



Universal Basic Income Guarantee: The Next 'BIG' Thing in Canadian Social Policy

Author:
Colleen Kennelly



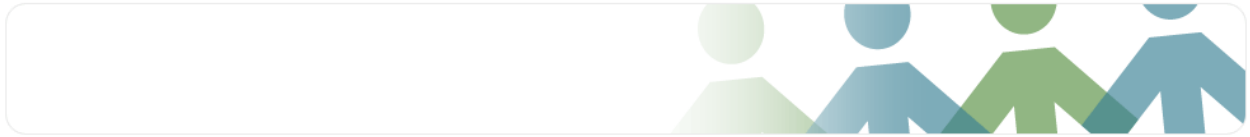
Founded in 1926 the Canadian Association of Social Workers (CASW) is the national association voice for the social work profession.

CASW has adopted a pro-active approach to issues pertinent to social policy/social work. It produces and distributes timely information for its members, and special projects are initiated and sponsored. With its concern for social justice and its continued role in social advocacy, CASW is recognized and called upon both nationally and internationally for its social policy expertise.

The mission of CASW is to promote the profession of social work in Canada and advance social justice. CASW is active in the International Federation of Social Workers (IFSW).



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Introduction

Over the past 30 years, there have been so many federal promises to end poverty in Canada, in so many different forms, that it is challenging to provide a detailed list. Yet in 2016, 4 million Canadians (12.9%) were living in poverty (McIntyre, Kwok, Emery & Dutton, 2016).

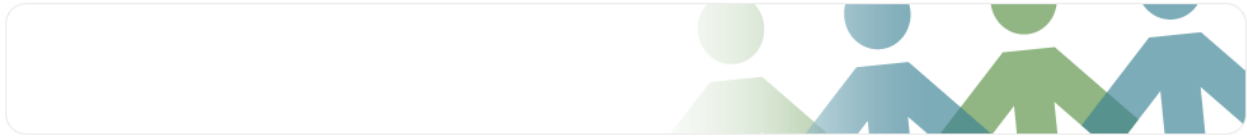
Despite this historical inability to turn commitments into action, the Canadian Association of Social Workers (CASW) believes that now is the time to finally act on these cumulative promises to end poverty. Currently, there is strong public and political support to reduce poverty in Canada by investing in the social determinants of health. Canadians understand that our economic prosperity is directly linked to our investments in reducing the costs of poverty.

To provide a few examples of public promises to address the issue of poverty, in 1989 the Canadian House of Commons unanimously passed a motion to end child poverty. In 2015, this motion was revisited, with the House voting in favour of the motion a second time. Canada has also supported the international [Sustainable Development Goals](#), which specify the need to “end poverty in all its forms everywhere.” In 2009, the Senate Committee on Social Affairs, Science and Technology recommended the development of a national poverty plan; the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities did the same in 2010.

In 2016, the Honourable Jean-Yves Duclos, Minister of Families, Children, and Social Development, announced the early stages of development for a national Poverty Reduction Strategy. Moreover, the impetus and philosophy behind strategies such as the Canada Child Benefit, and the Guaranteed Income Supplement, and Old Age Security for seniors, are the same as those proposed in this paper: the values and delivery structure for a new Universal Basic Income Guarantee (what this paper will call the uBIG) are already in place.

In this paper, CASW proposes a basic income guarantee in the form of a universal, tax-free demogrant, available to all Canadians regardless of income. It will explain why this model is superior to other forms of basic income being piloted in Canada today. A uBIG shifts the notion of social security from that of a social safety net to that of an equitable base. While more must be done to address intersecting forms of oppression that contribute to poverty, a uBIG would provide all Canadians with a floor to stand on. In addition to a uBIG, CASW firmly believes that other social determinants of health must also be addressed in a comprehensive plan to truly fulfil the promise of eliminating poverty in Canada.

From CASW’s perspective, the strengthening of Old Age Security along with the introduction of the Canada Child Benefit in Budget 2016 were solid steps towards realizing a uBIG in Canada. CASW urges the Government of Canada to build on existing political support and seize this moment in history, to continue their national leadership in moving towards a basic income



guarantee. A uBIG is a compassionate and fiscally responsible tool through which we can begin to truly move towards a more just and equitable Canada. Additionally, as dialogue around increasing automation and the future of work grows worldwide, the time is now to begin thinking about innovative systems such as uBIG.

1. Rationale

For a number of years, CASW has advanced the concepts of equity, accountability, and fairness in the delivery of social investments and services, especially as they relate to the Canada Social Transfer (CST). In 2015, CASW proposed the adoption of a Social Care Act, with principles similar to those found in the Canada Health Act. These principles include accountability, universality, and portability, to name only a few.

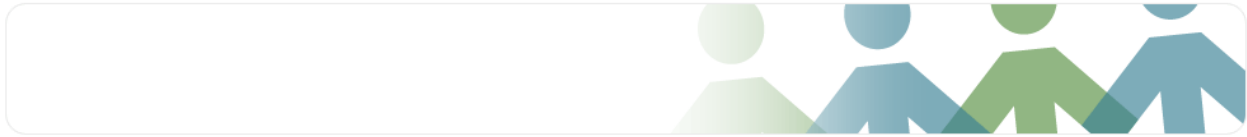
In 2016, CASW released *The True Cost of Capital*, a social work perspective on social investment tools, arguing that Canada can afford to design and implement comprehensive social policies that truly support Canadians and reduce cost in the long term. A uBIG fits seamlessly into both these areas of recommendations by providing an upfront, comprehensive, universal, and portable benefit to all Canadians in a way that maximizes social engagement and cohesion. A uBIG is an opportunity for the federal government to be at the fore of Canada's next universal benefit, just as Lester Pearson's government was in enshrining Medicare, something that all Canadians now regard as sacrosanct and key to our national identity.

2. Basic Income Defined: Definitions and Models

A guaranteed annual income (GAI) can be defined broadly as an unconditional cash transfer from government to citizens (Lammam & MacIntyre, 2015). While basic income guarantee (BIG) is the current terminology used to describe an unconditional cash transfer from government to citizens in Canada (Mulvale & Frankel, 2016), the terms basic income (BI), guaranteed annual income (GAI), and basic annual income (BAI) will be understood as interchangeable throughout this paper.

There are three variations or models of a basic income guarantee: the negative income tax model, the universal demogrant model (i.e., uBIG), and the income top-up model. To date, basic income guarantee experiments within North America have employed the negative income tax model only (Lammam & MacIntyre, 2015).

