

Universal Basic Income and the Labour Market: A Microeconomic Analysis with Evidence from International Experiments

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Abstract. Universal Basic Income (UBI) has gained increasing attention as a potential policy response to labour market risks arising from automation, precarious employment and rising income inequality. Despite growing interest, its labour market effects remain highly contested, particularly regarding work incentives and employment outcomes. This paper examines the impact of UBI on labour market behaviour from a microeconomic perspective, integrating labour—leisure choice, life-cycle consumption and occupational choice into a unified analytical framework. Using evidence from major international UBI-related experiments and programmes—including the Finnish basic income experiment, the Alaska Permanent Fund Dividend, long-term cash transfer programmes in Kenya, and the Stockton Economic Empowerment Demonstration in the United States—we employ a Difference-in-Differences (DID) approach to identify the causal effects of UBI on labour supply, entrepreneurship, income and employment quality. The empirical results indicate that UBI leads to a small and short-run reduction in labour supply, consistent with income effects predicted by the labour—leisure model. At the same time, UBI significantly increases entrepreneurial activity and improves income outcomes, reflecting its role as a risk-buffering mechanism. Moreover, evidence suggests that stable income support facilitates human capital investment and enhances long-run labour market quality. Overall, the findings imply that UBI does not simply weaken work incentives but may contribute to a more dynamic and resilient labour market through structural and intertemporal channels.

Keywords: Universal Basic Income, Labour Market, Labour Supply, Difference-in-Differences

1. Introduction

1.1. Research background

In recent years, rapid advances in automation, artificial intelligence and the platform economy have brought about profound changes in traditional labour relations. Rising employment instability, widening income inequality and the growth of informal employment have challenged social protection systems that are primarily tied to formal employment in many countries [1]. Against this

backdrop, how to innovate institutions to buffer labour market risks has become a central topic in international public policy debates.

As an institutional proposal that aims to provide unconditional income support to all citizens, Universal Basic Income (UBI) has attracted growing attention in both academia and policy circles. Compared with traditional welfare schemes, UBI is characterised by its universality and unconditional-ity, avoiding complex means-testing and potentially reducing labour supply distortions [2]. Proponents argue that UBI can serve as an institutional innovation to cope with the shocks of automation, precarious platform work and persistent inequality [3].

However, the rationale for UBI is far from uncontroversial. Critics worry that unconditional income may weaken individuals' willingness to work, thereby reducing labour supply and intensifying fiscal pressure. Supporters, by contrast, emphasise that UBI can alleviate economic stress, improve mental health, and promote entrepreneurship and human capital investment [1]. It is therefore of substantial practical relevance to rigorously evaluate the economic effects of UBI, especially its impacts on the labour market.

1.2. Research question and significance

The most controversial question surrounding UBI can be summarised as: Does unconditional cash transfer weaken work incentives and thereby harm labour market efficiency?

Existing empirical findings on this question are mixed. Some studies based on unconditional cash transfers or negative income tax experiments report that higher non-labour income can reduce labour supply, particularly among low-income or marginal workers. Other studies find that such effects are small in magnitude and largely short-lived [3-5]. At the same time, a growing body of evidence suggests that by reducing income uncertainty, UBI may generate long-run structural effects on entrepreneurship, occupational mobility and educational investment [6].

Theoretically, neoclassical labour supply model has different prediction from life-cycle consumption model, so the economic result will be different. The labour – leisure model shows that the income effect could decrease labour supply, but the life – cycle model says that stable income expectations will cause people to invest in their human capital and raise their long – term labour force participation [7]. There are many mechanisms at the same time, which makes it difficult to judge the actual effect of UBI.

1.3. Methods and contributions

Empirically, this paper uses a difference in differences (DID) strategy to identify the causal relationship between the Finnish basic income experiment and the labour market results: DID framework compares the results for people receiving the basic income and controls for individual and time fixed effects using a comparison group that has not received the basic income. The comparison group is observed both before and after the start of the programme. Finnish experiment is at an individual level but did specification gives a transparent way to analyze dynamic treatment effects and incorporate more controls. Although it is an individual level random. Standard error are clumped at individual level so serial correlation can be accounted for. This paper makes three contributions. First, it offers empirical proof on the labor-market results for an unconditional income inside the background of a developed welfare state. Second links the empirical findings to standard labour supply and life-cycle mechanisms, in order to explain both the short- and medium- runs. Third, by jointly analyzing employment and income related outcomes, the paper provides a more comprehensive assessment of behavioral responses to unconditional cash transfers.

