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.

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

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2. Down To Earth- Can Universal Basic Income tackle India’s poverty
3. IMF- Basics of Universal Basic Income

4. [Microsave | UBI image]

