

The BIG question: COVID-19 and policy support for a basic income grant

Summary

For more than two decades, successive South African administrations have been reluctant to support a basic income grant/guarantee (BIG), also termed universal basic income (UBI) or basic income support (BIS), even for chronically poor unemployed citizens. However, a milestone was achieved in April 2020 with the introduction of a monthly R350 Social Relief of Distress (SRD) grant to assist these South Africans during the COVID-19 pandemic and national lockdown. This policy brief examines: (a) how the SRD grant, provided to millions of unemployed South Africans, is perceived to mitigate the impact of COVID-19 and whether this signifies the country's readiness to support a larger and permanent grant for the chronically poor in the future; and (b) whether a monthly basic income grant is a viable and sustainable post-pandemic policy option. Evidence from the University of Johannesburg (UJ)/ Human Sciences Research Council (HSRC) COVID-19 Democracy Survey presented in this policy brief suggests that a large proportion of South Africans support a regular SRD grant and food parcels to alleviate poverty. Many favour making such a grant permanent. The HSRC's South African Social Attitudes Survey

(SASAS) series also illustrates support for such a grant. Furthermore, we suggest here how such a grant can be financed in future.

Background: What's the BIG idea?

The idea of a BIG/BIS is based on three main features: (a) Universal – it is paid to all without a means test; (b) Individual – designed to cater to individuals; and (c) Unconditional – no requirement to work or demonstrate a willingness to work (BIEN, 2016). Generally, supporters of BIG/BIS argue that it provides a regular and predictable income as a universal and unconditional entitlement, thereby reducing poverty and inequality more effectively than means-tested schemes and mitigating the possible displacement of jobs by technology. BIS also has the potential to promote an individual's dignity and human rights by giving him/her the opportunity to undertake different forms of valuable work not rewarded by the market, such as domestic work, care work and volunteering. Pilot studies in several developed and developing countries show significant declines in poverty and inequality as well as improved economic activity within the community (Black Sash, 2020).

Redressing poverty, unemployment and inequality have been on the policy agenda for decades, as have ways of providing social assistance to those normally excluded from social protection measures. Unemployed South Africans from the ages of 18 to 59 have typically been excluded, and the number in this category has increased with the implementation of the COVID-19 lockdown and the resulting downsizing or closing of businesses. However, almost two decades prior to the pandemic, the 2002 Taylor Committee recommended that provision of a universal or basic income grant, of R100 per person per month, could reduce South Africa's poverty rate substantially (Taylor Committee, 2002: 62). If a BIG was to be provided in addition to the child support grant (CSG), the impact on poverty would be extremely positive. While many argued that this was unaffordable, there were local comparative models (Standing & Samson, 2003) that offered suggestions as to how it could be made affordable. There were also national organisations that proposed ways to fund such a scheme, which in the short-term could be rolled out as a pilot to the poorest in the country, periodically reassessed and gradually expanded.

Regrettably, these proposals were not ultimately embraced by policymakers and the business sector at the time. It was argued that economic growth should be prioritised, thereby improving employment and income generally, rather than increasing welfare payments. Furthermore, concern was raised by some economists about its unaffordability, who emphasised that social assistance does not contribute to economic growth. However, economic growth has not taken place, while a BIG does provide an economic stimulus, a welfare lifeline, greater access to work opportunities and a mechanism to break the intergenerational cycle of poverty (BIG Financing Reference Group,

2004; UNDESA, 2018: 3). The results of our study suggests that COVID-19 has brought home this reality.

The International Monetary Fund (IMF) (2017: 52) supports the progressive rollout of a BIG, with its studies showing that a payment of R1 584¹ per annum to all individuals could reduce poverty by 10.8%. The International Labour Organization (ILO) has expressed similar support, noting that short-term unemployment due to the pandemic is part of a broader, structural problem in many developing country economies (ILO, 2020).

The United Nations Economic and Social Council (UNESCO) recently acknowledged that:

promoting universal access to social services and providing nationally appropriate social protection floors [or minimum levels] can contribute to addressing and reducing poverty, inequality and social exclusion and promoting inclusive economic growth ... [and] ... that social protection is an investment in people and thus in long-term social and economic development and that nationally appropriate social protection systems and floors are making a critical contribution to meeting the Sustainable Development Goals. (2018: 4)

The South African Human Rights Commission recently recommended that National Treasury, in consultation with the Department of Social Development, assess the viability of a BIG and draft a roadmap for a pilot study (2018: 12). It is against this background that this policy brief examines how the SRD grant is perceived to mitigate the impact of COVID-19, and how this impact on people's living conditions is supported

by evidence that South Africa is ready to support a larger and permanent monthly BIG in the future.

