# WP4 Reinventing Social Welfare
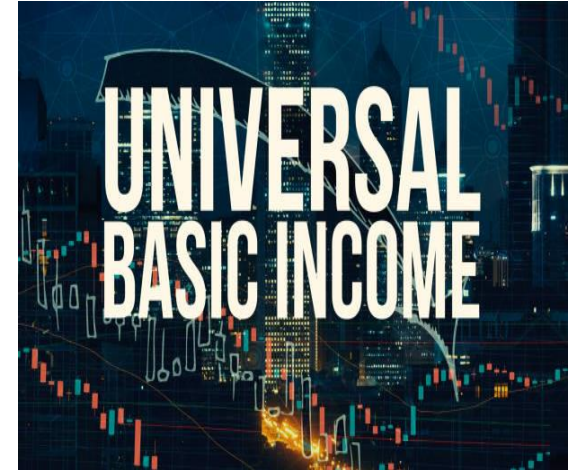
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UNIVERSAL BASIC INCOME



the case for a participation income

*Rethinking Social Welfare - Technequality Policy Week*
*February 2-7, 2022*

# WP4-Reinventing social welfare

**Main question: What are the micro and macro-economic effects of Basic and Participation Income like reform scenarios on social inequalities against the background of technical change and which lessons can be drawn for welfare policy?**

- **D4.1. Which regime works best in Social Welfare? Comparison of eight Dutch local participation income experiments.**

- **D4.2. Workshops with national and international researchers**

- **D4.3. Micro –and macro-economic effects of participation and basic income experiments in Europe and elsewhere**

- **D4.4. Modelling assessment of income schemes, a macro-simulation study**

- **D7.2 Policy Brief: Reinventing Social Welfare: Micro –and Macro-economic Effects of Unconditional Basic Income and Participation Income Scenarios (based on D4.3)**

- **D7.6. Policy Brief: Modelling assessment of income schemes. Macro-simulation study of two Dutch policy reform scenarios**

# Outline

1.  **General findings: Implementation of Dutch RCT experiment in 8 cities 2017-2019 +  Amsterdam 2018-2021**

2.  **General findings: Intended and unintended micro -and macro-economic effects of UBI-NIT experiments and simulations in US, Canada, Europe and elsewhere**

3.  **Lessons for research, implementation, and policy**

4.  **2 Questions and 3 Theses on Policy**

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# Two main research questions

- **Which experimental treatment or regime works best in Dutch Social Welfare for employment and health and wellbeing?**

- **3 conditions in 9 cities:**
    - **relaxation of requirements, exemption treatment**
    - **more intensive tailored work support and**
    - **rewarding work efforts (earnings disregard, work bonus).**

- **Which Basic Income scheme (PI, UBI, NIT) works best for promoting employment, for reducing inequality and poverty and for improving health, wellbeing and trust and reduce crime?**

- **Review of Dutch Experiments + Experiments in Finland and Spain?**

- **Review of Experiments in US and Canada and elsewhere + simulation studies of PI/BI**

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# Main Conclusions Dutch Experiments in 9 cities

## Register and survey data analyses

- **No hard evidence that the alternative regimes work better but also no proof that they work worse**
- Most of the time positive but insignificant employment or labour supply effects
- **Significant effects on parttime work in Utrecht and fulltime work in Apeldoorn (earnings disregard, tailored support)**
- No significant effects found on health and subjective wellbeing but need longer time horizon
- Self-regulation significantly improved in exemption and extra support in Utrecht.
- Significant effect on social trust in Groningen (extra support and earnings release) and trust in caseworker in Tilburg (extra support) and Oss (exemption + extra support) .

Ik wil weten wat werkt voor mij!

*"I want to know what works for me!"*

- In Amsterdam:
  - People who worked already parttime had a greater chance to be employed at t=2.
  - People in the extra support group had a higher chance to be employed (62% compared to 49% at in control group t=2).

# Methodology

- **Definition UBI according to Van Parijs (2004):**

1) paid periodically

2) paid in cash

3) paid to individuals

4) Universal

5) unconditional

- **Inclusion criteria:**
    - Full UBI experiments are scarce
    - Interventions meeting at least criteria 1, 2, and 5 → "PI/UBI-like programmes"

- **Exclusion criteria**
    - **Interventions:** lump-sum cash payments and conditional transfers
    - **Population:** specific vulnerable groups

