

What to do to reduce poverty & inequality

ASSAF Presentation, May 2021

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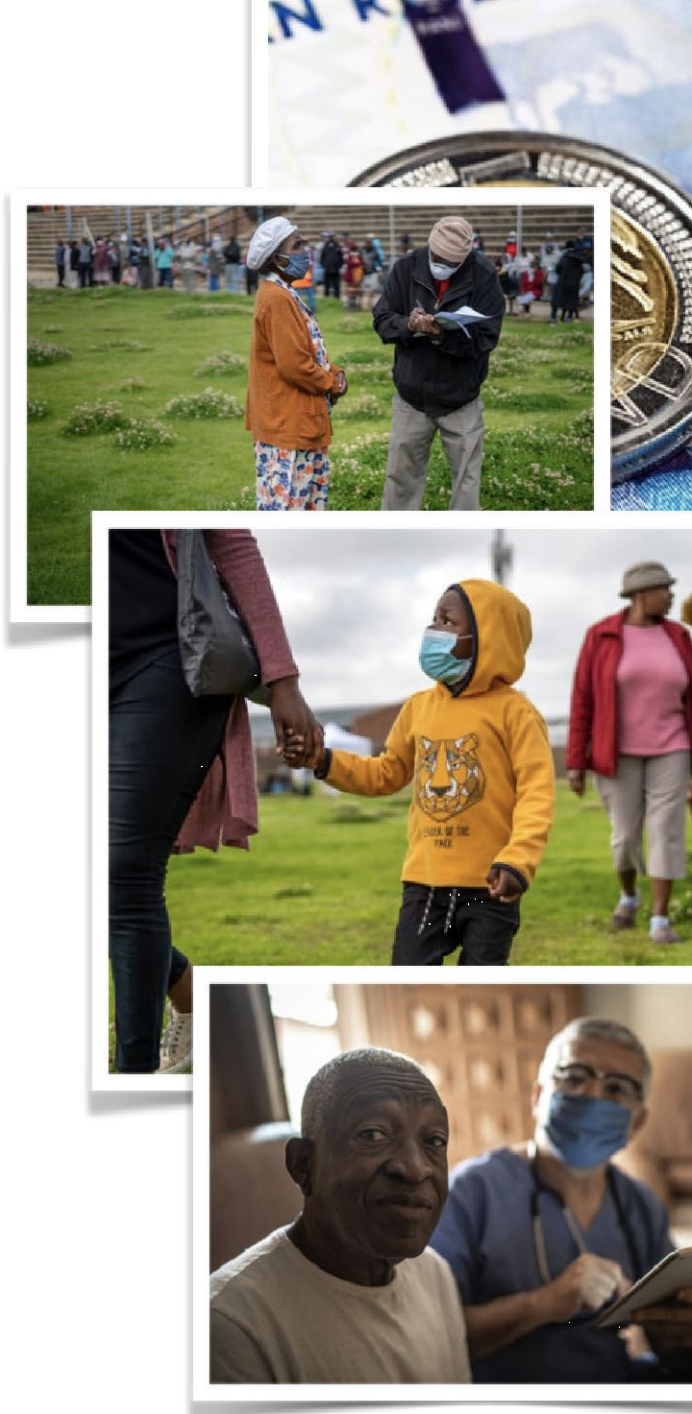
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CORONAVIRUS RAPID MOBILE SURVEY 2020



Overview

- What can learn about poverty & inequality from NIDS-CRAM?
- Selected results
 - Employment
 - Grants
 - Education
 - (Hunger to be covered by Grace)
- What do we know about poverty & inequality using NIDS-CRAM?
- How does that provide us with clues about what to do to reduce poverty & inequality in SA?



