Economic Research Southern Africa

Can a universal basic income contribute to breaking structural poverty in South Africa?

Discussion Document 03

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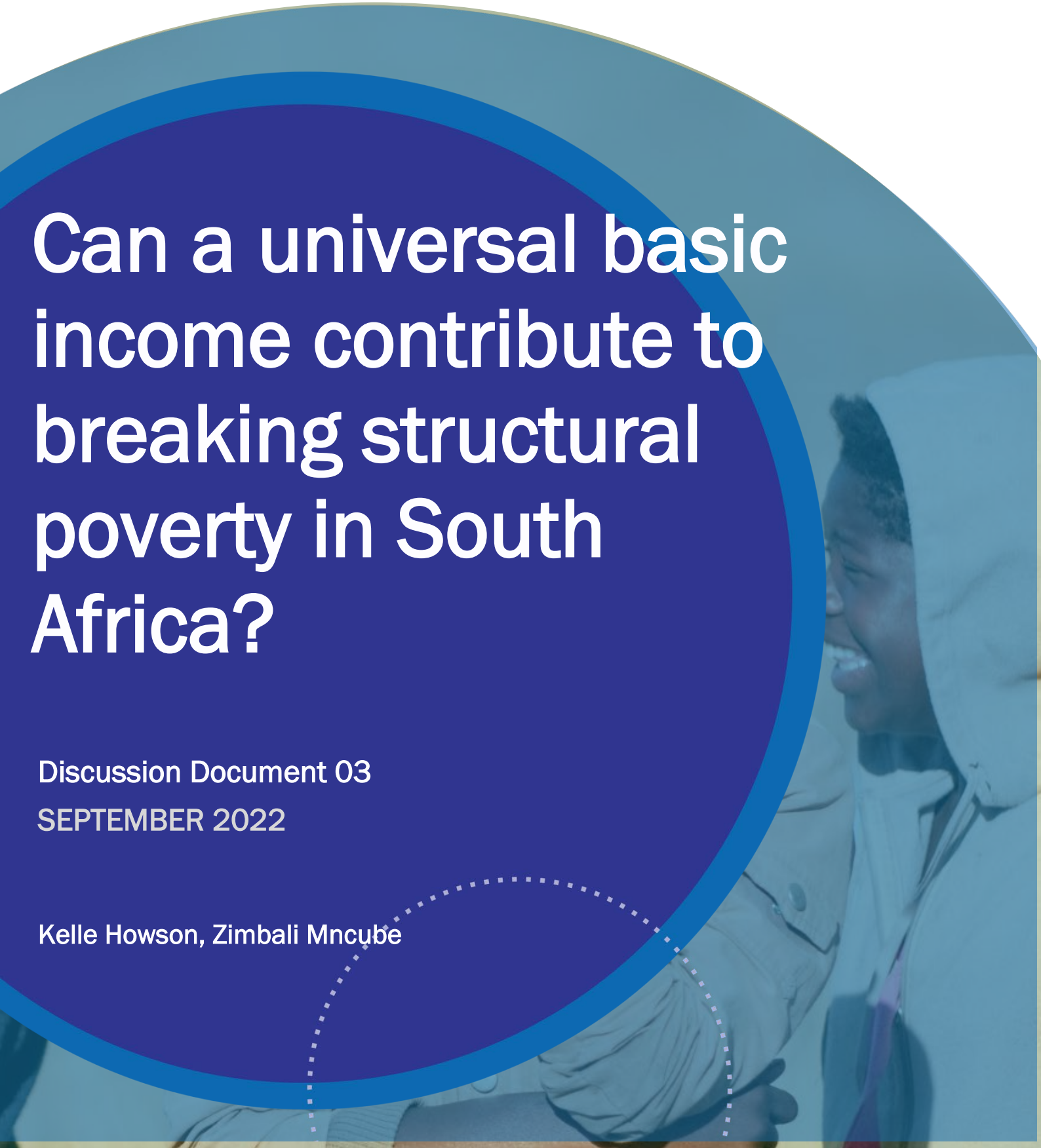

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Matthew Simmonds

Director

Universal Basic Income: how the experience in developing countries can inform the discussion in South Africa[1]

This discussion document is part of a series of discussion documents forming part of the Basic Income Support in South Africa Series. This Series is developed in response to the government's proposal that the Social Relief of Distress Grant will be replaced by an alternative form of household support.
For more information on this series, please see our website at:
https://econrsa.org/research/research-projects/basic-income-support-in-south-africa

Executive Summary

The feasibility and sustainability of a universal basic income grant (UBIG) in South Africa can only be understood in relation to its long-term social and economic benefits. In this paper we demonstrate, based on a wide-ranging review of local and international evidence, that these benefits can go beyond the immediate relief of income poverty, to disrupt many of the underlying drivers of unequal and exclusionary outcomes in our economy over time. Whilst acknowledging that the state faces a number of challenges in implementing a UBIG, and that it can carry risks and externalities depending on design, we show that a progressively-designed UBIG has the potential to greatly assist in addressing our immediate humanitarian crisis of deprivation, whilst also disrupting the structural conditions which continue to produce poverty. However, a UBIG cannot be seen in isolation as a solution to South Africa's complex challenges, but must be integrated into a comprehensive policy programme of economic development, job creation, and social provisioning, to achieve just outcomes.

We find that a UBIG in South Africa would significantly and rapidly reduce the numbers of people living below the national poverty thresholds, and depending on the level of the transfer value could effectively eliminate income poverty by providing regular cash payments to supplement people's income. While this would raise living standards in the short term, it would also have profound longer-term effects, such as on employment.

We review the impact of income support in South Africa and in other countries on people's ability to participate in the labour market. The evidence suggests that the

[1] The present report is a contribution to ERSA's discussion document series on Basic Income Support in South Africa. † Department of Economics, Management and Statistics, University of Milano-Bicocca – Piazza dell'Ateneo Nuovo, 1 - 20126, Milan, Italy; jessica.gagetemiranda@unimib.it

security and autonomy provided by income support does not diminish people's motivation to do rewarding and productive work. Moreover, we show in contrast to prevailing myths, that income support does not incentivise people to reduce overall work hours, and instead can assist with the costs of job search and internal labour migration. Where income support can help people to gain waged work, it may also help workers to improve their collective bargaining power and negotiate for better conditions—in turn reducing working poverty and exploitation (although this depends on strong labour protections and minimum wage floors continuing to be enforced).

We also discuss evidence to show that basic income support has had the effect of increasing local economic activity and enabling sustainable livelihoods. Much of the evidence for this effect comes from rural areas where people are more likely to have constrained economic options and experience extreme poverty, and this includes strong evidence from Sub-Saharan Africa. These experiences show that income support enables increased self-employment and the formation of enterprises, as well as improved investment, output, and productivity. This has created an income multiplier effect in many cases—where people who receive income support see their incomes increase at a higher rate than the level of the income support. These findings underscore the fact that income inadequacy is a fundamental barrier to labour market participation and self-employment, and that income support removes that barrier, to unlock economic participation, productivity, and value.

We also review evidence from existing income support initiatives to understand whether they have led to improved health outcomes for poor communities, including mental health. The nutritional and health implications of poverty can in turn have the effect of keeping people trapped in poverty. We show that income support can enable improved nutrition and health outcomes, but that this must be accompanied by universal access to quality public healthcare. We also review evidence which shows that income support contributes to improved psychological wellbeing, and lower levels of stress.

In addition, we recognise women's economic exclusion to be a key contributor to structural poverty in South Africa. Women are much more likely to perform unpaid care work, and to be economically dependent on men. In addition, women and especially black women are more likely to be vulnerable to poverty. A UBIG paid to all adults (rather than to the heads of households) supports greater independence and autonomy for women, and goes some way towards remunerating unpaid domestic and care labour. Cash transfer interventions have also been shown to reduce vulnerability to gender based violence.

We also discuss research which suggests that income support, especially if it is universal, can contribute to improved social cohesion and strengthened civic and democratic participation. This is directly relevant to the problem of structural poverty, as research shows that social cohesion supports improved economic outcomes. Moreover, recent experience in South Africa has demonstrated the heightened risk of social unrest in the context of widespread deprivation, as well as the enormous costs that this represents for our democracy and our economy. Universality entails a shift in perspective in terms of our collective responsibilities towards each other and our society at large, affirming everybody's stake in our society and economy, and in turn encouraging economic and democratic participation and inclusion.

Finally, we show that these myriad social and economic benefits manifest at the macroeconomic level, helping to offset the fiscal costs of the programme. This includes through increased aggregate demand in the economy which in turn flows into government revenue through tax. However, the evidence suggests that macroeconomic impacts of a UBIG are not limited to the value of the transfer being spent back into the economy (and especially local businesses in depressed areas). There are also various multiplier effects on labour supply, enterprise formation, job creation and self-employment. To a large extent these positive impacts depend on the financing structure of the grant. Research has shown that a UBIG is most likely to be redistributive and to produce a multiplier effect which benefits the poorest households if it is funded through progressive taxation rather than regressive taxes such as VAT.

Across the areas investigated in this paper—the evidence indicates that the most significant impact that a UBIG can have in South Africa is to facilitate the inclusion of those who are excluded from our economy due to intersecting factors of poverty, gender, race, and geography. A progressive UBIG not only lifts people to or above the national poverty lines while it is in place, but has the potential to unleash human capital and agency to instigate a fundamental shift in the way our economy is structured. As well as being inherently unjust, exclusion is expensive. Structural poverty weighs down growth, and increases strain on public services while eroding the tax base. We argue in this paper that the weight of evidence overwhelming concludes that a UBIG is an effective, evidence-based solution for tackling the crisis of economic exclusion, and breaking structural poverty in South Africa.

1. Introduction

A basic income grant (BIG), or a regular government cash transfer to individuals or households to assist in meeting basic needs, is on the policy agenda, and attracting fierce debate, in South Africa. Aspects of contestation within this debate include whether a BIG is feasible and affordable over a sustained period, as well as whether it will meaningfully contribute to addressing the country's pressing issues of unemployment, inequality, and poverty. These questions are of course linked—the programme's sustainability is critical for its developmental impact. However, much recent academic and policy work has explored the affordability question, with a number of studies concluding that it is possible, especially with the introduction of progressive taxation measures.[2] As such, this paper focuses on the underdeveloped area of understanding the potential long-term impacts of a BIG in South Africa, especially with respect to structural poverty.[3] We evaluate the possible impact of a BIG—and in particular a universal BIG (UBIG)—on a series of interconnected social and economic drivers of poverty, in order to assess whether it could meaningfully contribute to dismantling structural poverty in South Africa.

We draw on evidence from existing cash transfer initiatives in South Africa and other countries, as well as existing modelling of the impacts of a UBIG in South Africa. We find that alongside positively impacting income poverty, there is robust evidence for the potential of a UBIG to intervene in disrupting the reproduction of structural poverty across a series of dimensions. This includes by boosting labour market participation, supporting the establishment of sustainable livelihoods, supporting improved health and nutrition outcomes and reducing the costs associated with poor health and nutrition, contributing to women's economic empowerment, and strengthening social cohesion and democracy. Finally, we show how these positive social impacts manifest at the macroeconomic level—including through increased aggregate demand and multiplier effects of spending on social protection.

We acknowledge that public policy decisions that may accompany implementing a UBIG—raising taxes, reallocating existing expenditure, increasing borrowing, and so

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[2] Institute for Economic Justice. 2021. Financing options for a universal basic income guarantee in South Africa. Social Protection Series policy brief, 2. Johannesburg: Institute for Economic Justice. https://www.iej.org.za/wp-content/uploads/2021/08/IEJ-policy-brief-UBIG-july2021_3.pdf; Development Pathways. (2021). Investments in social protection and their impacts on economic growth: Tax Financing Options. International Trade Union Confederation. https://www.ituc-csi.org/IMG/pdf/investments_in_social_protection_and_their_impacts_on_economic_growth.pdf.

3 See OPHI. (n.d.). Multidimensional Poverty. Oxford Poverty and Human Development Initiative. https://ophi.org.uk/research/multidimensional-poverty/

on—could have negative macroeconomic impacts, particularly if they are regressive or reduce demand in the economy. Modelling such and the resulting so-called "net benefit" is an entirely different exercise than what is being undertaken here. In this paper we explore what the evidence indicates is the potential for a UBIG to tackle structural poverty. Naturally, this is one (very significant) factor amongst many when determining policy. Based on these findings, we conclude that a UBIG has significant potential to disrupt structural poverty by reducing the incidence and cost of economic exclusion in South Africa. This runs counter to the notion that growth is a precondition for inclusion—we show that inclusion is a facilitator of growth.

The next section explores scope and design options for a BIG, including the option of universality, before moving on to introduce the concept of structural poverty as a framework for the paper. Structural poverty is understood as a long-term self-reproducing phenomenon, which is underpinned by, and visible in, a series of social and economic drivers, outcomes, and indicators. The remainder of the paper presents and evaluates a range of evidence for the UBIG's possible impact on these key drivers and outcomes of structural poverty: income poverty; unemployment and decent work; health and nutrition; women's economic empowerment; social cohesion and democracy; sustainable livelihoods; and the overall economy. This enables us to generate a more holistic and nuanced understanding of the role a UBIG could play in our society and economy.

2. Basic Income Grants: Scope and Design options

Not all cash transfers are equal. There is significant variability in how basic income initiatives have been conceived and implemented in different places, and their outcomes can vary widely from beneficial to potentially harmful based on broader policy context, design, and financing structures. This section provides a brief summary of some of the design options for a BIG in South Africa and a brief discussion of their advantages and drawbacks.

One of the most important variables influencing the overall outcomes of a grant is the payment level (transfer value). A BIG set at too low a level, or which comes at the expense of spending on public services, may fail to have an impact on structural poverty if it does not meaningfully improve people's agency, and risks institutionalising a poverty trap.[4] Some argue that a BIG already exists in South Africa—in the form of the temporary

[4] Castel-Branco, R. 2021. Universal basic income: a politically slippery response to the crisis of social reproduction. https://www.wits.ac.za/scis/publications/opinion/universal-basic-income/

Social Relief of Distress (SRD) grant introduced during COVID-19 to provide R350 per month to a subsection of the most vulnerable. Amounting to just over half the level of the food poverty line (FPL), and available to only a fraction of those in poverty (with an income eligibility threshold of R350 at the time of writing), the impact of the SRD grant on structural poverty is limited.[5]

Most proposals have called for a South African BIG to be set at one of the official national poverty lines (NPLs)[6]—the FPL, the lower-bound poverty line (LBPL), or the upper-bound poverty line (UBPL). If a BIG were paid to everyone in South Africa at the level of the highest poverty line (the UBPL), this would by definition eliminate income poverty in the country. However, the picture is, of course, more complex. Constraints and inertia in fiscal policy suggest that a permanent BIG at the UBPL is unlikely, at least in the short term, while a grant set at a lower level is a more realistic prospect. Moreover, while a BIG set at the UBPL eliminates income poverty, this does not automatically imply the elimination of structural poverty (or the dismantling of the underlying economic structures which would continue to produce poverty).