Within the negative income tax model, all citizens receive a cash benefit, however this model targets lower income individuals and families by deducting the product of one's earned income at the standard reduction rate. In Canada, reduction rates are generally set at 20-70%. As one's alternative income, namely employment income, increases, one's basic benefit decreases. In essence, the more additional income one earns, the more one's basic benefit decreases. If the



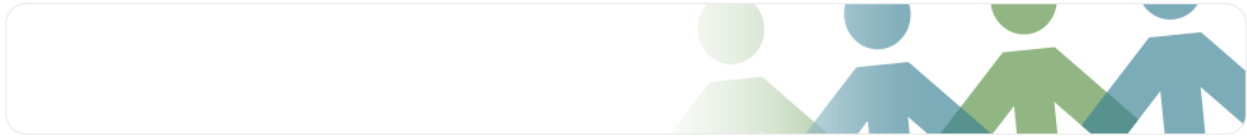
reduction rate is set at 20%, then one's basic benefit decreases by 20 cents for each additional dollar earned. If the reduction rate is set at 70%, then one's basic benefit decreases by 70 cents for each additional dollar earned. Critics argue that this model fosters idleness by disrupting incentive structures and motivational drive. Furthermore, the operational costs of employing a program under this model cannot be discounted (Lammam & MacIntyre, 2015).

The universal demogrant model is straight forward – all citizens receive the same basic benefit, regardless of income. A progressive income tax system will influence how much of the benefit each individual receives, but it is important to note that all individuals 18 years of age and older are eligible for a tax-free cash sum. The Old Age Security (OAS) pension is an example of an existing universal demogrant model program as it is given to all individuals 65 years or older, no matter their income or past earnings (McIntyre et al., 2016). The OAS pension program does not utilize reduction rates, however, once a recipient's income reaches approximately \$73,000 per year, a recovery tax is activated. In light of this, there has been some public debate as to whether or not the OAS pension program is universal. CASW regards OAS as a universal demogrant model program, as it does not utilize reduction rates.

The Guaranteed Income Supplement (GIS) for seniors is an example of a top-up model program (McIntyre, Dutton, Kwok & Emery, 2015). This model, which makes use of income testing, calculates one's cash transfer by subtracting one's income from the basic benefit. Under this model, individuals whose incomes fall short of the basic benefit receive a cash transfer bringing them back up to a pre-determined threshold (Lammam & MacIntyre, 2015).

The level of this pre-determined threshold is controversial. Advocates for higher basic benefits argue for the treatment of relative poverty over absolute poverty. Relative poverty relates to income inequality, whereas absolute poverty relates to one's ability to afford the basics required to live (Lammam & MacIntyre, 2015). The Low Income Measure (LIM) is equal to the median household income, whereas, the Low Income Cut-Off (LICO) is set to the level at which a household spends 63.6% or more of its household income on basic needs like food and shelter (Canadian Institute for Health Information, 2014). The 2017 Ontario pilot project plan sets the basic benefit at 75% of the LIM (Government of Ontario, 2016).

Interest in and support for implementing a basic income guarantee is not new or isolated. Examples of BIG pilot projects and universal demogrant model programs exist internationally. Finland, the Netherlands and the United States have carried out basic income guarantee experiments (*The Economist*, 2016, June 4; Lammam & MacIntyre, 2015). Furthermore, Switzerland held a referendum in 2016 to determine if the majority of its citizens were committed to implementing a basic income program (Lammam & MacIntyre, 2015). In the 1970s, Canada undertook its first BIG pilot project in the form of a randomized control trial. The purpose of this pilot, which became known as Mincome, was to "evaluate the economic and social consequences of an alternative social welfare system based on the concept of a negative



income tax” and to eventually “understand the administrative and logistical challenges involved in implementing such a system across the population (Simpson, Mason & Godwin, 2016).”

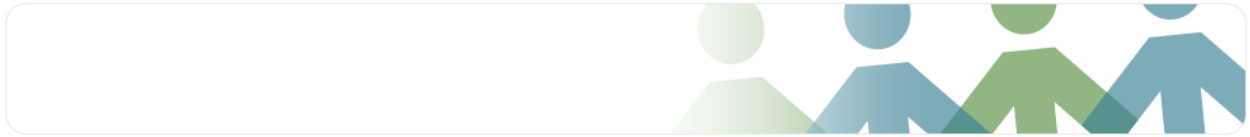
3. The Well Documented Costs of Poverty

12.9% or 4 million Canadians live in poverty. It has been suggested that low income individuals and families struggle to meet the costs of living, and poverty-related targeted programs have done very little to solve the issue (McIntyre et al., 2016). When measured against other countries in the Organisation for Economic Co-operation and Development (OECD), Canada ranks in the highest category with respect to national income, but ranks higher than average when it comes to poverty rates (McIntyre et al., 2015). In 2012, Canada placed 21st of 29 wealthy countries with respect to child poverty. While poverty among all Canadian citizens has decreased marginally between 1989 and 2013, child poverty rates increased from 15.8% in 1989 to 19% in 2013 (Mulvale & Frankel, 2016).

Furthermore, poverty is a social determinant of physical and mental health. Poverty plays a role in chronic coronary disease, diabetes, respiratory disease, lung cancer, life expectancy, and mental health (McIntyre et al., 2016). For example, in Hamilton, Ontario, the high income population has a life expectancy of 86.3 years, in contrast to the low income population, which has a life expectancy of 65.5 years (Roos & Forget, 2015, Aug 15). Similarly, during the Mincome pilot project, a basic income guarantee impacted rates of hospitalization in Dauphin, Manitoba, with recipients of the BIG experiencing an 8.5% decrease in hospitalization than their control group counterparts (McIntyre et al., 2015).

While Canada has a disproportionately high poverty rate considering its national income, seniors (65+) in Canada experience poverty at a lower rate than other OECD countries – under 6% of Canadian seniors experience poverty. McIntyre et al. (2016) credit the pension, which is a universal demogrant model program, with this success. They write, “Our study provides unique information relevant to current public policy debates on GAI because our sample mimics the structure of a hypothetical GAI program, as eligibility for OAS/GIS is similar to that for a GAI” (McIntyre et al., 2016, p.275).

