

# Basic Income: Rethinking Social Policy

Alex Himelfarb and Trish Hennessy, editors





# CCPA

CANADIAN CENTRE  
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# Basic Income:

## Rethinking Social Policy

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### Foreword

#### Editors

We have not been the flag bearers of the basic income idea in Canada.

Others have taken that mantle.

Nor are we playing the role of opponent or skeptic. Quite the contrary; we recognize the potential for this idea to ignite the long overdue transformation of our welfare policies, to force the needed debates about the purpose of social policy, and to expand our sense of what's possible.

We also recognize that few public policy ideas move this suddenly from the edges of public acceptability into the main policy window of several sitting governments.

As a policy, basic income has long suffered from the perception that it is a utopian dream — an impossible goal.

Bound within the dismissal of utopian thinking is a deeply rooted cynicism about what we can achieve collectively.

That cynicism has long infused Canadian political thinking and policy making.

It is what has prevented our House of Commons from making good on its 1989 all-party commitment to eliminate child poverty in Canada by the year 2000. It's 2016, and we have still not reached that goal, though the new Canada Child Benefit is a welcome step in the right direction.

It is what has guided a 20-year low-tax, small government political narrative that has left no political party untouched.

Over the past two decades, the Canadian imagination about what is possible has narrowed. We have been taught to think small, to move in increments and to stay rooted in the realm of pragmatic politics.

The question for social progressives is, quite simply, how has that served our cause? How has the current approach to poverty reduction, precarious work and the kind of vulnerability that every single one of us might face in this lottery of life moved the needle on what is possible — on what our real potential could be?

The fact of the matter is that the idea of a basic income has catapulted out in front of all of the incremental public policy approaches that have long been on the table.

The basic income has become Canada's newest example of Overton's Window at work: within certain public policy circles, it has moved from the realm of impossibility to pilot project status.

By appointing former senator Hugh Segal, one of basic income's most steadfast proponents, to advise on a way forward, the Ontario government has served to help legitimize the idea of a basic income.

The history of the idea of basic income shows it's no passing fad, but that translating it into action may get mired in the muck of consultations, delays, poor execution or, most likely, inadequate funding.

But maybe, just maybe, this is the kind of jolt that breaks the mould. Maybe this is a step in a new direction — and new directions are in great need right now.

The world is changing rapidly.

Those who find appeal in the idea of a basic income often cite the changing, unpredictable nature of the world: the impact of technological change on work, the instability of the labour market and the rise of income inequality, which privileges a select few at the expense of the majority.

As a tool for poverty reduction and income inequality, basic income has been critiqued as a blunt instrument, as no silver bullet. But this is the history of critique for all social policy. The minimum wage is a blunt instrument, but raising it certainly helps the bottom line for those workers who earn a minimum wage. Social assistance is no silver bullet — the system certainly needs an upgrade — but to blow it up and replace it with a single cheque without other supports and public services would not constitute an upgrade.

Here's the challenge: will basic income be a program within the current austerity frame designed to reduce costs and government's footprint, or does it represent an alternative to that frame, an objective or set of ob-

jectives for transforming our welfare state and reinvesting in social justice and greater equality?

Thinking of basic income in those terms, less as a single program and more as an objective for all governments, changes the frame; it shifts the expectations of government. It holds up a guiding point by which to assess government initiatives to alleviate poverty, to reduce income inequality and to address precarity in the labour market.

There is never one single shiny solution to this patchwork of problems. But basic income, as an objective, asks the right questions and could help inform public policy on everything from the inadequacy of social assistance to the inadequacy of the minimum wage.

It is in that light that we present this compendium of thought on the idea of a basic income. Seeking consensus on the basic income may be premature, but that was not our goal in this compendium. A range of opinion is healthy for democracy.

The contributors to this volume disagree on many things but they do agree on the premise: everyone deserves a path out of poverty; a life of dignity; everyone benefits from greater equality; and while paid labour can be incredibly gratifying for some, it is not the answer for everyone.

This compendium offers a wide range of considerations that any government or policy maker attempting to embed a basic income as an objective of their mandate ought to consider. Some of those considerations are technical in nature. Some are philosophical.

And some, like Dan Wilson's contribution, get to the heart of the challenge: the decline in trust in governments to do what they say and to act on behalf of the greater good.

Sheila Regher makes the case that the time is right, as are the social and economic conditions, for a basic income now.

Ryan Meili and Danielle Martin emphasize how basic income, combined with essential services, would have positive health outcomes and reduce the pressures on the health system, yielding significant downstream savings.

Karen Foster sees basic income as an antidote to changes in the labour market and as a way to tackle the perennial challenges in Canada posed by seasonal work. She argues that it would allow an end to the distorting and inadequate coverage of seasonal workers under the Employment Insurance program.

Tim Richter describes how basic income, combined with the right services and housing policies, could bring an end to homelessness and its extraordinary human and economic costs.

Dan Wilson discusses how basic income could give some breathing room to poor Canadians, which is essential not only for their dignity and well-being but also for breaking the cycle of poverty. Importantly, he asks how the pilots will treat Indigenous Peoples, who should not be excluded by virtue of jurisdictional issues.

On the more cautious side, Jennefer Laidley provides a list of questions that need to be answered to ensure that Ontario's poor and people with disabilities are not made worse off by the introduction of basic income.

Similarly, Armine Yalnizyan asks what the right balance is between improving social services and enhancing income. She urges greater attention to the former.

Margot Young goes back to a 50-year-old Royal Commission on the Status of Women in Canada report on gender inequality in Canada that included a basic income among its solutions. She singles out two concerns: complexities around women's relationships to paid work and the vision of citizenship that basic income proposals employ. She maintains caution against a rush to a basic income.

Louis-Philippe Rochon warns that a basic income should not distract from essential labour market policies and a commitment to full employment. He argues that good jobs continue to be the best social policy.

Toby Sanger examines the basic income idea from the perspective of the labour movement, providing a rich historical analysis and posing the question: should labour's focus be on the goal of full employment or on the goal of reduced work hours?

Michael Mendelson provides cost estimates for a basic income high enough to truly lift Ontarians out of poverty. Given the high cost and political realities, he concludes that a basic income might best be viewed as a long-term goal, but that concrete incremental steps can and should be taken now. He reminds us that we already have key elements of a basic income, at least for children and people over 65, and suggest we focus on gaps. He makes a number of suggestions, including a basic income for people with disabilities, enhancements of employment insurance and enriched housing allowances. Mendelson's work reminds us that ultimately a comprehensive approach to welfare reform will require all governments to be at the table.

Anita Khanna writes about Campaign 2000's fundamental belief that the delivery of basic income must complement a strong program of public and social services, a well-developed strategy to create quality jobs, and robust employment standards that support families struggling to escape the multiple dimensions of poverty. Continuing to build a stronger public service



architecture is vital to the eradication of child and family poverty. She also lays out six principles that should guide the development of a basic income.

Taken together, these are the issues that ought to inform the next steps in testing basic income and rethinking welfare in Ontario.

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## Basic income: a way forward

### Alex Himelfarb and Trish Hennessy

This collection acknowledges the growing momentum in Canada in support of an old idea: a government-provided basic income.

The federal government, several provinces and some municipalities have expressed an interest in the idea with Ontario leading the way. The Ontario government announced in its 2016 budget that it would be moving forward on a basic income pilot and has called upon Hugh Segal, a long-time advocate, to help design the test and identify the criteria for evaluating its success.

The province defines basic income as “a payment to eligible families or individuals that ensures a minimum level of income.” The pilot is intended “to test the growing view that a basic income could help deliver income support more efficiently, while improving health, employment and housing outcomes for Ontarians.” Segal’s discussion paper is expected this fall, followed by Ontario government community consultations on the idea.

This collection of short essays is intended to identify the key debates around basic income, its potential benefits and its risks. Hopefully, it stimulates the kind of debate we need in Ontario and beyond, on the role of a basic income and the future of the Canadian welfare state.

The idea of a basic income guarantee is, of course, not new. The University of Manitoba’s Evelyn Forget has traced its history as far back as the late 18th century, its advocates representing startlingly diverse perspectives — from American pamphleteer and founding father Thomas Paine, to utopian socialist Charles Fourier, to Christian philanthropist Cornelius Blatchly.

From the outset, the idea of a basic income has been mired in controversy in large part because it exposes fundamental differences in our views of justice, freedom, the balance between collective and individual rights and responsibilities, and the role of government.

The major schism has been between advocates who argue that poverty is a collective responsibility and that relief is a right of citizenship essential for dignity and equality of opportunity; and critics who argue that poverty

is an individual responsibility, typically the result of bad decisions, and that unconditional money would simply reinforce those bad decisions.

The latter view continues to play out in social policies that seek to distinguish between the deserving and undeserving poor and echoes among opponents of redistribution and progressive taxation.

In any case, for the most part, the idea of basic income languished.

It had a minor rebirth in the late-1960s and early-1970s in both Canada and the United States, each under different circumstances and for somewhat different purposes.

In the U.S., conservative policy makers concerned about the post-war expansion of welfare programs and the influence of governments saw a basic income as a market-based replacement for piecemeal welfare programs. They argued that, despite the large amounts of money governments were spending on social services, too many people continued to live in poverty – in part because targeted programs were often demeaning and unnecessarily constraining, expensive to administer and created disincentives to work, trapping people in welfare. Milton Friedman, one of its key proponents, argued that a basic income would, over time, forestall growth in welfare spending, reduce the size and influence of governments, eliminate the need for minimum wage laws and allow private charities to fill the gap that the disappearance of targeted programs left behind.

Four pilot projects were launched under President Richard Nixon to test the feasibility of a negative income tax, in which people below a certain income threshold received cash benefits, primarily to test how “free money” would alter behaviour, particularly work effort.

Opposition came not only from the political right but also from unions and progressive organizations concerned that basic income would distract from or undermine other important priorities: enhancements to health and social services, labour policies such as minimum wage enhancements, and a commitment to full employment.

Some argued that the poor could end up worse off, depending on the size of the benefit and what programs it replaced.

The results of the pilots were ambiguous, but they seemed to reveal a modest reduction in work effort (mostly by those who were not primary earners) and the unanticipated finding of an increase in divorce rates.

Opponents on the right seized on these findings, warning that a basic income would leave in its wake a country of layabouts. With opposition from both the right and left, the idea died yet again.

In Canada, while policy makers were influenced by what was going on in the U.S., advocates gave greater priority to the objective of ending poverty. Jurisdictional conflicts also inevitably played their part as provinces, angry at unilateral federal changes to unemployment insurance and family allowance, called for a joint review to rationalize income support.

The Liberal minority government — with pressure from the federal NDP and interest from the NDP government in Manitoba — launched pilot projects in Winnipeg and Dauphin, Manitoba. They were also designed to test whether providing targeted financial supplements to families living below the poverty line would result in reduced work effort.

Research at the time, and more recent analyses by Forget, show that the new benefit had very little impact on work effort. The major exception was among women who chose to provide care for their young children and students who chose to continue their education. In addition, Forget found significant downstream benefits, for example through reduced rates of hospitalization.

Critics were not assuaged, citing small sample size and the somewhat different results in the United States. As in the U.S., opposition from both right and left prevailed and the pilot was abandoned by the newly elected Conservative government.

Flash forward 45 years: the idea of a basic income has returned, yet again.

Switzerland recently held a referendum on the introduction of a version of guaranteed income (though it was defeated) and a couple of countries have committed to experimenting with the idea.

In Canada, as elsewhere, the idea is backed by a diverse and growing grassroots movement. Governments seem to be listening. So why the renaissance?

This growing interest no doubt reflects, at least in part, a recognition that the evolution of our welfare state has not kept pace with demographic and economic change or the transformation of our labour market.

