Income Security for All Canadians
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By Chandra Pasma and Jim Mulvale

What is Guaranteed Income?
“Basic income” is defined by the Basic Income Earth Network as “an income unconditionally granted to all on an individual basis, without means test or work requirement.” Behind this or similar terms is a vision for income security for everyone, made possible by governments ensuring every individual has unconditional access to at least a modest but adequate income to meet basic material needs.

Basic income is also known as Guaranteed Annual Income (commonly denoted by the acronym GAI), Guaranteed Adequate Income, Guaranteed Livable Income, Basic Income Grant/Guarantee, Citizen’s Income, Social/Natural Resources Dividend, or Refundable Family Tax Credit.

To a certain extent, these different names represent different visions for the program, including different goals and different models. Some of the names are used interchangeably for similar visions, however.

In this paper, we use the term guaranteed income, since in many ways this has become the de facto term used in the Canadian debate. This is less because of a convergence of support for this name than because there are many competing names and references. Guaranteed income is a catchall for encompassing the different approaches, allowing Canadian activists to work together in research and advocacy.

While there is some agreement about what is sought, many questions remain to be answered in addition to debates over how to best structure a model of guaranteed income for Canada. This paper highlights some of the basics of these debates, as well as describing the history of guaranteed income proposals in Canada.

How Guaranteed Income Works
Essentially, there are 2 basic models, with variations: the Negative Income Tax model and the Universal Demogrant model. Each has its proponents and detractors, which results in the models being labeled as progressive or regressive, but either model could be used to advance different goals, since the questions that ultimately matter for outcomes are: who and how much?

The Negative Income Tax Model
The Negative Income Tax (NIT) model was initially proposed by American economist Milton Friedman. The NIT is administered through the tax system, whether weekly, monthly or annually. It consists of 3 basic elements: the benefit level, reduction rate, and break-even level. The benefit level is the maximum benefit that any person or economic unit can receive. The reduction rate is the amount by which the benefit is reduced for additional income either above the benefit rate or a maximum allowable level. The break-even level is the income level at which the reduction rate is 100%, ie. those above the break-even level receive no benefit.

Those who prefer the NIT model tend to appreciate the targeted nature of the model, since only those below a certain income level receive any benefit. The NIT thus represents a lower cost to the
government’s budget since fewer people are receiving the benefit. For those who believe that people are mostly motivated to work by the potential of additional income, the NIT is seen to have a good work incentive, since the benefit is not eliminated entirely as additional income is received, until a reasonably high amount of additional income is achieved. There are also some, however, who believe that the targeted model – while universally available – does not go far enough in addressing stigma, since it is still the poor alone who receive the benefit.

**The Universal Demogrant Model**
The universal demogrant (UD) model consists of a regular payment made to every citizen. The payment is non-taxable, however all additional income is taxable, generally at a rate higher than current income tax rates. Higher income citizens thus end up paying the benefit amount back through their taxes. Many proponents of the UD model advocate a flat tax on all other income, but there is no reason why Canada’s current progressive tax system couldn’t remain in place for income above the benefit level.

Because the benefit is universal, with citizenship the sole criteria for receiving the benefit, the UD approach is seen as non-stigmatizing. The universality of the benefit is also expected to ensure social cohesion. Politically, ensuring that everyone receives the benefit also makes the benefit levels harder to cut, resulting in greater security for lower income recipients. It also avoids the problem of low take-up. Although the cost for the government’s budget is greater than with an NIT, the end cost to taxpayers is not necessarily higher, since those with higher incomes pay the benefit back through their taxes. As well, the program may be cheaper to administer than an NIT because of the greater simplicity of its administration.

