

## **A young person's guide to a guaranteed annual or basic income: part 1**

The idea of a guaranteed annual income or a basic income has been around for decades if not centuries. But recently, these ideas have become popular again. There is a lot of 'noise' surrounding these concepts and I believe that it will be very hard especially for young people to understand what is important and what is not important.

In this short essay and in this series, I will try to separate what is important from what is not and to discuss rules that are relevant as opposed to those that are not. So here goes. I have written before on what a basic income would cost<sup>1</sup> and what the annual part<sup>2</sup> means under a guaranteed annual income.

### **Rule 1: A GAI or a BI is for everyone (and that's not the case now)**

The first thing for you to know is that a guaranteed annual income (GAI) or a basic income (BI) in Canada is like a unicorn. Unicorns are beautiful but they don't exist. For a GAI or BI to exist, they must have the quality of being for all Canadians. That is the first rule of the GAI or BI: that in order to exist, they must be in place for everyone.

### **Rule 2: Canadians must all live free of income poverty as assessed by poverty lines**

The second rule of a GAI or a BI is that each Canadian must live free of income poverty over their lifetimes. In other words, no one in Canada would be poor anymore.

Six of seven Canadians at any one time already live poverty free<sup>3</sup>. Their income levels are high enough to escape poverty. Through work, investments, wealth or income security programs of various sorts, their income is above established poverty lines.

These poverty lines are the low income measure (LIM), the low income cutoffs (LICO) or the Market Basket Measure. Each can measure income by family size and most place after-tax poverty level at incomes of about \$20,000 to \$40,000 for a single person or family of four.

I am not going to get into a fight about poverty lines here. What's important is that they are all more or less the same and if there is an argument, let's use the highest one.

One out of seven people in Canada live in what is known as 'income poverty'. This means that they have after tax incomes below the amounts noted above.

### **Rule 3: Income must be guaranteed to the one in seven Canadians who are now poor**

Both the GAI and the BI are generally in agreement about what comes next. They both call for the one in seven or about 5 million people in Canada who are living in poverty to be raised out of poverty through a transfer of income to them to achieve this goal.

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<sup>1</sup> <http://vibrantcanada.ca/blogs/john-stapleton/they-cant-we-can>

<sup>2</sup> <http://vibrantcanada.ca/blogs/john-stapleton/guaranteed-annual-income-contains-three-words-let%E2%80%99s-talk-about-%E2%80%99annual%E2%80%99-part>

<sup>3</sup> <http://www.cwp-csp.ca/poverty/just-the-facts/>

How this gets done is a matter of debate; but most agree that it could be achieved through the income tax system or through a new income security program.

**Rule 4: A GAI differs from a BI in terms of what happens to the income security and tax systems in Canada**

A GAI could be achieved for every poor person in Canada up to the poverty line but how this gets done differs from one plan to another. For example, about 5% of people in Canada – one in twenty or 1.8 million of the 5 million receive their income from social or income (welfare) assistance programs. Most proponents of a GAI or BI would not agree with raising welfare programs up to the poverty line.

In Ontario, welfare programs would have to be raised by about 125% to bring them to the poverty line. Disability income assistance would have to be raised by about 80%. This would be highly controversial and the programs would have to be significantly redesigned to accommodate such large increases. Most proponents of a GAI or BI do not want to increase welfare to achieve a GAI or BI.

But this is where it gets interesting.

GAI proponents generally wish to change the income security system that we have now and put the money we now spend to the purpose of creating a GAI.

Basic Income proponents have a propensity to allow the working parts of the current income security system to be left alone and use the income tax system or a new program to bring everyone up to the poverty line or to a level somewhat higher than that.

Right now, the income security system in Canada spends about \$160 billion (2015) and the proponents of a GAI generally wish to realign current income security programs in service of an overall guarantee that would be available either to all who are not poor now or to everyone.

This means a cancellation or realignment of the following programs:

**Aged:**

- OAS, GIS, CPP, provincial supplements

**Disability:**

- CPP-D, social assistance, Veterans benefits, the WITB-D, RDSP's, Workers' Compensation, EI sickness, Private programs, the Disability Tax Credit

**Working Age:**

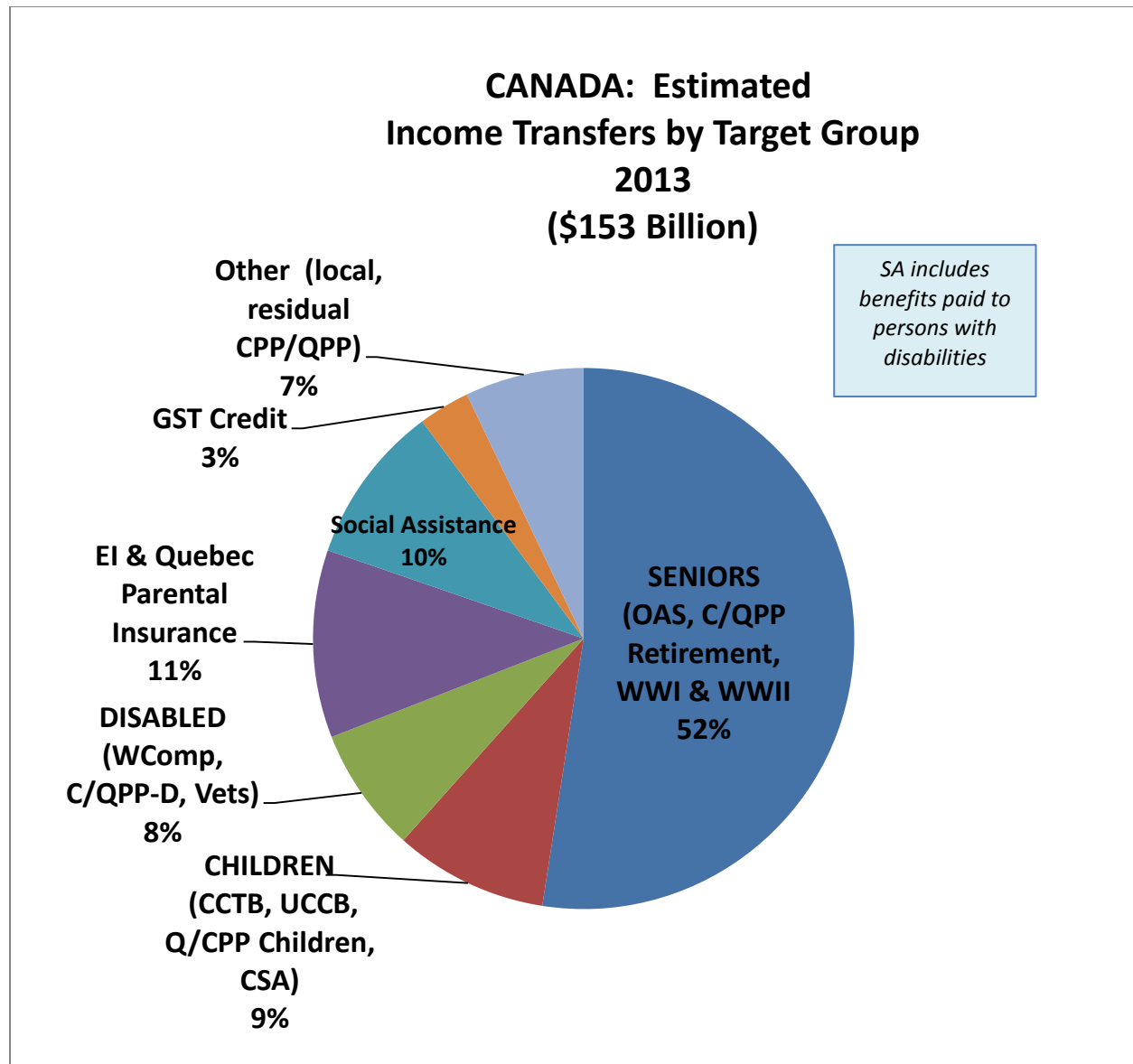
- WITB, EI, Veterans, refundable credits, social assistance

