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SERIES OF REPORTS AND STUDIES

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# SOCIAL SURVEY OF CAPE TOWN

RENTS OF COLOURED HOUSEHOLDS

Price ONE SHILLING

No. SS 13



THE RENTS PAID  
BY COLOURED HOUSEHOLDS  
IN CAPE TOWN.

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THE SOCIAL SURVEY OF CAPE TOWN

REPORT NO. SS 13

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The relationship of rents to incomes is a problem of great interest to those concerned with the housing of the poorer classes, including, of course, the members of these classes. The problem is often posed in the form of a question as to "ability to pay rent".

"Ability to pay" is not easy to assess; not, that is, unless we are prepared to base our assessment upon assumptions which we might find it difficult to support.

It is, for instance, a fact that the average proportion of income devoted to rent among large sections of the urban populations of Western countries is in the neighbourhood of 20 per cent.; and it is possible to argue that, since this is the amount that actually is paid, it must be the amount that can best be afforded. This line of argument involves a rather dubious use of the term "afforded", and is subject to other objections which are indicated below. Nevertheless, since it is a line of argument that in default of a better is often used as a rule of practice, it is interesting to see to what conclusions it would lead if applied to the Coloured population of Cape Town.

Data drawn from a random sample of Coloured households in Cape Town investigated by the Social Survey of Cape Town during the latter half of 1938 and the earlier months of 1939 are statistically representative, with a possible variation which cannot invalidate the conclusions drawn below, of all Coloured households in Cape Town at the time of the investigation. They may therefore be accepted as a true cross-section of the immediate pre-war situation.

The gross incomes of all households in the sample averaged £11 18s. Od. and their rentals £2 7s. Od. per month, the proportion between the two thus working out to almost precisely the traditional 20 per cent. The incomes of most households - that is, all but the lowest 10 per cent. and highest 10 per cent. - lay between £3 12s. Od. and £24 6s. Od. per month, and therefore an application of the traditional rule would lead us to conclude that the range of rents that could be afforded by all but the poorest 10 per cent. and most prosperous 10 per cent. of the Coloured population was 14s. to £5 per month. Again, from the fact that one-quarter of the incomes were below £6 6s. Od. per month, one-half below £9 8s. Od. per month, and three-quarters below £15 2s. Od. per month, we might conclude that one-quarter of the households could have afforded rents of less than £1 5s. Od., one-half rents of less than £1 18s. Od., and three-quarters rents of less than £3. Again, since the distribution of income groups was as follows:-



INCOME RANGE		ALL COLOURED HOUSEHOLDS
above £ monthly	not above £ monthly	per cent.
-	5	17
5	10	37
10	15	22
15	20	10
20	25	6
25	30	4
30	-	5
all households		100

we might conclude that 17 per cent. of all Coloured households could have afforded not more than £1 per month for rent, a further 37 per cent. £1 odd, a further 22 per cent. £2 odd, a further 10 per cent. £3 odd, a further 6 per cent. £4 odd, a further 4 per cent. £5 odd, and the remaining 5 per cent. £6 or more.

In fact, however, these hypothetical figures do not represent the rents actually paid. This is not really surprising. If we found rents to be a constant proportion of income at different income levels our finding would be at variance with a generally-accepted interpretation of Engel's Law, and would therefore at least be suspect. What we actually find in relation to the sample of households above described is in the first place:-

- (a) that all but the lowest 10 per cent. and the highest 10 per cent. of the rentals paid lay between 16s. and £4 10s. 0d. per month.
- (b) that one quarter of the rents were below £1 6s. 6d. per month, one-half below £2, and three-quarters below £3 5s. 0d.; and
- (c) that the distribution of rent-paying groups was as follows:-



RENTAL RANGE		ALL COLOURED HOUSEHOLDS
above £ monthly	not above £ monthly	per cent.
-	1	16
1	2	37
2	3	20
3	4	14
4	-	12
all households		100

We further find, however, that the mean percentage of income devoted to rent varied greatly between income groups, as the following table shows:-

INCOME RANGE		MEAN RENTAL AS PROPORTION OF MEAN INCOME
above £ monthly	not above £ monthly	per cent.
-	5	45
5	10	24
10	15	20
15	20	18
20	25	16
25	30	14
30	-	12
all households		20

This finding, which may at first glance suggest a somewhat complicated relationship, is in fact just the kind of finding we should expect from Engel's Law. It can at once be expressed in the simple formulation of Allen and Bowley's expansion of that law, in the terms:-

$\bar{e}$	$\bar{w}$	k	$\bar{r}$
£11 18 0	0.200	0.085	0.425
per month			



In other words, the mean rental paid by income groups within the population described rose less rapidly than income and may be approximately calculated by the formula:-

$$\text{mean monthly rent of group} = 8\frac{1}{2} \text{ per cent. of mean monthly income of group} + 27 \text{ shillings}$$

The above-mentioned approach to the problem of ability to pay rent defines the word "afford" so as to imply that everybody who has any income at all is able to afford some house-room, some food, some clothing, some of every kind of necessary, and is faced only with the difficulty of deciding how much of one necessary to sacrifice for the sake of another. An altogether different approach treats rent, at least for the purposes of rent-subsidy calculations, as a residual claimant after minimum needs for food, clothing, and other necessities have been met. If the Survey Poverty Datum Line were taken as a measure of the cost of such minimum needs, some 33 per cent. (preliminary figure) of the Coloured households of Cape Town would, by this standard, be reckoned as unable to afford any rent at all. If the Survey Effective Minimum Level were adopted as the measure, this percentage would be greatly increased.

A large housing utility company has been using for some time past for certain special purposes a sliding scale of rent charges based on a modification of this latter approach. The rent charged is determined by the relationship of household income to Poverty Datum Line, rising from a nominal sum when the income does not exceed the Poverty Datum Line to the normal rental when the Effective Minimum Level is reached.

In the present state of knowledge and practice it cannot be claimed that there is any acknowledged standard of method of determining "ability to pay rent". It is submitted that this is a matter which urgently claims the attention of those concerned with housing policy.



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