PIETERMARITZBURG ECONOMIC JUSTICE & DIGNITY

Economic justice through the lens of human dignity

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Food Poverty Lines, Child Support Grant levels & wage increases

Why we should not dismiss the warning of the updated Food Poverty Line: poverty and inequality is worsening.

Statistics South Africa's recently updated Food Poverty Line is now R624 per capita per month. The Child Support Grant of R460 per child per month (including the emergency SRD R350 grant) is now 26% to 44% below the Food Poverty Line. Every year our poverty indices get worse. The arithmetic is simple, the Food Poverty Line is adjusted annually using the Consumer Price Index's Food Inflation figures whilst the Child Support Grant (CSG) is adjusted seemingly as per the state's whims (and it is unknown on what basis the SRD value of R350 was chosen). The CSG has lost value over the past several years. It is pegged far below the actual cost required to feed a child properly. This suggests that the key instrument to directly support our children, and to reduce poverty and inequality in South Africa is being slowly marginalised and perhaps abandoned by South Africa's leaders.

It seems to us that we are now in danger of losing a key instrument in reducing poverty and inequality amongst ±two-thirds (30 million) Black South Africans who live in desperate poverty and for whom the last 27 years of democracy has yielded far too little improvement. We have in the Child Support Grant a proven instrument, even at low levels, to effectively improve health, well-being, education, health, social, political, and economic outcomes. If we lose such a critical tool in the efforts to reduce poverty and inequality, we must recognise that we have nothing else on the table to replace it.

This report explores what the adjusted Food Poverty Lines mean for us as ordinary citizens to make sense of a reluctant state who sees welfare as a burden to the fiscus, whose tone towards those who require assistance is really quite unacceptable, and importantly where our 12,8 million children whose lives are so tentatively held in the hands of the state may be headed.

It further provides some commentary on what should be looked at in the upcoming wage negotiations to achieve a healthier, and productive workforce, whilst reducing workplace instability and improving our economic trajectory.

Below we present the key data from the September 2021 Household Affordability Index, and thereafter on pages 2-4 we look at wages and inflation, and on pages 4-5 we look at the Food Poverty Line and Child Support Grant.

Key data from the September 2021 Household Affordability Index

The September 2021 Household Affordability Index, which tracks food price data from 44 supermarkets and 30 butcheries, in Johannesburg (Soweto, Alexandra, Tembisa and Hillbrow), Durban (KwaMashu, Umlazi, Isipingo, Durban CBD and Mtubatuba), Cape Town (Khayelitsha, Gugulethu, Philippi, Langa, Delft and Dunoon), Pietermaritzburg and Springbok (in the Northern Cape), shows that:

- **In September 2021:** The average cost of the Household Food Basket is **R4 219,48.**
- **Month-on-month**: The average cost of the Household Food Basket ***decreased*** by **R21,64 (-0,5%)**, from R4 241,11 in August 2021 to R4 219,48 in September 2021.
- **Year-on-year**: The average cost of the Household Food Basket ***increased*** by **R361,14 (9,4%)**, from R3 856,34 in September 2020 to R4 219,48 in September 2021.

Statistics South Africa's latest Consumer Price Index for August 2021[i] shows that Headline Inflation is 4,9%, and for the lowest expenditure quintiles 1-3, it is 6,6%, 6,2% and 5,5% respectively. **CPI Food inflation is 7,4%.** Food inflation is very high both by the CPI and by the PMBEJD data. PMBEJD data tends to run higher than the CPI data because we only track foods typically bought by low-income households, which means that our basket of foods is much smaller, and we only track prices from supermarkets and butcheries that target the low-income market within a limited geographical area, and so our scope of data collection is also much smaller. Our data is therefore not comparable, however the trends in both **CPI Food Inflation (7,4%)** and the **PMBEJD Household Food Basket (9,4%)** is consistent in showing an upward trend in higher food price inflation.

The September 2021 Household Food Baskets have softened. This is off the August 2021 high, caused in part, by the unrest in July 2021 in KwaZulu-Natal and Gauteng. However, the drop in prices of Durban, Pietermaritzburg and Joburg are far less than the spikes recorded in August 2021. For example, the Joburg food basket declined by -2% (R88,60) in September 2021, after increasing by 3,4% (R143,27) in August 2021. The Durban food basket declined by even less, by -0,4% (R17,55) in September 2021, off its 3,9% (R161,60) spike in August 2021. The Pietermaritzburg basket, similarly, to Durban, only declined by -0,4% (R14,70), off its August 2021 spike of 3,2% (R128,33). So, whilst, these baskets have come down in September 2021, they are still showing the impact of the July unrest.

See table below: Household Food Baskets showing year-on-year and past three months.

