poverty by 2014,<sup>6</sup> but a reduction of 85 percent. At the other end of the scale, the percentage expecting to be situated in the top two rungs of the welfare ladder increases from the current 4% to 23% in two years and finally to 51% within a five-year interval. As the mean scores presented in the table demonstrate, this represents on average an improvement of one rung within two years and nearly two-rungs by 2014.

**Figure 2: Past, present and future evaluations of economic welfare**



<sup>5</sup> See, for instance, the commentary by various political analysts in the print media: Habib (2009); Matshiqi (Business Day, 24.04.2009 & 08.05.2009); Naidu (2009)

<sup>6</sup> The halving of poverty by 2014 represents one of the targets that was adopted as part of the ANC's 2004 election manifesto, entitled Vision 2014. It is also consistent with target 1 of the Millennium Development Goals, which advocates halving the proportion of people living in extreme poverty (an income of less than US\$1 per day in PPP-values) by 2015.

Taking this analysis of perceived current and future economic welfare further, a transition matrix is presented in Table 11 illustrating for each of the six welfare steps on the current economic ladder question the corresponding level of well-being that South African adults expect in the next two years (the first half of the table) and five years (the bottom half of the table). Therefore, by looking across the first row, it is apparent that 18% of those aged 15 years and older who consider themselves as presently being among those in society with the poorest standard of living expect to be equally as poor in two years. A further 37% of adults anticipate marginally higher living standards (rung 2) while 25% believe they will enjoy moderately better economic standards (rung 3). The remaining 19% of this group perceive the attainment of living standards that greatly exceeding their self-rated welfare rank (rungs 4 and above) within the two-year interval, with a small share (less than 1%) either uncertain or refusing to disclose their future evaluation. The main diagonal element of the matrix is presented in bold and illustrates the share of adults in each row that do not expect to change their level of economic welfare. For instance, 95% of those who placed themselves in the richest welfare grouping in 2008 believe they will still be in the same position in two years, while the figure stands at nearly 100% by the end of a five-year period.

**Table 11: Transition matrix showing perceived medium-term changes in economic welfare, 2008 (row %)**

		Income step in 2 years							
Income today	step	Poorest	2	3	4	5	Richest	Item non-response	Total
Poorest		<b>18.2</b>	37.0	25.1	9.2	5.7	4.3	0.6	100
2		0.8	<b>19.2</b>	56.9	16.9	3.9	2.2	0.2	100
3		0.2	1.8	<b>26.3</b>	51.3	14.8	4.9	0.8	100
4		0.2	0.9	2.9	<b>33.5</b>	51.3	11.1	0.3	100
5		0.0	0.0	2.5	1.0	<b>48.6</b>	46.6	1.2	100
Richest		0.0	0.0	2.7	1.3	0.6	<b>95.4</b>	0.0	100
Total		2.8	12.3	32.5	29.4	15.7	6.8	0.5	100
		Income step in 5 years							
Income today	step	Poorest	2	3	4	5	Richest	Item non-response	Total
Poorest		<b>9.0</b>	15.9	26.3	16.7	15.1	16.3	0.7	100
2		0.6	<b>7.2</b>	21.7	37.8	19.8	12.4	0.5	100
3		0.3	1.2	<b>12.1</b>	26.3	36.4	22.9	0.9	100
4		0.4	0.5	2.0	<b>18.3</b>	32.1	46.1	0.7	100
5		0.2	0.6	0.0	1.6	<b>31.2</b>	65.9	0.5	100
Richest		0.0	0.0	0.4	0.0	0.0	<b>99.6</b>	0.0	100
Total		1.6	5.1	15.5	26.9	26.8	23.5	0.7	100

In Table 12, the mean scores on the economic welfare questions are provided based on select socio-demographic characteristics of the adult respondents. The profile shows that there is a clear gradient in perceived economic welfare based on observed wealth ranking, with those falling in the poorer quintiles of per capita household income generally reporting lower levels of perceived past, present and future economic welfare. African adults are most likely to feel poor at present as well as in the past, followed by Coloured adults. White adults felt least poor on average in terms of retrospective economic welfare, though in relation to present perceived welfare there is not a significant difference in the mean scores of White and Indian adults. All population groups expect improved economic welfare over the next two years, with the greatest proportional change anticipated among African and Coloured adults. Although African adults would continue to possess the lowest mean perceived welfare score, the expected gains among Indian adults would mean that they would rank the highest, with insignificant differences between Coloured and White adults. The continuation of this pattern means that by the end of five years, Indian respondents continue to exhibit the highest perceived economic welfare, African adults ranked in second position with Coloured adults close behind, and White adults possessing the lowest mean score of the four groups. Although there are not any significant differences in mean scores for the four ELQs on the basis of the respondent's gender, those living in female headed households consistently provided lower ELQ scores on average.

