

The Universal Basic Income Debate After the Covid-19 Pandemic: Has Its Time Come?

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Universal basic income, which denotes a country allocating a regular unconditional cash grant to all its citizens, is back on the debate stage following the Covid-19 pandemic. The pandemic negatively impacted economically insecure sections of society and revealed the severe consequences of inequality. Social distancing and staying at home were not quite possible for low wage workers and those working in insecure sectors. Creating comprehensive protection mechanisms for sections of society for which staying at home meant facing heavy consequences like absolute poverty thus became a pressing issue. This brief evaluates universal basic income together with the pandemic and focuses on examples of countries where basic income has been implemented. How can the universal basic income debate be grounded in Turkey in line with these examples? How can universal basic income acquire a position within Turkey's social assistances regime, or can it even be positioned as an alternative to it? Is universal basic income possible in Turkey? This brief aims to discuss these questions.

The Pandemic, Economic Crises, and Poverty Management

Looking at examples in history reveals that widespread contagious diseases, referred to as pandemics, have had long term and deep sociopolitical impacts. The Plague contagion which caused the death of 20 million people in Europe in the 14th century led to large losses of workforce and dramatic rises in worker wages, completely altering the way the agricultural sector functioned in Europe (CEE, 2011). Meanwhile, the Spanish Flu which lasted from 1918 to 1920, causing about 40 million deaths around the world caused long term losses of workforce and great losses of income in the service sector (Garret, 2007).

The Covid-19 pandemic which emerged in November 2019 in China, causing 328,000 deaths in six months according to a report by the World Health Organization (WHO, 2020), is also expected to cause important economic and social changes in

the global system. According to a report published by the IMF in April 2020, the world economy is expected to shrink by 3% as a result of the pandemic (IMF, 2020). The International Labor Organization has posited that 5,3 million to 25 million people will be left unemployed across the world (ILO, 2020). Meanwhile, the European Commission expects the economy of Turkey to shrink by 5.4% in 2020 due to the impact of the pandemic.¹

In Turkey, as in the rest of the world, the first resorted protection mechanism against economic losses caused by the pandemic has been social assistances.

First, The Ministry of Family, Labour and Social Services (AÇŞHB) transferred 1,000 TL cash assistances in three phases to those in need,² then the government initiated a donation drive called “Biz Bize Yeteriz Türkiyem” (All We Need Is Each Other) and The Ministry of Treasury and Finance provided 240 billion TL of support to tradespeople, employers and retirees through the Economic Stability Shield Package.³

On the other hand, the unequal economic relations revealed by the pandemic caused the adequacy of social assistances to be questioned, and in some countries around the world, have brought the issue of transitioning to a universal basic income onto the agenda. First, Spain stated that it would implement a scheme referred to as “minimum income” in May.⁴ Meanwhile, in the UK, the basic income debate that has been ongoing for centuries was rekindled.⁵ Influential actors from across the political spectrum such as Pope Francis,⁶ Facebook founder Mark Zuckerberg,⁷ and Vice President of the European Central Bank Luis de Guindos⁸ have also shared sympathetic opinions concerning basic income in recent days, stating that the time for basic income has now come.

Turning to social policies over certain periods in the aftermath of economic crises is a familiar cycle under capitalism. A return to state intervention took place with the Keynesian policies adopted after the 1929 Economic Depression, however the extent of these measures was always constrained by the sustainability of market relations. Setting aside the period after World War II, dubbed the golden age of the Welfare State, the regulating governance policies created in the 90s for eliminating the dire economic effects of the post-1980 neoliberal process have also been market-oriented. The neoliberal paradigm has maintained itself in an effective way until today, including throughout the 2008 economic crisis, the effects of which are still being felt. Social policies created during crisis periods have emerged as a product of the process of managing poverty. The struggle against poverty has mostly been carried out through local and dispersed institutional mechanisms, relying on complementary social assistances, social projects and charity activities.

The management of poverty within a market economy can have two pillars: 1) Micro credit, vocational training and job provision geared towards recruiting individuals into the labor market, or support through various social assistances, 2) Universal basic income support that is on the agenda in many countries (although in different forms), which is based on recognition of the failure of the market economy and the determination that full employment cannot be provided under current conditions (Özbek, 2007:43-46).

