

Will Universal Basic Income lead India to a Demographic Disaster

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Abstract: *India is in the sweet spot of a demographic transition, where the share of the working population is expanding and can enhance economic growth. The key to India's demographic dividend lies in its human capital. Employability needs to be increased by improving education talent skill. To encash its demographic dividend it's time to influence its people for long term, economic accomplishment and richness of the nation. More than fifty percent of India's population is younger than the age of 25 and the entry of this group into the working population over the next few decades is a challenge to provide employment. Government of India has announced Universal Basic Income as a radical option of entering policy consciousness with the idea to guarantee each individual a minimum income which provides the necessary material foundation for a life with basic amenities. The focus of this paper is to find whether it is feasible for India to be successful in this initiative or will it reduce the incentive to work and become a demographic disaster..*

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1. Introduction

According to BIEN "A basic Income is a periodic cash payment unconditionally delivered to all on an individual basis without means-test or work environment." Johannes Ludovicus Vives should be truly called the father of Minimum Guaranteed Income when he proposed to the Mayor of Bruges in 1526 that the municipal government should be given the responsibility of promising a sustenance income minimum to all its residents. In the 20th century Tobin, Pechman and Miezkowsk hit upon the idea of a basic income, many of us were still children, The US was in the middle of the turbulent sixties, and Tobin was thinking of a design and an economically sound policy against poverty which he called a "credit income tax" a genuine UBI which Joseph Pechman proposed calling a Demogrant.

Universal Basic Income is also identified as Guaranteed Income, Basic Income guarantee, Social Dividend it includes a diversity of different applications that sums up to one idea. Changing the existing welfare measures to cash payments to every individual citizen. Drivers of Basic Income

The drivers of Basic Income is that every citizen deserves to receive enough money to keep them above poverty line and therefore the country resolves to provide every citizen with food clothing and housing.



- 1.Periodic: It is paid every month (Regular Interval)
- 2.Payment in cash or in Bank Account : it is paid in a common medium of exchange allowing those who receive it to choose what they spend it on. It is not compensated in kind or in vouchers.
- 2.Individual: It is paid to individuals and not households.
- 3.Universal: It is paid to all without any test.
- 4.Unconditional: It is paid without a condition to work or to establish readiness to work.

The reasons for India focusing on UBI is that a country that fails to assure a decent minimum income to all people will fail the test of justice therefore Universal Basic Income may simply be the easiest way of reducing poverty. The inability to tackle unemployment with conventional method has, become a major reason for the idea of minimum guaranteed income being taken seriously. It is increasingly seen as the only workable way of integration two of their major objectives, reducing poverty levels and assure minimum income for existence. UBI creates flexibility by allowing for individuals to have partial or regulated

actions with the job market without fear of losing benefits. In India in particular, the case for UBI has been intensified because of the weakness of existing welfare schemes which are damaged with misallocation of resources allocated, leakages and poor being eliminated. According to the economic survey 2016-17 when JAM (Jan-Dhan, Aadhaar and Mobile) is fully adopted the time would be suitable for a method of distribution that is efficient. Is UBI suitable for a country like India which has nearly 18% of world's population. The Countries Experimented with UBI for eg Brazil, Germany, UK, France, Portugal, Finland etc have less than 2% of the population of the world.

Favourable factors for UBI

1. Basic Income may bring a dive in the poverty levels at one
2. The beneficiaries are known as agents and trusts the people will use UBI for survival spending.
3. It reduces inequalities and addresses the need of the poor
4. A safety net for contingency with insurance for health etc..



5. There will be improvement in financial inclusion. It will encourage greater usage of bank accounts and access to credit for those with low income levels.
6. A guaranteed income will improve the psychological benefit by reducing the burden of finding a basic living on a daily basis.
7. UBI in place of a many welfare schemes of the government will reduce the administrative load of the state.

Unfavorable factors for UBI

1. Conspicuous spending by people on wasteful activities will be on the rise .
2. A minimum guaranteed income might make people lazy and opt out of the working which will be a moral hazard.
3. Gender disparity will increase as it may regulate the sharing of UBI within a family and men are likely to exercise control over spending and may not always be the case with other in-kind transfers.
4. The current status of financial access among the poor, may put too much pressure on the banking system.
5. Fiscal cost will mount and may be difficult for the government to wind UBI in case of failure.
6. The universality of UBI may bring divide the idea of equity and state welfare for the poor.
7. Country risks increase in social evils. (cash vs. food) Unlike food subsidies that are not subject to fluctuating market prices, a cash transfer may be used for undesired purpose like drugs alcohol.

Is it feasible for our country to sustain UBI? India's median age being 27 years and young youth with active mind do we need to give them Minimum guaranteed income or Minimum guaranteed skill so that they can create their own startups for the population in India who also become the largest consumer in the world.

According to Kaushik Basu chief Economist and Senior Vice President of the World Bank "The erosion of jobs is like a climate change. It happens slowly no news but its impact can be devastating"

When India is in the stage of encashing demographic dividend with the working population from the age of 15 to 64 will be the highest, The key to India's demographic dividend lies in its population. The extent of education talent skill and employment deficiencies project it as a demographic debt to the country. If India has to cash its demographic dividend its high time in this competitive world India has to influence its huge population for long term, economic accomplishment and richness of the nation our human capital has to be tapped. Majority of India's population is younger than the age of 25 and the entry of this group into the working population over the next few decades is predictable to outgrow India's economic growth. There is adequate evidence that many countries have seen periods of increased efficiency investment and savings during periods of demographic dividend.

