

GUY STANDING

# Basic Income Pilot Schemes: Seventeen Design and Evaluation Imperatives

“I...pondered how men fight and lose the battle, and the thing they fought for comes about in spite of their defeat, and when it comes turns out not to be what they meant, and other men have to fight for what they meant under another name.”

*William Morris*

These are exciting times for those advocating basic income. As long anticipated by some of us, it is coming via the backdoor, not the front, in that moves towards realisation of a right to basic income security are coming in the guise of something not named that and not perceived as it. In some parts of the world, the move is coming by default, as in the extraordinary case of Iran, for which basic income proponents would have some suspicion but where early developments are encouraging.<sup>1</sup> In some countries, such as the UK, a trend towards integration of tax and benefits is creating the condition for a move towards basic income, even if the current dominant tendency is to favour means-testing and selectivity.

In developing countries, the euphemism that has crept from the margins to the mainstream of social policy thinking is “cash transfers”. In the first decade of the century, the dominant strand was “conditional cash transfers” (so-called CCTs), which have flourished in Latin America. At least part of the World Bank has been converted to these, and many international donors and technical assistance agencies have come to support some variant of them.<sup>2</sup>

- 1 H.Tabatabai, “Iran: A bumpy road toward basic income”, in R.Caputo (ed.), *Basic Income Guarantee and Politics: International Experiences and Perspectives on the Viability of Income Guarantee* (New York, Palgrave Macmillan, 2012), pp.285-300.
- 2 For the World Bank’s view, see, for example, A.Fiszbein and N.Shady (et al), *Conditional Cash Transfers: Reducing Present and Future Poverty* (Washington, D.C., The World Bank, February 2009).

There has also been a realisation – finally – that in the aftermath of severe ecological and economic shocks, most notably in the earthquake in Haiti, cash transfers offer one powerful and relatively simple mechanism for alleviating post-shock conditions.

This paper will not go into the issues that arise with CCTs, or with the drawbacks of *conditionality* implied by them.<sup>3</sup> Rather, it will consider the feasibility and desirability of *pilot basic income* schemes, mostly in low-income, developing country contexts. It will draw on practical experience gained from several pilot schemes, most notably three experiments in India and a smaller scheme in Namibia. The intention is to emphasise what those doing such pilots must do in order to give them a realistic chance of proper evaluation.

At their best, pilot schemes have several practical advantages. They enable local governments and donor agencies to test a potential policy without an alarming or dispiriting cost. And they can help identify the administrative and design conditions that would have to be satisfied if a scheme were to be scaled up to national level.

The relatively modest cost makes it possible to hope that philanthropists and others with small-scale funds available for experimental schemes that could do wonderful things for the lives of those in poverty and economic insecurity will consider devoting some of that money to pilot basic income schemes.

Elsewhere, I have also proposed that towns or cities in Europe could use the principle of “twinning”, which was so good after the Second World War, so that some European cities would adopt a poor area in a developing country as a twin, in which to launch a pilot to run for two or three years. A town or city that took the lead in that might set a marvellous international development trend.

For that, it would be essential to be clear about the principles and methodological requirements for such initiatives. The purpose of this article is to set out such principles and requirements in a brief accessible way in the form of seventeen imperatives or rules to follow in designing and operationalizing pilot basic income or cash transfer schemes.

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3 For reviews of the main issues, see G.Standing, “How cash transfers are promoting the case for a basic income”, *Basic Income Studies*, Vol.3, No.1, April 2008, pp.1-30, and G.Standing, *Cash Transfers: A Review of the Issues in India* (New Delhi, UNICEF and SEWA, January 2012).

## Basic income features must be preserved

First of all, if a pilot is to be a test of a basic income, it is essential to implement a form of cash transfer that respects the philosophical basis of a basic income. This should mean the following:

(1) The basic income should be provided in *cash*, or in a form that could be converted speedily and costlessly into cash, such as a bank transfer. The money should not be paid in a lump sum, for use over a longer period. It should be a regular payment, presumably paid monthly and not from time to time on an ad hoc basis or in longer intervals, such as yearly.

(2) The basic income should be *universal*. In other words, all those usually resident in the “pilot community” should be provided with the basic income, and it should not be denied to anybody on moralistic grounds. For a pilot, a decision has to be made on whether a *de facto* or a *de jure* definition of residents should be used. The *de facto* rule would be to provide the basic income only to those residing in the community at the time of the launch of the pilot; a *de jure* rule would be to include those who normally lived in the community but who were temporarily absent at the time of the launch. It is recommended that only those absent and expected to return within a month should be included, and that – regrettably – no person coming to reside in the pilot community after the launch of the pilot should be included.

