#UBIGNOW

A SOCIETAL CONSENSUS EXISTS

LISTEN TO THE PEOPLE!

#UBIGNOW POLICY APPROACH AND PROPOSALS

FEBRUARY 2021

Climate Justice Charter Movement Policy

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1. #UBIGNow Policy Approach and Proposals - Overview

Background

On 16 October 2020, World Food day, the Climate Justice Charter Movement (CJCM) handed over the world's first Climate Justice Charter (CJC) to the South African parliament, with the demand that it be adopted as per section 234 of the Constitution. The CJC advances a grassroots pluri-vision and systemic alternatives for a democratic deep just transition. Beyond South Africa, it seeks to contribute to climate justice for Africa and the world. The charter calls for the construction of this climate justice future in the present by changing our workplaces, communities, political and economic power structures. The charter acts as a north star for pursuing just transition plans and policies across every institution in our society to allow for a necessary shift in the socioecological structure, towards one which prioritises the needs of the most vulnerable in our society. Section 4 of the charter provides 14 systemic alternatives. One of the alternatives outlined in the CJC as crucial for socioecological restructuring and the deep just transition is the concept of a universal basic income (UBI)/ universal basic income grant or guarantee (UBIG)/ social dividend[1]. This is the fifth of these 14 systemic alternatives part of the section on *Enjoy Life Through Working Less*:

> Work for everyone as the means to survive and earn income is no longer possible. Unemployment, low paying jobs and long working hours harm society. In a heating world, working hours must be reduced, at least to a four-day week. Decent, zero carbon climate jobs must be guaranteed and supported by collective, values-based and eco-centric approaches to production, consumption, financing and ways of living through the solidarity economy. Such an economy is based on needs and democratises economic power. Together with a universal basic income grant system (UBIG) complementing existing public goods, all workers can be protected in the transition required and society more generally will have a cushion. The UBIG will generally promote human cultural flourishing in a post work society.

On 27 March 2020, the South African government introduced a hard lockdown to slow the spread of Covid-19. The country has since remained under alternating lockdown levels in accordance with the national state of disaster. Millions of people have lost their jobs and livelihoods during this period. The government instituted the temporary Social Relief of Distress (SRD) Grant for unemployed persons and the Caregivers grant to try ease the socioeconomic burden on vulnerable citizens. In addition, to this the state implemented the Unemployment Insurance Fund's (UIF) Covid-19 Temporary Employer/Employee Relief Scheme, also known as TERS. This relief - which has now been extended to 15 March 2021 - has been a lifeline for many workers in sectors such as tourism, which have been directly affected by the lockdown. As the national lockdown regulations began to ease from level 5 to 4, there was growing realisation that the "new normal" of reduced lockdown levels only signalled the reality of what was to come for the next few years. Due to this realisation there has been an increased acceptance across society that these grants are not enough to subdue the levels of desperation in the country. In addition to this, despite the work done by progressive civil society to make sure the grants continue, beyond their original deadline of October 2020, there has been a growing societal consensus that there is a need for more. The crisis of unemployment, poverty, inequality and looming climate

[1] In this document UBI, social dividend, guarantee and UBIG are used interchangeably. The concept of a grant is already entrenched in our social welfare discourse and system thus having historical purchase in the South African context.

shocks did not begin with the lockdown. The pandemic has only served to enhance the urgency needed to face these crises and that of the developing climate crisis. This growing societal consensus, calls for the introduction of a UBIG to meet this moment of multiple crises. It is in recognition of this greater context that the Climate Justice Charter Movement, together with the Co-operative and Policy Alternative Centre (COPAC) and the South African Food Sovereignty Campaign, along with its partners in civil society and beyond, have been campaigning consistently on the issue of a #UBIGNOW in the midst of the pandemic. During this period, the #UBIGNOW Campaign hosted a webinar with Guy Standing (British professor of Development Studies best known for his work on UBI, unemployment and the precariat)[2]; hosted a webinar on international UBI experiences[3]; released a series of curated articles on social media platforms regarding local and international struggles for UBI[4]; hosted an online debate between social movements on the #UBIGNOW[5]; and released a series of videos on the need for a UBIG from various partners in the #UBIGNOW Campaign, from civil society and beyond[6].

Throughout 2020, the #UBIGNOW campaign has worked to lay the foundations for a transition in our welfare system towards a universal basic income system. We have campaigned on many fronts to strengthen the societal consensus for a #UBIGNOW and have amplified the voices of the many. This document expresses the technical consensus on an approach to a transition to a UBI system and substantive policy choices that should be considered by government now. This overview situates the thinking and policy proposals of three pieces of technical work commissioned by the Cooperative and Policy Alternative Centre within a transformative approach. This means we understand the introduction of a UBI as the first step in a process of transforming inequality and power relations. A research paper by Hein Marais (writer and researcher specialising in public health, development and political economy), a research paper from the Institute of Economic Justice (IEJ), and modelling options research by Asghar Adelzadeh (Director and Chief Economic Modeller at Applied Development Research Solutions (ADRS)) are central to the package of documents this overview summarises.

Crisis of Socio-Ecological Reproduction

The current context of the Covid-19 pandemic intersects with a number of pre-existing (and continuing) crises which are all connected and reinforced by each other. Furthermore, these crises are

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[2] https://www.youtube.com/watch?v=0tDFYEKL81Q&t=3s&ab_channel=COPACSA
[3] https://www.youtube.com/watch?v=nLobBriZz7M&ab_channel=COPACSA
[4] https://www.thedailyvox.co.za/the-calls-for-basic-income-grant-explained/
https://basicincome.org/news/2019/01/new-research-dispels-common-myths-about-unconditional-cash-transfers/
https://www.euromod.ac.uk/publications/evaluation-recovery-basic-income-and-sustainable-revenue-neutral-citizen%E2%80%99s-basic-income
https://www.news24.com/fin24/opinion/khaya-sithole-no-question-a-basic-income-grant-will-help-the-question-is-how-to-do-it-20200716
https://www.businesslive.co.za/bd/opinion/2020-08-11-basic-income-grant-could-make-a-big-difference-to-women/
https://www.dailymaverick.co.za/article/2020-08-19-a-basic-income-grant-will-transform-the-south-african-social-security-system/
https://www.news24.com/news24/southafrica/news/think-big-basic-income-grant-needs-to-be-about-more-that-just-food-say-researchers-20200722
https://www.vox.com/future-perfect/2020/9/2/21409142/basic-income-kenya-weather-covid-19-crisis
[5] https://www.youtube.com/watch?v=p2qq4ZKptSk&ab_channel=COPACSA
[6] https://www.youtube.com/watch?v=1E8ry_86TIw&ab_channel=COPACSACOPACSA
https://www.youtube.com/watch?v=Q8qxnjrUI9w&ab_channel=COPACSA
https://www.youtube.com/watch?v=4-X4pKXAjO8&ab_channel=COPACSA
https://www.youtube.com/watch?v=hakI3tPtjYs&ab_channel=COPACSA

connected to the same systemic origin: capitalism. The crises include, but are not limited to climate shocks, ecological breakdown, hunger, water deprivation, wealth and income inequality, unemployment and accompanying social ills of gender based violence and violent crime. These crises come together to form a new crisis of socio-ecological reproduction - where the many and varying crises decrease the ability of society's vulnerable populations to reproduce their way of life whilst equally diminishing the regeneration of ecological systems (Hargreaves, 2020:1). The effects of these crises are unevenly distributed and experienced globally, regionally and even within nation's - particularly one as unequal as South Africa. In addition to this, it is often rural and working class women who carry the greatest burden of these crises as the labour of social reproduction and care is often carried out by them.

With the global distribution of vaccines now in effect and the world begins to look beyond the Covid-19 pandemic, the talk of "recovery" has begun to guide debates amongst movements, progressive civil society, government, business communities and international institutions such as the United Nations. This recovery is often spoken of as a just, resilient, sustainable, green and inclusive. The underlying ideological motivation, political principles, strategies and goals behind how this recovery is conceived varies greatly between different groupings. But there is a shared recognition across all these groups that countries across the world are grappling with intersecting crises (Marais, 2021:2). But there still exists a gap in the general understanding of climate change's unequally distributed effects across different regions of the world, with the Southern African region being one of ten designated climate hotspots. These uneven effects are further exacerbated by the lack of infrastructure and resources being put into mitigating warming and adapting to global heating. This extends to the lack of resources being put into the creation of durable socio-economic infrastructure to shield the most vulnerable from the worst effects of these merging crises.

The effects of these worsening crises, and their uneven distribution, has only become more evident under the Covid-19 pandemic. Existing systems and structures for distributing resources for a dignified life have proved to be both inadequate and inappropriate for current and future crises. The effects of systemic crises have now become endemic. Despite this, there has been little to indicate an awareness, from the state, of the systemic nature of these crises. This in turn has meant that the solutions brought forward to address them do little to attempt the systemic restructuring necessary to address them effectively. Each of the papers that this document references helps build a clearer image of how UBIG can be utilised as a tool to help address the greater effects of these crises. While there may be overlaps from each of these papers, each helps elaborate on what a UBIG in South Africa would mean in policy terms.

The Inequality Challenge in SA and the Case for a UBIG

South Africa's post-1994 democratic era has been severely impacted by its inheritance of the substantial amounts of income and wealth inequality generated by the country's apartheid and colonial past. The primary macroeconomic position of the state - in this democratic era - has been to grow and deracialize the South African economy. According to StatsSA, the South African labour market is the largest contributor to income inequality as it remains highly racialized and gender biased (Statistics SA, 2020). Female workers typically earn 30% less than their male co-workers and black Africans earn the lowest wages in comparison to other groups - R6 899 compared to coloured/Indian citizens R9 339/R14 235 respectfully and white citizens who earn three times as much at R24 646 (Statistics SA, 2020). There has also been less of a marked focus on wealth redistribution and thus the inequalities have only deepened further since the democratic transition (Marais, 2021:3). This has resulted in a great number of South Africans (predominantly black) being denied the ability to live a life of dignity. This is the result of an economy which has historically failed to create quality jobs at a scale appropriate enough to meet the demand. This reflects a failure of growth based economics. High unemployment and poverty levels in South Africa indicate that there is a crisis of wage work that goes back decades across periods of moderate economic growth, successive market oriented changes to macroeconomic policy, successive national development strategies and labour market reforms (Marais, 2020). In addition to this, the South African labour market is highly segmented and the unemployment rate has not fallen below 20% since the late 1970s (Marais, 2021:3). In September 2020, the unemployment rate (according to the narrow definition) sat at 30.8% according to Statistics SA (2020). Whereas the 2011 New Growth Path had aimed to bring unemployment down to 15% by the end of 2020 (Marais, 2021:3).

During periods of growth the South African economy has experienced modest growth without the paid labour of 40% of the working-age population (according to the expanded definition of unemployment) (Marais, 2021:3). This has been achieved by paying a sizable portion of employed workers wages so low that they require assistance in the form of subsidies from their families and the state to survive. Roughly 60% of unemployed South Africans are long term unemployed (Marais, 2021:3). This suggests that South Africa, on some level, can already be considered a post-work society. Despite this, both the country's social and economic policies continue to center around the notion that wage work - which has been unavailable for a great number of people - is the foundation for material wellbeing and social inclusion. The majority of working adults generate livelihoods by balancing a number of short-term employment opportunities. This has occurred continuously for decades and there has been little change in this pattern. Creating jobs, more specifically decent jobs, is an important and necessary endeavour. In South Africa, securing employment in the formal sector is strongly linked to escaping poverty, whereas the loss of this form of employment often sends one into poverty. Unemployment is only one half of the coin when considering causes of poverty in South Africa. Whereas low wages are the other major cause of poverty, with many of those living in poverty come from wage-earning households (Marais, 2021:). In 2015, more than half of the country's population was living below the upper-bound poverty line (R991 in 2015 and R1 268 in 2020) - more than 30 million people (Marais, 2021:5). Approximately half of this number were classified as "extremely poor", meaning they were unable to afford essential food items (Marais, 2021:5). This statistic is made all the more shocking when considering the fact that even when the South African economy performs weakly it generates a great amount of wealth, as a result of this it is classified as an "upper-middle-income" country. But the distribution of the generated income in South Africa is highly unequal. In 2015, South Africa's GINI coefficient was 0.675 - according to expenditure data (excluding taxes) and 0.69 according to income data (salaries, wages and social grants) (Statistics SA, 2019). Data from Statistics SA also indicates that 65% of the country's income from labour, goes to the richest 10% of society (Statistics SA, 2019). South Africa is an unviable society. These inequalities are well established trends that reflect the nature of the global capitalist system, South Africa's integration into the global economic system and its specific political-economy features; such as the rise of rentier capitalism (Marais, 2021:5). This also means redistribution of income and wealth is central to ensure a more secure society. Long-term data suggests that strategies which directly link the attainment of social rights with economic growth that creates jobs, are inadequate for fixing South Africa's crisis.

When putting the aforementioned inequalities within the context of global warming and the coming transition to a low-to-no carbon economic model, there will be more strain added to the socioeconomic reality of vulnerable communities. This will occur within a more regular context of the growth and collision of crises associated with global warming; zoonotic disease epidemics occurring from the destabilisation of ecological systems as a result of runaway industrialisation; consecutive financial and economic crises; and rising social precarity (Marais, 2021:6). The changes brought on by climate shocks will bring with them an unpredictability which will only serve to further weaken the efficacy of reactive social and economic policies. The ability of vulnerable communities to create the basic means of a dignified life for themselves will be diminished even further. This means a universal basic income transfer is more than just a mere social policy issue but rather a crucial systemic transformation to ensure society can survive. The current crisis of socio-ecological reproduction has increasingly exposed the fallacies of the availability of paid work and its ability to secure socioeconomic security and wellbeing. These assumptions, which have done much to shape social policy, are expressed in the current unemployment and grants system. Unemployment insurance is directly linked to paid employment and the primary social grants available are for those unable to sell their labour (due to age) and those unable to perform said labour (due to age or disability) (Marais, 2021:6). In the early phase of lockdown in April 2020, the government's initial relief package sought to support households by expanding UIF payments, which saw nearly half of South Africa's workforce ineligible for these payments (Marais, 2021:6). This meant approximately 6 million South Africans went without any form of direct assistance during the 2020 lockdown (Marais, 2021:6). This requires more far-reaching, long-lasting interventions.

Marais' paper also speaks to the benefits of universality within a social dividend as an essential aspect of its transformative potential. Marais points to the work of Malawian political economist Thandika Mkandawire (2005) whose work analyses how targeted and means-tested cash transfers often fail to reach large portions of intended beneficiaries. In contrast a non-means tested UBIG would be far more effective at reaching a greater share of poor households. Thus the UBIG is more than just resources for an individual. Evidence has shown that redistribution is less successful in welfare systems heavily reliant on targeted assistance as opposed to ones built according to universal provision (Marais, 2021:8). The evidence from existing UBI pilots, programmes and cash grant programmes suggest that a UBI can positively enhance the material well- being, health and educational status of individuals by reducing the depth and degree of poverty; whilst reducing household debt levels (Marais, 2021:8). Even when it is set at a low amount, a UBIG would reduce extreme poverty, particularly in a country such as South Africa where according to StatsSA (2017) 28% of the population lived in extreme poverty (Marais, 2021:8). There is also evidence to suggest that even a modest UBIG would help improve maternal and child health, children's nutritional status and school performance, whilst reducing psychological distress (Marais, 2021:8). It would also lead to a reduction in income inequality if it were to be financed by taxing back the amount from taxpayers above a specific income level. Increasing the income of the poorest members of our society would also increase aggregate demand for basic goods and services (Marais, 2021:8). According to modelling of UBI scenarios in the United States, regardless of financing methods - whether it be increased debt or tax income - the income payments from a UBIG would grow the economy. This particularly due to the fact spending by people in low income groups tends to be primarily on essentials and staples that tend to be locally produced - which could also help boost local production and labour demand (Marais, 2021:8-9).

It is difficult to deny the need for economies to transition progressively away "from fossil-fuel dependency and greenhouse gas intensive modes of extraction, production and mobility" (Marais, 2021:6). To do so requires well-thought out policies for economic diversification, targeted investments and the rapid development of emergent sectors. This necessitates a deep just transition to make it an equitable and redistributive transition for workers and affected communities. A social dividend (in addition to other benefits) can act as a much needed supplement to the process of a deep just transition. The understanding of a just transition described in Marais's paper is one which emphasises the connection between ecological catastrophe, economic exploitation and social injustice. It is one which acknowledges the need for structural changes that greatly reduce the harm done to both people and the environment, whilst pursuing a fair distribution of resources and the basic means for a dignified life (Marais, 2021:10). This transition pursues actions and outcomes that are beneficial for both humans and the ecological systems that sustain us. Due to its universality, a social dividend would serve as a core feature of an equitable transition as it can help a shift to a broader programme of economic and social emancipation, in its ability to help mitigate the socio-economic effects of closing ecologically harmful economic sectors such as the extractive industries.

Transformative approach to a UBIG

There are a number of different positions regarding the UBI and the multiple forms in which it could take. These debates can be either proactive or a distraction from the crucial questions introduced by the concept of UBI. These are questions regarding the feasibility of policies which view societal wellbeing as a bi-product of economic growth and promote wage work as the primary means of attaining societal inclusion within a context of chronic job scarcity; and the role and duty of the state to its citizens. Broadly speaking, a UBI would take the form of a regular and guaranteed income that is paid unconditionally to individuals living in the country. Marais argues a progressive UBI would occur as a supplement to other social provisions such as free healthcare, free education, public transportation and housing subsidies. It would also form part of a broader transformation to social and economic policies aimed at reducing poverty and inequality, whilst increasing human potential and wellbeing. The purpose of this UBI is to add to the material means and social relations that would allow individuals to live a dignified life. The supplementary aspects of this progressive UBI are essential. It is not that it would be implemented to initiate an isolated technocratic fix, rather it is an intervention which aims for transformative change as a part of a larger strategy towards a more just and equitable society (Marais, 2021:8). Essentially a UBI is a democratic systemic reform that is owned by society and championed by society. These democratic systemic reforms are distinct from market regulations as they are a recognition of a societal consensus and not what business wants. Referendums, public petitions, policy debate and democratic legislation give life to the UBI as a democratic systemic reform and enable its evolution in the welfare system.

The IEJ's paper describes the progressive vision of a UBIG as one which goes beyond being understood as a social policy tool for poverty alleviation and inequality. Instead it is one which seeks to fulfil its transformative potential as a part of a broader push for social and economic change. Like Marais' paper, the IEJ points to the potential a UBIG has to undermine the core principles of the value system associated with industrial capitalism - specifically reliance on paid work as a requirement for "social citizenship and inclusion". The potential for UBIG to assist efforts towards social justice is a crucial aspect of its transformative potential. The implicit manner in which a UBIG reveals how structural factors decide the distribution of means and opportunities are another potential aspect through which it can enhance social justice issues. The IEJ's work shows that a UBIG assists in both showcasing how value is created by society as a whole and that the entirety of said community should gain a "share of the total social product". This progressive approach to a UBIG would also change how we as a society think about entitlement and distribution. Finally, the IEJ also points to how this transformative approach would help challenge existing assumptions around claims we have on each other and the state; in addition to reframing the role and duties of the state.

