

COVID-19 and global perspectives on universal basic income

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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

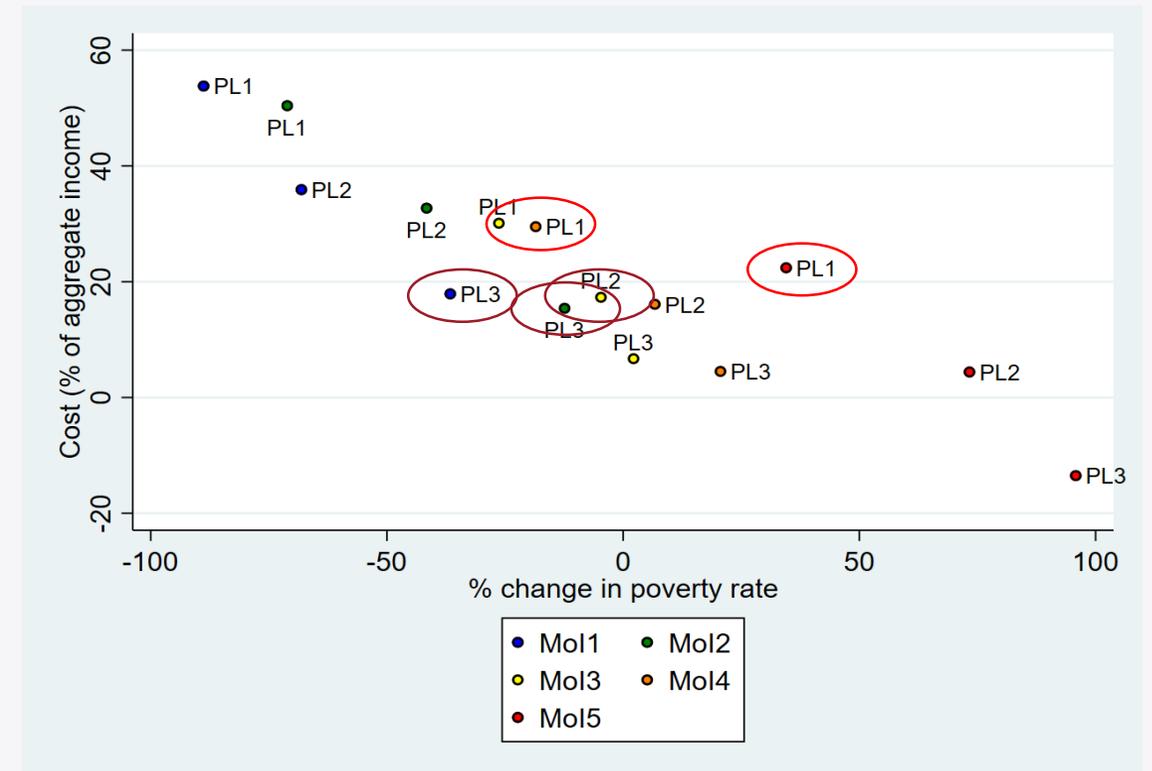
- Countries most severely affected by COVID-19 also facing most severe fiscal constraints
 - But: macroeconomic consensus may be shifting...
 - EU response has been mixed: some solidarity but falling short of debt mutualisation (Coronabonds)
 - Outlook for recovery highly uncertain – pressure for UBI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

Appendix 1 (from Martinelli, 2019b) :

