

Basic Income on the Agenda: Reflections on the Finnish Basic Income Experiment

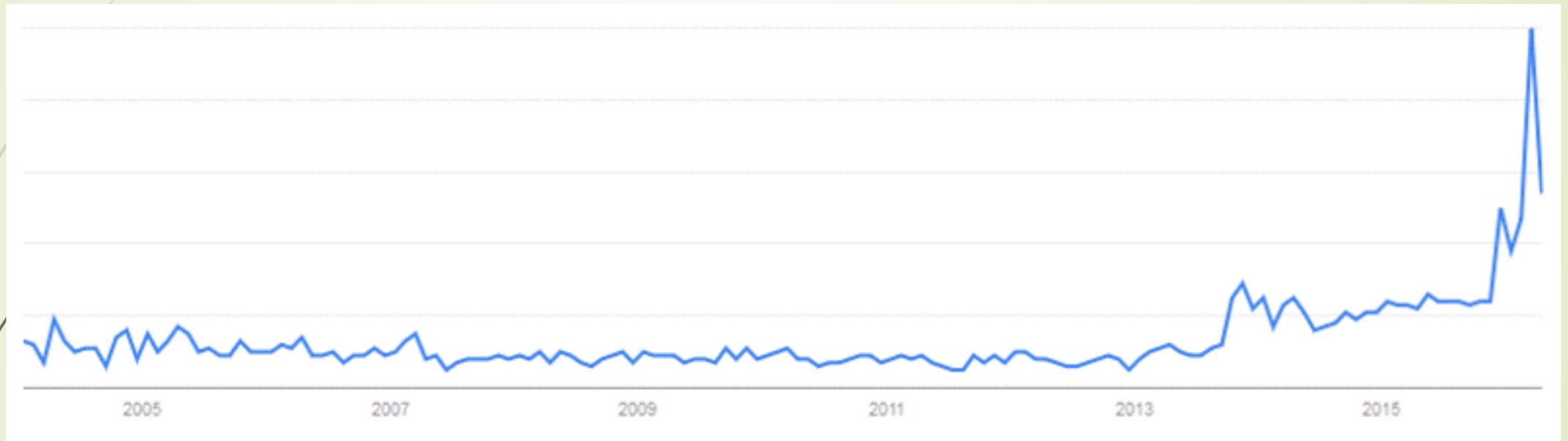
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1

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Basic income attention, 2005-2016



Source: Scott Santens, Basic Income on the March (Google Trends)

Recent policy initiatives

- ▶ Existing schemes: Alaska PFD, Iran's oil subsidy grant, ...
- ▶ Legislation: Brazil's *Lei de Renda Básica de Cidadania* (Law No. 10.835, 2004) and Switzerland's Basic Income Referendum on 5 June 2016
- ▶ Pilot projects, past and planned:
 - ▶ 1970s: NIT experiments (US), Mincome (Canada)
 - ▶ Experiments in Otjivero-Omitara (Namibia, 2008-2009), Quatinga Velho (Brazil, 2008-), Madhya Pradesh (India, 2011)
 - ▶ Planned experiments include Netherlands (Utrecht, Tilburg, Groningen, Wageningen), Kenya (GiveDirectly, 10-15y trial), Bay Area, US (Ycombinator), Finland (2017-2019).

Why basic income pilots now?

- Background context of 2008 financial crisis and its reaction: austerity, poverty and economic inequality ...
- Growth of evidence-based policy-making
- Attention-grabbing events: e.g. Switzerland (2013), Finland/Netherlands (2015), Kenya (2016)
 - Media attention promotes policy attention
 - Policy learning from examples around the world?
- Exponential increase in organised basic income movement
- **Basic income pilots are a political compromise between doing nothing and implementing a novel policy idea**

Why conduct a basic income pilot?

