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The Impact of the Covid-19 Pandemic on the Universal Basic Income Debate

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Abstract. The development of AI industries, rapidly changing technologies, and the severe inequality of wealth in the current society have increased the relevance of “Universal Basic Income” (UBI), a welfare policy where the government distributes monetary sums to every member of society regardless of socioeconomic status. In Korean Society, this has been a political issue for years and debates have been going on. Basic income has emerged as a central topic in Korean politics in preparation for the "post-corona" era. With big-name politicians from the ruling and opposition parties expressing their views, it is the first time that a "welfare issue" has occupied the heart of the political discourse since the 2010 free school lunch debate. In this paper, the disparity of expectations of UBI and the reality showed during the pandemic will be assessed using five criteria: technical capability, economic capability, social and ethical capability, political capability, and administrative capability.

Keywords. Post COVID, Universal Basic Income

1. Introduction

The development of AI industries, rapidly changing technologies, and the severe inequality of wealth in the current society have increased the relevance of “Universal Basic Income” (UBI), a welfare policy where the government distributes monetary sums to every member of society regardless of socioeconomic status. In Korean Society, this has been a political issue for years and debates have been going on. During the 2020 Covid-19 crisis, the world economy faltered due to the closing of production lines and decline in consumer demand. This situation is not so different in Korea. Responding to this crisis, the Korean government prepared various form of aid for its citizens. They distributed certain amount of money regardless of usual income.

Basic income has emerged as a central topic in Korean politics in preparation for the "post-corona" era. With big-name politicians from the ruling and opposition parties expressing their views, it is the first time that a "welfare issue" has occupied the heart of the political discourse since the 2010 free school lunch debate. The spread of the issue is also qualitatively different from the past, as most citizens have felt the utility of cash welfare through emergency disaster support funds. More and more people are becoming advocates of the UBI as citizens are experiencing the actual benefits from the policy. In this paper, I will assess the disparity of expectations of UBI and the reality showed during the pandemic. I will review major arguments about UBI and compare them with actual results of the Covid-19 economic support policies.

2. History of the UBI debate

UBI has been debated throughout history since its first appearance in the novel “Utopia” written by Thomas More. Here are some recent considerations of UBI in the European country politics. In 2016, Switzerland had a vote for giving monthly income of 2,500 Swiss francs (2,555\$) to every citizen. Swiss voters overwhelmingly rejected the proposal. Final results showed that nearly 77% opposed the plan, with only 23% backing it. From 2017, Finland conducted an experiment on the effects of UBI. In the report written by Kangas (2019), the survey displayed significant differences for life-satisfaction between the group with UBI and without UBI. Other countries like Netherland, Canada, New Zealand are also participating in the UBI experiment.

Affected by the diminishing job market and changing industrial structure, citizens and politicians are engaging in the UBI debate in Korea. Public interest in basic income has risen sharply since the 2015-2016 Youth Dividend Debate and the 16th Basic Income Global Network Conference, held in Seoul in July 2016. Also 7 out of 8 presidential election candidates agreed that a certain level of UBI should be implemented in Korea in 2017 (Kim 2017). Advocates of UBI asserted that considering the weak domestic market of Korea, disposable income could be the solution. However, the critics refuted that Korea is not yet capable of a UBI system and that the policy would not boost the economy.

Recently, a party named “Basic Income Party” was founded in 2020 January under the slogan “Everyone’s to everyone.” Their main policy is to distribute 600,000 KRW to every citizen every month. These increasing political engagements in the UBI debate show the increasing interest in the policy. And this trend has gained momentum as the Covid-19 economic support started.

3. Responses to the Covid-19 pandemic

The Covid-19 pandemic had changed the life of most all humanity in less than a year. Since the first casualty in Wuhan China, there have been 18,142,718 confirmed cases and 691,013 deaths throughout the globe as of August 5, 2020. With the unprecedented global pandemic, the world economy is at risk. On average, the expected GDP growth in 2020 is at least -2.5% and at most -10.7% for many countries (Fernandes 2020). The economy of United States of America has shrunk by 32.9 percent in the second quarter of 2020, the largest contraction in the history of the country. The OECD Secretary-General, José Ángel Gurría stated it was “wishful thinking” to expect the countries would recover quickly. Gurría said economies were already suffering a bigger shock than during the September 11 terror attacks or the 2008 financial crisis. And it is not clear when a vaccine will end the crisis. To save the collapsing economy and suffering citizens, governments started to implement aid policies.

