

Untangling Economic Threads through an In-depth Analysis of Universal Basic Income's Influence on Socio-economic Dynamics

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Abstract: Universal Basic Income feasibility and ramifications are examined in this research paper (UBI). UBI's tremendous impact on poverty alleviation, economic stability, human capital investment, health and well-being, entrepreneurship, and social cohesion is examined in its pros and disadvantages. This study analyses literature and case studies to teach policymakers and stakeholders about UBI's potential benefits and drawbacks as a policy tool for tackling social and economic issues. Universal basic income (UBI) might have major effects on GDP, employment, and earnings, especially in the medium to long term. This study supplements existing research by comparing the long-term economic, budgetary, and fiscal effects of alternative policies and historical factors. Welfare improvement is the main goal. This study examines the UBI scenario with other policy options to assess UBI's transformative potential. Policymakers seeking durable solutions to social issues must understand its effects on GDP growth, employment, and individual wages. This comparative research helps policymakers assess UBI's ability to achieve larger social goals and its effects on economic stability and fiscal sustainability.

Keywords: Universal Basic Income (UBI); Poverty Alleviation; Economic Stability; Human Capital Investment; Health and well-being; Social Cohesion; Funding Constraints; Political Opposition; Administrative Complexity; Economic Disruption; Social Acceptance.

Cite as: D. Philip, F. Singh, and S. Singh "Untangling Economic Threads through an In-depth Analysis of Universal Basic Income's Influence on Socio-economic Dynamics," *AVE Trends In Intelligent Social Letters*, vol. 1, no. 1, pp. 50 –60, 2024.

Journal Homepage: <https://avepubs.com/user/journals/details/ATISL>

Received on: 03/08/2023, **Revised on:** 29/09/2023, **Accepted on:** 11/11/2023, **Published on:** 07/03/2024

1. Introduction

Universal Basic Income (UBI) has emerged as a prominent and path-breaking policy proposal in response to economic inequalities and social challenges in recent years. Key Proponents and policy specialists argue that UBI holds the potential to address poverty, reduce inequality, and promote economic security by providing all citizens with a regular, unconditional cash transfer in every part of the world. However, implementing UBI raises complex questions about its impact on socio-economic dynamics, including labour markets, income distribution, policy structures, and overall economic welfare. This study seeks to provide a comprehensive analysis of UBI's influence on socio-economic dynamics, aiming to bring out the intricate

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relationships between UBI policies and various economic and social outcomes across the economies. Through a rigorous examination of existing literature, theoretical frameworks, empirical evidence, and cross-cutting pieces of evidence derived so far, this research aims to shed light on the opportunities and challenges associated with UBI implementation. By untangling the economic threads woven into the fabric of UBI policies, this study contributes to a deeper understanding of the potential implications of UBI on socio-economic dynamics, offering valuable insights for policymakers, practitioners, and scholars alike.

1.1. Background and Context of Universal Basic Income (UBI)

Universal Basic Income (UBI) is a concept that provides all citizens with a regular, unconditional cash transfer or an income regardless of their employment status or income level. The concept has gained momentum as a potential solution to various social and economic problems that create challenges, including poverty, inequality, and technological unemployment. Proponents of this case argue that UBI can offer a safety net for individuals, ensure economic security, and streamline social welfare systems. However, the implementation of UBI varies across different contexts, with debates surrounding funding mechanisms, distribution methods, and potential effects on labour markets and government budgets. Understanding the historical development, its theoretical foundations, and practical applications of UBI is essential for evaluating its potential impact on socio-economic dynamics.

One can spot the origin in modern times since 1900, with the concept of a basic income guarantee (BIG) experiencing three distinct waves of support, each getting larger and stronger each time than the previous one. The first, from 1910 to 1940, was followed by a down period in the 1940s and 1950s. A second and larger wave of support happened in the 1960s and 1970s, followed by another lull in most countries through about 2010. The third and the most international, also by far the largest wave of support, began to take off in the early 2010s, and it has increased every year since then. Even in prehistoric times, among nomads, the land was considered common to all, and so were food civilizations like Greece, particularly in Athens, which used revenue from a city-owned mine to support a small cash income for its citizens.

1.2. Rationale for Studying the Economic Implications of UBI

During the first wave, Bertrand Russell and Virginia Woolf wrote extensively. In 1918, Dennis and E. Mabel Milner started the short-lived State Bonus League, and several noted economists such as James Meade, Juliet Rhys-Williams, Abba P Lerner, Oskar Lange, G. D. H. Cole, Major C. H. Douglas were some of the pioneers.

