

BASIC INCOME

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대회

How Policy Compromises Are Shaped: The Study of the South African Targeted Social Relief of Distress Grant

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Definitions

- **SPI – the Social Policy Initiative**, a progressive feminist think tank on social security policy and UBI in Johannesburg, South Africa, since 2007. www.spi.net.za.
- **Social security**: income support programmes made up of social assistance and social insurance with links to ALPMS.
- **Social assistance**: cash transfers paid by the state through the fiscus to address income insecurity.
- **Social insurance**: contributory insurance programmes to protect against income insecurity, state and/ private sector mixed provision.
- **SPI UBI**- a permanent unconditional monthly cash transfer paid to everybody from the state, indexed to the national Upper Bound Poverty Line, as part of macro level economic transformation and to meet the state's constitutional and international obligations

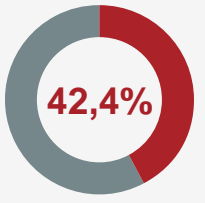
Introduction

- Almost 30 years into a post- Apartheid democracy, South Africa has arguably the most progressive constitution in the world, guaranteeing the fundamental rights to life, dignity and equality.
- The Constitution of SA also guarantees justiciable universal socio-economic rights, including the right to social security, subject to progressive realisation within available state resources.
- Any yet, SA is the most unequal country in the world (income, wealth), with unsustainable levels of poverty and unemployment.
- Despite years of calls for a universal basic income grant from civil society and trade unions, there was complete policy resistance to giving cash grants to working age people despite their poverty levels until the COVID – 19. In May 2020 a means tested, temporary categorial cash transfer was rolled out and it continues to today with various changes.
- Many call this the first step towards a decent universal basic income. But what are the costs of having ideal policies introduced by compromise, and is it a cost worth paying?
- Ultimately that is where the role of policy activists comes in, we argue. And situations always change, thus policies will always need to be adapted.

Unemployment (Q 1 2023)

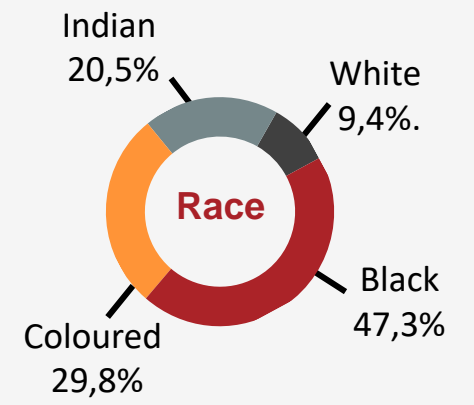


61 million
Total population



Unemployment rate

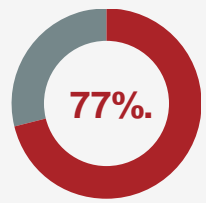
16,2 million
Number of employed people (incl. informal employment)



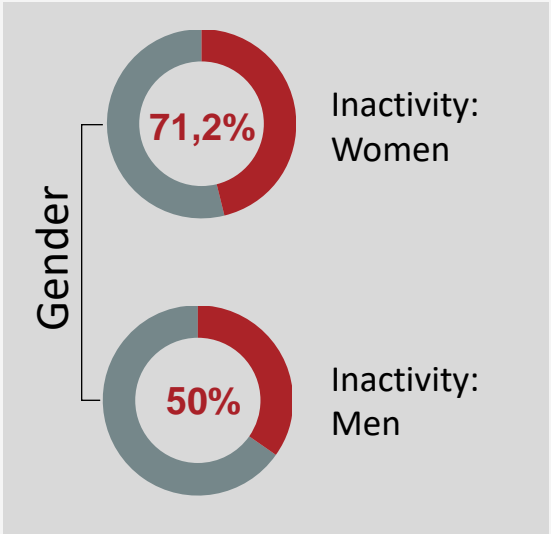
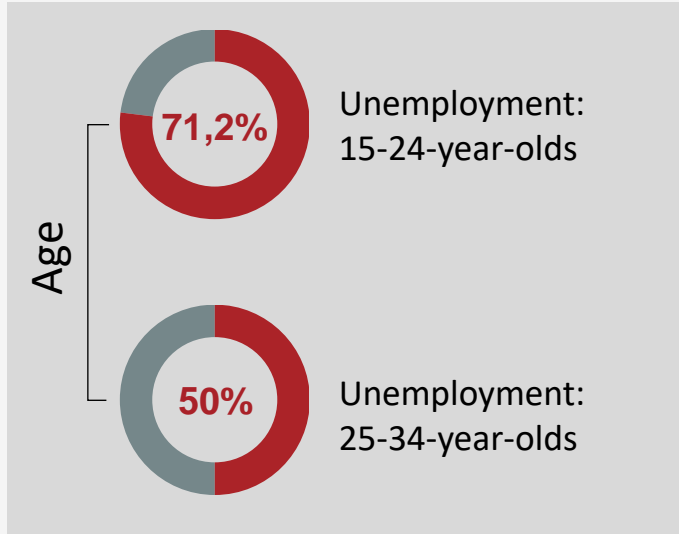
16,5 million
Number of Not Economically Active people

