

Covid-19 info brief: Social grant increases are an immediate and feasible route to protecting children and their families.

The lockdown is important to contain the virus, but it will increase poverty and food insecurity.

The South Africa government acted swiftly to slow the local spread of the Covid-19 pandemic. The nation-wide lockdown requires everyone except those providing essential services to stay at home. People may only leave their homes for urgent food shopping and medical treatment or necessities. The lockdown has been set for 21 days, ending 16 April, though there have been suggestions that it may need to be extended beyond this – as has happened in other countries.

International experience suggests that a lockdown is the best response from a public health perspective, but the economic impacts are devastating for South African households. South Africa already has very high rates of poverty, unemployment and inequality, and the effects of lockdown on work and earnings threaten to exacerbate all these dynamics. More people will become poor, and the depth of poverty will be greater. More people will go hungry.

SA unemployment rates are high and are likely to rise as an immediate outcome of the lockdown, and in the period beyond.

The most recent (pre-Covid) estimate of the official unemployment rate in South Africa is 29.1%.¹ This is extremely high by global standards, especially when compared with countries that are prominent in the Covid-19 pandemic and have also instituted lockdowns: for example, China (an official unemployment rate of 3.8), Italy (10.3), Spain (13.2), the UK (3.8), the US (3.5) and South Korea (4.2).²

The official unemployment rate under-estimates the lived reality of unemployment because it is based only on adults in the labour market who are either working or are actively seeking work. In South Africa there are many more working-age adults who are available to work (i.e. they are not studying or staying at home by choice) but they are not actively looking for work because there are no work opportunities available. The expanded or “broad” unemployment rate including the discouraged work-seekers is 38.7% (around 9.6 million adults of working age).³

Those who are “working” are not necessarily in secure employment: many will not be paid during the lockdown, and may lose their jobs altogether, even after the lockdown is lifted, as economic recession persists and deepens.

A team of experts commissioned to work with the presidency on an economic response to Covid-19 has been modelling the possible effects of the lockdown on the informal sector specifically, and the spin-off effects for poverty levels. They estimate that, for households that rely on income from the informal labour market, food poverty rates could more than double over the three weeks of the lockdown period.⁴

¹ Stats SA (2020) Quarterly Labour Force Survey, Quarter 4, 2019

² International Monetary Fund, World Economic Outlook 2019

³ Stats SA (2020) QLFS

⁴ The Presidency (2020) Economic mitigation and relief measures for Covid-19: A proposal to support the poor and the informal sector.

Child poverty rates are high, and they will be directly affected by rising unemployment and loss of earnings.

Children are financially dependent on adults. Losses in adult wages and informal sector earnings will have an immediate effect on children's survival and well-being. Conversely the financial shock of job loss and reduced income will be amplified for adults who also need to support dependent children.

There are 19.7 million children under 18 years in South Africa – they make up 34% of the population.⁵ This is a very different demographic picture from northern countries with ageing populations. Compared with richer countries, South Africa has a heavier dual burden of high dependency ratios, and high unemployment.

Nearly a third of all children in the country, around 6 million, live in households where no adult is working, either in the formal sector or the informal sector.⁶ These households are entirely dependent on remittances from family members who work elsewhere, and on social grants. Of the two thirds of children who do live in households with income from adult labour, around 3 million are in households that depend on informal sector income (there is no formal sector employment) and another 1.5 million depend on a combination of incomes from formal and informal employment.⁷

Nearly 60% of children (11.6 million) live in households below the Stats SA poverty line (R1,277 per person per month in 2019 Rands). A third of children (6.4 million) live below the food poverty line of R561. These are the unemployment and poverty rates before the impact of Covid-19, the lockdown and the economic aftermath.

We need to ensure that people's lives are saved – not only from corona, but from starvation and diseases exacerbated by malnutrition.

