UNIVERSAL BASIC INCOME
A Public Health Perspective
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graphic by Hyun Jae Nam
Free money for all – no strings attached?

It’s an idea that transcends centuries and political divides. From Thomas More to Elon Musk, Milton Friedman to Martin Luther King Jr., the idea of a universal basic income (UBI) has been promoted by some of humanity’s leading figures and now finds itself thrust back into mainstream political and economic discussions.[1] Its re-emergence is driven by concerns regarding the relentless march of automation, growing income inequality, increasingly precarious employment arrangements, and an inherent sense that there must be better way to secure one’s basic needs with our modern prosperity.[2] Given income is a fundamental determinant of health, affecting almost all health outcomes from infant mortality to overall life expectancy, a policy that would provide payments to all is a tantalising public health intervention. [3,4] So, does UBI work and what’s stopping us from introducing it? This article explores what we know about the effect of UBI on health outcomes and the key arguments for and against its implementation (Table 1).

Universal basic income 101
UBI has been defined as a periodic, unconditional payment to all individuals, without work criteria or means testing.[5] UBI aims to provide all individuals with the means to access basic needs such as food and housing, thereby significantly reducing or eliminating material poverty.[2]

Proponents argue that UBI removes the stigma, employment disincentives, and bureaucratic complexity associated with existing means-tested or work-defined social security programs. Furthermore, UBI would allow more time for education, caring, community, and voluntary work—activities which are invaluable to the health and wellbeing of society but do not have any direct monetary or economic value.[6] In addition, the security provided by basic income could spur greater entrepreneurship, so-called ‘venture capital for people’.[7]

On the other hand, critics argue that UBI would disincentivise work, promote dependency, is unaffordable, and lead to dismantling of existing welfare infrastructure that would leave the most vulnerable individuals of society worse off.[4,8] Clearly these are complex arguments rooted in political ideology, economics, and behavioural theory, but let us consider the relationship between UBI and health.

In March 2020, the first scoping review of the public health effects of basic income interventions was published by Gibson, Hearty, and Craig in The Lancet Public Health.[9] They were unable to identify any examples of a full basic income, that is, universal, unconditional, and regular payments to individuals over a specific time period. Nonetheless, several similar interventions involving lump-sum or regular, unconditional payments to certain individuals or households have been conducted. During the 1960s and ‘70s, negative income tax (i.e., unconditional cash payments below a certain income threshold) was trialled in several North American towns, most notably in Dauphin, Canada. More recently, the Alaskan Permanent Fund has delivered annual lump sum payments to residents using the state’s oil revenues, and Native American nations have distributed revenue from casinos to all tribal members in the form of dividend payments. Numerous studies have analysed the health, educational and social outcomes from these interventions, providing invaluable insight into the potential benefits and drawbacks of a universal basic income.[9]

What have we learned?
Studies into basic income interventions have identified modest to strong positive effects on birth weight; infant obesity; child and adult mental health; and overall hospital admissions and service use.[9] For instance, in the town of Gary (Indiana, USA), there was a significant increase in birth weight (136-544 g) amongst high-risk groups. Meanwhile in Alaska, birth weight increased by 17.7 g for every additional $1000 in annual payments.[10,11] Furthermore, results from the Great Smokey Mountains Study (GSMS) into Native American nations with universal payment systems identified large reductions in psychiatric disorders amongst children and adolescents (OR 0.66; 95% CI 0.48-0.90, p = 0.008), as well as modest reductions in body-mass index (0.6 lower at age 21) and obesity rates (2-4% decrease at age 21).[12,13] Perhaps most notably, total hospital admissions in Dauphin decreased by 8.5%, largely driven by reductions in admissions for accidents and mental health diagnoses.[14] The mechanisms underlying these improvements are multifactorial, but qualitative evidence suggests that reduced financial stress, improved parental supervision of children, and increased food security are implicit factors.[15,16]
Furthermore, basic income interventions have had positive effects on other social determinants of health, such as school absenteeism and familial relationships. For example, the basic income trials in North America showed that there were significant reductions in truancy, higher rates of school completion, and higher scores in standardised tests (e.g., the SAT).[17-19] In addition, GSMS identified several positive effects on families, including increased time supervising children, improved quality of parent-child relationships, and better relationships between parents.[9,16,19] Meanwhile, no effect on marital dissolution was identified.[9] This is important as early analysis of the UBI trials in Seattle and Denver erroneously identified a 50% increase in divorce rates. This finding was later attributed to statistical error but, at the time, it generated enough controversy to overshadow all other outcomes and derail President Nixon’s attempts to introduce UBI in the 1970s.[20] In lieu of long-term studies assessing basic income interventions, it is reasonable to suggest that these positive effects on education and familial relationships would lead to downstream health and economic benefits.