3,2 million
discouraged work seekers (who fall into the broad definition of Unemployed).

12 million
Number of unemployed people



Long term unemployment (over 1 year)



3,2 million
Unemployed haven't completed high school

3,2 million
Unemployed have completed high school

798 000
Are university graduates

BUT UNEMPLOYMENT IS DUE TO A STRUCTURAL LACK OF DEMAND MORE THAN BEING SUPPLY-SIDE DRIVEN.

Inequality and Poverty

Wealth Inequality is higher than income inequality. The top 10% own 71% of the wealth, while the bottom 60% own only 7% percent. [Compared to 50% and 13% respectively for member countries of the OECD].

Income Inequality is driven by wage inequality that is still determined by Apartheid wages – black people were deliberately paid very low wages because they officially “did not require Civilised Wages” like White people.

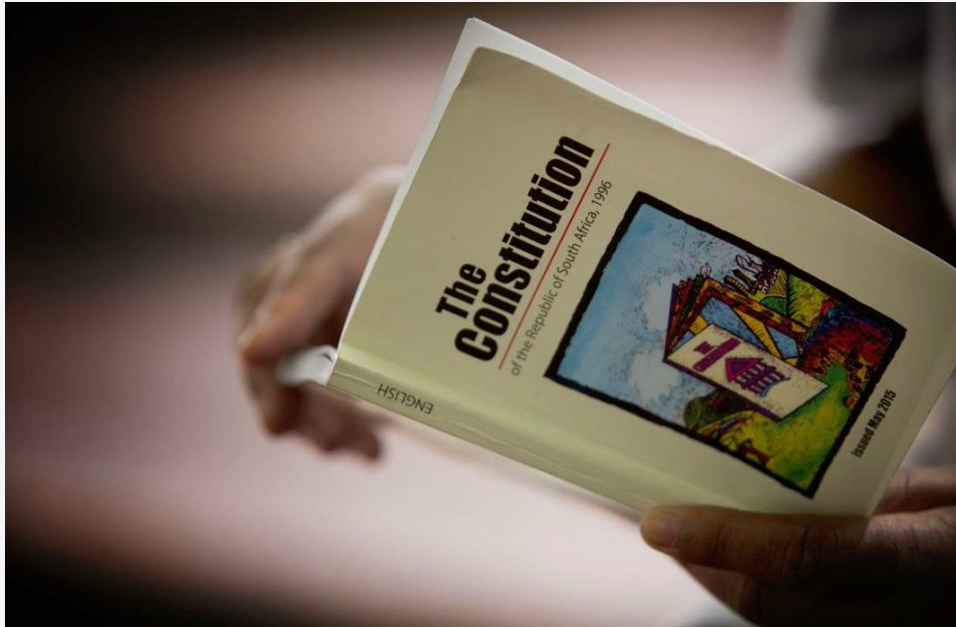
The 2016 consumption Gini was 0,67.

Inequality cuts across Race, Gender, Income and Wealth and Geographic location.

The most recent official poverty stats are pre- Covid, showing 55% of people fell below the Upper Bound Poverty Line (R1417 or \$52 per month), while 1 in five people fell below the Food Poverty Line of R663 or \$36 ppm.



