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Article

The Rise (and Fall) of the Basic Income Experiment in Finland

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The Rise (and Fall) of the Basic Income Experiment in Finland

INTRODUCTION

In 2015 the newly-elected Finnish Prime Minister Juha Sipilä committed his centre-right coalition government to launching a basic income experiment. Outlined in the Government Programme in just a single line, the Finnish coalition government followed through on its initial commitment by first commissioning a research consortium (led by the research department of Kela, the Finnish Social Insurance Institution) to prepare experimental design options, followed by the drafting and rushing through Parliament of the necessary legislation (Finlex 1528/2016). A two-year randomised controlled trial (RCT) started in January 2017. It will be concluded by the end of 2018 and subsequently evaluated by Kela's research department and its results presented to the Finnish Parliament sometime in 2019.¹

Finland was initially hailed as spearheading a new paradigm shift in European welfare policy, with advocates and decision-makers around the world watching closely to see how the Finnish experiment would develop. Several countries have since embarked on similar projects, drawing lessons from the Finnish experience (De Wispelaere 2016a). However, as more details emerged, and in particular as key limitations in the Finnish experimental design and implementation became apparent, initial enthusiasm amongst basic income advocates and interested parties rapidly turned into overt criticism. Influential Finnish basic income proponents such as former Green League MP and minister Osmo Soininvaara, have criticised the model being experimented upon as fiscally unrealistic (Soininvaara 2017). Others challenge the sample restriction to the unemployed, the limited duration or the low amount of the pilot scheme. The recent refusal by the Finnish government to expand the trial or extend it beyond 2018 sparked further consternation.

The mounting disappointment with the Finnish experiment both inside Finland and abroad has left basic income aficionados wondering what went wrong. What, if anything, explains how such a promising project could derail in such a short space of time? And what sort

of lessons can we draw from the Finnish experience for other planned and ongoing experiments?² In this article we argue that this question puts the proverbial cart before the horse. The story of Finnish decision-makers embracing the basic income idea after 30 odd years of public and political debate and enthusiastically embarking on a project to systematically examine the evidence of what impact a basic income might have on Finnish society is incomplete at best. A proper understanding of the context in which the basic income experiment emerged reveals that the phenomenon to be explained is that the experiment happened in the first place. Conversely, key political decisions related to the experiment's limited goals and design, or interim policy developments pushing for an activation agenda counter to basic income are better understood as reverting back to the *status quo ante*. This analysis suggests that far from having opened a window of opportunity, recent interest in basic income experimentation may amount to little more than a glitch in a remarkably stable policy landscape focused on labour market activation.

THE FINNISH BASIC INCOME EXPERIMENT: A PRIMER

We start by briefly outlining the key features of the basic income experiment.³ In a nutshell, the Finnish basic income experiment consists of a nation-wide RCT with a treatment group of 2,000 unemployed subjects between the age of 25–58 who were receiving basic unemployment benefits or labour market subsidy in November 2016. Another 178,000 unemployed individuals who keep receiving basic unemployment benefits serve as the control group for the duration of the experiment. The sample population focuses entirely on unemployed people who are ineligible for earnings-related unemployment benefits.

Subjects in the treatment group are receiving a monthly unconditional basic income of 560 euros instead of conditional basic unemployment benefits;

² As this article is being written, the newly-elected provincial government in Ontario (Canada) has just announced that the Ontario basic income pilot, which started a few months ago, would be discontinued.

³ For a more developed discussion – see De Wispelaere *et al.* (2019); Kalliomaa-Puha *et al.* (2016); Kangas and Pulkka (2016); and Kangas *et al.* (2017).



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¹ This strict (and short!) timeline was primarily driven by political considerations, with a clear eye on the next national elections in 2019, and went against the recommendations of the Kela-led research consortium (De Wispelaere *et al.* 2019).

the basic income allowance is non-withdrawable and can be combined with income from work, as well as other benefits, including housing allowance or social assistance. A complication in the experimental design is the tax treatment of the experimental group: for practical, but mainly political reasons, the 560-euro basic income ends up being excluded from the assessment of subjects' tax liability, which means the model experimented with is not suitable for rolling out as policy without incurring an estimated budget deficit of 11 billion euros (Kangas and Pulkka 2016). In addition, the different tax treatment of subjects in the treatment and control groups introduces distortions that affect the internal validity of the experiment.

