FACETS
a multidisciplinary open access science journal

SCIENCE APPLICATIONS FORUM

The need for a federal Basic Income feature within any coherent post-COVID-19 economic recovery plan

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OPEN ACCESS

Citation: Segal H, Banting K, and Forget E. 2021. The need for a federal Basic Income feature within any coherent post-COVID-19 economic recovery plan. FACETS 6: 394–402. doi:10.1139/facets-2021-0015

Handling Editor: Jules M. Blais

Received: February 16, 2021

Accepted: February 22, 2021

Published: March 25, 2021

Note: This paper is part of the Royal Society of Canada's COVID-19 Task Force Collection.

Published by: Canadian Science Publishing

Abstract

COVID-19 has shone a harsh light on the extent of poverty in Canada. When normal economic activity was interrupted by the exigencies of public health driven lockdowns, the shutdown disproportionately affected people who, before the pandemic, were living on incomes beneath the poverty line or dependent upon low-paying hourly remunerated jobs, usually part time and without appropriate benefits. Those living beneath the poverty line in Canada, three million of welfare poor and working poor, include a disproportionately large population of Black and Indigenous people and people of colour. This paper addresses the challenge of inclusive economic recovery. In particular, we propose that the federal government introduce a Basic Income guarantee for all residents of Canada as part of a comprehensive social safety net that includes access to housing, child care, mental and physical health care, disability supports, education, and the many other public services essential to life in a high-income country. Residents with no other income would receive the full benefit that would be sufficient to ensure that no one lives in poverty, while those with low incomes would receive a reduced amount.

Introduction

COVID-19 has shone a harsh light on the extent of poverty in Canada. The arrival of the pandemic in Canada affected the public health of the population and made demands on the health care system across Canada. The greatest impact fell, in the first instance, on expressly vulnerable populations in long-term health care facilities, amongst migrant guest worker clusters, and in areas of more intense concentrations of large urban populations. That these Canadians were living in low-income, high-density areas of larger communities, where space and self-isolation were more difficult, contributed to their enhanced infection rate. Their diminished health prospects affect their families, neighborhoods, and resistance to any infection, let alone an infection as potentially life threatening as the COVID-19 Coronavirus.

When normal economic activity was interrupted by the exigencies of public health driven lockdowns, the shutdown disproportionately affected people who, before the pandemic, were living on incomes beneath the poverty line or dependent upon low-paying hourly remunerated jobs, usually part time and without appropriate benefits. Those living beneath the poverty line in Canada, three million of welfare poor and working poor, include a disproportionately large population of Black and Indigenous people and people of colour.

This paper addresses the challenge of inclusive economic recovery from the view point of:

- why poverty, which became a separate vector for community spread of the virus, must now be effectively addressed within any coherent and inclusive economic strategy;
- the weakness of income security frameworks as they existed before the onslaught of the pandemic;
- empirical evidence indicating more effective ways of reducing poverty; and
- a rational and pragmatic implementation plan for substantial poverty eradication.

In particular, we propose that the federal government introduce a Basic Income guarantee for all residents of Canada as part of a comprehensive social safety net that includes access to housing, child care, mental and physical health care, disability supports, education, and the many other public services essential to life in a high-income country. Residents with no other income would receive the full benefit, which would be sufficient to ensure that no one lives in poverty, while those with low incomes would receive a reduced amount.

Existing income security gaps prepandemic

Never have the yawning gaps in our income security system been so glaringly obvious. The disruption and hardship caused by the pandemic is revealing gaps in coverage and the inequities and inefficiencies in the current patchwork of income security measures. Emergency measures such as Canada Emergency Response Benefit (CERB) and wage subsidies had to be rushed into place simply to keep individuals and families afloat. But what happens when these temporary programs phase out?

