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BASIC INCOME GRANT: FACT VERSUS FICTION

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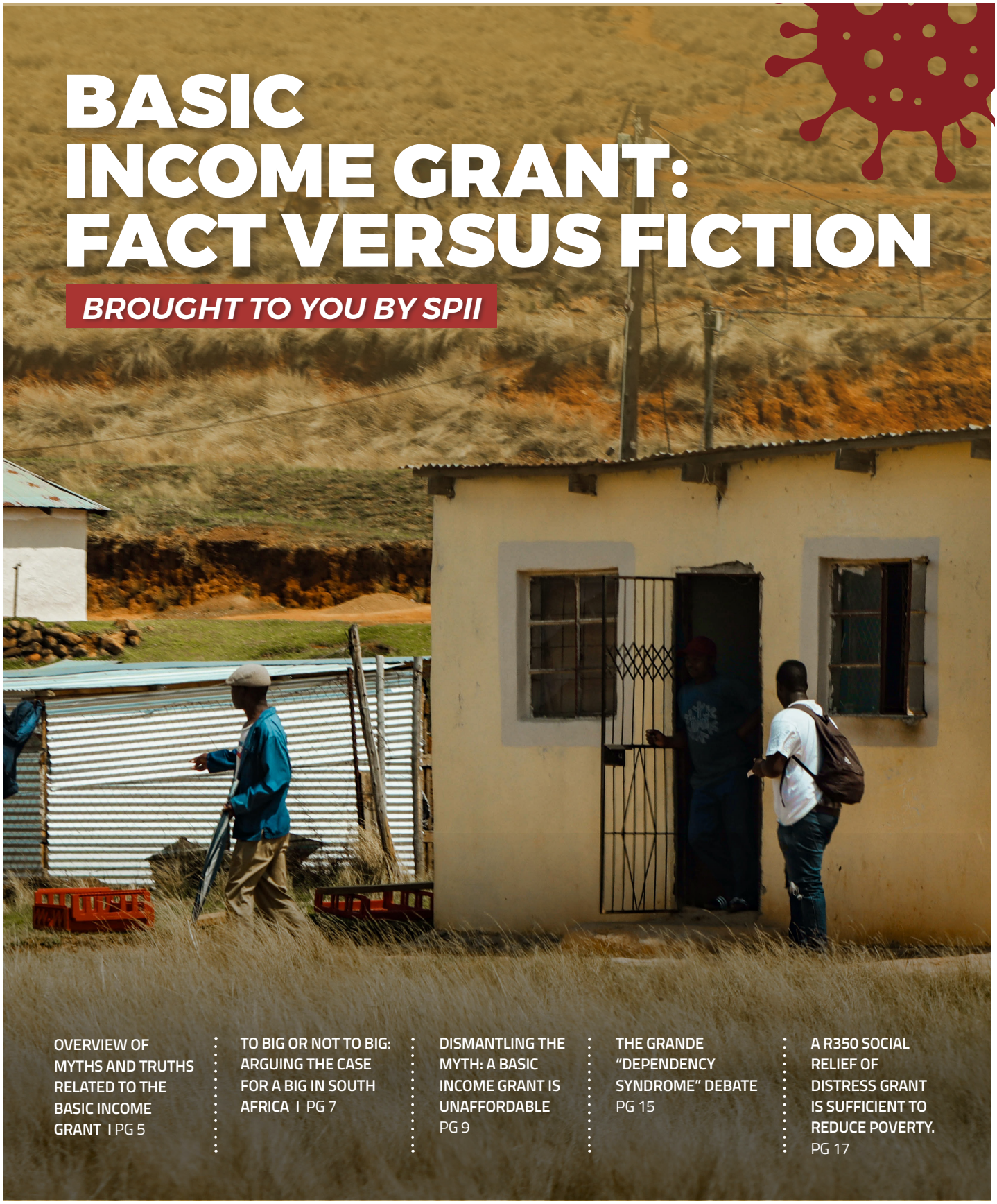

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DIRECTOR'S NOTE

This last quarter has seen almost unparalleled academic contributions to the global call for universal basic income guarantees. SPII is proud to have been able to contribute three excellent papers during this period. In partnership with the Friedrich Ebert Stiftung, SPII produced a global overview of BIG pilots, to provide a quick snapshot of what worked where and why, under the lead authorship of Nkululeko Majozi. The paper specifically looks to the impact on gender and job creation of the pilots and is very instructive: so much so that calls for a South African pilot, we believe, really are redundant given the wealth of empirical knowledge that already exists.

