

## Basic Income: Frequently Asked Questions

### Q1: What is a basic income?

A basic income is a periodic, unconditional cash payment provided by government to individuals. It ensures recipients can meet their basic needs and live with dignity regardless of their work status. Different terms are used for similar policy proposals to emphasize different key characteristics of basic income:

- i) a **Basic Income Guarantee (BIG)** creates an income floor, preventing people from falling into poverty. It is unconditional, and (like health care) universally *available*, but income tested and so delivered only to those who need it, regardless of their work status.
- ii) a **Guaranteed Livable Income (GLI)** GLI and BIG are essentially the same. Many Canadian advocates have adopted the use of GLI to emphasize the importance of the benefit's sufficiency. It must be high enough not just to survive, but to live with dignity. The sufficiency requirement is also part of all detailed definitions of BIG, but not highlighted. This document uses the phrase livable BIG throughout to keep sufficiency to the fore.
- iii) a **Universal Basic Income (UBI)** In terms of its definition, a UBI is an unconditional payment made to *all* adults, rich or poor, and is not clawed back. It contrasts directly with income tested models. In Canada, however, UBI has come to be used often to refer to any kind of basic income program. This leads to confusion exploited by opponents to attack BIG's affordability.

### Q2: What program do we propose for Canada?

The Coalition advocates for an income tested livable BIG for adults aged 18-64 functioning as part of a comprehensive array of social supports. The benefit for a single adult should be set at or above the chosen poverty line and indexed to the cost of living. The reduction rate for paid work should be set at a level which will make working always worthwhile – certainly no higher than 50%. The Coalition proposes a lower reduction rate, but the precise reduction rate will depend on various aspects of the final design. Disabled people with exceptional costs due to their disability should receive additional monetary support to allay those costs.

### Q3: How high should a livable BIG be set?

Since the purpose of a BIG is to address income insecurity and poverty, the guarantee should be set at or above the poverty line. There are a number of ways to define that line. Three that Statistics Canada uses are the Low Income Cut Off (LICO), the Low Income Measure (LIM), and the Market Basket Measure (MBM). All are adjusted for family size. But since they are calculated in differing ways, each can be applied easily to some regions/communities but not to others, and they render up different poverty rates. As a result, experts disagree which to use for what purposes, although Canada recently adopted the MBM as its official poverty line.

With respect to basic income, the best measure to use will depend on various aspects of the ultimate design. As can be seen from the Parliamentary Budget Office's 2021 report, basic income has the potential to completely transform the rate of poverty in Canada. To be effective, the benefit level of a livable national BIG must be high enough to lift everyone out of poverty.

### Q4: What existing income support programs should be replaced by a national livable BIG?

A national livable BIG must replace Provincial, Territorial, and Indigenous income assistance programs (welfare).

Currently, welfare benefits are conditional, accessing them is humiliating and stigmatizing, and interactions with multiple intermediaries leave applicants vulnerable to racism, sexism and other biases. Welfare rates vary widely across the country, but all are far too low to meet basic needs. Struggling to subsist on too little income is time consuming and exhausting. It causes stress and ill health. Additionally, current welfare programs are counterproductive because they create barriers to employment. The federal government has the wherewithal to administer a consistent, fair and more robust income security program set at a livable benefit level across the country.

## Basic Income: Frequently Asked Questions

### ***Q5: What existing income support programs should be retained with a livable BIG?***

**Together with a livable BIG, the federal programs below should be retained, ensuring that income security is accessible and equitably delivered to everyone in need.**

A livable BIG would work effectively with the Canada Child Benefit, Old Age Security and the Guaranteed Income Supplement (GIS). Both resemble basic income programs targeted to particular populations and should be retained. That is why we advocate for a program focused on people 18-64. Contributory programs like The Canada Pension Plan and Employment Insurance should also be continued. The GIS may need an upward adjustment to ensure fairness and EI surely needs redesigning in light of the radically changing world of work if it is to be effective with respect for people engaged in precarious work and gig economies. To address the extraordinary costs of having a disability, the federal disability tax credit should be made fully refundable and the definition of disability adjusted to make the credit available to a less restricted group of people.

### ***Q6: What are the benefits of a livable BIG?***

**There are many benefits of a well-designed national livable BIG program.** It will provide a reliable and steady income for people currently receiving welfare, others struggling with multiple low paying or gig economy jobs, those who farm and fish and do other seasonal work, and those working in the creative arts. A livable BIG will also bring about a reduction of the high costs to taxpayers of poverty's impacts. Once people know they can meet their most basic needs for food, shelter, transportation, etc., the stress of living on a low income is immediately reduced. As a result, accidents decrease, hospitalizations, health and mental health costs decrease, crimes and incarceration due to desperation goes down, general health and educational outcomes improve, community participation increases, and alternative living possibilities for abused family members are created.

