

# Discussion Paper

## **Guaranteed Annual Income:**

An important component of an integrated  
and comprehensive approach  
to dealing with poverty

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**Public Services  
Foundation of Canada**







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An important component of an integrated and comprehensive approach to dealing with poverty

## Canada has a serious poverty problem

In Canada, our patchwork income support system is supposed to ensure that nobody goes hungry, and that everyone has shelter, especially during the long and harsh winter season most of us endure. But even that most basic of social standards is not being met. Not by a long shot.

According to Statistics Canada, 1 million children live in poverty. Many go to bed hungry every night—and 1 in 7 children goes to school hungry in the morning, too. 900,000 Canadians had to rely on a food bank every month last year.

As for shelter, Canada Mortgage and Housing Corporation tells us that over 4 million Canadians lack decent, affordable housing. Between 150,000 and 300,000 of our fellow citizens are homeless, sleeping in temporary housing and homeless shelters every night if there is room, or sleeping outside.

We're failing our children.

We're failing seniors, too. According to the TD Bank's 2015 report, Canadian seniors are racking up debt more than any other group. Many are on fixed incomes, which is even more worrying. Organizations such as the Organisation for Economic Co-operation and Development (OECD) have noted rising poverty rates among seniors, particularly women. Seniors account for 30% of all bankruptcies in Ontario, and that trend can be seen across the country.

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And we're doing no better with students. Over 425,000 of them are forced to borrow to finance their studies. Education is an investment in Canada, but we reward these hard-working young people with an average of \$25,000 worth of debt after graduation, and twice that if they go on to their Master's degree. And while they are going through school, we ask them to live on less than \$10,000 a year.

In fact, we've condemned a sizeable chunk of our population to live below any realistic notion of a poverty line. Add precarious workers with short-term jobs, low wages, and no benefits to the list. And underemployed workers, minimum wage workers, people with disabilities, new immigrants, Aboriginal people on and off a reserve, members of visible minority groups.

That's a lot of people, and it's costing all of us plenty.

### **Poverty and income inequality are harmful to everyone**

A number of studies, in Canada and abroad, have shown that poverty and income inequality are harmful to everyone. We're paying for the symptoms: poor mental and physical health, drug use, obesity, educational performance, teenage births, violence, crime, and lack of social mobility. These rack up countless direct and indirect costs that all of us have to bear.

In Canada, we spend far less on poverty programs than we do on the costs and consequences of poverty itself. Before it was abolished by the Harper government, the National Council of Welfare used to compile the figures annually: in 2008, it would have taken \$13.1 billion to raise everyone to the poverty line, while the actual costs of poverty were twice that.

In other words, we could have closed the poverty gap by investing in the direct costs of eliminating it, while also reaping the benefits of indirect cost savings over the long term. But that's not what is happening.



If you add up all the money that governments at all levels spend on income support, social housing, and other targeted social programs, it's a considerable amount—\$11 billion at the federal level alone. But this social spending is not making poverty go away, or even keeping it where it is. Over the past 30 years, the top 10% have increased their average income by 34%; the bottom 10% have seen only an 11% rise.

If we really want to make sure that no one in Canada is hungry or cold, or has to choose between filling a prescription and feeding the family, we need to shift our thinking.

### **A Guaranteed Annual Income**

Canada spends approximately \$75.8 billion annually on a complex system of income support, consisting of a wide range of national and provincial means-tested income programs and a complex web of tax credits. However, unlike community services, this wide array of income support programs at the federal and provincial levels to help people living in poverty have not played an effective role at eliminating poverty.

The fact is that most of Canada's income support system is largely based on a short-term spending model that has not been able to bring down poverty rates, has a mixed record of improving well-being, and greatly contributes to indirect poverty costs.

A policy idea that has long been seen as a more efficient way to eliminate poverty has been the concept of a guaranteed annual income (GAI). A GAI is basically a cash transfer from government to citizens designed to provide income at a level sufficient to meet basic needs and live with dignity, regardless of work status. It is based on the vision of universal income security through ensuring that everyone receives a modest but adequate income.



