N.i.D.S.
NATIONAL INCOME DYNAMICS STUDY












2013

WAVE 3

OVERVIEW

NATIONAL INCOME DYNAMICS STUDY

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national planning commission
Department:
The Presidency
REPUBLIC OF SOUTH AFRICA

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Foreword

Migration remains a feature of the post-apartheid landscape. South Africans are making choices about their lives, choices about moving or staying: one in seven people in the sample population has moved. This is what the National Income Dynamics Study (NIDS) Wave 3, South Africa's national panel study, tells us. The NIDS, which was commissioned by the government in 2006, provides us with empirical evidence of the unfolding story of the changes, both positive and negative, in the lives of all South Africans. The NIDS Project is a national research resource which is an exemplar of government and academia working together.

Now that the NIDS Wave 3 has been completed, the NIDS as a panel study comes into its own and begins to show us the value of longitudinal data. The National Development Plan states: "South Africa's principal challenge is to roll back poverty and inequality." NIDS is an important data source that provides empirical evidence informing us how far we have come and pointing how far we need to go.

The main findings are that in respect of poverty dynamics, more than a third of those who were poor in Wave 1 escaped poverty by Wave 3; however, a substantial proportion of the sample remained in severe poverty. Across all waves, multidimensional poverty was lower than income poverty. Economic mobility is limited in the top 20% of the income distribution, but relatively high in the bottom 80%. This is a small step in closing the very wide gap in income inequality. In terms of the labour market, the aftermath of the global recession of 2008/09 saw job losses in South Africa but the trend appears to be reversing, with employment rising marginally and wage earnings also increasing.

Of particular importance to the policy community is the finding that the no-fee school policy appears to have decreased educational spending in poor households. With regard to moving and staying, Waves 1 to 3 saw a great degree of residential change, with household income per capita increasing more for migrants than non-migrants.

Mindful of limited quantitative skills in South Africa, the NIDS Project has had the foresight to include a substantive capacity-building component. In NIDS Wave 3, SALDRU had three interns and awarded ten scholarships to honours, masters and doctoral candidates. In addition, numerous training courses have been run.

Next year we shall be celebrating 20 years of democracy. The NIDS tells the story of four years within this period. It tells us that many challenges remain, and that some of our policy choices are having positive effects on the lives of South Africans.

Hon. Trevor A. Manuel, MP
Minister in The Presidency
National Planning Commission

About NIDS

The National Income Dynamics Study (NIDS) is the first national panel study of individuals of all ages in South Africa. Its main objective is to measure and understand who is getting ahead and who is falling behind in South Africa, as well as why some people are making progress and others are not.

As a longitudinal study, NIDS seeks to track changes over time in the livelihoods and well-being of respondents. It goes to field every two years, with each repetition of the survey being a "wave" in an ongoing investigation. As the panel unfolds, it reveals the dynamic structure of households and changes in the living conditions of their members. A key feature of the study is its ability to follow people as they move out of their original households.

Wave 1 of the NIDS survey took place in 2008 and provides the baseline on the well-being of 28,226 sample members in 7,296 households against which to measure all future changes. The next wave was held in 2010. Successful interviews were obtained for 6,787 households, with a total of 28,551 household residents successfully completing interviews.

The most recent wave, Wave 3, took place from April to December 2012. Contrary to what had happened in the past, NIDS experienced negative attrition; in other words, more households and individuals were interviewed in this wave than in Wave 2. In Wave 3 the team successfully interviewed 8,040 households, with a total of 32,633 successfully-interviewed household residents.

This document reports on the introductory findings of our analysis of the Wave 3 data. The findings are preliminary and seek to demonstrate the ways in which the NIDS dataset can be used to enhance understanding of the South African socio-economy. It is hoped, therefore, that it will stimulate public debate and encourage further investigation by the research community.

NIDS is a national research resource established by The Presidency of South Africa. The implementation agency for the first, second and third waves was the Southern Africa Labour and Development Research Unit (SALDRU), based in the School of Economics at the University of Cape Town. NIDS is advised by a Technical Committee of South African and international researchers. The Steering Committee is comprised of government departments and Stats SA, as well as local and international academics.

Wave 3 members of the Steering Committee include Khulekani Mathe, Mastoera Sadan, Linda Richter, Julian May, Alan Hirsch, Nick Buck, Robert Schoeni, Kefiloe Masiteng, Josephilda Nhlapo, Ndangwa Noyoo and David Faulkner.

Key Personnel

From left to right:

Back row: Tim Brophy, Michael Daly, Kim Ingle, Reza Daniels.

Third row: Michael Brown, Adrian Frith, Ingrid Woolard, Xolani Klaasen.

Second row: Tsiresy Pierre Barnard, Nobubele Tyembile, Sibongile Musundwa, Louise De Villiers.

Front row: Murray Leibbrandt, Michelle Chinhema, Lulama Mata, Tania Hendricks.

Not in picture: Mzwandile James Makhamba.

Principal Investigators' Report

The South African government is committed to evidence-informed policy-making, and the National Income Dynamics Study (NIDS) is a key research investment in this regard. The survey tracks changes over time in the well-being of a nationally representative sample of respondents. These data provide a unique picture of the patterns of socioeconomic mobility in contemporary South Africa through the respondents, and careful analysis can reveal who is trapped in poverty, who is doing well, and who is just getting by.

Crucially, the analysis reveals the key social and policy factors driving these patterns. It is for these reasons that many countries around the world have chosen to institute panel, or longitudinal, studies; for the same reasons, the South African government has set up NIDS and continues to fund it.

The period since NIDS Wave 1 was first implemented in 2008 has borne witness to major social and economic change in South Africa, including the 2009 recession associated with the effects of the global financial crisis in 2007–8. As evidenced by our report, NIDS allows us to assess the impacts of this environment on South Africans across the income distribution.

Moreover, the National Development Plan (NDP) has been put recently in place as South Africa's long-term socioeconomic roadmap for eliminating poverty and significantly reducing inequality by 2030. NIDS provides one of the key instruments to monitor policy performance and the extent to which the NDP's goals are being achieved.

As the producer of the first three waves of NIDS data, SALDRU has been fully committed to ensuring that the NIDS data meet international best-practice methodological standards and are maximally useful to the research and policy community. Wave 3 of NIDS was implemented in 2012. Fieldwork took place over the duration of 2012 and was completed in December.

Several important milestones were achieved in Wave 3, including:

- the completion of piloting and main-phase fieldwork within one calendar year;
- a negative overall attrition rate between Wave 2 and Wave 3, implying that nearly all of NIDS's Continuing Sample Members (CSMs) who were interviewed in Wave 2 were interviewed again in Wave 3 and, in addition, that some of the CSMs who were not interviewed in Wave 2 agreed to be interviewed again in Wave 3;
- improved data quality standards through the further refinement of Computer Assisted Personal Interviewing (CAPI) software and the development of computer-assisted algorithms for checking data quality;
- refinement of our panel maintenance system to allow us to better track our respondents and manage the relationship with CSMs more effectively; and
- cleaning and releasing the Wave 3 data after fieldwork in the shortest period in the history of NIDS.

These managerial, methodological and operational improvements are noteworthy not only from an organisational point of view. More importantly, they should give users of the NIDS

data confidence in the quality of that data. As the implementing agency of NIDS in Wave 3, SALDRU is committed to providing users with data that are fit for use and which conform to international best practice in survey methodology. Generally, researchers use six criteria to judge how "fit for use" data are: relevance, accuracy, timeliness, accessibility, interpretability and coherence. SALDRU has improved on every one of these six dimensions in Wave 3.

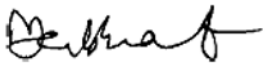
The Wave 3 data were released to the public on 4 September, 2013, with all three waves available for download on the DataFirst website portal (http://www.datafirst.uct.ac.za/catalogue3/index.php/catalog). As at the end of October 2013, there had been 1,473 downloads of Wave 1 data, 2,649 downloads of Wave 2 data and 276 downloads of Wave 3 data.

A crucial accompaniment to the production and public release of NIDS panel data is building the capacity of the South African research community to analyse these data. In 2012, SALDRU introduced a new training course on the analysis of panel data using NIDS. This course was well received and was run twice in 2013. We hope to continue these popular training programmes in the future.

This overview document is based on several research papers that were commissioned to explore findings of the first three Waves of NIDS. We are grateful to authors and contributors, including Cally Ardington, Nicola Branson, Amina Ebrahim, Katherine Eyal, Arden Finn, Julia Garlick, Dineo Kekana, Jim Levinsohn, Vukile Mhlongo, Sibongile Musundwa, Andrew Partridge, David Lam and Vimal Ranchhod. We are also grateful to Martin Wittenberg for once again developing the weights.

Strategic oversight of NIDS comes from our Steering Committee, which has always provided constructive feedback and valuable guidance on everything from operations to methodology. We thank all the members of the Steering Committee for their input.

Finally, the incredibly diligent work of the NIDS staff deserves the highest praise, for collectively they have put together a product of which we can all be proud.



Murray Leibbrandt

Ingrid Woolard

Reza Che Daniels

Principal Investigators for NIDS Wave 3

Main Initial Findings

1. Introduction

In South Africa, moving matters. Between 2008 and 2012, about one in seven respondents in the National Income Dynamics Study (NIDS) uprooted themselves and migrated elsewhere in search of better opportunities during a period of global financial crisis. They moved residence, but also moved in another sense: through successive waves of surveys, conducted for Wave 1 (2008), Wave 2 (2010) and – most recently – Wave 3 (2012) of our investigation into the socioeconomic well-being of individuals and households.

If the scale of their residential migration is surprising, it is food for thought, too, that among those who moved, income grew significantly more than it did for those who stayed, as our analysis of the data shows. The physical acts of moving residence, in other words, led to, and were part of, a number of less visible movements: changes in wage earnings and other income, transitions into and out of employment, mobility relative to the poverty line or to an income category, changes in the patterns of household composition and expenditure, and more.

Gaining an enhanced understanding of dynamics of this kind is a critical step to realising the imperatives articulated in the National Development Plan and New Growth Path, which underscore in particular the need to eradicate poverty, reduce inequality and stimulate employment. As a national resource, NIDS makes a unique contribution to research and evidence-led policymaking in South Africa in that it is the only nationally representative household survey in the country which measures longitudinal change by re-interviewing the same group (or "panel") of respondents every time its team of data collectors goes out to the field.

Whereas cross-sectional surveys collect data in order to make inferences about a population of interest at a single point in time, longitudinal surveys like NIDS perform repeated observations of the same people over time. As its name implies, NIDS is a dynamic instrument that enables us to track and model the pathways that different groups of people follow through their lives, thereby providing us with deepened insight into their experiences and bringing to the fore important trends and processes that could otherwise go unnoticed and unheeded in cross-sectional surveys.

If a national cross-sectional survey offers a snapshot picture of what people in South Africa looked like from a distance at certain point in time, NIDS on the other hand provides a 3D-movie of their lives that (as our account of the labour market in particular shows) lets us step virtually into the shoes of various social groupings, see better for ourselves what the road ahead of them looked like from their point of view, and follow them through their journey as they set off into motion.

There is, for example, no other survey that tracks those leaving a household to their new residence and household. Even if these people move from a deep rural area to a far-off urban area, they are tracked as part of the fieldwork process.

This is a country marked by great poverty and inequality as well as historical spatial divides in which millions of people live remote from areas of economic opportunity; for the many, then, who seek jobs, moving makes sense. The job of NIDS, it could be said, is to make sense of such movement – to describe it, explain it, and learn from it. Moving most certainly matters.

We herewith present a brief report that outlines our introductory analysis of the Wave 3 data seen in conjunction with that of Waves 1 and 2. Our account starts with an overview of poverty dynamics in South Africa, after which we examine several underlying processes that both inform and flow from these dynamics. We use different

thematic prisms in each case, beginning with a look at how economic mobility affects income equality and at the central role the labour market plays in driving such changes; further to this, we devote specific attention to livelihoods in the rural sector, a large and populous sector with a heightened burden of historical inequities.

After having discussed the income-side of the equation, we consider two important areas of expenditure in the individual and household economy: food and education. The share of money that households allocate to food tells us not only how vulnerable their basic physiological survival is to market changes in the price of foodstuffs; it also tells us how much of their budget then remains for securing other resources like housing and, notably, education – notably, because our findings underline the importance of education to gaining, and retaining, employment. While it is well known that the state has introduced pro-poor measures to support access to education, less is known about the impact they have had on household expenditure, a knowledge-gap our study seeks to fill.

The report looks at patterns of income and expenditure and then, finally, turns to what may be regarded in one reading as the "balance brought down", namely the outcomes and consequences these patterns held for people in terms of their health status, migratory behaviour and alterations in household composition. That being said, the latter could be seen equally as drivers of these patterns of change rather than as outcomes, that is, as much the causes of them as the effects.

We thus emphasise that, while it is a practical necessity for these thematic discussions to be rendered in one order of play or another, we are presenting an array of research perspectives on the same phenomena. These perspectives illuminate different aspects of them but do not necessarily enjoy any conceptual priority in respect of each other. On the page, the thematic focus areas appear one after another in linear fashion, but they should best be understood as forming not so much a straight line as a circle – a circle of windows or lenses through which we peer in an attempt to gain a 360-degree view of a society in full, vibrant motion.