It is also important to pay attention to the underlying objectives and broader policy context of a BIG, and how this can influence its outcomes, irrespective of the level at which it is set. For instance, some more conservative proponents of a BIG, such as the influential economist Milton Friedman,7 have advanced it as a replacement for the suite of public goods and services that governments provide. The underlying logic of this argument is that a basic income will allow poor people to purchase goods and services like healthcare on the private market, supposedly leading to improved quality through competition, and greater agency for poor people as consumers. However, the more mainstream view is that this would facilitate the commodification of basic goods and services, making access to services more difficult for the poor. The privatisation of basic services has often been shown to lead to market concentration and profiteering, as opposed to improved social outcomes.[8]

Other questions that need to be carefully considered in order for BIG design to have a sustained impact on poverty, include whether it is conditional (for instance on the recipient seeking employment, or children being in education), or unconditional; whether it is targeted (for instance towards the unemployed or towards the poorest households

5 Expert Panel on Basic Income Support. 2021. Final Report.

6 Statistics South Africa. (2021). National Poverty Lines 2021. http://www.statssa.gov.za/publications/P03101/P031012021.pdf

7 Friedman, M., & Milton, R. (1990). Free to Choose. New York: Harcourt Brace Jovanovich Inc.

8 Gough, I. (2020). The Case for Universal Basic Services. LSE Public Policy Review, 1(2), 6. DOI: http://doi.org/10.31389/lseppr.12

through means-testing), or universal (provided to everybody); and how it is funded (for instance through increasing government debt, or taxation settings and clawbacks which ensure a net benefit to the most vulnerable). Various scenarios with different combinations of these settings have been proposed and their impacts modelled in South Africa.[9]

This paper reviews evidence from these modelling exercises alongside empirical data from a variety of both conditional and unconditional cash transfer initiatives in South Africa and other countries. While evaluating evidence from a range of types of BIG interventions, we are primarily interested in the potential impact of one specific type of BIG which has attracted popular support in South Africa and many other countries—the universal basic income (UBI—in South Africa often referred to as the universal basic income grant or guarantee, or UBIG). The UBIG is a BIG available to everybody in a society irrespective of income level, employment status, behaviour, or any other factor. However, although a UBIG is characterised by universal eligibility, most proposals in South Africa suggest that the financing of a UBIG should be structured in such a way that the targeted cohort of the population are net beneficiaries, whilst wealthier cohorts are net contributors.

UBI emerged as a concept in the Global North, gaining support at times of capitalist crisis and industrial revolution. In particular, it has been connected with successive waves of mechanisation and automation which have seen the loss of manufacturing jobs.[10] In the 21st Century, the movement for a UBI in wealthy societies has gained momentum, again in response to a perceived acceleration in automation in the context of digitalisation which has disrupted and displaced secure jobs, as well as the industrial disruption of climate change, which have called into question the ability of waged work to provide dignity.[11] This has been spurred in turn by increasing precaratisation of labour, the crisis of care and social reproduction,[12] and COVID-19's shock to economies and labour markets. These movements in wealthy societies for

9 Adelzadeh, A. 2021. Fiscal neutral Basic Income Grant Scenarios: Economic and Development Impacts. ADRS Simulation Policy Brief, 7. https://www.adrs-global.com/resources/static/downloads/ADRS_Fiscally_Neutral_ BIG_for_South_Africa_The_ Bridge_ May_2021_.pdf.

Expert Panel on Basic Income Support. 2021. Final Report. Institute for Economic Justice. 2021.

Financing options for a universal basic income guarantee in South Africa. Social Protection Series policy brief, 2. Johannesburg: Institute for Economic Justice. https://www.iej.org.za/wp-content/uploads/2021/08/IEJ-policy-brief-UBIG-july2021_3.pdf

10 Van Parijs, P. (2017). Basic income. In Basic Income. Harvard University Press.

11 Yang, A. (2018). The war on normal people: The truth about America's disappearing jobs and why universal basic income is our future. Hachette UK; Marais, H. (2022). In the Balance: The Case for a Universal Basic Income in South Africa and Beyond. Wits University Press.

12 Fraser, N. (2016). Contradictions of capital and care. New Left Review, 100(99), 117.

universal basic income have found counterparts in the Global South. To a large extent, their rationale and their objectives are aligned with the Global North movements.[13] However, in many low- and middle-income societies, the issues they seek to address are all the more acute.

In South Africa, a UBIG has been a feature of public discourse since the late 1990s, when labour proposed its introduction at the 1998 Jobs Summit. Proposals for a UBIG in the country find a foundation in a broader politics of redistribution which have attempted to address Apartheid's legacy of institutionalised racial inequality. This legacy is seen today in catastrophically high levels of unemployment and poverty, which is unevenly distributed along racial, gender, and geographical lines. While the movement for a UBIG in South Africa is aligned with movements in other parts of the globe, it is also informed by a specific history of enforced structural inequality, which continues to underpin an urgent crisis of economic exclusion. Unlike in wealthy countries where a UBIG is proposed as a response to emerging crises of jobless growth and social reproduction, in South Africa chronic unemployment and extreme poverty is a lived reality for around half the population—almost a third of all people in South Africa live below the FPL,[14] without sufficient income to meet their basic nutritional needs. In this context, the argument for UBIG as a right, and as an ethical and humanitarian imperative, gains even greater currency.[15]

Compared to targeted or conditional BIGs, the UBIG has key practical advantages. The first is that targeting and conditionality can be extremely inefficient. This is both in terms of the resources required to administer it, and in terms of its ability to reach all (and only) its intended beneficiaries. Sceptics of universality argue that targeting is more cost-effective as it directs benefits only to those who need it, potentially allowing for higher grant values to be paid. However, in practice, demarcating, identifying, and reaching those considered to be most in need presents significant challenges and costs which have undermined the effectiveness of targeted schemes.[16] This is exacerbated by

[13] Marais, H. (2020). The crisis of waged work and the option of a universal basic income grant for South Africa. Globalizations, 17(2), 352-379.

[14] Department of Social Development and South African Social Security Agency. (2022, June 3). Briefing by DSD and SASSA on COVID-19 SRD Regulations and Implementation. Briefing to the Portfolio Committee on Social Development.

[15] The framing of UBI as a right is arguably also supported by a decolonial approach, which situates the social wage and redistribution more broadly within South Africa's history of dispossession and colonisation, see Cabaña, G., Linares, J. Decolonising money: learning from collective struggles for self-determination. Sustain Sci (2022). https://doi.org/10.1007/s11625-022-01104-3

[16] Institute for Economic Justice. (2021). Designing a Basic Income Guarantee: Targeting, Universality and Other Considerations. IEJ. https://www.iej.org.za/wp-content/uploads/2021/10/IEJ-policy-brief-UBIG-3_2.pdf

fluid and volatile labour markets with high levels of informality, such as South Africa's, which would see people continually move in and out of eligibility.

A large body of research shows that efforts to target cash transfers to the most vulnerable lead to both inclusion errors (where ineligible persons receive the grant) and exclusion errors (where eligible persons do not receive the grant).[17] One meta-review of poverty-targeting effectiveness in 38 social protection initiatives across 23 low- and middle-income countries found that error rates ranged between 44% (in the case of Brazil's Bolsa Familia) and 97% (in the case of Rwanda's community-based targeting programme Vision 2020 Umurenge).[18] With regard to exclusion errors, research suggests that it is often the most vulnerable who are most likely to be excluded, even from grants that are designed to target them, for example due to higher barriers to travelling, accessing electronic systems, or providing personal documentation in order to prove identity and eligibility. This has been referred to as the "means-tested paradox".[19]

A clear example of this has been seen very recently in South Africa with the SRD grant, which is accompanied by complex eligibility criteria that has changed several times. Authorities have attempted to verify every applicant's eligibility by checking them against government employment and tax databases which have been shown to be woefully inaccurate and out of date. Research suggests that this has resulted in the rejection of up to a third of eligible applicants.[20] SRD regulations require applications to be lodged via electronic systems which necessitate access to devices and data, and digital literacy. They also require applicants to have a bank account in their name (a requirement which is likely to disproportionately disadvantage women). An assessment conducted for the government on the administration and impact of the SRD grant found that, in addition to those who applied but were rejected, there was also a (difficult-to-quantify) cohort who qualified for the grant but did not apply. The two main reasons for failure to apply were lack of access to a smartphone, and not having an ID, or the ID

[17] Conning, J., & Kevane, M. (2002). Community-based targeting mechanisms for social safety nets: A critical review. World development, 30(3), 375-394; Devereux, S., Masset, E., Sabates-Wheeler, R., Samson, M., Rivas, A. M., & te Lintelo, D. (2017). The targeting effectiveness of social transfers. Journal of Development Effectiveness, 9(2), 162-211.

[18] Kidd, S., and Athias, D. 2020. "Hit and Miss: An Assessment of Targeting Effectiveness in Social Protection," Development Pathways, Working Paper, doi.org/10.13140/RG.2.2.16951.16809

[19] Farley, M. (2021, June 20). Poverty Is Expensive, Medium. martin-farley. medium.com/poverty-is-expensive-549bc5812009

[20] 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 2021/165. Helsinki: UNU-WIDER.

being damaged.[21] Thus the narrow targeting of the SRD grant has had the opposite-than intended-effect of excluding many of those who are likely to be most in need.

Moreover, these unwieldy systems of verification require state capabilities which are not in place. When regulations governing the SRD grant needed to be updated in early 2022, it resulted in administrative confusion, the upshot of which was that all previously approved recipients were required to reapply through a new and complicated system with no prior notice, and even those who succeeded in navigating it, and were eventually approved, faced a delay of three months in receiving their entitlements. Beyond the public costs of administering this system, the private costs to vulnerable individuals of accessing the grant (including time, data, and bank fees), as well as the social costs of exclusion have undoubtedly been significant. In sum, research and experience increasingly shows that means-testing targeting can be counter-productive in achieving its policy aims.

Moreover, with regard to cost-effectiveness, while the line-item cost of UBIG compared to means-tested grants is indeed likely to be higher, the net costs are likely to be overestimated, especially when taken alongside the benefits of universality.[22] One key cost-saving advantage of UBIG is its administrative simplicity relative to targeted or conditional schemes. One study found that targeting can add 25 to 75% to grant administration costs.[23]

While critics argue that universality is not cost-effective, as it pays benefits to those who do not need them, this ignores the fact that a UBIG can (and should) be funded through progressive structures which ensure that high-income earners are net contributors, and those on low incomes are net beneficiaries.[24] Clawback mechanisms such as a social security tax levied progressively up the income scale would ensure that

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[21] Department of Social Development. (2021). The Rapid Assessment of the Implementation and Utilisation of the special COVID-19 SRD Grant. https://www.gov.za/sites/default/files/gcis_documents/Final%20Special%20COVID19%20SRD%20Grant%20Report.pdf

[22] Pereira, R. (2015). Universal basic income and the cost objection: What are we waiting for? World Economic Review, 5, 1-21.; Pereira, R. (2017). The Cost of Universal Basic Income: Public Savings and Programme Redundancy Exceed Cost. In: Pereira, R. (eds) Financing Basic Income. Exploring the Basic Income Guarantee. Palgrave Macmillan, Cham. https://doi.org/10.1007/978-3-319-54268-3_2

[23] Grosh, M., et al. 2008. For Protection and Promotion: The Design and Implementation of Effective Safety Nets (Washington, D.C: World Bank), openknowledge.worldbank.org/handle/10986/6582

[24] Grimalda, G., Filgueira, F., Fleurbaey, M., & Vuolo, R. L. Building global citizenship through global basic income and progressive global taxation.

high-income earners contribute more in tax to a UBIG, than they receive in benefits.[25] Such an approach is a much more efficient way to target the benefits of a UBIG towards those most in need, whilst eliminating the administrative burdens, costs, and injustices that have been widely shown to accompany means-testing targeting measures.

However, it is important to note that in South Africa, a UBIG cannot be financed through a progressive social security tax alone, and would require a more significant rebalancing of the taxation system or other sources of revenue, for example, via borrowing. Proposed options to achieve this include inter alia the introduction of a wealth tax and/or a resource rent tax, as well as elimination of certain corporate tax breaks and employment tax incentives which have been shown to be ineffective in achieving their policy goals.[26] We do not claim here that there is a silver bullet for quickly and easily financing a UBIG at a meaningful level—it will take significant shifts in fiscal policy which have externalities which must be carefully considered.[27] However, we also note that the claim made by many that it is beyond the government's reach, or entails unacceptable risk compared to its benefits, has been disputed by rigorous economic research.[28]

Therefore, while questions of design and financing remain contested, in this paper we do not engage further in this debate. Instead, we take as our starting point both the substantial evidence on the logic of universality and the practical issues which serve to make means-tested targeting counter-productive, as well as the fact that progressive financing options exist for low- and middle-income countries, including South Africa, to sustain a UBIG, and that the benefits outweigh the costs. Thus, the remainder of this paper accepts the premise that a UBIG is feasible.

Our point of departure is to look specifically beyond these debates, to explore the long-term impacts of a potential UBIG. In South Africa, one of the most urgent questions facing policymakers considering a UBIG, is what will be its impact on poverty both in the short and long term? Is a UBIG simply a bandaid, to alleviate the worst symptoms of widespread poverty? Or does a UBIG have the potential to transform the underlying structures which continue to reproduce our high rates of poverty, leading to a longer-

[25] Institute for Economic Justice. 2021. Financing options for a universal basic income guarantee in South Africa. Social Protection Series policy brief, 2. IEJ. https://www.iej.org.za/wp-content/uploads/2021/08/IEJ-policy-brief-UBIG-july2021_3.pdf

[26] Ebrahim, Leibbrandt and Ranchhod. (2017). The effects of the Employment Tax Incentive on South African employment. WIDER Working Paper 2017/5.

[27] DNA Economics. 2021. Universal basic income guarantee: Financing options analysis: A report for the Institute for Economic Justice. DNA Economics. https://www.iej.org.za/wp-content/uploads/2021/07/DNA_UBIG-Financing-Options_Final-report.pdf

[28] Ibid.

term shift? Conversely, could a UBIG serve to subsidise and prop-up the systems which keep people excluded and disempowered? The next section lays out the concept of structural poverty in order to frame our subsequent discussion of the evidence.

3 Understanding structural poverty

Poverty is often understood and measured as a lack of income at the individual or household level, relative to a national-level threshold. This statistical approach is useful insofar as it allows for poverty rates to be monitored and compared across time and space. However, it cannot adequately capture the much more complex picture of the multifaceted drivers and outcomes of poverty, the contextual dimensions of poverty as it relates to specific cultures and societies, nor the subjective experience of poverty for different people. Since the late 20th century theorists have proposed various ways of understanding and measuring poverty beyond relative income levels. These have given rise to a more nuanced understanding of poverty as a multidimensional and structural phenomenon.

Influential development economist Amartya Sen was one of the earliest to advocate for a broader and more holistic understanding of poverty beyond income metrics or subjective welfare in the 1980s. Sen characterised poverty as a deprivation of the capability of individuals to live a good life defined by both subjective and objective measures of wellbeing.[29] This framework was elaborated by Martha Nussbaum to include specific capabilities within the realms of health, education, freedom of movement, connection to others, non-discrimination, and political participation.[30] For Sen and Nussbaum, poverty is connected to a lack of individual agency. These theories have been groundbreaking and influential, including in the establishment of the United Nations Human Development Index. They have provided a critique of income-focused poverty measures. However, they have been criticised for privileging a liberal notion of personal freedom over the collective and relational values of justice and equality.[31]

Many contemporary approaches take their cue from Sen and Nussbaum in understanding poverty not simply as a lack of money, but as a “multidimensional”

[29] Sen, A. (1985). Commodities and capabilities. Amsterdam New York New York, N.Y., U.S.A: North-Holland Sole distributors for the U.S.A. and Canada, Elsevier Science Pub. Co. ISBN 9780444877307.

[30] Nussbaum, Martha (March 2011). Creating Capabilities The Human Development Approach. Belknap Press. pp. 30–31. ISBN 9780674050549.

[31] James, P. (2018). "Creating Capacities for Human Flourishing: An Alternative Approach to Human Development". In Paola Spinozzi and Mazzanti Massimiliano (ed.). Cultures of Sustainability and Wellbeing: Theories, Histories, Policies. Routledge. p. 28.

phenomenon.[32] This acknowledges that people experience poverty as an overlapping set of disadvantages, including poor health and nutrition, a lack of access to decent education and work, a lack of access to clean drinking water and utilities, etc. Multidimensional poverty measurement moves beyond the use of income as a sole indicator of wellbeing, in part because income can only be understood in relation to local markets, for example improved income does not translate into improved nutrition if nutritional food is not available to purchase. Moreover because important dimensions of poverty cannot be captured by income measures alone—for instance life expectancy, literacy, access to public goods and services, and security.[33] However, the multidimensional approach can also risk tilting the balance too far away from material understandings of poverty.

