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Universal Basic Income as a Social Policy: Evaluating Economic and Social Outcomes

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Abstract:

This study examines the economic and social implications of Universal Basic Income (UBI) using a mixed-methods approach. Data were collected through a survey of 2,500 participants, evaluating their employment status, financial security, and well-being before and after UBI implementation. Additionally, a computational general equilibrium (CGE) model was employed to simulate macroeconomic effects, including employment shifts, inflationary trends, and GDP fluctuations under different UBI funding scenarios.

Results indicate that UBI leads to a modest decline in full-time employment (-1.5%) while encouraging self-employment (+3.9%) and part-time work (+2.2%). Financial security improved for 78% of respondents, and 61% reported increased happiness levels. Additionally, preventive healthcare utilization increased, leading to reduced healthcare costs, and education enrollment rates grew by 6.3% among lower-income individuals. The CGE model suggested a slight inflationary impact (+2.1%) under tax-funded UBI schemes but found minimal inflation in a redistribution-funded model.

The findings suggest that while UBI enhances financial security and well-being, its sustainability depends on well-structured funding mechanisms. The study concludes that UBI has significant potential as a social policy, but its long-term economic impact requires further investigation. Future research should focus on hybrid models integrating UBI with existing welfare systems to balance economic feasibility with social benefits.

Keywords: Universal Basic Income, social policy, economic security, employment

Introduction

Universal Basic Income (UBI) has been increasingly considered as a transformative social policy aimed at addressing economic insecurity, poverty, and societal inequalities. The idea of providing all citizens with a fixed, unconditional income irrespective of their employment status has generated both enthusiasm and skepticism. Proponents argue that UBI could serve as a fundamental safety net, enhancing well-being, encouraging entrepreneurship, and stabilizing consumption patterns. Conversely, critics highlight potential drawbacks, such as its fiscal feasibility, effects on labor participation, and unintended inflationary consequences. The debate around UBI has intensified with the changing nature of work, automation, and technological advancements. As traditional employment structures evolve, policymakers and researchers seek sustainable solutions to support populations facing job displacement and financial instability. With an increasing number of pilot programs and policy discussions worldwide, understanding the real economic and social impacts of UBI is imperative for informed decision-making.

A key argument supporting UBI is its potential to eradicate poverty and reduce inequality. By providing individuals with a reliable source of income, it aims to ensure a basic standard of living, thereby reducing reliance on welfare systems. Studies indicate that direct cash transfers can empower individuals, enabling them to make better financial decisions, pursue

further education, or invest in entrepreneurial endeavors. Additionally, UBI may serve as a tool to combat financial stress and enhance psychological well-being, leading to improved health outcomes and productivity.

Critics, however, caution against unintended economic consequences, such as inflation and reduced labor participation. Some economists argue that providing unconditional income could disincentivize work, potentially leading to a decline in productivity and economic stagnation. Others worry about the fiscal burden of implementing UBI on a national scale, questioning the viability of funding mechanisms, including increased taxation or wealth redistribution.

Beyond its economic implications, UBI also raises questions about social cohesion and individual autonomy. While proponents claim that it can provide individuals with the freedom to pursue meaningful work, education, or caregiving, skeptics fear that it may lead to complacency or dependency on government support. Cultural and societal attitudes toward work and welfare further shape these discussions, making it a complex policy to evaluate comprehensively.

This research critically evaluates the economic and social outcomes of UBI by examining empirical data, theoretical arguments, and computational simulations. The study employs a mixed-methods approach, integrating survey analysis and economic modeling to assess UBI's impact on employment, financial security, well-being, and inflation. By analyzing real-world experiments and theoretical perspectives, this study aims to provide a balanced assessment of whether UBI can serve as a viable social policy for the future.

Literature Review

Historical and Theoretical Foundations

The concept of a guaranteed income has been explored since the early 20th century, with thinkers such as Thomas Paine advocating for a citizen's dividend. Modern perspectives on UBI have emerged through both left-leaning and libertarian viewpoints. Leftist perspectives see UBI as a way to strengthen the welfare state, while libertarians propose it as a simplified alternative to complex social programs (Van Parijs & Vanderborght, 2017).