The second wave of the UBI movement took off in the early to mid-1960s, with feminists prominently in the US and Canada, welfare rights activists, including Martin Luther King Jr., etc, being the pioneers. It gained extensive participation. Noted economists such as James Tobin, James Meade, Herbert Simon, James Buchanan, and Milton Friedman supported the move. Governments in the UK, France (A high-level government report in France), and Netherlands (Politieke Partij Radicalen-first party to suggest), to name a few, were also part of this massive move at the policy level that supported UBI in one way or another. EITC, the Child Tax Credit, and food stamps are some of the policy initiatives in the USA.

The third wave started in 2010 as an answer to the financial meltdown of 2008, the Great Recession, and the Arab Spring, among others. Nations such as Germany, Greece, Switzerland, Austria, etc., started the movement strongly. In the past, it gained wide media attention and popularity. Countries such as India also offered measures to support the stricken citizens.

The economic implications of Universal Basic Income (UBI) are of significant interest due to its potential transformative effects on various aspects of society. By providing individuals with a guaranteed income level, UBI has the potential to venture into and alter consumption patterns, labour market dynamics, income distribution, and overall economic welfare. However, implementing UBI also raises important questions about its affordability, effectiveness, and unintended consequences in the economy. Studying the economic implications of UBI allows policymakers, researchers, and practitioners to assess its feasibility, identify potential risks and benefits, and design evidence-based policies that address societal challenges effectively. Moreover, understanding the economic ramifications of UBI is crucial for informing public discourse, shaping policy debates, and advancing our understanding of alternative approaches to social welfare.

2. Objectives of the Research

The objectives of this research are

- Analyze Universal Basic Income's theoretical foundations and historical evolution (UBI).
- To examine the economic rationale behind implementing UBI policies and their potential impact on current socio-economic dynamics.

- To assess the empirical evidence regarding the economic implications of UBI, including its effects on labour markets, income distribution, poverty alleviation, and also the impact on economic growth.
- To identify key challenges, opportunities, and trade-offs associated with implementing UBI in various nations in different contexts.
- To provide insights and recommendations for policymakers, practitioners, and researchers on designing and implementing UBI policies that maximize socio-economic benefits while minimizing potential risks.

2.1. Analyzing the theoretical foundations of Universal Basic Income (UBI)

Analyzing the theoretical foundations of Universal Basic Income (UBI) involves understanding its grounds in principles of social justice and fostering gender equality, which asserts that every individual has a right to a minimum standard of living. UBI aims to empower individuals by providing them with a guaranteed income, fostering greater freedom and autonomy. From an economic standpoint, UBI is seen as a more efficient and simplified approach to welfare, potentially leading to cost savings and improved resource allocation. Additionally, UBI addresses concerns about the impact of technological automation on the labour market by providing a safety net for those displaced by technological advancements. By examining these theoretical underpinnings, researchers and policymakers can better evaluate the potential benefits and challenges of implementing UBI in society.

It can re-engineer the present socio-economic dynamics through the interplay between social and economic factors within a given society, encompassing various aspects such as income distribution, employment patterns, wealth accumulation, social mobility, and access to essential services. This conceptualization recognizes that economic processes are intertwined with social structures and cultural norms, influencing individuals and their opportunities, behaviours, and well-being. Socio-economic dynamics are shaped by a complex web of factors, including government policies, technological advancements, market forces, institutional arrangements, and societal values. Understanding socio-economic dynamics requires analyzing the dynamic interactions between these factors and their implications for individuals, communities, and societies.

2.2. Theoretical Underpinnings of UBI and Its Expected Impacts on Socio-economic Factors

The theoretical underpinnings of Universal Basic Income (UBI) draw from various economic and social theories, including welfare economics, labour economics, social justice theories, and behavioural economics. Pareto Efficiency, Rawlsian Theory, Labour Market Equilibrium, Loss Aversion, Human Capital Theory, etc., are some of the major theoretical aspects in this regard.

Proponents of UBI argue that providing individuals with a guaranteed income floor can address poverty, reduce inequality, promote economic security, and enhance individual freedom and autonomy. Different theoretical perspectives influence the expected impacts of UBI on socio-economic factors. For instance, neoclassical economics may emphasize the potential efficiency gains and labour market effects that UBI may create, while Keynesian economics may focus on demand-side stimulus effects. Sociological theories highlight UBI's potential to challenge existing power structures and social norms, while ethical theories may underscore its moral imperative to ensure basic human dignity and well-being.