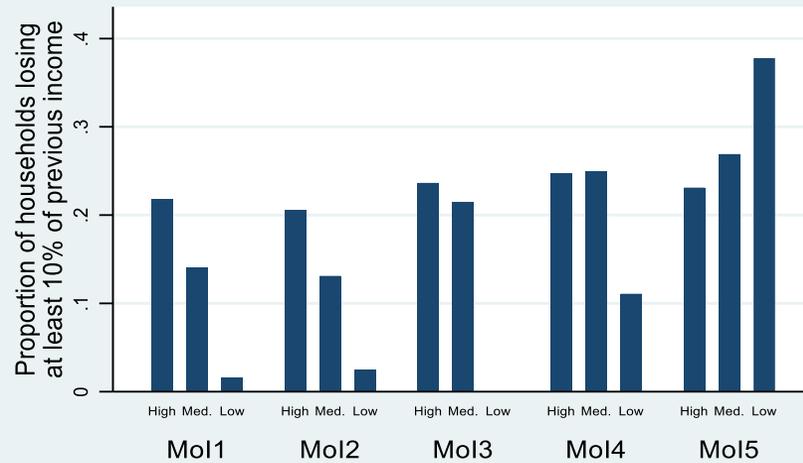
Method

- 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

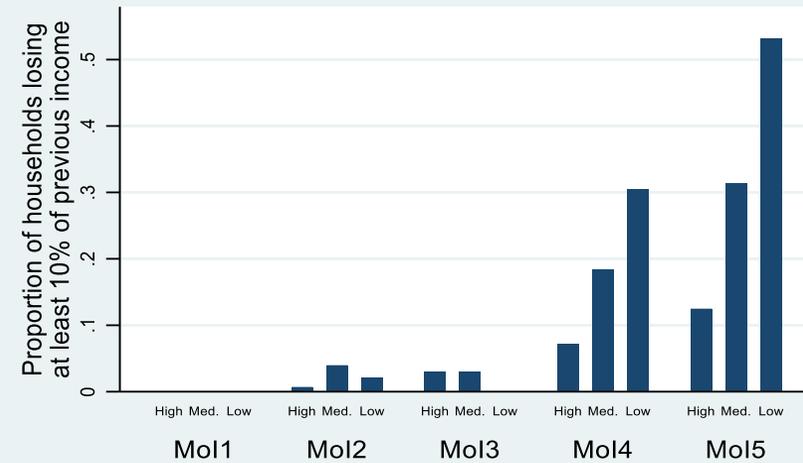
Appendix 2 (unpublished figures): Comparison of schemes (fiscal / distributional effects)



