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DESIGNING A BASIC INCOME GUARANTEE

TARGETING, UNIVERSALITY AND OTHER CONSIDERATIONS

KEY FINDINGS

- The question of how a Basic Income Guarantee (BIG) is designed is as important as its adoption.
- The key flaw of targeting a basic income grant at a specific vulnerable group – whether through employment status or income levels – is that this does not translate to reaching them in practice. This is due to administrative burdens, unwarranted exclusions, stigmatisation, and constant changes in eligibility of recipients.
- In contrast, universality (where all regardless of income or employment status qualify) minimises these risks while appropriate taxation measures can ensure that only those in need receive a net benefit.
- Targeting has the added risk of creating new forms of social exclusion and tension, whereas universality builds social cohesion, improves psychological wellbeing, and generates increased political support for the policy.
- Contrary to received wisdom, economic modelling shows that providing larger grants to fewer people does not necessarily result in improved poverty-alleviating and distributional outcomes. Universality can have a more positive impact on household income, even if provided at lower amounts than certain targeting options.
- The assertion that social assistance creates dependency or discourages labour market participation is disproved by the evidence. In fact, it is targeted grants which can reduce incentives to seek employment and raise earnings due to the potential loss of the BIG.
- A universal basic income, even at a relatively low level, has a greater impact on poverty than a targeted unemployment grant set at a significantly higher level, because it reaches a range of adults of different employment statuses living in low-income households, who are thus able to pool their income.
- Universality, because of its relative administrative simplicity, allows far more expeditious implementation of a BIG to address the current socioeconomic crisis with the urgency required.
- The implementation of a Universal Basic Income Guarantee (UBIG) at meaningful levels is affordable.

KEY RECOMMENDATIONS

- A universal BIG is clearly a preferable, more efficient, and more impactful policy option.
- If 'phasing-in' is unavoidable, then extension and improvement of the level of the current SRD Grant, followed by an income threshold BIG (people receiving below a prescribed income qualify), and then a universal BIG is most appropriate.

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1. INTRODUCTION

As support for introducing a Basic Income Guarantee (BIG) – a form of social assistance whereby each individual is guaranteed to receive a basic amount of monthly income – rapidly grows in South Africa, the essential question becomes what it should look like and how it should be designed.

A key decision is whether a BIG should be provided universally or targeted, a hallmark debate in social policy-making. **A universal BIG (UBIG)**, if fully realised, would see all persons in society being eligible for its benefits, while the better-off and wealthy would progressively finance it and pay it back through taxation. **A targeted BIG** would attempt to select, identify, and distribute its benefits to a specific subgroup of the population, excluding others. The decision on which design option to choose will have a major bearing on how effective it will be, and its impacts at a society-wide level.

Targeting is often argued for on grounds of distributing limited resources more equitably and efficiently to the poorest of society; providing a cost-effective solution with greater poverty-alleviation impact, whilst avoiding cultivating 'cultures of dependency'. Yet, what may appear to make sense in theory rarely translates easily to practice. This brief draws on international and local research to examine the optimal BIG design.

It is written in the context of Section 27 of the South African Constitution which guarantees the universal right to social security, and, read with Section 7 and 36, requires realisation of this right without unjustifiable delays.[1] As a signatory to the International Covenant on Economic, Social and Cultural Rights (ICESCR), South Africa is similarly obliged to implement its requirement that "all persons should be covered by the social security system, especially individuals belonging to the most disadvantaged and marginalized groups".[2]

Despite this, those of working age, 18-59, have largely been excluded from the social grants system; excepting for special circumstances such as disability. Their exclusion is often driven by the perspective that able-bodied adults of working age are undeserving of social assistance. Yet this position is untenable in a country with persistent and high levels of structural unemployment; reaching a record unemployment rate of 34.4% (44.4% by broad definition) in the second quarter of 2021, with the highest youth unemployment in the world at 64.4% (age 18-24).[3]

A temporary COVID-19 Social Relief of Distress (SRD) grant of R350 was introduced from May 2020 for unemployed persons without any other form of support to mitigate the impact of COVID-19 and lockdown measures.[4] This grant marked the first-time social grants were extended to the majority of those aged 18-59 without work. While meagre, this grant and the Caregiver's Allowance (a top-up of R500 for each caregiver, not child, receiving the Child Support Grant) benefited over 36 million people directly or indirectly. Without these grants food poverty would have likely increased from 20.6% to 32.1%.[5] Despite their importance these vital measures were terminated: the Caregiver's Allowance ending in October 2020, and the SRD grant in April 2021; leaving hunger and social alienation to rise while the pandemic raged on.

However, the SRD grant was reintroduced from August 2021 after a major outcry. The COVID-19 third wave, together with major civil unrest and mass riots in July 2021, led government to reinstate the R350 COVID-19 SRD grant and extend it to caregivers until the end of March 2021. While welcome, this temporary relief remains inadequate, too low and exclusionary.

The introduction of a BIG, while no silver bullet, could serve as a key component of South Africa's economic recovery package in response to the COVID-19-induced crisis, and the ongoing crises of inequality, poverty, hunger and unemployment. While there is a need for reform of the entire social grants system over the longer term, a universal BIG applied to all ages is not feasible in the short-term in South Africa - nor desirable as we have a comprehensive system of income support for children and the elderly. Therefore, a UBIG should be introduced as a complementary measure alongside the existing grants system, providing coverage for the missing middle. This would be made available to each individual between 18-59, with its benefits clawed back through taxation from high-income earners above a certain threshold. We assume for the purposes of this brief that any BIG would be provided unconditionally (that is, without further behaviour requirements or restrictions), regardless of whether targeted or not.

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TARGETING VS UNIVERSALITY: A SUMMARY

This Brief shows that universality provides the more attractive approach to the implementation of a BIG. Where targeting appears straightforward in theory, the myriad of issues, exclusionary barriers, and costs involved in reaching specific groups complicates this in practice.

Universality allows social assistance to more effectively reach recipients without undermining dignity and social cohesion, simultaneously concentrating resources towards lower-income earners through appropriate taxation measures. A UBIG stands to attract strong societal policy support6 and create positive developmental impact. It is able to address inequality, if progressively financed, and significantly reduce poverty through its wide coverage which increases household incomes.

While fiscal constraints require careful consideration, the main argument against a UBIG, that it is unaffordable at meaningful levels, is incorrect. Further, we find no evidence to validate the common claim that social assistance creates 'dependency'. By contrast, universality empowers recipients to make choices (for example, on seeking employment) instead of attaching punitive costs to these choices. The 'phasing-in' approach entails a staggered piecemeal response to dire poverty and desperation that is not acceptable. Further, universality enables appropriately expedient implementation of a BIG, in contrast to the administrative burdens that targeting demands.

2. UNIVERSALITY VS TARGETING: POSSIBLE BIG MODELS

THREE SCENARIOS

When considering who a BIG should include, there are three possible scenarios to consider.

1. **A Universal BIG** would be available to all working age citizens, regardless of employment status, income levels, receipt of other social grants, or other criteria. The elements of a UBIG are:
   - Universal – apply to all;
   - Basic – income necessary to survive;
   - Income – a regular cash benefit;
   - Guarantee – assurance that every person (initially those aged 18-59) will be provided this as a right.

   However:
   Given potential barriers to access as well as self-exclusion, a 100% uptake rate is unlikely.

