

Researchers

Tavneet Suri
Massachusetts Institute of Technology

Paul Niehaus
University of California, San Diego

Alan Krueger
Princeton University

Michael Faye
GiveDirectly

Abhijit Banerjee
Massachusetts Institute of Technology

Sample Size

14,474 households

Research Implemented by IPA

Yes

The Effects of a Universal Basic Income in Kenya

Abstract

A universal basic income (UBI) is a specific form of unconditional cash transfer: enough to meet basic needs, and delivered to everyone within a community. The idea of a UBI has received global attention for varied reasons – as a way to alleviate extreme poverty, to reduce inequality, or to provide a more robust safety net to workers in rapidly changing labor markets – but little rigorous evidence exists on the impacts of a long-term commitment to providing one. Researchers will partner with GiveDirectly in Kenya to evaluate both the short- and long-term effects of a long-term UBI on recipients' economic status, time use, risk-taking, gender relations, and broader outlook on life.

Policy Issue

Despite rapid growth in the world economy averaging US\$5 trillion (Purchasing Power Parity) per year from 2010 to 2016[1], inequality is on the rise and over 600 million people around the world continue to live in extreme poverty[2]. Moreover, some analysts expect these trends to accelerate as automation reshapes labor markets and displaces workers from many conventional occupations. As a response, a number of developed and developing countries are considering a universal basic income (UBI): a recurring, unconditional cash transfer that covers basic needs and is paid to all members of a society.

Experimental evaluations of conditional cash transfers have consistently found that recipients of shorter-term transfers do not reduce their work effort^[3] or spend the money they receive on

alcohol or tobacco.^[4] Instead, these evaluations have documented improvements in a wide range of outcomes including food security^[5] and educational attainment^[6], investment in small businesses^[7] and long-term earnings.^[8] Even short-term infusions of capital have significantly improved long-term living standards^[9], psychological well-being^[10], and life expectancy.^[11]

However, a universal basic income is a very specific type of cash transfer – long term, sized to be sufficient for basic needs, and given to all members of a society. While governments around the world, from Namibia to New Jersey, have piloted UBI, little rigorous evidence exists on the impacts of a long-term commitment to providing a UBI.

Context of the Evaluation

Siaya and Bomet Counties in Kenya, where this research takes place, have populations of 940 thousand and 860 thousand, respectively^[12]. Approximately 630 thousand people in these counties are living below the Kenyan government's poverty line^[13] defined as less than US\$15 per household member per month for rural areas, and US\$28 for urban areas^[14].

Researchers will once again partner with GiveDirectly, an international NGO that makes unconditional cash transfers to poor households in developing countries. In the past, IPA partnered with GiveDirectly to evaluate an unconditional cash transfer program in Rarieda, Kenya. Researchers found that the program had significant welfare-improving impacts, both economically and psychologically, for transfer recipients.

The positive results from that and other unconditional cash transfer evaluations have influenced global development priorities. This UBI evaluation will contribute to the ongoing conversation.

Details of the Intervention

Researchers will partner with GiveDirectly to evaluate the effects of a universal basic income on economic outcomes, time use, risk-taking, gender relations, and life aspirations.

295 villages, encompassing 14,474 households in two counties in Kenya, will be randomly assigned to one of four groups:

1. **Comparison group:** 100 villages will not receive payments.
2. **Long-term UBI:** 44 villages will receive payments sufficient to cover basic needs (about US\$0.75 per adult per day) for 12 years.
3. **Short-term UBI:** 80 villages will receive payments sufficient to cover basic needs (about US\$0.75 per adult per day) for two years.
4. **Lump sum UBI:** 71 villages will receive one-time payments equivalent to the short-term UBI transfers (about US\$500 per adult).

The only difference between the long-term and short-term UBI recipients will be their expectation of receiving payments in the future. Researchers will be able to compare outcomes for both groups to understand the relative importance of the transfers themselves

and the expectation of future transfers on behavior.

Researchers will also contrast the effects of the lump sum payments to the short-term and long-term UBI ("stream" payments). This will contribute direct evidence to current conversations about the impacts of capital and asset transfers.

Researchers are measuring a wide range of outcomes, including economic status (income, consumption, assets, and food security), time use (work, education, leisure, community involvement), risk-taking (particularly the choice to migrate or start a business), gender relations (particularly female empowerment), and aspirations and outlook on life.

GiveDirectly began delivering transfers in 2018 digitally through M-PESA, a mobile money service used widely throughout the country. The first follow-up survey will take place in 2019, and researchers plan to conduct ongoing follow-up surveys every 3 to 5 years.

Results and Policy Lessons

Study in progress, results forthcoming

Sources

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