

Mastering Mains Answer Writing (Ep-6)

Economic Development, GS Paper-III

Question

UBI scheme can be a possible alternative to social welfare programmes targeted at bringing down poverty. Critically examine.

Command Word

'Critically examine' - requires analysing both sides of what is being asked- with a fair judgement in the conclusion

Answer Structure

- **Introduction** – We will include the context behind UBI and a brief definition of UBI.
- **Body of the Answer** – Will be divided into two parts for this question:
 - Analyzing the UBI as a possible alternative to the social welfare programmes, and
 - Discussing the arguments which negate the above idea that UBI can be a possible alternative.
- **Conclusion** – We will cover a fair judgement about the UBI scheme in current situation.

Representative Answer

Introduction

Recently, the government of Sikkim has mooted the idea to implement Universal Basic Income (UBI). It was an issue of debate in the recent general election. Also, an entire chapter was dedicated to the discussion on UBI in the Economic Survey 2016-17.

What is universal basic income?

The UBI can be characterised by the five broad features mentioned below:

- Payments at periodic and regular interval (not as one time lump sum amount)
- Payments in cash (not food vouchers or service coupons)
- Payments to individuals (not group or family)
- Universality (all citizens included)
- Unconditionality (no prior condition/no requirement of work)

Body

UBI: a possible alternative to social welfare programmes

Issues regarding social welfare programmes:

- Inefficient and Inequitable targeting - data manipulation and leakages benefit the rich and undeserved, rather than the poor and deserving.
- Most social welfare schemes are dependent on middlemen - causing corruption.
- About 22% of India's population is still below poverty line, as per Tendulkar Committee - raising questions about the effectiveness of social welfare programmes.

In the backdrop of the above issues regarding social welfare programmes targeted at reduction of poverty, the UBI acts as an alternative in the following ways:

- **Social Justice:** UBI promotes economic and social equality by removing gap between rich and poor, men and women.
- **Prevents Leakages:** Due to universality and unconditionality, UBI prevents misallocation and leakages. This in turn helps in targeting of deserving and poor.
- **Autonomy:** Through UBI people can decide the services they want and not the services dictated by government. It will result into choice enhancement of the people in general and poor in particular.
- **Safety Net:** This income floor will provide a safety net against health, income and other shocks.
- **Effective Poverty Alleviation:** Income transfer bypasses all the limitations posed by the errors (exclusion and inclusion) of targeting - increasing the administrative efficiency and effectiveness in poverty alleviation.

However, there are strong arguments which negate the idea of UBI as a possible alternative of social welfare schemes

- **Unintended Expenditure:** Cash in hand provided by UBI may result in unintended or unproductive expenditure such as alcohol, drugs or any other luxurious expenses. On the other hand, the social welfare schemes are being provided for intended benefits only.
- **Low Work Incentive:** UBI may reduce the incentive for work as the minimum guaranteed income might make people lazy and opt out of the labour market. Schemes like MGNREGA promotes Gandhian philosophy of income through labour.
- **Gender Biased:** Patriarchy may regulate the sharing of UBI within a household. Men are likely to exercise control over the spending of the UBI by women. This may not be the case with other in-kind transfers covered under social welfare schemes.
- **Conceptual Flaw:** UBI as a concept is universal in nature, which means a basic minimum income should be provided to every citizen irrespective of his/her economic prosperity. This negates the idea of targeting the needy and poor first.
- **Subject to Market Risks (cash vs. food):** Unlike food subsidies (PDS) 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.

Conclusion

- India already has UBI-like-schemes, such as the National Social Assistance Programme (NSAP) or the Direct Benefit Transfer (DBT) - but their success has been limited.
- To enforce UBI across the length and breadth, India needs to generate empirical evidence on the basis of good pilots implemented for a good span of time. Financial inclusion and well functioning financial system are also crucial to implement UBI.
- Given the socio-economic disparity in India, some of the essential social welfare schemes cannot be avoided in the near future. But these can be reformed and rationalised.
- Therefore, while UBI could be the fastest way to reduce poverty- it is a powerful idea whose time may not be ripe for implementation yet.

