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**A POVERTY PROFILE OF THE WESTERN CAPE PROVINCE  
OF SOUTH AFRICA**

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# **A POVERTY PROFILE OF THE WESTERN CAPE PROVINCE OF SOUTH AFRICA**

## **ABSTRACT**

*Poverty reduction and alleviation is a main priority of the South African government. For the Western Cape province to formulate and implement successful, well-targeted policies aimed at reducing poverty it is important to identify exactly who the poor are. This study aims to determine the extent of poverty in the Western Cape province and construct a clear picture of the poor, using data from the 1995 October Household Survey. In order to arrive at a clear poverty profile the question “who is the ‘representative poor individual’ in the Western Cape?” is answered. After inequality in the province is detailed, the characteristics of the Western Cape poor are then used to explain household income and expenditure. In conclusion it is stated that policymakers’ decision is whether to target those groups with the largest shares in poverty within the Western Cape, or those with the highest incidence of poverty.*

**JEL Classification:** I32, R23, D31

# **A POVERTY PROFILE OF THE WESTERN CAPE PROVINCE OF SOUTH AFRICA**

MORNÉ J. OOSTHUIZEN & LIEZL NIEUWOUDT<sup>1</sup>

## **1. INTRODUCTION**

One of the greatest challenges facing the government of South Africa is the eradication of severe poverty and the upliftment of the country's citizens. The gap between rich and poor in the country is one of the largest in the world (World Development Report 2001: 593) and, in an attempt to reduce it, the current government has made poverty reduction and alleviation a main priority.

Despite being one of the country's richest regions, the Western Cape is not without poverty, although poverty rates are low relative to the other provinces (Woolard & Leibbrandt: 59-62). In order to formulate well-targeted policies aimed at reducing poverty, and for these policies to have the desired impacts, it is important to identify exactly who the poor are and which groups are most prone to being or becoming poor.

It is the aim of this study to determine the extent of poverty in the Western Cape province and construct a clear picture of the poor, using data from the 1995 October Household Survey. In section 2, the Western Cape province will be briefly described and compared to the rest of the country. This is followed in section 3 with the construction of poverty lines and the estimation of the extent and depth of poverty. Section 4 looks at exactly who the poor are, in terms of locational, demographic and economic characteristics, as well as household characteristics. Inequality in the province is detailed in the fifth section, and in section 6, some of the characteristics of the poor identified in previous sections are used to explain household income and expenditure.

## **2. THE WESTERN CAPE PROVINCE**

The Western Cape is South Africa's fifth most populous province with slightly under 4 million residents in 1996 and a population density of just over 30 people per square kilometre (Census 1996; South Africa at a Glance 1996: 45). The province is divided into 8 regions: the Cape Metropolitan Area (CMA) and 7 district council areas (DCs). These are the Breede River DC, the Klein Karoo DC, the Overberg DC, the Central Karoo DC, the South Cape DC, the West Coast DC and the Winelands DC. The rate of urbanisation in the province is around 87% compared to the national figure of just over 50%, with the CMA almost completely urban. The West Coast and Central Karoo are the least urbanised areas with rates of 78.4%.

Table 1 details the province and its sub-regions, as inferred from the 1995 October Household Survey. The Western Cape accounts for 9.7% of the national population and 10.5% of the total number of households in the country, implying a smaller than average household size in the province. The CMA clearly dominates in the Western Cape with 37.8% of the population, more than the combined total of the next three largest regions, the Breede River, South Cape and West Coast. The Central and Klein Karoo are the smallest regions, accounting for barely 10% of the province's population.

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<sup>1</sup> Respectively of the Development Policy Research Unit, University of Cape Town, and the Department of Economics, University of Stellenbosch.

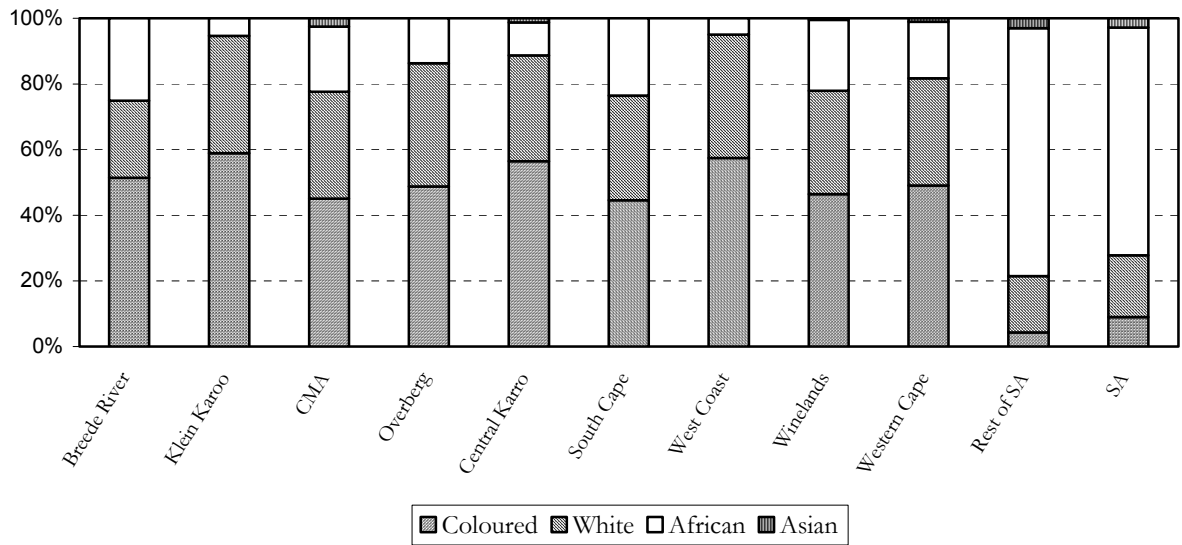
The various regions in the province do not differ dramatically in terms of racial composition (Figure 1). Coloureds constitute between one-half and two-thirds of the regional populations, and Whites generally about one-quarter. Blacks make up the remainder, with Asians only really represented in the CMA. This is, however, in sharp contrast with the national picture where Blacks are by far the dominant group. Coloureds especially dominate in the Klein Karoo and West Coast, while the Black and White communities are relatively larger in the Breede River and CMA and the West Coast and Overberg respectively.

The population figures according to the 1996 census are also presented in Table 1. Although the total population figures from the OHS 1995 and the census are reasonably close to each other, the sizes of the regional populations vary significantly between the two. This is probably due to the different methods employed in the two surveys, and is a problem for which there is no simple solution. We can safely assume that the composition of the regions, in terms of race, gender, and other demographic characteristics are similar in the two surveys, and that the poverty rates calculated below are accurate, although the same can not necessarily be said about the calculated poverty shares.

**Table 1 - The Western Cape and its Sub-Regions**

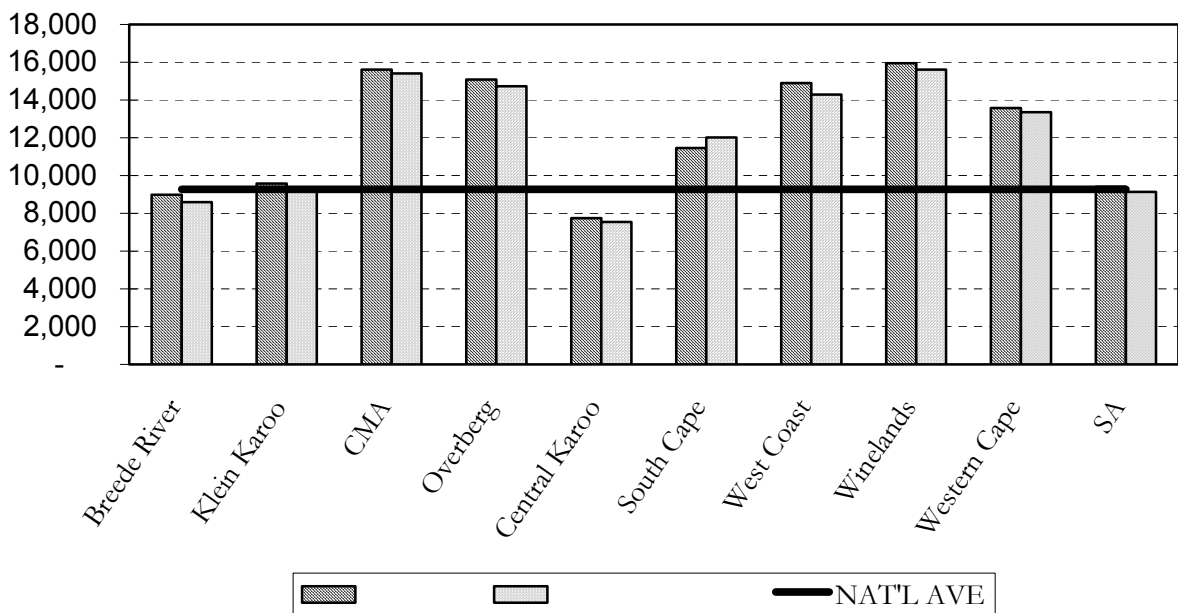
REGION	POP.	SHARE OF		1996 CENSUS		HOUS E- HOLD S	SHARE OF	
		SA TOTA L	W.CAP E TOTA L	POP.	SHARE OF W.CAP E		SA TOTA L	W.CAP E TOTA L
Western Cape	3,697,553	9.7		3,957,3 22		957,412	10.5	
CMA	1,398,709	3.7	37.8	2,561,7 21	64.7	349,939	3.8	36.6
Non-CMA	2,298,844	6.0	62.2	1,395,6 01	35.3	607,473	6.7	63.4
Breede River	434,286	1.1	11.7	281,094	7.1	100,926	1.1	10.5
Klein Karoo	217,442	0.6	5.9	113,858	2.9	55,036	0.6	5.7
Overberg	274,399	0.7	7.4	157,472	4.0	80,668	0.9	8.4
Central Karoo	154,657	0.4	4.2	55,065	1.4	42,566	0.5	4.4
South Cape	429,521	1.1	11.6	267,723	6.8	114,806	1.3	12.0
West Coast	429,125	1.1	11.6	232,068	5.9	125,873	1.4	13.1
Winelands	359,414	0.9	9.7	288,321	7.3	87,598	1.0	9.1
Rest of SA	34,373,20 1	90.3		36,621,577		8,164,1 55	89.5	
SA TOTAL	38,070,75 4	100.0		40,578,899		9,121,5 67	100.0	

