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**THE CENTRE FOR LABOUR MANAGEMENT  
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**THE CENTRE FOR INDUSTRIAL RELATIONS AND  
HUMAN RESOURCES**

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"Even if the robots don't come, our labour market is so precarious that as it is, it isn't working. That's why we need basic income."  
- Neal Lawson

"I fundamentally disagree with those who think that people must be "forced" to work, or that government should "guarantee" a job. In my view breaking the link between paid work and survival would be a good thing. If people are intrinsically of value, then they have the right to survive with or without working. I therefore think we should guarantee basic income, rather than jobs ... If people don't have to work to survive, most will find or create work that fulfills themselves and benefits others, and we will all be richer for it."  
- Frances Coppola

"We are headed for more massive disruption in coming years. McKinsey says 1.1 billion workers do things that are automatable today."  
- Bill Gross

"When one is overly preoccupied with paying the rent on time, it leaves little room for daring to dream about other opportunities, to innovate and better oneself, or to simply do an attentive job of raising a family. If we take the worry of poverty off people's shoulders, we can create a richer, more meaningful society for everyone."  
- Roderick Benns

"The assurance of a certain minimum income for everyone, or a sort of floor below which nobody need fall even when he is unable to provide for himself, appears not only to be a wholly legitimate protection against a risk common to all, but a necessary part of the Great Society in which the individual no longer has specific claims on the members of the particular small group into which he was born." - Friedrich Hayek



# CONFERENCE AND BACKGROUND





## CONFERENCE

On Mon. May 29 2017 the CLMR and the CIRHR brought together over 20 speakers from academia, community, labour, law, and policy, as well as over 120 representatives from various stakeholder groups, for a one-day conference – **The New Economy and a Basic Income Guarantee (BIG)** – to:

- A. Identify changes to the nature of employment, labour and work that have pushed stakeholders in work arrangements (e.g., government, industry, labour, and workers) towards considering changes to social programs;
- B. Understand the challenges, expectations, and priorities of stakeholders to more effectively reflect their basic needs in the design of social programs;
- C. Review the fundamentals, history, and purpose of a BIG, as well as the evidence and theory on the intended and unintended labour market impacts of such a policy option;
- D. Explore the relationship between a BIG and the broader politics of labour policy and distribution in Ontario; and
- E. Examine the economic, financial, political and social realities that are underlying stakeholders' motivations towards administering, designing, organizing, planning, and receiving a BIG.

The contents of these proceedings capture, distil, and build on the insights and knowledge of the conference speakers, who were all asked to prepare individual presentations based on their respective areas of expertise and to participate in semi-structured panel discussions. This methodology was selected to produce an in-depth macro-qualitative analysis of the event objectives

by having speakers examine them through a broad range of perspectives and various macro-environmental factors. These proceedings begin with a brief background on the topic, and then further elaborates on the objectives of this event by presenting the speakers powerpoint presentations / speaking notes to encourage further dialogue on this topic. Speakers presentations and notes have been organized based on the session they participated in, including:

1. Introductory remarks;
2. A keynote speech titled “The new economy and a basic income guarantee”;
3. A panel discussion titled “How can social programs keep pace with changing working conditions?”;
4. A panel discussion titled “What do theory and evidence tell us about the labour market impacts of a BIG?”;
5. A panel discussion titled “How do various policy options relate to the broader politics of redistribution?”; and
6. Closing remarks.





## BACKGROUND

A BIG is a policy option that could provide unconditional income transfers from public institutions to low income individuals and / or families. These transfers would be at a level sufficient to meet recipient's minimal needs and allow them to live with dignity, independent of recipient's ability to earn or the availability of work in the labour market.



**Proponents of a BIG claim that this policy option could result in increased high school completion rates, reduced health care expenditures, and decreased welfare bureaucracy and costs.** In the early 1970s a guaranteed income project was piloted in Dauphin, Manitoba that resulted in a decrease of hospitalization rates by 8.5 per cent, and an increase of adolescents completing their high school educations<sup>1</sup>. Decreased welfare bureaucracy and costs could be achieved as a single basic income program could be simpler to administer than multiple poverty-reduction programs, and it could cut through the red tape and expenses associated with welfare programs and other forms of social assistance that have

application processes, spending requirements, and periodic audits.

**Proponents of a BIG also claim that it could result in the following employment, labour and work outcomes:**

- **Decreased impact of unemployment through offering an unconditional safety net:** A BIG could mitigate the effect of globally and technologically induced mass unemployment on workers through providing them with an unconditional safety net that would be easily and readily accessible when they were most vulnerable and in greatest need of support. In Canada over 40% jobs are highly vulnerable to automation in the next 10 to 20 years<sup>2</sup>. "The disruptive technological fields of artificial intelligence, machine learning, robotics, nanotechnology, 3D printing, genetics and biotechnology will lead to massive job churn"<sup>3</sup>.
- **Decreased precarious employment and workplace violations through providing the option of exit:** A BIG could reverse the tide in rising precarious employment and workplace violations by shifting bargaining power from capital to labour. It could provide workers with greater agency and voice, and reduced fear of consequences and retribution, when raising concerns with their employers, as they would have the option of exiting undesirable working arrangements if their workplace demands were not addressed. In Ontario 41% of work was done outside of traditional, standard, full-time, permanent employment in 2015<sup>4</sup>. Additionally, in Ontario employment blitz focusing on precarious employment found that 78% of workplaces were in violation of the Employment Standards Act, 2000 in the summer of 2015<sup>5</sup>. Finally, in Ontario 22% of workers are not fully protected by employment laws because of exemptions<sup>6</sup>.
- **Improved jobs numbers through social innovation:** A BIG could allow individuals to take risks and become social entrepreneurs by providing them with a foundation to start their own businesses. Social businesses create 126 jobs for every 94 jobs that regular businesses create, and "data shows that most social entrepreneurs expect to be making a living through their business within three years and that many would benefit from a basic

income to support them during the development stage<sup>7</sup>.

- **Improved gender equality through valuing unpaid work:** A BIG could partially compensate women and men for the unpaid labour they perform, such as providing care to children and performing everyday domestic chores, that is essential to our society but not financial rewarding. In Canada women spent an average of 50.1 hours per week on unpaid child care (men spent 24.4 hours per week), and women spent an average of 13.8 hours per week on unpaid domestic chores (men spent 8.3 hours per week) in 2010<sup>8</sup>.



**Skeptics of a BIG claim that this policy option could result in disincentives to work, and increased tax rates.**

In Canada and the United States “there were a number of randomized controlled trials in which randomly selected low-income individuals received a universal basic income” in the 1970s. “In all of these experiments, receiving a universal basic income significantly improved the lives of people while having at most a modest effect on labour force participation<sup>9</sup>.” In the early 1970s a guaranteed income project was piloted in Dauphin, Manitoba which “found that the negative effect on people’s willingness to work was negligible for the general population, but more pronounced for mothers with young children, as well as school aged teenagers...”<sup>10</sup>. Additionally, “paid work always increases the discretionary income of people with a universal basic income<sup>11</sup>,” thus incentivizing them to work. If anything, the restrictive bureaucracy of existing programs and services can discourage people from seeking work as “individuals have to report their income and changes in their living situations much more often than those who don’t receive these types of assistance... [and] when people begin earning

income their social assistance benefits are reduced or taken away”<sup>12</sup>. While increased tax rates are one option to fund a BIG, other options such as redirecting funds from existing programs, cancelling some (or all) of the existing programs and services, and creating new revenue streams have also been proposed. Canada’s federal and provincial governments have 33 income support programs that could be considered forms of basic income. Cancelling all 33 of these income support programs could yield up to \$108.7 billion, which could be reinvested in a universal basic income<sup>13</sup>. A BIG for Ontario would “cost Canadians approximately \$30 billion a year, less the \$15 billion... currently [paid] for income assistance”<sup>14</sup>. Part of the cost of funding a BIG could be financed by taxing the goods and services produced by automated systems and machines<sup>15</sup>, or by nationalizing all industries that provide the infrastructure for automation<sup>16</sup>.



**Skeptics of a BIG also claim that it could result in the following employment, labour and work outcomes:**

- **Encouraging “high churn / low pay” employment models by endorsing austerity measures:** A BIG could inspire job churn and lower paying work, “creating an ever more elastic workforce based on the most precarious forms of employment”<sup>17</sup> if it signals to employers that governments are using it as an austerity measures (e.g., contracting out work, freezing worker wages, privatizing public services, etc...). Most basic income programs are proposed as a way to save money by decreasing welfare bureaucracy and costs, and “their goal is not to achieve a more equitable distribution of collective wealth but to reduce government expenditures and reduce the tax





burden”<sup>18</sup>. However, a basic income is not intended to be a substitute for the provision of public services, which would force citizens to confront reduced access to worse quality public services<sup>19</sup>. In Ontario the government has cut over \$7 billion from public services since 2010<sup>20</sup>. In Canada “... Even wiping out every social assistance worker in the province would only save pennies compared to the current cost of social assistance in dollars. Staffing costs for ODSP and OW amount to just 2.3 per cent of program costs...”<sup>21</sup>. If implemented, a BIG may “be bitterly fought by... public sector unions, who... oppose anything that leads to layoffs of their members”<sup>22</sup>.

- **Increasing precarious employment by creating a de facto subsidy for low-wage employment:** A BIG could encourage employers to offer short-term employment as workers would have an unconditional safety net to financially cushion them between periods of unemployment and seeking new opportunities. “One concern is that a basic income can be a subsidy for precarious work. Rather than employing full-time workers, paying benefits and a stable living wage, the guarantee of a minimum income could encourage businesses to substantially increase the use of contract employees, part-timers or temporary workers to fill jobs”<sup>23</sup>.
- **Increasing societal inequalities by failing to address the need for broader employment supports:** A BIG could further disadvantage young and older workers by neglecting to address the supports they would require to tackle retraining and un(der)employment. “Young people just entering the workforce struggle to find secure employment that

makes use of their training and offers them anything like the salary, security and range of benefits previous generations took for granted. “Older workers, displaced by technology, often lack the skills to compete for the jobs that exist”<sup>24</sup>. “Ontario’s basic income subsidy plan... seems to be built around the supposition that unemployment and underemployment have no remedy other than being propped up with a subsidy.” In Canada 40% of workers aged 25 to 34 with a university degree were overqualified in their current position in 2014, and it takes new graduates an average of 18 months to 2 years to find jobs<sup>25</sup>.

- **Weakening the position of other policy options intended to improve labour laws and strengthen working conditions:** A BIG could detract from other policy options, such as improving labour laws through the recommendations of the changing workplaces review and strengthening working conditions through efforts to raise the minimum wage, which could have an immediate impact on workers. Proposing, testing and implementing a BIG could take a minimum of five years, and may be used “as an excuse to push against inequality in other ways, such as strengthening labour standards and pay levels”<sup>26</sup>. “...By proposing basic income, the Ontario government may be attempting to release some political pressure without capitulating to the [Fight for \$15] movement’s concrete demands...”<sup>27</sup>. “Labour leaders in Ontario are criticizing the provincial government’s plans... saying it doesn’t address a broken social assistance system and precarious job market...”<sup>28</sup>.





A BIG is often used interchangeably with the following terms: “basic income, guaranteed annual income, negative income tax, guaranteed livable income, guaranteed adequate income, social dividend, territorial dividend, state bonus, demogrant, assured annual income and citizen's wage. Each comes with slightly different connotations and different camps of advocates have their own reasons for favouring one term over the other”<sup>29</sup>. The possibility of a BIG has been discussed in a variety of formats for the past 500 years, and has recently experienced a resurgence of media coverage and political interest; Basic income pilot projects are being planned or underway in almost a dozen countries<sup>30</sup>. However, this renewed interest in a BIG has not only been restricted to its primary objective of reducing poverty; instead, this renewed interest has been expanded to spotlight a BIGs perceived potential to shelter citizens from the volatility of employment, labour and work trends that threaten to destabilize local markets and create prolonged periods of global economic uncertainty. These trends include, but are not limited to:

1. **Austerity measures that have led to “high churn / low pay” employment models;**
2. **Globalization and technology induced mass unemployment;**
3. **Outdated legislation and regulations that provide little to no workplace protections and rights to varying classifications of workers; and**
4. **Precarious contracts that have led to suppressed wages and declining benefits.**

The influence of these four employment, labour and work trends can be observed in the framing of the Government of Ontario's basic income pilot project.

- In February 2016, the Government of Ontario committed in its budget to design a pilot project to see if “a basic income could build on the success of minimum wage policies... by providing more consistent and predictable support in the context of today's dynamic labour market”<sup>31</sup>.
- In June 2016, the Government of Ontario appointed Hon. Hugh Segal to advise on the design and implementation of a pilot project, which would test the view that a basic income could help deliver income support more efficiently, while improving health, employment and housing outcomes for citizens<sup>32</sup>.
- In August 2016, Hon. Segal released a discussion paper – Finding a Better Way – laying out options to move forward with a basic income pilot project for Ontario<sup>33</sup>. Beginning in November 2016, this paper was used by the Government of Ontario as a starting point to solicit feedback on the design of a basic income pilot<sup>34</sup>.



- In March 2017, the Government of Ontario released a final report on the results of these consultations, which included feedback from about 1,200 people who attended 14 public consultation sessions, as well as more than 34,000 people who responded to online surveys<sup>35</sup>.
- In April 2017, the Government of Ontario announced that it would conduct a \$150 million three-year pilot project to “assess whether a basic income [could] better support vulnerable workers, improve health and education outcomes for people on low incomes, and help ensure that everyone [shared] in Ontario's economic growth”<sup>36</sup>. This pilot would also study “whether a basic income [could] give people the security and opportunity they



[would] need to achieve their potential..., [and] whether giving people a basic income [could] be a simpler and more economically effective way to provide income security to people living on low incomes”<sup>37</sup>.

- This pilot would include 4,000 randomly selected participants, between the ages of 18 to 64, who had been living on a lower income in one of the following selected test locations for 12 months or longer: Hamilton, Brantford, and Brant County; Thunder Bay and the surrounding area, and Lindsay<sup>38</sup>. “In a separate but parallel process, a basic income pilot for First Nations [would be] co-created and designed in collaboration with First Nations partners”<sup>39</sup>.
- Under this pilot, single participants could receive up to 75 per cent of the low-income threshold, or up to \$16,989.00 a year, less 50 per cent of any earned income. Partnered participants could receive up to \$24,027.00 a year, less 50 per cent of any earned income. People with disabilities could receive up to \$6,000 more a year<sup>40</sup>. Participants would continue to be eligible to receive the Canada Child Benefit and the Ontario Child Benefit. Participants would not continue to be eligible to receive amounts from Ontario Works and the Ontario Disability Support Program, but would continue to be eligible to receive the Ontario Drug Benefit and dental benefits. Participants would continue to receive employment insurance or Canada Pension Plan benefits, but would have their basic income amounts reduced dollar for dollar<sup>41</sup>.

