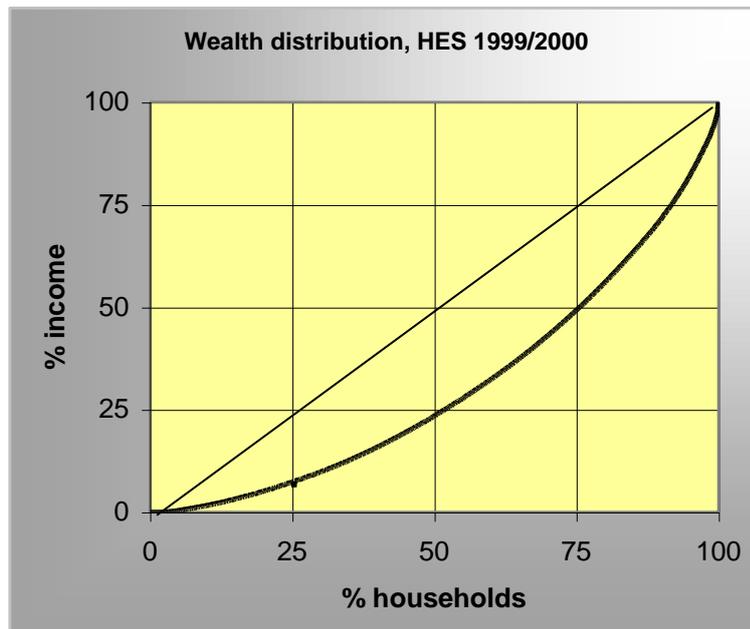




**REPUBLIC OF SEYCHELLES**

**HOUSEHOLD INCOME AND EXPENDITURE SURVEY,  
1999/2000**



**October 2002**

**Management & Information Systems Division  
P O Box 206, Victoria, Seychelles**

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## **Summary**

A Household Income and Expenditure survey (HES) was conducted from August 1999 to August 2000, with the primary aim of updating the consumer's 'basket of goods' and revising the relative importance of different goods and services.

Data obtained from over 800 households (about 5% of homes on Mahe, Praslin and La Digue) have been used to assess current expenditure patterns, estimate average monthly household expenditure and income, and provide an approximate measure of the country's wealth distribution.

The average (adjusted) expenditure per household was estimated at R8291. About 27 percent of this budget is spent on food whilst housing and utility costs take up 14 percent. 11 percent of the monthly expenditure goes on alcoholic beverage and tobacco and an identical proportion is spent on transport and communication.

Taking into account expenditure on only the basic necessities of food, water and shelter, the minimum level of expenditure per person was estimated at R841. Around 16% of all households were spending below the minimum estimated per capita expenditure. The majority of these households consisted of five or more persons. Households in this group are suspected to be living in poverty.

Less reliable data were obtained for household incomes, and the differential vis-à-vis income is obvious. The reported (unadjusted) mean income per household is R5500 per month. Secondary data from official sources estimates the income level to be about R1000 higher.

Using the median as an alternative central measure, the reported expenditure was about R6335 whilst the median reported income was R4585.

The GINI coefficient, which measures the inequality in wealth distribution, was estimated at 27.6% based on reported income. The indicator is about 10 percentage points lower than what was measured in 1992.

# **Part 1**

## **1.0 Introduction**

A household budget survey or Household Income and Expenditure survey (HES) as it is commonly called, is one of the most important economic surveys carried out by the Management and Information Systems Division (MISD). The survey is household-based and serves to provide up-to-date and comprehensive information on the components of the average household budget.

Household expenditure surveys are normally carried out every five to seven years so that updated information can be obtained on spending patterns and most importantly, on the composition of the 'basket of goods'.

In a HES, information on both income and expenditure is collected. Background variables such as household composition, age and sex structure and economic activity are also included to help classify the households in various demographic and socio-economic groups and to provide updated estimates on previous household surveys.

The first part of this report provides background information on HES and details of the methodology of the current one. A descriptive analysis of the results is given in the second part and the third part contains appendices of the various tools used in the survey and detailed tables on household income and expenditure by various socio-economic variables.

## **1.1 Background**

The earliest of such survey conducted in Seychelles relates to the budget enquiry carried out in 1973. Similar surveys were also conducted in 1978 and in 1983/1984. The last HES survey conducted was in 1992. The information collected then has become out of date and therefore the 1999/2000 survey was needed.

## **1.2 Objectives of the survey**

The primary purpose of the HES was to collect up-to-date detailed information on the expenditure of households to provide new weights for the calculation of the Cost of Living Index estimated here by the Retail Price Index (RPI).

A second important use of this survey is to provide data on aggregate consumers' expenditure and income to be used in the compilation of the Gross Domestic Product (GDP) and National Income accounts. The 'expenditure approach' of the GDP calculation usually estimates the consumer expenditure component. Results from this survey will thus provide data to crosscheck those estimates.

Another key purpose of the HES survey is that it makes available information on the level and distribution of household incomes. Such information is useful in the assessment of the social and economic planning systems. The distribution of household income provides an approximate measure of poverty in society.

In general, the survey provides the public with useful and interesting information on current spending patterns of the households in Seychelles. These patterns are expected to have changed considerably over the last decade.

### **1.3 Scope and coverage**

#### 1.3.1 Geographical

A random sample of about 1700 households representing around 10 percent of all households in the country was selected from the 1997 Population and Housing Census database. The selection of households included those on Mahe, Praslin and La Digue (the three mainly inhabited islands), and for practical consideration, excluded those on the outer islands.

Persons living in hospitals, military barracks, prisons etc. were excluded. Households headed by expatriates were also excluded, because the income and spending patterns of such households are expected to be different from those of the average Seychellois household.

#### 1.3.2 Survey period (period during which the fieldwork is carried out)

The data collection for the survey started on the 2<sup>nd</sup> of August 1999 and ended on the 6<sup>th</sup> of August 2000 for the majority of the households selected, with each household participating in the survey for two weeks. However, due to serious problems encountered with staff working in the Praslin Region, enumeration on Praslin and La Digue had to be delayed and only resumed early in 2001.

Household interviews were distributed over twelve months so as to take into account variations attributed to the seasonality and infrequent transactions.

#### 1.3.3 Reference period (period for which data is sought on each item)

The reference period differed according to different parts of the questionnaire. For personal economic characteristics of the relevant members of households, activity status was sought for the week preceding the interview. The reference period for major items of expenditures was either three or twelve months prior to the interview, whereas regular expenditures were recorded in the diary or account book over a two-week period starting on the Monday of the week of the interview.

## **2.0 Methodology**

### **2.1 Training**

A two-week training session was conducted for the interviewers. This comprised of going in detail through all the survey instruments (questionnaires and interviewer's manual) to explain and clarify the concepts and definitions; and also running role-plays of the interview.

### **2.2 Pilot survey**

A pilot survey was carried out in June 1999 and covered a period of 4 weeks. The aim of the exercise was to test the questionnaire and assess public response. The pilot survey also gave the enumerators the opportunity to experience real examples of interview sessions providing good practice prior to the main survey.

Recruitment of households was done at the beginning of each week and each household participated in the survey for two weeks. Five enumerators interviewed 5 households each per week. The questionnaires were then revised and edited where appropriate, based on comments and suggestions arising from the pilot survey.

Prior to the survey, copies of the draft questionnaire were sent to different government ministries and other relevant organisations for their comments, and any new data requirement.

### **2.3 Survey Design**

#### **2.3.1 Sampling Design**

The most appropriate sampling frame available was the list of households obtained from the 1997 Population and Housing Census. Although not updated over the two years prior to the survey, the database provided the ideal frame for direct sampling given that the sampling units would be the households themselves.

The frame listed 17,878 households enumerated during the 1997 census covering all the islands. In consideration of logistic and administrative problems, the geographical coverage was restricted to the three main islands (Mahe, Praslin and La Digue), which account for 99% of all households.

The sampling was done in two stages. An overall sample of 10% (around 1788 households) was desired. In the first stage the households were stratified by district. The sample size was distributed among the districts representative of their size (number of households), to determine the number of households to be drawn from each district (i.e. proportional allocation). From each district, the allocated number of households was then drawn using systematic sampling method whereby households are selected at equal intervals starting from a chosen random number. With each household having the same probability of being selected, the sample becomes self-weighting. Table 2.1 below presents details of the number of households selected from each district.

**Table 2.1: Distribution of households by district as sampled, 1999/2000 HES Survey**

| <b>District</b>    | <b>Total</b> | <b>Sampled</b> | <b>% of sample</b> |
|--------------------|--------------|----------------|--------------------|
| English River      | 660          | 66             | 3.9                |
| Mont Buxton        | 723          | 66             | 3.9                |
| St Louis           | 810          | 74             | 4.4                |
| Bel Air            | 715          | 65             | 3.8                |
| Mont Fleuri        | 880          | 80             | 4.7                |
| Plaisance          | 890          | 89             | 5.2                |
| Roche Caiman       | 456          | 46             | 2.7                |
| Les Mamelles       | 681          | 68             | 4.0                |
| Cascade            | 707          | 70             | 4.1                |
| Pte Larue          | 563          | 56             | 3.3                |
| Anse Aux Pins      | 780          | 78             | 5.0                |
| Anse Royale        | 861          | 78             | 5.0                |
| Au Cap             | 682          | 68             | 4.0                |
| Takamaka           | 604          | 61             | 3.6                |
| Baie Lazare        | 622          | 62             | 3.7                |
| Anse Boileau       | 828          | 75             | 4.4                |
| Grand Anse Mahe    | 541          | 49             | 2.9                |
| Port Glaud         | 456          | 46             | 2.7                |
| Belombre           | 800          | 80             | 4.7                |
| Beau Vallon        | 877          | 80             | 4.7                |
| Glacis             | 841          | 76             | 4.5                |
| Anse Etoile        | 839          | 84             | 5.0                |
| <b>Total Mahe</b>  | <b>15816</b> | <b>1517</b>    | <b>89.4 *</b>      |
| Grand Anse Praslin | 700          | 64             | 3.8                |
| Baie Ste Anne      | 759          | 69             | 4.1                |
| La Digue           | 507          | 46             | 2.7                |
| <b>Total</b>       | <b>17782</b> | <b>1696</b>    | <b>100.0</b>       |

Source: Household Income and Expenditure Survey 1999/2000

\* Rounding error

### 2.3.2 Method of Collection

The Personal interview method was adopted for data collection. Enumerators from the Statistics Section of MISD administered the questionnaires and personnel from the same office supervised and coordinated all the operations. The data collection stage lasted thirteen months including the pilot survey stage.

