



SADC BASIC Income Grant Newsletter

“Our Right, Our Wealth, Our Share”

07 March 2014

Inside This Issue

1. About the SADC BIG Coalition (Pg 1)
2. Social Protection through the mirror glass (Pg 2)
3. Malawi's Poor in need of effective social protection policies (Pg 4)
4. How to avoid the resource curse and promote local development (Pg 6)
5. Feasibility of the SADC BIG (Pg 9)
6. Sovereign Wealth Fund: Option for a SADC BIG (Pg 11)
7. How to dismantle a ticking time bomb? Policy Solutions to a volatile South Africa (Pg 12)
8. How to join the SADC BIG Campaign (Pg 15)

About the SADC Basic Income Grant

The Southern African Development Community member states are characterized by high levels of poverty and some of the highest levels of inequality globally, albeit endowed with high levels of mineral resources. It is against this background that the SADC BIG Coalition is calling for the introduction of a SADC – wide universal cash transfer in the form of a Basic Income Grant (BIG) that will be funded predominantly by a tax on extractives but does not rule out other funding options.

The rationale for such a scheme is based on the notion of economic justice of broadening access to the proceeds of such activities beyond the current narrow circle of national and international beneficiaries and shareholders of the mining companies, and aligned elites, to each and every resident of the SADC sub-region. Furthermore, the rationale behind this campaign is to call for the broadening of social welfare schemes that already exist in most SADC member states through the SADC BIG as current programs exclude a majority of young unemployed people and unemployed working age population.

A universal scheme would also ensure transparency and a greater even-handedness on the distribution of resources, reducing the risk of capture by politicians to win political support for their own gain. It would promote solidarity, and contribute to the regional integration and movement of people, and of social and economic policies as is provided for in SADC Treaties and Protocols.

“A universal scheme would also ensure transparency and a greater even-handedness on the distribution of resources, reducing the risk of capture by politicians to win political support for their own gain.”

Social Protection through the mirror glass

By Daniel Kumitz



Mr. Daniel Kumitz is a German sociologist and development and social protection expert. He works for Friedrich Ebert Stiftung (FES) - Zambia and coordinates the regional social protection experts network SASPEN (www.saspen.org).

Thankfully social protection has been talked about a lot more recently. But not all parties refer to the same understanding of social protection. Social protection is a rather broad concept and begs clear definition. Social protection is about providing for those in society unable to provide for themselves, the poor, the incapacitated; the unemployed, those not supposed to work, such as children and women during maternity. Social protection thus deals with life's contingencies and provides a floor or safety net to keep people from falling into poverty. Society as a whole is easily able to shoulder burdens, collectively, which could crush the livelihood of individual persons or families. In a capitalist world where individual fortune is often decided by market forces far from our control (often even far from the countries we live in), social protection is thus most relevant in protecting human dignity and the human right to social security.

In low income countries like most of SADC, social protection has become particularly prominent through new poverty reduction programmes, the social cash transfers. This is both an opportunity and a threat. The opportunity is that finally SADC countries may look after their poor and not hide behind trickle-down rhetoric. The threat is that this may herald a set-up where traditional social security in form of social insurance (pension funds, unemployment funds, workman's compensation funds) remains small and limited to formal sector employees, whereas the broad masses in rural areas and informal employment or self-employment are only catered to at minimalist levels with social protection as a disguise for new poverty reduction programmes designed to cushion the worst rather than to provide human rights.

The policy brief "Scoping Social Protection" which I developed for the Platform for Social Protection Zambia attempts to tackle these issues by exploring details of social protection definitions and analysing conceptual and policy frameworks. Indeed, many arguments abound where to draw the line for social protection.

