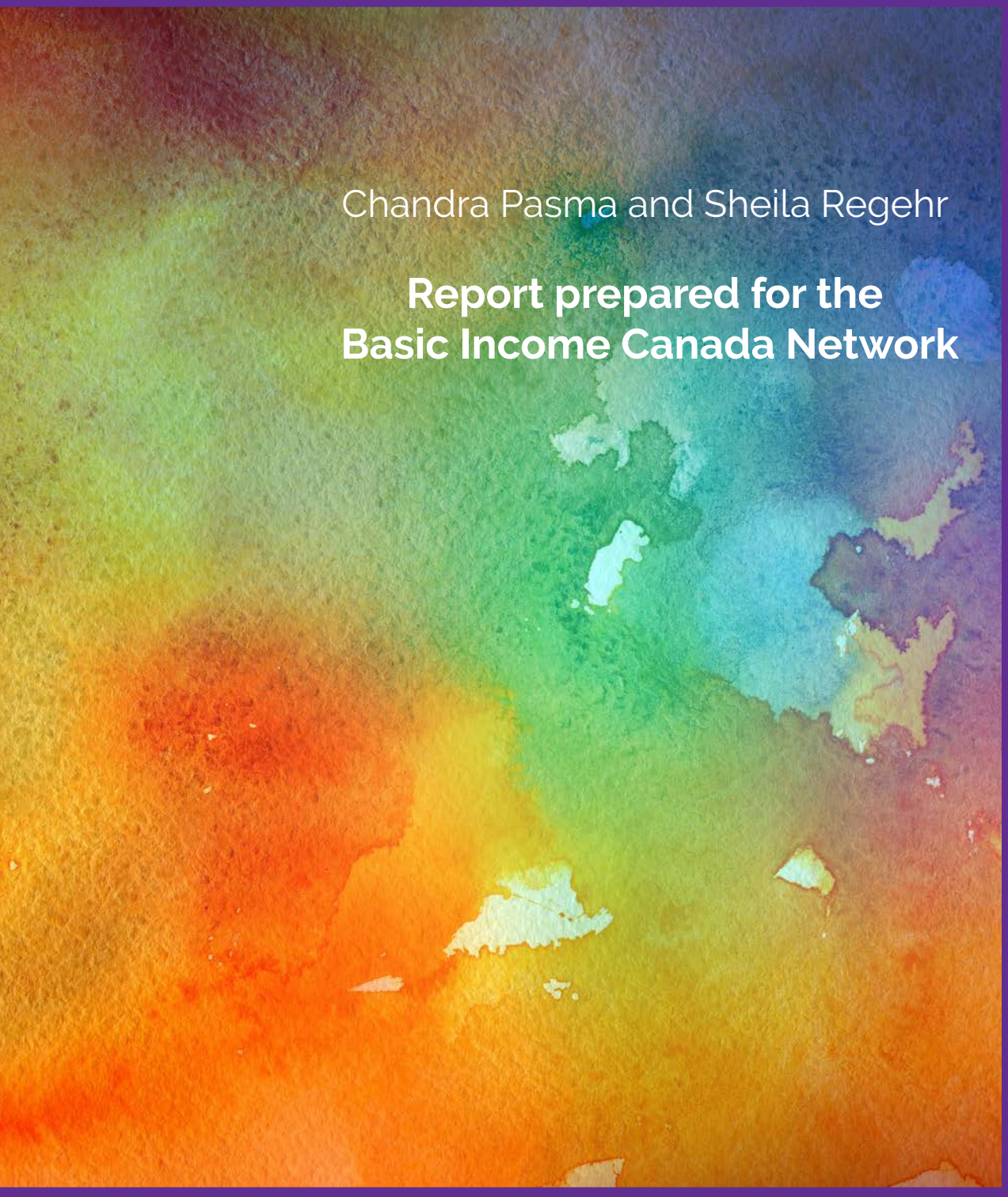
Basic Income: Some Policy Options for Canada



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Report prepared for the Basic Income Canada Network

Basic Income Canada Network
Réseau canadien pour le revenu garanti

Basic Income: Some Policy Options for Canada

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About BICN

The Basic Income Canada Network (BICN) is a voluntary, non-profit, non-partisan organization promoting informed, constructive public dialogue leading to a basic income guarantee in Canada. This report was undertaken at BICN's request, by a project team led by the report's authors.

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The analysis in this paper is based on Statistics Canada's Social Policy Simulation Database and Model, version 26.0. The assumptions and calculations underlying the simulation results were prepared by the project team and modellers and the responsibility for the use and interpretation of these data is entirely that of the team.

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List of Acronyms

BICN – Basic Income Canada Network
CCB – Canada Child Benefit
CPP – Canada Pension Plan
CST – Canada Social Transfer
EI – Employment Insurance
GIS – Guaranteed Income Supplement
GI/ST – Guaranteed Income/Simplified Tax
GST/HST – Goods and Services Tax/Harmonized Sales Tax
LICO – Low Income Cut-Off
LIM – Low Income Measure
NIT – Negative Income Tax
OAS – Old Age Security
RRSP – Registered Retirement Savings Plan
SPSD/M – Social Policy Simulation Database and Model
UCCB – Universal Child Care Benefit
UD – Universal Demogrant
UISP – Universal Income Security Program
WITB – Working Income Tax Benefit

A **basic income** is an unconditional cash transfer from government to individuals to enable everyone to meet their basic needs, participate in society and live with dignity, **regardless of work status**.

Basic Income: Some Policy Options for Canada IN BRIEF

As the need for basic income grows, the Basic Income Canada Network (BICN) is often asked how Canada could best design and pay for it. To answer that in a detailed way, BICN asked a team to model some options that are fair, effective and feasible in Canada. The three options in this report do just that. Our three options demonstrate that it is indeed possible for Canada to have a basic income that is progressively structured and progressively funded. BICN wants governments, especially the federal government, to take this seriously—and to act. Lives, and the future of our country, depend on it.

We also think Canadians should have a say in the public policies that affect them. Very few people are experts in the kind of technical work this report depends on so BICN has created this Brief to cover the essentials and aid in delving into the full report.

The Goal

It's one thing to design a basic income from scratch based on an ideal concept. Our goal was much harder—to develop workable options in the real world of existing public policy, specifically Canada's tax/transfer system.

What is a basic Income?

A basic income is an unconditional cash transfer from government to individuals to enable everyone to meet their basic needs, participate in society and live with dignity, regardless of work status.

Canada already has policies that have basic income features. Child benefits (federal and provincial/territorial) are a partial basic income. The amount a family gets is based on the number of children and benefits are reduced progressively as other income increases. Families don't have to meet intrusive conditions and parents decide how their money gets spent. Another transfer program in Canada is the opposite of a basic income; social assistance has many rules and conditions that can work against people's best efforts, is highly stigmatizing and usually provides far too little to cover even bare subsistence needs.

Why the tax/transfer system?

The tax/transfer system is a powerful government tool to gather and invest revenue needed for the well-being of a society and its members. It enables us to have roads, schools and hospitals, democratic institutions and much more. In Canada, a wealthy country, it should be a priority to enable us all to have decent lives. But our tax/transfer system has become very complex and contradictory; modelling change is a big challenge. It does not treat all Canadians with dignity and respect. On the one hand, seniors benefits and child benefits provide stability to millions of Canadians, helping them weather the ups and downs of life. Social assistance, on the other hand, traps people in deep poverty. There are also billions of dollars of tax breaks that go primarily to the wealthiest individuals and corporations, a situation that was not always like this—they used to contribute a fairer share.

The other key reason to focus on the tax/transfer system is that by using Statistics Canada's Social Policy Simulation Database and Model (SPSD/M) we can see, in detail, the impact of our modelled options. Other ways to help pay for a basic income may be more difficult to estimate but they include, for example, cost-savings over time as people's health and well-being improves. Canadians know that inequality, insecurity and poverty have a high price tag that we are already paying. Governments must take that into account as well in efforts to build a more fair and equitable society.

The Three Policy Options

BICN has a framework document called *The Basic Income We Want*. Its key **principles** guided how the benefit side of the basic income options were designed as well as how they are funded. We can measure how well our options do in enabling people to meet basic needs and in reducing inequality. We can see whether it is people with the least who benefit most and whether those with the highest incomes contribute a fair share. Canadians should look for these kinds of results in any options for a basic income that a government or non-governmental organization may put forward.

Benefit Design

The **benefit design** in all options have similarities. All options are for adults; children's benefits remain as they are. All options are based on a benefit of **$22,000** per year for an individual. The report details a number of assumptions about how the options will work including intergovernmental relations and administrative matters.

Option One - A benefit for 18-64 year olds, based on family income

- $22,000 for a single person; $31,113 for a couple (divided between individuals)
- It works similar to existing child benefits and the Ontario pilot as benefits are reduced gradually as other income rises, in our case using a modest 40% reduction rate.
- Some tax changes affected low-income single seniors so we give a boost to the Guaranteed Income Supplement for them in this model.

Option Two - A benefit for all adults 18+, based on family income

- The benefit works in the same manner as Option One, with seniors now included.

Option Three - An individual, universal benefit for all adults 18+

- Each adult gets the same $22,000 benefit amount, regardless of family status or other income—there is no reduction rate in this model.

Funding Resources

All options are **fully funded**, from similar sources, making them all affordable. The resources used follow BICN principles:

- Funding is rolled in from existing refundable tax credits and programs that provide direct income support, like the Goods and Services Tax/Harmonized Sales Tax (GST/HST) credit, as well as social assistance (we only take half of administrative funds, so the remainder can be used for social services);

- Resources are shifted from non-refundable tax credits into the basic income, including the basic personal amount and credits (federal and provincial) that go mostly to the wealthy;
- Tax fairness measures are adopted, such as more tax brackets and higher tax rates on high incomes;
- All income is treated the same whether it comes from employment or capital gains;
- Changes to corporate taxation are included so that corporations pay a fair share—they will gain from more people being able to participate in the economy;
- In Options Two and Three, which include seniors, funding is included from Old Age Security (OAS) and the Guaranteed Income Supplement (GIS);
- In Option Three, a significant increase to the basic individual tax rate given that every adult will receive $22,000 of untaxed income.

Tax breaks in Canada come in a variety of forms with various, sometimes questionable, objectives. A *deduction* means that an amount of income is removed from the calculation of your taxable income. Money that people put into Registered Retirement Savings Plans (RRSP) is an example (it's actually a deferral as you eventually do pay tax on this when you are older). In our options, you can't use an RRSP deduction to lower your income in order to receive a basic income payment. A *refundable tax credit* means you receive the value of the credit even if you pay no tax. A *non-refundable tax credit* is used to reduce the tax you owe but if your income is low you get little or no benefit at all. Tax brackets help ensure fairness in ability to pay. If tax brackets are few, then there is a gap of many thousands of dollars between those at the upper and lower ends of the bracket, yet they pay tax at the same rate. Some tax breaks just don't often apply to average Canadians. For example, capital gains are taxed at a lower rate than employment income, and this tends to benefit people with high incomes.

The Results

The results to pay attention to most are those that impact people. For example:

- In all three options the entire lower half of the income distribution sees their disposable income increase. Most people up into the middle-income groups continue to benefit. Wealthier individuals in the upper income deciles contribute more to ensuring that all Canadians at every stage of their lives, through ups and downs that affect all of us, have true income security. In all options inequality is reduced.
- The lowest income families see their disposable income increase by more than 350%. This is especially important for singles under 65 who have very little income security now.
- Poverty is almost eliminated, at zero in some cases. For the few remaining under the poverty line the gap is far smaller than under the current system which traps too many people in deep poverty.
- There are some differences among options and some issues that merit further consideration. Integrating seniors programs that currently have a universal, individual component as well as one based on family income was a challenge for Option Two and would benefit from more work to help those in the middle-income brackets. More women than men were beneficiaries, especially in Option Three. For families in the bottom decile, however, Option Three tended to help couples more than singles or single parents.

Understanding the real costs and benefits of the options requires care. They are all fully paid for, from similar sources in the tax/transfer system, and the pattern of results is relatively similar.

Our results suggest that *net* affordability of the options is fairly similar too.

- Option One appears to have the lowest cost at $134 billion—it also has the fewest adults. Our proposed tax/transfer resources generate $136 billion in revenue.
- Option Two include seniors but also comes with the money that goes to seniors benefits now, so this option at $187 billion (resources of $189 billion) isn't necessarily much more expensive than Option One.
- Option Three includes more people still because benefits are provided to every adult based on individual income, instead of family income. It may be somewhat more expensive but not nearly as much as it might appear from its upfront $637 billion calculation because the money to pay for it is recouped at tax time (resources of $639 billion). This option requires more extensive change to the way income is taxed. Because we will all have received $22,000 of non-taxable income, we will all pay higher taxes on the first dollar of other income.
- Greater tax fairness, simplicity, transparency, and accountability are benefits of all options.

Beyond The Numbers

Some people reading this report will be moved to action by the human dimension of a basic income rather than, or in addition to, facts and figures. We encourage you to read BICN's Signposts to Success report with quotes from recipients of Ontario's recent basic income pilot. It is amazing how quickly many people's lives turned around for the better and what plans they were working towards for the future. It is wrenching to see how anxiety and despair returned when the cancellation of the pilot was announced.

More personally, you need not go far to ask a relative, friend, neighbour or co-worker about the difference that monthly child benefit or seniors benefit cheques have made to their lives and to their communities. There are millions of those people out there—you yourself may be one of them. We cannot do justice to all those experiences. We urge you, therefore, to listen to each other's stories, see how similar and how unique they are, and imagine how much better our country would be if everyone in Canada were equally trusted and supported in making the most of their lives. Please also talk to young people, perhaps your own children or grandchildren, who have almost no income security now and are understandably anxious, facing a precarious future.

BICN is profoundly grateful to everyone who graciously gave of their time and expertise to help and to challenge us. Among the report's authors, project team, experts and reviewers are some of the most exceptional policy thinkers in this country. We see the options in this report as a major step forward but not the only one. We encourage others to continue to develop proposals. We urge governments and elected representatives to rigorously pursue options and public dialogue so that basic income in Canada can become a reality.

BICN Board of Directors

*For more information and resources, visit **basicincomecanada.org**. Questions and feedback can be directed to **infobasicincomecanada.org**.*

Introduction

Both in Canada and globally, there is significant interest in basic income. Persistent poverty and inequality, the economic insecurity of many in the middle class, the rise of precarious work, the looming threat of automation, health inequities, and the challenge of climate change have all contributed to a new policy interest in this age-old idea. But what would a basic income actually mean for Canada? What would it look like for individual Canadians? And how would it work in the context of our existing welfare state and tax and transfer system?

As a concept, basic income is quite simple: cash transfers to individuals with very minimal conditions (such as residency) attached. But the simplicity of that vision hides a wide variety of perspectives, goals, and options for implementing a basic income. On the one hand, there is the neoliberal idea of basic income, championed by Milton Friedman among others: a very small cash transfer to citizens, replacing a wide array of public programs. On the other, there is the progressive vision of basic income: a guaranteed income high enough to lift people out of poverty, in the context of a robust welfare state with strong public programs and services.

And these are just the most basic design questions. Designing a basic income program from scratch might be a reasonably simple exercise, but designing a basic income for a developed country such as Canada with a complicated tax and transfer system, a wealth of existing social programs including two basic income-like programs (for seniors and for children), and complicated intergovernmental relations to navigate brings a whole new set of questions.

Many Canadians – politicians and the general public alike – are very interested in the vision of basic income. But understandably, they have questions about how it could work in practice. What kind of benefit level are we talking about? How much would it cost? Who would pay for it? What programs get replaced?

To address these questions, the Basic Income Canada Network created a team to model some options and demonstrate to Canadians some potential ways in which basic income could work in Canada. (For information on team members and other contributors, see Appendix C).

The goal of this project is not to provide a roadmap, nor to suggest that we have the specific model which could or should be adopted in Canada. Instead, we offer illustrative examples. Our goal is to show that there are progressive options for creating a basic income for all Canadians, and that a progressive basic income is both possible and affordable. Through this process, we have also identified some of the policy issues that need to be addressed in designing and implementing a basic income in the Canadian context given our existing social programs and tax structure.

Part One Designing A Basic Income

Chapter 1 Basic Income in Canada: Understanding the Debate

The fundamental moral principle behind basic income – that every person should have the right to meet their basic needs and live a life of dignity, regardless of their work or family status – is not a new idea. It is found in many of the world's oldest religions and the work of political philosophers throughout the centuries. Yet over the past decade, this age-old idea has been getting considerable attention.