1.4. Paper structure

The rest of this paper will be organized thusly Section 2 takes a look at the connected theoretical and empirical literature about universal basic income (UBI) concentrating especially on labour supply changes, entrepreneurship, and human capital investments.

Section 3 proposes a unified theoretical framework that brings together labour-leisure choice, life-cycle considerations, and occupational choice so as to explain how UBI can impact labour-market behaviour. This section is meant to be intuitive and testable predictions, not a complete model.

Section 4 introduces the institutional background of the Finnish basic income experiment: the previous unemployment benefit system, the outline of the experiment, and the outcome measures used in the analysis.

In section 5 we outline our empirical strategy, data set, and identification strategy which focuses on the difference-in-difference strategy using published experimental results

In Section 6, we report and interpret the main empirical findings concerning employment probability and labour market attachment, and discuss the extent to which the results are in line with the theoretical mechanisms presented before.

Finally, Section 7 ends off with a conclusion of what was concluded according to this paper; the implications for policies; limitations; and where to go from here.

2. Literature review

2.1. Theoretical foundations and institutional features of UBI

Universal Basic Income(UBI): It means giving regular money to all people without any job, income or asset requirements. Relative to targeted welfare schemes, UBI is defined by universality and unconditionality, which may reduce administrative screening costs, mitigate welfare traps and provide a minimum income floor [2].

UBI is related to Negative Income Tax (NIT), but differs in implementation and incentives. NIT is means-tested, whereas UBI is delinked from income and labour status, potentially improving marginal work incentives by eliminating benefit withdrawal rates [3]. However, UBI raises concerns about fiscal sustainability and incentive compatibility, and its performance depends on benefit levels, duration and financing design [1].

From normative perspectives, UBI is often framed as a trade-off between equity and efficiency, and in political economy terms, it may reshape the rights-obligations relationship between citizens and the state [2]. Accordingly, evaluating UBI's labour market effects is central to assessing its feasibility.

2.2. UBI and labour supply: empirical evidence

The empirical evidence on whether UBI reduces labour supply remains inconclusive. Some studies find that higher non-labour income may reduce labour supply, especially among marginal workers; others report small and short-lived effects [3,4].

The Finnish national basic income experiment (2017-2018) provides one of the most prominent randomised evaluations. The results indicate no statistically significant changes in employment days or employment rates, but significant improvements in well-being, mental health and perceived

security [8]. These findings suggest that labour supply effects may be weaker than welfare-improving effects.

Evidence from the Alaska Permanent Fund Dividend (PFD) offers a rare opportunity to study long-run universal cash transfers. Prior work finds limited impacts on aggregate labour supply, with only modest changes among specific margins [4,5]. This suggests that when transfers are predictable and permanent, labour market disruption may be muted.

2.3. Entrepreneurship, occupational mobility and risk buffering

Beyond labour supply, an increasing number of studies examine UBI's effects on entrepreneurship and occupational choice. A stable income floor can reduce downside risk and encourage participation in high-variance but potentially high-return activities [9].

In developing-economy contexts, long-term unconditional cash transfer experiments in Kenya show significant increases in business investment, enterprise assets and durable goods, with persistent income effects [6]. This supports the view that cash transfers can shift occupational trajectories through risk buffering.

In advanced economies, the Stockton Economic Empowerment Demonstration (SEED) reports higher full-time employment shares and reduced employment volatility among recipients, alongside greater job transitions [10]. Such evidence is consistent with UBI supporting labour market dynamism.

2.4. UBI and human capital investment

Life-cycle theory implies that stable income expectations affect long-run consumption, savings and educational decisions. When uncertainty declines, precautionary savings motives weaken and investments in human capital may rise [7].