Malnutrition is an enormous and persistent challenge in South Africa, even before the arrival of Covid-19. A quarter of children under five years are stunted due to chronic under-nutrition.⁸ Malnutrition underlies around 60% of all child deaths that occur in hospitals.⁹ Healthy diets need to include diverse food groups and are expensive to maintain. Nearly half of children in the country live in households where diets are not sufficiently diverse for good nutrition.¹⁰

There are already indications that the cost of living is rising since the arrival of Covid-19. A project that monitors food prices found that the cost of a low-income household food basket increased substantially over the first three weeks of March, as the pandemic unfolded in the country.¹¹ The fact that costs remained more stable in the fourth week of March was tentatively attributed to the DTI Regulations for Consumer and Customer

⁵ See table A below for provincial population estimates

⁶ Own analysis of GHS 2018 – see <http://childrencount.uct.ac.za/indicator.php?domain=2&indicator=52>

⁷ Calculations from the GHS 2018, using employment status and sector questions to derive a rough proxy.

⁸ South African Demographic and Health Survey 2016

⁹ Sanders D & Reynolds L (2017) Ending Stunting: Transforming the health system so children can thrive. In Jamieson L, Berry L & Lake L (Eds) South African Child Gauge 2017. Children's Institute, University of Cape Town.

¹⁰ Sambu & Hall (2019) Poverty and Child Hunger in South Africa: A child-centred analysis of household-level survey data. In: Roelen K, Morgan R & Tafere (Eds) Putting Children First: New frontiers in the fight against child poverty in Africa. Stuttgart: CROP.

¹¹ Pietermaritzburg Economic Justice & Dignity (PMBEJD 2020) Media Statement 31 March 2020 Available: <https://pmbejd.org.za/wp-content/uploads/2020/03/Food-Prices-Covid-19-PMBEJD-Media-Statement-31032020.pdf>

See also PMBEJD (2020) Food and domestic & personal hygiene prices during March 2020. Available: <https://pmbejd.org.za/wp-content/uploads/2020/03/Food-hygiene-data-during-March-2020-Covid-19-PMBEJD-31032020.pdf>

Protection.¹² Over the whole month, the cost of the food basket increased by 7%, or R220. This increase alone is equivalent to half the value of the monthly child support grant.

The food pricing report also highlights a shift in purchasing patterns: low-income shoppers (mainly women) are buying more non-perishable staple foods and less meats, vegetables or dairy products. They are also buying more soap with which to wash hands. These changes in shopping behaviour are linked to affordability concerns, uncertainty about access to supermarkets and the reliability of stock, and compliance with health guidelines. But there is a further concern that households have even less nutritious food on the table, that these foods may become unaffordable or less easily available to poor households, and that public health messaging has also failed to address the importance of nutritious food for maintaining strength and immunity.

There are further concerns for child nutrition during lockdown: schools have been closed for a whole month instead of the planned 10-day holiday, and it seems likely that they will remain closed even longer and that education will need to be continued through remote learning.¹³ Over nine million children will lose out on their daily meal, served at schools in the poorest three quintiles as part of the National School Nutrition Programme.¹⁴ Younger children attending early learning centres will also miss meals (about 2.5 million 3–5 year-olds were attending some kind of ECD facility before lockdown¹⁵).

Households will not only need additional cash to replace lost or reduced income as a result of changes in the labour market; they will also need to provide more nutrition to children in their care to offset the loss of the school feeding scheme.

Social grants are effective for protecting children against the effects of poverty.

As at 31 March 2020, 18.3 million social grants are paid each month. Seventy percent of these are child support grants – this makes them an effective mechanism to get more money into households quickly.

