Universal Basic Income for Sikkim - Assessing the Feasibility for India

Why in news?

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- Sikkim is set to become the first state in India to roll out Universal Basic Income (UBI).
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- It is essential, in this context, to assess the suitability of UBI idea for the whole of the country.
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How does UBI work?

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- UBI has been hailed as a means of fostering social justice and equal opportunity.
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- It is also seen as a way of restoring individual choice and freedom and reigning in the influence of the state.
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- **Basic Income** - UBI is an idea that requires that every person should have a right to a basic income to cover the needs, just by virtue of being citizens.
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- A basic income is a regular, periodic cash payment delivered unconditionally to all citizens on an individual basis, without requirement of work or willingness to work.
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- The five broad features of such schemes are:
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1. payments at periodic regular intervals (not one-off grants)
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2. payments in cash (not food vouchers or service coupons)
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3. payments to individuals
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4. universality
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5. unconditionality
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- **Subsumption** - UBI would require subsumption of other subsidies and allowances in order to free up resources.
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- Subsuming other schemes is an essential prerequisite, given the sheer number of schemes and programmes run by governments in India.
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- The Budget for FY18 showed there were about 950 central sector and centrally sponsored sub-schemes in the country.
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- These, in fact, accounted for about 5% of GDP by Budget allocation, and top 11 schemes accounted for about 50%.
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- The food subsidy or Public Distribution System (PDS) is the largest programme, followed by the urea subsidy and the MGNREGS.
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- If the states are included, the number of schemes would be even larger.
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What is the rationale?

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- India has brought down poverty from about 70% of the population at the time of independence to about 22% in 2011-12 (Tendulkar Committee estimates).
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- But the effectiveness of the targeted schemes run by central and state governments has always been in question.
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- Data manipulation and leakages characterise the system.
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- Hence they suffer errors both of exclusion (the deserving being left out) and inclusion (the undeserving benefiting).
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- Targeting is seen as being both inefficient and inequitable, and a licence for corruption, leading to an entire industry of middlemen.
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- In this backdrop, UBI envisages an uncompromised social safety net that seeks to assure a dignified life for everyone.
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- The beneficiaries would be better placed to take economic decisions in their own interest than an all-knowing state.
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- It also provides a safety net in a market economy where job losses, health shocks or death of breadwinners can push back families to below subsistence levels.
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- The UBI concept is also expected to secure a place in a global economy affected by uncertainties due to globalisation, technological change, and automation.
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What are the global precedents?

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- Finland recently concluded a two-year experiment on basic income's effects on unemployed citizens.
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- Earlier, the government of Ontario, Canada, had announced a plan to test a kind of unconditional income guarantee.
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- It enrolled participants in three areas of the province for a guaranteed income for up to 3 years.
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- Some cities in the Netherlands have launched municipal-level trials.
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- Barcelona in Spain has tested several potential changes to its anti-poverty programmes, including unconditional cash payments.
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- Besides, two US-based nonprofits have completed pilot studies and are preparing to launch privately-funded basic income experiments on a large scale.
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- The charity GiveDirectly is reportedly working on plans to initiate a 12-year randomised controlled trial (RCT) to test the effects of UBI in villages in rural Kenya.

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What is the case with Sikkim?

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- Sikkim’s ruling party, the Sikkim Democratic Front (SDF), has decided to include UBI in its manifesto ahead of the Assembly elections.
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- It aims to implement the scheme by 2022, but has already started the process to introduce the unconditional direct cash transfers.
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- **Relevance** - In India, Sikkim would appear to be the ideal testing ground for UBI.
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- It is a surplus power generating state, which exports nearly 90% of the 2,200 MW that its hydel projects produce.
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- This ensures a steady revenue stream that other states typically lack.
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- It has a literacy rate of 98% and a BPL population way below the national average.
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- Sikkim has indicated that it will do away with most subsidies before launching its UBI scheme.
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What are the concerns in India?

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- **Regional differences** - None of the countries where UBI has been tried have levels of income disparity that exist in India.
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- Sikkim’s fiscal and debt liabilities position is better than many other states.
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- So, while the idea might work in Sikkim, it might not in, say, Bihar.
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- **Social security** - The reason for maintaining conditional social assistance is to prioritize those at the bottom of the income distribution.
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- The universal basic income principle is contrary to this.

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- So dismantling certain centrally sponsored and central sector schemes and replacing them with cash transfer could be counterproductive.
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- This particularly refers to Mid-Day Meal, Pradhan Mantri Gram Sadak Yojana, National Health Mission, Pradhan Mantri Awas Yojana, Sarva Shiksha Abhiyan, MGNREGS, and PDS.
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- These schemes have special significance in terms of the rural population, the socially vulnerable including SC/STs, children and women.
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- The World Bank too had suggested reading the policy of basic income "through the lens of ‘progressive universalism’".
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- **Resource** - Even if two-thirds of India’s 30 crore-odd households were to be given Rs 1,000 monthly UBI, it would annually cost around Rs 2.4 lakh crore.
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- There could be savings through rationalisation of subsidies and scrapping of wasteful and ineffective welfare schemes.
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- However, these measures are challenging when it comes to implementation, especially in terms of price rationalisation.
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What can be done?

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- It makes sense, to go in for a UBI in a calibrated manner.
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- It can start with monthly pensions for all households having senior citizens and pegging this at a minimum Rs 1,000.
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- The UBI net can be gradually widened by giving beneficiaries the choice of either availing it or continuing with their existing entitlements.
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Source: Indian Express

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