While the aim of the experiment is mainly to "identify ways to align the social security system with changes in the nature of work, to create greater work incentives within the system, to reduce bureaucracy" (Kangas and Pulkka 2016, 4), the evaluation is expected to include broader dimensions of objective and subjective wellbeing such as the health impact of basic income. The evaluation will primarily make use of extensive administrative data, complemented with survey evidence of those receiving a basic income and a sample of 2,000 individuals from the larger control group.

The decision of these design parameters was driven by a combination of budgetary, legal, institutional and political reasons. Budget restrictions made it necessary to restrict the trial to a relatively small and focused sample population.⁴ Legal considerations pertaining to the Finnish Constitution imposed further restrictions on sampling, while EU legislation limited the type of social policies that could be altered without running afoul of EU competences (Kalliomaa-Puha *et al.* 2016). Institutionally, the specific design of basic unemployment security (combining basic unemployment benefit and labour market subsidy) affected both the selection of the treatment sample and the restriction of the basic income payment to 560 euros per month (Halmetoja *et al.* 2018). These practicalities aside, political considerations had a major role to play in framing the broader remit – e.g. the strong focus on assessing labour market effects – as well as determining specific constraints such as the budget or the strict time frame (to fit the electoral cycle). In fact, politics is arguably the main determinant for understanding the rise (and fall) of basic income experiments in Finland and elsewhere.

THE POLITICAL DETERMINANTS OF THE FINNISH BASIC INCOME DEBATE

Finland has a long-standing and comparatively sophisticated public engagement with the basic income proposal (Ikkala 2012; Perkiö and Koistinen 2014;

Halmetoja *et al.* 2018; Perkiö, forthcoming). From the early 1990s onwards, discussions of the basic income idea have become more focused on unemployment and from the mid-2000s general discussions gave way to competing detailed and costed proposals such as those put forward by the Greens and the Left Alliance. While policy attention to basic income wax and waned over the decades, two important trends stand out.

The first is that both support for and resistance to basic income amongst Finnish basic income parties appears robust over time. Parties' views on basic income have not changed all that much over the past three decades. Estimating the main parties' relative support for basic income across election cycles since 1979, Lindsay Stirton and colleagues find that Finnish political parties maintain their relative positions to each other, with the Green League, the Left Alliance and (to a lesser degree) the Centre Party taking a favourable view in contrast to the other parties (Stirton *et al.* 2018). In fact, they find political support diverges slightly over time, rather than converging, with polarisation sharpening since 2015. A plausible explanation is that increased political focus on the basic income experiment forces political parties to get off the proverbial fence and declare themselves more firmly for or against. With political positions becoming more entrenched, the basic income experiment did not broaden support amongst political parties, even if polls of individual politicians and the general public suggest otherwise (Pulkka 2018).

A critical feature of the Finnish political landscape is that the current coalition government features only one party that is in favour (Prime Minister Juha Sipilä's Centre Party), with the two partners being moderately sceptical (Finns Party, recently renamed Blue Reform) or even overtly antagonistic (National Coalition Party).⁵ Add to this the fact that each of the three ministries involved in setting up and rolling out the basic income experiment – Prime Minister's office, Ministry for Social Affairs and Health and Ministry of Finance – are headed by a different party and the probability of friction or even deadlock increases considerably. Hence, we witness important limitations and constraints creep into development of the basic income experiment at the preparation, design and rollout phases. Importantly, we should expect resistance amongst Finns and National Coalition Party to feature prominently once the experiment is evaluated and the results enter political deliberation.⁶ Conversely, the leading defenders of basic income in Finland (Green League and Left Alliance) find themselves in the paradoxical position of either having to oppose the policy they have advocated for decades (issue ownership); or else

⁵ The Finns Party split in June 2017 following a contested leadership election, with 19 MPs currently making up the Blue Reform party that continues to take part in the Sipilä government. The Finns split had no impact on the basic income experiment.

