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The Long-Term Effects of Cash Assistance

1. What is the question?

What is the long-term effects of cash assistance for beneficiaries and their children?

2. Why should we care about it?

Income inequality has been widely observed in many countries during the past few decades. In order to mitigate this phenomenon, many researchers and policymakers tend to find the solutions to it. In this paper, the authors focused on the long-term effects of cash assistance for beneficiaries and their children in the Seattle and Denver. This paper also created a matching technique, called novel algorithm, to overcome the difficulty on data analysis. The results of this analysis is useful for us to understand whether the cash assistance is a sustainable way to reduce poverty and inequality.

3. What is the author's answer?

For adults, the research found that cash assistance causes the long-term effects on the decrease in their earnings and the increase in the possibility of their disability benefit applications. The possible explanation of these effects is the change of treated adults' occupations. During treatment, the research found that they switch to jobs that required less education and were worse work environment. This phenomenon suggests that during treatment, workers lost their human capital and also their health conditions. That is why in the long-term, financial support causes beneficiaries earn less and tend to apply for disability benefits. In contrast to beneficiaries, the cash assistance has insignificant effects on children in treated families. That is, the effects that treatment may improve children's earning potential and decrease their tendency to use government benefits can be ruled out by analysis.

4. What's the implications of the answer? What do we learn from the paper?

The implications of the answer can be primarily divided into two parts: First, according to this paper, government should not only provide financial support for unemployment but also encourage them to be in occupations with proper long-term career prospect. For example, besides offering long period unemployment benefits to workers, policymakers should consider which is the fitted approaches for the workers' retirement plans. More important, the study emphasizes policymakers should be cautious about the expansion of cash assistance because it may lead to unintended

consequences for beneficiaries. Second, the results could be applied for the basic income experiment in Finnish during 2017 and 2018. The first year data showed that it has no effects on employment level; The second year data are not published so that researchers cannot draw any conclusions about the experiment. Although the data analysis of this experiment does not completely finish, we may predict that the effects on beneficiaries should not be significant based on the experience from Seattle and Denver. However, in this experiment, the participants perceive that their wellbeing become much better than before because they can be confidence about their future work and cannot worry about their standard living. That makes them have better health conditions than others who do not receive the support. Hence, this report partially contradicts the findings in the paper we mentioned above. That is why I want provide this experiment for readers. It may offer another access for us to understand the effects of cash assistance in different area.

Moreover, in this paper, we not only learn the long-term effects of cash assistance for beneficiaries and their children but also understand how to address data by using the novel algorithm.

Example link:

https://www.kela.fi/web/en/publications/-/asset_publisher/lvZwhvziXuKG/content/preliminary-results-of-the-basic-income-experiment-self-perceived-wellbeing-improved-during-the-first-year-no-effects-on-employment