**Table 12: Perceptions of economic welfare by select socio-demographic characteristics  
(mean scores)**

Economic welfare ladder	Current position	Perceived welfare ranking when 15-years-old	Expected position in 2 years	Expected position in 5 years
<b>Quintiles of household income per capita</b>				
Poorest quintile	2.14	1.79	3.31	4.29
2	2.32	1.90	3.42	4.33
3	2.45	1.95	3.53	4.41
4	2.63	2.07	3.70	4.47
Richest quintile	3.29	2.53	4.07	4.63
<b>Population group</b>				
African	2.48	1.95	3.58	4.46
Coloured	2.71	2.07	3.70	4.38
Indian	3.38	2.57	4.45	5.03
White	3.27	2.91	3.80	4.14
<b>Gender</b>				
Male	2.61	2.05	3.63	4.45
Female	2.61	2.09	3.64	4.43
<b>Gender of HH head</b>				
Male	2.68	2.10	3.67	4.46
Female	2.49	2.02	3.56	4.39
<b>Age group</b>				
15-19	2.70	2.20	3.83	4.74
20-29	2.62	2.13	3.77	4.63
30-39	2.58	2.02	3.64	4.43
40-49	2.63	2.04	3.63	4.40
50-59	2.60	1.97	3.48	4.25
60+	2.50	2.02	3.22	3.83
<b>Geo-type</b>				
Urban formal	2.88	2.28	3.86	4.58
Urban informal	2.45	2.04	3.59	4.46
Tribal	2.39	1.85	3.42	4.16
Rural formal	2.28	1.80	3.33	4.27
National	2.61	2.07	3.64	4.44

In terms of age-group differentials, there appears to be an inverse relationship between age and perceived economic welfare. Those in their late teens and twenties display significantly higher economic welfare scores on each of the four questions than the national average and older cohorts, while those in their fifties or aged 60 years in particular tend to exhibit lower than average scores on the welfare ladder. It is among 15-19 year-olds and 20-29 year-olds that the largest gains in perceived welfare are expected during the next five years. Finally, urban residents tended to rank higher than rural residents in terms of both past and present welfare evaluations, with those in formal urban areas scoring the highest and tribal authority areas the lowest. The same general

pattern holds in relation to perceived future welfare, though the relative ranking of tribal authority areas and formal rural areas reverses in terms of the five-year prediction.

The ability to examine both similarities and difference between the NIDS and SASAS responses to the economic welfare questions is complicated by different phrasing in the SASAS instruments as well as the use of a 10-point ladder instead of the six-point scale used in NIDS. Furthermore, SASAS only includes current ELQ ranking, which further limits the ability to perform comparative analysis. As such, direct comparison has not been attempted to make NIDS-SASAS comparisons.

## 4. Concluding Reflections

The inclusion of a set of subjective welfare questions in the 2008 baseline wave of the National Income Dynamics Study at both the individual and household level represents a salient contribution from an economic measurement and social policy perspective. The survey has extended the tradition set by the 1993 Project for Statistics on Living Standards and Development (PSLSD) of including a household-level module on perceived quality of life alongside comprehensive, nationally-representative information on household consumption expenditure. It also offers opportunities for comparative analysis and robustness tests with other national studies that have collected data using equivalent measures of subjective poverty, such as the South African Social Attitudes Survey (SASAS) series. It is hoped that this will serve as the basis for a more nuanced understanding of economic welfare in the country; one that is informed in a more democratic manner by drawing on the views of ordinary citizens.

