

To: Standing Committee on Appropriations
Date: 19 May 2017
Subject: Submission on 2017 Appropriation Bill

The crisis of our context.

The expanded unemployment rate and racial structure of our labour market, including the low-baseline wages paid to the majority of Black South African workers has stagnated over the past several years. Statistics South Africa's [STATSSA] latest available data on expanded unemployment shows that 40.1% of Black South Africans do not have a job.ⁱ Out of 10 Black South Africans of working age only 4 have a job (labour absorption rate is 40.5%).ⁱⁱ This is particularly terrifying if you consider that STATSSA defines someone as being employed as ... **"Employed persons are those aged 15–64 years who, during the reference week, did any work for at least one hour, or had a job or business but were not at work (i.e. were temporarily absent)"** (our emphasis)ⁱⁱⁱ

For most Black South Africans it means that in a household only one person is employed and this wage must support an average of 3.8 persons – more if a household is in a more precarious position. In this context the level of the wage becomes important. For Black South Africans the median wage is R2 900 a month.^{iv} Dispersed through a family of 4 persons, this wage becomes a poverty wage – being R725 a month (lower than Statistics South Africa's April 2016 upper bound poverty line of R1 077 per capita a month).

Black South African households have been under severe financial pressure for an extended period of time. The untransformed labour market, deteriorating employment situation and unchanged low baseline wage trajectory means that workers have not been paid enough to provide for the needs and well-being of their families whilst also having enough of a buffer to absorb shocks, save and invest in the economy (by spending money locally and creating or supporting a local demand for goods and services). A stark example is one which we are seeing in Pietermaritzburg but which we imagine is playing itself out across the country – families are having to take on debt to cover food shortfalls. We are finding that the prolonged period of stress has wiped out all resilience and that women are now holding up this edifice (the household and the economy) with their bodies (by cutting back on themselves as an attempt to redistribute the monies in the ever thinning household purse to their children and others they care for).

Even if tomorrow, a miracle happens and 2 million out of 7.98 million unemployed Black South African workers^v get a job; nearly 5.98 million will still be unemployed and the expanded unemployment rate for Black South Africans will still be a very high 30% (down from 40.1%).^{vi} If the proposed National Minimum Wage gets signed into law, the R3 500 is not enough to change the low baseline wage trajectory because it too, when dispersed through a family of 4, it becomes R875 – still far lower than the now dated upper bound poverty line of R1077 per capita a month. In this context the National Minimum Wage, only useful depending on the level at which it is set, will become an instrument which will worsen our structural inequity and entrench poverty within a very large portion of workers and their families.

The social security system requires a reconfiguration.

Noting that our unemployment crisis is so grave, that even a miracle is unlikely to make much difference, and that the proposed National Minimum Wage too, is unlikely to substantively change the trajectory of the crisis; the importance of the social security system becomes more acute. However, we are of the opinion that the social security system is failing to adequately respond to the crisis. Whilst grants delivered through our Social Security System are an important intervention; they have been viewed far too narrowly and have not adapted quickly enough to respond to our deteriorating economic crisis. Grants are still viewed as a burden on the state fiscus and have been entirely disconnected from the economy which has created their need. Not paying workers a decent wage through their working life means that on retirement the only possibility is a state old age pension. Young parents struggle to find work and if they do, they are not paid enough to support their children.

Statistics South Africa's latest Vulnerable Groups Indicator Report (2017)^{vii} shows that in 2015 of 4.4 million older persons aged 60 years and above, 2.3 million or 50.7% of older persons **live in households without an**

employed adult. The report further shows that of 18.6 million children aged 18 years and below, 5.7 million children or 30.5% **live in households without an employed adult.**^{viii} This means that grants are a critical income support for families; they are not just for the individual grantee. An old-age grant is currently valued at R1 600 a month (R53.33 a day), this year it was increased by R90 or 5.96% (less than CPI headline inflation of 6.3% and even further below CPI inflation on Food & Non-alcoholic beverages of 9.9% in February 2017). The Child Support Grant was increased by R20 or 5.56% to R380 per month (R12.67 a day). In comparison with PACSA's food price data which tracks inflation on the baskets of low-income households – the cost of feeding a family of 4 a basic but proper nutritious diet in April 2017 was R2 545.34 a month (R84.84 a day); and the cost of feeding a small child aged between 10-13 years was R623.38 a month (R20.78 a day). It means that we are underspending on average by 39% on the plates of 12.1 million children.^{ix} Underspending on proper nutritious food for children has severe implications. Five years ago, (2012) the South African National Health and Nutrition Examination Survey found that 21.6% of children under the age of 5 years was stunted, 2.5% was wasted and 5.5% was underweight - combined this points to a third of our children who are severely undernourished.^x

