
Rebasing national poverty lines and development of pilot provincial poverty lines for South Africa

Statistics South Africa

9 June 2015

Poverty lines are important tools that allow for **statistical reporting** of poverty levels and patterns. They are therefore important tools for **planning for poverty reduction** in any population.

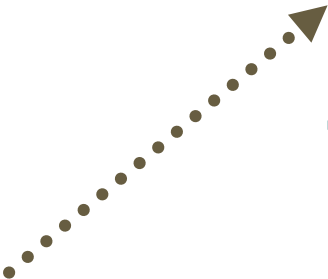
Outline

- ❑ Background
 - Policy environment
 - Pilot poverty lines
 - Rationale for rebasing exercise & rationale for pilot provincial lines
- ❑ Definition of concepts
- ❑ Data and methods
 - IES 2010/11
 - Application of Cost of basic needs approach to determine FPL, LBPL and UBPL
- ❑ Results
 - Estimates of new poverty lines
 - Implications of the rebasing exercise on:
 - poverty lines
 - poverty estimates and trend
- ❑ Conclusions



Poverty

Poverty is a complex issue that manifests itself in economic, social and political ways



No single definition will ever be suitable to measure all facets and dimensions of poverty



Stats SA applies and measures various definitions



Money-metric (lack of income)



Multidimensional poverty (lack of basic services, education, etc.)



Subjective poverty (self-perceived)



Inequality (Gini coefficient, share of expenditure, etc.)

Government priorities on poverty and inequality



Millennium Development Goals (MDGs)

Halve poverty and hunger by 2015

Medium Term Strategic Framework (MTSF)

Halve poverty and unemployment by 2014

National Development Plan

Reduce the proportion of the population living below the lower bound poverty line to 0% by 2030.

Reduce inequality (Gini-coefficient) from 0,7 to 0,6 by 2030

Background contd... The Pilot Poverty Lines



Pilot poverty lines based on IES 2000



Annual updates done using CPI adjustment to pilot poverty lines 2000-2014



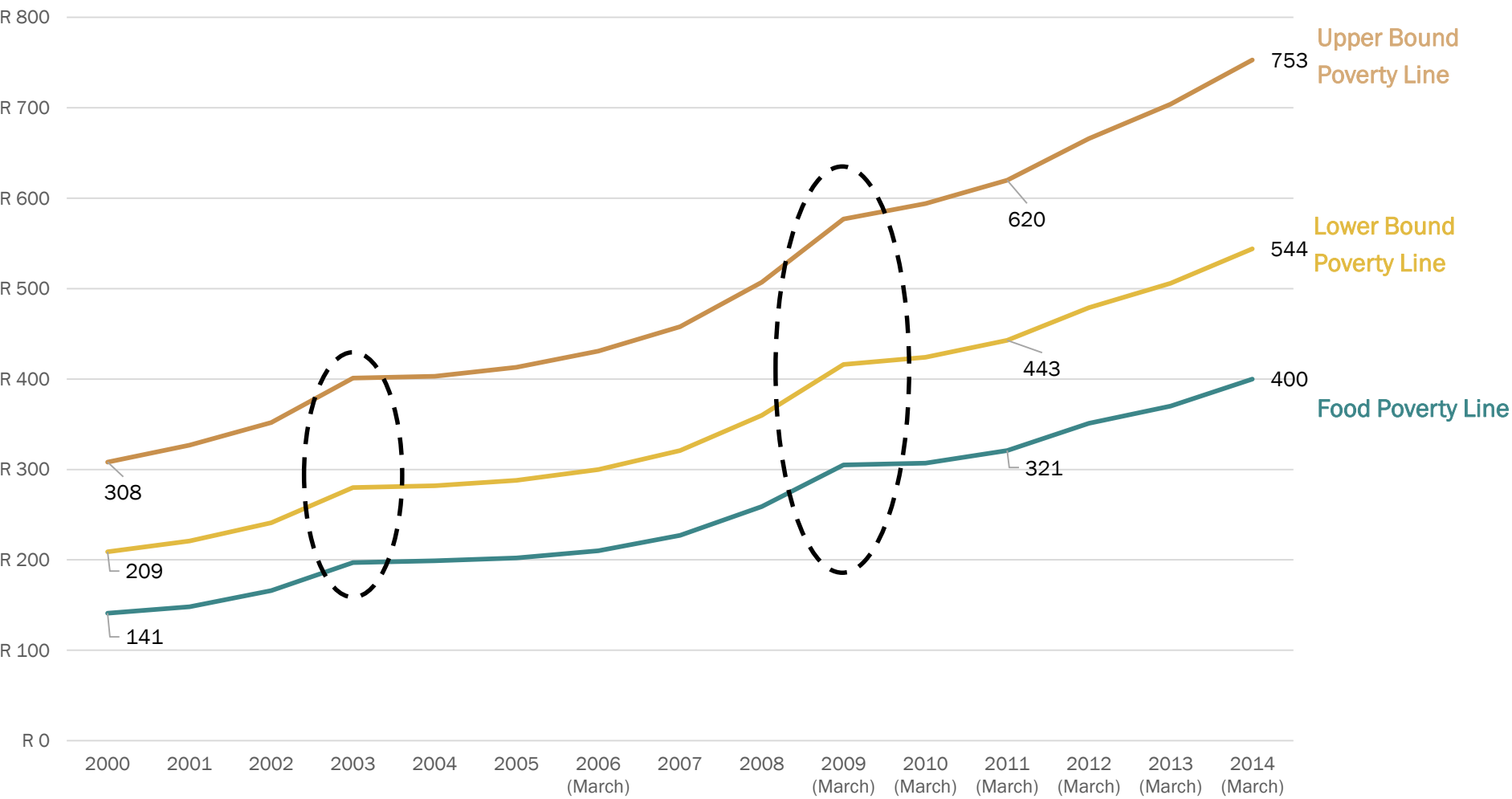
Lines used in 2010 & 2013 MDG country report



National Planning Commission adopted lower bound poverty line as tool for poverty eradication target



Background contd... Pilot national poverty lines (annualised CPI adjustment)



* Unless otherwise indicated, the values are linked to January prices

1. Re-benchmark national poverty lines
(using IES 2010/11)

2. Develop & present pilot provincial poverty lines

Why?



spending and consumption patterns change over time.



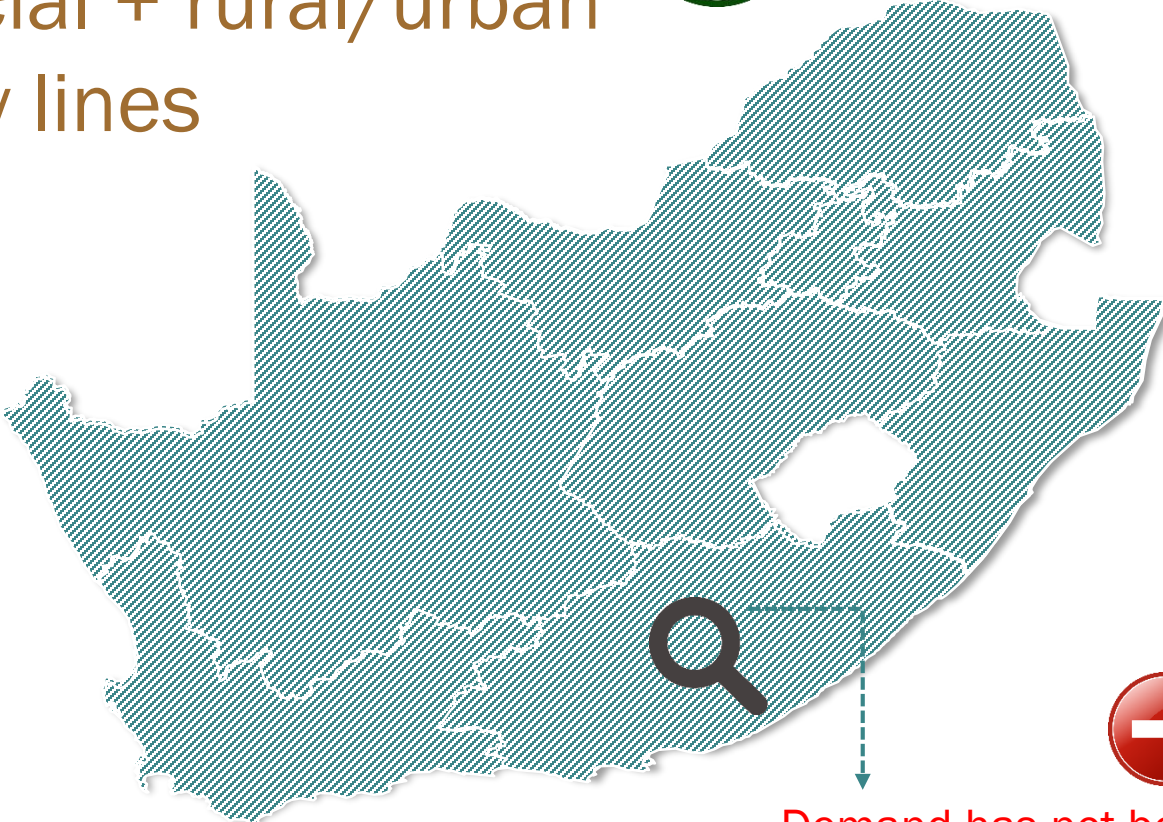
re-basing also allows for the calculation of poverty lines based on improved sampling frames and data collection methods

