

# Study: Employment rose among those in free money experiment

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In this Aug. 14, 2019, file photo, then-Stockton Mayor Michael Tubbs speaks during an interview in Stockton, Calif. A study of people in California who received \$500 a month for free says they used it to pay off debt and get full-time jobs. A pair of independent researchers reviewed data from the first year of the study and released their finding on Wednesday, March 3, 2021. Run by a nonprofit founded by Tubbs, the program gave \$500 a month to 125 people who lived in census tracts at or below the city's median household income of \$46,033.

(AP Photo/Rich Pedroncelli, File)

After getting \$500 per month for two years without rules on how to spend it, 125 people in California paid off debt, got full-time jobs and reported lower rates of anxiety and depression, according to a study released Wednesday.

The program in the Northern California city of Stockton was the highest-profile experiment in the U.S. of a universal basic income, where everyone gets a guaranteed amount per month for free. Announced by former Mayor Michael Tubbs with great fanfare in 2017, the idea quickly gained momentum once it became a major part of Andrew Yang's 2020 campaign for president.

Supporters say a guaranteed income can alleviate the stress and anxiety of people living in poverty while giving them the financial security needed to find good jobs and avoid debt. But critics argue free money would eliminate the incentive to work, creating a society dependent on the state.

Tubbs, who at 26 was elected Stockton's first Black mayor in 2016 after endorsements from Oprah Winfrey and Barack Obama, wanted to put those claims to the test. Stockton was an ideal place, given its proximity to Silicon Valley and the eagerness of the state's tech titans to fund the experiment as they grapple with how to prepare for job losses that could come with automation and artificial intelligence.

The Stockton Economic Empowerment Demonstration launched in February 2019, selecting a group of 125 people who lived in census tracts at or below the city's median household income of \$46,033. The program did not use tax dollars, but was financed by private donations,

including a nonprofit led by Facebook co-founder Chris Hughes.

A pair of independent researchers at the University of Tennessee and the University of Pennsylvania reviewed data from the first year of the study, which did not overlap with the pandemic. A second study looking at year two is scheduled to be released next year.

When the program started in February 2019, 28% of the people slated to get the free money had full-time jobs. One year later, 40% of those people had full-time jobs. A control group of people who did not get the money saw a 5 percentage point increase in full-time employment over that same time period.

"These numbers were incredible. I hardly believed them myself," said Stacia West, an assistant professor at the University of Tennessee who analyzed the data along with Amy Castro Baker, an assistant professor at the University of Pennsylvania.

Tomas Vargas said the extra \$500 a month was enough for him to take time off from his part-time job and find full-time work that paid better. He said he was depressed at the start of 2019, but now says he is happier and healthier.

"Every day I get to wake up and enjoy my kids," he said. "My wife, we enjoy time together. We didn't have that before."



In this Aug. 14, 2019, file photo, Susie Garza displays the city provided debit card she receives monthly through a trial program in Stockton, Calif. A study of people in California who received \$500 a month for free says they used it to pay off debt and get full-time jobs. A pair of independent researchers reviewed data from the first year of the study and released their finding on Wednesday, March 3, 2021. (AP Photo/Rich Pedroncelli, File)

Tubbs cheered the results, telling reporters on a conference call to "tell your friends, tell your cousins, that guaranteed income did not make people stop working."

Matt Zwolinski, director of the Center for Ethics, Economics and Public Policy at the University of San Diego, reviewed the study and said it is "really good news for supporters of a basic income guarantee." But he

said the study is limited because it only lasted two years, and people are unlikely to drop out of the labor force if they know the extra money is temporary.

"Tubbs' claim that this experiment proves that a basic income doesn't negatively affect employment is overstated," he said.

Researchers found the people who got the money reported lower incidences of anxiety and depressive symptoms when compared to another group of people who did not get the money. Those findings could be key to next year's study, which will look at how participants fared during the pandemic.

"It will allow us to ask the question: To what degree did that \$500 serve as a financial vaccine as people were entering the pandemic," Baker said. "The fact that folks went (into the pandemic) in a much stronger position, I think, bodes really well for the ways in which cash can really alleviate chronic strain."

People got the money once a month on a debit card, which let researchers track how most of the people spent it. Less than 1% of the money went to tobacco and alcohol.

Tubbs, who lost his reelection bid as Stockton's mayor in November, said his goal is to convince state and federal lawmakers to implement guaranteed income programs on a larger scale. Aside from conservatives who object to big government spending, opposition also comes from labor unions that worry the government would end other social safety net programs to pay for it. Yang's plan would have cost nearly \$3 trillion a year to provide a guaranteed income to everyone.

"That's a question these experiments are not designed to answer," said Steve Smith, communications director for the California Labor

Federation.

Still, guaranteed income programs seem to be gaining momentum. More than 40 mayors have joined Mayors for a Guaranteed Income, with many planning projects of their own. A proposal in the California Legislature would offer \$1,000 per month for three years to people who age out of the state's foster care system. And in Congress, Republican U.S. Sen. Mitt Romney of Utah has proposed expanding the child tax credit to send most parents at least \$250 per month.

Tubbs said that's a big difference from when he first announced this guaranteed income program four years ago.

"How the pendulum has swung," he said.

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