

**Submission to the  
Ontario government's  
consultations on a  
Basic Income Pilot Project**

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## **The Income Security Advocacy Centre**

The Income Security Advocacy Centre (ISAC) is a provincially incorporated specialty legal clinic funded by Legal Aid Ontario to advance the rights, interests and systemic concerns of low-income Ontarians with respect to income security and employment. Founded in 2001, we are the only legal clinic in Ontario wholly devoted to systemic advocacy on income security issues. We carry out our law reform mandate through test case litigation, policy advocacy, community organizing and public education.

We are governed by a community Board of Directors with representation from all regions of Ontario and composed of low-income individuals, academics and advocates with expertise in issues of income security and poverty. Our fifteen Board members include legal clinic caseworkers and people who identify as low-income, with representation from Indigenous communities, racialized communities, people with disabilities and recipients of income support benefit programs.

We work closely with the more than 60 community legal clinics, both local and those with a provincial mandate, who work every day with the challenges faced by low-income people relying on Ontario's income security programs. We also work in coalition with other advocacy groups and organizations. Our analysis and recommendations are informed by ongoing consultation with and information provided by our partners and others in the anti-poverty sector.

### **Our Recommendations**

This submission focuses primarily on the conceptual issues involved in pursuing a Basic Income pilot project rather than on the more technical aspects of how such a project should be designed. We know that many technical experts have been consulted and are providing their feedback, and will provide important insights into the technical issues.

#### **1. General Concerns**

##### ***a) Project goals***

Basic Income is an elastic concept that means many different things to different people. Some proponents see Basic Income as a response to the many problems associated with Ontario's "last resort" social assistance system and to the growing insecurity and precarity of work. Others, however, see it as a way to "streamline" the provision of social supports by eliminating several different publicly-provided benefits and services in favour of the Basic Income, or to encourage participation in the labour market, regardless of the quality or availability of jobs.

The pilot project, and any program that could arise from it, will differ considerably depending on which goal is being pursued and which outcomes are being measured. Trade-offs on benefit levels, eligibility, and other aspects of the program could be made if a number of goals are being pursued simultaneously.

For many people on social assistance, the discussion that has been generated by Ontario's Basic Income pilot project consultations is both hopeful and alarming.

On the one hand, income supports set at levels proposed by Special Advisor Hugh Segal would constitute a significant increase from current Ontario Works (OW) and Ontario Disability Support Program (ODSP) incomes, giving many people hope that their lives could be made significantly better through a Basic Income program. Ending conditionality, intrusion and surveillance in the social assistance system would also make life better for all social assistance recipients. Current requirements to work or take training as a condition of eligibility, or to be specifically exempted from this requirement, are punitive and counterproductive, particularly given the barriers to participation that exist in the labour market and the often insufficient employment supports provided by the programs. The "last resort" nature of the programs, which demands monthly reporting of income, ongoing requirements to report changes in circumstances, and inquiries about the status of personal relationships and the activities and incomes of family members, means that people are constantly required to respond to the programs' dictates rather than focusing on other important needs – such as dealing with the situations and conditions that have resulted in their need for supports in the first place. A Basic Income program that determines eligibility and benefit levels based solely on reported income would eliminate these pernicious and punitive program requirements. Basic Income could also help to address the stigma that people on social assistance experience, given that it would be available to a wider cross-section of Ontarians.

On the other hand, serious questions remain. Perhaps the most important question for people on social assistance is whether and how government would make the investments necessary to pay for such a program without making problematic trade-offs in other areas, such as the elimination of various in-kind benefits, like health- and disability-related supports, that are necessary to maintain quality of life and that may not be available or affordable through the market. Other questions include how people on social assistance would become or stay connected with important non-monetary supports and services that they might require if income supports were to be delivered through a system that does not require ongoing contact with caseworkers.