⁶ On the politics of evidence-based policy-making more generally, see e.g. Cairney (2016) and Parkhurst (2016).

4 <http://tutkimusblogi.kela.fi/arkisto/3316>.

lend support to an experimental design that they have strong reservations about.⁷ The coalition dynamics of basic income support are complicated, to say the least.

A second trend when analysing the basic income debate in Finland over time is a major shift in the dominant narrative. Johanna Perkiö (forthcoming) examines political documents from the early 1980s and finds that from the early 1990s onwards the activation frame dominates alternative perspectives within the basic income debate.⁸ The study finds that 49 percent of all documents in this period contain the ‘activity’ frame, closely competing with alternatives frames such as ‘subsistence’ (42 percent) or ‘system reform’ (41 percent).⁹ Interestingly, traditional basic income arguments score low as frames in the Finnish debate: ‘rights’, for instance, scores a mere 24 percent and ‘transformation work’ an even lower 18 percent. Perkiö (forthcoming) also shows how the ‘activity’ frame starts dominating the debate over time, literally crowding out alternative perspectives. This means that far from being viewed in opposition to labour market activation, basic income is now largely perceived as a tool to promote labour market reintegration in Finland.¹⁰ In view of this, the strict focus on analysing labour market behaviour in the Finnish basic income experiment is hardly a surprise. When critics lament that the Finnish basic income represents a missed opportunity, they fail to appreciate the distinct political context in which the experiment is embedded.

The same context unfortunately also offers a plausible explanation for why recent reforms of unemployment security are going down a route that appears contrary to the principles underlying the basic income proposal. The government of Juha Sipilä recently introduced a new regime for the unemployed consisting of trimonthly interviews, a longer waiting period, substantial cuts in the eligibility periods for unemployment benefits, topped by a so-called ‘active model’ that requires jobseekers to either work on a part-time basis or intensively participate in activation measures or face a 4.65-percent benefit cut (Varjonen 2018). The present government does not appear to see the contradiction in simultaneously rolling out an unconditional basic income experiment and introducing a newsanctions regime for the unemployed. The reason for this is that a firm belief in labour market activation as a primary goal for basic unemployment benefits underlies both approaches. This perspective has been dominant for several decades in Finnish social

policy and has informed policy development since at least the mid-1990s (Kananen 2012).

BASIC INCOME IN FINLAND — A NARRATIVE IN NEED OF CORRECTION

Taking the political determinants of the basic income debate in Finland into account suggests that we need to revise the recent narrative according to which the basic income experiment constitutes a genuine window of opportunity. In this narrative the surprise announcement of the government’s plans to experiment with basic income represents the culmination of decades of Finnish social policy innovation (Koistinen and Perkiö 2014). In Kingdon’s multiple stream framework, Juha Sipilä performed the role of a policy entrepreneur linking the problem, policy and political streams (Kingdon 1984).

The result was not a major shift towards policy implementation, but something far less involved – a commitment to gather and evaluate evidence through an experiment.¹¹ In terms of a political commitment to the case for basic income, a two-year experiment is a relatively ‘cheap’ form of support (De Wispelaere 2016b). Two years is a long time, politically speaking, and much can happen between the experiment starting and the evidence being evaluated by the powers that be. Moreover, as outlined, the commitment to experimentation must be understood within the constraints of the activation paradigm and the comparatively limited perspective of the main political actors in Finnish social policy, including Sipilä and his Centre Party.

International media and advocacy networks ignored both of these critical limitations and jumped on the announcement of Finland’s experiment with basic income with little regard for (or, indeed, knowledge of) the local context.¹² This gave birth to the narrative that Finland would be the first country to implement a basic income, framing the experiment in a way that inevitably carves out a path to (perceived) policy failure. Ignoring the political context and its constraints from the outset means the dominant narrative set expectations sufficiently high to ensure that the experiment was doomed to fail as soon as it entered the design phase. Enter numerous disappointed and frustrated critics lamenting the Finnish government’s failure to understand or, worse still, deliberately intent on sabotaging basic income policy development. This narrative is in urgent need of correction. Far from constituting a watershed moment with potential spill-over effects across Europe, the Finnish basic income experiment is more plausibly

⁷ The model experimented with is very similar to that proposed by the Green League in 2007.