Households for each district were grouped in batches of five; keeping households in the same batch within the same enumeration area as far as possible. Each household recruited was interviewed and asked to keep an account book of their regular expenditures for a period two weeks, and additional visits were made during the diary-keeping period.

Recruitment of households was done every week. However, after the first three months of data collection, the interviewers found that the workload was too much due to the high number of callbacks required. This was then reduced to four households per week to reduce the pressure.

Interviewers worked in all the five regions simultaneously changing district after every four recruiting periods to ensure all areas were included in all seasons/cycles. Thus there should have been 52 recruiting cycles in total. However, as mentioned earlier (in 1.3.2) enumeration in the Praslin/La Digue Region continued throughout the first quarter of 2001 due to serious human resource problems.

### 2.3.3 Questionnaire

The questionnaire had four main parts. Form HES 1 contained questions relating to household members' personal demographic and economic details, household facilities and selected (mostly major) expenditures.

### 2.3.4 Variables included

Data was collected on household size, structure and composition, as well as economic activity particulars of the household members. These are used as background variables relating to their incomes and expenditures.

The following details were recorded:

For all persons;

- Relationship to head of household
- Date of birth
- Sex

For persons aged 15 years or more:

- Educational attainment
- Economic status
- Occupation and industry

For households:

- Dwelling construction, size, tenure and toilet type
- Amenities and communication facilities
- Possession of durable goods
- Major expenditures during the preceding 3 and 12 months
- Regular expenditures during the preceding 2 weeks

## **2.4 Concepts and definitions**

A detailed explanation of the concepts and definitions used in the survey can be found in the enumerator's manual in Appendix 7.4.

## **2.5 Data Processing**

The data were captured on personal computers using a programme written in *DELPHI*. The software for data capturing made provisions to enter all details collected. For the account book (Form HES3) items purchased or acquired (although it would not be possible to analyse all the descriptive details because of the variety of specifications, units, packaging etc, description and units of items) were captured to help identify commonly purchased items for future pricing.

The data files were then merged into one database and processed in *SPSS* and *MS EXCEL* for tabulation.

## **2.6 Limitations**

The survey activities were not carried out according to the set plan due to the lack of adequate human resources faced by this division during 1999 and 2000. This limitation has been the main cause of major setbacks encountered in the survey. Some of the main problems are discussed.

During enumeration, there was lack of field supervision. The main reason being a shortage of adequately trained staff to oversee the field operations. Five out of the seven enumerators were new on the job, and apart from this being their first job, the HES is one of the most difficult and demanding surveys. In the middle of the survey period, one enumerator was dismissed and another resigned.

It is felt that although the enumerators were given adequate training to carry out the survey, some did not have the required level of commitment and conscientiousness to perform their job diligently. With adequate field supervision, problems are usually identified early in the survey and can be rectified. However, in the light of the prevailing circumstances, some serious problems were discovered beyond the survey period.

Manual processing and data entry are supposed to be carried out simultaneously with data collection. Unfortunately, the same staff carrying out data collection had to be assigned to data processing after the survey period, again due to lack of staff. The program for data entry was tested in October 1999, and data entry only started towards the end of the same year.

Without adequate field monitoring and simultaneous processing, it has been difficult to be alerted about some of the problems later identified at the processing stage. As a result, some of the questionnaires whose quality could not be guaranteed had to be discarded due to incompleteness, invalidity or untrustworthiness. The areas more seriously affected include the district of Anse Aux Pins, the Northern districts of Belombre and Anse Etoile and Grand Anse in the Praslin Region.

## **2.7 Response rate**

The original sample drawn included 1696 households representing around 9.5 percent of households on Mahe, Praslin and La Digue. The enumeration covered 1219 households but after post-enumeration checks, data from just over 800 or 67% of these households were used in the final analysis.

## **Part 2**

### **3.0 Results**

#### **3.1 Household Characteristics**

##### **3.1.1 Household composition and size**

Table 3.1 below looks at the sex and age distribution of household heads and provides a breakdown of household sizes. A comparison with figures from the 1992 HES indicates changes in the household structure. While at the last survey, the proportion of female-headed households differed by only 2 percent from that of the male-headed households, the current survey reported that households headed by women represent 56% of all households which is 5% higher than in 1992.

The current average household size is calculated at 4.1 persons compared to 4.3 at the last survey. Table 3.1 shows that there are now fewer households of size 1-2 persons than reported in the previous survey, and consequently more in the 3-4 and 5-7 persons groups. However, large families of 8 or more persons are becoming less common. This survey reported only about 6% of all households that have 8 or more persons compared to 11.6% seven years ago.

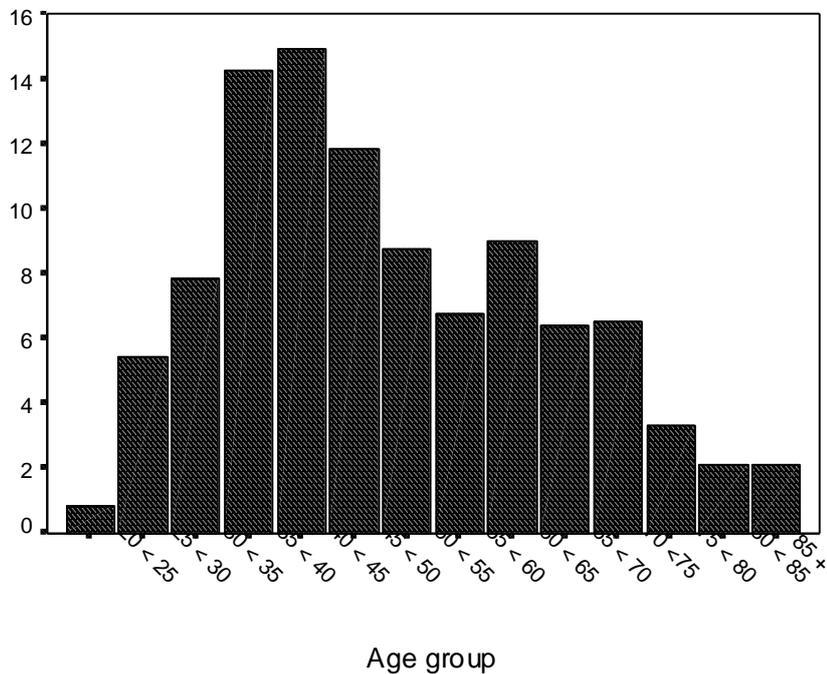
The second section of Table 3.1 presents the age distribution of heads of household for the current and previous HES surveys. The most significant changes are observed in the 40-54 and 55-69 age groups. The proportion represented by the former group has increased by 7.3% while that of the latter has decreased by 7%. Household heads aged under 25 account for less than 1% of the total and those aged 25–39 represent around 28% while the 40-54 group accounts for 35% of all heads. Figure 3.1 below presents the age distribution of heads of household for the current survey. The age distribution is fairly normal with its peak at the 40-45 age group.

**Table 3.1 Percentage distribution of families by size of household and by sex of head of household.**

|                                  | %<br>1992/93 | %<br>1999/00 | %<br>Change |
|----------------------------------|--------------|--------------|-------------|
| <b>Sex of head</b>               |              |              |             |
| Female                           | 51           | 56           | + 5.0       |
| Male                             | 49           | 44           | - 5.0       |
|                                  | <b>100.0</b> | <b>100.0</b> |             |
| <b>Age group of head (years)</b> |              |              |             |
| Under 25                         | 1.5          | 0.9          | - 0.6       |
| 25 - 39                          | 28.2         | 27.6         | - 0.6       |
| 40 - 54                          | 28.1         | 35.4         | + 7.3       |
| 55 - 69                          | 29.1         | 22.1         | - 7.0       |
| 70 and over                      | 13.0         | 14.0         | + 1.0       |
| <b>Total</b>                     | <b>100.0</b> | <b>100.0</b> |             |
| <b>Number of persons</b>         |              |              |             |
| Average                          | 4.3          | 4.1          | - 0.2       |
| 1-2                              | 28.7         | 24.7         | - 4.0       |
| 3-4                              | 32.0         | 37.1         | + 5.1       |
| 5-7                              | 27.8         | 32.1         | + 4.3       |
| 8 or more                        | 11.6         | 6.0          | - 5.6       |
| <b>Total</b>                     | <b>100.0</b> | <b>100.0</b> |             |

Source: Household Income and Expenditure Survey 1999/2000

**Figure 3.1: Age distribution of heads of households, HES 1999/2000**



### 3.1.2 Standard of living

To update information on the social status and living conditions of the population, this survey asked questions on the availability of basic amenities and other facilities either owned or at the disposal of the households. The facilities have been grouped into three main categories; basic necessities, information and communication and other facilities. A graphical presentation of the three groups is shown in Figures 3.2 to 3.4. The corresponding figures showing the percentage distribution of the selected indicators are summarised in Table 3.2.

