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'JOBS VERSUS GRANTS'

ARE EMPLOYMENT AND BASIC INCOME A POLICY TRADE-OFF?

OVERVIEW

- There is a common belief in South Africa that social grants come at the expense of jobs, creating a disincentive to work, and locking recipients into 'dependency' on the state.
- This brief reviews these notions against local and international evidence, including evaluations of cash transfer initiatives, to understand the potential impact of a basic income grant on unemployment and labour market participation.
- Evidence shows that people have a range of motivations to engage in work, beyond financial insecurity. Income support increases people's agency and motivation to pursue work that is meaningful to them.
- Cash transfers in comparable contexts have had income multiplier effects, resulting in increased labour supply, increased rates of self-employment, and spillover effects to local economies.
- The cost of searching for a job is a key barrier to labour market participation in South Africa. Conclusive evidence shows that grants are used to facilitate job search activities.
- Contrary to prevailing myths, strong evidence shows that grants are not spent 'wastefully'—that is, on goods such as alcohol and tobacco.
- Women are structurally disadvantaged in the labour market and perform the majority of unpaid domestic and care labour. A universal basic income grant can decrease women's financial dependence and vulnerability to abuse.
- Beliefs around dependency culture are based on outdated views about human nature, and individualist and meritocratic ideologies which hold that poverty is the result of personal irresponsible choices—ideas which are not supported by evidence.
- Unemployment and poverty presents an enormous human and economic cost which is unaffordable and unjust. A universal basic income guarantee can eliminate or reduce poverty in South Africa while supporting job creation and inclusive economic growth.

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INTRODUCTION

The future of social security has featured heavily in public debate and on the policy agenda in South Africa recently, particularly in the wake of the Covid-19 pandemic. Most prominent has been discussion over a proposed basic income grant (BIG), generally understood as a regular government cash payment (or transfer) to alleviate income poverty. While some basic income grants are targeted at particular groups, such as those below an income poverty threshold, under proposals for a *universal* BIG (UBIG) everyone is eligible to receive the grant on the basis of citizenship or residency.[1]

Leading academics, policymakers, and civil society organisations have argued for expanded social protection as a desperately-needed response to crisis-level unemployment and poverty. The state's purported limited fiscal capacity to increase social spending has emerged as the chief criticism of these proposals. However, some sceptics also argue that expanded social protection will have a negative effect on labour market participation, productivity, and economic growth. Social protection in the form of direct unconditional cash transfers is claimed to come at the expense of jobs—as well as to discourage poor people from working, enable laziness, and increase dependency on the state. Despite being contradicted by international and local evidence, this idea has pervasive and populist appeal, including amongst those who hold direct responsibility for resource allocation and the realisation of socio-economic rights.

This brief examines the narrative which presents **social protection and job growth as incompatible** (we call this the **'jobs versus grants' narrative**), to assess its validity and better understand why it has enjoyed lasting support. It brings evidence to bear on this, by evaluating research on the **impact of social grants on labour market participation** and productive activity amongst recipients, in South Africa and elsewhere. This is with a view to supporting the ongoing development of evidence-based policy which responds to South Africa's triple challenge of unemployment, inequality, and poverty. Research finds that if designed properly, basic income and employment strategies are complementary and mutually reinforcing.

First, we outline and provide examples of the jobs versus grants narrative as it has been invoked by a range of actors. We then briefly discuss some of the philosophical and political underpinnings of the narrative. From there, we review evidence from both international and local cash transfer initiatives, to generate insights on their impact on: labour market participation; self-employment and economic activity; the character of household spending; work motivation and the potential for dependency; and overall labour standards and job quality.

The evidence overwhelmingly shows—in contrast to the jobs versus grants narrative—that cash transfers in South Africa and comparable contexts do not result in labour market withdrawal. There is strong evidence that cash transfers (especially if unconditional and free from punitive targeting and exclusion mechanisms) facilitate job search activities, labour market participation, and the creation of sustainable livelihoods. Further, we show (despite prevailing myths) that they have been very unlikely to be "wasted" on temptation goods such as tobacco and alcohol. Finally we discuss the role played by social protection (and especially a UBIG), in improving labour standards.

By moving away from the jobs versus grants narrative, we come to better understand the compatibility and interdependence between a comprehensive social safety net, and the creation of decent livelihoods. We argue that together these form essential pillars of a viable development strategy, and that one cannot be realised without the other.

An effective long-term job creation strategy is desperately needed in South Africa, but there is also a stark need for rapid interventions that address deprivation in the immediate term. A UBIG can rapidly eliminate or reduce hunger in South Africa, whilst—as we show—meaningfully supporting job creation efforts.

A belief in meritocracy can serve to obscure the social dimensions of exclusion, such as gender, class, and race, and diminish the importance of these factors in explanations of achievement.

Due to the widespread evidence of the potential of cash transfers to both alleviate immediate hunger and deprivation, and to stimulate economies and drive inclusive growth in the long term, the Institute for Economic Justice advocates for the phasing-in of a UBIG in South Africa, the value of which should eventually reach, and be indexed to, the upper-bound-poverty line. Our previous research, and that of others, has shown both that this initiative is sustainable and fiscally feasible if funded through progressive taxation, as opposed to regressive measures such as increasing VAT. In addition the alternatives (including a means-tested or targeted grant) entail unaffordable inefficiencies, huge exclusion of the poor, and do not disrupt the structural nature of poverty and unemployment in South Africa, leading to long-term stagnation and deepening crisis.[2]

WHAT IS THE 'JOBS VERSUS GRANTS' NARRATIVE?

