Economic security for all in Canada?
Insights from the debates on a guaranteed basic income

By Yannick Vanderborgh

Editor’s Note

TRANSITION is grateful to Dr. Vanderborgh for permission to present our readers this seminal paper on income security and its implications for Saskatchewan.

The interpolated comments are excerpted (with permission) from David Nelson’s article, “The Problem of Income Security” (TRANSITION Fall 2006, pp. 106-107).

Introduction

Since the late 1960s, Canada has been a forerunner in discussions on economic security. Through numerous official reports and academic publications, but also through the action of several groups ranging from trade unions to small associations, innovative proposals have been debated. Among these proposals, the most controversial might be the idea of giving all Canadians the right to an unconditional and universal "basic income." In December 2000, it resurfaced once again on the front pages of Canada’s main newspapers, as some sources indicated that Premier Jean Chrétien wanted to "leave his mark with cradle-to-grave program of guaranteed annual income." The trial balloon was quickly shot down, but remains significant as part of a debate which never really disappeared from the agenda of social policy reform since the 1960s. In the Spring of 2007, the National Anti-Poverty Organization (NAPO) decided to launch a campaign on a so-called "Guaranteed Adequate Income," thus fitting in with a long tradition of discussion of this idea.

Why would basic income represent a good way to ensure economic security for all in Canada? Why would it be superior, in terms of social justice, to existing targeted schemes? How should it be implemented? Several important issues are raised by this proposal, and the purpose of this introductory paper is to give the reader a few tools to get a better grasp on the discussion, and form his own conviction. From the outset, it is important to stress that I do not consider basic income as being a magic bullet. But I see it as a crucial component of any coherent strategy to improve economic security.

1. AN OLD IDEA

By universal basic income, I mean an income paid by a political community to all its members, on an individual basis, without means test or work requirement. This proposal has germinated independently in the minds of many people living at different times and in different places, and it has been given various labels. In the United Kingdom, for instance, one generally refers to a "citizen’s income." In many countries the expression "basic income" is used, in English but also in German (Grundleihenkomitee) or Dutch (basisinkomen). In this respect Canadians are somewhat eccentric, since throughout history the expression used was "guaranteed minimum income" or, more often, "guaranteed annual income." One of the first academic papers advocating the introduction of a basic income in Canada was significantly entitled "A guaranteed income for Canadians."

Income security: "Work for those who can, care for those who can’t."
-- David Nelson

Such a basic income is different from current mechanisms of social assistance which provide basic economic security in a conventional sense, such as the social assistance programs implemented in various Canadian provinces. It actually differs from these minimum income schemes in three crucial ways. Conventional schemes are always restricted to the poorest (means-test), they take into account the family situation of the recipient, and are most of the time conditional, for instance through a work requirement. This last feature means that responsibilities are closely connected to rights. A good example can be found in the Saskatchewan’s Social Assistance Handbook, which includes a section on "Your rights" directly followed by a section devoted to "Your responsibilities." In contrast, a basic income is granted to all, rich and poor, on an individual basis, without any requirement.

1 Ottawa Citizen, December 9, 2000
2 See for instance Rob Rainer, Rebuilding Canada’s Social Safety Net; A Role for Guaranteed Income, NAPO News, Spring, 2007
4 Government of Saskatchewan (2007), Social Assistance Handbook, Regina, Saskatchewan Community Resources
Income supports for disabled and multiple-barriered, vulnerable persons will provide supports in the following basic manner:

- They should give persons an adequate basic amount of monies while they try to find work.
- They should give extra monies to persons who try to do things to help them get back to work as a financial incentive.
- They will give more monies to persons who are assessed as not being able to presently work at all due to disability or other multiple barriers.
- Allowing persons to do some part-time work without losing benefits is critical to supporting persons with disability and multiple barriers. The amount allowed before clawback should be at least twice the current amount, and more if possible, to provide meaningful incentive.
- "Work" needs to be broadly defined including volunteer work, as all "work" helps people learn the skills, which may allow them to participate.