Beyond the impacts for people on OW and ODSP, however, is the critical question of whether a Basic Income program could usher in the "financialization" of the social safety net as a whole, reducing the provision of critically important publicly-funded and administered social supports and services to the delivery of a monthly cheque which may or may not be adequate to live out of poverty. This has raised a valid debate about whether investments should also – or instead – be made in bolstering a wide range of public services and supports, such as affordable housing, childcare, and health care services, to lower the cost of living for all.

Whether and how the government's proposed Basic Income pilot project responds to questions such as these depends largely on what it is set up to achieve, and whether the pilot takes these kinds of critical considerations into account.

- We recommend that Ontario's Basic Income pilot project and any program that may arise from it should have as its primary goal the reduction and elimination of poverty, and that no-tradeoffs on income adequacy be made for the sake of any other secondary goals.

### ***b) The need for urgent action***

We want to echo the concern raised by many at consultation meetings across the province about the urgent need for government to act on the poverty experienced by people on social assistance now. While the Basic Income pilot is being considered by government as a way to also address issues faced by people outside of the social assistance system, it is clear that a primary consideration for the pilot is to replace OW and ODSP with another delivery mechanism. Testing the impact on current clients of OW and ODSP should therefore be a primary goal.

However, this raises a number of issues. We already know that the total incomes of people on OW and ODSP are well below the Low-Income Measure. We also know that poverty has a number of negative impacts on individuals in terms of health and well-being, housing quality and security, social inclusion, and educational outcomes, and on the costs of health care, social supports, and lost productivity, among other societal impacts. Given the wealth of information on poverty and its effects and the current levels of poverty in which people on social assistance continue to live, it seems difficult to justify pursuing a project that gives a much more adequate income to only a few social assistance recipients in order to test outcomes without also immediately moving to increase incomes for all.

We do understand that, because of the way the OW and ODSP programs work, providing a much higher income to all recipients through a large increase in rates would necessarily have the effect of opening up eligibility to a greater number of people, which would require significant new investment in income and other supports. More concerning to us, however, is that it would also subject many more people to the system's punitive and intrusive rules. As such, increasing incomes could be accomplished through both increases to rates and through investments in other more broad-based programs, such as the Ontario Trillium Benefit or the Ontario Child Benefit, both of which are excluded as income from social assistance benefit calculations. As noted in our pre-budget submission, we have been calling for many years for government to increase other, tax-delivered income benefits, such as the Ontario Trillium Benefit and the Ontario Child Benefit, as a way to increase incomes for people on social assistance and low-income Ontarians who do not receive program benefits.

We are aware of the value of undertaking research that can support a move to a system that could better serve the needs of low-income Ontarians, but we are concerned that doing so should not preclude taking immediate steps to end the poverty currently experienced by so many Ontarians and improve the conditions in which they live.

- We reiterate our call for significant investments in incomes in the 2017-2018 Budget. Our submission to the government's pre-budget consultation process and that of the Legislative Assembly through the Standing Committee on Finance and Economic Affairs supports the call from the Interfaith Social Assistance Reform Coalition (ISARC) for a \$1 billion investment in social assistance in the 2017-2018 Budget. This includes a 10% increase in rates and funding for changes to program rules, both of which would have an immediate positive impact on the lives of people receiving OW and ODSP benefits<sup>i</sup>. We do note, however, that at least a 40% increase to social assistance rates is required to restore them to pre-1995 levels.
- We also support significant increases in other tax-delivered income benefit programs as a mechanism through which to reduce poverty for all low-income Ontarians and to increase fairness for people who will not be enrolled in the Basic Income pilot project.

### ***c) Mitigating negative impacts***

Another set of issues is the need to mitigate potential negative impacts of a Basic Income pilot project or program on those who participate in it. We are very concerned about the potential loss of non-monetary benefits that could accompany the introduction of a Basic Income, and about what happens to people who participate in the pilot when the project ends. We know that these issues have also been raised in many of the community consultations.

- We call on government to ensure that no one who receives OW or ODSP benefits and who participates in the Basic Income pilot is worse off as a result.
- We recommend that a mechanism be put in place to ensure that anyone who participates in the Basic Income pilot is not adversely affected after the pilot ends. The government must commit to providing people in this situation with an ongoing level of benefits that ensures that no one faces an abrupt and drastic loss of income at the end of the pilot project.

