

BASIC INCOME GUARANTEE BACKGROUND

Prepared by Brian Hyndman, PhD(c), University of Waterloo &
Lisa Simon, MD, Simcoe Muskoka District Health Unit
for the Health Equity Workgroup

October 2015

ACKNOWLEDGEMENT

Thank you to Rob Rainer, Advisor to the Board of Directors, Basic Income Canada Network (ex officio), for his very helpful review of this document.

PURPOSE

This backgrounder was prepared to support resolutions on the issue of a basic income guarantee (BIG), being submitted to the Association of Local Public Health Agencies (alPha) and the Ontario Public Health Association (OPHA) in 2015.

METHODS

This document was informed by key grey and academic health and social policy literature related to the issue of basic income, located through brief searches of MEDLINE, Google Scholar, and websites focussed on basic income, as well as consultation with individuals with basic income expertise.

BACKGROUNDER

What is a basic income guarantee?

Basic income guarantee (BIG), also known as a guaranteed annual income, is a cash transfer from government to citizens not tied to labour market participation (Pasma and Mulvale, 2009; Basic Income Canada Network, 2015). It ensures income at a level sufficient to meet basic needs and live with dignity, regardless of work status (Basic Income Canada Network, 2015). Basic income is premised on the vision of universal income security through ensuring that everyone receives a modest, but adequate income (Pasma and Mulvale, 2009).

What are the key policy options for providing a basic income guarantee?

There are essentially two basic models, with some degree of variance, for providing a basic income guarantee. These are the negative income tax model and the universal demogrant model (Pasma and Mulvale, 2009).

Originally proposed by the American economist, Milton Friedman, the **negative income tax** model (NIT) relies on the tax system as the vehicle for administering a basic income guarantee. It consists of three basic elements: the benefit level, the reduction rate and the break- even level. The benefit level is the maximum benefit payable to any individual. The reduction rate is the amount by which the benefit is decreased for additional household income exceeding the benefit rate or maximum allowable level. The break-even level is the amount of income at which the reduction rate is 100%, meaning that those above the break-even level receive no benefit.

The **universal demogrant (UD) model**, by contrast, entails the provision of a regular payment to every citizen. While the UD payment itself is exempt from taxation, all additional income is taxable. In practice, this means that high income citizens pay the UD benefit back through their taxes.

Is one policy option better than the other? What are the relative advantages of NIT vs UD?

Each model has its strengths. For example, the NIT is viewed as maintaining a work incentive since the benefit is not eliminated entirely as additional income is received, while the UD model is viewed as less stigmatizing - as everyone receives the benefit through a direct payment - and more effective for increasing social cohesion (Pasma and Mulvale, 2009).

However, for any basic income model, the detailed decision making on benefit levels and tax rates will determine how effective the policy actually is in reducing poverty (Yalnizyan, 2013).

What is the history of basic income policies in Canada?

A form of guaranteed income for Canadian seniors was established in 1967, with the introduction of the Old Age Security (OAS) and Guaranteed Income Supplement (GIS) programs (Basic Income Canada Network, 2015). As a result, Canada has one of the lowest rates of seniors' poverty in the world. When low-income Canadians leave the workforce after turning 65, their poverty level drops substantially: statistics show that the rate of Canadians experiencing food insecurity is fifty percent less among those aged 65 to 69 than it is among those aged 60 to 64 (Emery, Fleisch and McIntyre, 2013).

Similarly, the Canadian Child Tax Benefit (CCTB), including the National Child Benefit Supplement and the Child Disability Benefit, provides universal monthly benefits to parents of children under 18 years to assist with the costs of raising children. Benefits are rated according to the number of children and reduced at a certain income threshold. An examination of this program has found that it leads to improved outcomes for children, both in terms of math and reading skills, and in terms of mental and physical health measures (Milligan and Stabile, 2011).

In the 1970s, the federal government launched a national review of social policy with the aim of developing a program to ensure an adequate minimum income for all Canadians. As part of this review, Manitoba agreed to serve as the pilot site for a federally funded basic income experiment.

This initiative, commonly known as **Mincome**, was launched in Dauphin and Winnipeg, Manitoba in 1974, with the former community serving as the saturation site for evaluation. Mincome compared low-income families enrolled in the experiment with a control group that did not receive the Mincome benefits. Three income support levels up to a maximum of \$5,800 (\$29,069.00 in 2015 dollars) for a family of four were tested, with adjustments for family size and structure (Hum and Simpson, 2001). These amounts were increased annually throughout the duration of the program due to the high rates of inflation throughout the latter half of the 1970s. Three tax back rates were then applied to all income the families received above the Mincome benefit rate: 35, 50 and 75 percent.