⁸ This shift fits with what some scholars have identified as a more recent ideational shift from universalism to selectivism in Finnish anti-poverty policy (Kuivalainen and Niemelä 2010).

⁹ Political documents can contain more than one frame (Perkiö forthcoming).

¹⁰ This dynamic is always co-present in leading basic income discussions (e.g. Van Parijs and Vanderborcht 2017), but in Finland has become the dominant frame (Perkiö forthcoming).

¹¹ The role of experimental evidence in policy development is an impotent variable in explaining why Finland was spearheading the current wave of basic income experimentation (De Wispelaere *et al.* 2019).

¹² It is not unreasonable to think that in the absence of the persistent international media attention the Finnish basic income experiment would have led a very quiet life — and perhaps even died a quiet death. But this, of course, is historical speculation at best.

regarded as being thoroughly constrained from the outset within the parameters of a relatively unchanging policy landscape. Taken in their appropriate context, key decisions taken by policymakers during the preparation and design phases, as well as ongoing policy development during the roll-out phase, appear to conform to a stable policy paradigm that goes back several decades at the very least.

What is to be made of the sudden spike in policy attention that led to the experiment? Punctuated equilibrium theory offers various arguments to explain sudden shifts in policy attention, such as those giving rise to the current interest in basic income experiments. Such arguments run the whole gamut of bounded rationality, framing, cumulative build-up of problems, institutional shift (or even drift), and exogenous shocks opening up a window of opportunity for policy entrepreneurs (Baumgartner and Jones 1993; Jones and Baumgartner 2005). These arguments contribute to understanding why Finland suddenly embarked on conducting the first-ever nationwide RCT trial of basic income. Importantly, this is indeed the phenomenon to be explained: *why* did Finland take up basic income experimentation, and *why now*? Identifying the unique constellation of determinants that led Finland to adopt this route first, subsequently influencing similar debates and actions elsewhere (in Ontario, Scotland, for example), is a task that is yet to be undertaken in a systematic manner.¹³

The Finnish basic income experiment is a good example of stick-slip dynamics, with an increase in social forces or tension slowly building up over time giving rise to a sudden outburst of policy attention (Jones and Baumgartner 2005). In punctuated equilibrium, policy attention does not take the form of a normal, but rather a leptokurtic distribution, with many cases residing in the tails. This combination of small discussion ‘bubbles’ interspersed with a few spikes of policy attention can be clearly seen over three decades of Finnish basic income discussion (Perkiö forthcoming). It is in line with punctuated equilibrium theory to expect the current policy attention spike to subside, and in fact current Finnish politics is arguably already experiencing an important attention shift refocusing on more conditional unemployment security reform, and even an interest in the Universal Credit policy implemented in Britain.

The important insight gleaned from punctuated equilibrium theory, namely that attention shifts must predate policy change, masks another equally important reality: most attention shifts do not, in fact, lead to changes in policy. “Punctuations in attention can arise without significant changes in the substantive content of policy and vice versa” (Dowding *et al.* 2016, 14). Dowding and collaborators correctly insist that punctuations in attention without related policy change should not be regarded as significant policy

events. This too is an important corrective for the dominant narrative, which has viewed the experiment as evidence not merely of increased policy attention, but of something akin to a policy window opening up. While there are certainly reasons to think that the ‘policyscape’ of Finland may be comparatively conducive to implementing a (partial) basic income (Halmetoja *et al.* 2018), at the moment, we have little reason to be overly optimistic that this avenue will be taken in the short run by the current constellation of political decision-makers. Whether the basic income experiment will prove to be a lever for basic income policy development, or a distraction while Finland covertly continues to develop its activation model, still remains to be seen.

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¹³ De Wispelaere *et al.* (2019) offer some preliminary arguments.

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