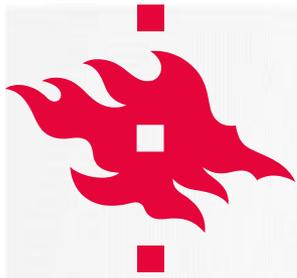


# THE FINNISH BASIC INCOME EXPERIMENT

## A PRIMER



# PRESENTATION OUTLINE

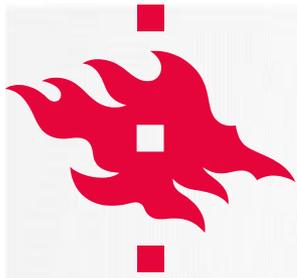
✓ **Why Finland Decided to Experiment?**

✓ **Process, Design, Implementation**

✓ **Lessons from the Finnish Basic Income Experiment**

De Wispelaere, Jurgen, Halmetoja, Antti & Pulkka, Ville-Veikko (2018): [The Rise \(and Fall\) of the Basic Income Experiment in Finland](#). CESifo Forum 19(3): 15–19.

De Wispelaere, Jurgen, Halmetoja, Antti & Pulkka, Ville-Veikko (2019): The Finnish Basic Income Experiment. A Primer. In Malcolm Torry (Ed.) *An International Handbook of Basic Income*. New York: Palgrave. *Forthcoming*.



# WHY FINLAND DECIDED TO EXPERIMENT?



# 1) LONG-STANDING PUBLIC DEBATE

- Long-standing and well-developed debate since the 1970s
  - 1970s and early 1980s featured cognate concepts such as citizen's wage, negative income tax and guaranteed minimum income, but after the mid-1990s basic income (*perustulo*) the dominant notion
  - Earlier debate focused on streamlining the different social protection systems, improving their coverage and strengthening the social rights
  - From the second half of the 1990s onwards, BI predominantly understood as a tool for activation policy
  - *Activation mindset* has largely shaped the parameters of the Finnish basic income experiment



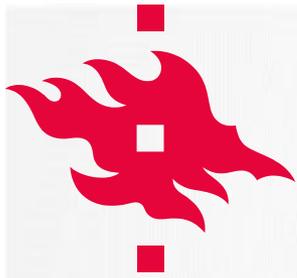
## 2) INVOLVEMENT OF POLITICAL PARTIES

- Political parties involved across the political spectrum
  - The 1990s witnessed increased political interest for BI amongst the Centre Party, the Green League, a small liberal party, the Young Finns, and the Left Alliance
  - The Green League introduced a partial basic income model as part of their party platform in 2007 (Left Alliance followed four years later)
  - Consistent (albeit weak) political support for BI from the Centre Party sets Finland apart from many other countries in Europe, where mainstream political parties remain much more cautious



# 3) CULTURE OF POLICY EXPERIMENTATION

- Experimental culture formally adopted by the new centre-right government following the 2015 parliamentary elections
  - Influence of Demos Helsinki and its continued promotion of a culture of social experimentation
  - Tänk's report in 2014 proposing to test a negative income tax with a randomised controlled trial (RCT)
    - Many of the essential elements of the Finnish basic income experiment
    - Also suggested in a blog post by then MP (later Prime Minister) Juha Sipilä two months prior



# EXPERIMENTING WITH BASIC INCOME IN FINLAND — PROCESS, DESIGN, IMPLEMENTATION



# DECISION PROCESS

- The Government outsourced the design of the to a research consortium led by the research department of Kela
  - The remit to study the suitability of different basic income models for the experiment
  - Two reports:
    - The preliminary report introduced the recommendations for an ambitious research setting, in the light of practical and political constraints
    - The final report retained recommendations on how to expand the experiment



# DECISION PROCESS

- After the preliminary report, it became evident that launching the experiment in January 2017 would require starting the legislative process without delay
  - Bill drawn up by the Ministry of Social Affairs and Health at an extremely fast pace → sent for opinions by major stakeholders in August 2017
    - The main decisions concerning the research setting taken by political actors outside the expert group
    - Some concern the Constitutional Law Committee would not accept a research design (principle of non-discrimination)
      - Accepted the design on the grounds that no single individual was made worse off and the project itself would benefit the wider society
      - Important precedent for future social experimentation



# DECISION PROCESS

- The bill passed on 20 December 2016 by a comfortable majority of 170 out of 200 members of parliament
- The experiment started on 1 January 2017 and continues until the end of 2018
  - Whereas the draft bill discusses expanding the basic income experiment in 2018, the actual law does not retain this option
  - Expanding the experiment would require multiplying the current budget of €20 million for two years
- The results due to be evaluated by Kela's research department in conjunction with several academic partners
  - Initial results expected to be published in the beginning of 2019, with a final report due to appear in Feb 2020



# DESIGN PARAMETERS: PURPOSE OF THE STUDY

- As stated in the legislation, “the purpose of the experiment is to gain knowledge how basic income affects to participants labour market behavioural and to explore other impacts of basic income” (Finlex 2016/1528)
  - Political imperative to prioritise the impact of a BI intervention on labour market incentives
    - Continuation of activation policies; not a paradigm shift
- Unsurprisingly, the limited focus of the experiment has been met with fierce criticism



