

From idea to experiment(s)

Notes on the Finnish basic income experiment study

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The structure of the presentation

- Background for the experiment study
- The essential findings and recommendations of the research group
- The experiment bill and a possible extension in 2018

Background for the experiment study

- **a reference** to a basic income experiment **in the governmental programme** in May 2015
- a consortium led by the Finnish Social Insurance Institution Kela was appointed to study the **suitability of different basic income models for the experiment**
- a preliminary study was published on 30 March 2016
 - deadline for the final report on 16 December 2016
- according to current plans, the basic income experiment is expected to be launched in January 2017

The assignment handed down by the Prime Minister's Office

- the assignment outlined four different options to explore and develop:
 - full basic income
 - the level of BI high enough to replace almost all other benefits, perhaps excluding earnings-related benefits
 - partial basic income
 - could replace the most of the basic security benefits (e.g. basic social assistance, basic unemployment benefit, labor market subsidy, sickness allowance, rehabilitation allowance, minimum parental allowances, startup grants), but earnings-related benefits left intact
 - negative income tax
 - income transfers via taxation system
 - other possible models

The assignment handed down by the Prime Minister's Office

- the government's main target: diminish disincentives in social security = increase employment
- continuation of the activation policies: to increase employment by emphasising labour supply
- in tandem stricter sanctions and more obligations for unemployed persons
= not a paradigm shift

The essential findings of the preliminary study

- full basic income too expensive (flat rate taxes 60% €1000 BI & 79% €1500 BI)
- negative income tax experiment not reliable before an access to real-time information of incomes
- budget-neutral partial BI does not automatically remove the economic disincentives (housing allowances, additional social assistance and earnings-related benefits cannot be replaced)
 - strengthening economic work incentives costs or means diluting the current level of social security
- bureaucracy traps can be partly solved: less delays, reporting and falling through the social security net

The recommendations of the research group

- partial basic income corresponding to the monthly net level of many of the basic security benefits provided by Kela (~€560)
 - in an ideal test situation: different levels of basic income and tax rates
 - would not replace earnings-related benefits, housing allowances and social assistance (last resort benefit in Finland)
- two-pronged and compulsory randomisation (no selection bias)
 - nationwide (representative sample, generalizable results)
 - more intensive regional (for examining externalities)
- due to the limited budget (€20 m) focus on low-income earners: both unemployed and employed, 10 000
 - reasonable given the employment target

The basic income experiment bill (25 August 2016)

- model: €560 tax free partial basic income
- taxation: current, budget deficit €11 billion
- population: persons between 25 and 58 years of age living in Finland who in November 2016 receive basic unemployment allowance or labour market subsidy
- sampling: obligatory nationwide randomisation, a sample of 2000
- duration: two years
- exclusive population and taxation explained by time and *budget* constraints
 - major criticism
 - given the government's employment target and the constraints: "good enough"

Final report on 16 Dec 2016

- speculation on a possible extension in 2018
- possible recommendations in the final report:
 - more extensive population = bigger budget
 - new taxation model
 - enough time
 - better coordination
 - in the long term: series of different experiments

How to plan a successful basic income experiment?

- discussing a basic income at a general level problematic
 - need to define targets specifically
- political commitment crucial
 - before (enough resources and clear targets/indicators)
 - during (enough resources and patience)
 - after the experiment (enough resources for good-quality evaluation)
- awareness of a demanding process
 - cooperation between politicians, civil servants, Tax Administration, researchers and other relevant institutions must be open and flowing
- a basic income experiment is not "just an experiment"