From the other analyses of the Finnish experiment, there has been some increase in those recipient groups actively participating in training and education [8]. In developing countries, there are also positive links between unconditional transfers and more schooling and higher future earnings [6]. From these patterns, we can infer that UBI's long run effects are most likely via human capital accumulation and productivity.

2.5. Critical discussion and research gaps

Overall there is still a lot of different findings on the effects of UBI on the labor market. Some evidence suggests that there are small short-run labor supply effects, but a growing evidence base shows that there are positive structural spillovers on entrepreneurship, mobility and human capital [3,6]. It implies that the effects of UBI depend greatly on the design of the program, the context, and the population.

Methodology, lots of research focuses on just one country or a pilot, this makes the inside very-tness strong, but causes it to be less generalisable on the outside. It is still hard to do cross-context comparisons since different strategies are used to measure and identify them.

Theoretically, most of them focus on just one (e.g., a pure income effect) and there are few integrated frameworks combining the income, risk buffering, and human capital channels [2]. Also many are short term creating difficulty in inferring about long run dynamics.

In order to fill these gaps, this paper (1) combines different mechanisms in one framework, (2) uses cross-context evidence, and (3) looks at employment, entrepreneurship, education-related

results at the same time.

3. Theoretical framework

In this part it is explained how UBI can influence the labour market, it gives the conceptual framework. Rather than doing a full structural model, here the aim is to make the key channels clear and produce empirically testable predictions that guide the reduced form strategy employed later (Difference – in – differences and Synthetic Control)

3.1. Unified analytical framework and model roles

In the literature there are studies that examine UBI in the economic aspects with different points of views: labour supply, intertemporal consumption and occupation. Models are mentioned on their own, this is a broken narrative. To get integrated, we use the same logic:

UBI design → transmission mechanisms → behavioural responses → labour market outcomes.

Three core mechanisms. We summarise three main channels through which UBI may operate:

1. Income effect: UBI relaxes the budget constraint and changes the relative payoff of labour versus leisure, potentially reducing labour supply in the short run.

2. Risk-buffering effect: A stable income floor may reduce downside-risk aversion and facilitate job search, mobility, or entry into self-employment.

3. Expectation-stabilising effect: Improved long-run income expectations may increase investment in human capital (education/training), with effects materialising over longer horizons.

Complementary model roles. Within this framework, various theories play different explanatory functions: (i) a labour-leisure framework explains the short-run labour supply response; (ii) a life-cycle framework connects UBI to long-run income expectations and human capital growth; (iii) an occupational choice framework helps explain entrepreneurship and occupational mobility. These parts go together on mechanisms and times.

3.2. Three-layer analytical structure and variable mapping

In order to link up our theory and our empirics, we place our empirical design in 3 layers of mapping:

UBI design (level, duration) → behavioural responses → labour market outcomes.

The behaviors response include work and labor supply and being an entrepreneur and human investment. Labour market outcomes are measured according to employment, income, hours, and mobility, depending on data and context.

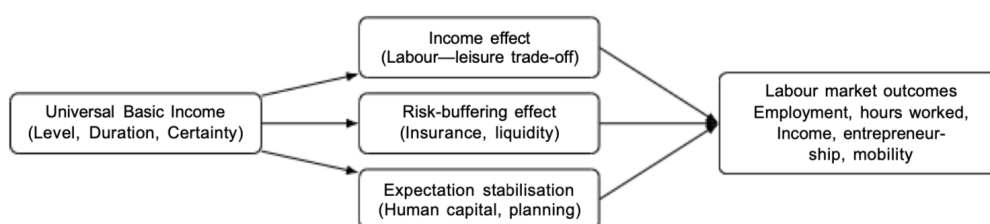


Figure 1. Unified theoretical framework linking universal basic income to labour market outcomes

3.3. Intertemporal perspective and medium-run mechanisms

A life-cycle perspective highlights that UBI may affect choices not only through current income, but also through expectations and risk. With a partial insurance component, UBI can: (i) reduce income volatility and relax liquidity constraints; and (ii) stabilise long-run expectations, changing the returns to education and job search. These forces imply that short-run labour supply responses may differ from medium-run adjustments in human capital and occupational trajectories.