Covid-19 lockdown relief measures

On 21 April 2020, President Ramaphosa announced a package of relief measures to provide support and assistance during the country's national COVID-19 lockdown. Measures included an increase in the child support grant, by R300 per month for May 2020 and R500 per month from June to October 2020, expanded unemployment insurance fund payments, and short-term assistance in the form of the SRD grant. Government's emergency R500bn financial relief package has included the broader availability of the SRD grant to anyone who has no income, including discouraged work-seekers and the long-term unemployed, typically excluded from government's ordinary social protection policy (SASSA, 2020).

Statistics released by the South African Social Security Agency (SASSA) and Department of Social Development (DSD) show a high number of applicants for the SRD grant (7.19 million), 3.25 million of whom have been approved, and 2.77 million paid as at 30 June 2020 (SASSA, 2020), providing some indication of the scale of need and interest in the grant. The HSRC's current surveys provide further evidence of public approval for the SRD and food parcels, relative to other COVID-19 relief measures.

The BIG appeal: Poverty, inequality, a missing middle and the right to social protection

Unmet need in South Africa

Youth and middle-aged adults lacking skills relevant to available employment opportunities live without work most of the time. Consequently, they are disproportionately exposed to shocks and stresses, such as those stemming from the global COVID-19 pandemic and the 'hard lockdown' response. Youth

1. Based on 2012 data.

(aged 15 to 34) remain particularly vulnerable, with an unemployment rate of 40.1% (20.4 million), which is 11% above the national average (StatsSA, 2020). Furthermore, South Africans aged 18 to 59 have no access to any form of social security, regardless of employment status or level of impoverishment and hunger. The scale of poverty and deprivation within this large cross-section of society has profound impacts 'not just on their wellbeing, but on the living conditions of their families and community, and ultimately impacts on the growth and stability of the country' (SAHRC, 2018: 8).

Despite continued chronic poverty, unemployment and hunger, South African administrations have shown reluctance to support a basic income for affected citizens. The plight of many has been exacerbated by the COVID-19 pandemic. A potential policy shift occurred in April 2020, with the introduction of a monthly R350 SRD grant to assist the poorest South Africans during the national lockdown. This has been accompanied by increasingly vigorous civil society advocacy for the introduction of a basic income grant, while the ruling party has consulted international experts on global experiences with BIG and local policy options. These developments have occurred against the backdrop of a growing tide of global interest in BIG/UBI policies, especially given the impact of COVID-19, and suggest perhaps that the government would have significant support for addressing this formidable policy question and constitutional right more comprehensively.

A necessary and enshrined right to social protection

The Constitution was designed to deliver a substantively better quality of life for all, particularly for the poorest and most vulnerable in society. Section 27(1) of

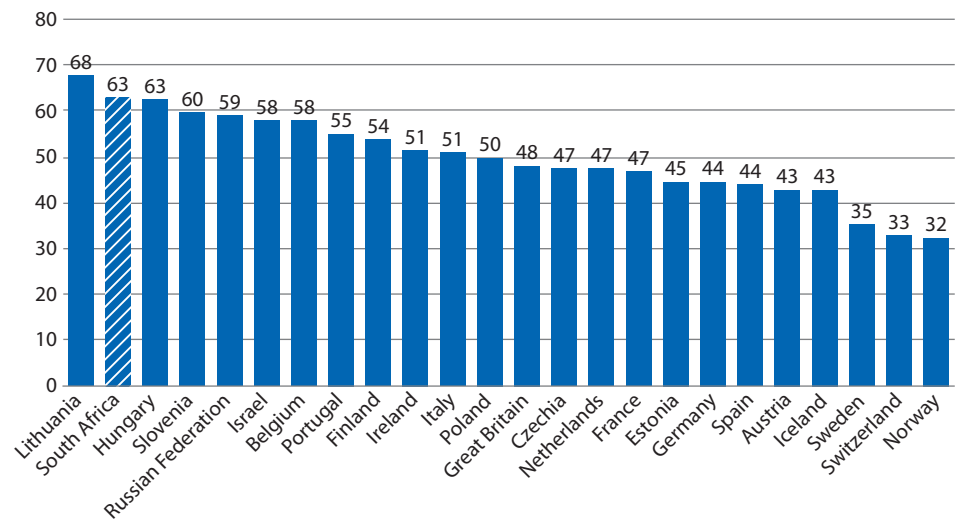


Figure 1: Support for a Universal Basic Income (UBI) scheme in Europe and South Africa (% in favour)

Sources: European Social Survey Round 8 (Norwegian Centre for Research Data, 2016); SASAS 2016 (HSRC, 2016)

the Bill of Rights provides that everyone has the right to have access to social security, including appropriate social assistance. Section 27(2) requires the state to take reasonable measures, within its available resources, to achieve the progressive realisation of this right. Reinforcing this constitutional obligation, South Africa is party to several related international treaties including the Universal Declaration of Human Rights (UDHR) and the International Covenant on Economic, Social and Cultural Rights (ICESCR), which recognise this right.

