What can governments do when jobs run out?

What is the threat of automation?

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- Around 47% of total employment in the US, around 64 million jobs, have the potential to be automated perhaps within a decade or two.Europe is already facing a crisis of jobs.
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- India’s pace of job creation pales in comparison with the millions entering the workforce each year and, according to the World Bank, 69% of jobs in India are threatened by automation.
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- If automation eliminates a substantial fraction of the jobs that consumers rely on, or if wages are driven so low that very few people have significant discretionary income, then it is difficult to see how a modern mass-market economy could continue to thrive.
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What is a “Universal Basic Income”?

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- One way of managing social tensions is for governments to implement a guaranteed minimum income for all citizens.
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- Also known as universal basic income (UBI) or a guaranteed basic income, the idea of an income for all has been around for years.
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- It was backed by the Left and even libertarian thinkers and is beginning to gain traction again among economists.
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What are its advantages?

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- Proponents feel that a cash boost – universal basic income mitigates the political problem of creating jobs and it provides disposable income that can be used to pay for goods and services.
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- The idea appeals to some conservatives because,\n
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◦ it boosts the economy,
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◦ it is easier to administer and
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◦ it can potentially downsize the bureaucracy which currently manages a range of welfare programmes.
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What are its disadvantages?

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- UBI has been criticised and reckoned as unfeasible on two grounds.\n\n
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◦ It reduces beneficiaries' incentive to work and encourages delinquency.
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◦ It would be too expensive to implement in mass societies.
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What are the counterarguements?

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- Studies have shown additional income does not really reduce the incentive to work**.** Research shows that people in the US used cash transfers for mostly housing and food costs and that less than 1% of the money was spent on alcohol or drugs.
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- Poor families that received up to $15,000 a yearatDauphin, Canada in 1970s, the hospitalisation rates fell, high-school completion rates increased.And those with full-time jobs did not reduce the number of hours they worked.
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- Implementing basic income is, of course, expensive. An unconditional $10,000 basic income for all adults in the USwould cost around $2 trillion.
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- This cost, can be offset to an extent by reducing or eliminating numerous federal and state anti-poverty programmes – but it would still require around $1 trillion in new revenue.
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- Governments will need to tax businesses a lot more, rather put this burden on workers and employees who already pay for existing welfare programs.
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Is it feasible for India?

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- In India, the costs seem prohibitive and as the country grapples with more foundational issues like ease of doing business, addressing education and skill deficits and kick-starting investments while banks are stuck with bad loans.
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- But given high poverty levels and the anger among youth that will inevitably rise, the policymakers will need to serious consider basic income, or at least some form of it.
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- A basic income of Rs. 10,000 per year – about three quarters of the official poverty line – would entail a cost equivalent to 10% of GDP**,** far more than the 4.2% that the government spends on explicit subsidies.
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- He writes that discontinuing some or all of the subsidies while retaining expenditures on health, education and rural and urban development programmes can secure a reasonable basic income for all.
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Concluding remarks

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- Research shows poor families in Madhya Pradesh which received

unconditional cash transfers ended doing more labour and work.
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- There was also a shift from casual wage labour to more self-employed farming and business activity and there was also reduction in migration caused by distress.
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- As developed countries increasingly warm to the idea (Finland to implement its versionin 2017), policymakers may find it difficult to avoid discussing guaranteed minimum income.
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Source: Hindustan Times

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