

Income distribution research shows high skew

The Bureau of Market Research today, Monday, 1 March 2010, has released its report "Personal Income Patterns and Profiles for South Africa 2009", which shows that 3.8% of the adult population earns 39.4% of total personal income, evidence that South Africa has a very skew income distribution.

About 20.8% are in the R50 000-R300 000 (or emerging middle class) income groups, leaving about 75.4% of adults earning less than R50 000 pa.

The report, compiled by Professor Carel van Aardt, research director and Marietjie Coetzee, senior computer scientist, shows that negative GDP and employment growth during 2009 had a direct impact on personal income growth and the distribution of such income growth. Negative GDP and employment growth during 2009 gave rise to negative personal income growth in real terms. Personal income increased to R1681bn in 2009, which constitutes a 5.9% growth rate in nominal terms during the period 2008 to 2009, but a negative growth rate of about 1.2% in real terms.

Gini coefficient amongst highest

The skew distribution is confirmed by a Gini coefficient of 0.67 for South Africa, which is one of the highest in the world. This coefficient provides an indication of the level at which income is equally or unequally distributed throughout a population. A Gini coefficient of '1' is an indication of complete income inequality with one person having all the income, while a Gini coefficient of '0' is indicative of complete equality with everybody earning an equal income.

Table 1 - Personal Income by Province and Income Group (R Million), 2009

Province	R0-R50k	R50k-R100k	R100k-R300k	R300k-R500k	R500k-R750k	R750k+	Total	% of total
Eastern Cape	33 457	16 551	49 957	23 716	9 087	11 563	144 331	8.6
Free State	15 173	14 074	33 011	13 311	7 321	11 755	94 646	5.6
Gauteng	42 891	66 724	203 910	108 379	63 540	92 386	577 829	34.4
KwaZulu-Natal	46 325	40 221	95 798	38 845	22 781	27 458	271 427	16.2
Limpopo	23 025	12 204	25 562	15 789	9 313	10 552	96 446	5.8
Mpumalanga	17 568	14 423	24 868	17 972	10 334	14 881	100 047	6.0
North West	17 330	16 132	36 858	14 742	10 854	9 922	105 838	6.3
Northern Cape	6 465	4 368	11 705	5 702	1 700	4 903	34 842	2.1
Western Cape	22 946	40 349	84 495	39 155	24 691	40 833	252 469	15.0
Total	225 180	225 046	566 164	277 611	159 622	224 252	1 677 875	
% of total	13.4	13.4	33.8	16.5	9.5	13.4		100.0

Table 2 - Adult Population by Province and Income Group, 2009

Province	R0-R50k	R50k-R100k	R100k-R300k	R300k-R500k	R500k-R750k	R750k+	Total	% of total
Eastern Cape	3 898 701	233 278	290 571	64 056	15 304	9 914	4 511 825	14.5
Free State	1 566 448	195 607	191 851	34 782	12 003	8 110	2 008 801	6.4
Gauteng	4 127 913	926 012	1 201 932	286 979	106 710	81 507	6 731 053	21.6
KwaZulu-Natal	4 914 088	564 859	571 077	101 924	38 128	23 040	6 213 115	19.9
Limpopo	2 771 658	174 317	145 997	41 270	15 322	9 213	3 157 777	0.1
Mpumalanga	1 878 693	205 130	150 182	45 605	17 704	12 734	2 310 048	7.4
North West	1 758 898	229 256	216 934	38 579	17 673	9 533	2 270 874	7.3
Northern Cape	611 368	60 736	68 915	15 022	2 907	4 116	763 064	2.5
Western Cape	1 975 745	563 044	502 891	101 545	42 339	33 452	3 219 017	10.3
Total	23 503 512	3 152 239	3 340 350	729 763	268 091	191 618	31 185 573	
% of total	75.4	10.1	10.7	2.3	0.9	0.6		100.0

Metro dwellers earn more

Table 1 provides a breakdown of personal income by province and income group in monetary terms. About R1 102 billion (65.6% of total personal income) is earned in three provinces, namely Gauteng, KwaZulu-Natal and the Western Cape. A total of R661bn (39.4% of total personal income) is earned by people earning R300 000 pa or more.

The results of the study also show that there is a strong relationship between work status, area of residence and income. Workers residing in metropolitan areas are the biggest income earners, while the rural unemployed constitute the poorest of the poor. The results further show that about 46.2% of all income in South Africa during 2009 accrued to metro dwellers, while 86.9% of all income accrued to urban dwellers (metro and non-metro), leaving rural dwellers with 13.1% of all income. When area of residence is taken into account, workers with the highest probability of earning R300 000+ pa are those in metro areas, who constitute 66.1% of R750 000+ pa earners.

