Basic Income and Job Guarantee: Two field experiments

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New social safety nets

- Ideas for new social safety nets are generating much debate.
- Two leading contenders:
  - (Universal) basic income.
  - Job guarantee.
- Much variation in
  1. policy details, and
  2. motivating arguments.
- This talk: Evaluation of two pilot programs in Austria, Germany.

Disclaimer: We received no payment for any of these evaluations, and will publish our findings independently from the implementation partners.

Two pilot programs

- **Job guarantee Marienthal**, Austria, 2020-2024

  Kasy, M. and Lehner, L. (2025). Employing the unemployed of Marienthal: Evaluation of a guaranteed job program. Working Paper.

- **Pilotprojekt Grundeinkommen**, Germany, 2021-2025

  Bernhard, S., Bohmann, S., Fiedler, S., Kasy, M., Schupp, J., and Schwerter, F. (2025). Basic income and labor supply: Evidence from an RCT in Germany. Working Paper.

  Bohmann, S., Fiedler, S., Kasy, M., Schupp, J., and Schwerter, F. (2025). Cash transfers, mental health, and agency: Evidence from an RCT in Germany. Working Paper.

Possible advantages I

Both job guarantee and basic income:

- **Unconditional outside options**.
  - Improving the bargaining position of those worst off,
  - in employment, bureaucracies, and (romantic) relationships.
- **Covering uncovered populations**.
  - Dropping conditionalities (e.g. past employment),
  - diminishing problems of incomplete benefit takeup.
- **Automatic stabilizers**.
  - Smoothing business cycles by stabilizing disposable income.

Possible advantages II

- Job guarantee:
  - Work as a source of **meaning**.
  - Benefits of **social interactions** in the workplace (and beyond).
  - Social **respect**.
- Basic income:
  - Respecting individual **autonomy**.
  - Avoiding the **distortions** (deadweight loss) of forcing people into wage labor.
  - Avoiding the **bureaucratic overhead** of welfare surveillance.

$\Longrightarrow$ Basic income and job guarantee as **complementary** components of a future safety net?

Possible disadvantages

- Job guarantee:
  - **Spillovers**, crowding out of market employment.
  - **Forced work** – if participation is not voluntary.
  - Meaningless activities.
- Basic income:
  - **Reduced labor supply** reducing tax base.
  - **Increased labor supply** depressing wages.

The Marienthal job guarantee pilot

- Started October 2020, GramatneusiedlI.
- All longterm unemployed ($>$ 9 months at baseline) were eligible.
- Preparatory training for up to 8 weeks.
- Jobs were individually tailored. Options included:
  - Jobs in a newly founded social enterprise (childcare, gardening, renovation, carpentry).
  - Some of these: Projects created by participants themselves.
  - Subsidized jobs in the regular labor market.

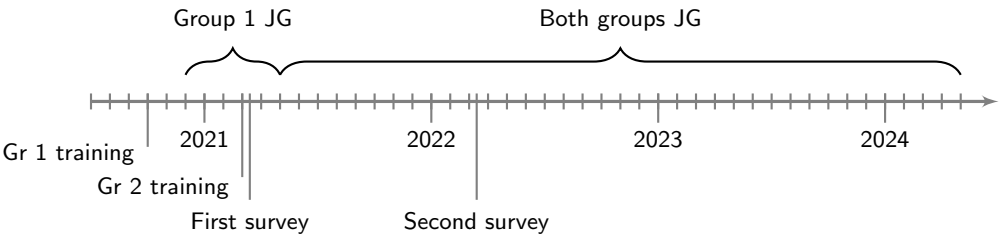
The Marienthal job guarantee pilot

1. **Voluntary participation.**
   - No sanctions for declining a job offer.
2. **Collectively bargained wage.**
   - 1.500 Euro/month for full-time.
3. **Meaningful employment**
   - Taking into account personal constraints.