The capabilities and multidimensional approaches to poverty are still primarily interested in demarcating the number of people in a country or other group who live in poverty. This "headcount" approach still measures poverty at the individual or household level, and remains concerned with the attributes and characteristics of poverty as experienced by individuals. This can lead to a preoccupation with why and how some particular people are poor, while others are not poor. A key risk in this is the tendency it produces to assign blame or place moral responsibility on individuals for their own poverty. Such an exercise is harmful and unhelpful especially when we understand that due to macro-level conditions, for example of job availability, a given proportion of people in our society will fall below the poverty line. Therefore, the focus on counting individuals in poverty, while important for policymakers to monitor the overall incidence and distribution of poverty, can sometimes come at the expense of a focus on the underlying drivers of poverty at a national level, and the reasons why a proportion of a given society continually experiences poverty, even when individuals move into and out of poverty categories.

Theories of structural poverty play an important role in countering individualistic accounts, and contextualising poverty within wider socio-economic conditions. This approach is focused not only on what poverty looks like, and who is poor, but poses the additional question of what keeps people poor?[34] This draws attention to the fact that

32 Kakwani, N., & Silber, J. (Eds.). (2008). Many dimensions of poverty. Springer. Bourguignon, F., & Chakravarty, S. R. (2019). The measurement of multidimensional poverty. In Poverty, social exclusion and stochastic dominance (pp. 83-107). Singapore: Springer.

33 Ibid, xv.

34 Du Toit, A. (2005). Poverty measurement blues: some reflections on the space for understanding 'chronic' and 'structural' poverty in South Africa. Chronic Poverty Research Centre Working Paper, (55).

poverty is not only the result of a time-bound lack of income, but is the result of historical and structural relations of power and wealth distribution.[35] Rather than stemming from the behaviour of poor people, structural poverty is a product of gross wealth disparities in our society which are reflected not only in income metrics, but in housing, health, education, and myriad other measures.[36]

Having laid out these broad approaches to understanding poverty, we argue that any attempt to answer the question of the impact of a UBIG on poverty in South Africa, cannot be wholly based on statistical analysis of income against national thresholds. Neither can it stem from an understanding of poverty as arising from causal factors at the individual level. This may seem incongruous with the fact that a UBIG, by definition, attempts to address income poverty through income support. Income support and cash transfer initiatives might themselves be argued to essentialise poverty as a simple function of individual or household income inadequacy.

However, the key question that this paper is concerned with is whether, in reducing poverty as measured by individual income, a UBIG has the additional potential to disrupt the reproduction of structural poverty in South Africa. In order to answer this question, we explore the potential impact of a UBIG on a series of interconnected drivers, outcomes and indicators of poverty which are in turn long-term, structural phenomena. We base our analysis on the premise that "breaking structural poverty" means transformation across several different social and economic dimensions which include income, employment and access to decent work, physical and psychological health, women's empowerment, social cohesion and democratic participation, sustainable livelihoods, and the overall structure of the economy. Therefore, the question is also what does a UBIG need to be combined with, and what does it facilitate, to advance systemic transformation.

4 The impact of a UBIG on income poverty

We have laid out the case for looking beyond income metrics to fully understand the structural impact of a UBIG. However, we also acknowledge that income is a key indicator of structural poverty, and that income inadequacy is the way poverty is materially experienced for most people. This section therefore explores the potential impact of UBIG on income-based poverty metrics in South Africa, including the proportion of the population below the national poverty lines. We draw on emerging

[35] Calnitsky, D. (2018). Structural and individualistic theories of poverty. Sociology Compass, 12(12), e12640.

[36] Royce, E. (2018). Poverty and power: The problem of structural inequality. Rowman & Littlefield.

research on the impact of the SRD grant on income poverty, and then turn to available modelling which predicts the impact of a UBIG on income poverty in the immediate term (absent any potential income multiplier effect, which is discussed in later sections).

The three national poverty lines determined by Statistics South Africa provide a quantitative measurement of income poverty.[37] The thresholds are annually adjusted in line with inflation and calculated based on the relationship between income and living costs derived from food and non-food household consumption expenditure data. The lowest is the food poverty line—also known as the extreme poverty line. The FPL is currently set at R624 per person per month and measures the minimum amount required for sufficient daily food intake.[38] The lower-bound poverty line—currently at R890—refers to the FPL plus the average cost of items that people will buy through forgoing essential food consumption. Persons living below or at the LBPL are unable to purchase both essential food and non-food items, and therefore need to sacrifice food for other essentials. At the upper-bound poverty line (UBPL)—set at R 1,335 per person per month—individuals can afford basic food necessities and non-food essentials.[39]

South Africa has very high rates of income poverty. In 2014/15, over half (55%) of the South African population was living in poverty according to the most recent Living Conditions Survey.[40] Estimates from 2022 suggest that 18.3 million people survive on income less than R624 per month—below the FPL.[41] The latest General Household Survey has found almost one-quarter of South African households depend on social grants as their main source of income.[42]

In large part the grant system has only covered the elderly, children, the disabled, and those who are temporarily disabled. The SRD grant is the first cash transfer, outside

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[37] Stats SA. (2021). National Poverty Lines. Pretoria: Statistics South Africa. Available at http://www.statssa.gov.za/publications/P03101/P031012021.pdf

[38] April 2021 prices

[39] Stats SA. (2017). Poverty trends in South Africa: An examination of absolute poverty between 2006 and 2015. Pretoria: Statistics South Africa. Available at https://www.statssa.gov.za/publications/Report-03-10-06/Report-03-10-062015.pdf

[40] Statistics South Africa . (2018). Men, Women and Children: Findings of the Living Conditions Survey 2014/15. Pretoria: Statistics South Africa Available at https://www.statssa.gov.za/publications/Report-03-10-02%20/Report-03-10-02%202015.pdf

[41] Department of Social Development. (2022). Speech by the Minister of Social Development, Ms Lindiwe Zulu, MP On the occasion of the Presentation of Budget Vote 19 of the Department of Social Development . Pretoria: Department of Social Development. Available at https://www.google.com/url?q=https://www.gov.za/speeches/minister-lindiwe-zulu-social-development%25C2%25A0dept-budget-vote-202223-13-may-2022-0000&sa=D&source=docs&ust=1656408556057164&usg=AOvVaw3KBjEHBHOx4R0Fyn__B9GZ

[42] Stats SA. (2021). General Household Survey. Pretoria: Statistics South Africa. Available at https://www.statssa.gov.za/?p=15473

of contributory social insurance schemes such as the Unemployment Insurance Fund, that is available to unemployed abled-bodied adults between the ages of 18 and 59 in South Africa. Though it has been in place for a relatively short time, it provides an important source of data on the interaction between cash transfers and income poverty, which researchers have analysed to show that it mitigated extreme poverty in 2021.[43]

The disposable income of the poorest households increased following the introduction of the SRD grant.[44] Without COVID-19 income protection policies, including the SRD grant, researchers estimate that the number of people in food poverty would have increased by 56% between March and June 2020.[45] Research by Köhler and Bhorat also found that the SRD grant reduced poverty at the FPL by 5.3%—and the researchers estimated that without the introduction of the grant, poverty would have been two percentage points higher.[46] Moreover, household income inequality was reduced by 1.3-6.3% depending on the inequality measure used.[47] While the number of SRD grant beneficiaries has decreased in recent months, and increases in the cost of living are likely to have dramatically reduced its impact on income poverty, in light of this evidence it is plausible to argue that a more sustained grant, in the form of a progressive UBIG, would alleviate income poverty in the long term, and that if set at a higher transfer value its impact would be proportionately greater.

A few modelling exercises have supported this argument, and have also suggested that universality has more positive impacts on income poverty than targeting on the basis of unemployment. Applied Development Research Solutions (ADRS) shows that a BIG significantly increases the disposable income of the poorest households.[48] Even when set at the value of the FPL, a BIG targeted at the entire adult working-aged population increases disposable income for households in the lower quantiles by 18.6% (Quantile

[43] Barnes, H., Espi-Sanchis, G., Liebbrandt, M., McLennan, D., Noble, M., Pirttila, J., ⋯ Wright, G. (2021). Analysis of the distributional effects of COVID19 and state-led remedial measures in South Africa. United Nations University World Institute for Development Economics Research, Working Paper 2021/68, 1-34. https://www.wider.unu.edu/sites/default/files/Publications/Working-paper/PDF/wp2021-68-distributional-effects-COVID-19-state-led-remedial-measures-South-Africa.pdf

[44] Ibid.

[45] Ibid.

[46] Kohler, T., & Bhorat, H. (2021). Can cash transfers aid labour market recovery? Evidence from South Africa's special COVID-19 grant. Cape Town: Development Policy Research Unit, University of Cape Town. http://www.dpru.uct.ac.za/sites/default/files/image_tool/images/36/News_articles/DPRU%20WP%20202108.pdf

[47] Ibid.

[48] Adelzadeh, A. (2021). Fiscal neutral Basic Income Grant Scenarios: Economic and Development Impacts. Issue 7, May 2021. An ADRS Simulation Policy Brief. Available at https://www.adrs-global.com/resources/static/downloads/ADRS_Fiscally_Neutral_BIG_for_South_Africa__The_Bridge_May_2021_.pdf

1) and 17.5% (Quantile 2), compared to a BIG set at the value of the UBPL and targeted only at the unemployed, which increases disposable income by 17.7% (Quantile 1) and 16.2% (Quantile 2). In addition, ADRS found that a UBIG at the value of the (then) UBPL of R1,26849 will eradicate poverty completely (measured through the poverty gap), compared to a reduction of poverty by 84% for an adult UBIG (only for those aged 18-59) and 50% as a result of the unemployment-targeted BIG at UBPL. At the (then) FPL—R585 the poverty reduction impact is much lower across all scenarios.

UCT's Southern Africa Labour and Development Research Unit (SALDRU) also assesses a BIG alongside other grant interventions aimed at poverty reduction and eliminating income poverty at the FPL.[50] The study models a suite of other scenarios, including a Family Poverty Grant (FPG), increasing the value of the existing Child Support Grant (CSG), extending the SRD grant, and expanding public employment programmes. It finds that while the FPG reduces income poverty by 70% at the FPL poverty gap,[51] at a cost of R60 billion per year, a BIG reduces poverty by 85% of the FPL poverty gap at a cost of R196 - R265 billion per year. While the paper stops short of advocating for a BIG due to its relative cost, it does conclude that the BIG is administratively the easiest option to implement and most effectively reduces income poverty.

A BIG pilot undertaken in Namibia also produced notable impacts with regard to income poverty.[52] Prior to its implementation, 86% of the population in the target area of Otjivero-Omitara lived below the LBPL of N$220 per person per month, and 76% lived below the FPL, of N$152 per month. Twelve months after the introduction of an unconditional monthly BIG of N$100 for everyone below the age of 60, poverty at the LBPL was reduced to 68% and food poverty to 37%.[53] It is important to note that much of this is attributed to an income multiplier effect, whereby more people used the added support to participate in productive activities thereby increasing their income well above the value of the BIG. The implications of this income multiplier effect are discussed in further detail later in the paper.

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[49] Stats SA, (2020). National Food Poverty Line (2020 numbers). Available at http://www.statssa.gov.za/publications/P03101/P031012021.pdf

[50] Goldman, M., Bassier, I., Budlender, J., Mzankomo, L., Woorlard, I., & Leibbrandt, M. (2021). Simulation of options to replace special Covid-19 Social Relief of Distress grant and close the poverty gap at the food poverty line. WIDER Working paper 2021/165. Available at https://www.wider.unu.edu/sites/default/files/Publications/Working-paper/PDF/wp2021-165-simulation-options-replace-special-COVID-19-SRD-grant-close-poverty-gap-food-poverty-line.pdf

[51] The poverty gap in this study refers to the percentage of the population living below the food poverty line.

[52] Haarmann, C., & Haarmann, D. (2020). Basic Income Grant: Otjivero, Namibia - 10 years later. Namibia: Basic Income Grant Coalition.

[53] Ibid.

Insights from evaluations of the COVID-19 SRD grant, as well as macroeconometric modelling of potential BIG scenarios in South Africa and experiences in Namibia, suggest that cash transfers have an immediate impact on the number of people living below the NPLs, and particularly individuals experiencing extreme income poverty. This finding is unsurprising, given that income support as a policy tool constitutes the most direct possible intervention in income poverty. However, it is also clear that the scope, accessibility, and sustainability of income support has an important bearing on its ability to reduce income poverty. Moreover, income support interacts with structural economic conditions, to produce more far-reaching and complex impacts on poverty. It is important for policymakers to understand these longer-term effects when assessing the potential impacts of a UBIG on poverty, which we now turn to.

5 The impact of UBIG on employment and decent work

Unemployment is fundamentally connected to structural poverty in South Africa. Research confirms that unemployment is a very strong predictor of poverty for South African households.[54] Moreover, high unemployment rates have been shown to have a short- and long-term negative impact on overall economic growth.[55] Alongside social protection, job creation is a key part of the solution to structural poverty in South Africa, and the two interact in various ways. Therefore, the question of a UBIG's potential impact on South Africa's catastrophic unemployment rate is of concern both for its opponents and supporters. Robust evidence is available to assist us in predicting how a UBIG might affect labour market participation in South Africa. However, many decision makers continue to be influenced by pervasive myths, outdated economic ideology, as well as moral perceptions surrounding joblessness and poverty.

One popular and influential narrative pits employment and job growth against expanded social assistance, as mutually exclusive or conflicting policy options. The enduring idea that social grants create a disincentive from work and encourage long-term unemployment has been cited by key actors (including past and present Ministers of Finance).[56] A common argument is that poverty alleviation policies should focus on

[54] Leibbrandt, M., Woolard, I., McEwen, H., & Koep, C. (2010). Employment and inequality outcomes in South Africa. University of Cape Town: Southern Africa Labour and Development Research Unit, 45-6.

[55] Makaringe, S. C., & Khobai, H. (2018). The effect of unemployment on economic growth in South Africa (1994-2016).

[56] Cronje, J. (2021). 'Godongwana warns against "cycle of dependency" for youth in basic income debate - report'. Fin24. https://www.news24.com/fin24/economy/godongwana-warns-against-cycle-of-dependency-for-youth-in-basic-income-debate-report-20210808;
Silke, D. (2013). 'The Dependency Syndrome'. News24. https://www.news24.com/fin24/the-dependency-syndrome-20130902;

creating jobs, rather than expanding the social grant system.[57] By contrast, the UBIG's proponents argue that extreme poverty itself is an impediment to labour market participation, and cash transfers can provide a foundation for employment and productive activity

This section first contextualises South Africa's unemployment crisis, and then draws on local and international evidence to explore the potential impact of a UBIG on work motivation, labour market participation and productive activities, and job creation. It also remains crucial not to lose sight of the importance of worker protections and decent work amid the current unemployment crisis.[58] Therefore the section ends with a brief discussion of the potential impact of UBIG on labour standards.

South Africa is experiencing a long-term, worsening, crisis of unemployment. 45.5% of workers were unemployed in the first quarter of 2022,[59] based on the expanded definition which includes discouraged job seekers.[60] The unemployment crisis has been exacerbated by the COVID-19 pandemic and lockdowns, which has also exacerbated the already drastically socially unequal distribution of unemployment. Unemployment is at 50.1% amongst black people compared to 12% amongst white people. Black women in particular are the group most vulnerable to unemployment, with a rate of 53.7%.[61] Alongside black women, young people are disproportionately affected by unemployment. Amongst people aged 55-64, unemployment is comparatively low at 12.2%, yet the unemployment rate increases down the age groups, to encompass 63.9% of people aged 15-24.[62] People who live in predominantly rural provinces are more vulnerable to unemployment than those in more urban provinces, with unemployment at 29% in the Western Cape, 43.4% in Gauteng and the Free State, and over 50% in the Eastern Cape, Limpopo, and Mpumalanga.[63]

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[57] eNCA. (2021). COVID-19 relief: Mboweni says focus should be on jobs. https://www.enca.com/news/covid-19-relief-mboweni-says-focus-should-be-jobs-not-grant;
Godongwana, E. (2021). ENOCH GODONGWANA: We must balance growth interventions, job creation, social grants. Business Day. https://www.businesslive.co.za/bd/opinion/2021-07-29-enoch-godongwana-we-must-balance-growth-interventions-job-creation-social-grants/.

