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# Unlocking true prosperity: Universal Basic Income

*How the multiplier effect would fire up South Africa's economy*


AMANDLA MOBI
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# Partners

This report has been published in partnership with Action for Southern Africa (ACTSA) and the Social Policy Initiative (SPI) which closed in 2025 after two decades at the forefront of social policy to address poverty in South Africa.

# Introduction - Koketso Moeti

Founding executive director **amandla.mobi**

Now is the time for a UBI in South Africa. Why? The statistics that illustrate the breadth and depth of poverty and inequality in South Africa are repeated without any sense of the magnitude of the crisis they describe. It's enough to remember that according to the 2025 Poverty Trends report of StatsSA, 66% of people in South Africa fall below the Upper Bound Poverty Line. We have the highest wealth and income inequality in the world, and one of the highest unemployment rates. Black women carry the heaviest burden, disproportionately affected by unemployment and low pay, with female-headed households poorer than male-headed ones.

High levels of precarious and informal work and piece jobs characterise what work is available for many millions - particularly women - counted as employed by the employment surveys. The vulnerability of the poor and the working poor not only affects their quality of life, but also has a direct impact on the low GDP growth. Low growth affects a number of macroeconomic dynamics, and this has led to the country's negative growth cycle.

Successive governments have failed to stem economic stagnation. This has been the excuse for not implementing the constitutional guarantee to social security for all in need, because of 'affordability'. However, assessing the scenarios for UBI as an economic catalyst have not been rigorously examined or debated outside elite circles of political and organised business fora. That needs to change.

We need something different, created for our specific national needs and challenges. More and more research is showing the extent to which a UBI, unlike the meagre amount of current grants, can act as an investment, which – implemented properly – can stimulate the economy. We call that economic stimulus 'the multiplier effect', which refers to how government investment into social security budget (or public services) is actually multiplied. This report outlines how such a multiplier can work in our economy, applying groundbreaking research from Brazil by Dante Cardoso.

UBI is a stimulus that happens through every person. As the money is received by all, it provides a huge boost to consumption, helps people create jobs and set up businesses that other people can now support with their UBI, supports children through improved school attendance or young people's training. It is financial inclusion from the get-go – injecting money into every home, village, town, region via the secure purchasing of basic needs every month. The effectiveness of UBI is evidenced in dozens of successful pilot programmes worldwide.

Several factors make South Africa perfectly positioned to implement a UBI and a growing coalition is arguing that it would not only transform how people grapple with poverty and inequality and meet the state's Constitutional obligations, but would also act as an economic stimulus to kickstart the economy out of years of stagnation and so increase economic growth, which Treasury's current policies of austerity have failed to do.

This report provides a basis for dialogue, determination and delivery of a UBI for South Africa. It explains how, if implemented, all people will benefit immediately from UBI injecting the necessary income into households that the current Social Relief of Distress grant fails to do.

# The evidence for UBI as an economic stimulus

A Universal Basic Income (UBI) must be understood as an economic stimulus. Unlike grants it is not a poverty reduction programme, because of the proposed amount of the income and that it is *universal* – going to everybody. UBI is a first step towards full employment and a critical step towards higher GDP growth if implemented as this paper suggests. To deliver a UBI that works requires renewed national dialogue and agreement to change the current macroeconomic policy framework so that financial inclusion is achieved. To unite around the twin goals of sustainable GDP growth and full employment means a shift in the national vision and plan for the country: we must focus on an *inclusive and comprehensive strategy*, using the nation's financial assets as investments in a decent life for all.

**What is a UBI?**

A UBI is a periodic cash payment unconditionally delivered to all on an individual basis, without means test or work requirement.

### The multiplier effect of social security spending

One of the reasons governments give for limited spending on public services, including social security, is that these allocations are seen as consumption spending (a cost) rather than investments. In economics, there is an assumed hierarchy of government spending and the view has been that government investment in infrastructure has a larger multiplier than through consumption spending.

In a ground-breaking study by *Cardoso et al. (2023)* published by the University of São Paulo, the authors analysed the multiplier effects of social protection spending in a novel database of 42 countries between 1985 and 2020, including 11 developing countries. The study found that there were very high cumulative social protection multipliers in countries such as Mexico (7.4 over eight quarters), Pakistan (5.4 over 12 quarters), Finland (4.6 over 12 quarters), Brazil (4.5 over 10 quarters), South Korea (4.0 over 10 quarters) and Ecuador, (3.3 over 10 quarters).

