OPTIONS FOR IMPLEMENTING A UNIVERSAL BASIC INCOME GUARANTEE

Neil Coleman, Institute for Economic Justice
Input Nedlac Organised Labour Conference
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Why a UBIG

- Long standing gap in the social security system age 18-59
- A UBIG for this age group important step towards income security for all, and restructuring of our social security system
- Compared to other programmes of government aimed at assisting the poor- grants:
  - Can be rapidly implemented,
  - Income reaches beneficiaries directly,
  - Less prone to corruption
  - Have stimulus impact, particularly in a crisis

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Financing and designing a Universal Basic Income Guarantee

- The IEJ and others have done extensive work showing that a UBIG can be financed and implemented at different amounts, either universally (age 18-59) or at targeted groups.
- The recent IEJ policy brief on financing a UBIG sets out a wide range of around 18 financing options, which taken together could raise R250 billion in the short term, and R330 billion in the medium term.

Designing a UBIG

- Various proposals have also been made for different types of a ‘BIG’- either universal, which can be called a universal guarantee; or a means tested grant in the form of an unemployment, or other types of targeted grant.
- We prefer a universal grant, for a host of reasons which are outlined in our briefs.

Designing options for a UBIG

- In current policy debates two broad options being considered for a UBIG for 18-59:
- Universal- guarantee, received by all, clawed back progressively from those who don’t need it
- Targeted- but only for those who qualify on the basis of
    - *employment status – an unemployment grant; or
    - *income status- a grant for those below the income threshold
- First meets criteria for a UBIG. Second meets most criteria- basic income, guaranteed but is not universal.

Pros and cons of options

Unemployed or ‘income threshold’ grant

Pros

- targeted;
- can afford higher amount

Cons

- Covid economy sees fluid transitioning between employment status: formal, informal, part-time, unemployed etc.;
- conditionalities including means testing (income level), employment status etc. creates inefficiencies, unfairness, as seen with Covid special grant;
- disincentive to enter labour market/ earn income;
- is not created as a fundamental right.
- Grant for those below income threshold has ‘threshold paradox’- see below.

Pros and cons of options

UBI for 18-59

Pros

- More effectively address poverty & inequality;
- all low-income, those in poverty whether working, unemployed or partially employed, will receive it;
- income can be transferred relatively simply, and minimises bureaucratic interference & corruption;
- it is a right which no-one can take away.

Cons

- ability to finance highly contested;
- danger of it being set too low.

A UBIG is an investment not a cost

- A UBIG should be seen as an investment, not just a cost
  - Economic multipliers has a stimulus impact (see impact research- UBIG at LBPL raises growth by around 0.5% and disposable income of lowest 2 quintiles by around 5%)
  - Model also shows it stabilises the deficit and debt:GDP ratios as a result of the growth impact, reduces inequality significantly, and massively reduces poverty- at LBPL from around 37%-30%
  - Social impact, as seen in international experience
  - Benefits carers, those not remunerated for care work
  - Stimulates local economies, as poor tend to spend greater % & locally (cf even R350)
  - Supports income of working poor
- Stabilises household incomes in times of crisis

The international experience on income transfers

- Range of international studies show that large scale income transfer programmes, as in Brazil, or localized trials, as in Kenya Namibia etc, have a wide range of social and economic benefits*.
- Key impact: reduction in poverty
- In addition a wider range of benefits:
  - Support nutrition and health
  - Increase school attendance
  - Support job seeking
  - Stimulate local economies
  - Help mitigate negative economic ‘choices’- eg excessive debt
  - Assists agriculture and informal businesses

* See Dr Kate Orkin Dr Robert Garlick “International evidence to inform the decision on extending emergency relief measures to March 2021” Input Commissioned by Presidency

Brazil stimulus and recovery

- Brazil at the onset of Covid-19, debt-to-GDP was at about 100% and GDP growth at 2%. After stimulus in response to Covid-19, growth increased to 5% and the debt-to-GDP fell to about 80%... in this context the markets "won't blink" at a 2% increase in debt-to-GDP if it is part of a pro-growth stimulus package. (Colin Coleman)
- Brazil had higher debt ratio than us going into this crisis of above 90%. Then they implemented massive grant worth 4.5% of GDP. The economy limited GDP decline, recovered very quickly and is now at pre pandemic level. Debt ratio went down to 85% recently (Duma Gqubule)
- See also schroders.com What's changed the outlook in Brazil? 06 Jul 2021

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Paths to a UBIG

- Elements
  - Short term: Improved Covid grant (minimum at FPL)- particularly if extended beyond March 2022
  - Medium term: Either a targeted UBIG, or a Universal grant at minimum at the FPL level
  - Long term: Progressive realization towards a decent UBIG, minimum UBPL

Possible Paths to a UBIG (* dates are merely indicative)

