



BASIC INCOME GRANT

policy brief

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Acronyms

BIG	Basic Income Grant
Constitution	Constitution of the Republic of South Africa, 1996
CRC	Convention on the Rights of the Child
CSG	Child Support Grant
DSD	Department of Social Development
HSRC	Human Sciences Research Council
ICESCR	International Covenant on Economic, Social and Cultural Rights
IMF	International Monetary Fund
LBPL	Lower Bound Poverty Line
MTSF	Medium Term Strategic Framework
NSSF	National Social Security Fund
NT	National Treasury
OAG	Old Age Grant
SANHANES-1	South African National Health and Nutrition Examination Survey
SASSA	South African Social Security Agency
StatsSA	Statistics South Africa
Taylor Committee	Commission of Inquiry into a Comprehensive Social Security System in South Africa, 2002
UDHR	Universal Declaration on Human Rights

1 Introduction

Despite enjoying almost twenty-four years of democracy, divisions created by centuries of colonialism and apartheid have endured in South Africa. The poor implementation of legislation and policies and myriad additional governance issues since 1994, have meant that the living conditions of the majority of South Africans have not improved. Poverty has decreased marginally, with 25.2% of the population living in extreme poverty, while measures of income disparity indicate that South Africa is becoming more unequal.¹ Further, over one-quarter of all South Africans are unemployed.²

South Africa currently provides non-contributory social assistance (social grants) for categories of people that are not expected to be part of the workforce (i.e. children, older persons). However, given the staggering levels of poverty and unemployment in South Africa, there are millions of destitute people aged between 18 and 59, who do not have access to a steady income or a social grant. This group of people are commonly referred to as the “missing middle”.

In 2001, the then Minister of Social Development established a *Committee of Inquiry into a Comprehensive Social Security System in South Africa* (Taylor Committee) to examine the gaps in the current social security system. The Taylor Committee recommended the phasing-in of a Basic Income Grant (BIG) for people not already receiving a social grant – a view shared by numerous civil society organisations.³

This policy brief aims to provide an explanation of why a BIG is required in South Africa, if such a grant is feasible and whether alternatives exist. The information contained herein emanates from literature review, interviews with key stakeholders that were conducted for an associated project (which dealt with similar issues), and two follow-up interviews with National Treasury and the Studies in Poverty and Inequality Institute. The policy aims to further provide recommendations on South Africa’s social security system.

¹ Statistics South Africa *Poverty Trends in South Africa: An examination of absolute poverty between 2006 and 2015* (2017) 128, 9 <<http://www.statssa.gov.za/publications/Report-03-10-06/Report-03-10-062015.pdf>>.

² Statistics South Africa *Quarterly Labour Force Survey – QLFS Q4: 2016* (2017) <<http://www.statssa.gov.za/?p=9561>>.

³ Committee of Inquiry into a Comprehensive System of Social Security for South Africa *Transforming the Present - Protecting the Future: Consolidated Report: Report of the Committee of Inquiry into a Comprehensive System of Social Security for South Africa* (2002) 159.

2

A Brief Overview of the Legal and Policy Framework

The section below provides a brief overview of the international and regional framework in relation to social security, followed by the domestic legislative and policy framework. It aims to highlight areas where South Africa might be failing to meet its international and national commitments.

International and Regional Framework

Article 22 of the Universal Declaration of Human Rights⁴ (UDHR) states that “[e]veryone, as a member of society, has the right to social security and is entitled to realisation, through national effort and international co-operation and in accordance with the organisation and resources of each State, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality”. Importantly, the UDHR notes the necessity of both national efforts and international co-operation, in order to ensure that the provision of social security is the exclusive responsibility of individual States.

Article 9 of the International Covenant on Economic, Social and Cultural Rights (ICECSR) includes a general clause on the right to social security, which states that “the States Parties to the present covenant recognise the right of everyone to social security, including social insurance”. General Comment 19 of the Committee on Economic, Social and Cultural Rights, passed in 2008, elaborates on the application and provisions of Article 9, including nine principal branches of social security such as *inter alia* healthcare, family and child support and disability.

Importantly, one such branch includes employment, which states that:

In addition to promoting full, productive and freely chosen employment, States parties must endeavour to provide benefits to cover the loss or lack of earnings due to the inability to obtain or maintain suitable employment. In the case of loss of employment, benefits should be paid for an adequate period of time and at the expiry of the period, the social security system should ensure adequate protection of the unemployed worker, for example through social assistance.⁵

⁴ Universal Declaration of Human Rights (1948).

⁵ UN Committee on Economic, Social and Cultural Rights (CESCR) *General Comment No. 19: The right to social security (Art. 9 of the Covenant)* 4 February 2008, E/C.12/GC/19.

