

# Exploring Universal Basic Income

## Overview

## A Guide to Navigating Concepts, Evidence, and Practices

Ugo Gentilini, Margaret Grosh, Jamele Rigolini, and Ruslan Yemtsov  
*Editors*



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## Praise for the Book

“The debate around universal basic income (UBI) in India has catalyzed a rethink about social protection, poverty reduction, and the role of the state in development. These are issues that go beyond just simple economics. Sociologists, political scientists, and philosophers have weighed in, each bringing a different and often provocative perspective about the role of UBI in social contracts that bind our societies. Gentilini et al. offer a unifying platform from which this diverse spectrum of views can be discussed and debated in an informed and intelligent way. That it can bring together people from such diverse backgrounds on a highly divisive topic is a credit to the authors. Their framework, analysis, and empirical rigor will serve as a wonderful guide for policy makers and practitioners grappling with questions on how to build a modern and state-of-the-art social protection system. Scholars and policy makers in India and elsewhere have been waiting for such an analysis.”

*Junaid Kamal Ahmad, Country Director, India, World Bank Group*

“Discussion of a universal basic income (UBI) can be clouded by theology, with anything other than a ‘pure’ UBI cast into outer darkness. The most welcome feature of this wide-ranging volume is its treatment of the design problem as multidimensional, recognizing that objectives differ, and so do constraints, notably concerning fiscal, institutional, and political capacity. While addressing these multiple aspects, the book also includes empirical analysis of UBI compared with other designs and discussion of the operational tasks necessary for successful delivery.”

*Nicholas Barr, Professor of Public Economics, London School of Economics*

“Public discourse on the potential role for a universal basic income (UBI) in addressing various socioeconomic challenges has soared over the last decade. However, the discussion has often been plagued by lack of clarity on what is meant by a UBI and the challenges it is intended to address. This impressive book provides a transparent and comprehensive framework to inform the debate. It sets out the defining features of a UBI, the various socioeconomic issues it may help address, and the pros and cons of a UBI in various economic and political settings. It makes clear that the attraction of a UBI, or some partial variant, will depend on country-specific social, economic, and political preferences, as well as the underlying administrative and fiscal contexts. The detailed empirical analysis helps to bring these issues out into the light for much-needed scrutiny. It also helps to hit home the too-often neglected importance of considering both the tax and transfer sides of the debate to avoid drawing misleading policy conclusions. The passionate debate will no doubt continue, but this book increases the likelihood that it will now be complemented by a healthy dose of reason.”

*David Coady, Division Chief, Expenditure Policy Division, International Monetary Fund*

“The idea of universal basic income—giving cash unconditionally to everyone—has been hotly debated, mainly in developed countries. This book sheds much-needed light on that debate by providing the first dispassionate analysis of UBI in developing countries. All of the issues—poverty impact, fiscal sustainability, labor market outcomes, political

economy—are elucidated with evidence. Policy makers may adopt or reject UBI, but after reading this book, they will do so with clear-eyed reasoning.”

*Shantayanan Devarajan, Professor of Practice of Development, Georgetown University*

“Universal basic income has been gaining traction as a potential solution to poverty and technological unemployment. This book is the ultimate guide for anyone interested in universal basic income at the global level. The authors leave no stone unturned, examining the economics and politics of universal basic income, as well as policy implementation issues across the world.”

*Ioana Marinescu, Assistant Professor of Economics, University of Pennsylvania*

“Today’s UBI debates are powerful because of the deep questions they raise—what is the nature of the social contract? What can and cannot a state with limited capacity realistically do? This book provides a helpful framework for navigating the issues and grounding the debate in data. It should be a standard reference.”

*Paul Niehaus, Associate Professor of Economics, University of San Diego, and co-founder GiveDirectly*

“This is the first time the World Bank has taken up the case for a basic income in a constructive manner, and should be welcomed by advocates and critics alike. As someone who has advocated moving in that direction for many years and been involved in pilots in several countries, I firmly believe it will be an anchor of 21st century income distribution. It is not a panacea, but giving people basic economic security is something that should unite us all.”

*Guy Standing, author of Basic Income: A Guide for the Open-Minded (Yale University Press, 2017)*

“Universal basic income (UBI) is one of those potentially transformational ideas in both developing and advanced countries, although for very different reasons. This terrific and timely volume is a comprehensive guide to the conceptual and implementation issues relating to UBI. A must-read.”

*Arvind Subramanian, former Chief Economic Adviser to the Government of India, and Visiting Lecturer in Public Policy, Harvard University*

“Universal basic income (UBI) is far more than a thought experiment—it’s a policy idea worthy of the in-depth consideration provided in this book. At UNICEF, we examine and share evidence regarding the potential and design considerations of universal child benefits: these can be seen as a subset of UBI and, therefore, help contribute to our common understanding of such interventions. We’re pleased to see these themes discussed and hope the many other lessons this book provides also help to shape thinking about strengthened forms of social protection for children and young people.”

*Alexandra Yuster, Associate Director, Programme Division, and Chief of Social Policy, UNICEF*

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## Preface

**A**t the time of writing this preface, electoral debates in India, which featured universal basic income (UBI) in a prominent way, just subsided; pilot programs are rolled out in several cities in the United States and Europe; a decade-long trial is under way in rural Kenya; and the World Bank is, through this very volume, issuing its first analysis on the matter. So why all this interest on a seemingly utopian and radical proposal of “just give cash to everyone”?

Interest in UBI is surely symptomatic of larger societal discomforts. The changing nature of work in higher-income countries demands that social protection systems co-evolve with it. While automation, globalization, and diversification of employment bolstered efficiency and productivity gains, median income and living standards have not always risen accordingly—and in some cases, they have been stagnant for decades. Lower-income contexts, where work arrangements have not changed as dramatically, face different challenges. Among them, pervasive poverty and informality, compounded with limited government capacities and revenues, are preventing hundreds of millions of people from accessing higher-productivity activities, being protected from risks, and building human capital.

With societal anxieties brewing, there are new opportunities for rethinking how to forge a more inclusive social contract, including with universal social protection at the core, and do so in ways that leapfrog past models. While new technologies are expanding the delivery frontier, the notion of “universal” social protection is subject to different interpretations. Specifically, universality can be attained in different ways—for example, by combining assistance and insurance programs, by combining different safety net measures, or, as in the case of UBI, achieving such goals via a single measure. Put differently, a UBI is a shortcut to universality.

On closer scrutiny, however, such a shortcut is less straightforward than it seems. A UBI looks alluringly simple on the surface, since it provides cash unconditionally and with no targeting involved. But its implications are complex and largely unknown. In fact, the scale of UBI makes it a systemwide intervention, not just a program. As such, it may affect, for instance, several labor market issues such as unemployment insurance, severance pay, unionization, contributory pensions, and minimum wages. With no UBI

program of national scale currently in place, most debates are shaped by informed views and inference from smaller-scale schemes rather than from hard evidence and actual practices. We should be humble about what we know and what we do not on UBI.