**Figure 1 - Racial Composition of the Regions, by Household**



Average annual household income for the province as a whole was just under R13 300 per person, while average annual household expenditure was just over R13 050 per capita (Figure 2). This compares favourably with the national average of per capita income and expenditure of almost R8 980, indicated in the graph by the horizontal national average line. However, significant variations between the regions are masked by averaging. The Winelands (mean per capita household income/expenditure of R15 769), CMA (R15 121) and Overberg (R14 973) are the richest regions, followed closely by the West Coast (R14 380). The remaining regions are all below the provincial average, with the Breede River (R8 321) and Central Karoo (R7 271) below the national average too.

Figure 2 - Average Annual Per Capita Income and Expenditure, by Region



### 3. MEASURING POVERTY

Successfully targeting the poor with the aim of alleviating poverty demands that they be accurately identified and described. For a poverty profile to properly characterise the poor, appropriate measures of poverty need to be applied. Although poverty usually entails much more than merely lacking sufficient means to purchase basic goods and services (including all aspects related to a household's well-being such as vulnerability), it is common practice to utilise monetary measures in determining the extent of poverty in any given population. The decision to only use income/expenditure measures of poverty for this study does by no means imply that all the other factors that determine a household's standard of living are less important.

Three quantitative poverty lines were chosen and used in the calculation of poverty indices. Two are absolute poverty lines – the cost to meet basic needs – and the third is a relative poverty line, seen in context of a specific society (Ravallion 1992: 25-31). The two absolute poverty lines are firstly the internationally-used one dollar a day and secondly a line based on per capita caloric intake per day. The US\$1 a day line was calculated for 1995 using the average Rand/US dollar exchange rate for that year to arrive at a per capita figure of R1 323.86 per annum. In calculating a line based on caloric intake per day, the amount of money required to achieve a caloric intake of 8 500kJ per capita per day, based on the 1993 figure used by Woolard and Leibbrandt (2001: 49), was inflated using the consumer price index to arrive at R2 125.60 per capita per annum.

Since both income and expenditure data is available in the OHS, it was decided to use the average of per capita household income and per capita household expenditure as the variable according to which poverty is measured. This mitigates some of the problems associated with the use of either income or expenditure alone. For the relative poverty line, the population cut-off at the 40<sup>th</sup> percentile of South African households ranked by average income-expenditure per capita was used. In 1995, the average income-expenditure of the poorest 40% of South African households was less than R3 498.75 per capita per annum.

In order to measure the proportion of the Western Cape population defined as being poor, as well as to determine the depth of poverty and the severity of poverty (or distribution of poverty among individual households), the three Foster-Greer-Thorbecke poverty indices were used: the head-count index ( $P_0$ ), the poverty-gap index ( $P_1$ ) and the severity of poverty index ( $P_2$ ) (Ravallion 1992: 35-40). The direct cost of eliminating poverty was also calculated for each poverty line. The results for the Western Cape and South Africa are shown in Table 2.

The dollar-a-day poverty line can perhaps best be described as “an ‘ultra-poverty’ line” (Woolard & Leibbrandt 2001: 56), and only 3.8% of households in the Western Cape earn less than this minimum level of R1 323.86 per capita per annum<sup>2</sup>. When comparing this figure to that of the rest of South Africa, where 18.6% of households fall below this line, it becomes clear why the Western Cape is seen as one of the country's richest regions. In terms of the caloric intake poverty line, 12.0% of Western Cape households are poor while more than one-third of SA households are poor. This implies that only a third of poor households in the Western Cape can also be classified as ultrapoor while more than half (54%) of the poor in the country as a whole live below the dollar-a-day line. The relative poverty measure (40<sup>th</sup> percentile) estimates that 29.6% of individuals in the Western Cape and 50.9% in SA fall below this poverty line.

The poverty-gap index ( $P_1$ ) determines the distance of the poor below the poverty line, with higher figures indicating deeper poverty. According to this index, the average depth of poverty in the

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<sup>2</sup> In order to simplify referring to individuals and households who are poor according to the various poverty lines, the following terminology will be used: when using the relative poverty line of the 40<sup>th</sup> percentile, individuals/households will be referred to as either *poor* or *non-poor*; when using the absolute dollar-a-day poverty line, individuals/households will be referred to as either *ultrapoor* or *non-ultrapoor*.

Western Cape ranges from less than 1% below the poverty line based on the dollar-a-day line, to 3.5% based on the caloric intake poverty line, and to 10.3% based on the relative poverty line. Compared to figures of 6.0%, 13.9% and 25.5% respectively for SA as a whole, it is clear that poverty in the Western Cape is less deep than in the rest of the country. From the  $P_2$  measure of the severity of poverty it is seen that poverty and ultrapoverly in the Western Cape are far less severe than in the rest of the country.

**Table 2 - Poverty Indices**

POVERTY LINE	HEADCOUNT INDEX ( $P_0$ )	POVERTY GAP INDEX ( $P_1$ )	MIN. COST TO ELIMINATE POVERTY	SEVERITY OF POVERTY INDEX ( $P_2$ )
<b>WESTERN CAPE</b>				
❖ Population cut-off at 40th percentile of households ranked by per capita income-expenditure = R3 498.75 pa	29.6	0.103	R 1,327 mil	0.049
❖ Money required to achieve a per capita caloric intake of 8 500kJ per day = R2 125.60 pa	12.0	0.035	R271 mil	0.014
❖ International poverty line of US\$1 per capita per day = R1 323.86 pa	3.8	0.009	R45 mil	0.003
<b>SOUTH AFRICA</b>				
❖ Population cut-off at 40th percentile of households ranked by per capita income-expenditure = R3 498.75 pa	50.9	0.255	R33,979 mil	0.156
❖ Money required to achieve a per capita caloric intake of 8 500kJ per day = R2 125.60 pa	34.2	0.139	R11,224 mil	0.073
❖ International poverty line of US\$1 per capita per day = R1 323.86 pa	18.6	0.060	R3,013 mil	0.027

The minimum cost of eliminating poverty is the amount of money required to raise the incomes of the poor to the level of the poverty line. In the Western Cape, the total elimination of ultrapoverly would theoretically cost R44.5 million annually, while eradicating relative poverty in the province would cost more than R2.5 billion. In South Africa, these costs rise to R3 billion and R34 billion respectively. However, this assumes that transfers from government are perfectly targeted, and furthermore, the costs do not include the cost of administering such a system. According to Borat (2001: 168), a “very serious drawback of such a scheme is that it does not take labour supply incentives into account”. The promise of a grant to those individuals below the poverty line may reduce the incentive to work and encourage them to subsist on the grant alone, thus greatly raising the amount needed to fill the poverty gap.

#### **4. INCIDENCE OF POVERTY AND CHARACTERISTICS OF THE WESTERN CAPE POOR**

It is one of the aims of the poverty profile to identify those groups most afflicted by poverty and to describe their characteristics. In this section, this will be done by focussing on the location, demographic and economic characteristics of the poor, as well as the characteristics of the heads of poor households. Two main poverty lines will be utilised in the analysis of poverty on the level of the individual – individuals in the poorest 40% of households (the poor) and the international

standard of one dollar per person per day (the ultrapoor) – while the poverty line for household-level analysis is one dollar per person per day.

**(a) Location Characteristics**

**REGION:** In Table 3, the extent of poverty in the various regions is presented. Although one in five CMA residents are poor, this region’s poverty rate is the lowest in the province, with more than 35% of non-CMA residents classified as poor. The Central and Klein Karoo suffer the highest poverty rates of 56.9% and 53.9% respectively. In judging the poverty shares of the various regions, it is important to keep their *population* shares in mind (see Table 1). The CMA accounts for one-quarter of the poverty and almost 27% of the ultrapoverly in the province, far below its population share of 38%. When comparing regional (ultra)poverty shares and population shares, four regions emerge as being severely afflicted. The Breede River, Klein Karoo and Central Karoo account for a particularly high proportion of poverty relative to their populations. Together with the South Cape, these regions account for almost two-thirds of individual ultrapoverly yet are home to only one-third of the population. An almost identical pattern emerges for household ultrapoverly shares.