Study design: Three approaches

1. **Pairwise random assignment** and staggered roll-out.
   - Pairwise matching minimizes sum of distances within pairs.
   - Random assignment, within pairs, to one of two waves.
2. **Synthetic control** comparison.
   - Pre-registered.
   - Municipalities in lower Austria
   - Using baseline covariates and unemployment 2011-2020.
3. Observational **individual-level comparison**.
   - Long term unemployed individuals in control municipalities.
   - Controlling for individual observables.

Timeline


Group 1 JG
Both groups JG
2021
2022
2023
2024
Gr 1 training
Gr 2 training
First survey
Second survey

The German basic income pilot

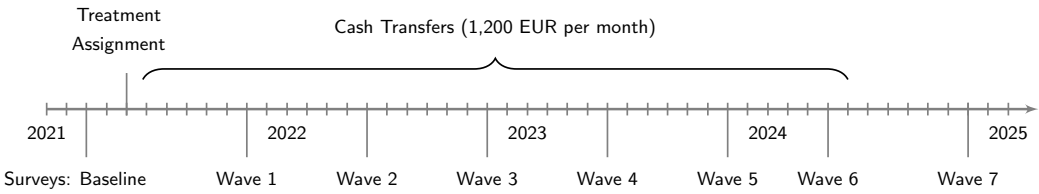
- NGO *Mein Grundeinkommen*.
- Started June 2021, across Germany.
- Monthly payment of 1200 Euro, for 3 years, to 107 participants.
- Participation restrictions:
  - German residents between 21 and 40 years
  - living in single households,
  - not receiving social benefits for long term unemployment.
- Comprehensive baseline survey.

Study design

Blocked random assignment:

- 8971 eligible study participants, 28 variables from baseline survey.
- Partition set of eligible participants into homogenous blocks of size 32.
- Budget allowed for 53 blocks.
  $\Rightarrow$ Sample blocks to match the demographic distribution of baseline.
- Within each block, randomly assign 2 units to treatment.

Timeline

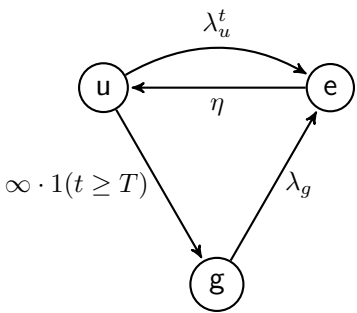

Treatment
Assignment
Cash Transfers (1,200 EUR per month)
2021
2022
2023
2024
2025
Surveys: Baseline
Wave 1
Wave 2
Wave 3
Wave 4
Wave 5
Wave 6
Wave 7

A partial equilibrium search models

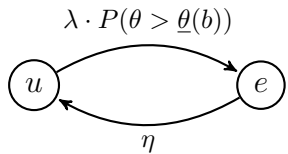
- Workers might be in
  - unemployment (u),
  - market employment (e), or
  - a guaranteed gob (g).
- Jobs might have:
  - heterogeneous productivity θ,
  - endogenous amenities a and wages w.
- Workers might:
  - choose search effort,
  - decide to reject a job offer,
  - negotiate over allocation of match surplus.

Flows between states

Job guarantee

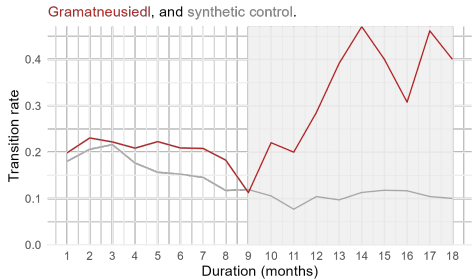


Basic income



Anticipating guaranteed jobs

- Guaranteed jobs become available at 9 months of unemployment.
- Suppose the utility of guaranteed employment exceeds that of a market job.
- Then the standard model makes testable predictions:
  - Search effort declines over time,
  - Hazard rates λ_g out of unemployment are reduced *and* declining.
- Empirically: None of that happens.



Job amenities and income effects

- Standard search models: No income effects.
  $\Longrightarrow$ No effect of unconditional basic income on the labor market.
- Our variation: Flow utility non-separable in income and job amenities.
- Key finding: With income effects, basic income might
  - improve or worsen workers' bargaining position,
  - reduce or increase search time and match quality,
  - shift surplus between wages and non-wage job amenities.