A UBI is also less radical than it appears. Depending on how it is financed, the program could end up distributing differentiated amounts of cash to different people—and some may not receive any transfer at all (the “net payers”). In other words, the net effects of benefits and financing could make a UBI a targeted program via taxes (in addition to participation based on residency and age). Precisely because a UBI may be de facto targeted, there is a need to clarify how it differs from or complements other social assistance instruments targeted by income (e.g., guaranteed minimum income programs), categorical parameters such as age (like social pensions), or other eligibility criteria. What specific problem is UBI ultimately trying to solve? How does it perform relative to existing systems? Under what circumstances is the program more or less likely to be cost-effective?

It is precisely this set of quandaries—on why, whether, where, and how to consider UBI—that animated the conception and production of this book. The volume should not be interpreted as a statement for or against UBI in the abstract. Instead, it engages in the more laborious, nuanced effort of providing an organizing framework—a structured thought process—to gauge the many issues that surround the appropriateness and feasibility of UBI. The framework, which integrates choices around objectives, design, implementation, performance, political economy, and financing matters into a coherent device, can help guide and inform decisions in different contexts—on UBI, as well on virtually any social assistance program.

Ultimately, deliberations on UBI should be based on robust and balanced thought processes, and this book is poised to inject a much-needed dose of analytics into a debate too often prone to ideology.

Michal Rutkowski  
Global Director  
Social Protection and Jobs Global Practice  
World Bank Group

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## About the Authors

**FRANCESCA BASTAGLI** is Head of the Equity and Social Policy Programme and Principal Research Fellow at the Overseas Development Institute (ODI). She specializes in research and policy advisory work on the design, implementation, and evaluation of social policies, with a focus on social protection policies and their poverty, inequality, and employment outcomes. She is lead author of the report “Cash Transfers: What Does the Evidence Say?” (ODI, 2016) and coauthor of the book *Wealth in the UK: Distribution, Accumulation, and Policy* (Oxford University Press, 2013). She has led policy analysis and contributed to policy dialogue in countries in Latin America, the Middle East and North Africa, South and East Asia, West Africa, and Europe. Prior to joining ODI, Bastagli was Research Fellow at the Centre for Analysis of Social Exclusion at the London School of Economics and previously held positions at Bocconi University and the World Bank. In 2011 she was Visiting Scholar at the International Monetary Fund’s Fiscal Affairs Department. Bastagli holds a PhD in social policy from the London School of Economics and a laurea in economics from Bocconi University.

**JURGEN DE WISPELAERE** is a Policy Fellow with the Institute for Policy Research, University of Bath, and a Guest Professor at Tampere University. A former occupational therapist turned policy scholar, he previously worked at the University of Tampere, McGill University, Trinity College Dublin, and University College Dublin. He has been a visiting scholar at a number of prestigious institutions, including Yale University, Oxford University, Australian National University, and, most recently, the Danish Centre for Welfare Studies, University of Southern Denmark. His main research interest is the political analysis of basic income, a topic on which he has published extensively in leading international journals as well as specialist edited volumes. He coedited *Basic Income: An Anthology of Contemporary Research* (Wiley-Blackwell, 2013) and is currently coediting *The Routledge Handbook on Basic Income* (Routledge, forthcoming). He is also completing a book on basic income experiments with Evelyn Forget (Policy Press, forthcoming). In 2006, he cofounded *Basic Income Studies*, an international journal on basic income research, and was its coeditor from 2006 to 2012. He has been a consultant to several government departments and nongovernmental organizations on basic income and basic income experiments.

**UGO GENTILINI** serves as Global Lead for Social Assistance with the Social Protection and Jobs Global Practice at the World Bank. He has 20 years of experience in the analytics, practice, and evaluation of social protection systems, particularly in the realm of cash transfers, food assistance, price subsidies, public works, and select active labor market policies. Prior to joining the Bank, he was with the World Food Programme, where he contributed to the organization's initial engagement in cash transfers and national safety nets. His publications encompass flagship reports, edited volumes, academic journals, and operational guidelines. Gentilini holds a PhD in development economics and produces a newsletter on social protection ([ugogentilini.net](http://ugogentilini.net)) reaching thousands of practitioners on a weekly basis.

**TINA GEORGE** is a Senior Public Sector Specialist at the World Bank. Over the past 19 years, she has worked on public service delivery and the implementation of investment project operations in technologies for the poor and vulnerable. Her work focuses on social protection delivery systems, social registries, social safety nets, government-to-person payment systems, foundational identification systems, human-centered design, institutions and governance, the impact of technology on the future of work, and public service delivery platforms serving the poor. Her most recent publication is *A Sourcebook on the Foundations of Social Protection Delivery Systems* (with Kathy Lindert and Inés Rodríguez-Caillava; forthcoming). She earned a PhD in technology, policy, and management at the Technische Universiteit Delft in the Netherlands, investigating the design of mobile platforms to deliver services to the poor.

**MARGARET GROSH** is the Senior Adviser for the World Bank's Social Protection and Jobs Global Practice. She has extensive experience with social protection both in crisis response and for improving equality of opportunity. Among her most notable publications are *Understanding the Poverty Impact of the Global Financial Crisis in Latin America and the Caribbean* ((with Maurizio Bussolo and Samuel Freije, 2014), *For Protection and Promotion: The Design and Implementation of Effective Safety Nets* (with Carlo del Ninno, Emil Tesliuc, and Azedine Ouerghi; 2008), and *Targeting of Transfers in Developing Countries: Review of Lessons and Experience* (with David Coady and John Hoddinott, 2004). Grosh served as Practice Manager for the Social Protection, Labor and Jobs Global Practice in Latin America and the Caribbean from 2014 to 2017; previous positions held were Lead Economist in Latin America and the Caribbean, Lead for the Anchor Safety Nets/Service Delivery Systems Team, Leader of the Global Expert Team for Safety Nets, and Team Lead for the Living Standards Measurement Study in the Development Research Department. She began her career in operations in Latin America and the Caribbean Human Development. She has a PhD in economics from Cornell University.

**CHRISTINA LOWE** is a researcher with the social protection team at the Overseas Development Institute, and previously worked as a consultant in the World Bank's Social Protection and Jobs Global Practice. Her main research interest is in improving the delivery of social protection programs to better serve marginalized populations, including

through improved linkages with other services and sectors. She has worked on social policy and program design in Sub-Saharan Africa, Latin America, South Asia, and Europe through roles at the World Food Programme, the UN Refugee Agency (UNHCR), and a range of nonprofit organizations. She holds a BA in modern languages from the University of Cambridge, and a master's in public policy from the John F. Kennedy School of Government at Harvard University.