**Conditionality**
While each of the models has its supporters, the more important questions for outcomes are conditionality, benefit level and tax rate. Most guaranteed income proposals are conditional only in the sense that they are targeted to low income earners. However, there are some guaranteed income proposals that emphasize activity or distinguish between types of activity. For instance, because of concerns about work ethic, some proponents of a guaranteed income advocate a participation condition – that is, recipients do not have to be engaged in paid work, but they must be doing some activity that is of social utility. This, of course, creates challenges in defining what activities are socially useful, which is not a value neutral project. Other proposals require participants to be “available” for employment. Historically, guaranteed income proposals in Canada have excluded single young people based on assumptions about work incentive and family breadwinner models.

**Benefit level**
The benefit level and tax rate determine the impact of a guaranteed income on poverty. A benefit level set well below the poverty rate or cumulative tax rates that negate the impact of a guaranteed income could actually increase poverty, not reduce it. Similarly, a flat tax rate may ensure that lower-middle income earners are harder hit by a guaranteed income than high income earners, resulting in a redistributive effect that benefits those living in poverty, but not those only slightly above the poverty level. Many proposals of guaranteed income set benefit rates quite low to ensure that a work incentive is retained, assuming that people will not work unless forced to by economic circumstance.

Benefits may also be attributed to individuals, or set according to family status. One of the challenges of family benefit rates is that income tax is set individually. Benefits that do not take into account family structure may end up disadvantaging single parent families relative to two parent families, but
individually attributed benefits may provide greater economic security to women, particularly in the case of abusive or exploitative relationships.

**Funding**

The funding of a guaranteed income could take diverse forms, and will also have an impact on the outcome. For instance, many proponents suggest the collapse of all or most income security programs into a universal guaranteed income. The additional funding necessary could then come from higher income tax rates on additional income. However, there are alternatives that would or could be less regressive in nature: special taxes on use of natural resources, consumption, wealth, capital transfers, information transfers, electronic transactions, a Tobin tax or an ecotax. A tax on natural resources or property might be viewed as a social dividend, respecting the common ownership of natural resources. A similar dividend could be instituted for nationalized industries.

Depending on the proposal, the impact on the state programs and services can be quite severe. At a minimum, most Canadian proposals recommend replacing child allowances and seniors programs with the universal guaranteed income, in addition to eliminating personal tax credits and individual tax cuts. This would still allow for targeted programs, and in many cases, encourages additional spending on targeted transfers.

Some proposals also call for the elimination of Employment Insurance and childcare programs. These are disputed, however, as other guaranteed income supporters firmly believe that such programs are still needed and should be kept. Other social programs, such as education and health care, would not be eliminated and could, in fact, be expanded.

**Jurisdiction**

Jurisdictional issues between the federal and provincial levels of government are not entirely clear. While provinces have responsibility for welfare payments to individuals, on the basis of their constitutional responsibility for charity and institutions of charitable giving, the federal spending power has extended to payments to individuals and both conditional and unconditional grants to provinces. For programs considered to be social insurance, rather than assistance, constitutional amendments have been necessary to allow for federal programs. As long as the payments are considered assistance, the federal government can use its spending power without agreement from the provinces.

In practice, however, in the Canadian context it is likely necessary that the provinces and federal government reach an agreement on how to fund and construct a national guaranteed income. This could ensure that social programs did not disappear in parts of the country and not others. As well, if the federal government assumes all or partial responsibility for funding the guaranteed income, provinces would have increased revenues which could either be viewed as their share of guaranteed income funding or utilized for other provincial programs.

**Support for Guaranteed Income**

Support for guaranteed income comes from across the political spectrum, although no political party with elected representatives in the House of Commons currently calls for the explicit adoption of guaranteed income in Canada.

The one party at the federal level that does express interest in guaranteed income is the Green Party. Elizabeth May has expressed her personal support for the idea of guaranteed income and has initiated
The Greens are considering the idea of a “Guaranteed Livable Income (GLI) for all” as a way to “eliminate poverty and allow social services to concentrate on problems of mental health and addiction.” The Green’s GLI would be provided “to every Canadian without regard to a needs-test.” It would be “regionally set at a level above poverty, but at a bare subsistence level to encourage additional income generation,” and would be taxable for higher income earners.

