

3. Making of the Finnish basic income experiment

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INTRODUCTION

The basic income experiment in Finland has received significant attention, generating considerable scientific, political and journalistic debate. For understandable reasons, attention has mainly focused on the possible outcomes of the experiment, but there has also been an abundance of speculations as to why the experiment was carried out in the first place, why the research setting was such as it was, and why the target population only consisted of unemployed people receiving a basic unemployment allowance or a labour market subsidy (see Chapter 2) from the Social Insurance Institution of Finland (Kela). The aim of this background chapter is to provide a narrative on how the planning process started and proceeded, and how the experiment was finally implemented within the complex Finnish social policy system.

De Wispelaere et al. (2019: 403) succinctly summarise what is necessary in designing basic income experiments: ‘The experimental design of basic income trials will always require mastering the art of compromise’. It was indeed the case that planning of the Finnish experiment required various compromises. In contrast to all other basic income experiments, participation in the Finnish experiment was obligatory. Therefore, it had to be based on legislation, which made planning more complicated than would have been required if the experiment had been voluntary, as in many other previous experiments with basic income or negative income tax. Legal aspects of the experiment and the constitutional constraints are discussed in more detail in Chapter 4.

Many previous experiments have been driven by grassroots activism and other bottom-up initiatives, whereas in the Finnish case, the experiment was a top-down initiative of the Finnish government (however, see Danson, 2019). In subsequent sections of this chapter, we chronologically describe the planning process from when it began in the latter half of the year 2015 to the beginning of the experiment in 2017. The historical narrative begins with the government’s decision to conduct the experiment and a description of what the

government expected from the planning group. The first report was delivered to the government on 30 March 2016. The report evaluated the feasibility of full or partial basic income, participation income or negative income tax. We end the historical narrative at the point where a specific model was selected for use in the 2017–18 experiment. In the final section of this chapter, we highlight possibilities and obstacles in relation to conducting basic income experiments that are politically relevant.

THE GOVERNMENT'S ASSIGNMENT

The governmental programme of Prime Minister Sipilä's coalition cabinet (in force from 29 May 2015 to 6 June 2019) included a decision to have the basic income experiment. Whereas, in the Finnish version of a governmental programme, the government states briefly and boldly 'Toteutetaan perustulokeilu' [a basic income experiment will be carried out], the English version says that the experiment would be a pilot study: 'A basic income pilot study will be performed' (Prime Minister's Office, 2015: 22).

In its budget proposal, the government reserved €20 million for the experiment covering two years, that is, from 2017 to 2018. The Prime Minister's Office launched a tender for designing the experiment (VNK/1413/48/2015), with a specific budget of €150 000 set aside. The planning budget was administered by the Ministry of Social Affairs and Health, with the Minister of Social Affairs having the ultimate responsibility for the planning and implementation process of the experiment. Two other ministries were involved, namely the Ministry of Local Government and Public Reforms and the Ministry of Finance, to determine the appropriate tax model in the experiment.

The bid put forward by a multidisciplinary research consortium led by the Research Department at Kela won the tender. In addition to social scientists, statisticians, economists, and lawyers from Kela, economists from the VATT Institute for Economic Research, the Labour Institute for Economic Research, the University of Tampere, and the think tank Tänk were included in the planning that began in mid-October 2015.

The government's assignment comprised two parts. The first part required a feasibility report to provide the government with a general assessment of different basic income experimental models, including advantages and disadvantages, costs, and their distributional impacts if they were implemented at the national level. The second part required the preparation of a final model for the experiment.

The feasibility report sought to compile existing information, perform preliminary impact analyses, and outline a preliminary experimental design to be developed in the second part of the planning process. Based on the feasibility report, the government could decide how to proceed in terms of which one

of the evaluated models should be selected for further elaboration. To enable this decision, the planning consortium had to specify the level of basic income (euros per month), make suggestions on how to integrate earnings-related benefits and different types of basic social security benefits (paid by Kela) into basic income, determine the taxation of the different models, consider constitutional aspects and European Union (EU) law, and evaluate outcomes in terms of poverty and income inequality. Determining the final model for experimentation was the task of the second planning report (final report). The planning group had to submit the preliminary report to the Ministry of Social Affairs and Health by 30 March 2016 and the final report by 15 November 2016. The experiment was planned to start on 1 January 2017.