Before turning to the broad base of evidence on what motivates people to work, and how cash transfers have affected employment and productive activities in South Africa and elsewhere, we first unpack the key elements of the 'jobs versus grants' narrative to uncover its philosophical and political underpinnings. Adherents to the narrative present labour market participation, and the provision of social grants, as policy trade-offs, arguing that if the government puts more resources towards supporting vulnerable people through grants, it will neglect and even undermine much-needed job growth and unemployment-reduction efforts. This view has been espoused by both the current and the previous Ministers of Finance.[3] Current Minister Enoch Godongwana claims that providing grants will undermine job creation and job seeking by disincentivising people from engaging in productive activities—which in turn creates a cycle of dependency on government support.[4]

This idea of grants producing dependency, or creating a group of people who permanently take from, but do not contribute to, society (sometimes referred to as "dependency syndrome" or a "culture of dependency") has a long history in South Africa and elsewhere. It is influenced by socially conservative reactions to welfare policies in wealthy countries such as the United States[5] and the United Kingdom,[6] which in turn led to falling benefit levels and increased conditionalities imposed on social protection beneficiaries, such as onerous requirements to demonstrate ongoing job search (which becomes more difficult to achieve as benefit levels are cut).[7]

The proponents of these views, including in South Africa, see labour market participation as inherently preferable to social protection, and present the two as dichotomous or conflicting.[8] This perspective is underpinned by key assumptions which have their roots in specific paradigms of thinking about our economy, as well as moral attitudes towards poor people.

One assumption is that unemployment and poverty is an individual behavioural (rather than a collective) problem. People who have worked for years, battled adversity, and saved diligently in order to gain a moderate level of financial security, feel uncomfortable at the idea that their success may be based in whole or part in privilege, luck, or an explanatory factor other than their own hard work and merit. This idea of individual self-reliance can motivate people to strive to accomplish things in their lives. However, the inverse of this perspective is the idea that those who have not experienced the same success have not worked hard, have spent their money unwisely, or have not tried hard enough to create opportunities for themselves. People are seen to be poor due to their individual choices, and the solution to poverty is therefore that poor people need to be incentivised and encouraged to work, as well as to make different spending decisions.[9]

In the face of contrary evidence, the idea that grants promote laziness and dependence is revealed as false, punitive and inhumane, as well as unconstructive—it can only undermine efforts to respond to the complex roots of South Africa's structural crises of unemployment, poverty, and inequality.

This type of thinking is sometimes called "meritocracy", and research shows that people from across socio-economic classes can internalise this idea as a justification for the social inequality they experience and witness.[10] A belief in meritocracy can serve to obscure the social dimensions of exclusion, such as gender, class, and race, and diminish the importance of these factors in explanations of achievement.[11] **Meritocracy can also be connected to "hustle culture", which promotes the idea that we should prioritise round-the-clock entrepreneurship over health and relationships.**[12]

Although the belief in meritocracy is enduring, it has for decades been debunked as a myth in international research.[13] Whilst, in most countries, many people who have achieved economic security are talented and hard-working, a (possibly larger) number of equally talented and hard-working people have not achieved success, due to social and structural barriers. For instance, research from Tanzania and Ghana has mapped education opportunity structures to show that gender and socio-economic background plays an important role in access to educational opportunities, and that meritocratic beliefs can help to reinforce privilege and exclusion.[14] Similar findings have emerged from research in other places, including the United States,[15] Ireland,[16] China,[17] and South Africa.[18] This work reveals how the meritocratic explanation of success can serve as a smokescreen to hide the dynamics of social privilege and disadvantage that shape and constrain individual economic opportunities.

Meritocracy and hustle culture have roots in the economic ideology which has dominated the past four decades—neoliberal capitalism, or neoliberalism, which prioritises decreased government spending and regulation, privatisation of public services, and pursuit of GDP growth as a development strategy that will eventually lead to greater wellbeing. It encourages us to view our society as a collection of individuals each pursuing their own economic self-interest, rather than an interdependent group with responsibility to take care of each other. Moreover, at their most pernicious and damaging, the neoliberal values of individualism and meritocracy can give rise to the belief that poor people are poor due to their own character failings—and that they are undeserving of social assistance.

These ideas about the undeserving poor and the perils of dependency are moral and ideological rather than evidence-based. Rhetoric around the evils of "handouts" promotes the idea that it is inherently wrong to receive income that is not derived from wages, dividends, or owning assets, and that such income is unearned and not deserved. These views are reflected in comments made by Minister Godongwana, who has said that employment initiatives should be prioritised over "handouts", which will lock youth into dependence: "We can't condemn young people to a cycle of dependence, particularly because these are young black kids."[19]

At the heart of this statement is the fear that providing grants to young unemployed people who have been shut out of the labour market as the result of entrenched legacies of oppression, may increase their risk of long-term unemployment. This is based in part on the worry that people who receive grants to meet their basic needs will no longer wish to work. Unpacking this, we see the logic is based on the premise that people require the threat of not meeting their basic needs (food, shelter, etc.) in order to be motivated to work, undertake productive activities, or contribute to their communities.