Another aspect of poverty is food security, which researchers have chosen as an indicator of poverty for a number of reasons, including “its association with poor self-reported health, chronic illness, and mental health problems” (McIntyre et al., 2016, p.275). When food security rates between two different cohorts – one consisting of seniors 65 years or older who were receiving the OAS pension and the other of individuals 55-64 years old who were not receiving the pension – were compared, it was discovered that the 55-64 year old group were 50% more likely to experience food insecurity (McIntyre et al, 2015) Another study conducted by Loopstra, Dachner and Tarasuk (2015) in Newfoundland and Labrador from 2007-2012 showed similar



results. An increase in social assistance during this time period coincided with decreases in food insecurity.

It has been discovered that universal, unconditional programs are more effective in regard to combatting adverse health conditions than conditional programs with extensive eligibility criteria. Conditional and heavily monitored programs are firstly insufficient and secondly, cause a great deal of stress given their unreliable nature. “...Individuals dependent on these programs may experience stress brought on by stigma, marginalization and feelings of disempowerment and hopelessness, which are common experiences reported by social assistance recipients in Canada.” McIntyre et al. (2016) imply that all citizens, regardless of age should be eligible for a program such as the OAS pension program.

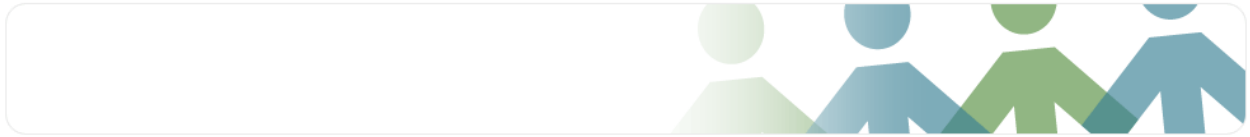
Mulvale & Frankel (2016) offers three philosophical motivations behind poverty reduction efforts: moral rationales, human rights concerns and social and fiscal costs. Poverty-associated costs are significant. The Standing Senate Committee on Social Affairs, Science and Technology Sub-Committee on Cities cited a study funded by the Ontario Association of Food Banks, which calculated poverty-related costs at 24.4-30.5 billion dollars. These figures incorporate the broader consequences of poverty – health, crime, the impact of intergenerational factors on education, and lost opportunities for employment, income, and taxation revenues (Mulvale & Frankel, 2016).

CASW is not suggesting that income is the only factor that contributes to poverty. Poverty reduction as it relates to income has become the focal point of this paper. However, CASW recognizes that other social determinants of health and intersecting oppressions – those relating to race, gender, education, disability, Indigeneity, and sexual orientation, for example – structurally impact poverty in Canada.

4. Current Social Assistance Architecture

The current social assistance architecture in Canada is a piece-meal system spread across federal, provincial, First Nations, and municipal levels of government. Some programs operate under a specific level of government and some are shared between different levels of government: current social assistance systems in Canada are inadequate and contribute to a cycle of poverty.

In 2013, the federal government spent almost \$118 billion on seven income support programs and almost \$14 billion on income tax support. While each province’s social programs and expenditures differed, they spent a collective total of \$38 billion in 2012/2013 and \$11 billion in tax expenditures. In 2013, municipal governments spent a combined total of almost \$5 billion, bringing the combined income support-related expenditures of all federal, provincial, and municipal levels of government to just over \$185 billion (Lammam & MacIntyre, 2015).



Disparity between provincial levels of social assistance is also a factor. In 2014, a single employable adult received \$11,035 per year in Newfoundland, but only \$7,707 dollars per year (38.2% of the LICO) in Manitoba (Tweddle, Battle & Torjman, 2015). While neither figure represents a liveable income, the disparity is concerning. This further reinforces the need for a national strategy. All social assistance programs across Canada, however, do employ significant benefit claw-backs and have extensive eligibility criteria.

Furthermore, programs like Employment Insurance and the Working Income Tax Benefit offer Canadians limited support. Precarious employment has become a reality in Canada and Employment Insurance and the Working Income Tax Benefit do not adequately support Canadians trying to survive in this new reality. To illustrate, not all Canadians are eligible for Employment Insurance benefits and unemployed/full-time students are not eligible for the Working Income Tax Benefit.

Multi-level and multi-program income support systems produce overlap and a need for extensive gate-keeping, which result in unnecessary government spending. In respect to eligibility criteria, programs like the OAS, which are universal in nature and have few eligibility criteria, are quite inexpensive to operate. In 2013, the total cost of operating the OAS program was 0.3% of the total annual program cost. In contrast, the total administrative cost of Employment Insurance, a program with a high degree of gate-keeping and extensive eligibility criteria, was 8.1% of the total annual program cost. This is significant when one considers consolidation and its cost-saving potential (Lammam & MacIntyre, 2015).

Figure 1 illustrates an approximation of the current social assistance and tax system for an individual living in Ottawa, Ontario. Individual beneficiaries of Ontario Works (social assistance) receive approximately \$6,250 per year, must be able to prove need, and must be willing to prove their commitment to finding work. Individuals with a disability receive approximately \$13,000 per year and must meet stringent eligibility criteria. In general, all individuals are given a personal, tax-free allowance of approximately \$11,600 per year. If one does not qualify for Ontario Works (OW) or the Ontario Disability Support Program (ODSP), one must rely on emergency services.