This is not a new idea for Canada. The concept has been debated in Canada for close to half a century. It recently has landed back on Canada's policy agenda and is attracting attention from all political parties as well as from both progressive and conservative policy think tanks.

A Special Senate Committee on Poverty proposed a GAI as far back as 1971. But this didn't end up in a report gathering dust. In 1974, the town of Dauphin, Manitoba, became a living experiment that was to continue for 5 years. Supported by both the federal and Manitoba governments, every working-age citizen and senior in Dauphin received a monthly cheque—the "Mincome," or minimum income. While some expected that this money would sap the initiative of people to work, the opposite proved to be true. Not only that, hospital admissions dropped significantly as well.

When Conservative governments came into power in Manitoba and federally, the experiment was scrapped. There was no final report, and the Mincome files were archived.

The idea of a GAI was revived in 2009 by the Standing Senate Committee on Social Affairs, Science and Technology, but only as a possible solution to our deepening poverty problem.

Now, however, there is unprecedented support within social, political, and health circles to tackle our poverty crisis. (And crisis it is: the OECD reported in 2013 that Canada had the worst poverty of the 17 developed nations it examined.) The GAI has emerged as a serious option. Former Conservative senator Hugh Segal promoted the idea for decades, and so has Liberal Senator Art Eggleton, who has become a national champion of the GAI. Prime Minister Justin Trudeau has instructed his Minister of Families, Children and Social Development, Jean-Yves Duclos, to commit to the relief of poverty, and Minister Duclos has already expressed interest in exploring the idea of a GAI.

Renewed interest at the federal level has been matched by provincial and municipal politicians. In PEI, 4 party leaders expressed support for exploring a basic income guarantee, while mayors of some of Canada's largest cities—including Don Iveson of Edmonton, Naheed Nenshi of Calgary, and Mike Savage of Halifax—are pushing for a national GAI as they struggle with poverty and homelessness in their own communities. The most recent open supporter of the GAI is the Ontario government, which, in its 2016 Budget, pledged to “work with communities, researchers and other stakeholders in 2016 to determine how best to design and implement a Basic Income pilot project.”

Nor is this a Canadian phenomenon. Support for a GAI is building around the world, as austerity has taken its toll, impoverishing millions of people and wrecking economies. Pilot projects are now taking place in Greece, Finland, and the Netherlands. A number of other countries and jurisdictions are taking a close look at this option as well.

### **GAI embraced across the political spectrum**

With such a wide range of advocates across the political spectrum promoting the concept of a GAI, there is no concrete and universal definition of a GAI or how a GAI should be structured. The current GAI debate also gives one a reason to be suspicious of the fact that many conservatives are embracing the same concept that is being promoted by most progressives within the social policy community.

Many social policy activists view a GAI as a vehicle to reduce growing income inequality, eliminate poverty, raise wages and restore dignity to low-income Canadians. At the same time, there are conservatives who see GAI as a way to eliminate public sector jobs, dismantle public services, and replace them with direct cash transfers to individuals who can then purchase the services they need from the private marketplace. Others in the corporate world are attracted to a GAI as a way to subsidize low wages.

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The reality is that no matter how a GAI program is structured, or the level of benefit it would provide to low-income Canadians, a GAI, by itself, will never be the silver bullet to reduce the high-level income inequality that exists in Canada. It certainly has the potential to reduce poverty. But it would have little impact on the other end of the income inequality spectrum: grossly high levels of income and wealth concentrated in Canada's highest-income earners.

A GAI program does, however, have the potential to be an important component of an integrated and comprehensive approach to dealing with poverty.

### **The role of community services in eliminating poverty**

Another major component of any national strategy designed to eliminate poverty in Canada must involve strengthening and building the wide range of services provided in communities across the country. These community services help alleviate the consequences of poverty. More importantly, however, the provision of community services is perhaps the strongest contributing factor to preventing poverty.

Community services ensure that citizens have opportunities to achieve equality, well-being, and quality of life and to participate fully in all aspects of society, regardless of their income level. For example, services like addiction counseling, transition housing for abused women and children, home care for seniors, and residential and community care for persons with disabilities are used as often by middle-class families as they are by low income families.