The following sections of this brief review evidence on the extent to which this could be the case. We show that, while Godongwana's concern at first glance appears to be prioritising the interests of young unemployed people, it in fact reveals a paternalistic moral attitude towards poor people, and creates a false dichotomy between grants and the creation of sustainable livelihoods. In the face of contrary evidence, the idea that grants promote laziness and dependence is revealed as false, punitive and inhumane, as well as unconstructive—it can only undermine efforts to respond to the complex roots of South Africa's structural crises of unemployment, poverty, and inequality.

DO GRANTS REDUCE LABOUR SUPPLY AND ECONOMIC PARTICIPATION?

A large body of research has emerged since the 1990s seeking to answer the question of whether social security payments in various forms have a positive or negative impact on the number of people looking for, and finding paid work, as well as engaging in other productive activities like training, self-employment, and smallholder agriculture. The evidence is overwhelming: cash transfers in low- and middle-income countries don't have a negative effect, but have a neutral or positive effect on labour market participation and household productivity.

INTERNATIONAL EVIDENCE

Studies in multiple countries have shown that unconditional cash transfers and basic income pilots have not resulted in a reduced labour supply. We focus here on evidence from low- and middle-income countries, which are likely to be of most relevance for policymakers in South Africa. A 2018 World Bank study summarised dozens of evaluations of both conditional and unconditional[20] cash transfer programmes across the global South to show that **working age adults did not work less when they received a grant.**[21] To the contrary, the report found that certain types of cash transfers, especially unconditional cash transfers from the government, resulted in an **increased rate of self-employment, as well as increased migration out of rural areas in order to participate in the labour market.**[22]

This finding is consistent with a 2017 report from researchers at Harvard and MIT which employed a similar methodology to collate and summarise the impacts of cash transfers in six low- and middle-income countries.[23] The evaluated studies included a mix of conditional and unconditional government cash transfer initiatives. The researchers found that across case studies, cash transfers did not change the total number of hours that people worked. The authors conclude: "As safety nets have increased, so has the debate about whether they simply discourage work, enabling a 'lazy poor.' Aggregating evidence from randomised evaluations of seven cash transfer programs, we find no effects of transfers on work behaviour, either for men or women".[24]

A comprehensive study in partnership between UNICEF, the Food and Agriculture Organisation of the United Nations, and the University of Oxford, found in 2016 that cash transfers had positive investment, production, and consumption impacts across seven countries: Ethiopia, Ghana, Kenya, Lesotho, Malawi, Zambia, and Zimbabwe.[25]

In particular, the cash transfer initiatives studied supported recipients' livelihood strategies, especially with respect to agricultural enterprises. In Zambia cash transfers led to increased investment in hired labour, and an overall increase in production in target areas of 50%. This led to an income multiplier effect, where consumption increased 25% over the value of the transfer. In Ghana, recipients spent 80% of the value of their cash transfer in local economies, and this boosted spending increased local incomes by a multiplier of 2.5. In Kenya, an increase in the formation of non-farm enterprises was concentrated amongst female-headed households.

Country case studies of specific cash transfer programmes in low-income countries support the findings of the above meta-studies, and add more nuance to our understanding of the impact of income support on work behaviour and economic participation. These studies show that many cash transfer programmes—and especially unconditional transfers (where inclusion is not conditional on certain behaviours such as job-seeking)—**haven't resulted in reduced work hours and increased dependency, but rather in increased overall economic participation, including through self-employment, "side-hustles," and agriculture, as well as women's economic empowerment.**[26]

In 2011, Iran introduced a monthly cash transfer for more than 70 million people. Opponents heavily criticised the policy as introducing a disincentive to work, especially for poor people.[27] To the contrary, analysis has shown that the programme had no negative effect on labour market participation overall, and had a significant positive effect on women's labour market participation.[28]

Two cash transfer pilots in Madhya Pradesh, India, in 2011, showed similar results. All adults and children in nine villages received an unconditional monthly cash payment for between 12 and 18 months. There was also a control group of villages that did not receive the grant, to allow for comparative analysis. Those who

60% TO 45%

DECREASE IN UNEMPLOYMENT

FROM A BASIC INCOME PILOT STUDY IN NAMIBIA BETWEEN 2007–2009

Source: Haarmann, C., et al. 2009. "Making the Difference! The BIG in Namibia; Basic Income Grant Pilot Project Assessment Report", BIG Coalition: 71.

received the grant had a significant increase in labour activity. They not only increased their existing work activities, they also invested in productive activities and assets, such as buying seeds, sewing machines, repairing equipment, and even starting small businesses. There was a shift observed from casual wage labour to self-employment, and a reduction in bonded labour. Women benefited the most in these trends towards economic empowerment.[29] The designers of the pilot (UNICEF, alongside other leading experts) stressed that the unconditional nature of the grant was important in generating these positive impacts.[30]

This is consistent with the findings of other studies, including the 2016 meta-review of cash transfers in Sub-Saharan Africa, and points towards the need for South African policymakers to move away from attaching conditionalities to grants, which can serve to undermine their policy objectives and exclude the most vulnerable. Worrying indications are that with the latest iteration of the Social Relief of Distress (SRD) grant, policy makers are again flirting with the internationally discredited idea of attaching work conditionalities to receipt of grants.[31]

Similar outcomes have been observed in African countries comparable to the South African context. A Kenyan BIG pilot conducted in rural villages in the Rarieda region between 2011 and 2013 found that recipients significantly increased their investments in self-employment activities with the help of the cash transfer.[32]

Pronounced development impacts were seen in a basic income pilot undertaken in Namibia between 2007-2009, by a coalition of Namibian civil society organisations advocating for a BIG in the country. It took place in an informal settlement, where everyone below the age of 60 (approximately 1,000 residents) were given N$100 per month for a two-year period. **The impacts of the programme were closely monitored, and survey data revealed that the unemployment rate for working age adults in the study actually decreased from 60% to 45% over the period of the programme.**[33] Grant recipients also increased their non-grant productive income. Average total income—excluding income from the BIG—increased 29% over the course of one year.[34] Income from wages, self-employment, and farming all increased, with self-employment income seeing by far the largest growth, of 301%.

