A STUDY ON THE RELATIONSHIP BETWEEN UNIVERSAL BASIC INCOME AND WELLBEING

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Abstract:
Purpose: There exists a direct relation between income and poverty. Poverty is a social menace and is violative of the basic human rights. Scholars, politicians, policymakers and economist, etc. around the globe are trying to find a universal solution for it. Universal Basic Income is an income which is paid to every member of the society by the state without means and work testing, it is universal and unconditional in nature. The purpose of this study is to analyse the different aspects of Universal Basic Income and how it helps in eradication of poverty. The paper analyses the existing literature on UBI and takes a global approach towards the concept. The study talks about providing “real freedom” to citizens which includes the right to choose as a part of substantive dignity and Universal Basic Income can help in achieving it.

Findings: The findings of the study reveal that there exists a significant relationship between Universal Basic Income and wellbeing.

Originality/ Value: The paper analyses the concept of Universal Basic Income and Redistribution of Income by discussing various case studies conducted in different countries. The research is original and is made from scratch by analysing several, journal articles, reports, magazines, newspaper articles etc.

Index Terms: Universal Basic Income, Wellbeing, Inequality, Welfare Schemes.

I. INTRODUCTION

Universal basic income can be defined as “an income which is paid to every member of the society by the state without means and work testing”. (Upadhyaya & Sukriti 2016). This mechanism has gained a lot of attention recently and has initiated several debates worldwide.

As the name suggests, this concept is “universal and unconditional” in nature. It is applicable to each and every person irrespective of what kind of employment or income means they have. (Parijs 2000). Thus, unlike the typical concept of income where an individual offers services in return for money, Universal Basic Income is an obligation of the state towards its citizens.

Income is the key to getting other means of living (food, shelter, clothing, education), it is an essential. The biased distribution of wealth in our society has created a barrier for exercising of basic human rights by a large vulnerable section of the society.

Moreover, some say that in near future, UBI will be a necessity because of “lack of job opportunities” as a result of growing automation. Hence, several civil societies have accepted and started experimenting on this concept. These include different countries like India, Kenya, Finland, Namibia, United States etc. (Alvaredo, F. et. al. 2018).
As per the *World Inequality Report of 2018*, countries like India, US and Brazil showed high-income inequalities. The basic reason for income inequality in India goes back to the colonial period where the stringent policies of the government resulted in concentration of wealth by few elite groups.

During the post-independence era various socialist policies such as abolition of privy purse, land reforms, maximum state intervention etc. were used to prevent concentration of wealth into the hands of a few but as time passed new policies came and most of them didn’t focus on achieving redistribution of Income. Rather they contributed to increasing income inequalities.

Hence, in the year 2016-17 the idea of **Universal basic income** first came up in *The Economic Survey of 2016-17* as a solution for the problem of concentration of Income and poverty. The Government of India included a chapter for this “radical idea” in the survey. (Economic Survey, 2016-17, p. 22). Since then, expectation from the Government with respect to this has grown. *(Upadhyaya & Sukriti, 2018).*

### II. Research Methodology

#### Research Objectives

- To understand the relationship between Universal Basic Income and wellbeing.
- To study the problems in the current welfare schemes in India.
- To analyse the implementation and impact of UBI when implemented in different countries.
- To understand the challenges in implementation of UBI in India.

#### Scope & Significance of the Study

The present research paper deals with the concept of redistribution of Income in India via Universal Basic Income. It also analyzes problems in the current govt. schemes in India. Moreover, the study takes a global approach towards the concept of Universal Basic Income by analyzing various experiments conducted in different countries such as Kenya, USA, Brazil, Finland and India (Madhya Pradesh). Finally, the study talks about the implementation of Universal Basic Income in India. The study is significant to academia’s, research scholars, students and entrepreneurs as it provides an in-depth analysis of the laws.

#### Type of Data Collection:

For the purpose of this research Secondary Data was collected from different journals, articles, newspapers, commentaries, thesis, reports etc. It also includes information collected by various international organizations relating to commerce and trade.

#### Hypothesis/ Research Question

Null Hypothesis (H0): There is no significant relationship between Universal Basic Income and wellbeing.

Alternate Hypothesis (H1): There is a significant relationship between Universal Basic Income and wellbeing.

### III. Literature Review

1. **Shrikrishna Upadhyaya & Sukriti (2018)** in their paper analyzed the concept of Universal basic income in India and how is it related to the substantive dignity theory. Moreover, the paper also analysed the suggestions given in “The Economic Survey of 2016-17”. The paper also provided an analysis on the problems that we might face in implementing UBI in India.