The Green Party Vision document cautions that the GLI concept “needs time for study, reflection and greater support from all three levels of government,” and adds that this examination of the GLI concept does not preclude “pursuing short-term measures to make progress in the near term.” But the Green Party also sees GLI as a potentially fundamental reform of income security measures in Canada. Various “poverty-industry” programmes of welfare, disability pensions, seniors benefits, unemployment insurance, would all be collapsed within one simple single payment system, administered through taxes.

There is also a lone voice in the Conservative Party – Senator Hugh Segal – who is very publicly calling for a guaranteed income. In February 2008, Segal introduced a notice of motion in the Senate calling for “a fulsome study on the feasibility of a Guaranteed Annual Income...or Negative Income Tax as a means of reducing poverty and providing a real solution to those currently living below what is considered the Canadian poverty line.” Segal wanted the Committee undertaking this study to “consider the best possible design of a negative income tax” that would meet the following criteria:

1. ensure that existing income security expenditures at the federal, provincial and municipal levels remain at the same level;
2. create strong incentives for the able-bodied to work and earn a decent living; and
3. provide for coordination of federal and provincial income security through federal-provincial agreements.

Several provincial political parties include a GI in their platforms or have passed resolutions in favour of guaranteed income at their policy conventions. For instance, the Saskatchewan Green Party’s platform states that they “support a ‘guaranteed annual income’ system of social support.” The BC Green Party supports a Guaranteed Livable Income for all Canadians that will “replace all existing income assistance programs.”

There is also support from individuals and citizens groups. Reginald Stackhouse, former Progressive Conservative Member of Parliament and current professor at Wycliffe College, University of Toronto, published a column in the Toronto Star calling for a Guaranteed Annual Income. He argued that GAI “can ensure every Canadian has a living – regardless of age, gender, region or income level.”

Philosopher John Ralston Saul promoted guaranteed income in his 2008 book A Fair Country, calling it “a policy that treats citizens with dignity. This is the opposite of the nosey managerial desire to dissect the details of the life of the poor.”

In a 2006 survey conducted by the National Council of Welfare, respondents ranked “guaranteed, annual liveable income” as the number one action the government could take to “make the most difference in permanently reducing poverty rates.” The Task Force on Modernizing Income Security for Working-Age Adults created by the Toronto City Summit Alliance and St. Christopher House
recommended a new refundable tax benefit and income supplement for low-income wage earners, both of which would have the effect of a targeted guaranteed income. In September 2004 feminists from across the country met in Pictou, Nova Scotia, and developed a “Feminist Statement on Guaranteed Living Income.”

The Arguments
Guaranteed income has supporters from across the political spectrum because, depending on how it is structured, it can be utilized to achieve a variety of goals. Right-wing economists have promoted it as a means of “putting money in people’s pockets” – reducing government spending, in favour of a small handout. Environmentalists view it as a way of reducing emphasis on productivity, or of recognizing collective ownership of natural resources. Poverty activists appreciate its redistributive impact on income.

Key arguments in favour of a progressive guaranteed income include economic, social and environmental reasons:

Economic arguments: Guaranteed income represents a form of economic democracy that provides genuine economic opportunity and support to all citizens, regardless of activity. It would render the work force more flexible and more adaptable to structural change, because it would partially detach income from work. Similarly, a guaranteed income could reflect not only a redistribution of income, but also of paid and unpaid labour, by providing income for those who perform work that is poorly paid or unpaid, including caring work or cultural activities.

Social arguments: Guaranteed income is a simpler and more transparent approach to social assistance than the current system, and it would extend protection to those who are currently not covered or poorly covered by social assistance programs. Guaranteed income would be a reflection of the human right to adequate income and the provision of well-being. It would also maintain social cohesion, while providing protection for those in vulnerable situations, such as women in shelters or those living with disabilities. Depending on how it is financed, it could also be viewed as an “equal heritage” of society’s collective knowledge and expertise.