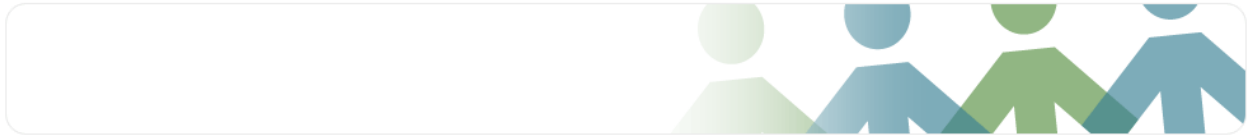
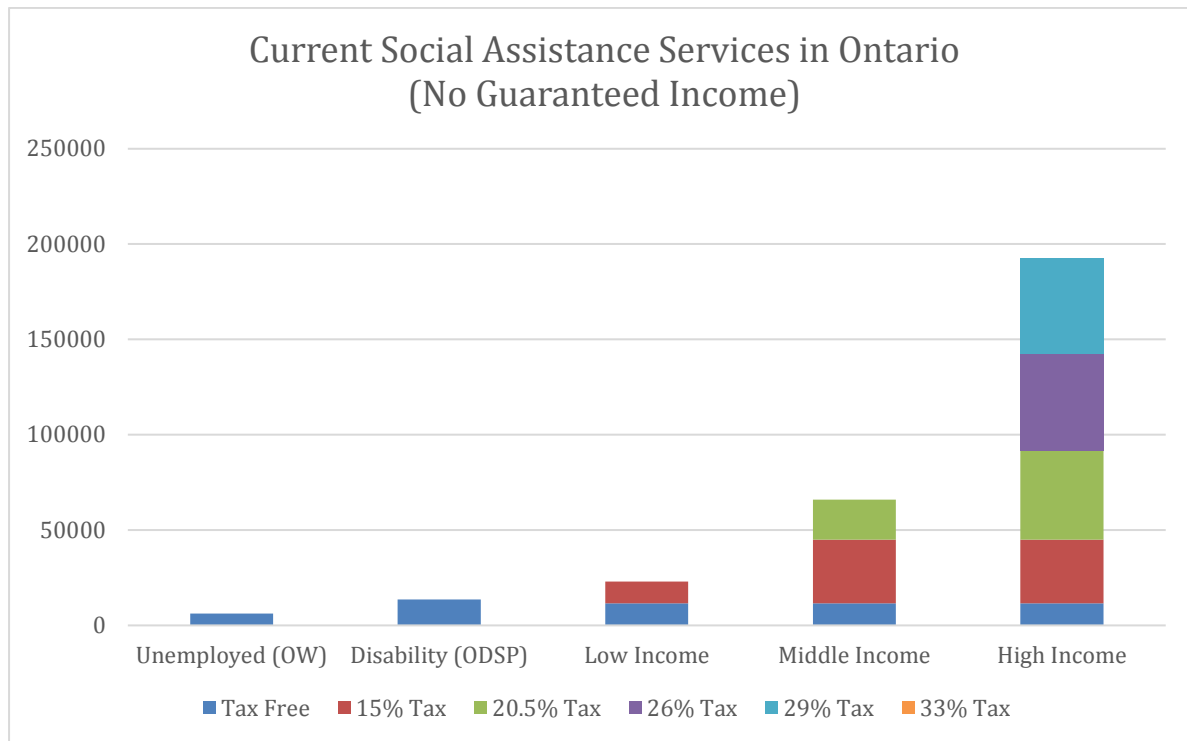


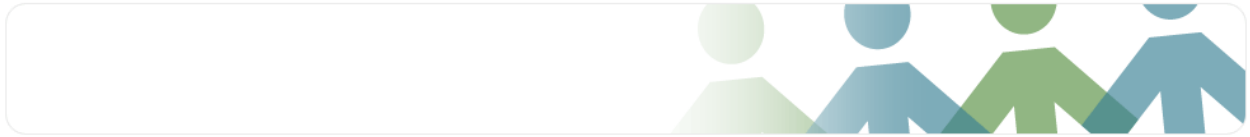
Figure 1



5. Rationale for a Universal Demigrant Model

A fundamental strength of the universal demigrant model is its cost-saving potential. While careful design and implementation are crucial, CASW believes that a universal demigrant model, or uBIG, is a cost-effective and socially responsible mechanism through which Canada can ensure dignity for all. While the cost of the benefit itself is significant and start-up costs will likely be as well, the operation and administrative costs of the program could be quite modest. Unlike the negative income tax model, the uBIG would operate under significantly fewer operational and administrative costs.

We must also look to long-term gains, as opposed to short-term savings. CASW argues that a basic income guarantee in the form of a universal demigrant would produce a new reality for Canadians, one that would transform current social conditions. While it might be difficult to measure under our current, siloed systems that often divide health and social concerns, we must not discount the intersecting benefits of a uBIG, which could lead the way in the development of new, more holistic success indicators.



To illustrate, let us consider a hypothetical example. We know from the Mincome experiment in Dauphin that increased income results in decreased hospitalizations. This is significant if we consider that the total health expenditure in Canada is upwards of \$200 billion (Canadian Institute for Health Information, 2014). Beyond health expenditures, we can also examine how a decrease in hospitalizations affected other areas of life in Dauphin. With respect to the work place, a decrease in hospitalizations could result in an increase in work productivity and a decrease in the community's informal caretaking burden. This could result in decreased stress levels at home as well. It is clear how such conditions could ultimately lead to more favourable family configurations and a decrease in child maltreatment, by feeding back into social services and alleviating the pressure many experience in our systems.

Social workers know that economic, health, and social well-being are intertwined. As such, CASW favours proactive approaches to wellness. We believe that the transformative potential of a uBIG has not been fully realized from an economic, health, or social perspective. We encourage consolidation with respect to the current multi-government, multi-program configuration, but do not condone the elimination or privatization of social programming. Given the fragmented nature of current social assistance systems in Canada, a subsequent consolidation of appropriate programs, would make for a substantially more user-friendly set-up from the perspective of recipients. As is, the piece-meal configuration of social assistance systems is onerous to navigate.

One of the most significant arguments against a basic income guarantee, aside from cost, is the so-called "benefit trap" that makes the adoption of part-time work unattractive (Danson, McKay & Sullivan, 2015). This "trap" only exists within the negative income tax model. Pilot projects in Canada, up until this point, have only operated under this model. The true benefits of a basic income guarantee cannot be realized within a negative income tax model, where a "benefit trap" mitigates benefits.

Figure 2 illustrates an approximation of the pilot project that will be carried out in Ontario under a negative income tax model, with a 50% reduction rate (or claw-back). Each dollar earned through employment results in a 50-cent claw-back from the basic benefit. It is important to note that this figure does not take taxation into account. Under this model, an unemployed individual receives \$326 per week and a person working 20 hours per week at minimum wage only receives \$440 or \$114 more than a person who is not working at all. Furthermore, an individual working 40 hours per week at minimum wage earns \$554 per week, only 20% more than a person working half as much.