The preliminary report (Kangas and Pulkka, 2016) was completed according to the timetable. In addition to the report, an appendix containing the results of extensive microsimulations made on different models was also submitted to the Minister (see Honkanen and Simanainen, 2016). The simulations investigated the incentive and income distribution effects of different typical family cases, as well as the economic costs for the national economy. Simulated calculations were used to determine how different levels of basic income could be financed, considering the savings resulting from the partial replacement of existing social security transfers and changes in the income tax system. In most calculations, current progressive income taxation was replaced by a simple flat-rate tax collected on income coming on top of basic income.

Simple flat-rate tax calculations were intended to provide a somewhat more realistic picture of the magnitude of tax rates that would be needed to finance the new system that would consist of basic income and transfers not replaced by basic income. We also simulated numerous combinations of flat tax rates and the current tax system, in which we also modified the existing tax system, applied a simple progressive tax scale, and simulated a scheme in which basic income was provided in the form of a negative income tax.

EVALUATION OF THE ALTERNATIVES FOR THE EXPERIMENT¹

In response to the governmental assignment, we evaluated four different models: (1) full basic or pure basic income, in which everyone is paid the same amount of money, regardless of their situation or income, and where the amount of money is sufficiently high to replace most of the other income transfers; (2) partial basic income that would replace some basic security benefits, with most income-related social transfers remaining untouched to 'float' on top of basic income; (3) negative income tax, which is an income transfer scheme in which taxpayers pay income tax when their income exceeds a certain level, defined as the minimum level of income everyone in society

should have, whereas, for those individuals whose incomes remain below that limit, the state pays financial support, that is, a negative income tax is provided to fill the gap between their actual income and the defined minimum income level; and (4) other possible models for experimentation, including participation income, which is conditional. In order to get it, the person should show some kind of activity, such as voluntary work in the third sector, care within a family, studies, or other forms of socially acceptable activities.

When evaluating the suitability of these four alternatives for experimentation, various aspects were considered, such as whether it was administratively possible to apply the model in question in the experiment, what kind of legislative changes the model would imply, and how it could be possible to integrate the model within current national or EU-level legislation, as well as the national economic and distributional costs involved if the model was fully implemented at the national level.

The main tools used to evaluate economic and distributional costs were microsimulations and typical case example calculations to determine how the total disposable income (consisting of social transfers, earnings, and taxes) of individuals or households would change when earned income increased. We sought to evaluate how different levels of basic income contributed to or eliminated monetary work disincentives. In the simulations, income from employment was gradually increased to see how income-tested social transfers diminished and how taxation increased, and to examine the (dis)incentive effect of such interaction in different models. We will start our narrative by discussing first the suitability of participation income and negative income tax for experimentation and then move on to discuss the suitability of full and partial basic income.

Participation Income and Negative Income Tax

In addition to unconditional models, several models have been proposed that resemble basic income, but which involve conditionality and obligations. The main principle in these proposals is that individuals can gain the right to basic income through being active. According to Anthony Atkinson (1996, 2014), the best-known developer of participation income, people in employment, job seekers, disabled people, and individuals involved in care work and in non-governmental organisations would be eligible for participation income.

The central and most challenging issue in relation to participation income is determining which types of activity can be interpreted as representative of proper participation, and which would be 'socially acceptable'. Any introduction of participation income would require a political debate about the conditions of participation. Furthermore, it could be difficult to define how much socially acceptable and important work individuals should do in return for

monetary compensation. The identification and monitoring of beneficiaries if they comply with the agreed conditions might be problematic (for a discussion, see De Wispelaere and Stirton, 2007). We finally ruled out the participation income model because we considered it would be too difficult and bureaucratic to administratively screen the participants in the experiment effectively.

A negative income tax was advocated for in the US by Milton Friedman (for example, Friedman, 1962; see also Standing, 2017: 16) and, after gaining more widespread support, several experiments with negative income tax have been initiated (for example, Widerquist, 2018). Negative income tax is a social security and tax scheme based on income compensation by means of taxation when an individual's income remains below an agreed minimum level. The underlying philosophy of basic income and negative tax is different as well as the way of paying out the benefit, but the two models have rather similar distributional outcomes. Both models aim to guarantee minimum income and provide more incentives for work (Honkanen, 2014; van Parijs and Vanderborght, 2017: 32–40; Widerquist, 2018: 15–18). Thus, an experiment with partial basic income would also provide some information about the incentive effects of negative income tax (Honkanen, 2014).