**NORA LUSTIG** is Samuel Z. Stone Professor of Latin American Economics and Director of the Commitment to Equity Institute at Tulane University. She is also a Nonresident Senior Fellow at the Brookings Institution, the Center for Global Development, and the Inter-American Dialogue. Her research is on economic development, inequality, and social policies with an emphasis on Latin America. Her most recent publication—*Commitment to Equity Handbook: Estimating the Impact of Fiscal Policy on Inequality and Poverty* (Brookings Institution Press, 2018)—provides a step-by-step guide to assessing the impact of taxation and social spending on inequality and poverty in developing countries. Lustig is a founding member and President Emeritus of the Latin American and Caribbean Economic Association and was a co-director of the World Bank's *World Development Report 2000: Attacking Poverty*. She serves on the editorial board of the *Journal of Economic Inequality* and is a member of the Society for the Study of Economic Inequality's Executive Council. Lustig served on the Atkinson Commission on Poverty, the High-Level Expert Group on Measuring Economic Performance and Social Progress, and the G20 Eminent Persons Group on Global Financial Governance. She received her doctorate in economics from the University of California, Berkeley.

**EMMA MONSALVE MONTIEL** is a Social Protection Specialist in the Social Protection and Jobs Global Practice at the World Bank. She joined the Bank in 2014 and worked with the Social Protection and Jobs Global Practice and the Poverty and Equity Global Practice in the Africa and Latin America and the Caribbean regions. Before joining the World Bank, she worked with the Inter-American Development Bank and the Central Bank of Colombia. She coauthored the Africa Social Protection Regional Study flagship *Realizing the Full Potential of Social Safety Nets in Africa* (with Kathleen Beegle and Aline Coudouel, 2018). She has served as a task team member for several World Bank projects, including in Cabo Verde, Rwanda, and São Tomé and Príncipe. For the past two years, she has been providing technical and operational support to help the government of Angola define social protection policies, strategies, and social protection and jobs program priorities. She holds a master's in applied economics from Johns Hopkins University and a bachelor's in economics from the University of Antioquia in Colombia.

**SIYU QUAN** is a PhD candidate at the Department of Economics, Tulane University. Her main research interests include poverty and inequality, child labor issues, and charter school reforms in New Orleans. She holds a master's in economics and policy analysis from Tulane University and a bachelor's in psychology from the University of Complutense in Spain. She is a Research Assistant at the Commitment to Equity Institute and coauthored the tax and benefit incidence study "The Impact of Taxes and Social Spending

on Inequality and Poverty in Spain” (with Nora Lustig, 2016). She also worked as an intern at the Inter-American Dialogue and coauthored a 2018 study on educational attainment in Latin American countries. Her PhD thesis is “Does the Closing of Sweatshops in Bangladesh Save Child Workers?—An Empirical Study of a U.S. Child Labor Prohibition Law.”

**JAMELE RIGOLINI** is a Lead Economist and the Program Leader for Human Development for the Western Balkan countries at the World Bank. His areas of expertise include social protection, human development, labor markets, poverty, gender, and entrepreneurship policies. During his career at the Bank, he has worked on human development, poverty reduction, and labor market policies in East Asia and the Pacific, Latin America and the Caribbean, Africa, and Eastern Europe. He also managed several of the World Bank’s flagship reports for Latin America and the Caribbean, maintaining close dialogue with other international organizations and Latin American academic institutions and think tanks. Prior to joining the World Bank, he was an Assistant Professor of Economics at the University of Warwick (United Kingdom). Rigolini holds a degree in physics from the Swiss Institute of Technology in Zürich and a PhD in economics from New York University. He has published articles in leading economics journals, including the *Journal of Public Economics*, the *Journal of Development Economics*, *Economic Letters*, and *World Development*.

**TERESA TER-MINASSIAN** is an international economic adviser and fiscal expert. Before becoming a consultant, she had a long career with the International Monetary Fund (IMF), which she joined in 1972. At the IMF, she served in the European, Western Hemisphere, and Fiscal Affairs Departments, where she led missions to, among others, Greece, Italy, and Spain, and negotiations with Argentina, Brazil, and Portugal. She was the director of the IMF’s Fiscal Affairs Department from 2001 to 2008. Ter-Minassian has published more than 40 papers and books on fiscal issues, particularly on macrofiscal and intergovernmental fiscal relations areas. She holds a degree in law from the University of Rome and a PhD in economics from Harvard University.

**RUSLAN YEMTSOV** is Human Development Program Leader for China, Mongolia, and the Republic of Korea at the World Bank. Previously, he was the Lead for Social Safety Nets Global Solutions Group with the Social Protection and Jobs Global Practice. During his career at the World Bank, he has also worked in the Middle East and North Africa as well as the Eastern Europe and Central Asia regions. He has coauthored reports, books, and research articles on poverty, inequality, labor markets, the efficiency of public spending, and the political economy of reform. This work has covered global, regional, and country issues, including poverty assessments, public expenditure reviews, and rural development. Operational experience includes working on social assistance reform projects (Croatia, Morocco, the Russian Federation, Tunisia, Uzbekistan), fuel subsidy reforms (Arab Republic of Egypt, Jordan, Morocco, Tunisia), crisis response (Djibouti), local social development funds (Egypt, Georgia), and cash transfer delivery systems (Croatia, Russia, Tunisia). In addition to his research and operational work, Yemtsov has organized major training events and authored several training manuals. He holds a PhD from Moscow State University.

# Exploring Universal Basic Income

Ugo Gentilini, Margaret Grosh, Jamele Rigolini, and Ruslan Yemtsov

Universal basic income (UBI) is a hotly debated idea. In fact, few development topics elicit as much interest and controversy as UBI. There is literally a book published on the subject every month, with the concept being examined across the economics, sociology, governance, philosophical, and political science literature. It is prompting both curiosity and visceral reactions from policy makers in high- and lower-income countries alike, including playing a role in political discourse and elections (Banerjee, Niehaus, and Suri 2019; Hoynes and Rothstein 2019). And the growing number of experiences and pilots, with variants dating back to the 1970s, is moving UBI “from a thought experiment to a concrete policy option” (Calnitsky 2017).

A UBI holds an attractive promise of change across many lines. These include coverage potential, fairness in social contracts, power relations in labor markets, and gender equity, among others. It may speak, for some, to the appetite for social justice generated by glaring and growing inequalities in societies (Stern 2016). From this standpoint, a UBI engenders interest as a societal ideal to which to aspire, and not merely a program (Lowrey 2018). For others, a UBI is poised to mitigate the effects of purported massive job losses from automation, streamline the chaotic plethora of state-provided schemes, or empower people by redirecting natural resource–related revenues from public coffers to citizens (Devarajan 2018; Yang 2018). Overall progress in social protection systems deserves global celebration, but in many cases, the degree of frustration with those systems is palpable. In a world riddled with fears about artificial intelligence, exhaustion over complex bureaucracies, and resentment toward politics, the transparency and simplicity of a UBI is alluring.

