

Basic Income Support: A Case for South Africa

Commissioned by Black Sash

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Presentation Overview

- South Africa's Triple Challenge Context
- Overview of the country's Social Security System
- The Case for a Basic Income Support
- Policy Options
- Funding Mechanisms

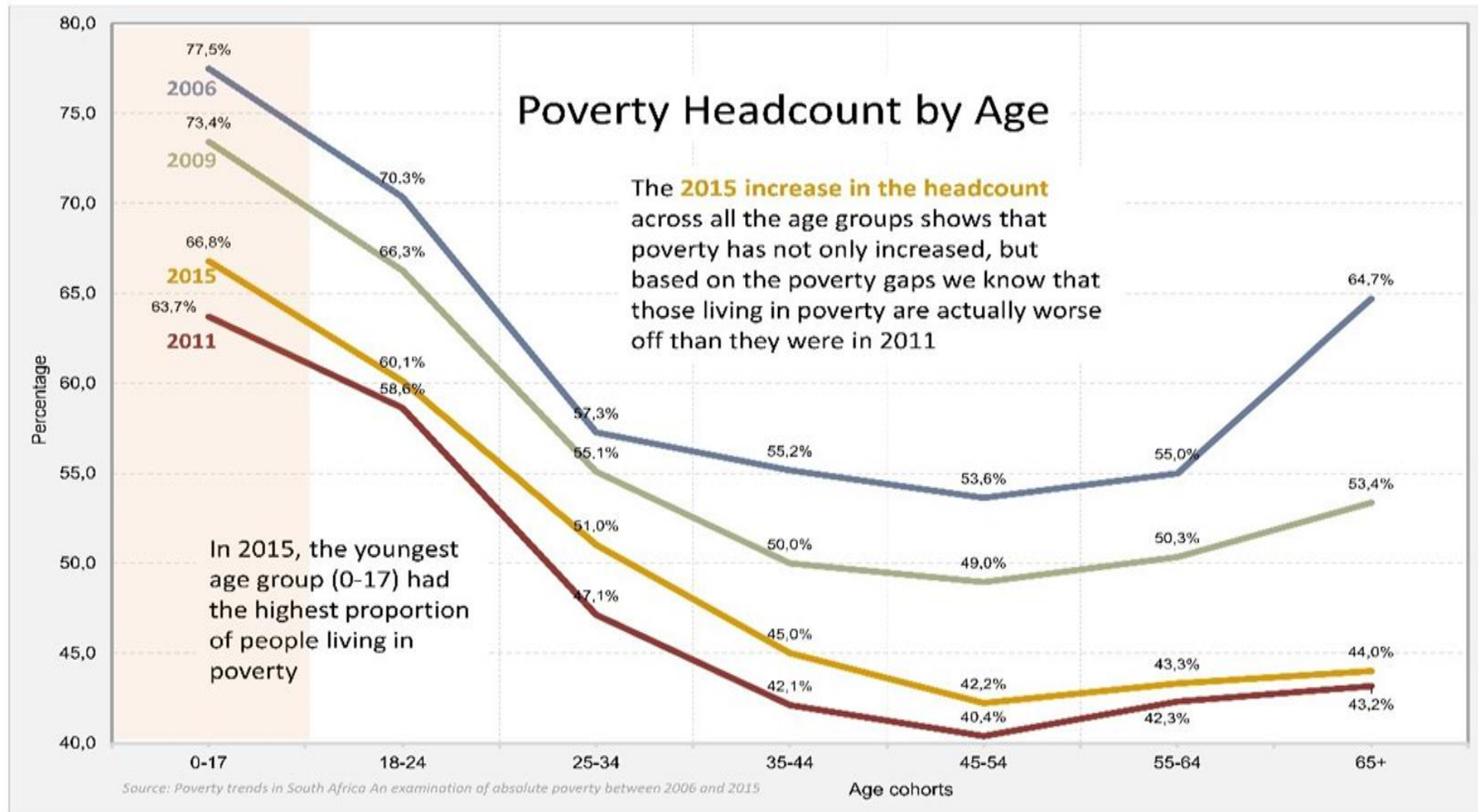
South Africa and the Triple Challenge (Poverty, Inequality and Unemployment)

Poverty

- Majority of South African Citizens remain poor 25 years after Democracy

Poverty Headcounts	2006	2009	2011	2015	2017
% of population that is UBPL Poor (R1138 in 2017)	66,6%	62,1%	53,2%	55,5%	52,3%
Number of UBPL Poor persons (in millions)	33,9	32,2	28,7	30,5	29,5
% of population living in extreme poverty (R531)	28,4%	33,5%	21,4%	25,2%	24,7%
Number of extreme poor persons (in millions)	13,4	16,7	11,0	13,8	13,8

