

2021 will see a deepening household affordability crisis with core household expenses like transport, electricity, and food, increasing way above inflation, whilst wage increases will continue to remain low. The Minister of Finance, and by implication, Government, and the ANC, are contributing to this deepening crisis by setting the annual increments on the Old Age Grant and Child Support Grant, incomes used by households to buy food for children and pay for essential services, way below inflation in Budget 2021. Conditions at household level have worsened since the start of the pandemic. Jobs have been lost, wages cut, and money must spread further.

February 2021 Household Affordability Index

The February 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, Delft and Dunoon), Pietermaritzburg and Springbok (in the Northern Cape), shows that:

- **In February 2021:** The average cost of the Household Food Basket is **R4 001,17**
- **Month-on-month** (between January 2021 and February 2021): The average cost of the Household Food Basket **decreased** by **R50,03 (-1,2%)**.
- **Over the past six months** (between September 2020 [the first data release] and February 2021): The average cost of the Household Food Basket **increased** by **R144,84 (3,8%)**.

The month-on-month decrease in the basket between January 2021 and February 2021 of R50,03 must be seen against the December 2020 to January 2021 increase of R48,78. February is always a difficult time for consumers who have the additional pressures of finding money to cover education costs, and therefore have less money to spend on groceries. Retailers which target the low-income market tend to respond with more specials during this period. February also, consistent with our historical food price trends, tend to be lower due to subdued vegetable prices. *We therefore expect the decrease in the cost of a household food basket in February 2021 to be short-lived, whilst cautioning that higher fuel prices and electricity prices, are likely to push food prices upwards in the near future.*

Over the past six months the **cost of the core foods prioritised and bought** first in the household food basket increase by **R114,93 (5,6%), from R2 065,71 in September 2020 to R2 180,64 in February 2021**. The high cost of these core foods in relation to baseline wages, act to remove nutritious foods off the plate. The maximum **National Minimum Wage in February 2021 was R3 321,60**.

Projections on basic household expense increases for 2021 are likely to be very steep:

- A **27 cents** increase in the **fuel level** in the context of rising international crude oil prices, which have already resulted in several fuel price hikes in 2021 will increase the prices of all goods and services.
- We will see a **15,63%** increase in **electricity tariffs** (which will raise the monthly bill of low-income households by at least **R101,20** a month).
- **Taxi fares** are expected to increase **between 7-25%**.
- **Food** prices, albeit unpredictable, may increase by **as much as 10%** (driven by higher crude oil prices, higher fuel levies, the continuing breakdown of our railway infrastructure, electricity hikes).

The National Minimum Wage in February of R3 321,60 when dispersed in a family of 4,29 persons is **R774,27 per capita**. **This is below the upper-bound poverty line of R1 268 per capita per month and below the lower-bound poverty line of R840**. Our data shows that workers having to prioritise expenditure on transport and electricity, and educational expenses (much higher in February); had to cut back on food expenses quite severely this month. Our data points to a **47,1%** shortfall in the National Minimum Wage to cover February food costs. Millions of workers, facing a continuous monthly shortfall on wages, are forced to eat less nutritious

food, with mothers bearing the brunt of this sacrifice, and must take on higher levels of more expensive credit to cover wage shortfalls.

Statistics South Africa's latest Quarterly Labour Force Survey (2020, Q4) shows that the Expanded Unemployment Rate for Black South Africans is 47,2%.ⁱ 10,1 million Black South Africans are unemployed. As horrific as these statistics are, we would be remiss to think that those workers that are employed are relatively comfortable. Most Black South African workers are not paid anything close to that which could reasonably be described as a living wage.

Despite this, the Minister of Employment and Labour announced a 4,5% increase on the NMW hourly rate, whose baseline wage is already set extremely low and is a poverty wage. The 4,5% increment works out to be 93 cents an hour, R7,44 for an 8-hour day, and if the full working-day month is worked, a R148,80 monthly increase. The annual increment and the baseline NMW are not enough for workers and their families for the 2021 term. CPI tracks backwards – it tells us what inflation was in the past; instead of adjusting wages forward, to projections of what inflation for low paid workers is likely to be in the coming 2021 term. The additional 93 cents per hour is likely to be gobbled up by the across the board increases in the cost of essential goods and services this year. Millions of South African workers will likely be poorer this year than they were last year.