Section 27 (1) (c) of the Constitution of South Africa

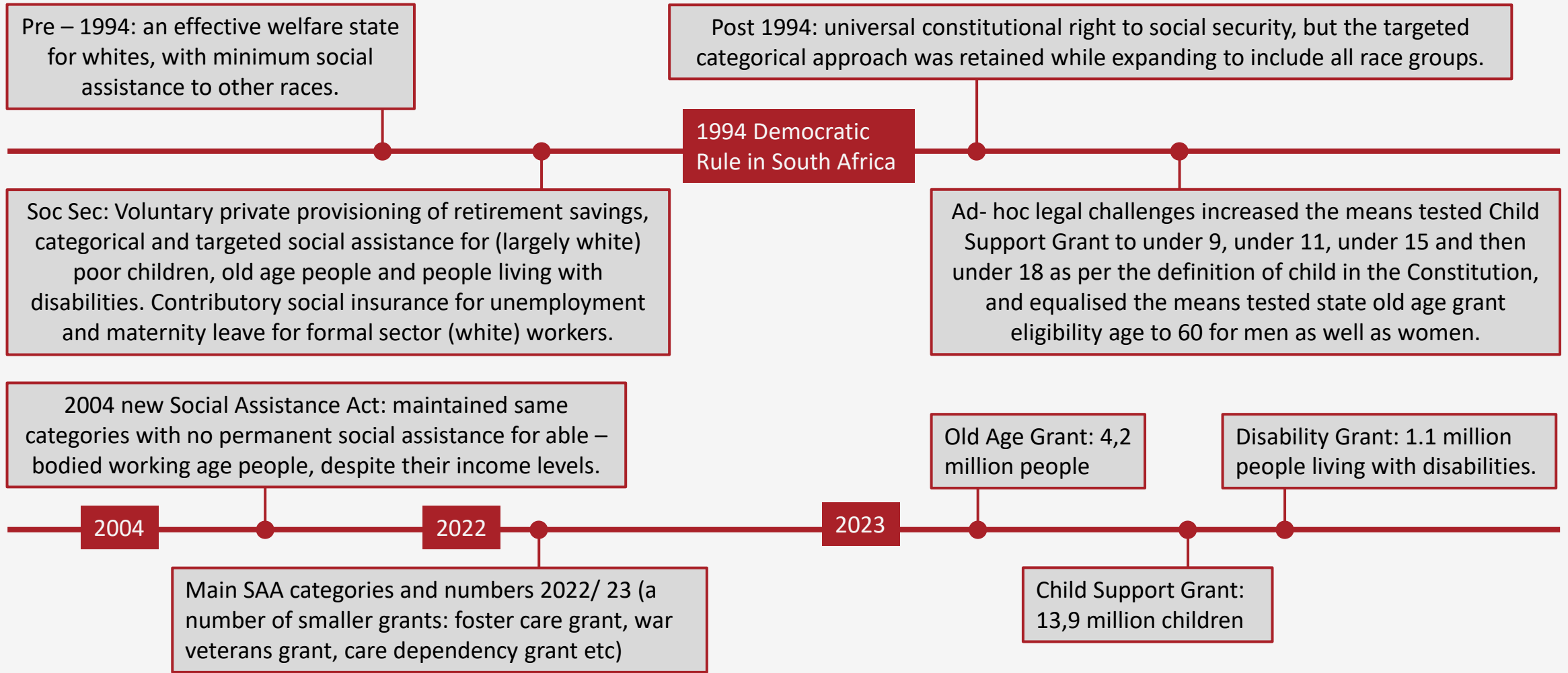


- Everyone is entitled to social security, including, if they are unable to support themselves and their dependants, appropriate social assistance.



- The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of each of these rights.

Social Security Policy in SA



Social Security: Social Assistance Policy in SA. Critical Gaps.

- The **value** of the income grants is not linked to any needs- constructed index, it is determined by how much Treasury decides it can afford.
- **Head count:** there is no inclusion of the age category of 18 to 59 years.
- **Targeting:** The exclusion due to the targeting by means testing leaves many vulnerable people out of the safety net in a country where over half of all people fall below the poverty line.



The long queue for social grants

“There Is A Constant Refusal To See Social Security As An Integral Pillar Of Economic Development And Correction: It Is Viewed Rather As Charitable Response To Poverty, Rather Than A Necessary Policy Pillar To Restructuring A Structurally Failed Economic And Social Nation, With The Need To Change Macro- Economic Fundamentals To Accommodate This”.

Social Security Policy Initiatives to Close the Gaps – First Failed Opportunity

- 2002: Report of the Ministerially appointed Committee of Inquiry into a Comprehensive Social Security System in South Africa (the Taylor Committee)
 - This report after a three year process RECOMMENDED a complete overhaul of the social security system built on the introduction of a universal tax funded Basic Income Grant (social Assistance), and the establishment of a National Social Security Fund (social insurance) with the migration of private pension funds as well as smaller reforms to build a coherent functioning inclusive system which would reduce poverty and unemployment and build the economy.
 - Rejected by Government, although partial reforms were adopted such as to smaller social insurance schemes.
 - An expensive, complex and wholly inadequate scheme of WORKFARE was introduced for poor working –age people rather than UBI and Labour Market Activation Policies.

