



Experimenting with “Basic Income” (BI) in Finland

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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 our social security system properly correspond to changes in labor markets?
 - Or are there any changes at all?
 - ‘No’, say the opponents of BI
 - ‘Substantial’, say the proponents of BI
- **Elimination of incentive traps**
 - Too many cases where work does not pay (enough)
- **Elimination of bureaucratic traps**
 - Clients’ fears on bureaucratic machinery
 - To create a more transparent system

To abolish incentive traps

- There is a number of income-tested 'basic' benefits paid on top of each other create effective marginal tax rates of 80-100% or so
 - labor market subsidy + housing allowance + social assistance and income-related day care fees
 - Work does not pay (enough)
 - How the benefit receivers value their free-time?
- How to make work pay?
 - Basic income as such is not enough and the implementation of BI does not solve the incentive problem unless the BI is very high
 - e.g. €1,000-1,500 a month
 - However, levels of taxes collected on income coming on top of BI:
 - Tax = 70% to 80%

Steps towards the experiment...

- €20 Mill. for the experiment
 - Some extra funds for planning the 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 delivered 30. March 2016
- The final report delivered the 16 December 2016
- The experiment started 1.1. 2017 and will last 2 years
- Possibly new experiments 2018 and 2019

Models explored and developed

- **Full basic income (BI)**

- The level of BI is high enough to replace almost all insurance-based benefits
- Must be rather a high monthly sum, e.g. 1 000€-1 500€. Realistic?

- **Partial basic income**

- Replaces all 'basic' benefits but almost all insurance-based benefits left intact
- Minimum level should not be lower than the present day minimum level of basic benefits (**€550 - €600 a month**)
- Plus income-related benefits and housing & child allowance

- **Negative income tax**

- Income transfers via taxation system

- **Other models**

- Perhaps low BI plus 'participation' income

MICROSIMULATION MODELLING (static): based on 27,000 individuals and 11,000 households (2013 data and 2013 legislation).

- Bi is paid to all individuals aged 18 and over but not to pensioners
- Bi reduces earnings-related unemployment allowance, basic unemployment allowance, labour market subsidy, sickness allowance, parental allowance, child home care allowance, housing allowance and social assistance
- study grants will be replaced by BI
- A simple flat-rate tax model: earned income and capital income are taxed in the same way with no tax-exempt dividends, basic income is taxable earned income but a tax deduction corresponding to basic income will be directed at earned income

Bill on the experiment was sent 25. August 2016 for public hearing

- BI 560€ net a month
- Present taxation on income exceeding 560€
- Social benefits exceeding 560€ will be paid out as previously
 - Nobody will loose
 - Housing allowance and social assistance are tested against basic income
- Work income 'float' on BI
- Obligatory participation
- 1.1. 2017 ends 31.12.2018
- 2 000 unemployed who get flat-rate benefit from Kela
 - Random nation-wide selection into the treatment group
 - The rest of the Kela unemployed (app. 170 000) form the control group
- The follow up studies:
 - Registers on income, employment, use of medicine, medical treatment
 - Surveys and interviews on:
 - Other aspects of welfare
 - Experiences on bureaucracy

The experiment in a nutshell

- <https://www.youtube.com/watch?v=8xPAIEkT0kk&feature=youtu.be>
- <http://www.kela.fi/web/en/experimental-study-on-a-universal-basic-income>

Something more

- <https://helda.helsinki.fi/bitstream/handle/10138/167728/WorkingPapers106.pdf?sequence=4>
- <http://blogi.kansanelakelaitos.fi/arkisto/3316>
- <https://www.youtube.com/watch?v=8xPAIEkT0kk&feature=youtu.be>
- <https://helda.helsinki.fi/bitstream/handle/10138/167728/WorkingPapers106.pdf?sequence=4>
- <http://blogi.kansanelakelaitos.fi/arkisto/3491>
- <http://www.helsingitimes.fi/finland/finland-news/domestic/14472-kela-s-researchers-voice-concerns-about-media-interest-in-basic-income-experiment.html>
- <http://blogi.kansanelakelaitos.fi/arkisto/3648>