Social grants play an important role in mitigating the effects of poverty for children and their families. Multiple studies have found receipt of a child support grant is linked to improved nutritional and health outcomes for children and well as numerous other positive effects – in addition to reducing income poverty.¹⁶

Social grants not only ameliorate poverty but can also protect against major financial shocks. A study of the impact of the 2008-2009 global economic recession on child poverty in South Africa found that state support, and specifically the child support grant, substantially reduced the impact of the economic crisis for children.¹⁷

¹² Department of Trade and Industry (2020). Competition Act (89/1998): Consumer and Customer Protection and National Disaster Management Regulations and Directions. [DTI Regulations]. Regulation Gazette No. 11057, Vol 657. No. 43116. 19 March 2020. Available: https://www.gov.za/sites/default/files/gcis_document/202003/4311619-3dti.pdf

¹³ The Education Sector has established a COVID-19 Interim Sector response team and Steering Committee including Government, civil society and the corporate sector. Together they are working on a comprehensive response to the learning needs of children during the lockdown and school closure.

¹⁴ Devereux et al (2018) School Feeding in South Africa: What we know, what we don't know, what we need to know, what we need to do." Food Security SA Working Paper Series No. 004. DST-NRF Centre of Excellence in Food Security, South Africa.

¹⁵ Hall K, Sambu W, Almeleh C, Mabaso K, Giese & Proudlock P (2019) South African Early Childhood Review 2019. Children's Institute & Ilifa Labantwana.

¹⁶ For a summary of studies, see Grinspun A (2016) "No Small Change: The multiple impacts of the Child Support Grant on child and adolescent well-being" In: Delany A, Jehoma S & Lake L (Eds) South African Child Gauge 2016. Children's Institute, University of Cape Town.

¹⁷ Unicef South Africa and the Financial and Fiscal Commission (2010) The Impact of the International Financial Crisis on Child Poverty in South Africa. Pretoria: Unicef & FFC.

Child grants will support entire families. There is no social assistance for the unemployed.

South Africa provides grants for the aged (those too old to work), the disabled (those unable to work) and children (too young to work). There is no social assistance programme for the working-age unemployed.

The Unemployment Insurance Fund offers some income support to those who have contributed to it, but nearly half of the workers in South Africa would not be eligible for relief under the UIF.¹⁸ Income support from contributory social insurance will be unavailable to those in the informal sector, those in precarious employment and those whose employers have not registered with the UIF – as well as the millions of perennially unemployed.

Although child support grants are meant to be spent directly on the children to whom they are allocated, they effectively become part of household budgets and help to support entire households. Therefore increasing this grant will reach all in the household.

The child support grant (CSG) is well established. It is by far the biggest grant in terms of numbers, reaching 12.8 million children – nearly two thirds of all children in South Africa.¹⁹ It is received every month by over 7 million beneficiaries,²⁰ and contributes to the income of nearly 6 million households.²¹

The CSG is smallest of the social grants in terms of value. Whereas the Old Age and Disability grants are both R1,860 per month, the CSG is R440 per month from April 2020 (increasing to R450 in October). This is far below the Stats SA poverty lines and even below the food poverty line. Models to estimate the budgetary effect of a top-up to the CSG as a disaster relief strategy for vulnerable households have used additional amounts of R500 and R250, over a period of three to six months. The higher value top-up would still leave the grant at half the value of the old age grant and below the poverty line, but would make a substantial contribution to poor households. The lower value would only just offset the reported food prices increases that took place in March.

We can (and should) use the existing social grant system to mitigate the worst economic effects of Covid-19.

Increasing the CSG is the “quickest, simplest way”.

By the end of March 2020, 84 countries had introduced or adapted social protection and jobs programmes in response to Covid-19.²² The most widely used intervention was social assistance (non-contributory cash transfers).

Locally, there have been calls from academics, activists, community groups and consortia across the country for the state to increase the value of social grants and/or use the existing grant infrastructure to provide a top-up or disaster relief grant for poor households. These also include a BIG or universal income grant, a special Covid-19 disaster relief grant and the expanded use of the Social Relief of Distress Grant.

¹⁸ Bassier et al (2020 South Africa can – and should – top up child support grants to avoid a humanitarian crisis. The Conversation, 31 March 2020. Available: <https://theconversation.com/south-africa-can-and-should-top-up-child-support-grants-to-avoid-a-humanitarian-crisis-135222>

¹⁹ See Table B for provincial social grant figures for all grants, as at end March 2020.

