



Children's Institute submission to the National Treasury on the
2023 Medium Term Expenditure Framework

19 August 2022

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Abstract

We welcome this opportunity to contribute to the budget processes through the Fiscal Openness Accelerator (FOA) Project.

In the context of slow growth and austerity budgeting, there are many aspects of the national budget to contest and debate. However, given the very real human crises of rising poverty, widespread hunger and malnutrition, and the long-term impacts that this will have on the population now and in generations to come, our submission focuses on one key issue: **the danger of eroding the Child Support Grant.**

South Africa's social assistance programme is constitutionally mandated and is widely acclaimed – both locally and internationally – for being pro-poor, extensive in its reach, and the country's most successful poverty alleviation strategy.

Yet there are widely acknowledged limitations, and two of the most important limitations are interrelated: First, the social assistance programme has, until the introduction of the Covid-19 SRD grant as part of the disaster relief package, excluded working-age adults unless they are too disabled to work. It has not provided protection for unemployed adults even though unemployment is a structural problem in South Africa and repeated commitments and efforts to create jobs have not borne fruit. This gap in the social assistance programme created a dependency on the CSG for unemployed women and other adults who were co-resident with children, further diluting the value of the small CSG which is meant to be spent on the child.

Second, the amount of the CSG, the grant provided to poor caregivers for their children, is insufficient to meet a child's basic needs even if the full amount is spent on the child. It has failed to protect the poorest children from hunger, malnutrition and stunting, and, while it has reduced the severity of child poverty, it has not been enough to bring millions of children out of poverty.

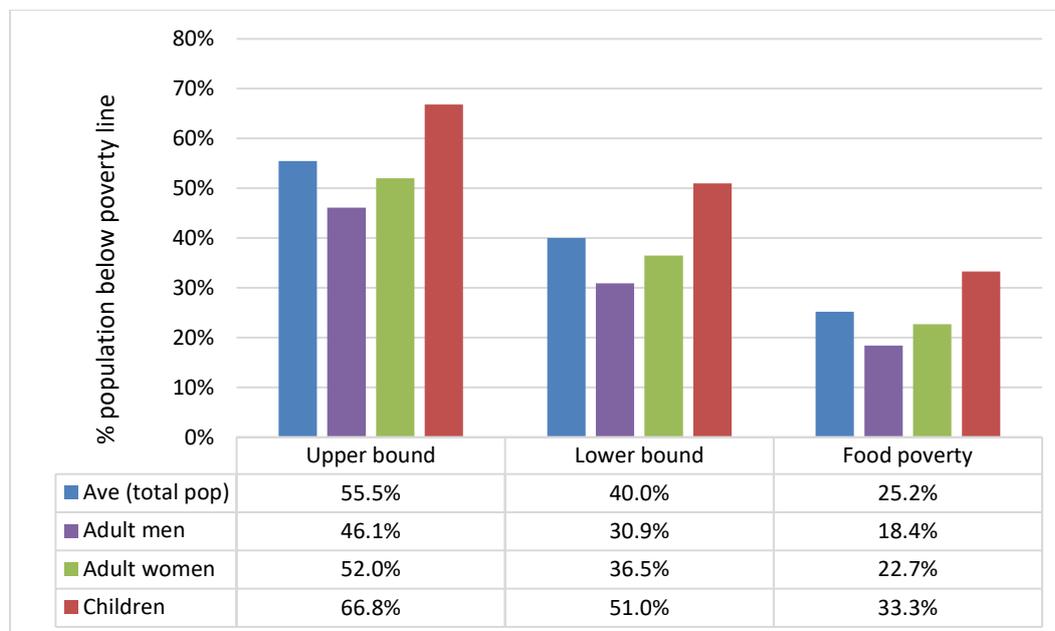
We are very concerned by what appear to be below-inflation increases to the CSG over the next years. In this short submission, we provide information on the following:

- the extent of child poverty and the effect of the 2020 pandemic and lockdown on food poverty rates;
- rising rates of poverty and a widening gap between the CSG and the food poverty line;
- the planned below-inflation CSG increases, as outlined in the 2022 Estimates of National Expenditure; and
- Proposed increases to maintain the real value of the grant and avoid regression.