**Children:**

- The new CCB, provincial programs, children's portion of social assistance

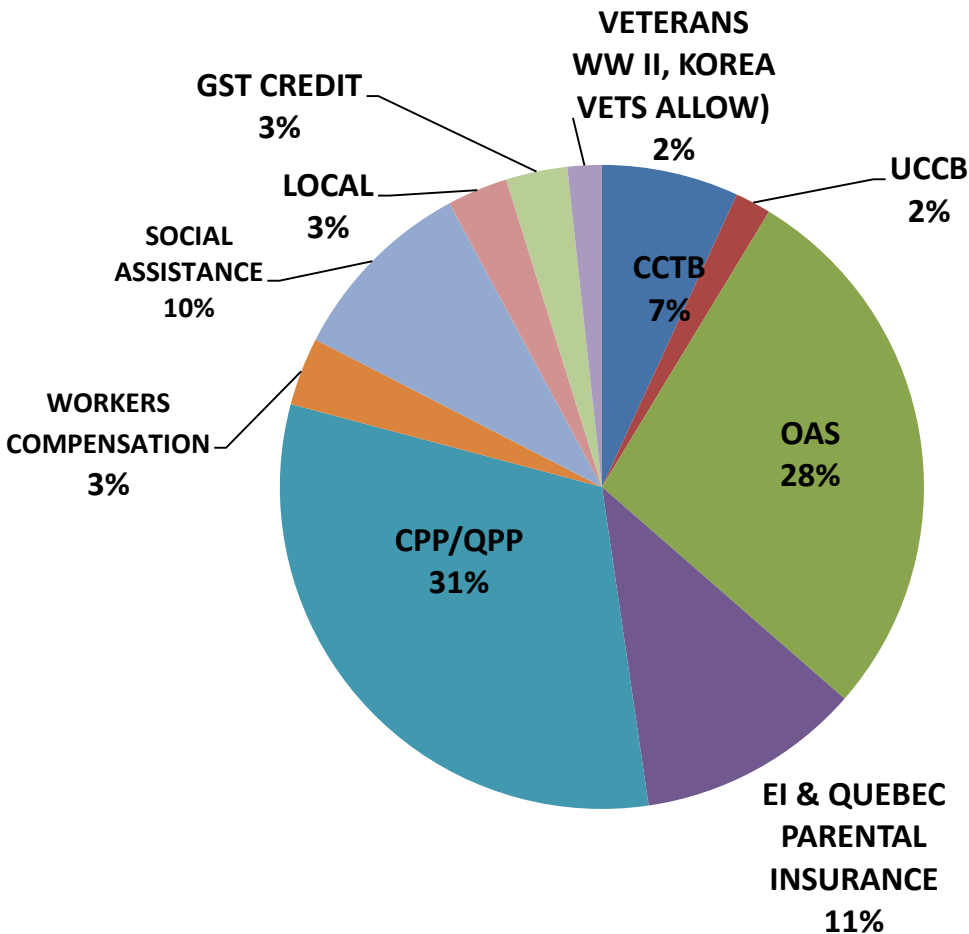
They would then add approximately \$30 billion to the realigned \$160 billion and change all rules so that the income provided would be guaranteed and would be paid according to an annual reckoning of income.

Here is a pie diagram of the current income security in 2013 by target group when spending clocked in at \$153 billion in Canada.



And here is the same pie diagram according to program structure:

## CANADA: Estimated Income Transfers by Program 2013 (\$153 Billion)



GAI proponents often say that there would be significant savings in administration that may result from program consolidation. Currently, these programs spend approximately \$8 - \$10 billion in administration and perhaps that amount could be cut in half with better program coordination. But claims that administration cost cutting could pay for significant improvements are simply unfounded.

BI proponents range from those who would partially dismantle the present system to those who would simply add the \$30 billion needed to bring all Canadians up to the poverty line.

### What do I think?

First of all, the idea of handing out a basic guarantee to everyone whether poor or non-poor doesn't seem to make a whole lot of sense. This is the weirdest version of the GAI.

Kevin Milligan<sup>4</sup> has noted that the \$500 billion price tag would basically bankrupt the country and this is largely true as the basic income alone could cost more than 20% of GDP versus the current cost that stands at about 8% of GDP. The idea of spending a lot of money on the 6 in 7 Canadians who are not poor seems like a solution in search of a problem.

The \$30 billion to bring everyone up to the poverty line stands at about 1.5% of GDP so that is a reasonable amount. The problem with spending the \$30 billion to bring everyone up to the poverty line is that unless done very cleverly, it can look like a 125% increase in social assistance during a time when it has been almost impossible politically to keep welfare benefits in line with inflation. In fact, they have not kept up with inflation for the past 23 years so it is hard to imagine finding the political will to suddenly raise welfare income increases by 25 to 50 times what has been possible over the last two decades.

The next problem will come in the form of a question: is raising incomes the best thing that one could do with an extra \$30 billion?

The answer from many will be that more affordable housing, lower tuition, more affordable transit and child care spaces are a lot better use of money than raising incomes. Some will argue that both should be done but the \$60 billion price tag means a revenue increase equal to \$1,739 per Canadian or \$3,478 from the richest 50% of Canadians; so it starts to sound like a lot of money. To raise that amount of money would cause a lot of pushback.

Yet it's also important to note that poverty has a cost and that in the long term, raising all Canadians out of poverty would have highly beneficial effects and would lower the costs of the health and justice systems over the long haul.

We also have to think about First Nations whose poverty is not just income poverty: they experience living standard poverty which higher incomes alone are not going to solve. A long term commitment from Canadians to raise living standards on reserves should be an early priority.

Finally, we have to think long and hard about dismantling an array of good programs that either still work well like CPP, OAS, GIS, refundable credits and child benefits and programs that could work well like Veterans benefits, EI, and worker's compensation. Dismantling programs that Canadians know well and are used to will not be easy to do and many would question if the glow of a GAI would be reason enough to dismantle programs that many people believe are helpful and adequate.

In conclusion, I come down on the side of a preference for a BI over the GAI but acknowledge that social assistance programs would have to be completely redesigned for Canadians to accept any move towards adequacy. So there you have it. A GAI is likely impossible and impossible for good reasons. A 'BI' would be a great step forward but there are terrific headwinds ahead. I hope we are ready for the push.

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<sup>4</sup> <http://www.theglobeandmail.com/report-on-business/rob-commentary/everyone-talks-about-basic-income-heres-why-they-dont-implement-it/article27723204/>

## **A young person's guide to a guaranteed annual or basic income –part 2**

### **A Valentine's Day gift for benefit designers – a tale of two GAI's**

In the Toronto Star on Saturday February 12, there was a lead editorial<sup>5</sup> on Guaranteed and basic incomes that set out the usual cautions about beautiful unicorns that don't exist. I won't go into the details here.