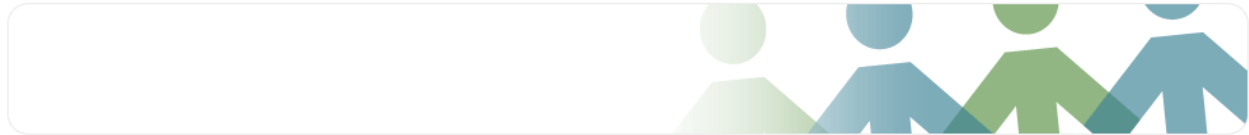
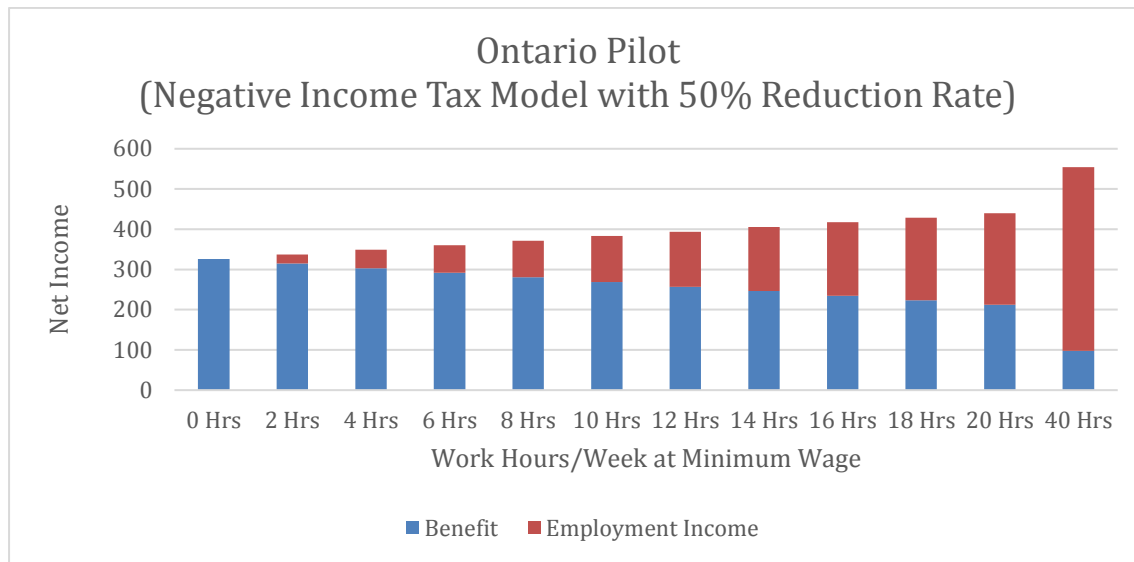


Figure 2



Under these conditions, it is clear why the rational choice for some may be to work less. This will remain the case until we design programs and systems that make the best choice for the economy the simplest choice for the individual. It is much easier to blame the individual than to re-examine how current models actually encourage undesired user outcomes. Fortunately, CASW and other stakeholders with expertise in human behaviour as well as social policy have part of the answer: a basic income guarantee in the form of a universal demogrant, as illustrated in Figure 3.

Again, this figure is approximate and taxation is not taken into account. Within a universal demogrant, there is no reduction rate, so one’s basic benefit is not reduced as the beneficiary earns money through other income sources – the individual reaps the full rewards of their work. For an approximate comparison between employment incomes within each of the models, see Figure 4. With uBIG, each individual citizen 18 years and older receives \$326 per week. This number was chosen for comparison’s sake, as this is the basic benefit level in the Ontario pilot study. As individuals receive income from alternative sources, namely employment, their benefit remains the same.

CASW proposes that net income be taxed according to Canada’s progressive taxation system, but that each individual, regardless of income, be eligible for a tax free cash transfer at a level between the LICO and the LIM. Canada’s progressive taxation system would be used to redistribute net income. It is important to note that taxes and reduction rates are not synonymous.

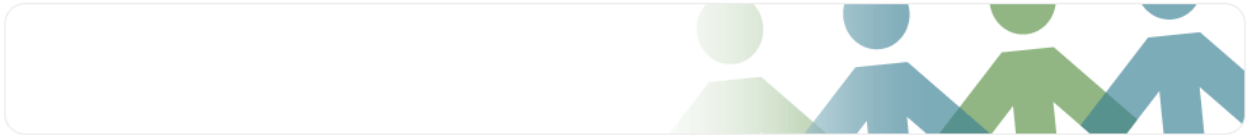


Figure 3

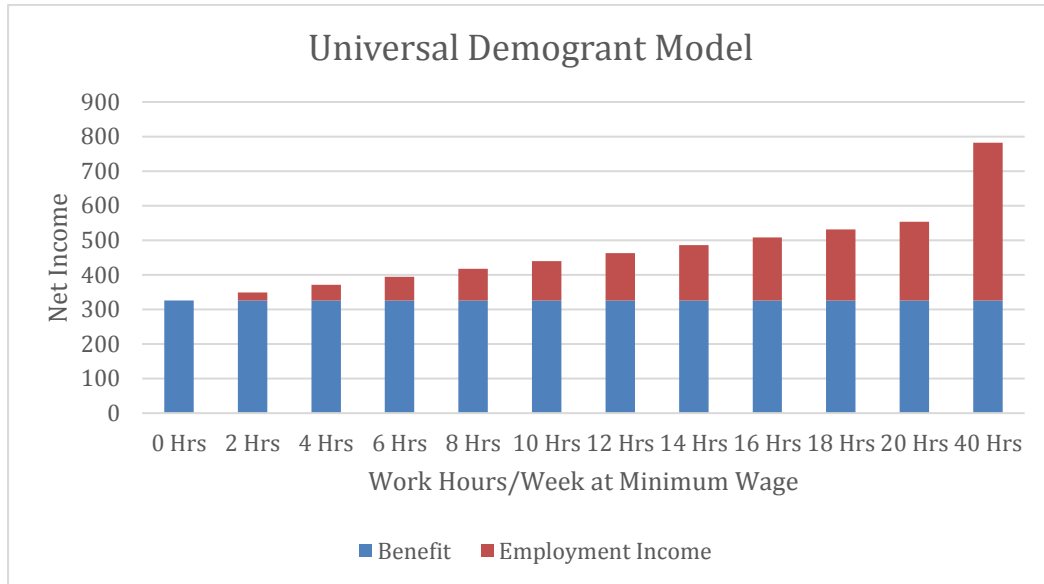
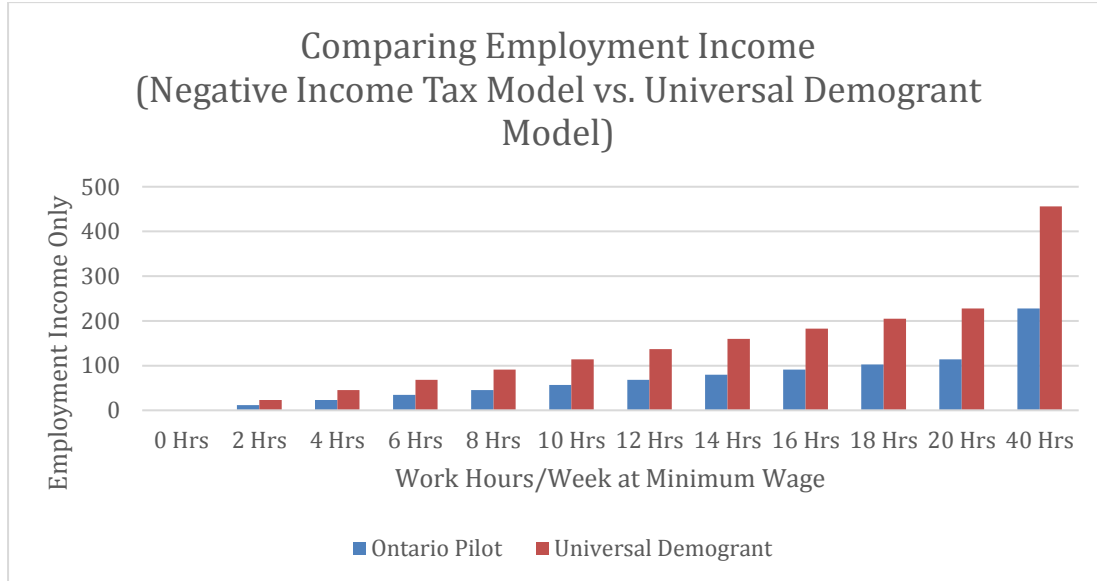
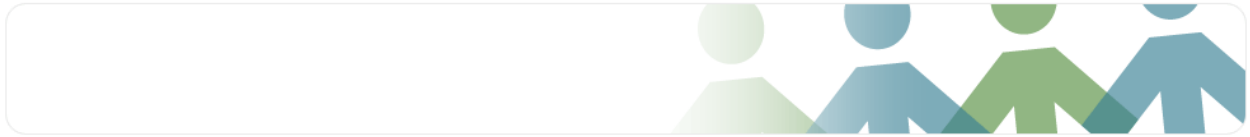