$\Longrightarrow$ Empirical questions, since theory is ambiguous.

Welfare effect of basic income

- Sufficient statistics approach in public finance (Chetty 2009, Kleven 2021):
  - Welfare impact of a change in transfers
  - equals the direct mechanical impact.
  - Behavioral responses are ignorable by the envelope theorem. (Milgrom and Segal, 2002)
- This is *wrong* in our model with search frictions, amenities, and bargaining.
  - Bargaining over allocation of match surplus!
- Estimates of the welfare impact of basic income need to take into account its impact on
  - wages,
  - job amenities.

Empirical findings: Job guarantee

1. Individual level, experimental:
   - Positive impact on economic wellbeing (employment, income, security),
   - and work-related benefits (status, time structure, social interactions).
   - No effect on physical health, or risk- and time-preferences.
2. Municipality level:
   - Large reduction of long-term unemployment.
   - A small increase of short-term unemployment.
   - On net, a clear reduction of unemployment.
3. Individual level, across towns:
   - Similar estimates to experimental comparison.
   - Some positive anticipation effects for status and social inclusion.

Causal interpretation of findings

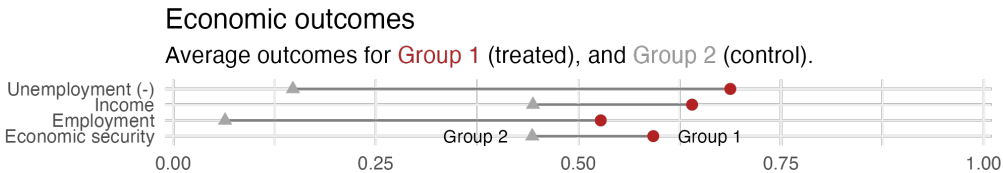
$$Y_i = g(D_i, D_i^{+1}, \overline{D}, \epsilon_i).$$

- Y_i: Outcome for individual i.
- D_i: Current eligibility for the job guarantee.
  $\rightarrow$ **Direct treatment effects**.
- D_i^{+1} : Future eligibility.
  $\rightarrow$ **Anticipation effects**.
- $\overline{D}$: Share of long-term unemployed in the municipality currently eligible.
  $\rightarrow$ **Spillover effects**.
- ϵ_i: Unobserved individual characteristics.
- L_i: Indicator for unemployment $>$ 9 months as of September 2020.

Identifying contrasts

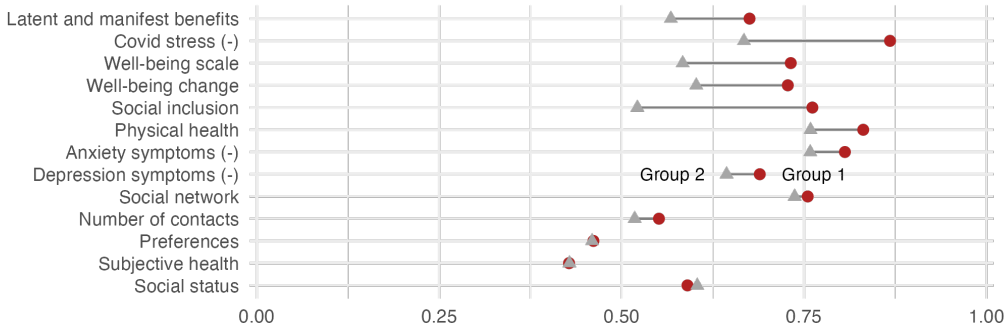
Contrast	Identified effect	Interpretation
	February 2021	
Group 1 vs. Group 2	$E[g(1,1,\frac{1}{2},\epsilon_i) - g(0,1,\frac{1}{2},\epsilon_i)\|L_i = 1]$	Average direct effect on the treated
Group 2 vs. control town	$E[g(0,1,\frac{1}{2},\epsilon_i) - g(0,0,0,\epsilon_i)\|L_i = 1]$	Average anticipation effect on the treated
	After April 2021	
Group 1 & 2 vs. control town	$E[g(1,1,1,\epsilon_i) - g(0,0,0,\epsilon_i)\|L_i = 1]$	Average total effect on the treated
Gramatneusiedl vs. synth (short-term unemp)	$E[g(0,0,1,\epsilon_i) - g(0,0,0,\epsilon_i)\|L_i = 0]$	Average spillover effect on the untreated
Gramatneusiedl vs. synth (total unemp)	$E[g(L_i,L_i,1,\epsilon_i) - g(0,0,0,\epsilon_i)]$	Average total effect

