



THE PRESIDENCY  
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## **SOCIAL PROTECTION IN RESPONSE TO COVID-19**

### **Paper 2: Poverty impact and incidence of emergency social protection measures**

Input commissioned by the Presidency  
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*Extending previous analysis by Ihsaan Bassier, Joshua Budlender, Murray Leibbrandt, Vimal Ranchhod & Rocco Zizzamia*

# Input on the impact of social protection measures in response to COVID-19\*

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## Introduction

This short note briefly extends the analysis from April (available [here](#)). We investigate the impact on overall poverty of continuing (or stopping) the current grant top-ups, focusing on the caregiver and Social Relief of Distress (SRD) grants.

Importantly, this analysis was undertaken in April based on 2017 data, which was the best available data at the time. However, two studies using June data from the [CRAM](#) survey (Jain, Bassier, Budlender and Zizzamia; Kohler and Bhorat) investigate the impact of the top-ups while using data that takes account of the dramatic changes due to Covid in the household income and employment distributions. These papers discuss (a) the coverage of job losers, (b) the progressivity of actual receipt of the grants, and (c) the poverty effects.

## Assumptions and Caveats

While the previous analysis assumed a 75% decrease in employment for the informally employed and no impact on formally employed workers, the CRAM survey suggests that by June there was persistent job loss across all workers. Jain et al (forthcoming) find a **decrease in employment of 32%** for those in the first and second quartiles of pre-Covid household income per person, a decrease of 19% for those in the third quartile, and a decrease of 10% for those in the fourth quartile.

A major caveat is that in this projection exercise using 2017 data, it is difficult to project how job losers adjust their income. For this exercise, we assume that wage earnings decrease by the corresponding amounts above (e.g. 32% for those who are employed and in the first or second quartiles of pre-Covid income) -- noting that job loss rather than earnings decrease is likely to affect individuals much more severely, leading to a greater poverty impact.

We assess the following interventions:

- **No top up**
- **Current package:** R350 SRD grant, R500 caregiver grant, and R250 top-up to the other grants (e.g. Old Age Pension, Disability Grant)
- **Continuation of SRD grant** at R350, or alternatively at the food poverty line of R580

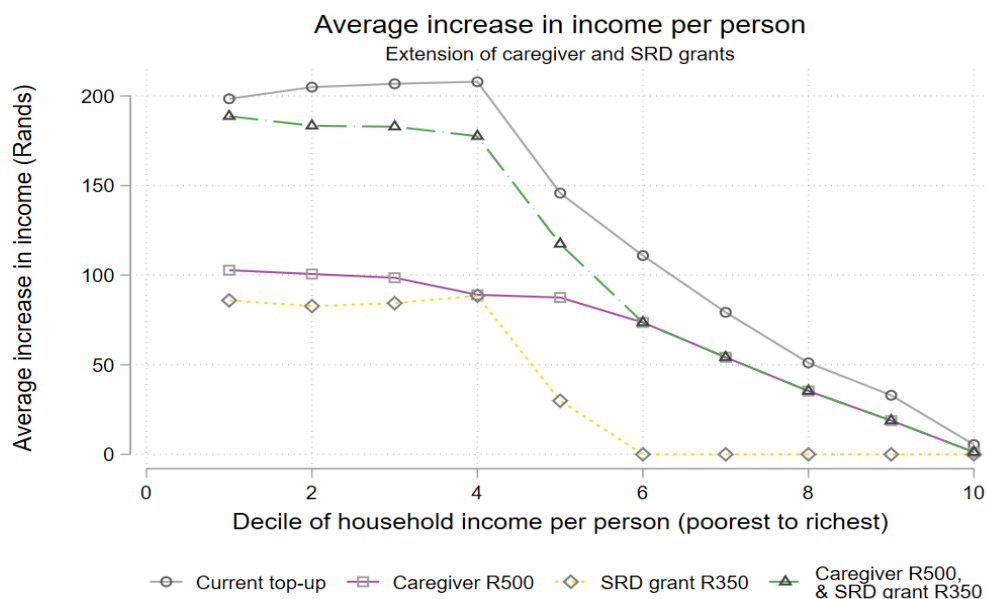
- **Continuation of caregiver grant** at R500, or alternatively at the food poverty line of R580
- **Continuation of both the caregiver and SRD grants**
- **Top-up of the CSG:** As an alternative to the caregiver grant, a top-up of R300 to the CSG (as implemented in May) or an increase in the CSG to R580 corresponding to the food poverty line (equivalent to a top-up of R140). Additionally, continuation of the SRD grant together with the CSG top-ups.