There is a difference between India and other countries is the challenge of attainment of literacy was of a much smaller scale. India needs to train and employ many types of people of different scale. With limited access to quality education, most of the youth will enter the work force at the lowest levels. there is a vital

need for improving education and skill in India. if we adapt UBI it will be devastating India's focus needs to be on education and job skills at this point we are changing our track to minimum guaranteed income.

There are warning signals whether we are moving towards a demographic disaster

- with the proportion of increase in the proportion of jobs in unorganized sector.
- Agriculture contributes 47% of jobs and rural wages are at a decadal low.
- There is widespread 'under-employment' and temporary jobs.
- The formation of companies has slowed down
- the average size of companies in India is reducing.

According to the data from the Labour Bureau's Quarterly Employment Survey

- Ten Lakh jobs required every month employment contracted to over two quarters of four in the year 2015, In the second quarter, April to June, 2015, 43,000 jobs were lost.
- At overall level, employment (i.e. number of persons employed) in the eight selected sectors has decreased by 20 thousand during the quarter ended, Dec, 2015 over Sept, 2015.

The All India level Unemployment rate on Usual Principal Status was estimated to be 5%

States	Unemployment in %	States	Unemployment in %
Daman and Diu	0.3	Manipur	5.7
Gujarat	0.9	Bihar	6
Karnataka	1.5	Punjab	6
Chhattisgarh	1.9	Assam	6.1
Maharashtra	2.1	Uttarakhand	7
Telangana	2.8	Rajasthan	7.1
Dadra & Nagar Haveli	2.8	Jammu and Kashmir	7.2
Mizoram	3	Uttar Pradesh	7.4
Delhi	3.3	Jharkhand	7.7
Chandigarh	3.4	Nagaland	8.5
Andhra Pradesh	3.9	Arunachal Pradesh	8.9
Tamil Nadu	4.2	Goa	9.6
Madhya Pradesh	4.3	Himachal Pradesh	10.6
Haryana	4.7	Kerala	12.5
Meghalaya	4.8	Andaman & Nicobar	12.7
West Bengal	4.9	Lakshadweep	16.1
Puducherry	4.9	Sikkim	18.1
Odisha	5	Tripura	19.7

The above Table explains the Unemployment rate of states from lowest to highest, the lowest five being Daman and Diu at 0.3%, followed by Gujarat at 0.9%, Karnataka at 1.5% Chhattisgarh at 1.9% and Maharashtra at 2.1% and the highest five being Tripura at 19.7% followed by Sikkim at 18.1%, Lakshadweep at 16.1%, Andaman and Nicobar Islands at 12.7% and Kerala at 12.5%

High growth coupled with pattern and foundations of growth, development and the manner in which the welfare measures are distributed are to be streamlined for achieving the goal of poverty reduction. The ineffectiveness of existing welfare schemes which are damaged with misallocation, leakages and exclusion of the poor. Exclusion error is termed as genuine poor find themselves unable to access programme benefits. When a state has more poor people and is allocated less resources, then it is

practical that some poor households will be excluded. The states of Bihar, Madhya Pradesh, Rajasthan, Orissa and Uttar Pradesh accounts for more than half the poor in the country and only a third of the resources of MGNREGS was reachable.(2015-16)

The experience of nations that alleviated poverty indicates the importance of high rates of economic growth for achieving this. High growth rate is not the only condition for reducing poverty, the pattern and sources of growth as well as the manner in which its benefits are distributed are also important for achieving the goal of poverty reduction. In all developing countries employment is an important factor for improving their quality of life. The nations which achieved high growth rates of economic growth together with employment are the ones who have succeeded in reducing poverty significantly.

It is pretty well known that many of the persons who are counted as 'employed' or 'workers' in official publications do not get work for the entire period of their work in the Labour Force but are partially employed.. And even those who get some work or the other for the entire period may be getting work for only a small fraction of the time they are available for work. This apart, some may be working on jobs which do not allow them to fully utilize their abilities or from which they earn very low incomes. All this constitutes under-employment which remains a worrying aspect of the employment unemployment scenario in the country Fifth round of Annual Employment Unemployment

Some applications in the short run in advanced nations focus on "partial Basic Income." Such an arrangement would not be full substitute for other redistributive measures, but would provide a low – and slowly increasing – basis to which other incomes, including the remaining social security measures which are time tested and guaranteed income supplements. Some members see this as a move toward a full Basic Income; others prefer the strategy of pushing for a full Basic Income from the start; and perhaps only some favour a partial Basic Income.

A full Basic Income could swap at least some existing social security measures, but there is disagreement among UBI supporters about how many programs would be replaced and how high is high enough to eliminate quantifiable poverty is also debated among Basic Income supporters.

Unconditional UBI for India would be a demographic disaster. Free money becomes a liability on the government. A person without work becomes a social evil. If UBI is given in return for people's assurances of engaging in economic activities that contribute to the society, then UBI is to our Benefit. If they engage in negative activities their payments should be withheld. The resources of the Government should be used for Minimum Guaranteed Skill for every working population so that they get their jobs and create an environment that brings growth and development to the economy.

UBI can be given as a social welfare scheme to senior citizens and children below the age of 15 which is being done in the form of welfare schemes as midday meal schemes and free education to children. Health measures should also form a part of these measures.

To encash Demographic Dividend, it would be better if India focuses towards skill development and Vocational education as a part of Mainstream education.

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