

NO ONE LEFT BEHIND

Why universal basic income makes more sense than targeted grants

Not all BIGs are equal

A basic income guarantee (BIG) (is a commitment by government to ensure that people have a minimal level of income to meet their basic needs. This is done through the provision of a regular cash transfer or grant. While adoption of income support in general is important, research shows that not all basic income systems are the same: how they are designed—especially whether they are **targeted** or **universal**—has a significant impact on outcomes.

Targeting vs Universality

A major decision in designing a basic income guarantee scheme is whether it is universal or targeted.¹ A Universal Basic Income Guarantee (UBIG) is an income transfer that everyone is eligible for,² regardless of their income or employment status. A targeted basic income on the other hand is only provided to those who meet some kind of qualifying criteria, usually that they are unemployed and/or have income below a certain level—typically referred to as a means-test threshold.

1. For an overview on targeting see: White, H. 2017. [Effective targeting of social programmes: an overview of issues](#). Journal of Development Effectiveness.

2. In South Africa a UBIG is currently only being considered for working age adults, as there is social security support for children and pensioners which play a critically important role.



THE FOUR ELEMENTS OF A UBIG

- ✓ **UNIVERSAL** – applies to all adults.
- ✓ **BASIC** – covers basic necessities.
- ✓ **INCOME** – a regular cash benefit.
- ✓ **GUARANTEE** – provided as a right.

Targeting is often counterproductive

Targeting systems are intended to ensure that income support goes only to those who need it most—thus making the most efficient use of available resources. However, means-tested or unemployment targeting is known to leave many behind in practice.

This happens for many reasons, including:

- the fact that government agencies often have flawed data about peoples' status and eligibility³
- the use of application systems which are difficult for the poorest and most vulnerable to access—like online forms
- the use of means-testing systems that are highly burdensome or bureaucratic (such as monthly bank account checks)
- the fact that people constantly move into and out of eligibility, especially in fluid labour markets like South Africa's with high levels of informality.

Paradoxically, such challenges usually mean that targeting measures intended to reserve income support for those who need it most, often end up excluding many in this exact grouping.

Targeting has been shown to be extremely administratively complex and costly. A recent study found that 12 out of 25 targeted income support initiatives had exclusion errors above 70% and 5 had exclusion errors above 90%.⁴ None had exclusion errors of less than 40% (the best performer being Brazil's *Bolsa Familia* which excluded 44%). This means that in most cases of targeted grants, the majority of the target group are excluded from receiving it.

The experience of the rollout of South Africa's Social Relief of Distress (SRD) grant supports these findings. When legislative changes to the SRD introduced a very low means-test threshold, the number of approvals and, subsequently, applications for the grant plummeted, well below the budgeted allocation.⁵ The means test requirements added costs to the state (for example by having to pay banks to perform income checks on applicants) and resulted in significant delays in payments and a loss of faith in the system. A number of other targeting requirements served to worsen these exclusion errors.



**OUT OF 25 TARGETED
INCOME SUPPORT
INITIATIVES...**

12 had exclusion errors above 70%

5 had exclusion errors above 90%

0 had exclusion errors below 40%

3. See for example: Goldman, M. et al. 2021. [Simulation of options to replace the special COVID-19 Social Relief of Distress grant and close the poverty gap at the food poverty line.](#) WIDER Working Paper.

4. Kidd, S., and Athias, D. 2020. ["Hit and Miss: An Assessment of Targeting Effectiveness in Social Protection"](#) Development Pathways, Working Paper.

5. See IEJ Statement - [The R350 SRD Grant crisis is far from resolved.](#)

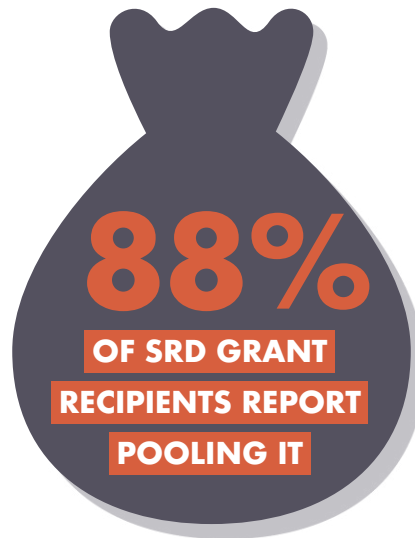
The case for universality

With a universal grant, everyone qualifies regardless of their income or employment status. This affirms everybody's right to a basic level of income support. But this does not necessarily mean that the wealthy receive the benefit of a UBIG. Appropriate taxation measures and clawbacks on high income earners will ensure that the wealthy make a net contribution to financing the safety net, while the poor receive a net benefit.