The Mincome pilot was terminated without a final evaluation report in 1979. A retrospective evaluation conducted by Evelyn Forget, an economist at the University of Manitoba, was published in 2011. Forget assessed health outcomes through a quasi-experimental design that

compared routinely collected health administration data (e.g., hospital admissions) between the Dauphin site and a comparison group. Significant reductions in hospitalization, especially for admissions related to accidents and injuries and mental health and injuries, were found relative to the matched comparison group. Physician contacts for mental health diagnoses also fell relative to the comparison group. These findings led Forget to suggest that even a modest GAI has the potential to improve population health status and realize concurrent savings in the tertiary care system (Forget 2011).

Basic income has also had a long history outside of Canada. For example, in the US, the Office of Economic Opportunity conducted four basic income experiments from 1968-1976, and Alaska has had its Permanent Fund Dividend program in place since 1982, which pays small but impactful basic income payments to all residents annually (Forget, 2011; Pasma, 2014). Successful programs and pilots have also been conducted in Brazil, India, and Namibia (Pasma, 2014).

What are the key potential benefits of a basic income guarantee?

Basic income has supporters from across the political spectrum since, depending on how it is provided, it can achieve a range of policy objectives. There are a number of economic, social, and health-related arguments favouring basic income:

Economics – A BIG has the potential to alleviate or even eliminate poverty. This is a powerful rationale, in current times of growing economic inequality and persistent poverty in the setting of rich countries (Young and Mulvale, 2009).

Over the past two decades, technological change and globalization have changed the nature of job opportunities available to Canadians since the Second World War, resulting in fewer opportunities for secure, permanent jobs paying living wages. These trends have forced an increasing number of working age adults to rely on **precarious employment**, such as self-employment, part-time, temporary or contract work (Granofsky et al, 2015). This work is considered precarious because it has less stability and consistency, less job security, and the associated income is often insufficient to save for retirement or emergencies. The number of Canadians dependent on precarious employment has been steadily increasing. For example, a joint 2013 study from the United Way and McMaster University found that almost half the adult workforce in Southern Ontario had jobs that could be characterized as precarious employment (Lewchuk et al., 2013). A basic income guarantee can buffer the effects of precarious employment by providing a form of ‘disaster insurance’ that protects people from

slipping into poverty during challenging times, and going without necessities such as adequate food or shelter (Emery, Fleisch and McIntyre, 2013).

Furthermore, a BIG would likely allow for streamlining of some existing income support programs into one universal system, reducing public administration and intervention with related efficiencies (Hodgson, 2011).

Health and Social - Given that basic income is designed primarily to bring individuals out of poverty, it has the potential to reduce the substantial, long-term social consequences of poverty, including higher crime rates and fewer students achieving success in the educational system (Basic Income Canada Network, 2015).

With the well-established relationship between low income and morbidity and mortality from a wide range of causes, it could reasonably be anticipated that a basic income guarantee would have important health-promoting effects at the individual level (Forget, 2011). Moreover, if basic income is able to reduce income inequalities within a jurisdiction through greater redistribution, it could contribute to health improvements across the population, given that a multi-country analysis of data conducted by Wilkinson and Pickett (2009) found that countries with higher rates of income inequality had correspondingly higher levels of health and social problems across all income levels, including lower life expectancy, math and literacy scores, and trust, and higher levels of obesity, mental illness, and violence.

Forget's study of the Mincome pilot did, as already noted, demonstrate some of these health and social impacts of basic income (Forget, 2011), despite the limitations on what could be measured retrospectively. As well, the health effects of Canada's guaranteed income programs for seniors have been notable, with the rate of food insecurity declining substantially and self-reported physical and mental health improving markedly, after low income Canadians move from low-wage, insecure employment to a guaranteed income at the age of 65 (Emery, Fleisch and McIntyre, 2013).

Basic income also promotes greater equality of opportunity, or economic democracy (Young and Mulvale, 2009; Pasma and Mulvale, 2009). A guaranteed income, at an adequate level, provides people the autonomy to manage their own circumstances, such as recovering from financial setbacks, balance shifting employment and family care needs, recovering from illness or injury, or seeking more education, retraining, or novel job opportunities, all with some degree of security (Basic Income Canada Network, 2015). Parents who have grown up without much opportunity can also choose to save and plan for a different future for their children.