Despite these commitments and enactment of the Social Assistance Act 59 of 1992 to give legislative effect to the constitutional promise, almost half of South Africans are unemployed or live in poverty, highlighting the urgent need for a form of basic income guarantee. The South African Human Rights Commission concluded that 'South Africa has failed to discharge its international and national obligations regarding the provision of social

assistance to those most in need' (SAHRC, 2018: 12).

Public support for a basic income pre-pandemic

The 2016 round of SASAS replicated a question from the European Social Survey on support for the introduction of a UBI scheme (Figure 1). The percentage supporting the scheme varied from 32% in Norway to 68% in Lithuania. Support was strongest in highly unequal countries (such as Lithuania and Russia), and weakest in the equalising welfare states of Norway and Sweden (Meuleman, Van Oorschot, Baute & Roosma, 2018), indicating that a basic income scheme is regarded as a means of improving social welfare rather than a substitute for well-performing welfare systems. As a highly unequal society, South Africans demonstrate a comparatively high degree of support for basic income. This signals a high degree of legitimacy vested in the developmental state and a desire to expand existing social protection arrangements to improve living conditions.

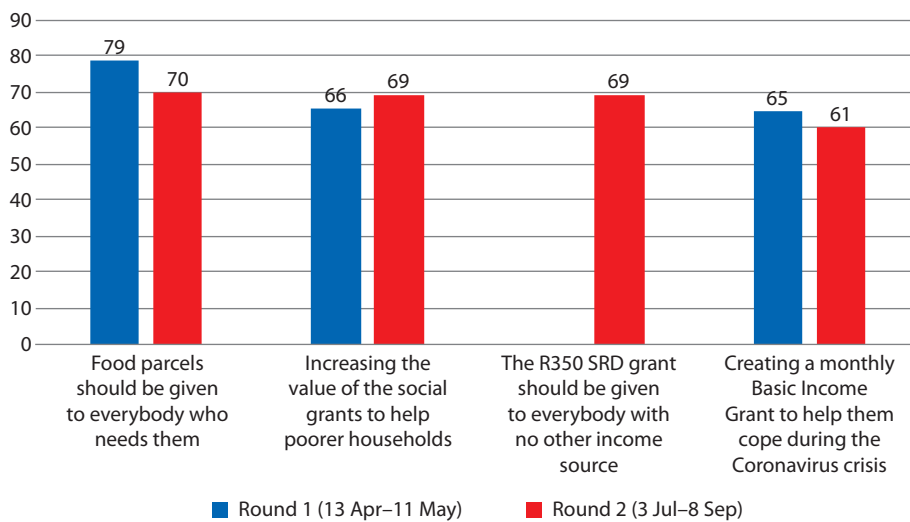


Figure 2: Support for increasing the value of social grants, the Social Relief of Distress Grant (R350), and the introduction of a Basic Income Grant (% favouring social policy intervention)

Note: Support for the SRD grant was asked about only in Round 2 of the UJ/HSRC COVID-19 Democracy Survey.

Source: UJ/HSRC COVID-19 Democracy Survey (UJ & HSRC, 2021)

Citizen perceptions of COVID-19 social protection measures

Evidence from the online COVID-19 UJ/HSRC Democracy Survey (UJ & HSRC, 2021) shows that there is robust public support for key social protection measures implemented during the COVID-19 pandemic (Figure 2). Two rounds of surveying were undertaken: the first between 13 April and 11 May 2020, during Level 5 of the national lockdown (12 312 respondents); the second between 3 July and 8 September

2020, during level 3 and level 2 (7 966 respondents). In both rounds, participants were asked to select from thirteen policy measures they would support.

A broad-based consensus?

How unified or divided are South Africans in the level of support for these social protection measures, including the introduction of a BIG? In Table 1, we present the range of values across selected personal attributes of the

survey respondents for the three grant-related policy options (increasing grant values, the SRD, and introducing a BIG). Where data permits, the figures for Survey rounds 1 and 2 are presented.