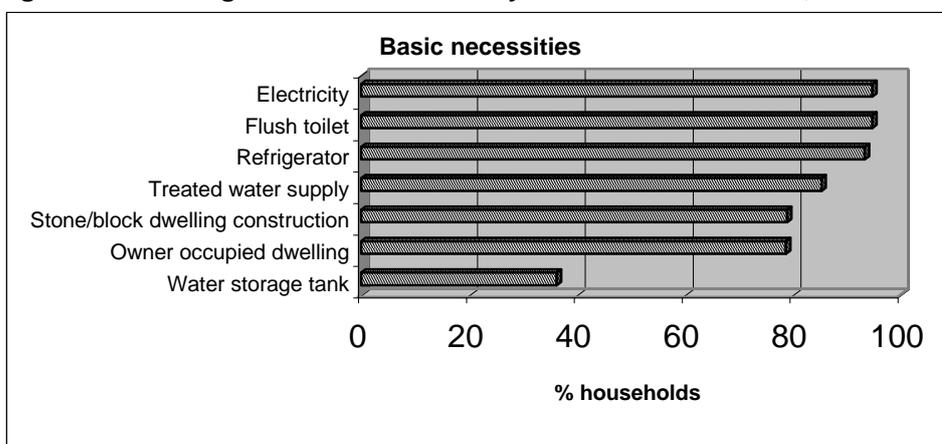
Information on some of the variables was requested for the first time in this survey. These include availability of water storage tanks, washing machine, computer and access to Internet and possession of cellular phones.

95% of homes now have electricity and 85% have access to treated water supply. Given the hardships experienced during drought periods, it is becoming common for households to own their own water storage tanks. At the time of the survey, over a third of all households had their own water storage in place. This would either be in the form of fibreglass tanks or concrete/brick reservoirs.

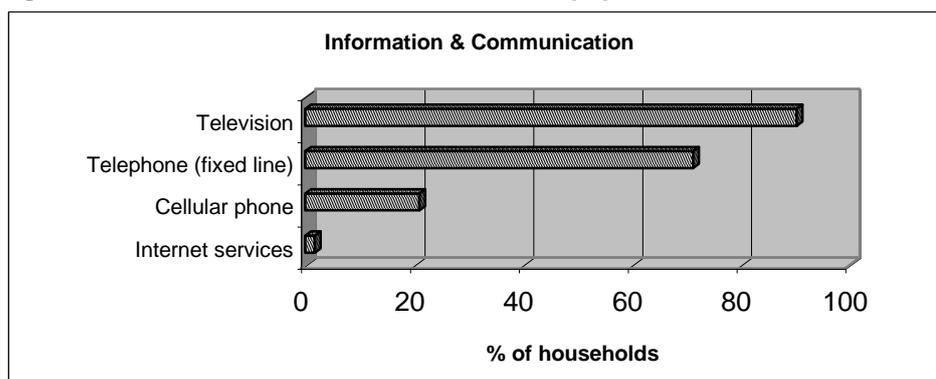
About 8 out of every 10 homes are now owner occupied and the same proportion of dwellings is of stone or block construction. With regards to media and communication, only one in ten homes reported not to have a television set, 71% of households have a fixed telephone line while cellular phones can be found in one out of every five homes.

One of the more recent additions in household facilities is a washing machine. 36% of households reported to have a washing machine while 18% of families have their own motorised transport.

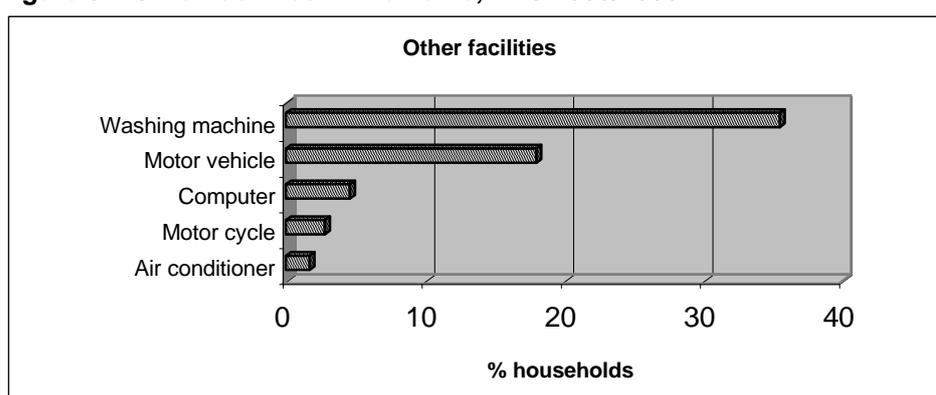
**Figure 3.2 Housing status and availability of basics in the home, HES 1999/2000**



**Figure 3.3 Information and communication equipment in the home, HES 1999/2000**



**Figure 3.4 Other facilities in the home, HES 1999/2000**



**Table 3.2 Percentage distribution of selected indicators**

| Indicator                              | % of households |
|--|-----------------|
| <b>Basic</b>                           |                 |
| Water storage tank                     | 36              |
| Owner occupied dwelling                | 79              |
| Stone/block dwelling construction      | 79              |
| Treated water supply                   | 85              |
| Refrigerator                           | 93              |
| Flush toilet                           | 95              |
| Electricity                            | 95              |
| <b>Information &amp; Communication</b> |                 |
| Internet services                      | 2               |
| Cellular phone                         | 21              |
| Telephone (fixed line)                 | 71              |
| Television                             | 90              |
| <b>Other</b>                           |                 |
| Air conditioner                        | 2               |
| Motor cycle                            | 3               |
| Computer                               | 5               |
| Motor vehicle                          | 18              |
| Washing machine                        | 36              |

Source: Household Income and Expenditure Survey 1999/2000

## 3.2 The survey population

### 3.2.1 Demographic characteristics

The details of 3297 persons are included in the analysis. Of these 27% are children aged under 15 years, 65% are in the working ages (15-64) and fewer than 9% are elderly persons. This age distribution gives the following dependency ratios; child: 41%, elderly: 13%. For every thousand persons in the working ages (15-64), there are 540 children and elderly persons.

**Table 3.3 Surveyed population by age group and sex**

|              |                   | Female      | Male        | Total        | Total %     |
|--------------|-------------------|-------------|-------------|--------------|-------------|
| Age group    | 0 < 5             | 108         | 116         | 224          | 6.8         |
|              | 5 < 10            | 144         | 153         | 297          | 9.0         |
|              | 10 < 15           | 169         | 185         | 354          | 10.7        |
|              | <b>0 &lt; 15</b>  | <b>421</b>  | <b>454</b>  | <b>875</b>   | <b>26.5</b> |
|              | 15 < 20           | 156         | 191         | 347          | 10.5        |
|              | 20 < 25           | 160         | 114         | 274          | 8.3         |
|              | 25 < 30           | 136         | 134         | 270          | 8.2         |
|              | 30 < 35           | 134         | 112         | 246          | 7.5         |
|              | 35 < 40           | 158         | 112         | 270          | 8.2         |
|              | 40 < 45           | 124         | 108         | 232          | 7.0         |
|              | 45 < 50           | 82          | 92          | 174          | 5.3         |
|              | 50 < 55           | 56          | 55          | 111          | 3.4         |
|              | 55 < 60           | 52          | 41          | 93           | 2.8         |
|              | 60 < 65           | 62          | 56          | 118          | 3.6         |
|              | <b>15 &lt; 65</b> | <b>1120</b> | <b>1015</b> | <b>2135</b>  | <b>64.8</b> |
|              | 65 < 70           | 55          | 31          | 86           | 2.6         |
|              | 70 < 75           | 53          | 30          | 83           | 2.5         |
|              | 75 < 80           | 29          | 19          | 48           | 1.5         |
|              | 80 < 85           | 22          | 13          | 35           | 1.1         |
|              | 85 plus           | 25          | 7           | 32           | 1.0         |
|              | <b>184</b>        | <b>100</b>  | <b>284</b>  | <b>8.6</b>   |             |
| Not stated   | 2                 | 1           | 3           | 0.1          |             |
| <b>Total</b> | <b>1727</b>       | <b>1570</b> | <b>3297</b> |              |             |
| <b>%</b>     | <b>52.4</b>       | <b>47.6</b> |             | <b>100.0</b> |             |

Source: Household Income and Expenditure Survey 1999/2000

### 3.2.2 Socio-economic characteristics

Out of the population surveyed, about 48% claimed to be economically active. 36% were employees, over 5% were either employers or self-employed whilst some 6% were job seekers (see Table 3.4). Of the active population, 53% are females and 47% males.

**Table 3.4 Surveyed population by Socio-economic group, activity status and sex**

|                                 |               | Female           | Male             | Total       | %            |
|---------------------------------|---------------|------------------|------------------|-------------|--------------|
| <b>Socio-economic group</b>     |               |                  |                  |             |              |
|                                 | Employees     | 692              | 498              | 1190        | 36.1         |
|                                 | Employers     | 3                | 8                | 11          | 0.3          |
|                                 | Self employed | 26               | 139              | 165         | 5.0          |
|                                 | Job seekers   | 108              | 102              | 210         | 6.4          |
|                                 | Inactive      | 805              | 729              | 1534        | 46.5         |
|                                 | Not stated    | 93               | 94               | 187         | 5.7          |
| <b>Economic activity status</b> |               |                  |                  |             |              |
|                                 | Active        | 829 (53)         | 747 (47)         | 1576 (100)  | 47.8         |
|                                 | Inactive      | 805 (52)         | 729 (48)         | 1534 (100)  | 46.5         |
|                                 | Not stated    | 93 (48)          | 94 (52)          | 187 (100)   | 5.7          |
| <b>Total</b>                    |               | <b>1727 (52)</b> | <b>1570 (48)</b> | <b>3297</b> | <b>100.0</b> |

Educational attainment was only asked of persons aged 15 or more. Of those, about 6% reported to have had no schooling while 58% have attained at least 3 years of secondary education (see Table 3.5).