Further, a BIG has the potential to be a simpler, more transparent approach to social assistance than the current system, and extends protection to those who are currently not covered or poorly covered (Pasma and Mulvale, 2009). As well, the universality and conditionality of guaranteed income makes the traditional scrutiny of social assistance recipients unnecessary, avoiding the associated stress, stigmatization, and employment disincentives (Young and Mulvale, 2009; Basic Income Canada Network, 2015).

How much would a basic income program cost and how would it align with other social programs?

The direct costs of a basic income program would vary substantially depending on the model and assumptions made, but either way estimates demonstrate that it would represent a very significant public expenditure (Young and Mulvale, 2009). However, even conservative estimates of the indirect costs of poverty (e.g., through health care, remedial education, crime, social programs, and lost productivity) can be higher than the costs of alleviating poverty in Canada (Basic Income Canada Network, 2015). In Ontario alone, the indirect costs of poverty have been estimated at \$32.2 - \$38.3 billion in 2007 dollars, or 5.5% - 6.6% of Ontario's then GDP (Laurie, 2008). In addition, it has been argued that the environmental costs of premising income support and economic redistribution on economic expansion and growth is no longer feasible (Young and Mulvale, 2009). Factoring in such costs of *not* having a guaranteed income scheme are important components of the affordability and feasibility discussion.

Additionally, as previously noted, a BIG would likely allow for streamlining of some existing income support programs into a universal system, with related efficiencies (Hodgson, 2011). In regards to other public services such as health care, education, child care, and supports for First Nations, Inuit and Metis communities, newcomers, and people with disabilities, a BIG is intended to strengthen and augment (rather than replace) such services (Basic Income Canada Network, 2015).

What are the jurisdictional issues (i.e., federal vs provincial) around the implementation of a basic income guarantee?

With respect to basic income, jurisdictional issues between the federal and provincial levels of government are not entirely clear. While provinces bear constitutional responsibility for the payment of social assistance to individuals, federal spending power extends to payments to individuals as well as conditional and unconditional grants to provinces that could potentially be used to fund a basic income guarantee (Stilborn, 1997). In practice, however, it is likely necessary that the provinces and federal government reach an agreement on how to fund and

deliver a BIG. Such an agreement is needed to ensure that social programs do not disappear in some parts of Canada but not in others. In addition, if the federal government assumes full or partial responsibility for funding basic income, provinces would have increased revenues which could either be utilized as their share of a basic income guarantee funding or for other provincial programs (Pasma and Mulvale, 2009).

Which political parties and other groups are in support a basic income guarantee?

As was noted previously, support for basic income guarantee spans the political spectrum. As of 2015, two federal political parties - the Liberal Party of Canada and the Green Party of Canada - have passed resolutions supporting a basic income guarantee in the form of basic income supplements (see links to resolutions in references). In the Conservative Party, former Senator Hugh Segal has publicly called for a guaranteed annual income for several decades. In 2008, Senator Segal introduced a notice of motion in the Senate calling for a study on the feasibility of guaranteed annual income as a means of reducing poverty (Pasma and Mulvale, 2009).

There have also been expressions of support from politicians from several provinces and municipalities. In a unanimous show of support leading up to PEI's May 2015 election, leaders from the PC, Liberal, NDP and Green parties each expressed a commitment to exploring a basic income guarantee program for PEI, such as in the form of a multi-year demonstration project (Burge, 2015). At the municipal level, at a May 2015 national poverty reduction summit Mayor Naheed Nenshi of Calgary committed to take a leadership role in striving for a guaranteed annual income, and encouraged other mayors to do the same (Benns, 2015).

Further, there have been recent formal expressions of support for basic income from the Canadian Medical Association, the Alberta Public Health Association, and the Canadian Association of Social Workers (Canadian Medical Association, 2015; Alberta Public Health Association, 2014; Drover et al, 2014). The Canadian Public Health Association is also examining the issue (Personal communication with Ian Culbert, Executive Director, March 20, 2015). Beyond the health and social sectors, a non-governmental organization by the name of Basic Income Canada Network is now dedicated to achieving a basic income guarantee in Canada, and several citizen groups are forming across Ontario and Canada in support of this issue.

