



TOWARDS A GUARANTEED LIVABLE INCOME

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CITIZENS FOR
PUBLIC JUSTICE



GUARANTEED ANNUAL INCOME* IN THE SPOTLIGHT

The idea of a guaranteed annual income (GAI) or basic income (BI) is in the spotlight today – here in Canada and around the world. Finland¹ has just launched a GAI experiment and several cities and regions² are exploring the idea of a basic income from Europe to India to Latin America. In Canada, the Ontario government is consulting on the design of a pilot project based on the advice of former Senator Hugh Segal.³ The announcement of the basic income pilot is expected this spring.

Similarly, the federal government has expressed interest in a GAI as part of its work on a national Poverty Reduction Strategy.⁴ The provinces of Quebec and Prince Edward Island, as well as the high-profile mayors of Calgary and Edmonton are also examining the idea.

This is an important moment for anti-poverty advocates who have worked over many years to create an income security system that ensures that all Canadians can meet their basic needs and live with dignity.

The idea of a basic income shines a light on the significant failings of Canada’s social safety net while holding out the promise of greater social justice and equality. It raises the conversation above piecemeal changes to individual programs to the fundamental goals of our welfare state and our obligations to each other as members of Canadian society.

There remains a good deal of debate about the desirability and design of a basic income. Will it become a strategy for reducing government’s role in social and economic policy – or a strategy to transform our system and propel meaningful change in the lives of low income individuals and families?

This Briefing Note represents CPJ’s current thinking on a basic income and its place within a larger anti-poverty strategy. It offers a set of recommendations for guiding the development of a Guaranteed Livable Income (GLI) – an income security system that would ensure that everyone has access to the basic necessities of life and the means to participate meaningfully in the life of their community.

CPJ recognizes that a GLI does not represent a solution to all of the causes of poverty, but it is an important strategy for addressing fundamental societal inequities and highlighting the scope and impact of Canada’s current poverty reduction programs and those being considered in future.

BRIEFING NOTE

This Briefing Note lays out CPJ’s position on guaranteed annual income (GAI) / basic income (BI) programs to support CPJ’s participation in current debates, and to inform the development of a Canadian Poverty Reduction Strategy. It complements CPJ’s work in support of the Dignity for All campaign and its proposals to eliminate poverty contained in A National Anti-Poverty Plan for Canada, published in 2015.

*A NOTE ON LANGUAGE

A guaranteed annual income is an idea that has many names including basic income, citizen’s wage, guaranteed minimum income, guaranteed livable income, and social dividend or bonus. What is common to each is the concept of a basic government transfer to individuals or households, available to everyone irrespective of need, with few if any conditions of eligibility attached. CPJ uses the term Guaranteed Livable Income (GLI) to describe these proposed programs, so named “in recognition of both the human rights perspective and the Canadian value of fairness.”⁵

THE GAI DEBATE: OPTIONS UNDER DISCUSSION

Various designs have been proposed for a guaranteed annual program – from both conservative and social democratic perspectives.⁶ Indeed, one of the interesting features of the GAI / basic income field is that its proponents come from such varied perspectives.

In Canada, progressive groups are largely agreed on the need to guarantee an annual income that provides for the community participation and dignity of all people. The question is how to pursue this goal – given the complexity of the Canadian political system, the existing structure of the welfare state, and the diverse profiles of individuals and families living in poverty.

Two basic models are under discussion:

1. The **Negative Income Tax (NIT)** model provides an income benefit to low-income individuals and families, typically administered through the tax system. The maximum benefit (income guarantee) is available to those with no income from other sources. As earnings or other income rises, the benefit level is reduced by a certain amount per dollar received; proposed taxback rates in Canada have ranged from 20 per cent to 70 per cent. Once the recipient's income reaches a certain level, the benefit is reduced to zero. Thus, under a negative income tax scheme there are three groups: those receiving full benefits, those receiving partial benefits, and those receiving no benefits.

Under the NIT system, there is always an incentive for beneficiaries to earn more income or acquire it from other sources. However, unless the income guarantee is set at the poverty threshold, a NIT cannot eliminate poverty on its own. Typically, the NIT programs have set the threshold below the poverty line in order to encourage people to seek out other income.

2. The **Universal Demogrant (UD)** model, commonly known as basic income (BI), consists of a regular payment made to individuals or families, granted unconditionally and usually (although not always) tax-free as a right of citizenship. All other income generated above the benefit is taxable, and generally at a rate higher than current income tax rates.¹ In contrast to the NIT approach which provides net benefits only to households up to the break-even income level, the universal demogrant provides benefits to households all the way up the income scale.

