

# *The Basic Income Grant*

**L**abour proposed the following on a Basic Income Grant (BIG) at the Jobs Summit.

- ❑ Every citizen would receive a grant of say R100 per month. To ensure that the system targets the poor and unemployed those earning over a certain amount (for example, R2 000 per month) would pay back the amount they receive as a tax. People earning over R5 000 per month would pay back double what they receive as a 'solidarity tax'.
- ❑ The money would be claimed back from higher income earners through the South African Revenue Service and the balance will be paid by the fiscus. Preliminary calculations indicate that the cost of implementing a BIG of R100 per month from 1998 may peak at R23-billion in 2003/2004, assuming a 75% take-up rate within six years.
- ❑ Both the poor and working poor will benefit. The system would not discourage people from working because everyone will receive the grant. It thereby avoids the problems experienced by 'welfare states' where the possibility of welfare creates a disincentive for people to work. It is therefore a real component of 'developmental' social welfare.
- ❑ The BIG would contribute to making people economically active through giving them access to cash resources. It would contribute to improved health status and improved ability of children

*by Neil Coleman*

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- to learn at schools. It would stabilise consumption spending and demand - increasing demand for locally produced goods. International experience shows that basic social security is important to promoting economic growth.
- ❑ The BIG would help alleviate poverty as poorer people in large households pool their income. It would also lead to a more equal intra-household distribution of income - empowering women and younger people.
  - ❑ The BIG could be paid into people's accounts through the banking system, a reformed and extended Post Office Bank or through community banks. This would help expand financial infrastructure into rural areas. The transfers would be automatic and thus require less administration. There would be less corruption because the BIG would be an entitlement and would not be dependent on the discretion of officials.
  - ❑ The State Old Aged Pension (SOAP) system should remain in place since it has a proven track-record as government's most effective poverty alleviation programme. This will be reduced by R100 and the pensioner will get the BIG. Pensioners will therefore receive the same amount of money. The same should apply to the disability grant. ★