Potential Impacts During Covid-19 and Beyond

Perhaps the most common concern regarding a UBI is that the basic income would discourage participation in the labour market to a significant enough degree that it would negatively impact economic activity. There is very little evidence to suggest that this is true. This claim is also particularly misplaced in a society such as South Africa where unemployment rates are extremely and persistently high, particularly for low-skilled workers. UBI critics argue that a notably low basic income, would effectively subsidise low-wage employers to the detriment of minimum wage demands made by workers, whilst weakening worker organisation and increasing the coercive potential of employers and labour markets (Marais, 2021:9). Marais' paper indicates that, in the South African context a UBI could have a reverse effect, by cushioning low-skilled workers from the usual labour market dynamics in which the threat of decreased wages are used as a "stick" to discourage workers from pursuing increases. Marais argues that a UBI, even at a low amount, would allow workers to reject low-paying work whilst increasing the pressure to raise the lowest wage that workers would take to perform a task (Marais, 2021:9). An individual's ability to not sell their labour at the going rate would bolster their bargaining power and as a member of a collective. Marais also states that should employers respond to these shifts with automation and layoffs, then the social argument for a UBI would only increase. A UBI's transformative potential is also in its ability to provide people with an income cushion that allows them to dedicate time and energy to tasks outside of wage work such as care work and other socially beneficial projects such as community food gardens or studying and learning new skills. These are all tasks that are required in building a more just and egalitarian society. This also represents the ways in which a UBI's ability to challenge the centrality of wage work in our society can help bring about a shift in power relations and institutional hierarchies. A UBI alone would not result in social justice but it would be a strong step in its achievement.

Policy considerations can vary on where to start such a measure but a transition of our social welfare infrastructure is crucial now and in the context of the social suffering experienced during Covid-19. Organisations such as the Studies in Poverty and Inequality Institute (SPII) and Black Sash have also done great work on the social security infrastructure and the need for a UBIG system. SPII's analytical paper for the AIDC - titled "The Budget, Social Security and the Basic Income Grant Alternative Synopsis" - discusses the concept of a decent standard of living that can be provided by a BIG set at R7 500. This means the end of poverty, freedom from wage work, human wellbeing and ultimately a decent life. This is aspirational and central to a transformative approach. Black Sash, in particular, has led a focused campaign for basic income support for all citizens aged 18-59. At the whatever level a #UBIGNOW is set in the midst of Covid-19, overtime this can be improved significantly. This can be done in a manner that builds on existing Covid relief measures.

The IEJ's paper describes the UBIG's goal as being universally applicable (with those earning above a certain level being taxed to "get back" the transfer). In their paper they provide costing for seven groups, all between the ages of 18-59, to create an image of the available options for a phased implementation of a universal grant system. According to the paper the focus on these groups is their designation as working age members of society, who often have families to support and receive the least amount of support from the state. The paper suggests that a partial or targeted BIG to this group could act as the foundation for a transitional step toward universal income guarantee, by covering one or a combination of these groups. Alternatively, the BIG could cover everyone between the ages of 18-59.

The recommended groupings are as follows[7]:

- ***All.*** *All people between the ages of 18-59. Not dependent on any other criteria.*

- ***All, but with partial uptake (60% or 80% uptake).*** *It is unlikely that the UBIG will be accessed by all even if available to them. This is because this group includes those with other forms of income who will likely not self-select for receipt of the grant. There may also be geographical disparities, administrative inefficiencies, and lack of procedural knowledge from potential recipients that reduce uptake of the grant. We therefore include groups at 60% and 80% of the total cohort (the rationale for these levels are discussed further below).*

- ***Informal sector workers.*** *Informal sector workers are given as a specific group due to their relatively higher precarity in the labour market, though active participants. The informal sector sees a higher share of women than the formal sector and is less regulated. Incomes are lower than those in formal sector employment, and a UBIG would create larger benefits for these workers as a result.*

- ***Unemployed****. Unemployed people are included due to no labour market compensation. This is defined in the expanded sense (there is therefore an overlap with the NEA group which also includes discouraged work seekers and those with other reasons for not searching for employment).*

- ***Not Economically Active (NEA)****. These are people outside of the labour market, which are not classified as unemployed. For example, unemployment figures would exclude those running households who are primarily involved in unpaid care work and who are without income. This also includes discouraged workers and those with other reasons for not searching for employment*

- ***Not formally employed (NFE)****. Includes those who are employed in the informal sector, those who are unemployed, and those not economically active. These groups are near impossible to differentiate administratively.*

Adelzadeh's paper takes suggestions from the #UBIGNow Campaign and IEJ to design and run 3 categories of scenarios: Unemployment Grant, Adult Basic Income Grant and Universal Basic Income Grants. The unemployment grant houses 3 scenarios within it for the implementation of a BIG for the unemployed in the country. The eligibility and entitlement conditions are as follows:

- Those eligible for the Unemployment Grant are broadly defined unemployed persons who are between 15 to 64-year-old, do not receive any other grants and are not in school.
- Assuming that the new grant programme is introduced in 2021 and the grant amounts for the three scenarios reflect the Food Poverty Line, estimated at R614 for 2021, the Lower Bound

[7] Institute for Economic Justice. 2021. Policy Brief: Introducing a Universal Basic Income Guarantee for South Africa - *Towards income security for all.*

Poverty Line of R882 per month, and the Upper Bound Poverty Line of R1331 per month. It is also important to add that in this scenario All current grants will continue as before and both the poverty line and the grant amounts would be adjusted annually by 5%.

- With the Adult Basic Income Grant, there are five Adult BIG scenarios that cover everyone who is 18 to 59. Like the Unemployment Grant, the grant amounts of the first three Adult BIG scenarios are in line with the estimated annual Food Poverty Line, Lower Bound Poverty Line, and Upper Bound Poverty Line. At the same time, all current government grants (such as Pension, Child Support, Care Dependency, and Disability grants) will continue as before with their grant amounts adjusting annually to inflation. Finally, the monthly grant amounts for the fourth and fifth Adult BIG scenarios are set higher at R2500 and R3500, starting from 2021. Under these two scenarios, the disability grant that currently covers about 1.3 million adults is assumed to be suspended.
- The Universal Basic Income Grants follows two different frameworks that include the entire South African population. The two UBIG programmes - operating on the assumption that the UBIG would be implemented in 2021- are of a monthly payment of R614 and R1 331 respectively. There are also a number of differences between the two programmes beyond the amount. The first difference is that under the UBIG that pays R614 monthly all the current grants, except the Child Support Grant, will continue as they are. The UBIG that initially pays the monthly amount of R1331, will see all current grant programmes suspended. Finally, both grant amounts would be adjusted by 5% annually.

Overall, Adelzadeh's research has effectively modelled 10 new grant scenarios; a Base Scenario, 2 Unemployment Grants, 5 Adult Basic Income Grants and 2 Universal Basic Income Grants.

Selected Preliminary Results Presented at the #UBIG Workshop

Monthly BIG Amounts and Poverty Line						
Scenarios	2020	2021	2022	2023	2024	2025
Base Scenario	NA	NA	NA	NA	NA	NA
BIG: Unemployment Grant 1	R358	R376	R395	R414	R435	R457
BIG: Unemployment Grant 2	R1 268	R1 331	R1 398	R1 468	R1 541	R1 618
Adult BIG 1	R358	R376	R395	R414	R435	R457
Adult BIG 2	R1 268	R1 331	R1 398	R1 468	R1 541	R1 618
Universal BIG (UBIG) 1	R358	R376	R395	R414	R435	R457
Universal BIG (UBIG) 2	R1 268	R1 331	R1 398	R1 468	R1 541	R1 618
Poverty Line (UBPL)	R1 268	R1 331	R1 398	R1 468	R1 541	R1 618

Number of BIG Beneficiaries			
Scenarios	2020	2021	2025
Base Scenario	NA	NA	NA
BIG: Unemployment Grant 1	NA	9 111 377	8 689 946
BIG: Unemployment Grant 2	NA	9 111 377	8 689 946
Adult BIG 1	NA	35 265 354	37 117 252
Adult BIG 2	NA	35 265 354	37 117 252
Universal BIG (UBIG) 1	NA	59 520 153	62 228 889
Universal BIG (UBIG) 2	NA	59 520 153	62 228 889

Direct Cost of BIG (R million)			
Scenarios	2020	2021	2025
Base Scenario	NA	NA	NA
BIG: Unemployment Grant 1	NA	67 160	77 858
BIG: Unemployment Grant 2	NA	145 571	168 758
Adult BIG 1	NA	259 941	332 552
Adult BIG 2	NA	563 428	720 813
Universal BIG (UBIG) 1	NA	438 723	557 540
Universal BIG (UBIG) 2	NA	950 942	1 208 479

Poverty Rate (%)			
Scenarios	2020	2021	2025
Base Scenario	38.8	36.8	29.1
BIG: Unemployment Grant 1	38.8	34.8	27.6
BIG: Unemployment Grant 2	38.8	29.0	22.8
Adult BIG 1	38.8	33.8	26.0
Adult BIG 2	38.8	27.5	20.4
Universal BIG (UBIG) 1	38.8	21.7	16.6
Universal BIG (UBIG) 2	38.8	0.0	0.0

Poverty Gap (%)			
Scenarios	2020	2021	2025
Base Scenario	13.3	12.3	9.7
BIG: Unemployment Grant 1	13.3	10.3	8.1
BIG: Unemployment Grant 2	13.3	8.2	6.5
Adult BIG 1	13.3	10.1	7.6
Adult BIG 2	13.3	7.9	5.7
Universal BIG (UBIG) 1	13.3	4.5	3.6
Universal BIG (UBIG) 2	13.3	0.0	0.0

Inequality (Gini-Coefficient)			
Scenarios	2020	2021	2025
Base Scenario	0.696	0.685	0.643
BIG: Unemployment Grant 1	0.696	0.673	0.634
BIG: Unemployment Grant 2	0.696	0.660	0.624
Adult BIG 1	0.696	0.670	0.630
Adult BIG 2	0.696	0.655	0.615
Universal BIG (UBIG) 1	0.696	0.626	0.597
Universal BIG (UBIG) 2	0.696	0.571	0.554

Source: A. Adelzadeh (2021). ADRS Dynamically Integrated Macro-Micro Simulation Model of South Africa (DIMMSIM)

The tables above (titled "Selected Preliminary Results Presented at the #UBIG Workshop") give a brief insight into the plausible impacts of the implementation of a BIG in South Africa. The table focuses on the impact of the scenarios on poverty and inequality specifically. Further research will be conducted to compliment these preliminary findings which will include the additional 3 Adult Basic Income Grant Scenarios (not seen on the table).

Financing

For the IEJ these principles should guide financing of a UBIG[8]:

In this respect, a number of principles should guide our decisions here.

1. *Recoup the UBIG from those with taxable income.*
2. *Tax those with middle, high and very high incomes on a sliding scale.*
3. *Tax wealth and income from wealth.*
4. *Limit tax breaks for those with higher incomes.*
5. *Cancel ineffective corporate tax breaks.*
6. *Tax environmentally damaging behaviour.*
7. *Reduce wasteful and irregular expenditure.*
8. *Reduce tax evasion.*

In addition, this is a summary of potential sources of financing:

Summary table of financing options [9]

Item	**Amount (R billion)**
1. Social Security Tax.	64.7
2. Eliminate Medical Tax Credits for those earning above R500k (2018/19).	6.3
3. Eliminate retirement fund contribution deductions for those earning above R1m (2018/19).	32.0
4. Increase Dividend Tax to 25%, from 20% (2018/19)	7.0
5. Replace Estate Duty with Progressive Inheritance Tax.	5.0
6. Securities Transfer Tax to be increased from 0.25% to 0.3% (2018/19).	1.2
7. Increase carbon tax to one quarter of EU standard.	2.0
8. Employment Tax Incentive to be cancelled.	4.8
9. Reduce Cabinet size, departmental duplication, expenditures on conferences, travel, and overall Government saving of 5% on R107 billion spent on "General Public Services", as per Budget 2020, for year 2020/2021.	5.4
10. Claw back irregular / wasteful expenditure, last reported by the Auditor General for 2019 to be R42.8 billion, by a target of 30%.	12.8
11. Reduction of profit shifting by MNCs by a target of 25% (2018).	5.75
12. Luxury vat of 25% on select items.	11
TOTAL (1-12)	**158**
13. Spending of UBIG amount on Vatable Items.	12 - 13.5% of total
14. Wealth Tax	34 – 189

[8] Institute for Economic Justice. 2021. Policy Brief: Introducing a Universal Basic Income Guarantee for South Africa - *Towards income security for all.*

[9] Institute for Economic Justice. 2021. Policy Brief: Introducing a Universal Basic Income Guarantee for South Africa - *Towards income security for all.*

Forms of taxation put forward in both the IEJ and Marais' papers are increased taxes of luxury goods; carbon tax; a tax on financial transactions; and a land-value tax. Marais argues that financial transactions could "be levied on the transfer of ownership of designated financial assets" (Marais, 2021:15). These assets could be stocks, equities, bonds, international currencies, derivatives and securities such as futures, options and credit default swaps. According to Marais, this form of taxation is an attractive source of funding as the base for this is large enough that a low tax rate could bring in comparatively large revenues; "in addition to potentially reducing incentives for rent-seeking and speculation" (Marais, 2021:15). Furthermore, a wide-ranging financial transactions tax could help curb some of the measures through which wealth taxes are avoided via tax avoidance measures. A carbon tax currently exists but in a narrow and unambitious form. For the purposes of a UBI it could be levied against carbon emissions and the consumption of carbon-intensive goods and services. Marais suggests that this tax could be calculated at a set rate, which would be increased annually to steadily grow the disincentive for carbon-emitting economic activities (Marais, 2021:15-16). In addition to these taxes, government can save by cancelling or reducing ineffective corporate tax breaks and subsidies, and reducing or removing tax rebates that benefit high-income earners (Marais, 2021:16).

Marais also put forward a promising source of funding in proposing that a portion of the returns to capital could be channelled "into a social wealth fund from which everyone is paid a dividend (Marais, 2021:15). Marais suggests that legislation can be drafted that would require "a percentage of capital stock/shares from initial public offerings (IPOs) be channelled into a 'Commons Capital Depository'", the dividends of this depository would act as funding for a UBI (Marais, 2021:15). This source of funding is a direct example of how a UBI system in its funding and distribution could act to explicitly reflect how wealth in our societies is created collectively. The research and modelling work covered in this overview clearly reveal that the primary challenge concerning a UBI's implementation is not the question of affordability but rather political will.

Transitional Options

Given the limits of our social grants system and the introduction of Covid-19 relief measures, it is crucial the transition to a UBIG system is established now. In this regard we support consideration being given to various options that can progressively achieve a universal, non-means tested and substantive UBIG, for all living in South Africa, as a democratic systemic reform. In this regard, the IEJ has important recommendations which we also support:

RECOMMENDATIONS[10]

Immediately:

1. Reinstate and extend the COVID-19 grant until the end of the 2021/22 financial year, drop exclusionary criteria, include caregivers, and increase the level to the food poverty line of R585pm.

In the short term:

2. Implement a UBIG for all adults at, least at, the food poverty line of R585 per month, using the R158 billion of tax increases outlined. Assuming a gradual uptake of the grant, this is affordable.

[10] Institute for Economic Justice. 2021. Policy Brief: Introducing a Universal Basic Income Guarantee for South Africa - *Towards income security for all.*

In the medium term:

3. Implement a wealth tax and use this and the taxes outlined to fund an increase of the UBIG to either the level of the lower-bound or upper-bound poverty lines depending on uptake.

In the long term:

4. Engage in a process of social consultation and long-term planning in order to ensure a UBIG sufficient to meet basic needs, and a coherent overall transformation of the social security system.

Societal Consensus versus Implementation Challenges

Despite the Taylor Commission in the early 2000s recommending the introduction of a universal basic income, the South African government chose not to adopt a UBIG. Time has proved that it has been a missed opportunity. Today a variety of voices from unions, unemployed people's movements, intellectuals and grassroots organisers have all called for a UBIG. These calls have only grown stronger throughout the Covid-19 pandemic. In their paper, the IEJ identifies targeting criteria and conditionality as potential challenges for a UBIG. Targeting describes the process of identifying who qualifies to receive the grant based on a range of demographic and socio-economic factors. With regards to targeting the paper argues that whilst limiting the pool of recipients, targeting generally experiences greater allocative inefficiencies. The question of who is targeted and according to what criteria do they qualify, in addition to this there are also administrative inefficiencies which hamper an effective rollout. Furthermore, setting further criteria - as seen with the Covid grant - usually excludes people unfairly. Other factors which need to be taken into consideration as to how setting a targeting criteria other than age would impede an effective rollout of a #UBIGNOW including fast changing labour market structure, a small administrative capacity and a history of inefficient grant rollouts. The IEJ paper also indicates that there is a danger of setting a UBIG that is too low a level - if the appropriate and urgent financing interventions are not put in - as it would considerably reduce the impact of the grant.

Some of the other challenges in implementing a UBIG - specifically when taking into account its impact in a just transition - are directly linked to the South African government’s lack of ambition regarding climate policy. Marais’ paper highlights how the government primarily focuses on using market mechanisms to help direct “nature and its reproduction” (Marais, 2021:12). Marais argues that both “policy and practice” indicate the persistent influence of corporations active in the extractive and energy sectors (Marais, 2021:12). This undue influence has a direct impact in blocking how a UBIG could be implemented in a manner that helps facilitate a deep just transition. An example of this is seen in the Integrated Resource Plan 2019-2030, which calls for increasing the uptake of renewable energy whilst adding new coal-fired power (Marais, 2021:12). Marais suggests that this reveals the deep political-economic challenges to an effective implementation of a UBIG; particularly one which also champions climate justice. An additional challenge to this, Marais argues is a perceived inability of the state to push powerful corporate actors to submit to a state-led restructuring process and the apprehensive commitment of important trade unions to support such a transition. The work of the CJC Movement is essential in expanding the general understanding of what is possible and what is required for such a transition. The CJC and its systemic alternatives provide a clear picture for what an ecologically sound and socio-economically just South Africa can look like. The CJCM supported #UBIGNOW campaign is an important aspect in bringing this democratic systemic reform to life as part of this transformative vision. A societal consensus for such was established during the pandemic. We believe the South African government must now listen to the people and embrace a #UBIGNOW transition.

Conclusion

In conclusion the potential of a #UBIGNOW relies on the level of synchronisation with other socio-economic strategies, social forces driving these interventions and their ability to strengthen and deepen those interventions. The three papers explored in this overview expand on the potential of a UBIG and each indicates that this intervention requires an active state which listens to the energised political and social movements such as the CJC Movement and the societal consensus it is strengthening. This also means, as is suggested in Marais' and the IEJ's work (specifically) that this process strongly relies on how it is framed. These papers informing the #UBIGNOW Campaign assists a great deal in achieving a clear framing, approach and policy proposals. Perhaps the biggest obstacle to overcome is long-standing assumptions around the status of wage work and the ways in which income is distributed throughout society, as well as, the concept of social citizenship and the role of the state. As previously stated, the UBIG should not be thought of as a social policy tool, to be employed in a technocratic fashion. It also should not be considered as a "silver bullet" which stands separate from the struggles of grassroots forces and social movements. To separate it from its social roots, would lead to the complete loss of its transformative potential. We are currently in an unprecedented time in our country's history. The moment calls for an approach which goes beyond recovering or a "return to normal". There is no "normal" to return to in the South African context. There are challenges and unknown factors regarding a UBIG's implementation but these can be overcome with political will and decisive leadership. The papers and modelling work contained herein address the debates around who should get it; how big it should be; affordability, societal impacts and transitional measures. Most importantly, these policy proposals are located within a transformative approach to a #UBIGNOW that can lock in a crucial democratic systemic reform that can assist with addressing multiple crises. But above all it is important to center the fact that this intervention is only one of many crucial systemic alternatives that need to be realised as part of the pluri-vision of the CJC.

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Statistics South Africa, 2019. Inequality Trends in South Africa: A multidimensional diagnostic of inequality (Statistical Report). Statistics South Africa, Pretoria.

The Institute for Economic Justice, 2020. Introducing a Universal Basic Income Guarantee for South Africa Towards income security for all (Policy Brief). The Institute for Economic Justice, Johannesburg.

2. How a Universal Basic Income can help South Africa achieve a Just Transition: A discussion paper

Hein Marias

Countries around the world are struggling with colliding crises: economic instability, overlapping public health emergencies, environmental disasters and political turmoil.