Since people living on low incomes tend to spend their money locally, BIG offers predictable benefits to the local economy and improves community cohesion, safety and security. The resulting financial stability in the lives of recipients both restores their dignity and autonomy and increases well-being. Altogether, the cost of remedial programs is reduced, saving taxpayer money. Finally, as we strive to meet Canada's environmental protection goals, individuals, businesses and whole communities will need financial support to undertake the many changes required for the transition. A livable BIG, together with an improved Employment Insurance program, will provide the community resilience needed to move Canada toward an environmentally sustainable economy.

### ***Q7: Should provincial programs, other than welfare be displaced, by a livable BIG?***

**In general, no. Both income security and a comprehensive array of social supports and services are necessary for people with unique challenges and vulnerabilities to live with dignity.** Income alone cannot address factors such as disability, mental health or addiction. Provincial employment and training programs, counseling and rehabilitative services and supports must remain and should be updated or expanded where needed. A federal BIG should be designed to harmonize with other provincial, territorial, and indigenous social support and service programs. A recent study showed that when people have a reliable livable income, fewer calls on other social support services can be expected. Federal, provincial and Indigenous governments must determine collaboratively which programs, if any, should be replaced and which continued once a livable BIG is implemented.

### ***Q8: Will people stop working if they get a BIG?***

**No. Canadian research has identified only two reasons people leave the workforce when receiving a basic income: mothers who stay home with very young children and youth who stay in school to graduation.** Research on Mincome - a basic income pilot program in Manitoba in the 1970s - showed that most people continued to work. There was no change at all in labour force participation rates and extremely little change in total hours worked except for those two groups of people. Research on the truncated Ontario Basic Income Pilot by

## Basic Income: Frequently Asked Questions

a group from McMaster showed similar results - most recipients who had jobs continued to work after receiving a basic income and more than a third of them reported that basic income helped them find higher-paying jobs with better working conditions. This Canadian evidence accords with evidence from basic income trials conducted throughout the world and at various time periods.

The livable basic income program we propose for Canada explicitly provides incentives to work. This is ensured by a gradual reduction in benefit level as earned income increases. For example, a reduction rate of \$.25 means that the basic income benefit will be reduced by only 25 cents of each dollar earned. So, it will always pay to work. This contrasts directly to the work disincentive built in by design to the CERB (see Q9) which worked very well. CERB recipients were allowed to earn only \$1000 a month before losing the entire \$2000 CERB benefit. As the economy started to reopen, there were complaints that businesses could not get their employees to return to work. Also, people were concerned about returning unsafe workplaces or travel conditions and bringing the virus home to their families. Finally, many families continued to lack childcare as schools had not yet opened. The CERB enabled people to remain at home to avoid the risk of contagion, as designed. In contrast, basic income is designed to foster engagement with the job market.

### **Q9: How is a basic income different from CERB?**

**Unlike BIG, CERB designed to slow the progress of COVID-19, was temporary, conditional, and deliberately designed to support people so they would NOT risk contagion by going to work.** CERB support payments were conditional on applicants having lost their jobs, had their hours reduced, or had childcare responsibilities associated with school closures due to the pandemic. In addition, applicants had to have earned at least \$5,000 in the previous 12 months. Because of its conditions, CERB failed to reach all those in need as the Government's frequent extensions of the program indicated. In contrast, a livable BIG would be permanent and unconditionally available to those whose income fell below the benefit level. CERB did have some similarities to BIG, however. It recognized that an adequate monthly income was essential both for individual financial security and to keep the economy going. It was easily accessible and the stigma associated with welfare was eliminated. In these ways, CERB was like BIG, and provided a direct contrast to provincial welfare programs.

### **Q10: How much would a national income-tested livable BIG cost?**

**BIG is clearly affordable and a more effective use of tax dollars than current income support systems.** Precisely because it is income tested, the livable BIG we propose costs a fraction of the amount a Universal Basic Income (UBI) would cost (which goes to everyone, see Q1). Over the last three years, there have been three PBO calculations of the cost of a BIG with total costs ranging from \$76-85 billion, and a Policy Options Report from the Basic Income Canada Network which models three different funding options. In these studies, certain federal refundable and non-refundable tax credits are used to pay for a basic income. Together with savings from federal transfers to provinces for welfare, much of which would no longer be needed, the net cost would come closer to \$23 billion. If tax loopholes useful only to higher income earners were eliminated, that would offset the net cost still further.

### **Q11: How do we pay for a national income-tested livable BIG?**

**The program could be paid for by harmonizing the provincial/territorial social transfer with the new national basic income program and by replacing federal refundable and non-refundable tax credits.** There are other ways to pay for a basic income program no matter how it is designed. However, the data needed to model ways to finance a basic income program are available only for modeling based on the income tax code only. Therefore, other options, such as new taxes (e.g., wealth, inheritance, financial transaction, robotics and AI productivity taxes), or resource licensing or dividend payments could not be modeled in any of the studies. They could potentially be additional or alternative resources for financing a livable BIG but they are not required.