Civil society groups established a UBI campaign in 2002 to embed the UBI call from arising from the release of the report which ran until 2008.

UBI remained a call by SPI, and SPI tabled it at NEDLAC with the ongoing Comprehensive Social Security Reforms in 2010, and have continued to publish research reports on global pilots, costings, universalism etc.

In 2010 SPI further established a SADC campaign for a UBI funded by a tax on regional extractive (mining) by MNCs and national interests.

Social Security Policy Initiatives to Close the Gaps – Second Failed Opportunity

- 2021: Release of a government **Green Paper into Comprehensive Social Security** through the National Economic Development and Labour Council, the statutory socio- economic policy social dialogue forum.
 - SPI as lead negotiator for Community Constituency had put the UBI on the table at the beginning of the negotiations in 2010.
 - The Green Paper recommended the serious consideration of the SAME REFORM RECOMMENDATIONS – the adoption of a universal tax funded decent basic income, and the establishment of a National Social Security Fund with the migration of private pension funds.
 - One week after it was published, it was withdrawn by government for ‘further consultation’. Nothing has yet been released.
 - Business was resistant to the anticipated loss of management of private retirement funds and so the whole Paper was withdrawn without any due process being invoked.

“

Thus: despite the high level of policy consensus of the need for a universal unconditional basic income in South Africa, but there was no shift from government on the inclusion of working age people in the social assistance system despite the constitutional guarantee.

But this changed overnight with the Covid- 19 pandemic when a small monthly income grant was made available to poor and unemployed working age people for six months.

”

And then the 2020 policy response to Covid lockdown - The 'Covid Social Relief of Distress R350 Grant'.

01

This was introduced as R350 pppm (\$18.8) cash grant for six months. It became known as the R350 grant, and its value has not increased in nominal or real terms since 2020.

02

Should this be seen as a tactical victory in moving towards a decent unconditional UBI, or a tactical challenge?

03

How does pragmatic compromise affect policy design?

The R350 COVID-19 *Social Relief of Distress Grant*

Policy Justification

- SA Government introduced a total shut down to the economy for an initial three weeks in March 2020 to delay the spread of the Covid pandemic. The shutdown expanded in various levels of intensity for a further 18 months.
- A scheme for workers who would lose earnings due to the economic shut down was set up, the Unemployment Insurance Fund Temporary Employer/ee Relief Scheme (Covid TERS).
- Civil Society through NEDLAC argued we would NOT support a total shut down unless income was made available for people outside of the formal labour market: unemployed, informal workers and people particularly who relied on piece jobs.

What is Social Relief of Distress (SRoD)?

- This was a discretionary temporary cash grant facility under the Social Assistance Act.
- The SRoD grant was a **temporary payment facility** for people who lost income due to an **exogenous** act, loss of a job or imprisonment etc of the breadwinner. It was in the Social Assistance Act but *sui generis* to the other permanent categorical grants. It has always had a very small budget.
- SPI had tried to argue for this to be extended as a UBI, but were informed that it was for Distress, not chronic Destitution.

Discretionary roll out and extension of the Covid R350 Social Relief of Distress grant

May 2020

The R350 grant was first introduced in May 2020 as part of a six-month grant package by government to provide relief during the early stages of the pandemic. Peaked at 6 million applicants.

November 2020

Initially, the grant was due to end in October 2020, but it was extended for a further six months due to the ongoing economic challenges highlighted through the civil society lobbying.

May 2021

The grant ended in May 2021.

July 2021

2021 there were massive protests and costly looting of businesses, people cited the withdrawal of the R350 grant as one of the causes

August 2021

The grant was reinstated from August 2021 until March 2022. Paid grants peaked at 11 million beneficiaries.

May 2020

The grant was extended for a full government financial year from April 2022 (announced in the February 2022 national budget speech with more restrictive targeting, and a further (and final) 12 months extension was announced from April 2023 in the February 2023 national budget speech with a slightly relaxed set of eligibility criteria and beneficiaries have peaked at 8,5 million so far.

Eligibility criteria are openly manipulated by National Treasury to fit into the allocated budget rather than being dictated to by need.