Our main findings, which are initial and exploratory, are condensed below and discussed in more detail under the relevant sections of this document:

- **Poverty dynamics:** Over the three waves there is substantial movement around a poverty line of R636 per month measured in 2012 rands. More than a third of those who were poor in Wave 1 escaped poverty by Wave 3, but a substantial proportion of the poor remained in severe poverty. Changes in household composition emerge as strong drivers both of poverty entry and exit. In all three waves, multidimensional poverty was lower than income poverty. Crucially, it implies that the new South Africa is doing better in tackling poverty on multiple fronts and improving standards of living than levels of income alone would suggest.
- **Income inequality and mobility:** Economic mobility is relatively high in the bottom 80% of the income distribution, especially in the middle-ranges. South Africa is still a country of opportunity, and the early indications are that these mobility patterns could be closing the gap in income inequality. Measures of subjective well-being show that many of the poorest think they have a higher economic status relative to others than they really do. However, when comparing short-run expectations with what transpires across each of the first three waves of NIDS, it seems that actual improvements in well-being are not as positive as the expectations suggest. This does not appear to dampen short-term expectations looking forward to the next two years.
- **Labour market movement:** The global recession in 2008/9 saw job losses in South Africa but the trend appears to be positive again, with employment rising slightly and wage

earnings also increasing. However, earnings showed significant volatility, and employment is low among Africans, women and older adults. It is low, too, among youth, despite an increase from Waves 1 to 3. The study confirms that education is vital to employment outcomes.

- **Rural livelihoods:** Agricultural employment in Traditional Authority Areas is very low, and rural households reduced their participation in subsistence agricultural production.
- **Food expenditure**: As theory predicts, poorer households spent smaller sums on food than wealthier ones but devoted larger shares of their budgets to it, thus leaving less money for other expenses like education. However, even wealthier households appear to have begun following this tendency. Further research is necessary to establish whether it is food-price inflation that is driving it or other factors.
- **Educational expenditure:** In a period in which average educational expenditure increased, the no-fee school policy appears to have decreased educational spending in poor households. Recipients of the Child Support Grant (CSG) aged 15-19 years old are 6% more likely to be enrolled at school than non-recipients, suggesting that social assistance grants weaken cost-barriers to educational access.
- **Health:** At every age, the Body Mass Index has increased beyond the level that would have been expected from the age gradient in 2008. This highlights the urgent need to target adolescents and young adults, particularly women, in addressing the obesity pandemic.
- **Moving and staying:** Waves 1 to 3 saw a great degree of residential change, with household income per capita increasing more for migrants than non-migrants and especially for those who moved between 2010 and 2012. Migrants tend to be younger, better educated and more likely to be female than the sample as a whole. For many South Africans, moving is a key component of their strategies for getting ahead in life.

2. Poverty Dynamics

In the current policy milieu there is a growing emphasis on understanding not only the scope of poverty in South Africa but how and why people exit poverty.[1] One of the key features of NIDS is that it enables the research community to model the dynamics of poverty as they unfold over time and thereby develop a body of knowledge that can help to answer these questions.

Using the updated NIDS dataset that incorporates Wave 3 of the survey, our analysis of the country's poverty dynamics between 2008 and 2012 is thus less about working out statistics of overall levels of poverty at different points of time than understanding how the same sample of people moved about over the years relative to the real poverty line. As such, the analysis is restricted to a balanced panel of those who were successfully interviewed in all three waves.

Our findings are discussed in three parts below. First, the rate at which respondents exit poverty is seen to increase from Waves 1 to 3; nevertheless, a substantial proportion of those who were poor in Wave 1 remain trapped in severe poverty, defined as having income less than half of the poverty line. Second, demographic events are important in shaping poverty dynamics, given that changes in household composition are seen to emerge as drivers of poverty entry and exit.

Third, since the analysis takes real monthly household income per capita as the measure of well-being, we also examine how "money-metric" income poverty relates to multidimensional measures of poverty. Multidimensional poverty was found to be lower than income poverty in all waves, and being chronically income-poor did not necessarily mean being multidimensionally poor as well.

Multidimensional poverty is measured in terms of lack of access to education and health as well as to services such as water and energy. These dimensions are crucial to the livelihoods of the poor, and it is good that levels of such multidimensional

poverty are low. However, it seems that access to such resources is not yet translating into higher income flowing into households. We need vigorous employment growth in order to get income-return on the improvements in the non-income aspects of poverty.

2.1 Poverty transitions

2.1.1 Transition matrices

The transition matrices in **Table 1** indicate the changes that members of the panel study experienced in poverty status from Waves 1 to 2, then Waves 2 to 3, and finally Waves 1 to 3, the longest period that the data allow for observation. "Poor" refers to real (2012) monthly household income per capita of less than R636.

- Looking at the transition period from Waves 1 to 2, we see that, of those who were poor in Wave 1, three-quarters were still poor in Wave 2.
- Similarly, a quarter of those who were non-poor in Wave 1 had become poor by Wave 2.
- Of those who were poor in Wave 1, a quarter had exited poverty at Wave 2. That is to say, the poverty exit-rate (poor to non-poor) was just over 25%.
- The transition from Waves 1 to 3 reflect a longer time period, hence the wider rate of poverty entry and exit across all waves. The poverty exit-rate increased from the 25% above to 36%; on the other hand, the entry rate decreased slightly from 25% to 22%.

Overall, we see quite a lot of movement across the R636 poverty line for those who had real incomes that were fairly close to the poverty line to begin with. What is important to note is that the percentages in each cell in Table 1 represent the proportion of those people who, in a previous wave, were either poor or non-poor – in other words, they do not represent different proportions of the sample taken as a whole. This, instead, is what **Table 2** does: it shows which proportion of the entire sample fell, from wave to wave, into one of the four possible category positions.

The main trend this table reveals is that the numbers of those in poverty declined with each transition-period wave. Looking at the transition from Waves 1 to 2, almost 42% of the sample had been poor in Wave 1 and remained so in Wave 2. However, when we look at Waves 1 to 3, that proportion of the whole decreased to less than 36%.

Table 1: Income quintile transition matrices

Wave 1		**Wave 2**	
		Poor	Non-poor
	Poor	74.57	25.43
	Non-poor	24.96	75.04
Wave 2		**Wave 3**	
		Poor	Non-poor
	Poor	66.96	33.04
	Non-poor	20.80	79.20
Wave 1		**Wave 3**	
		Poor	Non-poor
	Poor	63.60	36.40
	Non-poor	21.63	78.37

Table 2: Proportion of balanced sample in each cell

		Wave 2	
Wave 1		Poor	Non-poor
	Poor	41.80	14.25
	Non-poor	10.97	32.98
Wave 2		**Wave 3**	
		Poor	Non-poor
	Poor	35.33	17.44
	Non-poor	9.83	37.41
Wave 1		**Wave 3**	
		Poor	Non-poor
	Poor	35.65	20.40
	Non-poor	9.51	34.44

Table 3: Transitions with two poverty levels

		Wave 2		
Wave 1		Severe	Poor	Non-poor
	Severe	52.86	26.62	20.52
	Poor	30.40	38.48	31.12
	Non-poor	10.41	14.55	75.04
Wave 2		**Wave 3**		
		Severe	Poor	Non-poor
	Severe	41.84	31.66	26.50
	Poor	23.09	36.25	40.66
	Non-poor	7.25	13.56	79.20
Wave 1		**Wave 3**		
		Severe	Poor	Non-poor
	Severe	39.44	30.70	29.86
	Poor	21.10	34.92	43.98
	Non-poor	8.15	13.48	78.37

Table 3 adds nuance to the transition matrices by reporting on "severe" poverty. In terms of the definition provided earlier, someone is considered to be in severe poverty if his or her real (2012) monthly household income per capita is less than half of the poverty line, i.e. R318.

- A significant proportion of those in severe poverty remained in that category irrespective of the transition period. However, the exit rate from severe poverty increased over time.
- Exit rates from poverty were higher in the periods Waves 2 to 3 and Waves 1 to 3 than in the period from Wave 1 to 2.

2.1.2 Poverty pathways

Given that there are three waves, each with two possible states, a balanced panel member could follow one of eight poverty paths. These are represented in **Table 4**, with P standing for "poor" and N for "non-poor"; the column of percentages provides the share of those following one of the paths. Notably, almost 30% of the sample was poor across all three waves; by the same token, 29% stayed non-poor. The third most-common path, experienced by 12%, was "poor, poor, non-poor".

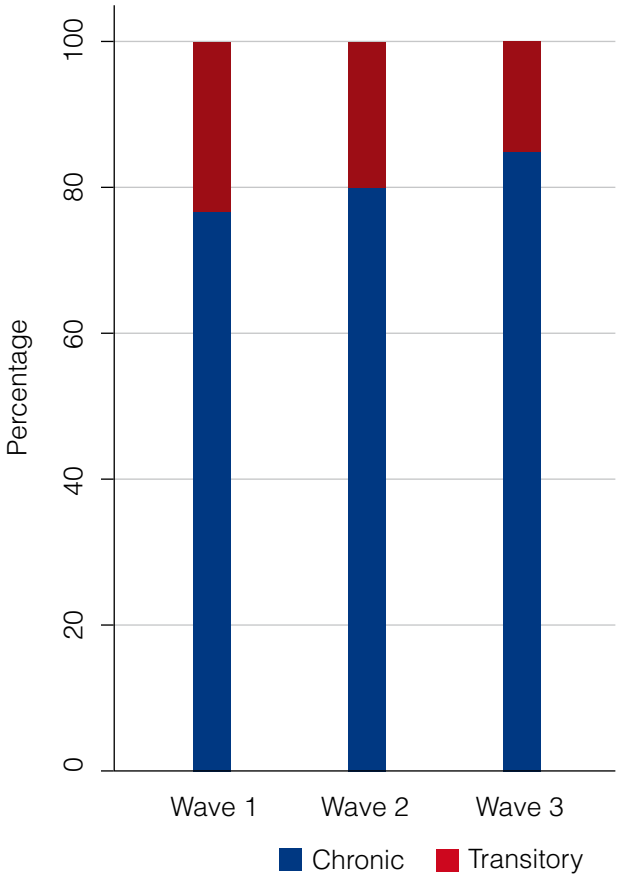


Figure 1: Chronic versus transitory poverty

Table 4: Three-wave poverty paths for the balanced panel

	Percent
PPP	29.59
NNN	29.21
PPN	12.21
PNN	8.19
PNP	6.06
NPP	5.74
NPN	5.23
NNP	3.77

2.1.3 Chronic versus transitory poverty

Since such a large proportion of the sample was stuck in poverty across all waves, it is useful to consider the extent to which the overall poverty rate is made up of chronic as opposed to transitory poverty in each wave. **Figure 1** defines a person as chronically poor if his or her income, averaged over all three waves, is less than R636 in real terms. Accordingly, the figure reports that in Wave 1 the proportion of total poverty made up of the chronically poor stood at a little more than three-quarters. This increased to 80% and 85% in Waves 2 and 3, respectively.

2.1.4 Poverty rates by household type

While the analysis thus far has presented aggregate poverty rates only for individuals, **Figure 2** categorises these respondents on the basis of the type of household in which they live and derives poverty rates for household types accordingly.

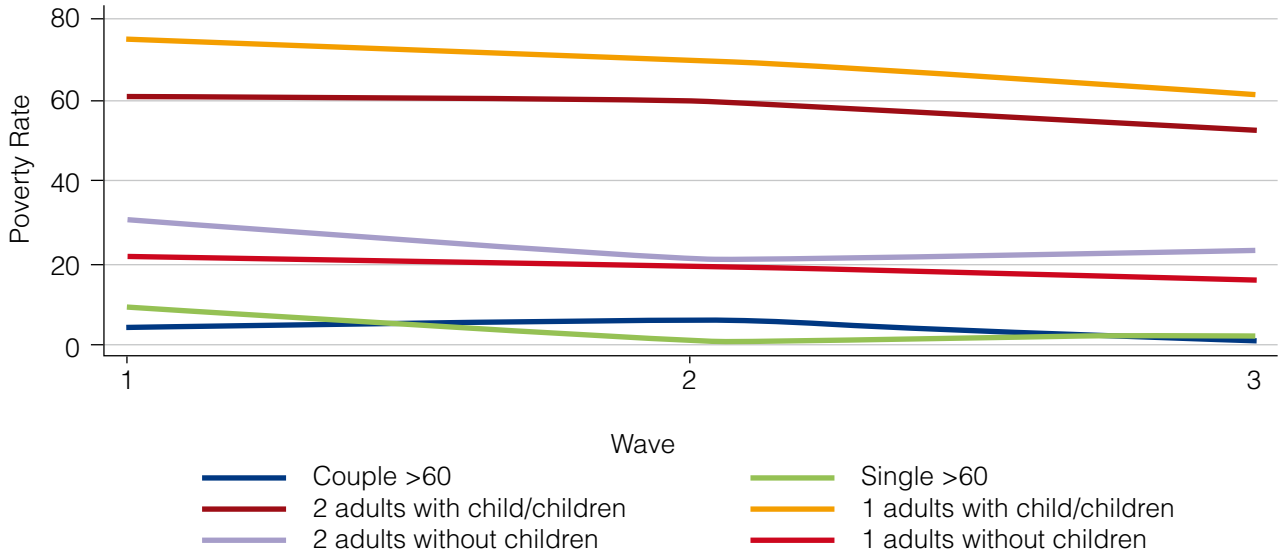


Figure 2: Poverty rates by household type

- Figure 2 provides further evidence of a general trend, namely that poverty rates dropped with each successive wave.
- The highest poverty rates are found in the most common household type, those with one or two adults and at least one child.
- Seventy-five percent of single-parent households were in poverty in Wave 1, with the rate dropping to about 60% in Wave 3.
- Couples over the age of 60 had the lowest poverty rates across Waves 1 to 3.