2.3. Concepts Involved

Building upon the conceptualization of socio-economic dynamics and the theoretical underpinnings of UBI, a conceptual model is developed to guide the analysis of UBI's impact on various socio-economic factors. This model identifies key variables, relationships, and mechanisms through which UBI policies may influence socio-economic outcomes. It considers both the direct and indirect effects of UBI and potential moderators and mediators that shape its impact. The conceptual model incorporates dimensions such as income distribution, labour market participation, social cohesion, human capital formation, poverty alleviation, and economic growth. The conceptual model provides a framework for organizing empirical evidence, generating hypotheses, and interpreting research findings by delineating the pathways through which UBI operates and the contextual factors that condition its effects.

3. Literature Review

Universal Basic Income (UBI) has garnered significant attention as a potential solution to socio-economic disparities, offering a unique lens through which one can explore economic structures and poverty alleviation. This literature review aims to find the intricate relationship between UBI and socio-economic dynamics, shedding light on its implications for employment, poverty reduction, and societal well-being.

UBI's roots extend deeply into historical and philosophical ideologies, from Thomas Paine's advocacy for a citizen's dividend to 20th-century experiments such as the Mincome project in Canada. These historical antecedents serve as valuable touchstones for evaluating the feasibility and efficacy of contemporary UBI proposals. Early proposals for a basic income guarantee were first presented over two centuries ago, even though the idea had existed before. It strengthened and gained greater attention in the political debate during the 1960s. Many different proposals were produced over the years, supported by advocates of the welfare state, such as Atkinson [1], as well as numerous free-market and libertarian economists, including Kuldeep [6].

The economic discourse surrounding UBI is multifaceted, with proponents highlighting its potential to stimulate consumer spending, foster entrepreneurship, and address income inequality. At the same time, critics voice concerns about affordability, inflationary pressures, and potential work disincentives. Empirical studies, including analyses of pilot programs and simulations, offer nuanced insights into UBI's impact on labour markets and productivity.

In modern times, UBI intersects with various societal dynamics, such as health outcomes, educational attainment, and social cohesion. Research indicates that UBI can enhance mental well-being by providing financial security and alleviating stress associated with employment. Furthermore, UBI has the potential to advance gender equality by recognizing and redistributing unpaid care work, such as that of a housewife, fostering human capital formation. Understanding these broader socio-cultural implications is vital for assessing UBI's role in fostering inclusive and equitable societies.

As governments worldwide consider UBI a policy intervention, careful attention must be paid to its design, financing, and implementation. Evidence-based policymaking, informed by rigorous evaluations of UBI experiments, is crucial as it is in the budding stage. Moreover, interdisciplinary collaborations can enhance our understanding of UBI's complex societal impacts and maximize its potential benefits. Future research may explore alternative funding mechanisms, assess long-term sustainability, and investigate UBI's connection with existing social welfare programs.

3.1. Labor Market Effects

Empirical studies and simulations offer insights into how UBI policies may affect labour supply and demand. While some research suggests that UBI could reduce work hours as individuals opt for leisure or pursue non-market activities [2], other studies indicate that the impact on overall employment levels may be modest [4]. Moreover, UBI could address precarious employment issues by providing a financial safety net, leading to greater bargaining power for workers and improved working conditions [9].

3.2. Outcome on Health

Drawing the results from studies conducted in Finland, Stockton (California), and Hudson (New York), the analysis evaluates the impact of providing individuals with a basic income on various health indicators and labour market participation. The results indicate that recipients of UBI experience improved health outcomes, including higher life satisfaction and reduced stress, depression, sadness, and loneliness. Furthermore, UBI contributes to increased full-time employment rates by allowing individuals to seek better job opportunities and pursue higher-quality work. These findings challenge conventional arguments suggesting that UBI may undermine work incentives.

The findings from these studies highlight the multifaceted benefits of UBI, particularly in improving health outcomes and enhancing employment prospects. UBI alleviates financial stressors by providing individuals with a basic income floor, enabling recipients to lead healthier and more fulfilling lives. Moreover, above all, UBI fosters labour market flexibility, empowering individuals to pursue meaningful employment opportunities without the constraints of economic insecurity. However, further research is warranted to assess the long-term sustainability and broader societal implications of UBI implementation.

3.3. Wages and Income Distribution

UBI's impact on wages and income distribution is an area of interest. Some economists argue that UBI could lead to upward pressure on wages in low-wage sectors as individuals have the financial security to negotiate better terms of employment [10]. However, concerns have been raised about the potential inflationary effects of UBI if it leads to increased consumer demand without a corresponding increase in productivity [7]. Additionally, the redistributive nature of UBI may contribute to reducing income inequality by providing a baseline income for all individuals, regardless of their employment status [1].