Short-term	Medium	Long	Challenges
Path I **Improved COVID Grant R585 (FPL)** **Now- Mar-/June 2022**	**Targeted unemployment grant** (Possibly including precarious/ informal workers) June 2022- March 2024	**Universal BIG** March 2024	How to overcome the definitional issues. Inability to differentiate with current databases. Perverse consequences of means testing. Wouldn't be able to use progressive tax like SST
Path II **Improved COVID Grant R585 (FPL)** **Now- Mar/June 2022**	**Income thresholds** -NMW -CSG (R4600) -Income tax (about R7000) -Other? March/ June 2022- March 2024	**Universal BIG** March 2024	How to overcome the "threshold paradox": those just above threshold end up earning less than those just below, because latter benefit from a BIG, & former don't. Wouldn't be able to use progressive tax like SST.
Path III **Improved COVID Grant R585 (FPL)** **Now- December 2022**	**UBIG** At modest (at least FPL) level but universal Jan 2023-June 2024	**Decent UBIG** Move progressively towards a decent level (at least UBPL) June 2024	How to overcome resistance to a UBIG. Financing challenges.

Financing Options

Costs

Table 10. Total annual cost of a Universal Basic Income Guarantee at different levels (R billion)

Group (18-59)	Number of people	FPL (R585 pm)	LBPL (R840 pm)	UBPL (R1268 pm)	R2500 pm	R3500 pm
All	34.1m	239	343	519	1023	1432
All (80%)	27.3m	192	275	415	818	1146
All (60%)	20.5m	144	206	311	614	859
Informal Workers[36]	2.5m	18	25	38	76	106
Unemployed	11m	78	111	168	332	464
NEA	13.4m	94	135	203	401	561
NFE	22.4m	157	226	341	672	940

Source: QLFS 2020:Q3.

Note: Unemployed is by expanded definition. NEA denotes those not economically active. NFE denotes those not formally employed. An additional annual cost estimate for an additional 1 million people by any definition would be R7bn at the R585 level, R10bn at the R840 level, R15.2bn at the R1 268 level, R30bn at the R2 500 level, and R42bn at the R3 500 level.

- Evidence from both CSG and SRD uptake suggests initial uptake of 60% likely in first year, up to 80% over time.

Financing

- We may have to borrow small amounts initially.
    - We have the capacity to do this.

Financing measures must be progressive by design.
Must come from a mix of taxation policies including:

1. Recoup the UBIG from those with taxable income.
2. Tax those with middle, high and very high incomes on a sliding scale.
3. Tax wealth and income from wealth.
4. Limit tax breaks for those with higher incomes.
5. Cancel ineffective corporate tax breaks.
6. Tax environmentally damaging behaviour.
7. Reduce wasteful and irregular expenditure.
8. Reduce tax evasion.

Can be achieved with the necessary political will

Expanded tax options (July IEJ brief-pto)

Table 2: Summary of financing options

Billions	2022/23	2023/24	2024/25	Notes
Income Taxes:				
Social Security Tax (SST)	R62.20	R63.90	R65.60	• 1.5% of taxable income for income between R0 and R80 000 per annum; • 2% of taxable income between R80 000 and R350 000 per annum; • 2.5% of taxable income between R350 000 and R 1 million per annum; • 3% of taxable income more than R1 million per annum.
Resource Rent Tax	R38.80	R38.40	R38.30	Assuming a tax that can extract 25% of the Natural Resource Rent value in South Africa in line with Ghana and Zambia.
Selective removal of pension fund contribution deduction	R22.04	R22.64	R23.25	Removal of deduction for those with taxable income of more than R1 000 000 per annum.
Selective removal of Medical Aid Tax Credit	R6.03	R6.23	R6.36	Removal of tax credit for main member and main dependent for those with taxable income > R500 000 per annum.
Dividends Tax	R7.70	R8.10	R8.60	Increase rate from 20% to 25%.
Consumption Taxes:				

Implementing a Luxury VAT	R8.41	R8.78	R9.17	25% VAT rate on luxury goods.
Increase in Excise duties	R3.36	R3.56	-	14% annual increase; temporary measure.
Carbon Tax	R2	R2	R2	Increase to one-quarter of EU standard.
Wealth and Property Taxes:				
Wealth Tax	-	-	R59	1% tax rate for top 1% and 3% tax rate for top 0.1%. Evasion rate of 30% and 20% stock depreciation assumed.
Estate Duty Tax	R1.79	R1.87	R1.93	• Estates valued between R3.5 million and R30 million are taxed at a rate of 36%. • Estates valued between R30 million and R146.89 million are taxed at a rate of 41%. • Estates above R146.89 million are taxed at a rate of 45%.
Currency Transaction Tax[12]	R3.68	R3.75	R3.88	0.005% tax on all onshore currency transactions.
Securities Transfer Tax (STT)	R1.37	R1.41	R1.45	Increase rate from 0.25% to 0.3%
Financial Transaction Tax (FTT)	R41	R41	R41	0.1% tax rate.
Removal of corporate tax breaks:				
Reduce profit shifting of MNCs	R5.75	R5.75	R5.75	Target of 25% reduction.
Cancel Employment Tax Incentive (ETI)	R4.8	R4.93	R5.06	
Reverse Corporate Income Tax (CIT) reduction proposal	7.6	8.2	8.2	Reverse proposed reduction of CIT from 28-27%.
Reduce wasteful and irregular expenditure:				
Reduce irregular expenditure	36.4	42.5	48.5	Target of 30% of R121.3 billion, reported by Auditor-General in 2021.
Reduce wasteful expenditure	R1.85	R1.85	R1.85	A further 2.7% reduction of R68.4 billion spent on "General Public Services".
Total	**R249.03**	**R261.12**	**R329.90**	

VAT collection

- Money of a UBIG will mostly be spent, and with less leakage than economy average. Some of these items (80%) will be VATable.

