The Case for a Universal Basic Income in South Africa: A Conceptual Approach

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Abstract

This conceptual study investigates a model for addressing both poverty and income inequality, which is theoretically distinct from the traditional tax and transfer systems adopted by most jurisdictions. It does so against a backdrop of global uncertainty and ongoing challenges to the current economic landscape. The model investigated is known as universal basic income which provides a minimum payment to all citizens of a jurisdiction. In doing so it decouples income from labour and removes any means or employment tests from the receipt of assistance. To adequately address this model, a theoretical rationale for such an approach is first discussed followed by an analysis of the advantages and disadvantages. Current and previous experiments of universal basic income in Alaska, Switzerland, Canada, Finland, Kenya and Namibia are outlined and analysed. This is followed by a case study for the introduction of UBI in South Africa, with the conclusion that such a model is not outside the realm of political will or practicality.

Key words: tax and transfers, universal basic income, poverty, income inequality, distributive justice

1. Introduction

The global tax landscape is in a state of flux. This is due to phenomena such as base erosion and profit shifting, uncertainties around the taxation of e-commerce, and an increased prevalence of new and evolving multinational entities. At the same time, citizens of jurisdictions which are grappling with these problems are also faced with a great deal of uncertainty and are the ultimate casualties in this changing economic landscape. The consequences of a rise of 'new' types of multinationals and e-commerce are that individuals are no longer certain of traditional forms of ongoing employment, with many barely sustaining themselves by being able to afford essential goods and services. Globalisation is currently one of the main factors driving increased income inequality. The purpose of this paper is to propose a model of distributive justice, known as universal basic income (UBI), which overcomes this inequality through a non-means or work tested allowance for all citizens. To achieve this goal, the paper is set out as follows.

Following this introduction, part two of this paper develops an argument for the adoption of a model which provides for distributive justice and discusses common proposals to achieve such redistribution. Part three then demonstrates the advantages and disadvantages of a UBI for individual jurisdictions. This is followed in part four by a survey of jurisdictional experiments on the implementation of a UBI and a discussion of the findings. South Africa is then used as a case study for demonstrating how discussions centred on the introduction of a UBI can develop over time, along with an example of how UBI might function should it be introduced. Part six concludes the article.

2. The Concept of Distributive Justice and Models for Redistribution

The concept of distributive justice to overcome income inequality is not new. Normative philosophies such as utilitarianism, libertarianism and the Rawlsian theory of justice, are a few of the theoretical bases on which the redistribution of income to those considered in need is justified. As McCredie et al (McCredie, Sadiq, & Chapple, 2019) explain, Piketty recently extended Rawlsian theory by suggesting perceived or forecasted failures of our free market (capitalism), predicated by inequality, can be remedied through government intervention and progressive taxes, that is, via a redistribution of wealth (Piketty, 2014). In his book 'Capital in the Twenty-First Century', Piketty tracks movements in capital over the last century and forecasts significant increases in the value and unequal distribution of capital (or wealth) due to wage inequality, low economic growth and high returns on capital. He argues that a global solution to stem the tide of rising inequality due to the differences in wealth distributions is a worldwide tax on capital. Although such an approach merely raises or collects the required revenue for redistribution it does not deal with the allocation side of the equation. To this extent, Piketty's approach is the cause of some confusion (Shanahan, 2017).

Literature suggests that over the years, various models have been proposed to redistribute income which are argued to be superior to the current social security and tax and transfer systems that most countries adopt.[1] As previously stated, the model which is predominantly considered in this paper is a UBI which is defined as government payment for all regardless of a person's situation. As the name suggests UBI is a universal social program as compared to a targeted one and would replace current state benefits. While a UBI is a fundamental

[1] Most jurisdictions adopt a system which involves taxation as the primary means of financing welfare, hence the phrase 'tax and transfer system'. Social security, generally in the form of a means and/or work test is then used to distribute the revenue collected.

paradigm shift from the current social welfare systems of most countries, it is not the only possible alternative distribution model. Other possible models should not be dismissed. These include universal basic services, universal basic dividends, citizen's capital accounts, and negative income tax. Prior to a comprehensive discussion on UBI, each of these alternative models is briefly discussed.

The first alternative is one which focuses on universal basic services rather than income. A universal basic services model in a sense calls for the improvement and increase of the quality of the public services that are freely available to residents, regardless of their ability to pay. These services are a broad collection of free public services that enable every citizen to live a better life by ensuring access to safety, opportunity, and participation. They include health care, education, legal and democracy, shelter, food, transport, and information services (Portes, Reed, & Percy, 2017). It is argued that a universal basic services model is closer to current systems which already often provide public services such as education and healthcare. Consequently, the adoption of a universal basic services model would only require incremental changes rather than a wholesale reshaping of current tax and benefits systems. This is the case because many existing models for redistribution apply an approach known as a 'tax and benefits system' which taxes those who can afford to be taxed and redistributes those taxes through the provision of benefits (either cash or services) to those on lower incomes. That is, a universal basic services model can be introduced incrementally as an alternative to increased cash benefits while still keeping the current tax and benefit systems largely unchanged (Portes, Reed, & Percy, 2017). A model for universal basic services has been mooted in the United Kingdom.

The second alternative model is one which pays to citizens of a jurisdiction what are known as universal basic dividends (Segal, 2012). Under a universal basic dividends scheme all citizens would receive a regular payment from revenue raised by the state from the leasing or taxing of state-owned resources such as land and natural resources. In this sense, a universal basic dividends model is generally limited to those jurisdictions which are resource rich, with Alaska's permanent fund, discussed in section three of this paper, often cited as an example of such a scheme (Berman, 2018). The concept of a universal basic dividends model is similar to a UBI in that citizens are guaranteed a payment. However, the source of that payment is based on profits derived from state owned assets rather than income and consumption tax revenue collected from individuals and corporates, which is the traditional means of funding welfare regimes.

The third alternative model, known as a citizen's capital account, is considered to be a personalised version of the universal basic dividends model. A citizen's capital model combines elements of a universal basic dividends model and a UBI model by providing each citizen with their own account within a larger fund, with citizens then choosing whether to leave the funds invested as capital or withdraw amounts as basic income (Widerquist, 2012). In doing so, it allows individual decision making based on personal needs. It is also seen as advantageous in terms of a sustainable system as it provides an initial capital component at birth and returns any remaining principal at death. Currently, the model is merely theoretical as there are no jurisdictions which provide citizen's capital accounts (Widerquist, 2012).

The final alternative model is one coined by Milton Friedman, known as a negative income tax. Under this model, individuals receive cash benefits when their income falls below a certain level meaning that access to benefits remains tied with earnings. While both a UBI and negative income tax are measures which are intended to prevent poverty, the concept of a negative income tax can be distinguished from a UBI in the sense that it maintains a strong link between financial incentives and work, whereas UBI severs any connection between work and income. The appeal of a negative income tax is its impact on national budgets compared to a UBI which suggests greater political appeal and sustainability, although, theoretically, a system can be designed so that the net effect is the same.