-- David Nelson

The idea is far from being new. Since the XVIIIth century, various thinkers have advocated the idea of equal ownership of the earth, i.e. that every human has the right to be owner of a plot of land, be it a very modest one. Thomas Paine, for instance, argued that the earth is the common property of mankind. Since some have appropriated parts of it, the worst-off, those who have no property, should be compensated by an income by right of some sort. Thanks to the research of devoted historians, we now know that the English radical Thomas Spence (1750-1814) is probably the first to have regarded this idea of the earth as common property as the justification for a regular income under the form of what we call today a "basic income."5

This line of argument has actually been used to justify the introduction of the only existing basic income, even if it was without any explicit reference to ethical issues raised by Paine and Spence. The only genuine basic income introduced to date has been implemented in the State of Alaska (USA). In the mid-1970s, Governor Jay Hammond suggested setting up a fund to ensure that the wealth generated by the exploitation of oil in the State would be preserved for future generations, but also that part of it would be redistributed among all citizens. Since implementation of the programme in 1982, every resident in Alaska has received a uniform dividend every year. This dividend almost reached 2000 US$ in 2000 (1100 US$ in 2006).6

Even if Alaska might seem to be a very special case, it remains interesting because of this connection with the first ethical justification of basic income, namely the idea of "common ownership of the natural resources." But it is also worth looking at because it might inspire governments in provinces like Alberta and Saskatchewan in Canada, facing high poverty rates but with abundant natural resources at their disposal. Note that the Alaskan Dividend is also currently used as an example of what should be done to ensure economic security in countries facing more important challenges, like contemporary Iraq. Interestingly, one of the main advocates of welfare in the US, Republican candidate Tommy Thompson, has recently endorsed a basic income in this context.7

2. MORE EFFICIENT?

Would such a basic income perform better, in terms of economic security, than existing schemes like the social assistance programs implemented to date in Canada? To most of us it seems quite obvious that a minimum income of the conventional type, strictly targeting the poorest and involving a work requirement is far more effective against poverty. After all, a basic income seems to waste valuable tax revenues by distributing equally among all what some do not need in the least.

This is the conclusion many arrive at, even the most well-meaning. For instance a French official report, published by a socialist-led government in 2000, included a whole section devoted to basic income, but rejected it for the following reason: "it makes no sense, from the perspective of economics, to give an income to everyone, since some do not need it."8 Advocates of basic income believe these kind of conclu-

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5 In a pamphlet published in London in 1797, and entitled The rights of children. One of the other first proponents of basic income was a Belgian thinker, Joseph Charlier (1816-1896).
6 For further information, see http://www.evad.state.ak.us/
sions are based on a short-sighted view of poverty and on a naive conception of what constitutes the cost of an anti-poverty program. "From the perspective of economics," one could even add that basic income has been advocated by prominent economists, including several Nobel prize-winners.\(^9\)

Of course it is feasible to finance a basic income out of pure "distribution" in countries (or provinces) with expensive resources at their disposal. But most detailed scenarios for implementing a basic income imply an adjustment in the way in which the tax system is structured. The introduction of basic income would, for instance, go hand in hand with the suppression or reduction of some existing programs, of several exemptions and deductions that have regressive effects, but it could also be linked with an increase in marginal taxation for higher income groups. It is important to keep in mind that it is not because both rich and poor receive a basic income that implementation of a basic income would amount to making the rich richer. The richest would have to finance, in addition to what they already finance, both their own basic income and a considerable portion of the basic income of the poorest.

Why would it be more efficient? Some think that targeted schemes are better tools to ensure economic security. In fact the so-called "liberal countries," like the US or the UK, but also - to some extent - Canada and Australia, rely very much on targeting; benefits are targeted at the poor, i.e. the worst-off are the target of specific anti-poverty programs. These schemes seem to follow the logic of Robin Hood: taking from the rich to give to the poor. But when looking at comparative data, a real paradox appears. The most egalitarian countries, namely Scandinavian countries, rely very much on universal programmes, i.e. programmes that are accessible to all, irrespective of their income, occupation or social position (e.g. universal child benefits). It means that in these countries the State transfers money to the poor and to the rich. And yet they perform better in terms of maximin (maximization of the minimum), i.e. in terms of reduction of inequalities and reduction of poverty.

\(^4\) Think of James Tobin, James Meade, Herbert Simon, Jan Tinbergen, and Milton Friedman.