Reviewing these four employment, labour and work trends, it is vital to consider which trends may be best addressed through a BIG and which

trends may be best addressed through other policy options:

1. **“High churn / low pay” employment models that follows austerity measures** may be exacerbated by a BIG, especially if governments were to continue framing this policy option as a means to decrease welfare bureaucracy and costs. Austerity measures are typically intended to improve business, economic and social conditions. Unfortunately the opposite outcomes often emerge. Minimum wages stagnate, employment rates fall, and workplace violations rise. Prosperity measures, such as investing in decent work and good jobs, can result in greater productivity and profitability for businesses, improved job and income security for workers, and decreased inequality and injustice for all of society.
2. **Mass unemployment that follows globalization and technological advancements** may be mitigated by a BIG, but would require further employment supports to ensure that workers are prepared to assume new jobs, and / or to take risks and become social entrepreneurs. Individuals in need require more than money; access to crisis intervention, child care, employment counseling, financial planning, housing supports, Internet services, life skills training, personal advocacy, and pharmacare are options for further supports that workers may require in the future.
3. **Little to no workplace protections and rights for varying classifications of workers that follows outdated legislation and regulations** may informally be addressed by a BIG through shifting bargaining power from capital to labour and providing workers with the option of exit. However, this could create chaotic and volatile working conditions for all stakeholders that could be better managed through new labour laws that formally protect workers from precarious employment and workplace violations.
4. **Suppressed wages and declining benefits that follows precarious contracts** may be aggravated by a BIG, especially if it acts as a subsidy for precarious employment, or it may be alleviated by a BIG, especially if it increases the reservation wage and improves working conditions. While the



effect of a BIG on suppressed wages and declining benefits could go either way, public policy can be used to direct stakeholders towards favorable outcomes for everyone. Strengthening working conditions through raising the minimum wage and improving labour laws through the recommendations of the changing workplaces review are policy options that may have a more direct impact on suppressed wages and declining benefits.



<sup>1</sup> Hossain, R., and Brown, A. (2017, January 27). Can Ontario prove basic income works? *Healthy Debate*.

<sup>2</sup> Garbutt, S. (2017, March 8). Automation isn't the problem, capitalism is. *The Manitoban*.

<sup>3</sup> Risdon, J. (2017, April 3). Canadians need to prepare for workplace hardships as AI begins to take over positions.

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<sup>13</sup> Macdonald, D. (2016, October). A Policymaker's Guide to Basic Income. *Canadian Centre for Policy Alternatives*.

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<sup>19</sup> Ghosh, J. (2017, February 17). A universal basic income in India? *Real-World Economics Review Blog*.

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<sup>21</sup> Thomas, W. (2017, March 17). Basic income summary ignores "human touch" in anti-poverty work. *CNW*.

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<sup>26</sup> (2017, April 18). Don't make 'basic income' an excuse for inaction. *The Toronto Star*.

<sup>27</sup> Verman, A. (2017, April 17). Basic income is no silver bullet, but it may still save us. *Torontoist*.

<sup>28</sup> Gillmore, M. (2017, May 9). Ontario's guaranteed basic income pilot misses mark, labour leaders say. *Rabble*.

<sup>29</sup> Falvo, N. (2016, October 4). Ten things you need to know about Canada's guaranteed annual income debate. *Rabble*.

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<sup>41</sup> Gillmore, M. (2017, May 16). Anti-poverty activists urge Ontario to focus on poverty reduction, not just basic incomes. *Rabble*.

# INTRODUCTORY REMARKS

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Sheila Regehr is a founding member of the Basic Income Canada Network and former Executive Director of the National Council of Welfare. Her 29 years of federal public service spanned front-line work, policy analysis and development, international relations and senior management, with a focus on improving fairness and equality, and on gender and race in particular. She has policy expertise in areas of income security and taxation, such as child tax benefits, child support, maternity/parental benefits, pensions and social assistance. Her insight also comes from experiencing poverty as a young parent. Sheila is grateful, in her retirement, to have resources, time and health to do volunteer work and help care for twin grandsons.



Regehr, S. (2017, May 29). Introductory remarks. Presented at the Centre for Industrial Relations and Human Resources and the Centre for Labour Management Relations' conference, "The New Economy and a Basic Income Guarantee." *Toronto, ON.*

I want to begin by conveying my gratitude to everyone who has contributed to this timely and important conference. We know that the concept of a basic income is not new. Indeed it goes back centuries, like the concept of democracy. It has been the subject of more modern policy debate and piloting in North America in the 1970s. Forms of basic income also exist in Canadian public policy today for seniors and, to a partial but significant extent, for families with children. Those policies have been well-supported by the public and by various political parties across the country.

In just the past few years, there has been a resurgence of interest in the potential of basic income along with new discoveries, such as long-hidden positive results from the Dauphin Mincome experiment in the 1970s, and new pilots in many parts of the world. A major element driving interest and action is concern about the current state of our economy, extreme inequalities and an unpredictable, increasingly roboticized, future.

### **About the Basic Income Canada Network**

For those of us connected to BICN or the larger basic income movement, and who have been in the vanguard for years pushing to expand a basic income guarantee to everyone in Canada, this resurgence of interest is welcome news. But the speed with which it is capturing attention, especially from governments, has seemed to catch many people off guard. As with any policy change, especially a paradigm shift like this one, there is no doubt that guard is required. Proactive engagement is even more necessary.

BICN began in 2008, as one of a growing number of national affiliates of the international Basic Income Earth Network, with Revenu de base Québec now affiliated as well. BICN evolved with the growing interest, moving from general awareness-raising of the concept in the early days to specifically promoting the Basic Income We Want, guided by shared principles and grounded in the specific Canadian policy context. It is the opposite of an austerity or a judgmental model, instead envisioning a far better mix of unconditional income security, with more effective services and other areas of public policy that improve individual and community wellbeing.

BICN has been described by others as ‘a bunch of academics’ and as a ‘grassroots’ organization. We are both and more. In fact, one of the most remarkable aspects of the basic income movement in Canada is its diversity that transcends easy categorization. There are people living in poverty, employers, precarious workers, lone-parents, people of faith or Indigenous or other moral tradition, high tech entrepreneurs, people with disabilities, artists, mayors, union members, environmentalists, doctors, service providers, policy analysts and the list goes on.

### **Ontario and Beyond**

Much attention is, of course, now focused on Ontario where the government is beginning a three-year pilot. The pilot will run and we’ll learn from the experience; but this is not the whole story. Quebec is embarking on a path towards a basic income without a pilot. Prince Edward Island, on the other hand, by all party agreement, wants federal government cooperation to run a pilot, and if it happened could look different than Ontario’s. Other jurisdictions are interested too. The federal government could even decide to develop its own initiative. Despite the progress made in many provinces, we are still working toward a full, national, basic income for all who need it.

The larger significance of a pilot now is that the basic income conversation in Canada has moved from abstractions to concrete policy details. There is a tremendous opportunity to better engage the public across the country on the values and the details of basic income design, and foster informed policy debate, whether you like what’s on the table, you’d improve it, you have a better alternative, or you really do think the status quo is sufficient. Canadians will not be well served by waiting, or by making this a partisan political game or a spectator sport. The focus of this conference on Basic Income and the New Economy is a great example of constructive dialogue that can help move us forward.

### **The Big Picture**

While the focus of this conference is on the economy, it is important to recognize that different aspects of human lives, and the policies that affect them, are connected and interdependent. People see the potential of a basic income for a variety of reasons related to poverty and its costs, for example, as well as human dignity and human rights, gender equality, democracy and governance, and community development. Many are

concerned about growing social unrest as populations are more polarized and divisions between 'us' and 'them', along lines of race and religion, for example, are jeopardizing hard fought gains in respect for diversity and cooperation.

Significantly, strong support is coming from concern for physical and mental health, supported by a solid evidence base on the social determinants of health (income topping the list), and from studies in psychology, neurobiology and more. They all indicate that current programs based on austerity, stigma and paternalism cannot work to improve health and wellbeing. They are not just insufficient for a new economy, they are misguided.

Within the realm of the economy, some people look to basic income to save capitalism, some to save us from capitalism. Some think that we have been through technological dislocation before and we'll come through it fine as we've done before; others, including many in the high tech field, think this time really is different. Still others are concerned about the persistent undervaluation of all the work that gets done (disproportionately by women) in households and communities, in the half of the economy that exists alongside and supports the market but doesn't get remunerated.

Basic income is not a panacea, even though some might long for a solution of mythic quality in the face of the enormous challenges we face. It is a new paradigm for income security policy. This is not a small thing, however, and it may very well be a key that unlocks many other solutions to economic and social ills. How a basic income works in the new economy depends on how it's designed and what else is needed to make the economy function. Except for those who still believe that an invisible hand is going to make the economy work better for the majority of us, this is a matter of governance. As human rights activist Jo Grey has commented, "...democracy's a two-way street. If we want the basic income program to be a good one, then fight for it to be a good one." The same is true for the economy as whole.



# THE NEW ECONOMY AND A BASIC INCOME GUARANTEE

# THE NEW ECONOMY AND A BASIC INCOME GUARANTEE

## EVELYN FORGET

Professor – Department of Community Health Services Management  
University of Manitoba



Evelyn L. Forget is a professor of economics and community health sciences at the University of Manitoba, Director of the Manitoba Research Data Centre, and adjunct scientist at the Manitoba Centre for Health Policy. Her most recent work examines the relationships between poverty, inequality, health and social outcomes, and she has evaluated the health and social impact of the Mincome Basic Income Experiment. Evelyn has received a number of grants and awards for her research, including the Queen Elizabeth II Diamond Jubilee Medal and the McCracken Award in Economic Statistics from the Canadian Economics Association.



Forget, E. L. (2017, May 29). The new economy and a basic income guarantee. Presented at the Centre for Industrial Relations and Human Resources and the Centre for Labour Management Relations' conference, "The New Economy and a Basic Income Guarantee." Toronto, ON.

# THE NEW ECONOMY AND A BASIC INCOME GUARANTEE

Evelyn L Forget  
University of Manitoba

## Basic Income Coming To Hamilton, Lindsay, Thunder Bay, Ontario

- A 3-year experiment
- 1,000 subjects and 1,000 Controls in each of Hamilton and Thunder Bay; 2,000 subjects in Lindsay



## WHY DO WE NEED A BASIC INCOME?

- ▣ Poverty reduction
  - This has historically been the justification for BI in Canada- a better, less stigmatizing, less costly way of alleviating deprivation
- ▣ Income security
  - Our existing social policies have not adjusted in tandem with changes in the labour market
  - Precarious labour requires social programmes that can help individuals navigate changing needs throughout lives

## Some of our existing income supports work relatively well

- ▣ EI and CPP are insurance programs and can pay for themselves
- ▣ **Canada Child Benefit** is a form of BI for families with dependent children
- ▣ **OAS/GIS** is a form of BI for seniors and has halved the poverty rate among that group. Rates can be increased without changing the structure.



## Some programs are less successful

- ▣ **Income assistance**
  - Many rules and regulations introduce uncertainty for recipients
  - Stigmatizing
  - There is still a “welfare wall” that keeps people dependent
  
- ▣ **Disability Support Program:**
  - Too many people with disabilities do not qualify
  - The procedure for qualification can be demeaning and discouraging
  - The “periodic reviews” are seen to be intrusive by many recipients

## Some programs really don't exist

- ▣ Support or subsidies for working poor
  - GST credit
  - WITB
  - Some provincial tax credits
  
- ▣ Framework is in place, but the effects are limited
  
- ▣ Supports for self-employed, those engaged in non-market labour

## WHAT DOES THE ONTARIO PLAN ENVISION?

### WHO QUALIFIES?

- ❑ 18 through 64-year olds, with or without children
- ❑ Individuals can attend school while receiving BIG
- ❑ Includes people with disabilities

## WHY ARE THOSE UNDER 18 AND OVER 65 EXCLUDED?

- ❑ Those 65 and over qualify for OAS and GIS, which is similar in amount to the BIG
- ❑ Those under 18 can receive Canada Child Benefit, whether or not their parents receive BIG
- ❑ These are both forms of BI

## WHAT WILL THEY RECEIVE?

- ❑ Refundable tax credit model based on family income
  - \$16,989 for singles (less 50% of earned income)
  - \$24,027 for couples (less 50% of earned income)
- ❑ Children receive National Child Benefit (no reduction in family entitlement to BI)
- ❑ People with disabilities receive additional \$6,000

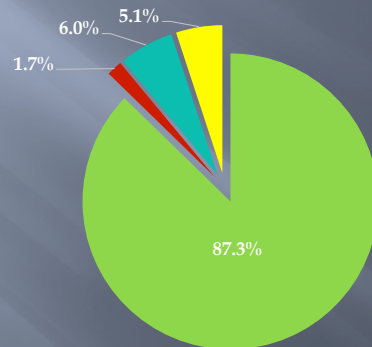
## IS THIS A REPLACEMENT FOR OW AND ODSP?

- ❑ People currently receiving OW and ODSP can participate
- ❑ People who do not qualify for OW and ODSP can also participate
  - low-waged workers,
  - students

## WHO IS LIVING IN POVERTY IN CANADA?

2014

(Based on after-tax LIM)



- Not living in poverty
- Seniors living in poverty
- Non-elderly persons living in poverty, not on SA
- Persons living in poverty, on SA



## IS BIG A REPLACEMENT FOR OTHER BENEFITS?

- ❑ Cannot simultaneously participate in BIG and receive OW or ODSP
- ❑ Current OW and ODSP recipients retain supplemental health benefits
- ❑ Those who receive other benefits (eg. EI or CPP) will have BI benefits reduced on a dollar for dollar basis

## WHAT ABOUT CASE MANAGEMENT?

- ❑ Recipients do not have a case manager
  - Onus is on the individual to purchase needed services
- ❑ BIG is intended to replace in-kind benefits (like supplemental diet allowance) with “dollar equivalents”
  - This is part of the experiment: individuals who choose to participate must have full information
  - The intention is that no one should be worse off

## THIS IS A KEY DISTINCTION

- ❑ OW and ODSP infantilize and police participants who are perceived to require “management”
- ❑ Receiving money rather than in-kind benefits is intended to empower recipients to make their own decisions
- ❑ Exceptions: benefits such as extended health coverage for which there is good evidence that public provision is more efficient and effective

## HOW WILL THEY KNOW IF THE EXPERIMENT WORKED?

- ❑ Poverty reduction, food security

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- ❑ Physical and mental health
- ❑ Career and life decisions (job training, family formation, parenting)
- ❑ Education
- ❑ Savings and investment decisions
- ❑ Work decisions, unpaid work, gender, labour market impact
- ❑ Mobility and housing

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- ❑ Perceptions of citizenship and inclusion
- ❑ Community impacts

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- ❑ Administrative costs
- ❑ Impacts on other social programmes

# HISTORY AND INTERNATIONAL CONTEXT

## Basic Income Experimentation is Proliferating Around the World

- ▣ Experiments underway or planned in high-income countries
  - ▣ Finland
  - ▣ Utrecht + other Dutch cities
  - ▣ Ontario
  - ▣ Y Combinator in Oakland, California
  - ▣ France, Barcelona, Glasgow, Greece, Germany ....
  