While each of the above models may be considered suitable for the purposes of redistributing income, it is a UBI model which has received the greatest attention and has, to date, been trialled in numerous jurisdictions. As such, a UBI model is investigated in detail below.

3. A Universal Basic Income Model

UBI is a model that has been, for many decades, suggested as a means of wealth distribution and elimination of poverty (Lacey, 2017). In this part of the paper, a definition of UBI is considered, along with the theoretical rationale for such an approach as a means of wealth redistribution. In addition, a short explanation of the pragmatic working of UBI is considered.

3.1 Defining Universal Basic Income

A UBI, sometimes known as a basic income guarantee (BIG) is a payment made to all individuals to allow people to meet their basic needs and is unconditionally granted without any means, work, or activity tests (Arthur, 2016; Australian Government Productivity Commission, 2016). That is, it is a government payment for all regardless of a person's situation. As the name suggests, UBI is a universal social program as compared to a targeted one and would replace current state benefits.

While the definition of UBI is generally agreed upon, the way in which one is designed and implemented can vary significantly. Where a state has independent sources of income, such as those from natural resources, it becomes possible to share the wealth of the state between its citizens. Alternatively, where the state does not produce its own wealth, revenue raised through the tax system is generally required for redistribution. It is also suggested that a UBI can be framed as a 'wealth generator' whereby welfare is framed in market terms (Lacey, 2017). At its core, however, is the fact that a UBI decouples income from labour (Flassbeck, 2017). Given its nature as a social program, there is little doubt that UBI is of the greatest benefit to those who have the least. As such, its universal nature challenges the very essence of what we think of as a social policy. Most social policies work on the basis that those who are poorer than others are not good at making financial decisions, and that those who are wealthier are better placed to do. Studies, however, have subsequently determined that this is incorrect and that individuals, with the right resources, will ensure that basic needs such as food and shelter are acquired for their families and that investments in their future will be made (Blattman, Fiala, & Martinez, 2013).

Ultimately, introducing a UBI would (i) require a new social contract and (ii), at its most fundamental level, challenge the notion that individuals earn an income by working. This re-envisaged system, where productivity factors are taxed at a rate to ensure that all citizens of a nation receive a basic income, would allow citizens to make choices regarding what they wish to work on, whether paid or not (Devarajan, 2017).

3.2 A Theoretical Rationale for Universal Basic Income

It has been suggested that the notion of a UBI was first promoted by Thomas Paine and then revived by the British economist James Meade in the 1930s (Rycroft, 2017). The philosopher and economist F.A. Hayek, a classical liberalist, argued that:

> '*The assurance of a certain minimum income for everyone, or a sort of floor below which nobody need fall even when he is unable to provide for himself, appears not only to be a wholly legitimate protection against a risk common to all, but a necessary part of the Great Society in which the individual no longer has specific claims on the members of the particular small group into which he was born'* (Hayek, 2013 (reprint)).

Today, the notion of a UBI is no longer seen as a radical idea, and perhaps it never was. While part of historical economic redistribution debates, the concept fell off the political agenda in 1970 but has recently been reinvigorated. The recent reinvigoration has not only been triggered by the 2008 global recession and rising inequality, but also research being conducted by what are considered mainstream organisations (Devarajan, 2017). As Arthur (2016) explains:

> '*Debates over basic income proposals have moved from the fringe to mainstream newspapers like the Wall Street Journal and The Economist and high-profile research organisations like the Brookings Institution, the American Enterprise Institute and McKinsey Global Institute. In Australia, the Productivity Commission recently included a discussion of basic income in a report on digital disruption*.'

But what justifies such a proposal moving into mainstream politics? Theoretical rationales for UBI are twofold; there are those who argue for such a program on the basis of social justice while others argue it is the least damaging and most transparent way for governments to transfer wealth from some citizens to others (Gollum, 2017). The result is that it is often difficult to define a UBI according to any political leaning. On the one hand, it is seen as a socialist style policy which assures better wealth distribution and on the other, it is seen as a conservative policy which ensures the least interference by the state.

It could be argued that the current trend in support for UBI comes from an attempt to respond to the impact of neoliberalism and increased inequality (Lacey, 2017), with free market economists such as Milton Friedman and Friedrich Hayek (rather paradoxically) supporting the concept of UBI. Although, it is in stark contrast to the traditional neoliberal approaches of dealing with poverty, with means tests and the need for willingness to work, which, in essence treats poverty at an individual level rather than a 'structural occurrence' (Lacey, 2017). Libertarians also support proposals on the basis that if a country has a redistribution program, a UBI is the most transparent and efficient way to do it.

A UBI is seen as a model that is 'informed by commitments to freedom and equality: freedom as an effective possibility or real freedom, and this should be distributed at least in such a way that those with the least real freedom should have as much of it as possible.' (Lacey, 2017) [2] Essentially, UBI is seen as a means of economic transfer. However, conceptually, such an approach also potentially alters social and economic relationships which are often historically grounded in traditional concepts such as gender and race (Jaunch, 2015). Traditionally, women take on the role of unpaid carer with the consequence that there is income disparity between men and women, whereas UBI is gender neutral (Lacey, 2017).

It is easy to conclude that there is no one motivation for the promotion of a UBI. Rycroft (2017) summarises the general sentiment:

> '*Most proponents of a universal basic income view the basic needs argument as the central motivation of a UBI policy, to alleviate poverty. Yet, they differ in their own motivation for the promotion of UBI. Friedman saw UBI as a way to improve efficiency of social policies, but Rawls (1971) and Van Parijs (1991) view it as a necessary complement to freedom. According to them, freedom is only meaningful if one has the proper means to exert that freedom. The motivation here is one of social justice*.'

The economics behind UBI assume that sufficient revenue will be raised to adequately fund such a program. Where nations are resource rich it is much easier to envisage how such a program may be funded. However, where a nation is capital rich, whether that is intellectual or financial capital, there is an assumption that the tax system can be restructured in such a way as to raise the required funds. It also assumes that automation, while taking away jobs, is the creator of additional wealth which can be taxed to fund the program. To this end, each country would need to consider its own current tax and transfer system as well as assess the

[2] Citing Van Parijs P (1992) Competing justification for unconditional basic income. In: Van Parijs P (ed.) *Arguing for Basic Income: Ethical Foundations for a Radical Reform*. London: Verso, pp. 3–43.

viability of funding such a program and its citizens' desire to embrace a new type of social welfare program. In essence, 'Any UBI needs to be deployed as part of a range of counter-poverty initiatives that take into account the wider social and economic context, including gender- and race-based divisions and wealth distribution' (Lacey, 2017).

4. Advantages and Disadvantages of UBI

In this part of the paper, the advantages and disadvantages of UBI are considered with the aim of providing a balanced assessment of the rationale for and against the introduction of this new model of addressing income inequality. This is done with the aim of ensuring the reader is apprised of the considerations which are necessary in both an assessment of existing experiments in UBI such as those outlined in part four of the paper and also to effectively analyse the South African case study presented in part five.

