Making a nation-wide randomised field experiment:
Lessons from the Finnish basic income trial

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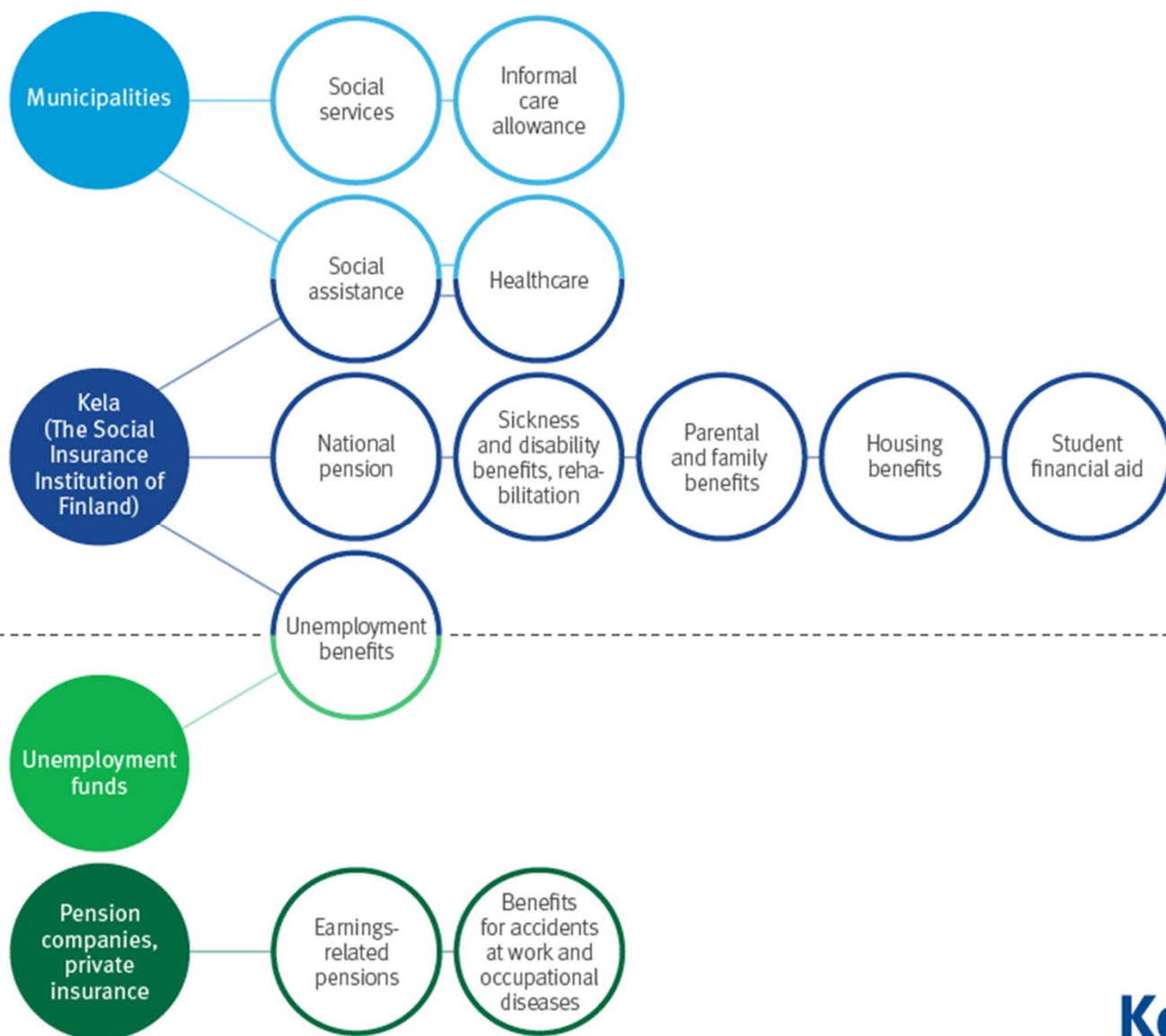**Olli.kangas@utu.fi**

Content of the presentation

- Background

- Social security in Finland

- Why to carry out the experiment?

- Planning the research setting

- The final set-up of the experiment
  - What, how and why?