It would therefore seem that the Western Cape can be divided into two ‘super-regions’ if one looks at the ratio of each region’s (ultra)poverty share to its population share – one severely afflicted (indicated by high ratios) relative to the other. The Breede River, South Cape, and Central and Klein Karoo fall under the former, with the latter region being composed of the CMA, West Coast, Winelands and Overberg. The regions within the two ‘super-regions’ are contiguous, so that one can speak of a core (those regions around the CMA), and a periphery (the remaining outer regions).

**Table 3 - Poverty Rates and Shares, by Region and Area**

REGION	INDIVIDUALS				HOUSEHOLDS	
	Poverty Rate	Poverty Share	Ultrapove rty Rate	Ultrapove rty Share	Ultrapover ty Rate	Ultrapover ty Share
CMA	20.1	25.7	2.7	26.9	1.8	27.5
Non-CMA	35.4	74.3	4.5	73.1	2.7	72.5
- Breede River	43.7	17.3	9.0	27.4	5.0	22.4
- Klein Karoo	53.9	10.7	5.2	7.9	3.3	8.1
- Overberg	29.8	7.5	0.6	1.2	0.4	1.5
- Central Karoo	56.9	8.0	9.0	9.8	6.3	11.9
- South Cape	38.9	15.3	6.5	19.6	3.9	20.0
- West Coast	21.0	8.2	1.8	5.5	1.0	5.6
- Winelands	22.3	7.3	0.7	1.7	0.8	3.0
Western Cape	29.6	5.7	3.8	2.0	2.3	2.0
Rest of South Africa	53.2	94.3	20.2	98.0	13.7	98.0
South Africa	50.9	100.0	18.6	100.0	12.5	100.0
<b>AREA TYPE</b>						
Western Cape						
- Urban	26.8	78.6	4.0	90.2	2.4	88.5
- Rural	48.2	21.4	2.9	9.8	1.9	11.5
Rest of SA						
- Urban	30.0	26.5	8.0	18.6	4.9	18.2
- Rural	73.7	73.5	30.9	81.4	23.1	81.8
South Africa						
- Urban	29.4	29.4	7.3	20.0	4.5	19.6
- Rural	73.0	70.6	30.2	80.0	22.5	80.4



**AREA TYPE:** The rural-urban divide is, as in many developing countries, also important when attempting to describe the poor (Table 3). Looking first at South Africa, we find that ultrapoverly is very much a rural phenomenon, with both rates and shares of ultrapoverly in rural areas far exceeding those in urban areas. In contrast, partly as a result of the 40 percentage point difference in the urbanisation rates of the Western Cape and the rest of the country, Western Cape poverty, and particularly ultrapoverly, is very much an urban phenomenon, despite the fact that poverty rates in the province's urban areas are significantly lower than in the rural areas.

**Table 4 - Dwellings of Ultrapoor and Non-Ultrapoor Households**

DWELLING TYPE	WESTERN CAPE		SOUTH AFRICA	
	Non-Ultrapoor	Ultrapoor	Non-Ultrapoor	Ultrapoor
<i>Share by Ultrapoverly Status</i>				
Formal Dwelling on Separate site	71.8	39.7	62.2	41.2
Other Formal Dwelling	17.4	22.0	12.1	6.3
Informal dwelling not in backyard	6.4	34.4	4.4	6.0
Other Informal Dwelling	0.8	3.9	2.0	3.1
Traditional Dwelling	0.2	0.0	13.3	42.0
Other	3.3	0.0	6.0	1.3
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<i>Share by Dwelling Type</i>				
Formal Dwelling on Separate site	98.7	1.3	91.3	8.7
Other Formal Dwelling	97.1	2.9	93.0	7.0
Informal dwelling not in backyard	88.6	11.4	83.5	16.5
Other Informal Dwelling	89.4	10.6	81.8	18.2
Traditional Dwelling	100.0	0.0	68.8	31.2
Other	100.0	0.0	96.9	3.1
<b>TOTAL</b>	<b>97.7</b>	<b>2.3</b>	<b>87.5</b>	<b>12.5</b>

**HOUSING:** Most of the non-ultrapoor in the Western Cape (89.3%) as well as in the rest of South Africa (72.7%) are resident in formal dwellings, as would be expected (Table 4). The remainder of the non-ultrapoor occupy mainly informal dwellings (e.g. in informal settlements) in the Western Cape (6.4%) while in the rest of the country they live mostly in traditional dwellings (14.6%). Although more than 38% of ultrapoor households in the Western Cape reside in informal dwellings, less than one in ten ultrapoor households in the country as a whole are informally housed. Instead, 43% of ultrapoor households in SA live in traditional dwellings, again reflecting the rural nature of ultrapoverly there. Perhaps an unexpected result, is the proportion of ultrapoor households resident in formal dwellings throughout the country (47.5%), and particularly in the Western Cape (61.7%). Although more than 60% of the Western Cape's ultrapoor households live in formal dwellings, it is amongst households resident in informal dwellings that ultrapoor households form a significant share. In contrast, ultrapoor households constitute a large proportion of households in each type of dwelling, particularly in informal and traditional dwellings.

**SUMMARY:** The Western Cape's poor as well as the ultrapoor are most likely to be found in the peripheral Breede River, South Cape, and Central and Klein Karoo regions. Although the households in rural areas are more likely to be poor, most poor and ultrapoor households are situated in urban areas. Surprisingly, more than 60% of the province's ultrapoor households reside in formal dwelling, while 37% occupy informal dwellings and none live in traditional dwellings.

(b) Demographic Characteristics

**RACE:** In Table 5, the racial incidence of poverty is presented. According to all three poverty lines, Black individuals and households experience the highest poverty rates: almost 49% of Black individuals are in the province's poorest 40% of households, while 13% of Western Cape Blacks survive on less than \$1 per day. More than 8% of Black households have less than \$1 per capita per day at their disposal. Coloureds are the next hardest hit group, with Asians and Whites least affected.

Due to the relative share of the Coloured population in the Western Cape, this group's poverty share in terms of the 40<sup>th</sup> household percentile is 69%, far exceeding the combined shares of Blacks (29.9%), Whites (1.2%) and Asians (0.2%). However, Blacks represent more than three-fifths of the province's ultrapoor individuals and households, and together with Coloureds account for practically all ultrapoverly in the province. Despite this, the (ultra)poverty rates of Black and Coloured individuals and households in the Western Cape are generally far lower than they are in the rest of the country. Amongst Asians and Whites ultrapoverly is virtually unheard of, although the White individual poverty rate is higher in the province than in the rest of South Africa.

**Table 5 – Poverty Incidence and Shares, by Race**

Race	INDIVIDUALS				HOUSEHOLDS		
	Poverty Rate	Poverty Share	Ultrapoverly Rate	Ultrapoverly Share	Ultrapoverly Rate	Ultrapoverly Share	
Western Cape	Black	48.6	29.9	13.0	61.9	8.1	61.5
	Coloured	35.8	68.7	2.6	38.1	1.9	38.5
	Asian	6.4	0.2	0.0	0.0	0.0	0.0
	White	1.5	1.2	0.0	0.0	0.0	0.0
	Total	29.6	100.0	3.8	100.0	2.3	100.0
South Africa	Black	62.2	92.2	23.8	96.7	17.4	96.6
	Coloured	39.9	7.4	6.5	3.3	4.8	3.4
	Asian	6.6	0.3	0.2	0.0	0.0	0.0
	White	0.6	0.2	0.0	0.0	0.0	0.0
	Total	50.9	100.0	18.6	100.0	12.5	100.0

**GENDER:** Females account for more than half of both the poor and the ultrapoor (see Figure 3). The ultrapoverly share of females in the Western Cape is slightly higher than the share in the rest of the country, while females account for a smaller proportion of the province's poor compared to the country as a whole. Although the gender shares of national poverty and ultrapoverly are very similar, females seem to be more heavily represented in the lowest income-expenditure groups.