Household Food Basket	Sep_2020	Jul_2021	Aug_2021	Sep_2021	Aug 2021 vs. Sep 2021 [Rands]	Aug 2021 vs. Sep 2021 [%]	Sep 2020 vs. Sep 2021 [Rands]	Sep 2020 vs. Sep 2021 [%]
Joburg	R3 886,87	R4 187,86	R4 331,13	R4 242,53	**-R88,60**	**-2%**	**R355,66**	**9,2%**
Durban	R3 800,59	R4 126,91	R4 288,51	R4 270,96	**-R17,55**	**-0,4%**	**R470,37**	**12,4%**
Cape Town	R3 902,48	R4 071,32	R4 080,72	R4 106,18	**R25,46**	**0,6%**	**R203,70**	**5,2%**
Springbok	R4 061,82	R4 507,84	R4 564,82	R4 595,13	**R30,31**	**0,7%**	**R533,31**	**13,1%**
Pietermaritzburg	R3 678,32	R3 964,67	R4 093,00	R4 078,30	**-R14,70**	**-0,4%**	**R399,98**	**10,9%**
Average	**R3 856,34**	**R4 137,43**	**R4 241,11**	**R4 219,48**	**-R21,63**	**-0,5%**	**R363,14**	**9,4%**

Whilst Joburg, Durban and Pietermaritzburg came down slightly in September 2021, the Cape Town and Springbok baskets increased marginally.

On the average household food basket for all areas, marginal increases are shown on rice, samp, potatoes, chicken and beef offal, fish, butternut, spinach, pilchards, apples, oranges and polony.

The cost of the core foods prioritised and bought first by a household remains a concern. Year-on year, this basket of 17 foods, which should ordinarily be affordable and found in everyone's' home and which includes maize meal, rice, flour, sugar, sugar beans, oil, bread, onions, potatoes, chicken portions, salt, stock, soup, and tea, whilst declining slightly from August 2021 (by -0,6% or R14,08) is still relatively very high. In September 2021 this basket of core foods cost **R2 278,90 and is R213,19 or 10,3%** higher than it was a year ago**.**

Workers: unemployment statistics, affordability thresholds and the new updated Food Poverty Lines.
Statistics South Africa's latest Quarterly Labour Force Survey, for Quarter 2: 2021[ii] shows that unemployment levels have increased. The expanded unemployment rate for Black South Africans is 48,7%. Ten million seven hundred and fourteen thousand (10 714 000) Black South Africans are unemployed. As the numbers of unemployed workers increase, we are required to look at how many people are actually employed and how much these workers earn, because workers then must support more people on their wages. Currently 11,3 million Black South Africans are employed, with about half of whom earning at the NMW level or lower.

The National Minimum Wage for a General Worker in September 2021 is **R3 643,92.** Transport to work and back will cost a worker an average of **R1 260 (34,6% of NMW),** and electricity an average of **R731,50 (20,1% of NMW).** Together transport and electricity, both non-negotiable expenses, take up **54,7% (R1 991,50)** of the NMW, leaving **R1 652,42** to secure *all other household expenses.*

This month Statistics South Africa released its updated National Poverty Lines, as of April 2021.[iii]

- The Food Poverty Line is R624 per capita per month.
- The Lower-bound Poverty Line is R890 per capital per month.
- The Upper-bound Poverty Line is R1 335 per capita per month.

In most Black South African households, only one person works. This one wage must support a reductive average of 4,3 persons. If we look at the money remaining from the worker earning at the maximum NMW level, after transport to work and electricity has been bought, we are left with R1 652,42. If all this money is allocated to food (we know it is not, this is just theoretical, the money available to buy food will be less than this amount): than **R1 652,42/4.3** persons = **R384,28** per family member. **This is a terrifying prospect as R384,28 is 38% below even the lowest poverty line, the Food Poverty Line of R624 per capita per month.** It means that a worker earning at the maximum NMW, is unable on her wage, to feed her family at even the minimum level to maintain well-being, health, and child development (let alone productivity).

We have both a staggering unemployment crisis and a low-baseline wage crisis. The introduction of the NMW has shifted neither the unemployment trajectory nor the low-baseline wage crisis. Instead, because of its poverty-level value which only allows families to secure survivalist consumption expenses; it has deepened poverty and inequality whilst doing nothing to boost demand for other goods and services in the economy, and thereby not creating jobs.

Workers and employers: Upcoming wage negotiations
We are entering a period where employers and unions start preparing to negotiate the next term of wage increases.

There is often a step in this process, which both employers and unions miss. Before calculating the annual increment, the baseline wage should be evaluated to ensure it still meets the level to enable workers to secure their basic goods and services to function productively, to be healthy, to live a dignified life, and to invest in the economy, and therefore change South Africa's economic trajectory. Once the baseline wage level is correct and up to date for the period in question, then annual increments linked to projections of what inflation will be in the coming year will allow workers to live at a similar level next year as they (hypothetically) lived this year, as well as to progress, as far as possible.