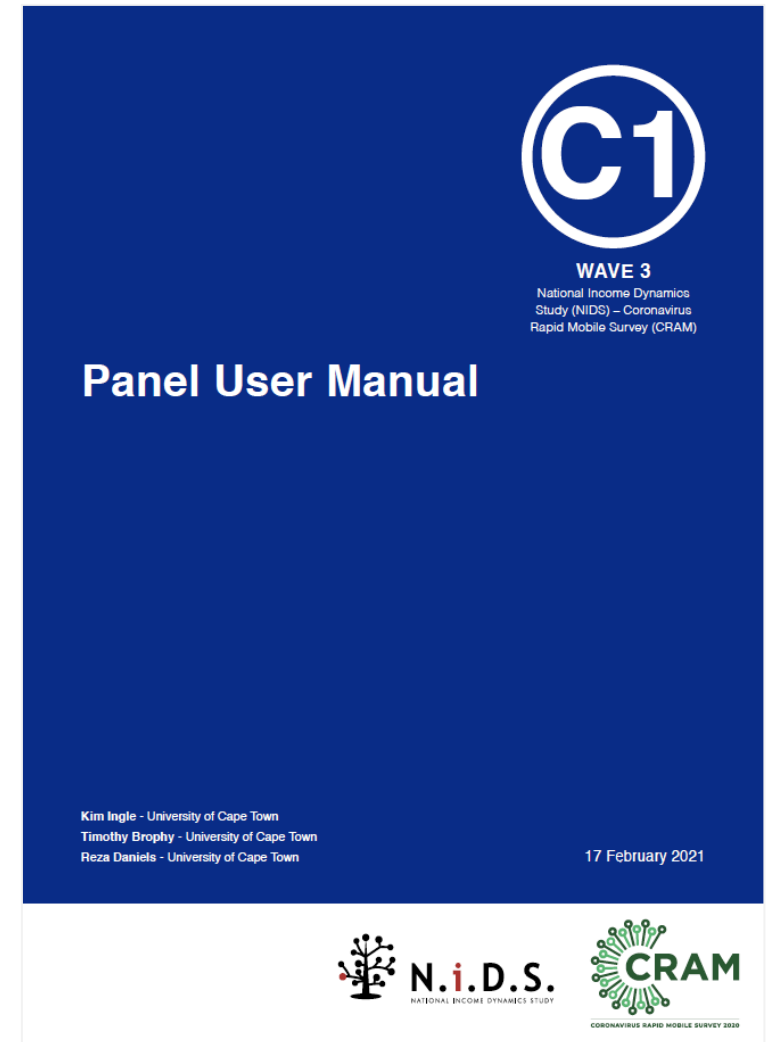
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Recap on NIDS-CRAM: www.cramsurvey.org

- **NIDS: existing panel study 2008-2017** The National Income Dynamics Study. NIDS is a panel study that began in 2008 as a nationally representative survey with the same individuals and their descendants being re-interviewed every 2-3 years between 2008 and 2017. It has been used in over 100 academic articles
- **NIDS-CRAM Wave 1:** The interviews for the first wave were conducted between 7 May and 27 June 2020 among a sample of 7 073 adults aged 18 years and older.
- **NIDS-CRAM Wave 2,** 5 676 of these individuals were successfully re-interviewed between 13 July and 13 August 2020, leading to a response rate of 80%
- **NIDS-CRAM Wave 3,** 5 046 (or 71%) of the original 7 073 respondents were successfully re-interviewed between 2 November and 13 December 2020 . Due to this expected attrition, the sample was replenished in Wave 3 with a top-up sample, resulting in an additional 1 084 successful interviews. **The total sample size for Wave 3 was therefore 6 130.**
- Wave 4 = Feb/Mar 2021 (release April 2021)
- Wave 5=Apr/May 2021 (release June/July 2021)



What can we learn about poverty & inequality from NIDS-CRAM?

- Poverty – almost certainly increased, but it is not best measured by NIDS-CRAM
 - Earnings data good, but that is only for the employed
 - Household per capita income has lots of missing data & possibly measurement error, so not as good as NIDS data
- Inequality increased
 - Covid crisis has increased inequality in almost every dimension – class, spatial, education
 - School feeding schemes lost efficacy due to school closures & rotating timetables
- Grants
 - Crucial change in SA policies in 2020 was the rise in the number of grants & the number of grant recipients



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SA Output & employment estimates, 2020 (indexed: Q1=100)

