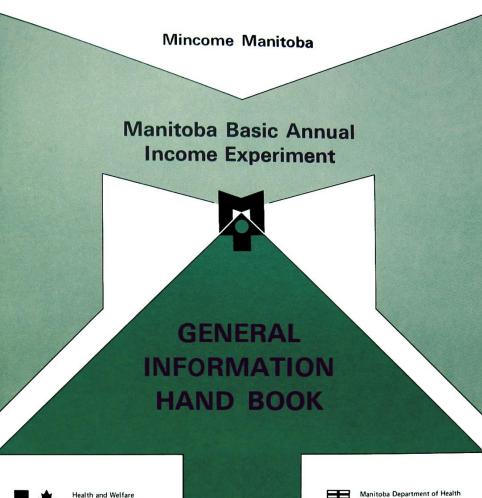
# **Evidence from the Mincome Experiment**

David Calnitsky University of Western Ontario dcalnits@uwo.ca Institute for Research on Poverty webinar December 2024

MINCO	ME HANITO	8 A		
FAMILY 35441	MEMBER Ø MOD	ULE 2		
URN	NAME	DATA	URN	" NAME
2	HD2 OPERATOR #	5	3	HO3 SURVEY
5	HD5 RSPDNT FAM #	35441	6	HD6 RSPONT
8	HD8 END TIME	41727	9	HD9 ENTRY 1
11	HD11 LAST URN	581	12	HD12 CONSI
14	HD14 URNS ENTERD	127	15	HD15 KEYST
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20	HO20 MOD END DIE	270178	21	HD21 FAM #
23	HD23 R CRNT MEM#	21	24	HO24 R ORI

# The Mincome experiment





Health and Welfare Canada Hon. Marc Lalonde, Minister

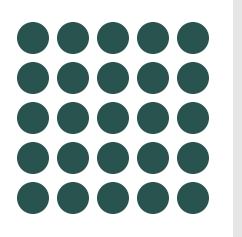


Manitoba Department of Healt and Social Development Hon. Saul A. Miller, Minister

A Joint Research Project of the Governments of Canada and Manitoba

#### **Experiment participants**

Dauphin "saturation" treatment



GAI recipients in community context of other recipients (or potential recipients)



GAI recipients dispersed across the province isolated from other recipients B Manitoba "dispersed" control

Non-recipients dispersed across the province

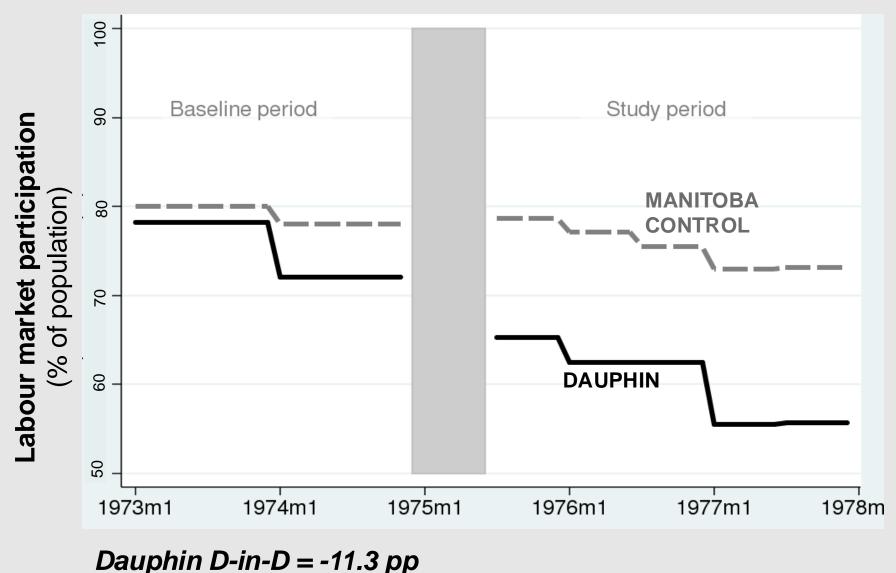
Calnitsky, D (2019). "Basic income and the Pitfalls of Randomization." Contexts, 18(1), 22-29.

# The mechanics of Mincome (for a family of four)

MARKET INCOMES	MINCOME PAYMENTS	POST-MINCOME INCOMES	PERCENT OF POSITIVE TAXES REBATED
0	22,000	22,000	100
6,000	19,000	25,000	100
12,000	16,000	28,000	100
18,000	13,000	31,000	100
24,000	10,000	34,000	100
30,000	7,000	37,000	100
36,000	4,000	40,000	100
39,000	2,500	41,500	100
42,000	0	42,000	50
45,000	0	45,000	0

