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THE SENATE

Motion to Encourage the Government
to Evaluate the Cost and Impact of Implementing
a National Basic Income Program—Debate

Speech by:

The Honourable Diane Bellemare

Tuesday, May 31, 2016

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[Translation]

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MOTION TO ENCOURAGE THE GOVERNMENT TO EVALUATE THE COST AND IMPACT OF IMPLEMENTING A NATIONAL BASIC INCOME PROGRAM—DEBATE

On the Order:

Resuming debate on the motion of the Honourable Senator Eggleton, P.C., seconded by the Honourable Senator Dawson:

That the Senate encourage the federal government, after appropriate consultations, to sponsor along with one or more of the provinces/territories a pilot project, and any complementary studies, to evaluate the cost and impact of implementing a national basic income program based on a negative income tax for the purpose of helping Canadians to escape poverty.

Hon. Diane Bellemare (Legislative Deputy to the Government Representative in the Senate): Honourable senators, I would first like to thank Senator Eggleton for moving this motion. Senator Eggleton, I will only tell you at the end what I have in store for you. You know what it is, but the others do not.

The idea of a guaranteed minimum income for everyone is not new. Some say that its origins can even be traced back to the 18th century. However, in the 20th century, this idea became popular with economists when, in the late 1960s, Milton Friedman of the University of Chicago championed a guaranteed minimum income program. He proposed replacing all social programs, including social security and public pension plans, with a universal individual payment that would guarantee a basic income and progressively diminish as individuals earned other income. That is when a guaranteed minimum income became associated with a negative income tax. Other thinkers adapted this concept for a more humanistic approach to finding a solution to poverty.

Professors Margot Young and James Mulvale wrote a very interesting article on guaranteed minimum income, which was published by the Canadian Centre for Policy Alternatives. I recommend that you read it. They define the concept of guaranteed minimum income as follows:

[English]

The term “guaranteed income” refers to a specific although broad category of social reform. As a starting place for discussion, the idea of a guaranteed income is used to signal reform proposals that advocate some variant of an income benefit scheme in which the state provides a minimum level of basic income on a continuum basis to every adult, irrespective of personal circumstances or need, with no other or very few conditions attached. Proponents of a guaranteed income cite a range of reasons for supporting the idea: a fix to poverty, liberty and individual opportunity, social and democratic citizenship, gender equality, shared social ownership, a flexible and just labour market, and environmental sustainability.

[Translation]

As we can see, there are many advocates of this proposal, as many on the left as on the right.

The idea of adopting a guaranteed minimum income program in Canada is not new either.

In Canada, in Alberta, the Social Credit Party, under William Aberhart, promoted the idea of providing everyone with social credit during the 1930s. Later, the idea of a guaranteed minimum income resurfaced, including in 1968, in the work of the Economic Council of Canada.

In the Senate, Senator Croll, who gave his name to the famous report on poverty, proposed such a program in 1971. In Quebec, in 1971, the Castonguay-Nepveu report — Castonguay also being a former senator — also proposed a two-part guaranteed minimum income program: one for individuals able to work and the other for individuals considered unable to work. In 1970, the Royal Commission on the Status of Women also promoted a guaranteed annual income for single-parent families.

Then there was what was known as the Mincome experiment, which Senator Eggleton mentioned, in Manitoba during the latter half of the 1970s. Finally, there was the Macdonald report recommendation about the universal income security plan in 1985. This universal benefit would have replaced a host of assistance programs, family allowances and tax exemptions. The plan also provided for a small allowance and a low tax rate for earned income. Its proponents said it would have saved the public purse a lot of money. It also required that the federal government work closely with the provinces. This idea was shelved.

The idea of a minimum basic income has been coming up again since the 2000s, but no country has introduced such a comprehensive plan yet. There have been various attempts, such as Alaska Dividend, a program created by American senator Sarah Palin and paid for with revenue from resource development.

According to Young and Mulvale, four criteria characterize and distinguish guaranteed income proposals. This is important to remember.

First is the degree of universality. Does the program apply to everyone? All individuals, including children, are entitled. The only condition is citizenship.

Then there are the conditions of entitlement. Is the program conditional or unconditional? Are there income conditions? Wealth tests? Obligations to work?

