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# Living standards of current population in South Africa

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**ABSTRACT:** The living standards of current population around the world is increasing gradually, especially noticeable changes are occurring in developed and developing countries in terms of modernization, industrialization, there are also some nation, including the case of South Africa, who are really facing and suffering problem of poverty among societies.

This study aims to identify the poverty factors of household wealth in South Africa. Using data from the World Bank, South Africa provides a suitable example of research due to; it has a long and famous history of high poverty rates, in spite of decreasing in recent years.

**KEYWORD:** industrialization, healthcare, sustenance, scholastic facilities, mortality, emerging nations.

## Introduction

The living standards of current population around the world is increasing gradually, especially noticeable changes are occurring in developed and developing countries in terms of modernization, industrialization, , there are also some nation, including the case of South Africa, who are really facing and suffering problem of poverty among societies. Head of state of South Africa Zuma proclaimed New Growth Path in 2010 that unemployment and poverty related problems are still outstanding relatively excessive by worldwide principles. Poverty appears combinations of multidimensional obstacles, which comprises limited rights to utilizing healthcare, sustenance and scholastic facilities, lead to high rate of mortality, possibility of a condensed life and literateness (Menyuko, 2011). It also obviously show that problem of poverty has been on the South African government's program for many years. This study aims to identify the poverty factors of household wealth in South Africa. Using data from the World Bank, South Africa provides a suitable example of research due to; it has a long and famous history of high poverty rates, in spite of decreasing in recent years.

## Literature review

Poverty, home prosperity and its defining factors have been the primary and comprehensive range of investigation and exploration for many years industrialized and emerging nations. The most studied factors of poverty and home well-being considered as age family member, marital and employment status, household characteristics including size of house and geographical influences. One of the most important variables to explain chronic poverty rates is the level of education among household members (Kab.ubuo-Ma.riara(2002);



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Ge.da (2005)). Finding of these researches conclude that educational accomplishments of family members who had primary school, high school and high degree scholastic steps stayed considerably more possible to live non-poor in comparison through those were without educating. To arrive at a parallel inference, further scholars ((Litchfield & McGregor, (2008), Akerele and Adewuyi (2011), (Gounder, 2012), (Lekobane & Seleka (2017)) witnessed that as high as households achieving education level they incline to expand wellbeing of families. Many experimental literatures recommend that size of family or increasing a number of population across the country, have also noticeable undesirable consequence on well-being of household. In particular, the bigger size of the family the greater possibility of deteriorating to underprivileged thus, further capitals are needed to satisfy basic demand of the household (Gounder(2013) and Lekobane & Seleka (2017)). Gounder also specify that there is an adverse correlation between the more family members and households falling to the poverty line.The rising of level of unemployment in South Africa can be another possible determinant that make poverty even worsen (Aliber2003). However, it has been occurred relatively higher economic growth and expansion in terms of the labor force in South Africa in comparison previous periods, there is also a high rate of joblessness and lasts to rise, unless it is resolved (Nelson, 2010). Absence of access to work, especially in countryside zones, and restricted employment chances for low and even high skillful workers makes more and more dwindling the scenario (Segalo, 2011). Analysis of South Africa's socioeconomic environments display that there is an inconsistency amongst its population, family income and sluggish growth of Gross Domestic Product (GDP) (Nelson, 2010). Based on Nelson, reasonably high rate of inequality and poverty clear evidence that current economic performance is pathetic circumstance. South Africa considered as upper-middle income republic, but then comparing with other alike nations, spreading of earnings across the country is extremely uneven that approximately 15% population live in wealthy condition while half of them breathing under "black line" (Hoogeveen & Ozier, 2006). Moreover, the steady economies are more preferable and attracted by investors and existing situation might affect economy of South Africa destructively (Okpala and Jonsson, 2002). Interesting part of South Africa's economy is primarily reliant on entire production of farming, natural resources and raw materials commerce and movement of investment (Saleson, 2007).

**Data**

In this small econometric study, time series data group was chosen as a proper statistics type in order to investigate determinants of poverty and inequality households in South Africa. The analyzed records were attained from World Bank database time interval of 32 years [1987, 2018]. Poverty considered as a dependent variable for this module, which displays national poverty lines of total population by percentages. However, by reviewing, a number of literatures offers masses of factors, which indicate poverty and inequality in households of South Africa measureable: including age, gender, GDP and Population growth, geographical location, mortality rate, unemployment, literacy, health condition etc. immeasurable: noting, political condition, consumers' preference and taste, motivation for living, weather condition etc.. Population growth, GDP growth, change of Income, unemployment rate and education situations were chosen as primary descriptive features of poverty.

