



First results from the Finnish basic income experiment

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Description

The Finnish basic income experiment ran for two years (2017-2018). The main aim of the experiment was to study whether a basic income would increase participation in the labour market and diminish the bureaucracy relating to social security benefits. The results show that whereas it had no significant impact on employment, it led to less bureaucracy as well as higher life satisfaction and well-being.

The Finnish basic income (BI) experiment ran for two years (2017-2018). It was based on a nation-wide random sampling of people (175,000) who were receiving basic unemployment benefits (BUB) from the Finnish Social Insurance Institution (Kela). In the experiment, there were two groups: a "treatment group" (TG) of 2,000 unemployed people, who were given the BI, and a "control group" (CG), consisting of the rest of the unemployed people, who did not receive the BI. Participation in the TG was mandatory, in order to avoid selection bias. The level of the BI was €560 per month. The net benefit level was about the same as the net level of the BUB. In contrast to the BUB, the BI was unconditional and exempted from taxation, and it was not reduced by income from work (wages or self-employment). The CG continued to be subject to the current conditions of the BUB. At the beginning of the experiment, the two groups were identical in terms of socio-demographic composition (age, gender, socio-economic status, unemployment, etc.). Thus, if there were any differences in terms of (un)employment between the two groups at the end of the experiment, these would be due to the "treatment" – i.e. the provision of the BI.

The preliminary evaluation of the experiment used two different approaches: register studies and telephone surveys. Due to data

availability, the analysis of the registers covers only the first year of the experiment. An analysis for the whole period will be available at the beginning of 2020.

In order to study well-being aspects linked to the BI, a survey focusing on subjective welfare was conducted in October-December 2018. The target of this telephone survey were the 2,000 people from the TG, as well as 5,000 people from the CG. The survey included questions taken from standardised population surveys, enabling comparisons with other unemployed people, other Finns and other Europeans.

On 8 February 2019, the Ministry of Social Affairs and Health published the first results of the experiment (Kangas et al., 2019). The register study showed that there were no significant differences in labour market behaviour between the TG and CG. On average, people in the TG were employed for 49.6 days in 2017, and the share of those with income from work was 43.7%. For the CG, the corresponding numbers were 49.3 days and 42.9%. (Hämäläinen et al., 2019).

While the register study does not reveal any significant differences between the TG and the CG, results from the survey display significant differences between the two groups in regard to well-being. People from the TG reported significantly higher values for life-satisfaction (mean for the TG 7.3 vs. 6.8 for the CG, using a 10-point scale

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[0=very dissatisfied... 10=very satisfied]) and less economic (38.6% vs. 48.6%) and mental stress (16.6% vs. 25.0%). They were also more confident about their future (58.2% vs. 46.2%) and had less experiences with bureaucracy (58.9% vs. 67.8%) than the CG. (Kangas et al., 2019)

Outlook & commentary

Reactions to the results have been mixed. While proponents of the BI are claiming that BI is a success (referring to the survey results), its opponents are arguing that the BI has been a failure (highlighting the register study outcomes). In cases where the results do not support their pre-existing opinions, both proponents and opponents can always draw attention to the shortcomings of the experiment: it was limited to unemployed people (overly narrow sampling and no possibility to study whether employed people receiving the BI would work less because of the extra income coming from it), taxation was not included (the model was too generous and unrealistic), only 2,000 participants (insufficient for robust statistical inferences), the duration of the experiment was only two years (too short to identify changes in people's behaviour) and it was only a national experiment (no possibility to study local effects). The original research plan for the experiment addressed all these problems (Kangas and Pulkka, 2017), but due to various constraints the experiment was substantially reduced in scope (Kangas, 2016).

The register study, with 2,000 people in the TG and 173,222 people in the CG, is robust. The response rates to the survey remained low: 31.4% (586 people) in the TG and 20.3% (1,047 people) in the CG. However, there were no significant differences in most of the background variables. Differences in opinions remained significant even after controlling for all the observed background variables.

The above results are preliminary insofar as the register data at the moment only cover the first year of the experiment. The complete data will be available in 2020. They will make it possible to study specific groups (young and old, composition of the household, place of residence, etc.). Moreover, by combining register with survey data for both 2017 and 2018, it will be possible to control for those unobserved characteristics that cannot be controlled for on the basis of the survey alone.

Did the experiment produce well-founded answers to the question of whether or not the BI is a viable solution? The answer is yes and no. The BI neither increased nor reduced employment rates. Whereas the opponents of the BI emphasise the "no increase in employment" finding, the proponents point to the more positive findings with regard to the higher level of life satisfaction and well-being in the TG. Furthermore, the current conditional unemployment protection system did not produce any better employment results than the unconditional benefit.

Thus, the Finnish BI experiment did not produce final answers. It should be seen as a pilot project, to be supplemented with a series of better experiments (Kangas 2017). Furthermore, the updated income register, which was implemented at the beginning of 2019, would make it possible to experiment with negative income taxes.

Further reading

Kangas, O. (2016), "The Finnish basic income experiment – a foolish and outrageously expensive travesty?": <http://tutkimusblogi.kela.fi/arkisto/3316> [retrieved 15 February 2019].

Kangas, O., Jauhiainen, S., Simanainen, M. and Ylikännö, M. (eds., 2019), "Effects of the basic income experiment on employment and well-being", Helsinki: Ministry of Social Affairs and Health.

Hämäläinen, K., Kanninen, O., Simanainen, M. and Verho, J. (2019), "Employment effects of the first year of the basic income experiment", in Kangas, O. et al. (eds. 2019), pp. 11-15.

Kangas, O. and Pulkka V-V. (eds. 2016), From idea to experiment, Helsinki: Kela Research, Working Paper 106/2016: https://helda.helsinki.fi/bitstream/handle/10138/167728/WorkingPaper_s106.pdf?sequence=4 [accessed 20 February 2019].

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