- How to evaluate results from the experiment

- Registers, surveys, interviews and media analyses

- Some preliminary results

- Conclusions: lessons (if any)

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Background

Social security in Finland

Municipalities
- Social services
- Informal care allowance
- Social assistance
- Healthcare

Kela (The Social Insurance Institution of Finland)
- Social assistance
- National pension
- Sickness and disability benefits, rehabilitation
- Parental and family benefits
- Housing benefits
- Student financial aid
- Unemployment benefits

Unemployment funds
- Unemployment benefits

Pension companies, private insurance
- Earnings-related pensions
- Benefits for accidents at work and occupational diseases

○○ Based on residence

○○ Based on employment

Kela

Background

The Center-True Finns-Conservatives coalition cabinet (2015-2019) 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

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Steps towards the experiment

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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 was planned to last 2 years
- Political promises on new experiments 2018 / 2019
  - Promises did not materialize
- **BUT the new Left-Center (nominated 6 June 2019) government promised to start experiment with negative income tax**

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

Lessons 1. Planning

- The government had too tight a focus on employment
  - BI is not about employment (van Parijs, Standing, Bergman, Widerqvist)
- Mixed motivations
  - Employment, simplifying the system, diminishing bureaucracy
- The task of BI is seen differently in different contexts
  - Canada: poverty; the NL: social assistance; India: empowerment; Kenya: Basic security, empowerment; the U.S.: digitalization, poverty
- Ministers / ministries responsible for the experiment had different opinions
- Commitment of the bureaucracy was only partial
- Enough funds to carry out a proper experiment
- Enough time to plan the model and experimental setting
  - Simulations, writing the legislation needed
- A clearer definition between planning, implementing, carrying out the experiment and evaluating results

The research setting

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The experimental setting planned by the expert group
(by 30 March 2016)

- The entire adult population excl. pensioners) is used as a basis for the sample
  - age and income selection criteria
  - low-income earners
  - 25 and 63 years of old
  - Weighted sample of particularly interesting groups
- Nation level randomization to get representative results for the whole country
- local experiments in order to capture networking, institutional and interaction effects and externalities
  - A number of municipalities with 10%, 30% random sampling.
- To increase the sample size:
  - Kela benefits will be used as a source of extra funding (sample 10,000)

Experimental setting

Model	BI €/ month	Tax rate
A0	590	PRESENT
A1	590	40%
A2	590	45%
B1	690	45%
B2	690	50%

The final setting

- 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 to 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:
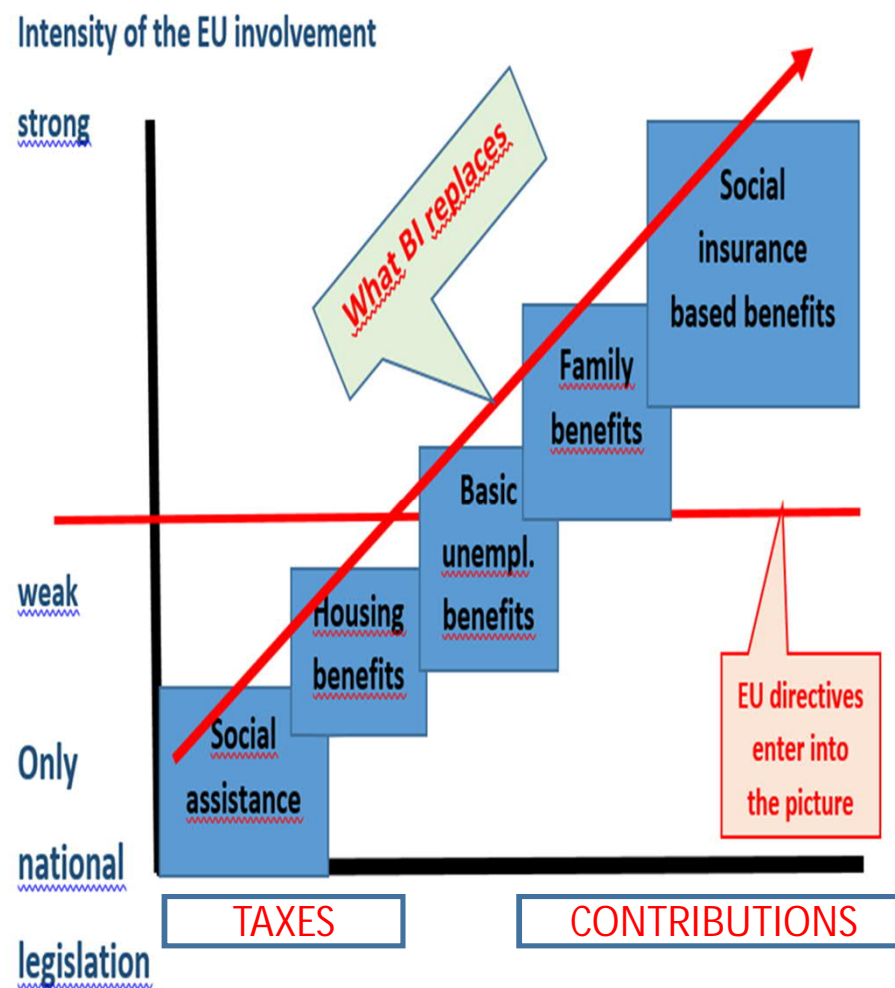   - Other aspects of welfare
    - Experiences on bureaucracy