Instead, I want to build on my essay of one week ago and talk about two real people – two seniors - that already have guaranteed annual incomes. One is comfortable and the other is poor. The first is my father and the second is a woman for whom I have advocated. Her name is Linda Chamberlain.

Let's start with my father. He is 96 and in comparatively good health. He lives in his roomy family home which is bought and paid for. He has a defined benefit pension which on its own, keeps him out of poverty. No form of guaranteed annual income (GAI) would ever give him more money than he already receives in his pension. He also has savings.

But here's the thing; he also gets Old Age Security (OAS), Canada Pension (CPP) and a nice stipend from Veterans' Affairs Canada. All in all - three public sources of income – all part of the \$160 billion or so Canada spends in income security – paid him additional funds.

My father is a veteran of World War II. He enlisted in September 1939 and came back home in August 1945. He was in harm's way on many occasions. He worked on the encryption machines code-named ENIGMA popularized in the movie The Imitation Game.

All of this is important because my father receives considerably more money from public sources than does Linda Chamberlain. They both receive Old Age Security in the same amount. She also gets the Guaranteed Income Supplement (GIS) and payments from the Guaranteed Annual Income System for Aged (GAINS-A) in Ontario. She also receives GST credits and money from Ontario's Trillium program along with electricity rebates. Linda rents in subsidized housing and pays about \$400 a month. She has no savings and a small amount of debt.

The amount of money Linda gets from her five public sources is less than what my father receives from OAS, CPP and Veterans' Affairs. My father gets about \$33,000 a year from OAS, CPP and Veterans' Affairs. Linda receives about \$18,000 from 5 sources of income. My father is not living in poverty. Linda is poor.

But that's not where the comparison ends. It's where it begins.

My father has medical bills that are largely paid for through his former employer and Veterans' Affairs. Linda has medical expenses that are not covered at all. Most have been delisted from health insurance in Ontario. Living in an older public building with expensive heating, Linda's utility bills are in the stratosphere.

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<sup>5</sup> <http://www.thestar.com/opinion/editorials/2016/02/12/basic-income-is-tempting-but-it-could-backfire-editorial.html>

If Linda goes to the bank to get a loan to pay off her debts, the quoted interest rate is approximately 10% (and that's after I offered to guarantee payment just to get a quote). My father can secure a line of credit loan with an interest rate of just over 3%.

Linda did not apply for CPP because the recovery rate on her GIS and GAINS-A would be exactly 100%<sup>6</sup>. Linda can't make money by making speeches because her honorariums are recovered<sup>7</sup> at 100% off of her 'guaranteed annual income'. If Linda were to get a job at age 66, her rent would go up by 30 cents on the dollar and her GIS (after \$3,500 in earnings) would go down by 50 cents on the dollar. As a result, Linda has no savings and realistically cannot save anything.

In contrast, if my father gets more money, his housing costs do not go up and his income from the federal government does not go down<sup>8</sup>. My father can put his savings into a Tax Free Savings Account (TFSA) and pay no tax on it at all. When he invests, his tax rate on capital gains is half of what he pays on his income. If he has dividends, he gets a dividend tax credit.

This is a tale of two guaranteed annual incomes. One comes in just below the poverty line and would be higher than the poverty line if Linda's \$2,000 in yearly honorariums were not confiscated at 100%.

My father's guaranteed annual income is considerably above the poverty line but he can save tens of thousands of dollars with no tax implications and the highest rate of taxation he theoretically could pay on his capital gains is about 24%.

The political realities are that Linda may get some more GIS money from the new government in Ottawa and her income may go above the poverty line. That's a tick mark for a basic income – maybe even a GAI. But what Linda faces in recovery rates on her benefits added to the new expenses she has to pay for along with her higher seniors' rent, there is no comparison to what she confronts compared to what my father faces.

Yet the more important reality for supporters of a GAI or a basic income is that no one is going to take benefits away from a World War II veteran who served overseas in harm's way for the entire duration of the war. No one is going to reduce his CPP or OAS payments. No one is going to touch his pension. No one is going to get rid of the TFSA or tax capital gains at the normal rate of personal taxation. So GAI proponents who think they are going to reduce existing benefits to modest earners: guess again.

Similarly, even if GIS goes up for a single senior with no other income, there is no discussion of reform of GAINS-A, no one is talking about higher GST credits or increased Trillium payments. No one is talking about lower rents in rent geared to income (RGI) housing and no one is talking about paying higher OAS to poor seniors.

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<sup>6</sup> <http://openpolicyontario.com/a-story-of-two-poor-seniors-linda-and-doris-are-the-highest-taxed-people-in-ontario/>

<sup>7</sup> <http://www.thestar.com/news/world/2015/03/29/should-poor-seniors-have-to-pay-to-volunteer-porter.html>

<sup>8</sup> His income would only go down if his OAS is clawed back.

This means is that there is a massive chasm between the dream of a GAI and its ultimate design.

Design is important.

It **is** the fine print.

And it is the difference between two very different guaranteed or basic incomes: the GAI or basic income for a low income person versus the guaranteed income for the comfortable.

We have a lot of work to do on design. Shall we begin?



## **A young person's guide to a guaranteed annual or basic income – part 3**

### **What to do with our emotionally charged income security system**

To many, a GAI or basic income looks like a bauble or a confection. It's up there with solving gridlock, reducing global warming and curing cancer. Easy to want and easy to say – wicked hard to do!

The problem with a GAI is not unlike the problem of unicorns - they are beautiful but don't exist. Bringing a GAI or BI into existence is extremely difficult as a horrendous load of problems face designers within the first minute of study.

Growing a horn on a horse might well be easier.

More than anything, the GAI suffers the same problem as 'world peace' in that it is an absolutely pure idea that would, in one fell swoop, make us all better off. A GAI sounds like it should be very easy to do in lay terms just as 'world peace' seems eminently implementable to many (just lay down your arms).

To me, this is why the GAI gains momentum in the same way as ideas to establish world peace, end gridlock or to cure cancer.

That said, the concept of a GAI is very useful because it gives us all a goal to strive for - an outcome and an 'end state' for income security in a poverty free world. Without goals and without aspirations, reform falls flat because we don't know where we are going.

But for heaven's sake, we have been positing the idea of a GAI on and off for the last 50 years and we haven't even started to build the baby steps to get us there.

### **The huge importance of emotion, morality and biography in benefit design**

One of those important first steps will be to deal with the issue of emotion, the moral palette<sup>9</sup> and the personal biographies of Canadians.

In [A young person's guide to a guaranteed annual or basic income – Part 2](#)<sup>10</sup>, I drew a sharp distinction between the public benefits paid to my father and those paid to a low income senior named Linda Chamberlain. My father is not poor by virtue of his defined benefit pension and would not be poor even if he received nothing from Canada's income security system. Linda receives five income security payments and still lives below the poverty line.

My father can easily meet his expenses out of his pension because his pension is adequate and he lives in a mortgage free home. Linda lives in a subsidized apartment but because she has sky-high utility bills and has unsubsidized medical bills, she lives in constant poverty.

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<sup>9</sup> <http://moralfoundations.org/>

<sup>10</sup> <http://openpolicyontario.com/a-young-persons-guide-to-a-guaranteed-annual-or-basic-income-part-2/>

The dilemma remains that my Father receives 83% more in income security payments (on top of his pension) than Linda receives from hers. No one is looking to take any of my father's benefits away from him and although there are reasons to believe that the single Guaranteed Income Supplement (GIS) may be raised<sup>11</sup> by \$1,000 a year, this would result in my father still receiving 74% more than Linda.