This body of evidence is conclusive. **Social grants, especially regular unconditional transfers, do not reduce economic participation in low- and middle-income countries, and often have an economically empowering effect which has the potential to increase autonomy and reduce dependence in its various forms.** But this finding may fail to persuade adherents to the jobs versus grants dichotomy, if it is not supported by a comprehensive explanation of why it is the case. We show below that there are myriad motivations to be productive which stem from our intrinsic human and social nature, rather than simply economic insecurity. Yet, many people are prevented from pursuing these social needs, by one simple barrier—a lack of income. Evidence from South Africa presented in the following section reveals the ways in which poverty and marginalisation act as barriers to economic inclusion, and the ways in which grants can reduce these barriers.

EVIDENCE FROM SOUTH AFRICA

Alongside the persuasive evidence from international experiences, there is also local evidence we can draw on from South Africa, to predict impacts of a BIG on labour market and economic participation, and to further dispel the myth of a disincentive to work, or a dependency culture. This evidence comes from research on existing social grants and their impacts. Recent data is available from evaluations of the utilisation of the SRD grant. Researchers at the University of the Witwatersrand conducted a survey of SRD grant recipients and found that the "**SRD grant enabled unemployed people to actively seek work** by adding to transport costs, internet café costs, money to purchase data to send CVs etc., thereby facilitating a possible transition from unemployment".[35]

This is supported by the findings of a 2015 study on the impacts of the old age pension (OAP) on youth labour market outcomes in KwaZulu-Natal. This study found that young people, and especially young men, are significantly more likely to "become labour migrants", or travel away from home to search for a job, when someone in their

AVERAGE COST OF JOB HUNTING
R938
PER MONTH

VS.

SOCIAL RELIEF OF DISTRESS GRANT
R350
PER MONTH

household became eligible for the pension. The authors concluded that, even though it is not intended for that purpose, the OAP was often used to fund job search for young people in rural households.[36]

Evidence is mounting with regard to the **financial barriers the unemployed in South Africa face to actively search for a job**. A recent Youth Capital report showed that for young South Africans, **looking for work takes time and resources** that they simply don't have. The researchers surveyed 2200 unemployed young people in 2021, and found that 84% of them had to choose between looking for work and going to interviews, and buying food, and 27% of them had used government social grants, including the SRD grant, to help finance their job search.[37]

A 2019 study (pre-pandemic and recent inflation) found that the average cost associated with looking for a job, including data, airtime, transport, and printing, was R938 per month.[38] To put this in perspective, the SRD grant currently pays R350 per month to people whose existing income falls below a threshold of R350 per month. This amounts to a maximum possible income of R699 per month. Nevertheless, research conducted by UCT's Development Policy Research Unit found that the SRD grant increased the probability of job search by 25 percentage points. The authors noted that this finding: "highlights the grant's important role in reducing inactivity, enabling participation, and ultimately aiding labour market recovery".[39]

The level of available social assistance is therefore woefully inadequate to overcome the financial barriers to searching for a job. Yet, many young people still use social grants to supplement their job search. This finding further exposes the fallacy of the jobs versus grants narratives, showing that poverty is a much greater barrier to young people entering the labour market than laziness or dependence.

Providing further evidence for the utilisation of targeted social grants in South Africa towards productive activities, a comprehensive study into the impact of social grants (including the old age pension and child support grant) in South Africa in 2009 found that:

> "Social grants [...] contribute to and strengthen existing systems of livelihood and productive activity. For instance, receipt of a social grant often supports informal economic activity. Often it allows recipients to undertake domestic labour or care work such as looking after the young, the ill, the disabled or the elderly. In many cases this care work frees up other, usually working-age adults to look for or do paying work."[40]

The researchers highlighted an important effect of social assistance for vulnerable people—the provision of a basic income allows people to take modest economic risks in order to improve their livelihoods in the longer term. For instance, people have greater ability to invest in productive assets, take on small loans, train or upskill, migrate to a different area to seek work, or leave a job in order to search for a better quality job. This has been called the "insurance effect".[41]

DO GRANTS REDUCE WORK MOTIVATION AND CREATE DEPENDENCY?

While the previous section reviewed the broader literature on the overall impact of grants on labour market participation, a small cohort of studies have set out to specifically address the question of how social grants impact people's *motivation* to work. These studies consistently find that a small measure of security does not enable laziness in the vast majority of people, but instead opens up space for participation, creativity, and enterprise.[42]

Reliance on social assistance is sometimes contrasted to waged-work as a moral good. This ignores the fact that many people are in need of social assistance because the type of labour they do (namely labour in the home—including caring for children), is not valued and compensated by our economic system. In this context, expanded social assistance is likely to **improve women's options** and agency, and lessen their dependence on men and on insecure and informal work.

