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Household Income Segmentation

An breakdown of the
South African consumer
landscape.

**UCT Liberty Institute Of
Strategic Marketing**

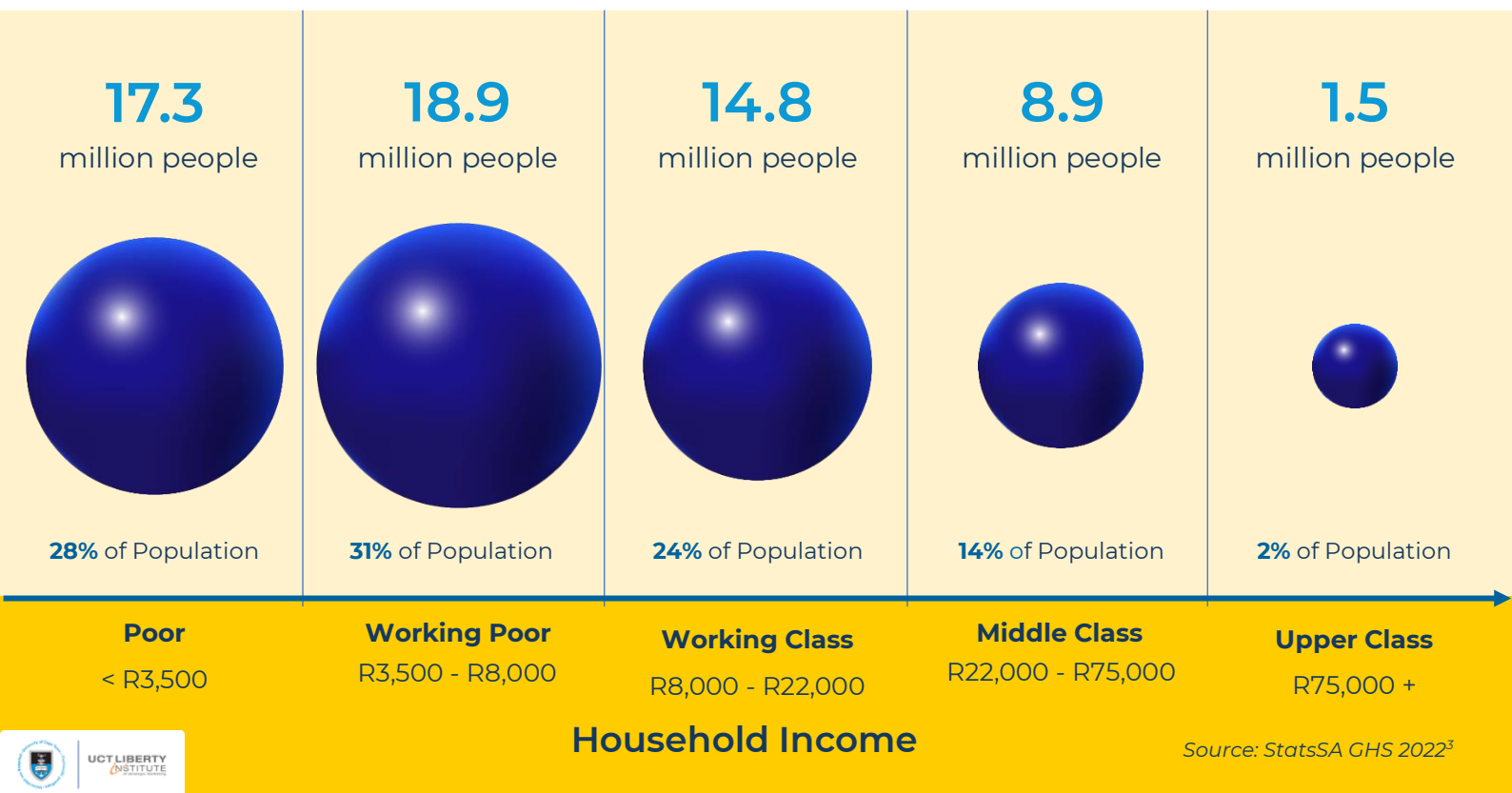


What Do South Africans Earn?

