

What is UBI?

Universal basic income (UBI) is most commonly seen as a fixed cash grant programme regularly issued to all citizens, adhering to the principles of universality, individuality and unconditionality.

Widely discussed pros & cons

Pros: can improve social equity and happiness levels; increase consumption and demand; enable socially desirable risks to improve livelihoods, boost human capital investments, raise job access; reduce crime and child malnutrition; simplify welfare and lower administrative costs.

Cons: can also increase budgetary burdens; if high, could disincentivize work and savings, as well as reduce social/economic efficiency; some may also feel unearned income is unfair.

UNDP's work related to UBI

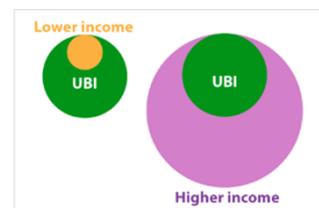
UNDP China conducted two [roundtable discussions](#) and [a working paper](#) on UBI in 2017. Based on this, an in-depth research report: [Universal Basic Income in China](#) was produced in 2019, outlining the policy outlook and challenges of potential UBI implementation in China's development context.

It concludes that China's economic conditions were not yet favorable for large-scale (national) implementation. If UBI were to be issued to the entire population with the standard of the subsistence allowance, then the financial expenditure would be 25 times the subsistence allowance, stretching limited fiscal resources.

UBI applications in COVID-19

The world economy risks recession, driven by the growing COVID-19 pandemic. Amid a global public health emergency, UBI and UBI-like interventions can be considered as part of a one-off stimulus package of policies to ameliorate its economic effects, while avoiding the heavier financial burden usually associated with UBI.

Some countries and regions, including [Canada](#), [India](#), [Japan](#), [UK](#), [US](#), and [Hong Kong SAR](#) are either pondering, or have already moved to, implement one-off or regular UBI-like direct cash transfers. In some cases, however, these are non-universal (e.g., targeting specific vulnerable groups such as in Statutory Sick Pay of UK), as economic shocks play out differently for different income groups. Individuals and families with lower and unstable incomes are more likely to be drawn into a downward spiral that will see them struggle to sustain basic needs. Already, job losses in various industries are rising, due to declining market demand, and lower supply of goods and services. In the context of COVID-19, a temporary, targeted UBI could be one tool in the response kit to protect the most vulnerable – such as in Hubei province, as well as informal sector workers – for whom this income could be vital. This would maximize the social impact from limited fiscal resources, by **increasing aggregate demand, through helping vulnerable people maintain their livelihoods and consumption levels.**



Key findings from research on China

Using mixed-mode survey methodology – combining traditional field surveys with gamification via a mobile game – UNDP's report on UBI in China garnered insights on the compatibility of UBI with China's existing social security system. It also analyzed how it would be received by society – e.g. if people would quit their jobs or/and spend less time at work after receiving UBI, etc.

The key findings are:

1) Currently, **China's subsistence allowance policies remain more economically efficient** than UBI. If current subsistence allowance budget was used to provide UBI to all China's registered populations, the per capita UBI would be only 244 RMB per year, which cannot meet people's basic needs.

2) **Country context and unique cultural factors matter.** As shown in the report, China's work culture and hard work ethic may help to mitigate potential disincentives related to work, particularly among better-educated and high-income groups. Traditional family-centered cultural values may lead Chinese respondents to reallocate time from work to family, and also to spend more on family support (e.g., educating children and caring for the elderly).

3) **A balanced mix of traditional and innovative tools and platforms** offers great potential for gathering behavioral data, which can assist in research analyses and further forming policy advice. In this report, data gathered through gamification indicates that players tended to save most of the UBI money received, mirroring the exceptionally high saving rate in China. Data on other habits and the tendency to stay in current jobs after receiving UBI is also largely consistent with survey results.

Recommendations for UBI responses in COVID-19

While many scholars do not consider a national UBI feasible, some have argued that **a pilot in the most affected area of Wuhan/Hubei would help the recovery process.**

Currently, the central government's [policy response](#) mainly targets businesses. For individuals, a recent [report](#) by Peking University has suggested that, under financial resource constraints, local governments can consider issuing **consumption vouchers** (消费券)¹ of 1000 RMB to targeted regions and/or groups (e.g., people living in Hubei province, or low-income groups) to help alleviate economic difficulties, boost consumption and increase demand in general, referring to Hong Kong's one-off

UBI cash transfer. Some local governments, such as [Ningbo and Nanjing](#), are **already prepared to implement** such a policy.

In fact, local long-term, small-scale UBI-like pilots have been carried out for decades by some [villages](#) and [districts](#) in China, mainly through 'corporatizing/ commercializing' use of household land property and collective asset management, in line with public land ownership rules. This also has similarities to how the [Alaska Permanent Fund](#) operates.

Based on our research, with temporary and regular UBI(-like) schemes ready to be put in place in a number of countries and regions, it is recommended that researchers and policymakers seek to **extract valuable "real-life experimental" lessons and data that are needed for enhancing our understanding of the real-life impact of UBI.** Carefully designing upcoming interventions to measure their economic and social impact is important. In this respect, **innovative approaches, such as gamification and digital platforms**, are expected to greatly support data collection, allowing for a better understanding of public responses and attitudes, especially in times of strict social distancing and self-isolating rules.

Sufficient data will help researchers to document and review at a later stage whether temporary measures have been effective **in a specific country context.** This could pave the way for considering a wider implementation of UBI later, as a part of the overall social safety net in more countries in future.

In this sense, the COVID-19 pandemic can be seen as a large, unplanned social experiment, offering a rare chance for cross-country learning on UBI and UBI-like applications. This could enable long-term social improvements, which UNDP stands ready to support.

Contact Information

United Nations Development Programme in China
Jiawen.Chen@undp.org
Rong.Shi@undp.org

¹ These vouchers can be used as cash when buying products (usually in a one-time purchase), but cannot be converted into cash.