²⁰ SOCPEN as at 31 March 2020.

²¹ Own analysis of GHS 2018, see table A.

²² World Bank, “Social Protection and Jobs Responses to COVID-19 March 27. A Real-Time Review of Country Measures”, available at http://www.ugogentilini.net/wp-content/uploads/2020/03/Social-protection-responses-to-COVID19_March27.pdf (viewed 1 April 2020)

Augmenting the CSG has been described as “the quickest, simplest way to reach the poorest South Africans”.²³ Based on careful modelling, economists have found that:

- The CSG is well targeted to the poorest households, and to women (as children are overwhelmingly in the care of women);
- An increase to the CSG will also cushion the shock of income loss in the informal sector, because there is a significant overlap in households that receive child grants and those that also depend on informal sector income;
- An increase in the grant amount could mitigate the broader economic effects of recession in that it would make it possible for poor households to increase consumption spending, thereby supporting the informal sector and helping to stimulate the economy.²⁴

It is technically and legally possible to use the CSG for disaster relief - immediately.

SASSA cannot enrol new beneficiaries into the social grant system during lockdown because the required verification and biometric requirements cannot be completed. The simplest way to channel much-needed cash into poor households is via beneficiaries who are already registered on SOCPEN, the administrative data system of the South African Social Security Agency.

Given the broad and pro-poor reach of the child support grant, it makes sense to use the CSG as the main (or primary) conduit for cash transfers to households for purposes of disaster relief.

It is possible to increase the amount of the CSG without amending any laws or regulations because the Social Assistance Act provides for the Minister of Social Development to determine the grant amounts, in concurrence with the Minister of Finance. The new amounts would merely require a notice in the government gazette to enable implementation and could technically be enacted at the touch of a button.

Where will the money come from?

The fiscus is under enormous strain. Even before the immediate costs of the Covid-19 response, South Africa has a budget that exceeds tax revenue, and a junk status rating that will make borrowing difficult and expensive. The costs of dealing with the long-term economic fallout from the pandemic will be enormous. But those costs could be partly offset by investments in poverty alleviation and disaster relief now.

Illustrative costings for disaster relief top-ups of R250 and R500 to the CSG over a period of 6 months come to R20bn and R40bn respectively, and half of that if implemented for only 3 months.²⁵ A short-term intervention would provide some cushioning against immediate food insecurity and the risk of associated unrest, while a 6-month investment could also serve a stimulus role to reignite the economy. In the absence of a budget line item or surplus, it will be necessary to look for alternative sources of funding. Possibilities include directing small savings from the School Nutrition Programme, motivating for funds from the Solidarity Fund and potentially harnessing investment reserves in pension funds and the UIF which could, in any case, be wiped out by recession if not used quickly to protect households. A further option is to call in reserves from the SA Reserve Bank.

²³ The Presidency (2020) Economic mitigation and relief measures for Covid-19: A proposal to support the poor and the informal sector.

²⁴ The Presidency (2020) Economic mitigation and relief measures for Covid-19: A proposal to support the poor and the informal sector.

²⁵ Ibid. Shorter-term (3-month) scenarios were also costed, as were scenarios where single top-up amounts are paid to caregivers, rather than for each CSG.

CSG top-up as part of a package of interventions to protect children, households and the economy.

An increase to the CSG, even if it is substantial, will not avert economic crisis. It will exclude many households – including those with new mothers whose children have not yet been registered, as well as the large (and growing) number of single-adult households, such as migrant workers and work-seekers living informally on the periphery of cities.