(3) From (2), it follows that there should be *no targeting*. The cash transfer should not be given only to “the poor”, however that group was defined. In most low-income communities, most people have fluctuating income, so being one day above any poverty line, another well below it. Targeting on the poor creates well-known poverty traps – if a person or family raises their income a small amount they may well lose more in lost benefit than gained by the increased earnings. And it should not be forgotten that one rationale for a basic income is that it acts to strengthen social solidarity. If there is a desire to make sure the basic income is progressive – reducing inequality – then the income could be taxed back from richer groups, although this is not an aspect of a pilot.<sup>4</sup>

(4) It also follows that there should be *no selectivity*. Giving to one “deserving” group rather than another undermines social solidarity and ignores the likelihood of pressure on some of the group selected for special treatment to share with others, if not give away their cash to somebody else. If the basic income is

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4 In both Namibia and in several Indian villages a few relatively wealthy residents were reluctant to take the cash transfer, claiming that they did not need it. Eventually, they came round to accept the idea of universality, and several of them subsequently became enthusiasts for the essential idea, seeing that it was strengthening community solidarity and breaking down the stigma of receipt being associated with poverty status.

given to everybody equally, there will be a higher probability that there will be a general defence against such pressure.

This is important in societies where development agencies and donors want to support women in particular. There is a popular view that women on average use cash transfers more wisely than men. This may be a tendency on average, but operationalizing a scheme on that presumption is a form of discrimination. And if the money is provided only to women – or only to women with young children – then one risks setting up perverse dynamics, with a high probability of generating tensions within households and across households. If, by contrast, equal cash transfers are given to the men and women separately, with the child's payment going to the mother or surrogate mother, then a dynamic of equality is encouraged. It should also be appreciated that, in almost all countries, an equal amount paid to men and to women means that women gain more in relative terms, since their income from other sources are usually much lower.

(5) The basic income should be *unconditional*. In other words, it should not be granted only to individuals who have committed to doing some pre-specified behaviour. Conditionality is popular, but is intrusive, paternalistic and contrary to the idea of *rights*. There should be no behavioural priors.

(6) The basic income should be paid *individually*. It should be paid to each man and each woman equally, and not be given to “the family” or “the household”. The notions of family and household are endogenous, in that their structure and size may be affected by the policy itself and by outside events. But most importantly, the idea is to provide basic income security as a right. As far as children are concerned, and those with chronic disabilities or frailty of some sort, the designers of the scheme can allow for a *surrogate* to receive on their behalf.

(7) The basic income should be a *regular payment over a sustained period*. Some believe that there is no difference between paying someone a lump sum or paying the person an equivalent amount over a longer period. There are good reasons for disagreeing with this.<sup>5</sup> For a pilot, the cash transfer should be paid *monthly* over a reasonable period.

(8) The cash transfer should be sufficient to be meaningful for the recipient, not a minor gesture suggesting an act of “charity”. As a rule of thumb, it should not be 10% of survival but more like 50% of subsistence income, if not higher. However, it should be remembered that what most of us are advocating is a *basic* income, not a full income.

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5 For a discussion and this author's position on this, see E.O.Wright (ed.), *Redesigning Distribution: Basic Income and Stakeholder Grants as Cornerstones for an Egalitarian Capitalism* (London and New York, Verso, 2006).

(9) No other policy change should be introduced at the time of the introduction of the basic income, to ensure a fair assessment of its effects is feasible.

These are the nine fundamental principles that should be respected if the pilot is to be a proper test of a basic income. One can envisage some modifications, but it would be vital to make sure they did not compromise the integrity of the experiment.

### **The Pilot Design must be Clear and Sustainable**

The fundamental empirical imperative of a pilot may seem obvious, except that it can easily be overlooked. The pilot designers must be clear why a particular design is adopted and why alternative feasible designs are not adopted instead. This should apply to the level of the cash transfer (basic income), the duration of the pilot and so on. And all these should be recorded and made transparent at the outset, before rationalisation takes over.

By the same token, the pilot must be designed in such a way as to be sustainable, with a clear workplan and proper budgeting. Again, this might seem to be obvious, but lack of planning can be a cause of major failings later.

### **The Design must be Kept Constant**

The next imperative is even more simply stated, even though one is unlikely to see it respected very satisfactorily. Once a pilot has been started, its design should not be altered unless it is absolutely essential to do so. It should not be expanded if that puts at risk the efficiency of the scheme or introduces new factors not in the original design. If, for whatever reason, a new feature is introduced, it would be sensible to keep it separate from the original design.

### **The pilot must be Adequately Large**

A pilot cannot be huge, if it is to remain under sensible control. However, it cannot be so small that it is impractical to see it as a real experiment. For instance, there have been several “pilots” covering 100 or fewer households. They are not without value. But they are too small to enable social scientists to conduct professional evaluations of the impact of the cash transfer.

Often behavioural and attitudinal changes are *tendencies*, in which some people make a change as a result of the policy, others do not. And often the hypothetical effects are relevant only for a few people in the selected population. With other influences also to be taken into account, it is essential to remember the likely problem of “cell size”. In the Namibian pilot basic income scheme conducted in 2008-2009, a thousand individuals were selected. This was enough, but only just.