Advocates of a UBIG argue that this reduces the administrative burden on the state because government officials do not have to go through difficult, expensive and time-consuming assessments of whether an applicant qualifies or not, and do not have to expend resources identifying and policing those who might have received the grant without being eligible. A universal grant would mean there is less chance that people who need the grant won't receive it and, because of its relative administrative simplicity, allows far more expeditious implementation of a BIG to address the current socio-economic crisis with the urgency required. Unconditional or universal cash transfers have also been shown to be better suited to crisis situations.⁶

Evidence shows that universal grants ensure that no one can be left behind, and are more effective at achieving their policy aims. However, universality may take time to achieve. In the meantime, it is important to ensure that as many people are supported as possible. We have proposed that pathways to a universal BIG in South Africa could start with a BIG targeted to the most vulnerable initially, and gradually expanded over time, to include all working age adults.

To ensure that a targeted BIG had the desired impact, unnecessary conditionalities would need to be removed which exclude poor people, an appropriate income eligibility threshold would need to be set (for example the Child Support Grant has an eligibility threshold of R4800 income per month) and the value of the grant would have to be set at the very least at the Food Poverty Line, progressively increasing to the Upper Bound Poverty Line.



Universality benefits households who pool their income

The **value** of the grant is also an important decision as it is critical to strive towards ensuring the grant reaches a high enough level that it improves people's life choices, rather than trapping them in poverty. However, it is still better to give a smaller amount of money to a bigger group of people, than a larger sum to a smaller targeted group.

Economic modelling shows that a UBIG, even at a relatively low level, has a greater impact on poverty than a targeted grant set at a significantly higher level, because it reaches a range of adults of different employment statuses living in low income households, who are able to pool their income—a common practice in South Africa. In the case of the SRD, 88% of recipients reported doing this.⁷ With a UBIG, we can expect a larger average number of beneficiaries per household than with a targeted grant, meaning that the pool of resources available to a household is greater.

6. Orkin, K. et al. 2022. [International evidence to inform decision making on implementing urgent response social protection measures](#). Psychology, Health & Medicine.

7. Zulu, L. 4 August 2021. [Speaking notes for Minister Lindiwe Zulu's media briefing following the announcement of the re-introduction of the special COVID-19 SRD grant](#).



Broader societal considerations

Targeting carries the added risk of creating new forms of social division and tension. In some cases it has been shown to attach social stigma to the targeted group, increasing unwillingness to claim the benefits, or resulting in non-recipients undermining recipients' entrepreneurship and consumption.⁸ Universality on the other hand, recognises everybody's interreliance, contribution to society, and right to meet their basic needs.

There is no evidence that universal social assistance creates dependency or discourages labour market participation—as is explained in factsheets 3 and 6 of this series. In fact, targeted grants can reduce incentives to seek employment in case it disqualifies the recipient from receiving the grant in the future.

Local and international evidence shows that targeting is often counterproductive in achieving its policy goals of directing support to those most in need. Drawing boundaries of inclusion and exclusion is an arbitrary exercise, as in reality people do not fall neatly into the categories of vulnerable and not vulnerable, and government agencies are unable to determine neediness through blunt bureaucratic tests which are also expensive and complicated. Universal eligibility on the other hand is easy to implement, ensures nobody is left behind, will be redistributive if accompanied by progressive taxation, and fosters social solidarity and cohesion.

8. Della Guardia, A. et al. 2022. [Selective inclusion in cash transfer programs: Unintended consequences for social cohesion](#). World Development.

Visit our special UBIG portal by scanning the QR code



Read more in the IEJ's Policy Brief [Designing a Basic Income Guarantee](#), and the IEJ's Working Paper [Can a Universal Basic Income Contribute to Breaking Structural Poverty in South Africa?](#), and accompanying [Annotated Bibliography](#).

This factsheet is part of our series on the universal basic income guarantee (UBIG) in South Africa.

Factsheets in this series are:

1. Why does South Africa need a Universal Basic Income Guarantee?
2. No one left behind: Why universal basic income makes more sense than targeted grants
3. Jobs versus Grants: Are employment and basic income a policy trade off?
4. How a UBIG can support healthier kids, happier adults, and lifelong learning
5. How a UBIG can advance gender justice and social cohesion
6. Not just a handout: How a UBIG gives people the power to prosper
7. "But how will we pay for it?" Financing a UBIG

Forthcoming factsheets in this series will focus on:

- Modelling pathways to a UBIG
- UBIG and the rising cost of living
- UBIG and the just transition

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