The traditional economics perspective assumes that if people receive income support, they will reduce their work hours or stop working—and this will have broader consequences for the labour market, productivity, and the economy. However, a 2010 South African study found that people valued work for multiple reasons. The motivations to work go beyond the purely economic, to include personal satisfaction and social integration. The 2010 study of attitudes to paid work in South Africa drawing on interviews with 386 individuals found that people were still very motivated to work when they received social assistance.[43] These researchers found no evidence of a dependency culture, or altered work ethic amongst grant recipients:

> "Almost all grant recipients would prefer to have a job rather than remain unemployed, irrespective of the introduction of an unemployment grant and the amount of such a grant…Not only would employment offer better financial rewards and security, it was also universally viewed as an important source of personal satisfaction and social integration."[44]

The authors found that even though almost all participants placed a high value on work, irrespective of whether they were employed, unemployed, or receiving a social grant, many had a more negative view of the motivations of others. Even social grant recipients themselves were likely to have a punitive view towards other social grant recipients, viewing them as inclined towards laziness, or as likely to spend their grants frivolously.[45] The authors suggest that this is because economic insecurity has a corrosive effect on social solidarity, and that the survey findings reflect the dominant ideology which is reproduced in society. This finding reveals the pervasive nature of the discourse of dependency culture, which arises from a lack of social solidarity underpinned by economic insecurity, competition, and inequity.

The pervasive belief in dependency and laziness is not supported by studies within industrial psychology, which have shown that **people have strong intrinsic motivations to work** (as opposed to only being influenced/ pressured by external factors),[46] and that these can **include "personal development, affiliation with others, contribution to a community, and personal meaning"**.[47] This body of research suggests that while in conditions of economic precarity people seek work to meet their basic needs for subsistence, in fact there is a powerful human motivation to engage in meaningful work which goes beyond the imperatives of capitalism, and is instead derived from values such as dignity, community, and the satisfaction of building competencies and skills.

Some researchers have gone further to show how increased social security can actually increase labour market participation. Economic insecurity and a lack of autonomy can prevent people from being able to pursue work. Further, by reducing insecurity and increasing autonomy, a BIG can have a "positive influence on the motivation and opportunity to engage in meaningful work".[48] When people living in poverty are given some reprieve from the everyday anxieties of basic survival, they can pursue these other needs, and seen in this light, a BIG emerges as a key intervention to support people to pursue work that enriches their lives and communities.

The evidence shows us that most people have an inherent drive to undertake work that is meaningful for us. This undermines the assertion that grants will cause people to withdraw from productive activities because of 'human nature'.

The body of evidence is conclusive. Social grants, especially regular unconditional transfers, do not reduce economic participation in low- and middle-income countries, and often have an economically empowering effect which has the potential to increase autonomy and reduce dependence in its various forms.

To connect social protection with dependency and laziness is to centre waged work versus reproductive work as a moral and economic good, ignoring the fact that women suffer significant structural disadvantages in the world of waged work, while carrying the bulk of the burden of domestic and care labour.

BASIC INCOME AND GENDER EQUITY

Not all forms of work which are necessary to sustain our economy are equally valued, or compensated. In particular, domestic and care labour overwhelmingly performed by women is either unwaged, or commodified in other peoples' houses and subject to disproportionately high levels of exploitation. The unwaged bulk of this social reproductive labour (which produces and sustains workers) does not constitute 'leisure time'. Instead, it is gendered and undervalued labour. This sheds light on an important dimension of the debate over grants creating dependency—the conflation of waged work with socially necessary and important work. Many proposals for a universal basic income aim to address this gendered inequality in waged and unwaged work.[49] Income support which compensates unpaid domestic and care labour can improve women's agency and financial independence, in turn reducing their vulnerability to financial abuse and gender-based violence.

This effect has been documented in basic income pilots in a range of low- and middle-income countries.[50] To connect social protection with dependency and laziness is to centre waged work versus reproductive work as a moral and economic good, ignoring the fact that women suffer significant structural disadvantages in the world of waged work, while carrying the bulk of the burden of domestic and care labour. As James Ferguson has pointed out: "it is really only via relations of "dependence" that most of the population survives at all".[51] Grants can improve gender equity, increase women's independence, and take steps towards compensating much of the labour-time that is critical to our economy and currently unpaid.

In this section, we have problematised the widely held belief that people are naturally inclined towards laziness, and happy to take from society without contributing. While many are quick to apply this belief to others, it is often incongruous with how we think about ourselves. These ideas serve as a facade which hides a range of social and economic realities about the nature of poverty, unemployment, and exclusion. The evidence shows that most people have an inherent drive to undertake work that is meaningful to them. This undermines the assertion that grants will cause people to withdraw from productive activities because of human nature. However, the preoccupation with waged work and productive activities at the heart of the grants-dependency myth also serves to sideline a large proportion of the labour at the heart of our economy—domestic and care labour. Considering this category of work, the idea that grants incentivise people to increase their leisure is all the more misguided. To the contrary, they can improve gender equity, increase women's independence, and take steps towards compensating much of the labour-time that is critical to our economy and currently unpaid.

ARE GRANTS SPENT WASTEFULLY?

Despite the evidence that grant recipients across country contexts choose where possible to spend the income they receive in ways that will increase their future economic security, by investing in productive activities, self-employment, and job seeking, one key myth is that poor people will waste social grant money on 'temptation goods'—such as alcohol and tobacco.[52] These claims are generally based on anecdotes rather than evidence.