The practice of shortchanging and underspending on Black South African workers is extended in the lower than inflationary annual increment on social grants. On the 24th of February, The Minister of Finance announced that this year the Old Age Grant [OAG] will only be increased by 1,6% (R30); with the child support grant only being increased by 2,2% (R10). Families will, once again, not be able to afford the increases in expenses this year but this time it is even worse because government could not even be bothered to set the grant increases in line with inflation. This decision will make the most vulnerable people in society even worse off. 3,67 million pensioners rely on the OAG (they use this money directly in the economy and support not only themselves but children, and family members who receive low wages or who have lost their jobs). OGogo tell us that the 1,6% or R30 increment on the OAG is a terrible insult; it is a disgrace and oGogo (and the families they support) are very angry.

The intentional underspend on the Child Support Grant [CSG] is quite shocking. For months research institutions, including ourselves, have been tracking the impact of the pandemic and deteriorating economy on child hunger and nutrition. The evidence is stark that children are suffering from hunger and undernutrition, especially as this comes on top of the historical stunting levels where approximately 30% of boy children and 25% of girl children under the age of 5 years is stunted.ⁱⁱ It is very hard to understand how, considering this evidence, that government has chosen to increase the CSG by below the inflation rate, a 2,2% (R10) off a baseline CSG [R460 from April 2021] which is already **21%** below the Food Poverty Line of **R585** and a whopping **35%** below the average cost to feed a child a basic nutritious monthly diet of **R710,75** in February 2021.

Not ensuring that mothers are able to feed their children properly is a direct form of everyday violence against women and children. This is not acceptable.

Previously we have argued that underspending on children has long-term consequences for our education outcomes, our health outcomes, our social outcomes, and our economic outcomes. For some reason government does not want to understand this; it cannot see that underspending on children's care and nutrition means that investment in education cannot be fully absorbed (hungry children struggle to learn); that the cost of public health care will explode because malnourished children cannot resist illnesses normally: children get sick more often, more severely and for longer. Government is not seeing the big picture that hungry children progress slowly and if they do survive to be adults in the workplace, that our future labour force will struggle to be critical thinkers, productive and skilled. Not ensuring that mothers can feed their children properly means that South Africa's next generation of adults and workers follow their parents into the inter-generational poverty trap. This trap will handicap South Africa's future economic growth. These are direct consequences of the policy decisions that government is taking.

South Africa's current deficit is 80,3%. The average country deficit globally is 100% or more. Yet we are not spending and not borrowing in the worst economic crisis and health pandemic ever faced. We are even,

outrageously, aiming for a surplus by 2024/25. This will most likely benefit the few wealthy South Africans and Corporates but will not assist the majority of South Africans. Poverty will deepen and it will take us longer to climb out of the poverty traps that current policy decisions are leading us to.

Whilst most countries in the world are investing/spending their way out of the crisis because they know that if they do not, then their economies are likely to collapse, South Africa is choosing not to. Instead of providing income support and a substantial economic stimulus to enable households and the economy to recover; South African is stubbornly applying austerity measures which will likely slow down any economic revival.

Where are we going? What is our political vision? Why is government choosing to intentionally underspend on millions of Black South African workers, mothers caring for children, children, and pensioners (who sacrificed so much for democracy); and public servants (nurses, teachers, policemen). How can we be alright that our government seems no longer to care if there is food on the table, if lights are on, if homes are safe, if women are safe? This raises questions regarding if government is still committed to its historical mission of racial and economic transformation, including to substantively deal with inequality and poverty.

Trickle-down economics has failed South Africa. That neoliberalism continues as the framework out of which National Treasury thinks from, and out of which all our policy decisions emerge from, seems to us to be less to do with any real value such an idea brings. Too much damage is being done now by this type of thinking. Too many people are suffering and lives and livelihoods are being destroyed to the extent that they may not be recovered.

We require new ways of thinking. We need innovative approaches. If the Minister of Finance and officials within the National Treasury are not able to do this, then they should step down to create space for others to do this. A new commitment to racial transformation, justice, equity, and new ways of creating work and providing dignity and freedom to everyone cannot and must not be deferred.

ⁱ STATSSA (2021). **Quarterly Labour Force Survey, Quarter 4, 2020**. Statistical release P0211. Statistics South Africa. Pretoria. P46-47. See Link: <http://www.statssa.gov.za/publications/P0211/P02114thQuarter2020.pdf>

ⁱⁱ STATSSA (2017). **South Africa Demographic and Health Survey 2016: Key Indicator Report**. Statistics South Africa. Pretoria. P27-28. See link: <http://www.statssa.gov.za/publications/Report%2003-00-09/Report%2003-00-092016.pdf>