4.1 Advantages of UBI

Proponents of UBI advocate for the introduction of such a regime based on numerous stated advantages. Fundamentally, whilst UBI is a shift in the way both the social security system and tax and transfer system works within any jurisdiction, its central rationale is embedded in the notion that it operates as a safety net for those who are unable to independently provide basic goods and services for themselves and their families. It operates differently to current regimes as it essentially underwrites market participation by ensuring that individuals are prevented from having to meet some form of employment or assets test (Parker, 2018). By doing so, it is argued that those who have the potential to end up below the poverty line are assisted, ensuring no one is in reality below the poverty line, especially when resident in a developing or poorer country (Lowrey, 2018). It would also offer assistance to various individuals in need such as those in abusive relationships and unpaid care positions (Lowrey, 2018). This advantage extends beyond those in need to also facilitate greater participation in non-market based activity such as community and civic service (Lacey, 2017). Not only does it enable greater participation in these services, but it also offers a sustainable solution to those roles as participants are ensured that income is coming into the household without any conditions attached (Lacey, 2017).

By ensuring revenues from state owned resources flow directly to citizens of a nation, there is an efficient use of natural resource rents with greater scrutiny and monitoring by 'the people' of its country's resources (Devarajan, 2017). This is especially the case for resource rich developing countries where much of the revenue from the sale of resources is leaving the jurisdiction. The leakage rate of many transfer schemes designed to help the poor is known to be significant, especially in developing countries where corruption is known to be a problem. Although the problem of leakage is also recognised in developed countries as is the ineffectiveness of current programs to assist the poor in getting out of poverty and being self-sufficient. As such, a direct transfer ensures the targeted population receives the monetary benefit. In addition, a cash payment is potentially empowering with recipients having control over the chosen spending rather than a targeted program which, theoretically, may be superior but often does not deliver practical results (Devarajan, 2017).

Should technological changes result in a loss of jobs, a UBI allows the transition to be managed more effectively from an economic, political, and moral perspective (Devarajan, 2017). It necessarily assumes a tax on increased productivity. However, the outcome is a policy which is based on the financial inclusion of all resulting in greater transparency of the system. Where workers are displaced due to technological advances, a UBI ensures that innovation is neither slowed nor stifled in an attempt to maintain employment status quo. It is also important to note that while new technologies may be a catalyst for considering UBI, they are also part of the solution to the introduction of UBI as digital identification and payments become much easier (Devarajan, 2017).

Perhaps one of the biggest advantages of UBI is the fact that uncertainty is removed as, when basic needs are taken care of, recipients of a UBI are able to undertake entrepreneurial risks (Arnold, 2018), further education, care for family members and generally make choices which they would not otherwise be able to make. A UBI's effects, while universal and therefore received by all, are not felt equally, with those who are in the most need receiving the greatest benefit. It also suggests a level of trust in the recipients in that they know what their individual and family needs are and how best to achieve them with the funds provided. Further, proponents also emphasise the creation of a welfare system that does not create onerous bureaucracy or individualise the stigma associated with welfare programs that are means tested.

In essence, depending on how a country designs its own UBI, positive features are generally regarded as: eliminating poverty traps; providing persistent and predictable wage support which is desirable in the gig[3], sharing, and circular economy; improving work incentives, particularly in community and civic services, where it lowers effective rates of tax; and is relatively inexpensive to oversee and administer compared to means-tested programs (Australian Government Productivity Commission, 2016).

4.2 Disadvantages of UBI

The two most common cited disadvantages of a UBI is the notion that individuals are receiving a payment for doing nothing and the high cost to the state associated with its implementation and running (Parker, 2018). That is, there is the suggestion that a UBI will lead to people choosing not to work (Lacey, 2017), while from an economic perspective the argument is often made that such a social program is unaffordable and therefore unsustainable (Flassbeck, 2017). Where a UBI is argued as a way to stem increasing inequality due to technological change, there is often scepticism about the consequences of these changes. That is, will technological change really lead to a significant reduction in jobs and employment as

[3] The gig economy is a part of the economy where temporary and flexible jobs are common due to companies preferring to hire freelancers and independent contractors (Chappelow, 2019).

well as an increase in income inequality. However, even if technological change does not lead to a reduction in jobs it is likely to lead to a change in the dynamics of the workforce with greater demand for highly skilled workers and less demand for basic skills resulting in an increased widening of income distribution (Piketty, 2014).

Of the cited disadvantages, the high cost of a UBI is perhaps the most dissuasive reason for introducing such a program. That is, what is the impact of a UBI on the economy from a tax and transfer perspective? Ideally, the introduction of UBI would correspond with the removal of current social security and transfer payments. However, it would also have to be funded through direct or indirect revenue raised by the state. Currently, the largest percentage of taxes collected globally are assessed on income while only a small percentage are assessed on environmental factors (such as energy, transport, pollution and resources), designed to mitigate these externalities. For example, in the European Union in 2017, environmental taxes represented a mere 6 percent of total government revenue from taxes and social contributions (Eurostat, 2019). Consequently, there is an undermining of social solidarity and support for the social contract. If basic needs of the people, such as education, healthcare, food and shelter, are to be met, this is not sustainable. The design features of current regimes need to change and should be present on both the supply and demand side by having, for example, a tax system which encourages resource efficiency improvements as well as the purchase of more energy and resource efficient products. Current literature suggests that this could be (in part) achieved by changes to the tax system via depreciation methods, changes to the consumption tax system, and increased Pigouvian taxes on emissions and consumption of non-renewable resources.[4] All of these measures are potential solutions to the tax system in terms of raising or collecting government revenue.

In addition to the above perceived disadvantages, there are a number of other criticisms that would need to be addressed. First, a UBI necessarily assumes that, with the income, citizens are able to purchase the goods and services they require and is clearly centred on the notion that enough income is provided to cover basic needs. However, when those goods and services are in short supply, providing a basic income will not solve the problem, as basic needs (food and shelter) and public services (medical and education) will not be available to be acquired (Kharas, 2017).

Second, from a social perspective, a UBI program assumes that people will be happier when they are faced with a choice of whether to work or not. Often argued as a disadvantage, this possible lack of motivation to work results in less productivity and less income tax. However, what needs to be weighed against a person's choice to stop working is their rationale for doing so. While some may simply choose not to participate in society, most will stop working to undertake other activities such as unpaid carer tasks or furthering their education. Also, there is a strong argument for UBI leading to improvements in 'food security, stress, mental health,

[4] Pigouvian taxes are designed to offset externalities, that is, consequences and social costs of production or consumption activities, by requiring businesses and consumers to internalize the costs of these externalities.

physical health, housing, education, and employment' (Lowrey, 2018) which all potentially lead to greater happiness.

Third, some have questioned whether traditional employer-employee relationships will be replaced with independent contracting arrangements on the basis that labour will become an 'on-demand' provision of services. Arguably, however, this could be no different to current trends where some industries are moving more towards independent contracting and a casual labour force while others maintain the need for employee relationships on the basis of such factors as high interdependence of workers, concern around the expropriation of intellectual property, ongoing involvement of the workforce to develop firm specific skills, and loyalty leading to maximum productivity (Australian Government Productivity Commission, 2016).