Figure 4



This universal demogrant model will foster social cohesion and decrease stigmatization. Building a sense of community involves sharing common experiences and having true equal access to income and services.



The negative income tax model only targets low-income households, resulting in only low-income households having a stake in the programming. A universal demogrant model, however, would encourage true participation and long term adoption, as middle class engagement would reinforce this:

Where benefits are genuinely universal, and they involve significant benefits to the middle classes, they are more effectively defended against pushes towards individualism. The most vulnerable welfare state provisions are those targeted to subordinate groups, which do not have the weight of middle-class support behind them (Prince, 2014).

It is argued that successful economies lay the foundation for high levels of citizenship fulfillment, gender equality, and inclusivity, and lower levels of income inequality. Furthermore, successful economies are generally built on more generous and comprehensive social programs. When the social determinants of health and costs of poverty are weighed in, the strength of fiscally conservative arguments against the universal demogrant model taper off. As cited in Danson (2015), the OECD writes, “Reforming tax and benefit policies is the most direct and powerful instrument for increasing redistributive effects” (p.40).

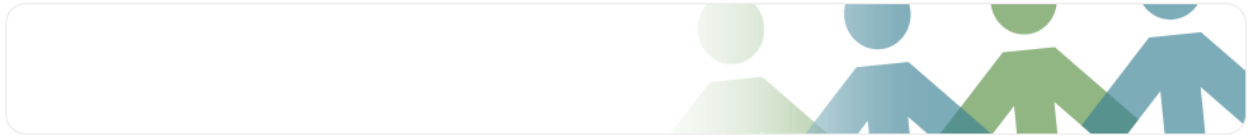
A negative income tax model, by its very nature, also encourages unreported employment. Why would someone choose to report their extra income if they lose 50 cents of their benefit with each dollar that they earn? This is a concern from an economic perspective. If individuals are choosing to engage in “under-the-table” work, they are not contributing to government revenue. From a human rights perspective, they may be engaging in dangerous and unregulated work. The universal demogrant model would result in less unreported unemployment, safer work, and greater government revenue.

Furthermore, Streithorst (2015) proposes that a universal basic income would act to mitigate the inefficiencies of capitalism and ultimately strengthen the economy. He asserts that together, technology and capitalism have largely solved the problem of supply. We are able to make more stuff, with fewer inputs of labour and capital, than ever before. We have the knowhow, we have the resources, we have the trained labour, we have the money. The only thing businesses lack is customers. (Streithorst, 2015, p. ??)

It is time to start investing in citizens who will in turn invest in the economy.

5.1 Why now?

Due to the fact that a uBIG is unlikely to come into being without significant social support (Koistinen & Perkio, 2015), it is important to look more closely at the evolution of support in Canada. Who has endorsed or changed their position with respect to social reform through a



basic income guarantee? The list is long and significant, and the rising interest and political momentum behind it speaks to a need for time-sensitive action. More specifically, the dramatic shift in federal leadership from restrictive to cooperative federalism allowed for CASW to review its position on basic income and move from proposing a targeted BIG, to universal one. CASW now believes that a universal demogrant model, uBIG, is possible and that the time to act is now. Action to reduce poverty must begin now.

Prior to the federal election in 2014, the Liberal Party of Canada expressed support for a basic income guarantee, stating it would,

work with the provinces and territories to design and implement a Basic Annual Income in such a way that differences are taken into consideration under the existing Canada Social Transfer System,” and would recommend, “a federal pilot of a basic income supplement in at least one Canadian town or city, in cooperation with the appropriate provincial and municipal government(s) (Liberal Party of Canada, 2014).

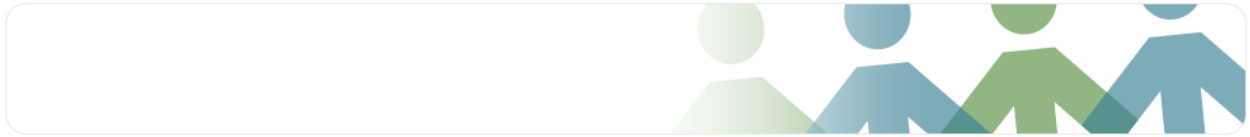
The Green Party of Canada also advocated for basic income for the purpose of reducing poverty.

Post-election, the Liberals maintained their supportive stance towards a basic income guarantee. Jean-Yves Duclos, Minister of Families, Children and Social Development and former economist, made a statement advocating for a BIG, but with the caveat that it should only be implemented after other social policy reforms had taken place. While the New Democratic Party (NDP) up until that point had not endorsed a basic income guarantee, due to its close ties with the labour movement, it abandoned its original position in 2016 and took up a resolution stating it would be open to talks.