The ILO has defined nine minimum standards in Convention 102 of 1952 to deliver livelihood and income protection in eight cases of need (contingencies of the life-cycle): sickness (2 standards, treatment and income protection), childhood, unemployment, old age, employment injury, parenthood, maternity, invalidity/disability and widow-hood/ orphan-hood. More recently in the ILO Recommendation 202 of 2012, "Global Floors of Social Protection" four minimum guarantees have been prescribed, regarding children, the able-bodied unemployed, non-able bodied persons and persons with disabilities and the elderly, all of whom are to have income security. As a cross-cutting guarantee, everybody (not just the above groups) is to enjoy access to essential healthcare. This seems less than the 9 minimum standards of 1952, but the Recommendation specifically defines the guarantees as a floor, a bottom line. As such, a floor is a beginning or first step on the social protection staircase. The first goal is horizontal expansion to cover everyone (a situation we in the SADC are further away from than near), after which vertical expansion is to improve and add benefits.

"A rights-based approach considers recipients as clients rather than beneficiaries, expects no gratitude, but self-organization for social dialogue and places the duty on the state to ensure that every individual is duly protected, rather than targeting artificially defined target groups."

The transformative model of social protection by Rachel Sabates-Wheeler and Stephen Devereux considers social justice the overarching objective and outcome of social protection. It combines safety nets and springboards. Provision is immediate and helps people in need (social assistance), whereas prevention as social insurance prepares help in advance. Together the two form a safety net to keep people out of poverty. Promotion and transformation add a springboard to escape economic poverty and vulnerability altogether, by providing agricultural support, women's empowerment, microfinance or minimum wages. In this, transformative effects change the very social structures that produce poverty in the first place. For example, adequate maternity protection empowers mothers to overcome gender discrimination in other parts of life.

Ultimately, the main dividing line between frameworks is whether they view social protection as a tool to assist those who are in need or as the human right to social security (Article 22 of the Universal Declaration of Human Rights of 1948). A rights-based approach considers recipients as clients rather than beneficiaries, expects no gratitude, but self-organization for social dialogue and places the duty on the state to ensure that every individual is duly protected, rather than targeting artificially defined target groups. While supposedly simple matters such as child and maternal mortality remain breathtakingly high in our region and need to be eradicated with broad measures, in all the efforts to bring social protection systems to our countries, we should also consider visions that see the potential of social protection to transform the very world that creates poverty and vulnerability in the first place. Social protection, then, is not an emergency relief for the world crisis in human welfare, but rather a vehicle towards a better world.



The full publication of this article was developed to assist the Zambian policy process for the new National Social Protection Policy in collaboration of Platform for Social Protection Zambia and Friedrich Ebert Stiftung.

It can soon be downloaded from www.pspzambia.org and www.fes-zambia.org or requested from the author at daniel.kumitz@fes-zambia.org

Malawi's Poor in need of effective social protection measures

By Mathias Burton Kafunda



Mr. Mathias Burton Kafunda heads the Economic Justice and Good Governance portfolio at the Centre for Social Concern-Malawi. He writes on a broad range of subjects for national newspapers, magazines and journals, and continues to ensure different policy makers and advocates are advantaged by his policy analysis skills.

Malawi's population is estimated at 14.8million. More than 46 percent of the country's population is younger than 25 years old. Malawi's real GDP growth has averaged about 7 percent since 2005, with a peak of 9.7 percent in 2008, and decreased to 2.5% in 2013. Nearly two-thirds of the population still subsists on less than US\$1.25 per day.

It has been recognized that the programmes being implemented by Government and major stakeholders designed to achieve sustainable economic growth and development have neither in the short nor in medium term translated into improved quality of life for the ultra and moderately poor.

The process of economic growth and development, due to its complex and competitive nature has invariably excluded a certain sector of the population from taking full advantage of the benefits of economic growth. As a result, most of the excluded people remain poor and live in abject poverty, destitution and squalor.

In Malawi, while urban poverty continues to rise at an increasing rate, however, Malawi's poor and destitute are mostly found in the rural areas where they are engaged in agriculture and other informal economic activities. Many of them rely on the complex traditional social network for social protection. But the continued weakening of extended family support in the face of harsh economic realities and rapid rate of urbanization means many people including children, the elderly and the disabled, are left to struggle for survival. Despite some period of relatively high economic growth in the country, the majority of the people still lack social protection. Social protection exists for only a tiny fraction of the population working in the formal segment of the economy including those employed in the public sector and a few others in the private formal sector. The sections of the population who desperately need social protection are those who do not have access to it.