**Methodology**

Ordinary Least Square (OLS) method used in this model for 32 observations by help of Stata software to estimate these factors, since it is simple, easy to use and relatively popular among scholars as well as students provides opportunity to conduct relatively simple and clear research. Hence, OLS classical appearances as follows:

$$Y_i=\beta_0 + \beta_i X_i + U_i$$

Where $Y_i$ denotes dependent variable, $\beta_0$ constant or intercept, $\beta_i$ is relationship or coefficient of$X$, U illustrations of error terms that includes further variables, which were not included in this module because of more or less limitations and insignificant consequence. Therefore, OLS regression module will look like nearly following shape:

$$Poverty_i=\beta_0 + \beta_{i1} Population \quad + \beta_{i2} GDP \quad + \beta_{i3} Education \; + \beta_{i4} Income + \beta_{i5} Unemployment + \; U_i$$



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Where:
Poverty= annual poverty headcount ratio at national poverty lines of population %
Population= annual population growth %
GDP=annual GPD growth %
Education=annual children out of primary school %
Income= annual Net national income %
Unemployment= annual unemployment %

Obtained OLS results

This part displays the empirical results of the study gained from the regression analysis.

$Poverty_i = \beta_0 - 1.95Population + 0.65GDP + 1.22Education + 0.06Income + 0.47Unemployment + U_i$

In the outcomes, Prob>F Is reflected by way of p-value. This is essential to check whether $R^2$ is vary from zero. P-value should be less than 0.05 in order to illustrate statistically momentous relationship between dependent variable Y and independent variable X. In the result R-square specifies 73% variance of Y reliant variable "Poverty" is explicated by *X* independent variables. Root MSE: root mean squared error is the Standard Error of the model, which is equal to 2.474. However, the value nearer to zero is more appropriate, due to, our case not all variables included in the module it shows relatively higher result. All Stata results are provided as picture, and above them given its commands.

```
. reg povertyheadcountratioatnationalp unemploymenttotaloftotallaborfor adjustednetnationalincomeannual
> g populationgrowthannual gdpgrowthannual childrenoutofschoolofprimaryscho
```

| Source | SS | df | MS | Number of obs | = | 32 |
|---|---|---|---|---|---|---|
| | | | | F(5, 26) | = | 14.45 |
| Model | 442.312115 | 5 | 88.462423 | Prob > F | = | 0.0000 |
| Residual | 159.136668 | 26 | 6.12064106 | R-squared | = | 0.7354 |
| | | | | Adj R-squared | = | 0.6845 |
| Total | 601.448783 | 31 | 19.4015736 | Root MSE | = | 2.474 |

| povertyheadcountratioatnationalp | Coef. | Std. Err. | t | P>\|t\| | [95% Conf. | Interval] |
|---|---|---|---|---|---|---|
| unemploymenttotaloftotallaborfor | .4762975 | .223305 | 2.13 | 0.043 | .0172875 | .9353075 |
| adjustednetnationalincomeannualg | .0648057 | .0845761 | 0.77 | 0.450 | -.109043 | .2386544 |
| populationgrowthannual | -1.95678 | 2.271446 | -0.86 | 0.397 | -6.625803 | 2.712243 |
| gdpgrowthannual | .6563729 | .2604455 | 2.52 | 0.018 | .1210195 | 1.191726 |
| childrenoutofschoolofprimaryscho | 1.229041 | .3370568 | 3.65 | 0.001 | .5362113 | 1.921871 |
| _cons | 33.30832 | 6.736839 | 4.94 | 0.000 | 19.46055 | 47.15609 |

T-value designates hypnoses, which measurements differ from zero; to reject value of T should be higher than 1.96 that lays confidence interval of 95 percentage. Yet, not all variables, counting Income and population growth are 0.77 and -0.86 respectively, are statistically significant explained poverty, based on regression results Prob>F, therefore, it can be concluded that they will be jointly significant. The module, it can be seen that if 1% "children out primary school" variable indicates tremendous raise on poverty 1.22, as literature also noted it as one of the major factor of poverty. Likewise, to this, as if one percentage increase on GDP and unemployment lead to growth of 65 and 47 % accordingly. Nonetheless, above mentioned in literature and other articles, Income and increase of population have direct effect change of poverty.

