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Basic Income: The Devil's in the Details

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Proponents from all points on the ideological spectrum posit a basic income as the answer to many different problems, whether in income security benefit programs or the labour market.

Virtually everyone, however, sees basic income as a replacement for “welfare” programs and an answer to the problems they create.

Enforced poverty, intrusion and surveillance, eligibility policing and asset stripping, conditionality and inadequate employment supports, and punitive and degrading rules are endemic to Ontario Works (OW) and the Ontario Disability Support Program (ODSP), Ontario's two social assistance programs.

For those of us who want to resolve these particular problems, basic income is often seen as the right response.

But we can't lose sight of what might get lost in the shuffle. Basic income could provide many opportunities, but it might pose significant risks.

Here are six key questions to help anti-poverty and social assistance advocates determine whether any proposed basic income program will meet the test for improving life for those now getting OW or ODSP.

1. What's the goal?

Basic income can supposedly do everything: from responding to a low-quality labour market to making benefits easier to administer, and from incentivizing work to getting government “out of the business” of providing social programs. That's why it gets support from so many different corners.

But will it resolve the problem of poverty? That's an open question. But it certainly won't do the job unless it's intended to.

People who get benefits through OW and ODSP don't get enough in basic benefits to live out of poverty. And they can't earn their way out without losing other important supports. The impacts of poverty on them are well known: higher rates of preventable disease and death, lower quality of life, higher housing instability, and more stress and despair.

To address these problems, basic income has to be built with a goal of addressing poverty. It can't be primarily about making benefits easier to administer. It can't focus solely on doing a better job of getting people into work. And while achieving savings in other areas may well be a positive result of increasing people's incomes, that shouldn't drive the way the program is designed.

When examining any basic income proposal, we first have to ask: is eliminating poverty its primary goal? If there are multiple goals, what kind of trade-offs might have to be made?

2. How “basic” is the income?

It makes sense that a basic income program that replaces social assistance would set the basic income amount at a level higher than the lowest welfare amount — about \$8,000 per year, which is what single people on OW get from all income sources.¹

What about people with disabilities? If basic income replaces ODSP, it'll have to do better than the \$14,000 per year that a single person with disabilities currently gets from that program, especially given that people with disabilities have more financial needs that arise from their disability.

Given that a commonly used Statistics Canada measurement currently sets the “low income” line for an individual at about \$21,000 per year,² there's a lot

of room to move to improve things for people on OW and ODSP.

So how adequate would a basic income that replaces OW and ODSP be? Would it provide enough to pay for all the things people now need but currently can't afford?

Would it lift everyone out of poverty? Would it get at least part of the way?

3. How would it line up with work?

A basic income program can be set up to give everyone the same amount of money, so the rich get the same amount as the poor. That amount can be tax-free for all or taxed back from those with higher incomes.

Or the program can be targeted only to those with low or no incomes. In this case, the amount people get typically decreases in proportion to how much money is earned from work.

Two important questions then arise: at what point does the amount of the benefit start to be reduced and by how much?

Right now, people who are on social assistance can and do work, but their income is deducted from their benefits at a very high rate. And the deduction starts after earnings of only \$200 each month. This means it's impossible for people who work while on social assistance to actually earn enough money to have an adequate income.

Other benefit programs, like the Canada Child Benefit, are set up differently. Deductions don't start until income is roughly at the poverty line. And the proportion that's deducted is set so the benefit decreases moderately and gradually as income increases.

If a basic income were set up in a similar way, it could improve life for people currently on social assistance who work. But would it also improve life for people who don't?

Many people in Ontario, like people with various types of disabilities, face significant barriers to the labour market. Some may need long-term income support at a fairly high level. Others need to be out of

the labour market to do other important work, like caring for young children, elderly parents or sick relatives.

For many people in these situations, social assistance is the only alternative. But if social assistance is eliminated in favour of a basic income, their need for an adequate income would also have to be addressed.

So how would a basic income program address poverty both for people who work and for people who don't? Would the benefit level be high enough, and the deductions and phase-out levels reasonable enough, that it would do the job for all?

4. What's in and what's out?

A central rationale for basic income is that it replaces existing publicly provided income support programs. So which programs would be replaced and which would remain?

This question is partly about where the money for a basic income program would come from. How we pay for it depends, to some extent, on how much we already spend on programs that would be replaced.

So current spending on basic social assistance benefits would probably be included. But what about funds for tax-delivered benefits like the low-income Ontario Trillium Benefit? What about the Ontario Child Benefit (OCB)? Housing subsidies? Child care subsidies? How much in total is already spent on important income supports? And, crucially, is it enough to pay for the kind of basic income program we would want?

This is not just a math problem. It also gets to broader questions about the kind of supports people need, how those needs get met and what we expect our governments to do.

The public provision of public services is critically important for the well-being of everyone in our communities. Just as poverty isn't all about how much money you have, income supports are only one important piece of the bigger picture of how we address poverty and provide good quality of life for all.

In the case of social assistance, people are eligible not only for basic benefits to pay for things like food,

clothing and shelter. They're also eligible for supplementary benefits, both direct cash payments and in-kind supports.

So would those benefits be rolled into the basic income? Would the Special Diet Allowance be included? What about travel allowances to attend medical appointments? Benefits for work-related expenses? Child care supplements?