Other (complementary) strategies to protect children and their families should include:

- Registration of vulnerable households not already receiving grants for Social Relief of Distress (SRD). SRD is a temporary benefit that can be made available as a cash transfer or a food parcel – typically for a maximum of three months. It is likely that SRD will be limited to food parcels, at least until after the lockdown.
- Ensuring new mothers with babies who cannot be registered (as new birth registrations are on hold during the lock-down) can access SRD by presenting their proof of birth document from the hospital or stamped Road to Health card from the clinic. The Department of Home Affairs may need to allow greater discretion to accept witness affidavits to home births during this period.
- Ensuring that resources for maternal and child health services are not diverted in favour of (adult) health services to deal with the Covid-19 pandemic. Irrespective of the lockdown, over 20,000 children are born in South Africa every week, and they will need peri-natal services, growth monitoring and immunisation.
- Amending the lockdown regulations²⁶ to allow for informal sector traders and suppliers of food and hygiene products to operate. This will help to protect the economy of the informal sector while also helping to ensure food supply (including fresh produce) to areas not readily serviced by the retailers currently permitted in the regulations. There are also public health arguments for this as it could help to alleviate congestion in the main shopping areas as well as the congestion in taxis and public transport hubs.²⁷
- Subsidising selected highly nutritious foods – some pricing and cost analysis already done.²⁸
- Complementary food distribution strategies especially for households excluded from the grant system.
- Longer-term social protection strategies, including a disaster relief grant and stimulus packages.

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Compiled by Katharine Hall, Children's Institute, University of Cape Town, 1 April 2020.

kath.hall@uct.ac.za



²⁶ Department of Co-operative Governance and Traditional Affairs: Regulations issued in terms of section 27(2) of the Disaster Management Act, 2002. Government Gazette No. 43107, 18 March 2020.

²⁷ See <https://www.plaas.org.za/food-in-the-time-of-the-coronavirus-why-we-should-be-very-very-afraid/>

²⁸ "Food Security and Food Provisioning in the COVID crisis" – unpublished draft, not in public domain.

Table A. Population and household estimates, and household access to Child Support Grants

PROVINCE	Total population	Child population (under 18)	Total households	Households with children under 18	Households receiving CSGs
Eastern Cape	6 508 000	2 514 000	1 685 000	922 000	742 000
Free State	2 891 000	1 021 000	901 000	513 000	371 000
Gauteng	14 661 000	4 186 000	4 884 000	2 243 000	1 116 000
KwaZulu-Natal	11 215 000	4 184 000	2 905 000	1 543 000	1 166 000
Limpopo	5 853 000	2 374 000	1 579 000	927 000	729 000
Mpumalanga	4 524 000	1 673 000	1 289 000	716 000	541 000
North West	3 925 000	1 382 000	1 210 000	558 000	405 000
Northern Cape	1 230 000	436 000	342 000	191 000	141 000
Western Cape	6 650 000	1 971 000	1 877 000	920 000	459 000
Total	57 457 000	19 741 000	16 671 000	8 533 000	5 668 000

Own calculations from General Household Survey 2018 using population and house weights as appropriate. Numbers rounded to the nearest thousand.

Table B. Social Grants in payment as at end March 2020

Grant Type	EC	FS	GP	KZN	LIM	MP	NC	NW	WC	Total
Child Support	1 941 614	705 920	1 944 428	2 913 040	1 895 605	1 132 983	321 444	880 526	1 048 764	12 784 324
Old Age	594 585	213 003	659 217	726 995	483 977	263 950	91 826	273 753	369 492	3 676 798
Disability	179 453	74 812	119 582	226 892	97 189	78 010	46 675	65 357	154 059	1 042 029
Foster Children	81 128	26 116	43 355	66 722	42 317	24 512	11 211	28 495	31 754	355 610
Grant-in-Aid	32 296	9 904	9 105	82 784	56 679	23 987	17 267	16 760	25 141	273 923
Care-Dependency	23 653	8 896	20 948	40 130	16 603	11 866	6 042	10 045	16 577	154 760
War Veteran	12	-	21	6	2	1	1	1	18	62
Grand Total	2 852 741	1 038 651	2 796 656	4 056 569	2 592 372	1 535 309	494 466	1 274 937	1 645 805	18 287 506

Source: SOCPEN