We also want to echo concerns that have been raised about the ethics of studying people who live in poverty, particularly in terms of privacy issues, their voluntary participation, and recognizing their contributions. The impact of participation in a pilot project on the lives of people in poverty must be taken seriously, both in terms of the

time and commitment required and in terms of the disclosure of very personal and what can be stigmatizing information and experiences.

- Poverty is a societal issue, not an individual failing. The Basic Income pilot must recognize this fact and not exacerbate negative stereotypes about people who live on low incomes.
- Privacy and ethical concerns with the amount of data collection being recommended are significant and government must ensure that these concerns are adequately met.
- Serious concerns have been raised by recipients of social assistance and others about the additional burden placed on people in a Control Group, given that they will be participating in the pilot project with no immediate return. While voluntary participation is one aspect of dealing with this issue, we feel strongly that some sort of honorarium should be paid to people who are sharing their personal information for the time and effort they will be contributing.

#### ***d) Eliminating competition with other policy initiatives***

Many of the problems associated with the current social assistance system have been examined in past reviews. We are hopeful that the current efforts of the Income Security Reform Working Group will bring forward recommendations to government later this year to address them. We feel strongly, however, that the Working Group's efforts should not be subsumed by nor compete with the Basic Income pilot project.

- We call on government to ensure that funds for the Basic Income pilot project do not come out of the base budget of the Ministry of Community and Social Services. The Basic Income pilot has implications for the work of many ministries and should be considered a cross-governmental initiative. Funds for the pilot project must not compete with or reduce investments that need to be made to support important changes to social assistance programs.
- We call on government to ensure that investments in a Basic Income pilot project do not substitute for critically important and necessary investments in social infrastructure and programs including new affordable housing stock, childcare spaces and subsidies, an expanded extended medical benefit for all low-income people, and the many other publicly-funded and administered programs that contribute to ensuring good quality of life in Ontario.

## **2. Determining Eligibility for the Pilot**

Given that the pilot project should seek to reduce and eliminate poverty, we assume that broad eligibility – i.e., beyond people currently on social assistance – is a given. Beyond this assumption, however, we offer the following recommendations.

### **a) Benefit unit**

OW and ODSP currently use total family income to determine eligibility. Concerns have long been raised about the impact that this has on the ability of single people on social assistance, who make up nearly half of all recipients, to enter into relationships. Concerns have also been raised about the financial dependency that this creates for people who may not have access to any other source of income independent of their family members.

- We support testing eligibility based on an individual's income. In this way, people with disabilities will be able to form relationships and still have an income without expecting their partner to fully support them. We also support tracking relationship formation / dissolution to better understand how having an individual source of income impacts on people receiving the Basic Income.

However, if family income is used rather than individual, we support Mr. Segal's suggestion that benefit payments should be divided equally and paid to all adults in the family. This would at least give everyone an independent source of income and financial autonomy. However, it would not resolve the problem of people with disabilities who need independent incomes but are ineligible for benefits due to their family's net income.

In addition, in order to comment specifically on the implications of Basic Income for families, the tax-back rates would need to be known.

### **b) Ensuring inclusion of currently served groups**

Many Ontarians are currently eligible for OW or ODSP but not eligible for tax-delivered benefits. They already live in or are at heightened risk of poverty and should not be excluded from the Basic Income pilot if it is administered through the income tax system. For example, many people without regular immigration status are currently eligible to receive social assistance benefits. Those who do not file tax returns – for a wide variety of reasons – should also not be excluded. And we are concerned about the potential for both exclusion of and negative impacts on First Nations peoples who live on reserve.

- We agree with Mr. Segal's recommendation that people who are "not yet Canadian citizens"<sup>iii</sup> should not be excluded from the pilot. However, we stress that this should be expanded to include all those whose immigration status has not yet been regularized but who are currently eligible for OW or ODSP.
- Similarly, we recommend that people who do not file income tax returns are not excluded from the pilot, regardless of the pilot's delivery mechanism.
- We also support Mr. Segal's recommendations around ensuring that Indigenous peoples are offered the opportunity to take part in a Basic Income pilot, and that

such a pilot should be designed and administered under the prerogative of Indigenous representatives<sup>iii</sup>.