Why?



response to user need

Increasing demand for provincial + rural/urban poverty lines

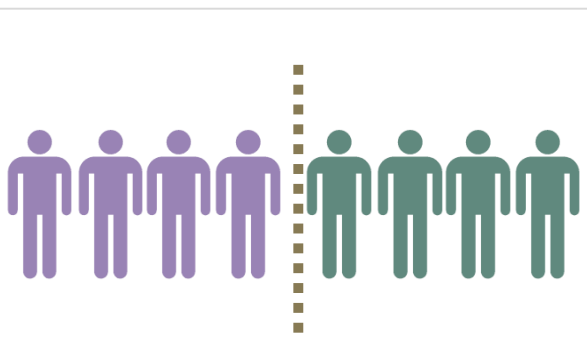


Demand has not been met thus far

Definitions

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Definition of key concepts: Poverty Lines



Absolute poverty line

Establishes a minimum socially acceptable threshold for a predetermined welfare indicator to separate the poor from the non-poor.

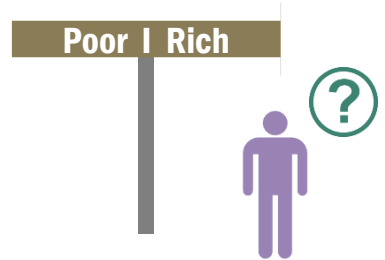
Multiple poverty lines (as is the case with the differentiation between FPL, LBPL, and UBPL) can also be used to distinguish between different levels of poverty because the characteristics of the poor may vary for different intensities of poverty



Relative poverty line

Establishes a comparative status of an individual/group relative to the position of others in society

The poverty line is sometimes determined as a cut-off point in the welfare distribution below which a given proportion (say X percent) of the population is located.



Subjective poverty line

Defined based on individual perceptions of poverty status

Data and methods



Income and Expenditure Survey (IES)

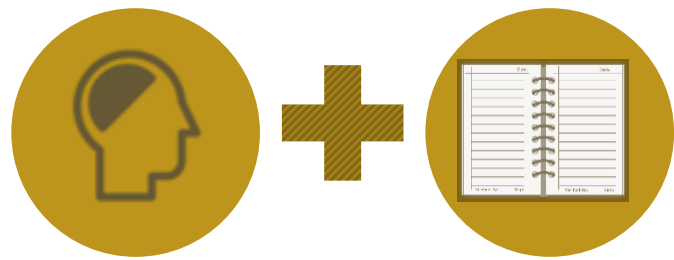
Conducted by Stats SA **every five years** with the primary objective of updating and reweighting the basket of goods and services required for the compilation of the CPI.



The **household income** element of the IES provides important information for **profiling relative income inequality and poverty** in the country.

IES 2010/11

Used a combination of **recall** and **diary** methods to collect data



The consumption aggregate derived from the dataset comprises the following expenditure categories:

752

different goods and services



329

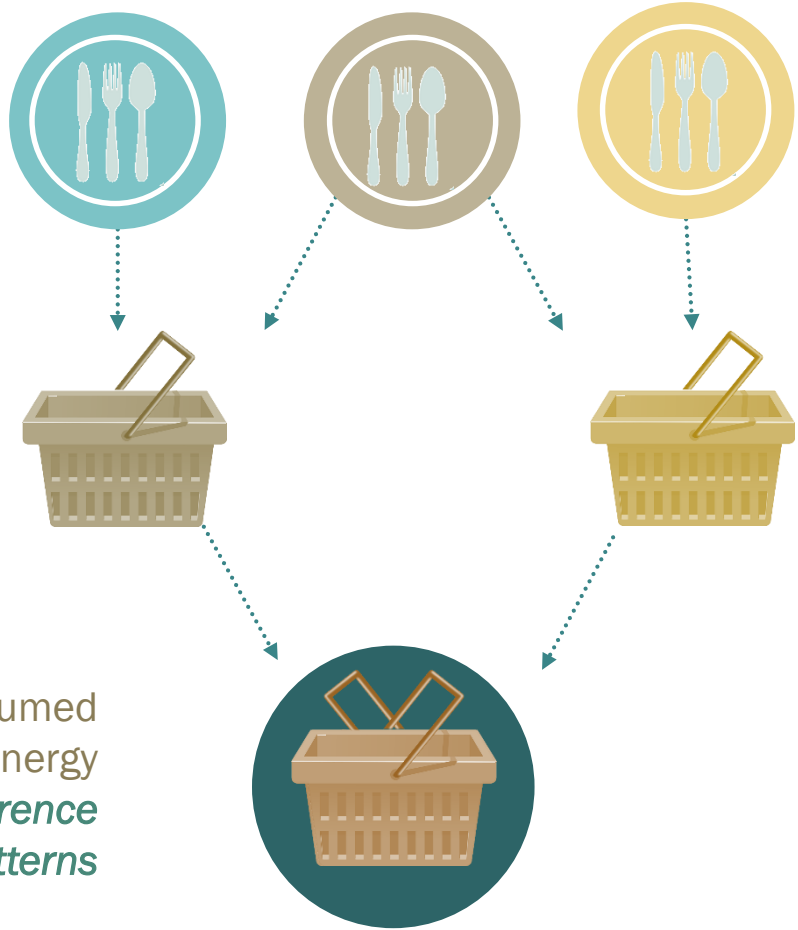
different food items.



The 329 food items reported in IES 2010/11 imply:

- 1. South African population has diverse food preferences
- 2. The minimum human energy requirement can be satisfied using a wide range of food baskets which may vary by location and over time.

The multiplicity of possible food bundles that can be consumed by South African households to satisfy the minimum food-energy intake requirements necessitates construction of a reference basket that is representative of overall consumption patterns while also anchored in representative levels.

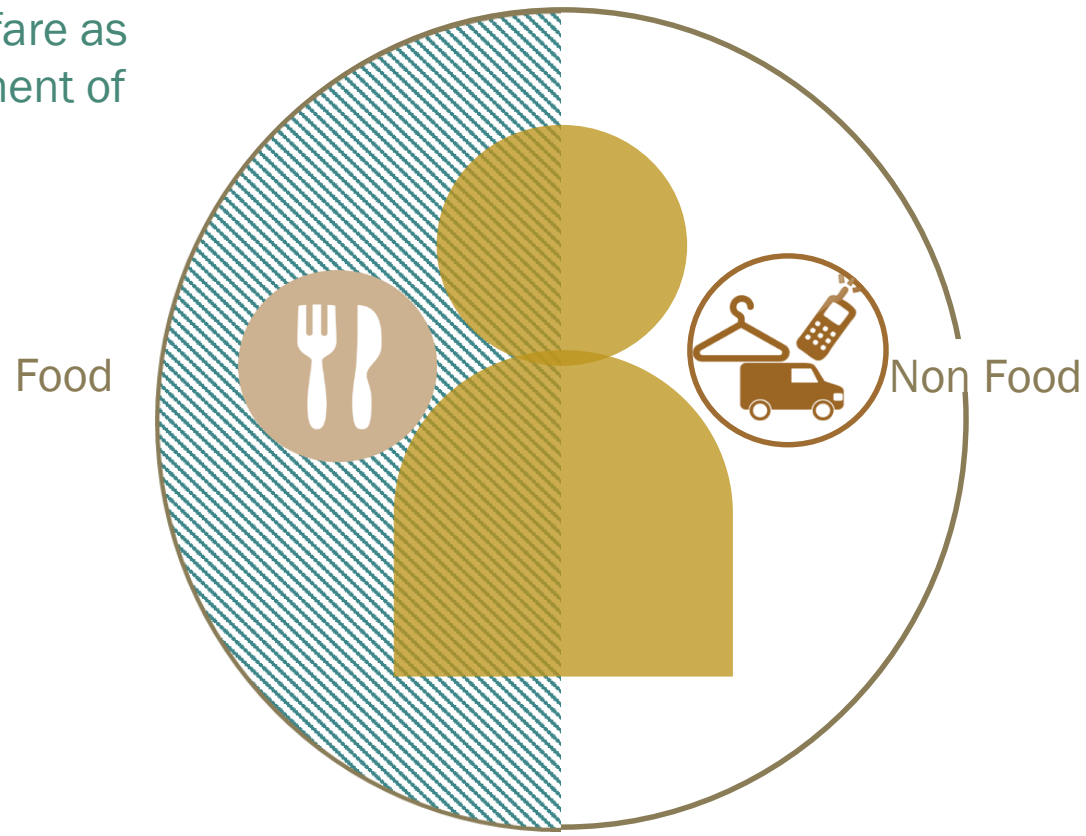


Methodology

- **determining the reference food basket**
- **determining the poverty Lines (FPL, LBPL & UBPL)**

Cost-of-basic-needs approach

This approach conceptualizes welfare as comprising consumption or fulfillment of food and non-food needs.



