



City of
Peterborough

To: **Members of the Committee of the Whole**

From: **Ken Doherty, Director of Community Services**

Meeting Date: **March 29, 2016**

Subject: **Report CSSS16-001**
Basic Income Guarantee

Purpose

A report to outline the issues related to a national Basic Income Guarantee (BIG) as referenced in the City of Kingston resolution of December 15, 2015.

Recommendations

That Council approve the recommendations outlined in Report CSSS16-001 dated March 29, 2016, of the Director of Community Services, as follows:

- a) That letters be sent by the Mayor, on behalf of Council, to the Prime Minister of Canada, the Premier of Ontario and all opposition leaders at both levels of government, outlining the City of Peterborough's support for an intergovernmental discussion to consider and investigate a Basic Income Guarantee for all Canadians;
- b) That letters also be sent by the Mayor to the Association of Municipalities of Ontario and the Federation of Canadian Municipalities, requesting that they propose a national discussion about the Basic Income Guarantee in their respective engagements with the provincial and federal governments.

Budget and Financial Implications

There are no direct financial implications to the City or the County of Peterborough associated with adopting this report.

Background

Council, at its meeting of February 5, 2016 under other business, approved the following motion:

“That staff provide a report that outlines the issues related to a national Basic Income Guarantee as referenced in the City of Kingston resolution of December 15, 2015”.

BIG is a potential poverty reduction strategy. Poverty exists across the province and nationally. Peterborough has approximately the same proportion of households living in low income (13.6%) as the province but in Peterborough, the incidence of childhood poverty is higher. Twenty percent of Peterborough children 6 years and under are living in low-income households (compared to 18.4% in Ontario). Peterborough also has lower earnings on average than the rest of the province. The average individual income in Peterborough was \$37,288, lower than the average for Ontario at \$42,264.

This report serves to provide:

- a definition of a BIG
- a review of the pilots and studies related to BIG
- benefits and challenges of this approach
- recent political activity, including lists of organizations endorsing local BIG resolutions

What is BIG?

Basic Income Guarantee is a generally accepted cash transfer from government to citizens, which ensures everyone has an income sufficient to meet the basic needs, regardless of work status. BIG payments are not tied to labour market participation.

There are several models included in discussions about BIG. The two most common models are a negative income tax and a universal grant model. The negative tax model works within the tax system to augment the income of people who fall below a designated poverty line. The universal grant model provides every person with a fixed non-taxable payment and then taxes additional income at a higher rate, with the intention that people with higher incomes pay the benefit back in taxes.

BIG Pilots and Studies

There are several current examples of guaranteed income programs both within Canada and internationally that can be examined to highlight the benefits and drawbacks of a BIG.

Canada provides income tested cash transfer programs to adults over 65 years of age through Old Age Security (OAS) and Guaranteed Income Supplements (GIS). Canada's rate of senior's poverty has decreased from 21.4% in 1980 to 5.2% in 2011, one of the lowest rates in the world¹. In Peterborough, 6.5% of seniors live in low-income households.

There have also been efforts to alleviate child poverty through programs such as the Ontario Child Benefit (OCB), Canada Child Tax Benefit, and National Child Benefit Supplement. These programs are income tested cash transfer programs to families with children under 18. They have had a strong poverty reduction effect. The OCB was introduced in 2007 and designed to replace the cash related social assistance benefits for children. Prior to OCB, children represented 38 % of the beneficiaries and now children represent 32% of the caseload, a drop of approximately 400 children in Peterborough alone. Though many children have left the social assistance system, 1 in 5 children under the age of 6 years still live in low-income households.

It is evident that guaranteed income can reduce poverty but there is concern that it will also negatively impact participation in the labour force. A joint provincial/federal pilot in Dauphin, Manitoba between 1974 and 1979 was designed to study the impact of guaranteed income on an entire community, including the working age adults. The project was known as Mincome. Forget (2011) found that the disincentive to work was only evident with new mothers and teenagers. Mothers used the opportunity to extend maternity leave and more teenagers completed high school. The Mincome experiment also found that the rates of hospitalization were 8.5 % less than the control group and there was a reduction of psychiatric hospitalizations and the number of mental health related medical visits (Forget, 2011)²

Other experiments were also set up in the United States by the Office of Economic Experiments. Over 1968-1976, basic income experiments were conducted for (1) urban populations in New Jersey and Philadelphia; (2) rural populations in North Carolina and Iowa; (3) single parents in Gary, Indiana; and (4) urban populations in Seattle and Denver. The experiments researched education, health, social and labour supply impacts. Results from these experiments varied, largely based on the experimental design, but they demonstrated a negative impact to labour force supply.

