

THE POVERTY, INEQUALITY, AND JOB CHALLENGE

THE CASE FOR BASIC INCOME IN CANADA

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with

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The Poverty, Inequality, and Job Challenge
The Case for Basic Income in Canada

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Preface

As I write this, I am also preparing to retire from the Senate of Canada after almost 14 years of service in which I have dedicated much of my time and effort to social justice issues. Soon after my appointment to the Senate in 2005, the Honourable Michael Kirby, Chair of the Standing Committee on Social Affairs, Science, and Technology (SAST) invited me to join this committee bringing the urban perspective I gained, as a former Mayor of Toronto, to their work on social and health care issues. Senator Kirby and the committee had already completed some well recognized and praised studies on health care reforms, and I joined as a report on mental health, titled *Out of the Shadows at Last* was being finalized. This report led to the establishment of the Mental Health Commission of Canada. Michael went off to head that Commission and I was elected Chair of SAST.

My first proposal to the Committee was for us to do a study on poverty, housing, and homelessness in Canada. Various studies on poverty related issues had been undertaken over the years in the Senate but this was to be an up to date comprehensive examination with an urban lens. A sub-committee was established with Senator Hugh Segal and me heading it up. The study commenced in 2007 with tours to various cities across the country, and with a few interruptions due to prorogations, elections, and processing of government legislation, we published the report, *In From the Margins: A Call to Action on Poverty, Housing, and Homelessness* in December 2009. There were 74 wide-ranging recommendations of which two relate to basic income. One recommended a basic income program for those with disabilities, and the other suggested a study on the costs and benefits for a broader-based program as a means of eliminating poverty. No federal government in Canada, then or now, has taken up those recommendations on Basic Income.

Some governments, at all levels, try to incrementally reduce poverty in their jurisdictions. Then others come along and impose austerity measures so that many gains are lost or eroded by no adjustments for inflation. Over the decades incrementalism has not eradicated poverty in our rich country. It's time for a bold idea to improve income security, both to help people lift themselves out of poverty and prevent others from falling into it.

In this book, I will outline in Chapter One why I believe basic income is the answer to income security based on three reasons: the persistence of poverty, rising inequality, and the changing job market.

Chapter Two explores the persistence of poverty in Canada and is written by Dennis Raphael, professor at the School of Health Policy and Management at York University. He is editor of the publication, 'Social Determinants of Health' and does extensive research on poverty and inequality issues.

Chapter Three expands on the ideas of income inequality and why it matters by Miles Corak, an economics professor from the University of Ottawa who was formerly an 'Economist in Residence' at the Ministry of Economic and Social Development Canada. He will tell us about the Gini Coefficient and other measurements of inequality.

Chapter Four reviews the changing labour market and movement toward precarious work by Wayne Lewchuk, a professor at the School of Labour Studies and Department of Economics at McMaster University. He has done extensive work in this area including a major study in southern Ontario on precarious employment.

Chapter Five discusses Canada's previous basic income example from the MINCOME basic income experiment (1974-79) in Manitoba by Evelyn Forget, an economist and professor in the Department of Community Health at the University of Manitoba. She has added invaluable information and produced the most extensive work when it comes to the history of basic income. She is also the author of 'The Town with No Poverty.'

In Chapter Six, I will return to describe some of the design elements, options, and a summary of our current situation in our advocacy for basic income in Canada.

Special Note

In June 2018, as this book was being finalized, an Ontario provincial election resulted in a change of government with the Liberals under Premier Kathleen Wynne being replaced by the Conservatives under Premier Doug Ford. Shortly thereafter, the new government announced that it was terminating the basic income pilot project undertaken by the previous government. The pilot was close to one year in operation from the three years that were committed to it. The only comment to support the termination was a concern about it being “too expensive.” Facts, figures, or further rationale have yet to be provided in substantiation of the decision. This is most regrettable. At the time of writing, the government has announced a wind-up the Basic Income pilot for March 2019. A court challenge to this arbitrary cancellation is also being pursued.

Anecdotal information so far indicates that the early stages of the pilot were producing good results. This needs to be kept in mind in reading this book because there are several references to the Ontario Pilot. This does not, however, change the rationale behind basic income.

Acknowledgements

Finally, I want to express my deep appreciation to those who helped make this publication possible. The husband and wife editing team of Roderick Bennis and Joli Scheidler-Bennis of Fireside Publishing House who also operate the Lindsay Advocate. Kathleen O’Grady of QUOI Media who manages the knowledge mobilization of this project on social media. Alexandre Malenfant who spent several weeks in my office as an intern while doing his thesis on basic income and was helpful in research for this book. And, a large thanks to my colleagues in the Independent Senate Liberal Caucus for research funding that brought this about.

Art Eggleton
Toronto, September 2018

Chapter One: Why Basic Income?

Art Eggleton

The idea of basic income is getting more attention these days than it has for many years. In the past we may have known it as guaranteed annual income (GAI), and nowadays we also hear basic income guarantee (BIG), basic livable income, universal basic income (UBI), and some other variations. Why this current spike in interest?

I suggest three reasons for this.

First, the persistence of poverty. According to Statistics Canada, 1 in 7 Canadians live below the poverty line as measured by the Low Income Measure (LIM). That is about 5 million of our people with over a million of them being children¹. According to UNICEF on a list of 35 developed countries, Canada ranks 24 when it comes to preventing poverty amongst our children. That's hard to fathom in a rich country like Canada, a member of the G7 and G20 top economic powers in the world².

Further, we find that 900,000 people currently use food banks every month, of whom 38% are children depending on those food handouts³. It is estimated that 1 in 7 children go to school hungry every day⁴. It's hard to learn on an empty stomach. Even for those not depending on food banks, food security can be a struggle which is estimated to affect 12% of our national population, according to Statistics Canada.

Then there are the 4 million Canadians in need of decent affordable housing, and the thousands of homeless struggling with street life⁵. Estimates suggest that 30,000 people are on the streets any given night with another 50,000 near-homeless people “couch surfing” with friends or relatives as one example⁶. If ever there was a “business case” to end homelessness it's in the fact, as shown in numerous studies, that it is 3 to 4 times more costly to the public purse leaving someone on the street than to give them housing with supports to get them back on their feet⁷. In and out of shelters, hospital emergency rooms, and sometimes jails adds up in dollar costs and in degradation of a human being.

While considering costs to the public purse, let's consider health care. According to the Canadian Medical Association, “poverty makes us sick”⁸. The lowest income quartile has twice the draw on our healthcare dollars as compared to the highest quartile⁹. On top of that 1 in 4 people earning under \$30,000 a year stop or delay taking prescription medication because they can't afford it. Imagine the stress of having to decide, “do I take my medicine, or pay the rent, or buy healthier food, or better clothing for the kids”¹⁰.

These statistics are grim enough but there are some parts of the population where they are much worse. There is a great vulnerability to poverty for Aboriginals, the disabled, single parents, new immigrants, and people of colour. Single men, particularly between 45 and 64 years old, are also vulnerable.

So make no mistake, poverty still has a stranglehold on millions of Canadians. For these people—our fellow citizens—every day is a battle with insufficient income, unaffordable housing, inadequate clothing, and unsatisfactory nutrition.

Now what about our “social safety net”? It's supposed to help low-income folks cope with all these issues. Well, there are some good programs and many good intentions but overall, the system is failing to give enough support to help many escape poverty. I particularly think of our provincially-operated, social welfare programs or disability allowances. Most support is insufficient in providing for the essentials of food, clothing, and accommodation. The hundreds of rules in these systems frequently trap people in poverty by forcing them to relinquish much or all of their assets and require claw backs in one way or another to additional income earned to the point of discouraging those who want to climb out

of the trap. These systems rob people of their dignity; they stigmatize and marginalize. They fail us from both a social and economic perspective. As a former Senate colleague, Hugh Segal, has said: “Our present system does not fight poverty. It institutionalizes it.”

But not all low-income households are on social assistance. Almost half are part of the “working poor”¹¹. Many work in precarious jobs that are part-time, with little or no benefits, pension plans, or security. Pay is low, sometimes at the minimum wage which for most in Canada is not a living wage. Government programs, such as the Canada Workers Benefit (formerly the Working Income Tax Benefit or WITB) are supposed to supplement low wage jobs but don’t qualify nearly enough low-income people, and don’t pay enough for those who do qualify¹².

A notable exception is the senior population with their guaranteed income supplement (GIS) which together with Old Age Security (OAS) and the Canada Pension Plan (CPP) or Quebec Pension Plan has given them a basic income program. It has greatly helped people 65 and older, although there are still many seniors struggling with insufficient income.

Another hopeful program is the Canada Child Benefit. When this current version was launched by the federal government in 2016 they claimed that 300,000 children would be lifted out of poverty, along with their parents. But what about the million Canadian kids still in poverty? When will they be lifted out of poverty? Governments launch programs and then frequently move on to other issues without coming back for a long time, if ever, to improve it for those insufficiently covered by the initial plan. I don’t think incrementalism works for low-income families.

And let’s not forget that while poverty takes a toll on people’s lives—a loss of dignity, marginalization, stress and anxiety—it also costs all of us in terms of public tax dollars. A study done in 2007 suggested the public cost to be \$30 billion a year, of which \$7.5 billion was in health care costs alone¹³. Other studies suggest more. Simply put, we can’t afford poverty anymore.

Second, there is rising inequality. A widening gap in wealth and income levels has evolved in the past three decades. Our society is becoming more unequal with 20% of the population controlling 68% of the wealth. In fact 87 residents of this country have as much wealth as 12 million of our least well-off citizens. Income levels have risen substantially for top income brackets, with low and middle-income Canadians either losing ground or remaining stagnant. It’s this trend that resulted in the 1% vs. 99% protest movement¹⁴.

While the top 1% earn more than 7x the average worker, the spread gets absolutely gross as you go up the income ladder. The top 100 Canadian CEOs in 2017 raked in on average \$10.4 million dollars. That is 208x the average Canadian income of \$49,738. Those top earners are making in a day or so as much as the average worker gets in the whole year. Yes, they are corporate leaders but 208x? In 1980, it was more like 40x¹⁵.

With money goes power and influence. As U.S. Supreme Court Justice, Louis Brandeis (1856–1941), so ably put it, “We can have democracy in this country or we can have great wealth concentrated in the hands of a few, but we can’t have both.” Another American economist, Joseph Stiglitz was paraphrasing Abraham Lincoln when he said political inequality was leading to a government “of the 1%, by the 1%, and for the 1%.” And, as Toronto Star columnist Thomas Walkom once remarked, “Canada works when people think they have a stab at making a decent living. Remove this and you remove the glue that holds everything together.” So, it’s time to reduce inequality by better sharing our prosperity.

University of Toronto professor, David Hulchanski, has led a research team analyzing changes of neighborhood characteristics in major cities across Canada. In Toronto, for example, they found that back in 1980, 60% of census tracts were dominated by middle-income earners, but by 2015 that number had dropped to 28%. In the same time period, wealthy areas grew from 12% to 21% and low-income areas from 28% to 51%, meaning that despite economic growth, the majority of Toronto neighbourhoods are low income. Hulchanski call this “a collection of islands segregated by income.” Two such islands are the neighbourhoods of Leaside and Thorncliffe Park which are just a few minutes’ drive

apart in Toronto. The child poverty rate in Leaside is 4% but in Thorncliffe Park it is 53%. Similar polarization trends were found by the team to exist in Montreal, Vancouver, and Calgary¹⁶.

The predominately middle class and mixed-income cities of the 1970s have given way to more polarization in our cities today with increasing pockets of wealth, on the one hand, and disadvantage and poverty on the other. This is a threat to our social fabric, a threat to our social cohesion and that could lead to social unrest.

One further point on inequality, when we talk about economic growth, reference is usually made to Gross Domestic Product (GDP) numbers. It may tell us how fast the economy is growing overall, but it doesn't tell us who is included or not included in that growth. Most of that growth, it has been demonstrated, is going to those with higher wealth and incomes. It's time to work towards a better sharing of that prosperity¹⁷.

Third is the changing job market. Professor Richard Florida of University of Toronto says, "We are in the midst of the greatest, most-thorough economic transformation in all of history." Globalization and outsourcing of jobs have been beneficial to many, particularly in the developing world, but others have been left behind. Many manufacturing, or blue collar jobs in Canada have given way to low wages, temporary or part-time work. What we refer to as 'precarious employment', often results in the lack of a living wage. On top of that is the demographic challenge of our aging population, which could mean fewer workers paying taxes to support social and health care programs that we depend on. That's why economic immigrants to fill the void will continue to be important to our well-being as a nation. We are a trading nation, so trade agreements will continue to be needed if we are to maintain the standard of living in which we are accustomed. Many feel that our own domestic market isn't big enough to do it without them. However, let's pay more attention to policies and agreements that don't leave people behind.

Automation is an even bigger challenge to our labour market. It has been happening for decades but now robotics and artificial intelligence (AI) are rapidly coming into the picture. A Mowat Institute study from 2016 suggests that 42% of current employment in Canada is at high risk of automation in the next two decades¹⁸. Similar studies in the U.S. and other countries have produced equally startling predictions. Driverless vehicles, robotics in health care, artificial intelligence through deep machine learning and more will likely affect many low and even middle-to-high income jobs. There are those who say that as old jobs disappear, new jobs are created. In the past that has proven to be true in many respects, but not all those in labour or low-skilled work are capable of transitioning into high-skilled or high-tech jobs.

Some high-profile individuals have been issuing warnings about the impact of artificial intelligence. Physicist, the late Stephen Hawking said that the "rise of artificial intelligence is likely to extend job destruction deep into the middle classes, with only the most caring, creative, or supervisory roles remaining." Elon Musk, inventor and business magnate, has referred to artificial intelligence as "humanity's biggest threat." Heavy words that many may disagree with, or to at least the extent of the threat, but they are not messages to be dismissed outright.

Putting these three reasons together, the persistence of poverty, rising inequality, and the changing labour market along with growing stress for many to make ends meet as they live pay- cheque-to-pay-cheque, with insufficient pensions, and too much personal debt, result in greater anxiety for too many. It's time to end poverty and reduce inequality in this country. It's time to improve equality of opportunity and better sharing of our prosperity. We need new ways to give people better opportunities to live productive and fulfilling lives in Canada. One possible solution is the implementation of a basic income program for Canadians.

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Chapter Two: The Persistence of Poverty

Dennis Raphael, PhD

Canadians consider their nation to be among the most humane and caring on the planet. In contrast to the public policies of our American neighbour to the south, Canada provides all with opportunities to flourish and live satisfying lives. It allows Canadians to have their basic needs of food, clothing and shelter met and through education, employment, and recreational opportunities provides the prospect of reaching their full human potential. When required, we provide responsive health care and social services. All of this reflects Canadians' belief in fairness and our governing authorities working to achieve peace, order and good government. Unfortunately, this rosy image of Canadian society is at odds with reality.

Canada has one of the highest poverty rates for individuals and families among wealthy developed nations. The situation of children, Indigenous people, recent immigrants of colour, and people with disabilities is especially problematic. Canada's record of preventing poverty is well behind most other wealthy developed nations. This is a real problem as living in poverty is the single most important cause of poor health across the life course. Poverty also leads to lower literacy levels, increased crime and reduced safety, lack of social cohesion, and even lower economic productivity. All these contribute to a lower quality of life for all Canadians, both poor and not poor. The poverty situation of Indigenous peoples in Canada is especially problematic, a result of a long history of colonization.¹ In addition, very high rates of poverty characterize the situation of recent immigrants and refugees to Canada.²

Those living in poverty are most affected for the worse while for many others the threat of falling into poverty diminishes their lives. Everybody pays for the increased education, health care, policing and social service system costs for the special education teachers, doctors and nurses, police, prison guards, psychologists, social workers, and others who must respond to the problems poverty creates. Poverty is also a drag on the economy. Finally, a society with higher poverty rates sees public participation (e.g., voting and volunteering, etc.) decline together with trust in governmental and other institutions. The presence of poverty has a deeply corrosive influence upon all aspects of Canadian life.

Defining Poverty

Among Canadians, the term poverty usually conjures up images of people living in dilapidated shacks who experience profound malnutrition and other forms of material deprivation that cause illness and premature death. Such images accurately portray the incidence and experience of poverty for much of the world's population. And such poverty is indeed the cause of profoundly high levels of disease and illness, premature death, and general misery and unhappiness, in addition to political and social unrest, in the developing world.

In wealthy developed nations such as Canada, poverty is best understood as the experience of material and social deprivation that prevents individuals, communities, and even entire societies, from reaching their full human and societal potential.³ This is the case since living under conditions of material and social deprivation limits participation in numerous cultural, economic, educational, political, and other societal activities normally expected in a wealthy developed nation.

While not as obviously devastating to individual and community health and quality of life as the experience of poverty in the developing world, exclusion from these activities has important health consequences and implications for Canadians' quality of life. Especially important, living in poverty is the single best predictor of coming down with the major killers of adult-onset diabetes, cardiovascular and respiratory disease, and cancer, as well as numerous other illnesses such as addictions, asthma, arthritis, and oral disease among many others.⁴

Measuring Poverty

There are two key issues related to understanding and responding to the presence of poverty. The first is how to define and measure it. *Absolute poverty* is the inability to have one's basic human needs met. UK researchers describe absolute poverty as not having enough to "keep body and soul together."⁵ Canadians sleeping on the street or in shelters and queuing up at food banks are common indicators of absolute poverty in Canada, but these statistics severely underestimate the number of people lacking adequate shelter and food. One illustration of the seriousness of this situation was revealed in a study of people with adult-onset diabetes living in poverty in downtown Toronto. This study found that 72% of them did not have enough money to buy the kinds of food required to manage this life-threatening disease. Not surprisingly death rates from adult-onset diabetes is exploding in low income neighbourhoods across Canada.⁶

Relative poverty is the inability to afford to "do the things that most people take for granted" (e.g., attending educational, social, or recreational events; maintaining a healthy diet; securing adequate housing; dressing appropriately for the seasons; buying gifts for special occasions; and replacing electrical appliances, etc.).⁵ Both definitions are about the material and social deprivation that precludes being part of the Canadian mainstream.

Canadian poverty researchers and international organizations such as the United Nations Development Program (UNDP), the United Nations Children's Fund (UNICEF), and the Organization for Economic Cooperation and Development (OECD) use the relative poverty approach and define it as an individual or family having less disposable income than 50% of the median national income.⁷ This means that if the midpoint of a nation's distribution of family income is \$50,000, a family with less than \$25,000 would be living in poverty. In Canada, this figure is called the *Low-Income Measure* and is generated by Statistics Canada for individuals and families of differing sizes. This is the approach towards poverty taken here. Box 1, below, highlights why relative poverty is important.

Box 1: The Meaning of Poverty in Canada

Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the type of diet, participate in the activities and have the living conditions and amenities which are customary, or at least widely encouraged, or approved, in the societies to which they belong. They are, in effect, excluded from ordinary living patterns, customs and activities.

Source: Townsend, P. (1993). *The International Analysis of Poverty* (p. 36). Milton Keynes: Harvester Wheatsheaf.

The argument is that objectively people cannot carry out the roles, participate in the activities, or maintain the social relations that are definitive of mainstream members of society if their resources (over some period of time) fall short of a "certain minimum." In such a situation, inadequacy of resources precipitates a lower-class style of life that is reactive to the inability to live the life identified with the standard package.

Source: Rainwater, L., & Smeeding, T. M. (2003). *Poor Kids in a Rich Country: America's Children in Comparative Perspective* (p. 147). New York: Russell Sage Foundation.

Both kinds of poverty lead to adverse health (i.e., incidence of many diseases and illnesses), developmental (i.e., problematic cognitive, emotional, and social development), employment (e.g., unemployment and lower paying work), and social (i.e., delinquent and criminal activity, school drop-out, social isolation, and not voting) outcomes. The experience of poverty during childhood is long-lasting and leads to greater likelihood of adverse health outcomes such

as cardiovascular and respiratory disease and adult-onset diabetes during adulthood even if the person moves out of poverty during adolescence and adulthood.⁸

Explaining Poverty

The second key issue is how to explain poverty which has important implications for how we respond to it. There are individual and societal explanations for the presence of poverty. *Individual explanations* focus on the characteristics of individuals and how these lead to poverty. Here, poverty is seen as resulting from individuals and communities of individuals lacking education, motivation, having physical or mental illness or a disability, or coming to be dependent on the social assistance system. Associated with this last view is the belief that if only people came to be employed, the problem of poverty would disappear. Since almost half of Canadians living in poverty are in families with someone employed, this is clearly not the case.⁹

The individual view fails to acknowledge the fact that political and economic decisions made by governing authorities shape the extent and depth of poverty. Is it reasonable to assume that the parents of Danish and Finnish children, among whom the poverty rate is less than 5% or Slovenia and Germany where it is less than 10% as compared to the 15% among Canadian children, are profoundly more educated, motivated, and lacking in physical or mental illness and disability than Canadian parents?¹⁰ Clearly, there must be more to Canada's high poverty rates than Canadians' individual characteristics. Consider the argument contained in Box 2.

Box 2. Individual versus Structural Explanations for Poverty in Canada

In these terms, consider poverty. When, in a city of 100,000, only one person is poor, that is his or her personal trouble, and for its relief we properly look to the character of the person, their skills, and their immediate opportunities. But when in Canada, a nation of 36.3 million people, 5 million or 14.2% of Canadians are living in poverty, that is an issue, and we may not hope to find its solution within the range of opportunities open to any one individual. The very structure of opportunities has collapsed. Both the correct statement of the problem and the range of possible solutions require us to consider the economic and political institutions of the society, and not merely the personal situation and character of a scatter of individuals.

Source: Modified from Mills, C. W. (1959). *The Sociological Imagination* (p. 9). New York: Oxford University Press.

These *societal explanations* include wage structure (Canada has one of the highest rates of low-paid and precariously employed workers among wealthy developed nations); income and wealth distribution (Canada has a more skewed distribution than most of these nations); universal provision of necessities such as child care, housing, and food as a basic right (Canada spends less than most developed nations in providing benefits and supports) and levels of financial support (Canada is amongst the lowest) for those unable to work due to lack of jobs or illness and disability.¹¹ The most useful explanation for, and response to poverty, therefore, resides in the public policy realm.

Poverty Rates in Canada

Canada's poverty rates are, and have been for decades, higher than most wealthy developed nations. This is so even though Canada is wealthier than most nations with lower poverty rates. Canada is also one of the very few wealthy developed nations where the poverty rate for children is higher than the overall poverty rates, a situation with especially adverse implications for Canadian society.

Absolute Poverty

Absolute poverty is about living in conditions of severe deprivation. The best indicators of absolute poverty in Canada are reports of hunger and food bank use, overcrowded housing and homelessness, and the inability to access required health services not covered by the health care system such as dental care and prescribed medicines.

Hunger and Food Insecurity. Food Banks Canada report that in March 2016, 863,492 Canadians made use of food banks and of these 36 percent were children. This figure was 1.3% higher than March 2015, and 28% higher than in 2008.¹² Lone-parent households constitute 22% of those accessing food though they make up only 10% of households. Unattached Canadians account for 44% of households using food banks though they make up only 28% of Canadian households. However, food insecurity researchers point out these figures severely underestimate the number of Canadians having difficulty obtaining adequate food as only about 1/3 of hungry or food insecure Canadians make use of food banks. More useful data come from Statistics Canada's Community Health Surveys.

For 2013-2014, Statistics Canada estimated that 12.0% of Canadian households were experiencing food insecurity.¹³ This represents 1.3 million households or 3.2 million individuals, including nearly 1 million children under the age of 18. This figure was even higher for families with children — 15.6 percent. Especially vulnerable were lone-parent families headed by women where the prevalence of food insecurity was 33.5%. Among unattached individuals it was 15.7 percent. Indigenous people and black Canadians had rates of food insecurity of 25.7% and 29.4% respectively. Forty seven percent of households in Nunavut experience food insecurity. Among children in Nunavut this figure is 60%.

How do these figures relate to absolute poverty? *Marginal food insecurity* is about worrying about running out of food and/or limiting food selection because of lack of money for food. Rates were 3.7% involving about 401,518 households. *Moderate food insecurity* involves a compromise in quality and/or quantity of food due to a lack of money for food and the rates were 5.5% or 608,100 households. *Severe food insecurity* incurs missing meals, reducing food intake and at the most extreme going day(s) without food. The household rate was 2.7% or 293,000 households. It seems reasonable to suggest that in 2014, 9.3% of Canadian households or 2,204,800 Canadians – those experiencing moderate and severe food insecurity – are either experiencing or close to experiencing absolute poverty.