**Table 3.5 Surveyed population (aged 15 and above) by educational attainment and sex**

|                               |                 | Female      | Male        | Total       | %            |
|-------------------------------|-----------------|-------------|-------------|-------------|--------------|
| <b>Educational attainment</b> |                 |             |             |             |              |
|                               | No schooling    | 79          | 58          | 137         | 5.7          |
|                               | Primary         | 250         | 203         | 453         | 18.7         |
|                               | Lower secondary | 182         | 156         | 338         | 14.0         |
|                               | Upper secondary | 711         | 602         | 1313        | 54.2         |
|                               | Higher          | 45          | 44          | 89          | 3.7          |
|                               | Not stated      | 39          | 53          | 92          | 3.8          |
| <b>Total</b>                  |                 | <b>1306</b> | <b>1116</b> | <b>2422</b> | <b>100.0</b> |

Source: Household Income and Expenditure Survey 1999/2000

Table 3.6a and Table 3.6b provide a breakdown of the working population by sex and occupation. Female workers are predominant among professionals, clerks and service workers while their male counterparts dominate the areas of legislation and management, agriculture and fishery, craft, plant and machine operations and the disciplinary forces.

**Table 3.6a Surveyed working population (aged 15 and above) by occupation and sex**

|                   |   | Female      | Male        | Total        |             |
|-------------------|---|-------------|-------------|--------------|-------------|
|                   |   | %           | %           | %            | Actual      |
| <b>Occupation</b> | Legislators, senior officials & managers  | 46.2        | 53.8        | 100.0        | 52          |
|                   | Professionals                             | 67.7        | 32.3        | 100.0        | 99          |
|                   | Technicians and associate professionals   | 55.5        | 44.5        | 100.0        | 146         |
|                   | Clerks                                    | 87.2        | 12.8        | 100.0        | 109         |
|                   | Service workers, market and sales workers | 70.3        | 29.7        | 100.0        | 283         |
|                   | Skilled agricultural & fishery workers    | 25.4        | 74.6        | 100.0        | 71          |
|                   | Craft & related trades workers            | 20.1        | 79.9        | 100.0        | 159         |
|                   | Plant & Machine operators & assemblers    | 11.1        | 88.9        | 100.0        | 81          |
|                   | Elementary occupation                     | 56.4        | 43.6        | 100.0        | 250         |
|                   | Disciplinary forces                       | 15.4        | 84.6        | 100.0        | 13          |
|                   | Not stated                                | 51.5        | 48.5        | 100.0        | 103         |
| <b>Total</b>      |   | <b>52.8</b> | <b>47.2</b> | <b>100.0</b> | <b>1366</b> |

Source: Household Income and Expenditure Survey 1999/2000

Table 3.6b presents the percentage distribution of occupation within each sex. About 28 percent of the female working population are service workers compared to 13 percent among the male workers. Another pertinent disparity is between the relative proportions of clerks. Whilst 13 percent of females work as clerks only 2 percent of males were doing this type of job. Comparison with data from the 1997 Census shows similar patterns for both types of occupation. Legislators, senior officials and professionals, account for 11 percent of the working population and another 11 percent of all workers are technicians and associate professionals. The largest single group is service workers (21%) followed by elementary occupation workers (18 %).

**Table 3.6b Surveyed working population (aged 15 and above) by occupation and sex (% distribution within sex)**

|                   |   | Female       | Male         | Total        |
|-------------------|---|--------------|--------------|--------------|
|                   |   | %            | %            | %            |
| <b>Occupation</b> | Legislators, senior officials & managers  | 3.3          | 4.3          | 3.8          |
|                   | Professionals                             | 9.3          | 5.0          | 7.2          |
|                   | Technicians and associate professionals   | 11.2         | 10.1         | 10.7         |
|                   | Clerks                                    | 13.2         | 2.2          | 8.0          |
|                   | Service workers, market and sales workers | 27.6         | 13.0         | 20.7         |
|                   | Skilled agricultural & fishery workers    | 2.5          | 8.2          | 5.2          |
|                   | Craft & related trades workers            | 4.4          | 19.7         | 11.6         |
|                   | Plant & Machine operators & assemblers    | 1.2          | 11.2         | 5.9          |
|                   | Elementary occupation                     | 19.6         | 16.9         | 18.3         |
|                   | Disciplinary forces                       | 0.3          | 1.7          | 1.0          |
|                   | Not stated                                | 7.4          | 7.8          | 7.5          |
| <b>Total</b>      |   | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |

Source: Household Income and Expenditure Survey 1999/2000

With regards to industry, male workers are predominant in the agriculture and fishing, public utilities, construction, transport and communication sectors while their female counterparts dominate the tourism and community and social services industry.

**Table 3.7a Surveyed working population (aged 15 and above) by industry and sex**

|                 |  | Female      | Male         | Total       |        |
|-----------------|--|-------------|--------------|-------------|--------|
|                 |  | %           | %            | %           | Actual |
| <b>Industry</b> | Agriculture & Fishing                        | 21.6        | 78.4         | 100.0       | 74     |
|                 | Manufacturing                                | 52.5        | 47.5         | 100.0       | 118    |
|                 | Water & Electricity                          | 23.5        | 76.5         | 100.0       | 34     |
|                 | Construction                                 | 9.0         | 91.0         | 100.0       | 67     |
|                 | Trade, Hotels, Guesthouses & Restaurant/bars | 62.4        | 37.6         | 100.0       | 202    |
|                 | Transport & Communication                    | 31.4        | 68.6         | 100.0       | 121    |
|                 | Financing, Insurance & Business services     | 57.9        | 42.1         | 100.0       | 38     |
|                 | Community, Social & Personal services        | 67.1        | 32.9         | 100.0       | 596    |
|                 | Not Stated                                   | 37.1        | 62.9         | 100.0       | 116    |
| <b>Total</b>    | <b>52.8</b>                                  | <b>47.2</b> | <b>100.0</b> | <b>1366</b> |        |

Source: Household Income and Expenditure Survey 1999/2000

Community and social services sector employ 44 percent of the working population and the tourism sector takes up about 15 percent of all workers. The least important sectors in terms of size are public utilities and finance and businesses.

The categorisation by sex shows that over half of the female working population work in the community and social services while the corresponding proportion for the male workers is 30 percent. The tourism industry employs about 18 percent of the female workers but only 12 percent of the male (see Table 3.7b). It can be observed that while the male population is more evenly distributed across the industries the female workers are more confined to three main areas. This comparison can be made between Figure 3.5a and Figure 3.5b.

**Table 3.7b Surveyed working population aged 15 and above by industry and sex (% distribution within sex)**

|                 |   | Female       | Male         | Total |
|-----------------|---|--------------|--------------|-------|
|                 |   | %            | %            | %     |
| <b>Industry</b> | Agriculture & Fishing                       | 2.2          | 9.0          | 5.4   |
|                 | Manufacturing                               | 8.6          | 8.7          | 8.6   |
|                 | Water & Electricity                         | 1.1          | 4.0          | 2.5   |
|                 | Construction                                | 0.8          | 9.5          | 4.9   |
|                 | Trade Hotels, Guesthouses & Restaurant/bars | 17.5         | 11.8         | 14.8  |
|                 | Transport & Communication                   | 5.3          | 12.9         | 8.9   |
|                 | Financing, Insurance & Business services    | 3.1          | 2.5          | 2.8   |
|                 | Community, Social & Personal services       | 55.5         | 30.4         | 43.6  |
|                 | Not Stated                                  | 6.0          | 11.3         | 8.5   |
| <b>Total</b>    | <b>100.0</b>                                | <b>100.0</b> | <b>100.0</b> |       |

Source: Household Income and Expenditure Survey 1999/2000

## Percentage distribution of workers across industries by sex

Figure 3.5a

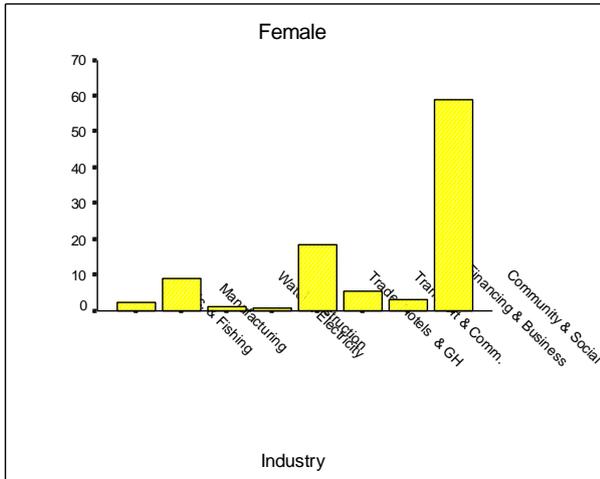
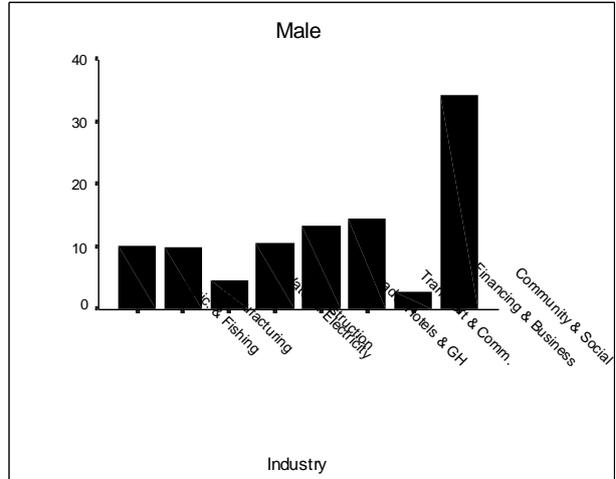


Figure 3.5b



## **4.0 Expenditure**

### **4.1 COICOP**

The commodity classification used throughout this report adopts that of the (UN) Classification of Individual Commodities by Purpose (COICOP) with the aim of harmonizing methods and practices within the Southern African Development Countries (SADC). The adoption of COICOP provides a more comprehensive classification and also allows easier comparison at country and regional levels.

COICOP is divided into 12 main divisions (see Table 4.1a). For analytic interest, the first Division, which is Food and Non-alcoholic beverages, has been split to show expenditure on fish separately, and loan repayment is also shown separately due to the diversity of loan purpose, which spreads across more than one division.