RESOLUTION

WHEREAS low income and high income inequality have well-established, strong relationships with a range of adverse health outcomes; and

WHEREAS 2,016,150 Ontarians (14.7% of the population) live on low incomes according to the 2013 Canadian Tax Filer data after tax low income measure; and

WHEREAS income insecurity continues to rise in Ontario and Canada as labour market trends force an increasing number of working-age adults to rely on low wage, precarious employment opportunities, such as part-time, temporary or contract work; and

WHEREAS current income security programs established by federal and provincial governments have not proved sufficient to ensure that all Canadians have equitable access to the social determinants of health (e.g., food, shelter); and

WHEREAS a basic income guarantee (BIG) - a cash transfer from government to citizens not tied to labour market participation - has the potential to ensure that all Canadians have an income sufficient to meet basic needs and live with dignity, regardless of employment status; and

WHEREAS a basic income guarantee resembles universal income security measures currently in place for Canadian children and seniors, which have contributed to improved health status in these age groups; and

WHEREAS evidence, including a pilot project of basic income for working age adults conducted in Dauphin Manitoba in the 1970s, indicates that the provision of a basic income guarantee can reduce poverty and income insecurity, enable people to pursue opportunities relevant to them and their families, and improve health and educational outcomes; and

WHEREAS the concept of a basic income guarantee has garnered expressions of support from the Canadian Medical Association, the Association of Local Public Health Agencies (alPHa), and the Alberta Public Health Association as a means of improving the health of low income Canadians; and

WHEREAS there is growing support from various sectors and political affiliations across Canada for a basic income guarantee.

NOW THEREFORE BE IT RESOLVED THAT The Ontario Public Health Association (OPHA) endorse the concept of a basic income guarantee.

AND FURTHER that OPHA join alPHa in requesting that the federal Ministers of Employment and Social Development, Labour, and Health, as well as the Ontario Ministers Responsible for the Poverty Reduction Strategy, Community and Social Services, Children and Youth Services,

and Health and Long-Term Care, prioritize joint federal-provincial consideration and investigation into a basic income guarantee, as a policy option for reducing poverty and income insecurity and for providing opportunities for those in low income;

AND FURTHER that the Prime Minister, the Premier of Ontario, the Chief Public Health Officer, the Chief Medical Officer of Health for Ontario, the Canadian Public Health Association, the Association of Local Public Health Agencies, the Federation of Canadian Municipalities, and the Association of Municipalities of Ontario be so advised.

AND FURTHER that OPHA leverage the current federal election as an opportunity to build support for a basic income guarantee among the general public and elected officials through awareness raising and advocacy activities, including letters to the federal party leaders and media communications (e.g., letters to the editor and op-ed articles).

REFERENCES

Alberta Public Health Association. **Resolution: Support for guaranteed annual income for Albertans.** Resolution adopted by the Alberta Public Health Association, 2014.

<http://www.apha.ab.ca/index.php/issues-actions/resolutions/104-resolution-2014-gai>

Basic Income Canada Network. **About Basic Income and FAQs.** Ottawa: BICN, 2015.

<http://biencanada.ca/about-basic-income/>

<http://biencanada.ca/about-basic-income/faqs/>

Benns, R. **Calgary Mayor Naheed Nenshi vows to take ‘leadership’ on basic income guarantee issue.** Whitby, ON: Leaders and Legacies, May 9, 2015.

<http://leadersandlegacies.com/2015/05/09/calgary-mayor-naheed-nenshi-vows-to-take-leadership-on-basic-income-guarantee-issue/>

Burge, M. **Next PEI Premier to Promote BIG.** Charlottetown: C-BIG PEI, April 18, 2015.

<http://cbigpei.wix.com/c-big-pei#!Next-PEI-Premier-to-Promote-BIG/c235i/553939fc0cf2adc1ace2eeed>

Canadian Medical Association. **Resolutions Adopted (unconfirmed): 148th Annual Meeting of the Canadian Medical Association.** Halifax, NS: CMA, Aug. 24-26, 2015.

https://www.cma.ca/Assets/assets-library/document/en/about-us/gc2015/resolutions-passed-at-gc_final_english.pdf

Drover, G., Moscovitch, A., Mulvale, J. **Promoting Equity for a Stronger Canada: The Future of Canadian Social Policy.** Canadian Association of Social Workers, 2014.

http://www.casw-acts.ca/sites/default/files/policy_statements/Promoting%20Equity%20for%20a%20Stonger%20Canada%20-%20The%20Future%20of%20Canadian%20Social%20Policy_0.pdf

Emery, J.C.H., Fleisch, V.C., and McIntyre, L. **How a Basic income guarantee Could Put Food Banks Out of Business.** University of Calgary School of Public Policy Research Papers 6 (37), 2013.

