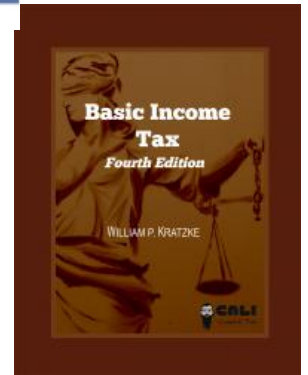
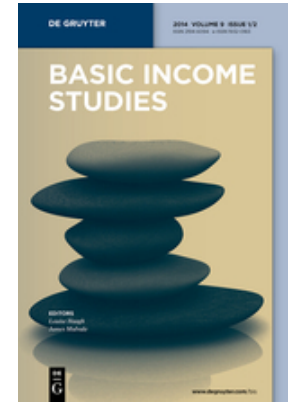
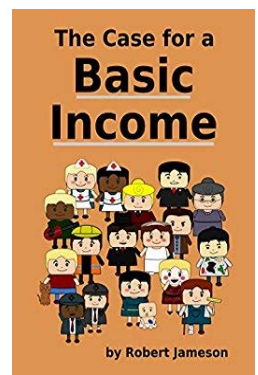
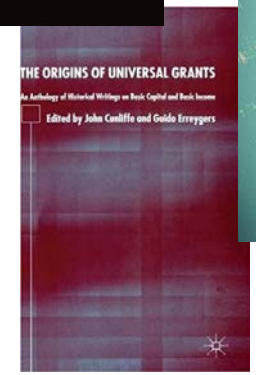
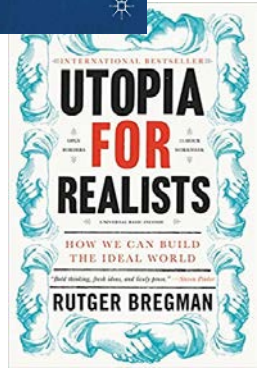
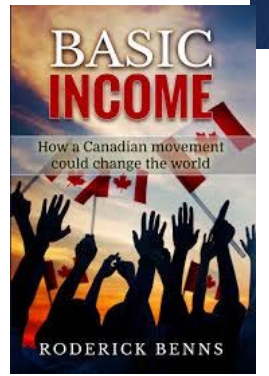
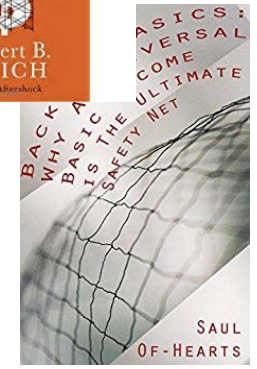
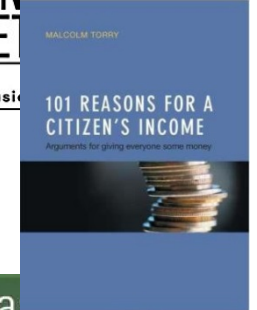
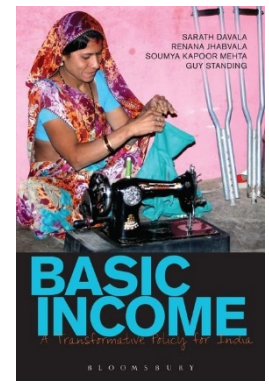
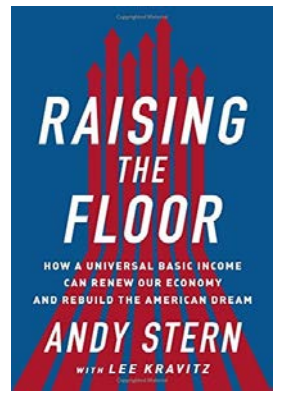
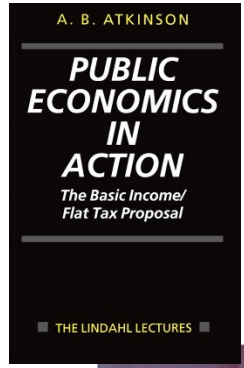
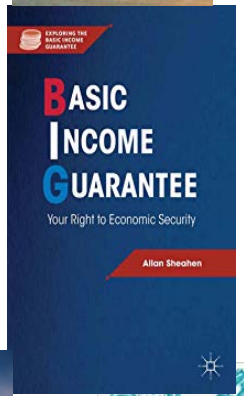