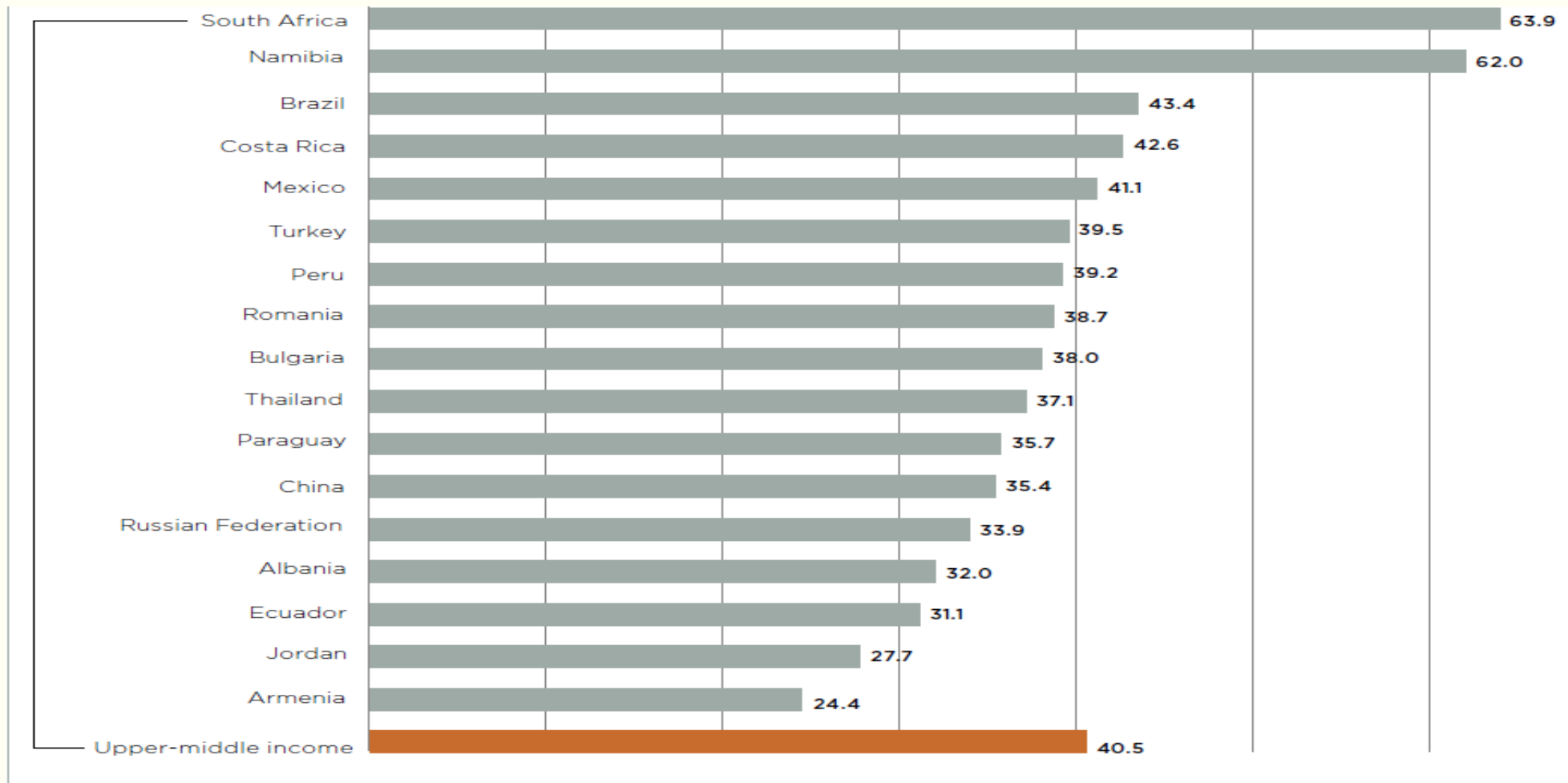
South Africa and the Triple Challenge (Poverty, Inequality and Unemployment)



South Africa and the Triple Challenge (Poverty, Inequality and Unemployment)