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Universal Basic Income

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Universal basic income is defined as allocating regular and unconditional cash payments to all citizens in a country or those under a certain level of income, using public resources. The roots of the idea go back to Juan Vives's work titled *On Assistance to the Poor (1526)*⁹ and Thomas More's *Utopia* written in the 16th century. Universal basic income does not require detailed needs assessment and work conditionality; each individual in society receives a payment of an amount that will not discourage working. Universal income is also characterized

as a right of citizenship. Its basic aim is to distribute welfare to general society and prevent social tensions caused by income inequality. It has varieties such as guaranteed minimum income, negative income tax, basic income and progressive income support (Kaya, 2019: 134).

Despite the recent resurgence of interest in basic income, implementation has remained limited to partial or conditional initiatives and has not been fully realized. Countries are still weighing the pros and cons. Arguments in favor of basic income are as follows:

- There is no linear relation between employment, growth and individual livelihoods. Full employment is not possible under market conditions. In addition to the unemployed, the market has also created the working poor. Universal basic income reduces the poverty of the working poor.
- Remaining unemployed for an extended period makes it hard to find a job. A small starting income support will trigger job discovery, reducing unemployment.
- Universal basic income grows the middle class by transferring income from the upper classes to the lower classes. It reduces income inequality.
- It protects persons who are income-insecure from mistreatment (domestic violence, unfair working conditions etc.)
- It is an alternative to problems in existing social assistance systems (repeat utilization, favoritism, patronage, inadequacies in needs assessment scales etc.)

Arguments against universal basic income on the other hand are that it will discourage people from working, raise public spending, cost too much (according to a study conducted in the USA, the cost of a universal basic income is 3 trillion dollars a year)¹⁰ and that it will increase inequality if it is paid to the rich. If a universal basic income is implemented alongside a negative income tax and progressive income support methods however,¹¹ the amounts paid to the rich can be reclaimed through taxes, eliminating this drawback. Furthermore, the costliness of basic income is a matter of debate too. An empirical study conducted for the case of the USA (Harvey, 2006), has demonstrated that contrary to assumptions, the cost of the policy is affordable. Pereira's research (2017) has also shown that contrary to the thesis that a basic income in Canada would be too expensive, its cost can be scaled down to a reasonable level. Meanwhile, the Itinera Institute in Brussels has characterized basic income as a trap in one of its studies, stating that it would cause social security deficits and subject sections of society that rely on social protections (retirees, the unemployed etc.) to income losses (Servantie, 2017: 6).

Examples of Countries that Have Implemented or are Debating Implementing Universal Basic Income

USA / Alaska

Alaska is the only state in the USA where universal basic income has been implemented in a way that is very close to its full definition. Since 1982, the program financed by the Alaska Permanent Fund allows every living citizen who has resided in Alaska for at least 1 year to receive \$2,000 of assistance a year. Alaska has high oil revenues and is the state with the lowest level of poverty in the USA.¹² The Alaska Permanent Fund, which has been in place for 38 years, provides important data regarding the practical outcomes of universal basic income. According to one study, while full time employment has remained constant in Alaska since 1982, there has been a drop in the rate of part time employment in recent years.¹³ A study report published in March 2019 has shown that the universal basic income policy has produced different outcomes in female and male employment in Alaska.¹⁴ According to this report, a \$1,000 rise in income has reduced employment in both women and men in the first three months following the payment.¹⁵ Meanwhile, according to Kozminski and Baek's research (2017: 98), the Alaska Permanent Fund has increased income inequality in Alaska over the short and long term.

Brazil

Brazil has had a national targeted income transfer program called the Family Allowance Program (Bolsa Familia) since 2003. In 2001, Brazilian Workers Party Senator Eduardo Suplicy rendered Brazil the first country that legally mandated a policy that is close to a basic income (Suplicy, 2007). This basic income policy has significantly reduced poverty rates in Brazil. The program, which when it first began only targeted households living below the absolute poverty line, expanded in short time to encompass ¼ of the country's population (Silva and Lima, 2017). Accordingly, all households in Brazil with monthly incomes below \$64 are able to take advantage of the assistance and can raise their incomes above the minimum wage. Furthermore, a Citizenship Basic Income (CBI) was approved with a law that passed parliament in 2004. A basic income payment was aimed for persons residing in the country for at least 5 years, regardless of social and economic condition. With a law passed on March 30, following the Covid-19 pandemic, 49 million Brazilian citizens with low incomes have begun receiving a payment of 600 BRL (half of minimum wage).¹⁶