At the University of Cape Town, the UCT Liberty Institute of Strategic Marketing has conducted an in-depth analysis of income distribution within the South African population. Using recently released StatsSA General Household Survey (GHS) our aim was to gain a better understanding of the South African consumer landscape by focusing on household income as a key factor. South Africa is widely acknowledged for having one of the highest levels of income inequality in the world. This necessitates a more nuanced approach, as relying solely on metrics like average income or income to GDP can obscure the true socio-economic situation.

To improve our understanding, we have categorized South Africans into different income bands. These segments are primarily based on government-defined household income thresholds such as those used to determine eligibility for social grants. This categorization has resulted in five income bands¹ and forms the basis for a class structure². Using the General Household Surveys of 2012 and 2022, we have also tracked changes over time.

Breakdown of The South African Population by Household Income



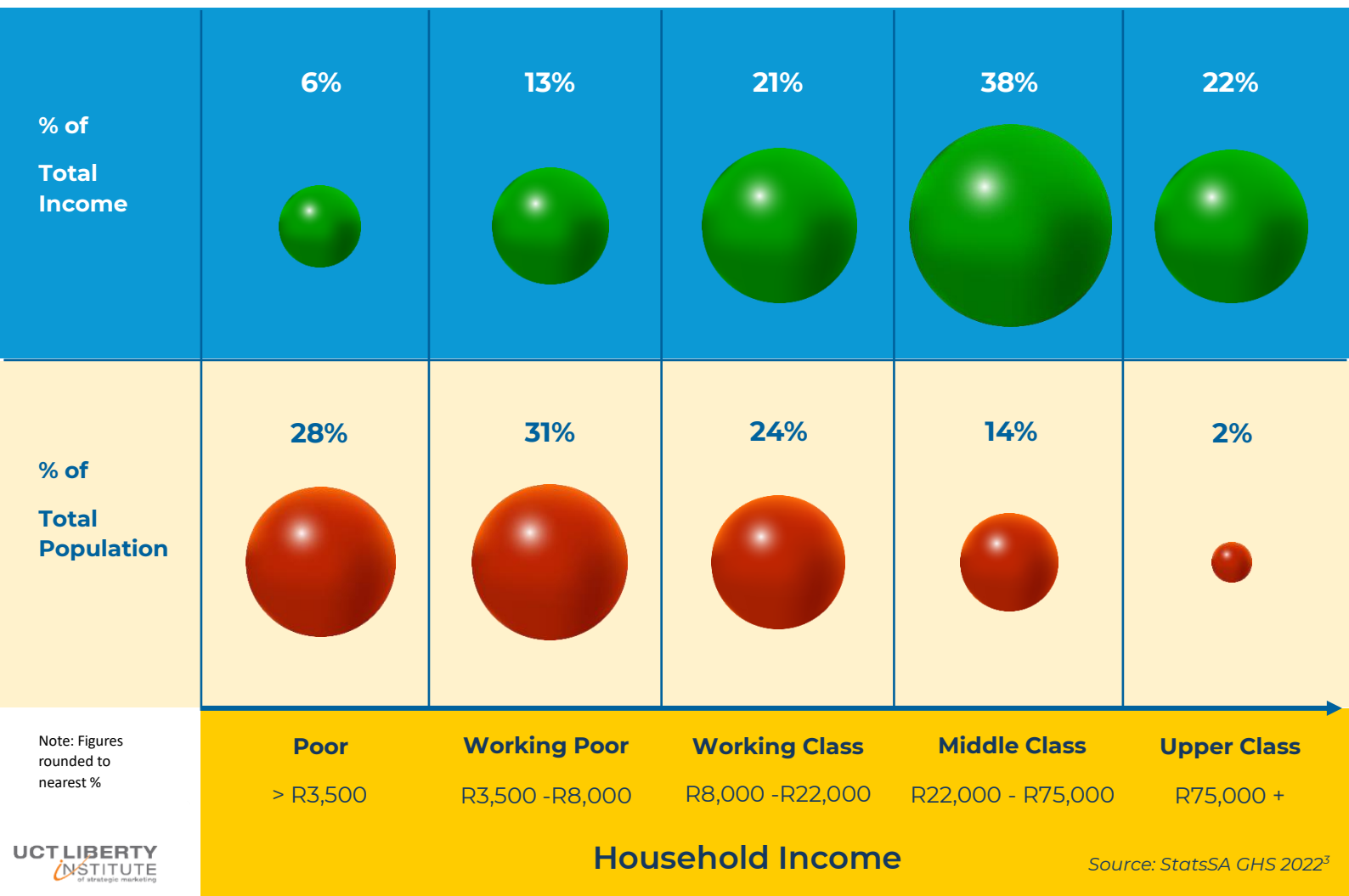
Note: Figures rounded to nearest %

The model shows that 28% of South Africans live in households⁴ earning less than R3,500 per month, and almost 60% live in households earning less than R8,000 per month. On the other hand, only 2% of the population live in households that have a monthly income exceeding R75,000⁵

Income Inequality

To understand income inequality, economists use a tool called the Gini coefficient. South Africa's Gini coefficient is 0.65⁶, which is double that of Japan.