They found that government spending on social protection had a higher multiplier than general government spending. Cardoso et al. (2023:9) say: "This result is probably a consequence of the fact that social protection expenditures tend to be more targeted towards poorer groups than the remainder of government spending. It channels, thus, income to groups with above-average propensities to consume, having a higher indirect impact on GDP."

A further critical finding for South Africa was that the social protection multiplier was higher in countries that had high levels of inequality. There was a large benefit to increasing social protection spending in countries that had high levels of poverty.

Social Policy Initiative (SPI) approached Dante Cardoso, the lead author of the paper, who agreed to calculate *the first social protection multiplier for South Africa for the period 2007 to 2022.* And so started a south-south collaboration between two countries that have very high levels of inequality, just at the point when Brazil handed over the presidency of the G20 to South Africa.

While in recent years, there has been a proliferation of UBI research in South Africa with many papers making budget-neutral or fully-funded proposals with tax increases, SPI's contribution to the debate has been to propose an unfunded UBI to provide a large fiscal stimulus to an economy that has stagnated for almost two decades.

Cardoso's results showed accumulated social protection multipliers in South Africa of 1.61 after one year, 1.76 after two years and 1.78 after three years. This is a game changer to the way that Treasury should see allocations to social assistance programmes in South Africa.

The introduction of a decent universal unconditional basic income, paid directly to every person, and indexed to the national poverty lines, would, by stimulating consumption and demand, act as the most effective economic surplus that has yet been proposed.

**The multiplier effect**

refers to how government investment into public services is actually multiplied

**The social security multiplier**

as developed by Dante Cardoso and collaborators, is a macro-distributional concept that extends the idea of a fiscal multiplier to social protection spending, with particular attention to poverty, inequality and demand effects in low- and middle-income countries.

Social security meets people's survival needs, but it has an even more crucial role: *decently designed* social security systems guarantee a healthy and growing economy, and decent jobs. It keeps the economy working through correcting market failings, primarily the distribution of income and wealth. As the most unequal country in the world, the decline and stagnation in SA GDP growth should not surprise anyone. And yet year on year, the same failing economic and fiscal policies are repeated in an ever deepening crisis.

## Concerns or myths you'll hear about a UBI

**"UBI will stop people working"**
Critics of UBI often say it would discourage work but this is a myth that UBI pilots have debunked time and time again. In fact, the longest running UBI in Alaska, of over 40 years, found that the unconditional payments to residents had no real impact upon full-time employment levels (whether positive or negative) but did find that part-time work increased by about 17%.

**"A UBI will create dependency"**
Others say UBI will create dependency. But the idea that people would not want to work after receiving basic income of only R1 900 a month is absurd. An expert panel appointed by the South African Department of Social Development concluded that:
*"We find that social transfers are important in underwriting job search and the costs of participating in any demand-side employment activation interventions for labour force participants. Social transfers therefore promote job search, employment effects and entrepreneurial ventures without cultivating a dependency culture. These positive effects of social assistance transfers to households therefore reflect enabling features of income support, such as promoting economic participation and agency on the part of recipients. We find that there is no evidence to support the view that a dependency culture or syndrome exists in relation to social grants or is likely to exist in relation to an implemented basic income support."* (DSD, 2020)

# The impact on households, and especially women - evidence from global UBI pilots

It is common sense that having a guaranteed monthly income would transform people's lives, as well as boosting the economy. UBI pilots worldwide - which have taken place from India to USA and from Netherlands to Uganda - confirm this time and time again.

They have shown that UBI can reduce poverty, stimulate local businesses, support education, improve mental and physical health, and allow people to take part in their communities. It gives people the breathing space to care for family, pay off debt, start a business, contribute creatively, or simply live with dignity. Women, as the majority of the poor and often the poorest of the poor, benefit most. UBI pilots have also found that rates of crime and domestic violence went down.