Over the last few decades, in Canada at least, policy makers seem to have viewed the welfare state largely as a “cost,” a threat to balanced budgets and fiscal health. Their focus was on “bending the cost curve,” keeping benefits low, targeting more narrowly, privatizing delivery where possible and lowering public expectations.

At the same time, we have seen more people, especially youth, trapped in precarious, often low-wage work with no benefits and few prospects.

While some European jurisdictions were transforming their welfare, tax and transfer programs, we were busy cutting taxes and containing spending. With a few notable exceptions, the result for Canadians was “less of the same.”

The idea of a basic income has been given new impetus from our increasingly precarious labour market. Paul Krugman, an optimist about the future of work, has made the case for a basic income as essential to helping people manage while the economy and labour market sort themselves out. For those who imagine that the future portends fewer jobs and greater precarity, even if only in the medium term, a basic income provides an obvious antidote.

Changes to the labour market and concerns about the future of work have given new relevance to the approach of social democrats such as Charles Fourier, who saw a basic income as freeing people from dependency on paid labour, giving workers greater bargaining power, and valuing volunteerism and unpaid work.

The renewed interest in basic income and government’s willingness to experiment represent an important opportunity to reimagine the future of social and labour market policy. But, as its history shows, the opportunity can all too easily be wasted or subverted.

That the idea has won renewed favour from proponents across the ideological spectrum is no doubt a large part of its political appeal, but that also means advocates hold very different views of what an income guarantee should look like, how generous it should be, whether it should be targeted or universal, and how it should be paid for.

Simply put, there is no one single version of guaranteed income. Which version of guaranteed income will our government be testing?

It will be imperative that the government be clear not only on the purposes or objectives of a basic income, but also on which of those objectives should take priority over others.

Much of the criticism from the left, for example, reflects the concern that given the fiscal pressures on governments and the continuing aversion to raising taxes, austerity objectives could easily outweigh all other purposes of a basic income.

Is the pilot primarily driven by the desire to end poverty, to reduce dependency on paid labour, or to reduce costs?

Related to this is the question of the current programs the basic income would replace — will the income be large enough to cover what is lost?

To meet its social objectives, the benefit would have to be, at a minimum, more than is provided by welfare and whatever other income programs it replaces, and ideally would bring people above the poverty line.

Even with administrative savings, new revenues would be required most likely through increases in income taxes or value-added taxes. Just how much taxes may increase depends on how high the allowance is to be, whether it is universal or targeted to bring all Canadians up to the poverty line, when and how quickly it is taxed back when recipients earn additional income, and which other programs are subsumed within it.

Even though any potential tax increase would simply flow back to Canadians as income, the idea of significant tax increases for this purpose could be a tough political sell. The government should consider whether basic income is better viewed as a program or as an objective to guide more comprehensive welfare reform that would examine how income, public services, and labour market policies can work together to reduce economic inequality and mitigate its impact as well as to ensure that all Ontarians have access to the essentials, that they can live in dignity regardless of their job situation, and that they have sufficient income.

The papers in this compendium have different views on the risks and benefits of a basic income, but all agree that we must not waste this opportunity to rethink welfare and put equality and social justice back at the centre of public policy.

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## **A basic income: the time is now**

### **Sheila Regehr**

How do you know when the zeitgeist — the spirit of a particular period of history — is changing?

Perhaps when the term “basic income” is popping up everywhere on social media?

Or when many governments around the world are showing practical interest in a long-standing moral and philosophical idea?

Or when the word “work” appears in quotation marks?

The basic income idea has risen to international prominence very quickly in the last few years for moral and practical reasons, and in ways that may confound traditional political categorization and process.

As a working model it has also quietly existed, including in Canada, under different names and guises for some groups of people.

In addition, there is a growing Canada-wide, progressive basic income movement. For several years, the Basic Income Canada Network (BICN), its international affiliates, and many local groups have helped provide the means for people to connect, learn, and share knowledge to promote the kind of basic income we want.

Now that the idea is back out in the light and its time may truly be coming, Canada is better equipped than most countries to make it a reality — the BICN wants to ensure that everyone can “meet their basic needs and live with dignity regardless of work status.”<sup>1</sup>

For comparison, what Canadians know as social assistance (again under various names) is anchored to a model that is the opposite of a basic income and based on a different value system. It is highly conditional, controlling and judgmental, restrictively targeted and stigmatizing to users — characteristics that won’t go away even if rates are raised.

There is solid science showing the damage this does to human brains and bodies; people living in poverty who rely on their jobs to get by often experience the unhealthy effects of their stress and insecurity.

A basic income model also embodies a more complete recognition of “work” as activity involving mental or physical effort done in order to achieve a purpose or result. Surviving on social assistance may be the hardest work there is.

Of all the valuable and essential “work” that humans do, however, it is “waged labour” that has come to signify worth, status and moral rectitude in our society and in policy, as the primary basis for distributing income. This has never worked well for people who have high time demands outside the market, such as caring for dependants or managing a disability. With the world of waged labour dramatically changing, we need to curb our moralizing and find better ways to distribute work and income.

A basic income is not a panacea, nor does it displace other policies that work. But it could very well be a key that unlocks multiple possibilities, allowing a range of policies and services to be more mutually supportive — fostering social solidarity and democracy, unleashing creativity, and smoothing transitions.

The basic income idea is capturing the imagination of a public longing for a new, more hopeful narrative and this is very powerful. The idea is, and should be, driven by values and principles that must in turn drive the technical mechanics that put the idea into practice.

When considering a basic income, I suggest two overarching themes be taken into account.

First, do not underestimate the problems and challenges facing our society and economy. There is widely held concern about robots and technological unemployment, as well as concern about the precarity, persistent poverty, and extreme inequality that go hand in hand with expensive socio-economic ills.

Poverty and inequality break down along lines of gender, race, religion, nationality and other factors that further divide people and can give rise to social unrest and violence. Anger at immense corporate power, bank bailouts and tax evasion is growing. The planet is a finite resource. These problems are not going away. Tinkering will not do.

Second, do utilize and have confidence in Canada's experience and ability. The basic income story will unfold differently depending on a country's policy and political context. Canada is already in the middle of its story.

We have forms of basic income that have been functioning well for decades. Benefits for seniors combine a universal demogrant and a negative income tax model. We also have a partial basic income for some working age adults. It's deceptively called a Canada Child Benefit but the parents get the cheques and make the decisions about using their time and money with no conditions or judgment. The vast majority of families with children receive some benefit, with the greatest amounts going to those who need it most. In *The Health Gap: The Challenge of an Unequal World*, Sir Michael Marmot calls this "proportionate universality."<sup>2</sup> For both seniors and families with children, relevant services complement the income support. The issue for Canada is not whether a good basic income is possible but who is currently left out. And how can we fix that?

We have experience, successful results, evidence, technical expertise and many of the prerequisites for a basic income cited in the literature, like tax/transfer system integration, statistical capacity and accepted standards of income adequacy. We have precedents for taking disability, maternity and lone parenthood into account. We can learn from a new Ontario pilot that addresses the needs of people who have been left out, but we are not solely dependent on it.

We have political pressure in the form of universal health care, which we highly value. Income is the leading determinant of health. Poverty and income insecurity translate into expensive health care needs. A key solution to rising health care costs that preoccupy governments is not in the health care system; it is in income security.

Canadians who care about this idea do need to write, talk and listen to each other to share different perspectives, advance our mutual understanding and work for the best basic income we can get. Many thanks to this CCPA volume for encouraging that to happen!

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## The health case for basic income

### Ryan Meili and Danielle Martin

When a patient goes to see their doctor, they do so hoping for help to understand or treat an acute illness or a longer-term problem.

It might be something as simple as a rash or a cut, a chronic illness like asthma, or something more socially and psychologically complex like depression or addiction.

What do people expect from a health care provider? Usually some sensible, evidence-based advice, perhaps a plan for further investigations, and sometimes a prescription for a medication or referral to an expert.

The goal of these interactions, and the real purpose behind our health care system, is the best health for Canadians. But the evidence on what makes the biggest difference in our health is clear: health care matters, but it isn't what matters most in making a population healthy.

Social factors such as income, education, employment, housing, food security and the wider environment play a much larger role than health care in achieving the best outcomes for any population.

Of these social determinants of health, the most influential is income. Income is often referred to as the “determinant of the determinants” because it influences access to other essentials for good health, such as where people can afford to live and how far they can go in school.

A growing body of evidence shows that allowing poverty to continue is far more expensive than investing to improve people's economic well-being. In Ontario, the cost of poverty has been calculated to be upwards of \$30 billion per year.<sup>3</sup> This cost may be the strongest motivator behind the resurgence of interest in a basic income, but the health case cannot be far behind.

Poverty leads to higher rates of heart disease, depression, diabetes and scores of other illnesses — so doctors should, and do, care about poverty. This understanding has led to greater emphasis on assessing income status in primary care.



Clinical Poverty Tools are being developed across the country, following the model developed by Dr. Gary Bloch and Health Providers Against Poverty in Ontario,<sup>4</sup> to help front line health care workers support their patients to access the financial help they need.

But just as health is far more than health care, improving health through increasing access to income has to go far beyond clinical efforts. This has led physicians to move outside of their traditional roles and start advocating for upstream policy changes that will have real impact on the health of the people they serve by reducing poverty.

A basic income guarantee is, of course, not the only option for addressing poverty as a social determinant of health and a social justice issue. But for the same reasons economists, activists and others are expressing renewed interest in basic income in recent months and years, it is gaining considerable support among physicians across Canada.

In Saskatchewan, physicians have advocated for the development of a poverty reduction strategy that includes a trial of basic income. In Ontario, 194 physicians signed a letter to Minister of Health Eric Hoskins calling for a basic income pilot program—and in its 2016 budget, the government committed to such a pilot.<sup>5</sup>

Doctors have also come forward at a national level, with the General Council of the Canadian Medical Association — “the Parliament of medicine” — passing a motion in support of basic income at its 2015 meeting in Halifax.

Where more extensive basic income pilots have been tried, both internationally and in Canada, the results with respect to health outcomes have been impressive. The MINCOME experiment in Dauphin, Manitoba in the 1970s resulted in higher school completion rates and a reduction in hospitalization of 8.5 per cent, largely due to fewer accidents, injuries and mental health admissions.<sup>6</sup>

According to the Canadian Institute for Health Information, Canadians spent \$63.6 billion on hospital services in 2014; a decrease of 8.5 per cent in health spending in today’s environment would result in savings of \$5.4 billion.<sup>7</sup>

A more recent study, again in Manitoba, evaluated the impact of the Prenatal Benefit Program. Between 2003 and 2010, low-income expectant mothers received an extra \$81 per month. This resulted in decreases in low birth weight (21 per cent) and pre-term birth (17.5 per cent). This kind of positive early childhood intervention can lead to long-term cost savings and, more importantly, significant improvements in health for the entire life of that child.

As with universal health care or any other large public benefit program, details matter. In order to have an impact on health, the program would need to provide adequate support to really pull people out of poverty.

Any version that leaves people stuck behind a welfare wall or that allows only for the most basic survival impedes their ability to thrive.

And, of course, doctors know well that there is no such thing as a panacea: no single treatment can cure all ills. Some people have envisioned a version of basic income that replaces all other social programs, commodifying every part of our lives.

A well-designed basic income program would certainly simplify the complex labyrinth of programs and barriers to their access currently faced by people living in poverty. But we still need minimum wages and strong labour laws. We need a well-designed public health care system that includes coverage of prescription medications. We need affordable housing and affordable child care.