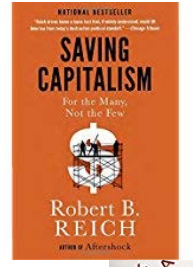
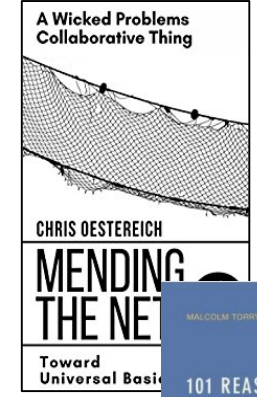
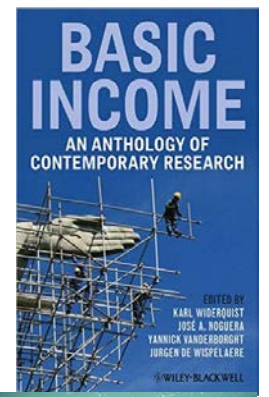
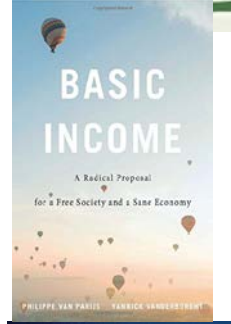
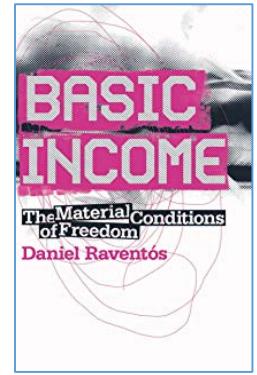
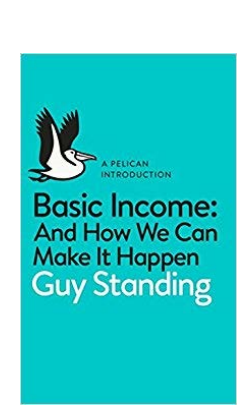
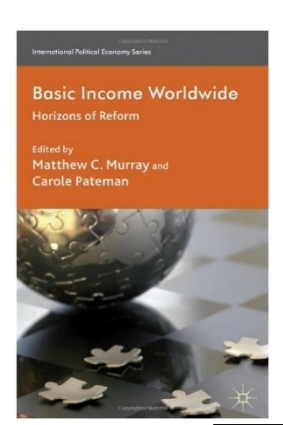
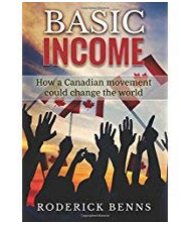
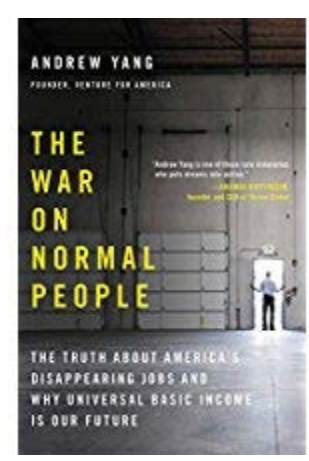
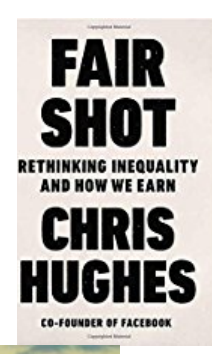
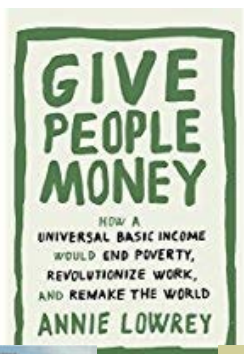