Drawing on evidence from unconditional cash transfer pilots in Ghana, Kenya, Lesotho, Malawi, Zimbabwe, and Zambia, a report from UNICEF in 2018 found "no significant positive impact of transfers on alcohol or tobacco expenditure".[53] In Lesotho transfers actually decreased expenditure on alcohol and tobacco. This finding is echoed by a World Bank report which found that across a review of 30 studies of the impacts of cash transfers, they had on average a significant negative impact on temptation goods expenditure, especially in Asia, Africa, and Latin America (that is, recipients of grants reduced their consumption of temptation goods).[54]

WHAT SOCIAL RELIEF OF DISTRESS GRANT RECIPIENTS SPENT THEIR MONEY ON

FOOD
93.3%

ELECTRICITY
31.8%

Source: Department of Social Development, 2021. "The Rapid Assessment of the Implementation and Utilisation of the special COVID-19 SRD Grant"

There is a growing body of evidence to suggest that the misuse of alcohol and other drugs can be driven by the mental health impact of poverty and unemployment, and that reducing poverty can act as a positive intervention in alcohol misuse.[55]

A rapid assessment of the implementation and utilisation of the SRD grant in South Africa, carried out for the Department of Social Development, conducted detailed analysis of how grant monies were spent by recipients.[56] The assessment found that 93.3% of people spent their grant money on food, followed by 31.8% on electricity, alongside spending on personal care, clothing, Covid-19 personal protective equipment, transport, assisting family members, data, education, airtime, water, and rent.[57] While we can see that the majority of the grant money was spent on basic necessities, a number of these spending categories are also critical to facilitate job searches and small business activities, including transport, data, and airtime. **Based on this, we can see that the claims made by some social grant detractors, that grants will be spent in a frivolous or wasteful way, are not supported by evidence, but arise from a reflex to police the economic choices of poor people.** This reflex can be at least partially attributed to meritocratic notions which hold that poverty is the result of personal irresponsible choices.

HOW WOULD A UBIG IMPACT WAGES AND LABOUR STANDARDS?

Although mitigating South Africa's unemployment crisis is an urgent priority for policymakers, in the effort to create jobs, there is a risk of overlooking the importance of job quality, and perpetuating working poverty. In the long run, structural inequality and poverty in South Africa will remain entrenched if the jobs produced by our labour market are exploitative, and characterised by low pay and poor labour standards. This reality is already visible in the rates of working poverty in South Africa. While it is assumed that work is the key pathway out of poverty, many working people in South Africa still remain in poverty. In 2015 (prior to the introduction of the National Minimum Wage), research found that 54% of full-time workers in South Africa were in 'working poverty'—based on the premise that the average worker supports three dependents.[58]

A 2020 study estimated that one quarter of workers fall under the upper-bound poverty line, and informal sector workers, black people, and women were more likely to be 'working poor'.[59] Thus, job creation alone will not address structural poverty, if the available jobs are precarious and pay poverty wages. It is important for decision makers to take into account not only how grants will impact labour market participation, but also how they might affect wages and working conditions.

There is limited empirical evidence regarding the overall impact of a UBIG on labour standards, due to the fact that no national-scale sustained programmes have been implemented. There are differing theories as to the potential interaction between a UBIG and labour standards, and the key consensus is that the outcome is likely to depend fundamentally on the value of the transfer, and the existence of strong labour protections including minimum wages.

Most progressive UBIG supporters argue that a **UBIG would provide security to workers which allows them to withhold their labour**—for instance, to go on strike, or to transition between jobs in search of better quality work.

This would **increase workers' bargaining power with employers**, and lead to **improved labour standards** over time.[60] In South Africa, the major trade union federations have lent their support to calls for a UBIG, indicating the perceived complementarity between social protection and workers' interests.[61]

One 2020 study of historical data from a basic income trial carried out in the United States town of Dauphin, Manitoba supports this viewpoint. The research showed that an unconditional cash transfer in the 1970s had the effect of reducing workers' dependence on their employers and thus curbing exploitation. Wages for advertised jobs in the town grew at a faster rate than those of a control group. The study concluded that the basic income provided workers with an 'exit option' and this strengthened their bargaining power and led to improved wages and conditions.[62] More recently this has been witnessed on a larger scale in the United States, with the 'great resignation' from low-paid jobs which accompanied the disbursement of cash transfers during the Covid crisis.[63]

However, there is concern that a UBIG—if not accompanied by strong labour protections and enforcement—could have the opposite effect of eroding labour standards and wages. This occurs as the transfer helps to cover workers' basic needs and as a result allows employers to reduce wages. In this scenario, the UBIG effectively serves as a subsidy to employers. In 2014, a report found that large United States retailers benefited from taxpayer subsidies in the form of welfare for their workers. In the case of Walmart, these benefits totalled an annual US$6.2 billion, derived from food stamps and other social protection programmes that its 1.4 million workers were forced to rely on as their wages pushed them below the poverty line.[64] To avoid this scenario, it is critical that labour protections and minimum wages are maintained, enforced, and improved over time.

CONCLUSION

The idea that basic income support for unemployed working-age people will encourage laziness, dependence on the state, withdrawal from the labour market, or a reduction in productive activities, is again featuring prominently in public discourse in South Africa. This 'jobs versus grants' dichotomy is influential, and has been cited by powerful decision makers as a key impetus for limiting social protection. We have outlined in this brief that this position has moral and ideological underpinnings, which are pervasive, bolstered by the corrosive effect of inequality, and which encourage prejudice and suspicion towards poor people.