These diverse rationales explain why a UBI resonates among different audiences. UBI enlists advocates from those embracing a minimalist role of the state to human

rights activists. Some look at a UBI as a foundation to build stronger states; others see it as a milestone toward rolling back public action and its interference with private liberties—that is, a UBI could embody the “Trojan horse” evoked by Milton Friedman in the late 1960s and Jean Drèze nowadays (see, e.g., Drèze 2017; Friedman 1967). The fact that a UBI generates support from some political conservatives, libertarians, and progressives alike—and from parts of the tech industry and select trade unions—is a remarkable feature. Such a heterogeneous coalition may help advance the idea, but its practical implementation would expose the lack of coherent expectations and objectives. For instance, hopes around a UBI as a societal revolution may be tempered by prosaic forces. After all, the ultimate generators of inequities may lie elsewhere, for example, in uneven access to education and health systems, low-paying and low-productivity jobs, poorly functioning markets, corruption, regressive tax codes, unequal pay, and social discrimination, among others (Piketty 2016). From this perspective, a UBI by itself could help, but the hopes bestowed on the concept seem excessive.

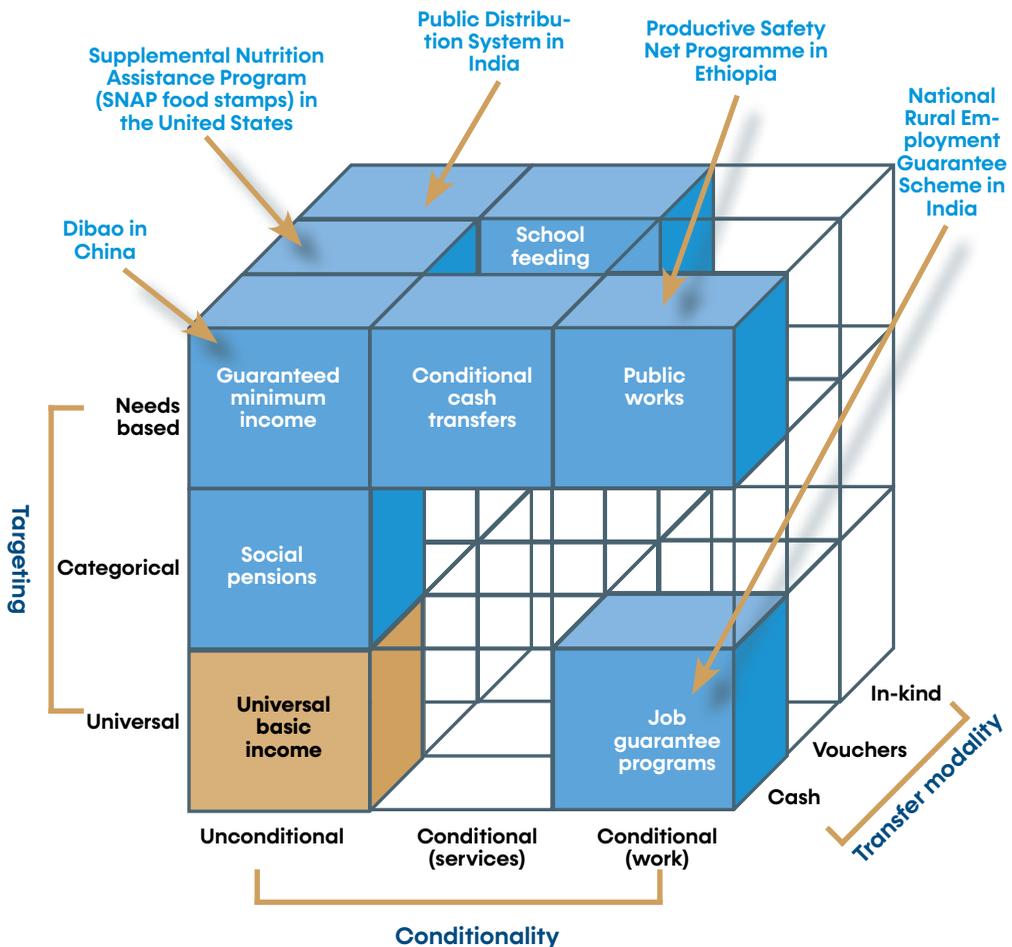
The prominence of ideological forces and different expectations suggests the need for a balanced and evidence-based approach (Francese and Prady 2018; Hanna and Olken 2018). This volume does not aim to provide strict prescriptions for or against a UBI, but instead a framework within which to think about it. We aim to provide a compass to help navigate key issues, elucidate trade-offs, and offer new data and analysis to better inform choices around the appropriateness and feasibility of a UBI in different contexts. Unlike the bulk of UBI literature, which is skewed toward high-income societies, we examine the program primarily in the context of low- and middle-income countries. We intend to provide policy makers and practitioners with a realistic sense of the entire gamut of policy considerations; offer new quantitative insights around key choices and implications; and frame the issues within a coherent, objective, and comprehensive volume concisely capturing global knowledge on the topic. By doing so, we shed light on the possible contexts where a UBI may be more or less viable based on a range of considerations. The overall analysis is conducted within a genuine spirit of curiosity, combined with a dose of empirical inquiry and a clear-eyed view of the progress and challenges in the current state of practice. Our multidisciplinary assessment shows that a UBI presents advantages and limitations just like any other social assistance program. After all, it could be considered a variant on existing age-based categorical schemes. Yet the scale and likely systemwide effects of a UBI program are exceptional and, as such, put a high premium on analytical and operational due diligence.

Currently, no country has a UBI in place, although there have been (and still are) several small-scale pilots and a few larger-scale experiences. Only two countries—Mongolia and the Islamic Republic of Iran—had a national UBI in place for a short period of time. Subnational experiences, such as in Alaska, are providing valuable insights, but these are constrained in one or more features (e.g., frequency and adequacy of transfers). The large majority of UBI pilots are variants of targeted schemes. For example, the proposal by Felman et al. (2019) on a “quasi-universal basic rural income” for India is simply a variant of a traditional guaranteed minimum income program. Quasi-UBI programs constitute the vast majority of so-called UBI pilots laid out in chapter 1. The

reframing of different programs in UBI or quasi-UBI terms is unhelpful because (1) this confuses and polarizes the current debate by trading accuracy for public resonance; (2) it risks reinventing the wheel around key questions for which there might be a considerable knowledge base (e.g., are cash transfers spent wisely? Do quasi-UBI programs discourage work?); (3) it widens the gulf between the actual shape of a program and its expectations; and (4) it may not always elucidate the nuanced, distinct features that a suite of alternative social protection measures possess to pursue similar objectives. Piloting at least two features of a classic UBI might still produce insightful information, as well as elicit public and policy debates. However, there are systemwide questions—around financing, inflation, linkages to pensions, relationship to minimum wages, and the political economy—that pilots cannot fully answer.

A UBI is a program to be delivered in cash, unconditionally, and to everyone. A UBI is the simple combination of three complex debates (figure O.1). Its design features—all in cash, no conditions, and no targeting—challenge current practices to varying degrees.