Duma Gqubule, a leading progressive financial journalist, was commissioned to write the second and third papers.The first of these is a truly magisterial work that follows the course of social security policy in South Africa and its apartheid-based failings, leading us towards the inevitable conclusion that a universal basic income large enough to create a difference is the only way that we can shock our country and economy out of the current stagnation and inevitable shrinking that will otherwise follow. In this paper, Gqubule examines the major modelling studies that have been put forward of a universal basic income. He demonstrates that using the criteria we set out in the paper, a universal BIG is not only affordable and morally correct but it is also the only way to create jobs and reach levels of GDP growth of between 3-7 % depending on the variety of micro-policies employed within three years.

The second of Gqubule's two papers tackles the highly controversial multiplier question – the numbers of returns to each rand of public spend in social transfers we can anticipate and why this is so important. The topic for this paper is equally ambitious, namely a review of the Efficacy of Fiscal Policy in SA. The paper concludes with the following stirring words:

> *´Therefore, government can increase the size of fiscal multipliers with the right macro-economic and industrial policies and other measures to improve the efficiency of government spending such as transparency and real-time civil society oversight over public procurement and the implementation of projects. With a multiplier of 1.5, a BIG for adults aged 18 to 59 implemented over three years at the three poverty lines would result in GDP growth rates of 3.4% a year assuming a 60% uptake and 4.2% a year assuming 80% uptake. If the BIG is extended to children, there would be GDP growth rates of 4.5% and 5.2%*

with uptakes of 60% and 80%, respectively. The economy would create millions of jobs using the Schroder and Storm (2020) and PWC (2021) multipliers. The time has come to implement a BIG for adults and extend it to children. With a growing economy, many other things become affordable. South Africans can start to dream again and imagine the country they wanted to create in 1994."

Our belief in the ability of and critical need for social security policy to advance any hope of a social, economic and political solution to SA's current worrying state of implosion is so absolute that we are re-launching SPII next year as the Social Policy Institute (SPI). We will retain our key work around the Decent Standard of Living in partnership with UNICEF and the Department of Social Development but will hone our focus on social security policy. Our new collaborations with the ILO and the Motsepe Foundation as well as UNICEF will ensure our gendered foundation to our analysis and engagement with social security policies and budgeting, as well as the way that we measure this gendered impact. As South Africa needs to pick up the DSD Green Paper again for renewed deliberation of the size and shape of a truly comprehensive social security system, we believe that the work of the SPI will be of greatest relevance and of critical value as South Africa starts to re-build and re-vision.

Finally, it is with heavy hearts that we bid farewell to Dr Nqobile Zulu, who was our research manager for this last extremely productive year. We wish him well and know that he holds SPII, Chiawelo and uBIG in his heart as he moves forward, and who knows where future roads take us?

We have also undertaken an aggressive fundraising and new partnership development strategy in recent months. We are delighted at the interest shown in our work from a variety of new corners. Our new supporters were able to identify how a secure South Africa with sufficient distribution of income makes for a decent life for all. They also saw the critical link between and a busily circulating economy which supports further economic activity, leading to growth and jobs, and guarantees of stability needed to woo and maintain investors. We look forward to expanding our support base and really – it is not only the right thing to do, but also the only thing to do.

We wish you well over this difficult year-end period and may we all, with confidence, move into a better tomorrow, together.

OVERVIEW OF MYTHS AND TRUTHS RELATED TO THE BASIC INCOME GRANT

CHRISTINA VAN STRATEN

The revival of the call to implement a universal Basic Income Grant (BIG) in South Africa has resulted in the resurgence of age-old myths surrounding the implementation thereof. Common rebuttals against the call for a BIG are typically based on widespread misconceptions, as opposed to fact-based information and evidence. This addition of the SPII talk hopes to disseminate such misconceptions while strengthening the argument for a BIG. Whilst the list of misconceptions surrounding a BIG are endless, this article focuses on those most common in South Africa.

Many of the current arguments against the implementation of a BIG is that the South African government simply cannot afford it. Dr. Nqobile Zulu explores this myth and explains why recent looting sprees across KwaZulu-Natal and Gauteng are an indication that the government simply cannot afford to not implement a BIG. The July looting sprees have been widely regarded as a symptom of extensive poverty that manifested into violence and anarchy – the cost of which, in the long run, far outweighs the cost of a BIG, which would have likely prevented such unrest by stimulating large scale economic growth through economic multipliers.

Nkululeko Majozi then goes on to explore the possible funding options for a BIG. He explores the possible financing options unpacked in a research paper by Duma Gqubuhle, as well as the likely economic outcomes projected upon the implementation of a BIG.

Perhaps the most common myth of all is the notion that grants promote dependency and dissuade people from working in order to obtain an income. This myth is unpacked by Lindi-K Khumalo, who showcases the way in which evidence produced by BIG pilots conducted around the world indicate the exact opposite of the popular abovementioned notion. This piece showcases how grant recipients are proven to be more employable based on their increased ability to enter the workforce. Women in particular are far more likely to find employment upon receiving such grants because they help mitigate the burden of unpaid caregiving caregiving work, which often acts as a hinderance to finding employment, capital to start micro-enterprises and many other income opportunities that are only available to those with pre-existing capital to pursue opportunities.