These benefits create knock-on savings for states, outside of UBI being an economic stimulus. Work has been done to show a UBI would save the UK's health service billions of pounds and studies such as the *Denver Basic Income Project* have shown it can reduce homelessness significantly, which costs Governments a huge amount a year.

### Namibia – 2008 to 2009

One of the most prominent African pilots took place in Otjivero where residents received a monthly stipend. Despite being only a two year project, the results were staggering:

- **poverty rates declined by 37%** and small business activity grew
- child malnutrition went down and school enrolment increased
- overall **crime fell by 42%** and illegal poaching of animals for food/money fell by **95%**

### Georgia, USA - 2022 to 2024

This pilot - called 'In Her Hands' - saw 654 low-income black women receive $850 a month for two years. Within one year of the two-year programme, participants experienced:

- gains in **financial stability and resilience**
- reduced use of high cost financial services
- greater **housing security**
- mental and physical health improvements including increased life satisfaction

### Kenya, GiveDirectly - 2018 to ongoing

This is the longest running pilot globally, with 20,000 participants over 200 rural villages. It provides no-strings-attached cash payments for up to 12 years (simulating a permanent programme) as a randomised control trial (RCT).

UBI was found to increase **economic stability, allowing families to plan, invest and build businesses,** and support their children. All participants said the income improved their housing and food security, mental health, and household savings. They reported **growth for village businesses** and less inequality. Families receiving long-term support had lower rates of domestic violence and better educational outcomes for their primary school-age children.

For more on all the UBI pilots worldwide go to: https://basicincome.stanford.edu/experiments-map/

# How would the UBI work in South Africa?

The UBI model that we wish to feature in renewed dialogue is based on a monthly unconditional cash transfer that goes to everybody, from the cradle to the grave in South Africa, indexed to the South African Lower and Upper Bound Poverty Lines (which are calculated annually by StatsSA).

Universal means that it also goes to people who are employed, including government employees and rich elites too – **but this would be clawed back through SARS** who will regulate high earners income above a certain threshold. This means that no people fall through gaps. Means tested programmes often fail to reach the most vulnerable who are unable to negotiate the application process, and means tested benefits often lead to stigmatisation, leading to a low take up of grants by those who most need them.

In addition to extreme levels of inequality and unemployment, the rate of gender-based violence and femicide in South Africa is a mockery of the principles, values and rights to liberation and dignity guaranteed in the Constitution. UBI will provide a small but guaranteed income that could break the cycle of violence that many children are raised in and provide options and possibilities for women trapped in dependent situations.

The SPI model for a UBI demonstrates that real change and growth is possible today. The scale of the economic stimulus has to be large enough in terms of universal reach and sufficient value. As a basis for a new social cohesion in a nation seeking unity in diversity, civil society partners who are working for UBI believe exploring this model provides the blueprint.

**Amandla.mobi is people-powered and we know that UBI is a popular policy. In 2020 – before it started gathering momentum – over 250,000 people supported our petition, run with Black Sash, calling for Basic Income Support, for those with little to no income between the ages of 18 and 59. Today support is even broader.**

# Concluding summary

For billions of people around the world, the democratic South Africa was a beacon of hope for equality and reconciliation. This was exemplified too in the Constitution that guaranteed dignity and equality to all. But the deep effects of the intentionally debilitating discrimination of Apartheid continue to reproduce social and economic inequalities, and the macroeconomic policies adopted by National Treasury exacerbate the economic exclusion of millions of black people in South Africa. The chosen growth path does not provide jobs for the poor with no social capital and limited skills or training. Millions of those dehumanised by Apartheid continue to face economic degradation. Black women bear the brunt of poverty, unemployment and low wages and yet carry the greatest burden of care-giving for both their own families and often families at the other end of the economic spectrum.

South Africa is an Upper Middle-Income country, with the highest inequality globally. An inclusive and bold set of related interventions are required on a sufficient scale to correct the structural drivers of unemployment, poverty and inequality and truly disrupt the legacy and logic of Apartheid. The recent G20 Presidency hosted by South Africa took the call to address inequality to the centre of its mandate.

This paper invites dialogue with determination to find agreement on applying principles of a UBI to change the face of poverty in South Africa forever. By drawing on the game-changing work by Cardoso et al in calculating the potential economic stimulus of social security spending, we aim to show that there are many different ways of building the inclusive and prosperous South Africa we had hoped for, based on experiences in similar settings such as the Kenyan pilot.