As noted previously, select provincial and municipal governments have also come on board with basic income guarantee supporters. Both the Ontario and Quebec governments have made some level of commitment toward this end and the City of Kingston is the first become the first in Canada to call for the development of a basic income for all Canadians.

6. Design and Implementation

Sluchynsky (2009) writes that existing administrative structures can be used to operate new programs. As such, the administrative architecture required to support a uBIG is already in place in Canada. Given that the proposed program has limited eligibility requirements and will not take excessive gate-keeping measures, administration should be relatively straight-forward. Furthermore, taxation structures will be responsible for redistribution. Unlike the OAS pension program, the benefit will return to government through the taxation system – not through a recovery tax mechanism within the program itself. The taxation system itself may need to

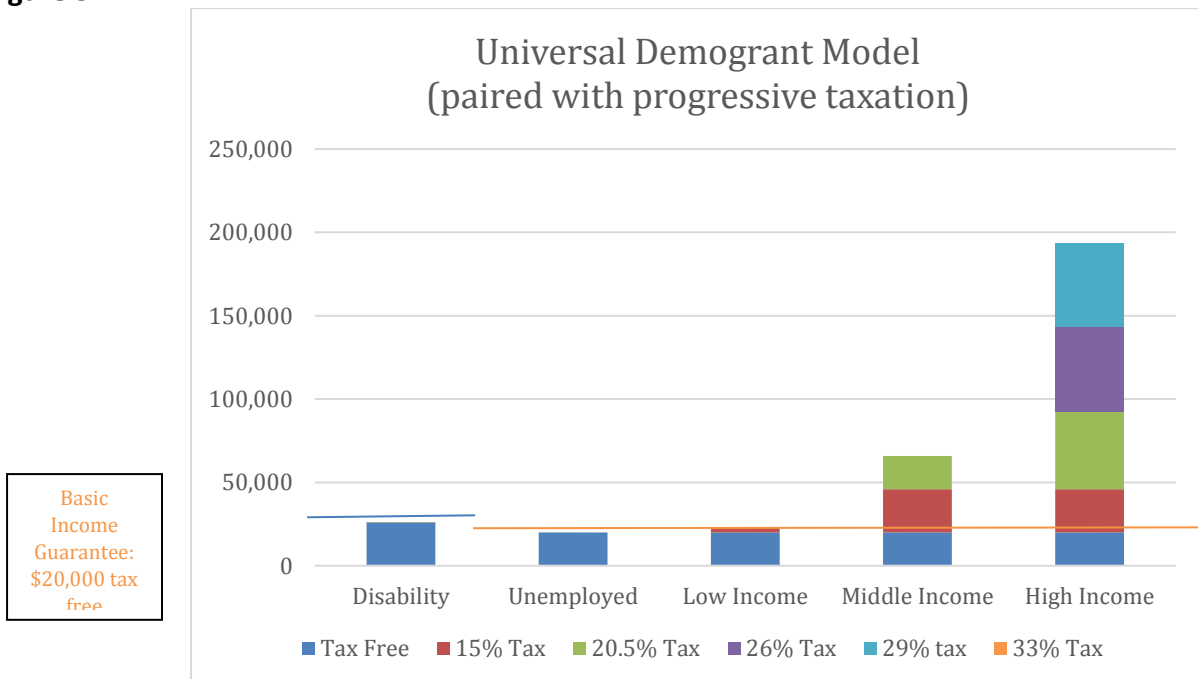


undergo changes to take into account program costs and the existence of a guaranteed social and economic floor. Again, CASW believes that Canada can afford a robust social floor for all Canadians. In order to accomplish this, redistribution will play a part.

Figure 5 illustrates CASW’s proposed uBIG model. Within this model, all citizens are eligible for a basic personal amount or personal exemption of \$20,000 per year. All citizens also receive a basic income of \$20,000 per year. One’s net income is then taxed according to federal and provincial tax brackets. CASW’s proposal aligns with advocates for the treatment of relative poverty but believes that the basic benefit should still encourage participation in the labour market if possible. While CASW believes that the experience of poverty cannot be fully measured, it recommends that the basic benefit should be set at \$20,000 – a number significantly higher than the LICO, but lower than the LIM.

For someone who is unemployed, this proposed model would mean a liveable income, with the possibility of additional fully-remunerated casual, part-time, or full-time employment. This model encourages participation in the labour market. Individuals with disabilities would receive an extra \$6,000 tax free per year, as suggested by the Ontario pilot project (Government of Ontario, 2016). Income earners would be taxed according to the progressive tax brackets assigned by the Canada Revenue Agency. Again, taxation rates may need to be revised, once rising incomes were taken into consideration, to diminish the effects of the basic benefit for those within certain income brackets.

Figure 5





6.1 Case Examples

Before proceeding to case examples, it is important to note that these numbers do not reflect CASW recommendations, as taxation rates will have to be substantially re-evaluated to ensure a uBIG serves its intended purpose: to create equity, social cohesion, and effectively redistribute wealth by providing a stable floor on which all Canadians can stand.

Instead, these case examples are meant to illustrate that there is a benefit involved for all types of earners, though both the amount and mechanism of delivery may appear differently under different circumstances, which would be addressed during program development.

Finally, the options presented below in terms of delivery to the beneficiary are not recommendations for implementation. Rather, these are meant to illustrate how the tax system would interact with the benefit in terms of potential amounts received.

Example 1

Jacob earns \$15,000 per year working as a part-time dishwasher at a restaurant in Ontario. Since the implementation of the uBIG, Jacob receives an additional \$20,000 per year, bringing their net income to \$35,000 per year. Jacob's basic personal amount or personal exemption, which is taxed at 0% used to be approximately \$11,000. Their basic personal amount or personal exemption is now \$20,000. The first \$20,000 of their net income is taxed at 0%. The next \$15,000 is taxed according to the provincial and federal tax brackets. The provincial tax rate is 5.05% on the first \$42,201 of taxable income. The federal tax rate is 15% for the first \$45,916 of taxable income. Therefore, Jacob will pay \$688 of provincial income tax and \$2250 of federal income tax, totalling \$3007.50. Jacob's after-tax income will be approximately \$32062.