The argument that the current dispersion of the Covid-19 Social Relief of Distress grant is sufficient to quell poverty and hunger is disseminated by politicians throughout the country. Nduduzo Dlamini explains why, based on the minimum nutritional requirements of adults, this

amount falls far short of fulfilling an individual's most basic food needs. According to government statistics a minimum of R1 355 is required monthly per individual to ensure that their basic nutritional and health needs are met. Hence, SPII argues that the R350 SROD, is – even by government's standards – insufficient in tackling widespread hunger and extreme poverty.

Mpho Mhlongo then goes on to analyze the claims that such grants promote substance abuse. Many people argue that cash transfers promote, if not enable, the abuse of substances as they give vulnerable individuals cash to buy alcohol and drugs. Mhlongo showcases the way in which substance abuse is inherently linked to poor socio-economic conditions that result in people turning to alcohol, amongst other addictive substances, in order to deal with their unbearable living conditions. Lastly, Mhlongo indicates the lack of evidence available globally to support claims that grants promote the abuse of substances.

Together, these articles hope to illustrate the logical and substantiated reasoning behind the call for the implementation of a BIG. It is, however, important to mention that, over and above these previously mentioned factors, the call for a BIG is centred around the need to provide South Africans with the dignity to which they are entitled as stated by the Constitution. Therefore, whilst a BIG is both feasible and profitable, the driving factor is its ability to enact a sense of ubuntu in our country and give our people the ability to live the life that they deserve.

TO BIG OR NOT TO BIG: ARGUING THE CASE FOR A BIG IN SOUTH AFRICA

NQOBILE ZULU

The major argument against the adoption of a Basic Income Grant (BIG) for unemployed 18- to 59-year-old citizens is centred on the neo-liberal argument of budget shortfalls of the government in responding to, for example, the Covid-19 pandemic. Yet the counter argument is that government should look into injecting more capital into the economy instead of cutting expenditure – and an unemployment basic income is one way of doing that. It is only through increasing expenditure that the economy can generate more income. This, to a certain extent, is in line with the NALEDI Stimulus report wherein Duma Gqubule[1] argues that the only reason why the South African economy is in shambles is due to the government has reducing spending and, consequently, accumulating a lot of debt.

While the above arguments offer insights into some of the debates that have been and are taking place within the corridors of power – both state and ruling party, as well as in other centres of economic and policy shaping[2] – it is the human and developmental costs that have not featured prominently in the debates. If the July riots or civil unrest are factored into the equation, the costs of inequality on the fiscus, on social cohesion and stability of the country, and on the rainbow nation are worse than the quantified cost of a BIG package[3]. Estimates and figures from the South African Special Risk Insurance Association (Sasria) put the cost of damages from the July looting at between 20 and 25 billion rands, not counting the small- and medium-scale businesses that closed down. On the monetary side, an estimate can be made on the losses but what has not been and still cannot be accounted for is the trust deficit that has eroded the promises of 1994 envisaging a solid relationship between the state and its citizens as enshrined in Section 10 of the Constitution, in the promises of the "right to dignity" as envisaged in the Freedom Charter but also in the pact between the ruling party, African Nation Congress (ANC) and the mandated power to govern it has been vested of, by its citizens since 1994[4].

The Freedom Charter's mantra is that "South Africa belongs to all who live in it", yet the irony of the statement is not lost on the majority of citizens who are poor and hungry, whose job prospects are bleak in an economy with high unemployment with the latest figures sitting at 44,4% and counting. The fact that many of the working-age population, particularly women and the youth, experience some form of long-term unemployment is an indictment on the promise of belonging and citizenry if the great majority cannot and will not experience certain fundamental rights that come with citizenship.

The trend largely points to a breakdown in the progressive realisation of socio-economic rights – for the majority of the population that translates to poor service delivery contract between citizens and the state. The social and political context currently existing in South Africa led to and then escalated into provincial,

large-scale, unprecedented violence in July, including the destruction of public facilities and looting of private businesses and other attacks. As much as we can debate on the organised and coordinated nature of the riots, the fact that communities were 'mobilised' in numbers to join in the looting; their participation even though not centred in formal legislative processes is a contestation by the poor calling for their voices to be heard in the decision making that impacts their livelihoods. Bringing in a BIG not only reflects a government that listens but also one that cares for the welfare of its people, especially the majority poor. When taking into account that as of 13 October 2021, a total of 14 063 146 applications for the Social Relief of Distress grant were received by SASSA; there is definitely an overwhelming need for social support. Significantly, 70% of the SRoD applicants are below the age of 34, an important link to the unemployment crisis and its effect on the working age population.