3.4. Policy Considerations

In designing UBI policies, policymakers must consider various factors, including funding mechanisms, affordability, and the potential trade-offs between labour market flexibility and social protection. Pilot programs and experiments can offer valuable insights into the real-world effects of UBI on labour markets, informing evidence-based policy decisions [3]. Moreover, complementary policies, such as investments in education, training, and job creation, may be necessary to maximize the benefits of UBI while addressing any unintended consequences on labour market dynamics.

3.5. Economic Rationale Behind UBI Policies and Their Impact on Socio-economic Dynamics

The economic rationale behind implementing Universal Basic Income (UBI) policies stems from several key factors. First, UBI can serve as a mechanism to address poverty and income inequality by providing a guaranteed income floor to all individuals, regardless of their employment status. This can help alleviate financial hardship and improve well-being, leading to more stable and resilient societies [6]. Second, UBI has the potential to streamline welfare systems, reducing administrative costs and bureaucracy associated with means-tested benefits. By providing a universal and unconditional income supplement, UBI can simplify social assistance programs and ensure that resources reach those in need more efficiently. Third, UBI can stimulate economic growth and innovation by providing individuals with the financial security to pursue entrepreneurial ventures, invest in education or training, and take risks they might otherwise avoid due to financial constraints [8]. However, implementing UBI policies can also have significant implications for socio-economic dynamics. For example, critics argue that UBI may reduce workforce participation and productivity if individuals opt out of employment in favour of leisure or non-market activities. Additionally, there are concerns about the potential inflationary effects of UBI if it leads to increased consumer demand without a corresponding increase in productivity [7]. Therefore, while UBI holds promise to promote economic security and social justice, policymakers must carefully consider its potential impact on labour markets, income distribution, and overall economic stability.

4. Methodology

The research employs a mixed-methods approach, combining quantitative analysis with qualitative insights. Surveys and interviews will gather data on UBI perceptions and socio-economic dynamics. Case studies will examine real-world UBI implementations. The analysis will include statistical methods, econometric modelling, and thematic analysis for comprehensive understanding.

4.1. Data and Result

The economic model developed for studying UBI encompasses heterogeneous agents making decisions on consumption, labour market participation, and human capital investment. Individuals choose between the formal and informal sectors, with the former offering higher earnings but subject to labour income taxes and entry costs. UBI is a redistributive policy financed through taxation, impacting consumption patterns, labour supply decisions, and savings behaviour. The model considers general equilibrium effects, exploring how UBI influences overall economic outcomes such as GDP, employment, inequality, and welfare. Sensitivity analysis is conducted to assess the robustness of results to changes in key parameters, providing policymakers with insights into the trade-offs associated with implementing UBI and its long-term implications for economic well-being:

$$Y_i = \beta_0 + \beta_1 UBI_i + \beta_2 X_i + \epsilon_i$$

where:

- β_0 is the intercept term representing the base income level for individuals not receiving UBI.
- β_1 captures the effect of UBI receipt on income. A positive coefficient indicates that UBI increases income, while a negative coefficient suggests a decrease.
- β_2 represents the coefficients of the vector of individual characteristics, capturing their respective impacts on income.
- ϵ_i is the error term, representing unobservable factors influencing income not captured by the model.

Table 1: Various programs

Area of Support	Explanation
Poverty Alleviation Programmes in various capacities	UBI serves as a direct cash transfer to individuals, providing a reliable income floor that helps lift people out of poverty and reduce income inequality.
Creation of Economic Stability in Nations	UBI provides a cushion against economic shocks by ensuring individuals have a basic income level to meet their essential needs during periods of instability and downturn.
Provides Human Capital Investment	By alleviating financial constraints, UBI enables individuals to invest in education, training, and skill development, fostering human capital accumulation and development.

Provision of Health and Well-being	UBI reduces stress and anxiety associated with financial insecurity, leading to improved mental health outcomes and overall well-being among recipients.
Fostering Entrepreneurship	With a guaranteed income for all, individuals will have the financial security to pursue entrepreneurial ventures, fostering innovation and economic dynamism in society.
Achieving Social Cohesion	UBI promotes social cohesion by reducing economic disparities, fostering a sense of inclusivity and solidarity within communities, and solving social tensions.