2. **A.G. Adeeth Cariappa & Apoorva Srinivas (2019)** in his paper studied “The Pilot Experiment” which was conducted in the state of Madhya Pradesh in India and compared it to the different experiments conducted in different countries. The paper also highlighted the current problems faced in India because of misuse of resources while implementing several welfare schemes.

3. **Philippe Van Parijs (2000)** in his paper, gave a detailed outlook on Universal Basic Income. He analysed various experiments on UBI like the one in US, Europe, Kenya etc. and put forth the common observations of all the projects. The researcher also shed light on the concept of Substantive Dignity and how it is related to UBI.
4. Sarath Davala, et. al., (2015) in their book analysed the impact of a Universal basic income by conducting surveys over a period of 18 months. They analyzed the impact of UBI on healthcare & education and the basic standard of living of people. The book also explores what would happen if Universal basic income was introduced in India and highlighted difficulties that it would face.

5. David K. Evans & Anna Popova (2014), in their paper analysed 19 studies in order to assess the impact of cash transfers on health, education and standard of living. Moreover, the paper had 11 studies which showed how people invested the trasferred cash for temptation goods such as alcohol. The data was collected from countries in Asia, America and Africa.

6. Johannes Haushofer, Jeremy Shapiro (2016) in their study analysed the UBI in Kenya. Between the year 2011 and 2012 a random control trial was implemented by the NGO “GiveDirectly” for unconditional cash transfers in western Kenya. The transfers had noteworthy impact on both psychological aspects including reduction in stress in people, and lifestyle. Investments increased in food which included a more nutritious diet, security, health improvement such as investment in medication, education and livelihood. Another observation showed that there was an increased investment in livestock.

7. Karthik Muralidharan, et. al., (2014) in their paper discussed different anti-poverty programmes in underdeveloped and developing countries and how their implementation is difficult. They conducted a study in the state of Andhra Pradesh in India by randomising the rollout of Smart cards over 157 districts and 19 million people.

8. Maitreesh Ghatak & François Maniquet, (2019) in their discussed the concept of UBI and how desirable and flexible it is. They provided a theoretical justification on UBI with the help of several normative and practical reasons. They also discussed how UBI can substitute some welfare schemes to prevent wastage of money and eradication poverty at a faster pace.

IV. Study and Findings

With poverty comes violation of rights and providing a basic income to individuals can aid in achieving social justice. UBI is unconditional and universal in nature, it is applicable to each and every individual irrespective of what kind of employment or income source the individual has.

The same is justified by Phillipe who defined Universal Basic Income as “an income paid by a government, at a uniform level and at regular intervals, to each adult member of society” (Parijs, 2000)

He elaborated upon the concept of “real freedom” by categorizing it as a “distributive good” given to the society in order to achieve “equality, justice and fairness”. He further stated that freedom shouldn’t be considered as a domain for wealth but should be protected by providing basic income to individuals.

It is the obligation of the state to provide its citizens a healthy environment where they can make meaningful choices. Choices can be made when there is access to material resources and in order to access resources, income is a prerequisite.

In a nutshell redistribution of wealth via Universal Basic Income can bring autonomy and grant powers to say yes or no (Upadhyaya & Sukriti 2018, p. 14). Moreover, it helps in achieving substantive dignity along with real freedom.

1. Problems with the Present Welfare Policies

The two problems identified by researcher with reference to the current welfare policies are:

Firstly, the government has introduced an excessive number of schemes leading to inefficient administration and improper allocation of resources. Out of the 950 Central sector schemes majority are repetitive in nature and nearly 50% are distributed over a span of 25 years. The long duration of these schemes results in waste of resources.
Secondly, the problem of “ambiguous targeting” resulting in exclusion of poor. Inefficient targeting results in elimination of the weaker sections of the society and hence they are unable to gain benefits from it. The same is justified by the Economic Survey Of 2016-17 where almost 40 to 65% of the needy people couldn’t gain benefits from scheme such as PDS and MGNREGA.

Thus, the Economic Survey 2016-17 introduced the Idea of Universal Basic Income in India as a solution to the problem of concentration of Income and poverty.

It also proposes that “universal basic income will prove to not be a substitute for state capacity but a way of ensuring administrative efficiency”. This will be done by full adoption of Jan Dhan-Aadhar-Mobile (JAM) and by replacing the existing schemes by cash transfers. (Economic survey, 2016- 17)

2. Evolution of UBI and Case Analysis

This part of the paper will discuss in brief the evolution of UBI and will highlight the benefits of Universal Basic Income by analyzing different case studies around the globe. It will pay special emphasis to the study conducted in the state of Madhya Pradesh, India.