Current Situational Analysis of the R350 grant applicants - July 2023

- **Total number of monthly applications:** 14,7 million. **Total approved R350 grants:** 8,5 million, aged between 18 and 59 years old.
- **Educational profile of applicants:** 805 338 are university graduates. 36% (5,7 million people) never finished high school, and the highest qualification of 43 % (6,1 million people) is high school. 982 202 people have no schooling at all.
- **Working career:** Never worked: 52% or 7,5 million people. Worked for 6-9 months: 3%, between 9 months to 1 year: 13%, between 1-3 years: 5%, 3-5 years: 5% and more than five years: 8%.
- **Gender:** 8 million women, 6,6 million men.

Current Situational Analysis of the R350 grant programme - July 2023 – Reflections.

- Poverty is still seen as a moral hazard and failing. The narrative is: we cannot continue to have half our population depending on grants, so we must get them off grants. There is no mainstream government commitment to ensuring universal income security.
- BIG and UBIG are seldom defined. The terms are used to cover a broad range of potential and contested policies largely based from government's side as being the cheapest possible interventions, with least head count and lowest value with the quickest 'off ramping' or 'graduation' criteria. – the SRoD has to be reapplied for each month now ostensibly to prove eligibility but arguably to wear applicants down, there is no unconditional permanent award.
- Is UBIG a call for poverty alleviation, or something more? SPI believes that it is critical to resurrect SA's failing economy where inequality hampers a healthy circulating economy of demand and supply. SPI research into the viability of a decent UBIG of R1500 pppm has an economic argument. The moribund GDP growth of 0,4% needs a stimulus to shock it into recovery. The UBIG spend will do that only if it is large enough. This has been modelled to get a consumption multiplier and VAT increase that will offset up to 50% of the total cost of the UBIG. This is not achieved when the SRoD budget is so small. It has a small multiplier but no economic stimulus effect anymore.
- Where do Gough's '5i's' of policy development fit in? Industrialisation, interests, institutions, ideas and international movements.

How helpful to UBI campaigning is the R350 SRoD R350 Covid grant? Policy and Politics: Pros and Cons

PRO

- Using the crisis of Covid- 19, the opposition to expanding access to social assistance for working- age people was solved overnight.
- Because of the element of national commitment to solutions, the best of technical systems was accessed to roll out applications and distribution.
- Budgeting norms were suspended and so the ability to find money to fund the programme was not a problem.
- Once it was introduced, the July 2021 riots showed that it in reality can never be completely done away with.
- We have a huge amount of data on the beneficial impact of the grant, and no need really to pilot a UBIG.

CON

- The extension was responsive rather than planned. There were large gaps that did not have to be justified in terms of headcount coverage (e.g. caregivers) and value.
- The programme was ping-ponged between different government departments, first as an emergency measure and only later came back to DSD. There was no political champion in the first few stages.
- It was only introduced to DSD as an extraordinary programme through short term regulations and not as a standing grant and so budget allocations were insecure and uncertain.
- The amount and eligibility criteria are determined by Treasury's budget that they allocate, not according to access right or need.
- The political danger of withdrawing the programme might argue against any form or expansion to a UBIG.

Dangers of the incremental path dependency reform pathway

- Stagnant value of the grant. Once set at a low introductory amount, it hasn't increased for three years which has lost 14% in real terms of its purchasing power. There are constant objections made by NT to increasing its value. This is directly linked to the SRoD not being a decent UBIG but it is seen as a poverty alleviation charitable act.
- There is no indexing to a decent standard of living.
- The manipulation of eligibility criteria by Treasury to fit the demand with its set budget undermines the human right to dignity, to any form of control over people's lives and to holding the state to account for an unfair withdrawal of the grant.
- Discretionary legislative location, not enforceable grant. The state can withdraw or reduce seemingly at whim, although civil society tries to address this through litigation.
- The lack of permanent adoption of the policy as a UBIG renders the initiative constantly subject to changes by policy makers. The ideas for household grants, for 'off-ramping' requirements as well as the introduction of all sorts of invasive conditions are constantly being whispered about in the corridors of the Presidency.

Conclusion – how policy compromises are shaped.

- Policy shifts are always influenced by current factors – political, economic, global crises, civil society and social movements, conservative backlashes.
- The introduction of a radical new policy such as a UBIG will never happen in a clean, sterile environment.
- In SA, the formal policy route did not lead to the introduction of a UBIG despite the strong recommendations for that.
- The global pandemic shattered a hitherto absolute refusal to extend income support to working age people in SA.
- There are very real obstacles within the current situation that appear to impede the roll out to a decent UBI, but progressive policy activists and social forces need to rally again and again utilising all forms of pressure until it is on the statute books and budgeted for.