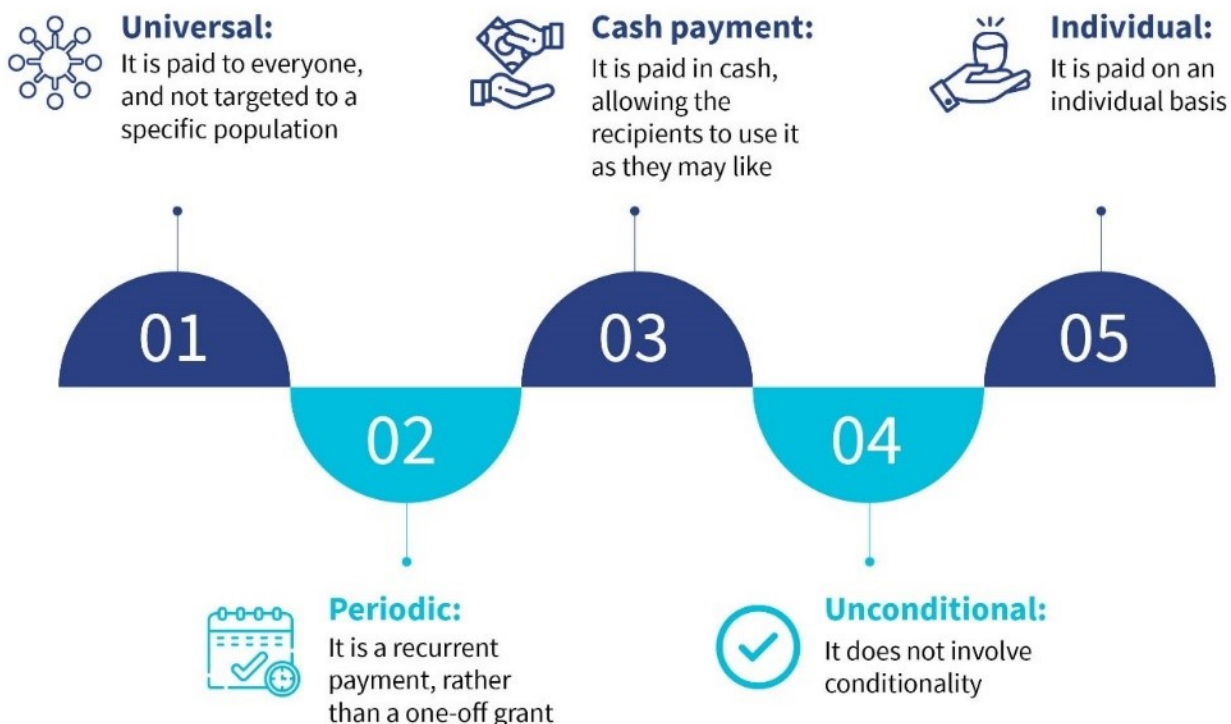# Universal Basic Income (UBI)

Why in news?

[Universal Basic Income (UBI)](#) can strengthen welfare architecture and unlock the nation's latent demographic potential.

What is Universal Basic Income (UBI)?

- **UBI** - It is an _income support mechanism typically intended to reach all_ or a very large portion of the population regardless of their earnings or employment status.
- **Objective**- To provide enough to cover the basic cost of living and provide financial security.
- **Principles** – The fundamental principles of UBI include
    - Universal
    - Unconditional
    - Periodic
    - Cash payment
    - Individual

A universal basic income provides a monthly stipend that would ensure that a

person would be above the poverty line without any other source of income.

A minimum income guarantee, on the other hand, is at the discretion of the government of the day - it can be equal, more or less than the poverty line expenditure.

What is the significance of UBI?

- **Resource manangement-** Universality and unconditionality would mean that the government does not need to spend time and resources in assessing eligibility of the potential beneficiaries.
- **Poverty reduction**- It would bring everyone's income *above the poverty line*, giving people enough money for their basic needs and necessities.
- Basic income pilot in Hyderabad, WorkFREE, has seen increased health insurance coverage among participants.
- **Fights unemployment**- It would act as act as *security net* for the millions of people who will be left jobless by the tech revolution.
- It can be used to promote *self-employment* among the citizens and increase the employment opportunities in the economy.
- **Promote entrepreneurship**- It would cover the risks involved in starting new business and foster the entrepreneurial ideas in the country.
- **Social empowerment**- It guarantees an income for non-working parents and caregivers, thus empowering *important unpaid roles*, especially for women.
- **Impetus to social capital**- Basic income programmes from around the world show evidence of people being able to invest in better housing, healthcare, education, savings etc.,
    - SEWA pilot project in Maharashtra revealed that the cash transfers helped increase school enrollments from 69.6% to 70.6%.
- **Crisis recovery**- Basic income can help people cope with crises like automation, unemployment, climate change, pandemics and inequality.