Swedish researchers have called this the paradox of redistribution.\(^10\) There are at least two complementary ways to explain this paradox.

D First, there are important practical difficulties implied by the very idea of targeting. To target benefits at the poor, one needs to know who is poor, and this is far from being an easy task. Most targeted programmes rely on two types of tests to get a clear picture of who is to be counted as poor: the income-test and, more broadly, the means-test. In other words, one needs to control the individual income, as well as other means such as income of other members of the household, properties, savings, etc. These controls might take some time, and more often than not the poor get access to the benefit after a few months, sometimes after years, when it might be too late. In this sense, these schemes operate ex post, on the basis of a prior (even if approximate) assessment of the beneficiaries'
income. But ex post might be too late for the poor. All universal programmes operate ex ante, hence ensuring real income security for all.

On top of that the poor do not always know what their rights are. They do not necessarily have the social capital needed to get the information that might be required to pass the tests. By contrast, it is much easier to get access to a universal programme such as a universal child benefit. Some targeted redistributive programs in provinces like Saskatchewan have take-up rates of approximately 50%, meaning that another 50% of recipients do not actually get the benefit. In the case of the American Earned Income Tax Credit (EITC), a significant proportion of the working poor pay experts to fill in the forms required to pass the test. "The trouble is, getting money costs money," David Shipler argues. "Most low-wage workers are so desperate for the check that they give up a precious $100 or so to get everything done quickly and correctly." These kind of practical difficulties led Richard Tienan, one of the leading experts in social policy, to argue that programs for the poor are poor programs.

2) The second way to explain the paradox is related to the idea of a "poverty trap." When benefits are targeted at the poor, they generate traps. Take the example of targeted child benefits, as they exist in most liberal countries: only the poor, below a certain level of income, get the benefit. Again it might look more efficient against poverty. It is not, because this means that as soon as the recipient gets a job, as soon as she improves her income, she loses the benefit. In some cases, when different means-tested benefits are combined, access to employment means a marginal tax rate of 100% or more. People actually lose money when they get access to the labour market. If one agrees with the obvious fact that access to employment is the best way to combat poverty and ensure economic security, as well as social recognition, then something must be done to spring this trap.

One solution might be to have higher minimum wage, or lower benefits, even if in liberal countries such as Canada benefits are already very low. Among the other solutions, there is the option of transforming targeted schemes into universal schemes. When someone receives a universal benefit, she can keep it when getting access to the job market. Obviously at some point one starts paying taxes and social contributions to finance it, but this will only happen ex post.

3. PAY THE LAZY?

Basic income has sometimes been presented, and is still presented, as the ideal alternative to full employment. Some criticize basic income for this very reason, because they are afraid that basic income will amount to "pay the lazy." As one columnist of the Toronto Star commenting the Macdonald Report in 1985 said they believe "basic income will spawn idleness." But keeping in mind the "paradox of redistribution" discussed above, one can see that to have an effective right to work, an effective right to a job, it is essential to have the right to an income. By focusing on the unemployed, conventional schemes definitely help reduce poverty but they also create a genuine trap, because they penalize people who manage to find a job. The earnings people receive for low-qualified jobs are minor, since they loose the benefit that was given when they were unemployed.

The introduction of basic income guarantees that even a poorly paid job can provide people with a higher net income than they would have if unemployed. As people can keep the whole of their basic income, whether they work or not, their financial situation clearly improves when they have access to employment. Work really "pays." In this sense a basic income is not an alternative to full employment, but it is closer to a job subsidy which would be given to the employee, not to the employer. And this makes a tremendous difference in terms of real freedom.

Interestingly, it was precisely the main reason why the Royal Commission on the Economic Union and Development Prospects for Canada (the Macdonald Commission) in the mid-eighties was advocating the introduction of a so-called "universal income security programme" (UISP). In a recent interview, the head of the Commission, Donald Stovel Macdonald, argued that the main issue, during the discussions on Economic security within the Commission, was precisely the question of the "working poor," "the number of people who wanted to work but who were punished by the structure of the support system." According to Macdonald, the UISP was "representing

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11 As was acknowledged by a top civil servant during an Economic Security Consultation forum held in Regina (SK) on June 6, 2007.
Basic income favours employment, not idleness, but not under any conditions.

