

Frequently Asked Questions: A Basic Income Guarantee for Canada

Q1: What is a basic income?

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

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

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

No. Canadian research on basic income experiments identified only two groups that leave the workforce: mothers of very young children and young adults who go back to school (Forget, 2020, pp. 58-59). The research from the Ontario Basic Income Pilot showed that most of those who were working when the pilot began continued to work while receiving basic income. More than a third of these workers reported that basic income helped them find higher-paying jobs with better working conditions (Forget, 2020, pp. 58-59).

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

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

Q3: How is a basic income different from CERB?

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

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

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

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

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

Q4: How high should the income guarantee be set?

Since the purpose of a basic income is to address economic income insecurity and poverty, the guarantee should not be set below the poverty line using a Market Basket Measure (MBM). Most experts recommend that a Market Basket Measure should be used to determine sufficiency to meet basic needs (Segal, Forget & Banting, 2020).

The Ontario Basic Income Pilot provided an income guarantee for adults ages 18-64. The guarantee was set at 75% of Statistics Canada’s low-income measure (LIM), or 25% below the poverty line. Single individuals were eligible for a minimum benefit of \$16,989/year. Couples could receive a maximum benefit of \$24,027. The benefit was reduced by \$0.50 (50%) for every dollar of income earned (PBO, April 2018). Basic Income Canada Network (BICN) costed a basic income guarantee model for the same age group (Policy Option One). Single adults were eligible for a minimum benefit of \$22,000 and an adult couple was eligible for a maximum benefit of \$31,113. The reduction rate was set at 40%. Boadway, Cuff and Koebel (2016) proposed a guarantee of \$20,000 per adult adjusted for family size with a benefit reduction rate of 30%.

Segal H, Forget, E & Banting K. (2020). [A Federal Basic Income Within the Post COVID-19 Economic Recovery Plan](#). Royal Canadian Society. Parliamentary Budget Office. (April 2018). [Costing a National Guaranteed Basic Income Using the Ontario Basic Income Model](#); Basic Income Canada Network (BICN). (2019). [Basic Income: Some Policy Options for Canada](#); Boadway R, Cuff K & Koebel K. (2016). [Designing a Basic Income Guarantee for Canada](#). Queen’s Economic Department Working Paper #1371.

Q5: What programs would a basic income guarantee replace?

A national basic income guarantee should replace provincial income assistance programs (welfare). The federal government is best equipped with resources from taxation to administer robust income security programs consistently across the country. The provinces and territories do not have such resources, resulting in the erosion of their social assistance programs over time. Benefits vary widely by jurisdiction. Each benefit is conditional and accessing them is humiliating and stigmatizing. Interactions with multiple intermediaries leave applicants vulnerable to race, gender and other biases. Provincial income assistance is far too low to meet basic needs, which creates barriers to health and employment, as welfare recipients are forced to spend their days seeking and relying on charity to survive.

National programs, such as the Canada Child Benefit, Old Age Security and the Guaranteed Income Supplement should all remain, although the GIS rate may need to be raised to the same level as that of the basic income guarantee to ensure fairness. The Canada Pension Plan and Employment Insurance are integral components of Canada’s income security system, although the pandemic revealed how inadequate and outdated our EI system is. In 2018, only [40% of workers qualified](#) for EI when they needed it. We recognize now that EI must be redesigned to be more inclusive,

particularly for the new class of workers we now call the precariat. Together with a national basic income guarantee, this suite of national income transfers would ensure that income security is extended adequately and equitably to all Canadian residents and would enable the government to meet federal poverty reduction strategy targets.

The federal basic income guarantee program should be harmonized with provincial/territorial income assistance programs by reviewing these programs based on transparent principles of cost, fairness, effectiveness and efficiency. This would determine which provincial income programs should be replaced by the federal basic income guarantee, and which provincial supports and services need to remain, be updated or enhanced. (Forget, 2020, pp.194 to 195; [Boadway et al.](#), 2016).

See also: The importance of valuing our food production system: Structural inequalities in Canada's social protection programs and food production systems in Tam T. (October 2020). *From Risk to Resilience: An equity approach to COVID-19*. Public Health Agency of Canada, pp.48-49; and National Farmers Union. (2020). *Envisioning a Post-Pandemic Agriculture and Food System*.

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

No. Each of us deserves to have both income security and the social supports and services we need to meet our unique challenges and vulnerabilities so we can live with dignity, regardless of our work status. Income alone cannot address underlying factors such as disability, mental health or addiction. Employment and training programs, counselling and health services, and rehabilitative services and supports must remain and should be enhanced where needed (Forget, 2020, p.195).

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

The cost depends on how the program is designed. The Parliamentary Budget Office (PBO) based its costing reports on the Ontario Basic Income Pilot. The PBO's [April 2018 report](#) estimated the gross cost at \$76 billion, minus identified current spending of \$32.9 billion (refundable and non-refundable tax credits and special programs) for a total of \$43.1 billion. Forget (2020, pp. 201-202) calculated that in addition to the spending identified in this report, the Ontario Basic Income Pilot was set up as an alternative to Ontario Works and the Ontario Disability Support Program, which cost \$8 billion/year. Assuming there are costs related to similar types of programs in the other provinces and territories, this represents an additional \$20 billion of current spending that can be replaced, not including the cost of administration. **The net cost would then fall to \$23 billion** by reallocating these provincial and territorial costs to a national basic income guarantee program.

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

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

This program would be paid for by harmonizing the provincial/territorial social transfer with the new national basic income program and by replacing refundable and non-refundable tax credits and other tax reforms.

For example, experts have modeled different approaches to resourcing a basic income, including Basic Income Canada Network (2019) and Boadway, Cuff & Koebel (2016).

See: Basic Income Canada Network. (2019). [Basic Income: Some Policy Options for Canada](#) (summarized in Forget, 2020, pp. 202-207). BICN costed three policy options and identified ways to pay for them: Policy Option One was a benefit for people 18-64 based on family income; Policy Option Two was the same as Option One but included a basic income for seniors; Policy Option

Three calculated a universal basic income (UBI) model paid to all Canadians and permanent residents 18 years and older, where every adult, rich or poor, received a monthly payment with no reduction rate. See also: [Boadway et al., 2016](#) for a revenue-neutral model based on a two-stage process that harmonized a federal basic income program with provincial income assistance.

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

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

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

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

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