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## **THE NATURE AND MEASUREMENT OF POVERTY AND THE ROLE OF MINIMUM BUDGETS IN SOUTHERN AFRICA**

A review of *'The Urban Poverty Datum Line in Rhodesia'* by Verity S. Cubitt and Roger C. Riddell. Faculty of Social Studies, University of Rhodesia) 1974

By MICHAEL HUBBARD\*

The serious reviewer of a new minimum budget study in Southern Africa at the present time has a responsibility to examine not only how good a study is the latest contribution but also the role being played by minimum budgets in general in Southern Africa. This responsibility is conferred by the considerable output recently of minimum budget studies, together with the absence to date (to this reviewer's knowledge) of any analysis of their function. If this review focusses on general issues at the expense of a detailed consideration of the Cubitt and Riddell study the excuse is offered that the more urgent responsibility has taken priority.

The study by Cubitt and Riddell is set in the same mould as other Southern African minimum budget studies, with the exception that the distinction between short and longer run 'essentials' is dropped (along with the Effective Minimum Level) in favour of a broadened Poverty Datum Line. The items added to the usual PDL list are 'replacement of household goods' and 'provision for post-employment consumption'. It is also, by southern African standards, an unusually comprehensive and well-documented study.

Minimum budgets were developed as a means of identifying the poor, and this (in one form or another) remains their function in whatever use they are put to. A critical assessment of the role of minimum budgets must therefore start with a discussion of developments in thinking about the nature and measurement of poverty. To someone familiar with contemporary writing on poverty the uncritical acceptance of the minimum budget method of poverty definition in southern Africa may come as a surprise. The reason is that in the extensive British, U.S. and U.N. literature of the 1960's there was a broad consensus that (i) poverty is essentially related to the standards of society, and (ii) that minimum budgets (based as they are on an absolute concept of poverty) are ill-suited to measuring poverty as a relative matter.

The reasoning was as follows. Firstly, it was asked what the nature is of the standards in terms of which we label some people 'poor'. These can be the levels of living of the society concerned — in which case having a poor level

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of living is a matter relative to other levels of living. Or they can be 'physiologically based' standards — in which case having a poor level of living is a matter relative to other levels of living. Or they can be 'physiologically based standards' — in which case being poor is a case of not having enough in terms of 'absolute' standards. Secondly, the conclusion was reached that the concept of a critical 'subsistence' level of consumption (below which a person cannot survive in 'good health') is false. On the individual level, survival capacities vary to a considerable extent and depend upon psychological as well as physiological considerations. There is '... a broad range where physical efficiency declines with a falling intake of calories, proteins etc.'<sup>1</sup> At the social level, with different kinds of social organisation, peoples have survived over the ages despite widely varying levels and habits of consumption and different life expectancies. High death rates have been balanced by high birth rates. Therefore careful examination of minimum budgets always shows them to be in no sense absolute or objective<sup>2</sup> even in respect of the food allowance<sup>3</sup> — usually considered the most objective component of minimum budgets.

Thirdly, without any objective standard of the minimum general consumption necessary to preserve health, there is no question of poverty being understood as anything but a relative matter, and from a relative point of view one level of living can only be labelled 'poor' if others can be labelled 'better off' or 'rich'. 'Poorness' and 'richness' are therefore matters of inequalities in levels of living.

This new reasoning has re-instated 'poorness' and 'richness' as matters to do primarily with the relations between people and shown to be false the previously prevailing notion of poverty as an individual matter concerning the relation between the individual's level of living and a 'subsistence' level. The old notion conferred a false 'meaning-in-itself' on the abstract noun 'poverty'. Once 'poverty' is re-linked to the adjective 'poor' it is clear that 'poverty' always refers to some or other degree of 'poorness'. However, beyond the point of rejecting the 'absolute' approach and accepting that poverty is somehow related to social standards, there is little consensus and some confusion in the literature. (This accounts to a degree for the minimum budget method having sometimes died hard in practical usage). For some the new reasoning seems to lead to false or even ridiculous conclusions. For example, it may appear to suggest that there is less poverty in a society

<sup>1</sup>A. B. Atkinson *Poverty in Great Britain and the Reform of Social Security*, University of Cambridge. Occasional paper no. 18 1969, p.17.

<sup>2</sup>N. N. Franklin's survey of minimum budgets in various countries is very revealing in this respect. *The Concept and Measurement of "Minimum Living Standards"*, ILO Review, 1967, p.271.