The increasing interest in basic income is being driven by a number of factors, including:

- **Persistent poverty**: After decades of fighting poverty with social assistance, workfare, homeless shelters, food banks, and ever more narrowly targeted government programs, the only thing that has been shown to substantially reduce poverty rates over the long term at the national level in Canada is a basic income-like program – Old Age Security (OAS) and the Guaranteed Income Supplement (GIS) for seniors.[1]
- **Administrative and bureaucratic complexity**: Evaluations of programs intended to help people with low income, such as the Working Income Tax Benefit (WITB, now renamed the Canada Workers' Benefit), the Canada Learning Bond, and the Disability Tax Credit, show that few of the intended recipients are benefiting. This is because with such a maze of programs, awareness of their existence is low. The numerous rules and time-consuming, complex application processes also discourage people from applying and make it easy to be disqualified.[2]
- **Public health**: As a prominent Canadian doctor has noted, poverty has a greater impact on the health of low-income Canadians than "smoking, high cholesterol, high blood pressure, obesity, salt or soda pop." Many organizations responsible for public health, including the Canadian Medical Association, wonder why we can't just address this public health crisis at its source: by increasing people's income.[3]
- **Ecological justice**: The pressing ecological imperative of shifting away from carbon-emitting, resource-depleting economic activities means that many are looking at basic income as a potential source of economic security for those who might lose their livelihood as a result and will need to transition to something new, or as an offset to the potentially regressive impact of carbon-reducing measures such as eco-taxes.[4] A basic income could also enable people to afford "greener" options in their personal purchases.
- **Automation**: Concerns about the rapid pace of automation and fears that automation will soon displace many workers – and that we can't afford to replace all those jobs with new jobs and still save our environment – lead many to believe that basic income can be a solution that ensures everyone can still afford to put food on the table (and buy the products those robots are making and shipping).[5]
- **Precarious work**: The number of part-time, contract, and self-employed positions, especially those with low wages and few benefits, has been steadily growing in Canada. This is increasing the ranks of the working poor and making it more difficult for people to plan for the future. Basic income could provide the support people need when jobs can't be counted on to make ends meet. [6]

- **Civic ties**: The rise of right-wing populism, with its anti-immigrant, anti-elite sentiment has been linked to the rampant growth of economic inequality, the decline of manufacturing and good manual labour jobs, and a governing ideology that suggests that the poor and the middle class should wait for wealth to trickle down, rather than receive support from their governments or share in the wealth they help to create. Basic income could help to counter the current social unrest by building a sense of citizenship, civic rights, and the common good, founded on the basic principle that everyone deserves to live a life of security and dignity.[7]

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This last point is vitally important. Economic security is about much more than poverty and being able to put food on the table. For one thing, the importance of economic security extends beyond the low income and into the middle class. Nearly one-third of Canadians say they don't make enough money to pay their bills and their debts, while another 46 percent say they make only $200 a month more than their monthly financial obligations.[8] Almost half of Canadians would not be able to manage if their paycheque were delayed by more than one week.[9] Nearly 40% of Canadians say they have no savings for retirement.[10]

Furthermore, the number of temporary jobs has been increasing at a faster rate than the number of permanent jobs in Canada, with annual growth of 2.58 percent since 1997.[11] This leaves many Canadians uncertain whether or where they will be working in a week, a month, or six months' time. Many also struggle with work hours – and therefore income – that vary dramatically from week to week. This precarity puts workers in a position of constant stress over whether or not they will be able to pay their bills and puts major purchases that many of us think as milestones of adulthood – such as a car or a house – out of reach. It can also limit people's ability to form relationships, to start a family, or to care for aging parents.

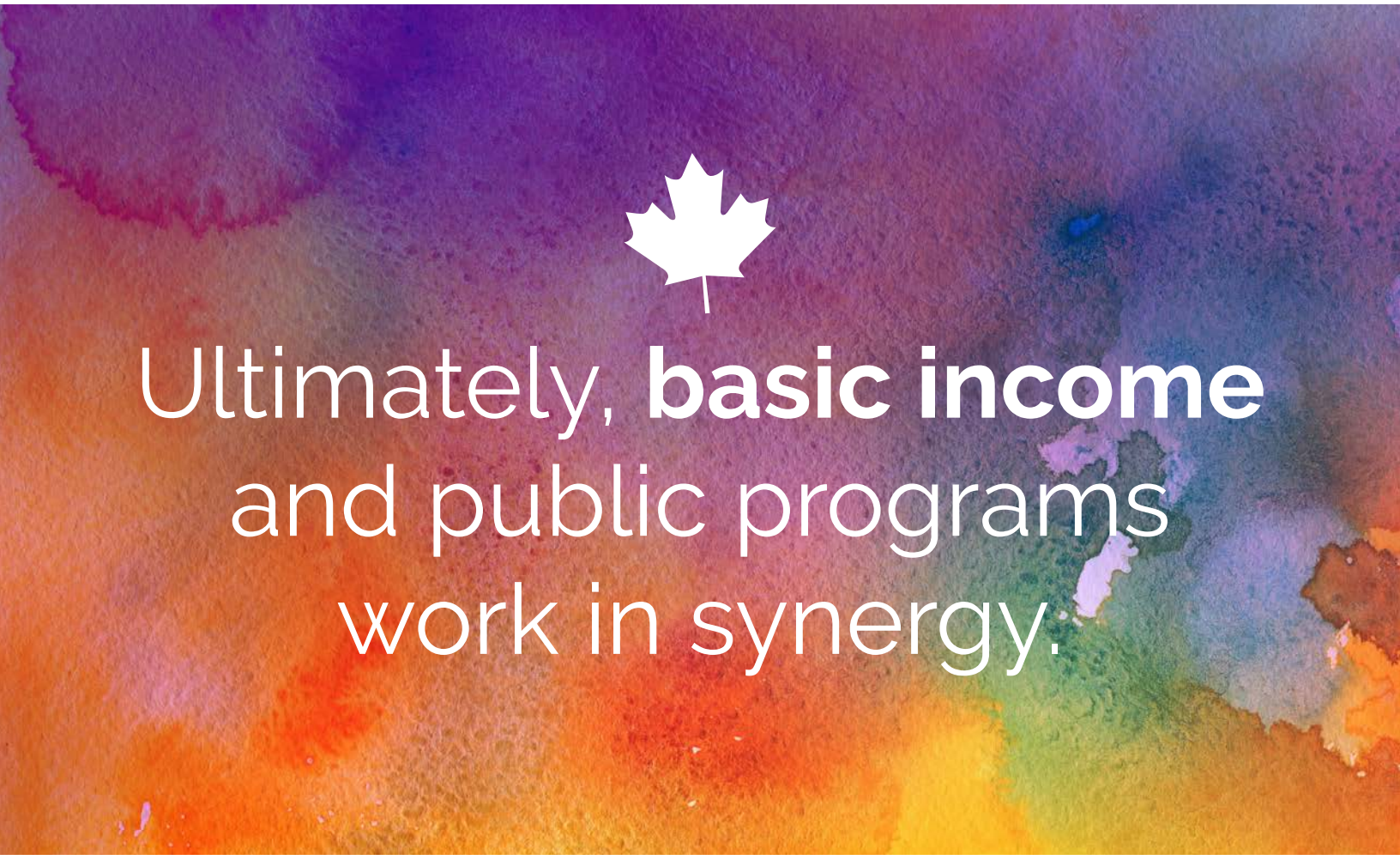
This is not just a matter of dollars and cents. Economic insecurity has a significant impact on health and well-being. Research shows that people are more likely to develop physical and mental health problems when they experience insecure employment, job loss, income volatility, uncertainty about paying their bills, or anxiety about the future.[12] The stress of fluctuating income levels is felt even in middle-income families.[13] This kind of economic insecurity also changes the way people think, diminishing their ability to think and plan long-term.[14] Having an income floor, which they can count on regardless of what else is happening in their lives, would do a great deal to improve the economic security, and therefore the well-being, of many Canadians.

Research from Europe also shows that people who are exposed to economic insecurity or financial crises are much less likely to trust their governments and much less likely to vote. When they do vote, they are more likely to support anti-immigrant or populist political parties.[15] Declining levels of trust, in turn, have important consequences for polities – they influence people's willingness to abide by laws and pay their taxes and can limit economic growth.[16] Addressing economic security can therefore be a source of well-being for states as well as for citizens.

One final note – there are some who suggest that the answer to the challenge of poverty and economic insecurity is not basic income, but public programs. This, however, is a false dichotomy. Public programs don't eliminate the need for everyone to have some level of income security, just as a basic level of income security doesn't mean that people don't need and won't benefit from

public programs. There are many goods and services that can be acquired more fairly and at a lower cost and higher quality through public provision. Health care is a great example. But even with public programs, there are still things that require income. For instance, a national program to provide food rations to low-income Canadians seems unlikely and would at any rate be unable to address individual health, cultural, and religious dietary requirements. Income security also ensures that everyone has the same freedom and autonomy to make their own choices, instead of allowing wealthy Canadians to make choices while poor Canadians have to be grateful for what they're given.

Ultimately, basic income and public programs work in synergy. Public programs such as affordable housing, universal health care, pharmacare, and childcare mean that the level of income needed for an individual to achieve a basic degree of security is much lower, while having income security means a lower cost for public programs such as health care. We should not waste time pitting the two against each other but move forward boldly in search of both a basic income and a strong welfare state.



Chapter 2:
Design Questions

Basic income at its core is quite simple – the transfer of money from government to individuals with minimal conditions. However there are multiple ways of accomplishing this goal. There are thus a number of basic questions which need to be answered in designing any basic income program. These questions include:

- ## Will the benefit be universal or income-tested?

  In the universal model, usually referred to as a universal demogrant or a universal dividend, everyone receives the same benefit regardless of their income. Higher income earners then pay the benefit back through higher tax rates. The benefit may or may not be structured according to family size or composition and the benefit itself may or may not be taxable.

  In the income-tested model – sometimes referred to as a negative income tax, guaranteed minimum income, or refundable tax credit – only individuals with an income below a certain threshold receive a benefit. The program remains universal in the sense that income is the only or one of the only conditions of access, and an individual can become eligible simply by having their income drop. (In this regard, it is like universal health care – everyone is eligible, but each individual receives the level of health care they need, rather than everyone receiving the same amount.) An income tested model has a reduction rate – the rate by which the benefit is reduced for every dollar of additional income – which in turn sets the maximum income threshold for receiving benefits.

- ## Will the benefit be based on family size or composition?

  The benefit could be the same for every individual, regardless of whether they are part of a couple or whether or not they have children. Some people strongly argue in favour of an equal individual benefit on the grounds of gender equality and individual empowerment. Having an equal right to an equal benefit in their own name may give some individuals a sense of greater power in a relationship with unequal power dynamics.

  On the other hand, there is a strong case to be made in the name of horizontal equity that an individual's situation varies greatly based on their family size. The expenses of a couple are not twice as much as the expenses of a single individual; giving a couple two times the benefit of a single person thus privileges people who are in couples over people who are single. The argument that an individual benefit is necessary for gender equality is also weakened if a woman is entitled to a full individual benefit automatically if she leaves her partner, with no questions asked.

- ## What will the maximum benefit level be?

  The benefit level can be any amount, but in many proposals the benefit level is set in comparison to income measures, such as Statistics Canada's Low Income Cut-Off (LICO) or Low Income

Measure (LIM). For example, the Ontario basic income pilot project set the maximum benefit for a single person at 75 percent of the LIM (see Appendix A for more information on the Ontario pilot). The benefit could also be set in comparison to existing income security programs, such as social assistance, OAS and GIS, or the Canada Child Benefit (CCB).

- ## Which levels of government will be responsible for the basic income?

In Canada's federal system, provinces and territories have responsibility for social programs in their own jurisdiction, while the federal government has responsibility for social programs for First Nations living on reserve. The federal government, however, also has a number of contributory programs and transfers to individuals which have, at least in part, the purpose of providing income security to Canadians: the CCB, OAS and GIS, Employment Insurance (EI), and the Canada Pension Plan (CPP).

A single province or territory could introduce a basic income alone, but for a national basic income, the federal government would almost certainly have to be involved. However, whether the federal government alone should provide a basic income to all Canadians or whether there should be a degree of cooperation between the two levels of government is a matter of debate. At the very least, any attempt to introduce a basic income by the federal government would require some coordination with the provinces and territories because of the number of provincial and territorial programs that are income-contingent.

- ## Which programs are replaced or rolled into the basic income?

At a minimum, most proposals suggest that the income support part of social assistance should be rolled into the basic income. A number of other income security programs, such as the Working Income Tax Benefit (renamed as the Canada Workers Benefit in 2019) and OAS and GIS, are also obvious candidates. Many of these programs also have provincial equivalents. But there are a number of other programs, such as EI and its various special benefits, that are intended to support income security but also have other purposes which cannot simply be replaced by a basic income. Various proposals deal with these programs in different ways. Some proposals go so far as to recommend that all social programs be replaced with the basic income. Others focus only on programs whose raison d'être is entirely replaced by basic income.

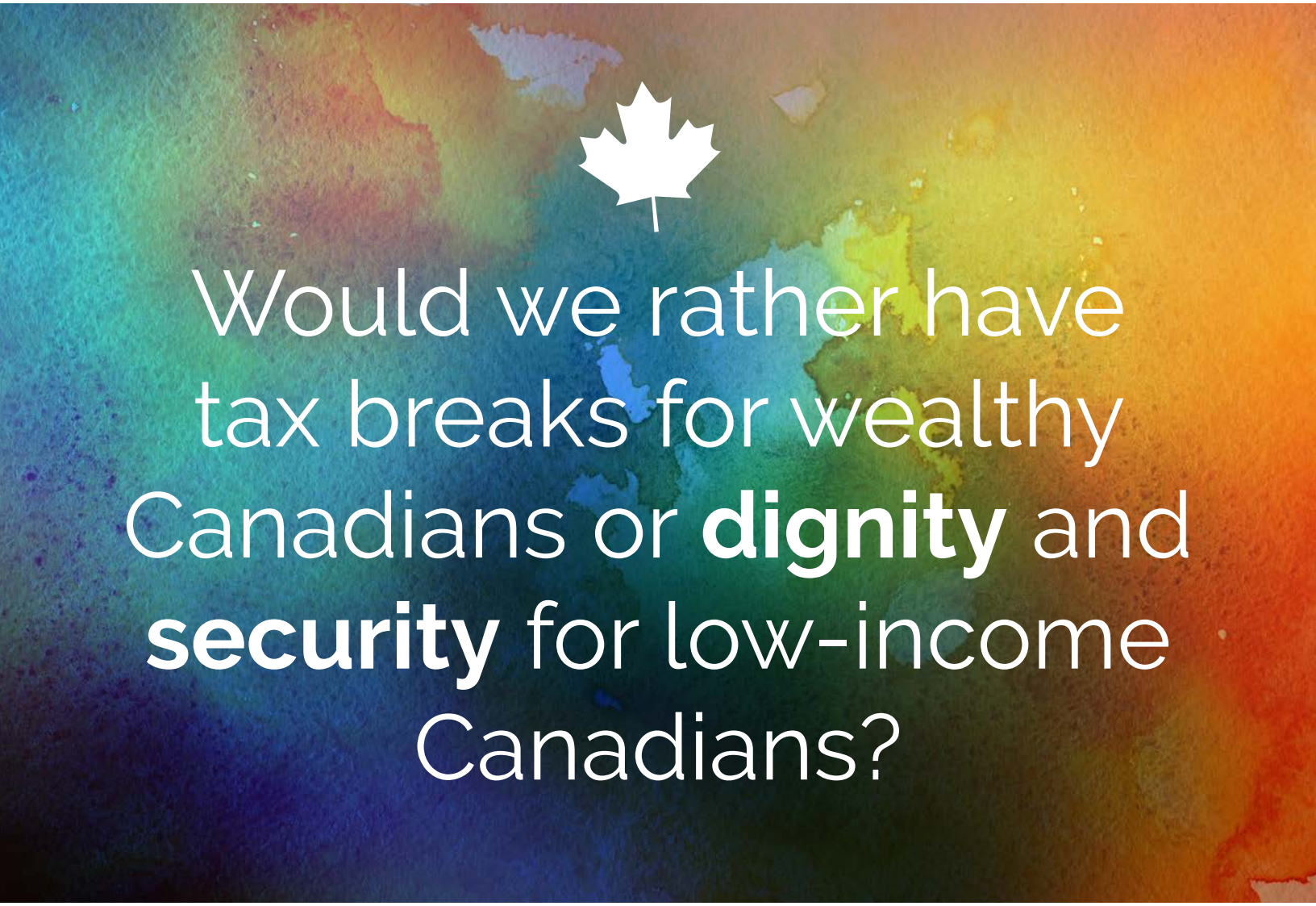
Tax expenditures are another source of government spending frequently targeted for inclusion in basic income programs. Tax expenditures involve the government foregoing tax revenue by offering deductions and credits for certain behaviours or outcomes. There are two types of tax expenditures: refundable and non-refundable. Refundable tax expenditures provide a benefit even when an individual has little or no taxable income: the difference is paid out as a credit. Non-refundable tax credits only reduce taxes owed and provide no benefit if you do not owe any taxes. For this reason, non-refundable tax credits are often a highly regressive way of accomplishing policy goals and would be better replaced with refundable credits or with direct program spending.