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# Micro-Macro Effects: 48 studies
## (17 simulation studies + 31 Field Experiment studies (3 in Europe)

| Results simulation studies and 3 European field experiments | Simulation studies | | | Field exp. Canada - US | | | | | Field Exp. Europe | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | UBI | NIT | PI-CBI | NIT-Can | Ontario | NIT US | PUBI-Stockton | PUBI-Alaska | Fin-UBI | NL-PI Exp | ES-UBI/PI |
| **• Working hours and employment** | | | | | | | | | | | |
| • Working hours / FT-PT employment | ns0/-- | ns0/- | ns0/- | -/ns | - | -/- | + | -/ns+ | ns/+ | +/ns | --/ns |
| • Self-employment, risk taking | | | | | | | + | + | | | |
| • Job match (sustainable employment) | | | | | | | | | | | |
| • Median wage new hires (context effect) | | | | +/ns | | | | | | | |
| **• Poverty and inequality** | | | | | | | | | | | |
| • Reducing financial stress, reducing poverty | ++ | ++ | ++ | na+ | | + | + | + | ++ | | ++ |
| • Reducing inequality | +/- | + | + | | | | | | + | | + |
| • Social welfare gains / no welfare dependency | +/- | +/ns | +/ns | +/- | | | | | /- | | |
| **• Health and subjective wellbeing** | | | | | | | | | | | |
| • Improved (mental) health /less stress / reduced mortality | | | | | + | | + | na/na/- | +/+ | ns/ns | +/+ |
| • Improved subjective wellbeing | | | | | + | | | | + | ns | + |
| • Reduced health care use, less hospitalisation | | | | + | + | | | | | | |
| **• Social outcomes (non-employment)** | | | | | | | | | | | |
| • Leave employment (health, education, leisure, job conditions etc.) | | | | +na | | | | | + | | na/+ |
| • Low marginal social costs / revenue-neutral flat-tax | --/0 | -/0 | - | | | | | | - | | |
| • Autonomy (self-management) / time for education and re-skilling | | | | | | | | | + | ns+ | na/+ |
| • Time for caring and volunteering (social participation) | | | | na+ | + | | | | | ns- | |
| • Reduced crime (substance abuse, violence, burglary etc.) | +- | | | | + | | | | | | |
| • Social trust / institutional trust | | | | | | | | | +/+ | ns+/ns+ | |

*Note 1:* + positive effect; - negative effect; 0=zero effect; na=not available

*Note 2* : Field experiments Canada (Mincome, Ontario); US (Gary-Indiana, Seattle-Denver)

*Note 3:* UBI=Unconditional BI; CBI=Conditional BI; PI=Participation Income; PUBI=Partial UBI

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# Main Conclusions Simulation Studies

- **Inconclusive mixed evidence on labour supply effects of UBI and NIT simulation (**dependent on including family labour supply and social welfare effects).

- **Full UBI and NIT (100%) leads to high marginal taxes, reduced incentives and high social costs.**

- **Positive effects of PI/UBI/NIT on reducing poverty and income inequality but mostly based on static micro-simulations.**

- **Partial NIT and PI (50%) schemes best in balancing efficiency and equity goals due to work incentives, reducing poverty and welfare gains**

- **Macro simulations of two Dutch policy scenarios: earnings disregard + 30% increase minimum wage. Positive effects on income and GDP growth that compensate for the loss of employment due to technical change.**

- **Contextual or regional effects on wages, labour demand, growth and social networks might strengthen observed individual effects.**

the case for a participation Income or negative income tax

# Main conclusions European field experiments



- Insignificant, positive or small negative labour supply effects in UBI/PI/Unconditional treats
- Attrition, underreporting, selection and experiment effects strongly impact effects and should be corrected or avoided.
- Positive labour supply effects found of earnings disregard (reduced claw-back rates) and active or tailored support policies
- Insignificant or positive effects on mental health and subjective wellbeing and on self-regulation and social and institutional trust (trust in caseworker).

**Few studies including technical change effects:**
**Except one:**
**investments in robots through savings on wages increase growth and reduce inequality compared to UBI financed with capital tax.**