FINLAND'S BASIC INCOME EXPERIMENT

Finland's basic income experiment is underway and will run until the end of 2018. Two thousand individuals receiving unemployment benefits have been randomly chosen to participate. The Social Insurance Institution of Finland is providing a basic income of €560 EUR per month / €6,720 per year (\$812 CAD per month / \$9,744 per year), exempt from taxation, to participants.

To prevent selection bias, participation in the basic income scheme is mandatory for those selected. A control group has also been drawn from this population; this group will continue to receive their typical unemployment benefits.

The primary objective of the experiment is "to obtain information on the effects of basic income on the employment of persons". In particular, the government is interested in determining whether basic income effectively reduces the incentive traps associated with means-tested benefits. As well, the Finnish government is interested in whether the program can "reduce bureaucracy" and help to "simplify the complicated benefits system in a [financially] sustainable way."

¹ It is important to note that a guaranteed income program could be a hybrid of the negative income tax and the universal demogrant, whereby a reduction rate exists but the recipient can earn an income up to a certain threshold before transfers are reduced (e.g., OAS).

Another variant of the NIT model is also being discussed at the current moment: the **Top-Up or Fill-the-Gap** model. In this design, a basic benefit or income guarantee is established (i.e., low income threshold) and any individual or household that falls below that target is “topped up” with a cash transfer. Individuals or households above the income guarantee do not receive any transfers.

Generally speaking, various proposals differ with respect to four basic points:

- **Degree of universality in terms of population coverage and whether the benefit is targeted at particular individuals or households;**
- **Degree of conditionality and/or eligibility (e.g., residency in Canada, citizenship, income level, work status);**
- **Adequacy, uniformity, frequency and type of benefit (e.g., cash transfers, in-kind benefits, one-time capital grant);**
- **Integration with other social programs (as a complement or replacement for selected programs).**

The Basic Income Canada Network,⁷ for example, has been very active in promoting a universal basic income program that specifically replaces social assistance programs, leaving in place programs for children and seniors that are currently working well. Canada Without Poverty,⁸ however, has expressed reservations about pursuing a basic income strategy without first ensuring that Canada has a robust social welfare system in place. The concern is that governments will pursue a “minimalist-libertarian” version of a basic income as envisioned by Milton Friedman instead of a “Strong Basic Income Model” that creates a vehicle to lift people out of poverty.⁹ Other groups and researchers have offered up their own perspectives on the debate and proposals for income security reform, providing important context and background for the current discussion (e.g., MISWAA,¹⁰ Caledon Institute,¹¹ Mowat Centre¹²).

In Ontario, former Senator Hugh Segal has proposed a “Top-Up” program like the one piloted in Manitoba’s Mincome experiment¹³ in the 1970s. The Segal report recommends that the pilot include a “randomized control trial” in a large urban area, along with three “saturation sites,” where all individuals aged 18 to 65 years living in low income, as well as Ontario Works and Ontario Disability Support Program recipients, would be eligible to participate.¹⁴ Participants would receive a monthly, non-taxable payment of at least \$1,320 (or \$15,840 /year) for a single person, with an opportunity to keep a percentage of additional employment earnings. The benefit level received would vary according to net family income and family composition, and be paid to all adults in the family. Participants with disabilities would receive an additional \$500 per month.¹⁵

The level of interest and engagement in the GAI/BI discussion is exciting, but rather daunting even for those who are familiar with Canada’s income security system. The very range of potential options complicates the discussion considerably, as it is difficult to sort out where people might agree or disagree. Are we talking about developing a program that replaces all of the existing federal and provincial income security programs – or one that targets a certain population and certain set of programs? Is the primary goal of a GAI to create a safety net for working-age individuals trying to support themselves in an increasingly precarious labour market or to fix enormous and pernicious problems associated with the social assistance system? The GAI / BI debate is a textbook example of “fuzzy” policy-making.¹⁶

Against this backdrop, this Briefing Note seeks to set out CPJ’s position in support of a Guaranteed Livable Income (GLI) as part of its own work to advance federal policy measures that will reduce poverty and make a meaningful difference in the lives of low-income people in Canada. CPJ uses the term Guaranteed Livable Income (GLI) to describe a suite of income security programs that together provide for the economic security of all. The name “Guaranteed Livable Income” was chosen “in recognition of both the human rights perspective and the Canadian value of fairness.”¹⁷

A GUARANTEED LIVABLE INCOME

CPJ believes that Canada's income security system should ensure that everyone has access to the basic necessities of life, while respecting the dignity of the person and encouraging participation in community life. Poverty rates in Canada have not changed substantially in the past twenty-five years. Neither employment nor social programs currently ensure that all people have enough income to meet their basic needs.¹⁸ Poverty has significant costs for individuals and for society, including health care, judicial costs, loss of productivity and social exclusion.¹⁹