Table 14: VAT collection for different groups (R billion)

Group (18-59)	# Recipients	R585	R840	R1268
All	34.1m	28.7	41.3	62.3
All (80%)	27.3m	23.0	33.0	49.8
All (60%)	20.5m	17.2	24.8	37.4
NFE	22.4m	18.9	27.1	40.9

Note: NFE denotes those not formally employed, comprising informal sector workers, those unemployed, and those not economically active. Assumes zero saving of UBIG amounts. Based on QLFS 2020:Q3 data. Figures rounded. Based on 80% expenditure of income on VATable items.

- 80% spend on VATable items is conservative.
- Will finance approx. 12% of total cost of a UBIG.

Financing strategy

- IEJ and others have done the initial work of identifying potential financing mechanisms, and shown that a UBIG is affordable at certain levels
- Need to develop more detailed approach to sequencing & rollout of different financing mechanisms short to long term; and element of borrowing
- In short to medium term, instruments like a Financial Transaction Tax, Social Security Tax , Resource Rent Tax, a luxury VAT etc. could achieve significant revenue to provide a basis to implement UBIG options
- But in part depends on UBIG path chosen. Eg of Social Security Tax – could only implement if low income workers benefited from grant.
- Criteria in choosing sequencing of financing options- include relative ease of implementation (although all require political will); limited negative consequences etc.
- Further work needed on a financing strategy, which looks at sequencing & merits of different options. IEJ is considering this.

What is possible with this financing?

What can be financed?

As Table 25 below shows, 17 of the UBIG scenarios at the FPL, LBPL, and UBPL highlighted in green -are immediately affordable without borrowing, with revenue of R249bn. When VAT collection is considered, an additional two scenarios are affordable in the short-term as noted by the asterisk. In the long-term (highlighted in purple), because of the redistributive potential of a wealth tax, it is possible to lift 60% of adults to the UBPL.

Table 25: Feasible options

Groups (18 – 59)	Number of people	FPL (R585 pm)	LBPL (R840pm)	UBPL (R1268 pm)	R2500 pm	R3500 pm
All	34.1m	239	343*	519	1023	1432
All (80%)	27.3m	192	275*	415	818	1146
All (60%)	20.5m	144	206	311	614	859
Informal Workers[72]	2.5m	18	25	38	76	106
Unemployed[73]	11m	78	111	168	332*	464
NEA[74]	13.4m	94	135	203	401	561
NFE[75]	22.4m	157	226	341*	672	940

Source: Own calculations based off IEJ Policy Brief. 2021. Introducing a Universal Basic Income Guarantee for South Africa.

Social Secuity Tax (SST)

- A progressive tax on income, dedicated to financing extension of social security. All earners on sliding 1.5-3% scale. 50/50 contribution by employers and workers.
- Workers earning less than R350k p/a receive more in the UBIG than they pay in the SST

Table 12: Social security taxation options per income bracket (R billion)

Earnings (R)	# Taxpayers	Taxable income	1.5%	2%	2.50%	3%
0 - 80k	6,822,326	218.8	3.3	4.4	5.5	6.6
80k – 350k	4,927,667	908	13.6	18.2	22.7	27.2
350k - 1m	1,910,855	1018	15.3	20.4	25.5	30.5
1m +	307,912	593.6	593.6	11.9	14.8	17.8

Source: National Treasury. 2020. Budget Review 2020.

Highlighted options total R64,7bn (Note these figures are slightly revised in the July IEJ Brief)

*= positive or neutral for lower income earners – i.e. tax is less than or roughly equal to the value of the UBIG at FPL (UBIG R7020 p/a. Tax R7000 for those earning R350k) SEE BELOW

+= value of UBIG is progressively clawed back for higher income earners

Net benefit to low invome earners after the SST

- Progressive net benefit of UBI to lower income earners after Social Security Tax is deducted= yellow. Higher income earners are net contributors= orange
- All workers earning less than R350k p/a receive more in the UBIG than they pay in the SST

Earning per year	35,000	70,000	150,000	250,000	340,000	500,000	1,000,000	
585	7020	7020	7020	7020	7020	7020	7020	total UBI received
840	10080	10080	10080	10080	10080	10080	10080	
1.5%	525	1050						SST tax repaid
2%			3000	5000	6800			
2.5%						12,500		
3%							30,000	
Net benefit @585	6495	5970	4020	2020	220	- 5,480	- 22,980	
Net benefit @840	9555	9030	7080	5080	3280	- 2,420	- 19,920	

