

The Employment Effects of a Guaranteed Income: Experimental Evidence from Two U.S. States

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LARGE UNCONDITIONAL CASH TRANSFERS IN THE US REDUCE WORK HOURS AND ANNUAL INCOME AS LOW-INCOME PARTICIPANTS CHOOSE MORE LEISURE

WORKING PAPER December 2025

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Summary

This study examines the impact of a \$1,000 monthly unconditional cash transfer program in Illinois and Texas, targeting 1,000 low-income individuals aged 21-40 over three years and exploring its effects on employment outcomes. The program led to a 1-2 hour reduction in weekly work hours for participants while increasing time spent on leisure. It did not affect the quality of participants' employment, suggesting a moderate impact on labor supply with limited substitution into other productive activities.

Objective

Investigate the causal effects of unconditional cash transfers on employment and related outcomes, while examining how recipients allocate their time when they have more financial resources available.

Methodology

The research utilized a randomized controlled trial (RCT) design, comparing 1,000 participants receiving \$1,000 per month to a control group of 2,000 individuals receiving \$50 per month. Data were collected through surveys, administrative records, and a custom mobile app.

Results

- Participants worked 1-2 hours less per week on average, with similar reductions for their partners.
- Total individual income (excl. the transfers) fell by about \$1,800 per year relative to the control group with a 4.1 percentage point decrease in labor market participation.
- Participants spent more time in social and solitary leisure.
- There were no significant improvements in the quality of employment, with confidence intervals ruling out even small positive changes.
- Participants show more interest in entrepreneurial activities and willingness to take risks due to the transfers.
- Suggestive evidence that younger participants use the transfers to go back to school.

1-2

fewer hours
worked per week,
with more time
spent on leisure.

USD 1800

annual decrease
in individual
income excluding
the transfers for
cash transfer
recipients.