Data and methods: Determining the reference food basket



1. Determination of nationally common foods at household level is done by combining information on food item expenditure-shares and information about the numbers of households reporting item expenditure.





The threshold for food-expenditure share per item was set at 0.5%

from 329
↓ To 31 stage 1 food items

The minimum number of households required to report on the item for it [food item] to be considered common was set at 10%

Within nationally representative consumption deciles 2-4

from 31
To 26 final food items

26 final food items

Group	Food Item
Beverages	Aerated cold drinks
	Fruit juices not from food service places
	Instant coffee
Dairy products and Eggs	Fresh full cream milk
	Large eggs
	Long life Full cream milk
	Sour milk/maas
Fish, Meat, Poultry and their products	Poultry (including heads and feet)
	Beef and veal (including heads and feet)
	Boerewors
	Canned pilchards
	Polony
Grain products	Mealie meal/Maize flour
	Brown bread
	White bread
	Rice
	Cake flour
Oils and fats	Edible oils (e.g. cooking oils)
Fruits and vegetables	Cabbage fresh
	Potatoes
	Tomatoes fresh
	Onions
Miscellaneous	Burger
	Powder soup
	Brown sugar



Computation of the cost of **2 100 Kcal per person**
(minimum daily energy requirement) from the reference
food basket

=

Food poverty line

Is the Rand value below which individuals are unable to purchase or consume enough food to supply them with minimum per-capita-per-day energy requirement for good health (about 2 100 calories).

unambiguous threshold of absolute deprivation



Unlike food consumption, there are **no universal standards** for consumption of non-food basic needs.

Key definitions and assumptions

Lower bound poverty line

Provides an austere threshold below which individuals have to **choose** between food and important non-food items

Practiced in Indonesia, Ecuador and Sri Lanka

Key assumption

Households whose total expenditure is close to the food poverty line live on 'survival food-needs' (Ravallion, 1998), and therefore sacrifice some basic food-needs in order to meet their non-food requirements

Upper bound poverty line

Provides an unambiguous threshold of relative deprivation below which people cannot afford the minimum lifestyle desired by most South Africans

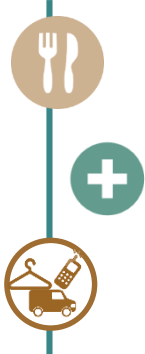
Key assumption

In cases where food expenditure is equivalent to the food line, households are considered able to meet basic foods and basic non-food needs.

Data and methods contd... Determining the lower & upper bound poverty lines



Average non-food expenditure of households whose total expenditure is close to the food poverty line a lower bound poverty line is obtained.

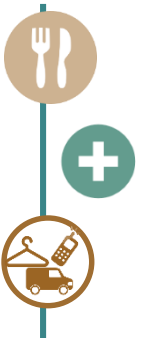


Lower Bound Poverty Line

Food Poverty Line

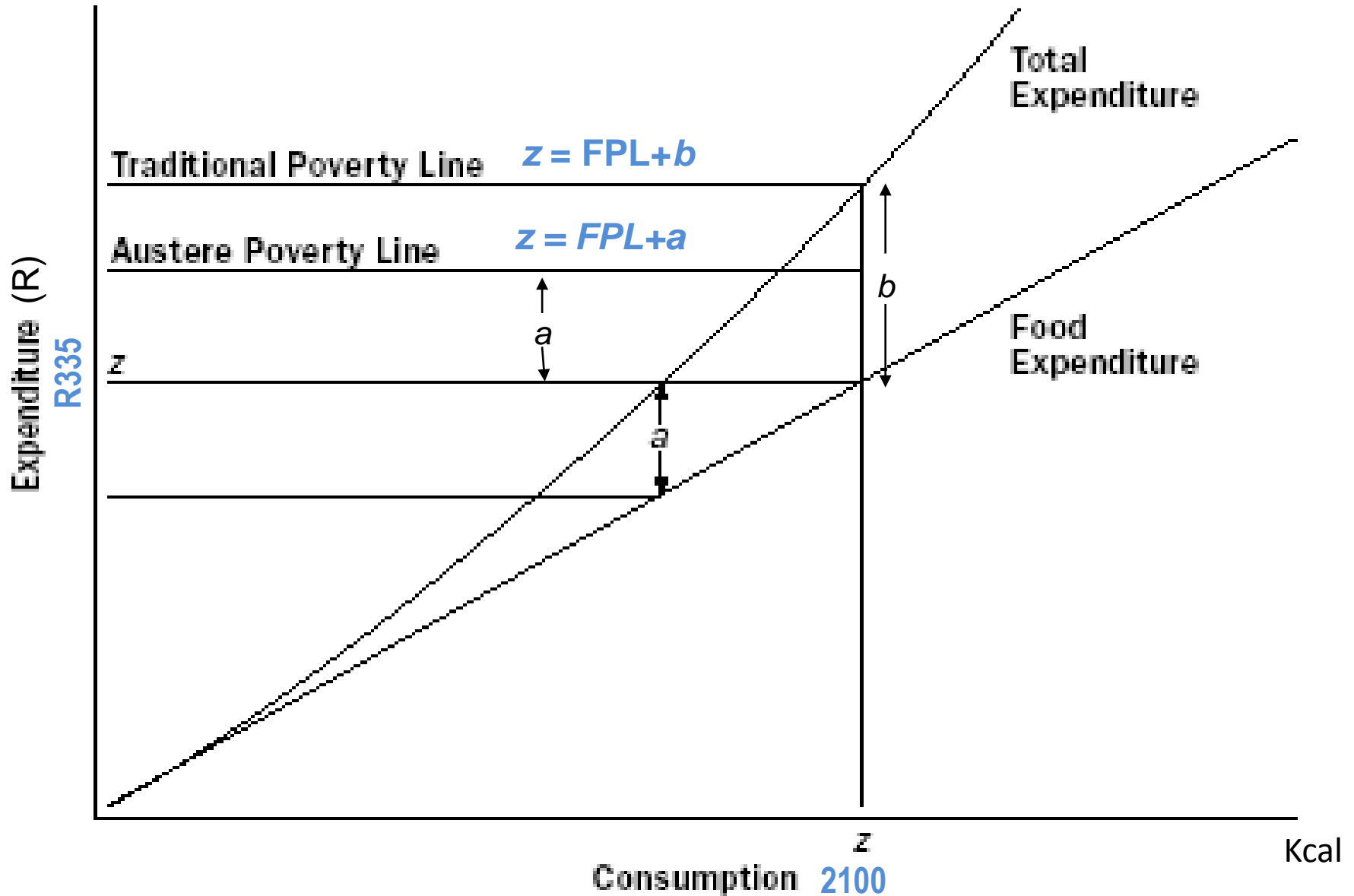


Non-food expenditure of households where food expenditure is equivalent to the food line, an upper bound poverty line is obtained.