These trends are evident everywhere and the costs of these upheavals are being distributed evermore unequally. Current systems for distributing the means for a dignified life are not only inadequate, they're increasingly inappropriate in a world that is being formatively reshaped by a succession of calamities that will continue for the foreseeable future. Systemic risk issues are now endemic everywhere—in supply chains, pandemics, infrastructure, ecology and climate change, economics, and politics (Goldin & Mariathasan, 2014).[1]

The COVID-19 pandemic has brought into sharp focus just how brittle and poorly prepared societies are to protect people against distress and penury. Yet these are not sudden circumstances. The conditions giving rise to these instabilities are systemic and they operate across national boundaries: global warming caused by two centuries of escalating greenhouse gas emissions; environmental destruction that multiplies the opportunities for infectious diseases to cross into and survive in human populations; and the tendency of the capitalist system to degrade, even destroy, the conditions for its continued flourishing.

Good work—if you can find it

Behind the headline-grabbing disruptions, another long-running trend is playing out.

Access to wage work continues to be held up as the central and sufficient basis for meeting basic needs, avoiding poverty, earning social entitlements and achieving social inclusion (Ferguson & Li, 2018). Yet long before the 2020 COVID-19 pandemic and 2008 global financial crisis, wage work that provides a livable income on reasonably secure terms was very rare in "developing" economies and it was becoming increasingly scarce in many "developed" economies (ILO, 2018).

The world employment rate has been declining for three decades and stood at about 58% in 2018, down from 63% in 1991 (ILO, 2019).[2] A crisis of wage work, with respect to its availability, rewards and terms and conditions, is underway in many countries—and disastrously so in South Africa (SA).

In "developed" countries, low official unemployment rates hide a reshaped "geography of livelihoods" in which unsteady and atypical work—frequently separated from welfare systems, labour market regulation and unionized protection—proliferates (Standing, 2011; Ross, 2009).[3] [4] In many "developed" countries, real wages have flatlined or fallen in recent decades, especially for low-skilled workers. Globally in 2017, about 1.4 billion workers were in vulnerable employment—either self-employed or contributing family workers—and they accounted for more than 40% of total employment (ILO, 2018). Access to formal waged work is rare in "developing" countries and is

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[1] Goldin, I. & Mariathsana, M. 2014. The Butterfly Defect: How globalization creates systemic risks, and what to do about it. Princeton University Press.

[2] International Labour Organization. ILOSTAT database. Data retrieved November 2020.

[3] Standing, G. 2011. *The Precariat: The New Dangerous Class*. London, Bloomsbury Press.

[4] Ross, A. 2009. *Nice Work If You Can Get It: Life and Labour in Precarious Times*. New York, New York University Press.

increasingly rationed in "developing" countries. Yet wage work continues to be idealized, even as its availability and its capacity to sustain dignified lives diminish.[5]

These trends partly reflect dynamic changes and adjustments in a capitalist system in which crises are increasingly prevalent and remedial actions at best stall rather than resolve underlying problems. SA exemplifies this predicament, which in all likelihood will intensify in the years and decades ahead.

South Africa's predicament

Massive income and wealth inequalities inherited from SA's colonial and apartheid past continue to define the country. With economic policies geared at growing and deracializing the economy–-and much less at redistributing the wealth generated in it—inequalities have deepened in recent decades. As a consequence, large proportions of society, the vast majority of them Black, continued to be denied the basic means for a dignified life.

This occurs in an economy which historically has failed to create jobs on the scale and quality required. South Africa's high unemployment and high poverty levels reflect a crisis of wage work that dates back decades and spans periods of modest economic growth, a succession of market-serving revisions to macroeconomic policy, and various national development strategies and labour market reforms (Marais, 2020).[6]

SA has a highly segmented labour market in which the unemployment rate has not fallen below 20% since the late 1970s (Webster & Omar, 2003; Pons-Vignon & Anseeuw, 2009; Bezuidenhout & Tshoaedi, 2017). The official (narrow) unemployment rate was 30.8% in September 2020 (Statistics SA, 2020); the 2011 New Growth Path aimed to reduce unemployment to 15% by the end of 2020.

The economy grows modestly without the paid labour of about 40% of the working-age population,[7] and by paying a substantial proportion of employed workers' wages so low that their survival requires subsidies from family members and the state (Lilenstein et al., 2016). Approximately 60% of jobless South Africans are long-term unemployed.

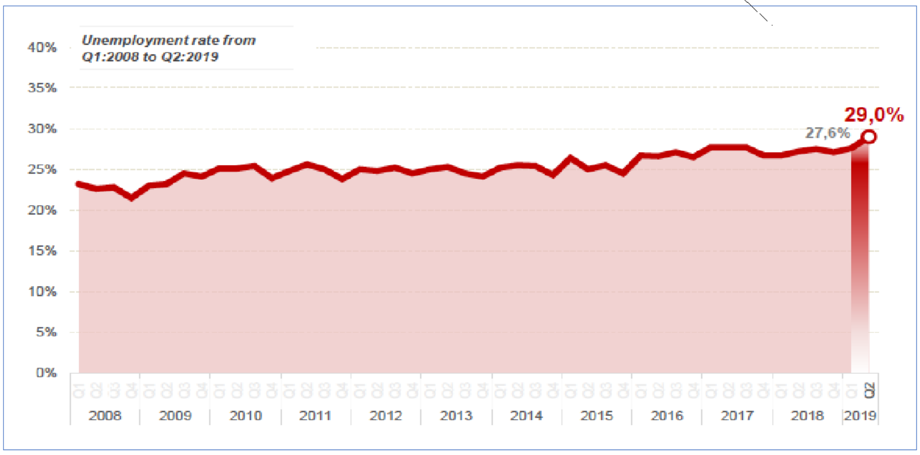
Yet both economic and social policy continue to revolve around the principle that wage work—even though it is manifestly unavailable to vast numbers of people—the core foundation for material security, entitlement, wellbeing and social inclusion.

[5] In many industrialized countries, as well, growing proportions of people receiving welfare benefits have some form of employment.

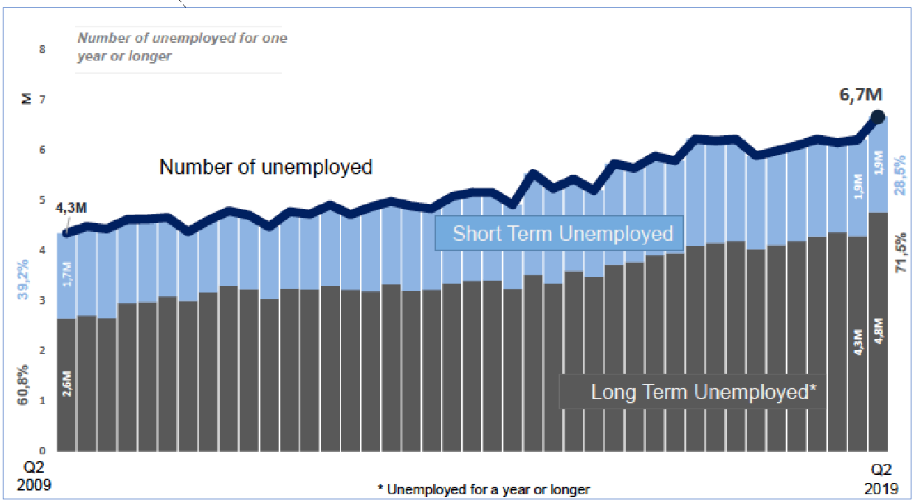
[6] Marais, H. 2020. The crisis of waged work and the option of a universal basic income grant for South Africa. Globalizations. Vol 17 No 2, pp 352-379.

[7] The expanded unemployment rate (adding unemployed adults who had not searched for a job in the previous three months) in September 2020 was 43.1%.

Unemployment rate, South Africa, 2008-2019



Long-term unemployment, South Africa, 2009-2019



Sources: Statistics South Africa, 2019

A majority of working-age adults assemble livelihoods by juggling unpredictable short-term employment, makeshift activities and reciprocal arrangements. These patterns of survival stretch back decades and there is no reasonable indication of significant change (Ferguson, 2015).

More jobs—and more decent jobs—are important and necessary. Finding a formal sector job is strongly correlated with exiting from poverty, and losing one often topples people back into poverty. Unemployment is estimated to be the main cause of about half of poverty in SA; low earnings are a major cause for the other half. Many of the people living in poverty are in wage-earning households (Statistics SA, 2017).[8]

'Working poverty' has persisted across periods of high and low levels of economic growth, and the introduction of protective labour market legislation. From 2004 to 2012, the working poor became a significantly bigger segment of SA's already-large population of working-age poor. In 2012, about one third of workers earned wages that were too low to meet the basic food and non-food needs of their

[8] Statistics SA. 2017. Poverty Trends in South Africa: An examination of absolute poverty between 2006 & 2015. Pretoria, Statistics SA.

households (Rogan & Reynolds, 2015).[9] Substantial proportions of employed workers are paid wages so low that they need subsidies from family members and the state (Di Paola & Pons-Vignon, 2013).[10]

More than half the population was living at or below the upper-bound poverty line (UBPL) in 2015 — that's more than 30 million people. Almost half (14 million) were 'extremely poor' — i.e. they could not regularly buy essential food items (Statistics SA, 2017a). [11]

Yet even when performing listlessly, the SA economy generates great wealth—hence its classification as an 'upper-middle-income' country. But the distribution of that wealth is inordinately unequal. SA's GINI coefficient in 2015 was 0.675, based on expenditure data (excluding taxes), and 0.69 based on income data (including salaries, wages, and social grants) (Statistics SA, 2019).[12]

These are longstanding trends. They reflect decisive features of the capitalist system globally (Calhoun & Derluguian, 2011; Harvey, 2010), the terms of SA's integration with that global economy, as well as the specific political-economy of SA (Fine & Rustomjee, 1996),[13] including the increasing prominence of rentier capitalism (Padayachee, 2018; Mohammed, 2016; Ashman, Fine, Newman, 2013; Marais, 2011).[14] [15] [16] [17]

The evidence suggests that strategies which pin the realization of social rights to economic growth that creates jobs are insufficient for redressing SA's crisis—particularly in a global economy buffeted by instability, climate change shocks and public health crises (Ferguson, 2015; Barchiesi, 2011). The SA economy is highly exposed to global volatility, especially through its open capital account, and it struggles to recover from setbacks and downturns. In the past 40 years, periods of strong economic growth have been few and short-lived. GDP growth has followed a declining trend since the mid-1960s, and that decline accelerated after the 2008 global financial crisis. Annual GDP growth in SA has not breached the 2% mark since 2013.

Meanwhile, SA battles three coinciding epidemics: HIV, tuberculosis and COVID-19. The overlapping HIV and TB epidemics have taken an exceptionally heavy toll in the past 30 years, especially in low-income households and communities (Marais, 2011). The COVID-19 pandemic—and the social and economic restrictions imposed to control it—has brought additional privation, cutting off income opportunities for millions of people. Epidemiologists predict that, even if COVID-19 is eventually

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[9] Rogan, M. & Reynolds, J. 2015. The Working Poor in South Africa, 1997-2012. ISER Working Paper No. 2015/4. Grahamstown, Institute of Social and Economic Research, Rhodes University.

[10] Di Paola, M. & Pons-Vignon, N. 2013. Labour market restructuring in South Africa: low wages, high insecurity. Review of African Political Economy, Vol 40 No 138, pp. 628-638.

[11] Statistics SA. 2017a. Poverty trends in South Africa: An examination of absolute poverty between 2006 and 2015. Pretoria, Statistics South Africa.

[12] Statistics SA. 2019. Inequality Trends in South Africa A multidimensional diagnostic of inequality. Pretoria, Statistics South Africa.

[13] Fine, B. and Rustomjee, Z. 1996. *The Political Economy of South Africa: From Mineral-Energy Complex to Industrialization*. London, Hurst & Co.

[14] Marais, H. 2011. South Africa Pushed to the Limit: The Political Economy of Change. London, Zed Books.

[15] Mohammed, S. 2016. 'Financialization of the South African Economy'. Development. Vol. 59 No. 1–2, pp. 137–142.

[16] Padayachee, V. 2018. 'Beyond a Treasury View of the World'. SCIS Working Paper Number 2. Johannesburg, Southern Centre for Inequality Studies, Wits University.

[17] Ashman, S., Fine, B., Newman, S. 2013. Systems of Accumulation and the Evolving South African MEC. In: Fine, B., Saraswati, J., Tavasci, D. (eds.). Beyond the Developmental State: Industrial Policy into the Twenty-first Century. London. Pluto Press, pp. 245-267.

controlled, similar zoonotic disease epidemics will almost certainly emerge in the near- to mid-term future.[18] Mid- to long-term social and economic planning has to address this "new normal".

The effects of global warming and the inevitable transition to a low- or no-carbon economic model will add further strain (IPCC, 2018; Wallace-Stevens, 2019).[19] [20] The upheavals will arrive unpredictably, reducing the impact of reactive policies. The repercussions will be most severe in historically disadvantaged communities. People's abilities to marshal the basic means for dignified lives will continue to be eroded in numerous, coinciding ways for the foreseeable future (Klein, 2015).[21]

Economic and social policy frameworks in SA continue to be defined by the idea that wage work is a viable and sufficiently available basis for meeting basic needs, avoiding poverty, earning entitlements and achieving social inclusion (Ferguson & Li, 2018).[22] From that perspective the overriding challenge is to generate more jobs, ensure that skill sets match those jobs opportunities, and achieve a regulatory environment that assures a livable minimum wage and protects the rights of workers.

Many decades of evidence show that such an approach is incomplete—and increasingly inappropriate. Many millions are trapped between an economic and social order that insists they sell their labour to "earn" a chance of a dignified life, and an economy that is structured in such ways that it only requires the labour of a fraction of the adult population.

This crisis of wage work will intensify as the underlying economic instabilities persist (ramped up by financial capital's dominance) and continues to set off periodic crises; as environmental disasters and other turmoil tied to global warming increase and intensify; as more pandemic threats arrive; as digitalized and other job-replacing technologies are deployed more widely; and as carbon-intensive industries are overhauled or phased out.

Yet the prevailing policies and strategies express a double fiction: the idea that paid work is available to those who seek it and that wage work assures socioeconomic security and wellbeing.

Those same assumptions also shape much of social policy. Unemployment insurance is tied to prior paid employment, while the main social grants are available to individuals who are either not required to sell their labour (due to age) or unable to perform wage labour (due to infirmity or disability).

Triage

In the absence of significant job creation and real wage improvements, social policy has become a vital stopgap, performing functions it was not designed for. The social grant system currently operates as

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[18] Melissa Davey. "WHO warns Covid-19 pandemic is 'not necessarily the big one'". The Guardian, 29 December 2020 (https://www.theguardian.com/world/2020/dec/29/who-warns-covid-19-pandemic-is-not-necessarily-the-big-one).

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[20] Wallace-Stevens, D. The Uninhabitable Earth: Life After Warming. New York: Penguin Random House.

[21] Klein, N. 2015. This Changes Everything: Capitalism Versus the Climate. Penguin Books, London.

[22] Ferguson, J. and Li, T.M. 2018. Beyond the 'Proper Job': Political-Economic Analysis after the Century of Labouring Man. *Working Paper 51*. PLAAS, UWC: Cape Town.

a proxy for a thorough anti-poverty strategy, supplementing the social wage and acting as a flimsy but vital safety net many millions of people (Button et al., 2017; Woolard & Leibbrandt, 2010).[23] [24]

In 2019/20, approximately 18.3 million South Africans were receiving a social grant (mostly in the shape of an old-age pension or a child support grant), up from about 3 million in 1994 (Statistics SA, 2017b).[25] [26] These payments have become a vital source of livelihood for close to half of households in South Africa (Statistics SA, 2017a; Statistics SA, 2016; Leubolt, 2014),[27] [28] [29] including households with wage earners (Rogan & Reynolds, 2015).[30]

During the early phase of the COVID-19 pandemic, these grants were temporarily supplemented. The government's initial relief package to the pandemic had centred on supporting households by expanding the Unemployment Insurance Fund, even though almost half of workers were not eligible for support from that Fund.[31] By one estimate, this left at least 6 million South Africans without any direct income support during the COVID-19 lockdown of 2020.[32] Despite the evident scale of need, the policy reflex was still to link crisis relief to wage work.

The creation of more jobs—particularly more decent jobs—will remain crucial, and necessity will see workers constantly challenge the terms on which they sell their labour. But in current conditions and the unfolding scenarios, it is not reasonable to pin viable livelihoods to wage work. It is necessary to consider additional types of distributive models that are better-suited to the conditions taking hold around us.

The phenomena sweeping across SA and the world beyond defy purely recuperative responses aimed at repairing misjudgments, salvaging missed opportunities or recovering lost ground. They require visionary actions that will steer and support transitions to economic and social orders that are ecologically and socially just and viable.

The scale of need, against a backdrop of continuing and escalating crisis, merits careful consideration of alternative ways of distributing the means for dignified life. It's in this context that the idea of

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[23] Woolard, I. and Leibbrandt, M. 2010. *The Evolution of Unconditional Cash Transfers in South Africa*. Cape Town, Southern Africa Labour and Development Research Unit.

[24] Button, K., Moore, E., Seekings, J. 2017. 'South Africa's hybrid care regime: The changing and contested roles of individuals, families and the state in South Africa'. Working Paper No. 404. Cape Town, Centre for Social Science Research, University of Cape Town.

[25] How many South Africans now rely on social grants: 1996 vs 2020. Businesstech SA, 10 January 2021 (https://businesstech.co.za/news/government/459186/how-many-south-africans-now-rely-on-social-grants-1996-vs-2020/).

[26] Statistics SA. 2017b. *A Statistical Summary of Social Grants in South Africa.* Fact sheet 10, October. Pretoria, Statistics SA; October.

[27] Statistics SA. 2016b. *Facts you might not know about social grants*. Pretoria, Statistics SA, 2 June. (http://www.statssa.gov.za/?p=7756).

[28] Leubolt, B. 2014. *Social policies and redistribution in South Africa*. Global Labour University Working Paper no. 25. Geneva, ILO.

[29] Statistics SA. 2017a. Poverty trends in South Africa: An examination of absolute poverty between 2006 and 2015. Pretoria, Statistics South Africa.

[30] Rogan, M. and Reynolds, J. 2015. The Working Poor in South Africa, 1997-2012. ISER Working Paper No. 2015/4. Grahamstown, Institute of Social and Economic Research, Rhodes University.

[31] Webb, C. & Vally, N. South Africa has raised social grans: why this shouldn't be a stop-gap measure. The Conversation. 7 May 2020 (https://theconversation.com/south-africa-has-raised-social-grants-why-this-shouldnt-be-a-stop-gap-measure-138023).

[32] Seekings, J. Covid-19: Ramaphosa's plan is good, but the budget is insufficient. GroundUp. 23 April 2020 (https://www.groundup.org.za/article/ramaphosas-plan-good-budget-insufficient/).

universal basic income (UBI) (Van Parijs & Vanderborght, 2017; Wright, 2003; Murray & Pateman, 2012; Standing, 2017)[33] [34] has gained prominence in policy debates.

Thinking clearly about a universal basic income

A slippery concept, the UBI proponents are found among the post-capitalist left (Frase, 2016; Mason, 2015; Srnicek & Williams, 2016),[35] [36] [37] progressives (Wright, 2003; Standing, 2017; Van Parijs, 2004),[38] [39] [40] as well as on the right (Murray, 2006),[41] while mainstream political parties and governments of diverse ideological provenance have expressed interest in the concept.

Debates about a UBI tend to be polarized, which distracts attention from the crucial questions implied by the concept. They include vital questions about the viability of policies that treat the wellbeing of people as a side effect of economic growth and position wage work as the overriding criterion for social citizenship in the context of chronic and deep job scarcity; about the claims and entitlements of the public; and about the roles and duties of the state.

In broad outline, a UBI would be a regular income that is paid unconditionally to individuals without means testing or work requirement. However, supporters on the libertarian and neoliberal right see a UBI as a limited payment that would replace most other forms of social protection, with individuals using the income (and any other income they have) to purchase those services as commodities from private providers (Murray, 2006).[42] The aim would be to "shrink the state", expand the domain of the market, and tie wellbeing to "individual responsibility"—all key tenets of neoliberal ideology.