a way for enabling the working poor in [his] constituency to work their way out to get something from a job. 14

Of course, some on the Left counter this argument by saying that society would then actually subsidize “bad jobs,” degrading jobs, jobs that actually should not exist. What basic income supporters reply is that freedom should be given to individuals to choose for themselves what is a “bad job” and what is a “good job.” Civil servants, the government, or trade unions should not decide for them what is a good and a bad job. Only workers are really able of assessing the many facets of the job they are doing, or that they are considering doing. The fact that there is no work requirement attached to basic income provides the most vulnerable with a negotiating power enabling them to refuse jobs that have no future. In other words, because it is universal, basic income functions as a subsidy for unproductive work, and because it is unconditional it does not serve as a subsidy for degrading jobs.

Basic income makes it possible to offer and accept poorly paid jobs, but since there is no requirement these will only find takers if they are sufficiently pleasant, stimulating, and formative, or offer real career prospects for other reasons, not if they are repulsive, degrading and lead nowhere. Basic income favours employment, not idleness, but not under any conditions. Here again the idea is to improve the situation of the worst-off in different dimensions: freedom, income, self-esteem. What a basic income does is provide them with economic security, with a firm basis.

4. INTERNATIONAL AND CANADIAN TRENDS

At international level, the discussion on basic income and related schemes is fostered by an association called “BIEN.” BIEN was founded in 1986 in Belgium as the Basic Income European Network, but it expanded its scope and turned global in 2004, becoming the Basic Income Earth Network. 15 In fact basic income has been discussed in most industrialized countries, and has mainly been advocated by academics, a few activists, and most green parties. Such a reform has often been advocated by anti-poverty organizations, like NAPO in Canada. Take the example of Patrick Johnson, at the time Executive Director of the National Anti-Poverty Organization, in his letter to Donald Macdonald in the framework of the Macdonald commission hearings:

“As you may recall, many of the questions posed by members of the Commission related to the concept of a guaranteed annual income. You may also recall that we did not have hard and fast answers to most of the technical questions. (...) NAPO does not have the resources to undertake an up-to-date study on the feasibility of a guaranteed annual income. I understand, however, that the Commission has a budget for research. I would like to suggest that the Commission itself initiate or contract with a third party to undertake research on a guaranteed annual income.”

Already in the 1970s, NAPO had published some documents in order to explain the differences between a negative income tax and a so-called “guaranteed annual income” and, more recently, it launched a new campaign on the topic. 16

As just mentioned, in industrialized countries the political forces that have manifested most interest in basic income are the ecologist movements and ecologist parties, including most European green parties. In 2007, Canadian Green Party Leader Elizabeth May proposed the idea of a “guaranteed annual income for all Canadians” at a party convention in Vancouver. 17 In July 2007, the Greens at the European Parliament organized an international conference on basic income in Brussels, at the initiative of German MEP Sepp Kusstatscher. 18 In recent years similar events have also been organized by Green parties in Sweden and Finland.

Part of the explanation of this connivance between ecologists and basic income can be explained by referring to arguments similar to Paine and Spencer’s, as well as to the arguments justifying the Alaska

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14 The interview was conducted by Patrick Tanguy in Toronto on January 11, 2005. For further information on the Mackay Commission and USTR, see also Tanguy’s Master Thesis (Université Laval, Quebec, August 2001). Today this argument is also used in developing countries, where basic income advocates oppose the means-tested schemes currently in place. In Brazil, for instance, workers prefer to go into the underground economy, because if they get a job in the formal sector they will improve their income, and lose the benefit.

15 www.basicincome.org

16 October 31, 1963. The letter is available at the National Archives of Canada in Ottawa.

17 See NAPO News Spring 2007, or visit http://www.napo-cospac.ca/

18 See also “Income key to stopping poverty.” Leader Post (Regina), June 8, 2007.

19 See BIEN NewsFlash 44, March 2007, available at www.basicincome.org

20 See www.green-europe.eu
Permanent Fund. All greens insist on the necessity of preserving the interests of future generations, and so they logically regard nature and natural resources as the common heritage of mankind, that should benefit to all. From this perspective, those who possess the earth have to contribute to a fund whose dividends are to be unconditionally shared among all.