**Figure 3 - Poverty Rates and Shares by Gender**

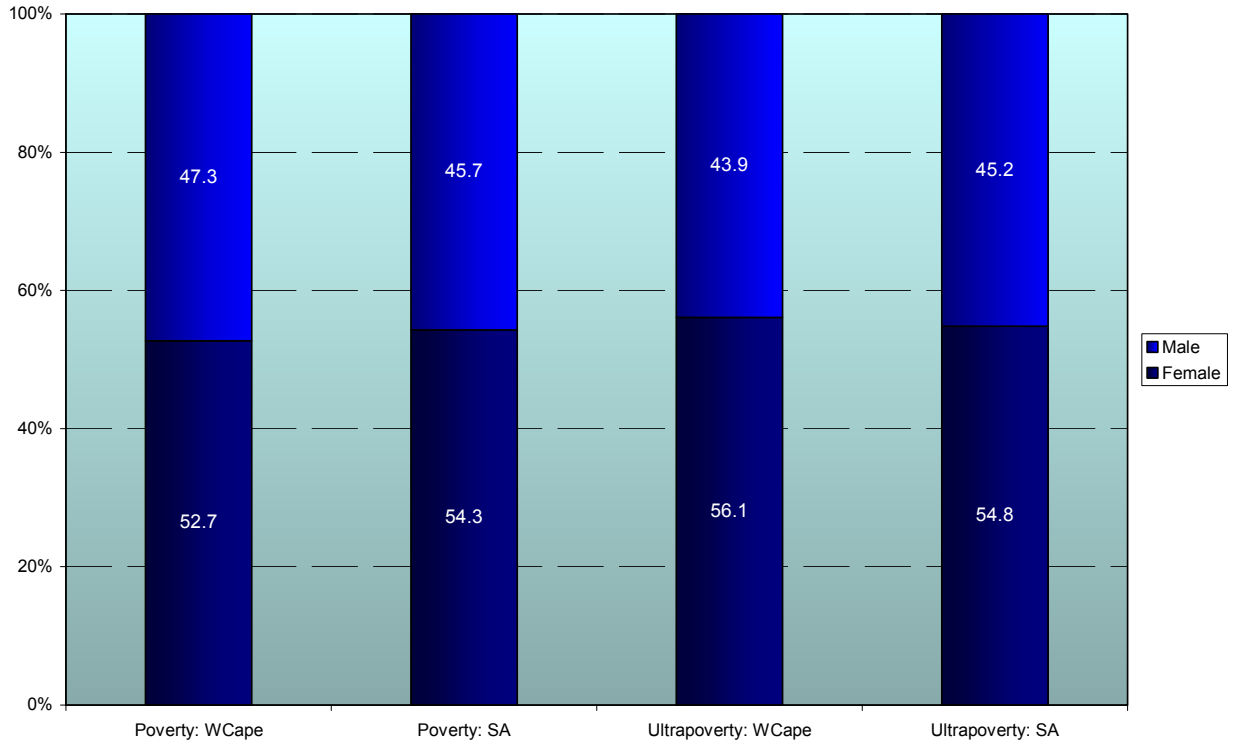
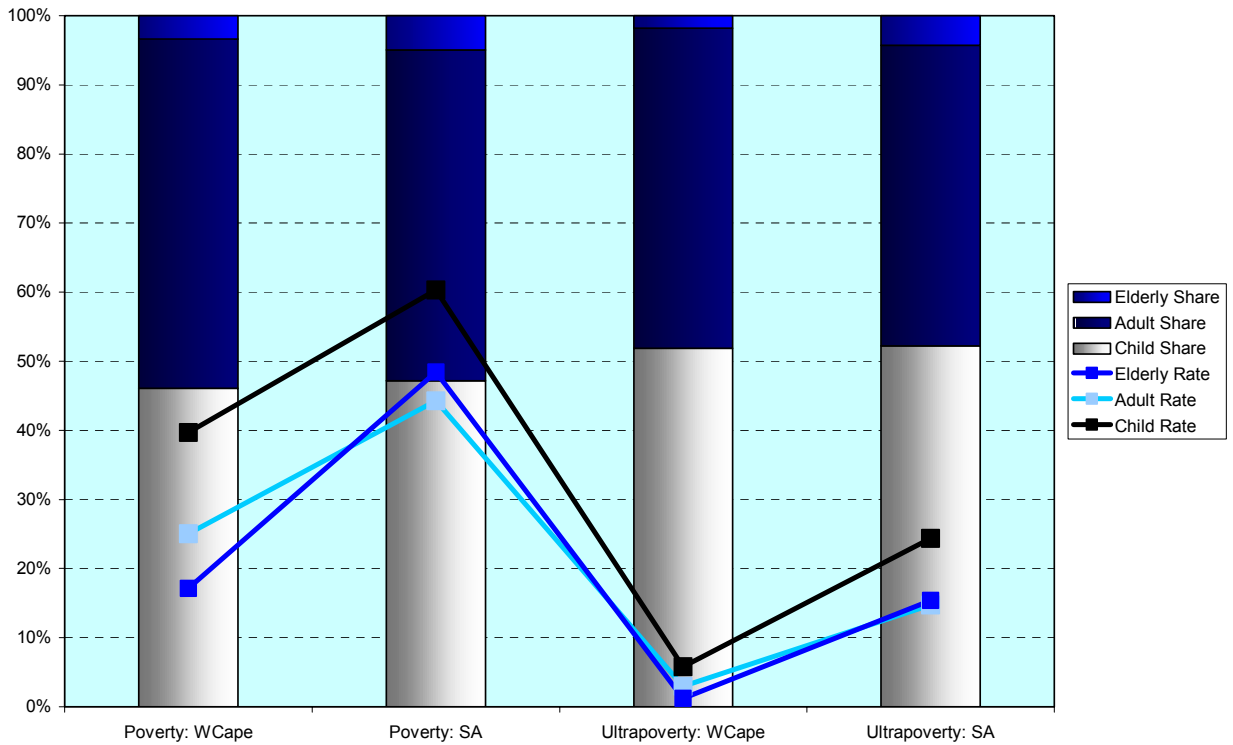


Figure 4 - Poverty Rates and Shares by Age Group



**AGE:** The population of the Western Cape is composed of about 1.3 million children (defined as those under the age of 18 years), 2.2 million adults (those from 18 to 64 years of age) and 0.2 million elderly people (over the age of 65 years), 34.4%, 59.8% and 5.8% of the total respectively. Of the three groups, it is children who are most likely to be poor or ultrapoor (Figure 4). Their national poverty rate exceeds 60%, and although their position in the province is better than in the rest of the

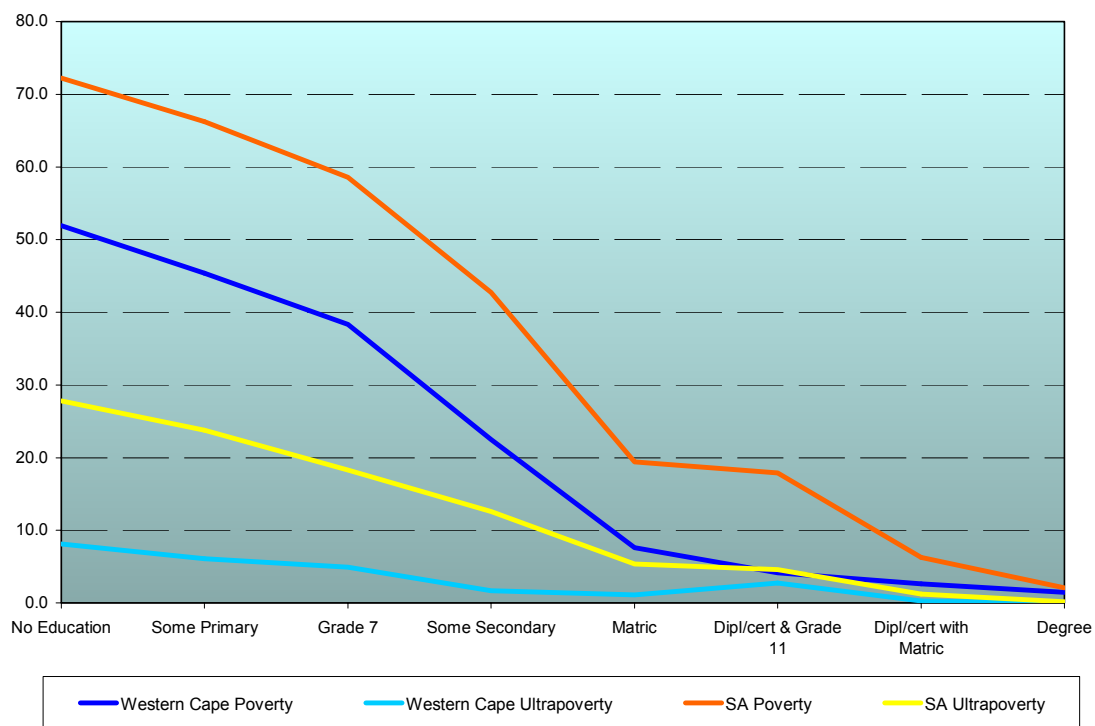
country, almost 6% of children are forced to survive on less than US\$1 per day. As a result, both the poverty and ultrapoverly shares of children exceed their population share.

Adults experience much lower poverty and ultrapoverly rates. Nearly half of all adults in South Africa are poor, compared to about one-quarter in the Western Cape. Despite more than half of the Western Cape poor being adults, only 46% of the ultrapoor fall into this age group, both figures being lower than their share of the population. The elderly experience the lowest poverty and ultrapoverly rates in the province, and as a result bear less than their proportional share of (ultra)poverly.

In general, ultrapoverly rates are significantly lower in the Western Cape than they are in the rest of the country, although the elderly in the country as a whole have a higher poverty rate than other adults. The poverty shares are skewed even further towards children and the elderly in the rest of SA.

**LEVEL OF EDUCATION:** It is clear from Figure 5 that a relationship exists between poverty and levels of education amongst individuals over the age of 18. The poverty rate for adults in the Western Cape with no secondary education is close to 40%, while the ultrapoverly rate is around 5%. Adults possessing incomplete secondary education experience a poverty rate of 23%, falling to around 8% for those with completed Matric. As levels of education rise, poverty rates continue to decline, with fewer than 2% of degree-holders classified as being poor. In terms of ultrapoverly, it would seem that a secondary education holds the key to lower ultrapoverly rates: individuals with incomplete secondary education experience an ultrapoverly rate less than half that of those with no secondary education, while a Matric certificate lowers the ultrapoverly rate further. Almost no individuals with post-matric qualifications are ultrapoor.