	Row	Q1	Q2	Q3	Q4
Gross Domestic Product					
Value added index	2	100.0	88.0	101.4	106.3
Value added index at contant basic prices	4	100.0	85.3	97.5	100.9
Compensation Index	6	100.0	93.7	100.7	108.1
Quarterly Employment Survey					
Wage index	8	100.0	95.9	100.9	103.3
Formal employment outside agriculture, households	15	100.0	93.2	93.8	94.6
Quarterly Labour Force Survey (Indices Q1=100)					
All employed	10	100.0	86.4	89.7	91.7
Formal employment outside agriculture, households	11	100.0	89.2	91.4	93.0
Agriculture and private households	12	100.0	82.7	88.4	92.0
Informal employment outside agriculture, households	13	100.0	78.1	84.1	86.3
NIDS-CRAM					
Total employment	17	100.0	83.6		99.3

Source: Charles Simkins: <https://hsf.org.za/publications/hsf-briefs/has-statistics-south-africa-under-estimated-the-employment-recovery>



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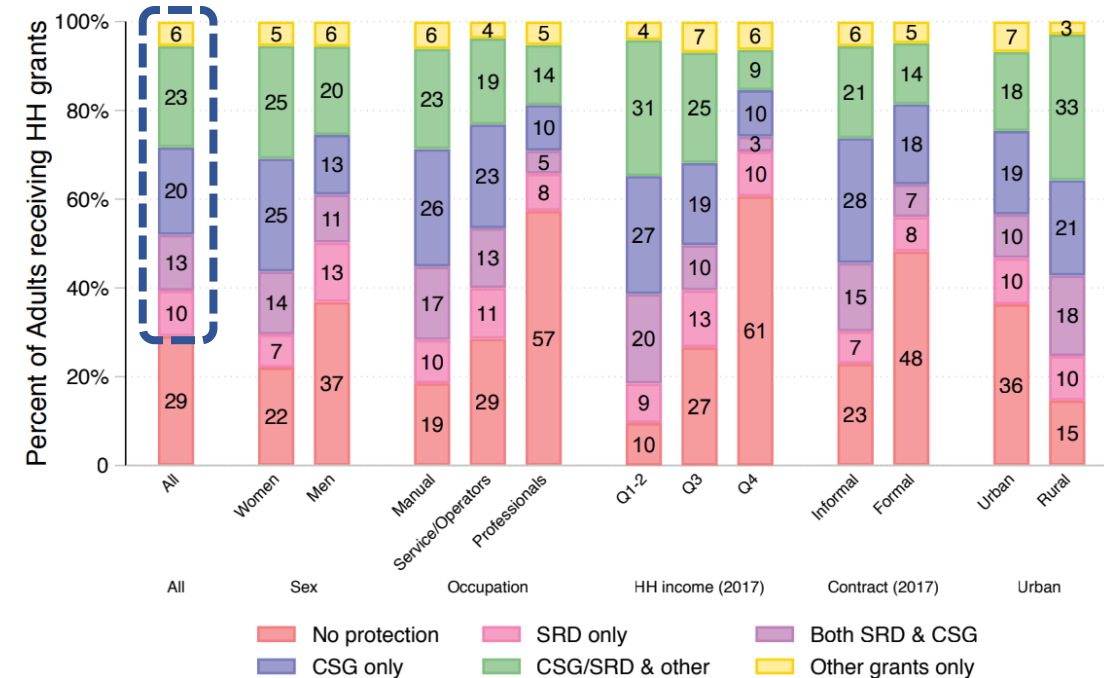


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Grants coverage at peak of social assistance

- Around 70% of adults receive a grant in their household
- Around 2/3 receive CSG and/or SRD in the household
- Grants are highly progressive
- Women have less emergency support despite being worse-affected + care work burden
 - ~40% of UIF/UIF-TERS to women
 - 37% of SRD grants to women
 - SRD continues, CSG top-up ends

Figure 4: Social assistance coverage for all adults in South Africa



Adapted from Bassier, Budlender & Zizzamia (2021)



