

# **COVID-19 and global perspectives on universal basic income**

*Euromod Workshop, Sept. 2020*  
*Dr. Luke Martinelli*

# 1. Context

The case for UBI is stronger than ever in the context of the current crisis

- Flurry of approving editorials in mainstream media
- Increased political commitment
  - Calls from over 100 MPs and peers for ‘recovery UBI’
- 84% of the public support basic income for the duration of the crisis
- How significant is all this?
  - Are we finally going to see UBI somewhere in the world?
  - Or do the fundamental barriers to feasibility still pertain?

## 2. Why UBI as crisis response?

### 1. **Emergency response: replace lost incomes**

- o Fix holes in safety net: precarious / SE / informal workers not covered by existing employment protections or contributory schemes
- o Means-testing too cumbersome – “The imperatives of speed and reach point in the direction of a temporary UBI” – need to strip back conditions

### 2. **Recovery: demand stimulus**

- o Prevent vicious circle of rising debt and stagnant demand
- o Shifting macroeconomic consensus

### 3. **Future: fix structural problems and build resilience**

- o Poverty; labour market inequality; care
- o Enable people to stay home; manage occupation decline and enable retraining

# 3. Policy responses so far

- Variation by country
  - See [IMF](#) and [OECD](#) policy trackers
- Common responses
  - Expanded welfare – coverage, ease of access, generosity
  - Short-term work / furlough schemes
  - Firm loans / supports
  - Massive increase in borrowing
- UBI-type reforms
  - ‘Helicopter’ payments – [Hong Kong](#), [Japan](#) – not regular
  - Unconditional (targeted) cash transfers – [Brazil](#), [Pakistan](#), [Spain](#), [USA](#) – not universal

# 4. Feasibility

- Political supply and demand framework (Beramendi et al., 2015; Martinelli and De Wispelaere, 2017)
  - How many and which groups are most exposed?
  - Existing infrastructure for cash transfers
  - Fiscal feasibility
- Public acceptance
  - Policy trade-offs and alternatives
  - Normative issues
- ‘Devil in the detail’
  - Time horizon
  - Level and interaction with wider welfare provisions
  - Funding (and incidence of burden)

# 5. Researching UBI feasibility using EUROMOD

- Fiscal / distributional trade-offs – An irreconcilable trilemma (Martinelli, 2019a)
  - Controlling cost / affordability
  - Meeting need / adequacy
  - Securing the advantages of universal and unconditional welfare

	Modest partial	Moderate full	Generous full
Affordable (sustainable and politically acceptable tax rises)	✓	✓ (!)	×
Adequate (acceptable distributional effects)	✓	×	✓
Radical simplification / liberation from means-testing	×	✓	✓

- Not simply a question of normative appeal, but presents a predicament for attempts to build strategic alliances between advocates with different priorities and goals (De Wispelaere and Stirton, 2013)

## 6. A ‘demand-capacity paradox’?

- Martinelli and O’Neill (2019) used loops and add-ons to replicate UBI schemes across EU28
    - o Partial, modest schemes most feasible
    - o Trade-offs depend on existing provisions – coverage and generosity
      - More effective welfare systems = less favourable distributional consequences
        - Demand driven by patchy and inadequate coverage?
      - But: countries in which case for basic income is strongest tend to have weak fiscal capacities (low per capita GDP, ineffective revenue systems)
        - Also: large numbers of ‘insiders’ who stand to lose from withdrawal of earnings-related benefits and (especially) pensions
- (See appendixes for some illustrative figures)

## 7. Caveats on the use of microsimulation to assess scope for UBI as covid-19 response

- Comprehensive microdata on labour market / household financial consequences of covid-19 crisis not yet available
  - E.g. Torry's (2020) evaluation of a recovery scheme doesn't account for contraction in incomes and employment level
  - O'Donoghue et al. (2020): "dynamic calibrated microsimulation approach" using more up-to-date data
  - A clearer picture will emerge over the coming months – e.g. Understanding Society in UK
- Simulated outcomes – where 'real' data e.g. on contributions history, punitive sanctions not available – may underestimate advantages of UBI in fixing gaps in coverage
- No scope for assessing heterodox macroeconomic solutions – mutualisation of debt to provide recovery funds; sovereign money creation / helicopter money – or fiscal policy solutions other than payroll taxes (e.g. wealth, consumption, pollution taxes)



