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# Universal Basic Income and Social Equality: To What Extent Does UBI Eradicate Poverty and Elevate Equality?

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ANA NAUMOSKA<sup>1</sup>

## ABSTRACT

*Universal Basic Income has, during the past decade, gained worldwide attention as a new policy solution to the age-old problems of poverty, income inequality, and economic insecurity. Grounded in the guarantee of unconditional cash transfers to all, regardless of socioeconomic status, UBI promises to reduce structural inequalities and ensure at least a minimum standard of living consistent with universal human rights. This essay explores UBI's efficacy in poverty elimination and promoting social equality using empirical research techniques, case studies, and theoretical frameworks. Rooted in egalitarian principles championed by philosophers such as Thomas Paine, right down to contemporary proponents such as Philippe Van Parijs, UBI is presented as a policy tool for promoting distributive justice, empowering marginalized groups, and encouraging social equality.*

*The merits of UBI include an accent on welfare systems reduction, an abolition of the stigma associated with means-tested benefits, and a pathway leading toward financial security and autonomous expression. Various case studies include Finland's 2017-2018 experiment and Kenya's GiveDirectly program, which validate UBI's efficacy toward improved mental health, wellbeing, and local economic results. Conversely, it is also subjected to critical examination regarding its labor market implications, inflation, and political viability. The report shows that these ills can be addressed through progressive taxation, regulation, and complementary investments in education, health, and infrastructure.*

*Recommendations include iterative pilot learning and adaptive UBI design for specific economic and cultural situations. As societies strive to find responses that might mitigate the impacts of automation, climate change, and rising inequality, UBI is increasingly attractive as a policy that promises a fairer and more equitable future. This article serves to set the current debate into context by offering a balanced assessment of the transformational potential of UBI to eradicate poverty and improve social equity.*

**Keywords:** UBI, social equality, poverty.

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<sup>1</sup> Author is a Teaching assistant and LLM candidate at AUE-FON, North Macedonia.

## **I. INTRODUCTION**

Universal Basic Income has enjoyed limelight worldwide due to its novel solution to age-old social evils like poverty, income inequality, and economic insecurity. It is unconditional in nature and ensures a sum of money to all citizens irrespective of one's socio-economic status, job, or any other criterion. This policy is supposed to reduce structural inequalities and allow people to reach at least that minimum of resources necessary for a decent and dignified life, which is in line with the very principle of universal human rights.

The notion of UBI breaks the mold of traditional welfare state models since it eliminates bureaucratic hurdles and stigma of means-tested benefits in favor of a more straightforward, equal alternative to the existing targeted benefit programs. Proponents claim it engenders financial freedom, economic security, and liberates the most vulnerable communities, therefore charting their way into a more equal society. It has also been seen as one of the possible solutions to pressing global issues like job displacement from automation and the rich-poor divide.

In this paper, UBI's strengths and weaknesses for reducing poverty and increasing social equity are put into consideration. The discussion goes deep into the effects of UBI based on empirical data, case comparative studies worldwide, and from expert input in areas of economic and social concern. This discussion develops around the results of a number of experiments with UBI, the possibilities and limitations of UBI under various cultural, economic, and political conditions, and the broader implications for racial justice, gender equality, and the redistribution of wealth.

It is within this context that the paper tries to make some contribution to the ongoing debate on UBI by offering a decent account of its potency as a new policy tool. Such an argument based on evidence and countering the usual criticism will thus give policymakers, academics, and other stakeholders the reason to see UBI's potentials for reshaping the future of social welfare and economic justice.

## **II. UNDERSTANDING UNIVERSAL BASIC INCOME**

The concept of UBI has been defined as "a periodic, unconditional cash payment level grant to all individuals, regardless of income, employment, or any other factor".<sup>2</sup> In this context, it is specified that UBI is "a guaranteed income paid by a political community to all its members on an individual basis, without means test or work requirement" by Van Parijs and Vanderborght

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<sup>2</sup> Guy Standing, *Basic Income: And How We Can Make It Happen* (Penguin 2017).