- ▣ Low-income countries continue to experiment with unconditional cash transfers

## Basic Income designs differ

- ▣ DEMOGRANT is more popular in Europe than in North America
  - ▣ Simpler
  - ▣ No marriage penalty
- ▣ In Canada, a NEGATIVE INCOME TAX was the only design under serious consideration
  - ▣ Upfront costs are lower
  - ▣ Similar to existing programmes (Canadian Child Benefit or OAS/GIS in Canada)

## Political contexts are very different

- ▣ European experiments – driven primarily by an attempt to simplify income assistance and encourage labour force attachment
- ▣ Low-income countries – driven by failures of traditional top-down development projects
- ▣ Y Combinator – robots are taking our jobs!
- ▣ Canada – balancing between poverty reduction and providing income security in the face of a changing labour market



## Is Basic Income a reasonable response to a changing economy?



## Is Basic Income a reasonable response to a changing economy?

- ▣ Precarious work is becoming more prevalent (22% of Canadian workforce)
  - ▣ Short term contracts
  - ▣ Low unionization rates
  - ▣ More self-employment and subcontracting
  - ▣ Few workplace-based benefits
  - ▣ Often (but not always) low wages

## Economic Challenges For High-Income Countries

- ▣ Manufacturing
  - Globalization and off-shore production
  - Labour-saving technological change
- ▣ Knowledge Sector
  - Technological change has allowed “unbundling of jobs” – subcontracting and outsourcing
  - Exposure to international competition
  - Labour saving technology
- ▣ Service Sector
  - Often low-paid, insecure jobs

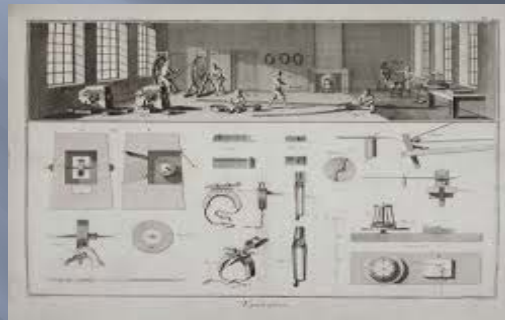
## Self employment and contract employment are growing

- ▣ Employers are attracted to more flexible employment models in the wake of technological change
- ▣ For some workers, precarious work and self-employment are the only options
- ▣ For others, it is a matter of work-life balance pursued out of choice

## The emerging digital economy is especially challenging

- ❑ “Unbundling” of work – complex projects are broken down into constituent parts and contracted out to contingent workers on-line around the world
- ❑ **Online Freelancing:** Upwork, Freelancer, Hourly Nerd, Proz, Fiverr
- ❑ **Microwork:** Mechanical Turk
- ❑ **Online Marketplace for physical services:** Uber, Taskrabbit

## The global pin factory



## Consequences

- ❑ Economic changes expose workers in high-income countries to new competition and opportunities
- ❑ Virtual work challenges existing regulatory frameworks like minimum wage and labour standards
- ❑ Organizing labour is increasingly difficult in an international digital marketplace

## Policy Challenges

- ❑ Access to social programs must be separated from employment status as full-time waged employment declines
- ❑ We need to strengthen the regulatory framework that governs labour standards, while recognizing that technological change and globalization will continue to challenge whatever standards we put in place
- ❑ We need to re-imagine what we mean by “work” as full-time jobs with benefits become a scarce commodity – Keynes (1930); Kuznets (1934); Skidelsky and Skidelsky (2012)



## What do we know for sure about the impact of a BIG on the labour market?

- ▣ The overall impact on labour market participation is likely to be small
- ▣ There will be larger effects on
  - those at the beginning and end of their working lives
  - secondary and tertiary earners
- ▣ Secondary and tertiary earners are often those at the beginning and end of their working lives
- ▣ These workers are lower productivity workers and their exit will have little effect on economic growth and productivity

## What do we know for sure about the impact of a BIG on the labour market?

- ▣ There are many factors that erode labour market attachment independent of a BIG
  - ▣ Discouraged workers
  - ▣ Poor quality jobs
  - ▣ Lack of support for caregiving activities/family
  - ▣ Lack of infrastructure (public transportation; job retraining)
  - ▣ Incentives built into existing social policies (RRSP and pensions)
- ▣ These will have a bigger impact on work effort than BIG and we can address them with or without a BIG in place

## What do we know for sure about the impact of a BIG on the labour market?

- ▣ Those who take time out of the workforce pay the price over their career in terms of lower lifetime earnings – “labour scarring”
  - ▣ This is especially the case for high-wage workers who are least likely to reduce work effort when a BIG is introduced
- ▣ Those MOST likely to reduce work have fewer prospects to begin with

## Potential benefits of a BIG

- ▣ A BIG can facilitate search and retraining which leads to better job matching
- ▣ A BIG can empower labour: workers have the option to reject low-quality jobs and insist on improvements to working conditions
  - ▣ Particularly important when unionization rates continue to decline
- ▣ A BIG can allow individuals to take on more rewarding low-waged work: creative work; caregiving; social entrepreneurship

## Potential Risks of a BIG

- ▣ May encourage women to leave the labour force, undermining gender equality
  - ▣ High-income, professional women suffer from periods out of the labour force – less cost for low-income women
  - ▣ High-income women are least likely to react to a BIG
- ▣ Choice is a good thing in itself
  - ▣ Can women not make rational decisions?

## Potential Risks of a BIG

- ▣ “Takes the pressure off employers and governments; allows the further erosion of working standards”
  - ▣ Eroding job quality has been underway for 40 years or more – WITHOUT a BIG
- ▣ This is an OLD argument with little evidence to support it

## IN 1929

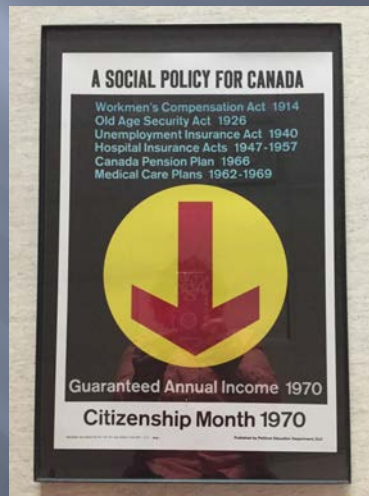
- ❑ The Trades and Labour Congress of Canada SUCCESSFULLY opposed the introduction of Family Allowance on the grounds that it would suppress wages
- ❑ As a consequence, Canadian families lived through the longest stretch of unemployment and falling real wages of the century – without support

## IN 1944

- ❑ The Canadian Trades and Labour Congress again opposed Family Allowance on the grounds that it would suppress wages
- ❑ Department of Finance bought the argument and introduced Family Allowances because they wanted to dampen wage growth after the war
- ❑ The postwar period – with Family Allowance – saw the greatest sustained real wage growth of the century



## Canadian Labour Congress support for BIG in 1970



**THANKS!**





HOW CAN SOCIAL PROGRAMS KEEP PACE  
WITH CHANGING WORKING CONDITIONS?

# HOW CAN SOCIAL PROGRAMS KEEP PAGE WITH CHANGING WORKING CONDITIONS?

## CHRIS ROBERTS

National Director – Department of Social and Economic Policy  
Canadian Labour Congress



Chris Roberts is the National Director of the Department of Social and Economic Policy Department at the Canadian Labour Congress (CLC), Canada's national labour central. In his role, Chris is responsible for advising union leadership on labour-market and income policy issues, among other areas. Chris holds an M.A. and Ph.D. from York University. Prior to joining the Congress, he conducted post-doctoral research at McMaster University in Hamilton, Ontario, and taught in the Department of Social Science at York University. He lives and works in Ottawa.



# HOW CAN SOCIAL PROGRAMS KEEP PACE WITH CHANGING WORKING CONDITIONS?

## DAVID WAKELY

Senior Partner

Filion Wakely Thorup Angeletti LLP



David Wakely was a founding member of Filion Wakely Thorup Angeletti LLP, and has been practicing exclusively in the area of labour relations on behalf of management since his call to the Bar in 1975. He practices in all areas of labour and employment law with a primary focus on collective bargaining and litigation of employment-related matters in the courts. He was born in Toronto, Ontario and attended the University of Montreal where he received an Honours Degree in Political Science. He also attended University of Western Ontario where he received his LL.B. in 1973. He has been certified by the Law Society of Upper Canada as a Specialist in Civil Litigation and in Labour Law, has been a member of the Metropolitan Toronto Board of Trade Labour Relations Committee since 1985, and is a member of the Advocates' Society, and The Metropolitan Toronto Lawyers' Association. David has also written numerous articles and papers on labour and employment law, and frequently lectures on these topics.



Wakely, D. (2017, May 29). How can social programs keep pace with changing working conditions? Presented at the Centre for Industrial Relations and Human Resources and the Centre for Labour Management Relations' conference, "The New Economy and a Basic Income Guarantee." *Toronto, ON.*

## Employment disincentives:

- As some analysts have noted, a Basic Income Guarantee (“BIG”) would decrease both the costs of leisure and the marginal reward of earning more income.<sup>1</sup> Accordingly, as the amount of income provided through a BIG increases, the degree to which paid employment will be considered necessary or desirable decreases. This may be a source of concern for employers, who generally favour measures that increase the attractiveness of paid employment over those that have the opposite effect.
- The above effect is compounded by the value of eschewing employment in favour of performing unpaid work at home, particularly for young families. The costs of child care and domestic work already have a depressive effect on the desirability of paid employment for individuals who could, without a job, provide the benefit of such services themselves while relying on a spouse’s income. A BIG would exacerbate the foregoing phenomenon. Accordingly, some have suggested that a BIG would frustrate pay equity efforts by “mak[ing] it all the more financially difficult for [women] to opt instead for paid work that involves high costs for care, high gender income gaps, and harsh levels of income and social security taxation”.<sup>1</sup>
- Further to the above, even a relatively modest BIG may encourage freelance, gig or self-employment. Depending on the manner in which a BIG is implemented, it may be seen as more desirable to supplement the income provided through a BIG with income derived from sources that are more “flexible” than traditional employment. Further, perceived or actual risks associated with freelance, gig or self-employment may be diminished by the existence of a BIG, which would serve as a safety net for those willing to gamble on new, precarious ventures. This is consistent with the observations of analysts who associate a BIG with greater equality of economic opportunity and a more flexible labour market.<sup>3</sup> The rising prevalence of more flexible and/or “precarious” forms of employment is frequently cited as a reason to implement a BIG; however, there may be ways in which a BIG would actually accelerate these phenomena.
- A relatively modest BIG may also have a detrimental impact on seasonal or part-time employment, which would have a disproportionate negative effect on employers in certain industries, such as retail. Many employers rely on the contributions of individuals who consider seasonal or part-time jobs to be an attractive means of generating some income while engaging in other pursuits (e.g., education). A BIG would render some of these jobs redundant by providing similar or greater levels of income to the same individuals at no cost.
- A BIG may encourage early retirement by effectively supplementing retirement savings.
- All of the above may drive up the cost of labour by incentivizing employers to raise wage rates in order to “compete” with the BIG (i.e., to make paid employment more attractive to new or existing talent who will undoubtedly weigh the advantages and disadvantages of traditional employment against the advantages and disadvantages of collecting basic income in different circumstances). This would in turn incentivize the implementation of measures to reduce labour costs, i.e. automation, offshoring, outsourcing, the use of temporary foreign workers, etc., all of which are occasionally cited as negative influences the effects of which a BIG would ideally alleviate.
- Experimentation with implementing a BIG, or BIG equivalents, has borne out some of the foregoing concerns.
- The Ontario BIG pilot project is not the first of its kind. Manitoba conducted an experimental guaranteed annual income project from 1974 to 1979 known as “Mincome”, which involved granting randomly-selected low-income residents in Winnipeg income support of about \$4,500 (approximately \$23,102 in 2017) per year for five years, indexed to inflation.<sup>4</sup> Similarly, from 1968 to 1976, four guaranteed annual income experiments were conducted in different regions of the United States, namely: (i) New Jersey and Philadelphia; (ii) North Carolina and Iowa; (iii) Gary, Indiana; and (iv) Seattle and Denver.<sup>5</sup> These experiments tested a “negative income tax” scheme (whereby participants earning income below a set amount receive supplemental payments from the government rather than paying taxes).
- A final report in respect of the Mincome project was never released, but Canadian economists Derek Hum and Wayne Simpson provided an analysis of the data in a 1993 publication in the University of Chicago’s “Journal of Labor Economics”. Their analysis revealed a reduction in annual hours worked for all participants, in the amount of “1% for men, 3% for wives, and 5% for unmarried women.”<sup>6</sup> Hum and Simpson also analyzed the data derived from the American experiments, which likewise revealed reductions in annual hours worked for all participants. Hum and Simpson ultimately dismissed the reductions as insignificant, concluding as follows:

If we were asked to summarize "in 25 words or less" what has been learned from the experiments about the economic effects of a GAI [guaranteed annual income] plan we would



respond: "Few adverse effects have been found to date. Those adverse effects found, such as work response, are smaller than would have been expected without experimentation."<sup>7</sup>

- The above conclusion was criticized by American economists Gary Anderson and Walter Block, who, in a contemporaneous publication, assert that "in reality, evidence of a variety of 'adverse effects' following from the availability of a [guaranteed annual income] abound."<sup>8</sup> Anderson and Block summarize the labour impact of the Canadian and American guaranteed income experiments as follows:

Hum and Simpson [...] report that two studies that surveyed the reduction in annual hours worked in all U.S. NIT [negative income tax] experiments taken together found reductions of 5% (Robins 1985) and 7% (Burtless 1986) in the case of husbands. Those same authors found reductions of 21% and 17%, respectively, for wives and 13% and 17% reductions for single female heads of households. In different studies of separate experiments, Hum and Simpson [...] report that labor supply response for husbands varied from a low reduction of 1% in New Jersey (Burtless 1986) to a high of 8% in Seattle-Denver (Keeley 1981); for wives, the responses varied from a 3% reduction in Gary, Indiana, to a 33% reduction in New Jersey (Keeley 1981). Results for single female heads of households varied from a low of -7% in the Canadian Mincome experiment to a high of -30% reported by Burtless (1986) in Gary.

[...]

This reduction in labor effort partly took the form of prolonged periods of unemployment. One result from the Seattle-Denver experiments not reported by Hum and Simpson was that unemployment drastically increased. Robins et al. found that such periods lengthened by 9 weeks (27%) for husbands, 50 weeks (42%) for wives, and 56 weeks (60%) for female heads of households, all by comparison with the control group [...].<sup>9</sup>

- Anderson and Block note that expressing the reductions in annual hours worked in dollar figures, and comparing the same with the costs of providing an annual income guarantee, gives rise to questions regarding the economic viability of a BIG:

In the Seattle-Denver experiment, for example, eligible two-parent families receive transfer payments \$2,700 higher than what members of the control group received. But in the Seattle-Denver experiment, the combined earnings reductions of both spouses was \$1,800. Since the average tax rate, or welfare payment reduction following outside earnings, in that study was about 50%, transfer payments to recipients were about \$900 above what they would have been with no work effort response. Thus, the experiment spent nearly \$2,700 on transfers but succeeded in raising incomes in two-parent families by only \$900! Burtless concludes with a trenchant observation: "Even if the earnings reductions are taken to be modest, it is reasonable to ask whether most taxpayers would be willing to spend \$3 in order to raise the incomes of poor, two-parent families by only \$1" (1986, p. 28).<sup>10</sup>

- Anderson and Block also contend that it is somewhat disingenuous for Hum and Simpson to suggest that a BIG would be unlikely to do harm to society if adopted on a large scale on the basis "of a set of extremely limited experiments [...] focusing almost exclusively on immediate work disincentive effects".<sup>11</sup>
- Anderson and Block remind us that it is difficult to test the impact of a BIG on the labour market through an experiment of limited duration, because the fact that participants in the experiment are aware that it will end by a predetermined date invariably affects their behaviour in a way that diminishes the experiment's predictive power. Similarly, basic income experiments of limited size or scope occur in a kind of vacuum which fails to account for the potential impact of the overall cost to society of implementing a BIG on a provincial or national scale.

### **Funding a BIG:**

- The costs of implementing a BIG, albeit difficult to project, would undoubtedly be substantial.
- The upcoming Ontario BIG pilot project will reportedly cost the province \$50 million per year, and will provide basic income to approximately 4,000 people.<sup>12</sup> To provide the same entitlement to the entirety of Ontario's population at or above the age of 15 (approximately 11,763,400 people, according to Statistics

Canada)<sup>13</sup>, at the same cost-to-participant ratio, would cost approximately \$147 billion. According to the Ministry of Finance's third quarter financial outlook for 2016-17, this amount would exceed the province's gross annual revenue by approximately \$14 billion.<sup>14</sup> Of course, pilot project costs may differ from the costs of actual implementation, and the foregoing valuation does not take into account certain potential efficiencies to be gained by implementing a BIG, such as the alleviation or elimination of the indirect costs of poverty (which in Ontario have been estimated to amount to \$32 to \$38 billion in 2007 alone)<sup>15</sup>.