Another caveat is that we assume 6 million SRD recipients (the auditor general report by the end of July notes 5 million approved, with another 0.8 million to be processed). These are chosen as the poorest (in household per capita terms) who qualify for the grant, i.e. are not formally employed and receive no other grant directly. This will likely overstate the poverty impact of the SRD grant, as successful applicants are unlikely to only have been the poorest (see CRAM studies for coverage statistics).

Note that the SRD and caregiver grants by design go to different people, and therefore there is no overlap of individual recipients when combining the two grants.

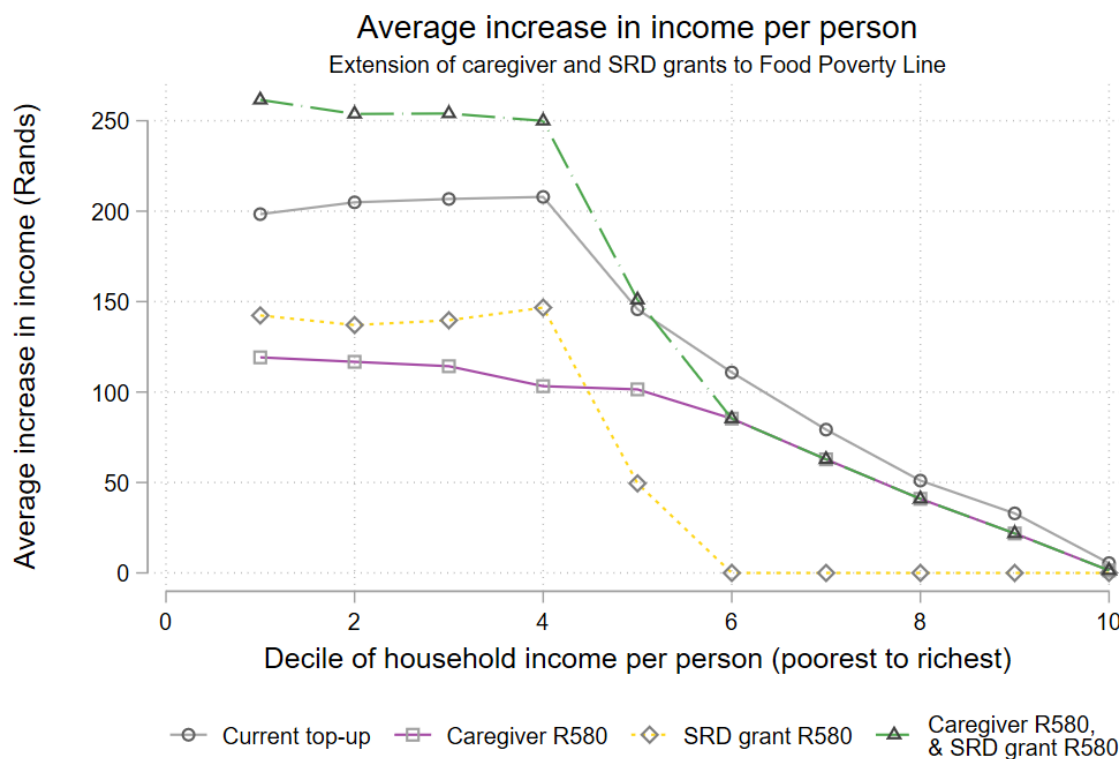
### Incidence of grants

First, how much is transferred under each package? Figure 1 shows that the current package (grey line) transfers about R200 each to the bottom deciles. A combination of the SRD and caregiver grants (green line) nearly matches this amount, even though it excludes the R250 top ups to other grants in the current top-up package. Much of the difference between the pay-outs is in higher deciles. By themselves, the SRD and caregiver grants transfer similar amounts to the poorest households.