Child poverty

The last “official” poverty rates were calculated from the 2014/15 Living Conditions Survey undertaken by Stats SA. Figure 1 below shows substantial poverty headcounts, with 55% of the population living below the Upper Bound poverty line, and 25% below the Food Poverty Line.¹ It also shows that poverty rates are higher among women than among men, and that child poverty rates are the highest of all.

Figure 1. Official poverty headcount rates 2014/15



Source: Stats SA (2018) Men, Women & Children: Findings of the Living Conditions Survey 2014/15.

According to these official figures, two thirds of children (67 percent) were below the upper bound poverty line in 2014/15, and one third (33 percent) were below the food poverty line.

There are various reasons for the relatively high poverty rates among children (compared with the adult population). Children are over-represented in low-income households, and especially in households that include women but not men. Women are less likely than men to be working, and if working, the average earnings of women are lower than those of men. Children are also over-represented in the former homelands, where 85 percent of all households include children and have on average three children in each household.

The spatial mismatch between work opportunities and family homes that can provide childcare is rooted in colonial and apartheid policies that effectively demanded the fragmentation of families to support labour migration. Children who live in the former homeland areas are more likely than those in urban areas to have absent biological parents, as might be expected given that historically these are sending areas for labour migrants. For example, in 2019 over 30 percent of children in the rural former homelands lived in households where neither of their biological parents were co-resident.

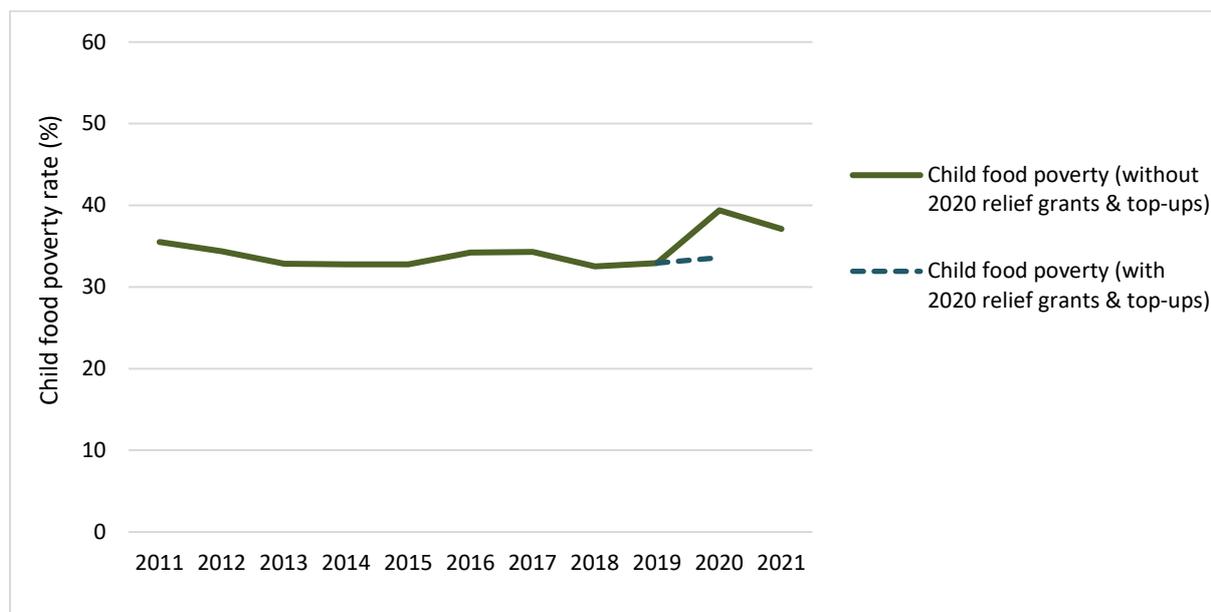
¹ The Upper Bound poverty line provides just enough for basic food and non-food essentials. The Food poverty line provides only enough for basic food – anyone below this line will not be able to meet the minimum daily caloric requirement as defined by the World Health Organisation.