There is also no reason to restrict the replacement of programs to those that seek to accomplish the goal of income security. Governing is about making choices and about setting priorities. That

means deciding what is more important. Would we rather have tax breaks for wealthy Canadians or dignity and security for low-income Canadians? Would we rather have subsidies to fossil fuel companies or would we rather ensure everyone has the ability to put food on the table? Would we rather have five more fighter jets or would we rather improve public health?

- How will the basic income be paid for?

Unless the basic income is being fully paid for through the replacement of existing programs, sources of revenue will need to be found for the additional cost. The potential sources of revenue are incredibly varied: income taxes on individuals and corporations; consumption taxes; greater tax fairness (eliminating loopholes and cracking down on tax havens); tax reforms to ensure that all forms of income are treated equally, regardless of how they are earned; the creation of new taxes, such as a financial transactions tax or eco-taxes; and using resource royalties to create a sovereign wealth fund.



Chapter 3 Our Project:
Designing Options for Canada

In the summer of 2017, the Basic Income Canada Network convened a project team to begin the work of designing and modelling some options for implementing basic income in Canada. We began our project by laying out our core principles for a progressive basic income. We then selected three options to model, based on those principles. We went through several rounds of modelling, adjusting as needed in order to better achieve alignment with our core principles. Then we brought our proposals to a one-day summit with economists and social policy experts for review and input. This led to several more rounds of modelling, and then a last review of the nearly final product. (A list of participants in our one-day summit and our reviewers can be found in Appendix C.)

Our Guiding Principles

One of the challenges in the basic income debate in Canada today is that the term basic income means different things to different people. BICN has set out a clear framework for a progressive vision of basic income, which can be found on BICN's website.[17]

Based on this framework, the project team began by creating a set of basic principles to guide our work:[a]

- The basic income will be universally available to all Canadians, permanent residents, and protected persons, regardless of employment status, family composition, availability for work, and wealth or savings.
- The basic income will be universally available, but this does not necessarily mean that every individual Canadian will receive a payment. Rather, it means that all Canadians are eligible, with no conditions imposed other than income or age.
- The maximum amount of the basic income will be set at a level that ensures everyone is above the poverty line after all taxes and transfers are accounted for.
- The basic income will not be tied to paid employment, but when low-income Canadians do undertake paid work, they should always come out ahead, without having their benefit reduced dollar for dollar.
- Any reductions in the amount of the basic income should occur gradually as income levels rise.
- The basic income will be administered in a way that is responsive to fluctuating levels of income.
- The basic income and any changes in the tax structure will be designed in such a way that any reductions in income compared to the current system start with the highest income Canadians. Similarly, the highest income deciles will see a proportionally greater reduction than income deciles lower down.
- The basic income and any changes in the tax structure will respect the principle of gender equality.

[a] *Note that this is not intended to be a comprehensive list of principles relating to basic income, but principles to guide the types of choices we might need to make within the parameters of our project.*

- The basic income may replace a number of existing income security programs, but not at the expense of essential social supports or programs, including affordable housing, health, dental, or medical benefits for low-income Canadians, veterans, or persons with disabilities.
- The basic income will not replace any social insurance programs, such as Employment Insurance or Canada/Quebec Pension Plan.
- The basic income will be national in scope, but may involve both federal and provincial programs.

Our Proposals

In keeping with the public debate about whether the basic income should be targeted or universal, our team decided to model both the income-tested and universal demogrant forms of basic income. We also looked at different options for including seniors or for keeping existing programs for seniors in place.

- **Option One**: An income-tested basic income, structured according to family composition and paid to working-age adults (ages 18-64) only, keeping the Canada Child Benefit in place for children under 18 and Old Age Security and the Guaranteed Income Supplement in place for seniors.
- **Option Two**: An income-tested basic income, structured according to family composition and paid to all adults over the age of 18, keeping the Canada Child Benefit in place for children but replacing Old Age Security and the Guaranteed Income Supplement for seniors.
- **Option Three**: A universal demogrant, with identical benefits paid to all adults over the age of 18, keeping the Canada Child Benefit in place for children.

In order to be able to compare across the three examples, we set the maximum benefit for each option at $22,000, which is close to the level of the LIM for a single individual in 2017. The two income-tested models both use a reduction rate of 40 percent. To adjust the benefit to family composition, we use the square root equivalence model (based on the square root of family size), which results in a benefit of $22,000 for a single adult and $31,113 for a couple. For couples, the benefit amount is divided equally between the partners for calculating changes in income.

For the purposes of structuring benefits according to family composition, we used the nuclear family, defined as an adult or adult couple and any children under the age of 18 living together in the same dwelling.

For Options One and Two, we used an "adjusted total family income" measure for the purpose of calculating the net value of the basic income. "Total income" includes employment and self-employment earnings, interest and investment income, taxable amount of dividends and capital gains and losses, taxable Registered Retirement Savings Plans (RRSP) withdrawals, alimony and support payments received, pension income, CPP benefits, OAS benefits, GIS and Allowance benefits, EI benefits, CCB, Workers Compensation benefits and Social Assistance benefits. In modelling the value of the net basic income, for Option One, we deleted Social Assistance benefits from this total income measure, as provincial social assistance benefits were eliminated to help pay for the basic income. For Option Two, we also deleted OAS, GIS and Allowance benefits as they were eliminated to help pay for the basic income.

And finally, in recognition of the role that both the federal and provincial governments play in income security and transfers to individuals, we designed our basic income options with both a federal and provincial component.

Our Assumptions and Limitations

Any such exercise in modelling involves numerous limitations and assumptions. We cannot perfectly mirror the social, economic, and policy environment in a theoretical project. Here are the assumptions that we made:

- **Administration**: We assume that the basic income can be administered with short-term responsiveness to changes in income and family situation. In other words, information can be updated regularly, as can payments, so that individuals are not left in crisis if their income drops in the middle of a tax year, nor are they faced with large re-payments at the end of the tax year if their income increased in the middle of the year. The federal government is already working on an e-payroll system to adjust benefits received through EI based on automatic reporting by employers, which might serve a similar purpose for basic income payments in the future. Experience from other countries also suggests that it is possible for governments to receive real-time reporting on wages and adjust benefits accordingly.
- **Federal/provincial/territorial relations**: We recognize that any real world attempt to create shared programs involves a great deal of negotiation, compromise, and debate over who will foot the bill and how. In our model, we leave aside the details of intergovernmental negotiations to focus on possible models for basic income assuming that governments are willing to cooperate.
- **Indigenous consultations**: We recognize that federal, provincial, and territorial governments have a duty to consult with Indigenous Peoples and to ensure that programs are designed and implemented with the consent of Indigenous Peoples. We also recognize that there may be a role for Indigenous governments to play in administering a basic income and that a basic income might have implications for existing Indigenous programs that ensure income security or that are tied to income thresholds. However, despite acknowledging the potential for some differences in how basic income might work for Indigenous Peoples based on these negotiations, in our modelling, we assume each form of basic income applies to all residents of Canada (with the caveat, as noted below, that our modelling tool does not include First Nations living on reserve in its population estimates).
- **Other program changes required**: There are many programs provided by both the federal and provincial/territorial governments that are income-tested: social housing and rent-geared-to-income supplements; drug and dental benefits; post-secondary grants and loans; etc. The thresholds for many of these programs might need to be re-visited in the wake of a national basic income program. Similarly, many programs which currently use eligibility for other programs (such as social assistance) to determine access will need new eligibility criteria, such as income thresholds. We do not make or model any such changes, but any implementation of a basic income would require revisions to these kinds of programs.
- **Support for persons living with disabilities**: Although many recent proposals include a supplement for persons living with disabilities, we opted not to on the grounds that every individual deserves to have a basic level of income security, whether or not they have a disability that meets the criteria outlined in a public policy. Programs providing higher benefits to persons

living with disabilities always end up, however inadvertently, privileging specific types of disabilities that are easier to demonstrate to a doctor, or favouring those with better access to medical professionals. We believe that instead of forcing anyone to jump through bureaucratic hoops to prove they deserve support, everyone should get an income that is high enough to provide basic security and dignity.

We recognize that many people living with disabilities do have extra costs associated with their disability. However, we believe that those costs are better met through a program that directly addresses actual costs, which can vary significantly, rather than through a basic income. This is not something we model here, but it is something that needs to be taken into account in designing any basic income program.

- **Behavioural changes:** Changes don't take place in a vacuum. Raising or lowering income levels may impact engagement in paid work, physical and mental health, consumption, community engagement, political participation, use of other government programs and services, and willingness to engage in criminal behaviours. Similarly, changing tax levels may lead to changes in behaviour, such as reducing engagement in paid work, reducing production, moving economic activities to other jurisdictions, underreporting of income, and willingness to engage in criminal behaviours (such as tax evasion or participating in the black market).

  However, the ability to predict and model these changes is limited. Real world examples frequently conflict with what the economic literature would suggest. For instance, the economic literature would suggest that people should reduce their labour supply whenever they receive income without having to do paid work. However, examples of existing basic income programs suggest that while some people do, in fact, reduce their paid work (for a variety of reasons, including pursuing education and training or engaging in unpaid caring work), others actually increase their paid employment.

For instance, an examination of the former Universal Child Care Benefit (UCCB) and its impact on the labour supply of mothers by economists Kourtney Koebel and Tammy Schirle found that while married mothers reduced their work hours following the introduction of the UCCB, divorced mothers actually increased their paid employment. Mothers who had never married or who were in common-law relationships did not change their employment.[18] Any analysis that suggested that all women would respond to the same incentive in the same way – whether positively or negatively – would have been completely wrong.

While some studies show that greater generosity of social assistance benefits correlates with lower participation in paid employment, other studies show little or no labour supply response to basic income programs or conditional cash transfers.[19] Examining these programs to identify employment impacts is also problematic given that, in many provinces, social assistance recipients are penalized heavily for working, with more than a dollar lost in benefits for every dollar in earned income. In this sense, it is the design of the program, not receipt of an income transfer, that distorts employment decisions. Any attempt to predict how people will respond thus risks ending up an exercise in ideology rather than an honest attempt to calculate costs.

Similarly, while we know that poverty causes health problems and leads to crimes of desperation, it is difficult to predict what impact income security will have on the global costs of health care, policing, criminal justice, housing and homelessness programs, and other services. Not all the health effects of living in poverty go away immediately once an individual achieves income security, nor do the effects of having been previously incarcerated or criminalized go away immediately. While it seems safe to say there will be some cost savings associated with basic income, especially over the longer term as poverty is prevented, it is extremely difficult to quantify what they will be.

Finally, we know that transfers to low-income people have a comparatively high economic multiplier because low-income people tend to spend all or most of their income and do so locally. However, it is difficult to predict how people will respond to a basic income in terms of consuming, saving, or shifting behaviour (such as spending less now to save for a large expenditure such as a house in the future). It is difficult to state directly, therefore, what the impact of a basic income might be on economic growth, and what impact, in turn, that might have on tax revenues.

For the purposes of this project, we have focused on what we can model with certainty and do not speculate or make assumptions about other impacts.

- **Limitations of SPSD/M**: For the modelling, we used the Statistics Canada Social Policy Simulation Database and Model (SPSD/M), Version 26.0. This tool is a statistically representative database that allows users to assess the impact of changes to taxes and transfers in Canada. However, there are some limitations to using this tool. One is that it excludes the territories, First Nations living on reserve, and Armed Forces personnel living on base. Although these populations are not large, this does mean that the cost of the program is likely slightly higher than we can estimate.

  The SPSD/M also includes both Canadian citizens and permanent residents with no ability to distinguish between the two. So rather than engage in a philosophical debate over who should be included and at what point a newcomer should be allowed to access the basic income, we simply included everyone in the SPSD/M in our basic income modelling.

  We were also limited in our ability to analyze the impact of our proposals for all demographics, based on what variables can be coded. For instance, we can't say what the specific impact would be for Indigenous Peoples living off-reserve although they are included in our program design.

  The SPSD/M is based on a certain year (in this case 2014) and then makes projections forward from that year based on population and income projections. We used the tax and transfer amounts for 2017, which is based on a projected result for 2017 rather than the actual amounts. The same is true for the rate of poverty in 2017 as calculated by SPSD/M.

  Finally, as will be noted in the next section, not all of our revenue sources could be modelled in the SPSD/M. This means that while our modelling gives a good picture of the distributional impacts of basic income and related tax changes, it is not a perfect picture. For instance, because of the fact that some tax expenditures cannot be removed using SPSD/M, disposable income appears slightly higher for some individuals than it would actually be.

Part Two Revenue for a Basic Income

Chapter 4
Our Revenue Sources

In order to create a progressive basic income, the revenue side is just as important as the benefit side; otherwise, what the basic income gives with one hand, taxation or another revenue source may take with the other. We therefore modelled changes on the revenue side as well as on the benefit side, in order to demonstrate that the revenue can be raised and distributed in progressive ways. In selecting our revenue sources, we favoured sources that can be modelled, including changes to personal and corporate income taxes. This is not an endorsement of these revenue sources as a preferred source of funding, but reflects our desire to show the impact of both the benefit and the revenue side of a basic income program.

Federal Sources of Revenue

The federal contribution to the three options varies according to cost. Here, we provide an overview of all the sources we used. In the next section, where we model each option, we briefly outline which measures were actually used to finance each option.

a. Program Expenditures

We began by selecting existing federal programs to roll into the basic income, in recognition that their primary purpose is met or is no longer necessary following the creation of a basic income. These programs included the WITB, the Goods and Services Tax/Harmonized Sales Tax (GST/HST) credit, provided to low income earners; and for Options Two and Three, which include seniors, OAS and GIS. See Table 1 for more details.

Table 1: Federal Programs Rolled Into the Basic Income (2017)

Program	Amount of Revenue (Millions)
Working Income Tax Benefit	$1,557
WITB Supplement for Disabilities	$23
GST/HST Credit	$4,281
Guaranteed Income Supplement	$11,609
Old Age Security	$40,669
Spousal Allowance	$646
Total	**$58,784**

Source: SPSD/M. Version 26.0 Tabulations and assumptions by authors.

b. Personal Income Tax Changes

After looking at programs, we chose to focus our attention first on changes to personal taxation including both tax increases and measures to create greater tax fairness.

In keeping with our principle that the wealthiest Canadians should bear the greatest cost for the basic income, we propose progressive changes to the personal income tax brackets and rates. See Table 2 for more details.

Table 2: Progressive Changes to Personal Income Tax Rates and Thresholds (2017)

Change	Amount of Revenue (Millions)
Change the lower threshold of the third tax bracket from $91,831 to $81,831	$1,717
Increase the rate for the third bracket from 26% to 28%	$2,182
Change the lower threshold of the fourth tax bracket from $142,353 to $122,353	$210
Increase the rate for the fourth bracket from 29% to 31%	$1,120
Change the lower threshold of the fifth tax bracket from $202,800 to $182,000	$182
Increase the rate for the fifth bracket from 33% to 35%	$2,079
Introduce a new bracket for incomes of $750,000 or more, with a tax rate of 37%	$698
Total	**$8,188**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

With regard to tax fairness measures, we focused first on using regressive tax expenditures, such as non-refundable tax credits, which offer little, if any, benefit to low-income households. Second, we chose to use those measures which treat different forms of income differently, depending on how they are earned. Much like the Carter Commission on Taxation, we embraced the principle that "a buck is a buck." So, in our proposed tax reforms, money earned by wealthy Canadians through investments is treated just the same as money earned by low-income Canadians through paid employment. See Table 3 for more details.

In modelling the value of those tax fairness measures included in SPSD/M, we first changed the two items that affect the measure of total income (Capital Gains and Pension Income Splitting). We then changed the tax brackets and tax rates, as described in Table 2. With those changes in place, we then eliminated each of the non-refundable tax credits listed in Table 3 to calculate the increased revenue to the federal government.

Note that in modelling each Option, the amount garnered through eliminating tax expenditures changes based on which federal programs are rolled into the basic income. This is because changes to personal income result in changes to the amount that can be claimed through a tax expenditure. Tax expenditures also interact, so the elimination of one can have implications for the value of another tax expenditure. The actual amount of revenue gained through the elimination of specific tax credits and programs is noted in each Option.

Finally, for Option Three, which models a universal demogrant, there is an increase to the tax rate in the first bracket to offset the basic income for higher income earners, a common feature of universal demogrant models.