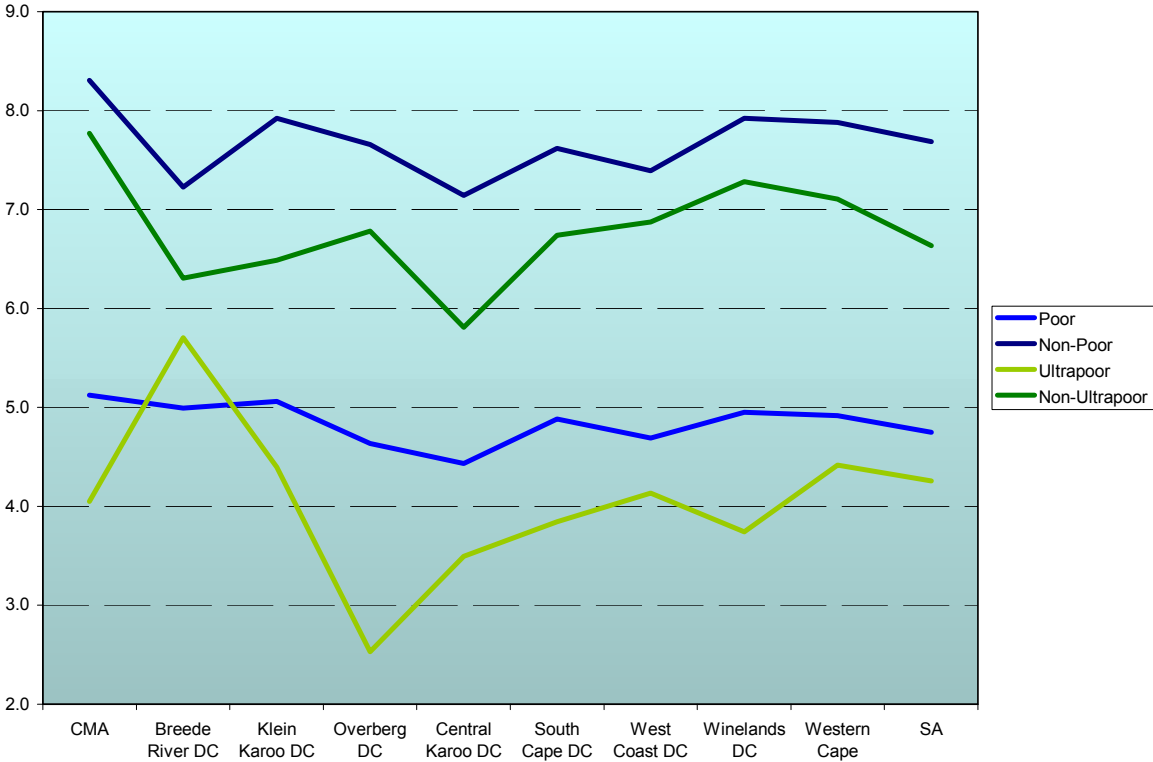
**Figure 5 - Poverty Rate of Adults by Highest Education Level**



The average years of education of the poor, the non-poor, the ultrapoor and the non-ultrapoor are presented in Figure 6. At first glance, it is clear that the poorer people have a disadvantage relative to better off people in terms of years of education. On average in the Western Cape, poor

individuals have 4.9 years of formal education, compared to the 7.7 years of the non-poor. These averages conceal significant regional variation. While the poor in the Winelands have five years of education, those in the Central Karoo have only 4.4 years. The non-poor in the CMA, and the Klein Karoo and Winelands have about 8 years of education, while those in the Central Karoo have only seven years.

**Figure 6 - Average Years of Education**



The ultrapoor have on average just 4.3 years of education, ranging from less than 2.5 years in the Overberg to almost six years in the Breede River. The non-ultrapoor on the other hand have almost seven years of education on average. Once again, it is the Central Karoo at the bottom of the scale with six years of education and the CMA at the top end at almost eight years.

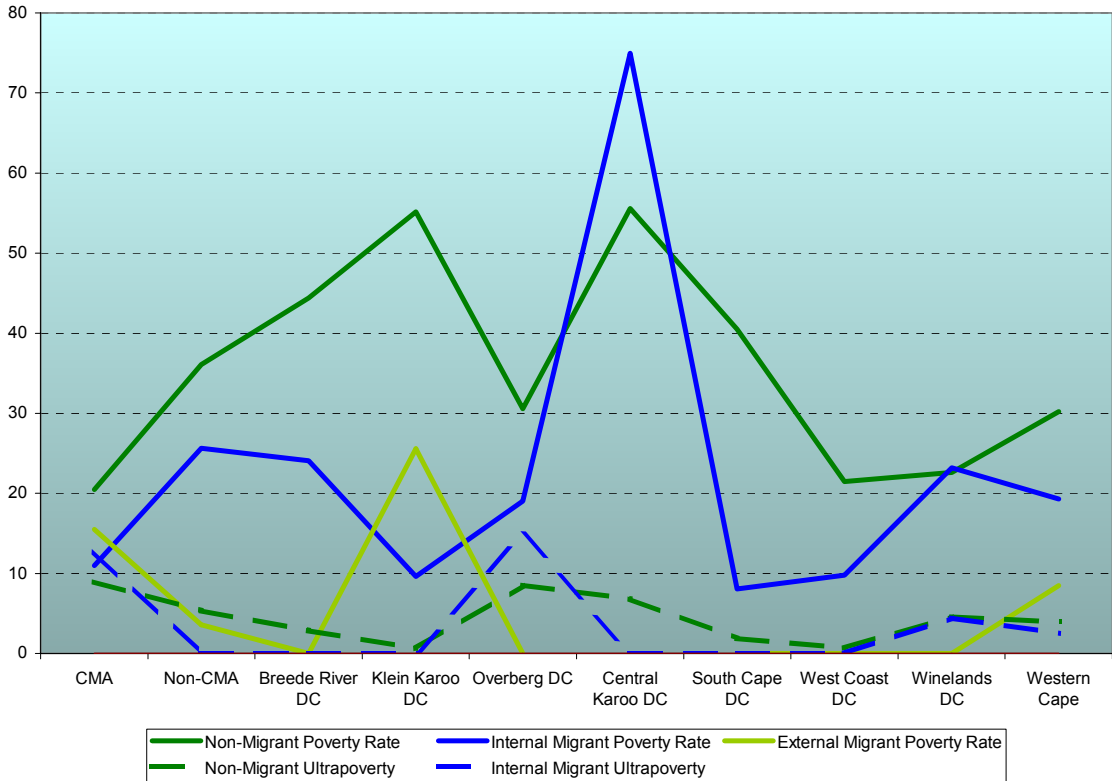
**MIGRATION:** One of the important groups to look at in terms of the impact of poverty is migrants. For our purposes, we have divided the residents of the Western Cape into three groups: immigrants to the province from other provinces (external immigrants); those who have migrated within the province (internal migrants); and those who have not migrated recently. Figure 7 shows the poverty rates for the three groups. Numbers for ultrapoor migrants are very low and inferences may therefore be inaccurate.

Non-migrants have the highest poverty rates, ranging from just over 20% in the CMA to more than half in the Klein and Central Karoo. In contrast, less than one-quarter of internal migrants can be classified as poor. It is only in the Central Karoo that the poverty rate of internal migrants at 75% is higher than that of non-migrants. Internal migrants are apparently more able to obtain higher paying employment than non-migrants. External immigrants have even lower poverty rates than internal migrants with less than 10% being poor. It must be remembered though that numbers for external immigrants are low, possibly leading to some inaccuracies.

A possible interpretation of these results is that better off individuals and households are more able to move from one area to another, while the poor are forced by financial constraints to remain in regions despite the fact that they are unable to provide them with sufficient income to escape

poverty. It is therefore not simply a case of the poor not being receptive to market signals, but rather that they are unable to respond in ways which would improve their situations.

**Figure 7 - Poverty Rates by Migrant Status**



**SUMMARY:** Although numerically, more Coloured households are poor, the incidence of poverty is highest amongst Black households, with this group constituting more than half of ultrapoor households. Females in the Western Cape have higher ultrapoverty rates than their counterparts in the rest of the country. Children bear the brunt of poverty and ultrapoverty in the province, especially considering their share of the provincial population. The low rates of poverty amongst the elderly give an indication of the success of old-age pensions in shielding this group from poverty. The poor and ultrapoor are significantly less educated than the non-poor, while migrants are also less likely to be poor than non-migrants. Policies targeting female-headed households (black and coloured), people with low levels of education and children, will probably contribute the most towards poverty alleviation.

*(c) Economic Characteristics*

**EMPLOYMENT STATUS:** Table 6 gives the poverty and ultrapoverty rates and shares of Western Cape individuals over the age of 18 years, according to their employment status. It is clear that both poverty and ultrapoverty rates are generally higher amongst groups with no or little work. The unemployed and retirees suffer poverty rates of over 35%, while 22% of part-time workers are poor. Ultrapoverty rates are highest amongst the unemployed, the permanently unable and those workers who have been absent from work during the seven days preceding the survey. These three groups also have the highest ratios of ultrapoor to poor individuals: 13.6, 12.6 and 28.0 respectively, compared to about 2.7 for the other groups. It would appear that the pension system has been relatively successful in keeping retirees out of ultrapoverty, but not out of poverty.