Women, who often bear the triple burden of economic, domestic, and child-care responsibilities, share these responsibilities within networks that span generations and geographic space, and children often remain at the rural home of origin when parents migrate from rural areas, an arrangement that is made possible by the availability of substitute caregivers – particularly grandmothers. Given that many women become grandmothers in their 40s, grandmothers cannot be assumed to have access to an older persons grant. The same applies in the case of aunts or older siblings who become substitute caregivers. The important point is that many children live in households where there are non-working women who can provide care, but where the CSG is an essential income stream for meeting the nutritional and other basic needs of the child.

The Children’s Institute monitors child poverty rates annually, by analysing the General Household Survey (GHS), also conducted by Stats SA. The GHS is a multi-purpose survey and is not designed to obtain detailed information about income or expenditure. However, a comparison of GHS poverty estimates with the Living Conditions Survey and other more detailed income data sources suggests that income estimates derived from the GHS are plausible.

Figure 2 below tracks the food poverty rate for children, over the period of a decade. It shows that food poverty has not declined substantially since 2013 (when the phased CSG extension to children under 18 was completed).

Figure 2. Child food poverty trends (and the effect of 2020 grant top-ups)



Source: Own calculations from Stats SA GHS series

In 2020, disaster relief grants and top-ups were implemented for 6 months, from May to October. These included the new R350 SRD (which was subsequently extended), a R500 caregiver allowance for caregivers who received the CSG (which was terminated in October), and R250 top-ups to all other existing grants except the CSG (the top-ups were also terminated in October).

The poverty graph above therefore includes two poverty measures for 2020:

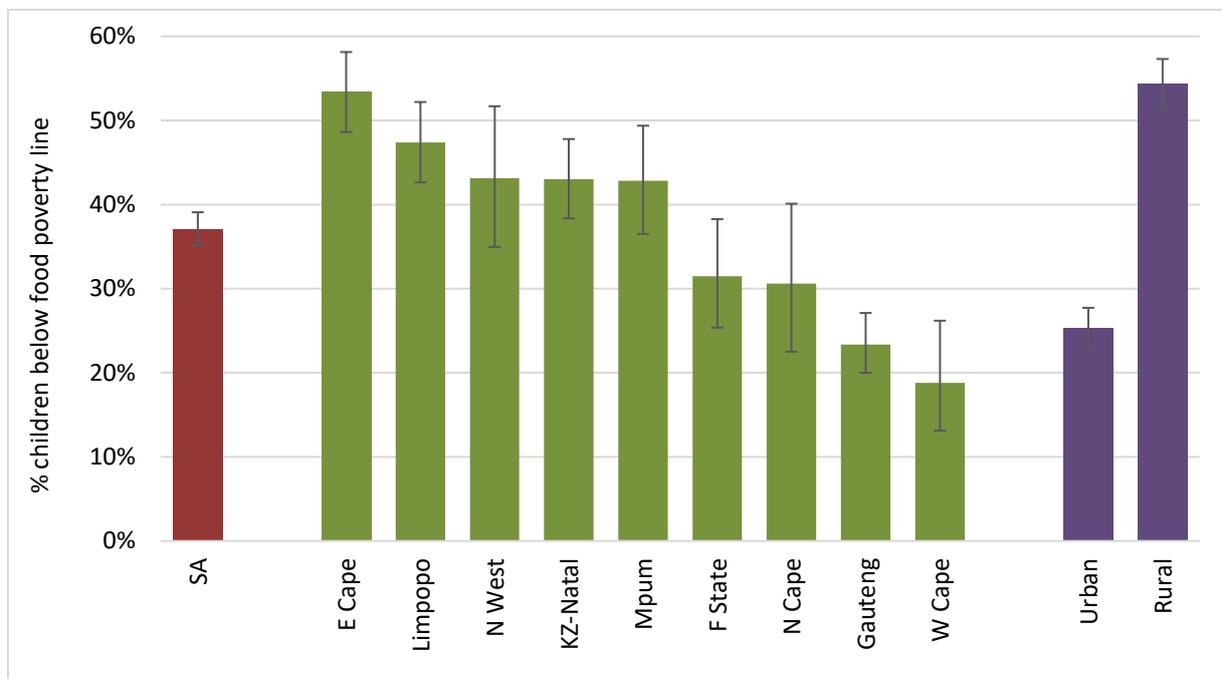
- excluding the disaster relief grants and top-ups (the solid line – which shows the status quo scenario for the final months of the year)