- Canadian Professors Margot Young and James Mulvale note that "any version of guaranteed income — whether universal or targeted, delivered as a demogrant or through negative income tax — obviously involves substantial government spending".<sup>16</sup> They helpfully summarize one model costs estimate prepared by scholars Lerner, Clark and Needham in the following manner:

Lerner, Clark and Needham have presented a hypothetical model of a guaranteed income for Canada that would be paid as a universal grant to all citizens and permanent residents. They calculated the cost of a scheme that, in 1999, would pay the very modest income of \$7,000 per year to persons age 65 and over, \$5,000 to persons aged 21 to 64, \$3,000 to persons under 21 (paid to the primary caregiver), and an additional \$5,000 paid to each household, to be divided equally among adult members of the household. The total cost of this scheme was estimated to be \$198.6 billion in 1999 dollars. This guaranteed income program would replace federal benefits for elderly persons and children, as well as Employment Insurance benefits for the unemployed. Subtracting these savings, the net cost of their scheme was calculated as \$161.7 billion in 1999 dollars (or \$200.3 billion in 2009 dollars). As a point of comparison, the total federal government revenue for fiscal year 2008/09 was projected to be \$241.9 billion.<sup>17</sup>

- Young and Mulvale note that, in a 2001 publication, economists Hum and Simpson also modeled the costs of implementing several variations of a BIG as follows:

Hum and Simpson, the Canadian economists whose work we have already discussed, model the cost of several variations of what they designate as "Basic Income" (a universal, non-taxable benefit set at the poverty line so as to eliminate poverty, at least in principle) and "Guaranteed Income" (that would be paid out as a universal benefit set below the poverty line, coupled with a tax-back rate on earned income).

Hum and Simpson estimate that their Basic Income would be very expensive, in one scenario costing \$217.1 billion, compared to \$75.8 billion in existing transfer payments to individuals from the federal government (in the year 2000). On the other hand, Hum and Simpson estimate the cost of their (more modest) Guaranteed Income to be much less and argue that it could reduce poverty more efficiently than their Basic Income model. In one Guaranteed Income scenario, they peg the cost at \$37.8 billion.<sup>18</sup>

- In a 2009 publication, Young and Mulvale provide the following summary of their own costs estimation:

The most adequate version of guaranteed income in this model (a grant of \$15,000 per year to all persons age 18 and over, and \$4,000 per year for those under 18) is estimated to cost \$418 billion. Current costs in 2005 of existing income security programs were \$132 billion, meaning that the net cost of this relatively generous guaranteed income option would be \$286 billion, using the 2005 figure (or \$311 billion in 2009 dollars). One can also calculate the cost of less expensive options, including a grant to households rather than individuals that would cost \$250 billion (minus unspecified savings in other areas), and a targeted benefit to all poor individuals and households (that would in principle eliminate poverty) that would cost \$21.5 billion.

To put the above figures in context, federal government spending in 2006/07 on direct transfers to persons was \$55.6 billion (\$30.3 billion for the elderly, \$14.1 billion to the unemployed, and \$11.2 billion for children). Additionally, the total Canada Social Transfer to provinces in the same year was \$16.3 billion in both cash and tax points, although this figure included support for both post-secondary education and social assistance. Statistics Canada calculates that, in 2006/07, the total amount of spending on all social services (including both income support and direct service to persons) by all levels of government in Canada was

\$172.4 billion.

It thus appears that a full-fledged version of guaranteed income is out of our immediate financial reach. [...] <sup>19</sup>

- 2010 costs estimates prepared by Canadian economics professor Kevin Milligan suggest that providing a guaranteed income of \$15,000 to each Canadian adult would cost anywhere from \$62.5 billion to \$328.8 billion, depending on whether the guarantee is provided as a “universal grant” (the most expensive option), or as “top-off” to employment income that is reduced at a rate of 100% up to the amount of the basic income threshold (the least expensive option).<sup>20</sup> By comparison, note that the BIG model the Ontario government proposes to test in its new pilot project would reduce employment income at a rate of 50% up to the individual threshold of \$16,989 per year.
- Realistically, there is only one way to generate enough revenue to fund a project of this size: significant tax increases.
- To the extent such increases are made to the income tax rate, they will ostensibly have a depressive effect on the desirability of paid employment, particularly where an employee’s net annual income will, as a result of the increases, no longer be significantly higher than the basic income amount. This may drive up the cost of labour by forcing employers to increase wage rates in order to attract personnel and remain competitive. This would in turn incentivize employers to seek labour cost efficiencies (e.g., increased automation, increased reliance on foreign workers, reduction in size of workforce, etc.).
- To the extent such increases are made to the corporate tax rate, they will also ostensibly incentivize employers to seek labour cost efficiencies (e.g., increased automation, increased reliance on foreign workers, reduction in wages or size of workforce, etc.).
- Regardless of how the costs are distributed, employers are likely to shoulder a significant share of the burden. This will incentivize employers to implement the same measures that critics allege are contributing to employment precarity.

#### **Labour relations:**

- A BIG may increase labour strife by encouraging or prolonging strikes or lockouts. A BIG would provide unionized employees with a source of income upon which to rely during work stoppages, thereby diminishing the effectiveness of lockouts as a form of economic sanction, while reducing the costs associated with going on strike.
- A BIG may also loom large over collective bargaining disputes regarding wage rates and benefits, making it more difficult for employers to make, or unions to accept, proposals that fail to provide a significantly greater financial benefit to employees than the basic income amount.

#### **Employment standards:**

- A BIG would likely drive up the minimum wage to ensure that there is a meaningful difference between receiving basic income and receiving employment income at the lowest allowable rate, thereby increasing the cost of labour. An employee working 40 hours per week at Ontario’s current general minimum wage rate of \$11.60 per hour would earn \$24,128 per year. Under the basic income scheme the Ontario provincial government will be testing through its pilot project, such an employee would earn \$29,053 per year before taxes (\$24,128 in employment income, plus \$4,925 in basic income), which is \$12,064 higher than the maximum basic income amount of \$16,989 per year. In these circumstances, each hour of work performed by the employee would effectively result in gross earnings of only \$5.80 per hour greater than what he or she would be receiving for performing no work at all.
- Pursuant to the recent Changing Workplaces Review, Ontario is already considering raising the general minimum wage to \$15 per hour, which has prompted criticism from the Canadian Federation of Independent Business and small business owners who fear that such a measures will drive down overall employment.<sup>21</sup>
- If employees are entitled to receive basic income during a period of statutory leave, a BIG may enable employees to remain on such leaves for greater lengths of time, thereby reducing their overall availability to work.

#### **Potential costs savings to employers:**

- To the extent that it has the potential to consolidate the existing “patchwork” of social assistance schemes, a BIG may reduce or eliminate certain administrative costs to employers associated with the facilitation of such schemes.
- Depending on the manner of its implementation, a BIG may enable employers to eliminate or reduce the amount of certain benefits it provides to employees at no direct cost. For example, if an employee is entitled to receive basic income during a period of parental leave, his or her employer may be able reduce the amount of any top-up benefits it provides during that period at no cost to the employee.

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# HOW CAN SOCIAL PROGRAMS KEEP PACE WITH CHANGING WORKING CONDITIONS?

## DEENA LAAD

Coordinator  
Workers Action Centre



Deena Ladd has been immersed for twenty five years in community and labour organizing, education, training and building various organizations to support the actions and voice of immigrant, racialized, women and low-wage workers in Ontario. She is currently active in the Migrant Workers Alliance for Change and developing a new movement building and training centre in Toronto. Deena is one of the cofounders and is the coordinator of the Workers Action Centre (WAC) – a worker-based organization committed to improving the lives and working conditions of people in low-wage and unstable employment.





# HOW CAN SOCIAL PROGRAMS KEEP PACE WITH CHANGING WORKING CONDITIONS?

## MAURICE MAZEROLLE

Director – Centre for Labour Management Relations  
Ryerson University



Maurice Mazerolle is an Associate Professor in the Department of Human Resources Management / Organizational Behaviour in the Ted Rogers School of Business Management, and Director of the Centre for Labour Management Relations. His research interests highlight the relevance of industrial relations research to business leaders, and fairness as public policy. Maurice has 15 years of experience in labour relations with a wide range of commissions, associations and government agencies including but not limited to the Saint John Construction Association, Ontario Hospital Association and the Education Relations Commission, Ontario.



Mazerolle, M. (2017, May 29). How can social programs keep pace with changing working conditions? Presented at the Centre for Industrial Relations and Human Resources and the Centre for Labour Management Relations' conference, "The New Economy and a Basic Income Guarantee." *Toronto, ON.*

One common characteristic of universal basic income advocates is a near-fatalistic acceptance of the current path of technological development.

We either stick our heads in the sand and avoid the topic altogether, or we're accepting automation as inevitable and therefore immediately looking to a basic income as the solution.

This of course obscures an obvious fact: humans are the creators of new technology and can shape the path it takes). Automation and displacement are **not** the only possible outcomes.

New technologies have many other direct effects on tasks—deskilling or upskilling existing ones, creating new ones—as well as a slew of indirect effects, such as enabling outsourcing and the integration of a global virtual labor force. It's not just about the robots.

So if we did want to exercise our right as a society to govern technological development and its effects on workers and the labor market, what might that look like. Here are three strategies that move from less to more interventionist.

### **Mitigation**

Universal basic income is one form of mitigation of course, but fleets of omniscient robots are decades away. There are plenty of near- and medium-term technologies whose effects we can anticipate or already see.

Immediate forms of restitution could include industry-specific funding pools and the technology equivalent of Trade Adjustment Assistance (education, training and job placement). Any number of business-side taxes could be leveraged for funding, including the robot tax endorsed by Bill Gates or requiring Uber to pay into a fund for every self-driving car it puts on the road. And again, mitigation is not just about responding to automation. We might devise a deskilling tax, or mandatory retention and re-training laws when skill-changing technologies are introduced in the workplace.

### **Collective bargaining**

In workplaces where unions still have enough density, the deployment of new technologies should become a topic of bargaining.

Technological change within one industry can also open up opportunities in another. For example, meal delivery apps are threatening to disrupt the food supply chain by delivering meal-kits directly to consumers. Beneath the high-tech gloss lie surprisingly traditional jobs: scores of workers in large food processing facilities, many of them direct employees.

A bit more ambitious is to figure out how to harness new technology for organizing. For example, can the aggregation provided by on-demand platforms can help to organize workers who were previously isolated in disaggregated workplaces, such as domestic workers. One barrier is that these platforms typically do not allow worker-to-worker communication.

Why not regulate labor platforms as a condition of receiving a business license, so that they must enable secure communication between workers and agree to bargain if organizing results?

### **Governance**

The public's right to weigh in on biotechnology seems obvious. Why is it not equally obvious that we have the right to weigh in on other impacts of new technology, including job quality and employment?

One version of governance is to control technology via direct How different would ride-sharing look if legislators classified Uber as a taxi company? Taxi apps would still have been developed, but likely with different effects on drivers

In Germany, government is actively collaborating with employers and labor to make its manufacturing sector a leader in technology and preserve a role for workers

Last year, Google, Facebook, Amazon, IBM and Microsoft formed the Partnership on Artificial Intelligence to Benefit People and Society, with the goal of establishing an ethics of artificial intelligence to ensure that it is developed “safely, ethically, and transparently.” Reportedly stakeholders from civic society will be invited, but in the end this is self-regulation. Of course this begs the question of who will be at the table to represent the voices of affected communities and workers, and how much power will they bring?

# HOW CAN SOCIAL PROGRAMS KEEP PACE WITH CHANGING WORKING CONDITIONS?

## STEPHANIE NAKISTAS

Co-founder  
Urban Worker Project



Stephanie Nakistas has worked as a campaigns director, communications freelancer, program coordinator and contract teacher. She helped found the Urban Worker Project to give a stronger voice to the growing number of independent workers across the country. She has a wide range of experience developing, overseeing and winning grassroots campaigns. As a passionate feminist and advocate for social and economic justice, she has used her experience to mentor new activists and leaders. She has a Masters of Political Science and Bachelor of Education from York University. When Stephanie's not working, she's volunteering for her neighborhood's pop-up shop program or hanging out with her partner and daughter.








Laad, D. (2017, May 29). How can social programs keep pace with changing working conditions? Presented at the Centre for Industrial Relations and Human Resources and the Centre for Labour Management Relations' conference, "The New Economy and a Basic Income Guarantee." *Toronto, ON.*



In one year we've had over **6,500** workers connect to our movement across the country through social media, events, our website, email, and our survey.

What would make life better for urban workers?

<p>GETTING PAID ON TIME</p> 	<p>INCOME SECURITY BETWEEN JOBS</p> 	<p>ACCESS TO HEALTH &amp; DENTAL BENEFITS</p> 
<p>ACCESS TO PARENTAL LEAVE</p> 	<p>OTHER...</p> 	

Take our super quick survey at [URBANWORKER.CA/SURVEY](http://URBANWORKER.CA/SURVEY)





Over 1000 urban workers took our survey.

We heard that:

- ✓82% want access to health and dental benefits
- ✓78% want income security
- ✓45% want to get paid on time
- ✓41% want access to parental leave

- We are living in a moment with major changes in how we work. And while there are huge challenges there is also a lot of opportunity.
- Urban Workers can't access our current social programs. Many programs and labour standards were created in a time where work was very different.
- We need to create programs that work for ALL workers are protected no matter how they choose to work.

# Is a GMI the solution?

A basic Income can be implemented in a variety of ways and what form the program takes is key to whether people will see real change in their lives.

## The GOOD

There is a strong need for access to stable income.

Programs like EI are not working for so many. We're heard from many interested in a GMI to provide income support not tied to work.

## The BAD

The Ontario pilot does not address many systemic issues. Without access and improvements to public services like pharmacare, dental, housing, childcare, etc. there is no guarantee that someone working on a contract will have a good standard of living.

We need change now. We can't continue to wait years for the change that urban workers need.



**WORK HAS CHANGED.  
LET'S MAKE IT  
WORK FOR US.**

**URBANWORKER.CA**



WHAT DO THEORY AND EVIDENCE TELL US  
ABOUT THE LABOUR MARKET IMPACTS OF  
A BIG?



# WHAT DO THEORY AND EVIDENCE TELL US ABOUT THE LABOUR MARKET IMPACTS OF A BIG?

## DAVID MACDONALD

Senior Economist  
Canadian Centre for Policy Alternatives



David Macdonald joined the CCPA as its Senior Ottawa Economist in 2011, although he has been a long time contributor as a research associate. Since 2008, he has coordinated the Alternative Federal Budget, which takes a fresh look at the federal budget from a progressive perspective. David has also written on a variety of topics, from Canada's real estate bubble to Aboriginal income inequality, and he is a regular media commentator on national policy issues.