Retirees constitute the largest group of the poor (32.9%), with the unemployed and full-time workers accounting for 32.5% and 24.3% of the poor respectively. Amongst the ultrapoor, the unemployed outnumber other individuals by two to one. Full-time work does not guarantee that an individual will escape ultrapoverty – even though the ultrapoverty rate is very low, this group’s share of ultrapoverty stands at more than 15%. The permanently unable, while accounting for less than 5% of the poor, represent nearly 9% of the ultrapoor, reflecting the concentration of these individuals at the lowest income-expenditure levels.

**Table 6 - Poverty Rates and Share by Employment Status of Individuals over 18 years, excluding Students, Western Cape**

	POVERTY RATE	POVERTY SHARE	ULTRAPOVERTY RATE	ULTRAPOVERTY SHARE
Full Time	14.3	24.3	0.6	15.5
Part Time	22.1	5.1	1.3	4.3
Absent for last 7 days	11.2	0.4	3.1	1.6
Unemployed	36.0	32.5	4.8	65.0
Retired	35.4	32.9	0.9	4.9
Permanently unable	12.3	4.7	3.7	8.8
Total	23.9	100.0	2.0	100.0

**Table 7 - Poverty Rates and Shares of Employed Individuals (ages 16 to 64), by Occupation and Region**

	POVERTY RATE		POVERTY SHARE	
	CMA	Non-CMA	CMA	Non-CMA
Managers	0.0	1.7	0.0	0.0
Professionals	0.0	0.0	0.0	0.0
Technicians	0.8	1.1	0.3	0.3
Clerks	1.2	3.9	0.6	1.7
Service & Sales	5.0	16.4	1.6	7.4
Skilled	0.0	3.1	0.0	0.4
Agriculture				
Crafts	8.9	12.0	3.4	5.0
Machine	8.8	12.0	3.0	5.1
Operators				
Elementary	20.3	37.2	9.9	61.1
Total	6.6	19.7	18.8	81.2

**OCCUPATION:** There exists significant variation in the poverty rates of employed labour force participants not only across occupations, but also across regions (Table 7). Professionals and Managers experience the least poverty, while Elementary occupations are worst afflicted by poverty in both the CMA and Non-CMA regions. Poverty rates are lower in the CMA than outside it for all occupations. Extremely large discrepancies exist between the poverty rates in the CMA and outside the CMA for Services and Sales, Skilled Agriculture and Elementary occupations.

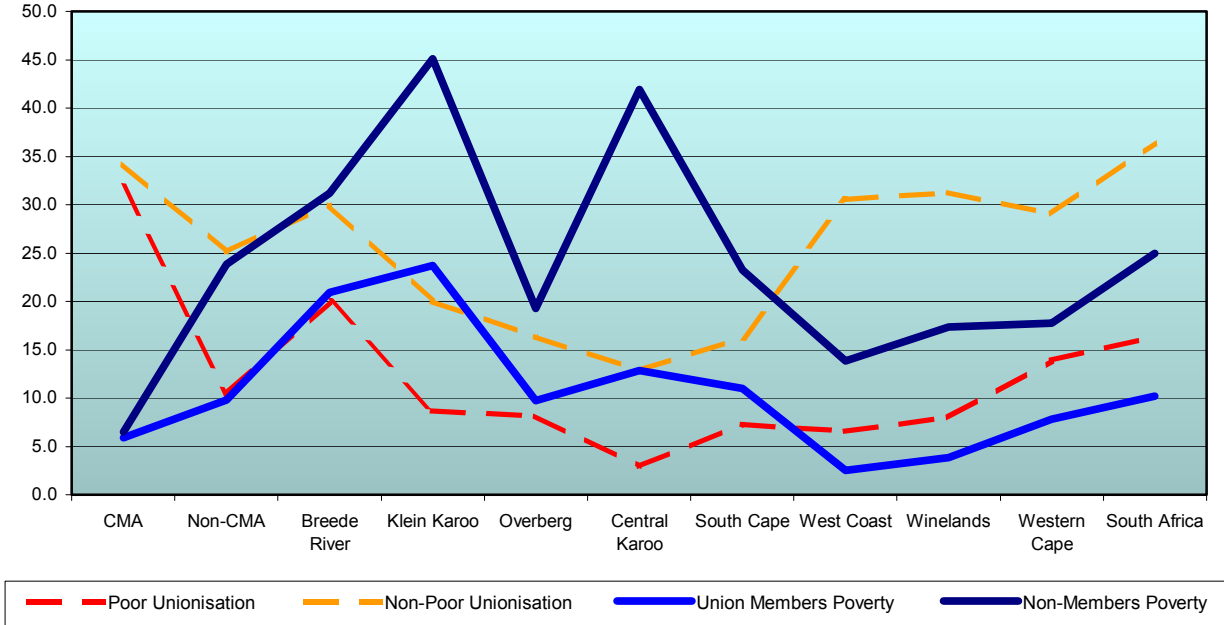
Less than one-fifth of the poor members of the employed live within the metropolitan area. More than seven in ten poor employed labour force participants are found in Elementary occupations, 86% of whom are resident outside the CMA. Machine Operators, Crafts, Service & Sales workers outside the CMA constitute a further 17.5% of Western Cape poverty.

**UNIONISATION:** One of the aims of workers’ unions is the improvement of the lot of workers in general, and of their members in particular. Therefore, in the analysis of poverty, the unionisation

rates of workers are also of interest. Figure 8 presents the unionisation rates of workers in the Western Cape and South Africa. Amongst the poor, unionisation rates are consistently lower than those of the non-poor in all regions. Outside the CMA, unionisation rates amongst the poor range from more than 20% in the Breede River to less than 4% in the Central Karoo. In the West Coast and Winelands regions, the difference in the unionisation rates of the poor and non-poor exceeds 23 percentage points, and only in the CMA is the gap small (2.4 percentage points).

Figure 8 further presents the poverty rates of workers according to their union status. Poverty rates of non-members are consistently higher than those of members, except for CMA workers (although here the difference is marginal). The difference in poverty rates between members and non-members can, though, not be interpreted as a measure of the effectiveness of unions in improving the lot of their members.

**Figure 8 - Unionisation Rates by Poverty Status, and Poverty Rates by Union Membership**

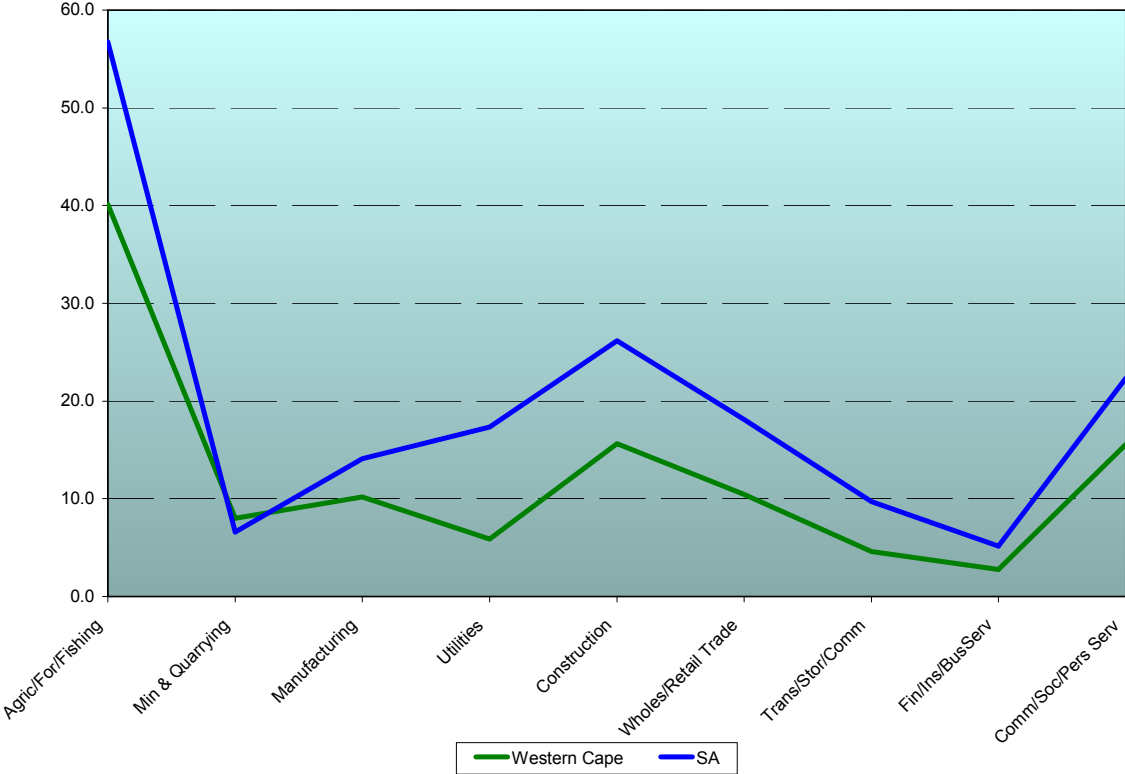


**ECONOMIC SECTOR:** The Agriculture, Forestry and Fishing sector is the economic sector in the Western Cape, as well as in the rest of South Africa, where the incidence of poverty is most severely felt. Figure 10 indicates that 40% of the workers between 16 and 64 years of age in this sector in the Western Cape are poor, compared with more than 55% in South Africa. On its own, this sector constitutes over 40% of poverty amongst workers between the ages of 16 and 64 years in the Western Cape, much more than its 16.4% share of employment.