*Figure 1: Progressivity and amount of grant if caregiver and/or SRD grants are extended*

Figure 2 reproduces this figure to give the amounts transferred if the caregiver and SRD grants were increased to the poverty line of R580. This would be more progressive than the current top-up package, with more going to poorer households.



*Figure 2: Progressivity and amount of grant if caregiver and/or SRD grants are extended at the Food Poverty Line*

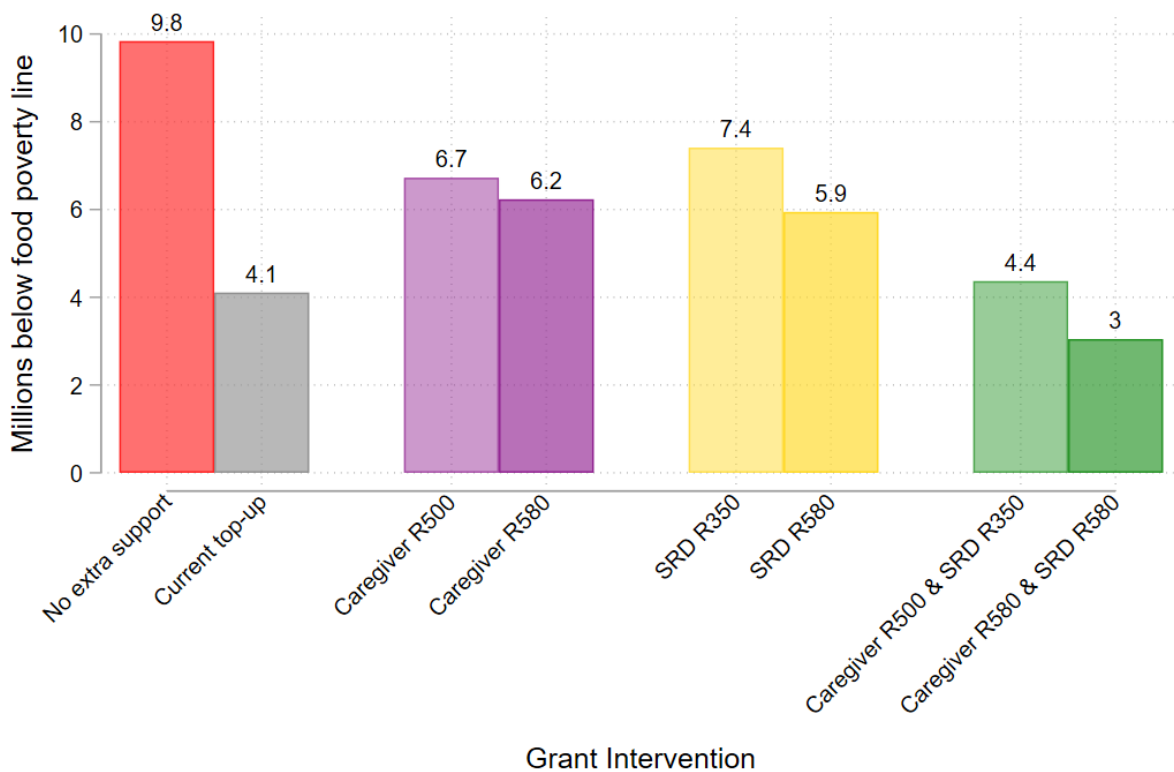
Figures A2 and A3 (appendix) reproduce these figures with the option of a top-up to the CSG rather than a caregiver grant. Note that the R300 top-up costs a similar amount to the R500 caregiver grant, since the CSG is allocated per child. As previously estimated, the two options have a very similar effect *on average*, where caregivers who have multiple children lose out under the caregiver grant compared to caregivers with only one child. Increasing the CSG by R140 to the food poverty line of R580 is a much smaller income transfer, though together with the SRD gives a very similar income transfer per person for the bottom deciles as the current package.

## Poverty

It must be highlighted again that poverty impacts using NIDS 2017 data are highly speculative; results from the CRAM survey would be more reliable in tracking the actual impact of Covid related disruptions. On the other hand, the CRAM survey has measurement issues with household income and grants, and so this analysis may be seen as weakly complementary.