In the Indian unconditional cash transfer pilot scheme launched at the beginning of 2011, the targeted size was 5,000 individuals, and the actual outcome was slightly more than that. If funds allow, this is a reasonable sample size. Anything over 1,000 should be of real value.

It should not be forgotten that to make a pilot really useful, one needs to compare both over time, i.e., before receipt and after receipt, but also with others who are not receiving the cash. This raises other issues discussed later. But as a rough rule of thumb, one might count on having a size more than double the number of individuals and households who are provided with the cash transfers.

### **Duration must be Long Enough**

The decision on how long a pilot should be conducted is a sensitive one. Obviously, it should not be very short, for then it is merely a one-off “capital grant”. A principle of a basic income is that its effects take place over time, as people learn and adapt. It is also necessary to take into account that there could be an *impact effect*, immediately after the grant is first received, and an *assimilation effect*, as individuals adapt and become used to receiving the basic income. There may also be a *wearing off* effect, in some respects, and a *learning effect* on others. For these reasons, the pilot should be set to last for more than one year. On balance, two years would seem to be a reasonable duration, although some social scientists would make quite a convincing case for longer.

One practical consideration to take into account in making this decision is the *project fatigue* factor. This is easily ignored in the first flush of enthusiasm for any pilot scheme that involves regular evaluation and the construction and maintenance of a team of researchers and fieldworkers. And there is *respondent fatigue*, since a major purpose of a pilot is to evaluate how respondents adapt and thus will require them being asked questions or being watched in some way. In this respect, as in several others, pursuing an ideal may jeopardise the good.

### **The Pilot must be Replicable and “Up-scalable”**

A principle behind any pilot should be that it is *replicable*. The idea of replicability is complex. However, the essence is that it should be possible to conduct a similar pilot somewhere else and that it should be feasible to scale-up the pilot to a larger community and to national level. This principle does have implications for the technology to be used, as discussed later.

### **Random Control Groups should be Used**

In the design and conduct of pilot schemes, a sensitive subject is the use of *control groups*. To determine the impact of any policy, one needs to be able to

make comparison, both with the behaviour and attitudes of people *beforehand* (before the “treatment” began) and with others who do not receive the “treatment” or come under the policy. The primary objective is to control for other exogenous factors.

There are various ways of coming to terms with the longitudinal challenge, none of them without practical problems. One can and should ask for *retrospective* information from the policy recipients, and one could and ideally should track changes through *longitudinal* data through repeat surveys, using *panel data* techniques. That is not the main issue here. It is to match those receiving cash transfers with similar individuals and households that do not receive them, and track them all over the period of the experiment.

Control groups should be selected to be as close to the recipient groups as is feasible. Then their behaviour and attitudes are tracked alongside those of the recipient groups. Many problems arise. The vogue procedure at the moment is reliance on *randomised controlled trials* (RCTs). Use of RCTs is to be recommended. But they cannot solve all evaluation challenges. They suffer from shortcomings that the “randomistas”, as they have been dubbed, tend to ignore.

Their advocates overstate the case for RCTs. Thus, one of the leaders of the randomistas, Esther Duflo, claimed in 2004 (as reported in an editorial in the medical journal *The Lancet*), “*Creating a culture in which rigorous randomised evaluations are promoted, encouraged and financed has the potential to revolutionise social policy during the 21<sup>st</sup> century, just as randomised trials revolutionised medicine during the 20<sup>th</sup>.*”

All the words in RCT convey a sense of being “scientific”, which makes them particularly attractive to commentators, donors, bureaucrats and policymakers. But this is why it is advisable to emphasise their limitations and not to be carried away by some of the wilder claims being made by those advocating them.<sup>6</sup>

In this regard, an illustrative problem came up in our planning discussions of one of our pilots in India. The principle behind RCT, as its name implies, is that those receiving the “treatment” should be selected “randomly” from a wider population, and the control group should also be selected “randomly”. In the case of a medical treatment, as with testing the effectiveness of a new drug, this would typically mean listing households in an area, and drawing a sample, so that one family might obtain the treatment while the next-door neighbouring family would not.

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<sup>6</sup> There has been a rather hot debate about the potential use of RCTs for assessing the impact of the Millennium Development Goal strategy.

In designing a pilot cash transfer scheme for application to Indian villages, we produced a project design in which a number of villages were to be selected randomly from a full list of all the villages in what was quite a large area. In these households everybody was to be granted a cash transfer (basic income), while in another sample of villages drawn from the same list nobody was to be given the cash transfer. Then, the proposal was to compare the outcomes between individuals, families and villages in the cash transfer villages with matched people and villages that were regarded as the control villages. A potential funder, guided by a RCT advocate, objected that this was not an RCT, because the individuals and families within villages were not treated randomly.