Although these services often have little to do with poverty, their provision plays an important part in eliminating many of the factors that lead to poverty. They represent a preventive approach to poverty.

Community services benefit every single Canadian. They play an important role in eliminating both the causes and societal costs of poverty, and thus in reducing income inequality. Any



national strategy to effectively eliminate poverty must include a strong network of community services across the country that are adequately funded and accessible to all Canadians who would benefit from them.

A GAI could act as a valuable complement to the range of community services that exists across the country. But a GAI could never replace the important role that community services play in preventing poverty and in helping alleviate the consequences of poverty.

### **Important principles to govern a GAI**

GAI is a concept; there are many models to choose from. But before actually getting into the design of a GAI program, it's important that Canadians develop a consensus on the principles that would govern the development and implementation of a GAI program.

The following are some of the basic GAI principles that the National Union would support and advocate for.

First, we believe it would be essential to make GAI a national program with enforceable national standards such as those that once governed the Canada Assistance Program, that is, universal, publicly administered, portable, comprehensive, and accountable on the part of the provinces and territories.

Second, a GAI should be adequate to meet basic living needs and should increase at least with the cost of living. A national GAI program should not leave anyone in any jurisdiction with less income support than what they have now. It should also exclude “workfare” as a precondition to receiving GAI benefits.

Third, it should be paid for through a progressive and fair tax system, thus allowing provinces, territories, and municipalities to offer more support to people with disabilities, and more cash on hand to provide retraining, child care support, new counseling, and other community services for children, youth, and families.



Fourth, there also needs to be strong supports for workers, including a guarantee that nobody will lose their existing job as a result of the introduction of a GAI. Workers and their representatives should have a seat at any discussion table and be a full partner in any pilot projects. Workers should have the opportunity to have training and retraining as needed to meet the changing roles of new programs and services. In addition, workers should have the right to move to a new employer that is offering services, without losing any rights, benefits or entitlements.

### **GAI: one component of a comprehensive strategy to reduce income inequality**

Growing income inequality is the biggest challenge facing Canadians today. It has led to increased poverty among a growing number of Canadian families. A GAI that guarantees an adequate income for all Canadians would definitely play an important role as part of a comprehensive strategy to reduce income inequality.

Such a strategy, however, must be based on a commitment that Canada uses its common wealth to support our common good. The strategy must include the following priorities:

- expanding quality universal public services that meet the needs of all citizens and enhance our values of equality and inclusion, services such as quality affordable public child care, affordable housing, pharmacare, accessible post-secondary education, and community services;
- developing and implementing a modern industrial strategy that supports a mixed economy and promotes economic sustainability, social justice, and decent work for all;
- improving minimum wages rates, Employment Insurance, and Canada's public pension system, as well as access to workplace pension plans for all Canadian workers;
- implementing tax fairness based on a progressive approach to wealth distribution;

- respecting and enhancing labour rights, which play a critical role in achieving higher levels of economic equality and social rights for all citizens;
- strengthening employment standards to protect Canada's growing precarious workforce and initiating other labour market measures aimed at achieving greater equity for under-represented segments of Canada's workforce.

## Conclusion

Canada is one of the richest countries in the world. There can be no excuse for leaving so many of our citizens in poverty—poverty that stunts the human spirit, eliminates opportunities, and condemns so many of our fellow citizens to live on the margins of our society. We are literally all poorer as a result.

Every Canadian, well off or poor, will benefit from a society without poverty. It's time to get to work to eliminate it once and for all. A guaranteed annual income that provides Canadians with adequate incomes to meet their basic needs would definitely help get the job done. But by and of itself, it's not the silver bullet that is going to resolve the biggest challenge facing Canadians today—rising income inequality.

**Growing income inequality is the biggest challenge facing Canadians today.**



# Public Services Foundation of Canada



The Public Services Foundation of Canada (PSFC) is a national research and advocacy organization dedicated to defending and promoting the value of high-quality public services.

The National Union of Public and General Employees (NUPGE) is one of Canada's largest labour organizations with over 360,000 members. Our mission is to improve the lives of working families and to build a stronger Canada by ensuring our common wealth is used for the common good.

