

TTRI

Training for Township Renewal Initiative

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TOWNSHIP MARKETS: A HIGH LEVEL REVIEW OF SURVEY DATA

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A partnership between the NPOG, URP, SACN and DBSA to provide peer-learning opportunities for township renewal practitioners



the dplg
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REPUBLIC OF SOUTH AFRICA



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1 INTRODUCTION: IDENTIFYING TOWNSHIPS

According to the Neighbourhood Development Partnership Grant at Treasury (www.treasury.gov.za/ndp) a Township is an underdeveloped residential area reserved for non-whites created during apartheid. They are characterized by

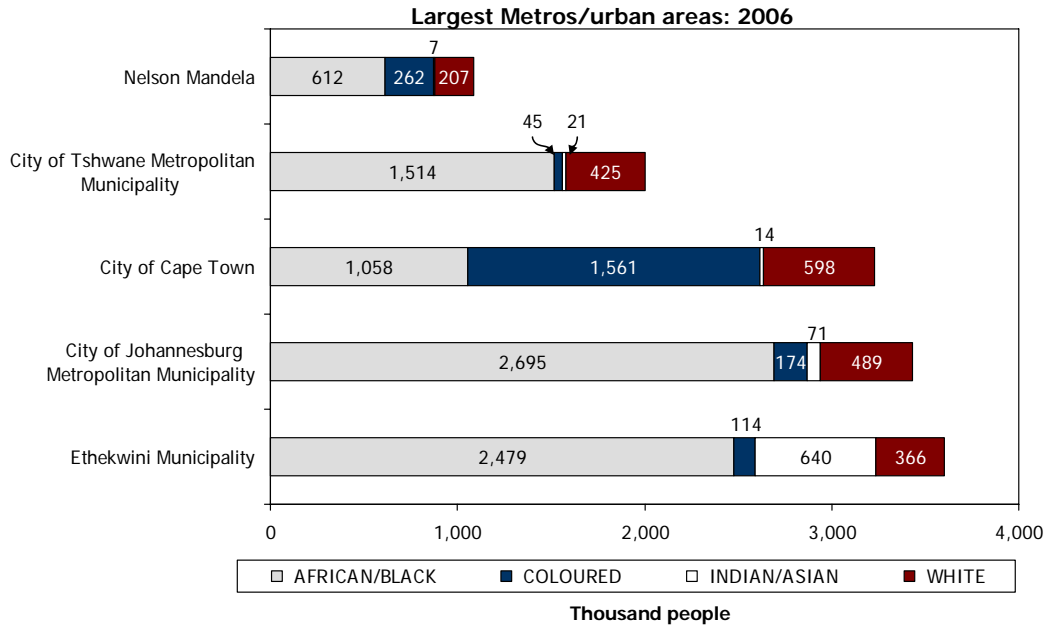
- Low levels of community facilities & commercial investment
- Low household incomes & poverty, slower household income growth
- Large concentrations of poor households
- High levels of unemployment
- Under-performing residential property markets (dead capital)
- Limited income retention of income (75+% leakage of local buying power)
- Undiversified and marginal local economies
- Considerable fiscal burden

While it may be possible to identify and analyse the characteristics of specific areas using 2001 Census data it becomes more difficult to do so using recent survey data. Given that we are primarily interested in a current view of township life, we have chosen to sacrifice accuracy of geography in favour of currency of data. We have therefore had to develop various proxies to identify townships in the source surveys – which include the 2006 Labour Force Survey (LFS), the 2006 General Household Survey (GHS), the All Media and Product Survey (AMPS) from 2007 and FinScope™ 2006. Some of these surveys contain data to a magisterial district level (GHS and LFS) or identify urban or rural areas (AMPS uses community size while FinScope™ assigns a rural / urban status to specific respondents).

Given that the majority of urban black adults live in townships, we have simply used available demographic characteristics – namely urban and black – to identify township dwellers. While this would include more prosperous black people who have moved to suburbs, at most this would account for around one quarter of the urban adult black population¹ - albeit a proportion that is increasing.

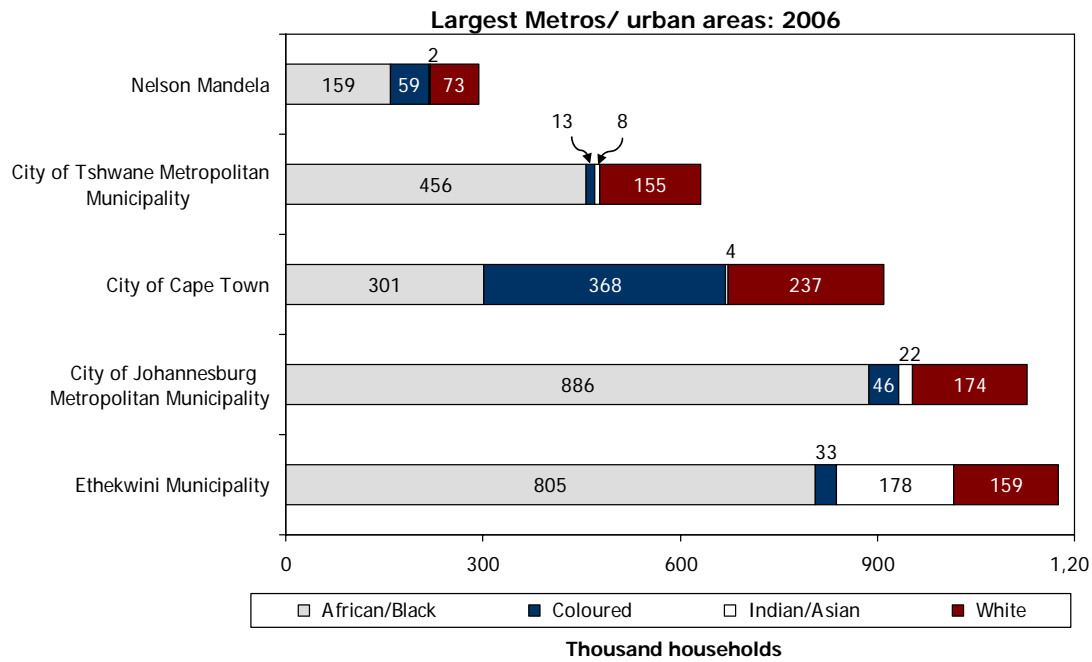
Restricting the analysis to the large five metropolitan areas identified in the GHS and the LFS (these areas will be used as proxies for urban areas), it appears that 13.4 million people live in these metros of whom 8.4 million are black. In terms of households there are four million households in these areas of which 2.6 million are black (i.e. headed by a black person).

¹ This is according to the FutureFact 2006 survey which indicates that the total number of black urban adults (16+) is approximately 11.6 million (of whom 2.9 million live in suburbs). According to The UCT Unilever Institute around 50% of the 2.6 million 'black diamonds' live in the suburbs



Total estimated people in large urban areas: 13.4 million* (28% of the population)

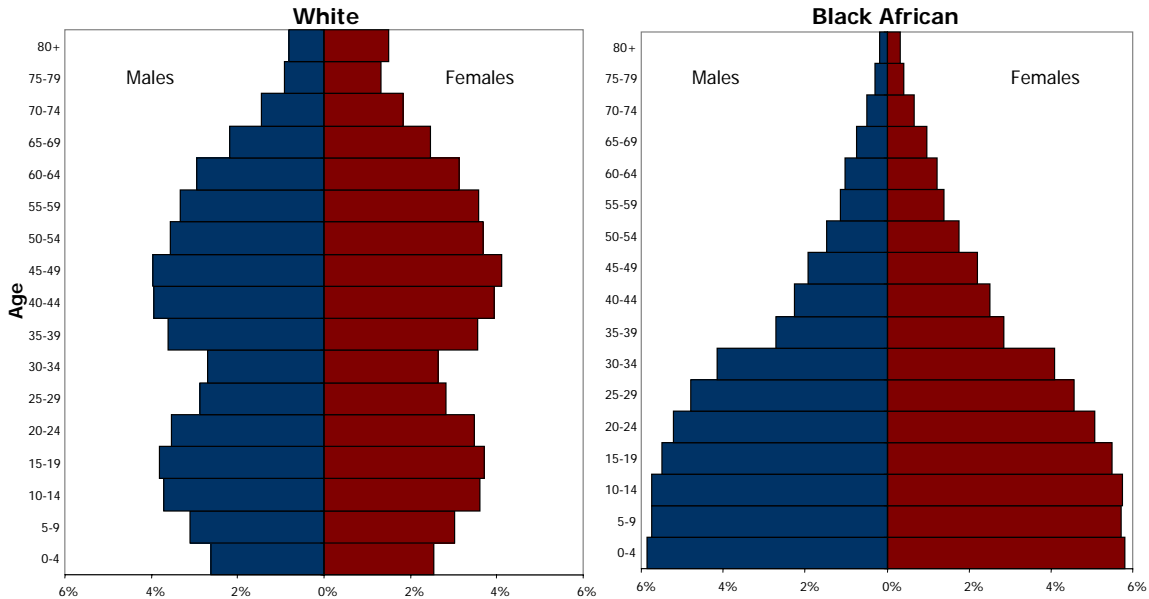
Source: GHS 2006
 * 8.4 million black, 2.2. million coloured, 750 000 Indian and 2.1 million white people