Environmental arguments: A guaranteed income would ease the pressure that constant economic growth places on the environment, which is not ecologically sustainable. Depending on how it is financed, it could be viewed as a “just compensation” for the use of private property or natural resources to create wealth.

Those who oppose a guaranteed income also come from across the political spectrum. Arguments against guaranteed income include issues around language: who defines what is adequate, what is basic, what is necessary? Guarantee makes some people think of entitlement, of rights without responsibilities; they believe guaranteed income represents an abdication of personal responsibility. Or they argue that no one should get money for doing nothing. Others fear labour shortages – that the incentive to work will be lost if people can survive without employment income. On the other hand, some fear that guaranteed income allows employers to ignore their responsibility to provide a living wage and reasonable benefits for work performed. There are also concerns that a one-size-fits-all program would be unresponsive to particular social needs – Aboriginal poverty, gender inequality, disability services, etc. Finally, there are many who hesitate at the price tag of promising income to those living in poverty.
Supporters of guaranteed income have immediate answers for some of these oppositions. For instance, while a guaranteed income would represent a significant expenditure for government, our governments already pay the cost of poverty and social breakdown in healthcare costs, and especially when systems aren’t in place to help those in need, through policing and judicial costs. Proponents suggest putting that money towards breaking the cycle of poverty instead. Similarly, if guaranteed income results in labour shortages, supporters suggest that employers will then have to offer higher wages and better benefits to employees which will solve the issue of poverty for some of the working poor.

But some of these oppositions present more challenging concerns that would need to be worked through in implementing any guaranteed income proposal. What is adequate/necessary/basic? And who gets to decide? There are serious issues of power and responsibility that underlie these questions. What are the responsibilities of the corporate sector and the voluntary sector? Who is responsible for such a program, the federal government or provincial governments? And what social infrastructure – in addition to the guaranteed income – is necessary to meet specific needs, minister to the whole person, and enable community living?

History of Proposals in Canada
While the debate over guaranteed income has not been very prominent in the last fifteen years in Canada, Canada has a long history of guaranteed income proposals and debates.

An early notable initiative was attempted in the province of Alberta in the 1930s. Premier William Aberhart, a believer in the social credit doctrines of Major C. H. Douglas, headed the newly elected provincial Social Credit government. Aberhart sought to implement a system of regular cash payments from the provincial government to everyone, as a means of enhancing consumer purchasing power, stimulating the economy, and redistributing wealth. This promise of such a social dividend paid to all citizens proved difficult to implement. The province was strapped for cash in the depths of the Great Depression, and the federal government resisted attempts to encroach on its control of monetary policy.

In the 1960s, growing concern over the persistent nature of poverty and rising structural unemployment led to public debate on social policy in North America, including the problem of inadequate income for those with employment. In 1968, the US began experiments with a guaranteed income plan to test its effects on work incentive and productivity. In 1970, the Canadian Department of National Health and Welfare noted the impact GAI could have on poverty, but suggested that productivity would be a significant concern, necessitating more study of the US experiments. In 1971, the Castonguay-Nepveu Commission in Quebec recommended a two-tiered program of social assistance based on an NIT, with 100% benefits for those deemed unemployable and 60% for those considered employable. Later that year, the Special Senate Committee on Poverty, chaired by Senator David Croll, recommended a uniform, national GAI funded by the federal government to replace programs such as Old Age Security and family allocations. Single Canadians under 40 and non-Canadians would not qualify, but everyone else would be eligible for an NIT benefit set at 70% of the poverty level, with a reduction rate of 70%. The program would be integrated with the tax system, which would be modified to an economic family basis, rather than individual income. The cost of the program was estimated to be 1% more of GNP than existing social assistance programs.
In a speech he gave shortly thereafter, Croll said it was important to “avoid a piecemeal and fragmented approach to income security,” and to this end he spoke in favour of “income from the federal government, services from the provincial government, [and] delivery of all services under the umbrella of The Canada Assistance Act which is now on the books and adequate to meet requirements.”

