

Frequently Asked Questions: A Basic Income Guarantee for Canada

Q1: What is a basic income?

A basic income is a periodic, unconditional cash payment sent to individuals from the government. It ensures recipients can meet their basic needs and live with dignity regardless of their work status.

Different terms are used to describe key characteristics of a basic income. A *universal basic income* (UBI) describes an unconditional payment made to a broad sector of society, rich or poor, such as all citizens, adults or residents. A *basic income guarantee* (BIG) establishes an income floor that eliminates the risk of falling into poverty. While universally available, it is income-tested and only delivered to those who need it, regardless of their work status. A *guaranteed livable income* (GLI) is used to emphasize the importance of the benefit being sufficient, not just to survive, but to be able to live with dignity and to participate fully in community. In Canada, most basic income advocates support a *livable basic income guarantee*.

Q2: Will people stop working if they get a basic income?

No. Examination of the Canadian research from basic income experiments indicates people do not substantially reduce their hours of work. Only two groups were identified as leaving the workforce: mothers of very young children and people who went back to school (Forget, 2020, pp. 58-59). The research from the Ontario Basic Income Pilot showed that most of those who were working when the pilot began continued to work while receiving basic income. More than a third of these workers reported that basic income helped them find higher-paying jobs with better working conditions (Forget, 2020, pp. 58-59).

A well-designed basic income program would ensure there is no disincentive to work. To ensure that it always pays to work an additional hour, the program must provide a gradual decline in the amount of the benefit as employment income increases. For example, if the benefit declined by 50 cents for every dollar earned, workers would always be financially better off working an additional hour (Forget, 2020, p. 99).

Forget E. (2020). *Basic Income for Canadians: From the COVID-19 Emergency to Financial Security for All*. Toronto: James Lorimer & Company Ltd. See also: Forget's analysis of the research from five experiments in the 1970s (pp.106 to 112). See also: Ferdosi M, McDowell T, Lewchuk W & Ross S.(2020). [Southern Ontario's Basic Income Experience](#). Hamilton: McMaster University Labour Studies; Basic Income Canada Network (BICN) (2019). [Signposts to Success](#). A survey of Ontario Basic Income Pilot recipients.

Q3: How is a basic income different from CERB?

CERB was not designed as a basic income program. Support provided by CERB was conditional. It was limited to people who had worked and earned at least \$5,000 in the previous 12 months, had lost their jobs as a result of the pandemic, had their hours reduced, or had childcare responsibilities associated with school closures (Forget, 2020, p. 10). A basic income program should be unconditionally available for those who need it, regardless of work status.

CERB was designed to support people to stay home in order to slow the spread of COVID. As the economy started to reopen, some businesses complained that they could not get people to return to work. There were several reasons for this: people returning to work were only allowed to earn \$1000 before losing 100% of their benefit, leaving low-income workers at risk of earning less than the \$2,000/month guarantee that the CERB provided. People were also concerned about returning to unsafe workplaces that could not ensure social distancing or provide protective equipment. They

were concerned about bringing the virus home to their families, and many families continued to lack childcare as schools had not yet reopened (Forget, 2020, pp.98-99).

CERB set the benchmark and the precedent for the amount needed by most Canadians to meet basic needs and to live with dignity (the criteria for “livability”). The application process for CERB also made the program easily accessible and non-discriminatory, reducing the stigma associated with receiving income assistance. This is in direct contrast to the way provincial income assistance (welfare) programs are currently administered and managed.

See: Mahboubi P & Ragab M. (2020). *Lifting Lives: The Problems with Ontario's Social Assistance Programs and How to Reform Them*. Commentary 572. Toronto: C.D. Howe Institute.

Q4: How high should the income guarantee be set?

Since the purpose of a basic income is to address economic income insecurity and poverty, the guarantee should not be set below the poverty line using a Market Basket Measure (MBM). The Ontario Basic Income Pilot was a basic income guarantee for adults ages 18-64. The income guarantee was set at 75% of Statistics Canada’s low-income measure (LIM), or 25% below this poverty line. Single individuals were eligible for a minimum benefit of \$16,989/year. Couples could receive a maximum benefit of \$24,027. The benefit was reduced by \$0.50 (50%) for every dollar of income earned (PBO, April 2018). Basic Income Canada Network (BICN) costed a basic income guarantee model for the same age group (Policy Option One). Single adults were eligible for a minimum benefit of \$22,000 and an adult couple was eligible for a maximum benefit of \$31,113. The reduction rate was set at 40%. Boadway et al. (2016) proposed a guarantee of \$20,000 per adult adjusted for family size with a benefit reduction rate of 30%.