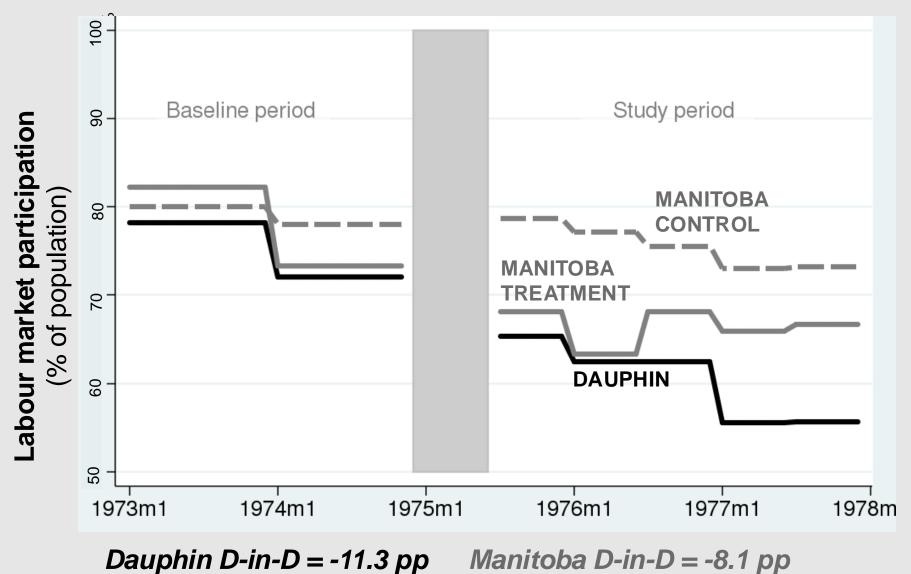
- $GAI = \sim$ \$22,000 at negative income tax of 50%
- No work requirements, universal to residents
- Available for 3 years

#### **Labour Market Participation**



Calnitsky, D, and J. Latner (2017). "Basic Income in a Small Town" Social Problems, 64(3), 373-97.

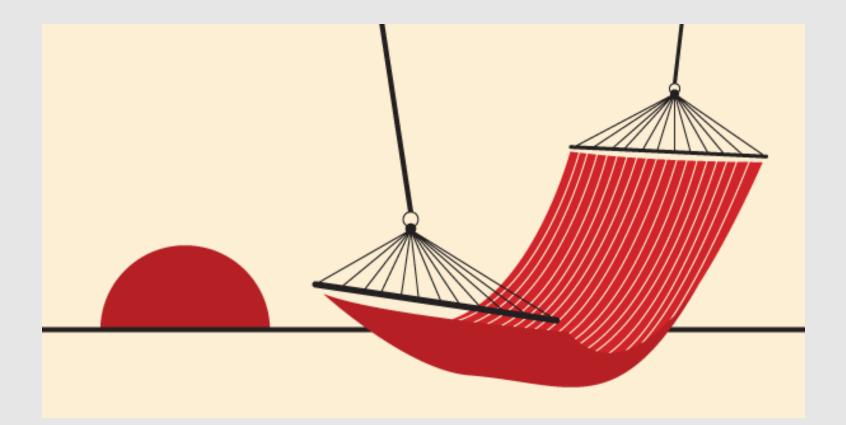
#### **Labour Market Participation**



Calnitsky, D, and J. Latner (2017). "Basic Income in a Small Town" Social Problems, 64(3), 373-97.

#### What were people up to then?

Education? Training? Care-work? Labour disputes? Self-employment? Leisure? Nothing?



## **Comments on work reduction:**

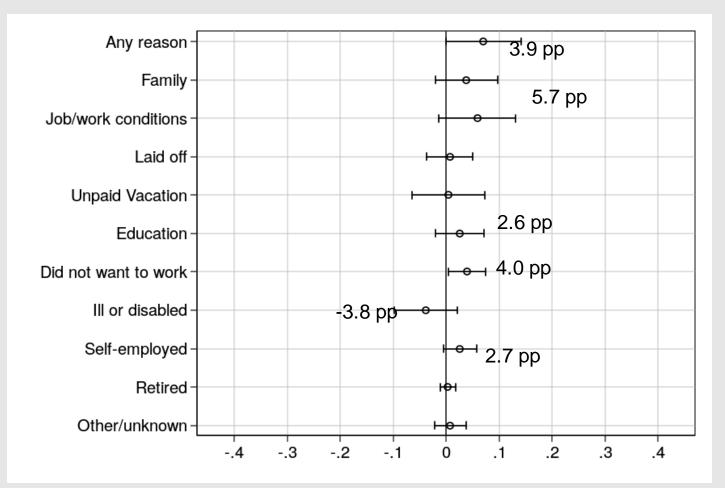
"Indicate the main reason why you decided to go on the Mincome program?"

#### Indication of potential work reduction: ~11%

- We have the chance to improve our educational level in order to improve our income.
- **L Wanted to spend a year at home with my children.**
- **From this stage on I believe I can't work** much longer if any
- [John] had broken his leg and we needed help

Calnitsky, D. (2016). "'More Normal than Welfare'" Canadian Review of Sociology, 53(1), 26-71.

### Data on why people weren't working



## **Note:** D-in-D estimates to the right show increases in that reason for not working (95% CI)

Calnitsky, D, J. Latner, and E. Forget (2019). "Life After Work" Social Science History. 43(4): 657-677.

