



# A TRUE SAFETY NET

## How a UBIG can support a Just Energy Transition

### Introduction

- The grave threat posed by climate change means that countries including South Africa must make drastic changes to their economies to reduce greenhouse gas emissions.
- These changes will have disproportionate impacts on certain communities, such as workers involved in fossil fuel industries like coal. To protect such communities, there is a need for policy solutions that ensure that the transition to clean energy is fair and just.
- In this factsheet we argue that a universal basic income guarantee (UBIG) should be part of a just energy transition (JET) in South Africa.
- When combined with targeted social protection mechanisms, a UBIG can help cushion against economic disruption for workers and communities directly affected by the energy transition.
- Initiatives targeted directly at workers who have lost their jobs are necessary, but not enough. Many people will be indirectly affected by the transition, like the wider communities around fossil fuel industry towns. A UBIG provides a safety net for all—so no one can slip through the gaps.
- A UBIG can help build the climate resilience of households and societies, helping them absorb disruptions and recover more easily—there is extensive international evidence of how cash transfers have played a crucial role in cushioning people against crisis and disruption..
- A UBIG can also aid in the adoption of more sustainable habits and consumption patterns—supporting the energy transition.
- A UBIG funded by progressive mechanisms can provide a way to more equitably redistribute the gains and risks of the climate crisis.



### THE FOUR ELEMENTS OF A UBIG

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



## Brief background to the JET and why it is important in South Africa

As the planet confronts ongoing climate change, South Africa faces increased risks of extreme weather patterns, including more frequent floods and droughts. These events damage infrastructure and are likely to worsen the country's triple challenge of poverty, inequality, and unemployment. Under constitutional and international agreements, South Africa is compelled to decrease its greenhouse gas emissions as it moves towards net-zero levels.

### Just Energy Transition (JET)

Coined by labour movements, the term "Just Energy Transition" (JET) recognises that shifting to a low-carbon economy will involve massive disruptions, including the overhaul of entire energy systems. For example, in South Africa right now, it means moving away from coal power which will require the decommissioning of coal power stations, leading to many business closures and job losses, while new industries and jobs connected to the renewable energy value chain emerge. The JET aims to manage these disruptions in a way that is just and inclusive.

While definitions<sup>1</sup> vary, core elements common across many interpretations of a JET include:

- **Accountability for Loss and Damage:** Compensation should be provided to workers and communities most affected by the transition, alongside efforts to mitigate the loss and damage caused by the climate crisis.
- **Building Climate Resilience:** A JET should enhance the ability of those with fewer resources to withstand and recover from climate shocks.
- **Adaptation and Adoption:** Everyone should have the opportunity to adapt to new contexts and participate in new systems after the transition.
- **Transformative Change:** A JET should address the unequal distribution of risks and benefits in the current system, aiming for a fairer allocation where the burdens of climate change do not disproportionately fall on poorer communities.



## Universal Basic Income Guarantee

A universal basic income guarantee (UBIG), provided to everyone without conditions, guarantees a minimum income level sufficient to meet people's basic needs. If set at the food poverty line (FPL) it, by definition, eradicates food poverty, guaranteeing that everyone can have at least the minimum amount to meet their most basic dietary needs. If set at the upper bound poverty line, it would mean that everyone has enough income to at least meet all of their food needs as well as non-food basic needs, like clothing, electricity and transport.

While not a standalone solution, a UBIG can serve as a foundational support mechanism that enhances more targeted initiatives to affected workers and communities.

In this factsheet we show how a UBIG can contribute to the realisation of a JET in South Africa. We argue that a UBIG can:

1. Help cushion against economic disruptions if combined with targeted social protection mechanisms.
2. Help build household resilience in the face of climate change.
3. Aid in the adoption of new systems.
4. Help distribute climate risks more equitably.

# The role of basic income in times of disruption and crisis

Ideas about the role UBIG can play in cushioning against economic and environmental disruption have been advanced by actors with very different political views and positions.

For instance there is growing interest in UBIG among libertarians in Silicon Valley and the broader tech industry. Their advocacy for UBIG revolves around the idea that it could offset large-scale job losses due to advances in Artificial Intelligence (AI). This perspective is, however, narrow. The narrative that AI inevitably leads to job losses often overlooks the critical role of policy and political choices, portraying those job losses as unavoidable. As a result, this view of UBIG is driven more by capitalist concerns about social disruption arising from mass unemployment, and a potential collapse in consumption as incomes fall, rather than by a genuine interest in fostering well-being and inclusive social development.

