

Understanding Basic Income

A position paper from the Ontario Public Service Employees Union

January 31, 2017



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Introduction: the basics of Basic Income

In the 2016 Ontario budget, Finance Minister Charles Sousa announced a pilot project to learn more about how a “Basic Income” might work in Ontario.

The idea of a Basic Income (BI), also known as a Guaranteed Annual Income (GAI) and by other names, has been around for some time. A Basic Income provides a regular payment from government to all citizens. It is meant to reduce poverty, and improve lives, by making sure that no one’s income falls below a certain level. The Basic Income comes with no strings attached – there are no eligibility criteria.

Basic Income has supporters and opponents on both sides of the political spectrum.

On the left, supporters see it as a way to raise incomes, improve health and quality of life, and remove the stigma of collecting social assistance. Opponents say that, in the current context at least, Basic Income is likely to be paid for through cuts to public services, thereby leaving all citizens, including poor people, worse off.

On the right, supporters of the Basic Income see it as a way to prevent destitution while at the same time justifying cuts to public services, which citizens can buy privately with their Basic Income dollars. Opponents see it as a dangerous approach that drives up wages: if Basic Income allows some workers to drop out of the workforce because they no longer need to work, those who remain can demand, and win, huge pay increases.

In Canada, one of the strongest advocates of the Basic Income has been Hugh Segal. A former Chief of Staff to both Ontario Premier Bill Davis and Prime Minister Brian Mulroney, Segal is widely thought of as a progressive conservative. In the 2016 budget announcement, the Ontario government chose Segal as a Special Advisor tasked with creating a framework for the Basic Income Pilot.

After presenting his discussion paper to the government in August 2016, Segal released *Finding A Better Way: A Basic Income Pilot Project for Ontario*¹ in November.

Overview of the Basic Income Pilot

Segal's 100-page paper offers a detailed prescription for construction of the pilot. He calls for it to be conducted in three "saturation sites" – one in southern Ontario, one in northern Ontario, and one "chosen and planned in close collaboration with First Nations communities."²

Importantly, Segal does not propose that the pilot provide a universal "demogrant" to all Ontarians, regardless of income, taxed according to a general income tax schedule; nor does he propose what he calls "a 'Big Bang' approach in which all social supports, including those not specifically related to poverty, would be replaced with a single monthly cheque."³

Instead, Segal proposes that the pilot use a Negative Income Tax (NIT) approach to top up Basic Income recipients' incomes. The pilot would maintain health and other benefits currently accessed by those Ontarians on Ontario Works (OW) and the Ontario Disability Support Program (ODSP).

Segal recommends that participants in each community selected for the pilot be divided into four groups of individuals aged 18 to 65:

- One group will be a control group, in which recipients will continue to receive OW or ODSP as they presently do.
- One group will receive an income that is 75 per cent of the provincial Low Income Measure (LIM), estimated at about \$1,320 a month for an individual. Any income these individuals earn will be taxed at a lower rate "until the net benefit they get from the Basic Income is reduced to zero."
- One group will also receive 75 per cent of the LIM, but any income earned will be taxed at a higher rate "until the net value of the benefit received is reduced to zero."
- One group will receive an income worth 100 per cent of the LIM, with earned income taxed back at a higher rate.

For the latter three groups, individuals with disabilities would receive an additional \$500 a month. To be clear, Basic Income recipients will see a substantial gain in their monthly income. Currently, OW recipients receive about 45 per cent of the Low Income Measure; ODSP recipients receive about 70 per cent.⁴

In all cases, participants will receive cheques based on their tax return for the previous year. They will not have to apply to any office or prove that they are poor. The pilot will be scheduled to run over a three-year period starting in the spring of 2017.

The government has not yet announced which communities will run the pilot.

The Basic Income Pilot will affect all workers in OW and ODSP. These workers will continue working but will be reassigned to perform one-on-one services designed to coach and support individuals to achieve their personal goals, e.g., to develop more financial literacy, build their work skills, and/or become more independent.⁵

As proposed by Hugh Segal, the pilot will be overseen by a 35-member Advisory Council, a Research Operations Group, a Steering Committee comprised of two people from the above groups that manage the operations of the pilot, a Project Leader (responsible for day-to-day operations), and an Ethics Officer.