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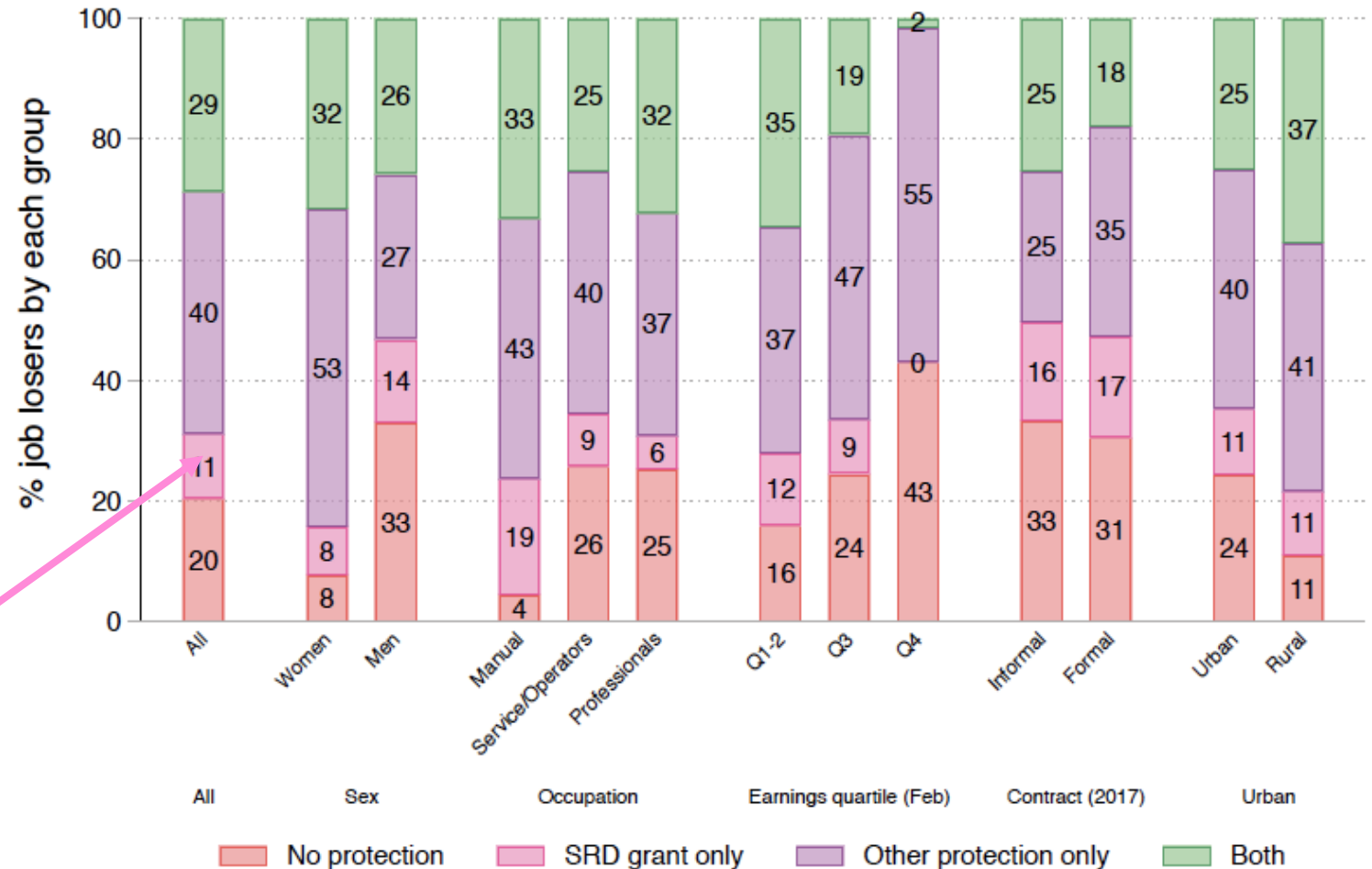