By contrast, visions for UBIG in South Africa (and in much of the Global South) are more focused on overcoming existing poverty and inequality, and contributing to sustainable development. In South Africa, UBIG could serve as a cornerstone for building an inclusive and developmental society, particularly in the context of an energy transition. However, it's unlikely that UBIG alone could fully compensate workers who lose their jobs in the energy transition because it would not be set at a level that would fully replace wages, and it would not directly help workers transition into other industries. For those immediately affected, there needs to be a dedicated mix of targeted social protection policies that compensate for job losses and initiatives that prepare displaced workers for re-entry into new sectors. These could include employment guarantees in mining rehabilitation, reskilling opportunities in the renewables sector, and worker redeployment funded by national and corporate social protection funds.<sup>2</sup>

Some policy work is being undertaken to extend social protection to those impacted most by the energy transition—but it does not go far enough. For instance, South Africa's Just Energy Transition Implementation Plan (JET-IP) allocates R6.5 billion to providing social protection to communities directly affected by the transition away from fossil fuel-based value chains.<sup>3</sup> However, despite this, there is still a notable shortfall in the government's provision of adequate social protection for affected workers and communities with only a small fraction of investment earmarked for affected coal communities—most of the investment is for private sector infrastructure development.<sup>4</sup> Even then, researchers analysing the Just Energy Transition grants register, which tracks how JET-IP funds are allocated, found that no money had actually been specifically set aside for workers in affected value chains or for broader social protection for affected communities.<sup>5</sup>



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Moreover, the ripple effects of the energy transition will be felt far beyond the workers who experience job losses. The anticipated economic disruption in, for example, coal mining communities will affect entire economic ecosystems, impacting not only direct employees but also industries downstream of mining like manufacturing and logistics. Entire towns that are built around coal power stations face upheaval, meaning the disruption of livelihood activities for many not directly involved in coal mining, who thus have no company directly responsible for their compensation or reskilling.<sup>6</sup>

This includes those in the informal economy, contract workers, workers in production chains outside of mining and also carers (predominantly women) who are often forced to take on the additional burden of care (for partners, family members, and children) when institutions like employers and the state withdraw. When accounting for losses, those not directly involved in production can be invisible even though their contributions and labour are crucial for the functioning of these economic ecosystems. In light of this complexity, targeted initiatives inevitably involve exclusions and thus cannot address the full extent of economic disruption.

As such, a universal approach to social security is needed to underpin and support measures targeted specifically at displaced workers and communities. Because of its universal nature, UBIG provides an economic safety net below which no one can fall—ensuring that everyone impacted by the energy transition can still meet their basic needs, without having to prove or justify their eligibility. Ensuring such a safety net is in place, then ensures that targeted social protection measures (for instance specifically for workers who have lost jobs) are not having to be spread thin in households and communities, and can actually provide adequate compensation for individual workers.

UBIG reimagines the approach to work and income, challenging the norm that wage labour should be the sole channel for providing dignity. It sees income as a universal right. In doing so, UBIG also empowers workers by increasing their bargaining power, due to the fact that they are not forced to accept exploitative wages in order to survive. This is especially crucial in the context of mass job losses. A truly universal UBIG, set at an adequate value, ensures that all individuals receive at least some level of minimum support, even if they fall outside the social protection net targeted at displaced workers.

## Mitigating the impact of crisis events

UBIG is crucial not only in addressing the disruptions from transitions but also in mitigating the adverse effects of crises, including climate-induced crises.

Extensive research shows the important role cash transfers have played globally in alleviating some of the impacts of extreme weather events. In times of crisis (climate-related and otherwise), cash transfers have helped reduce hunger, prevent asset losses, facilitate access to medicine, aid relocation efforts, and even alleviate mental hardship and interpersonal

conflict. A few examples of this research are summarised in table 1.

These examples show us the role a UBIG can play in enabling individuals and communities to navigate crises more effectively. People face different constraints during a crisis. The key with cash transfers is that they provide the flexibility to address specific needs, whether for food, evacuation or asset replacement. As one of the studies show for example, cash outperforms in-kind transfers like food parcels when it comes to safeguarding nutrition, including because people are able to acquire the same goods included in parcels at a much cheaper cost when they have their own cash.