**FIGURE O.1 UBI within a Social Assistance Cube**



For instance, while those three core choices largely shape the identity of a UBI, proposals differ somewhat in their parameters about how much or how often to pay, whether to include truly everyone or exclude children and noncitizens, and whether some people would be net payers for the program (the latter two considerations already compromise the no-targeting principle). The dramatic expansion in cash transfer programs globally, and the generally positive evidence underlying them, suggests that the “in cash” part of the UBI design may be relatively uncontroversial. Nonetheless, the large-scale in-kind and food-based assistance programs present in virtually every country suggest that societies still opt to maintain a combination of transfer modalities, based on philosophical, political economy, and technical grounds (Alderman, Gentilini, and Yemtsov 2018). In fact, especially in low-income and fragile settings, there might be locations or periods where large-scale cash programming might be less suitable than in-kind provisions. Similarly, there are many unconditional programs coexisting with a variety of conditional ones, showing again a tension between giving recipients autonomy and taking a somewhat more directive approach (Marinescu 2018; Ravallion 2018). But perhaps the aspects of UBI that most challenge current practice are reaching everyone and doing so with an equal amount of support, independent of needs (Hanna and Olken 2018).

It is important to note the diversity in definitions of “coverage” and “universality,” as well as recognize the multiple pathways toward universality (Gentilini, Grosh, and Rutkowski 2019; Packard et al. 2019). For example, universality can be interpreted in terms of outcomes (e.g., all people should be guaranteed a minimum level of welfare) or of receipt (“everyone should be covered”). The social insurance and health literature defines coverage in risk terms (a payout is a promise for a payment in case a specified event occurs). In social assistance terms, coverage is receipt based—people are considered covered only when transfers are actually received. Similarly, some consider a universal transfer to be one based on no other criteria than age (thus many social pension programs would be considered universal); others define universality as reaching everyone in society independent of age, income, or other criteria (this view would classify child grants and social pensions as categorical programs targeted by age). In the book, we use *coverage* in social assistance terms, and *universality* as applying to all society. But a UBI is not the only path toward universality, but rather one among many. Universality should be considered at the system level: universality in social protection, which lies at the core of global commitments and the rights architecture, does not necessarily imply universality via a single program. Whether through a UBI or social protection more broadly, universality would need to be progressive and ensure that the most in need receive support to meet their wider range of vulnerabilities and necessities. A gradual building of a solid platform of social assistance, whether via one program or many, should proceed from the bottom up.

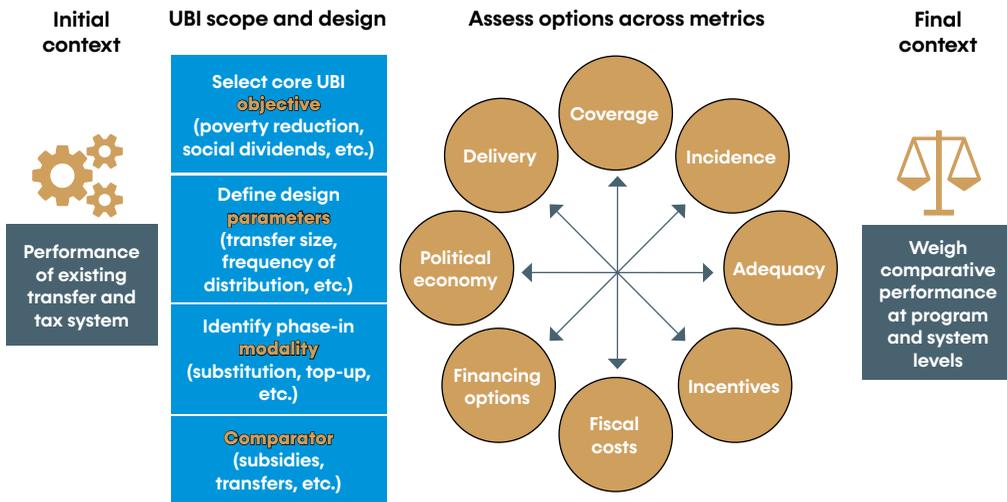
Focusing on the “U” of UBI, the rationale for making transfers universal rests on five main arguments. First, by not establishing eligibility criteria (besides perhaps citizenship or established residency and age, e.g., for those above age 18), universality circumvents the contentious issue of exclusion and inclusion errors that are inherent in needs-based targeting. Under a UBI, there would be no such errors, as everybody is

included by design, hence achieving substantial expansions in coverage. Second, universality may eliminate any stigma affecting beneficiaries. Evidence from Europe, for example, shows that shame is among the key factors behind limited take-up of benefits by eligible beneficiaries. Third, by changing the default position of people from being potential beneficiaries (subject to eligibility verification) to guaranteed recipients, there may be fewer transaction costs involved in accessing benefits (e.g., there is no need to spend time in applying), and various economic and psychological benefits stemming from a stable source of income over time (e.g., stress reduction, empowerment, avoiding taking desperate actions out of economic hardship). Fourth, a universal transfer would be more labor compatible than most programs, as it removes the price effect of transfers (i.e., the reduction in labor supply to avoid a reduction in benefits). And finally, universality may strengthen programs' political sustainability as beneficiaries (and voters) would draw from the entire income distribution.

The case against the “U” in UBI rests principally on cost, fit for purpose, and a different appreciation of the magnitude of its possible benefits. The cost of making significant transfers universal is quite high. Depending on how these are financed—a reduction in existing social protection spending, a reduction in regressive subsidies, increased taxes—there are important changes in distributional outcomes among income and age groups that may or may not be desirable. Additionally, the flat benefit structure may not be fit for all purposes. It cannot be as redistributive as a more progressive structure and thus may have muted impacts on poverty and inequality. The flat structure does not respond to large and often short-run changes of state such as catastrophic illness, loss of job, or loss of assets and livelihoods in a natural disaster, and thus may be insufficient to provide income smoothing in these cases. The political economy argument that universality begets political support and increased budgets is reasonable, but not well supported in country programming (Desai and Kharas 2017). Practices can be improved in more targeted programs to reduce transaction costs and lower stigma. And finally, significant evidence shows that current social assistance programming has not reduced work effort.

These emerging considerations point to the need for an organizing framework to guide decision-making processes. We propose a basic framework to clarify, locate, and assess the viability of a UBI (figure O.2). This is organized around four components.

- *It is important to have a clear understanding of the performance of the current tax and transfer system in a given context.* This can be challenging in settings with limited information, a nearly nonexistent tax base, and fragmented social protection programs.
- *The specific objective of the UBI among the many pursued, and design parameters devised accordingly.* For example, if the objective is to counter the effects of automation-induced job losses, transfers should be provided for an amount adequate to ensure a minimum living standard. If the objective is to provide a social assistance function, transfers could be set in relation to poverty or food-insecurity prevention. Also, the way a UBI is introduced matters: the program could

**FIGURE O.2 Basic Framework for Navigating UBI Decision Making**


have radically different implications if it is substituting for select programs or provided on top of them. If the former, assessments should be made against those specific programs to be substituted.

