



# Universal Basic Income (UBI)

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**For Prelims:** Universal Basic Income (UBI)

**For Mains:** Universal Basic Income (UBI): Arguments in Favour of and Against UBI, Challenges, Potential of UBI, Examples from Around the World, Myths, Steps that can be taken, Related to UBI

Universal Basic Income is a radical and compelling paradigm shift in thinking about both social justice and a productive economy.

- UBI is premised on the idea that a just society needs to guarantee to each individual a minimum income which they can count on, and **which provides the necessary material foundation for a life with access to basic goods and a life of dignity.**

## What Is Universal Basic Income?

- A basic income is a regular, periodic cash payment delivered unconditionally to all citizens on an individual basis, **without the requirement of work or willingness to work.**
- **UBI has three components:**
  - **Universality** (all citizens included), **unconditionality** (no prior condition), and **agency** (by providing support in the form of cash transfers to respect, not dictate, recipients' choices).

## Is UBI Concept New to India?

- **The National Old Age Pension Scheme (NOAPS):** It is a cash transfer to people below the poverty line is one form of old age income support.
- **[Indira Gandhi National Widow Pension Scheme \(IGNWPS\)](#)**
- **[Indira Gandhi National Disability Pension Scheme \(IGNDPS\)](#)**
- **Rythu Bandhu Scheme:** The investment support programme provides financial assistance of ₹4,000 per acre per season to all land-owning farmers in Telangana.
- **DBT Scheme:** Like PAHAL (modified DBTL for LPG subsidy) is a form of income support to the poor households, to enable them to purchase goods from the market.
- The next frontier is to monetize all the benefits and transfer the money (**UBI**) to the bank accounts in the form of income.
- The **[Economic Survey 2016-17](#)** advocated in favour of monetizing the existing schemes with universal targeting (gradually) so that none is left out (as it makes it administratively simpler and cuts down problems associated with targeting beneficiaries).
- India's **Self Employed Women's Association (SEWA)** with support from **UNICEF** has been conducting a cash transfer pilot project in rural villages. Positive results were found in terms of nutrition, health, education, housing and infrastructure, and economic activity.
  - Sikkim's ruling party, **the Sikkim Democratic Front (SDF)**, has decided to include UBI in its manifesto ahead of the Assembly elections 2019 and **aims to implement the scheme**

by 2022.

## What are the Arguments in Favour of and Against UBI?

Favor	Against
<b>Poverty and Vulnerability Reduction:</b> Poverty and vulnerability will be reduced in one fell swoop.	<b>Conspicuous Spending:</b> Households, especially male members, may spend this additional income on wasteful activities.
<b>Choice:</b> A UBI treats beneficiaries as agents and entrusts citizens with the responsibility of using welfare spending as they see best; this may not be the case with in-kind transfers.	<b>Moral Hazard (Reduction in Labour Supply)</b> A minimum guaranteed income might make people lazy and opt out of the labour market.
<b>Better Targeting of Poor</b> As all individuals are targeted, exclusion error (poor being left out) is zero though inclusion error (rich gaining access to the scheme) is 60 percent.	<b>Gender Disparity Induced by Cash:</b> Gender norms may regulate the sharing of UBI within a household – men are likely to exercise control over spending of the UBI. This may not always be the case with other in-kind transfers.
<b>Insurance Against Shocks:</b> This income floor will provide a safety net against health, income and other shocks.	<b>Implementation:</b> Given the current status of financial access among the poor, a UBI may put too much stress on the banking system.
<b>Improvement in Financial Inclusion:</b> Payment – transfers will encourage greater usage of bank accounts, leading to higher profits for banking correspondents (BC) and an endogenous improvement in financial inclusion. Credit – increased income will release the constraints on access to credit for those with low income levels.	<b>Fiscal Cost Given Political Economy of Exist:</b> Once introduced, it may become difficult for the government to wind up a UBI in case of failure.
<b>Psychological Benefits:</b> A guaranteed income will reduce the pressures of finding a basic living on a daily basis.	<b>Political Economy of Universality-Ideas for Self-Exclusion:</b> Opposition may arise from the provision of the transfer to rich individuals as it might seem to trump the idea of equity and state welfare for the poor.
<b>Administrative Efficiency:</b> A UBI in place of a plethora of separate government schemes will reduce the administrative burden on the state.	<b>Exposure to Market Risks (Cash vs. Food):</b> Unlike food subsidies that are not subject to fluctuating market prices, a cash transfer's purchasing power may severely be curtailed by market fluctuations.