Many employers peg wage adjustments guided by the CPI Headline Inflation rate, selected at one moment in time, for the upcoming year's wage term (*viz*. selecting the CPI Headline of August 2021 as a proxy of inflation for the entire new wage term). It is important to keep in mind that CPI tracks backwards not forwards. It tells us what inflation was in the past. It does not tell us what inflation will be in the future.

It is better for workers and employers if wage increments are forward looking and project what the average inflation will be for the entire term of the year to come: that is, in the period in which the wage increment will have been implemented, at least with a core objective of ensuring workers are able to absorb future inflation on their core basic expenditures throughout the new wage term.

This exercise requires accurate data on for example: what the electricity tariff will be in July 2022, what the taxi fare will be (in the next few months, and from August 2022), what the food price inflation is likely to be in the coming year, what municipal services of water and refuse and sanitation and rates is likely to be in July 2022, what the airtime charges are likely to increase too, how much insurance will go up by, how much basic medical treatment and medication is likely to increase by, how much rentals are likely to increase by. How much the fuel levies will be. How much the SASSA grant increases will be (because social grants subsidise low wages). Projections on future fuel price increases. Whether VAT will be increased etc.

- Currently food has increased by between 9,4% and 10,3% - future unknown.
- Electricity tariffs have increased by 14,95% - future unknown.
- Public transport fares have yet to be increased across the board, where they have increased, fares have gone up by around 7% - future unknown.

Many of these future increases have not yet even been put on the table, and so we don't know what they will be. Here, we think that if the purpose of a wage increase is to provide workers with a decent annual increment, then we do not yet have the critical data needed to make these decisions.

An additional limitation of the CPI to consider is that the CPI like all other South African data, is skewed by massive inequality. The low relative expenditure of low paid workers, who spend a higher proportion of their wage on fewer expenses is drowned out by the high relative expenditure of the small portion of high paid workers – it means that the CPI averages around the middle, which doesn't really tell us much about how inflation impacts on both the low paid worker or the high paid worker.

Some examples here are the following: whilst low paid workers spend most of their money on food, food in the CPI is only weighted at 15,48% in the basket, public transport is only weighted at 2,3% and electricity is only weighted at 3,8%.[iv] Yet for low paid workers almost every cent of their wage goes to securing these three core expenses, and it is these three expenses: food, transport and electricity that have escalated well beyond annual increments over the past several years.

Nevertheless, The CPI is the instrument that we have, and data is reliable and efficiently collected, however using it to determine annual wage increases must be accompanied with more caution to its limitations. A good principle to go by is that inflation is higher for low paid workers than that reflected in the CPI. If an employer chooses to remunerate workers at an increment that allows workers to meet their basic expenditures for the coming year more comfortably, then it is best to lean to the more generous side in adjustments. It is also useful to ensure the increment is above the projected inflation on basic expenditures so that workers can save some money for when families experience a crisis, or invest it, or start putting some money into retirement – it makes the workforce more stable, and resilient to shocks.

Food poverty lines and the Child Support Grant – where are we going?

In the absence of jobs or the money needed to start and secure a livelihood, it is state welfare, or more importantly the value of state welfare given to people that determines whether poverty (and inequality) rises or falls.

Over the past several years we have seen how unemployment has continued to rise. At the same time the inflation on basic goods and services have increased making it harder for families to afford their basic needs. During this time the real value of social grants has declined. The result is that food poverty amongst a very large portion of our population, has increased. Every year our poverty indices get worse.

The Food Poverty Line is a monetary instrument to measure the cost of a basket of food, and whether people can afford it or not. Statistics South Africa updates its Food Poverty Line annually in April of each year based on the Consumer Price Index's Food Inflation figures. In April 2021 food price inflation was **6,7%.[v]** The Food Poverty Line now stands at **R624** per capita a month, a **R39 (6,7%)** adjustment, up from **R585** in April 2020.

With the new updated Food Poverty lines of R624 per capita per month, the Child Support Grant of R460 is now 26% below the Food Poverty Line, and the SRD R350 grant is 44% below the Food Poverty Line.

The Child Support Grant was conceived and introduced as a critical intervention to support mothers and caregivers to feed their children. In doing so it was also an important justice instrument to improve equity and reduce poverty.

In this regard it would make sense, like the Food Poverty Line methodology, to adjust the Child Support Grant annually by food price inflation to ensure that mothers are able to feed their children properly from one year to the next. However, this is not the case. The annual CSG adjustments are not made with a view of future food price inflation, and therefore over the years, we have seen the real cost of the CSG decline to a low-level whereby mothers are unable to secure food for their children on the grant. This has been particularly problematic with the massive spikes in food inflation and the continuing job losses over the past two years.

