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THE EFFECT OF HOUSEHOLD CHARACTERISTICS ON LIVING STANDARDS IN SOUTH AFRICA 1993–1998: A QUANTILE REGRESSION ANALYSIS WITH SAMPLE ATTRITION

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SUMMARY

This paper examines whether the dismantling of apartheid has resulted in an improvement in the standard of living for the vast majority of South Africans. The study is based on a panel data set from the Kwazulu-Natal province. We use weighted quantile regressions to examine the distribution of standards of living, which corrects for the potential bias arising from non-random sample attrition. Our results show that there has been a significant increase in the spread of the distribution of household expenditure of the non-white households residing in Kwazulu-Natal province.

1. INTRODUCTION

The primary aim of this paper is to examine changes in living standards in South African households following the dismantling of apartheid. Notwithstanding its status as an upper-middle income country with a per capita income in excess of \$3000, South Africa is characterized by enormous extents of poverty, inequality and material deprivation.[1] Carter and May (1999) and Maitra and Ray (2003) compute the overall poverty rate in South Africa in 1993 to be more than 50%, and the poverty rate was significantly higher for the black households compared to the non-black households. These results are corroborated by the findings of Klasen (1997, 2000). In the context of South Africa, much of the differences in living standards among the different segments of the population are the direct result of apartheid policies that denied equal access to education, employment, services and resources to the non-white population of South Africa.[2] Apartheid was officially dismantled in 1994 following the election of Nelson Mandela as the President of South Africa. However, the legacy and history of the years of injustice is difficult to forget and is apparent in the form of wide divergences in the living standards of the different segments of the population. The important question now is whether the dismantling of apartheid has resulted in improvements in living standards among the vast majority of South Africans.

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[1] See the volume edited by May (2000).

[2] During the apartheid era, every South African was classified as belonging to one of the following races: black (or African, 75.2%), coloured (or mixed race, 8.6%), Indian (or Asian, 2.6%) and white (or caucasian, 13.6%). This form of classification no longer exists.

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In 1993, during the nine months preceding the historic 1994 elections, a sample of approximately 9000 households were surveyed as a part of Living Standard Measurement Study (LSMS) initiated by the World Bank in a number of developing countries.[3] The data set is unique because it is the first that covers the entire South African population, including those residing in the predominantly black 'homelands'.[4] Using this data set, Deaton (1997) computes inequality levels in South Africa in 1993 and notes that the 1993 data can 'serve as a baseline against which future progress could be assessed. Because there have been no subsequent LSMS surveys in South Africa, these data cannot be used to track living standards over time, but they provide a snapshot of living standards by race at the end of the apartheid era.' (Deaton, 1997, p. 156). In 1998, black and Indian households in the 1993 data set that resided in the Kwazulu-Natal province were re-interviewed as a part of the Kwazulu-Natal Income Dynamics Study (KIDS). We use these two data sets to examine the change in the standard of living in South Africa between 1993 and 1998.

Although this panel of households (from surveys conducted in 1993 and 1998) allows us to analyse the issue of changes in living standards over the period, there are two caveats that we need to consider. The first is the problem of non-random attrition and the potential selection bias associated with sample attrition. We discuss this problem at length and account for attrition in our econometric analysis. The second issue arises from the fact that our panel data set only includes non-white households that resided in the Kwazulu-Natal province, and therefore it is not representative of the general population in South Africa. We cannot do much about this issue other than emphasize throughout the paper that this is a study of the change in the living standards of non-white South Africans, and we caution readers that the measures of inequality reported here must not be compared with measures of inequality reported for all South Africans in other studies. We think that the study of distribution of living standards within the non-white population is an interesting measure of progress in South Africa, perhaps even more so than the study of the entire population as it is the evolution of the distribution of living standards within the non-white population that possibly gives a more telling picture of the process of change in South Africa.

Our analysis of change in the living standards over the period 1993–1998 starts by examining changes in the unconditional distribution of per capita household expenditure. We examine how the mean and different quantiles of per capita household expenditure and measures of inequality have changed over the period 1993–1998. All of these calculations control for the effect of attrition. We find that there has been an increase in the mean and also a significant increase in the spread of the living standards of non-white South Africans. The results clearly show that probability mass from the middle of the expenditure distribution has been redistributed to its two tails, and as a result all measures of inequality have significantly increased. We then analyse the distribution of expenditure conditional on household characteristics in order to determine if there has been a change in the conditional distribution or a change in the household characteristics that can be associated with the increase in the spread of the distribution of living standards. We examine the changes in the conditional distribution of living standards by estimating the quantiles of this distribution using quantile regressions (see Koenker and Bassett, 1978; Buchinsky, 1998). The use of quantile regressions allows changes in explanatory variables to affect the conditional distribution of the household expenditure in more complex ways than mere location shifts. This allows us to examine whether the relationship between a particular explanatory variable and household expenditure (or

[3] We discuss the data set in greater detail in Section 3 below.

[4] The 'homelands' were designated residential regions for black South Africans during the apartheid regime. These were typically autonomous states within South Africa.

household standard of living) is affected by the position of the household on the expenditure distribution.

The rest of the paper is organized as follows. Section 2 presents the econometric framework specifically designed to analyse the problem at hand. Section 3 describes the data sets used in the paper, selected descriptive statistics and some preliminary descriptions of how things have changed in South Africa during the period 1993–1998. Sections 4 and 5 present the regression results and finally Section 6 concludes.

2. ECONOMETRIC FRAMEWORK

The general question of sample selection, of which attrition is a special case, and its effect on the estimation of parameters of interest has been discussed extensively in the literature (see Fitzgerald *et al*., 1998 and references therein). The method of inverse probability weighting as a means to counter the selection bias and obtain a consistent estimator of parameters of interest has been studied, among others, by Robins *et al*. (1995) and Wooldridge (2002).

In this paper we want to investigate whether distribution of expenditures of non-white South African households has changed since the abolition of the apartheid regime, and if so, if there has been a change in the way household characteristics influence the distribution. If we denote the logarithm of expenditure of household i in period t ($t = 1$ for 1993 and $t = 2$ for 1998) by y_{it} and the vector of other characteristics of interest of household i in period t by X_{it}, then quantile regression models assume that the θ quantile of the conditional distribution of y_{it} given X_{it} is $X'_{it}\beta_{\theta t}$. If attrition was completely random, then the sample moment conditions that delivered the method of moments estimator for $\beta_{\theta 2}$ would be

$$\sum_{i=1}^{N_2} X_{i2}(\theta - I\{y_{i2} < X'_{i2}\hat{\beta}_{\theta 2}\}) = 0 \tag{1}$$

where $I\{\cdot\}$ is the indicator function, and N_2 is the number of households in the sample in period 2. If A_i denotes the binary variable that is equal to 1 if household i drops out in period 2, and 0 otherwise, then the moment condition (1) can be written as

$$\sum_{i=1}^{N} (1 - A_i)X_{i2}(\theta - I\{y_{i2} < X'_{i2}\hat{\beta}_{\theta 2}\}) = 0 \tag{2}$$

If attrition is completely random, this equation (after both sides are divided by N) converges in probability to a constant times the population moment condition

$$E(X_{i2}(\theta - I\{y_{i2} < X'_{i2}\beta_{\theta 2}\})) = 0$$

which is satisfied for the true parameters of the conditional quantile function. However, when attrition is not completely random and it depends on covariates other than X_{i2} that are correlated with y_{i2}, equation (2) does not converge to a population moment condition that has the true $\beta_{\theta 2}$ as its solution, and therefore the solution of the sample moment condition (1) will not be a consistent estimator of the parameters of the conditional quantile function.