Scientific conference “Basic Income as a Prologue to Social Policy of the 21st Century”, National Research University Higher School of Economics

Upcoming Study by the World Bank on Feasibility of Universal Basic Income: Approach and Discussion of Implications for Russia.

Ugo Gentilini, Jamele Rigolini and Ruslan Yemtsov
14th November, 2018





- At least 3 development narratives
 - Labor market risk
 - State accountability (resource revenues)
 - Social protection systems

Where is UBI discussed?



“[UBI] would enhance individual liberty. It would give people a sense of control over their lives and would provide them with freedom” (G. Standing)

“I think we'll end up doing universal basic income. It's going to be necessary” (E. Musk)

“... I can bet, within the next two years, at least one or two [Indian] states will implement universal basic income” (A. Subramanian)

“... policy makers should remain open to the possibility that [targeted safety nets] may well be dominated by more transparent forms of universality, including a basic full income” (M. Ravallion)

“The problem with the discussion about basic income is that in most instances it leaves the real issues unexplored and in reality expresses a concept of social justice on the cheap” (T. Piketty)

“Forget about UBI; to reverse rising inequality and social dislocation we need to radically change the way we think about income and work ” (I. Goldin)

A plethora of views

In a forthcoming report on UBI in developing countries, we unbundle

- Definition (variants) and experiences (pilots)
- Design choices and alternatives
- Behavioral and labor market effects
- Effects on poverty and inequality
- Financing
- Political economy
- Delivery systems requirements

Need to bring evidence to the discussion and engage with policy makers

- Income poverty elimination
 - A fast way of mechanically lifting people above a certain monetary threshold - . Avoidance of “poverty traps”
- Empowerment
 - Reaching individuals, not HHs (gender and intra-household effects)
 - Non-exploitative bargaining → no acceptance of any work (“power to say no”)
 - Bandwidth and cognitive tax
- Labor market participation
 - Quality alignment, partial or calibrated engagement without fear of losing benefits
 - Remunerating unpaid work (2-32% of the poor)
 - Predictability → risk-taking and entrepreneurship
 - Insurance against risks (vulnerable/near-poor)
- Could UBI at certain levels trigger reduced work effort, less participation in societies and reduced overall social welfare?
- Having UBI as “exit option” might end up worsening rather than strengthening the bargaining position of the most vulnerable (e.g., if it undermines collective action)
- Would it further informal work? (e.g., no contributions, lower-pay, or less favorable working conditions)
- Can UBI reduce minimum wage?
- What effect on inflation → poverty line up → ‘kicking the can down the road’

Will UBI trigger negative behavioral effects? If yes, could they be balanced against positive effects?

- Costs depend on design, but quite sizable across the board range of options (minimum cost of living, or poverty gap, or other societal minima)
- Literature largely focused on HICs and personal income taxes (and hence high income countries). It might be financed by increasing taxes – but to avoid impoverishing the less well off who pay them, the tax system must be progressive.
- Financing alternatives: carbon credits (US), subsidy reforms (Iran)
- Political economy considerations: middle-class as recipients of UBI, but social contract may be hostile to its features
- De-facto quasi-UBI: tapering (or excluding the rich and wealthy) is most frequently discussed way to respond to realities of social contract
- Link to pension system sustainability: Would UBI take pressure out of contributory insurance (i.e., its redistributive function)? UBI will provide de-facto basic pension – hence increasing saving/income smoothing function of contributory insurance
- “Where to draw the line” between net beneficiaries and net payers?
- What links to financing the shock-responsive and humanitarian programs?
- Possible ingrained lobbies and interest groups to keep existing programs
- Political constituencies for universal provision in transfers are fluid and based on compromise- which make all design choices highly context specific

Financing and political economy questions

- **Would a UBI reduce exclusion among the poor? It depends**
 - If those errors are the result of method-specific issues in targeting, a UBI may offer potential to overcome them
 - When errors are the result of administrative or information constraints, these may not be addressed by a UBI.
 - If the main constraint is fiscal, a UBI may amplify that bottleneck.
 - Whether UBI will make the poor better off as a group depends what they were receiving, their needs, and how programs are financed
- **Could a UBI help reduce program fragmentation? Maybe**
 - Some degree of consolidation may be appropriate, but the optimal number of programs and their functions have evolved over time and are deeply rooted in the social contract and specific needs.
- **Can the costs of a UBI could be turned into a mechanism to strengthen social contracts? We don't know**
 - There might be important societal spillovers. The political economy of UBI, however, is vastly underexplored.
- **Should UBI follow a certain universal model? For sure not**
 - Whether and how to condition, how much to pay, as well as what transfer modality to provide, where to “taper” should be based on societal preferences, evidence, and local conditions and political compromises