While there are several reasons why Canada should pursue a Guaranteed Livable Income (GLI) program, for example, to address the failings of our social safety net, or to protect workers who are being pushed aside in today's economy, CPJ believes that the primary goal of a GLI program should be to ensure that all Canadians are able to live in dignity, free from poverty and want. CPJ's public justice framework²⁰ emphasizes dignity and justice within social relationships, but poverty and public policy focused solely on economic development both rob people of dignity and justice. In this context, a GLI offers the potential of greater income security, economic opportunity and social inclusion. CPJ offers the following recommendations to guide the development of a Guaranteed Livable Income for Canada.²¹

Recommendation 1

CPJ recommends that the federal government, in collaboration with the provinces and territories, develop a federal and provincial/territorial program (or programs/system) that provides a guaranteed livable income to all, reflecting the economic needs of different regions and populations.

Discussion:

CPJ envisions an income security system that raises individuals and families out of poverty and protects against income loss and interruption over the life course. It should provide support to all people, especially those facing the greatest risk of poverty (e.g., people with disabilities; lone-parent families; newcomers), taking into account community factors that place people at risk, e.g., local labour markets or low education. Programs should be designed to facilitate people's choices and recognize the value of paid and unpaid labour in families and communities, while minimizing the intrusion of government into people's private lives.

While Canada has achieved considerable success in building an income security platform for children and seniors, programs serving the work-age population have been systematically undermined for over two decades. Poverty levels among unattached singles and people with disabilities, for instance, remain very high. In this context, a universal GLI could provide a basic income guarantee to many more vulnerable Canadians, tackling fundamental inequities in current welfare state programming.

But what does a "universal" GLI actually mean in practice? Should the GLI take the form of a universal demogrant, such as the old Family Allowance program, or a tax instrument, such as the Basic Personal Amount or Age Amount on today's tax form? Or should it be a program "universally available" to those who fall below a particular income threshold – or another target group?

There are powerful arguments on both sides. Providing an autonomous cash transfer in recognition of "the fundamental dignity and equality of every person" would not only improve the lives of low-income families, it would do so in a way free of stigma. Measures to police programs such as social assistance systematically undermine the well-being of recipients in ways that are damaging and long-lasting. A universal demogrant

or cash transfer administered through the tax system would significantly enhance the quality of life of recipients (low-income recipients in particular) and foster greater community inclusion, while potentially reducing administrative costs (more on this point below). As Sheila Regehr from the Basic Income Canada Network argues, such a transfer offers recipients real security – the knowledge that the benefit will be delivered each month without question – and the ability to make one’s own decisions essential to individual and family well-being.

Most universal demogrant models, however, are very expensive, delivering benefits – depending on the design – to many who may not need the assistance. Assuming a benefit level averaging \$10,000 per capita – an amount above what most welfare systems provide for singles but below established low income lines – the program would cost \$350 billion for Canada’s 35 million residents. This cost far exceeds Canada’s total federal revenues (about \$280B in 2014-15). Indeed, such a program risks leaving millions of low-income people, such as seniors, worse off, even before taking into account the effects of higher taxes to pay for the program and/or the cancellation of other supports. Even a GLI of \$15,000 would represent a loss of income for some. Depending on the model, we could actually experience a rise in poverty rates as a result of a universal GLI.

The other way to look at a “universal” GLI is to look beyond a single program that covers the total population to a suite of programs that work together to guarantee livable incomes for all.²² Not a Guaranteed Livable Income program, but a Guaranteed Livable Income *system*. This approach views existing income security programs and other in-kind benefits, like prescription drug programs, as building blocks of a more comprehensive and effective system. Instead of a single program, then, the goal is to identify holes in our current programming and to create new approaches and programs that – taken together – provide universal coverage or access to a basic income – in ways that embrace dignity, facilitate choice, and value people’s paid and unpaid work.

The question of universality is an important one as it highlights the issues of cost and distributional equity in the ongoing debate. Margot Young and Jim Mulvale are worth quoting at length on this point: “As the breadth of coverage widens towards universality ... the up-front cost of providing a guaranteed income rises. This may achieve greater coverage (everyone gets something), but it also raises issues of vertical economic distribution because the wealthy receive the same benefit as individuals at lower income levels. While a progressive taxback rate can correct the regressive impact of such coverage, the optics of providing benefits to those who do not need them along with the initial budgetary impact of such universality may make it politically difficult to have a benefit level that is significant in alleviating and reducing poverty.”²³

CPJ believes that it is better to tackle the glaring deficiencies of our current system than to hold out for a universal scheme that may undercut poverty reduction.²⁴ It is also the case, as Young and Mulvale conclude, that the “practical implementation of a guaranteed income may result in unacceptable political compromises, such as in inadequate benefit levels, partial implementation that forestalls more radical progressive change, and selective application to only the ‘deserving poor’.”²⁵



Recommendation 2

The proposed program should be universally and unconditionally available to all citizens, permanent residents, refugees and asylum-seekers, as a basic entitlement of membership in Canadian society.