So let's look at what's going on; and what's going on is all about emotion, morality, and personal biography.

First of all, my father gets his \$33,000 from our retirement income security system: OAS, CPP and Veterans' Affairs benefits. He gets full OAS because he lived in Canada for 40 years beyond his 18<sup>th</sup> birthday. He gets CPP because he worked full time for 36 years between 1946 and 1982 and contributed part of his salary into the CPP. His pension benefits were reduced at age 65 because he became eligible for OAS and CPP.

He served in World War II and as a result, he receives benefits from the Veterans Independence Program (VIP) as he still lives in his own home.

Few Canadians would agree that his \$33,000 in total benefits should be cut. They would agree that he should get his OAS because he met the OAS residency requirements. They would concur that he should be able to get CPP benefits because he contributed to the plan during his working years. I also believe that Canadians would agree that he should remain eligible for Veterans' benefits because of his sacrifices as a teenager and as young man.

Linda Chamberlain gets OAS on the same basis as my father and in this area, they are equals. But Linda has a very low CPP entitlement that is not worth applying for because it would be confiscated through the rules in place in the GIS and GAINS-A programs. Besides, she did not work for most of her life as she had severe mental health issues that kept her from holding down a paid job. For a considerable portion of her working years, she was homeless.

Linda also receives refundable tax credits (money that you get from governments even when you don't pay taxes) that my father is ineligible to receive. In this case, as with GIS, the principle of need as it relates to low income prevails.

Few Canadians would see Linda's income as adequate to meet her necessary medical expenses and utility costs along with basic needs just as most Canadians - I believe - would see my father's pension income as adequate to meet his needs.

What is staring us in the face is that our income security system is not about adequacy or providing a floor income – it's about emotions, morality, and personal biography.

My father is paid veterans' affairs benefits because he served his country. This is about duty and sacrifice and placing oneself in harm's way for God and country. He gets CPP because he paid into it and he gets a pension because he paid into that.

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<sup>11</sup> <http://www.theglobeandmail.com/report-on-business/rob-commentary/what-the-liberal-victory-could-mean-for-your-pension-plan/article26954584/>

He gets full OAS because he lived his long life in Canada. None of this is about need or adequacy at all. If it was, he would get nothing from any of these sources.

Linda receives OAS because she lives in Canada. She gets the Guaranteed Income Supplement (GIS) and GAINS because she has no other outside income. And she also gets refundable tax credits because her income is low.

Linda receives most of the benefits she gets because she is **poor** and my father receives most of his because of his **contributions**. These are entirely different bedrocks.

A GAI could change all that. If a GAI observes the first principles of keeping people out of poverty and maintaining a floor income, the values of fairness, duty, sacrifice, liberty, loyalty and service to country may not figure at all into Canada's income security equation. Similarly, it may not lift Linda out of poverty because her utilities and non-covered medical bills are so high.

Even the human values of fairness and caring would be founded on different bedrocks. Is it not fair that my Father receives money from a pensions plan (CPP) to which he contributed? Is it not a caring society that provides benefits to its aging veterans?

In contrast, is it not a caring society that provides Linda with a near poverty line income even though she had very little paid employment, contributed nothing to a workplace pension plan and little into the CPP?

A lot of emotion will be tied up in the design of a Guaranteed Annual or Basic Income: sanctity, loyalty, duty, sacrifice, personal contribution, liberty, caring, fairness, and service to country. They cannot be overlooked as they relentlessly permeate the design of our present system.

That's why I favour a basic income that adds to the present system as opposed to any form of GAI that will dismantle it. It's just too hard to say loyalty, duty, sacrifice, service etc. do not matter. They do matter.

But a Basic Income is not out of the woods just because it avoids dismantling an emotionally charged income security system. Its main problem is evident in what happens with my father's benefits vs Linda's benefits other than OAS.

If Linda's income rises in the present system, that income is deducted at 100% from her income security benefits, her rent starts to go up and her refundable credits, depending on how much money comes in, start to be reduced.

If my father's income rises, he keeps his CPP, he keeps his veterans' benefits, he keeps his pension and he keeps most if not all of his OAS<sup>12</sup>.

Under most versions of a basic income (BI), outside income would reduce after a beneficiary moves out of poverty. This means that Linda's benefits would be somewhat like they are today. (Let's hope they are less harsh.) If she realizes income from an outside source, a BI would reduce her income.

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<sup>12</sup> <http://www.taxplanningguide.ca/tax-planning-guide/section-2-individuals/old-age-security-oas-clawback/>

But since many versions of a BI leave the rest of the income security system alone, my father's income security benefits won't be reduced and they are likely still to be 74% higher than Linda's as she is close to the poverty line.

The bottom line is that the income security benefits in Canada remain in place unreduced based on a variety of emotional values contained in our moral palettes (loyalty, duty, sacrifice service etc.). Yet the same system is quick to reduce benefits when caring and fairness are the only emotions at play.

The emotions put in play be loyalty, duty, sacrifice, service and contribution lead to unreduced benefits when income rises. The logic of need leads to swift reductions in benefits as income rises. When my father speaks to young people, his honorarium is untouched. When Linda speaks to young people, her honorarium is taxed back in its entirety.

In conclusion, most people think that income benefit design is about arithmetic, money, and adequacy. But that's just a part of it. Benefit design is also all about fairness, liberty, caring, loyalty, duty and sacrifice, sanctity, service to country, contribution, and biography.

The arithmetic is not hard.

The money is just what we choose to afford.

And adequacy is already defined.

It's the emotions, morality and personal biography parts that are the hardest of all to include in benefit design.

## **A young person's guide to a guaranteed annual or basic income –part 4**

Now it's time to talk about rights and human dignity – but I want to set the table first. I'm also not going to repeat too much from the first three entries. I am going to assume you have read them if you are now reading entry #4.

In the previous three parts of this series, I talked about unicorns, contribution vs. needs based programs and the role of emotion and values in the design of our income security system.

In this entry, I want to start by talking about the essential character of our existing income security programs. They basically divide into three categories:

1. Monetary contribution based programs: CPP, Worker's Compensation, EI and workplace programs
2. Service based programs: OAS and Veterans' benefits; and
3. Income or need based programs: GIS, Refundable credits, social or income assistance, child benefits, and the WITB

Monetary contribution based programs are not payable to Canadian residents unless they contribute money into them or payments are made into them on their behalf. As these programs are not income tested, millionaires with fabulous paychecks get the same amounts as paupers when they apply and are eligible for benefits.

Service-based programs are based on notional or real service to Canada. You can't get full OAS without living in Canada for 40 years between ages 18 and 65. Partial OAS has residency requirements that range from one to 39 years residence. OAS payments are based on notional service to Canada and are only subject to clawbacks at high income levels. In other words, you lived here, paid taxes, worked and contributed to Canada. You get OAS when you turn 65 (or 67).

Veterans' programs are based on real military service to Canada and can be reduced based on need but most programs are not income tested. Some are based on need.

Income or needs based program all have one characteristic in common and that is that they fade out with increased income. Every income and needs based income security program can be reduced to zero if income is sufficiently high.

So there you have it: a three part system based on three organizing principles: monetary contribution, service and income/need.

