



Universal Basic Income

For Prelims: Universal Basic Income, WorkFREE Pilot Project, [Direct Benefits Transfers \(DBT\)](#), [Conditional Cash Transfers \(CCT\)](#), MGNREGA.

For Mains: Universal Basic Income, Government policies and interventions for development in various sectors and issues arising out of their design and implementation.

Source: DTE

Why in News?

Recently, the positive outcome [Universal Basic Income \(UBI\)](#), can have on individuals and families has been highlighted through the WorkFREE pilot project, started in 2022 in Telangana.

What is a WorkFREE Pilot Project?

▪ About:

- The project is a collaborative effort between the University of Bath, Montfort Social Institute, Hyderabad and the India Network for Basic Income, with funding from the European Research Council.
- Under the pilot, an adult gets Rs 1,000 and a child Rs 500 a month for 18 months.
- The pilot supports **1,250 residents in five slums in the Hyderabad.**
- The WorkFREE pilot project is presented as a transformative initiative, highlighting the positive outcomes it has had on individuals and families.
- Some of the Residents in Telangana were adversely affected by the relocation, and have found financial stability **through the UBI support.** They used the cash support to start a **bangle business and significantly improve her income.**
- The residents also used the cash to buy food, fuel, clothes and pay utility bills, which usually account for a bulk of monthly expenditure.

▪ Other Similar Pilot Project:

- The Self-Employed Women's Association (SEWA) pilot was conducted in Delhi and Madhya Pradesh in 2011. In Delhi, about 100 families living below the poverty line received Rs 1,000 a month.

What is Universal Basic Income (UBI)?

▪ About:

- UBI is a **social welfare proposal** in which all the beneficiaries regularly receive a **guaranteed income** in the form of an unconditional transfer payment.
- The goals of a basic income system are **to alleviate poverty and replace other need-based social programs** that potentially require greater bureaucratic involvement.

- UBI is typically intended to reach all (or a very large portion of the population) with no (or minimal) conditions.

▪ **Pros:**

- **Poverty Alleviation:** Reduces poverty and **income inequality by providing a minimum income floor** for everyone, especially the most vulnerable and marginalized groups. It can also help people afford basic needs such as food, health, education, and housing.
- **A Health Stimulus:** Improves **physical and mental health** by reducing stress, anxiety, and depression associated with poverty and financial insecurity. It can also enable people to access better health care, sanitation, and nutrition.
- **Simplified Welfare System:** Can streamline the existing welfare system by replacing **various targeted social assistance** programs. This reduces administrative costs and eliminates the complexities associated with means-testing, eligibility requirements, and benefit cliffs.
- **Enhancing Individual Freedom:** UBI provides individuals with financial security and greater freedom to make choices about their work, education, and personal lives.
- **Economic Stimulus:** Injects money **directly into the hands of individuals, stimulating consumer spending** and driving economic growth. It can boost local businesses, create demand for goods and services, and generate employment opportunities.
 - It can empower people to pursue entrepreneurship, take risks, and engage in creative or socially beneficial activities that may not be economically viable otherwise.

▪ **Cons:**

- **Cost and Fiscal Sustainability:** UBI is very expensive and would require **higher taxes, spending cuts,** or debt to finance it. It could also create inflation, distort the labor market, and reduce economic growth.
- **Creates Perverse Incentives:** Decreases motivation to work and **reduces productivity and efficiency.** It could also create a culture of dependency, entitlement, and laziness. It could also discourage people from acquiring skills, education, and training.
- **Inflationary Pressures:** It could contribute to **inflationary pressures.** If everyone receives a fixed amount of money, it may drive up prices for goods and services as businesses adjust their pricing strategies to capture the additional income available in the market.
- **Potential for Dependency:** UBI may create a reliance on government support, and there is a risk that some individuals **might become complacent or dependent on the basic income,** leading to reduced motivation for personal and professional growth.

What are the other Alternatives of Universal Basic Income?

- **Quasi UBRI:** QUBRI is a variant of UBI, which is defined as a transfer that is provided universally, unconditionally, and in cash. The idea was proposed by former Chief Economic Adviser to provide a direct cash transfer of Rs 18,000 per year to each rural household in India, except those which are “demonstrably well-off” to tackle agrarian distress.
- **Direct Benefits Transfers (DBT):** This is a scheme that transfers subsidies or cash directly to the bank accounts of the beneficiaries, **instead of through intermediaries or in-kind transfers.** DBT aims to improve the efficiency, transparency, and accountability of welfare delivery, as well as to reduce leakages and corruption.
 - Schemes like [PM Kisan](#), [Pradhanmantri Jan Dhan Yojana](#) etc are fine examples of success of DBT.
- **Conditional Cash Transfers (CCT):** This is a scheme that provides cash to poor households on the condition that they **fulfil certain requirements, such as sending** their children to school, immunizing them, or attending health check-ups. CCT aims to improve the human capital and long-term outcomes of the poor, as well as to incentivize behavioural change.
- **Other Income Support Schemes:** These are schemes that provide cash or in-kind assistance to specific groups of people who are in need, such as farmers, women, elderly, disabled, etc. These schemes aim to address the specific vulnerabilities and challenges faced by these groups, as well as to promote their empowerment and inclusion.
- **Employment Guarantee Schemes:** India already has a successful example of this with the

MGNREGA. Such schemes provide a legal guarantee of employment to rural households for a certain number of days in a year. Expanding and strengthening such programs can ensure that individuals have access to job opportunities and can earn a livelihood.

- **Universal Basic Services:** Instead of focusing on providing a universal basic income, India can prioritize the provision of essential services such as education, healthcare, clean water, and sanitation. By ensuring access to these services for all citizens, the government can improve the overall standard of living and reduce inequality.

Way Forward

- The amount provided should be carefully balanced to avoid **discouraging work while supporting recipients**. Robust support systems, including universal healthcare and education, are suggested as **complementary measures to enhance the effectiveness of UBI**.
- While these schemes such as cash transfer, align with UBI principles, they often target specific demographics, thus can carry the **risk of excluding potential beneficiaries**.
- To reduce misallocation of funds and decrease leakages in existing welfare schemes, introducing **UBI is suggested as a more efficient option**.

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