Total estimated households in large urban areas: 4 million (32% of household)

Source: GHS 2006
 * 2.6 million black, 520 000 coloured, 213 000 Indian and 798 000 white households

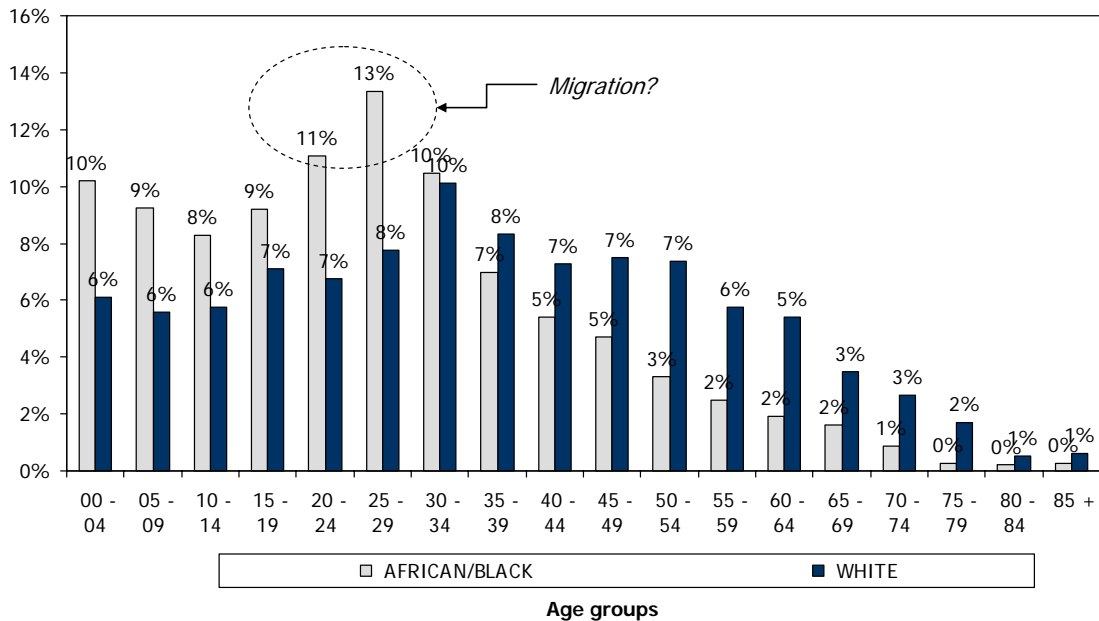
The age distribution of the market is interesting. The white population is older than that of the black population in general.



Source: StatsSA Mid-year population estimates, South Africa 2005, Statistical Release P0302, LFS 2005 persons database
 23% of the black population is under the age of 10. 13% of the white population is under the age of 10. 7% of the black population is over the age of 60. 17% of the white population is over the age of 60

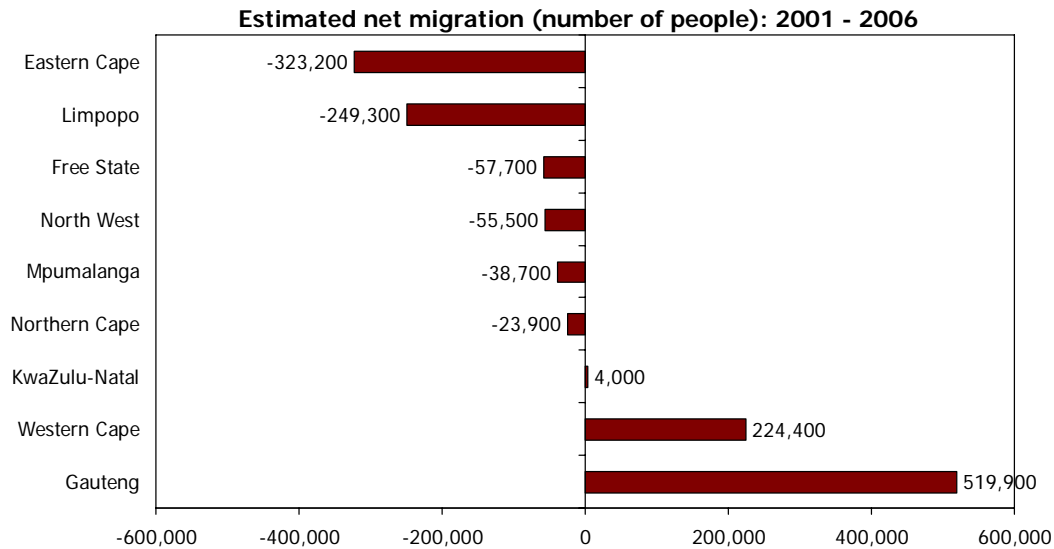
In urban areas there is an interesting bulge in the black population for young adults. This is most likely a result of migration of work seekers to the large cities.

Urban*: Age distribution



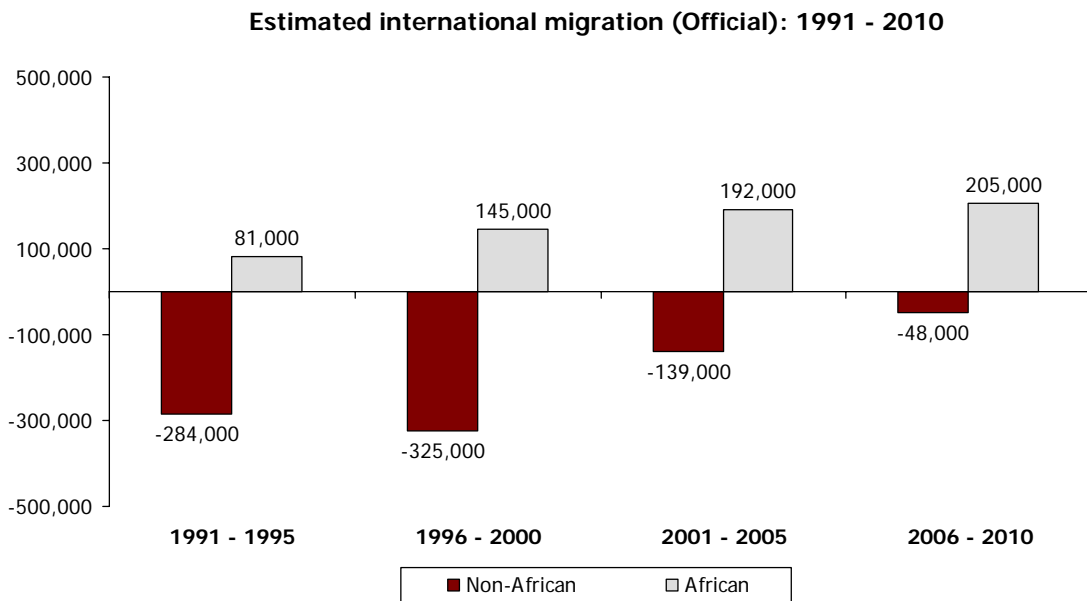
Source: GHS 2006 Persons database
 * 2006 – Big 5 metros: City of Cape Town, City of Johannesburg, City of Tshwane, Nelson Mandela, or eThekweni

The available estimates of migration produced by StatsSA indicate significant migration into Gauteng and the Western Cape.



Source: Stats SA mid year population estimates, May 2005

Data on cross border migration is clearly inaccurate. Population statistics are therefore likely to be understated – by, some estimate, at least three million individuals.



Current estimate of lawful entry, lawful stay: 450 000 – 550 000

Source: Stats SA mid year population estimates, May 2006
Genesis Analytics report on remittances

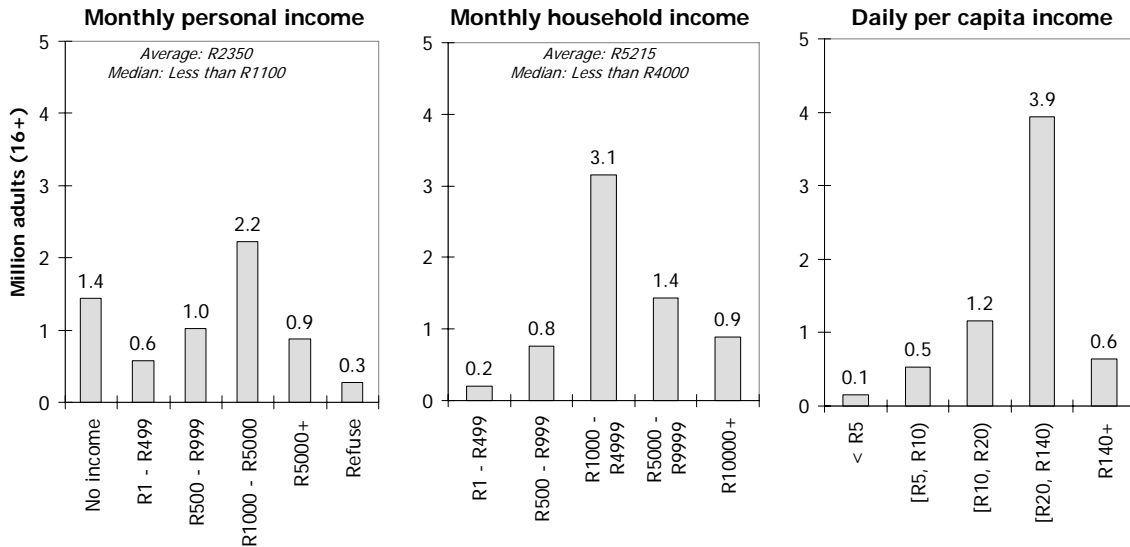
Leaving this aside, internal migration and rural urban linkages are obviously a key theme to explore – but one that we will not discuss in detail. do

2 INCOMES AND LIVING STANDARDS

Survey data on income levels is always unreliable (respondents under-report income). While some respondents genuinely do not know their personal income or their household income, others prefer not

to disclose income for a range of reasons. We therefore use data on the level of income with caution, and some surveys do not ask the question at all.