# DESIGN PARAMETERS: SAMPLING

- The first nation-wide randomised controlled trial (RCT)
  - The treatment group consists of a sample taken from the national population and no particular region or municipality is given extra weight in the experiment
  - The randomisation *supposed to ensure* that the treatment and control groups only systematically differ with respect to the intervention being evaluated
    - However: “activation model” sets out stricter obligations to participate in activation measures for the unemployed in 2018
  - Unlike other experiments, participation mandatory to avoid selection bias



# DESIGN PARAMETERS: SAMPLING

- Budgetary and practical considerations ruled out locally weighted element
  - A saturation site to the planned RCT would have required a considerable additional investment (cluster RCT)
  - A national RCT allows Kela to sample an extensive database of approximately 240,000 unemployed recipients of basic unemployment security in a cost-effective and reliable manner
    - Highly representative of the unemployed in receipt of basic unemployment security across the whole country = generalisable results
  - Not allow to examine the effects when basic income recipients actually interact with each other



# DESIGN PARAMETERS: STUDY POPULATION

- A key purpose to see whether those in the treatment group receiving BI reintegrating faster in the labour market compared to those in the control group
- The treatment group: unemployed individuals who on 1 December 2016 were between 25 to 58 years old and who in November 2016 were in receipt of either basic unemployment benefit or labour market subsidy — both administered by Kela
  - Study population almost 240,000 unemployed Finns
  - 2000 randomly selected while 175,000 serve as the control group
  - Exclude unemployed covered by the more generous earnings-related unemployment benefit scheme (44% in 2017)



# DESIGN PARAMETERS: STUDY POPULATION

- Also exclude many social categories that the research consortium as well as many critics felt should be included to get a better sense of the overall impact
  - Low-income households, students, self-employed, and those unemployed below 25 years of age
  - Restriction again motivated by both budget and practical considerations



# DESIGN PARAMETERS: MODEL(S)

- The research group recommended to experiment with different basic income models
  - The government subsequently decided to run the experiment only with a single partial basic income model pitched at €560 per month
  - Basic income recipients remain entitled to other forms of benefits, such as housing allowance, as well as to social assistance in the last resort



# DESIGN PARAMETERS: TAXATION

- Major complication the tax treatment of the participants
  - The experiment does not count the BI for tax purposes (political and practical reasons)
  - Two distinct problems:
    - The model substantially different from what would effectively be instituted
    - Experiment may result in different behavioural effects than we would expect from a realistic model
  - The validity of the results for introducing a fiscally realistic basic income model in Finland?
    - How to study the bureaucracy effect?



# DESIGN PARAMETRES: DURATION

- The experiment rolled out over a period of two years, followed by an evaluation
  - Compared to other past, ongoing or planned experiments typically featuring three or four year projects, this is on the short side
    - A two-year project not likely to result in significant behavioural changes for two reasons
      - Recipients need some time to adjust to their new living circumstances
      - And more importantly, the realisation that the new program will only last for a short time means we should not expect any life-changing decisions to occur



# IMPLEMENTATION AND EVALUATION

- Implemented by Kela, which is also responsible for paying out the basic unemployment benefit and labour market subsidy schemes in Finland
  - Implementation did not require developing new and expensive payment and evaluation systems
  - The consolidation of the basic income with other benefits, such as housing allowance, much simpler and less error-prone
- Kela legally responsible for maintaining a BI experiment register comprising information on both the treatment and the control groups



# IMPLEMENTATION AND EVALUATION

- The evaluation mainly employ administrative registries
  - Finland, like other Nordic countries, maintaining comprehensive registries on benefit claiming, earned income, and tax liability
    - Preliminary register data for the first year in 2019
    - Final report in spring 2020
  - Administrative data offers an incomplete picture of the potential wellbeing effects of basic income on the unemployed
    - Phone interviews in Oct–Dec 2018
    - Thematic interviews in Spring 2019



# LESSONS FROM THE FINNISH EXPERIMENT

- Politics a key factor when governments decide to experiment with BI
  - Affects the design and implementation
    - The Finnish case: Focus on labour market activation, the limited budget and strict timeline imposed by the government
    - Failure to coordinate amongst reluctant coalition partners decidedly affected the research setting
    - What is the validity of the results?
  - Affects how robust the evaluation of the experiment will be and how this evaluation then informs subsequent decision-making



# LESSONS FROM THE FINNISH EXPERIMENT

- No reason to think experiments themselves offer evidence of a drastic shift in policy attention
  - Recent policy initiatives by the Sipilä government strongly suggest they have already moved on from BI towards a more conditional activation
  - Governments are simply not willing to institute a universal basic income without having first trialled it in some or other pilot
    - The need to secure robust political commitment from the start
      - Sufficient budget, ensuring close cooperation of different ministerial or administrative departments, and setting up of an independent research team in charge of design as well as evaluation