The idea of Universal basic income is old and was first mentioned by Thomas More. (Douglas Heaven, 2019). Even Thomas Pain in 1797 proposed a model which was close to the concept of Universal basic income. (De Wispelaere, 2015). Since then, the idea of UBI started gaining popularity.

Charles Fourier, a French writer, proposed a similar notion to UBI. Although, the idea was focused towards the poor only and wasn’t universal. (Upadhyaya & Sukriti 2018). Later, Joseph Charles disregarded the “work and mean test” that was recognised by Fourier and gave one of the most genuine proposals for UBI.

Even Bertrand Russell mentioned that in order to fulfill basic requirements of life, Universal basic income is needed. (Choi, 2016). The idea kept on gaining popularity and several models were proposed in the late 20th century. It was also recognised by different names such as "social dividend" "State Bonus" etc. (Upadhyaya & Sukriti 2018).

In conclusion the development of UBI was seen in three different stages the first stage was during the 1980s when people debated upon the welfare system, the second stage was during the 1990s when people started discussing the idea of social dividend and the third stage is post 2000 era where these discussions got a political stand and a social outlook.

In the recent past, several projects worldwide were introduced relating to the execution of UBI. The Basic Income European Network was also established by the supporters of UBI in 1986. Later, in 2004 its name was changed to Basic Income Earth Network (BIEN). (Basic Income Earth Network, 1986).

Now we will analyze different studies conducted on UBI worldwide:


In Alaska a fund called ‘permanent fund dividend’ was formed in the year 1976 in order to provide dividend arising from profits of the “New Oil Reserves” to citizens as a form of income irrespective of their work or means. (Goldsmith, 2002). The concept in Alaska is not exactly the same as UBI but is worthy of consideration.

In order to qualify for income, the individual should be a resident of United States of America and should intend to be so. The dividend provided was a small amount and was calculated by the average of profits of 5 years. Thus, was not uniform every year.

Moreover, almost everyone supported this idea and focussed on providing suggestions for its further enhancement, (McFarland, 2017). Moreover, going against it was viewed as a “political suicide”.
Result

Even though poor population in Alaska is comparatively lower than other places in US. Income provided to individuals in rural areas contributed to more than 10% of their cash income. Many economists believe that the income is spent on buying consumer goods and thus comes back in the economic circulation and creates jobs.

It is important to note that as per the *World Economic Forum Report*, Alaska had the highest wellbeing score of all States. (Santens, 2017) It was also observed that the income of the poorest families in Alaska had a higher increase when compared to rich families.

2.2. Brazil

Brazil introduced the "*Citizens Basic Income Bill*" in the year 2001. According to which every citizen was entitled to get a basic income starting from the year 2005. The income that was supposed to be credited was irrespective of the person's work or position. As per the Government the implementation of this bill was to be done in different phases by prioritising the poor and vulnerable groups of the society but it is still not enforced.

However, the *Bolsa Familia Program* which was launched in Brazil in the year 2003 is considered a step towards the implementation of a full-fledged UBI scheme. It is a conditional cash transfer and this scheme is considered to be the largest social welfare scheme in the world, introduced with the objective of social welfare and eradicating poverty.

It based on the concept of the “*per capita income*” of the families which was self-reported and the number of children in each family. (Soares, 2011).

**Results**

Poverty has fallen by 16% and extreme poverty has fallen by 33% as per a report published in the year 2010. (Soares, 2011).

The Scheme has turned out to be effective and has added to redistributive effects and eradication of poverty. Within 10 years of its introduction extreme poverty dropped from 9.7 % to 4.3 %. (Wetzel & Economico, BolsaFamilia, 2013).

The policy led to an increase in autonomy of the poor people and women for the more it had a significant impact on education and health. Another exciting observation was that the introduction of this concept made people more active and less irresponsible. (Pekio, 2014) Even for the beneficiary adults, the labour market participation rate was higher.

2.3. Kenya

Between the year 2011 and 2012 a random control trial was implemented by the NGO “*GiveDirectly*” for unconditional cash transfers in western Kenya. (Haushofer & Shapiro, 2013)

The money was transferred via “*m-Pesa*” a mobile money system and if a person has a house with a thatched roof, he or she is eligible for this amount transfer. The samples were picked from the eligible candidates and after allocation of the amount they were told that they can spend the transfer anywhere. (Haushofer & Shapiro, 2013, p. 6)

**Results**

The transfers that were made had a very significant impact on both psychological aspects including reduction of stress in people, as well as other important aspects of a healthy lifestyle. Investments increased in food which included a more nutritious diet, security, health improvement such as investment in medication, education and livelihood. There was an increased investment in livestock.

