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# South Africa desperately needs Basic Income Support, now more than ever before

By Engenas Senona

Engenas Senona has a background in economics and has been active in the sphere of social protection for the past 12 years, focusing on social grants and Early Childhood Development. He was previously employed by the Department of Social Development and international agencies including the United Nations World Food Programme, Save the Children (South Africa) and UNICEF. He is an independent research consultant and the author of the report, *Basic Income Support: A Case for South Africa*, which was published by the Black Sash in July 2020. The report can be viewed at <http://www.blacksash.org.za/images/campaigns/basicincomesupport/BasicIncomeSupport2020.pdf>

*The author argues that the current alarming increase in unemployment and subsequent shocking levels of poverty in South Africa could be drastically improved by the implementation of a universal income grant. Emergency relief funds distributed during the COVID-19 lock down, for those between the ages of 18 and 59 who are not eligible for any other grants, is a critical step towards this goal.*

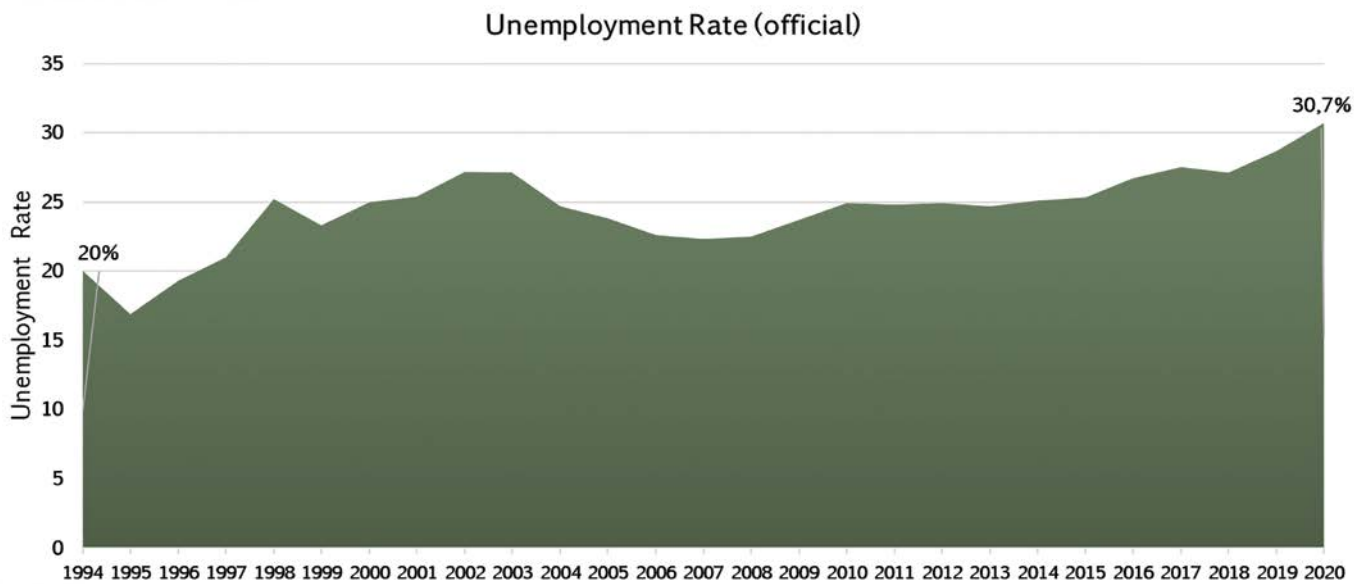
*“I’m now convinced that the simplest approach will prove to be the most effective the solution to poverty is to abolish*

*it directly by a now widely discussed measure: the guaranteed income ... [The] dislocations in the market operation of our economy and the prevalence of discrimination thrust people into idleness and bind them into constant or frequent unemployment against their will ...”*  
Martin Luther King Jr. 1967.

**I**t has been more than 50 years since Martin Luther King delivered this speech and most of the world today still faces the challenge of poverty and unemployment. South Africa is no different. Since the advent of democracy some 26 years ago, the country has struggled with the triple challenges of poverty, inequality and unemployment. The country is ranked as one of the most income unequal countries in the world with a Gini coefficient of 63.9.<sup>1</sup> This has had an adverse effect on the reduction of extreme poverty, with more than 40% of

South Africa’s population considered chronically poor at the lower bound national poverty line of R810 per month per person in 2019 prices.<sup>2</sup>

The country also has a high and persistent unemployment problem that government has failed to address over the past 26 years, as highlighted in the graph below. The official unemployment rate peaked at 30.7% at the height of the COVID-19 pandemic in 2020, with the unofficial rate, which includes discouraged workers, reaching over 42% (or 10.8 million adults).<sup>3</sup> While employment has increased in absolute terms since the onset of democracy (from 7.9 million people in 1994 to 16.3 million in 2019), employment growth has not matched either population growth or the rate of worker supply. Consequently, employment as a share of the population aged 15 or older has fallen. The participation rate for this



Source: Statistics South Africa (own graph)

group fell from 45.7% in 2000 to 36.8% percent in 2019.<sup>4</sup> This is a dramatic and alarming decline.

