ILERA
AFRICA
10th Regional Congress

ILERA AFRICA

10TH REGIONAL CONGRESS

3 – 4 APRIL 2024

ILERA AFRICA 10th Regional Congress

A BASIC INCOME GRANT FOR SOUTH AFRICA FROM AN INFORMAL ECONOMY PERSPECTIVE: LESSONS FROM SELECTED SADC COUNTRIES

Kamalesh Newaj
(Paper co-written with Justice Kgaphola

Objective

- This paper explores the viability of implementing a Basic Income Grant (BIG) in South Africa to incorporate informal workers into the social security system, in light of the constitutional right afforded to everyone to access social security.
- Insights have been drawn from two SADC countries (Namibia and Mauritius)

The Informal Economy and Informal Work in SA

ILERA
AFRICA
10th Regional Congress

- There are high levels of informality both in South Africa and in other SADC countries
- The Informal economy constitutes an important component of the larger economy offering people an alternative source of income in the face of job shortages in the formal sector (considering the unemployment rate of 32.1%).
- However, the informal economy faces several challenges. It is characterised by among others, unsafe and unhealthy working conditions, low levels of skills and productivity, and significantly ***low or irregular income.***

South Africa’s social security system

- South Africa has a comprehensive social security system comprising of both social insurance and social assistance.
- The right to social security is embedded in the Constitution.
  - Section 27(1)(c) states that everyone has the right to have access to social security, including, if they are unable to support themselves and their dependants, appropriate social assistance.
  - 27(2) obligates the state to take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right.

South Africa’s social security system

- Despite its comprehensive system there is no coverage for informal workers.

  - The Unemployment Insurance Act (UIA), an example of social insurance, provides monetary benefits in instances where employees are unable to work for various reasons, including unemployment, ill health, and pregnancy. Benefits are paid only to employees registered with the Unemployment Insurance Fund who have contributed to the fund. Therefore, informal workers are excluded.

  - The Social Assistance Act (SAA), provides for means tested social assistance but only accommodates three categories of individuals (children, the elderly, and the disabled). No assistance is provided to unemployed persons or persons who are unable to make an adequate living and are between the ages of 18 and 59.

South Africa’s social security system

- Despite discussions regarding the implementation of a basic income grant (BIG) in SA over 20 years ago following the Taylor Commission report nothing was done to permanently extend social assistance to informal workers.
- The Coronavirus Disease 2019 (COVID-19), was however a catalyst for the implementation of temporary financial stimuli. For the first time in SA marginalised groups including informal workers, received assistance through the COVID-19 Social Relief of Distress Grant (COVID-19 SRD).
- This grant is however of a temporary nature (was implemented in 2020 and due to end on 31 March 2025)

South Africa's social security system

ILERA AFRICA 10th Regional Congress

- Millions of beneficiaries benefitted from the COVID-19 SRD.
- It was found to have had a positive impact on poverty alleviation, despite the minimal amount paid (R350 per month).
- Significantly - it has reignited discussions about the implementation of a BIG.
- However, the element of universality is attached to the implementation of a BIG. which raises questions of affordability and sustainability: Section 27(2) of the Constitution must be borne in mind
- Considering the big divide between the rich and poor – and fact that universality adds to the cost of the grant questions arise about the appropriateness of implementing a universal grant.

International standards

- The ILO Social Protection Floors Recommendation 202, 2012 promotes the provision of basic income security, at least at a nationally defined level, for persons ***in active age who are unable to earn sufficient income***, in particular in cases of sickness, unemployment, maternity and disability. Incorporates informal workers as many earn an insufficient income.
- However, the ILO in the working paper titled '*Universal Basic Income proposals in light of ILO standards: Key issues and global costing'* cautions that the implementation of universal basic income grants has the potential to worsen inequality and undermine inclusive growth and social justice if not properly structured.
- The ILO's analysis reveals that in many countries where a universal grant is being considered there is a notable trend of replacing existing social security guarantees. Hence, a crucial aspect to consider in implementing a BIG is ensuring that individuals are not left worse off than before [for example, one of the proposals looked at for India comes with the replacement of means tested benefits, Finland's come with the replacement of some basic security benefits (such as unemployment and sickness)]

Lessons from Namibia

- The Namibian Constitution guarantees the right to social security. However, only form of social assistance is an old age grant. Children and working-age individuals not provided for.
- A BIG project was introduced in 2008 grounded on this constitutional provision, particularly its extremely limited implementation.
- A BIG of around 100 (ND) was paid to approximately 1000 individuals between January 2008 to December 2009, in Otjivero-Omitara village.
- However, fact that project was short-lived and not rolled out to a broader community or the whole country raises issues of sustainability

Lessons from Namibia

- Despite the short-lived BIG pilot project, positive results were reported. Besides curbing crime, food poverty and school dropout rates, the BIG test improved economic activities in the area and decreased unemployment.
- Illustrates that despite the low amount paid it had the potential to encourage informal economic activity and improve the lives of the project beneficiaries.
- This aligns with the impact reported from the COVID-19 SRD.

Lessons from Mauritius

- Country has a well-developed social security system - often referred to as a welfare state (even though no constitutional right to social security like in SA and Namibia).
- Social assistance - several social grants universally provided (old age, support for children, invalid's pension, basic widows pension) ***also unemployment assistance***.
- Social Aid Act and Unemployment Hardship relief Act – provided if individual is temporarily or permanently unable to earn a sufficient livelihood and lacks the means to support themselves and their dependents (must be unemployment of at least 30 days or 6 months and registered as unemployed)

Lessons from Mauritius

- Social insurance for unemployed - Introduced the Transition Unemployment Benefit (TUB) in 2009. Like the UIF in South Africa, the TUB is funded by contributions from both employers and employees. However, unlike the UIF, individuals can qualify for the TUB without prior contributions, thus ensuring that informal workers are not excluded.
- Primary objective is to safeguard living standards while encouraging participation in the labour market.

Lessons from Mauritius

- No BIG, but it does provide income support and does not exclude economically disadvantaged individuals of working age .
- The comparatively lower level of inequality in Mauritius compared to South Africa underscores the significant role played by Mauritius's extensive social security system in aiding the impoverished.
- However - unemployment assistance contingent upon registration as unemployed and available for work - Aligns with Mauritius's low unemployment rate of 7.32% - capacity to provide formal employment opportunities to its unemployed. In SA - placing informal workers into formal employment can be challenging. Thus, requirements tying social assistance to registration as a job seeker may not be suitable.

Conclusions

- Given the proliferation of informal work there must be coverage for the unemployed (inclusive of informal workers). It will align with the constitutional right to access social security, with Recommendation 202, and will contribute to advancing the UN Sustainable Development Goals by providing poverty-alleviating assistance.
- However, the form that this income support takes must be carefully considered.
- Despite the positive outcomes achieved through the BIG pilot project implemented in Namibia - it proved to be unsustainable. Mauritius on the other hand has had positive outcomes despite not having implemented a BIG.
- Better solution for SA - amend the SAA to introduce a means-tested guaranteed minimum income security grant similar to the COVID-19 SRD, instead of implementing a BIG (with its element of universality) -which could result in existing social grants being affected.
- Nevertheless, there is a need to reassess the grant amount. R350 insufficient – potentially align to food poverty line. Additionally, the criteria for means testing requires re-evaluation.