Table 3: Federal Tax Fairness Changes Proposed for Personal Income Tax (2017)

Tax Measure	Amount of Revenue (Millions)	Source of Costing
Basic Personal Amount	$39,169	SPSD/M
Canada Employment Credit	$2,542	SPSD/M
Caregiver Credit	$140	SPSD/M
Deduction of Carrying Charges	$1,550	Department of Finance
Dividend Gross-Up and Tax Credit	$4,595	Department of Finance
Employee Stock Option Deduction	$725	Department of Finance
Exemption of Scholarship, Fellowship, and Bursary Income	$295	Department of Finance
Flow Through Share Deductions	$100	Department of Finance
First-Time Home Buyer's Tax Credit	$114	SPSD/M
Limit RRSP Contributions to $20,000	$950	CCPA
Meals and Entertainment Deduction (Personal Income Tax + GST)	$380	Department of Finance
Non-Taxation of Allowances for Members of Legislative Assemblies and Certain Municipal Officers	$20	Department of Finance
Non-Taxation of Private Health and Dental Benefits	$2,740	Department of Finance
Non-Taxation of Workers' Compensation Benefits	$660	Department of Finance
Partial Inclusion of Capital Gains	$6,267	SPSD/M
Pension Income Credit	$1,329	SPSD/M
Pension Income Splitting	$1,120	SPSD/M
Spouse or Common-Law Partner Credit	$1,941	SPSD/M
Student Loan Interest Credit	$41	SPSD/M
Tax Free Savings Accounts	$1,020	Department of Finance
Tuition Tax Credit	$764	SPSD/M
Disability Tax Credit	$829	SPSD/M
Volunteer Firefighters Tax Credit	$14	SPSD/M
Transit Tax Credit	$96	SPSD/M
Total	**$67,401**	

Sources: SPSD/M. Version 26.0 Tabulations and assumptions by authors; Department of Finance Report on Tax Expenditures 2017; Canadian Centre for Policy Alternatives Alternative Federal Budget 2017.[20]

c. Corporate Income Tax Changes

Our third revenue source is corporate taxation.[b] As with personal income taxes, we considered both tax rates and tax fairness measures. Corporate tax changes cannot be modelled in SPSD/M, which focuses on individual income earners, but there is solid modelling and costing available for corporate tax changes.

Table 4: Progressive Changes to Corporate Income Tax Rates (2017)

Change	Amount of Revenue (Millions)
Increase corporate income tax rate (15% to 20%)	$8,500
Increase small business tax rate (10.5% to 13.5%)	$2,300
Partial inclusion of capital gains	$6,255
Eliminate Meals and Entertainment Deduction	$295
Eliminate Flow Through Shares Deduction	$30
Total	**$17,380**

Sources: Office of the Parliamentary Budget Officer Ready Reckoner; Department of Finance Report on Tax Expenditures 2017.[21]

Provincial Sources of Revenue

Because our basic income is being provided by both the federal and provincial governments, our project uses revenue sources at both levels of government. However, because of the challenge of modelling revenue sources across ten provinces, we made some simplifying assumptions regarding the provincial contribution. We wanted the provinces to contribute an equitable share towards the basic income, but it was not practical to design and model ten completely different provincial budgets, especially given the limited amount of publicly available budgetary information for certain provinces.

In order to determine what might be an equitable share for each province, we selected a total provincial contribution of $41 billion and divided that amount by the total population of the provinces to come up with a per capita contribution amount ($1,120.61). This per capita amount is then multiplied by the population of each province to come up with the provincial contribution.

[b] *This is not necessarily an endorsement of the use of corporate taxes, although there is a strong argument to be made for the use of corporate taxes. Corporations benefit from a healthy workforce and from money in the pockets of consumers. Corporate practices are also frequently responsible for putting people into situations of employment precarity and low income.*

Table 5: Provincial Contribution

Province	Population (2017)	Contribution (In Millions)
Newfoundland/Labrador	528,817	$592.60
Prince Edward Island	152,021	$170.36
Nova Scotia	953,869	$1,068.91
New Brunswick	759,655	$872.28
Quebec	8,394,034	$9,406.47
Ontario	14,193,384	$15,905.29
Manitoba	1,338,109	$1,499.50
Saskatchewan	1,163,925	$1,304.31
Alberta	4,286,134	$4,803.10
British Columbia	4,817,160	$5,398.17

Source: Statistics Canada, CANSIM Table 051-0005; calculations by authors.[22]

The revenue for the provincial contribution in our modelling comes from multiple sources. The provinces are responsible for social assistance, but the basic income replaces the need for social assistance income support. The provincial contribution comes in part, then, from their current social assistance budgets. In calculating what funds could come from rolling social assistance into the basic income, we used only direct income transfers to individuals and a portion of the administrative costs. This leaves other programs and services provided by social assistance – such as employment assistance and health benefits – intact, in recognition that some Canadians will still need help with employment counselling, acquiring disability supports and other services, and obtaining prescription drugs. Obviously, with a basic income, provinces would need to redefine eligibility for these programs based on income or other factors rather than on receipt of social assistance benefits.

We still used a portion of the administrative costs because the full administrative structure of social assistance will not be needed to administer the remaining programs. Because so few provinces release clear data on the administrative costs of social assistance, we took the provincial data that was publicly reported and used that to generate an average proportion of social expenditures going towards administration. That percentage was then used to calculate an amount for the remaining provinces (Table 6).

The provincial contribution comes in part from their current social assistance budgets.

Table 6: Social Assistance Expenditures Rolled Into the Basic Income (2017)

Province	Social Assistance Income Transfers (In Millions)	Half of Social Assistance Administrative Expenditures (In Millions)
Newfoundland/Labrador	$247.96	$0.46
Prince Edward Island	$35.14	$0.66
Nova Scotia	$315.67	$5.93
New Brunswick	$248.88	$4.68
Quebec	$2,975.63	$55.94
Ontario	$7,559.12	$150.03
Manitoba	$435.94	$3.75
Saskatchewan	$353.86	$6.65
Alberta	$1,358.57	$25.54
British Columbia	$1,598.85	$71.66

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors; British Columbia Public Accounts 2017/18; Manitoba Families Annual Report 2017-18; Newfoundland and Labrador Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund; Public Accounts of Ontario; authors' calculations.[23]

Additional revenues come from tax fairness measures which mirror measures at the federal level. These include the elimination of non-refundable tax credits that primarily benefit wealthier individuals, the 100 percent inclusion of capital gains, and ending pension income splitting.

When all of these revenue sources are used for each province, the total revenue generated does not equal the expected provincial contribution. Table 7 reveals that for Newfoundland and Labrador, Quebec, Manitoba, Saskatchewan and Alberta, more revenue is generated than required. For the remaining provinces, less revenue is generated.

Table 7: Provincial Sources of Revenue (2017; Millions)

Province	Contribution	GIS Top-Up	Social Assistance	Non-Refundable Tax Credits*	Pension Income Splitting	100% Inclusion of Capital Gains	Total Revenue Available	Surplus or Deficit
NL	$592.60	$51.54	$248.40	$283.79	$16.78	$38.14	**$637.78**	$45.18
PE	$170.36	$0.00	$35.80	$92.45	$2.07	$14.42	**$144.35**	($26.01)
NS	$1,068.91	$0.00	$321.60	$546.53	$33.76	$62.28	**$963.30**	($105.61)
NB	$872.28	$22.53	$253.60	$498.43	$17.39	$31.52	**$822.19**	($50.09)
QC	$9,406.47	$0.00	$3,031.50	$13,265.41	$161.61	$949.99	**$17,369.23**	$7,962.76
ON	$15905.29	$129.50	$7,709.20	$5,810.12	$387.07	$1,695.30	**$15,719.29**	($186.00)
MB	$1,499.50	$7.52	$439.70	$952.82	$19.81	$97.03	**$1,515.96**	$16.46
SK	$1,304.31	$22.11	$360.50	$1,317.08	$7.88	$105.08	**$1,811.15**	$506.84
AB	$4,803.10	$458.77	$1,384.10	$5,671.01	$27.66	$417.35	**$7,944.29**	$3,141.19
BC	$5,5398.17	$24.84	$1,670.50	$1,598.88	$88.29	$545.15	**$3,920.98**	($1,477.19)

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.[C]

In order to bring the total revenue in line with the expected provincial contribution, we have added additional income sources for those provinces in a deficit position. For both PEI and New Brunswick, we eliminated part or all of the low-income tax reduction. For Nova Scotia, we eliminated the low income tax reduction, the young child tax credit and the refundable affordable living tax credit. For Ontario, we included the income tax reduction measure. However, for British Columbia, there were no additional tax credits available for removal. With the provinces in a substantial surplus position (Quebec, Saskatchewan and Alberta), we eliminated just that portion of the basic exemption required to match revenues with per capita contribution.

In the case of remaining provincial deficits, we presume that the funding could come from other sources, including the Canada Social Transfer (CST). In 2017, the amount of the CST was $13.7 billion. In each case where there is a provincial deficit remaining, CST funds more than offset the deficit. Provinces have discretion over the allocation of CST monies and can spend the funds where they choose.

Table 8 shows the results for Option One, in which OAS and GIS are retained (and OAS increases taxable income in the province) and provincial GIS top-ups therefore remain in place.

For Options Two and Three, the elimination of OAS reduces total income and results in $7.135 billion less in provincial tax revenue, which is slightly offset by the elimination of the GIS top-up for those provinces offering it ($716.8 million). To recoup this lost revenue, various additional measures were taken. For Quebec, Saskatchewan and Alberta, the basic exemption was reduced even further while for other provinces, refundable tax credits were eliminated. Table 9 shows the results.

[C] *In keeping with the same approach used in determining the revenue generated by each item in Table 2, we first eliminated the capital gains exemption and then the pension income splitting provision from the calculation of total income. Finally, all of the provincial designated non-refundable tax credits were eliminated.*

Table 8: Provincial Contributions to Option One (2017; Millions)

Province	Change in Provincial income tax payable	100% of Capital Gains & No Pension Income Splitting	Social assistance Payments	Refundable Tax Credits	Total Revenue	Total Contribution	Surplus or Deficit
NL	$287.07	$54.05	$248.40	$0.00	$589.52	-$592.60	($3.08)
PE	$117.04	$16.10	$35.80	$0.00	$168.94	-$170.36	($1.42)
NS	$571.11	$95.17	$321.60	$55.75	$1,043.63	-$1,068.92	($25.28)
NB	$549.98	$47.63	$253.60	$0.00	$851.21	-$851.28	($0.07)
QC	$5,304.67	$1,072.32	$3,031.50	$0.00	$9,408.49	-$9,406.44	+$2.05
ON	$6,078.23	$2,070.47	$7,709.20	$0.00	$15,857.90	-$15,905.25	($47.35)
MB	$952.19	$115.92	$439.70	$0.00	$1,507.81	-$1,499.50	+$8.31
SK	$835.56	$111.46	$360.50	$0.00	$1,307.52	-$1,304.31	+$3.21
AB	$2,988.27	$430.41	$1,384.10	$0.00	$4,802.78	-$4,803.09	($0.31)
BC	$1,606.34	$626.76	$1,670.50	$0.00	$3,903.60	-$5,398.16	($1,494.56)
All	$19,290.46	$4,640.29	$15,454.90	$55.75	$39,441.40	-$40,999.88	($1,558.48)

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

Table 9: Provincial Contributions to Options Two and Three (2017; Millions)

Province	Change in Provincial Income Tax Payable	100% of Capital Gains & No Pension Income Splitting	Social Assistance Payments	Refundable Tax Credits	Elimination of the GIS Top-up	Total Revenue	Total Contribution	Surplus or Deficit
NL	$217.36	$54.05	$248.40	$20.84	$51.54	$592.19	-$592.60	($0.41)
PE	$94.59	$16.10	$35.80	$7.85	$0.00	$154.34	-$170.36	($16.02)
NS	$430.00	$95.17	$321.60	$61.54	$0.00	$908.30	-$1,068.92	($160.61)
NB	$503.93	$47.63	$253.60	$23.73	$22.53	$851.42	-$851.28	$0.14
QC	$5,301.70	$1,072.32	$3,031.50	$0.00	$0.00	$9,405.52	-$9,406.44	($0.91)
ON	$5,055.58	$2,070.47	$7,709.20	$944.39	$129.50	$15,909.14	-$15,905.25	$3.89
MB	$794.71	$115.92	$439.70	$145.76	$7.52	$1,503.61	-$1,499.50	$4.11
SK	$815.11	$111.46	$360.50	$0.00	$22.11	$1,309.17	-$1,304.31	$4.87
AB	$2,536.70	$430.41	$1,384.10	$0.00	$458.77	$4,809.98	-$4,803.09	$6.89
BC	$1,754.01	$626.76	$1,670.50	$225.81	$24.84	$4,301.92	-$5,398.16	($1,096.24)
All	$17,503.68	$4,640.29	$15,454.90	$1,429.91	$716.81	$39,745.58	-$40,999.88	($1,254.30)

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

Part Three The Options and Their Impacts

Chapter 5
Option One

Model: An income-tested benefit based on family composition paid to working-age adults

Income Used to Reduce Benefit: Adjusted Total Family Income (Total Income – (Canada Child Benefit + Social Assistance Benefits))

Benefit: $22,000 for a single adult; $31,113 for an adult couple

Reduction Rate: 40%

Maximum threshold for receiving benefit: $55,000 for a single adult; $77,782 for an adult couple
Additional changes: Increase in GIS for single seniors from $8,878 to $10,800 to offset the negative impact of tax changes

Cost: $134.45 billion

Revenue: $136.95 (see Table 10)

Table 10: Revenue for Basic Income (2017; Billions)

Source	Amount
Federal Programs: All except OAS/GIS and the OAS Allowance*	$5.86
Change in OAS Benefits Due to Changes in Total Income	$0.54
Personal Income Tax Changes to Rates and Thresholds**	$8.19
Personal Income Tax Fairness Measures: All except Pension Income Credit***	$67.07
Changes to Corporate Income Taxes	$17.38
Increase in GIS	($3.09)
Federal Sub-Total	***$96.37***
Provincial Contribution	$41.00
Total	**$136.95**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.
** See Table 1 for details.*
*** See Table 2 for details.*
**** See Table 3 for details.*

Impact: The impact of the basic income on disposable family income is progressive (Table 11). All families in the bottom half of the income spectrum see an increase in their disposable income, with families in the lowest income decile seeing the greatest increase (+436%). For many families, the basic income is not fully phased out until the eighth decile, but families in the seventh through the tenth income deciles see a net decrease in their disposable family income, with the greatest decrease coming in the tenth decile (-7.2%).

In the same progressive spirit, the change in taxes paid gradually increases from the bottom of the income spectrum to the top (Table 12). Income from other government benefits (often referred to as "transfer payments") declines across the income spectrum due to the elimination of the GST/HST credit and WITB. The largest decrease occurs in the second and fourth income deciles. With the increase in taxes paid and the loss of existing transfer payments, the average net impact on income is less than the total basic income received. However, the impact on net income is also progressive, with a slight decline from the basic income amount to the net income impact at the bottom of the income spectrum (from an average basic income of $20,224 to an average net income benefit of $18,956) to a significant decrease in income at the top of the income spectrum (with no basic income and an average net income decrease of $12,842).

Among families in the lowest-income decile (Table 13), the biggest difference between pre- and post-basic income income is experienced by families with two working-age adults. Low-income, working-age couples experience a more than 600 percent increase in disposable income, whether they have children in the home or not. Single working-age adults also see a significant increase; income for single adults without children in the home more than quadruples, while income for single parents with children in the home more than doubles. By comparison, seniors show a loss in disposable income because they don't qualify for a basic income payment yet face an increase in taxes paid due to the elimination of non-refundable tax credits and the GST/HST credit.

The basic income significantly reduces the poverty rate among working-age adults, both with and without children, whether measured by the after-tax LIM or after-tax LICO (Table 14). However, for seniors, the LIM measure shows the poverty rate rising substantially while the LICO shows it dropping substantially. This may be because the threshold for the LIM is changing by significantly increasing the incomes of the bottom half of the income spectrum for working-age adults.

The basic income also helps to reduce income inequality for all types of families as measured using the Gini coefficient, but particularly for non-senior single adults and single parents, when measured at the family level of income (Table 15).

Finally, reinforcing the progressive nature of the basic income and tax fairness measures, there are more people who benefit from the basic income than contribute in the bottom half of the income spectrum (Table 16). Meanwhile, in the top half, there are more contributors than beneficiaries.