In other words, we need to find the balance between making sure people have the money to afford what they need and making sure that what they need is affordable. We also need to ensure that where public policy principles and economies of scale point to government provision of services, such services should not be left to the free market — even if people have a little more money to bring to market.

Some policy changes happen slowly, with incremental movements in public opinion. But every once in a while, an idea that had seemed outside the realm of possibility quite suddenly gathers momentum. In the last couple of years the concept of basic income has moved from the margins to the mainstream.

It now feels that Canada has gone from the question of if to how. A wise approach to implementation of a basic income guarantee could give us the most significant change to the health of Canadians since the introduction of medicare.

Like medicare, it has the potential to be a universal program that reflects our values and informs our identity as Canadians.

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## **Basic income and seasonal work**

### **Karen Foster**

A small but substantial proportion of all jobs in Canada are seasonal.

By definition, the proportion fluctuates with the seasons, but the latest Statistics Canada data (CANSIM, 2016) tell us that the number of workers in seasonal jobs can range from a low of 214,000 in mid-winter to a high of 766,000 in summer.

This represents roughly two to five per cent of all workers in the country. In the Atlantic provinces, the incidence is much higher, with about one in 10 workers in seasonal jobs.

Thus, although it's marginal, so-called "seasonality" in employment is a reality for hundreds of thousands of Canadians. It's also a constant concern for policy makers and employers — especially those in rural areas — who have difficulty recruiting people with job offers that only cover part of the year.

In many industries, like seafood processing and agriculture, the apparent reluctance of Canadian workers to take seasonal jobs has led employers to seek migrant workers through the Temporary Foreign Worker program.

Canadian workers who do take seasonal jobs are left with the problem of how to make a living year-round. In all but a few exceptional instances — e.g., the crude stereotype of the wealthy fisherman — one season's income cannot stretch over a whole year.

In most communities, it is also difficult (if not impossible) to match a seasonal job with a job in a different industry for the rest of the year. As the aggregate numbers show us, there is an abundance of jobs in the summer but in winter it's reduced by two thirds.

There simply aren't enough winter seasonal jobs to go around. Accordingly, the solution for many seasonal workers is to collect Employment Insurance (EI) in the winter. The last published attempt to measure the connection between EI and seasonal employment is likely outdated — it is from 2003 — but it points to a strong correlation: 61 per cent of all seasonal jobs reported in the national Survey of Labour and Income Dynamics were followed by a period of collecting EI benefits.

It is prudent to ask whether or not the EI system should serve this function, and governments have indeed asked that question before. In 2012, the federal government answered it with some EI reforms meant to coerce seasonal workers to find other jobs in the off-season instead of relying on EI benefits.

The swift reaction from seasonal workers, employers and industries, and the mainly rural communities that rely on them, along with the CANSIM statistics that show no long-term reduction in claims after 2012, suggest that seasonal workers are not simply opting out of work in the off-season. Seasonal fluctuations in employment, in other words, are not a problem of indi-

vidual motivation; they are a structural feature of our economy. Thus, they require structural supports — as even the freest of free markets always do, in practice if not in theory.

As a sociologist who studies work, unemployment, productivity and, most recently, rural economies, I have come to believe that a basic income is the most promising solution to cyclical and structural unemployment, and especially the seasonal employment that sustains the Atlantic provinces where I live and work.

There are many reasons, but three stand out.

First, a basic income lacks the moral baggage of EI or social assistance. It's a moral project, certainly, because it rests on the belief that everyone deserves to live with dignity and security.

But in the model of basic income I endorse, a person does not have to prove his or her moral worthiness by declaring and demonstrating a willingness to work. Seasonal workers would not be shamed for selling their labour to the industries we benefit from — the fisheries, forestry, tourism, agriculture, outdoor recreation — or pressured in the off-season to seek a job that isn't there.

If we stick with a system that punishes and treats with suspicion workers in these industries, we will continue to see labour shortages and disappearing small communities.

I can only conclude that we have stuck with this system so far because we are afraid of what happens when people don't have to sell their labour to live. However, all of the pilot tests of basic income have shown that it is precisely this attachment to work as a meaningful and moral activity that ensures that most (if not all) people would continue to work for a paycheque.

Second, a basic income dispenses with the increasingly naïve idea that we can employ everybody all the time.

Since Confederation, we have been working harder and smarter, and throwing money into new technologies, in pursuit of increased productivity. The flip side of increased productivity is less work for people. We can either scramble to invent more jobs by inventing more needs for ourselves or we can treat ourselves to a society where we all work a little less and have more time for our communities, families and creative pursuits (or, god forbid it, time to do nothing).

In communities with seasonal industries, a basic income opens up the possibility for people to work all summer for pay and then take the winters to read, do house repair, go on vacations, raise children, play a sport, make art, write stories, plan events — all of the stuff that makes life worth living.

Third, a basic income could do all this without a gigantic bureaucratic structure full of people whose job it is to make sure other people are being honest about their job searches. It could replace much of our current patchwork of regular government transfers, each with their own piles of paperwork, in a single payment.

There could still be top-ups for people with disabilities and parents of young children, and EI would have to remain for people who lose their jobs. But EI as a Band-Aid solution for the wounds left by seasonal industries could disappear entirely.

Overall, a basic income promises to help us come to terms with our economy and job market as they actually exist — not as they exist in the imaginations of orthodox and neoliberal economists — seasonal fluctuations and all.

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## Basic income: a roof over their head?

### Tim Richter

Tonight an estimated 35,000 Canadians will sleep in shelters, on the street or in some form of temporary accommodation.

Over the course of a year this number balloons to over 235,000 Canadians. It's notable that for the vast majority of these people — over 85 per cent — homelessness is a short-term and infrequent experience stemming from poverty.<sup>8</sup>

Aside from the tragic human cost, homelessness also exacts a significant financial toll, costing the Canadian economy over \$7 billion per year.<sup>9</sup> This cost is born primarily by the provinces who bear the burden of health, justice and social service costs accrued by vulnerable homeless people bouncing aimlessly through expensive public services as a result of worsening health and the predictable interactions with the justice system that come from poverty, addiction and mental illness — interactions more effectively remedied by housing and support.

In the early-1980s homelessness was such a minor issue in Canada that there were very few counts completed. In one of the country's first ever homeless counts in 1992, the City of Calgary counted 447 people as homeless. By 2008 that number had exploded to over 4,060. This pattern has played out in communities across the country.<sup>10</sup>

The popular narrative on homelessness in Canada would have you believe that homelessness is the product of addiction, mental illness, and/

or poor choices by individuals. The fact is, modern mass homelessness in Canada is primarily the impact of austerity on the very poor — the result of fewer affordable housing options for the poorest Canadians who now have lower incomes and less income security.

Current interest in a guaranteed or basic income provides an important and needed opportunity to examine how income, services, and housing policies can work together to end homelessness and its human and economic costs.

Homelessness is the result of an intricate interplay between structural factors (social policy, housing market and labour market changes, for example) and individual circumstances (poverty, addiction and mental illness, for example). Since there is no evidence to suggest a dramatic change in the rates of mental illness or addiction among poor Canadians over the last 25 years, the evidence points us to structural factors to explain the rise of homelessness.<sup>11</sup>

The large-scale homelessness we see today in Canada coincides with the rise of austerity and closely mirrors the American experience. While there have been changes in economic conditions and housing markets, the single biggest change that explains the rise of homelessness is the impact of austerity on very poor Canadians.

Austerity in Canada began slowly in the 1980s but picked up steam in the 1990s and became the policy of choice over the last decade. This meant deep cuts to provincial transfers (the money the federal government pays to provinces that the provinces in turn use to pay for everything from health care to welfare) and cuts to direct federal spending on almost everything. Among the cuts was the national affordable housing program (in place since in 1973), effectively ending federal investment in new affordable housing.<sup>12</sup> This left the provincial governments, also fighting significant budget deficits, to pick up the slack, which they could not.

According to the 2014 State of Homelessness in Canada report:

In 1982, all levels of government combined funded 20,450 new social housing units annually. By 1995, the number dropped to around 1,000, with numbers slowly climbing to 4,393 annually by 2006. Over the past 25 years, while Canada's population increased by almost 30 per cent, annual national investment in housing has decreased dramatically, by over 46 per cent.<sup>13</sup>

While recent attention has been rightly focused on federal investment in housing and a long-sought National Housing Strategy, we can't forget the

poorest Canadians faced an austerity double whammy — along with the cuts to affordable housing came cuts to welfare and income support.

Reduced provincial transfers saw reductions in the amount of assistance many could receive along with increasing restrictions on eligibility. Tightening eligibility criteria saw the number of households receiving assistance in Canada fall dramatically, from a peak of 3.1 million in 1993 to 1.7 million by 2005.<sup>14</sup> Those who find themselves among the growing population in homeless shelters were most affected and least likely to access existing income supports or social services.

With increasingly limited affordable housing options, the poorest Canadians have been left to seek housing in the increasingly expensive private rental market and pretty much on their own.

In a newly released examination of rental markets in Canada's nine largest cities, University of Calgary professors Ron Kneebone and Margarita Wilkins note “a very strong trend of falling [housing] affordability [for very poor Canadians] brought about by a significantly faster average annual rate of growth in rents relative to social-assistance incomes.”<sup>15</sup>

Montreal and Quebec City are notable exceptions to this trend — and the reason is instructive to the consideration of guaranteed annual income. Kneebone and Wilkins write:

Since 1990, the affordability of rental accommodations for those with very low incomes has actually improved in Quebec City and Montreal. This is unique in Canada. It has mainly been the result of significantly larger increases in social-assistance incomes provided in the province of Quebec than elsewhere and somewhat slower increases on rents on [lowest cost] rental units.<sup>16</sup>

A guaranteed annual income is designed to “ensure everyone sufficient income to meet basic needs and live with dignity, regardless of work status.”<sup>17</sup> Housing is most certainly a basic need and income is critical if we are to address this need in an enduring way.

Let's take as an example the contrast in the state of homelessness in Alberta and Quebec.

The metropolitan Montreal area has a population of just over 4 million<sup>18</sup> people and counted 3,016<sup>19</sup> people as homeless in their most recent homeless count in 2015. By comparison, Calgary has a population of 1.4 million<sup>20</sup> and a homeless count of 3,555.<sup>21</sup>

On a per capita basis, homelessness in Calgary is over three times higher than that of Montreal. There are inevitably many factors to consider in

comparing homelessness in both communities (for example, social housing infrastructure, shelter beds, social support services and demographic factors, as well as labour and housing markets), but it's interesting to note the correlation between rental housing costs, social assistance, and rates of homelessness.

Kneebone notes that Calgary is the most expensive place in Canada for poor people, whereas Montreal and Quebec City have consistently been the best places to live for low-income earners:<sup>22</sup>

There are many factors that helped create that disparity, but the primary one is the fact that over 24 years, rental prices in Calgary have increased an average of 3.4 per cent annually, compared with an annual 1.6 per cent rise in social assistance funding. Conversely, the average rent in Montreal rose an average of two per cent with social assistance climbing 2.6 per cent.<sup>23</sup>

For the vast majority of people who experience homelessness in Canada, the experience is brief and infrequent; over 85 per cent of those who experience homelessness are considered transitionally homeless. For these people, homelessness is primarily the product of poverty and high housing costs with a lower prevalence of other issues like mental illness or addiction that can be barriers to housing. Another segment, representing about 11 per cent of the population, is episodically homeless with repeated episodes of homelessness and housing instability over their lifetime as well as longer stays in shelter. We know from experience across North America that people with less complex needs will be able to resolve their own homelessness with little or no targeted services, beyond support for paying rent.