Croll also saw this guaranteed annual income plan as a complementary program to “three untouchable measures”: “the Canada Pension Plan, Unemployment Insurance, and agreements with Native Canadians.”

In the 1970s, a national review of social policy began work on developing a social security program that would ensure an adequate minimum income for all Canadians. The review gave some consideration to GAI, although issues of jurisdiction and shared funding of social policy dominated the agenda. As part of this review, the federal government proposed a GAI similar to the Castonguay-Nepveu plan, administered by the provinces but two-thirds funded by the federal government. Income levels were to be set by the provinces and territories, but there was a cap on federal funding eligibility set at $80 a month. Everyone was eligible for income support in cases of unemployment, but only families with dependent children and individuals and couples aged 55-64 were eligible for income supplementation during employment. The plan was criticized by the National Council of Welfare as insufficient to lift most households out of poverty because of the benefit levels. As well, although the plan developed out of the work of the federal-provincial working group, the provinces failed to approve the approach because of changing economic circumstances in the late 1970s, which made high costs a strong argument against the proposal.

In the context of this social policy review, Manitoba volunteered in 1974 to conduct an experimental project, funded by the federal government. This Basic Annual Income Experiment was commonly referred to as Mincome. Manitoba’s primary interest was in the administrative aspects of a GAI, but because the work disincentive was seen to be the biggest political issue in obtaining public support, most of the research conducted on the Mincome experience focused on the work effect. The project was ended without a final report in 1979.

The program selected families with low income to benefit from an NIT, although it included a control group that was not eligible for benefits. Three support levels were tested: $3800, $4800 and $5800 for a family of four, with adjustments for different family size and structure. Three tax-back rates were then applied to all income the family received above the minimum benefit rate: 35%, 50%, and 75%, with the most generous and least generous scenarios not tested. The study found that the effect on work incentive was very minimal: an annual reduction of hours worked of 1% for men, 3% for married women, and 5% for unmarried women. The project demonstrated that GAI is possible, from an administrative point of view, but that the challenges of administration were underappreciated at the beginning.

GAI disappeared from the agenda during the economic climate of the late 1970s and early 1980s. However, in 1985, the Royal Commission on the Economic Union and Development Prospects for Canada, also known as the Macdonald Commission after its chair Donald S. Macdonald, recommended a form of GI. The Universal Income Support Program (UISP) would have replaced all social programs (except Old Age Security) and certain tax credits with a minimum universal GI, accompanied by tax-back

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1 The amounts were increased annually throughout the program because of the high rate of inflation during the 1970s. The initial amounts would roughly equal $11 000 – 17 000 in 2005 dollars.
provisions according to income. Unemployment insurance would have also been scaled back considerably, as the proposal gave emphasis to the economic benefits of a workforce that could withstand adjustment policies. The federal government would have sole responsibility for funding and administering the program, with the provinces providing income supplementation to bring those with no other income up to the poverty line. Unattached individuals under 35 would not have been eligible for benefits.

The UISP suggestion was ignored by the federal government, which focused on the free trade recommendations of the report, but the nature of the proposal gave “the whole concept a bad name among liberals and labour groups in Canada,” as they feared the proposal was an attempt to dismantle the entire infrastructure of the welfare state. The proposal was opposed by political parties on the right and left, journalists, social groups, and religious organizations.

The UISP also received criticism because it left the tax system unreformed, which meant that cumulative marginal tax rates were more severe than intended. Thus, in 1986, Michael Wolfson, an economist at Statistics Canada, proposed a similar version that combined with a simplified tax structure to complement the guarantee. Wolfson proposed that the basic guarantee be tax exempt, but that a flat tax of 29.5% apply to all personal income up to $40,000, with an additional 16.5% rate on income above $40,000. The benefits would be allocated according to family structure, but the tax structure would remain individual. An income support tier would then be provided for by the provinces for those with no other income, at a tax back rate of 40%.