### **4.2 Reported and adjusted expenditure**

This section looks at expenditure as reported by the households by type of expenditure. Expenditure has been adjusted for certain items in some of the sub-groups to account for under-reporting. The main items include alcoholic beverages, electricity, water, telephone and expenditure on chance games (lottery). The largest disparity between 'reported' and 'adjusted' expenditure was recorded in alcoholic beverage and tobacco (R209.95 compared to R876.33).

The monthly average expenditure per household is estimated at R 8291.46 after adjustments. This figure almost doubles what it was at the last survey in 1992/1993. While it is evident that the cost of living is much higher than it was eight years ago, it is worth noting that there have been significant price fluctuations during the survey period. The prevailing scarcity in foreign exchange has had an impact on price levels and some of the price increases were somewhat artificial, and are accounted for by the existence of the foreign exchange parallel market.

Table 4.1a presents the current and old basket of goods in their broadest classification. Average household monthly expenditure is given for each division with the corresponding weights and a comparison can be made between the summarised expenditure patterns for the two periods. The weights refer to the relative importance of each item (group) in the budget and these are expressed out of a 1000.

Food accounts for the largest proportion (26.6%) of monthly average expenditure while 14% of the monthly household budget goes to housing, water and fuel. Although the average expenditure on alcohol was adjusted, it was not possible to get data on liquor purchased other than locally manufactured brews. It is felt that the figure shown for the third division is still lower than the actual expenditure incurred. The current figure indicates that over 10% of the monthly budget is spent on alcohol and tobacco suggesting a decrease of about 50% in the weight for this group compared to the last survey.

The relative importance of fish in the household budget has decreased by 20% compared to the 1992/1993 basket of goods, while expenditure on health has acquired a significantly higher weight relative to what was reported in the last survey. The latter change could be explained by the existence of private health services in the country, which were not present in the early 90's, and furthermore, there has been a significant increase in the number of individuals going abroad for privately funded medical treatment.

The expenditure on housing, electricity, water and fuel is relatively less important than it was in 1992/1993. The weight for this consumption group is 37% less than it was in the old basket.

The high percentage increase in loan repayment is due to the impossibility of completely re-classifying the diverse types of expenditure incurred using money from loans. A good portion of loans taken out is attributed to 'general purpose' loans availed to public service workers, which are often not spent on single purchases but incorporated in the monthly household budget. In the previous classification, Transport and Communication was one division, whereas in the current classification, these have been separated. The old classification also included expenditure on hotels and restaurants in the 'Miscellaneous goods & services' category whilst these items now form a separate division.

A more detailed table on weights distribution and the corresponding average monthly expenditure is presented in Table 4.1b.



**Table 4.1a: Average monthly adjusted expenditure per household and weights,  
HES 1992/1993 and HES 1999/2000**

| <b>COMMODITY DIVISION</b>                       | <b>1999/2000<br/>Average<br/>(adjusted)<br/>expenditure</b> | <b>1999/2000<br/>WEIGHTS</b> | <b>1992/1993<br/>Average<br/>Expenditure</b> | <b>1992/1993<br/>WEIGHTS</b> | <b>% Change<br/>in weights</b> |
|---|---|------------------------------|--|------------------------------|--------------------------------|
| FOOD (excluding fish) & NON-ALCOHOLIC BEVERAGES | 1984.07   | 239.34                       | 990.30                                       | 232.23                       | 3.1                            |
| FISH  | 220.15  | 26.55                        | 142.93                                       | 33.51                        | -20.8                          |
| ALCOHOLIC BEVERAGES & TOBACCO                   | 874.71  | 105.50                       | 898.13                                       | 210.61                       | -49.9                          |
| CLOTHING & FOOTWEAR                             | 521.81  | 62.95                        | 325.80                                       | 76.40                        | -17.6                          |
| HOUSING, WATER, ELECTRICITY & GAS               | 1158.55   | 139.73                       | 946.92                                       | 222.06                       | -37.1                          |
| FURNITURE & FURNISHINGS, HOUSEHOLD EQUIPMENT    | 710.50  | 85.70                        | 285.72                                       | 66.98                        | 27.9                           |
| HEALTH  | 115.65  | 13.93                        | 15.27  | 3.58                         | 289.1                          |
| TRANSPORT                                       | 588.60  | 70.98                        | 184.96                                       | 43.37                        | 63.7                           |
| COMMUNICATION                                   | 352.42  | 42.50                        | 145.60                                       | 34.15                        | 24.5                           |
| RECREATION & CULTURE                            | 452.52  | 54.58                        | 214.66                                       | 50.33                        | 8.4                            |
| EDUCATION                                       | 112.18  | 13.53                        | 32.01  | 7.51                         | 80.2                           |
| RESTAURANTS & HOTELS                            | 5.80  | 0.70                         | *  | *                            |                                |
| MISCELLANEOUS GOODS & SERVICES                  | 839.66  | 101.23                       | 78.27  | 18.34                        | 452.0                          |
| LOAN REPAYMENT                                  | 354.84  | 42.79                        | 0.12   | 0.03                         | 142533.3                       |
| <i>Life Insurance</i>                           | **  | **                           | 3.64   | 0.85                         |                                |
| <b>TOTAL +</b>                                  | <b>8291.46</b>  | <b>1000.00</b>               | <b>4264.34</b>                               | <b>1000.00</b>               |                                |

Source: Household Income and Expenditure Survey 1999/2000

**Notes:**

\* The 1992 HES grouped this category with 'Miscellaneous goods and services'

\*\* The current HES did not consider life insurance as expenditure

+ Total may not add up due to rounding

**Table 4.1b: Average monthly adjusted expenditure per household and weights, HES 1992/1993 and HES 1999/2000**

| Description  | 1999/2000<br>Average<br>Expenditure<br>(adjusted) | 1999/2000<br>WEIGHTS | 1992/1993<br>Average<br>Expenditure | 1992/1993<br>WEIGHTS |
|--|---|----------------------|-------------------------------------|----------------------|
| Bread and cereals                                      | 681.81  | 82.24                | 249.17                              | 58.43                |
| Meat (fresh, chilled, frozen)                          | 255.53  | 30.83                | 125.59                              | 29.45                |
| Fish (fresh, chilled, frozen)                          | 220.15  | 26.55                | 142.93                              | 33.51                |
| Milk, cheese, eggs                                     | 147.78  | 17.83                | 132.82                              | 31.14                |
| Oils and fats  | 79.20   | 9.55                 | 73.91                               | 17.33                |
| Fruits   | 69.02   | 8.33                 | 14.73                               | 3.45                 |
| Vegetables   | 297.93  | 35.95                | 139.57                              | 32.74                |
| Sugar, jam, honey, confectionery                       | 234.89  | 28.33                | 51.43                               | 12.07                |
| Food products n.e.c.                                   | 16.92   | 2.05                 | 93.89                               | 22.01                |
| Coffee, tea, cocoa                                     | 36.83   | 4.44                 | 35.65                               | 8.36                 |
| Mineral water, soft drinks, fruit and vegetable juices | 164.16  | 19.79                | 73.54                               | 17.24                |
| Spirits  | 16.66   | 2.01                 | 84.37                               | 19.79                |
| Wine   | 34.64   | 4.18                 | 129.01                              | 30.25                |
| Beer   | 785.35  | 94.72                | 636.71                              | 149.31               |
| Home made brew   | 0.40  | 0.05                 | 2.52                                | 0.59                 |
| Tobacco  | 37.66   | 4.54                 | 45.52                               | 10.67                |
| Clothing material                                      | 0.86  | 0.10                 | 60.97                               | 14.30                |
| Garments   | 463.80  | 55.95                | 180.39                              | 42.30                |
| Shoes and other footwear                               | 56.84   | 6.86                 | 84.44                               | 19.80                |
| Cleaning, repair and hire of clothing                  | 0.31  | 0.04                 |                                     |                      |
| Rent paid for main residence                           | 75.42   | 9.10                 | 184.66                              | 43.30                |
| Land rent  | 54.76   | 6.60                 |                                     |                      |
| Housing loan   | 356.45  | 42.99                | 144.43                              | 33.87                |
| Materials for the maintenance and repair of dwelling   | 25.19   | 3.04                 |                                     |                      |
| Services for the maintenance and repair of dwelling    | 0.27  | 0.03                 | 308.99                              | 72.46                |
| Water supply   | 98.75   | 11.91                | 67.12                               | 15.74                |
| Land purchase  | 21.27   | 2.57                 |                                     |                      |
| Electricity  | 438.78  | 52.92                | 187.43                              | 43.95                |
| Gas  | 75.36   | 9.09                 | 2.16                                | 0.51                 |
| Liquid fuels   | 12.21   | 1.47                 | 51.80                               | 12.15                |
| Solid fuels  | 0.09  | 0.01                 | 0.33                                | 0.08                 |
| Furniture and furnishings                              | 208.10  | 25.09                | 49.92                               | 11.70                |
| Repair of furniture and floor coverings                | 0.04  | 0.00                 |                                     |                      |
| Household linen & textiles                             | 47.23   | 5.70                 |                                     |                      |
| Major household appliances                             | 207.36  | 25.02                | 36.98                               | 8.67                 |
| Small electric household appliances                    | 11.80   | 1.42                 |                                     |                      |
| Repair of household appliances                         | 0.09  | 0.01                 |                                     |                      |
| Glassware, tableware and household utensils            | 20.95   | 2.53                 | 8.46                                | 1.98                 |