For progressive supporters, a UBI would supplement other social provisioning (such as free health care and school education, transport and housing subsidies, free water and sanitation services etc), and operate as part of overhauled social and economic policies that are geared at reducing poverty and inequality, and improving people's capabilities and wellbeing. The goal of such a UBI would be to contribute material means and support social relations that can afford everyone the chance of a dignified life.

The supplementary nature of such a progressive UBI is crucial. It is not an isolated technocratic fix, but an intervention that can have a transformative impact if deployed as part of broader strategies to build a more just and viable society.

Therefore, we propose that a UBI be defined as a regular (monthly) income that is paid unconditionally to individuals without means testing or work requirement, and which supplements social wage entitlements. The payment would function against a backdrop of various forms of regulation,

[33] Murray, M. and Pateman, C. (eds.). 2012. Basic Income. London, Palgrave Macmillan.

[34] Van Parijs, P. 2004. 'Basic Income: A Simple and Powerful Idea for the Twenty-First Century'. Politics & Society, Vol. 32 No. 1, pp. 7-39.

[35] Frase, P. 2016. *Four Futures*. London, Verso Books.

[36] Mason, P. 2015. *Postcapitalism: A Guide to Our Future*. London, Farrar, Straus and Giroux.

[37] Srnicek, N. and Williams, A. 2015. *Inventing the Future: Post-capitalism and a World without Work*. London, Verso Books.

[38] Wright, E.O. (ed.). 2003. *Redesigning Distribution: Basic Income and Stakeholder Grants as Alternative Cornerstones for a More Egalitarian Capitalism*. London, Verso Books.

[39] Standing, G. 2017. *Basic Income: And How We Can Make It Happen*. London, Pelican Books.

[40] Van Parijs, P. 2004. 'Basic Income: A Simple and Powerful Idea for the Twenty-First Century'. *Politics & Society*, Vol. 32 No. 1, pp. 7-39.

[41] Murray, C. 2006. In Our Hands: A Plan to Replace the Welfare State. Washington DC, AEI Press.

[42] Murray, C. 2006. In Our Hands: A Plan to Replace the Welfare State. Washington DC, AEI Press.

standard-setting and subsidy, and of industrial and labour market policies that are designed to increase the availability of decent wage work. The payment would be 'universal' not because it replaces other entitlements, but because it is available to everyone.[43]

What potential impact could a UBI have?

The universality of a UBI is an important feature. Thandika Mkandawire (2005)[44] has shown that targeted and means-tested cash transfers tend to miss substantial proportions of intended beneficiaries; a UBI would be more effective at distributing income to poor households. Evidence suggests that redistribution tends to be weak in welfare systems that rely on targeted assistance to the poor and stronger where universal provision occurs (Huber & Stephens, 2012; Korpi & Palme, 1998).[45]

Evidence from existing UBI projects, pilot studies and cash grant programmes indicate that a UBI would improve people's material, health and educational status; reduce both the depth and extent of poverty; and reduce household debt levels (Standing, 2017; Van Parijs & Vanderborght, 2017; Bastagli et al, 2016; Davala et al., 2015; Haarmann et al., 2009).[46] [47] [48] [49] [50] Even if set at a low amount, a UBI will reduce extreme poverty, not least in a country like SA where almost 28% of residents live in extreme poverty (Statistics SA, 2017a). The poverty-reducing effect, though, would be vulnerable to significant changes in consumer inflation and would be shaped by the availability of social wage provisioning.

Evidence on the effects of cash transfers also suggests that even a small UBI would lead to improvements in maternal and child health, children's nutritional status, education enrolment and schooling performances (Pega et al., 2017; Bastagli et al., 2016),[51] and reduce psychological distress (Zembe-Mkabile et al., 2015; Baird et al., 2013).[52] [53] If financed by taxing back the income from tax

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[43] Exactly how one defines 'everyone' is a crucial matter for reasons that include but also go beyond fiscal considerations. See: Davies, S. 2017. 'Basic Income, Labour and the Idea of Post-Capitalism', *Economic Affairs*. Vol. 37 No. 3, pp. 442-458.

[44] Mkandawire, T. 2005. *Targeting and Universalism in Poverty Reduction*. Geneva: UNRISD. (http://www.unrisd.org/80256B3C005BCCF9/httpNetITFrame?ReadForm&parentunid=955FB8A594EEA0B0C12570FF00493EAA&parentdoctype=paper&netitpath=http://www.unrisd.org/published_/pp_/spd_/mkandatarget/content.htm)

[45] Korpi, W. & Palme, J. 1998. 'The paradox of redistribution and strategies of equality: Welfare state institutions, inequality and poverty in the Western countries'. *American Sociological Review*, Vol. 63 No. 5, pp. 66–687.

[46] Standing, G. 2017. Basic Income: And How We Can Make It Happen. London, Pelican Books.

[47] Van Parijs, P. and Vanderborght, Y. 2017. Basic Income: A Radical Proposal for a Free Society and a Sane Economy. Cambridge MA, Cambridge University Press.

[48] Bastagli F, Hagen-Zanker J, Harman L, Barca V, Sturge G, Schmidt T. 2016. Cash transfers: what does the evidence say? A rigorous review of programme impact and of the role of design and implementation features. London, Overseas Development Institute.

[49] Haarmann, C., Haarmann, D., Jauch H. 2009. Making the difference! The BIG in Namibia. Basic Income Grant Pilot Project Assessment Report, April. Windhoek: Desk for Social Development.

[50] Davala S, Jhabvala R, Standing G, Mehta SK. Basic Income A Transformative Policy for India. Delhi: Bloomsbury; 2015.

[51] Pega, F., Liu, S.Y., Walter, S., Pabayo, R., Saith, R., and Lhachimi, S.K. (2017). Unconditional cash transfers for reducing poverty and vulnerabilities: effect on use of health services and health outcomes in low- and middle-income countries. *Cochrane Database Systematic Review*. 2017;11:CD011135.

[52] Baird S, de Hoop J, Özler B. Income shocks and adolescent mental health. J Hum Resour 2013;48(2):370–403.

[53] Zembe-Mkabile, W., Surrender, R., Sanders, D., Jackson, D., Doherty, T. 2015. The Experience of Cash Transfers in Alleviating Childhood Poverty in South Africa: Mothers' Experiences of the Child Support Grant. Global Public Health, Vol 10 No 7, pp 834–851.

payers above a specific income threshold, a UBI would reduce income inequality (all else being equal) (Reed & Lansley, 2016).[54]

Increased income for the poorest deciles can also boost aggregate demand for basic goods and services (Blyth & Lonergan, 2014; Lowrey, 2018).[55] [56] Modeling of UBI scenarios in the USA have shown that, irrespective of the financing method (whether through increased debt or raising income taxes), the income payments would grow the economy (Nikiforos, Steinbaum, Zezza, 2017).[57] The larger the payment, the larger the growth effect. Since expenditures of people in lower income deciles tend to be on essentials and staples (which typically are locally produced), this could also stimulate both local production and labour demand.

A common concern (across the political spectrum) is that a basic income would encourage people to withdraw from the labour market on such a scale that it would disrupt economic activity. The evidence for such a claim is very weak, with UBI projects and cash transfer schemes finding such an effect to be absent or minimal (Banerjee et al., 2017; Standing, 2017; Jones & Marinescu, 2020; Skoufias & Di Maro, 2008).[58] [59] [60] [61] Moreover, in the context of extremely high unemployment, such as SA, concern about a disincentive effect among low-skill workers seems misplaced.

Critics argue that a basic income, if too small, would effectively subsidize low-wage employers, undermine minimum wage demands, weaken worker organizations and boost the coercive power of employers and the market (Zamora, 2017; Clarke, 2018).[62] [63] But in distressed conditions such as SA, a UBI could have an opposite, liberating effect by providing a counterweight to the prevailing "race-to-the-bottom" labour market dynamics that confront low-skilled workers. If a UBI enables workers to shun low-paying job offers, it would put upward pressure on the reservation wage (or the lowest wage at which a worker is likely to perform a given task). This ability not to sell one's labour at the going rate can strengthen the individual and collective bargaining power of workers (Wright, 2003; Barchiesi, 2011). If employers respond by deploying automation and shedding more jobs (thereby loosening the labour supply), the social needs argument for a UBI would increase.

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[54] Reed, H. and Lansley, S. 2016. Universal basic income: an idea whose time has come? London, Compass (http://www.compassonline.org.uk/wp-content/uploads/2016/05/UniversalBasicIncomeByCompass-Spreads.pdf).

[55] Blyth, M. and Lonergan, E. 2014. 'Print less but transfer more: why central banks should give more money directly to the people'. *Foreign Affairs*, Sept/Oct. (https://www.foreignaffairs.com/articles/united-states/2014-08-11/print-less-transfer-more)

[56] Lowrey, A. 2018. *Give People Money*. London, W.H. Allen.

[57] Nikiforos, M., Steinbaum, M., Zezza, G. Modeling the macroeconomic effects of a universal basic income. Rooseveldt Institute, August 2017 (https://rooseveltinstitute.org/wp-content/uploads/2020/07/RI-Macroeconomic-Effects-of-UBI-201708.pdf).

[58] Jones D, Marinescu I. The labour market impacts of universal and permanent cash transfers: Evidence from the Alaska Permanent Fund. Working Paper no. 24312. Washington DC: National Bureau of Economic Research; 2020 (https://www.nber.org/system/files/working_papers/w24312/w24312.pdf).

[59] Standing, G. 2017. *Basic Income: And How We Can Make It Happen*. London, Pelican Books.

[60] Banerjee, A., Hanna, R., Kreindler, G., Olken, B.A. 2017. 'Debunking the stereotype of the lazy welfare recipient: evidence from cash transfer programs.' *The World Bank Research Observer*, Vol. 32 No. 2, pp. 155–184.

[61] Skoufias, E., & Di Maro, V. 2008. Conditional cash transfers, adult work incentives, and poverty. The Journal of Development Studies, 44(7), 935-960.

[62] Zamora, D. 2017. 'The case against a basic income'. *Jacobin*. December (https://www.jacobinmag.com/2017/12/universal-basic-income-inequality-work).

[63] Clarke, J. 2018. 'Basic income: progressive cloak and neoliberal dagger'. *The Bullet*, 4 April (https://socialistproject.ca/2018/04/basic-income-progressive-cloak-and-neoliberal-dagger/).

A UBI can have a wider liberating effect, by providing people with an income base that enables them to devote their labour and time to purposes other than wage work (e.g. care and other socially useful work, community projects such as food gardens, or studying and acquiring new skills). Those capacities are especially relevant for efforts to build a more sustainable and just economy and society.

In such ways, a UBI that challenges the status of paid work as the decisive basis for social citizenship and entitlement would be more than a means for individual "enablement"— it could, in Erik Olin Wright's analysis (2006:6), "underwrite social and institutional changes" and help shift power relations and hierarchies (Srnicek & Williams, 2016; Barchiesi, 2016; Wright, 2003).[64] [65] [66]

A UBI would in itself not achieve social justice, but it could support that quest. Implicit in the idea of a progressive UBI is an understanding that factors beyond individual control decide the current, deeply unjust distribution of means and opportunities and that this calls for systematic corrective actions. A UBI therefore bring the principle of social justice to the fore, while resisting the neoliberal claim that responsibility rests o n the shoulders of individuals.

This enabling support will be especially important as SA embarks on a transition to a more ecologically viable economy and society, while trying to manage the impact of climate change. Such a transition is inevitable (Wallace-Stevens, 2019; Klein, 2015; IPPC, 2014).[67] [68]

The implications of a just transition

SA, like every other country on the planet, stands in the path of colliding and escalating crises: the multiple upheavals associated with global warming; zoonotic disease epidemics that emerge from the destabilization of ecologies by unchecked industrialization; successive financial and economic crises; and increasing social precarity. These commotions will arrive regularly but in unpredictable ways, reducing the impact of narrow reactive policies. More blanketing, long-lasting interventions are needed.

In every foreseeable outlook, economies will have to shift progressively away from fossil-fuel dependency and green house gas-intensive modes of extraction, production and mobility. This will require well-targeted investments and policies for economic diversification and rapid development of new or nascent sectors. Since this will especially affect workers and communities whose livelihoods depend on the fossil fuel industry, it is vital, as noted in the Paris Agreement, to also prepare a "just transition of the workforce" (UNFCCC, 2015).[69] In addition to its many other benefits, a UBI can be an important supplement to that process and to the wider project of a just transition.

As with a UBI, there are different, competing understandings of a just transition, as there are of the "green economy" (Cock, 2014).[70] While some conceptions are compatible with "green growth"

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[64] Wright, E.O. (ed.). 2003. Redesigning Distribution: Basic Income and Stakeholder Grants as Alternative Cornerstones for a More Egalitarian Capitalism. London, Verso Books.

[65] Srnicek, N. and Williams, A. 2015. Inventing the Future: Post-capitalism and a World without Work. London, Verso Books.

[66] Barchiesi, F. 2016. 'Schooling bodies to hard work': The South African state's policy discourse and its moral constructions of welfare. Journal of Contemporary African Studies, 34:2, pp. 221-235.

[67] Wallace-Stevens, D. 2019. *The Uninhabitable Earth: Life After Warming.* New York: Penguin Random House.

[68] Klein, N. (2015) *This Changes Everything: Capitalism Versus the Climate*. Penguin Books, London.

[69] United Nations Framework Convention on Climate Change (UNFCCC) (2015). The Paris Agreement. https://unfccc.int/sites/default/files/ english_paris_agreement.pdf.

[70] Cock, J. 2014. "The 'Green Economy': A Just and Sustainable Development Path or a 'Wolf in Sheep's Clothing'"? Global Labour Journal 5 (1): 23–44.

economic models that "perpetuate or exacerbate current patterns of inequity" (Eisenberg, 2019:282), others focus on achieving expansive social and environmental justice. It's important to note, as Stevis and Felli (2016) do, that these different conceptions imply different degrees of concern about social inequality and particularly about the fact that environmental harm—and the responsibility for that harm—is distributed unequally across societies.

In the more limited understandings of a just transition, the scale and/or scope of interventions tends to be narrow (e.g. incentivizing renewables and green jobs,[71] green consumerism, carbon trading, green techno-fixes such as carbon sequestration, green economic growth), while leaving untouched the broader political economy that drives ecological crisis and generates social injustice. This has attracted the description "green capitalism", which seeks to turn "a medium/long-term, system-threatening prospect into a short-term source of commodification, speculation and profit" (Bond, 2011:2).[72]

The conception of a just transition favoured here emphasizes the links between ecological catastrophe, economic exploitation and social injustice. It recognizes the need for structural changes that drastically reduce the harm done to both people and the environment, and that promote a fair distribution of resources and the means for dignified life (Farrel, 2012; Cock, 2014).[73] It rejects the idea "that industrial societies can be made sustainable with modest adjustments and corrections" (Warner, 2010: 553).[74] The principle of equity is central. A just transition involves actions and seeks outcomes that are indiscriminately good for both humans and the ecologies that sustain us (Bookchin, 2007).[75]

Such a deep transition is an opportunity to overcome long-standing inequalities and inequities (Heally & Barry, 2017; Just Transition Centre, 2018; Eisenberg, 2019).[76] [77] [78] [79] It therefore slots into a broader emancipatory project. At a minimum, it has to prevent the impacts of environmentally destructive human activity, of global warming and mitigating actions from being deflected onto disadvantaged communities (Stevis & Felli, 2016).[80] And it has to respond to the fact that low-income communities historically are most affected by, yet least responsible for, the ecological crisis. The fossil fuel economy disproportionately harms low-income communities—and especially in SA, where economic exploitation, racism and environmental destruction overlaps profoundly.

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71 The compatibility of green jobs with a "next-generation" version of growth-oriented green capitalism has led to the formulation of an alternative formulation of climate jobs, which would be primarily in the public sector.

72 Bond, P. 2011. The Politics of Environmental Justice. Durban: UKZN Press.

73 Farrel, C. 2012. Just transition: Lessons learned from the environmental justice movement. Duke Forum for Law and Social Change, No. 4, pp 35-45.

74 Warner, R. 2010. 'Ecological Modernization Theory: Towards a Critical Ecopolitics of Change', Environmental Politics. 19(4): 538-556.

75 Bookchin, M. 2007. Social ecology and communalism. Oakland CA, AK Press.

76 Healy, N. & Barry, J. 2017. Politicizing energy justice and energy system transitions: Fossil fuel divestment and a "just transition". Energy Policy, 108. pp 451–59

77 Just Transition Alliance. 2018. The Just Transition Alliance Definition of a Just Transition and Just Transition Principles. Climate Justice Alliance.

78 Atteridge, A. & Strambo, C. 2020. Seven principles to realize a just transition to a low-carbon economy. Stockholm Environment Instiute, Stockholm, June (https://www.sei.org/wp-content/uploads/2020/06/seven-principles-for-a-just-transition.pdf).

79 Eisenberg, A., 2019. Just transitions. Southern California Law Review, Vol 92 No. 101, pp 273-330.

80 Stevis, D. & Felli, R. 2016. Green Transitions, Just Transitions? Broadening and Deepening Justice. Kurswechsel, no. 3, pp 35-45.

Since such a transition calls for an integrated pursuit of environmental and social justice, it cannot be successfully entrusted to market forces, "nudged" by state incentives and regulation (Cock, 2014).[81] It requires an active and accountable state to manage a set of phased, long-term strategies and to establish the necessary conditions and supportive institutional arrangements.

Central elements of a just transition include ending investments and subsidies in extractive and carbon-intensive industries; shifting to renewable energy sources and low-carbon modes of production, distribution and transport; repairing environmental damage; and supporting workers and communities affected by the restructuring. While the state is responsible for stewarding these changes, the transition must also be driven from the community level, upwards; it has to also reflect the understanding, support and action of communities and the workers among them.

A transition to an environmentally sustainable and just economic model will entail disruption, including the permanent disappearance of some jobs. Expectations of a frictionless transition are unrealistic: workers and contractors that depend on mining, fossil fuels and energy-intensive industries will be affected, as the United Nations Framework Convention on Climate Change (2016) recognizes.[82] As Pollin and Callaci (2016:89) have highlighted, "workers and communities whose livelihoods depend on the fossil fuel industry will unavoidably lose out in the clean energy transition ... unless strong policies are advanced to support [them]".[83] [84] Active labour market policies (including education, retraining and subsidizes employment) are among the interventions needed to protect affected workers and communities (Piggot et al. 2019).[85] But as Stevis and Felli (2016:38) have warned:

> compensation or retraining may alleviate the distress of laid- off workers but they often do not extend to the community in which these workers are embedded [...] just transitions have to take into account all the affected parties, as well as the unequal power relations amongst them.

By virtue of its universality, a UBI would be an important element of such phased, equitable transition. And it can help create space for labour environmentalism to move beyond defending jobs in a "green economy" and to pursue broader economic and social emancipation.

Linking a UBI to a just transition in South Africa

The SA Government's approach to climate change policy to date has lacked ambition (Cock, 2014; Satgar, 2018; Hallowes & Munnik, 2019). The emphasis has been on "bringing the efficiency of the market to bear on nature and its reproduction" (Cock, 2014:29-30), with both policy and practice reflecting the continued power of corporations active in the extractive and energy sectors. SA renewable energy policy, for example, relies preponderantly on competitive, private sector provision, encouraged by subsidies and other incentives. The Integrated Resource Plan 2019-2030 sets out an

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[81] Cock, J. 2014. "The 'Green Economy': A Just and Sustainable Development Path or a 'Wolf in Sheep's Clothing"'? Global Labour Journal 5 (1): 23–44.

