

A Universal Basic Income in India?*

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There is a lot of buzz globally around the idea of a Universal Basic Income (or UBI). It is perceived as one way of coping with technology-induced unemployment that is projected to grow significantly in the near future, as well as reducing inequalities and increasing consumption demand in stagnant economies. Certainly there is much to be said for the idea, especially if it is to be achieved by taxing the rich and particularly those activities that are either socially less desirable or are generating larger surpluses because of technological changes.

Indeed, that is precisely the proposal of the French Socialist candidate Benoit Hamon, who just sprang a surprise by topping the first round of the primary race of his party for the Presidential election. Obviously, this idea (which has proved to be more popular even among the young than his other proposal of legalising marijuana) is picking up more supporters across Europe. Elsewhere in the developed world, there have already been pilot projects experimenting with the idea, for example in Finland (but only to around 2000 persons there). The idea has also found expression in several developing countries. In China, there is already a dibao, or minimum livelihood guarantee (set at different levels in urban and rural areas) that adds to the incomes of those categorised as poor, to reach a certain minimum.

Proponents of the UBI see it as a broader, non-targeted provision: a “periodic cash payment unconditionally delivered to all on an individual basis, without means-test or work requirement.” The idea is to ensure that every person in the society has the means to live with a modicum of freedom and dignity, independent of capacity to earn or availability of employment. It is certainly attractive in that, if implemented according to this norm, it would reduce both poverty and inequality.

In India, we have become adept at picking up on global policy fashions, but sadly we tend to implement them in our own peculiar ways that often end up distorting both the practice and even the very vision of the idea. For example, an earlier Indian government was very taken with the idea of conditional cash transfers, which were seen to have delivered some success in poverty reduction in Latin American countries. But the successful examples of such policies in those countries treated these as money delivered in addition to expanding the quality and coverage of essential public services in health, education, nutrition and so on. By contrast, the Indian attempt has been to use them to replace such essential public spending, which is already far too low.

A similar process seems to be under way with respect to the idea of the UBI. Most advocates of basic income do not see this as in any way a substitute for the public provision of services, such as transport, health, education, sanitation and so on – indeed they would be horrified if this were to be the case. Because the idea of the UBI is obviously to improve the material conditions of citizens, not to force them to confront reduced access to worse quality public services. But already much of the talk around UBI in India is also directed at attacking not just what are classified as “wasteful subsidies” but even the food security programme and the employment guarantee programme. The idea seems to be that money saved by reducing or even giving up on these programmes can instead be used to put a bit of money into

individual accounts, using the government's Holy Trinity of the JAM (Jan Dhan accounts, Aadhaar and Mobile) interface.

This is why a scheme that normally does not find the approval of fiscal hawks and those who want to control government spending has suddenly become popular with many of them. The idea seems to be that the government can cut not just subsidies but also a significant amount of spending that such analysts find to be unproductive, and simply replace it with direct transfers into bank accounts. Paradoxically, therefore, this shift to providing direct cash transfers in the guise of "basic income" would actually reduce public spending, not increase it!

This clearly promises to be the flavour of the season for India's economic policy makers. The government's Chief Economic Advisor Arvind Subramanian (who has been conspicuously silent on the enormous policy decision of demonetisation and its aftermath) has already promised several months ago that the idea of basic income would be one of the "big issues" taken up in this year's Economic Survey. It is only to be expected that even the government, callous as it has been with regard to the sufferings of the people caused by its hasty and ill-executed demonetisation, would still recognise the need for some recompense – and the provision of some cash transfers could seem like an attractive idea at least politically.

At the recent World Economic Forum in Davos, the Secretary of the NITI Aayog Amitabh Kant apparently said that the government is seriously considering a plan to provide cash transfers to around 20 million citizens. According to [the report](#), "the plan he supports would offer about Rs 1000 a month, and only to families below the poverty line. What's more, the money would be structured as an interest free loan that would have to be paid back within three years." This is of course a complete travesty of the idea of basic income supported by its proponents: it is targeted, and it even would come as a loan requiring repayment, which is absurd in the case of those who would be unable to earn these amounts.

But even if a slightly less jarring version is chosen by the government, it is unlikely to come close to the ideal. Three concerns arise immediately. First, it is most likely that whatever basic income is provided would be targeted, rather than universal. This would give rise to the usual problems with targeting, such as unfair exclusion of the deserving and unwarranted inclusion of the undeserving. Also, targeting based on static indicators is a poor indicator of the material status of families, which keeps changing over time especially among those near the so-called poverty line. In addition, the problem with making such a transfer dependent upon the poverty of the recipient is that it creates a disincentive to work if the wages would lead to the individual rising above the threshold level of income (a problem that has been identified in China, for example). Given that all poverty estimates are household based, this also does not allow for unequal economic situations of individual household members, a real problem in India where gender inequalities within families are so stark.

Second, even if so targeted, the costs associated with providing even this amount to a significant proportion of the population are likely to be very high relative to current government expenditures. A [rough estimate by former Finance Minister P Chidambaram](#) has suggested that, if every person were to be assured a basic income of Rs 14,000 per year (or Rs 1200 per month) with a quarter of the population therefore receiving the full amount and another quarter receiving half that amount, the

total spending on this would come to Rs 693,000 crore per year, or as much as 35 per cent of the expenditure budget for 2016-17! Obviously, such an amount would not be possible for the government.

Indeed, even half that amount seems unlikely. Therefore, the chances are that the amount provided would be much smaller, that it would be even more targeted, and it would therefore not live up to the essential idea of the basic income at all. It could well be that the amounts involved are so small as to be negligible in terms of affecting real incomes, or are directed to such a tiny group that it has little impact on the bulk of the population.

What is worse, it is more than likely that the government would seek to provide this by cutting down on other crucial expenditures like that on the employment guarantee and on food security. This could even end up reducing the real incomes of the supposed beneficiaries, depending on how prices of food and other necessities change. And it gives rise to the third important concern: that the government is viewing cash transfers as a means of moving out of essential public service delivery, essentially reneging on its Constitutional obligation to ensure the social and economic rights of the citizens.

In the case of food security, the matter is especially troubling because of the highly gendered access to food in most poor Indian families. It is surely no accident that across India, women workers in MNREGA sites are the ones asking for at least part wage payment in food, because of the problem that money wages often get directed to other areas that men prioritise and so leave women and girls disproportionately underfed. Shifting to small amounts of cash payments by depriving people of both access to wages from public works (and the dignity that comes from work) and basic affordable food would be both damaging and disempowering.

This is not to say that the idea of basic income is wrong in essence – far from it. It is very much part of the idea of a universal social protection floor, which is something all societies must take seriously. But it cannot be seen as a substitute for public provision of basic goods and services; rather it must be an addition to it.

If the government is truly serious about this, it should begin first of all with a universal pension scheme, something that it has been resisting. At present, despite the demands of the Pension Parishad and others, access to a non-contributory pension scheme is only available to Below Poverty Line families and specially identified marginal groups like widows. And the central government provides only the entirely derisory amount of Rs 200 per month as pension – so that it often costs more even for the pensioner to be able to collect the money! Despite repeated demands, this government has refused to raise the amount at all, much less provide half of the minimum wage which is the norm even in much poorer counties like Nepal. If this government has not been willing even to provide even minor amounts of universal pension to the now-elderly men and women who have worked in paid and unpaid ways to create the base of economic activity in the country, it is only reasonable to be sceptical of its intent and likely implementation with respect to universal basic income.

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