### **c) Definition of disability**

As we have long argued, people with disabilities require additional funds in recognition of the additional costs arising from their disability, the often long-term nature of their need for income support, and the recognition that many will not be able to supplement their income with work. Mr. Segal recommends that people with disabilities and those who are caregivers of people with disabilities should receive an additional supplement, on top of the base Basic Income amount.

- We support the recommendation for a disability and caregiving supplement, with the condition that no disability-related supports and services are eliminated to fund the Basic Income.
- We further recommend that the test for whether or not a person qualifies as “a person with a disability” in order for them or their caregiver to receive such a supplement should be the same as the current test for ODSP.

## **3. Selecting Pilot Sites**

Mr. Segal recommends a very large pilot with both randomized control studies and several saturation sites. Communities across Ontario have been discussing their interest in becoming a pilot site in hopes that the Basic Income pilot would prove beneficial for their residents and local economies.

### **a) General concerns**

We have not taken a position on where the pilot test sites should be located or whether the government should proceed with all of the different types of groups and sites that Mr. Segal recommends. However, we raise the following issues.

- The amount of data collected through the process recommended by Mr. Segal would clearly be much greater and provide much more robust conclusions, but would also be much more complex and costly to administer. We are concerned that the lion’s share of new spending should be directed to improving the lives of all low-income Ontarians both now and over the long term, and not only the small number of people engaged during the course of the pilot project.
- As noted above, we have a very real concern about the degree of inequity that this test will bring for people on social assistance, and others living in poverty, depending on where they live, and the implications that this may have for families and communities. Care must be taken to ensure that the Basic Income pilot does not result in more social division.

### **b) Oversampling of people on OW and ODSP**

Given that Basic Income is intended as a replacement for the OW / ODSP system and that people receiving support from OW and ODSP make up a relatively small percentage of the general population, we are concerned that a Basic Income pilot project based on randomized control trial will not be able to appropriately measure the impact on people currently receiving social assistance.

- We recommend that a mechanism be put in place to ensure oversampling of OW and ODSP recipients.

### **c) Recognizing the differential impact of poverty**

Poverty affects different communities and groups of people in society differentially. As the government's *Poverty Reduction Act, 2009* recognizes, "not all groups of people share the same level of risk of poverty" and therefore poverty reduction measures undertaken by government "must recognize the heightened risk among groups such as immigrants, women, single mothers, people with disabilities, aboriginal peoples and racialized groups"<sup>iv</sup>.

- We agree with Mr. Segal's recommendations around ensuring "representation of the various realities of the Ontario population"<sup>v</sup> whether in a randomized control trial or a saturation site. We would add, however, that the pilot project must ensure that "representation" also ensures that the disproportionate impact of poverty on certain groups is reflected in the demographics of participants. This means that any sample group must reflect the disproportionate representation of these groups at high risk of poverty. Outreach must be done to these groups in community to ensure their proper representation.

## **4. Designing the Benefits**

Designing the benefit is the most important aspect of the Basic Income pilot. Mr. Segal's recommendations would make a significant difference to people on social assistance, and other low-income Ontarians, who receive the Basic Income amount in the course of the pilot. However, not all of the details of benefit design are addressed in his report.

### **a) Benefit levels**

As stated above, we believe that the goal of a Basic Income program should be to reduce and eliminate poverty. If clear evidence is to be gathered about the impact of more adequate incomes affects health and educational outcomes, food security, housing, and other issues, then the pilot project must provide a level of benefits that is adequate enough to make a real difference. As well, a sufficient level of benefits should be provided to allow those people who are not able to work or who can only work sporadically due to disability or caregiving responsibilities to live with health and dignity.