[82] UNFCCC (2016). Just Transition of the Workforce, and the Creation of Decent Work and Quality Jobs. https://unfccc.int/sites/default/files/ resource/Just%20transition.pdf

[83] Pollin, R., Callaci, B. 2016. A Just Transition for U.S. Fossil Fuel Industry Workers, The American Prospect, July (https://prospect.org/environment/just-transition-u.s.-fossil-fuel-industry-workers/).

[84] It's worth recalling that the concept of a just transition originated within the labour movement, and is often traced to US labour and environmental activist Tony Mazzochi, who emphasized the need to go beyond zero-sum scenarios that pitted environmental demands as threats to workers' interests and livelihoods.

[85] Piggot, G., Boyland, M., Down, A. & Raluca Torre, A. 2019. Realizing a Just and Equitable Transition Away from Fossil Fuels. Discussion brief. Stockholm Environment Institute, Stockholm. https://www.sei. org/wp-content/uploads/2019/01/realizing-a-just-and-equitable- transition-away-from-fossil-fuels.pdf

unambitious route that involves decommissioning coal-fired power stations and increasing the uptake of renewable energy, while also adding new coal-fired power.

This posture reflects, at root, political-economic challenges—including a perceived inability of the state to subject powerful corporate actors[86] to a state-led restructuring process and the timid commitment of important trade unions to support such a transition.

The mining and utilities sectors in SA are prime targets for shifting away from a carbon-intensive model, with coal mining and electricity generation particular priorities. SA relies on coal for 90% of its electricity and 25% of liquid fuels. It is technically feasible to decarbonize the power sector and transition to a renewable energy system.[87] The decreasing prices of renewables add to the attraction, as does the job-creating potential of the renewable energy sector (Hallowes & Munnik, 2019).[88] But this will affect the livelihoods of many thousands of workers and their families and communities—at least in the short term.

No feasible UBI would fully compensate for the foregone wages of those workers; that will a require a strategy specific to these industries, brokered by the state and driven by trade union organizing to ensure that workers have viable post-restructuring livelihoods (including severance packages).[89] A UBI would function vitally in the background, contributing livelihood support to the wider communities, including those where phase-out industries are concentrated. It can be an important mechanism for mitigating the "collateral" costs of restructuring borne by communities which indirectly rely on income and other resources linked to phase-out industries (Ashley, 2018).[90]

Consider, for example, SA's coal sector. Calculations done by Michelle Cruywagen and colleagues (2019)[91] indicate that if coal mining were to be entirely phased out over 20 years amid "natural" attrition via retirement in the workforce, an average 2700 workers per year would need to be shifted into other employment and/or receive livelihood support until they can do so.[92] If the transition away from coal halves the labour force over the next two decades, it would entail 600 younger workers annually requiring new employment. The scale of this challenge seems manageable.[93] In Cruywagen et al's estimates, it would cost about ZAR 16 billion over 20 years to shrink the coal mining workforce by 75%. (By way of comparison, according to estimates done by the International Institute for

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86 Particularly those at the heart of the Minerals-Energy Complex (MEC), which, as described by Fine and Rustomjee (1996), has been anchored in a combination of abundant, cheap labour and abundant, cheap energy from coal, with the parastatal power utility Eskom at its centre.

87 Williams, M. 2018. Energy, labour and democracy in South Africa. In: Satgar, V. (ed.) The Climate Crisis: South African and Global Democratic Eco-Socialist Alternatives. Johannesburg, Wits University Press, pp 231-251.

88 Hallowes, D., Munnik, V. 2019. Down to zero: the politics of just transition—The groundWork report 2019. Pietermaritzburg (https://www.groundwork.org.za/reports/gW_Report_2019.pdf).

89 Almost 80% of workers in SA's mining sector were members of a trade union in 2017, as were 64% of workers in the utilities sector, making them the sectors with the highest rates of unionization. In both sectors, union membership levels had risen in the previous 5 years. See Labour Market Dynamics in South Africa, 2017/ Statistics South Africa. Pretoria: Statistics South Africa, 2017.

90 Ashley, B. 2018. 'Climate Jobs at Two Minutes to Midnight'. In Satgar, V. (ed.) The Climate Crisis: South African and Global Democratic Eco-Socialist Alternatives. Johannesburg, Wits University Press, pp 272-292.

91 Cruywagen, M., Davies, M., Swilling, M. 2019. Estimating the cost of a just transition in South Africa's coal sector: protecting workers, stimulating regional development and accelerating a low-carbon transition. Centre for Complex Systems in Transition, Stellenbosch.

92 That would involve a phased end to the use of coal for electricity generation, and to coal exports as well as the use of industrial and metallurgical coal, and Sasol's coal-to-liquid fuel industry.

93 The costing includes compensation for 5 years (for the wage differential between coal mining jobs and renewables jobs), retraining, relocation (for workers originally from other provinces) and rehabilitation and other support to the local communities and economies.

Sustainable Development, coal-based fuels produced by Sasol's Secunda plant in SA received more than ZAR 8 billion in total government support during 2019 alone.)[94] [95] The direct, worker-related transition in this sector therefore seems both feasible and affordable.[96]

But surrounding this is a more expansive challenge of supporting the communities that rely on the phased-out industries and displaced workers. Some of this community-level support can be built into sector transition strategies (e.g via the "rehabilitation" component in Cruywagen et al's estimates). And some of it would come via a UBI, operating in the background as a support system—for workers hit by the secondary impact of restructuring on other commercial activities, and for the households relying on those sources of income. A UBI would respond to the need for interventions that reach beyond job substitution, worker retraining and severance package.

A UBI could provide multifaceted support as SA embarks on a just transition.

By providing tangible recompense, it would help break with the historical practices of dumping onto disadvantaged communities the collateral damage of industrial growth and restructuring. By extending predictable, regular income support beyond vulnerable workers and their households to their wider communities, it could help assuage potential resistance among workers and communities most heavily affected by restructuring, and help counter the "jobs blackmail" tactics typically used against the environmental justice movement (Lawhon and McCreary (2020).[97]

A UBI can also support activities that drive social reproduction and improve wellbeing and livelihood security at community level (e.g. local food production, mutual aid networks, artisan and cultural production etc.). Neighbourhood-level food production and urban agriculture will become increasingly important as climate change disruptions accumulate. In SA, food insecurity is predicted to deteriorate due to rising food prices (as input costs rise, extreme weather phenomena cause crop damage or failure, and arable land is diverted from food production to biofuels) (Cock, 2014). Regulatory and other state interventions will be crucial to counter food price inflation, as will be systematic support for greater food self-sufficiency at community level, which a UBI can help underwrite. A UBI that supports community livelihoods and sustainability can be a powerful component of a just transition.

What will it take to pay for a UBI?

Implicit in a UBI is an understanding that factors beyond individual control decide the distribution of means and opportunities, that value is produced by society as a whole, and that the entirety of society is entitled to a rightful share of the total social product.

Notwithstanding the ostensible need for and extensive potential benefits of a UBI, discussion inevitably—and very quickly—turns to matters of fiscal feasibility and political viability.

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[94] That includes ZAR 1.6 billion in direct subsidies through the basic fuel price and a further ZAR 6.5 billion due to exemptions from the Carbon Tax Act 15 of 2019, under which Sasol pays no tax on more than 90% of its emissions.

[95] Pant, A., Mostafa, M., Bridle, R. 2020. Understanding the role of subsidies in South Africa's coal-based liquid fuel sector. Winnipeg, International Institute for Sustainable Development (https://www.iisd.org/system/files/2020-10/subsidies-south-africa-coal-liquid-fuel.pdf).

[96] Similarly, a phased shift away from coal-based to renewable electricity generation, also appears to be feasible and affordable. Coal supplies to Eskom accounted for about 38 000 coal miner jobs in 2017, a little under half of the total workforce in that industry. All else being equal, entirely phasing out Eskom-tied coal mining jobs over 20 years would require new employment and/or livelihood support for 1200-1300 workers per year.

[97] Lawhon, M. & McCreary, T. 2020. Beyond jobs vs environment: On the potential of a universal basic income to reconfigure environmental politics. Antipode, Vol 52 No 2, pp 452-474.

Indeed, the Basic Income Grant campaign in SA in the early 2000s showed how difficult it can be to steer a policy intervention through the circuits of government when it clashes with prevailing sentiments and when the political rewards are not obvious. But the campaign failed also due to the firm opposition of the Treasury, with the Finance Minister at the time claiming that the grant would "bankrupt the country".[98] Yet, the SA government proceeded to massively grow its social grants system within a few years—a reminder that, although important, fiscal objections do not necessarily eclipse social or political imperatives (Seekings & Matisson, 2010).[99]

A UBI would be expensive; how expensive would depend on the amount of the payment, how eligibility is defined, and on the design of the intervention (e.g. which, if any, existing social welfare entitlements does it replace; is the UBI considered taxable income, etc.?).

For argument's sake, and using data for 2015,[100] consider a UBI payment equivalent to the lower-bound (ZAR 647 in 2015) and which is paid to all adults 18 years and older. SA's total population in 2017 was 55 million, putting approximately 35.2 million people in line for the income payment (Statistics SA, 2015).[101] [102] Such a UBI would have cost approximately ZAR 23 billion per month or ZAR 273 billion per year. By way of comparison, total expenditure on existing social welfare grants (including old age pensions and child support grants) was approximately ZAR 150 billion per year in 2017, when 17.2 million grants were paid to 10.6 million beneficiaries (AfricaCheck, 2017).

The UBI cost would also be shaped by how the payment links with existing forms of income support. For example, it could represent the floor or basis for other social grants. A UBI of e.g. ZAR 647 per month could constitute the first ZAR 647 of the old-age pension payment or disability grant. In that way, current grant payments would not be neither sacrificed or reduced.

The UBI amount need not stay the same either. A UBI can be phased in, both in terms of the amount (starting with a small amount which increases along a schedule or as specified criteria are met) or eligible recipients (starting with adults, or out-of-work adults, for instance, and then expanding eligibility).[103]

The blanket assertion of unaffordability is therefore unsound. The design of a UBI and the fiscal context—and political will—will decide whether it is affordable. A range of financing options are available, some of which merit brief mention here.

For a middle-income country such as SA, a debt-financed UBI would be an unattractive and potentially dangerous route: it cannot safely and indefinitely be underwritten with government bond issues

[98] The claim was moot. In the 2005/2006 financial year, for example, revenue collection exceeded budget estimates by ZAR 41.2 billion (US$ 5.2 billion at the time), which prompted R19.1 billion (US$ 2.4 billion) in tax cuts in the following financial year. A R100 monthly income grant paid to each of the 47 million South Africans would have cost ZAR 56.4 billion in that year, in the absence of any taxing-back mechanism. See Marais (2011).

[99] Seekings, J. and Matisson, H. 2010. The Continuing Politics of Basic Income in South Africa. Centre for Social Science Research Working Paper No. 286. Cape Town, University of Cape Town.

[100] The most recent population size data from Statistics SA are for 2015.

[101] The age disaggregation used by Statistics SA divides into 5-year intervals and therefore does not segment at the 18-year mark. The 35.2 million figure is based on the mid-2015 official estimate of 33.2 million people 20 years and older and 5.1 million people aged 15-19 years (which suggests about 2 million people aged 18-19 years).

[102] Statistics SA. 2015. Mid-year Population Estimates. Statistical release P0302. Pretoria, Statistics SA (https://www.statssa.gov.za/publications/P0302/P03022015.pdf).

[103] A UBI payment would also have to be indexed, to prevent it from being devalued by inflation over time, and that annual cost escalation will have to be taken into account.

(unlike some of the major industrialized economies), while currency volatility "bakes in" additional risk.

Often favoured by proponents is a combination of existing tax instruments, such as increased value-added tax (VAT), excise tax (for example on luxury items or capital goods), personal income tax, and wealth tax, as well as "sin" taxes on tobacco and alcohol. While increased taxes on luxury goods could be a (minor) redistributive source of financing, increasing VAT would be regressive (all else equal), since VAT represents a much larger share of spending for low-income households compared with those in higher income brackets. A more advisable route for financing a UBI would be to progressively tax back the payments from recipients earning above a stipulated income threshold, in combination with a wealth tax.

An attractive, though often overlooked source of financing would be to channel a portion of the returns to capital into a social wealth fund from which everyone is paid a dividend. Legislation can be passed requiring, for example, that a percentage of capital stock (shares) from initial public offerings be channelled into a "Commons Capital Depository", the dividends of which would fund a UBI.[104] Such a move would respond to the neglected reality that the wealth of societies is created collectively, but then becomes "privatized" and appropriated as the ostensible product of individual enterprise and toil.[105] It would recognize that, as Yanis Varoufakis (2016) has put it, "the commons have a right to a share of the capital stock, and associated dividends".[106]

An additional potential financing source is a tax on financial transactions,[107] which can be levied on the transfer of ownership of designated financial assets (e.g., stocks and equities, bonds, international currencies, and derivatives and securities such as futures, options and credit default swaps). Part of this tax's attraction is that the base is so large that a low tax rate could yield comparatively large revenues, in addition to potentially reducing incentives for rent-seeking and speculation.[108] [109] Whereas wealth taxes are readily avoidable through complicated tax avoidance manoeuvres, a wide-ranging financial transactions tax would narrow such escape routes. The only way to avoid such a tax would be by reducing trading, that is to say less demand for goods and services in the financial sector.

A carbon tax is another attractive financing source and is already in wide, but unambitious use (Greenstein, 2019). It can be levied in a number of ways, for example against carbon emissions and against the consumption of carbon-intensive goods and services. The tax can be calculated at a set rate, which can be increased annually as a steadily growing disincentive for carbon-emitting economic

104 Yanis Varoufakis, "The Universal Right to Capital Income", 31 October 2016 (https://www.project-syndicate.org/commentary/basic-income-funded-by-capital-income-by-yanis-varoufakis-2016-10?barrier=accesspaylog).

105 Corporate taxes do not compensate for that reality. They effectively remunerate the state (very partially, in most instances) for the infrastructure and services it provides (including education, security, health care, transport, research and development, and more).

106 Yanis Varoufakis, "The Universal Right to Capital Income", 31 October 2016 (https://www.project-syndicate.org/commentary/basic-income-funded-by-capital-income-by-yanis-varoufakis-2016-10?barrier=accesspaylog).

107 The tax James Tobin proposed in 1972 was actually intended to penalize short-term currency speculation; it later came to be understood as a tax on any short-term financial transactions. Neither is it a particularly "modern" intervention: the stamp duty, which dates to 1694 in England, is also a kind of tax on financial transactions.

108 Bivens J, Blair H. A financial transaction tax would help ensure Wall Street works for Main Street. Washington DC: Economic Policy Institute; July 2016 (https://files.epi.org/pdf/110651.pdf).

109 Baker D. The economics and politics of financial transactions taxes and wealth taxes. Counterpunch, 14 October 2019 (https://www.counterpunch.org/2019/10/14/the-economics-and-politics-of-financial-transactions-taxes-and-wealth-taxes/).

activities. SA introduced a carbon tax in 2019, but at an unrealistically low rate of tax rate of ZAR 120 (approx. US$ 8.30) per tonne of $C0_2$, and with generous tax-free emissions allowances for companies (of 60-95%) built into the policy.[110] There are no reasonable grounds for such a generous approach: the SA rate is orders of magnitude lower than the US$ 40-80 cost per tonne which the World Bank believes is needed to reach the objectives of the Paris Agreement.[111]

Also available is the option of a land-value tax, which can be applied against the value of real estate minus the structures built on it. Such a tax recognizes that the value of individual assets is derived from and dependent on larger collectives. Given the very high levels of wealth and asset inequality in most countries (SA being an extreme example of this), much of it tied to the skewed distribution of ownership of real estate, a land-value tax would be highly progressive. In the SA context this tax carries significant and important overtones of reparation.

In addition, a variety of savings options are available. They included cancelling or reducing ineffective corporate tax breaks and subsidies; reducing or removing certain tax rebates that benefit higher-income earners (e.g. for private medical insurance)

Discussions about a UBI quickly circle to the seemingly rhetorical question: is it affordable? The question is usually posed rhetorically. Yet the bailouts of the banking sector in 2008-2010, the "quantitative easing" interventions and other infusions of liquidity into financial markets which followed, and the even-larger corporate rescue packages and income support extended to small businesses and workers during the COVID-19 pandemic remind that the limits of "affordability" are more flexible than commonly claimed.

Rather than asking whether a UBI is affordable, the real question may well be: is a UBI seen to be important and desirable enough to be made affordable? And that is eminently political question.

Conclusion

The potential of a UBI will depend on how it synchronizes with other economic and social strategies, which forces drive those strategies, and whether they are capable of defending and deepening the intervention. This social and political context tends to be overlooked in much of the current debate about a UBI.

The transformative potential of UBI sketched in this paper therefore hinges on it being led by an active state and driven by mobilized social and political movements. A UBI's fate therefore also depends on how it is framed and popularly understood. While the need for an intervention like a UBI may seem self-evident, a generalized desire for a UBI cannot be assumed; it will have to be cultivated.

The concept of a progressive UBI challenges, even clashes with much common thinking about the status of wage work, about how income is distributed in society, about the meaning of social ciizenship, and about the role of the state. A campaign for a UBI necessarily also entails a struggle to reshape the values, the assumptions, the "common sense" people deploy when considering the

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[110] SA Revenue Service. Carbon Tax. 29 October 2020 (https://www.sars.gov.za/ClientSegments/Customs-Excise/Excise/Environmental-Levy-Products/Pages/Carbon-Tax.aspx).

[111] High-Level Commission on Carbon Prices, 2017. Report of the High-Level Commission on Carbon Prices. Washington, DC, World Bank. Available at https://www.carbonpricingleadership.org/report-of-the-highlevel-commission-on-carbon-prices/

obligations and entitlements they have on one another, on the state and other institutions (Hall, 1996).[112] As Kathi Weeks emphasises,

> a demand is not just a thing, but something that must be explained, justified, argued for and debated. The practice of demanding is itself productive of critical awareness and new political desires. [113]

It's very important not to approach a UBI as a social policy tool that can be deployed in technocratic fashion to pursue measurable objectives. Treating a UBI a standalone "silver bullet" and dislodging it from movement politics and the wider contestation of power in society will cripple a potentially transformative intervention and expose it to capture and ruin.

There are risks, unanswered questions and challenges attached to a UBI. But its potential benefits are so extensive and urgently needed that it deserves an earnest, clear-headed debate in SA.

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[112] Hall S. The problem of ideology: marxism without guarantees, in: Morley D, Chen K-H (eds.) Stuart Hall: Critical dialogues in cultural studies. London: Routledge; 1996.

[113] A feminist case for Basic Income: An interview with Kathi Weeks. Critical Legal Thinking, 22 August 2016 (https://criticallegalthinking.com/2016/08/22/feminist-case-basic-income-interview-kathi-weeks/).

3. Introducing a Universal Basic Income Guarantee for South Africa: Towards income security for all – Institute for Economic Justice Policy Brief

February 2021

SUMMARY

The introduction of a Universal Basic Income Guarantee (UBIG) is one of the best tools available to reduce poverty, hunger, and destitution. The South African Government has a constitutional obligation to progressively realise the universal right to social security or social assistance within available resources. It is necessary to introduce social security for adults (18-59) who currently are not covered. This is particularly urgent with labour markets and incomes depressed.

The possibility of implementing a UBIG for all adults, adult informal-sector workers, the adult unemployed, and adults who are not economically active is explored. It is argued that a universal unconditional grant is preferable due its reach and ease of administration. A number of levels are considered with the food poverty Line (R585), lower-bound poverty line (R840) and upper-bound poverty line (R1 268) considered as viable starting points. The costs are given for different population groups at these and other levels.

A series of progressive taxation measures are discussed, including the implementation of a Social Security Tax and a Wealth Tax. The value recouped through VAT is also considered.

In addition, the importance of maintaining and increasing the Social Relief of Distress "COVID-19 grant" and Caregiver's Allowance, or incorporating caregivers into the COVID-19 grant, is discussed. Together these grants rescue 5.7 million people from food poverty.

Government can begin to work towards implementing a UBIG immediately.