And yet it is important to stress the fact that one can find proponents and opponents of basic income in almost every political party, from left to right, at both sides of the political spectrum. During the debates around the UISP proposal made by the Macdonald Commission, the Winnipeg Free Press significantly ran as headline “guaranteed income gets support from all sides.” Donald S. Macdonald himself was not precisely a left-wing radical, and basic income was already discussed within the Liberal party in the late 1960s (for instance at the Harrison Liberal Conference in November 1969). During the same period, one also could find some publications on the topic by the New Democratic Party (NDP). Recently, Tory Senator Hugh Segal – a long-time proponent of a guaranteed annual income – told delegates to Toronto’s city summit alliance conference that he believes Canada has the money to ensure every Canadian can live with dignity.

“When we look at the billions we now spend on social policy, it’s clear we have the capacity,” he argued. Regarding the debate in Canada, it is also striking in comparative perspective to note the impressive number of official reports that have been published over the past 40 years on the question of a “guaranteed annual income.” Among the most famous are the Croll Report (1971, Federal), the Castonguay-Nepveu report (1971, Québec), the Fréchette Report (1978, Québec), the Macdonald Report (1985, Federal), and the Forget report (1986, Federal). Social experiments on a guaranteed annual income have been conducted in Manitoba in the 1970s, but the results were never published in an official report.

Finally, one should stress that basic income has also been discussed by governments in various countries, such as the Netherlands (in the mid-nineties), or Ireland (in 2000) the Irish government published a Green Paper on the topic). Currently it is mainly debated in Germany, Spain, and in countries like South Africa and Brazil, where a law on basic income was signed by President Lula da Silva on January 8, 2004.

5. TRANSITIONS

Some actually agree with the main justifications of basic income, but think that some alternative schemes would be better because of the need for “soft transitions” in social policy. Among these alternatives are a so-called “participation income” and the idea of “capital grants.”

5.1. A Participation Income

A “participation income” is proposed by British economist Anthony Atkinson. According to Atkinson, the idea of a true basic income makes sense, no doubt, but it is politically unfeasible because of the “reciprocity objection.” Since, as comparative data show, most people believe in the importance of reciprocity, one should link basic income with some obligation to contribute, i.e. with the idea of a “socially useful contribution” in the broad sense. The basic income should then rather be called a “participation income.”

But in Atkinson’s work on the topic this “broad sense” is very broad indeed. To some extent, one could even argue that almost everyone fulfills the requirement and is therefore eligible for a uniform and individual basic income. According to Atkinson, not only those who are engaged in full- or part-time waged employment or self-employment are eligible, but also job-seekers, people who are unable to work due to sickness, work accident or disability, people who have reached retirement age, who are following an approved study program or training course, who look after children, elderly people or invalids, or people who do other “recognized forms of voluntary work.”

Another problem is the fact that if the level of the “participation income” is to be significant, the introduction of such a measure has to be accompanied by the implementation of mechanisms to check whether socially useful activity is actually being performed. These could rapidly become very difficult to implement, given the intrusion into privacy required in order to check domestic activity, the perverting of the...
We need a support system that supports instead of punishes people with mental illness.

CONCLUSION

We are aware that many of the long-term users of the social assistance program in Saskatchewan are those with chronic mental illness. Mental illness and mental health issues are more prevalent than cancer and heart disease, and one in five persons are exposed to mental illness or suffer from it during their lives. It is important that attention be paid to the needs of those with mental illness.

We need a support system that supports instead of punishes people with mental illness.

Sharon Lyons, then President of CMHA (Saskatchewan Division) Inc., in a letter to then Minister responsible for disabilities, Buckley Belanger.

In conclusion, I should stress again the fact that one should not see basic income as a magic bullet. Of course a country like Canada needs a whole package of measures, which also includes benefits in-kind, rather than in-kind, such as universal health care, free education, public housing, or targeted schemes for the disabled. But even if we consider basic income as a long-term objective, it can be very helpful to discuss this proposal and its cognates, because it might inspire more modest reforms in terms of economic security, such as the expansion of universal child benefits. As it was the case with universal suffrage before it, it is not in one day that basic income will be transformed from a fantasy of a few eccentrics into something that is obvious for all.


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