The core message emerging from the results is that, despite varying degrees of support, these social protection measures receive fairly broad-based support across a range of socio-demographic groupings in society. Support for raising the value of social grants ranged between 60% and 80% in Round 1 and between 51% and 80% in Round 2. Across all the traits examined, the share that supported this policy option only fell below the 60% mark among those earning more than R5 000 per month.² Similarly, support for the R350 per month SRD was favoured by sizeable majority shares, ranging from 59% to 75%, with income-based differences the most distinctive. Finally, support for the BIG ranged between 56% and 80% in Round 1 and 50% and 75% in Round 2. The lowest levels of support in this instance were among those earning more than R20 000 per month and the self-rated non-poor (both 50%). While

2. Space limitations don't enable us to include all survey data in Table 1, but the information is available on request

Table 1: Differences in the level of support for different social protection policy options, by personal attributes (lowest to highest level of support by category, %)

Support by subgroup, range of values (%)	Increasing value of social grants		R350 SRD	Introducing a basic income grant	
	Round 1 (13 Apr – 11 May)	Round 2 (3 Jul – 8 Sep)	Round 2 (3 Jul – 8 Sep)	Round 1 (13 Apr – 11 May)	Round 2 (3 Jul – 8 Sep)
South Africa	60–80	51–80	59–77	56–80	50–75
Gender	62–69	67–71	67–71	64–66	61–61
Age group	63–73	65–72	64–70	61–73	55–67
Population group	63–80	67–80	68–77	62–81	58–75
Education level	62–68	63–72	66–73	62–69	58–65
Subjective poverty status	62–68	63–75	68–73	56–69	50–67
Personal monthly income	60–71	51–75	59–75	56–68	50–73
Party support	...	64–72	61–75	...	58–66

Source: UJ/HSRC COVID-19 Democracy Survey (UJ & HSRC, 2021)

noting these class-based – and other – differences in the depth of support for the policies, the level of support across society and over time is fairly high for redistributive social policies of this type.

Addressing the BIG debate

In policy discussions on the possible introduction of a BIG in South Africa, two critical arguments are commonly made, namely, that it would: (a) constitute a negative incentive for people to seek employment (the dependency argument); and (b) that implementation would be too expensive (the affordability argument).

The dependency fallacy

The first argument assumes that people will suddenly stop seeking employment when they receive the benefit. A similar argument was often levelled against social grant beneficiaries, which has been proven to be incorrect (Black Sash, 2020; Noble & Ntshongwana, 2008). Such stereotypical representations are inaccurate, and decisive action is needed to make a difference in the lives of vulnerable people, often confronted with harsh living conditions and antagonistic community and labour market environments. The evidence from our study suggests strong, albeit mixed, support across different socioeconomic strata in favour of the SRD and a longer-term similar grant. While support is evident from many quarters of society, financing needs to be sustainable.

Financing a universal income grant

Despite the current support evident from our survey, government will find it difficult to fund the SRD grant as part of a permanently expanded social protection programme. An already-weak national economy has suffered a significant setback from the various lockdown measures. In addition to losing excise taxes due to the extended bans on alcohol and tobacco sales

during the lockdown, government has incurred large debts as it has been compelled to borrow funds to address the many urgent needs arising from the health and socioeconomic crises.

Even before the pandemic, many argued that a BIG is 'unaffordable'. However, a recent policy paper by the Black Sash (2020) argues that much depends on the level of the grant, whether it is universal, and whether it is phased in. In addition, the current discretionary risks and costs of administering a range of individual means-tested grants could be dramatically reduced by means of a universal basic income support grant that is then partly recouped through ordinary income taxes on wealthier taxpayers.

Potential sources of funding include budget reprioritisation, raising tax revenues, and 'some good financial governance', generally required after decades of maladministration and corruption, which have been disappointingly evident even during the pandemic.

Recommendations

Chronic unemployment and poverty have deepened despite numerous policy and legislative interventions. Over and above COVID-19, they amount to a chronic disaster that is unravelling our well-being and social cohesion, and weakening our constitutional democracy. Determined and effective prevention of squandered public finances and minimising corruption, aided by real-time transparency and multi-stakeholder oversight of public procurement expenditure, offers an efficient means to fund a pilot BIG. It is therefore recommended that the government:

1. Seriously consider continuing the SRD grant in the medium-term by:
 - (a) rolling it out as a pilot to the poorest in the country;
 - (b) regularly re-assessing the process; and

(c) gradually expanding access to those most in need, particularly those in the 18–59 age group.

2. Finance a BIG by ensuring sound, accountable governance and financial stewardship, including proactive and preventative checks and balances (AGSA, Sept 2020) to ensure that mismanagement and corruption are deterred within all organs of state and across society. Such controls, transparency and good governance may well attract broader support for a permanent, comprehensive BIG/BIS, thereby providing more funding.

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