   Based on experience of the Child Support Grant, we can assume an uptake rate of up to 60% in the first year, increasing to 80% over time.[7]

2. **An Unemployment BIG** would be available to those of working age who are unemployed.
   - This could be based on the broad (not the narrow) definition of unemployment.[8] Yet the challenge is the inability to distinguish unemployed workers from unregistered employed workers, workers in the informal sector, and those not-economically-active.
   - An alternative category is, therefore, those 'not formally employed' (NFE), a combination of the above. The NFE can be targeted through use of Unemployment Insurance Fund (UIF) contributions and Pay As You Earn (PAYE) data to exclude the formally employed.

3. **An Income Threshold Targeted BIG** would be available to those who earn less than a specified income threshold. Options could include:
   - The Upper Bound poverty line (UBPL) of R1335 (as at August 2021).
   - The national minimum wage (NMW) calculated at R3730.68 per month for 2021 levels.[9]
   - The means-test for the Child-Support Grant (CSG) of R4600 for single people, and R9600 for married couples.
   - The Personal Income Tax (PIT) threshold at 2021 level of R7275.[10]
   - In addition, Treasury has recently proposed consideration of an income-threshold BIG targeted towards the poorest households, instead of individuals.[11] Lack of details regarding the exact criteria for such a grant prevents modelling such an option at present. But this proposal raises serious concerns, which we briefly outline in Section 4 below.

COST AND COVERAGE

In deciding the transfer value (how much individual recipients receive), we should set aspirational goals to be achieved in the medium-to-long term. In the short-term, the national poverty lines (NPLs) represent options that are more affordable, while still offering significant poverty reduction. These values have been updated for 2021,[12] however, to maintain congruency with prior research used in this brief based on 2020 values, the latter are utilised below as well. These are given in Table 1. Table 2 then presents the above BIG scenarios with their associated coverage and cost based on the three poverty lines.

Table 1: Poverty lines and amounts in April 2020

NATIONAL POVERTY LINE	2020 LINE VALUES (ZAR)
Food poverty line (FPL)	585
Lower-bound poverty line (LBPL)	840
Upper-bound poverty line (UBPL)	1268

Source: Stats SA. 2020. National Poverty Lines. Available: www.statssa.gov.za/publications/P03101/P031012020.pdf

Table 2: Annual cost of Basic Income Guarantee scenarios at different levels (R billion)

CATEGORY	SCENARIO	POPULATION COVERAGE (AGES 18-59)	FPL (R585 PM)	LBPL (R840 PM)	UBPL (R1268 PM)
Universal	All (100%)	34.1m	239	343	519
	All (80%)	27.3m	192	275	415
	All (60%)	20.5m	144	206	311
Unemployment	Unemployed	11m	78	111	168
	NFE	22.4m	157	226	341
Income Threshold	UBPL	11.6m	81	116	176
	NMW	22.7m	159	229	345
	CSG	24.2m	170	244	368
	PIT	26.3m	185	265	400

Sources: IEJ. 2021. Introducing a Universal Basic Income Guarantee for South Africa and own calculations based on National Income Dynamics Study, Wave 5. [13]

Notes: Use of updated NPLs would increase costs proportionally, while current population figures for targeting options are based on prior data, hence updated costing for these would rise accordingly.

Here we can see what size of the working age population would be eligible for a BIG based on the chosen scenario. Each scenario, apart from the universal one, are provided at 100% uptake. Based on this coverage, the annual cost of each scenario is reflected depending on which poverty line its monthly transfer value is set at. For example, under a BIG targeted at the not formally employed (NFE): 22.4 million citizens would be eligible and this would cost R226 billion annually if provided at a monthly amount of R840, the Lower Bound Poverty Line (LBPL).

3. ACCURACY AND ACCESSIBILITY

The design or implementation of social welfare faces a two-fold dilemma of either wrongfully excluding those who are eligible ('exclusion errors'), or including those who are not ('inclusion errors'). In terms of a BIG, there will be a risk threshold for both errors. This is because any form of a BIG requires, at minimum: the verification of identity and age and provision of secure cash payment systems - processes which may include or exclude persons incorrectly.[14]

Beyond this, however, accessibility drastically changes depending on the extent of targeting utilised. In the case of a BIG universally offered for ages 18-59 – unless received by those younger or older – there is no further source of direct inclusion error as all are eligible, regardless of economic status.[15] If desired, it is relatively simple to remove the benefits from the wealthy through South Africa's advanced taxation system – this is explored more fully in Section 5. More importantly, because there are no additional criteria to meet in order to prove eligibility, universality avoids creating additional exclusion errors. In the case of targeting a BIG, however, the challenges of accuracy and accessibility are far more complex. This is because **selecting a specific group to target in the abstract does not speak to whether this group can be accurately identified, isolated, and reached in practice**.

3.1 TARGETING MEASURES

Advocates of targeting advance the logic of more effective resource allocation: if the aim of a social assistance programme is to help those who need it, then why include everyone under its coverage? Instead, they argue, the programme should be narrowly targeted towards a specific group. Yet stringent criteria for eligibility require a more complex system. This results in greater exclusion errors, makes progressive financing more difficult, and requires arbitrary thresholds for qualification. That then begs the question: what constitutes 'effective targeting'?

Perfect targeting would mean every recipient in the identified group is reached and receives the benefits, meaning zero exclusion or inclusion errors. Yet due to the constraints of administration, information and real-life dynamics, this is an impossible achievement.[16]

To try and approximate perfect targeting, a variety of methods are often employed, including:

- Means-testing: the administrative measuring of an individual's or household's income. This can either be simple (based on reported income) or sophisticated (based on reported income adjusted for other factors). It can also be either unverified (self-declared) or verified (checked against financial records).
- Proxy means-testing: the attempted calculation of poverty-levels based on a variety of chosen variables (for example, household size, education levels, and assets owned).
- Community-based targeting: the contracting of community groups or agents to identify deserving recipients.
- Categorical targeting: the use of a single or multiple base indicators to identify a specific category (for example, age, gender, and occupation).
- Geographical targeting: the use of location of residence to determine eligibility.
- Self-targeting: the use of people's own opportunity-cost behaviours to regulate eligibility (for example, a public works programme can be designed with the labour required and benefit offered at levels that voluntary participation would only be seen as valuable if a claimant were sufficiently in need).

3.2 BARRIERS TO POVERTY-TARGETING

While local factors play an important part in the effectiveness of poverty-targeting, there are a number of general factors that create barriers to its efficacy.[17] These include:

- Lack of precise information regarding poverty profiles of intended recipients can lead to policy makers creating eligibility criteria that exclude intended recipients by design.
- Use of flawed or outdated databases can disqualify eligible applicants.
- Reliance on technological means to reach the poorest can deepen barriers as this target group commonly has the least technological access.
- Administrative capacity to manage effective targeting measures is frequently inadequate.
- Where conditionalities such as behavioural requirements or workfare conditions are stipulated, recipients may be incapable of meeting these.
- Targeting itself can attach social stigma to the labelled group, increasing unwillingness to claim the benefits and risk social exclusion.
- Means-testing procedures may be too burdensome or bureaucratic to complete.
- Private costs of meeting means-testing requirements may be too high for the poorest, such as travel costs, procurement of documentation, and opportunity cost of time needed.
- Criteria for eligibility can be too complicated or not-clearly communicated, deterring eligible recipients.