Under the assumption of attrition on observables we have

$$\eta_i \equiv \Pr(A_i = 1|Z_{i1}, y_{i2}, X_{i2}) = \Pr(A_i = 1|Z_{i1})$$

where Z_{i1} is the vector of all observed characteristics of household i in period 1 including, but not limited to, y_{i1} and X_{i1}. Since A_i is a binary variable, this implies

$$\eta_i = E(A_i|Z_{i1}, y_{i2}, X_{i2}) = E(A_i|Z_{i1})$$

The inverse probability weighted estimator[5] solves

$$\sum_{i=1}^{N} \frac{1-A_i}{\pi_i} X_{i2}(\theta - I\{y_{i2} < X_{i2}'\hat{\beta}_{\theta 2}\}) = 0 \tag{3}$$

where π_i is the probability of household i being in the sample in period 2, that is $\pi_i = 1 - \eta_i$. Using the law of iterated expectations, the expected value of the summand for any β is $E(X_{i2}(\theta - I\{y_{i2} < X_{i2}'\beta\}))$. Therefore, under the standard regularity conditions, the solution to the sample moment condition (3) converges in probability to the solution of $E(X_{i2}(\theta - I\{y_{i2} < X_{i2}'\beta\})) = 0$, which is the true conditional quantile parameter (again under standard identifiability conditions). When probability of attrition is unknown and it is estimated from a first stage model for attrition, as long as this model is correctly specified and consistently estimated, the argument for the consistency of the inverse probability weighted estimator remains basically the same.[6]

When conditional quantiles are the same in periods 1 and 2, one should use information in both periods to estimate the quantile parameters. Indeed, one of our main objectives is to test if these parameters have changed significantly, and if so, which elements have changed. To mix information from both periods, we use the weighting scheme suggested by Lipsitz *et al*. (1997): all observations of a household which is in the sample in both periods 1 and 2 receive the same weight equal to the inverse of the probability of that household being in-sample in period 2 (i.e., probability of not attriting), and period 1 observation of a household that is not observed in period 2 receives a weight equal to the inverse of probability of that household attriting, i.e.,

$$\sum_{i=1}^{N} \sum_{t=1}^{d_i} \frac{1}{\pi_{id_i}} X_{it}(\theta - I\{y_{it} < X_{it}'\hat{\beta}_{\theta}\}) = 0 \tag{4}$$

where $d_i = 1$ for attritors and $d_i = 2$ for non-attritors. Denoting probability of attrition for household i by η_i, then $\pi_{id_i} = \eta_i$ if $d_i = 1$ and $\pi_{id_i} = 1 - \eta_i$ if $d_i = 2$. This weighting scheme has the advantage that observations of the same household in different periods receive the same weights, and it is easily generalizable to panels with more than two time periods with some attrition at each stage. Defining

$$X_{it}^* = \frac{X_{it}}{\pi_{id_i}} \quad \text{and} \quad y_{it}^* = \frac{y_{it}}{\pi_{id_i}}$$

equation (4) can be rewritten as

$$\sum_{i=1}^{N} \sum_{t=1}^{d_i} X_{it}^*(\theta - I\{y_{it}^* < X_{it}^{*\prime}\hat{\beta}_{\theta}\}) = 0 \tag{5}$$

[5] An alternative method of treating sample selection in quantile regressions is a Heckman-type correction as in Buchinsky (2001).
[6] See Newey and McFadden (1994) for a more rigorous proof of the consistency of two-stage estimators.

Note that we have dropped the time subscript on $\hat{\beta}_\theta$. This is because we include a full set of interactions of household characteristics with a period 2 dummy variable in X_{it} to investigate if the quantiles have changed significantly in period 2. The weights depend on the probability of attrition η_i, and in practice these probabilities need to be estimated. We use a logit model for the binary indicator of attrition based on Z_{i1} to model attrition. There are many more variables in Z_{i1} in addition to X_{i1}.

For the usual (unweighted) quantile regression estimator, Buchinsky (1995) shows that estimating the covariance matrix of the parameters with a bootstrap procedure is more accurate than using a consistent estimator of the asymptotic covariance matrix. Here, we design a bootstrap-in-bootstrap procedure to account for the uncertainty in the first stage estimation of the weights on the second stage estimation of $\hat{\beta}_\theta$ as well. In the first step, probability of attrition is estimated for each household based on a bootstrap sample of period 1 households. Then, 100 bootstrap samples are drawn from the entire data set, and for each of these samples the inverse probability weighted $\hat{\beta}_\theta^j$ is calculated. From this sample of $\{\hat{\beta}_\theta^1, \ldots, \hat{\beta}_\theta^{100}\}$, a bootstrap covariance matrix is calculated. This is based on one set of estimated weights, and therefore does not take the uncertainty in estimation of probability weights into account. Then a new set of weights are estimated based on a new bootstrap sample of first period households, and a new set of 100 $\hat{\beta}_\theta$ are estimated, leading to a new covariance matrix. This process is repeated 200 times. The reported standard errors of $\hat{\beta}_\theta$ are the square root of the diagonal elements of the sample average of the 200 bootstrapped covariance matrices. These standard errors incorporate the effect of the estimation uncertainty of the first step on the variance of the second stage estimator.[7]

3. DATA AND DESCRIPTIVE STATISTICS

Two different data sets are used in this paper. They are the South Africa Integrated Household Survey (SIHS) 1993 data and the Kwazulu-Natal Income Dynamics (KIDS) 1998 data.

The SIHS data was collected in the nine months preceding the historic 1994 elections. This survey was jointly conducted by the World Bank and the South Africa Labour and Development Research Unit (SALDRU) as a part of the Living Standard Measurement Study (LSMS) in a number of developing countries. As mentioned in the Introduction, this data set is unique because it is the first that covers the entire South African population, including those residing in the predominantly black 'homelands'. The complete sample consists of approximately 9000 households drawn randomly from 360 clusters. The questionnaire and summary statistics are contained in SALDRU (1994).