Universal Basic Income (UBI), in concept, offers multifaceted support across various dimensions of society. Firstly, it serves as a powerful tool for poverty alleviation, providing a reliable income floor that helps uplift individuals and families out of poverty while reducing income inequality in a wider manner. Moreover, UBI contributes to economic stability by offering a buffer against economic shocks as a right, ensuring individuals have the means to meet their basic needs during periods of uncertainty. Additionally, UBI facilitates human capital investment and formation by alleviating financial constraints, enabling individuals to pursue education, training, and skill development, thereby enhancing their long-term earning potential. Furthermore, UBI has positive implications for health and well-being, as it reduces stress and anxiety associated with financial insecurity, leading to improved mental health outcomes among recipients at large.

Moreover, UBI fosters entrepreneurship by providing individuals with the financial security to pursue innovative ventures, contributing to economic dynamism and growth. Lastly, UBI promotes social cohesion by reducing economic disparities, fostering a sense of inclusivity and solidarity within the communities, and mitigating social tensions arising from inequality. UBI offers comprehensive support across various societal domains, making it a potentially transformative policy tool for addressing key social and economic challenges (Table 1).

4.2. The grounds that support Universal Basic Income (UBI) are multifaceted and include the following aspects

Poverty Alleviation: UBI provides a guaranteed income level, lifting individuals from poverty and reducing income inequality. UBI addresses the fundamental issue of economic insecurity by ensuring that everyone has access to a basic income level.

Economic Security: UBI enhances economic security by providing a stable source of income, regardless of employment status or market fluctuations. This stability enables young and old individuals to better plan for the future, invest in education or training, and pursue entrepreneurial ventures without fear of financial instability.

Social Justice: UBI promotes social justice by ensuring that all members of society have equal access to basic resources and opportunities. It recognizes every individual's inherent dignity and worth, irrespective of their socio-economic status, and seeks to mitigate the systemic inequalities in traditional welfare systems.

Simplification of Welfare Systems: UBI streamlines welfare administration by replacing complex means-tested programs with a universal and unconditional cash transfer. This simplification reduces bureaucracy, administrative costs, and stigma associated with welfare benefits, leading to a more efficient and equitable distribution of resources.

Technological Unemployment: UBI addresses the potential displacement of jobs due to automation and technological advancements. As machines increasingly perform tasks traditionally done by humans, UBI provides a safety net for individuals whose livelihoods are affected, enabling them to transition to new industries or pursue creative endeavours.

Stimulus for Economic Growth: UBI stimulates economic activity by increasing consumer spending, particularly among low-income households, which are more likely to spend additional income on essential goods and services. This increased demand generates multiplier effects, boosting aggregate demand and fostering economic growth (Table 2).

Table 2: Explaining the problems and causes

Problems	Causes
Funding Constraints	One of the primary barriers to UBI implementation is the challenge of securing adequate funding. Providing a universal cash transfer to all citizens requires substantial financial resources, and identifying sustainable funding sources without imposing excessive tax burdens or diverting funds from essential public services can be difficult.

Problems	Causes
Political Opposition	UBI may face opposition from political actors who ideologically oppose welfare programs or perceive UBI as undermining traditional notions of work and self-reliance. Policymakers may hesitate to support UBI due to concerns about its affordability, potential disincentive effects on labour supply, or its impact on existing social safety nets.
Administrative Complexity	Implementing UBI requires robust administrative infrastructure to accurately identify eligible recipients, distribute payments efficiently, and prevent fraud or abuse. Establishing such systems can be complex and costly, particularly in countries with limited bureaucratic capacity or inadequate technology and data infrastructure.
Economic Disruption	UBI has the potential to disrupt existing labour markets and economic structures. Critics argue that providing unconditional income support may disincentivize work, reduce labour market participation, and lead to inefficiencies in resource allocation. Adapting to these changes and mitigating negative economic impacts requires careful planning and policy coordination.
Social Acceptance	UBI may face resistance from segments of society who perceive it as unfair or undeserving, particularly if it is perceived to benefit certain groups at the expense of others. Overcoming social stigma and building broad public support for UBI requires effective communication, public education, and addressing misconceptions about its purpose and potential benefits.

Implementing Universal Basic Income (UBI) faces several barriers hindering its adoption and effectiveness. Firstly, funding constraints pose a significant challenge, as providing a universal cash transfer requires substantial financial resources that may be difficult to secure without imposing excessive tax burdens or diverting funds from essential public services. Moreover, political opposition from ideological opponents or policymakers concerned about UBI's affordability and potential disincentive effects on labour supply can impede its implementation. Administrative complexity is another barrier, as establishing robust systems for identifying eligible recipients and distributing payments efficiently requires significant administrative capacity and technological infrastructure. Additionally, UBI may disrupt existing economic structures and face resistance from segments of society who perceive it as unfair or undeserving, necessitating careful planning, policy coordination, and efforts to build broad social acceptance and support for UBI as a viable policy solution. Overcoming these barriers is essential for realizing the potential benefits of UBI and ensuring its successful implementation in practice.

