



# NOTES ON THE FINNISH BASIC INCOME EXPERIMENT

What (If Anything) Can We Learn from the Finnish Basic  
Income Experiment?



# PRESENTATION OUTLINE

Why Finland is experimenting with basic income?

Recommendations vs reality

What can we learn?



# WHAT IS BASIC INCOME?

- Thomas Paine (1796): unconditional one-off grants
- “A basic income is a periodic cash payment unconditionally delivered to all on an individual basis, *without means-test or work requirement.*” (BIEN)
- Discussing basic income at a general level is not useful
  - Level, replaceable benefits, and tax model determine static effects
  - Support varies significantly by the model
  - Motivations vary significantly by the advocate



# WHY FINLAND?



# WHY FINLAND?

- Discussion since the 1980s
  - Green-left scholars and activists the most prominent advocates
- An experiment proposed by a think tank *Tänk* in November 2014
- "Experimental culture" (i.e. evidence-based policy making) promoted by another think tank *Demos Helsinki* after parliamentary election in April 2015
- Activation paradigm since the 1990s: Focus on stimulating labour supply
  - A reference in the governmental programme of the PM Juha Sipilä (*Centre Party*) in May 2015
- Not a paradigm shift



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News 26.12.2017 15:39 | updated 27.12.2017 10:50

## New model to activate unemployed comes into effect amid rising criticism

Finland's trade unions, training institutions and unemployed are decrying the government's new 'active model' for addressing unemployment. To avoid penalties, jobseekers will have to prove they have been seeking work or participating in training.

 **Recommend** 239 people recommend this. Be the first of your friends.



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News 10.1.2018 16:49 | updated 10.1.2018 16:49

# Finnish gov't plan for jobless: Apply for work weekly - or lose benefits

If the law is approved, it is expected to go into effect by the beginning of 2020.

 Recommend 342 people recommend this. Be the first of your friends.



# SUPPORT FOR BASIC INCOME (PULKKA 2018)

Perustulomalli	Good idea	Neutral idea	Bad idea
Partial basic income €560	51%	20%	21%
Partial basic income > €560	33%	20%	39%
Partial basic income < €560	27%	27%	37%
Full basic income €1500	25%	17%	66%
Partial basic income €1000	24%	17%	51%
Full basic income €1000	20%	20%	51%
Participation income	78%	11%	7%





# SUPPORT BY AGE GROUP

	Age group					Total
	15–24	25–34	35–49	50–64	65+	
Good idea	72%	53%	49%	46%	42%	51%
Neutral idea	12%	22%	19%	23%	22%	20%
Bad idea	9%	22%	24%	22%	24%	21%
No opinion	7%	3%	7%	10%	12%	8%
n	147	163	234	233	226	1003



# SUPPORT BY LABOUR MARKET STATUS

	Labour market status				Total
	Full-time employee	Part-time employee	Unemployed	Outside workforce	
Good idea	48%	61%	68%	49%	50%
Neutral idea	22%	20%	11%	19%	20%
Bad idea	23%	16%	15%	21%	21%
No opinion	7%	3%	7%	11%	9%
n	473	64	62	402	1001



# RECOMMENDATIONS VS REALITY OR RESEARCH VS POLITICS



# RECOMMENDATIONS VS REALITY

	Recommendation	Experiment law
<b>Level</b>	Different levels, min €550	€560
<b>Taxation</b>	Different models	Current, progressive
<b>Population</b>	Low-income households	Long-term unemployed (time and budget constraints)
<b>Age restriction</b>	25–58	25–58
<b>Selection</b>	Obligatory, nationwide randomisation	Obligatory, nationwide randomisation
<b>Sample size</b>	Power calculations	2000 (budget constraints)
<b>Duration</b>	As long as possible	2 years



The Opinion Pages | OP-ED CONTRIBUTORS

# Why Finland's Basic Income Experiment Isn't Working

By ANTTI JAUHIAINEN and JOONA-HERMANNI MÄKINEN JULY 20, 2017



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THE FUTURE OF WORK  
The Future of Not Working FEB. 23, 2017



# CRITICISM

- Unrepresentative population
- Too small sample size
- Not a realistic model
  - Budget deficit €11 billion if implemented at a state level (general government expenditure €55.5 billion in 2017)
  - Makes it extremely difficult to interpret the results in a reliable manner
- Good enough IF the first phase



# RECOMMENDATIONS IN FINAL REPORT

- The study population is expanded
  - Inclusion of young persons between ages 18 and 24 should be considered
  - An adequate sample size is determined by power calculations
- A sufficient budget is reserved for the experiment
- A tax model compatible with the basic income is introduced
- Sufficient time is set aside for refining the study design, building new payment and taxation systems, drawing up the enabling law, and implementing the experiment
- Smoother cooperation between different sectors of government
- A series of experiments



# SO, WHAT CAN WE LEARN?

- The Finnish experiment has limitations if not expanded
  - The government has announced not to expand
- Political commitment crucial before, during and after
  - Enough resources, clear targets/indicators, patience
  - Cooperation between politicians, civil servants, Tax Administration, researchers and other relevant institutions must be smooth
  - A basic income experiment is not "just an experiment"!
- Employment indicator too narrow approach to basic income
- A fixed-period experiment cannot tell the universal truth about the dynamics of a basic income