UK

Social assistance spending is highly important and commands a large share in the welfare system of the UK. Social security expenditures in the period of 2018-2019 constituted 27.7% of total government spending.¹⁷ The total social assistance expenditure made in the period 2019-2020 was £220 billion.¹⁸ Basic income has been debated at the political level since the 1800s, however it has not yet been

implemented. The Universal Credit program implemented in 2010 is seen as an important step towards a basic income. The Universal Credit program is a replacement, in the form of regular monthly or weekly cash assistances, for six different previous social assistance items.¹⁹ According to a public poll conducted after the pandemic in April 2020 by research firm YouGov, 51% of the people in the UK support a universal basic income, while 24% oppose it.²⁰

Finland

Since January 2017, in Finland, the Finland Social Insurance Institution (KELA) has started giving a €560 net citizen's income to 2,000 citizens randomly selected out of unemployment benefit receivers, which will be maintained even in case they start working at a job (Servantie, 2017: 8). This program is termed a targeted basic income. As distinct from local pilot programs in other countries, the basic income program in Finland has the characteristic of being the first countrywide randomized example in the field. According to a Helsinki University study in 2018, the basic income program increased perceived welfare and life satisfaction in Finland (people felt happier and more secure), however it has had no effect on unemployment.²¹

Iran

Iran is the only country that makes unconditional cash transfers to all its citizens countrywide. The basic income experience in Iran is actually paradoxical; the concept is almost unknown in the country and lacks a social discourse around it. The program was put in place in late 2010 by President Mahmud Ahmadinejad to replace deep cuts to gas and bread subsidies. Iranian citizens receive a monthly cash payment of 455,000 IRR (about \$45) per person. It falls short of a basic income in terms of its quantity compared to what is prefigured in the relevant literature, however it is a basic income program in the full sense in terms of its comprehensiveness (Tabataba, 2012).

Universal Basic Income in Turkey: Is It Possible?

While universal basic income is discussed from time to time in Turkey on academic platforms and by NGOs, it has not been echoed by the political sphere; it has not yet become part of the agenda of governments.

As of 2018, the ratio of social assistance spending to GDP in Turkey was 12.5% (OECD, 2018). This ratio is low compared to the average of OECD countries (20%).²² The total amount of social assistance spending by the AÇSHB in 2018 was 43 billion TL, with about 3.5 million households benefitting from these social assistances (AÇSHB, 2018:138). The budget allocated for social assistances in 2019 was 62.1 billion TL (Presidency of Strategy and Budget, 2019).

A simple calculation shows that if 3.5 million households that could be receiving a universal basic income were to be paid 1,000 TL a month, the yearly cost would be 42 billion TL.²³ The total cost to the Treasury

would again be 42 billion TL if 7 million households were assumed²⁴ and these households were to be paid 500 TL per month instead. These numbers are smaller than the budget the government allocated to social assistances in the year of 2019. If the number of households were to be kept the same at 7 million, but the amount of payment raised to 750 TL, the yearly cost would be 64 billion TL. This amount corresponds to the social assistance spending of the government in the year 2019 (62.1 billion TL).

There are many institutions and associations in Turkey besides the AÇSHB that offer social assistances, the foremost among them being local governments.²⁵ If the expenditures made by these are included in the calculation, it is evident that the amount spent on social assistances as they currently exist are in fact even higher.

A calculation can also be made based on the number of poor people living in Turkey. According to the 2018 Income and Living Conditions data of the Turkish Statistical Institute (TÜİK), the number of poor people with incomes below 50% of the median, is 11 million (TÜİK, 2018). A monthly minimum income payment of 500 TL to 11 million people would cost 66 billion TL a year.

Social assistances in Turkey are becoming increasingly common, the number of programs is increasing and their share in expenditures tend to rise. The ratio of social spending to GDP has increased by 3 times between 2002 and 2012, and by about 9 times between 2012 and 2018.²⁶

In parallel with tendencies around the world, social assistances in Turkey are losing their complementary character and are becoming one of the first means of social protection resorted to in case of economic crisis (Kutlu, 2020). In the present period, when economic vulnerability and stagnation has increased, universal basic income ought to be brought to the agenda as a support mechanism that offers a high degree of protection. The policy of basic income presents an alternative to the issues (institutional disorganization, repeat utilization, patronage, perception of iniquity, in-kind assistance distribution hurting the dignity of citizens etc.) experienced in the provision of social assistances in Turkey. Most importantly, universal basic income appears to be a necessary method in managing poverty which is rights based, permanent and regular, which must be preferred over social assistances that are temporary, irregular and that can be withdrawn at any moment. Nevertheless, it is incorrect to expect universal basic income to be a panacea if only it gets implemented. Looking at examples of it around the world shows that the mitigating effect of basic income on poverty is accepted, but its effects on employment and income equality are a matter of debate. The first step forward can be pilot programs created by heeding examples from other countries and by weighing advantages and disadvantages. Charting a course according to outcomes gleaned by impact analyses as the process unfolds may be the right option for making a start.