We pointed out that this would be flawed practically and would doom the pilot. Our partners, SEWA, were correctly adamant that it would be *immoral* to give to one family and exclude the family living next door. More psychologically, it would also have created inter-family resentment. It would have led to some spoiling of the principles of the proposed pilot, since one likely outcome would have been some sharing between households, on a non-random basis. One might say, correctly, that to some extent this would be the case in selecting one local area for a pilot while excluding others in the proximity. However, the degree of the problem would be much greater if the randomisation was conducted within a particular village or urban locality.

In sum, it is desirable to conduct randomised control trials. But they are only one form of evaluation, which are more suited to medical trials than for social policy experiments, in which a range of effects at micro-level and community-level may take place, and where one is looking at attitudinal and behavioural changes. They too easily lead to an excessive focus on *low-hanging fruit*, i.e., those aspects that are easiest to measure.

## **Need for Baseline Surveys**

In order to conduct an evaluation, there is a need to conduct a *baseline* census of the community, i.e., collect detailed information on the prospective respondents, covering all the aspects that the pilot is expecting to assess. This should be complemented by a *baseline community survey*. The idea of both these is to identify the conditions, behaviour and attitudes that exist before the impact of the basic income.

Preferably, the intended recipients of the cash transfers should not be informed of the plans at the time the baseline survey data are gathered – although of course cooperation in the survey is more likely if they do know!



Since the evaluators do not know in advance what effects will take place and cannot realistically anticipate all of them, it is desirable to obtain a rich array of data in the baseline surveys. They should be conducted about one month before the first pay outs of the basic income, so as to capture the patterns prevailing at the time of the launch.

Although it should be a census of all those covered by the experiment, we may designate it a Baseline Survey, which should collect data from all households, or at worst a large random sample of households. These data should cover all the issues raised by the hypotheses identified at the planning phase. Many issues arise, and require decisions that must be recorded for future reference. Among the key decisions is the selection of respondent or respondents. In reality, if one asks just one person – say, the nominated “household head” – one is quite likely to receive different responses on some issues than if another household member were asked.

In dealing with this issue, one should never lose sight of the individual nature of a basic income. One expects responses to differ by gender, by age and by other personal factors. Ideally, one would like to collect background factual data from the household and individual data from each and every member separately. This may be impractical and certainly much more costly in terms of fieldwork and data processing. But it is strongly recommended that the number of women selected as respondents should be equal to the number of men. In our Indian pilot, we opted to have one male and one female respondent per household.

After the baseline survey, it is advisable to conduct a public information campaign, merely explaining what will happen in the course of the pilot, to overcome suspicions and to make sure the respondents know what will be involved, including the fact that they will receive the payment monthly and regularly, without conditions on how they react or spend the money.

### **Regular Evaluation Surveys must be Conducted**

The idea of a pilot is to test effects, and for this one needs to build in a series of surveys, starting with the Baseline Survey. So, after that, the intended recipients of the basic income should be informed, as explained elsewhere. Then after a period in which the scheme takes off, a first evaluation survey should be conducted. In India, we called this an Interim Evaluation Survey (IES).

It is recommended that such a survey should be conducted about six months after the start of the pilot, allowing enough time for an impact on behaviour and attitudes to take place. In most respects, the questions and concepts used for the IES should be the same as for the Baseline Survey. However, obviously, there

will be direct questions about the effects, and there will be some retrospective questions, asking about changes in the period.

Then at the end of the pilot, preferably within a month of the last cash transfer, there should be a Final Evaluation Survey, in which all the same individuals and households covered in the baseline survey should be covered. Again, the questionnaire should be as close as possible to the one used in the baseline, with similar reference periods. Of course, if the pilot is set to last longer, then it is recommended that a similar evaluation survey should be conducted every six months.

### **Key Informants must be Used**

While the focus of attention should be on the individuals receiving the basic income, it is desirable to involve *key informants* in the evaluation process. This means that, besides asking for information from recipients of the basic income and from any control group, extra information should be collected from local authorities and such people as a person running a local medical clinic and a teacher in the local primary school.

The key informants should be asked for information that is not available from actual recipients and for information on the way a basic income might influence behaviour. A good pilot evaluation should build on a structured questionnaire addressed to key informants with questions that are expressed in a neutral way. Too often, in reports of empirical studies (not of basic income), one can tell that the questions were biased and thus the anecdotes reported are correspondingly biased.

If the size of the pilot covers several communities, then two design features must be developed. First, the areas chosen should be structurally similar, particularly for making comparisons between areas where the basic income is paid and areas where they are not paid. Second, the evaluation design should take into account that exogenous factors may make one community quite unlike another during the course of the pilot. For instance, a school might be built in or near one village, and not in or near others. Or an irrigation scheme may be introduced in one place and not others.