In another recent paper, *Shrinking the need for homeless shelter spaces*, Kneebone and Wilkins studied housing affordability in 51 Canadian cities to identify to what extent efforts at poverty reduction may enable closing of emergency shelter beds. They showed that even a relatively modest increase (as low as \$1,500 per year for a single employable person) in the incomes of the very poor (those on social assistance) could shrink the need for emergency shelter beds by over 20 per cent nationwide.

By bridging the gap between income for the very poor and the cost of housing, Montreal has been relatively successful in moderating homelessness by — at the very least — ensuring people who might become transitionally, or even episodically, homeless have the income to retain their housing.

A guaranteed annual income would also help to make it far less likely that job loss, divorce, family conflict, domestic violence, injury, or illness result in homelessness. And it would help the many homeless people who



do not now qualify for other forms of assistance. Furthermore, providing income in a way that allows choice and some degree of autonomy has been found to be critical to the effectiveness of the Housing First model demonstrated by the Mental Health Commission of Canada,<sup>24</sup> now deployed nationally by the Government of Canada through the Homelessness Partnering Strategy<sup>25</sup> and central to strategies that have proven effective in reducing homelessness across North America.

As was noted earlier, for 85 per cent of people who experience homelessness, that experience is short and infrequent and principally the result of poverty, while another 11 per cent are episodically homeless. The last segment are people who are considered chronically homeless. Chronic homelessness accounts for two to four per cent of all people experiencing homelessness, but includes those people who typically have multiple complex needs, extensive barriers to housing, and require specialized support to leave homelessness. Even though these people represent a minority of those experiencing homelessness, they take up as much as two-thirds of all emergency shelter spaces in Canada. Lifting people out of poverty, then, must be a critical plank of any strategy to end homelessness.

Chronic homelessness also highlights a caution on a guaranteed annual income — there are no silver bullets. Homelessness is the product of an intricate interplay of primarily structural factors. Income is one of the most important of these structural factors but it isn't the only one. A guaranteed annual income cannot and should not be seen as a replacement for investment in social housing and health care or essential improvement in coordination of local homelessness systems.

A guaranteed annual income however, has the potential to prevent or end the homelessness of thousands of Canadians. It could, if combined with the right housing policies and public services, be transformational in Canada's response to homelessness. As renowned Canadian housing scholar David Hulchanski says, homelessness is “about inadequate housing, inadequate income and a lack of appropriate social supports.” Current income supports do not meet the needs of many homeless people in terms either of access or adequacy. A guaranteed annual income, combined with adequate social supports, ensures even those Canadians with the most complex needs can be successfully housed. The long-term savings would be enormous, and the benefits to human dignity incalculable.

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## Honourable intentions?

### Dan Wilson

Plans by the Government of Ontario to test the viability of a guaranteed income program hold the promise of eradicating poverty, but as the poorest people in the province know well, promises can be broken.

By far the poorest people in Ontario are status First Nations People living on reserve.

For Ontario, the child poverty rate on reserve is 48 per cent — more than three times the child poverty rate for the province as a whole. That 48 per cent average includes relatively wealthy southern communities and masks even greater disparities between Ontarians as a whole and the much deeper poverty on reserves across the north of the province and along the James Bay coastline.

Being a provincial pilot, however, it is unlikely that Ontario's guaranteed income project will provide any help to federally regulated reserves at all.

Off reserve and among those who might fall under the aegis of a provincial project, Indigenous Peoples are still among the poorest, along with newcomers and racialized families.

After decades of studies demonstrating what should be obvious to all, these people are the poorest not because of personal or group characteristics, but because they are systemically disadvantaged.

As such, a plan to guarantee a basic minimum income would seem a welcome notion. It promises a systemic solution to a systemic problem.

There are those who point out that a guaranteed income only provides money; that it does not address housing, health care or other social welfare problems. While that is true, the fact is that an income above the poverty line is the most concrete step out of poverty.

Relief from poverty is the promise of freedom from the constant struggle for subsistence, to catch some air, look up, and perhaps pursue other opportunities — whether education and training, relocation or new employment — that can provide more permanent solutions to the poverty trap. If that promise was honoured, it is difficult to imagine serious objection to the notion of a guaranteed income.

Nonetheless, critics remain.

Some feel the cost is too high. To that objection, one need only look at the longer-term costs of poverty in increased health care, additional costs in the criminal justice or social welfare systems, and most significantly in

lost opportunity costs. Over time, these invariably outweigh the cost of addressing poverty.

Inconveniently, however, they don't do so within the four-year election cycle.

Some feel that employers could use a minimum income to subsidize low-wage employment, as Walmart in the United States does with their employees collecting food stamps. Others note that if people are paid whether or not they work, they may stay home drinking beer and eating popcorn.

What many other criticisms of a guaranteed income have in common is a concern about the intentions of government, either at the time of implementation or at some later date. Those critics point out that a government may use the existence of a basic minimum income as a reason to diminish other social benefits such as housing or health care — to trade one dollar off for another.

They also note that a plan may not cover everyone or that it may come with conditions, so that those most in need are left out or inadequately covered. And, fundamentally, many worry that the income rate set may be simply too low to actually lift people out of poverty.

All of these concerns reflect distrust — a distrust that may well be justified.

While thoughtful planning and sincere implementation should be able to overcome any or all of these objections, concerns remain. In part, concerns remain because some people, acting as individuals or as corporations, can be trusted to game whatever system is created.

More importantly, concerns remain because governments cannot be trusted to plan carefully enough or to keep their word.

There is a history of broken promises to prove this. Indigenous Peoples — those who have been here the longest yet remain the furthest away from equality of opportunity and the freedom that relief from poverty can bring — know this better than anyone.

But governments are a reflection of their voters, of those values and characteristics. The real question is whether the people of Ontario can be trusted to keep their governments accountable, now and in the future.

In the end, opinion on guaranteed income may be a litmus test on whether we trust our fellow citizens.

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## The devil's in the details

### Jennefer Laidley

Proponents from all points on the ideological spectrum posit a basic income as the answer to many different problems, whether in income security benefit programs or the labour market.

Virtually everyone, however, sees basic income as a replacement for “welfare” programs and an answer to the problems they create.

Enforced poverty, intrusion and surveillance, eligibility policing and asset stripping, conditionality and inadequate employment supports, and punitive and degrading rules are endemic to Ontario Works (OW) and the Ontario Disability Support Program (ODSP), Ontario's two social assistance programs.

For those of us who want to resolve these particular problems, basic income is often seen as the right response.

But we can't lose sight of what might get lost in the shuffle. Basic income could provide many opportunities, but it might pose significant risks.

Here are six key questions to help anti-poverty and social assistance advocates determine whether any proposed basic income program will meet the test for improving life for those now getting OW or ODSP.

#### 1) What's the goal?

Basic income can supposedly do everything: from responding to a low-quality labour market to making benefits easier to administer, and from incentivizing work to getting government “out of the business” of providing social programs. That's why it gets support from so many different corners.

But will it resolve the problem of poverty? That's an open question. But it certainly won't do the job unless it's intended to.

People who get benefits through OW and ODSP don't get enough in basic benefits to live out of poverty. And they can't earn their way out without losing other important supports. The impacts of poverty on them are well known: higher rates of preventable disease and death, lower quality of life, higher housing instability, and more stress and despair.

To address these problems, basic income has to be built with a goal of addressing poverty. It can't be primarily about making benefits easier to administer. It can't focus solely on doing a better job of getting people into work. And while achieving savings in other areas may well be a positive re-

sult of increasing people's incomes, that shouldn't drive the way the program is designed.

When examining any basic income proposal, we first have to ask: is eliminating poverty its primary goal? If there are multiple goals, what kind of trade-offs might have to be made?

## **2) How “basic” is the income?**

It makes sense that a basic income program that replaces social assistance would set the basic income amount at a level higher than the lowest welfare amount — about \$8,000 per year, which is what single people on OW get from all income sources.<sup>26</sup>

What about people with disabilities? If basic income replaces ODSP, it'll have to do better than the \$14,000 per year that a single person with disabilities currently gets from that program, especially given that people with disabilities have more financial needs that arise from their disability.

Given that a commonly used Statistics Canada measurement currently sets the “low income” line for an individual at about \$21,000 per year,<sup>27</sup> there's a lot of room to move to improve things for people on OW and ODSP.

So how adequate would a basic income that replaces OW and ODSP be? Would it provide enough to pay for all the things people now need but currently can't afford?

Would it lift everyone out of poverty? Would it get at least part of the way?

## **3) How would it line up with work?**

A basic income program can be set up to give everyone the same amount of money, so the rich get the same amount as the poor. That amount can be tax-free for all or taxed back from those with higher incomes.

Or the program can be targeted only to those with low or no incomes. In this case, the amount people get typically decreases in proportion to how much money is earned from work.

Two important questions then arise: at what point does the amount of the benefit start to be reduced and by how much?

Right now, people who are on social assistance can and do work, but their income is deducted from their benefits at a very high rate. And the deduction starts after earnings of only \$200 each month. This means it's impossible for people who work while on social assistance to actually earn enough money to have an adequate income.

Other benefit programs, like the Canada Child Benefit, are set up differently. Deductions don't start until income is roughly at the poverty line.

And the proportion that's deducted is set so the benefit decreases moderately and gradually as income increases.

If a basic income were set up in a similar way, it could improve life for people currently on social assistance who work. But would it also improve life for people who don't?

Many people in Ontario, like people with various types of disabilities, face significant barriers to the labour market. Some may need long-term income support at a fairly high level. Others need to be out of the labour market to do other important work, like caring for young children, elderly parents or sick relatives.

For many people in these situations, social assistance is the only alternative. But if social assistance is eliminated in favour of a basic income, their need for an adequate income would also have to be addressed.

So how would a basic income program address poverty both for people who work and for people who don't? Would the benefit level be high enough, and the deductions and phase-out levels reasonable enough, that it would do the job for all?

#### **4) What's in and what's out?**

A central rationale for basic income is that it replaces existing publicly provided income support programs. So which programs would be replaced and which would remain?

This question is partly about where the money for a basic income program would come from. How we pay for it depends, to some extent, on how much we already spend on programs that would be replaced.

So current spending on basic social assistance benefits would probably be included. But what about funds for tax-delivered benefits like the low-income Ontario Trillium Benefit? What about the Ontario Child Benefit (OCB)? Housing subsidies? Child care subsidies? How much in total is already spent on important income supports? And, crucially, is it enough to pay for the kind of basic income program we would want?

This is not just a math problem. It also gets to broader questions about the kind of supports people need, how those needs get met and what we expect our governments to do.

The public provision of public services is critically important for the well-being of everyone in our communities. Just as poverty isn't all about how much money you have, income supports are only one important piece of the bigger picture of how we address poverty and provide good quality of life for all.

In the case of social assistance, people are eligible not only for basic benefits to pay for things like food, clothing and shelter. They're also eligible for supplementary benefits, both direct cash payments and in-kind supports.

So would those benefits be rolled into the basic income? Would the Special Diet Allowance be included? What about travel allowances to attend medical appointments? Benefits for work-related expenses? Child care supplements?

And what about OW and ODSP extended health benefits? What would happen to coverage for prescription drugs, basic dental care, glasses or disability-related assistive devices?

Instead of eliminating these benefits, many advocates think they should be improved and expanded so all low-income Ontarians get them, regardless of their source of income. Doing this would not only protect people on social assistance, it would also support the growing number of people whose jobs don't provide these benefits.

In fact, in its 2014 Poverty Reduction Strategy, the provincial government committed to creating just such a program. But so far it has taken no action. Without a comprehensive low-income extended health benefit, a basic income could leave people on social assistance without important supports.