Macdonald, D. (2017, May 29). What do theory and evidence tell us about the labour market impacts of a basic income guarantee? Presented at the Centre for Industrial Relations and Human Resources and the Centre for Labour Management Relations' conference, "The New Economy and a Basic Income Guarantee." *Toronto, ON.*

# Basic Incomes in Canada



David Macdonald  
@DavidMacCdn  
May 29<sup>th</sup>, 2017

## Basic income vs non-basic income transfers



1. Right of citizenship
2. Requires no (or minimal) application
3. Results in a cash payment

Basic Income	Not a basic income
Old Age Security	Canada Pension Plan payments
Canada Child benefit	Working Income Tax Benefit
Quebec Solidarity Tax Credit	Social Assistance
BC Sales Tax Credit	Employment Insurance



## Basic income considerations



- Who gets it (age)?
- How much do they get?
- Family size adjustment?
- What is the clawback/taxback rate?
- How would you pay for it?
  - Higher tax rates (eg. Raise the GST)
  - Close tax loopholes (\$100 bil on PIT alone)
  - Cannibalize existing programs (CCB)

**TABLE 3** Combined federal and provincial basic income per person (annual)

Family type	NL	NB	NS	PEI	ON	QB	MB	SK	AB	BC
Single senior	\$17,938	\$17,105	\$16,660	\$16,515	\$17,692	\$16,823	\$17,361	\$19,891	\$19,765	\$17,188
Senior couple	\$14,074	\$13,778	\$13,405	\$13,360	\$14,565	\$13,561	\$14,281	\$16,344	\$15,798	\$14,191
Single adult	\$496	\$576	\$531	\$386	\$567	\$694	\$471	\$522	\$276	\$467
Single parent, one child	\$3,810	\$3,936	\$3,881	\$3,493	\$4,380	\$5,235	\$3,731	\$3,582	\$3,961	\$3,853
Single parent, two children	\$4,589	\$4,622	\$4,730	\$4,195	\$5,317	\$5,737	\$4,484	\$4,268	\$4,672	\$4,429
Couple w/ two children	\$3,526	\$3,536	\$3,617	\$3,229	\$4,130	\$4,199	\$3,481	\$3,332	\$3,573	\$3,438

We have basic incomes!



**CCPA**  
CANADIAN CENTRE  
for POLICY ALTERNATIVES  
CENTRE CANADIEN  
de POLITIQUES ALTERNATIVES

**TABLE 5** Identical cheques in the mail

Scenario	Programs cancelled	Basic Income amount per person per year	Starting poverty count (000s)	Ending poverty count (000s)	Change in poverty count (000s)	Starting poverty rate	Ending poverty rate
1	BI/EITC	\$2,655	4,206	5,992	1,787	11.7%	16.7%
2	BI/EITC and Social Assistance	\$3,102	4,206	6,131	1,925	11.7%	17.1%

## Identical cheque (Cannibalize)



## Negative Income Tax (Cannibalize)

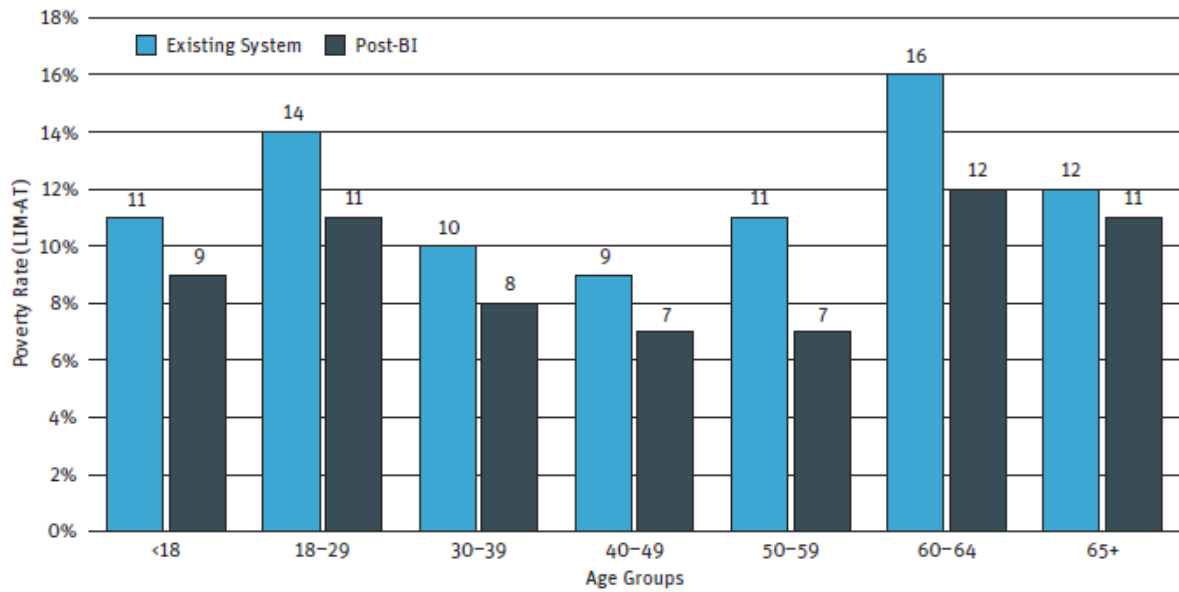


Maximum negative income tax (BI) amount: \$17,080  
Replaces basic income programs/EITC and social assistance (Scenario 6)

Age	Starting poverty count (000)	Ending poverty count (000)	Change in poverty count (000)	Starting poverty rate	Ending poverty rate
Children (under 18)	750	573	-176	11%	8%
Adults (18 to 64)	2,695	1,332	-1,363	12%	6%
Seniors (65 +)	761	905	144	12%	15%
All	4,206	2,810	-1,396	12%	8%



**FIGURE 2** Impact of basic income (BI) on poverty rates by age (Scenerio 8)



Thank you



[David@PolicyAlternatives.ca](mailto:David@PolicyAlternatives.ca)

@DavidMacCdn



# WHAT DO THEORY AND EVIDENCE TELL US ABOUT THE LABOUR MARKET IMPACTS OF A BIG?

## DIONNE POHLER

Assistant Professor – Centre for Industrial Relations and Human Resources  
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Dionne Pohler is an Assistant Professor at the Centre for Industrial Relations and Human Resources at the University of Toronto. She earned her PhD from the University of Alberta School of Business. Dionne's previous research examined the impact of strategy, HR systems, and unions on employee and organizational outcomes. Her current research includes projects on compensation, the political economy of federations and professions, and organizational compliance with employment law. Other research projects include exploring governance successes and failures in large co-operatives and the credit union sector. She has published articles in *Human Resource Management*, *Industrial and Labor Relations Review*, *Industrial Relations: A Journal of Economy and Society*, *Personnel Psychology*, and *British Journal of Industrial Relations*. Dionne was a founding board member of Co-operatives First, a non-profit organization dedicated to working with rural and Aboriginal communities in Western Canada to explore co-operative solutions to the needs identified by community members.



Pohler, D. (2017, May 29). What do theory and evidence tell us about the labour market impacts of a basic income guarantee? Presented at the Centre for Industrial Relations and Human Resources and the Centre for Labour Management Relations' conference, "The New Economy and a Basic Income Guarantee." *Toronto, ON*.

# Work and a Basic Income Guarantee

Dionne Pohler

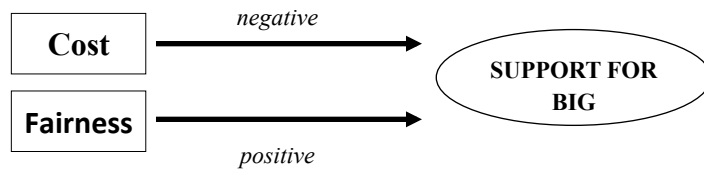
University of Toronto  
Centre for Industrial Relations and Human Resources

## Questions

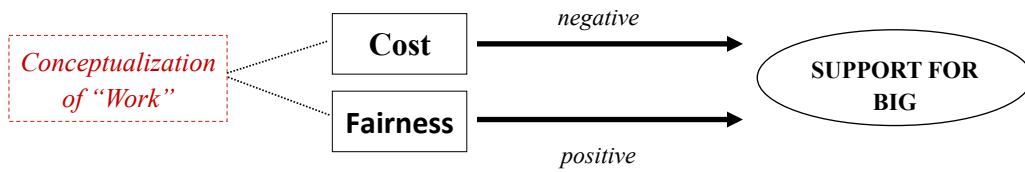
Why do we care about the labour market  
impacts of a BIG?

Should we care?

# Framing the Issue



# Framing the Issue



## Types of Work (Budd, 2011: 3)

Sphere of Activity	Remuneration	
	Paid	Unpaid
<b>Outside the Home/Household</b>	Wage/salaried jobs Casual employment Self-employment	Volunteering Civil service
<b>Within the home/ Household</b>	Household-based farming Family-run businesses Home-based contract work	Subsistence farming Housework Elder and child care

## Conceptualizing Work (Budd, 2011)



**Curse**

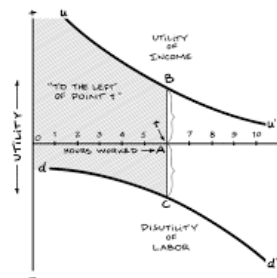


Figure 4

**Disutility**

# Conceptualizing Work

- Framing of the central issue facing early NIT proposals solidified around concerns about the work disincentive (work as disutility)
- North American policy discussion around BIG became dominated by economists (Hum & Simpson, 1993)
  - Existing data could not provide an easy answer to the work incentive question
  - Early research provided wide differences in the estimates of labor-supply response
  - Increased support for conducting policy experiments

## Department of National Health and Welfare, 1970: 41

- “...a great deal of further study and investigation, like the experiments now under way in New Jersey and Seattle in the United States, is needed to find out what effects such a program would have on people's motivation, on their incentives to work and save. Until these questions are answered, **the fear of its impact on productivity will be the main deterrent to the introduction of a general overall guaranteed income plan.**” (c.f. Human & Simpson, 1993)



## Effects on Labour-Supply

- In a review of results from five experiments conducted in the 1970s in Canada and the United States, Hum and Simpson (1993) outline that hours worked declined with introduction of a guaranteed annual income, however:
  - Reduction in hours worked very small for men, slightly larger for women
  - Only results for Seattle-Denver experiment were statistically significant
- See Van Parijs & Vanderborght (2017) for a documentation and critical review of more recent studies
  - BIG should theoretically remove the “unemployment trap”
  - Mobility of high income earners may be problematic if income taxation becomes increasingly progressive to pay for BIG

## Problems with Experiments

- Short duration
- Nonrandom selection and nonparticipation
- Experiments cannot tell us much about political feasibility or sustainability
- Many of the observed positive effects are self-evident, other important effects are difficult to measure

# Conceptualizing Work

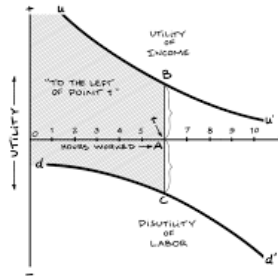


Figure 4



**Curse**

**Disutility**

**Commodity**

Today, a bigger concern is the lack of (good) jobs due to globalization, automation, declining worker power, and changing nature of work.

## Expanded Conceptualization of Work

- Budd, 2011: 14
  - **Personal Fulfillment:** physical and psychological functioning
  - **Freedom:** a way to achieve independence from nature or other humans and express creativity
  - **Caring for Others:** the physical, cognitive, and emotional effort required to attend to and maintain others
  - **Service:** the devotion of effort to others, such as God, family, community, or country
    - particularly if coupled with a service or participation requirement (Atkinson, 1996; Van Parijs & Vanderborght, 2017)

## Other Conceptualizations of Work (Budd, 2011)



(photo cred: Individuality, The New Yorker June 2, 2014)

## Other Conceptualizations of Work

- A BIG may have unintended and undesirable consequences on social and cultural norms, communities, and development of identity
  - Rural, remote, and Indigenous communities face different challenges (Broad & Nadjiwon-Smith, 2017; Co-operative Innovation Project, 2016)
- Alternative policy options:
  - Guaranteed jobs? (Tcherneva, 2012; Tcherneva & Wray, 2005)
  - Collective, locally-driven economic and community development? (Co-operative Innovation Project, 2016)

# Considerations

- What are the key societal and policy objectives?
  - A “free society and sane economy”? (Van Parijs & Vanderborght, 2017)
  - Poverty reduction?
  - Employment stabilization?
  - Ease of administration?
  - Cost-reduction?

# Conclusions

- Concern about the labour market impacts of BIG often rooted in narrow conceptualizations of work and why people work
- BIG broadens our conceptualization of work, but remains embedded in a less socialized view of work
- Labour supply impacts should be considered, but likely to be minor
- We should temper our enthusiasm for continued BIG experiments

# WHAT DO THEORY AND EVIDENCE TELL US ABOUT THE LABOUR MARKET IMPACTS OF A BIG?

## KOURTNEY KOEBEL

PhD Candidate – Centre for Industrial Relations and Human Resources  
University of Toronto



Kourtney Koebel is currently an MA candidate in Political Science at the University of Toronto. Her research interests include labour economics and applied econometrics, with a focus on public policy and evaluation. She is currently working on several projects related to basic income, including designing a basic income for Canada, and the political feasibility of such a policy. She has co-authored papers on basic income and the labour supply of single mothers, and has published in *Canadian Public Policy*. Kourtney graduated from Queen's University with an MA in Economics in 2016, and will begin a PhD at the Centre for Industrial Relations and Human Resources at the University of Toronto in the fall of 2017.



Koebel, K. (2017, May 29). What do theory and evidence tell us about the labour market impacts of a basic income guarantee? Presented at the Centre for Industrial Relations and Human Resources and the Centre for Labour Management Relations' conference, "The New Economy and a Basic Income Guarantee." *Toronto, ON*.



# Basic Income & Labour Supply

Kourtney Koebel  
(Co-authors: Robin Boadway and Katherine Cuff)  
May 29, 2017

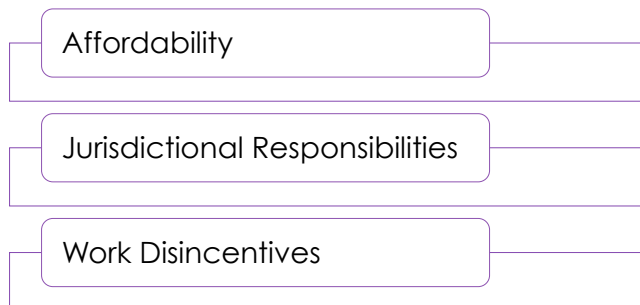
Graduate Student, University of Toronto  
kourtney.koebel@mail.utoronto.ca

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## Implementation Barriers

There are three main issues that need to be considered when designing a basic income guarantee for Canada:



## Our Proposal

- \$20,000 per adult, adjusted for adult family size
- 30% tax-back rate based on family net income
- No BIG for children: Canada Child Benefit (CCB) kept intact
- Estimated cost: \$162.54 billion
- Proposed BIG is revenue-neutral

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## Financing a Basic Income

Eliminate federal and provincial non-refundable tax credits (NRTC), refundable tax credits (RTC), OAS, GIS, and social assistance ( $\approx$  \$162.24B)

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Basic Federal Tax:	\$5,000	Basic Federal Tax :	\$500
Tax Credit:	\$1,000	Tax Credit:	\$1,000
Federal Tax Payable:	\$4,000	NRTC:	
		<b>Federal Tax Payable:</b>	<b>\$0</b>
		RTC:	
		<b>Federal Tax Payable:</b>	<b>-\$500</b>

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# Financing a Basic Income

Eliminate federal and provincial non-refundable tax credits (NRTC), refundable tax credits (RTC), OAS, GIS, and social assistance ( $\approx$  \$162.24B)

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Basic Federal Tax:	\$5,000	Basic Federal Tax :	\$500
Tax Credit:	\$1,000	Tax Credit:	\$1,000

Federal Tax Payable: \$4,000

NRTC:

**Federal Tax Payable: \$0**

RTC:

**Federal Tax Payable: -\$500**

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# Financing a Basic Income

Eliminate federal and provincial non-refundable tax credits (NRTC), refundable tax credits (RTC), OAS, GIS, and social assistance ( $\approx$  \$162.24B)

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Basic Federal Tax:	\$5,000	Basic Federal Tax :	\$500
Tax Credit:	\$1,000	Tax Credit:	\$1,000

Federal Tax Payable: \$4,000

NRTC:

**Federal Tax Payable: \$0**

RTC:

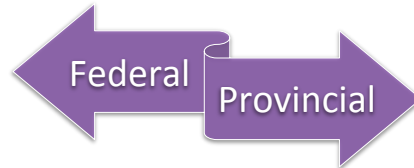
**Federal Tax Payable: -\$500**

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## Overlapping Jurisdictional Responsibilities

