New study provides insights on how guaranteed income affects low-income households in the U.S.

A study investigating the impact of a guaranteed income program on low-income households in Compton, CA finds that 18 months of cash transfer payments results in lower household income (not counting the transfers) and lower household spending, with indicative evidence that households use the extra resources to pay down debt.

Press Release

A new randomized controlled trial reports the impacts of guaranteed income—regular cash payments with no strings attached—to low-income households in Compton, CA on an extensive list of outcomes including labor supply, income, spending, debt, and psychological well-being.

In December 2020, Compton's former mayor Aja Brown and the Fund for Guaranteed Income (F4GI) launched the Compton Pledge, a two-year guaranteed income program targeted at 695 randomly selected low-income households. These 695 households received cash transfers averaging about $500 per month over a two year period. A further 1,402 households were assigned to a control group that did not receive any transfers. This is the first U.S. guaranteed income study to assess whether impacts vary depending on how often transfers, or guaranteed income payments, are received—specifically, whether the transfers are small and frequent or large and less frequent. To assess the impact of transfer frequency, half of the recipients were paid twice per month and the other half once per quarter. Transfers took place between February 2021 and April 2023. A total of 1,074 households were surveyed 18 months after the beginning of transfers to assess the effect of the cash support on income, expenditure, assets, debt, labor supply, psychological well-being, financial security, and food security.

Key findings from the experiment include:

- There was no significant effect on labor supply for full-time workers receiving cash transfers relative to the control group, but labor force participation was lower among recipients who were working fewer than 20 hours at the start of the program.
- Households receiving cash transfers reported significantly lower income (not counting the transfers) than those in the control group. In the context of recovery from the COVID-19 pandemic, this negative impact on income reflects a smaller increase in comparison to the control group, rather than a reduction relative to

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before the transfers began. With the cash transfers included, average incomes for recipients were only slightly higher than for the control group.
- Recipient households spent, on average, $302 less per month than control households.
- The evidence indicates that recipient households used the increase in disposable income to pay down debt: average non-housing debt balances declined by $2,190 over 18 months, but this effect was not statistically significant.
- The frequency of cash transfers matters. The study finds a significant decrease in credit card debt but only for households that received twice-monthly transfers as opposed to quarterly transfers.
- The study finds a significant improvement in perceptions of housing security driven by a reduced fear of eviction, but no overall effects on psychological or financial well-being.
- Male recipients experienced larger negative impacts of the cash transfers, including lower self-reported financial security. In contrast, female recipients experienced significant improvements in financial security and smaller negative impacts on earned income, expenditure, and assets.
- For recipients who are single mothers, a group that comprises 22% of the sample and which experiences a high rate of poverty, we find no reduction in labor force participation and an increase in income, even excluding the value of the cash transfers.

In contrast to the global literature, the negative net impact on household spending is surprising. Other studies of multi-year cash transfers in the U.S. and Canada have found positive impacts, mostly on health- and education-related outcomes. In contrast to recent guaranteed income research in the U.S. that reports increases in spending and debt among those receiving cash relative to the control group, the Compton study indicates that transfers led to less debt alongside less spending.

The study, which is available on NBER, was conducted by Sidhya Balakrishnan (Jain Family Institute), Sewin Chan (New York University), Sara M. Constantino (Stanford University), Johannes Haushofer (National University of Singapore) and Jonathan Morduch (New York University). Support for this research was provided by the Robert Wood Johnson Foundation Policies for Action program, J-PAL, and private donors. The views expressed here do not necessarily reflect the views of the funders.

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