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## BASIC INCOME BACKGROUNDER

### Background

The term basic income, sometimes referred to as guaranteed annual income, guaranteed livable income, or citizen's wage, refers to proposals for a minimum level of income security for all Canadians. It has been suggested as a solution to poverty since some models would bring the incomes of all Canadians over the poverty line. Currently in Canada, only seniors receive guaranteed annual income through Old Age Security and the Guaranteed Income Supplement.<sup>1</sup>

The concept of a basic income has a long tradition in Canada. It was first advanced in 1933 by then-Premier of Alberta William Aberhart, who saw it as a way to stimulate the economy and redistribute wealth. However, due to complications with implementation, a lack of resources, and opposition from the federal government, it was never implemented.<sup>2</sup> Since then, basic income has been discussed and proposed by various stakeholders and governments and was piloted in a few communities in North America in the 1970s.<sup>3</sup>

Basic income was piloted in the town of Dauphin, Manitoba, from 1974 to 1979 through the Manitoba Basic Guaranteed Annual Income Experiment, known as Mincome. Around 1,300 families in urban and rural communities were allocated \$3,800, \$4,800 or \$5,800 annually for a period of three years. Recently, Evelyn Forget, a professor at the University of Manitoba, used health data to examine the impacts of the Mincome program on health outcomes. Forget found that basic income positively impacted health outcomes, with rates of hospitalization for Mincome recipients falling 8.5 per cent relative to control subjects.<sup>4</sup>

Since then, other pilot projects and proposals for basic income have surfaced around the world, notably in Switzerland, where a referendum on a country-wide implementation will take place in 2016<sup>5</sup> and in Utrecht, which is piloting a basic income in the city. Interest among advocacy groups and economists has brought the discussion to the forefront once again. While basic income was a mainstream policy proposal in the United States in the 1970s, the only major Canadian political party to currently support it is the federal Green Party,<sup>6</sup> which put forward a proposal for a Guaranteed Livable Income as part of its poverty elimination platform. Though not official party policy, basic income has also been put forward as a policy resolution by the Liberal Party.<sup>7</sup>



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There are various models for basic income, and it has been championed by people of divergent political stripes (one of the most well-known proponents was Milton Friedman, who proposed the idea in 1962 in his book *Capitalism and Freedom*). Some proponents see basic income as a way to eradicate the welfare state and to incentivize paid work by providing a relatively low level of income and eliminate other forms of social assistance and support. Others seek to ensure a livable income that is provided universally and unconditionally.<sup>8</sup>

Proposals for basic income implementation vary in their support for retaining current social assistance tools. While most recommend the replacement of child benefits and tax credits, other benefits, such as Employment Insurance and childcare programs are more disputed.<sup>9</sup>

## Considerations

There are many proposals and theories about how basic income could be implemented. The two main models are the Negative Income Tax (NIT) model and the Universal Demogrant Model, or universal basic income.

The Negative Income Tax Model works with the tax system to top up the income of those who fall below a designated poverty line.

The main advantages of this model are that:

- It is cheaper because not all Canadians receive it (or the same amount of it). Only those below a certain income level receive any benefit,<sup>10</sup> which suggests that this model could be an easier sell politically.
- It is seen as providing a better incentive for work as income from work is not clawed back until it reaches a relatively high level.<sup>11</sup>

The main disadvantage of this system is that it may not reduce or eliminate stigma as it is still seen as a program specifically for the poor.

The Universal Demogrant Model is a universal program that is based on the ideology that every citizen should be entitled to a basic level of income. This method would see every citizen given a fixed, non-taxable payment above which any additional income is taxed, likely at a higher tax rate. Thus, people with higher incomes would end up paying back this benefit in taxes.<sup>12</sup>



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The main advantages this model are:

- It removes stigma as every citizen is getting the same amount of money, which some have suggested would lead to increased social cohesion.<sup>13</sup>
- It is simpler and thus cheaper to administer.
- It is harder to cut because everyone is receiving it.<sup>14</sup>

The main disadvantage of this version of basic income is that some proposals are prohibitively costly. The Centre for Policy Alternatives estimated that it could cost up to \$418 billion dollars to start the program, with higher ongoing associated costs than NIT.<sup>15</sup> However, proponents say that many of these costs will be offset by people paying higher taxes on earned income.<sup>16</sup>

## Benefits

Proponents argue that basic income would lead to various social and economic benefits:

- Its costs would be mitigated or eliminated by a reduction in poverty, which costs Canadians up to \$86 billion a year.<sup>17</sup>
- As income is the main determinant of health,<sup>18</sup> basic income would result in savings to our healthcare system. Self-reported rates of physical and mental health improve markedly after the age of 65, when people become eligible for Old Age Security and the Guaranteed Income Supplement, which suggests that implementing basic income for the general population would result in significant healthcare savings.<sup>19</sup> Basic income is supported by healthcare professionals such as Dr. Danielle Martin, who sees it as one of three steps toward improving the Canadian healthcare system.<sup>20</sup>
- It is estimated that a basic income at the level of the Low Income Measure (LIM) could reduce the number of food insecure Canadians by 1.2 million people.<sup>21</sup> This is substantiated by research that demonstrates that the guaranteed income provided to Canadian seniors has lowered their risk of food insecurity by 50 per cent.<sup>22</sup>
- Access to guaranteed income has improved the lives of Canadian seniors. Canada's rate of senior poverty is one of the lowest in the world, with poverty rates dropping substantially when people reach the age of 65.<sup>23</sup>
- Improved physical and mental health could also positively impact the labour market by increasing work capacity and participation.<sup>24</sup>
- Basic income would provide income for work that often goes unpaid, such as care work.<sup>25</sup>
- Crime rates would likely decrease, lowering prison spending.<sup>26</sup>