2.1.5 Factors linked to poverty transition

Further analysis of poverty transitions shows that certain variables of interest are associated with increased vulnerability to poverty entry and/or a lower probability of poverty exit. Our findings include the following:

- Adding one person to the household size increases the chances of poverty entry by 2%, and larger households are correlated with lower probabilities of poverty exit.
- Females were more likely than males to transition into poverty between Waves 1 and 2, but not between Waves 2 and 3.
- Africans were generally more likely to enter poverty than other population groups.
- Having at least one employed person in a household gave protection against poverty of 13 to 18 percentage points.

Findings such as these suggest that household-level circumstances, and changes within them, are critical factors in transitions into and out of poverty. The discussion thus turns to examine key trigger events associated with poverty dynamics.

2.2 Trigger events

Given that the welfare measure in use is real monthly household income per capita, we can expect changes either through the denominator (demographic events) or the numerator (income events). This line of reasoning is applied in **Table 5**, which assesses the relative importance of these two kinds of events to poverty entry and exit.

The income events listed in the table are self-explanatory. Demographic events refer to changes in household headship or composition that typically arise when one or more people enter or leave the household due to birth, migration or death.

Table 5: Trigger events and poverty entry and exit

	Poverty entry			Poverty exit		
	W1 to W2	W2 to W3	W1 to W3	W1 to W2	W2 to W3	W1 to W3
Demographic						
Head and composition change	37.29	43.66	55.99	40.02	47.16	53.92
	(797)	(809)	(887)	(1003)	(1789)	(2237)
Needs > money	8.67	5.51	10.32	3.27	0.36	3.28
	(182)	(119)	(177)	(55)	(20)	(76)
Demographic share	45.96	49.17	66.31	43.29	47.52	57.20
Income						
Head labour earnings	13.11	9.87	7.85	12.7	11.61	9.36
	(230)	(146)	(134)	(287)	(334)	(320)
Spouse labour earnings	0.79	6.37	2.00	3.80	2.62	2.13
	(28)	(72)	(46)	(86)	(93)	(104)
Other labour earnings	12.39	14.35	6.94	21.81	16.55	15.99
	(302)	(222)	(150)	(532)	(610)	(651)
Remittances	8.94	4.05	7.36	3.35	5.60	3.09
	(195)	(76)	(162)	(95)	(172)	(128)
Grant income	9.64	5.60	6.46	8.32	9.15	8.22
	(248)	(129)	(117)	(308)	(382)	(370)
Inconclusive	9.16	10.59	3.08	6.74	6.97	4.01
	(132)	(172)	(87)	(163)	(189)	(133)
Total	100	100	100	100	100	100
Observations	2114	1745	1760	2529	3589	4019

In the table, the first category of "head or composition changed" hence includes headship changes as well as other shifts in household formation. The second category, "Needs > money", relates to cases where headship did not change but composition did. If the proportional change in household needs was greater than the proportional change in income, then this trigger event was assigned to all individuals in the household.

- **Table 5** indicates that demographic events were increasingly correlated with transitions into and out of poverty. Between Waves 1 and 3, two-thirds of individuals entering poverty, and 57% of those exiting it, experienced demographic change in the household.
- In the category of income events, for 13%, 10% and 8% of the sample, the primary trigger for poverty entry was a fall in the household head's labour market earnings.
- Receiving additional income through social grants is generally a larger trigger of poverty exit than losing it is a trigger of poverty entry. This suggests that the means tests used for social grants constitute a highly effective poverty-targeting system.

- Grant income shows more importance as a trigger of poverty exit than remittance income.

2.3 Poverty measures

Our study is principally concerned with income poverty and thus approaches socioeconomic deprivation from a money-metric perspective. However, to enhance the analysis we also deploy a multidimensional poverty index (MPI) containing nine indicators spread over the three dimensions of education, health and living standards.

Briefly, the MPI poverty rates for the balanced panel matched the falling rates for income poverty. In the period Waves 1 to 2, about 57% of those in Wave 1 who were not deprived on any indicator stayed in this condition in Wave 3, whereas just fewer than 3% of the sample experienced severe multidimensional poverty throughout the period.

In addition, the study examines the interaction between income poverty transitions and multidimensional poverty transitions. A similar trend emerges across all transition periods, which is that about half of those of who were non-MPI-poor in both waves were also non-income-poor in the same waves. It is also the case that 23-28% of those who were never multidimensionally poor were nonetheless income poor in both waves.

This speaks to the fact both that the income poverty headcount ratio was higher than the MPI headcount in each wave and that income poverty does not necessarily imply deprivation in other measures of well-being. Crucially, what this implies is that the new, redeveloping South Africa is faring better in addressing poverty on multiple fronts than measures of income alone suggest.

3. Income Inequality and Mobility

Income inequality and economic mobility are usually studied in isolation from one another as separate processes, but in South Africa there is special relevance to examining how they interact with each other.[2] NIDS provides data that enable us to study this critical interaction. In a society with high inequality, the degree of economic mobility people experience over time may impact on socio-political stability and demands for redistribution of wealth. Greater and upward mobility, in other words, may be coupled with increased tolerance for income inequality, and lower mobility, with decreased tolerance.

Using three waves of NIDS, we investigate the relationship between these processes in order to understand the extent to which economic mobility is equalising incomes in South Africa.

In this context "mobility" does not refer to physical or migratory activity. In much the same way as our examination of poverty dynamics looked at movement along the income distribution, we are concerned again with shifts in income. However, whereas the previous analysis considered how people moved above or below the real poverty line, the focus in this case is not on absolute but relative mobility. Our procedure is to slice the distribution of income amounts into five equally-sized sections, or quintiles, and show how people moved relative to others in the distribution and relative to their positions in previous waves in NIDS.

The findings are that while economic mobility is extremely limited among the top 20% of the income distribution, it is relatively high in the bottom 80%. Nevertheless, given the nature of the South African income distribution, one in which small losses or injections of income can make a big difference to those in lower-income quintiles, it is uncertain whether higher mobility is necessarily damping income inequality, understood as a measure of the spread of income across a group.

A provisional comparison of two sets of Gini coefficients – the one based on the NIDS data as seen in cross-sectional terms, the other, as seen in longitudinal terms – suggests that the underlying processes of economic mobility are making small yet beneficial inroads towards reducing inequality.

In addition, the NIDS data on subjective well-being point to possible reasons why demands for redistribution are low. Respondents frequently misjudge their actual economic status relative to others in the country, with most of the richest people believing they are worse-off than their income ranking suggests and about 70% of the poorest in turn thinking they are better-off.

South Africans are also generally optimistic about their future prospects, but often to the point where expectations of improved economic status are higher than what subsequent waves of NIDS show to transpire. They are, in this sense, unrealistic.

3.1. Economic mobility

The transition matrices in **Table 6** show how members of the sample stayed in, or moved into and out of, income quintiles between Waves 1 and 2, Waves 2 and 3, and then Waves 1 and 3, the longest transition period and the one on which the discussion concentrates.

- About 40% of people who were in quintile 1 in 2008 (Wave 1) are still there in 2012 (Wave 3). Just more than a quarter move up into quintile 2, while 18% shift places into quintile 3.
- Mobility (both up and down) was higher for quintiles 2, 3 and 4 than quintile 1, which is partly to be expected, given that if those in quintile 1 move anywhere it can only be in one, upwards direction. For those in quintile 5, the highest income group, the opposite is true: if they move out of their quintile, it can only be in a downward direction.
- Mobility in quintile 2 tended to be over short distances, be they up or down, but in quintile 3 downward movement was pronounced, with 46% of the sample dropping by either one or two positions.
- For those who were in the highest quintile in Wave 1, there was very little mobility: almost 70% remained in their starting position.

Overall, the table indicates relatively high mobility at the bottom of the income distribution,

Table 6: Quintile transition matrices

Wave 1 quintiles		Wave 2 quintiles					
		1	2	3	4	5	
	1	42.58	28.58	16.08	10.36	2.40	100
	2	25.80	32.07	22.48	16.39	3.26	100
	3	21.00	25.78	31.55	17.71	3.96	100
	4	8.43	11.33	24.14	37.79	18.31	100
	5	2.30	2.12	6.03	17.52	72.03	100

Wave 2 quintiles		Wave 3 quintiles					
		1	2	3	4	5	
	1	44.71	25.70	17.86	9.54	2.19	100
	2	26.78	32.55	24.60	13.17	2.90	100
	3	18.30	24.25	31.09	21.68	4.67	100
	4	8.14	14.61	22.18	35.98	19.09	100
	5	2.00	2.87	3.92	19.80	71.40	100

Wave 1 quintiles	Wave 3 quintiles					
	1	2	3	4	5	
1	39.53	26.55	17.97	11.72	4.23	100
2	28.58	28.31	25.21	12.46	5.44	100
3	18.76	27.01	30.49	18.71	5.03	100
4	9.49	15.17	20.67	37.78	16.90	100
5	3.60	3.02	5.40	19.37	68.62	100

which contrasts with the relatively low mobility at the top. While this picture of high mobility in low quintiles stands to challenge stereotypical notions that poorer South Africans are frozen in a state of hopeless destitution about which nothing can be done, certain realities should be kept in mind about the nature of the income distribution.

At the higher end of that distribution, money counts in lots of large amounts; at the lower end, it counts in a shorter range of far smaller denominations. The distribution, that is to say, has a long upper tail and is compressed at lower levels, which means that while it is possible for a person in quintile 5 to lose a great deal of money yet stay in that relative income bracket, someone in quintile 2 could rise or fall more fluidly into a different position with the gain or loss of what is by comparison a negligible amount of income. This resonates with the picture of mobility that we painted earlier with regard to the movements across a poverty line of R636 per capita per month.

The implication of Table 6 (as well as other data analysis not reported here) is that economic mobility in the bottom quintiles might not feed through to lower levels of long-term inequality. The implication holds a question, to which we now turn: Does the combination of relatively high mobility yet relatively small material gains seen between waves make any incremental difference to larger inequalities in South Africa?

3.2 Income inequality

As a longitudinal study, NIDS is well suited to addressing this question, a capacity which is set to improve as further waves of information are collected and added to an evolving, long-range dataset. Repeated cross-sectional measures of inequality are a good place from which to start, yet the picture they provide is static and tends to miss underlying processes that might actually be reducing the inequality of longer-run incomes.

Tables 7a and 7b report on preliminary work on Waves 1 to 3 and serve to illustrate the differences. In each, Gini coefficients of inequality

Table 7a: Inequality in full population (cross-sectional)

Income	W1 Gini	W2 Gini	W3 Gini
	0.69	0.68	0.67

Table 7b: Inequality in balanced panel (longitudinal)

Income	W1 Gini	W2 Gini	W3 Gini	Total Gini
	0.688	0.674	0.660	0.656

have been derived from household income per capita, but whereas Table 7a is a cross-sectional view of the full sample irrespective of whether the respondents were re-interviewed over the three waves, Table 7b presents a longitudinal view based on the sub-sample of those respondents who were successfully re-interviewed.

From the Gini coefficients in Table 7a it appears that income inequality is stubbornly high and persistent. Table 7b, however, offers a slightly more nuanced picture. Although the differences in value are small and as yet provisional on further investigation, the Gini coefficients here suggest that, during the three waves, economic mobility had a mildly palliative effect on inequality in South Africa. (The suggestion is echoed is by an estimated Shorrocks rigidity index of 0.975 for this sample, which indicates that mobility had a small equalising effect on longer-run incomes.)

3.3 Subjective well-being

Income inequality remains extremely high; at the same time, demands for redistribution are relatively low. One set of possible reasons for this is provided by our examination of subjective well-being, which indicates that respondents typically misperceive the reality of where they stand in the economy in relationship to their peers.

NIDS includes a number of questions asking individuals to assess their economic status. Using a six-step ladder – with the bottom step representing the poorest people in the country and the top, the wealthiest – respondents are asked what step they think their household occupies; they are also asked, inter alia, on what step they expect to rank in two and five years' time.

The questions thus capture information about how respondents perceive their economic status relative to others in South Africa and in relation to the rank they expect to hold in the future.

Since it is a relative ranking, if everyone had perfect information about their living standards relative to the rest of the country there would be roughly equal numbers of people on each rung of the ladder. However, their perceptions are significantly different. Forty-five percent of respondents, for instance, perceive themselves on the bottom two rungs, while another 39% believe they are on the third rung. In other words, 84% of individuals think they live in the poorest 50% of households.

Figure 3 makes apparent the divergence between self-perceived relative status and income ranking (the latter is shown on the x-axis in terms of monthly income per capita using 2012 prices). At one end of the spectrum, the majority of the richest people believe they are on the third or fourth rung instead of the sixth; at the other end, almost 30% of the poorest correctly believe they are on the lowest rung, while the remaining 70% believe their economic status is higher than what it is.