Upper Bound Poverty Line

Graphical presentation of how the poverty lines are derived



Results

Results: Components of poverty lines derived from IES 2010/11 and those of pilot poverty lines updated to 2011 using CPI adjustments

Rebased poverty lines using IES 2010/11

Type of poverty line	Value of food component	Value of non-food component	Total value: rand per capita, per month (Feb - March 2011 prices)
FPL	335	-	335
LBPL	335	166	501
UBPL	335	444	779

Pilot poverty lines adjusted to 2011 using CPI adjustments

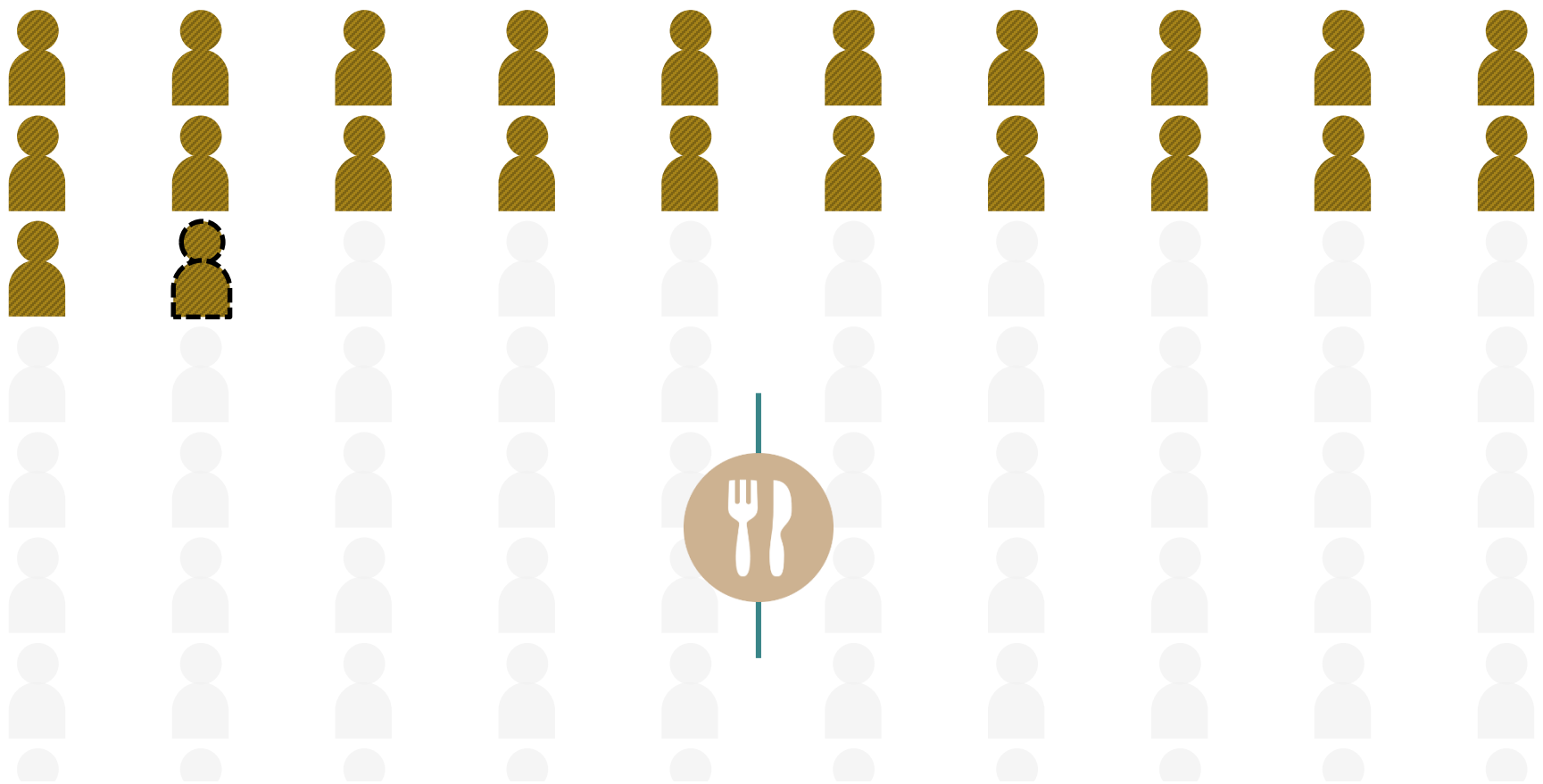
FPL	321	-	321
LBPL	321	122	443
UBPL	321	299	620

Poverty Headcount: Percentage of persons living below the poverty line

Poverty Gap: How far the poor are from the poverty line

Unless otherwise stated, the poverty lines presented are per person per month

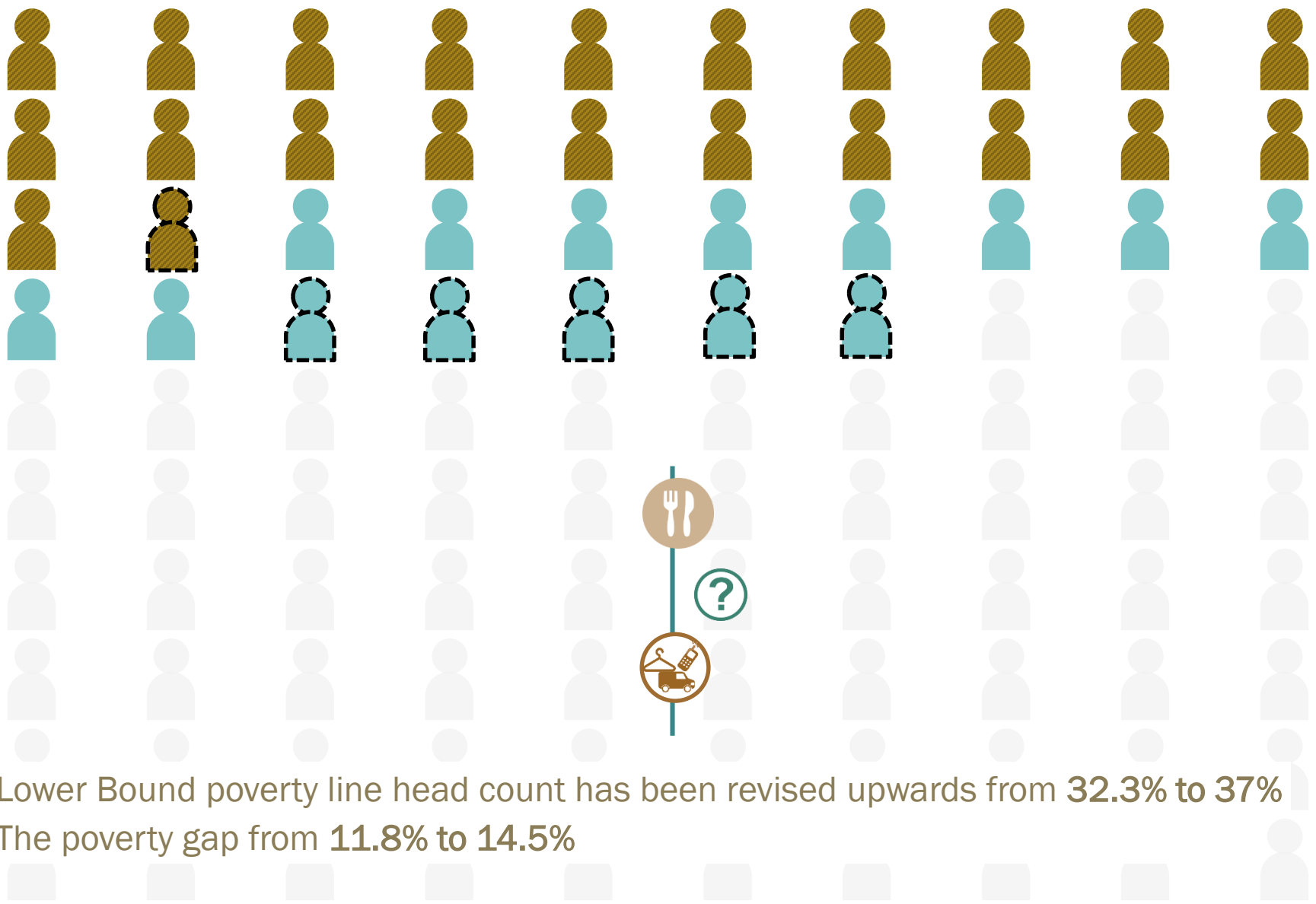
Results: Implication of the rebased poverty lines