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Grants

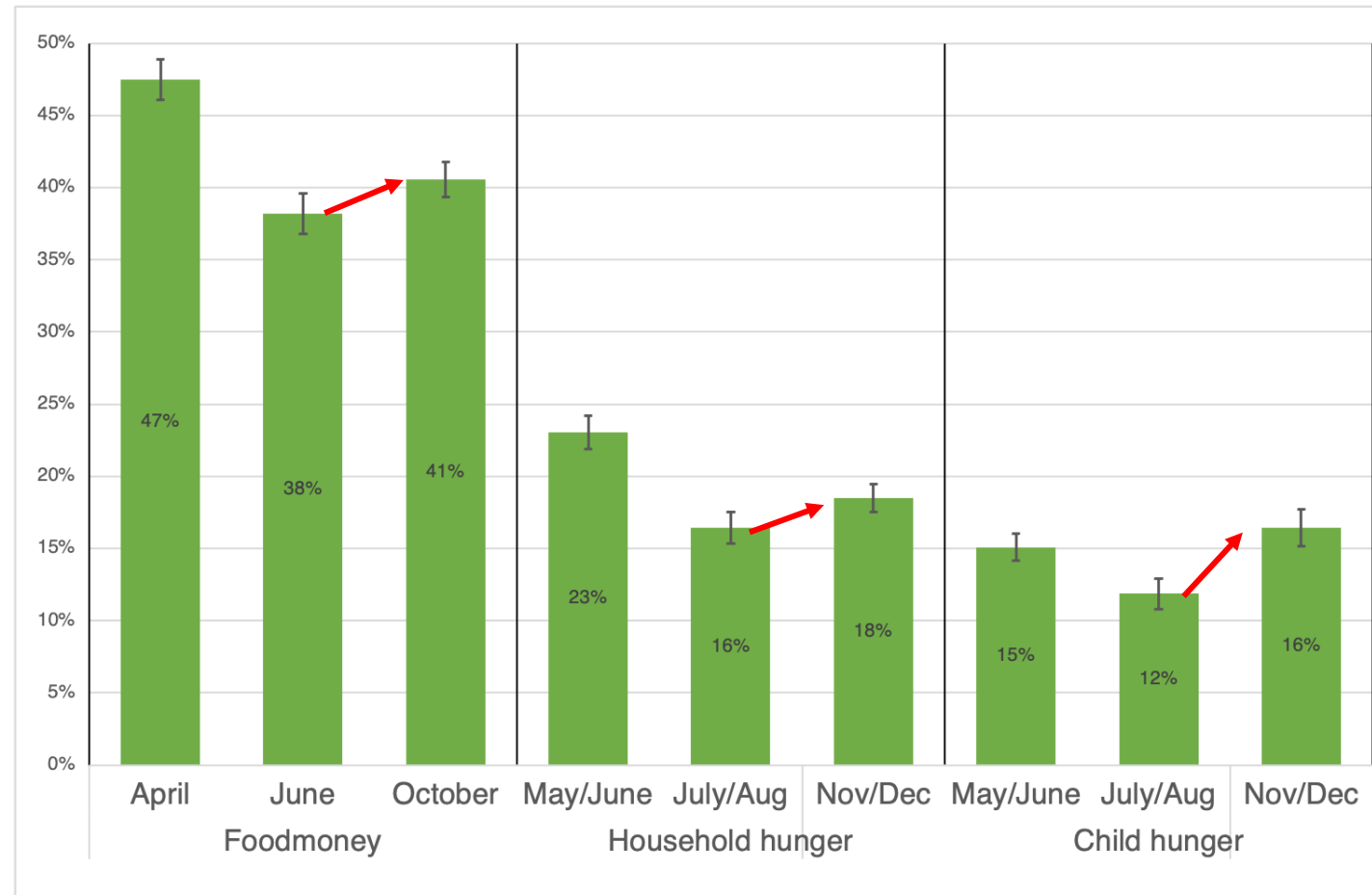
- These results reflect the “peak” of grant coverage (October 2020) given that grant top-ups for traditional grants have now been scaled back. Grant top-ups to the Child Support Grant (+R500 per caregiver) and the Old Age Pension (+R250 per pension) were last paid at the beginning of October 2020 with no top-ups paid from November 2020 onwards.
- During the 2021 SONA the President announced that the R350 SRD would be extended by 3 months (end of April 2021). Given that 11% of adults are in households that *only* receive the SRD grant, these households will fall out of the social protection system once the SRD lapses.