Homelessness and Housing Insecurity. Dr. Toba Bryant of the University of Ontario Institute of Technology and Michael Shapcott, Director of Community Initiatives at the Prince's Charity Canada describe the current housing scene in Canada.¹⁴ At least 200,000 Canadians access homeless emergency services or sleep outside each year. A March 2013 Ipsos Reid poll indicates that the number of homeless people is likely much higher if it includes people temporarily staying with others, that is, in addition to those sleeping on the streets or in shelters. The poll estimates that 1.3 million Canadians can be included in this broadened homelessness estimate.

The term *Core Housing Need* captures the essence of housing insecurity – a precursor to homelessness.¹⁵ It has three criteria any which of one identifies need: *Affordability*: the household spends 30% or more of their income on shelter costs; *Suitability*: the housing is inappropriate for the size and composition of a household, e.g. insufficient space for household size (overcrowding); and *Adequacy*: the housing requires major repairs, such as plumbing repair, or has structural damage.

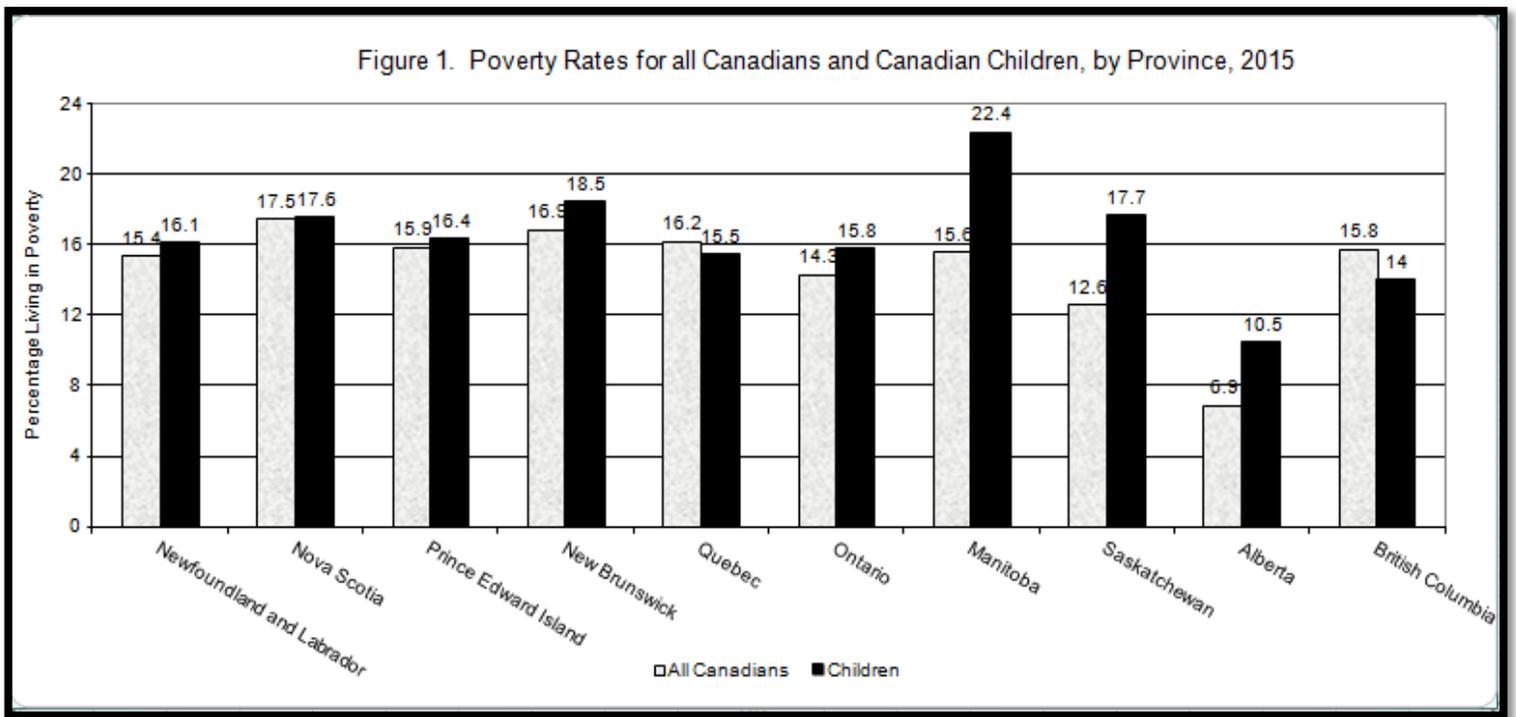
Renter households are more likely to experience core housing need at 26.4% compared to owners at 6.5%.¹⁵ Other groups have very high rates. Off-reserve Indigenous renter households have an incidence of core housing need of 34.7%, followed by immigrant households (29.6%), and senior renter households (28.9%). Indigenous lone-parent households – most of which are headed by women -- have the highest incidence of core housing need at 51.8%, compared to non-Indigenous lone-parent households at 40.6%.

Access to Dental Care and Prescribed Medicines. The oral health of Canadians living in poverty is a profound health and social issue. Canadians living in poverty are twice as likely as wealthy Canadians to have untreated oral health problems.¹⁶ One third of poor Canadians have decayed teeth¹⁷ and Canadians living in poverty are five times less likely than wealthy Canadians to have private dental insurance.¹⁸ Half of poor people find dental care a burden; 46% have avoided needed dental care and 45% have been unable to have treatment due to lack of money.¹⁹

Canada’s public healthcare system is the only one - the USA does not have such a system - that does not provide universal coverage of prescription drugs. As a result, almost 25% of Canadians report having affordability issues related to taking needed medicines.¹⁸ Generally, data on the incomes of those lacking access to medications is lacking. However, one study found that 14% of Canadians with “below average incomes” reported being unable to afford a prescription.²⁰

Relative Poverty

Relative poverty is not being able to do the things that most people take for granted and is the accepted indicator of the experience of material and social deprivation that threatens health and well-being of those in wealthy developed nations. The Statistics Canada’s *After-Tax Low-Income Measure* is the commonly accepted instrument for assessing this situation. In 2015, 14.2% of Canadians or 4,979,000 Canadians were living in poverty.²¹ Among children 17 years of age and younger, the poverty rate was 15.2% or 1,032,000 Canadian children. Figure 1 on the next page presents these 2015 poverty rates for each province.



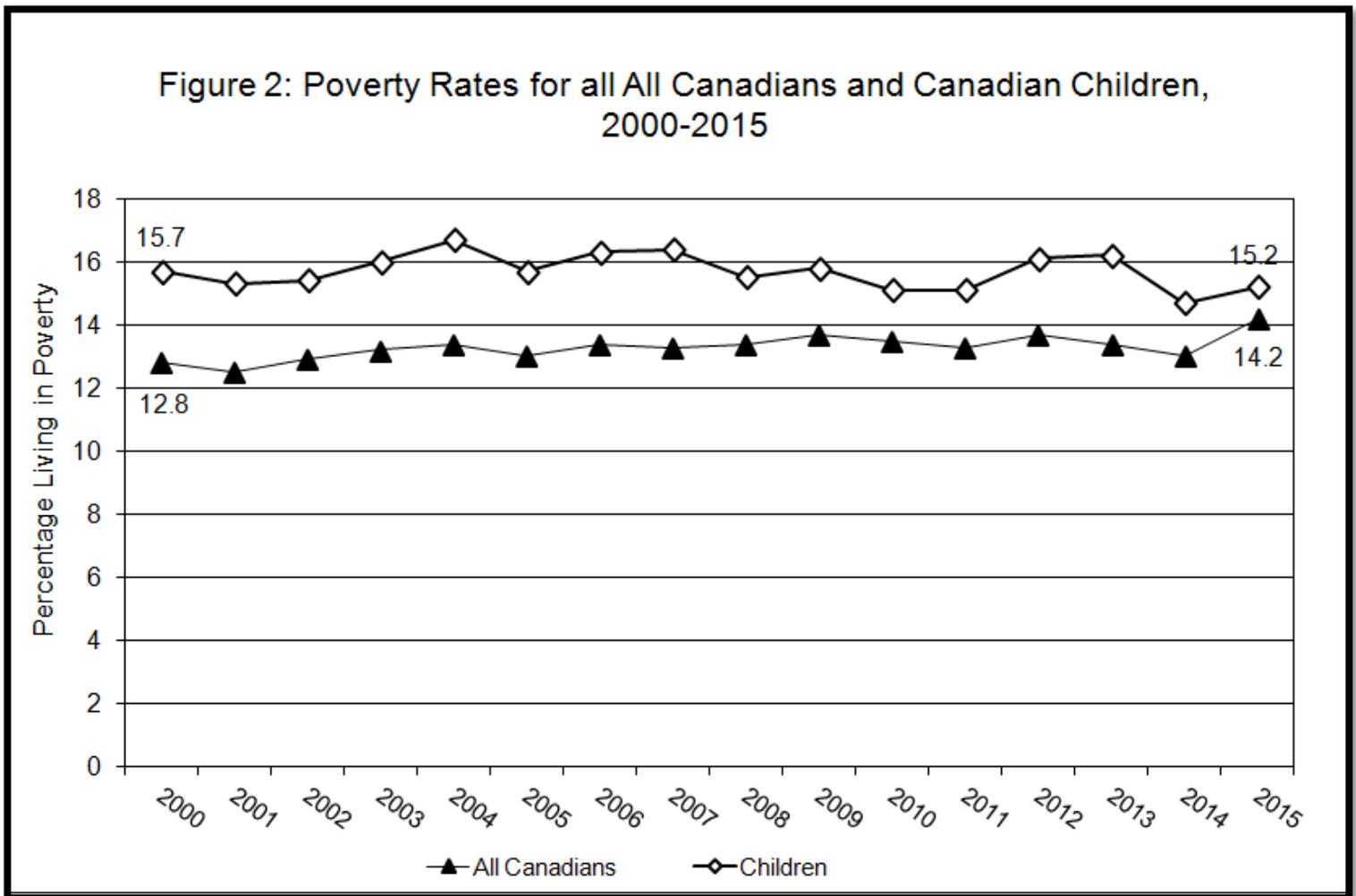
Poverty rates are rather consistent across the provinces and poverty rates for children are higher than the overall rate in every case except for Quebec. Poverty rates for children are exceptionally high for Manitoba. Alberta has the lowest overall poverty rate at 6.9%, yet like most other provinces, shows a greater rate for its children at 10.5%.

Figure 2 (on the next page) shows the poverty rates for all Canadians and for children over the period from 2000-2015. The most striking aspect is the consistency of rates over this 15-year period. Poverty rates for children in 2015 are

.5% lower than was the case for 2000. Poverty rates for all Canadians are higher in 2015 than they were in 2000. In both cases, rates have risen over the past year despite Canada’s economic growth and the rolling out of numerous anti-poverty strategies by provincial governments. Poverty in Canada is persistent and not getting better.

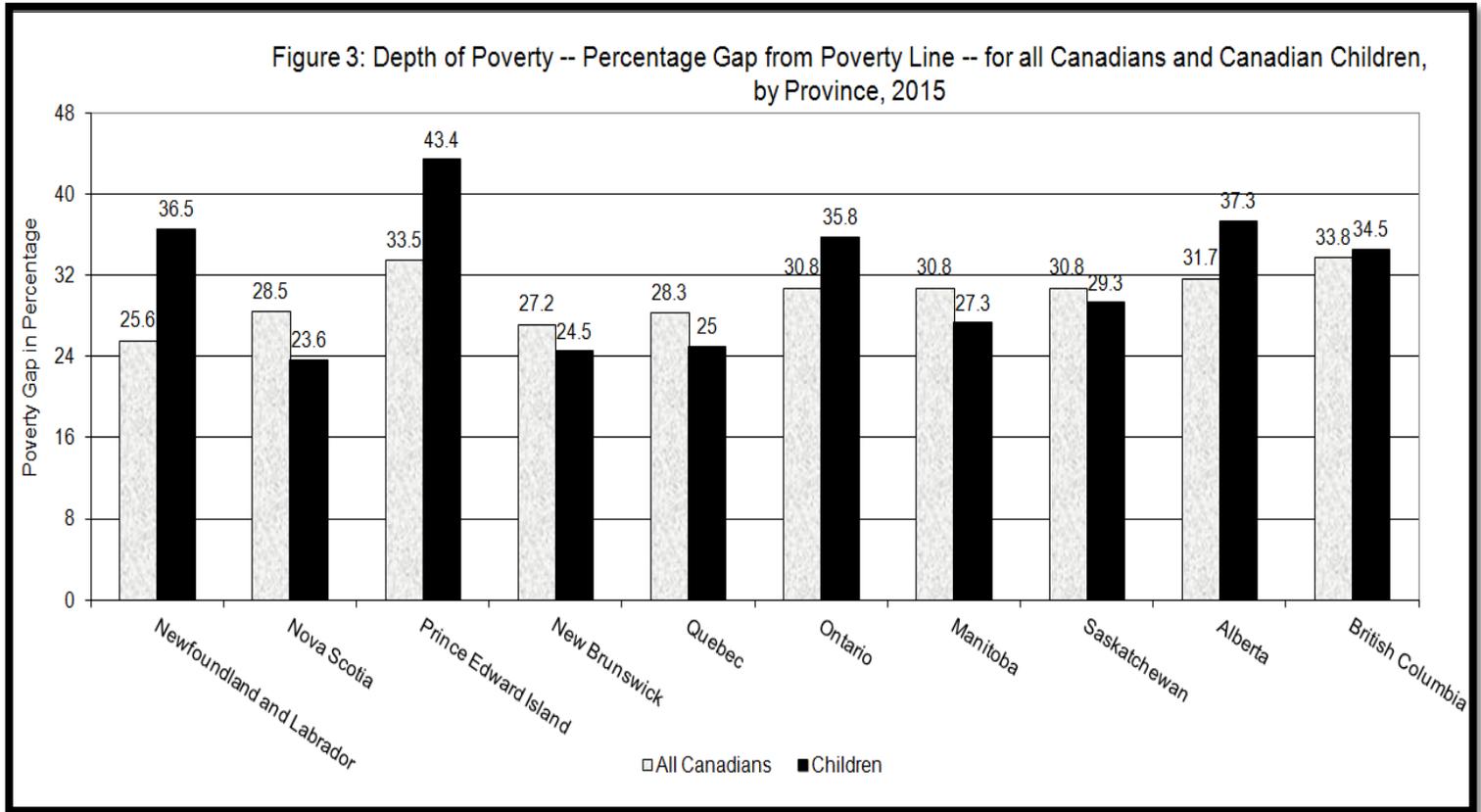
Depth of Poverty

The *Low-Income Measure* poverty rate indicates how many people are below the poverty line but does not say how far below the poverty line these individuals are. Statistics Canada provides an indicator of this gap as a percentage of how far below the poverty lines poor people are falling. Statistics Canada explains it this way: An individual living in a household with an income of \$15,000 where the poverty line is \$20,000 would have a low-income gap of \$5,000.



In percentage terms, the “gap ratio” would be \$5,000/\$20,000 or 25%. The average Canadian living in poverty falls a full 30.5 percentage points below the poverty line. For children this figure is 26.5 percentage points. Figure 3 (on the next page) shows these gaps for all Canadians and for children living in poverty for each province.

The depth of poverty is significant across all provinces. It is strikingly high in Prince Edward Island for children and somewhat lower, but still problematic in Nova Scotia, New Brunswick and Quebec. People living in poverty in Canada are, on average, living way below the poverty line.



Poverty in Canada in International Perspective

Poverty rates come from the OECD which provide a comparable measure to the Statistics Canada *After-Tax Low-Income Measure*: the percentage of individuals with a disposable income less than 50% of the median income of the population. Data is available for the total population, children, and the elderly. Figure 4 (next page) provides the Canadian data reported by the OECD – which varies very slightly from the Canadian generated data presented earlier due to different calculation methods -- in the context of other wealthy developed nations.

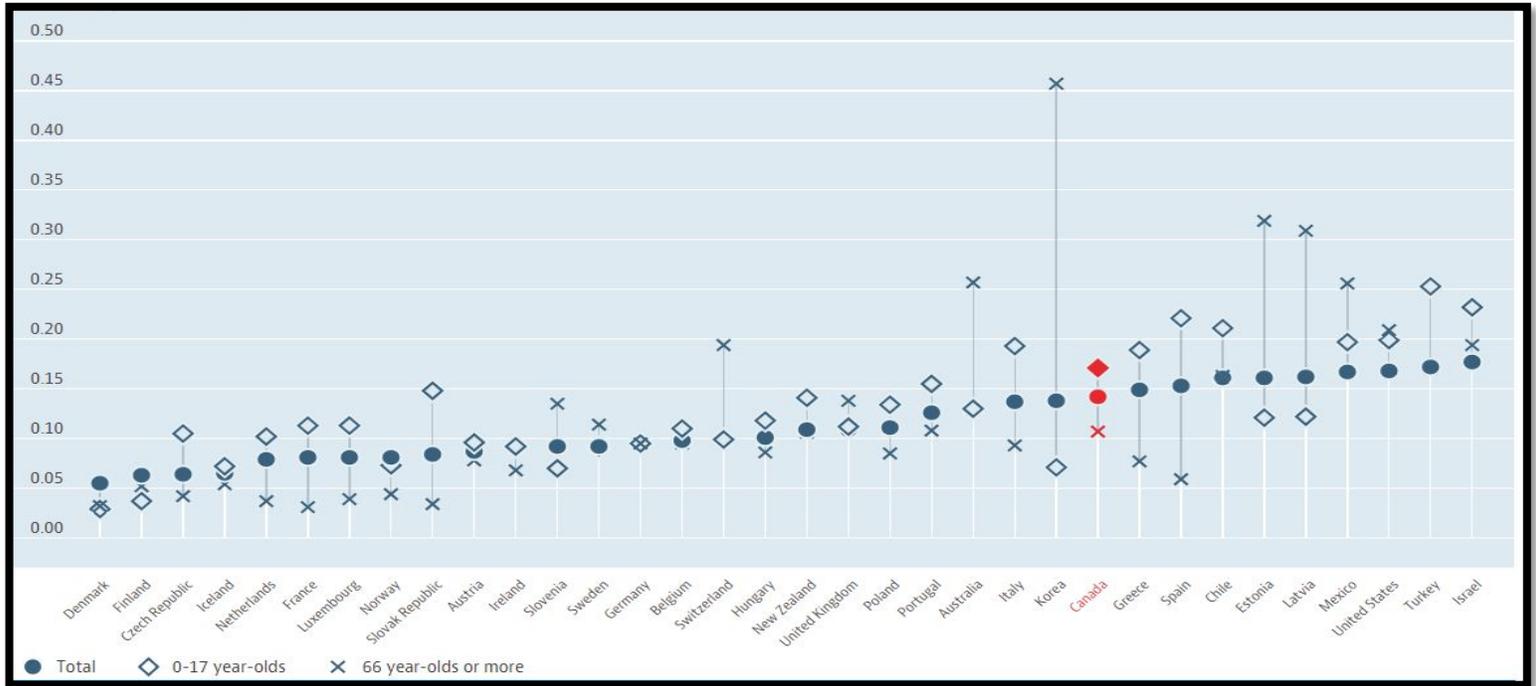
Canada ranks 25th of 34 OECD nations in overall poverty rates and 26th of 34 nations in children’s poverty rates. Canada scores 20th for elderly poverty rates. The children’s poverty ranking has been the subject of much concern by UNICEF Canada.²² Extensive analyses of the causes of Canada’s abysmal poverty ratings are available.²³

The Effects of Poverty

It is well established that the incidence and experience of poverty are the primary causes of a wide range of individual and societal problems (see Box 3, next page). In this chapter the focus is on the poverty and health relationship for which extensive scholarship is available. Canadians who live in the poorest 20% of urban neighbourhoods – capturing Canadians living in relative poverty -- have significantly shorter life expectancies than other Canadians.²⁴ (see Figure 5, page 15).

These health differences are due to the experience of material and social deprivation, psychosocial stress, and maladaptive coping behaviours resulting from the deprivation and stress of living in poverty.²⁵

Figure 4. Canadian Poverty Rates in International Perspective, 2015



Box 3. Why is Poverty a Problem for Canada?

Crime and Safety: Poverty is the primary cause of crime in communities.

Developmental: Poverty prevents many Canadians – especially children -- from reaching their full cognitive, emotional and educational potentials as human beings.

Economic: Poverty prevents many Canadians from developing the skills necessary to cope in a rapidly changing economic environment and dampens economic growth.

Ethical: Poverty prevents many Canadians from having the opportunity to lead rich and fulfilling lives.

Health: Poverty is a primary cause of disease, illness, and shortened life expectancy.

Legal: The Canadian Constitution and the Charter of Rights and Freedoms, and numerous international covenants require Canadians be provided with the opportunities and supports required to live lives free of fear, deprivation, and exclusion.

Political: Poverty creates alienation and distrust of political institutions and promotes cynicism.

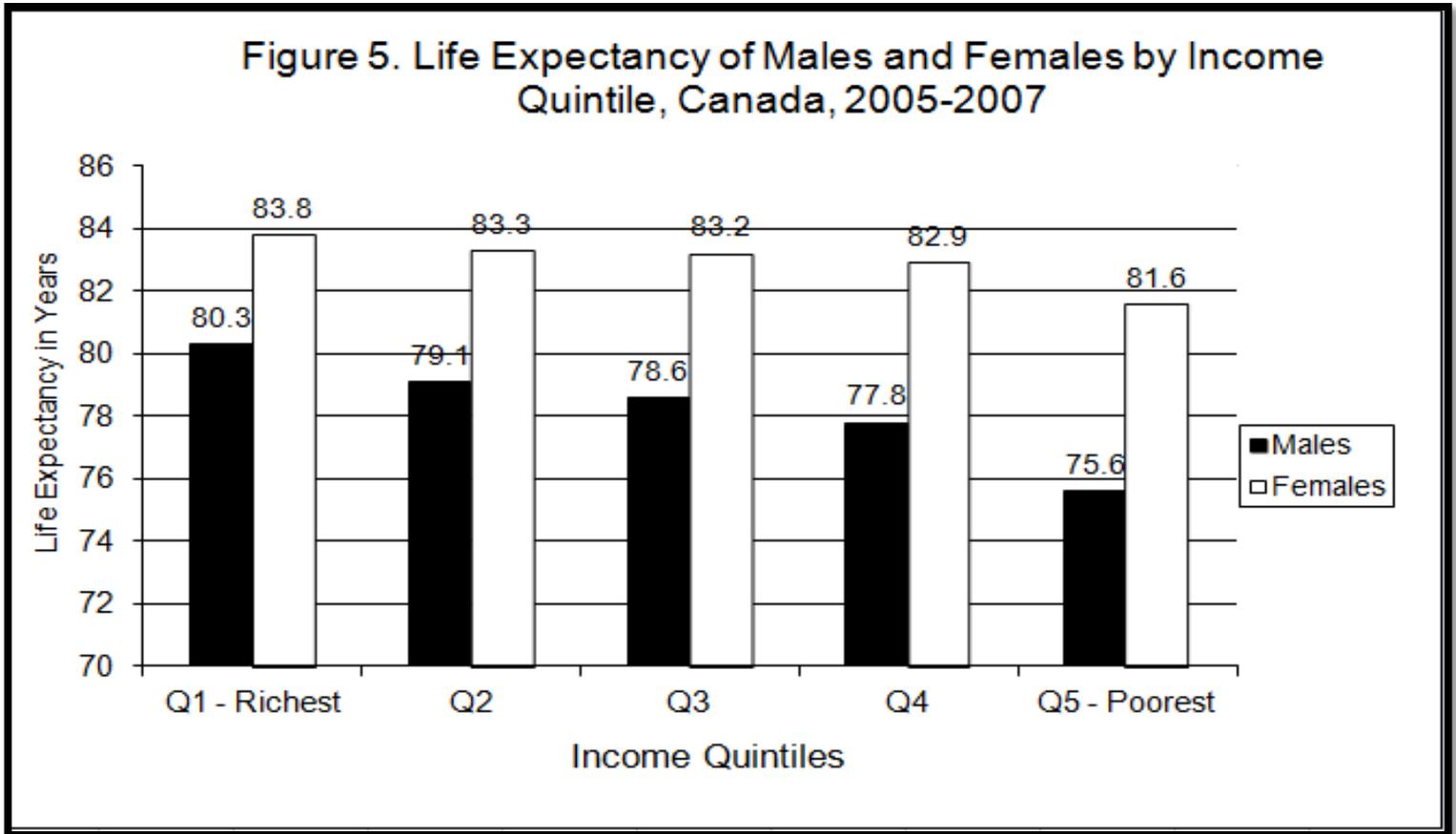
Psychological: Poverty creates feelings of a lack of control and a sense of meaninglessness, important means of coping with stress and conflict.