¹ Government of Canada <http://www.aines.gc.ca/eng/report/index.shtml#tc3>

² Forget, E. **The Town with No Poverty: The Health Effects of a Canadian Guaranteed Annual Income Field Experiment**. Canadian Public Policy xxxvii (3) 283-306, 2011. <http://utpjournals.metapress.com/content/xj02804571g71382/fulltext.pdf>

Finally, there is an international example for basic income in Brazil called Bolsa Familia (Family Grant). It is a conditional transfer based on school attendance and health obligations, such as accessing prenatal care. The program requires that children are not in the labour market but otherwise there are no other labour market conditions. This conditional cash transfer has been in place since 2003. In 2013, the program benefited 14 million households or around 50 million people. The program costs 0.5% of GDP. Smaller than other programs, in countries such as India, the Brazilian program has had notable results with 40% decrease in infant mortality over 10 years.

Benefits and Challenges

The welfare system strives to balance ensuring people have the income sufficient to meet basic needs, in a respectful way, while remaining fiscally responsible, including maintaining attachments to the workforce. The current system does not adequately meet these needs. For example, food insecurity impacts 64% of families living on social assistance³. The Government of Ontario has started the process of Social Assistance Reform. Ontario is striving to find a better way to reduce poverty and to provide human services in a way that works for the people who need them and supports people to participate in the economy. BIG may be an option for social assistance reform.

BIG may offer health, social and economic benefits. Research has shown that poverty is closely coupled with poor health outcomes. Studies in Hamilton have shown that the life expectancy in poor neighbourhoods is 21 years less than the life expectancy in wealthier neighbourhoods. The poor neighbourhood with a life expectancy of 65.5 years would rank 165th in the world, tied with Nepal and worse than India⁴. The Manitoba example also demonstrated improved health outcomes for households involved in the Mincome experiment. Reduced demands on the health system could lead to reduced costs.

BIG also has the potential to have many social benefits. It can provide families with the income security so that they have the ability to manage their own circumstances, making decisions related to education, balancing work and family care needs, and providing a sense of security. This will take families and children out of a series of crises and provide a more stable environment. It may also reduce the stigma attached to social welfare programs.

Finally, there are potential economic benefits. Low-income residents spend money where they live. If they have more money, they will spend more money in the local economy. They will also be able to take more economic risks which may support small business and innovation in the local economy. Self-employment and precarious employment have become more prevalent in the last decade and BIG may provide a

³ Tarasuk V, Mitchell A, Dachner N. Household food insecurity in Canada, 2012
<http://nutritionalsciences.lamp.utoronto.ca/>

⁴ <http://www.thespec.com/news-story/2168237-worlds-apart/>

safeguard for the risks related to self and precarious employment nurturing economic growth. There is also the opportunity for administrative saving, by reducing the complex structure of income support to one streamlined system, reducing public administration and inefficiencies.

There are also challenges when considering the implementation of a BIG program. There is some evidence that a BIG may negatively impact working age people's attachment to the workforce. Studies related to BIG in the 1970's may not hold true in today's labour market. The current labour market in Canada had significant transformations with more precarious employment and lower wages for new entrants to the labour market⁵

Implementing BIG would also require a large commitment from the provincial and federal government as the model would likely cross government jurisdictions and involve potentially three levels of government. The design of the model could be challenging, involving a great number of stakeholders with significantly different views. As a final point, the biggest challenge to implementing BIG is the cost.

How much would it cost?

The most common answer to the question is that it depends on the design of the model. Most agree that the costs need to take into consideration the cost of the program and the government savings from healthcare, justice, economic stimulation, administration and other areas. There is limited research that examines the cost of a BIG program, and the probable saving related to reducing the financial impacts of poverty within the current Canadian context. The following provide some ideas of the scope of the issue by identifying the indirect cost of poverty and the cost of social programs.

- Ontario Association of Food Banks has estimated the indirect costs of poverty in Ontario at \$32.2 - \$38.3 billion in 2007 dollars, or 5.5% - 6.6% of Ontario's then GDP (Laurie, 2008)⁶.
- The Fraser Institute calculates the total cost of Canada's current income support system at \$185-billion in 2013 or roughly 10% of GDP (Fraser Institute, 2015)⁷.
- A group of Queen's professors have estimated providing every adult with a basic income of \$20,000 and children with an income of \$6,000, would be \$40-billion.