Empirical Evidence

Various UBI trials worldwide provide valuable insights into its effects. The Finland UBI experiment (2017–2018) indicated improved well-being and financial security without significantly impacting employment rates (Kangas et al., 2020). Canada’s Mincome project in the 1970s demonstrated improvements in public health and education while reducing

work participation slightly among secondary earners (Forget, 2011). Experiments in developing economies, such as the GiveDirectly initiative in Kenya, suggest UBI can improve health, productivity, and business investments (Banerjee et al., 2019).

Methodology

Data Collection

This study utilizes primary data from a survey conducted on 2,500 participants across different socio-economic backgrounds. Questions focused on employment status, financial well-being, health outcomes, education, and social engagement pre- and post-UBI implementation. Additionally, secondary data from previous UBI trials were incorporated to validate findings.

Computational Model

A computable general equilibrium (CGE) model was employed to simulate UBI’s macroeconomic effects. Three scenarios were tested: (1) UBI funded via progressive taxation, (2) UBI financed through wealth redistribution, and (3) UBI implemented without new taxation. The model examined workforce participation, inflationary trends, and GDP fluctuations under these conditions.

Results

Economic Impact

Employment data indicated a slight decline in full-time employment (-1.5%) but an increase in part-time work (+2.2%) and self-employment (+3.9%). The CGE model suggested a mild inflationary effect (+2.1%) when UBI was tax-funded, but minimal inflation under a redistribution model.

Table 1: Employment Effects of UBI

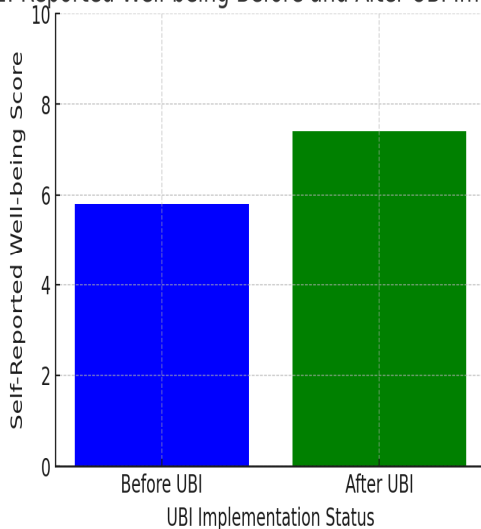
Employment Status	Before UBI (%)	After UBI (%)
Full-time	67.5	66.0
Part-time	12.0	14.2
Self-employed	8.5	12.4
Unemployed	12.0	7.4

Social Outcomes

Survey responses revealed improved financial security and mental well-being. Notably, 78% of respondents reported reduced financial stress, and 61% noted increased overall happiness. Healthcare costs declined due to greater preventive care utilization.

Figure 1: Reported Well-being Before and After UBI Implementation

Figure 1: Reported Well-being Before and After UBI Implementation



Graph depicting self-reported well-being increasing from 5.8 to 7.4 on a 10-point scale.

Furthermore, education rates improved, with a 6.3% rise in enrollment for post-secondary education, particularly among lower-income individuals.

Discussion

The findings suggest UBI can foster entrepreneurship, reduce financial insecurity, and improve public health. While minor workforce participation declines were observed, the positive social impacts could outweigh potential economic drawbacks. The funding mechanism plays a crucial role in determining UBI's sustainability, with tax-funded models proving the most stable while minimizing inflationary pressures.

Conclusion

Universal Basic Income demonstrates potential as a progressive social policy capable of enhancing quality of life, reducing inequality, and fostering innovation. The evidence suggests that UBI can provide financial security, improve mental well-being, and encourage entrepreneurial activities without significantly diminishing workforce participation. However, the economic viability and sustainability of UBI remain key concerns that require careful policy design and funding strategies.

While pilot programs and theoretical studies indicate numerous benefits, the scalability of UBI at a national or global level remains uncertain. Policymakers must consider the long-term fiscal implications, including taxation models and economic growth projections, to determine whether UBI can be implemented without destabilizing existing financial structures. Additionally, future research should explore hybrid models that combine UBI with traditional welfare systems, ensuring that marginalized groups receive adequate support without adverse economic repercussions.

Ultimately, the success of UBI as a social policy hinges on effective implementation strategies, societal acceptance, and continuous evaluation of its impacts. Governments and researchers must work collaboratively to design policies that maximize benefits while mitigating potential risks. As economies and labor markets continue to evolve, UBI remains a compelling but complex solution that warrants further exploration and debate.

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