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- Replacing the various income supports with basic income would save substantially on administration costs.<sup>27</sup>
- The Mincome study demonstrated that basic income resulted in more young people staying in school as they did not feel pressure to find work to support their families.<sup>28</sup>
- Basic income could improve job quality as people would no longer need to take poorly paid, poor quality, dangerous or dirty work simply to be able to make ends meet. This could result in higher wages.<sup>29</sup>

### Criticisms

Critics of basic income argue that it will create a disincentive for people to work, that it provides money to people who give nothing in return, and that it is too costly. Some studies have found that the decrease in work is minimal (and could be partially attributed to people on low incomes not having to work overtime or only having to work one job). For example, the Mincome pilot resulted in a one per cent decrease in annual work hours for men, a three per cent decrease for married women, and a five per cent decrease for single female heads.<sup>30</sup> However, the limited scope of existing studies makes it difficult to determine the effects of an economy-wide implementation of basic income.<sup>31</sup> Some researchers propose that a basic income could be phased in by age range to assess its impacts on the labour supply.<sup>32</sup>

The cost of basic income could be a significant issue, with the Canadian Centre for Policy Alternatives estimating a bill of up to \$418 billion, roughly three times the cost of all current income security programs. However, former Conservative senator Hugh Segal, a proponent of basic income, proposes a negative income tax that would see the poorest 3 million Canadians have their incomes topped up above the poverty line. He estimates that at an average of just under \$10,000 per person, this would cost the federal government \$30 billion, and could amount to huge savings resulting from poverty reduction.<sup>33</sup>

### Support

Implementation of either the Negative Income Tax or Universal Demogrant models will require a huge commitment of money and political will by both the federal and provincial governments. As previously mentioned, only the Green Party of Canada supports the implementation of basic income. However, support for basic income is increasing, with backing from various academics, healthcare professionals, and civil society organizations such as the Basic Income Canada Network, Upstream, and Food Secure Canada.



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Basic income has recently been championed by Canadian political leaders at different levels of government. It is [supported by Calgary mayor Naheed Nenshi and Edmonton mayor Don Iveson](#), both of whom have suggested they would [host pilot programs and have voiced their desire for basic income to be adopted by the new NDP government](#).

In Prince Edward Island, basic income is supported by all party leaders,<sup>34</sup> including [the governing Liberal party, which has pushed the idea with its federal counterpart](#). A five-year [pilot program has been proposed by a group of civil society organizations](#) and was also [put forward as a possibility by former Premier Robert Ghiz](#).

Internationally, the new [government of Finland has recently announced that it will implement a pilot program](#), the first in a developed country since the 1970s experiments.

## Recent articles

- [Poor access to food means poor health: researcher](#) (*Northern Life*, July 5, 2015)
- [How Canada tried to eradicate poverty with guaranteed income](#) (*PRI*, July 2, 2015)
- [Inspired by 1970's Manitoba, Dutch city tests guaranteed income](#) (*As It Happens*, July 1, 2015)
- [Time to table an overarching food policy](#) (*The Chronicle Herald*, June 29, 2015)
- [Eat Think Vote campaign focuses on food policy](#) (*The Toronto Star*, June 28, 2015)
- [Dutch city of Utrecht to experiment with a universal, unconditional 'basic income'](#) (*The Independent*, June 26, 2015)
- [Two Canadian mayors want to launch an experiment that could change the way we think about poverty forever](#) (*Vox*, June 24, 2015)
- [Finland: New Government Commits to a Basic Income Experiment](#), (*Basic Income Earth Network*, June 16, 2015)
- [Basic income guarantee would lessen poverty](#) (*The Whig*, June 11, 2015)
- [Guarantee a minimum income, not a minimum wage](#), Andrew Coyne (*The National Post*, June 10, 2015)
- [The call is out for a basic income guarantee: Medical officers agree on the idea of a basic income rate for Ontarians](#) (*The Peterborough Examiner*, June 9, 2015)
- [Guaranteed minimum income an old idea resurrected in an unlikely place](#) (*The Star Phoenix*, June 9, 2015)



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- [Old anti-poverty idea – guaranteed minimum income – getting new life in Alberta](#) (*The National Post*, June 8, 2015)
- [Alberta mayors back guaranteed minimum income](#), (*The Toronto Star*, June 5, 2015)
- [Scrap social assistance, top up earnings, says livable income group](#), (*CBC News*, April 9, 2015)
- [Q&A with precarious work expert Guy Standing](#) (*The Toronto Star*, April 9, 2015)
- [National income floor for troubled times](#), Carol Goar (*The Toronto Star*, March 8, 2015)
- [Guaranteed income for all Canadians, urge P.E.I. Liberal MPs](#), (*CBC News*, February 4, 2015)
- [Guaranteed livable income plan possible, Ghiz confirms](#) (*CBC News*, April 4, 2014)

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- <sup>10</sup> Ibid.
- <sup>11</sup> Ibid.
- <sup>12</sup> Pasma and Mulvale, n.d.
- <sup>13</sup> Ibid.
- <sup>14</sup> Ibid.
- <sup>15</sup> Young and Mulvale, 2009.
- <sup>16</sup> Pasma and Mulvale, n.d.
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