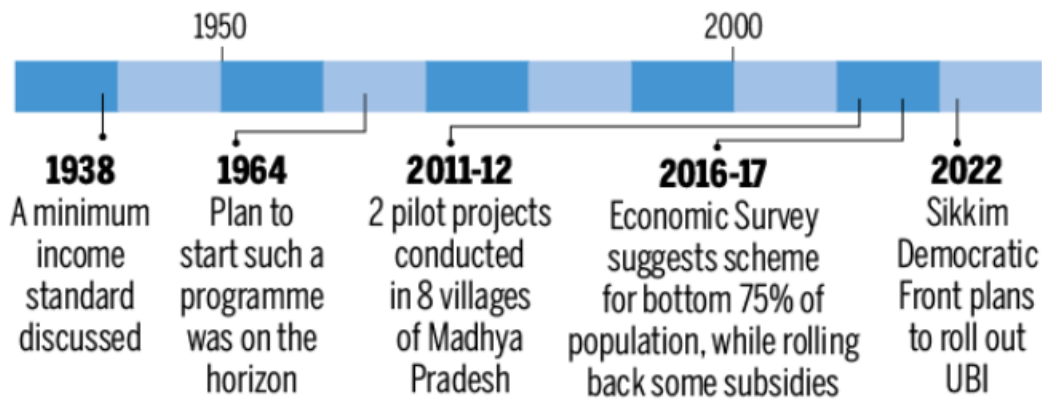*The Economic Survey of India suggested a UBI of Rs 7,620 per annum*

What are the challenges in providing UBI?

- **Fiscal feasibility**- An UBI that covers the entire population would require huge amount of public spending estimated at *5-10% of GDP*.
- **Economic burden**-The fund for UBI would be generated by raising taxes, cutting other public expenditures, or increasing fiscal deficit, thus having both political and economic implications.
- **Labour market distortion-** UBI is independent of work status which might reduce the motivation and incentive for work, education and skill development.
- **Dependency-** UBI would create a culture of dependency which may lead to mindless expenditures and add to debt.
- **Behavioural effects**- UBI might increase the consumption of alcohol, tobacco and other harmful substances, especially among men, who might misuse the money

intended for the household.

- **Social acceptability-** It might also challenge the existing norms and values of work, merit, responsibility and solidarity, and create social divisions and conflicts.

INDIA'S TRYST WITH INCOME SUPPORT

1950   2000

1938
A minimum income standard discussed

1964
Plan to start such a programme was on the horizon

2011-12
2 pilot projects conducted in 8 villages of Madhya Pradesh

2016-17
Economic Survey suggests scheme for bottom 75% of population, while rolling back some subsidies

2022
Sikkim Democratic Front plans to roll out UBI

UBI ACROSS THE WORLD

US | Alaska Permanent Fund distributes part of the state's oil revenues to all residents on per-capita basis

Stockton, California
Secured funding from private non-profits to launch a small project with about 100 participants receiving $500 a month for about 18 months

Finland | Scheme started in 2017 to pay 2,000 jobless people assistance of €560 a month stopped last year

Kenya | Largest experiment underway with some villages receiving $0.50-1 a day

Brazil | Has run experiments

Canada | Ontario plans to test a basic income scheme

France | A senate committee has recommended an experiment

UK & Germany | Studies have been conducted

Scotland | Committed funds to conduct an experiment

Barcelona, British Columbia | Plans to start experiments

Switzerland | Plan to give everyone right to basic income defeated in 2016

What lies ahead?

- The challenges in UBI implementation must be tackled by designing UBI that is affordable, feasible, efficient, equitable and acceptable.
- Robust support systems to complement UBI, such as universal healthcare and education, will ensure better utilisation of the money.

References

1. [Down To Earth- UBI a solution for diverse country](#)
2. [Down To Earth- Can Universal Basic Income tackle India's poverty](#)
3. [IMF- Basics of Universal Basic Income](#)
4. [Microsave | UBI image](#)

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