WHY THE EXPERIMENT WAS SQUEEZED / DWARFTED? (except the too small budget)

- Constitutional constraints
  - Question on equal treatment
    - Different levels and different tax systems ruled out
- Tax authorities said that they have no possibilities to change tax laws for the experiment
  - Tax-free benefit & present tax system
- Only Kela unemployed
  - Easy to make a random nation-wide sampling
  - Easier to write legislation for one specific group than for many heterogeneous groups

- Kela benefits can be used for experimental purposes
- Other legal constraints
  - Implementing BI in a complex institutional setting was very demanding
- Time pressure
  - To write and pass the legislation
  - To create a ICT platform for paying out the benefit
- Creating proper ICT systems for payments limited the size of the treatment group
  - Partially manual decisions and payments

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THE NATIONAL AND EU LEGISLATIONS PLAY THEIR ROLE

Kalliomaa-Puha, Tuovinen & Kangas (2016): "The basic income experiment in Finland", JSSL Vol 23:2, pp. 75-88;

- Must be legislated

- Goals must be acceptable;

- The law must be precice

- The duration of the experiment must be limited
  - However long enough to produce reliable results

- Unequal treatment must not be too unequal

- Must be based on acts on the role of the public authorities

- Duties and rights of each partner

- The role of the EU –legislation
  - Portability of the UBI

Intensity of the EU involvement

What BI replaces

strong

Social insurance based benefits

Family benefits

Basic unempl. benefits

weak

Housing benefits

Only

Social assistance

national

legislation

EU directives enter into the picture

TAXES   CONTRIBUTIONS

LESSONS 2. FROM PLANNING TO EXPERIMENTATION

- SAMPLING:
  - Nation-wide random sampling or?
  - Extensive local experiments?
  - Preferably both
  - Registers
  - Treatment group and control group
    - Strong conclusions

- Obligatory experiment to avoid selection bias

- Demands legislation
  - To implement such a simple thing as the BI into a complex system (as the Finnish social policy system) is complicated
  - National legislation, constitution and the EU-legislation play a crucial role
    - Is it possible to implement BI in one single EU member state?
      - Euro dividend? (van Parijs)

- It is a long way and there are many hindrances and (too?) many compromises
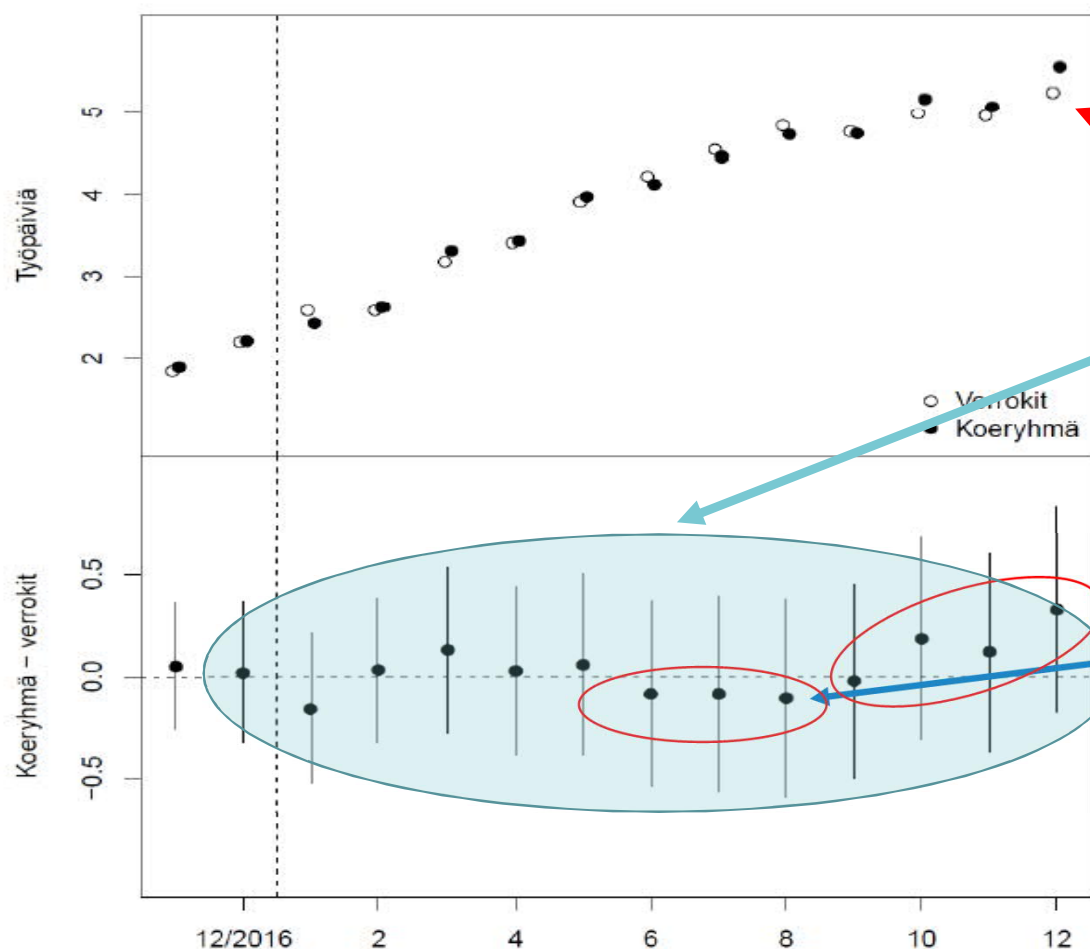
Some preliminary results