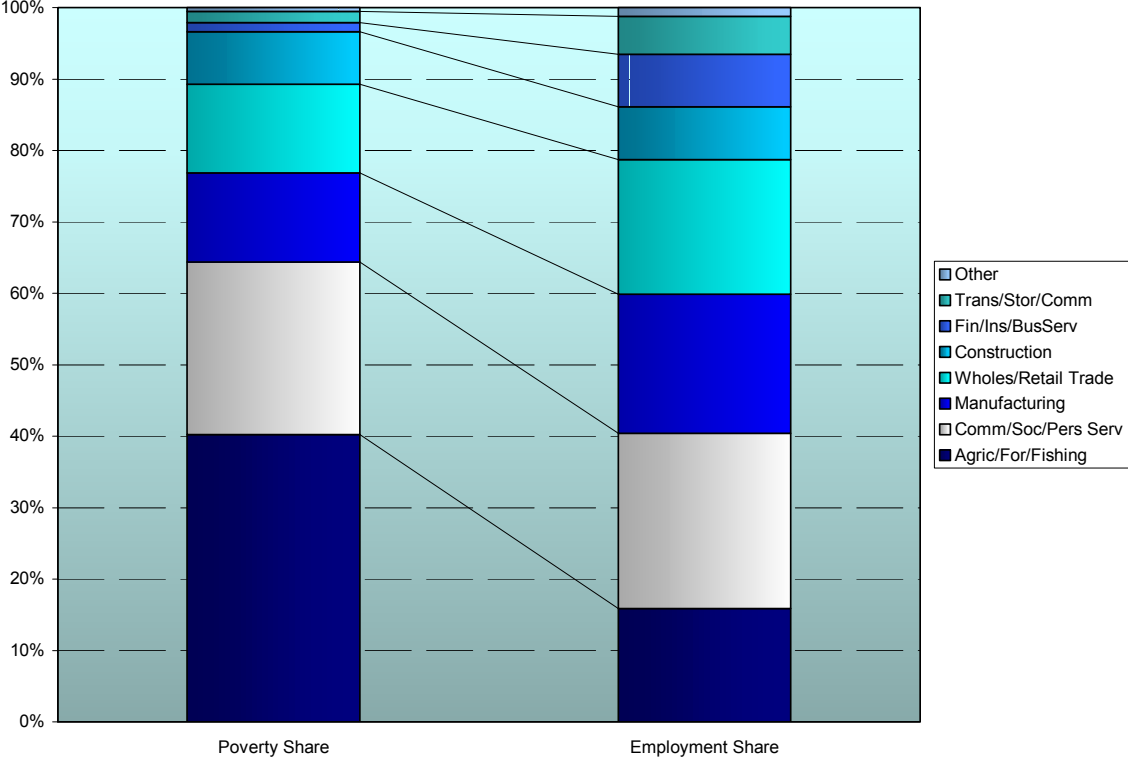
Construction has the next highest poverty rate, but this sector’s share of poverty at 9% is not much greater than its share of employment. Similarly, Community, Social and Personal Services constitute just under one-quarter of poverty, and also of Western Cape employment. Manufacturing and Wholesale and Retail Trade are two sectors with low shares of poverty relative to employment. Just two sectors, Agriculture, Forestry and Fishing and Community, Social and Personal Services, comprising just over 40% of employment in the Western Cape, account for about 65% of poverty.



**Figure 9 - Poverty Rates of Workers, aged 16 to 64, by Economic Sector**



**Figure 10 - Poverty and Employment Shares of Workers, aged 16-64, by Economic Sector**



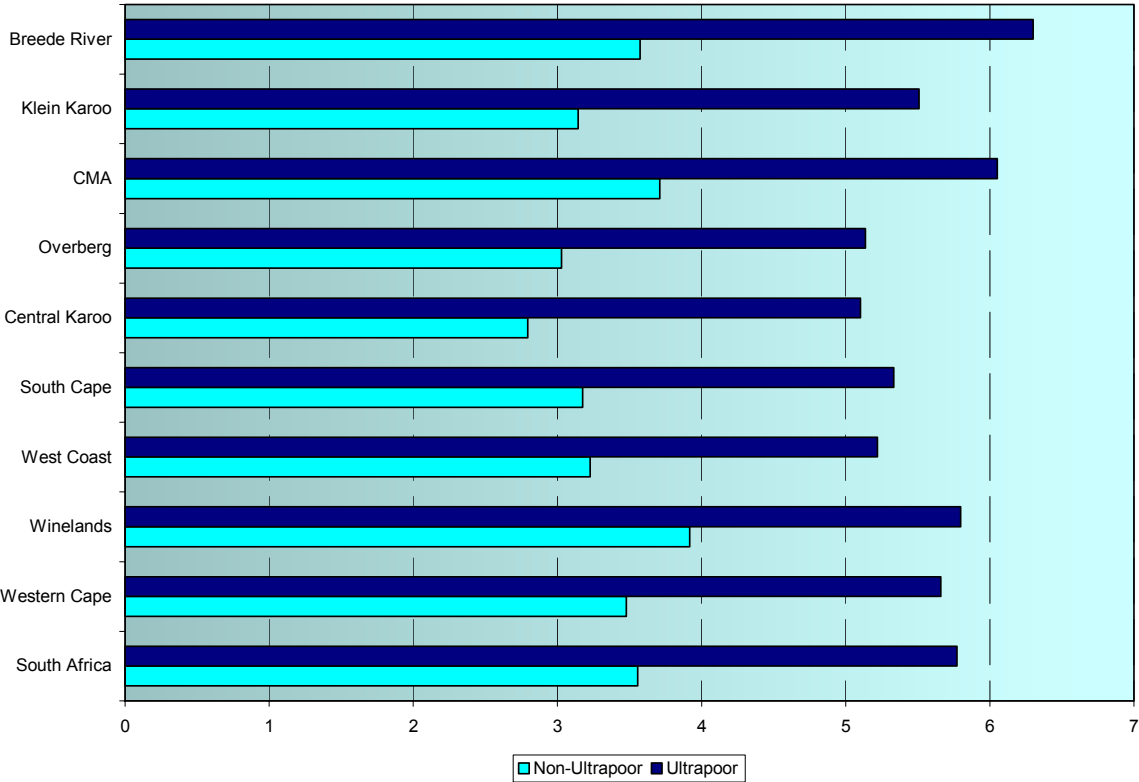
**SUMMARY:** The data confirms that both poverty and ultrapoverly rates are generally higher among groups with no or little work. Generally, union members are less prone to being poor or ultrapoor than non-members. Workers in the Agriculture, Forestry and Fishing and Community, Social and

Personal Services sectors, are most severely plagued by poverty and especially ultrapoverly in the Western Cape. Policies that target the unemployed, non-unionised workers and workers on the lower wage end of the above-mentioned sectors could contribute towards poverty alleviation.

*(d) Household Characteristics*

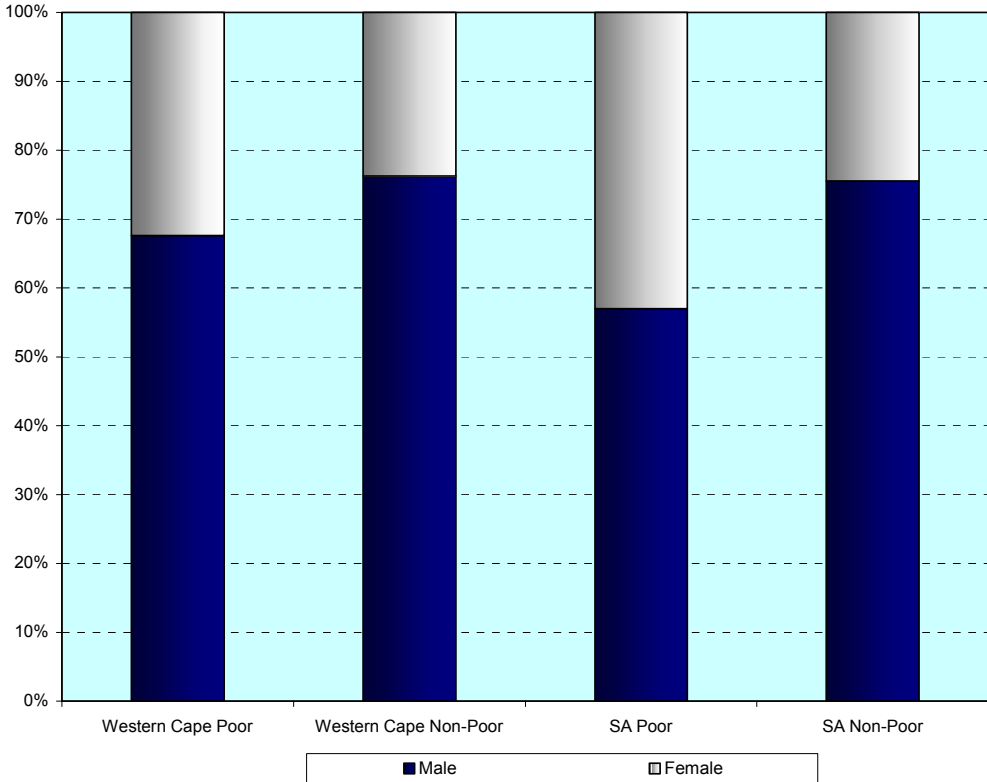
**HOUSEHOLD SIZE:** Ultrapoor households are generally significantly larger than non-ultrapoor households, both in the Western Cape and in the rest of South Africa (see Figure 11). Both ultrapoor and non-ultrapoor households in the Western Cape are slightly smaller than those in the rest of the country. On average in the province, ultrapoor households consist of 5.6 people each compared to less than 4 people in each non-ultrapoor household. Regional variation in household size is significant. Whereas ultrapoor households in the Breede River and CMA consist of more than 6 people each, just over five people are resident in such households in the Winelands and Central Karoo.