Food poverty line head count has been revised upwards from 20.2 % to 21.7%

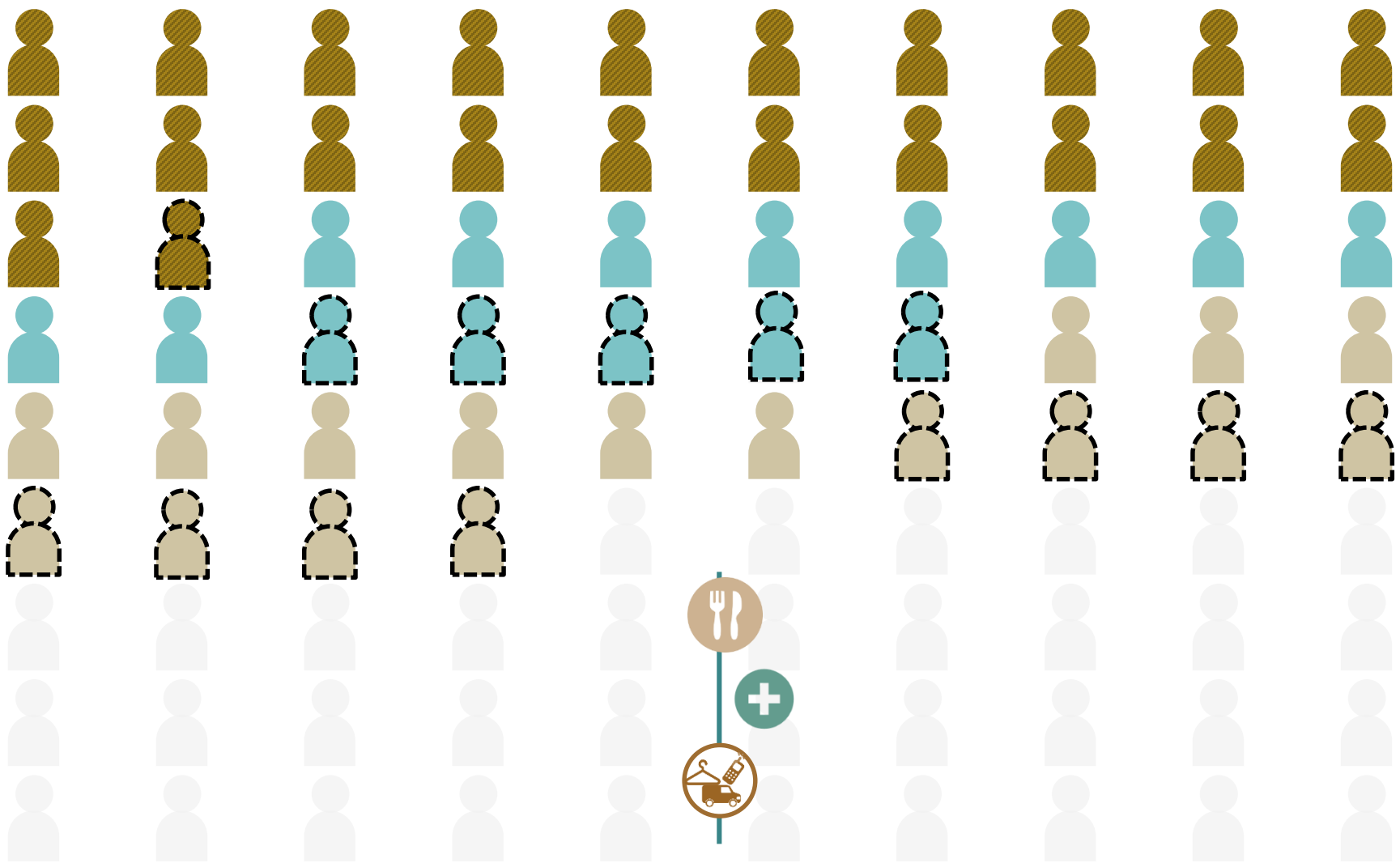
The poverty gap from 11.8% to 14.5%

Results: Comparison of rebased poverty lines



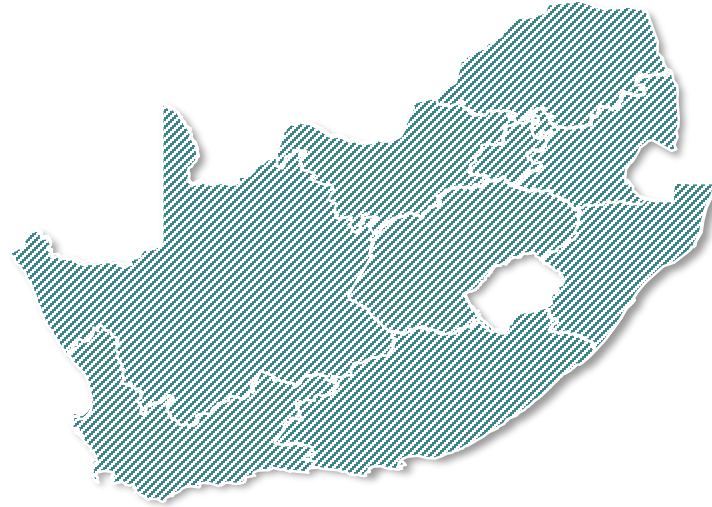
Lower Bound poverty line head count has been revised upwards from **32.3%** to **37%**
The poverty gap from **11.8%** to **14.5%**

Results: Comparison of rebased poverty lines



Upper bound poverty line head count has been revised upwards from 45.5 % to 53.8%
The poverty gap from 19.6% to 25.8%

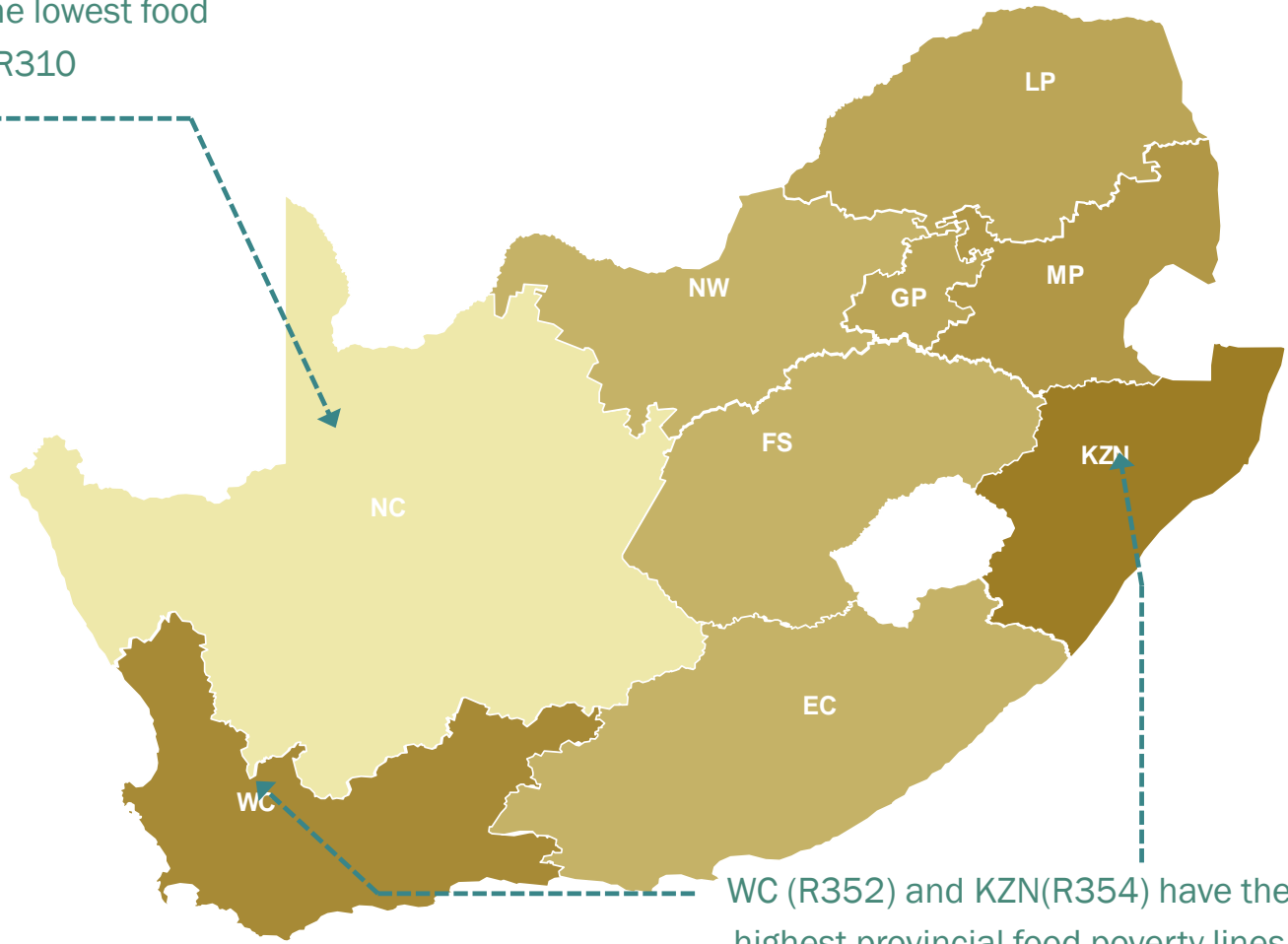
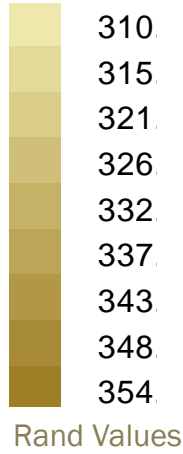
Pilot provincial poverty lines



The overall methodology remains:
the only difference is that the national reference
food basket was subjected to province-specific
prices for food items.