If a stimulus package can be brought forth to save business, surely a BIG needs to be implemented as part of the state's social contract/compact with its citizens. What is the price of stability in the much bigger scheme of nation building, social cohesion and an equitable state? One answer is that capacitated citizens will bring on the most effective approaches to the democratic process creating a partnership between government and its citizenry to tackle the service delivery shortcomings while crafting public participation that is inclusive. The mobilization by communities during and after the riots to defend the malls, clean the ones that were looted and general coming together proved that the core of nation building is there in and among community members. What is lacking for the majority is the restoration of citizen dignity where inclusion and belonging are not only spoken of but are felt and experienced by the majority of the population. A universal BIG would be such a package as it bestows on citizens access to a meal without suffering the indignity of going hungry in a country that is well-resourced and rich in many ways.

In conclusion, it is common knowledge that the unemployment rate has increased tremendously with the closure of many businesses, mostly in the informal sector due to Covid-19 restrictions, which has led to loss of income and livelihood for the low-skilled. Yet there was no targeted state support for this sector whilst big business received some government funding. This does not acknowledge the majority of the poor and low-income households who were the most negatively impacted by the effect of restrictions to trading. A BIG extended to all citizens of the country can be a better tool for restoration of dignity of life and decent standard of living conditions for the great majority of South Africans. A number of case studies have proven how implementation of a BIG brings about a host of positive impacts that pay off dividends that have a multiplier effect on the economy but also on the improvement in the quality of life for the most vulnerable. Thus, a BIG should be pursued by National Treasury (NT) and policymakers as a fundamental right to enhancing a decent standard of living for citizens. The BIG is the answer for the prospects of the 'rainbow nation' that is inclusive, enabling equity, and participation in economic activity by all.

[1]Duma Gqubule 2021 "A Basic Income Guarantee for a Better South Africa: The evolution of social assistance in South Africa after 1994", paper produced for the SPII BIG Webinar Series.
[2]The South African government released in August for public comment, then withdrew in September a Green Paper focusing on a comprehensive overhaul of the social security system.
[3]A side note here would be to say that the results of the 2021 local government elections where the ANC lost its majority in a number of municipalities including Johannesburg and eThekwini is a clear example of the citizenry having lost faith in the ANC to deliver on promises made.
[4]This is taken from the August 2021 estimates of the expanded definition of unemployment.

DISMANTLING THE MYTH: A BASIC INCOME GRANT IS UNAFFORABLE

NKULULEKO MAJOZI

One of the biggest myths currently being propagated in South Africa about the universal Basic Income Grant (BIG) is that the country cannot afford a BIG. South Africa's private sector community is the chief proponent of this myth with business federation Business Unity South Africa (BUSA) being the most vocal[5].

The logic of the business community in spreading this myth is three-fold. First, business argues that the National Treasury simply does not have the funds available to finance a BIG. This argument is based on rough estimates that a BIG could cost R200 billion per year, which is almost R4 billion a week[6]. Secondly, business asserts that South Africa is not in a position to borrow in order to fund a BIG as the country's debt-to-GDP ratio is already unsustainably high[7]. Thirdly and lastly, business claims that government needs to improve economic growth to about 2.5% for the next 10 to 15 years for the fiscal position to improve to a sufficient level for South Africa to be able to afford a BIG[8].

Contrary to the above assertions, research evidence shows that South Africa is in a position to afford a BIG. Having spent the last decade and a half advocating for a BIG, in 2021 the Studies in Poverty and Inequality Institute (SPII) embarked on a research series of three papers on the BIG with the purpose of informing and advancing evidence-based research, policy and social dialogue on the implementation of a BIG in South Africa. In one of these papers, A Basic Income Guarantee for a Better South Africa: The evolution of social assistance in South Africa after 1994, author Duma Gqubule tackles the issue of the affordability of a BIG.

In the paper, Gqubule highlights a number of ways in which the South African government could possibly fund a BIG without private sector debt finance. The first option he points to is the South African Reserve Bank (SARB) as a source of such funding through new policy tools such as monetary financing, quantitative easing (QE) and central bank lending[9]. "Monetary finance is an umbrella term that refers to a range of proposals – including QE for the people, helicopter money and sovereign money creation – that require cooperation between a central bank and the government to provide a direct injection of new money into the real economy that is not financed by the issue of interest-bearing debt",[10] Gqubule states. Whilst central bank lending involves the Reserve Bank lending directly to the government at favourable terms. "The New Development Bank (NDB) loan to South Africa

[5]https://businesstech.co.za/news/finance/524306/south-africa-cant-afford-universal-grant-says-business-body/
[6]https://www.iol.co.za/business-report/economy/basic-income-grant-unaffordable-right-now-ad614532-d367-487b-aba6-a0d7422fe5f8
[7]Ibid
[8]Ibid
[9]D. Gqubule. 2021. *A Basic Income Guarantee for a Better South Africa: The evolution of social assistance in South Africa after 1994.* Studies in Poverty and Inequality Institute (SPII) Basic Income Grant (BIG) Research Paper Series, Paper 2, pp. 35. (Forthcoming).
[10]Ibid, pp. 35.

has a five-year payment holiday. There is no reason why the Reserve Bank cannot provide loans to the government with similar terms and at interest rates that are much lower than market-determined rates on the bond market",[11] argues Gqubule.

