

Universal Basic Income: The Foreseeable Future of Social Welfare Systems in the Post-Pandemic Era

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Abstract: The unconditional and regular payment of a certain amount of cash income to the entire population is a claim to universal basic income and a system that is distinct from the existing social welfare systems. Policy experiments on universal basic income have been going on since the end of the 20th century and have been seen by some scholars as a solution to major social problems such as technological development, economic downturn, and poverty. Especially under the impact of the 2020 pandemic, the world's development is once again hampered, and how to better solve the problems of low-income people is an important issue to be addressed by the social welfare system. It is worth noting that the policies introduced by governments under the pandemic have some degree of universal basic income characteristics. This article will analyze the merits and importance of universal basic income in the context of the welfare policies introduced by governments under the pandemic. Considering the economic difficulties in the post-pandemic era, it is worthwhile for countries to explore universal basic income as a basis for new social welfare systems, despite the potential difficulties in implementation.

Keywords: universal basic income, post-pandemic, public policy, social welfare system

1. Introduction

With industrial progress and rapid technological development, the current social environment is full of crises and uncertainties. In particular, the global pandemic that began in 2020 has exacerbated the instability of economic and social development, causing problems such as debt crisis, financial crisis and populism to erupt together. Considering the reality, it is noticeable that the current welfare policies provided by society in general are not sufficient to support the basic needs of the people, further intensifying the anger of the already difficult low-income people. To solve the problem of social welfare reform, a new type of program, universal basic income, is receiving more and more attention.

The concept of universal basic income (UBI) dates to 1796 with the publication of Thomas Paine's book *Agrarian Justice*. In his book, Paine argues for a national fund of justice and benevolence that would allow every citizen, whether poor or rich, would have a minimum level of subsistence [1]. A universal basic income, as defined by Brian McDonough and Jessie Morales, is a regular cash payment to a specific community or to all members of society, independent of economic circumstances and work [2]. The World Bank Organization's definition also includes five important characteristics of universal basic income, namely, universality, unconditionality, individuality, cyclicity, and cash payments [3].

Although some countries and regions, such as Finland, the United States, and India, are currently experimenting with universal basic income, most countries do not see it as a public policy that can be developed in the future. However, the economic situation and social instability in the post-pandemic era are forcing the country to change its current policies as soon as possible. Based on this background, this paper discusses the reasons why a universal basic income is a more appropriate social welfare policy in the post-pandemic era by analyzing America's current situation primarily and illustrate potential difficulties in implementation.

2. The Driving Force of the Times for Universal Basic Income

A universal basic income would first directly reduce the gap between the rich and the poor, leading to a transfer of cash and thus creating a more equal society. Nowadays many countries with rapid economic development, such as the United States and India, continue to experience high levels of wealth disparity, and the current social welfare policies do not provide a good solution to this problem. The specificity of the universal basic income lies in its unconditionality of people benefited from this policy and its redistribution of money, which makes every resident of the country eligible to get more extra income compared with current social welfare system. In other words, a portion of the money from the higher income earners will flow to the lower income group, and therefore will more significantly reduce the income gap, leading to a more equal society. Moreover, UBI is paid out periodically and will not be stopped by a one-time payment of enough money to live on for a period of time. In the U.S., for example, current social welfare payments adapt means-tested model and require a socio-economic survey to determine the amount of household-based income below a certain amount to qualify for social benefits. Statistic data shows that from 1994 to 2000, only 2.1% of the 11.3% of the U.S. citizens who are absolute poor passed the test and became eligible for social benefits [4]. This one-time financial disbursement is inadequate for people living in chronic poverty, especially since not all poor people receive this benefit. The current conventional social welfare system does not allow for a comprehensive count and therefore hardly improves the lives of the low-income earners. On the contrary, the direct transfer policy of universal basic income is more effective in regulating the gap between the rich and the poor, allowing everyone to have access to available funds without restrictions. Besides, UBI transfers are paid in cash which gives people choices of what products they want to purchase instead of the government giving people and telling them what they need.