The data below shows the decline in the annual adjustments on the Child Support Grant over the past four years:

In 2018, the Child Support Grant was increased by R30, from R380 to R410: a 7,9% increase.[vi]
In 2019, the Child Support Grant was increased by R20 from R410 to R430: a 4,9% increase.[vii]
In 2020, the Child Support Grant was increased by R20 from R430 to R450: a 4,7% increase.[viii]
In 2021, the Child Support Grant was increased by R10 from R450 to R460: a 2,2% increase.[ix]

The Child Support Grant which supports more than 12,8 million South African children is now more than a quarter below the Food Poverty Line. It appears that the key instrument to directly support our children, and to reduce poverty and inequality in South Africa is being slowly marginalised and perhaps abandoned. Unless the baseline value of the CSG is increased and then adjusted annually on food price inflation, our poverty indices will worsen.

It is a strange decision by Government to provide welfare but not provide enough to allow people to secure their basic food requirements, and therefore ensure the optimum benefit of a welfare instrument, which welfare scholars contend has a principal objective to assist people to secure their basic needs whilst stabilising society. The South African government chooses a half-measure which serves to keep people in desperate frustrating poverty, who despite receiving a grant, still cannot secure their basic food needs.

By not providing a properly valued grant, government will not reap the optimal benefits of improved outcomes in health, education, social stability, and economic activity. And neither will mothers and children because without being able to secure their basic needs, the foundation needed to get out of poverty and improve their life trajectory cannot be built. Government and others scream and shout about the pitfalls of dependency but by giving so little, government creates a situation whereby welfare recipients cannot use the grant as leverage to get out of poverty and so will continue requiring government relief. By not spending enough money on the welfare system in the beginning, government is creating a financial mess whereby welfare payments will continue to balloon and become fiscally unaffordable.

The Child Support Grant is an important instrument with massive benefits, even at the very low levels offered.

We are failing our children. But we are also failing our future because child nutrition impacts on all our future education outcomes, our health outcomes, our social, political, and economic outcomes. Deprive children now and you get kids that are cognitively and physically stunted. Already 30% of boy children and 25% of girl children under the age of 5 years are stunted. The past two years has seen massive deprivation, this on the back of several years of a food affordability crisis. You cannot reverse stunting.

If we want to invest in a better future, we must invest in our children now. We have in the Child Support Grant a proven instrument that has shown, even at low levels, to be effective in improving health, well-being, physical and cognitive development of children, including improved school attendance, performance, and overall education outcomes; all of which provide a strong social foundation in which to grow, and even to thrive in a complex new economy and polity.

Should we not take this critical instrument more seriously, and calculate the annual value properly so that mothers can feed their children good nutrition and that we might all experience a South Africa that includes all of us and allows all of us to thrive? The danger here of doing nothing and looking the other way as government continues eroding the monetary value of the grant and dismissing its value to us – our children, our mothers, our friends, our neighbours, and society in general, is that we lose a critical tool in the efforts to reduce poverty and inequality. This is particularly pertinent because right now, we have nothing else on the table.

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[ii] STATSSA (2021). **Quarterly Labour Force Survey, Quarter 2, 2021.** Statistical release P0211. Statistics South Africa. Pretoria. P28-29, 46-47. See Link: http://www.statssa.gov.za/publications/P0211/P02112ndQuarter2021.pdf

[iii] STATSSA (2021). **National Poverty Lines 2021.** Statistical Release P0310.1. Statistics South Africa. Pretoria. P3. See link: http://www.statssa.gov.za/publications/P03101/P031012021.pdf

[iv] STATSSA (2021). **Consumer Price Index August 2021**. Statistical release P0141. 22 September 2021. Statistics South Africa. Pretoria. P8 and 9. See Link: http://www.statssa.gov.za/publications/P0141/P0141August2021.pdf

[v] STATSSA (2021). **Consumer Price Index April 2021**. Statistical release P0141. 19 May 2021. Statistics South Africa. Pretoria. P7. See Link: http://www.statssa.gov.za/publications/P0141/P0141April2021.pdf

[vi] National Treasury (2018). **2018 Budget Speech.** See link: http://www.treasury.gov.za/documents/national%20budget/2018/speech/speech.pdf

[vii] National Treasury (2019). **2019 Budget Speech**. See link: http://www.treasury.gov.za/documents/national%20budget/2019/speech/speech.pdf

[viii] National Treasury (2020). **2020 Budget Speech.** See link: http://www.treasury.gov.za/documents/national%20budget/2020/speech/speech.pdf

[ix] National Treasury (2021). **2021 Budget Speech.** See link: http://www.treasury.gov.za/documents/National%20Budget/2021/speech/speech.pdf