All of this gets at the most dangerous aspect of basic income. At its most extreme, basic income can be an excuse for governments to eliminate critically important public services and simply replace them with a cheque. Whether or not that cheque is enough to allow people to buy those services on the market (and whether those services even exist to be bought), the quality and safety of those services are not guaranteed.

So which programs and services would be eliminated and which programs would remain? Would critically important benefits that people get through social assistance — or other benefits and services that people depend on — get lost in the shuffle?

#### **5) Who would get it? And how?**

Some current income security programs are intended to support children. Some are for seniors. And some, like social assistance, are for adults of working age. Would all these groups be eligible for a basic income? Or would existing benefits be left intact for children and seniors — benefits that, in many ways, already constitute basic income programs?

And would the program be targeted to individuals or households? Right now, all household income is counted to determine whether or not people are eligible for OW or ODSP. This means that many people, particularly

women and people with disabilities, are forced to be financially dependent on their family members. It also makes it very difficult for people who get social assistance to form relationships, because potential partners are forced to take on financial responsibility for them after an inappropriately short amount of time.

A basic income for individuals, rather than households, could help resolve these problems.

Another important question is whether everyone who is currently eligible for social assistance would also be eligible for basic income.

Right now, people without regularized immigration status can get social assistance. These are not tourists or visitors, but often people waiting to have their immigration status resolved. Many are not eligible for work permits from the federal government, so without social assistance they have no other means of support. Would a basic income ensure they don't get left out?

And if the basic income is administered through the tax system, steps would have to be taken to make sure that people who get OW or ODSP but who don't file income tax returns, for any number of reasons, aren't forgotten.

And what would be the impact of a basic income for Indigenous Peoples who live on reserves in Ontario? Right now, nearly all the funding for social assistance benefits they get is provided by the federal government through an agreement with the province. Indigenous Peoples had no input into that agreement and have had very little say over how the programs work. Given the provincial government's commitment to improve relations with Indigenous Peoples, how would a provincially funded basic income program work for Indigenous Peoples on reserve? Would they be eligible? And would they have jurisdiction and control?

## **6) What happens when things go wrong?**

Access to justice is a critical part of addressing poverty. People need to have recourse to legal structures and institutions that protect their rights and interests in a way that is transparent, fair, and easy to access.

People who get OW and ODSP currently have the right to appeal decisions to the Social Benefits Tribunal. This is a quasi-judicial body that has clear rules of procedure, a body of case law, and processes designed to be much more accessible than going to court.

If OW and ODSP were eliminated and income supports delivered through basic income, would people still have the same appeal rights? Would they go to the Social Benefits Tribunal, the courts, or some other body?



After the Ontario government moved benefits for kids out of OW and ODSP and into the Ontario Child Benefit, people with disputes around eligibility, benefit levels and other issues must now deal with a different system. Because the OCB is delivered through the income tax system, appeals have to go through the much more complex process set out by the Canada Revenue Agency, which can ultimately lead to tax court. That's a much harder process to understand and get through. It's an inappropriate mechanism to resolve disputes around access to essential income supports.

Would a basic income program make provision for processes to resolve disputes? Would it be easy to navigate and give low-income Ontarians the access to justice they deserve?

And would a basic income program accommodate changes in circumstances that could impact the amount of benefits a person gets?

For example, if the amount you get depends on how much income you reported on your tax return last year, which is how current tax-delivered benefit programs like the Ontario Child Benefit work, what happens if your income suddenly changes — like if you lose your job? Would a basic income program have some way to respond to these kinds of part-year changes?

### **The takeaway**

Basic income as a concept sounds great. But as always, the devil is in the details.

Will basic income make life better for people on social assistance?

Until there's a tangible proposal that answers these crucially important questions, it's impossible to know.

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## **Basic income solutions in an era of slow growth**

### **Armine Yalnizyan**

As the Ontario and Quebec governments design their versions of a basic income pilot program, Canadians find themselves engaged in a policy question we haven't grappled with in almost half a century: how should the welfare state evolve?

At the heart of the basic income debate is a discussion about what's required for everyone to have a basically decent life. Implicitly, it embraces a conversation about the importance of markets in that pursuit.

A market-based approach stresses the importance of more money, which buys more freedom and choice in the market. A health-based approach offers more public services that are not contingent on income, which buys more freedom from the market.

Governments improve lives by providing both income transfers and public services. A basic income may improve lives by increasing income.

But governments can also reduce the need for spending on certain goods and services by providing access to them regardless of income. For example, care provided by publicly insured doctors and hospitals, and taxpayer funded public schools dramatically reduce poverty and inequality. They address consumption inequality, not income inequality.

Neither put a penny in your pocket, but both directly improve your individual health, opportunity and mobility.

Essentially, public services de-commodify the basics, which helps those struggling with low income the most by far.

The advantage of improved public services is that they also make things cheaper for everyone (through scale and by eliminating for-profit exigencies and tax obligations), while improving the quality of life and making incomes and markets matter less.

That's the learning from decades of evolution of the welfare state, but yet it is basic income — a centuries-old idea — which has galloped ahead on the policy agenda in the past year. Perhaps it's not that surprising, as it is a familiar idea arriving in a particular policy context.

For the past 20 years or more, governments put a priority on tax cuts as a way to put money in your pocket. A basic income does the same thing, using an income transfer instead.

Like tax cuts, transfers can be broad-based or targeted; they can provide large or small amounts. But like tax cuts, more money in your pocket doesn't change the status quo in the market. Your cash, received as an individual, doesn't create another unit of affordable housing or create one new child care space.

Just as the calculation of a living wage depends on the range of public services available in a particular community, the amount of money needed to beat poverty or unleash potential depends on what governments do other than put money in your pocket.

You need less cash if you're not paying as much out of pocket for child care, prescriptions, post-secondary education, public transit and dental care. Basic needs are publicly subsidized to greater or lesser extents in each community.

Whether more cash or more support is more effective depends on the objective being pursued.

What's the problem to which basic income is the solution? Basic income is often portrayed as the remedy to a future where robots eat our jobs, or a way to liberate people from wage labour and unleash their potential. This was the approach taken by the Swiss in the June 2016 referendum on a proposal to offer a universal stipend worth about CAN\$35,000 annually, costing about 30 per cent of GDP. Voters rejected the idea, with 77 per cent voting no.

More likely, Canada's approach will be narrower, focused on reducing public expenditures or reducing poverty — or possibly both. A poverty reduction focus could include the working poor or it could be restricted to social assistance recipients, as is the case with a pilot project about to begin in the Dutch city of Utrecht, involving 250 people. One group will receive standard welfare benefits, while another will receive more — about CAN\$17,000 per year. A third group can receive up to an additional \$2,000 if they volunteer. A fourth will receive the bonus but lose it if they don't volunteer.

We could, alternatively, design a pilot project that prioritizes goals such as increasing efficiencies and eliminating bureaucracy, thereby replacing other income supports with a single, tax-based cash transfer.

Or we could use the exercise to reduce costs, as Finland's pilot project is expected to do. Current proposals target 2,000 unemployed people, providing 560 euros a month — about CAN\$9,800 annually — whether they work or not.

The critical questions regarding the design and cost of a basic income policy are not just how much for whom but also: what else is in the mix? Welfare recipients in Canada don't get much cash, but most also receive some level of access to drugs, dental and vision care, housing benefits and other limited supports.

Of course, for virtually every income class, the single biggest household budget outlay is housing. Without rent control, most of a basic income cheque would go in one pocket and out the other to pay the landlord, a complex redistribution scheme involving large amounts of taxpayer dollars being transferred to people least likely to need financial support.

How much money could we be talking about? Across Canada, a universal basic income of \$10,000 a year would cost \$350 billion (17.5 per cent of GDP), minus any reduction or elimination of existing income transfers. A more modest and targeted goal of raising everyone's income above the poverty line costs an estimated \$30 billion per year, over and above existing programs.

A new program worth \$30 billion would require taxpayers to pay, for example, about four percentage points more in sales taxes across Canada. The majority of Canadians would pay but see no benefit, as they are not poor. Even if a consensus developed around this kind of policy fix, how long would it hold?

Contrast this with another possibility: The CCPA Alternative Federal Budget shows that for half the annual cost of a poverty-eliminating basic income (\$15 billion), we could permanently expand the stock of affordable housing, child care and public transit, as well as almost eliminate user costs for pharmacare, dental care and post-secondary schooling.

After a decade, we would have greater access to more high quality, affordable necessities of life – not just for the poor but for everyone.

Spend a little more, and you could offer free access to community and recreation centre programming, expanded mental health services, universal access to low-cost internet and more legal aid.

The net result: more participation, more mobility, more potential, more health, more justice. Add to that list: less political friction and disenfranchisement, more solidarity.

Solidarity will be a key consideration as the economy evolves. The accelerating automation of work; the growing precariousness of jobs for newcomers and youth; and the mother of it all – slowness (long-term slow or no growth, the result of population aging, technology and global instability) – mean that while the status quo is not an option, change will be difficult.

As the largest cohort of retirees in history move into position, their fixed or falling incomes add pressure to keep the cost of living down. Their anxiety is shared by workers who can barely make ends meet. In this environment, the next generation of workers in both the public and private sectors may find it difficult to see wage gains despite potentially widespread labour shortages.

That does not rule out progress and a better quality of life, but the new prosperity may be less a result of higher income for the individual than a higher social wage for all, through broader access and greater quality of public services.

Broader access to services that enhance our individual health and opportunity builds a society's health and resilience, and it builds potential. It's also a far easier sell in an era of slow growth.

The basic income exercise has fired imaginations across the globe. We should use this moment to experiment with designs that can tell us if we're better off when we have more income, or need less of it.

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## Guaranteed Annual Income and the lone mother

### Margot Young

Almost 50 years ago, the Royal Commission on the Status of Women in Canada issued its report on gender inequality in Canada.

Among the report's 167 recommendations was a call for a federal Guaranteed Annual Income (GAI).<sup>28</sup> The commission proposed the program for single parents and especially sole-support mothers: "a majority category among the nation's poor."<sup>29</sup>

The report recommended a negative income tax model, along the lines of the Guaranteed Income Supplement paid to old age pensioners, with the Economic Council of Canada's poverty lines as benchmark for benefit levels.<sup>30</sup>

The report is now dated (too much concern about the absence of a father from the home, for example) but its link to a more modern debate about women's poverty is clear. The poverty of lone mother households locates "an important nexus of feminist concerns about women's caregiving responsibilities, economic resources and political and social citizenship."<sup>31</sup> And feminist groups are engaged in lively debate about the desirability of a GAI, with much support for the idea.

In 2006 the Women's Livable Income Group lobbied for a Guaranteed Livable Income<sup>32</sup> and in 2004 a group of feminists issued the Pictou Statement,<sup>33</sup> calling for an indexed Guaranteed Living Income.

Without a doubt, the idea of a guaranteed income for some of Canada's poorest household holds profound appeal.

Yet the simple appeal of the idea is misleading.<sup>34</sup> This comment singles out two concerns: complexities around women's relationships to paid work and the vision of citizenship GAI proposals employ. Both caution against a rush to a GAI.

Women who have children have a more complicated relationship to work than typical GAI analyses acknowledge. Decoupling income security from paid employment, and allowing for recognition of the non-market caregiving work and family sustenance work that women disproportionately do, is a positive and liberating feature of many GAI programs. But a GAI does nothing to disrupt the traditional gendered division of labour and the structural inequality it instantiates for women both in and out of the labour force.

Indeed, an apparent economic liberty to stay out of the paid work force may limit choices for many women, strengthening the very social assumptions that make paid work incompatible with women's caregiving roles.