For this reason, it is essential to have a modest Community Survey, which should be conducted in parallel with the baseline survey, the interim evaluation survey and at the time of the Final Evaluation Survey (or to coincide with however many evaluation points are decided). The designers would be well advised to keep the Community Survey design as simple as makes sense, and avoid being lured into designing such a complex instrument that it becomes a cumbersome drag on the quality of all the survey work.

## Analysis should address Multi-level Effects

Related to the above, a further imperative is to build into the pilot scheme adequate techniques to assess and evaluate (i) effects on individuals, (ii) effects on households and families, and (iii) effects on the community, such as economic multiplier effects.

Too often, one reads assessments of a social policy pilot scheme – not of basic income but of some other intervention designed to alter behaviour – in which conclusions are drawn from looking solely at the effects on the individuals directly affected. This may be misleading.<sup>7</sup> Some of the richest effects may be at the community level. If they are not studied at the same time, the evaluation may conclude that because the effect at individual level was good or bad, the scheme is good or bad.

Community effects may have *feedback effects* on how individuals behave and interact with one another. One of the claims made by advocates of basic income is precisely that it would foster altruism and social responsibility within communities.

## Evaluation must cover both Attitudinal and Behavioural Effects

A basic income is a type of policy that has effects on behaviour, on physical and emotional “wellbeing” and on attitudes. There is no objective reason for believing that only directly measurable behavioural effects are important.

The evaluation instruments should include attitudinal questions, and in that respect it is essential that they are posed in as neutral a way as possible and allow for a range of responses that are numeric in some way. Too often, in the enthusiasm of the policy advocates, the questions are biased in some way, and as a result the data are annoyingly useless. The attitudinal questions should lead to *likert scale* response codes, i.e., allow for a range of five possible answers.

## Hypotheses should be Explicit before the Pilot is Launched

This leads us to a major point of any pilot. There should be a clear list of hypotheses to be tested, and these should be established *before* the pilot is launched and *before* the baseline survey outlined below is carried out. Too often pilot schemes are launched with only vague ideas of what to expect, perhaps

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7 The most egregious example relates to labour subsidy schemes that look only at the effects on the person benefiting, without considering *deadweight* effects – the person could have obtained the labour without the subsidy – and *displacement* effects – a tendency for a subsidised person merely displacing somebody else. One advantage of a universal unconditional cash transfer is that it does not involve such distortionary effects.

because they are implemented under pressure or as a result of a conflicting array of claims and counter-claims. There is also another problem, less often noted, which is that a pilot is launched with only one or two hypotheses to be tested.

In this regard, the latest evangelicals in development policy research, the randomistas, have tended to design pilots that are directed at just one simple hypothesis, or perhaps two simple hypotheses. This stems from the medical metaphor that guides their thinking – “treatment” versus “non-treatment”. A result is an overwhelming tendency to address narrowly defined issues or easily measured outcomes that can be couched in terms of a medical experiment.

Against this bias, one could argue that a pilot scheme is actually better suited to uncovering *how* and *why* an intervention works or does not work, rather than whether or not it does work.<sup>8</sup>

So, before designing a basic income pilot, it is essential to review the main claims made in favour of cash transfers and the main criticisms levelled at them, since these will determine the appropriate design of the pilot, the specific hypotheses to be tested and the type of methodology that would suit the evaluation research.

The main criticisms of a basic income, and of cash transfers in general, conditional or unconditional, are:

- They induce people to reduce their labour supply, because they make it possible to subsist with less labour;
- They induce people, particularly men, to “waste” the money on private vices, notably alcohol and gambling;
- They do not improve welfare, because families do not allocate the money to beneficial uses, unlike schemes that direct them to spend on particular items;
- They have an inflationary effect, because they increase demand without inducing an increased supply of goods and services.<sup>9</sup>

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8 This point is made forcefully by Angus Deaton in a critique of randomised controlled trials, and by Nobel Prize winning economist Jim Heckman. A. Deaton, “*Instruments of development: Randomization in the tropics, and the search for the elusive keys to economic development*”, The Keynes Lecture, British Academy, October 9, 2008; J.J.Heckman and J.A.Smith, “*Assessing the case for social experiments*”, *Journal of Economic Perspectives*, Vol.9, No.2, 1995, pp.85-115.

9 Based largely on evidence from *ad hoc* schemes, most advocates of basic income cash transfers believe that in most circumstances the elasticity of supply of basic goods and services is high and rapid, preventing any inflationary effect.

