



Women line up for various applications at the SEWA Cooperative Bank for Women.

PHOTO: WILLIAM ALBERT ALLARD

so Seikh was forced to borrow from local lenders at absurdly high interest rates—trapping her and her family in a vicious cycle of debt and poverty.

Seikh's story is far from unique. More than 90 percent of India's working population is in the informal sector. Among these people, more than 50 percent work in agriculture and allied trades, and more than 20 percent work in low-end manufacturing and services. Employment opportunities in the informal economy are always changing because of fierce competition, market trends, and changing economic policies. It is common, then, for informal workers to pursue more than one trade. A street vendor during the day may also work as a bidi (Indian cigar) roller at night and a kite maker during the kite festival. Informal workers rarely have any kind of insurance, health care, childcare, or access to formal banking. The lack of social protection is one of these workers' major hurdles to escaping from debt and poverty and to living a decent, dignified life.

One day, Seikh's neighbor introduced her to the Self-Employed Women's Association (SEWA), a trade union of more than 1.5 million low-income, informal sector women workers. SEWA promotes work, income, and social security for its members by offering direct access to loans and by facilitating access to health insurance, life insurance, home insurance, and crop insurance for rural workers, among other services. Its membership includes

workers from more than 125 trades, including tailors, waste pickers, street vendors, home-based workers, animal husbandry workers, and artisans.

Seikh signed up and immediately opened an account with SEWA Bank and began saving Rs 5 (\$0.07) a month. She then enrolled her children in SEWA's childcare center and entered a tailoring program. After six months, Seikh took out a loan for Rs 10,000 (\$135) and launched her own tailoring business from home. What began with small repairs and alterations grew to T-shirts, shorts, vests, and other apparel. Before long she was earning more than Rs 11,000 (\$150) a month, and she was also producing her own ready-made garments.

Now 51 years old, Seikh has had her tailoring business for more than a decade. Her family earns more than Rs 55,000 (\$750) a month. When she was an informal worker, she and her family were vulnerable to the ups and downs of daily hardship, unable to rely on a steady income or plan for their future. Today, she runs a thriving business, has health insurance, life insurance, and—most important—home insurance covering her place of work and source of income. In short, Seikh has beaten the cycle of poverty. **FD**

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# What Is Universal Basic Income?

Proponents hail simplicity and equity; skeptics worry about fiscal cost and incentives

Maura Francese and Delphine Prady

**MANY GOVERNMENTS PAY** pensions to elderly people, or unemployment benefits to those who lose their jobs, or child benefits to families. Cash transfers to households are common in most countries. What is a universal basic income, and how is it different from these programs?

Universal basic income is an income support mechanism typically intended to reach all (or a very large portion of the population) with no (or minimal) conditions.

Discussions around universal basic income can be heated, both in a scholarly context and in public discourse, and there is no established common understanding. Very different income-support programs are often labeled “universal basic income,” even when they have little in common or do not aim at the same goal.

Many ongoing and prospective experiments with universal basic income around the world refer to very different interventions. Examples include cash transfers to a selected group of unemployed people for a short time in Finland, to adults for 12 years in Kenya, and to randomly chosen households in California. This diversity reflects the absence of a unified definition and assessment methodology in both the literature and policy discourse.

Programs typically grouped under the universal basic income umbrella have a mix of key features (see chart). Does it replace or complement other social protection programs? Is the recipient an individual or a household? How is the pool of beneficiaries defined? What is the timing of the payment? Are there conditions attached?

Depending on how these key features are chosen and combined, scholars have proposed various forms of universal basic income (see chart).

Thomas Paine’s (1797) “ground-rent” resembles a categorical capital grant (for example, a one-time endowment to a specific group of people) aimed at fighting the transmission of poverty from one generation to the next. Milton Friedman (1968) saw the “negative income tax” as a way to replace the entire American welfare state to overcome administrative inefficiencies. Philippe Van Parijs (1992) advocates a regular, universal, unconditional, and generous cash transfer. Anthony Atkinson’s



(1996) “participation income” complements existing social programs and the minimum wage and is conditioned on a form of “social” participation—contributing to society through employment, education, childcare, or other activities. Across this broad spectrum, however, two common traits characterize and differentiate universal basic income-type programs from others:

- **Universality**—or very large—coverage of individuals in society
- **Unconditionality**—or very broadly conditioned provision—as is the case of Atkinson’s “participation income”

Proponents and opponents of universal basic income have highlighted several aspects, and arguments in its favor mirror those opposed. Some advocates point out that it does a better job of reaching the poor than means-tested programs—that is, programs that determine individual or family eligibility for government assistance based on an income or asset test. Many factors can keep means-tested programs from reaching the intended recipients—for example, administrative capacity, high information and administrative costs, poor performance of targeting mechanisms, and social stigma.

In principle, simple universal basic income programs could save administrative costs and increase