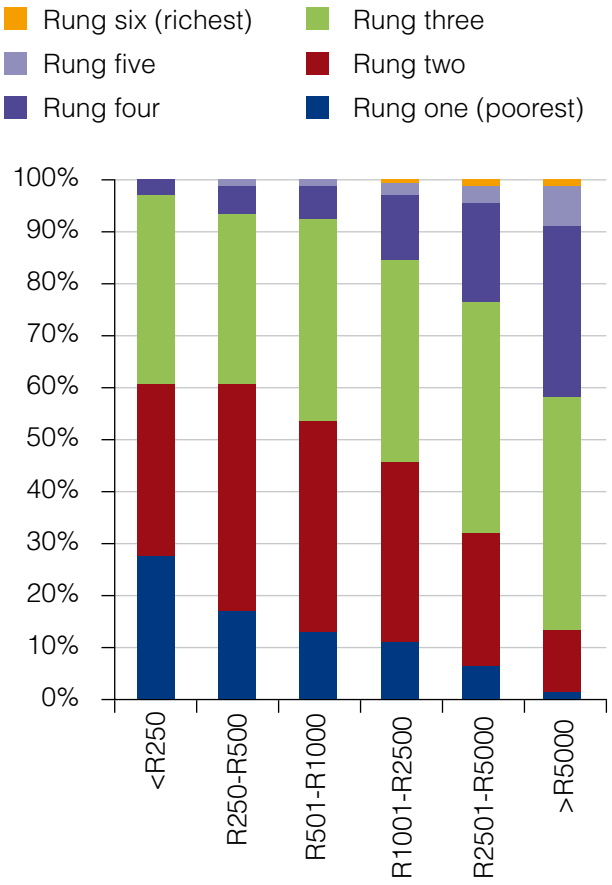


Figure 3: Self-perceived economic status relative to others in South Africa

The ladder question has been asked in all three waves of NIDS. One-third (34%) of the respondents indicated the same rung of the ladder in Waves 1 and 3; 22% indicated they had gone down one rung; and 11% said they dropped by more than one rung. In 2012, 33% indicated a higher rung than in 2008, with the most (23%) moving themselves just one rung higher.

However, South Africans are very optimistic about the future. On average, respondents said they expect to move 0.7 rungs ahead in the next two years and 1.4 rungs ahead within the next five; 63% expect to move up at least one rung in the next two years, and 82% expect to do so in the next five years. Given that this is a relative distribution, these expectations are unrealistic.

4. Labour Market Movement

The labour market is probably the most important mechanism through which individual and household welfare is determined.[3] As previously noted in this report (*see 2.2 Poverty triggers*), for an average of 10% of the sample across the three waves of NIDS, a primary trigger of poverty entry was a fall in the household head's labour market earnings. Economic mobility can drive the long-term reduction of income inequality, thus contributing to social stability. Moreover, fluctuations in wage earnings – that subset of income which is derived from the labour market – are generally linked to economic mobility within the population and the further consequences which this sets in motion.

In this section, we report the key findings of our analysis of the data relating to employment status and wage earnings; to the employment trajectories the sample followed across waves; and, lastly, to earnings volatility.

An understudied subject in South Africa's research literature, earnings volatility refers to the size and speed of the changes in wages (upwards or downwards) that workers experience in a given time period. If one bears in mind that loss of employment decreases earnings to zero and gaining it raises earnings above zero, the conceptual interlinkage between employment status, wages, trajectories and earnings volatility becomes apparent.

We begin by presenting cross-sectional estimates of employment and earnings for Waves 1 to 3, after which we shift to a longitudinal, "within-person" perspective. This enables us to follow the employment trajectories of different groups of people through a short, four-year period of their life-cycles.[4] Note that our sample is selected based on their Wave 1 characteristics, and the age restriction was that people were aged 16 to 64 in Wave 1. Since we are following the same people over time, any observed changes reflect changes in the labour market as well as any changes experienced by the sample as they age with time.

4.1 Employment status and earnings

Table 8 presents the overall employment status and wage earnings of the balanced sample over three waves of NIDS, in addition to which it presents statistics for a selection of key groups. For the sake of clarity, "employment" in this context does not distinguish between the many forms of employment (including regular, casual and self-employment) that were amalgamated in this table.

- The global recession in 2008/9 saw some job losses in South Africa but the trend appears to be positive again, with employment rising from 45% in Waves 1 and 2 to 49% in Wave 3 (2012) and wage earnings also showing an increase.
- However, employment remains low among Africans and women. It is low, too, among youth. In contrast, the percentage of older adults (those aged 50-64 years old in Wave 1) decreases from 47% in Wave 1 to 33% by Wave 3, as many of these people retire from the labour market.

Table 8: Comparison of proportion employed and mean earnings

Variable		Wave 1		Wave 2		Wave 3	
		Cross-Section	Panel	Cross-Section	Panel	Cross-Section	Panel
Overall sample	prop. employed	0.450	0.453	0.401	0.452	0.457	0.492
	mean wages	1875.77	2171.26	1726.86	2160.38	2139.79	2595.19
Age groups							
Youth	prop. employed	0.295	0.263	0.293	0.323	0.397	0.416
	mean wages	657.46	706.53	785.41	942.09	1337.73	1433.32
Prime-aged	prop. employed	0.615	0.630	0.548	0.603	0.588	0.628
	mean wages	2963.94	3001.72	2665.58	3202.16	3128.69	3712.37
Older adult	prop. employed	0.469	0.469	0.366	0.386	0.329	0.333
	mean wages	2545.66	3677.80	2157.81	2519.11	2088.68	2622.35
Race							
African	prop. employed	0.414	0.415	0.369	0.418	0.432	0.469
	mean wages	1124.16	1294.83	1185.17	1500.90	1584.69	1821.91
Gender							
Male	prop. employed	0.551	0.564	0.485	0.548	0.549	0.591
	mean wages	2901.88	3180.06	2414.62	2922.70	2955.44	3520.20
Female	prop. employed	0.369	0.357	0.337	0.369	0.387	0.406
	mean wages	1182.33	1300.57	1189.33	1502.41	1510.63	1796.80
Education							
< Matric	prop. employed	0.376	0.373	0.347	0.363	0.390	0.409
	mean wages	687.949	823.207	896.096	927.562	980.121	1180.49
Matric	prop. employed	0.529	0.553	0.384	0.572	0.495	0.628
	mean wages	2258.60	3026.12	1675.10	3089.86	2255.67	3610.54
Some tertiary	prop. employed	0.768	0.778	0.713	0.798	0.691	0.772
	mean wages	8512.98	9041.5	6909.43	8190.65	6855.85	9602.84
Location							
Rural	prop. employed	0.341	0.324	0.283	0.325	0.341	0.382
	mean wages	602.001	714.21	729.900	891.618	1060.74	1188.03
Urban	prop. employed	0.514	0.525	0.478	0.522	0.528	0.553
	mean wages	2541.37	2984.24	2366.594	2868.292	2785.367	3380.325

The findings highlight the importance of a matric qualification to labour market entry: matriculants were 22 percentage points more likely to be employed in Wave 3 than those without one. Of those with some tertiary education, 77% were employed.

4.2 Employment transitions

Having adopted a bird's-eye-view of the employment situation between Waves 1 and 3, we consider it from a "within-person" perspective in order to understand the varying routes that people took in their interactions with the labour market. **Figures 4–7** present, then, the employment trajectories that particular groups followed after Wave 1 as they moved into Waves 2 and 3.

The figures can be explained as follows. A person in the sample at Wave 1 faces four possible outcomes in the path ahead. Where E is "employed" and N, "not-employed",[5] the outcomes were EE, EN, NE and NN. In the case of EE, for instance, she is employed in both Wave 2 and Wave 3. Similarly, in EN she is employed in Wave 2 but not employed in Wave 3; and so on.

Looking at **Figure 4,** which describes the sample as a whole, the starting-position in Wave 1 is either "employed" or "not-employed" (see the bottom of the graph). Of the 55% who were not employed in 2008, the majority of them (63%) remained without employment in Wave 2 as well as Wave 3 (NN), while only 12% had the opposite experience of being employed in both these waves. Turning to the second bar in the graph, of the 45% of people who were employed in Wave 1, 63% were employed in the two successive waves (EE). In this case, only 14% took the NN trajectory.

A further way to interpret the graph is to think of the red block (NN) as connoting **stable unemployment**; the orange (NE) and green (EN) blocks, **unstable employment**; and the blue (EE), **stable employment**. From a welfare perspective, the desired picture is one with large blue blocks and only tiny red blocks.

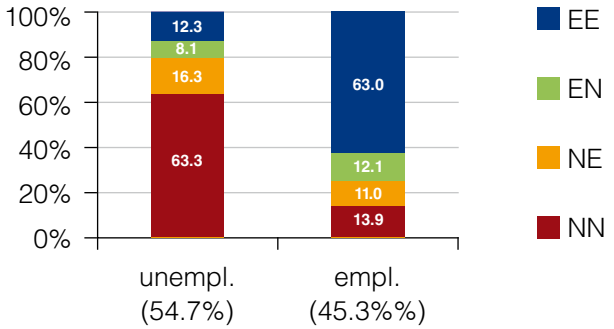


Figure 4: Transition probabilities over W2 and W3, by W1 status

Figure 4 tells us, inter alia, that:

- Approximately one-quarter of the unemployed find unstable employment, while about 23% of those not-employed in Wave 1 fall into unstable employment: of concern is that only about one in eight unemployed people transition into stable employment in Waves 2 and 3.

Employment transitions by age group (**Figure 5**) reveal the following trends:

- Stability of both employment and lack of employment is high among youth, who are potentially still studying and also have difficulty entering the labour market.
- A lack of employment is challenging for prime-aged adults, but with just below 70% of those who were originally employed remaining in stable

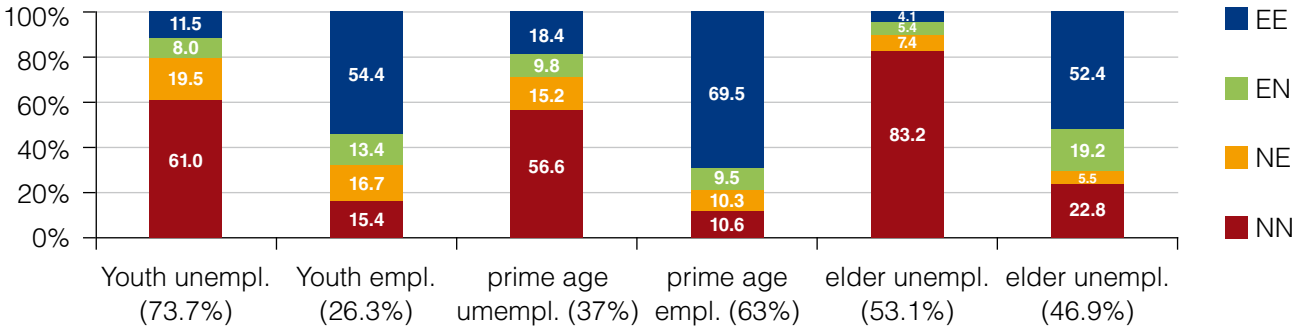


Figure 5: Transition probabilities by age group over W2 and W3, by W1 status

employment, their situation is considerably better than it is for youth, of whom only 54% remain in stable employment.

- As people get older and drift into retirement, the chances of finding stable employment decrease substantially.
- Overall, remaining in stable unemployment starts out high for youth, decreases to about 56% for unemployed prime-aged adults, and increases to 83% for older adults.

Figure 6 shows strong gender differences in employment transitions. Women are less likely than men to find employment, and if they do, are less likely to find stable employment. Similarly, they are more likely to lose employment, and when they do, are more likely to experience stable unemployment.

Figure 7 is striking for its visual pattern, one that depicts a clear gradient in the association between educational level and labour market outcomes.

- More than two-thirds of those who have less than a matric and are unemployed in Wave 1 are also unemployed in Waves 2 and 3.
- The comparable fraction of those who are not employed respondents in Wave 1 but do have a matric is about 50%, a figure that decreases to 38% among the Wave 1 not-employed who have some tertiary education. Note, however, that the latter is not as positive as it may sound. It still means that more than one in three respondents remains in stable non-employment despite having a higher level of education.
- Of those who were employed in Wave 1 and had less than a matric qualification, only 55% remain in stable employment, whereas the corresponding percentages for those with a matric and those with some tertiary education are 71% and 79%, respectively.
- Education helps people find employment and is strongly linked to stable employment.