- ▶ **Scientific field experiment:** examining actual behaviour/impact under a basic income regime through a controlled experiment (RCT)
- ▶ **Implementation trial:** field-testing the machinery to discover and resolve practical problems before scaling up (trial-and-error)
- ▶ **Political demonstration:** advancing the policy agenda by ...
 - ▶ raising awareness amongst key stakeholders/general public
 - ▶ keeping open a window of opportunity
 - ▶ building a broad political coalition “en route”
 - ▶ overcoming objections by demonstrating basic income impact (basic income “works”)

Finland, en route to the first nation-wide basic income experiment ...



Basic income in Finland: background

- ▶ Increased Finnish interest in basic income from 1970s onwards:
 - ▶ Strong public support and political support: 69 % public support, stable across political orientation (2015)
- ▶ Newly elected Finnish Government commits to basic income experiment in its Government Program (2015)
 - ▶ € 20 million for two years experiment (2017-2019), aimed at:
 - ▶ updating policy to better match social conditions on the ground (integrate earnings-related benefits, basic social security, assistance)
 - ▶ reducing work disincentives (unemployment traps, income traps)
 - ▶ reducing costly administration (bureaucracy traps)
- ▶ **Experiment not regarded as paradigm shift, continuation of activation policy**

The working group preparing the basic income experiment

- ▶ Kela (Social Insurance Institution of Finland) wins government bid to coordinate the planning of the experiment with a team of researchers from:
 - ▶ The VATT Institute for Economic Research
 - ▶ Research teams from University of Turku, University of Tampere and the Swedish School of Social Science at University of Helsinki
 - ▶ Tänk (think tank)
 - ▶ The Finnish Innovation Fund (Sitra)
 - ▶ Federation of Finnish Enterprises
 - ▶ External Experts/Consultants

Basic income in Finland: timeline

- ▶ November 2015: Kela-led research consortium wins bid and team appointed
- ▶ December 2015: hearing with Minister of Health and Social Affairs to discuss remit of preparation research
- ▶ **30 March 2016: Interim Report recommending avenues for experimentation, currently awaiting response from the government**
 - ▶ **Government responded - green light!**
- ▶ 15 November 2016: Final Report detailing the experimental design
- ▶ January 2017: Start of the actual experiment (2 years) (???)
- ▶ 2019: Evaluation of results (elections on April 14, 2019!)

Basic income support in Finland: polling results (autumn 2015)

	BI , no tax mention	BI €500/ tax 40 %	BI €600 tax 45 %	BI €700 tax 50 %	BI €800 tax 55 %
Very good idea	29,0	8,2	5,3	6,8	10,4
Good idea	40,3	26,5	29,1	24,6	18,6
Bad idea	18,5	29,5	33,3	35,2	31,2
Very bad idea	8,1	30,2	26,4	27,2	33,8
No opinion	4,1	5,6	5,9	6,2	6,0

Basic income in Finland: simulation results (budget neutral/flat rate tax)

The model	Flat rate tax	Gini	Poverty (60%)	Winners (000)	Losers (000)
Present system	--	26.9	15.6	--	--
BI 500€	41.5	26.4	15.3	1,849	774
BI 550€	43.5	26.0	14.8	1,807	816
BI 600€	45.0	25.7	14.3	1,826	796
BI 650€	46.5	25.4	13.9	1,832	791
BI 700€	49.0	25.0	13.5	1,770	853
BI 750€	50.5	24.6	13.1	1,786	836
BI 800€	52.5	24.2	12.6	1,752	871

Basic income in Finland: recommendations (models)

- ▶ Full basic income too expensive and politically difficult to test
- ▶ Recommendation for a **partial basic income at €600, with €100 per child**
 - ▶ Replacing basic social assistance (to Kela from 2017), basic unemployment benefit and labor market subsidy
 - ▶ Perhaps also sickness allowance, rehabilitation allowance, minimum parental allowances, startup grants ...
 - ▶ Retaining earnings-related benefits, additional social assistance and housing allowances
- ▶ Negative income tax experiment not reliable with no access to a comprehensive individualized income registry
 - ▶ Real time tax information available from 2019 onwards only!