Table 11: Impact of Basic Income on Nuclear Family Disposable Income by Total Family Incomed Decile (2017)

Decile	Income Range	Average Basic Income	Average Family Disposable Income		Change in Disposable Income (%)
			Pre-Basic Income	Post-Basic Income	
First	$<0 - $10,523	$20,224	$4,317	$23,137	436.0%
Second	$10,524 - $19,512	$17,153	$14,495	$26,367	81.9%
Third	$19,513 - $26,390	$7,411	$21,627	$26,693	23.4%
Fourth	$26,391 - $36,107	$8,155	$28,529	$33,140	16.2%
Fifth	$36,108 - $47,012	$5,960	$36,494	$38,568	5.7%
Sixth	$47,013 - $61,291	$4,462	$45,920	$45,999	0.2%
Seventh	$61,292 - $79,087	$2,072	$58,126	$55,454	-4.6%
Eigth	$79,088 - $104,479	$227	$73,317	$68,222	-6.9%
Ninth	$104,480 - $148,385	$0	$97,031	$90,698	-6. 5%
Tenth	$148,386+	$0	$187,635	$174,126	-7.2%
Aggregate		**$6,474**	**$57,164**	**$58,550**	**2.4%**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

Table 12: Average Net Impact of Basic Income after Change in Taxes Paid and Transfer Payments Received for Nuclear Families by Total Family Income Decile (2017)

Decile	Income Range	Average Basic Income	Average Change in Taxes Paid	Average Change in Existing Transfer Payments	Average Net Impact
First	$<0 - $10,523	$20,224	$395	-$873	$18,956
Second	$10,524 - $19,512	$17,153	$914	-$3,808	$12,431
Third	$19,513 - $26,390	$7,411	$1,547	$576	$5,288
Fourth	$26,391 - $36,107	$8,155	$2,103	-$1,107	$4,945
Fifth	$36,108 - $47,012	$5,960	$2,891	-$608	$2,646
Sixth	$47,013 - $61,291	$4,462	$3,396	-$572	$494
Seventh	$61,292 - $79,087	$2,072	$3,929	-$394	-$2,251
Eigth	$79,088 - $104,479	$227	$4,588	-$276	-$4,637
Ninth	$104,480 - $148,385	$0	$5,424	-$406	-$5,830
Tenth	$148,386+	$0	$12,534	-$308	-$12,842
Aggregate		**$6,474**	**$3,787**	**-$892**	**$1,796**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

[d] *Total Family Income includes all market and all transfer income before taxes, before the basic income.*
[e] *The first decile includes families with income losses and those with positive incomes under $10,523.*

Table 13: Average Impact on Family Disposable Income by Family Types in the Bottom Decile (2017)

Family Type	Number of Families (Thousands)	Average Basic Income	Average Family Disposable Income		Change in Disposable Income (%)
			Pre-Basic Income	Post-Basic Income	
Single Parent	14.1	$20,762	$8,306	$28,136	238.8%
Two Parent	8.3	$29,919	$4,342	$32,502	648.6%
Non-Senior Single	1,948.2	$20,331	$4,305	$23,223	439.4%
Non-Senior Couple	35.8	$29,190	$4,270	$31,752	643.5%
Senior Single	19.8	$0	$2,840	$2,397	-15.6%
Senior Couple	10.9	$553	$4,082	$3,767	-7.7%
Aggregate	**2,037.0**	**$20,224**	**$4,317**	**$23,137**	**436.0%**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

Table 14: Impact of Basic Income on the Rate of Poverty by Family Type (2017)

Family Type	Rate of Poverty					
	After-Tax Low-Income Measure			After-Tax Low-Income Cut-Off		
	Pre-Basic Income	Post-Basic Income	Impact	Pre-Basic Income	Post-Basic Income	Impact
Single Parent	30.0%	14.2%	-52.7%	13.9%	0.1%	-99.3%
Two Parent	8.6%	2.0%	-76.7%	3.7%	0.3%	-91.9%
Non-Senior Single	18.3%	4.3%	-76.5%	16.4%	0.5%	-96.9%
Non-Senior Couple	7.4%	1.3%	-82.4%	3.2%	0.2%	-93.7%
Senior Single	23.8%	28.0%	+17.6%	4.6%	2.1%	-45.6%
Senior Couple	5.8%	11.1%	+91.4%	0.5%	0.1%	-80.0%
Aggregate	**12.5%**	**6.0%**	**-52.0%**	**6.8%**	**0.5%**	**-92.6%**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

Table 15: Impact of Basic Income on the Gini Coefficient by Family Type (2017)

Family Type	Gini Coefficient					
	Individuals			Nuclear Families		
	Pre-Basic Income	Post-Basic Income	Impact	Pre-Basic Income	Post-Basic Income	Impact
Single Parent	0.723	0.687	-4.9%	0.317	0.220	-30.6%
Two Parent	0.688	0.675	-1.9%	0.298	0.265	-11.1%
Non-Senior Single	0.467	0.242	-48.0%	0.467	0.242	-48.0%
Non-Senior Couple	0.441	0.412	-6.6%	0.350	0.312	-10.9%
Senior Single	0.299	0.278	-7.2%	0.299	0.278	-7.2%
Senior Couple	0.460	0.435	-5.3%	0.369	0.358	-3.1%
Aggregate	**0.541**	**0.475**	**-12.1%**	**0.468**	**0.374**	**-20.0%**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

Table 16: Net Beneficiaries by Total Family Income Decile (2017)

Decile	Income Range	Individual Income	Nuclear Family Income
First	$<0 - $10,523	95.6%	96.7%
Second	$10,524 - $19,512	95.0%	99.3%
Third	$19,513 - $26,390	72.7%	78.1%
Fourth	$26,391 - $36,107	54.6%	65.9%
Fifth	$36,108 - $47,012	52.8%	65.8%
Sixth	$47,013 - $61,291	35.9%	53.7%
Seventh	$61,292 - $79,087	18.8%	26.5%
Eighth	$79,088 - $104,479	5.3%	1.6%
Ninth	$104,480 - $148,385	2.7%	0.0%
Tenth	$148,386+	2.9%	0.2%
Aggregate		**32.1%**	**36.2%**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

Chapter 6
Option Two

Model: An income-tested benefit based on family composition paid to all Canadians and permanent residents 18 and over

Income Used to Reduce Benefit: Adjusted Total Family Income = (Total Income – (Canada Child Benefit + Social Assistance Benefits + Old Age Security Benefits + Guaranteed Income Supplement + Old Age Security Allowance))

Benefit: $22,000 for a single adult; $31,113 for an adult couple

Reduction Rate: 40%

Maximum threshold for receiving benefit: $55,000 for a single adult; $77,782 for an adult couple

Cost: $187.49 billion

Revenue: $189.31 billion (see Table 17)

Table 17: Revenue for Basic Income (2017; Billions)

Source	Amount
Federal Programs*	$58.78
Personal Income Tax Changes to Rates and Thresholds**	$8.15
Personal Income Tax Fairness Measures ***	$64.00
Changes to Corporate Income Taxes	$17.38
Federal Sub-Total	***$148.31***
Provincial Contribution	$41.00
Total	**$189.31**

. Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.
** See Table 1 for details.*
*** See Table 2 for details.*
**** See Table 3 for details.*

Impact: The overall impact of the basic income and related tax changes is progressive (Table 18). Families in the bottom half of the income spectrum see significant increases in disposable family income while families in the top half see a net decrease in disposable family income, with families in the seventh through tenth income deciles seeing the greatest decrease. However, families in the eighth decile see a slightly larger proportional decrease in disposable income than families in the ninth and tenth deciles – this is the impact of higher-income seniors losing access to OAS. The basic income is fully phased out for most families in the ninth and tenth income decile ($104,480 and higher).

The gains for low-income, working-age Canadian families are significant (Table 19). Families in the bottom decile of the income spectrum see their disposable income more than quadruple. There is a sharp reduction in the gains over the next five deciles with the sixth decile gaining only 2.4 percent. For families of working-age Canadians in the seventh to tenth income deciles, there is a net decrease in disposable family income. Overall, working-age families see a 4.8 percent increase in their disposable family income.

By comparison, those families with at least one adult over 65 years see an overall decline in disposable income (Table 20). This is because of the loss of OAS benefits for higher-income families. For families in the bottom half of the income spectrum, there is a net income gain, with the lowest-income seniors experiencing a substantial gain in disposable income of 686 percent. For those in the sixth through tenth income deciles, the loss of OAS, GIS and provincial GIS top-ups, plus the increase in taxes paid, is greater than the value of the basic income, resulting in a decrease in disposable income.

The change in taxes and transfer payments show a similar progressive outcome (Table 21). Taxes increase as family income increases, with families in the tenth income decile paying the largest increase in taxes. Lower-income families, especially in the third and fourth income decile, see the largest decrease in government transfer payments (GST/HST credit, WITB, OAS, GIS), but this is more than offset by the increased income from the basic income, with positive net impacts throughout the bottom half of the income spectrum.

The effect for families with working-age adults is especially positive, with an average net impact of $19,123 for families in the lowest income decile, gradually declining to a still positive net impact of $1,498 for families in the sixth income decile (Table 22). Families in the seventh through ninth income deciles have a negative net impact, with the biggest decline coming for families in the tenth income decile.

For families with at least one adult over 65 years, the effect is somewhat more muted, largely because the loss of OAS and GIS affects the second through eighth income deciles (Table 23). However, the impact is still very progressive, with seniors in the second through fifth income decile still seeing a positive net impact, while seniors in the sixth through tenth income deciles see a negative net impact.
For families in the bottom income decile, all family types benefit from a very significant increase in disposable income (Table 24). The greatest impact is experienced by working-age adults, both with and without children in the home, single and in couples. However, seniors also see their disposable income more than quadruple.

Not surprisingly, then, the impact on poverty rates is substantial (Table 25). Using the after-tax LIM, the poverty level is reduced for all family types, with the greatest decrease coming for working-age adult couples without children in the home (-83.8%). The poverty rate for two parent, working-age families is reduced to two percent, while the rates for non-senior couples without children in the home and for senior couples are even lower. A similar reduction can be seen using the after-tax LICO, which reduces poverty rates practically to zero for all demographics.

The basic income also helps to reduce income inequality for all types of families as measured using the Gini coefficient, but particularly for singles, both working age and seniors (Table 26).

Finally, reinforcing the progressive nature of the basic income and tax fairness measures, there are more people who benefit from the basic income than contribute in the bottom half of the income spectrum (Table 27). Meanwhile, in the top half, there are more contributors than beneficiaries.

Table 18: Impact of Basic Income on Family Disposable Income by Total Family Income Decile (2017)

Decile	Income Range	Average Family Basic Income	Average Family Disposable Income		Change in Family Disposable Income (%)
			Pre-Basic Income	Post-Basic Income	
First	$<0 - $10,523	$20,592	$4,317	$23,343	440.7%
Second	$10,524 - $19,512	$18,577	$14,495	$26,365	81.9%
Third	$19,513 - $26,390	$16,890	$21,627	$29,107	34.6%
Fourth	$26,391 - $36,107	$14,041	$28,529	$34,873	22.2%
Fifth	$36,108 - $47,012	$9,901	$36,494	$40,052	9.7%
Sixth	$47,013 - $61,291	$5,662	$45,920	$45,797	-0.3%
Seventh	$61,292 - $79,087	$2,059	$58,126	$54,123	-6.9%
Eighth	$79,088 - $104,479	$158	$73,317	$66,759	-8.9%
Ninth	$104,480 - $148,385	$4	$97,031	$89,735	-7.5%
Tenth	$148,386+	$0	$187,635	$173,568	-7.5%
Aggregate		**$8,652**	**$57,164**	**$58,673**	**2.6%**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

Table 19: Impact of Basic Income on Family Disposable Income by Total Family Income Decile, Families with All Adults Aged 64 and Under (2017)

Decile	Income Range	Average Family Basic Income	Average Family Disposable Income		Change in Disposable Income (%)
			Pre-Basic Income	Post-Basic Income	
First	$<0 - $10,523	$20,532	$4,333	$23,305	437.9%
Second	$10,524 - $19,512	$18,356	$14,204	$26,566	87.0%
Third	$19,513 - $26,390	$15,563	$20,859	$30,961	48.4%
Fourth	$26,391 - $36,107	$12,331	$27,330	$35,027	28.2%
Fifth	$36,108 - $47,012	$8,651	$35,000	$39,402	12.6%
Sixth	$47,013 - $61,291	$5,642	$44,677	$45,740	12.6%
Seventh	$61,292 - $79,087	$2,678	$57,257	$55,074	2.4%
Eighth	$79,088 - $104,479	$283	$72,755	$67,704	-3.8%
Ninth	$104,480 - $148,385	$0	$96,619	$90,409	-6.9%
Tenth	$148,386+	$0	$179,675	$167,771	-6.6%
Aggregate		**$8,313**	**$57,703**	**$60,496**	**4.8%**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

Table 20: Impact of Basic Income on Family Disposable Income by Total Family Income Decile, Families with At Least One Adult Aged 65 and Older (2017)

Decile	Income Range	Average Family Basic Income	Average Family Disposable Income		Change in Disposable Income (%)
			Pre-Basic Income	Post-Basic Income	
First	$<0 - $10,523	$24,544	$3,281	$25,814	686.7%
Second	$10,524 - $19,512	$21,656	$18,562	$23,556	26.9%
Third	$19,513 - $26,390	$18,687	$22,321	$27,433	22.9%
Fourth	$26,391 - $36,107	$18,355	$30,502	$34,619	13.5%
Fifth	$36,108 - $47,012	$14,441	$39,140	$41,203	5.3%
Sixth	$47,013 - $61,291	$8,865	$49,062	$45,941	-6.4%
Seventh	$61,292 - $79,087	$3,012	$60,598	$51,416	-15.2%
Eighth	$79,088 - $104,479	$293	$75,399	$63,253	-16.1%
Ninth	$104,480 - $148,385	$36	$99,452	$85,768	-13.8%
Tenth	$148,386+	$2	$236,595	$209,227	-11.6%
Aggregate		**$11,303**	**$55,449**	**$52,873**	**-4.6%**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

Table 21: Average Net Impact of Basic Income after Change in Taxes Paid and Transfer Payments Received for Nuclear Families (2017)

Decile	Income Range	Average Basic Income	Average Change in Taxes Paid	Average Change in Existing Transfer Payments	Average Net Impact
First	$<0 - $10,523	$20,592	$412	-$1,003	$19,177
Second	$10,524 - $19,512	$18,577	$843	-$5,165	$12,569
Third	$19,513 - $26,390	$17,205	$413	-$8,376	$8,416
Fourth	$26,391 - $36,107	$14,608	$1,243	-$6,224	$7,141
Fifth	$36,108 - $47,012	$10,741	$1,857	-$4,632	$4,247
Sixth	$47,013 - $61,291	$6,556	$2,607	-$3,437	-$511
Seventh	$61,292 - $79,087	$765	$3,209	-$2,961	-$3,406
Eigth	$79,088 - $104,479	$285	$4,067	-$2,183	-$5,965
Ninth	$104,480 - $148,385	$6	$5,160	-$1,563	-$6,707
Tenth	$148,386+	$0	$12,446	-$918	-$13,364
Aggregate		**$9,028**	**$3,2482,963**	**-$3,632**	**$2,147**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

Table 22: Average Net Impact of Basic Income after Change in Taxes Paid and Transfer Payments Received for Nuclear Families with all Adults Under 65, by Total Family Income Decile (2017)

Decile	Income Range	Average Basic Income	Average Change in Taxes Paid	Average Change in Existing Transfer Payments	Average Net Impact
First	$<0 - $10,523	$20,532	$420	-$988	$19,123
Second	$10,524 - $19,512	$18,356	$1,020	-$4,344	$12,992
Third	$19,513 - $26,390	$15,563	$1,923	-$3,016	$10,632
Fourth	$26,391 - $36,107	$12,331	$2,374	-$1,821	$8,135
Fifth	$36,108 - $47,012	$8,651	$2,770	-$1,070	$4,810
Sixth	$47,013 - $61,291	$5,642	$3,286	-$858	$1,498
Seventh	$61,292 - $79,087	$2,678	$3,868	-$553	-$1,743
Eigth	$79,088 - $104,479	$283	$4,574	-$296	-$4,588
Ninth	$104,480 - $148,385	$0	$5,390	-$312	-$5,702
Tenth	148,386+	$0	$11,042	-$223	-$11,265
Aggregate		**$8,313**	**$3,764**	**-$1,296**	**$3,253**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

Table 23: Average Net Impact of Basic Income after Change in Taxes Paid and Transfer Payments Received for Nuclear Families with at Least One Adult Over 65, by Total Family Income Decile (2017)

Decile	Income Range	Average Basic Income	Average Change in Taxes Paid	Average Change in Existing Transfer Payments	Average Net Impact
First	$<0 - $10,523	$24,544	-$7	-$2,001	$22,640
Second	$10,524 - $19,512	$21,656	-$1,621	-$16,620	$6,657
Third	$19,513 - $26,390	$18,687	-$950	-$13,213	$6,424
Fourth	$26,391 - $36,107	$18,355	-$617	-$13,467	$5,505
Fifth	$36,108 - $47,012	$14,441	$240	-$10,937	$3,250
Sixth	$47,013 - $61,291	$8,865	$891	-$9,954	-$1,984
Seventh	$61,292 - $79,087	$3,012	$1,334	-$9,813	-$8,135
Eigth	$79,088 - $104,479	$293	$2,168	-$9,178	-$11,071
Ninth	$104,480 - $148,385	$36	$3,810	-$8,922	-$12,695
Tenth	$148,386+	$2	$21,079	-$5,200	-$26,277
Aggregate		**$11,303**	**$1,609**	**-$11,065**	**-$1,374**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