4.3. The need for UBI arises from various socio-economic challenges, including

Rising Income Inequality: Income inequality has been on the rise globally, with a significant portion of wealth concentrated in the hands of a few. UBI addresses this imbalance by redistributing wealth and ensuring a more equitable distribution of resources (Figure 1).

Fragmentation of Welfare Systems: Traditional welfare systems are often fragmented, complex, and inefficient, leading to gaps in coverage and inadequate support for those in need. UBI offers a comprehensive and inclusive approach to social welfare, providing a universal safety net that is accessible to all.

Inadequate Social Protection: Many individuals lack social protection, especially in the face of unforeseen circumstances such as job loss, illness, or disability. UBI provides a reliable source of income that can cushion against such shocks and prevent individuals from falling into poverty.

Changing Nature of Work: Work is evolving rapidly, with the rise of gig economy jobs, part-time work, and precarious employment arrangements. UBI adapts to these changes by decoupling income from traditional forms of employment and ensuring financial stability in an increasingly uncertain labour market.

Poverty Traps: Means-tested welfare programs often create poverty traps, where individuals face disincentives to work or earn additional income due to benefit reductions. UBI eliminates these disincentives by providing a universal and unconditional income guarantee, empowering individuals to pursue work opportunities without fear of losing benefits (Tables 3 and 4).

Table 3: Various programs, sources, and nations across the globe

Country	Program	Funding Source	Amount
Iran	Nationwide Cash Transfer Program	Subsidy Compensation	IRR 550,000 per household (approximately \$20 in 2019)
Alaska	Alaska Permanent Fund	State's Oil Production Revenues	Typically ranges from \$1,000 to \$3,284 (in 2022) per citizen
USA	Alaska Permanent Fund	Oil and Gas Revenues	Typically between \$1,000 to \$2,000 per citizen
USA	North Carolina Program	Government Funding	\$4,000 to \$6,000 per year per member
Canada	Mincome Pilot Program	Government Funding	16,000 CAD per family
Canada	Ontario Pilot Program	Government Funding	Single participants: 16,989 CAD, Married participants: 24,027 CAD
Brazil	Bolsa Familia	Government Funding	Varies depending on conditions
Brazil	Quatinga Velho Trial	N/A	30 reals (\$8) per month per participant
Brazil	Renda Básica de Cidadania	Oil Royalties	130 reals (\$35) per month per participant
Finland	Basic Income Trial Program	Government Funding	560 euros per month per participant
Namibia	Otjivero-Omitara Pilot Program	Donor Funding	100 Namibian dollars (\$6.75) per month per resident
India	Madhya Pradesh Pilot Program	Unicef Funding, MGNREGS, Kudumbashree, Projets in Kerala Shakti scheme, YuvaNidhi Project	Initially, 200 rupees were for adults, 100 rupees for children, and later, they increased to 300 rupees for adults and 150 rupees for children.
Kenya	GiveDirectly	Private Donor Funding	Varies depending on the recipients
Uganda	Eight Pilot Programs	International Aid	Varies depending on the program
Spain	Basic Income Pilot in Catalonia	Regional Government Funding	Varies depending on the program
Netherlands	Utrecht Basic Income Experiment	Municipal Government Funding	Varies depending on the program
Scotland	Universal Basic Income Pilot	Government Funding	Varies depending on the program
South Korea	Gyeonggi Province UBI Experiment	Provincial Government Funding	Varies depending on the program
Japan	Basic Income Pilot in Gyeonggi	Government Funding	Varies depending on the program