See: Parliamentary Budget Office. (April 2018). [Costing a National Guaranteed Basic Income Using the Ontario Basic Income Model](#); Basic Income Canada Network (BICN). (2019). [Basic Income: Some Policy Options for Canada](#); Boadway R, Cuff K & Koebel K. (2016). [Designing a Basic Income Guarantee for Canada](#). Queen’s Economic Department Working Paper #1371.

Q5: What programs would a basic income guarantee replace?

A national basic income guarantee should replace provincial income assistance programs (welfare). National programs, such as the Canada Child Benefit, Canada Pension Plan, Old Age Security, and the Guaranteed Income Supplement should all remain, although the GIS rate may need to be raised to the same level as that of the basic income guarantee to ensure fairness. Employment Insurance should be redesigned to ensure all workers who pay into EI are eligible for benefits when they need them. In 2018, only 40% of workers actually qualified for EI when they needed it. Together, this suite of national income transfers will ensure no one falls through the Canadian social safety net and into poverty.

Provincial income assistance programs should be harmonized with the federal basic income guarantee program, reviewing these programs based on transparent principles of cost, fairness, effectiveness and efficiency. These reviews should determine which programs should be replaced, which ones need to be redesigned, and how the new national basic income guarantee program aligns and fits with all other federal and provincial programs and tax credits (Forget, 2020, pp.194 to 195).

See also: Statistics Canada. (2018). [Employment Insurance Coverage Survey](#); Boadway et al. (2016). [Designing a Basic Income Guarantee for Canada](#); The importance of valuing our food production system: Structural inequalities in Canada’s social protection programs and food production systems in Tam T. (October 2020). *From Risk to Resilience: An equity approach to COVID-19*. Public Health Agency of Canada, pp.48-49; and National Farmers Union. (2020). *Envisioning a Post-Pandemic Agriculture and Food System*.

Q6: Would a basic income guarantee replace other social supports and services?

No. A basic income guarantee reallocates government funding to provide an income floor that Canadians can depend on. It is not meant to address underlying factors (such as disability, mental health or addiction), although these are made worse by poverty (Forget, 2020, p.195). Employment and training programs, counselling and health services, and rehabilitative services and supports must remain and should be enhanced where needed.

Q7: How much would a national basic income guarantee cost?

The cost depends on how the program is designed. The Parliamentary Budget Office (PBO) based its costing reports on the Ontario Basic Income Pilot. The PBO's [April 2018 report](#) estimated the gross cost at \$76 billion, minus identified current spending of \$32.9 billion (refundable and non-refundable tax credits and special programs) for a total of \$43.1 billion.

Forget calculated that in addition to the spending identified in this PBO report, the Ontario Basic Income Pilot was set up as an alternative to Ontario Works and the Ontario Disability Support Program, which cost \$8 billion/year. Assuming there are costs related to similar types of programs in the other provinces and territories, this represents an additional \$20 billion of current spending that can be replaced, not including the cost of administration. **The net cost would then fall to \$23 billion** by reallocating these provincial and territorial costs to a national basic income guarantee program. This does not include savings from the administration of these programs, nor does it include future savings resulting from reduced hospitalizations (a savings of 8.5% identified by Forget from the Mincome experiment), reductions in visits to family doctors, and savings in other social systems (Forget, 2020, pp. 201-202).

See also: The PBO's [July 2020 report](#) that costed the Ontario Basic Income Pilot based on three scenarios that phase-out the benefit by \$0.50, \$0.25 and \$0.15 for each dollar of employment income. The PBO's [November 2020 Update](#), which extended the July 2020 report's cost estimates over five fiscal years to 2024/25 for the same three scenarios, also included the new employment insurance temporary benefit.