Per capita income calculated as household income divided by the number of household members is also a critical indicator. However a further caveat is in order with this measure. It assumes that the household as defined by the survey (namely a dwelling-based unit) corresponds to the financial or risk household. Where there are migrant labourers or extra-household financial dependents (common in poorer households) per capita income will be over-stated.

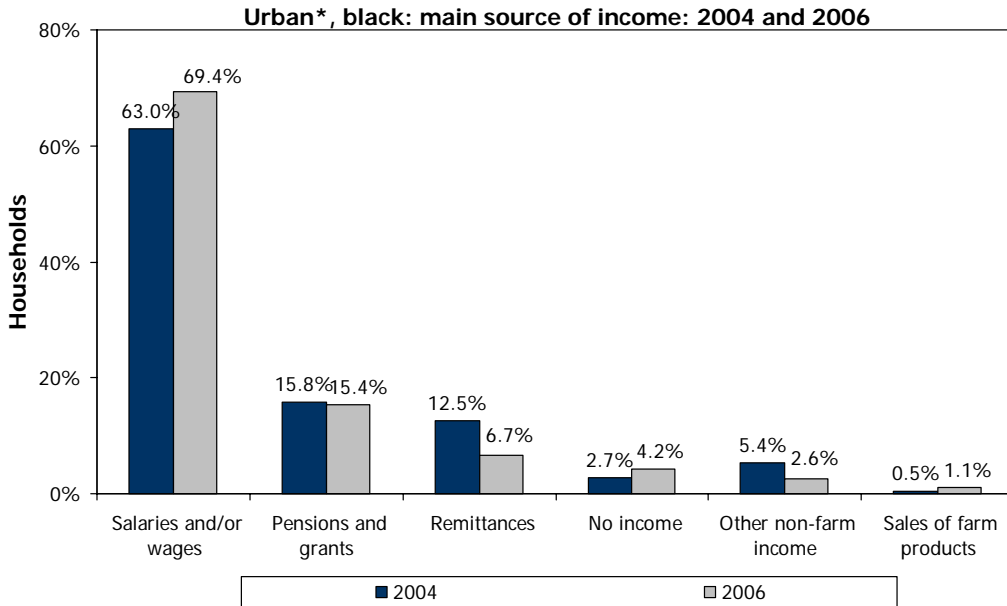


Source: AMPS 2007, Eighty20 analysis

* Large urban areas – community size of 250 000 or more

Note: Average incomes exclude refuse / don't know categories. Per capita income calculated using the midpoint of the household income band divided by the number of adult equivalents in the household. Children under 10 are regarded as half an adult

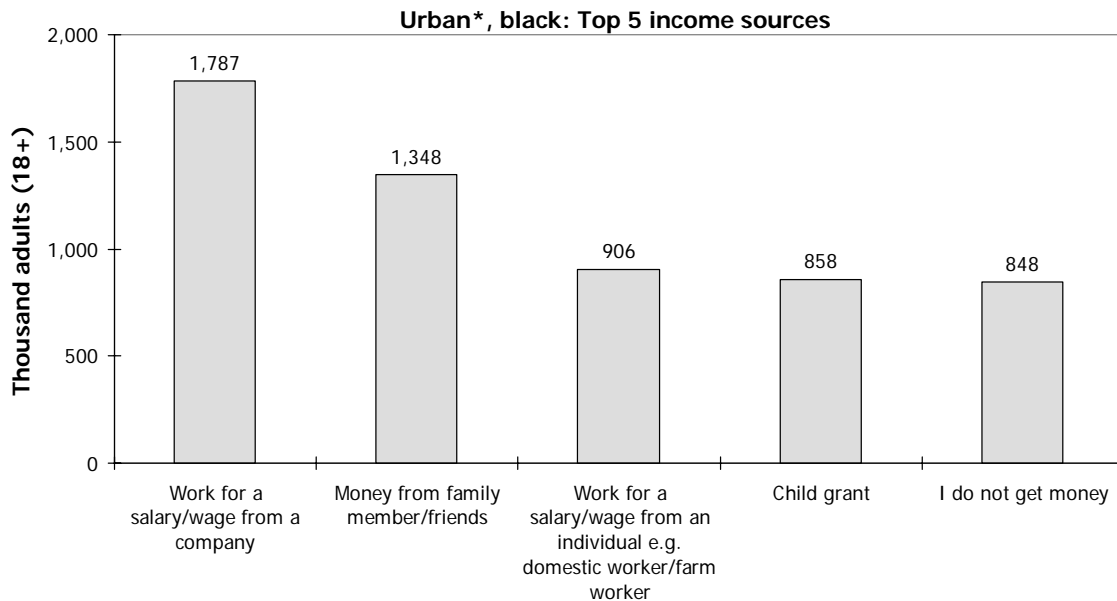
Data on income sources is certainly more reliable. At a household level, salaries and wages are most commonly cited as the main source of income. While grant recipients have increased according to the data household reliance on grants as the primary income source has remained flat. It is also noteworthy that remittance income has declined as a main income source (which is not the same as saying it has declined overall) for those in large metros.



Source: GHS 2006 Household database

* 2006 – Big 5 metros: City of Cape Town, City of Johannesburg, City of Tshwane, Nelson Mandela, or eThekweni
2004 – Urban areas

Of course, household formation itself responds to the availability of income. It is therefore interesting to look at the data for individual adults. As with households, salaries from companies are the most frequently cited income source. It is important to note that financial dependency on family and friends is relatively high as is reliance on state grants. It is interesting to note how small self employment is.

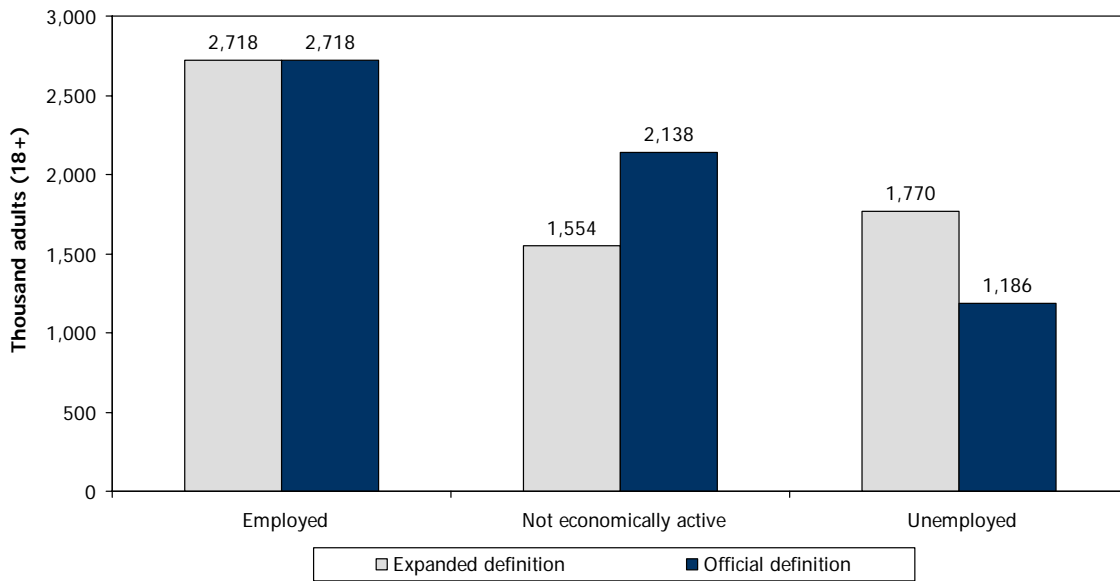


Source: FinScope 2006

* Metro area

As noted above, unemployment rates in townships are very high. We look at both the official and expanded definitions. The difference between them relates to the treatment of so called discouraged job seekers – those who are unemployed but who are not looking for work.