Previous Social Protection Measures

The policy makers in Malawi have for long recognized that managing poverty and vulnerability is essential for pro-poor growth and that social protection policy and concrete actions in this regard are essential especially for Malawi's rural societies where the majority of people are poor. However, policy makers seem to understate the fact that social protection is an investment that the country cannot afford not to make. In Malawi, government together with other stakeholders, have previously developed several safety net programmes and social protection measure to address the various risks affecting the most vulnerable groups. These have included the National Safety Nets Strategy in 2000 and the National Safety Nets Programme (NSNP) under the Malawi Poverty Reduction Strategy in 2002. The National Safety Nets Programme consisted of four sub programmes: the Public Works Programme, the Targeted Nutrition Programme, the Targeted Inputs Programme and Direct Welfare Transfers Programme.

"....when it comes to social protection policy and measures in Malawi, it could be said that the country is caught in a viscous circle of ill-conceived policy decisions and malfeasance such as poor allocations of resources, and inefficient delivery systems that don't convert intentions and policies, efficiently, into actions...."

Despite implementing an increasingly diverse range of safety net and social protection measures, levels of poverty and vulnerability in Malawi remain extremely high; the evidence that vulnerability is rising rather than falling suggests that these interventions have not been adding up. Such occurrences of policy failure have worsened the vulnerability position of the ultra and moderately poor. One reason for this is the uncoordinated and patchy nature of the policy and social protection instruments which were further aggravated by insufficient commitment by implementers and poor funding. In fact when it comes to social protection policy and measures in Malawi, it could be said that the country is caught in a viscous circle of ill-conceived policy decisions and malfeasance such as poor allocations of resources, and inefficient delivery systems that don't convert intentions and policies, efficiently, into actions that could make a positive impact on the vulnerability position of the ultra and moderately poor.

Learning from previous Failures?

For 2 years since 2010, the government had been consulting stakeholders on social protection with the view of developing a comprehensive and responsive social protection policy that would guide intervention that protect vulnerable Malawians against livelihood shocks and life-cycle stages. By 2012 the government had developed the National Social Support Policy that encompasses public and private programmes which aim at providing income and consumption transfers, to protect the poor against vulnerabilities and to enhance their social status and rights. The policy is however bound to face several challenges and barriers in the course of implementation. One existing challenge is the unavailability of adequate data that could be used for planning interventions for ultra-poor and vulnerable households.

Looking at the previous attempts, the policy makers are being cautioned that social protection must not be ``projectised``, it must be institutionalized; it must not be donor-driven it must be government-owned (though donor financing may be required in a poor country like Malawi) and lastly social protection must not be seen as "charity or welfare" but ultimately as a right of citizenship.

References

United Nations Development Programme. 2013. Human Development Report. Washington DC

World Bank. 2012. World Development Indicators. Washington DC

World Bank. 2013. Country Data: Malawi. Available Online at: <http://data.worldbank.org/country/malawi>

How to avoid the resource curse and promote local economic development

By Marianne S. Ulriksen

Many African countries have, or are about to have, access to natural resource wealth. The assumption is that wealth from resources should benefit the country as a whole. Yet access to natural resources such as oil, gas and minerals can be accompanied by a resource curse, where local markets are distorted and corrupt behaviour saps the country's wealth.

Too many countries experience extreme levels of corruption and misuse of funds while broad-based developments, especially in rural areas, are inadequate and many people are poor. This is a persistent predicament in many African contexts. Breaking this cycle requires radical changes, and what follows is a radical but plausible proposal which I hope can stimulate a constructive debate.