Especially in the post-pandemic era, the downward slowdown of countries' economies makes it more difficult for businesses to operate, and therefore fewer employees are needed. The increase in unemployment in this context also makes the gap between rich and poor more pronounced. The Gini coefficient in the United States, for instance, has climbed steadily over the past 50 years, driving by factors such as the lack of general labor jobs caused by rapid technological development and the impact of the massive business closures during the pandemic [5]. The large multinational corporations were the least affected, while the general population living at the bottom line was the most directly affected. This has indirectly caused 40 million people living in poverty in the United States, the only developed country with millions of people suffering from hunger [6]. The large amount of wealth in the control of a very small number of people has exacerbated the difficulty of living for the general population. Compared with states that have only conventional welfare system, the Permanent Fund Dividend in the state of Alaska can be considered a form of UBI, as it gives a quarter of the oil revenues to every Alaskan every year, unconditionally, so that the people can use this extra income to live a better life. Alaska has also become the most equal state in the United States because of this program, even though the money is not enough to live on for a year [7]. This program is a good demonstration of the importance of universal basic income to reduce social inequality and a viable public policy, especially in a post-pandemic high inequality scenario than the existing social welfare policies in the United States.

Second, universal basic income guarantees the basic human rights of everyone in the society, which in turn helps to achieve stable social development. One of the most prominent problems in the post-pandemic era is the difficulty of employment, and the direct impact of the lack of jobs is the increase in poverty and the inability to meet the basic needs of income. Take the current social welfare in the United States as an example, there are several means-tested welfares such as Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF). SNAP provides people with incomes below 130% of poverty guidelines with resources in a limited time and to adults without children only (Minton and Giannarelli, 2019). TANF provides adults and disabled people with income at 74% of poverty guidelines in cash up to \$2000 per month [8]. Not only are the current social welfare programs too strictly limited, but they also do not guarantee that the benefits are distributed to every poor person. Once a family is out of the defined poverty range, the government will not provide more benefits to the family. The consequence may be that the family does not really escape from the low-income problem. For instance, an unemployed citizen who needs to find a job where he can earn a living before the small amount of money provided by the government runs out will have very few options. Even if one is lucky enough to find a job that can support the most basic needs of life, that job is highly fungible. If the supply of human resources in the labor market is greater than the demand, then the price of working will gradually decrease, resulting in the person barely living near the poverty line all the time. However, universal basic income would guarantee this citizen a benefit regularly, a benefit that does not fully support all his expenses, but what is guaranteed is a basic livelihood. In such a situation, low-income people or those who have not learned the skills are given the opportunity to learn further and thus change their lives. Work is not just a necessary formality, but one of the ways to truly create something of value to society or to the individual [9]. UBI social welfare policy will not only help the unemployed find more suitable jobs but will also create more social value than just the goal of "staying alive" as in the case of a conventional welfare policy.

Furthermore, the current international tensions have further increased populism. The unequal distribution of social resources due to the increase in unemployment and poverty has caused growing unease among the lower and middle classes in the US [10]. This uneasiness stems from the fact that current social benefits do not have the means to ensure their basic livelihood after unemployment, and therefore the employment relationship of ordinary jobs is unhealthy. The neoliberal market that the U.S. government follows emphasizes privatization, marketization, and liberalization, which means that the market will inevitably choose the less costly way to produce. However, the low cost of the labor market and the lack of jobs has created a populist embrace among the population now. The public has become increasingly vocal against globalization and the inequities of the free market, with many marches breaking out, especially during the pandemic. In the election of the U.S. president in 2020, the left-wing party candidate, Andrew Yang, won widespread popular support when he put forward the political idea of guaranteeing a basic income for the population and thus eliminating poverty and thus guaranteeing the physical and mental health of the population [11]. The selective approach and high approval rate demonstrate that populism is intensifying especially in special times. If the government does not introduce better social welfare in time to stabilize people's basic livelihood and their demand for equality, the stable development of both society and the economy will face great challenges.

Another essential reason why universal basic income is more valuable to discuss in the current era is that during the pandemic, governments introduced many public policies similar to UBI to implement bailout measures. The introduction of these policies illustrates that some governments are aware that current social welfare is not enough to support the needs of people in the pandemic era and are gradually moving closer to UBI policies. To take an example, in March 2020, the U.S. Congress passed the American Rescue Plan. One of the series policies was to provide no-strings-attached cash payments of up to \$1,200 to most adults, and this policy was implemented once more at the end of

the year. This policy can be seen as the prototype of a universal basic income policy and effectively demonstrates the feasibility and necessity of a new social welfare policy in the face of the ongoing social outbreak. Polling results since then have also shown that a 63% of Americans support this policy, also illustrating the public's dissatisfaction with past welfare policies and the popularity of the new policy [12].

