

Bujamma (left) and Yellaiah Alankunta are among the 1,250 beneficiaries of the WorkFREE pilot for universal basic income support in the slums of Hyderabad

Blessing in disguise

Localised experiments with universal basic income have shown mostly positive outcomes across states, strengthening calls in favour of the social policy

HIMANSHU N HYDERABAD

THE WORLD came crashing down for Hyderabad resident Chandrakala in March 2022, when the Telangana government relocated her slum, Vadderabasti. Her family had to move to Munganoor, a colony 20 km from the banks of the Musi river, where the slum was located. The densely populated Vadderabasti, where Chandrakala had grown up, was also critical to her income because it was only a few minutes walk from the residences where she worked as a domestic help. Her husband Bhaskar, a daily wage labourer, also worked near the slum.

Retaining work soon turned unfeasible. "I spent ₹200 every day on transport from the new colony, leaving hardly ₹100 for my sustenance," she says. "I worked in four households, earning ₹4,000. But I lost one household because the long

commute would often make me late, reducing my income to ₹3,000," she adds. The couple could not find a job near the new colony. Expenses compounded as their daughter got fever frequently and needed treatment.

However, when *Down To Earth* met Chandrakala in late August 2023, she was slowly but surely moving towards a secure economic future. Though Bhaskar had not found work, Chandrakala was earning ₹10,000-15,000 a month. She had taken a loan to start a bangle business and repaid ₹40,000 of the debt. This transformation came with a universal basic income (UBI) support pilot rolled out in May 2022.

The WorkFREE pilot project to provide support through UBI, a social policy in which people periodically receive minimum but unconditional cash support, is implemented by the

University of Bath, UK; Montfort Social Institute, Hyderabad; and India Network for Basic Income, with funds from the European Research Council. Under the pilot, an adult gets ₹1,000 and child ₹500 a month for 18 months.

A UBI support programme has five accepted principles: unconditional support; periodic payments as opposed to lump sum transfers; direct cash transfer instead of coupons or cash equivalents; and individual beneficiaries rather than households. Unlike conditional cash transfer schemes—for example, a cash reward if a woman gives birth in a hospital—UBI support lets beneficiaries spend as per their needs. "Universal programmes like UBI support apply to all members of society without any means-testing or eligibility requirements," says Vibhor Mathur, a doctoral research-





Cash transfer under the WorkFREE pilot helped Chandrakala (right) and her family overcome the financial crisis due to the state government's relocation of their slum, Vadderabasti



Most beneficiaries of the cash transfer pilot in Vadderabasti used the money to buy food and to add to their savings

er at University of Bath who is involved in the pilot (see 'A solution for a diverse country', p16). It is similar to getting a regular salary.

However, many fear that UBI would lead to distortion of the labour market and create a culture of dependency. Without any conditions for access to cash support, people may tend to stop work. It may also lead to mindless expenditures and add to debt. TheWorkFREE pilot is, in one way, an experiment to evaluate the fears and UBI's efficacy in eradicating poverty.

The pilot supports 1,250 residents in five slums in the heart of

A SOLUTION FOR A DIVERSE COUNTRY

The poor in the country have different backgrounds and aspirations. Universal basic income can empower them to meet their needs as they deem appropriate without conditionalities

VIBHOR MATHUR



THE LACK of access to disposable income is not just the result, but also a cause of great poverty and inequality. Recent experiences like the COVID-19 pandemic have brutally highlighted that traditional policy tools are inadequate in protecting the weakest sections of India. In this context, there are calls for universal basic income (UBI) to strengthen welfare architecture and unlock the nation's latent demographic potential. UBI is a regular cash payment made individually to each member of a political community, without any means-testing, work requirements or conditionalities.

India's diversity has always thrown up unique governance challenges. A tribal woman in Assam, a young graduate in Delhi, a landless labourer in Maharashtra belonging to a marginalised caste and a homemaker in peri-urban Tamil Nadu all have such diverse and

distinct needs that creation of uniform policies a near impossible task. The proposals put forward, thus, either fail to recognise the different needs and to provide efficient mechanisms of delivery, or worse, take *a priori* and ill-informed decisions on the needs of different groups. For instance, free buses are of no use to those who live in areas without public transport. Similarly, distribution of sewing machines to empower women misses the key step of asking them if tailoring is the path they want to pursue, or if employment is even the biggest challenge they are facing at the time. Narrowly defined and targeted policies for different groups create inefficient governance and perverse populist political incentives.

Cash, as a universal medium of exchange, has the unique potential to provide to each person a basic economic floor and empower them to meet their needs as they deem fit. This

Hyderabad. These communities are chosen specifically for their involvement in works such as garbage collection, domestic work or selling items on the roadside. They also majorly belong to Scheduled Castes and have practically no tenancy rights.

Several recipients use the cash support to expand economic activities or to pay for emergency needs that otherwise would have forced them to borrow. In Mudhiraj, another slum covered under the pilot, Nagamma Thappeti and her husband receive ₹2,000 a month. Prior to the pilot, she had started a small food business. The cash support helped her buy a second-hand refrigerator to store food materials and expand her business. "I purchased it for ₹7,000 and started paying monthly installments with the basic income support," she informs.