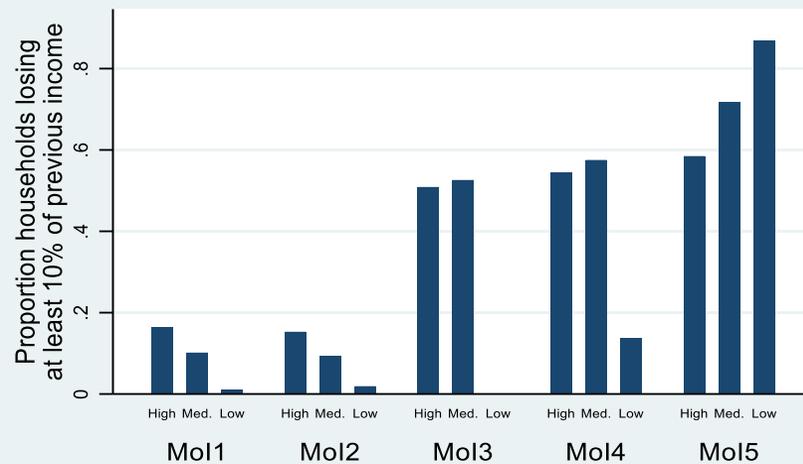
All households



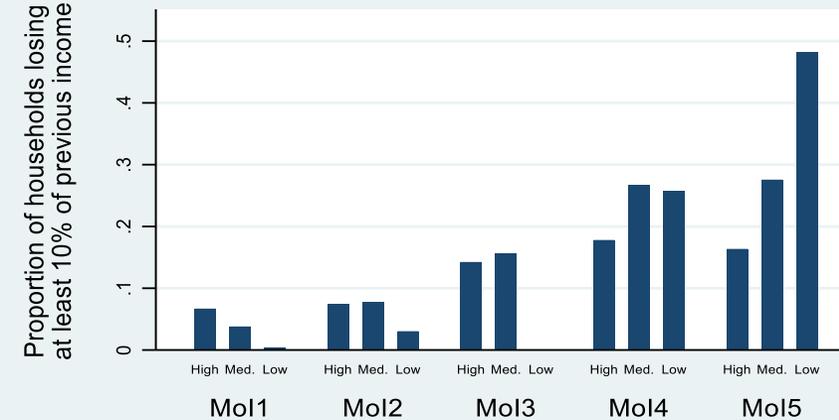
Quintile 1 households