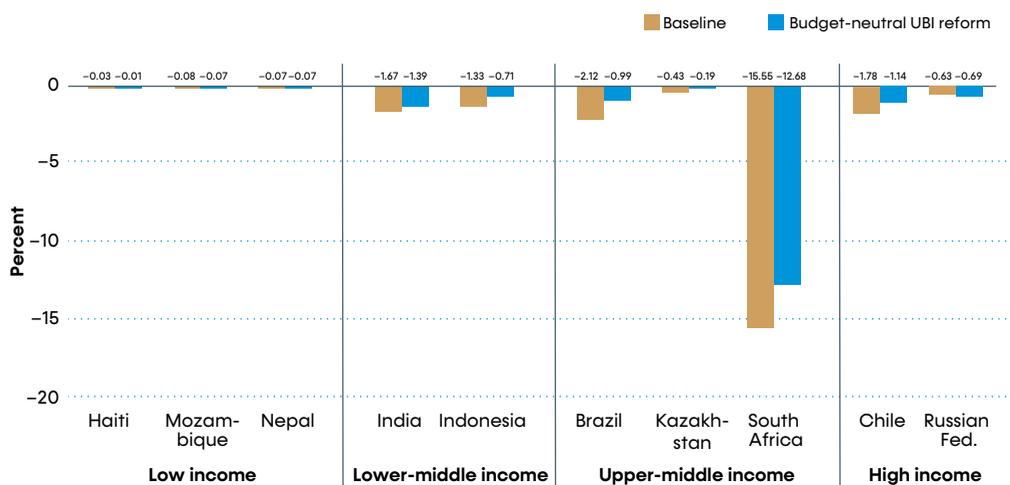
- *When these choices have been made, a UBI should be compared to the existing system in light of eight metrics.* These metrics are coverage, level of progressivity, adequacy of transfers, household incentives and behavioral responses, costs, financing options, political economy, and delivery. No program would score optimally on all dimensions, nor utterly low on all of them. Clearly, societies may place a particular weight on some metrics as opposed to others; for example, some may favor coverage, others progressivity. Therefore, the art of decision making would hinge on an understanding of the trade-offs across the overall collection of implications that span between a UBI and the counterfactual (the existing system).
- *The above considerations need to be weighted by policy makers.* Such a process would involve a clear-eyed view on the scope, expected performance, and trade-offs involved. Importantly, the introduction of a UBI should be assessed not only against the possible interventions it replaces, but also at the system level—for example, how does a UBI affect the overall composition and outlook of the wider social assistance and social protection system.

Our volume is designed to recognize and inform these trade-offs, with the chapter organization and content closely matching this framework. For instance, our simulations in chapter 4 offer an illustration of how to consider the various metrics of the framework presented in figure O.2. In particular, we compare the replacement of selected social assistance programs with a UBI. We simulate a full range of options in terms of

UBI generosity and financing for 10 low- and middle-income countries (Brazil, Chile, Haiti, India, Indonesia, Kazakhstan, Mozambique, Nepal, the Russian Federation, and South Africa) representing an array of contexts and diverse social protection systems. The microsimulations are based on recent representative household survey data and provide new insights into the trade-offs between coverage, poverty impact, transfer adequacy, and the budgetary implications of a UBI relative to the status quo. We begin with a budget-neutral scenario, whereby a UBI is simply replacing selected noncontributory social assistance programs. (In fact, we argue that a UBI should not be directly compared to or assessed as a replacement for pension insurance or other contributory programs.) We then gradually increase the generosity of the UBI transfer to the level of the full value of the poverty line, thus ensuring that, by design, poverty is eliminated. For these scenarios of increased generosity, we weigh financing options, contrasting increasing direct or indirect taxes combined with other fiscal policy options, such as elimination of subsidies or reallocation of public spending.

Under a budget-neutral scenario, the poverty impact of targeted programs is higher than that of a UBI. With one exception (Russia), and even if imperfectly targeted, the poverty impacts of existing programs (measured in terms of the squared poverty gap, which better captures extreme poverty) are higher than the poverty impacts of a UBI (figure O.3). The difference in impact is small in absolute terms, but quite sizable in relative terms. In fact, existing programs are on average about 60 percent more effective in poverty reduction than a UBI. This is because most existing programs, even if they may be only slightly progressive and miss some of the poor, tend to cover relatively more of the extremely poor population. Therefore, with a few exceptions, a budget-neutral UBI reform would take resources away from poor households that are benefiting from existing programs, giving them to richer households currently not benefiting. Importantly, these findings do not account, or do so only indirectly, for other poverty-related aspects

**FIGURE O.3 Poverty Reduction Effects of a UBI and Baseline Cash-Based Programs**



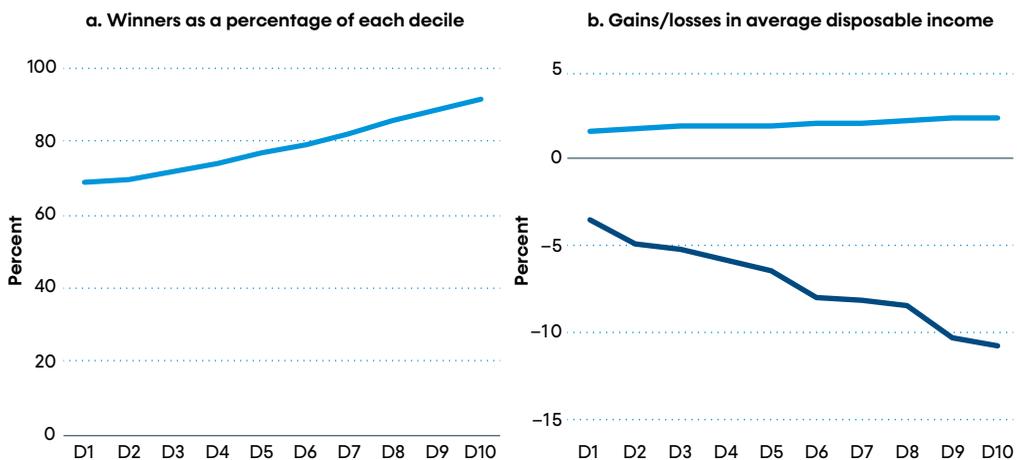
that may affect performance and are not easily observable from survey and administrative data—for example, transaction costs to access benefits, stigma, and leakages.

A budget-neutral UBI reform leads to significant distributional impacts. While in some countries, differences in poverty impacts remain modest, on average a UBI reform would generate more winners than losers among the poorest segments of the population. On average, across our sample of 10 countries, 70 percent of the population in the two poorest deciles stands to gain from a budget-neutral UBI reform; this proportion increases to 92 percent moving toward the richest decile. However, across deciles, people losing from a budget-neutral UBI reform would lose substantially more than the winners would stand to gain. When measured as a percentage of each country's average disposable income, the winners among the bottom deciles would gain about 1.7 percent, while 30 percent of the people would lose between 3.5 and 5.0 percent (figure O.4).