Some emerging insights

- How much does a UBI cost?
- What are the distributional effects?
- How they compare with the performance of existing SP instruments?
- *Some insights from forthcoming report*

**Preliminary findings on costs
and distributional effects**

- Using the household survey, we subtract from each household's income the transfers that the BIG is supposed to replace
- We then add the BIG transfer according to each scenario (benefit levels) and the number of adults in the household
- Target group: Adults (≥ 18 years old)
- Database: Household surveys
- Programs substituted: Cash-based safety nets, social pensions

Methodology

- **Current transfers**
- **Equivalent transfers:** Redistributing the budget of existing transfers as a BIG
- **Equivalent benefits:** Distributing to all adults the weighted average of current benefits received by beneficiaries
- **Poverty gap:** Distributing to all adults a transfer equal to the average distance from the poverty line among the poor
- **Poverty line:** Distributing to all adults a transfer equal to the poverty line
- **“Ideal” poverty targeted equivalent transfer:** Redistributing the budget of existing transfers uniformly among all the poor and only the poor (incl. children) – **NOT A BIG!**

6 scenarios

- How much does a UBI cost? Sensibly large benefit to provide basic income (covering poverty gap) would cost between 3 and 21 percent of GDP across countries in the study. Covering the entire poverty line would cost between 8 and 50 percent=> clearly unfeasible proposition.
- What are the distributional effects? Everywhere some of the poor (10-50%) are negatively affected by simple replacement. In comparison with targeted schemes UBI has clearly much lower efficiency.
- How they compare with the performance of existing SP instruments? No where just replacing the existing spending on SA by a flat benefit is resulting in better poverty and inequality outcomes than current systems (with their flaws) can deliver.
- *Bottom line: UBI is not a replacement for existing SP programs, to enhance social welfare it needs to build on the foundation of complex social assistance system, covering main risks*
- *Hence costs of welfare enhancing UBI are non trivial in most cases*
- *The political economy will transform UBI into context specific partial more affordable schemes*
- *More in the forthcoming report*

Preliminary findings on costs and distributional effects

UBI idea...

- **...offers some promises :**
 - It might cover everybody – if and only if delivery systems work well
 - It might be helping to simplify the fragmented systems – if political economy allows transforming *some* existing programs towards a single transfer
 - It provides a minimum income possibly relieving some of the costs of job search (and long term unemployed) – to be assessed in each case from cost and benefits perspective
- **...but it also poses serious questions:**
 - To be meaningful, it is more expensive than targeted transfers
 - It faces serious political economy challenges
 - Not an efficient poverty reduction tool: for any given budget, targeted transfers are more effective in reducing extreme poverty

Findings from simulations

Where UBI may be feasible and where not?

- **Substituting generous and poorly targeted transfers in MICs/ sharing natural resource rents in equitable and transparent way**



- Relatively modest additional costs
- Similar (albeit still lower) poverty impacts, sizeable group of losers among low income

- **Substituting modest but well targeted social assistance in MICs**



- Larger additional costs
- Lower poverty impacts, many losers among the poor

- **Implementing a meaningful UBI in LICs**

- Large fiscal cost; lack of nonregressive tax revenues; issues of delivery feasibility



Findings from simulations

Implications for Russia

- **What make UBI idea part of the policy debate in Russia:**
 - Complex, costly, fragmented SA system with no consistency across regions, groups, risks
 - Considerable part of needy not covered and face complex rules and requirements
 - Attempts to improve targeting or reallocate funds to these programs generate opposition
- **But its feasibility needs to be assessed closely:**
 - Replacing existing benefits with flat transfer will hurt a considerable share of the poor
 - Opinion polls suggest public preference for merit-based system, which will make taking away any benefits unfeasible
 - To add UBI to the existing system is more expensive than improving coverage and adequacy of targeted transfers, and will need to address the same challenges as improving targeting

Where is Russia on this scale?

Thank you

Ugo Gentilini, Jamele Rigolini and Ruslan Yemtsov