Inequality

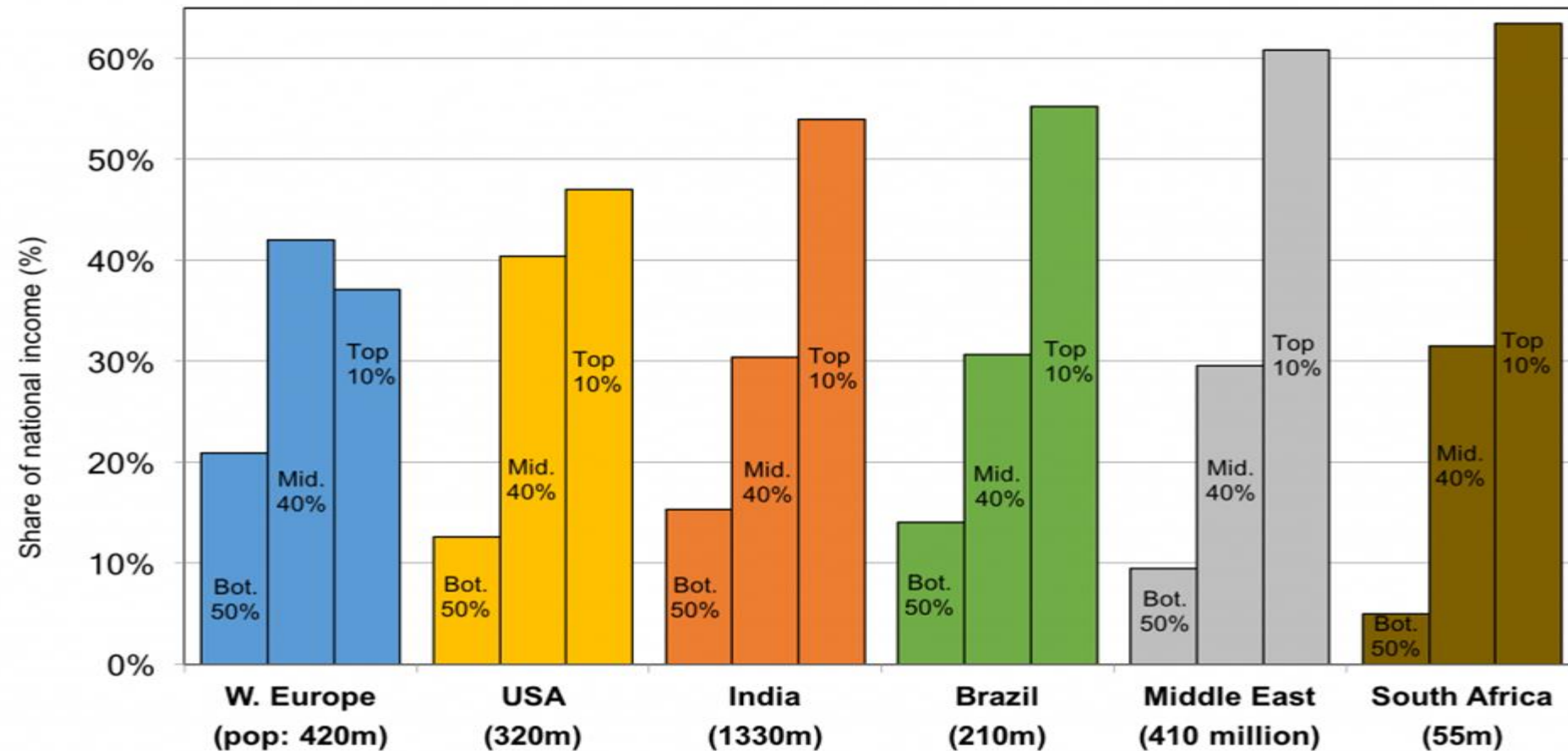
- South Africa has one of the highest inequalities (gini) in the world (WB, 2018)



South Africa and the Triple Challenge (Poverty, Inequality and Unemployment)

Inequality

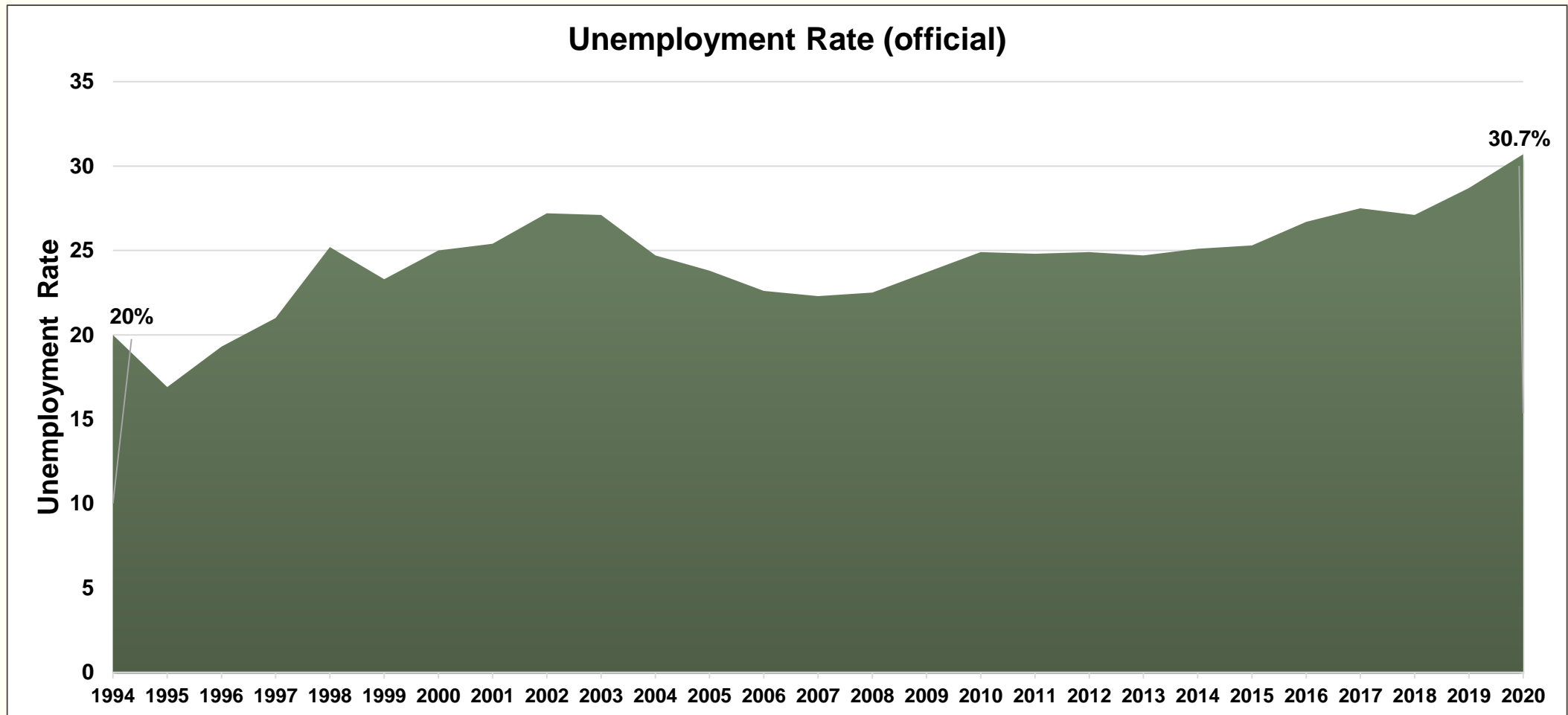
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South Africa and the Triple Challenge (Poverty, Inequality and Unemployment)