The Convention on the Elimination of all Forms of Racial Discrimination places an obligation on the State to ensure that everyone enjoys the right to social security and to prohibit racial discrimination in all its forms,⁶ while the Convention on the Elimination of all Forms of Discrimination Against Women⁷ similarly advocates for the elimination of discrimination against women particularly in relation to access to social security. Further, the Convention on the Rights of the Child⁸ (CRC) provides that every child has the right to benefit from social security, including social insurance.

It is important to note the historic distinction between “social security” and “social assistance”. While some of the terms relating to this topic may now be used interchangeably, particularly in South Africa, social security stems from a system similar to social insurance, where employers and employees would make regular contributions during periods of employment, which could then be used as a source of income during periods of hardship or unemployment. Social assistance is a service or package of services provided by the State to citizens who are unable to support themselves and their dependents (i.e. a grant).⁹

National Legal and Policy Framework

The right to social security in South Africa is enshrined in section 27(1) of the Constitution of the Republic of South Africa: 1996 (Constitution), which states that “everyone has the right to have access to:

a. social security, including if they are unable to support themselves, appropriate social assistance.”

Further, section 27(2) provides that the State must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right. Section 28(1)(c) of the Constitution provides that every child has the right to basic nutrition, basic health care services and social services.

The Social Assistance Act, 59 of 1992 is the primary legislation which gives effect to the constitutional provisions and the social security system, while the South African Social Security Act, 9 of 2004 governs the realignment of the disbursement of social grants from the national provincial offices of the Department of Social Development (DSD) to the Social Security Agency of South Africa (SASSA).

While this right must be progressively realised, available resources must be allocated to all economic and social rights. Nevertheless, spending is still dependent on the allocation of resources to other rights and departments. Ultimately, the State is obliged in terms of section 27(2) of the Constitution to act ‘reasonably’ in progressively realising the right. As such, the Constitutional Court developed the following standards for assessing whether a policy or programme can be said to be meeting the reasonableness criterion:

⁶ Convention on the Elimination of all Forms of Racial Discrimination (1965).

⁷ Convention on the Elimination of All Forms of Discrimination Against Women (1979).

⁸ Convention of the Rights of the Child (1989).

⁹ M Cousins *Social security, social assistance and special non-contributory benefits: the never-ending story* (2007) <https://works.bepress.com/mel_cousins/41/download/>.

- The programme must be comprehensive, coherent and coordinated;
- Appropriate financial and human resources must be made available for the programme;
- It must be balanced and flexible and make appropriate provision for short, medium and long-term needs;
- It must be reasonably conceived and implemented;
- It must be transparent, and its contents must be made known effectively to the public; and
- It must make short-term provision for those whose needs are urgent and who are living in intolerable conditions.¹⁰

¹⁰ S Liebenberg *Socio-economic Rights: Adjudication Under a Transformative Constitution* (2010) 153.

3

Poverty, Inequality, and the Missing Middle

As alluded to in the introduction, the levels of poverty and inequality in South Africa are staggering. A report by Statistics South Africa (StatsSA), released in 2017, indicated that between 2006 and 2011, there was a decrease in poverty in the country. However, poverty levels have begun to increase since 2011. According to StatsSA, using the upper-bound poverty line of R992 per person per month, over half of all South Africans (30.4 million people) are living in poverty.¹¹ It is important to note that of the three applicable poverty thresholds used by StatsSA, the lower-bound poverty (LBPL) line is the preferred threshold commonly used for poverty reduction targets for the Medium Term Strategic Framework (MTSF), National Development Plan and Sustainable Development Goals. However, even when using the LBPL (R647 per person per month), over one-quarter of South Africans live in poverty.

While inequality by all definitions in South Africa has decreased since 1994, it remains exceptionally high. Using the Gini Coefficient¹² as a measure of disparity, inequality rose from 0.64 to 0.67 between 1995 and 2008, indicating that income inequality is worsening.¹³ According to StatsSA, in 2015, the Gini Coefficient was 0.68.¹⁴ Further, in 2015, only 8.3% of the share of South Africa's income was being earned by the bottom 40% of the country and 10% of the population owned 90%-95% of the wealth.¹⁵

According to StatsSA, as at the fourth quarter of 2016, 26.6% of South Africans were unemployed.¹⁶ Although the proportion of people actively seeking work had decreased by 92 000 people, this could be attributed to people who were no longer seeking work because they could not find work over a long period and were thus discouraged from job-seeking. Using the expanded definition of unemployment, which includes those who wanted to work but did not look for work, unemployment sits at 35.6%.¹⁷ The youth (aged 15 to 34) remain particularly vulnerable, with an unemployment rate of 39% which is 11% above the national average.¹⁸

¹¹ Statistics South Africa (note 1 above).

¹² The Gini coefficient is a ration in which 0 signifies total equality and 1 total inequality.