The main claims in favour are as follows:

- They help people to escape from or avoid falling into poverty;
- They provide a direct means of attaining greater *food security*;
- They help improve the recipients' health and nutrition status, particularly of children;
- They will induce families to spend on improving sanitary conditions in their households, thereby improving health and wellbeing;
- They help to create better conditions so that children attend school to a greater extent and learn more effectively in and outside school, while being more likely to avoid being involved in child labour;
- They increase people's freedom to make decisions about their lives, and provide greater control over the way they can plan their activities;
- They help avoid the clogged pipes of bureaucratic welfare schemes, by which much of the benefit intended for recipients is lost in leakages;<sup>10</sup>
- They help to raise women's socio-economic status, relatively as well as absolutely, and actually increase female labour force participation;
- They enable people to cut indebtedness and to make savings, thereby enabling them to deal with financial *hazards*;
- They result in a reduction in income inequality;
- They increase financial inclusion, of villages and communities;
- They boost the local economy, most notably by creating multiplier effects and inducing an increased elasticity of supply of basic goods and services<sup>11</sup>;

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10 On this, see R.Jhabvala and G.Standing, "Targeting to the "poor": Clogged pipes and bureaucratic blinkers', *Economic and Political Weekly*, Vol.XLV, Nos.26-27, June 2010, pp.239-46.

11 Multiplier effects, associated with Keynesian economics, refer to the income generated that exceeds the initial input. Estimating these effects is complex, but will be tested through this project. For an attempt to do that in an African context, see S.Davies and J.Davey, "*A regional multiplier approach to estimating the impact of cash transfers on the market: The case of cash transfers in rural Malawi*", *Development Policy Review*, Vol.26, No.1, 2008, pp.91-111 and I. Hirway, M. R. Saluja and B. Yadav, "*Employment Guarantee Programme and Pro-Poor Growth in Developing Countries*", Academic Publishers, forthcoming 2009.

- They help to alter people’s attitudes and values in favour of more altruism and social solidarity, reducing fear and intolerance.<sup>12</sup>

These make up a long list of claims and counter-claims. And of course cash transfers involve several *types* of hypothesis to test – the effects on the individual, the effects on the individual’s household, and the effects on the surrounding community. We also need, obviously, to collect information on other factors that may determine changes in behaviour (control variables) beside the basic income itself. To complicate matters even further, there are effects on *behaviour* and on *attitudes*, so implying a need for both economic and socio-psychological data.

Here we cannot be exhaustive of all the hypotheses that could be considered in the course of a pilot basic income scheme. Some are implicit in the above list of claims and counter-claims. But it is useful to consider a few of the major hypotheses in order to indicate what type of statistical information is required to evaluate the impact of a pilot.

Consider a few standard hypotheses:

1. A basic income enables the household or family to provide children with more food and this induces better nutrition and better health.
2. A basic income reduces the pressure on the household to oblige children to labour and increases the probability of them attending school.
3. A basic income enables the household to pay off debt.

For these hypotheses, there is need for *benchmark data*, some of which can be collected from a baseline household survey conducted just before the launch of the basic income, some of which must be collected from outside the household. In some respects, collecting the relevant information requires involvement of an outside body, notably a local medical clinic and a local school.

Then consider another set of hypotheses:

4. A basic income granted to person X leads person Y to reduce the amount of time devoted to income-earning activity, and/or leads person Y to alter his/her consumption.

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**12** This has been well documented in laboratory experiments by psychologists. See, for instance, N.Frohlich and J.Oppenheimer, *Choosing Justice: An Experimental Approach to Ethical Theory* (Berkeley, California, University of California Press, 1992); R.Stock, “*Socio-economic security, justice and the psychology of social relationships*”, Socio-Economic Security Paper No.8, Geneva, ILO, 2002.

5. A basic income scheme leads to the establishment of a local group to advise recipients on how to spend their money.
6. A basic income leads to social community pressure on recipients to share with non-recipients outside the community.

These are indirect and external effects that may require information from the recipient, from the immediate household and from outside the household. While this has implications for the design of a baseline household survey, it also implies a need for a *community-level benchmark and monitoring survey*. And it implies a need for matching household and community *evaluation surveys* that will be conducted concurrently over the period of the pilot.

Then there are hypotheses that relate to the effects on the local economy and local society, such as the following:

7. A basic income scheme leads to an improvement in income distribution, lessening income inequality, and it does so more than by a simple addition of the cash transfer.
8. A basic income scheme leads to the establishment of local financial agencies, leading to a growth of financial intermediation.
9. A basic income scheme leads to the development of new local businesses and more employment in the community.

Here we come back to the design of the pilot itself. Hypothesis 7, for instance, is critical to a proper evaluation of a basic income pilot scheme. Suppose they would improve income distribution, and suppose the pilot design was such that we could not show that. The pilot would then be improperly evaluated. But if only a minority of the community were provided with the basic income, it would be impossible to test this crucial hypothesis. So, it is essential that all residents be encompassed by the cash transfer.

### **Costing and Budgeting must be Realistic**

It might seem obvious, but it is important to devise realistic cost estimates at the outset of the pilot scheme. One could elaborate, but the key point is that pilots necessarily stretch over a prolonged period, in which unanticipated events almost always occur. It is inadvisable to think proper evaluation can be done at a cost that is only a small fraction of the cost of the actual cash transfers. Proper professional evaluation requires decent funding and the technical expertise that should come with that.