Urban*, black: employment status

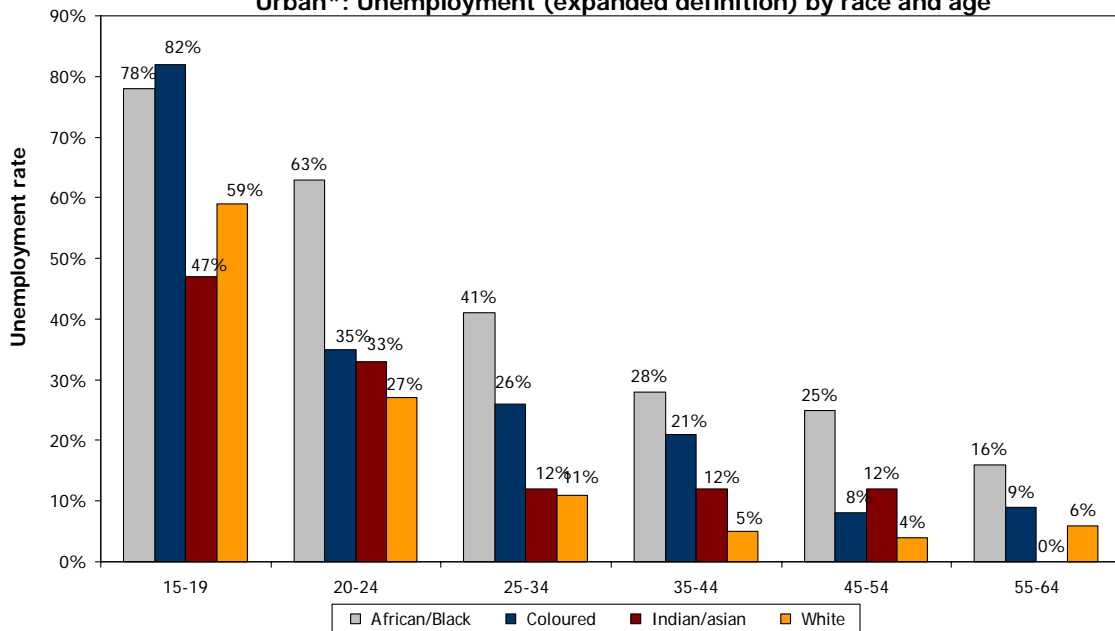


Source: Labour Force Survey 2006 September, workers database

* Big 5 metros: City of Cape Town, City of Johannesburg, City of Tshwane, Nelson Mandela, or eThekweni

Using the expanded definition of unemployment the rate of unemployment for the young black and coloured people in large metros is exceptionally high and discouraged job seekers number around 600 000 adults in the large five metros.

Urban*: Unemployment (expanded definition) by race and age



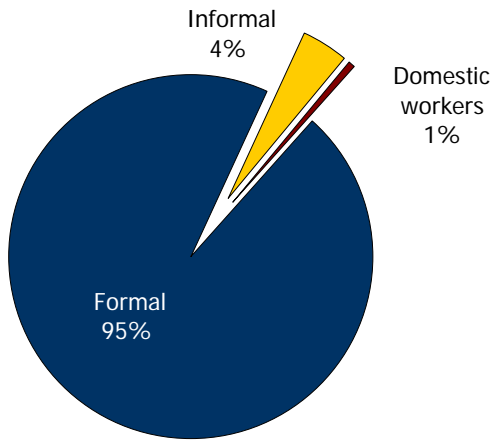
Source: Labour Force Survey, September 2006, workers database

* Big 5 metros: City of Cape Town, City of Johannesburg, City of Tshwane, Nelson Mandela, or eThekweni

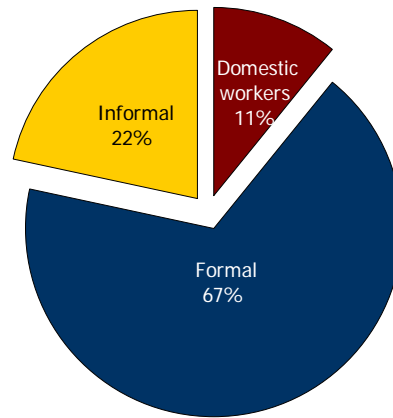
Note: Unemployment rate is calculated as the number of unemployed divided by the economically active population (employed plus unemployed)

Of those who are employed, non-formal workers account for roughly one third of the employed.

White workers aged 15+ by sector of work



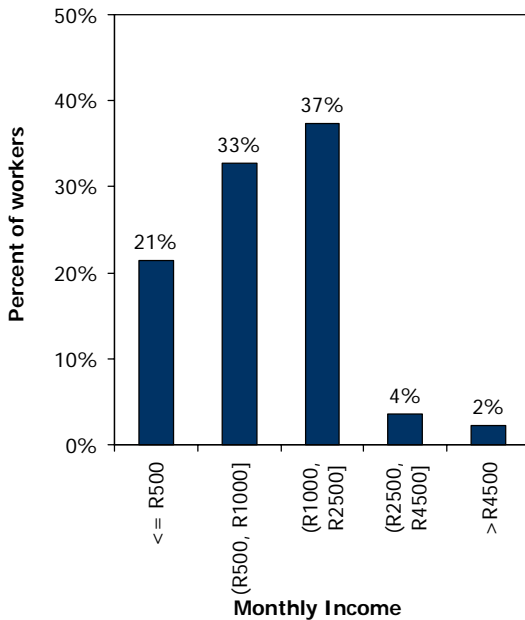
Black workers aged 15+ by sector of work



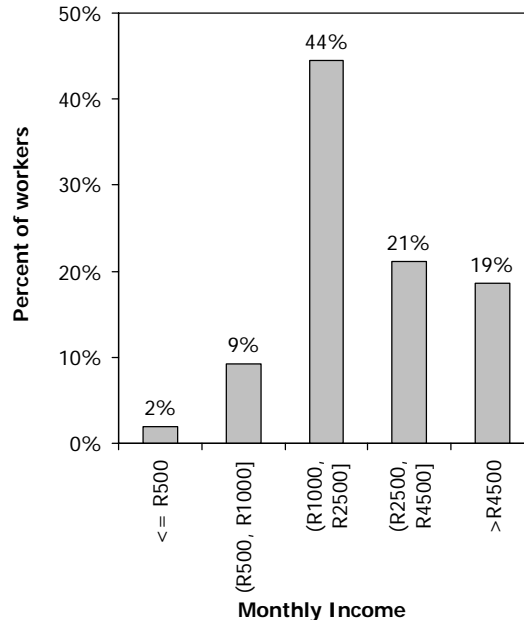
Source: Labour Force Survey, September 2006, workers database

These workers typically have no benefits and earn lower wages than those in formal employment. Again the caveat as to the reliability of reported income data is in order, particularly for those in the informal sector who often do not know how much their incomes are or who cannot easily separate their households from their businesses.

Urban*, black, informal sector: Income distribution



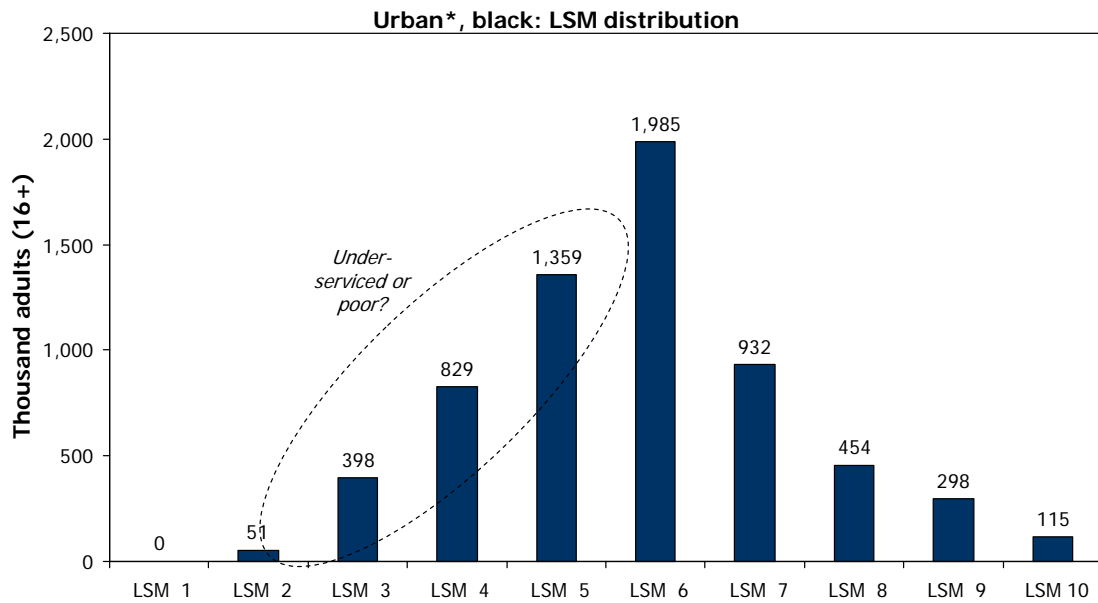
Urban*, black, formal sector: Income distribution



Source: Labour Force Survey, September 2006

Note: Data for informal sector workers includes domestic workers. No wage data for 3% of informal and 5% of formal sector workers

Marketers often use LSM (which stands for Living Standards Measure) as a basis to segment the market. The LSM algorithm is based on ownership of various durables, availability of services as well as location (all else being constant rural dwellers are in lower LSMs than urban counterparts). According to AMPS 2007, over 40% of black urban adults are in LSMs two to five.