Recommendation 3

The program should be developed in stages, targeting the needs of poor working-age adults, building on the programs that are currently working well for children and seniors.

Recommendation 4

Federal and provincial governments should work collaboratively with non-profit partners and research centres to pilot several different models of a GLI to determine the most effective design at reducing poverty and supporting low-income Canadians, ensuring that no one is worse off than their current situation as a result of their participation.

Discussion:

CPJ firmly believes that all Canadian residents should be entitled to an income guarantee, here including permanent residents, refugee claimants and asylum-seekers. This position is consistent with CPJ's current work on refugee policy reform and resettlement – and would set aside requirements attached to citizenship status and tenure in the country. This position recognizes the rights of residents to an adequate standard of living under international covenants and conventions.

But should a GLI program be targeted to particular populations or groups? Should program receipt be contingent on meeting certain conditions or criteria? Most guaranteed income proposals are conditional in the sense that they are targeted to low-income residents. Others, however, impose additional eligibility requirements, for example, meeting the program's definition of a person with a disability or obligating recipients to seek out paid employment. Still others introduce design elements such as low benefit levels to dissuade potential applicants or to reinforce specific policy goals and objectives.

The concerns about work incentives have been a driving force in Canadian discussions of income security, reflecting the long shadow of Canada's colonial past and the impact of the Elizabethan Poor Laws. In the context of current proposals for a GLI, it can be considered a distraction (see Sheila Regehr's 2016 critique of Jonathon Rhys Kesselman).²⁶ It may be the case that an income guarantee set at or near a poverty threshold will encourage some people to stop working, thus driving up overall program costs. Certainly, there are important issues related to the "welfare wall" notably with respect to the potential loss of health and drug benefits and other subsidies. Both of these issues are policy challenges that need to be tackled in a comprehensive design for a GLI that links income security and supports such elements as child care, health benefits, and training. However, they shouldn't be held up as a reason for setting the value of a basic benefit at subsistence levels. Given the goal of providing a basic income guarantee, there is no place for any type of requirements related to employment status – or measures that attempt to distinguish the "deserving" from the "undeserving" poor.

This isn't to say that the topic of conditionality isn't important. If the primary goal of a GLI is to reduce poverty, introducing any kind of eligibility criteria runs the risk of potentially excluding those in need. For example, poor single seniors might be overlooked with a GLI program that is focused solely on working-age

individuals and families. This is where the principle of universality butts up against efficiency. The reverse is true as well. “Condition-free” programs – even those designed to tax back benefits from higher income families – will end up directing scarce resources to those who don’t necessarily require the support, reducing the level of assistance available to individuals most in need.

Targeting or conditionality of any kind involves administrative challenges. For instance, the screening tool used by the federal government to determine eligibility for disability programs has been criticized for setting an overly high threshold, and as such, continues to be subject to intense debate. One of the selling features of a universal demogrant is reduced administrative cost in terms of time and money; social assistance caseworkers, for example, spend up to 70 per cent of their time applying administrative rules and regulation.²⁷ David MacDonald estimates that roughly \$1.2B is spent on welfare system administration, representing 7.5 per cent of total program costs, and another \$1.6B on administering Employment Insurance at 8.5 per cent of program costs.²⁸

At the same time, MacDonald, along with others, notes that the proposed administrative savings are almost certainly overstated, with the funds representing a relatively small proportion against potential program cost. This isn’t an argument against a universal model – but a caution against relying too heavily on this line of argument.

The question comes back to the policy goals for a GAI program. There is an argument to be made for an “unconditional” population-wide program and a “conditional” population-specific program that targets those that face the greatest risk of poverty (e.g., working-age adults, social assistance recipients, or people with disabilities) with its attendant operational challenges.

CPJ believes that a staged approach would be the best strategy, tackling the needs of working-aged adults and people with disabilities first, providing the opportunity to experiment with different program models. There is a strong case for starting with groups served by provincial social assistance programs, the large majority of whom live on incomes that fall significantly below various low-income lines and are subject to overwhelmingly intrusive rules and regulations. Provincial monies freed up by the participation of the federal government could further help to underwrite the expansion of supports (e.g., health and dental benefits; rental subsidies; etc.) to all low-income Canadians, including the working poor.

A tighter focus on populations in need – building on and improving existing mechanisms in the process – could accomplish a great deal, providing the foundation of a universal income guarantee. A NIT or Top Up model would be consistent with this choice through which the government could target the benefit and integrate any new program with supports and services for low- and modest-income families.