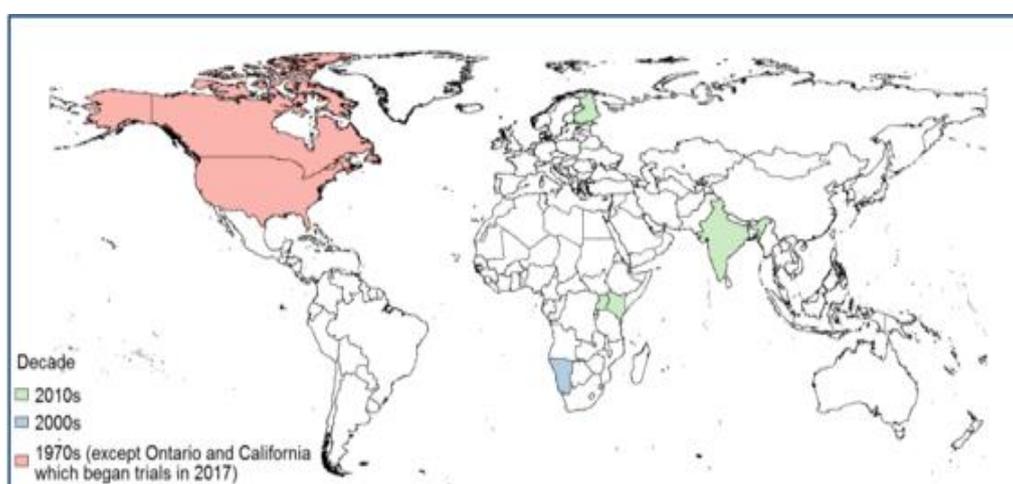


Figure 1: Countries That Have Implemented Or Designed UBI Pilot Schemes [12]

Table 4: Impact of Universal Basic Income (UBI) on labour supply, consumption, and wages

Indicator	Impact of UBI	Explanation
Labor Supply	Potential decrease in labour force participation	UBI may provide individuals with an alternative source of income, leading some to reduce their participation in the labour market, especially if the UBI amount is substantial.
	Potential increase in labour force participation	Alternatively, UBI could incentivize individuals to pursue additional education, training, or entrepreneurial ventures, leading to increased labour force participation.
Consumption	Potential increase in overall consumption	UBI provides individuals with additional income, which may lead to increased spending on goods and services, especially among lower-income households with higher marginal propensities to consume.
Wages	Potential impact on wage levels	UBI may affect the bargaining power of workers and employers. A decrease in labour supply due to UBI could lead to upward pressure on wages, while increased consumption may stimulate demand for labour, potentially driving up wages.

Labor Supply

- UBI may influence labour supply decisions. Some individuals may work fewer hours or exit the labour force altogether if they receive a guaranteed income from UBI. This could lead to a decrease in overall labour force participation rates.
- On the other hand, UBI could incentivize individuals to engage in activities such as education, training, or entrepreneurship, leading to increased labour force participation as they invest in skills and pursue opportunities previously hindered by financial constraints.

Consumption

- UBI provides individuals with additional disposable income, which can lead to increased consumption of goods and services. This effect may be particularly pronounced among lower-income households, who are more likely to spend a higher proportion of their income on consumption.
- Increased consumption can positively affect economic growth, as higher demand for goods and services stimulates production and investment, leading to potential economic multiplier effects.

Wages

- The impact of UBI on wages is complex and depends on various factors such as labour market conditions, bargaining power, and productivity.
- A decrease in labour supply resulting from UBI could lead to upward pressure on wages as employers compete for a smaller pool of available workers.
- Additionally, increased consumption resulting from UBI may stimulate demand for goods and services, leading to increased demand for labour and potentially driving up wages in certain sectors.

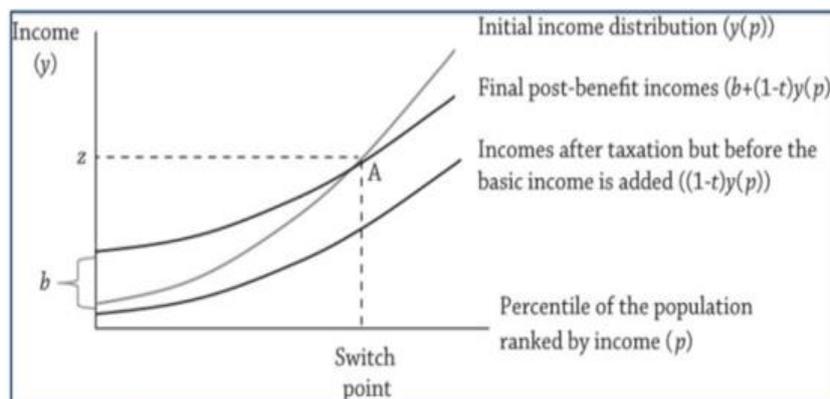


Figure 2: A Basic Income Financed By Operational Income Tax [11]

A basic income is generally advocated to help reduce income inequality, as UBI proposals are typically financed through a progressive income tax or by cutting subsidies favouring the nonpoor. Figure 2 presents the case of a basic income transfer, which is given to everyone and financed by a proportional tax at the rate of all incomes. Another mechanism through which UBI could decrease inequality is by reinforcing the bargaining position of poor workers. With UBI, workers could refuse to accept degrading or unhealthy working conditions and low wages. This would, in turn, force employers to improve working conditions and make jobs more attractive.