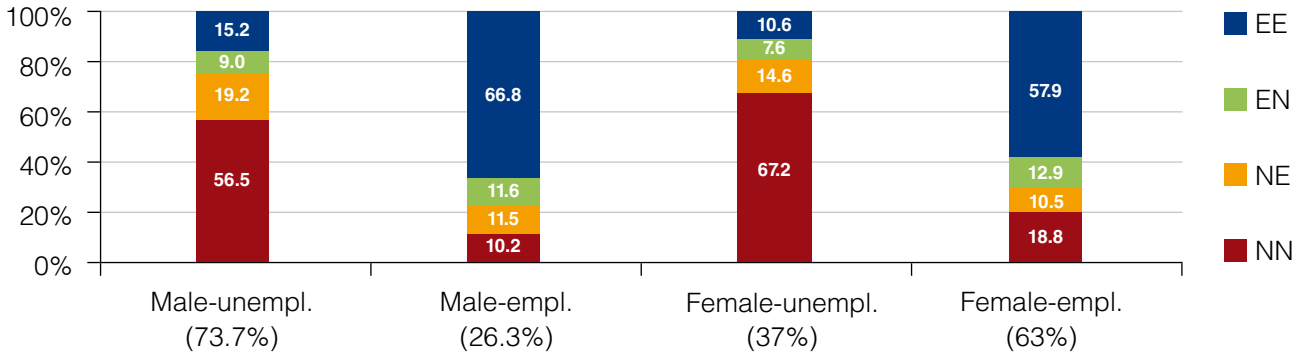


Figure 6: Transition probabilities by gender over W2 and W3, by W1 status

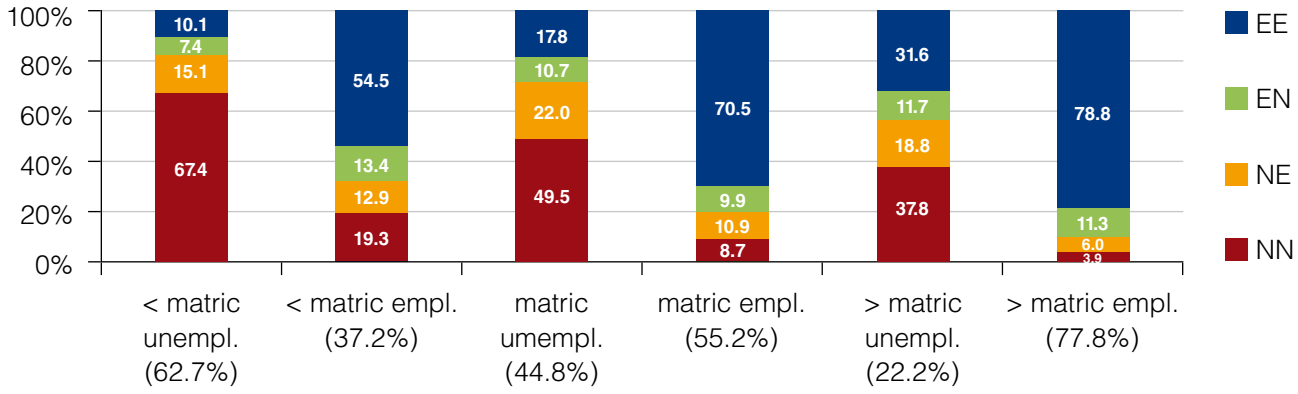


Figure 7: Transition probabilities by education over W2 and W3, by W1 status

Table 9: Earnings volatility (within-person)

	Mean standard deviation	Mean coefficient of variation
Entire Sample	1433.3	0.641
Age distribution		
% youth (16 - 29)	890.0	0.660
% prime aged (30 - 49)	1718.5	0.657
% older (50 - 64)	2050.6	0.550
Race		
% African	1037.3	0.645
Gender		
% male	2032.9	0.683
% female	915.8	0.603
Education		
% < matric	716.1	0.625
% matric	1983.9	0.703
% some tertiary	4925.0	0.629
Location		
% rural	687.4	0.603
% urban	1849.5	0.661

4.3 Earnings volatility

Table 9 presents the earnings volatility across Waves 1 to 3 for each of the groups discussed previously, and includes a breakdown for those living in rural or urban areas. Volatility is measured in terms of mean standard deviations and coefficients of variation, measures which – in very plain language – give a general picture of how loosely or tightly the wage values of an individual in the NIDS panel are clustered together over time.

- The mean overall standard deviation is large, at R1,433. Given that the mean earnings were between R2,100 and R2,600 per month, the standard deviation lies between 50% and 66% of the means. This indicates substantial volatility in earnings in the labour market.
- Although people experience more earnings volatility as they grow older, much of it has to do with the fact that they have higher wages than younger people when they are employed.
- Africans experience less earnings volatility than the sample as a whole when measured by the standard deviation, but similar volatility to it in terms of the coefficient of variation.
- While men have better employment prospects and earnings than women, they also have greater earnings volatility.
- Higher education levels are associated with a greater standard deviation in wages.
- Earnings volatility is lower in rural than urban areas.

5. Rural Livelihoods

This section presents the major findings of our examination into rural livelihoods.[6] It serves to expand upon the preceding discussion of the labour market, with its focus on productive, income-generating activity, by attending in more detail to how livelihoods are sustained within a crucial area of historical marginalisation in South Africa, namely, the rural sector.

Table 10: Rural employment composition

Rural SA's Economic Sectors	QLFS: Annual Average Shares			NIDS Employment Shares		
	2008	2010	2012	2008	2010	2012
Rural Formal						
Agriculture	50.69%	47.85%	52.50%	34.98%	31.89%	23.36%
Mining	4.28%	3.87%	4.12%	2.44%	3.01%	3.26%
Manufacturing	4.89%	4.94%	5.99%	14.05%	7.81%	9.68%
Utilities	0.99%	0.68%	0.67%	0.55%	1.32%	1.72%
Construction	4.08%	5.97%	3.18%	2.98%	4.86%	2.82%
Wholesale and retail trade	11.23%	9.97%	9.87%	7.18%	7.18%	13.06%
Transport	1.59%	2.14%	1.92%	2.81%	2.30%	5.20%
Finance and business services	2.52%	3.91%	3.42%	1.73%	2.66%	5.13%
Community and social services	7.59%	8.90%	6.63%	3.54%	12.86%	8.86%
Private households	12.15%	11.78%	11.71%	10.03%	9.76%	8.54%
Other (not elsewhere classified)	0.00%	0.00%	0.00%	19.71%	16.35%	18.37%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Traditional Authority Areas						
Agriculture	6.44%	6.02%	5.73%	3.52%	3.91%	4.66%
Mining	3.39%	4.15%	4.30%	4.08%	4.38%	7.36%
Manufacturing	9.96%	8.62%	8.14%	4.58%	3.15%	2.87%
Utilities	0.50%	0.49%	0.62%	0.12%	0.87%	0.41%
Construction	10.87%	10.99%	11.47%	3.74%	6.01%	4.78%
Wholesale and retail trade	26.76%	25.86%	25.29%	5.78%	8.51%	8.58%
Transport	5.00%	5.54%	4.84%	1.84%	2.61%	3.88%
Finance and business services	6.13%	5.84%	6.28%	2.94%	3.78%	3.90%
Community and social services	20.44%	21.69%	23.11%	13.29%	21.39%	18.56%
Private households	10.52%	10.78%	10.21%	5.20%	6.94%	6.56%
Other	0.01%	0.00%	0.01%	54.91%	38.44%	38.46%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

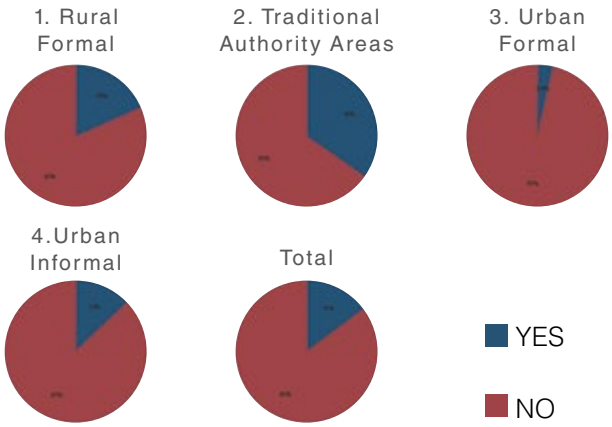


Figure 8: Household participates in (non-employment) agricultural activity: W1

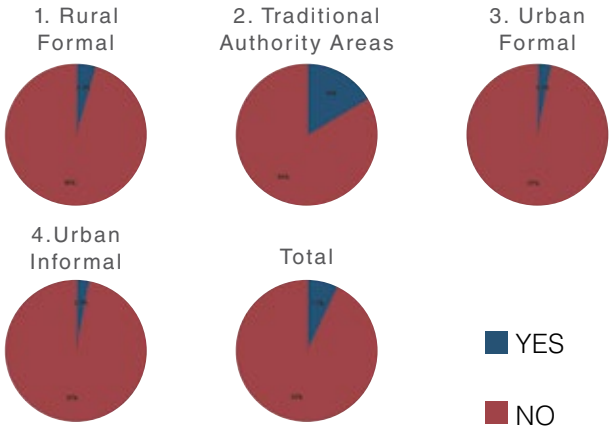


Figure 9: Household participates in (non-employment) agricultural activity: W2

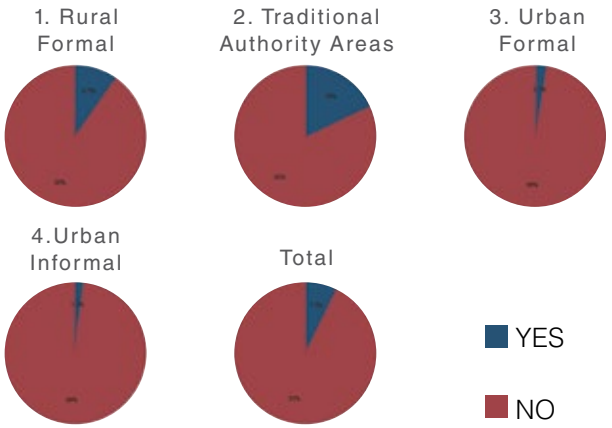


Figure 10: Household participates in (non-employment) agricultural activity: W3

5.1 Employment composition

For rural employment, the NIDS data in **Table 10** show similar magnitudes to the Quarterly Labour Force Survey (QLFS) in most sectors but a very different employment composition in others, such as construction and wholesale and retail trade in Traditional Authority Areas (TAA). The general underestimation in NIDS is due in part to the large percentage of observations that are not classified.

An important finding is that agricultural employment in TAAs is generally very low, averaging 6% in the QLFS data and 4% in NIDS. Instead, rural employment in TAAs seems to be dominated by wholesale and retail trade and community and social services. In formal rural areas, farming is the main employer, followed by wholesale and retail trade and private household employment.

5.2 Household agricultural activity

The participation of households in subsistence agricultural activity is a significant indicator of rural livelihoods. **Figures 8–10** indicate that participation in non-employment agricultural activity is more prominent for those households living in TAAs. Rural formal households also participate in agricultural activities, more so than their urban counterparts but less than those households in TAAs. Specifically, 35%, 16% and 18% of households in TAAs participated in agricultural activities in 2008, 2010-2011 and 2012, respectively. This large reduction suggests that households reduced their participation in subsistence agricultural production between 2008 and 2012. The reasons are unclear at the moment.

6. Food Expenditure

In the previous sections of this report we focused on questions of household income; in this section and the next (*see 7. Educational Expenditure*), we turn to two key areas of expenditure: food and education.[7]

Examining patterns of food expenditure (and dealing with it first) makes sense for two reasons.

First, because food serves a primary, life-sustaining physiological need, expenditure on it is integral to every household. It has the greatest implications for well-being out of all expenditure categories, and thus speaks foundationally to national poverty-alleviation objectives.

Second, food expenditure – or the share of total household expenditure devoted to it – is a proxy for the general welfare of the household. In plainer terms, it is the smoke that tells us there is fire and how much fire there is.

Wealthy households might spend a lot of money on food items, but the magnitude of the expenditure is deceptive because it will tend mainly to be due to the choice of the items and their comparative luxuriousness. In reality, despite the amount of the expenditure in absolute terms, that expenditure, in relative terms, typically makes up only a small part of overall household spend, with much of the rest of it going to housing, transportation, education and the like.

By contrast, poor households will spend what looks like a comparably tiny amount of money on food, but in this case it is usually the single-largest expense for the household, one leaving little left over for items such as rent or (to point again to the next section) education.

In economics, these tendencies are formalised in what is known as Engel's law, which states that while food expenditure is an increasing function of income (the more the income, the more the absolute expenditure on food), the share of income spent on food decreases with income (the less the income, the greater the share given to food and little else).

Food shares are predicted to decline as households become wealthier, and they have been used in economics as a simple proxy for household welfare. Thus, the poorer the household, the higher its share of expenditure on food.

Figures 11–13 plot the percentage of total expenditure devoted to food across all households

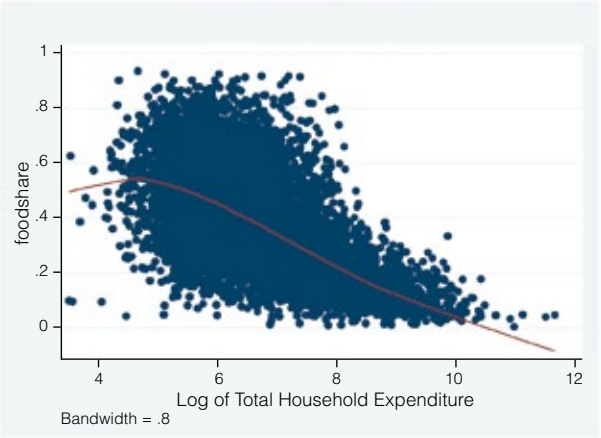


Figure 11: National Engel curve – Wave 1

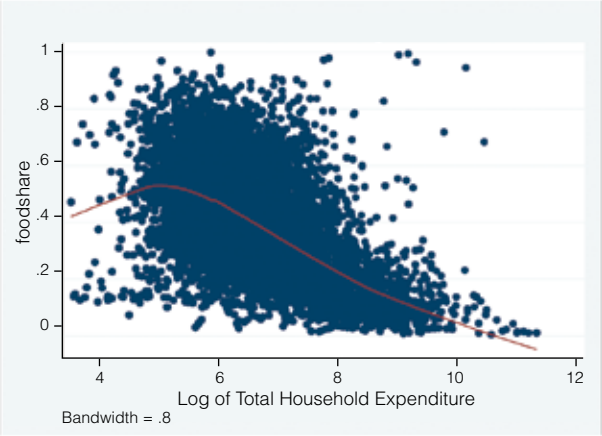


Figure 12: National Engel curve – Wave 2

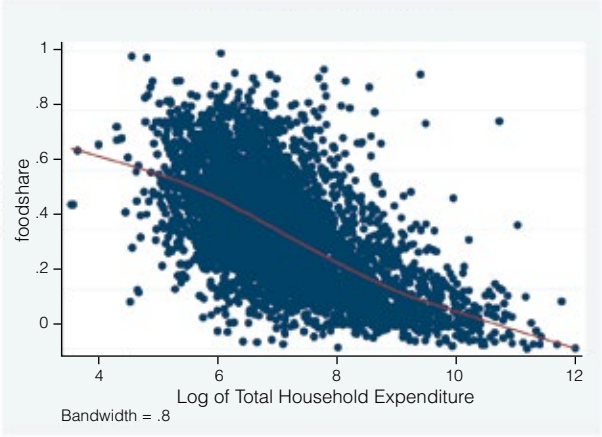


Figure 13: National Engel curve – Wave 3

in NIDS and across three waves. On the vertical axis, they show the percentage of expenditure on food compared, on the horizontal axis, to the logarithm of total household expenditure per capita.