## 8. Conclusion

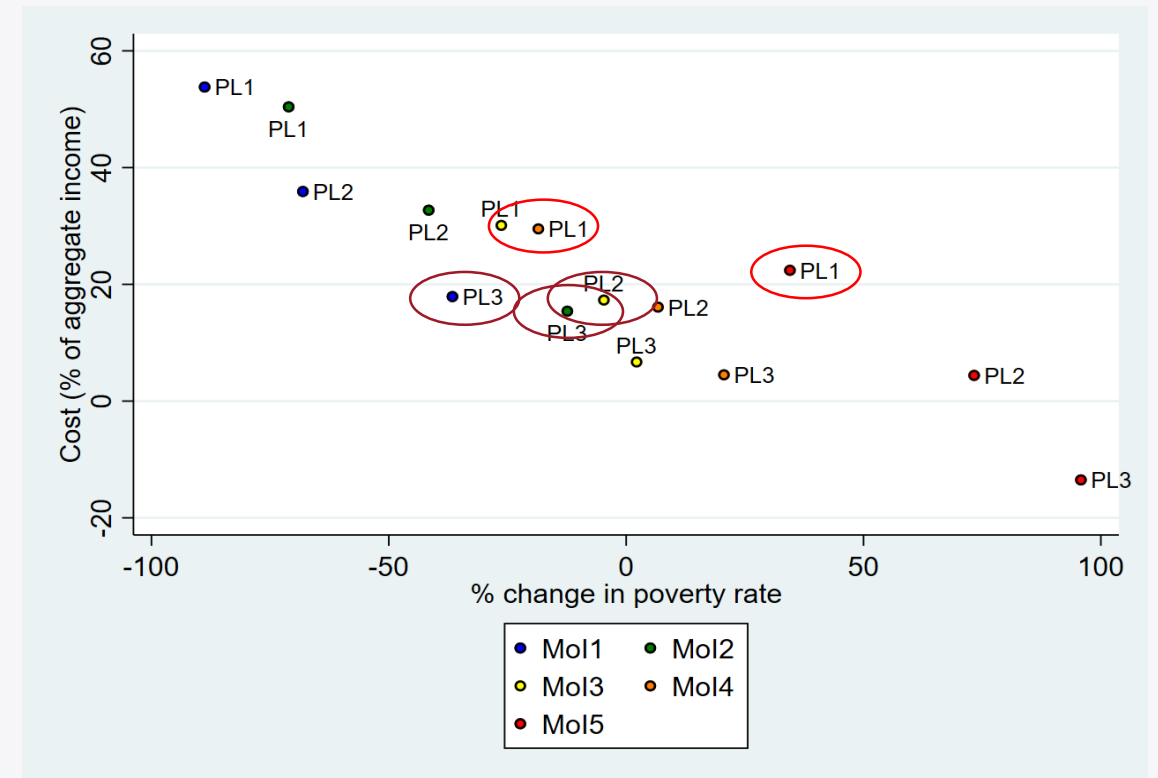
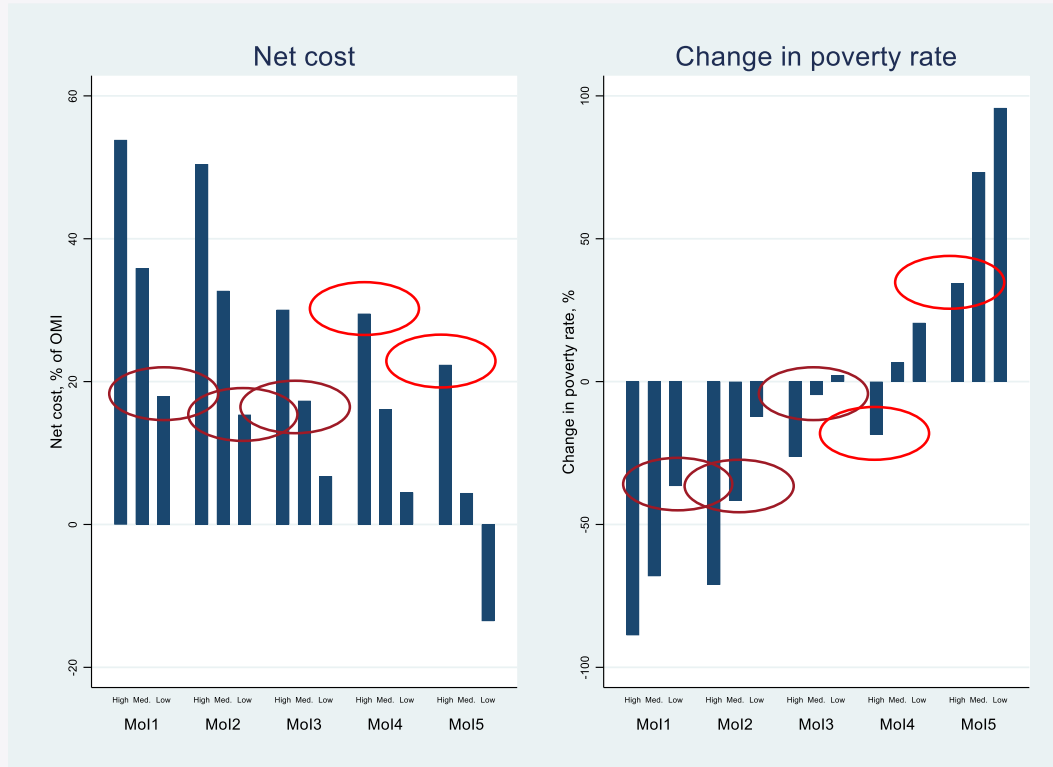
- Countries most severely affected by COVID-19 also facing most severe fiscal constraints
  - But: macroeconomic consensus may be shifting...
  - EU response has been mixed: some solidarity but falling short of debt mutualisation (Coronabonds)
  - Outlook for recovery highly uncertain – pressure for UBI may yet build