The preliminary descriptive analysis conducted in this paper of the household-level consumption adequacy questions suggests that between a quarter and two-fifths of households consider different forms of consumption expenditure inadequate to meet their basic needs. In these national results, there is a remarkable consistency between NIDS and estimates derived from the other principal national survey that has fielded the questions (the South African Social Attitudes Survey). The consumption adequacy approach therefore appears, upon first examination, to provide a relatively robust picture of perceived deprivation in the country over the last couple of years. As anticipated, there are sizable differences based on the geographic, demographic and socio-economic characteristics of households, with higher levels of consumption inadequacy common in households that are rurally based, African, have a female household head and that are at the poorer end of the income distribution. Despite the broad comparability of estimates of consumption adequacy at the national level between NIDS and SASAS, there does appear to be differences when analyzing geographic differences in responses to the subjective questions, especially at the provincial level. There is a better basis of comparison in relation to the level and rankings of perceived consumption inadequacy by geo-type and population group.

In relation to the individual-level economic ladder questions, the results provide an interesting account of past and current perceptions of poverty as well as own-evaluations of the prospects of upward mobility during the next two to five years. While there is a broad acknowledgement that economic welfare has improved for adults since they were 15 years old, in the current rating

approximately half the adult population still place themselves on the poorest two rungs of a six-step poverty ladder. By comparison, only 4 percent place themselves on the top two rungs of the poverty ladder at the time of survey. More detailed analysis reveals that adults that are African, and older than 50 years, and that live in households with low income per capita, female heads or located outside formal urban areas, tend to feel poorer currently.

Looking to the future, the expectations of welfare improvements are high. For instance, the percentage of adults located in the poorest two welfare rungs is expected to decrease from the current 48% to 15% within a two year period, and to a mere 7% at the end of five years. On average, households expect to move up one step within two years and nearly two rungs within five years. Especially high expectations of improved material conditions are observed among those younger than 30 years of age, among African adults, and those in low-income households. These great expectations of upward mobility represent a potentially critical challenge for the new government administration. In its efforts to institute a pro-poor agenda aimed at rapidly scaling up service delivery, employment creation and poverty reduction, it has to simultaneously address substantive capacity constraints that ultimately make achieving the aspirations of the poor increasingly difficult, particularly in a five-year interval.

It is hoped that the ongoing analysis of the baseline wave of NIDS will serve as the basis for a more nuanced understanding of economic welfare in the country; one that is informed in a more democratic manner by drawing on the views of ordinary citizens. Furthermore, as NIDS matures and subsequent waves of panel data are collected, further opportunities for experimentation, testing, and robust debate are also going to become available to the research community about the meaning and determinants of subjective measures of economic welfare, their relationship with conventional, objective measures such as expenditure or income, their bearing on social- and economic behaviour, as well as their relevance for social policy.

# References

---

- Arias, Omar and Sosa Escudero, Walter (2003) "Subjective poverty in Bolivia: a binary quantile regression approach", Work in process. World Bank, Washington, DC, 2004
- Bookwalter JT & Dalenberg D (2004) Subjective well-being and household factors in South Africa, *Social Indicators Research* 65: 333–353
- Cantril, H. (1965) *The Pattern of Human Concern*. New Brunswick: Rutgers University Press.
- Carletto, G. and Zezza, A. (2006) "Being poor, feeling poorer: Combining objective and subjective measures of welfare in Albania", *The Journal of Development Studies*, Volume 42, Number 5 / July 2006, pp.739 – 760.
- Citro, C.F. and Michael, R.T. (Eds) (1995) *Measuring Poverty: A New Approach*. Washington, D.C.: National Academy Press.
- Delavande, A., Gine, X. and D. McKenzie (2009) *Measuring Subjective Expectations in Developing Countries: A Critical Review and New Evidence*. World Bank Policy Research Working Paper 4824. Washington, D.C.: World Bank.
- Devereux, S. Baulch, B, Macauslan, I, Phiri, A and Sabates-Wheeler, R (Eds) *Vulnerability and Social Protection in Malawi*. IDS Discussion Paper 387, Brighton: Institute of Development Studies, University of Sussex.
- Ferrer-i-Carbonell, A. & Van Praag, B.M.S. (2001) Poverty in Russia. *Journal of Happiness Studies*, 2, pp.147-172.
- Goedhart, T., Halberstadt, V., Kapteyn, A. and van Praag, B.M.S. (1977) The poverty line: Concept and measurement. *Journal of Human Resources* 12(4): pp.503-520
- Habib, A. (2009) 'Substantive uncertainty: South Africa's democracy becomes dynamic', *Pambazuka News*, 16 April. Available online at: <<http://pambazuka.org/en/category/features/55638/print>>

