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Money for nothing

What effect would guaranteed annual income have on employers?

By Liz Bernier

For most, earning an extra \$10,000 or \$15,000 per year sounds like a pretty good bonus. It sounds even better if it's an income bump that's earned not by slaving away nine-to-five but handed out — no strings attached — simply for being a Canadian.

While it sounds like an impossible dream, it's one potential incarnation of basic income.

Also referred to as guaranteed annual income, basic income generally refers to the idea of an income supplement that's not earned or tied to any specific activity, such as being employed. Numerous models of the idea have been proposed, some more drastic than others.

Proponents argue a national basic income would dramatically reduce poverty, encourage higher education and promote employment; those critical of the idea say it could pose a disincentive for people to work, particularly in low-wage jobs, and it is unrealistic and unsustainable from a fiscal standpoint.

However, the idea has been gaining more attention as the Liberal party this year adopted two resolutions around a basic income supplement at its February convention.

What exactly is basic income?

Though there are different models, it's important to understand that basic income is not intended to replace employment income, said experts from the Basic Income Canada Network.

"A basic income is envisioned as the guaranteed annual income or top-up that pays for the basics of food, clothing and a place to live. It's not meant to replace other forms of income such as work," said Kelly Ernst, secretary-general of the Basic Income Canada Network in Calgary.

"It's there to give the basis for food, clothing and a warm place to live — not go beyond that."

There are already some types of basic income mechanisms in place, said John Stapleton, an innovation fellow at the Metcalf Foundation in Toronto.

"In Canada, we already have a guaranteed annual income — it's just very, very low. It's more in the form of refundable credits, like GST and HST credits. It's only about \$1,000 a year for a single (person), but for a mother with two kids who is poor, she's going to get about \$8,000 to \$10,000 from the state through child benefits and that sort of thing," he said.

"So we already have the rudiments of a guaranteed income. If you take all of our income security measures and mass them all together, it can kind of look like a very, very low (guaranteed income)."

Guaranteed annual income systems have existed in varying incarnations in Brazil, Iran and Namibia, among other places. Canada had its own basic income experiment in the "Mincome" program in Dauphin, Man., in the 1970s, which saw each family receive a minimum income benefit.

How would labour market be impacted?

So what sort of impact might a basic income have on employers, and the labour market at large? For critics, the answer is a disincentive to work and more people dropping out of the labour force. But Ernst and other proponents argue that a relatively small basic income amount — say \$10,000, \$15,000 or so — is simply not enough money to spark a mass exodus from the labour market.

"For an employer, I think it's really important to understand that basic income is not intended to be created in such a way that it would interfere with people's motivation to work," said Ernst, adding there is still plenty of incentive to participate in the labour market.

"If you think of it from the perspective of how people currently work and what they're motivated to do now, people are motivated to not only pay for their homes and their education and their kids' tuition and their car and maybe some holidays and so on and so forth... have all of those things in your life and you're going to be motivated to have a good career and get good work to (support) that."

There is some research evidence around basic income and the motivation to work, said James Mulvale, dean of social work at the University of Manitoba in Winnipeg. His colleague Evelyn Forget's research on the Dauphin Mincome project suggested labour force withdrawal was not nearly as dramatic as critics would expect.

"She found in the Mincome project... that labour force withdrawal occurred to some extent, but just on a very minor basis. And it was often young kids that wanted to finish high school, young parents who wanted to stay home with infants and their maternity benefits had run out. So... people were withdrawing for good reasons," he said.

The incentives we often fear are not in the labour market actually are there, said Stapleton, simply because \$15,000 is just not going to support a middle-class lifestyle.

"How many people are going to quit their work because someone's going to give them \$15,000 a year?" he said.

"But we fear that there's a type of person out there who is going to say, 'Well, if you provide me with a basic amount of income, I'm just going to quit and live on that.'"

That is also an argument commonly cited by critics — that money shouldn't be doled out to unemployed people for doing nothing, said Mulvale.