The idea: Taxable basic income grant to all citizens funded by resource wealth

The idea is simple: if a country has access to resource wealth – why not share it directly with the citizens? This has been done successfully elsewhere in the world:

It can be done: natural resource funded income grants

Iran:

The Iranian government distributes parts of its oil revenue to the Iranian population. As Iran has a large informal economy, the authorities decided that the only workable way to reach the broader population, including the poorest, was to pay a universal, rather than a means-tested, cash benefit.

Alaska:

A portion of the state's oil revenue is deposited into a sovereign wealth fund, and each year a portion of the returns to that fund are distributed to the Alaskans. The size of the payment is based on the average returns to the fund over a five-year period. Alaska is the most economically equal state in the USA.

(Van Parijs, P. 2013. The Universal Basic Income: Why utopian thinking matters, and how sociologists can contribute to it. *Politics & Society* 41(2):171-182; Murray, M. & Pateman, C. 2012. *Basic Income Worldwide: Horizon of Reform*. Basingstoke: Palgrave Macmillan.)

The idea is that part of the central government's resource revenue could be paid directly to citizens as a small basic income grant – cash transfer – no matter a person's income, ability or work situation. That is, the grant is universal. However, in return, each citizen must pay parts of the grant, and other income, to the local government in tax. This builds administrative capacity and allows for local initiatives and investments with a direct oversight position of the citizens.

Why a direct grant to citizens?

It is manifestly evident in countries such as Nigeria and Angola that resource wealth is greedily being accessed and consumed by elites with limited impact on the ground. There is no reason to believe that citizens will spend their grant any worse than centrally placed, and often corrupt, politicians and bureaucrats.



Dr. Marianne S. Ulriksen is a political scientist with a PhD from the University of Aarhus in Denmark. Her primary research fields include: comparative politics, political economy of welfare policy development, social protection, social policy financing & domestic revenue generation, class analysis, and studies on poverty & inequality. Most of her research is based on historical and comparative country studies in Southern Africa, though she has also published articles based on single-case studies as well cross country statistical analyses. Since 2000, Marianne has lived and worked in the following countries in Africa: Tanzania, Namibia, Nigeria, Botswana and South Africa. Marianne is affiliated to the Centre for Social Development in Africa which is based at the University of Johannesburg, although she currently resides in Dar es Salaam, Tanzania.

In fact, research shows that cash transfers given directly to citizens are usually spent well – on food, clothes, transport, schooling, medicine, savings, job search and income generating activities (*There is substantial and growing evidence for this across developing countries; for South Africa alone, key reports include: Devereux et al 2011, Neves, D et al 2009. Samson, M et al 2004*). Grants can provide people with a regular income that allow them to take the risk of extra investments needed for improving skills or acquiring products useable in business or for a less strenuous daily life. Grants may in turn also increase local consumption – particularly in cash constrained areas.

Why universal grants?

In many African countries the majority of people are poor and bureaucratic administrative capacities weak. Universal grants are cheaper and simpler to administer than targeted grants, which are paid to people below a defined income threshold. Of equal importance: universal grants do not stigmatise grant recipients but instead – as everyone receives a grant – emphasise equal treatment and thus offer the possibility of enhancing social cohesion.

Why taxable? Why to local government?

Research shows that the need to collect taxation has strong capacity and accountability building effects. Simply: taxation can improve responsible and efficient spending. Often local governments are under-resourced and have weak capacity. By giving local administrations the ability to collect tax revenue from grant recipients – that is all citizens in the local area – the link between the state and its citizens become a direct relationship forcing local governments to show good use of the collected funds. This also constitutes indirect funding from central to local government with citizens as the crucial intermediate – citizens want to see 'their money' being spent well. This is why the seemingly cumbersome solution of taxing is important.

As everyone will receive grants, everyone is liable to pay tax and therefore need to register – no tax registration, no grant. Therefore, assuming that citizens want to receive the grant there is an obvious incentive to report earnings which may help formalise informal activities. Registration of citizens through the grant-taxation system can also assist in the implementation of other important developmental areas such as voter registration and building of health insurance funds.