Gqubule also highlights the possible restructuring of South Africa's public finance balance sheet to free up excess cash as one of the ways the government could fund a BIG. "South Africa…had cash balances of R333.9 billion at the end of March 2021. Economists are forecasting that it will have excess cash – higher than predicted in the 2021 budget – of more than R100 billion by the end of March 2022[12]." With the necessary political will, government could rechannel this excess cash towards financing a BIG for the people of South Africa.

Pointing back to the Reserve Bank, Gqubule cites the SARB's excess foreign exchange and gold reserves as another possible source of funds for financing a BIG. "The Reserve Bank had gross foreign exchange and gold reserves of R859.3 billion at the end of August 2021, way above an international benchmark of three months of imports. The excess reserves above the benchmark (about R500 billion) can be released into the economy[13]", emphasises Gqubule.

Gqubule also refers to the Public Investment Corporation (PIC) as another possible source of financing for the BIG. He argues that the PIC "…which manages the Government Employees Pension Fund (GEPF) and the Unemployment Insurance Fund (UIF), had assets worth R2.4 trillion at the end of March 2021."[14] He then rightfully points out that such big surpluses are unnecessary. As he elaborates, "The GEPF is fully-funded. But there is no scenario in which the government could close shop and have to pay the pensions of 1.3 million public servants on the same day. There will always be teachers, nurses and police officers to make contributions to the fund. The PIC can reduce its assets by 50%. This would allow the PIC to release funds of R1.2 trillion into the economy."[15] As such, not only would government be able to fund a BIG with the release of such huge sums of money into the economy, but it would also be able to reduce South Africa's debt-to-GDP ratio.

On that note, let us now turn our attention to the second claim made by South Africa's private sector concerning the country's supposed inability to afford a BIG, i.e.: South Africa's extremely high debt-to-GDP ratio makes it impossible for the country to borrow in order to finance a BIG. In the same SPII BIG Research Paper cited above, author Duma Gqubule asserts that South Africa's debt-to-GDP ratio could virtually stay the same if the country were to fund the BIG through private debt finance over the next three financial years (2022/20203 – 2024/2025).[16] This is due to the economic growth (4.5% to 6%) that would be triggered by the BIG in the same period, as well as through significant claw-back of the money spent on the BIG through VAT collections, income tax, and additional tax revenues generated from GDP growth.[17]

However, Gqubule cautions that for this proposal to work, the government would have to implement the BIG for people of working (18 – 59 years) in an incremental approach over a sustained three year period as part of an economic recovery stimulus package for the country[18]. He argues that the BIG would have to be implemented at the Food Poverty Line (FPL) of R624 per month in the first year and increased to the Lower Bound Poverty Line (LBPL) of R890 per month in the second year, and to the Upper Bound Poverty Line (UBPL) of R1335 in the third year[19]. According to Gqubule, this would also require the extension of the BIG to children under the age of 18 by increasing the Child Support Grant (CSG) in line with the BIG to the FPL, LBPL, and UBPL in the same period. Thus making the BIG a universal BIG. The cost implications of such a proposal – the implementation of both the BIG and CSG – would be R254.7 billion at the FPL; R365.9 billion at the LBPL and R552.7 billion at the UBPL[20].

Gqubule maintains that implementing the BIG and the CSG proposal together over three financial years would provide the required sustained stimulus to the economy needed to achieve sustained economic growth and job creation[21]. Based on this proposal and an economic multiplier (the additional GDP generated by each rand of spend) of 1.5 times, Gqubule projects an annual average GDP growth rate of 4.5% during this three year period[22]. In terms of job creation, Gqubule estimates that the economy could create almost 4 million jobs during this period – 1.3 million in 2022/2023;

[11]Ibid, pp. 35.
[12]Ibid, pp. 35.
[13]Ibid, pp. 35.
[14]Ibid, pp. 35.
[15]Ibid, pp. 35.
[16]Ibid, pp. 34-35.
[17]Ibid, pp. 34.
[18]Ibid, pp. 32.
[19]Ibid, pp. 33.
[20]Ibid, pp. 33.
[21]Ibid, pp. 33.
[22]Ibid, pp. 34.