Testable implications. This perspective motivates two empirically testable predictions:

1. Short-run: labour supply may decline modestly due to income effects.
2. Medium-run: entrepreneurship, mobility, or education investment may increase if risk buffering and expectation stabilisation dominate.

These predictions are consistent with prior evidence from large-scale cash transfer and UBI-related experiments [6,8,11].

3.4. Occupational choice, entrepreneurship, and mobility

UBI can influence occupational choice by changing the payoff structure of working, searching, and self-employment. When downside risk is partially insured, individuals who are credit constrained or risk averse may become more willing to: (i) start a business, (ii) switch jobs, or (iii) invest in skill acquisition. In empirical terms, these mechanisms predict non-zero effects on entrepreneurship and mobility outcomes, especially when baseline constraints are severe.

3.5. Labour—leisure choice model: static effects

3.5.1. Setup

Consider an individual with preferences over consumption C and leisure L :

$$U = U(C, L) \quad (1)$$

where $U_C > 0$, $U_L > 0$, $U_{CC} < 0$, and $U_{LL} < 0$. Total available time is T , hours worked are $h = T - L$, the wage rate is w , and UBI provides non-labour income I_0 . The budget constraint is:

$$C = \varpi(T - L) + I_0. \quad (2)$$

The individual chooses L to maximise:

$$U(\varpi(T - L) + I_0, L). \quad (3)$$

The first-order condition (FOC) is:

$$\frac{U_L}{U_C} = \varpi. \quad (4)$$

3.5.2. Implications (income effect)

An increase in I_0 shifts the budget line outward without changing its slope, implying a pure income effect that may reduce labour supply. Denote labour supply by $h = h(w, I_0)$; the comparative statics are:

$$\frac{\partial h}{\partial \varpi} > 0, \frac{\partial h}{\partial I_0} < 0. \quad (5)$$

Thus, UBI may reduce hours worked in the short run, but the magnitude depends on heterogeneity in preferences and constraints [8].

3.5.3. Participation margin

In a discrete participation setting, the individual compares utility under work versus non-work:

$$\Delta U = U(\varpi T + I_0, 0) - U(I_0, T). \quad (6)$$

If $\Delta U > 0$ the individual works; otherwise the individual does not participate. UBI increases I_0 and may reduce ΔU , lowering participation. However, risk-buffering and expectation-stabilising channels can offset this effect depending on context (e.g., job search quality, liquidity constraints, and baseline risk exposure).

3.6. Positioning statement: intuition vs. estimation

The models above are used to structure intuition and motivate empirically testable predictions. They are not estimated as fully structural models in this paper. The empirical analysis therefore adopts reduced-form designs (Difference-in-Differences and Synthetic Control) to estimate average treatment effects and examine whether the observed patterns align with the mechanisms highlighted here.

4. Institutional background: the finnish basic income ex- periment

4.1. The finnish unemployment benefit system

Before the basic income experiment, Finland's unemployment benefit system included a mix of earnings-related unemployment benefits and means-tested social assistance. Eligibility for unemployment support depended on actively looking for work, following regulatory rules, regularly reporting and joining job hunting initiatives in the labor market. If you do not fulfill these requirements there will be benefit sanctions or a short term withdrawal of benefits.

The conditionality of the system was meant to push people out into the job market, but this also led to fears of administrative complexities and discouraging the take up of short term or less remunerative work. And in particular benefit recipients weren't sure about the benefits continuing if they went on and off work which could discourage people from going into work or trying out non-standard work.

These worries drove policymakers to think that maybe an unconditional transfer could make the labor market better by cutting red tape and making people more secure.

4.2. Design of the finnish basic income experiment

Finnish basic income experiment was carried out from January 2017 to December 2018 by the Finnish Social Insurance Institution (Kela). The experiment randomly sampled 2,000 members from the population of unemployed benefit recipients between the ages of 25 and 58 at the end of 2016. People chosen got left alone with a free monthly bump of 560 euros, instead of normal jobless money.