Recognizing the importance of care work to our society should not also fix women within that role; therefore “social welfare reform must be careful about what it is institutionalizing.”<sup>35</sup>

The irony is that emphasizing economic citizenship for mothers outside of the paid work force risks reinforcing the separation of women from the public realm. The Royal Commission ducked this issue with the aside that lone mothers have a “tenuous relationship with the labour market and the question of work incentives for them is of little concern to society.”<sup>36</sup>

This is no longer an adequate response to the more traditional critique that a GAI allows work avoidance in socially destructive ways.<sup>37</sup> Nor is it true that workplace involvement is not an issue for lone mothers. In societies such as ours, where an important public arena is the paid workplace, public policy must be calibrated to increase women’s access to this sphere, not simply legitimate or facilitate women’s absence.

So we cannot neglect other labour policies that focus on things like employment standards, wage levels and workplace discrimination as key foci for reform. Critically, access to adequate and affordable child care must be part of any policy reform. The best GAI proposals are too often silent on this front.

Other broader citizenship issues are also implicated by GAI proposals.

GAI proponents typically emphasize the importance of private purchasing power. This individualizes benefits and underplays public responsibility for and provision of social welfare goods. It reinforces classical liberal divides between the public, the market and the private family — boundaries that, when traditionally drawn, perpetuate women’s economic and civic inequality and marginalization.

True, a GAI enlarges the public sphere, extending public economic redistribution. But it does nothing to address an increasing “marketization” of private life opportunities. The individual, GAI cash in hand, fits too well the model of “citizen as consumer.”<sup>38</sup>

This is to say that, typically, GAI proposals miss what substantive equality requires by way of public policy. Insisting that women’s economic and social needs can be met by a basic income that delivers the same amount to everyone ignores the reality that different individuals and differently socially situated groups have different needs.

Not all social welfare goods can be left to market provision, no matter how large a GAI might reasonably be. The programs women need, especially lone mothers, will stay unaffordable.

Policy that comprehends substantive equality will recognize that key areas of human welfare require more than individualized, equal allotments

of cash. Thus, an important feature of any GAI proposal must be retention of, and expansion of, social program delivery alongside implementation of a GAI. Adequate child care, post-secondary education and health care are some examples of goods that must be publicly and universally provided for women's inequality to be effectively addressed.

The Royal Commission did acknowledge this, somewhat:

But many other reforms are also needed in the realm of preventive welfare. The deserted spouse or parent should be helped to become self-supporting. Solutions involving better opportunities for paid work outside the home, the establishment of more daycare centres, the promotion of training facilities and manpower services and many other measures, are all part of the answer to this problem.<sup>39</sup>

But its discussion fails to make this point adequately and recent GAI proposals too often miss this point completely.

Of course, to say that one policy won't fix everything is not necessarily damning criticism. But to say that a policy risks overlooking, obfuscating or exacerbating important issues is a worthwhile observation.

Progressive policy advocates have few political chits to play; we need to be thoughtful and nuanced in the policies we put them down on.

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## Basic income shouldn't upend the goal of full employment

### Louis-Philippe Rochon

There is no doubt basic income or minimum guaranteed income policies have gained considerable attention in the last few years, not only in Canada but around the world.

In many respects, it is the next great economic frontier, with high hopes of alleviating poverty.

Moreover, such a policy seems to enjoy a consensus on both the political right and the left, having been defended and even promoted, albeit perhaps in different forms, by Milton Friedman and John Kenneth Galbraith, among a great many economists.

When such a policy enjoys such support it is natural to imagine that it is the right policy. After all, what is not to admire of a program that is sup-

ported across the political spectrum and the aim of which is to bring good to those who need it most?

In Canada, we have been discussing a basic income since at least the 1930s, with William Aberhart's government in Alberta. In 1971, the Senate Poverty Report discussed it, followed by the Orange Paper in 1973, the MacDonald Report in 1985, and the Forget Report in 1986. And of course, the famous MINCOME program in Manitoba between 1974 and 1979.

While the objective of such a scheme is laudable, my objection to the adoption of a basic income program on its own — an objection very much rooted in the left of the political spectrum — is on two levels: 1) criticism of the program itself, and 2) failure to discuss this policy in tandem with a full employment policy and the associated role of the state in bringing about full employment.

Regarding the first point, let's stop calling it a basic "income" scheme, as it really is not an income at all.

In accounting, as in economics, income derives from employment. Yet we are not really offering anyone a job. By calling it an income, we are obscuring the nature of the program, which is to deliver social assistance to those in needs.

If this is the case, then why not simply make existing programs more efficient and more generous? Energy should be spent on this approach. In that sense, there is no need for a comprehensive basic income and proponents of such a program must make the case that it is preferable than enhancing existing social programs.

Second, because of the existence of various genres of basic income programs, it is difficult to agree on the general concept of such a program without first knowing the specifics of what is proposed. Important details could be instrumental in determining the nature of the basic income scheme.

Third, there could be an important disincentive effect, although not from the labour supply side but, rather, from the labour demand side, which would amount to a sort of government subsidy to the private sector.

The fear is that private sector firms would willingly offer more low-paying jobs (or even part-time jobs), knowing that the basic income would top up the proposed wages. In other words, we must be careful not to encourage labour market flexibility that would encourage the proliferation of low-paying, part-time jobs with obvious macroeconomic implications, and may end up creating more unemployment and more cyclical instability.



Moreover, women would be disproportionately victim to this employment abuse as more women are in low-paying jobs. Hence, a program that purports to help women could end up hurting them even more.

Moving on to the second argument, discussion of adopting a basic income scheme without simultaneously committing to a full employment policy can set a dangerous precedent.

First of all, if the purpose of basic income is to alleviate poverty, then creating jobs is a far better solution. One of the main causes of poverty is a lack of good, well-paying jobs.

Moreover, jobs would inevitably pay more than what would be offered under a basic income scheme.

And we cannot deny the dignity associated with work rather than with social assistance.

Second, job creation is not a top political priority. Indeed, the emphasis on job creation and the important role the state plays in this narrative has been slowly disappearing from public discourse over the last four decades.

Governments today seldom speak of direct job creation. Rather, creating jobs is seen as something that results from certain policies, usually market-friendly policies like lower corporate taxes. So the real danger is that governments may see even less urgency in creating jobs once a basic income program is in place.

Third, basic income is essentially accepting the argument that there is nothing we can do to create jobs, given the forces of globalization. There seems to be a reluctant acceptance that globalization forces the hand of government in creating employment. The argument now seems to be: since markets cannot create sufficient jobs, let's offer a basic income.

This is essentially giving up on Keynesian policies of active government involvement in labour markets.

In conclusion, I am not against a basic income scheme but it must be discussed alongside the creation of meaningful jobs, or it amounts to downplaying the importance and dignity of work.

So if a basic income scheme is to be adopted, it must be done in tandem with a number of programs to prevent employers from short-changing the labour market.

This can be achieved through the enforcement of a full employment program. We must not give in to the argument that the state cannot create jobs or that the forces of globalization prevent us from pursuing full employment.

As we are now nearing the 10th anniversary of the global financial crisis, and as many institutions and academics seem to be questioning the estab-

lished wisdom of free market economics and austerity, we must question and rethink a panoply of programs and discuss the best way in which the state can eliminate poverty.

In the end, a basic income program is not as revolutionary as defenders would like us to believe. It is at best a second-best solution.

What is needed, first and foremost, is a commitment to the creation of jobs and, even better, to the notion of full employment.

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## How progressive is a basic income? Labour perspectives

### Toby Sanger

While labour unions have sometimes been criticized for opposing basic income proposals, Canadian labour unions and federations, including the Canadian Labour Congress (CLC) and the Canadian Union of Public Employees (CUPE), actually frequently passed resolutions in support of basic income proposals during the 1970s and 80s when it was last a hot topic.

Initial resolutions in support of guaranteed annual income were passed shortly after the now well known MINCOME pilot program was introduced in Dauphin, Manitoba in the 1970s. These tended to be simple and unqualified statements in support, in some instances connected to increased employment, but not always.

However, after the 1985 MacDonald Commission proposed a Universal Income Supplement to replace nearly all social programs with a minimal income supplement, as had been recommended by the Canadian Manufacturers Association, the discussion and positions taken by labour in Canada became more developed.

At its 1988 convention, the CLC discussed and approved a policy paper on a Guaranteed Annual Income (GAI) called *Adequate Incomes for All Canadians: A Working Future*. The CLC paper strongly opposed the MacDonald Commission's corporate proposal for a poverty level GAI and put it in the context of the failure of their economic system to provide decent, well-paid jobs for all and the Conservative government's erosion of social programs and benefits.

It stated "a GAI must be part of an integrated and comprehensive approach to the question of poverty and low incomes that attacks the root causes of these problems."

It affirmed support for a GAI but only one that provided adequate incomes and was part of a comprehensive and integrated program that included: restoring and maintaining full employment, increased minimum wages and non-wage benefits, strengthened collective bargaining relationships, ending discrimination, pay equity, improvements to social assistance programs including Employment Insurance and the Canada Pension Plan, workers' compensation, benefits to disabled workers and child benefits, and expansion of public services including universal medicare, affordable housing and a universal child care system, and fundamental progressive tax reform.

The CLC paper identified some specific criteria, including that benefits must be: set above the poverty line; indexed to the cost of living; based on an income test rather than a needs test; fully portable throughout Canada; financed from federal and provincial as opposed to municipal revenues; not discriminate on the basis on gender or age; and not result in subsidies to employers who pay low wages.

We should be just as concerned now about basic income schemes that serve to dismantle the social welfare state and public services, or to drive down wages.

The 2016 Ontario budget announcement reveals their interest behind this proposal:

The pilot project will test a growing view at home and abroad that a basic income could build on the success of minimum wage policies and increases in child benefits by providing more consistent and predictable support in the context of today's dynamic labour market. The pilot would also test whether a basic income would provide a more efficient way of delivering income support, strengthen the attachment to the labour force, and achieve savings in other areas, such as health care and housing supports.<sup>40</sup>

This suggests they may be considering providing cash or vouchers as a substitute for public services provided to social assistance recipients (such as affordable housing and health and drug benefits) as a way to confront the “welfare wall.”

This could lead to an erosion of public services, greater privatization and the replacement of existing decent public sector jobs with lower paid and more precarious private sector jobs — thereby further fuelling more need for basic income supports.

There's a fundamental difference between basic income guarantees and universal public services. The former represents a relatively uniform cash transfer used to purchase goods in a private market system while public ser-

vices are provided for free (or with somewhat affordable fees) to each according to their need.

The needs of different people may differ tremendously, but universal public services also allow us to participate and engage collectively in society according to our needs and as equals.

Karl Marx presaged this issue in his 1875 Critique of the Gotha Program, the initial platform of the German Social Democratic Party, and its statement that “the proceeds of labor belong undiminished with equal right to all members of society.”<sup>41</sup>

Instead he declared that in a more productive and higher phase of society where “all the springs of co-operative wealth flow more abundantly” the rule should be: “From each according to his ability, to each according to his needs!”

While lack of financial resources is, of course, a primary aspect of poverty, simply providing more money won’t eliminate poverty. Social exclusion, inadequate access to education, public goods, opportunities and networks, lack of political influence and many other factors contribute to a persistent of poverty. Systemic racial, gender, class and ability-based discrimination have resulted in higher rates and a persistence of poverty among women, racialized Canadians, Indigenous Peoples, differentially abled and poor people.

There’s some debate about the impact of a basic income guarantee on women’s employment and income prospects. If provided to individuals, it would undoubtedly increase women’s financial independence. However, there’s also a concern that it could lead to women leaving the labour force and thereby jeopardizing their independence in the long term.