Religious: Every faith community in Canada views the presence of poverty as contrary to the basic visions and tenets of their faiths.

Social: Poverty promotes distrust of others and weakens social cohesion.

Source: Raphael, D. (2011). *Poverty in Canada: Implications for Health and Quality of Life, 2nd edition*. Toronto: Canadian Scholars’ Press.

Dr. Nathalie Auger and Carlyne Alix of the Quebec Ministry of Health showed how scores on a neighbourhood material deprivation index -- of which poverty rate is a key component -- is related to health outcomes in Quebec.²⁶ Men living in the most deprived neighbourhoods live almost four years less than those in the most advantaged areas. For women the difference is almost three years less. Infant mortality rates follow roughly the same pattern. Infant mortality – a child dying during the first year of life -- is an especially sensitive indicator of societal health, and the rates in the most deprived Quebec neighbourhoods are 30 percent higher (6.0/1000) than in the wealthiest areas (4.6/1000).



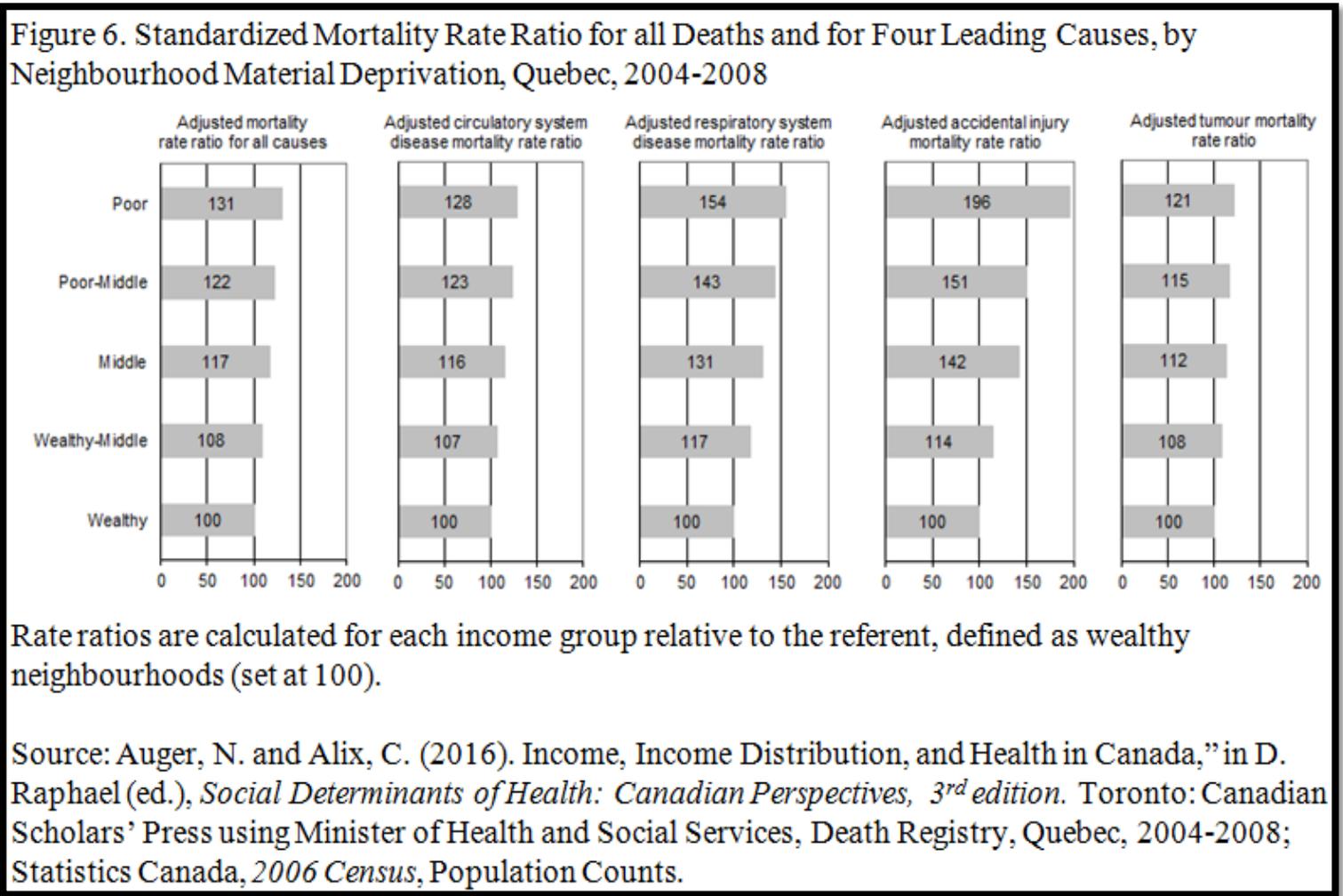
Moreover, death rates from a variety of afflictions are related to neighbourhood deprivation (see Figure 6). Those living in the most deprived neighbourhoods had death rates that were 31 percent higher than people in the least deprived neighbourhoods. In terms of respiratory disease, the rates in the most deprived neighbourhoods were 54% higher than in the least deprived. Death rates from circulatory diseases, accidents and tumours were similar. Suicide rates also differ as a function of neighbourhood income. The annual suicide rates in the most deprived neighbourhoods in 2004–08 were almost twice (20.9/100,000) those seen in the wealthiest neighbourhoods (10.8/100,000).

Most of these income-related differences cannot be accounted for by risk behaviours such as smoking and physical inactivity. In Saskatchewan, for example, lower income men and women are almost four times more likely than wealthy men and women to report having heart disease.²⁷ More importantly, income was still an important predictor of heart disease even after controlling for a range of behavioural factors. The authors of the study pointed out – similar to many

other studies – that “low income had a more important association with heart disease than conventional risk factors such as smoking and physical inactivity... This suggests that a re-ordering of risk factors is required.”

Finally, a Statistics Canada report highlights how important income and income inequality are as causes of poor health. The study shows that people living in poverty are especially more likely to die from a variety of diseases. Overall income differences amongst Canadians are associated with the premature excess deaths of 40,000 Canadians a year.²⁸ That’s equal to 110 Canadians dying prematurely each day.

How does this report arrive at this conclusion? Researchers followed 2.7 million Canadians over a 16-year period and calculated death rates from a wide range of diseases and injuries as a function of the person’s income. Canadians in the study were divided into five quintiles (each quintile representing 20 percent of Canadian groups) from poorest to wealthiest. The poorest 20 percent group roughly corresponds to those Canadian living in poverty.



It then compared the number of deaths of the wealthiest 20 percent of Canadians to the other 80 percent of Canadians. It concluded that if all Canadians were as healthy as the top 20 percent of Canadian income earners, there would be 40,000 fewer deaths each year. Of these, 25,000 fewer deaths would be among Canadian men and 15,000 among Canadian women.

Of more immediate interest to the issue of living in poverty, the report also calculates the relative rate of mortality, comparing the likelihood of premature death between someone among the poorest 20% of Canadians and one of the wealthiest 20%. Overall, this figure is 1.67 for men and 1.52 for women, indicating that a poor male has a 67% greater chance of dying each year and a poor woman has a 52% greater chance of dying each year than their wealthy counterparts. If all Canadians were as healthy as the wealthiest 20% of Canadians, there would be a reduction of 18 percent in premature death rates each year.

The study goes into further detail, outlining income-related statistics for specific diseases. Table 1 shows the greater risk of dying associated with being poor as compared to wealthy and the overall excess premature mortality associated with income differences between the wealthy and all other Canadians for various diseases and injuries. Poor men have a 67% greater chance and poor women a 53% greater chance of dying prematurely from cardiovascular disease than their wealthy counterparts. The excess premature cardiovascular deaths each year for all Canadians associated with not being as healthy as the wealthy are 19% for men and 18% for women.

Table 1. Greater Risk of Dying Prematurely Associated with Being Poor as Compared to Being Wealthy and Excess Mortality Associated with Income Inequality for Various Diseases and Injuries among Canadians

<i>Disease</i>	<i>RR¹</i>		<i>Excess Deaths²</i>	
	Men	Women	Men	Women
Cardiovascular Disease	1.67	1.53	19%	18%
Cancers	1.46	1.30	16%	11%
Diabetes	2.49	2.64	36%	38%
Respiratory Disease	2.31	2.11	37%	30%
HIV-AIDS	3.57	11.1	39%	69%
Injuries	1.88	1.83	18%	17%

¹ Inter-Quintile rate ratio between poorest and wealthiest = (Q1-Poorest)/Q5-Wealthiest)

² % Excess due to differences between wealthy and all other Canadians = [100*(Total-Q5)/Total]

Source: Adapted from Tjepkema, M., Wilkins, R., & Long, A. (2013). Cause-Specific Mortality by Income Adequacy in Canada: A 16-Year Follow-Up Study. *Health Reports*, 24(7), 14–22: Tables 2 and 3, pp. 17–18.

In relation to dying from diabetes, the figures are even more striking. Poor Canadian men have a 150% greater chance and poor women a 160% greater chance of prematurely dying from diabetes each year than wealthy Canadians. In addition, if all Canadians were as healthy as wealthy Canadians, there would be nearly 40% fewer deaths from diabetes and nearly 20% fewer deaths from cardiovascular disease every year. Similar numbers showing a profound difference between wealthy and poor Canadians and between wealthy and all other Canadians appear for virtually every known disease that can kill Canadians, including cancer, respiratory disease, injuries, HIV/AIDS, and many more.

The Statistics Canada report also makes clear that these differences in health outcomes are primarily due to the material living circumstances and the associated psychosocial stresses associated with a) being poor and b) not being as well-off as the wealthiest 20 percent of Canadians, not differences in health-related behaviours: “Income influences health most directly through access to material resources such as better quality food and shelter.”

The Lived Experience of Poverty

In addition to the statistical evidence on the effects of poverty, we can put a human face to the material and social deprivation experienced by impoverished Canadians. Four key themes have been identified in this literature: the experience of a) material and social deprivation; b) stress; c) illness and disease; and d) stigma and degradation. The following sections provide just a few examples from these studies.

Material and Social Deprivation

- “It’s very difficult to work, take care of your children, and put food on the table when you’re constantly fighting to pay rent and put food on the table and pay the bills. I mean it’s almost impossible to keep up.”
- “My kids love fresh broccoli, fresh cauliflower—but we did without that for most of the three years we went through this retraining and finding a job process.... When fresh fruit ... and even canned fruit ... turns out just to be a treat, there’s something wrong.”
- “It’s a struggle all the time. I put all the bills there and I think ... which one are we going to pay this time?... I think we tend to not eat as well ... there seems to be more junk food coming into the house. We can’t afford a lot but, boy, we can afford a bag of chips.”²⁹

Experience of Stress

- “You’re constantly watching virtually nickels and dimes, because you have your next bills in line.... The welfare amounts are not enough to live on.... So you’re scrambling to make payments, and you’re at a terrible disadvantage to begin with ... it’s a constant scramble for the poor to make ends meet.”
- “I’ve grown so accustomed to living this way. I’ve maybe grown numb from it really.”²⁹

Illness and Disease

- “Low energy is caused by a number of factors, including lack of nutritious food, the requirements for maintaining emotional stability and the requirements for maintaining the physical endurance to keep moving.”
- Emotional demands reduce energy: “Those of us struggling daily with suicidal thoughts talk of the energy needed to fight the temptation to give in.”
- Physical demands reduce energy: “All of us are stressed and most are malnourished, which makes our energy stores low. Most of us walk everywhere, since we haven’t a vehicle and cannot afford transit fare.”
- Weight: “Some of us have gained weight from being on the ‘Welfare diet.’ That many carbohydrates turn you into a blimp.”³⁰

Stigma and Exclusion

- “I remember at one point I had gone into a drug store. I had to get a prescription filled, and the pharmacist ... said there was a two-dollar charge and I said, ‘that’s fine.’ He said, ‘welfare case,’ and I heard it, and my daughter was standing right beside me.”³¹

- “I mean like buying food off the reduced racks and buying food out of the carts that are all dented up and stuff —eating like a dog.”
- “And then the taxi driver is looking at you, ‘Ok, not another charity case.’”³²

There is remarkable similarity of experience among people living in poverty whether information is elicited from those in Atlantic Canada, Ontario, Quebec, the Prairies, or British Columbia. Living in poverty is about daily suffering. It should not therefore be surprising that living in poverty leads to adverse health outcomes and lower quality of life for everyone.

The Failure of the Social Assistance System

Many Canadian mistakenly believe that the social assistance system is an adequate response to poverty. Canada’s social assistance system is structured in such a manner as to make any benefits extraordinarily difficult to receive and even then, benefits fall far short of what is required to maintain a dignified existence.³³ In addition, studies show that people who receive social assistance are likely to feel hassled, degraded, and stigmatized by the system. Any income that is attained through employment is usually clawed back from benefits and the requirement that people be basically destitute – e.g., going through all retirement funds and other assets -- before receiving benefits is a sure-fire recipe for long-term poverty.

The Way Forward

Public policies that would more equitably distribute economic and social resources in Canada would reduce poverty in Canada. Such public policies are not pipe dreams: they have been implemented to good effect in many wealthy developed nations, most of which are not as wealthy as Canada.³⁴ It is commonly argued that these nations accomplish poverty reduction at the expense of economic performance. In fact, the opposite is true. The Conference Board of Canada analyzed the performance of several wealthy industrialized nations based on indicators of health (e.g., life expectancy, infant mortality), education (e.g., high school and education completion, achievement scores), environment (e.g., emissions, water quality), society (e.g., disabled income, elderly and child poverty, income inequality, gender income gap and voter turnout), economy (e.g., income per capita, GDP growth) and knowledge innovation (e.g., patents).³⁵ The Board found that nations with low poverty rates (for example, Denmark, Finland, and Germany) not only outperform Canada on most health and society indicators, but also outperform Canada on knowledge innovation indicators and do as well or better on many economic indicators.

We can learn from these nations that strive to reduce poverty. There are also lessons from our own past. The twenty-five years of Canada’s history after World War II saw the implementation of Medicare, public pensions, unemployment insurance and federal and provincial programs that delivered affordable housing to Canadians. These public policies may not have reduced poverty levels to those seen in other nations, but they did provide safety nets that prevented the most egregious effects of low income such as hunger and food bank use and homelessness and housing insecurity.

A study published in the Canadian Medical Association Journal reiterates the point that the health and well-being of Canadians is best served by increasing social spending that improves the quality of life of Canadians in general and those living in poverty in particular.³⁶ Succinctly, we are better off preventing health and social problems before they begin (working upstream) rather than treating problems when they occur (downstream).³⁷

Numerous recommendations by which poverty can be reduced are available and almost every province as well as the Federal government has indicated their commitment to reducing poverty. To date, efforts to implement these to good effect have not been successful.³⁸ The provision of a Basic Income may be a way forward on the poverty reduction front.

Of course, much will depend on how it is developed and implemented.³⁹ Every day that we delay in reducing poverty further threatens our health and quality of life.⁴⁰

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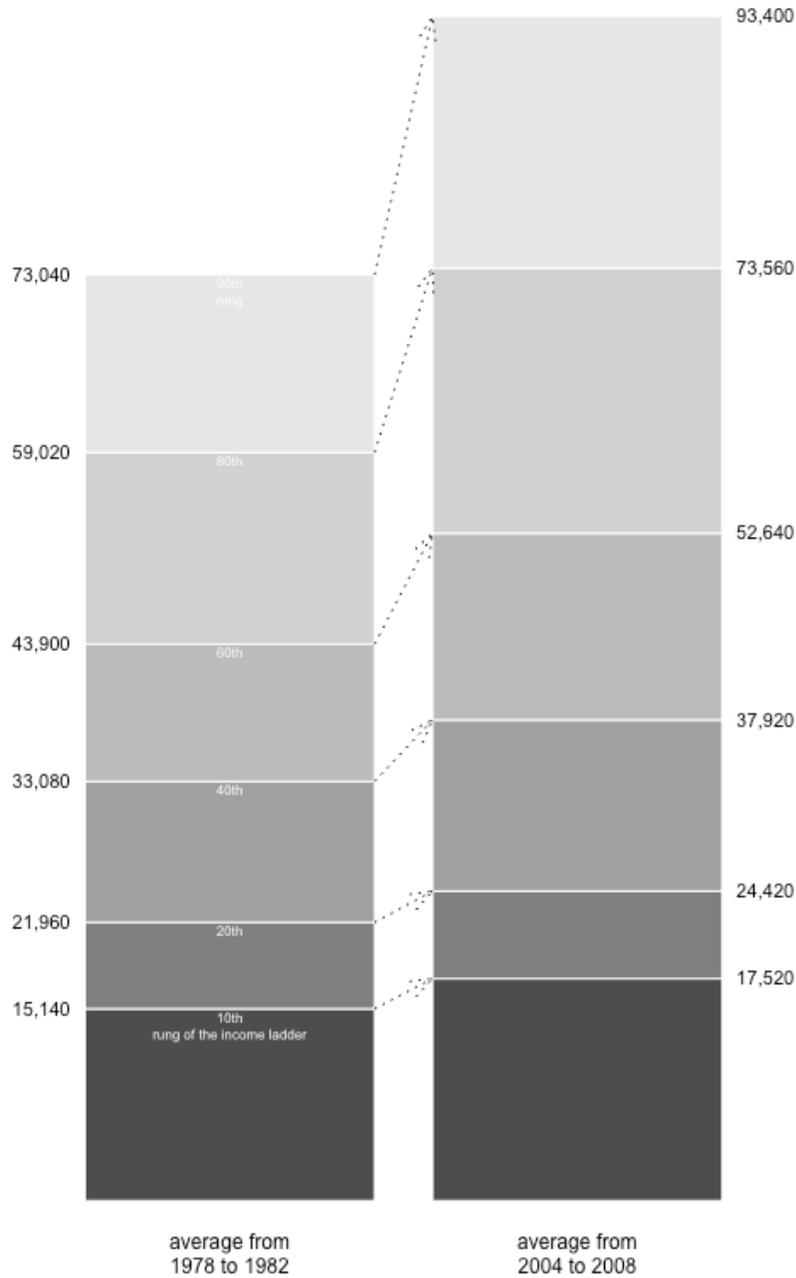
Chapter Three: Income Inequality

Dr. Miles Corak¹

What has happened to income inequality? Why does it matter?

Figure 1: Upper income limit at selected percentiles of the income distribution

Income is higher at every rung of the ladder but the gap for those standing on the bottom rungs has widened



Source: Statistics Canada, CANSIM Table 206-0032, all dollar figures expressed in 2014 constant dollars and represent individual total income adjusted for family size.

The answers to these questions depend upon our understanding of the nature of economic growth, and shape our perspectives on public policy, particularly the need for policies to redistribute incomes. "Nothing much, and not at all" might be reasonable answers if we focus on just the last 15 years or so of Canadian economic growth. But my starting point in this chapter is that this perspective would ignore important changes in the nature of jobs and incomes that have played out over the last 30 to 40 years. "Quite a bit, and a good deal" are my answers to these questions, answers that implicitly call for reforms to tax and social policies that line up with the economic challenges that will increasingly face the next generation of Canadians.

The gaps between the rungs of the income ladder have widened. During the late 1970s and early 1980s, 80 percent of Canadians had individual incomes between about \$15,000 and \$73,000. Less than \$60,000 separated someone standing on the 90th rung from someone on the 10th. Thirty years later this gap was much wider, amounting to almost \$76,000, reflecting a top rung that had grown to \$93,400, and more muted growth at the bottom, which rose to about \$17,500.

Inequality is up, but at the same time it is important to underscore, as Figure 1 makes clear, that incomes have grown throughout the income distribution, all the rungs of the income ladder rose. Thirty years ago the bottom fifth of the population had an individual income of no more than \$21,960, and this improved to \$24,420. But this did not amount to the least advantaged getting a larger slice of the entire income pie. The lowest 20 percent of Canadians took home 6.2 percent of all income in the country, which is actually down from 6.7 percent 30 years ago. Their income grew, but it did not keep pace with growth at the higher rungs of the income ladder. Over this same period the share of all income going to the top 20 percent went from 38 to 42 percent. In spite of seeing their incomes rise, those at the bottom now need a longer stride to increase their relative standing. To make it into the 'middle class'---if that is taken to mean the middle fifth of the income distribution---required an extra \$11,120 for someone standing one-fifth of the way up the income ladder in the late 1970s and early 1980s, but \$13,500 in the 2000s. To rise into the top fifth required a much larger jump, \$37,100 then but \$49,140 now. These gaps are still wider for someone standing one-tenth of the way up the ladder. Any lower-income Canadians whose incomes during this more recent period were the same as their parents about thirty years ago, would have fallen to lower rungs on the income ladder, losing ground relative to them and to others their own age.

Income growth matters. All Canadians need a sense of upward mobility, that the prospects for tomorrow are better. This is the weakest litmus test of whether growth is 'inclusive' or not. But rank and position also matter, and inclusive growth must be understood to imply not only absolute income growth, but disproportionately greater growth for those on the lowest rungs of the income ladder. Inclusive growth implies that the gap between them and others---at least others in the bottom half of the income distribution---is narrowing. The information in the figure shows that the Canadian experience over these decades falls short of passing this test.

There is no single reason why inequality has increased, but it is not inevitable that it must. Market forces and public policy decisions both play a role in determining how the income ladder changes.

An often-told story by many economists goes something like this. Market forces related to the changing nature of work and globalization generate more polarized wage rates. Those with strong interpersonal skills, or who are blessed with mature judgement and tact, have seen their talents and energies complemented by the way information technologies have changed the workplace. Senior managers, professionals, some artists, artisans and athletes, have become ever more productive and valuable to employers. But because they are also in relatively scarce supply they have seen their bargaining power, and as a result their wages, rise. Globalization has given all this an extra kick, in some cases increasing the scope of the market, and spreading their talents wider than could have been imagined in the 1970s.

Many others, however, face just the opposite forces. With skills and aptitudes geared to routine tasks, whether physical or cognitive---whether working in the mine, mill or on the manufacturing line, whether they work in middle management, in inventory control, or the accounting office---they have been put in direct competition with the machine

and the spreadsheet. The computer excels at doing routine, divisible tasks, and in many cases much, much more productively. As a result some workers have faced sharp job losses, years of seniority and union membership offering less and less security, with the result that they, like many others---whether newcomers to the country without job experience, or young graduates searching for a foothold and career path---are pushed to take jobs in services that require personal interaction the computer has yet to provide---from security to day-care services. Working in very local labour markets, they nonetheless find themselves competing with many others who have the same skills, and because these sectors are difficult to unionize and profit margins are low, they have lost bargaining power and witnessed flat or even declining wage rates. The computer has gone further, affording employers the capacity to change the nature of the working relationship. Paid employees and the self-employed have been joined by a type of precarious 'independent worker' who sits ambiguously in the middle of a relationship with one or many employers and clients, but with less autonomy and discretion than a small business owner. All of these Canadians have felt the sharp edges of technology and globalization, the only compensation being lower prices for some of the goods they buy.

Left to its own the market is generating more income inequality because the nature of work has fundamentally changed the structure of wage rates. But there is nothing inevitable about this, or about the consequences for take-home pay. Certainly, many Canadians have responded to these forces in all sorts of ways to mitigate the downside, capitalize on opportunities, and in different ways tilt the odds in their favour, or at least for their children. Canadians are more educated than they have ever been, many of them having put off important life decisions out of choice: getting more years of schooling often also means delays in entering into long-lasting relationships, home ownership, and having children. If they do enter into a partnership it is more likely that both partners are working---ultimately longer hours---and having fewer children, all in order to maintain the household and support a growing income. These important demographic changes in part contribute to a skewed work-life balance, and sometimes lead to more stress and worry. The challenges for those whose skills and education aren't paid as well, or those who experienced bad luck---whether in their schooling decisions, their partnership, or the security of their jobs---are amplified in this new world of uncertain work.

