FOR IMMEDIATE RELEASE
Monday, May 10, 2021

New Harvard Report Details Spending in Nation’s Largest Guaranteed Income Program

Nearly 75% of funds spent at food retailers, providing a major boost to local economy

CHELSEA, MA -- A report released today by researchers at Harvard’s Rappaport Institute for Greater Boston shows how participants in the nation’s largest guaranteed income program have used the funds provided to them during the height of the COVID-19 pandemic. The report analyzed $2.1 million in spending by more than 2,000 residents of Chelsea, Massachusetts between November 2020 and March 2021. According to the analysis, nearly 75% of the funds were spent at food retailers, and the majority of funds were spent in the Chelsea area, providing a major boost to the local economy.

“This report shows yet again that, when you give people direct cash payments, they spend it on food and other necessities, and it goes right back into the local economy,” said Jill Shah, President of the Shah Family Foundation, which has managed the program in partnership with the City of Chelsea. “Government programs are most effective when they give people the tools and agency to make the best decisions for themselves and their families. As we recover from the pandemic, we cannot ignore the proven potential of Guaranteed Income as an effective tool to combat hunger and poverty and to provide a much-needed boost in local spending.”

The guaranteed income pilot program launched in November of 2020 during the height of the COVID-19 pandemic as a way to provide the residents of Chelsea with access to food, reduce long lines at city-run food banks, and to ensure people had the dignity to make their own choices when providing for their families. Residents of Chelsea, who have been among the hardest hit economically and physically in the United States during this public health crisis, receive an average of $400 a month on debit cards with no restrictions on how the funds can be used. Nearly 4,000 residents entered a lottery run by the City of Chelsea to take part in the program, and ultimately more than 2,000 were selected to take part. The initiative is funded by the City of Chelsea, the Shah Family Foundation, Massachusetts General Hospital Center for Community Health Improvement, and the United Way of Massachusetts Bay and Merrimack Valley.

“Leaders in cities and towns across the nation now have hard data that Guaranteed Income is a viable and effective way to support residents in need and to help lift up local businesses,” said Tom Ambrosino, Chelsea City Manager. “Our goal was to find a humane and effective strategy to meet the needs of Chelsea’s residents. I hope our success can be a model for communities across Massachusetts and beyond.”

The study led by economist Jeffrey Liebman, Malcolm Wiener Professor of Public Policy at Harvard Kennedy School and Director of the Rappaport Institute, shows that the majority of funds were spent on essential items and services, such as food, transportation, clothing, and utilities. Less than half of one percent was spent at liquor stores or smoke shops. The full report can be seen here.

“The families participating in this program have been experiencing extremely high levels of food insecurity, with more than half reporting that their children were sometimes not eating enough because the families could not afford food,” said Professor Liebman. “These spending data suggest
that the program has been successful in helping Chelsea families purchase groceries and other essentials. Moreover, with 12 percent of Chelsea households receiving assistance, this program demonstrates that direct payments can be delivered at scale.”

Professor Liebman and his team of researchers are conducting further research to better understand how having or not having access to these types of unrestricted funds impacted families.

The Guaranteed Income program is funded through the beginning of summer. The organizers are currently determining future funding for this program and anticipate further announcements in the coming weeks.

The City of Chelsea has committed more than $1.5 million to the effort. Additionally, the Shah Family Foundation donated more than $1.5 million to the program, the United Way donated $250,000, and MGH donated $200,000.

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