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| <b>Description</b>  | <b>1999/2000<br/>Average<br/>Expenditure<br/>(adjusted)</b> | <b>1999/2000<br/>WEIGHTS</b> | <b>1992/1993<br/>Average<br/>Expenditure</b> | <b>1992/1993<br/>WEIGHTS</b> |
|---|---|------------------------------|--|------------------------------|
| Major tools and equipment                                 | 0.91  | 0.11                         |  |                              |
| Non-durable household goods                               | 156.96  | 18.94                        | 139.17                                       | 32.63                        |
| Domestic services   | 57.06   | 6.88                         | 51.19  | 12.00                        |
| Pharmaceutical products                                   | 9.96  | 1.19                         | 9.58   | 2.25                         |
| Other medical products (eg thermometers, bandages etc.)   | 1.35  | 0.16                         |  | 0.08                         |
| Medical services (doctors' consultations)                 | 79.26   | 9.55                         |  |                              |
| Dental services   | 11.73   | 1.41                         |  |                              |
| Paramedical services                                      | 1.21  | 0.15                         |  |                              |
| Overseas medical treatment                                | 12.14   | 1.47                         | 5.35   | 1.25                         |
| Motor cars  | 179.45  | 21.64                        |  |                              |
| Motor cycles  | 0.00  | 0.00                         |  |                              |
| Bicycles  | 1.69  | 0.20                         | 1.46   | 0.34                         |
| Pick-up truck   | 0.13  | 0.02                         |  |                              |
| Spare parts & accessories for personal transport          | 22.32   | 2.69                         |  |                              |
| Fuels and lubricants for personal transport               | 71.61   | 8.64                         | 29.63  | 6.95                         |
| Maintenance and repair of personal transport              | 9.92  | 1.19                         |  |                              |
| Other services in respect of personal transport           | 183.86  | 22.17                        | 85.20  | 19.98                        |
| Passenger transport by road                               | 101.33  | 12.22                        | 63.27  | 14.84                        |
| Passenger transport by air                                | 5.88  | 0.71                         | 1.63   | 0.38                         |
| Passenger transport by sea & waterways                    | 5.72  | 0.69                         | 3.77   | 0.88                         |
| Other purchased transport services                        | 6.69  | 0.81                         |  |                              |
| Postal services   | 4.22  | 0.51                         | 4.09   | 0.96                         |
| Purchase of telephone, fax, answering equipment           | 6.15  | 0.74                         |  |                              |
| Telephone and fax services (including installation)       | 325.99  | 39.31                        | 141.51                                       | 33.19                        |
| -Internet services  | 16.06   | 1.94                         |  |                              |
| Equipment for reception, recording etc. of sound/pictures | 50.98   | 6.16                         | 53.78  | 12.61                        |
| Photographic equipment                                    | 0.48  | 0.06                         |  |                              |
| Recording media (CDs, cassettes, cartridges etc.)         | 13.27   | 1.60                         |  |                              |
| Repair of audio-visual equipment                          | 22.10   | 2.67                         | 0.62   | 0.15                         |
| Major durables for outdoor recreation                     | 9.11  | 1.10                         |  |                              |
| Games, toys and hobbies                                   | 11.46   | 1.38                         |  |                              |
| Equipment for sport, camping and open-air recreation      | 2.23  | 0.27                         |  |                              |
| Gardens, plants and flowers                               | 25.43   | 3.06                         |  |                              |
| Pets and related products                                 | 11.81   | 1.43                         |  |                              |
| Recreational and sporting services                        | 12.60   | 1.52                         |  |                              |
| Cultural services   | 8.66  | 1.04                         | 118.92                                       | 27.88                        |
| Games of chance   | 69.35   | 8.36                         | 41.34  | 9.69                         |

**Contd...**

| <b>Description</b>                                       | <b>1999/2000<br/>Average<br/>Expenditure<br/>(adjusted)</b> | <b>1999/2000<br/>WEIGHTS</b> | <b>1992/1993<br/>Average<br/>Expenditure</b> | <b>1992/1993<br/>WEIGHTS</b> |
|--|---|------------------------------|--|------------------------------|
| Books  | 17.63   | 2.13                         |  |                              |
| News papers and periodicals                              | 20.35   | 2.45                         |  |                              |
| Miscellaneous printed matter                             | 24.79   | 2.99                         |  |                              |
| Stationery   | 4.00  | 0.48                         |  |                              |
| School uniforms  | 0.36  | 0.04                         |  |                              |
| Overseas holidays  | 147.91  | 17.84                        |  |                              |
| Education not defined by level                           | 112.18  | 13.53                        | 32.01  | 7.51                         |
| Restaurants, cafes and hotels                            | 5.80  | 0.70                         | *  | *                            |
| Hairdressing salons and personal care                    | 27.67   | 3.33                         | 7.17   | 1.68                         |
| Electrical appliances for personal care                  | 2.89  | 0.35                         |  |                              |
| Other appliances and articles for personal care          | 78.08   | 9.40                         | 43.46  | 10.19                        |
| Jewellery, clocks and watches                            | 6.25  | 0.75                         |  |                              |
| Other personal effects                                   | 12.11   | 1.46                         | 11.94  | 2.80                         |
| Social protection  | 135.91  | 16.39                        |  |                              |
| Donations  | 250.17  | 30.17                        |  |                              |
| Pocket money   | 4.26  | 0.51                         |  |                              |
| Social security contribution                             | 188.79  | 22.77                        |  |                              |
| Insurance connected with dwelling and household contents | 27.38   | 3.30                         | 4.40   | 1.03                         |
| Insurance connected with travel                          | 99.23   | 11.97                        | 11.26  | 2.64                         |
| Other financial services not elsewhere classified        | 2.78  | 0.34                         |  |                              |
| Other services not elsewhere classified                  | 4.14  | 0.49                         | 0.01   | 0.04                         |
| Loan repayments  | 354.84  | 42.79                        | 0.12   | 0.03                         |
| Life insurance   | **  | **                           | 3.64   | 0.85                         |
| <b>Total +</b>   | <b>8291.46</b>  | <b>*1000.00</b>              | <b>4264.34</b>                               | <b>1000.00</b>               |

**Notes:**

\*\* The current HES did not consider life insurance as expenditure

+ Total may not add up due to rounding

### 4.3 Expenditure as a proxy for income

Income data are almost always unreliable due to under-reporting of personal incomes. Individuals tend to be less reluctant to divulge expenditure information than they would income details, thus the former is usually considered more reliable. A good approximation of household income therefore is their expenditure; assuming that one generally spends what one earns from various sources.

### 4.4 Minimum and Mean monthly reported expenditure

The mean (unadjusted) monthly expenditure for all households was around R8365. The (arithmetic) mean is easily affected by extreme values and it is sometimes useful to compare it with the median<sup>1</sup> value, which was about R6336. The nature of this disparity indicates a positively skewed spread, which is characteristic of household budget distribution. That is, the total expenditure of the households on the upper end of the scale is extreme and it has the tendency of inflating the average value. It is also informative to look at average expenditure for families of different sizes separately.

Table 4.2 shows that around 10% of all households have one person living alone with a minimum monthly expenditure of R55 and these households spend R4746 per month on average. Two-person households spend a minimum of R620 and have a mean expenditure of R6383 per month. Households of size 3 to 4 persons reported to have the least of expenditure of R446 while their mean monthly expenditure was R7783. The larger families of 5-8 and that of 9 persons or more have minimum expenditures of R908 and R1768 respectively, and the mean expenditure was R10, 608 for the former and R11, 425 for the latter group.

**Table 4.2 Average and minimum expenditure reported by households**

| Household size | % Households | Monthly expenditure per household (R) |          |
|----------------|--------------|---------------------------------------|----------|
|                |              | Minimum                               | Mean     |
| 1              | 10.6         | 55.25                                 | 4746.25  |
| 2              | 14.1         | 620.34                                | 6382.79  |
| 3-4            | 37.1         | 445.92                                | 7783.35  |
| 5-8            | 35.3         | 908.12                                | 10608.49 |
| 9 or more      | 2.8          | 1767.84                               | 11425.05 |

Source: Household Income and Expenditure Survey 1999/2000

Note: 1 – The middle value of all expenditure arranged in order of size that splits households in two equal halves.

## 4.5 Expenditure groups and household size

Table 4.3 presents a summary of the distribution of expenditure groups. Expenditure has been grouped in intervals of R1000 instead of fractile<sup>2</sup> groups for convenience and ease of analysis. The minimum wage for a public servant was R2025 in the survey period, and only about 8% of households spend under R2000 per month. 39% of all households spend between R2000 and R6000 per month while over half of them spend over R6000 per month.

**Table 4.3 Households by monthly expenditure groups**

| Expenditure group (R) | No. of households |       | Cumulative |       |
|-----------------------|-------------------|-------|------------|-------|
|                       |                   |       | %          | %     |
| Less than 1000        | 10                | 1.2   | 1.2        | 1.2   |
| 1000-2000             | 57                | 7.0   | 8.2        | 8.2   |
| 2000-3000             | 69                | 8.5   | 16.7       | 16.7  |
| 3000-4000             | 89                | 10.9  | 27.7       | 27.7  |
| 4000-5000             | 82                | 10.1  | 37.8       | 37.8  |
| 5000-6000             | 77                | 9.5   | 47.2       | 47.2  |
| 6000-7000             | 62                | 7.6   | 54.9       | 54.9  |
| 7000 or more          | 367               | 45.1  | 100.0      | 100.0 |
| Total                 | 813               | 100.0 |            |       |

Source: Household Income and Expenditure Survey 1999/2000

Considering only expenditure on food, water and shelter, the per capita expenditure was calculated at R841, based on the average household size of 4 persons. Thus to meet the barest minimum for living, a 2-person household would need at least R1682 per month. The average household size for all households is 4 persons, thus the minimum expenditure for the average family would be R3364.

One in four households have 1 to 2 persons. Of these 22% spend up to R2000 per month. Among the 3-4 person households, 12% spend under R3000. For the 5-8 person households, 16.1% spend under R4000, and of the larger families of 9 or more, 17% spend below R6000. The afore-mentioned groups include the people who are most likely not having enough to spend on the basic needs. (The shaded area in Table 4.4 suggests that people in those households might be living in 'poverty' as defined above).