- The level of benefits should be **at least** 75% of the Low-Income Measure-After Tax (LIM-AT), not a “base level of financial modest income floor” as has been asked in the Basic Income Pilot Consultation Guide<sup>vi</sup>. While we recognize that the LIM-AT is not a direct measure of poverty, it is the income measure that the provincial government has chosen to evaluate its progress on reducing poverty<sup>vii</sup>. As such, providing 100% of LIM-AT instead of 75% would better align with achieving poverty reduction goals as well as better supports for Ontarians who participate in the pilot project.

#### ***b) Testing the adequacy of a disability supplement***

As noted above, we support Mr. Segal’s recommendation that people with disabilities and their caregivers should be eligible for an additional supplement, on top of the base Basic Income amount, with the condition that all currently-available disability-related supports and services continue to be provided. However, we note that there is no rationale provided for the \$500 amount that is recommended. People with disabilities may have very different needs depending on a number of factors, including their disability, the community in which they live, and other conditions.

- We recommend that the Basic Income pilot should test whether \$500 per month is adequate to meet the real needs of people with disabilities and that it should be increased as necessary, as noted in Mr. Segal’s discussion paper<sup>viii</sup>.

#### ***c) Retention and expansion of special benefits***

People on OW and ODSP can currently receive additional supports for health- and employment-related expenses. These benefits are provided either through financial allowances or through the “in-kind” provision of goods or services.

- As Mr. Segal recommends, all special benefits should be retained during the pilot. These benefits are provided for special purposes, not for ordinary daily living expenses like food and shelter. The Basic Income cannot be expected to cover these special needs. As Mr. Segal also recommends, eligibility for subsidized housing should remain<sup>ix</sup>.
- Many advocates have long called on the province to ensure that drug, dental, vision and other health benefits are extended to all low-income people in Ontario, with no loss of benefits for those on OW and ODSP. In 2014, the Ontario government committed to creating a Low-Income Health Benefit for both children and adults<sup>x</sup>. No progress has yet been made. We strongly urge the province to pursue the creation of this benefit independently of a Basic Income program.

#### **d) Taxback rates**

An important part of how the Basic Income amount will be determined is what the “taxback” rate is going to be if people who get the Basic Income have earnings from work. There is a lack of clarity in Mr. Segal’s recommendations about how the tax-back provisions could work, which would determine how the Basic Income would interact with income from employment. For example, there is no specific recommendation about the levels of the two proposed tax-back rates. This is a crucial question that will impact on benefit levels and labour market participation of those who may be able to work or where one family member works.

- It is difficult to comment further on this issue without more information from either Mr. Segal or the Ministry on what the taxback rate might be. The taxback rate must be reasonable enough that people who participate in the pilot are not punished for working.

### **5. Delivering the Basic Income Pilot Project**

Determining the most appropriate way to deliver the Basic Income pilot could have significant implications for future social assistance reform initiatives. Care must be taken to ensure that the delivery of the pilot project is flexible and responsive to need and that appropriate dispute resolution processes are created.

#### **a) Delivery mechanism**

Mr. Segal’s discussion paper recommends delivering the Basic Income pilot as a Negative Income Tax. This appears to be a reasonable approach, given that other provincial benefits like the Ontario Child Benefit are provided in this way. However, certain considerations must be taken into account:

- A mechanism must be put in place to adjust benefit levels if income drops or family size increases during the year.
- As noted above, people who do not file tax returns must be accommodated in some way. Access to Basic Income supports should not exclude people who have not filed.

#### **b) Dispute Resolution**

We appreciate Mr. Segal’s recommendation that disputes arising within the pilot project should be considered by the Social Benefits Tribunal (SBT)<sup>xi</sup>. We see this as recognition that people should receive the broadest of appeal rights with respect to benefits that are of great importance to their day-to-day survival. However, in contrast, disputes around tax-delivered benefits that go through CRA processes and Federal Tax Court are unwieldy and lengthy, and afford less protection for people challenging decisions. These processes are therefore inappropriate for

determinations around a basic source of income. However, we note that the SBT would require statutory authority in order to hear these disputes.