¹³ S Brouckerhoff *A Review of the Development of Social Security Policy in South Africa* Studies in Poverty and Inequality, Working Paper 6 (2013) 46.

¹⁴ Statistics South Africa (note 1 above).

¹⁵ A Orthofer *Wealth Inequality in South Africa: Insights from Survey and Tax Data* the Research Project on Employment, Income Distribution and Inclusive Growth, Stellenbosch University, Working Paper 15 (2016) 50.

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Ibid.

Over one quarter of South Africans are food insecure or severely food insecure.¹⁹ The South African National Health and Nutrition Examination Survey (SANHANES-1) conducted by the Human Science Research Council (HSRC) found that the “majority of respondents surveyed in urban formal (27.7%), urban informal (38.0%) and rural informal (41.9%) households, reported that they had no formal income”.²⁰ There remain issues with access to basic services, particularly in rural and peri-urban areas, all of which exacerbate existing inequalities.

Given the background provided on the state of the wellbeing and the living conditions for a large proportion of South Africans, the need for a comprehensive, functioning social security system is paramount. While the Child Support Grant (CSG), Old Age Grant (OAG) and other grants available to selected groups of South Africans have been essential in ensuring access to education, food and other basic services, South Africa’s population aged 18 to 59 have no access to relief in the form of social security, regardless of their employment status and level of impoverishment. This impacts greatly, not just on their wellbeing, but on the living conditions of their families and community, and ultimately impacts on the growth and stability of the country.

¹⁹ O Shisana, D Labadarios, T Rehle, L Simbayi, K Zuma, A Dhansay, P Reddy, W Parker, E Hoosain, P Naidoo, C Hongoro, Z Mchiza, NP Steyn, N Dwane, M Makoae, T Maluleke, S Ramlagan, N Zungu, MG Evans, L Jacobs & M Faber *South African National Health and Nutrition Examination Survey (SANHANES-1)* (2012).

²⁰ Ibid.

4 Findings

This section details the findings of a literature review and interviews with five key stakeholders around the proposal of a BIG to assist those “missing middle”, aged between 18 and 59, who do not have access to employment or any form of income. A BIG is a cash payment that would be made either to a specific group of people (means tested) or all citizens of a particular country that would potentially be used for raising living standards but with the ultimate goal of lifting people from a poverty trap.²¹ A BIG may be disbursed using a means test, where the cash transfer is paid only to those earning below a certain income level or meet other “living standards” criteria. Alternatively, it could be a universal grant, which is paid to all citizens of a country without limitations.

It was found, predictably, that the issue was extremely controversial and polarising. While many civil society organisations favour the implementation of such a grant, most State representatives believe that while it would assist with poverty alleviation, it is unaffordable for the country at present.²²

When asked about the potential implementation of a BIG, National Treasury (NT) insisted that it was not in line with the State’s strategy for poverty alleviation and instead indicated the consideration of the introduction of a National Social Security Fund (NSSF). It remains unclear how a NSSF would assist the “missing middle”, who may never have had access to employment and thus to a social security safety net. Nevertheless, the NSSF is proposed by government in isolation from a BIG.

In 2012, an Inter-Departmental Task Team on Social Security and Retirement Reform prepared a discussion paper²³ (shared by the NT), which outlined the social security reforms, which it plans to present to the State for imminent implementation. In addition to removing the means test for the administration of the CSG and OAG, the paper describes plans for the implementation of a NSSF, which would essentially act as a type of “living annuity”. The NSSF will allow for the payment of contributions from the employer and employee (similar to the Unemployment Insurance Fund system), which will then be paid out in the form of a salary once the employee retires. This is essentially “designed to smooth income consumption through the life cycle, giving individuals more money in retirement, when they are no longer earning a monthly income”.²⁴

²¹ M Samson, C Haarmaan, D Haarmaan, K MacQuene, I van Niekerk, G Khathi, O Babson & A Stevens ‘The social, economic and fiscal impact of a basic income grant’ in G Standing & M Samson (eds) *A Basic Income Grant for South Africa* (2003) 19-38.

²² National Treasury, pers comm.

²³ Inter-Departmental Task Team on Social Security and Retirement Reform *Comprehensive Social Security in South Africa*, Discussion document, Version 11.9 (2012).

²⁴ M Sagan *Monitoring the Right of Access to Social Security and Appropriate Assistance in South Africa: An analysis of the policy effort, resource allocation and expenditure and enjoyment of the right to social security*, the Studies in Poverty and Inequality Institute, Working Paper 14 (2017) 35.