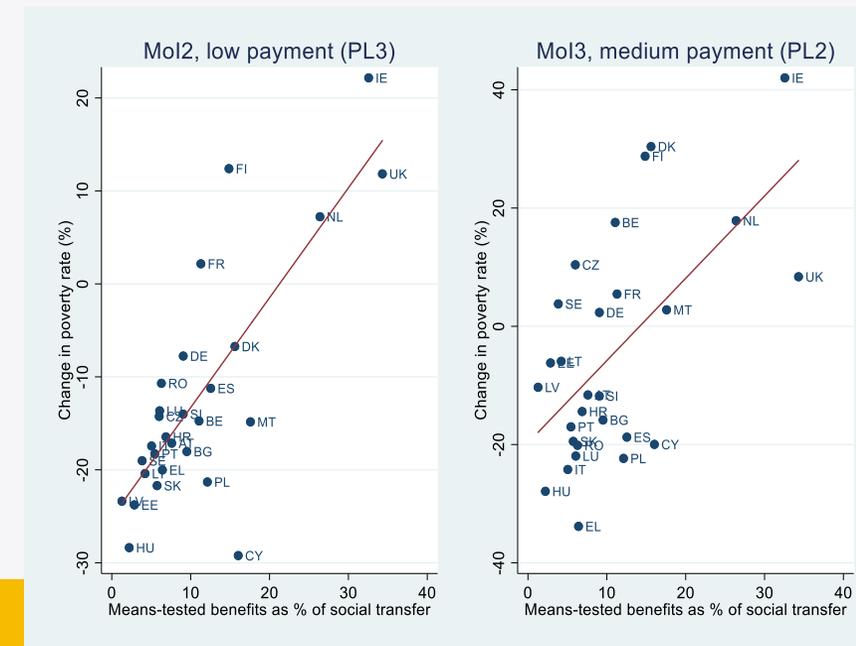
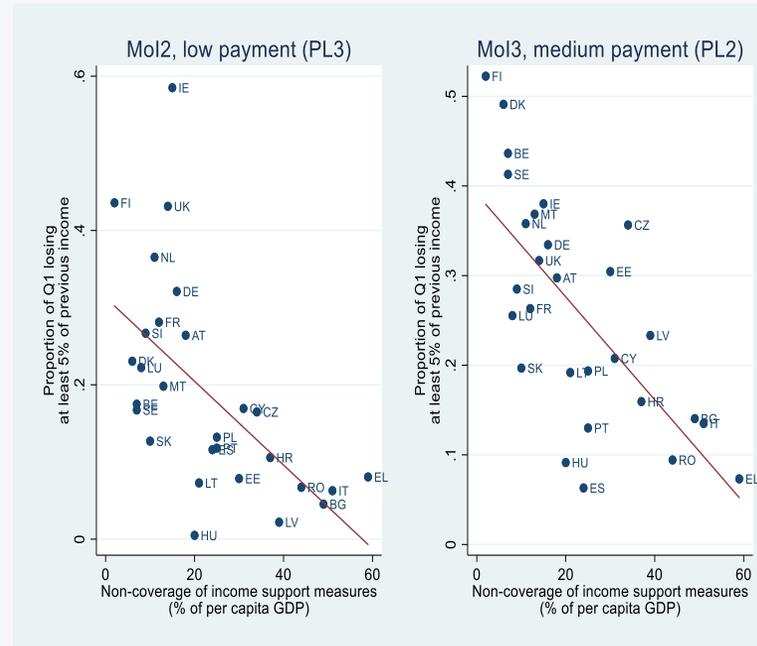
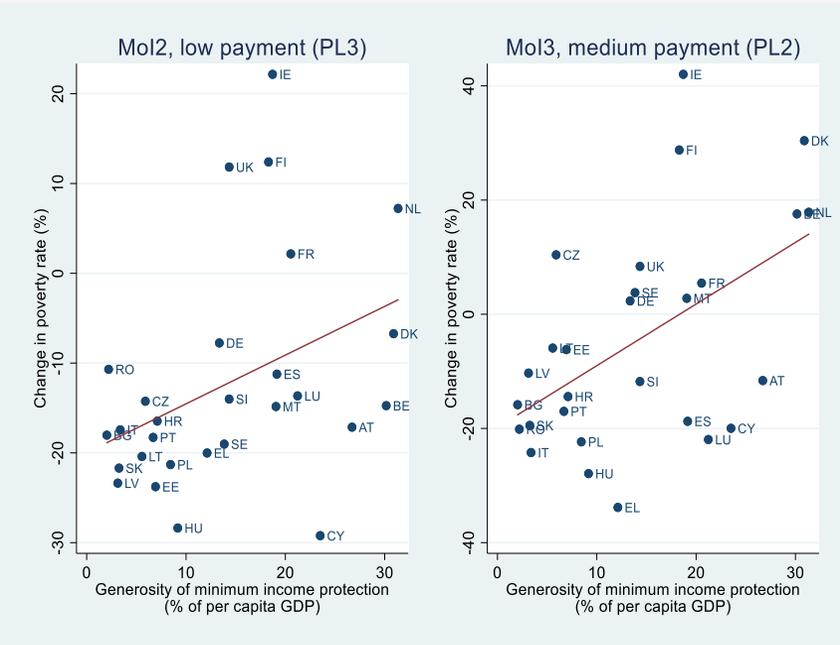
Pensioner households