Socio-Economic Review, 2020, Vol. 18, No. 2, 493–517 doi: 10.1033/ser/imvy009 Advence Access Publication Date: 16 February 2018 Article OX

Article

#### The employer response to the guaranteed annual income

#### David Calnitsky\*

Department of Sociology, Social Science Centre, Western University, London, ON N6A 5C2, Canada

Correspondence: dcalnits@uwo.ca

#### Abstract

How do firms react when the whole labor force has access to a guaranteed incime? One view argues that the guaranteed income is an employer subsidy, facilitating low wages and a 'low-road' industrial strategy. The second view suggests that in providing an alternative to work, the guaranteed income tightens labor markets and pulls wages up. This article examines the impact of an understudied social experiment from the late 1970s called the Manitoba Basic Annual Income Experiment, or Mincome. This research focuses on Mincome's 'saturation' site, the town of Dauphin, Manitoba, where all residents were eligible for unconditional payments. Using an archived survey of local firms that inquires into wage rates, applications, hiring, and work hours, I find support for the second view. I close by examining the mechanisms behind the employer subsidy argument and considering the conditions under which a variety of income-support policies might increase or decrease wages, and more broadly, foster compromise or conflict in the labor market.

Key words: firms, poverty, social policy, low-wage employment, wages

JEL classification: 138, J53, P12

"Necessity never made a good bargain"

-Benjamin Franklin, cited in Isaacson, p. 99

#### 1. Introduction

Much has been written about workers' behavioral responses to the guaranteed annual income (GAI, or synonymously, 'basic income') (Keeley, 1981; Burtless, 1986; Hum and Simpson, 1993; Widerquist, 2005; Calnitsky and Latner, 2017).<sup>1</sup> The employer response to

1 There are different terms in use for these policies. When referring to the Mincome experiment and the proposals from the 1970s and 1980s, I use the term 'GAI', which was commonly used at the time

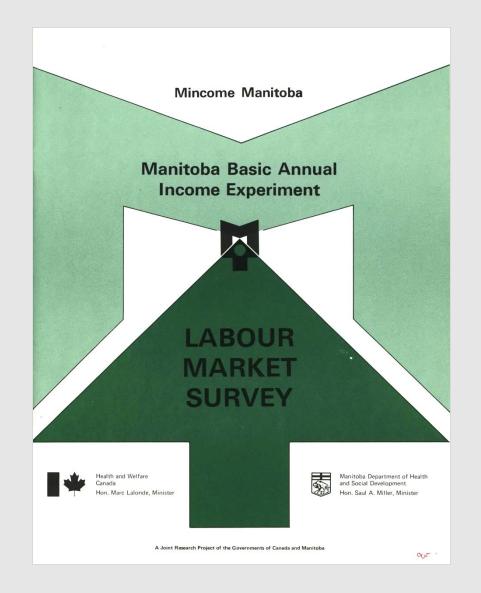
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# The employer response

How did employers respond when the whole labor force has access to a basic income?

Calnitsky, D (2021). "The Employer Response to the Guaranteed Annual Income." Socio-Economic Review, 18 (2), 493-517.

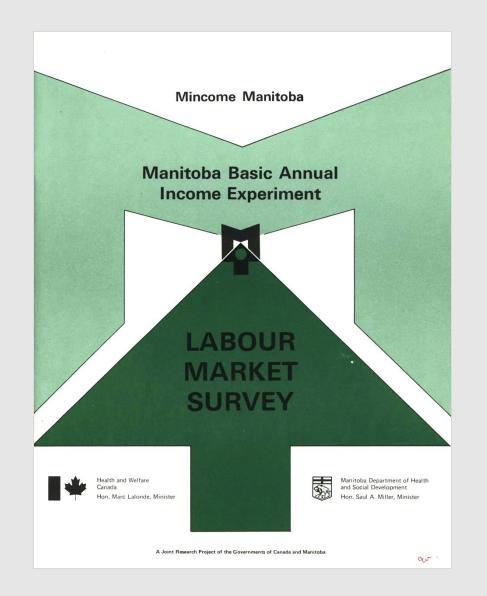
202



#### **Survey of business**

- A "census" of business in Dauphin (N=292) & 7 control towns (N=1,155)
- Two waves: Baseline & study period

Calnitsky, D (2021). "The Employer Response to the Guaranteed Annual Income." Socio-Economic Review, 18 (2), 493-517.



#### **Employer response**

1. Did workers' greater exit power pull wages up? (Block, Manza...)

OR...

2. Did government supplements allow firms to lower wages? (Pierson, Myles, Howell...)

Calnitsky, D (2021). "The Employer Response to the Guaranteed Annual Income." Socio-Economic Review, 18 (2), 493-517.

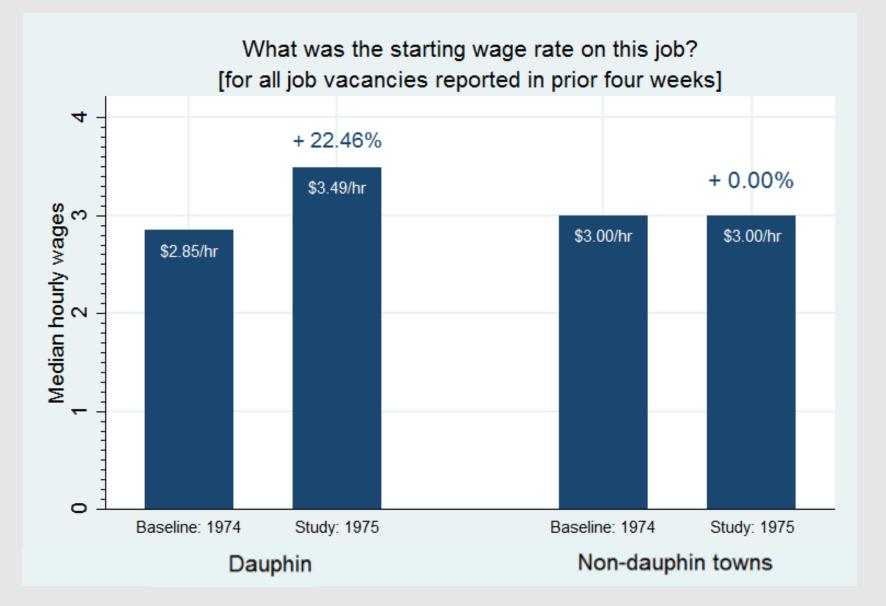
#### The Business Response:

Employer survey open-ended comments:

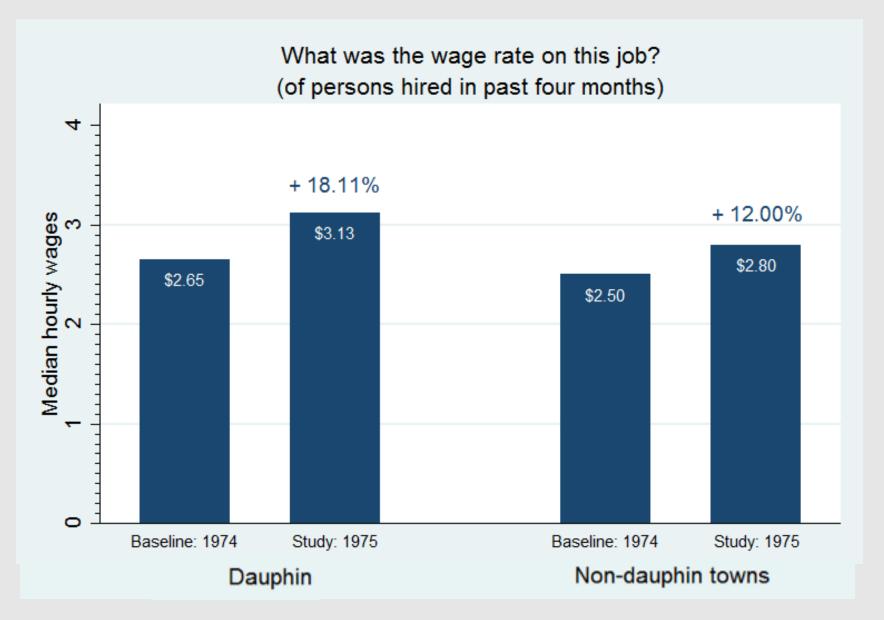
- "If the government wants to do something about the basic annual income in Manitoba the best thing they can do is get out of the picture and let supply and demand rule and govern what the wages and hours should be. At this rate if one wanted to eat they would have to work. [The program is] just spoiling people rotten and upsetting the workforce something unreal. The hours people have to work, the wages they get, and the output they give (which isn't much) just make it impossible for the average employer to even stand a chance at hiring help."
  - Dauphin employer during Mincome
- Job applicants were "unacceptable" because they were "not willing to train at reduced salary."
  - Dauphin employer during Mincome

Calnitsky, D (2021). "The Employer Response to the Guaranteed Annual Income." Socio-Economic Review, 18 (2), 493-517.