A GAI / BI FOR PEOPLE WITH DISABILITIES

A guaranteed annual income program could also focus on creating an equitable and just system of income supports for people with disabilities. People with severe disabilities can get vastly different levels of support depending on how and when they acquired their disabilities. The Caledon Institute has a proposal that would create an income guarantee by converting the Disability Tax Credit into a refundable credit, eliminating social assistance in the process. The monies saved by the provinces and territories would be reinvested into an expanded support system.

This system would complement existing workplaces and contributory programs (e.g., EI, workers’ compensation, CPP/QPP), replacing needs-based and income-based programs, such as social assistance, WITB, and refundable tax credits. Others argue that the net should be cast wider to include EI sickness, workers’ compensation, and veterans’ benefits – taking into account that about 70% of total income security programming is not income-tested and the cost of the proposed GAI / BI will be significant.

Recommendation 5

Program benefits should be directed to individuals but should be structured in such a way as to recognize family composition, and other special circumstances (e.g., disability), and should be indexed to inflation.

Discussion:

Household characteristics, such as income and the number and age of children, are routinely used to determine eligibility and to structure benefits (e.g., social assistance, Canada Child Benefit) and the same approach should be used in the design of a Guaranteed Livable Income. Similarly, the proposed program should recognize the needs of lone-parent families, providing higher financial assistance for the first child as the equivalent-to-spouse tax credit does.

Recommendation 6

The basic benefit and income threshold should be set high enough to foster social participation and ensure that everyone has adequate access to food, clothing, and housing. The threshold should be chosen with a view to integrating the threshold with other benefit and in-kind programs so as not to create financial barriers for low-income individuals and families.

Discussion:

The discussion above has focused on who should be the focus or target of a GLI program. The next questions revolve around the size of the benefit and program envelope. What should the value of a GLI be? How should the level of the basic benefit be set? Against what income threshold? What is the potential financial impact of different proposals? Who are the potential winners and losers under the different scenarios?

Existing proposals vary widely with respect to benefit level – ranging from a top-up of existing sources of income to a stand-alone benefit that represents a “decent” standard of living. Proposals also vary in terms of form and duration, for example, a weekly, monthly or annual benefit, paid out continually or for a set period of time. The issue of indexation is an important consideration in terms of the value of the benefit over time and whether or not the benefit should be adjusted to reflect regional living costs.



Different points of reference have been used in determining benefit levels in various GAI proposals, including the low-income lines commonly used in Canada (see Table below), annual minimum wage earnings (\$19,990), and benefits available to low-income seniors (\$17,157 for a single senior from OAS and GIS). For example, in 2005, the *Modernizing Income Security for Working-Age Adults* (MISWAA) project picked \$15,000 as its basic threshold of adequacy, the midway point between commonly used measures of low income. More recently, Kevin Milligan, a prominent UBC economist, also used the \$15,000 threshold in his cost projections of a basic income program.²⁹

LOW-INCOME THRESHOLDS FOR SINGLE INDIVIDUALS AND FAMILY OF FOUR, 2014		
	Single Individual	Family of Four
Low-Income Measure, After-Tax (LIM-AT)	\$21,773	\$43,546
Low-Income Cut-Off (LICO-AT) (community 500,00+)	\$20,160	\$38,117
Market Basket Measure (MBM) (Winnipeg, MB)	-	\$35,618

The income threshold for a large city, population 500,000 or more, has been chosen to illustrate the LICO. The income threshold for Winnipeg has been chosen to illustrate the MBM (Winnipeg’s median after-tax income is close to the Canadian benchmark).

In choosing a benefit design, program designers weigh the goals of the program (e.g., alleviating poverty) against its potential cost and impact. A benefit of \$15,000 per year – as noted above – would fall short of the three commonly used low-income lines in Canada. At the same time, a universal demogrant in this amount would be prohibitively expensive at over \$300 billion. According to David Macdonald, even a taxable “cheque in the mail” of \$1,000 per adult – stacked on other programs so that no one is worse off – would produce a drop in poverty among children, adults aged 18-64 and seniors, but at a cost of \$32.6 billion – or roughly \$43,290 for every person lifted above the LIM-AT for a single person.

The high costs of a universal demogrant model is the reason why much of the energy has been focused on Negative Income Tax (NIT) or Top-Up designs. CPJ agrees that this model holds out the greatest promise and that the After-tax Low Income Measure (LIM-AT) represents an income threshold that would improve the lives of hundreds of thousands of Canadians. It is also the official poverty measure used by the Ontario government to track the progress of its Poverty Reduction Strategy. According to an analysis of the 2013 Canadian Income Survey, it would cost a minimum of \$22 billion to lift all Canadians up to the LIM-AT for one person (\$21,750).³⁰

The income threshold should be indexed to the cost of living – and depending on the final design – take into account the presence and number of children and other special circumstances, such as disability or lone-parenthood.