The overall goal of the pilot is research, Segal says, and he recommends that the project run “for no less than three years.”⁶ As noted above, the pilot will assess and measure, through various methods, whether the Basic Income has reduced poverty, made recipients healthier, helped them find work, reduced the stigma around collecting social assistance, and/or created “better life chances.”

The pilot will also measure costs and/or costs savings resulting from the Basic Income, for example improved health outcomes as a result of higher incomes. It will also look at:

Direct administrative costs or savings to Ontario by replacing the present Ontario Works and ODSP with a simple, direct Basic income program. This should encompass the actual cost of the delivery of Basic Income payments, the economies in terms of Ontario Works and ODSP payments, the ensuing financial cost/savings associated with the simplification in the administration of social assistance, and the reduction of monitoring and policing components.⁷

At this point, the overall cost of the pilot itself is not known and has not been budgeted.

Based on Segal’s recommendations, the Basic Income Pilot in Ontario will deliberately avoid studying the same models for Basic Income that are being studied elsewhere, or that have been studied in the past. For the sake of comparison, it is worthwhile to examine some of those other pilot projects.

Other Basic Income pilot projects

The concept of Basic Income has enjoyed a rich history among philosophers and economists for a long time. According to the Basic Income Earth Network (BIEN), a body consisting of academics and activists promoting universal basic income, it is defined as “a periodic cash payment unconditionally delivered to all on an individual basis, without means test or work requirement.”⁸

Basic Income pilot projects have been tried at different times in different places around the world, in countries with vastly different economies, public service levels, and other supports. In emerging economies, where the social welfare state is weak, pilots have taken place in India⁹ and Brazil.¹⁰ Pilot projects in developed economies may be more relevant to the Ontario situation.

One Basic Income pilot project that has received a lot of global media attention is the one announced last year in **Finland**.¹¹ The Finnish plan, so far, has wide support among the general public, as well as politically within the ruling coalition that consists of conservatives, liberals, and the populist right-wing Finns party.¹² A successful IT businessperson, Juha Sipilä, who is now the country’s Prime Minister, commissioned Kela, the social insurance body of Finland, to go ahead with the Basic Income pilot. The objective of the pilot is to “make the system more participatory and strengthen work incentives, reduce bureaucracy, and simplify the now complicated benefit system in a way that ensures the sustainability of public finances.”¹³ The underlying objective there is to shrink Finland’s social security spending, which amounts to 31 per cent of their Gross Domestic Product (GDP). Since Kela’s Report was published in March, the government has somewhat scaled back from an initial idea of a full-scale basic income model. It is anticipated that about 5,000 to 10,000 Finns will receive a basic income of €500 to €700 a month (C\$700 - \$1,000). This is significantly less than the average monthly income in Finland, which amounts to €2,700 (C\$3,900).¹⁴

The Netherlands has also announced its own universal basic income experiment, albeit on a smaller scale (in terms of participation) compared to Finland. Two hundred and fifty Dutch citizens in Utrecht will receive a monthly stipend of €960 (C\$1,425) in a project that is set to start in January of 2017.¹⁵ The Utrecht pilot will possibly expand to other nearby small cities as well, and the plan is to form test groups to see how different types of models work.

In both the Finnish and Dutch pilots, the underlying push for change is based on a belief that the current model of the welfare state is not working. Basic Income is seen as a new way to

“modernize” the welfare state – meaning that the public administration and public services will be able to be shrunk.

Meanwhile, in **Switzerland**, voters overwhelmingly rejected the idea of a Basic Income in a referendum in June 2016.¹⁶ The referendum did not have the backing of any major political party; it was, rather, the result of a petition signed by more than 100,000 Swiss citizens. The proposed plan would have cost Switzerland a hefty sum – almost 30 per cent of the country’s GDP – as the plan envisioned a universal payout amounting to C\$35,000 per year to each Swiss citizen. This is one of the models that Hugh Segal specifically rejected for Ontario.