While any effort to encourage savings for retirement purposes is laudable, these changes will affect those employed at the lowest earning levels (below R149 736 per annum). These employees, even at this ceiling level, will be required to contribute a substantial proportion of their salary per annum to the NSSF, even with assistance from the employer (12%). Assuming that a person earning R149 000 per annum will contribute 6% per annum, this amounts to R8 940 per annum, which is R745 per month. This system, while retaining wealth in the long term, may serve to exacerbate poverty and inequality in the short term. It is important to note that those earning below R13 000 per annum will not be required to make contributions. The NT believes that the implementation of the NSSF will have positive potential macroeconomic benefits. In addition to positive impacts on savings, future consumption trends, government revenue and participation in the labour force, “an increase in tax-incentivised savings together with mandatory preservation of retirement-fund accumulations and improved lifetime income security” may be beneficial for growth in the country.²⁵

An argument by State departments against the BIG is that there is a specific proportion of the budget allocated to social grants per annum, and if this allocation were to be spread across all age cohorts, the amount of the CSG and OAG would have to be decreased. This would detrimentally impact children and older persons. It must also be noted that the introduction of a BIG would not address the systemic drivers of poverty, but would act as more of a ‘quick fix’ and is not ultimately sustainable.²⁶

As mentioned, the above scenario is based on the assumption that the existing amount allocated to social security will be spread across all age groups, which may benefit some, but will ultimately leave many worse off. A possible solution to this would be ensure that the introduction of a BIG is funded by an additional allocation from the budget (when feasible) or other tax systems such as a wealth tax. Ultimately, assessing the legislative responsibilities of the State and the persistence of poverty, inequality and unemployment, South Africa has failed to discharge its international and national obligations regarding the provision of social assistance to those most in need.

It is important to reiterate the option provided by the NT of a NSSF is not related to any universal or means-tested cash payments or social services to the almost 36% of South Africans who are unemployed. As such, there is much scepticism by civil society and human rights organisations on how the State plans to assist the individuals and families of most vulnerable and impoverished in South Africa.

In 2002, the Taylor Committee found that by providing a universal grant in the form of R100 per person per month, South Africa could reduce its poverty rate by 76%. If a BIG was to be provided in association with a CSG for a family, the impact on poverty would be extremely positive. While the State will argue that this is unaffordable at present, there are comparative models²⁷ and national organisations that proposed ways to fund such a scheme, which in the short term could be rolled out as a pilot to the poorest in the country and gradually reassessed and further expanded.²⁸

The argument for a BIG is also supported by the International Monetary Fund (IMF), which has illustrated through studies that a payment of R1 584 to all individuals per annum could reduce the Gini Coefficient by 0.05 points and reduce poverty by 10.8%.²⁹

²⁵ Inter-Departmental Task Team on Social Security and Retirement Reform (note 20 above).

²⁶ National Treasury, personal communication.

²⁷ See for example G Standing & M Samson *A Basic Income Grant for South Africa* (2003) 153.

²⁸ Taylor Committee (note 2 above).

²⁹ International Monetary Fund *Tackling Inequality* (2017) 53.

5 Conclusion

This policy brief aimed to highlight the plight of the “missing middle” in the context of South Africa’s current economic situation, and to make an assessment of the effectiveness and viability of the a Basic Income Grant. It found that poverty, inequality and unemployment had decreased since 1994, but not significantly. As such, there is a large proportion of unemployed people aged between 18 and 59 that do not have access to a regular income or relief in the form of social security or social assistance from the State. It therefore appears that the State is not fulfilling its international or national obligations in relation to social assistance, and should introduce a Basic Income Grant progressively to South Africa’s most poor to immediately begin alleviating poverty and inequality.

The United Nations Commission on Social Development states that:

The ultimate purpose of social protection is to increase capabilities and opportunities and, thereby, human development. While by its very nature social protection aims at providing at least minimum standards of well-being to people in dire circumstances enabling them to live with dignity, one should not overlook that social protection should not simply be seen as a residual policy function of assuring the welfare of the poorest. But as a foundation at a societal level for promoting social justice and social cohesion, developing human capabilities and promoting economic dynamism and creativity.

6 Recommendations

It is accordingly recommended that National Treasury, in consultation with the Department of Social Development:

- a. Provide the South African Human Rights Commission with details on why the recommendations made by the Taylor Committee were never implemented.
- b. Begins assessments of the viability for funding a Basic Income Grant for a proportion of the poorest people in South Africa.
- c. Draft a roadmap for the pilot roll-out of the BIG to identified people.
- d. Conduct additional assessments on the impact of the BIG.
- e. Make further amendments to the systems and plans for the “missing middle” to access social assistance.
- f. Ensure that recipients of social assistance benefits are allowed access to an additional package of services and skills training to allow for exit strategies from the welfare system.
- g. Promulgate regulations on the proposed NSSF for public comment in order to ascertain if it is feasible for low income earners in the country, as well as those with no access to employment.



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