- In Wave 1 there was less variation about the overall downward trajectory in food expenditure, while in Waves 2 and 3 there is increasing variation about the trend.
- In Wave 2, far more high-expenditure households also spend close to all of their expenditure on food. The trend persists in Wave 3, suggesting that even richer households shifted spending away from other essential goods and services towards food. This is likely a reflection of the high levels of food-price inflation in South Africa (and, indeed, globally) over the past few years.
- The trend above is fertile ground for further research using NIDS data, for it might also be due to the effect of outliers or measurement error (even though the robustness of the finding across both Waves 2 and 3 would seem to suggest otherwise).

7. Educational Expenditure

Since 1994 South Africa has worked to redress massive inequalities in education funding and provide all learners with quality education, yet despite the introduction by the state of pro-poor subsidies and various school-fee exemptions, little is known about what they mean for individual household budgets or decisions about enrolment.

Understanding these dynamics is especially important for realising long-term developmental goals. While the country has high enrolment levels until late secondary school, completion rates thereafter are low, a blockage which is in part attributable to resource constraints. Learners who are not enrolled at school most commonly cite job search or a lack of funds as the reasons for non-attendance, which indicates that household budgets are insufficient for covering educational costs, particularly those over and above school fees. Conversely, it suggests that social transfers such as the CSG make a critical difference in improving school attendance and eventual completion.

As such, our initial analysis of the NIDS dataset incorporating data at Wave 1 (2008), Wave 2 (2010) and Wave 3 (2012) proceeds on two fronts. In the first, we examine patterns of household educational expenditure over time, and, in the second, the impact of the CSG, as a major social assistance grant, on school attendance.

Our analysis harnesses two specific characteristics of NIDS, one of which is structural, the other historical. Structurally, the survey gathers in-depth data on educational expenditure at the individual level by asking respondents about expenses such as school fees, uniforms, transport, stationery and books. This information enables us to detect changes in the overall amounts that South Africans spend on education as well as the share of household expenditure they allocate to it.

In a similar fashion NIDS also collects extensive data on CSG recipients and beneficiaries; moreover, Waves 1 and 2 coincide with historic dates in the roll-out of the CSG, making the survey a powerful tool for tracking the grant's impact on education and other aspects of socioeconomic life. The income threshold for CSG-eligibility was revised upwards in 2008 (the first year of NIDS), thus expanding the number of potential grant beneficiaries. That year, children up to the age of 14 were made eligible; in 2010 (Wave 2) the age was raised to those under 16, and in 2012 (Wave 3), to those under 18.

7.1 Patterns of household expenditure

In this section we provide a preliminary mapping of inequalities in household educational expenditure, setting these against a backdrop of policy innovations for alleviating poverty and enhancing access to education. Key measures include the National Norms

and Standards for School Funding (NNSSF) and the no-fee and school-fee exemption policies.[8]

In terms of the NNSSF, schools are assigned a quintile ranking based on factors such as neighbourhood income and employment rate; the lower the ranking, the larger the non-personnel expenditure budget that is allocated to the school per learner. The NNSSF is complemented by the no-fee school (NSF) policy which abolishes fees in certain schools and compensates the latter through an increased allocation per learner. In addition, learners at any school may apply for fee exemption by taking a means test or if their primary caregivers receive a poverty-linked state grant.

In December 2006, 40% of ordinary public schools were declared non-fee schools; in 2009, this increased to 60%, and in 2011 the proportion stood at 80%. Given that the first wave of NIDS took place in 2008 and that respondents report on their enrolment and educational expenditure in the year preceding the survey, we thus have relevant data from 2007, the first year of the NFS roll-out, to 2011.

Our findings – supported by the figures and tables discussed below – are that educational resource inequality remains high in South Africa, with poorer individuals attending relatively under-resourced schools but spending the largest proportion of income on education. However, in a period in which average educational expenditure increased, the NFS policy appears to have decreased educational spending in poor households.

Figure 14 presents the distribution of the logarithm of total expenditure in 2007, 2009 and 2011, with expenditure including fees, uniforms, transport, books and stationery. The modal point is at 6 (around R400 per annum) in each year, and the distribution seems to have narrowed over time. A striking feature is that the proportion of individuals with zero educational expenditure increased significantly between 2007 and 2009, with a further increase appearing in 2011.

Figure 15 deepens this picture by presenting the distribution of the logarithm of educational expenditure according to household income

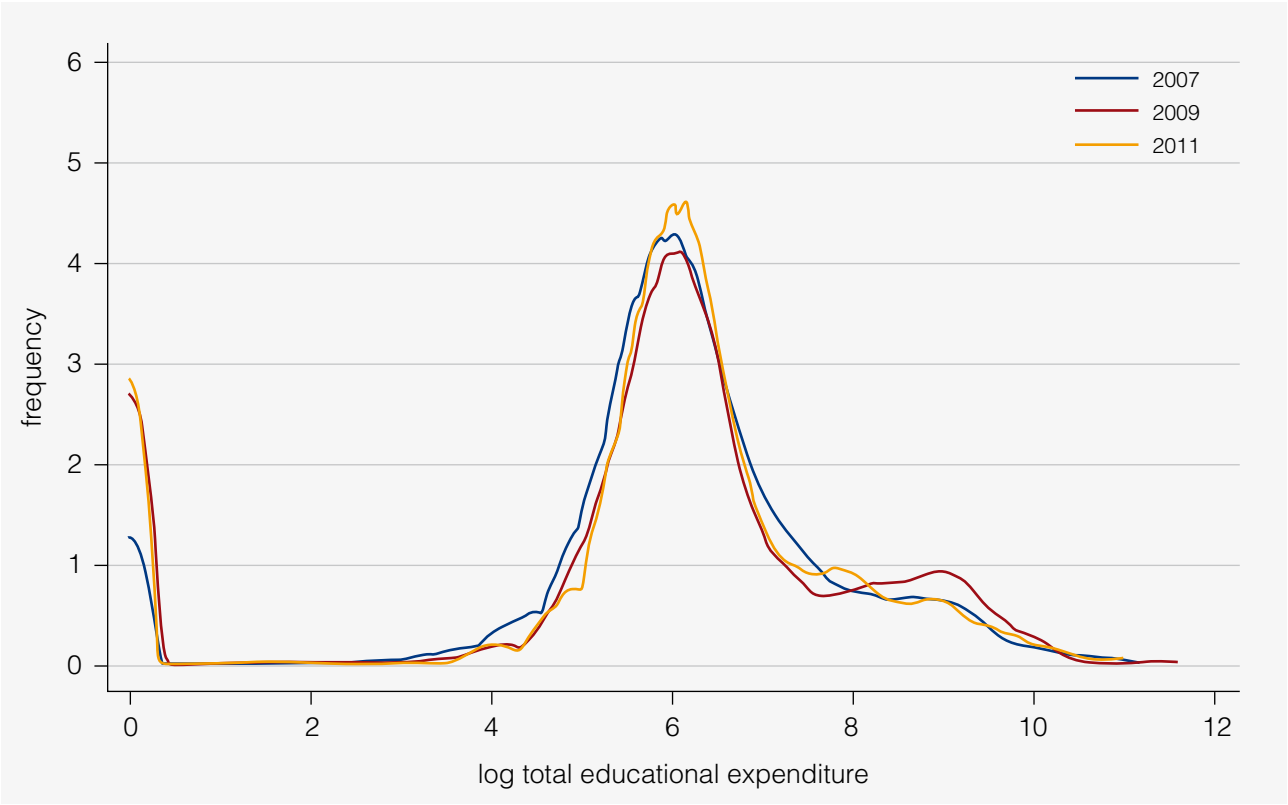
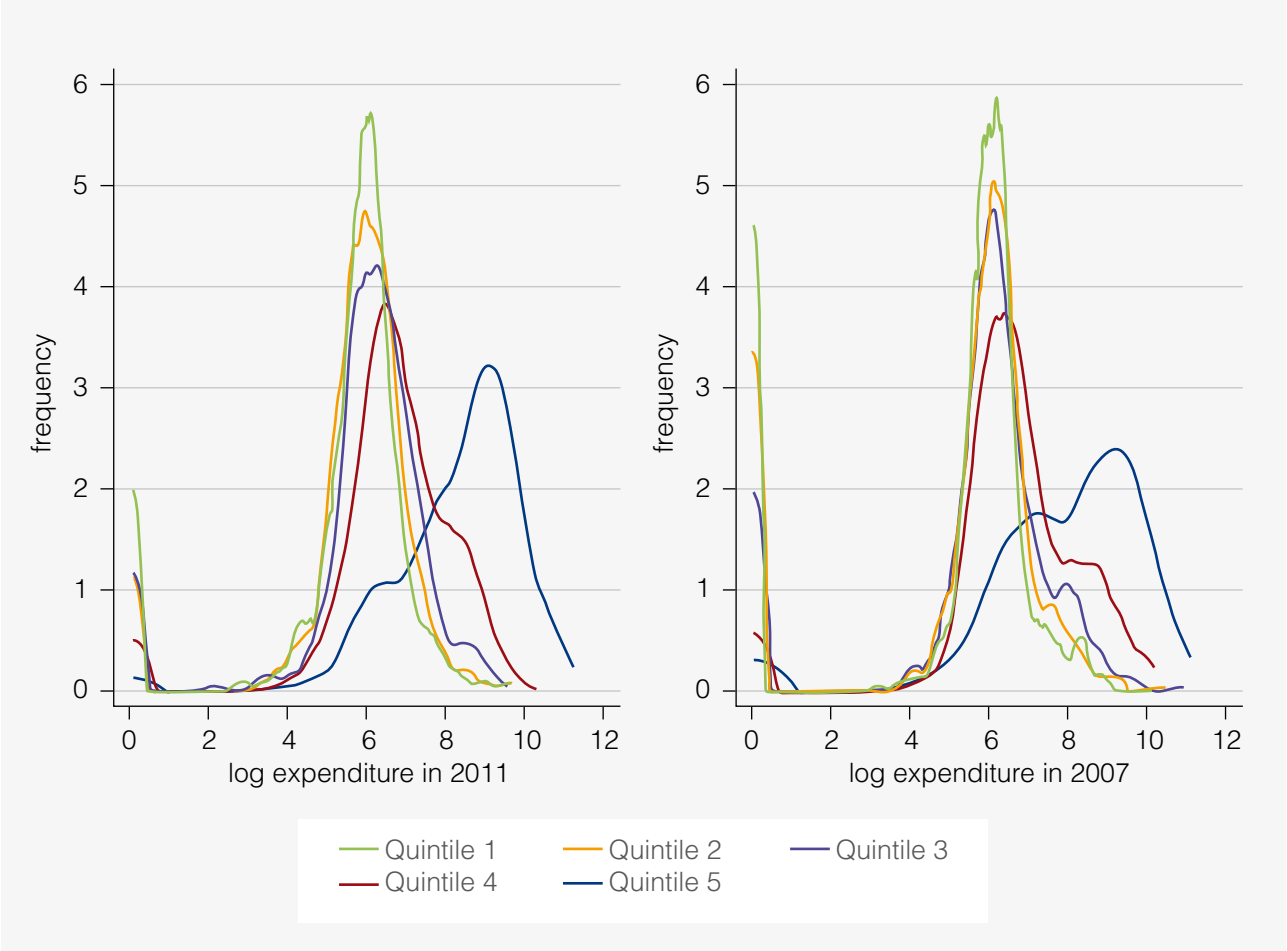


Figure 14: Logarithm of total educational expenditure in 2007, 2009 and 2011

Figure 15: Logarithm of educational expenditure by household income quintile, 2007 and 2011