A mid-term survey conducted by

WorkFREE in July 2023 finds that 66 per cent of benefiting households used the cash to buy food, fuel, clothes and pay utility bills, which usually account for a bulk of monthly expenditure. Some 36 per cent of the households spent the money for education fees, 40 per cent added to savings and 23 per cent repaid debts. Others invested in new businesses, ownership of assets and purchase of vehicles.

The support has been particularly helpful in health expenditure. The survey shows about 43 per cent of households spent cash on medicines, diagnostic tests and doctor visits.

On the perceived negative impact of UBI on the labourforce, Mathur says that it is not seen here. "As a general rule, the amount disbursed should not be so low that it does not make any difference and also not high enough to discourage labour," he

says. "Robust support systems to complement UBI, such as universal healthcare and education, will ensure better utilisation of the money," says Sarath Davala, research director for the pilot.

Many beneficiaries see the cash support as a safety net or a "hope to break the vicious cycle of generational poverty". Vaani, a domestic worker from Durganagar slum, and her family receive ₹3,000, which is entirely used for her children's education. Her husband Kamal says if this support continues for a few years, their son will be able to become an engineer and end the family's poverty cycle.

DISTINCT ADVANTAGES

The idea of UBI has been recurring since the 18th century, says development researcher Moin Qazi. The COVID-19 pandemic brought in urgency to

is not to say that good quality and accessible government services are not essential. But the addition of a cash-based support allows for protecting those who can fall through the cracks and enhance people's capacity to access better services. The basic income pilot in Hyderabad, WorkFREE, has seen increased health insurance coverage among participants. The Delhi pilot by Self-Employed Women's Association (SEWA) saw people gaining access to better quality food and thus improving nutritional outcomes. Additionally, universality and unconditionality of the scheme would mean that the government does not need to spend time and resources in assessing eligibility of the potential beneficiaries, and poor and vulnerable people are freed from the burden of such paperwork. In a country with inadequate documentation and awareness, such a scheme provides the state the best chance of robust coverage.

A basic income also provides the crucial security that can help people tide through crises like health shocks, loss of employment, seasonal or natural disasters, deaths or any extenuating circumstances. These thrust the already poor into extreme poverty, exploitation and endless debt traps. Cash transfer and basic income programmes from around the world show evidence of people being able to invest in better housing, healthcare, education and savings, reducing their reliance on credit and accessing further training or education, entrepreneur-

BASIC CASH INCOME ALLOWS TO PROTECT THOSE WHO FALL THROUGH THE CRACKS OF THE GOVERNMENT'S TARGETED POLICIES

ship, asset building or more decent work.

A basic income proposal usually draws two criticisms. First, that beneficiaries will no longer have incentive to participate in the labour market. Second, that giving cash in the hands of the poor will lead to misuse on alcohol and drugs. But basic income pilots around the world have shown that an unconditional cash transfer has no negative effects on people's desire to work. Even in the SEWA and WorkFREE pilots, many women have been able

to negotiate themselves out of exploitative daily wage work and invest in small businesses. As for substance abuse, a meta review of data from around the world by Nobel Prize laureate Abhijit Banerjee and colleagues found that it in fact reduced among cash transfer recipients. Clearly, poverty is a cause of, rather than an

inhibitor for, substance abuse among the poor.

Automation, unemployment, climate crises, pandemics, declining female labour force participation and growing inequality are among the crises that make people, especially the under-served and marginalised, more vulnerable. UBI and better government services are perhaps the best way to provide control, benefits and freedom to the poorest and weakest sections.

(Vibhor Mathur is a doctoral researcher of social policy at the University of Bath, UK. He works for the WorkFREE basic income pilot in Hyderabad, Telangana)

this programme's adoption. While before the pandemic, there were about 70 UBI pilots across the world, number now there are 161, Mathur points out.

India has been experimenting with UBI for over a decade now. Evaluations of the programmes vouch for its efficacy while dismissing the fears around it. For instance, in *Economic Survey 2016-17*, a chapter by former chief economic advisor Arvind Subramanian, titled "Universal Basic Income: A Conversation With and Within the Mahatma", mentions that studies from six developing countries show no significant drop in labour supply for men and women alike. It also cites a pilot in Madhya Pradesh by the Self-Employed Women's Association (SEWA), a federation of organisations for women in informal sectors.

The SEWA pilot was conducted in Delhi and Madhya Pradesh in 2011.

In Delhi, about 100 families living below the poverty line received ₹1,000 a month. They were asked to give up access to subsidised foodgrains under the Public Distribution System (PDS) and use the cash transfer.

This experiment's analysis found that 64 per cent of the beneficiaries spent it only on food. Medical treatments also formed a major part of the expenditure. Interestingly, there was a major shift from government to private hospitals for treatment. The cash transfers also helped increase school enrollments from 69.6 per cent to 70.6 per cent. Usage of cleaner fuels went up from 68 to 84 per cent. Some 73 per cent of the beneficiaries reported to have cleared loans and reduced dependency on moneylenders. About 27 per cent women thought access to direct money enabled more control over household expenditure.