RECOMMENDATIONS

Immediately:

1. Reinstate and extend the COVID-19 grant until the end of the 2021/22 financial year, drop exclusionary criteria, include caregivers, and increase the level to the food poverty line of R585pm.

In the short term:

2. Implement a UBIG for all adults at, least at, the food poverty line of R585 per month, using the R158 billion of tax increases outlined. Assuming a gradual uptake of the grant, this is affordable.

In the medium term:

3. Implement a wealth tax and use this and the taxes outlined to fund an increase of the UBIG to either the level of the lower-bound or upper-bound poverty lines depending on uptake.

In the long term:

4. Engage in a process of social consultation and long-term planning in order to ensure a UBIG sufficient to meet basic needs, and a coherent overall transformation of the social security system.

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Introduction

In the context of widespread hunger, declining incomes, and job loss, calls for a Universal Basic Income Guarantee (UBIG) have intensified. In the second quarter of 2020, Statistics South Africa (Stats SA) estimated 2.2 million job losses. In the third quarter of 2020 Stats SA found that only 543 000 of these jobs were regained, meaning a net loss of just under 1,7 million jobs in quarters 2 and 3 of 2020.[1] While it is uncertain how many of these may be regained, this potentially wipes out nearly a decade of job growth. These job losses affected the most vulnerable (women, low income, rural, low/unskilled) more severely. Food insecurity, defined as running out of money to buy food, is at levels at least twice as high as in 2016, with surveys reporting that 37% of households are affected.[2] Hunger is rampant and depressive symptoms have doubled. Currently, approximately 70% of adults (18-64) live below the upper bound poverty line (UBPL) of R1265 per person per month, with approximately 40% living below the World Bank's $1.90 a day (R436pm) measure.[3]

The special Social Relief of Distress Grant ("COVID-19 grant") of R350 for unemployed adults not currently receiving a grant, the Caregiver's Allowance – an amount of R500 for each caregiver under the Child Support Grant (CSG), and top ups to other grants, all implemented after May 2020 prevented an even more dire situation. Although the rollout of the COVID-19 grant faced administrative challenges, receipt of this has provided much needed relief for millions of previously unreached people. This is in the context of a *highly* strained employment environment where people could not access other means of income generation.

In this context, continuing and improving the COVID-19 grant, incorporating caregivers, until such time as a UBIG can be implemented is essential. Following this, a UBIG can provide a social security safety net to millions currently unprotected.

Interrogating the impact of the UBIG is an important facet of the conversation. A number of studies – including by the Black Sash, Department of Social Development, and Presidency[4] – show the positive impact in South Africa, and internationally, of variants of a UBIG, and income transfers in general, on various social indicators, including poverty, inequality, and hunger, while simultaneously having a range of macroeconomic benefits. The IEJ has commissioned further modelling on these impacts, which will be available in a follow up publication.

Background to a UBIG

A UBIG is a universal basic income guarantee. It ensures that every person is entitled to a certain amount of monthly income which can be used to cover basic needs.[5] In the context of persistent and increasing unemployment, and the large social protection gap excluding income support to those aged 18-59, it becomes necessary to provide an additional form of social assistance which is not linked to precarious forms of wage labour. A UBIG for those aged 18-59 is viewed in the short to medium term as a complementary form of social assistance to existing forms of social security and welfare provided

[1] Stats SA. 2020. *Quarterly Labour Force Survey: Quarter 2 and Quarter 3: 2020.*

[2] Bridgman, Van der Berg, Patel. 2020. *Hunger in South Africa during 2020: Results from Wave 2 of NIDS-CRAM.*

[3] Jain, Bassier, Budlender, Zizzamia. 2020. *The labour market and poverty impacts of COVID-19 in South Africa: An update with NIDS-CRAM Wave 2.*

[4] *References to be inserted*

[5] Other proposals use variations of acronyms (UBI, BIG) generally denoting very similar policy measures. In this brief we use "UBIG", except when referring to other proposals that use another of the acronyms.

by the state. In the longer term there would need to be a process of transforming the entire social protection system. The urgency of the needs now, however, doesn't allow for the country to wait for this comprehensive overhaul.

The design of such a benefit has to have the following features:

- Universal – apply to all;
- Basic – a resource transfer that would make a difference in people's living conditions;
- Income – a cash benefit;
- Guarantee – assurance that the government can provide every person with income necessary to survive.

In the late 1990s and early 2000s a significant push was made by trade unions, other civil society organisations, researchers, religious groups, and parts of government to secure, what was then referred to as, a Basic Income Grant (BIG). In 2002, the Taylor Committee recommended a grant for those who are still currently excluded.[6] This was opposed by some in government as unaffordable. Contestation on comprehensive social security policy in government and society bogged the process down over many years, and a resolution was never reached. As recently as 2019, the ANC adopted a resolution that advanced the objective of providing comprehensive social security. Specifically, to '*[d]efine a basket of social security benefits that all should access, with the delivery of a package of services free from administrative burdens*'.[7] ANC manifestos committed to finalising a comprehensive social security policy to ensure that no-one fell through the net. However, the main policy intervention from government aimed at addressing the plight of the adult unemployed, albeit partially, was job creation through public works and community works programmes. Finalisation of government policy on comprehensive social security is still awaited.

In favour of a UBIG

Social grants have been post-apartheid South Africa's most effective weapon against extreme poverty. By contrast, the labour market has failed as a mechanism to progressively reduce poverty in South Africa. This is because average real wage growth has not breached 2% per annum, at least between 2000 and 2015 for the bottom 80% of income earners,[8] combined with steadily increasing unemployment. Social grants' role in relieving extreme poverty, is illustrated by the 20% of households who report social grants as their main source of income.[9] This follows the significant expansion of social grant assistance, increasing from 13% of individuals in 2003 to 31% in 2018, and from 31% of households to 44% over the same period.[10] These grants enable people to provide a better standard of living for themselves, family members, and dependants.

[6] The Taylor Committee. 2002. *Report of the Committee of Inquiry into a Comprehensive System of Social Security for South Africa.*

[7] African National Congress. 2019. *2019 Election Manifesto.*

[8] Bhorat, Lilenstein, Oosthuizen, Thornton. 2020. *Wage polarization in a high-inequality emerging economy: The case of South Africa.* WIDER Working Paper 2020/55. Available: https://www.wider.unu.edu/sites/default/files/Publications/Working-paper/PDF/wp2020-55.pdf

[9] Stats SA. 2019. *General Household Survey 2018.*

[10] Ibid.

This money, while insufficient, has partially staved off hunger and generated demand in the economy. Poor people immediately spend a higher portion of their income, and do so on a higher share of locally-produced goods.[11] Cash transfers benefit groups who often perform unpaid labour, including women, caregivers, and pensioners.

International evidence from a range of countries have highlighted the promising positive effects of a UBIG, many of which counter the harmful effects COVID-19. A study from Kenya over the course of the pandemic shows that cash transfers reduced hunger, skipped meals, and had small improvements to dietary diversity.[12] Cash transfers have also been shown to decrease detrimental coping strategies such as selling assets at low prices that stunt incomes and productivity.[13] With the school year being affected by COVID-19, cash grants reduce secondary school dropout and increase enrolment,[14] as well as increase attendance.[15] This is especially important for young women. A UBIG is likely to assist in job-searching activities too, especially considering the relatively high cost of job-searching in South Africa.[16] However, this needs to be coupled with job availability.[17] Grants also show the prevention of damage to subsistence employment activities by protecting peoples' ability to earn an income from informal sector activities. In agriculture, unconditional cash transfers increased the amount spent on agricultural inputs.[18] There is also evidence that a basic income significantly increases the number of households involved in non-farm income generating activities.[19]

It is therefore incorrect to see grants as either a "hand out" or something which substitutes for economic activity. Rather grants reward unpaid labour, support sources of other income, encourage human capital development, and form a crucial part of a broader ecosystem that grows the economy and supports livelihoods.

The government has, until recently, built a relatively functional mechanism for putting money into the hands of caregivers, pensioners, and the disabled. However, the system has a dysfunctional element, in that a large grouping of adults without income support are forced to rely "second-hand" on access to child and elderly grants. This illustrates a gap in the system and results in these grants being unable to support the groups they are targeted at. The current exclusion of most of the able-bodied adult unemployed between the ages of 18 and 59 is presumably premised on the assumption that they can earn income in the labour market. While efforts must be made to expand employment opportunities, the goal of full employment will not be realised in the foreseeable future. In a country with chronic underemployment and unemployment, grants cannot be limited to the "deserving poor".[20]

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[11] Compared with the economy-wide average import propensity. See: *A Fiscal Stimulus for South Africa* by Sibeko & Isaacs. Available: https://iej.org.za/a-fiscal-stimulus-for-south-africa/

[12] Banerjee et al. 2020. *Effects of a Universal Basic Income during a pandemic.*

[13] Gentler, Martinez, Rubio-Codina. 2012. *Investing Cash Transfers to Raise Long-Term Living Standards.*

[14] Eyal & Woolard. 2013. *School Enrolment and the Child Support Grant: Evidence from South Africa.*

[15] Baird, et al. 2013. *Relative effectiveness of conditional and unconditional cash transfers for schooling outcomes in developing countries.*

[16] Carranza et al. 2020. *Job Search and Hiring with Two-Sided Limited Information about Workseekers' Skills.* World Bank Policy Research Working Paper 9345.

[17] Banerjee & Sequeira. 2020. *Spatial Mismatches and Imperfect Information in the Job Search.*

[18] Bastagli et al. 2016. *Cash Transfers: What Does the Evidence Say? A Rigorous Review of Programme Impact and The Role of Design and Implementation Features.*

[19] Ibid.

[20] Dawson & Fouksman. 2020. *Why South Africa needs to ensure income security beyond the pandemic.* The Conversation. Available: https://theconversation.com/why-south-africa-needs-to-ensure-income-security-beyond-the-pandemic-137551?fbclid=IwAR2VQ5qwKv0ZvVJWt2qBfB17xLpfRs9p_TMS0xDJPxnDk0q0mOrpi9Rhni4]

An expansion of the system of cash transfers, towards a guaranteed income for all, will enhance the benefits noted, and will create greater cohesion in the system. It will increase the incomes of both the unemployed and working poor.

The South African constitution guarantees the universal right to social security or social assistance and stipulates that the government has to move towards progressively achieving this outcome within available resources.[21] This Constitutional requirement is reinforced by South Africa's commitments in terms of international law. In 2018, South Africa was reviewed regarding its progress towards fulfilment of binding obligations within the International Covenant on Economic, Social and Cultural Rights. The reviewing committee raised a number of concerns, including the limited nature of social security protections. In particular, their concluding observations noted that the current social grant levels were insufficient to provide an adequate standard of living for all, and that the adult unemployed were excluded by the existing grant system. As a result, they recommended consideration of the introduction of a universal basic income grant.[22]

The current grant system

As noted, the current grant system excludes most of the able-bodied adult unemployed between the ages of 18 and 59. As shown in Table 1, the two most widely-accessed grants are the Child Support Grant (CSG), provided to those below the age of 18 via their caregiver, and the Older Persons Grant (OPG), covering those 60 and above. Despite their importance, the current amounts of the grants, particularly the CSG, are problematically low, and are, in fact, spread thinly within households. The CSG – despite being the most effective grant available to reduce food poverty[23] – is set at R440, below the food poverty line of R585 per person per month.

[21] Studies in Poverty and Inequality Institute (SPII). 2016. *Gap Analysis Report and Performance Monitoring Framework.* Available: http://spii.org.za/wp-content/uploads/2018/05/2016-SPII-Gap-Analysis-and-Monitoring-Framework-for-the-SAHRC.pdf

[22] South African Human Rights Commission. 2018. *Policy Brief: Basic Income Grant.*

[23] Devereax & Waidler. 2017. *Why does malnutrition persist in South Africa despite social grants?* Food Security SA Working Paper Series No.001. DST-NRF Centre of Excellence in Food Security, South Africa

Table 1: Social assistance measures, amounts, and recipients.

Type	Amount (ZAR, as at 1 April 2020)	Recipients ('000)	Total Annual Spend (R bn)
Child Support	440	12 777	67.5
Old Age[24]	1 860	3 655	81.6
Disability	1 860	1 058	23.6
Foster Care	1 040	350	4.4
Grant in Aid	440	222	1.2
Care Dependency	1 860	155	3.5
Total		**17 996**	**181.66**

Source: Grant amounts from SASSA's *You and Your Grants 2020/21*, available: https://www.sassa.gov.za/publications/Documents/You%20and%20Your%20Grants%202020%20-%20English.pdf; recipients based on 2019/20 revised estimates from National Treasury's *Budget Review 2020*, available: http://www.treasury.gov.za/documents/National%20Budget/2020/review/FullBR.pdf

Note: Total annual spend differs from National Treasury's expenditure totals due to changes to grant amounts over the measurement period. The estimate given by National Treasury is R175bn.

Special COVID-19 grants

In the midst of the COVID-19 pandemic, a COVID-19 grant of R350 was implemented. The grant is available to those above the age of 18, are South African citizens, permanent residents or refugees registered with Home Affairs, not currently employed or receiving any form of income, not currently receiving a grant or other government COVID-19 support (including an exclusion of caregivers who receive a grant on behalf of their dependant), not receiving an Unemployment Insurance Fund (UIF) benefit nor qualifying to receive UIF benefits, not receiving a stipend from NSFAS or other financial aid, and are not resident in a government funded or subsidised institution.[25] This is estimated to be between 9.5 and 13 million eligible people (a wide range depending on how eligibility is assessed, for example, in practice it is difficult to exclude informal workers or unregistered workers receiving some form of income).[26]

Access has been patchy. According to the Department of Social Development, between 4.4 and 4.8 million people were paid the grant each month, between May and August 2020[27] (the number of reported grants paid varies per month). By the end of November 2020, SASSA reports 6.9 million applications had been approved.[28] Many people have had great difficulty in accessing the grant, with applications taking a long time to process, leaving people without income for months during some of the most difficult periods of the lockdown. There is also no clear and frequent public reporting of the

[24] Includes War Veterans, which are negligible in size.

[25] SASSA. 2020. *Special COVID-19 Social Relief of Distress Grant: What is the qualifying criteria for the special COVID-19 Social Relief of Distress Grant?* Available: https://www.sassa.gov.za/Pages/COVID-19_SRD_Grant.aspx

[26] Bhorat, Kohler, Oosthuizen, Stanwix, Steenkamp. Thornton. 2020. *The Economics of Covid-19 in South Africa: Early Impressions.* DPRU Working Paper 202004.

[27] Department of Social Development. 2020. *Social Development Portfolio Update on Measures Put in Place to Respond to COVID-19 Pandemic: 14 October 2020.*

[28] sanews.gov.za

uptake of the grant, and those not receiving communication from SASSA have no avenue of appeal.[29] Despite the under-coverage of the COVID-19 grant, it has been relatively pro-poor in terms of its recipients.[30] The grant has brought millions into the social assistance system, who were not previously receiving any other income support. This grant was due to expire at the end of October 2020, but was extended for three months until end January after considerable pressure from civil society organisations. The President announced a further three-month extension in the February 2021 State of the Nation address. However, demands for the increase of this grant and the Caregiver's Allowance to the food poverty line of R585 per month were not met, caregivers were not included in the COVID-19 grant or the Caregiver's Allowance extended, and three months remains an insufficient extension period.[31] This is currently the subject of a campaign, and meetings have been sought with government to achieve its extension and improvement.[32]

All grants, apart from the CSG, received an increase of R250 from May to October 2020. The CSG, however, received an initial increase per child in May of R300, and then returned to its pre-COVID-19 level once the Caregiver's Allowance of R500 was implemented. These increases provided those recipients with additional support against destitution and hunger, benefitting approximately 17 million people already within the social assistance circle. In an environment where incomes are depressed, labour market opportunities are scarce, and basic needs are increasingly difficult to meet, it would have been prudent to continue with the pandemic amounts of these grants. Below, we detail the costing which would have been required to continue with these increase amounts for these grants. An alternative option would have been to include increases to the CSG *per child* of R300 – see the costing below.

Table 2: Additional Cost of grant top-ups (R million)

			Additional Cost (R million)	
Grant Type	**# Grants**	**Increase per month**	**5 Months**	**12 Months**
Care dependency	143k	R250	178	429
Caregiver allowance	7.1m	R500	17 829	42 791
CSG per child	12.7m	R300	19 165	45 997
Disability	1m	R250	1 297	3 114
Foster care	253k	R250	316	760
Old age	3.7m	R250	4 588	11 012

[29] C19 People's Coalition. 2020. *Media Statement: No to the termination of the Special COVID-19 Grant!* Available: https://c19peoplescoalition.org.za/media-statement-no-to-the-termination-of-the-special-covid-19-grant/

[30] Kohler, Bhorat. 2020. *Social assistance during South Africa's national lockdown: Examining the COVID-19 grant, changes to the Child Support Grant, and post-October policy options.*

[31] A Black Sash court case brought for the renewal of the Caregiver's Allowance, supported by IEJ expert evidence, was rejected on procedural grounds. Civil society organisations have expressed their concerns about various aspects of the partial extension, which are highly prejudicial, particularly to women see Coalition Statement: President's inadequate grant announcement is deeply anti-women and anti-poor – C19 People's Coalition

[32] https://www.iej.org.za/joint-statement-response-to-state-of-the-nation-address-extension-of-the-covid-19-srd/

Note: War Veterans grant increase is excluded due to negligible additional cost. Costings for the continuation of the CSG per caregiver and per child are included. Note the similar cost of changing the CSG increase to per child at a lower increase amount. Grant in aid not included due to no increase.

The most urgent priority for government is to continue and improve these emergency measures until such time as a UBIG is implemented, hopefully within one year, particularly the COVID-19 grant, and to incorporate caregivers into the COVID-19 grant. Between 1.9 and 4.7 caregivers would be eligible for the COVID-19 grant. This will provide important support to those without income or other government support, especially in the context of a depressed labour market. Whilst civil society has appropriately called for the COVID-19 grant to be increased to at least R585, its extension at current levels until a UBIG is introduced would certainly be better than abolishing it. Although the amount of R350 per month makes it difficult to live in any decent manner, the amount is similar to the per capita household income of the bottom 10% (R352 pm).[33]

The stringency of application criteria should be drastically relaxed. The requirement of zero other income is inappropriate in the context of labour market income being insufficient to support households even before the pandemic. This has been aggravated by widespread retrenchments, working-hour reductions, and the cessation of wage support mechanisms (TERS) from October. Further, those that receive other social assistance should not be excluded from this grant. CSGs are received by caregivers *on behalf of the child* and are not meant to be social assistance for the caregiver. The Department of Social Development has made a number of important recommendations to improve the administrative processes.[34]

Existing UBIG proposals

A number of proposals have been made with regards to the implementation of the UBIG. Here we review a small number of these that have gained traction, before proceeding to evaluate and cost a series of options. [As noted above, proposals use variations of acronyms (UBI, BIG) generally denoting very similar policy measures. In this brief we use "UBIG" to denote a universal grant, except when referring to other proposals that use another of the acronyms, or only target a select group.]

Social Transformation Committee

The ANC Social Transformation Committee's (STC) presentation to the National Planning Commission Plenary in August of 2020 detailed a staged approach to a UBI Grant for all before 2030, but a grant for all adults would only be introduced in 2024. The paths towards this end consisted of including those aged 58 and 59 without income within the OPG in 2021, whilst continuing to register all job seekers between 18-59 and channelling youth into training and work placements. By 2024, those aged 55-57 without income would receive the OPG, whilst introducing a UBI Grant to those economically active but unemployed aged 19-59 at R500 per person per month, with an estimated 50% uptake of the economically active population. Finally, a UBI Grant for all is envisioned before 2030 in order to meet NDP and SDG goals of reducing food poverty to zero. The financing of this consists of the

[33] South African Presidential Economic Advisory Council. 2020. *Briefing notes on key policy questions for SA's economic recovery: October 2020.*

[34] Department of Social Development. 2020. *Social Development Portfolio Update on Measures Put in Place to Respond to COVID-19 Pandemic: 14 October 2020.*

reclaiming of the full UBI amount from all employed people,[35] and then funding the balance through additional taxation measures. The level of R500, although below the food poverty line, removes people from food poverty according to the STC (assuming some other nominal form of household income is available). Table 3 shows the total annual cost of providing those aged 19-59 with a monthly R500 UBI Grant.