Any fiscally sustainable basic income program with an adequate level of benefits would need to be income tested or subject to relatively high claw-back or tax rates, and so wouldn’t end up being universal and unconditional. While such a program would be fiscally feasible, it would be subject to many of the same problems with the existing social assistance system that many basic income advocates want to escape.

Income and means-tested programs that lack universality stigmatize recipients (aggravating the negative psychological and social aspects of poverty), reduce class solidarity and lead to public resentment and pressure to reduce benefit levels.

Unions have also strongly advocated for governments to pursue full employment policies, not only because higher levels of employment directly increase workers’ bargaining power over wages and benefits and stimulate

economic growth, but also because it ultimately helps to increase the political power of workers and labour in the economy and society.

But instead of pursuing full employment, neoliberal governments have implemented a wide range of neoliberal economic and labour market policies with an explicit aim of maintaining a certain level of unemployment and low-wage growth since at least the 1980s — even though these have weakened economic growth.

Governments have used: monetary policy to increase unemployment and repress wage growth; regressive tax changes to redistribute income away from labour and to capital; and “free trade” deals to increase corporate power and weaken workers’ bargaining strength. Governments have also reduced unemployment insurance and other income supports to increase labour market flexibility; and promoted precarious forms of employment and undermined labour unions and pursued public sector austerity, privatization and contracting out, which has further undermined the quality of jobs. Social assistance benefits have been kept far below poverty levels and far too little has been done to assist the most vulnerable and equity-seeking groups with social supports and active labour market measures.

While these policies may not make sense from a broad macroeconomic perspective, they’ve been very successful at increasing the power of capital and of the one per cent, who have gained most of the benefits of economic growth in recent decades. Reversing these failed neoliberal policies and replacing them with policies that increase decent jobs, wage growth, public investment, universal public services and social supports — particularly for the most vulnerable — should be priority number one.

An emphasis on providing a basic income guarantee seems to be a concession to the priority of striving for full employment and decent work for all, and the greater goal of achieving more power in society and over the means of production by workers and the 99 per cent. As sociologist Göran Therborn writes, it reflects a “curious utopia of resignation” to these neoliberal and austerity policies. While higher incomes would, of course, be beneficial to individuals, it’s hard to see how becoming dependent on a cheque from government builds greater power for people.

Instead, as Leigh Phillips recently wrote, some right-wing proponents see basic income guarantees as a way to undermine unions:

If labour had the strength to enforce the introduction of a good basic income, it would also have the strength to revive the project of full employment. And while even the best basic income policy only sets a floor below

which poverty cannot fall, full employment strengthens labour's hand to demand ever-greater wages. After all, why would any contemporary government, as beholden to global capital as governments are today, introduce policy that would strengthen the hand of labour? There will be no capitalist road to communism. There is only, as ever, the calibre of organized labour's militancy and power.<sup>42</sup>

Proponents of a basic income such as Guy Standing argue that the power and militancy of labour is too diminished, and a basic income should be part of a broader program for people to regain power, engage in more meaningful work, and enjoy a better standard of living. But the question remains of how to get there. Can we expect a revolution of the precariat?

Robert van der Veen and Phillipe Van Parijs proposed in 1986 that a guaranteed income could pave "a capitalist road to communism," increasing wages and productivity, and leapfrogging over the socialism stage of development.<sup>43</sup> That may be possible, but there's also the danger that a basic income or wage supplements could erode wages and workers' power.

One option is to increase amounts provided through targeted programs such as the Working Income Tax Benefit (WITB), which supplement incomes of the working poor.<sup>44</sup> However, programs such as these are effectively income and wage subsidies delivered through the tax system, and so ultimately subsidize less than living incomes provided by employers.

Any expansion of these programs — or other form of wage subsidy or basic income guarantee — would need to be combined with programs to substantially increase employment and raise minimum wages so they don't simply become an even larger subsidy to low-wage and precarious employers.

The goal of full employment has been a lodestar for labour unions for a long time, as low rates of unemployment generally lead to higher wages, particularly for lower paid workers. Full employment has also been a priority for numerous economic and social reasons: unemployment represents resources that aren't being put to productive use and often depreciate while not in use; decent jobs provide a solution to poverty; and they also provide an opportunity for people to participate meaningfully and contribute productively to society.

But with increasing productivity and automation, and with a majority of workers reporting they aren't happy at work,<sup>45</sup> is full employment a realistic, or even an appropriate goal? If so, shouldn't we put much more emphasis on what had been the primary demand by labour unions during the 19th century and early 20th century: reducing work hours?

Both Marx and Keynes imagined a future where productive capacity had improved enough to significantly reduce necessary work hours, so people had the opportunity to pursue their passions and interests in other ways. For Marx, this was a society in which productive forces had increased to the degree that “labour has become not only a means of life but life’s prime want”<sup>46</sup> and in which it would be “possible for me to do this today and that tomorrow, to hunt in the morning, to go fishing in the afternoon, to do cattle breeding in the evening, to criticize after dinner.”<sup>47</sup>

In 1930, Keynes predicted that productivity would have increased by seven-and-a-half times by 2030, allowing us to have a much higher standard of living while still reducing the average work week to 15 hours, or an average of three hours a day.<sup>48</sup> Keynes was right about the rate of productivity improvement, which we’ve even exceeded, but not about the reduced work week.

We’ve had even greater productivity growth than Keynes predicted, but these gains have been channeled into increased consumption rather than leisure time and, in recent decades, the benefits have been concentrated at the top, with little or no increase in average real wages.

There’s been no significant reduction in the average work week. On the contrary, with more spouses working, average family formal working hours have increased over the past few decades.<sup>49</sup>

A guaranteed income shouldn’t detract from seeking fundamental solutions to the failure of our economic system and political systems to provide adequate income and meaningful employment opportunities for all.

A longer version of this submission was first published on the Union Research blog on March 20, 2016.

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## Basic income or bait and switch?

### Michael Mendelson

The idea of a basic income is said to be attractive to both ends of the political spectrum. But this apparent agreement may be deceptive: is one name being used to describe two different programs?

Others, like Kevin Milligan, have asked the same question:

The support from thinkers of both the left and the right might portend broad social agreement on a GAI [Guaranteed Annual Income — a more generic name for a type of basic income as discussed below]. I worry instead that

the breadth of support is an indicator of a policy that hasn't been specified in enough detail, allowing the policy to be all things to all people."<sup>50</sup>

The archetypical vision on the right is of a small, unconditional payment financed by replacing all other income security programs and many social services. In the United States, libertarian advocates of a basic income see it replacing even Medicare for the poor and the young. Supposedly, there would also be savings by cutting the administrative cost of running current programs, made possible due to the hypothetical simplicity of an unconditional payment. However current administrative costs are exaggerated and unconditional payments are not so simple — as we discuss later in this paper — so these savings are largely illusory. In the right's vision the amount of the benefit has to be small because the constraint on the size of the income guarantee is the amount that can be saved. The whole enterprise must at least turn out to be fiscally neutral or, even better, reduce government expenditure.

But the right's basic income plan would reduce income for many low-income households such as recipients of Employment Insurance and contributory pension plans such as the Canada Pension Plan. Cuts in public services would hurt most those who can least afford to purchase private substitute services. With no change in the tax system, this vision would see redistribution from the near poor to the very poor, while leaving upper-income groups unaffected. It would increase income inequality. From a progressive point of view, it is a "bad" basic income plan.

On the other side of the spectrum, the archetypical left vision is of a program offering an unconditional benefit large enough to lift almost everyone out of poverty. While social assistance (or "welfare" as it is usually called in Canada) would be replaced, most other major income security programs — mainly contributory social insurance plans — would remain intact. Social services would also be unaffected.

If the basic income guarantee is large enough to eliminate poverty, taxes would have to rise to cover the costs. Although there would be a steep increase in taxes, overall the money would just flow in and out of government, so this plan would also be fiscally neutral. And the increased tax could have the added benefit of decreasing inequality. This is the "good" basic income plan.

For those looking for progressive change that can meaningfully reduce poverty and inequality, the search is on for a practical way to implement a "good" basic income. But is this a chimera? Are progressives advocating for



a “good” basic income actually playing into the hands of a regressive agenda? If we get a sweeping reform of income security in the name of basic income, will we actually end up with something much closer to the evil twin — the “bad” basic income?

### **Negative income tax**

Before the term “basic income” came into vogue, policy wonks spoke generically about a “Guaranteed Annual Income,” usually known by its acronym, a GAI. A GAI could be implemented through many different mechanisms, but the original idea was to deliver a GAI via what Milton Friedman called a “negative income tax.”<sup>51</sup> In a negative income tax system when income reported for tax purposes falls below a certain level the tax filer gets a payment from government rather than paying money to the government. The amount of the benefit only decreases gradually; for example by 50 cents on each dollar of income. It all sounds so simple — that is, until you think about the kind of “details” noted by Milligan.

In Canada, income tax is filed retrospectively on the previous year’s income with consequent benefit adjustments in July. July is about six months after the end of the tax year, so the income used to calculate the amount of benefit might be as much as a year and a half out of date. This does not work. Poor people need help right away or they cannot feed their children (or themselves) or pay their rent. Income has to be reported at least monthly and benefits adjusted according to current income.

Our annualized retrospective income tax system will not function as a stand-alone delivery vehicle for a negative income tax. Canada would have to move from its present tax system relying on annual reconciliation to a pay-as-you-earn income tax system (as in the United Kingdom), wherein taxes are assessed and deductions adjusted at least monthly. This is neither simple nor less expensive administratively.<sup>52</sup>

But in addition to these administrative issues there are even more serious implications of a negative income tax in respect of the question of who pays.

Since there is a gradual reduction in negative income tax benefits as income increases, the benefits do not fully run out until income multiplied by the tax rate equals the amount of the benefit. For those who do not remember their grade school math: this implies that if benefits decrease by 50 cents for every dollar on income (i.e., a 50 per cent tax-back rate), benefits do not end until income is twice the amount of the guarantee. In Ontario a household of two adults and two children needs about \$40,000 a year after-tax to live out of poverty. So if there were a guaranteed income for that house-

hold at the poverty line, a 50 per cent tax-back rate means that a household's benefits would not be cut off until its income exceeded \$80,000. For single adults the implication is that the income cut-off is \$40,000, since the poverty line is measured at approximately \$20,000.

Since poverty lines more or less equal half of median income (give or take a few per cent depending on the particular poverty line), these cut-off income levels more or less equal median income. While roughly 10 per cent of Canadian households are below poverty lines, 50 per cent of households are below median income (by definition). So another 40 per cent of Canadian households would be entitled to some guaranteed income benefit, beyond the 10 per cent of households below the poverty line. A GAI would therefore cost much more than the price tag just for filling the gap between low incomes and the poverty line. For example, if the average amount of benefit for each household above the poverty line but below median income was one-quarter of the amount going to each household below the poverty line, the total cost of the GAI would double.

But an even more significant implication of a 50 per cent tax-back rate and guaranteed income at the poverty line is that only households with incomes greater than the median income would pay any net income tax at all. If there were any income tax at all on a household before its income was high enough to eliminate all its guaranteed income benefits, then the household's rate of tax on income would not be 50 per cent; rather its tax rate would be 50 per cent plus whatever income tax rate applies. Consequently all income tax would now have to be paid only by above median income households. Above median income households would therefore need to absorb the cost of all the income tax currently paid by below median households as well as the cost of the new guaranteed income plan.

### **Universal Basic Income**

The negative income tax type of income-related program is one way to design a GAI. In the last several years a different way of delivering a GAI has come to the forefront: the Universal Basic Income. A Universal Basic Income is just what the name implies. The Universal Basic Income pays an unconditional, flat amount to every adult and child regardless of income. This seemingly saves all the trouble and complexity of the negative income tax type of model. But does this apparent simplicity stand up when we look at the "details"?

