



Basic Income Canada Network Réseau canadien pour le revenu garanti

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Executive Summary

*The 2017 budget is an important time to build on basic income initiatives underway in Quebec and Ontario and on recent federal initiatives to strengthen forms of basic income that improve lives for seniors (GIS) and families with children (CCB). It is critical to making progress on a federal/national poverty reduction strategy. Income security for working-age adults is very weak, some of it is outright harmful, and the resulting stress, poverty, ill health and other costly problems undermine the wellbeing of Canada's society and economy. The labour market is not providing everyone enough to get by. It is increasingly characterized by precarious jobs with poor pay and few benefits or protections and by automation replacing human workers, while issues of discrimination in access to the labour market persist and inequality grows. The tax/transfer system can and must do a better job of enabling working-age Canadians to get by and get ahead. We need an **expanded system of basic income** and the greater use of refundable credits is an important vehicle to do so.*

1. What is a basic income?

A basic income, for BICN, is one that enables everyone to meet basic needs and live with dignity, regardless of work status.¹ **It can take different forms.**

In Canada, there is a form of basic income for seniors through OAS and GIS; it provides an unconditional cash transfer that is fairly close to the poverty line as a standard of adequacy and it is provided without judgement and without imposing behavioural conditions on recipients. This basic income has improved lives and dramatically reduced incidence and depth of poverty.² It is complemented by public health care and services geared to seniors.

This form of basic income operates in a way that Sir Michael Marmot, president of the World Medical Association, describes as 'proportionate universalism'³ where everyone is part of the same system, but those who need more, get more. When seniors have little other income they get more GIS, and when they have higher incomes their OAS is reduced. In Canada, we

¹ See <http://www.basicincomecanada.org> for more information, especially 'The Basic Income We Want'.

² See, for example, The National Council of Welfare's *The Dollars and Sense of Solving Poverty*, Autumn 2011, pg. 79-82 for an overview of the impact of policy change on seniors.

³ See *The Health Gap: The Challenge of an Unequal World*, Bloomsbury, 2015, pg. 279-281.

describe health care as 'universal' but not everyone gets heart surgery; in this case, need is based on health conditions, not bank accounts. Proportionate universalism is also a way to describe a fully progressive tax system with credits that are income-conditioned and refundable (aka negative income tax). Although we have moved towards this, we have not yet achieved it as our tax system includes significant non-refundable credits that have no value to people with the lowest incomes.

2. Child benefits are a partial basic income for some working-age adults

The Canadian experience of child benefits is of great importance for several reasons. First, the payments, like seniors benefits, are unconditional cash transfers; no judgement or behavioural control is involved. They also follow a proportionate universalism (or negative income tax) model.

Second, payments are not made to children but rather to working-age adults who are the subject of much mythology. The mythology includes such ideas as: people won't work unless they are forced by rules or deprivation; taxing people's income makes them reduce their work effort; and people in poverty are more likely than those who are better off to make poor decisions. Canada's positive experience with child benefits, along with the Mincome program in the 1970s⁴, many other basic income experiments and programs around the world, and an enormous body of knowledge about how human brains, bodies and social relationships work, show that ideas like these are not true. Quite the reverse happens; *people do better when they can meet basic needs, control their money and make their own decisions*. Nutrition and learning improve, stress, alcohol consumption and violence decrease, and people are better able to find and create economic opportunities.

Third, although child benefit amounts are not up to a level of adequacy to meet the needs of the whole family (if other parental income is low), they are substantial and government evaluations show results in reducing incidence and depth of poverty, supporting adult attachment to the labour force and helping avoid recourse to social assistance.

Fourth, child benefits demonstrate the capacity for cooperation among jurisdictions to ensure a good mix of income and services for families with children, including recognition of disability as a factor affecting basic needs.

In addition to seniors and child benefits, there are several other, smaller, unconditional cash transfers that have positive effects, such as the GST credit, provincial equivalents like the Trillium benefit in Ontario, and benefits for expectant mothers in Manitoba, which have shown great results in healthier birth weights.

3. Social assistance (SA) is not a basic income

Social assistance provides various income floors across the country in a model that is the opposite of a basic income. The fact that rates are often thousands of dollars below accepted standards of adequacy (especially for single adults) is the tip of the iceberg of its problems. It is also the way money is provided that produces harm. SA provides little security as politics, bureaucratic complexity and inflation have always eaten away at benefits. It targets a very specific population group by forcing people to become almost destitute before income support is provided. SA is highly judgmental and imposes stringent rules and conditions. It carries stigma,

⁴ See, for example, the work of Dr. Evelyn Forget

a loss of dignity and the kind of high demand/low control life that creates time poverty and adds to existing stress and disadvantage. This can cause or worsen physical and mental illness and undermines resilience and productivity.