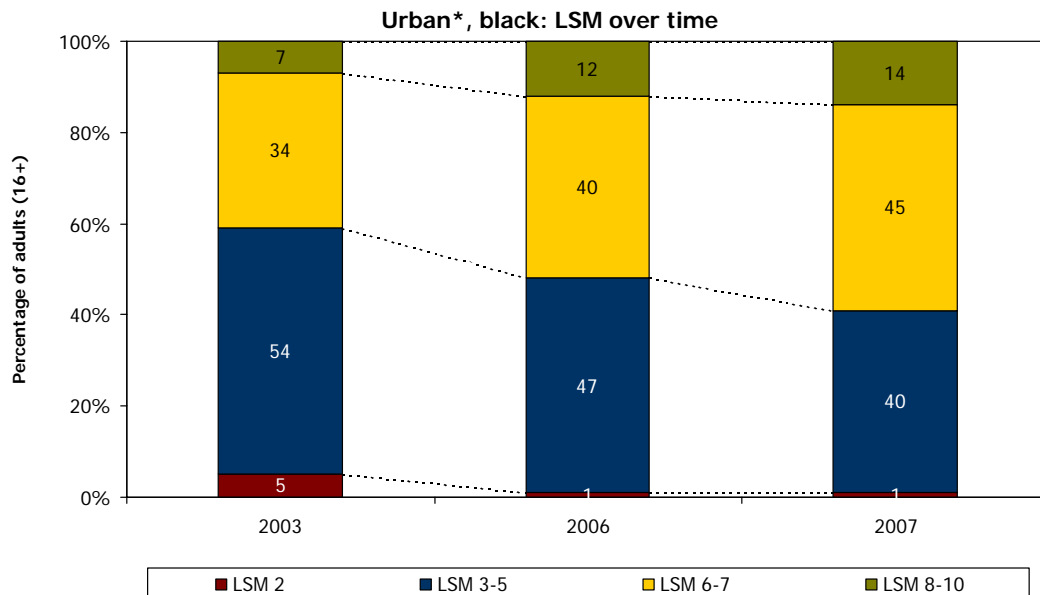


Total black urban adult population 2007: 6.42 million

Source: AMPS 2007

* Large urban areas – community size of 250 000 or more

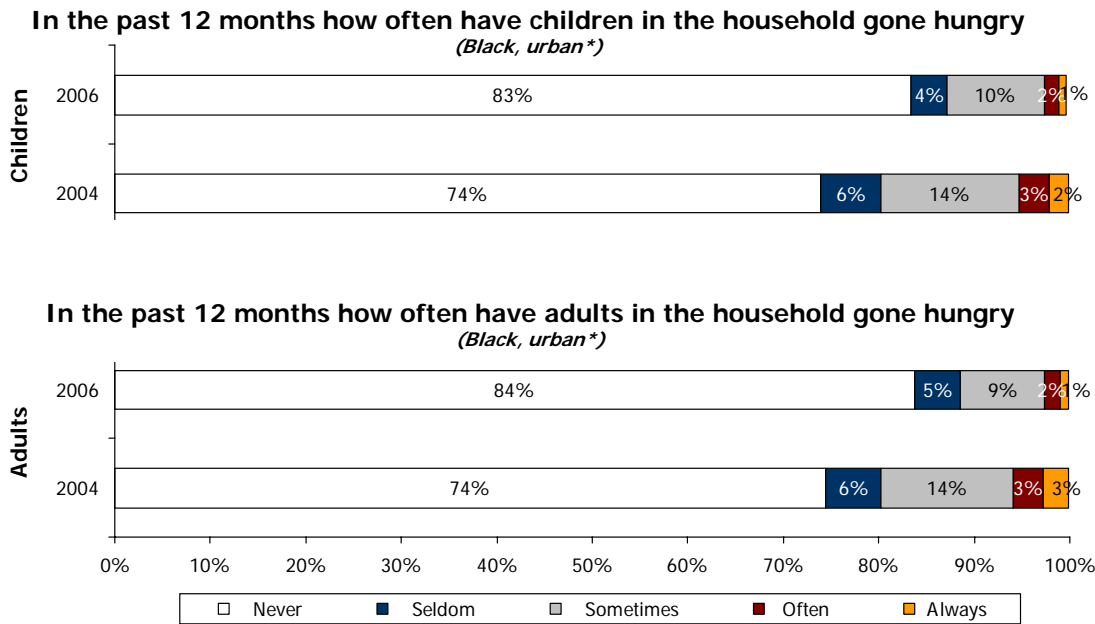
There has been a noticeable shift towards higher LSMs over the past few years. It is not clear to what extent this relates to shifts in the nominal income of households, or an increase in affordability of household appliances as their costs decline (which is equivalent to a rise in real incomes) and as more households have been able to access credit. Other critical trends have also impacted on LSM – housing delivery being one of them. Irrespective of the underlying drivers of the LSM shift it is clear that living standards are improving.



Source: AMPS 2003, 2006, and 2007

* Large urban areas – community size of 250 000 or more

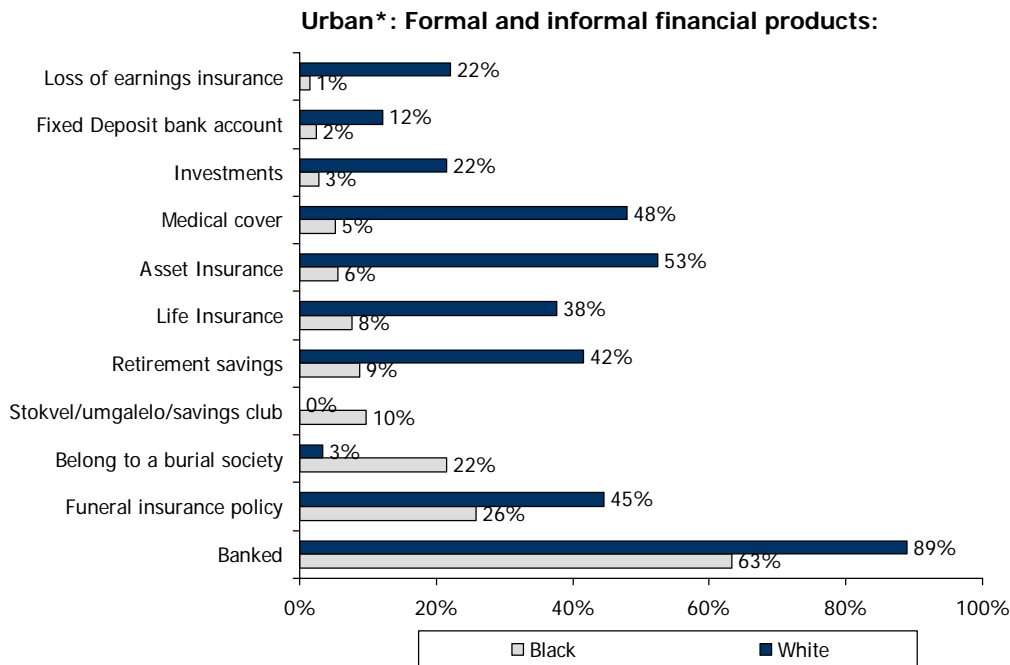
Perhaps more useful than LSM for the purposes of assessing the poor are other indicators such as those provided by FinScope™ as well as those provided by the GHS on hunger within the household. Data from the GHS shows a clear declining trend in terms of the incidence of hunger in large cities.



Source: GHS 2006 Household database
 * 2006 – Big 5 metros: City of Cape Town, City of Johannesburg, City of Tshwane, Nelson Mandela, or eThekweni
 2004 – Urban areas
 ** Children – households include only those who have children (<18) in them
 Adults – households include only those who have adults (18+) in them

3 FINANCIAL SERVICES

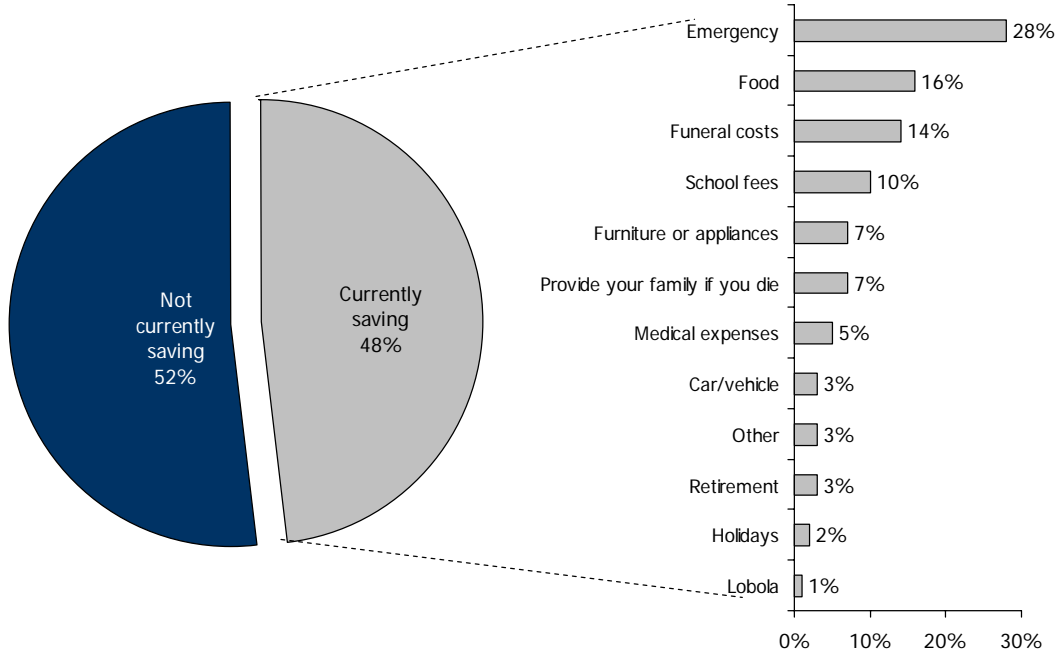
Usage of financial services among the black urban population is noticeably lower than that of whites, but higher than for the country as a whole.