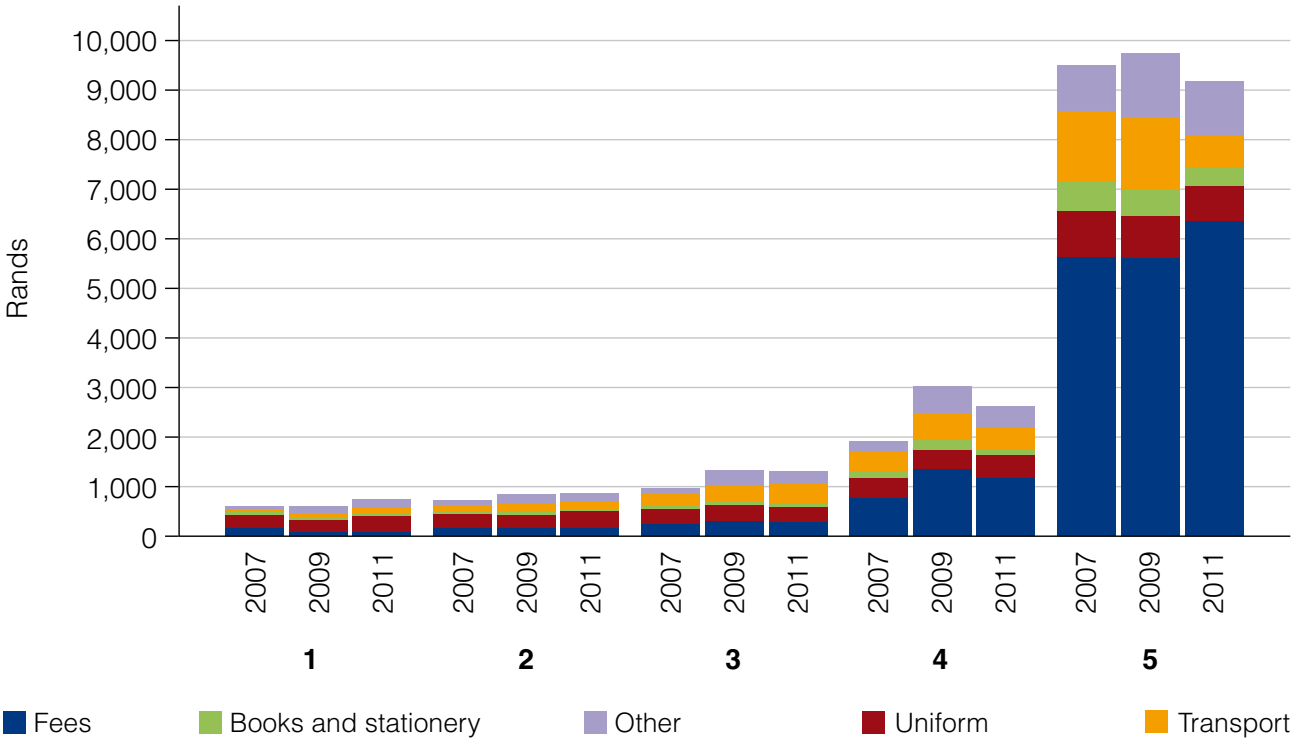
quintile in 2007 and 2011. The figure illustrates the stark difference in expenditure between individuals in quintile 5 – the highest quintile – and those in the other four. What is evident in the lowest three quintiles is the narrowing of the distribution and the increase in the proportion of individuals reporting zero expenditure on education. In 2007 about 20% of respondents in quintile 1 had zero expenditure; in 2011, this increased to nearly 40%.

Figure 16 shows average real educational expenditure by year and income quintile, and also offers a breakdown of component expenses. Substantial differences in expenditure are visible across the income distribution, with average expenditure in the top quintile being almost 15 times higher than that in the lowest. Crucially, the figure also demonstrates that average expenditure increased in the period, even among poorer quintiles where the no-fee policy was implemented.

The reasons for the increase differ across quintiles. For the top two, the increase results from a rise in school fees, and, for the middle quintile, from a rise in transport costs; for the bottom quintile, all expenditures – barring fees – have increased slightly. Among low-income individuals, uniforms present the largest burden in educational expenditure.

However, as useful as they are, averages can conceal important variations in the actual sums of money spent on different aspects of education, in the process leading one into thinking of the quintiles as made up entirely of homogeneous individuals behaving in identical ways. **Table 11**,

Figure 16: Mean real educational expenditure by year and household income quintile



then, compares mean and median educational expenditure for households in the same income quintile (in this case, quintile 1). In examining these median values, it is clear that in all years most individuals in lower-income households have zero expenditure on transport, books and stationery.

The effects of the NFS roll-out are also apparent in the data. In 2007, 38% of respondents in the poorest income quintile reported zero fees; in 2009, it was 67%; and in 2011, 79%. It should be noted that, in terms of the overall proportion of learners who report not paying fees (not shown in this table), in 2007, 28% said they were not paying fees; in 2009, 47% reported not paying fees, and in 2011, 64%.

Whereas the preceding figures and table show the differences in the *amounts* invested in education, **Table 12** concerns the *share* of household income spent per year on individual learners and how that share is distributed across the quintiles. In 2007, for instance, 39% of learners received less than one percent of total household income for their education; at the other end of the scale, about 14% of them received more than 5% of it for theirs. In 2011, the percentage of learners with a share less than one percent rose to 48%.

Table 13a takes the examination further, presenting the mean educational expenditure share by household income quintile for all expense items; **Table 13b** does the same, but looks only at fees. Table 13a shows that the share of income spent on education is highest amongst the poorest income quintile in all years but decreases from about 5% in 2007 to 4% in 2011. This suggests that the NFS policy has had positive, equalising effects – a suggestion echoed by Table 13b, where the policy's impact is evident in the way the expenditure share in quintile 1 drops from about 3% in 2007 to below one percent in 2011.

Since poorer households tend on average to have larger numbers of children, it is perhaps more appropriate to measure the share of expenditure

Table 11: Education expenditure components by household income quintile 1 and year

	Household income quintile 1		
Fees	2007	2009	2011
Mean	166.11	77.46	84.06
Median	47.82	0.00	0.00
% zero	38%	67%	79%
Uniforms			
Mean	272.38	249.69	327.24
Median	281.29	236.41	323.97
% zero	20%	24%	22%
Books and Stationary			
Mean	40.47	46.94	38.64
Median	0.00	0.00	0.00
% zero	79%	75%	78%
Transport			
Mean	69.33	71.22	117.94
Median	0.00	0.00	0.00
% zero	93%	93%	90%
Total (excl other)			
Mean	548.28	445.32	567.87
Median	351.62	330.97	377.97
% zero	9%	20%	17%
sample	1938	1442	2671
Other			
Mean	51.72	160.93	169.52
Median	0.00	0.00	0.00
% zero	75%	52%	60%

Table 12: Share of household income spent on individual total expenditure

Share of income	2007	2009	2011
0-0.009%	7%	16%	14%
0.01%-0.049%	13%	14%	16%
0.5%-0.9%	19%	15%	18%
1%-1.9%	23%	20%	21%
2%-4.9%	25%	22%	19%
5%+	14%	13%	12%
All	3%	3%	3%

Table 13a: Share of household income spent on individual total educational expenses

Household income quintile	2007		2009		2011	
	%	N	%	N	%	N
1	4.7%	1935	3.7%	1442	3.8%	2671
2	2.6%	1839	2.1%	1442	2.2%	2518
3	2.2%	1255	2.1%	1031	2.0%	1616
4	2.2%	793	2.8%	593	2.1%	994
5	3.0%	446	3.4%	315	2.9%	476
All	3.1%	6268	2.8%	4823	2.7%	8275

Table 13b: Share of household income spent on individual education fees

Household income quintile	2007		2009		2011	
	%	N	%	N	%	N
1	2.8%	1890	0.8%	1447	0.7%	2671
2	2.1%	1836	0.5%	1445	0.8%	2518
3	0.7%	1251	0.7%	1033	0.6%	1616
4	2.2%	791	1.8%	597	1.2%	994
5	2.5%	444	3.9%	316	2.7%	476
All	2.1%	6212	1.3%	4838	1.0%	8275

at the overall household level rather than by individual learner. **Table 14** indicates that in 2007 households in quintile 1 carried a disproportionate burden of educational expenditure, at almost 24%, compared to about 5% in quintile 5. However, there were significant improvements, and in 2011 those households spent 15% on average. Although the expenditure is still large, it has moved closer to the average share of 7.5%.

7.2 The impact of social assistance grants

In 2008, 48% of learners between the ages of 15 and 19 who were not enrolled at school cited job search, current employment or – predominantly – a lack of funds as the reasons for their non-enrolment and/or non-attendance.[9] Similarly, the research literature indicates that learners often use the CSG to fund school costs such as fees, books or uniforms, which in turn implies that the grant impacts positively on barriers to school enrolment and attendance.

Our study into the determinants of school attendance, framed within an enquiry into the wider effects of social transfers, confirms this to be the case. CSG recipients aged 15-19 years old are 6% more likely to be enrolled at school than non-recipients.

In addition, the period of time for which a person has been eligible for the grant is also an important variable. Respondents who have not been eligible for the CSG at any point in their lives have a 25% lower probability of attending school than those than those who have been so their entire lives.

Table 14: Share of household income spent on all educational expenses in the household

	2007		2009		2011	
Household income quintile	%	N	%	N	%	N
1	23.5%	759	9.3%	746	14.5%	1036
2	9.8%	904	6.8%	781	6.4%	1113
3	6.5%	793	4.5%	701	5.7%	881
4	7.2%	557	5.1%	461	4.3%	580
5	5.5%	324	7.0%	255	4.9%	307
All	10.7%	3337	6.6%	2944	7.5%	3917

The significance of these findings is that, whereas the no-fee and exemption policies apply only to school fees and do not address the other costs associated with education, the CSG appears to help close the gap by covering some of these costs, thereby impacting positively on the high rate of drop-out observed among older learners in South Africa.

8. Health

At its most general level, NIDS investigates the well-being of South Africans. Physical health is a key indicator of well-being, and as such we seek to understand both the health status of the population and how it interacts with socioeconomic status: improvements or decline in health stand to affect socioeconomic welfare, and vice versa. In particular, NIDS is a powerful tool for observing changes over time at the level of individual respondents and, on that basis, for identifying large-scale trends in health and well-being.

After HIV and AIDS, the biggest threats to health in South Africa are the chronic diseases associated with obesity. Accordingly, in this section we focus on changes in Body Mass Index (BMI) seen in the period between Waves 1 and 3. Defined as the individual's body mass divided by the square of his or her height, BMI is used to tell how much heavier or lighter someone is than what is considered normal for people of the same height.

Using the first wave of NIDS, Ardington and Case (2009)[10] document a very high prevalence of

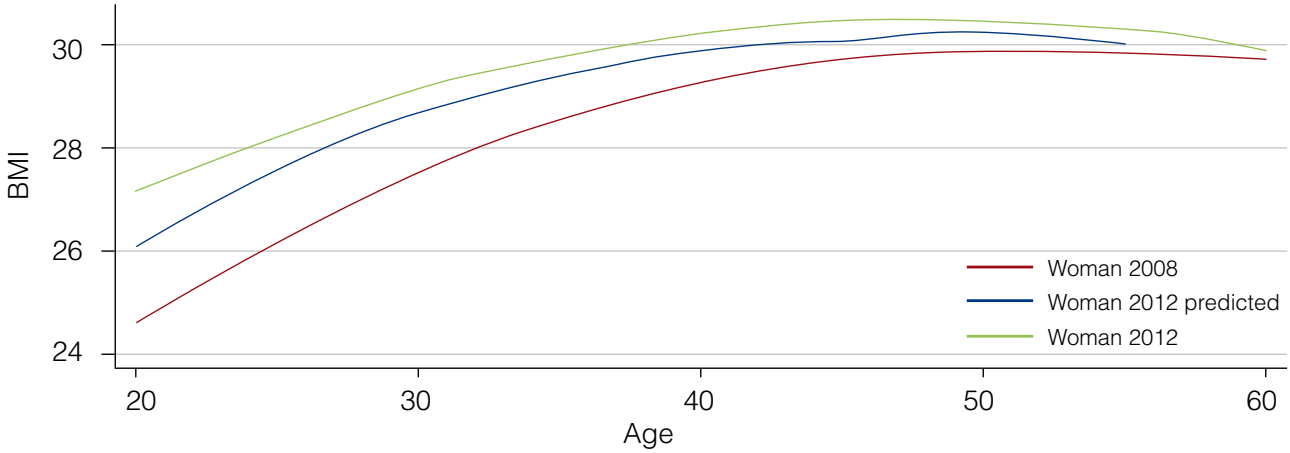


Figure 17: BMI by age and survey year for women aged 20 to 60 in 2008

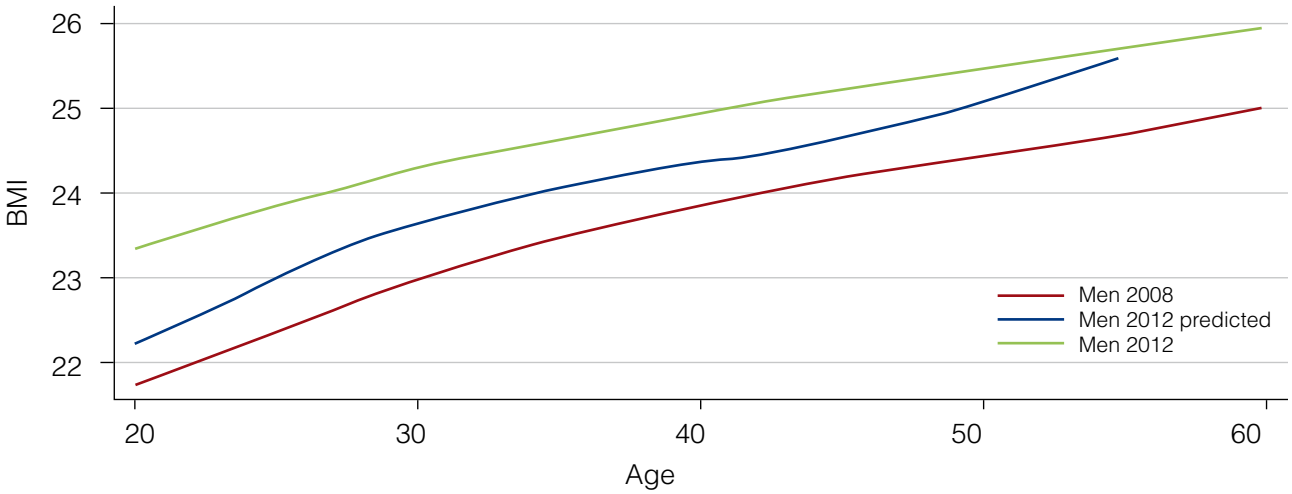


Figure 18: BMI by age and survey year for men aged 20 to 60 in 2008

overweight and obesity, particularly among women. Their analysis reveals that the age-profile in obesity is especially steep in adolescence and early adulthood, making people in these age groups a major target for public health interventions and underlining how important it is to understand the socioeconomic factors associated with changes in their BMI.