- We urge government to examine the issue of appropriate dispute resolution processes for the pilot project. We further urge government to enlist the support of the SBT, potentially through an SBT pilot project, to assist in resolving any disputes that may occur. We note that this would require legislative change to provide the SBT with the appropriate jurisdiction, and that additional resources would be required to support the SBT's ability to take on this role.

## **6. Evaluating the Pilot's Outcomes**

Mr. Segal recommends evaluating a number of different outcome areas, and the Consultation Paper asks a number of questions about the data required to evaluate the pilot, how to encourage people to participate, and how information should be shared. We have responded to some of these questions in our general comments above. However, we offer these additional recommendations.

- The pilot project should include testing whether the Basic Income amount provides enough income to cover the actual costs of decent housing, nutritious food, transportation, communication and other basic needs. Evaluation must include evidence on how well the amount of benefits provided meets the real needs of low income people.
- As noted above, poverty impacts different groups in society disproportionately. The pilot project must ensure that the measurement of outcomes is disaggregated according to the differential impacts of poverty on recognized vulnerable groups.

## **Conclusion**

We appreciate the opportunity to comment on issues surrounding Ontario's proposed Basic Income pilot project. However, we want to stress the urgent need for government to go beyond investing in a Basic Income pilot and to invest significant resources in improving the social assistance system now, through both increasing incomes and improving the OW and ODSP programs.

Low-income Ontarians who receive benefits from OW and ODSP have waited many years and invested much time, effort, and energy in participating in consultation processes around social assistance reform that have yielded little substantive improvement in their day-to-day realities. We recognize that steps have been taken in the last two years to improve the social assistance system and that substantive change has and is being made; however, these changes are not yet at a scale that translates into meaningful improvement in everyday life for the thousands of Ontarians who rely on social assistance for their livelihoods.

We continue to participate in reform efforts through the Income Security Reform Working Group and hope that the recommendations of the Working Group will lead to positive, transformational change. Nonetheless, government must take immediate action to improve the real conditions in which nearly 920,000<sup>xii</sup> Ontarians on social assistance live through investing in incomes and program change in the 2017-2018 Budget and continuing to make ongoing program administration and policy changes. In so doing, government will contribute to improving the quality of life of people on social assistance and the economic health of the province, and help to ensure the success of future larger-scale reform efforts.

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<sup>i</sup> Income Security Advocacy Centre. 2016. *Pre-Budget Submission on Social Assistance in Ontario to the Ontario Legislature's Standing Committee on Finance and Economic Affairs and the Ontario Minister of Finance*. December. Available at: <http://incomesecurity.org/publications/provincial-budgets/Ontario-Budget-2017-ISAC-pre-budget-submission.docx>

<sup>ii</sup> Segal, H. 2016. *Finding a Better Way: A basic income pilot project for Ontario*. p.58 Available at: [https://files.ontario.ca/discussionpaper\\_nov3\\_english\\_final.pdf](https://files.ontario.ca/discussionpaper_nov3_english_final.pdf)

<sup>iii</sup> Segal, H. 2016. p.56

<sup>iv</sup> *Poverty Reduction Act, 2009*, S.O. 2009, c. 10, s. 2(2)3.

<sup>v</sup> Segal, H. 2016. p.52

<sup>vi</sup> Guide p.21

<sup>vii</sup> *Realizing our Potential: Ontario's Poverty Reduction Strategy, 2014-2019*. p.44. Available at: [http://ywcanada.ca/data/research\\_docs/00000318.pdf](http://ywcanada.ca/data/research_docs/00000318.pdf)

<sup>viii</sup> Segal, H. 2016. p.51

<sup>ix</sup> Segal, H. 2016. p.59

<sup>x</sup> *Realizing our Potential: Ontario's Poverty Reduction Strategy, 2014-2019*. p.5 and 14

<sup>xi</sup> Segal, H. 2016. p.60

<sup>xii</sup> December 2016 OW and ODSP caseload statistics available at <http://www.mcsc.gov.on.ca/en/mcsc/open/sa/index.aspx>.