



Finnish Basic Income Experiment 2017-2018 - About the experiment and its evaluation

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Background

The Center-True Finns-Conservatives coalition cabinet (nominated 28. May 2015) took basic income (BI) experiment in its working program by referring to:

- Changes in the labor markets
 - Does the Finnish social security system properly correspond to changes in the labour market?
 - High level of structural unemployment, automatization, robotization etc.
- Elimination of incentive traps in the social security system
 - Too many cases where work does not pay (enough)
- Elimination of bureaucratic traps
 - Need for a more transparent and less complicated system instead of “social security jungle”
- Main interest of the Government was in the possible positive effects of the BI on the employment rate

Strong public support - or maybe not that strong?

	SUPPORT TO BI; AMOUNT AND TAX GIVEN					
	SUPPORT FOR BI		€ 500	€ 600	€ 700	€ 800
	2002	2015	40 %	45 %	50 %	55 %
LEFT	82	86	47	45	43	41
SDP	59	69	26	29	27	27
GREENS	71	75	37	33	45	39
CENTER	62	62	39	40	32	29
T FINNS	ND	69	40	41	45	33
CONS	48	54	33	31	21	16
CHRIST D	63	56	44	37	18	26
SWEDISH	64	83	17	8	6	4

- The idea of basic income is supported – among most parties the support increased from 2002 to 2015
- Support decreases when the expected level of (flat) tax is included in the survey

Steps towards the experiment...

- €20 Mill. for the experiment
 - Some extra funds for the planning of the BI experiment
- Open competition on the funds
 - 15. September 2016 Kela's consortium was selected to plan the experimental setting and the model(s)
- Work began in the mid-October 2015
- The first report was delivered 30th of March 2016
- The final report delivered the 16th of December 2016
- The experiment started 1.1.2017 and lasts for 2 years

In the planning process it was to study

- Which kind of models are most suitable for the experiment?
 - What should be the level of the monthly payment
- How to combine BI with income-related benefits and other basic benefits?
- How should the taxation be taken into account in the different models?
- What are the strengths and weaknesses of different models in the context of the EU legislation and the Finnish Constitution?
- Also, it was required that the researchers give recommendations on the experiment – what should be the model(s) to be experimented?

Models explored and developed

- **Full basic income (BI)**
 - The level of BI is high enough to replace almost all earnings-related benefits
 - The level of monthly payment has to be high, €1 000-1 500
- **Partial basic income**
 - Replaces all 'basic' benefits but almost other benefits left intact
 - Minimum level should not be lower than the present day minimum level of basic benefits (€550 – 600/month)
- **Negative income tax**
 - Income transfers via taxation system
- **Other models**
 - E.g. low level of BI added with some kind of 'participation' income

The experimental setting planned by the expert group

- The entire adult population (excl. pensioners) is used as a basis for the sample
 - age and income selection criteria
 - low-income earners
 - Between 25 and 63 years of age
 - Weighted sample of particularly interesting groups
- Nation level randomization to get representative results
- Local experiments in order to capture networking, institutional and interaction effects and externalities
- In order to have a sufficiently high sample size, Kela benefits would be used as a source of extra funding (sample size could be as high as 10,000 persons)

<https://helda.helsinki.fi/bitstream/handle/10138/167728/WorkingPapers106.pdf?sequence=4>



What was experimented?

- BI 560€ a month (tax-free)
- Present taxation on income exceeding 560€
- Social benefits exceeding 560€ were paid out as previously
 - Housing allowance and social assistance were tested against basic income
- Work income on top of BI without tax “penalties”
- 2 000 unemployed who received flat-rate unemployment benefit from Kela in November 2016
 - Random nation-wide selection into the treatment group
 - The rest of the unemployed receiving benefits from Kela (app. 170 000) form the control group
- Obligatory participation
- BI experiment began 1.1.2017 and ended 31.12.2018

Why the experiment “shrank”?

- Constitutional constraints
 - Question on equal treatment
- Tax authorities had not enough time to change tax laws for the experiment
 - Tax-free BI combined with present tax system
- Only unemployed who received unemployment benefits from Kela were selected to the experiment
 - Easy to make a random nation-wide sampling
 - Easier to write legislation for one specific group than for many heterogeneous groups
- Other legal constraints
 - Implementing BI in a complex institutional setting is very demanding
- Time pressure
 - There was little time to write and pass the legislation
 - Also, there was not enough time to create a separate ICT platform for paying out the benefit
- Creating proper ICT systems for payments limited the size of the treatment group
 - Partially manual decisions and payments

How the experiment is to be evaluated?

- Before the experiment it was decided that the receivers of BI are not to be contacted by the researchers
 - No surveys or interviews during experiment
- The main interest is in the changes of employment and income
 - Registers are the main source of information – combined registers from various administrative organisations
- Secondary outcomes will be studied via surveys and interviews
 - Economic stress, general well-being, health, social relations, experiences on bureaucracy etc.
- First results will be published in 2/2019 – will include register based analysis for the year 2017 and some preliminary results from a phone survey collected in the end of year 2018
- The second report on the results will be published 4/2019
- The final results will be published in the early 2020

Thank you!

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