Pre and post effective tax rates before receiving a UBIG

Table 9: Pre and post effective tax rates

Pre and post effective tax rates		
Income	500 000	1 000 000
Retirement Fund contributions	-37 500	-75 000
Taxable income	462 500	925 000
Medical Aid Tax Credit	7 968	7 968
SST	-12 500	-30 000
PIT tax (before changes)	-101 221	-279 669
PIT tax (after changes)	-121 689	-348 387
Effective tax rate (pre-tax changes)	20%	28%
Effective tax rate (post-tax changes)	24%	35%
Annual disposable income (before changes)	361 279	645 331
Annual disposable income (after changes)	340 811	576 613

Source: Own calculations based on National Treasury (2021) Budget Review.

Note: as an indicative example, if a family with 2 adults, but one breadwinner, received a UBIG at the LBPL of R840p/m they would benefit from a total UBIG of R840*2*12= R 20 160. While not precise (and assuming only 1 breadwinner, & only 2 adults, and no other tax changes) this shows that the net income loss for a R500k earner in this example would be minimal (less than R1000 p/a); and those earning R1mn, would contribute around R50k p/a, which is not a massive contribution given the value added to society in economic stimulus development, social stability.

Comprehensive Social Protection

- UBIG by itself not a silver bullet. Poor households/ communities need a variety of interventions to promote livelihoods, improve income, health etc.
- Comprehensive Social Protection (CSP) will ensure that households see the combined impact of
  - A progressively improving NMW
  - A UBI for adults
  - A CSG and OAP which can truly support children and old people
  - Affordable public services eg through NHI

A UBIG must be part of a developmental strategy

- A CSP and UBIG must reinforce and combine with livelihood strategies which support local economic development; employment promotion and diversification; access to assets; access to affordable public services, including health, education, energy, water.
- So while grants go to individuals this comprehensive set of interventions would combine to improve incomes and capabilities of household and communities; and inject significant resources which will stimulate local and national economic wellbeing.
- Assist shift from the current growth path which diverts resources into financial speculation, & other unproductive economic activities; and help shift from climate destructive, exploitative growth models. Rethink capitalism

Policy implications

- Need to realise developmental as well as stimulus impacts of a grant programme.
- Covid grant of R350 allows for bare survival. Minimal spending on food.
- The announcement was a missed opportunity to stimulate local economies. A grant at the FPL of R585, or even better at the LBPL of R840 would have injected a significant stimulus.
- The R27 billion to extend the Covid grant has effectively been covered by the tax being paid just by 2 large mining companies! We could easily have covered an increase in the grant. But we are paralysed by caution.
- An austerity paradigm is self-defeating. Countries in the crisis have accepted the need to spend and raise debt in the short term to rescue and ultimately stimulate their economies

Policy implications 2

- We need to avoid the dangers of reprioritization within an austerity paradigm. This has perverse consequences.
- See Presidential Employment Stimulus (PES) example. Money was taken from this budget at the beginning of the year to ‘fund’ the extension of the Covid grant. But this was unnecessary.
- Political choices need to be made to leverage the resources. In the PES or Covid grant example, the extra tax raised (R38bn) last year could have gone towards both programmes. Instead it went to a 1% reduction of corporate tax. What benefits has society seen from this decision?

Policy implications 3

- Alternatively, an insignificant increase in borrowing, or monetary financing, could have easily accommodated both programmes.
- Treasury continues to make worrying choices. So there is no budget for the PES in 2022 or 2023, despite the commitment in the R500 bn package to R100bn for jobs.
- Thus with the UBIG we need to ensure: that other budgets aren’t slashed to fund it; and that provision is contained to finance it in the MTBPS in October. We have 8 months to finalise a UBIG!

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What Policy shifts are needed?

- Need for shift in economic paradigm. Current approach is not moving us forward.
- Need to rethink approach to social security and development, and ensure implementation of the ANC Manifesto commitment that no South African should fall through the social security net .
- Role of Treasury needs to change, and Presidency should play an overall coordinating role in economic planning and policy; instead of Treasury constantly blocking and undermining strategic programmes which have been agreed on.

What Policy shifts are needed 2

- Need to look at how other countries have used their economic instruments, including their fiscus, development finance institutions, their reserve bank, to drive an economic recovery, and actively create economic space.
- This requires a fundamental rethink of our macro economic policy. This has been resolved in numerous ANC and Alliance processes.
- The design, financing and implementation of a UBIG can only take place in the context of this reimagined economic policy framework.

Why Policy shifts are needed 3

- We must design a relief and recovery package which is of a sufficient size and appropriately tailored to our conditions to ensure economic rescue and recovery. The current recovery plan is medium term in nature, and cannot work if our productive base, our businesses and households are decimated, as is the situation at the moment. Grants play a strategic role in this recovery.

