

## Budget 2015 Factsheet



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*This Budget 2015 factsheet has been prepared by the Pietermaritzburg Agency for Community Social Action [PACSA] for media personnel and MPs with the intention of identifying some of the fractures upon which our current economic approach is founded, and to present background information with which to interrogate the upcoming 2015 Budget. Rather than employing the jargon of economics, this document speaks to the lived experience of ordinary people, and makes some key suggestions for a transformative budget that meets their needs – and those of the country as a whole. It is based closely on the organisation's submission sent to Finance Minister Nhlanhla Nene last month.*

### **South African Budget 2015:**

This Budget Day, while the corporate sector and middle class awaits news of tax increases, millions of poor and working class South Africans – by far the greatest proportion of our population – will continue to be preoccupied by a central and all-consuming challenge: survival and putting food on the table.

This reality speaks to a country that is reeling under the burden of an economic system ill-matched to the needs of its majority, an economic system which fails to invest in its people in order to create the strong social base required for economic growth. The result is a highly volatile society, susceptible to chronic strike action, social unrest and crime. The solution is an economic policy that builds the social base – that invests in the productive capacity of citizens.

Our assessment is that the basic foundations of our economy are inadequate because too many people are merely surviving rather than using their full capacity to contribute effectively to building the economy. It remains an incontrovertible fact that unless all households have access to sufficient and nutritious food, workers will be less productive; children will be unable to utilise the opportunities that investment in education affords them; and our health services will continue to be inundated with patients suffering from chronic diseases which have their origin in social conditions. The national budget should be an instrument to correct this.

A productive economy needs strong households peopled by healthy, skilled and imaginative individuals able to preserve a sense of dignity. This lesson was learnt in post-war Europe where holistic investment in the household as a basis of society by governments enabled the respective economies to become as productive as they are today.

*Recent statistics paint a sobering picture of our country:*

- The latest poverty lines indicate that 53.8% of South Africans live below the upper bound poverty line of R779 a month (2011).
- Eleven million South Africans or one-fifth (21.7%) of our population live on less than the food poverty line of R335 a month, or R11.17 a day (2011).
- The child support grant (CSG) is currently R320, but the cost of a monthly minimum basket of food to feed a small child was R487 in January.

- According to Cosatu, the Minimum Living Level for a family of five is around R4,500-R5,500 a month. In 2013 the median wage was just R3,033, with 50% of all workers earning below this level. In January the cost of a monthly minimum basket of food to feed a family of five was R2,711.29.<sup>1</sup>
- Where wage sectoral determinations have been set, wages are typically well below the Minimum Living Level.
- The unemployment rate was 24.3% in Q4 with expanded unemployment at 34.6%.
- Food, fuel and municipal services are the main drivers of the CPI.
- The South African National Health and Nutrition Examination Survey (SANHANES-1), 2012<sup>2</sup> identifies that 26% of South Africans experience hunger whilst another 28.3% are at risk of hunger. The prevalence of stunting, wasting and underweight for children under five years of age was 21.6%, 2.5% and 5.5% respectively; combined they point to almost one out of three children being severely undernourished (HSRC, 2014: 211).

**Given the above, we cannot be surprised by poor economic performance. If we want to improve our economy, we need to change this picture. As a starting point, we could interrogate the 2015 Budget against these questions:**

- What vision for South Africa informs this budget and its priorities?
- Does this budget create more work, reduce inequality between the rich and the poor and offer a path out of poverty for the poor?
- Are social grant allocations sufficient to enable people to climb out of poverty?
- Will social grant and public sector wage allocations take into account the full impact of inflation driven by fuel and food prices over the next year?
- Does this budget sufficiently invest in people so they can contribute to productivity and economic growth?
- Has there been progress around discussions on the minimum wage? If so, is the minimum wage sufficient for workers and their families to live in dignity and to participate in the economy?
- Do the tax rates that are to be announced ensure that corporates and the wealthy make a sufficient contribution to the future development of South Africa?

*The following observations provide a starting point to invest in the social base:*

### **1. Social grants**

Social grants help to keep people alive but are wholly inadequate when it comes to facilitating the transformation of our social base. For example, despite the impressive roll-out and expansion of the Child Support Grant [CSG], which now reaches 69% of all children (according to the Department of Social Development), more than half of our children (56%) still live below the poverty line and nearly a third of children under the age of five (30%) are stunted, wasted or underweight. This suggests that stunting in children is occurring amongst significant numbers of households who are receiving CSGs. Studies indicate that the CSG is well-targeted and is being used for its intended purpose but it is not enough to sufficiently break the poverty cycle or improve our economic, social, education and health outcomes.

The current value of the grant is R320 but PACSA's minimum food price barometer for January 2015 shows that the cost of securing minimum nutrition for children aged 3-9 is R487; for children

<sup>1</sup> See PACSA January Monthly Food Price Barometer [www.pacsa.org.za](http://www.pacsa.org.za)

<sup>2</sup> 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.

aged 10-13 it is R527; for girls aged 14-18 it is R556; and for boys aged 14-18 it is R615. There is extensive evidence to show that low levels of nutritional intake in children leads to poor cognitive, bone and muscle development, and reduced ability to prevent infections and common childhood illnesses. Without these essential nutrients, children are less able to concentrate, learn and play. When these children grow up they will be less able to perform in the workforce as adults, so their economic prospects and their earning potential will diminish.

Linking the increase of the social grants to inflation rates as the 2015 Budget is likely to do will only serve to perpetuate the status quo and ensure poor people are kept in a state of chronic dependency and poverty.