# Appendix 1 (from Martinelli, 2019b) :

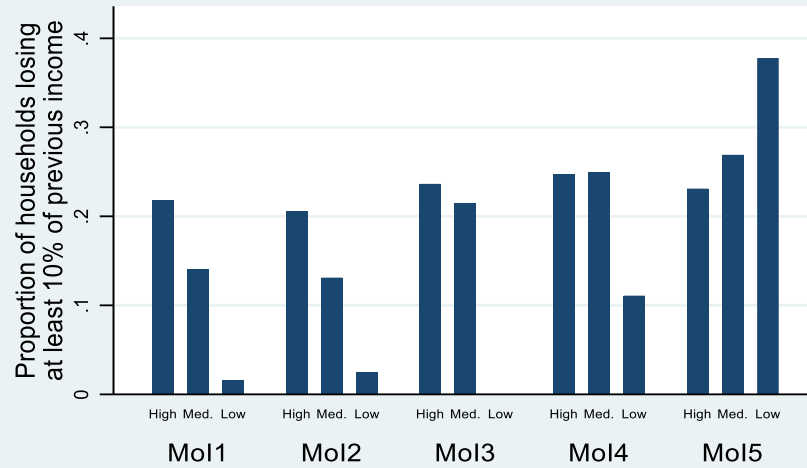
## Method

- Range of modes of implementation ('MOIs')
  1. No adjustment to any benefits
  2. Adjustment of means-tested benefits; retention of other benefits and pensions intact
  3. Adjustment of all benefits and pensions
  4. Elimination of means-tested benefits; adjustment of other benefits and pensions
  5. Elimination of all benefits and pensions
- Range of payment levels ('PLs') expressed in relation to national poverty lines (adult single rate)
  1. 75% for adults, 30% for children
  2. 50% for adults, 20% for children
  3. 25% for adults, 10% for children
- Revenue neutral via **supplementary flat tax on net disposable income**
- Comparison across 28 EU countries and by welfare state characteristics
  - Net cost / aggregate income and other measures of fiscal capacity (total revenue; income tax receipts)
  - Poverty and inequality rates
  - Proportions of different demographics winning / losing
  - Average gains / losses for different demographics