Experimental comparison

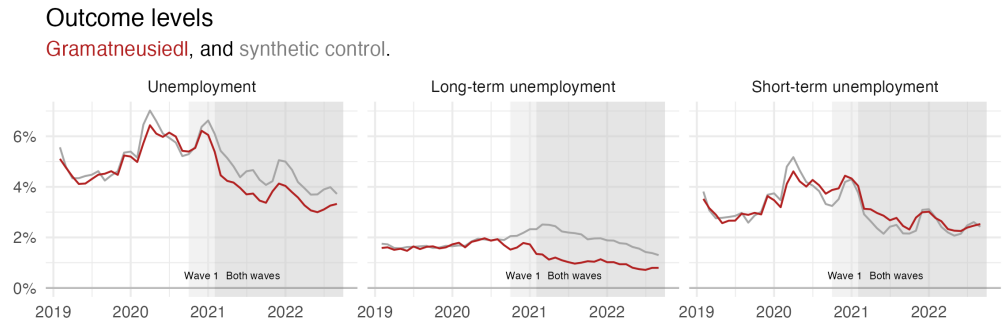


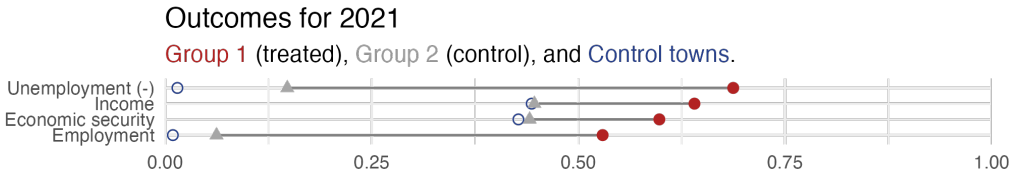
Other outcomes

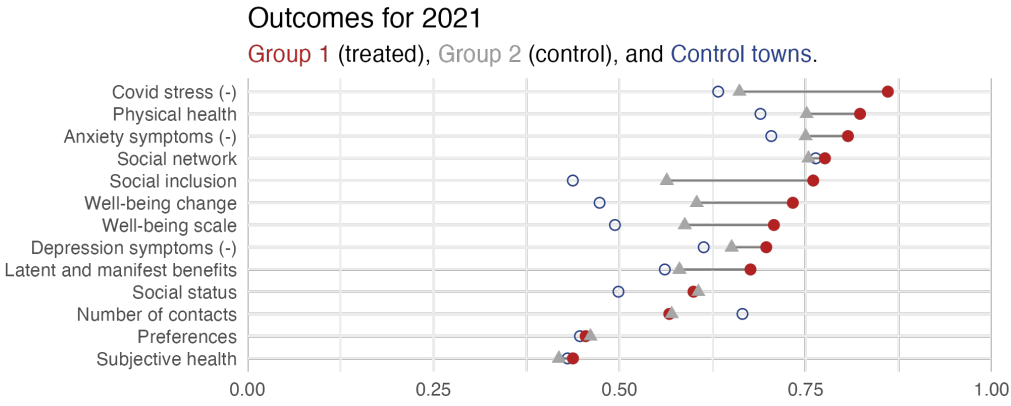
Average outcomes for Group 1 (treated), and Group 2 (control).