None of the problems in our income security system are new or come as a surprise to specialists in the field. Indeed, they have grown steadily over several decades reflecting two major drivers: important changes in the labour market and retrenchment in key social programs supporting the unemployed and the poor. These two primary drivers have been reinforced by a pattern of drift in other key parts of the social protection system, which have not kept up with new social risks and have displaced additional pressures onto income security programs.

Undoubtedly, the most powerful driver has been the changing nature of the labour market. In recent decades, the traditional form of employment has increasingly been supplanted by nonstandard forms, including self-employment, contract work, part-time work, probationary employment, and internships, creating a large gig economy. About one-third of male workers and slightly more female workers are now in some nonstandard form of work. Many highly skilled contract workers are doing very well in this new economy. But, too many participants in the gig economy live precarious lives of insecure work, low wages, and no access to social benefits through the organizations for which they work.

A second driver of program gaps has been successive rounds of retrenchment in government income security programs that began in the late 1980s, peaked in the 1990s, and have continued episodically since then. Retrenchment did little to touch major income security programs valued by the broad middle mass of Canadians such as public pensions. In contrast, however, programs critical to the unemployed and the poor, such as unemployment benefits and social assistance, suffered deep hits.

Finally, the pressures facing the income security system have been reinforced by a pattern of drift in other parts of the social protection system. The lack of adequate childcare, accessible housing, training programs for precarious workers, minimum wages, and employment standards protecting marginal workers all displace pressures onto income protection programs.

The result of these converging trends is an income security system that cannot cope with the needs of Canadians. One of the biggest gaps is in unemployment benefits. In the 1980s, over 80% of the unemployed were in receipt of unemployment benefits; by the late 1990s, the number had dropped to approximately 40%. The dramatic decline was driven—probably in equal parts—by cuts to the program and the expansion in the ranks of nonstandard workers who were ineligible for Employment Insurance.

Social assistance, long thought of as the program of last resort for the poor, is also a weak part of our system. The growth of more precarious forms of employment generates greater demand for such assistance, but retrenchment in the program was dramatic. In 1995, the federal government abolished the Canada Assistance Plan, virtually eliminating federal conditions governing social assistance and significantly reducing its financial support for provincial programs. Dramatic reductions soon followed, both in the numbers of beneficiaries and in the level of benefits in real terms. There were enhancements in other income support programs for the poor, especially the Canada Child Benefit (CCB), which supports low- and middle-income families. Nevertheless, the final backstop for the poor in Canada remains remarkably limited and under resourced.

These gaps in our income protection system matter. Protection is highly uneven across groups of Canadians in unfair ways. In addition, our system leaves millions of Canadians in poverty. In part, the level of poverty reflects the low level of social benefits. No income security program provides benefits that reach the poverty line. But the overall poverty level also reflects the vast numbers of working poor. Our programs seem to assume that people are poor because they are not working. But according to one government analysis, 7.6% of Canadians between 18 and 64 years old are working poor, defined as people who live independently, are not students, and earn at least $3000 a year but still have an after-tax family income below the poverty line (PHAC 2018). Support for these Canadians is very partial. Families with children receive the CCB, but individuals and childless couples receive little.

None of this is inevitable. Other countries do better. In comparison with other liberal democracies, poverty levels in Canada remain strikingly high, especially for families with children. Table 1 provides the evidence for 2017, the most recent year for which comparable data are available.

Table 1. Poverty in selected OECD countries in 2017: proportion of population and selected age groups living at or below 50% of the median income of each country.

	Poverty rate (%)		
Country	Total	Children	Seniors (65+)
Denmark	5.8	2.9	3.1
Germany	10.4	11.2	9.6
France	8.3	11.5	3.4
United Kingdom	11.9	11.8	14.2
Canada	12.2	14.2	10.5
United States	17.8	20.9	22.9

Note: Poverty is measured on the basis of final income, which takes account of the impact of taxes and government income transfers. The poverty rate is set at 50% of the median income in the country, and data are from 2017 (or the nearest year available). Source: OECD Poverty Rate, available from the OECD website at Inequality – Poverty rate – OECD Data

Table 2. Trend in total public social expenditures as percent of Gross Domestic Product.