Aside from these planned pilots, there is one unique model that exists in the state of **Alaska**, in the United States. In the mid-1970s, the then Republican governor of the state, Jay Hammond, set up a permanent fund for all Alaskans, paid for by the state’s oil revenues. The Alaska Permanent Fund was created in 1976, and is currently a massive global investment fund that pays out annual dividends to Alaskan citizens. Those payments have ranged from \$300 a year in the fund’s earlier years, to over \$2,000 in the recent years.¹⁷

Finally, it must be noted that the idea of a Basic Income is not new in Canada. It was tried before as a pilot in the 1970s in the town of Dauphin, **Manitoba**.¹⁸ This was a collaborative effort between the federal and the provincial governments that commenced in 1974. About 1,000 residents of Dauphin received a monthly stipend that amounted to 60 per cent of Statistics Canada’s poverty threshold (about \$16,000 annually in today’s dollars¹⁹). In this pilot, for every dollar a recipient earned from an outside source, 50 cents was clawed back. The project ran for four years, but the \$17 million budget (\$85 million in today’s dollars) faced serious troubles due to certain austerity measures at the time and an eventual lack of political support. Data collection was considerably hampered as a result, and the pilot was soon forgotten. Then, three decades later, a University of Manitoba Professor, Evelyn Forget, retrieved the data to assemble insights from the pilot. What Professor Forget uncovered was that hospitalization declined in Dauphin over the course of the pilot, with somewhat moderate improvement in health outcomes.

More recently in Canada, the idea of a Basic Income has garnered quite a bit of attention for the Liberals at both the provincial (in Ontario) and federal levels. As discussed in this paper, Ontario is moving ahead with a Basic Income Pilot.²⁰ Federally, the Liberal Party of Canada has passed a resolution at its policy convention in support of the general idea. Even though the federal government has not announced any pilot projects, the Justin Trudeau Liberals are expected to be a strong partner in Ontario’s experiment.

Basic Income: OPSEU's perspective

Since World War Two, the labour movement has played a pivotal part in the reduction of poverty and the creation of the middle class in developed countries. In the postwar era, the growing strength of unions went hand in hand with the rise of the “Welfare State,” which created public services such as public health care, publicly supported post-secondary education, assistance for those living in poverty, and a host of other programs. Indeed, trade unions were instrumental in calling for the gains won in bargaining to be extended to all citizens: “What we desire for ourselves, we wish for all,” in J.S. Woodsworth’s immortal words.

In good times and bad, government has a vital part to play to ensure a fair distribution of wealth. This powerful idea is important not only for the overall well-being of citizens, but for the well-being of democracy itself, whose central principle is equality.

Since its founding more than 40 years ago, OPSEU has represented its members’ interests not only at their workplaces, but notably also in the realm of public policy around public service delivery and social justice issues. OPSEU members speak from experience as frontline public service providers, but also as people who live in communities and want a better province for all. OPSEU remains a strong, progressive force in our province.

As a union, and as a public sector union, therefore, OPSEU is, and always has been, a social justice union. OPSEU fully supports efforts to eliminate poverty, and has spoken out repeatedly in favour of concrete measures that would do so. OPSEU President Warren (Smokey) Thomas has publicly called for increasing social assistance rates for OW and ODSP recipients in every pre-budget consultation since his election in 2007; the union has taken to the streets to back the call for a \$15-an-hour provincial minimum wage. OPSEU has also taken direct action to alleviate poverty, for example through funding to the Northern Food Justice Markets initiative, a program to deliver healthy, affordable food to First Nations, Inuit, and Métis communities.

Obviously, the union supports raising incomes for those living in poverty. Being poor begins with having too little money – too little money for food, clothing, shelter, educational opportunities, recreation, and everything else.

