

BASIC INCOME EXPERIMENT

2017–2018



Why is Finland testing a basic income?

Everyone living in Finland has the right to an adequate material existence. The current social security system, which has been gradually built up over many decades, was created under very different circumstances. Atypical work arrangements are now more common, and our social security system no longer meets modern requirements. For this reason, Finland is taking steps to test a new model of social provision.

A guaranteed basic income could create more flexibility in allowing people to accept a job without losing their benefits. It could also simplify and streamline the social security system and get rid of problematic disincentives.

The basic income experiment is one of the items on the programme of Prime Minister Juha Sipilä's government. Its goal is to evaluate whether a basic income could help to simplify the social security system and build into it stronger incentives for work.

The experiment is implemented by Kela, the Finnish Social Insurance Institution, in 2017–2018.

Implementation of the basic income experiment

The Finnish basic income experiment is being conducted among 2,000 persons between ages 25 and 58, who will receive a monthly basic income of €560 for two years. The basic income is money that the recipients will get unconditionally and without means testing. It is paid to them automatically every month.

The participants' employment situation will be monitored during the 2-year run of the experiment. The experiment will produce valuable information on whether a basic income could increase employment rates and simplify the social security system.

The monitoring is primarily based on the utilisation of register data. At the end of the experiment, surveys and interviews focusing on more than just the employment effects of the experiment may be carried out.

Who can get a basic income?

A basic income is paid to 2,000 persons who were selected by random sample in December 2016. Unlike the other social benefits provided by Kela, the basic income is not available by application.

Basic income: Amount and payment

The amount of the basic income per month is €560. It is paid from 1 January 2017 until 31 December 2018. The monthly payment is deposited into the recipient's bank account on the second business day of each month.

The amount of the basic income will remain the same throughout the experiment. The basic income is also not reduced by any earned income that the participants may have. Participants who find work during the experiment continue to be paid a basic income. The purpose of the basic income is to encourage the recipients to secure employment.

Taxation of the basic income

The basic income is exempt from tax. Because it is not included in taxable income, it has no consequences for the participants' taxation or their tax rate.

EXAMPLE: Anna was paid labour market subsidy in November 2016. She is selected to participate in the basic income experiment, and will begin to receive a monthly basic income of €560 on 1 January 2017.

She has registered with the Employment and Economic Development Office as unemployed and looking for work. In March, she is offered a job that meets her qualifications. Starting from 1 March 2017, Anna will be paid both her salary and the basic income of €560 per month. She gets both the full salary and the full basic income. The basic income is not subject to tax, so Anna will only pay taxes on her salary.

How the basic income affects other benefits

The basic income is deducted from the after-tax amount of certain other social benefits. Recipients of a basic income can apply to have the remaining amount paid to them.

The basic income is deducted from the after-tax amount of the following benefits:

- labour market subsidy and basic unemployment allowance
- earnings-related unemployment allowance
- sickness allowance and partial sickness allowance
- maternity, paternity and parental allowances
- special care allowance

Recipients of a basic income can accept a job offer lasting only a few days or a few weeks without any earnings they receive reducing the basic income.

However, their earnings could affect other benefits they may receive, such as the general housing allowance and social assistance. Basic income recipients may lose their entitlement to such benefits if they find work and their earnings exceed a certain limit.

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- rehabilitation allowance from Kela
- daily allowance and compensation for expenses paid under the Act on Communicable Diseases

Unemployment benefits

The basic income replaces unemployment benefits either partially or completely. For example, if the unemployment benefit, including increases for children, is larger than the basic income, the difference between the unemployment benefit and the basic income is paid to the basic income recipient. The qualifying conditions for labour market subsidy and basic unemployment allowance payments remain the same, as do the practical steps required when receiving unemployment benefits. This means that anyone receiving unemployment benefits along with a basic income will need to complete unemployment status reports and submit them to Kela.

EXAMPLE: Maija has been unemployed for a few months, and has registered with the Employment and Economic Development Office. She is paid the full basic unemployment allowance of €32.40 per day, and gets an additional €7.68 per day for her two children. Her monthly unemployment payment is €861.27 before taxes, or €689.38 after taxes.

Maija is selected to participate in the basic income experiment. She will now get a tax-free basic income of €560 a month. Maija can still claim the basic unemployment allowance due to her. In addition to the basic income, she gets the difference between the basic unemployment allowance and the basic income.

Social assistance and housing benefits

If someone who is being paid a basic income finds work during the experiment, certain benefits they receive, such as the general housing allowance or social assistance, may be affected. Basic income recipients may lose their entitlement to such benefits if they find work and their earnings exceed a certain limit.

The basic income counts as income for social assistance purposes. Social assistance is governed by the same rules during the basic income experiment as at other times. Declining a job offer may result in the basic amount of social assistance being reduced.

Situations where a basic income is not payable

Persons included in the study population should remember to tell Kela of any benefits or restrictions that hinder payment of the basic income.

Such benefits are:

- child home care allowance
- all pensions: national pension, guarantee pension, earnings-related pensions
- rehabilitation allowance paid under the legislation on earnings-related pensions
- adult education subsidy and study grant and, until 31 July 2017, the housing supplement
- compensations paid in the event of a loss of livelihood and based on the Motor Liability Insurance Act, the Patient Injuries Act or the Act on the Compensation of Crime Damage
- daily allowance, life annuity, supplemental annuity or assistance pension paid under the Military Injuries Act
- farm closure compensation
- compensation for loss of income, daily allowance or pension paid under workers' compensation insurance laws
- workers' compensation or survivors' pension payable under the act on accident and pension coverage for athletes
- comparable benefits received from abroad.

The basic income cannot be paid to the following groups:

- persons who have been hospitalised or in comparable institutional care for 90 days or more
- persons who are performing conscript or alternative service or voluntary armed service.
- persons who are serving a prison sentence
- persons who are covered by the social security laws of another country based on their employment
- persons who reside outside Finland for a period exceeding 30 days
- persons who have been assigned a legal guardian
- persons whose unemployment benefit is paid to the municipality

If the circumstances change during the experiment and the person becomes eligible for a basic income, Kela can resume the basic income payments upon application.

EXAMPLE: Matti is selected to participate in the basic income experiment. He is paid a monthly basic income of €560. Matti notifies Kela that he will enter alternative civilian service in June 2017, at which point the basic income payments are stopped. He is paid a conscript's allowance.

In January 2018, Matti completes the alternative civilian service and applies to Kela for a basic income. Payment of the basic income is resumed.



Learn more!

More information about the basic income experiment can be found at kela.fi/basicincome