



**PEOPLE'S
COALITION**

People's Assembly brief:

Social grants

Social grants are the government's best tool for quickly reducing poverty. As a result of COVID-19 and the lockdown, many households have lost other sources of income. They will take on new expenses. To address this, we propose that the government urgently increase the value of existing grants, as well as make a new grant for people not already covered.

If it doesn't, South Africa faces a humanitarian crisis. We estimate that in the lockdown 5.5 million [informal workers](#) cannot work. Together with 11 million people who depend on them, 16.5 million people suddenly have no income. Poor households have lost the [school feeding scheme](#), which usually supports 9 million children. They will be further strained by the direct health consequences of the spread of COVID-19 and by the broader economic downturn. An expansion of the system of social grants is needed to prevent mass hunger.

How can the government use social grants to address the crisis?

We consider and cost the following ways to get money into the hands of the people who most need it:

- **Child Support Grant (CSG):** The CSG directly supports 13 million children. Indirectly, it reaches a total of 30 million people. It is the most effective existing grant for getting money to poor people negatively affected by COVID-19. A top up of R500 will cost R6.3 billion per month.
- **Old Age Pension:** The pension directly supports 3.3 million people over the age of 60 and reaches 13 million dependents. This is far fewer people than the CSG. A top up of R500 will cost R1.65 billion.
- **Covid Grant:** A new social grant could be given to anyone *currently without a grant or formal job*. 13 million adults will qualify, reaching 33 million people. At a value of R500 this will cost R6.4 billion.
- **CSG + Covid Grant:** An increase in the CSG and a new Covid Grant would together reach 47 million people and cost R12.75 billion.
- **Basic Income Grant:** A universal income grant will cover all adults under 60. At R500 this will cost R16.2 billion per month. In the long-term, this could replace all other grants, except the old age pension.

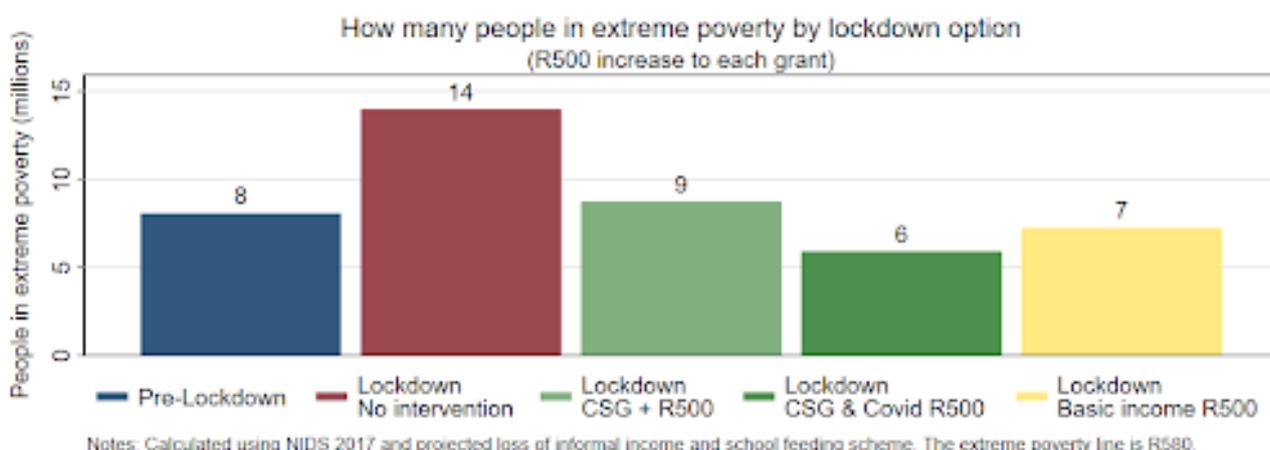
What are the options, how many people would they reach, and how much would they cost?

	How many people get it?	How much would each get?	How many people would it support?	What would it cost? (monthly, in billions)
Child Support Grant	12,600,000	R500	29,600,000	R6.3
Old Age Pension	3,300,000	R500	13,300,000	R1.65
Covid Grant	12,800,000	R500	33,100,000	R6.4
CSG + Covid Grant	25,500,000	R500	46,600,000	R12.75
Basic Income Grant	32,400,000	R500	54,700,000	R16.2

Calculated using NIDS 2017. Cost is number of recipients times the grant increase (col 1 x col 2).

We calculate that the lockdown will increase the number of people in extreme poverty from 8 million to 14 million people. This may be an underestimate. What it means is that 6 million more people will suddenly have to live on less than R580 per month, and so will not have enough money to buy minimum amount of food they need to stay healthy. We consider the impact on extreme poverty of the three best options, an increase in the Child Support Grant, an increase in the Child Support Grant with an additional Covid Grant, and a Basic Income Grant.

The Child Support Grant is the fastest way to get emergency cash to the vulnerable. It covers far more people than the pension, but it still leaves out many who will be forced into poverty by COVID-19 and the lockdown. If we top up the Child Support Grant only, the number of people in extreme poverty will still increase to 9 million. If we add to this a new Covid Grant, we reduce the number of people living in extreme poverty to 6 million. The alternative, a Basic Income Grant, would reduce poverty less, to 7 million people, because without the Child Support Grant there is no increase in direct assistance to children.



Where can we get the money?

On average, governments are spending about 2% of GDP on COVID-19 relief. Turkey has spent 2%. Brazil has spent 3.5%. Malaysia has spent 16.2% ([see other countries](#)). South Africa, however, has only increased spending by about R12 billion so far, which is 0.2% of GDP. 2% is about R100 billion. As things stand, South Africa is spending less than R500 million on food relief for vulnerable people. [108 countries](#) have expanded social protection in response to the coronavirus crisis, but we as the world's most unequal country have not.

Here is how government can fund more social grants to the poor:

- **Reallocate the money it already has:** Money can be shifted around within the current budget. For instance, R200 billion is currently allocated for economic development, which is an important long term item that can be deferred. R1 billion per month from the suspended school feeding scheme should go back to children through the Child Support Grant.
- **Borrow or raise taxes:** Government can finance itself domestically or seek international loans. A [solidarity tax](#) of 20% on the top 2 percent of income earners can raise R75 billion to be redistributed to the poor. This may be the fairest way to share the burden of the lockdown with those whose incomes are least affected. The government can currently lend at an [interest rate of 9%](#).

Should households be assisted with food or cash? Both can help. Food delivers essentials directly, but can involve logistical delays, may not reach some areas and is open to corruption. Cash transfers, especially using existing grants, are an immediate, direct and tested way of ensuring that people have the means to survive.

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