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Notes

- 1 <https://www.dunya.com/ekonomi/ab-komisyonu-turkiye-ekonomisi-2020de-yuzde-54-daralacak-haberi-469639>
- 2 <http://www.ailevecalisma.gov.tr/tr-tr/haberler/2-milyon-300-bin-haneyeye-1-000-er-tl-nakdi-destek-odemeleri-basladi-1/>
- 3 <https://www.t24.com.tr/haber/albayrak-koronavirus-paketi-harcamalari-240-milyar-liraya-ulasti,878335>
- 4 <https://www.euronews.com/2020/04/17/universal-basic-income-will-it-become-a-reality-after-lockdown-is-lifted>
- 5 <https://www.theguardian.com/commentisfree/2020/apr/07/uk-workers-economic-coronavirus-guarantee-universal-basic-income>
- 6 <https://www.cnbc.com/2020/04/13/pope-francis-it-may-be-the-time-to-consider-a-universal-basic-wage.html>
- 7 <https://www.cnbc.com/2017/07/05/mark-zuckerberg-supports-universal-basic-income-like-he-saw-in-alaska.html>
- 8 <https://www.dw.com/en/spain-discusses-basic-income-for-the-poorest-amid-coronavirus-fallout/a-53096390>
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- 10 <https://www.cbpp.org/poverty-and-opportunity/commentary-universal-basic-income-may-sound-attractive-but-if-it-occurred>
- 11 For detailed information, see: Kaya, M. (2019). Türkiye'de bir sosyal harcama olarak evrensel temel gelir uygulaması [Universal basic income policy as a social expenditure in Turkey]. Politik Ekonomik Kuram, 3 (1)129-149.
- 12 https://www.vice.com/en_us/article/jp5wdb/only-state-free-money-alaska.
- 13 <https://www.sciencenews.org/article/alaska-free-money-residents-hints-how-universal-basic-income-may-work>
- 14 <https://www.sciencenews.org/article/alaska-free-money-residents-hints-how-universal-basic-income-may-work>
- 15 Female employment has decreased by an additional 4% compared to male employment.
- 16 <https://www.opendemocracy.net/en/democraciaabierta/covid-19-brazil-implements-basic-income-policy-following-massive-civil-society-campaign/>
- 17 <https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-information-and-guidance/benefit-expenditure-and-caseload-tables-information-and-guidance>
- 18 <https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-2020>
- 19 <https://www.gov.uk/universal-credit>
- 20 <https://www.independent.co.uk/news/uk/politics/coronavirus-poll-universal-basic-income-rent-control-job-safety-a9486806.html?amp>

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- 21 <https://www.helsinki.fi/en/news/nordic-welfare-news/heikki-hiilamo-disappointing-results-from-the-finnish-basic-income-experiment>
- 22 OECD. (2016). Social Expenditure Database (SOCX). <http://www.oecd.org>: <http://www.oecd.org/social/expenditure.htm>
- 23 $3,500,000 \times 1000 \times 12 = 42,000,000,000$
- 24 According to TÜİK (2018) poverty statistics, the poverty rate in Turkey is 13% and the number of poor individuals living below the median income is about 11 million. 7 million households correspond to 28 million individuals on average. This calculation suggests that basic income can also be provided to the income group one level above the lowest income group.
- 25 The Ministry of National Education, the Ministry of Health, the General Directorate of Credit and Dormitories Agency under the Ministry of Youth and Sports, and the General Directorate of Foundations provide various social assistance services.
- 26 According to ASPB data, the amount of funding used in the area of social assistances between 2002 and 2013 has increased by 15 times. While the amount of funding used in this area was 1.376 billion TL in 2002, by the end of 2012, it had risen to 19.824 billion TL. In the 10-year period between 2002 and 2012, a total of 106.575 billion TL has been spent in the area of social assistances and services. The ratio of spending of a social assistance and social service nature to GDP has risen by about 3 times. While this ratio was 0.5% in the year 2002, it had risen to 1.4% by the end of 2012. (ASPB, 2013: 14) The share of social expenditures among GDP in 2018 has been 12.5% (OECD, 2018).

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