.<sup>3</sup> According to the Basic Income Earth Network, UBI is "universal, individual, unconditional, and periodic income" and "entitles everyone to an equal right without consideration of any particular situation".<sup>4</sup> The definitions stress that the basic notion of UBI is universality and simplicity.

Unlike earlier conditional welfare programs that involve means testing and eligibility assessment, UBI eliminates all bureaucratized obstacles in ensuring that no citizen falls below a basic subsistence level. For instance, Murray shows that UBI is intended to simplify social welfare by discarding fragmented and sometimes inefficient welfare programs for a single type of payment.<sup>5</sup> In the same line of argument, Haarmann et al. argue that UBI clears the path for an effective safety net capable of adapting to new economic realities devoid of any stigma associated with recipients.<sup>6</sup>

The proponents of UBI contend that it can raise financial security, reduce poverty, and promote individual freedom by enabling individuals to make independent life choices.<sup>7</sup> UBI has also been associated with promoting creativity and entrepreneurship because recipients are freed from the economic stress of meeting basic needs.<sup>8</sup> By providing a lasting floor for income, UBI could address systemic imbalances and empower marginalized groups.

However, concerns of UBI affordability at the national level, straining public coffers, are routinely cited by critics. Other critics, such as Tanner, have argued on the basis of presumed work disincentives, claiming that unconditional payments would act as an incentive against participation in the labor force.<sup>9</sup> For instance, empirical studies based on experiments-for example, a trial project conducted by Finland in 2017-2018-show that UBI does not influence work motivation among its recipients negatively.<sup>10</sup> Moreover, proponents such as Standing highlight that UBI's promise to alleviate poverty and inequality is more significant than such perceived risks, particularly if implemented with sustainable funding mechanisms.<sup>11</sup>

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<sup>3</sup> Philippe Van Parijs & Yannick Vanderborght, *Basic Income: A Radical Proposal for a Free Society and a Sane Economy* (Harvard Univ. Press 2017).

<sup>4</sup> Basic Income Earth Network (BIEN), "About Basic Income" (2020), available at <https://basicincome.org/what-is-basic-income/>.

<sup>5</sup> Charles Murray, *In Our Hands: A Plan to Replace the Welfare State* (AEI Press 2016).

<sup>6</sup> Claudia Haarmann et al., *Towards a Basic Income Grant for All* 10 (Basic Income Grant Coal. 2009).

<sup>7</sup> Hilary Hoynes & Jesse Rothstein, Universal Basic Income in the US and Advanced Countries, 11 *Ann. Rev. Econ.* 929, 929–58 (2019).

<sup>8</sup> Sarath Davala et al., *Basic Income: A Transformative Policy for India* 45 (Bloomsbury 2015).

<sup>9</sup> Michael Tanner, Five Big Problems with Basic Income Guarantees, *Cato Inst. Pol'y Analysis* No. 773, at 7 (2015).

<sup>10</sup> Olli Kangas et al., *Experimenting with Unconditional Basic Income: Lessons from the Finnish BI Experiment 2017–2018* 23 (Edward Elgar Publ'g 2021).

<sup>11</sup> *Supra* note 1, Guy Standing

### III. THEORETICAL UNDERPINNINGS: UBI AND SOCIAL EQUALITY

The reason is that the very notion of UBI has a basis in egalitarian theories of justice, whereby theorists like Thomas Paine and John Stuart Mill have long argued that the redistribution of wealth is central to realizing social equality. Thomas Paine, in his highly acclaimed book *Agrarian Justice*, espoused the concept of a social dividend financed by a land tax, with the objective of allowing people to have a respectable life.<sup>12</sup> John Stuart Mill also promoted wealth redistribution through progressive taxation among other policies to reduce inequality and foster social welfare.<sup>13</sup>