The primary problem underscoring any means-testing mechanism for poverty-targeting is the inability to define a fixed group called 'the poor'. The context of high levels of poverty and highly dynamic incomes found in low- to middle-income countries means that: the targeted group is in constant flux, and a large proportion of the population that are excluded would genuinely benefit from being recipients. In the COVID-19 era, fluidity in the labour market and shifting borders between different categories of the poor and working poor is even greater, as people transition between different socio-economic statuses.

3.3 INTERNATIONAL EVIDENCE ON TARGETING EFFECTIVENESS

Direct comparisons of measures are challenging, yet research suggests all methodologies generate significant inclusion and exclusion errors as well as cost; while being highly dependent on how well the specific targeting mechanism is designed and implemented.[18]

Excluding categorical targeting, means-testing is often argued to be the most effective method, despite being the most expensive. There is a fair amount of research claiming that means-testing is effective in targeting the designated group.[19] Yet often these results are misleading, as they ignore the prevalence of exclusion.

One recent meta-review by Kidd and Athias on poverty-targeting effectiveness in 38 social protection schemes in 23 low- and middle-income countries found high exclusion and registry errors across the board.[20] 'Poverty-targeting' specifically, is generally defined by a restricted focus on the poorest 25% or less. The best performing programme was the *Bolsa Familia* scheme in Brazil which utilises an unverified simple means-test, but still carries an exclusion rate of 44% of its intended recipients (if considered as targeting the poorest 20%, this exclusion rate rises to 51%). Notable, were significantly high exclusion errors found in Community Based Targeting (CBT) and Proxy Means Testing (PMT) cases, with Rwanda's *Vision 2020 Umurenge* Programme using CBT and Guatemala's *Mi Bono Seguro* scheme using PMT, recording errors of 97% and 96% respectively! The inherent weakness of CBT and PMT is that their methodologies allow for significant variation of error.[21] PMT carries high sensitivity to chosen proxies, which often fail to correlate with actual levels of poverty;[22] whereas CBT is heavily affected by elite capture, competing interests, ignorance of actors involved.[23] **Out of the 25 poverty-targeting programmes studied by Kidd and Athias, 12 reflected exclusion errors above 70%, while five reflecting above 90%**.

In stark contrast, programmes that avoided strict poverty-targeting, or targeting all together, exhibit better results. The high coverage of South Africa's own Child Support Grant and Old Age Grant resulted in exclusion errors of around 20% of eligible recipients, while universal schemes such as Georgia's universal Old Age Pension and Mongolia's universal Child Money scheme, for example, carried less than a 2% error.[24]

Overall, research indicates that the narrower social policies are targeted, the greater the challenges involved in effective targeting becomes; raising the incidence of exclusion and inclusion errors. What this suggests is that targeting the poor is, perhaps counterintuitively, often a counter-productive manner of reaching them. This result is referred to as the ***"Means-Tested Paradox"***; explained by Martin Farley as "**a system that is designed to deliver resources to the people who are most in need, unintentionally excludes those people from that system**".[25]

TECHNOLOGY: A SILVER BULLET?

A common argument is that technology can solve the issues of targeting.

It is true that technological innovations can provide new solutions and avenues, but have their own significant limitations. While digitisation of the South African Social Security Agency's (SASSA) system has increased accessibility in some ways, it has also increased the vulnerability of claimants; leading to greater cancellation of grants, new kinds of delays, uncertainty, and unauthorized monetary deductions.[26] In terms of the latter, beneficiaries have seen total monetary losses of R800 million[27] and R56 million[28] due, respectively, to mismanagement of their personal data and weak security systems by the companies contracted by SASSA to administer their national registrations and payment system. This experience speaks to the evidence that digitisation of social welfare can play a negative role in trapping beneficiaries into exploitative relations of debt and credit.[29]

Further, a core concern is access. As seen with the previous SRD Grant application process: when access to social assistance is made available only via online systems, people without digital literacy, suitable devices, or data are unfairly excluded.[30]

While technology can offer advantages, in practice, overreliance on using it to solve these problems discriminates against those without access and ignores the myriad of issues that exacerbate exclusion.

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4. CONSIDERING TARGETING OPTIONS IN SOUTH AFRICA

4.1 TARGETING EMPLOYMENT STATUS

The primary issue with targeting the unemployed, as broadly defined, is simply that, while often separated in survey data, it is virtually impossible to accurately differentiate the unemployed from those just not registered in a formal employment database; for example, not-economically-active (NEA) persons and informal-sector workers. To assume one can legitimately verify claims of either formal job seeking or business-starting behaviours to exclude the latter two groups is misguided at best. An alternative approximation is insisting on strictly zero or minimal other income registered on their banking. Yet this approach simply punishes the poor for survival strategies and receiving household support, while encouraging disengagement with formal banking as a circumvention strategy.

Consequently, the not-formally-employed (NFE) is a more viable option, as a combination of the unemployed, informal-sector workers, and the NEA. This is because this group can be 'targeted' by instead excluding the formally employed via analysis of UIF contributions or PAYE data. However, as seen in Table 2, this is a much larger group. The NFE covers 22.4 million people; more than double the number under broad unemployment and greater than a UBIG uptake of 60% at 20.4 million, hence costing more. At 80% uptake, a UBIG becomes more costly.

There are three major issues with targeting based on employment status:

1. First, reliance on UIF or PAYE data, as shown in the SRD Grant applications, will involve errors.[31]
2. Second, South Africa's labour market is currently very volatile, with large portions experiencing frequent fluidity between unemployment and employment, particularly since the COVID-19 crisis. This volatility has consistently affected over 27% of working-age adults between 2008 and 2017,[32] with the likelihood of higher rates in the COVID-19 and post-COVID-19 era.
3. Third, making the receipt of the BIG contingent on not being formally employed could create a shift towards informalisation for parts of the workforce in order to retain eligibility and work, perpetuating conditions of precarity.

When considering additional issues of administrative costs incurred and the inability to use taxation options possible under a UBIG, the viability and desirably of the NFE-targeted BIG option becomes less clear.

4.2 TARGETING INCOME THRESHOLDS

Using income thresholds is an arguably preferable target measure to employment status as it avoids using a more arbitrary proxy for economic wellbeing to determine eligibility. Some may argue that employment status is a strong marker, given that labour market income remains the largest contributor to income inequality.[33] However, this ignores the significant variation within labour market income; with the top 10% earning 9.7 times higher than the bottom 40% in 2015.[34] **To be employed in South Africa does not mean one earns a living wage**. Hence, actual income thresholds present a far clearer measure of wellbeing or destitution.

Compared to other African and South American countries, the South African Child Support Grant (CSG) and Old Age Grant are argued to be 'well-targeted'. This achievement is partially attributed to their relatively high coverage, and that the kind of means-testing employed for these grants acts as what some researchers call "affluence-testing" rather than the traditional poverty-targeting.[35] This refers to setting the threshold high enough that only the relatively 'better-off' are excluded, instead of trying to identify and isolate a particular segment of the poor (given the living costs in South Africa however, an income-threshold such as the CSG means-test of R4600 should scarcely be understood as a benchmark for affluency, and rather a distinction between levels of poverty). This suggests similar levels of success may be possible for income-threshold-targeted BIG scenarios, at least for options on a similar level – for example, the CSG means-tested threshold or the NMW.

The major stumbling block here is administrative capacity. Based on 2020 SASSA statistics, there were 12.7 million CSG recipients,[36] and 24.2 million adults fall below the CSG income threshold. The introduction of a BIG targeted at CSG means-test thresholds, would therefore double the number of potential applications to administer; a not-insignificant burden.

