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# The economics of universal basic income in South Africa

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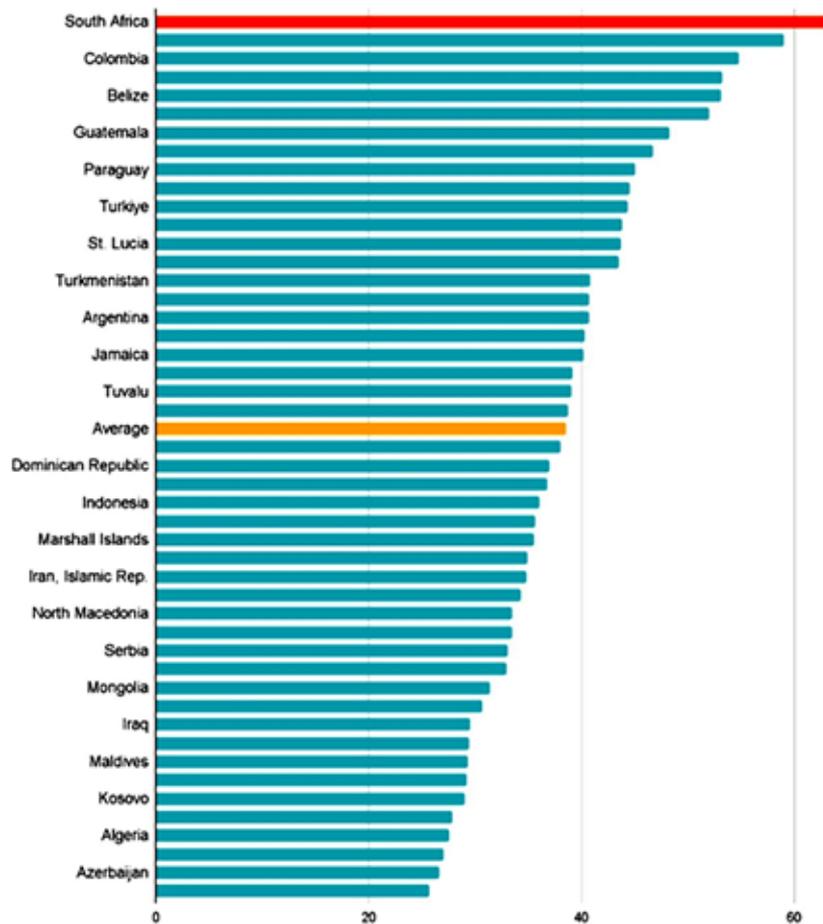
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# Current state of the economy

We face multiple economic crises—government policy is making the situation worse. But the government could choose to make things better.

- Stagnant growth
    - GDP is expected to grow 1.6% in 2026...not enough to create jobs or meaningfully alleviate hunger
  - Structural unemployment
    - Unemployment is entrenched: 42.1% of the labour force is unemployed or underutilised
    - 79.7% of unemployed people have been unemployed for more than a year
    - Unemployment is driven by factors like a decline in industrial production (manufacturing), and spatial inequality. The economy does not make enough jobs available in the places where people need them.
  - Poverty and food insecurity
    - 66.7% of people in South Africa (40.8 million) live below the Upper-Bound Poverty Line (UBPL) of R2846 per month
    - 17.6% of people live in food poverty, below R855 per month
    - 17.8 million people are food insecure, and 8 million are severely food insecure
    - This is despite the fact that South Africa produces enough food to feed everyone
  - Fiscal austerity
    - Government has had a policy of austerity for over a decade. This means prioritising paying off debt—spending less on services and social grants. **But austerity doesn't work...it stifles economic growth and hurts people.**
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## Inequality within upper middle-income countries (World Bank GINI Index)



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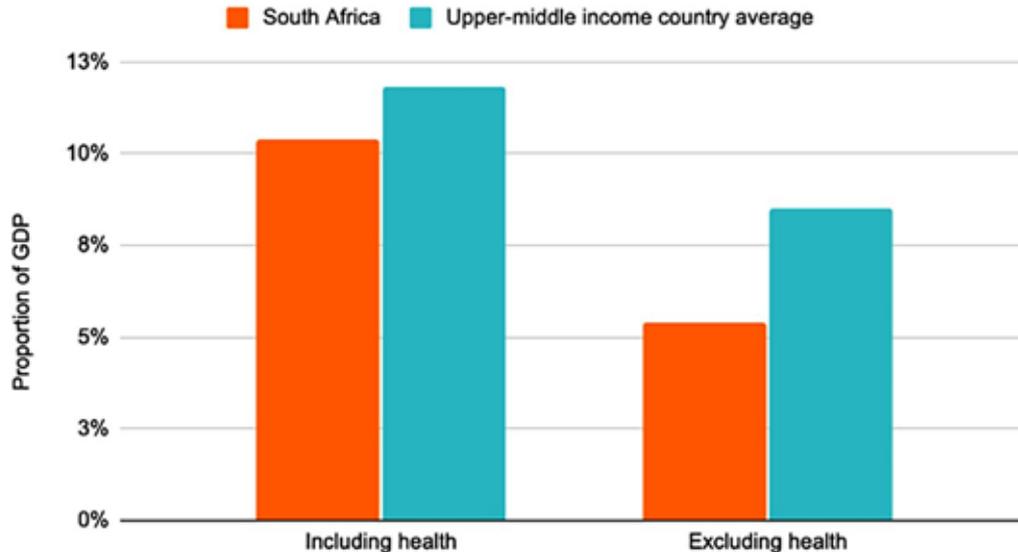
# The need for redistribution