- At the same time we must design and sequence our interventions in a way which progressively builds confidence, capacity, and impact; and establishes credibility not just among investors, but among our people. Certain interventions can be rolled out quickly with significant impact. This is true of grants, but less true of some medium term infrastructure interventions for example.

What Policy shifts are needed 4

- We must also learn from the failure of austerity strategies, and reject the passive acceptance that there is no room to maneuver, and that we must forever be victims of external forces beyond our control.
- Managing markets, aspects of infrastructure strategic for the economy etc are important. But equally, if not more important, is addressing the needs of our people. Neglect these, and the entire basis of the economy & society will be undermined, as we have seen in the July unrest.
- We have the opportunity to change course, and change history.

Negotiating a UBIG

- Business has been able to stay largely out of the fray- some business voices support, but others have voiced opposition.
- Treasury role. Blocking.
- But growing support in government and ANC
- Labour and community support
- Major coalition of organisations mobilizing support
- Possibility of escalating to a high level engagement in Nedlac?

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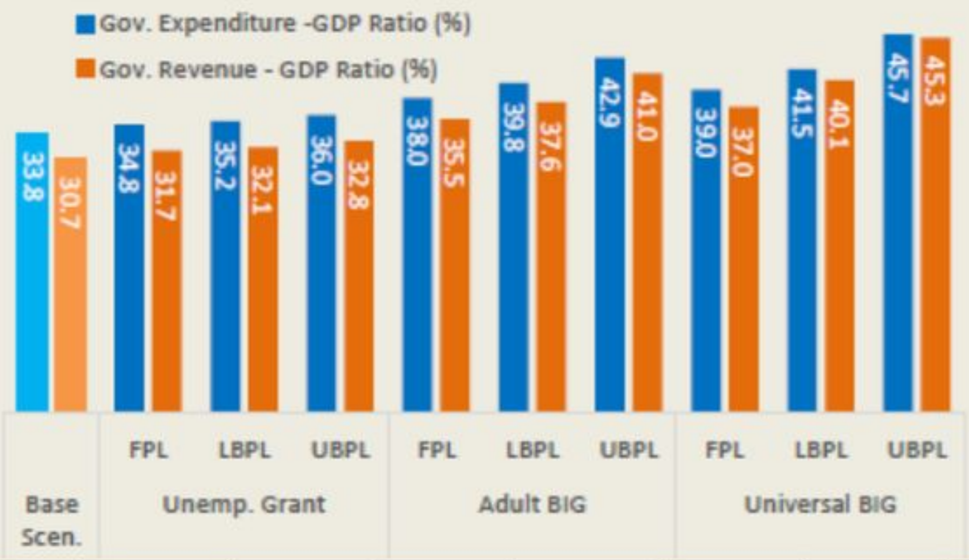
Additional slides

Modelling the impact of a UBIG for South Africa (Results from the ADRS study)

Fiscal Impact
of Unemployment and Basic Income Grants (2021-2025)

The requirement that government annual spending on a new grant be fully recouped through increases in income and wealth tax translates to concurrent increases of both expenditure-GDP ratio and revenue-GDP ratio, with no deterioration of deficit-GDP ratio and debt-GDP ratio.



Fiscal Impact (Average 2021-2025)

Fiscal Indicators	Base Scenario	Unemployment Grant			Adult BIG			Universal BIG		
		FPL	LBPL	UBPL	FPL	LBPL	UBPL	FPL	LBPL	UBPL
Gov. Total Social Beneifits Paid (Rand, billions) (A+B+C)	R300	R369	R399	R450	R594	R723	R938	R708	R923	R1 285
A. Current Grant Programme (Rand, billions)	*R189*	*R189*	*R189*	*R188*	*R188*	*R188*	*R187*	*R103*	*R102*	*R100*
B. New Grant Programme (Rand, billions)	*R0*	*R70*	*R100*	*R151*	*R295*	*R424*	*R640*	*R497*	*R713*	*R1 076*
C. Other Gov. Social Benefits (Rand, billions)	*R111*	*R111*	*R110*	*R110*	*R110*	*R111*	*R111*	*R108*	*R109*	*R109*
Gov. Taxes on Income & Wealth (Rand, billions)	R1 006	R1 067	R1 094	R1 139	R1 318	R1 454	R1 683	R1 533	R1 770	R2 170
Gov. Expenditure -GDP Ratio (%)	33.8	34.8	35.2	36.0	38.0	39.8	42.9	39.0	41.5	45.7
Gov. Revenue - GDP Ratio (%)	30.7	31.7	32.1	32.8	35.5	37.6	41.0	37.0	40.1	45.3
Deficit - GDP Ratio (%)	-3.1	-3.1	-3.1	-3.2	-2.5	-2.3	-1.8	-2.0	-1.4	-0.4
Debt - GDP Ratio (%)	59.6	59.6	59.6	59.6	57.9	57.1	55.8	56.7	54.5	51.6

Source: Asghar Adelzadeh (ADRS, Dynamically Integrated Macro-Micro Simulation Model of South Africa, DIMMSIM, www.ADRS-global.com)