Another observation was regarding the notion that opposed Universal basic income by saying that it leads to an increased consumption of alcohol and tobacco. However, no such increase in the consumption of alcohol by the recipients of money was seen.
There was also an increase in representation of women in household money matters. Moreover, in the year 2017 another Universal basic income experiment was announced for rural parts of Kenya by GiveDirectly which is to be conducted for three groups of villages and is considered to be the largest experiment for UBI.

The experiment will be conducted on a sample base of 16000 people who will be receiving cash transfers and analysis & impact assessment of this experiment will be done via different metrics inclusive of different categories such as gender, risk taking, economic status etc.

2.4. Finland

Universal basic income experiment was also launched in Finland in the year 2017-2018. Conducted on the basis of random sampling by collecting 2000 persons falling between the age bracket of 25 to 58 years. (Basic Income Experiment launched in Finland, 2017). Each individual was provided with a basic income of 560 every month irrespective of their means and work.

Results

One of the main purposes of this experiment included reduction of Bureaucratic approach along with betterment of the mental health of individuals.

This study showed that people who were allocated with the transfer amount experienced a better status of living along with mental peace. There was a significant increase in health and education standards along with more employment opportunities. (The Basic Income Experiment 2017–2018 in Finland. Preliminary results, 2019).

2.5. India: Madhya Pradesh

In Madhya Pradesh in the year 2010, an eighteen-month, “SEWA Bharat UNICEF study” was launched to analyze the basic income concept. Areas where SEWA was already working were chosen for the purpose of this experiment. This involved a big pilot of eight villages and small Pilot of Tribal villages in Madhya Pradesh and Five thousand five hundred forty-seven people were eligible. (Daval et al, 2015).

For the purpose of this study, bank accounts were opened for women in SEWA villages with SEWA Co-operatives. The income was to be credited to these bank accounts and cash was given to those who did not have a bank account. The same was done under the supervision of government officials.

The allocation of income started off by giving Rs. 200 to adults and Rs. 100 to children per month which was later on increased to Rs. 300 to adults and Rs. 150 children per month. Later on, the receptor mechanism was shifted to transferring money to bank accounts and cooperative accounts. A similar process was followed for small pilot groups that work the tribal villagers.

Results

After eight months of the initiation of this project, a survey for evaluation was conducted called as “the interim evaluation survey” which was done in four target villages out of which 2 were of SEWA and other 2 were NON-SEWA villages, and 4 control villages out of which 2 were of SEWA and 2 were NON-SEWA villages.

Later, after a year of commencement of this study i.e., in 2011, the “final evaluation survey” was conducted which provided a more detailed outlook. After a year of Final Evaluation Survey, the post final evaluation study was conducted in two target villages and results were outstanding. (Daval et al., 2015, P. 42).

The results of the study showed that there was a significant increase in agricultural production as most of the small farmers initiated their own cultivation. It was observed that the money given to them was beneficial in buying tools required for cultivation such as good quality seeds and effective machinery.

The money that was allocated to these people during the pilot project helped them in getting a better standard of living. A positive impact was seen in health facilities and housing condition which led to a life full of dignity.

Another observation showed that before commencement of this project, various farmers had huge debts and liabilities and after getting a uniform income their liabilities reduced because they repaid their debts. Similar
effects were seen in the tribal pilot group of the study. Almost 73% of the households experienced a decrease in debts and liabilities.

The basic income experiment didn’t just solve people’s financial problems but there was also an increase in an individual’s food consumption because their daily diet became more nutritious and healthier. Moreover, there was a significant increase of 500% in consumption of meat and fish. (Making the Difference: Basic Income Grant Pilot Project Assessment Report, 2009).

The nutrition chart of children belonging to the SC/ST community and tribal villages was largely impacted. Before commencement of this study, most of the children belonging to these vulnerable sections were not of a normal weight however by the end of this study, one fourth of these children had a normal weight because of an improved, healthy, nutritious diet. This also decreased chances of seasonal sickness and diseases. (Cariappa and Srinivas, 2019)

The initial finding of the study suggested that the basic income would lead to an increased spending on education because the households can afford uniform and books for their children. The finding remained the same in the final evaluation.