Fourth, there are opponents of UBI who argue that income and production cannot be uncoupled or separated (Flassbeck, 2017). This argument is based on the premise that all payments and transfers derive from market exchange or redistribution and there is no alternative to such an economic arrangement. This argument, however, is countered by circling back to the question of how a UBI would be financed.

Because of the perceived advantages, and despite the perceived disadvantages, numerous jurisdictions have introduced a form of UBI. In section four below six different jurisdictions are considered with the aim of outlining the successes and failures in practice.

5. A Survey of Experiments on UBI

The design of a UBI program is likely to vary across countries depending on the socio-economic imperatives and particular needs of citizens. While most experiments with a UBI have been conducted in developed countries, there is growing interest and support in developing countries where poverty is the greatest. Within this context, the argument for a UBI is generally centred on improved effectiveness of social welfare and transfer programs. In a developing country environment, targeted programs are often known to fail because of significant leakage caused by corruption and inefficiency (Kharas, 2017). In this part of the paper, several countries are considered on the basis that they have either investigated or experimented with a form of UBI. It can be seen from the above discussion that as a generally defined principle a UBI contains the elements of being a right of individuals which is unconditional and automatic. The country case studies below are those which are considered to most closely represent these qualities.

5.1 Alaska

A model for state wealth redistribution is found in Alaska and has run since 1982. It is perhaps the closest model to a fully developed and functional UBI. The Alaska Permanent Fund Dividend (PFD), the only large-scale universal basic income program in America, is tied to oil revenues and worth $US65 billion. The PFD is not seen as an income payment but rather a royalty payment program, that is, a cash transfer program (Knowledge @Wharton, 2018).

Each year, approximately 740,000 Alaskan citizens receive support through the dividend, and are provided an annual cheque of between $US1,000-$US2,000. The fund earns revenues from oil and mining leases, with amounts fluctuating due to oil price fluctuations (Knowledge @Wharton, 2018). Annual contributions from oil revenues, combined with reinvested earnings enabled the Fund's balance to grow to nearly $60 billion on July 1, 2017, which equates to approximately $80,000 per resident. As the fund and its earnings are constantly growing over time, so are the number of residents and their personal income. Recent payments have lagged inflation (Berman, 2018), as such 'One-half the Permanent Fund earnings are reinvested to protect the principal from the effects of inflation, with the other half available for dividends. The formula for determining the size of the annual PFD ties the annual amount to the average of fund earnings over the previous five years' (Berman, 2018).

Alaska has the highest rate of unemployment in America (approximately 7%) due to a recession caused by the loss of oil and construction jobs. However, academics at the University of Chicago and University of Pennsylvania found that the PFD scheme increases part-time employment, creating a neutral effect on employment numbers (Feloni, 2018). They made two significant observations from their study. First, 'the dividend had no effect on employment and increased part-time work by 1.8 percentage points' (Knowledge @Wharton, 2018). Second, 'receiving this basic income tends to increase education among the most disadvantaged youth' (Knowledge @Wharton, 2018). Another study suggested that there was a marginally positive employment effect, which, in combination with the increase in part-time work, could indicate new entrants into employment Matthews, 2018).

Perhaps the most significant findings however, centre on the effect of PFD on poverty and poverty-stricken Indigenous citizens. In particular, it was found that the PFD reduced the number of rural Alaskan Indigenous people in poverty during 2011–2015 by 22%, down from 46% in 2000; and it reduced poverty among rural Alaskan Indigenous seniors by more than 40%, to rates that are now relatively low. Child poverty rates have been increasing, however, the PFD reduced 2011–2015 rural Alaskan Native child poverty rates by 25% (Berman, 2018).

5.2 Switzerland

Switzerland is notable, not because it introduced a UBI, but rather it held a referendum to determine whether one should be introduced. Held in 2016, the referendum ultimately failed but Switzerland does represent the first country to take the question to its citizens. The proposal indicated that if passed, the government would give every Swiss resident an unconditional income of 2500 Swiss Francs, regardless of their employment status or assets owned (Foulkes, 2016). The final results of the referendum vote indicated that nearly 77% of voters were against the proposal, with only 23% indicating support for it (Von Elm, 2017). Perhaps the outcome is not surprising given the Federal Council and Parliament opposed the system, stating that this would hit the economy and the social security system by making it more appealing to remain unemployed (Frangoul, 2016).

In 2018, a Swiss filmmaker, Rebecca Panian, decided to launch a fund-raising campaign to start a basic income experiment for residents of the town of Rheinau, with participants over the age of 25 to receive 2500 Swiss Francs per month for a year (regardless of employment status). Those aged 22-25 would receive 1874 Swiss Francs per month. 880 out of 1300 residents of Rheinau signed up for the experiment. Those with income higher than the monthly basic income would be required to pay their basic income back at the end of the month to aid with financing. Unlike that proposed during the previous referendum, this experiment was proposed to be privately funded (Kotecki, 2018). The results of this experiment are not yet known.

5.3 Canada

Canada provides numerous examples of communities which have experimented with forms of UBI. Several Ontario communities planned and introduced a 3-year UBI experiment program in 2017 to give a monthly basic income to 4000 low-income earners. It was predicted that the program would cost $50 million a year (Bennett, 2017). The pilot locations included Hamilton, Brantford, Brant County, Thunder Bay, along with the Municipality of Oliver Paipoonge, Township of Shuniah, Municipality of Neebing, Township of Conmee, Township of O'Connor, Township of Gillies, Lindsay (Ministry of Children Community and Social Service, 2017). Only low-income earners were able to participate in the experimental program, and it acted as a replacement for unemployment insurance, the state pension and disability payments (Winfree, 2018). Ontario's current welfare system is designed to provide unconditional financial relief to low-income earners with the condition that they are attempting to look for employment or will take part in activities to help find them employment (Gollum, 2017). Participants were aged 18-64 years old, living in one of the selected test regions for the past at least 12 months, and living on a low income (under $34,000 per year if single or $48,000 per year if a couple) (Ministry of Children Community and Social Service, 2017).

The payment was designed to ensure a minimum level of income is provided to participants. Aligning with the advice of Hugh Segal, payments based on 75% of the Low Income Measure, plus other broadly available tax credits and benefits, would provide an income that met household costs and average health-related spending. Following this tax credit model, the Ontario Basic Income Pilot ensured that participants would receive up to $16,989 per year for a single person, less 50% of any earned income, $24,027 per year for a couple, less 50% of any earned income, and people with a disability would also receive up to $500 per month in addition to basic payments (Ministry of Children Community and Social Service, 2017).

Participants were split into two study groups: the Basic Income Group (who received monthly basic income payments) and a comparison Group (who did not receive payments but were still actively participating). Participants were regularly surveyed on their health, employment and housing situations. Lindsay participants were not assigned to a comparison group as they were used to measure the community-level outcomes of a basic income (Ministry of Children Community and Social Service, 2017). When signing up for basic income benefits, recipients agreed that they would pay back 50 cents for every dollar that they earned if working while receiving benefits and were required to opt out of some other government social services (Frazee, 2018).