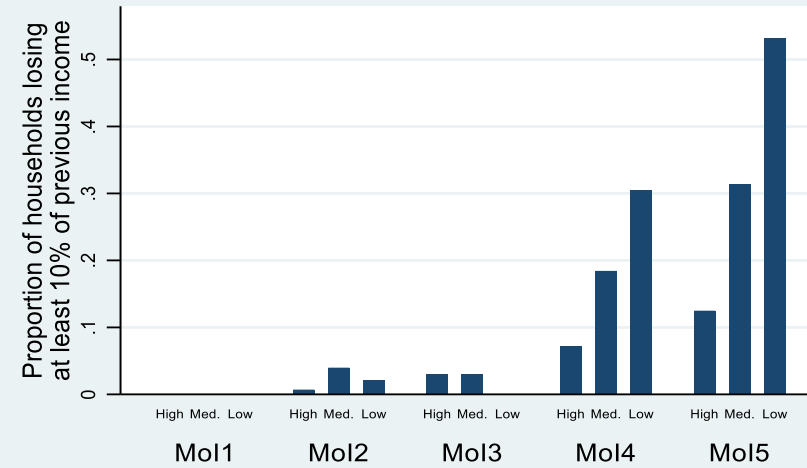
# Appendix 2 (unpublished figures): Comparison of schemes (fiscal / distributional effects)