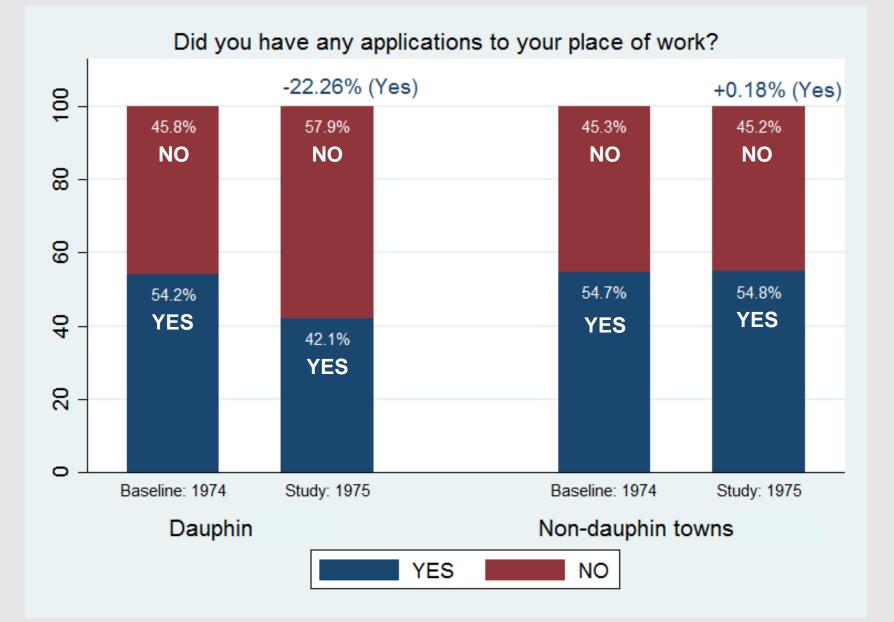
#### Median wages on job vacancies



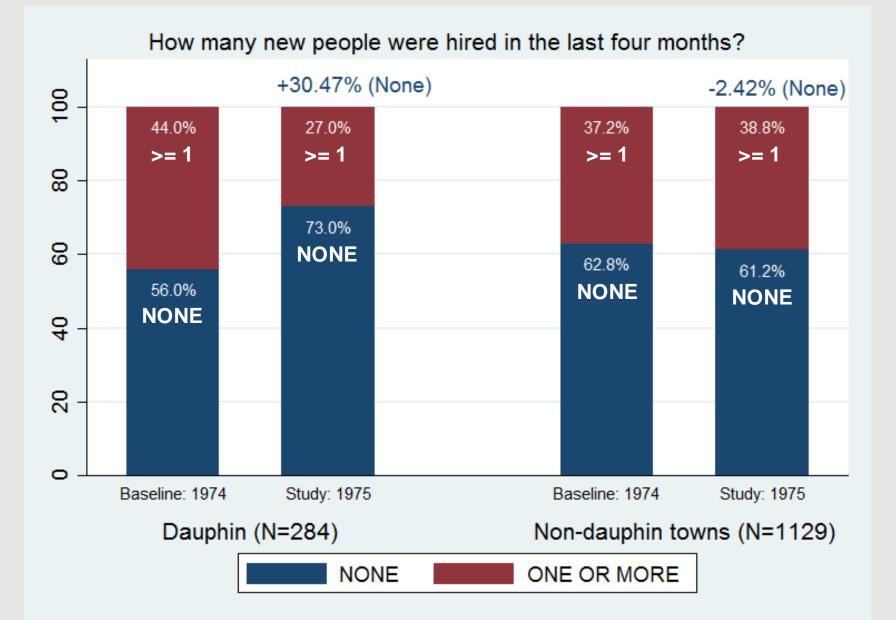
#### Median wages on new hires

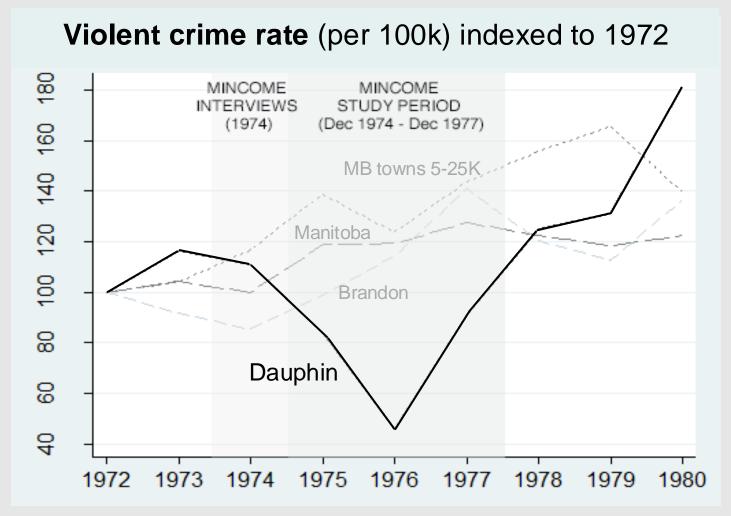


#### Job applications received



#### **New hires**





• **44% fall in violent crime** during the three Mincome years in Dauphin (relative to non-Mincome years).

Calnitsky, D and P Gonalons Pons (2020). "The Impact of an Experimental Guaranteed Income on Crime and Violence." *Social Problems*. 68(3): 778-798.

#### Conclusion

#### Challenging The Protestant Work Ethic

What would a guaranteed annual income do to Canada? The people of Dauphin, Manitoba, may give us the answer

By John Altken

IT ISN'T that the government of Manitoba is paying people not to work; it is simply a matter of providing a regular income for people who may not be working. "A fine distinction?" you say, and certainly a lot of people, including a growing number of politicians, economists, social planners and the like, would agree that a guaranteed annual income provided by the government is a fine thing indeed. They tend to regard it as a Utopian answer to the problem of existing welfare programs in Canada which, by and large, are a mess.

Others, of course, regard the guaranteed annual income as yet another indication of socialism run rampant; the death knell of the Protestant work ethic. "If you pay people who aren't working," they say, "there will be no incentive for them to go out and find jobs."

And that is where the gentle prairie town of Dauphin, Manitoba, comes into the picture. Dauphin, both the town and the surrounding rural municipality of the same name, has become part of a three-year, \$17-million social experiment — the biggest ever undertaken in Canada — to determine precisely what effects the guaranteed annual income has, both on the people and on the community's economy.

If the Dauphin experiment is successful - and it's highly likely that it will be - we may be in for a profound change in our attitudes toward work and welfare, and a reversal of traditional government attitudes toward unemployment. It has always been the way of opposition members to blame the government for unemployment, while the government casts about, blaming the Americans, the realitles of higher economics, previous governments whatever scapegoat it may find at hand. With guaranteed income, a government would accept a heavier responsibility to provide for the people, whether or not it blames itself for the state of the economy. In short, the world may not owe you a living, but your government may. And that living would be owed to you regardless of whether you are employed or unemployed, regardless in fact of whether you wish to work at all. Even if you have a job that pays more than the guaranteed annual income, there would be nothing to stop you quitting and living on the guaranteed income.