[58] ILO. (n.d.). Goal #8: Decent work and economic growth. ILO. https://www.ilo.org/global/topics/sdg-2030/goal-8/lang--en/index.htm

[59] Stats SA. (2022). Quarterly Labour Force Survey (QLFS) – Q1;2022. Available at https://www.statssa.gov.za/publications/P0211/Presentation%20QLFS%20Q1%202022.pdf

[60] Hereafter all cited unemployment figures use the expanded definition.

[61] Ibid.

[62] Ibid.

63 Ibid.

The scale of unemployment in South Africa and its uneven social and spatial distribution are the consequences of structural economic dynamics, and cumulative decisions made by political actors over a long period. The Apartheid government presided over the systematic racialisation and exploitation of labour by instituting restrictions on black people's education and movement and ensuring a reserve supply of black workers to suppress wages. The legacy of that regime remains deeply entrenched, and reflected in both overall unemployment figures, and the racial and geographical distribution of unemployment. However, policy decisions and macroeconomic trends since the fall of Apartheid have also served to exacerbate unemployment and its corollaries poverty and inequality.

6 Work Motivation

Conventional (neoclassical) economic theory holds that people prefer leisure time over work time, and if their income is supplemented (for instance through cash transfers), they will choose to work fewer hours, and increase their leisure time.[64] This widely held assumption leads many to fear that cash transfers will result in people withdrawing from the labour market, and especially from low-wage work. In popular discourse, this fear often translates into narratives around "hand-outs" encouraging laziness and long-term dependence on the state (sometimes called dependency syndrome or dependency culture).[65]

Concerns around cash transfers providing a work disincentive gained ground in wealthy countries such as the United States66 and United Kingdom67 in the 1980s and 90s, as a reaction to expanded welfare state policies in the post-war period. These concerns resulted in cuts to social spending in many cases, alongside increased targeting, means-testing, and conditionality imposed on beneficiaries.[68]

The pervasiveness of these ideas has spurred a wealth of research since the 1990s, which has now widely debunked the claim that grants create a work disincentive. A core part of this evidence emerges from industrial psychology, which has

[64] Gabe, T., & Falk, E. H. (1995). Welfare: Work (dis) incentives in the Welfare System. Congressional Research Service, Library of Congress.

[65] Handa, S., Daidone, S., Peterman, A., Davis, B., Pereira, A., Palermo, T., & Yablonski, J. (2018). Myth-busting? Confronting six common perceptions about unconditional cash transfers as a poverty reduction strategy in Africa. The World Bank Research Observer, 33(2), 259-298.

[66] O'Connor, B. (2001). The intellectual origins of 'welfare dependency'. Australian Journal of Social Issues, 36(3), 221-236.

[67] Wiggan, J. (2012). Telling stories of 21st century welfare: The UK Coalition government and the neo-liberal discourse of worklessness and dependency. Critical Social Policy, 32(3), 383–405. https://doi.org/10.1177/0261018312444413

[68] Ibid.

problematised the premise that humans are naturally inclined towards leisure, or laziness, over productivity. Many UBIG detractors assume people require market and financial pressure (and the threat of hardship) to participate in productive activities. However, recent research has called this idea into question, and industrial psychologists such as Zajack,[69] Wielers and van den Meer,[70] and Gilbert et al.,[71] are increasingly finding that "personal development, affiliation with others, contribution to a community, and personal meaning"[72] provide strong incentives to work. Some of these authors suggest that a BIG would enable people to better fulfil these needs, by decreasing their stress and increasing their autonomy—and by extension—increasing motivation to engage in intrinsically fulfilling work: "Those who are motivated by intrinsic aspirations have more interest, excitement, and confidence than those who are motivated by external goals. This difference can manifest itself in enhanced persistence, creativity, and performance."[73]

These insights are supported by evidence from South Africa, including a 2010 study which sought to determine whether a dependency culture exists in South Africa.[74] This research analysed attitudes towards work through focus groups and survey data, finding that people both in and out of work placed a high value on work, and that all categories were highly motivated to find work, including social grant recipients. The researchers found that some social grant recipients subscribed to popular prejudices about the work motivation of other social grant recipients, but did not apply these views to themselves. This suggests that popular ideas about dependency culture are widely held throughout South African society. However, the study found that survey participants overwhelmingly reported that the largest barrier to employment was the structural conditions of the labour market (not enough available jobs) and resultant structural poverty, as opposed to work motivation, or grants.

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69 Zajack, M. (2021). Work as a choice: Autonomous motivation and the basic income. Industrial and Organisational Psychology, 14(4), 597-599.

70 Wielers, R., van der Meer, P.H. Beyond Income: Why We Want to Keep on Working Even if We Don't Need the Money. Applied Research Quality Life 16, 1613–1635 (2021). https://doi.org/10.1007/s11482-020-09834-1

71 Gilbert, R., Murphy, N. A., Stepka, A., Barrett, M., & Worku, D. (2018). Would a basic income guarantee reduce the motivation to work? An analysis of labour responses in 16 trial programs. Basic Income Studies, 13(2).

72 Zajack, M. (2021). Work as a choice: Autonomous motivation and the basic income. Industrial and Organisational Psychology, 14(4), 597-599.

73 Ibid.

74 Surender, R., Noble, M., Wright, G., & Ntshongwana, P. (2010). Social assistance and dependency in South Africa: An analysis of attitudes to paid work and social grants. Journal of Social Policy, 39(2), 203-221.

7 Labour market participation

An alternative approach to answering the question of the potential impact of a UBIG on unemployment, is to turn to empirical data on the impact of existing cash transfer programmes on real labour market participation rates. A number of cash transfer initiatives have been trialled in low- and middle-income countries, including in Africa, and their impacts on labour market participation have been closely monitored. Researchers have collated the data from these interventions into meta-studies which provide an overall picture of outcomes across diverse contexts.

Researchers from Harvard and MIT summarised the results of randomised control trials of both conditional and unconditional cash transfer initiatives in six low- and middle-income countries, finding that across their sample, cash transfer recipients did not reduce their work hours.[75] A similar study for the World Bank conducted a quantitative analysis of dozens of examples of cash transfers in low- and middle-income countries.[76] This study also found that working-age adults who received a grant did not, on average, reduce their work hours. The study found that some types of grants (especially unconditional government grants), increased migration from rural areas to productive centres to search for work. During the Namibian BIG pilot, labour participation increased remarkably—from 44% before the grant to 55% after the introduction of the grant for those aged 15 and above.[77] The unemployment rate amongst the target group during this period decreased from 60 to 45%.

There is also evidence from South Africa and other comparable countries, that cash transfers can aid in financing job search. This is seen in a recent evaluation of the utilisation of the SRD grant in South Africa, which found that the SRD grant enabled people to seek employment by supporting them with transport, data, internet, and printing costs.[78] This is supported by research from UCT which found in 2021 that the SRD grant increased the probability of job search by 25 percentage points. The authors concluded that this "highlights the grant's important role in reducing inactivity, enabling participation, and ultimately aiding labour market recovery".[79] This is further underscored

[75] Banerjee, A. V., Hanna, R., Kreindler, G. E., & Olken, B. A. (2017). Debunking the stereotype of the lazy welfare recipient: Evidence from cash transfer programs. The World Bank Research Observer, 32(2), 155-184.

[76] Baird, S., McKenzie, D., & Özler, B. (2018). The effects of cash transfers on adult labour market outcomes. IZA Journal of Development and Migration, 8(1), 1-20.

[77] Big Coalition. "Making the Difference!"

[78] Mathebula, J., Fish, T., and Masvaure, S. (2022). Should the COVID-19 lockdown Social Relief of Distress Grant be made permanent? CLEAR-AA Policy Brief.

[79] Kohler, T., & Bhorat, H. (2021). Can cash transfers aid labour market recovery? Evidence from South Africa's special COVID-19 grant. http://www.dpru.uct.ac.za/sites/default/files/image_tool/images/36/News_articles/DPRU%20WP%20202108.pdf.

by a survey of 2,200 young jobseekers, conducted by the organisation Youth Capital in 2021, which found that 27% of respondents had used government grant monies including the SRD grant to supplement their job search costs—84% had been forced to choose between looking for work, and buying food.[80]

A 2019 survey (undertaken prior to the pandemic and recent inflation) found that the average cost of looking for a job in South Africa was R938 per month—a figure significantly higher than the total possible income of a person receiving the SRD grant in 2022.[81] Nevertheless, these studies show that even low cash transfer values are used in productive ways, including in supporting pathways to work. However, it is important to note that evidence as to whether increased job search always translates into increased employment is mixed, as limited job availability again emerges as a fundamental constraint.

8 Decent work

Alongside the massive segment of the South African population who are unemployed and have no income, many more are in informal work not covered by statutory labour protections, and in working poverty. A 2020 study estimated that approximately one quarter of people in work in South Africa are working poor—falling below the UBPL.[82] 63% of those in working poverty work in the informal sector, 90% are Black African, and women are more likely to be in working poverty than men.[83] While many assume that employment will automatically lift people out of poverty, these figures show that this is not necessarily the case. A poverty reduction strategy which is centred on jobs, must not only be predicated on access to work, but on access to work which provides dignity and agency to workers and their dependents.

In the international policy space, there is broad consensus that social protection is a key element in realising decent work. The International Labour Organization (ILO) advances social protection as an indispensable pillar of a decent work agenda, stating in its most recent social protection report: "[Social protection] systems are essential for

[80] Youth Capital. 2022. Beyond the Cost: What does it really cost young people to look for work? https://youthcapital.co.za/wp-content/uploads/2022/05/Beyond-the-Cost_final.pdf

[81] Graham, L., Patel, L., Chowa, G., Khan, Z., Masa, R., Mthembu, S., and Williams, L. (2019). Siyakha Youth Assets Study: Developing Youth Assets for Employability. Johannesburg: Centre for Social Development in Africa, University of Johannesburg. Available at: https://www.uj.ac.za/faculties/humanities/csda/Documents/Siyakha%20Report%20June%202019%20Web%20LowRes.pdf

[82] Feder, J., & Yu, D. (2020). Employed yet poor: low-wage employment and working poverty in South Africa. Development Southern Africa, 37(3), 363-381.

[83] Ibid.

[...] promoting decent work, supporting women and men in better navigating their life and work transitions, facilitating the transition of workers and enterprises from the informal to the formal economy..."[84]

However, there are differing perspectives as to how a UBIG specifically may impact the prevalence of working poverty and exploitation in South Africa. Much of our knowledge about the potential impact of a UBIG on wages and labour standards is theoretical. This is due to the fact that there have been no sustained national-scale UBIGs from which we can draw the kind of aggregate data that would be necessary to provide an empirical answer to this question.[85] Because labour market dynamics shift slowly in response to policy changes, longitudinal evidence is needed to fully grasp the possible influence of a UBIG on working conditions and wages. However, we can turn to insights into existing labour market dynamics for indications of how a UBIG might impact labour standards overall.

Many progressive proponents of a UBIG hold that it increases the bargaining power of labour, because it allows workers to more easily withhold their labour,[86] and it provides workers with greater security in choosing to transition between jobs in pursuit of better quality work. This in turn enables workers to bargain for better conditions.[87] In South Africa, the major trade union federations have aligned themselves with demands for a UBIG,[88] and the International Trade Union Confederation has also come out in support of an increase in social protection spending across countries,[89] indicating the perceived complementary between income support and labour interests. However, if set too low, or if accompanied by certain conditionalities, cash transfers might serve to undermine decent work standards. Moreover, some argue that a UBIG might serve to subsidise the cost of social reproduction and workers' subsistence, allowing employers

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[84] ILO. (2022). World Social Protection Report 2020-2022: Social protection at the crossroads - in pursuit of a better future. https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---soc_sec/documents/publication/wcms_817574.pdf.

[85] An exception to this is the state of Alaska's Permanent Fund, which provides all permanent residents including children with a yearly payment consisting of dividends from the state's oil revenues. In 2021 the dividend was US$1114. This is the only long-standing UBIG internationally. However the 2021 value was approximately 7% of the national poverty guideline for Alaska (see HHS, 2022, https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines), which is significantly lower than proposals for a UBIG in South Africa and most other countries relative to national poverty lines.

[86] Calnitsky, D. (2020). The employer response to the guaranteed annual income. Socio-Economic Review, 18(2), 493-517.

[87] Sharratt, G. M. (2019). Free at work, free from work: Non Domination, unions, and basic income. Journal of Labor and Society, 22(3), 607-620.

[88] Business Tech. (2021, August 23). Unions want a basic income grant in South Africa from next year. https://businesstech.co.za/news/finance/515112/unions-want-a-basic-income-grant-in-south-africa-from-next-year/

[89] Development Pathways. 2022. Investments in social protection and their impacts on economic growth: Tax financing options. International Trade Union Confederation. https://www.ituc-csi.org/IMG/pdf/investments_in_social_protection_and_their_impacts_on_economic_growth.pdf

to suppress wages because workers have their basic needs covered elsewhere. An illustration of this can be seen in the United States where retail giant Walmart was estimated in 2014 to benefit from US$6.2 billion in social protection spending on programmes like food stamps, because it paid such low wages to its 1.4 million employees that they were forced to rely on public programmes to meet their basic needs.[90]

Despite the dearth of data on the possible impacts of a UBIG on decent work standards in contemporary national or regional labour markets, one small-scale study draws on newly-available data from surveys conducted with local businesses during a three-year unconditional cash transfer initiative in the United States town of Dauphin in the 1970s, to explore how employers might respond to a basic income.[91] During the period in which the basic income was in place, wages for advertised jobs and new hires in Dauphin grew "by a considerable amount", and faster than a control group. The basic income, being set at a rate which could ensure recipients' subsistence, provided workers with an "exit option", and thereby decreased their dependence on their employers, and increased their bargaining power. The value of the transfer and its unconditionality played an important role in the reduction of exploitation.[92]

The ILO has also produced policy work focused on the question of whether a UBIG facilitates or reduces labour exploitation. A 2018 report found that under certain conditions, a UBIG does indeed carry the risk of undermining labour standards, and the development of an inclusive and productive economy.[93] The authors argue that these risks are present if it is (1) set at an inadequate level, (2) budget neutral—that is, comes at the expense of other social spending, (3) funded by regressive taxation which means that it is not redistributive, (4) not accompanied by public provisioning of basic services including universal education and healthcare, (5) not supported by a broad societal consensus reached through social dialogue, and (6) not rooted in sound, transparent legal and institutional frameworks. In these scenarios, any improvement of the agency and structural power of workers through universal income support is undermined by the absence or removal of other key rights and protections. Ultimately, in order to support ILO standards, the report recommends that labour market policies including an adequate

[90] Americans for Tax Fairness. (2014). Walmart on tax day: How taxpayers subsidise America's biggest employer and richest family. https://americansfortaxfairness.org/files/Walmart-on-Tax-Day-Americans-for-Tax-Fairness-1.pdf

[91] Calnitsky, D. (2020). The employer response to the guaranteed annual income. Socio-Economic Review, 18(2), 493-517.

[92] Ibid, 512.

[93] Ortiz, I., Behrendt, C., Acuña-Ulate, A., & Anh, N. Q. (2018). Universal Basic Income proposals in light of ILO standards: Key issues and global costing. Available at SSRN 3208737.

minimum wage are necessary to "offset a possible wage freeze or cut induced by a UBI". Moreover, the authors also recommend that "effective policies to regulate labour markets and employment are critical to avoid possible unintended consequences of a UBI to subsidize precarious employment".[94]

The limited evidence available suggests that the UBIG's impact on wages and labour standards is contingent on a number of contextual factors. This includes the value of the grant, and whether it provides workers with a legitimate exit option thereby improving their bargaining power.[95] It also includes the existence of labour regulation and enforcement, including a decent minimum wage, and the promotion of collective bargaining rights. Finally, it depends on whether the grant imposes conditionalities on recipients, and in particular whether it compels them to seek or accept work. The current SRD grant regulations impose the condition that recipients must "not unreasonably refuse to accept employment or educational opportunities".[96] But employment conditionalities attached to income support schemes can be highly coercive. The right to refuse work is fundamental to labour protection and limiting workers' ability to do so tilts the balance of power towards potentially exploitative employers.