Figure 6: Social assistance coverage



Hunger

- Child hunger has now increased across the country, returning to the highest levels of the ‘hard-lockdown’ in May 2020. In all waves of NIDS-CRAM households were asked the following question: *“In the last 7 days has any child in your household gone hungry because there wasn’t enough food?”* The responses across the first two waves of NIDS-CRAM showed that child hunger decreased from a high of 15% in May/June to 12% in July/August 2020. The latest Wave 3 results now show that this has **returned to its highest level of 16% in November/December 2020**. Put differently, in November/December, 1-in-6 households with children in them reported that a child had gone hungry in the past week.



What we know about poverty & inequality from NIDS-CRAM?

- In summary, the pandemic has magnified pre-existing economic divides (i) between cities and rural areas, and (ii) between suburbs and townships/informal settlements within cities.
- The metros proved more resilient to the initial economic shock than rural areas and cities/towns.
- Rural areas showed less signs of recovery.

Source: Justin Visagie & Ivan Turok (2020) "The Uneven Geography of the Covid-19 Crisis"



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What we know about poverty & inequality from NIDS-CRAM?

- Turning to the provision of social support, rural communities have been much bigger beneficiaries of government grants than the metros and smaller cities/towns.
- Nearly three out of five rural respondents (59%) lived in households receiving social grants in June 2020, compared with less than half in cities/towns (47%) and one in three in the metros (32%).
- This was because rural residents were far less likely to be in paid employment.
- Government grants have clearly helped to protect rural livelihoods and compensate these areas for their weak local economies and lack of jobs. However, this poses a risk to these communities when the temporary relief is withdrawn.

Source: Justin Visagie & Ivan Turok (2020)



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What we know about poverty & inequality from NIDS-CRAM?

- Similar points apply to the differences within cities, where more than half of peri-urban respondents (54%) lived in households receiving social grants, compared with less than half of township residents (45%), two in five shack dwellers (40%) and one in four suburban residents (26%).
- The implication is that government grants have helped to offset unemployment and poverty in townships and informal settlements.
- The premature withdrawal of social programmes could aggravate conditions in poor urban communities.

Source: Justin Visagie & Ivan Turok (2020)



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What we know about poverty & inequality from NIDS-CRAM?

- In terms of special relief from the crisis, one in three rural residents (33%) said that someone in their household had received the Covid-19 grant, compared with one in four in cities/towns (24%) and one in five in the metros (21%).
- These differences are smaller than for other grants, suggesting that the Covid-19 grant is benefiting people who did not qualify for government support before, such as unemployed men.
- Among urban residents, 29% of peri-urban residents said their households had received the Covid-19 grant, compared with 27% in townships, 18% of shack dwellers and 16% in suburban areas.
- The proportion of shack dwellers receiving these and other grants is surprisingly low considering their levels of poverty and distress. Further research is required to explain this.

Source: Justin Visagie & Ivan Turok (2020)



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What we know about poverty & inequality from NIDS-CRAM?

- Summing up, government social grants have helped to offset the large economic gaps between places, but the incidence of hunger is still much higher in informal settlements, townships and rural areas than in suburbs.
- There is a case for more targeted efforts to boost jobs and livelihoods in lagging urban and rural areas.
- Pre-existing conditions were bad enough, but now there is further ground to make up, and the withdrawal of temporary relief grants could be a serious setback for poor communities reliant on cash transfers, especially for groups who did not qualify for grants before, such as unemployed young men.

Source: Justin Visagie & Ivan Turok (2020)



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CORONAVIRUS RAPID MOB

Where to from here?

- Grants
 - Crucial change in SA policies in 2020 was the rise in the number of grants & the number of grant recipients
 - Potential for universal basic income grant?
 - Will depend on whether it substitutes all other grants or not;
 - Fiscal (tax) policy would need to be carefully evaluated to assess (1) feasibility and (2) sustainability
- But how do we increase livelihood opportunities?
 - This is a different question to increasing economic growth
 - Requires a shift in focus & can be far more diverse than simply increasing employment opportunities



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