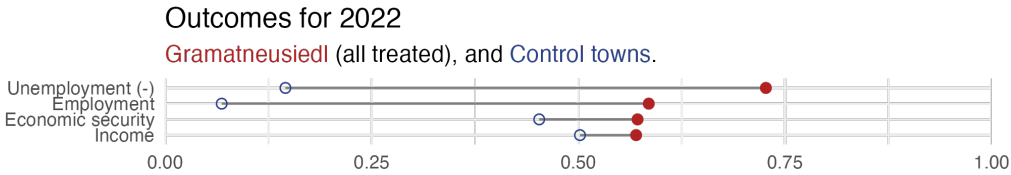


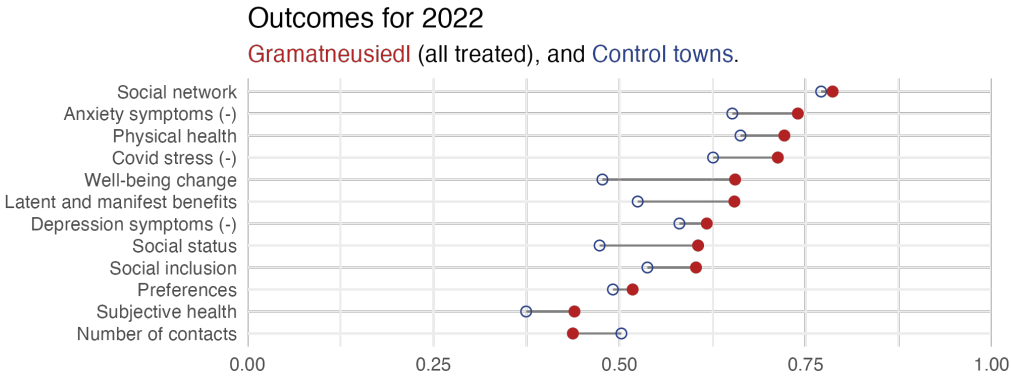
Municipality comparison




Outcomes for 2021
Group 1 (treated), Group 2 (control), and Control towns.
Unemployment (-)
Income
Economic security
Employment
0.00
0.25
0.50
0.75
1.00


Outcomes for 2021
Group 1 (treated), Group 2 (control), and Control towns.
Covid stress (-)
Physical health
Anxiety symptoms (-)
Social network
Social inclusion
Well-being change
Well-being scale
Depression symptoms (-)
Latent and manifest benefits
Social status
Number of contacts
Preferences
Subjective health
0.00
0.25
0.50
0.75
1.00

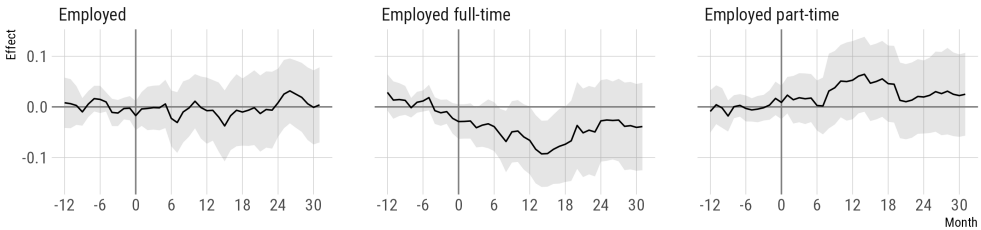

Outcomes for 2022
Gramatneusiedl (all treated), and Control towns.
Unemployment (-)
Employment
Economic security
Income
0.00
0.25
0.50
0.75
1.00


Outcomes for 2022
Gramatneusiedl (all treated), and Control towns.
Social network
Anxiety symptoms (-)
Physical health
Covid stress (-)
Well-being change
Latent and manifest benefits
Depression symptoms (-)
Social status
Social inclusion
Preferences
Subjective health
Number of contacts
0.00
0.25
0.50
0.75
1.00

