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Political Affairs

## A Case for a Canadian Basic Income

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The creation of the Canada Emergency Response Benefit was seen by many observers as a first step towards basic income, a policy which has long been advocated for as a replacement to the current social safety net. The benefit was such a success that in May 2020, a letter signed by fifty Canadian Senators made its way to the Prime Minister's Office calling on the government to turn CERB into a permanent system. Basic income's shift from a fringe policy to one with mainstream appeal has meant an increasing body of research over the years with which to study the issue, and as a proposal, it merits serious attention from anybody who is interested in Canadian public policy.

Basic income is a fairly straightforward idea: every citizen receives enough money to ensure that their basic needs are met, regardless of whether or not they have a job or are looking for one. In Canada, basic income has been cited for decades as a potentially permanent solution to poverty. Calls for its implementation appear in recommendations by the Croll Report (1971), the MacDonald Commission (1986) and, most recently, the Senate's report on poverty in Canadian cities (2009).

Unlike with employment insurance (EI), basic income recipients would not have to give up vital benefits as soon as find work or go back to school – the infamous “welfare wall” phenomenon. One study by Granofksy et al. (2015) found that recipients of EI lose 60 cents worth of benefits for every dollar of additional revenue earned through work. This incredibly high effective marginal tax rate discourages recipients from rejoining the labour force and keeps them trapped in a cycle of dependency. Basic income can solve this problem by only topping up income until it reaches a certain level (e.g. the Low-Income Cut-Off, or LICO), thereby ensuring that nobody can fall beneath that income floor while avoiding penalizing those who work.

As for whether basic income can reduce poverty, advocates point to two similar Canadian policies that have already been proven effective: Old Age Security and the Canada Child Benefit. Studies show that OAS – and the related Guaranteed Income Supplement – has significantly reduced food insecurity and poverty amongst Canadian seniors since its implementation in the 1970s (McIntyre et al., 2016). The new Canada Child Benefit has also been successful, reducing the rate of children living in poverty from 11% to 9% in its first

year alone (Mitchell and de Bruyn, 2019). These success stories beg the question: if targeted cash transfers can reduce poverty for specific groups, why not generalize them to the entire population?

This was a question the Ontario Liberal government sought to examine in 2016, when funding for a basic income pilot project was allocated in the provincial budget. The pilot would provide four thousand households with a certain annual sum and measure its effects. The provincial minister responsible for the project, Dr. Helena Jaczek, was optimistic about the possibility of radically transforming Ontario's messy and defective welfare system, which at the time had over 800 different eligibility criteria.

The experiment was ultimately cut short in late 2018 by the newly elected Progressive Conservative government. While the researchers involved never got an opportunity to publish an official report, they were able to compile qualitative data through interviews with recipients. The results were overwhelmingly positive. 80% of participants reported an increase in their general health, and 83% in their mental health. Accounts by participants revealed how transformative the basic income (BI) project was on their lives. Some were able to go back to school or leave low-paying, menial jobs. Others were able to repay debts that had burdened them for years. Others still were able to take time off work to take care of loved ones or themselves (Ferdosi et al., 2018). Simply put, basic income gave the experiment's participants the means to

better their lives without the unnecessary surveillance and constraints of EI.

Critics of basic income have raised concerns about the societal effects of an unconditional cash transfer. Many believe that basic income may foster dependency and that receiving money with no additional requirements would create a disincentive for those who are unemployed to reintegrate the labour market. When Doug Ford's government ended Ontario's BI project in 2018, this was one of the main reasons cited, with minister Lisa MacLeod stating that "the best social program is a job" (Ferguson, 2018).

It is worth noting, however, that in Canada, 70% of those living beneath the poverty line *do* have a job, according to a 2015 study by Living Wage Canada. Basic income advocates maintain that this characterization of lower income citizens as being fundamentally lazy is unfair and inaccurate. Canada's working poor have as much of a desire to contribute to society as the next person, and the idea that they need to be forced into working with a carrot-and-stick incentive system has been widely deemed as unsubstantiated.

Moreover, empirical evidence has not demonstrated the claim that basic income reduces employment levels. Experiments in the United States and in Manitoba in the 1970s found no significant reduction in labour force participation under basic income (Forget, 2011; Steensland, 2008) while Alaska's Permanent Fund Dividend – a basic income-like system – has also not been shown to reduce hours worked

amongst its recipients (Jones and Marinescu, 2018).

The most common criticism of basic income is the cost of the program. The numbers cited in the literature vary wildly, ranging anywhere from \$76 billion a year (PBO, 2018) to nearly four times that number (Young and Mulvale, 2009). Stevens and Simpson's (2017) refundable tax credit system would cost only \$51 billion, while Kevin Milligan (2014), an economist at the University of British Columbia, arrives at a \$158-billion figure in one scenario.

These admittedly high costs could be offset by savings in other areas of public spending, as many social programs would be made redundant by basic income. Experts have indicated that Employment Insurance, the Canada Child Benefit, OAS, GIS, the Basic Personal Amount, the Canada Workers Benefit and a variety of existing tax credits could be either reduced or done away with to allow for the new system.

In addition to the savings realized on program expenditures, a centralized and universal basic income would also entail far fewer administrative costs than any current system. In general, means-tested programs such as EI are more expensive to manage given the need to continuously follow up with recipients and monitor their eligibility. Conversely, programs with fewer requirements and eligibility criteria, such as basic income, are more cost-effective. In their study of Canadian social programs, Lamman and Macintyre (2015) found that the annual administrative costs of EI added up to \$1,6 billion, or 8,1% of the program's

total costs, while those of the Canada Child Benefit, a universal program, represented only \$17,2 million.

It is also worth noting that poverty itself represents a tremendous fiscal burden on the Canadian state, costing it over \$20 billion annually according to a conservative estimate by the Senate (2009). This is due in part to the well-documented correlation between lower income and increased interaction with the health care system or the criminal justice system, for instance (Auger and Alix, 2016). Or, as former Conservative Senator Hugh Segal puts it, "the cost [...] of poor Canadians dropping out of school, getting sick faster, staying in hospital longer and living shorter lives" (2012). This means that reducing poverty in a meaningful way, such as through a basic income, could unburden much of the public sector and generate savings in the long term (e.g. see Forget, 2011).

The future of basic income in Canada is still uncertain. In Ontario, the Ford government cancelled the BI pilot project many advocates had pinned their hopes on, while in Quebec, a 2017 panel found that the provincial government's plans for basic income were unworkable. However, British Columbia has indicated its willingness to work with the federal government on a basic income scheme, and Prince Edward Island has formally requested funding from Ottawa for its own pilot project.

At the federal level, an NDP motion recently called on the government to implement a basic income, albeit unsuccessfully. However, basic income has found broader

appeal than just within the NDP. On the government side, Jean-Yves Duclos, current President of the Treasury Board, argued throughout his previous career as an economist for the need for basic income as a way of bridging the gaps in the social safety net (see his 2007 essay “A Better Income Security System for All Canadians,” for example). Dr. Jaczek, who spearheaded the Ontario project as a provincial minister, now sits in the House of Commons as a Liberal Member of Parliament, while other government MPs, such as Nathaniel Erskine-Smith, have been vocal supporters of basic income during their time in the House.

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Basic income is still an imperfect proposal, with problems that still need to be resolved before it can be seriously considered. De Wispelaere and Stirton (2012) and Green et al. (2020), for instance, write about concrete implementation issues and the risk of low take-up amongst certain segments of the population, including those who are underbanked or live in isolated areas. However, a workable version of basic income is possible, and it has the potential to spur long-awaited social change in Canada.

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