	Year			
Country	1990	2000	2010	2018
Denmark	22.0	23.8	28.9	28.0
France	24.9	27.5	30.7	31.2
Germany	21.4	25.4	25.9	25.1
Canada	17.5	15.8	17.5	17.3
United Kingdom	27.2	26.8	26.3	20.6
United States	12.1	16.3	18.4	18.7

Note: Data refer to total public expenditures on health and income transfer programs at all levels of government, expressed as a proportion of GDP. Data are for 2018, but Canadian data refer to 2017. Source: OECD Social Expenditure Database, available from the OECD website at: Social Expenditure Database (SOCX) – OECD.

Moreover, despite Canadians' self-image as a caring society, we devote less of our national resources to social programs than other affluent countries, as Table 2 reports. Indeed, according to the Organisation for Economic Co-operation and Development (OECD), Canada spends less on income transfers and public health expenditures even than the United States. Clearly, Canada has room to grow its social commitments.

In the end, however, perhaps the most dramatic sign of the inadequacies in our income security programs is that the system was manifestly unable to cope with the economic crisis generated by COVID-19. As we noted earlier, the federal government had to rush ad hoc programs into place. Canada lacked the income security tools to respond to a real emergency.

The Basic Income alternative

Our collection of income support policies has grown ever more fragmented over the past 40 years. The pathologies revealed acutely by the pandemic—growing income insecurity among working Canadians alongside pockets of persistent poverty—demand a coordinated response so that no one falls between programs.

An income support program should be available when an individual faces hardship because of a lost job, poor health, or family disruption. It should also automatically expand when entire sectors of the economy struggle, and should automatically contract when the economy recovers and people return to work.

Mincome, during which families in Dauphin, Winnipeg, and a few small rural communities received financial support between 1975 and 1978, was one such program. It paid families a stipend marginally greater than the income assistance rate if they had no other income from any source. If they were low-income families, the stipend was reduced by 50% of their other income. The amount received declined as earnings increased until it eventually disappeared for higher income earners.

Mincome was remarkably successful; statistical analyses showed that poverty rates declined, physical and mental health improved, crime fell, family violence fell, and high school completion rates soared (Forget 2011; Calnitsky and Gonalons-Pons 2020). Participants reported greater community involvement and less stressed lives. Women reported greater autonomy associated with receiving their own

money (Fisher 2018). Most people continued to work; there was no change in labour force participation rates and virtually no change in hours worked, except for two groups of people. Young men between the ages of 15 and 24 worked markedly fewer hours; this was because fewer chose to leave school to work full time before graduating (Forget 2011, 2020, pp. 50–52). New mothers, living in a world in which maternity leave was four weeks, chose to use some of the Mincome stipend to "buy" themselves longer parental leaves when they gave birth (Hum and Simpson 1991). While the short-term impacts were dramatic, imagine for a moment the longer term. How different would the next 40 years be for men who completed high school in 1975, compared with those who left school without graduating to work in manufacturing plants that have since sent their production off-shore or in agriculture, where employment has declined dramatically? How different would be the opportunities they could offer their own children?

These results have been echoed in other experiments around the world. Ontario launched a short-lived Basic Income Guarantee experiment in 2017. While the Ford government cancelled the program before systematic analysis of results could take place, a survey of participants revealed that physical and mental health improved and stress declined (Ferdosi et al. 2020). Food bank use declined during the experiment and increased after the cancellation (Benns 2019). One important outcome was that the quality of jobs held by low-income workers tended to improve; instead of short-term, temporary, poorly paid work, the Basic Income Guarantee allowed workers to search for better jobs with benefits and prospects (Ferdosi et al. 2020).