An effective experiment involving a negative income tax would require an income register in relation to monthly income. Without such a register, it would be necessary to rely on people's self-reported income and there would be temptations to declare lower levels of earned income to maximise the level of negative income tax received. When planning the experiment and when it was running from 2017 to 2018, there was no such a register at our disposal. Such an income register became available in 2019. Given the unavailability of the required register at the time of the experiment, we opted not to proceed with a negative tax model.

Full Basic Income

Full basic income can be understood as a model in which a large proportion of other tax-financed and social insurance-based benefits is replaced. In practice, this would mean that the level of basic income would be higher than the current basic social security income (see Chapter 2). However, full basic income does not supersede all other social transfer benefits; for example, social assistance addressed to help people with special needs or in sudden unanticipated need situations is left intact (Standing, 2017: 83). The same applies to all social and health services.

We examined (dis)incentive effects of different models by simulating participation tax rates in situations where a previously unemployed individual becomes employed or starts working longer hours. For the sake of simplicity, we only present calculations for single individuals (Table 3.1). The partici-

pation tax rates listed in the table show to what extent taxes would increase, and current transfers would diminish, as work income rose. For example, if work income were to increase from €0 to €500 per month, the participation tax rate under the current social security and tax model would be 36.9 percent (Model 1). As the table shows, the participation tax rate would be substantially higher in both full basic income models (Models 2 and 3), apart from income increases of €1000 to €2000 per month.

Table 3.1 Participation tax rates of an unemployed individual living alone in relation to the current model and basic income of €1000 and €1500 per month

Change in wages	Model 1. Current legislation	Model 2. Basic income €1000/month	Model 3. Basic income €1500/month
€0 → €500	36.9%	73.4%	91.1%
€0 → €1000	51.7%	82.9%	85.1%
€0 → €2000	66.3%	71.4%	82.0%
€1000 → €2000	80.9%	60.0%	79.0%

Source: Kangas et al. (2016: 22)

High levels of basic income would naturally have significant effects on income distribution, and consequently, income inequality would substantially decrease. The Gini coefficient would fall from 26.4 to 21.7 at a basic income level of €1000 and to 17.9 at a basic income level of €1500, with the proportion of low-income households (at a poverty threshold of 60 percent of the national median income) falling from 14.1 percent to 9.5 percent or to 4.8 percent, respectively, and poverty among children falling from 13.2 percent to 9.4 percent or to 3.4 percent, respectively. Hence, our simulations corroborate the claim that relatively high full basic income would enhance more equal income distribution and substantially reduce poverty (for example, Mays, 2019; Standing, 2020).

The primary problem with such high levels of basic income is cost. At a basic income of €1000 per month, income transfers would be three times higher than in the current system; and at a basic income of €1500 per month, income transfers would be four times higher. Thus, such schemes would be difficult to implement economically and in terms of political feasibility.

Partial Basic Income

When evaluating economic and distributional outcomes of partial basic income, two different levels of benefit were used for benefit calculations, that

is, €550 and €750 per month, which were net payments, as tax was planned to be collected only on income coming on top of basic income. According to microsimulations at these two levels, the flat-rate tax collected on income exceeding basic income would be 43.0 percent and 50.5 percent, respectively, to cover all the extra costs caused by the implementation of basic income. In addition to those ‘realistic’ tax rates, we simulated the effects of ‘unrealistic’ tax rates, in other words, we used the current tax system on income from employment. Under the current tax system, a tax-free basic income of €550 would generate a budget deficit of approximately €11 billion, which corresponds to one-fifth of the state budget.

