



# Universal Basic Income

## Why in News

To deal with the **economic inequality, unemployment and poverty** created by the Covid-19 pandemic, many advocate **Universal Basic Income (UBI)** programme to be a solution.

## Key Points

- In order to deal with the **Covid-19 pandemic**, the governments across the world have imposed measures like lockdown and social distancing.
- However, these measures have caused collateral damage to almost every sector of the economy, so much so that the **International Monetary Fund** held the current economic crisis could be the worst ever since the **Great depression 1929**.
- With almost **90% of India's workforce in the informal sector without minimum wages or social security**, micro-level circumstances in India are worse than anywhere else.
  - Even before pandemic, India was struggling to provide job opportunities for millions of job aspirants who were entering the job market.
- Regular payments through **Universal Basic Income (UBI)** can ensure the sustenance of the workers engaged in the informal sector, at least till the economy normalises.
- Countries across the world, which include **Kenya, Brazil, Finland, and Switzerland**, have bought into this concept.
- Supporters of the UBI programme include **Economics Nobel Laureates Peter Diamond and Christopher Pissarides**, and tech leaders Mark Zuckerberg and Elon Musk.

## Idea of Universal Basic Income

- The **Economic Survey of India 2016-17** has advocated the concept of **Universal Basic Income (UBI)** as an alternative to the various social welfare schemes **in an effort to reduce poverty**.
- Idea behind the Universal Basic Income is that every person should have a **right to a basic income to cover his needs, just by virtue of being a citizen**.
- The purpose of the UBI is to **prevent or reduce poverty** and increase equality among citizens.
- UBI has five components:
  - **Universality**- It is universal in nature.
  - **Periodic**- Payments at periodic regular intervals (not one-off grants)
  - **Payments to individuals**
  - **Payments in cash** (not food vouchers or service coupons).
  - **Unconditionality**- There are no preconditions attached with the cash transferred to the beneficiary.

## Benefits of Universal Basic Income (UBI)

- UBI will provide secured income to individuals.
- The scheme **will reduce poverty and income inequality** in society.
- It will **increase the purchasing power** of every poor which will further increase aggregate demand.
- Easy to implement because no identification of the beneficiary is involved.

- It will reduce the wastage of government money because its implementation is very simple.

## Issues In implementing UBI

- **Lack of the political will** because of the **costs involved**.
  - The fiscal cost of a UBI pegged at Rs. 7,620, at 75% universality, was 4.9% of the GDP.
    - The Economic Survey of India's (2016-17) model of UBI suggested providing Rs. 7,620 per annum to 75% of India's population.
    - The income was based on **Suresh Tendulkar's poverty line** of 2011-12 inflation-indexed to 2016-17.
  - A UBI on par with the numbers suggested by the Economic Survey could lead to targeted household incomes increasing by almost Rs. 40,000 per annum, since the average Indian household size is approximately five.
- **Difficulty in reducing some of the existing subsidies** to balance the resultant deficit.
- There is no guarantee that the given cash will be spent on productive activities, health & education, etc. It may be spent on tobacco, alcohol, drugs, and other luxury goods etc.
- Free cash to the people will **increase the rate of inflation** in the economy.
- Workers **can refuse to work as a labourer or demand higher wages** which can increase the cost of production of agricultural goods.

## 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.
- If universal basic income ever had a time, it is now. It can be implemented to deal with the unemployment, income inequality and poverty posed by Covid-19 pandemic.

**Source: TH**

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