Alternatively, a BIG set at the PIT threshold could be administered more effectively by the South African Revenue Services (SARS) using the already efficient taxation system and database. This would close the gap where numerous people are too poor to access tax relief measures available to taxpayers through SARS, yet earning too much to qualify for social assistance.[37] However, an income threshold based on the PIT

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exemption of R7300 per month would bring costing and coverage in line with that of the UBIG, with 26.3 million people eligible under a PIT-threshold BIG and 27.3 million under a UBIG at 80% uptake. Implementing an income threshold at this level would therefore not make sense, as a universal approach would be the more convenient, efficient, and cost-effective option.

The issue of using income thresholds as a targeting measure, regardless of which threshold, is that it introduces a 'discontinuity effect', where those just below or above the chosen threshold are advantaged or disadvantaged by it. For instance, is there really any difference in need between those earning R4569 and R4601, if the CSG threshold was used? Such an effect can encourage informalisation; and also, disincentivise those employed in ultra-low wage employment, or those whose employers are illegally paying below the NMW, from fighting for better wages out of fear of losing eligibility for a BIG.

4.3 TARGETING BOTH: THE CASE OF THE COVID-19 SRD GRANT

Despite claims that the COVID-19 SRD Grant of R350 shows an unemployment-targeted BIG combined with lower income thresholds can be effective, it is clear that this grant amplified the exclusionary barriers introduced by targeting.

Estimates of total eligible population for the SRD grant varied between 10 and 12 million people, with the latter including informal sector workers.[38] Yet, in the original windows, out of the 9.5 million that applied, only 6.4 million recipients were approved.[39] Even based on the more conservative estimate, this entails an exclusion of almost 40% of the target population. For those rejected, 59% reported not being given any reason for rejection, 71% indicated they were not informed that they could reapply, and 74% indicated they had not been informed of the appeals process.[40]

The SRD Grant administration, although recognised as a massive undertaking by SASSA, was criticised on numerous bases: overly stringent eligibility criteria;[41] baseless exclusion of foreign nationals;[42] lack of dependable monthly payments, closure and/or insufficient funds at pay points;[43] erroneous rejections and repeatedly changing application status; use of outdated and non-integrated databases for vetting;[44] severely limited capacity;[45] and corruption by public officials and others.[46] While the scale and speed of the rollout made errors inevitable, the implementation was highly exclusionary and costly, reaffirming the perverse consequences of narrow poverty-targeting.

4.4 TARGETING HOUSEHOLDS VS INDIVIDUALS

A further dimension to targeting is deciding which social unit should be focused on: the individual or the household? Recently, the National Treasury announced they were considering targeting a BIG towards the poorest families or households, rather than individuals, that is, allocating a single grant to households, rather than qualifying individuals. They have likened this to Brazil's *Bolsa Familia*, Mexico's *Prospera,* and the Philippines' *Pantawid Pamilyang Pilipino* programmes.[47]

At first glance, these points of reference may inspire confidence. These programmes are championed by the World Bank and others; each showing positive impacts and a pro-poor distribution of benefits.[48] Yet, as is common with targeted programmes, their popular narratives of success overshadow their poor quality in reality. Using the *Bolsa Familia*, *Prospera* and *Pantawid* programmes' as examples, while coverage was aimed at the poorest 20% of households, in practice they excluded 51%, 56%, and 46% of those households respectively.[49] Their common methodology of creating social registries to identify eligible households suffer from obsolete data and stagnant or semi-permanent recipient pools. Would-be applicants can wait up to ten years to apply for *Prospera*,[50] while the database used by *Pantawid* has not been updated since 2009.[51] The reality of these examples evoke anything but confidence. What this suggests is that targeting households does not only face similar challenges to targeting individuals, as explored above, but may exacerbate these challenges. This is primarily due to usually requiring proxy means testing to evaluate households (which suffers significantly greater errors), as there is no one individual to means-test.[52]

This proposal by Treasury presents other worrying implications.

A fundamental challenge is how one defines a 'household' or 'family'. These can coincide, but are not interchangeable terms. A family refers to diverse social groupings without any one straightforward definition, while households can take a variety of arrangements of cohabitation.[53] We can assume that the suggested grant would be based on a strict definition of a physical household rather than a family, due to the extensive issues of targeting one 'family' (such as nuclear vs extended units, geographical spread, marriage, paternity, custody and cultural understandings). Yet this faces numerous issues, including: the frequency of informal forms of accommodation, lack of proof of residence, lack of a sufficient national social registry required to identify recipients, and difficulties of identifying heads of households. This is compounded by the highly fluid and porous nature of households in South Africa.[54] Further, all three international experiences referred to by Treasury are defined by conditionalities around children's development.

Allocating the grant at the household/family requires selecting a 'household head' to receive this, potentially exacerbating a household's internal power dynamics - as the dependency of household members on the head of the house is deepened. This is most often heavily gendered, entrenching women's reliance on male households/family heads. This carries the potential for worsening gendered inequalities and intra-household imbalances and even increasing gender-based violence as women are more reluctant to leave the household/family. Economically, this can also reduce the collective impact of a BIG by delivering one grant per household, instead of multiple grants within a household, which are then pooled. Furthermore, given that female-headed households are, on average, larger, have more child dependents and are more likely to have no one employed than male-headed households, household targeted grants will fail to address the strongly gendered burden of poverty.[55]

The logic of Treasury in raising the family grant idea is clearly cost-saving. There are reasons for concern that this logic, in addition to the inherent flaws in designing a family grant, will be followed by attempts to collapse the Child Support Grant and other grants into a single, conditional, household grant. This would undermine the extremely successful – if insufficient – existing social welfare measures.

Ultimately the ability of targeting to ensure that assistance only goes to 'those who are in need' has been proven to fail time and again around the world; and opting for households over individuals exacerbate rather than resolve the problems thereof. **Targeting is a policy design whose efficiency on paper does not translate in practice**. Yet if the failures of targeting are easily evidenced, how do we explain the continuing preference for it? Either policy-makers believe that they can uniquely avoid what all others could not. Or the exclusionary and harmful impacts of targeting are deemed acceptable costs. Neither of these possibilities are reassuring.

5. EFFICIENCY AND COST EFFECTIVENESS

In considering cost and efficiencies, proponents of targeting usually argue that: universality is heavily inefficient as it provides support to those who do not need it - while targeting is more cost-effective by restricting benefits to a limited pool of recipients who are 'deserving', thereby also allowing larger transfer values to this group. This section explores the ways in which universality can more effectively eliminate inefficiencies and avoid administrative costs, and considers the claims that targeting is more affordable with higher transfer values.

5.1 IN/EFFICIENCIES OF UNIVERSALITY

A UBIG is sometimes argued to be inefficient due to leakage, because it is paid to those who 'do not require the assistance', thereby wasting resources that should be used for the poor.

However, this logic is flawed as it fails to understand the exact nature of how a UBIG should be designed. A UBIG can maximise the pro-poor and redistributive aspects of social protection by ensuring that everyone is eligible, while utilising taxation as 'claw-back mechanisms' to progressively recoup the benefits given to those who don't need them.

A Social Security Tax (SST) can be introduced as a primary component of progressive financing of a UBIG, ensuring that everyone contributes according to their ability. If an SST is progressively levied on all income earners starting for example at a rate of 1.5% on those earning up to R80 000 per annum, and increasing by 0.5% for upper brackets of R80 000 to R350 000, R350 000 to R1 million, and above R1 million, it would be possible to raise around R68.24 billion tax revenue for 2022/23. The results are shown below in Table 3, with the highlighted cells adding up to R68.24bn.