**Our call with the release of this work is for deep and inclusive dialogue so that those most directly affected can influence how fiscal policy is used to change their lives.**

A South African government which implemented a Universal Basic Income would make history and be remembered for its bold, visionary, egalitarian ambition that put the majority of people at the centre of the national priorities they identified. Using the national assets available to invest in UBI and growth, we believe will result in an unprecedented boost to the economy and ensure poverty - and its accompanying ills such as gender-based violence (GBV) - shrinks, for the first time since the Constitution enshrined rights and guarantees 30 years ago. Those universal rights include Equality, Human Dignity and other socio-economic rights promised to us all. Evidence from elsewhere shows that UBI would improve other issues that South Africa struggles to get to grips with, such as endemic gender-based violence and high rates of crime.

A UBI would help ensure that these constitutionally enshrined rights would finally be realised on the basis that everyone is included and has opportunity to make a difference to the growth and prosperity of our nation, using our own shared national resources to achieve it.

With growing public support and civil society support, what are we waiting for?

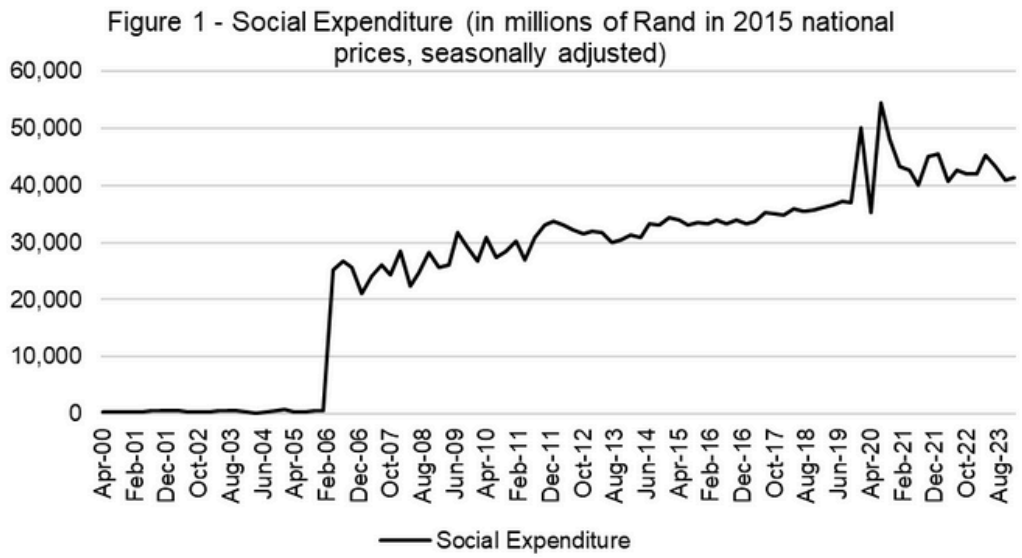
# APPENDIX - technical paper by Dr Dante Cardoso

**Technical paper by Dr Dante Cardoso, calculating the SA Social Security Spend multiplier.**

Based on Blanchard and Perotti (2002)'s Structural VAR approach, we estimated fiscal multipliers for social expenditure in South Africa. Our choice of data and results (tables and charts) is presented in the following sections

## 1. Data

We used quarterly data for Social Expenditures, Government Tax Revenues, and nominal GDP available in South African Reserve Bank (Quarterly National Accounts estimates, in current prices). The CPI index, used as deflator to adjust the series to 2015 prices, was obtained from Federal Reserve Economic Data. All series used in the VAR model were seasonally adjusted using the X13 Arima Method, available in Eviews. Figure 1 shows the social expenditure series.




## 2. Diagnostic tests and Estimation

Considering the significant break in the social expenditure series in the second quarter of 2006, and due to issues of stationarity in the seasonally adjusted real GDP series, we chose to carry out the estimates in a period that extends from 2007Q1 to 2022Q4.