0.9 million in 2023/2024; and 1.5 million in 2024/2025[23]. Whilst the claw-back from the three tax revenue sources mentioned above would finance 65% of the gross costs of the BIG and the CSG proposal in 2024/2025[24].

Gqubule thus comes to the conclusion that the stimulus the BIG and CSG proposals would generate for the economy coupled with the corresponding growth of the economy would help contain the public debt ratio[25]. "The 2021 budget had forecast an increase in public debt to R5.2 trillion in 2023/2024, which was equivalent to 77.3% of the rebased GDP statistics… If one implements both the BIG and the CSG proposals, public debt increases to R5.5 trillion, which is equivalent to 76.8% of GDP. Therefore, the debt ratio will be virtually the same after implementing the BIG and CSG proposals"[26] , declares Gqubule.

Turning now to the third claim made by the business community regarding South Africa's supposed inability to afford a BIG, i.e.: the government needs to improve economic growth to about 2.5% for the next 10 to 15 years for the fiscal position to improve to a sufficient level for South Africa to be able to afford a BIG. This is a common delaying and deflecting tactic frequently used by business to avoid transformational changes to our country's economy. The business community frequently cites the lack of sufficient economic growth in order to block any real changes to the structure of South Africa's socio-economic landscape, whilst frustrating all policy attempts by government to transform and open up the country's economy to the broader society. We have seen this happen with Affirmative Action (AA) and Broad-based Black Economic Empowerment (B-BEE) policies, as well as with government attempts at land redistribution. Not to mention, South Africa's economy has grown at an average rate of 2.3% over the past 26 years from 1994 to 2020. In spite of this, business has always remained resolute in its dubious opposition to the BIG even when the Taylor Commission into a Comprehensive System of Social Security for South Africa had put the proposal for a BIG at a meagre R100 per month back in 2002[27].

In conclusion, South Africa can afford a BIG. The violent July social unrests that brought our country and economy to a standstill are a testament to the fact that we can no longer delay efforts aimed at addressing the daily hunger and destitution faced by millions of our people. The BIG is a much needed and overdue policy attempt to broaden the economic participation of millions of South Africans. To delay its implementation would be dire not only to the poor, but also to the South African socio-political and economic landscape as well as the interests of those among us that are well off. We need a BIG NOW! For the DIGNITY of our people.

[23]Ibid, pp. 34.
[24]Ibid, pp. 34.
[25]Ibid, pp. 34.
[26]Ibid, pp. 34-35.
[27]Taylor (2002) Transforming the Present – Protecting the Future Report of the Committee of Inquiry into a Comprehensive System of Social Security for South Africa Available at https://www.blacksash.org.za/images/campaigns/basicincomesupport/TransformingThePresentProtectingtheFuture2002.pdf

THE GRANDE "DEPENDENCY SYNDROME" DEBATE

LINDI-K KHUMALO

Dependency Culture

Despite the South African government's constitutional commitment to providing social security and the growing need to reduce poverty and food insecurity, there are persistent fears that social grants may affect people's social and economic behaviour negatively and weaken their motivation to work and create a 'dependency culture'. Some critics of the basic income grant (BIG) have vigorously argued that social assistance deters the poor from participating in economic activities. With others stating that instead of receiving social assistance, grant recipients should be encouraged to become self-reliant. Such views have influenced thinking around the roll out of Basic Income Grant (BIG) in South Africa. However, such concerns around the propensity for social assistance to induce 'dependency' are largely based on anecdotal evidence, rather than empirical realities.[28]

Debunking the Myth Around Dependency Culture

A 2015 cross country study done in six developing countries namely Honduras, Indonesia, Morocco, Mexico, Nicaragua and the Philippines on the effects of government run cash transfer programmes found that there is "no systematic evidence that cash transfer programmes discourage work."[29] Additionally, research done within South Africa by the Southern Africa Labour and Development Research Unit (SALDRU) showed that people do not stop looking for jobs when they receive a grant.[30] Instead, reports show that grant recipients do not wish to be 'dependent' on cash transfers and continue to place a high value on paid employment."[31]

In exploring attitudes towards grant receipt and paid employment in South Africa, there has been very little support for claims that the grants such as the Child Support Grant (CSG) reduce the incentive to find work or encourages dependency specifically, because the monetary value of the CSG grant (R360 per month) and similar grants such as the (SRoD) (R350 per month) are so small compared to a family's financial needs. According to Statistics South Africa (Stats SA) each person requires about R1335 per month to live above the food poverty line. This proves that, while grants are an important addition to a household's income, it is just that – an important addition.