- South Africa is the most unequal country in the world.
  - Tax system is “insufficiently redistributive” (Financial and Fiscal Commission, 2023) - meaning that it does not do a good enough job of shifting resources from the wealthy to the lower deciles - it doesn't do enough to address inequality.
  - There is space to tax the wealthiest individuals and corporations at a higher rate, to finance spending priorities.
  - Inequality is immoral. It is also economically harmful. It stifles growth and job creation.
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# South Africa spends less on social protection than peer countries

Social protection expenditure



Despite being much more unequal

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# The economic impacts of UBI

- A UBI is less expensive to administer
  - The government spends a lot of money on trying to stop people from getting social grants, through complicated processes of application and verification. Because every adult is eligible for a UBI, it is much simpler and cheaper for the government to implement.
- UBI helps people build livelihoods
  - Extensive evidence shows that people use grant money to search for jobs, invest in assets, and start businesses. A lot of people are prevented from building better lives because they are stuck in a poverty trap - for example they cannot afford transport to go to a job interview.
    - The cost of searching for a job was R1469 per month in 2024
    - When people received the SRD grant, they were 6% more likely to find work
    - In Namibia when the BIG was piloted, income from self employment increased by over 300%
  - If people receive a little bit of income that is reliable, the large majority of people spend it in a way that improves their situation and that of their children.
- UBI creates jobs
  - Imagine that suddenly people in your community had a little bit more money. They would spend that money at local businesses (and they might even start their own business) Local businesses then have more income. This means they can hire new staff. In this way, a UBI creates jobs.

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  - This is supported by local and international evidence

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# The economic impacts of UBI



- UBI has a “fiscal multiplier effect”: it creates extra money in the economy which boosts government revenue
  - The multiplier effect of social protection spending is greater in high inequality contexts.
  - In Mexico, every \$1 spent on social protection creates \$5 of economic activity.
  - This is because social protection:
    - Significantly boosts consumer spending - people spend their basic income at local businesses (predominantly on food)
    - Increases household resilience to shocks
    - Boosts “human capital” (the productive capacity of the current and future labour force) by supporting nutrition, health and education
    - Supports investment, asset accumulation, long-term financial planning, risk taking, access to credit
    - Supports entrepreneurship, job creation, and job seeking
    - Flows back into government revenue in the form of additional VAT

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# The economic impacts of UBI

- Women's economic empowerment
    - Women in South Africa are more vulnerable to poverty than men.
    - This is usually because they have higher care responsibilities (caring for children, older relatives etc.), which limits their ability to work and earn income.
    - When they do manage to find work, they have worse conditions and lower pay than men.
    - Many women receive the CSG for children in their care. However, because they have no income themselves, they have to use the CSG to support themselves as well as their children.
    - If women receive a UBI, they would be able to support themselves, and to use the CSG to support their children.
    - They would be less dependent on a male partner. This means it would be easier to leave a situation of abuse or GBV, because there is a financial safety net.
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# The economic impacts of UBI

- UBI reduces the cost of poverty to our communities and to the government.
    - People who live in poverty are more likely to get sick. Children who grow up in poverty are less likely to get a good education, and to gain skills that can be used in the job market. Poverty and inequality are the key driver of crime, and social unrest in South Africa.
    - This means that poverty costs our economy. It means the government has to pay more for healthcare, it means businesses are less able to find skilled workers, and it means that people and businesses lose money to crime, and need to pay for additional security.
    - Extensive international evidence shows that income support can improve peoples' health and improve children's educational outcomes, and reduce crime. Aside from being morally right, this reduces the burden on government (and on local communities, especially women) of poverty-related illnesses, poor education outcomes and high crime.
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# Grants vs. Jobs

- Many people believe that when people receive a grant they stop working, or they spend the grant money on “temptation goods” like alcohol and tobacco.
  - This is not supported by the evidence.
  - Some evidence shows that consumption of temptation goods goes down when people receive income support.
  - Evidence also shows that income support helps people to search for jobs, and to change to jobs with higher wages and better working conditions.
  - People have many motivations to work including contributing to their communities, gaining skills and a sense of personal achievement and self esteem.
  - Surveys show that people who receive grants in South Africa are highly motivated to work, and that the biggest barrier to work is a lack of available jobs.

**Grants and job creation are not a trade off - we need a social safety net to support people in their careers, and help turn around South Africa's unemployment crisis.**

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# Can we afford it?



- We can't afford our current macroeconomic path whereby millions are locked out of the economy and prevented from contributing to our collective prosperity
  - The net cost of UBI is much lower than the gross cost, because of the fiscal multiplier effect
  - There is much more potential to tax wealth and resource rents in our context of very high inequality
  - UBI isn't just a costly policy, it's a new developmental paradigm that can catalyse inclusive growth and meaningfully tackle unemployment and poverty
  - But it's not a silver bullet. It needs to be accompanied by investments in basic services including health and education, and infrastructure, and it must not come at the expense of existing social grants.
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