Because income is so low and conditions so high, many services are required to help individuals and families get by, but the services that are tied to SA receipt further entrap people in the process. Female lone parents have particularly low odds of escaping. In the SA model, the ways the rest of us use to get ahead - earning, saving, economizing, planning for the future - are usually impossible or against the rules. But SA recipients are not the only Canadians struggling.

The majority of women and men living in poverty are employed and not on SA but they don't fare well either, because there is extremely little income security of any sort available to them. At the upper end of the range are those living close to the poverty line and managing. With little security, however, they are highly vulnerable to any economic setback. Others may have incomes only slightly higher than welfare - and thus too high to access needed services, such as dental care or prescription medication that welfare recipients might get. Services that are geared to income are important and can help lower expenses for those in 'employed' poverty (everyone in poverty is 'working' at the hardest job of all - survival) but can still leave many unable to pay for food, clothing, rent, utilities and other daily necessities of human life.

4. The status quo and the future

The status quo is not serving us well. The social assistance model is a holdover from the past and its interaction with other parts of our social welfare mix of income and services is often perverse and costly, undermining overall effectiveness. Some examples include:

- lack of income for sufficient nutritious food, basic medicine and decent housing leads to deteriorating health and expensive hospital care, problems which are treated but which the health care system cannot prevent or fix;
- stress and poor health lead to reduced ability to learn, work and cope causing problems in schools, homes, workplaces and communities, again overburdening public services that cannot fix the underlying problem;
- stigmatizing and treating people differently according to their source of income and their implicit 'deservedness' in a judgmental system creates divisiveness and social exclusion;
- divisiveness of social assistance and poverty more widely that breaks down along lines of gender, race, ethnicity, religion, age, ability, and immigration, Indigenous and family status thus increasing tension, lack of understanding, intolerance and the potential for violence;
- divisiveness that is apparent in the shrinking of mixed neighbourhoods and polarization into rich and poor ones as well as racialized ones;
- a proliferation of costly 'downstream' programs to respond to the consequences of poverty and inequality rather than investment in 'upstream' prevention.

If we look at labour market and political trends, the status quo approach appears a dangerous path into the future. Employment is becoming increasingly precarious, with low pay, little security, and few benefits due to several factors, while automation is reducing the need for human labour. Even if, for example, the robots do not take away as many jobs as predicted, or if

new, different jobs emerge, there will still inevitably be women, men and children who will fall behind if good policies are not in place as transitions unfold.

In addition, because not everyone has the same access to opportunities, adults who already face discrimination related to gender, race, religion and other factors will likely see these pressures intensify in the labour market and society generally. We see these tensions as the US election unfolds and in the countries affected by Brexit issues. This should cause us great concern and in this light it makes sense that there is growing interest around the world in the idea of a basic income that supports widespread wellbeing, resilience and innovation. Canada is fortunate in many ways and is, in fact, in a position to show international leadership in designing a better way forward.

5. Basic income benefits Canadians generally, as well as communities and businesses

A basic income provides a kind of infrastructure for individuals and families, enabling them to be healthier and more productive in many aspects of their lives, whether that is parenting and caring, learning and developing skills, managing an illness, weathering a setback, working for someone else or creating something new.

It treats everyone with dignity and respect and thus contributes to social cohesion. It also provides a form of infrastructure for neighbourhoods and communities that have been hard hit by poverty, boosting their capacity to address problems preventatively and develop collective initiatives. It can help restore healthier, more stable, mixed neighbourhoods.

Business benefits take several forms. With more secure income, consumer demand for goods and services that support wellbeing will grow and that creates opportunities for businesses as well as jobs for residents. A basic income also supports the innovation agenda by enabling individuals to develop their own creative and entrepreneurial ideas. Funds like SR&ED and IRAP only support much larger businesses; repurposing some of that funding towards a basic income would also support founders, bootstrappers and entrepreneurs of all types.

RECOMMENDATIONS

BICN urges the federal government in the 2017 Budget to:

- 1) Take immediate steps in the direction of a basic income for working-age adults using federal refundable tax credits and other means compatible with the model of benefits for seniors and children;**
- 2) Undertake a thorough review and exploration of ways, in the context of fair and effective taxation as well as poverty reduction strategies, to fully realize a basic income for everyone;**
- 3) Cooperate with and support basic income initiatives of other orders of government, including by fostering public dialogue, consultation, analysis and policy development as this is in the interest of all Canadians.**