On revenue and affordability

It is often claimed that universal grants are too expensive for poor developing countries. However, nominally small universal grants will take up only a small share of government budgets. In addition, the idea here is that the grants will be funded through revenue from resource wealth. A challenge for governments is to encourage private sector exploration and extraction of natural resource while also ensuring a fair share of the revenue. This has been done successfully in Botswana.

"...a taxable grant has the potential of improving well-being, encouraging activity in many poor and cash constrained areas, building relationships between citizens and the local government, enhancing administrative capacity and promoting local development. What's stopping us?"

Do governments dare?

Arguments against this kind of programme tend to be of three types: (1) The fear that citizens might not use the money responsibly; research has shown this to be largely unfounded. (2) Institutional weakness will slow or block smooth delivery of the programme; however, part of the benefits of this idea is to build institutions by offering a space where citizens can demand accountability from the institutions using their money. Also, universal transfers and universal taxation are far less complicated than targeted programmes. (3) Central governments may be worried about losing control; however, giving grants to citizens may be seen as a very popular political move, which will strengthen political support for governments. I believe that a taxable grant has the potential of improving well-being, encouraging activity in many poor and cash constrained areas, building relationships between citizens and the local government, enhancing administrative capacity and promoting local development. What's stopping us?

The views presented in this brief is that of the author and are not the official position of the CSDA or the University of Johannesburg

References

Devereux, S et al. 2011. *Child Support Grant Evaluation 2010: Qualitative Research Report*. Pretoria: Department of Social Development

Neves, D et al. 2009. *The Use and Effectiveness of social grants in South Africa*. Cape Town: FinMark Trust, PLASS, EPRI

Samson, M et al. 2004. *The social and economic impact of South Africa's Social Security System*. Cape Town: EPRI

Feasibility of the SADC Basic Income Grant,

By Taku Fundira

The overall objective of this analysis is to demonstrate, based on economic analysis, the costs involved in introducing and institutionalising a SADC-wide Basic Income Grant (SADC BIG) that is wholly or predominately funded through the extractive industries to promote economic justice, reduce poverty and inequality, and stimulate human and economic integration and development in the region.

The analysis aims to identify the size of a BIG grant that would be feasible or acceptable in terms of cost and affordability. Through the different scenarios analysed, we aim to show that the SADC BIG idea is affordable and can, over time, be scaled up.

Methodology

Five scenarios are analysed to establish both the individual countries' affordability for a BIG as well as that of the region (SADC). These scenarios were pegged from 33% to 200% of the ILO US\$1/day extreme poverty line. The range is equivalent to between about US\$10 to US\$60 per individual per month. The rationale for this range was to demonstrate cost levels as a proportion of GDP that governments would be more likely to agree to, if the total resources required for such an undertaking are taken into consideration.

Key finding

A monthly basic income of US\$15 (*This value should be adjusted for inflation based on the 2013 value at the time of roll-out*) paid to all residing in SADC (total population estimate of 297 million) will have a net cost of US\$54.12 billion annually. This translates to about 5.2% of SADC GDP (PPP). Anything above this has the potential to render BIG unaffordable considering that governments have other programmes and priorities that require a portion of the social budget.

Scenario analysis

As already highlighted, five scenarios were analysed for the purpose of this paper for all 15 SADC countries to demonstrate cost or affordability levels. The proposed amount of US\$15 (Scenario 2) was regarded as the maximum that the majority of the individual countries could afford if the cost of a BIG is limited to the 3%-5% of GDP threshold. This amount was calculated as about a half of the ILO extreme poverty line of US\$1 per day.

A look at scenario 1 (based on about US\$10 per individual per month) would on average cost the SADC states approximately 3.4% of total SADC GDP. At the current exchange rate of the US dollar to the South African rand (ZAR), this would translate to about R100 – an amount that was proposed by the South African BIG Coalition in 2001.



