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 practically identical to the average increase in unearned income, primarily composed of the amount guaranteed as basic income. In the short term, assignment to treatment decreases average labor-market productivity. However, it also increases investments directed at addressing chronic health issues present in the targeted population, both in terms of average days spent in the hospital visits and average expenditure during such visits. In the longer term (nine months 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. Upon being guaranteed basic income, the average treated recipient takes time off work to solve personal needs. Once these needs are addressed, they slowly reintegrate into employment.

JEL Codes: H20, J01, J08, I12.

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

*The randomized trial analyzed in this study is registered on the AEA RCT Registry under ID AEARCTR-0014466.

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