Source: FinScope 2006
 * Metro area

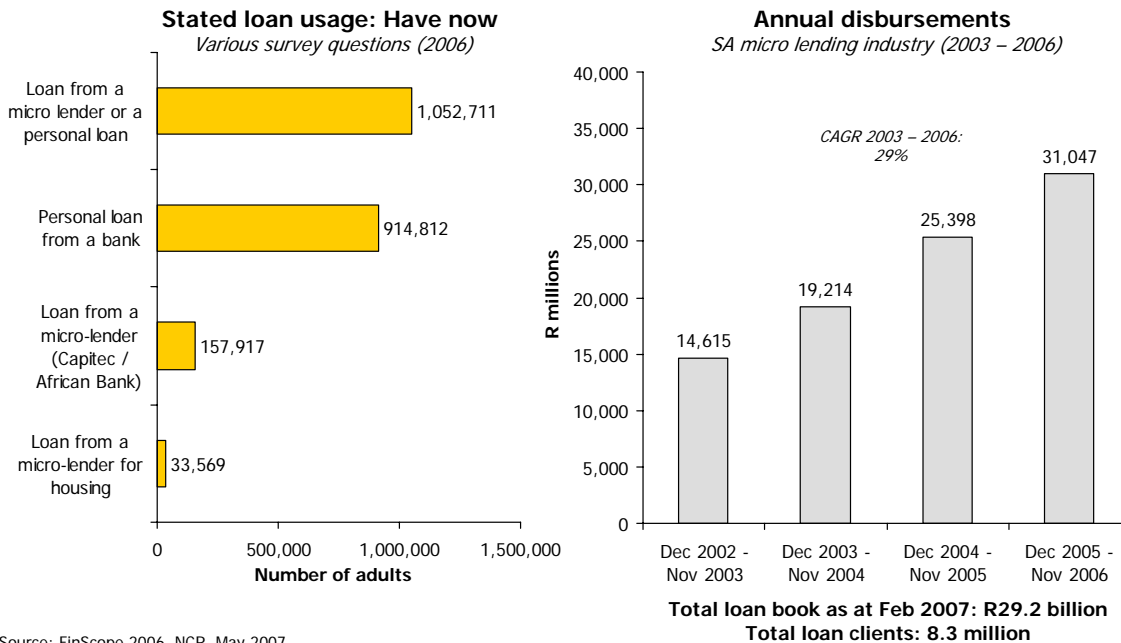
Around half the urban, black adult population says they are saving (note this is data from 2005). Precautionary savings seem to dominate (emergency, funeral). Retirement savings appear to be minimal, but this seems to be understated when compared to data on financial product usage.

Savings activity and reason for savings: Urban black (18+)



Source: FinScope 2005 Core

Credit usage, particularly unsecured credit usage, tends to be significantly understated by surveys – it appears that people do not like admitting that they credit. If we look at industry data compared to survey data we see a dramatic mis-match.



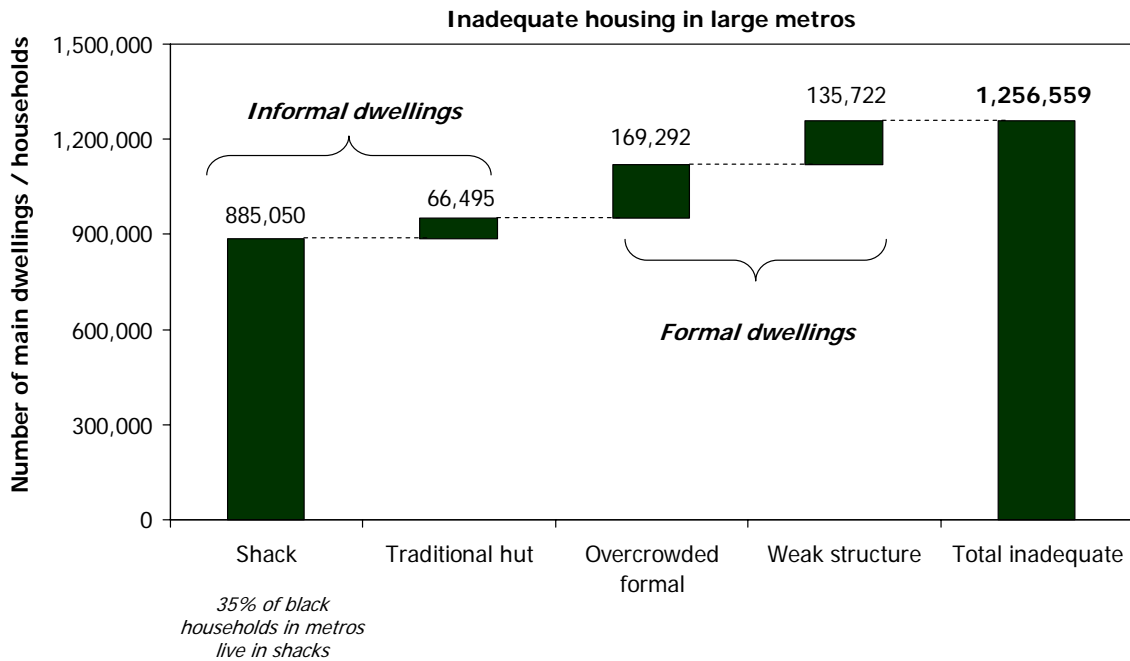
Source: FinScope 2006, NCR, May 2007

CAGR: Compound Annual Growth Rate. Micro loans are defined as loans of R10 000 or less paid back over 36 months or less

4 HOUSING AND AMENITIES

That there is a shortage of housing is well known. International research points to the importance of housing not only because it has an impact on living standards but because there seems to be a link between adequate housing where ownership is formalised and economic development. Interestingly the mechanism is not necessarily through the securable asset route as highlighted by de Soto, but through household composition which in turn impacts on the ability of the household to invest in their children.

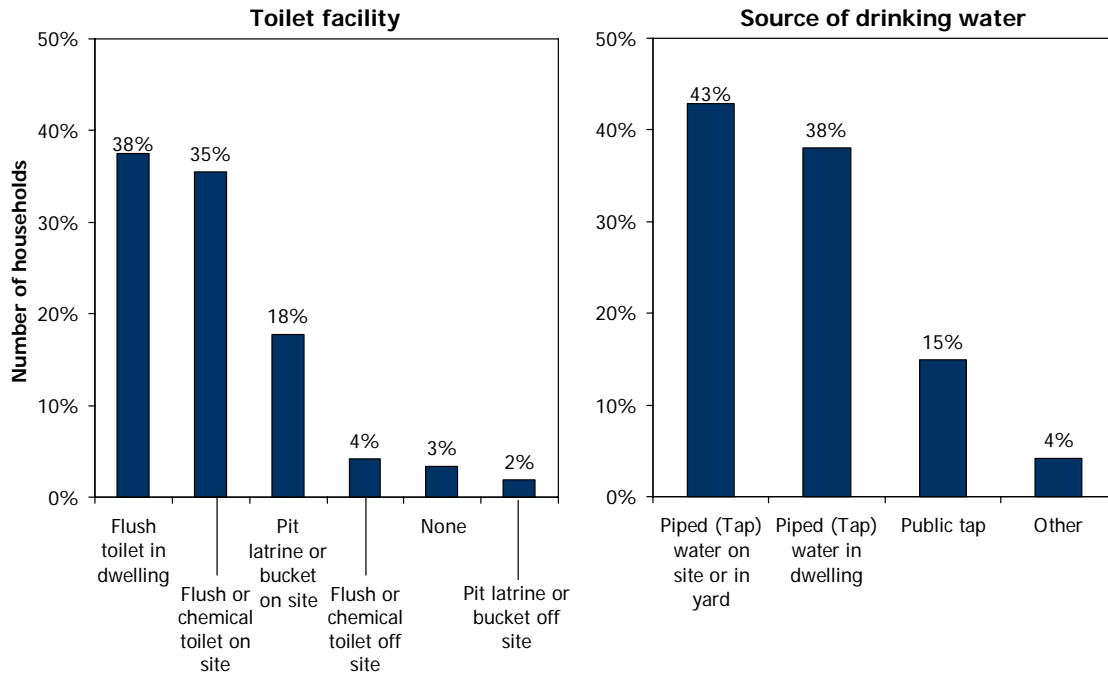
The official housing backlog is calculated based on the visibly un-housed – those in shacks or backyard dwellings. Over-crowding within formal dwellings is also a problem, particularly where the plots are small and the ability to extend the dwelling is limited. All in all, roughly half the black households who live in large metros are inadequately housed.



