



A Minimum Framework

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(This editorial is based on the article '[A Minimum Framework](#)' which appeared in 'The Indian Express' on 6th April, 2019. The article talks about the Universal Basic Income and the challenges it faces in its implementation.)

Economists and policymakers all over the world are discussing the idea of Universal Basic Income (UBI). Some European countries, for instance, guarantee a minimum income to their citizens. UBI is informationally the least demanding of all the policies one can think of to attack the problems of poverty, inequality and joblessness.

In India, the idea has gained currency as a solution to chronic poverty and government's failure to effectively target subsidies towards the poor. Amid persistent farm distress and weak wage growth across occupations, the idea of an income support scheme seems to be gaining ground once again.

While some have advocated an income support scheme for farmers, others have advocated a broader income support for all however a right framework to implement such a policy still remains to be formulated.

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 comprising, of three components: universality (all citizens included), unconditionality (no prior condition), and agency (by providing support in the form of cash transfers to respect, not dictate, recipients' choices).

The concept of UBI has not been an alien concept in India, number of such schemes have been a part of welfare programs such as National Old Age Pension Scheme, Indira Gandhi National Widow Pension Scheme (IGNWPS), Indira Gandhi National Disability Pension Scheme (IGNDPS), however all these schemes miss the feature of universality.

Why UBI?

Many landless labourers, agricultural workers and marginal farmers suffer from multi-dimensional poverty. Benefits of high economic growth during the last three decades have not percolated to these groups. Welfare schemes have also failed to bring them out of destitution. They have remained the poorest of Indians.

Contract and informal sector workers in urban areas face a similar problem. Due to rapid mechanisation of low-skill jobs in the construction and retail sectors, employment prospects for them appear increasingly dismal.

Income transfers have the potential of pulling families out of poverty and can improve India's ranking in HDI (human development index) and will bring India closer to achieving SDGs. It can also reduce growing and vast inequality in India and prevent poor people from falling into the debt trap in the event of shocks such as illness or death of an earner.

UBI can potentially promote social support, healthy life expectancy, freedom to make life choices which have a positive psychological effect on human behaviour. It can also promote social harmony by bringing society closer to economic equality and liberating people from hand to mouth living.

Minimum Income Guarantee (MIG)

Recently the idea of MIG has been floated by many political parties; under this program everyone would be guaranteed a certain minimum income level.

Guaranteeing income mean that, for any family whose income is below the threshold decided by the government, the difference will be covered by a cash transfer from the government.

NYAY- Nyuntam Aay Yojana is the most ambitious of these MIG schemes. It promises annual income transfers of ₹72,000 to each of the poorest five crore families comprising approximately 25 crore individuals. If implemented, it will cost the exchequer ₹3.6 lakh crore per annum.

Roadblocks in Implementation of MIGs in India

Covering a large population may lead to **drainage of fiscal resources which are required for capital investments in India** like up gradation of Railways, Electricity, combating climate change, Renewable energy, etc. For example, giving every family of five a basic income of Rs 6,000 a month (and scaling appropriately for family size) would cost 70-80% of the current tax revenues.

The informational demands on the government to implement such a scheme are huge. Not only does the government have to know which households are below the threshold, it will also have to accurately find out how much below that threshold each household falls which is very tedious to ascertain given the sample size.

According to the Socio-Economic and Caste Census (SECC) 2011, around six crore households suffer from multidimensional poverty. These include the homeless, tribal groups, the landless, families without an adult bread-earner or a pucca house. Within this group **it is almost impossible to exactly identify the poorest five crore households to be covered under the NYAY.**

One can anticipate serious levels of misreporting as most people who want to be and can be eligible for this scheme are most likely to be working in the informal sector. It is easy to see that any family that could have earned money through employment would rather withdraw from work altogether and receive the entire sum promised as a government transfer.

Some Suggestions

Flat transfer of a stipulated amount per month to families lying in the bottom 20 % of India's income distribution can effectively address the challenge posed by a simple MIG. The scheme would be informationally less demanding as the government only needs to know whether the family earns below the 20th percentile income threshold. It does not need to know how much below the threshold this family's income lies.

Any such scheme will require huge amount of capital which at present is beyond the Centre's fiscal capacity therefore the cost can be shared by the States, tax collection also needs to be increased to finance the scheme.

The scheme can also be introduced in phases, studies have shown that even a small income supplement can improve nutrient intake at high levels of impoverishment.

Besides, it can increase school attendance for students coming from poor households. This would mean improved health and educational outcomes, which in turn will make the working population more productive.

The scheme with a modest income support also allays the fear of beneficiaries opting out of the workforce.

Way Forward

No income transfer scheme can be a substitute for universal basic services. The direct income support to the poor can deliver the intended benefits only if it comes as a supplement to the public services such as primary health and education. This means that

direct transfers should not be at the expense of public services for primary health and education.