Households in the SIHS data set that resided in the Kwazulu-Natal province were re-interviewed in 1998 as a part of the Kwazulu-Natal Income Dynamics Study (KIDS). The KIDS data set is the outcome of a collaborative project between the researchers at the University of Natal, the University of Wisconsin at Madison and the International Food Policy Research Institute (IFPRI). Details of the KIDS data set can be obtained from Maluccio *et al.* (2000), May *et al.* (2000), Maluccio *et al.* (2003) and Maluccio (2004). Kwazulu-Natal is the home of a fifth of the population of South Africa and was formed by combining the former homeland of Kwazulu and the province

[7] We believe that the proof of the asymptotic normality of the inverse probability weighted quantile regression estimator can be established along similar lines as in Wooldridge (2002) but using the appropriate regularity conditions for non-smooth objective functions as in Newey and McFadden (1994). That, however, is beyond the scope of this paper. Here, we assume asymptotic normality, and use a bootstrap-in-bootstrap procedure for inference.

of Natal. 12% of the population of Kwazulu-Natal are Indians, 85% are blacks and the remaining are of European descent (primarily British).[8] The KIDS survey did not re-interview the white households.[9]

An important aspect of the KIDS 1998 data set that differentiates it from most longitudinal surveys in developing countries, is that whenever possible the interviewer teams tracked down and re-interviewed households that had moved. In consequence migration does not automatically imply attrition from the sample. Maluccio *et al*. (2003) and Maluccio (2004) present more details of the re-survey and the tracking procedure used, and conclude that this resulted in a 25% reduction in the number of households that attrited. The 1993 Kwazulu-Natal sample consisted of 1354 households (1139 black and 215 Indian). This defines the target sample. Of the target sample, 1132 households (83.60%), with at least one 1993 member, were successfully re-interviewed in 1998. The attrition rate was significantly higher in the Indian subsample (21.86%) compared to the black subsample (15.36%) and also significantly higher for households residing in former Natal (25.57%) compared to households residing in former Kwazulu (12.62%).[10] The attrition rates were fairly similar in rural and urban areas—16.61% in rural areas and 16.07% in urban areas.

The primary outcome variable of interest in this paper is per capita household expenditure, which is used as a proxy for household permanent income.[11] Table I, panel A presents the sample mean and quantiles of household expenditure. For 1998 two sets of results are presented: those where we do not take into account the sample attrition and those where we do take into account the sample attrition and weight each observation in the sample by the inverse probability of being in the sample. The unweighted means and quantiles are reported only to see the effect of the weighting and we do not use them for inferential purposes. All subsequent discussion is based on the weighted estimates.

Some observations are worth noting. The mean per capita household expenditure in 1993 is (almost significantly) lower than the mean of the per capita household expenditure in 1998. However, the 10th, 25th and 50th percentiles of the expenditure distribution have declined significantly[12] in 1998 relative to 1993. On the other hand, the 90th percentile has increased significantly from R592.47 in 1993 to R712.55 in 1998. Comparing this to households at the 10th quantile, whose per capita expenditure has declined during the period from R81.71 to R63.85, one can conclude that the spread of the distribution of household expenditure has increased substantially. Panel B in the same table confirms that inequality in per capita household expenditure of non-whites in the province of Kwazulu-Natal over the period 1993–1998 has increased. Three different measures are presented: the Gini coefficient of inequality of per capita household expenditure, the standard deviation of the log of per capita household expenditure and the coefficient of variation of per capita household expenditure. Inequality has increased

[8] Natal was one of the two main British colonies in South Africa, the other being the Cape Colony. The Indians residing in Natal are generally descendants of the indentured labourers who were brought to Natal by the British to work in plantations.

[9] There were no coloured households in the SIHS 1993 data that resided in Kwazulu-Natal.

[10] In both cases the difference is statistically significant using a standard t-test.

[11] Traditionally per capita household income has been used as a measure of household living standard. Increasingly, however, researchers are using per capita household expenditure as a measure of household standard of living and as a proxy for household permanent income. Household expenditure is easier to measure compared to household income and is typically measured with less error. Moreover, household expenditure is typically a better proxy for permanent income because while income might be subject to transitory fluctuations, households typically use a variety of mechanisms to smooth consumption over time.

[12] At the 5% level of significance. The test of significance of the change in unconditional quantiles is performed using bootstrap with inverse probability weights to account for attrition in the 1998 sample.

Table I. Descriptive statistics

	1993	1998 (unweighted)	1998 (weighted)
Panel A			
Per capita expenditure at:			
Mean	295.24	305.02	314.12
	(9.89)		(12.71)
10th Quantile	81.71	63.67	63.85
	(2.46)		(2.18)
25th Quantile	121.20	99.14	99.92
	(2.91)		(3.19)
50th Quantile	198.04	167.07	170.47
	(5.33)		(5.82)
75th Quantile	328.79	321.43	333.52
	(12.46)		(14.14)
90th Quantile	592.47	666.12	712.55
	(24.25)		(54.38)
Panel B			
Gini coefficient of inequality of per capita expenditure	0.4550	0.5325	0.5495
	(0.0133)		(0.0137)
SD of log per capita expenditure	0.8007	0.9267	0.9618
	(0.0213)		(0.0233)
Coefficient of variation of per capita expenditure	1.2172	1.3687	1.4191
	(0.1580)		(0.0760)

Notes: Standard errors are in parentheses below parameter estimates. Standard errors of quantiles and measures of inequality are bootstrap standard errors. Weighted estimates are computed using the inverse probability of being in the sample in 1998 as weights. Standard errors of the weighted estimators are calculated with the bootstrap-in-bootstrap procedure explained in the text so that they incorporate the uncertainty in the estimation of the weights as well. Unweighted estimates are reported only to see the effect of weights. We do not use the unweighted estimates for inferential purposes.

significantly during the period: for example the Gini coefficient of inequality has increased from 0.4550 to 0.5495 over the period, a 21% increase, which is significant by any measure. This basic result remains true irrespective of which measure of inequality we use. The results on the extent of inequality are therefore consistent with those obtained in panel A.

We also compare the means of the variable of interest (per capita household expenditure) and the means of several household characteristics in the 1993 sample for (eventual) attritors versus non-attritors. These are presented in Table II. There are some interesting differences between attritor and non-attritor households. What is particularly interesting is that the average household expenditure is higher for attritor households compared to non-attritor households. With this in mind, the comparison of weighted and unweighted 1998 estimates of the mean and quantiles of the expenditure distribution in Table I reveals that our weighting scheme has corrected the estimates in the right direction.

4. MODELLING THE PROBABILITY OF ATTRITION

The first step in the analysis is to link household characteristics to attrition probability. This gives us the weights that are later used in the weighted quantile regressions. We consider a standard

Table II. Difference between attritor and non-attritor households

	All households	1993 Attritor households	Non-attritor households	1998 All households
Proportion attriting	0.1640			
Per capita expenditure at:				
Mean	295.2428	313.7471	291.6138	305.0216
10th Quantile	81.7125	84.4108	80.8861	63.6667
25th Quantile	121.1958	137.3292	119.4639	99.1369
50th Quantile	198.0392	223.8065	194.7144	167.0717
75th Quantile	328.7912	362.4532	323.1737	321.425
90th Quantile	592.4672	635.8898	585.0472	666.1166
Gini coefficient	0.4556	0.4395	0.4582	0.5325
SD of log	0.8012	0.8715	0.7864	0.9267
Coefficient of variation	1.2328	1.0398	1.2721	1.3687
HHSIZE	6.6617	5.0991	6.9682	9.0813
TOTCHILD	2.9941	2.0586	3.1776	3.7774
TOTADULT	3.2807	2.7523	3.3843	4.7261
TOTELDER	0.3870	0.2883	0.4064	0.5777
FHH	0.3072	0.2793	0.3127	0.3887
HDEDUC1	0.3826	0.3333	0.3922	0.3905
HDEDUC2	0.2999	0.3604	0.2880	0.3233
HDEDUC3	0.0332	0.0450	0.0309	0.0451
BLACK	0.8412	0.7883	0.8516	0.8516
NATAL	0.2917	0.4550	0.2597	0.2597
RURAL	0.6093	0.6171	0.6078	0.6078
TARROAD	0.5052	0.4550	0.5150	N/A
CLINIC	0.5074	0.4730	0.5141	N/A
DOCTOR	0.3744	0.4234	0.3648	N/A
VERIFY	0.6521	0.4865	0.6846	N/A