The Universal Basic Income is a mirror reflection of the negative income tax design. With the negative income tax approach, you first report your in-

come and then the amount of benefit you get is reduced accordingly: in the Universal Basic Income, you first get the universal benefit and then your net benefit is reduced by some per cent (the tax rate) of other income you have. Consequently, the mathematics is exactly the same in the Universal Basic Income as in the negative income style design, albeit not as self-evident. Say the Universal Basic Income is \$20,000 for an adult. The amount paid by the Universal Basic Income cannot itself be taxed. If it were taxed, at say 50 per cent, then the Universal Basic Income for someone with no other income would actually be \$10,000, not \$20,000. So if income tax is 50 per cent on any income other than the Universal Basic Income the taxpayer would have to have \$40,000 in taxable income before paying any net income tax at all.

If this result seems the same as for the negative income tax type of program, that's because it is the same. As with the negative income tax, if the Universal Basic Income level equals the poverty rate and if the revenue to pay for the program is raised through income tax, households with more than median income would need to absorb the cost of all the income tax currently paid by households below median income plus all of the net added cost of the new Universal Basic Income plan.

Similarly, if the Universal Basic Income is financed by income tax it does not solve the problem of timeliness of benefit payment. Say, for example, the Universal Basic Income was set at a poverty level of \$20,000 for an individual. If that person had a high income in the previous tax year, he or she would have to pay tax on that income in the subsequent year. But what if income has in that subsequent year fallen to zero (due to illness or family break-up or a million other possible reasons)? The only income the individual would have in that subsequent year is the Universal Basic Income, supposedly to prevent him or her from falling into poverty.

Whether a negative income tax or a Universal Basic Income, if the income accounting period is out of whack with the benefit payment period, either of the programs will be inadequate to prevent extreme hardship when income fluctuates.

Poverty is a here and now experience, not averaged over a number of years. Thinking through the administrative requirements of the Universal Basic Income drives us to a pay-as-you-earn income tax system with all its inherent complexity, just as with the negative income tax style of design. In fact, if there were a pay-as-you-earn tax system in place and financing via income tax it is not clear that there actually is any difference at all between the two supposedly alternative ways of delivering a GAI.

Note as well that for both the negative income tax and the Universal Basic Income type of design the significant administrative cost (for recipients) of having to report income on a current basis and the administrative cost (for government) of having to calculate benefits on a timely basis remains. The only administrative saving is in not having to test applicants for their willingness to work. This will not be a huge administrative saving.

So, in the absence of savings falling from the sky, we are back to the core choice: set the guarantee level in the Universal Basic Income according to the amount that can be saved by cutting current programs (the “bad” plan); or set the guarantee level to ensure that no one is in poverty and raise taxes as needed (the “good” plan).

The Economist magazine calculated (for 2015) the amount of Universal Basic Income guarantee that could be paid in each OECD country under various assumptions and conditions.<sup>53</sup> In Canada, by replacing all income security programs, but not medicare, we could pay for a universal annual income of \$4,400 per person — much less than even current social assistance rates, let alone meeting the poverty line. Taking the second route, and paying a guarantee level at a poverty line of about \$20,000 per person would, according to the Economist, cost at a very rough approximation an additional 35 to 40 per cent of GDP, assuming replacement only of social assistance, child benefits and a few smaller programs. Of course, we do not really face a stark choice of one extreme or the other, but if we did get an all-encompassing reform of our whole income security system in the name of Universal Basic Income, are we more likely to end up closer to the “bad” plan or the “good” plan?

### **What is possible?**

For proponents of the Universal Basic Income the kind of costing provided above is misleading. The so-called “cost” of 35 to 40 per cent of GDP would not represent extra government spending; rather it would pass through government and so be fiscally neutral. This observation is correct in theory but not of much practical relevance today. Not to put too fine a point on it: the kinds of revenue needed to finance a “good” GAI — of whatever design — are never going to come through income tax.

There may someday be a way to finance a GAI with guarantee levels high enough to eliminate or substantially reduce poverty; namely by a huge increase in the value-added tax, which in Canada is the Goods and Services Tax or Harmonized Sales Tax. If we are to have extraordinarily large increases in the flow of income through government, and thereby require very large

increases in revenue taken in and paid out by government, a value-added tax has many advantages over income tax — in retaining competitiveness and earnings incentives, and making it difficult for anyone legally purchasing goods or services in Canada to avoid the tax. A value-added tax is regressive, but would be more than fully offset by the big new GAI for those with low incomes.

A huge value-added tax would today be politically and practically impossible, since it would drive much of the economy underground. Rumor has it that Sweden and South Korea will be going to a no-cash economy in the 2020s. Canada is already less than half cash. Perhaps if and when cash disappears and all transactions move above board, it might be possible to revisit the possibility of a poverty-eliminating GAI. In the meantime, the real world of any GAI of whatever kind is this: if we get a great big GAI, it will be necessarily far below poverty levels, and it will likely entail replacing or at least curtailing many public programs serving those with modest incomes but not necessarily those below poverty levels of income.

So what should we do while waiting for cash to disappear?

A non-universal basic income for persons with disabilities would be possible right now as a kind of floor guarantee for the Canada Pension Plan Disability Benefit, regardless of contributory history. This would necessitate compromise on the issue of non-conditionality because passing the Canada Pension Plan disability test would be required, but it would substantially reduce poverty for those with serious disabilities and thereby provide a highly targeted and efficient way to reduce poverty in Canada as a whole. Extension of Employment Insurance on a lifetime basis could make a more generous but not open-ended safety net available to working-age adults. A provincial housing allowance combined with an aggressive federal commitment to building low-income housing could make shelter more affordable for low-income households. These are just some examples of sensible and doable reforms that could actually be implemented now for costs that could be accommodated within our present tax structure.<sup>54</sup>

A “good” basic income that might actually achieve the objectives its proponents seek requires a fundamental restructuring of our tax system. Such restructuring is not on any realistic political agenda, at least not for the next few decades. The search for the silver bullet to eliminate poverty and increase equality in a single great swoop is seductive, but it leads us away from consideration of practical and incremental steps — “mini-basic incomes” — which are nevertheless radical steps with big impacts that move us closer to the objectives of a “good” basic income.

Perhaps a new experiment or pilot project will give us some useful information. Some attention to issues such as tax integration and administration could be enlightening, as these were ignored in the experiments of the 1970s. But the danger is that good intentions will end in tears. Rather than a Guaranteed Annual Income with benefits approaching poverty levels, we could instead get a Guaranteed Inadequate Income.

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## Six principles to guide a basic income program

### Anita Khanna

The growing interest in the concept of a basic income has created an important opportunity for broad discussions about reducing poverty and ensuring dignity through the sound design of income security programs.

The discussion of a basic income is rife with debate. Many skeptics question the motives of neoliberal proponents of a basic income, given the potential cost of implementation and the potential risk of dismantling Canada's hard-won income and social security programs as well as social and public services architecture.

Many progressive proponents of a basic income, meanwhile, believe that a new system is the only way to fix punitive social assistance delivery, enable personal choice to pursue fulfilling livelihoods, and compensate individuals for unpaid care work. They also question the limits of the imagination and aspirations of basic income critics.

Campaign 2000 is a national anti-poverty coalition and public education movement committed to holding government accountable to achieve the eradication of child and family poverty. We engage in social policy analysis and formulate policy recommendations to lift children and families out of poverty.

Campaign 2000's national Steering Committee has been attentive to the basic income debate and has itself debated the perils and potential of a basic income as a tool in the battle against poverty. This chapter focuses on current consensus points in our discussions of basic income principles. Our discussions are ongoing and we will make further contributions to the basic income debate, including on the topic of implementation, in the coming months.

We believe fundamentally that the delivery of basic income must complement a strong program of public and social services, a well-developed

strategy to create quality jobs, and robust employment standards that support families struggling to escape the multiple dimensions of poverty. Continuing to build a stronger public service architecture is vital to the eradication of child and family poverty.

Consider the example of a single parent in poverty. An adequate basic income may bring her family above the poverty line, but the supports she requires are even greater: accessible, high quality, reliable child care; access to a post-secondary education or skills development program that she can afford; more affordable rent; and public prescription drug and dental coverage to maintain her family's health. Access to this broader list of supports will help reduce her stress, give her hope for the future and position her family for greater lifetime success.

A basic income coupled with strong social infrastructure will enable her to participate in the valuable training or education she may need without having to worry about paying for rent, child care or vital medications, or whether her child is getting the care and early education she or he needs. Ontario's basic income pilot is North America's first in over 40 years. With that in mind, we set out six principles for a child and family poverty eradication approach to basic income in the context of strong intergovernmental coordination of income security and social infrastructure programs.

1. A basic income must be designed to eradicate poverty and contribute to reducing income inequality.

2. To reduce and prevent poverty, a basic income must fill the adequacy gap of current income security programs by bringing individuals and families at least 10 per cent above the poverty line, as measured by the Low Income Measure After-Tax (LIM). Receipt of a basic income should be irrespective of educational or labour market attachment. A basic income should be accessible to all immigrants and refugees, refugee claimants and those in the midst of appeals processes.

Existing punitive rules and stigma associated with needs-based and means-tested income assistance programs make a basic income an attractive option, but programs that currently use an income or income and assets-based approach to eligibility and benefits determination should not be dismantled until it is clear that a basic income brings individuals and families to the income target of 10 per cent above LIM.

Interactions between a basic income and existing income security programs should be governed by the principle that everyone living in poverty will be better off as a result of implementing a basic income. Until a basic income brings recipients to 10 per cent above the LIM, no reduction or claw-

back of income received through children's or seniors' benefits, income/social assistance, Employment Insurance or other programs ought to occur. In other words, government must not give with one hand and take away with the other.

3. A basic income should be an income program that is aimed at meeting basic needs only. It should not replace existing programs that meet extraordinary needs or programs required to strengthen our social safety net. Instead, a basic income should lay the groundwork for improving population health and mental health by complementing needed programs, such as public prescription drug and dental coverage, income support programs for people with disabilities, early learning and child care programs, and parental leave benefits.

4. Provision of a basic income should not lead to the marketization of public services or an expectation of individuals to purchase social services. A basic income should not replace existing or underdeveloped public services, including the national early learning and child care framework and the national housing strategy.

5. A basic income is not a panacea for structural and systemic inequality. Alone, it cannot address the many dimensions of poverty outlined in research on the social determinants of health. Nor can it replace critically important social programs and public infrastructure. Well-developed public policy is needed in addition to a basic income to address the effects of racism, sexism and ableism, and to reduce barriers in accessing housing, child care, employment and other services.

6. A basic income should not act as a subsidy for employers who pay low wages, nor should it be an excuse for reducing employment. A program of quality employment options requires a minimum wage that lifts workers above the poverty line, livable incomes that can support a family, proactive enforcement of modern labour standards, and improved access to Employment Insurance.

These principles provide an anti-poverty framework through which to assess any basic income program and, specifically, the Ontario pilot.

To avoid additional undue hardships for people living in poverty, a basic income, like other social policy innovations, must be carefully monitored, evaluated and improved through a broad, transparent process that works at the levels of the individual, the local community and the provincial economy.

It is critical to take guidance from basic income recipients living in low income who, navigating various systems, may be vulnerable to negative program interactions that leave them worse off, intentionally or not.



With 20 per cent of Ontario children and families currently living in poverty — as parents struggle to gain access to decent work, affordable housing, high quality childcare and nutritious food — income security programs like a basic income must be carefully analyzed to ensure that no one falls further behind.

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