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UNIVERSAL BASIC INCOME GUARANTEE FACTSHEET SERIES

# WHY DOES SOUTH AFRICA NEED A UNIVERSAL BASIC INCOME GUARANTEE?

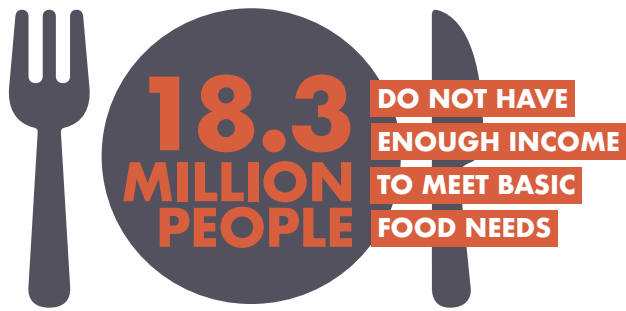
A universal basic income guarantee (UBIG) is a commitment by government to ensure that everyone has a minimum level of income to meet their basic needs. This is done through a regular cash transfer or grant, that spurs development and promotes sustainable livelihoods. But the benefits of a UBIG are not just economic. A UBIG can benefit society by improving health and education outcomes, increasing social cohesion, and supporting gender equality.

Throughout this factsheet series, we present evidence to show that a UBIG can improve the lives of many millions in South Africa. But it is not by itself a silver bullet. Maximising its impact requires a range of complementary interventions: amongst others, an appropriate macroeconomic framework that stimulates development; expansion of affordable, universally available public services; a coherent strategy for a just energy transition; and a well resourced high-impact industrial policy that promotes jobs rich economic diversification.



## 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.



## The role of social grants in poverty alleviation

South Africa is one of the most unequal countries in the world with high rates of unemployment and poverty. In the second quarter of 2022, South Africa had an unemployment rate of 44.1% based on the expanded definition (which includes discouraged workers, or those who have given up searching for a job).<sup>1</sup>

Social grants, or regular cash transfers provided by government to individuals or households, have been post-apartheid South Africa's most effective weapon against extreme poverty. In 2021, approximately 50% of households in South Africa had benefited from a social grant—up from 43.5% in 2011 and 30.8% in 2003.<sup>2</sup> The role of social grants in relieving extreme poverty is further illustrated by the fact that 24.4% of households report social grants as their main source of income.<sup>3</sup> The current social grants system includes the old age pension, child support grant and disability grant. Since COVID-19, it has also included the Social Relief of Distress (SRD) grant, introduced in April 2020, and recently extended to March 2024.

However, gaps remain in the social grant system, and millions of people remain exposed to extreme poverty without government assistance. South Africa does not have any permanent income support for able-bodied people between the ages of 18 and 59 despite the fact that a large number of them have no income or means of survival due in large part to the unavailability of employment. While many people in this grouping have benefitted from the

SRD grant, the grant remains a temporary measure and has many limitations because of its low value, its low income eligibility threshold, and other barriers to access for the most vulnerable. This context of high unemployment and limited support underscores the importance of permanent social security for working age adults.

By contrast, the labour market has not served to progressively reduce poverty in South Africa. In addition to steadily increasing unemployment this is because (at least between 2000 and 2015) average real wage growth has not breached 2% per annum for the bottom 80% of income earners—and this has no doubt worsened considerably since the economic devastation wrought by COVID.<sup>4</sup> As a consequence it is not only the unemployed who face poverty—a large proportion of those in employment in South Africa still live below the poverty line.

## Income support as a constitutional right

Section 27 of the South African Constitution guarantees the right to social security for all, including social assistance if they cannot provide for themselves and their dependents. Sections 7 & 36 state that there must be no unjustifiable delays in realising this right. South Africa is a signatory to the International Covenant on Economic, Social and Cultural Rights (ICESCR) which asserts that all persons should be covered by the social protection system, especially those most marginalised and disadvantaged.

In 2018, South Africa's obligations under this treaty were reviewed by the United Nations Committee on Social, Economic and Cultural Rights.<sup>5</sup> The Committee found that the current grant system was insufficient to ensure an adequate standard of living for recipients and their families and pointed to the problem of the lack of support for those between the ages of 18 and 59 who are capable of working.<sup>6</sup> The Committee called for moves towards the establishment of a basic income grant.