- including disaster relief (the dotted line – which shows the strong protective role of disaster relief grants and top-ups in countering rising poverty rates).

Once the disaster relief grants were terminated, child food poverty rates reached as high as 40 percent, the highest they had been since 2009. The 2021 poverty measure includes the permanent grants and the SRD, and shows some recovery in child poverty rates, but the poverty headcount remained substantially higher than the previous decade.

Figure 3 shows child food poverty rates for 2021. The overall food poverty rate among children was 37% (four percentage points higher than in 2019) – meaning that nearly eight million children were living in households where the cost of basic food could not be met. The food poverty rates are substantially higher in the rural former homelands (54 percent), and in the provinces where they are located (for example, 53 percent of children in the Eastern Cape and 47 percent in Limpopo are food-poor).

Figure 3. Spatial inequalities in child food poverty rates.



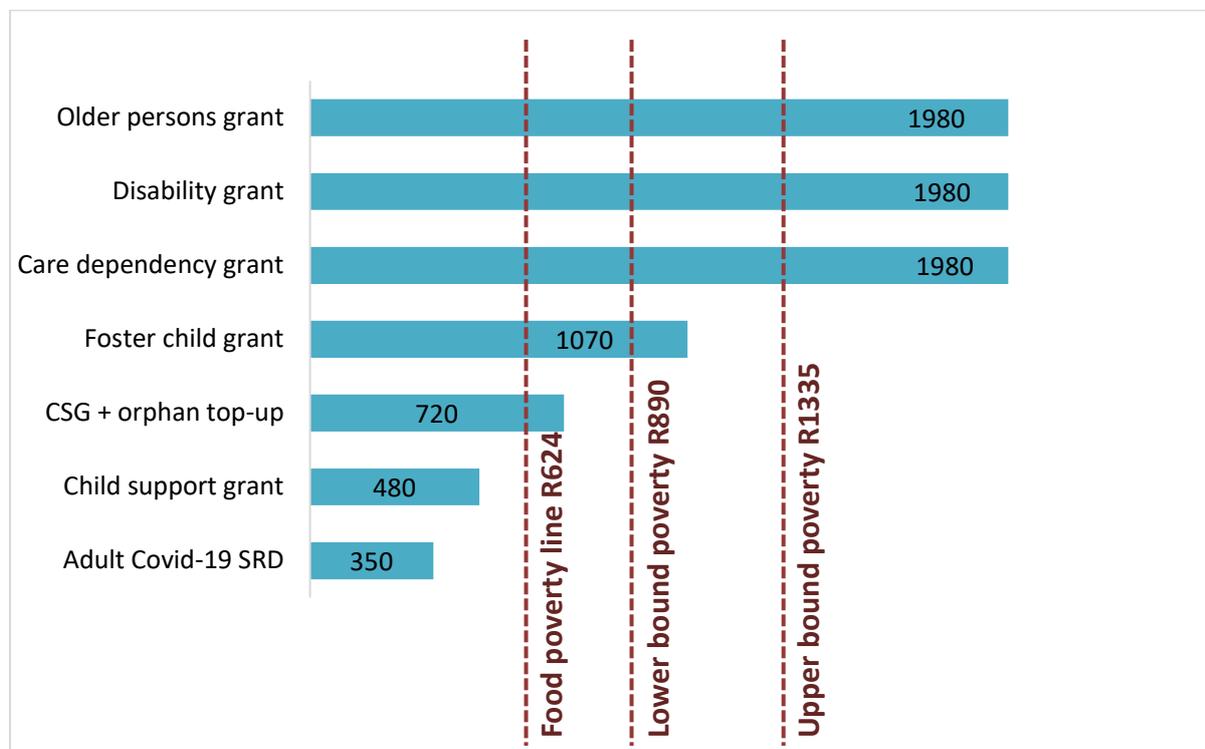
Source: Own calculations from Stats SA GHS 2021