Our country is in crisis. We are compelled to use every available instrument and every available resource to address this crisis. We can have no future if the very basis of our society – our bodies – is not properly fed. No money will be well spent or provide returns if it does not first address building up our social base. If we continue to close our eyes to this crisis; the crisis will exacerbate and we will simply be throwing money away – if a child is not fed properly it doesn't matter how much money you throw at education – there will be no fertile minds for this investment to bear fruit. If a child and adult are not fed properly – she will get sick more often, more severely and for longer; more and more money will have to be spent in the public health care system. If a worker continues to be paid such low wages, allowing only the ability to consume basic goods and services (albeit barely), there is no use throwing money into local entrepreneurship because the local market has no money to buy the goods produced; and therefore no growth or jobs will come. Because the majority of our people are starved of money; we are moving towards a scenario where the only people able to buy any goods and services that South Africans produce will be found outside our country. No new local growth will be created. No new jobs will emerge. We will never have the requisite skills. **The crisis compels us to think differently.**

We need to think differently.

We need to find ways to put more money in people's pockets at the local level. Sufficient money which would allow households to live at a level of dignity by ensuring that their basic requirements are covered (build the social base) whilst also providing extra so that households can start to invest at the local level (start some type of initiative) and ensure that their neighbours and friends have money to be able to demand what is produced. Small local businesses use local resources and produce local goods and services from the skills-base already in place and for the local market. Jobs and growth will explode exponentially off a broad-base and a decentralised economy. It will mean the economy will be returned to its proper place of serving society vs. where it is now – disconnected and in the hands of the few who exploit their monopolies and have been shown (regardless of how much money is thrown at them, and how much the Corporate Tax Rate is cut by, and how many incentives they get) to not create jobs, not invest and not create growth.

We can kick start our economy and put our developmental aspirations and outcomes of health, education and society on a new positive trajectory if we act now and act decisively and smartly. By putting more money in the pockets of the majority of our citizens – we will be investing in our future and by doing this we will start spending our money effectively and strategically. Whilst we do this we must actively start transforming the low baseline wage and racial structure of our labour market, whilst dealing with excessive wealth.

We believe that the most effective instrument currently to delivery more money into the pockets of low-income households is the grant system. It is very well targeted and effective. It is able to put money directly into the pockets of those who require it. No additional systems or administrative mechanisms would be required. Implementation could be immediate. Such a process would require a different way of thinking about the grants; here we move to think of grants not as a drain on state resources but as an investment now for the future. This thinking would be a very effective use of our money because without securing our base; all other investments will not bear fruit. This thinking would open up the idea of grants as an instrument to kick start our economy and ensure that it becomes decentralised and in the control of the majority of our people.

Appropriations process.

For us the appropriations processes is about society together deciding how best to share our resources equitably so that we might all live well and that the future is one that includes all of us in a way that reflects justice and dignity and allows us to all be fully human and reach our full potential. All fiscal and economic policy as well as appropriations are by nature political because they should respond to the vision of the type of society we wish to create. It is this vision that then guides what resources are required to serve this purpose. This means that our entry point shifts from a question of whether we can afford a proposed intervention or not towards a more useful question – do we need to do this or not? If we do need to do it; then we will find the money to fund it.

Budgets do not have value in themselves; they only have value in that they serve a political vision. That is, if they serve our joint political objectives and our joint vision for the type of society we wish to create; whilst responding to our current socio-economic context and historical injustice.

PACSA's proposals.

We propose the following suggestions for the Appropriations Committee as a start, within a rethinking of the economic framework and social security system:

- **Double the old age grant to R3 200.**
- **Increase the child support grant to R1 000.** The increase to R1000 is based on ensuring that children receive a grant which covers a basic but proper nutritious diet for children, including dealing with the gap whereby as children grow their nutritional requirements increase. For example, in April 2017 the cost of feeding a small child (aged 3-9 years) a diet complete in minimum nutrition is R575.88 per month. The cost of feeding a girl/boy child (aged 10-13 years) a diet complete in minimum nutrition is R623.38 per month. The cost of feeding a girl child (aged 14-18 years) a diet complete in minimum nutrition is R660.54 per month. The cost of feeding a boy child (aged 14-18 years) a diet complete in minimum nutrition is R733.05 per month. The additional monies up to R1 000 would be useful to make contributions to assisting mothers to be in a better position to care for their children, as well as a contribution to education and scholar transport costs, as well as domestic and personal health and hygiene costs.
- **Provide a 13th cheque for all old age grant pensioners and caregivers receiving child support grants in December.** This is important because children spend more time at home during this period so nutritional needs increase. This would also ensure children remain closer to home and so will speak to issues of improved security. The 13th cheque would also be very important to allow families to better prepare for the new school year and assist in covering some of the education related costs e.g. contribute to paying the first school fee tranche, scholar transport, clothes, shoes, books and stationery. The additional monies would also allow families to escape punitive debt for such expenses and start them on a better financial footing for the New Year. A 13th cheque would provide pensioners, who share their pensions with their children, a sense of dignity.
- **Introduce a 'pregnancy' grant to cover the first 1 000 days of a child's life** (this is a critical period in the life of a mother and child – if a mother and her child do not receive proper nutrition and support during this period the negative health and development implications are very difficult to reverse). Ensuring that mothers and children receive a 'pregnancy' grant would provide a start to deal with inequity and poverty. We track the cost of food basket for a pregnant and breastfeeding mother and have found the food cost in April to be R733.05 – we would suggest increasing this figure to R1000 to cover transport costs to clinics and other important support expenses for both mother and child).