One of the government’s responses to these challenges has been the social assistance programme (social grants), which provides monthly payments to poor and vulnerable South Africans, including the elderly from the age of 60 through the Older Persons’ Grant, people with disabilities aged 18 to 59 years through the Disability Grant and children under the age of 18 through the Child Support Grant. There is no doubt that social grants have had a positive impact. In fact, studies have shown that removing social grants would result in worse rates of poverty and inequality in the country, and decrease the chances of these people actively looking for employment and finding it. Despite this, the programme has its shortfall. It does not cover the many poor and unemployed people between the ages of 18 and 59 years.

Currently, the only non-contributory social assistance (social grants) available to poor and unemployed people between the ages of 18 and 59 years is the Disability Grant (if you are disabled), the Foster Care Grant (up to

the age of 21), and the provision of the Social Relief of Distress Grant for up to six months in the case of destitution. In terms of contributory social insurance, those in formal employment can access the Unemployment Insurance Fund (UIF) for a maximum of 12 months if they become unemployed. However, it should be noted that people working in the informal economy do not enjoy such a benefit. For a large majority, a day spent not working means no guaranteed income. This was highlighted during the country’s COVID-19 pandemic lockdown.

Whilst the government would argue that the best way to solve this social security gap for those aged between 18 and 59 is the creation of jobs, history has shown that policy interventions have not increased employment opportunities nor decreased the unemployment rate. Current and former public job-creation interventions have not produced the desired results of reducing poverty and inequality. In essence, if we use South Africa’s unemployment rate (which has remained stubbornly high) as a benchmark of success for these programmes and initiatives, it becomes clearer that these current labour market

interventions need to be complemented by a more expansive social security system that responds to the needs of those rendered unable to support themselves and their dependents. A well-designed social security system should reduce risks associated with the inability of many to enter the labour market, long-term structural unemployment or loss of work. It should contribute to household income security and social cohesion.

#### **WHAT IS BASIC INCOME SUPPORT? WHAT ARE ITS BENEFITS?**

Basic Income Support (BIS) is the optimal solution to ensuring South Africa moves towards a complete social security system. BIS refers to “... an income paid by the state to each full member or accredited resident of a society, regardless of whether he or she wishes to engage in paid employment, or is rich or poor or, in other words, independently of any other sources of income that person might have, and irrespective of cohabitation arrangements in the domestic sphere.”<sup>5</sup> This definition refers to the ideal and what the country should strive to >>





Secondly, the definition of BIS does not specify the level at which it is paid or how it interacts with the wider system of social security payments. In other words, the question of whether BIS is unaffordable depends upon the specifics of the scheme or proposal, as well as what is meant by 'affordable'. A sensible definition of affordability simply requires that expenditure on BIS not exceed available sources of revenue in the long term. Financing must be sustainable.<sup>8</sup> By this definition, BIS is therefore not only affordable in the short term, but over time the relative burden on the fiscus will diminish as levels of poverty and inequality decrease.

### **SOUTH AFRICA'S RESPONSE TO COVID-19 AND A SOLUTION BEYOND THE PANDEMIC**

The COVID-19 pandemic has underscored the critical role of adequate investment in public health, comprehensive social protection programmes, dignified and decent work, and access to food, water, sanitation systems and housing. The pandemic has also intensified the intersecting forms of inequality including income and wealth within our country, as well as gender inequality. The lockdowns imposed by the state in an effort to curb transmission of the virus have caused job losses, endangered livelihoods and heightened exposure to violence, and impacts will be felt for years to come. In April 2020, government introduced the COVID-19 Social Relief of Distress (SRD) Grant. This was a six-month grant (until October 2020) of R350 per month, aimed at people between the ages of 18 and 59 years with no income from any other source. By late September 2020, an estimated 8.9 million people had applied for the grant and just over 5.6 million had received the grant for the period from May to August. In addition, approximately 7.1 million adults also received the Caregivers Grant of R500 per month for a period of five months. The

payment of the COVID-19 SRD and the Caregiver Grants was, and is, a critical step towards the implementation of universal Basic Income Support. These grants highlighted the extent of the need of millions of previously unreached individuals between the ages of 18 and 59. Despite the COVID-19 SRD grant being plagued by a number of administrative challenges, including the rejection of eligible applicants and the fact that R350 is insufficient to cover an individual's basic food, what the grant has highlighted is the political willingness to implement a phased-in BIS, in desperate times, for the poor.

The reality is, however, that poor people are always living in desperate times, not just during this pandemic. Whether it is a global recession, a pandemic, a low economic growth climate or even a positive economic growth climate such as the one the country experienced during the President Thabo Mbeki era, the reality is that poor people in South Africa have always lived hand to mouth. This should not be the reality for any citizen. The BIS debate reaffirms the necessity and importance of providing every member of society with at least a minimum level of income security. This is essential to the realisation of human dignity – the basic principle of social security.