3.1. Government Support During the Pandemic

The U.S. decided to pay a relief income for disasters in response to COVID-19. President Donald Trump announced on the March 17, 2020, that he would inject 1 trillion dollars worth of economic stimulus funds, including a plan to pay 1,000 dollars to every American. U.S. Treasury Secretary Steven Mnuchin told Fox Business that within three weeks, \$1,000 will be paid to adults and \$500 to children, adding another six weeks to the state of emergency.

Hong Kong, Taiwan and Singapore have come up with their own income support measures. Hong Kong gives 10,000 Hong Kong dollars to all permanent residents and Singapore gives up to 300 Singapore dollars depending on income and property for all citizens aged 21 and older. Taiwan offers four types of vouchers worth 200 Taiwan dollars each for every household. Japan is also considering paying cash to all of its citizens.

3.2. Development of Covid-19 Economic Support Policies in Korea

In Korea, discussions on basic income in response to disasters have been expanded to political circles on the occasion of the presidential office's petition. The governor of Gyeonggi-do Province proposed to pay basic economic support in the form of regional currency (a type of voucher that could be only used in certain region). And the Gyeonggi Provincial Council, in the event of a disaster, initiated the enactment of the Ordinance to pay basic income. On March 8, the governor of South Gyeongsang Province suggested that the Korean government, with the support of the National Assembly, distribute disaster basic income of 1 million KRW to all Koreans.

The Korean government originally decided to support only citizens with bottom 70% of income. However, because there were no solid measures to determine the income level, the economic support was given to all Koreans. The provincial governments also decided to provide support but with different range and amount. Therefore, the amount of support varies among regions. The list below shows the different options of Korean economic support policies.

Table 1: specifics in Korean government's COVID-19 policy

Province/City	Supporting population	Supporting amount (in KRW)
Seoul	All citizens	300,000~500,000 per family
Gyeonggi-do	All citizens	100,000 per individual
Dae-gu	640,000 families with lowest income	500,000~900,000 per family
Gyeongbuk	340,000 families with lowest income	500,000~800,000 per family
Incheon	All citizens	200,000~500,000 per family
Gangwon	300,000 citizens on certain criteria	400,00
Daejeon	170,000 families with lowest income	300,000~600,000 per family

4. The impact of the Covid-19 pandemic on the UBI debate

I apply the criteria Kim and Choi (2017) developed to evaluate the scope of the economic support policy. First is the technical capability, explaining whether the political system is developed enough to execute the policy. Second is economic capability, assessing whether the government is capable of paying basic income regularly. Third is social and ethical capability that reflects the values surrounding welfare equity built into society. Fourth is political capability which is based on social consensus. And last is administrative capability which is about consensus among the government officials. Each criterion will be assessed as range of negativity to positivity (strongly positive, quite negative etc.). After assessing each criterion of the Covid-19 economic support policies, it will be compared with the result from before the Covid-19 pandemic.

Table 2: Five Criteria of assessing the capability of economic support

Type of Capability	Specific details
Technical Capability	Development of technology to conduct the UBI
Economic Capability	Tax and government's financial availability

Social and Ethical Capability	Workfare Equity
Political Capability	social consensus
Administrative Capability	Consensus among the government officials (parties)

4.1. Technical Capability

The advance in online technology allowed economic support to be quick and precise. The application process for support could be done in offline local government offices or online websites for card companies and local governments. Only a simple process of identity verification is required to receive the money. Most citizens received the subsidy by credit and check cards, regional currency. Credit and check cards are charged with points that can be used like cash. If the beneficiary uses the card, money from the support subsidy will be automatically deducted. It will be charged to the card about 2 days after the application date.

The Korean government had already shown its ability to execute an effective online policy through different cases like the Blue house National Petition system. This convenient process of support application and subsidy distribution shows that the technical background of the UBI system is capable in Korea. Therefore the development of technology to conduct the UBI is fulfilled.