# Intended and Unintended effects
## (28 field experiment/policy reforms outside Europe)

| Results simulation studies and 3 European field experiments | Full UBI exp. | | Partial BI exp. | BI dividends (reforms) | | | Field exp. Canada - US | | |
|---|---|---|---|---|---|---|---|---|---|
| | India | Kenya | Stockton | UBI Div. Alaska | Indian casinos | Iran | NIT-Can | Ontario | NIT US |
| **• Working hours and employment** | | | | | | | | | |
| • Working hours / FT-PT employment | na | -/ns | + | -/ns/+ | na | +/ns | -/ns | - | -/- |
| • Self-employment, risk taking | na | +/ns | na | + | na | na | na | + | na |
| • Job match (sustainable employment) | na | na | na | na | na | na | na | na | na |
| • Median wage new hires (context efffect) | na | na | na | na | na | na | +/ns | na | na |
| **• Poverty and inequality** | na | na | na | na | na | na | na | na | na |
| • Reducing financial stress, reducing poverty | na | na | + | + | + | + | na+ | na | + |
| • Reducing inequality | na | na | na | na | na | + | na | na | na |
| • Social welfare gains / no welfare dependency | na | na | na | na | na | na | +/- | na | na |
| **• Health and subjective wellbeing** | na | na | na | na | na | na | na | na | na |
| • Improved (mental) health /less stress / reduced mortality | +/ns | + | + | - | na | na | na | + | na |
| • Improved subjective wellbeing | na | + | na | na | na | na | na | + | na |
| • Reduced health care use, less hospitalisation | ns | + | na | na | na | na | + | + | na |
| **• Social outcomes (non-employment)** | na | na | na | na | na | na | na | na | na |
| • Leave employment (health, education, leisure, job conditions etc.) | na | na | na | na | na | na | +/na | na | na |
| • Low marginal social costs / revenue-neutral flat-tax | na | na | na | na | na | na | na | na | na |
| • Autonomy (self-management) / time for education and re-skilling | na | na | na | na | na | na | na | na | na |
| • Time for caring and volunteering (social participation) | na | na | na | na | na | na | na/+ | + | na |
| • Reduced crime (substance abuse, violence, burglary etc.) | na | na | na | +/-/ns | na | na | na | + | na |
| • Social trust / institutional trust | na | na | na | na | na | na | na | na | na |

*Note 1:* + positive effect; - negative effect; 0=zero effect; na=not available

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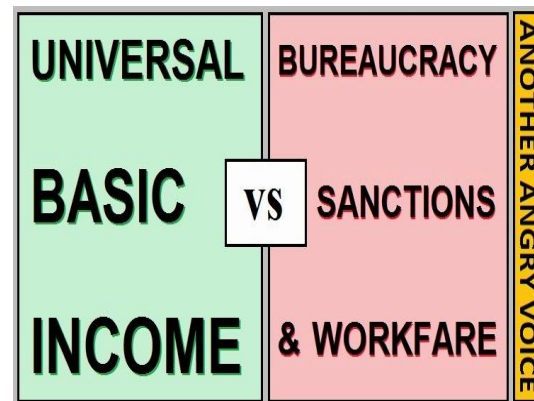
# Main conclusions Non-European field experiments

- In the UBI experiments, wage employment is reduced in favour of self-employment. In the partial BI experiments/dividends, increased employment or no effect. In the NIT experiments, small negative effects.

- In NIT experiments, workers left employment because they did not want to or could not work, because other reasons were considered more important: e.g. family, education, job conditions, self-employment.

- Financial stress reduced. According to the BI-dividend schemes and NIT experiments, inequality and poverty reduced.

- In all experiments, improved health outcomes and well-being. However, short-term mortality is increased in Alaska. In Urban areas, this is not offset in later periods.

- GMI has positive social effects (socializing, feeling less marginalized. less crime), but also small negative effects (more substance abuse).

# Key Messages on Research

- RCT-field experiments with different policy scenarios are a very valuable tool to test the effects of alternative policies.

- More integrated research is needed into the efficiency (employment) and equity (income inequality, poverty, social outcomes) effects of GMI reforms to be able to acquire a more balanced view.

- More research is needed into the contextual effects of BI and PI related reforms on wages, labour demand, job matches and self-employment.

- More longer-term research is needed into the impact of UBI-like reforms on sustainable employment and job matches, lifetime income, but also on (mental) health and subjective wellbeing and longer term social effects.



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# Key Messages on Policy

- **For reducing inequality and poverty, UBI-NIT or PI reforms seem to be most effective.** The more generous GMI is the more poverty and inequality is reduced but the higher the costs and the higher marginal tax rates reducing labour supply.

- **NIT and PI schemes perform best with respect to employment compared to UBI schemes.** The reason is that the NIT-PI schemes yield lower marginal tax rates and hence, stronger work incentives for low-income people the higher the level of earnings disregard is (reduced claw-back rates or work bonus).

- **Overall, positive health effects were found in various recent studies, on physical health and notably also on mental health.** Especially in low - and middle-income countries, a full or partial UBI grant or dividend seem to improve the wellbeing and health of the people involved. In high income countries, the effects on reducing (mental) health tend to be positive (financial stress, depression) but the evidence is mixed and inconclusive and need more scrutiny.

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