### **Target Groups: Disability, Age, Children and Unemployed**

But this is where it gets interesting for different target groups. For example, persons with disabilities can get income security benefits from all three sets of programs based on their personal history. Some will get benefits through contribution (CPP, EI sickness, Worker's compensation), others will get benefits through service (Veterans' benefits) while others will obtain benefits based on need (social assistance). Only one program, the Disability Tax credit, does not fit easily into these categories.

Like the programs for person with disabilities, programs for the aged are available in all three categories. Some will get benefits through contribution (CPP); others will get benefits through service (OAS) while others will obtain benefits based on need (GIS and provincial supplements).

Unemployed people receive benefits from two categories: Contribution based programs (EI) and income or need (social assistance and the WITB). It's only when you get to target groups like children that all the available benefits are based on income or need (social assistance, CCTB, NCBS, UCCB and provincial programs).

The whole point of talking about target group and program category is to show first that there is no uniformity according to program category among target populations. I also want to dramatize that various self-organizing groups within society now benefit from very different sets of programs across conceptual categories. No one is going to be able to appeal to a particular target group to arrange a guaranteed annual or basic income that only takes income and need into account. There are just too many allegiances to monetary contribution and service to Canada.

### **Canada's income security history**

Canada's history of income security also doesn't help us much. We started out with a contribution based program over 100 years ago with workers compensation and then moved into a variety of programs in the 1920's based on need (Old Age pensions, mothers' allowances, Relief etc.). Then we went on a quarter century tear with contribution based programs that included payroll taxes for Unemployment Insurance (1940), pensions (1951 and 1964), and CPP in 1966.

Not until 1966 with the establishment of the Canada Assistance Plan (CAP) did Canada start seriously down the road of providing benefits by income and need. This was followed by the sweeping reforms in OAS in 1977 to develop a service to Canada model with full benefits based on 40 year residency in Canada. Veterans' benefits were usually supplied in non-monetary form through the provision of jobs, education, training and land grants. But cash payments to veterans based on service now comprises an important aspect of these payment especially as it relates to various iterations of the Veterans' Charter and Canada's increased reverence for its men and women in uniform.

This is all to say that there is no Lamarckian inheritance or manifest destiny in our income security programs. We don't seem to be headed in any particular direction in our program category types. In fact, the Harper government implemented a big savings program (TFSA) along with the UCCB and the WITB. There may be a certain tendency to move towards income and need with refundable credits in the tax system but there has been equally lots of talk recently about CPP reform and Ontario going it alone with its ORPP.

### **Endless Tinkering but no conversation about rights**

When I think of what Canada has been doing for years the arena of income security, all I can think of is that we endlessly tinker with our programs. And now we are going to have more of it.

A sprinkle of pension reform here and refundable child credits there – welfare reform here and a bit of EI reform there – but there is no real appetite to take on the whole system either by category or by target population. It is very Canadian of us.

But let's go back and think about my father and Linda Chamberlain for a minute. My father will continue to get 74% more from our income security system even though he doesn't need it. Linda will live in poverty and continues to be unable to make ends meet.

This means that we are really not thinking about need and it also means that we are not thinking straight about rights, contributions and service.

I don't have to explain my father's service to his country and his contributions. These are well known and the type of service and contributions he represents are equally well known.

But a simple search of Linda Chamberlain's name online demonstrates that she is a human rights hero. She saves pets; she speaks up for people with mental health issues and she has personally and selflessly won a lot of battles for people who don't have her presence or her voice.

That's not the type of contribution that gets paid into unemployment or pension benefits. Decades of volunteering doesn't translate into a defined benefit pension. In fact, it doesn't get you any kind of pension at all.

It does tell you a lot about what we value as a society. Most of all we value monetary contribution and economic activity. Make money on a stock and we tax you less and allow you to put the proceeds into a tax free instrument. Contribute money into a company pension plan and we will provide you with a subsidized pension and give you a tax credit on your income tax return.

But if you are poor and haven't made monetary contributions to a pension plan and you have been kept from saving money because welfare based income support asset rules make you choose between eating and saving, any money you are able to make is neither supported nor sheltered. As I pointed out earlier, if Linda makes any money through speaking engagements, it is 100% confiscated from her income support programs. If she works, any money she makes after St. Patrick's Day is reduced by 50 cents on the dollar while her rent goes up.

So perhaps the endless tinkering that we do could be better informed by a conversation of Linda's rights as a senior citizen. It could centre on the denial of rights that comes about through 100% confiscation of benefits while the rest of our system goes through contortions to ensure that people who already have loads of money are provided incentives to save and then keep their gains tax free.

Perhaps we could also think about the living standard poverty that is ever present on Canada's reserves.

There are different kinds of contributions. There are different types of service and there are different types of need. Perhaps that's a better starting point for our conversations about guaranteed or basic incomes.

## A young person's guide to a guaranteed or basic income – part 5

### The problem of work for a guaranteed or basic income

*“Although the practical implementation challenges make a GAI reform implausible in Canada, evidence from five North American experiments with a negative income tax style GAI provides some valuable insights. A negative income tax discourages recipients from working because it subsidizes leisure and reduces the marginal benefit of working. The results from the experiments generally point to a reduction in hours worked by recipients, reinforcing the concern about work disincentives.”<sup>13</sup>*

– The Fraser Institute: The Practical Challenges of Creating a Guaranteed Annual Income in Canada; Jan 6, 2015

*“Progress isn't made by early risers. It's made by lazy men trying to find easier ways to do something.”*

– Robert A. Heinlein<sup>14</sup>

Well there you have it! Implement a guaranteed annual income and instead of mounting a platform on which work becomes more economically viable, you end up with guaranteed annual laziness. Give people more money and they goof off.

Heinlein had a different view of things seeing laziness as channeling a will to invention. The truth is that we are not going to solve this one unless we can de-couple work from income in the eyes of the public. And chances are we won't be able to do that. It's one of those emotional issues that hover over the design of any sort of basic guarantee.

We all know that there are multi-millionaires who work 14 hour days who seem to work hard even though they have money. There is plenty of literature and testimonies on that. What's wrong with them? Why don't they stop working once they have lots of money?

Similarly, there are people who want to work who are unable to work because they do not have sufficient resources to sustain the life stability that even marginal work requires<sup>15</sup>[3]. For example, it's hard to keep a job if you're homeless.

We know from the gossip pages that there are lazy millionaires just as there are low income people who have trouble staying in work even when they have the resources to do so.

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<sup>13</sup> <https://www.fraserinstitute.org/sites/default/files/practical-challenges-of-creating-a-guaranteed-annual-income-in-canada.pdf> p.59

<sup>14</sup> <http://www.goodreads.com/quotes/tag/laziness>

<sup>15</sup> <http://www.nytimes.com/2015/09/06/books/review/2-00-a-day-by-kathryn-j-edin-and-h-luke-shafer.html>



But it's this latter group that causes the policy problem for designers of a guaranteed or basic income. They comprise the group that the Fraser Institute fears – people who would reduce their work effort in favour of perceived leisure when they get a few bucks in their pockets.

It's similar in some ways to the anecdote that bedevils the homelessness issue. If there is a large enough group discussing the issue of homelessness (or if we are to look into the views of the 'commentariat' in an online column on homelessness), there will invariably someone who says that there are some people 'who *want* to be homeless'.