Table 24: Average Impact on Family Disposable Income by Family Types in the Bottom Decile (2017)

Family Type	Number of Families (Thousands)	Average Family Basic Income	Average Family Disposable Income		Change in Disposable Income (%)
			Pre-Basic Income	Post-Basic Income	
Single Parent	14.1	$20,762	$8,306	$27,992	237.0%
Two Parent	8.3	$29,919	$4,342	$32,201	641.7%
Non-Senior Single	1,948.2	$20,331	$4,305	$23,087	436.3%
Non-Senior Couple	35.8	$29,190	$4,270	$31,308	633.1%
Senior Single	19.8	$21,425	$2,840	$23,165	715.8%
Senior Couple	10.9	$30,196	$4,082	$30,614	650.0%
Aggregate	**2,037.0**	**$20,592**	**$4,317**	**$23,343**	**440.7%**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

Table 25: Impact of Basic Income on the Rate of Poverty by Family Type (2017)

Family Type	Rate of Poverty					
	After Tax Low-Income Measure			After Tax Low-Income Cut-Off		
	Pre-Basic Income	Post-Basic Income	Impact	Pre-Basic Income	Post-Basic Income	Impact
Single Parent	30.0%	14.0%	-53.3%	13.9%	0.3	-97.8%
Two Parent	8.6%	2.0%	-76.7%	3.7%	0.3	-91.9%
Non-Senior Single	18.3%	4.3%	-76.5%	16.4%	0.5	-96.9%
Non-Senior Couple	7.4%	1.2%	-83.8%	3.2%	0.2	-93.7%
Senior Single	23.8%	5.6%	-76.5%	4.6%	0.1	-97.8%
Senior Couple	5.8%	1.4%	-75.9%	0.5%	0.0	-100.0%
Aggregate	**12.5%**	**3.1%**	**-75.2%**	**6.8%**	**0.3**	**-95.6%**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

Table 26: Impact of Basic Income on the Gini Coefficient by Family Type (2017)

Family Type	Gini Coefficient					
	Individuals			Nuclear Families		
	Pre-Basic Income	Post-Basic Income	Impact	Pre-Basic Income	Post-Basic Income	Impact
Single Parent	0.723	0.688	-4.8%	0.317	0.221	-30.3%
Two Parent	0.688	0.675	-1.9%	0.298	0.267	-10.4%
Non-Senior Single	0.467	0.244	-47.7 %	0.467	0.244	-47.7%
Non-Senior Couple	0.441	0.414	-6.1%	0.350	0.314	-10.3%
Senior Single	0.299	0.220	-26.4%	0.299	0.220	-26.4%
Senior Couple	0.460	0.424	-7.8%	0.369	0.324	-12.2%
Aggregate	**0.541**	**0.472**	**-12.8%**	**0.468**	**0.365**	**-22.0%**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

Table 27: Net Beneficiaries by Income Decile (2017)

Decile	Income Range	Individual Income	Nuclear Family Income
First	$<0 - $10,523	97.5%	98.6%
Second	$10,524 - $19,512	95.5%	99.7%
Third	$19,513 - $26,390	92.2%	97.7%
Fourth	$26,391 - $36,107	85.7%	96.7%
Fifth	$36,108 - $47,012	77.5%	90.6%
Sixth	$47,013 - $61,291	37.3%	53.6%
Seventh	$61,292 - $79,087	15.6%	24.3%
Eighth	$79,088 - $104,479	2.7%	1.5%
Ninth	$104,480 - $148,385	1.6%	0.0%
Tenth	$148,386+ 97.5%	2.2%	0.2%
Aggregate		**37.2%**	**41.8%**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

Chapter 7
Option Three

Model: A universal demogrant paid to all Canadians and permanent residents 18 and over

Income Used to Reduce Benefit: None

Benefit: $22,000 per adult

Reduction Rate: None

Cost: $637.86 billion

Revenue:$639.24 billion (see Table 27)

Table 28: Revenue for Basic Income (2017; Billions)

Source	Amount
Federal Programs*	$58.78
Personal Income Tax Changes to Rates and Thresholds**	$8.12
Personal Income Tax Fairness Measures: All except Pension Income Credit ***	$64.81
Changes to Corporate Income Taxes	$17.38
Personal Income Tax – Increase to First Bracket (from 15% to 75.1%)	$449.15
Federal Sub-Total	***$598.24***
Provincial Contribution	$41.00
Total	**$639.24**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.
** See Table 1 for details.*
*** See Table 2 for details.*
**** See Table 3 for details.*

Impact: The impact of the basic income and related tax changes is progressive (Table 29). Families in the bottom half of the income spectrum see a net increase in disposable income, while families in the seventh through tenth income deciles see a net decrease. The average family in the sixth decile sees a very small positive net change (+0.1%). The positive impact on disposable income for the bottom income deciles is seen both among working-age adults and families with one or more adults who are over 65 (Tables 30 and 31).

The average net impact after the effect of increased taxes and decreased transfer payments is also progressive (Table 32), with the bottom income decile receiving the largest positive benefit and families in the top income decile paying the largest net amount. This holds true for both working-age adults and families with one or more adults who are over 65 (Tables 33 and 34). In the lowest-income decile, families with at least one senior receive a much bigger net benefit from the basic income than families

composed of working-age adults, but that effect declines much faster, with senior families seeing a net decline in disposable income beginning in the seventh income decile while the net impact on the disposable income of working-age families remains positive until the eighth income decile.

The basic income has a very significant impact on incomes for the bottom decile (Table 35). All family types see their income more than double. The greatest impact is for two-adult families, both with and without children in the house, who see their disposable income increase by more than 900 percent. By comparison, the single non-elderly person sees their income increase by 350 percent and the single parent family shows an increase of 237 percent.

As a result, the overall poverty rate using the after-tax LICO is reduced by 94 percent, with poverty eliminated for seniors. (Table 36). Using the after-tax LIM, the poverty rate drops by 76 percent, showing the largest declines for two-adult families. The level of income inequality is reduced by approximately 18 percent at both the individual and family level. (Table 37).

Finally, in the bottom four income deciles, there are more beneficiaries from the basic income than contributors, while in the top six income deciles, there are more contributors than beneficiaries, demonstrating once again the progressive impact of the basic income and tax fairness measures. However, in comparison with the profile of net beneficiaries for Options One and Two, Option Three shows a lower percent of beneficiaries for the bottom income decile due to the high marginal tax rate imposed on the lowest income bracket.

Table 29: Impact of Basic Income on Family Disposable Income by Total Family Income Decile (2017)

Decile	Income Range	Average Family Basic Income	Average Family Disposable Income		Change in Disposable Income (%)
			Pre-Basic Income	Post-Basic Income	
First	$<0 - $10,5232	$19,385	$4,317	$20,151	366.8%
Second	$10,524 - $19,512	$21,675	$14,495	$24,234	67.2%
Third	$19,513 - $26,390	$23,213	$21,627	$27,945	29.2%
Fourth	$26,391 - $36,107	$27,108	$28,529	$34,394	20.6%
Fifth	$36,108 - $47,012	$29,271	$36,494	$39,426	8.0%
Sixth	$47,013 - $61,291	$31,683	$45,920	$46,353	0.1%
Seventh	$61,292 - $79,087	$34,373	$58,126	$56,452	-2.9%
Eighth	$79,088 - $104,479	$37,149	$73,317	$68,381	-6.7%
Ninth	$104,480 - $148,385	$40,550	$97,031	$88,137	-9.2%
Tenth	$148,386+	$41,855	$187,635	$168,435	-10.2%
Aggregate		**$30,714**	**$57,164**	**$57,700**	**0.9%**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

Table 30: Impact of Basic Income on Family Disposable Income by Total Family Income Decile, Families with All Adults Aged 64 and Under (2017)

Decile	Income Range	Average Family Basic Income	Average Family Disposable Income		Change in Disposable Income (%)
			Pre-Basic Income	Post-Basic Income	
First	$<0 - $10,523	$19,225	$4,333	$19,997	361.5%
Second	$10,524 - $19,512	$21,591	$14,204	$24,243	70.7%
Third	$19,513 - $26,390	$24,380	$20,859	$29,463	41.3%
Fourth	$26,391 - $36,107	$25,378	$27,330	$32,749	19.8%
Fifth	$36,108 - $47,012	$26,994	$35,000	$36,887	5.4%
Sixth	$47,013 - $61,291	$30,328	$44,677	$45,324	1.4%
Seventh	$61,292 - $79,087	$33,946	$57,257	$56,905	-0.6%
Eighth	$79,088 - $104,479	$37,047	$72,755	$69,029	-5.1%
Ninth	$104,480 - $148,385	$40,695	$96,619	$88,810	-8.1%
Tenth	$148,386+	$41,951	$179,675	$162,393	-9.6%
Aggregate		**$30,404**	**$57,703**	**$58,792**	**1.9%**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

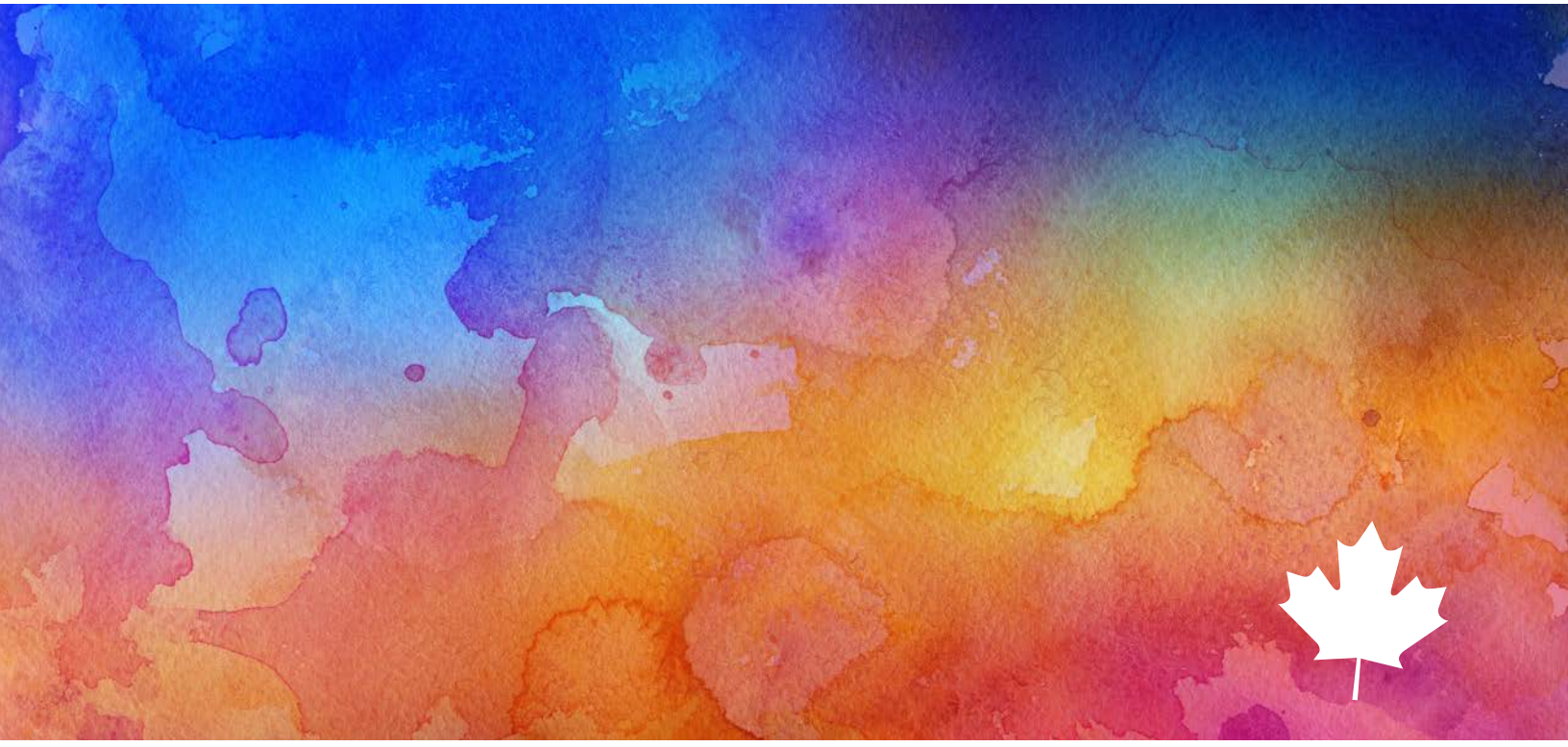


Table 31: Impact of Basic Income on Family Disposable Income by Total Family Income Decile, Families with At Least One Adult Aged 65 and Older (2017)

Decile	Income Range	Average Family Basic Income	Average Family Disposable Income		Change in Disposable Income (%)
			Pre-Basic Income	Post-Basic Income	
First	$<0 - $10,523	$29,823	$3,281	$30,228	821.2%
Second	$10,524 - $19,512	$22,842	$18,562	$24,118	29.9%
Third	$19,513 - $26,390	$22,160	$22,321	$26,576	19.1%
Fourth	$26,391 - $36,107	$29,954	$30,502	$37,099	21.6%
Fifth	$36,108 - $47,012	$33,303	$39,140	$43,920	12.2%
Sixth	$47,013 - $61,291	$35,105	$49,062	$48,956	-0.2%
Seventh	$61,292 - $79,087	$35,587	$60,598	$55,163	-9.0%
Eighth	$79,088 - $104,479	$37,061	$75,399	$65,981	-12.5%
Ninth	$104,480 - $148,385	$29,697	$99,452	$84,175	-15.4%
Tenth	$148,386+	$41,262	$236,595	$205,603	-13.1%
Aggregate		**$31,701**	**$55,449**	**$54,225**	**-2.2%**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

Table 32: Average Net Impact of Basic Income after Change in Taxes Paid and Transfer Payments Received for Nuclear Families (2017)

Decile	Income Range	Average Basic Income	Average Change in Taxes Paid	Average Change in Existing Transfer Payments	Average Net Impact
First	$<0 - $10,523	$19,385	$2,220	-$1,002	$16,163
Second	$10,524 - $19,512	$21,675	$5,578	-$5,164	$10,933
Third	$19,513 - $26,390	$23,213	$6,919	-$8,370	$7,924
Fourth	$26,391 - $36,107	$27,108	$13,033	-$6,211	$7,865
Fifth	$36,108 - $47,012	$29,271	$19,293	-$4,584	$5,394
Sixth	$47,013 - $61,291	$31,683	$24,996	-$3,350	$3,336
Seventh	$61,292 - $79,087	$34,373	$30,043	-$2,865	$1,465
Eigth	$79,088 - $104,479	$37,149	$36,240	-$2,128	-$1,319
Ninth	$104,480 - $148,385	$40,550	$43,895	-$1,549	-$4,895
Tenth	$148,386+	$41,855	$56,259	-$919	-$15,323
Aggregate		**$30,714**	**$24,050**	**-$3,600**	**$3,064**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

Table 33: Average Net Impact of Basic Income after Change in Taxes Paid and Transfer Payments Received for Nuclear Families with all Adults Under 65, by Total Family Income Decile (2017)

Decile	Income Range	Average Basic Income	Average Change in Taxes Paid	Average Change in Existing Transfer Payments	Average Net Impact
First	$<0 - $10,523	$19,225	$2,242	-$988	$15,995
Second	$10,524 - $19,512	$21,591	$6,053	-$4,343	$11,195
Third	$19,513 - $26,390	$24,380	$11,284	-$3,010	$10,086
Fourth	$26,391 - $36,107	$25,378	$16,280	-$1,806	$7,292
Fifth	$36,108 - $47,012	$26,994	$21,747	-$1,019	$4,228
Sixth	$47,013 - $61,291	$30,328	$26,143	-$780	$3,405
Seventh	$61,292 - $79,087	$33,946	$30,804	-$467	$2,675
Eigth	$79,088 - $104,479	$37,047	$37,013	-$242	-$208
Ninth	$104,480 - $148,385	$40,695	$44,203	-$300	-$3,808
Tenth	$148,386+	$41,951	$55,120	-$223	-$13,391
Aggregate		**$30,404**	**$25,596**	**-$1,267**	**$3,541**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

Table 34: Average Net Impact of Basic Income after Change in Taxes Paid and Transfer Payments Received for Nuclear Families with at Least One Adult Over 65, by Total Family Income Decile (2017)