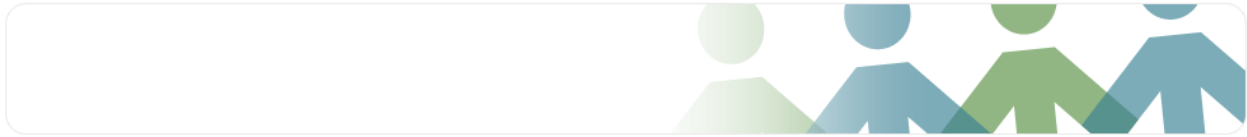
- 1) Jacob could receive a monthly cheque of \$1600 per month ($\$1600 \times 12 \text{ months} = \$20,000$) and pay \$3007 in tax.

OR

- 2) Jacob could receive a pre-adjusted monthly cheque based on the previous year's income tax return. For Jacob, this pre-adjusted monthly amount would be \$1416 per month.

Example 2

Fatima earns \$45,000 per year working as a physical support worker in Ontario. Since the implementation of the uBIG, Fatima receives an additional \$20,000 per year, bringing her net



income to \$65,000 per year. Fatima's basic personal amount or personal exemption, which is taxed at 0% used to be approximately \$11,000. Her basic personal amount or personal exemption is now \$20,000. The first \$20,000 of her net income is taxed at 0%. The next \$25,000 is taxed according to the provincial and federal tax brackets. The provincial tax rate is 5.05% on the first \$42,201 of taxable income and the Government of Ontario will tax Fatima's remaining net income at 9.15%. The federal tax rate is 15% for the first \$45,916 of taxable income, then 20.5% for the next \$19,084. Therefore, Fatima will pay \$3207.26 in provincial taxes and \$7799.62 in federal taxes, totalling \$11,006.88.

- 1) Fatima could receive a monthly cheque of \$1600 per month ($\1600×12 months = \$20,000) and pay the \$11,006.88 in income taxes.

OR

- 2) Fatima could receive a pre-adjusted monthly cheque based on the previous year's income tax return. For Fatima, this pre-adjusted monthly amount would be \$749.42 per month.

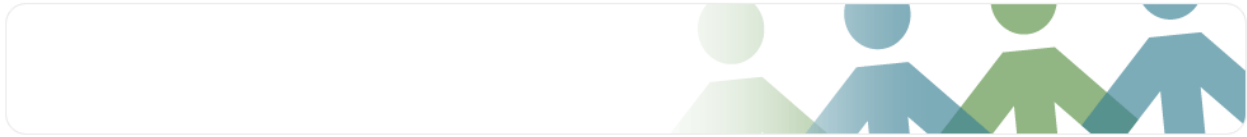
Example 3

Flavia earns \$80,000 per year working as an Executive Director in Ontario. Since the implementation of the uBIG, Flavia receives an additional \$20,000 per year, bringing her net income to \$100,000 per year. Flavia's personal exemption is now \$20,000. The first \$20,000 of her net income is taxed at 0%. The next \$80,000 is taxed according to the provincial and federal tax brackets. Provincially, the next \$22,201 will be taxed at 5.05%, the next \$42,203 will be taxed at 9.15% and the next \$15,596 will be taxed at 11.16%. Federally, the first \$20,000 of her net income is taxed at 0%. The next \$25,916 will be taxed at 15%, the next \$45,915 will be taxed at 20.5%, and the next \$8169 will be taxed at 26%. Therefore, Flavia will pay \$6723 in provincial taxes and \$15,423 in federal taxes, totalling \$22,146. Flavia's after-tax income will be approximately \$77,854.

- 1) Flavia could receive a monthly cheque of \$1600 per month ($\1600×12 months = \$20,000) and pay \$22,146 in provincial and federal taxes on her net income at the end of the year.

OR

- 2) Flavia could receive a pre-adjusted monthly cheque based on her last year's income tax return. Because Flavia's total income tax owed (\$22,146) would be greater than



\$20,000 (the full uBIG), she would receive \$0 of monthly payments, but would only have to pay \$2,146 in provincial and federal tax (under current taxation rates).

Recommendations:

CASW recommends a basic income guarantee in the form of a universal demogrant. We recommend that the basic benefit should be set at \$20,000 – a figure significantly higher than the LICO, but lower than the LIM, to encourage participation in the labour market. All individuals, regardless of income, should be eligible for \$20,000 per year tax-free.

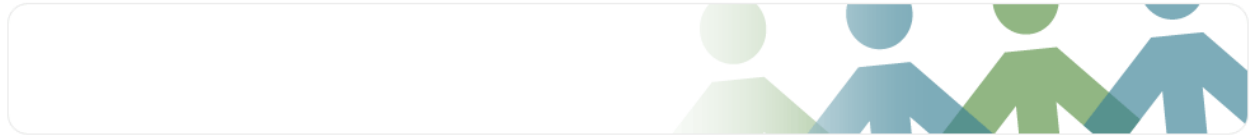
CASW recommends that a uBIG replace only traditional ‘welfare’ or social assistance programs – not all existing social programming. Programs to be preserved include those relating to employment insurance, employment assistance, universal health care, children and childcare, education, assistance for newcomers to Canada, pension programs, affordable housing, and disability programs geared towards accessibility, assistive devices, community supports, employment supports, and transportation needs. CASW is a proponent of social service expansion – not eliminating social services, shrinking government, or privatization.

CASW recommends that the federal government take legislative action to protect Canadians from increases in the cost of living. Legislative action should address affordable housing and utilities, rent control, and food security.

The federal government should take a leadership role in designing and implementing this national program, including how to modify existing taxation structures for a future uBIG, which could be delivered through the Canada Revenue Agency. CASW recommends that further research be done to determine how existing taxation structures and universal demogrant models, such as the OAS, can be used to redistribute benefits.

CASW recommends that the federal government, First Nations, provincial governments, and municipal governments participate in negotiations to ensure successful collaboration and jurisdictional accountability.

Poverty cannot wait: the time is now to implement the next leap forward in Canadian social policy.



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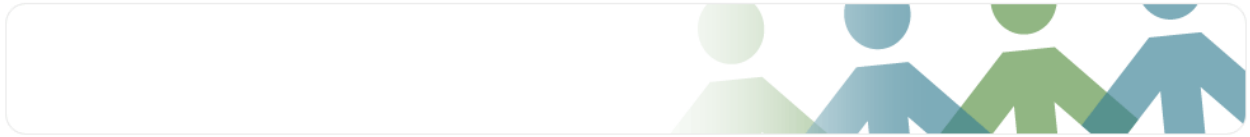
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