Table 3: Social security taxation options per income bracket (R billion)

ANNUAL EARNINGS (R)	NUMBER OF TAXPAYERS	TAXABLE INCOME (billion)	1.5% (billion)	2% (billion)	2.5% (billion)	3% (billion)
0-80k	6,822,326	230.8	3.46	4.62	5.77	6.92
80k-350k	4,927,667	957.7	14.37	19.15	23.94	28.73
350k-1m	1,910,855	1073.7	16.11	21.47	26.84	32.21
1m +	307,912	626.1	9.39	12.52	15.65	18.78

Source: IEJ. 2021. Financing Options for a Universal Basic Income Guarantee in South Africa. Available at: www.iej.org.za/financing-options-for-a-universal-basic-income-guarantee-in-south-africa/

The rates of the SST itself would need to be finessed to not include major jumps at particular thresholds – but this can easily be done with more graduated rates, or as is done with PIT brackets, without hugely altering the level of taxes collected and distribution of benefits. This would avoid discontinuity effects – in both the tax rate levied and persons eligible. Higher-income earners do not benefit unduly, due to the tax, and the wealthy cross-subsidise payment of the BIG. Table 4 below shows the net benefit of a UBIG at the FPL and LBPL combined with the graduated SST. We see that for those earning between R35 000 and R150 000, net benefits range from around R9 550 to R7 080 per year from a UBIG at the LBPL (including the SST tax they pay). By contrast, those earning R500 000 and R1 million contribute a net amount of R2 240 and R19 920 per annum.

Table 4: Net benefit / contribution for SST by income (R rands)

UBIG AMOUNT PM		Earnings Per Year	35 000	70 000	150 000	250 000	340 000	500 000	1 000 000
		SST rate (%)	1.5%	1.5%	2.0%	2.0%	2.0%	2.5%	3.0%
UBIG AMOUNT PM	R585	SST tax paid	525	1 050	3 000	5 000	6 800	12 500	30 000
		Total received	7 020	7 020	7 020	7 020	7 020	7 020	7 020
		Net benefit / contribution	6 495	5 970	4 020	2 020	220	-5 480	-22 980
	R840	SST tax paid	525	1 050	3 000	5 000	6 800	12 500	30 000
		Total received	10 080	10 080	10 080	10 080	10 080	10 080	10 080
		Net benefit / contribution	9 555	9 030	7 080	5 080	3 280	-2 240	-19 920

Source: IEJ. 2021. Financing Options for a Universal Basic Income Guarantee in South Africa.

What the table shows is that while a UBIG would be given equally, the effect of the SST is to maximise the transfer of its net benefit to lower-income earners. As seen above, even if the UBIG is delivered at the FPL, lower-income workers earning below R350 000 per annum will still receive a net benefit The annual value of a UBIG at the FPL is R7020, which is greater than the amount owed in SST for low-income workers. Those earning R70 000 per annum for example will receive a net benefit of R7020p/a. Those earning R500 000 per annum – taxed at an SST of 2.5% – will owe a net R5480 per annum, etc. This indicates that low-income earners benefit most, middle income earners are not unduly squeezed, and high-income earners are progressively taxed.

What this means, is that far from creating inefficient wastage of resources, the key benefits of making a BIG universal are that it enables the appropriate tools to: eliminate leakages to those who don't need it, focus distribution of benefits to lower-income earners, and create substantial financing. In this regard, **a UBIG enables more effective targeting of those who need support by use of taxation measures** – hence avoiding the numerous issues created by employing traditional targeting measures.

Targeting a BIG, on the other hand, means forgoing the ability to utilise an SST, thereby losing a substantial financing option. This is because it would be inequitable for those not eligible for a BIG to, nevertheless, be taxed the SST, particularly low-income workers.

A possible critique of this claw-back mechanism is the presence of those in the upper-income deciles that do not declare direct income; this meaning a number of people will be eligible to receive the BIG without being able to claw it back. However, the likelihood of 100% uptake, or any significant levels of uptake, by those in upper-income deciles is extremely low. Research widely suggests that the economically well-off generally self-exclude from social assistance even where eligible due to perceptions of not requiring the assistance.[56] Furthermore, a range of tax measures being proposed would still affect those not declaring income, such as a luxury VAT or estate tax, and ultimately a wealth tax.

5.2 COST-EFFECTIVENESS OF TARGETING VS UNIVERSALITY

An argument for targeting is that it ensures cost-effectiveness by limiting eligibility. If judged purely in terms of limiting total costs, this is correct. While the significance of comparative savings vary, Table 2 shows that targeted scenarios will provide less costly options. However, universality is not as expensive as it first seems; and targeting is not as cost-efficient as claimed.

One complication bedeviling straightforward comparisons is the difficulty of measuring true costs incurred by targeting measures. In analysing programmes in eight middle-income countries, Grosh et al. found that targeting accounts for an average 4% of total expenditure, and range from 25 to 75% of total administrative costs.[57] Additional to these are externalised or hidden costs, such as: private expenses of proving eligibility, social costs of exclusion, and continuing economic costs to society of poverty left unaddressed due to persons falling outside of coverage or being incorrectly excluded. Research suggests that when considered holistically, the real price of targeting is often vastly underestimated.[58] However, such a holistic perspective is rarely considered or prioritised in policy cost-analysis.

Arguably one should offset the costing of a UBIG by the amount raised through the claw-back mechanism to better understand its real cost; as this is effectively eliminating the portion of its costing in benefits distributed to the wealthy. Additionally, a myriad of economic and social benefits resulting from the stimulus and developmental impacts of a universal basic income would be significantly higher than with a targeted grant. Yet for those who evaluate best policy based purely on the gross line-item cost basis, the choice of targeting a BIG appears to make sense. The second part of the argument supporting targeting is that it ensures cost-effectiveness by enabling higher transfer values. That is, in addition to being less costly, it can allow for larger transfer values per individual by concentrating a limited budget on a smaller pool of recipients - which should have greater impact, making it also the more effective choice.

It is logically obvious that a fixed budget divided among a smaller number of recipients results in a larger benefit per person. If we compare the merits of the two options in a fixed budget, however, targeting offers no affordability benefit over universality. Indeed, universality would be more cost-efficient in this scenario given the added administrative expenses of targeting.

It is, of course, possible that there are options where targeting may 'save funds' *and* allow for larger values; for example, introducing a BIG that attempts to target only broad unemployment and offered at the LBPL, compared to a UBIG offered at the FPL. However, as we argue below, such an option, while on the face of it increasing benefits to grantees, could actually have a lower impact on reducing poverty if the pool of low-income beneficiaries is far narrower than under a UBIG.

The obvious trade-off is that this is done at the expense of much lower coverage, which can undermine the social and economic impacts of a BIG. Further, **cost saving does not speak to what is a more effective and impactful design choice** in meeting the desired objectives- in this case to address poverty. While it is always cheaper to do less, the question is whether a policy design frustrates or advances the underlying intention.

In unpacking these assumptions further: Section 6 explores the limitations of focusing only on individual transfer values, and failing to consider the impact on households being able to pool grants, while Section 7 looks to the overstated concerns of affordability driving policy preferences for targeting. Ultimately, the fiscal framework, approaches to macroeconomic policy and perspectives on the developmental impact of social policy determine the policy choices which are made.