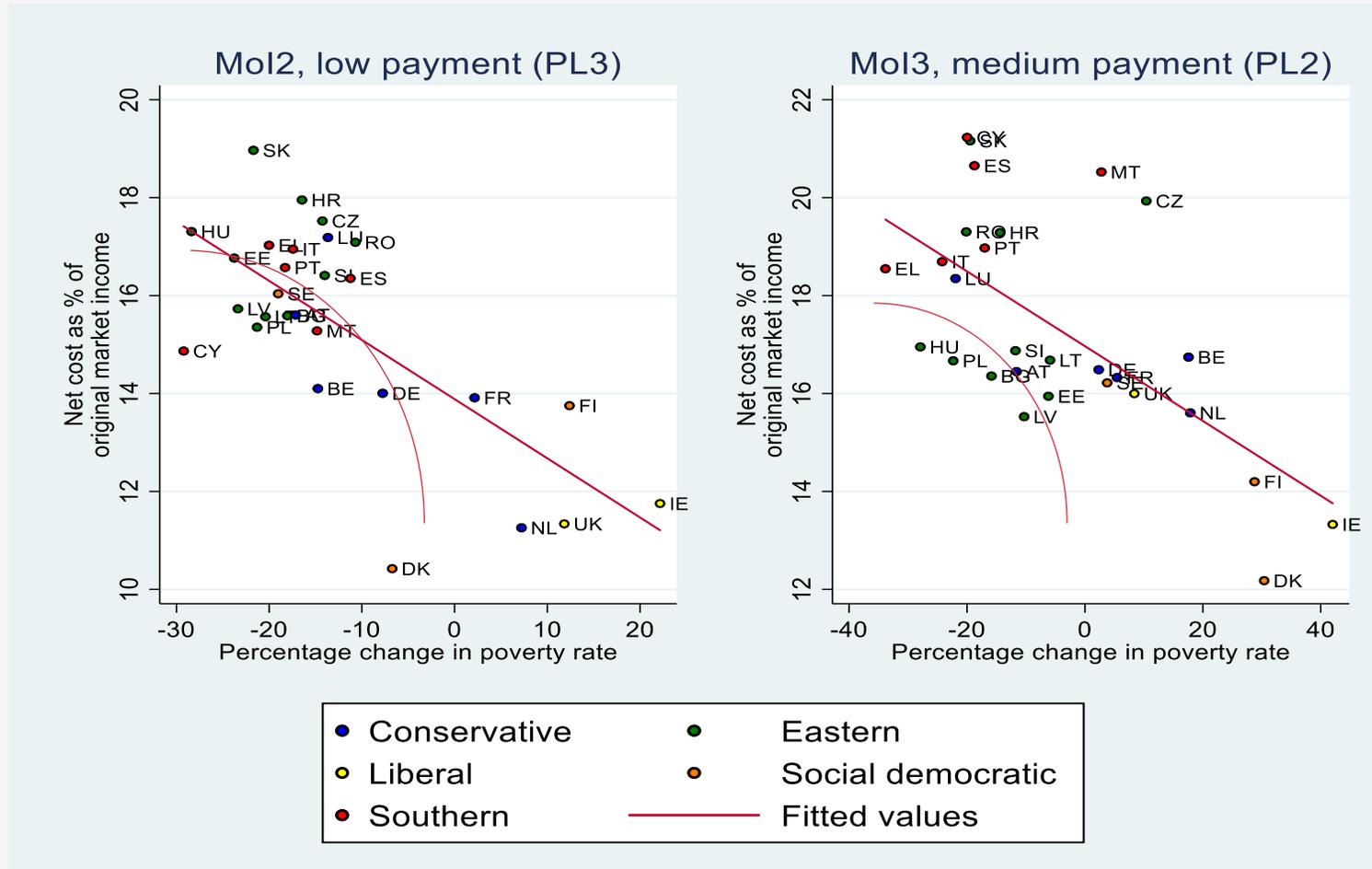
Households with unemployed or sick / disabled members