Given the unequal distribution of the population, the largest NUMBERS of food-poor children are in KwaZulu-Natal (1.8 million), followed by the Eastern Cape (1.4 million), Limpopo (1.2 million) and Gauteng (1.1 million). As with many forms of poverty and deprivation, food poverty is racially skewed: the vast majority of food-poor children are black South Africans (7.4 million). Nearly three decades into democracy, race remains a strong predictor of poverty, perpetuating cycles of inequality.

Grant values and poverty lines

When comparing the current value of the CSG with the monthly amounts for South Africa’s other permanent social grants as well as the three official poverty lines, it is clear that there is enormous variation in the value of grants and a mismatch between the grant values and poverty lines.

Figure 4. Social grant values and poverty lines



Notes: The grant values are for 202/23. The poverty lines are at 2021 values, as updated values have not yet been published by StatsSA for 2022.

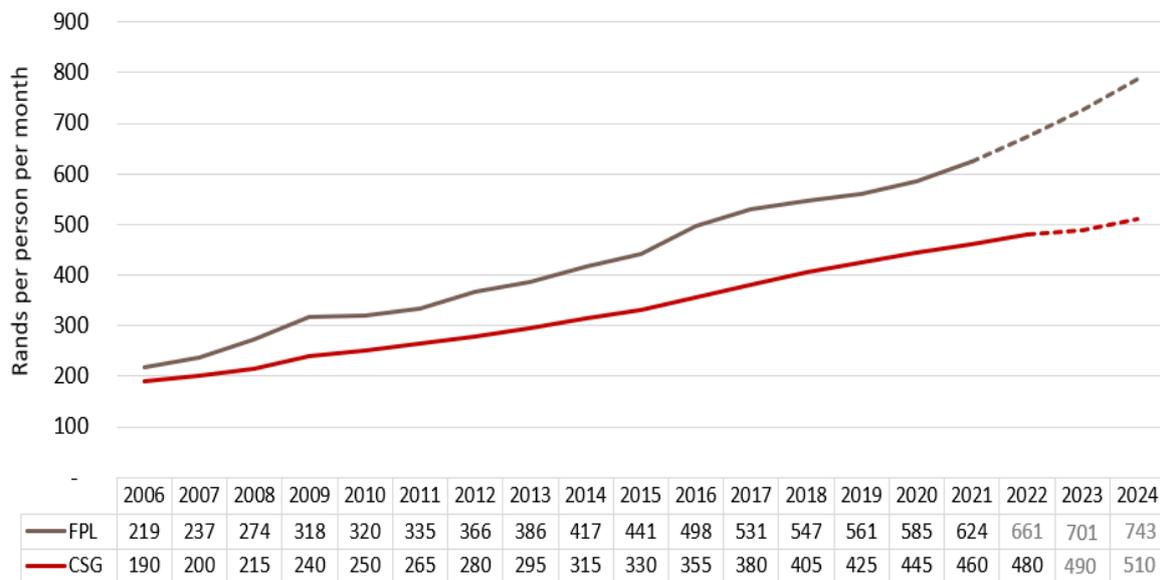
Much has been said about the “unaffordability” of the CSG, yet this argument is seldom made in respect of the Older Persons Grant. The Older Person’s Grant reaches just under 4 million individual beneficiaries with a cost of R86 bn in 2021/22. Its value is more than three times the value of the food poverty line and substantially above the upper bound poverty line.