With the completion of Wave 3 of NIDS, we are in a position to extend this earlier analysis and discover more recent trends in BMI at the individual level. The finding is that, at every age, BMI has increased beyond the level we would have expected, given the age gradient in 2008. The results highlight once again the urgent need to target adolescents and young adults, particularly women, in addressing the obesity pandemic in South Africa.

Figure 17 presents BMI by age and survey year for women who were aged 20-60 in 2008, showing how the age-BMI profile changed between then and 2012. The red line depicts the profile in 2008: BMIs rise sharply with age in early adulthood before flattening out in the early forties at a BMI around 30, which implies that approximately half the women over the age of 45 are technically classifiable as obese.

Following this pattern from 2008 onwards, we would thus expect to see the average BMIs for women in the survey increase as they grow older, with young women showing the greatest gains. The blue line shows the BMI we predict in 2012 for women on the basis of their age in 2008 and on the assumption that the age-BMI profile for Wave 1 does not change in the years thereafter.

The green line, however, indicates the actual age-BMI profile for those same women in 2012. At every age the average BMI in 2012 lies above what we would have predicted from the 2008 data, with young women having the highest deviation of all from the predicted BMIs. **Figure 18** presents a similar picture for men, although the BMI and associated obesity levels are considerably lower.

Analysis of these trends shows that, among those aged 20 to 40, individuals with a higher socioeconomic status tend to have a higher BMI and that, across the board, further improvements in this status are associated with higher-than-average increases in BMI.

9. Moving and Staying

South Africa is a society in motion, and quite literally so. Between Wave 1 and Wave 3, we observe 3,190 individuals in our sample who moved, where "moving" is defined as residing in a different building between waves. The change of residence is not just self-reported but verified using GPS coordinates: In the four years between the first and last wave, more than one in seven South Africans moved.

Table 15: Changes in real log per-capita household income over time

Population	Early movers	Late movers	Movers	Non-movers	All
All	0.197	0.531	0.401	0.190	0.228
	0.029	0.027	0.021	0.007	0.007
Adults	0.230	0.565	0.433	0.194	0.242
	0.041	0.036	0.029	0.010	0.010
Black adults	0.292	0.665	0.524	0.202	0.267
	0.047	0.039	0.032	0.012	0.011

Even this surprisingly high number drastically underestimates the sample of those impacted by moving, since very few moves involved *en masse* relocation of an entire household. Of the 3,190 movers, only 597 were individuals in households where the whole household moved. The rest of the movers left behind trailing household members. In all, 7,319 of the 19,191 people in the balanced sample resided in a Wave 1 household in which at least one household member had moved by 2012.

Bearing in mind that our analysis of poverty dynamics finds that demographic events at the household level to do with birth, death and migration are increasingly apparent as triggers affecting rates of poverty entry and exit, these trends in residential movement hold important implications, given that the household composition changes when a mover leaves a household, arrives at another, or forms a new one altogether.

The timing of the moves we observe is also significant. Economic conditions between 2008 and 2010 reflect the initial impact of the global financial crisis. What, then, happens in 2011 and 2012? It is plausible that the forces generating migration changed between Wave 2 and Wave 3. With three waves, it is now possible to examine longer-run effects of moving on income and to assess whether the returns to moving change over time.

Table 15 presents changes in income over the period spanned by all three waves, 2008-2012, for non-movers compared to movers, with the latter sub-classified as "early movers" (those moving between 2008 and 2010) and "late movers" (those between 2010 and 2012). The rows indicate the changes in real log household income per capita for three categories of respondent: all individuals in the balanced sample; adults only (those aged 18-60 and loosely considered working-age); and only African adults. Column five ("All") shows the average income gain across the board.

The central trend the table reveals is that, *for all categories, household income per capita increased more for migrants than non-migrants.*

While this table places all movers into one category, "mover", they can, of course, be richly differentiated according to a variety of criteria. For instance, migrants are statistically significantly younger, better educated and more likely to be female than the sample as a whole. In addition, analysis of the directionality of these moves casts further light on how South Africans are responding to the country's spatial divides and high levels of poverty, inequality and unemployment.

Table 16 looks at the sample of working-age adults who moved, grouping them by whether the move involved a change in urban/rural status and whether they moved within or across District Councils. South Africa has about 50 such District Councils, and while they are geographically distinct, they are, more importantly, also reasonable proxies for distinct local labour markets.

The table emphasises that much of the movement entails shorter moves rather than long-range migration, given that the moves tend not to

Table 16: Type of move 2008-2012

	Wave 1 to Wave 3		
Move type	Same DC (%)	Changed DC (%)	Total
Urban to urban	82	18	706
Urban to rural	73	27	150
Rural to rural	77	23	524
Rural to urban	44	56	433
Total	1284	529	1813

involve a change of District Council. These moves, which are the most frequent type, may well be motivated by a range of factors over and above an exclusive concern with accessing opportunities in the labour market, and their economic impact is thus likely to vary accordingly.

Such findings contribute to our ongoing research into the intersection of unemployment, labour migration, household composition and the effect of the social security scheme.[11] Little to no support exists in the form of unemployment insurance (less than one percent of those unemployed in 2012 receive UIF), and as a result the unemployed need to find alternative means to secure a living. One survival mechanism is to attach themselves to households where forms of economic support can be found. Often this means that the unemployed will reside in a household that receives remittances, a social grant, or has at least one person employed.

The strategy can have mixed results. While in many cases the unemployed move to better circumstances in rural areas where they have families and communities to support them, doing so could come at the cost of removing themselves from job opportunities that may arise in urban areas. In addition, supporting the unemployed places a further burden on the rural household, one that may drag it deeper into poverty. (See section *2.2. Poverty triggers*.)

Table 17 presents an analysis of the number of unemployed per household in South Africa. In view of the high unemployment rate, it comes as little surprise that the majority of households contain an unemployed person. In 2008, 47% of households had one unemployed person, 23%

Table 17: Number of unemployed per household

	All			African		
	2008	2010	2012	2008	2010	2012
No unemployed residents (%)	22.9	27.9	26.2	22.9	28.1	25.1
1 person unemployed (%)	47.0	49.8	50.5	48.7	51.7	53.4
2 people unemployed (%)	22.7	17.5	17.2	20.9	15.2	15.7
More than 3 people unemployed (%)	7.4	4.9	6.1	7.5	5.0	5.8

Table 18: Household composition of the unemployed

	All Unemployed			African unemployed		
Household-level composition	2008	2010	2012	2008	2010	2012
No-one employed, no remittances, no grants (%)	12.8	15.4	13.7	12.4	14.6	12.3
No-one employed, no remittances, grants (%)	19.3	21.6	20.0	20.9	24.0	21.4
No-one employed, remittances (%)	7.8	4.5	6.8	8.6	5.2	7.6
1+ employed (%)	60.2	58.5	59.5	58.2	56.2	58.7

had two unemployed persons, and 23% contained no unemployed people. The percentage of households with one unemployed person increases in each successive wave, with the largest rise taking place between Waves 1 and 2 in both the full and African sample. However, the percentage with either two people or more than three people unemployed generally decreases slightly across the waves.

Table 18 reports on the percentages of unemployed persons who reside in households that are connected the labour market or a recipient of a social grant.

- In 2008 a little more than 60% of the unemployed live in households with at least one person employed, a number which decreases to 58% in 2010 and rises again to 59% in 2012.
- In 2008 almost 8% of the unemployed live in households receiving remittances; the figure drops to 4% in 2010 and increases to 7% in 2012.
- A sizeable proportion of the unemployed (19% in 2008) reside in households receiving state support. The number increases to 22% in 2010 and decreases again to 20% in 2012.
- The remainder of the unemployed live in households with neither state support nor a lifeline to the labour market. This group makes up 13% of the sample in 2008, 15% in 2010, and 14% in 2012.
- In 2012, slightly less than 34% of the unemployed live in households with no connection to the labour market through either remittances or labour income.

List of Wave 3 Discussion Papers

No.	Topic	Author
1	Poverty dynamics	Arden Finn and Murray Leibbrandt
2	Income inequality and economic mobility	Arden Finn and Murray Leibbrandt
3	Wage dynamics	Vimal Ranchhod
4	Rural livelihoods	Reza Daniels, Dineo Kekana, Sibongile Musundwa and Andrew Partridge
5	Food expenditure	Reza Daniels and Vukile Mhlongo
6	Educational expenditure	Nicola Branson, Dineo Kekano and David Lam
7	Social assistance grants	Katherine Eyal and Ingrid Woolard
8	Unemployment and household formation	Amina Ebrahim, Ingrid Woolard and Murray Leibbrandt

Public Access to Data

Preserving anonymity in the data

It is the responsibility of the NIDS team to ensure that respondents' identities are protected. During the interviews, information was collected that will enable tracking and re-contact of respondents for subsequent waves of data collection. However, this information is excluded from the public-release dataset so as to preserve the anonymity of the respondents.

Data structure

NIDS uses a combination of household- and individual-level questionnaires. The data from the different questionnaires are recorded in separate files. These are flat files with one row per record (individual or household). The data can be exported into formats suitable for most standard statistical packages. A set of files is released for each Wave, but they can be combined across waves using the unique identifier for the individual, variable name "pid".

Downloading the data

NIDS data can be downloaded from the DataFirst website. The available items can be viewed by searching for "NIDS" in the catalogue: www.datafirst.uct.ac.za/catalogue3/index.php/catalog.

The steps to follow to gain access to the data are:

- Step 1: Register as a user on the DataFirst website. Once you have registered on the DataFirst website, the registration details can be used to access datasets from the site.
- Step 2: Complete a short online Application for Access to a Public Use Dataset for the NIDS datasets. On the form, please provide a short description of your intended use of the data. This information helps us to understand how the NIDS data are being used by the research community. The form also asks you to agree to terms and conditions related to the use of the NIDS dataset.
- Step 3: Select the dataset from the catalogue above.
- Step 4: Click on "Request microdata" to download the data suitable for your preferred statistical package.

Secure Data Service

In addition to the public release dataset, SALDRU also prepares an internal dataset that includes full geo-coding, employment coding and PSU information. The Secure Datasets include text variables as they are captured in the questionnaire. The Secure Datasets give users the opportunity to compare the NIDS data with administrative or other external data sources in an environment where the confidentiality of respondent information can be respected while allowing important data linkages to be made.

Access to the Secure Datasets is granted only at the DataFirst's Secure Research Data Centre in the School of Economics Building, Middle Campus, University of Cape Town, Cape Town. Secure data may not leave the premises.

Enquires about the Secure Datasets may be addressed to nids-survey@uct.ac.za.

NIDS and GIS

NIDS can be linked to GIS (Geographic Information Systems) data, and we encourage users to do so where it is relevant in nationally salient research topics. Interested parties would have to use the Secure Datasets (see above) for this purpose since the geographic coordinates of households in the survey are confidential. (Note that the NIDS sample size is too small to allow for accurate inferences at provincial and district levels.)

Endnotes

1 This thematic sub-report derives from Discussion Paper 1.
2 This thematic sub-report derives from Discussion Paper 2.
3 This thematic sub-report derives from Discussion Paper 3.
4 Note that the rural labour market is discussed separately in section 5 as part of a thematic focus on rural livelihoods.
5 The "N" category includes those who are unemployed as well as those who are not economically active. In our subsequent discussion, we use the terms "unemployed" and "not-employed" interchangeably.
6 This thematic sub-report derives from Discussion Paper 4.
7 This thematic sub-report derives from Discussion Paper 5.
8 This thematic sub-report derives from Discussion Paper 6.
9 This thematic sub-report derives from Discussion Paper 7.
10 Ardington, C and Case, A, 2009. *Health: Analysis of the NIDS Wave 1 dataset*. Discussion Paper No.2. NIDS, University of Cape Town.
11 This aspect of the thematic sub-report derives from Discussion Paper 8.

The National Income Dynamics Study (NIDS) is the first national panel study of individuals of all ages in South Africa. Its main objective is to measure and understand who is getting ahead and who is falling behind in South Africa, as well as why some people are making progress and others are not.

Wave 1 of the NIDS survey took place in 2008 and provides the baseline on the well-being of 28,226 sample members in 7,296 households against which to measure all future changes. The next wave was held in 2010. Successful interviews were obtained for 6,787 households, with a total of 28,551 household residents successfully completing interviews.

The most recent wave, Wave 3, took place from April to December 2012. In Wave 3 the team successfully interviewed 8,040 households, with a total of 32,633 successfully-interviewed household residents.

This document reports on the introductory findings of the analysis of the Wave 3 data. The findings are preliminary and seek to demonstrate the ways in which the NIDS dataset can be used to enhance understanding of the South African socio-economy. It is hoped, therefore, that it will stimulate public debate and encourage further investigation by the research community.

N.i.D.S.

NATIONAL INCOME DYNAMICS STUDY

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