Targeting Rural Poverty through Guaranteed Basic Income: Initial Results from a Field Experiment in South Carolina*

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Abstract

We provide initial results from a randomized trial guaranteeing monthly basic income for two years to disadvantaged individuals in rural South Carolina. The treatment-group guarantee is 200 dollars, which represents more than 20% of the sample's average monthly individual income from all sources. The control-group guarantee is 10 dollars. Our analysis relies on high-frequency longitudinal administrative data. In the short term (six months after first receiving the basic income) and relative to the control group, employment decreases by 58% in the treatment group. The resulting average loss of labor income is virtually identical to the average increase in unearned income, including the amount guaranteed and monetary welfare transfers. While decreasing total productivity in the labor market, assignment to treatment increases investments directed to address chronic health issues present in the targeted population. In the longer term (one year after first receiving the basic income), the negative impact on employment shrinks to 45%, and the rate at which the treatment group invests in health reverts to the rate of the control group. Our results suggest that guaranteed basic income allows treated individuals to take time off work to solve personal needs. Once these needs are addressed, these individuals slowly reintegrate into the labor force.

JEL Codes: H20, J01, J08, I12.

Keywords: basic income, employment incentives, health as human capital, safety net, welfare.

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