Q8: How do we pay for a national basic income program?

This program would be paid for by Canadians through their taxes, by streamlining and reallocating government resources through a review and redesign of current income transfer programs, tax credits and deductions, and other tax reforms.

In 2019, before the pandemic, Basic Income Canada Network (BICN) costed three revenue-neutral policy options that replaced provincial and territorial social assistance programs and identified ways to pay for each option. For example, Policy Option One was paid for by eliminating the GST credit and the Canada Workers Benefit, eliminating a series of non-refundable tax credits and deductions, with some increases to taxes for higher-income Canadians, corporations and small businesses.

BICN. (2019). [Basic Income: Some Policy Options for Canada](#) (summarized in Forget, 2020, pp. 202-207). Policy Option Two was the same as Option One, but included a basic income for seniors (Forget, 2020, p. 205). Option Three calculates a universal model paid to all Canadians and permanent residents 18 years and older, where every adult, rich or poor, received a monthly payment with no reduction rate. The gross cost for this model was \$637.86 billion a year requiring a dramatic increase in taxes to pay for it. Because of the cost, this model has not gained much traction in Canada (Forget, 2020, pp. 206-207). See also: [Boadway et al., 2016](#) for a revenue-neutral design based on a two-stage process that harmonizes a federal basic income program with provincial income assistance.

Q9: What are the indirect benefits of a Basic Income Guarantee for Canada?

The Canada Child Benefit offers an example of what a basic income guarantee can contribute to the economy. According to a report by CANCEA (2019), in 2017-2018, the CCB kept 277,000 Canadian families above the poverty line, defined by the Market Basket Measure (MBM). This included helping 131,600 lone-parent families remain above the poverty line, of which 105,300 (80%) were female-led. This same report also estimated an economic impact of the CCB at 2.1% of Canada's total GDP. This is to say that for every \$1 disbursed through the program to Canadian families, a contribution of \$1.97 was made to GDP. This economic stimulus also generates tax revenue. For every \$1 disbursed to Canadian families through the CCB, over half (\$0.55) was recuperated through taxes, \$0.30 to the federal government and \$0.25 to provincial governments (CANSEA, 2019, pp. 7-8).

All three models developed by Basic Income Canada Network demonstrate a reduction in inequality, as people in both the low- and middle-income groups see their disposable income increase. Those with the lowest income see their disposable income increase by more than 350%. Poverty is very nearly eliminated and Canadians are no longer trapped in the deep poverty created by our current welfare systems (BICN, p. vii). As demonstrated by the CCB example, a basic income program can also streamline the interface between people and their government and improve income tax participation.

With a basic income, people have the opportunity to make better life choices. Forget's research on the results of the three-year Mincome experiment found that basic income improved health and wellbeing, reducing hospitalization by 8.5% and the use of other health services by reducing stress and improving mental health (Forget, 2020, p.202). Caseworkers would see their workload shift from managing client compliance with the myriad of welfare regulations to working with them to improve their health and wellbeing (Forget, 2020, p. 157). By reducing income inequality and eliminating poverty, basic income would also improve social cohesion by improving community safety and security.

Income security is an essential enabler of community resilience as our economy shifts to support environmental and social sustainability. For example, if we are to reach our goal of net-zero greenhouse gas emissions by 2050, public support will be needed to sustain decarbonization efforts. Just as every aspect of local resilience is in some way connected to a climate impact or a low-carbon solution, income security will either reinforce community resilience by its presence - or makes it virtually impossible by its absence.

CANCEA. (2019). [Economic Contribution of the Canada Child Benefit](#): A Basic Income for Canadian Families with Children; Forget E. (2020). *Basic Income for Canadians: From the COVID-19 Emergency to Financial Security for All*. Toronto: James Lorimer & Company Ltd.; Basic Income Canada Network. (2019). [Basic Income: Some Policy Options for Canada](#) .

Q10: What national basic income guarantee program are we advocating for?

[Coalition Canada: basic Income – revenu de base](#) advocates for a **livable basic income guarantee** for adults age 18-64 to replace provincial social assistance (welfare), with a guarantee set at the same level as CERB (\$2000/month), with a reduction rate of \$0.50 for every dollar of income earned.