All the structural VARs were estimated using the three-dimensional vectors of the following variables in logarithmic form: social expenditures, government revenues and GDP. The first difference of the log of each variable was used to avoid spurious relationships as all series are integrated of first order according to stationary tests (ADF, PP, and KPSS). We estimated different exercises – using different lag lengths and time dummies. We chose the specification that appeared to be better in terms of significance and robustness (free of heteroscedasticity, autocorrelation, and non-stability problems, according to LM and White tests).

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Even though the LR, FPE, and AIC lag length criteria indicated using 8 lags for the VAR models, this would require estimating at least 72 parameters. As the series have a temporal frequency of 64 observations each, there are not enough degrees of freedom to obtain reliable estimates from this specification. We also tested different dummy variables: dummy1 controls for a significant drop in GDP series during the COVID-19 crisis (2020Q2); dummy2 controls for peaks in GDP series during the COVID-19 crisis (2020Q3; 2020Q4).

We obtain three different multipliers from each VAR, where Y is GDP and G, expenditure:

- Impact - instantaneous effect: $\frac{\Delta Y(t)}{\Delta G(t)}$
- Peak - represents the highest value in the period under analysis: $max\ [\frac{\Delta Y(t+n)}{\Delta G(t)}]$
- Accumulated - measures the total effect of higher expenditures over time (n periods): $\frac{\sum_{i=1}^{n} \Delta Y(t+i)}{\sum_{i=1}^{n} \Delta G(t+i)}$

Impulse response functions and corresponding multipliers are presented in the next section. Diagnostic tests and estimated coefficients are presented in the Appendix.

## 3. Results

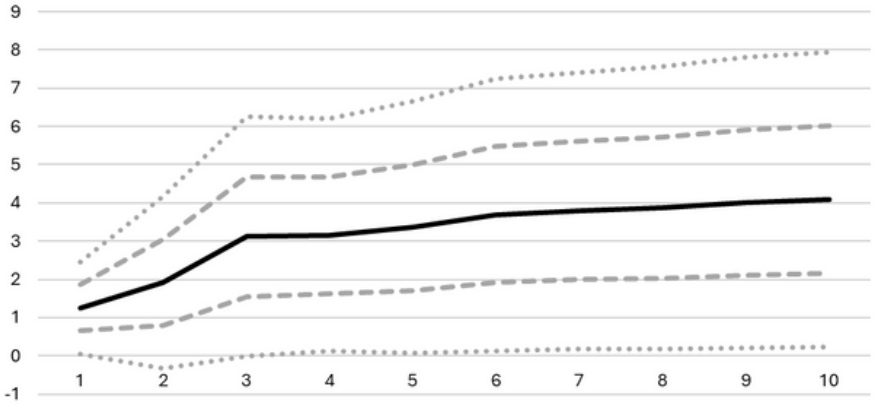
**VAR 1 Results**

Model VAR 1 was estimated using Social Expenditures, Government Revenues, and GDP series from South African Reserve Bank for the period 2007-2022. All these series were displayed in 2015 prices from CPI. We included three lags (according to SC lag length criteria), and controlled with dummy1 and dummy2, which presented the best estimations in terms of significance. LM test did detect autocorrelation in lag 4 and White tests did not detect heterocedasticity.

Figure 2 shows the social expenditure accumulated multiplier over ten quarters. Dotted lines represent a confidence interval of 95% (two standard deviations). Dashed lines show a confidence interval of 68% (one standard deviation). As we can see, the exercise shows a positive effect of social expenditures on GDP at 95% significance.

Estimated multipliers: 1.25 (impact); 2.22 (peak, third quarter), and 4.09 (accumulated in ten quarters).