4.4. Challenges, Opportunities, and Trade-offs Associated with UBI Implementation

Implementing UBI policies presents challenges, opportunities, and trade-offs that policymakers must carefully navigate. One of the primary challenges we are facing is related to funding UBI programs, which should be done sustainably and equitably. Financing UBI requires significant financial resources, which may necessitate tax reforms, budget reallocations, or alternative revenue sources such as wealth taxes or carbon taxes, which may severely impact the whole. Moreover, there are trade-offs between the level of the UBI benefit and other social spending priorities in areas such as healthcare, education, or infrastructure investment. Policymakers must balance the desire to provide adequate support through UBI with maintaining funding for essential public services [8].

Additionally, UBI implementation may face political resistance from vested interests or ideological opposition to redistribution and social welfare programs. Overcoming these obstacles requires effective communication, coalition-building, and public engagement to garner support for UBI policies. However, despite these challenges, UBI also presents significant opportunities for addressing pressing social and economic issues, such as poverty, inequality, and precarious employment. UBI can promote economic security, social inclusion, and individual freedom by providing individuals with a basic income floor and fostering more equitable and resilient societies [5]. Moreover, UBI has the potential to stimulate economic growth and innovation by providing individuals with the financial resources and induce stability to invest in their education, skills, and entrepreneurial ventures. Therefore, while implementing UBI policies may pose various challenges and trade-offs, the potential benefits for socio-economic development are varied, and well-being justifies further exploration and experimentation with UBI as a policy tool.

4.5. Insights and Recommendations for Policymakers, Practitioners, and Researchers

Based on the analysis presented above, several insights and recommendations emerge for policymakers, practitioners, and researchers involved in the design and implementation of UBI policies. First, policymakers should conduct comprehensive feasibility studies and cost-benefit analyses to assess the potential impact of UBI on labour markets, income distribution, and overall economic stability. This requires collaboration between government agencies, academic experts, and civil society organizations to gather relevant data, model different scenarios, and evaluate policy options. Second, policymakers should engage in stakeholder consultation and public dialogue to build support for UBI policies and address concerns or misconceptions about their implementation. This involves transparent communication, community engagement, and participatory decision-making processes to ensure that UBI policies reflect the needs and preferences of diverse stakeholders. Third, practitioners involved in UBI implementation should prioritize equity, inclusivity, and social justice in program design and delivery. This includes targeting UBI benefits to those in need, providing additional support for vulnerable populations, and addressing structural barriers to economic opportunity and mobility [8]. Finally, researchers should continue to conduct rigorous evaluations of UBI pilot programs and experiments to generate empirical evidence on their effectiveness, impact, and scalability. This requires interdisciplinary collaboration, methodological innovation, and longitudinal studies to assess the long-term outcomes and sustainability of UBI policies. By following these insights and recommendations, policymakers, practitioners, and researchers can contribute to developing UBI policies that maximize their socio-economic benefits while minimizing potential risks, ultimately advancing the goal of building more equitable, inclusive, and resilient societies.

5. Conclusion

Universal Basic Income (UBI), a cash transfer given unconditionally to all individuals at regular intervals, has received wide attention recently as a potential anti-poverty policy in many developing countries. Though spread across nations in different forms of poverty alleviation programs at large, income guarantee schemes, etc, these economies always face unique financial challenges in implementing UBI, distinct from those in the developed world. In particular, the sizable informal sector in LDCs and developing countries diminishes their tax capacity, casting doubt on the feasibility of financing such schemes. In conclusion, the relationship between UBI and labour markets is complex and multifaceted. While UBI has the potential to reshape employment patterns, wages, and income distribution, its implementation requires careful consideration of economic incentives, social objectives, and policy trade-offs. By conducting rigorous analyses and pilot programs, policymakers can better understand the implications of UBI on labour markets and design policies that promote economic security and dynamism.

Acknowledgement: We would like to extend our sincere thanks and gratitude to our family for their incredible support.

Data Availability Statement: All data sets used are available and are openly accessible.

Funding Statement: The study is self-funded and pursued under personal interest.

Conflicts of Interest Statement: No conflicts of interest exist, according to the authors, with the publishing of this article.

Ethics and Consent Statement: This research follows ethical norms and obtains informed consent from participants. Confidentiality safeguards protected privacy.

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