Table 1. Arguments for and against a universal basic income.

<table>
<thead>
<tr>
<th>For</th>
<th>Against</th>
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<tr>
<td>- End or significantly reduce absolute poverty</td>
<td>- Disincentive to work</td>
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<td>- Reduced costs and stigma compared with means-tested social security programs</td>
<td>- Cost</td>
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<td>- Protection against technological unemployment</td>
<td>- Inequitable as all individuals receive same payment regardless of income</td>
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<td>- Greater pursuit of entrepreneurial and creative endeavours</td>
<td>- Increased inflation, which may prevent any increased standards of living</td>
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<td>- Supporting unpaid carers, including full-time mothers</td>
<td>- May lead to loss of existing social security programs causing more harm</td>
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<tr>
<td>- Increased consumer spending</td>
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<tr>
<td>- Improved health and wellbeing</td>
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However, these interventions have not been without adverse effects. In Alaska, substance abuse-related crime and overall mortality increased in the 4 weeks following receipt of their annual lump sum, whilst Native American nations saw a doubling of mortality risk following dividend receipt, largely driven by motor vehicle accidents and substance use.[21,22,23] Significantly, both interventions involved large lump sum payments; the Alaska Permanent Fund pays annually, whilst childhood payments from Native American nations accrue and are paid as a lump sum once an individual reaches age 18. Similar rises in mortality have been identified following the receipt of other types of income, including social security payments, wages and tax rebates.[22] Qualitative evidence indicates that Native American youth often spend their substantial first payment on vehicle purchases and illicit substances.[21] Reassuringly, these effects were temporary. In Alaska, there was no change in annual crime rates, and mortality rates returned to baseline 4 weeks later.[23] In Native American nations, overall adolescent and adult rates of offending actually decreased significantly: individuals were 22% less likely to have been arrested at 16-17 years of age and there was an 11% reduction in the probability of paternal arrest.[9,19]

The ‘Laziness’ myth

One of the key criticisms labelled against universal basic income, and many other social security initiatives, is that it would lead to large reductions in employment and encourage idleness. Certainly, from a health perspective, the ‘laziness’ contention would be disastrous if proven true. However, as summarised by Gibson et al. in their scoping review, ‘A common argument against basic income, that it will lead to large reductions in employment, is not supported by the evidence reported here’.[9]

That is not to say there was no effect on employment. In North American towns with basic income interventions, total annual worked hours decreased 1-9% for married men, 3-33% for married women,
and 7-30% for single parents, but few of these effects were statistically significant.[9] On average, the reduction in paid work in these North American towns was 9% per family, with a significant portion due to adolescents delaying employment to seek higher education and women staying at home to look after young children.[20] The concluding report in the Seattle experiment notes that ‘[t]he declines in hours of paid work were undoubtedly compensated in part by other useful activities, such as search for better jobs or work in the home.’[20]

Unfortunately, our current political and economic systems, which are seemingly geared towards maximising gross domestic product, may deem any short-term reductions in working hours as undesirable without giving due consideration to the positive effects of these non-employment activities on individual, family, and societal wellbeing. Nevertheless, the time to dispel the ‘laziness’ myth is long overdue, at least until substantial evidence emerges to contradict these findings.