And what about OW and ODSP extended health benefits? What would happen to coverage for prescription drugs, basic dental care, glasses or disability-related assistive devices?

Instead of eliminating these benefits, many advocates think they should be improved and expanded so all low-income Ontarians get them, regardless of their source of income. Doing this would not only protect people on social assistance, it would also support the growing number of people whose jobs don't provide these benefits.

In fact, in its 2014 Poverty Reduction Strategy, the provincial government committed to creating just such a program. But so far it has taken no action. Without a comprehensive low-income extended health benefit, a basic income could leave people on social assistance without important supports.

All of this gets at the most dangerous aspect of basic income. At its most extreme, basic income can be an excuse for governments to eliminate critically important public services and simply replace them with a cheque. Whether or not that cheque is enough to allow people to buy those services on the market (and whether those services even exist to be bought), the quality and safety of those services are not guaranteed.

So which programs and services would be eliminated and which programs would remain? Would critically important benefits that people get through social assistance — or other benefits and services that people depend on — get lost in the shuffle?

5. Who would get it? And how?

Some current income security programs are intended to support children. Some are for seniors. And some, like social assistance, are for adults of working age. Would all these groups be eligible for a basic income?

Or would existing benefits be left intact for children and seniors — benefits that, in many ways, already constitute basic income programs?

And would the program be targeted to individuals or households? Right now, all household income is counted to determine whether or not people are eligible for OW or ODSP. This means that many people, particularly women and people with disabilities, are forced to be financially dependent on their family members. It also makes it very difficult for people who get social assistance to form relationships, because potential partners are forced to take on financial responsibility for them after an inappropriately short amount of time.

A basic income for individuals, rather than households, could help resolve these problems.

Another important question is whether everyone who is currently eligible for social assistance would also be eligible for basic income.

Right now, people without regularized immigration status can get social assistance. These are not tourists or visitors, but often people waiting to have their immigration status resolved. Many are not eligible for work permits from the federal government, so without social assistance they have no other means of support. Would a basic income ensure they don't get left out?

And if the basic income is administered through the tax system, steps would have to be taken to make sure that people who get OW or ODSP but who don't file income tax returns, for any number of reasons, aren't forgotten.

And what would be the impact of a basic income for Indigenous Peoples who live on reserves in Ontario? Right now, nearly all the funding for social assistance benefits they get is provided by the federal government through an agreement with the province. Indigenous Peoples had no input into that agreement and have had very little say over how the programs work. Given the provincial government's commitment to improve relations with Indigenous Peoples, how would a provincially funded basic income program work for Indigenous Peoples on reserve? Would they be eligible? And would they have jurisdiction and control?

6. What happens when things go wrong?

Access to justice is a critical part of addressing poverty. People need to have recourse to legal structures and institutions that protect their rights and interests in a way that is transparent, fair, and easy to access.

People who get OW and ODSP currently have the right to appeal decisions to the Social Benefits Tribunal. This is a quasi-judicial body that has clear rules of procedure, a body of case law, and processes designed to be much more accessible than going to court.

If OW and ODSP were eliminated and income supports delivered through basic income, would people still have the same appeal rights? Would they go to the Social Benefits Tribunal, the courts, or some other body?

After the Ontario government moved benefits for kids out of OW and ODSP and into the Ontario Child Benefit, people with disputes around eligibility, benefit levels and other issues must now deal with a different system. Because the OCB is delivered through the income tax system, appeals have to go through the much more complex process set out by the Canada Revenue Agency, which can ultimately lead to tax court. That's a much harder process to understand and get through. It's an inappropriate

mechanism to resolve disputes around access to essential income supports.

Would a basic income program make provision for processes to resolve disputes? Would it be easy to navigate and give low-income Ontarians the access to justice they deserve?

And would a basic income program accommodate changes in circumstances that could impact the amount of benefits a person gets?

For example, if the amount you get depends on how much income you reported on your tax return last year, which is how current tax-delivered benefit programs like the Ontario Child Benefit work, what happens if your income suddenly changes — like if you lose your job? Would a basic income program have some way to respond to these kinds of part-year changes?

The takeaway

Basic income as a concept sounds great. But as always, the devil is in the details.

Will basic income make life better for people on social assistance?

Until there's a tangible proposal that answers these crucially important questions, it's impossible to know.

1. This includes the Basic Needs and Maximum Shelter allowances that are the basic OW and ODSP income benefits, but also the Ontario Trillium Benefit, which is a refundable provincial tax credit delivered through the income tax system, and G/HST credits from the federal government. People with children on OW and ODSP are also eligible for child benefits from both the provincial and federal governments.
2. While Statistics Canada does not have an official "poverty line", it does publish three different income- and spending-related measures, which are commonly used as proxies for poverty. The Low-Income Measure After Tax is the most commonly used. It is a relative measure that represents a fixed percentage of median adjusted after-tax income. The last official LIM-AT calculation provided by Statistics Canada is for 2013. The author has calculated the LIM-AT for 2013 for a single household, adjusted for CPI for 2016 using the Bank of Canada inflation calculator, and rounded down, to be conservative. See *Low Income Lines, 2013-2014: Update*, December 17, 2015, page 23: <http://www.statcan.gc.ca/pub/75f0002m/75f0002m2015002-eng.pdf>.

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