Both social protection and fair working conditions are rights enshrined both in the South African Constitution and international conventions. Labour standards can and must be realised through regulation and enforcement, and it will be critical to uphold and reaffirm these standards as and when social protection is expanded, in order to protect the interests of both workers and the unemployed, and to meaningfully contribute to the reduction of structural poverty.

9 The impacts of UBIG on health and nutrition

There is a direct correlation between poverty and poor health.[97] Poverty and financial insecurity can also impact mental wellbeing, including by exposing people to higher levels of stress.[98] The effects of poverty on both physical and mental health reinforce each other, with poverty-related illness in turn increasing the likelihood that people will

[94] Ibid, 29.

[95] Birnbaum, S., & De Wispelaere, J. (2021). Exit strategy or exit trap? Basic income and the 'power to say no' in the age of precarious employment. Socio-Economic Review, 19(3), 909-927.

[96] Department of Social Development. (2022). Government Notices No. R. 2042. [22 April]. https://www.gov.za/sites/default/files/gcis_document/202204/46271rg11428gon2042.pdf

[97] The Scottish Parliament. (2021). Health and Sport Committee report. Available at https://archive2021.parliament.scot/S4_HealthandSportCommittee/Reports/her-15-01w-rev.pdf; Mikkonen, J. (2010). Social determinants of health. desLibris.

[98] Lund, C., De Silva, M., Plagerson, S., Cooper, S., Chisholm, D., Das, J., ... & Patel, V. (2011). Poverty and mental disorders: breaking the cycle in low-income and middle-income countries. The lancet, 378(9801), 1502-1514.

continue to experience poverty, and thus serving as a poverty trap.[99] Moreover, the health implications of poverty present an overall cost to the economy. A 2016 UK study identified that the costs of healthcare, social, and criminal justice services were higher in poverty stricken areas. The study estimated that poverty itself costs UK taxpayers (including the poor) £78 billion per year.[100] By reducing poverty, income support has the potential to assist in improving health outcomes for the most vulnerable, and reducing the overall social and economic cost of poverty.[101]

It is crucial to note, however, that this effect is dependent on the ongoing availability and improvement over time of public healthcare services. The South African government has often framed the UBIG as a trade-off that has to be weighed against other social priorities, including healthcare and education.[102] However, if public health services were eroded as a result of expanded social grants, grant recipients will have little choice but to participate in the commodification and marketisation of healthcare by using their cash transfers on private healthcare and medication, which would negate many of the positive health outcomes of income support. Research in low- and middle-income countries has shown that the consequences of poor households being forced to pay out of pocket for health care contribute significantly to the poverty-poor health cycle.[103] With this caveat in mind, this section reviews evidence of the impact of cash transfers, and potential impact of a UBIG, on mental and physical health, and nutrition outcomes.

10 Child health

A number of studies have identified a positive impact of cash transfers on child nutrition, though the small-scale nature of most initiatives still leaves evidence gaps to be filled.[104] One international source of long-term data is the Alaskan BIG, which has been providing cash transfers since 1982.[105] The scheme pays annual dividends from Alaska's oil

[99] Ibid.

[100] Bramley, Glen; Hirsch, Donald; Littlewood, Mandy; Watkins, David (2016): Counting the cost of UK poverty. Loughborough University. Report. https://hdl.handle.net/2134/22254

[101] Stahl, A, F.. 2019. Health promoting potentials of basic income: an analysis of the psychosocial environment in work and welfare. UBI and Health. https://citizen-network.org/uploads/attachment/631/ubi-and-health.pdf

[102] Marais, H. (2022). In the Balance: The Case for a Universal Basic Income in South Africa and Beyond. Wits University Press.

[103] McIntyre, D., Thiede, M., Dahlgren, G., & Whitehead, M. (2006). What are the economic consequences for households of illness and of paying for health care in low-and middle-income country contexts?. Social science & medicine, 62(4), 858-865.

[104] De Groot, R., Palermo, T., Handa, S., Ragno, L. P., & Peterman, A. (2015). Cash transfers and child nutrition: what we know and what we need to know.

[105] Guettabi, M. 2019. What do we know about the effects of the Alaska Permanent Fund Dividend? Institute of Social and Economic Research. Available at https://pubs.iseralaska.org/media/a25fa4fc-7264-4643-ba46-1280f329f33a/2019_05_20-EffectsOfAKPFD.pdf

production to all permanent residents (including children), which range from $1,000 to $2,000 per recipient. While the value of the transfer is fairly low (representing 7% of the value of the poverty line in 2021),[106] it has still produced notable positive outcomes for child health—leading to an increase in birth weight and decrease in the likelihood of child obesity.[107] An additional $1,000 income increased birth weight by 17.7 grams while decreasing the risk of a low birth weight. This effect is higher for babies of less-educated mothers.[108] Moreover, modest positive impacts were seen in infants' "Appearance, Pulse, Grimace, Activity, and Respiration" (APGAR) score—an indicator of overall health.[109] Poor nutrition during pregnancy may affect birth weight and infant health and low birth weight is associated with poor growth in childhood and a higher incidence of diseases in adulthood.[110]

In South Africa, strong evidence points to a positive relationship between the CSG and improved child health and nutrition, with striking economic flow-on effects. A 2006 study found that early exposure to the CSG significantly improved child nutrition in KwaZulu-Natal measured through height-for-age.[111] The researchers draw on insights that "early childhood malnutrition contributes to the intergenerational transmission of poverty," by impairing cognitive and physical development and affecting children's school success and later their labour-market productivity. They demonstrate that, alongside improving their immediate welfare, "improving the nutritional status of malnourished infants and small children may, therefore, have important payoffs over the long term".[112] The study synthesises the child nutrition data with wage and labour market data to conclude that the CSG's impact on child height gains contributed to adult earnings increases, and entailed "a discounted rate of return on CSG payments of between 160 per cent and 230 per cent".[113] These findings clearly show the impact of an unconditional cash transfer on child nutrition in South Africa, and point towards the linkages between malnutrition, poor health, and the reproduction of structural poverty.

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106 Office of the Assistant Secretary for Planning and Evaluation. (2022). HHS Poverty Guidelines for 2022. https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines

107 Ibid.

108 Chung, W., H. Ha, and B. Kim. 2016. Money transfer and birth weight: Evidence from the Alaska permanent fund dividend. Economic Inquiry 54 (1), 576–590 Available at https://onlinelibrary.wiley.com/doi/abs/10.1111/ecin.12235

109 Ibid.

110 Wardlaw, T. M. (Ed.). (2004). Low birthweight: country, regional and global estimates. Unicef.

111 Aguero, J., Carter, M., & Woolard, I. (2006). The impact of unconditional cash transfers on nutrition: The South African Child Support Grant.

112 Ibid, p. 19.

113 Ibid. p. 1.

Similar findings emerged from cash transfer pilots in India.[114] Two pilots were conducted in Madhya Pradesh in 2011 in which all adults and children in nine villages received an unconditional monthly cash payment for between 12 and 18 months.[115] As a result of the transfer, recipients were more likely to be able to meet their daily food needs, and there was an improvement in the variety of their diet.[116] In addition, the self-perceived inability to provide food significantly decreased from 45% before the pilots started to 19% at their conclusion.[117] The increased food security and improved diet led to improvements in the age-to-weight ratio, which significantly increased amongst children, especially girls. The proportion of children with normal weight for their age had increased from 39% to almost 60%, and this was double that of villages that did not receive cash transfers.[118]

In the Namibia BIG pilot, the targeted households were randomly surveyed against a control group—households that did not receive any cash transfers—before, during, and after the study. The study tracked changes over a suite of indicators relating to household savings, gender equity, investment in assets and enterprises, and health. Using the World Health Organisation (WHO) weight-for-age data as a reference, prior to the pilot, 42% of the children measured in the community were malnourished, largely between the ages of two and three years old. Six months after the introduction of the pilot, the levels of malnutrition decreased to 17% and then after a year to 10%.[119]

Child health and nutrition is a key area of interest for researchers evaluating the impacts of cash transfers and basic income initiatives on both immediate welfare and structural poverty. This survey of the evidence shows a positive correlation between income support and improved health and nutritional outcomes with implications for people's long-term vulnerability to poverty.

11 Mental health

An understudied aspect of cash transfers and basic income is their psychological impacts, and whether and how they affect mental wellbeing. A key logic of basic income

[114] Sigal, S. 2020. Everywhere basic income has been tried, in one map. Available at https://www.vox.com/future-perfect/2020/2/19/21112570/universal-basic-income-ubi-map

[115] Standing, G. (2013). India's experiment in basic income grants. Global dialogue, 3(5), 24-26.

[116] Schjoedt, R. (2016) India's Basic Income Experiment. Pathway's perspective on social policy in international development. Issue No. 21

[117] Ibid.

[118] ibid.

[119] Basic Income Grant Coalition. BIG Namibia. Assessment Report. Available at http://www.bignam.org/Publications/BIG_Assessment_report_08b.pdf

support is that it reduces insecurity, and enables individuals to exercise agency over their lives. Economic insecurity produces stress and anxiety—which in turn have been shown to increase a range of health risks.[120] Research has demonstrated that this effect of basic income support can improve peoples' psychological wellbeing.[121]

While researchers are only beginning to focus on the interaction between income support and psychological wellbeing, there is emerging evidence that the safety net offered by a UBIG could have implications for people's mental health.[122] A briefing paper from the UK group Psychologists for Social Change suggests that a UBI could be effective in supporting the five psychological markers of wellbeing: agency, security, connection, meaning, and trust.[123] The briefing contrasts these positive impacts with more targeted, conditional, or coercive forms of social assistance, which give rise to "concerns about the psychological and financial impact of sanctions and other measures experienced as punitive by welfare recipients".[124]

An important source of data for the mental health impacts of income support comes from the 2011-2013 GiveDirectly pilot in Kenya. This pilot tracked the impact of the transfer on people's mental wellbeing, using both psychological questionnaires and monitoring of the stress hormone cortisol.[125] The questionnaires showed statistically significant increases in happiness and life satisfaction, and reductions in stress. Cortisol levels did not change on average across the studied group compared to a control group—however, there were important differences in cortisol levels depending on how the transfer was distributed and designed. They were significantly lower when household transfers were made to women rather than men, when the transfer was lump-sum rather than monthly,[126] and when the transfer value was higher.

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[120] DeLongis, A., Folkman, S., & Lazarus, R. S. (1988). The impact of daily stress on health and mood: psychological and social resources as mediators. Journal of personality and social psychology, 54(3), 486; Van der Kolk, B. A. (1994). The body keeps the score: Memory and the evolving psychobiology of posttraumatic stress. Harvard review of psychiatry, 1(5), 253-265.

[121] Stahl, A. F. (2019). Health promoting potentials of basic income: an analysis of the psychosocial environment in work and welfare. Citizen Network Research. Available at https://citizen-network.org/uploads/attachment/631/ubi-and-health.pdf

[122] Gupta, R., Jacob, J., & Bansal, G. (2021). The Role of UBI in Mitigating the Effects of Psychosocial Stressors: A Review and Proposal. Psychological Reports. https://doi.org/10.1177/00332941211005115

[123] Psychologists for Social Change. Universal Basic Income: Psychological Impact Assessment. Briefing note. Available at https://citizen-network.org/uploads/attachment/541/universal-basic-income-a-psychological- impact-assessment.pdf

[124] Ibid. p.7.

[125] Haushofer, J., & Shapiro, J. (2016). The short-term impact of unconditional cash transfers to the poor: experimental evidence from Kenya. The Quarterly Journal of Economics, 131(4),

[126] This was a surprising finding for the researchers, who speculated that "It is conceivable that the increase in cortisol levels for monthly transfer recipients reflects the stress associated with having to decide continually how to spend the transfers or an inability to save, whereas the transfers of lump-sum recipients are safely invested in metal roofs."

Reinforcing the findings from the Kenyan case study, meta-studies have pointed to promising impacts of cash transfers on mental health in low- and middle-income countries. A 2022 paper analysed 45 studies which examined the impact of case transfers on self-reported mental health and subjective wellbeing, and found that across the sample there was a statistically significant positive effect on both mental health and subjective wellbeing. The authors conclude: "there is strong evidence to suggest that CTs improve lives".[127] Another recent systematic review focusing on the interaction between cash transfers and mental health in young people analysed evidence from 13 initiatives in low- and middle-income countries and found that 85% of interventions "showed a significant positive impact of cash transfers on at least one mental health outcome in children and young people".[128]

Finally, local data is available on the mental health impacts of South Africa's CSG. A 2015 working paper from researchers at SALDRU and UCT, drawing on the National Income Dynamics Study, found that there was a high likelihood of the intergenerational transmission of depression in South Africa (adolescents were more likely to be depressed if they had a depressed parent), but that this effect was mitigated by cash transfers.[129] While a depressed parent increased the likelihood of adolescent depression by 38 percentage points, receipt of the CSG decreased this likelihood by 12 percentage points for maternal depression, and 25 percentage points for paternal depression.[130] In another study of the impact of the CSG on mental health in South Africa, UK researchers drew again on data from the National Income Dynamics Study, covering 10,925 individuals between 2008 and 2014.[131] They found a strong positive effect on mental health on individuals living in a grant-recipient household. The effect was found to be twice as strong for women as for men. The researchers point not only to the direct benefits to individuals of improved mental health, but potential spillover structural effects, as: "better mental health can enable individuals to improve their productivity which can then contribute to decrease poverty in the long-term."[132]

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[127] McGuire, J., Kaiser, C., & Bach-Mortensen, A. M. (2022). A systematic review and meta-analysis of the impact of cash transfers on subjective well-being and mental health in low-and middle-income countries. Nature Human Behaviour, 6(3), 359-370.

[128] Zimmerman, A., Garman, E., Avendano-Pabon, M., Araya, R., Evans-Lacko, S., McDaid, D., ... & Lund, C. (2021). The impact of cash transfers on mental health in children and young people in low-income and middle-income countries: a systematic review and meta-analysis. BMJ global health, 6(4), e004661.

[129] Eyal, K., & Burns, J. (2016). Up Or Down?: Intergenerational Mental Health Transmission and Cash Transfers in South Africa. Southern Africa Labour and Development Research Unit.

[130] Ibid.

[131] Ohrnberger, J., Fichera, E., Sutton, M., & Anselmi, L. (2020). The effect of cash transfers on mental health–new evidence from South Africa. BMC public health, 20(1), 1-13.

[132] Ibid.

The emerging evidence on the role of income support in improving peoples' mental health and wellbeing points towards a potential for disrupting long-term and intergenerational cycles of poverty. Improved health and wellbeing are key for individuals to fully pursue their goals and participate in social and economic activities. In addition, in the long term, good healthcare and nutrition enhance human capital, allowing people to actively participate in sustainable and inclusive economic growth. In this sense, a UBIG should be seen as an investment into human capital and a key part of addressing structural poverty. Once again it is worth noting that universal and unconditional cash transfers have been shown to be more effective in this compared to targeted or conditional cash transfers.[133] Equally important to consider in designing and implementing a UBIG is that it should play a complementary role to quality public services to ensure the accessibility of mental health support and treatment to fully realise and avoid undermining these benefits.