When asked for evidence of people who want to be homeless, they generally say that they have a friend who had a sister-in-law who knew a man who had an uncle who had a friend who met a homeless person who said he wanted to be homeless. In other words, the evidence is flimsy but is still important enough to them to recommend that nothing be done about homelessness because of the apocryphal 'voluntary homeless' population.

Let me translate: there are people who are homeless who at present do not have the capacity to deal with the issues that led to their homelessness such as addictions, disabilities, discrimination etc.

I want to do a similar translation for low income people who supposedly don't want to work. They believe they do not have the capacity to deal with the issues that have led to their unemployment like lack of education, training, lack of jobs etc. These issues have little to do with having an income that would allow them to live in frugal comfort.

The reality is that we live in a society that worships paid work. It gives us self-esteem. It is a tonic for the soul. It heals mental illness. Kids want to work. People with disabilities want to work. A huge reversal in the work experience of Canada's aging population tells us that older people want to work.

I still want to work and I have a public service pension that is easily double what any guarantee or basic income would ever pay me.

On the other hand there are generally too few jobs. We have unused economic capacity. People are pounding the pavement for work.

But when we meet people, we ask what they do. By that, they mean "what is your work?" It is a common denominator in most initial conversations.

So why are we worried about low income people who supposedly don't want to work? Why should that govern our incomes policy when we know that an income of double any guarantee would be insufficient to keep most of us from continuing to work?

The reason is that especially for low income people, there are huge barriers to work and huge disincentives in the form of high marginal effective tax rates. When we blame low income people for not working, it's the same as hitting them over the head and blaming them for falling. In fact, I will unveil a rule of low income that I have been hinting at in this blog series. The rule is: the poorer you are, the older you are and the more female you are, the greater will be your penalties for working.

The Fraser Institute is wrong in generalizing about reduced work effort through a negative income tax as any properly designed program would provide real incentives to work rather than inventing new barriers to work. In any event, only an economist could say that fewer hours increases leisure when we all know that less work in our society usually reduces leisure. Leisure costs money the last time I checked.

Reduced work lowers self-esteem, provides fewer dollars to subsidize leisure and generally creates more pain.

And in the end, pain and leisure are different.

My conclusion is that low income people who succumb to barriers to work present a design problem and not a problem of morality. We have had too many programs and policies that are based on moral values. That's true of everything from residential schools to our policies on homelessness.

And the moral value at play can be put in the form of a maxim that states that people will not work unless motivated by deprivation. Yet that's not true of millionaires and not true of you or me. It's not true of people who receive their income from welfare-based programs, not true for lone parents - not true for people with disabilities, and not true now for seniors.

But for some of us, there is a belief that there are people who are motivated to work by deprivation – usually people we don't know and who are forever suspect. And it only needs to be true for one person just as we need only one member of the 'voluntary homeless' to exist before we scuttle good programs that are five times less expensive than the programs in place to keep people on the streets.

And to the commentariat who is angered or upset by people who they feel will work less if they have enough money to live in frugal comfort, I would want to ask them how much they want to pay for their anger. The reason is that if we don't implement a basic income, the default is welfare-based programs that will ensure that people don't work – and those programs are wicked expensive.

## A young person's guide to a guaranteed annual or basic income: part 6

### Persons with Disabilities

In all of the discussions of a guaranteed annual income or basic income over the years, many have said that Canada could start with a GAI or BI for people with disabilities.

I have become emotional about the issue myself. In my report for the Metcalf Foundation called the Welfareization of Disability Incomes in Ontario, I said the following:

*“Clearly, if there was an opportunity to start from scratch, no one would ever devise the array of disability income programs that currently exists. Neither individually nor as a collective set of systems do they begin to meet the real needs and expectations of people with disabilities. So, how do we find our way forward to transform the convoluted quagmire of eight (now nine) very different disability income systems? Although opportunities to mount this discussion are limited at best, there is a desperate need for reform.”<sup>16</sup>*

It would seem a lot easier to mount a GAI or BI for people with disabilities for two reasons:

1. It is a whole heck of a lot cheaper – less than \$10 billion nationally as opposed to \$30 billion for everyone; and
2. Few are worried about work requirements for people with disabilities – in other words, the public would not worry that people with disabilities should be forced to work to obtain income assistance in the same way they worry about people without disabilities.

So with those two great policy and public opinion advantages, why is it so hard to take a logical first step towards a GAI or BI by ushering in a GAI or BI for people with disabilities?

Before answering the question, let's look at all the expenditures made in Canada under our various income programs. There are 9 separate disability income systems in Canada depending on who is counting. Seven of them are shown in the pie diagram below.

Two of the programs (or systems) are too small to mention right now:

- The Registered Disability Savings Plan (RDSP); and
- The Working income tax benefit for people with disabilities sometimes called the WITB-D

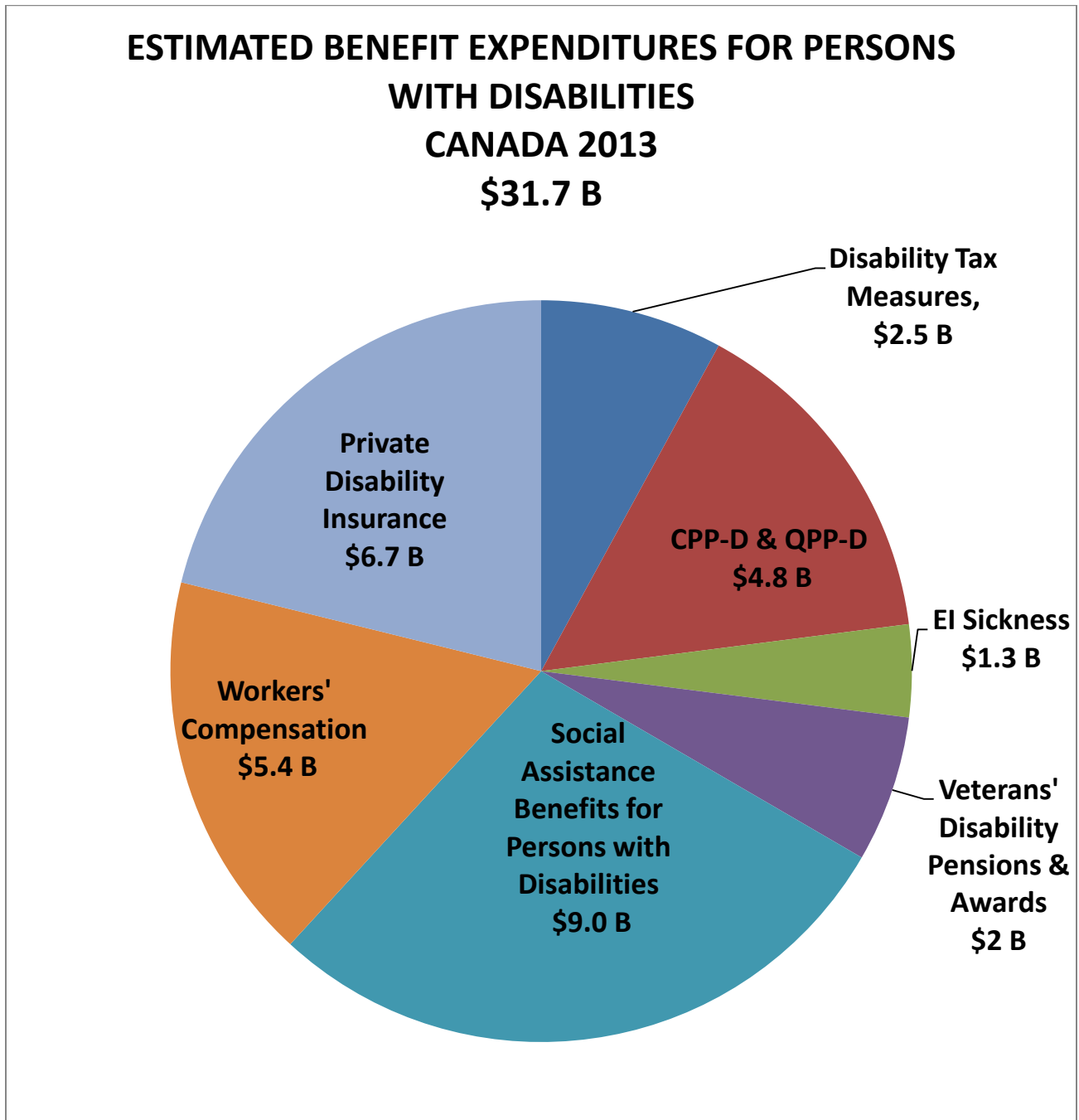
The other seven are:

