

Basic Income : a Mirage or a Reality?

Situation of Poverty

In Canada, nearly 4.8 million citizens live below the poverty line, including 100,000 in our province – in other words one person out of seven. For the most part, they are citizens who depend on income assistance, low-wage earners, and seniors.

In the light of this fact, citizens, community organizations, politicians, and even business people are starting to explore the idea of a guaranteed annual income (usually called a basic income) as a tool for reducing poverty.

Even with innumerable support programs from the federal and provincial governments, such as the HST and GST tax credit, direct support for heating, rent, tax credit on salary income, more elaborate programs like the Old Age Pension, the Guaranteed Income Supplement, provincial Social Assistance, the Canada Child Tax Benefit, Employment Insurance and the Canadian Pension Plan, poverty still exists.

In principle, Basic Income would replace all or most of these programs, makes it easier to administer and it would significantly reduce poverty.

However, everyone does not have the same interpretation of a basic income or the costs generated.

What the Basic Income Is

When referring to a basic income, we are essentially talking about two main options. The first would be to give a cheque to every Canadian citizen, irrespective of their income and taxed at the end of the year. The second option would be a negative income tax approach where a cheque is given to citizens, but the amount would decrease as their income and the number of family members increased.

The first option would be easier to administer, but it would cost more. The second option would incur administrative costs, but it would cost less because the richest citizens would not receive anything.

The Costs

One of the ways to finance the basic income program would be to get rid of the numerous federal and provincial programs and invest those funds in one single program, the Basic Income Program.

David Macdonald states in his *A Policymaker's Guide to Basic Income* that there are currently 30 federal and provincial support programs that resemble a basic income and that has citizenship as the only determinant and three other programs that have paying rent or property tax as a determinant. Social Assistance is not included in these 33 programs. Employment Insurance and the Canada Pension Plan are also excluded, since they are specifically for workers and are financed by workers and employers.

Therefore, all those programs could disappear except for the Canada Pension Plan and all the money saved would help finance the new basic income program.

In his research David Macdonald examines four different scenarios. The first is a basic income (between \$2,655 and \$3,565) financed entirely by money saved by cancelling the existing programs. The second is a universal \$1,000 taxable transfer to all Canadians while keeping all the existing programs. The third is a basic income that varies (\$15,765, \$17,080 or \$18,008) depending on the revenue sources of the citizen and the number of people in the family. This amount would be reduced by 50 percent for every dollar the family earns, but most present programs would disappear. The fourth is a 34th basic income, a \$10,000 negative income tax on top of all 33 existing programs.

Some of these options will increase poverty, others will reduce it for certain groups, while some will need an increase in the GST or in income tax.

Questions to Answer

When talking about a basic income program as a solution for poverty, we often forget to ask important questions:

What would be the basic income amount and whether it would be indexed to the cost of living?

How the job market would adjust after the disappearance of a certain number of employees in the public sector?

How the basic income could be adjusted when a person loses his or her job?

Would there be a right of appeal when a citizen is not satisfied with the way his or her amount was calculated?

Would the basic income apply to native reserves and to immigrants?

What would happen to programs that provide support for daycare, heating, rent, people with disabilities, people with mental health problems, the homeless, etc. Would all these programs disappear? Would citizens be left to find these services in the private sector and pay for them out of their own pocket?

Would the basic income become a subsidy for employers who would no longer see the necessity to increase wages, especially the minimum wage?

What impact this basic income would have on the situation of women. Would a basic income risk putting the woman back in the home to take care of children and parents?

Basic income is an option that we need to look at but we must continue the conversation in order to find the best method for reducing the social scourge of poverty. We must not close ourselves to the real hard questions that need to be answered before advocating the abolishment of all our present public programs.

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