1. Statistics South Africa. August 2022. [Quarterly Labour Force Survey 2nd Quarter 2022](#).

2. Statistics South Africa. June 2022. [General Household Survey 2021](#).

3. Ibid.

4. Bhorat, H. et al. May 2020. [Wage polarization in a high-inequality emerging economy: The case of South Africa](#). WIDER Working Paper.

5. See: Committee on Economic, Cultural and Social Rights. 2018. Concluding observations on the initial report of South Africa.

6. For more see: IEJ, Section 27 and CESR. 2021. [Social Protection during COVID-19](#).



## The role a UBIG can play in the current social grant system

There have been debates about the introduction of basic income support since the 1990s.<sup>7</sup> A UBIG can have transformative effects in South Africa helping to shift structural poverty, alleviate some of the impacts of deeply entrenched unemployment and end hunger in the country. Rather than being a drain on the economy, a UBIG can contribute to growth as more people spend money in their local communities and have the means to better their economic position.

## What can a UBIG do?

Many countries have introduced basic income support in some form, often to trial its impacts, and there is extensive research available from these initiatives.

The evidence shows that basic income has many positive effects encompassing and also going beyond immediate poverty alleviation. These include:

- ✓ **Basic income support can end hunger:** Government estimates suggest that 18.3 million people in South Africa do not have enough income to meet their basic food needs, and more than half the population lives in poverty. A UBIG set at the value of the highest poverty line would by definition eliminate poverty and end hunger in South Africa.
- ✓ **Basic income support can improve health and education outcomes:** Poverty produces unjust and costly social consequences, including poor health outcomes and barriers to education. This makes it harder for people to escape poverty, and can trap generations in a cycle of poverty. Extensive evidence shows that basic income support (if it is accompanied

7. See: COSATU and NEHAWU. 2003. [Joint Submission to the Public Hearings on The Report of the Committee of Enquiry into Comprehensive Social Security System.](#)



## Arguments against a UBIG

Arguments often made against a UBIG include:

- ✗ It will create dependency, and result in people withdrawing from the labour market.
- ✗ Investment in grants will detract from investment in jobs.
- ✗ Beneficiaries will waste their grant money on things like alcohol.
- ✗ It is unaffordable, and financially unsustainable.
- ✗ It will benefit those who don't need it, because everyone will receive it, including the wealthy.

In this series of factsheets we will consider these concerns, and show why the international and local evidence do not support these arguments against a UBIG; and that some of these perceptions result from a basic misunderstanding of how a UBIG will work.

by public healthcare and education) can improve peoples' nutrition, health, and educational attainment, and help them escape long-term intergenerational poverty. Studies also show that income support reduces stress and improves peoples' psychological well-being. Evidence from Alaska, Kenya and South Africa (and elsewhere) shows the positive impact of cash transfers on child nutrition and health outcomes. Other research points to the fact that cash transfers help keep young people in school for longer.

- ✓ **Basic income can help grow the economy, and promote local economic development:** Critics of basic income support often think about grants as a financial drain on the state or the economy but research shows they can play an important role in growing the economy. This is partly because people spend the money they receive in local communities. Research also shows that basic income support helps people to join the formal labour market because it takes away the stress of trying to ensure basic needs are met and/or gives people the money to cover the costs of looking for a job. In addition, basic income support can improve the quality of jobs and wage levels in our labour market. If minimum wages and labour protections remain in place, basic income reduces workers' vulnerability to exploitation. Finally, research shows that basic income can also help to support people to build sustainable livelihoods through self-employment or starting businesses.
- ✓ **Basic income can help address gender inequality:** Women perform the bulk of unpaid domestic and care work in the home, and are also disadvantaged in the labour market. This means that they are more likely to experience poverty, and are also more likely to be dependent on men. This reality exposes the injustices of relying on jobs alone to provide dignity. Basic income support (provided to all individuals—not just heads of households) gives women more autonomy and independence, and can also reduce their vulnerability to gender-based violence.
- ✓ **Basic income can improve social cohesion:** A UBIG is a fairer way of sharing the wealth in our society, and this can help to improve social solidarity, stability, and democratic participation. For instance a basic income trial in Namibia led to a reduction in crime.

In this series of factsheets we will explore this evidence in more detail, and unpack the reasons why we believe that introduction of a Universal Basic Income Guarantee will help to unlock a fairer, safer and more prosperous future for South Africa.

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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