Unemployment

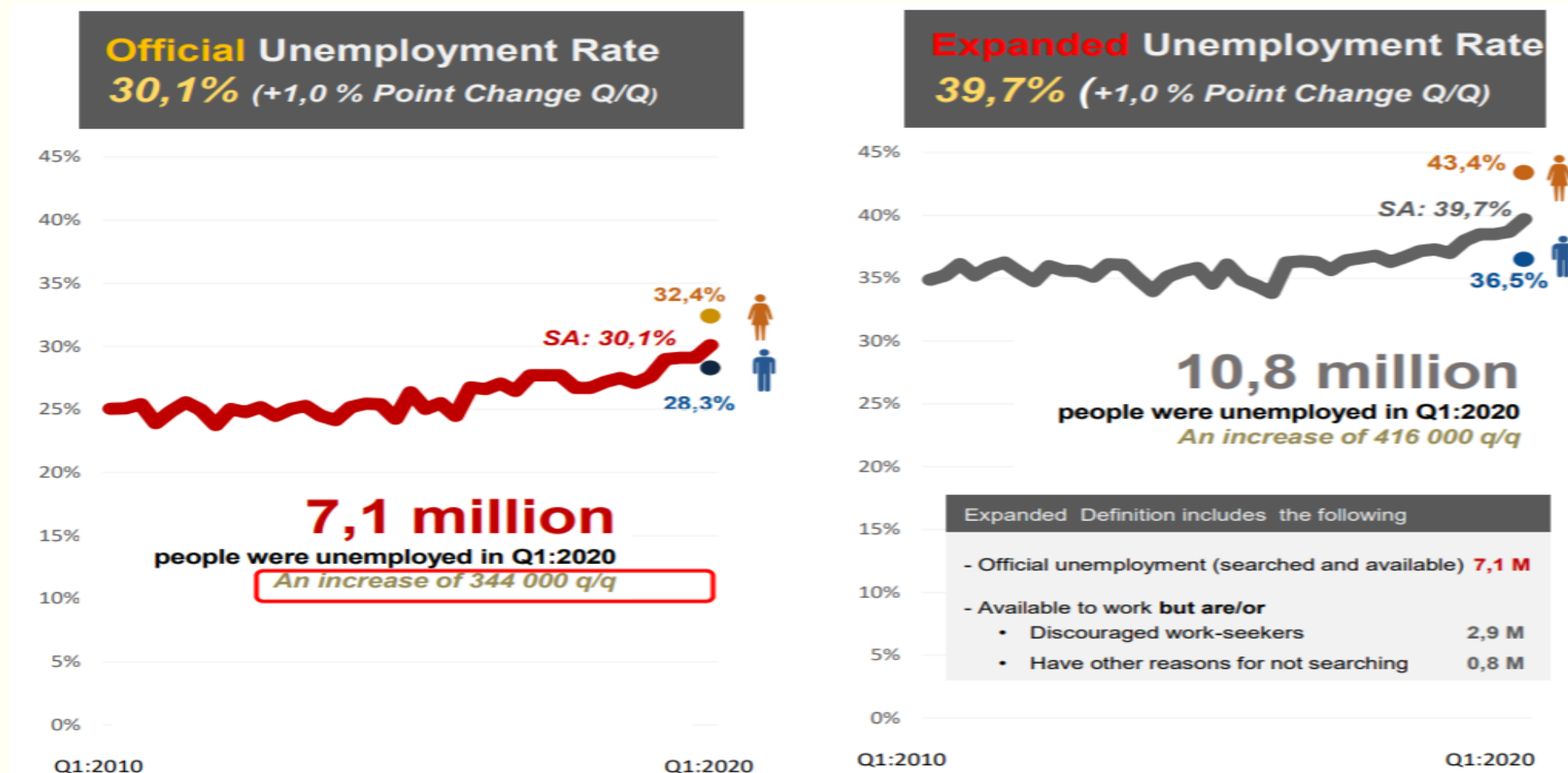
- Unemployment at its highest since the advent of democracy.....