The CSG, in contrast, reaches nearly 13 million children, but with a value considerably below the food poverty line and a smaller budget of R73 bn in 2021/22. This is not an argument for decreasing the OPG, but rather serves to highlight the enormous variation in values and the disjuncture between the CSG and any of the poverty lines.

Erosion of the CSG

Initially, the Child Support Grant (CSG) was designed to cover the basic food (and clothing) costs of a child, as proposed by the Lund Committee and accepted by Cabinet. As shown in Figure 5 below, the real value of the CSG has fallen over the years, in relation to the food poverty line. It is now substantially below the food poverty line and no longer covers even the cost of basic food.

Figure 5. Widening gap between CSG and food poverty line



Notes:

- CSG values are actual annual average; projected values (2023 & 2024) calculated from 2022 ENE.
- Food poverty line as reported by StatsSA, inflated at 8% for 2022-2024 (based on 2022 July CPI)

The dotted lines in the graph above show the projected values of the CSG and the food poverty line. According to the 2022 ENE, below inflation increases to the CSG are anticipated for the next two years: the projected budget provides for a R10 increase to the CSG in 2023/24, and a further R20 increase in 2024/25. The food poverty line has been inflated at 8% in the projection – a conservative estimate given that food inflation stood at 8.6% in June 2022.

The gap between the CSG and the food poverty line will continue to widen unless there is a substantial adjustment in the next budget.

Concluding observations of international rights bodies

South Africa has signed and ratified the UN Convention on the Rights of the Child (UNCRC), the African Charter on the Rights and Welfare of the Child (ACRWC) and the International Convention on Economic, Social and Cultural Rights (ICESCR). By doing this, the state has agreed to implement the rights that are guaranteed in these treaties by putting in place the policies, laws, budgets and services that are required to realise the rights.

Each treaty has a committee tasked with monitoring compliance with the treaty’s provisions. Over the period 2016 to 2019, three treaty bodies assessed South Africa’s progress in realising children’s rights. After considering the evidence of South Africa’s high levels of inequality, child poverty, malnutrition and stunting, all three of the treaty monitoring bodies found that the value of the CSG is inadequate and recommended that it should be increased. When the state next reports to the committees, it will be expected to report on whether South Africa has implemented the committees’ recommendations.

In 2016 the *UN Committee on the Rights of the Child (UNCRC)* issued its concluding observations on South Africa's second periodic report.² With reference to children's rights to an adequate standard of living and to social security, the Committee welcomed 'the substantial expansion in social security coverage for children in the State party, which has resulted in an overall decline in child poverty' but stated that it was concerned that '[t]he poverty rate in the 1-17 years age group is the highest out of all age groups' and 'that the amount of the Child Support Grant falls below the actual cost of meeting the needs of a child living in poverty.' Based on these findings, the committee recommended that the state should **"review the amount of the Child Support Grant based on an objective assessment of the actual cost of meeting the needs of children living in poverty;..."**³

In 2018, the *International Committee on Economic Social and Cultural Rights (ICESCR)* issued its concluding observations.⁴ With regards to social assistance, the committee found that "[t]he levels of all non-contributory social assistance benefits are too low to ensure an adequate standard of living for recipients and their families; ..." and recommended that the State should "raise the levels of non-contributory social assistance benefits to a level that ensures an adequate standard of living for recipients and their families;..."

When looking at the right to food, the committee expressed concern at:

'the high incidence of food insecurity and malnutrition in the State party, particularly among children. Given the fact that 12 percent of children lived in hunger in 2017 and 27 percent of children were suffering from stunting in 2016, the Committee is particularly concerned that the child support grant (at 400 Rand/month) is set far below the food poverty line...'