Notes: Variables are defined in Table VIII.
The last four variables refer to the characteristics of the place of residence of households in 1993 and the quality of the first interview in 1993, and therefore they have no entry in the 1998 column.

logit regression where the dependent variable is:

$$A_i = \begin{cases} 1 & \text{if household } i \text{ was not re-interviewed in 1998} \\ 0 & \text{otherwise} \end{cases}$$

The probability of attrition is assumed to depend on a set of 1993 characteristics. The explanatory variables include household characteristics, community characteristics and a set of variables that reflect survey quality in 1993. The coefficient estimates, their standard errors and the marginal effect of each variable on attrition probability are presented in Table III. This final specification is obtained by initially including a large number of household, community and survey quality characteristics as explanatory variables and then dropping those that turned out not to be statistically significant.

The household characteristics included (in the final specification) are log of per capita household expenditure in 1993 (LPCEXP93), two dummies for the highest level of education attained by the household head in 1993 (HDEDUC2-93 and HDEDUC3-93),[13] household size in 1993

[13] HDEDUC2-93 takes a value of one if the highest level of education attained by the household head in 1993 is more than primary school but less than secondary school and HDEDUC3-93 takes a value of one if the highest level of education attained by the household head in 1993 is more than secondary school.

Table III. Characteristics of attritor households—binomial logit estimates

	Coefficient estimate	Marginal effect
LPCEXP93	−0.2876**	−0.0340
	(0.1192)	
HHSIZE93	−0.0940*	−0.0111
	(0.0499)	
HDEDUC2_93	0.4311**	0.0510
	(0.1817)	
HDEDUC3_93	0.7627*	0.0902
	(0.4310)	
TOTCHILD93	−0.1360*	−0.0161
	(0.0776)	
TARROAD93	−0.7257***	−0.0859
	(0.1967)	
CLINIC93	−0.5797***	−0.0686
	(0.1709)	
DOCTOR93	0.3909**	0.0462
	(0.1970)	
VERIFY93	−0.7936***	−0.0939
	(0.1741)	
CONSTANT	2.3993***	0.2839
	(0.7046)	
Observed probability	0.1640	
Predicted probability	0.1371	
Wald χ^2 (9)	112.03***	
Log likelihood	−552.5083	

Notes: Variables are defined in Table VIII.
Robust standard errors in parentheses.
*** Significant at 1%. ** Significant at 5%. * Significant at 10%.

(HHSIZE93) and the total number of children in the household in 1993 (TOTCHILD93). The results, presented in Table III, are quite interesting. Although the descriptive statistics presented in Table II show that the attritor households had higher per capita expenditure than the non-attritor households in 1993, our logit estimates show that keeping other characteristics such as education and size constant, household expenditure actually has a negative and statistically significant effect on the probability of attrition. All else constant, household size has a negative and statistically significant effect on the probability of dropouts, implying that the KIDS survey was more likely to re-interview larger households, a result that is similar to that obtained by Maluccio (2004). This also implies that larger households were less likely to have moved, consistent with the argument that moving costs are higher for larger households. The coefficient estimates of HDEDUC2-93 and HDEDUC3-93 are both positive, implying that the probability of attrition is significantly higher for households where the head has more than primary schooling. Relative to the reference category (the head of the household having no education or that the highest education attained by the household head is primary schooling), the probability of attrition is higher by 5.1 percentage points for households where the highest education attained by the household head is more than primary school but less than secondary school and the probability is higher by 9 percentage points where the highest education attained by the household head is secondary schooling or higher. Finally, all else constant, households with a greater number of children (aged 0–16) in 1993 are less likely to attrite.

Turning to community level characteristics, the presence of a tarred road in the cluster (TARROAD93) in 1993 and the presence of a clinic in the cluster in 1993 (CLINIC93) both decrease the probability of dropouts in 1998. The marginal effects show that the presence of a tarred road in the cluster in 1993 reduces the probability of dropout in 1998 by 8.6 percentage points and the presence of a clinic in the cluster in 1993 reduces the probability of dropout in 1998 by 4.6 percentage points. Surprisingly the presence of a doctor in the cluster in 1993 (DOCTOR93) actually increases the probability of the household dropping out in 1998 (by 4.6 percentage points, statistically significant at the 5% level).

The accuracy of panel data depends heavily on the quality of the original fieldwork. It has been argued that measures of quality of the original interview may help predict the success of re-interview. We include one measure of the quality of the 1993 interview: whether the questionnaire was verified by the supervisor (VERIFY93). The hypothesis is that properly verified questionnaires were more likely to have been accurately completed making re-interviewing relatively easier. The marginal effects presented in Table III indicate that the probability of dropouts is lower by 9.4 percentage points for households with verified questionnaires.

5. RESULTS FROM QUANTILE REGRESSIONS

We now turn to the quantile regression estimates. We compute the estimates at the 10th ($\theta = 0.10$), 25th ($\theta = 0.25$), 50th ($\theta = 0.50$), 75th ($\theta = 0.75$) and 90th ($\theta = 0.90$) quantiles. The dependent variable is log per capita household expenditure. The explanatory variables included in the regressions are the age and the squared age of the household head (AGEHD and AGEHD2, respectively), a dummy to indicate whether the household head is female (FHH), the highest level of education attained by the household head, which is accounted for by including three dummies: HDEDUC1, HDEDUC2 and HDEDUC3. Here HDEDUC1 takes a value of one if the highest level of education attained by the household head is primary school, HDEDUC2 takes a value of one if the highest level of education attained by the household head is more than primary school but less than secondary school, and HDEDUC3 takes a value of one if the highest level of education attained by the household head is more than secondary school. The reference category is that the household head has no education. We also include as explanatory variables household composition variables: the total number of children in the household, TOTCHILD (individuals aged 0–17), the total number of working age adults, TOTADULT (males aged 18–64 and females aged 18–59) and the total number of elderly in the household, TOTELDER (males aged 65 and above and females aged 60 and above).[14] In the South African context, living standards vary widely depending on the race of the household and we include a race dummy BLACK to capture this race effect. We also include two location dummies: RURAL to account for rural residence and residence in former Natal (NATAL) to account for differences within the Kwazulu-Natal province of South Africa. See Table VIII for a description of all the variables used in the regression.