<http://www.policyschool.ucalgary.ca/sites/default/files/research/emery-foodbankfinal.pdf>

Forget, E. **The Town with No Poverty: The Health Effects of a Canadian Guaranteed Annual Income Field Experiment.** Canadian Public Policy xxxvii(3) 283-306, 2011.

<http://utpjournals.metapress.com/content/xj02804571g71382/fulltext.pdf>

Granofsky, M. et al. *Renewing Canada's Social Architecture*. Toronto: Mowat Centre, 2015.
<http://social-architecture.ca/wp-content/uploads/FramingPaper.pdf>

Green Party of Canada. **Basic Income Supplement: Beginning With Persons with Disabilities**. Resolution adopted by the Green Party of Canada, 2014.
<https://www.greenparty.ca/en/convention-2014/voting/motions/g14-p35>

Hodgson, G. **A Big Idea Whose Time Has Yet to Arrive: A Guaranteed Annual Income**. Ottawa: The Conference Board of Canada, 2011.
www.conferenceboard.ca/economics/hot_eco_topics/default/11-12-15/A_Big_Idea_Whose_Time_Has_Yet_to_Arrive_A_Guaranteed_Annual_Income.aspx

Hum, D., and Simpson, W. "A basic income guarantee? From Mincome to the Millennium." *Policy Options* 22 (1) 78-82, 2001.
<http://archive.irpp.org/po/archive/jan01/hum.pdf>

Laurie, N. **The cost of poverty: an analysis of the economic cost of poverty in Ontario**. Toronto: Ontario Association of Food Banks, 2008.
<http://www.oafb.ca/assets/pdfs/CostofPoverty.pdf>

Lewchuk, W. et al. **It's More than Poverty: Employment Precarity and Household Well-being** United Way Toronto-McMaster University Social Sciences, 2013.
<http://www.unitedwaytoronto.com/document.doc?id=91>

Liberal Party of Canada. **Basic Income Supplement: Testing a Dignified Approach to Income Security for Working-age Canadians**. Resolution adopted by the Liberal Party of Canada, 2014.
<https://www.liberal.ca/policy-resolutions/97-basic-income-supplement-testing-dignified-approach-income-security-workingage-canadians/>

Milligan, K., and Stabile, M. "Do Child Tax Benefits Affect the Well-Being of Children? Evidence from Canadian Child Benefit Expansions". *American Economic Journal: Economic Policy* 3(3): 175-205, 2011.

Pasma, C. **Basic Income Programs and Pilots**. Ottawa: Basic Income Canada Network, 2014.
http://www.thebigpush.net/uploads/2/2/6/8/22682672/basic_income_programs_and_pilots_f ebruary_3_2014.pdf

Pasma, C., and Mulvale, J. **Income Security for All Canadians: Understanding Guaranteed Income.** Ottawa: Basic Income Earth Network Canada, 2009.
http://www.cpj.ca/files/docs/Income_Security_for_All_Canadians.pdf

Stilborn, J. **National Standards and Social Programs: What the Federal Government Can Do.** Background paper prepared for the Parliamentary Research Branch, Political and Social Affairs Division. Ottawa: Library of Parliament, September 1997.
<http://www.parl.gc.ca/Content/LOP/researchpublications/bp379-e.htm>

Wilkinson, R., and Pickett, K. **The Spirit Level: Why equality is better for everyone.** London: Penguin Books, 2009.

Yalzinyan, A. **Study of Income Inequality in Canada - What Can be Done?** Presentation to the House of Commons Standing Committee on Finance, May 9, 2013.
<https://www.policyalternatives.ca/publications/reports/study-income-inequality-canada%E2%80%94what-can-be-done>

Young, M., and Mulvale, J. **Possibilities and Prospects: The Debate Over a Guaranteed Income.** Ottawa: Canadian Centre for Policy Alternatives, 2009.
<https://www.policyalternatives.ca/publications/reports/possibilities-and-prospects>