Middle-aged adults earn more

The 35-49-year-old age group earns 44% of total personal income in South Africa. This percentage is even higher with regard to the R300 000-R500 000 income group, where nearly 52% of all people in this income group fall within the 35-49-year age group. This group also constitutes 51.7 % of all R300 000-R500 000 pa income earners, 50.1% of R500 000-R750 000 pa income earners and 53.1% of R750 000+ income earners.

There appears to be a strong correlation in the data between ageing and personal income up to the 35-49-year-old age group, after which this relationship weakens, leaving many older people with insufficient funds for daily expenses and for retirement.

Education predictor of success

The analysis also shows that educational status is a strong predictor of income. People with a secondary education or lower earn the bulk of personal income in the R0-R50 000 and R50 000-R100 000 income categories. People with a secondary or tertiary education earn the bulk of income in the R300 000-R500 000 category, while people with a tertiary qualification earn the bulk of personal income in the R750 000+ category.

The strong correlation between education and income in South Africa is also evident. Whereas 89.4% of adults with no schooling earn R50 000 pa or less, only 27.4% of tertiary-level educated adults are in this income group. Conversely, while only 0.2% of adults with no schooling earn R300 000+ pa, 25.6% of adults with a tertiary qualification earn such an income.

Other research results

More detailed marketing data on the various income groups was also generated to describe the different income groups. An example of such a description of the different income groups was in respect of the use of financial instruments by different income groups (see table 3).

Table 3 - Percentage of Adult Population Making Use of Financial Instruments by Income Group

Financial instrument	R0-R50k	R50k-R100k	R100k-R300k	R300k-R500k	R500k-R750k	R750k+
	(%)	(%)	(%)	(%)	(%)	(%)
Savings account	38.1	78.1	73.3	67.8	62.9	55.2
ATM card	37.5	79.0	83.8	87.1	84.8	83.7
Retail store card	9.6	32.3	38.3	35.7	33.9	29.7
Medical aid scheme	6.5	23.1	47.9	62.5	66.2	62.8
Debit card	5.1	14.7	19.7	25.8	27.7	24.6

Durable items credit facility	5.1	10.7	11.0	15.2	10.6	9.9
Mzansi* account	4.5	2.1	1.4	0.7	0.2	1.2
Cheque account	1.6	10.9	29.9	53.6	66.5	58.4
Unit trusts or mutual fund	0.9	4.0	10.3	23.1	29.0	29.4
Credit card	0.8	6.5	20.4	34.0	40.8	51.5
Investments/sub/paid-up shares	0.3	2.3	3.8	7.5	10.3	16.7
Invested in Security Exchange in past 12 months	0.2	1.0	3.3	8.9	16.2	19.1
Petrol/garage card	0.2	1.5	6.9	21.9	27.3	32.1
Overdraft facility	0.2	1.6	6.1	15.6	17.4	22.6
Student loan	0.2	0.3	0.7	0.4	1.3	1.6
Home loan	0.1	2.2	8.6	16.1	17.3	22.8
Vehicle finance	0.1	1.2	6.2	14.3	22.0	24.4
Personal loans	0.1	1.0	2.5	1.9	2.6	1.8
Micro loan	0.0	0.7	0.6	2.0	0.6	0.0

**Mzansi accounts resulted from the financial sector charter encouraging banks to provide low-income transactional accounts with the aim of ensuring broader access to financial services.*

Higher income, higher policy take-up

It appears from table 3 that there is a strong relationship between income group and percentage usage of certain financial instruments. Strong positive relationships are found between income and medical aid scheme membership, debit cards, cheque accounts, unit trusts, credit cards, investment accounts, share portfolios, petrol/garage cards, home loans and vehicle finance agreements.

As regards policy take-up by income group, the results of the study show that while 82.4% of adults in the lowest income group did not make use of any policies, only about 14% of adults in the highest income group did not make use of any policy instruments. The policy instruments mostly used by the lowest income group were firstly funeral insurance, followed by life cover policies.

Internet usage

Turning towards Internet usage patterns by income group, it appears that a very high percentage of high income (R750 000+ pa) earners make commercial use of the Internet by making reservations on the Internet (36.4%), and engaging in Internet shopping (27.0%) and banking (40.6%). Generally, there appears to be a very strong positive relationship between Internet usage and income group with the R300 000 pa income earners being high percentage Internet users.

Entrepreneurs earn more

Turning towards the employment status of adults in different income groups it appears that income shows a strong negative correlation with unemployment, but has a strong positive correlation with full-time employment. It is interesting to note that there is no correlation between income and part-time employment since the majority of part-time jobs are not high-paying jobs.

A very interesting trend in the data is the strong correlation between income and self-employment: While 34.5% of all employed earning R300 000-R500 000 pa were self-employed, 62.3% of all employed earning R750 000+ pa were self-employed.

This 62-page research report no 387 is available from the Bureau of Market Research, PO Box 392, UNISA 0003.

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