Source: General Household Survey 2005. Note there is no double counting. Categories are mutually exclusive
 Note: Overcrowded dwellings are those with more than two people per room. Structurally weak houses are those where the condition of the walls or roof is weak or very weak

While most households have access to sanitation, a minority has flush toilets or piped water in the dwelling.

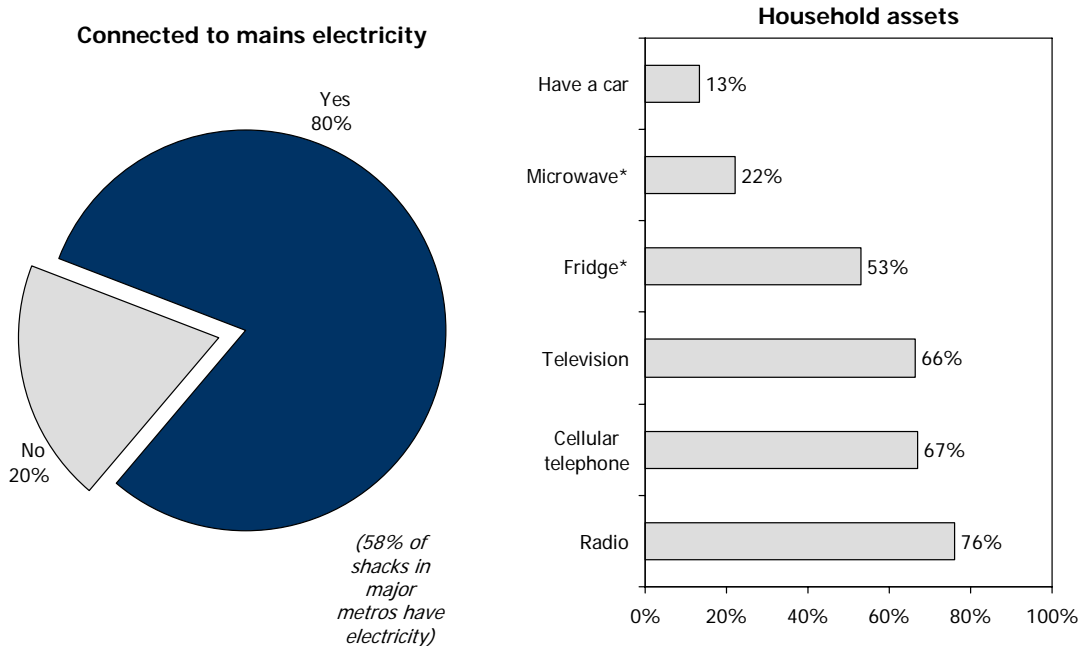
Urban*, black: Household characteristics



Source: GHS 2006 Household database
 * 2006 – Big 5 metros: City of Cape Town, City of Johannesburg, City of Tshwane, Nelson Mandela, or eThekweni

80% of households have electricity and two thirds have a TV.

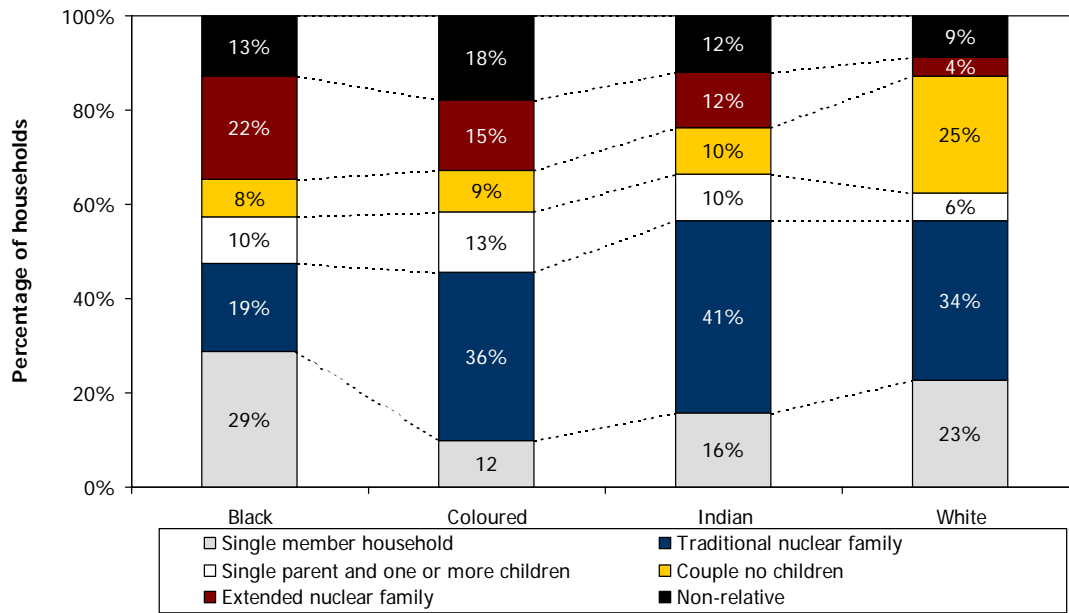
Urban*, black: Household characteristics



Source: GHS 2006 Household database, data for fridges and microwaves from 2005 GHS
 * 2006 – Big 5 metros: City of Cape Town, City of Johannesburg, City of Tshwane, Nelson Mandela, or eThekweni

We can also look at the composition of black urban households. Around 30% of households comprise a single person – in many cases what would appear to be a migrant labourer. Nuclear families are surprisingly uncommon despite the age profile of the segment (it is a relatively young market). The most significant difference is evident in the relatively high proportion of extended family households.

Households in large urban areas by race



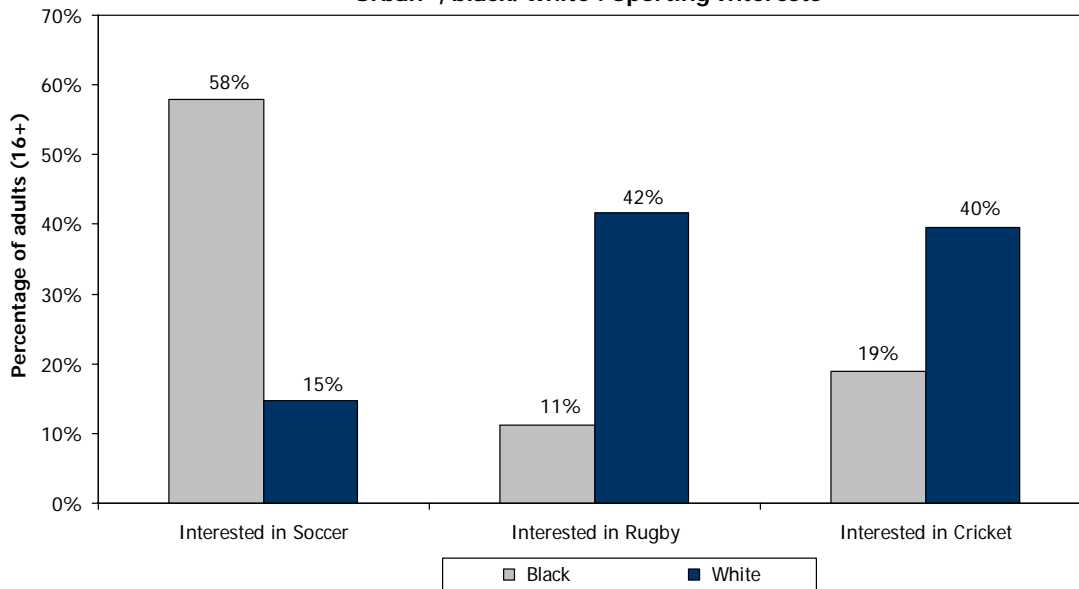
Source: GHS 2005

Note: A household is a nuclear household if and only if it consists of a household head, spouse and children. Extended nuclear families comprise siblings, grandchildren, grandparents, parents and other extended family of the head of the household

5 ENTERTAINMENT AND SHOPPING

A passion for sport characterizes many South Africans, although as is expected, sporting interests vary by race.