[14] The definition of working age adults and the elderly follows the official definitions of the South African government. There is an official social pensions programme in South Africa and every male aged 65 or higher (officially classified as elderly male) and every female aged 60 or higher (officially classified as elderly female) is eligible for social pension (subject to a means test). See Lund (1994) and Case and Deaton (1998) for more details on the social pensions programme in South Africa.

5.1. Are Attritor Households Different?

We first examine whether the households that subsequently leave the sample (the attritor households) differ in their initial expenditure distribution compared to those households that do not attrite. We compute the quantile regression estimates (at the 10th, 25th, 50th, 75th and 90th quantiles) for the SIHS 1993 sample but in this case we include the attrition dummy A and a set of interaction terms where A is interacted with each of the explanatory variables. The non-interacted coefficients give the effects for the non-attritor households while the interacted coefficients give us the difference between the attritor and non-attritor households in 1993. The (non-interacted) coefficient estimates and the bootstrapped standard errors are presented in Table IV.[15] The standard errors were computed by bootstrapping with 100 replications. We also compute an F-test for the joint significance of A and the interaction terms—to test whether there are significant differences between the (eventually) attriting and the non-attriting sample. The F-tests indicate that the attritor

Table IV. Are attritor households different from non-attritor households? Quantile regression using SIHS1993

	$\theta = 0.10$	$\theta = 0.25$	$\theta = 0.50$	$\theta = 0.75$	$\theta = 0.90$
AGEHD	0.0191***	0.0164*	0.0009	−0.0225**	−0.0179
	(0.0072)	(0.0094)	(0.0108)	(0.0105)	(0.0133)
AGEHD2	−0.0001***	−0.0001	0.0000	0.0002*	0.0002
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)
FHH	−0.1885***	−0.1556***	−0.1344***	−0.0910*	−0.1435**
	(0.0581)	(0.0435)	(0.0436)	(0.0465)	(0.0556)
HDEDUC1	0.1580***	0.1181**	0.1019**	0.1261**	0.1201
	(0.0556)	(0.0507)	(0.0483)	(0.0493)	(0.0807)
HDEDUC2	0.3533***	0.3440***	0.2776***	0.2270***	0.2755***
	(0.0868)	(0.0744)	(0.0562)	(0.0591)	(0.0983)
HDEDUC3	1.0648***	0.9503***	0.9252***	0.8550***	0.5620***
	(0.1259)	(0.1251)	(0.1202)	(0.0998)	(0.1406)
TOTCHILD	−0.0916***	−0.0837***	−0.0928***	−0.0994***	−0.1107***
	(0.0131)	(0.0091)	(0.0094)	(0.0120)	(0.0171)
TOTADULT	−0.0696***	−0.0705***	−0.0472***	−0.0574***	−0.0502***
	(0.0182)	(0.0149)	(0.0125)	(0.0110)	(0.0170)
TOTELDER	0.0249	0.0148	−0.0005	−0.0648	0.0060
	(0.0550)	(0.0426)	(0.0338)	(0.0451)	(0.0744)
BLACK	−1.3792***	−1.0901***	−0.9419***	−0.8769***	−0.9647***
	(0.1264)	(0.1015)	(0.0829)	(0.1255)	(0.1446)
NATAL	−0.8409***	−0.5928***	−0.5307***	−0.3861***	−0.3991***
	(0.1111)	(0.1000)	(0.0752)	(0.1003)	(0.0836)
RURAL	−0.3080***	−0.2841***	−0.3603***	−0.2955***	−0.3691***
	(0.0509)	(0.0496)	(0.0430)	(0.0544)	(0.0677)
ATTRITE	1.8177*	1.0267	0.0799	−0.8738	−0.3770
	(1.0047)	(0.6837)	(0.6764)	(0.7909)	(1.0586)
CONSTANT	6.0694***	6.1830***	6.8233***	7.6560***	8.0146***
	(0.2323)	(0.2810)	(0.2907)	(0.3089)	(0.3152)
F-Test for attrition	2.01**	1.08	0.73	1.15	1.69*

Notes: Variables are defined in Table VIII.
Bootstrapped standard errors in parentheses.
Bootstrapped standard errors obtained with 100 replications.
*** Significant at 1%. ** Significant at 5%. * Significant at 10%.

[15] We do not present the difference estimates. They are available on request.

and the non-attritor samples differ at the two extremes—at the 10th and the 90th quantiles but not in the middle (at the 25th, 50th and 75th quantiles). This implies that quantile regressions is the correct approach to examine living standards because it allows one to examine the relationship between explanatory variables and the dependent variable at different points on the expenditure distribution and it is clear that the relationship changes as one moves along the expenditure distribution. Simply looking at the average (as one would do using OLS) could result in incorrect conclusions regarding the difference between attritor and non-attritor households. The coefficient estimates are as expected. The coefficient of FHH is always negative and statistically significant, implying that female-headed households perform poorly compared to male-headed households. The coefficient estimates of HDEDUC1, HDEDUC2 and HDEDUC3 are always positive and are in most cases statistically significant.[16] Per capita expenditure is lower for black households (compared to Indian households) and for households residing in rural areas (compared to households residing in urban areas and metropolitan regions) and is higher for households residing in former Natal (compared to those residing in the former homeland of Kwazulu). Not many of the difference estimates are statistically significant. The results imply that a large part of what is driving the difference between attritor and non-attritor households in 1993 is the difference in the educational attainment of the household head.

5.2. Quantile Regression Estimates of Standard of Living

Tables V and VI present the weighted quantile regression estimates (on the pooled sample) at the 10th, 25th, 50th, 75th and 90th quantiles. However, in this case we also include a year (= 1998) dummy and also include as additional explanatory variables the interaction of all the explanatory variables with this year dummy to account for possible changes in slope (as opposed to only the intercept) over the period 1993–1998. Remember that in this case the non-interacted coefficients (presented in Table V) give the effects for $t = 1993$ and the interacted coefficients (presented in Table VI) give the difference between 1993 and 1998. The F-tests presented in Table V show that the year dummy and the interactions of the other explanatory variables with the year dummy are jointly statistically significant. This essentially implies that there are statistically significant differences between the 1993 and 1998 samples and that standard of living, measured by log per capita expenditure, changed significantly for households residing in Kwazulu-Natal during that period.

We start by examining the non-interacted coefficient estimates (Table V). Remember that they correspond to the relationship between household characteristics and log per capita expenditure in 1993. When discussing the marginal effect of a conditioning variable on each quantile, we also report if there is any statistically significant evidence that the particular variable affects different parts of the distribution differently. These are based on tests of equality of parameters across different quantiles.

Per capita household expenditure is lower for female-headed households relative to male-headed households everywhere on the distribution. It also seems that, other things equal, the incidence of female-headedness increases inequality as it decreases the lower quantiles proportionally more than it decreases the upper quantiles. The coefficient estimates imply that relative to male-headed households per capita household expenditure is lower for female-headed households by 19.59%,

[16] The only exception is that the coefficient estimate of HDEDUC1 is not statistically significant at the 90th quantile.