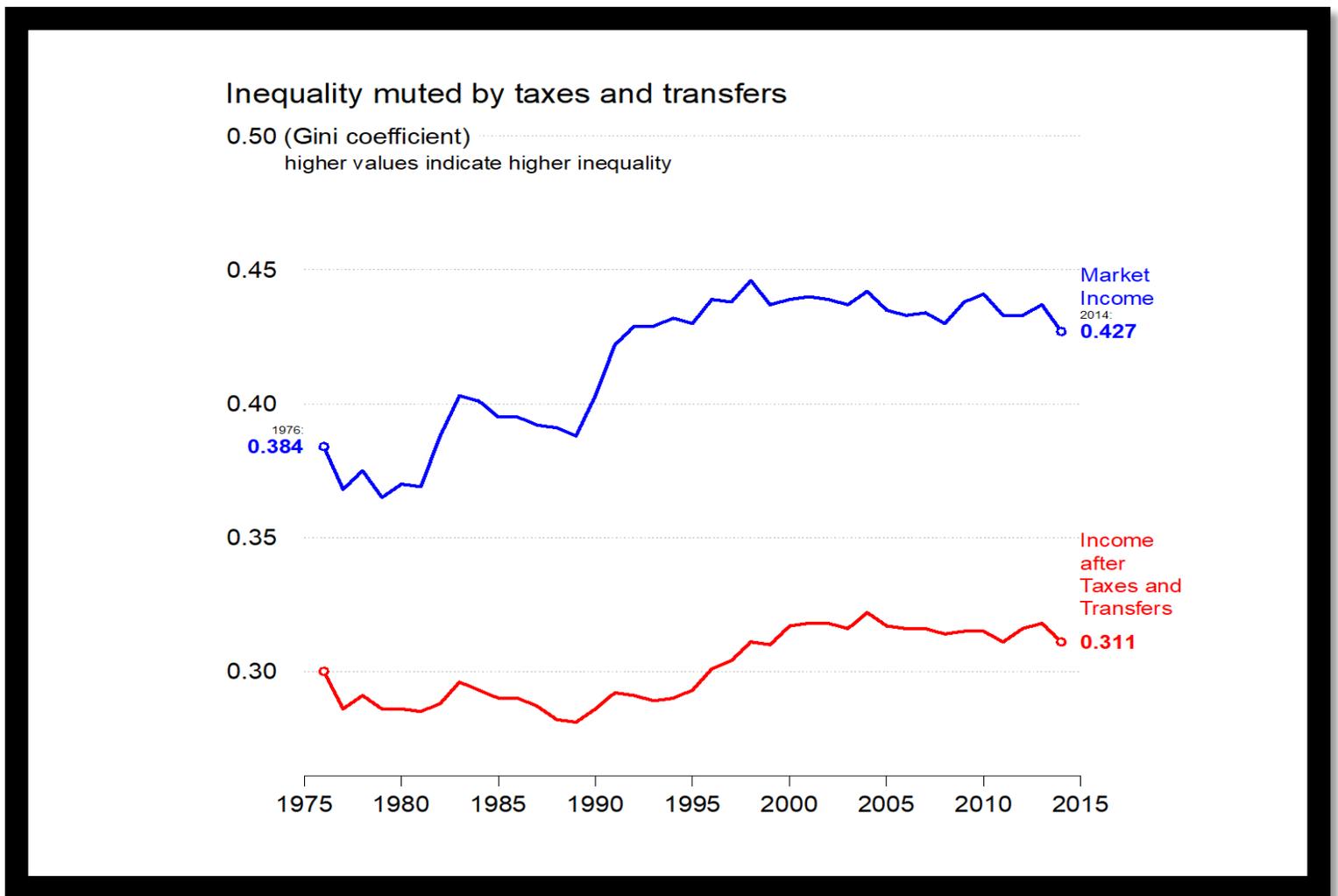
Luck cuts both ways in this new labour market. The run-up of commodity prices---for oil, potash, and other resources---during the first decade or so of the new century was a very positive consequence of globalization for the incomes of many, not just those with skills in mineral and oil extraction, but also for others in related services. Ever growing demand for workers in these sectors outstripped supply, shifting bargaining power, and leading to higher wage rates. This spilled over and created greater demand for housing, transportation, and all sorts of personal services in some parts of the country, leading to higher wage rates. Many Canadians were very nimble, moving to opportunity, and provinces like Alberta and Saskatchewan saw significant increases in population and living standards. The median income in Saskatchewan rose to over \$60,000 in 2014 from just above \$40,000 in the early 2000s, and in Alberta the change was even more significant with median incomes approaching \$80,000, significantly surpassing the typical income in Ontario. In other words, workers were able to capture some of the excess profits in the resource sector, even if top incomes for the executives in the oil patch also jumped to unprecedented highs. Calgary, for example, became a growing hot spot not just for the middle class but also for the top one percent. This commodity price boom was a major counter-current to the underlying and outgoing tide limiting and even pulling down the wages of many less skilled workers in more populous parts of the country. The boom highlights the important role that inclusive growth can potentially have on middle and lower incomes, but the bust after 2014 shows the continued need for a sustainable and secure source for income growth, and public policy that offers support and insurance.

It is important that public policy contribute to putting a floor---both absolute and relative---under bottom incomes, one that ensures that inequality in the lower half of the income distribution is not too great and shrinking. To do this it

must contribute to absolute incomes at the bottom, growing them faster than the rest. The market will not do this on its own, or at least if it does, temporarily and less than universally. Public policy has in the past played an important role, and has had a major impact on equality of outcomes without compromising market efficiency. This is clearly shown in Figure 2. The Gini coefficient---an often used indicator of inequality---shows that market incomes became much more unequal between 1975 and 1995, the statistic rising significantly over the course of these two decades.

But the figure also shows that the public sector had, and continues to have, a major impact, a gap between inequality of market and post tax-transfer incomes amounting to over 10 Gini points being very significant. Remarkably, there was no uptick of inequality in after tax-and-transfer income during these two decades. The public sector completely undid the trend to higher inequality with the result that inequality in take-home pay didn't budge.

Figure 2: The tax-transfer system plays a big role in reducing market inequality



But the role of policy in reducing inequality withered after about 1995. This happened because of policy changes to both conditional and unconditional transfers, most notably income assistance cut-backs by some provinces, and reform, reduction, and restructuring to Employment Insurance that went too far, cutting the income insurance it provides and

curtailing its redistributive impact without necessarily improving efficiency and growth. During the latter half of the 1990s inequality of after tax-transfer incomes notched up, as if the capacity of the public sector to offer a buffer to market forces had exhausted itself. Inequality as measured by the Gini coefficient has since been flat. But this has less to do with policy, than the inclusive nature of the now passed resource boom. It also reflects a mismeasurement of inequality. This particular statistic fails to register increases in the share of income going to the very top, some of which is missing either because of a host of tax shelters used by top earners, or because of their tendency to under-report in the voluntary surveys used by Statistics Canada.

The Canadian economy has settled into a new equilibrium of higher inequality, without any public discussion of whether this is acceptable or not. It is also occurring without an appreciation of risks the future will bring, and without any discussion of a need for a re-design of income support for a new labour market that, if left on its own, does little to help the incomes of the less advantaged. If labour market inequality begins to notch upward again, our tax-transfer system will be a less effective buffer than it was during the early 1990s.

Why Does Inequality Matter?

Why does this matter? In particular, why does more turbulence and insecurity in the lower half of the income distribution matter? It may certainly matter in the here-and-now for families facing income and job shocks that threaten a fall down the income ladder, whether into absolute or relative poverty. Living through abrupt and unanticipated changes, like a lay-off from a job that for many years was the linchpin of family income, threatens not just financial livelihood but also retirement incomes, health, and even the prospects for children. It may also certainly matter in a slower, less noticeable way by lowering the starting incomes and career prospects of the young, who bounce from low-paying job to low-paying job well below their skill level, delaying their capacity for independence, and influencing major life decisions like when and if to start a family. The threat of poverty matters in the here-and-now, and it matters over time, whether across an individual's life-time, or over even longer periods, across generations.

Inequality in the lower end matters because it raises the risk of poverty, but intergenerational cycles of poverty may be a particularly important threat posed by the changing nature of work. If low income children are more likely to grow up to become the low income adults of the next generation, this signals a very significant long-term cost. Low income in childhood may rob children of the chance to become all that they could be, and ingrain a low standard of living and stunted opportunity into entire communities. This is a risk Canadians should seek to minimize, but it is also a risk that is hard to gauge, requiring a look at past experience---at the adult outcomes today of a cohort of people raised decades earlier---that may reveal what we have gone through as a country, only hinting at the challenges we face.

Looking back is valuable because it offers a best case scenario for the future. The data show that of all the children born between 1963 and 1970 who were raised by families in the bottom fifth of the income distribution, that is, who roughly speaking stood on the 20th or lower rungs of the ladder depicted in the left panel of Figure 1, about 30 percent will, by their late 30s to early 40s, be the low income adults of the next generation, with incomes no higher than the 20th percentile of the income distribution in the right panel of Figure 1. Only just a bit more than 10 percent of these children will make the move from the bottom to a secure upper income level, moving into the top fifth.

These patterns for the country as a whole vary significantly across the provinces and territories. Table 1 (next page) shows that the chances of an intergenerational cycle of low income vary from as low as 26 percent in Alberta to over 40 percent in Manitoba. Four in ten children of low income families in Manitoba grow up to be low income adults. And across all regions, a middle income family has no guarantee that their children will be middle income adults, almost everywhere the chances of that happening are about 20 percent, implying basically that it is a random draw. Many of

Table 1: Intergenerational directional mobility based on selected transition probabilities: rags to riches, intergenerational cycle of poverty, and the chances of staying in the middle

Province / Territory	Rags to Riches (P1,5)	Cycle of Poverty (P1,1)	Middle Income (P3,3)
Newfoundland and Labrador	0.087	0.321	0.210
Prince Edward Island	0.077	0.278	0.232
Nova Scotia	0.071	0.350	0.212
New Brunswick	0.061	0.352	0.214
Quebec	0.091	0.290	0.233
Ontario	0.141	0.284	0.210
Manitoba	0.076	0.414	0.238
Saskatchewan	0.141	0.277	0.222
Alberta	0.185	0.259	0.200
British Columbia	0.120	0.298	0.226
Yukon	0.117	0.371	0.196
Northwest Territories, Nunavut	0.100	0.397	0.178
Canada	0.114	0.301	0.219

Source: Reproduced from Miles Corak (2017), *Divided Landscapes of Economic Opportunity*, Table 5.

these children are likely to rise in the income distribution, but equally many are as likely to fall. Children with a middle income family background face no greater guarantee of a secure launching pad to scale even higher up the income ladder, than a threat of falling lower.

Do provincial borders matter? After all provincial governments have an important responsibility in many policies and institutions that theory suggests influence intergenerational mobility: human capital development associated with health care, with primary, secondary and higher education, and with family and social capital. On the other hand, many of these services are supported by the Federal government with funding that seeks to equalize provincial capacities to provide them. If provincial borders matter in this

sense, then the suggestion might be that these fundamental building blocks of capabilities are not being equally provided across jurisdictions.

The Canadian landscape of intergenerational poverty is even more varied in a way that suggests provincial and territorial borders are not the boundary lines. Figure 3 (next page) shows the chances that a child raised by bottom quintile parents will grow up to be a bottom quintile adult in each of 266 Census Divisions that are defined for the 1986 Canadian Census, roughly when these children were in their mid-to-late teens.¹

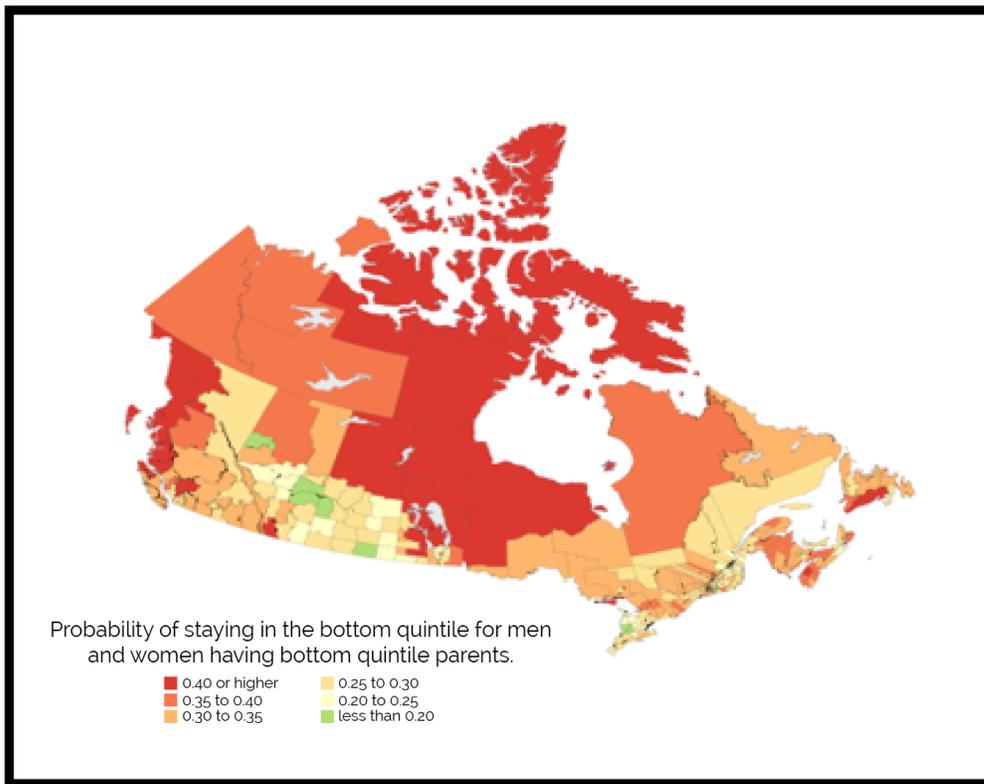
Each Census Division is grouped into one of six categories according to the bottom-to-bottom transition probability, ranging from probabilities of less than 0.20 to over 0.40. The majority of children---54 percent---live in the 97 communities where the chances of falling into an intergenerational cycle of low income are between 25 and 30 percent, and a further 24 percent in the 70 Census Divisions where these chances are at least 0.30 but under 0.35.² The strong majority of children raised by lower income parents face a greater than one-in-four chance of growing up to be relatively lower income adults, and for many these odds were at least as high as one-in-three.

The 23 Census Divisions with a 40 percent or greater chance of bottom quintile to bottom quintile movement are all small in population, and account for 2 percent of the total number of children. In a similar way, there are only 7 of 266 Census Divisions in which the probability of an intergenerational cycle of low income is less than 20 percent, representing only 1.6 percent of all children.

¹ Census Divisions are legislatively determined areas such as counties, regional districts, regional municipalities or other legislated areas at the provincial level. For the most part their boundaries are established by provincial law for regional planning and the provision of services. These areas are not legislated in four provinces---Newfoundland and Labrador, Manitoba, Saskatchewan, and Alberta---and have been created by Statistics Canada for the purposes of data dissemination. As mentioned, there were 266 Census Divisions in the 1986 Census.

² About 10 percent of the weighted sample of children are in the 0.20 to 0.25 group, and 7.9 percent in the 0.35 to 0.40 group.

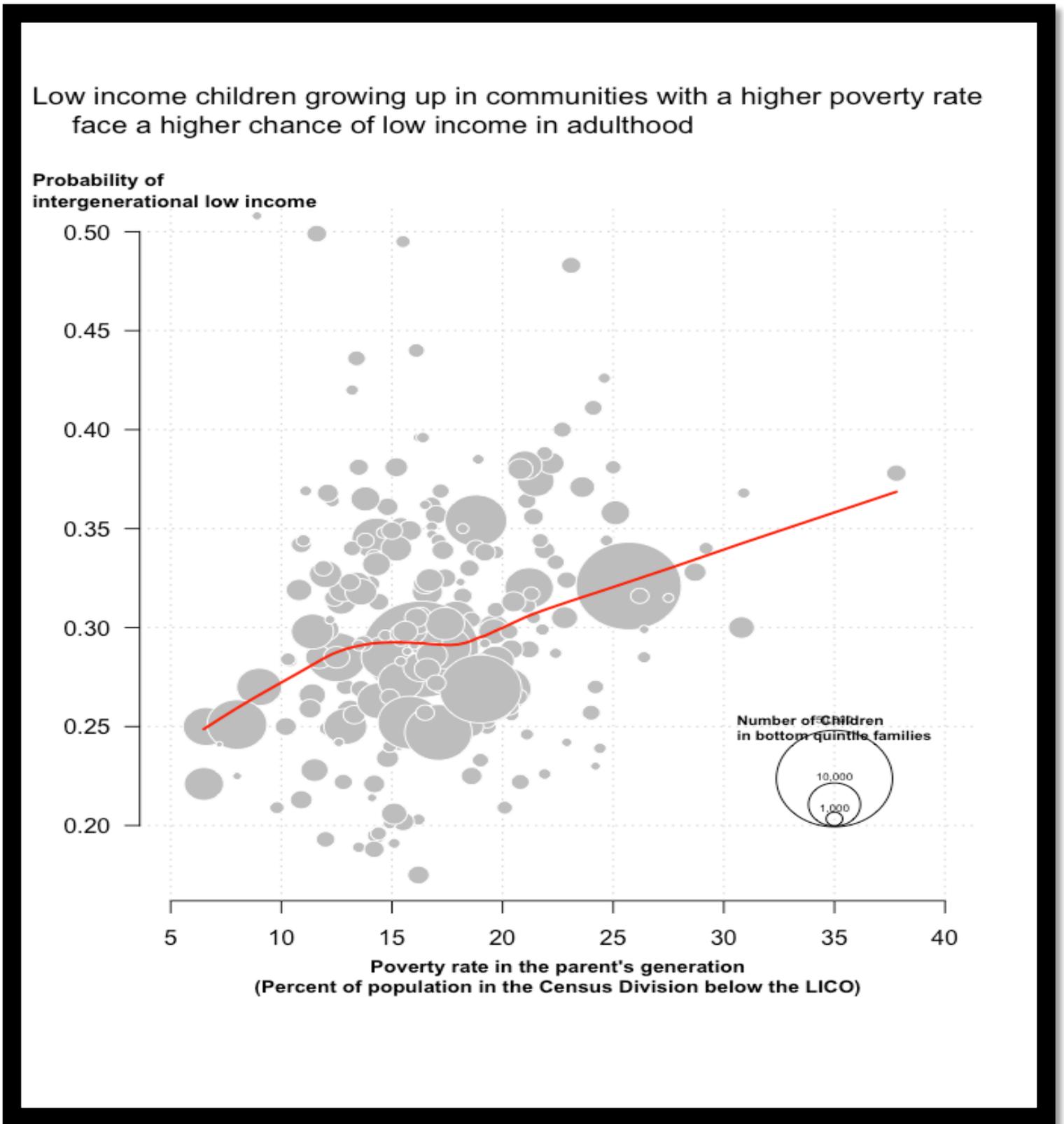
Figure 3: Intergenerational cycles of low income: Census Divisions classified according to the probability that children of bottom quintile parents have adult incomes in the bottom quintile



These communities vary along a whole host of dimensions, certainly their population and their distance from large urban areas or poles of economic growth. There are many reasons for the variation in the chances of intergenerational poverty, but Figure 4 depicts one correlate that relates directly to the issue: the poverty rate. Children raised in low income households are more likely to fall into an intergenerational cycle of low income if they live in communities with higher poverty rates. The higher the community poverty rate, the higher the chances of intergenerational cycles of low income.

Low income children in communities with poverty rates below about 15 percent have lower than average chances of growing up to be low income adults, in whatever community they live as adults. These odds are noticeably lower when the poverty rate is below about 10 percent, but noticeably higher when it exceeds 20 percent. There is a good deal of variation depicted in this cross-classification. Some of the communities with the lowest chances of intergenerational poverty have similar poverty rates as some with the highest chances. Correlation is certainly not causation, but to deny the causal role of income in determining the life chances of children is to ignore some of the important findings of the best economic research that has addressed this issue. Lower poverty in the here-and-now implies lower chances of an intergenerational cycle of poverty.

Figure 4: The association between poverty and intergenerational poverty: the probability a child raised by bottom quintile parents will grow up to be a bottom quintile adult and the Census Division poverty rate



Conclusion

'Inclusive growth' is economic growth that is of relatively more advantage to the relatively disadvantaged. Sometimes it is the outcome of markets. The resource boom experienced in several Canadian provinces during a large part of the last 15 years or so is a good example of what it might look like: rising wages and incomes for many workers with the skills in demand that spill over to more work and higher wages for many others. During this period market inequality did not increase at all.

Sometimes inclusive growth is the outcome of markets, but only sometimes. It always depends upon the policy framework within which markets work. The economic boom during the 1990s, and the economic turbulence that preceded it during the 1980s is a good example of what it does not look like: rising wages and incomes for the few, that have little benefit for many others, particularly the least advantaged. Yet, inequality in take-home pay hardly rose because public policy put a floor on incomes for the least advantaged, and offered strong income insurance for others.

The first take-away from this chapter is that the nature of growth matters, but also that the Canadian tax-transfer system matters, and it was reconfigured in a way that now limits its redistributive impact. This system continues to play a major role in determining equality of outcomes. However, without a redesign it may not be able to play as strong a role in the coming decades as the underlying drivers of growth become more manifest. The important changes wrought to the nature of work by the computer revolution mean that the market is hardwired to promote a more unequal sharing of the pie.

The second take-away is that this matters more than for reasons of equality of outcomes. It matters because inequality challenges the capacity of communities to foster the progress of the next generation of children, and raises the risks that intergenerational cycles of low income both become more likely and are consequential.

In the past, Canada has been a landscape of considerable equality of opportunity, but it has also been a landscape of considerable diversity. A significant majority of children in low income families live in parts of the country where their chances of growing up to be low income adults are greater than one-in-four, and for many the chances of this intergenerational cycle of poverty are as high as one-in-three and higher. There are many factors underlying this diversity, but higher inequality and higher poverty rates tilt the playing field and raise the risks that these children will grow up to be the next generation of low income adults.

What has happened to income inequality? Why does it matter? Quite a bit, and potentially a good deal.

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Chapter Four: Changing Job Markets: Working without a Net

Dr. Wayne Lewchuk

The labour market provides most Canadians with opportunities to work. However, it can be a hazardous place to earn a living. Firms fail. They are bought, sold and reorganized. Sectors fall out of favour. New technology makes products and skills redundant. Long economic cycles of expansion and contraction wash over the economy with regularity and short downturns appear suddenly and unexpectedly. All these events create risk and uncertainty for workers who are trying to earn a living by selling their labour. Since the economic disaster that was the Great Depression of the 1930s, most advanced economies constructed supports that buffer workers from at least some of these risks and that reduce the economic uncertainty associated with a market-based economy. Some of those supports were the result of government legislation. Others were the product of bargains struck between workers, unions and employers. These supports are no longer working as they did prior to 1980.

The period between the end of World War II and 1980 is often viewed as a golden era for Canadian workers and the average Canadian. Technology perfected during the war made mass production possible and provided new jobs in manufacturing. Real incomes rose for most workers. There was a reasonable supply of permanent full-time work. Unemployment rates were generally low. An increasing number of workers bargained job security and wage increases through unions. Unions negotiated improved benefits and better pensions. Some employers came to see employment security as good for their bottom line (Jacoby, 1997). Unemployment insurance offered workers protection from temporary gaps in their employment record. Labour standards and minimum wage regulations offered protection to low paid workers. Governments introduced public health plans and public pension plans to provide for workers in their old age. New health and safety regulations gave workers the right to demand safe work and a reasonable expectation of compensation if injured at work. Human rights legislation protected workers from some of the worst forms of discrimination. Most importantly, as labour productivity increased, real hourly wages increased. However, not everyone benefitted equally from the gains in this period. It was better to be a white man. Fewer of the gains were shared with racialized workers or women entering the post-war economy.