<sup>3</sup>See particularly J. C. McKenzie *Poverty: Food and Nutrition Indices* in P. Townsend (ed.) *The Concept of Poverty* London, 1970, pp.70-71.

with lower but more equally distributed levels of living (such as China) than in a society with higher but less equally distributed levels of living (such as the United States), or that there is no poverty in a society all members of which are starving at the same rate! However, as Peter Townsend has shown,<sup>4</sup> careful consideration reveals that in both cases we are dealing with comparisons at two different levels: the 'nation relational' or 'group relational' level (comparisons *within* the nation or group), and the 'world relational' level (comparisons *between* nations or groups). At the 'nation relational' level (i.e. putting from our minds completely the existence of other nations) there is certainly more 'poorness' and 'richness' in the United States than in China. But from a 'world relational' point of view levels of living are, on the whole, poorer in China than in the United States. Similarly, only if all societies through time were starving to death at the same rate could we say unambiguously that there is no poverty in an equal but starving society!

An apparently more trenchant argument against the relative approach is that it implies that the degree of poverty would remain unchanged despite rising real incomes throughout the world, provided the degree of social inequality remained unchanged. Townsend's definition of poverty indicates that this is true. He states:

'... the possession by individuals and families of relatively low resources does not automatically mean they are in poverty, but only if they are thereby unable to participate in the activities and have the living conditions and amenities which are customary in that society. These activities and customs have to be described empirically. In addition to food and clothing customs, they include, for example in the United Kingdom, such things as birthday parties for children, summer holidays and evenings out. Indicators selected for each country can be compiled into deprivation index for measuring the prevalence of poverty in different societies'.<sup>5</sup>

Dudley Seers attacks this notion strongly, arguing that:

'... to see one's child doomed by malnutrition to lifelong physical and mental inferiority or to be unable to buy a blood transfusion to save one's wife's life is surely a different sort of poverty from being unable to afford the cakes for a childrens' party or to take one's wife out to the pictures'.<sup>6</sup>

<sup>4</sup>P. Townsend *Measures and Explanations of Poverty in High Income and Low Income countries: The Problems of Operationalizing the Concepts of Development, Class and Poverty*, in P. Townsend (ed.) *The Concept of Poverty*, London, 1970.

<sup>5</sup>*Ibid.*, p.42-3.

<sup>6</sup>D. Seers *What are we trying to measure?* *Journal of Development Studies*, April 1972, p.23.

On these grounds Seers rejects the relative concept of poverty (though he hardly attempts to salvage the 'absolute' approach). However, the relative concept properly understood does *not* imply that poverty levels are independent of changes in levels of living as such. Townsend's definition neglects the fact that 'poorness' and 'richness' for an individual are not only a matter of comparisons with other levels of living *at a point in time*, but also a matter of comparisons between his or her own living *through time*. From a relative point of view, therefore, an equal rise in levels of living does mean a decrease in poverty. To acknowledge this is in no sense to redeem the old absolute approach; it is to extend the relative concept to its logical conclusion and to enable it to stand as an adequate concept of poverty.

In summary, poverty implies two dimensions of comparison. Firstly, comparisons at a point in time. These may be in terms of regional, national or world standards. This is the social inequality component of poverty. Secondly, comparisons through time. These are comparisons between individuals' own levels of living. We may only claim unambiguously that poverty has decreased within a particular nation or region if (1) the gap between the lower income group and the rest of society has decreased and the levels of living of the lower income group have not decreased, or if (2) the levels of living of the lower income group have increased and inequality (as defined above) has not increased.<sup>7</sup>

The task of measures of poverty, therefore, is to be sensitive to changes in levels of living and their distribution. In recent years pioneering work has been done in the field of developing and combining indicators of levels of living<sup>8</sup> (income alone has long been recognised as an inadequate indicator). New ratios of inequality (more sensitive to changes in the relative position of the poor) have also been proposed.<sup>9</sup> We can expect a lot more work in the future in these relatively unresearched fields.

What status do minimum budgets have in the light of the new thinking on poverty? Since there is no question of minimum budgets being absolute, the conclusion is unavoidable that they represent the judgement (no matter how considered a judgement) of their makers. Their *individual* status as mini-

<sup>7</sup>To measure poverty on a single scale presupposes a scheme of relative weights for levels of living and their distribution. If such weights were used, changes in the degree of poverty could be measured even though both variables changed in opposite directions simultaneously. However, there are obvious problems involved with allocating relative weights, and these make the value of 'unitary measures' doubtful at the present stage. On the subject of unitary indicators see J. Drewnowski 'Studies in the Measurement of Levels of Living and Welfare', United Nations Research Institute for Social Development. Report No. 70.3 1970.