Research suggests that when considered holistically, the real price of targeting is often vastly underestimated. However, such a holistic perspective is rarely considered or prioritised in policy cost-analysis.

6. IMPACT ON POVERTY AND INEQUALITY

Social grants yield a range of economic benefits. At the aggregate level, in analysing eight case studies, Development Pathways found a multiplier effect for social policies of between 0.7 and 1.9 on GDP, meaning that for every rand spent, GDP increased by between 0.7 and 1.9%.[59] Similarly, positive returns were witnessed on total tax revenue, employment opportunities, and reductions in poverty, gender, and income inequalities. A BIG therefore has a significant impact on material conditions.

Here we explore how the design choice influences impact using the Applied Development Research Solutions' (ADRS) impact modelling of different BIG scenarios (these scenarios are budget neutral, hence impact on inequality is limited).[60] Table 5 below summarises the results of an unemployment-targeted BIG and two universal BIGs set at different poverty lines. The table shows what percentage change occurs over 2021 to 2025 on different indicators, depending on the coverage and transfer value of a BIG.

Table 5: ADRS Fiscally Neutral Modelling of BIG Impact on Poverty and Inequality

IMPACT ON INDICATORS (% change between 2021-2025)										
	Current	Broad Unemployment BIG			Adult Universal BIG (ages 18-59)			Fully Universal BIG (all ages)		
	2020	FPL	LBPL	UBPL	FPL	LBPL	UBPL	FPL	LBPL	UBPL
Poverty Rate (%)	38.8	-28	-29	-40	-35	-38	-66	-34	-47	-100
Poverty Gap (%)	13.3	-38	-51	-43	-55	-66	-85	-52	-73	-100
Inequality (Gini-Coefficient)	0.696	-9	-9	-10	-11	-12	-14	-11	-14	-18

Source: Adelzadeh, A. 2021. Fiscally Neutral Basic Income Grant Scenarios: Economic and Developmental Impacts. Available: [www.adrs-global.com/static/?subject=resources]

Unsurprisingly, the more universal or larger the BIG, the greater the impacts. For example, under a "Broad Unemployment BIG" at the LBPL, poverty would fall by 29% of its 2020 rate.[61] By comparison, the same level for the "Adult Universal BIG" and "Fully Universal BIG" results in a fall of 38% and 47% respectively. The modelling also indicates greater redistributive effects where a BIG has greater coverage or levels of benefit. Yet the real extent of inequality reduction relies heavily on the exact financing strategy.

One critique of universality is that it supposedly ends up 'spreading the BIG too thinly', which prevents recipients from escaping poverty traps. Poverty traps are created where a level of productive assets (education, employment, capital, etc) are required to escape poverty, yet a person is unable to attain these assets due being in poverty.[62] If a BIG cannot provide a sufficiently high income, the recipient cannot escape the trap. The resulting critique is that because of the cost of a UBIG, only small amounts given to many people is affordable. Therefore, targeting is necessary as this allows higher amounts to fewer people, enabling an escape of the poverty trap for recipients and having a larger overall impact on poverty. Yet this argument does not necessarily hold. For example, an unemployment-targeted BIG at the LBPL of R840 reduces poverty less than universal options at the lower FPL of R585. The poverty trap argument also assumes an inflexible budget that prevents a UBIG with meaningful values, yet, as we argue in the next section, fiscal space is not limited in such strict fashion.

The poverty trap argument also illustrates a common mistake made in BIG impact analysis – isolating the receipt of benefits to the individual while ignoring a more obvious unit: *households*. Pooling individual incomes within households is the predominant practice; one followed by 88% of recipients of the SRD Grant.[63]

Under a universal approach, we can clearly expect a higher incidence of eligible recipients per household. Hence, it is likely that aggregate effect on households would be greater. Using ADRS output, Table 6 shows this is the case, with specific reference to the bottom three quintiles.[64]

Table 6: ADRS Fiscally Neutral Modelling of BIG Impact on Household Disposable Income

HOUSEHOLD DISPOSABLE INCOME (COMPOUND ANNUAL GROWTH RATE BETWEEN 2020-2025, %)										
	Baseline	Broad Unemployment BIG			Adult Universal BIG (ages 18-59)			Fully Universal BIG (all ages)		
Household Disposable Income		FPL	LBPL	UBPL	FPL	LBPL	UBPL	FPL	LBPL	UBPL
Quintile 1	14.7	16.1	16.7	17.7	18.6	20.1	22.4	19.9	23.0	27.5
Quintile 2	14.4	15.2	15.6	16.2	17.5	18.7	20.7	18.6	21.0	24.7
Quintile 3	11.8	11.8	11.8	11.9	12.1	12.2	12.9	13.3	14.0	15.1
Quintile 4	11.5	11.3	11.2	11.1	10.5	10.1	9.3	10.0	9.6	8.9
Quintile 5	10.3	10.3	10.3	10.4	10.1	10.1	9.9	9.9	9.9	9.9

Source: Adelzadeh, A. 2021. Fiscally Neutral Basic Income Grant Scenarios: Economic and Developmental Impacts.

Here we see that an unemployment BIG, ***even at the UBPL of R1268***, raised household income for the bottom quintiles less than a working-age universal BIG, even when the latter is set at the ***much lower level of the FPL at R585***. A greater average number of beneficiaries numbers per household clearly drives this relationship. The direct cost of the unemployment-targeted BIG at the UBPL in Table 2 is R168 billion. This compares to a direct cost range of R144 to R239 billion, depending on uptake, for the adult universal BIG at the FPL. Considering that uptake of the latter is likely to be well below 100%, as higher-income earners self-select out, and that the indirect costs of a targeted BIG are higher, the cost difference between the two is likely to close significantly. Considering all the other benefits, universality offers more 'bang for the buck'. This suggests that a core argument for targeting, that it is a more effective and efficient use of limited resources, is not a given.

7. FISCAL AND POLITICAL SUSTAINABILITY

In this section, we consider how perceptions of the 'sustainability' of the policy can define the options for a BIG: what is the view on fiscal affordability and how will political support determine policy options?

7.1 FISCAL AFFORDABILITY

A key argument presented against a universal BIG is that it is not affordable, and would require unsustainable financing measures to maintain it. Hence a targeted BIG is argued to be the only feasible option.

This, of course, depends on the amounts chosen for the grant, as well as choices relating to the financing mechanisms. Substantial additional revenue will need to be raised. However, this does not mean that a UBIG is unviable, if one considers the available financing options. In IEJ's recent Policy Brief, *Financing Options for a Universal Basic Income Guarantee in South Africa,* we show how the combination of a number of taxation options, implementable in the short-to-medium term, can raise a total of R259 billion in 2022/23.[65] This figure excludes recouping of tax from UBIG spending on VATable goods, as well as a longer-term wealth tax which stands to raise a significant amount of additional revenue.

In introducing the above measures to expand fiscal space, policy-makers could look at a variety of combinations of these tax measures and different timeframes over which to introduce them. Yet if considering what they make possible collectively: a UBIG at the FPL with 80% uptake becomes affordable on the basis of taxation measures alone,[66] as well as a UBIG at the LBPL with 60% uptake. With the inclusion of the VAT revenue and wealth tax, a UBIG for 100% of working age adults at the UBPL becomes possible in the longer-term.[67] What this means is that **fiscal affordability, while a challenge, is not an absolute barrier. A UBIG is financially feasible.**

The sustainability of these financing measures is frequently contested, with proposed tax increases drawing ire around the high tax 'burden' in South Africa and fears of exacerbating the 'middle-class squeeze'. It is true that middle-income earners have experienced negative growth in earnings over time, lessening their capacity to bear the brunt of greater taxation.[68] However this fact is often manipulated to shield top-income earners who have disproportionately captured the growth in income.[69] The removing or limiting of fiscal measures that unequally benefit high earners is one guiding principle of these financing proposals.