Urban*, black/white : Sporting Interests

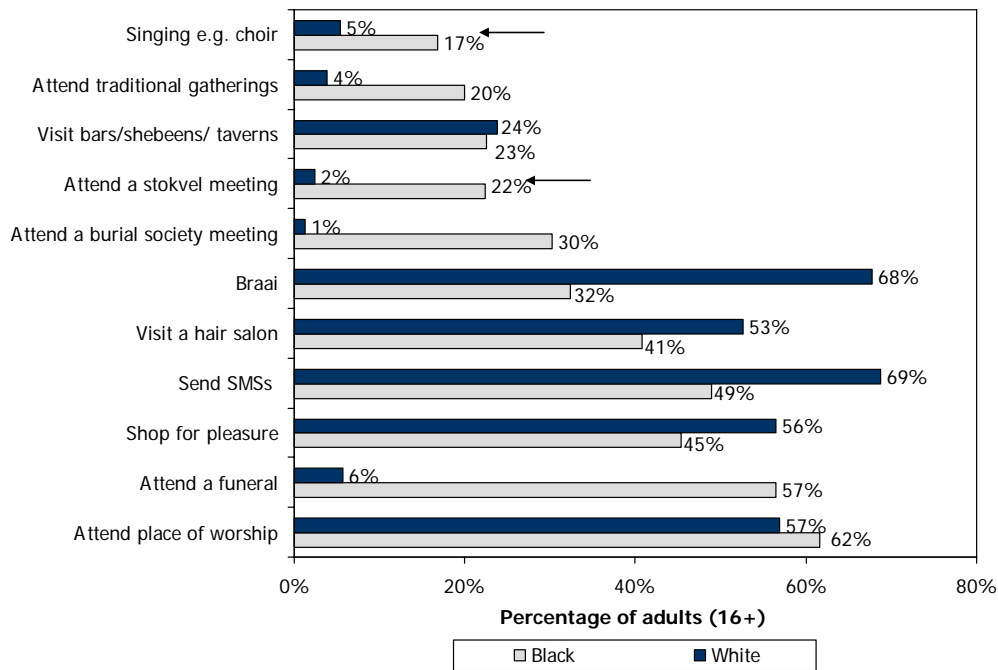


Source: AMPS 2007

* Large urban areas – community size of 250 000 or more

The data also indicates that religion is important – but this is a characteristic of the country as a whole. Funeral attendance is noticeably high for black adults.

Urban*, black/white activities – weekly/monthly

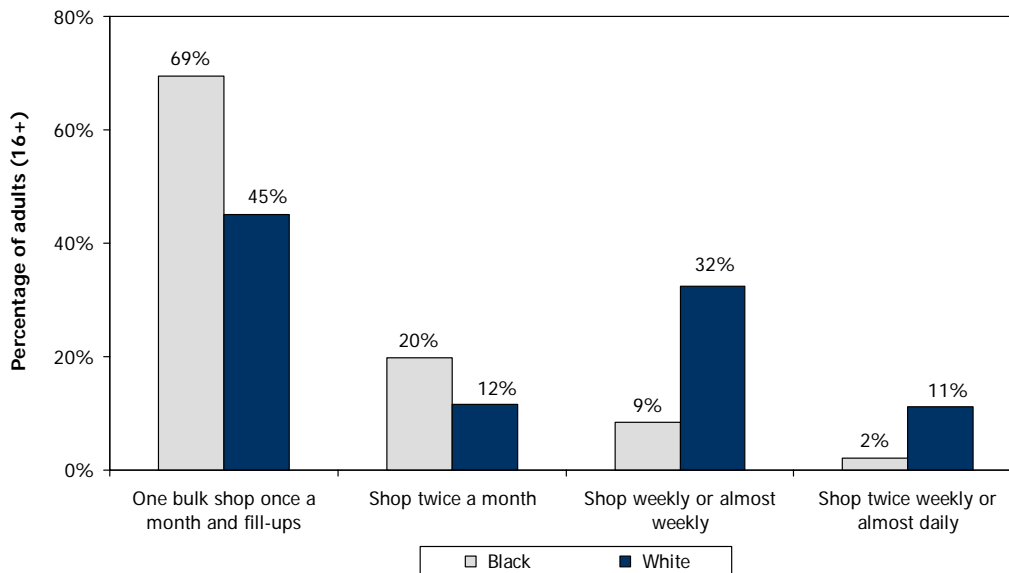


Source: AMPS 2007

* Large urban areas – community size of 250 000 or more

Almost 70% of black adults who are responsible for grocery shopping shop in bulk. This has a lot to do with access and proximity (car ownership is obviously key), discounts associated with bulk shopping, nutrition habits and income earning patterns (salaried income in urban areas is predominantly monthly).

Urban, black/white: shopping patterns - if wholly or partly responsible

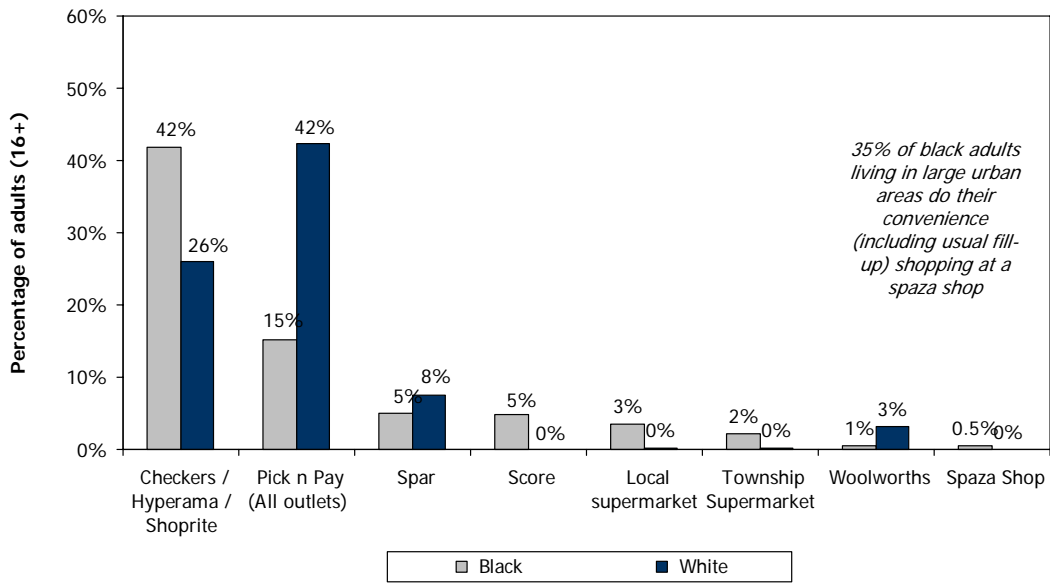


Source: AMPS 2007

* Large urban areas – community size of 250 000 or more

Supermarket chains dominate grocery purchasing, with Spaza shops being used for convenience shopping. A key trend is the extension of formal retailing into under-served areas. Mall development has been significant but some commentators think there is now too much capacity.

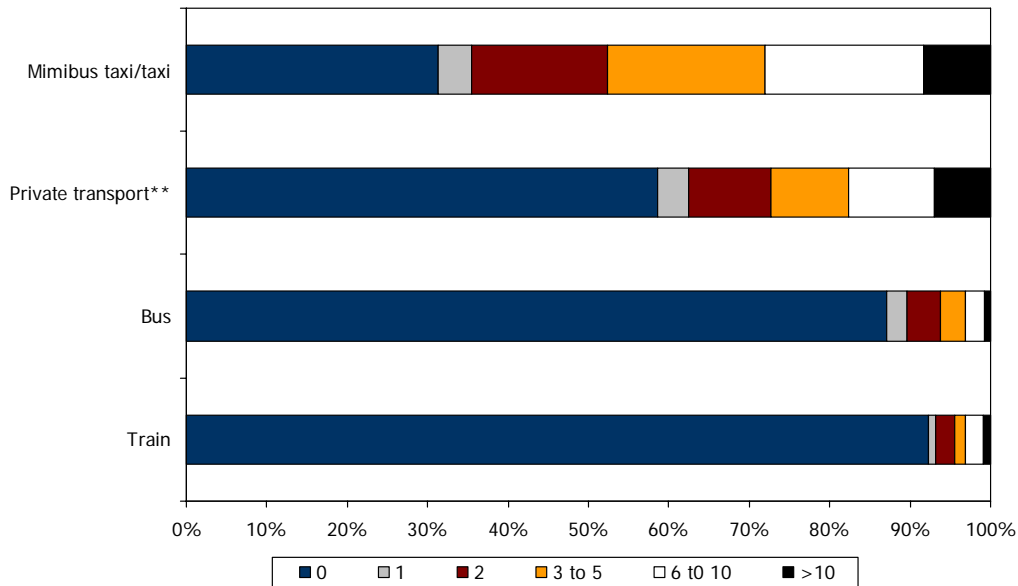
Urban*, black/white : Groceries – spend most



Source: AMPS RA 2007
 * Large urban areas – community size of 250 000 or more
 ** GHS 2006

Almost 70% of urban black adults make use of taxis once a week or more. Trains and busses are far less common. Researchers have noted that South Africa is unusual in that transport expenditure is high while housing expenditure is relatively low.

Urban*, black: On how many occasions in past 7 days have you used...?



Source: AMPS 2007
 * Large urban areas – community size of 250 000 or more
 ** i.e. yours or someone else's motor vehicle/motorbike