- Social assistance
- Workers' Compensation
- The Disability Tax Credit
- Veterans' programs
- Private programs
- CPP –Disability and

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<sup>16</sup> <http://metcalfoundation.com/wp-content/uploads/2013/12/Welfareization-of-Disability-Incomes-in-Ontario.pdf> p.30

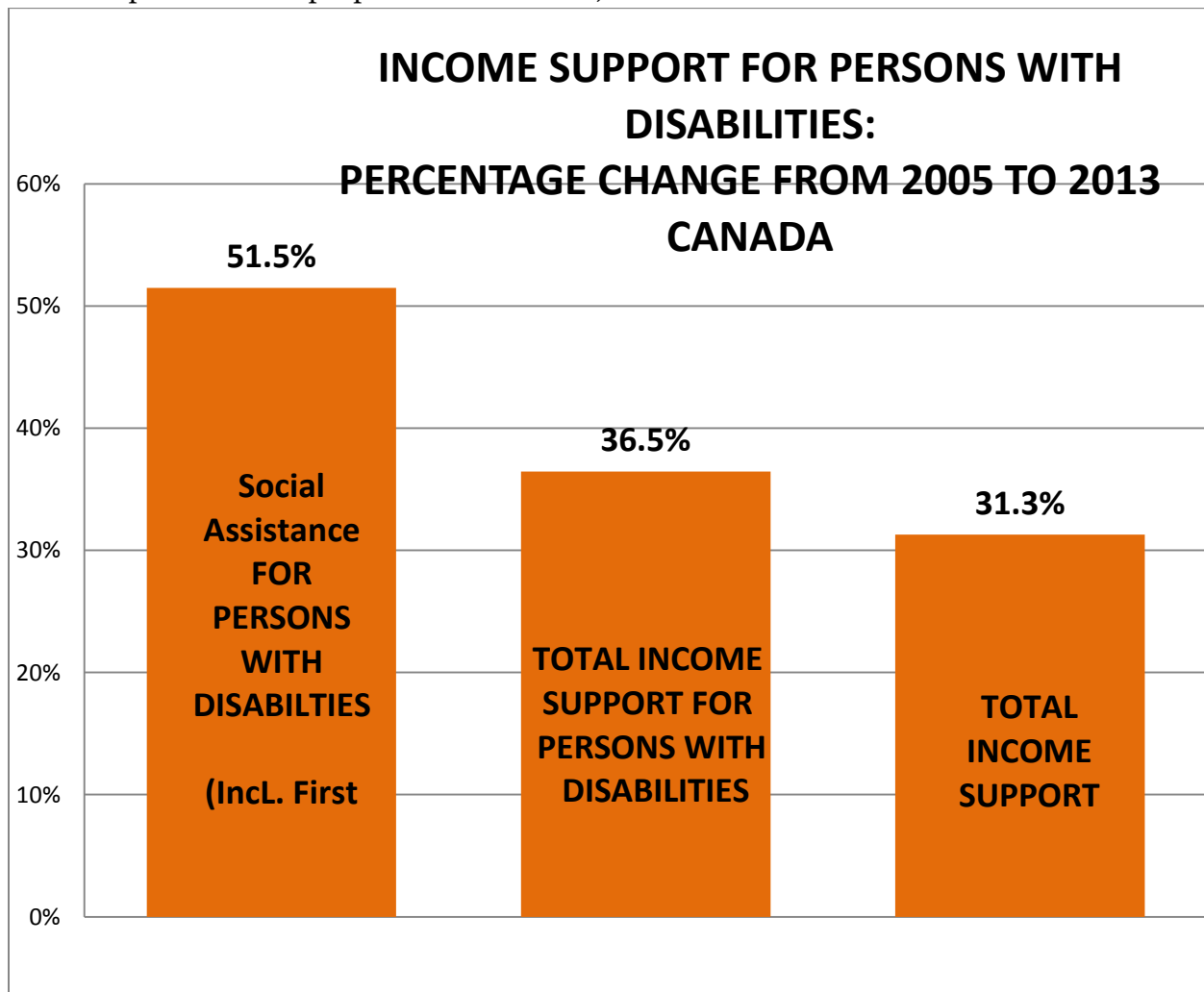
- EI sickness.



OK – so now I will answer the question of why it is so hard to implement a GAI or BI for persons with disabilities.

The Disability income system writ large has all the same problems that all the other programs and systems exhibit and a few of its own:

- Seven of the 9 systems pay benefits to people who are not poor. Only social assistance and the WITB-D have specific rules that direct payments to low income people with disabilities.
- Four of the programs/systems pay temporary benefits only – they are not designed to pay long terms benefits (i.e. EI Sickness -15 weeks, Workers’ Compensation – generally up to two years, Private programs – generally up to two years, and Veterans’ program – only permanent for WWII and Korea veterans).
- The programs that are paid to low income people with disabilities are not indexed and are inadequate (i.e. social assistance and the WITB-D)
- Six of the nine disability income programs can only be accessed through previous or current employment; and
- Two of the nine programs ( EI and CPP) are subject to Constitutional protections
- The most inadequate program (social assistance) is increasing its share of overall expenditures on people with disabilities;



## Conclusion

In sum, Canada has an overall disability income system paying out almost \$32 billion in benefits that:

- Is largely not directed (by design) to low income people,
- Pays only temporary benefits under half of its programs,
- Is largely inadequate and only partially indexed,
- Exhibits a growing ‘market share’ represented by inadequate social assistance benefits
- Is largely based on previous or current employment; and
- Is Constitutionally entangled

Accordingly, it would be no easier to mount a GAI or BI for persons with disabilities than any other subset of the population. Nevertheless, with a \$32 billion base and with political will, it would be far easier to disentangle current programs.

