

New Bureau of Market Research report on Gauteng income, expenditure patterns

The Bureau of Market Research will shortly be publishing a report entitled 'Income and expenditure patterns of households in Gauteng, 2006', based on a study conducted in 2006 of the income and expenditure patterns of households in Gauteng. This study encompassed a survey involving a random sample of 520 households of all population groups living in urban areas of Gauteng.

It appears from the results of the study that there is a relationship between the level of income and the level of education of household members, namely the percentage of household members in the household income group R0 - R50 000 pa with a qualification lower than grade 11 is 44.4 % as against 12.9 % for households with an income of R300 000 pa or more. The opposite is true for household members with a qualification higher than grade 12 - only 3.3 % of household members in the lowest income group as against 27.2 % of households in the highest income group have a qualification higher than grade 12.

The average annual income of households in Gauteng amounted to R131 563 in 2006. Salaries and wages were their main source of income (R86 794 or 66 %). White households had an average annual income of R235 370, which is far higher than that of African (R90 280) and Coloured households (R130 101) and just somewhat higher than the R240 114 income of Asians. Salaries and wages made up an equal share of the total income of Asian and Coloured households (68 % each), while the biggest share of the total income was in African households (72 %). Salary/wages constituted 66 % of the total income of White households.

Notable differences

Notable differences in the percentage share of income from own businesses in total income between the different population groups were found, namely Whites 28.8 %, Asians 16.0 %, Africans 12.6 % and Coloureds 11.3 %. Further comparison of the sources of income for the four population groups shows that income from pension funds was relatively more important to Whites (1.7 % of their total income) than to Asians (0.2 %), Coloureds (1.5 %) and Africans (1.1 %). Income shares from social pensions and grants were as follows: Coloureds 5.4 %, Africans 2.3 %, Asians 1.3 % and Whites 0.5 %.

Only 0.8 % of the African households fall into the R300 000+ pa income group while nearly two-fifths of the African households (39.2 %) fall into the R0-R50 000 pa income group. In the case of Asian households 30.8 % fall into the R150-R300 000 income group and 24.6 % into the R300 000+ pa income group. With regard to Coloured households, 63 % receive an income of less than R100 000 per annum. Only 3.9 % of White households fall into the R0-R50 000 pa income group while 62 % of the households receive an income of more than or equal to R150 000 per annum. When comparing

households in Gauteng headed by members of the different population groups it appears that 39.2 % of African households during 2006 earned an income of less than R50 000 pa compared to 16.9 % among Asian households, 31.5 % among Coloured households and 3.9 % among White households. This appears to be indicative of high levels of low incomes (including poverty) among African and Coloured households in Gauteng. Conversely, when focusing on households that earned R150 000 pa or more, it appears from the data that during 2006 only 16.2 % of African households and 24.7 % of Coloured households compared to 55.4 % of Asian households and 62.0 % of White households were earning an income in excess of R150 000 pa.

The Gini coefficient (as an indicator of income distribution) was calculated based on the data. The Gini coefficient provides a number between 0 and 1, where 0 means perfect equality (everyone has the same income) and 1 means perfect inequality (one person has all the income, everyone else earns nothing). The Gini coefficient is calculated as 0.418 for Africans, 0.440 for Asians, 0.460 for Coloureds and 0.440 for Whites, meaning that the income distribution by population group is the most skewed for Coloureds.

Analyses were conducted to determine who earned the highest income in Gauteng during 2006 disaggregated by occupation and sector. It appears from the results that professionals topped the list with the highest average income (R152 619 per annum) for the occupation groups. A comparison by sector of employment shows those employed in manufacturing (mining and quarrying; electricity, gas and water; and construction excluded), with an average income of R98 686, earn the most. Graduates earn an average of R158 340, which is almost double the average of R84 800 for all earners.

Average income

The average income per person by household size and population group was also calculated. According to this figure, income per capita drops sharply as households increase in size, from R63 919 for an African household with one member to R18 200 for an African household of six or more members. The income for Asians drops from R102 249 to R44 525, for Coloureds from R89 081 to R19 231 (for households with two members), and for Whites from R145 571 to R27 381.

Turning towards expenditure patterns in Gauteng during 2006, it appears from the data that food is the most important expenditure item (16.2 %), followed by transport (13.2 %) and income tax (12.0 %). If expenditure 'in kind' is also taken into account then expenditure on housing and electricity increases to 15.2 % of the household budget, followed by food (15.1 %) and transport (12.2 %). The expenditure pattern that emerges reveals the well-known phenomenon that a poor community spends relatively more on food than a more affluent community. Cash expenditure on food represented 34.6 % of total expenditure by households in the lowest income group (R0-R50 000 pa) and 9.0 % for the highest income group (R300 000+ pa).

Food, clothing and housing, and transport, the necessities of life, make up R18 512 or 54.3 % of the total cash budget of R34 100 of the households in the lowest income group, while the households in the highest income group spend R168 435 or 37.0 % of their cash budget of R455 688 on these items. Insurance and funds (7.5 %), furniture and household equipment (6.8 %) and personal care (6.1 %) are also major expenditure items in the cash household budget of the lowest income group, while income tax (23.0 %), savings (8.2 %) and insurance and funds (7.1 %), have shares greater than 5 % in the household cash budget of households in the highest income group.

Expenditure

An analysis of the data indicates that the percentage expenditure of total expenditure decreases as income increases in the following main expenditure groups: food; clothing, footwear and accessories; furniture and household equipment; alcoholic beverages; cigarettes and tobacco; washing and cleaning materials and personal care. Relative expenditure increases as income increases in the following main expenditure groups: housing and electricity; insurance and funds; domestic workers; recreation, entertainment and sport; education; income tax and savings. No specific trend of an increase or decrease in relative expenditure with a change in income is discernible for household fuel and light; transport; medical and dental services; dry cleaning and laundry; communication; reading matter and stationery; support of relatives (cash); and

holiday/weekend (excluding transport).

"Income and Expenditure Patterns Of Households In Gauteng, 2006" (Research Report no 370) was compiled by Prof CJ van Aardt, MC Coetzee and Prof H de J van Wyk of the Bureau of Market Research. The report, consisting of 142 pages, is available from the Bureau of Market Research, PO Box 392, UNISA, 0003. Email .

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