

The Finnish Basic Income Experiment

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What is BI?

- “A basic income is a periodic cash payment unconditionally delivered to all on an individual basis, without means-test or work requirement.” (Basic Income Earth Network BIEN)
- In Finland:
 - Pure BI models with different levels of BI -> perhaps politically unrealistic
 - A more realistic approach: only basic benefits are replaced
 - Partial models do not necessarily (significantly) change the income distribution or reduce poverty

Why BI experiment?

- Does BI incentivize citizens to more actively search for jobs or start own businesses than the current tax-benefit system?

Possible explanations for positive effects

- Better pay-off for individuals who go from benefits to work
- Less “bureaucratic traps” where individuals taking up temporary, part-time or unstable employment face a real or perceived risk of losing eligibility or receiving benefits with a delay as their claims are re-evaluated
- More flexibility regarding career changes, education, part-time work, and self-employment

On the otherhand...

- No sanctions or weaker sanctions if the individual refuses a job offer
- No requirements or monitoring of active search for jobs
- No job promotion measures are offered if the individual is not registered as an unemployed job-seeker (eligibility criteria for the current unemployment benefits)

The short history of the Finnish experiment

- During the last decades, the parties have proposed several BI models
- In 2015, PM Juha Sipilä's government decided to run a trial on BI
- In March 2016, a research group lead by Kela delivered (ambitious) recommendations for the experiment
- In summer 2016, preparations for the actual experiment began
- In the beginning of 2017, a (limited) two-year experiment started
- From 2019 onwards, the results from the trial will be analysed and reported

Selected recommendations from researchers

- Test BI with a randomised controlled trial
- Choose participants from relevant population groups
- Vary the model for separate treatment groups
- Define sample sizes based on statistical power calculations
- Prefer compulsory participation to voluntary participation
- Use register information for the analysis of outcomes
- ...

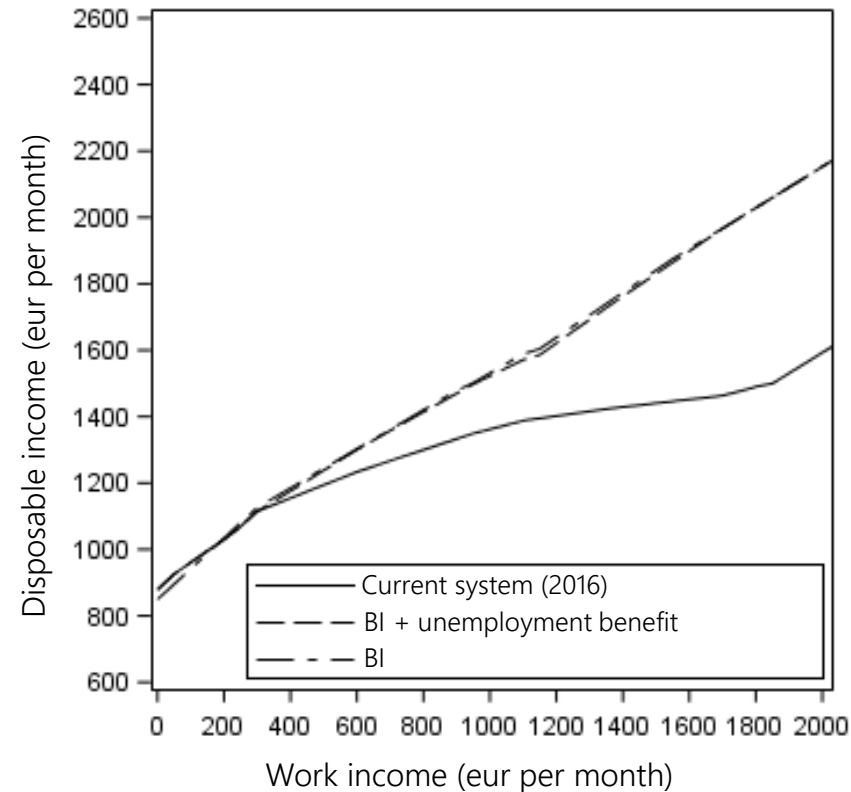
Research design of the actual experiment (2017-2018)