Table 3: STC Total cost of a BIG of R500 pm (R billion)

Universal Basic Income Grant	Population Count	Gross Cost (R billion)
19 - 59	32.96m	197.78

Source: Social Transformation Committee: Basic Income Grants, Social Relief and Food Security (2019: 11)

Department of Social Development

The Department of Social Development (DSD), drawing on advice from the STC (see above), begins by adopting National Treasury's claim of limited fiscal ability to fund a UBI Grant. Their suggestion is to roll out an income Grant to more at-risk age groups first, whilst expanding the range of coverage over a three-to-five-year period. This is in contrast to providing a smaller amount to a larger number of people. The DSD suggests an initial rollout to youth (18 to 24/35) and the elderly (50 to 59) as they face increased precarity in the labour market, as well as being less equipped to weather the uncertainty that the pandemic has brought. The Department also notes the need to combine income support with access to labour markets and training opportunities, especially for youth that are not in employment, education or training (NEET). Financing concerns are balanced by the DSD by outlining how increases in taxes for the purpose of increasing transfers will likely be neutral and serve a redistributive purpose. Notably, the DSD highlights the administrative challenge that the disbursement of an Income Grant to large groups presents, learning from the bottleneck and exclusions prevalent in the rollout of the COVID-19 grant. The need to increase capacity at SASSA is paramount to the impact that any income support measure will have.

Table 4: DSD Total Cost of a BIG Per Year Per Age Group (R billion)

Age Group	FPL R560	LBPL R810	UBPL R1200
18-21	24.5	35.5	52.5
18-24	42.6	61.6	91.3
18-35	116	167.9	248.7
36-59	80.7	116.8	173
36-50	56	81	120
50-59	24.7	35.7	53
55-59	11.1	16	23.8
18-59	196.8	284.6	421.6

Note: Figures rounded to nearest decimal.

[35] This would require a special mechanism if it is to be applied to all employed, including those below the income tax threshold of around R85k pa. Consideration could be given to applying such a clawback mechanism only to workers earning above the NMW full time equivalent.

Black Sash

As shown in Table 5, the Black Sash costs grants for three groups of grantees – all citizens, all unemployed, and youth unemployed – at two levels of R561 and R1227 (a cost for all citizens at R1227 is not given). These two amounts are based on the 2019 food poverty and upper-bound poverty lines respectively, and the 2019 population estimates. They highlight the possibility of a staggered introduction of Basic Income Support to the groups listed. This would lessen the strain of funding the grants, especially in a difficult COVID-19 economic environment, whilst still giving support to some of those who need it, but would have the disadvantages of being a means-tested grant. The groups suggested could be amended to prioritise people outside of the labour force who receive no labour market compensation or other social support. Black Sash recommend financing through government expenditure re-prioritisation from low-impact programmes, money returned via VAT, consumption tax increases (on luxury goods), ensuring the full collection of corporate taxes, fiscal drag, minimising illicit financial flows, using UIF surpluses, increasing carbon taxes, and through the longer-term savings of government expenditure on health, crime prevention, and other areas.

Table 5: Black Sash Total Cost of Basic Income Support Per Year (R billion)

Group	Number of people	R561	R1 227
All citizens	56.5m	383	--
Unemployed (18-59)	10.4m	70	153
Unemployed (18-35)	6m	40.4	88.3

Note: No proposal was made for all citizens at the R1 227 per month level, and thus is excluded.

COPAC

COPAC have suggested consideration of six different levels for a UBI Grant to be set at, for the population aged 18-59. R1 280, just above the 2019 upper-bound poverty line of R1 227; R2 500, proposed as a means to "extend Covid relief social grants and integrate for all"; R3 500, close to the basic basket of essentials (R3 470.92 for May 2020) and below the national minimum wage (R4 045); R4 200, purportedly beyond a poverty wage; R7 326, for a decent standard of living; and R12 500, the Marikana-inspired "living wage". The costs are shown in Table 6. COPAC suggests the UBI Grant would be subject to progressive taxation for those earning more than R240 000 per annum. They further suggest taxation on wealth, income, corporate income, carbon emissions, natural resources, and anti-tax avoidance measures to finance the grant.

Table 6: COPAC Total Cost of a Basic Income Grant Per Year (R billion)

Group	Number of people	R1 280	R2 500	R3 500	R4 200	R7 326	R12 500
18 -59	33.97m	521	1 018	1 425	1 710	2 983	5 090

Source: Author's calculations based off COPAC's suggested amounts.

Comment on existing proposals

These proposals add important content to the public debate, including proposed levels, means of implementation, and funding sources. There are, however, a number of weaknesses:

- The "phased" proposals involve somewhat complex processes of targeting that may make implementation more cumbersome and less effective;
- Outdated poverty line levels are used in some proposals;
- Tax proposals are not fully quantified, and are sometimes regressive; and
- In some, firm recommendations between the various options are not given.

The analysis and proposals made here seek to enrich the public conversation by addressing some of these gaps.

UBIG Proposals and Costing

We now present a series of basic income options and our calculated costing.

Maintaining the COVID-19 grant

As noted above it is crucial to maintain the COVID-19 grant in the face of the pressing concerns of hunger, job loss, and income insecurity. Table 7 shows the cost of this at three different levels of uptake – the 6.9 million approved recipients announced by SASSA as of November 2020, with a higher and lower estimates of eligible caregivers. It shows the cost for both the current amount of R350, and the FPL of R585. It gives these costs per month and for a 12-month period.

At November 2020 approval levels, the cost of maintaining the grant at R350 for 12 months would only be R29 billion. Given its significant impact this is a policy "no brainer". Even if grant recipients grew to include the maximum eligible estimates of caregivers the grant is still affordable (see next section). Even more effective would be increasing the level to, at least, the food poverty line. At uptake by 6.9 million beneficiaries, for 12 months, this would cost R48 billion, rising to R62 billion if the lower range of caregivers were included. Again, given the massive benefit this would have, it should be a serious policy consideration.

Table 7: Costing of extension of COVID-19 grant (R billion)

	Extension	1 month		12 months	
Eligible for receipt	**Number recipients**	**R350**	**R585**	**R350**	**R585**
Current*	6.9m	2.4	4.0	29.0	48.4
Current + 1.9 million caregivers	8.8m	3.1	5.1	37.0	61.8
Current + 4.7 million caregivers	11.6m	4.1	6.8	48.7	81.4

* Approved beneficiaries as of November 2020. Beneficiaries actually paid out may be lower that approved beneficiaries.

Reinstating the Caregiver's Allowance

The Caregiver's Allowance of R500 per month per caregiver has also been vital in supporting women and those with young dependents. Table 8 shows the cost of extending the grant per month and for a period of 12 months, at the current R500 and an increase to the food poverty line of R585 per month. The extension of the Caregiver's Allowance per month at R585 would only cost R4.2 billion, and R50 billion for 12 months. This increase and extension supports millions directly, though not adequately when shared between other household members. This reinforces the importance of extending the COVID-19 grant to those receiving other grants.

Table 8: Total cost for the extension of the Caregiver's Allowance at various levels (R billion)

Extension	1 month		12 months	
Number recipients	**R500**	**R585**	**R500**	**R585**
7.1m	3.6	4.2	42.8	50

Research has shown that the increase of the COVID-19 grant and Caregiver's Allowance to R585 per month each, at these uptake levels, would save approximately 6.8 million people from hunger.[36] If these grants are not extended past January 2021, 5.7 million people will likely go hungry. While also continuing the other COVID-19 grant tops up would be ideal, continuing and increasing the COVID-19 grant, and incorporating caregivers into this grant is clearly the priority. The pandemic is not over, further waves of the pandemic are predicted, and this support is crucial in cushioning the increases of poverty, inequality, and hunger.

Scenarios for a UBIG

As is visible in the proposals already made, there are various permutations to the UBIG, in particular who should get the grant and at what level it should be set.

What should the level of a UBIG be?

It is important we set an aspirational target for the level of a UBIG to be achieved over the medium to long term. This level could be commensurate with the national minimum wage, decent living level, or living wage. Determining this level should involve a broad range of stakeholders. As seen in the COPAC proposal, such levels would require anywhere from a 30% to 300% increase in *total* national budget expenditure. The higher end of this range is not feasible in the near term. We therefore focus on costing scenarios using poverty lines given in 2020 Rands, while including two higher levels of R2 500 and R3 500 for illustrative purposes. By targeting poverty lines, the UBIG would result in the substantial reduction of poverty. These poverty lines are given in Table 9.

Table 9: Poverty Lines and amounts in April 2020 ZAR

Poverty Line	**2020 Line Values (ZAR)**
Food poverty line (FPL)	585
Lower-bound poverty line (LBPL)	840
Upper-bound poverty line (UBPL)	1268

Source: Stats SA. 2020. Available: http://www.statssa.gov.za/publications/P03101/P031012020.pdf (Based on April 2020 prices which are likely to have increased)

[36] Bassier & Leibbrandt. 2020. *Social Protection in Response to COVID-19.*

Who should get the grant?

The goal of a UBIG should be to make it *universally* applicable, that is, everyone is eligible (although, as shown below, those earning above certain levels will be taxed to "claim back" the grant). We provide costing for seven groups, all consisting of people aged 18-59, to build a picture of available options for phasing a universal grant in. These groups are all people who are of working age, have families to support, and are offered the least social assistance in other forms. A partial or targeted BIG, introduced as a step towards a universal income guarantee, could cover one, or a combination of these groups (who have overlapping membership). Alternatively, a UBIG could be introduced for all those aged 18-59. The latter is our preference as outlined in the recommendations.

- **All.** All people between the ages of 18-59. Not dependent on any other criteria.
- **All, but with partial uptake (60% or 80% uptake).** It is unlikely that the UBIG will be accessed by all even if available to them. This is because this group includes those with other forms of income who will likely not self-select for receipt of the grant. There may also be geographical disparities, administrative inefficiencies, and lack of procedural knowledge from potential recipients that reduce uptake of the grant. We therefore include groups at 60% and 80% of the total cohort (the rationale for these levels are discussed further below).
- **Informal sector workers.** Informal sector workers are given as a specific group due to their relatively higher precarity in the labour market, though active participants. The informal sector sees a higher share of women than the formal sector and is less regulated. Incomes are lower than those in formal sector employment, and a UBIG would create larger benefits for these workers as a result.
- **Unemployed**. Unemployed people are included due to no labour market compensation. This is defined in the expanded sense (there is therefore an overlap with the NEA group which also includes discouraged work seekers and those with other reasons for not searching for employment).
- **Not Economically Active (NEA)**. These are people outside of the labour market, which are not classified as unemployed. For example, unemployment figures would exclude those running households who are primarily involved in unpaid care work and who are without income. This also includes discouraged workers and those with other reasons for not searching for employment.
- **Not formally employed (NFE)**. Includes those who are employed in the informal sector, those who are unemployed, and those not economically active. These groups are near impossible to differentiate administratively.

Given the volatility of the labour market due to the lockdown and the return to work, the people moving between the informal sector, being unemployed, and not economically active are likely to be frequent and high in volume. These groups, while commonly separated in surveys, are almost impossible for grant administrators to distinguish in practice. A grant aimed at the "unemployed" would necessarily have to include the NEA and informal sector workers, who could simply claim to be unemployed. Similarly, it would be difficult to target the informal sector and could risk creating a perverse incentive for informalisation. Only via UIF contributions or PAYE data could the formally employed be distinguished and potentially excluded. As such, costings should include a combination of the latter three groups identified above – the "not formally employed". This also avoids artificial shrinking of the "unemployed" as people move to not being economically active.

The number of people within each group is based on Stats SA's [third quarter (Q3)] Quarterly Labour Force Survey (QLFS). Results from Q2 showed significant changes in unemployment due to COVID-19. Specifically, 2.2 million jobs were lost, but the number of job seekers also fell, leading to a statistically lower unemployment rate (by the narrow definition). If a reversion towards pre-pandemic labour market dynamics occurs, we would expect a large increase in those unemployed as people are able to look for work, a large increase in informal workers, and a substantial decrease in the number of those NEA as employment (and unemployment) recovers. The update from QLFS Q3 confirms the beginning of this reversion to pre-pandemic levels, with mild recoveries in employment (increase of 543 thousand), increases in those unemployed, and decreases in those NEA. The net result on those not formally employed is a slight decrease due to the increase in the number of those employed.

The tumultuous changes within the various labour market definitions highlight the difficulty of targeting a specific segment within it. This is a considerable administrative challenge should a portion of the labour market be targeted, as experienced with the challenges of the rollout of the COVID-19 grant. A UBIG to all would mitigate these challenges.

Table 10 shows the annual costings for the introduction of a UBIG for different groups, at the amounts listed above. As visible, a UBIG for all adults between 18 and 59 at the food poverty line would cost R239 billion per annum, and R343 billion and R519 billion at the lower-bound and upper-bound poverty lines respectively. A UBIG targeted at the "not formally employed" (NFE) and set at the upper-bound poverty line would cost R341 billion, and R226 billion and R157 billion at the lower-bound and food poverty lines respectively, all per annum. For 80% of all adults the cost would be R192 billion, R275 billion, and R415 billion for the three poverty lines respectively, and 60% R144 billion, R206 billion, and R311 billion respectively.

Table 10. Total annual cost of a Universal Basic Income Guarantee at different levels (R billion)

Group (18 -59)	Number of people	FPL (R585 pm)	LBPL (R840 pm)	UBPL (R1268 pm)	R2500 pm	R3500 pm
All	34.1m	239	343	519	1023	1432
All (80%)	27.3m	192	275	415	818	1146
All (60%)	20.5m	144	206	311	614	859
Informal Workers[37]	2.5m	18	25	38	76	106
Unemployed	11m	78	111	168	332	464
NEA	13.4m	94	135	203	401	561
NFE	22.4m	157	226	341	672	940

Source: QLFS 2020:Q3

Note: Unemployed is by expanded definition. NEA denotes those not economically active. NFE denotes those not formally employed. An additional annual cost estimate for an additional 1 million people by any definition would be R7bn at the R585 level, R10bn at the R840 level, R15.2bn at the R1 268 level, R30bn at the R2 500 level, and R42bn at the R3 500 level.

[37] This refers to informal *sector* workers only (not domestics, precariously employed etc.)

Most of the costings estimated in Table 10 assume a 100% uptake rate of a UBIG within each group. In practice, however, this may be substantially lower. For the unemployed and informal sector workers, geographical disparities, administrative inefficiencies, and lack of procedural knowledge from potential recipients would reduce uptake of the grant. Those NEA face the same but also include those with incomes who choose not to work, for example, those in affluent households who are not breadwinners, who are unlikely to self-select in. The "all" group would be smaller because of all these reasons, and because a fair portion included here are formally employed with reasonable incomes.

The gradual uptake of other grants provides important lessons:

- The Child Support grant was introduced in 1998. The eligible age range was extended from those aged 0 to 7 years of age to all those 18 years and younger in a staggered fashion.[38] The level of uptake within the eligible group at the time also grew gradually over time, from 30% coverage in 2003 and 45% in 2006,[39] to 82.5% of eligible recipients in 2016.[40] Most prominent exclusions[41] were due to not having the right documentation and that caregivers had not gotten around to applying.[42]
- The Older Persons Grant suffers from a history of exclusion during Apartheid and it is difficult to proxy an uptake rate. However, the upper range of uptake is around 80% of those eligible.
- The implementation of the COVID-19 grant in May 2020 resulted in 6.6 million applications, of which 4.4 million were approved and paid. This is approximately 34-46% of those eligible to receive the grant.[43] By August, the number of applications grew to 8.3 million, of which 5.6 million were approved, and 4.56 million paid. There has been little increase in those paid over the course of the grant's duration, yet applications have increased by some 27%, to 43-59% of those eligible to receive the grant.

This gives some indication as to what uptake of a UBIG will be, although it is vital to consider the relatively stringent eligibility criteria that the various grant carry. Uptake in the first year may be as low as 60% in the first year and may never reach higher than around 80% in subsequent years.

Targeting and conditionality

The targeting criteria of a UBIG determines who qualifies to receive it based on a range of demographic and socio-economic factors. Whilst limiting the pool of recipients through targeting, it also allows for the amount disbursed to be increased, all else being equal. In the context of finite resources, there is a trade-off between increasing the pool of recipients and the amount which they receive.

Targeting, generally, experiences greater allocative inefficiencies. There is a question as to who to target and on what grounds, as well as the administrative inefficiencies that hamstring their effective rollout. Further, setting multiple criteria (as with the COVID-19 grant) tends to exclude people unjustly. With a rapidly changing labour market structure, little administrative capacity, and a history of

[38] Katherine Eyal. 2016. *Follow the Child: The Effect of an Unconditional Cash Transfer on Adolescent Human Capital and Mental Health.*
[39] Centre for Global Development. nd. *A Step Up for the Children Apartheid Left Behind: South Africa's Child Support Grant.* Available: http://millionssaved.cgdev.org/case-studies/south-africas-child-support-grant
[40] Department of Social Development, SASSA, UNICEF. 2016. *Removing Barriers to Accessing Child Grants: Progress in reducing exclusion from South Africa's Child Support Grant.*
[41] Excluding the reason of income being too high.
[42] Department of Social Development, SASSA, UNICEF. 2016. *Removing Barriers to Accessing Child Grants: Progress in reducing exclusion from South Africa's Child Support Grant.*
[43] Department of Social Development. 2020. *Social development portfolio update on measures put in place to respond to COVID-19 pandemic. 14 October 2020.*

inefficient rollouts, setting targeting criteria other than age seems unlikely to be effective. This also excludes a UBIG as being established as a fundamental right as per national and international commitments.

Providing a UBIG to all aged 18-59 negates these challenges. It allows for the closing of a major gap in South Africa's social assistance net, as well as recognises the assistance as a fundamental human right. The positive welfare and economic effects of an untargeted, universal UBIG are likely to be larger too as more people are given additional spending power. However, there is a danger of setting the UBIG at too low a level should appropriate and urgent financing interventions not be implemented, which would negatively decrease the guarantee's impact.

Financing

Thinking about financing

The UBIG will need to be paid for out of the fiscus. This requires careful analysis of where funds may be derived from, particularly in the context of COVID-19 and the associated economic recession. In general, the primary sourcing of financing a UBIG must be taxation. In the near term, some of the government funds may need to come from borrowing. This recession has led to a significant drop in tax revenue and rising levels of debt. However, South Africa maintains access to capital markets, together with pools of available local funds, albeit with relatively high borrowing costs. In the face of the COVID-19 crisis, capital markets are tolerating significantly increased debt levels, including from emerging markets. There is also scope for monetary policy interventions to lower the cost of borrowing and ensure government's on-going access to capital. Additionally, funds may be accessible from other state, or quasi-state, funds. Some surpluses remain within the UIF, for example, which could be lent to the government as a bridging measure. This is particularly appropriate given the mandate of the UIF. These issues are explored in other policy briefs.

What is critical to stress here, is that it is not only a question of "can we afford to do this?" but also one of "can we afford *not* to do this?". This must be asked in light of the massive human cost that the pandemic is wreaking – with soaring levels of hunger, malnutrition, depression, and so on – and the associated social ills this will exacerbate – gender-based violence, criminality, and so on. But this question is also relevant in terms of our economic health and public finances. An economy without money being spent means business shutting and rising unemployment. An economy with starving people means worse educational outcomes. The economic evidence is clear – this destruction of business and social capital will have a long-lasting depressive impact on the economy.[44] In turn, a shrinking economy means less taxes and greater debt. We cannot get out of the economic and social crisis or ensure sustainable public finances without spending on critical social programmes such as a UBIG.