With respect to the benefit level, does the program offer significant benefits or a relatively small income?

Is the program integrated with other social programs, or does it replace other social programs? For example, the proposal favoured by Milton Friedman was universal, which means that it was for everyone, it was unconditional, but it guaranteed a very small income and replaced all other social programs.

Other universal and unconditional proposals are designed to prevent poverty, so they offer much higher benefits than those

proposed by Milton Friedman. The problem often associated with these more humanistic proposals is that they are expensive and can have an unintended impact on the labour market.

For example, according to Young and Mulvale, a Canadian program providing a grant of \$15,000 per year to all individuals age 18 and over would cost \$392 billion. I should point out that the federal budget, including debt servicing costs, totals \$317 billion.

It would be much less expensive if we were to consider establishing a guaranteed minimum income program for people in need who have no income or assets and face barriers to employment. This is not the same thing. It would not be a universal, unconditional program that is not integrated with other social programs. It would instead be a program targeting low-income earners, contingent on asset testing and integrated with other social programs.

I have never been in favour of a guaranteed minimum income that would replace social programs, as proposed by Friedman. Social programs and especially social insurance programs address problems that a guaranteed minimum income would never be able to address. In terms of economic security, historical analysis indicates that the one-size-fits-all approach does not work.

In fact, social programs have evolved over time to respond to various problems such as workplace accidents, involuntary unemployment, illness and disability, and inability to work because of age. A number of social insurance programs have been developed to prevent poverty in the event of unemployment, illness, accident or retirement, but also to allow individuals to protect their quality of life. The purpose of social programs is not just to prevent poverty. They also address the problem of economic insecurity, and their benefits are often associated with participation in the labour market. They are financed by salary-based contributions.

As I was saying at the beginning, in recent years many groups have spoken out against the fact that there is a great deal of poverty in Canada despite the many social programs in place.

As you know, however, poverty is about more than just a low income. For instance, when you analyze earnings profiles throughout people's lives, this shows that many people were poor while they were students, for example. They later went on to be successful and live comfortable, and sometimes extremely comfortable, lives.

Similarly, the tragedies experienced by certain populations, such as indigenous populations, clearly demonstrate that their hardships go beyond the simple fact of having a low income.

Let's get back to Senator Eggleton's motion.

The motion stipulates, and I quote:

• (1450)

[English]

That the Senate encourage the federal government, after appropriate consultations, to sponsor along with one or more of the provinces/ territories a pilot project, and any complementary studies, to evaluate the cost and impact of implementing a national basic income program based on a negative income tax for the purpose of helping Canadians to escape poverty.

[Translation]

That is a very broad proposal. At first glance, we do not really know whether it is conditional or universal. I think it is too broad. Furthermore, Senator Eggleton's speech was not as inclusive as his motion. In his speech, he did not propose adopting a universal and unconditional guaranteed minimum income program. He is more concerned about the idea of alleviating poverty than he is about a negative income tax program that would replace everything else.

It is also important to point out that any program of this nature will have a real financial impact on the provinces' budgets. The federal government needs to take that reality into account. It cannot be the architect of this initiative. Instead, it should support specific pilot projects.

Right now, many experts in Quebec and other provinces believe that a negative income tax program could help welfare recipients and people whose financial situation is precarious escape poverty.

As you know, welfare benefits in Quebec and other parts of Canada do not allow people to escape poverty.

In 2016, Quebec welfare recipients who are able to work and have no employment limitations are receiving a monthly benefit of \$623, or \$7,476 a year, while those who have a limited capacity for employment, such as people with disabilities or serious health problems, are receiving \$947 per month or \$11,364 per year. That is well below the poverty line.

If we look at how long people in Quebec have been receiving these benefits, we see that three-quarters of those who receive benefits under last resort programs have been doing so for over four years and 55 per cent have been doing so for over 10 years.

Many tax experts, economists and others maintain that a negative income tax system for income security recipients could be a more effective way to fight poverty than the current system. Many say that such a system could even provide more of an incentive to work than the current system, which bases eligibility for certain benefits on seniority or how long one has been on social assistance.

In other words, under the current system, there is no incentive to have a job. A person can have a job, but can earn only so much before their benefits are taken away. Recipients will receive benefits geared to specific needs the longer they are on social assistance.