The South African government has a duty to “ensure that those aged 18 to 59 with little and no income have access to social assistance”<sup>9</sup> and should consider the possibility of introducing BIS. It would need to be combined with effective policies that ensure universal access to health care, education and other social services currently being offered by the government. The value of the grant needs to be high enough to ensure that BIS effectively reduces poverty and inequality for persons who do not have any source of income. Lastly, BIS for unemployed adults between the ages of 18 and 59 would close the social security gap that currently exists in the country.

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#### ENDNOTES

1. International Labour Organisation. 2018. The aim of the National Development Plan is to reduce inequality (Gini coefficient) to 60.0 by 2030. (StatsSA 2015). Even with this improvement, South Africa will still rank as the most unequal country in the world in terms of hourly wage inequality!
2. Statistics South Africa. 2019. The ‘lower bound poverty line’ provides an austere threshold below which individuals have to choose between food and important non-food items. The updated 2020 figures have been delayed due to COVID-19.
3. Statistics South Africa, Quarterly Labour Survey, Q2 of 2020.
4. The ILO world average labour force participation rate – the proportion of the entire population with jobs or looking for work – was estimated at 60% for 2019. The figure for South Africa in 2019 was 56%. (ILO, 2015 and 2020)
5. Raventós. 2007. p. 8.
6. See BIG Financing Reference Group. 2004.
7. DSD, SASSA and UNICEF. 2012.
8. Martinelli. 2017.
9. United Nations Economic and Social Council. 2018: paragraphs 48 (c) and (f). >>



## EDITOR'S NOTE

### COVID-19 CRISIS REVIVES INTEREST IN BASIC INCOME GRANT

Since 31 March 2020, more than 300 academics (including 168 economists) have added their names to an open letter to President Cyril Ramaphosa that calls for “a universal basic income grant”. This is one of a range of measures “that are urgently required to support and stabilise the economy and assist those hardest hit by the crisis” of COVID-19.<sup>1</sup>

The interest seen recently in the universal basic income, in this letter and elsewhere, is a direct consequence of COVID-19 – but it is wrong to see COVID as the main reason for promoting such a policy proposal.

As Engenas Senona says in his contribution on Basic Income Support, the reality is that poor people in South Africa have always lived hand to mouth. They are much worse off because of the pandemic, but this is nothing new.

The BIS argument in South Africa is based on the absolute failure of our society and economic and political

system — over generations — to address unemployment, the main reason for poverty.

The argument for a universal income grant (UIG) in the USA was made last year – even as unemployment there reached its lowest possible level, before COVID struck. The proposal was made by one of the most interesting Democratic contenders for the presidential nomination, Andrew Yang.

Yang entered the lists as the complete opposite of Trump – “an Asian man who likes math”, as he said.<sup>2</sup> His key policy was The Freedom Dividend: an unconditional monthly payment of \$1 000 to every adult citizen of the US.

The reason he gave for this proposal was that in the coming 12 years, one out of three workers in the US were “at risk of losing their jobs to new technologies — and unlike with previous waves of automation, this time new jobs will not appear quickly enough in large enough numbers to make up for it. To avoid an unprecedented crisis, we’re going to have to find a new solution, unlike anything we’ve done before ... [beginning with] the Freedom Dividend, ... a foundation on which a stable,

prosperous, and just society can be built.”<sup>3</sup>

A universal basic income in South Africa, phased in as proposed by the Black Sash research,<sup>4</sup> could be part of the way we rebuild a fairer economy post-coronavirus.

Great controversies lie ahead – not least on how our debt-deadened public sector could finance BIS sustainably, in addition to the promised National Health Insurance and free tertiary education!

#### ENDNOTES

1. The open letter was initiated by the Institute for Economic Justice, a progressive economic think tank based in Gauteng. The letter and all the signatories is available at: <[https://docs.google.com/document/d/1jRvoDy19bXD5XF35jA1yglUL\\_kqPmLN3\\_Rx7ShU\\_gpQ/edit](https://docs.google.com/document/d/1jRvoDy19bXD5XF35jA1yglUL_kqPmLN3_Rx7ShU_gpQ/edit)> [Accessed 15-Oct-20].
2. Andrew Yang on Stay Tuned with Preet podcast, available at <<https://cafe.com/stay-tuned/stay-tuned-mueller-speaks-the-underdog-with-andrew-yang/>>
3. See Andrew Yang 2020 website. Available at <<https://www.yang2020.com/what-is-freedom-dividend-faq/>>.
4. See Engenas Segona’s article in this publication and his longer research report published by the Black Sash in July 2020. Available at <http://www.blacksash.org.za/images/campaigns/basicincomesupport/BasicIncomeSupport2020.pdf> NA