There is compelling evidence that points to a wave of new thinking that suggest that it is beneficial to provide cash transfers to persons living in poverty so that they can find effective ways of escaping poverty.[32] Also, research shows that people receiving grants would prefer to work as opposed to rely solely on grants because paid work provides higher income and more benefits. Other respondents also stated that employment means a higher status in the community.[33]

A few would dispute that creating employment and economic growth is a better solution to overcoming poverty in South Africa than social grants. However, given South Africa's high unemployment rate (44.4%)[34] and limited prospects for labour absorption, there is a growing need to close the gap to accommodate those falling between the cracks. Social grants and paid employment in South Africa are usually framed as competing strategies for poverty alleviation, but this is a false dichotomy.[35] Within the South African context, research shows that citizens are keen and willing to work, but in the absence of jobs or opportunities to generate a steady income, grants such as the proposed BIG can provide substantial support.

A report published by Studies in Poverty and Inequality Institute (SPII), The Global Basic Income Grant (BIG) pilot since 2000, showed that that among women who received cash transfers, there was an increase in productivity, with a shift towards more entrepreneurial activities and self-employment, especially for women who invested in low scale farming and sewing equipment.[36] These findings go against anecdotal evidence that grants such as the BIG will lead to dependency.

A few would argue against the dependency on grants of children, the elderly, and those with disabilities due to their status. However, within the South African context with such a high level of unemployment, widespread inequality, and growing levels of poverty, who are those who fall in between the cracks meant to depend on, such as the youth? The introduction of a BIG provides an unconditional and permanent solution for those who do not fit into the category of "vulnerable groups". The BIG has the potential to boost economic activity, and get more people involved in the labour force. As it is, many adults are forced to depend on relatives or subject themselves to risky or demeaning methods of survival.[37] The State's obligation and by extension, society in supporting those who are unable to support themselves is part of the founding vision of post-apartheid South Africa, as outlined in the Constitution. Rather than being seen as an opposition to work, the BIG needs to be seen as a coping mechanism that promotes a sense of agency for people living in poverty, enabling people to make their own decisions regarding their needs, and promote resilience.

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[34]Expanded definition: http://www.statssa.gov.za/?p=14606#:~:text=According%20to%20the%20expanded%20definition,the%20second%20quarter%20of%202021.

[35]Common concerns and misconceptions: What does the evidence say?
Michell Mpike and Gemma Wright (Southern African Social Policy Research Institute), Stefanie Röhrs (Children's Institute), Zaheera Mohamed and Lindi Mzankomo National Treasury

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A R350 SOCIAL RELIEF OF DISTRESS GRANT IS SUFFICIENT TO REDUCE POVERTY.

Even though the amount of R350 is not enough to reduce poverty in South Africa, it is a small step to the right direction.

NDUDUZO DLAMINI

A large population of South Africa lives below the poverty line. There is a large gap between the poor and the rich, hence one wonders how the R350 Social Relief of Distress grant will reduce poverty? This article focuses on how the proposed amount is not enough to reduce poverty.

There are about 6 449 916 people between 18- and 59-years-old who applied and received the grant. When you ask them what did they buy with that money? It hardly covers their daily necessities, for example food. The price of food has increased over the past years, even over the start of the Covid-19 pandemic. The Social Relief of Distress grant is not sufficient to ensure income security for many households in South Africa. In order to reduce poverty, basic needs must be addressed. People need to have their basic needs met. Those basic needs include food, which the amount of R350 is below the extreme or food poverty line of R624 , which is based on a calculation of the minimum kilojoules/energy required to survive on a day-to-day basis, not live. The cost of a 10 kg maize meal cost about +/-R80 that depending on the brand. There are other expenses such as paying for electricity and buying toiletries expenses. If the amount does not cover the groceries for a month, how can it reduce poverty?

There are several challenges that people encounter in the process of applying and accessing this grant. For example, in the case of unemployed individuals from the rural areas applying for the grant, the individual hears about it on the radio, does not have a smartphone to apply online. They may take transport to go to the nearest town to find an internet cafe to apply, which will cost money. On the other hand, there are many people from the township not familiar with applying online. Many people end up asking other people to apply on their behalf, because of not having much understanding of the online application and how it works. The applications are done online and on WhatsApp, which some people did not understand. They will first get a massage that required them to follow the link and update the banking details. Others, once they receive the message, quickly go to the post office not knowing that the message has a link to update banking details. People wait in long queues only to find out that they should not have come to the post office. Some think that to apply you need to visit the South African Social Security Agency local offices. Some take the transport to those offices and pay, others borrow the money for transport. If a person happens to

receive the money, already they have debt to pay. There is a habit of selling spaces in the queue, there are those who will wake up in early hours to queue, and then if you want a space in front you need to pay an amount of R20 to R50. This amount of a grant cannot reduce poverty as people remain poor even after receiving this grant. They spend money to receive and access the grant.