It was noticed that expenditure on girl schooling was higher. Even in the tribal groups, educational spending for girls increased by 88%. Furthermore, there was a decrease in child labor wages, increased attendance in schools and better grades. The school dropout rate also decreased.

This basic income mechanism also helped the disadvantaged section of the society like women and disabled individuals by giving them a bargaining power since the money was allocated in their name. This specially helped women in improving their health standards and status in the family.

Around 60% of the women got a greater say in household spending because of the basic income. The study also showed that because of the basic income 4% of the total population and 12% of the population in tribal groups reduced their expenditure on alcohol. (Cariappa and Srinivas, 2019)

3. Implementation of UBI In India and the Challenges Faced

The economic survey of 2016-17 introduced the concept of Universal basic income in India for the very first time and grabbed the attention of economists, policymakers and bureaucrats. The survey considered the idea of Universal basic income as a pragmatic solution to the problem of misappropriation of government funds, poverty and income inequalities.

3.1. Universal and Unconditional

The basic feature of UBI is that it is universal and un-conditional in nature and is applicable to each and every individual irrespective of what kind of employment or income the individual has. (Parijs, 2000). This provides individuals with an opportunity to choose between different fields as per their interests in order to start earning a living. This precisely means that Universal basic income not only makes a path towards economic equality but also towards development of human capital. (Jordan, 1992).

Another advantage is related to the distribution mechanism of money. In the year 2013 the Government of India introduced a Direct Benefit Transfer Scheme which helped in online transfer of payments to the beneficiary's bank account. This helped in avoiding delay in action. The amount credited was usually a payment of wages or transfer of subsidies. It is noteworthy that UBI is in lines with the DBT system and thus will have a greater effect.

3.2. Ubi And Other Schemes. Should It Replace Every Welfare Scheme?

It is important to note that the concept of Universal basic income is not a complete substitute for the already existing social welfare schemes. The same was also identified in the economic survey of 2016-17 where it was
said that UBI is to be treated as an additional welfare mechanism which will help in overcoming the loopholes of several already existing schemes.

To further clarify UBI can act as a machinery which will help in overcoming the problem of poor targeting and poor allocation of funds. Hence it cannot replace the “State Capacity”. (Economic Survey, 2016-17, p. 174). However, some still debate that UBI should be a complete substitute to the already existing welfare schemes.

The reasoning behind the same is that currently there exist a plethora of schemes for fuels, food, rural employment and poverty in India, if these schemes are substituted by a single Universal basic income scheme. Schemes such as MNERAGA and Integrated Child Development Service (ICDS) have taken a long time to establish and provide various benefits to society. (Mahendran & Indrakant, 2017).

UBI should not be an attack on the already existing welfare schemes rather it should act as a compass that shows direction to them. (Wispelaere & Lindsey Stirton, 2011). Hence the government should introduce a combination where the benefit of UBI and well-established schemes is provided to the public and at the same time the state exercises its responsibility of capacity building.

3.3. Jan Dhan – Aadhar – Mobile (‘JAM’)

JAM is a flagship programme for DBT where information regarding an individual is taken and used in crediting subsidies and cash transfers to the poor and needy. Later on, it was extended using JAM by the government. Considering implementation of Universal basic income in India the government would need to have the necessary information of an individual in order to credit an amount in his or her account.

Since the JAM model is aiding the process of Aadhaar identification, the government can utilize the same it will avoid any additional expense on obtaining information regarding individuals.

Secondly, not just the cost which is a hurdle in the implementation of Universal basic income but exists a need for a more robust mechanism for transferring money to the beneficiaries. Some of the options which are available to the government are:

- The first one being Jan Dhan accounts,
- The second one being post office accounts.
- The third one being banking correspondence.

Hence these needs to be analysed thoroughly to ensure effective implementation of UBI.

Thirdly, an effective and efficient monitoring mechanism which is multidimensional and ensures proper functioning, time to time updates, grievance redressal and feedback mechanism is required. There is a need for a robust and effective infrastructure that can handle this scheme at a national level by keeping a check on activities.

V. CONCLUSION

After analyzing the existing literature and the UBI experiments in different counties, the researcher concludes by saying that The Alternate Hypothesis H1 “There is a significant relationship between Universal Basic Income and wellbeing” is accepted. Individuals invested in healthcare & education, and utilized the income in repaying debts making them self-reliant and this led to a life full of dignity for them. Moreover, even though UBI is not a perfect substitute for every scheme present in India but if there is a balance maintained between both then we can utilize our resources in the most optimum manner possible.
VI. REFERENCES