Note: 2 Fractile grouping classifies households into equal percentile groups based on cumulative totals of income/expenditure

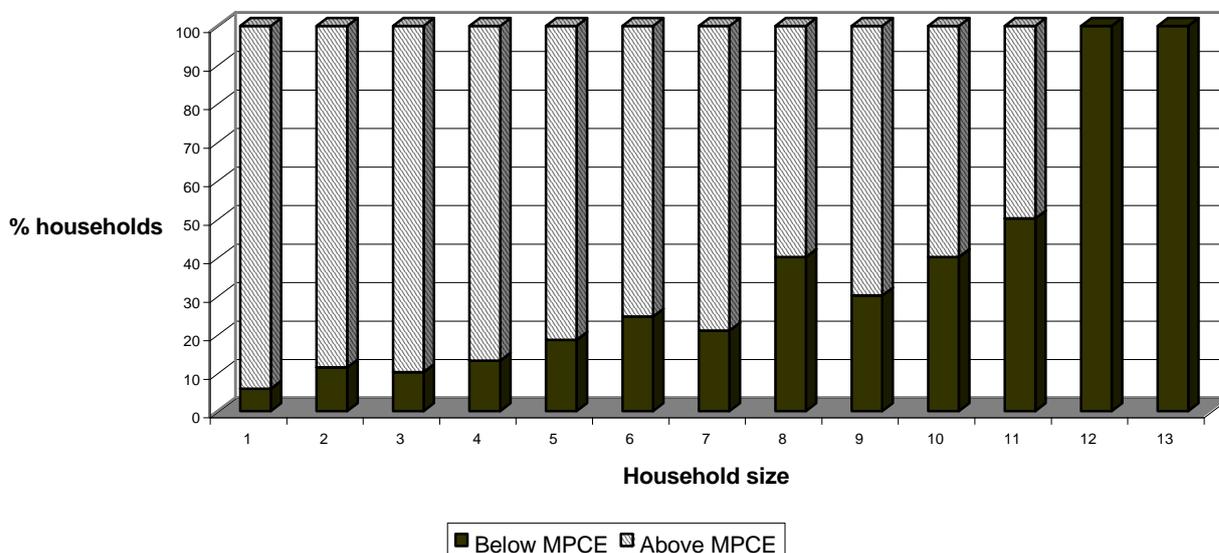
**Table 4.4 Households by monthly expenditure groups and household size  
(% distribution within Household size)**

| Expenditure group (Rupees)          | Household size |              |              |              | Total        |
|-------------------------------------|----------------|--------------|--------------|--------------|--------------|
|                                     | 1-2            | 3-4          | 5-8          | 9 or more    |              |
| Less than 1000                      | 4.0            | 0.2          | 0.5          | 0.0          | 1.2          |
| 1000-2000                           | 18.4           | 4.0          | 2.4          | 4.2          | 7.0          |
| 2000-3000                           | 14.9           | 7.6          | 5.6          | 0.0          | 8.5          |
| 3000-4000                           | 17.9           | 10.3         | 7.7          | 0.0          | 10.9         |
| 4000-5000                           | 10.4           | 11.9         | 8.0          | 8.3          | 10.1         |
| 5000-6000                           | 6.5            | 10.3         | 11.2         | 4.2          | 9.5          |
| 6000-7000                           | 4.5            | 9.3          | 8.7          | 0.0          | 7.6          |
| 7000 or more                        | 23.4           | 46.4         | 55.9         | 83.3         | 45.1         |
| <b>Total</b>                        | <b>100.0</b>   | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |              |
| <b>% of households of this size</b> | <b>24.7</b>    | <b>37.1</b>  | <b>32.1</b>  | <b>6.0</b>   | <b>100.0</b> |

Source: Household Income and Expenditure Survey 1999/2000

For a clearer assessment, the reader is referred to Figure 4.1 below, which classifies households based on their individual per-capita expenditure. On the whole, around 16% of all households have a per-capita expenditure below the assumed minimum level of R841. The pattern observed here is that larger families tend to be the ones whose per capita income are below the minimum required level. (Note MPCE refers to minimum required per capita expenditure).

**Figure 4.1: Distribution of households above and below minimum required per capita expenditure, HES 1999/2000**



## 5.0 Income

### 5.1 Reported income and its limitations

Information on income is usually a difficult issue to tackle in surveys. Most individuals are somewhat reluctant to divulge information about their incomes and other receipts. The reasons vary and people both over-report and under-report their incomes. In the former case it is a matter of prestige or status, while in the latter, which happens more often, there exists the misconception of interviewers prying into their private affairs, or the fear that the information will be passed on to the tax office or other revenue collecting authorities. Retrieving such data then, requires some convincing and a lot of reassurance on the part of the interviewer about the purposes of collection, and at the end of the day, the data volunteered may not be accurate as most of the time some information is withheld. For these reasons, income data are always relatively less reliable than those of expenditure. This discrepancy can be revealed by the differential between total income and total expenditure, the latter being almost always higher than the former.

For this survey, questions on income from all sources were asked. These include income from wages and salaries, pensions and social securities, remittances, dividends, royalties and rents, as well as income from sales of own agricultural produce.

### 5.2 Main source of income

Households were asked which source of income they mainly depended on for their livelihood. Table 5.1 presents the distribution of different income sources in order of importance. Comparison of figures from the current survey and the last reveals that the pattern is the same, with wages and salaries being the most important source of income, (74%), followed by pensions and social security benefits (16%) and self-employment (8%).

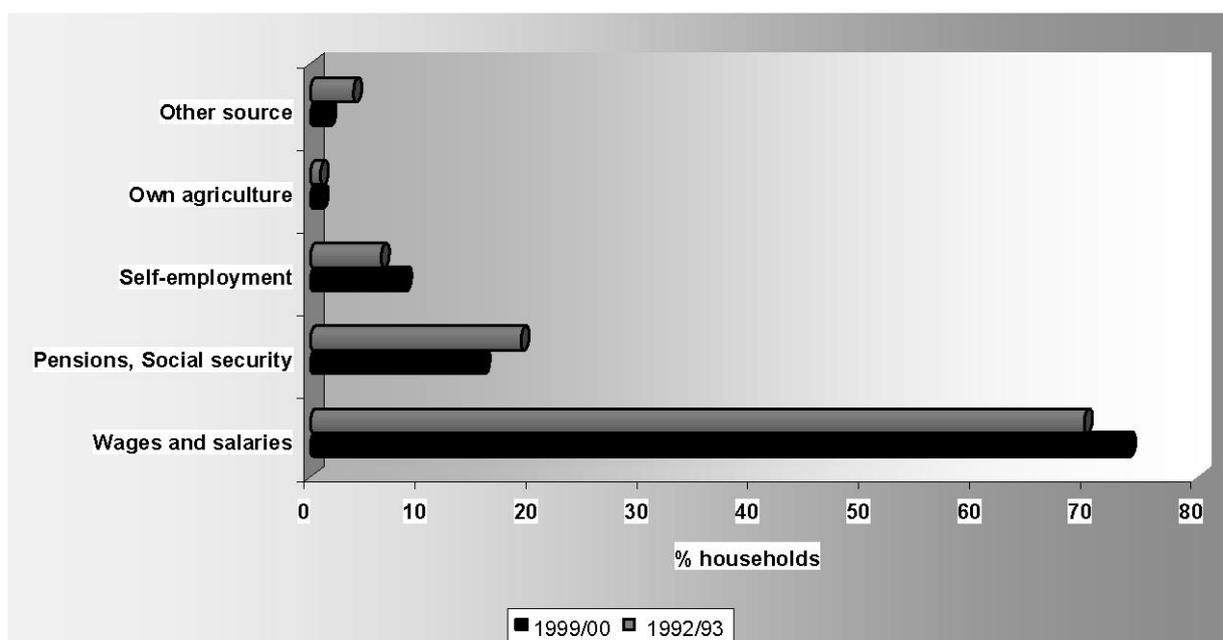
However, there is some shift in the relative proportions accounted for by each source. The proportion of households now depending on wages and salaries and self-employment has increased while that depending on pensions and social benefits has decreased compared to the last survey. Agriculture was reported to be relatively less important as an income source but its status has not changed over the last eight years. 'Other source' includes remittances, rents and dividends. Figure 5.1 provides a graphical presentation of the previous and current income source distribution.

**Table 5.1 Main source of income**

| Main income Source        | %         |           |        |
|---------------------------|-----------|-----------|--------|
|                           | 1999/2000 | 1992/1993 | Change |
| Wages and salaries        | 73.7      | 69.8      | +3.9   |
| Pensions, Social security | 15.5      | 19.0      | -3.5   |
| Self-employment           | 8.4       | 6.4       | +2.0   |
| Own agriculture           | 0.9       | 0.9       | 0.0    |
| Other                     | 1.6       | 3.9       | -2.3   |
| Total                     | 100.0     | 100.0     |        |

Source: Household Income and Expenditure Survey 1999/2000

Figure 5.1 Main Income Source, HES 1992/1993 and HES 1999/2000



### 5.3 Average income levels

As mentioned before, data on income used is as provided by the households themselves and are subject to under-reporting. It was observed that average incomes for households were generally lower than average expenditures. Differentials are partly due to under-reporting and partly accounted for by disbursement of savings and monies obtained from loans. Summary Table 5.2 below presents a classification of households by size and average income. (Average expenditure has been included for comparison). Both the median and the mean have been calculated in consideration of the weakness of the latter measure. Again, medians relatively lower than means indicate the positive skewness of the wealth distributions (*the larger values pull the mean upwards*).