The experiment was cut short after 15 months with the election of conservative premier Dough Ford and due to high costs (Reints, 2018). It was held by ministry officials that they did not believe this program helped their residents to become '*independent contributors to the economy.*' It is to be noted that this program cancellation was done before results could be effectively captured, making it impossible to determine the success of this experiment. The design of the project also raised concerns as it was highly likely to have been affected by how difficult and complex the application process was. Laval University economics Professor Mark Gollom believed that the results were likely to be skewed as only a certain kind of personality may have been willing to go through the difficult application process, resulting in participants not being completely random (Gollum, 2017).

There was also a similar four-year study ran in Dauphin, Canada in the mid-1970s which found statistically significant benefits for those who took part. They included fewer physician related visits due to mental health and fewer hospital admissions for accident and injury. These public health benefits disappeared once the experiment was over (Painter, 2016).

5.4 Finland

Finland ran an experiment for two years from January 2017 which was implemented by a centre-right coalition government. The program was originally motivated by a dislike for more expensive welfare systems and a need for eliminating work disincentives (Martinelli, 2019). The experiment was launched by Prime Minister Juha Sipila's government and implemented by the Social Insurance Institution of Finland (Kela) with the primary aim to study how it could reshape the Finnish social security system to meet the evolving challenges posed by the working life (Kela, 2019). The centre-right government originally planned to expand the scheme beyond the two years of trialling as it attempted to improve its unemployment rates.

This experiment involved the Finnish Government randomly selecting 2,000 unemployed people (aged 25 to 58) and paying them a monthly basic income of €560 (to be continued for two years regardless of whether they obtained employment). In this context, the experimental program was similar to the lower tiered unemployment benefit scheme that it is envisaged to replace (Kela, 2019). Participants did not have to give up any other social benefits they were receiving at the time. They could also keep applying for unemployment benefits if the amount due to them was higher than the basic income (Bershidsky, 2019). This affected the results of the experiment as it did not pull people out of poverty or improve welfare dependency issues. Thus far, part of the experiment's result has been analysed and published, with further results from the second year to be published in 2020 (Meyer, 2019).

The preliminary results and outcomes were published by the Finish Government in 2019 (Kangas, Jauhiainen, Simanainen, & Ylikanno, 2019). At the outset, it should be noted that there were low rates of response to the surveys with only 31% of the treatment group and 20% of the control group responding. Findings indicate that the experiment did not have any effect on employment status during the first year and that the number of annual days in employment for the group that received a basic income was on average half a day higher than that of the control group (participants in the treatment group worked an average of 49.64 days in 2017, while people in the control group worked 49.25 days). There were no significant differences in earnings (Bershidsky, 2019). The conclusion was that 'on the basis of an analysis of register data on an annual level, we can say that during the first year of the experiment the recipients of a basic income were no better or worse than the control group at finding employment in the open labour market' (Meyer, 2019).

In terms of wellbeing however, trial participants were happier and healthier than the control group; the level of trust was slightly higher among basic income recipients than in the control group; the level of confidence in one's own future was considerably higher in the test group than in the control group; the level of confidence in the respondents own financial situation was stronger in the test group than the control group, and over half of the respondents (54.8%) in the test group, less than half in the control group (46.2%), considered their state of health to be very good or good (Meyer, 2019). There was however little impact on employment rates and the propensity to find employment.

The test group and the control group were also asked about their support for basic income and their view on basic income. On a general level, respondents were asked whether a basic income should be introduced as a part of the social security system in Finland on a permanent basis. They were also asked whether accepting a job offer would make more sense financially with basic income and whether it would be easier to set up a business. A clear majority of the respondents in both the test group and the control group agreed somewhat or agreed strongly with the statement that with a basic income it would make more sense financially to accept a job offer. Of the respondents in the test group, 85% agreed somewhat or agreed strongly with the statement that a basic income should be introduced as a permanent part of the social security system in Finland. In the control group, 75% of respondents agreed (Meyer, 2019).

5.5 Kenya

GiveDirectly charity announced in 2017 that they would be paying $US22 a month for the next 12 years to residents of selected villages in Kenya as part of a basic income experiment (Weller, 2017). Mobile transfers were used to send funds to the villagers. The 12-year experiment provides a universal basic income to more than 6,000 Kenyan people living in impoverished villages (Matthews, 2017). Two hundred and ninety-five villages were randomly selected and were split into four groups (Suplicy & Dallari, 2019):

- Control group – 100 villages receive no payments
- Long-term UBI – 44 villages in which the adults receive $22 per month for 12 years

- Short-term UBI – 80 villages in which adults receive $22 per month for 2 years
- Lump sum UBI – 71 villages in which families receive UBI in two fixed payments of $500 each

This experiment extends previous research conducted by GiveDirectly via similar smaller trials in sub-Saharan Africa, starting in 2009. For example, in a trial in Zimbabwe, one year of cash transfers is asserted to have improved childhood vaccination rates and school attendance (the small and short-term transfers however, meant that this was not a comprehensive UBI experiment) (Arnold, 2018). GiveDirectly's argument for such a strategy, to transfer money and its role in alleviating poverty, provides a strong case for using more inclusive and digitalised financial services, as these cash transfer programs play a role in addressing bigger societal issues such as lack of secure benefits, social instability, and a rise in income volatility (GiveDirectly, 2018).

5.6 Namibia

A UBI scheme was implemented in the settlement of Otjivero and the town of Omitara in Namibia between 2008 and 2010. The program, known as the Basic Income Grant (BIG), was introduced in an attempt to address the high rates of income inequality and severe poverty (Haarmann, et al., 2009; Harman, 2006; Ilcan & Lacey, 2015; Kaufman, 2010). The pilot provided a grant of N$100 to all resident adults and children who were in the qualifying area with results indicating improved child nutrition, school attendance and performance, increased economic activities and reduced crime rates (Lacey, 2017; Sasman, 2012).

A pilot basic income grant scheme (BIG) was conducted in Otjivero-Omitara (East of Windhoek) from 2007 to 2009. An unconditional cash transfer of NAD100/month was given to approximately 1000 residents below the age of 60 living in poverty (thus not fully universal) (CPI, 2016). The payment for children was the same as adults and was given to the child's mother, not the father. Payments were reduced to NAD80 at the end of the planned project period in January 2010. This unconditional cash transfer was still being paid in 2012 (Osterkamp, 2013).

Reported results from the roll out of the BIG project are as follows (Haarmann, et al., 2009): in the first year household poverty dropped from 76% to 37% (using food poverty line as yardstick); a huge reduction in child malnutrition (the data shows that children's weight-for-age improved significantly in just six months from 42% of underweight children in November 2007 to 17% in June 2008, and 10% in November 2008); an increase in school attendance rates as parents were now able to afford school fees more easily (non-attendance due to financial issues dropped by 42%); a reduction in household debt during the 2007-2008 period (savings increased as evidenced by increased ownership of livestock); and a reduction in dependency of women on men for their survival (BIG was seen as a form of social protection).