It is customary in a submission of this nature to advise the committee on where it could get the funds from to implement these proposals. We are however of the opinion that the crisis which we face is of such a grave nature and of such depth that it is incumbent on the Appropriations Committee to review and reprioritise the entire budgetary allocations to give effect to these proposals.

By implementing these suggestions, the committee would send a clear signal that parliament and the state has a sense of the crisis that the majority of our people are facing. It would further position the budget and appropriations processes as a political instrument which effectively responds to this context immediately

within a long-term vision of a future where all people matter and all people are invested in; whilst further showing a clear intention that inequity, poverty and unemployment is being addressed decisively.

We would like our input to be considered for the 2017 Appropriations Bill and for future consideration. We would be open to having a conversation with you should you feel that this would be useful.

Yours sincerely



MERVYN ABRAHAMS

The Director

PACSA | Pietermaritzburg Agency for Community Social Action

170 Hoosen Haffeejee Street, Pietermaritzburg, 3201 | P O Box 2338, Pietermaritzburg, 3200

Tel +27 33 342 0052 | Fax +27 33 342 0303

mervyna@pacsa.org.za | www.pacsa.org.za | www.facebook.com/PACSAPMB

ⁱ STATSSA (2016). **Quarterly Labour Force Survey, Quarter 4, 2016**. Statistical release P0211. Statistics South Africa. Pretoria. P4 & 22. See Link <http://www.statssa.gov.za/publications/P0211/P02114thQuarter2016.pdf>

ⁱⁱ STATSSA (2016). **Quarterly Labour Force Survey, Quarter 4, 2016**. Statistical release P0211. Statistics South Africa. Pretoria. P4 & 22. See Link <http://www.statssa.gov.za/publications/P0211/P02114thQuarter2016.pdf>

ⁱⁱⁱ STATSSA (2016). **Quarterly Labour Force Survey, Quarter 4, 2016**. Statistical release P0211. Statistics South Africa. Pretoria. P21. See Link <http://www.statssa.gov.za/publications/P0211/P02114thQuarter2016.pdf>

^{iv} STATSSA (2016). **Labour market dynamics in South Africa, 2015**. Report no. 02-11-02 (2015). Statistics South Africa. Pretoria. P4-24. See Link <https://www.statssa.gov.za/publications/Report-02-11-02/Report-02-11-022015.pdf>

^v STATSSA (2016). **Quarterly Labour Force Survey, Quarter 4, 2016**. Statistical release P0211. Statistics South Africa. Pretoria. P22. See Link <http://www.statssa.gov.za/publications/P0211/P02114thQuarter2016.pdf>

^{vi} Own calculations based on data sourced from STATSSA (2016). **Quarterly Labour Force Survey, Quarter 4, 2016**. Statistical release P0211. Statistics South Africa. Pretoria. P22. See Link <http://www.statssa.gov.za/publications/P0211/P02114thQuarter2016.pdf>

^{vii} STATSSA (2017). **Vulnerable Groups Indicator Report, 2015**. Report 03-19-02. Statistics South Africa. P87 and 89. See Link <http://www.statssa.gov.za/publications/Report-03-19-02/Report-03-19-022015.pdf>

^{viii} STATSSA (2017). **Vulnerable Groups Indicator Report, 2015**. Report 03-19-02. Statistics South Africa. P15, 21, 26. See Link <http://www.statssa.gov.za/publications/Report-03-19-02/Report-03-19-022015.pdf>

^{ix} SASSA (2017). **Fact sheet: Issue no 4 of 2017 – 30 April 2017**. A statistical summary of social grants in South Africa. Strategic Monitoring, Branch: Strategy and Business Development. See link:

<http://www.google.co.za/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0ahUKewipgZCVtuLTAhXkLMAKHc7UBIEQFgggMAA&url=http%3A%2F%2Fwww.sassa.gov.za%2Findex.php%2Fknowledge-centre%2Fstatistical-reports%3Fdownload%3D644%3Astatistical-report-4-of-2017-30-april-2017&usq=AFQjCNH45xm7ltpv71SFfbFeNjgkWICXqw>

^x Human Sciences Research Council (2014). **South African National Health and Nutrition Examination Survey (SANHANES-1)**, 2013. 2014 Edition. The Health and Nutritional Status of the Nation. HSRC Press. Cape Town, South Africa. P211.