Noting the caveats above, we assume that household earnings decrease in proportion to the job loss measured in the CRAM studies for June. Figure 3 suggests that the current grant top-ups may be playing a crucial role in buffering the poverty impact: the grey bar (4.3 million) is much lower than the red bar (9.5 million), suggesting that the grants may be reducing the number of individuals below the food poverty line by over 5 million.

Is this difference of 5 million buffered by the current package plausible? Forthcoming results from Jain et al tentatively suggest that the SRD impact by June had decreased poverty by 2 percentage points. Adjusted for greater coverage (by June, only 2.5 million had received the grant), and noting above that the SRD impact is similar to that of the caregiver grant, a very rough back-of-the-envelope extrapolation gives a comparable poverty reduction of 5.5 million.<sup>1</sup> This is surprisingly close to the estimate based on NIDS 2017 data in figure 3.



*Figure 3: Poverty impact of policy options, using 2017 NIDS data.*

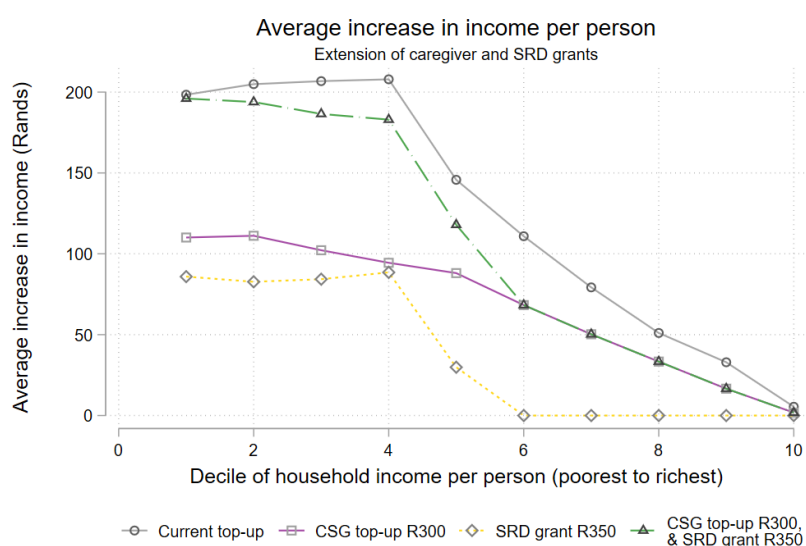
This highlights that without any additional grant top ups, poverty may rapidly increase. Extending the caregiver grant (purple) or the SRD (grant) has a similar effect of mitigating this

<sup>1</sup> 2% of a 57 million population, scaled up by 6/2.5 to reflect assumption of 6 million recipients, and doubled to account for the caregiver impact (noting there is no individual overlap in these grants, so no double counting):

impending increase in poverty. Extending both (green bar) will maintain most of the current buffer against the Covid-induced poverty spike.

Finally, figure A3 reproduces this poverty projection using a top-up to the CSG rather than an extension of the caregiver grant. As shown regarding the income transfers, the effect is similar, with a R300 top-up of the CSG projected to have a slightly greater poverty reduction than the R500 caregiver grant. A smaller R140 top-up of the CSG to the poverty line will make less of an impact on poverty.

## Appendix (including top-up to CSG)



*Figure A1: Progressivity and amount of grant if SRD grant is extended, as well as a top-up to the existing CSG.*