Assumptions

The model should consider regression reliability by examining assumptions before analyzing the results. This section explains the general OLS assumptions to determine if they have been violated.


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According to first assumption, the regression module should be linear in the parameters. In the module, all variables taken as continues level, consequently, current assumption is contented.
Multicollinearity tested with *corr* command in Stata to show correlation among variables and to show highly correlated factors, since all variables showing less than zero that means this assumption is also satisfied.

```
. corr populationgrowthannual adjustednetnationalincomeannualg unemploymenttotaloftotallaborfor gdpgrow
> thannual childrenoutofschoolofprimaryscho
(obs=32)

             | popula~l adjust~g unempl~r gdpgro~l childr~o
-------------+---------------------------------------------
population~l |   1.0000
adjustedne~g |  -0.1770   1.0000
unemployme~r |   0.0286   0.1728   1.0000
gdpgrowtha~l |  -0.4793   0.0208   0.0323   1.0000
childrenou~o |   0.8334  -0.1205   0.3717  -0.3420   1.0000
```

Random sampling: it is supposed that World Bank database team uses unbiased random sampling method for collecting data and as secondary source; it was utilized in this research.
The constant dispersion indicates that its homoscedasticity is similar to the differences in the most appropriate line when moving along this line. In this case, the model described in the present study could not satisfy the assumption of homoscedasticity due to, unfit location of its probability concreteness, in spite of the model transformed to be heteroscedastic.

```
. imtest, white

White's test for Ho: homoskedasticity
         against Ha: unrestricted heteroskedasticity

         chi2(20)     =     22.31
         Prob > chi2  =    0.3238

Cameron & Trivedi's decomposition of IM-test

---------------------------------------------------
              Source |       chi2     df      p
---------------------+-----------------------------
  Heteroskedasticity |      22.31     20   0.3238
            Skewness |       3.61      5   0.6072
            Kurtosis |       2.24      1   0.1346
---------------------+-----------------------------
               Total |      28.16     26   0.3507
---------------------------------------------------
```

Assumption of Normality of errors (residuals) applies that in the module residuals should spread around normal that can be tested through histogram in Stata software.

```
. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of povertyheadcountratioatnationalp

         chi2(1)      =     1.97
         Prob > chi2  =   0.1601
```



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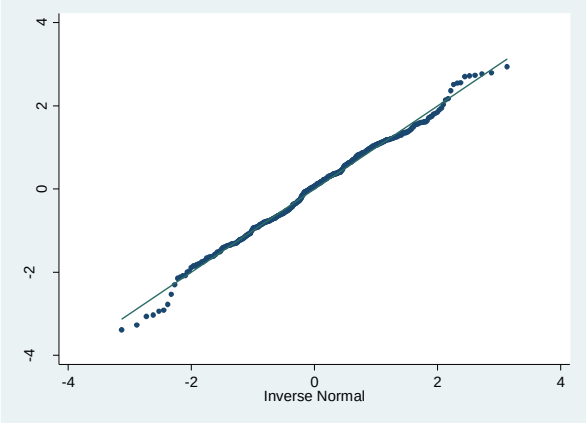


Observations Outnumber Parameters in Estimation is that the higher the number of observation the more accurate results will be inferenced. The fact that World Bank provides available data for almost all years in study except for some of cases has donated to satisfying this assumption.
This assumption is always met. In this study, the values of the descriptive variables are very different, which leads to a better evaluation of the OLS. This, in turn, helped more or less to determine the effect of X on Y.
Assumption related to the correct specification of the model can be verified using the Ramsey test.

```
. ovtest

Ramsey RESET test using powers of the fitted values of povertyheadcountratioatnationalp
       Ho:  model has no omitted variables
                   F(3, 23) =      2.63
                   Prob > F =      0.0740
```

## Conclusion

The purpose of this regression analysis was to determine the impact of specific variables obtained from the literature review on South African households' poverty and inequality. The primary determinants attained from regression model of Ordinary Least Square OLS created based on time series data about South Africa within 32 years. According to the results and combination of literature review, paramount importance to policy-makers, academics and development practitioners have come to similar conclusion that education, GDP and population growth as well as unemployment and income growth are taken as core determinants of poverty. For this reason, above-mentioned factors should be taken into consideration in policymaking process when addressing the problem of poverty.

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