The question of GAI was revisited as part of a comprehensive review of social security arrangements by the Minister of Human Resources, Lloyd Axworthy, and the Liberal federal government in 1994. A discussion paper on this topic concluded that “the arithmetic of current Canadian income distribution makes achievement of a comprehensive GAI appear either politically or fiscally out of the question.”

However, this study also noted that “it is important to remember that some of the ideas underlying a GAI and the mechanisms for implementing it have already had a major impact on Canadian income security programs” – citing the Child Tax Benefit, the partial refund on the federal goods and service tax to low income tax filers, and the Guaranteed Income Supplement component of the universal Old Age Security. The 1994 study was thus favourably inclined to partial GAI-like payments that were income-tested and could be delivered using the negative income tax method. But it ruled out a comprehensive or more generous GAI (particularly one delivered as a universal demogrant, rather than through negative income tax) as “too expensive.” The study opted instead for earnings supplements and tax breaks to “encourage people now unemployed and/or on social assistance to take entry-level, low-paying jobs.”

Throughout the deficit-fighting 1990s, this continued to be the attitude of the federal government towards guaranteed income. Then in 2000, Jean Chretien expressed an interest in guaranteed income. Some believed this was a trial balloon, to gauge public reception for a significant policy option. Nothing ever came of it, probably because the suggestion came under significant attack from Canadian Alliance leader Stockwell Day and provincial premiers such as Mike Harris.

\[\text{ii} \] A marginal tax rate is the rate which is applied to the last dollar a person earns. Essentially, it is used in economics to determine incentives for earning more.
Recently, however, guaranteed income is receiving at least some policy consideration again. In 2006, the Standing Senate Committee on Agriculture and Forestry released an interim report in their study on rural poverty which noted the possibility of a GAI as a means of reducing poverty. In June, 2008, the Senate Sub-Committee on Cities held a roundtable on Guaranteed Annual Income as part of their study on urban poverty in Canada. In April 2009, the Special Senate Committee on Aging released a final report that recommended the federal government “look more closely at the question of a Guaranteed Annual Income for all Canadians.

Canada’s Current Income Security Policies
Canada does, of course, already have several elements of social policy that approach guaranteed income in principle. These programs are targetted to certain demographics, but beyond that, they are not conditional transfers. Old Age Security (OAS) is a guaranteed monthly benefit available to all Canadians over 65, with no consideration for work history or retirement, paid by the federal government. It is taxable, so that higher income recipients pay part or all of the benefit back through taxes. The Guaranteed Income Supplement (GIS) is a federal benefit paid to recipients of OAS with little or no other income. Eligibility is determined according to an income statement or income tax return. Benefit rates are determined according to marital status, as are reductions for additional income. The benefit is nontaxable, however. The GIS is then topped up by provincial supplements to provincially guaranteed income levels.

Similarly, the Child Tax Benefit, including the National Child Benefit Supplement and the Child Disability Benefit, are nontaxable monthly benefits paid to parents of children under 18 to help with the costs of raising children. The benefits are all rated according to number of children, and reduced at a certain income threshold. In both the case of seniors’ payments and child benefit programs, however, the universal nature of the program may have been easier to achieve than a guaranteed income that includes working age adults, because no one expects children or senior retirees to work.

End Notes

2. www.basicincome.org
5. Ibid., p. 18-19.
8. Ibid.
9. Ibid.
10. Ibid.
22 Blais & Duclos, p. 44.
25 Hum and Simpson, p. 79 and Blais and Duclos, p. 46.
28 Ibid.
29 Ibid., p. 33-35.
30 Blais and Duclos, p. 47.
31 Hum and Simpson, p. 80.
33 Ibid., p. 37.
35 Blais and Duclos, p. 60.
37 Ibid., p. 25.
39 Ibid., p. 19.
40 Ibid., p. 22.