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Results from registers: employment in 2017

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Days in employment, the TG and CG in 2017
(Hämäläinen & al. 2019)

- No major differences between the TG (black dots) and the CG (circles)

- Some fluctuations in differences (employment in the TG minus employment in the CG)

- In summer 2017 employment rate in the TG was lower

- Since Sept 2017 it is higher

Results from the survey: wellbeing

Telephone SURVEY carried out in November 2018; surveys will be linked to registers

	Sample	Number of interviews	Response rate
TG	1 869	455	24,3%
CG	5 161	826	16,0%
All	7 030	1 281	18,2%

- **No differences in**
  - Gender
  - Age
  - Education
  - Region

- **Some differences in**
  - Income
  - Size of the household

- **Representativeness???**

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Possibilities to live on one's current income (left-hand panel) and symptoms of stress (left-hand panel)

	Current level of household income (%)			Currently feels stress? (%)	
	Test	Control		Test	Control
Living comfortably	11.9	7.4	Not at all	22.2	19.7
Doing OK	48.1	43.5	Only to a small extent	32.6	25.9
Difficulty making ends meet	26.1	31.8	To some extent	28.7	29.1
Barely getting by	12.5	16.8	To a quite high degree	11.8	16.2
Cannot say	1.4	0.6	To a very high degree	4.8	8.8
			Cannot say	0.0	0.3
χ^2	.0002		χ^2	.0005	

	When you think about the past two years, do you feel that there is too much bureaucracy involved when claiming social security benefits? (%)	
	Test	Control
Yes	58.9	67.8
No	35.5	28.6
Cannot say	5.6	3.6
χ^2	.0009	

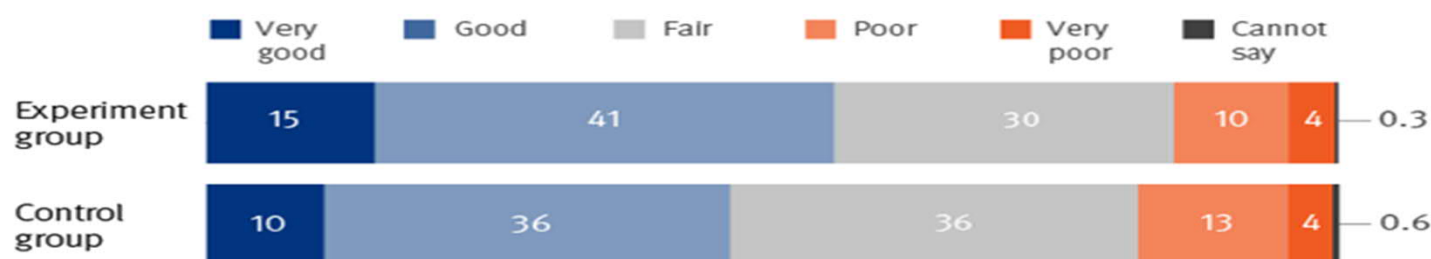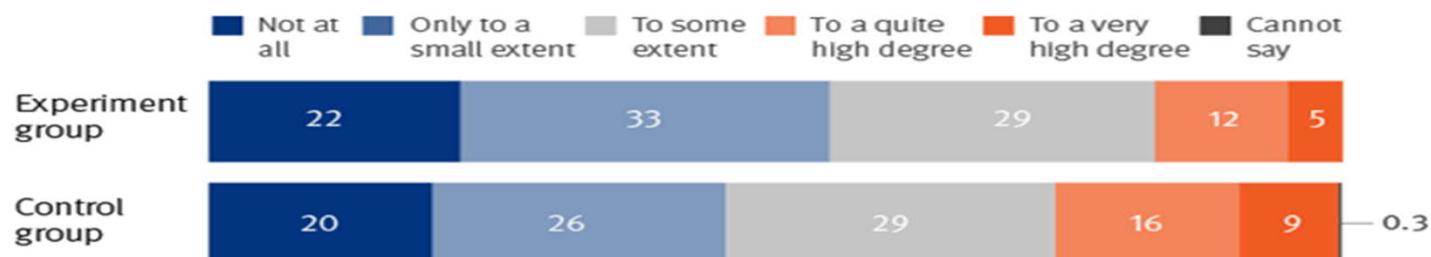|	What do you think about the following statements? The basic income would reduce the bureaucracy involved when accepting a job offer. (%)	
	Test	Control
Strongly disagree	3.6	4.1
Somewhat disagree	5.8	6.4
Neither agree nor disagree	5.5	7.4
Somewhat agree	24.1	35.1
Strongly agree	57.2	37.3
Cannot say	3.9	9.6
χ^2	<.0001	