Besides costing for the cash transfers themselves and for administration and for the evaluation, some amount of money should be set aside for contingencies. In any empirical study involving survey work, the only rule on which one can be almost certain is, “The one point you can guarantee is that you will make mistakes.” This does not mean that those involved in designing and conducting the pilot will be incompetent, merely that unexpected events always occur. It is in the very nature of a pilot that not everything is known in advance.

### **The Sample must be as Constant as Possible**

This is an essential but hard-to-maintain principle of a basic income pilot. However regrettable from a social point of view to deny a basic income to a newcomer, nobody not covered at the outset of the pilot should be subsequently included, with the exception of new babies.

In other words, migrants who enter the community after the start cannot be included, and nor can those who return to the community after it has started. However, it is desirable to include prior migrants and return-migrants in the survey, since their presence may have effects on attitudes and behaviour that should be taken into account.

One problem that will surely arise if the pilot is sustained for the proposed period of two years is that of out-migration, for short or long periods. It is recommended that should they move usual main residence and/or leave the community to do income-earning activity for more than a short period of about two weeks they should be dropped from the recipients of the basic income.

Obviously, in a prolonged pilot there will be a risk of deaths occurring. In such cases, there should not be substitutes. So, in reality the imperative will rarely be entirely maintained. The point is to try to come as close as possible to it.

### **Monitor the cash transfer mechanisms**

One of the biggest challenges for any cash transfer scheme in developing countries is the lack of sophisticated formal financial institutions and a widespread ignorance of banking. Cash transfers inevitably involve a learning function, and if one is not careful institutional failure can distort the actual effects on behaviour and attitudes.

There are now a range of methods for distributing cash transfers, none of which are entirely adequate, although the range of technological options is increasingly attractive. In the pilots in India, we considered experimenting with three sophisticated methods. I was concerned that by introducing this dimension we would complicate the analysis, obliging the project team to increase the sample of



villages and the sample size of respondents and of control groups. In the end, we have adopted a relative simple method, although it has two variants, which we have identified in the evaluation surveys – setting up individual bank accounts and setting up individual accounts in the SEWA Cooperative Society.

However, a pilot basic income scheme could be the means of testing alternative electronic mechanisms for distributing cash to communities that do not have access to formal banking services. One purpose of using a technology platform is to eliminate the “third party” human element; this is often cited as a reason for the “clogged pipe” failings in Indian government programmes.

There is an additional benefit of using modern technology, which is that it enables recipients to access cash when they need to do so without having to depend on the working hours of institutions that distribute cash, notably banks. But the question is: What technological option would be the most desirable and most replicable at national level, in terms of cost, transparency and user-friendliness?<sup>13</sup>

Three systems could be used. In all of them, there should be a bank through which all cash is transacted, as might be required by law, as is the case in India. The technology platform might allow recipients to access the banking services with minimal physical presence at the bank. In all three methods considered in India as outlined below, the plan was to set up accounts in the nearest bank in the name of the person receiving the transfer, with the cash electronically transferred every month to this account. In effect, the technological solution is a method by which holders can withdraw from this account or deposit into it.

The first method is to make use of *mobile phones* where a local service centre (e.g., a local grocer or some shop used by villagers that is open outside normal banking hours) will act as the “counter”. In this model, people are able to withdraw or deposit money from these counters with the help of the mobile phone. Each person has a dynamic code, and using this he or she will send an sms message to a 24x7 number in the bank where the electronic account has been set up, expressing a desire to withdraw or deposit. If it is a withdrawal, the shop receives an sms from the bank and this will authenticate the claim, after which the shop will give the cash to the villager. If it is to make a deposit, the villager can send a similar sms, give the money to the shopkeeper who then will send an sms taking in the cash in the name of the villager and asking the bank to deposit it in the villager’s account. Once the villager receives an sms authenticating the deposit, the shopkeeper will square the account with the bank within 24 hours.

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**13** For an interesting discussion of the technical issues, see D.Johnson, “*Case study of the use of smart-cards to deliver government benefits in Andra Pradesh, India*”, Institute for Financial Management and Research, Centre for Micro Finance, October 2008.

In the second method, the mobile phone is substituted by a *biometric smartcard* in the possession of the villager, a biometric smartcard in the possession of the shop owner and a smartcard reader to authenticate the cards and the transactions. The smartcard reader has both authentication capacities, as well as the ability to connect to the bank computer and store transaction records. The card reader can authenticate the villager's card, then the shop owner's card, and after that cash can exchange hands (withdrawal or deposit). The card reader can store the transaction within it, on the villager's smartcard and on that of the shop owner. If the reader is connected to the bank computer, the transaction can be simultaneously recorded in the bank computer and erased from the reader. If there is no connectivity during the transaction, the transaction record can be stored in the reader and uploaded into the bank computer as soon as connectivity is established. In any case, the shop owner must square the cash transaction with the bank within 24 hours of the transaction.