- Target group: 25-58 years old persons who received basic unemployment benefits in November 2016
- Treatment group: 2 000 randomly chosen persons
- Control pool: the person in the target group who were not chosen to the experiment
- The persons in the treatment group will be paid a monthly BI for two years
- Participation is compulsory

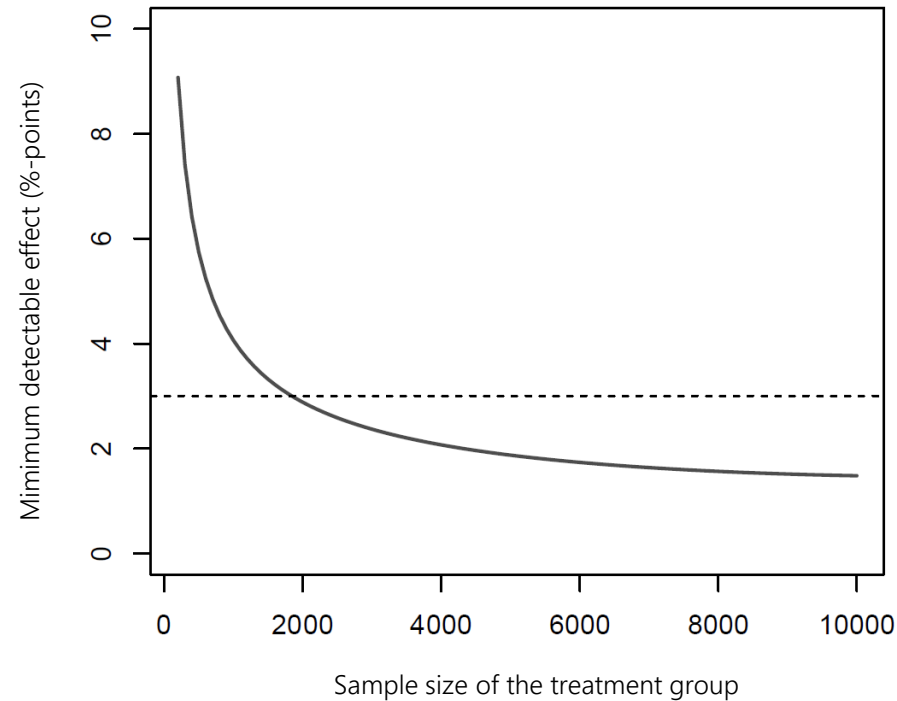
The BI model of the actual experiment (2017-2018)

- Persons in the treatment group are paid 560 euros per month without work requirement or means-testing
- The amount is deducted from unemployment, sickness and parental benefits
- The amount is taken into account in housing allowance and social assistance
- No other relevant changes to the overall tax-benefit system
- Some statuses prevent the payment of BI

Incentives for work in the tested BI model



Statistical power of the experiment (employment rate)



Reasons for limitations

- Constitutional requirements (acceptable differences in income)
- Legislative requirements (changes in benefits must be regulated by law)
- Limited time for preparation (legislative process, building payment systems)
- Practical feasibility (identification of the target group, timely information, banking details)
- Limited budget (20 million euros, additional funding comes from the adjusted benefits)
- Anticipation for manual implementation (limiting the sample size)

Lessons learned during the design process

- Randomised field experiment with compulsory participation has passed the constitutional test
- Designing a trial model is at least as difficult as designing a real policy

The official evaluation plan for the experiment

- The primary outcome studied is employment
- Secondary outcomes are, for example
 - Income, participation in job promotion measures, and social benefit take-up
 - Life satisfaction, health, psychological wellbeing, satisfaction with the benefit system, non-work related activities
- Data comes from official registers (e.g. tax register) but also surveys and interviews of participants and controls will be conducted
- The results will be published when the experiment has finished (2019-)
 - Preliminary results for the first year in spring 2019
 - Final results for the whole two-year period in spring 2020

Thank you!

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