## Basic Income: Frequently Asked Questions

### **SOURCES**

There are many evidence-based sources for the information contained in these FAQs. Only a few are provided below. Most of the sources we list contain references to still more sources for the material.

#### **Q1: What is a basic income?**

Coalition Canada [What Is Basic Income?](#)

Coalition Canada [UBI vs. BIG](#)

#### **Q2: What program do we propose for Canada?**

Aldridge, H. (2017). [Backgrounder: How do we measure poverty?](#) Maytree.

Boadway, R., Cuff, K., & Koebel, K. (2018). [Can Self-Financing Redeem the Basic Income Guarantee? Disincentives, Efficiency Costs, Tax Burdens, and Attitudes: A Rejoinder](#). *Canadian Public Policy*, 44(4), 447-457. <https://doi.org/10.3138/cpp.2018-044>

Forget E. (2020). [Basic Income for Canadians: From the COVID-19 Emergency to Financial Security for All](#). Lorimer.

Segal, H., Forget, E., & Banting, K. (2020). [A Federal Basic Income Within the Post COVID-19 Economic Recovery Plan](#). Royal Society of Canada.

#### **Q3: How high should a livable BIG be set?**

Coalition Canada – [The basic income we want](#)

LICO – [Low Income Cut-offs](#)

LIM – [Low Income Measure](#)

MBM – [Market Basket Measure](#)

#### **Q4: What existing income support programs should be replaced by a national livable BIG?**

Boadway, R., Cuff, K., & Koebel, K. (2018). [Implementing a Basic Income Guarantee in Canada: Prospects and Problems](#). Collaborative Applied Research in Economics Initiative.

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Saulnier, C. & Plante, C. (2021). [The Cost of Poverty in the Atlantic Provinces](#). Canadian Centre for Policy Alternatives, Nova Scotia.

#### **Q6: What are the benefits of a livable BIG?**

Ferdosi, M., McDowell, T., Lewchuk, R.S. (2020). [Southern Ontario's Basic Income Experience](#). McMaster University, Department of Labour Studies.

## Basic Income: Frequently Asked Questions

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Ontario Basic Income Network & Coalition Canada. (2021). [Health Case for Basic Income](#).

Ontario Basic Income Network. (2020). [Rethinking Work and Income Security in the 21st Century: The Case for Basic Income and Work](#).

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Ontario Basic Income Network & Coalition Canada. (2021). [Addressing Food Insecurity Through a Basic Income Guarantee](#)

Segal, H., Forget, E., & Banting, K. (2020). [A Federal Basic Income Within the Post COVID-19 Economic Recovery Plan](#). Royal Society of Canada.

Ontario Dietitians in Public Health (2020) ODPH Position Statement on Responses to Food Insecurity

Basic Income Canada Network. [Primer Series](#).

West, S., Baker, A.C., Samra, S., Coltrera, E. (2021). [Preliminary Analysis: SEED's First Year](#).

### ***Q7: Should provincial programs, other than welfare, be displaced by a livable BIG?***

Boadway, R., Cuff, K., & Koebel, K. (2018). [Implementing a Basic Income Guarantee in Canada: Prospects and Problems](#). Collaborative Applied Research in Economics Initiative.

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### ***Q8: Will people stop working if they get a BIG?***

Basic Income Canada Network. (2019). [Signposts to Success: A survey of Ontario Basic Income Pilot recipients](#).

Ferdosi, M., McDowell, T., Lewchuk, R.S. (2020). [Southern Ontario's Basic Income Experience](#). McMaster University, Department of Labour Studies.

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West, S., Baker, A.C., Samra, S., Coltrera, E. (2021). [Preliminary Analysis: SEED's First Year](#).

### ***Q9: How is a basic income different from CERB?***

Because CERB was created very recently as a response to the COVID-19 pandemic, there is no research available yet to compare it to basic income. Below are a few citations which lay some ground work for this comparison.

Forget E. (2020). [Basic Income for Canadians: From the COVID-19 Emergency to Financial Security for All](#). Lorimer.

Swift, J. & Power, E. (2021). [The Case for Basic Income: Freedom, Security, Justice](#). Between the Lines

Swift, J. & Power, E. (2021, April 30). [How Covid-19 and CERB proved that basic income is not only possible – It works](#). Canadian Dimension.

## Basic Income: Frequently Asked Questions

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Macdonald, D. (2020). [Transitioning from CERB to EI could leave millions worse off](#). The Monitor, Canadian Centre for Policy Alternatives.

### ***Q10: How much would a national income-tested livable BIG cost?***

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### ***Q11: How do we pay for a national income-tested livable BIG?***

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Boadway, R., Cuff, K., & Koebel, K. (2018). [Can Self-Financing Redeem the Basic Income Guarantee? Disincentives, Efficiency Costs, Tax Burdens, and Attitudes: A Rejoinder](#). *Canadian Public Policy*, 44(4), 447-457. <https://doi.org/10.3138/cpp.2018-044>

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