Starting in the early 1980s, the labour market mechanisms and government regulations that supported three decades of post-World War II prosperity and an increasingly equitable distribution of income became less effective. Wages stopped tracking labour productivity, even though labour productivity continued to increase at one to two percent per year. Wages came to represent a shrinking share of total economic output. The median wage stopped growing and for men it may have declined. For the majority of workers, wage growth stagnated. The share of income going to high income earners, particularly the richest 10 percent, increased dramatically. Overall union density fell. Unions shifted from negotiating gains for workers and their families to minimizing the concessions. Government supports including unemployment insurance and access to education became less generous. Nearly 90 percent of the unemployed received some form of unemployment benefit in 1976. Today less than half of the unemployed receive benefits (Dufour & Russell, 2015). Young workers found it increasingly difficult to establish meaningful careers, and highly skilled immigrants ended up either not working or working at minimum wage jobs.

Research published in the last decade of the 20th century points to fundamental shifts starting around 1980 in how workers were employed and the spread of less secure precarious employment. Smith, studying employment trends in the “New Economy” in the United States, argued that “uncertainty and unpredictability, and to varying degrees personal risk, have diffused into a broad range of post-industrial workplaces, services and production alike. ... Opportunity and advancement are intertwined with temporariness and risk” (Smith, 2001:7). Around the same time, Osterman (1999) concluded that in the United States, “. . . the ties that bind the workforce to the firm have frayed. ... New work

arrangements, captured by the phrase ‘contingent work’ imply a much looser link between firm and employee” (Osterman, 1999:3-4). Cappelli suggested “The old employment system of secure, lifetime jobs with predictable advancement and stable pay is dead” (Cappelli, 1999:17).

The view that employment relationships have become more precarious is reinforced by a second wave of research into changing employment relationships. Hacker (2006) argues that in the United States, labour market risks are increasingly born by workers as employers back away from long-term employment relationships. Weil (2014), in a comprehensive study of changing corporate forms, argues that the expansion of supply chains and the popularity of franchising have resulted in "fissured" workplaces and a decline in the prevalence of direct employer-employee relationships typical of the postwar decades. Even workers in full-time employment face more precarity, eroding labour's ability to bargain improved working conditions. Standing (2011) argues that a new class of workers, the "Precariat", has emerged; workers in insecure jobs who benefit from neither government-legislated supports nor from the private supports negotiated between workers and their employers.

Canada has not escaped these broad shifts in how Canadians work. There is general agreement that labour markets in Canada are in transition and that, on average, employment is becoming less secure. The 1980s and 1990s saw a rapid increase in temporary and contract employment relationships and the growth of self-employment (Tal, 2015, 2016; Vosko et.al., 2009; Lewchuk et.al., 2011; PEPSO, 2013;2015). The province of Ontario's Changing Workplace Review is evaluating the need to revise the province's labour laws in light of these changes. At the core of this review is a belief that employment today is less secure. The review takes the position that the labour laws and regulations adopted in the decades following World War II, when permanent full-time employment was more prevalent, no longer serve the needs of Ontario's workers (Mitchell & Murray, 2016).

All of this evidence points to a decline in the prevalence of secure full-time employment with benefits, known as the Standard Employment Relationship (SER). Today, there are concerns this trend is continuing, perhaps even accelerating, as new digital technology creates the foundation of a "gig" economy where the dominant forms of employment are short-term contract work, freelancing and self-employment. The current Canadian Minister of Finance recently advised Canadian workers to get used to "job churn" and short-term employment (National Post, 2016). Some predict that, by 2020, full-time employment with benefits will become scarce in the United States and that 40 percent of the workforce will be freelancers, contractors or temporary workers (Intuit, 2010).

For young workers and the growing legions of immigrants searching the globe for work, these changes have been especially devastating. In many ways, it is young workers who are the "guinea pigs" for the emerging "gig" economy (Adams, 2016). A recent Canadian report paints a dire picture facing young workers. They are over-represented amongst the unemployed, are often working involuntarily in part-time jobs, over one-third are employed in temporary jobs and many work without pay to gain "experience" (Canadian Labour Congress, 2016). Others have shown how the prevalence of precarious employment is challenging the ability of young workers to progress through their life course as insecurity delays long-term life decisions (Chan & Tweedie, 2015). The expanding global immigrant workforce often faces the dual insecurity of working in precarious employment while at the same time facing a precarious citizenship status. A recent Canadian study shows how employers in the service sector in Canada recruit immigrant workers into temporary positions on temporary work visas. Their performance at work then influences whether they will be given an opportunity to apply for permanent Canadian citizenship (Polanco, 2016). Below we explore in more detail some of these trends and how they contribute to an increasingly precarious existence for a growing number of Canadians at work.

Wages and Productivity

One of the more troubling developments since the 1980s is the failure of median and average hourly wage increases to track increases in labour productivity.³ While the income of those at the top of the income hierarchy continues to grow with productivity, for the median Canadian worker in the very middle of the income hierarchy, real earnings virtually stopped growing after the early 1980s.

Labour productivity increased at over one percent a year, every year between 1976 and 2014. The median hourly wage increased at only one-tenth of that rate. Between 1976 and 2006, the median worker did not benefit at all from productivity growth. Even the average hourly wage, which includes the increases enjoyed by higher paid workers, only increased about half as much as labour productivity between 1976 and 2014. Ugucioni, Sharpe and Murray (2016) examined this question in detail. Their research shows that prior to 1980, increased labour productivity, measured as gross domestic product (GDP) divided by hours worked, was closely correlated with increased earnings. Since 1980, the mechanisms that ensured that productivity increases were passed on to the majority of workers in the form of increased wages started working differently. Since 1980, the productivity increases passed on to workers have gone overwhelmingly to high income earners.

For all employed men, the annual real median income fell from about \$43,000 a year in 1980 to just over \$36,000 in 2011. The average annual earnings for all men increased only marginally from around \$45,000 in 1980 to \$48,000 in 2011 (Beach, 2016:1238-39). These trends reflect both the failure of male wages to rise with productivity over this period and the trend toward more men working part-time and fewer hours. Limiting the sample to men working full year and full-time continues to show the weak growth of median male earnings. In 1980 the average male working full year and full-time earned \$57,000 rising to around \$65,000 in 2011. The median male in this category earned around \$54,000 in 1976 and in 2011.

Women did marginally better than men in this period, a combination of women being paid more per hour and working more hours. The average earnings of all employed women increased from around \$23,000 in 1980 to \$32,000 in 2011. Median female earnings also increased from around \$20,000 in 1980 to \$24,000 in 2011. The average earnings of women working full year and full-time increased from \$36,000 in 1980 to almost \$48,000 in 2011. Median earnings for this group of women increased from just under \$34,000 in 1980 to over \$41,000 in 2011 (Beach, 2016:1238-39; See also Morissette, Picot & Yuqian Lu, 2013:13).

The combination of downward pressure on the median wage of male workers and gains by female workers has altered the balance between male and female earnings. The annual income of full year, full-time women is still less than men and the hourly wage is also less than men, however the gaps have narrowed since the 1970s. In 1976, women working full year and full-time earned less than 60 percent of what men earned. By 2015, they were earning just under 75 percent of what men earned. On an hourly basis, women were paid 75 percent of what men were paid in the mid-1980s increasing to just over 85 percent in 2015 (Moyser, 2017).

The failure of wages to increase with labour productivity has contributed to an increase in the share of the workforce working at minimum wage, despite the decline in the real value of the minimum wage. Block (2013) examined who was working at minimum wage in Ontario and how this changed between 2003 and 2011. She found that the share of workers working for minimum wage had more than doubled to 9 percent. Racialized and young workers were more likely to work at minimum wage than employees overall with nearly one in five recent immigrant workers employed at minimum wage. It is not just young workers working at minimum wage. In 2011 nearly 40 percent of minimum wage workers were 25 or

³ Canada is not unique in this. In a detailed study of working conditions in the United States, Lawrence Mishel and his colleagues describe the post 2001 period as a lost decade of stagnant wage growth and increasing income inequity with little hope that this situation will turn around. See Mishel (2012).

older. This represents a doubling of their prevalence in the minimum wage workforce since 2003. Workers over the age of 25 represented over 60 percent of all workers earning between the minimum wage and \$14.15 an hour.

There are several explanations for why median and average earnings started diverging from productivity growth around 1980. About half the difference between what the median worker received and overall increases in labour productivity was the result of more income going to those at the top end of the earnings hierarchy. Another 30 percent of the gap represents a shift in income away from labour as a class and towards the owners of capital. Dufour and Russell (2015) point to changes in the relative bargaining power between employers and employees as the root cause. Other explanations include the erosion of legislated labour standards, globalization, technology that makes it easier to replace workers doing standardized tasks with machines, and the rising share of capital depreciation in GDP. There is concern that as the pace of technical change increases and we move from a goods producing economy to one where knowledge and services represent a large share of the economy, the gap between wage growth and productivity growth could worsen.

Income and Income Distribution

Closely linked to the failure of most workers to share in labour productivity increases since the 1980s is a less equitable distribution of labour market income. The share of total income claimed by the top one percent of income earners reached a minimum sometime in the late 1970s or early 1980s at around 8 percent. From that point it began to increase doubling to almost 14 percent of total income before the financial crisis in 2008 (Veall, 2012: 1249). By 2008, the distribution of income in Canada looked more like what was in place around the early decades of the 20th century before most workers won the right to form unions, or governments protected workers from unemployment.

At first, the Canadian tax system compensated for the increasingly unequal distribution of income. However, by the early 1990s a less progressive income tax schedule and other changes in social supports meant that even after-tax, what Canada produced was shared less equally than it had been before the 1980s (Banting & Myles, p. 4).

The move to a less equal division of income is reflected in what we know about the types of jobs Canadian have access to. In a detailed study of the Toronto workforce, Zizys (2010) documented the rise of an hourglass labour market created by the growth in highly skilled well-paying jobs and less skilled low paying jobs but a decline of moderate skilled middle income jobs. More recent work by Tal (2015) from the CIBC comes to a similar conclusion. The number of workers who could be classed as middle class has shrunk.

Labour's Share of Income

The failure of average wages to track productivity since the 1980s is reflected in changes in labour's share of GDP. At the start of the period, labour claimed just under 60 percent of total GDP. By 2015, labour's share was just over 53 percent (Ugucioni, Sharpe & Murray, 2016: 24). As labour's share of income has fallen, profits and payment to capital owners have increased. The OECD attributes at least part of this decline to globalization and the weakening of labour's bargaining power (Ugucioni et. al., 2016: 25).

A change of this magnitude is unprecedented in recent times. As Keynes remarked, the stability of labour's share was always “something of a miracle” (Autor & Katz, 2017). Autor and Katz (2017) argue that the emergence of superstar firms, large firms within a sector that grow faster than the sector itself, partially explains the decline in labour's share of GDP. Superstar firms employ less labour to produce the same value of output, hence labour's share falls. Others have paid more attention to the role of labour market institutions. A recent report from the IMF by Jaumotte and Buitron (2015) explores the role of the declining percentage of workers in unions and the failure of minimum wage regulations to keep pace with increases in labour productivity. In a study of 20 different countries, those that suffered a larger decline in

union density also experienced a larger shift in income to the top 10 percent. They argue the decline in unionization accounted for about half the shift in income to the top 10 percent.

Pension Coverage

While wages stagnated for the majority of Canadians since the 1980s, the number entitled to an employer pension plan declined. At the end of World War II, just under 23 percent of men and women combined were covered by a company pension plan. For men, coverage increased steadily in the ensuing decades reaching 54 percent by 1976 before experiencing a steady decline to just under 37 percent of men by 2011. The prevalence of company pensions for women grew more slowly reaching just over 27 percent by 1960 and peaking at just over 42 percent by 1993. The percentage of women in pension plans began to fall after this date, but less rapidly than for men, so that by 2000 just under 40 percent of women were members of employer pension plans, where it has more or less remained. By 2015, an employed woman was more likely to be a member of an employer pension plan than an employed man (The Daily, March 24, 2015).

There have also been changes in the nature of company pension plans. In the mid-1970s, over 90 percent of registered company pension plan members belonged to a defined benefit plan, and about two-thirds were required to make a contribution towards the cost of their plans. Barely 5 percent of workers belonged to a defined contribution plan. By 2015, only 70 percent of plan members were in defined benefit plans and over 85 percent were required to contribute to the cost of their plans (Statistics Canada Table 280-0008). As a result, fewer Canadians can expect an employer supplement to their government pension plans in retirement, and those that do have such plans face more risk as they are more exposed to the ups and downs of the financial markets.

Participation Rates and Household Income

Who works for pay has changed significantly since the 1950s. In the decade after World War II, male participation in paid employment was almost universal for workers aged 25-54, while less than one in four women were counted in the paid workforce. Male participation rates have declined modestly falling to just over 90 percent in 2015. At the same time, female participation increased dramatically reaching 50 percent for the first time in 1975 and just under 82 percent by 2015. The significant gap in participation rates between single and married women all but disappeared by 2005 (Moyser, 2017).

The increased participation of women in paid employment has transformed household income sources. During the 1950s, the male breadwinner/unpaid female caregiver model of household formation dominated. As late as 1976, nearly half of all couple families were headed by a single male earner and around one-third were dual income earner couples. By 2015, single male earner couples had declined to only 15 percent of couples, while dual income earner couples represented nearly half of all couples (Moyser, 2017).

The increases in female labour market participation rates and hours of paid employment has meant that both the average and the median income of economic families has continued to increase despite the pressures on wages noted above. Household income was relatively stagnant between 1976 and the early 1990s after which both average and median household income grew until leveling out just prior to the 2008 financial crisis (Beach, 2016: 1234). Now that most women are employed for pay, it is unlikely they can continue to be a source of increased household income or compensate for stagnant wage growth simply by working more hours.

What Happened to Unions and Collective Bargaining?

Unions became a major force shaping labour market outcomes in the 1930s. Prior to this date, only 10 percent of workers were union members, mostly skilled workers belonging to craft unions. Starting in the mid-1930s and accelerating after

World War II, union density rapidly increased to nearly 30 percent of the workforce. This growth reflected the large number of less skilled male workers joining the new industrial unions made possible by post-war government legislation (Statistics Canada, 1983). Overall union density peaked at just under 40 percent in 1984. As the post-war economy began running out of steam, employers faced increased pressure on profit rates and demanded relief from the costs associated with government regulations including regulations that supported unionization and collective bargaining (Sran, 2013). From its peak in the mid-1980s, union density in Canada has fallen to less than 30 percent today (Statistics Canada Table - 282-0223; Galarneau & Sohn, 2013). For some groups of workers and in some sectors, the decline in union density has been more significant.

Male union density declined more than female union density. Male unionization reached a peak in the mid-1980s at just over 42 percent. It now stands at under 28 percent. Less than one in four female workers were union members in the mid-1970s. Unionization amongst women reached a peak at just over 32 percent in the mid-1980s before falling to just over 30 percent by 2016. (Statistics Canada Table - 282-0223; Galarneau & Sohn, 2013). By 2005, an employed woman was more likely to be a union member than an employed man (Statistics Canada, 2011; Moyser, 2017).

Younger worker union density declined more than that of older workers. In 1981, just under 30 percent of young men aged 17-24 and 23 percent of young women were union members. By 2014, those numbers had fallen to just under 15 percent for men and just over 13 percent for women. Men aged 25-34 experienced a similar decline from just over 43 percent to just under 24 percent. For women the rate fell less dramatically from just under 35 percent to just under 30 percent. For older workers, the pattern of change was different. Men aged 55-64 experienced a decline in union density from just under 50 percent to 33 percent. However, for women the percentage in unions grew from just under 30 percent to over 35 (Statistics Canada Table - 282-0223; Galarneau & Sohn, 2013).

Union density declined in the private sector while increasing in the public sector. Union density in the private sector was nearly 30 percent in 1981 falling to less than 15 percent by 2016. Within the private sector, the decline in union density in the manufacturing sector was particularly steep from nearly 44 percent in 1981 to barely 23 percent in 2016. Union density in the public sector increased over the period from just over 60 percent in 1981 rising to 73 percent in 2016 (Statistics Canada Table - 282-0223; Galarneau & Sohn, 2013).

Why does union density matter? Brennan (2014) argues that as union density increases the ability of unions to protect labour's share of total production increases. As union density decreases, labour's share of total production also decreases. In his words, "The growth of a shared prosperity was a partial consequence of the growth of labour unions. The erosion of unions since the 1970s has meant a partial erosion of that shared prosperity" (Brennan, 2014: 28). The correlation between union density and average hourly earnings is strong. Between 1910 and 1970, the growth in union membership corresponded to the growth in average hourly earnings. Since 1970, the decline in union density is associated with the lack of growth in average hourly earnings (Brennan, 2014: 9). As union density increased from the 1920s to the late 1970s, labour's share of GDP increased from around 40 percent to over 50 percent. As union density began to fall in the late 1980s, labour's share of GDP also began to decline towards 40 percent (Brennan, 2012: 11).

Precarity

The failure of wages to track rising productivity, the decline in labour's share of national income, the increased inequality of income distribution in Canada and the decline in union density have all taken place in the context of significant changes in how Canadians find work, keep work and from time to time renegotiate the terms of employment. For many workers, employment has become more individual and precarious. In the 1960s and 1970s, the majority of male workers were in permanent full-time jobs with benefits. This was not a guarantee of employment for life, but it was a commitment to

ongoing employment subject to the risk of job loss inherent in a market-based economy. For most workers, the terms of employment were set by long-term contractual agreements, many of which were renegotiated from time to time by unions.

Prior to the 1980s, relatively few workers opted for self-employment and while many workers were employed seasonally, relatively few were employed through temporary employment agencies. Since 1980, the prevalence of temporary employment, short-term contracts and self-employment has increased. As a result, a growing percentage of Canadian workers are no longer protected by established long-term contracts or employment security. Most of these workers are not represented by unions and must negotiate the terms and conditions of employment and navigate their rights under government legislation as individuals. Unlike workers in the immediate post-war decades, they are "working without a net."

The percentage of workers employed full-time has declined gradually since 1976 when just under 88 percent of all workers reported working thirty or more hours a week. By 2015, fewer than 82 percent were employed full-time. A similar decline in full-time employment can be found in Australia and the United States.⁴ As fewer workers found full-time employment, more worked in what has come to be known as non-standard employment including part-time employment, temporary and contract employment, and self-employment. The share of all workers employed part-time increased from just over 13 percent of the workforce in 1976 to almost 20 percent by 2010 where it remains today. The share of women working part-time grew from just under 24 percent in 1976 to just over 26 percent today. The percentage of men working part-time more than doubled in the same period from around 6 percent to over 12 percent today (Statistics Canada Table 282-0002). The number of Canadians reporting they are self-employed without employees increased from around 6 percent of all employees in 1976 to 11 percent today (Statistics Canada Table 282-0012). Many of today's freelancers and "gig" workers would be classified as self-employed without employees.

It is challenging to assess trends in the prevalence of temporary and precarious forms of employment from official labour market data. Statistics Canada only began systematically collecting data on temporary employment in 1997 when they started asking workers if they were employed on a contract with a fixed end date including employment that was seasonal, temporary, term or casual.⁵ Vosko (2009), in a special report, estimated that about 7 percent of Canadians aged 15-64 were in temporary or contract employment in 1989. By 2016, Statistics Canada was reporting that over 13 percent of employed Canadians were in temporary or short-term contract employment (Statistics Canada Table 282-0080).

The data collected by Statistics Canada on the prevalence of full-time employment, self-employment and temporary employment provides only a partial picture of the extent of precarious employment in the Canadian economy. It is not possible from the existing official data to estimate either the degree of employment insecurity associated with full-time employment, or the degree of employment security associated with temporary employment and self-employment. As argued by Cooper (2014), a permanent job today has become less of a guarantee of a permanent job tomorrow as the pace of technical change increases and corporate reorganizations become a fact of life for more and more workers. Weil (2014) also argues that employment permanency today has a diminished meaning compared to early periods given the "fissured" nature of workplaces. The contracting out of work to firms along extended supply chains and the spread of franchising increase competition between firms and undermines employment security. When young workers, immigrant workers and displaced workers see precarious employment as their only option, they can weaken the bargaining position of those who remain in "permanent" employment.

⁴ (OECD, OECD.Stat. Incidence of FT and PT Employment. http://stats.oecd.org/viewhtml.aspx?datasetcode=FTPTN_1andlang=en.)

⁵ The Canadian Labour Force Survey was developed after World War II. It became a monthly survey in 1952 and was revised in 1976 and again in 1997 when questions on temporary employment were added. Statistics Canada. 2012. *Guide to the Labour Force Survey* 71-543-G, p. 5.

Recognizing this problem of measuring precarity, the *Poverty and Employment Precarity in Southern Ontario* (PEPSO) research group conducted several surveys exploring the characteristics of different forms of employment in Canada.⁶ They developed new measures to assess more precisely the level of employment security of workers aged 25-65 living in the Greater Toronto/Hamilton labour market.⁷ A measure of who was in a Standard Employment Relationship was created and an *Employment Precarity Index* was developed that provided a single measure of employment precarity on a scale of 0-100.

The study found a significant difference between who reported they were in permanent full-time employment and those who reported they were in a Standard Employment Relationship. It also found that a surprising number of survey participants who reported they were in permanent full-time employment had employment characteristics similar to those who reported they were in temporary and short-term contract employment.

Just over 70 percent of PEPSO survey participants aged 25-65 reported they were in permanent full-time employment. However, only about half the sample qualified as being in a Standard Employment Relationship defined as permanent full-time employment with a single employer, with a reasonable expectation that this employment would continue for at least a year and that paid some supplemental benefits. The remaining half of the PEPSO sample was either in permanent part-time employment or in employment relationships with some degree of precarity.

The employment relationship characteristics of workers in a Standard Employment Relationship differed from those in less secure permanent full-time employment. Over 80 percent of workers in Standard Employment Relationships reported being enrolled in a company pension plan compared to just over one-third of those in less secure permanent full-time employment. All workers in Standard Employment Relationships received some supplementary benefits compared to less than one-quarter of those in less secure permanent full-time employment. Workers in less secure permanent full-time employment were twice as likely to report their income varies from week to week and three times as likely to report their hours might be reduced in the next six months compared to those in Standard Employment Relationships (See PEPSO 2013 and 2015). These findings suggest that official labour market data on the prevalence of full-time employment underestimates the extent of employment insecurity in the labour market today.

The PEPSO study also provides a window into the social effects of precarious employment. The *Employment Precarity Index* was used to divide the sample into four more or less equal sized employment security categories. There were significant differences in several social outcomes between the quarter of the sample in the most secure positions (who were labeled as working in Secure employment) and the quarter in the least secure positions (who were labeled as working in Precarious employment). Men and women in Precarious employment, aged 25-34, were five times as likely to have delayed forming a relationship as a result of their employment situation compared to those in Secure employment. Young men in Precarious employment were four times more likely than young men in Secure employment to have delayed starting a family, while young women in precarious employment were more than twice as likely to have delayed starting a family. Men and women in Precarious employment were two to three times more likely to report their employment situation interfered with personal and family life compared to those in Secure employment. Precarious employment was associated with poorer general health outcomes and more frequent mental health issues. The findings as a whole suggest that insecure employment is associated with significant social problems and reduced household wellbeing (PEPSO, 2013; 2015).

⁶ To learn more about PEPSO go to www.PEPSO.ca.

⁷ See PEPSO 2013 and 2015 for details on how PEPSO measures employment security.

The "Gig" Economy

Many analysts would have us believe that even more profound changes in how Canadians work are just around the corner, changes that will make work even more fragmented and insecure. The "gig" economy has the potential to organize work through digitally based platforms such as Uber, Airbnb, Mechanical Turk and Task Rabbit. Digitally-based platforms can facilitate peer-to-peer exchanges and the more efficient sharing of underused physical assets such as cars and houses. They will also radically change how we work and potentially turn full-time permanent jobs into temporary micro tasks. The more enthusiastic supporters of the "gig" economy see it as a way of making better use of labour time and of creating new communities of trust between providers and consumers (Sundararajan, 2016). The more pessimistic fear it will further undermine labour standards and increase employment precarity as workers are forced to compete globally and bargain with employers without the support of labour organizations. Former US labour secretary, Robert Reich referred to the "gig" economy as the "Sharing the Scraps Economy" where wealth flows to the owners of the digital platforms and workers get what little is left over.