The Dauphin experiment is not a pilot project to determine if the scheme works and therefore should be made general in Canada. Rather, it is a specific examination of a package of guaranteed annual income programs to determine what effects as you can find, which is the reason it was chosen for the main thrust of Mincome Manitoba, the experiment in income supplements.

Boginning in January, 1975, and continuing for three years, anyone 18 and over who fives in the Dauphin area (and who has done so since fast luly 1) became eligible to apply to Mincome Manitoba for inclusion in the scheme. On acceptance (there are other qualifying factors), his or her income will not be allowed to fall below a certain minimum. In the case of a family of four this minimum would be \$3,800. If the family earns nothing, it will receive the full \$3,800 supplement, sent out in monthly cheques.

But people will only receive the full supplement if they have no other income. Half of any earned income is counted against the basic guarantee, so that as other income goes up, the supplement goes down. Thus if the family of four earns other income of \$3,000, the \$3,800 Mincome Manitoba payment will be reduced by half of the amount earned (\$1,500 resulting in a total family income of \$5,300 (\$2,300 supplement and \$3,000 earnings). This continues until the family earns twice the supplement, or \$7,600, at which point the supplement is no longer paid.

It is this 50 percent recovery rate which distinguishes Mincome Manitoba from conventional welfare programs where earnings are generally deducted on a dollar-for-dollar basis, meaning that very often it simply doesn't pay the recipient to work at all. In Mincome Manitoba, the more you earn the better off you are.

The guaranteed income depends also upon the number of people involved. A family of six living in Dauphin would receive \$4,560, while a single man or woman with no dependents would get \$1,450.

Mincome Manitoba is also operating in nine other rural municipalities and in Winnipeg, but only individuals and families chosen through sample surveying are being invited to participate. In Dauphin everyone is eligible to apply, and officials anticipate that out of the 4,500 families in the community, roughly 1,000 will be involved in the scheme.

Source: Lethbridge Herald, Weekend Magazine, Mar. 22, 1975

#### Thanks!

#### My BI papers:

- Gonalons Pons, Pilar and David Calnitsky (2022). "Exit, Voice, and Loyalty in the Family." Socio-Economic Review. p. 1-29. <u>https://doi.org/10.1093/ser/mwaa050</u>
- Malleson, Tom and David Calnitsky (2021). "Which Way Forward for Economic Security: Basic Income or Public Services?" *Basic Income Studies*. p. 1-43. <u>doi.org/10.1515/bis-2021-0005</u>
- Calnitsky, David and Pilar Gonalons Pons (2020). "The Impact of an Experimental Guaranteed Income on Crime and Violence." Social Problems. 68(3): 778-798.
- Calnitsky, David (2020). "The Employer Response to the Guaranteed Annual Income." Socio-Economic Review, 18 (2), 493-517.
- Calnitsky, David, Jonathan Latner, and Evelyn Forget (2019). "Life After Work: The Impact of Basic Income on Non-employment Activities." *Social Science History*. 43(4): 657-677.
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- Calnitsky, David (2018). "Does Basic Income Assume a Can Opener?" *Catalyst*, 2(3), 136-155.
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- Calnitsky, David. (2016). "More Normal than Welfare': The Mincome Experiment, Stigma, and Community Experience," *Canadian Review of Sociology*, 53(1), 26-71.

#### Labour Market Participation: Baseline, study period, & difference-in-differences

	Manitoba control	Dauphin saturation treatment	Manitoba dispersed treatment	Diff-in-diff 1: Experimental effect (Dauphin - MB control)	Diff-in-diff 2: Community effect (Dauphin - MB treatment)
LMP Baseline average	79.0%	75.2%			
LMP Study period average	75.7%	60.6%			
Change in LMP	-3.3%	-14.6%		-11.3%*	
* p < .05					

# D-in-D 1: Subtracts internal LMP change in untreated MB from Dauphin's internal change

#### Labour Market Participation: Baseline, study period, & difference-in-differences

	Manitoba control	Dauphin saturation treatment	Manitoba dispersed treatment	Diff-in-diff 1: Experimental effect (Dauphin - MB control)	Diff-in-diff 2: Community effect (Dauphin - MB treatment)
LMP Baseline average		75.2%	77.8%		
LMP Study period average		60.6%	66.4%		
Change in LMP		-14.6%	-11.4%		-3.2%*

\* p < .05

# D-in-D 2: Subtracts internal LMP change in MB isolated treatment from Dauphin's change

#### Labour Market Participation: Baseline, study period, & difference-in-differences

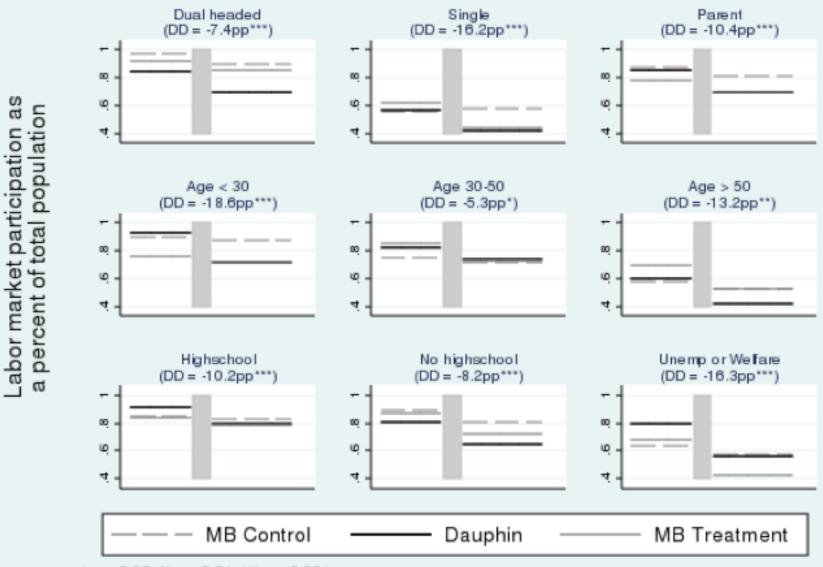
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\* p < .05