South Africa and the Triple Challenge (Poverty, Inequality and Unemployment)

Unemployment

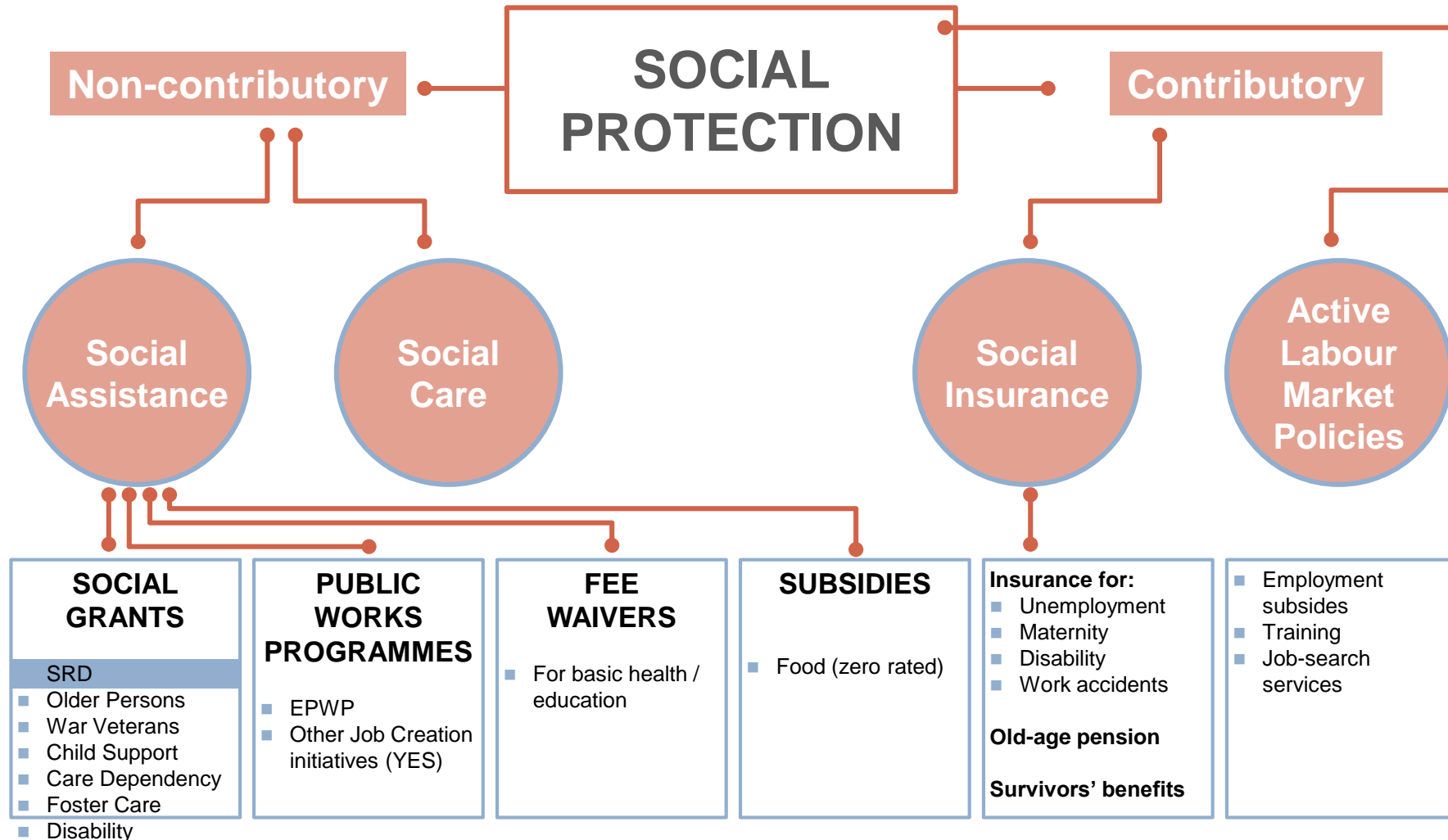
- As of 2020(Q1), S.A unemployment rate was at 30,1% (39,7% using expanded definition)



