



Economic Survey: Universal Basic Income (UBI) Scheme an alternative to plethora of State subsidies for poverty alleviation; JAM and Center State cost sharing prerequisite for a successful UBI

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The Economic Survey 2016-17 tabled in Parliament today by the Union Finance Minister Shri Arun Jaitley has advocated the concept of Universal Basic Income (UBI) as an alternative to the various social welfare schemes in an effort to reduce poverty. The survey juxtaposes the benefits and costs of the UBI scheme in the context of the philosophy of the Father of the Nation, Mahatma Gandhi. The Survey states that the Mahatma as astute political observer, would have anxieties about UBI as being just another add-on Government programme, but on balance, he may have given the go-ahead to the UBI.

The Survey says the UBI, based on the principles of universality, unconditionality and agency, is a conceptually appealing idea but with a number of implementation challenges lying ahead especially the risk that it would become an add-on to, rather than a replacement of, current anti-poverty and social programmes, which would make it fiscally unaffordable.

Based on a survey on misallocation of resources for the six largest Central Sector and Centrally Sponsored Sub-Schemes (except PDS and fertilizer subsidy) across districts, the Economic Survey points out that the districts where the needs are greatest are precisely the ones where State capacity is the weakest. This suggests that a more efficient way to help the poor would be to provide them resources directly, through a UBI.

Exploring the principles and prerequisites for successful implementation of UBI, the Survey points out that the two prerequisites for a successful UBI are: (a) functional JAM (Jan Dhan, Aadhar and Mobile) system as it ensures that the cash transfer goes directly into the account of a beneficiary and (b) Centre-State negotiations on cost sharing for the programme.

The Survey says that a UBI that reduces poverty to 0.5 percent would cost between 4-5 percent of GDP, assuming that those in the top 25 percent income bracket do not participate. On the other hand, the existing middle class subsidies and food, petroleum and fertilizer subsidies cost about 3 percent of GDP.

The Survey concludes that the UBI is a powerful idea whose time even if not ripe for implementation, is ripe for serious discussion.

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