Some Effects of Universal Basic Income During a Pandemic

By Abhijit Banerjee, Michael Faye, Alan Krueger, Paul Niehaus, Tavneet Suri

The spread of COVID-19 and related restrictions on economic activity in low- and middle-income countries may threaten the livelihoods of many. Recognizing this, states have begun unprecedented expansions in social protection. As of 12 June, 195 countries had introduced 1,024 new social protection measures covering an estimated 1.7 billion individuals, a large share cash transfers. These developments raise urgent new questions about the impacts of transfers during a pandemic. We focus on three. First, how effective are transfers at improving well-being? While a large literature shows positive impacts, it is unclear whether to expect similar benefits during a pandemic on economic dimensions (e.g. if disruptions to supply chains limit the usefulness of cash) and non-economic ones (e.g. if mental health is so dictated by recent events that transfers have little traction). Second, to what extent, if any, do transfers *dampen*, as opposed to simply *offsetting*, the impacts of the pandemic itself? Third, how do transfers affect health and social interaction, and thus potentially transmission of the disease? Social interaction has not been a focal outcome of past research, but is central now to understanding how social protection and public health policies interact.

Here, we report results that take advantage of a unique field experiment which began two years ago to examine the impacts of Universal Basic Income ("UBI") in Kenya. The original study includes treatment arms receiving lump-sum, long-term, and short-term transfers. In this paper, we use data from a short household phone survey conducted in May in the midst of the strictest phase of Kenya's restrictions. For many outcomes, we are also able to combine these data with comparable measures collected as part of a full-scale endline survey conducted shortly before the pandemic (between August 2019 and December 2019). This lets us examine pre/post COVID-19 changes in several key variables including earnings, transfers, food security, and mental health.

We find that, first, transfers continue to be effective at improving some (though not all) measures of well-being, including income, the proportion of households experiencing hunger, physical and mental health. The health changes likely do not reflect changes in COVID infection rates but rather the direct effects of UBI on health. Second, while transfers do help *offset* effects of the pandemic and correlated shocks, we find little evidence that they also *mitigate* those effects. In the control group we generally see large reductions in measures of well-being between endline and COVID surveys. Some of this likely reflects the effects of the pandemic and associated restrictions, though some of it likely also reflects seasonality in agricultural production. Whatever the source, these reductions are generally not significantly different from transfer recipients as opposed to non-recipients. Third, we find no evidence that transfers increase social interaction, and some evidence that they reduce it. We also see no significant impacts on market interactions, but again see significant reductions in the frequency with which short-term transfer recipients visit friends or relatives in their own and in other villages.