Sources of financing

As noted, taxation is the primary source of funding. In this respect, a number of principles should guide our decisions here.

1. Recoup the UBIG from those with taxable income.
2. Tax those with middle, high and very high incomes on a sliding scale.
3. Tax wealth and income from wealth.

[44] World Bank Group. 2020. *Global Economic Prospects: June 2020.*

4. Limit tax breaks for those with higher incomes.
5. Cancel ineffective corporate tax breaks.
6. Tax environmentally damaging behaviour.
7. Reduce wasteful and irregular expenditure.
8. Reduce tax evasion.

In addition, a certain level of funds will be recouped from increased spending by grant recipients, predominantly through expenditure on VATable items; and through indirect economic stimulus.

In Table 11, we summarise key sources of tax financing. These sources are non-exhaustive but are all progressive by design. Regressive tax revenue collection avenues should not be pursued as they aggravate already high inequality and put disproportionate pressure on lower-income earners and their dependents, those who stand to gain the most from a UBIG.

Table 11: Summary table of financing options

Item	**Amount (R billion)**
1. Social Security Tax.	64.7
2. Eliminate Medical Tax Credits for those earning above R500k (2018/19).	6.3
3. Eliminate retirement fund contribution deductions for those earning above R1m (2018/19).	32.0
4. Increase Dividend Tax to 25%, from 20% (2018/19)	7.0
5. Replace Estate Duty with Progressive Inheritance Tax.[45]	5.0
6. Securities Transfer Tax to be increased from 0.25% to 0.3% (2018/19).	1.2
7. Increase carbon tax to one quarter of EU standard.[46]	2.0
8. Employment Tax Incentive to be cancelled.[47]	4.8
9. Reduce Cabinet size, departmental duplication, expenditures on conferences, travel, and overall Government saving of 5% on R107 billion spent on "General Public Services", as per Budget 2020, for year 2020/2021.	5.4
10. Claw back irregular / wasteful expenditure, last reported by the Auditor General for 2019 to be R42.8 billion, by a target of 30%.	12.8
11. Reduction of profit shifting by MNCs by a target of 25% (2018).[48]	5.75
12. Luxury vat of 25% on select items.[49]	11
TOTAL (1-12)	**158**
13. Spending of UBIG amount on VATable Items.	12 - 13.5% of total

[45] Colin Coleman. 2020. *From a "Two-Speed Society" to One that works for All.*

[46] Ibid.

[47] Ebrahim, Leibbrandt, Ranchhod. 2017. *The effects of the Employment Tax Incentive on South African employment.* WIDER Working Paper 2017/5. Shows no evidence of increased youth employment or churn.

[48] Torslov, Weir, Zucman. 2018. *The Missing Profits of Nations: 2017 Figures.* Available: missingprofits.world

[49] Institute for Economic Justice. 2018. *Mitigating the impact of the VAT increase: can zero-rating help?* Inflated by Headline CPI from March 2018 prices to August 2020 prices.

14. Wealth Tax	34 – 189

The above measures are calculated using publicly available SARS tax tables for 2019/2020.

This does not represent an exhaustive list of possible tax interventions, and other revenue measures could be considered. These include the reworking of the Securities Transfer Tax into a proper Financial Transactions Tax with much wider coverage, and the introduction of a Resource Rent Tax.

Below, we elaborate on the Social Security Tax, Wealth Tax, and the clawback from spending on VATable items. We then highlight what grant options could be funded within this envelop.

Social Security Tax

The introduction of a Social Security Tax (SST) is one of the primary mechanisms that can be used to finance a UBIG. This tax is a tax on income, dedicated to financing extension of social security. It is progressively levied on all income earners – at 1.5 to 3% of taxable personal income. The tax revenues collected should be ring-fenced to provide funding specifically for a UBIG. For a more accurate collection estimate, access to administrative tax data from SARS is required.

The rate schedule shown in Table 12 indicates an annual collection of R64.7 billion if you levy a rate of 1.5% on those earning up to R80 000 per annum, 2% on those earning between R80 000 and R350 000, 2.5% on those earning R350 000 to R1 million, and 3% on those earning above R1 million. Consideration should be given to requiring employers and workers to each contribute half of this tax, as is done with the UIF.

Table 12: Social security taxation options per income bracket (R billion)

Earnings (R)	# Taxpayers	Taxable income	1.5%	2%	2.50%	3%
0 - 80k	6,822,326	218.8	3.3	4.4	5.5	6.6
80k – 350k	4,927,667	908	13.6	18.2	22.7	27.2
350k - 1m	1,910,855	1018	15.3	20.4	25.5	30.5
1m +	307,912	593.6	593.6	11.9	14.8	17.8

Source: National Treasury. 2020. *Budget Review 2020.*

Assuming that the UBIG goes to all adults 18-59, lower-income households walk away with increased income despite the SST, even if the UBIG is only set at the FPL. That is, the SST for these workers is less than the annual value of the UBIG at the FPL. In fact, this is true for all those earning up to R350 000 per annum. The value of a UBIG at the food poverty level is R7 020 per annum. Those earning R350 000 will pay R7 000 in SST. Above this level, the value of UBIG is progressively clawed back from higher income earners by the SST. This ensures the UBIG benefits lower-income households without cumbersome and exclusionary targeting measures.

Wealth Tax

A wealth tax should be considered in order to fund a UBIG. South Africa has massive and increasing wealth inequality. This wealth is often unproductive "dead" capital, which generates returns to the owner either locally or offshore with little (if any) residual benefit to anyone else. By implementing a wealth tax on those with high wealth, not only can a substantial portion of any UBIG financing requirement be fulfilled, but this also drives the owners of that wealth to use their assets more productively.

The potential finance raised through a wealth tax is substantial, even at a 1% level. Table 13 shows that a 1% wealth tax for the for top 1% of earners raises R63 billion, a 3% wealth tax on the richest 0.1% raises R103 billion.

Table 13: Estimated revenue collection through a wealth tax (R billion)

Group	Number of people	Average wealth per person	Total wealth (R Billion)	1% tax	3% tax
Top 1%	354 000	R17 830 000	6 312	63	189
Top 0.1%	35 400	R96 970 000	3 433	34	103

Source: Author's calculations based off (Chaterjee, Czajka & Gethin. 2020)

The implementation of a wealth tax will take time. Collecting the relevant data necessary to set an appropriate level of taxation of wealth is crucial, and currently not sufficient. A period of two years should be considered where wealth is required to be declared, though not taxed. This would build the database necessary to formulate an efficient and appropriate tax regime, enabling policymakers to propose more detailed wealth taxation schemes.

VAT Collection

As grant recipients will spend this money, a substantial amount will be recouped through VAT. This is based on the assumption of the full amount of the BIG being spent, with recoupments equal to 12% of the total cost of implementation available if 80% of money spent is on VATable items. This is based on the fact that the lowest 7 deciles spend 81.2% on VATable items, with the top 3 deciles closer to 91%. We anticipate uptake of the UBIG to be larger amongst the lower deciles, and thus base the calculation on a conservative 80% spend on VATable items.

Table 14: VAT collection for different groups (R billion)

Group (18-59)	# Recipients	R585	R840	R1268
All	34.1m	28.7	41.3	62.3
All (80%)	27.3m	23.0	33.0	49.8
All (60%)	20.5m	17.2	24.8	37.4
NFE	22.4m	18.9	27.1	40.9

Note: NFE denotes those not formally employed, comprising informal sector workers, those unemployed, and those not economically active. Assumes zero saving of UBIG amounts. Based on QLFS 2020:Q3 data. Figures rounded. Based on 80% expenditure of income on VATable items.

What is Possible with this Financing?

Reading Table 10 and Table 11 together it is possible to assess what variants of the UBIG – differing by population group and levels – is fundable using these particular revenue sources. Table 15, replicates a version of Table 10 to illustrate this.

Table 15: Total Cost of a Basic Income Guarantee Per Year Grouped at Poverty lines (R Billion)

Group (18 -59)	Number of people	FPL (R585 pm)	LBPL (R840 pm)	UBPL (R1 268 pm)
All	34.1m	239	344	519
All (80%)	27.3m	192	275	415
All (60%)	20.5m	144	206	311
NFE	22.4m	157	226	341

Note: NFE denotes those not formally employed, which is the total number of people in the informal sector, those unemployed, and those not economically active.

If we consider the R158 billion in additional taxes outlined in Table 11 as almost immediately available, then this could fund all those not formally employed at a level of R585 per month – a cost of R157 billion – or a UBIG for all adults if we expected only 60% uptake. This R158 billion could, of course, be supplemented by other funds from the fiscus to either increase the net or the level of the grant. The increased VAT revenue would also provide further income of at least an estimated R17 billion.

As noted above, these funds could be supplemented by borrowed funds, including from the UIF surpluses.

If a wealth tax of R189 billion was collected in the medium term this would increase the envelop available to R347 billion. This would be enough to fund all the not formally employed at the upper-bound poverty line of R1 268. It would also be sufficient to cover 100% of adults at the lower-bound poverty line of R840p/m, or the UBPL to 60% of all adults.

Table 16: UBIG financeable from tax revenue

Financing	Affordable UBIG Implementation	
R158 billion in additional taxes	All 18 – 59 assuming a 60% uptake @ food poverty line of R585	All 18 – 59 not formally employed @ food poverty line of R585
R158 billion in additional taxes + R189 bn from wealth tax	All 18 – 59 assuming a 100% uptake @ lower-bound poverty line of R840 All 18 – 59 assuming a 60% uptake @ upper bound poverty line of R1 268	All 18 – 59 not formally employed @ upper bound poverty line of R1 268

The above scenarios only consider direct financing from tax revenue, without considering VAT recouped from UBIG expenditure, or additional financing from borrowing. When these are considered, a UBIG at a higher level than considered in the above scenarios becomes more easily affordable. For example, with relatively modest borrowing of R30 billion and the VAT recouped (R 25 billion), a UBIG with 60% uptake could be financed at the LBPL of R840 p/m. Initially, such financing could come from a no-interest loan from the UIF, given the UBIG's contribution to supporting the unemployed, and the large surplus historically run by the UIF.

Recommendations

The need for a UBIG is evident – the potential positive impact on livelihoods, poverty, and the economy is clear. Further, the above has shown it is affordable. The benefit of universality is also clear – in impact, the manner in which it fulfils obligations for social security for all, and in ease of administration.

Given the urgent need for support exacerbated by large scale employment loss, wage decreases, working hour decreases, as well as South Africa's constitutional mandate to provide adequate social security and the benefits of universality, but acknowledging the financing difficulties, we make the following recommendations:

Immediately:

1. Extend the COVID-19 grant until the end of the 2021/22 financial year, drop exclusionary criteria, and increase the level to the food poverty line of R585pm. Incorporate caregivers into this grant.

In the short term:

2. Implement a UBIG for all adults at the food poverty line of R585 per month, using the R158 billion of tax increases mentioned above; or the lower bound poverty line of R840 per month, with fairly modest borrowing. Assuming a gradual uptake of the grant, this is affordable.

In the medium term:

3. Implement a wealth tax and use this and the taxes mentioned above to fund an increase of the UBIG to either the level of the lower-bound or upper-bound poverty lines depending on uptake.

In the long term:

4. Engage in a process of social consultation and long-term planning in order to ensure a UBIG sufficient to meet basic needs, and that there is a coherent overall transformation of the social security system.

Government should commit to the introduction of a UBIG as a means of dignity, freedom, and economic prosperity. A UBIG has been considered by government for at least two decades without implementation. South Africa has a Constitutional obligation to provide the UBIG. A UBIG enables people to live with greater dignity and freedom, and serves as one of the main tools against economic decline.

4. Asghar Adelzadeh (ADRS) Modelling Tables

Preliminary Summary Results

1. What can modelling techniques potentially add to the analysis of Basic Income Grant?

A. By pushing us to think through the BIG related issues from a different lens, use of economic models can add rigour to the argument.

B. Use of economic modelling techniques forces us to become a lot more specific about various aspects of the BIG proposals for South Africa. The process of developing model scenarios requires that we think about the details of our proposals

C. Using models to simulate the impact of BIG scenarios enable us to compare and contract alternative scenarios' budgetary, growth and development impacts.

2. How do models potentially contribute to the debate on the BIG?

A. As a replicate of the working of an economy, a model is a tool that enables us to design "what if" scenarios about various policy scenarios and simulate their likely impact on important growth and development indicators. By taking into account the direct, indirect and dynamic impact of each scenario, comparative analysis of model results across scenarios is expected to help choose policies that are likely to produce better outputs and outcomes.

B. The differences among economists in terms of how a market economy works, i.e., its laws of motion, are also reflected in the construction of replicates of an economy in the form of economic models. Therefore, theoretical assumptions that underlie these models differ, and our choice of whether to use an orthodox or a heterodox economic model to analyse the BIG policy choices significantly matters.

3. What is the model that has been used for this project?

A. ADRS has built a suite of SA models over the last 20 years. The model that we have used for this project is called Dynamically Integrated Macro and Micro Simulation Model (DIMMSIM). DIMMSIM integrates ADRS' Macroeconometric Model of South Africa (MEMSA) with its household microsimulation model of the country (SATTSIM) to capture the dynamic interactions between the macroeconomic performance and the poverty and income distribution at household level.

B. DIMMSIM captures the working of the economy from a perspective that goes beyond the treatment of a market economy based on the "rationality-individualismequilibrium nexus". The model has a broad heterodox theoretical foundation and utilizes modern time series estimation methods for building the model's system of equations.

C. DIMMSIM's microsimulation component includes three government's taxation policies (i.e., personal income tax, excise tax, and value added tax) and six transfer programmes (i.e., old age grant, child support, disability grant, care dependency grant, care giver support, and the basic income grant). Four of the programs constitute government's main social security programmes.

4. What are the specifics of the BIG scenarios that have been used?

A. Using suggestions from the Campaign and the IEJ, we designed and ran three 3 categories of scenarios:

1. **Unemployment Grant**: Three scenarios are designed for the provision of the BIG to all who are broadly unemployed in the economy. The eligibility and entitlement conditions of the three scenarios are as follow:
2. The eligible broadly defined unemployed persons

   a) *Should be 15 to 64 year old*
   b) *Should not receive any other grants*
   c) *Should not be in school*
3. The new grant programme is assumed to go into effect in 2021 and the grant amounts for the three scenarios reflect the Food Poverty Line, estimated at R614 for 2021, the Lower Bound Poverty Line of R882 per month, and the Upper Bound Poverty Line of R1331 per month.
4. Other conditions include:
   a) *The grant will go into effect from 2021*
   b) *All current grants will continue as before*
   c) *Both poverty line and the grant amounts adjust annually by 5%*
5. **Adult Basic Income Grant**: We have run the model for Five Adult BIG Scenarios with following eligibility and entitlement conditions:
   a) *The five Adult BIG scenarios cover everyone who is 18 to 59*
   b) *As in the case of the Unemployment Grant, the grant amounts of the first three Adult BIG scenarios are in line with the estimated annual Food Poverty Line, Lower Bound Poverty Line, and Upper Bound Poverty Line.* At the same time, all current government grants (such as Pension, Child Support, Care Dependency, and Disability grants) will continue as before with their grant amounts adjusting annually to inflation.
   c) The monthly grant amounts for the fourth and fifth Adult BIG scenarios are set higher at R2500 and R3500, starting from 2021. Under these two scenarios, the disability grant that currently covers about 1.3 million adults is assumed to be suspended.
6. **Universal Basic Income Grants**: We designed two UBIG to cover the entire population of the country. The two UBIG programmes that are assumed to go into effect in 2021 are to pay monthly amounts of R614 and R1331 respectively. In addition to the amount, the two UBIG also differ in the following way:
   a) Under the UBIG that pays R614 monthly, starting in 2021, all the current grants, except the Child Support Grant, will continue as they are.
   b) Under the UBIG that initially pays the monthly amount of R1331, all current grant programmes will be suspended.
   c) Both grant amounts are adjusted by 5% annually
7. Therefore, overall, we have used the model to examine the impact of 10 new grant scenarios (A Base Scenario, 2 Unemployment Grants, 5 Adult Basic Income grants, and 2 Universal Basic Income Grants).

5. What are some of the key findings and key issues? (preliminary and incomplete)

A. Following tables provide a brief initial insight into the likely impact of an introduction of a Basic Income Grant in South Africa. The focus of the tables is on the impact of the scenarios on poverty and inequality. The model results related to the macroeconomic impact of the scenarios will be added to the final version of the following tables in order to present a fuller picture of the scenarios' impact.

Selected Preliminary Results Presented at the #UBIG Workshop

Monthly BIG Amounts and Poverty Line						
Scenarios	2020	2021	2022	2023	2024	2025
Base Scenario	NA	NA	NA	NA	NA	NA
BIG: Unemployment Grant 1	R358	R376	R395	R414	R435	R457
BIG: Unemployment Grant 2	R1 268	R1 331	R1 398	R1 468	R1 541	R1 618
Adult BIG 1	R358	R376	R395	R414	R435	R457
Adult BIG 2	R1 268	R1 331	R1 398	R1 468	R1 541	R1 618
Universal BIG (UBIG) 1	R358	R376	R395	R414	R435	R457
Universal BIG (UBIG) 2	R1 268	R1 331	R1 398	R1 468	R1 541	R1 618
Poverty Line (UBPL)	R1 268	R1 331	R1 398	R1 468	R1 541	R1 618

Number of BIG Beneficiaries			
Scenarios	2020	2021	2025
Base Scenario	NA	NA	NA
BIG: Unemployment Grant 1	NA	9 111 377	8 689 946
BIG: Unemployment Grant 2	NA	9 111 377	8 689 946
Adult BIG 1	NA	35 265 354	37 117 252
Adult BIG 2	NA	35 265 354	37 117 252
Universal BIG (UBIG) 1	NA	59 520 153	62 228 889
Universal BIG (UBIG) 2	NA	59 520 153	62 228 889

Direct Cost of BIG (R million)			
Scenarios	2020	2021	2025
Base Scenario	NA	NA	NA
BIG: Unemployment Grant 1	NA	67 160	77 858
BIG: Unemployment Grant 2	NA	145 571	168 758
Adult BIG 1	NA	259 941	332 552
Adult BIG 2	NA	563 428	720 813
Universal BIG (UBIG) 1	NA	438 723	557 540
Universal BIG (UBIG) 2	NA	950 942	1 208 479

Poverty Rate (%)			
Scenarios	2020	2021	2025
Base Scenario	38.8	36.8	29.1
BIG: Unemployment Grant 1	38.8	34.8	27.6
BIG: Unemployment Grant 2	38.8	29.0	22.8
Adult BIG 1	38.8	33.8	26.0
Adult BIG 2	38.8	27.5	20.4
Universal BIG (UBIG) 1	38.8	21.7	16.6
Universal BIG (UBIG) 2	38.8	0.0	0.0

Poverty Gap (%)			
Scenarios	2020	2021	2025
Base Scenario	13.3	12.3	9.7
BIG: Unemployment Grant 1	13.3	10.3	8.1
BIG: Unemployment Grant 2	13.3	8.2	6.5
Adult BIG 1	13.3	10.1	7.6
Adult BIG 2	13.3	7.9	5.7
Universal BIG (UBIG) 1	13.3	4.5	3.6
Universal BIG (UBIG) 2	13.3	0.0	0.0

Inequality (Gini-Coefficient)			
Scenarios	2020	2021	2025
Base Scenario	0.696	0.685	0.643
BIG: Unemployment Grant 1	0.696	0.673	0.634
BIG: Unemployment Grant 2	0.696	0.660	0.624
Adult BIG 1	0.696	0.670	0.630
Adult BIG 2	0.696	0.655	0.615
Universal BIG (UBIG) 1	0.696	0.626	0.597
Universal BIG (UBIG) 2	0.696	0.571	0.554

Source: A. Adelzadeh (2021). ADRS Dynamically Integrated Macro-Micro Simulation Model of South Africa (DIMMSIM)