Not surprisingly, when a UBI replaces regressive measures, it makes poor households better off. This finding is intuitive: by being flat, a UBI would benefit those at the bottom of the distribution more than a regressive measure. The magnitude is demonstrated in the literature for energy subsidies in India (Coady and Prady 2018), and a simulated compensation for broadening regressive value-added (VAT) taxes in four African countries (Harris et al. 2018). A UBI would make virtually all households in the poorest 40 percent of the population better off (and would actually benefit most of those up to the 70th percentile). Such a regressive-to-flat shift could establish the basis for further sequential recalibration of the distribution, including toward progressivity: the Islamic Republic of Iran, for instance, first replaced energy subsidies with a UBI, and then used affluence tests for excluding those at the top, thus putting the program on a more progressive path.

The poverty effectiveness of a UBI can be enhanced by providing more generous transfers, but these can quickly become fiscally unsustainable, especially in low-income

**FIGURE O.4 Distributional Effects of a Budget-Neutral UBI Reform, Average across 10 Sampled Countries**



settings. In Nepal and Mozambique, providing every citizen with a transfer equal to the average distance of the poor from the poverty line would cost 7 and 20 percent of gross domestic product (GDP), respectively; though in middle-income countries, the cost of this scenario would never exceed 8 percent of GDP. If a UBI is given for an amount sufficient to eradicate poverty, it would cost much more—between 36 and 48 percent of GDP in low-income Haiti, Mozambique, and Nepal; and between 8 and 22 percent of GDP in the other countries.

Financing generous UBI transfers requires significant increases in taxation of the more affluent or complex public spending reforms (Ortiz et al. 2018). In most low- and middle-income countries, the richest deciles contribute overwhelmingly to overall tax revenues. Accordingly, differences in poverty impacts across taxation scenarios (direct versus indirect or lump sum) remain small overall, and the poverty impacts taking taxation into consideration are only slightly smaller than the gross poverty impacts without considering the financing side. This is good news for a UBI, but mobilizing the needed resources is a challenge. Financing a UBI with meaningful poverty impacts may require a complex mix of sources. Conversion of subsidies is an option in some contexts; but with some exceptions, subsidy reforms will not cover the cost of meaningful UBI transfers—on top of being a formidable political economy challenge. Revenues from natural resources are a more promising fiscal outlet, but these are often highly volatile. In a context not included in simulations such as Alaska, for example, the annual change in UBI dividends could be up to 110 percent. Taxing the rich to finance a UBI with meaningful impacts on poverty would also require levels that are politically prohibitive in most countries. In India, for instance, direct taxes on the top decile would need to rise from 2.2 percent to 68.4 percent; in Brazil, from 7.2 percent to 24.5 percent; in South Africa, from 19.9 percent to 40.3 percent; and in Chile, from 5.4 percent to 38.4 percent. The only case in which additional taxation has more moderate impacts is Russia, where the incidence would need to increase from 9.0 percent to 13.2 percent. Financing a UBI with indirect taxes would put a lower—but still significant—burden on the top deciles, but would also add a heavy burden on the middle classes that pay consumption taxes.

Employment-related incentives are another source of concern among policy makers. Recurrent concerns over the negative effects of a UBI on labor markets might be overstated. We review and frame global evidence on cash transfers and labor market outcomes. Clarifying this issue helps dispel misconceptions around work incentives, conditions of paid work and worker bargaining power, the valuation and distribution of unpaid work, and formal and informal employment. Because of the paucity of real-world experiences, we examine evidence from programs we consider informative, but that are not fully consistent with a UBI. While external validity for such considerations should be interpreted with caution, trends in evidence for large-scale programs are quite consistent and are likely to be relevant for a UBI should it be implemented. With regard to participation in paid work, fears are often exaggerated relative to existing evidence. Evaluations show that changes in livelihoods and labor market occupations occur, and that such changes per se should not be considered negative. In fact, labor market distortions remain relatively modest. And transfers may have positive effects on labor markets

when recipients use them to invest in family livelihoods or in their children's human capital.

Possible inflationary risks should not be dismissed a priori, nor should they be overly magnified. Very often, UBI supporters point out that cash would lead to increased competition among market actors, thus reducing prices (perhaps with only short-term price adjustments). In other words, it is posited that suppliers of goods and services will efficiently respond to the additional, cash-induced, effective demand. The available estimates on multipliers, which range from 0.80 to 2.52 for every dollar injected, provides some supportive evidence in that direction. However, the experience of countries such as Australia, Kuwait, Mexico, and the Philippines present contrasting effects. We argue that context matters, and that inflationary effects should be assessed within the framework of analytical parameters such as overall market competitiveness and conditions (e.g., a significant injection of cash in weakly integrated markets may cause inflation), the specific market for subproducts and services, program size, and probably intervention duration.

The political economy of UBI remains vastly underexplored. There are several crucial political economy threads in a UBI—for example, in support for current systems, in how to replace a portion of current programs, and in resource mobilization. All of these present a large number of stakeholders with differing interests and incentives. The pace of possible introduction also matters. For example, if countries choose to expand categorical transfers (e.g., universal child grants), these could provide an area to inform a number of UBI-type questions. In the medium term, these quasi-UBI programs may help in better understanding the effects of bounded universality (including its financing) and help build more inclusive delivery platforms—all the while unlocking the potential for higher coverage. The poverty effectiveness of categorical programs would depend on whether and how much age characteristics correlate with poverty, although they will be significantly more expensive than poverty-targeted programs. A gradual adoption of a UBI does not, however, eliminate core political economy challenges. For instance, piecemeal introduction may worsen path dependency challenges. Groups that are likely to gain from the first forms of a UBI may see its further expansion as a threat and block it. Experimentation trajectories are fraught with various risks. They often reflect a political bandwagon effect—that is, expressions of “cheap” support across the political spectrum with low actual commitment to subsequent larger-scale implementation.

The UBI's overall design features suggest that it may fit certain configurations of societal welfare attitudes and preferences more than others. In many cases, program design may reflect historical, philosophical, and moral norms around if and how individuals are expected to reciprocate public assistance. In some societies, for instance, the concept of work constitutes the primary lens through which the exchange of individual rights and responsibilities is interpreted—and that is reflected in the choice and design of social assistance interventions. The U.S. safety net, for instance, is overwhelmingly in kind, focused on families with children and on work (Hoynes and Rothstein 2019). At the opposite end of the income spectrum, Ethiopia places a strong emphasis on work as well, with its safety net anchored in public works. In other contexts, societal preferences

might differ—for example, work may share primacy with other values, such as family time or community care, which may lessen expectations of reciprocity via work. In Africa, studies have shown that the public acceptability of a universal program hinges on how well it aligns with prevailing notions of deservingness (Davis et al. 2016).