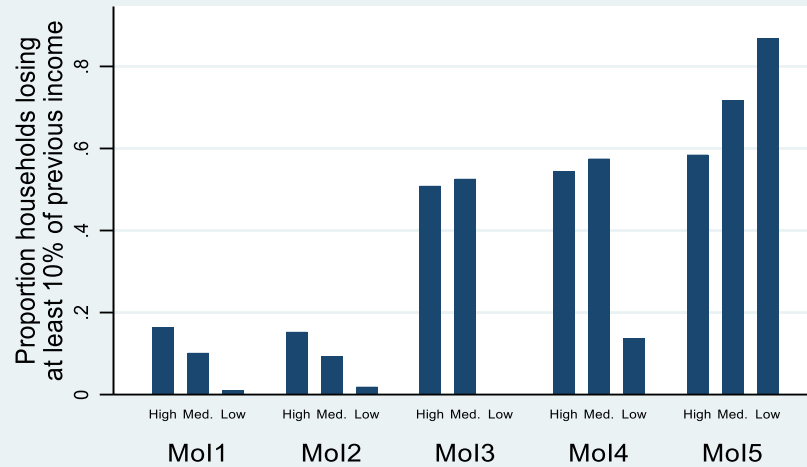
All households



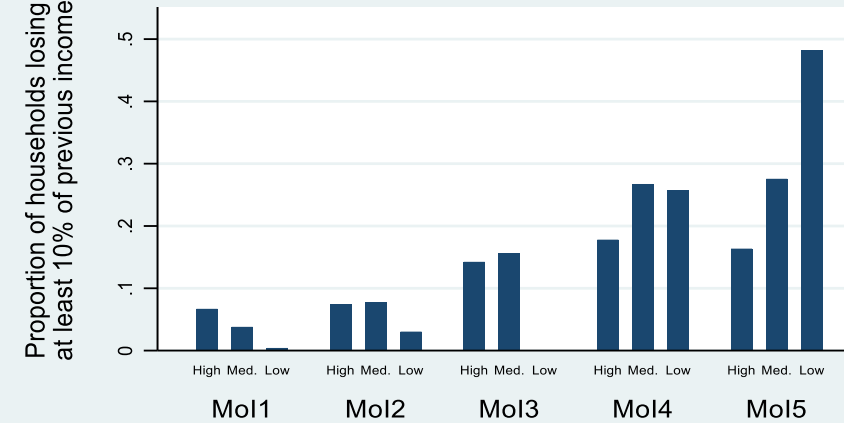
Quintile 1 households



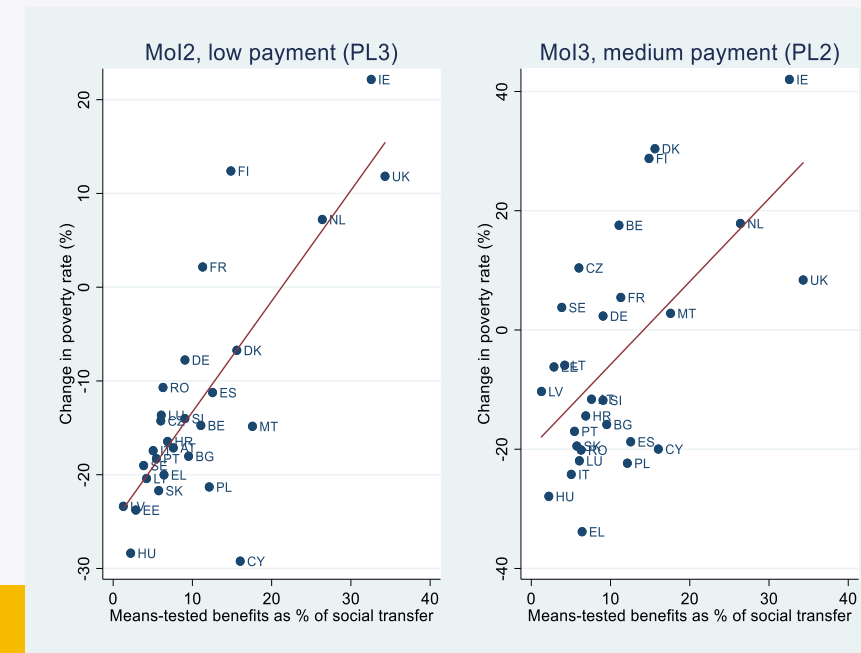
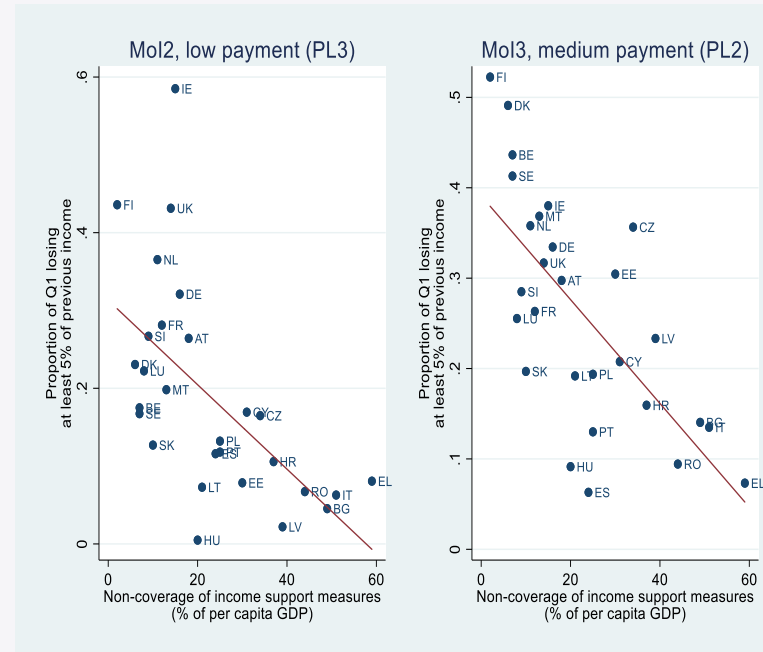
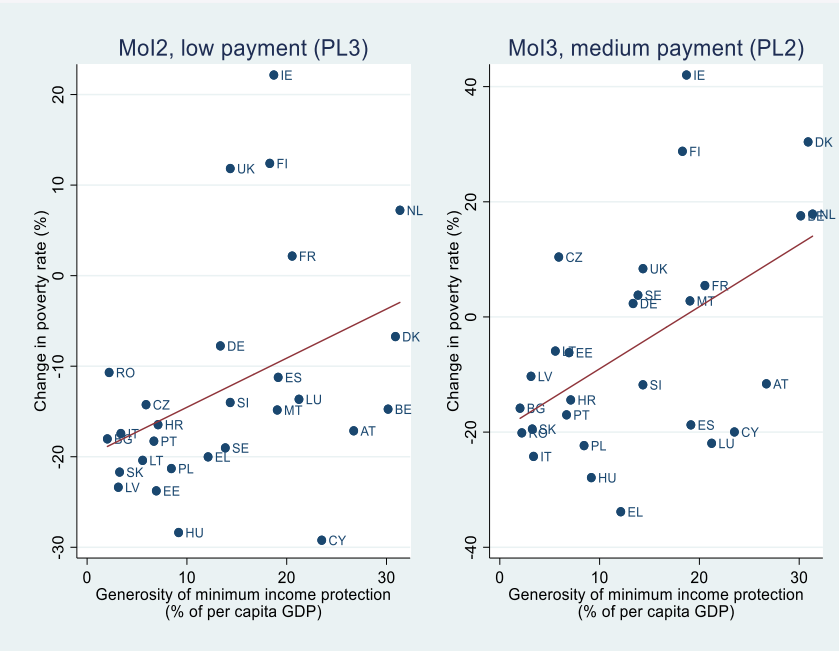
Pensioner households