Figure 2 - Accumulated multiplier over ten quarters - VAR1



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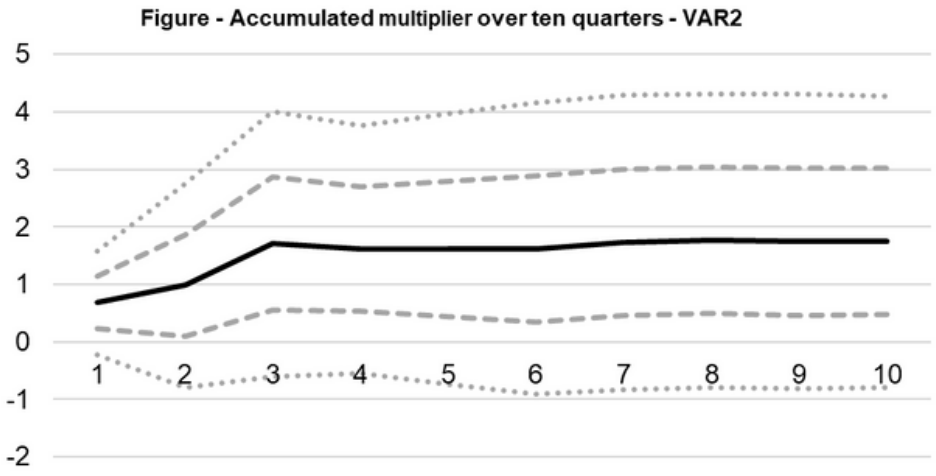
Dotted lines represent a confidence interval of 95% (two standard deviations). Dashed lines show a confidence interval of 68% (one standard deviation). Accumulated response of GDP was divided by the accumulated shock in social expenditure.

**VAR 2 Results**

Model VAR 2 was estimated using was estimated using Social Expenditures, Government Revenues, and GDP series from South African Reserve Bank for the period 2007-2022. All these series were displayed in 2015 prices from CPI. We included five lags (according to HQ lag length criteria), and controlled with dummy1 and dummy2, which presented the best estimations in terms of significance and to eliminate serial autocorrelation.

LM test did not detect autocorrelation and White test did not detect heterocedasticity. Figure 3 shows the social expenditure accumulated multiplier over ten quarters. Dotted lines represent a confidence interval of 95% (two standard deviations). Dashed lines show a confidence interval of 68% (one standard deviation). As we can see, the exercise shows a positive effect of social expenditures on GDP at 68% significance.

Estimated multipliers: 0.68 (impact); 1.37 (peak, third quarter), and 1.74 (accumulated in ten quarters).




Dotted lines represent a confidence interval of 95% (two standard deviations). Dashed lines show a confidence interval of 68% (one standard deviation). Accumulated response of GDP was divided by the accumulated shock in social expenditure.

## Summary

**Table 1: Social Expenditure Multipliers**

| Model / Multiplier type | Impact Multiplier | Peak Multiplier | Accumulated Multiplier (ten quarters) |
|---|---|---|---|
| VAR 1 | 1.25 | 2.22 | 4.09 |
| VAR 2 | 0.68 | 1.37 | 1.74 |

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**Table 2: Social Expenditure Multipliers**

| Model / Multiplier type | Accumulated Multiplier (one year) | Accumulated Multiplier (two years) | Accumulated Multiplier (three years)a |
|---|---|---|---|
| VAR 1 | 3.15 | 3.89 | 4.21 |
| VAR 2 | 1.61 | 1.76 | 1.78 |

a: The accumulated multipliers for three years were obtained from impulse-response functions for 12 periods.

## Statistical tests

**** 1% / *** 5% (two standard-deviation bands) / **10% / *30% (one standard- deviation bands)

**VAR 1**

| | Social Expenditure | Revenue variable | GDP |
|---|---|---|---|
| Social Expenditure (0) | | | -0.038500*** |
| Social Expenditure (-1) | -0.667894**** | 0.028722 | 0.003643 |
| Social Expenditure (-2) | -0.481339**** | -0.074732* | 0.029734* |
| Social Expenditure (-3) | -0.049917**** | -0.005684 | 0.010405**** |
| Revenue (0) | | | -0.005195 |
| Revenue (-1) | -0.402899 | -0.450954 | 0.003778 |
| Revenue (-2) | -0.291495* | -0.13095 | 0.021666 |
| Revenue (-3) | -0.064472 | -0.269450* | 0.024237 |
| GDP (-1) | -0.872636* | 0.750350*** | -0.182433*** |
| GDP (-2) | -0.220383 | 0.940379**** | 0.08638 |
| GDP (-3) | -0.518139 | 0.860266**** | 0.008954 |
| C | 0.033258**** | -0.001685 | 0.003219** |
| Dummy2 | 0.036912 | 0.188111**** | 0.086583**** |
| Dummy1 | -0.160646*** | -0.337023**** | -0.178968**** |

(0) In the Table refers to the SVAR's contemporaneous response of GDP to social benefits and to revenues (if negative, the impact is positive due to matrix algebra).