D-in-D 1: Subtracts internal LMP change in untreated MB from Dauphin's internal change

D-in-D 2: Subtracts internal LMP change in MB isolated treatment from Dauphin's change

#### Labor market participation by subgroup



\* p < 0.05, \*\* p < 0.01, \*\*\* p < 0.001

# THE ALASKA PERMANENT FUND DIVIDEND A long-running universal cashtransfer program

MARIANA AMORIM

WASHINGTON STATE UNIVERSITY

HUIMH



 1976: Establishment of a state-managed investment fund that receives a share of the revenue from Alaska's oil and gas resources.



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- 1982: Establishment of the Dividend, which distributes a portion of the Permanent Fund to Alaska residents.



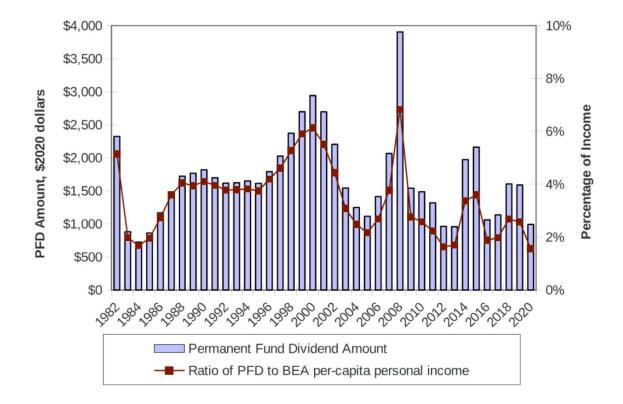
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    - "Hold Harmless Provision"



- 1976: Establishment of a state-managed investment fund that receives a share of the revenue from Alaska's oil and gas resources.
- 1982: Establishment of the Dividend, which distributes a portion of the Permanent Fund to Alaska residents.
  - Not meant to be redistributive or to alleviate poverty, yet:
    - "Hold Harmless Provision"
  - Recent tensions between funding public services or the PFD



## Universal Basic Income

- Every October, nearly all\* Alaska residents receive a payout that is
  - Universal
  - Unconditional
  - Individual
  - Large
- "Saturation" treatment

\* There are ineligible groups or PFDs that can be garnished

Source: Berman, 2023

#### A REVIEW OF THE LITERATURE

# The Impacts of the Alaska Dividend

Property crime Decreases Child maltreatment Decreases **Child Mortality** Decreases Childhood obesity Decreases Voter turnout Increases Fertility Increases Breastfeeding Increases Substance Abuse Increases Initial (fades) Suicide Entrepreneurship Initial (fades) Adult Mortality Null Newborn health outcomes Small / Null Small / Null Labor Market

Property crime	Decreases
Child maltreatment	Decreases
Child Mortality	Decreases
Childhood obesity	Decreases
Voter turnout	Increases
Fertility	Increases
Breastfeeding	Increases
Substance Abuse	Increases
Suicide	Initial (fades)
Entrepreneurship	Initial (fades)
Adult Mortality	Null
Newborn health outcomes	Small / Null
Labor Market	Small / Null

Child maltreatmentDecreasesChild MortalityDecreasesChildhood obesityDecreasesChildhood obesityDecreasesVoter turnoutIncreasesFertilityIncreasesBreastfeedingIncreasesSubstance AbuseIncreasesSuicideInitial (fades)EntrepreneurshipInitial (fades)Adult MortalityNullNewborn health outcomesSmall / NullLabor MarketSmall / Null	Property crime	Decreases
Childhood obesityDecreasesVoter turnoutIncreasesFertilityIncreasesBreastfeedingIncreasesSubstance AbuseIncreasesSuicideInitial (fades)EntrepreneurshipInitial (fades)Adult MortalityNullNewborn health outcomesSmall / Null	Child maltreatment	Decreases
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	Adult Mortality	Null
Labor Market Small / Null	Newborn health outcomes	Small / Null
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### Impacts

Property crime	Decreases	
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Property crime	Decreases
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### Poverty *vs* Inequality



Berman 2023; Kozminski and Baek, 2017



## Economic decisions & behaviors

(Amorim, 2022; Hsieh 2001; Kueng 2020)



### Low-Income Parents' Spending on Children

- Increased spending in ways that can benefit children in the short term
- No increases in spending in the long-run...

(Amorim, 2022)

AMORIM & PRENDERGAST (UNPUBLISHED)

# Low-income parents' investments in children

# PFD is not a windfall

- Low-income families do not see this money as a "windfall"
  - "`That's your rent money.' That's our money that we're using to survive for the year."