- Kanbur, R. (2005) Q-Squared - Qualitative and Quantitative Poverty Appraisal: Complementarities, Tensions and the Way Forward. Q-Squared Working Paper 1, Toronto: Centre For International Studies, University Of Toronto
- Kanbur, R. & Shaffer, P. (2007) Epistemology, Normative Theory and Poverty Analysis: Implications for Q-Squared in Practice, *World Development*, 35(2), pp.183–196.
- Kingdon, G. and Knight, J. (2006) Subjective Well-Being Poverty vs. Income Poverty and Capabilities Poverty? *Journal of Development Studies*, 42(7), pp.1199–1224
- Kingdon, G. and Knight, J. (2007) Community, comparisons and subjective well-being in a divided society. *Journal of Economic Behavior & Organization*, 64, pp.69–90
- Klasen S (1997) Poverty, inequality and deprivation in South Africa: An analysis of the 1993 SALDRU survey, *Social Indicators Research* 41: 51–94
- Lokshin, M., Umapathi, N. and Paternostro, S. (2006) “Robustness of Subjective Welfare Analysis in a Poor Developing Country: Madagascar 2001”, *Journal of Development Studies*, 42(6), pp.559-591
- Lucchetti, L. (2006) Caracterización de la Percepción del Bienestar y Cálculo de la Línea de Pobreza Subjetiva en Argentina, CEDLAS Working Paper 40, Centro de Estudios, Distributivos, Laborales y Sociales, Maestría en Economía, Universidad Nacional de La Plata
- Mangahas, M. (1995) Self-Rated Poverty in the Philippines, 1981-1992. *International Journal of Public Opinion Research*, 1995, 7, 1, spring, 40-55
- Mangahas, M. (2001) ‘Subjective Poverty and Affluence in the Philippines’, *Philippine Review of Economics*, v. 38, iss. 2, pp. 122-34 December 2001.
- Mangahas, M. (2004) The SWS Survey Time Series on Philippine Poverty and Hunger, 1983-2003. Thematic Paper for the 2004 Regional Conference on Poverty Monitoring in Asia, Centre for Poverty Analysis, Sri Lanka.
- Matshiqi, A., ‘New set of challenges for Zuma and ANC’. *Business Day*, 24 April 2009.
- Matshiqi, A., ‘Prayers of the poor must shape the agenda’. *Business Day*, 8 May 2009.

- Naidu, S. (2009) Reflections of South Africa's 2009 election, Growth. Available online at: <[http://www.growth.co.za/index.php?option=com\\_content&view=article&id=242:analysis-reflections-of](http://www.growth.co.za/index.php?option=com_content&view=article&id=242:analysis-reflections-of)>
- Powdthavee N (2003) Is the structure of happiness equations the same in poor and rich countries? The case of South Africa. The Warwick Economics Working Paper Series (TWERPS) No. 675, University of Warwick
- Pradhan, M. & Ravallion, M. (1998) Measuring Poverty Using Qualitative Perceptions of Welfare, World Bank Working Paper 2011, Washington, D.C.: World Bank.
- Pradhan, M. & Ravallion, M. (2000) Measuring Poverty Using Qualitative Perception of Consumption Adequacy, *The Review of Economics and Statistics*, 82(3), pp.462-471.
- Ravallion, M. (1992) Poverty Comparisons: A Guide to Concepts and Methods. Living Standards Measurement Study Working Paper No. 88. Washington, D.C.: World Bank.
- Ravallion, M (2008) Poverty Lines. In Blume, L. and Durlauf, S. (eds) *The New Palgrave Dictionary of Economics*, 2nd edition, London: Palgrave Macmillan.
- Ravallion, M. and Lokshin, M. (1999). Subjective Economic Welfare. World Bank Policy Research Working Paper WPS2106. Washington, D.C.: World Bank
- Ravallion, M. and Lokshin, M. (2001). Identifying welfare effects from subjective questions. *Economica*, 68: 335-357.
- Ravallion, M. and Lokshin, M. (2002) Self-rated economic welfare in Russia. *European Economic Review*, 46(8), pp.1453-1473
- Riffault, H. (1991) How Poverty Is Perceived. In Reif, K. and R. Inglehart, (eds.) *Eurobarometer: The Dynamics of European Public Opinion*, London: Macmillan Academic and Professional Ltd.
- Rio Group (2006) Compendium of best practices in poverty measurement. Rio de Janeiro: Expert Group on Poverty Statistics, Brazilian Geographical and Statistical Institute (IBGE).
- Roberts, B. and Struwig, J. (2009) 'Good times, bad times: Survey of economic perceptions and political attitudes', *HSRC Review*, 7(2): 15-17.