Table 5.2: Households by size and average income and expenditure

| Household size | Mean     |             | Median   |             | % of households |
|----------------|----------|-------------|----------|-------------|-----------------|
|                | Income   | Expenditure | Income   | Expenditure |                 |
| 1 - 2          | 3040.71  | 5682.58     | 2500.00  | 3514.89     | 24.7            |
| 3 - 4          | 5095.71  | 7783.35     | 4537.50  | 6688.57     | 37.1            |
| 5 - 8          | 7119.47  | 10608.49    | 6425.00  | 7796.00     | 35.2            |
| 9 or more      | 11945.53 | 11425.05    | 12112.50 | 8824.57     | 3.0             |
| All households | 5501.78  | 8365.31     | 4585.00  | 6335.65     | 100.0           |

Source: Household Income and Expenditure Survey 1999/2000

If one goes by the mean reported income, households on average earn about R5500 per month. Auxiliary data from formal employment records for this period suggest that households are earning about R1000 more than what is reported here, on the assumption that about two persons per household are income earners.

Looking at households of different sizes separately shows that one quarter of all households consist of 1 or 2 persons and those earn a little over R3000. Families of 3 to 4 persons account for 37% of all households, and their income comes close to R5100. While families of 5 to 8 persons (35% of households) earn about R7100, the remaining 3% of families that consist of 9 or more persons reported an income of R11900 per month.

For a detailed breakdown of households by income group, reference is made to Table 5.3 below. Again, if one goes by the minimum required income (R841) set in Chapter 4, the families falling in the shaded area are the ones more likely to be earning below the minimum level. The data collected suggest that families having difficulties to make ends meet are more common among those with 5 to 8 persons.

**Table 5.3: Households by income group and size, HES 1999/2000,  
- Percentage distribution within household size**

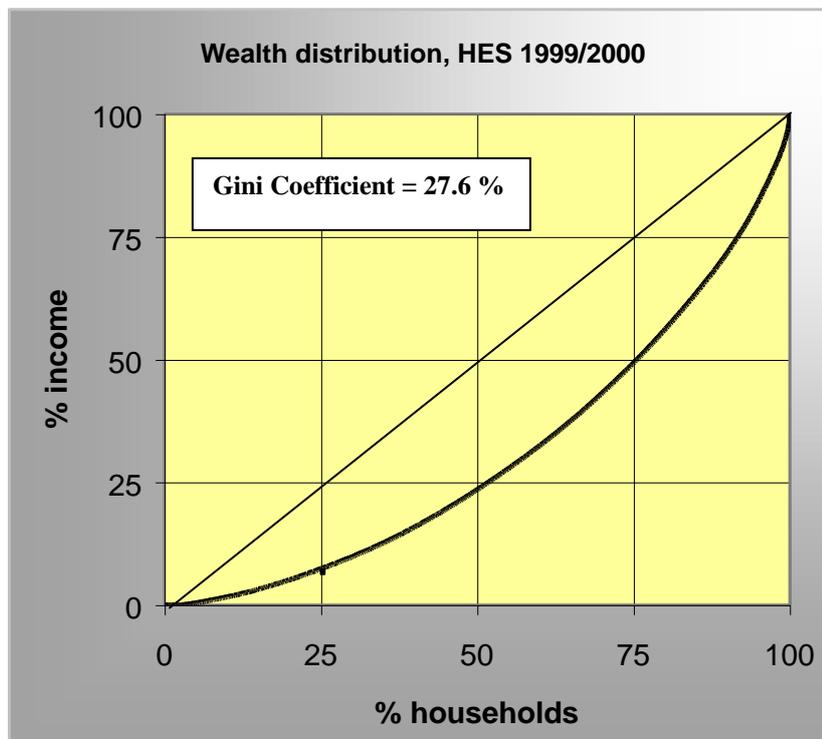
| Income group   | Household size |              |              |              | Total %      |
|----------------|----------------|--------------|--------------|--------------|--------------|
|                | 1 - 2          | 3 - 4        | 5 - 8        | 9 or more    |              |
| Less than 1000 | 9.0            | 4.0          | 1.4          |              | 4.2          |
| 1000-2000      | 25.9           | 8.3          | 2.8          |              | 10.5         |
| 2000-3000      | 28.9           | 14.6         | 9.4          |              | 15.9         |
| 3000-4000      | 13.4           | 13.6         | 10.1         |              | 11.9         |
| 4000-5000      | 6.5            | 18.2         | 13.6         | 4.2          | 13.3         |
| 5000-6000      | 7.5            | 12.9         | 9.4          | 4.2          | 10.1         |
| 6000-7000      | 3.0            | 11.6         | 10.8         |              | 8.9          |
| 7000 or more   | 6.0            | 16.9         | 42.3         | 91.7         | 25.3         |
| <b>Total</b>   | <b>100.0</b>   | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |

Source: Household Income and Expenditure Survey 1999/2000

## 5.4 The Lorenz curve

A convenient method of assessing the income distribution is the use of a special graph called the Lorenz Curve. The curve plots the percentage cumulative distribution of income against that of households (see Figure 5.2). The Lorenz curve shows the contrast of complete equality of income among households with the actual distribution of income. In an ideal situation of perfectly equal income distribution, the curve would map the 45° diagonal line exactly. In such a situation, the household's share of income would equate its share of the household population. In other words, 25 percent of households would receive 25 percent of total income and 50 percent of all households would receive 50 percent of the total income. Hence the wider the gap between the diagonal line and the curve, the more unequal wealth distribution is. From the chart, one can read off what percentage of the total wealth different proportions of families get. In our case, 25 percent of households share only 8 percent of the total household income, 50 percent of households share 24 percent of the wealth and half the wealth is shared by 75 percent of families. While the two last readings are not different from the income distribution at the last survey, the overall disparity in income distribution has decreased as indicated by the Gini Coefficient in the next section.

**Figure 5.2: The Lorenz curve**



## 5.5 The Gini Coefficient

Income inequality can also be measured by the Gini Coefficient. The Gini coefficient is an index that summarises the disparity in income distribution in a single figure. Its value ranges from 0 to 1 and it measures the area represented by the 'gap' between the diagonal and the Lorenz curve (see Figure 5.2). Evidently, a zero corresponds to perfect mapping of the curve on the diagonal line while a value of one means all the wealth goes to one household. Analogous to the Lorenz Curve, therefore, the closer to 1 the value of the Gini coefficient, the less equally distributed the total wealth.

Based on the unadjusted income data, the current Gini coefficient was estimated at 0.276 or 27.6 percent. This figure is 10 percent less than what was measured in the 1992 survey. If the reported income data are to be believed then, there is a suggestion that income is to some extent more equally distributed than 7 years ago. In 1978, the Gini coefficient was estimated at 46 percent while in 1992 it was 38 percent. However, the reader is again cautioned about the less-than-perfect reliability of income data collected in such surveys. Table 5.4 below lists the Gini coefficients for three surveys. (The Gini coefficient was not calculated for the 1982/83 survey).

**Table 5.4 Gini Coefficients, past and present HES Surveys.**

| <b>Household Expenditure Survey year</b> | <b>Gini Coefficient (%)</b> | <b>Change from previous survey</b> |
|--|-----------------------------|------------------------------------|
| 1978                                     | 46                          |                                    |
| 1992/93                                  | 38                          | - 8                                |
| 1999/00                                  | 28                          | -10                                |

Source: Household Income and Expenditure Survey 1999/2000

## 6.0 Conclusion and recommendations

During the planning stage of this survey, most of the recommendations based on the experience of the previous one were taken on board. Households were over-sampled (which was a good initiative given the level of non-response and the amount of data that had to be disregarded). This also avoided the problem of increasing the sampling probability of certain households. Prior to enumeration, extra efforts were made to cluster households (in terms of proximity) as much as possible to facilitate frequent visits. The diary-keeping period was restricted to two weeks as opposed to the desired month-long duration in favour of the respondents.

However, there were still some operational problems that prevailed. Some of those were beyond the control of this office, while others could have been avoided. Certain types of expenditure remained difficult to capture simply because respondents would not report them. Although an effort was made to distribute individual diaries to household members in an effort to capture expenditures of a more 'personal' nature, like gifts for friends and relatives, or food and drinks bought during lunch and coffee breaks, most of those diaries remained empty.

Supervision in the field was insufficient due to inadequate human resources. The high level of staff turnover during the survey period further exacerbated the problem. It was difficult to replace and train staff lost while the survey was ongoing, and stages of the survey that should have overlapped had to be carried out consecutively. The most serious disadvantage of this setback was that problems that could have been identified and rectified early were only discovered when it was too late to do anything about them. Using the same staff for both fieldwork and office processing is not recommended.

The survey period mid-1999 to mid-2000 turned out to be eventful as far as the economy was concerned. There were periods of relatively serious scarcity of certain commodities, which occasioned artificially inflated prices spurred by the existence of the foreign exchange parallel market. Coupled with this were measures taken by the government in the middle of the survey period to lower the prices of selected goods in an effort to curb the high cost of living. Both of these factors have had an effect on spending patterns and one cannot really say that the selected survey period was a 'normal' one.

The overall plan of the survey was one that should have been executable under normal circumstances. Most of the problems encountered are not new and unusual. The lack of adequate human resources seems to be the most frequently occurring impediment in Household Expenditure Surveys. An effort should be made to avail sufficient resources for future surveys.

Some other recommendations obtained from the field experience are listed below.

Items to be included on the regular expenditure questionnaire: Postal box payment, food passes for school children, bus passes, material and stitching costs of curtain/cushions (these are usually large expenses popularly incurred towards the end of the year), car rental and boat hire, local holiday package (currently only overseas holiday included).

Income data could be collected by means of pre-coded questions providing intervals instead of exact amount to encourage response.

## **7.0 Appendices**

|                     |   |
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| <b>Appendix 7.1</b> | <b>Introduction letter to respondents</b> |
| <b>Appendix 7.2</b> | <b>Letter of thanks to respondents</b>    |
| <b>Appendix 7.3</b> | <b>Questionnaires</b>                     |
| <b>Appendix 7.4</b> | <b>Enumerators' manual</b>                |
| <b>Appendix 7.5</b> | <b>Processing manual</b>                  |
| <b>Appendix 7.6</b> | <b>Detailed tables</b>                    |