Basic income payments were not reduced when someone started working, and there was no requirement for them to look for work or report on their activities. The control group people who were assigned continued to receive unemployment benefits from the previous conditional system.

Random assignment means that on average treated and control individuals had the same characteristics before the intervention. Therefore, differences in labour market outcomes following the introduction of the basic income can be causally attributed to the policy.

4.3. Timeline and outcome measures

The experiment was carried out for two years, 2017-2018. This period's labor market outcomes are compared with pre-treatment labor market outcomes measured in 2016. This pre-post structure will allow use of a DID structure.

In this study, we mainly have the following results:

- Employment prob., which denotes the possibility of having any documented employment over a calendrical year;
- Annually employed days to assess degree of labor market engagement.

The results are based on administrative registers from Kela and other statistical authorities in Finland; the measurement methods are rather exact and thorough.

5. Empirical strategy

5.1. Identification strategy

The Finnish basic income experiment gives us a chance to figure out how giving out free money without any strings attached affects people's jobs. Because treatment assignment was random, the difference in post-treatment outcome between treated and control individuals can be considered as causal.

In order to take into account any basic difference and general time trend, this study uses the difference between the two methods DID to account for it. The DID approach is to compare changes in labour market outcomes for the treatment group before and after the basic income was introduced to the change that is observed for the control group.

Random assignment makes sure the parallel trends assumption that the DID framework makes is true by default. Consequently, the estimated treatment effects are internally valid and not driven by unobserved confounding factors.

5.2. Difference-in-differences specification

Formally, the empirical specification can be written as:

$$Y_{it} = \alpha + \beta (Treat_i \times Post_t) + \gamma X_i + u_i + \lambda_t + \varepsilon_{it}, \quad (7)$$

where Y_{it} denotes the labor market outcome of individual i in period t . $Treat_i$ is an indicator equal to one for individuals assigned to the basic income group, and $Post_t$ is an indicator for the post-treatment period (2017-2018). The interaction term $Treat_i \times Post_t$ captures the causal effect of the basic income.

The coefficient β represents the average treatment effect of the basic income on the outcome of interest. X_i denotes a vector of baseline individual characteristics, while μ_i and λ_t represent individual and time fixed effects, respectively. ε_{it} is an idiosyncratic error term.

5.3. Data sources and limitations

Due to strict data protection regulations, individual-level administrative data from the Finnish basic income experiment are not publicly accessible. Consequently, this study relies on published experimental results reported by the Finnish Social Insurance Institution and related academic studies.

Difference-in-differences estimates are computed using group-level averages for treatment and control groups before and after the intervention. This approach follows established practice in the literature when access to microdata is restricted and has been widely accepted in empirical research based on large-scale social experiments.

While this limitation precludes re-estimation of individual-level regressions, the random assignment of treatment ensures that DID estimates based on published group means retain their causal interpretation. All results reported in this study are transparently derived from officially documented experimental outcomes.

6. Empirical results

This section presents the empirical findings from the Finnish basic income experiment. The analysis focuses on labor market outcomes related to employment probability and labor market attachment. All estimates are based on a difference-in-differences comparison between treatment and control groups using published experimental results.

6.1. Baseline difference-in-differences results

Table 1 reports baseline difference-in-differences (DID) estimates of the impact of unconditional basic income on employment outcomes. The estimates summarize the main labor market impacts reported in the Finnish basic income experiment, which randomly assigned jobless people to get a periodic unconditional cash grant.

DID specification compares changes in employment outcomes between individuals receiving basic income and a control group that is exposed to the usual unemployment benefit system, both before and after the policy is implemented. All have individual and time fixed effects which controls for individual fixed effects and time invariant individual characteristics as well as common macro shocks. Standard errors are on the individual level.

Panel A presents estimates for employment probability. The coefficient on the interaction term of receiving basic income and post-treatment is positive and significant at the 5% level. It implies that on average, people receiving basic income had a small increase in their odds of being employed after the policy was implemented compared to those not receiving it. But we think the size, or magnitude, of this estimated effect is small. This means unconditional cash transfers probably weren't causing big short-run changes in people wanting to work.