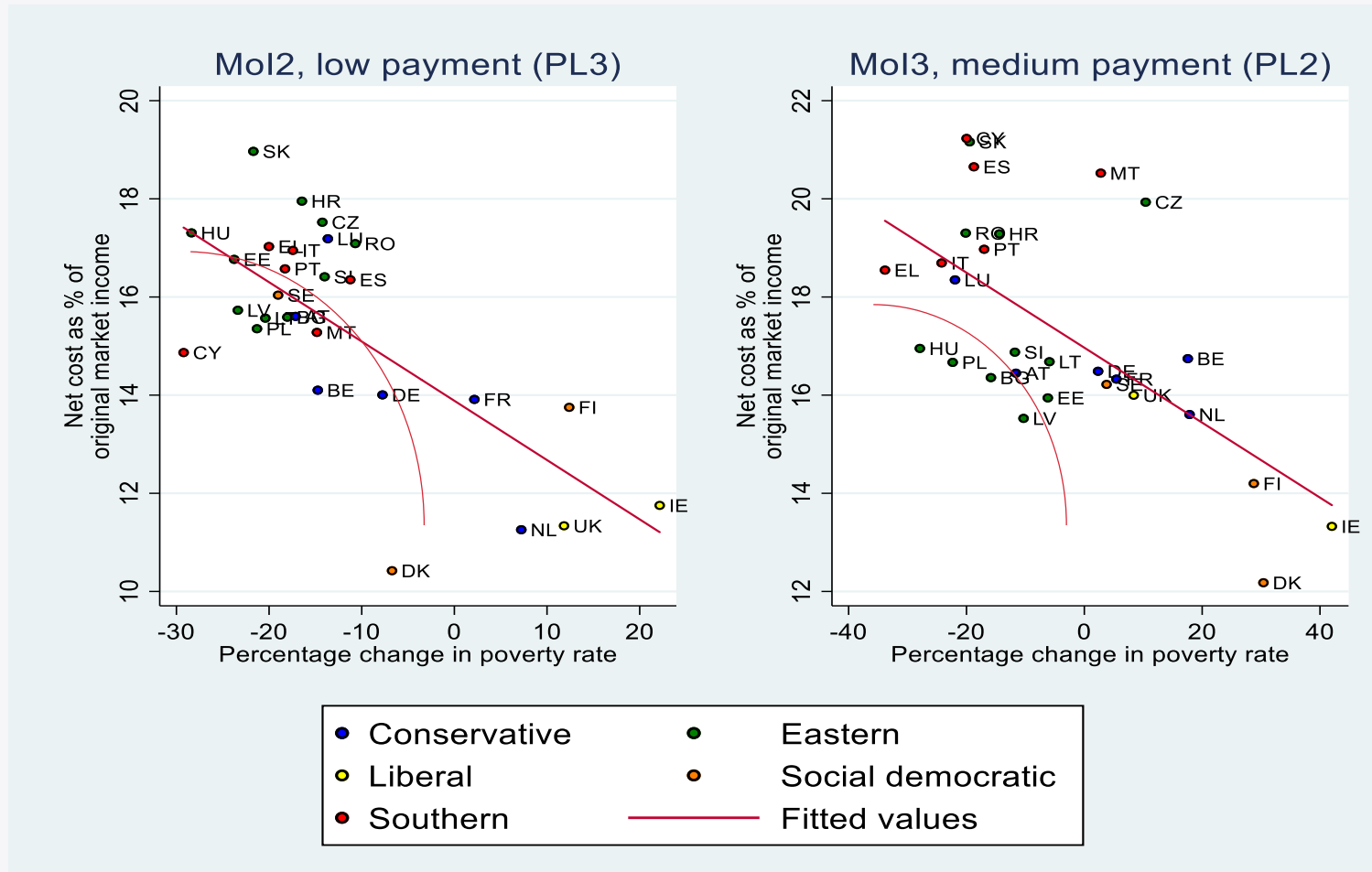
Households with unemployed or sick / disabled members