<sup>8</sup>J. Drewnowski *ibid.*

<sup>9</sup>See Miller, Rein, Roby and Gross 'Poverty Inequality and Conflict' Annals of the American Academy of Political and Social Science, September 1967, p.16 and H. Lydall 'The Structure of Earnings', Oxford, Clarendon Press, 1968.

imum budgets therefore depends on the basis used for particular judgements. Generally, the more firmly grounded a minimum budget is in the consumption habits of the population concerned, the more weight it carries. Thus Townsend (1954)<sup>10</sup> suggested that a poverty line could be based on the average total expenditure of, for example, the 25% of households which, in a food consumption survey of the area concerned, secured minimum nutrition with the smallest incomes. Orshansky (1965)<sup>11</sup> in her well-known study of poverty in the U.S.A. derived her minimum budget in a rather similar manner. Abel-Smith and Townsend (1965)<sup>12</sup> used the then 'national assistance' income level as a poverty line for their important study of the British poor; this poverty line of course had special *de facto* status which gave considerable weight to their study.

However, even though particular minimum budgets may have higher status than others, minimum budgets as such are wedded to the old absolute approach in that their purpose is to define 'the poor' in respect of minimum needs. They are ill-suited to measuring poverty as a relative matter. Firstly, they define poverty independently of the distribution of levels of living. Thus although between two points in time median and above-median real incomes may increase significantly, while below-median real incomes remain constant, the poverty line method would register no significant change in the position or relative number of 'the poor'.<sup>13</sup> Secondly, they are an inadequate means of showing changes in actual levels of living. Changes in the number of incomes below the poverty line (unless they are exceptionally large changes) reflect only the changes in those incomes around the level of the poverty line. Numbers in various low income class categories, compared between two points in time, provide a much clearer picture of changes in levels of living among poorer people. Minimum budgets are also an unsuitable substitute for consumer prices indexes as a basis for deflating increases in money incomes; consumer price indexes, despite their drawbacks, are at least based on the expenditure patterns of some people, which is not the case with minimum budgets.

For these reasons minimum budgets are no more applicable to the measurement of poverty in poor countries than in rich ones (a claim that

<sup>10</sup>P. Townsend 'Measuring Poverty', *British Journal of Sociology*, Vol. 5 No. 2, 1954.

<sup>11</sup>M. Orshansky 'Counting the Poor: Another look at the Poverty Profile', *Social Security Bulletin* Vol. 28, January 1965.

<sup>12</sup>B. Abel-Smith and P. Townsend 'The Poor and the Poorest: A New Analysis of the Ministry of Labour Family Expenditure Surveys of 1953-4 and 1960', Bell and Sons, 1965.

<sup>13</sup>Provided 'the poor' are fewer than half the population.

has sometimes been made in their defence<sup>14</sup>). In poorer countries inequalities are often more severe than in richer ones and the urgency to link the issues of consumption and distribution when measuring poverty may therefore be all the greater. Furthermore, a high incidence of dire poverty is the most important reason for not using a poverty measure which rests on a false concept of poverty.

The developments of thought discussed above on the nature and measurement of poverty have been largely ignored in southern African studies. PDL's and the like are increasingly produced and quoted. The studies on which they are based (Cubitt and Riddell excepted) almost invariably contain not even a prefatory defence of their method against a wide consensus in the literature that minimum budgets are based upon an erroneous conception of the nature of poverty.

The currency achieved by minimum budgets in southern Africa is the result of the belief that they provide a basis for minimum wages. In the words of the Bureau of Market Research: 'It has become common practice in South Africa to use minimum living level figures as one of the criteria for determining minimum wages for Non-Whites'.<sup>15</sup> Similarly, Cubitt and Riddell state that '. . . we hope that the report will be of use to all sectors of the economy in determining wage levels'. (p.110). Southern African minimum budget studies are usually not concerned with measuring the extent, or changes in the extent, of poverty. Most (including Cubitt and Riddell) offer only the minimum budget and make no attempt to compare it with prevailing incomes.