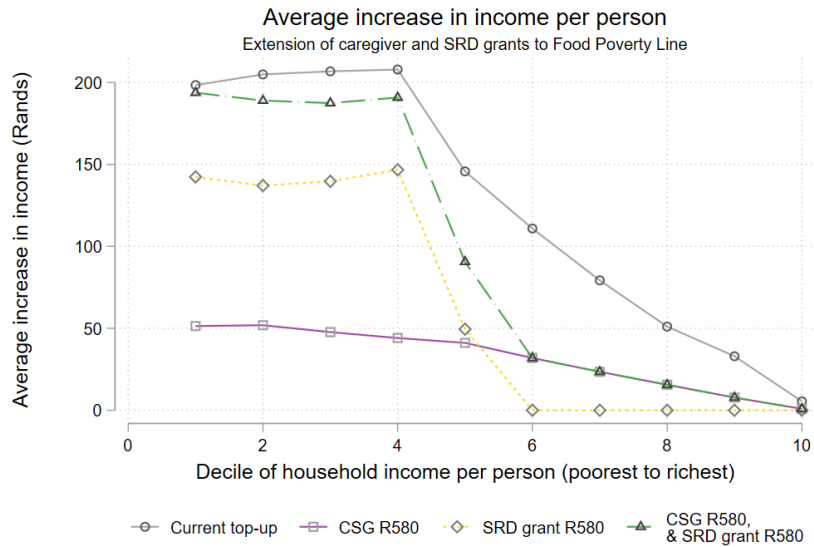


Figure A2: Progressivity and amount of grant if the CSG top-up and/or SRD grants are extended at the Food Poverty Line

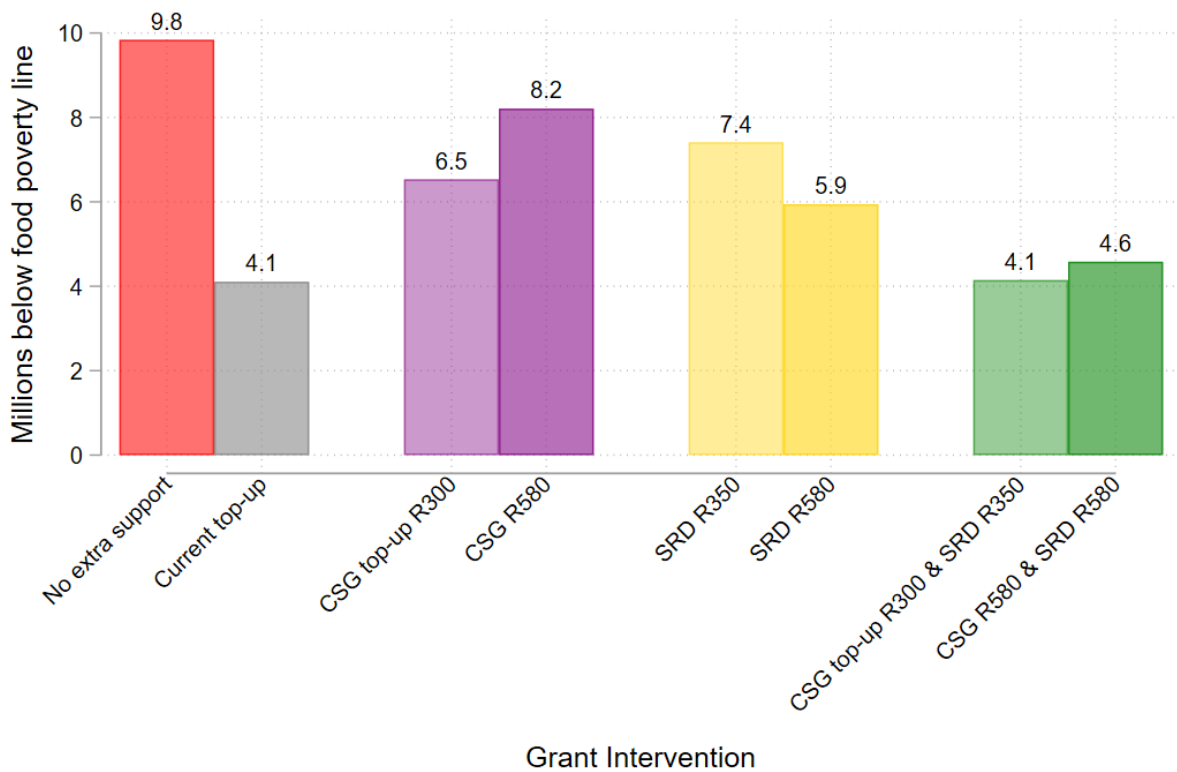


Figure A3: Poverty impact of policy options including top-ups to the existing CSG, using 2017 NIDS data.