Decile	Income Range	Average Basic Income	Average Change in Taxes Paid	Average Change in Existing Transfer Payments	Average Net Impact
First	$<0 - $10,523	$29,823	$789	-$1,933	$27,101
Second	$10,524 - $19,512	$22,842	-$1,050	-$16,618	$7,274
Third	$19,513 - $26,390	$22,160	$2,981	-$13,206	$5,973
Fourth	$26,391 - $36,107	$29,954	$7,691	-$10,896	$8,807
Fifth	$36,108 - $47,012	$33,303	$14,949	-$9,845	$7,459
Sixth	$47,013 - $61,291	$35,105	$22,099	-$9,689	$3,161
Seventh	$61,292 - $79,087	$35,587	$27,876	-$9,121	-$1,979
Eigth	$79,088 - $104,479	$37,061	$33,376	-$8,901	-$5,436
Ninth	$104,480 - $148,385	$29,697	$42,088	-$8,901	-$11,292
Tenth	$148,386+	$41,262	$63,265	-$5,200	-$27,203
Aggregate		**$31,701**	**$19,130**	**-$11,022**	**$1,548**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

Table 35: Average Impact on Family Disposable Income by Family Types in the Bottom Decile (2017)

Family Type	Number of Families (Thousands)	Average Family Basic Income	Average Family Disposable Income		Change in Disposable Income (%)
			Pre-Basic Income	Post-Basic Income	
Single Parent	14.1	$20,989	$8,306	$27,992	237.0%
Two Parent	8.3	$44,000	$4,342	$43,889	910.9%
Non-Senior Single	1,948.2	$18,653	$4,305	$19,409	350.8%
Non-Senior Couple	35.8	$44,000	$4,270	$43,396	916.2%
Senior Single	19.8	$22,000	$2,840	$23,045	711.5%
Senior Couple	10.9	$44,000	$4,082	$43,245	959.5%
Aggregate	**2,037.0**	**$19,385**	**$4,317**	**$20,151**	**366.8%**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

Table 36: Impact of Basic Income on the Rate of Poverty by Family Type (2017)

Family Type	Rate of Poverty					
	Low-Income Measure			Low-Income Cut-Off		
	Pre-Basic Income	Post-Basic Income	Impact	Pre-Basic Income	Post-Basic Income	Impact
Single Parent	30.0%	18.8%	-37.3%	13.9%	0.4%	-97.1%
Two Parent	8.6%	0.7%	-91.8%	3.7%	0.4%	-89.2%
Non-Senior Single	18.3%	6.1%	-66.7%	16.4%	1.0%	-93.9%
Non-Senior Couple	7.4%	0.6%	-91.9%	3.2%	0.1%	-96.9%
Senior Single	23.8%	4.6%	-80.6%	4.6%	0.0%	-100.0%
Senior Couple	5.8%	0.2%	-96.6%	0.5%	0.0%	-100.0%
Aggregate	**12.5%**	**3.0%**	**-76.0%**	**6.8%**	**0.4%**	**-94.1%**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

Table 37: Impact of Basic Income on the Gini Coefficient by Family Type (2017)

Family Type	Gini Coefficient					
	Individuals			Nuclear Families		
	Pre-Basic Income	Post-Basic Income	Impact	Pre-Basic Income	Post-Basic Income	Impact
Single Parent	0.723	0.692	-4.3%	0.317	0.219	-30.9%
Two Parent	0.688	0.641	-6.8%	0.298	0.236	-20.8%
Non-Senior Single	0.467	0.275	-41.1%	0.467	0.275	-41.1%
Non-Senior Couple	0.441	0.334	-24.3%	0.350	0.279	-20.3%
Senior Single	0.299	0.210	-29.8%	0.299	0.210	-29.8%
Senior Couple	0.460	0.296	-35.6%	0.369	0.264	-28.4%
Aggregate	**0.541**	**0.439**	**-18.8**	**0.468**	**0.384**	**-17.9%**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

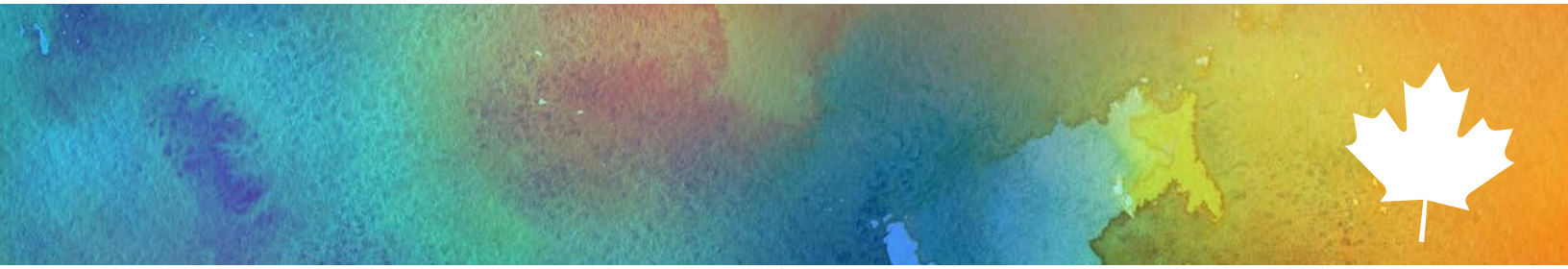


Table 38: Net Beneficiaries by Income Decile (2017)

Decile	Income Range	Individual Income	Nuclear Family Income
First	$<0 - $10,5232	84.5%	85.6%
Second	$10,524 - $19,512	90.7%	94.9%
Third	$19,513 - $26,390	92.9%	98.5%
Fourth	$26,391 - $36,107	72.3%	83.0%
Fifth	$36,108 - $47,012	44.3%	61.4%
Sixth	$47,013 - $61,291	34.9%	64.4%
Seventh	$61,292 - $79,087	29.7%	54.1%
Eighth	$79,088 - $104,479	22.4%	34.7%
Ninth	$104,480 - $148,385	14.1%	21.4%
Tenth	$148,386+	8.2%	9.3%
Aggregate		**39.0%**	**50.7%**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

These models show the **significant effect** that a basic income can have on poverty and economic security.

Chapter 8
Discussion

These models show the significant effect that basic income can have on poverty and economic security. Poverty is nearly completely eliminated, and in all three cases, the lowest-income families see their disposable income increase by more than 350 percent. Not only that, but in all three cases, the entire bottom half of the income distribution sees their disposable income increase. For those few families remaining under the poverty line, the gap between their income and the poverty line is much diminished – a far cry from the current system which traps too many people in deep poverty with little chance of escape.

The models also show that this outcome can be paid for in a progressive way – with the top three income deciles seeing the greatest decrease in disposable income and the greatest increase in taxes paid.

The greatest difference is seen for working-age adults without children living in the home – both single adults and couples. This speaks to the inherent bias in current income security policies in favour of families with children. By making our basic income conditional only on age and/or income, our models remove existing biases and provide adults who have not had children or whose children have grown with adequate income security.

However, families with children – both lone-parent and two-parent families – are also considerably better off under our basic income models than they are in the current system. The poverty rate for lone parents is reduced to nearly zero.

On the other hand, the models show the challenge of addressing poverty for seniors in our current context. Option One, which does not include seniors, demonstrates a stark contrast between poverty among working-age adults, which is nearly eliminated, and poverty among seniors receiving OAS/GIS, which is still 2.2 percent for single seniors. Furthermore, a small category of seniors who do not receive OAS/GIS (because they have not been in Canada long enough) now have to pay more in taxes without receiving any benefit. In Options Two and Three, in which OAS/GIS is replaced with the basic income, poverty among seniors is almost completely eliminated and the distribution of costs and benefits is even more progressive than in Option One. However, higher-income seniors lose income because of the loss of OAS. There is an argument to be made on the grounds of fairness that it is better to target money to low-income seniors than to higher-income seniors, but that argument may be difficult politically. As recent policy proposals have demonstrated, proposing even minor variances to OAS/GIS can create a public backlash.

Our models do show a small number of low-income families who do not benefit from the basic income scenarios proposed here and a small number of high-income families who are net beneficiaries. A closer analysis of these two categories suggests that the small number of low-income families who do not benefit are families where the head of the family is under 18. These families end up paying more in taxes without getting the benefit of the basic income transfer. This highlights a need for any policy focused primarily on adults to also take into account children under the age of 18 who are heads of families either through a supplement to their child benefit or by treating them as adults for the purpose of the basic income.

Meanwhile, the small number of high-income families who are net beneficiaries are benefitting through a reduction in their taxes rather than through receipt of a basic income. This suggests that perhaps a minimum tax threshold should be considered when implementing comprehensive tax reform.

Because women are more likely than men to be living in low income in Canada, overall, our basic income models have a positive impact on the income of women. As Table 39 shows, under each option, more women than men are net beneficiaries of the basic income, with Option Three having the greatest impact.

Table 39: Adult Net Beneficiaries by Gender by Basic Income Option (2017)

Model	% of Women Who are Net Beneficiaries	% of Men Who are Net Beneficiaries
Option One	42.2%	36.9%
Option Two	49.5%	42.1%
Option Three	57.5%	38.3%

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.

As Table 40 shows, basic income would help to increase median incomes across the country. Because a single benefit rate is used across the country despite dramatically different costs in living, our basic income proposals may end up inadvertently serving as a regional economic development strategy. People who might be otherwise tempted to move away from regions with high rates of unemployment or seasonal work might be willing to stay because of the economic stability provided by the basic income combined with the reality that their money will go further there than in a large urban centre. This in turn will inject money into the local economies, helping to grow and potentially diversify the economy. For this reason, basic income may be especially appealing and important to municipal governments across the country.

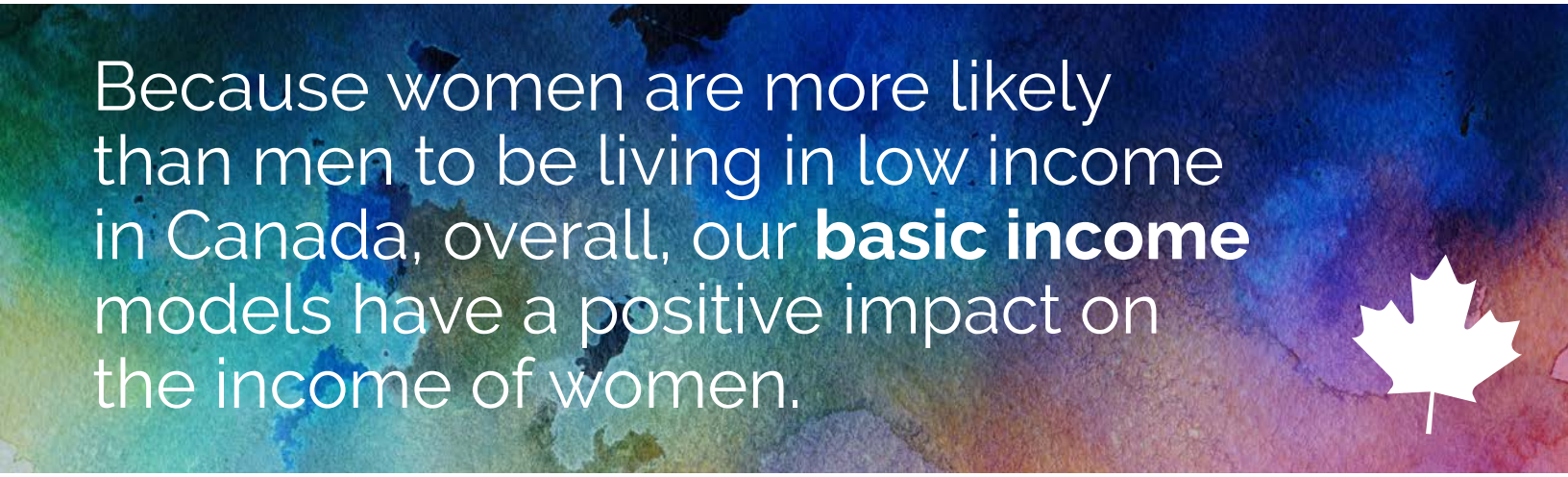


Table 40: Median Disposable Nuclear Family Income by Basic Income Option (2017)

Province	Pre-Basic Income	Option One	Option Two	Option Three
Newfoundland and Labrador	$44,602	$44,741	$44,592	$50,672
Prince Edward Island	$38,873	$40,503	$40,723	$43,962
Nova Scotia	$38,534	$39,084	$40,526	$41,345
New Brunswick	$38,909	$40,123	$41,580	$45,627
Quebec	$38,799	$39,449	$40,420	$42,495
Ontario	$40,525	$42,513	$43,282	$44,190
Manitoba	$40,351	$40,912	$40,957	$41,158
Saskatchewan	$46,398	$47,484	$46,921	$49,784
Alberta	$51,143	$50,664	$50,268	$52,008
British Columbia	$40,350	$42,526	$42,535	$44,718
Total	**$40,660**	**$42,169**	**$44,592**	**$44,376**

Source: SPSD/M. Version 26.0. Tabulations and assumptions by authors.
[f] Disposable Family Income is after taxes and transfers.

On the other hand, even $22,000 a year might not be enough income to make living in some rural and remote communities viable, as high food, housing and energy costs quickly eat up that amount. More research is needed into what sort of impact the basic income might have in the North, for instance, and what kind of additional strategies might be needed to provide economic security there.

The models also help to clarify the frequent debate among basic income supporters as to whether the income-tested or universal demogrant model is more desirable. Both models can be used to increase incomes at the bottom end of the income spectrum while shifting the costs to the top end of the income spectrum. However, both models raise political questions that need to be answered. For instance, the income-tested model raises questions about social solidarity, while the universal model raises questions about the politics of selling a tax rate of 75 percent.

Because our Options One and Two model an income-tested approach that is based on family composition and household income and Option Three models a universal demogrant that ignores family composition and household income, more research is also needed to compare income-tested and universal approaches that use the same parameters.

In addition, while the price tags for the three options at first glance seem very different, it's important to note that those are gross costs. A universal demogrant model, such as Option Three, might be

an effective way of dealing with the challenge of administration and reporting changes in income or or family composition. On the other hand, for those concerned about the political challenges of gross costs and a single tax rate (as opposed to the more hidden tax rate of a reduction rate plus a tax rate), the income-tested model might offer a more politically salient option of achieving similar outcomes.

Finally, the marginal effective tax rates of our basic income provide a significant improvement over the marginal effective tax rates of the existing social assistance system. Employment income is generally reduced by a substantial proportion, but the loss of other benefits (such as housing subsidies or prescription drug coverage) means that social assistance recipients can end up losing more than a dollar in benefits for every dollar that they earn. This is effectively a marginal effective tax rate of more than 100 percent.

We do not want to overstate the importance of marginal effective tax rates. For low-income people, studies have found that marginal effective tax rates generally have little to no impact on work effort. This is for several reasons: unless marginal effective tax rates are 100 percent, low-income workers are still financially better off working than not, and many of them are seeking to achieve a certain level of adequacy in their income – enough to pay the rent and buy food, for instance – rather than seeking an ideal return on labour. For many low-income workers, there is also very little discretionary control over working hours. Working hours are generally set by the employer, and the workers' only options are to be employed or unemployed – not how much they will work. And finally, interviews with low-income workers have revealed that they frequently have little understanding of program rules and what the impact will be of earning additional income.[24] One longitudinal study of low-income workers in Wisconsin found that no low-income participant would turn down a raise or promotion due to the fear of losing benefits.[25]

As people move up the income scale, the additional income gained by working becomes less important as a motivation for work, but psychosocial motivations for working – including the status that people receive from working or the stigma that they receive from not working – may become more important. As economist Nancy Folbre notes, "Workers' perceptions of their future opportunities in the labour market may affect their labour supply as much as, if not more than, their current marginal effective tax rate."[26]

With these caveats regarding marginal effective tax rates, we note that individuals are much better off financially with our basic income than under the current system.

Conclusion

The three models we have demonstrated here show that it is indeed possible for Canada to have a basic income that is progressively structured and progressively funded. Basic income is a matter of priorities, not a matter of possibility.

This is not to minimize the number of complexities and questions that must be answered in designing a basic income. Who receives the basic income, how much they get, how payments are structured, what programs are replaced, and how it is paid for, are all vitally important questions that can be answered in different ways. Answering these questions will inevitably involve trade-offs and a debate about values and priorities. And not all answers are politically feasible. But what we have accomplished in this paper is to show that it is possible to answer these questions in progressive ways.

We recognize that there are other ways of structuring or funding a basic income that may also achieve our progressive goals. In fact, in speaking with economists, social policy experts, researchers, and activists over the life of this project, we have heard many of them! We see this project as a major step towards a necessary conversation about what basic income could and should look like in Canada, but not the only step. We encourage others to develop and publish their proposals as well, and move the conversation forward. We especially encourage governments and our elected representatives to continue to pursue options and public dialogue to the point where basic income in Canada can become a concrete reality.