It follows that in order to assess the role played by minimum budgets in southern Africa we must examine them as means of minimum wage determination as well as means of measuring poverty. How good a basis for minimum wages are minimum budgets? The effect of the popularity of minimum budgets as a means of wage determination has no doubt been to raise wages, at least marginally, in many unskilled and semi-skilled occupations. However, there are several aspects of minimum budgets which make them on the whole unsuitable as a basis for wages.

Firstly, they have achieved their currency by conveying a false impression of objectiveness. As we have seen, minimum budgets are in no sense objective. It follows that they are only a suitable basis for minimum wages to the extent that they actually represent workers' minimum requirements, which will not

<sup>14</sup>For example, by this reviewer previously and by Verity Cubitt. M. Hubbard 'African Poverty in Cape Town 1960-1970', (S.A.I.R.R.) 1972, p.3; V. Cubitt 'Some problems of Poverty Datum Line Research in Southern Africa', paper presented to the fifth congress of ASSA, July 1974.

necessarily be the same as those required to maintain a supposed condition of ' . . . basic physical health and social decency' (Cubitt and Riddell p.XX<sup>5</sup> the basis generally used for minimum budgets. Secondly, the use of minimum budgets often avoids the real issue involved in bringing about a just system of wage determination in southern Africa — namely the transfer to workers of effective bargaining power in regard to their own wages and conditions. Justice in wage determination is not a matter of employers handing down to workers wages which will maintain them at some fictitious level of western 'social decency'.

Thirdly, they are open to abuse. The dispute in South Africa in recent years over whose is the better minimum budget is itself an ironic commentary on their lack of objectiveness. It acquires more cynical overtones, however, when recognised as a wrangle over minimum wages for workers who have no effective means of stating their own needs. Separate and lower minimum budgets have been constructed for contract workers living in 'single quarters'.<sup>16</sup> Separate minimum budgets are drawn up according to 'race classification',<sup>17</sup> supposedly capturing 'typical' African, Coloured or Indian food habits, rents, transport costs, general expenditure patterns and (usually) family size, within a single minimum budget. But there is no evidence to suggest that 'minimum requirements' as defined in these budgets vary significantly according to a family's 'race' classification, or according to whether the bread-winner lives in 'single quarters'.

What alternatives are there to minimum budget studies, from the point of view of research projects concerned with inadequate earnings? It is important that such research, in order to be worthwhile, should provide a clear picture of the position of workers in each industry. Studies such as the following may be useful: inequalities at various levels within and between industries; rates of increase of levels of living within industries; degrees of worker participation in decision making; the 'ability to pay' within firms and industries. Such studies would have their own conceptual difficulties and be more demanding (in terms of resources) than minimum budget studies. But they would have the clear advantage of not being based on a misconception of the problem. Furthermore, the detailed information they would provide might

<sup>15</sup>From a press release of the Bureau of Market Research, University of S.A., 4 November 1974, headed 'Consensus on the Calculation of Minimum Living Level figures'.

<sup>16</sup>By the Bureau of Market Research, University of S.A., in its minimum budget surveys. For example, Research Report No. 33 1973. Also by Cubitt and Riddell although they specifically recommend against the use of the 'single quarters' budget for wage purposes.

<sup>17</sup>By all parties producing minimum budgets, including this reviewer in his minimum budgets.

have a wider impact than the present appeals to employers to pay at least the PDL, MLL or whatever on the grounds that they 'should'.<sup>18</sup>

In conclusion, this review has tried to show:

(1) that the absolute concept of poverty is not viable and that a coherent relative approach is possible;

(2) that minimum budgets, being based on the absolute concept, are neither suitable for measuring poverty nor (for this and other reasons) suitable as a basis for minimum wages;

(3) that to measure changes in poverty effectively, indicators sensitive to changes in levels of living and their distribution must be collected;

(4) that the only acceptable 'need basis' for minimum wage is the workers' opinion of their own needs, since minimum budgets are not objective.

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<sup>18</sup>The effectiveness of this moral argument (as with others of its kind) depends upon the convenience of complying with it, which in turn depends upon how close existing wage levels are to the minimum budget level. Thus the closest attention to minimum budgets is paid by employers in the highest wage sector of the economy (the tertiary sector); the Johannesburg Chamber of Commerce produces its own minimum budget. On the other hand, a major employer in the mining industry has criticised the use of minimum budgets for wage purposes (Mr. H. F. Oppenheimer reported in the *Cape Times* 8 May 1974), and in agriculture they have hardly been mentioned. In this sense, the campaign for higher wages based on minimum budgets has not procured increases for the workers most in need.

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