In Madhya Pradesh, the experiment covered 6,000 people from 12 villages, of which one was inhabited by tribal communities. Each month, an adult was given ₹300 and a child ₹150, for a total of 17 months. An analysis in the tribal village, Ghoda Khurd in Indore district, conducted in 2013 shows that about 14.3 per cent of the households spent the money to build toilets. A significant amount was also spent on access to private water resources for drinking purposes.

In the non-tribal villages, about 24.3 per cent of beneficiaries changed their source of energy for cooking, while 16 per cent of those in the tribal village did the same. Also, 14.5 per cent of beneficiaries in Ghoda Khurd improved access to electricity. Food expenditure in the village rose from 52 per cent of income to 78 per cent.

PROMISING OUTCOMES

Global experiments on universal basic income largely show positive impacts

THE IDEA of universal basic income (UBI) has been floated at least since the 18th century, with a number of experiments around the world. In recent years, the COVID-19 pandemic and resultant economic crises have been a catalyst for UBI pilots. The number of programmes globally increased from 70 before the pandemic to 161 now, says The Stanford Basic Income Lab, US, which tracks UBI.

In the US, for instance, there are 44 active UBI programmes. Alaska probably has the longest running UBI support policy, according to a 2022 research paper by City University of New York. Since 1982, Alaska's government has paid an annual dividend to each living individual in its jurisdiction. The research paper notes that the dividend peaked in 2002, at US \$2,000 per beneficiary. This means that a family of four received as much as \$8,000. Dividends also increased during periods when oil prices soared. Down south, the municipality of Maricá in Brazil has the largest basic income programme in Latin America. Initiated in 2013, the programme has benefited 42,000 of 165,000 residents in the municipality.

However, the world's longest UBI experiment, potentially, is in Kenya. Non-profit Give Directly provides cash support of \$0.75 a day to 20,000 adults in 245 villages. The programme started in 2016 and support is promised for 12 years.

In West Asia, Iran in 2011 replaced some subsidies, like on fuel and food, with UBI. The cash transfer amounted to 29 per cent of the median household income. A 2017 study on the programme saw that post its inception, workers in the service sector—housekeepers, deliverypersons and teachers—increased their working hours by approximately 36 minutes. The researchers assume that this increase is due to some people using the cash to expand work.

In Europe, Finland ran a two-year UBI programme in 2017-18, which saw 2,000 randomly selected unemployed persons in the country receiving €560 (around \$601) monthly. According to Well Being Economy Alliance, a collaboration of organisations working towards human and ecological wellbeing, the move appeared to encourage people to build startups and led to a mild increase in employment. In the UK, the Welsh government has started a basic income pilot for care leavers (people who spent time in government-supported care) with a payment of £1,600 (nearly \$1,994) to all persons turning adults between July 2022 and June 2023. The cash transfer will continue for 24 months.

In terms of negative impacts, Delhi did not show any major increase in alcohol consumption. When SEWA conducted a followup study in Madhya Pradesh in 2017, there was a drop in liquor intake, particularly in Ghoda Khurd. Notably, the 2017 study said 71 per cent of children had stopped working on other's fields, indicating a decline in child labour.

POLITICAL ATTEMPTS

In recent years, political leaders and state governments have been vocal in either promising UBI support or rolling out similar programmes. In 2019, just before the general elections, the Congress proposed Nyuntam Aay Yojana (minimum income scheme) that guaranteed ₹6,000 per month for poor families and offered ₹72,000 annually

for 20 per cent of the poorest families. That year, Odisha implemented its own cash support scheme—Krushak Assistance for Livelihood and Income Augmentation (KALIA)—for farm families, landless farmers and agricultural labourers to reduce costs and invest in income generation activities.

This year, cash transfer schemes for women have also come up in Madhya Pradesh—more than a decade after the SEWA pilot—Karnataka and Tamil Nadu. Shikha Joshi, general secretary of SEWA Bharat contends that these schemes, though in some way aligned with UBI, are targeted. “Madhya Pradesh has an age bar and limits the scheme only to women, which is the case for Tamil Nadu and Karnataka as well. In Odisha, benefits are targeted to farmers,” she says.

Targeted schemes run the risk of exclusion. Subramanian's chapter in *Economic Survey 2016-17* also notes this. It states that the Centre's seven largest welfare schemes, including PDS, Mahatma Gandhi National Rural Employment Guarantee Scheme and Pradhan Mantri Awas Yojana, had high misallocation of funds. This indicates that some people are left out of the schemes' coverage. Subramanian says that introducing UBI would reduce misallocation of funds and decrease leakages as funds will be transferred directly to beneficiaries.

Qazi says the country can consider semi-UBI to reduce leakages in government welfare schemes. “Subramanian's suggestion on scrapping all subsidies and introducing UBI may not be financially feasible,” he says. Ratchana R, assistant professor at International School of Management Excellence, Bengaluru, says states may have to customise UBI models. “Micro-economic factors in Sikkim may not work in Bihar or Uttar Pradesh or Chhattisgarh. Governments may also partner with different stakeholders and create an ecosystem,” she says. dtc@down2earthindia