



For years, even before the additional hardship brought on by COVID-19, civil society organisations and social grant recipients have been pleading for social grant amounts to be increased. This picket was held outside the gates of Parliament in May 2017 where protesters also demanded an end to illegal deductions and outsourcing and an increase to the amount of grant money paid out amongst other things.

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A universal basic income for all:

*South Africa needs a mix of instruments to defeat poverty, inequality and unemployment. One of the most hotly debated instruments in this mix is a universal basic income guarantee (UBIG), an unconditional-cash transfer policy, whereby those aged 18–59 years are guaranteed a basic monthly income. **Asanda Ntunta** and **Peter Jacobs** report back on the [first](#) of the UBIG seminar series, hosted by the HSRC, the Institute for Economic Justice and the Pay the Grants Movement.*

Can South Africa afford this pro-poor instrument?

The COVID-19 pandemic has threatened the health and livelihoods of millions of people. In South Africa's existing context of poverty, inequality and unemployment, it was an added burden, leading to vibrant debates on how to support the most vulnerable members of society. One of these debates focuses on the resurgence of local and international demands for a universal basic income guarantee (UBIG).

Towards the end of 2021, the HSRC, the Institute for Economic Justice (IEJ) and the Pay the Grants movement hosted four UBIG webinars. This overview is based on the [first webinar](#), which focused on affordability.

Social security not achieved

Section 27(1)(c) of the Constitution of the Republic of South Africa provides that 'everyone has the right of access to social security, including, if they are unable to support themselves and their dependants, appropriate social assistance'.

Launching the webinar series, Brenda Sibeko, deputy director-general of the Department of Social Development, said despite this, and the fact that social grants and social assistance for the most vulnerable members of society constitute more than 95% of the department's budget, access to social security has not been achieved for most unemployed working-age South Africans. Therefore, the department has to think about how to implement a basic income grant and deal with the issues of affordability, Sibeko said.

Given the above, some experts argue that South Africa cannot afford to forgo the introduction of a UBIG. Other experts, meanwhile, argue that that it is not economically viable. It is important to understand that discussions about UBIG take place in the context of austerity budgeting. The National Treasury has introduced austerity measures in fiscal policy over the past few decades, despite abundant international evidence that shows how austerity leads to rising unemployment, falling incomes and increased inequality.

The multiplier effect

These dire outcomes result from austerity budgets grounded in the principles of cutting public expenditure and progressive taxes at the expense of state assistance to vulnerable populations. Duma Gqubule, an independent developmental economist who spoke at the webinar, emphasised that UBIG is not affordable within the context of the current austerity budget principles implemented by National Treasury during the national budget process. Key to affording UBIG is implementing the grant outside of austerity budgeting, said Gqubule. Therefore, UBIG serves as an alternative agenda for reversing what would be extremely harmful austerity measures.

Defending his case for the affordability of UBIG, Gqubule asserted that "social protection should be viewed as an investment in people, their communities and the wider economy. UBIG should be considered as part of a policy package that will have a positive economic impact. South Africa needs a new economic development path that considers the multiplier effect of UBIG in stimulating the economy".

Three scenarios

When considering whom a basic income guarantee should include, [three possible scenarios exist](#), the IEJ speaker, Dr Gilad Isaacs, suggested in his webinar presentation. The first scenario is a universal grant available to all working-age citizens, regardless of employment status, income levels, receipt of other social grants, or other criteria. The second is an unemployment grant available to those of working age who are unemployed, and the third is a targeted grant available to those who earn less than a specified income threshold. For the grant to be effective in reducing and ultimately eliminating income poverty, the amount should be based initially on the lower-bound poverty line, and then gradually increase until it reaches the upper-bound poverty line.

The annual cost of each scenario depends on which poverty line its monthly transfer value is set at. The financing cost of the scenarios ranges between R150 billion and R240 billion. Various financing source options came up in the discussion, with the modelling results of these options recently published by the IEJ. The [financing options](#), according to Isaacs, include a mix of taxing higher-income individuals, for example through wealth taxes on individuals and businesses, and closing corporate tax loopholes.

The suggested tax measures ensure that the grant is recouped from those employed and those at the higher- and middle-income levels to make sure that it is benefitting those in need, thereby enhancing equity.

Is debt a deal-breaker?

Using International Monetary Fund statistics, Gqubule examined public debt as an option to finance UBIG. He calculated that the world average debt-to-GDP ratio increased by 15 percentage points to 98.6% of GDP in December 2020, up from 83.6% in 2019. Advanced economies had a debt-to-GDP ratio of 122.7% and emerging markets had a debt to GDP ratio of 64.3%. South Africa's debt ratio is not high when compared to other upper-middle-income countries such as Angola, Argentina, Brazil, Egypt, and India. Therefore, there is no tipping point at which a rising debt ratio results in economic collapse. South Africa has a GDP growth problem, Gqubule emphasised, not a debt problem. If it increases GDP growth – the bottom part of the debt ratio – the debt will take care of itself. The South African debt-to-GDP ratio should not be considered as a limitation for the implementation of UBIG.

In his presentation, Léo Czajka, a research fellow at the World Inequality Lab, illustrated that UBIG in South Africa is affordable if one starts from the historical incidences of the country's tax and transfer system, which has remained skewed in favour of the rich. Tax and transfer systems are key determinants of the affordability of basic-income-grant-type redistributive measures. In the period 1993–2019, pre-tax and transfer income of the bottom 85% of the distribution declined, which means a worsening situation for the poor, said Czajka.

He concluded that “a tax on the richest 1% of net wealth, with a rate ranging from 3–7% marginal tax rates, would help raise R134 billion. Moreover, even after the tax, the wealthiest 1% would remain the wealthiest 1%”. This illustrates the redistributive potential of a wealth tax, which is an essential instrument for the affordability of UBIG.

South Africa's UBIG affordability debates can be enriched through learning from experiences elsewhere, argued another webinar speaker, Evelyn Astor, who is an economic and social policy advisor at the International Trade Union Council. Social spending is affordable in eight low- and middle-income countries (excluding South Africa), Astor's presentation illustrated, because ‘increases in income security boost demand and consumption, which can in turn increase growth, a process with a virtuous circle effect’. This positive effect falls outside mainstream neoclassical economic logic and models, she said. Social protection is more than just consumption spending, as its [cumulative socioeconomic benefits](#) exceed its costs. Astor found that factoring in the investment impacts of social protection almost doubles the economic returns when compared to the initial spending, thus addressing UBIG affordability questions.

Authors: Asanda Ntunta, researcher, and Dr Peter Jacobs, Strategic Lead: Changing Economics, in the HSRC's Inclusive Economic Development division

antunta@hsrc.ac.za
pjacobs@hsrc.ac.za





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People queue for social grants outside the South African Social Security Agency's office in Eerste River, Cape Town, in October 2018. Just more than a year later, the COVID-19 pandemic pushed many more vulnerable South Africans into poverty. Can a basic income guarantee work in this country and who should qualify to receive it?

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