Various contemporary theorists have further elaborated on these pioneering works by revising the ideas to apply to prevailing economic and social conditions. Philippe Van Parijs focuses on UBI as a policy crafted to promote "real freedom" for all by eliminating the economic barriers that prevent people from making significant choices in their lives.<sup>14</sup> Van Parijs and Vanderborght view UBI as a moral obligation needed to make inequalities systemic and provide all people with economic means for accessing opportunities independent of their socioeconomic status. Van Parijs & Vanderborght propose UBI as the meeting point of the theoretical aspiration of justice and the practical realities of economic inequality.<sup>15</sup>

The other egalitarian grounds on which UBI may be based also follow from Amartya Sen's capability approach; he defines genuine freedom as being in people's power to pursue their goals and contribute to society fully. In this model, UBI is reconcilable because it secures at least that degree of financial security necessary for investment in education, health, and personal growth.<sup>16</sup> Advocates believe that UBI liberates individuals from vicious circles of poverty and exploitation and is able to enable the building of a fairer society by lessening dependence on precarious employment or insufficient welfare states.

By addressing the structural barriers to equality, UBI has been touted as the revolutionary policy that will actually implement ideas of distributive justice. Its implementation is seen not just as economic policy, but as a moral imperative for allowing all people to live with autonomy and dignity.

### IV. EMPIRICAL EVIDENCE: UBI AND POVERTY REDUCTION

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<sup>12</sup> Thomas Paine, *Agrarian Justice* (Hyweb Tech. Co. Ltd. 2011).

<sup>13</sup> John Stuart Mill, *Principles of Political Economy* (Longmans, Green, Reader & Dyer 1871).

<sup>14</sup> Philippe Van Parijs, *Real Freedom for All: What (If Anything) Can Justify Capitalism?* (Oxford Univ. Press 1995).

<sup>15</sup> Philippe Van Parijs & Yannick Vanderborght, *Basic Income: A Radical Proposal for a Free Society and a Sane Economy* 45 (Harvard Univ. Press 2017).

<sup>16</sup> Amartya Sen, *Development as Freedom* (Oxford Univ. Press 2001).

### **Case Study 1: Finland's Basic Income Experiment (2017–2018)**

Finland's experiment was paying € 560 a month to 2,000 jobless. Results communicated that as compared to a control group, recipients showed better mental health and lower stress and life satisfaction. On the other hand, changes in employment were negligible.<sup>17</sup> This therefore means that UBI could be promising on the psychic costs of poverty but also reemphasizes the need for complementarity on employment issues.

### **Case Study 2: GiveDirectly's UBI Pilot in Kenya**

GiveDirectly, an NGO working in Kenya, implemented a UBI trial that distributed unconditional cash grants to more than 20,000 individuals. Preliminary findings showed major advancements in health, nutrition, and education, as well as greater entrepreneurial activity in recipient villages<sup>18</sup>. The example demonstrates the potential of UBI to stimulate sustainable development among impoverished communities.

## **V. POVERTY REDUCTION STATISTICS**

Globally, it has been estimated that a UBI pegged at the poverty level would cut poverty rates by over 50 percent in most developing nations World Bank 2022. In the US, for instance, scholars estimated that a UBI of \$12,000 a year would slash poverty from 12.8 percent to 2.8 percent with minimal adverse effect on labor force participation.<sup>19</sup>

### **(A) Redressing Social Inequality with UBI**

*1. Gender Equality:* UBI can serve to empower women-especially under patriarchal societies-because economic dependence on male members of the family reinforces gender inequality. Evidence from India's UBI pilot programs suggests that, indeed, the financial independence of women increased considerably and consequently led to a higher decision-making power within the household.<sup>20</sup>

*2.Reducing Racial Inequalities:* UBI would be capable of addressing systemic racial disparities by providing marginalized communities with the resources needed to eliminate generation-to-generation gaps in wealth. For instance, in the United States, African American families possess

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<sup>17</sup> Olli Kangas et al., *Experimenting with Unconditional Basic Income: Lessons from the Finnish BI Experiment 2017–2018* 23 (Edward Elgar Publ'g 2021).