In addition to the U.S., millions of Canadians have also taken advantage of the government's Emergency Relief Benefit (CERB) program, receiving up to six months of additional benefits of 2,000 Canadian dollars per month. Besides Western countries, Japan has also introduced a corresponding additional subsidy of about \$950 for all its citizens and had put the idea of giving unconditional cash to all Japanese residents on the agenda in congress. At the beginning of the pandemic, at least 97 programs were introduced around the world to address the situation and the livelihood of the population, and as the pandemic progressed, the number of programs increased, as did their intensity [13]. The trend demonstrates the current need for reflection around the world on why the conventional social welfare system once in place is not working well. In the foreseeable post-pandemic period, the growth of the world economy will slow down, and the problems of unemployment and disparity between rich and poor will only worsen under the current policies. The approach of numerous countries and regions during the pandemic has already given possible solutions in terms of moving toward a policy of universal basic income.

3. Barriers to Universal Basic Income Implementation

While the advantages of UBI, particularly in terms of transforming government-provided social benefits in the post-pandemic era, are prominent, there are undeniable implementation difficulties associated with this policy. For one thing, universal basic income requires significant financial support, and where this money will come from is the greatest challenge the government may face in implementing public policy. Most advocates argue that the government needs to obtain sufficient disposable funds through increased taxes on corporate income tax. This would not only solve the fiscal problem but likewise, do the same to transfer assets to the public. However, a possible consequence of this problem is that the assets of the wealthy may flow overseas, so the government's tax revenues will be significantly reduced, and it may not even be able to maintain its original welfare policies. This dilemma is one of the reasons why no country is currently carrying out a real policy of unconditional universal basic income. Although Van Parijs et al. calculate that UBI and traditional social welfare can in principle receive the same total and net income, i.e., there is no significant difference in fiscal spending between the two policies, this is only for some countries where social welfare is already relatively well established [14]. For developing countries, the question of where to get more fiscal revenues or whether they can support such high benefits still needs to be addressed. In addition, how to convince nationals or companies to accept high tax rates is one of the problems. According to Finnish statistics, 70% of the population supports a universal basic income policy. Yet once people realized that the tax rate may increase from the current level to 50% or more, the support rate dropped to 35% [15]. This significant drop also indicates that people are concerned about the possibility of high tax rates in the future or that the current middle- and upper-income groups do not want to spend an additional amount on taxes as a result to help low-income earners.

For another thing, it is also worth discussing whether inflation will result when there are more disposable funds in the hands of the people. Since the UBI is the funds distributed for all people, then the disposable incomes of people naturally become more. This part of the money invested in purchases may have a negative effect, such as an increase in the price of products. Especially in a neoliberal market, the government does not deliberately interfere with the development of the market, but rather the supply and demand determine the market price. Thus, when people's consumption and purchasing power increase, the supply is likely to be smaller than the demand, consequently causing

the price to rise. Therefore, whether this extra money can practically help low-income people maintain their long-term living is still a question that needs further study and experimentation.

Finally, some critics argue that high social welfare may bring welfare dependency. In other words, people will gradually lose their motivation to work and thus live entirely on government-subsidized welfare. Such a stable life may also lead to the neglect of important issues such as the aging of the population, the disabled, and minority groups. When social welfare is good enough that everyone can live on government subsidies, the actual needs of this group of people may be diluted. However, according to the Alaska Permanent Fund Dividend in the United States, 55% of the population felt that this additional subsidy did not reduce their motivation to work, but instead allowed them to better find the work they wanted to do [7]. Although this data does not fully reflect all the experimental areas, it is sufficient to demonstrate that high benefits do not necessarily reduce people's motivation to work.

4. Conclusion

In conclusion, universal basic income is a new social welfare policy that can ensure people's basic needs and effectively reduce the gap between the rich and the poor. In times of pandemics, universal basic income is more valuable and necessary to be discussed, because special times are sufficient to reflect the lack and instability of social welfare at present. Policies similar to UBI have been widely used in many government policies in the past three years, which has laid a good foundation for the subsequent full-scale UBI policy implementation. Although problems may still be encountered in the process of implementation, they cannot fundamentally negate the idea that universal basic income is the theoretically most appropriate policy in the post-pandemic era. Therefore, countries that are in a position to pilot welfare, especially developed countries that have already proposed similar welfare policies, should pay more attention to the implementation of a new UBI policy. However, most of the cases analyzed in this paper are from developed countries and do not cover the issue of how to implement a universal basic income in developing countries, specifically in the context of government fiscal deficits. Therefore, subsequent studies could start with less developed countries to further explore the feasibility of UBI.

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