Table V. Weighted quantile regression estimates

	$\theta = 0.10$	$\theta = 0.25$	$\theta = 0.50$	$\theta = 0.75$	$\theta = 0.90$
AGEHD	0.0108	0.0197	0.0136	−0.0079	−0.0164
	(0.0204)	(0.0151)	(0.0144)	(0.0146)	(0.0189)
AGEHD2	−0.0001	−0.0002	−0.0001	0.0001	0.0001
	(0.0002)	(0.0001)	(0.0001)	(0.0001)	(0.0002)
FHH	−0.1959**	−0.1743**	−0.1509**	−0.1698**	−0.1468*
	(0.0872)	(0.0783)	(0.0572)	(0.0648)	(0.0806)
HDEDUC1	0.2034**	0.1501*	0.1581*	0.0615	0.0019
	(0.0971)	(0.0786)	(0.0835)	(0.0882)	(0.1030)
HDEDUC2	0.3346**	0.2439**	0.2606**	0.1314	0.0585
	(0.1371)	(0.1027)	(0.1003)	(0.1114)	(0.1276)
HDEDUC3	1.0785***	0.7623***	0.9281***	0.6730***	0.5378***
	(0.2704)	(0.1838)	(0.1609)	(0.1446)	(0.1992)
TOTCHILD	−0.0623**	−0.0424*	−0.0598***	−0.0846***	−0.1095***
	(0.0280)	(0.0259)	(0.0143)	(0.0125)	(0.0152)
TOTADULT	−0.0687**	−0.0650***	−0.0639***	−0.0411*	−0.0556**
	(0.0287)	(0.0207)	(0.0203)	(0.0247)	(0.0252)
TOTELDER	−0.0869	−0.0829	−0.0812	−0.1157*	−0.0826
	(0.0744)	(0.0793)	(0.0724)	(0.0681)	(0.0793)
BLACK	−1.2413***	−0.9545***	−0.8461***	−0.6708***	−0.7600***
	(0.1844)	(0.1085)	(0.1050)	(0.1566)	(0.1271)
NATAL	−0.7333***	−0.5767***	−0.4871***	−0.3287**	−0.3432***
	(0.1463)	(0.0761)	(0.0921)	(0.1254)	(0.1017)
RURAL	−0.3749***	−0.4271***	−0.4026***	−0.4622***	−0.4786***
	(0.1048)	(0.0795)	(0.0839)	(0.0922)	(0.0890)
CONSTANT	6.1073***	6.1920***	6.4541***	7.2725***	7.9920***
	(0.7864)	(0.5433)	(0.5076)	(0.5977)	(0.6841)
F-Test for joint significance of time interactions	3.88***	5.04***	5.90***	5.06***	5.44***

Notes: Variables are defined in Table VIII.
Bootstrapped standard errors in parentheses.
Bootstrapped standard errors obtained with 200 × 100 replications. See text for details.
*** Significant at 1%. ** Significant at 5%. * Significant at 10%.
Also included are a set of interaction terms with YEAR = 1998. These difference estimates are presented in Table VI.

17.43%, 15.09%, 16.98% and 14.68% at the 10th, 25th, 50th, 75th and 90th quantiles, respectively. Further note that the coefficient estimate of FHH is only weakly significant at the 90th quantile. Despite this, there is no significant evidence in the data to reject that FHH affects different quantiles equally. We conclude that, other things equal, the incidence of female-headedness decreases the well-being of households uniformly across the distribution.

In contrast, other things equal, an increase in educational attainment of the household head increases household living standards by different proportions at different parts of the distribution. The magnitude of the coefficient estimates of the three educational attainment dummies reveals some interesting patterns. First, there is a high premium on a high school degree at every quantile. For example at the median (50th quantile), relative to households where the head of the household has no education, per capita expenditure is higher by 15.81%, 26.06% and 92.81% when the highest education attained by the head of the household is primary schooling, more than primary but less than secondary schooling and secondary schooling or higher, respectively, which shows a massive and highly significant premium for having finished high school, relative to households with heads with a lower level of educational attainment. Second, the marginal

Table VI. Difference estimates from the weighted quantile regressions

	$\theta = 0.10$	$\theta = 0.25$	$\theta = 0.50$	$\theta = 0.75$	$\theta = 0.90$
YEAR = 1998	−0.6851	−0.4288	−0.9014**	−0.8979**	−1.5321***
	(0.6760)	(0.4293)	(0.4044)	(0.4361)	(0.5063)
AGEHD	−0.0057	−0.0065	0.0195	0.0184	0.0324
	(0.0239)	(0.0186)	(0.0184)	(0.0198)	(0.0257)
AGEHD2	0.0001	0.0002	−0.0001	0.0000	−0.0001
	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)
FHH	0.0738	0.0058	0.0026	0.0475	0.0583
	(0.1063)	(0.0981)	(0.0738)	(0.0802)	(0.1051)
TOTCHILD	−0.0366	−0.0005	0.0043	0.0241	0.0579***
	(0.1278)	(0.0281)	(0.0181)	(0.0151)	(0.0202)
TOTADULT	0.1082	−0.0018	−0.0013	−0.0061	0.0006
	(0.1809)	(0.0242)	(0.0231)	(0.0271)	(0.0293)
TOTELDER	0.0689	−0.0446	−0.0666	−0.0006	−0.0176
	(0.3497)	(0.0921)	(0.0818)	(0.0762)	(0.1004)
HDEDUC1	0.0157	0.0415	0.0581	0.1891*	0.2644*
	(0.0310)	(0.1040)	(0.1043)	(0.1071)	(0.1405)
HDEDUC2	0.0145	0.3916***	0.3618***	0.4758***	0.5160***
	(0.0337)	(0.1316)	(0.1198)	(0.1336)	(0.1707)
HDEDUC3	−0.0712	0.5846***	0.2661	0.4860***	0.4937*
	(0.0917)	(0.2227)	(0.1873)	(0.1806)	(0.2562)
BLACK	0.2848	−0.0298	−0.1325	−0.3010	−0.3988**
	(0.2353)	(0.1553)	(0.1459)	(0.1920)	(0.1914)
NATAL	0.6543***	0.3580***	0.3016***	0.1432	0.2329
	(0.1811)	(0.0990)	(0.1230)	(0.1486)	(0.1536)
RURAL	−0.0176	0.0259	0.0342	0.0810	0.1993
	(0.1356)	(0.1043)	(0.0988)	(0.1086)	(0.1297)

Notes: Variables are defined in Table VIII.
Bootstrapped standard errors in parentheses.
Bootstrapped standard errors obtained with 200 × 100 replications. See text for details.
*** Significant at 1%. ** Significant at 5%. * Significant at 10%.

effect of highest level of education attained by the head of household on per capita expenditure is significantly different at different parts of the distribution. This is most striking for the effect of high school completion. For example at the 10th quantile, per capita household expenditure is higher by 108% when the highest education attained by the household head is secondary schooling compared to 54% at the 90th quantile. On the other hand, the premium on primary school attained by the household head is statistically significant only for households at the lower end of the expenditure distribution. For households at the upper end of the expenditure distribution (75th and 90th quantiles) the effect of primary education is not statistically significant. These results show that other things equal, education in general, and secondary education in particular, not only improves the standard of living for all households but also decreases inequality because it has a larger proportional effect on the left tail than on the right tail. Remember also that very few households have heads who have attained secondary schooling or higher—3.32% in 1993 and 4.51% in 1998.