A guaranteed minimum income program with a negative income tax for certain groups would help many people improve their lives while participating in the labour market. That is what the experts say.

The Government of Quebec recently proposed to look into having a guaranteed minimum income, and in an excerpt from the government's budget, which is quite broad, the government says, and I quote:

Economic, social and demographic changes all influence the labour market. In response to these changes and in keeping with the goal of fostering labour market access to the greatest number of citizens, the Québec government would like to begin evaluating the mechanisms associated with the principles of guaranteed minimum income, which 21st-century Québec society may then draw from.

To define this new model, the Québec government will examine ways of simplifying, attaining greater transparency in and reducing the administrative load of the various transfers to Québec individuals and families.

These are Quebec programs, particularly the social assistance program.

In this context, the Minister of Labour, Employment and Social Solidarity and the Minister of Finance will announce the creation of a committee of experts to conduct this initial examination. The aim of the process is to look into new approaches to fighting poverty more effectively, promoting social inclusion and moving toward introducing a guaranteed minimum income.

Clearly, the Government of Quebec doesn't intend to replace all its social insurance programs with such a measure, but rather to reflect on ways to fight poverty more effectively.

In its most recent budget, the Government of Ontario also announced that it will evaluate the relevance and feasibility of pilot projects related to this issue.

However, as you know, colleagues, the financial stakes for the provinces are huge. According to a study by former professor Jean-Yves Duclos, now the Minister of Families, Children and Social Development, who assessed a recommendation from Quebec's advisory committee on combatting poverty and social exclusion that proposed a guaranteed minimum income for social assistance recipients in order to lift them out of poverty, it would have cost \$2.2 billion more to create such a program, and Quebec would have had to pick up the tab for 85 per cent of that.

The Hon. the Speaker: I'm sorry, Senator Bellemare, but your allotted time has expired. Would you like to request five more minutes?

Is it your pleasure, honourable senators, to grant Senator Bellemare five more minutes?

Hon. Senators: Agreed.

Senator Bellemare: The question of sharing the costs of pilot projects is crucial to the successful completion of any such project.

Senator Eggleton and I have discussed all of these issues, and we agreed on the following wording, which puts greater emphasis on the motion's objective, which is to fight poverty, than on the means, which is the negative income tax, but also addresses the means.

MOTION IN AMENDMENT

Hon. Diane Bellemare (Legislative Deputy to the Government Representative in the Senate): I therefore move to amend Senator Eggleton's motion to read as follows:

[English]

That the Senate encourage the federal government, after appropriate consultations, to provide support to initiatives by Provinces/Territories, including the Aboriginal Communities, aimed at evaluating the cost and impact of implementing measures, programs and pilot projects for the purpose of helping Canadians to escape poverty, by way of a basic income program (such as a negative income tax) and to report on their relative efficiency.

[Translation]

This wording explicitly recognizes that the government will take action to support the provinces rather than act as the superior authority. It emphasizes the objective, which is to reduce poverty, and highlights the fact that any number of projects on the notion of a guaranteed minimum income could be initiated and compared as to their impact and efficiency.

I will close by sharing Young and Mulvale's conclusion, with which I agree completely, and I quote:

[English]

While absence of money is an essential feature of poverty, social exclusion as well as inadequate access to public goods, networks, and political capital are all part of a fuller notion of poverty. Such an understanding of poverty means that a range of measures will be key to effective welfare reform, including:

- Enhancing collective provisions of essential goods;
- Labour market policy reform; and
- Public, affordable, and quality childcare.

With that, I thank you.

The Hon. the Speaker: Honourable Senator Bellemare, for clarity, would you mind repeating your motion in amendment?

Senator Bellemare: I move:

That the Senate encourage the federal government, after appropriate consultations, to provide support to initiatives by provinces/territories —

— and here I used the word “support” instead of “sponsor” —

— including the Aboriginal Communities, aimed at evaluating the cost and impact of implementing measures, programs and pilot projects for the purpose of helping Canadians to escape poverty, by way of a basic income program (such as a negative income tax) and to report on their relative efficiency.

This amendment makes it clear that the motion is addressed to low income people.