The BIG scheme formed part of the national 2016-2025 plan, but the Government decided against its re-introduction. The attitude of the Government reflects a common negative view of UBI as a grant that makes '*people lazy and dependent on hand-outs*' (Lacey, 2017).

6. A South African Case Study

To demonstrate the possible introduction of UBI in South Africa, this part of the paper considers the history of policy proposals for UBI, possible rationales for its introduction, and a possible application including an example of how UBI could work.

6.1 The History of Universal Basic Income in South Africa

Over a number of years, pressure from trade unions (for example COSATU) and other interest groups has grown with regard to the overhauling of the social security system in South Africa to one that may include a basic income. This pressure continued until the government responded in March 2000 with the appointment of a public Committee of Inquiry into a Comprehensive System of Social Security. The report from this committee became known as the Taylor Report (Taylor Report, 2002). At the same time, the Basic Income Grant Coalition (BIG coalition) was founded in June 2001 consisting of 12 member organisations and spearheaded by COSATU. Their first strategic meeting was held from 27 to 29 July 2002 (Kallman, 2002).

The Taylor Report was tabled in parliament in March 2002 with one of the recommendations from that report being a Basic Income Grant (BIG)[5] to address the poverty that was known to be a significant problem in South Africa. A common concern in the introduction of a UBI or, in this case a BIG, is the cost to a country. This matter was discussed in the report and, in particular, when evaluating the costs of a BIG, emphasis was placed on the difference between the gross burden and the net burden of the BIG. The report suggested that a R100 monthly BIG could require a R46 billion additional gross burden. However, if R22 billion could be clawed back through the tax system, the net burden would be the reduced amount of R24 billion (Taylor Report, 2002). That is, the difference between the gross cost and net cost was nearly 50 percent.

The BIG Coalition, leading social experts and economists joined forces (forming the BIG financing reference group) in order to keep the momentum for the drive towards the incorporation of a BIG in the South Africa social security system. Finally, in March 2004, the BIG financing reference group made five significant conclusions. First, the BIG is an affordable option for South Africa. Second, there are feasible financing options for a BIG. Third, an optimal financing package will involve a mix of tax sources. Fourth, the BIG would significantly reduce poverty. Fifth, the BIG would be developmental (BIG Financing

[5] A Basic Income Grant is a synonym for Universal Basic Income.

Reference Group, 2004). By the end of 2004 however, it was clear that the government, under President Mbeki, did not intend to pursue a BIG (Seekings & Matisonn, 2010).

Three years later, the possibility of a BIG was again raised. During 2007, a pro-BIG movement seemed likely with the assistance of trade unions, but the political force behind the implementation of a BIG was lacking and only drifted on the fringes of the political agenda (Seekings & Matisonn, 2010). Despite this, some momentum can be seen. In particular, in 2008, the Government published the Anti-Poverty Strategy where nine pillars were described. The third pillar refers to: Income security – providing safety nets for the most vulnerable, primarily through social grants. This was to ensure that vulnerability associated with disability, age and illness does not plunge poor households into destitution (South African Government, 2008).

For the next 10 years the government did not pay much attention to any form of BIG. The Government published the South African Poverty and Inequality Assessment in 2018 with no mention of an income security grant as a possible solution (The World Bank, 2018). Then, in March 2019, at the Southern African Catholic Bishops' conference, the participants declared that a BIG is one of the sustainable and creative solutions that is intended to empower the poor to engage in financial transactions, circulating money in the economy. The BIG is thus an economic and social investment with the potential to provide a viable and transformative intervention in an increasingly violent and unequal society (Southern African Catholic Bishops' Conference, 2019). This was confirmed by Mabasa (2019), as he stated that a BIG is a possible solution to the alleviation of poverty and should be called a "freedom dividend" that will supplement minimum-wage earner's income and provide the poor with a living wage (Mabasa, 2019).

Currently, there seems to be a, re-awakening of the idea that a BIG may be a possible solution to the challenges of poverty alleviation, unemployment, eliminating inequality and economic growth in South Africa. This idea is still not politically acceptable but may be more attractive as the ANC's support is declining as is evident from Table 1.

Table 1: ANC support during National General Elections

Year	% support for the ANC
2004	70%
2009	66%
2014	62%
2019	58%

The support for the ANC fell with 12% over 15 years. It is suggested that this may be enough for the political motivation necessary to re-ignite the idea for a BIG.

6.2 Rationale for a UBI in South Africa

During the Tax Indaba that was held in Johannesburg in August 2019, the Deputy Finance Minister, Dr David Masondo, stated that there are several issues that need to be addressed in

South Africa. Amongst these issues are poverty alleviation, countering inequality, stimulating economic growth and lowering the unemployment rate. It is arguable that a BIG has the potential to address all four of these issues and counter the potential negative effects of automation on the human work force.

The possibility of a BIG is also seen in the future plans for South Africa. In the National Development Plan (NDP): Vision 2030, the guiding principle is that *"no political democracy can survive and flourish if the mass of our people remain in poverty, without land, without tangible prospects for a better life. Attacking poverty and deprivation must be the first priority of a democratic government"* (National Planning Commission, 2012). A revised NDP was expected to be completed by October 2019 (Magnus, 2019). Thus, the alleviation of poverty is a high priority for the government as is evident from the NDP and the Tax Indaba.

The understanding of poverty in South Africa, is very important before an assessment can be made whether a BIG can play any part. In a report by the World Bank on "Overcoming poverty and inequality in South Africa", the comparative figures of the national poverty rates were published (see Table 2).

Table 2: Overall changes in National poverty rates percentages: Lower-bound poverty lines

Year	Urban	Rural	Total
2006	34.3	74.9	51.0
2009	31.5	74.9	47.6
2011	23.1	58.5	36.4
2015	25.4	65.4	40.0

Source: (The World Bank, 2018)

The decline in the poverty rates from 2006 to 2015 is encouraging, but the trend of a slow increase from 2011 to 2015 should also be noted. This trend, however, is in line with international trends regarding poverty. The poverty rates in South Africa are very high for an upper-middle class country when compared to other countries in this range, for example China and Russia (The World Bank, 2018).

In order to progress towards a possible solution, it is important to understand the characteristics of the head of the poor household. From Table 2, it is apparent that the poorest households could mostly be found in rural areas. From Figure 1, it is clear that the head of the poorest households can be described as a Black uneducated female.