With the third method, bank correspondents are used working with portable machines that make them *mobile tellers*. Once the villager contacts the bank correspondent, the latter will perform the same role as the shop owner described above. However, the correspondent is like a roving bank teller and the machine that he, or she, carries produces a printed version of the transaction immediately. In this option, the villager does not require a mobile or a smart card.

Technological companies that produce both hardware and software could be used to implement these three solutions. All three methods could be implemented in each village wherever feasible to study which is the best method for which type of household. Each technology solution would be treated as a candidate for future implementation and, hence, will be studied for its cost-effectiveness as well as its acceptability among the villagers. A detailed analysis of the pros and cons of each solution will be documented during the experiment. A report on the success or limitations of each will also be produced before the end of the project.

### **Build in “Agency” or “Voice” Effects**

The final imperative that should be emphasised with respect to basic income pilots is something very distinctive. No sensible advocate of basic income believes it would be a panacea that could displace all other social policies. Moreover, we recognise that most vulnerable people given a basic income would remain vulnerable and liable to be oppressed or exploited. Combatting that vulnerability requires them having a sense of *agency*, or capacity to exercise effective “voice” in their defence. This perspective leads to the view that the writer of this article has held and advocated for many years, namely that basic income would only work optimally if those receiving it had individual agency and some form of collective Voice to defend their interests.

More generally, a pilot social policy project should always take account of agency effects. These vary. Always the group provided with a “treatment” has some degree of agency, which may not be the same in different communities. The agency or Voice may exist prior to the onset of the experiment or it may emerge during or as a result of the policy intervention. Or both may occur. In other words, agency may be exogenous or endogenous or both.

In the Namibian pilot basic income scheme, agency was endogenous, in that within months of starting, the villagers formed an Advisory Committee to steer villagers to use their money rationally and to defend vulnerable villagers against anybody inclined to take advantage of them. To what extent did that emergence affect the outcomes? We were left with a strong impression that the effects were positive. But we were unable to tell how important they were.

Other pilot cash transfer schemes have picked up a positive effect of agency, as in a study done in Nicaragua that found that in areas with a relative high proportion of “community leaders”, the effects of conditional cash transfers were stronger.<sup>14</sup> That is only one type of agency that could be measured in a pilot. Others should be taken into account in the selection of sampled areas and in the design of the evaluation instruments.

In the Indian pilot, we adopted what seems to have been a rare methodology. We first identified a Voice mechanism, namely SEWA (the Self-Employed Women’s Association), and reasoned that the cash transfer would have a greater impact on behaviour and attitudes in areas where it was operative than in areas where it was not, *ceteris paribus*. Accordingly, we divided the sample of villages into four where SEWA was active, and four where it was not, with the control villages being selected on the same basis, with six of each.

This allowed us to test the hypothesis that basic income with Voice works “better” than basic income alone. Note that the design of the questionnaires used in the baseline and evaluation surveys also allowed us to identify any other form of agency that might have existed prior to the pilot or that emerged during it.

## Conclusions

Pilot schemes are popular at the moment, for all sorts of policy interventions. There is no reason for doubting that they can and should be the means for advancing practical consideration of basic income. Advocates should encourage local authorities and donor agencies to support such initiatives.

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14 K.Macours and R.Vakis, “*Changing households’ investments and aspirations through social interactions: Evidence from a randomised transfer program in a low income country*” (Johns Hopkins University Press, 2008).

Such pilots must be seen in context. The rhetoric behind randomised control trials has been deafening, and the funds being devoted to such trials have been enormous. But as Angus Deaton and others have argued, this method is *not* superior to all others and it is certainly not proven that the emphasis being given to them is sensible or demonstrably appropriate.

No pilot design or evaluation method will be totally adequate for all the questions that must arise in pilots, and it is unlikely that any method will be totally convincing. Indeed, not only is there no perfect method, but there is only one rule on which one can count: However clever and experienced you are, the only thing on which you can be certain is that you will make mistakes.

Nevertheless, if well-designed and conducted professionally and transparently, pilot schemes is almost indispensable and should tilt the balance of thinking and lead more people to make balanced and more objective decisions on a policy such as a basic income. That is why we should be involved in designing and conducting them, and why we should make sure to pre-empt criticisms by being as objective as possible, and for having control groups in all such experiments.

We have moved a long way relatively quickly. Around the world today it is increasingly recognised that there is chronic economic insecurity and that simple cash transfers are a feasible way of addressing that insecurity. A basic income is a way of reducing both insecurity and the yawning inequalities that globalisation has produced.<sup>15</sup> A rolling series of pilot basic income schemes conducted on a manageable scale in various parts of the world would be a great way to bring them into the mainstream of social policy and development thinking.

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<sup>15</sup> G.Standing, *Work after Globalisation: Building Occupational Citizenship* (Cheltenham and New York, Elgar, 2010).