12 The impact of UBIG on women's empowerment

Gender inequality intersects with structural poverty in South Africa. Women perform a disproportionate amount of both paid and unpaid domestic and care labour.[134] Since the 1970s feminist economics has embarked on a project of visibilising this labour, and its central role in sustaining capitalism.[135] These unequal dynamics are deeply embedded in South African society, where women spend on average two more hours per day performing unpaid domestic and care labour than men (totally an average of just under four hours per day).[136] In turn, unpaid domestic and care work obligations constrain womens' time and ability to participate in formal employment, making them more likely to be forced to accept informal, insecure, and exploitative paid work.[137] The relative precarity of women's work was laid bare during the COVID-19 pandemic, as women made up two thirds of job losses during the first lockdown.[138]

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[133] IEJ. 2021. Designing a Basic Income Guarantee: Targeting, universality and other considerations. https://www.iej.org.za/wp-content/uploads/2021/10/IEJ-policy-brief-UBIG-3_2.pdf

[134] Ferrant, G., Pesando, L. M., & Nowacka, K. (2014). Unpaid Care Work: The missing link in the analysis of gender gaps in labour outcomes. Boulogne Billancourt: OECD Development Center.

[135] Federici, S. (1975). Wages against housework (pp. 187-194). Bristol: Falling Wall Press; Waring, M., & Steinem, G. (1988). If women counted: A new feminist economics. San Francisco: Harper & Row.

[136] Memis, E., & Antonopoulos, R. (2010). Unpaid work, poverty and unemployment: A gender perspective from South Africa. In Unpaid work and the economy (pp. 76-111). Palgrave Macmillan, London.

[137] Floro, M. S. & Komatsu, H. (2011) Gender and Work in South Africa: What Can Time-Use Data Reveal?, Feminist Economics, 17:4, 33-66, DOI: 10.1080/13545701. 2011.614954; Hunt, A., Samman, E., Tapfuma, S., Mwaura, G., Omenya, R., Kim, K., ... & Roumer, A. (2019). Women in the gig economy: paid work, care and flexibility in Kenya and South Africa.

[138] Casale, D., & Posel, D. (2020). Gender and the early effects of the COVID-19 crisis in the paid and unpaid economies in South Africa. National Income Dynamics (NIDS)-Coronavirus Rapid Mobile Survey (CRAM) Wave, 1.

The exploitation of women in the workforce also occurs as a result of gender bias and discrimination, with many women being subject to intersectional discrimination on the basis of race, nationality, and other factors.[139] As a result of this and other social and historical patterns, 97% of domestic workers in South Africa are women.[140] Moreover, across the board in 2018, women's monthly earnings were 76% that of men's monthly earnings.[141] Despite women's extreme overrepresentation in paid domestic work, they are also disproportionately vulnerable to unemployment—in 2020, 40.6% of households headed by women did not have an employed household member, compared to 22% of households headed by men.[142]

In addition to this, women are more likely to experience poverty. In 2015, 57.2% of women were living below the UBPL, and 26.5% below the FPL compared to 53.7% and 23.7% of men respectively.[143] In 2015, the average income of female-headed households was approximately 60% that of male-headed households.[144] These differences in rates of poverty, especially at the household level, show the extent of women's economic disempowerment, and highlight both their structural disadvantages in the world of waged work, and their vulnerability to financial dependence on men. These factors reduce womens' agency, and pave the way for potential economic abuse.[145] In conjunction with this, women in South Africa are highly vulnerable to gender based violence. One in five partnered women over 18 has experienced physical violence from a partner.[146]

Women remain disproportionately subject to exclusion, exploitation, and violence, and this perpetuates overall structural poverty. The economic empowerment of women is imperative for inclusive development. Because it is by definition available to everyone (as opposed to the heads of households) a UBIG has significant potential to improve

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[139] Grün, C. (2004). Direct and indirect gender discrimination in the South African labour market. International Journal of Manpower.

[140] Stats SA. (2022). Quarterly Labour Force Survey (QLFS) - Q1:2022. Pretoria: Statistics South Africa.

[141] Stats SA. (2020). Poverty in Perspective [presentation]. Available at https://www.parliament.gov.za/storage/app/media/1_Stock/Events_Institutional/2020/womens_charter_2020/docs/05-03-2021/StatsSa_presentation.pdf

[142] Stats SA. (2020). Poverty in Perspective [presentation]. Available at https://www.parliament.gov.za/storage/ app/media/1_Stock/Events_Institutional/2020/womens_charter_2020/docs/05-03-2021/StatsSa_presentation.pdf

[143] Stats SA. (2017). Poverty trends in South Africa: An examination of absolute poverty between 2006 and 2015. Pretoria: Statistics South Africa.

[144] Calculated using data from Statistics South Africa. (2017). Poverty trends in South Africa: An examination of absolute poverty between 2006 and 2015. Pretoria: Statistics South Africa.

[145] IOL. (2021, 13 December). Financial abuse not to be overlooked as 16 days of activism ends. Available at https://www.iol.co.za/personal-finance/financial-planning/financial-abuse-not-to-be-overlooked-as-16-days-of-activism-ends-5ae1a365-4a94-40f9-95dc-c003241bac65

[146] Ibid.

women's agency and financial independence and reduce their vulnerability to abuse.[147] In addition, it partially delinks income from waged work—going some way towards compensating for unpaid domestic and care work.[148] Whilst labour market inequities continue to exist, a UBIG cannot be anticipated to fully resolve gender inequality in South Africa. However, the contributions of a UBIG to women's economic empowerment and vulnerability to abuse are supported by international and local evidence.

In evaluations of the basic income pilot in Madhya Pradesh, India, womens' empowerment was identified as one of the key outcomes. Observers noted that the grant led to an increase in women opening their own bank accounts, "a significant event for women seeking to establish independent identities".[149] Survey data indicated that, following the basic income intervention, 55% of households said that they shared their incomes equally, compared to 36% in the control group. Around 60% of women reported that they had more influence on household spending as a result of the grant, and in tribal villages the number of households that reported spending decisions being made by household heads fell by 19 percentage points as a result of the basic income.[150]

However, research on conditional cash transfer programmes in Peru, Ecuador, and Bolivia, add a note of caution for policymakers. One 2011 study which focused child support grants found that because they were designed to benefit children by supporting women solely in their status and role as mothers, they had limited emancipatory potential:[151]

"As women's roles in the economy have changed and diversified, and as household survival has come to depend increasingly on the incomes women can generate, the consequences of strengthening their role in the care economy may be to restrict their ability to escape from poverty."

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[147] Haushofer, J., Ringdal, C., Shapiro, J. P., & Yu Wang, X. (2019). Income changes and intimate partner violence: Evidence from unconditional cash transfers in Kenya. Working Paper 25627 Available at https://www.nber.org/system/files/working_papers/w25627/revisions/w25627.rev0.pdf

[148] Weeks, K. (2020). Anti/postwork feminist politics and a case for basic income. tripleC: Communication, Capitalism & Critique. Open Access Journal for a Global Sustainable Information Society, 575-594.

[149] Schjoedt, R. (2016) India's Basic Income Experiment. Pathway's perspective on social policy in international development. Issue No. 21

[150] Davala, S., Jhabvala, R., Standing, G., & Mehta, S. K. (2015). Basic income: A transformative policy for India. Bloomsbury Publishing.

[151] Molyneux, M., & Thomson, M. (2011). Cash transfers, gender equity and women's empowerment in Peru, Ecuador and Bolivia. Gender & Development, 19(2), 195-212.

A universal grant, which is not conditional on recipients being caregivers or on any other kind of behaviour, is more resistant to entrenching caregiver-poverty traps for women, and this finding reinforces concerns around conditionality, especially with regard to outcomes for women's empowerment.

Significant impacts have also been seen in the rates of gender-based violence, in concurrence with the introduction of cash transfers. A review of research from low- and middle-income countries noted that a reduction in intimate partner violence (IPV) was reported in 16 out of 22 studies.[152] The researchers argued that cash transfers can potentially impact IPV by: (1) improving economic security and emotional wellbeing, (2) lessening intra-household conflict including about spending decisions, and (3) increasing womens' empowerment, self-worth, and perceived value to the household. More recently, a comprehensive evaluation of the Rarieda, Kenya unconditional cash transfers pilot found that transfers paid to both men and women significantly reduced IPV.[153] Physical violence was reduced in cases where either the man or woman in a heterosexual couple received the transfer, while sexual violence was reduced only in cases where the woman received the transfer.[154]

Dismantling structural poverty through interventions that go beyond the sphere of waged-work is an inherently feminist project, given that women are structurally disadvantaged in the labour market in overlapping ways. Evidence shows basic income pilots have contributed to gender equality, and women's empowerment and reduced IPV. A progressive UBIG can play an important role in alleviating the persistent gender inequality exacerbated by the structure of the South African economy, gender-blind policies, and patriarchal norms. Through increased income security and quality public services the pressure to be a breadwinner or carer is removed and as a result, this can lead to more men undertaking domestic and care work.[155]

13 The impact of UBIG on social cohesion and democracy

Some researchers and proponents have suggested that the benefits of a UBIG may encompass improvements to the health of civic institutions and democracies. Universal, socially-assured income support is posited to play a role in building social cohesion by

[152] Buller, A. M., Peterman, A., Ranganathan, M., Bleile, A., Hidrobo, M., & Heise, L. (2018). A mixed-method review of cash transfers and intimate partner violence in low-and middle-income countries. The World Bank Research Observer, 33(2), 218-258.

[153] Haushofer, J., Ringdal, C., Shapiro, J. P., & Yu Wang, X. (2019). Income changes and intimate partner violence: Evidence from unconditional cash transfers in Kenya. Working Paper 25627 Available at https://www.nber.org/system/files/working_papers/w25627/revisions/w25627.rev0.pdf

[154] Ibid.

[155] Ibid.

affirming recipients' sense of having a stake in society, which is equal to that of others.[156] Social cohesion is understood here as "solidarity, shared loyalty, and interdependence between people" in a society.[157] This includes respect for diversity both at an institutional level and between individuals.[158] This, in turn, is understood to bolster civic engagement and participation at the local and national level, and contribute to more equitable outcomes.

Strengthening democracy and social solidarity is an inherently worthy objective in itself, but research also shows that it can generate improved socioeconomic outcomes. SALDRU notes: "Social cohesion is linked to more stable and participatory democracies, greater economic productivity and growth, inclusivity and tolerance, effective conflict management and resolution, and a generally better quality of life for people".[159] Moreover, there is a strong case to be made that the devastating and costly unrest witnessed in South Africa in July 2021 was in part a manifestation of eroded social cohesion and trust in the context of extreme poverty and exclusion.

As with other aspects explored in this paper, much of the potential for a basic income grant to improve social cohesion and civic participation comes down to how it is deployed. New research from a cash transfer programme in Chad has found that targeting can have unintended negative consequences for social cohesion—by attaching a stigma to beneficiaries, which actually served to undermine the benefits of the transfer.[160] This occurred through the creation of social divisions which encouraged non-recipients to "hinder recipients' entrepreneurship, consumption and ability to save".[161] A recent large-scale study conducted by the World Bank in South Africa on the impact of the OAP on social cohesion reinforces these findings in the local context.[162] It finds that the OAP has limited impact on social cohesion, including a "marginal effect on interpersonal trust" and a "very small effect on attitudes towards immigration". The

[156] Pateman, C. (2004). Democratising citizenship: some advantages of a basic income. Politics & society, 32(1), 89-105.

[157] Lefko-Everett, K. (2016). Towards a measurement of social cohesion for Africa. United Nations Development Programme. Available at: https://www.undp.org/africa/publications/towards-measurement-social-cohesion-africa-discussion-paper-prepared-institute-justice-and-reconciliation-undp

[158] Ibid.

[159] SALDRU. (2018). DEFINING AND MEASURING SOCIAL COHESION IN SOUTH AFRICA. Policy Brief 1. https://www.afd.fr/fr/media/download/8759#:~:text=MEASURING%20SOCIAL%20COHESION-,IN%20SOUTH%20AFRICA,of%20life%20for%20people.1

[160] Della Guardia, A., Lake, M., & Schnitzer, P. (2022). Selective inclusion in cash transfer programs: Unintended consequences for social cohesion. World Development, 157, 105922.

[161] Ibid.

[162] Agüero, J. M., & Fasola, E. (2022). Distributional Policies and Social Cohesion in a High-Unemployment Setting.

researchers also identified a “decline in social participation”. This highlights the issue that grants targeted at specific population groups do little to support social cohesion.

By contrast, a universal grant holds the potential to support social cohesion and democratic buy-in. This is not only due to its economic benefits which allow people to escape modes of survivalism with likely flow-on effects for civic engagement. Although we acknowledge that a progressive UBIG in South Africa still requires a rebalancing of the tax system such that a small group of the most wealthy are net contributors, the contribution of a UBIG to social cohesion may stem in part from its inherent political nature—in which everybody is eligible on the basis of citizenship/residency.

Writers like James Ferguson advocate for a radical perspective on a UBIG, which sees it not as a grant or handout, but as a “rightful share” of the surplus generated by our economy—that is collectively produced by our society.[163] Others, like Yanis Varoufakis, have framed this as a citizen’s “dividend”.[164] Whether or not we may be employed, or owners of the means of production, all members of a capitalist society contribute to the wealth that society produces, including through consumption, unpaid care and domestic (social reproductive) labour, social and generational skills and knowledge transfer, membership of the reserve labour pool, etc. In South Africa, with its history of colonisation, slavery, land expropriation, forced dispossession, and displacement, the concept of a rightful share or dividend finds an even greater social and moral basis, and aligns with the redistributive politics embodied within the struggle and beyond.

It is difficult to empirically test the societal impacts of this radical political economy of the UBIG, because the impacts are fundamentally dependent on the UBIG being implemented at a societal level. Some localised programmes have had promising results however. In Tanzania, cash transfers were found to increase trust in leaders and willingness to participate in community programmes.[165] Pavanello et al. find that in five case studies (Yemen, West Bank and Gaza, Kenya, Uganda, and Mozambique), basic income helped strengthen social inclusion and “may have contributed to progress towards more cohesive societies”.[166] However, these effects were again tempered by the

[163] Ferguson, J. (2015). Give a man a fish: Reflections on the new politics of distribution. Duke University Press.

[164] Varoufakis, Y. (2016). The universal right to capital income. Project Syndicate, 31.

[165] Evans, D. K., Holtemeyer, B., & Kosec, K. (2019). Cash transfers increase trust in local government. World Development, 114, 138-155.

[166] Pavanello, S., Watson, C., Onyango-Ouma, W., & Bukuluki, P. (2016). Effects of cash transfers on community interactions: Emerging evidence. The Journal of Development Studies, 52(8), 1147-1161.

intra-community tensions that arose from targeting measures. Another study from 2022 of a public works programme in Malawi found that it had a positive impact on community cooperation (both within communities and with local leaders) and social cohesion.[167] Voluntary contributions to public goods (such as school-building) increased.

Another potential underlying indicator for social cohesion is crime rates. Economic crime can stem directly from poverty and inequality, and high levels of crime can erode social cohesion and trust. Promising results were seen in the Namibian BIG pilot with regard to crime. Overall crime rates reported to the local police fell by 42%. In particular, stock theft fell by 43% and other forms of theft fell by nearly 20%.[168]

Conclusions around how increasing community participation and falling crime in small-scale experiments may translate to improved social cohesion and democracy overall are tentative. Positive impacts on social cohesion and democracy would also likely depend on the value of the transfer and whether it is adequate to alleviate poverty and provide dignity. But there is a growing interest in the literature on the relationship between universal social protection and social cohesion, which is of direct relevance to South Africa, including questions of encouraging civic and democratic participation, reducing the social and economic costs of division and xenophobia, and building inclusive economies. These projects are a crucial part of dismantling exclusionary structures.

14 The impact of UBIG on sustainable livelihoods

In the earlier sections we show that basic income support reduces immediate income poverty, and also that it can contribute to improved labour participation and potentially raise labour standards, which are key ways in which structural poverty is disrupted in the long term. However, waged work is not the only basis for sustainable livelihoods. Extensive evidence shows that sustained basic income support can have a significant impact on people's ability to gain skills and qualifications at various life stages in response to changing economic conditions, which allow them to build more security throughout their lifetimes.