South African Context

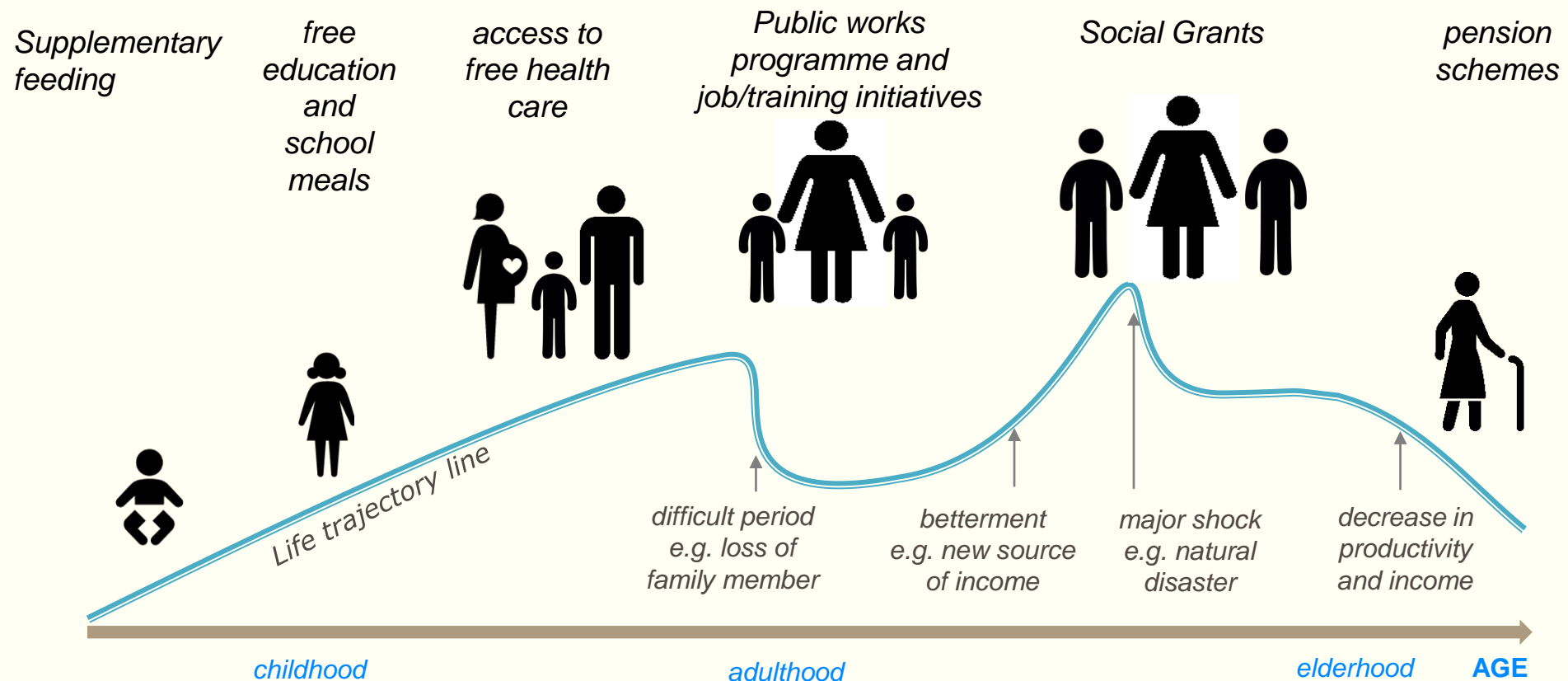
- **High Levels of unemployment** associated with slow economic growth over the past few years
- **Structural mismatch** between labour demand and supply for skilled workers
- **High levels of inequality** including racial and gender disparities
- **High levels of poverty** especially amongst children and elder persons
- Small Micro and Medium Enterprises have struggled to advance inclusive growth and development
- **Failed macroeconomic policy reforms** (RDP, GEAR, ASGISA.....now NDP)...inherent belief that the benefits of growth would reach the poor through a trickle – down effect

Overview of South Africa's Social Security Systems



Social Protection Life Cycle

- Ideal situation is for full employment, but in the absence of that, any country should ensure a minimum standard of living for each citizen
- In South Africa however, the effects of the triple challenge are often face by those between the ages of 18 – 59 years, due to lack of employment and lack of social security coverage.



What is Basic Income Support?

- **Basic Income:** “A periodic cash payment unconditionally delivered to all on an individual basis, without means-test or work requirement.” Basic Income Earth Network (BIEN)
- **Various Terms Including** – Basic Income, Guaranteed Income, Minimum Income, Universal Basic Income, Basic Income Grant
- **UNCONDITIONAL** - Without any requirements.
No prerequisites, no stipulations, no special demands ,no work requirement, no means-testing
- **UNIVERSAL** – For Everyone
- **BASIC** – A foundational income floor.
To provide for vital food, clean water, basic shelter. To ensure social inclusion. To Diminish daily stress and anxiety. To ensure a basic level of health, cognitive ability and socio-economic lifetime trajectory.
- **INCOME** – A monthly amount ensured as a right.

Why A Basic Income Support?

- Basic income support **can eliminate poverty** with dignity and security for all
- Contributes to **equity and social cohesion** – Basic income can close the gap in income, but more so in personal opportunity and in empowerment
- **Developmental** and may stimulate economic growth
- **Encourages entrepreneurship**, life-long learning, creative and caring work and civic engagement
- Basic income can help offset the negative effects of automation and other changes in the labour market
- **The South African Constitution** provides under section 27(1)(b) and(c) that *everyone has the right to have access to sufficient food and water, as well as the right to have access to social security, which, if they are unable to support themselves and their dependents, includes appropriate social assistance.*

Basic Income and Maslow's Hierarchy of Needs

BASIC INCOME & MASLOW'S HIERARCHY OF NEEDS

Effects of Basic Income

BASIC INCOME EFFECTS

NEEDS

Sustainable Societal & Economic Progress

SELF-ACTUALIZATION
Higher Purpose, Innovation, Creativity, Breakthroughs

Growing Productive Members of Society

SELF-ESTEEM
Achievement, Self-Improvement

Basic Income & Needs Met
(Thriving)