**PACSA calls for:**

- **A substantial increase in the rand value of the child support grant so as to ensure the nutritional needs of a child are met (a minimum of R487 for children aged 3-9).**
- **Stepping up the rand value of the child support grant because as children grow their nutritional needs increase (from R527 to R615).**
- **Provision of grants of R615 to all pregnant women to ensure the health of the child in utero.**
- **A significant increase in the rand value of the old-age pension to R2, 700.**

## **2. Municipal services**

Municipal services within a cost recovery framework are extremely expensive and have long breached the affordability thresholds of poor households. Furthermore, municipal tariff structures which provide for affordability at low volumes and for households with lower incomes are applied unevenly across the country. The volumes offered as free basic services are not sufficient to be transformative; instead they lock households into a miserable “refugee-camp-type” of existence where basic survival can be achieved, but very little else.

**PACSA calls for:**

- **An increase in the volumes of free basic electricity to 350kWh and free basic water to 15kl a month to allow poor households to absorb economic pressures, provide a cushion against Eskom increases, while also serving as a transformative concession.**
- **Universal access to free basic services instead of access through indigent policies.**
- **An increase in the equitable share allocated to local government to increase the volumes of free services provided and to widen the scope of access to include all households who require subsidisation.**

## **3. Minimum wage**

Wage levels in South Africa are extremely low – the 2013 median was R3, 033 with 50% of workers earning below this level. Wage increases are based on the CPI but because increases come off so low a base they are insufficient to enable households to live at a most basic level and locking them into survivalist mode. While work provides us with the means to contribute to building our society, in our current economy it is also a means through which we provide for our households. We sell our labour for a monetary return that we hope will be able to allow us the opportunity to live in dignity particularly in a context of high food prices, escalating transport and electricity costs and spiralling household debt. Any discussion around minimum wage should take this reality into consideration.

**Our research in Pietermaritzburg has shown that a household of five needs at least R8000 to afford the expenditures that allow a household to live at a basic level. See below “Household F”.**

Household socio-economic scenarios	Household A	Household B	Household C	Household D	Household E	Household F
Total household income	R 1 350.00	R 2 310.00	R 3 200.00	R 4 660.00	R 6 000.00	R 8 000.00
MINUS Minimum food basket	R 2 711.29	R 2 711.29	R 2 711.29	R 2 711.29	R 2 711.29	R 2 711.29
<b>Monies left over AFTER FOOD to buy most household requirements</b>	-R 1 361.29	-R 401.29	R 488.71	R 1 948.71	R 3 288.71	R 5 288.71
MINUS Burial insurance	R 200.00	R 200.00	R 200.00	R 200.00	R 200.00	R 200.00
MINUS Municipal Services	R 1 168.40	R 1 168.40	R 1 168.40	R 1 168.40	R 1 168.40	R 1 168.40
MINUS Transport	R 660.00	R 660.00	R 660.00	R 660.00	R 660.00	R 660.00
MINUS Education	R 500.00	R 500.00	R 500.00	R 500.00	R 500.00	R 500.00
MINUS Communication and media	R 150.00	R 150.00	R 150.00	R 150.00	R 150.00	R 150.00
MINUS Clothing and footwear	R 416.00	R 416.00	R 416.00	R 416.00	R 416.00	R 416.00
MINUS Domestic & household hygiene items	R 531.43	R 531.43	R 531.43	R 531.43	R 531.43	R 531.43
MINUS Cultural obligations	R 350.00	R 350.00	R 350.00	R 350.00	R 350.00	R 350.00
<b>Monies left over AFTER FOOD &amp; most household requirements calculated*</b>	-R 5 337.12	-R 4 377.12	-R 3 487.12	-R 2 027.12	-R 687.12	R 1 312.88

\* Please note expenditures exclude monies for debt repayments, health care, rent and emergencies.

#### PACSA calls for:

- **Government to support a minimum wage of R8,000.**

#### 4. Tax as an expression of solidarity

Our colonial and apartheid past has failed to create a strong social base. To do so now requires that every institution in South Africa works towards a development objective that transforms and builds people. In this light, taxes should be seen as expressions of solidarity, and tax justice should be a moral as well as legal imperative. Corporates must make larger and more sustained contributions to building our society through taxation and the state must use it in the most effective and efficient manner to build our social base.

#### PACSA calls for:

- **A corporate attitude that views the payment of tax and the introduction of minimum wages as a moral obligation.**
- **We believe that there is room for increases in corporate and personal tax; and to ensure that international companies doing business in South Africa pay what they owe.**

#### 5. Elected officials

It is the responsibility of elected officials to ensure efficient, quality and safe public services. In order for these officials to meet their national mandates, they need to be in touch with the daily realities in our public health, education, transport and other systems. We are noticing an increasing tendency for elected officials to become disconnected from the daily lives of ordinary South Africans. Closing this gap will give officials a greater sense of clarity around the daily realities of millions of South Africans and a greater sense of urgency in tackling the challenges and resource constraints facing our public services.

#### PACSA calls on:

- **All elected officials to show commitment to their people and their country by using the country's public services and systems.**

#### 6. Conclusion

Investing in our social base requires a social compact in which every citizen – individual and corporate – contributes to the best of their ability to building the South Africa we all desire. This will involve corporates and wealthier individuals paying more taxes; government using the public

coffers in the most efficient and effective manner; prioritising the building and expansion of our social base; and those responsible for our public services using these services.

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