The new on-demand work shifts risks entirely onto workers, and eliminates minimal standards completely. In effect, on-demand work is a reversion to the piecework of the nineteenth century – when workers had no power and no legal rights, took all the risks, and worked all hours for almost nothing (Reich, 2015).

There is little doubt that most "gig" work will be largely beyond the jurisdictional reach of unions as we know them, or even government labour standards. People will work for what they can get, and it is debatable if payment will include an employer pension, supplemental health benefits, or employment security. In a report recently published by the ILO, de Stefano (2016) critically explores the regulatory challenges created by the spread of the "gig" economy. She wrote:

On the one hand they [digitally based platforms] can provide a good match of job opportunities, allow flexible working schedules and potentially contribute to redefining the boundaries of the firm; on the other hand, they pave the way to a severe commodification of work. ... The terms “work” or “workers” are very scarcely used in this context, and the very same catchphrase “gig-economy” epitomizes this, as the term is often used to indicate a sort of parallel dimension in which labour protection and employment regulation are assumed not to apply by default. (de Stefano, 2016: 2-5)

The "gig" economy is still in its infancy and barely registers in terms of the percentage of workers who define themselves as "gig" workers, but there is little doubt that a growing number of workers are using digital platforms to supplement their income. This is evidenced by the growth of own-account self-employment and workers with more than one job. Holders of multiple jobs now represent over 5 percent of all workers, representing a doubling over the last 40 years. In 2015, almost a million Canadians worked at least two jobs (Leong, 2016).

Computerization and Labour Market Outcomes

Of even greater concern than the spread of "gig" work and on-demand employment organized through computer apps, are the predictions of futurologists who see the inevitable diffusion of intelligent machines and robots with the potential to perform work that today is viewed as secure based on high skill demands.

Brynjolfsson and McAfee (2014) argue that the pace of technical change in computer capabilities is not only challenging sectors like the taxi industry and trucking as autonomous vehicles appear on the horizon, but also work that is considered more highly skilled and immune to technical change like the legal profession. Frey and Osborne (2013) have taken this analysis one step further by estimating the potential of computers to replace workers in over 700 different

job categories. They estimate that 47 percent of current US jobs, including a large percentage of service sector, office and sales jobs, are susceptible to being replaced by computers in the next decade or two.

It is not just the reach of computerization that concerns analysts but also a sense that the pace of change is accelerating making this technological transition different than the 19th century transition from an agricultural society or the mid-20th century transition to mass production. Leading firms can experience rapid declines and today's leading edge technology can become tomorrow's thing of the past (IOE, 2017:10). In Canada we have seen this process at work with the sudden collapse of firms like RIM and Nortel. The rapid pace of change raises questions as to whether or not workers will be able to retrain fast enough to make use of the new opportunities provided by new technology.

Autor (2015) takes a more optimistic point of view, arguing that computerization has the potential to make all workers more productive and to raise general living standards. He is concerned that the current pace of technical change is so rapid that workers are finding it a challenge to retool for the new technology. This is especially true of young men in the United States who, according to Autor, have been slow to adapt as their middle income jobs in manufacturing have disappeared. As a result, they have increased the supply of workers seeking less skilled work pushing down wages at the bottom of the wage scale despite the increased demand for low skilled tasks. At the same time, computerization has increased the demand for highly skilled workers but the supply of these workers has lagged demand, pushing up wages at the top end of the labour market. The end result has been a high degree of polarization in labour market outcomes between winners and losers.

Most authors, including Autor, are of the view that computerization and machine learning will increasingly challenge more skilled jobs that today enjoy a wage premium due to the mismatch between the supply and demand for this class of worker. If this is in fact the case, even those workers who today are benefiting from the computerization of routine tasks might experience downward pressure on their wages as machines replace even highly skilled workers. The most pessimistic futurologists predict a world where smart machines virtually take over the majority of tasks currently performed by human labour, a world with little need for human workers. Autor cautions that this need not be seen as a crisis. In his words:

A final point, typically neglected in recent dismal prophesies of machine-human substitution, is that if human labor is indeed rendered superfluous by automation, then our chief economic problem will be one of distribution, not of scarcity. ...If machines were in fact to make human labor superfluous, we would have vast aggregate wealth but a serious challenge in determining who owns it and how to share it (Autor, 2015: 28).

Conclusions

How people work and their contractual relationships with their employers have gone through profound changes since the 1980s. The set of social and labour market supports created in response to the 1930s Great Depression now look somewhat dated and out of touch with the needs of workers today.

The post-war decades gave meaning to the dream that by working hard and holding down a job, one could expect a degree of security, enough money to join the ranks of the middle class and perhaps even a pension in retirement. For a growing number of workers employed on short-term temporary contracts, this is an unrealistic dream. In a study of temporary staffing agencies and work in New York, Arsdale (2016) argues employment on its own is no longer a path to the middle class for a growing number of Americans who are forced into irregular temporary employment at low wages and without benefits.

There is every indication that the future holds more of the same. Digitally mediated labour markets and the proliferation of "smart" machines are likely to further challenge how Canadians earn an income and how income is shared. It is unrealistic to march history backwards and return to what many see as the golden decades following World War II. Employment in the future is likely to be more precarious as well as more productive. We need to reevaluate the labour market supports developed during the post-war decades, retain what still makes sense and seek new mechanisms that will allow more workers to share in the benefits of rising productivity. A Guaranteed Annual Income, also known as a Basic Income Guarantee, is likely to be one of those new mechanisms. To fail to act risks not only the health of the average worker⁸, but also the overall vibrancy of the Canadian economy and society itself.

⁸ Case and Deaton have documented an unprecedented rise in mid-life mortality in the United States (Case & Deaton, 2015).

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Chapter Five: Contemporary Basic Income Experiments in Historical Context

Evelyn L Forget

Social programs in Canada were designed for a world in which most people could expect to graduate from high school and, in short order, find a permanent job with benefits that they could expect, barring unforeseen accidents, to keep until they retired with a defined benefit pension – all under the benevolent eye of their workplace union. This was, of course, never the case for everyone. Those with disabilities would have access to income support on the basis of need. Employment insurance could provide support to regular workers who faced temporary layoffs. Single mothers of young children and others with recognized needs would have access to income assistance programs delivered through the provinces.

While support programs have not changed fundamentally in the past forty years, the labour market has changed dramatically. Good, full-time, blue-collar jobs are disappearing along with the manufacturing sector that generated them. Work, of course, is still available, but it is more likely to be organized as part-time or temporary work, to pay lower salaries and to have no union support. This means that a smaller proportion of the workforce qualifies for Employment Insurance even though more are likely to require income support because of the precarity of their jobs. Precarious labour is growing because of ongoing technological change that makes it possible for firms to produce more with less labour, and because of global competition in both traditional blue-collar jobs and increasingly in white-collar jobs where technology has had the effect of exposing workers in these jobs to on-line competition from around the world.

As a consequence, income support programs have not changed along with changing needs. Income assistance has always attempted to reduce the depth and breadth of poverty, although it has not often achieved that goal. These programs, however, were never designed for the changing needs of the new economy. In response, the idea of Basic Income (BI) has attracted increasing attention in high-income countries around the world. Contemporary interest in Basic Income experiments is also burgeoning, but neither the idea itself nor current attempts to experiment with it is especially unique. The concept has a very long history¹ and there have been many attempts at implementing experiments in low, medium and high-income countries over the past forty years. As Ontario initiated its BI experiment and other Canadian jurisdictions begin their own consultations or wait and watch with interest, we should take stock of what we have learned from previous experiments and what we still need to know. We might also recognize some of the difficulties that previous experiments met and note the challenges inherent in moving from an experiment to a policy so that we are prepared for predictable bumps in the road and are not derailed by unforeseen challenges.

Income Assistance in North America: From the Great Depression to Basic Income Experiments

In the wake of the Great Depression, welfare policy in both the US and Canada was reformed on the basis of a shared vision of how the economy was supposed to work. Individuals who were capable of work should be able to find a job that paid a wage adequate to support a family. This would be ensured by minimum wage legislation. During economic downturns, the government would stimulate private employment and, if necessary, hire people directly through public works programs. Over time, new programs and insurance schemes for particular issues emerged in both countries without coordination and without challenging this basic vision of welfare policy.

Long-term support would be made available only to those who were unemployable – at the time, this category was believed to include lone mothers with dependent children, the aged and the disabled. To the extent possible, social

¹ Cunliffe, J., & Erreygers, G. (2003). 'Basic income? Basic capital!' Origins and Issues of a Debate. *Journal of Political Philosophy*, 11(1), 89-110.

insurance would provide basic support, along with workers' compensation and public pensions. Unemployment insurance would provide temporary support between jobs. Means-tested support would be made available as a last resort and on a temporary basis. Changes and refinements occurred in both countries, but this was the basic system in place until the 1960s.

In the 1960s, activists in both the US and Canada began to question the existing system. In the US, the newly elected Democrats ushered in a series of new programs. In 1961, Aid to Families with Dependent Children – the basic cash welfare program – was amended to offer assistance to the unemployed. Food stamps were introduced in 1964, and the program expanded in 1971 and 1974. Social security amendments in 1962 and 1965 introduced federally funded social services and health care programs for welfare recipients and the retired. The Office of Economic Opportunity was created in 1964 to fight President Johnson's *War on Poverty*.

In Canada, there were parallel developments. After WWII, family allowances were introduced and paid directly to mothers of minor children. Canada is a federal country, and most social welfare policies remain the responsibility of the provinces although the federal government began to take leadership to ensure similar programs across the country. The Canada Pension Plan, designed to augment Old Age Security and private pensions, was introduced by the federal government in 1966 with a parallel system in Quebec. Throughout the 1960s, debates about universal health insurance culminated in a series of policy changes that saw all provinces with fully complying plans in place by 1972. Income support schemes, however, remained the responsibility of the provinces.

The US *War on Poverty* was declared by the Johnson administration in 1964. At that time, there were 36 million people living in poverty. During the next decade, existing programs were modified and expanded. Large new expenditures were targeted towards education, healthcare and housing. The Basic Income movement grew in the excitement of massive policy expansion. But after twelve years of significant expenditure growth, the number of people living in poverty still stood at 26 million because most of the new money went to social insurance programs, particularly Social Security. Direct transfers to education and healthcare may have improved the quality of life for many people but had little effect on the incomes of the poorest.

During the 1960s, a large number of plans and proposals to improve the welfare system circulated both inside and outside government. Throughout this period, the Office of Economic Opportunity produced annual plans for a radically different approach to welfare – a Negative Income Tax (NIT). This was a targeted BI that works somewhat like a refundable tax credit – a Basic Income is assured to everyone, but its level is gradually reduced as income from other sources, especially work, increases. The Office documented the “welfare trap” that made it difficult to escape dependency. It emphasized the need to support the working poor who constituted a larger segment of the poor than those who were dependent on income assistance. It responded to critics who worried about cost by noting that the cost of the program would depend on the rate of unemployment. The Office argued that if the government failed in its task of ensuring full employment through fiscal and monetary policy, the federal budget should bear that cost and not the poor.

The opposition to these proposals was complex and went beyond traditional Party lines. Traditional welfare advocates, many of whom had played significant roles in introducing and advocating for existing programs, were from the labour movement (AFL-CIO and the Department of Labor at this time), and the Department of Health, Education and Welfare. They argued that the basic scheme put in place in the 1930s had never been adequately funded and never really given a chance to eliminate poverty. They countered that incremental changes in existing programs were preferable to BI. Far better to increase the rates paid by welfare programs and Social Security, improve job training and raise minimum wages. If employable people needed support, the government should act as employer of last resort. No employable person should receive support without working. This group allied with traditional welfare opponents who opposed any increase in benefits to oppose BI. Various inconsistent proposals, amendments and counterproposals made their way through

Congress and the Senate. In this context, the American Negative Income Tax experiments began under the Office of Economic Opportunity and continued within the Department of Health, Education and Welfare after the Nixon administration abolished the Office.

The Canadian experiment (MINCOME) came into play in a slightly different way from the US experiments. Poverty was equally a concern for Canada in the 1960s, and the centerpiece of Canadian antipoverty legislation was the Canada Assistance Plan which was inaugurated in 1967. In 1970, the Department of National Health and Welfare published a report entitled *Income Security for Canadians* [the White Paper] that proposed to reform Family Allowance. In 1971, a Senate Committee report, *Poverty in Canada*, called for a universal Guaranteed Annual Income (GAI) based on the NIT principle. At the same time, the Quebec Commission of Inquiry on Health and Social Welfare (the Castonguay-Nepveu Commission, 1971) recommended major restructuring of social programs in Quebec. The federal government, without provincial consultation, made major enhancements to the Unemployment Insurance Program in 1971. This caused predictable upset in the provinces, and there was a great deal of pressure for a joint review to rationalize the social security system in Canada. The Throne Speech of 4 January 1973 called for such a review and the *Working Paper on Social Security in Canada* [the Orange Paper] set the stage for ongoing discussions. Throughout this controversy, the American Negative Income Tax Experiments attracted a great deal of attention, with the White Paper explicitly calling for a Canadian replication.

The interest at the federal level had a counterpart in the province of Manitoba, which had just elected its first NDP government under Premier Ed Schreyer. Manitoba had declared its interest in an administrative test of the GAI as early as 1971. In March 1973, Manitoba submitted a proposal for funding of a full experiment to the federal Department of National Health and Welfare. It contemplated a budget of \$17 million and expected to enroll well over 1,000 families with Ottawa paying 75% of the costs. On 4 June 1973, Manitoba and Canada formally signed *an Agreement Concerning a Basic Annual Income Experiment Project*.

What Have We Learned from Previous Basic Income Experiments?

Negative Income Tax Experiments in High-Income Countries

The first American experiment was conducted on an urban population in New Jersey and Pennsylvania between 1968 and 1972.² A second experiment was conducted in Gary, Indiana to examine the effect of a BI on single parents³. A third took place in North Carolina and Iowa to look at the effects on rural populations⁴. The final experiment was the Seattle-Denver Income Maintenance Experiment (SIME-DIME) which had access to a much larger experimental population⁵. These experiments used a carefully selected experimental sample and randomized participants into treatment and control groups. They collected quantitative and qualitative data from both subjects and controls and experimenters hoped that comparing the experiences of those who received the BI to the control group would allow them to determine the effect of a BI on a wide variety of social behaviours.

² Watts, H. and Rees, A. eds. 1977. *The New Jersey Income-Maintenance Experiment, Volume 2: Labor-Supply Responses*. New York, Academic Press. and Watts, H. and Rees, A. eds. 1977. *The New Jersey Income-Maintenance Experiment, Volume 3: Expenditures, Health, and Social Behavior; and the Quality of the Evidence*. New York, Academic Press.

³ Burtless, G. and Hausman, J. 1978. "The effect of taxation on labor supply: Evaluating the Gary negative income tax experiment." *The Journal of Political Economy* 86(6) 1103-1130.

⁴ Levine, R. Watts, H. Hollister, R. Williams, W. O'Connor, A. Widerquist, K. 2005. "A Retrospective on the Negative Income Tax Experiments: Looking Back at the Most Innovative Field Studies in Social Policy". Widerquist, K. Lewis, M. Pressman, S. eds. *The Ethics and Economics of the Basic Income Guarantee*. Aldershot, Ashgate: 95-106.

⁵ Hannan, M. Tuma, N. Groeneveld, L. 1978. "Income and Independence Effects on Marital Dissolution: Results from the Seattle and Denver Income-Maintenance Experiments". *American Journal of Sociology* 84(3) 611-633.

The Winnipeg site of the Canadian experiment followed the same structure, but the Dauphin site was unique. It was the only “saturation site” in any of the North American experiments. All families in Dauphin and its rural municipality were eligible to participate.⁶ Families would receive BI stipends only if their income from other sources was low enough to make them eligible, but all received the promise that BI would be available to them should their circumstances warrant support. The justification for creating a saturation site at the time was that the isolation of the treatment sample in the classic experiments would put families in a highly unrealistic situation, quite unlike the conditions that would attend a universal roll-out. Families receiving a BI in the other sites would interact with other families receiving support only very rarely; most of their interactions would be with community members who were not participating in the experiment. In Dauphin, however, all families received the promise of support should they require support and this allowed experimenters to look at the ways in which families interact with one another and influence each others behaviours. Would there be changes to social attitudes or community norms? Details of the experiments are summarized below.

TABLE 1: Summary of the Features of the North American Income Maintenance Experiments

Parameter	New Jersey	Rural (RIME)	Seattle-Denver (SIME-DIME)	Gary	MINCOME
Site	Trenton, Patterson-Passaic, and Jersey City, N.J.; Scranton, Pennsylvania.	Duplin County, N.C; Pocahontas and Calhoun Counties, Iowa	Seattle, Washington; Denver, Colorado.	Gary, Indiana.	Winnipeg and Dauphin, Manitoba
Eligibility	Intact households headed by able-bodied males 18-58 with at least one dependent and incomes < 150% of poverty line	Families with at least one dependent and incomes < 150% of poverty line	Families with at least one dependent and incomes < \$11,000 (single-headed) or \$13,000 (double-headed)	Black households, 18-58 with at least one dependent and income < 240% of poverty line	Families with able-bodied heads under 58-years-old, incomes < \$13,000 (family of four)
Sample Size	1,357 households; 725 experimental, 632 controls	809 families: 587 non-aged male headed, 108 non-aged, female-headed, 114 older heads	4, 801 families (Denver 2,758; Seattle 2,043)	1,800 black households, 60% female-headed (125 households added with incomes above 240% of poverty line)	1,300 families and single individuals

⁶ Elders and people with disabilities were not excluded from payment in Dauphin as they were in Winnipeg.

Plans [not all t, G combinations included in each experiment; more generous plans (high G, low t) typically excluded]	8 plans; t = .3, .5, .7; G = .5, .75, 1.0, 1.25 of poverty line (\$5,000 for family of 4)	8 plans t = .3, .5, .7; G = .5, .75, 1.0 of poverty line	11 plans; t = .5, .7, .7*, .8* (*indicates tax rate declines per .025 per \$100 income); G = .95, 1.2, 1.4 of poverty line; Training, counseling, training subsidies (50%, 100%)	4 plans; t = .4, .6; G = .75, 1.0 of poverty line, social services, counseling, day care subsidies (35%, 60%, 80%)	Winnipeg; 7 plans; t = .35, .5, .75; G = \$3,800, 4,800, 5,800 (family of four in 1975) Dauphin: 1 plan (saturated site); t = .5; G = \$3,800
Duration (start-up date)	3 years/1968-69	3 years/1970	3, 5 years, 20 years (Denver only, 1969)	3 years/1971	3 years/1975

Note: t refers to the experimental tax rate; G refers to the experimental income guarantee rate.

Source: Hum, D. Simpson, W. 1993a. "Economic response to a guaranteed annual income: Experience from Canada and the United States." *Journal of Labor Economics* 11(1) Part 2: U.S. and Canadian Income Maintenance Programs. S263-S296. pg. S275.

Work Hours

Notwithstanding the hope of the researchers that the experimenters would throw light on all kinds of social behaviours, the experiments were designed specifically to illuminate one set of decisions. The fundamental purpose of all these experiments was to determine the impact of a BI on the labour market: specifically, would people opt out of the labour market in order to subsist on benefits? Would those who continued to work choose to work fewer hours in order to optimize benefits? Overall, the results of the experiments were remarkably consistent. The results are summarized in Table 2.

TABLE 2: Annual Change in hours worked during North American income maintenance experiments

Experiments	Husbands	Wives	Single Female Heads
MINCOME	-20 (1%)	-15 (3%)	-56 (5%)
New Jersey	-57 (3%)	-62 (28%)	
Rural	-93 (5%)	-180 (28%)	
Seattle-Denver	-135 (8%)	-129 (20%)	-134 (13%)
Gary	-76 (5%)	-18 (6%)	-84 (23%)
Overall US Results	-69 (6%)	-70 (19%)	-85 (15%)

Source: Hum, D. and Simpson, W. 1993b. "Whatever happened to Canada's guaranteed income project". *Canadian Public Administration / Administration Publique du Canada* 36(3) 442-450.pg. 448.

The first column in Table 2 represents the effect of BI on the number of hours worked by those most attached to the labour market – adult men. These were primary earners and their reaction to a BI was, overall, quite modest. Men, for the most part, did not quit their jobs although the average number of hours worked did fall a small amount. For men, results were relatively modest with the smallest average results in Manitoba (an annual work reduction of half a week)

and the largest in Seattle-Denver. However, these results represent average reductions in hours worked. Among men, the largest effects were on adolescents in all of the experiments. If we look at the results a bit closer, interesting effects become apparent. For example, Seattle-Denver had a combination of experimental designs underway, some of which included heavily subsidized or free job training. One of the significant results of SIME-DIME was a positive effect on adult education. Did these men reduce their work hours because they received a BI and they preferred leisure, or did they reduce their work hours in order to engage in job training or, as the researchers would label it, accumulate human capital? Certainly in Dauphin, reduced work effort among young males was associated with increased education.⁷

It seems that a BI is indeed associated with a reduction in work effort for women, but both the design and the context in which these results are produced needs to be taken into account. In the Canadian case, the results were very small overall with the largest reduction in work effort associated with single mothers. Women in all five sites, whether they were married women or single mothers, worked significantly fewer hours if they received a BI. The percentage change is large, but what is most notable is how few hours married women worked even before they received a BI; for example, in New Jersey a 28% reduction in work hours results in 62 fewer hours worked per year, which means that on average they were working about four hours per week before the experiment began. These experiments took place during the 1970s when few women expected to work their entire lives. Women were just beginning to enter the workforce in large numbers and many still did not consider their jobs an important part of their identity or even an important source of income for their families. If they did work out of necessity, it is unlikely that they had the training or the opportunity to access good full-time work. A reasonable response, under the circumstances, was for many of these women to opt out of paid work or reduce their hours to take care of their children. If we are to extrapolate from these results to today, we must take into account context. Most women today do not consider their earnings either secondary or expendable. They work for the same reasons that men work – to pay their bills.

One thing worth considering, however, is whether a reduction in work hours is necessarily a negative outcome. North Americans work many more hours than people in most European nations, and since the 1970s the increase in hours worked by women has intensified the disparity.⁸ We have begun to transform other social policies to reflect growing evidence that overwork is not necessarily beneficial. In Canada, the entitlement to maternity leave was four weeks in the 1970s. Not surprisingly, many women who participated in MINCOME used part of the stipend they received to “buy” themselves longer parental leaves when they gave birth. While we have not introduced a BI across the board in Canada, we have subsequently increased paid and partially paid parental leave substantially because we recognize the evidence that families benefit from the opportunity to spend more time together and to forge deeper bonds with newborns. Moreover, the leave is extended to men as well as to women, because it is more than just an opportunity to physically heal from the trauma of birth. Young people are encouraged by all kinds of social policies to stay in school longer, to engage in training and to take their first jobs at a later date. More and more private firms are offering opportunities for sabbaticals, recognizing the benefit that comes from productive leisure. Is it necessarily a negative outcome to find that families will take some of their income – especially if their income is enhanced through a Basic Income – in the form of greater flexibility in their use of time? Some will engage in training and education; others will engage in household production, taking care of their own families rather than paying others to provide necessary care. Some people might choose to spend time in creative or voluntary pursuits, or to engage in innovative entrepreneurial activities. Others may just read more novels or go for an additional hike. The point is that wealthy societies can afford to take some of their wealth in the form of greater quality of life associated with time away from paid labour.

⁷ Forget, E.L. (2011). The Town With No Poverty, *Canadian Public Policy* 37(3): 283-305.

⁸ Juliet B. Schor. 1992. *The Overworked American*. Basic Books.

Education

There are other results of these experiments. In North Carolina, children in experimental families showed positive results on elementary school test scores. In New Jersey, data on test scores was not collected, but a positive effect on school continuation rates was found. In SIME-DIME, as mentioned, there were positive effects on adult continuing education.⁹ In Dauphin, we saw an increase in high school completion rates exactly coincident with the experiment.¹⁰

Health

A reconsideration of the MINCOME results for the Dauphin site made use of health administration data for the province of Manitoba, and showed an 8.5% reduction in hospitalization rates relative to controls selected from similar towns and matched on the basis of age, sex and family composition. A closer look at the reasons for the decline showed ‘accidents and injuries’ and, especially, ‘mental health’ to be responsible. The category of “accidents and injuries” is a big one that captures most acute hospitalizations but it picks up, among other injuries, car accidents (many of which are alcohol related), farm and industrial accidents, family violence, assault and self harm. There was also a reduction in visits to family doctors relative to the control group, and the only code that was statistically significant was “mental health”; that is, fewer people visited their family doctors complaining of anxiety and depression.