Moreover, sustainable livelihoods enabled by income support are not necessarily labour market dependent but often self-generated. Cash transfers in comparable

[167] Beierl, S., & Dodlova, M. (2022). Public works programmes and cooperation for the common good: Evidence from Malawi. The European Journal of Development Research, 1-21.

[168] BIG Coalition, "Making the difference!"

contexts to South Africa have been shown to boost self-employment, enterprise development, and other productive activities which enable individuals to escape poverty traps and build resilience, and on a macro-scale contribute to improved productivity and job creation. In addition to being spent directly on productive investments, cash transfers have been shown to improve access to credit under certain conditions, as well as improving household savings and resilience to financial shocks. These effects mean that households that have previously been structurally prevented from exiting poverty are able to reduce their vulnerability to poverty—even in the (undesirable) event that basic income support is removed. Through this mechanism, the reduction in income poverty enabled by a UBIG, in turn helps to dismantle structural poverty.

It is relevant to note here that UBIG sceptics sometimes cite the concern that a grant is unlikely to have a positive impact on economic activity, and as such would represent a net fiscal drain, especially if financed through increased taxation or debt (as opposed to spending cuts elsewhere).[169] However, the large bulk of the evidence presented in this section refutes this perspective. As basic income support allows people to fulfil aspirations to sustainable livelihoods, it generates increased economic activity, in turn contributing to overall productivity as well as government revenue.

15 Education and skills

Access to education and skills development at all stages of life is critical for challenging social inequities, resilience in the face of shifting labour market dynamics, and providing people with life choices. The benefits of access to education are cumulative and intergenerational. However, even if public education services are freely available near where poor people live, income poverty can still make it very difficult for people to access education. This goes beyond the ability to pay school fees, and also includes the costs of school transport, uniforms, materials, and menstrual products for girls, as well as the opportunity cost of young people's time which poor families may be forced to utilise for labour inside or outside the household, as opposed to schooling. In light of these barriers, there is strong evidence that cash transfers have led to positive outcomes in education, across enrolment, attendance, and achievement.

In South Africa, early enrolment in the CSG has been found to lead to children completing more grades of schooling, as well as higher arithmetic and reading test

[169] Centre for Development and Enterprise. (2022). Poverty and a Basic Income Grant: Six questions about a BIG. cde.org.za/poverty-and-a-basic-income-grant-six-questions-about-a-big-2/.

scores.[170] An impact assessment carried out by UNICEF in partnership with DSD and SASSA found that this occurs through earlier entry to school, as well as reduction in grade repetition. The assessment found that early enrollment in the CSG raises grade attainment by 10.2%. It also found that the impact was more significant for girls. Finally, the research found that the CSG had a "compensatory" effect in intergenerational educational outcomes—it narrowed the gap in overall years of schooling between children whose mothers had lower and higher years of education.[171]

The researchers concluded that "in these ways the Child Support Grant promotes human capital development, improves gender outcomes and helps to reduce the historical legacy of inequality".[172] It is important to note that, while significant, the impact of the CSG on education has important limitations compared to (or in the absence of) a UBIG. Most notably it is targeted at mitigating poverty at the household level, and its benefits spread amongst members of different age groups, therefore its impact on children's educational attainment is diluted. If a UBIG for individuals between 18 and 59 were introduced to complement the CSG, the impact of the CSG on educational attainment would likely be amplified.

Turning to international experience, a Food and Agriculture Organisation of the United Nations (FAO) meta-study of cash transfer initiatives in eight Sub-Saharan African countries, found that "impacts on secondary level enrolment range from 5 to 15 percentage points in Ethiopia, Ghana, Kenya, Lesotho, Malawi, South Africa, and Zambia".[173] In Malawi for instance, spending on education-related costs increased over 100% amongst ultra-poor cash transfer beneficiaries. In Zambia, Zimbabwe and Lesotho, cash transfer programmes significantly improved childrens' access to clothing and shoes—which the authors note to be key factors in school attendance.[174]

Other studies have found similar impacts of cash transfers on school enrolment, with a 2013 meta-analysis of 35 conditional and unconditional programmes in low- and middle-income countries finding substantial impacts on school enrolment across the

[170] UNICEF. (2012). The South African Child Support Grant Impact Assessment: Evidence from a survey of children, adolescents and their households.

[171] Ibid.

[172] Ibid, iii.

[173] Davis, B., Handa, S., Hypher, N., Rossi, N. W., Winters, P., & Yablonski, J. (Eds.). (2016). From evidence to action: the story of cash transfers and impact evaluation in sub Saharan Africa. Oxford University Press.

[174] Ibid.

board.[175] This study found that programmes conditional on school attendance increased the odds of enrolment by 60%, whilst (most notably for our discussion of a UBIG), unconditional programmes still increased the odds of enrolment by 20%,[176] demonstrating the indirect but significant relationship between income poverty alleviation and education outcomes. Another recent study examined the impacts of a conditional cash transfer programme in Tanzania, and found that it improved childrens' school participation rates by between 8 and 10 percentage points, and their primary completion rates by between 14 and 16 percentage points.[177]

While much of the research on the education impacts of cash transfers have focused on children, it is important to note that a UBIG could also play an important role in adult re-skilling in the face of economic and labour market shifts—both by contributing to the direct cost and compensating time spent in continuing education. This is especially relevant in the context of climate change and calls for a just transition which protects the interests of workers, as well as the economic restructuring spurred by automation including the growth of artificial intelligence and the so-called "fourth industrial revolution".[178] This section now turns to other ways in which cash transfers have been shown to support the development of sustainable livelihoods and the stimulation of economic activity, beyond the important foundation of continuing access to skills development and education.

16 Self-employment and productive activities

A plethora of case studies, especially in low- and middle-income countries, commonly find that cash transfer initiatives contribute to higher rates of self-employment, own agriculture, and establishment of microenterprises as well as increased investment and improved productivity in existing enterprises. Whilst these outcomes have been shown across urban and rural contexts, a lot of strong evidence has emerged from predominantly rural areas especially. We know that in South Africa economic exclusion is likely to be experienced most notably in provinces with lower levels of urbanisation, including due to the spatial legacy of Apartheid, and as such the evidence on the impact

[175] Baird, S., Ferreira, F.H.G., Özler, B. and Woolcock, M. (2013), Relative Effectiveness of Conditional and Unconditional Cash Transfers for Schooling Outcomes in Developing Countries: A Systematic Review. Campbell Systematic Reviews, 9: 1-124. https://doi.org/10.4073/csr.2013.8

[176] Ibid.

[177] Evans, D. K., Gale, C., & Kosec, K. (2020). The Educational Impacts of Cash Transfers for Children with Multiple Indicators of Vulnerability. Center for Global Development.

[178] Marais, H. (2022). In the Balance: The Case for a Universal Basic Income in South Africa and Beyond. Wits University Press.

of income support on rural livelihoods holds promise for South Africa's rates of rural poverty and exclusion.

In 2016, a wide-ranging in-depth study was produced through a partnership between UNICEF, the FAO, and the University of Oxford, which evaluated cash transfers and their impact on local economies in Sub-Saharan countries.[179] The study used the Local Economy Wide Impact Evaluation (LEWIE) Model to estimate and compare some of the impacts of cash transfers across seven economies: Ethiopia, Ghana, Kenya, Lesotho, Malawi, Zambia, and Zimbabwe. The project found that cash transfers had positive impacts across local economies. The authors stressed that outcomes were the same and in some cases better, when transfers were unconditional, while operational costs were lower. They concluded that "conditioning cash on behaviour tied to social sectors might actually mitigate their ability to support sustainable livelihoods strengthening in the short and medium term, which the book recognizes as important pathways out of poverty for poor households".[180]

In particular, the initiatives improved livelihood strategies and increased economic activity, especially in agriculture. In all the countries studied, cash transfers led to increased agricultural inputs and improved livelihoods. Zambia's programme produced an increase in the total area of land worked, as well as investment in hired labour, and non-farm enterprises which saw an overall increase in production of 50%, with most of the production sold on the local market. Similar outcomes were observed in Lesotho. The cash transfer program led to an 8% increase in the use of agricultural inputs and expenditure. In Zambia, Zimbabwe, Malawi, and Kenya, cash transfers also led to an increase in the share of households operating non-farm enterprises, or an increase in the formation of non-farm enterprises. In Zambia, the increase in livelihood strategies led to an income multiplier effect at the household level, where the resultant increase in consumption was 25% greater than the value of the transfer. In Ghana, beneficiaries of the cash transfer programme spent 80% of their income in local economies. As a result the cash transfer was found to increase local income by 2.5%, with spillover effects of improved income also observed for non-beneficiary households.

Localised case studies provide even greater detail. In Zambia, two unconditional cash transfer programmes were implemented by the government in 2010 and targeted

[179] Davis, B., Handa, S., Hypher, N., Rossi, N. W., Winters, P., & Yablonski, J. (Eds.). (2016). From evidence to action: the story of cash transfers and impact evaluation in sub Saharan Africa. Oxford University Press.
[180] Ibid, 336.

at areas with high rates of extreme poverty.[181] One, the Child Grant Programme (CPG), was targeted at households with children and another, the Multiple Category Programme (MCP), targeted at households headed by women or the elderly, or with people living with disabilities. The programmes provided $12 to beneficiary households every two months for five to six years.

The two programmes were accompanied by randomised control trials with several post-intervention follow-ups, to assess their impact on improved living standards.[182] While the programmes were aimed at improving the consumption of targeted beneficiaries, they also had an impact on investment and productivity. The evaluation found that the programmes had an income multiplier of 1.67, and that this was driven by investment in both non-farm enterprises as well as agricultural output. For households that were recipients of the CGP, the study found that after 24 months, 17% of them had started non-farm enterprises. For MCP-recipient households, the cash transfers enabled spending on agricultural inputs and increased the value of their agricultural production.[183]

Similarly significant outcomes were observed in the Namibian basic income pilot.[184] Average incomes, excluding income from the BIG, increased 29% over the course of one year, and a significant driver of this was productive investment, self-employment, and farming.[185] Self-employment income saw by far the largest growth, of an incredible 301%. The evaluation report explains that: "Most small enterprises which emerged following the introduction of the BIG were in retailing, brick-making and the manufacture of clothing. According to the respondents, the BIG was central in providing start-up capital and external demand."[186]

Evaluations of the aforementioned cash transfer pilot in Kenya's Rarieda region found that recipients significantly increased their investments in self-employment activities and investment in productive assets.[187] The study found that the value of productive assets owned increased by 51 percentage points on average for the recipient

[181] Handa, S., Natali, L., Seidenfeld, D., Tembo, G., Davis, B., & Zambia Cash Transfer Evaluation Study Team. (2018). Can unconditional cash transfers raise long-term living standards? Evidence from Zambia. Journal of Development Economics, 133, 42-65.

[182] Ibid.

[183] Ibid.

[184] BIG Coalition, "Making the difference!"

[185] Ibid, 72.

[186] Ibid, 73.

[187] Haushofer, J., & Shapiro, J. (2013). Household response to income changes: Evidence from an unconditional cash transfer program in Kenya. Massachusetts Institute of Technology, 24(5), 1-57.

group relative to the control group.[188] In turn this investment translated into increased revenue from agriculture, husbandry, and non-agricultural enterprises—which increased an average of 35 percentage points above the control group.

The experience in Sub-Saharan Africa is echoed in a study conducted in rural Mexico, which investigated whether cash transfers were used in income generating activities which would not otherwise have been possible for recipients.[189] The research evaluated Mexico's Oportunidades programme, a large-scale and prolonged conditional cash transfer programme implemented by the government in 1997, which, in 2004, paid benefits to roughly 5 million households. Benefits were conditional on children attending school, and households accessing preventative medical care. The programme relieved liquidity constraints of the recipients and this led to 12% of the transfers being invested into agricultural activities and microenterprises while the rest was used for consumption. The study found also that this investment sustainably raised incomes over time—generating a rate of return of 17.55%.

Importantly, the researchers demonstrated that these benefits were sustained after the cash transfers ended, indicating a long-term impact on livelihoods. As a result, the beneficiaries' standard of living was improved, and recipients saw a 34% increase in consumption after five years of the programme.[190] The researchers concluded that the long-term nature of this programme was key to the observed benefits, because it provided recipients with a level of security which enabled them to take risks: "if transfers are perceived as a secure source of income, risk averse households will be more willing to increase ownership of risky assets, even in the presence of risk".[191]

Finally, strong evidence from the 2011 cash transfer experiments in Madhya Pradesh, India points towards the creation of sustainable livelihoods, and the undermining of structural poverty traps. Recipients not only saw an increase in their existing work activities. In addition, they invested in productive activities and assets, such as buying seeds, sewing machines, repairing equipment, and the formation of microenterprises. There was a shift observed from casual wage labour to self-employment, and there was a reduction in bonded labour. Women benefited the most in

[188] Ibid.

[189] Gertler, P., Martinez, S., & Rubio-Codina, M. (2006). Investing cash transfers to raise long-term living standards. American Economic Journal Applied Economics 4(1), 1-30 Available at https://www.researchgate.net/publication/23549996_Investing_Cash_Transfers_to_Raise_Long-Term_Living_Standards

[190] Ibid.

[191] Ibid, 1.

these trends towards economic empowerment.[192] The designers of the pilot (UNICEF, alongside other leading experts) stressed that the unconditional nature of the grant was important in generating these positive impacts.[193]

17 Debt, and the risk of digital cash transfers

It would be important for the state to develop capabilities to administer payment of a UBIG both to ensure that all eligible individuals can seamlessly and safely access their entitlements, and also to ensure that private companies do not take advantage of the grant system. Digital systems of application, verification, and payment have become increasingly central to the administration of cash transfers internationally. It is thought that increasing digital penetration and capabilities can serve to simplify and streamline complex social protection systems, allowing people to easily register for and receive payment through online or mobile banking, and that data security can be assured through digital and biometric verification mechanisms. These ideas are often connected under the umbrella term of "financial inclusion"—which refers to the digital inclusion of previously economically marginalised people into systems of banking, credit, savings and insurance, and is advocated for by institutions such as the World Bank.[194]

Critics are increasingly raising the alarm about the outcomes of financial inclusion discourse in practice. In a number of countries it has been shown to enable banks and financial service providers to profit from poverty alleviation and the commodification of social protection systems, and to draw poor grant recipients into regimes of credit and indebtedness.[195] In addition, growing reliance on digital infrastructures for service provision is increasingly being shown both to create new dynamics of exclusion (for instance for those who do not have access to devices or the internet, or may struggle with digital literacy), as well as to carry and codify biases and perpetuate discrimination. A large literature documents algorithmic bias, whereby social inequalities are internalised into and perpetuated by machine learning systems, with disastrous real world consequences.[196]

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[192] Standing, G. (2013). India's experiment in basic income grants. Global dialogue, 3(5), 24-26.

[193] Ibid.

[194] World Bank. (n.d.). Financial Inclusion. Available at https://www.worldbank.org/en/topic/financialinclusion/overview.

[195] Lavinas, L. (2018). The collateralization of social policy under financialized capitalism. Development and change, 49(2), 502-517.; Soederberg, S. (2014). Debtfare states and the poverty industry: Money, discipline and the surplus population (p. 320).; Cooper, M. (2017). Family values: Between neoliberalism and the new social conservatism. Mit Press.

[196] Danks, D., & London, A. J. (2017, August). Algorithmic Bias in Autonomous Systems. In IJCAI (Vol. 17, pp. 4691-4697). Kordzadeh, N., & Ghasemaghaei, M. (2022). Algorithmic bias: review, synthesis, and future research directions. European Journal of Information Systems, 31(3), 388-409.

Johnson, G. M. (2021). Algorithmic bias: on the implicit biases of social technology. Synthese, 198(10), 9941-9961.