This is the way I ended my paper on the Welfareization of disability benefits:

*“Any changes made to disability income programs require careful consideration of the whole system and I believe this is our best starting point. Should all parties agree to the creation of just one more commission dedicated to the task of disability income system transformation and supported by all levels of government and private and non-profit sectors, there would be reason to be optimistic that there is a way forward to a coherent set of policies that could guide us through a successful transformation.”<sup>17</sup>*

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<sup>17</sup> <http://metcalfoundation.com/wp-content/uploads/2013/12/Welfareization-of-Disability-Incomes-in-Ontario.pdf> p.30

## A young person's guide to a guaranteed or basic income: part 7

### Keeping what's good from the past

*“There is a fire burning over the earth, taking with it plants and animals, ancient skills and visionary wisdom. At risk is a vast archive of knowledge and expertise, a catalogue of the imagination, an oral and written language composed of the memories of countless elders and healers, warriors, farmers, fishermen, midwives, poets and saints – in short, the artistic, intellectual, and spiritual expression of the full complexity and diversity of the human experience. Quelling this flame, this spreading inferno, and rediscovering a new appreciation for the diversity of the human spirit as expressed by culture, is among the central challenges of our time.”<sup>18</sup>*

Wade Davis- The Wayfinders - 2009

In this seventh and final meditation on a guaranteed annual or basic income for young people, I will admit to hijacking Wade Davis' exquisite prose to make a less monumental observation concerning Canada's income security system.

Our income security system in Canada is inadequate as it relates to the poor and many parts of it are confusing, outmoded and unfair. But that does not make it a terrible system. In many ways, it reflects our culture and much that is good within it. We need to be very careful about what we dismantle or allow to disappear inadvertently.

Old Age Security, the Guaranteed Income Supplement, our new child benefit system, CPP and EI are very good programs that - with a little bit of redesign work - could take vast swaths of people out of poverty. There is no good reason to throw them out and every reason to build enhancements using them as key building blocks of a new system.

Carl Jung said in his famous defense of astrology:

*“We are born at a given moment in a given place and like vintage years of wine we have the qualities of the year and of the season in which we are born. Astrology does not lay claim to anything else.”<sup>19</sup>*

Our income security programs that pay out \$160 billion a year all bear the earmarks of their vintages. The beginning era of modern social assistance in Canada spanned from 1916 to 1939. Social insurance' beginnings (in Canada) span the 26 years from 1940 to 1966. Old Age and disability pensions began in 1927 and took their present form at the end of the 1960's. The era of refundable tax credits began at the federal level in 1978 and continues to this day. Much of our system is now settled in place well beyond their eras of invention. This history is both remarkable and important.

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<sup>18</sup> Wade Davis, The Wayfinders – Why ancient wisdom matters in the modern world – CBC Massey Lectures- 2009, House of Anansi Press, page 34

<sup>19</sup> <http://www.wisdom-of-astrology.com/thewisdomofastrology%3Ayourlife'sblueprint>

Still, to many, our present income security system can look like 20 cats in a bag. To a young person it must look like a horrible hodge-podge of divergent efforts mummified by Band-Aids. But to repeat Wade Davis, our system, like our culture is:

*“...a vast archive of knowledge and expertise, a catalogue of the imagination, an oral and written language composed of the memories of countless elders and healers...”*

Throughout the history of man, there have been countless movements to fix the burden of an unsatisfactory present with a clean slate, a ‘tabula rasa’. ‘Starting over’ appeals to an element within the human spirit - it is neither right nor wrong.

Tinkering and fixing things with ‘chicken wire and glue’ is equally an element of our humanity. Most of us admire the 1950’s cars in Cuba that still run with hundreds of reengineered parts and workarounds. The point is that they still work. ‘Clean slaters’ and ‘fixer/tinkerers’ each have their own place in the annals of reform and depending on the problem at hand, they are equally revered or reviled.

With a guaranteed annual income, our collective impulse to wipe the slate clean comes to the fore while a basic income - that adds another \$30 billion into the system and greatly reduces the role of welfare - appeals to our collective impulse to tinker and fix.

Almost 30 years ago in 1987, Michael C. Wolfson raised these ideas in his landmark essay: *The Arithmetic of Income Security Reform*.<sup>20</sup> On page 47, he distinguishes between two options: “modest tinkering” and “profound demolition”. These options remain relevant today but the interesting thing is that Wolfson set out in a great detail what these two options actually meant in terms of the programs that would be altered or replaced. He used real numbers and set out (at least on paper) what tinkering and demolition actually meant from a design perspective.

Fast forward 30 years later and these options are still relevant but as an interested public, we seem to be unencumbered of the most rudimentary design details even though our current income security system has changed in many important ways (EI cuts, welfare reform, growth in child benefits, CPP changes etc.). In this sense, modest tinkering continues apace while profound demolition becomes less and less feasible or relevant. Absent sweeping reform, modest tinkering continues by default.

But here’s the thing: 2016 is different than 1987 because we are now walking a tightrope without a net. There is no serious set of proposals to design a basic income and equally, almost nothing as to how a GAI would actually work.

Throughout this series, I have posed questions about what can and should be cut and what can and should be added. I raised the issue that programs representing over 70% of our present system are not income tested. I noted how programs for the very poor are extremely Draconian in their design and are set up to confiscate almost every resource that a low income person might realize.

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<sup>20</sup> Michael C. Wolfson, [The Arithmetic of Income Security Reform](#), *Approaches to Income Security Reform*, Shirley Seward and Mario Iacobacci, Halifax: Institute for Research on Public Policy, pp. 41-85, 1987. Reproduced with the permission of the author (Don’t worry about the virus warning when you click the above URL)



In contrast, many of our programs are designed to supplement the income of the better off without any regard to their income and resources. I asked whether we were going to take these programs away from the better off and I concluded it would not be without a fight.

Speaking personally, I now receive CPP and OAS on top of a defined benefit pension that's far higher than any guarantee will ever be. Should my OAS be taken away from me? Should the CPP benefit that I paid into for 46 years from 1966 to 2012 be cancelled and withdrawn?

If not, should we not consider how quick we are to confiscate income from poor people? For example, the new Trudeau government recently increased the Guaranteed Income Supplement<sup>21</sup> but without a single word in their own defense, designed a new clawback on poor seniors with incomes between \$4,600 and \$8,400 a year without touching the clawback of well to do seniors that begins at an income of \$72,809 a year.

And all the while, the same government has agreed to study the idea of a basic income? Incredible!

## Conclusion

*"But be careful what you wish for 'cause  
you just might get it, you just might get it, you just might get it  
but be careful what you wish for 'cause  
you just might get it, you just might get it, you just might get it."*

"When I Grow Up"  
The Pussycat Dolls featuring Rodney Jerkins  
(Track 1:) Doll Domination [2008]

Let's think about the science of archaeology<sup>22</sup> as a way of concluding this essay and this series. The short definition on Google says archeology is:

*"...the study of human history and prehistory through the excavation of sites and the analysis of artifacts and other physical remains."*

One element of the archaeological enterprise is that modern societies often discover that their predecessors knew how to do things in ways that moderns neither understand nor are able to conceive. Wade Davis' The Wayfinders provides numerous examples of this phenomenon.

I believe that archaeology as I conceive it here has an important message for a Guaranteed Annual or Basic Income. That message is to quote the Pussycat Dolls and the famous expression– '...be careful what you wish for, you just may get it'.

When we neither understand nor are able to conceive of a past achievement, it means that in some way shape or form, a slate was wiped clean without an understanding of its design. I fear that the present discussion of a guaranteed annual income (and to some extent a basic income), could suffer a similar fate. It need not be so.

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<sup>21</sup> <http://www.budget.gc.ca/2016/docs/plan/budget2016-en.pdf> p.171

<sup>22</sup> <https://www.google.ca/webhp?sourceid=chrome-instant&ion=1&espv=2&ie=UTF-8#q=archaeology%20definition>