Arguments around affordability and sustainability are also often shaped by political choices and macroeconomic frameworks that determine whether a cost is seen as **desirable**, more than whether it is **possible**.

A major determining factor is how we understand the role of social policy. If funding social protection is understood as burdensome or economically unproductive expenditure, and a 'necessary evil' at best for the 'deserving' poor, then this necessitates restricting the cost and coverage of BIG as a limited 'safety net'. If it is understood as a productive investment in economic and social development, as explored in the introduction to the prior section, the underlying paradigm shifts. And it is this paradigm that is reshaping global discussions on social policy.

Reasonable limits to fiscal expansion or expenditure do exist, as do choices around trade-offs in budget decisions. Yet adopting narrow notions of social policy that prioritise saving costs and frame a UBIG as necessarily unaffordable and undesirable, is self-defeating as it frustrates the economic and social benefits which the policy is intended to achieve.

7.2 POLITICAL SUPPORT

A further determinant of policy space is the degree of political acceptability for policy choices. Overall, there is significant popular support for the social grants system in South Africa. This is consistently strong across different social groups – 76% of South Africans believe that the poor should receive social assistance, with 67% perceiving support for the poor as the state's responsibility instead of the family.[70]

Those supporting ideas of efficiency and limited state intervention tend to favour smaller, targeted programmes. Behind this preference lie worries of 'dependency' and a fear of wasted funds. This concern is commonly held: 59% of South Africans believe that receiving grants creates laziness in recipients.[71] This is despite numerous studies which suggest that cash transfers do not negatively impact working behaviour – unpacked further in Section 6.[72] This insidious perception, however, creates risks for sustainable support for an unemployment BIG, as this specifically targets a social group commonly judged as 'undeserving'.

Where universal transfers do exist, they are socially popular and generate political incentives for the governments that introduce them.[73] This is because everyone stands to benefit under a UBIG, mitigating opposition by those carrying the greater tax burden; while the overwhelming majority stand to receive greater benefits than they contribute in tax. Further, support can be garnered if investment in a UBIG is reframed as a shift from narrow welfare support to broader developmental objectives.[74]

Because poverty-targeting narrows the beneficiary selection to a smaller and transient grouping, social commitment tends to be weak. Governments face the challenge of whether sufficient political traction can be built to attain adequate fiscal commitment for a targeted BIG. In contrast a UBIG constitutes an irreversible legal entitlement for all citizens. If prevailing conditions only allow the introduction of a limited UBIG, this could, however, provide an important policy anchor to ensure progressive realisation towards comprehensive coverage over time.

8. FOSTERING OR UNDERMINING SOCIAL COHESION

The positive effects of cash transfers on the social fabric and psychology of a society are widely documented. Social cohesion is improved through empowering healthier and more equal relationships within families and communities. Similarly, cash transfers provide an important psychological boon to recipients. In Kenya, Ghana, Zimbabwe, and Lesotho, improved psychosocial wellbeing of beneficiaries had positive knock-on effects around aspects like educational performance, empowered decision-making, and participation in social life.[75] Similarly, the effect of the CSG in South Africa contributes towards dignity for recipients, new forms of social solidarity, and disruption of patriarchal gender dynamics.[76]

Targeting often undermines these gains as it creates new sources of stigmatisation and exclusion, and perpetuating negative stereotypes of grant claimants.[77] Officials, pundits, and the media's continual use of problematic discourses of grants being 'hand-outs' or recipients as 'burdens' or 'untrustworthy' has cultivated stigma.[78] Demands of having to 'prove your poverty' cultivate feelings of shame and inadequacy.[79] Arbitrary selection, exclusion errors, fraud, and corruption (real or perceived) unavoidably breed feelings of unfairness, fuel intra-community tensions, and breakdowns of trust between beneficiaries and non-beneficiaries.[80] These issues limit take-up rates and undermine social relations and dignity.

Universality does not solve all these problems, but it does **allow for the reshaping of a BIG as inclusive and a universal 'right to citizenship'**. This is far better placed to repair, instead of undermine, South Africa's already disintegrating social fabric.[81]

9. CREATING DEPENDENCY: BY NATURE, OR DESIGN

It is often argued that grants create dependency; foster laziness; discourage recipients from working; and distort the labour market. Targeting is argued to minimise these distortions by limiting eligibility for a BIG to the unemployed or those earning under a low-income threshold. Further, those preferring targeting argue that it ensures recipients 'graduate' or lose benefits once no longer eligible, whereas universality perpetuates dependency by providing indefinite and secure income. This perspective also often argues for the attachment of conditionalities to grants to try and force beneficiaries to engage in productive behaviour to 'earn' their eligibility.

However, the evidence does not support these pejorative views suggesting that grant recipients do not want to work. Reviews of cash-transfer programmes across countries show no systematic evidence of them discouraging work.[82] Multiple meta-reviews of UBIG pilots return similar results: minimal impact on average labour market participation levels, often with modestly positive results and significant increase in work-seeking behaviour.[83] In South Africa there is, in fact, a consistently high value placed on paid employment and significant motivation to acquire it, whether a grant claimant or not.[84] None of the BIG options currently on the table provide even a 'poverty wage' and therefore cannot substitute paid work at decent wages.[85] Unsurprisingly, key barriers to employment chances were not attitudes by recipients of grants, but structural conditions of the labour market and economy. What is more likely feared from those making these erroneous claims is that a secure income floor may give prospective workers greater bargaining power to refuse ultra-low wage employment.

In fact, targeting is more likely to create distortions as taking on work – in the case of an unemployment-targeted BIG – may result in the loss of income support, thereby acting as a disincentive to seek formal employment. First, the wage sought has to be large enough to not only offset costs incurred by work (daily transport, child-care, loss of time, etc), but also the loss of benefits. Second, the job must be sufficiently secure – an elusive dream for most low-paid workers – to justify the risk of losing secure income support, especially if sudden loss thereof results in lower (and temporary) UIF support and/or challenges to prove eligibility for a BIG for an extended period thereafter. This can help explain why targeting can drive workforce informalisation; because in this context, staying in -or moving to- work within the informal sector is a rational way to minimise risk and retain benefits.

The use of income thresholds as a targeting measure can be superior to employment status in this respect (especially if a relatively high-income threshold is targeted). It allows beneficiaries to pursue formal employment or other income-generating avenues up to the targeted threshold relatively unimpeded by the above opportunity-costs.

Nonetheless, income thresholds create their own distortions, even if these are less damaging than targeting employment status. Moving from earning below the threshold to earning above it by any degree means a loss of the grant. At the same time, it is unlikely that the wage-income gained will immediately make up for these lost benefits – wage increments tend to be modest and gradual. This issue is compounded by the high likelihood of temporary income fluctuations (seasonal work, piece-jobs, family support, or other) affecting eligibility as opposed to stable or sustained increases in income.

Further, the burden of tracking minor changes at low income levels presents its own administrative complications.[86] Consequently, this provides disincentive and undermines motivation to pursue income-raising opportunities beyond the targeted income threshold – or incentivises disengagement with the formal banking sector when doing so. The idea that a targeted or conditional grant will help recipients 'graduate' from poverty is therefore misplaced. **Instead, a new poverty trap can be entrenched**.