<sup>18</sup> Johannes Haushofer & Jeremy Shapiro, *The Short-Term Impact of Unconditional Cash Transfers to the Poor: Experimental Evidence from Kenya*, 131(4) *Quarterly Journal of Economics* 1973–2042 (2016).

<sup>19</sup> Hilary Hoynes & Jesse Rothstein, 'Universal Basic Income in the US and Advanced Countries,' 11 *Annual Review of Economics* 929, 929–958 (2019).

<sup>20</sup> Sarath Davala, Renana Jhabvala, Soumya Kapoor Mehta & Guy Standing, *Basic Income: A Transformative Policy for India* 45 (Bloomsbury 2015).

far less wealth than white families—a UBI would be capable of bridging the gap.<sup>21</sup>

*3. Improved Educational Outcomes:* UBI relaxes some of the financial pressures that prevent people from investing in education and skills acquisition. In Namibia's Basic Income Grant pilot, school attendance and enrollment among children of beneficiaries increased massively.<sup>22</sup>

### **(B) Economic Viability of UBI**

Critics often point out the allegedly high budgetary cost of UBI. To put it into perspective, a universal UBI in the United States providing \$1,000 a month to all adults would reach an estimated \$3.8 trillion a year, which accounts for about 18% of GDP<sup>23</sup>. On the other hand, defenders object that UBI is payable through progressive taxation, the abolition of the current welfare bureaucracy, and cuts in extravagant subsidies.

### **(C) Comparison with Other Welfare Programs: UBI**

Unlike welfare benefits, which are commonly targeted, UBI does not carry the stigma of a means-tested benefit, and everyone has the assurance of receiving their benefit. The universality of UBI contributes to social cohesion, in the sense that all citizens are treated equally irrespective of work or income condition. The simplicity in UBI conserves the administrative cost and enhances transparency. To illustrate, India's current machinery for targeted subsidy schemes is plagued by inefficiency and corruption, with more than 40 percent of the subsidies distributed not reaching the targeted beneficiaries.<sup>24</sup> In contrast, a UBI system would mean a direct, transparent cash transfer with almost no leakages and definitely on an equal footing.

## **VI. CHALLENGES AND CRITIQUES OF UBI**

*Labour market consequences:* Critics argue that UBI policy would reduce incentives to work, especially among low-income earners. However, judging by the empirical evidence of the UBI experiments, the concern could be blown out of proportion. An experiment in Finland in 2017-2018 found that there was no significant reduction in employment among the beneficiaries, while on average, the beneficiaries reported improved mental well-being and higher life satisfaction.<sup>25</sup> Similarly, a study of Canada's Mincome experiment during the 1970s found only modest reductions in work hours, and primarily for secondary earners and caregivers.<sup>26</sup>

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<sup>21</sup> Emmanuel Saez & Gabriel Zucman, 'Top Incomes and Tax Policy,' 3(Supplement\_1) *Oxford Open Economics* i1130–32 (2023).

<sup>22</sup> *Supra* note 5, Claudia Haarman

<sup>23</sup> *Supra* note 4, Charles Murray

<sup>24</sup> Puja Dutta, *Improving the Efficiency of India's Social Programs: Cash Transfers and Their Potential Role* 23 (World Bank 2018).

<sup>25</sup> *Supra* note 16, Kangas et al.

<sup>26</sup> Evelyn L. Forget, 'The Town with No Poverty: The Health Effects of a Canadian Guaranteed Annual Income

*Inflation Risks:* Economists have contended that heightened spending power would cause inflation, especially in housing and essentials. Though there is such a risk, regulatory policies targeting specific sectors, like rent control and price surveillance, would mitigate inflationary risks. In addition, the experience of cash transfer programs in developing nations shows that the inflationary impacts are usually local and temporary.<sup>27</sup>

*Political Feasibility:* UBI faces strong political opposition from stakeholders invested either in existing welfare systems or ideologically opposed to any redistributive policy. Further, there are those who point to the inability of the public to be mobilized for the initial cost of UBI. According to Guy Standing,<sup>28</sup> the only way these obstacles could be overcome is by expounding how the long-term benefits of UBI would result in reduced poverty, better health, and economic stability.