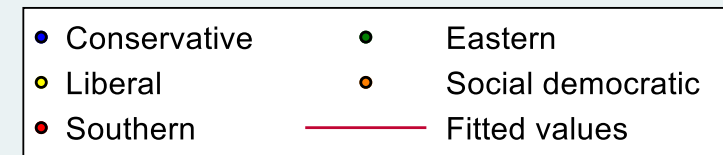
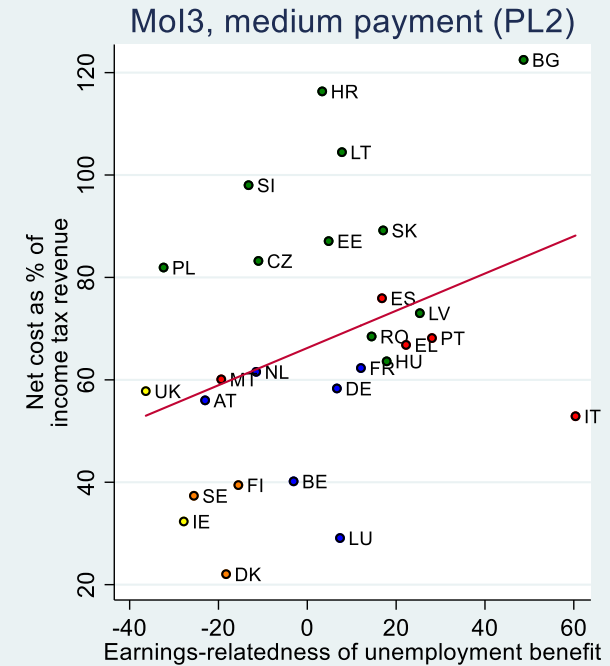
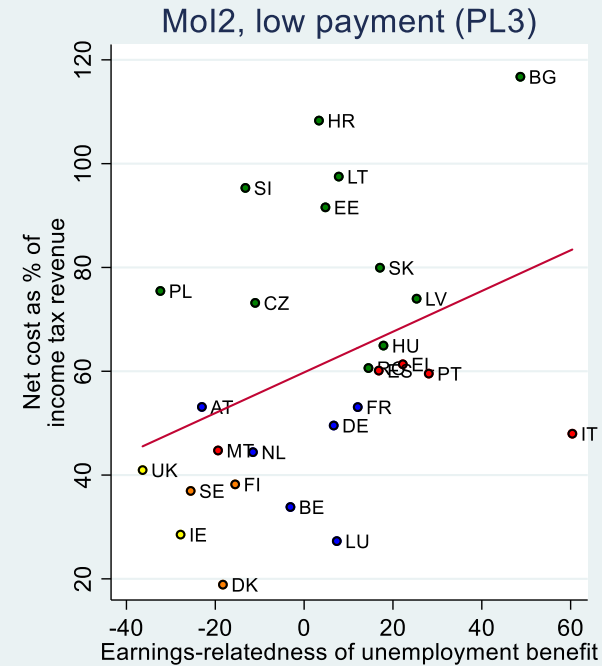
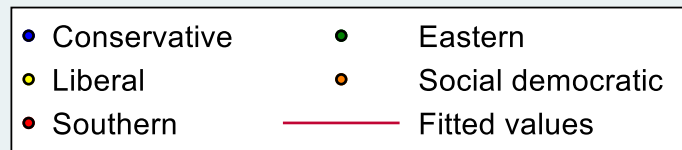
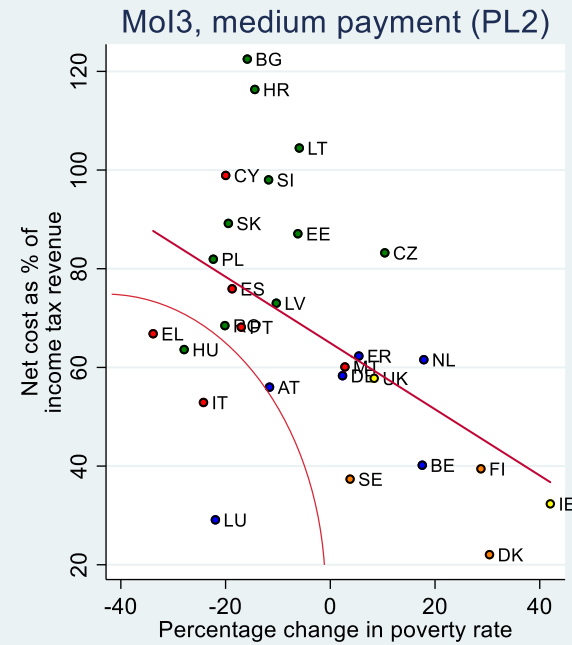
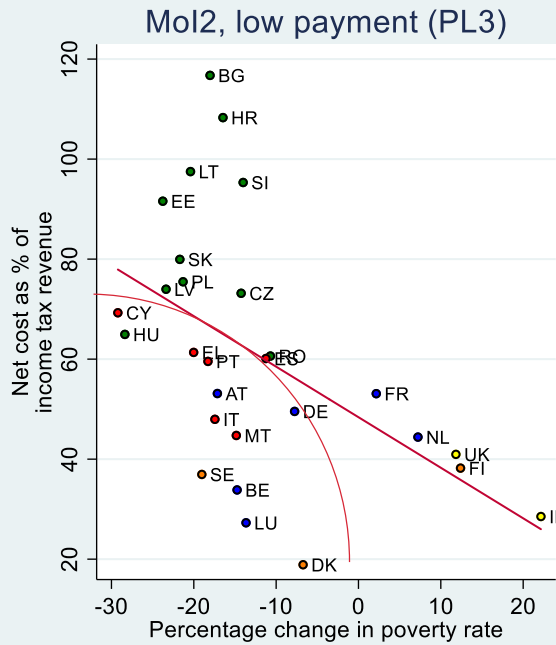