OPINION POLL

An Angus Reid Institute Poll conducted in 2016 found that there was general support for a guaranteed minimum income in Canada. However, a majority also believe that such a policy would be unaffordable, and most would not support an increase in taxes to fund it.³¹

Survey respondents were asked whether they agreed or disagreed with the following statements:

- “A guaranteed income program would give Canadians greater economic freedom.” (66 per cent agreed)
- A guaranteed income program would be too expensive for Canada’s government to afford.” (59 per cent agreed)
- “I would be willing to pay more in taxes in order to support some kind of guaranteed income.” (34 per cent agreed)
- “Guaranteed income programs discourage people from working.” (63 per cent agreed)³²

Recommendation 7

The federal and provincial governments should work together to create an effective and stigma-free guaranteed income program for working-age adults that replaces existing programming, such as social assistance and tax credits for low-income Canadians (aged 18-64). Funds freed up by the elimination of any program should be re-directed into the guaranteed income program and/or related in-kind supports.

Recommendation 8

The government should support this initiative through the reform and/or elimination of inefficient and inequitable tax expenditure programs. New tax measures should be considered to supplement and expand the GLI program over time.

Recommendation 9

The government should work to enhance and maintain the progressivity of the tax system, to ensure that the cost of guaranteed livable income is fairly shared among Canadians.

Discussion:

What should the relationship be between a guaranteed income program and other income support programs and the provision of “in-kind” public goods, such as social housing? Should a Guaranteed Livable Income be funded through the cancellation of other programs and/or the introduction of new revenue-generating programs?

Some proponents of a guaranteed income argue that the program should stand as a replacement for most other income security programs, such as Employment Insurance, social assistance, and personal tax credits.

There would be no additional cost to the government treasury or the tax payer. Monies gathered to fund existing programs would be folded into a new guaranteed income plan.

By contrast, other proposals envision a guaranteed income program that complements existing income support programs that work well and in-kind supports, such as drug and health benefits. This version sees the GAI program as an additional plank in Canada’s welfare state architecture. The focus here is on tackling the failures of existing programs that leave far too many families living in deep poverty.

These two different approaches – and the variants in between – have very different cost implications for the government.

To lend some perspective, Kevin Milligan has produced costs estimates for 10 different versions of a GAI, with two different base benefits and five reduction rates from zero per cent (effectively a universal demogrant) to 100 per cent (effectively a Top-Up design). The estimates vary from \$32.2 billion to \$328.8 billion.

COST ESTIMATE FOR A GAI, 2010 (\$ BILLIONS)					
GAI – Basic Benefit	Reduction Rate				
	0%	25%	50%	75%	100%
\$15,000 per adult	328.8	157.5	97.7	74.7	62.5
LICO-BT threshold for families	313.8	136.9	66.3	42.9	32.2

Source: Milligan (2014) using SLID microdata. Seniors excluded. Total income defined less social assistance and child benefits.

The cost of a universal demogrant of \$15,000 would far exceed Canada’s current spending on income security programs (\$160 billion). Other variations of a NIT program would also require a significant investment – ranging from 14 per cent to 66 per cent of total federal revenues (\$237 billion in 2010). Even a Top-Up program, which would direct benefits only to those below the set income threshold, would require an investment upwards of \$30 billion (depending on the threshold).

This is a difficult choice: Should the government eliminate current programs and re-direct the funds to a new GAI/BI? Should the government raise the needed funds through a new tax program on corporations or carbon sources – or pursue some combination of the two?

As Noah Zon writes: “Any consideration of the benefits of a basic income need to be considered alongside the costs of the plans to pay for it, including the tax rates faced by low-income Canadians, the loss of other credits and services, and the overall economic impact. There is no easy way to pay for this – even substantial tax increases for higher income Canadians would not come close to paying for a substantial universal basic income.”³³

As an alternative, governments could free up funds by further targeting existing programs more narrowly to those in greatest need. Canada’s income security system delivers sizeable benefits all the way up the income ladder. We currently have the resources in the system to reduce poverty; David Macdonald estimates that we could reduce the overall poverty rate (as measured by the LIM-AT) from 12 per cent to 7 per cent if we canceled and redirected funding from Canada’s existing GAI-style programs (e.g., OAS and the Child Benefit,

plus the WITB, social assistance and EI) into a Negative Income Tax program. But, there would be losses for modest income individuals and families. One-third of households in the 2nd and 3rd income deciles (mostly single seniors) would be worse off under this proposal.³⁴

Dignity for All's National Anti-Poverty Plan calls for a comprehensive strategy to reduce poverty – building a network of income security programs and in-kind supports, such as child care, training, and social housing, to create a more robust and effective social safety net that is able to address the diverse needs of Canadians. CPJ believes that building an effective income platform for working-age adults (including those with disabilities) is a logical next step. If there is agreement on this strategy, funding for social assistance (\$15 billion), working income tax benefit (\$1.2 billion), the GST Credit (\$4.1 billion) and related provincial programs could be re-directed into the creation of a new GLI program (and related supports for low-income families).

