

Will A Basic Income Mean The End Of Work? Don't Get Too Excited

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Even when people get unconditional cash payments, they tend to stay in the workforce—just with a lot more security and spending money than they had before.

“Intuition might tell you: ‘Well if people get this cash, why should they bother working now?’ [We find] the impact on work is very, very small.” [Illustration: Rogotanie/iStock]

By Ben Schiller

“[The Future of Not Working](#)” is how the *New York Times* headlined a big recent magazine article on [universal basic income](#) (UBI). And why not? UBI—the idea of giving all citizens regular payments to cover basic needs—is generally considered a work alternative: a response to the age of extreme automation, when work is no longer available, or a solution that recognizes work as boring and demeaning, and therefore something best left to history. UBI detractors will say if you give people money, they’ll do nothing useful. Fans see UBI as freeing us from pointlessness, allowing us to [pursue more creative, socially engaged activities](#).

In fact, some of this rhetoric could be missing the mark. The evidence from many trials of unconditional cash transfers, including basic income plans, finds little evidence that work (or the desire to work) disappears in conditions of free money. In almost all cases, giving people regular payments hasn’t dampened their thirst for employment. In fact, UBI is a bit like the lottery, says [Ioana Marinescu](#), an assistant professor at the University of Chicago Harris School of Public Policy, author of a [recent paper](#) looking at the relationship between cash transfers and behavior. We may imagine that lottery winners all decamp to Florida (or similar) and sit by the pool all day. Actually, most lottery winners keep clocking in (though presumably less despairingly than before).

“Intuition might tell you, ‘Well if people get this cash, why should they bother working now?’ [We find] the impact on work is very, very small,” Marinescu says in an interview.

Marinescu’s report for the [left-of-center Roosevelt Institute](#) looks at data from U.S. and Canadian negative income tax experiments (a form of basic income where incomes are means-tested through the tax system), the [Alaska Permanent Fund Dividend](#) (an ongoing annual payment to all Alaskans ranging from \$1,000-\$2,000), the [Eastern Band of Cherokees casino dividend program](#) (about \$4,000 on average), as well as several other studies, including ones covering lottery windfalls. Across several countries, eras, and payment arrangements, the results were similar. People largely continued working even after receiving means not to (or at least the means to work a lot less).

“I think that all these countries give fairly consistent results is deeply encouraging. In principle, we can’t expect the same policy to have the same effect [everywhere], but across these studies we see fairly similar effects,” Marinescu says.

Alaska has made cash transfers since 1982, reaching about 660,000 individuals in 2016 (if you move to Alaska, you can claim the dividend within a year of residency, which is a nice deal). Marinescu and her colleague Damon Jones compared the state’s employment figures with other states without dividends. There’s been no relative decrease in population-employment ratios, though there has been an increase in consumption. Alaskans spend more money proportionately because they have more money.

The Eastern Band of Cherokee Indians Casino Dividend, as the name suggests, disburses income from the tribal lands casino: 16,000 people get twice-yearly payments—up to \$6,000 in total. Again, there was little change in the ratio of people working either full- or part-time, a long-term study by Duke University researchers found. The payments have though improved educational attainment, mental health, and reduced alcohol and cannabis use and dependence.

Meanwhile, in the 1970s, six U.S. states and one province in Canada (Manitoba) took part in negative income tax experiments, where government gave out from between \$17,445 to \$48,446 for a family of four, then reduced that amount for higher earners, either by taxing the transfer or cutting benefits for each dollar of earned income. Overall, the experiments saw a 4% point decline in employment, the equivalent of men working two weeks less a year, Marinescu says. Only one experiment, in Seattle and Denver (the biggest) saw a big effect: a 7.4% fall in earnings (\$1,800 annually) among individuals observed for many years after the experiment ended (perhaps, Marinescu says, because they retired early).

The report compares results from UBI trials with studies into lottery winners. One [Swedish study](#) found that winning \$140,000 decreases the probability of someone working by about 2% (from a baseline of 77% of the overall population working). But it also found that this effect was entirely gone after 10 years (perhaps because the winners' money begins to run out).

The evidence so far is not conclusive and a little out of date, but it doesn't point to large negative effects in terms of employment, health, and education, Marinescu says. If anything, it points to the opposite. Manitoba's negative income tax (known as Mincome), for example, resulted in a 8.5% decrease in hospitalizations, especially for mental health, accidents, and injuries. For Marinescu, the more interesting question is not what behavioral impacts we might see from UBI, but how to pay for it. Some estimates for a nationwide U.S. UBI put the cost at [\\$1.3 trillion](#) (more than double the defense budget). If we have to slash other public assistance programs or substantially raise taxes, that might seriously affect the results of the UBI itself. Lower-income Americans might get less money overall, harming their health or employment prospects. Or, if we increase taxes, high earners might pay more, with possible ramifications for innovation and hiring trends.

Marinescu is currently polling one alternative payment method: a small carbon tax on fossil fuel products that would be returned as a UBI to everyone in America. Worth about \$600 a year, it wouldn't be a massive rock in the pond. But it would offer a starting point, she says, and kill two birds at the same time: testing UBI and doing something about climate change. Marinescu hopes to identify states most amenable to the idea, helping activists plot a state-by-state political strategy, akin to the campaign for gay marriage and marijuana legalization. Marinescu doesn't think \$600 will make a massive difference to people's lives, but it would make the UBI idea tangible, leaving room for future expansion.

"Politically, [a national UBI] doesn't seem feasible in the short run," she says. "It's interesting to have smaller transfers first, see the economic effects, and then we can see where we want to go from there."