Mr. Taku Fundira is currently a senior Economist at the Studies in Poverty and Inequality Institute. He is the team leader – SADC BIG and Basic Needs Basket Project;

At this amount, analysis undertaken for the Taylor Commission (*One of the key proposals of the committee was to introduce a basic income grant (BIG), as a means of providing social security to all and alleviating poverty. The BIG would thus function as a mechanism to include the unemployed and those working in the informal economy in the social security system*) revealed that BIG was affordable and that South Africa's tax structure had the potential to finance the entire cost of the programme without recourse to deficit spending. While this amount could be considered to be too small to make any significant impact, the empirical evidence arising from the Namibian BIG Pilot at Otjivero attests to the rapid impact of such a scheme on a community.

Scenario 2 is proposed as a relatively sufficient amount for the introduction of a universal SADC BIG amounting to, on an individual basis, 50% of the US\$1/day extreme poverty line. However, when considered from a household perspective and assuming that BIG is used as combined income, a household of four will have a total income of US\$2/day. Using this assumption and looking at data from the World Bank Development Indicators, approximately 32.4 million households (129.6 million people) from 9 of the 15 member states could be taken out of destitution by a SADC BIG.

Scenarios 3-5 based on the assumption that anything above 10% of GDP dedicated to a social cash transfer scheme was deemed less likely to receive positive response from governments considering the substantial resources required to fund such a grand scheme. At US\$30 per month (Scenario 3), SADC would have to mobilise about US\$108 billion (10% SADC GDP (PPP)), while this increases to up to US\$216.5 billion (20% SADC GDP (PPP)) under Scenario 5. While the sizes of the grants under these three scenarios will significantly impact the lives of the majority of SADC people living in poverty, economic reality dictates that a campaign for a SADC BIG at such high levels may not necessary achieve the expected goal. However, we do not rule out the possibility of scaling up the proposed US\$15 per individual per month, once the benefits of such a scheme are fully realised.

Full report will be made available on our website on 14 March 2014

References

Samson, M. et al. 2001. *The fiscal impact of a basic income grant in South Africa. Submitted to the Committee of Inquiry for Comprehensive Social Security.* Cape Town: EPRI.

"...approximately 32.4 million households (129.6 million people) from 9 of the 15 member states could be taken out of destitution by a SADC BIG."

Sovereign Wealth Fund: Option for a SADC BIG

By Thabileng Mothabi

Introduction

Despite the numerous false starts, sovereign wealth funds are particularly relevant to Southern Africa as resource-funded SWFs present a potentially viable strategy for the funding and implementation of a Basic Income Grant (BIG) at a SADC level. A BIG is best understood as an unconditional and universal cash transfer or grant available to all residents, thereby purposely avoiding means-testing with its implicit stigmatizing notion of 'deserving' poor.

Basic Income Grant and Progressive Tax

Many argue that as a dependable source of regular income, a BIG has the transformative ability to provide a much needed lifeline to those living in extreme poverty, affording many Africans a renewed sense of hope and dignity. Funded through the fiscus, it could also address some of the issues related to income inequality. Paid to all residents, the value of the BIG could be clawed back from higher income earners through the tax system. Although this fact is often forgotten and purposely overlooked, it is opportune to point out that social protection is in fact a right and is contained in many regional and international instruments and treaties. It must be said that historically, those that often oppose the concept of a BIG state its apparent high cost as a reason for its impracticality.

Basic Income Grant and Sovereign Wealth Fund

However, if funded by a resource-funded regional SWF, the implementation of a BIG seems to be not only financially viable, but also a prudent utilization of the revenues of a SWF. What better investment than investing directly in the people? In addition, it is often stated that the cost of not acting against the dire poverty and inequality that plagues the African continent is significantly higher and much more devastating with the victims rapidly increasing in number and level of discontent.

For SADC a regional BIG financed by a regional SWF represent a matchless opportunity to vault decades of development progress. However, the implementation of a regional SWF and a BIG both require political will, without it numerous obstacles appear insurmountable. Furthermore, without the requisite political will, SWFs, just like previous attempts at development, will simply disintegrate into a case of 'old wine in new bottles'. Therefore, as with most issue affecting the developing world, reform is required in the hearts and minds of politicians and the elite.