Basic income in Finland: recommendations (target population)

- ▶ Sample of 10 000 people needed to observe statistically significant results (power calculations)
 - ▶ €20 million budget for two years is insufficient!
 - ▶ More simple design allows for lower sample (ongoing ...)
- ▶ Two-pronged randomization: nationwide representative sample combined with more intensive regional sample (externalities)
 - ▶ Restriction to groups with strong labour market attachment (i.e., exclude children, pensioners, students)
 - ▶ Priority for groups with expected large effects of policy change: focus on below median income groups

Basic income in Finland: an ideal research setting with different models

	BIG	Tax rate (example)
A0	€600	current
A1	€600	a-5 (40%)
A2	€600	a (45%)
B1	€700	b-5 (41%)
B2	€700	b (49%)

Basic income in Finland: challenges

- ▶ Budgetary: €20 million insufficient to run ideal experiment
 - ▶ compromise on sampling? models?
- ▶ Legal: experimenting must be made compatible with the Finnish Constitution (equality clause) and also the EU regulations on benefits portability
- ▶ Legislative: social legislation must be drafted and approved by parliament before summer recess (time!!)
- ▶ Implementation: roll-out of basic income experiment implies serious investment in delivery (Kela) and taxation (Tax authority), which is ongoing but will not be ready on time for 2017 start!

Politics Matters! The rabbit-in-the-hat principle

- ▶ The magician pulls out of the hat only what she put in beforehand
- ▶ Similarly, pilot results will depend on prior design and investment
- ▶ The first rule of basic income pilots: secure sufficient resources, expertise and especially political commitment!



Four design challenges to basic income experiments

- ▶ Time frame: some behavioural effects only materialise over time or through anticipation of long-term treatment
- ▶ Selection/size of treatment/control groups: RCT vs. priority groups?
- ▶ Experiment with environment variables, not just populations
 - ▶ Unique feature of field experiments is its ability to take into account complexity of the real world (context)
- ▶ Selection of effects and measurement indicators
 - ▶ Avoid overly narrow focus (labour market effects) and include broad social effects (e.g., health impact?)

Four political challenges to basic income experiments

- ▶ Ongoing political commitment: between preparation, experiment and evaluation a lot can happen politically
- ▶ Political priorities intervene: ex post defunding of some evaluation components, reducing scope (Mincome!)
- ▶ Long time frame is politically inopportune: how to deal with pressure to release early results?
 - ▶ Not just government, pressure from advocates as well
- ▶ “Qualified” results make for difficult evidence-based policy: experiment may not give us a simple recommendation: **political interpretation unavoidable!**

Some lessons, concerns, challenges ...

- ▶ Setting up an experiment is not like buying a carton of milk off the shelf:
 - ▶ Different jurisdictions will encounter serious and unique challenges due to policy/institutional context
 - ▶ Policy learning and transfer partial at best
- ▶ Manage expectations, privately and publicly:
 - ▶ Short-term experiments with often compromised (?) research design will generate qualified evidence at best, deal with it!
- ▶ Doing a pilot properly requires expertise, resources and commitment - securing commitment over time is key

So should we pilot basic income? Yes because ...

- Best bet to engage with windows of opportunity, nothing else on offer (yet)
- Experiments can be an opportunity to showcase “non-existence of negatives” while discovering unexpected positives (e.g., health)
- Piloting BI is about prepping the delivery machinery and building political coalition “en route”
- Keep up the civil society involvement throughout: don’t relegate experiments to the experts only

Thank you!

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Please note the information about the Finnish experiment is provisional as the situation continues to develop: updated info at:

<http://www.kela.fi/web/en/experimental-study-on-a-universal-basic-income>

Download my research at:

<https://uta-fi.academia.edu/JurgenDeWispelaere>