Results: Provincial Perspective: Food Poverty Line (in 2011 prices)

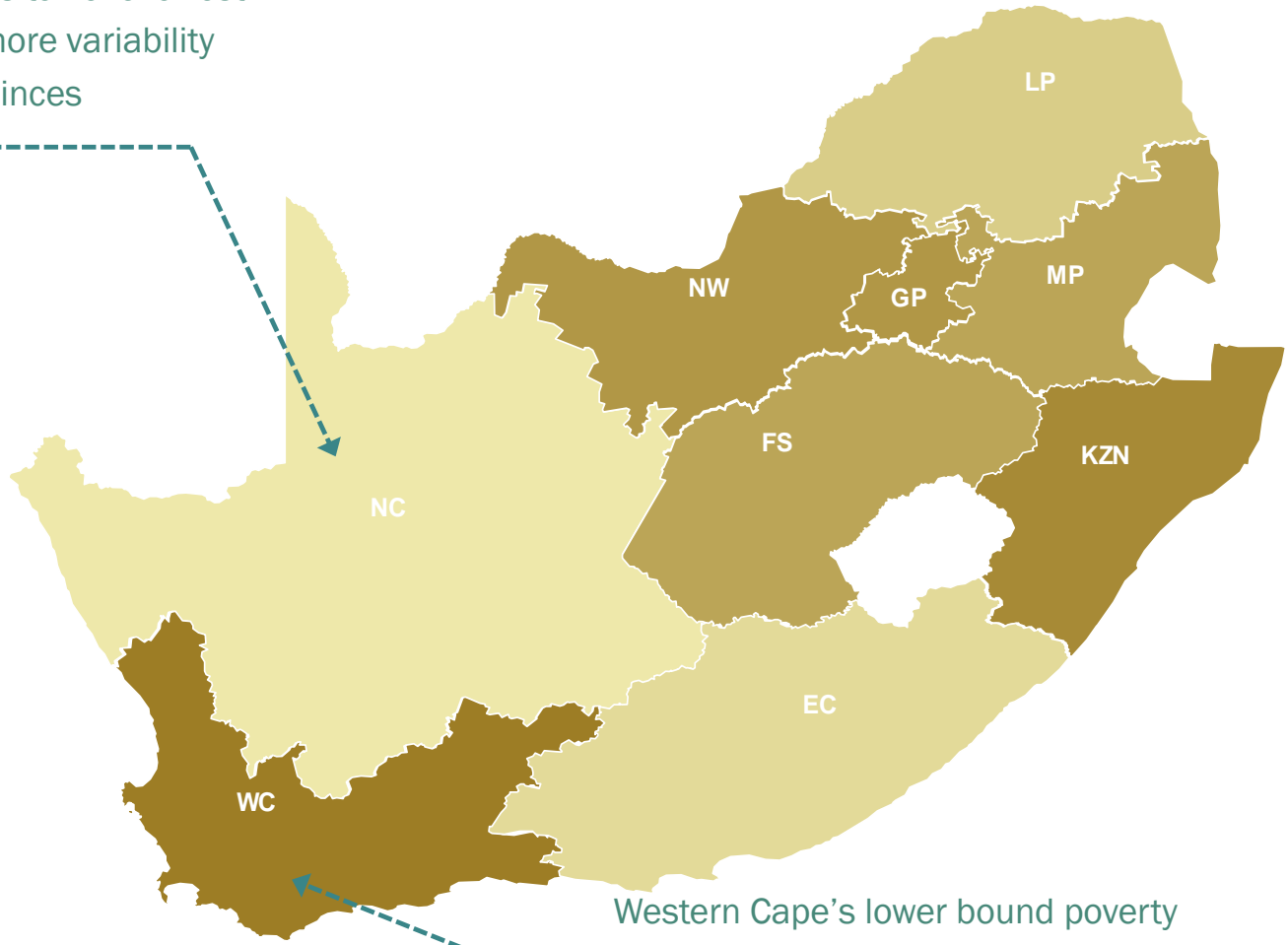
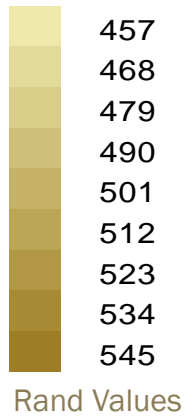
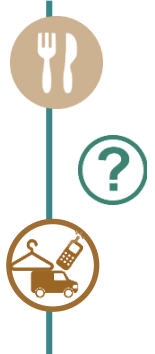
Northern Cape shows the lowest food poverty line at R310



WC (R352) and KZN(R354) have the highest provincial food poverty lines

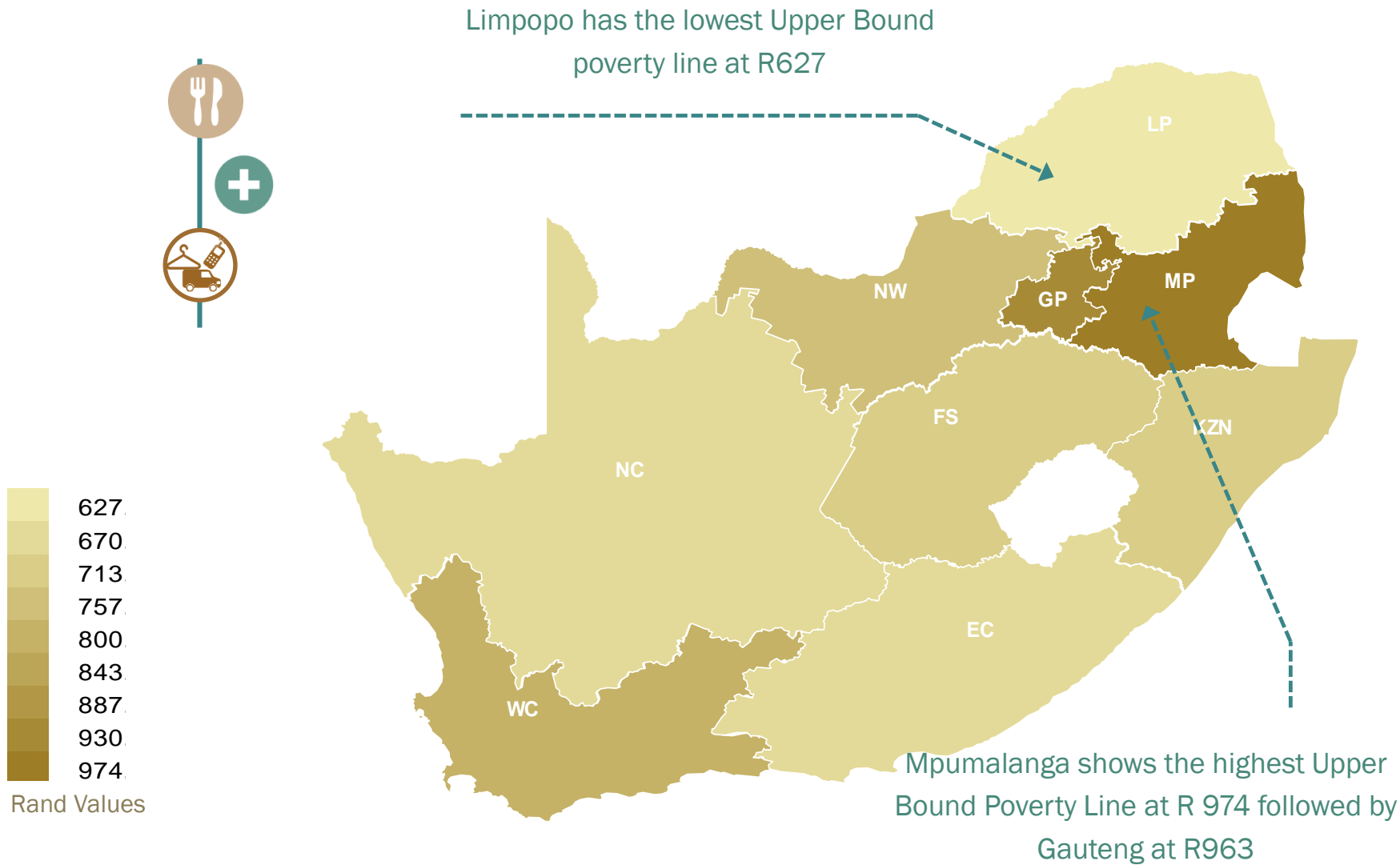
Results: Provincial Perspective: Lower Bound Poverty Line (in 2011 prices)