When operating at full scale, implementation of a UBI might be relatively simple and streamlined—but getting to that point is easier said than done. We identify core delivery elements and processes that serve a mainstream social assistance program, and illustrate how these elements and processes should be adapted to operationalize a UBI. We discuss pragmatic issues around eligibility, outreach, registration, payments, grievance redress, and other program-level mechanisms as well as overarching or foundational issues related to identification, interoperability, and data protection. When viewed through an implementation lens, a UBI is based on the same elements as those supporting the delivery of other social protection programs. A UBI may offer some simplifications that would enable extension of coverage (broader awareness of the program, reduced beneficiary transaction costs, and no complex tests for eligibility and targeting processes). But challenges in covering the poor go beyond targeting and encompass a range of practical bottlenecks across the delivery chain—which by itself, a UBI cannot overcome (Lindert, George, and Rodriguez-Caillava, forthcoming). Moreover, working at a universal scale entails challenges of its own. Very few, if any, low- and middle-income countries may be ready to have a UBI in its full version implemented in the short term. Countries that are the closest to the feasibility frontier are those that may need a UBI the least (assuming that coverage of the poor, which is already very high, is the primary goal of a UBI introduction).

So where would a UBI be more or less likely to be an appropriate option? Our analysis, based on both generation of new results and extensive review of the theoretical and operational literature, points to some stylized implications for different contexts. These could be summarized as follows:

- Where social assistance provides relatively adequate benefits, substantial coverage, and slight to marked progressivity, policy makers could consider tackling specific bottlenecks that hamper eligibility, access, coverage, or delivery within the existing system. If a UBI is to be considered, it may have to be motivated by objectives other than a poverty-related one (e.g., automation-driven job insecurity, social dividends, etc.).
- Where coverage is high, but not progressive, a UBI could be considered an option, although some vulnerable (age) groups may suffer from the shift.
- Where social assistance is limited but provided progressively, a UBI would extend coverage but also flatten the distribution. If budget neutral, this means “less money for more people,” and likely “less at the bottom.”
- Where social assistance is patchy and flat or regressive, a UBI could be an option to expand coverage if financed via progressive income taxation, elimination of energy subsidies, or redistribution of windfall revenues. Most low-income

countries may not display those financing features; but some middle-income, resource-rich countries may do so.

- For a typical low-income setting, a UBI could expand coverage, but is clearly financially daunting. Other factors, such as diversity in contexts at the sub-national level (e.g., remote areas with little connection to markets, etc.), may also suggest the need for design flexibility (e.g., a balance of in-kind and cash transfers, sensible ways to account for children, etc.), thus possibly making the rigid design of a UBI less palatable.

The book is structured around seven chapters.

- In **chapter 1**, Gentilini, Grosh, and Yemtsov clarify the definition of UBI, offer an overview of the design choices underpinning it, and discuss the corresponding evidence base. The discussion is then extended to key thematic areas that trigger interest in a UBI, including changes in labor markets, social protection reform, governance of natural resource wealth, and the rights agenda. Finally, the chapter reviews lessons stemming from practical experiences, including pilot trials and larger-scale schemes.
- In **chapter 2**, Gentilini and Grosh put UBI in perspective by comparing it to other social assistance interventions. A UBI is often confused with other measures such as a guaranteed minimum income and a negative income tax. In Italy, for instance, at the time of writing this report, the citizens income program is being presented as a UBI while actually being a slightly expanded form of a guaranteed minimum income. Similar considerations stem from the United States, Finland, and elsewhere. The chapter thus clarifies the analytical and practical differences between various options, including benefit and tax-based measures, and both wage- and nonwage-oriented schemes. The chapter compares and reviews benefit structures and succinctly identifies comparative advantages and limitations. It thereby provides thumbnail sketches of other program options against which a UBI could be selected.
- Following the analytical foundations laid out in the first two chapters, **chapter 3**, authored by Bastagli, examines one of the most contentious quandaries and concerns among policy makers: the interface between UBI and work. The chapter critically reviews and discusses the arguments and evidence on the links between UBI and four work-related outcomes: participation and hours in paid work; the conditions of paid work (e.g., whether a UBI would strengthen bargaining power); the recognition, valuation, and distribution of unpaid work (could a UBI be considered a way of remunerating unpaid work); and formal and informal employment.
- **Chapter 4** generates new analysis and insights from microsimulations. Rigolini, Lustig, Gentilini, Monsalve, and Quan provide evidence on the impacts,

costs, and distributional implications of the UBI based on simulations. They look at the poverty and inequality impact of social protection systems when income support programs are replaced with UBI schemes of various levels of generosity. They do so using household survey data for 10 low- and middle-income countries and provide a nuanced explanation of the factors shaping program performance. They study the spending and financing sides of UBI for six middle-income countries using taxation data from Tulane University's Commitment to Equity Data Center.

- The last three chapters (chapters 5, 6, and 7) examine real-world financial, political, and operational issues. Decisions about a UBI should be taken in conjunction with decisions about its financing. So in **chapter 5**, Ter-Minassian lays out alternative financing options for a UBI. The chapter provides practical considerations—a primer—to assess the fiscal space and revenue mobilization measures to finance different levels of a UBI.
- The political economy of the UBI is discussed in **chapter 6**. De Wispelaere and Yemtsov provide an overview of theories and experiences with political economy reforms around the idea of UBI, drawing from existing literature and initiatives that are receiving considerable public and analytical attention. The chapter specifically examines experiences and issues around political constituencies and coalitions that can affect whether and how a UBI might be a politically viable option.
- **Chapter 7** provides a framework for thinking about how to implement a UBI, including core requirements across a stylized delivery chain. This chapter, by Lowe, George, Grosh, and Gentilini, identifies a number of functions and activities that would serve a mainstream social assistance program, and illustrates how those processes should be adapted to operationalize a UBI in practice. The chapter discusses pragmatic issues around eligibility, outreach, registration, payments, grievance redress, and other programmatic mechanisms, as well as overarching and foundational issues related to identification, interoperability, and data protection.

The chapters are complemented by five appendixes. These are an inventory of existing or past UBI program design features (appendix A), a structured compilation of UBI-related proposals (appendix B), a granular mapping of impacts from design choices related to conditionality (appendix C), a technical discussion of the data and methodology for the microsimulations in chapter 4 (appendix D), and an annotated bibliography (appendix E) dovetailing with the chapter-specific references.

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Universal basic income (UBI) is emerging as one of the most hotly debated issues in development and social protection policy. But what are the features of UBI? What is it meant to achieve? How do we know, and what don't we know, about its performance? What does it take to implement it in practice? Drawing from global evidence, literature, and survey data, this volume provides a framework to elucidate issues and trade-offs in UBI with a view to help inform choices around its appropriateness and feasibility in different contexts. Specifically, the book examines how UBI differs from or complements other social assistance programs in terms of objectives, coverage, incidence, adequacy, incentives, effects on poverty and inequality, financing, political economy, and implementation. It also reviews past and current country experiences, surveys the full range of existing policy proposals, provides original results from micro-tax benefit simulations, and sets out a range of considerations around the analytics and practice of UBI.



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