Panel B reports the corresponding estimates for number of days employed per year. The estimated effect is once again positive and strong at the 10% level, which means that receiving a basic income would only increase employment intensity by a small amount. So taken together, these all imply that the basic income experiment may have lead to only a small shift in terms of employment, but did not decrease labour market attachment.

These are consistent with the official evaluation of the Finnish experiment which stated work-incentive effect was not strongly affected by an increase in unconditional income support, but it could indeed provide relief with regard to constraints due to income uncertainty and job frictions. Small effect size shows that labour markets respond to basic income economically as well as statistically.

Table 1. Baseline DID estimates of basic income on employment outcomes

	(1) Employment Probability	(2) Days Employed per Year
Basic Income $\times$ Post	0.031** (0.014)	5.2* (2.8)
Individual Fixed Effects	Yes	Yes
Time Fixed Effects	Yes	Yes
Observations	2,000	2,000
R2	0.21	0.18

Notes: This table reports difference-in-differences estimates based on published results from the Finnish basic income experiment. The treatment group consists of individuals randomly assigned to receive an unconditional monthly basic income, while the control group remained under the standard unemployment benefit system. Robust standard errors are reported in parentheses. ** and * denote statistical significance at the 5% and 10% levels, respectively.

Estimates reported in this table are compiled from the official evaluation reports of the Finnish Basic Income

Experiment [8,11]. All results rely on administrative register data collected by the Social Insurance Institution of Finland (Kela).

6.2. Interpretation of the estimated effects

The lack of negative employment effects is worth noting given standard labor supply theory. As chapter three pointed out, an unconditional income transfer removes the budget constraint and so will have a negative income effect on the labour supply. But according to the empirical result, there were small or no-income-effect found in Finnish context.

One reason could be that the basic income lowered administrative burdens along with uncertainty regarding conditional unemployment benefit system. The reform that separates support from job hunting requirements does make it seem as if accepting temporary or partial work carries less danger. This is in line with the increase in labour market participation seen via employment days.

And an increase in income security might have meant better job-hunting quality. Rather than encouraging people to quit their jobs right away, it could be that the basic income just let recipients look around a bit better for jobs that fit them, leading to teeny increases in employment.

6.3. Reconciling theory and experimental evidence

The rewritten content: The empirical result can be well reconciled by the theoretical frame set forth in chapter 3: distinguish the partial-equilibrium income effects from the broader set of behavioral responses. Though it's true that the static labor—a form of leisure territory predicts that labor supply would be less years later when somebody earns more money thanks for ignoring institutional frictions, it said that shouldn't happen.

Job search frictions conditional benefit systems cause labour supply decision distortions because employment transitions are less desirable. Finnish basic income experiment got rid of such twists, maybe counterbalancing the pessimistic income outcomes predicted by theory. So there was close to no impact, or very minimal, on employment.

These results show how important it is to look at the bigger picture – the institutional context – when looking at how giving everyone some money all the time affects jobs. They also point out that theoretical predictions based solely on income effects will exaggerate the disincentive effects of unconditional transfers in the real world.

6.4. Discussion of external validity

Finnish experiment, although having high internal validity because of random assignment, but external validity must be limited. The experiment targeted a specific group of people - those who were out of work - and was about a fairly modest amount of money transferred over a limited period of time.

Therefore, these estimated effects should be interpreted as rough indications only, and not as universal predictions about large-scale, or permanent, basic income schemes. But it provides us with some good information about how unconditional income assistance gets along with labor market institutions and what people do.

And really it is so it's not precisely because the labor supply will take a big shock due to basic income that causes fear in a situation where it replaces complicated welfare systems.

7. Conclusion and policy implications

7.1. Main findings

This paper is going to look into the labor market implications of unconditional cash transfers, with focus on policies somewhat like UBI. Combine it with a unified theory, and shorten the form with empirical evidence, resulting in the following results:

First, the empirical result shows that UBI creates a small negative effect on short-run labor market. The effect is small and concentrated right after the policy, meaning that unconditional money handouts might cause a minor drop in work hours for some people temporarily rather than forcing many to leave the workforce entirely.