We especially encourage governments and our elected representatives to continue to pursue options and public dialogue to the point where **basic income** in Canada can become a concrete reality.

Appendix A: Canadian Basic Income Programs, Proposals, and Pilots

Canada already has two federal basic income-like programs – one for seniors and one for families with children. The basic income for seniors consists of Old Age Security and the Guaranteed Income Supplement (OAS/GIS), in place since the 1960s. Nearly 8.5 million Canadian seniors receive an OAS pension or one of the related benefits, including GIS. In 2017, OAS provided a maximum pension of $7,004.88 per year to seniors with incomes under $74,788. (Pension amounts vary according to years of residency in Canada.) A reduced pension is also available to those with incomes between $74,789 and $121,070. For seniors with little or no additional sources of income, GIS offered a maximum benefit of $10,462.32 in 2017, bringing the income of a single senior with no other source of income to $17,467.20 a year. The OAS pension is taxable, but GIS is not. OAS offers the same benefit regardless of family structure, but the GIS benefit is structured according to family composition and income. The total cost to the government for OAS, GIS, and associated benefits in 2017-18 was $50.6 billion.[27]

The partial basic income program for families with children is the Canada Child Benefit (CCB). The CCB expanded on an existing child benefit program that was first introduced in 1997. In 2017, the federal government paid a maximum non-taxable benefit of $6,400 per year for children aged 0-5, while for children aged 6-17, the maximum benefit was $5,400 per year. A supplement is available for children with a disability. The benefit begins to be phased out when family income exceeds $30,000 a year, with the reduction rate set according to income and the number of children in the family. Depending on family size, the CCB phases out entirely around $180,000 in family income. The Parliamentary Budget Office estimated that nearly 3.6 million Canadian families would receive the benefit in 2017-18, at a projected cost of $22.4 billion.[28]

Many provinces and territories have programs that supplement these federal benefits for seniors and children.

There have also been a number of basic income proposals and pilot projects in Canada throughout the past fifty years. They represent the variety of approaches that can be taken in designing a basic income in a modern, developed country.

In 1971, the Special Senate Committee on Poverty, chaired by David Croll, released a report calling for a basic income in the form of an income-tested model or Negative Income Tax. The basic income was to be funded exclusively by the federal government and would replace Family Allowances, youth allowances, and OAS. The Croll report envisioned that the benefit would initially exclude non-citizens and single individuals under the age of 40, with the goal of eventually extending coverage to all citizens. The net cost to the federal government (total expenditure minus savings from existing programs) was estimated to be $645 million.[29]

Four years later, Canada had its first experiment with basic income: the Manitoba Basic Annual Income Experiment, commonly known as Mincome. Mincome was jointly sponsored by the federal government and the Manitoba government, with the federal government contributing 75 percent of the budget. Low-income participants in Winnipeg were randomly assigned to one of several groups, in order to test the impact of different benefit rates and different reduction rates while a control group received no benefit. In Dauphin, Manitoba, however, all eligible families were enrolled

in the same program, receiving a benefit that was equivalent to 60 percent of the Low Income Cut-Off (measured by Statistics Canada), reduced at 50 percent for every dollar of additional income. The Low Income Cut-Off varies according to family size, but for a family of two parents and two children, this worked out to a maximum benefit of $3,800 annually in 1975. [30]

The inflationary pressures of the late 1970s put enormous strain on the experiment's budget, and Mincome was cancelled rather unceremoniously in 1979. Very little research was produced during the experiment itself, but independent researchers have since provided some analysis of the outcomes. Derek Hum and Wayne Simpson analyzed the impact on labour supply in 1993, and found that the impact was quite minimal: a reduction of 1 percent of annual hours worked for men, 3 percent for married women, and 5 percent for unmarried women.[31] More recently, health economist Evelyn Forget has also looked at health outcomes, using administrative data from the Manitoba health care system, and found a reduction in hospitalizations due to accidents and injuries, as well as fewer mental health diagnoses in Dauphin during the time of the experiment. Using school records, Forget also demonstrated that fewer youth left school to join the workforce during the years of Mincome.[32]

In 1985, the Royal Commission on the Economic Union and Development Prospects for Canada, commonly known as the Macdonald Commission, recommended the creation of a basic income which they called the Universal Income Security Program (UISP). The UISP would have replaced Family Allowances, GIS, federal support for the Canada Assistance Plan, the social housing programs of the Canada Mortgage and Housing Corporation, and a number of tax credits, with a guaranteed income of $2,750 per adult and $750 per child. The basic income would be paid to everyone, but taxed back at a rate of 20 percent for any additional family income (on top of existing personal income tax rates). Seniors and lone parents would have qualified for a slightly higher benefit rate, but the Commissioners suggested that benefit rates for singles under the age of 35 could be reduced by as much as half to encourage them to engage in paid work. The report suggested that the provinces could be expected to provide supplemental income to anyone still under the poverty line.[33]

Michael Wolfson, at the time an analyst with Statistics Canada, proposed an alternative option to implement the UISP for better integration with the tax system. Wolfson called his proposal the Guaranteed Income/Simplified Tax option (GI/ST). Wolfson suggested that the basic income itself should be tax exempt, with a single flat tax rate of 30 percent applying to every dollar of additional income. A surtax of 15 percent would be levied on total income over $36,000 to ensure that some measure of progressivity remained in the tax system. Wolfson's simplified tax proposal would have also eliminated many of the existing tax credits and deductions. As with the Macdonald Commission, Wolfson assumed that the provinces would step up and actually bring incomes to the poverty line.[34]

In 1994, the Social Security Review led by Human Resources Development Minister Lloyd Axworthy released a supplementary paper looking at the option of guaranteed income. The report modelled two options: a universal demogrant and an income-tested model for working age adults and children. Seniors were excluded on the grounds that OAS/GIS were providing sufficient income support. The universal demogrant proposal provided $7,000 to every adult aged 18 to 64 and for the first child in a lone parent family. For all other children, the amount was $3,000. The total cost of the program was calculated to be $146.1 billion. For the purpose of the simulation, the paper

assumed the cost would be covered by reallocating tax expenditures, including the basic personal amount, the married and equivalent to married credit, the child tax benefit, and the GST credit, as well as by eliminating social assistance and the Canada Assistance Plan. Taxes would then be raised to cover the remaining portion.

The income-tested option modelled by the report gave $4,500 to every adult aged 18 to 64, as well as to the first child in a lone parent family. For all other children, the amount was $3,000. The reduction rate was 15 percent for the first adult, 6 percent for the second adult or the first child in a lone parent family, and 3 percent per child thereafter, with a maximum reduction rate of 27 percent. The total cost was calculated at $37.3 billion, to be paid for by the reallocation of tax credits and social assistance and the Canada Assistance Plan.[35]

In 1999, basic income advocates Sally Lerner, Charles Clark, and Robert Needham outlined a potential model for basic income in Canada in their book Basic Income: Economic Security for all Canadians. They suggested a universal demogrant from the federal government, giving $7,000 to every senior, $5,000 to every working age adult, and $3,000 to every child. Every household would also receive an additional household payment of $5,000. The total cost was estimated to be $196.8 billion, which would be paid for by eliminating federal transfers to persons and by replacing the personal income tax structure with a single flat tax of 41.41 percent on all personal income.

In 2016, economists Robin Boadway, Katherine Cuff and Kourtney Koebel proposed a joint federal-provincial basic income to replace most of Canada's existing refundable and non-refundable tax credits, as well as OAS/GIS. Boadway, Cuff, and Koebel envision the creation of this basic income unfolding in two stages, with the federal government providing a maximum benefit of $14,322 for working age adults in the initial stage, with the benefit adjusted for family size. Seniors would immediately receive the full benefit of $20,000 from the federal government to compensate for the loss of OAS/GIS. In stage two, the provinces would replace their tax credits with a basic income and bring the maximum benefit up to the level of $20,000. The overall cost of the basic income was calculated to be $162.84 billion, with the federal portion costing $106.74 billion.[36]

In 2017, Harvey Stevens and Wayne Simpson of the University of Manitoba proposed replacing some of the most regressive federal tax credits with a basic income. The proposal would provide a maximum benefit of $6,657 per individual, with the benefit adjusted for family size. An additional benefit would go to persons living with a disability, as well as to caregivers. The benefit would be reduced at a rate of 15 percent on total family income. The cost of this proposal is estimated to be $51.18 billion (in 2015 dollars). Stevens and Simpson also recommended a provincial basic income, created in the same fashion as the federal basic income. Because the value of tax credits varies from province to province, the provincial benefit would also vary quite significantly across the country.[37]

In 2017, the province of Ontario embarked on a basic income pilot project. The project had three locations: Thunder Bay, Lindsay, and Hamilton (and their surrounding counties). In order to apply, residents had to have lived in one of these regions for the past 12 months or longer, and be living on an income of $34,000 a year or less for a single person or $48,000 a year or less for a couple. Participants were randomly assigned to either a benefit group or a control group. The maximum benefit was set at 75 percent of the Low Income Measure; for a single person, that worked out to a

maximum of $16,989 a year and for a couple, $24,027. Persons living with disabilities were eligible for an additional $500 a month. The benefit was reduced by 50 percent for each dollar of additional income. The exception to this rule was for Employment Insurance and Canada Pension Plan income, for which the benefit was reduced 100 percent for each dollar of income. The basic income provided a significant increase over social assistance rates in Ontario, although the pilot project was criticized for taking away additional support services that were available through Ontario Works, creating concerns that it did not provide a fair comparison. In 2018, the newly elected Progressive Conservative government cancelled the pilot, despite a campaign promise to continue the pilot to completion.

A survey conducted by BICN found that despite the short length of time the pilot was in place, participants experienced a significant decrease in stress, anxiety, and other mental health issues. Respondents reported that the basic income helped them to better manage family, paid employment, and community responsibilities. More than half of respondents said they bought food they wouldn't have otherwise been able to afford and that the basic income had allowed them to improve their housing situation.[38]

In 2018, the Parliamentary Budget Officer modelled the parameters of the Ontario pilot project for the whole country. The PBO estimated that such a basic income would cost $76 billion at the national level (with a net cost of $44 billion if existing federal anti-poverty spending were re-directed toward the basic income). More than 7.5 million people would receive a benefit under such a program.[39]

A survey conducted by BICN found that despite the short length of time the pilot was in place, participants experienced a **significant decrease** in stress, anxiety, and other **mental health issues**.

Appendix B: Comparison of Basic Income Programs and Proposals

Proposal	Year	Universal Demogrant or Income-Tested	All adults Population	Maximum Annual Benefit for a Single Working-Age Adult (2017$)	Maximum Benefit for a Single Individual as a % of Low Income Measure (Year of Proposal or Benefit)	Maximum Annual Benefit for a Family of 4* (2017$)	Top Reduction Rate	Gross Cost (Billions, 2017$)
Mincome – Dauphin	1975	IT	Working age adults and their children	$6,713	n/a**	$17,665	50%	Unknown
Mincome – Winnipeg	1975	IT	Working age adults without disabilities and their children	$9,539	n/a**	$25,103	75%	Unknown
Macdonald Commission UISP	1985	UD	Everyone	$5,955	35.36%	$15,156	20%	$128.18
Wolfson GI/ST	1986	UD	Everyone	$5,744	33.45%	$14,620	n/a	$123.23
Social Security Review – UD	1994	UD	Everyone under the age of 65	$10,631	64.16%	$30,375	n/a	$221.89
Social Security Review – NIT	1994	IT	Everyone under the age of 65	$6,834	41.24%	$22,781	27%	$56.65
Lerner et al.	1999	UD	Everyone	$14,159	111%	$25,487	n/a	$281.21
Boadway et al.	2016	IT	All adults	$20,000	88.27%	$28,862.86	30%	$166.17
Stevens and Simpson – Federal	2017	IT	All adults	$6,885	29.78%	$13,771	15%	$52.93
PBO	2018	IT	Working age adults	$16,989	72.25%	$24,027	50%	$76.02
OAS/GIS	n/a	IT	Seniors	$17,467.20	74.29%	n/a	50%	$50.6
CCB	n/a	IT	Families with children under 18	n/a	n/a	$12,800	23%	$22.4
BICN – Option One	2019	IT	Working age adults	$22,000	93.56%	$31,113	40%	$134.45
BICN – Option Two	2019	IT	All adults	$22,000	93.56%	$31,113	40%	$187.49
BICN – Option Three	2019	UD	All adults	$22,000	93.56%	$31,113	n/a	$637.86

Note: Conversions to 2017$ have been made based on the dollars used for calculations, not necessarily the year in which the proposal was made.

** Two adults and two children under the age of 18.*
*** Statistics Canada did not start calculating a Low Income Measure until 1976.*

Appendix C: Project Contributors

The Project Team

BICN is grateful for the diverse perspectives of all team members and their varied contributions over the course of the project. Decisions along the way were made as a group as avenues were explored and challenges addressed. Final decisions rested with the authors and BICN based on the modelling results.

James Mulvale: Jim is an associate professor in Social Work and a member of St. Paul's College at the University of Manitoba. He is a founding member of the Basic Income Canada Network, and is currently co-facilitator of the Ontario Basic Income Network. Jim's research interests include universal basic income, the theoretical foundations of social work, and distance and distributed learning in social work education. He teaches social policy courses at the graduate and undergraduate level. His professional social work experience is in community development in the fields of developmental disability and mental health.

Chandra Pasma: Chandra is a policy analyst based in Ottawa. She specializes in issues of income security, poverty, and precarious work. She has worked in politics, for non-profits, and for one of Canada's largest labour unions. As a long-time advocate for basic income, Chandra frequently writes and speaks on the relationship between basic income and employment. Chandra is a member of the Basic Income Canada Network Advisory Council.

Toni Pickard: A retired Queen's law professor, Toni coordinates the Kingston Activist Group for a Basic Income Guarantee. Before retiring from teaching, she was on the Queen's Senate, the Grievance Board Chair, a University Race Relations Advisor and coordinator of the successful Anti-Apartheid Divestment campaign. She co-authored Dimensions of Criminal Law, a first year textbook, enriching doctrinal material with analyses of gender, class and race bias in self defense law, and exploring the lived experiences of offenders, victims and inmates. She also originated and taught several advanced seminars - Critical Perspectives on Law, Non-adversarial Lawyering Tasks, Empirical Analysis in Law, Focus on the Jury.

Rob Rainer: Rob's career has spanned outdoor recreation, conservation, social justice, and politics, with leadership positions at community, regional, and national levels. Over 2006-2012, he was the executive director of the national charity, Canada Without Poverty. Since early 2013 he has been heavily committed to advancing basic income in Canada. Nominated by former Senator Hugh Segal, Rob's work on poverty issues was recognized in 2012 with the Queen's Diamond Jubilee Medal. In October 2018 Rob was elected as a municipal councillor in the eastern Ontario community of Tay Valley Township.

Sheila Regehr: Sheila is a founding member of the Basic Income Canada Network and former Executive Director of the National Council of Welfare. Her 29 years of federal public service spanned front-line work, policy analysis and development, international relations and senior management, with a focus on improving fairness and equality, and on gender and race in particular. She has expertise in areas of income security and taxation, such as child tax benefits, child support, pensions and social assistance. Her insight also comes from experiencing poverty as a young parent.

The work of the project team would not have been possible without the specialized expertise and advice provided by those who worked directly with the team and by our invited reviewers.

Specialized Expertise

Kourtney Koebel, now a PhD student at the Centre for Industrial Relations and Human Resources at the University of Toronto, was engaged by BICN to undertake the technical modelling of our option ideas in the early stages. She also co-presented the work-in-progress at BICN's one-day summit of experts in 2018 and at the 2018 North American Basic Income Guarantee (NABIG) Congress. Dionne Pohler, associate professor at the Centre for Industrial Relations and Human Resources at the University of Toronto, provided her expertise to the team in 2018, following the NABIG congress.

Harvey Stevens, a Professional Affiliate with the Department of Economics at the University of Manitoba and retired government policy analyst graciously agreed to work with BICN and the team in 2019 to undertake the final modelling of the three options we selected. His expertise and experience working with the Social Policy Simulation Database and Model were invaluable and we greatly appreciate his advice and support of our work.

Kourtney's and Harvey's own work on basic income is referenced in Appendix A.

Reviewers

We are grateful to the prominent Canadian economists and policy thinkers who reviewed our work at various stages and shared their comments with us, including through participation at a 2018 one-day summit in Toronto. Their insights were helpful and important to our work. That they so generously shared their time and expertise with us does not connote an endorsement of basic income or of our proposals. Rather, we were grateful to hear from people with a wide variety of perspectives.

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David Macdonald
Russ Robinson
Richard Shillington
Mark Smith
John Stapleton
Harvey Stevens
Kaylie Tiessen
Michael Wolfson

End Notes

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