Preliminary results of the basic income experiment: perception of improved wellbeing, in the first year no effect on employment

Assessment of own wellbeing in the experiment group and the control group
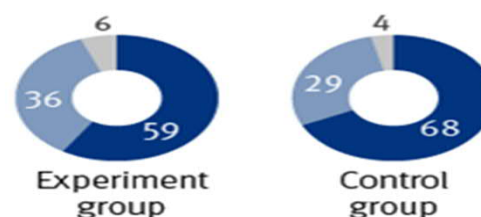
Self-perceived assessment of own state of health

Very good	Good	Fair	Poor	Very poor	Cannot say

Experiment group
15 | 41 | 30 | 10 | 4 | 0.3

Control group
10 | 36 | 36 | 13 | 4 | 0.6

Perceived level of stress

Not at all	Only to a small extent	To some extent	To a quite high degree	To a very high degree	Cannot say

Experiment group
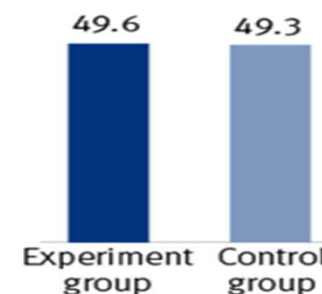22 | 33 | 29 | 12 | 5

Control group
20 | 26 | 29 | 16 | 9 | 0.3

Perception of bureaucracy involved when claiming social security benefits

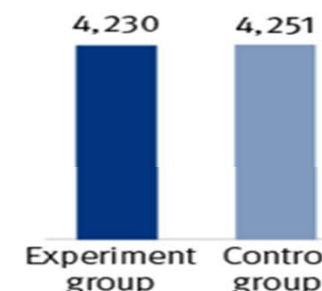**Too much bureaucracy involved when claiming social security benefits**
- Yes
- No
- Cannot say

Experiment group: 6 | 36 | 59

Control group: 4 | 29 | 68

Days in employment on average in 2017, number of days

Experiment group: 49.6
Control group: 49.3

Days of employment in the experiment group
0.39 more.

Earnings and income from self-employment in total 2017, €

Experiment group: 4,230
Control group: 4,251

Earnings and income from self-employment in the experiment group
€21 lower.

Kela

Lessons 3.

- Multiple data sources

- Registers
  - Objectivity
  - Can be used for ex ante, ex tempore and ex post analyses

- Registers can tell what happened

- Surveys and face-to-face interviews can reveal behavioural motivations
  - Low response rates
  - Combination of postal, telephone, internet, face-to-face surveys
    - Problem: different methods, different results (e.g., happiness / life satisfaction)

- We need multiple of different experiments in different contexts

The new (youngish) 5-party government has promised to start a new experiment

- Left-wing League
  - In favour of BI
- Center
  - Luke-warm support
- SDP (prime minister)
  - Ambivalent (?)
- Swedish People's Party
  - Ambivalent (?)
- The Greens
  - In favour of BI

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Some preliminary results from the Finnish basic income experiment

- https://www.youtube.com/watch?v=aYjVQ8BYLDk

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Thank you!

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strateginen TUTKIMUS