Mr. Thabileng Mothabi is a researcher at the Studies in Poverty and Inequality Institute and also Secretariat Coordinator for the SADC BIG Coalition.

How to dismantle a ticking time bomb? Policy solutions of a volatile South Africa, By Hannah Dawson



Ms. Hannah Dawson is Senior Researcher and Research Manager at the Studies in Poverty and Inequality Institute. She is the project-leader and manager of the socio-economic rights monitoring tool project which aims to develop indicators to track progressive realisation of

Poverty, unemployment and growing inequality remain South Africa's greatest challenges in undoing the legacy of Apartheid. The 'triple challenge' has revealed itself increasingly in ongoing protest and strike action. Militant local protests are a frequent occurrence across South Africa with aggrieved residents protesting against poverty, corruption, joblessness and inadequate and uneven provision of public goods and services. 2012 saw an explosive strike wave in both the mining and agriculture sectors, with strikers at the Marikana mine demanding monthly pay of R12 500. The strike resulted in the killing of 34 miners by police. This unrest is significant in that those without work and workers who bear the economic and social burden of the unemployed are taking to the streets. The situation has been described as a 'ticking time bomb' by many. How, given the structural nature of the inequalities in South Africa, should we best go about dismantling this time bomb?

The broader unemployment rate in South Africa that includes 'discouraged work-seekers' is 37%. The employment challenge facing South Africa's young people is even greater. The unemployment rate amongst those under the age of 25 years is about 50 percent, accounting for 30 percent of the total unemployed. Many youth have never worked and come from families of multi-generational unemployment.

The positive correlation between growth and employment in South Africa has weakened since the 1970s as a result of a complex array of factors. A robust debate exists on the causes and solutions of this 'jobless growth' and accompanying employment crisis. Certain views emphasise that the post-apartheid period has seen growing financialisation and the internationalisation of the economy, a declining wage share of GDP and the absence of any serious reinvestment in the economy (Ashman & Fine, 2013; Reddy, 2014). Neo-classical economists, however, argue productivity is falling and labour costs are increasing which in turn makes investors avoid South Africa. Other factors that have been identified further include competition from cheap imports the post - 1994 liberalisation of the economy and economic and regulatory pressures pushing employers towards industries which are increasingly mechanized and require skilled over unskilled labour (CDE, 2010).

50% of South Africa's work force earned less than R3 030 per month in 2011. As demonstrated by the striking mineworkers at Marikana demanding R12 500 – the social and economic burden of mass joblessness is falling on the shoulders of the working poor. Steinberg (2013) describes this situation as 'redistributing from the poor to the very poor'.

“Recent research by Studies in Poverty and Inequality Institute (SPII) has explored a combination of the setting of a national ‘living’ minimum wage, providing a basic income grant to all adults and strengthening the informal sector as strategies for ensuring more equitable economic growth and boosting the economy.”

There is no silver bullet to bring about more equitable economic growth to solve the triple challenge. We need to stop pretending that we will achieve full employment and rather accept that the private economy is going to have to better support the unemployed. Economic growth and the creation of more and better formal sector jobs is essential but must occur alongside other strategies. Recent research by Studies in Poverty and Inequality Institute (SPII) has explored a combination of the setting of a national ‘living’ minimum wage, providing a basic income grant to all adults and strengthening the informal sector as strategies for ensuring more equitable economic growth and boosting the economy.

The setting of a national minimum wage tied to a decent living level will protect all low-paid workers. It will also aid a reduction in wage inequality which has risen in the post-apartheid period (Reddy, 2014), as shown in Brazil.

South Africa’s social grant system prioritises the elderly, disabled and children. There is significant evidence to show that the current levels of poverty would have been starkly worse in the absence of such a roll out of cash grants (Liebbrandt et al., 2010). The current system excludes all unemployed working age people. A universal basic income grant would not only lessen the burden on those who have jobs, but help kick-start bottom-up economic activity. Evidence from across the world has shown that cash circulating from social grants is able to stimulate economic inclusion from below.