### Parents, in particular, count on the PFD

 "Well, as a kid, as a young adult, I thought it was cool, free money, you know, *wohoo*! I don't have to earn it. As a young parent, I thought it was essential. And it helped provide many things that the paycheck could not."

### Not enough to support savings

"I can recall in the past, a coworker asked me, [...] 'You put your son's PFD into a college account, right?' And I think I was embarrassed to say that I'm not giving... I was not giving him his money because it was money that we needed or counted on for the general finances. And I was embarrassed to say that I was using his money [to pay bills]."

### Still, there are benefits for low-income families

### Material well-being

- "It helped our quality of life. And, it's also helped them stay warm, because, it's, you know, I have, many years counted on the Dividend as that being the time where you get all the kids' winter gear [....] from boots all the way to hats and gloves that they lose six pairs of throughout the winter."
- Social & Psychological benefits
  - "We just do some things we like without worrying so much. They have.. This yogurt drink they like is real expensive. When we have that money, I let them pick some at the grocery store... I don't, I don't say 'no' this one time."

### Key take-away

The PFD alleviates poverty and allow low-income families to "get by" but it is not the "icing on top of the cake"



# Broadly...

The benefits of Universal & Unconditional

### The benefits of Universal & Unconditional

High levels of support

Simplified Administration

Alleviates Poverty & Material Needs

Flexibility to Address Families' Needs

Beneficial impacts on a myriad of outcomes

Important considerations

# Important considerations

Context of weak social safety net

There may be opportunity costs

Potential to increase *some* inequalities

Mariana Amorim Department of Sociology Washington State University Mariana.Amorim@wsu.edu

NYU Cash Transfer Lab

Thank you!

### Increases in Unearned Income and American Children's Outcomes: Cash Transfers during Adolescence.

Randall Akee, UCLA

December 10, 2024

#### Human Capital Research and Indigenous Peoples



- Specifically designed to identify the evolution of mental health outcomes (psychopathology) for children from rural and American Indian communities in western North Carolina
- Three age cohorts, initially aged 9, 11, and 13.
- Representative of all children in the counties
- Originally 1420 children in survey
- Over sample American Indians to comprise 25% of sample
- Final sample (at age 21) is approx. 80% of original
- Find that this attrition does not differ by income or other household characteristics

- Half way through the original study, a casino opened up on the American Indian reservation after 1996, Wave 4 of the survey
- This casino operates on the American Indian reservation and it provides a share of profits to each adult member of the tribe.
- This income is distributed without regard to any household or personal characteristics; the sole requirement is being a member of the tribe.
- The amount represented approximately 20-25% of household income per year.

In order to identify the treatment effect, there should be:

- No change in parental employment
- No change in marital status; stable family relationship before and after casino opening

#### **Empirical Specification - Difference in Differences:**

- 1. Analysis relies on comparisons of the oldest age cohorts and the youngest age cohorts.
  - **1.1** Younger age cohort children reside in households with increased household incomes for 4 years longer than the older age cohort children.
- 2. Additionally, we compare across the American Indian and non-American Indian population as well.
  - 2.1 Non-American Indian households would not be treated to the exogenous increase in household incomes from the cash transfers.

#### **Research Results - Educational Attainment**

	Household Previously in Poverty		Household Not Previously in Poverty	
				Probability
	Years of	Probability	Years of	of HS
	Education,	of HS Grad,	Education,	Grad, Age
	Age 21	Age 19	Age 21	19
Independent Variables	Coeff.	Marg Eff.	Coeff	Marg. Eff.
Interaction 1: Age Cohort 1 x	1.127***	0.391***	-0.166	0.129
Number of American Indian Parents	(0.449)	(0.135)	(0.722)	(0.085)
Interaction 2: Age Cohort 2 x	0.451	0.298**	-0.058	0.011
Number of American Indian Parents	(0.436)	(0.140)	(0.422)	(0.075)
Observations	438	444	607	606
Wald Chi-Squared (15)	5.13	39.26	8.17	38.3
Pseudo R2	0.1548	0.106	0.203	0.109

Includes: American Indian indicator, Gender, Mother's Highest Educational Attainment, Father's Highest Educational Attainment, Average Household Income

#### **Research Results - Arrests**

		Committed	Committed		
	Committed Any	Any Crime,	Any Crime,		
	Crime, Age 16-17	Age 18-19	Age 20-21		
Independent Variables	Marg Eff	Marg Eff	Marg Eff		
Interaction 1: Age Cohort 1	-0.224***	-0.068	0.051		
x Number of American	(0.078)	(0.072)	(0.075)		
Indian Parents					
Interaction 2: Age Cohort 2	-0.108*	-0.026	0.008		
e					
x Number of American	(0.064)	(0.069)	(0.062)		
Indian Parents					
Number of obs	1093	1061	1045		
F(11, 1032)	55.6	31.53	45.36		
R-squared	0.0837	0.0689	0.0806		
Includes: American Indian indicator, Gender, Mother's Highest Educational					
Attainment, Father's Highest Educational Attainment, Average Household Income,					
prior to casino operation and a constant.					

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- 6. Parental Fighting Decreased
- 7. Parental Drug/Alcohol Decreased

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