However, there are technical concerns that should be considered before being fully implemented. One of them is the over simplified online process that could cause mistakes in the application process. There were many cases where citizens accidentally pressed ‘donate all money’ button that was mixed with the other buttons. As a result, many people who skipped through and pressed ‘agree all’ for the long explanation for providing personal information made an unintended donation. The government fixed the interface after numerous calls from citizens. But this reminds us that if the process is designed too simply or is a little confusing, there could be technical problems compromising the UBI system. Regarding the technical advance and capability of Korean politics with small concerns to consider, the technical capability would be assessed as quite positive.

4.2. Economic Capability

The financial capacity was the most powerful drawback of the UBI system. According to the calculation, in order to give 300,000 won for basic income per person, 15 trillion won per month and 180 trillion won per year are needed. That amount is similar to the money spent on health, welfare and employment sectors in the government budget. And this enormous amount of money was expected to be impossible for the Korean government to generate by simple tax increases and budget cuts (Chang 2017).

The COVID-19 support policy reflected two opposite sides of the economic capability. First, it showed the capability of the Korean government to prepare a needed budget on time. According to the report on the supplementary budget bill for economic support written by the Ministry of Economy and Finance, there were three major injections: 11.7 trillion, 12.2 trillion, and 35 trillion. The total amount of the budget was over 60 trillion KRW. Of course, not all of the money was used for economic support solely, including small enterprise loans and mask supplies. This quick and adequate remedy shows that the Korean government is prepared to plan and distribute money for UBI, but only for the short term.

The major problem shown in this situation is that the sustainability of the fund is not possible. From the second injection, the government incurred debt. The government issued 35 trillion won in state bonds in the third extra budget, and the national debt will reach 850.5 trillion won and the national debt ratio will rise to 44.4% of the gross domestic product last

year. That is a 1.8% increase from the 42.6% which was the rate after the second injection. This might not seem significant given the desperate current need for monetary support. However, if this government spending lasts for the long term, the Korean government will exacerbate its debt burden.

The economic support showed that Korean government might be capable of managing short term funding for UBI. However, if UBI lasts longer, the government wouldn't be able to pay the increasing debt. Therefore, the economic capability is quite negative.

4.3. Social and Ethical Capability

How will a regular income without work affect labor supply? The UBI system is expected to decrease the supply of labor and increase unfairness in the labor market: those who do not work can live without inconvenience. This means there will be a free-rider problem in society, where hard working laborers will end up paying for the welfare of non-workers. According to Hudáková (2015), welfare programs can have negative effects on work incentives due to individuals who would reduce their working hours in order to enjoy the benefits of being on welfare. The situation was different this time.

The employment rate during the COVID-19 had plunged from 60.0% to 59.5% with two hundred thousand job loss. This might suggest that the economy is not working properly, but it also suggests that economic support did not decrease the labor supply. Employment rate is measured from a sample of people who intend to acquire a job. The dramatic decrease in employment rate means that the actual work demand declined but the work supply is stable regardless of economic support.

This policy is a short-term example of UBI. And when it becomes long term income, slight different result might happen. But during the pandemic, despite labor-less income, the actual incentive for working is not diminished. If welfare made people less laborious, the employment rate should have been almost stable when economic support was provided. The Social and Ethical Capability is well shown through the case of economic support. The workfare equity is predicted positive even if UBI system is implemented; it is quite positive.

4.4. Political Capability

As the beneficiaries of UBI, citizens have to consider the policy as taxpayers. There have been a lot of debate about whether UBI is capable enough in Korean society. A survey from 2016 shows that only 50.5% of the sample agreed to UBI. However, in 2020, a survey taken in Seoul shows that 71.4% agreed to economic support. And 60% of citizen in Gyeonggi-do Province agreed to an additional 200,000 KRW of economic support. The difference is based on actual exposure.

Before the COVID-19 economic support, the government provided basic income only to underprivileged citizens under a certain level of poverty. However, as the economic support covers all citizens, rich or poor, more people received actual benefits of basic income. That simple exposure to the policy increased the advocacy for basic income and greater consensus regarding its effects. Many people had lost jobs and sales declined in local shops and restaurants. Surprisingly, economic support boosted sales and increased revenue by 39.7% compared with before the policy. This means that economic support had some influence in citizens' choice.