Table 1

Country + Year	Cash Transfer details	Outcomes
Bangladesh 2020 <sup>7</sup>	\$53 sent out to 23 434 households along a vulnerable riverbed prior to a flood.	Recipient households were more likely to increase spending on food and water, less likely to go hungry, and were more likely to evacuate the riverbed. 3 months after the flood, they had higher consumption and less risky borrowing compared to the households that did not receive the transfer.
Bangladesh 2012 <sup>8</sup>	Chars Livelihood Programme in the wake of 2012 floods.	Protected 95% of beneficiaries from loss of assets.
Brazil 2020 - 2021 <sup>9</sup>	Emergency Aid - Large scale conditional cash transfer programme built on existing social protection infrastructure. Quick cash transfer to approximately 39% of households during COVID-19 lockdowns.	Mitigated the shocks of COVID-19 lockdowns, achieving reductions in household inequality to historic lows and bringing poverty levels to even below pre-pandemic levels.
Ethiopia 2008 <sup>10</sup>	Productive Safety Net Programme (PSNP) provides cash transfers to more than 7.5 million households per year.	Helped mitigate the effect of 2008 storms which posed massive risk to poor households who more commonly rely on agriculture. Beneficiary families had 30% higher caloric intake compared to non-beneficiary households.
Niger 2012 - 2015 <sup>11</sup>	Small monthly transfer to 10 000 households in drought-hit area.	Welfare impacts on the receipt households were even larger than initial transfer, meaning the transfers had a multiplier effect. Cash transfers helped households weather the drought.
Nigeria 2020 <sup>12</sup>	Cash transfers during COVID-19 pandemic.	Cash was more effective than food parcels. It raised consumption and dietary diversity more among cash recipient households vs non-recipient households.
United States 2020 <sup>13</sup>	UBI trial that provided \$1000 one-time unconditional cash transfer to 7000 families during COVID-19 pandemic.	Amidst the COVID lockdowns it reduced material hardship, mental health challenges and partner conflict amongst the lowest income earners compared to similar non-recipient households.
Zambia 2010 - 2012 <sup>14</sup>	Zambia's Child Support Programme. Provided the equivalent of \$12 per month to households with a child under 5 or disabled child under 12.	Mitigated negative weather shocks on a range of outcomes, including food insecurity in districts hard hit by floods and droughts.

# Building climate resilience

Climate resilience is the ability to withstand and recover from climate-induced disruptions. Unfortunately, those with little or no regular income often lack the necessary resources to cushion against such disruptions. As a result, the poorest have the least resilience in the face of crises, with it being more difficult for them to bounce back.

During times of crisis, people with fewer resources are more likely to resort to negative coping strategies, which can push them further into poverty. For example, following climate-induced events like floods, smallholder farmers might be forced to sell assets at extremely low prices out of desperation, families may resort to having to rely on child labour or turn to high-risk borrowing just to survive.<sup>15</sup> These harmful behaviours are a direct consequence of the lack of a financial safety net.

Research shows that cash transfers help reduce negative coping strategies by enabling them to diversify their income sources, accumulate assets, reduce stress and avoid high-risk debt.<sup>16</sup> Importantly, cash transfers act as a financial buffer between income and expenses, ensuring that, even in the event of labour-wage loss, people can still meet their most basic needs. Where existing cash transfers are in place, they can be more readily scaled-up during crises to provide additional security.

While it may be impossible to completely prevent the disruption caused in peoples' lives by extreme climate events, those with stable incomes and more resources are in a better position to absorb these shocks. Cash transfers, including a UBIG, can play an important role in building resilience even before crises occur. Unlike targeted interventions, a universal grant is more effective because it doesn't require predictions about who will be affected by future events, making it a more reliable tool for building household resilience. Improved household resilience would lead to better societal and economic resilience overall. Poverty and inequality make it difficult for society as a whole to navigate and bounce back from crises, as they widen the gap between rich and poor, place additional burdens on the state and can lead to social instability in crisis situations.

Cash transfers have been shown to improve labour market outcomes, which can lead to diversified income sources, thereby increasing a community's capacity to absorb shocks.<sup>17</sup> Moreover, they have also been found to enhance educational outcomes, which experts believe helps foster learning and self-organisation which are crucial for increasing resilience.<sup>18</sup> Cash transfers can strengthen social cohesion, which is believed to improve network relations within communities, enabling them to work together more effectively in the face of climate change.<sup>19</sup>



## How cash transfers help during times of crisis

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- 👛 Cash transfers are in place, they can be more readily scaled-up during crises to provide additional security.
- 👛 Cash transfers don't require predictions about who will be affected by future events, making it a more reliable tool for building household resilience.
- 👛 Cash transfers have been shown to improve labour market outcomes, which can lead to diversified income sources, thereby increasing a community's capacity to absorb shocks.
- 👛 Cash transfers can strengthen social cohesion which can enable communities to work together more effectively in the face of climate change.

## Assisting with adaptation

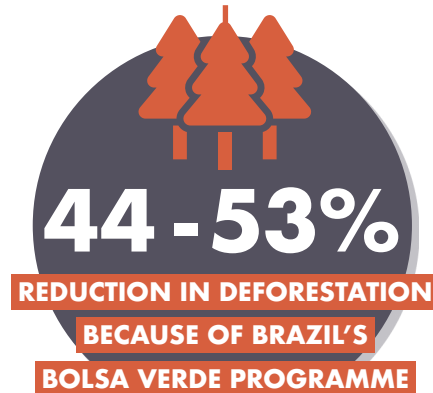
A UBIG set at a level that meets people's most pressing needs provides the freedom for people to look beyond just their immediate survival. In contexts of economic struggle, it is difficult to focus on long-term goals such as reskilling or education.

