

Can UBI Counter Growing Technological Inequality?

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ABSTRACT

This essay explores the role of Universal Basic Income as a possible tool for reducing technological inequality in a world where growing digitisation is concentrating power and displacing labour from technology affected industries. The essay draws from studies like the Alaskan Permanent Fund, GiveDirectly in Kenya, and India's SEWA project to analyse the potential of a standard basic income. These studies conclude that it might promote innovation, well-being, and consumption in certain socio-economic situations. However, it could also raise inflationary pressures or lead to a fiscal deficit. The paper finds that outcomes vary depending on the developmental contexts of these countries and their institutional capacity. These factors can help realise their potential in battling inequality.

Keywords: Universal Basic Income, Data Dividends, Technological Inequality, Social Cohesion, Labour-market Effects

1. Introduction

When Mark Zuckerberg appeared on his first *Forbes* wealth list in 2008, he was one of only 46 U.S. billionaires who made their money in technology. A dozen years of unbridled growth, and social unrest later, the number of tech billionaires in America has more than tripled (Sandler, 2021). This represents the significance and growth of technological advancement in the life of individuals and nations across the world.

While these statistics suggest that technological advancements can transform lives and create new opportunities, access to these benefits remain deeply unequal. As of June 2025, one in ten people globally lives in extreme poverty, earning less than \$3.00 per day (World Bank, 2025), leaving them unable to meet basic needs such as food, water, and shelter, let alone invest in new technologies.

This disparity contributes to technological inequality which encompasses the unequal access to evolving technologies and the incapability to leverage the opportunities created by automation due to lack of digital literacy (Sustainability Directory, 2025). For those struggling to survive, rapid technological change often deepens vulnerability, reinforcing existing wealth and resource inequalities rather than alleviating them.

Universal Basic Income (UBI) and data dividends are two of the policy solutions to establish equitable standards of living in an increasingly technologically unequal world. UBI refers to an unconditional and regular payment made to all the citizens of a country, irrespective of their income, employment status or background while data dividends ensure that the wealth generated by the use of personal data is shared with those who contributed it (Peters, 2025).

With increased automation and growing concerns about the replacement of human labour with machines, Bill Gates proposed in 2017 that a UBI could be funded with the help of a robot tax, requiring companies that replace workers with automation to pay taxes (Bartello & Almeida, 2025). This would ensure that automation does not come at the expense of human welfare.

Combined with UBI and data dividends, a robot tax could redistribute economic gains and support public services (Ahn, 2024). Such measures would significantly reshape economies, with wide-ranging national and global implications.

2. Economic Trade-offs of Decoupling Income from Labour

With UBI, data dividends and a possible robot tax, economies and peoples' relationship with labour and money would be significantly altered. By redistributing money to low-income households, UBI would increase consumption, allowing people to expend income towards goods and services, keeping businesses alive in a capitalist economy. Keeping consumer demand steady, it would help raise GDP and employment, simultaneously offsetting the initial reductions in labour supply that might arise (Cambridge Trust, 2024). However, sudden consumer demand increases could offset producers raising prices in order to get higher profits, reducing the true benefit of the policy. In the international realm, UBI could serve as both a 'pull' and a 'push' factor for migration. Generous UBI programmes would attract people to those regions that offer them, leading to increased in-migration UBI. On the other hand, receiving a UBI would give an individual the choice to move away from their current locations by providing the necessary finances, particularly enabling movement of low-income groups into metropolitan areas. In a study of Alaska's Permanent Fund Dividend, large cash transfers induced migration from rural to urban areas by providing funds to support the migration project (Kurland, 2017). Beyond economic effects, UBI would reshape how people approach work and relate to one another. Greater financial security would allow individuals to pursue education, innovation, community

work, or climate action, areas often undervalued and underpaid. By reducing economic insecurity, a key determinant of mental health, UBI would lower stress and increase personal agency (Allen et al., 2014; Kopasker et al., 2018; Lund, 2018). Evidence from Finland's 2017–2018 basic income experiment supports this, with 54.8% of participants reporting low stress compared to 45.6% of non-participants (Kangas et al., 2019).

Lower stress levels would likely improve social relationships by reducing competition for survival. Individual worth would be defined less by income and more by ideas and values, fostering stronger social connections. Unlike traditional welfare systems, UBI's universal and unconditional nature would reduce stigma, promote social inclusion, and ensure access to basic needs without complex eligibility requirements.