Table 3.2 Participation tax rates of a single wage earner living alone and a single parent with two children in relation to the current model and basic income of €550 and €750 per month²

Change in wages	Model 1. Existing legislation	Basic income of €550 and tax model on exceeding income		Basic income of €750 and tax model on exceeding income	
		Model 2.	Model 3.	Model 4.	Model 5.
		Flat-rate tax 43.0%	Existing tax system	Flat-rate tax 50.5%	Existing tax system
<i>Single person</i>					
€0 → €500	36.9%	50.2%	47.5%	63.9%	38.5%
€0 → €1000	51.7%	63.6%	57.2%	74.0%	50.3%
€0 → €2000	66.3%	60.8%	51.1%	66.2%	44.2%
€1000 → €2000	80.9%	58.0%	44.9%	58.3%	38.2%
<i>Single parent</i>					
€0 → €500	29.3%	54.5%	28.8%	60.4%	27.7%
€0 → €1000	42.0%	64.7%	43.7%	72.8%	36.6%
€0 → €2000	70.3%	81.2%	64.6%	87.8%	59.9%
€1000 → €2000	98.7%	97.8%	85.6%	102.9%	83.1%

Source: Kangas et al. (2016: 30 and 32)

Regarding distributional outcomes, a basic income of €550 or €750 would not have any significant effect on income inequality, as the Gini coefficient would decline from 26.4 to 26.1 or to 24.2, respectively.

The work incentive structures concerning the two different levels of partial basic income and the two taxation systems are depicted in Table 3.2 in relation to two typical cases, namely, that of a single person living alone and a single parent. With this table, it is possible to compare the outcomes of the basic income schemes and the alternative tax models to current participation tax rates. It is also possible to see how the tax treatment (whether through

a cost-neutral flat-rate tax or through the ‘unrealistic’ current tax system) of income exceeding basic income affects comparisons. The ‘unrealistic’ tax model could to some extent be made more realistic if a basic income scheme was not only financed through income tax but also through revenue derived from other sources such as a capital gains tax, and through narrowing the gap between more lenient taxation of capital and more progressive taxation on earned income, as well as through other alternative funding methods as proposed by advocates of basic income (for example, Standing, 2017: 129–54; Andrade et al., 2019; van Parijs and Vanderborght, 2017: 147–8).

With regard to single persons whose wages would increase from zero to €1000, they would be better off in the existing tax-benefit system (Model 1) compared with basic income schemes (Models 2 and 4), which would lead to higher participation tax rates than in the existing tax-benefit model. Only for higher income increases would basic income schemes perform better regardless of whether they were linked to the existing taxation system or to a flat-rate tax system. In the case of the single parent, basic income schemes (Models 2 and 4) with flat-rate taxes tended to produce higher tax disincentives than the existing system.

Basic Income and EU Legislation

One task specified in the governmental assignment was to study how basic income would fit within the context of EU-level legislation. This issue was discussed and analysed with social policy and legal experts. In principle, in the name of subsidiarity, social policies fall within the national domain and EU legislation could be considered as unlikely to affect the experiment, but since the government wanted to know what effects there might be in relation to fully implementing basic income in Finland we had to hypothetically consider all the possible EU consequences. EU-level considerations revolved around the questions of whether and how much basic income might entail engagement with EU legislation.

A simple schematic presentation provides clarification concerning these matters and how different levels of basic income are likely to involve the EU legislation (Figure 3.1 as modified from Kalliomaa-Puha et al., 2016). The horizontal axis depicts the form of financing (taxes versus social security contributions), and the vertical axis depicts the relevant EU legislation involved. The vertical axis roughly indicates the level of benefits. If the level of basic income is low enough, such that it would replace only tax-financed and income-tested or means-tested minimum benefits, it would likely remain a part of national decision-making without EU involvement. In contrast, at a basic income level ranging from €1000 to €1500 per month, basic income

would automatically supersede a part of many social insurance schemes, and therefore, it would fall within the domain of the EU legislation.³

In principle, social security issues fall within national competence, but the EU regulation affects who is entitled to benefits as an employee, as a family member, etc. As shown in the lowest dark grey box in Figure 3.1, some schemes do not include such entitlement possibilities. The benefits from such schemes mostly comprise tax-financed programmes that do not involve strong claim rights and that are income- or means-tested, such as social assistance, housing allowance, and guarantee pension. As depicted in Figure 3.1, above these clearly national benefit schemes there are other transfer programmes whose position is not completely clear if they are exportable benefits or not, and finally, the highest, light-grey box includes those schemes that are definitely under the EU regulations and whose benefits are exportable from Finland to another countries.