The main reason for this 'low' education attainment stems from the skewed educational policies followed by the South African government during the apartheid era. A racially segregated education system was possibly the central pillar propping up the apartheid regime. 'The Bantu Education Act' of 1953 centralized control of black education and linked tax receipts from the blacks to public expenditure on education for the blacks. This obviously led to extreme disparities in educational expenditures—for example in 1975, expenditure on an average white child was nearly 15 times the expenditure on an average black child.[17] With the Soweto Riots in 1976 and the boycotting of schools over the 1970s and 1980s, the situation improved somewhat and more resources were allocated to the black schools. However, the disparities still continued to be fairly large. In addition, as a result of the official policies implemented by the apartheid era South African government, black families were assigned to 'homelands' based on their language, irrespective of where the household had previously resided. Following the 'Black Homeland Citizenship Act' of 1970, the South African government forced millions of blacks to these 'homelands' and every conceivable effort was made to restrict movement between the homelands and the Union of South Africa. Further, there were restrictions on job eligibility and in particular blacks could not be employed as skilled workers. It is no surprise that in 1993, the returns to education for the blacks on the right tail of the distribution were quite low.

The presence of an additional child or an additional working age adult in the household generally reduces per capita household expenditure, while the presence of an additional elderly member in the household does not have a statistically significant effect on per capita household expenditure. Moreover, the evidence is compatible with the hypothesis that these effects were the same everywhere on the distribution.

Not surprisingly in 1993 South Africa, the race of the household has a significant effect on the standard of living of the household. Black households are worse off compared to Indian households at every quantile and interestingly the difference continues to remain quite large at the upper end of the expenditure distribution—for example compared to Indian households, the per capita household expenditure is lower for black households by 124% at the 10th quantile and this difference falls to 76% at the 90th quantile (remember this is keeping everything else, including education, constant). The NATAL dummy is always negative and statistically significant, implying that the per capita household expenditure is always lower for households residing in former Natal, compared to those residing in the former homeland province of Kwazulu. And the difference is significantly larger at the low end of the distribution relative to the upper tail. The result that households residing in the former homeland province of Kwazulu appear to be generally doing better than those residing in former Natal in 1993 is quite surprising at first. However, once again it is worth emphasizing that the sample includes only black and Indian households. Given the laws that restricted residency and employment of non-whites during the apartheid era, the sample of black households residing in Natal in 1993 possibly includes migrants who are either unemployed or at the very best employed in low paying jobs. On the other hand households in Kwazulu were typically more prosperous compared to blacks residing in other homelands both because of special government grants and transfers to Kwazulu and also the fact that the region was more productive and fertile compared to other homelands. The estimated coefficients of the only other variable that is statistically significant (RURAL) shows that per capita household expenditure is significantly lower for households residing in rural regions (compared to households residing in urban and metropolitan regions), and this effect is statistically uniform on all quantiles.

The F-tests presented in Table V show that the year dummy and the interactions of the other explanatory variables with this year dummy are jointly statistically significant *for all*

[17] See for example Thomas (1996) and Case and Deaton (1999).

quantiles. This essentially implies that the relationship between the living standards and household characteristics has changed significantly between 1993 and 1998 for non-white households residing in Kwazulu-Natal. It is therefore worth examining the difference estimates, which are presented in Table VI. In a sense these are the more interesting results since the primary aim of this paper is to examine how things have changed in South Africa following the dismantling of apartheid. While not many of the difference estimates are statistically significant, those that are tell an interesting story. The parameters that have changed significantly are the coefficients of the NATAL dummy in the median and lower quantiles, and the coefficients of education of the household head in all but the lowest quantile. The coefficient of the NATAL dummy has statistically significantly increased at the 10th, 25th and 50th quantiles. Given that Table V shows that, all else constant, the (non-white) residents of Natal were at a disadvantage relative to the residents of Kwazulu in 1993, these positive changes have improved the position of the residents of Natal so that there is no significant difference between the two in 1998 (the 1998 coefficients are the sum of corresponding coefficients in Tables V and VI). However, the rural–urban gap and the black–Indian gap have remained unchanged. While the Kwazulu-Natal difference can be attributed to the movement restrictions imposed by the apartheid regime, the rural–urban gap and the black–Indian gap were perhaps not a direct consequence of apartheid, and therefore have persisted. The most striking change is the significant increase in returns to secondary education in almost all parts of the distribution. Adding the corresponding parameters of Table V and Table VI, we see that the premium for some high school education (HDEDUC2) has risen to more than 50% at all quantiles other than the 10th quantile, and the premium to finishing high school (HDEDUC3) has risen to more than 100%. Recall that the 1993 results showed that high school education both increased living standards of all households and also decreased the inequality of living standards. The 1998 results, in contrast, show that the equality enhancing property of high school education of household head is no longer there. This supports the hypothesis that the significantly lower returns to education on the upper quantiles in 1993 were due to artificial barriers in the labour market on career opportunities for skilled non-white workers. In fact, the hypothesis of the equality of the coefficients of each education attainment dummy at different quantiles can no longer be rejected in 1998. The abolition of restrictions on job eligibility seems to have equalized the return to education everywhere on the distribution.

Comparing the results of change in conditional distribution with those related to unconditional distribution of per capita expenditure reported in Table I, the question arises that if nothing other than the coefficient of NATAL has changed in the 10th percentile of conditional distribution, then what explains the significant decrease in the 10th percentile of the unconditional distribution of expenditure? The answer is that some of the aspects of the distribution of household characteristics must have changed between 1993 and 1998. Going back to Table II, and comparing the characteristics of the households in the 1998 sample with the characteristics of the *same* households in 1993, we see that more of them have female heads in 1998 relative to 1993, and the household size has increased substantially, mostly caused by having more adults in the household. These characteristics all have negative effects on quantiles, and it can partly explain why the standard of living at the 10th percentile has deteriorated. This partly reflects the changing composition of the household in South Africa. There is some evidence that the extension of the social pension programme to cover the black elderly has resulted in significant negative incentive effects for the working age adults in the household. For example, Bertrand *et al*. (2003), using the SIHS 1993 data, find evidence of increased unemployment of resident working age black South

Africans. They argue that this is a result of the extension of the coverage of the social pension programme and sharing of this additional resource inflow within the household. We find similar effects here. However, a more detailed examination of the causes of households losing their male heads and merging into bigger units between 1993 and 1998, though interesting, is beyond the scope of this paper.