As most of the people experienced how the policy works and how it could be beneficial, more people would advocate for UBI even after the COVID crisis is over. The social consensus will be high. The score for Political Capability would be positive.

4.5. Administrative Capability

Consensus in politics is also important in determining the capability of UBI. And if there is disparity between ruling and opposing parties the policy will not even be introduced to the citizens. Notwithstanding some queries about small details of the policy, there seems to be general consensus among government officials regarding the need for a basic income.

The administrative process for the economic support starts from the Ministry of Economy and Finance assessing the situation and making budget plans for the economic support. Then the bill is confirmed by the national assembly. After the bill is passed the government provided the needed money. There were some disagreements about the range and method of economic support in the assembly. But, compromise has also been reached between the ruling and opposition parties, to raise funds for the payment through government bonds and by changing the existing budget in 2020.

The overall administrative process was efficient. The three injections took place in each March 17, April 29, and June 4. And without considerable delays due to passing bill and preparing budget, the remedy was able to be applied quickly. Also the big-head politicians from both ruling and opposing parties are assessing the implement of UBI after COVID-19. Jaemyong Lee, the governor of Gyeonggi-do Province from ruling party, assessed UBI should be “gradually implemented”. The chairman of the opposing party, Jongin Kim, also supported UBI by saying “it is the appropriate time to consider UBI”.

The COVID-19 economic support policy showed that the Korean government could gather political consensus and quick effort among government officials. The politicians are engaged to the implementation of UBI in Korea. The administrative capability is positive.

4.6. The Difference between before COVID and after COVID

Table 3: The comparison of five capabilities of UBI before and after the COVID-19 crisis

Score before COVID	Type of Capability	Score after COVID
Strongly positive	Technical Capability	Quite positive
Quite negative	Economic Capability	Quite negative
Negative	Social and Ethical Capability	Quite positive
Negative	Political Capability	Positive
Quite negative	Administrative Capability	Positive

There is clear difference to the assessment of each capability before pandemic and after pandemic. The technical capability was expected to be strongly positive since Korea has developed online technology. It was generally true during the pandemic, but there were unexpected drawbacks that made problems. The economic capability was similar as expected. Though the government was able to provide urgent supports, it seems negative for the government paying UBI by making debt. The UBI was expected to reduce the labor supply as people lose incentives for working. However, regardless of money, people tried hard to get jobs. The political capability was assessed negative because of the increased tax burden for citizens. After the support and actual benefit, more people were attracted by the UBI. Finally, the expectation for administrative capability was quite negative but in reality, politicians are engaged to the UBI debate regardless of parties.

4. Conclusion

This paper reviews how the economic support during COVID-19 pandemic had affected the debate on UBI. The history of UBI debate shows that there is increasing interest in UBI among many countries including Korea. And coincidentally, the pandemic had made the countries to experiment UBI to save the collapsing economy. Though the term is short, around 5 months, and the amount is not much, the government, economy, politicians, and citizens now actually experienced the policy. To determine how it changed the capability of the policy, five distinct categories were assessed: technical, economic, social/ethical, political and administrative. This shows clear difference with the previous predictions. Most capabilities were negative, but COVID crisis made the expectations positive.

The purpose of this research was not about whether the economic support was actually effective to save economy and create new values. It was about how the expected capabilities of implementing UBI changed after going through actual trials. And it showed the difference between theoretical expectations and actual consequence. There is definite need of development and more considerations before UBI could be actually implemented after the pandemic. However, the situations during the crisis show that Korea is positive in terms of feasibility of UBI policy. A deeper consideration of fund sourcing method is essential for actual implementation.

The case during COVID-19 could contribute to the general debate of the UBI. The experiments done in different countries could be investigated with the economic support happening all around the world. The expectation and theories could be tested with the experiment with the entire population of country participating in it. Further development and deeper analysis of current COVID situation would boost the debate of UBI.

There were some limitations on this paper. First, though the pandemic has dramatically changed the society, it had been only less than a year. The economic support has lasted shorter than that. Therefore for precise evaluation of the policy, time is required. Also the situation implies the context “urgent”. The quick actions of government might not be identical when UBI comes as a long lasting welfare policy. Next, the short analysis of each criterion could be extended. Some unconsidered factors such as effect of other economic supports should be considered for reasonable analysis.

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