A gradual approach to introducing a UBI in low- and middle income countries

Heiner Salomon and Rasmus Schjødt

BIEN Conference, Tampere 2018
Questions

• Part 1: How does a UBI relate to current debates about social protection in low- and middle income countries?
• Part 2: What would be the impact on poverty rates of a gradual introduction of a universal basic income in low- and middle income countries?
• Part 3: What are the political implications of a gradual approach to introducing a UBI?
Part 1

UBI and current debates on social protection in low- and middle income countries
UBI and Social Protection Floors

- ILO Social Protection Floors Recommendation, 2012 (No. 202)
- Provides an internationally recognised framework for expansion of social security, including:
  - Access to essential health care, including maternity care;
  - Basic income security for children;
  - Basic income security for persons of active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability;
  - Basic income security for older persons.
- The principle of universal coverage across the life cycle.
UBI and Social Protection Floors

‘The debates over social protection floors and basic income need to be brought together...
if it is recognized that basic income is not an idea that can be achieved in a single leap, there could be no better and more elaborate and widely supported programme than that of the social protection floor.’ (Alston 2017)
Income support for working age population in low- and middle income countries

In practice, a UBI is the only way to provide income support for many working age people in low- and middle income countries:

• Large part of the population in the informal sector – not possible to identify who are ‘unemployed’.
• Not possible to rely on contributory social security.
• No information on income, so means-tested programmes are also not possible.
• But also raises questions – including how to set benefit levels (income replacement or income supplement?)
Part 2

Effects of a UBI on poverty in three countries
A model for introducing a UBI through a Social Protection Floors approach

• Universal child benefits (0-18 years, 10% of GDP/capita)
• Universal old age pensions (60+, 30% of GDP/capita)
• Universal disability benefits (30% of GDP/capita)
• Income security for working age people: employment support (18-60, 10% of GDP/capita). Introduced gradually by expanding coverage of age groups.

Result: a universal basic income (with benefit levels varying according to age)
Gradual introduction over 10 years

<table>
<thead>
<tr>
<th>Population group</th>
<th>Year 1</th>
<th>Year 3</th>
<th>Year 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children</td>
<td></td>
<td>Child benefit 0-18</td>
<td>Child benefit 0-18</td>
</tr>
<tr>
<td>Older people</td>
<td>Old age pension 60+</td>
<td>Old age pension 60+</td>
<td>Old age pension 60+</td>
</tr>
<tr>
<td>Working Age</td>
<td></td>
<td></td>
<td>Employment support, 18-60</td>
</tr>
</tbody>
</table>
Year 1
- Pension (60+)

Year 3
- Child benefit (0-18)
- Pension (60+)

Year 10
- Child benefit (0-18)
- Pension (60+)
- Employment Support (18-60)
Poverty impact: India

**Year 1**
- Pension (60+)

**Year 3**
- Child benefit (0-18)
- Pension (60+)

**Year 10**
- Child benefit (0-18)
- Pension (60+)
- Employment Support (18-60)
Year 1
- Pension (60+)

Year 3
- Child benefit (0-18)
- Pension (60+)

Year 10
- Child benefit (0-18)
- Pension (60+)
- Employment Support (18-60)
Cost of UBI in Ethiopia, India and Nigeria
Cost in a comparative perspective
Part 3

Political implications
The politics of expanding social protection in low- and middle income countries

• No low or middle income country is likely to introduce a UBI in one go – for cost reasons alone.

• Social security systems are always developed incrementally, with a gradual expansion of coverage.

• Social protection floors, with universal life cycle programmes at their core, present an internationally recognised framework for the gradual extension of coverage.
The politics of expanding social protection in low- and middle income countries

• Universal benefits are attractive for politicians as vote-winning programmes, as they reach large proportions of voters. This is what usually leads to gradual expansion of programmes over time.

• Universal benefits can demonstrate that universal programmes are affordable and popular among both politicians and the population – and, crucially, increase spending on social security.
Example: Nepal

Number of beneficiaries

- 1995: Old Age Allowance (1 USD/month!)
- 1996: Widows’ Allowance
- 1996: Disability Allowance
- 2009: Child Allowance for Dalits
- 2015: Disability Allowance universalised
  Commitment to universalise child benefit
Thank you!

Heiner Salomon  
hsalomon@developmentpathways.co.uk  
@HeinerSalomon

Rasmus Schjødt  
rasmus@arosresearch.com  
@rasmusjs