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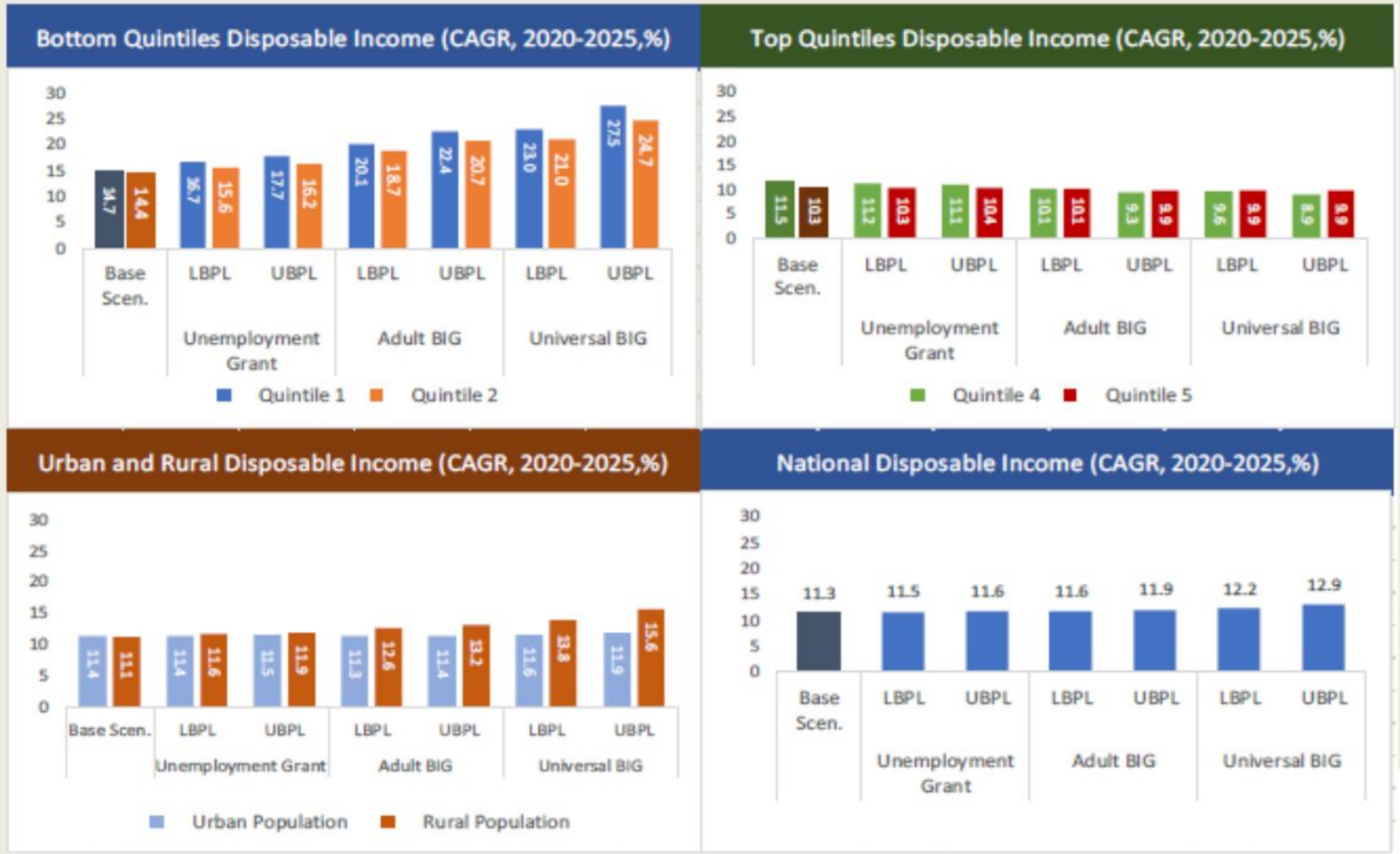
Macroeconomic Impact: Disposable Income

Given the requirement that government spending on a new grant be fully recouped through increases in income and wealth tax, the Unemployment and Basic Income Grant scenarios will only slightly raise the CAGR of total household disposable income. However, they significantly increase the CAGR of disposable incomes of bottom two quintiles and rural population relative to the incomes of the top quintiles and urban population, respectively.



