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Sikkim Proposes Universal Basic Income

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The government of Sikkim has mooted the idea to implement **Universal Basic Income (UBI)**.

- If implemented Sikkim will become the first state in India to have UBI Scheme.
- The idea of UBI was also mentioned in the Economic Survey 2016-17.

International Examples

Many countries in the world have tried the idea of UBI in one form or the other.

- **Finland:** Finland recently concluded a two-year experiment on effects of UBI on unemployed citizens, which commenced in January 2017.
- **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.

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.
- The **five broad features** of such schemes are payments at **periodic regular intervals** (not one-off grants), **payments in cash** (not food vouchers or service coupons), **payments to individuals, universality** (all citizens included), and **unconditionality** (no prior condition).

Advantages of UBI

- **Social Justice:** UBI promotes many of the basic values of a society. It promotes liberty as it allows an individual to be financially independent. It promotes efficiency by reducing waste in government transfers.
- **Poverty Reduction:** As per the economic survey 2016-17, UBI could be the fastest way of reducing poverty. UBI ensures minimum basic income to everyone.
- **Agency:** By providing cash assistance state allows individuals to take decision for themselves how they are going to use the money as the circumstances that keep individuals trapped in poverty are varied. UBI liberates citizens from paternalistic and clientelistic relationships with the state.
- **Minimum Living Standard:** UBI is an acknowledgment that society's obligation to guarantee a minimum living standard to all individuals who are part of society.
- **Administrative Efficiency:** The existing welfare schemes are riddled with misallocation, leakages, and exclusion of the poor. By UBI in place of a plethora of separate government schemes will reduce the administrative burden on the state.
Due to universality and unconditionality, UBI prevents misallocation and leakages.
- **Insurance against shocks:** This income floor will provide a safety net against health, income and other shocks.
- **Psychological benefits:** A guaranteed income will reduce the pressures of finding a basic living on a daily basis.

Disadvantages of UBI

- **Reduces incentive to work:** UBI may reduce the incentive for work. A minimum guaranteed income might make people lazy and opt out of the labor market.
- **Gender disparity:** Gender norms may regulate the sharing of UBI within a household – men are likely to exercise control over the spending of the UBI. This may not be the case with other in-kind transfers.
- **Implementation:** Given the current status of financial access among the poor, a UBI may put too much stress on the banking system.
- **Exposure to market risks (cash vs. food):** Unlike food subsidies that are not subject to fluctuating market prices, a cash transfer may not address the issue of the decline in purchasing power due to inflation.

Resources for UBI

- Sikkim is an ideal testing ground for UBI.
- It is a **surplus power generating state**, which exports nearly 90% of the 2,200 MW that its hydel projects produce — ensuring a **steady revenue stream** that other states typically lack.
- It has a **literacy rate of 98%** and a **(Below Poverty Level) BPL population way below the national average.**

- Sikkim has indicated that it will **do away with most subsidies before launching its UBI scheme.**
- **Economic survey 2016-17** has also mentioned that **subsuming other schemes is an essential prerequisite for managing funds for UBI.**
 - The Budget for FY18 showed there were about 950 central sector and centrally sponsored sub-schemes in the country, which accounted for about 5% of GDP by Budget allocation.
 - The top 11 schemes accounted for about 50% of the budgetary allocation. If the states were included, the number of schemes would be even larger.

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.