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# Universal basic income and covid-19 pandemic

## Evidence backs up health benefits and may show the way forward

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The gulf between the wealthiest and poorest had been increasing even before the covid-19 destroyed the globe's health and economies.<sup>1</sup> Recent research indicates a growing depth of poverty, and women and children are the biggest casualties of this deepening divide.<sup>2</sup> The World Bank predicts the number of people in extreme poverty will increase by 70-100 million in 2021 alone.<sup>3</sup>

Welfare programmes were often criticised as unable to deal with economic changes, such as the threat of automation and rise in flexible work. However, since March 2020, rising inequality and drastic changes to the labour market have forced governments to implement economic initiatives, such as basic income programmes, that previously would have been politically untenable. Spain, for example, has given €1015 (£900; \$1200) a month to 850 000 households most in need,<sup>4</sup> and the US paid \$1200 to all adults earning less than \$9 000 annually.<sup>5</sup> Evidence from the many pre-existing universal basic income schemes<sup>6</sup> suggests they may be a valuable addition to other initiatives to alleviate poverty and improve health outcomes globally.

Universal basic income programmes aim to provide a net through which individuals cannot fall by providing unconditional payments to a given population. This is not a new invention, having been discussed in both economic literature and in regards to health inequality.<sup>7</sup> In practice, many existing schemes have been guaranteed basic income, which is a means tested approach, as governments have dipped their toes in the water.

### Benefits

The first nationwide randomised trial of basic income started in Finland in 2017, where 2000 unemployed recipients were paid €560 monthly over two years.<sup>8</sup> But most evidence comes from less developed countries. A review of 24 cash transfer trials in sub-Saharan Africa looked at social determinants of health.<sup>9</sup> All eight studies examining the financial effect found that short term poverty was reduced. Nine of 11 trials looking at healthcare use reported a positive effect, including an increased likelihood to seek healthcare when seriously unwell.

Pre-pandemic evidence from five out of six trials in Latin America reported a considerable reduction in short term poverty with universal basic income.<sup>10</sup> In Brazil, poverty has fallen to its lowest level in 40 years as about a quarter of the population have been receiving monthly cash payments of \$110 since March 2020.<sup>11</sup>

Poverty and stagnant income growth are inextricably entwined with poorer health outcomes. Evidence suggests reducing poverty improves mental health

and access to sufficient nutrition. In the recent OpenSafely study of over 17 million adults in the UK, deprivation status was strongly associated with covid-19 mortality.<sup>12</sup>

Childhood poverty is inversely related to working memory in young adults.<sup>13</sup> Children in the lowest 20% income bracket are 4.5 times more likely to develop severe mental health problems than those in the highest bracket.<sup>14</sup>

In Finland, recipients reported lower rates of depression, loneliness, sadness, and overall mental strain.<sup>8</sup> Innovations for Poverty Action studied the effect of a randomised controlled trial of universal basic income across 14 474 Kenyan households from 295 villages.<sup>15</sup> Rates of physical illness, mental health issues, and hunger were significantly lower in households receiving payments.

A review of studies, focusing on the effects of universal basic income on health, was published in 2020.<sup>16</sup> Twenty seven studies reported health benefits, including reduced mortality, improved adult health, and increased provision of nutrients for low birthweight infants.

### Criticisms

One common counterargument to basic income is the cost. The gross cost can be estimated by multiplying the basic income stipend by population numbers, but the actual cost will be less because a shift in the income tax burden means recipients partly finance the scheme themselves.

Sophisticated estimates value the cost of universal basic income in the UK at £65bn-£75bn.<sup>17</sup> This is less than 10% of the UK government's total spending. Furthermore, the benefits include alleviating poverty, improving the welfare state, and preparing for technological change, alongside ethical considerations. The net cost is, at most, the same as the most optimistic estimates of the total costs of Brexit.<sup>18</sup>

Another criticism is that universal basic income does not reach those most in need. Some people who currently receive multiple social security benefits might lose out. However, this depends on the level of the basic income, and short term steps to ensure people are not worse off would be relatively low cost.<sup>17</sup>

Finally, there is a fear that universal basic income disincentivises work. A review of several unconditional cash transfers has found little evidence for this concern, however, with minimal effects on labour supply.<sup>19</sup>

Poverty is increasing, and this damages the health of the most vulnerable members of society. Fiscally conservative governments are backtracking on previously inconceivable economic spending because of ballooning unemployment rates and shrinking economies. Universal basic income, or a variant, may help economic and health outcomes once normality resumes.

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