The level of EU involvement

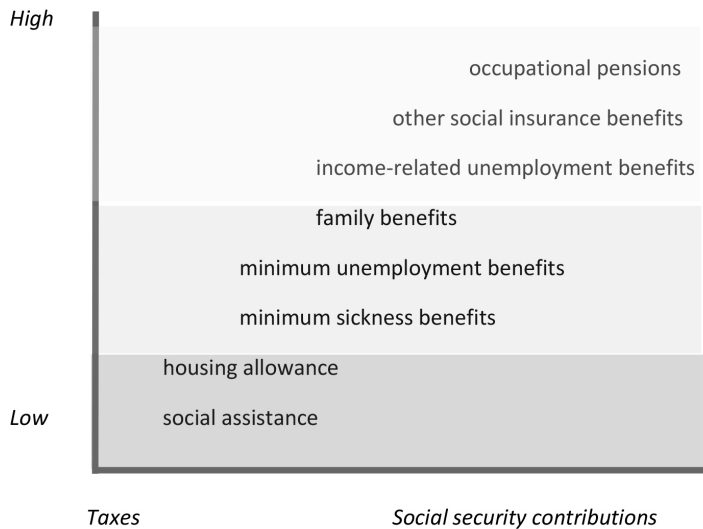


Figure 3.1 The level and financing of benefits and the degree of the EU involvement in legislation

Given these reservations, the planning group concluded that such high basic income levels were neither economically, institutionally or politically feasible (see Chapter 14). Furthermore, the higher the benefits, the more likely the benefits would be exportable to other countries, as social insurance-based benefits

typically are. Therefore, rather than focusing on full basic income, planning concentrated on partial basic income. However, EU legislation still needed to be considered since, although the levels of the basic unemployment benefit and labour market subsidy are low and precisely the same, the former is an exportable benefit, whereas the latter is not (see for example, Tuovinen, 2020).

The aforementioned legislative issues raise questions concerning whether it is possible to implement basic income in a single EU member state, and of the role of national legislation vis-à-vis EU-level legislation. Fritz Scharpf (2000) is sceptical of the political feasibility of basic income in a single EU member state. According to him, fear of welfare migration decreases the viability of a universal scheme. In his response to Scharpf (2020), Philippe van Parijs (2000) discusses the possibilities of a Euro-Dividend in mitigating challenges to implementing basic income and, in his later publications (for example, van Parijs and Vanderborght, 2017: 235–41), he presents a more detailed proposition for further discussion about the level (€200 per individual per month) and financing (possibly through an EU-wide corporate tax or a ‘Europeanised’ Value Added Tax) for such a Euro-Dividend.

THE IDEAL EXPERIMENTAL SETTING AND STEPS TOWARDS THE EXPERIMENTATION MODEL

Following the ideas in the previous negative income experiments in the US, the feasibility report recommended that different levels of basic income (€550, €600, and €700 per month, tax free) and different tax levels (40, 45, and 50 percent, respectively) linked to those benefit levels should be applied. Furthermore, the American examples showed that a purely local experiment may be problematic. If different kinds of internal or external economic shocks were to hit the municipality where the experiment was running, the experiment would be significantly compromised, and it would be impossible to determine to what extent any changes were caused by the intervention (basic income) or by those shocks. Therefore, the planning group recommended that the starting point of the Finnish experiment should consist of representative nationwide random sampling and saturated local experiments with more intensive take-up rates to capture various interactions and community effects. Special groups, such as the self-employed, low-income earners and other forms of bogus employees would have their own weighted samples. Each of these experimental groups would have their own control groups identical to the experimental groups.

The experiment was to be obligatory to avoid selection bias. Because the government’s assignment entailed studying the employment effects, younger people (expected to be mainly studying and who have their own ‘basic income’ in the form of a free study grant) and older people (who already have their own

'basic income' in the form of pensions) were to be left out of the sampling frame. The €20 million set aside for the experiment was calculated to be sufficient for a sample of 1500 persons. To increase the sample size, it was initially planned that the payment of several basic security benefits administered by Kela would be changed to resemble the unconditional payment of basic income so that the number of participants could be increased to 10 000. However, due to bureaucratic obstacles, this plan could not be followed. Moreover, efforts to obtain an additional €10 million from the Finnish Innovation Fund Sitra also failed. Thus, the experiment had to be based on a budget of €20 million, which reduced the ambitions of the original plans and narrowed possibilities in relation to determining the final model.