LOVE & BELONGING
Social Cohesion, Communal Unity

Freedom From Fear
(Surviving)

SAFETY & SECURITY
Feeling Safe & Secure

Freedom From Want
(Surviving)

BASIC SURVIVAL NEEDS
Physiological Life Sustenance

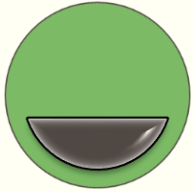


Poverty Traps

[HTTPS://KREYTOR.ORG/PROJECT/MINCOME](https://kreytor.org/project/mincome)



Common Objections to UBI



We Shouldn't

People are lazy and won't work

Will be spent on alcohol and drugs

Something for nothing

Creates Dependency culture

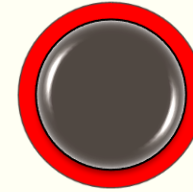


We Can't

- Will cost too much

- Inflationary

- People won't do unattractive but necessary jobs



We Won't

Fringe Idea

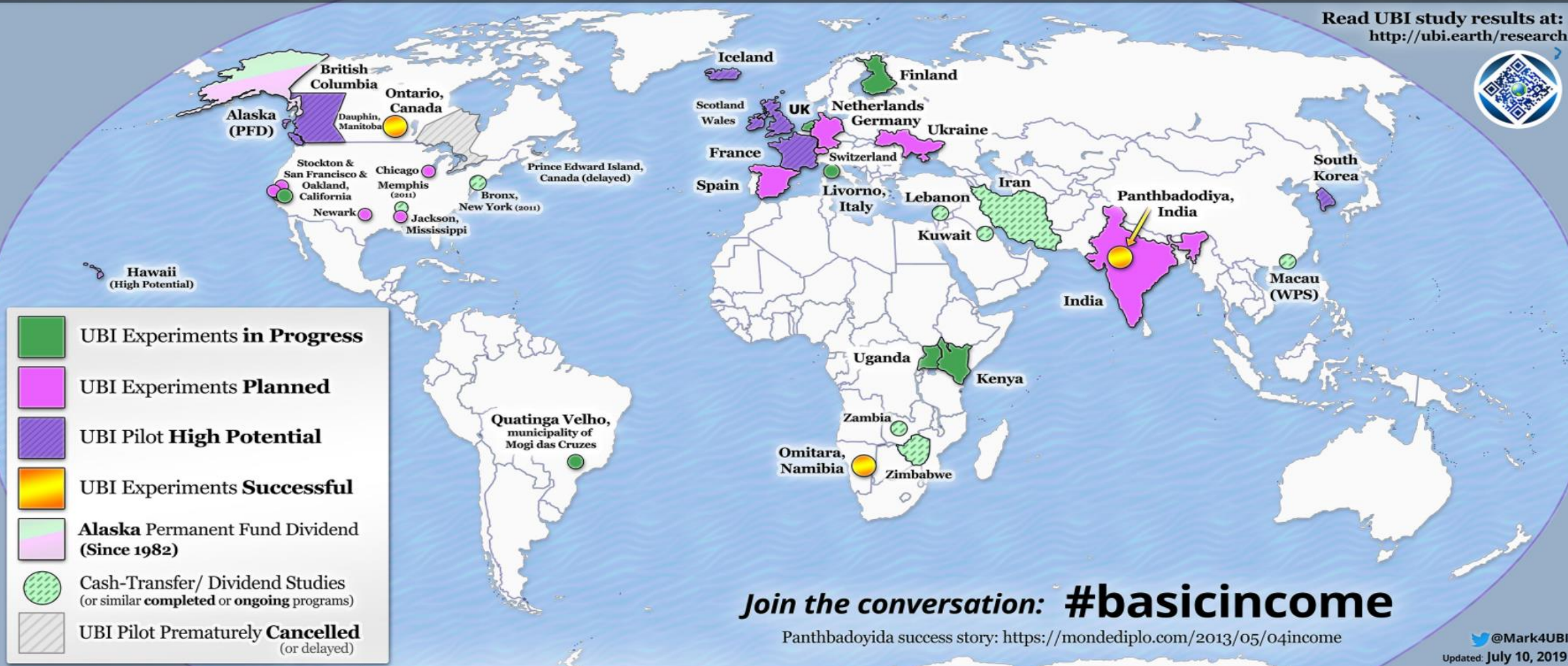
No Political Support

Some Results from Pilots

UBI Pilot Programs around the world

For more UBI info follow:  @scottasantens

Read UBI study results at:
<http://ubi.earth/research>



Join the conversation: **#basicincome**

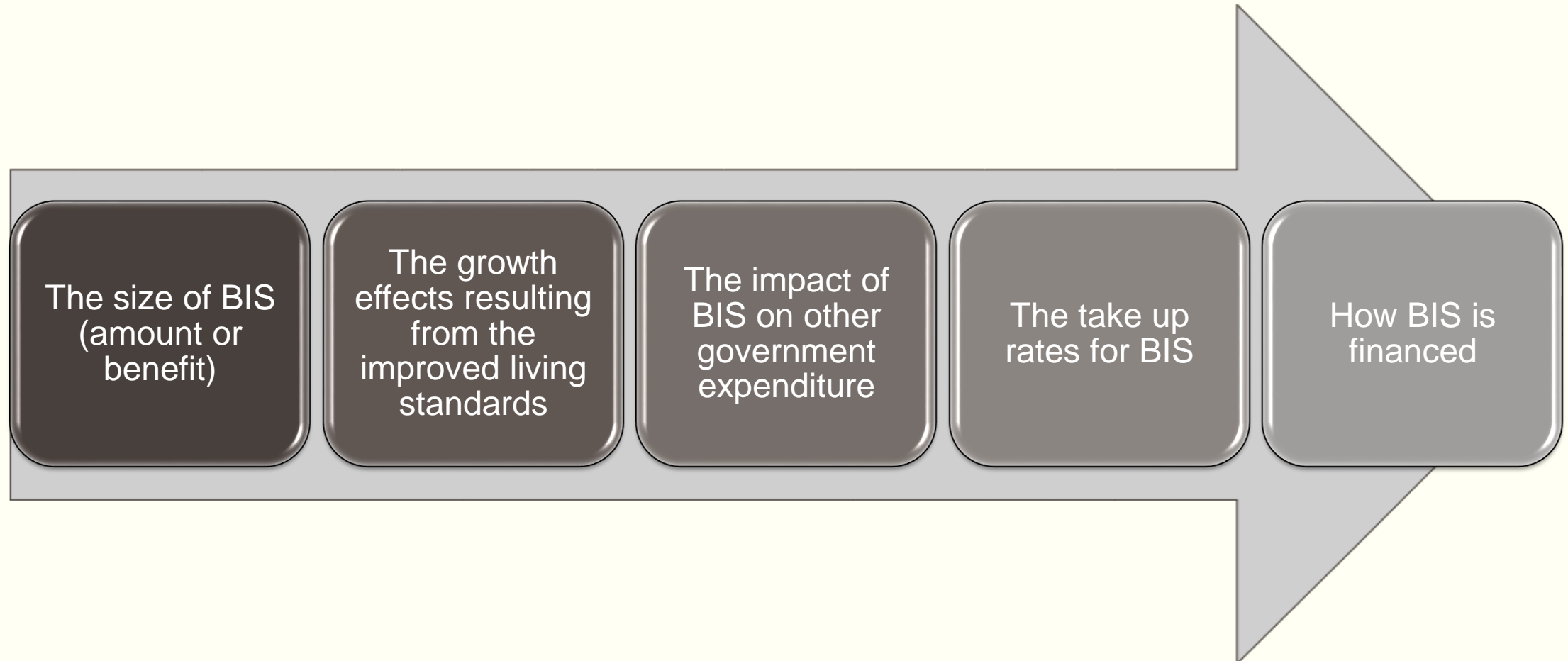
Panthbadoyida success story: <https://mondediplo.com/2013/05/04income>

Some Results from Pilots

- Better Health and Education Outcomes
- Increased Economic Activity – As a result of more Work and more Entrepreneurship
- Reduced Household Poverty and Better Nutritional Outcomes
- More Savings and Less Debt
- Less Crime and Reduced Re-Offending
- No Increase in Alcohol, Drug or Tobacco Use

So....How Much does it Cost?

Consider that the question of affordability depends on the several factors:



So....How Much does it Cost?

Options	Est. Recipients	Monthly Amount	Gross Cost