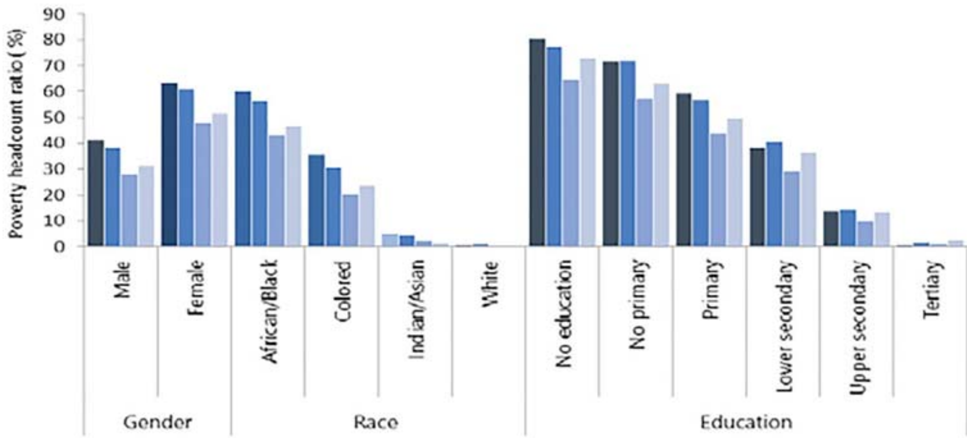

Figure 1: Poverty headcount ratio by characteristics of head of household

To drill down further into the details of the poor, one can deduce from Figure 2 that the poor are most often in the age group from 0-15 years, with emphasis on the group between 0-5 years. Although more than 12.6 million child grants are paid out monthly, this group is still the most disadvantaged group.

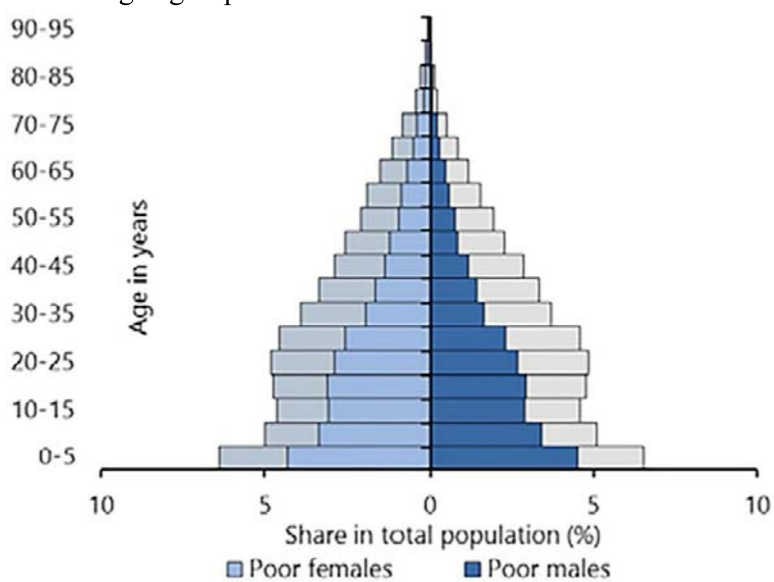

Figure 2: Age-gender pyramid and poverty, 2015

The current attempts of government to alleviate poverty include social grants. In South Africa there are seven types of social grants, namely (SASSA, 2019):

- Old Age Grant: Persons of 60 years and older can apply for this grant. This grant benefits over 3,6 million people each month, and each person receives R1 780.
- Disability Grant: This is for adults unable to work due to a disability of sorts. In this case, over 1 million South Africans benefit each month from this grant. The grant is set at R1 780 per month.
- Child Support Grant: Presently, 12.6 million child support grants are paid out monthly to children younger than 18 years, to the amount of R420 each. Parents and guardians qualify

for these grants when their threshold income is less than R48 000 per year for a single parent and for a married couple, the combined income must be less than R96 000.

- Foster Care Grant: This grant is set at R1 000 per month and benefits 400 000 children. This money goes towards children who have been placed by a court of law into the care of foster parents.
- Grant in Aid: This grant is paid to care givers or people who need 24-hour care. An amount of R410 is paid per person and 250 000 people benefit from it.
- Care Dependency Grant: This grant is paid out for severely disabled children. Currently, an amount of R1 780 is paid to almost 160 000 children.
- War Veterans Grant: At the moment, about 83 people benefit from this grant monthly and it is set at R1 790.

"While grants, free housing and basic services have reduced absolute deprivation in places, income poverty, caused by the lack of economic growth and jobs, is still the most significant problem for South Africa" (Johnson, 2017). This statement emphasizes the fact that the social grant system in South Africa is benefitting some of the poor but is by far not sufficient to alleviate poverty.

In some instances, the social security system can create new unforeseen problems. An example of such a problem is the youth age restriction. Once a child reaches the age of 18 years, he/ she no longer qualifies for a child grant. With no income, it is impossible to travel or communicate regarding employment or education opportunities. The youth may then start to depend on the child grants of their siblings still under the age of 18 years or the grandparents receiving an old age grant. An alternative for some of the youth is to have children themselves. The babies will qualify for a child grant thus giving the youth access to money. The problem with this system is that deserving children need to share their small child grant with the youth or the elderly have to share their grant. The biggest problem can be found in an increase in the population because the youth can gain access to funds through having their own children. From Figure 2, it is clear that the children between 0-5 years, are the poorest of the poor.

6.3 An Application of UBI in South Africa

At the outset, the introduction of a UBI must be legislatively feasible if South Africa were to implement such a model for addressing income inequality and the alleviation of poverty. In South Africa, the need for a basic income is supported by the Constitution itself. In the Constitution of South Africa, the Bill of Rights is incorporated. In section 27(1) and (2) the following is declared:

> *"(1) Everyone has the right to have access to (a) health care services, including reproductive health care; (b) sufficient food and water; and (c)* ***social security, including; if they are unable to support themselves and their dependants, appropriate social assistance****. [emphasis added] (2) The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of each of*

> *these rights"* (Government of SA, The Constitution of South Africa, 1996).

Further, an extension of the Bill of Rights, is the White Paper for Social Welfare published in 1997. In chapter 7 par 27 the following was stated:

> *"There will be universal access to an integrated and sustainable social security system. Every South African should have* ***a minimum income, sufficient to meet basic subsistence needs*** *[emphasis added] and should not have to live below minimum acceptable standards. The social security system will also work inter-sectorally to alleviate poverty."* (Department of Welfare, 1997).

Can a UBI then alleviate poverty in South Africa? The answer to this question is multi-dimensional and can be answered using an example.

If a UBI in South Africa is set at R2 000 per month per person over the age of 16 years, it is proposed that the following will occur:

- Every individual in South Africa will have funds for basic consumption. The upper-bound poverty line[6] as in April 2019 is set at R1 227. Therefore, every person will live above the poverty line (Stats SA, 2019a).
- The amount of money spent on consumption will increase substantially. This increase will stimulate the economy as more money will flow into the economy. An increase in the spending power of the population, will have as a result an increase in the economic growth of South Africa.
- The youth or any job seeker, will have funds available to commute to employment opportunities or will be able to communicate with potential employers.
- A UBI will supplement current income to encourage education or re-education.
- A UBI will also assist people to re-educate themselves in the face of losing their employment due to automation.
- A parent will be able to stay at home to look after children or an elderly parent.