- Feds: elderly (OAS/GIS), children (CCB)
- Provinces: long-term unemployed & disabled
- Overall, uneven patchwork of inadequate income support



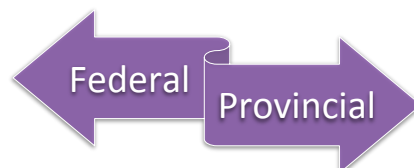
⇒ need to account for the interest both levels of government have in redistribution

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## Overlapping Jurisdictional Responsibilities

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- Overall, uneven patchwork of inadequate income support



⇒ need to account for the interest both levels of government have in redistribution

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# Our Approach: Two-Stage Implementation

National BIG (NBIG) with federal and provincial components:

**Stage 1)** Federal BIG - keeping provincial transfers intact

**Stage 2)** Harmonized National BIG - provinces choose individually whether to replace transfers with provincial BIG harmonized with federal BIG

- Provinces invited to sign a bilateral NBIG agreement
- Agreeing provinces eliminate welfare/disability, RTC/ NRTCs

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## Basic Income & Labour Supply

- One of the most commonly used arguments against a basic income is **work disincentives**
  - I.e. Individuals leaving the labour market in response to the basic income guarantee
- Should we be concerned about this?
  - In theory...Yes
  - In practice...Probably not

## Theory: Basic Income & Labour Supply

### Income Effect

	Non-Recipients	Recipients
Income	↓	↑
Labour Supply	↑	↓

### Substitution Effect

	Non-Recipients	Recipients
Tax Rate	None	↑
Labour Supply	None	↓

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## Theory: Basic Income & Labour Supply

### Income Effect

	Non-Recipients	Recipients
Income	↓	↑
Labour Supply	↑	↓

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Tax Rate	None	↑
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# Theory: Basic Income & Labour Supply

## Income Effect

	Non-Recipients	Recipients
Income	↓	↑
Labour Supply	↑	↓

## Substitution Effect

	Non-Recipients	Recipients
Tax Rate	None	↑
Labour Supply	None	↓

Overall effect on labour supply for basic income recipients (in theory):



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## Estimated Labour Supply Responses

- Earnings rise moderately in top three deciles and fall in bottom seven
  - Fall in labour supply is substantial in bottom decile (32.5%)
  - The reduction in labour supply causes the cost of the national BIG reform to rise modestly → deficit becomes \$5.44B
- 
-

## Basic Income & Labour Supply: Reflections

- Intensive vs. extensive margin
  - Will people drop out of the labour market entirely?
- Effect of basic income on market wages
  - If labour supply falls, a basic income should induce wages to rise
- We do not consider saving decisions in our estimates
- Social benefits vs. costs of reduced labour supply

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Thank You!

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## Slide 1

Over the past year, we have seen a renewed interest in the concept of a basic income both within and outside of Canada. To maintain this interest, it is important to consider the concerns of policymakers and politicians, and subsequently, how a basic income can be framed or discussed in future discussions to mitigate or eliminate those concerns.

Today, I am going to talk about a paper I have been working on over the past year that demonstrates how a basic income guarantee can be designed in Canada to address three main issues raised by those who oppose the idea of a basic income.

## Slide 2

Assuming we start from the position where the case for a basic income has already been made, there are three main issues that need to be considered when designing a feasible basic income guarantee for Canada:

- The cost of a basic income
- The fact that Canada is a decentralized country means that a practical basic income policy must include federal and provincial components
- Work disincentives associated with large income transfers

## Slide 3

In brevity, my co-authors and I study the design, financing and implementation of a comprehensive basic income that addresses each of these issues. We propose giving each adult in Canada a means-tested income of \$20,000 in the form of a refundable tax credit, which is clawed back at a rate of 30%. The estimated cost of our proposed basic income is \$162.54 billion. Importantly, however, we demonstrate how the policy can be implemented in a revenue-neutral way.

## Slide 4

How can Canada finance this? We propose to eliminate federal and provincial non-refundable tax credits (NRTC's), refundable tax credits (RTC's), OAS, GIS, and social assistance. In other words, we simply propose a reallocation of existing government expenditures. The combined revenue from these transfers is roughly \$162.24 billion. Recall that the cost of the proposal is \$162.54 billion, so the basic income is roughly revenue neutral.

## Slide 5

Why might we want to eliminate non-refundable tax credits? For the most part, they are very inequitable.

Through our proposal then, we are not only administering a large basic income, but also reforming the personal income tax system to make it much more progressive, fair and equitable. The proposal also demonstrates that the cost of a generous basic income in Canada is not a cause for concern.

## Slide 6

The second issue that needs to be addressed when designing a basic income for Canada is that the federal and provincial governments all assume some responsibility for transfers to low-income persons. More specifically, the federal government provides transfers to the elderly through OAS/GIS and to children through the CCB, while provinces make major transfers to the long-term unemployed and disabled through the welfare system.

The result of these arrangements is an uneven patchwork system, where the elderly and low-income families with children fare better than those relying on provincial transfers.

## Slide 7

As such, we need to account for the interest both levels of government have in redistribution when designing a basic income.

#### **Slide 8**

Our approach to resolving the jurisdictional issue is to implement the basic income in two distinct phases.

In the first stage, the federal government would replace OAS/GIS and most tax credits with a basic income less than the national benchmark of \$20,000. In the second stage, provinces would be invited to join on an individual basis. Those who do, would negotiate a bilateral national BIG agreement with the federal government, and would implement a basic income that brings all individuals up to the \$20,000 benchmark.

In essence, our two-stage approach, inspired by the tax harmonization agreements, demonstrates that it is possible to implement a national BIG scheme in a decentralized setting where the federal government and the provinces both have a common interest in redistributive goals.

#### **Slide 9**

One of the most common arguments against a basic income is the belief that recipients are going to reduce the amount of time spent in traditional employment activities, or leave the labour market entirely.

#### **Slide 10**

The income effect reflects how labour supply changes in response to changes in income. In our proposal, the basic income redistributes income from high to low income persons. As such, after-tax income will increase for those who receive the basic income, which discourages work. In contrast, after-tax income will decrease for non-recipients, which will encourage them to increase labour supply.

#### **Slide 11**

The substitution effect reflects how labour supply changes in response to changes in the effective marginal tax rate. Think of this as individuals responding to the 30% clawback rate on the \$20,000 guarantee. The 30% tax-back rate does not affect those who don't receive any basic income monies, as such there is no substitution effect on non-recipients. In contrast, the extra "tax" on those receiving the basic income, encourages them to reduce their labour supply

#### **Slide 12**

In theory, then, we expect the labour supply to decrease for individuals who are receiving the basic income

#### **Slide 13**

In our paper, we use economic theory to estimate behavioral changes to the basic income. Our findings are consistent with the theory presented. That is, basic income recipients reduce their labour supply.

Because of the reduction in labour supply, individuals are earning less, and will thus receive a larger basic income in the following year. The estimated increase in the cost of the program, however, is rather modest and should not be viewed as an implementation barrier.

#### **Slide 14**

To conclude, there are a few reflections worth noting about basic income and labour supply:

- Intensive vs. extensive margin
  - Will people drop out of the labour market entirely?
- What effect will a basic income have on wages?
  - If we believe wages are determined competitively, then a reduction in supply will increase wages, as firms will need to respond to the shortage of workers by making the terms of employment more

attractive. This effectively increases the bargaining power of workers.

- We do not consider saving decisions in our estimates
  - Rather than reducing labour supply individuals or families may decide to maintain current employment levels and instead increase savings.
- Social benefits vs. costs of reduced labour supply:
  - Reduced labour supply in response to basic income may correspond to favorable activities such as more time spent at home for child care, returning to school to improve education, taking entrepreneurship opportunities or pursuing the arts
  - Therefore, while it is important to discuss the potential of adverse labour supply effects in response to a basic income, it is equally important to determine what individuals are instead doing with their increased leisure time and whether those activities are just as (or more) meaningful than traditional employment avenues

# WHAT DO THEORY AND EVIDENCE TELL US ABOUT THE LABOUR MARKET IMPACTS OF A BIG?

## RAFAEL GOMEZ

Director – Centre for Industrial Relations and Human Resources  
University of Toronto



Rafael Gomez is Director and co-founder of ThinkTankToronto, and also Director of the Centre for Industrial Relations and Human Resources at the University of Toronto. He received his PhD from this Centre in 2000 after which he went on to teach at the London School of Economics and later Glendon College (York University). His many research interests include small-scale entrepreneurship, worker preferences for workplace representation and the effect of demographic change on labour markets and economic institutions. Rafael has co-authored and co-edited 4 books and over 50 articles and chapters in prestigious academic publications.





# WHAT DO THEORY AND EVIDENCE TELL US ABOUT THE LABOUR MARKET IMPACTS OF A BIG?

## RICHARD PEREIRA

Member – Centre on Values and Ethics  
Carleton University



Richard Pereira is a doctoral researcher and economist who has worked at the Universities of Birmingham, England and Otago, New Zealand as well as the House of Commons in Ottawa. His research specializes in ethics, political economy, public finance and labour market analysis. He is a member of COVE (Centre on Values and Ethics, Carleton University) and EDAC (Economic Developers Association of Canada). Richard's book *Financing Basic Income: Addressing the Cost Objection* (2017) has been described as "ambitious, and definitely fills a gap that existed for a long time in the literature on basic income."



Pereira, R. (2017, May 29). What do theory and evidence tell us about the labour market impacts of a basic income guarantee? Presented at the Centre for Industrial Relations and Human Resources and the Centre for Labour Management Relations' conference, "The New Economy and a Basic Income Guarantee." *Toronto, ON*.

I will try to keep this short to allow for greater audience participation at the end of this panel.

### 1. Sufficient Pilot Programs

The Mincome project tested basic income in the 1970s in Canada. Similar experiments happened at various sites in the United States around the same time. Many more experiments and tests have occurred in Brazil, India and other places on different scales. **45 years of pilots is enough.**

Thank goodness Tommy Douglas did not believe in pilot programs, otherwise we would be fighting for some sort of Canadian Obamacare today, which doesn't even cover a large segment of the population.

### 2. Positive Pilot Program Results and Growing Labour Market Dysfunction

The results of Mincome were positive, and are proving increasingly positive as Evelyn Forget's research demonstrates. I argue that the positive impacts of Mincome will be far greater today, given the vast precariousness that has developed in our economy and **labour market** since then. This includes:

- a. Severe lack of access to Employment Insurance (EI) benefits for a large part of the population;
- b. The proliferation of temporary employment agencies and the degraded jobs that they specialize in and profit from;
- c. The rise of unpaid internships and their abuse by so many employers;
- d. The rise of unpaid overtime work to levels that exceed paid overtime;
- e. Pressures from free trade and offshoring of jobs to low standard jurisdictions (in terms of human rights, democracy, wages and environmental protection);
- f. Exploitation of both foreigners and Canadian workers as documented by the Alberta Federation of Labour and other groups. Quote (from the AFL) "In a **healthy labour market, wages go up when there is a shortage**. In the occupations where employers have made the most **aggressive use of the TFW** [Temporary Foreign Worker] **program**, wages have stagnated and fallen."

I could include many more forms of precarity and pressure that have made our labour market dysfunctional and broken, and which has **created radical income insecurity**. I'm sure you can too.

*1970s Canada did not have to deal with these multiple and intense forms of degradation in the labour market that we are witnessing. That is why the positive impacts of a basic income today would multiply the benefits seen with the Mincome project then.*

### 3. The Cost of Insecurity and Labour Market Dysfunction – One of many dimensions

The **cost of one aspect of this labour market dysfunction** can be illustrated here. Canadians work over 13 million hours per week of unpaid overtime. This is part of a growing trend.

These work hours were traditionally paid at the rate of 1.5 and 2.0, and now are increasingly given away, or taken away, for free (often by very profitable employers).

Divided by a regressive work week standard of 44 hours for full-time work, which is common in Canada (rather than a 40-hour work week, or a 36 hour work week) is equivalent to 307,000 lost jobs. That is a large number of full-time jobs Canadians are losing out on because they feel too economically insecure to speak up against this growing abuse. To do so can mean losing your job and being left with no income, and mounting debts.

A basic income can provide that basic level of income security for people who increasingly feel they will be cut off from EI benefits, or who have no job security, despite having far more education than their parents' generation.<sup>1</sup> It can provide people with a voice in the workplace that is desperately lacking.

The monetary cost of this unpaid overtime work (2008 averages) is **\$429 million per week**. Annualized – allowing for two weeks of vacation – the figure is **over \$21 billion in lost income** (Pereira 2009: 15). **And these numbers are significantly underreported due to the methodology Statistics Canada uses to obtain the data.**

The job losses and/or lost income for individuals and families is likely much larger as a result.

### **The health impacts are even worse.**

In 2007 it was reported that “Workplace stress costs the economy more than \$30 billion a year” (MacLean’s 2007). Quote:

Stress is part of an explosion in workplace mental health issues now costing the Canadian economy an estimated \$33 billion a year in lost productivity, as well as billions more in medical costs. ...‘it’s now the fastest-growing category of disability insurance claims in Canada,’ [Prime Minister Stephen] Harper said.

We are living in a burnt out, overworked society with too much work for some, and not enough for others. *A larger portion of this work is unpaid as compared to previous decades.*

*And these costs do not include the cost of poverty which is much higher, and which a basic income can address even more directly.*

One other manifestation of a broken labour market and income distribution system we have is the case of multiple job workers. In 2003, 787,000 Canadians worked at **two or more jobs**. That figure almost **quadrupled since 1976**, compared with overall employment growth of 61%.<sup>2</sup>

### **4. Additional Brief Points for Consideration**

I will wrap up with 3 additional points.

- a. Various forms of corporate subsidies and corporate welfare would be better directed to a basic income. These subsidies further distort the labour market and economy, and distribute public goods narrowly, as opposed to broadly or universally as does basic income.
- b. Farmer suicides in France, India and other countries, and the terrible plight of many farmers in Canada also presents one of the most significant and underreported opportunities that a basic income can help address. This represents some of the most important work often done in society, along with health care and other forms of care work often not compensated at all in our society, and there is a call for basic income to address the plight of farmers. But this call is often not heard in urban centres such as Toronto.
- c. Lastly, I’ll refer you back to the list of quotes in the program for this conference:

“Everyone can enjoy a life of luxurious leisure if the machine-produced wealth is shared, or most people can end up miserably poor if the machine-owners successfully lobby against wealth [re]distribution. So far, the trend seems to be toward the second option, with technology driving ever-increasing inequality. – Stephen Hawking

I fully agree with this quote. Although basic income is not about asking for a “luxurious” life of leisure, it is about asking for the most basic needs to be met unconditionally.

It really is an urgent matter for all those suffering with the indignities of going to a foodbank, or meeting with a welfare worker and the 900 bureaucratic and oppressive rules in that program, or those who have to deal with predatory pay day loan operations, mounting debts, unemployment and underemployment.

1. Younglai, R. (2016, July 13). Low-wage earners with graduate degrees on rise, new study shows. *Globe and Mail*.
2. (2004, November 17). Multiple jobholding, by sex and age: Moonlighting is now more common among women than men. Statistics Canada. Catalogue no. 71-222-XWE.

MacQueen, K. (2007, October 15). Dealing with the stressed. *Maclean’s*.

Pereira, R. (2009) The costs of unpaid overtime work in Canada: Dimensions and comparative analysis. *Athabasca University*. MA Thesis.



HOW DO VARIOUS POLICY OPTIONS  
RELATE TO THE BROADER POLITICS OF  
REDISTRIBUTION?