Option A (Unemployed Adults 18 – 59)	10.4m	R561	R70 billion
Option A (Unemployed Adults 18 – 59)	10.4m	R1227	R153 billion
Option B (Every Citizen)	56.5m	R561	R383 billion
Option C (Unemployed Adults 18 – 35)	6m	R561	R40.4 billion
Option C (Unemployed Adults 18 – 35)	6m	R1227	R88.3 billion

In essence, a BIS can be slowly phased in to the most vulnerable groups

How Can We Afford BIS?

- Re-prioritization of government expenditure (from low impact programmes)
- Some money returned via VAT (about 4,7 billion under option A)
- Consumption Taxes (progressive increase, luxury goods etc.)
- Ensure full collection Corporate Taxes (Davis Tax Committee estimates that effective tax rate is 10 – 12%, instead of 28%)
- Fiscal Drag (about R12,8 billion raised in 2019)
- Minimising Illicit Financial Flows (especially high net worth individuals and the mining sector...estimates as high a 7% of GDP or R343 billion in IFF)
- Utilising the UIF Fund Surpluses
- Increasing Carbon Taxes
- Long term savings from reduced governmental costs (health, crime etc.)

BIS CAN be Implemented Today.....

- A well managed programme is affordable and consistent with fiscal responsibility
- A variety of funding sources are available and can be used without recourse to deficit spending
- BIS has Long term growth implications, its developmental impact supports macroeconomic stability and fiscal affordability
- What we need is **Political Will**



How can we Make it Happen?

Think Big

(with end goal in mind)

Start Small

(Phased in Approach)

Move Fast

(Implement Today)

Thank You