Northern Cape continues to have lowest line (R457) however more variability amongst provinces

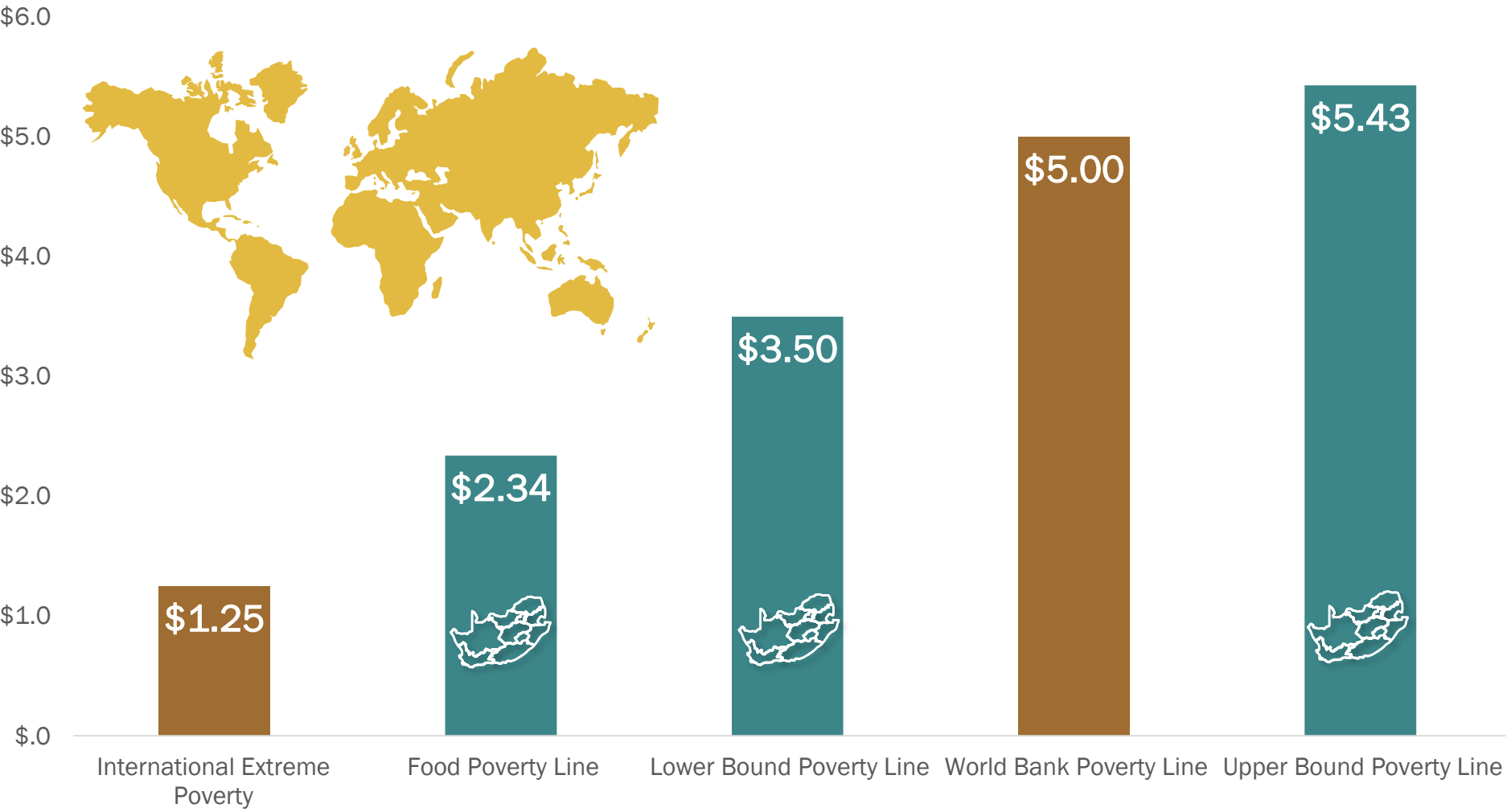


Western Cape's lower bound poverty line is R545

Results: Provincial Perspective: Upper Bound Poverty Line (in 2011 prices)



Results: Conversion of the rebased poverty lines into purchasing power parity (PPP) equivalents (per person per day) in 2011



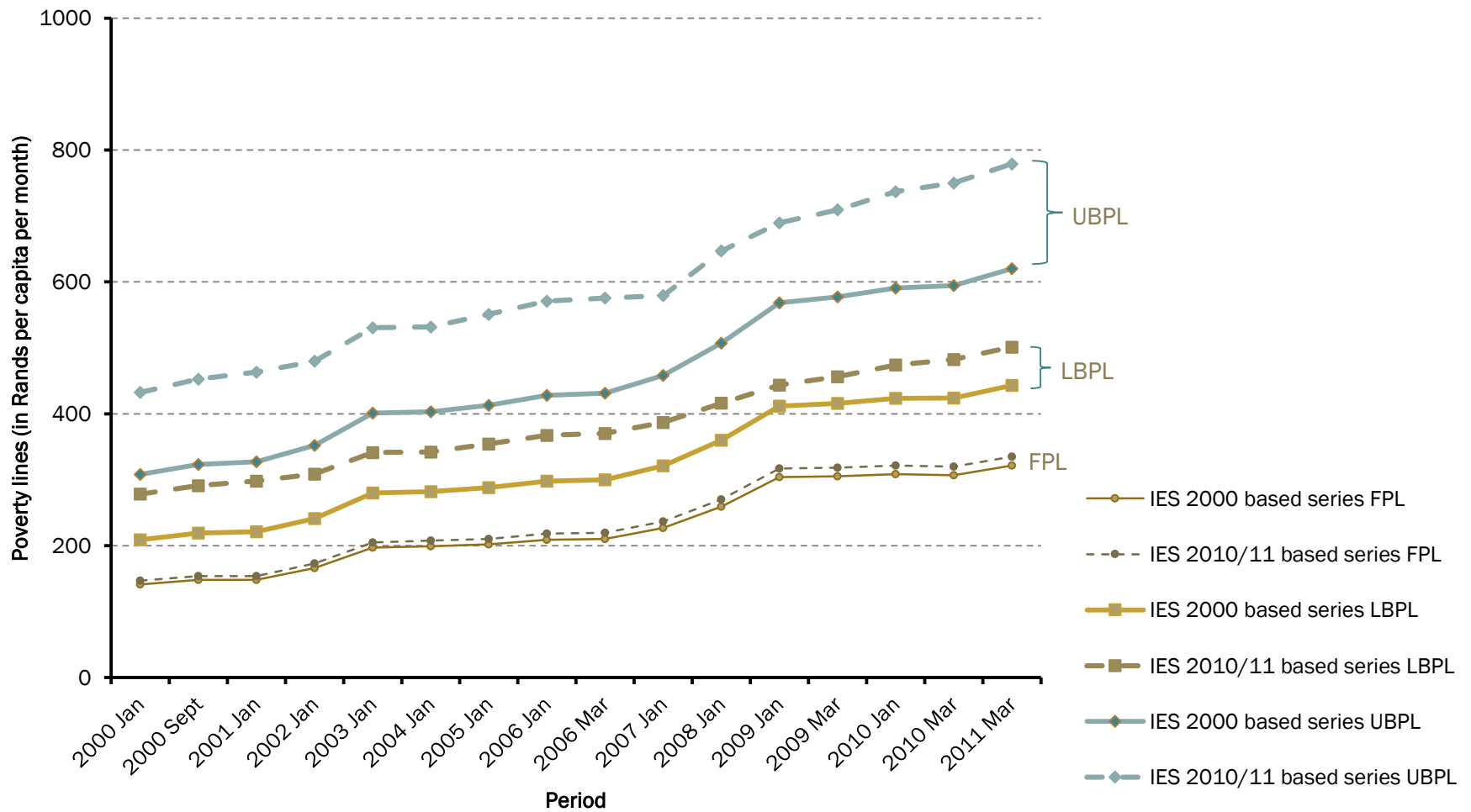
The World Bank (2015) shows that the PPP exchange rate for South Africa in 2011 (at US\$=1) was 4,774.