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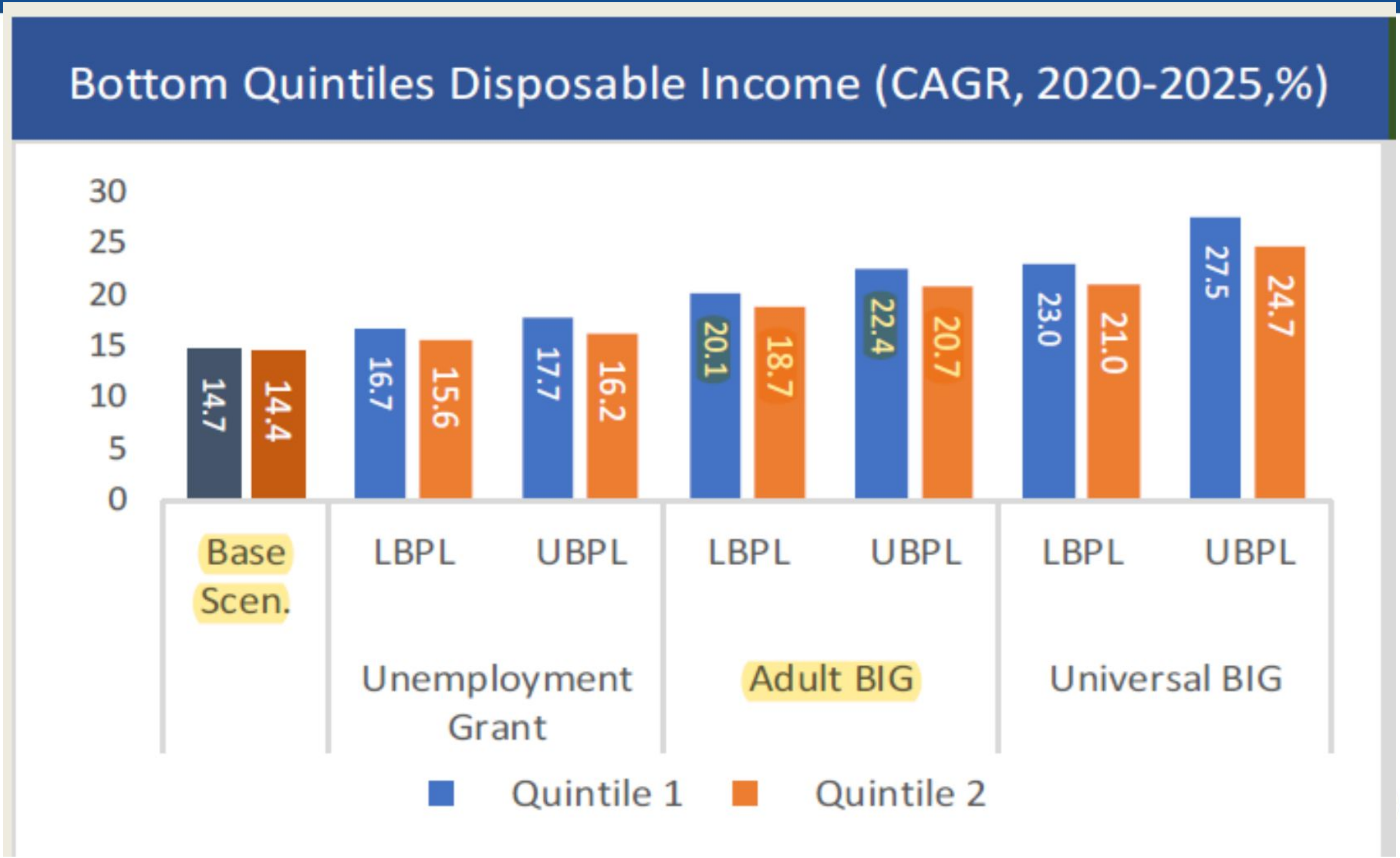
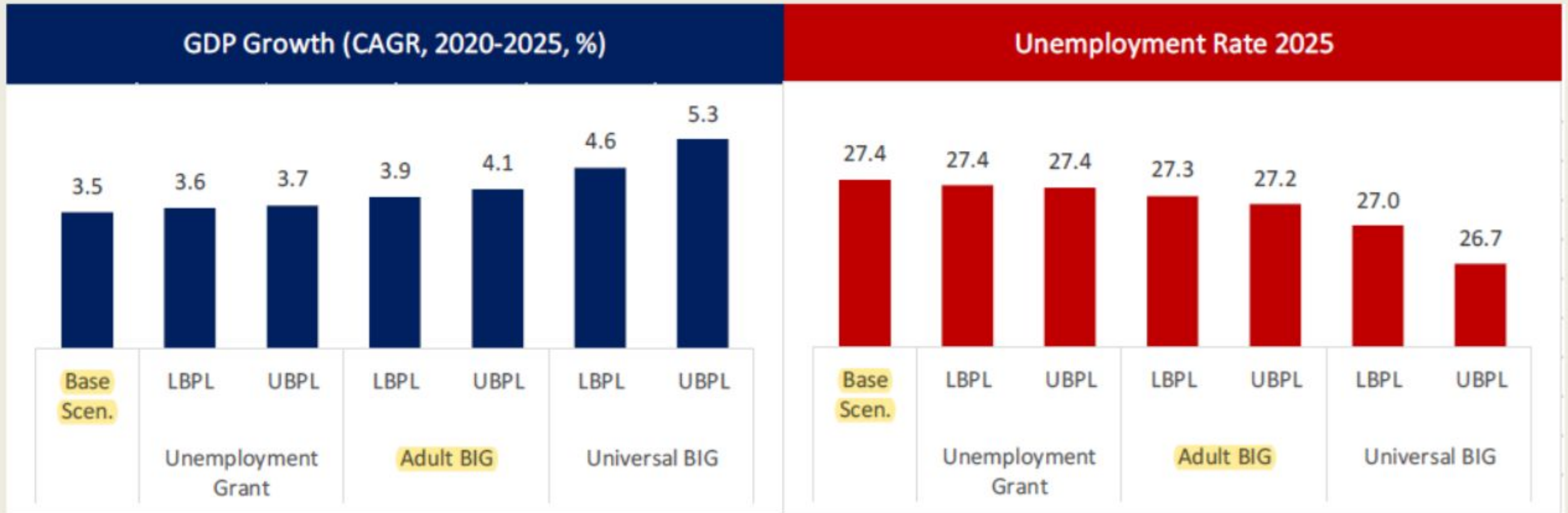