White test (p-value): 0.2714 (with cross terms); 0.7135 (no cross terms).

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LM (p-values):

| |
|---|
| 0.8063 |
| 0.3125 |
| 0.4945 |
| 0.0654 |
| 0.2047 |
| 0.4477 |
| 0.2911 |
| 0.8117 |

VAR Roots (Modulus)

| |
|---|
| 0.760306 |
| 0.670575 |
| 0.670575 |
| 0.608487 |
| 0.608487 |
| 0.419419 |
| 0.419419 |
| 0.333229 |
| 0.107868 |

**VAR 2**

| | Social expenditure | Revenue variable | GDP |
|---|---|---|---|
| Social expenditure (0) | | | -0.017258* |
| Social expenditure (-1) | -0.710852**** | 0.034502 | 0.000552 |
| Social expenditure (-2) | -0.444182**** | -0.094263* | 0.026868** |
| Social expenditure (-3) | -0.055381**** | -0.006642 | 0.010493**** |
| Social expenditure (-4) | -0.00901 | -0.003467 | 0.001186 |
| Social expenditure (-5) | 0.015085 | -0.011443 | 0.000929 |
| Revenue variable (0) | | | -0.040244* |
| Revenue variable (-1) | -0.549986** | -0.520565**** | -0.005051 |
| Revenue variable (-2) | -0.532709** | -0.256358* | -0.043805* |
| Revenue variable (-3) | -0.205024 | -0.396895*** | -0.031735 |
| Revenue variable (-4) | -0.316992* | -0.237094* | -0.168282**** |
| Revenue variable (-5) | -0.259681 | -0.047082 | -0.108973**** |
| GDP (-1) | -0.477128 | 0.889365*** | -0.230991**** |
| GDP (-2) | 0.179755 | 1.347900**** | 0.141335* |
| GDP (-3) | -0.06731 | 1.122956**** | 0.043358 |
| GDP (-4) | 0.792639* | 0.499830* | 0.177044*** |
| GDP (-5) | 0.895689** | 0.26702 | 0.285239**** |
| Constant | 0.025333** | -0.00474 | 0.003601*** |
| Dummy2 | 0.035016 | 0.197955**** | 0.076334**** |
| Dummy1 | -0.138686** | -0.337606**** | -0.175794**** |

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1) In the Table refers to the SVAR's contemporaneous response of GDP to government expenditures and to revenues (if negative, the impact is positive due to matrix algebra).

White test (p-value): 0.1937 (no cross terms).

LM (p-values):

| |
|---|
| 0.2531 |
| 0.8769 |
| 0.555 |
| 0.5115 |
| 0.8535 |
| 0.6182 |
| 0.7572 |
| 0.5158 |

VAR Roots (Modulus)

| |
|---|
| 0.845602 |
| 0.845602 |
| 0.762972 |
| 0.762972 |
| 0.734092 |
| 0.734092 |
| 0.672425 |
| 0.672425 |
| 0.656139 |
| 0.656139 |
| 0.43792 |
| 0.43792 |
| 0.42306 |
| 0.42306 |
| 0.320556 |

The multiplier Appendix of this work was written by Dante Cardoso, an economist with a Ph.D. from the University of São Paulo (USP). He is currently an Associate Researcher at the Center for Research in Macroeconomics of Inequalities (MADE-FEA/USP) and an Economist at the Brazilian Development Bank (BNDES). His research interests include applied macroeconomics, fiscal policy, economic growth, income distribution, and economic development.

We thank him for his contribution to this report and for gifting us the technical paper in which he applied his groundbreaking research to the South African context.

Thanks and appreciation are also due to: Tlou Seopa, Julia Lagoutte, Rachel Palma Randle, Tricia Sibbons and our 'sherpa' Isobel Frye.

AMANDLA.MOBI
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*is an independent community advocacy organisation, founded on the belief that every mobile phone can be a tool to build democracy. amandla.mobi amplifies the voices of those most impacted by injustice.We are a growing movement led by low-income Black women shifting power towards a just and people-powered Mzansi*

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