Even though the amount of R350 is not enough to reduce poverty in South Africa, it is a small step to the right direction. There are many things to consider to reduce poverty. Due to the challenges with the process and accessing that amount, one cannot state in full that it will contribute much to poverty reduction. The system of application process and infrastructure needs to be addressed first. A Basic Income Grant (BIG) above the poverty line can be a starting point in poverty reduction. According to the report released by the Pietermaritzburg Economic Justice, approximately 30.4 million people in South Africa live below the old upper-bound poverty line of R1, 268. Therefore, the amount of the Social Relief of Distress is not sufficient to reduce poverty unless it is increased to be above the poverty line. Increasing the amount will ensure dignity for all poor individuals in our country.

BIG AND SUBSTANCE ABUSE

MPHO MHLONGO

This article serves to debunk the myth against the implementation of a Basic Income Grant (BIG) which propagates that the grant would be used to feed into unhealthy habits of alcohol consumption and drug use.

From the time the topical BIG took centre stage, arguments against its implementation came up again and again, and one of which is that a grant of this amount would increase drug and alcohol demand. The argument is said to be based on perceptions of the misuse of the Child Care Grant, which was, seemingly, not used in the best interest of children. However, this does not come as a surprise because the majority of caregivers who receive grants on behalf of their children do not have other sources of incomes apart from the grant. Therefore, it is likely that they would attempt to use the amount for their own benefit.

South Africa has a serious poverty issue and often grants normally form a part of household budget. It is sometimes because of this that we see more and more young people already plagued with poverty conceive more children in the hopes of increasing the "household" budget. Over and above poverty being a serious issue, South Africa is a notoriously hard drinking country said to consume over 5 billion litres of alcohol annually. Of even greater concern is the use of alcohol amongst the youth. Despite this known issue, there is limited information about the drivers of heavy drinking in South Africa, and certainly little to no evidence that studies the relationship between grants and alcohol amongst recipients. In an attempt to draw a complete picture of heavy drinkers in South Africa, researchers have begun assembling demographic profiles of heavy drinkers which currently seems to be young, male, black African or Coloured, and reside in low-income areas. Socio-economic factors such as poverty, inequality and unemployment remain key elements for the increased use of drugs and the development of substance use disorders, with the prevalence of male alcohol consumption being more than double that of female consumption.

While people use and consume alcohol for various reasons, alcohol has become a way in which people escape challenges and stressors that an individual may be facing, thus becoming an unhealthy coping mechanism which results in alcohol abuse. While it can be agreed upon that people from previously disadvantaged backgrounds or are currently living in extreme poverty or in low-income communities plagued with high levels of unemployment and other social ills, are more prone to using alcohol as a coping method; alcohol can be used as a coping mechanism by people from all walks of life, from people stressed by heavy workload, to college students, people suffering from PTSD, or even people with a family history of alcoholism.

A BIG represents a major policy response to the existing gap within the social security system affecting able-bodied persons between the ages of 18 and 59, by extension, leaving millions of South Africans vulnerable. Recipients of a BIG

have the potential to buy goods and services which improve nutritional, education, and health status of their families. While one can appreciate the feelings of disappointment and sometimes anger towards grants, these should not outweigh the need for a BIG. The Studies in Poverty and Inequality Institute (SPII) therefore implore every reader to see reason for a BIG for able-bodied persons between the ages of 18 and 59. The evidence for a BIG from pilots conducted in various countries is incontrovertible and lessons can be drawn from them. The generalization that recipients will misuse the grant to either gamble, buy alcohol or clothes for themselves is dangerous and should not form the basis for supporting the BIG or not. The purpose of the BIG should remain clear and specific – to alleviate the high levels of poverty in South Africa and close the gap that currently exists in the Country's social security system.

SPII Matters

STUDIES IN POVERTY AND INEQUALITY INSTITUTE (SPII) COVID-19 POLICY

SPII is interested in ensuring that all staff and stakeholders receive objective, verified information on the pandemic and will endeavour to circulate such information from reliable sources.

SPII is committed to implementing policies which mitigate against the transmission of COVID-19, both within the workplace and beyond. We have therefore implemented the following measures:

- All staff will work from home.
- Where staff do need to go in to the office due to unavoidable reasons, they will be supported in order not to have to take public transportation in and out.

A repository of COVID-19 resources that we have recently developed and continually update, see here: https://spii.org.za/covid-19-resources/

For further information on SPII's recent work in relation to a Basic Income Grant (BIG), see here:
https://spii.org.za/big/

To see statements that SPII has recently endorsed and support, see here:
https://spii.org.za/submissions-and-endorsements/

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To stay up to date with the latest news from SPII, please visit Facebook and Twitter:

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Please contact Isobel Frye at SPII should you wish to have any information about any of the pieces - **Email:** isobel@spii.org.za

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