Divorce Rates

The most damning results came in the form of family dissolution rates in the SIME-DIME experiment. Early results seemed to imply that experimental families had a divorce rate more than 50% higher than controls.¹¹ A decade later, the data was re-examined and the complexity and diversity of the programs taken into account; as a result, the large effect on divorce rates disappeared.¹² None of the other experiments found any effect on marital stability. Nevertheless, this debate demonstrates the significance and vulnerability of experimental results. By 1990 when the reanalysis was published, the harm was done and the debate had moved on. As a result of the earlier erroneous finding, BI lost a good deal of political support. Senator Moynihan, who had been an early advocate for the program, was no longer prepared to support a scheme that seemed to undermine family stability. Debate in the Senate centred on whether these schemes were an attack on the American family. The results were seized upon by critics, and were largely responsible for the disappearance of the NIT experiments in American political discourse for the next three decades.

Unconditional Cash Transfers (UCTs) in Low-Income Countries

Several BI experiments have taken place in low and medium-income countries under the label of unconditional cash transfer (UCT) experiments. Every experiment takes place in a particular social, political and historical context and it is difficult to generalize from the experiences of low-income countries to Canada. For example, most of these countries do not have the complex social policy architecture of high-income countries, so they do not face the challenge of integrating many different policies in ways that avoid unforeseen conflicts. In that sense, a BI might be easier to

⁹ Levine et al., p. 100

¹⁰ Forget, EL. 2013. New questions, new data, old interventions: The health effects of a guaranteed annual income. *Journal of Preventive Medicine*. 26 June. DOI:10.1016/j.ypmed.2013.05.029. Final version on-line: 17-NOV-2013 <http://authors.elsevier.com/sd/article/S0091743513001928>

Forget EL, Peden A*, Strobel S*. 2013. Cash Transfers, Basic Income and Community Building, Social Inclusion, 1(2) <http://www.cogitatiopress.com/ojs/index.php/socialinclusion/article/view/113>

¹¹ Hannan, M. Tuma, N. Groeneveld, L. (1978). Income and Independence Effects on Marital Dissolution: Results from the Seattle and Denver Income-Maintenance Experiments. *American Journal of Sociology* 84(3) 611-633.

¹² Cain G. and Wissoker D. (1990). A Reanalysis of marital stability in the Seattle-Denver Income Maintenance Experiment. *American Journal of Sociology*. March. 1235-69.

implement in a low-income country. However, these countries also often have rudimentary data infrastructures and somewhat limited taxation systems which makes implementing a BI a different kind of challenge than those facing high-income countries. Nevertheless, there are lessons to be learned from these experiments.

Low-income country experiments have taken place or are currently taking place in India, Kenya, Malawi and Namibia. In the Indian state of Madhya Pradesh from June 2011 to November 2012, a BI experiment was co-sponsored by UNICEF and the Self Employed Women's Association (SEWA). During this eighteen month experiment, 6,000 individuals in nine villages received monthly unconditional cash transfers equivalent to about one quarter of the median income in the state. The transfers were delivered to all adults in each village, with smaller amounts for every child. Similar villages were used as controls. It was found that, relative to the residents of control villages, individuals receiving the cash transfers were seen to be significantly more likely to obtain adequate nutrition, receive regular medical treatment, invest in improved energy and sanitation, start new businesses, and send their children to school, among other improvements¹³.

Between 2011 and 2013, GiveDirectly (an American NGO) delivered a UCT to 95 eligible households in 60 villages in rural Kenya. Cell phones were used to deliver cash to households. When transfers were delivered monthly, food security improved dramatically. Large lump-sum transfers were more likely to be spent on durable goods. In both cases, large improvements in well-being were found¹⁴. GiveDirectly is expanding its program with plans to deliver a UCT to eligible households in 200 villages over a twelve-year period (2018 – 2030) to capture long-term effects. In 2008-2009, a BI experiment was conducted in Namibia. Reported results included better nutrition, clothing, and transportation, more savings and a rise in entrepreneurship.¹⁵

The most sophisticated of these experiments compared unconditional cash transfers (UCTs) to conditional cash transfers (CCTs) in Malawi; one group of villages received income conditional on sending their daughters to school (CCT), while another group received an unconditional cash transfer (UCT) and the third group acted as controls. Unsurprisingly, families who received income only if they sent their adolescent daughters to school were more likely than those who received a UCT to send their daughters to school, although there was little difference in academic performance as measured by test scores. More surprising, though, when other outcomes were examined – specifically, very early marriages and HIV transmission – those who received a UCT fared better than those in the control or CCT villages. It seems that the CCT was insufficient to encourage the poorest and most vulnerable families to send their daughters to school because they often faced many other barriers, such as poor transportation. These most vulnerable families did not send their daughters to school and therefore received no support. In the UCT villages however, the most marginalized families continued to receive support even if they did not send their daughters to school. The money was insufficient to encourage increased education, but it seems to have been sufficient to reduce the amount of transactional sex work expected of daughters in the poorest families, and it was sufficient to discourage very early marriages among these girls. HIV transmission rates declined in the UCT villages relative to the CCT villages and the controls.¹⁶

Is there anything for high-income countries like Canada to learn from these UCTs in low-income countries? One of the advantages that a limited infrastructure imposes on experimenters in low-income countries is that they need to develop innovative means for accomplishing such basic tasks as getting money into the hands of families or selecting

¹³ Davala, S., Jhabvala, R., Standing, G., & Mehta, S. K. (2015). *Basic income: A transformative policy for India*. Bloomsbury Publishing.

¹⁴ Haushofer, J., & Shapiro, J. (2016). The short-term impact of unconditional cash transfers to the poor: experimental evidence from Kenya. *The Quarterly Journal of Economics*, 131(4), 1973-2042.

¹⁵ Haarmann, C., & Haarmann, D. (2012). Piloting Basic Income in Namibia: Critical reflections on the process and possible lessons. URL: http://bignam.org/Publications/BIEN_2012_Haarmann-BIG_Namibia-Critical_reflections_on_the_process_and_lessons_learned.pdf.

¹⁶ Baird, S., McIntosh, C., & Özler, B. (2011). Cash or condition? Evidence from a cash transfer experiment. *The Quarterly journal of economics*, 126(4), 1709-1753.

samples in rural and remote communities with limited census data. High-income countries are used to relying on the technology and data systems that exist, and are often impeded by such unanticipated difficulties as legislation that prevents them from using an income tax or income assistance database to select a sample or deliver payments. In Kenya, eligible households were selected from among families with thatched rather than zinc roofs, and payments were delivered through the cell phones that were ubiquitous because landlines were not. One lesson to be learned is that a little bit of creativity can solve what look like mammoth difficulties.

A more fundamental lesson comes from the Malawi experiment: one of the most important arguments in favour of a Basic Income is that individuals and families know better than experts how best to spend their money. While experts entered the arena expecting that the education of girls was paramount, and it is an important development goal, the most marginalized families had needs they considered more profound. Discouraging very early marriages and all the negative outcomes associated with too early births and power differentials within the family, and discouraging transactional sex work among young women is at least as important an outcome as providing young girls with education. Pre-selected outcomes are important so that we are honest in our analyses; some outcomes, such as nutrition or food security, seem clear enough. However, it is important to recognize that families who receive a BI may spend the money they receive in unexpected ways; that does not necessarily mean that the BI experiment “failed”. Indeed, autonomy and agency – the right of families to make their own decisions – is fundamental.

Who Might Oppose a Basic Income?

Policymaking is challenging for many reasons. There seem to be many advantages to a national BI program, yet no jurisdiction has implemented one. The NIT experiments of the 1970s can give us some clues as to who might oppose a BI policy. Any proposed policy will advantage some people and disadvantage others and, because we fear losing what we already have more than we appreciate advantages that might come to us in the future, potential losers are always more vocal than those who stand to gain. In the case of Basic Income, the policy can be designed so that no one currently relying on existing income assistance programs will be worse off. That, however, does not mean that there is no one who might be opposed to Basic Income.

Some Taxpayers

Someone has to pay for the BI program up front. Many would argue that BI is a good economic policy that might even pay for itself over time because families that receive the resources required to care for themselves will rely less on other social programs such as healthcare (as we saw in MINCOME).¹⁷ Indeed, one of the reasons Canadian provinces should support a BI is because healthcare expenditure is a fast-growing component of provincial expenditure that currently accounts for more than half the provincial budget in some provinces. If we are ever to get healthcare expenditure, which currently focuses on treating illness rather than encouraging wellness, under control, we need to think about how to address the root causes of poor health. BI is a very good way of doing just that; a well-designed BI can slow the growth of healthcare expenditure. People with adequate incomes are far less likely to be hospitalized for complications of chronic conditions and mental health challenges are often worsened by living with grinding poverty. Poverty drives expenditure in many other social programs as well. Contacts with the youth justice system, with the foster care system, with community mental health services, with school-based social services, with police services and many others are highest among the poorest families. At least some of the costs associated with offering these programs could be avoided if families

¹⁷ Pereira, R. (2017). The cost of universal basic income: public savings and programme redundancy exceed cost. In *Financing basic income* (pp. 9-45). Palgrave Macmillan, Cham.

had necessary resources up front. Children would be less likely to be taken into care simply because their families lacked the financial resilience necessary to avoid the label of “neglect,” or because parental mental health issues were exacerbated by poverty, economic insecurity and inadequate housing. These same children might then avoid contact with the criminal justice system which is all too common for many kids in care. Children in homes with adequate financial support are less likely to go to school hungry and rely on breakfast programs to avoid the learning difficulties associated with food insecurity. Families who receive a BI are more able to pay the costs associated with finding and keeping a job – costs such as transportation and child care, as well as start-up costs like interview and work clothing. The initial investment in these families will, without question, pay dividends over time.

However, none of these savings in social programs can be used to pay the upfront costs of a national BI program because they accrue over time. We currently spend about \$15 billion annually in Canada on provincial income assistance. That money can be reallocated to a BI. However, several people estimate the costs of an Ontario-style BI at somewhere between \$30 and \$60 billion annually, depending on how generous the program is, whether or not it includes seniors and how people react to it (with estimates at the high end associated with very generous payouts well above the Ontario guarantee and the inclusion of seniors in the program).¹⁸ While the likely cost of a national BI program is substantial, it is not inconceivable. We currently pay about \$24 billion annually for the Canada Child Benefit and far more than the likely cost of a BI for seniors’ benefits. It is a cost that could be borne if we chose to bear it. We could address adult poverty in the same way that we chose to address poverty among seniors by introducing the Guaranteed Income Supplement to augment the OAS. But where would the money come from?

The simple answer is that tax revenue will have to increase. This does not mean that marginal tax rates will have to rise for individuals or even for corporations. As Robin Boadway and his co-authors note, our tax system is riddled with tax expenditures – non-refundable tax credits and tax exemptions, many of which are available only to those with very high incomes or to narrowly defined groups of Canadians. In 2016, tax expenditures cost Canada \$122 billion dollars of potential tax revenue¹⁹. This would pay for a spectacularly gold-plated basic income. Not all tax expenditures are badly designed; some, such as the RRSP deduction, are very important and should be retained. Others, however, need to be rethought in the context of a much larger reconsideration of our tax system that has grown haphazardly to include special deals for many groups. Do we want to use our tax system to address economic inequality by ensuring more money stays in the hands of the poorest, or do we want to continue to use it to benefit the wealthy in the hope that some of the largesse will – eventually – trickle down to the rest of us. The data do not seem to support the claim that the best way to help the poor is to make the rich even richer.

Beyond reallocating lucrative tax expenditures, there are many new avenues of taxation that will open up over the coming years. Canada is considering how to design carbon taxes to reduce our impact on the environment. It seems to be a given in some quarters that a carbon tax must be “revenue neutral” in the sense that all the tax revenue should be given back to taxpayers (and often businesses) through other tax cuts. Why not consider a BI instead? Cannabis will soon be legalized in Canada. Current media accounts are downplaying the potential tax revenue associated with the decision and paying more attention to short-term costs of transition, such as retraining police officers. However, tax revenue from tobacco and liquor suggest that, over time, significant tax revenue from cannabis will be available for allocation. Some have suggested that we should implement a “robot tax” – a tax on labour-saving technological innovation – designed to

¹⁸ Boadway, R. W., Cuff, K., & Koebel, K. (2016). *Designing a basic income guarantee for Canada* (No. 1371). Queen's Economics Department Working Paper.

MacDonald, D. (2016). *A Policymakers Guide to Basic Income*. Canadian Centre for Policy Alternatives.

¹⁹ Not all tax expenditures can be counted as potential tax revenue. For example, if the tax system changed, people might change their behavior in ways that would reduce the potential tax revenue for the government.

ensure that corporations compensate the economy for some of the disruption to the labour force caused by their profit-maximizing decisions.

All of these possibilities, however, obscure one fact; ultimately, some set of taxpayers will have to send more money to the government in order to pay for a national BI. If we design our measures appropriately, these taxpayers will be high-income individuals who can best afford the cost. Without any question, though, some people will be worse off after the introduction of a BI and we can expect to hear gloomy predictions that “the best and the brightest” – apparently identified by their bank balances – will flee the country, leaving the rest of us to suffer in our ineptitude. We will almost certainly hear loud proclamations that the wealth of the wealthiest was created by their creativity, risk-bearing and intelligence alone; those who have disproportionately benefited from heavily subsidized professional education and an infrastructure that made their investments lucrative often forget this when tax adjustments are proposed. No matter how easily any individual can afford to pay more in taxes, it would be naïve to expect that person to accept the decision without complaint. It is, however, time to ask ourselves what kind of a country we want to live in: do we want our tax system to continue to favour the well-off, or do we want to reinstate the progressivity that will allow every child in Canada to reach his or her full capacity?

Those Responsible For Existing Programs

The NIT Experiments in the US were opposed by an informal and unstable, but nevertheless powerful coalition made up of old-school Republicans who opposed any tax increases and all “entitlement” programs, and “progressives” in the federal Department of Health, Education and Welfare and the Department of Labor. The opposition on the political right was anticipated. Even though some of the earliest advocates of BI in the US were people such as Milton Friedman who imagined that BI would mean a smaller and less intrusive government, it quickly became clear that any BI implemented in the real world would not eliminate all other social programs.

The opposition on the political left, however, was more of a surprise. Many of the people charged with overseeing the NIT experiments were the same people who had built the existing welfare programs and were loyal to them. Some were incapable of imagining other ways of delivering programs than those that were currently in place, but more were simply committed to programs they believed to be essentially well-designed programs whose only flaw was that they had never really been given a fair chance because they were underfunded. A far simpler solution to poverty, they believed, was simply to increase the support through existing programs.

This position, of course, underplays the flaws inherent in existing income assistance programs. The programs are inadequate not simply because they pay recipients too little, but because they are organized in ways that undermine individual autonomy. Caseworkers oversee families, partly to help them make better life decisions and partly to ensure that the taxpayer is protected. This puts caseworkers in an impossible position; how do you build trust with your client when your loyalties are divided? The sheer mass of regulation means that recipients are almost always not in complete compliance; consequently, they are always subject to penalties that might, or might not, be imposed. People who have no experience with the income assistance system imagine that it is formulaic; in fact, many decisions are left to the discretion of frontline workers. All of this means that a recipient can never know with certainty what he is entitled to, what he might receive, when the payment might arrive and what he is permitted to do with the support he does receive. He is inundated with routine paperwork if he wants to receive any support; if the paperwork is late, the payment will not arrive as expected. At any time, he might receive additional requests for information that is already in the file. Late compliance (or a bad attitude) means another penalty or discretion denied. None of this supports autonomy or rational decision-making. Under these conditions, it is entirely understandable that recipients bristle when told that their problem is financial illiteracy. The solution is not just to “raise the rates” but to replace a fundamentally flawed template.

Labour

Opponents in the Department of Labour brought a different perspective to BI. Their opposition was based on two points. First, they held a somewhat romantic attachment to the nobility and dignity of labour itself. Second, they believed that any improvement to social security was an implicit attack on the primacy of organized labour and, ultimately, the wellbeing of workers.

There is no denying that work is good for people, assuming the work people find is of a reasonable quality. Work allows people to be more independent and autonomous in the rest of their lives. At its best, it provides structure and meaning to many peoples' lives. Even less satisfying jobs allow workers to interact with others, and many value the social aspects of jobs that they do not find inherently pleasing. However, we do have a habit of identifying "work" with paid labour. What about the work provided by people outside the labour market, whether we are dealing with a mother caring for young children or an adult caring for elderly parents? Those employed in creative work – writers, artists and so on – rarely earn enough from their chosen work to support themselves, but that work is what gives their lives meaning. However, for many people, work in the paid labour market is their best opportunity to achieve these benefits. Some work, of course, is not only less than fulfilling but downright damaging. Those who work in dangerous or demeaning jobs are not demonstrably better off than they would be if they were adequately supported by income assistance.

Labour advocates were therefore very interested in the reaction of potential workers to the receipt of a BI. Many looked at the numbers reported in Table 2 (See page 57) and declared that what I labeled "modest reductions" in hours worked were, in fact, unacceptably large. They believed that any reduction in work effort would be bad for the economy, for society and ultimately for workers themselves. The "dignity of labour" argument is, at its heart, a value judgment, however broadly it is shared in our society. It might be time to begin a broad conversation about the roles that work plays in our lives, and the ways that we value ourselves and one another through our labour market activity.

The more fundamental opposition from those in the Department of Labour was a variant on an argument that has often been raised when labour advocates were confronted with proposed improvements to social security. The argument is that improvements to social security act as a subsidy to low wages and allow employers to reduce their wage offers. In that way, improved social security acts as a drag on the labour market and undermines improvements in worker wellbeing that ought to be achieved through collective bargaining. There are many examples of this argument, but let me introduce one example from Canadian history. In 1929, just as the Great Depression was looming, there was a proposal to introduce Family Allowances in Canada. The Canadian Trades and Labour Congress, the predecessor of the Canadian Labour Congress, opposed the introduction on the grounds that it would undermine wages. They won, and as a consequence, Canadian families weathered the Great Depression – the longest stretch of real wage decline in history – without the support of a Family Allowance. In 1944, Family Allowances were again proposed and again the Canadian Trades and Labour Congress opposed their introduction on the grounds that it would undermine wages. Their argument was well received, but the Department of Finance was in fact looking for a way to keep wages from rising because they feared a postwar inflation. As a consequence, Family Allowances were introduced just at the beginning of the postwar boom that saw the longest stretch of real wage growth in history.²⁰ Again, the evidence does not seem to support the argument. Today, of course, one might argue further that adequate labour legislation and minimum wage laws would prevent this

²⁰ For a discussion of the politics surrounding the issue of the family allowance in Canada, see Nancy Christie, *Engendering the State: Family, Work, and Welfare in Canada* (University of Toronto Press, 2000), chap. 7. See also: Hugh Grant, *W.A. Mackintosh: The Life of a Canadian Economist*, McGill-Queen's University Press, 2015

outcome even if the argument were valid. Moreover, appealing to the advantages of collective bargaining in an economy in which the private sector unionization rate is less than 16% seems risky.

Do We Need Another BI Experiment?

We have learned a lot from previous BI experiments, both the NIT experiments in North America and the UCT experiments in low-income countries. Outcomes in terms of labour market responses and broader social outcomes associated with quality of life seem positive. Nevertheless, we are currently seeing the design and implementation of more experiments in high income countries rather than the design and implementation of a BI policy. Experiments cost a good deal of money and they take time to implement, conduct and analyze. When we compile all that we already know about BI from previous experiments, it is reasonable to consider whether conducting another experiment is worth the time and expense it will require.

The largest part of the costs associated with an experiment is the cost of data collection, research design and data analysis. Experiments are not like general policy roll-outs, and therefore the methods of selecting participants and getting money into their hands is very different from the methods that would be used if BI were a general policy. For example, participants in an experiment will complete a number of surveys at various times during the experiment so that researchers can track the impact of a policy on many features of their lives. The quality of the data collected is important to a good experiment, and therefore a great deal of money and time will be put into ensuring that all participants complete the surveys. For many people, for a variety of reasons ranging from literacy concerns to unstable residential histories, this will require in-person interviews. Moreover, participation in the Canadian experiments will require informed consent. Consents need to be tracked and filed. Time needs to be allocated to accessing other forms of data and ensuring its availability to the research team, and many of the necessary databases are protected by various kinds of legislation to ensure privacy. All experimentation requires multiple layers of ethics approval. All of this costs a lot of money: interviewers and research coordinators need to be hired and trained, paper needs to be tracked and databases constructed. Then, researchers and statisticians must be hired to answer the questions posed. Very few of these costs would be necessary in a general policy roll-out.

It is important not to generalize about the costs of a BI from the costs associated with a BI experiment. This should be obvious, however MINCOME faced a lot of criticism because the experimental costs ballooned and some in both the provincial and federal government decided, on the basis of experimental costs, that Canada could not afford a Basic Income.²¹ Similarly in the US, some discussion in the House and Senate focused on the costs of the experiments. The costs of the experiments were being used by many as a proxy for the cost of a BI.²² None of this is to say that we cannot estimate the costs of a BI policy. There are other methods available to us, but these do not require social experimentation.

There are, nonetheless, at least four reasons why a policymaker might choose to undertake a large and costly BI experiment today. The first is that they might have questions that were not answered by previous research that could be answered by an experiment. For example, Finland is interested in the impact of a very different BI design on the prevalence of long-term unemployment. This has not been investigated in previous experiments and is the justification for Finland's experiment. Second, policymakers might want to know how the changing political and social context will affect the results we expect. We know, for example, that women have a much greater attachment to the labour market

²¹ Farthing, GB. (1992). *Social experiments and social policy formulation: A study of the Manitoba basic annual income experiment*. PhD thesis, London School of Economics and Political Science (United Kingdom).

²² Forget EL. (2010). Abolishing Poverty: The history and significance of the North American Guaranteed Annual Income Social Experiments. *Storia del pensiero economico*. 2010(1): 5-31.

today than they did forty years ago and we also know that the policy environment within which individuals make behavioural decisions has changed significantly. In a world with fully or partially paid parental leaves of twelve or eighteen months available to either or both parents, how will new parents react to the introduction of a BI? Will professional women in 2017 change their work effort in the same way that their mothers, who had very different opportunities and expectations, did in 1975? How will adolescents today decide between work and education when median educational attainment is so much higher than it was forty years ago? And third, a social experiment offers an opportunity to gauge social and political acceptability of ideas as they become concrete. Most people do not pay a great deal of attention to abstract discussions in policy journals. An experiment that attracts media attention, however, is a much more immediate concern.

The fourth reason, though, is particularly important. Basic Income is a controversial policy and it has been painted by critics as an extreme and radical policy for which there is no precedent. That is untrue. A BI of the type designed in the current Ontario pilot that is set to end in March 2019 has precedents, even in Canada. The Canada Child Benefit is, in fact, a Basic Income for families with dependent children. Initial evidence suggests that it has been successful at reducing the depth and breadth of poverty. Anecdotal reports suggest that mothers who receive the Canada Child Benefit are more likely to work because the Benefit helps pay childcare costs. Seniors in Canada receive a BI in the form of OAS and GIS. OAS is available to most of the population and is taxed back at very high incomes. GIS is income contingent and represents additional support for low-income seniors. These two policies together have ensured that Canadian seniors fare well relative to their counterparts in other high-income countries. The poverty rate among Canadian seniors is half that of other population groups.

One outcome of a BI experiment is to demonstrate to the population at large that a BI is neither radical nor dangerous. The economy will continue to function, people will continue to work and the nation will not be bankrupted. All that will happen is that many low-income families and many families facing the economic insecurity associated with precarious labour will have a better quality of life. They will live with less stress and have fewer physical and mental health issues. They will rely less on other social programs designed to respond to the consequences of poverty and economic insecurity because they will have the resilience that comes from having access to resources when they require help. A BI experiment, well-designed and with a bit of luck, would settle uncertainty and set the minds of critics at rest. It is, in the language of policymakers, a matter of due diligence.