Statistics South Africa (2009) Gross Domestic Product, First Quarter 2009, Statistical Release  
P0441. Pretoria: Statistics South Africa.

## Appendix: Variables used for analysis

---

### Consumption Adequacy Questions included in the 2008 NIDS Round, Household Questionnaire:

<b><i>INTERVIEWER READ OUT:</i></b> Next, we want to ask you some questions about your households' standard of living. Interviewer: Read out question first and then each response option.					
		It was less than adequate for your household's needs	It was just adequate for your household's needs	It was more than adequate for your household's needs	Not applicable
D32.1	Concerning your household's <u>food consumption</u> over the past month, which of the following is true?	1	2	3	
D32.2	Concerning your household's <u>housing</u> , which of the following is true?	1	2	3	
D32.3	Concerning your household's <u>clothing</u> , which of the following is true?	1	2	3	
D32.4	Concerning your household's <u>health care cover</u> , which of the following is true?	1	2	3	
D32.5	Concerning the <u>schooling of children</u> in the household, which of the following is true?	1	2	3	5

**Consumption Adequacy Questions included in the 2007 and 2008 SASAS Rounds:**

Now I would like to ask your opinion of your household's standard of living Are the following inadequate, just adequate or more than adequate for your household's needs?					
	It is not adequate for your household's needs	It is just adequate for your household's needs	It is more than adequate for your household's needs	(Do not know)	(Not applicable)
Your household's <u>housing</u>	1	2	3	8	
Your household's access to <u>transport</u>	1	2	3	8	
Your household's <u>health care</u>	1	2	3	8	
Your children's schooling	1	2	3	8	9
Your household's <u>clothing</u>	1	2	3	8	

To what extent was the amount of food your household had over the past month less than adequate, just adequate or more than adequate for your household's needs?

It was less than adequate for your household's needs	1
It was just adequate for your household's needs	2
It was more than adequate for your household's needs	3
(Do not know)	8

**Economic Welfare Question included in the NIDS Wave 1 (2008) Adult Questionnaire:**

M2	How would you classify your household in terms of income, compared with other households in your village/suburb? Interviewer: Read out options	Much above average income						1
		Above average income						2
		Average income						3
		Below average income						4
		Much below average income						5
		Don't know						9
M3	Please imagine a six step ladder where the poorest people in South Africa stand on the bottom (the first step) and the richest people in South Africa stand on the highest step (the sixth step).							
		Poorest 1	2	3	4	5	Richest 6	
M3.1	On which step was your household when you were 15?	1	2	3	4	5	6	
M3.2	On which step are you today?	1	2	3	4	5	6	
M3.3	On which step do you expect to be 2 years from now?	1	2	3	4	5	6	
M3.4	On which step do you expect to be 5 years from now?	1	2	3	4	5	6	
M4	You expect to be on step [...] in 5 years. In terms of today's Rands, approximately how much income per month do you expect that your household will have in 5 years?	Amount			R			
		Don't know			-9			
M5	Using a scale of 1 to 10 where 1 means "Very dissatisfied" and 10 means "Very satisfied", how do you feel about your life as a whole right now?	Satisfaction level						
		Refused						88
		Don't know						99
M6	Are you happier, the same or less happy with life than you were 10 years ago?	Happier						1
		The same						2
		Less happy						3
		Don't know						9