Empirical findings: Basic income

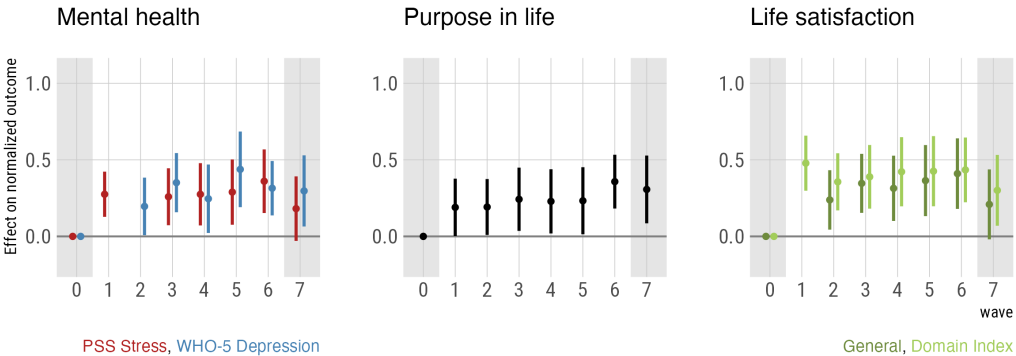
- **Employment**:
  - No impact on employment levels or job transitions.
  - Small (statistically insignificant) shift toward part-time work.
  - Excess burden of approximately 7.5% of transfer amount.
- **Mental Health**:
  - Large and significant improvements in mental health and wellbeing.
  - Enhanced perceived autonomy and personal agency.
  - More time with friends, improved sleep quality.

Labor market outcomes



Outcome	Treated	Control	ATE	SE	t-stat	p
Government revenue						
Income tax	679.552	727.569	-48.017	38.572	-1.245	
SI contributions (employee + employer)	1221.703	1291.282	-69.579	56.094	-1.240	
Unemployment benefits	24.350	21.449	2.901	9.759	0.297	
Government Revenues	1876.784	1997.439	-120.656	96.464	-1.251	
Earnings and commute						
Employer costs	3685.289	3886.915	-201.625	167.694	-1.202	
Net earnings (excl. tax and SI)	1750.104	1833.531	-83.427	73.325	-1.138	
Distance to employer	21.615	27.555	-5.940	6.524	-0.910	
Extensive and intensive margin						
Employed	0.835	0.863	-0.029	0.029	-0.988	
Employed full-time	0.641	0.682	-0.040	0.038	-1.070	
Employed part-time	0.175	0.168	0.007	0.034	0.196	
Job transitions						
Initial employment	0.627	0.616	0.011	0.040	0.280	
New employer	0.208	0.248	-0.040	0.033	-1.205	

Mental health outcomes



Summary: Job Guarantee

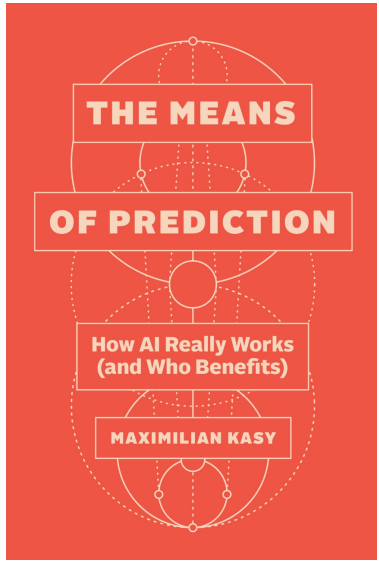
- **Near-universal uptake**: All offered jobs were accepted.
- **Economic gains**: Higher employment, income, and security.
- **Non-economic gains**: More structure, social contacts, collective purpose, and social status
- Municipality-level: **No** labor market **spillovers**.
- **Costs offset** by reduced benefits and higher participant incomes.
- Caveat for generalizability:
  - Is program scalable beyond the pilot?

Summary: Basic Income

- Significant improvements in **mental health, autonomy, and life satisfaction**
- No effect on **employment participation**
  - Small (insignificant) rise in part-time work, slight decline in hours.
- **Fiscal impact**: modest excess burden (about 7.5% of transfer value).
- Takeaway: Strong wellbeing benefits, limited labor market and fiscal effects.
- Caveats for generalizability:
  - Impact of taxes to finance UBI?
  - Time horizon and anticipation effects?
  - Equilibrium effects?

On a separate note: My new book on the politics and economics of AI

https://press.uchicago.edu/ucp/books/book/chicago/M/bo255887145.html



Thank you!