The Committee therefore recommended that the State **"increase the child support grant at least up to the level of the food poverty line; ..."**

The *African Committee of Experts on the Rights and Welfare of the Child (ACERWC)* issued its Concluding Observations in 2019.⁵ On the child's right to family care and an adequate standard of living:

"The Committee commends the Government for the creation and provision of social grants to those in need. However, the Committee also takes note of the fact that the amount of money offered through the child support grant is insufficient to address the issue of poverty and inequality as it remains an amount below the food poverty line. The Committee, therefore, recommendsthat the Government **revises the amount given in the child support grant and that the new amount be above the food poverty line;...**"⁶

And when assessing SA's progress in realising children's rights to health:

"The Committee notes with concern that considerable number of children in South Africa suffer from malnutrition. The 2016 South African Demographic and Health Survey (DHS) report confirmed that 23% of children 6 to 23 months received a minimum acceptable diet. Children in poor households continue to be adversely affected by rising costs of food. Although there is a Child Support Grant, given the high rate of inflation, the child support grant is not adequate to fulfil the nutritional need of children."

² UNCRC (2016) Concluding Observations on the Second Periodic Report of the RSA

³ Para 55 - 56

⁴ ICESCR (2018) Concluding Observations on the Initial Report of South Africa

⁵ ACERWC (2019) Concluding Observations of the ACERWC to the Government of the RSA on its First Periodic Report on the Implementation of the ACRWC.

⁶ ACERWC (2019) Concluding Observations. Para 21

Recommendation and conclusion

We call on Treasury to protect the poorest and most vulnerable in our society from the erosion of the social grants that sustain them, and to which they are entitled under the Constitution. Specifically, we urge Treasury to allocate increases to the CSG that are, at the very least, in line with food inflation.

The range of increase values and budget implications for 2023/24 is outlined in Table 1 below.

Table 1: CSG increase options

Increase (%)	Increase (R)	CSG amount (monthly)	Budget (Rm)	Rationale
2%	R10	490	77 028	Current ENE projection (2% increase, below inflation) = not acceptable
7.4%	R36	516	81 040	Inflation-linked: Headline CPI (but below food inflation)
8.6%	R41	521	81 945	Inflation-linked: Food + non-alcoholic beverages
9.0%	R43	523	82 247	Inflation-linked: Food only
to FPL	R144	624	98 093	Equalise to food poverty line

Note: estimates based on current projected uptake of 13.1m children, given lower than projected beneficiary numbers in 2021-22.

At the very least, we urge Treasury to ensure that the CSG is not eroded in the short term, and in the longer term to increase it incrementally towards the food poverty line. **An increase of R40, to R520 per month in 2023, would prevent further regression in the CSG benefit. Further increases should similarly be in line with CPI or food inflation, whichever is higher.**

Above-inflation increases will bring the CSG closer to the food poverty line, closing the gap in values that has been allowed to widen over the past two decades. Ultimately, no grant should be below the food poverty line.

While we are cognisant of a budget “ceiling”, it is crucial that continuation of the R350 SRD should not come at the cost of inflation-linked increases to the existing CSG. This would amount to regressive funding of an existing grant for poor children to subsidise a grant for unemployed adults. The SRD and the CSG are linked in that they both reach the poorest households, targeting adults and children respectively. Both are necessary, and they cannot be traded off against each other because reducing one grant dilutes the effect of the other. Therefore treasury needs to increase the total budget for SASSA for 2023/4 to accommodate both grants. There are transformative ways to fund the R350 SRD, as outlined in the submission by the Budget Justice Coalition. The SRD should not be funded through trade-offs against existing social grants, especially not grants aimed at reducing child hunger and poverty.

There is an urgency to address the needs of children because of their unique vulnerabilities and the importance of childhood for establishing life chances. Early health, nutrition and learning investments are essential for ensuring that children can grow up and realise their potential. Conversely, the effects of deprivation on children are detrimental to their development and perpetuate cycles of inequality, poverty and deprivation. Ultimately this prevents the country from making full use of its human potential and negatively affects economic growth.