In response to the populist appeal and influence of this narrative, we have reviewed international and local evidence on the impact of a range of types of social grants on labour market participation, productive activities, and consumption of temptation goods. **The vast majority of studies from countries in Africa and other low- and middle-income countries demonstrate that even meagre basic income support for vulnerable people increases autonomy and enables job-seeking, investment in productive assets, a transition from poor quality and exploitative jobs to more decent work as well as self-employment, small business creation, and women's economic empowerment.** This is one of the key reasons why we advocate for a UBIG to intervene in our current structural crises of unemployment and poverty, reignite our economy, promote inclusion and form a cornerstone of South Africa's social compact.

Given the chance, people consistently seek ways to increase their economic participation and security. This finding should not appear as counterintuitive, and only does so if we accept the pessimistic account of human nature as inherently lazy and individualistic. Those who advance this account frequently apply it to others but not to themselves. This account is not supported by insights into the psychology of work motivation and self-determination. While we have focused on evidence from low- and middle-income countries in this brief as they have greater relevance to the South African context, these findings are mirrored by research conducted in high-income contexts.

Rather than the behaviour and choices of poor people, the most significant barrier we face to tackling unemployment and poverty is poverty itself. Insufficient income, alongside the lack of employment opportunities, is the key issue that prevents people from being able to realise their ability and desire to participate in their economy and communities, to build and exercise their skills and capabilities, and to seek and create decent work.

Unemployment and economic exclusion in South Africa are structural. They are long-term trends and the results of structural economic realities combined with successive political decisions which have themselves been rooted in neoliberal ideology about individual responsibility and the need to limit the role of the state in taking care of people. These trends can and must be tackled by new policy that is both evidence-based, and compassionate towards those who have been excluded. Rather than the behaviour and choices of poor people, the most significant barrier we face to tackling unemployment and poverty is poverty itself. Insufficient income, alongside the lack of employment opportunities, is the key issue that prevents people from being able to realise their ability and desire to participate in their economy and communities, to build and exercise their skills and capabilities, and to seek and create decent work.

Although the financing of expanded basic income support may remain on the policy agenda as a complex issue to be resolved, the question of whether basic income support could have adverse effects on job creation and growth, or enable laziness or dependency, should not. That question has been conclusively answered by years of research and experience, and it is also answered by humanism and common sense.

FRIEDRICH EBERT STIFTUNG
South Africa

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APPENDICES

I. SOUTH AFRICA'S SOCIAL PROTECTION FRAMEWORK

Despite the long-standing crisis of unemployment in South Africa, until very recently government assistance for unemployed people was very limited. Although South Africa's social protection system is relatively well-developed compared to other countries in Africa and in the global South, it has coverage gaps which are all the more concerning in light of the country's dire unemployment figures and level of need reflected in poverty statistics.[65] One key form of protection for unemployed people in South Africa is the Unemployment Insurance Fund (UIF). The UIF is a contributory scheme, which public and formal-sector workers and their employers pay into, and which pays benefits in the event of job and/or income loss, including as a result of illness or maternity. However, estimates suggest UIF covers around 7.5% of unemployed people.[66] Other important features of South Africa's safety net include the Old Age Pension grant (OAP—available for those 60 and above) and the Child Support Grant (CSG—targeted at lower-income households with children under the age of 18). These grants have had important poverty-alleviating impacts.[67]

Yet wide gaps remain in the social protection framework, through which more and more people are falling due to growing unemployment. There are millions of able-bodied people of working age (between 18 and 59) in South Africa, who have been unemployed for more than a year, who work or worked in the informal economy, or indeed who have never had a job, do not have access to either UIF benefits, or any other permanent form of social assistance. Thus they are the most likely to experience poverty, without access to a safety net.

In response to Covid-19, the government introduced a temporary payment called the Social Relief of Distress grant which provides R350 per month to people of working age who have no other source of income.[68] Aside from a brief period in which it was withdrawn, the grant has been in place since the onset of the pandemic, and has been extended to March 2023. However, the recent need to transition the grant out of regulations under the National State of Disaster and into regulations under the Social Assistance Act, has created enormous disruption in the administration of the grant, and poor systems of communication, application, and verification have led to a steep decline in beneficiary numbers.[69] This has also been due to an arbitrary budget allocation for the grant in the 2022/23 fiscal year, which is well below the amount required to pay all rightful beneficiaries.[70] Although marred by poor implementation and exclusion errors (with systems erroneously excluding up to one third of eligible people),[71] and underfunded,[72] this is the first time a form of basic income support for unemployed people has been introduced in South Africa, albeit at just over half the value of the food-poverty line (calculated by Statistics South Africa at R624).