## What are the Challenges Regarding the Implementation of UBI in India?

- **Large Demography:** Covering a large population may lead to drainage of fiscal resources which are required for capital investments in India like upgradation of Railways, Electricity, [combating climate change](#), [Renewable energy](#), etc.
- **Geography Challenge:** Market access is unequally distributed (urban centres vs rural hamlets) across India (hills, deserts, plains, islands) and simply transferring income may not lead to delivery of services ( like education, health, nutritious food, etc.)
- **Moral Challenge:** Gandhi ji was against free lunches, a man should earn his food and should not accept it freely (like [MGNREGA](#)).
- **Acceptance Challenge:** Universality principle will be seen as unjust to the poor as payments will be made to those who are rich. This will not be accepted by all.
- **Banking Challenge:** Not all habitations have been covered by the banks and a lot of time and energy is spent in accessing banking services physically. The economic survey also points to [JAM \(Jan Dhan, Aadhar and Mobile\)](#) system as a prerequisite for a successful UBI implementation.
- **Federal Challenge:** Centre-State negotiations on cost sharing for the programme could delay its implementation.

"My ahimsa would not tolerate the idea of giving a free meal to a healthy person who has not worked for it in some honest way, and if I had the power I would stop every Sadavarta where free meals are given. It has degraded the nation and it has encouraged laziness, idleness, hypocrisy and even crime. Such misplaced charity adds nothing to the wealth of the country, whether material or spiritual, and gives a false sense of meritoriousness to the donor. How nice and wise it would be if the donor were to open institutions where they would give meals under healthy, clean surroundings to men and women who would work for them... only the rule should be: no labour, no meal."

—Mahatma Gandhi

## What is the Potential of UBI?

- **Poverty Reduction:** Income transfers would pull families out of poverty and will improve India's ranking in [HDI \(human development index\)](#) and will bring India closer to achieving SDGs.
- **Improve National Happiness:** UBI will promote social support, healthy life expectancy, freedom to make life choices which have a positive psychological effect on human behaviour.
  - According to Aristotle (384 - 322 BCE) - Eudaimonia (Happiness) is the goal of human thought and action.
  - It has the potential to improve India's ranking in [Global happiness Index \(Rank 136 \(in 2022\)\)](#).
- **Economic Growth:** India is one of the largest consumer markets, and consumer demand drives economic growth which will be further fuelled by income transfers to the poor.
- **Improve Gini-coefficient:** UBI has the potential to reduce income inequalities by transferring money from haves to have-nots.
- **Improve Social Fabric:** UBI will promote social harmony by bringing society closer to economic equality and liberating people from hand-to-mouth living.

## What are the Myths Related to UBI?

- From an economic point of view there are **three principal and related objections** to a universal basic income.
  - UBI Reduces the Incentive to Work.
    - The only motivation for which people work is **necessity** without which they will be lazy. There is very little evidence to sustain that proposition.
    - The levels at which universal basic income are likely to be pegged are going to be minimal guarantees at best; they are **unlikely to crowd incentives to work**.
  - Should Income be Detached from Employment?
    - Society already does this, but largely for the rich and privileged. Any society where any form of inheritance or accepting non-work related income is allowed, already detaches income from employment.
    - So, receiving a small unearned income as it were, from the state should be **economically and morally less problematic than the panoply of "unearned" income** our societies allow.
  - Concern out of Reciprocity.
    - If society is indeed a "scheme of social cooperation", should income be unconditional, with no regard to people's contribution to society?
    - In fact, UBI **can also be a way of acknowledging non-wage work related contributions to society**.
    - In the current social structure, for example, homemaking contributions of women are largely unacknowledged economically, since they do not take the form of wage or contract employment.

## What are the Examples Around the World?

- Many countries in the world have **tried the idea of UBI in one form or the other**.
  - **Namibia:** A pilot project with basic income grant was implemented in the Namibian

villages of Otjievero and Omitara. After the launch, the project was found to have significantly reduced child malnutrition and increased school attendance.

- It was also found to have **increased the community's income significantly above the actual amount** from the grants as it allowed citizens to partake in more productive economic activities
- **Finland:** In 2017, Finland concluded a two-year experiment on effects of UBI on unemployed citizens.
  - The study found that a basic income had a **positive impact on employment**. People on the basic income were more likely to be employed than those in the control group, and the differences were statistically significant, although small.
- **Canada:** the government of Ontario, Canada, had announced a plan to test a kind of unconditional income guarantee and enrolled participants in three areas of the province for a guaranteed income for up to three years.
- **Netherland and Spain:** Some cities in the Netherlands have launched municipal-level trials for UBI. Barcelona in Spain has also tested several potential changes to its anti-poverty programmes, including unconditional cash payments.
- In **high-income countries (HICs)**, the main rationale for UBI is related to automation, artificial intelligence, stagnant real wages, etc.

## What can be the Way Forward?

- The 2017 Economic Survey had flagged the UBI scheme as **“a conceptually appealing idea”** and a possible alternative to social welfare programmes targeted at reducing poverty.
- UBI envisages an uncompromised social safety net that seeks to assure a dignified life for everyone, a concept that is expected to gain traction in a global economy buffeted by uncertainties on account of globalization, technological change, and automation.
- UBI is a powerful idea whose time, even if not ripe for implementation, is ripe for serious discussion.

## UPSC Civil Services Examination Previous Year's Question (PYQs)

### Mains

**Q.** 'Despite implementation of various programmes for eradication of poverty by the government in India, poverty is still existing'. Explain by giving reasons. **(2018)**