Therefore, in answering the question regarding poverty alleviation in the affirmative, it is also recognized that there are ancillary benefits. These include countering inequality, stimulating economic growth and lowering the unemployment rate. Problems associated with the current global landscape can be reduced through a UBI as a possible solution to, for example, the automation of unskilled or low-skilled jobs is re-education of the work force. A UBI will provide this opportunity.

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[6] *Upper-bound poverty line* – **R1 227** (in April 2019 prices) per person per month. This refers to the food poverty line plus the average amount derived from non-food items of households whose food expenditure is equal to the food poverty line (Stats SA, 2019a).

In addition to those outlined above, the following benefits may be associated with a UBI (BIG) (Maki, 2009; Samson, et al., 2001):

- Alleviation of inequality through a decrease in the poverty gap.
- Steady flow of income into households.
- Increase in economic growth through an increase in private consumption.
- Increase in productivity through better education, health and social stability.
- Increase in employment seekers, due to more time to search for employment.
- Assist in absorbing the negative consequences of automation.

When addressing the benefits of a UBI, one must also take cognisance of the critique against the implementation of a BIG. Three of the most prominent arguments against a UBI in South Africa are (Maki, 2009; Samson, et al., 2001):

- The risk that a UBI (BIG) will not be financially sustainable in a developing country.
- The massive increase in administration and administration cost.
- Increase of dependency on government.

When addressing the financial sustainability of a UBI, one must clearly distinguish between the gross burden and the nett burden of the application. The gross burden will be the amount per person age 16 years and older (+/-41 653 686) (World Population Prospects, 2019) multiplied by the example of R2 000 (R83,3 billion). Monnier and Vercellone (2014) suggested that reforming the tax system may be a necessity when attempting to create funding for the UBI. They envisioned that the reformed tax system should either abolish tax reliefs or add new types of taxes. As South Africa introduced a sugar tax in 2018 and a carbon tax in 2019, it may not be advisable to add yet another tax type to the plethora of taxes. Table 3 provides a summary of the tax reliefs available in South Africa between 2013 and 2017. Information contained in Table 3 makes it apparent that the possible tax revenue foregone by government during the 2017 budget year amounted to R209 billion. Another avenue to explore when discussing the financial sustainability of the UBI is addressing leakages in the tax system. Leakages may occur through corruption, tax evasion and budget shortfalls. Current cases demonstrate the impact that addressing leakages may have on revenue collection. For example, during 2019, SARS was successful in its tax evasion case against Africa Cash and Carry, resulting in additional revenue collected of R1 billion (Fin 24, 2019). According to Brown (2019), SARS accumulated a revenue shortfall between 2014 and 2020 of approximately R215 billion (Brown, 2019). Therefore, while the South African economy is in dire need of revenue influx, there seems to be opportunities to use a two pronged approach of first, tax reform and second, a decrease in the amount of revenue foregone through tax reliefs. Further, increased efficiency though SARS addressing tax evasion and collecting taxes which are currently escaping the tax net are likely to significantly address a tax shortfall.

Table 3: Estimated tax expenditures (National Treasury, 2019)

Tax incentives	2013/14 R (millions)	2014/15 R (millions)	2015/16 R (millions)	2016/17 R (millions)
Total personal income taxes*	76 599	78 878	87 565	106 782
Total corporate taxes**	5 192	6 930	9 706	10 022
Total value added taxes***	50 786	52 379	56 345	58 210
Total customs and excise****	24 659	30 967	37 156	33 993
Total revenue foregone	157 236	169 154	190 772	209 007

* for example, medical credits, interest exemption, secondary and tertiary rebates, etc.
** for example, research and development, learnership allowances, urban development zones, energy-efficiency savings.
*** zero-rated supplies and exempt supplies
**** for example, diesel refund, moto vehicles.
Source: (National Treasury, 2019)

Monnier and Vercellone (2014) further suggested that the UBI system should partially fund itself (Monnier & Vercellone, 2014) and therefore may complement the social grants system that amounts to R174,75 million in 2019 (Government of SA, Estimate of National Expenditures, 2019).

In the long term, one might expect an increase in tax revenue (income tax and VAT) as a result of the increase in economic growth potentially created through the introduction of the UBI. One should also take into account the lower levels of unemployment, with the result of more individuals paying employees' tax. Increases in levels of education will also increase potential income levels, leading to higher tax revenue for the government. Taking all the potential positive effects into account will result in the nett burden of the UBI.

The financial burden on an already overextended economy may be too much. Therefore, a possible solution may be found in the phased-in process of a UBI. The proposed phases may be for example:

> Phase 1, where the implementation commences with the youth (16-30 years). The total population between the ages of 16-30 years is 15 054 700 (World Population Prospects, 2019). The gross amount necessary for this age group will then be R30,1 billion. The reason for choosing this group is due to the extremely high youth unemployment figure of 55.2% (Stats SA, Youth Graduate unemployment rate, 2019b). This age group should thus be motivated to complete high school and educate themselves. From the statistics of the 2019 cohort of students completing high school (grade 12), it is alarming that the group that passed their final year at school in 2019, only represent approximately 30% of the grade 1 scholars entering the school system in 2008. Providing support before desperation creates a demotivation to seek education and employment, may contribute to more success in finding employment.
> Phase 2, will then extend the age range to 40 years.
> Phase 3 continues with the growth process to include the total population from 16-50 years.

The phasing in will thus continue until the entire population is part of the program. The time frame between the implementation of each phase, could be five years. Therefore, the population included will grow every year. In year one, the age of the population that is included will be 16-30 years. In year two, the age will be 16-31 years and, so forth.

The significant increase in administration and administration cost will be an initial amount until the system is fully functional. The South African Social Security Agency (SASSA) system implemented by the Government is arguably already functioning effectively. A UBI will merely lead to an extension of this function. Further, an increase of dependency on government may be an area of concern, however there are already millions of individuals dependent on the government for their basic needs through the social system.

7. Conclusion

At the very least, a discussion on UBI in the short term encourages greater debate on social and economic policy, including the values which a society holds and the vision it has for its future (Arthur, 2016). A UBI is just one possible solution to address increased inequality. At its core is the fact that UBI decouples income from labour allowing individuals to independently provide basic goods and services for themselves and their families (Flassbeck, 2017). Other models should also be considered and, as we have attempted to do in this paper, the advantages and disadvantages of each should be evaluated. As also demonstrated in this paper, theoretical rationales may or may not translate into successful models of adoption.

As is evident from the various experiments around the world to evaluate the practical application of the UBI, internationally, the concept of a UBI is gaining traction. In South Africa, it appears there is room to commence the conversation again. At least, the possible political will to take a stance against poverty, inequality, unemployment and negative economic growth, may be the instigating factor to consider a radical solution to the vast number of economic and social problems that South Africa is faced with.

The financial sustainability of such an ambitious project will always be the most powerful argument against such an implementation. However, if the political will exists within the government to restructure the fiscal environment, there is overwhelming evidence to argue for the implementation of a UBI in South Africa.

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