Steps Towards the Experimentation Model

According to the governmental plan, the final model for experimentation had to be ready by 15 November 2016 and the experiment was expected to start at the beginning of 2017. This timetable was completely unrealistic. Within a timeframe of one and half months, it would have been impossible to pass the relevant legislation on the experiment, plan the sample, develop the platform to pay out the benefits, inform the participants, and educate the social security administration on how to answer the multiple possible questions and requests for further clarifications arising from those people included in the experiment. Passing relevant legislation, in terms of initial preparation through to the presentation of a governmental bill via public hearing, parliamentary committee debates, and parliamentary votes until its final promulgation by the President, takes time, usually considerably more than half a year, which was all that finally was available for the planning consortium. Therefore, we had to start all practical preparations immediately in the spring of 2016 before any political approval of the experimental model had been obtained. There were many open questions and very few answers.

The situation was further complicated in that coordination at the state level did not work very well. Tensions within and between administrative sectors made planning challenging. The lack of a coordinated view concerning which kinds of major administrative or social policy reforms were planned for the period 2017–18 caused additional problems for the practical design of the experiment. Two such reforms were of importance. First, in early 2017, basic social assistance was transferred from municipalities and centralised to Kela. Kela's information and communication technologies (ICT) service became primarily engaged in implementing that massive reform, which raised a question as to whether resources would be available for use in planning an ICT platform for the basic income experiment. Second, the Finnish Tax Administration was planning to reform its register system at the beginning of

2018. Whereas the first reform did not ultimately harm the planning or implementation of the experiment, the second reform had more serious implications. The Tax Administration withdrew from the planning of the tax model for the experiment due to a lack of resources, and the Ministry of Finance refused to give extra resources for planning. Because the government insisted that the experiment must begin in 2017, the experiment had to be based on the existing taxation.

The planning group confronted a limited experimental budget and an unrealistic time frame. It soon became clear that the experiment the planning group proposed in the feasibility report could not commence by 1 January 2017. Therefore, in May 2016, the Minister of Social Affairs suggested that the experiment could start as a pilot (as said in the English version of the government's programme), with the unemployed getting their 'basic' flat-rate benefits from Kela as a target group. Several practical considerations made this option appealing and feasible. Updated data on unemployed persons and their bank accounts were already centrally located and easily available in Kela's registers, whereas income-related benefits were paid by voluntary unemployment funds (Chapter 2) and inclusion of those unemployed would have been administratively difficult and time consuming to handle. Furthermore, in the Kela-based experiment, it was possible to increase the number of persons included in the experiment. As long as the unemployed were unemployed and getting their unemployment benefits from Kela, benefits could be unconditionally paid from Kela's budget as if they were basic income and, until the claimants found employment, their basic income could be paid from the experimental budget of €20 million.

The research group recommended that the experiment should be based on random nationwide sampling and that participation should be obligatory. The motivation for the first decision was to avoid issues arising from internal or external economic or other shocks that might have varying local effects (as discussed above). This decision meant that it was not possible to study various community effects, which has been a major criticism against randomised nationwide experiments (for example, Standing, 2017, 2020; Widerquist, 2018).

Intensive planning regarding the relevant legislation and all the practical issues began in Kela in late May 2016. The pre-existing Kela ICT platform used to pay out ordinary unemployment benefits was modified and tailored to accommodate basic income payments. The major challenge involved determining the appropriate legislation for the experiment, and it was not always easy to adapt the scientific conceptualisations of the planning group with the social policy reality as regulated by complex legal regulations (see for example, Torry, 2020: 253–72). In this process, 'mastering the art of compromising' became essential. It soon became clear that it would be impossible

within the given time frame to integrate the research groups' ideas on different levels of taxes and different levels of basic income and devise appropriate legislation. Because legislation strongly conditioned the practical design and content of the experiment, a close analysis of the relevant legislative constraints is required, which is undertaken in Chapter 4 by Anna-Kaisa Tuovinen.

Parliamentary Discussion on the Basic Income Experiment Bill Reveals Party Positions

The government submitted its bill (HE 215/2016) on a basic income experiment to parliament on 20 October 2016. The parliamentary debates were vigorous and revealed differences in opinion between the political parties (PTK 106/2016 vp). The experiment and its design received criticism from the Social Democrats and the Conservatives, both traditionally opposed to basic income in Finland (Andersson and Kangas, 2005; Koistinen and Perkiö, 2014). The Social Democrats criticised the design of the experiment, which was claimed to be poorly prepared. The Social Democratic MPs further demanded that the experiment should be postponed until the updated income register on monthly income was working effectively, which would enable a better and more effective experiment to be undertaken.