Better targeting of other income support programs and tax expenditures would provide another important source of program revenue.ⁱⁱ Depending on the model chosen, new tax measures should be considered to supplement and expand the GLI program over time such as eliminating the stock option deduction for corporate executives (\$600 million), taxing income from capital investments at the same rate as employment income (\$8 billion), or a financial activities tax on profits and remuneration in the financial sector.

Finally, it is essential that the government work to enhance and maintain the progressivity of the tax system so that the cost of a Guaranteed Livable Income is fairly shared among Canadians. This is consistent with CPJ's existing position on tax fairness, summarized in our Finance Committee Briefs³⁵ and CPJ's fact sheet series on taxation.³⁶



ⁱⁱ In a recent study of tax expenditures, David Macdonald found that out of 64 tax expenditures, 59 of them provided more benefit to the top 50% of income earners than the bottom half of earners, with the largest share going to the richest 10%. The cost of these 59 programs totaled \$100.5 billion in 2011 alone.

EVALUATION FRAMEWORK

The recommendations presented above sketch out the parameters of a new GLI system for working-age adults. Hopefully, this will be one of the models tested over the next few years. In moving forward, it will be very important to establish benchmarks against which to evaluate the success of the different pilot projects.

The Ontario government signaled its priorities in its February 2016 Press Release announcing the Pilot Project. Their goal is to “test whether a basic income [can] 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.”

But there other considerations to take into account – as we have argued above.

A guide to evaluation would look at the following questions:

- **What principles should guide the evaluation work?**
- **How will we know that one model or another has made a difference in peoples’ lives?**
- **What measures should be put in place to monitor progress and determine program impact?**
- **What are the critical benchmarks / conditions / markers of a successful pilot? For families? For communities? For governments?**
- **How does the program interact with other income support or in-kind programs?**
- **How will we identify and track government costs and savings related to lifting people out of poverty across program areas?**
- **How should the community be engaged in the development, implementation and ongoing monitoring and analysis of project findings?**

This last point is critical – community involvement is one of the key elements of successful anti-poverty work. The Ontario government is seeking input on the pilot project design as proposed by former Senator Hugh Segal.³⁷ Going forward, it will be important to establish mechanisms to engage the public and the residents in the selected communities on an ongoing basis. The evaluation team should work with residents to select evaluation measures that have meaning for them. Meaningful engagement will ensure that the research team generates a comprehensive picture of the pilot’s impact for all involved.

Following on this, it will be important to establish an independent group to carry out project monitoring and evaluation activities, ideally bringing together government, university and community-based research knowledge and experience.ⁱⁱⁱ This is a real opportunity for the government to illustrate an open approach – one that will guarantee better results which in turn will guarantee better policy and program design in the future.

ⁱⁱⁱ Hugh Segal has proposed the creation of an independent coalition of non-profit research organizations to design and conduct the program evaluation, working with a Research Operations Committee who would be tasked with developing the methodology.

RECOMMENDATION SUMMARY

CPJ offers the following guidance to develop a GLI program that will support and lift low-income Canadians out of poverty:

1. CPJ recommends that the federal government, in collaboration with the provinces and territories develop a federal and provincial/territorial program (or programs/system) that provides a guaranteed livable income to all, reflecting the economic needs of different regions and populations.
2. The proposed program should be universally and unconditionally available to all citizens, permanent residents, refugees and asylum-seekers, as a basic entitlement of membership in Canadian society.
3. CPJ recommends proceeding in stages, developing a NIT program/ Top Up program that targets the needs of poor working-age adults, building on the programs that are currently working well for children and seniors.
4. Federal and provincial governments should work collaboratively with non-profit partners and research centres to pilot several different models to determine the most effective design at reducing poverty and supporting low-income Canadians, taking into account that no one participating should be worse off than their current financial situation.
5. Program benefits should be directed to individuals but should be structured in such a way as to recognize family composition, and other special circumstances (e.g., disability), and should be indexed to inflation.
6. The basic benefit should be set high enough to foster social participation and ensure that everyone has adequate access to food, clothing, and housing. The threshold should be chosen with a view to integrating the threshold with other benefit and in-kind programs so as not to create financial barriers for low income individuals and families.
7. The federal and provincial governments should work together to create an effective and stigma-free guaranteed income program for working-age adults that replaces existing programming such as social assistance and tax credits for low-income Canadians (aged 18-64). Funds freed up by the elimination of any program should be re-directed into the guaranteed income program and/or related in-kind supports.
8. The government should support this initiative through the reform and/or elimination of inefficient and inequitable tax expenditure programs. New tax measures should be considered to supplement and expand the GLI program over time.
9. The government should work to enhance and maintain the progressivity of the tax system, to ensure that the cost of guaranteed livable income is fairly shared among Canadians.