Second, the analysis says that UBI has good effects on entrepreneurship, earnings results, and signs about work quality. These effects point to people moving some time and re- resources away from regular jobs that pay wages toward other stuff like starting their own businesses, learning new skills, or finding better jobs.

Third, Heterogeneity analysis, They are not good for everyone. Individuals who face a greater risk of losing their income or have more constrained liquidity— like low- income households or those with dependents—have much stronger positive responses to income growth and entrepreneurship. This pattern shows that risk exposure and baseline constraints are very important for how people act when they get money for free.

In summary, this means that UBI doesn't inherently make people less willing to work. Instead, it modifies labor market actions on a few levels, shrinking labor supply promptly and producing favorable structural results.

7.2. Interpretation and mechanisms

The below statement is a sentence rewritten with a lower form of difference in differences. So the estimates picked up on the average impacts of UBI policies as opposed to structural behavioral parameters or isolation of single mechanisms.

However, as we observe these to be true in the real world they also go along with some of the mechanisms discussed earlier. Short run fall in labor participation is in accord with the income effect postulated by traditional labor-leisure selection models and the relaxed budgetary limits due to higher non-labor income leading to enhanced leisure's marginal utility.

At the same time, the benefits to entrepreneurship, income, and jobs quality are consistent with a risk-buffering interpretation UBI can provide a stable income floor, thus reducing the downside risk and liquidity constraints, and reduce the cost of doing things with uncertain outcomes. This mechanism is important for those who are near enough to survive by the day or have a hard time obtaining credit from the market

Also, because of medium-run improvements in income and employment quality, it seems like there is something to consider with regards to lifecycle. Stable income expectations can prompt people to put money aside for education, training and finding a job that makes sense, even if it means cutting back on how much they work for a little while. We do not measure human capital accumulation here but these results are supportive of models where income security allows for intertemporal optimization.

But these interpretations need to be read as suggestions, not conclusions. The empirical result can not separate out the income effects, substitution effects or the dynamic investment decision structurally. In the future work with experimental variation or structural modeling, it can be based on this to more precisely determine what channels.

7.3. Policy implications

The result of the study has some implications for designing income support policies.

First, it is overkill to say that UBI will cause a significant drop in the labor supply. Negative employment effect estimates are small and coexist with positive results in other economically relevant dimensions. This implies that evaluations of policies employing employment rate solely will miss important welfare-relevant alterations.

Second, results point out that UBI is seen more as social insurance and not as redistribution. UBI can decrease income instability and downside danger, which could lead to more productive risk taking and better labor allocation, especially for those with a great deal of uncertainty.

Third, policy design matters. Behavioral response in terms of size and direction under this will be determined by amount and length and finance of the benefit. Moderate transfers might mean useful insurance without big labor supply oddities, too much giving could cause bigger income effects.

Finally, UBI is not an answer to labor market problems by itself. It should work better when there are other policies too like being able to go to school and get training, helping people looking for jobs, and a tax system that doesn't take away too much money if you keep working.

7.4. Limitations and directions for future research

There are some restrictions on this research. First it is based on policy experimental research, which uses observations that have time horizons that are short making it difficult for us to observe long run and intergenerational effects. Second, different cross country institutional contexts will make the result have weak external validity. And also it doesn't let us do the structural breaking down of the behaviors.

These limit points show some good ideas for looking into this in the future. Longitudinal data, and structural models may also be used so as to find out how UBI would affect humans forming

capital, career paths, and people's entire lives. Other works could also look into interactions between UBI and technology changes, automation, and platform based employment.

7.5. Concluding remarks

In summary, it adds to the growing body of empirical work on unconditional cash transfers with a cautiously instructive reading on their labour market outcomes. The results imply that with UBI there is a tradeoff between small decreases in short run labor supply and potential long run gains in income stability, job quality, and economic dynamism.

Instead of just shooting down work incentives right away, UBI seems to be changing how work is done at the market by relaxing some rules and making things about risk and return different. When it is well thought out and put together as part of bigger policy frameworks, basic monetary help could have a positive part to play in today's labor markets where things have become more uncertain and changing.

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