Finland just issued a final report on its Basic Income experiment that was focused on the long-term unemployed (Kangas et al. 2020, pp. 187ff). Again, physical and mental health improved, stress declined and, by the end of the two-year term, even the long-term unemployed who had substantial challenges associated with working were more likely than the control group to be working towards supporting themselves and becoming independent of government support. Several cities in the Netherlands are experimenting with what they call "trust" experiments (Verlaat et al. 2020). These experiments did not increase the amount of money offered to the long-term unemployed; instead they investigated another aspect of basic income. Test subjects received their support without the red tape and bureaucracy of the traditional program. They were not required to report to a caseworker or to demonstrate that they were actively seeking work. Help was available to those who sought help, but income support came without conditions. The result? People who were not coerced to work were, by the end of the two-year experiment, more likely to find permanent jobs than those forced to meet with caseworkers and demonstrate that they were actively seeking work. And, as in the case of Finland, health improved, trust in government and society improved, and social engagement increased.

Many other experiments in high-, middle-, and low-income countries yielded similar results. Health, both physical and mental, improved, poverty declined, and investment in education increased. Adolescent girls in Malawi were more likely to go to school and less likely to engage in transactional sex work (Baird et al. 2012). Young mothers in Kenya were more likely to take their children to clinics and send them to school. In almost all low-income countries, nutrition and basic health improved (Davala et al. 2015). In almost all high-income countries, mental health improved (Standing 2019).

These experimental results reinforce what we already know from analysis of Basic Income-like programs that already exist in Canada. Seniors in Canada with no other income have access to Old Age Security (OAS) and the Guaranteed Income Supplement (GIS), which is a type of Basic Income for seniors. We know that food security and general health of low-income Canadians increases as soon as they turn 65 and transition from provincial income assistance to seniors' programs (McIntyre et al. 2016a, 2016b). Young families in Canada have access to CCB, which is another form of Basic Income. In general, mothers did not work less when they received an early form of the Child

Benefit. Married mothers worked marginally less, but single mothers worked more (Koebel and Schirle 2016).

Overall? Basic Income leads to better physical and mental health, stronger and more resilient communities, and it does all this without reducing the amount of work that people are prepared to do.

The challenge of implementation

The dynamics of implementing change to social policy generally, and income security specifically, are complex in any pluralist democracy. That is true in unitary states like Ireland or France and particularly true in federal states, like Canada, where social policy jurisdiction is shared between the federal and provincial governments.

In Canada, Quebec's traditional requirement to have control of "societal instruments" (while accepting federal funds) and the challenge of including First Nations' populations as recipients of programme benefits while respecting important principles of First Nation sovereignty adds to the complexity. That poverty levels are almost twice as high among First Nation residents as among the rest of the population makes any notion of excluding them as Basic Income recipients a nonstarter in any inclusive poverty abatement cash transfer. Fortunately, a platform now exists for negotiation of changes to income assistance on reserve between the department of Indigenous Services and First Nations (Forget 2020, pp. 217–220). Any improvements or innovation in income security programmes aimed at those living in poverty on reserves must respect First Nations sovereignty both in matters of design and implementation.

Other impediments to implementation also exist. The generally risk-averse and incremental bias of most public servants, added to by the normative resistance in federal and provincial finance departments to new programmes that involve statutory guarantees of cash benefits, are always a high hill to climb when innovation in income security is necessary. This complexity is added to naturally by the understandable divergence between and within political parties as to the efficacy of existing social policy frameworks, let alone suggested changes.

Another challenge to implementing change is the extent of public discourse and elite opinion that ignore the perspective of the vast majority of Canadian residents. Small businesses tied to an economic model of low pay, part-time employment, and few, if any, benefits, fear that enhanced and automatic Basic Income benefits for the working poor would diminish the available (perhaps desperate) labour pool. This is despite the lack of any substantive evidence from implementation pilots and trials in Canada, the United States, Europe, and Africa that Basic Income recipients work less.

Proponents of fiscal austerity and the orthodoxy of balanced budgets attack affordability. They ignore how postwar democracies, including Canada, invested in social infrastructure (health care, support for tertiary education, and financial assistance for students, seniors, and the physically disadvantaged) without causing meaningful fiscal imbalance.