Bottom Quintiles Disposable Income (CAGR, 2020-2025,%)
30
25
20
15
10
5
0
14.7
14.4
16.7
15.6
17.7
16.2
20.1
18.7
22.4
20.7
23.0
21.0
27.5
24.7
Base Scen.
LBPL
UBPL
LBPL
UBPL
LBPL
UBPL
Unemployment Grant
Adult BIG
Universal BIG
Quintile 1
Quintile 2

Macroeconomic Impact: Growth & Employment

Even though the requirement that government spending on a new grant be fully recouped means the scenarios do not provide new net injection into the economy, the scenarios' bias towards the poor households, with relatively higher marginal propensity to consume, have positive impact on growth and employment. This is especially the case under the BIG scenarios.



Source: Asghar Adelzadeh (ADRS, Dynamically Integrated Macro-Micro Simulation Model of South Africa, DIMMSIM, www.ADRS-global.com)

Macroeconomic Impact
of Unemployment and Basic Income Grant Scenarios (2021-2025)

Macroeconomic Impact (CAGR, 2020-2025, %)										
Macroeconomic Indicators	**Base Scen.**	**Unemployment Grant**			**Adult BIG**			**Universal BIG**		
		FPL	LBPL	UBPL	FPL	LBPL	UBPL	FPL	LBPL	UBPL
Household Disposable Income										
National	11.3	11.4	11.5	11.6	11.5	11.6	11.9	11.7	12.2	12.9
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
Urban Population	11.4	11.4	11.4	11.5	11.3	11.3	11.4	11.4	11.6	11.9
Rural Population	11.1	11.5	11.6	11.9	12.1	12.6	13.2	12.6	13.8	15.6
GDP Growth	3.47	3.57	3.60	3.67	3.75	3.87	4.08	3.95	4.62	5.32
Unemployment Rate (Ave.)	27.42	27.39	27.37	27.35	27.33	27.28	27.21	27.21	27.03	26.71
CPI Inflation (Ave.)	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.8	4.7	5.1
PPI Inflation (Ave.)	5.7	5.7	5.7	5.7	5.6	5.7	5.7	5.6	5.5	5.9

Source: Asghar Adelzadeh (ADRS, Dynamically Integrated Macro-Micro Simulation Model of South Africa, DIMMSIM, www.ADRS-global.com)

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Additional financing options

- We commissioned independent economists (DNA Economics) to
  - Stress test the IEJ’s financing proposals in terms of viability, efficacy, progressivity
  - To look at other possible options
- Additional financing options being explored include:
  - A Financial Transactions Tax
  - Resource rent tax
  - Withholding tax on government contracts
  - Tax on super-profits
  - Wealth taxes

Wealth Tax

- A tax on wealth of wealthy individuals, with options at 1 – 3%
- The necessary groundwork to collect better wealth data will take time…

Estimated revenue collection through a Wealth Tax (R billion)

Group	Number of people	Average wealth per person	Total wealth (R Billion)	1% tax	3% tax
Top 1%	354 000	R17 830 000	6 312	63	189
Top 0.1%	35 400	R96 970 000	3 433	34	103

Based on Chaterjee, Gzajka & Gethin (2020).

Recommendations*

Based on R158bn revenue identified in March IEJ Brief. With R249 bn revenue identified in July Brief additional options are available - see slide 21 above

Immediately

Extend the COVID-19 grant until the end of the 2021/22 financial year, drop exclusionary criteria, and increase the level to the food poverty line of R585pm. Incorporate caregivers into this grant.

In the short term

Implement a UBIG for all adults at the food poverty line of R585 per month, using the R158 billion of tax increases mentioned above; or the lower bound poverty line of R840 per month, with fairly modest borrowing. Assuming a gradual uptake of the grant, this is affordable.

In the medium term

Implement a wealth tax and use this and the taxes mentioned above to fund an increase of the UBIG to either the level of the lower-bound or upper-bound poverty lines depending on uptake.

In the long term

Engage in a process of social consultation and long-term planning in order to ensure a UBIG sufficient to meet basic needs, and that there is a coherent overall transformation of the social security system.

The Institute for Economic Justice (IEJ) is a progressive economic policy think tank committed to advancing economic justice, systemic change, and the equitable distribution of resources to ensure rights realisation and planetary wellbeing.

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