"The critics say, 'Well, it's just giving people money for nothing — they'll just sit at home and be lazy and not be productive citizens.' Well, some of that already happens — welfare fraud, et cetera," he said.

"But any research that's been done on fraudulent claims shows a very small percentage — two, three, four per cent. So in any kind of system, there are always people at the margins who are trying to game

the system. But I guess the question to ask is, is the overwhelming majority of beneficiaries going to use the money for good purposes?"

For Ernst, the answer is a firm yes — a basic income would enable people to pursue higher education, as well as more entrepreneurial initiatives, he said.

"Another possible effect that it may have is it could create the ability for people to pay for greater childcare, and then take on additional work," he said. "Now, the way social services systems and income support systems are set up across Canada is very often people can't do that because their income is cut, so they're kind of encouraged to stay home and take income support to look after kids, as opposed to have help looking after the kids and pursuing work."

It could also foster greater labour mobility, as workers could be better able to move out-of-province for a job, said Ernst.

"They may be able to better afford the travel costs and moving costs associated with moving as well," he said. "In that way, basic income could actually support business in helping people to move across the country to take on positions and jobs."

Employees could have more leverage in the labour market as well, said Mulvale, as they would have a greater ability to turn down undesirable work.

"They'd have the ability to say no to poorly paid or poor-quality or dangerous or dirty work. And, all things being equal, wages for those jobs would have to go up or conditions improve," he said.

"Another way of looking at it is the basic income would give employees more flexibility and that would work to the employer's advantage in cases where they want people on a part-time basis, or for some parts of the year and not others. A basic income in place that would support people when they're not getting a lot of paid hours of work, it would still enable them to survive economically and to participate in the labour market on a flexible basis."

However, employers are going to be worried about the potential cost of subsidizing such a program, and what their role in it would be, said Stapleton.

"Employers are going to be worried about what's their stake in it, what do they have to pay... where's the money going to come from?" he said.

"If it's not coming from them and if it's coming through personal general income tax or general revenues, that doesn't really affect them — it only affects them in the abstract — and they're going to be happy about it because it stabilizes the lives of the people who work for them.

"For high-value employers who are hiring people at much, much more than the poverty rate, it just has no effect at all. It just doesn't matter. And for employers that are trying to compete on the world stage, then it's only for the good — it's just like having health care. It makes Canada more competitive with other nations that don't have it."

Even so, it's not likely to happen anytime soon — at least, not on a dramatic scale, said Mulvale.

"In terms of a more generous, a more universal basic income... maybe \$10,000, \$20,000... I don't think we're going to see that anytime soon," he said.

"But if we were kind of to take steps in that direction, realizing that maybe we're not in a full employment economy any more... that would certainly have an impact."

SIDEBAR

BASIC INCOME

The court of public opinion

In 2013, the Pierre Elliot Trudeau Foundation, in partnership with Concordia University in Montreal, conducted an Environics poll of 1,501 Canadians about the issue of a guaranteed annual income.

This was defined in the poll as every Canadian receiving a defined amount from the government each year. That amount would be clawed back for every dollar of income an individual earned.

The program would be designed and implemented to ensure all Canadians had access to basic necessities, and this income would replace other forms of assistance such as welfare and unemployment insurance.

The system would create an established income "floor" to ensure everyone has access to food, clothing and shelter.

The survey results showed no clear majority opinion either for or against such a system; the poll found an almost 50-50 split between those Canadians who supported the idea and those who opposed it.

Nearly one-half of the participants responded they would strongly (19 per cent) or somewhat (27 per cent) favour this type of policy, while the other half said they would somewhat (17 per cent) or strongly (25 per cent) oppose it.

There were, however, clearer distinctions between the provinces and between high- and low-income earners.

The concept received strong support in Quebec (55 per cent) and Vancouver (52 per cent), as well as among Canadians with household incomes of less than \$100,000 (52 per cent).

The concept was opposed by Albertans (38 per cent) and Canadians earning \$100,000 or more (39 per cent).

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