In a similar way, the Conservatives, although part of the coalition government that initiated the experiment, claimed that there was no point in experimenting with basic income as it was not a viable policy option in promoting employment and that it would become too expensive as a policy programme. Instead, Finland should learn from the British Universal Credit Model and develop the country's social policy in that direction. A Conservative MP compared basic income with Linus's Great Pumpkin in the Peanuts cartoon, noting sarcastically that: 'The Great Pumpkin comes and solves all problems'. Additionally, the Conservatives criticised the experimental design for the same reasons as the Social Democrats.

Criticism also came from the ranks of the Green Party and the Left Alliance, both of which were normally vehement supporters of basic income. They found fault with the decision to focus solely on the unemployed, that the basic income would be exempt from tax, and with the high cost of the system. The Greens agreed that the experiment was a good step but claimed that it concentrated too much on employment effects and neglected other important aspects of basic income.

A representative of the Left Alliance rhetorically summarised her opinion as follows: 'This is a partial basic income experiment in the same sense as a fork is a partial meal. This does not mean that this would be a bad experiment. It is only wrongly named'. According to her, the experiment concerned employment rather than basic income. This criticism echoed that of many basic

income advocates outside Finland. The most positive views in the parliamentary debates were expressed by members of the Prime Minister's Centre Party and the Finns Party, the third party in the Sipilä coalition government. Both these parties agreed that there were problems with the experiment but they emphasised that the experiment needed to be seen as a pilot for better experiments, as a precedent for large-scale field experiments, and as a start in creating a culture more willing to undertake experiments and produce evidence-based policymaking, which were the objectives of the Sipilä centre-right government (see, *Experimental Finland*, 2020).

Despite the criticisms expressed, all the members of parliament voted for the experiment in the final parliamentary session on 20 December 2016, apart from the five members of the Christian Democratic Party (CD) who voted against the experiment. The CD is a vehement supporter of the British Universal Credit Model. Once passed in Parliament, the president promulgated the Act on Basic Income Experiment (1528/2016) on 29 December 2016, just three days before the basic income experiment was due to start.

The Basic Income Experiment Act Defines the Research Design

According to the Basic Income Experiment Act, the purpose of the experiment was to obtain information on the effects of basic income on the labour market behaviour of those persons participating in the experiment, as well as to determine other possible effects of basic income. The Ministry of Social Affairs and Health was to lead and direct the implementation of the basic income experiment, and Kela became responsible for the practical implementation of the Act.

The target population of the experiment comprised those who, in November 2016, were receiving basic unemployment benefits or labour market subsidies (see Chapter 2) from Kela and who were aged between 25 and 58 years. Out of that target population, Kela had to randomly select a sample of 2000 persons to be included in a treatment group receiving basic income. Random sampling was performed in such a way that everyone in the target group had an equal opportunity to be selected into the treatment group. Kela had to publish the programme used for sampling before the start of the experiment. Those in the target population not included in the treatment formed a control group, which meant that, at the beginning of the experiment, there were two identical groups, namely, the treatment group and the control group.

Kela had to inform those who were selected for the treatment group of their obligatory participation in the experiment. Furthermore, Kela had to provide their names and social security numbers to the Tax Administration and to municipalities concerned, to enable the experiment to proceed.

The amount of tax-free basic income was set at €560. Basic income was paid without any testing or conditions attached on the second banking day of each month directly to the recipient's account. The amount of basic income remained the same throughout the experiment, and it was not reduced in relation to any other income the participant may have had. Participants who found work during the experiment continued to obtain basic income. Basic income was exempt from taxes, which meant there were no further consequences for the participants' taxation. The existing tax model was applied to income coming on top of basic income, which created a monetary incentive to find employment. In the case of a single person, the participation tax rate (i.e., when moving from unemployment to employment) with monthly wages of €1000 or €2000 would decrease by 18 percentage points and 28 percentage points, respectively. In the case of an unemployed person with dependent children, the decreases were smaller (approximately 13 and 25 percentage points, respectively) (Hämäläinen et al., 2020).