Impact of rebasing on:

- (1) national poverty lines,
- (2) estimates of poverty levels
- (3) trend in poverty levels

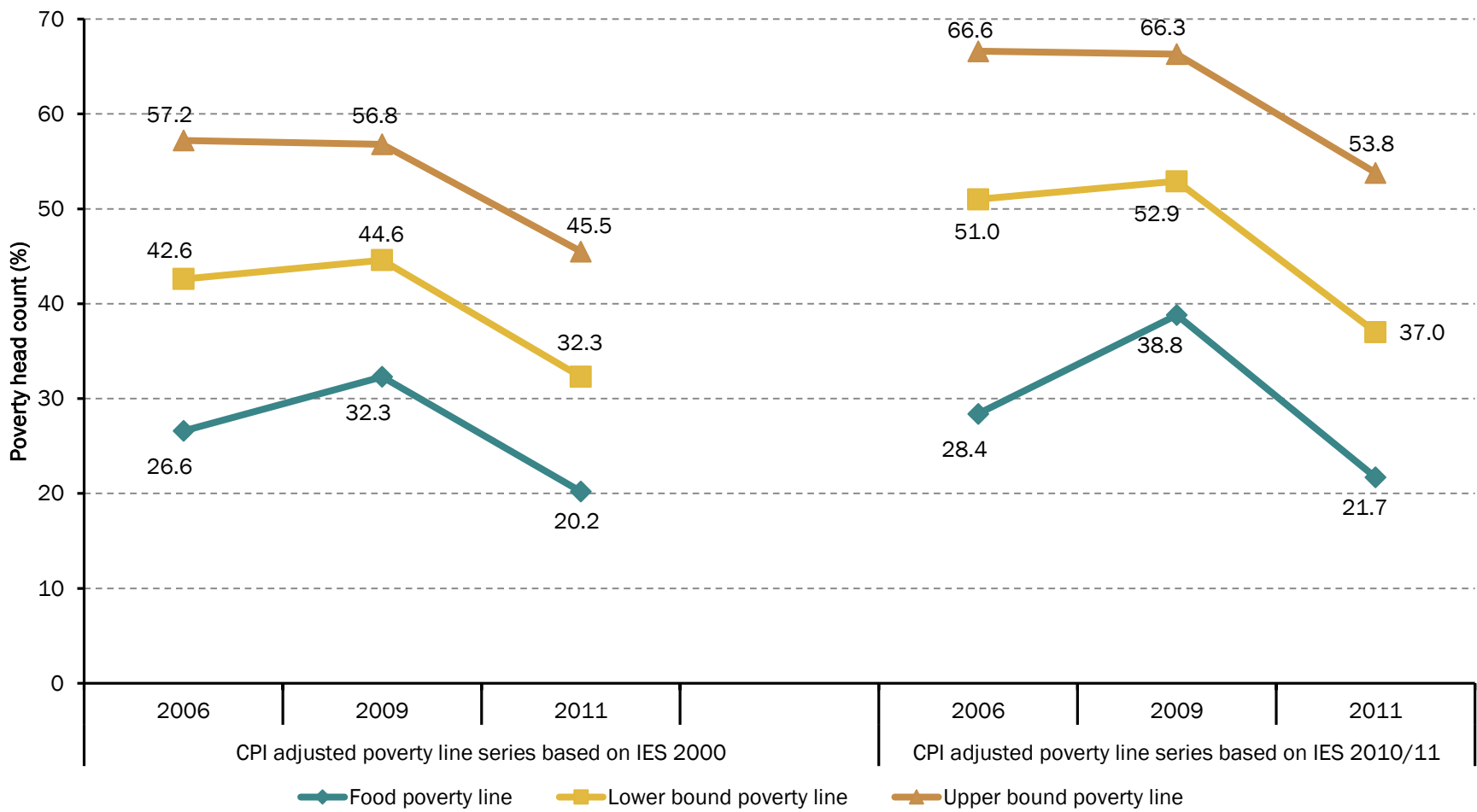
Results: Impact of rebasing on national poverty lines

Comparison of annual CPI adjusted poverty lines based on IES 2000 with those based on IES 2010/11



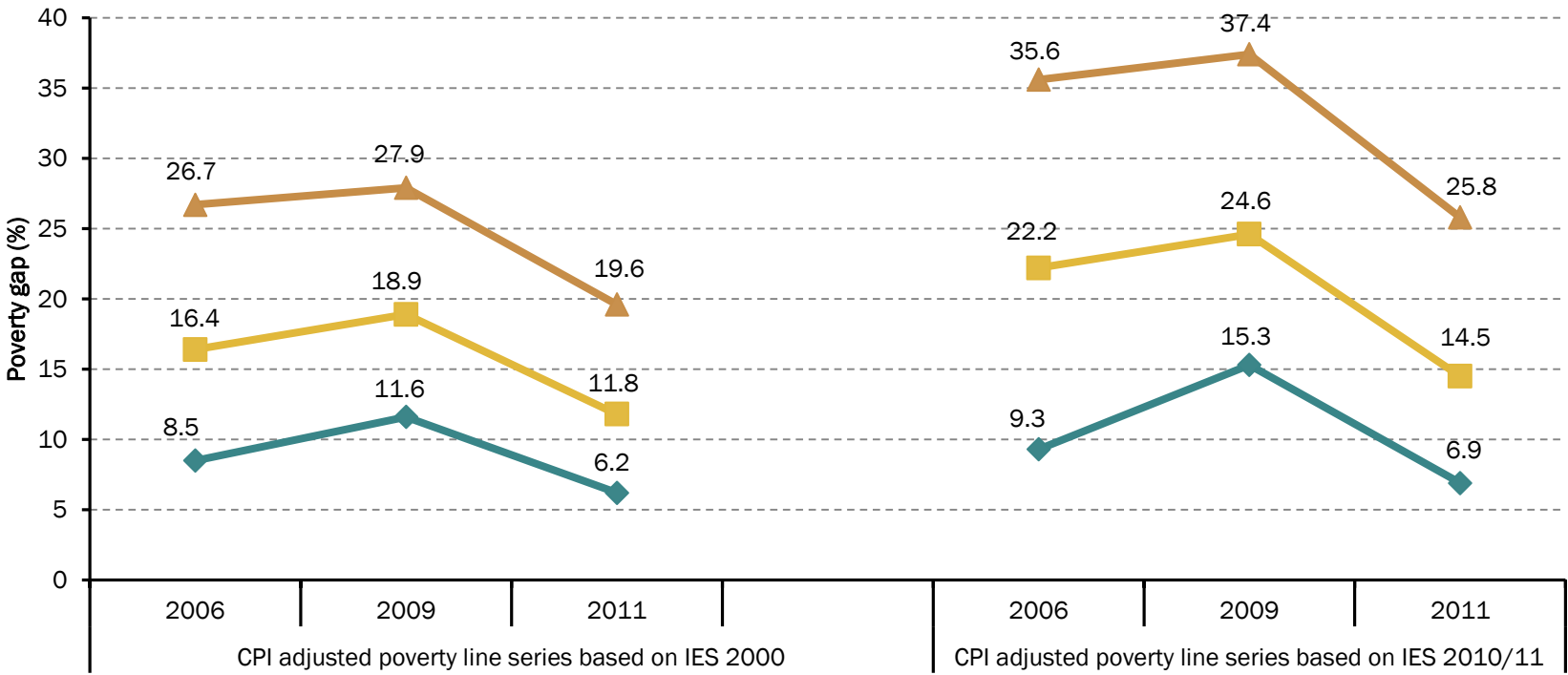
Results: Impact of rebasing on poverty estimates

Impact of rebased poverty lines on the levels and trend of poverty head count in South Africa, 2006–2011



Results: Impact of rebasing on poverty estimates

Impact of rebased poverty lines on the level and trend of poverty gap in South Africa, 2006–2011



◆ Food poverty line ■ Lower bound poverty line ▲ Upper bound poverty line

Conclusion

Poverty lines are important tools that allow for **statistical reporting** of poverty levels and patterns. They are therefore important tools for **planning for poverty reduction** in any population.

Conclusion: Making Comparisons



The rebasing exercise updates the existing set of national poverty lines, benefiting from improvements in survey methodology while also taking into account changes in living conditions and the introduction of new commodities and services which become essential in a rapidly changing South African society.



There are minor differences in the poverty lines that result, and this will require careful attention when computing poverty dynamics.



Looking towards the United Nations' post-2015 development agenda – SDGs— it is clear that poverty lines will continue playing an integral role in:

- statistical reporting
- policy development and planning

Conclusion: Usage of the Lines

It is however important to note that:

These poverty lines are designed for use alongside existing administrative poverty measures implemented by government departments and other public sector agencies. These include social grants, means-tested financial assistance, and access to no-fee government services..... They 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

Thank you

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