By contrast, universality avoids creating such traps precisely because it offers a BIG as a form of secure support. The loss' of the benefit through the SST is gradual as incomes rise, and only happens across much higher thresholds where the loss of the benefit is relatively insignificant to the overall income earned, averting significant opportunity costs that would negatively impact working behaviour. Hence beneficiaries are empowered to make choices to better their lives, rather than being punished for trying to do so.

CONDITIONALITIES: ENABLING OR EXCLUDING

Conditionalities attached to social assistance often impose behavioral requirements on recipients for eligibility, such as: school attendance rates, frequency of doctor visits, or participation in workfare programmes. Where there is a specific goal, such as increasing educational attendance, evidence suggests conditionalities can assist.[87] On the other hand, they are also critiqued for:

- Excluding the poor who are unable to meet them;
- Coercing people to accept badly-paid or dangerous work;
- Imposing gendered roles (for example, reserving responsibilities for education, healthcare, and other forms of reproductive labour for social assistance targeted to mothers);
- Producing perverse consequences by forcing choices that may not be optimal or desirable for beneficiaries' specific context or need;
- Focusing on changing individuals' behaviours over addressing structural problems (for example, enforcing school attendance to address educational performance is less effective if issues of schools' capacity, quality, and funding are ignored); and,
- Being based on a dehumanising belief of the inability of the poor to make rational independent decisions.[88]

10. IMPLEMENTATION: THE QUESTION OF PHASING-IN

A final form of targeting is the 'phasing-in' of the BIG which would stagger the rollout of a BIG by initially making it available only to limited groups, and expanding eligibility over time towards full coverage. Proposals have been made, for example, to phase in a BIG based on age cohorts. The Department of Social Development (DSD) initially proposed this approach; introducing a BIG initially for the youth (18-24/35) and those at the older end of the age range (50-59), while expanding coverage over a three-to-five-year period towards the full working-age range (18-59).[89]

These initial age selections were justified on the basis of their increased labour market precarity and greater vulnerability to socio-economic shocks. This kind of progressive realisation is argued to lessen the fiscal and administrative burden by staggering it. It is also an approach that characterised the implementation of the CSG, where age of eligibility was steadily increased from 2003. This process, however, was largely catalysed and driven by civil society pressure rather than an intended policy roadmap.[90]

The DSD has since abandoned this approach, and its Green Paper published in August 2021, calls for the introduction of a universal, non-means-tested UBIG.

Phasing-in presents significant problems. First, the initial selection of limited age cohorts is ultimately an arbitrary decision of who is more deserving in the context of widespread desperation. Second, doing so will require more complex means of targeting and dilute the impact of a BIG; this threatens to undermine popular support and sustained commitment necessary to fully realise the rollout to all cohorts. Third, **this disregards the urgency of the current context**. While the Taylor Report of the early 2000s recommended phasing-in over several years to ensure administrative capacity could be progressively put in place,[91] two decades later, there is arguably a far larger trade-off in adopting this strategy. In the immediate context of an ongoing pandemic, record-high unemployment rates, economic growth without job creation, and rising levels of food insecurity, it is unconscionable to engineer unnecessary delays that would deny social protection to the vulnerable. The increasingly fragile social stability as seen in the July unrest, sharply raises the question of whether South Africa can afford to delay the implementation of a BIG.

If urgency of implementation is critical, how can this be done? Capacity constraints and under-resourcing have historically proven a barrier for SASSA to efficiently administer grants.[92] According to the DSD, even if SASSA's current capacity for application processing was doubled, given a pool of approximately 20 to 30 million applicants, a BIG requiring means-testing similar to the CSG would **take over 20 years to implement**.[93] This suggests a targeted BIG is not possible to implement for the required number of people in the short-to-medium term.

Therefore, if phasing-in is rejected for the reasons outlined above, then priority must be given to reaching full coverage without unnecessary delays. A universal BIG then becomes the most feasible option.

POLICY PATHWAYS

If strategic phasing-in is a 'necessary evil' in the short term then, this could entail moving from the immediate extension of the SRD Grant, to a targeted unemployment or preferably an income threshold grant in the medium term, then towards a UBIG in the longer term. However, this raises the implementation challenges outlined above, and instead of simplifying the roll-out, could considerably complicate it.

11. CONCLUSION

The introduction of a BIG offers a myriad of economic and social benefits, but how it is designed and implemented will fundamentally determine the nature and extent of these.

A universal BIG is able to not only fulfil the constitutional obligations of the state, but reach recipients more effectively and account for inclusion errors more efficiently, without the burdensome, costly, and exclusionary measures required by targeting. It is buttressed by popular support and affordable at meaningful levels, with positive redistributive effects if progressively financed. Its wide coverage offers significant poverty-alleviation effects, while providing an inclusive and empowering basis to rebuild and reshape our disintegrating social contract. Further, it is realisable in a shorter timeframe when compared to phasing-in and forced delays resulting from lack of capacity to implement targeted grants.

This said, the significant impacts of the SRD Grant itself (however limited this grant is) speaks to the ability for different forms of a BIG to have positive impacts. If policy makers insist on implementing a targeted BIG, this would likely be best achieved through the use of income thresholds. The allure of an unemployment BIG understandably speaks to strongly held beliefs around work, yet in practice, this provides an incredibly elusive, shifting, and ultimately self-defeating target, while creating new poverty traps and encouraging informalisation in order to retain eligibility and employment.

For income thresholds, the PIT threshold is superior in being more readily administered via SARS and offering greater impact, yet there would be no logic (given its cost) in adopting this over a UBIG, and hence this option is discounted. In lieu of this, utilising the CSG means-test at least provides a relatively high enough threshold to ensure eligibility of many within poverty. Lower income thresholds than the CSG means-test, while potentially enabling higher transfer values, face far greater challenges which in turn undermine their effectiveness. The assumption that few grants at a higher level necessarily have a larger impact has also been shown to be doubtful.

What is clear is that the question of universality versus targeting is heavily shaped by political priorities and ideological preference. Yet this question requires policy makers to have a rigorous understanding of the social dynamics and economic impacts that those policy choices engender.

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12. NOTES

1 Department of Justice and Constitutional Development. 1996. The Constitution of the Republic of South Africa.

2 IEJ, SECTION27, and CESR. 2021. "Social Protection During Covid-19: The Rights to Social Security and an Adequate Standard of Living," 2021 Covid-19 Economics and Human Rights, Factsheet #3, www.iej.org.za/social-protection-during-covid-19/

3 Stats SA. 2021. "Quarterly Labour Force Survey (Q2:2021)," www.statssa.gov.za/publications/P0211/P02112ndQuarter2021.pdf

4 To be eligible for the COVID-19 SRD Grant, one must be: over the age of 18, a South African citizen or permanent resident or refugee registered with Home Affairs; not currently employed; not receiving any income, grant or other government COVID-19 support; not receiving an Unemployment Insurance Fund (UIF) benefit, nor qualifying to do so; not receiving stipend from NSFAS or any other financial aid; and not a resident in any government-funded or subsidised institution.

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15 Under a UBIG for all working age persons, the only genuine source of inclusion error would be persons either younger or older than the age range receiving its benefits. Wealthy individuals not declaring income and therefore not contributing through the income tax claw-back mechanisms would contribute through other tax mechanisms, providing the tax package is properly designed.

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