Guaranteeing people's needs are met means that they have more room to plan for the future. While UBIG should be supported by tailored interventions for those most exposed to disruption, like reskilling programs and educational opportunities, it also offers disposable income that can be used to support sustainable livelihoods for those not immediately affected and therefore may not have access to these more targeted interventions.

A UBIG can reduce the fears associated with economic transitions, such as the move from fossil fuels to sustainable energy sources, which often contribute to social resistance to adaptation. By providing a financial safety net, UBIG can encourage individuals to transition to more environmentally sustainable consumption and practices. This concept of using cash incentives to promote sustainable practices has been recognized by the South African government, which offered tax rebates for a year to those who installed solar panels in an effort to encourage the adoption of solar energy.<sup>20</sup> Similarly, while not a direct intervention in the energy transition, a UBIG could help support the adoption of more sustainable habits and consumption patterns for even more people.

An example of how cash transfers can facilitate environmental adaptation is seen in Indonesia's national anti-poverty cash transfer programme. A study found that these cash transfers, while not explicitly linked to environmental outcomes or conditions, combated deforestation in recipient villages, reducing tree cover loss by 30%.<sup>21</sup> This reduction happened because the transfers enabled people to buy goods that they would otherwise have to obtain through deforestation—a common practice among poor households in Indonesia. A similar outcome was found in a study on Brazil's *Bolsa Verde*, a 44-53% reduction in deforestation was achieved through a programme that provided 51 000 poor households with cash as an incentive for maintaining forest cover.<sup>22</sup>

A UBIG also necessitates the development of large-scale social protection infrastructure (e.g. enrollment and payment systems). Once established, these systems can be quickly scaled up in times of crisis. Evidence from countries with well-established social protection systems shows that they were able to more efficiently and effectively increase aid during the COVID-19 crisis.<sup>23</sup> In South Africa too for example, existing grants such as the Old Age Grant and the Child Support Grant were topped-up during the COVID-19 lockdowns to meet increased needs. UBIG, because of its universality, would lead to more adaptive and responsive social protection systems, capable of addressing both ongoing and future needs.



## UBIG as a way to more fairly distribute climate risk

The contributions to, and impacts of, climate change are unevenly distributed within and between countries. Wealth and income are positively correlated with higher emissions, meaning that as incomes increase, so too do greenhouse gas emissions.<sup>24</sup> High and middle-income countries are responsible for over 80% of global emissions, despite making up just over half of the world's population, while the poorest countries contribute less than 1% of global emissions.<sup>25</sup> However, it is often those with fewer resources, who are least resilient to the effects of climate change and more vulnerable to disruptions.

As outlined in this factsheet, a UBIG, supported by other social protection interventions, can help to mitigate the harms of climate change, cushion against disruptions for those directly and indirectly affected by the energy transition, and help to build resilience among vulnerable communities. If financed through progressive and redistributive mechanisms, UBIG would ensure that those who are less privileged would benefit disproportionately. While a UBIG alone is not sufficient to ensure a just energy transition, it represents a crucial step towards addressing the imbalance and distributing the burden of climate change more equitably.

Globally, the impacts of climate change are most deeply felt by countries in the Global South, which suffer greatly despite contributing the least to global emissions. The history of industrialisation saw countries in the Global North accumulate wealth at the cost of global environmental degradation—which was in large part driven by the extraction of raw materials from the Global South. Despite this, the Global South has the right to pursue economic development through an industrialisation growth path. But to avoid global catastrophe this must be achieved in a more environmentally sensitive way. This situation thus demands international coordination and financial support for social protection measures in Global South countries, including UBIG, as part of a JET. Such international efforts are essential to ensure that the benefits and burdens of climate change are more evenly distributed, helping support equitable development and building climate resilience across the world.



# Endnotes

1. See these for more definitions; IEJ, COSATU, Presidential Climate Commission Report
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This factsheet is part of our series on the universal basic income guarantee (UBIG) in South Africa. Visit our special UBIG portal by scanning the QR code.

Factsheets in this series are:

1. Why does South Africa need a Universal Basic Income Guarantee?
2. No one left behind: Why universal basic income makes more sense than targeted grants
3. Jobs versus Grants: Are employment and basic income a policy trade off?
4. How a UBIG can support healthier kids, happier adults, and lifelong learning
5. How a UBIG can advance gender justice and social cohesion
6. Not just a handout: How a UBIG gives people the power to prosper
7. "But how will we pay for it?" Financing a UBIG
8. Modelling fiscal pathways to a basic income
9. Work-seeking conditionality is just bad policy: Why a basic income should have no strings attached
10. A true safety net: How a UBIG can support a Just Energy Transition
11. Priority number one: How a UBIG can help defeat hunger

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