It’s unaffordable
Ultimately, the affordability of large-scale basic income interventions may be the most important factor in determining its implementation. Cost-benefit analyses are imperative to understanding the utility of any public health intervention, but there are currently no studies assessing the economic benefits of basic income interventions, which include reduced health service use, improved education, decreased crime, and better early childhood development, among others.[9] In addition there is no data on the effect of UBI on macroeconomic variables such as inflation, productivity, wage growth, and consumption.

However, several studies have attempted some cost-benefit estimates. A simulation model of the Alaska Permanent Fund estimated that every dollar paid in dividends led to a 20–92 cent decrease in healthcare expenditure, whilst the large reduction in hospital admissions and mental health service use in Dauphin was projected to result in substantial cost savings.[14,23] Furthermore, indirect economic benefits that have been identified include increased wages in Alaska and Dauphin, as well as increased average incomes in Native American nations.[9,24] Gibson et al. also note that the effects of basic income interventions on health and education outcomes exceed those usually obtained by targeted interventions, such as the provision of micronutrients for low birthweight or expenses for higher education.[9]

Additionally, proponents argue that there are significant cost savings to be made by dismantling the complex bureaucracy that underpins current social security programs and by discontinuing programs that would be made redundant by a universal basic income (e.g., Australia’s Newstart and Youth Allowance programs).

21st century UBI
Over the last 5–10 years, UBI trials have been proposed or implemented by various aid groups and governments. In 2013, an Indian non-governmental organisation (NGO), SEWA, partnered with UNICEF to trial unconditional cash transfers in several rural villages. Peer-reviewed studies into this pilot project have not been published, but a summary report identified numerous benefits including improved housing and sanitation, increased children weight for age, lower incidence of common illnesses, and improved school enrolments.[25]

Currently, a USA-based NGO, GiveDirectly, is conducting a controlled UBI trial in Kenya.[1] It involves 21,000 adults receiving 2250 Kenyan shillings (roughly US$22.50) per month and is planned to run for the next 12 years, making it the largest and longest UBI trial. The idea of direct cash transfers has been gathering steam in the aid industry, and this trial may be the ‘proof-of-concept’ required for governments and foreign aid institutions to jump on board.[26] Meanwhile, a two-year partial basic income trial was recently conducted in Finland. [27] Preliminary results were mixed: recipients of the partial basic income had significantly improved wellbeing (e.g., fewer problems related to health, stress, and concentration ability) and increased confidence in their employment prospects, but there was no difference in employment rates between trial and control groups.[27] Unfortunately, a three-year UBI trial in Canada, the Ontario Basic Income Pilot, was abandoned in 2018 due to a change in provincial government, despite early qualitative data highlighting positive sentiments from recipients.[28]

Show me the money
Universal basic income has arrived onto the political and economic mainstage, with 2020 US Presidential nominee, Andrew Yang, using UBI as a central platform in his campaign.[29] In fact, politicians and media outlets around the world have proposed
universal basic income schemes to cushion the economic crisis dealt by the COVID-19 pandemic. However, if universal basic income is to be a credible public health intervention once this crisis subsides, reliable data will be key. Large scale trials with community randomisation and appropriate comparison groups need to be conducted and evaluated over many years to appreciate the full effects of such an immense intervention. These trials are expensive and notoriously challenging to plan, but not unworkable. The Ontario experience alone highlights the enormous financial and political barriers to investigating universal basic income and unconditional cashless payments, but the seismic shifts that have occurred in global politics over the last few years suggest that now may be the time to try these ‘radical’ ideas. And, if so, a cheque for free money may just be on its way to you soon.

About the Author
Kajanan Parameshwaran is a final year medical student at the University of New South Wales who is interested in health economics. Kajanan is passionate about using economic policies to broaden access to healthcare, improve community wellbeing and tackle emerging public health challenges.

Conflicts of interest
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