Friedman (2014) argues that the debate over creating jobs often expresses a prejudice - that ‘real work’ only happens in the formal economy, while in fact the majority of South Africans are active in the informal economy selling fruit, fixing cars and running hair salons. These activities (alongside social grants) are the dominant survival strategy for the poor. Instead of criminalising this sector, as witnessed in the confiscation of goods of informal traders in Johannesburg (despite a court order preventing such confiscation), we need to support and strengthen it to develop pathways to link people who are marginalised from the mainstream economy into sustainable livelihoods.

With the deep social and economic crises facing South Africa, more social and political unrest can be expected. A national minimum wage, a basic income grant and strengthening the informal economy are all strategies which when combined with appropriate macro-economic and industrial policy can bring about more inclusive growth. The coming national elections provide an opportunity for candidates to commit themselves to these and other concrete solutions for inclusive growth.

This was an opinion edited piece prepared for the Ford Foundation/ OECD workshop on inclusive growth in New York, 27 Feb 2014

References

Ashman, S. & Fine, B. (2013), ‘The meaning of Marikana’, *Global Labour Column*, No. 28, March 2013

CDE, (2010), *A fresh look at unemployment. A conversation amongst experts*, Centre for Development and Enterprise Report, Johannesburg.

Friedman, S., (2014), ‘Parties trot out the same old jobs fantasy’, *Business Day*, 22 January 2014.

Liebbrandt et al., (2010), “Trends in South African Income Distribution and Poverty since the Fall of Apartheid”, *OECD Social, Employment and Migration Working Paper*, No. 101.

Reddy, N., (2014), *Wages, profits and unemployment in post-apartheid South Africa*, Alternative Information and Development Centre, Cape Town.

How to Join the Campaign

You can get involved by:

1. Contribute to the debate discussion by sharing your thoughts/ opinion or research on the topic (max 1000 words). Please send your thought piece to advocacy@spii.org.za
2. Subscribe to the SADC BIG Newsletter on our website www.spii.org.za
3. Sign up to the Campaign: You can sign up as an individual or as your Organisation.

By signing up to the campaign as an individual or Organisation, you acknowledge to adhere to the following principles:

Principles of the SADC BIG

The Basic Income Grant should be founded on the following fundamental principles:

- Universal Coverage: It should be available to everyone, from cradle to grave, and should not be subject to a means test.
- Relationship to existing grants: It should expand the social security net. No individual should receive less in social and assistance grants than before the introduction of the Basic Income Grant.
- Amount: The grant should be no less than US\$15.00 per person per month on introduction and should be inflation indexed.
- Delivery Mechanisms: Payments should be facilitated through Public Institutions. Using community Post Banks would have the additional benefit of enhancing community access to much-needed banking services and promote financial inclusion
- Financing: A substantial portion of the cost of the grant should be funded through a tax on extractives. Other funding options include progressive recovery through the tax system above the income tax threshold. This would demonstrate solidarity by all SADC citizens in efforts to eliminate poverty. The remaining cost should be borne by the fiscus. A range of new measures should be introduced to increase revenue so that the additional cost can be accommodated without squeezing out other social expenditure.

The SADC BIG Coalition Partners commit to working together with all stakeholders to make the Basic Income Grant a reality in Southern Africa. We invite and call upon all stakeholders to join our effort and to become a member of this coalition.

Full Details of the campaign can be found on the following link:

<http://spii.org.za/index.php/category/sadc-basic-income-grant/sadc-big-blog/>

"The SADC BIG Coalition Partners commit to working together with all stakeholders to make the Basic Income Grant a reality in Southern Africa.

We invite and call upon all stakeholders to join our effort and to become a member of this coalition."

Financial Support for the SADC BIG Newsletter and SADC BIG Secretariat has been made possible by the

Church of Sweden 