



Finland Wants to Replace Welfare Programs With a Minimum Income for All Residents

The basic-income scheme is meant to save Finland money and reduce the country's high unemployment rate.

Elizabeth Nolan Brown

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Finland has a reputation for being "one of the world's best functioning welfare states," a magical land where—for the low price of paying half their income in taxes—citizens have access to state-funded health care and child care; generous unemployment benefits; and a robust system of services for the poor and the elderly. Now the Nordic nation may scrap all that in favor of giving every Finnish adult a basic income of about \$866 per month.

Details of the scheme are still being worked out—the Finnish government won't issue a final proposal until next November. But preliminary plans indicate the Finnish Social Insurance Institution (Kela) will test two basic-income models in the program's pilot phase. Under the first, adult Finns would each receive 800 euros per month; under the partial model, they would get 550 euros monthly.

"In the partial pilot format, [earnings-based] benefits would not be affected," reports Finnish news outlet *Yle*. "The partial model would also retain housing benefits and income support packages." Under the full model, however, unemployment benefits, old-age pensions, maternity allowances, health benefits, housing benefits, and other earnings-based benefits would not be available to recipients, and these programs would be abolished entirely.

Kela Director General Liisa Hyssälä told *Lännen Media* that a national basic income guarantee could save the country millions and simplify the welfare system, which currently includes an array of overlapping programs and benefits. It would also get rid of traps that disincentivize working under the current system.

But why *now*? What's shifted in Finland to warrant this drastic change? "It may sound counterintuitive, but the proposal is meant to tackle unemployment," explains *Quartz* writer Olivia Goldhill.

Finland's unemployment rate is at a 15-year high, at 9.53% and a basic income would allow people to take on low-paying jobs without personal cost. At the moment, a temporary job results in lower welfare benefits, which can lead to an overall drop in income.

According to a poll commissioned by Kela, 72 percent of Finns support a basic income. (Slightly more—78 percent—supported a negative income tax of the sort proposed by Milton Friedman.) The plan also has political support from the left and the right, and Finnish Prime Minister Juha Sipilä is a fan.

Finland isn't the only European locale flirting with a universal basic income. Greece is currently testing a pared-down minimum-income plan. Next year, Switzerland will hold a vote on the issue. The Swedes are at least aflutter about it. And in January, some low-income residents of Utrecht, the fourth-largest city in the Netherlands, will begin receiving a guaranteed monthly income (about \$1,000 per month for a single adult or \$1,450 for a couple or family) instead of their current welfare benefits. In about 50 of these test cases, the payment will be unconditional. Since Utrecht announced this plan, at least one other Dutch city has pledged to follow suit and six others are considering it.

Forbes columnist Tim Worstall does a good job of explaining the cross-ideological appeal of a universal basic income:

From the right it gets rid of the thing we worry most about welfare: the immense tax and benefit withdrawal rate that makes poor people not desire (because they are rational in the face of 60 and 70% tax rates) to increase their incomes. And from the left it actually increases workers' bargaining power without, of course, needing those potentially self-interested unions standing in the middle. If you can live, just, without working, then the boss' power over you is vastly reduced. Another way of putting this is that reservation wages rise—the amount you have to be offered to go to work rises.

This will, of course, reduce inequality. The big problem has always been that while in theory it works no one has ever really tried it. Now someone is: the Finns. So, we all get to see whether it really is the *deus ex machina* that theory states it is.

Actually, basic income *has been tried*, albeit in a relatively limited way. The results of these small tests have been promising.

For more on basic income from a libertarian perspective: here's *Reason's* Jesse Walker on the issue; here's Mercatus Center researcher Veronique de Rugy on the basic income; here's a Cato Institute debate on the topic; and below see *Reason* Senior Editor Peter Suderman talking about basic income (and robots) on the *Stossel* show earlier this year.