Despite the many challenges, Canada and Canadians have been able to innovate and implement income security changes in the postwar period; those examples are instructive.

In the 1960s, the government of Saskatchewan launched universal health insurance that was implemented nationwide by the federal government on a shared-cost basis during the period of the 1963–1968 minority government of Prime Minister Pearson, in a way that saw every Canadian province step up to implementation with federal backstop commitments on health care capital spending. Innovations like an enhanced Canada Pension Plan were implemented during that same time frame.

The Mulroney government (1984–1993) instituted the enhanced Child Tax Credit replacing universal family allowances with provincial collaboration. The Chretien government (1993–2002) made further enhancements through a refundable child tax credit of even greater generosity while enhancing the solvency of the Canada Pension Plan through successful negotiations with the provinces.

We believe that there is an expeditious way ahead to effectively implement a truly efficient poverty abatement programme, which would reduce the pathologies of poverty that led to enhanced infection rates during the pandemic and, if not addressed, would do so again.

We recommend that, rather than an endless federal–provincial negotiation of how best to proceed, the federal government should announce its intention to:

- introduce a Basic Income Guarantee close to the Market Basket Measure, paid monthly, to residents of Canada between the ages of 18 and 64;
- design the Basic Income Guarantee so that those with no income would receive the full benefit, but those with other sources of income would receive a benefit reduced by a proportion of their other income;
- deliver the benefit using the same set of online accounts supplemented with direct access for those without online accounts as was used to deliver the CERB;
- allow the benefit to vary monthly in response to changing needs.

The Parliamentary Budget Office, as well as others, has estimated the upfront costs of such a program, which vary by generosity and detail (PBO 2018, 2020; Pasma and Regehr 2019). A federal Basic Income of this design would not require retrenchment of public services. Indeed, the federal Basic Income would relieve the provinces of the need to deliver basic welfare programs, and the money freed up could be used to enhance support for the disabled, those with special needs, education, health care, or long-term care requirements by individual provincial governments. The cost imposed on the federal government could be recovered through relatively modest changes in the tax system. It is important, however, that Basic Income be regarded not as expenditure, but rather as an investment in Canadian families and Canadian values of inclusivity and opportunity. The return on investment will be realized in terms of quality of life, but also in hard dollar terms because we will no longer be required to pay for the consequences of poverty through our health care system, our justice system, and so many other social programs.

The ability to innovate in the public interest is essential for any democratic system of government. Innovation on the challenge of poverty, a challenge whose discriminatory impact on Black, Indigenous, and people of colour in terms of deleterious health outcomes, negative interactions with law enforcement, constrained life prospects, and earlier death (with or without a pandemic) has never been more necessary. The COVID-19 pandemic has elevated, in sharp relief, the costs of not addressing poverty, not only to those living in poverty but also for surrounding communities. Tinkering with programmes unrelated to poverty abatement, like EI, simply dilute government's capacity to innovate and implement antipoverty Basic Income measures within a reasonable time frame.

A robust and inclusive economic recovery that favours job creation, incentives to work and invest, fair returns to entrepreneurship, appropriate tax revenue to all levels of government, and that facilitates investment in key social policies such as income support and public services such as health and education is essential to ensuring enhanced opportunity for all. The central lesson from the initial round of COVID-19 experiences across Canada is that past failures to invest in equality of opportunity created disproportionate suffering, both physical and economic, for those at the low end of the economic ladder. That is not a mistake we can afford to make again.

Author contributions

HS, KB, and EF conceived and designed the study. HS, KB, and EF performed the experiments/collected the data. HS, KB, and EF analyzed and interpreted the data. HS, KB, and EF contributed resources. HS, KB, and EF drafted or revised the manuscript.

Competing interests

The authors have declared that no competing interests exist.

Data availability statement

All relevant data are within the paper.

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