A recent study of cash transfer recipients in South Africa by Erin Torkelson had particularly worrying findings with regard to the outcomes of poorly conceived digital financial inclusion measures.[197] South Africa's social grants system has been deeply influenced by financial technologies and financial inclusion ideas. Torkelson showed that, due to their bundling within a monopolistic financial system predicated on proprietary technologies, cash transfers were able to be exploited and captured by private corporations, in particular the main service provider—Net1—who capitalised on its access to recipient data to encourage people to take on loans, and automatically deducted repayments from grants.[198]

Net1 made use of specialised grant payment technologies to encourage grant recipients to take on loans, with grants used as collateral. This encouraged indebtedness and made "cash transfer a site of nearly risk-free profit".[199] Following a public outcry and sustained advocacy and legal challenges from organisations including the Black Sash, Net1's contract to distribute social grants ended and the Constitutional Court compelled SASSA to implement a new payments system, which would eliminate the use of monopoly service providers and instead distribute grants through the Post Office (70%), commercial banks (20%), or EasyPay (10%). Writing in 2020, Torkelson welcomed this development but cautioned that SASSA had continued to close pay points, forcing grant recipients in rural areas to travel to access their monies at Post Offices, grocery/retail stores (which sometimes require purchases), or ATMs (which charge fees). She concludes that "debt remains implicit in this new system".[200]

Since the publication of Torkelson's study, the grant system has been extended to approximately 10.5 million more beneficiaries through the SRD grant. Moreover, SASSA has recently: dropped the Post Office as an option for people to receive their grants; added the requirement that grant recipients provide a bank account in their name to be eligible to receive the grant; and given the commercial banks enormous power to surveil and verify income eligibility of grant applicants.[201] Despite being informed by discourses of digital financial inclusion and efficiency, these measures risk opening up

[197] Torkelson, E. (2020). Collateral damages: Cash transfer and debt transfer in South Africa. World Development, 1-11. Available at http://www.erinmtorkelson.com/uploads/1/1/2/0/112020995/1-s2.0-s0305750x19303596-main.pdf

[198] Ibid.

[199] Ibid.

[200] Ibid.

[201] Amandla.mobi, Black Sash, Centre for Applied Legal Studies, Institute for Economic Justice, #PayTheGrants & Social Policy Initiative. (2022). JOINT PRESS STATEMENT: Civil society takes the government to court for unfair and exclusionary social relief of distress grant regulations. Available at https://www.blacksash.org.za/index.php/media-and-publications/media-statements/752-court-for-unfair-and-exclusionary-social-relief-of-distress-grant-regulations.

further opportunities for the commodification of social protection, and the ability of private companies to profit from and exploit the process of grant payment.

It is imperative that these measures are reversed and the risks posed by so-called digital financial inclusion closely guarded against in the event of the introduction of a UBIG in South Africa. The predatory corporate behaviour that can be unleashed by large-scale digitally-predicated social protection systems risks undermining the sustainable livelihood impacts of a UBIG, with potential consequences for household debt, and the overall health and resilience of the economy.

This section has reviewed evidence on the contribution of cash transfer and basic income programmes to improved education access and outcomes, and sustainable livelihoods. Based on evidence from South Africa and comparable international contexts, we argue that the local economic benefits of income support schemes go well beyond the immediate reduction of income poverty, and enable recipients to reduce their vulnerability to poverty over time, building diversified and sustainable sources of income, and investing in personal and productive assets, the benefits of which accumulate over and above the value of the income support received. This is a key process by which UBIG can contribute to the disruption of structural poverty.

18 The Macroeconomic impact of UBIG

The intersecting structural impacts of a UBIG laid out in this paper occur within, and are fundamentally affected by, an overall economic context. Macroeconomic factors, including the funding structure of a UBIG, as well as the UBIG's contribution to overall growth and revenue, are of key interest to policymakers considering the policy in South Africa. Many critics of UBIG fear that the price tag is simply too high, and that the risks of financing the initiative either through increased debt, or increased taxation, are unacceptable.[202] While concerns about sustainably funding a UBIG are merited and the questions they raise require careful attention, recent contributions tend to overlook several key aspects.

These include the potential of a fiscally-neutral UBIG (financed through progressive taxation, rather than reduction of public spending in other areas) to breathe new life into under-served and stagnating areas of our economy; the myriad pathways available for phasing in a UBIG over a number of years to ensure sustainability and

[202] Centre for Development and Enterprise. (2022). Poverty and a Basic Income Grant: Six questions about a BIG. cde.org.za/poverty-and-a-basic-income-grant-six-questions-about-a-big-2/.

mitigate any risks of economic shocks; and the cost-saving potential of a UBIG, both in the administration of social assistance, and also much more broadly in terms of the public cost of poverty and economic exclusion. Below we explore how a UBIG could contribute to growth—and specifically inclusive growth which is concentrated in local economies. This occurs through increased consumption, productivity, and employment. In turn, these multiplier effects from social protection spending have an impact on the fiscus, through increased government revenue (depending on the financing structure of the UBIG). More work is needed to model and quantify the net fiscal benefits of a UBIG, which we do not aim to do in this paper. Instead we spotlight some of the often overlooked macroeconomic impacts which are likely to occur as a result of the UBIG and have bearing on the question of structural poverty.

19 A boost to local economies

It is widely accepted by economists that poor people spend a higher proportion of their income, and that supplements to the incomes of the poorest households are much more likely to be used for consumption, compared to equivalent supplements to wealthy peoples' income, which are more likely to be saved.[203] As such, a progressive UBIG which is funded predominantly by the highest earners to support the incomes of the poorest, will flow back into the economy and provide stimulus. Moreover, the increased demand in the economy which social grants unlock, is likely to benefit businesses in economically marginalised areas, as well as small to medium enterprises.[204] In the context of South Africa, where poverty and inequality is distributed along spatial lines, giving cash transfers to the most marginalised can help to stimulate spending especially in depressed areas.

The macroeconomic impacts of increased social assistance are not limited to a proportion of that assistance simply being spent back into the economy thus partially offsetting the programmes' cost, nor do they only affect those who receive a net income boost from a progressive UBIG. The economic ripple effects of government cash transfers can go beyond this, to produce sustained "multiplier effects", whereby each Rand spent on grants generates a meaningful return on investment. Even if not every UBIG recipient is a net beneficiary (that is, some pay more in tax than they receive in benefits), evidence shows that non-beneficiaries may still see indirect economic benefits

[203] Banerjee, A. V., & Duflo, E. (2007). The economic lives of the poor. Journal of economic perspectives, 21(1), 141-168.
[204] Orkin, K. 2020. The evidence behind putting money directly in the pockets of the poor. Oxford News Blog. Available at https://www.ox.ac.uk/news/science-blog/evidence-behind-putting-money-directly-pockets-poor

for instance through a boost to their business through increased spending power in the local economy.[205]

For example, pilots undertaken in Ethiopia in the districts of Hintalo-Wajirat and Abi-Adi showed significant positive impacts on household income and multiplier effects. The research found that each Ethiopian Birr paid in Hintalo-Wajirat could produce 1.52 birr in the local economy for a multiplier of 2.52, while each birr paid in Abi-Adi led to an additional 0.35 birr, for an estimated total income multiplier of 1.35. This means that the total transfer of 5.58 million birr (approximately R1.7 million) generated about 14.06 million birr (~R4.5 million) in Hintalo and that a transfer of 1.62 million birr (~R495 000) generated 2.19 million birr (~R887 000) in Abi-Adi.[206]

20 Fiscal impacts

The potential of income support to produce a multiplier effect was recently investigated by Development Pathways on behalf of the International Trade Union Confederation (ITUC), using a social accounting matrices model (SAM) and a general equilibrium model, along with microeconomic analysis.[207] The models and analysis were used to assess macroeconomic and redistributive effects of simulated investments into social protection on the economies of Rwanda, Colombia, Costa Rica, Ghana, India, Serbia, and Georgia. It found that a 1% investment of GDP into social protection transfers has on average a 1.1% multiplier effect on GDP, as well as a 1.8% multiplier effect on government revenue. The largest impacts were seen in countries with lower levels of GDP-per-capita compared to those with higher levels. India, Rwanda, and Bangladesh showed better results in terms of GDP growth than Serbia, Georgia, and Costa Rica as their economies are driven by domestic demand as opposed to the higher income countries that had a higher supply of imports.

In a follow-up report, however, the ITUC has added an important caveat to its findings—demonstrating that these effects are highly dependent on the financing structure of the transfer programme in the same studied countries.[208] Funding social protection with progressive forms of taxation such as progressive income tax, corporate tax and wealth tax, performs better than regressive taxes such as Value Added Tax

[205] Ibid.

[206] Ibid.

[207] Development Pathways. (2021). Investments in social protection and their impacts on economic growth. International Trade Union Confederation. Available at https://www.ituc-csi.org/investments-in-social-protection

[208] ITUC. 2022. Investments in social protection and their impact on growth: Tax financing options. International Trade Union Confederation. Available at https://www.ituc-csi.org/IMG/pdf/ituc_tax_financing_options_en.pdf

(VAT). The new simulation shows that social protection that is progressively financed generates positive GDP growth rates, increases employment levels over time, and reduces overall income inequality.

It further shows that social protection that is financed through regressive taxation can undermine these benefits, with modelling in all countries pointing to "dramatic negative" impacts on GDP growth, as well as reduced employment over time, and rising prices which reduced real household incomes.[209] This research indicates the real macroeconomic promise held by social protection investment, but sounds a note of caution to policymakers, highlighting that it needs to be carefully designed to produce intended outcomes.

These findings echo modelling undertaken by ADRS on the fiscal and macroeconomic impact of various BIG scenarios in South Africa. The modelling found that each of an unemployed BIG, an adult BIG, and a universal BIG set at the value of either the LBPL or the UBPL resulted in GDP growth and decreases in unemployment.[210] A UBIG set at the value of the UBPL would result in GDP growth of 5.32%, and a reduction in unemployment to 26.7% over a five year period.

A study from the United States generated similar findings.[211] Researchers used the Levy macroeconomic model to estimate the impact of a UBI at three levels, $250 per month to children, $500 per month to all adults, and $1,000 dollars per month to all adults over an eight-year period. This study modelled the scenarios based on two different sources of financing: increasing debt or increasing tax on households. The study found that the larger the size of the UBI, the larger the increase in aggregate demand and thus the size of the economy.

In the scenario with the smallest UBI, GDP grows by 0.79%, whilst in the last scenario with the largest UBI, GDP grows by 12.56% compared to the baseline before stabilising with the level of output remaining higher.[212] Under the scenario in which UBI is financed using government debt, the deficit increases temporarily, however this is still eventually offset by the growth of the economy and the stimulative effects of the UBI. In

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[209] Ibid.

[210] Adelzadeh, A. (2021). Fiscal neutral Basic Income Grant Scenarios: Economic and Development Impacts. Issue 7, May 2021. An ADRS Simulation Policy Brief. Available at https://www.adrs-global.com/resources/static/downloads/ADRS_Fiscally_Neutral_BIG_for_South_Africa__The_Bridge_May_2021_.pdf

[211] Nikiforos, M., Steinbaum, M., & Zezza, G. (2017). Modeling the Macroeconomic effects of a Universal Basic Income. New York: Roosevelt Institute. Available at https://rooseveltinstitute.org/wp-content/uploads/2020/07/RI-Macroeconomic-Effects-of-UBI-201708.pdf

[212] Ibid.

a static model, when the UBI is tax-financed, there is no expansionary effect on the economy. However, when the model incorporates distributional effects, the economy grows even if the UBIG is tax-financed. This means that households that benefit the most are poor with propensity to consume, while households with a higher income are net contributors (taxed higher) as they have less propensity to consume. Overall, whether the UBI is debt or tax financed, the study predicts that the economy, employment, labour force participation, prices, and wages increase as a result of the policy.[213]

The Expert Panel report on Basic Income Support (BIS) in South Africa used two models - a microsimulation model and CGE model - to investigate the impact on poverty and inequality, as well as on growth, government revenue, and employment.[214] The microsimulation found that "material changes [reductions] in poverty and inequality occur with grant values set at the LBPL and above" but with little impact from lower amounts.[215] The neoclassical-specified CGE model shows a negative impact of BIS when financed from domestic resources. But, as acknowledged, this is "an artefact of the CGE model",[216] that is, an outcome predetermined by the construction of the model itself. This is, in large part, based on the assumption that investment is strictly limited by domestic savings, which is one amongst a number of reasons why the model chosen is inappropriate. Both this negative result, and the positive impact of BIS when financed from foreign savings—a GDP increase of 6.2% per annum and government revenue increase in 2030 of 13.9 – 14.4% depending on the scenario—should be viewed with utmost caution.

We have shown that the myriad intersecting social and economic benefits of a UBIG can have dramatic macroeconomic implications, which serve to offset the fiscal costs of the programme. These macroeconomic benefits include increased aggregate demand in the economy which in turn flows into government revenue through tax. However, the macroeconomic impacts of a UBIG are not limited to the value of the transfer being spent back into the economy (and especially local businesses in depressed areas). There are also various effects on economic growth (multipliers) which stem from the impacts of income support on labour supply, enterprise formation, job creation and self-employment; these can serve to boost household incomes beyond the

[213] Ibid.

[214] Expert Panel on Basic Income Support. 2021. Final Report. Report into the appropriateness and feasibility of a system of Basic Income Support for South Africa. Commissioned by ILO and the DSD.

[215] Ibid. p. 169.

[216] Ibid. p. 169.

value of the transfer, with flow-on effects in the overall economy. To a large extent these positive impacts depend on the financing structure of the grant, and it is important for further modelling to substantiate the risks of poor programme design which could result in perverse fiscal outcomes.

21 Conclusion

There is enormous interest both in South Africa and internationally as to the ability of unconditional cash transfers and particularly UBIG to contribute to addressing our intersecting crises of waged work, care, economic exclusion, and climate breakdown. Unconditional cash transfer pilots, and economic modelling, are our primary sources of evidence to predict the impact a UBIG might have on our society and economy. There is a massive body of research spanning myriad contexts and academic disciplines to draw on, and this paper has surveyed a cross-section of this research especially where it is relevant to South Africa. We have used structural poverty as a framework for our analysis, in order to advance our primary objective of placing the UBIG debate in a broader social and economic context, and elucidating its possible long-term impacts. We focused our analysis on the overlapping categories of income, employment, health, gender, social cohesion and democracy, sustainable livelihoods, and macroeconomic conditions, each of which feeds back into the underlying structural dynamics which produce poverty. With this holistic approach, we have sought to complement and provide a counterpoint to the debate so far, which has focused on narrow conceptions of affordability.

UBIG is attractive in its simplicity, its principle of solidarity, and redistributive promise. However, proposals for income support and UBIG have taken many forms, and this paper has shown that it cannot be seen as a uniform solution, but a site of political contestation that encompasses both progressive and conservative perspectives. We have argued that a progressive UBIG in South Africa has significant potential to disrupt structural poverty and catalyse a more inclusive, productive, and resilient economy. We acknowledge and emphasise that this does not occur independently of other social investment and provisioning—of healthcare, education, infrastructure, and other services. UBIG is by no means a panacea for our complex and historically contingent challenges. However, we have also demonstrated that a narrowly-conceived BIG, which attempts to demarcate and exclude categories of people, does not provide sufficient income to afford agency, redirects funding from other public services, carries behavioural conditionalities, or leaves the door open for capture by private or corporate interests, will almost certainly have the opposite effect—of entrenching structural poverty.

Yet, with these critically important qualifications, our extensive review of the evidence suggests that a progressive UBIG would have a profound impact on South Africa's future. A progressive UBIG does not only lift people to or above the national poverty lines while it is in place, but it unleashes human capital and agency to instigate a fundamental shift in the way our economy is structured. As well as being inherently unjust, exclusion is expensive. Structural poverty weighs down growth, and increases strain on public services while eroding the tax base. We argue in this paper that a UBIG is an effective, evidence-based solution for tackling the crisis of economic exclusion, and breaking structural poverty in South Africa.

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Discussion Document 04: The macroeconomics of establishing a basic income grant in South Africa by Hylton Hollander, Roy Havemann and Daan Steenkamp