II. UNEMPLOYMENT AND SOUTH AFRICA'S SAFETY NET

Both proponents and detractors of expanded social protection in South Africa identify unemployment as an urgent and fundamental concern for the country's sustainable development. Unemployment, and its corollaries poverty and inequality,[73] threaten to compromise social stability and herald a humanitarian crisis. In the first quarter of 2022, unemployment stood at 45.5%[74] (based on the expanded definition which includes people who have given up actively looking for jobs).[75]

The harshest effects of unemployment are experienced in an uneven way, which flows from South Africa's socio-historical legacies of marginalisation. The latest figures put unemployment at 50.1% amongst black Africans, compared to 12% amongst whites. 49% of women are unemployed, compared to 42.4% of men. The proportion of black women who are unemployed reaches 53.7%. Alongside black women, young people bear the heaviest brunt of unemployment in South Africa. Although unemployment amongst people aged 55 to 64 is comparatively low at 21.9%, it rises steadily down the age groups, to an alarming rate of 75% of people aged 15-24.[76] Unchecked, this risks stymieing the process of skills transfer from older to younger workers, which could have the effect of further marginalising them in the labour market. Alongside an uneven racial and gender spread, unemployment is experienced unevenly geographically—disproportionately affecting people in largely rural provinces. Expanded unemployment is at 29% in the Western Cape, 43.4% in Gauteng and the Free State, and over 50% in the Eastern Cape, Limpopo, and Mpumalanga.

III. UNEMPLOYMENT AS A STRUCTURAL PHENOMENON

Although it is experienced unevenly across our society based on intersecting racial, gendered, and geographical patterns of marginalisation, the nature of unemployment in South Africa is structural. That is to say it is deeply entrenched across our economy, it is a long-term trend, it is multi-causal—or driven by multiple social and institutional factors—and it will continue to be reproduced without major interventions that address it at its roots. Even careful evidence-based policy interventions to create jobs and help people into work—though very much needed—will take a significant amount of time to disrupt structural unemployment in South Africa. In the meantime, the social and economic costs of poverty and exclusion continue to mount in the absence of social protection aimed at eliminating income poverty for everyone.

Prior to the transition to democracy, the exploitation of labour was systematically racialised, and the Apartheid government instituted restrictions on black people's education and movement to violently maintain a reserve supply of black workers and to suppress wages. This regime has left behind an intergenerational legacy which is extremely complex to dismantle, and continues to result in deeply unjust outcomes.

Compounding the legacy of institutionalised inequality in the labour market, broad political and macroeconomic trends since the transition to democracy have contributed to worsening structural unemployment. These include deindustrialisation, a trend which has seen the decline of the manufacturing sector from 22% of GDP in 1990, to 12% of GDP in 2020.[77] This trend is embedded within the evolution of a monopolistic, capital-intensive, and financialised economy, which erodes opportunities for decent work whilst accelerating wealth accumulation amongst a privileged few. While GDP might still rise in this scenario, the result is 'jobless growth', where the real crisis of unemployment is hidden within a focus on overall economic growth.[78]

Other structural drivers of unemployment in South Africa include a 'skills mismatch', whereby the skills produced through the education system are not well aligned with the skills that are more in demand in the job market (though a focus on skills alone cannot address the crisis of decent job provision);[79] and a "spatial mismatch", whereby job seekers are located far away from available jobs, and have limited mobility due to poverty and poor transport infrastructure.[80] This unequal geographical access to labour markets has complex underlying factors, but it is undoubtedly also a legacy of racist spatial planning under Apartheid.[81]

Finally, budget austerity—cuts to government spending on public services and infrastructure—since at least 2014/15 has contributed significantly to unemployment levels.[82] This has occurred through both cuts to the public sector wage bill (the number of people directly employed by the government), and the broader impact of expenditure cuts to education, infrastructure, and health which has served to choke key inputs into job creation and economic growth.[83] Extensive international evidence shows that austerity policies (implemented to address rising debt levels) are self-defeating: they have widely resulted in constrained growth, rising unemployment, falling incomes, and increased inequality.[84]

Unemployment is at disaster levels in South Africa. Aside from being deeply unjust, this level of exclusion is unaffordable, and presents a dire threat to our overall economy. Urgent interventions are needed to create jobs and livelihoods. But in this context it is important to understand the underpinnings of continued, deepening unemployment in South Africa not as the result of accidents, nor as inevitable, but in significant part as the result of policy decisions that have been made by successive governments, not supported by rigorous evidence, and often motivated by entrenched private sector interests. Understanding rising unemployment as the result of policy decisions also shows us that policy reform can bring about a different future—policy choices can disrupt poverty and unemployment. Understanding unemployment as a structural phenomenon and the cumulative result of many decisions made by political and economic actors is also key to challenging neoliberal and meritocratic ideas about unemployment as an individual failing.

Yet, even with urgent and radical interventions to create jobs, the entrenched nature of unemployment means meaningful change in employment levels will take time to eventuate. It is clear that even if unemployment starts falling tomorrow, in the short to medium term, the number of people without work will remain comparatively high. Millions of people will continue to be excluded from our economy, and to face poverty and starvation. Recent estimates from the Department of Social Development suggest that 13 million people in South Africa have no income, and more than 18 million (approximately a third of the population) live below the food-poverty line, at risk of malnutrition.[85]

Jobs are needed for sustainable growth and to break the cycle of poverty, but immediate forms of social assistance are also required to address the scale of suffering and exclusion that these figures represent. However, social protection should not be viewed as a bandaid measure in the absence of jobs. Extensive international evidence shows that social protection is an important part of the solution to structural unemployment. Unconditional cash transfers in particular have been shown in a wide range of studies to boost household spending and revitalise local economies,[86] support the creation of enterprises and sustainable livelihoods (including with spillover effects to non-recipient groups),[87] and have an income multiplier effect.[88] These impacts in turn contribute to dismantling the structures that reproduce economic exclusion, by stimulating local economies to create jobs and improve incomes. This is only the case, however, when social protection is sufficiently resourced to respond to the scale of existing deprivation and exclusion.

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