Comparison Number of Individuals v Share of Income



The chart above unmistakably illustrates a significant disparity in the distribution of income. 14% of people live in households that earn between R22,000 and R75,000, yet they are responsible for nearly 40% of all consumer income. In contrast, the combined income of nearly two-thirds of all people in households earning less than R8,000 per month constitutes less than 20% of the total income.

Comparison 2012 2022

Since 2012, the number of households in South Africa has surged by over 4 million, rising from 14.2 million to 18.5 million. There are now 10 million fewer individuals residing in households with a monthly income below R3,500. Concurrently, there are now 7 million more people living in households earning between R3,500 and R8,000. At the other end of the income spectrum, the number of households earning over R75,000⁵ per month, has more than doubled since 2012.



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To book a presentation on the consumer landscape or one of the individual segments, contact: Paul Egan (paul.egan@uct.ac.za) or Dr James Lappeman (j.lappeman@uct.ac.za)

Notes

(1) **Poor:** Qualify for RDP house/housing subsidy (2012-2022). **Working Poor:** Qualify for child support grant (2012-2022). **Working Class:** Qualify for Gap Market Housing Subsidy [FLISP] (2012-2022). **Middle class:** No longer qualifies for direct government support but still have a household income of less than R1m per year. **Upper Class:** The top end constitutes the top 2 % of earners and generally have a household income of more than R1m per year.

(2) Social class is well used categorisation in consumer behaviour theory. The term has a wide range of sometimes conflicting meanings, and there is no broad consensus on a definition of "class." Some people argue that due to social mobility, class boundaries do not exist. In common practice, the term social class is usually synonymous with socio-economic class. While terminology, categorisations, and implications of using a class structure are contested, the concept allows for marketers and policy makers to understand the nature of society and shifts that take place. Membership in a social class can for example be dependent on education, wealth, occupation, income, and belonging to a particular subculture or social network, these evolve over time. For example, a general decrease in significance ascribed to hereditary characteristics and increase in the significance of wealth and income as indicators of position in the social hierarchy have made class models more popular. The use of labels like poor, middle class and working class are all contested and there is no unified definitions. Individual analysts and economists will also have preferences for different terminology. The terminology used in this model was published in Marketing to South African Consumers (UCT), which has been downloaded 150 000 times from over 130 countries at the time of printing. (<https://openbooks.uct.ac.za/uct/catalog/book/29>)

(3) The General Household Survey (GHS) tracks the progress of development in South Africa and identifies persistent service delivery gaps. The target population of the survey consists of all private households and residents in workers' hostels across all nine provinces of South Africa. Since its inception in 2002 the survey has yielded a rich set of information across a wide variety of fields. The low response rates reported in GHS 2020 and other Stats SA household surveys due to the introduction of Computer Assisted Telephone Interviewing (CATI) have been a point of concern for many users. Stats SA re-introduced face-to-face interviews in 2022 and we trust that the response rates will return to pre-Covid levels for GHS 2022. (<https://www.statssa.gov.za/publications/P0318/P03182021.pdf>)

(4) Why households? While per capita income is a common measure, there are a number of advantages to work with household income. First, in South Africa, high unemployment means that many people live in households with only one earner. The rest of the household may not contribute directly to income, but they do contribute economically in other ways and also are part of household decision-making processes. In higher income segments, per capita income is highly skewed towards men. The role of women in household decision-making is therefore underreported. Household income is used worldwide to understand development and economic growth. Please be aware that the racial classification of a household is based on the self-identification of the head of the household.

(5) Note that the GHS data provides a perspective on household income (all stated sources) and does not account for individual asset wealth.

(6) International Monetary Fund (IMF), South Africa: Labour Market Dynamics and Inequality, Working Paper, July 2016, www.imf.org