# HOW DO VARIOUS POLICY OPTIONS RELATE TO THE BROADER POLITICS OF REDISTRIBUTION IN ONTARIO?

## BRYAN EVANS

Director – Centre for Policy Innovation and Public Engagement  
Ryerson University



Bryan Evans is Full Professor in the Department of Politics and Public Administration at Ryerson University and a member of the Yeates School of Graduate Studies. In addition to a PhD in Political Science from York University, he holds a Master of Arts from York University and a Bachelor of Arts from Laurentian University. Dr. Evans joined the faculty of Ryerson's Department of Politics and Public Administration in August 2003. Prior to his appointment to a tenure-stream position, Bryan enjoyed a diverse career as a researcher, policy advisor and senior manager spanning several public sector organizations including the Ontario Legislative Assembly, the Ontario Public Service and the Workplace Safety and Insurance Board. Dr. Evans' teaching and research interests focus on public service leadership, the politics and public management of neoliberalization, the effect of privatization on public sector employment and the quality of public services, policy capacity, and provincial government and politics.



Evans, B. (2017, May 29). How do various policy options relate to the broader politics of redistribution in Ontario? Presented at the Centre for Industrial Relations and Human Resources and the Centre for Labour Management Relations' conference, "The New Economy and a Basic Income Guarantee." *Toronto, ON*.



# Basic Income Guarantee: We used to call it Full Employment

Bryan Evans, Ryerson University

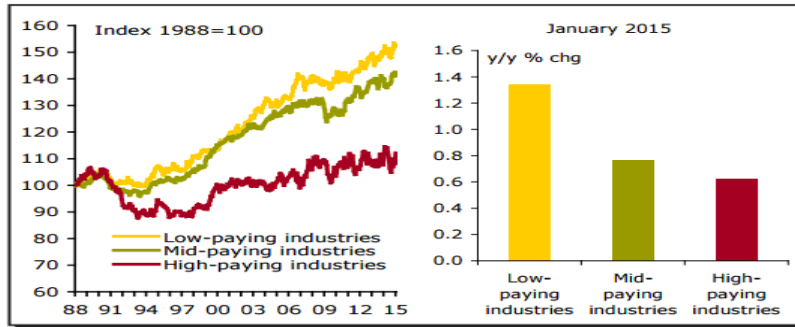
Ryerson  
University

## Historical Perspective: Politics, Policy and Power

- Why BIG now?
- Golden Age of Capitalism – 1945 to 1975 (ish)
- Unionization and the creation of the middle class
- Post-war Social Contract

Ryerson  
University

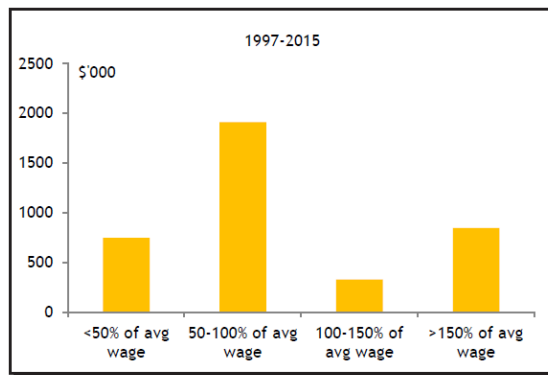
## Slow Growth in Number of Full-Time High-Paying Jobs



Note: Low-paying (below 85% of median wage), Mid-paying (between 85%-115% of median wage), High-Paying (over 115% of median wage)  
 Source: CIBC calculations based on Statistics Canada's tabulations



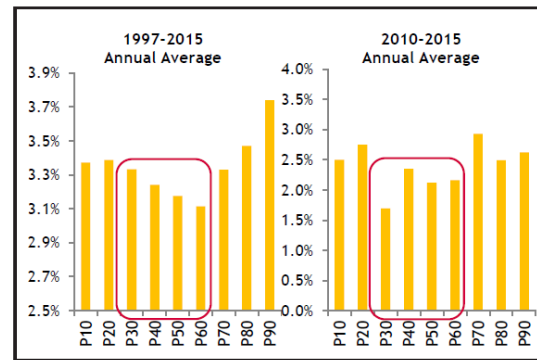
## Job Growth by Wage Category



Source: Statistics Canada, CIBC



### Wage Growth by Wage Percentile



Source: Statistics Canada, CIBC



## Primacy of Politics and Class Power

- BIG – what is the problem to be solved?
- Who has real power?
- Policy ideas and the hierarchy of power.



## **The Much BIGger Question: A New Social Contract to Address Polarization**

- Opportunity to re-imagine the role of the state in addressing inequality and economic polarization in the 21<sup>st</sup> century.
- Policy Alternatives: Increasing union density, broader-based bargaining, from minimum wage to living wage, expand public services and public goods.
- Democratize the policy process.

# HOW DO VARIOUS POLICY OPTIONS RELATE TO THE BROADER POLITICS OF REDISTRIBUTION IN ONTARIO?

## ETHAN PHILLIPS

Author

Canada Fact Check



Ethan Phillips is an independent public policy consultant and Editor of Canada Fact Check, an online news site covering provincial and federal politics. For 14 years, until mid-2015, he was a researcher with the Ontario New Democratic Party at Queen's Park specializing in labour, economic and energy issues and responsible for the analysis of all government bills for the NDP Caucus in these issue areas as well as the development of Private Members' Bills for individual NDP MPP's. Between 1995-2001, he did a wide range of consulting in the areas of pension, labour and economic policy for business, labour and non-profit groups. Between 1990-1995, Ethan served in the Ontario Public Service and was responsible for the development and delivery of a number of the government of the day's job creation

programs.



Phillips, E. (2017, May 29). How do various policy options relate to the broader politics of redistribution in Ontario? Presented at the Centre for Industrial Relations and Human Resources and the Centre for Labour Management Relations' conference, "The New Economy and a Basic Income Guarantee." *Toronto, ON*.

The BIG benefit as it exists in the context of Ontario's pilot projects, applies to both low-income individuals in the workforce and low-income individuals not in the workforce.

As the policy alternatives to BIG that could promote a living income are different for employed, low-income workers than they are for low-income individuals not in the workforce, the presentation will be divided into two parts: 1) an assessment of a BIG against alternative policies for those in the workforce; and 2) an assessment of BIG against alternative policies for those **not** in the workforce.

### **BIG and Low-Income Workers**

According to the Ontario Ministry of Community and Social Services, 70% of those living below the low-income threshold in Ontario do not receive Ontario Works or Ontario Disability Support Program benefits and will be eligible for Ontario's Basic Income Program. Other non-working eligible participants will include those receiving EI and those who are jobless but not eligible for EI.

For those who are working, those eligible for BIG will include not only the 12% of Ontario workers earning the minimum wage but the vast majority of the roughly third of Ontario workers earning within \$4 of the minimum wage. These back of the envelope calculations suggest that upwards of 50% of Ontarians eligible for a Basic Income Program would presently be in the labour force.

If in fact at least 50% of Ontarians who would be eligible for a province-wide BIG are currently employed, the BIG project must be seen as a labour market initiative as much as it is seen as an attempt at income support reform.

In turn, viewing BIG through a labour market lens forces the fundamental question as to whether the best way to bring low-wage workers out of poverty is to: 1) provide these workers with a government income supplement funded out of the tax base like a BIG; or 2) to enact labour law changes that put upward pressure on wages complemented by active labour market measures that encourage high wage, stable employment.

The answer to this question, in turn, begs the question as to who Ontario's low wage employers are. In other words, are the employers of Ontario's low-wage workers primarily small ma and pa businesses struggling to pay their rent and hydro bills or are they larger, profitable companies that can afford to pay higher wages and provide full-time employment? If Ontario's low-wage employers are primarily very small businesses, then that strengthens the argument for a BIG. If that is not the case, and a majority of low wage workers are employed by good-sized, profitable companies, then the advantage tilts towards stronger labour laws and an expansion of active labour market measures – as opposed to a BIG.

Unfortunately, definitive Canadian statistics on the size and profitability of low-wage employers are hard to come by, but in the U.S., some 20 mega-companies dominate the minimum-wage world. Walmart alone employs 1.3 million workers at or near minimum-wage; Yum Brands - owner of Taco Bell, Pizza Hut, and KFC is in second place; and McDonald's takes third.

Overall, 60 percent of American minimum-wage workers are employed by businesses not officially considered "small" by U. S. government standards.

In Canada, evidence suggests that the U.S. pattern of low wage work dominated by large, profitable companies, is similar with many of the same multi-nationals ranking in the top 10 of employers of low-income workers in both countries.

The take-away from this is that Basic Income benefits going to Ontario's low-wage workers will directly end up subsidizing some of the world's largest and most profitable companies – companies that have a history of virulent anti-unionism and companies for whom a low-wage, precarious workforce is a key element of their business strategy.

Of course, the use of means tested public programs to compensate for low wages is nothing new. The question is whether Ontario wants to initiate a new, large-scale program that would massively increase these sorts of subsidies to large profitable companies.



At this point, it's useful to take a close look at the role existing U.S. programs aimed at low-income households have in subsidizing the income for U. S. Walmart workers.

Looking at subsidies going to Walmart's U. S. operations is instructive in that a fair amount of research has been done on the subject and also because the absence in the U.S. of universal health insurance and a tradition of miserly income support programs, allows for a focus on U. S. means tested programs like Medicaid and Food Stamps and therefore an easier calculation of subsidies being funneled into a particularly profitable company through means tested programs.

First, according to a report prepared by the Americans for Tax Fairness, the annual bill that states and the U.S. government foot for American working families making poverty-level wages is \$153 billion with \$6.2 billion of that going to Walmart alone. In many states, Walmart employees are the largest group of Medicaid and food stamp recipients.

The study estimated that the cost to U. S. taxpayers of a single Walmart Supercentre was between \$904,000 and \$1.75 million per year, or between \$3,000 and \$5,800 on average for each of 300 workers typically employed in the Supercentres!

And Walmart is not just big – it is enormously profitable.

While \$6.2 billion in Medicaid and food stamp aid was required to keep Walmart's low wage employees' heads' above water, the company had \$14 billion in profits in 2016 on revenues of \$473 billion. The Walton family, which owns more than 50 percent of Walmart shares, reaps roughly 5 billion in annual dividends and share buybacks from the company. The six Walton heirs are collectively, the wealthiest family in America, with a net worth of \$149 billion. Collectively, these six Waltons have more wealth than 49 million American families combined. The second richest family, the notorious Koch brothers, trail far behind with a total net worth of \$86 billion.

The point of this detour into the world of American corporate welfare is to shed some light on the central question of whether low income Ontario workers – who again, will comprise roughly half those eligible for BIG – can best be lifted above the poverty line through a BIG or through higher minimum wages combined with labour law changes that ultimately lead to increased union density in the low-wage service sector.

In my opinion, the fact that so many BIG eligible workers are employed by large, profitable employers who can afford to pay higher wages and provide more full-time work, suggests that the labour law reform is the preferable route.

And to be blunt, does Ontario really want to spend billions of dollars of hard-earned tax payer money making the Waltons and the billionaires who run 3G Capital (owners of Tim's and Burger King) even richer than they already are?

So proposition # 1: improving the lot of the working poor is best addressed by an aggressive approach to the minimum wage combined with labour law reform that allows for increased union density in the low-wage service sector. Companies like Walmart, Macdonalds and the parent company of Tim's and Burger King, should not be receiving income supplements to compensate for a low-wage, precarious workforce that is a key element of their business strategy.

At this point, it is probably useful to shift from the question of whether fundamental labour law reform is more desirable than BIG from a policy perspective to whether it is politically feasible.

The obvious objection to the argument that labour law changes are the answer to low-wage, precarious work is that the kind of changes that would put substantial upward pressure on wages are simply not going to happen – that private sector labour has been on the decline for at least 35 years in Canada and throughout much of the developed world, and that there is no reason to think that that decline is going turn around anytime soon.

Moreover, proponents of this view suggest that the forces of globalization, automation, the so-called sharing economy, and artificial intelligence will continue to strengthen and that continued downward pressure on

private sector wages and working conditions is inevitable. It is also worth noting that many of the most prominent proponents of the inevitability of precarity - in particular the giants of Silicon Valley - are also strong advocates for a Basic Income Guarantee.

The problem with this view is that regional labour markets are products more of politics and policy than of global macro-economic trends. And while it may be true that the general trend over the past 35 years has been *policy* changes that de-regulate the labour market, that has not always been the case. The fact is that politics plays out in a particular time in a particular place and that there have been a number of exceptions to the general trend towards deregulated labour markets. Just looking at Canada, examples of significant initiatives towards the re-regulation of regional labour markets include Ontario in 1992, British Columbia in 1993, and Alberta in 2017. And Quebec has for decades maintained the strongest labour laws in North America.

In Ontario, the labour legislation tabled on June 1 certainly represented a tilt towards more regulation of the Ontario labour market that will result in at least some upward pressure on wages. The biggest win by far for advocates of higher wages for low-income workers was the aggressive approach to increasing the minimum wage which will result in a \$14/hr. minimum wage by January 1, 2018, and \$15/hr. by January 1, 2019.

Of course, how much re-regulation of the labour market actually occurs and how much upward wage pressure eventually manifests itself on the ground, will be largely related to whether the changes in the OLRA will be significant enough to lead to higher union density in the low-wage, private service sector.

On this question, I was somewhat disappointed by the Changing Workplaces final recommendations relative to some of the bolder options put forth in the interim report. Moreover, important recommendations that did make it into the final report - such as the consolidation into a single bargaining unit of franchisees with the same employer in the same region - were rejected by the government. This suggests that labour policies that move beyond the single employer, Wagner Act model, are encountering considerable resistance from both within and outside the government.

But the fundamental analysis underlying the report and the June 1 legislation – namely that job precarity has gone too far in Ontario and that measures need to be taken to begin to reverse these labour market trends - was clear.

### **BIG and Non-working, Low-income Ontarians**

At this point, it would be possible to simply end the presentation because once one declares BIG the wrong way to go in dealing with the challenges of the working poor, one essentially abandons the notion of a BIG. It is by definition a solution that applies to all those living in poverty – whether they are working or not.

But to say that BIG is not the answer for the non-working poor begs the question as to what is.

So let's now address the roughly 50% of BIG eligible participants that are not in the labour force – a majority of which are receiving benefits through Ontario Works and the Ontario Disability Support Program.

To provide some narrative continuity, I'm going to maintain the same somewhat simplified structure in this part of the presentation as I did in the first part and assess a BIG as it would apply to the non-working poor against an obvious alternative option for improving their lot: namely the policy agendas advanced for decades to bring the non-working poor above the poverty line through EI and social assistance reform.

The first issue that jumps out when comparing the feasibility of a province-wide BIG relative to the social assistance and EI reform agendas that have been advanced for decades, is the huge cost of a province-wide BIG.

The upcoming Ontario BIG pilot project will reportedly cost the province \$50 million per year, and will provide basic income to approximately 4,000 people. An extrapolation from this in an attempt to calculate the cost of a province-wide roll out of BIG involves integrating so many interdependent variables, that even coming up with a cost within a broad band involves much speculation. But starting with the costs related to the top-ups of benefit levels for OW and ODSP (currently costing the Ontario treasury roughly \$9 billion dollars) and then

factoring in top-ups to EI recipients and low-income workers, it is hard not to come up with an annual net incremental cost of between \$25 - \$50 billion dollars. And by net I mean taking into account potential efficiencies to be gained by implementing a BIG, such as administrative efficiencies and the alleviation of many of the indirect costs of poverty.

And there is only one way to finance an increase in net social spending of between \$25 and \$50 billion – through a massive increase in Ontario provincial taxes.

Here are some numbers that suggest why such an increase is not politically feasible.

Ontario's current program spending totals \$130 billion on tax revenues of roughly \$95 billion.