## VII. POLICY PROPOSALS FOR EFFECTIVE UBI IMPLEMENTATION

*Progressive funding mechanisms* involve financing UBI by progressive taxation, carbon taxation, or wealth taxation. A Canadian carbon tax, for example, is demonstrated to generate enormous revenues that can be partially utilized to finance UBI while providing an incentive for ecological sustainability.<sup>29</sup> Taxes on the wealth of the top 1% income earners can also be employed to supply a secure foundation of funding without falling too heavily on middle or low-income segments.

*Complementarity Policies:* In order for UBI to realize its utmost potential, it must be teamed with investments in education, infrastructure, and healthcare. These complimentary policies address entrenched inequities and ensure UBI's constructive impacts are expansive in scope beyond the immediate-run monetary relief. For example, improving access to affordable childcare and education could escalate the long-term beneficial impacts of UBI on both social mobility and gender equality.

*Pilot Programs and Iterative Learning:* The effect of UBI and its implementation must be tested through pilot programs by governments. Well-designed pilots, such as those in Namibia and Kenya, yield crucial information guiding scale-up. GiveDirectly's UBI experiment in Kenya, for instance, displayed serious gains in health, nutrition, and local business activity; thus, it shows persuasively the transformational promise of unconditional cash transfers. Haushofer &

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Field Experiment,' 37(3) *Canadian Public Policy* 283–305 (2011).

<sup>27</sup> David Evans & Anna Popova, Cash Transfers and Temptation Goods, 21 *Econ. Dev. & Cultural Change* 45, 45–72 (2014).

<sup>28</sup> *Supra* note 1, Guy Standing

<sup>29</sup> Larry Hughes & Sahar Noor, 'Financing a Green UBI through Carbon Taxes: A Canadian Case Study,' 45(3) *Canadian Public Policy* 360–380 (2019).



Shapiro 2016 Similarly, Namibia's Basic Income Grant experiment reduced poverty and improved education outcomes and thus serves as a case for contextualizing UBI.<sup>30</sup>

## VIII. CONCLUSION

Universal Basic Income is one of those ingenious policy proposals which if implemented correctly might heal some of the worst wounds of contemporary society, such as poverty, inequality, and economic insecurity. The UBI provides unconditional and universal financial support, thereby skirting around inefficiency and stigma from targeted welfare policies, thus smoothing the path for further resource distribution in an equitable manner-so that people can live in dignity and self-determination.

Empirical data from experiments ranging from Finland to Kenya to Namibia of how UBI could improve mental health, spur economic activity, and reduce poverty. These case studies suggest that while the value of UBI in the short term is in providing immediate economic relief, it will yield very significant long-term social benefits, such as better health outcomes, improved educational attainment, more gender equality, and the elimination of systemic racial disparities.

In fact, the adoption of UBI is not devoid of challenges. Issues such as labor market participation, inflation, and fiscal sustainability do require intelligent design and policy interventions to overcome. Indeed, progressive taxation, regulation safeguards, and complementary investment in education, healthcare, and infrastructure-all these are necessary to maximize the effectiveness of UBI and make it viable. Pilots are also very informative for UBI adaptation to a specific economic, cultural, and political context.

With automation, climate change, and widening income gaps pressing down upon the world, this is a far-sighted, ambitious step toward the future of social welfare. This could be a path to a more inclusive, resilient, and fairer society. Stakeholders, researchers, and policymakers at all levels must enter into evidence-based discourse and embrace the prospect of UBI as a real policy lever for social transformation and economic justice. With careful design and rollout, UBI has the potential to be a foundation for a more equitable and sustainable world.

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<sup>30</sup> Supra note 5, Caudia Haarmann.