From an Experiment to a Policy

None of the Negative Income Tax Experiments of the 1970s led any jurisdiction to implement a Basic Income. How likely are the current set of experiments to lead to significant policy change, considering the current political decisions in Ontario?

Experiments take time and, with enough time, anything can happen. MINCOME was introduced at a time when poverty reduction was foremost in the minds policymakers at the provincial and federal levels. By the time the experiment ended, governments had changed and with them the ruling preoccupations of the people in charge. Moreover, the world had changed. The 1970s experienced two major oil price shocks, ongoing inflation that reached almost 12%, and interest rates that were spiking to 18% and 21% on mortgages. Middle-class families were losing their homes, and wages struggled to keep up with the cost of living. Unemployment soared and the fiscal and monetary policy that had always worked in the past seemed inadequate to the twin challenges of inflation and unemployment. Government deficits and debts increased. None of this was on the horizon when MINCOME was being designed, but poverty reduction took a back seat to what the new governments considered more pressing issues. The planned Ontario Basic Income Experiment was designed to run for three full years. Its recent cancellation before the first annual follow-up survey makes it clear,

once again, that an experiment is not a clear route to policy adoption. Experiments can yield useful data for policy design, but they are neither necessary nor sufficient for policy change.

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Chapter Six: Basic Income Design

Art Eggleton

The previous chapters have expanded on the three reasons noted in the introductory chapter as having spiked interest in basic income. The persistence of poverty, rising inequality, the changing labour market, the stress of living paycheque to paycheque, insufficient pensions, and too much debt, are all resulting in greater anxiety for too many Canadians. It's time to end poverty, reduce inequality, and increase the sharing of our prosperity. We need new ways to give people better opportunities to live productive and fulfilling lives in Canada. So, why basic income? How would it work?

Keeping People out of Poverty

The most compelling justification for a social safety net is that no one in this rich country, a G7 member nation, should go without, or face the threat of going without, or not be able to provide the basic necessities of life, such as food, shelter, clothing, and transportation for themselves and their family. And yet, many do or are on the edge of falling into that situation. There are almost 5 million Canadians, over a million of them being children that Statistics Canada classifies as low income¹. Many of them struggle to secure the basic necessities. Some of them are on welfare or disability allowances but almost half of them have some sort of employment but still struggle to make ends meet. They are often stressed with such decisions as, do I pay the rent or buy nutritious food for the kids? The working poor are amongst the highest users of food banks but not all the selections are as nutritious as they need to be. Even for those not depending on food banks, food security can be a struggle which is estimated to affect 12% of our national population. Then there is the lack of decent affordable housing for millions of Canadians, with thousands sleeping on the streets or “couch surfing” with friends or relatives on any given night. Ensuring children have decent clothing and a breakfast before going to school is another challenge that worries many parents. One in seven children go to school hungry. These statistics are grim enough but there are some parts of the population where they are much worse. There is a great vulnerability to poverty for Aboriginals, the disabled, single parents, new immigrants, and people of colour.

These may be just statistics to some but behind every statistic is a real person. I will always remember the words of a Toronto resident, who due to health issues, experienced poverty. He articulated his experience this way: “Poverty steals from your soul leaving you with little or no hope. It robs you of all that can be good in life. It leaves you isolated, lonely, and hungry. Every day is a struggle.” So make no mistake—poverty has not been defeated nor diminished. Instead, it has a stranglehold on many Canadians. Our present patchwork of income support systems are costing billions of public dollars, and as well-intended as many of these programs are and the people who administer them, they are not solving the problem. In fact these programs trap people in poverty, and rob them of their dignity. It's time to explore a new way, a new approach.

To me that is what Basic Income should be about. Helping people to lift themselves out of poverty and prevent many of those living pay-cheque-to pay-cheque from falling below the poverty line. Rather than being trapped in poverty, basic income could give people a chance to become productive citizens and to contribute to society.

International Rights

Canada is a country that strongly values the importance of human rights. We have always been highly regarded by other nations in this respect. Multiple international agreements have been signed on this issue. The main international document that informs Canada's actions on the advancement of human life conditions is the Universal Declaration of Human Rights (UDHR, United Nations, 1948) ². The principles agreed upon in the Declaration were designed to inform and support positive relationships between individuals, families, communities, institutions, and states. These principles are universal

and cover every human being. Under the Declaration, any act of discrimination against “nationality, place of residence, sex, national or ethnic origin, colour, religion, language, or any other status” is strongly denounced and reprehended. The Universal Declaration of Human Rights also defines the basic rights to food, clothing, and shelter. The obligation to provide all individuals with the means to cover these needs may be seen as an argument in favour of Basic Income.

Under the Universal Declaration of Human Rights, individuals have the right to social security (Article 22 UDHR), the right to an adequate standard of living (Article 25 UDHR) and the right to work, which includes the right to “free choice of employment” (Article 23 UDHR). Additionally, Canada has signed two International Conventions and one International Covenant with the United Nations. In these documents, some articles specifically refer to issues of human rights, such as the right to housing (Article 5 [e] [iii], ICERD) ³; the right to adequate food; the right to continuous improvement of living conditions (Article 11 [1], CESCR) ⁴; and the right to assistance from the state to parents (Article 27 [3], CRC) ⁵.

The implementation of a Basic Income could enable people to satisfy their material needs while also empowering them to negotiate better working conditions. It could also trigger the transition from a social security system that has a difficult time addressing those human rights obligations, to one in which they would be prioritized and actively dealt with. In this regard, the United Nations recently published a report on Basic Income in which the author Philip Alston stated that, “In many respects, basic income offers a bold and imaginative solution to pressing problems that are about to become far more intractable as a result of the directions in which the global economy appears inexorably to be heading (United Nations 2017) ⁶.”

What It Is and What It Isn't

A basic income will give people a firmer floor or platform to move forward from. It will cut down on the stress and anxiety of providing for the basic necessities—food, shelter, and clothing. Of deciding between sufficient and nourishing food or paying the rent. It will give people incentive to focus instead on education, job training, or work and volunteering opportunities to live more fulfilling lives and become full participants in community activities. That became evident in the Manitoba MINCOME experiment in the 1970s.

As it was noted by Professor Evelyn Forget in Chapter 5, the MINCOME experiment showed very promising outcomes on work behavior, education and improved health. After receiving Basic Income, the men in the MINCOME experiment did not quit their jobs. Instead, we discovered that the only group of men leaving or diminishing hours of employment were the adolescents. This situation was clearly correlated to a shift from work to increases in education or going back to school. For women, the married women and the single mothers reduced their working hours to look after their young children at home.

Instead of feeling pressured to increase or simply stabilize their income in the short term, families were now able to consider the long-term benefits of increased education for their children. On the outcomes for the health of the participants, the MINCOME experiment showed that Basic Income resulted in a significant decrease in the rate of hospitalization. Fewer people got injured and visits to the family doctors were reduced. The betterment of mental health (reduced stress, anxiety, and depression) was a key factor in the reduced visits.

The Ontario Basic Income pilot was supposed to gather information on even more outcomes than its MINCOME predecessor. The experiment was to look at seven different categories of outcomes: (1) Food security; (2) Stress and anxiety; (3) Mental Health; (4) Health and healthcare usage; (5) Housing stability; (6) Education and training; and (7) Employment and labour market participation (Ontario.ca) ⁷. Unfortunately the provincial government has decided to cancel this test before any concrete results were available. However, many journal articles based on interviews with participants seems to indicate that the positive results found in the MINCOME experiment were being repeated. For

example, social justice reporter, Laurie Monsebraaten of The Toronto Star, wrote an article on early outcomes for some. She demonstrated that participants were able to buy equipment for specific medical conditions, get a sufficient amount of food on a consistent basis and get out of homelessness. One participant in Lindsay, the saturation site for the experiment, noticed changes in her community: “People are relieved and happy for the extra help. (...) I really notice it when the cheques start coming out at the end of the month. The stores are much busier. The town is busy, busy. A lot busier than it was before. There are lineups at the grocery store. It’s definitely injecting more money into the community.” Additionally, even though the benefits of the experiment were established as temporary (three years), some participants may have felt the positive impact of the Basic Income for an extended period of time. By itself, the experiment could have helped people turn their entire life around. In the article from The Star, one participant mentions that: “If I am careful, I should be debt-free when the program ends in three years.”⁸ In a similar way to the MINCOME experiment, it seems that some economic stability was enabling participants to look at their future and plan ahead.

It must be pointed out that Basic Income is not the whole solution to poverty and inequality. It is an income security measure and certainly a major factor. It cannot replace other social support programs such as construction of affordable housing, provision of child care spaces, employment training, and supports for seniors and the disabled. However, it should replace welfare, disability allowances, and working income supplements, and be blended with such programs as the Canada Child Benefit and the GST/HST Rebate. It is not needed to replace seniors’ benefits since that is already considered a form of Basic Income. And while the Guaranteed Income Supplement (GIS) when combined with the Old Age Security (OAS) and the Canada/Quebec Pension Plans (CPP/QPP) has taken most seniors out of poverty, it still needs improvement to give thousands more a decent level of income support.

A Basic Income should increase the opportunity for people to move forward with a stronger base by topping income up to the poverty line.

What is the Poverty Line?

In Canada, we haven’t until now had an official poverty line. The federal government in its recently published poverty reduction plan is proposing that something akin to the market basket measure (MBM), described below, should be designated as such. Until now we have worked with three unofficial systems of measuring different income levels⁹.

First there is the Low Income Measures (LIM). It is the most commonly used measure for international comparison. The LIM in Canada is fixed at 50% of median adjusted household income, calculated on a yearly basis. In this calculation, the adjustment relates to the size of the household.

The second measure of poverty is the Low Income Cut-off (LICO). This measure is established using data from the Survey of Household Spending. It is intended to define the income level at which a family would spend an excessive part of their income on necessities in comparison to an average family of similar size. The threshold is defined as the income below which a family is likely to spend 20 percentage points more of its income on food, shelter and clothing than the average family. There are different cut-offs lines for families depending on the number of members and where they reside in Canada—location is a big factor in the cost of living. LICO has seven family and five community sizes.

The third common measure of poverty is the Market Basket Measure (MBM). This approach aims to define the cost of a basket of necessary goods and services food, shelter, clothing and transportation, and other essentials. One of the differentiating and positive aspects of the MBM, in comparison to the other measures, is that it is more sensitive to geographical variations in the cost of many typical items of expenditure. The MBM looks at the differences in the cost of the basket between similar sized communities in different provinces and between different geographical regions within provinces.

Regarding the Ontario Basic Income Pilot, the LIM was the measure chosen to determine the level of the Basic Income. In the Ontario pilot, the amount of money that participants received was equal to 75% of the LIM. For example, a single person received up to: \$16,989 per year and \$24,027 per year for a couple. People with disability received up to \$500 per month on top. Now, if the LIM formula represents the poverty line, is 75% sufficient to purchase the basic necessities? Well, the participants would still be able to receive some of their provincial and federal income security benefits while participating in the experiment. On the provincial income security benefits, participants receiving support through Ontario Works were to continue receiving the Ontario Drug Benefit, and participants on the Ontario Disability Support Program were to continue to receive the Ontario Drug Benefit and dental benefits. Those that received the Ontario Child Benefit were to continue to be eligible to receive that benefit. On the federal side the participants were still eligible to receive the Canada Child Benefit. Therefore, those participating in the experiment were to see their overall income increase sufficiently to meet the basic income goal ¹⁰.

One other important aspect of the Ontario Pilot was that those who earn income above the target level under the program were to have 50% of that income reduced or clawed back from the basic income allotment. Is keeping the other 50% sufficient incentive to pursue job opportunities? That is what the experiment was to help determine, but I believe that most will have wanted to have a higher income rather than just enough to cover the basic necessities.

In summary, when a basic income program is established, government will have to determine what measurement is to be used and what ‘income line’ is to be the objective of the program. They will have to determine whether that line is the aim from day one or is to be gradually met over more than one year. To be effective, the ‘income line’ will vary according to household size and the cost of living in different parts of the country.

The government in charge would hopefully be the federal level in collaboration with the provinces and territories but it could start with a single province taking the lead. That is how Medicare, the basis of our healthcare system, came about, starting in Saskatchewan and then becoming a national program.

The Design and Administration of Basic Income

There is more than one way to design a basic income program. For example, there is a program in the State of Alaska, called the Alaska Permanent Fund, which is categorized as ‘universal demogrant.’ Since 1982, each Alaskan receives an equal share of the returns from the Alaska Permanent Fund, a publicly owned investment portfolio funded by the state’s oil revenue. Each year, the monetary returns are given through the Permanent Fund Dividend. The dividend is an individual grant (\$1100 USD in 2017) given to all men, women and children who meet the residency requirements. However, even though the fund has somewhat helped those of low income, the fact is that it is universally given to all citizens of Alaska, no matter their economic situation which prevents the use of this money to specifically tackle poverty and inequality ¹¹.

The term ‘universal’ is used in another context. Some advocates see it as a way of removing any stigma on low income people by making everyone—rich and poor alike—eligible for Basic Income to cover the necessities of life. This is similar to a large basic personal deduction from income tax. This would be of enormous cost to the public purse, and I believe would meet political resistance in attempting to tax such a large amount back from higher income earners. Therefore it is better to focus on ensuring enough for the basic necessities of low to moderate income people. Replacing the current social welfare system with a tax-based program will erase the stigma element. People may know you are on welfare but they don’t have access to your income tax filing unless you give it to them.

I remember watching a YouTube video of a 2017 debate in New York sponsored by the Intelligence Square Foundation ¹². The proposition was that “Universal Basic Income (UBI) is the safety net of the future.” Before the debate got underway, the audience of 200–300 voted on the proposition. Voting in favour 35%, against 20%, with 45%

undecided. The debate raged for over an hour with all the usual arguments for and against. A significant point of contention was over the issue of middle to high income folks receiving something they didn't need. Why should the rich receive a basic income? That to me, more than anything else, turned the audience around to a debate-ending vote of in favour 31%, against 61%, and only 8% undecided.

Another type of universal model to consider is the Old Age Security (OAS) pension here in Canada. Anyone over 65 who meets Canadian legal status and residence requirements is entitled to receive it. However, the government starts to gradually claw it back when your annual income goes over \$73,756 (2016) and the benefit is totally eliminated if you earn more than \$119,400 (2016). The financing of OAS is done through the general federal government revenues which provided over \$49 billion in benefits in 2016. According to the Office of the Superintendent of financial Institutions the administrative costs for OAS, along with the GIS program were \$172 million in that same year. The claw back numbers would be different for a basic income program but the concept is feasible. The question is, "could it be less expensive to administer if done by the Canada Revenue Agency (CRA) through the income tax regime?" I suspect it would ¹³.

That leads to another system for Basic Income design called the 'negative income tax'. It is similar to a refundable tax credit such as the GST/HST rebate program for low-income people, the Canada Child Benefit (CCB), and the Canada Workers Benefit (formerly the Working Income Tax Benefit or WITB) ¹⁴. It means in the case of Basic Income that if your income falls below a certain level (say the poverty line), as reported in your tax filing, you get a cheque back from the Canada Revenue Agency (CRA). That cheque could come quarterly, as in the case of the GST/HST rebate, or more helpful would be in a monthly payment. The idea is to top up income to a level that better covers the necessities in day-to-day living for both low-income wage earners and those on social assistance, who find themselves and their family below the designated income line. Adjustments would be made as income levels go up or down. For example, the Ontario Pilot was designed to decrease the Basic Income allowance by 50 cents for every dollar earned over the target income line in their program.

The Canada Revenue Agency is well equipped to run such a program based on a negative income tax. There would be additional costs, but there would also be savings from existing income security programs that would no longer be needed. The cost of administering provincial social welfare programs are in the billions of dollars alone. According to David MacDonald of the Canadian Centre for Policy Alternatives, the administrative costs for social assistance can reach 10% of the amount distributed through these programs ¹⁵.

These existing income security programs are operated by all levels of government. In spite of that, there are still millions struggling to provide for the necessities of day to day living as it has been demonstrated previously in this book. The question now is which of these programs should be replaced by a Basic Income and which could remain but be blended into the income need calculation. Social welfare, disability allowances, and supplements for low-wage jobs should definitely be replaced by the Basic Income allowance. Others, such as the Canada Child Benefit, could be replaced but could also continue separately but be blended into the calculation of Basic Income for each household. Over time and given discussions that need to take place with different orders of government (federal, provincial, territorial, and municipal) these matters can be sorted out. Basic Income doesn't need to take over from all existing income security programs at the beginning of the implementation. It can evolve over time.

Also, the Basic Income that already exists for seniors in the form of a Guaranteed Income Supplement (GIS) when added to OAS and CPP/QPP allowances, should continue as a separate program and be improved because there are still older citizens who live in poverty.

Like the seniors benefits, a Basic Income for other households should be operated by the federal government in collaboration with the provinces and territories. There are existing programs at both levels that can be folded into this new safety net. Negotiations on cost sharing would be necessary. However, it is possible that Basic Income could start

being implemented at the provincial level. The short lived Ontario Pilot didn't involve the federal level but it blended programs like the Canada Child Benefit into the calculations. This idea is similar to a program that Quebec is developing.

The Cost of Basic Income

The cost depends on the program design. As in the previous section, are we talking about a universal demogrant as in Alaska, a universal program like the Old age Pension (OAS) with claw back provisions, or a negative income tax topping up those with low income? The Ontario pilot was estimated to cost \$50 million a year for three years totaling \$150 million for 4,000 recipients in three different regions of the province. A permanent national program of this type would cost billions of dollars annually according to academic researchers. For example, an article in the Globe and Mail in 2015 by University of Manitoba professors Naralou Roos and Evelyn Forget suggested the range between \$17 and \$58 billion ¹⁶. Those numbers are based on the negative income tax or refundable tax credit model but other studies suggest a lot more dollars for other program designs.

A more recent study comes from the Office of the Parliamentary Budget Officer, an independent and highly respected arm of our federal parliament. The study was requested by a Conservative Member of Parliament who wanted to know what the cost estimate would be for a national guaranteed income program based on the parameters of the Ontario pilot project. It found that a gross cost would be about \$76 billion, but since some existing payouts would be subsumed into the new program the net cost would be \$43 billion to the federal treasury. What the report didn't cover was the savings to the provincial/territorial governments by the folding in of social welfare allowances. That is estimated to be another \$15 billion which reduces the cost further to \$28 billion ¹⁷.

What we also need to know is how it can be paid for. Part of that consideration is how much poverty already costs. In addition to the toll on the lives of low-income Canadians, it costs all of us billions of tax dollars every year. A study in 2007 under the auspices of Food Banks Ontario and guided by leading economists suggested the public cost to be \$30 billion a year. In current cash that would be about \$36 billion a year. A study by Canada Without Poverty suggests the cost could be from \$72 to \$85 billion a year ¹⁸. Eliminating poverty with Basic Income will achieve substantial savings from that cost of poverty. Consider also savings that could be made in reducing traditional welfare administration. Homelessness is also costly to the public purse. It is 3 to 4 times more costly to leave someone on the street than to give them housing and supports.

People struggling on low income have more health problems, eat an insufficient amount of nourishing foods, and suffer poor outcomes through inadequate housing and their stress of day-to-day living. By giving them a better foundation to move forward from, there will be savings on healthcare which was estimated at \$7.5 billion in that 2007 study. There will also be a reduction in costs resulting from poverty related issues such as crime and lost productivity. By creating that better platform, people will benefit by not worrying about providing the basic necessities. It will also help low income earners to focus on moving up the ladder in terms of education, training, and employment which leads to the possibility of greater earnings and contributions to society and reduces dependency on the public purse.

In Finland, participants in their Basic Income experiment are already reporting reduced stress levels and greater incentive to work. For example, a recipient mentioned that he no longer has to go through the filling out forms and attending regular interviews with officials. Closer to us, in Ontario, one recipient mentioned that she can now access good nutrition thanks to Basic Income: "If I want to eat, I can afford to buy something instead of going to a food bank or a soup kitchen" ¹⁹.

And then, there is income tax reform. It's been over 50 years since the Carter Commission last gave us a comprehensive review of the income tax system in Canada. It's time to get serious about tax reform. By starting with a greater effort to tackle tax havens as highlighted in the Panama and Paradise Papers, and close loopholes that lead to tax

avoidance, this can be achieved. There needs to be a review of the 200 plus tax breaks worth over \$100 million a year which disproportionately benefit higher-income taxpayers, with little benefit for those on low income. Extensive studies have been carried out by economists at the University of Manitoba and Queen's University in Kingston, Ontario on how to shift the tax burden so as to create a fund for Basic Income implementation on a cost-neutral basis^{20, 21}.

The prime focus for reform should be to increase fairness and progressivity. This includes shifting more benefit to low income Canadians by channeling tax dollars into a Basic Income plan. That along with reducing the cost of poverty can provide substantial funds for developing a Basic Income program particularly if it is based on the negative income tax model previously described. Columnist Andrew Coyne, (National Post—April 18, 2018) in his commentary on the Parliamentary Budget Officer's report, suggested that a 3-point increase in the GST (Goods and Service Tax) could fund a Basic Income program and that elimination of poverty would make it worthwhile²². The GST which came into existence in 1991 was originally set at 7% but reduced to 5% in 2008. Today, in most provinces it is the federal portion of the HST (Harmonized Sales Tax). So, reoccupying some of that space is another option. The bottom line is this: while there will be transition costs, overall I don't believe we need to spend more money—we need to spend smarter, more efficiently and effectively.

The Culture of Work ("Something for Nothing" Concern)

After asking about the cost, the most common questions arise from concerns over people leaving jobs to live off the Basic Income allowance, or, as some put it, people getting something for nothing.

Let me reiterate that a Basic Income is intended to ensure that all Canadians are able to provide for the necessities of day-to-day living, such as food, clothing, and shelter. It will not provide for the 'good life' so most households will want to supplement that income. That was borne out in the MINCOME experiment as described in Chapter 5 by Professor Forget.

It is also borne out in the culture of work that has a strong hold within the values of our society. If people get relief from the stress and anxiety of providing the necessities for themselves and their families, they will have more time to focus on job opportunities or to improve education or training that will open doors to a better life.

Now there will be some who are content to limit their income to the basic income program for a period of time, long or short. I believe that most of these are people are willing to contribute their work to volunteer efforts, perhaps to serve the needs of a sick or elderly member of the family, or a societal cause. This is also an admirable direction. There may be no financial reward for such endeavours but it is productive work nonetheless.

There are those who criticize basic income as being something for nothing, a waste of taxpayers' money. Waste, in fact, is what we have now through the outdated systems that trap people in poverty and cost taxpayers billions of dollars a year. Or, as former Senator, the late David Croll, described it back in 1970, "We are pouring billions of dollars every year into a social welfare system that merely treats the symptoms of poverty, but leaves the disease itself untouched." It is as true today as it was then. It's time to end the indignity, the stigma, and marginalization of the current systems that fail us from a social and economic perspective.

We also need to bear in mind that many of the riches in this country were created through licenses or legislation provided by government on behalf of the people of Canada. Whether through resource extraction, broadcasting, financial institutions, transportation or other means to the creation of wealth by public permission, there is a case for a better sharing of our prosperity among all Canadians.

Most people don't want something for nothing, but they made need a hand up to move on to a better life for them and their families.

Final Thought

There are those who suggest that incremental improvements to existing programs can eventually accomplish reductions or even eradication of poverty and greater equality. I doubt it. We go from government programs to raise benefits, to those that implement austerity measures. It's been a step forward, then a step back. As the quote from Senator Croll demonstrates, we haven't moved the yardsticks much in decades. Another illustration of this relates to the Canada Child Benefit. This is a substantial measure taken by the Trudeau government which touts that it is taking 300,000 children and their families out of poverty. That's great, but what about the remaining one million Canadian kids still in poverty? When will their turn come? Governments, of any political stripe, bring in big programs that partly address an issue and then move onto other areas of need to fulfill a wide range of election promises. Incrementalism has not worked enough for those in need. People need a firmer base from which to move forward in their lives.

It's time to end poverty and reduce inequality in this country we are blessed to live in. It's time to improve equality of opportunity and better sharing of our prosperity. It's time to explore a new way, a new approach. It's time for Basic Income in Canada.

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