Other non-tax sources of revenue come from federal transfers which Ontario has little control over, income from Government Business Enterprises, and other forms of non-tax revenues involving fees, etc. These revenue categories provide very little room for growth leaving the only real option to fund a BIG massive increases in the taxes that Ontario has control over.

However, when it comes to the all important provincial Personal Income and Corporate Income taxes, Ontario has “control” only in a limited sense in that it has no say over the base on which the provincial tax rates are levied. All deductions and exemptions related to the base are controlled by the federal government so on these taxes Ontario can only increase overall revenue by increasing provincial tax *rates* and reducing provincial tax credits.

On the HST, Ontario still has control over the provincial portion of the rate (currently 8%) but has lost much of the flexibility to apply an increase selectively that it had under its own Provincial Sales Tax. This makes it harder to tailor a HST increase in a politically tactical way. And even when Ontario had more control over what goods and services were subject to its sales tax, an increase in the PST was always a political hard sell.

Bottom line: the Personal Income Tax, the Corporate Income Tax, and the provincial portion of the HST account for \$71 billion of Ontario's total tax revenue of \$95 billion. And given that Ontario has no control over the corporate and personal income tax bases, the truth of the matter is that the only way to raise an additional \$25 - \$50 billion to finance a BIG province-wide, is to implement huge rate increases in personal and corporate income taxes along with a significant increase in the provincial portion of the HST. And this is simply not politically feasible.

So the danger is that if too many eggs are put into the Basic Income basket and the government of the day comes to believe that it is a political necessity to push a BIG out the door province wide, we are very **unlikely** to get a benefit level that ensures that no one is in poverty (and supplementary programs are maintained) because the increase in taxes to do this would be unacceptable. In fact, we are more likely to get a small Universal Basic Income well below the poverty line combined with social program cuts because the initiative would be scaled back to fit politically feasible tax increases.

There is also a danger of the Basic Income project replacing (or at least stalling momentum on) other initiatives under way in Ontario that have similar goals to the Basic Income for the non-working poor but are much farther along in terms of working out the details and are more political feasible. These include social assistance reform with a report from the Income Security Reform Working Group headed by George Thomson due to be submitted to the government this summer and released to the public this Fall.

At the federal level, there is also the danger that EI reform and efforts to increase the Working Income Tax Credit might be undermined by the Basic Income – albeit admittedly there does not appear to be a whole lot of momentum behind these initiatives.

### **An alternative policy agenda to ensure a living income for Ontario's working and non-working poor.**

So, what's the alternative agenda if you have your doubts about BIG but believe government should commit to a living income for all?

Here is a partial policy agenda:

- Implement the Changing Workplaces recommendations but go considerably farther on the OLRA side - particularly on broader-based bargaining. For example, implementing the so-called B.C. sectoral bargaining model has the potential to significantly increase union density in the low-wage service sector reducing the need for a BIG.
- Phase in a \$15 minimum wage along the lines announced by the Ontario government.
- Pick up the pace of the work of the Income Security Reform Working Group headed by George Thomson and be particularly aggressive in increasing ODSP and OW benefit levels and in increasing (if not doing away with) asset level limits. This could be combined with reform of the Canada Pension Plan Disability benefit.
- Implement E.I. reforms including setting a fair qualifying period of 360 hours that will ensure EI is available for Canadians paying into it; make all workers eligible for up to 50 weeks of EI benefits; and raise EI benefits to 60% of earnings calculated on a worker's best 12 weeks of earnings.
- Implement the provincial Gender Gap recommendations.
- Gradually increase the federal Working Income Tax Credit.

## Conclusion

Incrementality in all its messiness and complexity is sometimes preferable to a silver bullet that solves all problems. The search for a silver bullet to once and for all eliminate poverty and increase equality has its attractions, but it can undermine a set of practical and incremental initiatives where there is already momentum, where many of the details have already been worked out, and which represent substantial steps that taken together, move us closer to the long-term goal of a living income for all.

Perhaps the BIG pilot projects will give us some useful information. There are a range of administration and integration issues that will have to be worked through that can be integrated into the agenda outlined above.

But the danger is that the "silver bullet" approach to eliminating poverty will end up with a weaker social safety net, inadequate labour laws, and a Basic Income benefit that falls far short of ending poverty.

In Ontario, much of the hard work of developing detailed policy options to reduce poverty has been completed or is well advanced. Of course, the extent to which our provincial and federal governments will actually implement these policy options remains to be seen.

But social change is always a long-term endeavor.

And if incrementalism sometimes seems frustrating and the complexity of actual implementation sometimes seems overwhelming, at least in the last little while, the overall direction in Ontario has generally been positive.

And we should take hope from this, for as we know from our recent history here in Ontario under the Harris government and from daily reports from south of the border, the "overall direction" can sometimes get pretty ugly.

# HOW DO VARIOUS POLICY OPTIONS RELATE TO THE BROADER POLITICS OF REDISTRIBUTION IN ONTARIO?

## JOSHUA GORDON

Assistant Professor – School of Public Policy  
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Joshua Gordon is an Assistant Professor at the School of Public Policy. He completed his PhD in Political Science at the University of Toronto in 2012 and joined the School in August of 2014. His doctoral research focused on the politics of labor market policy and the welfare state in the advanced industrialized democracies. His recent research has focused on the Canadian housing market, especially the housing markets in Toronto and Vancouver. Josh's future work will examine why some countries have created major fiscal liabilities for future generations, mainly in terms of public debt and problematic public pension systems, while others have effectively limited such fiscal obligations.



Gordon, J. (2017, May 29). How do various policy options relate to the broader politics of redistribution in Ontario? Presented at the Centre for Industrial Relations and Human Resources and the Centre for Labour Management Relations' conference, "The New Economy and a Basic Income Guarantee." *Toronto, ON*.

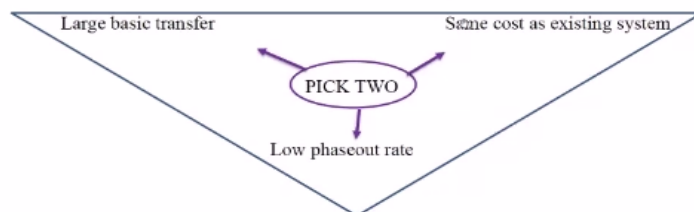
# Basic Income Guarantee: Good politics?

JOSH GORDON, SCHOOL OF PUBLIC POLICY, SFU

## Basic Income Trilemma

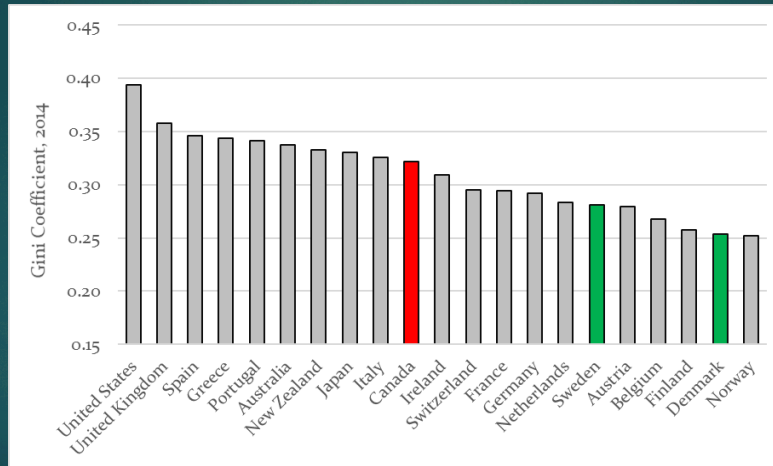
### The Basic Income Impossible Trinity

You can choose only TWO of these three features:

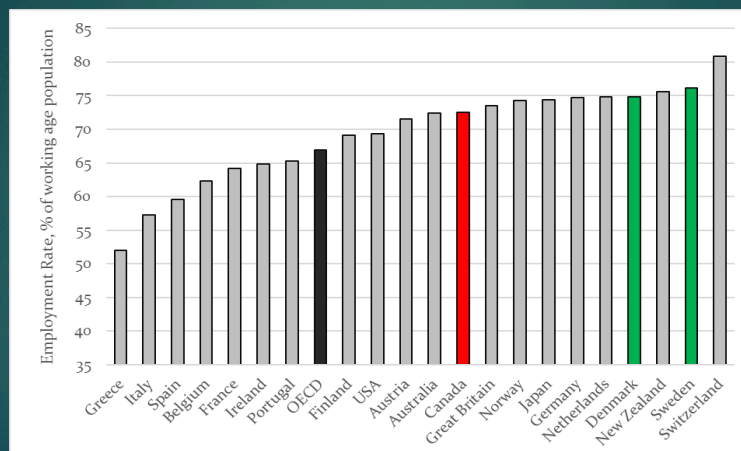




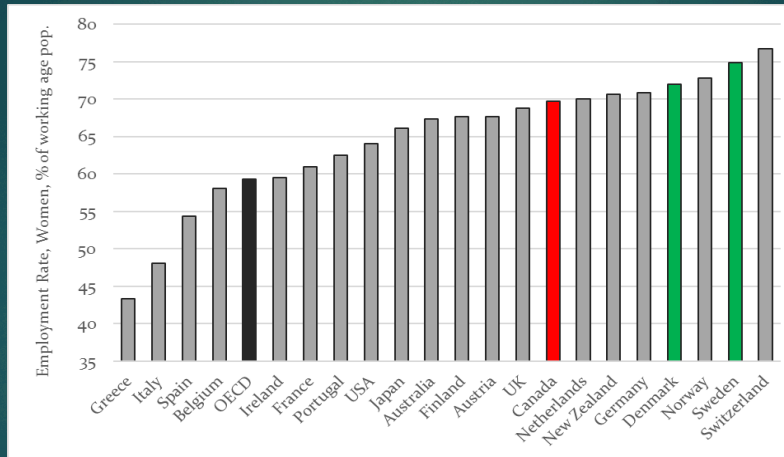
## Gini Coefficients, OECD, 2014



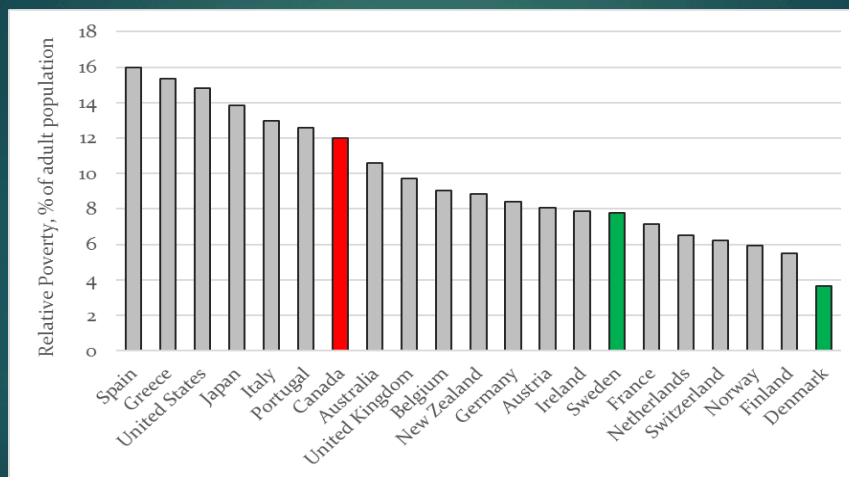
## Employment Rate, OECD, Working Age Population



## Employment Rate, OECD, Working Age Population



## Relative Poverty, Share of Adult Population (26-65)



# HOW DO VARIOUS POLICY OPTIONS RELATE TO THE BROADER POLITICS OF REDISTRIBUTION IN ONTARIO?

## PAM FRACHE

Ontario Organizer – Fight for \$15 and Fairness  
Workers Action Centre



Pam Frache is the Ontario Coordinator of the “Fight for \$15 and Fairness” and an organizer with the Workers Action Centre. Prior to this, she had been on staff with the Ontario Federation of Labour as both Research and Education Director and had worked for the Canadian Federation of Students nationally and provincially. She is a long-time labour activist and past president of CUPE 1281. Pam has an MA in Work and Society (Labour Studies) from McMaster University and has had the privilege of teaching in the Labour Studies program at Brock University.



# HOW DO VARIOUS POLICY OPTIONS RELATE TO THE BROADER POLITICS OF REDISTRIBUTION IN ONTARIO?

## TIM BARTKIW

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Tim Bartkiw is an Associate Professor in the Ted Rogers School of Management at Ryerson University. He holds a Ph.D. in public policy, and degrees in economics and law. He is also a qualified lawyer and previously practiced law exclusively in the area of labour / employment law. His research interests span the fields of labour / employment law and policy, industrial relations, and political economy, and he teaches various courses in labour / employment law and industrial relations.



Bartkiw, T. (2017, May 29). How do various policy options relate to the broader politics of redistribution in Ontario? Presented at the Centre for Industrial Relations and Human Resources and the Centre for Labour Management Relations' conference, "The New Economy and a Basic Income Guarantee." *Toronto, ON*.

This panel will try to engage with some of the questions about how a BIG policy option relates to the broader political economy and dynamics around (re)distribution of income/wealth.

As the BIG policy option has gained increased salience lately, it has been stated repeatedly how the idea supposedly receives broad support from across the political spectrum. I think a more accurate statement however is that there have indeed been some interesting positions taken about the BIG concept by certain individuals, that may at first blush contrast with our common notions of who is in favour of a more or less *redistributive* society.

In my view, this panel will attempt to discuss some of the concerns about the BIG policy option, while taking as given a desire for a more egalitarian social distribution. To borrow a phrase from Avi Lewis in his recent moderating of a similar debate about the BIG concept, it seems to me that we can think of many such concerns as 'movement questions', i.e. questions about whether a struggle for a BIG is a sound strategy amongst those who in one way or another are part of the overall progressive struggle.

In my canvassing of some of the recent debate on this issue, it seems to me that concerns amongst egalitarian progressives include some of the following:

- 1) How generous and egalitarian a redistributive approach can a BIG represent, given the extra costs of a broader base of redistribution? Given that redistribution comes at a cost (and struggle), is the distribution under a BIG the most desirable? Or do other types of policies offer greater egalitarian potential?
- 2) Relatedly, how "politically sustainable" might a BIG project be, in relative terms, given concerns about the existence of some labour supply effects and/or very high costs? How would a BIG policy fare within the dynamics of our liberal democracy, taking into account both the balance of socio-economic power and potential right-wing populist backlash? Is it a particularly vulnerable target?
- 3) How does the BIG fit in relation to other institutions of social protection, both including and beyond income replacement, and particularly with respect to rights of people in their status as *workers*? What *quid pro quo* can we expect to be demanded from other social rights in return for a BIG?
- 4) How reliable is a neoclassical partial-equilibrium model "ceteris paribus" prediction of improved worker bargaining power that might result from the provision of a BIG in the context of a neoliberal labour market with so many other forces and policies pushing in the other direction? Further, are we really to assume no corresponding policy changes affecting worker power will come alongside a BIG?
- 5) Lastly, how does this BIG idea relate to the dynamics of ideology construction? Are we not at all concerned, for example, about the ever creeping normalization of "entrepreneurialism" as the only remaining socio-economic silver-bullet for all that ails us all? Might a BIG have at least *something* to do with furthering this rather individualist ideological project?
- 6)

Again, these are just some aspects of the debate that needs to occur amongst the progressive, and I hope that this panel contributes to that debate.





# CLOSING REMARKS

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## TRISH HENNESSY

Founding Director – Ontario Office  
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Trish Hennessy is the founding director of the Canadian Centre for Policy Alternatives' (CCPA) Ontario office. She was the founding director of the CCPA's national project examining income inequality in Canada, which began in 2006, and is an ongoing contributor to the growing gap team. Trish is a former newspaper journalist who has a B.A. in Sociology from Queen's University, B.S.W. from Carleton University, and M.A. in Sociology from OISE/University of Toronto.





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