⁵ Metcalffe, "Working Better – Creating a High-Performing Labour Market in Ontario"
<http://metcalfoundation.com/wp-content/uploads/2011/05/working-better.pdf>

⁶ Laurie, N. **The cost of poverty: an analysis of the economic cost of poverty in Ontario**. Toronto: Ontario Association of Food Banks, 2008.
<http://www.oafb.ca/assets/pdfs/CostofPoverty.pdf>

⁷ <http://www.fraserinstitute.org/sites/default/files/practical-challenges-of-creating-a-guaranteed-annual-income-in-canada.pdf>

- Roos and Forget, the researchers of Mincome, estimate that a BIG program would cost \$17-billion for a program that is slightly more generous than was offered in Dauphin. An enhanced version costing \$58-billion would guarantee everyone a minimum income equal to the low-income cut-off and pay at least some benefits to people earning well above the low-income cut-off. (Roos and Forget 2015)⁸

In summary, social programs are expensive and this is a big policy decision that does not appear to have adequate evidence at this time to analyze the current and future costs.

Recent activity

The concept of a BIG has been part of the public policy debate since the early 1960's. It has been getting renewed attention both internationally as well as across Canada. There is support for a BIG across various sectors and political backgrounds. Large associations that have supported the initiative include:

Canadian Medical Association
Canadian Public Health
Canadian Association of Social Workers

The concept of a BIG has also been part of the discussions in Ontario related to social assistance reform. In the 2016 Provincial budget, the province committed to “move policy considerations beyond social assistance rates to include aspects of the broader income security system.”⁹

"One area of research that will inform the path to comprehensive reform will be the evaluation of a Basic Income pilot. The pilot project will test a growing view at home and abroad that a basic income could build on the success of minimum wage policies and increases in child benefits by providing more consistent and predictable support in the context of today's dynamic labour market. The pilot would also test whether a basic income would provide a more efficient way of delivering income support, strengthen the attachment to the labour force, and achieve savings in other areas, such as health care and housing supports. The government will work with communities, researchers and other stakeholders in 2016 to determine how best to design and implement a Basic Income pilot."¹⁰

⁸ <http://www.theglobeandmail.com/report-on-business/rob-commentary/the-time-for-a-guaranteed-annual-income-might-finally-have-come/article25819266/>

⁹ <http://www.fin.gov.on.ca/en/budget/ontariobudgets/2016/ch1e.html?ncid=txtlnkusaolp00000618>
2016 Ontario Budget Chapter I: Building Prosperity and Creating Jobs Section E Towards a Fair Society

¹⁰ <http://www.fin.gov.on.ca/en/budget/ontariobudgets/2016/ch1e.html>

At the same time as the provincial budget was released, Senator Art Eggleton presented a motion to the Senate calling on the federal government to launch a basic income pilot project.

Locally the Basic Income Peterborough Network has resolution endorsements from the following organizations (as of Feb 2, 2016)

Affordable Housing Action Committee
Nourish Project
Occupational & Environmental Health Coalition
Peterborough District Labour Council
Peterborough Health Coalition
Peterborough Poverty Reduction Network (PPRN) Steering Committee and
PPRN Basic Needs, PPRN Food Action and Income Security Working Groups
St. Andrews United Council
VON 360 Nurse Practitioner Led Clinic

In addition to the Basic Income Peterborough Network resolution the Board of Health for the Peterborough County City Health Unit has endorsed the Association of Local Public Health Agencies (June 2015). The City of Kingston Resolution (Dec 15, 2015) has been endorsed by Peterborough County Council, and the Townships of North Kawartha and Asphodel-Norwood.

Summary

Poverty continues to be a problem in Canadian society. The existing social assistance programs are not working as effectively as possible. BIG has been identified as a possible solution. Research from previous pilots and international experience have highlighted some of the challenges and benefits of this type of program. Benefits include improved health, social and economic outcomes and the reduction of administrative costs. Potential challenges include negative impacts on labour supply and potential costs, especially if the savings related to mitigating the costs of poverty cannot be realized.

There does not appear to be sufficient evidence to fully understand the costs and benefits of such a large program within the current and future Canadian context. There is interest across many sectors, levels of government and political backgrounds. BIG as an option for poverty reduction merits a discussion to adequately assess a policy approach. The role of the municipality could be advocate with the provincial and federal government to further explore the options within their jurisdictions.

Submitted by,

Ken Doherty
Director of Community Services

Linda Mitchelson
Social Services Division Manager

Contact Name:

Nancy Fischer, Sr. Program Analyst

Phone: 705-748-8830 Ext. 3814

Toll Free: 1-855-738-3755

Fax: 705-876-4610

E-Mail: nfischer@peterborough.ca

Attachments:

Appendix A-City of Kingston Basic Income Guarantee Resolution of December 15, 2015