**Figure 11 - Average Household Sizes by Region**



**GENDER OF HOUSEHOLD HEAD:** The gender distribution of household heads is shown in Figure 12. Female-headed households are more likely to suffer from ultrapoverly than male-headed households, both in the Western Cape and in South Africa generally. While fewer than one-quarter of households in the Western Cape are headed by females, one-third of ultrapoor households are female-headed. A similar pattern can be seen in the rest of the country, although more ultrapoor households are female-headed than in the Western Cape.

Figure 12 - Gender of Household Head by Poverty Status of Household



5. INEQUALITY

South Africa has the dubious honour of having one of the world's highest Gini coefficients at 0.593 in 1993-4 (World Bank 2001: 283), an indicator of income or expenditure inequality, as a result of the country's now-discarded political system. The Gini coefficient can take on a value of between zero and one, with zero indicating absolute equality and one indicating absolute inequality.

Gini coefficients for the Western Cape are presented in Table 8. These were calculated according to the following formula:

$$G = \sum_i^{n-1} (F_i \cdot \Phi_{i+1} - F_{i+1} \cdot \Phi_i)$$

where  $F_i$  denotes the cumulative population share and  $\Phi_i$  the cumulative income share of individual  $i$ , having arranged individuals in ascending order (Measures of Inequality 2002: 4). The coefficients were calculated using the average of each individual's income and expenditure.

The Gini coefficient for the province as a whole is over 0.60, indicating a highly skewed distribution of income and expenditure. This figure conceals a wide range of values obtained when looking at various segments of the population. Of the four race groups, Asians have the lowest Gini coefficient, 0.34, indicating a relatively equal distribution of income. The distribution in the White and Coloured groups is less equal, but it is within the Black community that inequality is worst, with a coefficient of about 0.52.

Regionally, inequality is very high, with no single region able to boast a relatively equal distribution of income and expenditure. The CMA and the West Coast have the lowest coefficients at 0.561 and 0.568 respectively, while the Klein Karoo and Overberg are extremely unequal with coefficients of about 0.65.

**Table 8 - Gini Coefficients for the Western Cape Province, by Race and Region**

<b>Western Cape</b>	0.602	<b>By Region:</b>	
		- CMA	0.561
<b>By Race:</b>		- Non-CMA	0.623
- Black	0.515	- Breede River DC	0.603
- Coloured	0.447	- Klein Karoo DC	0.654
- Asian	0.339	- Overberg DC	0.649
- White	0.443	- Central Karoo DC	0.613
		- South Cape DC	0.624
		- West Coast DC	0.568
		- Winelands DC	0.605

## 6. ESTIMATION OF INCOME-EXPENDITURE FUNCTION

In this section, the per capita income and expenditure of households in the Western Cape is estimated using some of the variables utilised in section 4 to describe the poor. Per capita household expenditure and per capita household income are averaged to create the income-expenditure variable as used throughout this study. The dependent variable,  $\ln pchhie$ , is the natural logarithm of per capita household income-expenditure, and the function is estimated, using OLS, as an earnings function of the following form:

$$Y_i = B_0 + B_1X_1 + B_2X_2 + \dots + B_nX_n + u_i$$

where  $Y_i$  represents the dependent variable,  $X_i$  the various independent variables and  $B_i$  the respective coefficients, with the normally distributed error term,  $u_i$ .

All the explanatory variables included are 0-1 dummy variables, except for age, education and skill level, and where relevant, all refer to qualities of the household head. Table 9 presents the results of the regression. Variation in the independent variables explains close to two-thirds of the variation in the independent variable ( $R^2=0.64$ ), although it is important to remember that this does not indicate any causality. The coefficients are all significant at the 1% level, except for Rural, which is significant at the 5% level, and display the expected signs. The actual rand impact of the coefficients is calculated by raising  $e$  to the power of the product of the coefficient and the value of the variable. This fraction indicates the change from the base figure of R3,222 ( $= e^{8.078}$ , where 8.078 is the constant term).

**Table 9 - Income-Expenditure Function Regression Results**

VARIABLE	COEFFICIENT	RAND IMPACT	VARIABLE	COEFFICIENT	RAND IMPACT
	NT			NT	
Periphery	-0.250	-712	Grade 7	0.154	535
Rural	-0.079	-245	Incomplete		
Female	-0.144	-432	Secondary	0.390	1,539
			Matric	0.975	5,319
Coloured	0.123	423	Diploma <i>plus</i> Grade		
Asian	0.234	850	11	1.393	9,753
White	0.967	5,249	Diploma <i>plus</i> Matric	1.220	7,688
Age	0.003	9	Degree	1.380	9,591
Union			Unskilled	0.212	760
Membership	0.225	813	Skilled	0.343	1,319
			Highly skilled	0.587	2,573
Observations	3,208 households		F(17, 3191)	355.76	
R <sup>2</sup>	0.6432				

**Note:** All coefficients are statistically significant at the 1% confidence level, except for that of Rural, which is significant at the 5% confidence level.

The baseline per capita household income-expenditure of R3,222 refers to a household located in one of the four 'core' regions, in an urban area, headed by a Black male who is not employed<sup>3</sup>, with less than a Grade 7 education and who is not a member of a union. This figure must further be adjusted for the age of the household head. Thus, if the household head is 40 years old, the household's per capita income-expenditure equals R3,596.

The location of the household in the periphery reduces per capita income-expenditure, as does being located in a rural area. Female-headed households earn and spend more than R432 less per capita than do male-headed households, while the household head's age has a very small, but positive, correlation with per capita income-expenditure. Increasing education and skill levels are associated with increasingly positive effects on per capita income-expenditure, as does union membership.

## 7. CONCLUSION

The purpose of a poverty profile is to obtain a better idea of exactly who the poor are so as to facilitate the design and implementation of poverty alleviation policies. So who is the 'representative poor individual' in the Western Cape? Firstly, she is an adult Coloured woman, living in an urban area. She lives outside the CMA, often in the poorer periphery (Breede River, South Cape, and the Klein and Central Karoo). She is poorly educated, with a primary education or less (in other words, under seven years of education), and has not migrated recently. She is either working full time or is unemployed. If she is employed, she is engaged in Elementary occupations, most probably in the Agriculture, Forestry and Fishing sector, and is not a member of a labour union. She is, finally, more likely to live in a large household, headed by herself or another female.

Poverty in the Western Cape, although less severe than that in the rest of South Africa, is not to be underestimated. The characteristics of the 'representative poor individual' described above are based on the highest poverty *shares* identified in the study, which, as mentioned previously, may not be accurate. However, other groups have much higher poverty *rates*. The highest poverty rates are to be found in the periphery, in rural areas, amongst Blacks, females, children, the poorly educated, non-migrants, those permanently unable to work and the unemployed, amongst those in less-skilled occupations, non-union members and the primary and Construction sectors.

Although groups with the highest poverty rates often coincide with those with the largest poverty shares, this is not always or necessarily the case. A crucial decision for policymakers involved in poverty reduction is whether to target those groups with the largest shares in poverty within the Western Cape, or whether to target those with the highest incidence of poverty. This amounts to choosing between targeting groups that would result in the largest absolute reduction in total provincial poverty, or targeting the most harshly affected groups. This is a real problem, since taking the former route would, for example, result in policymakers targeting urban areas or Coloured individuals, whereas the latter would lead them to target rural areas or Black individuals.

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<sup>3</sup> For skill levels, the variable is coded as follows: 0 = not working, 1 = unskilled worker, 2 = skilled worker, and 3 = highly skilled worker. Thus, the reference value for the skill variable is 'not working'.

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## APPENDIX A – COMPOSITION OF DISTRICT COUNCILS

DISTRICT COUNCIL	MAGISTERIAL DISTRICTS		
<b>Breede River DC</b>	Ceres Tulbagh	Montagu Worcester	Robertson
<b>Klein Karoo DC</b>	Calitzdorp Uniondale	Ladismith	Oudtshoorn
<b>CMA</b>	Bellville Simonstown Kuilsrivier	Goodwood Wynberg Somerset West	Cape Mitchellsplain Strand
<b>Overberg DC</b>	Bredasdorp Swellendam	Caledon	Hermanus
<b>Central Karoo DC</b>	Beaufort West Prince Albert	Laingsburg	Murraysburg
<b>South Cape DC</b>	Heidelberg Mossel Bay	George Riversdal	Knysna
<b>West Coast DC</b>	Hopefield Vredenburg Van Rhynsdorp	Malmesbury Moorreesburg Vredendal	Piketburg Clanwilliam
<b>Winelands DC</b>	Paarl	Stellenbosch	Wellington

# APPENDIX B – DISTRICT COUNCILS OF THE WESTERN CAPE PROVINCE