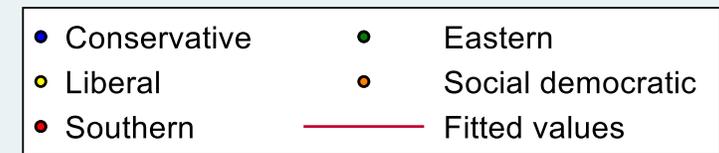
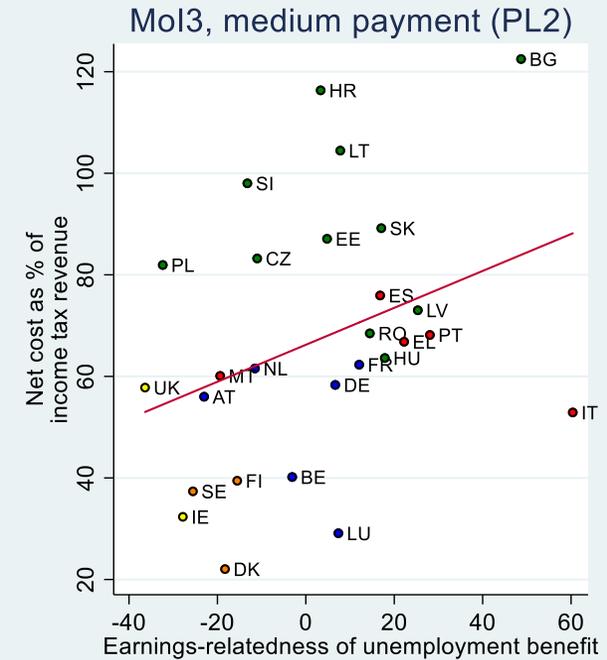
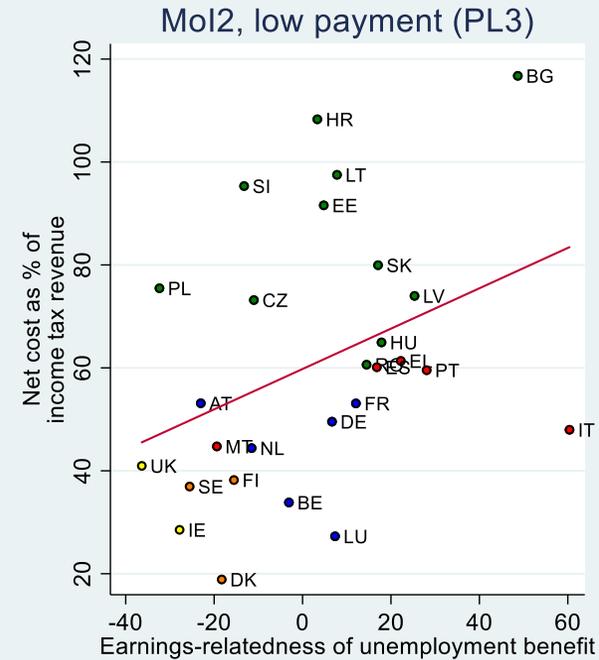
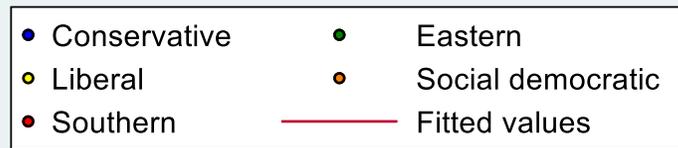
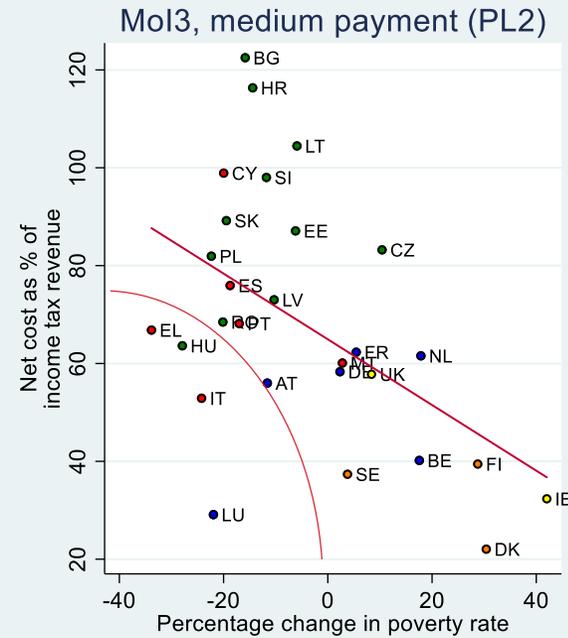
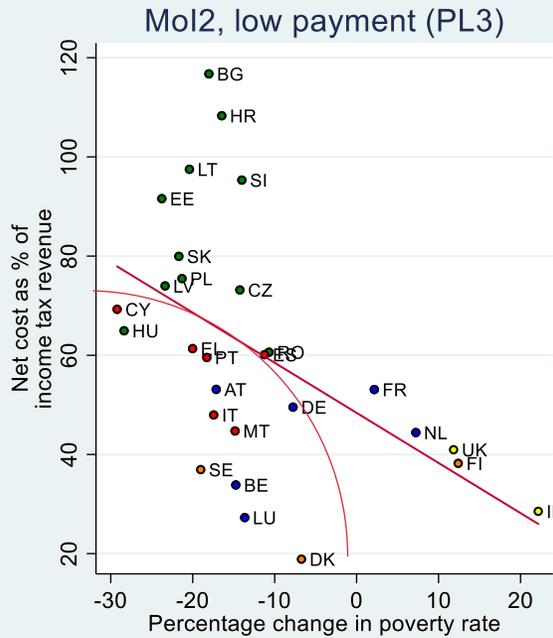


Appendix 3 (unpublished figures): Findings: distributional effects by welfare state features



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





References

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