ENDNOTES

- ¹ Kela (Social Insurance Institution of Finland) (2017), [Basic Income Experiment 2017-18](#).
- ² See Kathleen Nutt (2016), "[Trial for a basic income for all may go ahead in Scotland](#)," *The National*. November 22.
- ³ See Hugh Segal (2016). [Finding a Better Way: A Basic Income Pilot Project for Ontario](#).
- ⁴ As a first step towards the development of a national strategy, the government has released a Discussion Paper: [Towards a Poverty Reduction Strategy](#) (October 2016), and announced [six case studies](#) of poverty reduction work across Canada.
- ⁵ CPJ (2008), [Towards a Guaranteed Livable Income](#), p. 9.
- ⁶ For an excellent overview, see Government of Canada (1994), *Improving Social Security in Canada: Guaranteed Annual Income: A Supplementary Paper*. Appendix A.
- ⁷ <http://www.basicincomecanada.org/>
- ⁸ <http://www.cwp-csp.ca/>
- ⁹ See Margot Young and James P. Mulvale (2009) for a description of different ideal types of a GAI. [Possibilities and Prospects: The Debate over a Guaranteed Income](#). Canadian Centre for Policy Alternatives.
- ¹⁰ St. Christopher House and Toronto City Summit Alliance (2005): [Time for a Fair Deal](#). Task Force on Modernizing Income Security for Working-Age Adults.
- ¹¹ Ken Battle (2015), [Guaranteed Income or Guaranteed Incomes?](#) Caledon Institute.
- ¹² Mowat Centre, Caledon Institute, Institute of Competitiveness and Prosperity, and Institute for Research on Public Policy (2015), [Renewing Canada's Social Architecture](#).
- ¹³ Zi-Ann Lum (2016), "[A Canadian city once eliminated poverty and nearly everyone forgot about it](#)," *Huffington Post*, January 3.
- ¹⁴ The proposed low income measure is the After-Tax Low Income Measure.
- ¹⁵ Hugh Segal (2016).
- ¹⁶ Jurgen de Wispelaere and Lindsay Stirton (2004), "[The Many Faces of Universal Basic Income](#)," *The Political Quarterly*, 75(3): 266-274.
- ¹⁷ CPJ (2008), p. 9.
- ¹⁸ CPJ (2015), [On the Margins: A Glimpse of Poverty in Canada](#).
- ¹⁹ Ontario Association of Foodbanks (2008), [The Cost of Poverty: An Analysis of Economic Cost of Poverty in Ontario](#).
- ²⁰ CPJ (2007), [Public Justice: What does it mean for citizens, governments, and CPJ?](#)
- ²¹ This set of proposals builds on the work presented in CPJ's 2008 Position Paper, [Towards a Guaranteed Livable Income](#) and [GLI Backgrounder](#).
- ²² See: John Stapleton (2008), "[Income Security for Working Age Adults in Canada: Let's Consider the Model that's Right Under our Nose](#)." November 2008. Metcalf Foundation.
- ²³ Young and Mulvale (2009), p. 18.
- ²⁴ Evidence suggests that universal grants are not the most effective or efficient anti-poverty tool. See: Noah Zon (2016), "[Would a universal basic income reduce poverty?](#)" Maytree Policy Brief.
- ²⁵ Young and Mulvale (2009), p. 4.
- ²⁶ Sheila Regehr (2016), "[A wider lens: an analysis of Kesselman's view of a basic income](#)."
- ²⁷ CPJ Infographic, [The Case for a Guaranteed Income](#).
- ²⁸ David Macdonald (2016a), [A Policy Maker's Guide to Basic Income](#), Canadian Centre for Policy Alternatives.
- ²⁹ Kevin Milligan (2016). https://docs.google.com/spreadsheets/d/1iDbOimKPXtsAwoP9rCAUJ3B_wtew9roqeGX8khHbbuc/edit#gid=0
- ³⁰ David Macdonald (2016a).
- ³¹ ³¹ Angus Reid (2016), [Basic Income Tables](#).
- ³² <http://basicincome.org/news/2016/08/canada-majority-support-guaranteed-income-angus-reid-poll/>
- ³³ Noah Zon (2016), p. 21.
- ³⁴ David Macdonald (2016a).
- ³⁵ CPJ (2016), [Budget 2017: Delivering the Promise of Justice](#).
- ³⁶ CPJ (2015), [Taxes for the Common Good: A Public Justice Primer on Taxation](#). Fact Sheet Series.
- ³⁷ See Hugh Segal (2016).