

Universal basic income policies don't cause people to leave workforce, study finds

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New research from the University of Chicago Harris School of Public Policy suggests that a universal basic income would not cause people to leave the workforce.

Such proposals, including one considered by Hillary Clinton during her 2016 presidential campaign, include direct payments that ensure each resident has a baseline of income to provide for basic needs. While previous research has focused on the effects of these unconditional cash transfers at the micro level—for example, winning the lottery— this study examined their large-scale impact by looking at a government program that has supported Alaska residents for the past 25 years.

In a working paper released Feb. 12 by the National Bureau of Economic Research, Assoc. Prof. Damon Jones of Harris Public Policy and Asst. Prof. Ioana Marinescu of the University of Pennsylvania School of Social Policy and Practice (formerly of UChicago) examined the effect of unconditional cash transfers on labor markets using the Alaska Permanent Fund Dividend—a payout from a diversified portfolio of invested oil reserve royalties, established in 1982. They concluded unconditional cash transfers had no significant effect on [employment](#), yet it increased part-time work.

"It is reasonable to expect an unconditional cash transfer, such as a universal income, to decrease employment," Jones said. "A key concern with a universal basic income is that it could discourage people from working, but our research shows that the possible reductions in employment seem to be offset by increases in spending that in turn increase the demand for more workers."

With only a few exceptions, every Alaskan who has been a resident for at least 12 months is entitled to a dividend from the Alaska Permanent Fund, which as of August 2017 is worth nearly \$61 billion. In recent years, the payment, which residents receive through direct deposit, has averaged about \$2,000 a year in a lump sum. But because it is a per-person amount, a household of four could receive more than \$8,000.

Jones and Marinescu examined the effects of a large number of people

receiving a cash transfer. Notably the researchers found that:

- There is no significant effect, positive or negative, on employment as a whole, although part-time work does increase by 1.8 percentage points, or about 17 percent.
- There is a difference in the effect of the unconditional cash transfer in sectors that produce goods or services that can be traded outside of Alaska and those that cannot. Part-time work increases and employment decreases in the tradable sector, but the effects in the non-tradable sector are insignificant.
- Any negative effects in the non-tradable sector, meanwhile, are offset by positive macro effects.

Jones and Marinescu conclude that more research needs to be done to analyze universal basic [income](#) proposals, including the effects of proposed funding models and possible impacts on the prices of local goods. They found that a major component, called the unconditional [cash transfer](#), has no [effect](#) on aggregate employment.

More information: The Labor Market Impacts of Universal and Permanent Cash Transfers: Evidence from the Alaska Permanent Fund. www.nber.org/papers/w24312.pdf

Provided by University of Chicago

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