In closing, we compare these results to those obtained from the standard (unweighted) quantile regressions on the pooled data set without controlling for attrition. The difference estimates (the time interacted coefficient estimates) are presented in Table VII. Although the overall picture from this table is similar to that of Table VI, the increase in returns to education is underestimated, and more significant changes in effects of household composition on quantiles are found. These discrepancies can be attributed to the unweighted estimator not taking into account the systematic difference between the non-attritor and attritor households. The upshot of all this is that when there is evidence to suggest that attrition is indeed non-random (a result that is consistent with earlier work using the same data), one has to take it into account in order to have confidence that the results are not tainted by attrition bias.

Table VII. Difference estimates from the unweighted quantile regressions

	$\theta = 0.10$	$\theta = 0.25$	$\theta = 0.50$	$\theta = 0.75$	$\theta = 0.90$
YEAR = 1998	−1.0812**	−0.5685	−1.4419***	−1.0968**	−1.4061***
	(0.4783)	(0.4170)	(0.4162)	(0.4863)	(0.5358)
AGEHD	−0.0032	−0.0037	0.0322**	0.0251	0.0333
	(0.0139)	(0.0139)	(0.0148)	(0.0165)	(0.0212)
AGEHD2	0.0001	0.0002	−0.0002	−0.0001	−0.0002
	(0.0001)	(0.0001)	(0.0001)	(0.0002)	(0.0002)
FHH	0.0788	−0.0280	0.0005	0.0264	0.0740
	(0.0802)	(0.0731)	(0.0641)	(0.0647)	(0.0816)
TOTCHILD	0.0402**	0.0356***	0.0369***	0.0322***	0.0579***
	(0.0198)	(0.0140)	(0.0130)	(0.0121)	(0.0176)
TOTADULT	0.0121	0.0087	−0.0142	0.0091	−0.0015
	(0.0212)	(0.0187)	(0.0158)	(0.0157)	(0.0221)
TOTELDER	−0.1392*	−0.1368**	−0.1557***	−0.0219	−0.0531
	(0.0745)	(0.0653)	(0.0537)	(0.0566)	(0.1019)
HDEDUC1	0.0358	0.0516	0.0839	0.1430*	0.1603
	(0.0964)	(0.0750)	(0.0735)	(0.0748)	(0.1115)
HDEDUC2	0.1750	0.2591***	0.3639***	0.4003***	0.3758***
	(0.1345)	(0.0923)	(0.0782)	(0.0839)	(0.1310)
HDEDUC3	0.2253	0.3732***	0.2746**	0.3770***	0.4722**
	(0.2374)	(0.1418)	(0.1248)	(0.1366)	(0.2152)
BLACK	0.4590***	0.0354	0.0102	−0.1512	−0.2918
	(0.1774)	(0.1367)	(0.1280)	(0.1477)	(0.1792)
NATAL	0.8499***	0.3653***	0.3880***	0.2313**	0.2196*
	(0.1396)	(0.0921)	(0.1147)	(0.1128)	(0.1240)
RURAL	−0.0177	−0.0739	−0.0022	−0.0360	0.0893
	(0.0972)	(0.0780)	(0.0624)	(0.0789)	(0.1162)
F-Test for joint significance of time interactions	6.69***	5.97***	8.46***	6.86***	4.79***

Notes: Variables are defined in Table VIII.
Bootstrapped standard errors in parentheses.
Bootstrapped standard errors obtained with 200 replications.
*** Significant at 1%. ** Significant at 5%. * Significant at 10%.

Table VIII. Variable definition

Variable	Description
PCEXP	Per capita household expenditure
LPCEXP	Log per capita household expenditure
LPCINC	Log per capita household income
AGEHD	Age of household head
AGEHD2	Age of household head squared
FHH	= 1 if household head is female
HDEDUC1	= 1 if highest education attained by household head is primary school
HDEDUC2	= 1 if highest education attained by household head is middle school
HDEDUC3	= 1 if highest education attained by household head is secondary school or higher
TOTCHILD	Total number of children in the household (individuals aged less than 18)
TOTADULT	Total number of working age adults in the household (males aged 18–64, females aged 18–59)
TOTELDER	Total number of elderly in the household (males aged 65 and higher, females aged 60 and higher)
BLACK	= 1 if household is black
NATAL	= 1 if household is resident of former Natal
RURAL	= 1 if the household resides in a rural area
YEAR = 1998	= 1 if 1998
ATTRITE	= 1 if the household was not re-interviewed in 1998
LPCEXP93	Log per capita household expenditure in 1993
HHSIZE93	Household size in 1993
VERIFY93	= 1 if questionnaire was verified by a supervisor in 1993
TARROAD93	= 1 if there is a tarred road in the cluster in 1993
CLINIC93	= 1 if there is a clinic in the cluster in 1993
DOCTOR93	= 1 if there is a doctor in the cluster in 1993
HDEDUC1-93	= 1 if highest education attained by household head in 1993 is primary school
HDEDUC2-93	= 1 if highest education attained by household head in 1993 is middle school
HDEDUC3-93	= 1 if highest education attained by household head in 1993 is secondary school or higher
TOTCHILD93	Total number of children in the household in 1993 (individuals aged less than 18)

6. CONCLUSION

The main purpose of this paper is to examine whether the dismantling of apartheid has resulted in improvements in the standard of living of the vast majority of South Africans. To analyse this issue, we use a panel data set from the Kwazulu-Natal province—the largest province in the country and home to nearly a fifth of the population of the country. The first wave of the data was collected in 1993, prior to the historic elections in 1994 (as part of the South Africa Integrated Household Survey) and the second wave was collected in 1998 (as part of the Kwazulu-Natal Income Dynamics Study). Despite the best efforts of the interview team to track down movers and re-interview them, the attrition rate in the panel remained at around 16%. Using binomial logit regressions we find that household income and size in 1993, several community characteristics and survey quality in 1993 significantly affect the probability of dropouts as does the quality of the original survey.

Problems arise from the potential non-random sample attrition. Indeed we find that the characteristics of the attritor households are different from the non-attritor households at the two ends of the distribution. In analysing changes in living standards in South Africa over the period 1993–1998, we therefore use a weighted quantile regression approach, which corrects for the potential bias arising from non-random sample attrition. The approach used requires that the process generating the missing data can be estimated but does not make any assumptions about the distribution of the responses other than those imposed by the quantile regression model. To derive the standard errors of quantile regression coefficients, we use two levels of bootstrapping in order to account for the uncertainty caused by the estimation of weights as well as the uncertainty in estimation of quantile parameters given the weights.

Our results show that there has been a significant increase in the spread of the distribution of household expenditure of the non-white households residing in Kwazulu-Natal province. We find that the stretch to the right of the upper tail of the distribution can be attributed to significant increase in returns to primary and high school education, while movement to the left of the lower quantiles can be associated with the increase in the proportion of female headed households and household size. It seems that the availability of well paying jobs that were previously not available to non-whites has improved the standard of living of black and Indian households at the upper end of the distribution, which is a positive sign. However, the increased incidence of female headedness and the crowding of households has dragged many households into poverty at the low end of the distribution, which is quite alarming. Evidence also suggests that the significant difference between the standards of living of non-white residents of Natal and Kwazulu, that was caused by the restrictions on the movements of black South Africans between the two regions during the apartheid regime, is no longer significant in 1998.

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