

Universal Basic Income

What is a Universal Basic Income?

- A universal basic income (UBI) is an unconditional and universal right. It requires that every person should have a right to a basic income to cover their needs, just by virtue of being citizens.
- The Economic Survey (ES) 2016-17 says the time has come to think of UBI for a number of following reasons
- **Social Justice** - A UBI promotes many of the basic values of a society which respects all individuals as free and equal.
- **Poverty Reduction** - Conditional on the presence of a well-functioning financial system, a Universal Basic Income may simply be the fastest way of reducing poverty.

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- **Agency** - The poor in India have been treated as objects of government policy. An unconditional cash transfer treats them as agents, not subjects.
- By taking the individual and not the household as the unit of beneficiary, UBI can also enhance agency, especially of women within households.

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- **Administrative Efficiency** - It is a way of ensuring that state welfare transfers are more efficient so that the state can concentrate on other public goods.

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What are its basic principles?

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- The main features of UBI are that it **should be universal and not targeted**, it should be unconditional and not tied to work or employment, and it should be in cash.
- UBI is envisaged as a **method of redistribution of resources** from the rich to the poor.

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- It is envisaged as **providing all persons** (especially, the poor) with an income to lead a dignified life, with basic needs taken care of.
- The UBI proposed in the ES is hostile to each of these objectives.

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What are the flaws in proposed UBI?

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- The first wrong committed by the ES is that its proposal constitutes an attack on welfare schemes.
- The ES wants **UBI not to supplement, but to replace, all existing social welfare schemes.**
- European scholar Mr. Parijs says, that while fighting towards greater income security, we must not neglect the importance of providing people with quality basic education and health care.
- It is thus technically and ethically wrong to compare the costs and benefits of UBI with those from a range of subsidies relating to food and nutrition (PDS, school meals, ICDS), education etc., as is done in ES.
- The second wrong is, the argument that the UBI should also **replace all current in-kind** (such as food subsidies) **and cash transfers** (such as maternity benefit).
- The third wrong, is the ES's assertion that "**UBI is not framed as a transfer payment from the rich to the poor.**"
- A basic income needs resources. Thus, the comparatively rich would need to pay both for their own basic income and for much of the basic income of the comparatively poor.
- While the basic income is given to all, the manner in which the basic income is funded has to ensure that society transfers resources from the rich to the poor.
- The ES also **does not propose any new resource mobilisation** or taxation to meet the goal of UBI.

- Rather, it says the existing programmes will have to be cut to fund the universal basic income. There is no intention of making the rich pay for the basic income.

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What are the justifications provided by ES?

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1. UBI reduces the incentive to work - The levels at which universal basic income are likely to be pegged are going to be minimal guarantees. Thus they are **unlikely to crowd incentives to work**.

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2. Should income be detached from employment? Any society where any form of inheritance or accepting nonwork related income is allowed, already detaches income from employment.

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3. Should income be unconditional, with no regard to people's contribution to society? Individuals, in most cases contribute to society. In fact, UBI can also be a way of acknowledging non-wage work related contributions to society.

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What a genuine UBI would entail?

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- UBI equivalent to the expected income transfer under MGNREGA itself would cost Rs. 510,000 crore.
- This is more than 10 times the allocation in the current Budget for MGNREGA (Rs. 48,000 crore).
- **Resource mobilisation has to increase ten-fold** for India to afford the universal basic income without cutting back on other social welfare programmes.
- Unless the government seriously increases tax resources, the proposal for a universal basic income is at best a fantasy idea.

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Favor	Against
Poverty and vulnerability reduction Poverty and vulnerability will be reduced in one fell swoop.	Conspicuous spending Households, especially male members, may spend this additional income on wasteful activities.
Choice A UBI treats beneficiaries as agents and entrusts citizens with the responsibility of using welfare spending as they see best; this may not be the case with in-kind transfers.	Moral hazard (reduction in labour supply) A minimum guaranteed income might make people lazy and opt out of the labour market.
Better targeting of poor As all individuals are targeted, exclusion error (poor being left out) is zero though inclusion error (rich gaining access to the scheme) is 60 percent ³ .	Gender disparity induced by cash Gender norms may regulate the sharing of UBI within a household – men are likely to exercise control over spending of the UBI. This may not always be the case with other in-kind transfers.
Insurance against shocks This income floor will provide a safety net against health, income and other shocks.	Implementation Given the current status of financial access among the poor, a UBI may put too much stress on the banking system.
Improvement in financial inclusion Payment – transfers will encourage greater usage of bank accounts, leading to higher profits for banking correspondents (BC) and an endogenous improvement in financial inclusion. Credit – increased income will release the constraints on access to credit for those with low income levels.	Fiscal cost given political economy of exit Once introduced, it may become difficult for the government to wind up a UBI in case of failure.
Psychological benefits A guaranteed income will reduce the pressures of finding a basic living on a daily basis.	Political economy of universality – ideas for self-exclusion Opposition may arise from the provision of the transfer to rich individuals as it might seem to trump the idea of equity and state welfare for the poor.
Administrative efficiency A UBI in place of a plethora of separate government schemes will reduce the administrative burden on the state.	Exposure to market risks (cash vs. food) Unlike food subsidies that are not subject to fluctuating market prices, a cash transfer's purchasing power may severely be curtailed by market fluctuations.

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Source: Economic Survey & The Hindu

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