Basic income replaced other income transfers (for example, unemployment, sickness, and rehabilitation benefits) lower than €560. If a recipient's existing bundle of income transfer was higher than €560, Kela had to pay the difference between the actual level of the benefit and the basic income. For example, if a claimant's previous benefits (consisting of unemployment benefit, housing allowance, and social assistance) totalled €960, Kela paid the basic income plus the difference of €400. If the participants had unemployment benefits that exceeded the amount of basic income, they had to apply them separately, and then they had to comply with the conditions that were defined for those extra benefits. Approximately 40 percent of the treatment group had such conditions (Hämäläinen et al., 2020). Therefore, for those individuals, the experiment was not fully unconditional. However, the basic income of €560 per month was paid unconditionally.

The Act also regulated the collection of information. Data on the persons involved in the experiment and on those in the control group were stored in a basic income experiment register kept by Kela. The information in the register can be combined with other Kela-based registers as well as registers administered by other authorities. This possibility to combine different registers gives extraordinary possibilities for further analyses.

CONCLUSION

The making of the basic income experiment in Finland involved a process that operated within a severely limited time frame and which confronted numerous other constraints. Throughout the process, there were moments of inspiration, 'perspiration' and desperation. Compared with the inspiratory expectations of the experiment and given the optimal experimental design outlined in the

preliminary feasibility report, the proposed bill and final act were a great disappointment for many, in a similar fashion to the services of the mouse who was a tailor to the cat in the old fairy tale.

There were limitations given that the sample only consisted of unemployed people who were receiving basic unemployment benefits. Some of these individuals were long-term unemployed people whose rights to income-related benefits had expired, some of them were suffering from illness, and some of them were young people without previous work experience. Thus, when evaluating the results, it is important to bear in mind that the target group of the experiment consisted of specific kinds of unemployed. Because the experiment was implemented at the national level, we could not study possible community and interaction effects and, because there was only one model applied, we could not distinguish between possible effects due to unconditionality versus those effects due to the economic incentives (see Simanainen and Kangas, 2018).

Despite these limitations, the Finnish basic income experiment was unique in several respects. Since the motivation behind the governmental directive initiating the experiment was to study whether basic income was effective in promoting employment and in eliminating work disincentives, it was appropriate to concentrate on unemployed people and seek to determine the extent to which they react to monetary incentives. The experiment was a large-scale, national, randomised experiment. Participation in the experiment was obligatory to avoid selection bias. The treatment and control groups were identical at the beginning of the experiment. This research setting and good registers allowed us to draw causal conclusions concerning the possible effects of basic income on employment.

Both in national and international discussions, there has often been criticism that the experiment could not show any significant or stronger employment effects. As shown in Chapter 6, employment is strongly conditional on an individual's health, age and education. As such, basic income does not make people younger or increase their level of education, but basic income may make them feel better (Chapters 7, 8 and 10). Finnish registers offer comprehensive data on various aspects of human life and facilitate longitudinal analyses. Therefore, it is possible to carry out more detailed register-based cross-sectional and longitudinal analyses and corroborate or falsify the results presented in this volume.

We substantially agree with Karl Widerquist's (2018: 64) summary of the Finnish experiment:

...although the study is not designed to examine how a large [universal basic income] UBI would affect a large cross section of the public, it is well designed to

examine how a small UBI would affect people currently on unemployment benefits. And that kind of study can reveal a great deal of useful information.

In subsequent chapters, there is indeed a great deal of information presented, which, it is hoped, the reader will find useful.

NOTES

1. This section is based on the English version of the feasibility report 'From idea to experiment – Report on universal basic income experiment in Finland'. Helsinki: Kela Working papers 106 | 2016. The feasibility report was prepared by a research and planning consortium consisting of Olli Kangas, Ville-Veikko Pulkka, Miska Simanainen, Pertti Honkanen, Markus Kanerva, Tapio Räsänen, Anna-Kaisa Tuovinen, Kari Hämäläinen, Jouko Verho, Ohto Kanninen and Jani-Petri Laamanen (Kangas et al., 2016).
2. The effects of housing allowance, social assistance, and adjusted unemployment benefit and childcare fees are taken into consideration in the calculations.
3. In this context, the most important pieces of EU legislation are Regulations 883/2004 and 987/2009 on the coordination of social security systems and implementation of that coordination, Regulation 492/2011 on the freedom of movement for workers, and Directive 2004/38/EC on the right of citizens of the Union and their family members to move and reside freely within the territory of the Member States (Kalliomaa-Puha et al., 2016).

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