3. Comparative Evidence

In order to better understand the implementation of UBI on ground, we could study the Alaska Permanent Fund. Established in 1976, It stands as the longest-running experiment giving payouts ranging from \$1000 to \$2000 to each citizen, every year. Done by ensuring that 25% of oil and mining revenues are deposited in the fund and used for investments to bring higher returns and financially protect all citizens, these payouts have proven to lead to an increased quality of life (as reported by 81% Alaskans) (Earth4All, 2024). This UBI mechanism has also encouraged social justice, by protecting citizens' rights over their state's natural assets and reducing wage inequalities, particularly benefitting indigenous Alaskan communities.

Furthermore, an NBER study revealed that the employment rates across demographics remained constant (Jones & Marinescu, 2018).

With UBI, there is a fear that decoupling income from labour would disincentivize work, reducing the employment rates and productivity. However, several studies have contradicted that belief– financial security merely shifts labour choices. Additionally, similar results can be seen from the world's largest UBI experiment being conducted by GiveDirectly in Kenya, since 2017. All households, receiving either short-term UBI of \$22.50 per month for 2 years, a long-term UBI of \$22.50 per month for 12 years or a large lump-sum of \$500 showed no increase in idleness or drinking. Rather, those receiving the large lump-sum shifted towards self-employment and started their own small businesses (GiveDirectly, 2023). They also invested in a rotational savings club, where people pooled their money monthly and received full payouts in turns (Aizenman, 2023). This taught them the necessity of saving and helped convert the monthly dividends into larger lump-sums for the purpose of entrepreneurship, meeting essential needs and securing their futures. Thus, by separating income from labour, universal basic income would provide a buffer, allowing people to stay in the labour market without being forced to undertake

unsafe jobs for survival and choose jobs better aligned with their passion, thereby increasing their well-being.

4. Variation Across Countries and Development Levels

However, the efficiency of a vast and diverse, global UBI policy in bringing these outcomes would depend on economic and cultural contexts. The effects and reactions to UBI are bound to vary across different countries at various stages of development, keeping in mind the diverse income and cultural groups residing within them.

Analysis of UBI pilots suggests that in developing countries, an initial drop in formal employment could reduce tax revenue, limiting funds for welfare programs and infrastructure development.

In countries like India where public services are underdeveloped, UBI would fail to alleviate poverty. This is evidenced by pilots like ‘WorkFREE’ in Hyderabad and ‘SEWA’ pilots in Madhya Pradesh and Delhi which show that transfers were spent on essentials like food, utilities, healthcare and education, especially when individuals had to forgo benefits like the Public Distribution System (DownToEarth, 2023). This would ensure short-term improvement, but not bring investments or entrepreneurship. Contrastingly, in Kenya, which is also a developing nation, people after receiving a large lump-sum were able to invest in rotational savings clubs, open businesses and expand their assets value (Aizenman, 2023). This highlights how the effect of implementing UBI would not depend on the level of development alone and additional factors like policy design, governance and institutional setup and community support would also play a part.

On the other hand, for developed economies with strong healthcare and education systems, UBI would support innovation, entrepreneurship and local employment, offsetting initial losses in formal employment. Here, a UBI that phases out as people move up the income scale like the Ontario pilot wherein income was reduced by \$0.5 for every dollar earned would provide financial safety in proportion to needs. Within this experiment, those receiving support from other benefits like child benefits continued to receive the same, resulting in the overall

well-being improving by 86% (Ferdosi et al., 2024). In another developed state like Alaska, the concept of resource dividends was used to provide UBI, given the state’s rich oil reserves and proved to be successful in improving well-being while maintaining employment.

5. Result

The fear that unconditional income would depress labour supply and productivity hasn't been supported by on ground initiatives in Alaska, Kenya, Finland or Ontario which point to a change in the distribution of work. Secondly, the effect of transfers depends on their structure—lump-sum payments in Kenya served as a catalyst for enterprises. However, in the Indian experiment, the smaller payments were consumed in meeting essential needs.

In Ontario, tapering the UBI balanced incentives and well-being. Finally, outcomes of such a programme would depend on development, as well as governance, policy design and existing support, which is highlighted by the difference of results in Kenya and India, which are both developing economies.

6. Conclusion

Thus, UBI policies would depend on varied factors across geographies, income groups and communities. UBI holds enormous potential as a solution to persistent technological inequality by enhancing equity, financial security, innovation and mental well-being. However, its effectiveness depends heavily on implementation wherein factors like gauging the appropriate amount for UBI to promote productivity, how to fund it sustainably for a large population and period, the various responses it would garner from those belonging to different regions and income-groups globally, as evidenced by the case studies would have to be considered.

However, no large-scale pilot around UBI has been conducted as yet, most having been funded by non-governmental organizations or conducted by governments on a very small-scale basis. Thus, the broader social and economic implications of implementing a UBI still remain unclear and the policy could bring unintended positive and negative impacts when launched globally.

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