# Appendix 3 (unpublished figures): Findings: distributional effects by welfare state features



# Appendix 4 (unpublished figures): Fiscal / distributional trade-offs by welfare regime





# References

- Beramendi, P., Hausermann, S., Kitschelt, H., and Kriesi, H. (eds.) (2015) *The Politics of Advanced Capitalism*. Cambridge University Press.
- De Wispelaere, J., and Stirton, L. (2013) “The politics of unconditional basic income: Bringing bureaucracy back in.” *Political Studies*, 61(4): 915-932.
- Martinelli, L., and De Wispelaere, J. (2017) *A New Universalism? Varieties of Basic Income and Welfare State Reform*. ESPAnet Conference, Lisbon, September 2017.
- Martinelli, L. (2019a) “A basic income trilemma: affordability, adequacy, and the advantages of universal and unconditional welfare.” *Journal of Social Policy*, published online 26 June 2019. DOI: <https://doi.org/10.1017/S0047279419000424>.
- Martinelli, L. (2019b) *Basic income, automation and labour market change*. IPR Report, September 2019. Bath: Institute for Policy Research, University of Bath.
- Martinelli, L., and O’Neill, K. (2019) “A comparison of the fiscal and distributional effects of alternative basic income implementation modes across the EU28.” (with Kathryn O’Neill). Euromod working paper EM14/19, published online 25 July 2019. <https://www.euromod.ac.uk/publications/comparison-fiscal-and-distributional-effects-alternative-basic-income-implementation>.
- O’Donoghue, C., Sologon, D., Kyzyma, I., and McHale, J. (2020) “Modelling the Distributional Impact of the COVID-19 Crisis” *IZA Discussion Paper series*, No. 13235, published online May 2020. <https://www.iza.org/publications/dp/13235/modelling-the-distributional-impact-of-the-covid-19-crisis>.
- Torry, M. (2020) “Evaluation of a Recovery Basic Income, and of a sustainable revenue neutral Citizen’s Basic Income, with an appendix relating to different Universal Credit roll-out scenarios” Euromod working paper EM7/20, published online 29 April 2020. <https://www.euromod.ac.uk/publications/evaluation-recovery-basic-income-and-sustainable-revenue-neutral-citizen’s-basic-income>.