The social assistance rate for single individuals in Ontario is currently set at \$706 a month. So the idea of a Basic Income that would raise that number to \$1,320 is appealing. For people living in poverty, it would be the difference between night and day. If the purpose of the Basic Income Pilot is merely to study whether having more money will improve the lives of individuals and families living in poverty, all other things remaining the same, then there is

nothing to study: it will. That being the case, the government doesn't have to wait three years or more for the results of a Basic Income Pilot to be known. It could reduce poverty right now, either through increased income supports or investments in affordable housing and other public services. All it has to do is spend the money.

The fact that this is not happening suggests there is more to the story. Understanding that story requires knowing a bit more background.

Poverty and inequality: the underlying crisis

The cost of poverty in Ontario is astonishingly high! A report²¹ done by the Ontario Association of Food Banks calculates the amount to be \$32 billion to \$38 billion a year, which amounts to 5.5 per cent to 6.6 per cent of Ontario's GDP. The burden of this cost is carried by the 1.9 million households with the lowest incomes in Ontario.

We are in agreement with Hugh Segal when he states that:

Over the last quarter century, there is probably no area of public policy, in either urban or rural Canada, where creativity and courage from governments have been less evident than on the issue of poverty faced by working age adults. While some local not-for-profit organizations and coalitions have been quite bold and creative on the poverty abatement file, the patchwork system of uncoordinated solutions remains. This "system" continues to operate outside the realm of comprehensive government action. Although some public money has been made available to remedy the situation, it has generally been meagre and unstable, and has not led to systemic help across communities. Often, the best local organizations can do is alleviate the symptoms of poverty, but they rarely have the means to sustainably reduce poverty itself. All told, working age adults living in poverty have benefitted very little from any innovation in poverty reduction support.²²

Why are current anti-poverty programs failing? Why has the poverty rate in Ontario failed to budge in any significant way, despite much-touted provincial government anti-poverty plans, the first of which was launched in 2008?

As with most difficult problems, the solution to the problem lies in the context of the problem. From OPSEU's vantage point, it is clear that the crisis of poverty stems from the larger political and economic context in which the whole debate around poverty is taking place. Understanding

this context is essential to evaluating the Basic Income Pilot and the general idea of Basic Income itself.

The broader context: neoliberalism

In the aftermath World War Two, governments in the western world faced huge pressure to implement policies that would raise overall living standards. Through the activism of trade unions and a general recognition that the economic policies of the Great Depression had been a dramatic failure, governments were broadly supportive of policies that raised wages, expanded public services, and improved economic security. In Canada, strong unions made sure that a rising share of the economy went to working people; meanwhile, governments created programs like medicare, Unemployment Insurance, and the Canada Pension Plan that benefited the vast majority of Canadians.

That began to change in the 1970s. Faced with falling profit margins and increased insecurity, big business sought to restore profitability by re-shaping the economic playing field. Using their economic clout in the political arena, major global corporations were able to enact policies that weakened labour unions and cut public services. Governments changed labour laws, reduced social assistance, cut public services and the taxes that paid for them, privatized public services, sold public assets, and signed free trade agreements. The suite of business-friendly policies they enacted became known as neoliberalism.

As a result of neoliberal policies since the 1970s, there has been a marked weakening of workers' bargaining power in virtually all the advanced economies. The playing field has shifted in favour of employers. After a 30-year period during which workers were doing better, the share of the economy going to business began to rise. Overall, business's share has continued to rise for the past 40 years.

Ontario has not been immune to these global trends; on the contrary, the province has been an enthusiastic leader of them on many fronts.

Following the federal wage and price controls of the 1970s, neoliberal-style restraint measures became provincial policy in Ontario for the first time in the early 1980s when the Conservative government of then-Premier Bill Davis enacted public-sector wage restraint laws. But it was a decade later before the province saw the implementation of a comprehensive neoliberal program. Beginning with the Conservative governments of Mike Harris and Ernie Eves, and continuing with successive Liberal governments, Ontario has championed corporate tax cuts, cuts to public services and public sector wages, contracting out of public services, the sale of

shares in public assets like Hydro One, the use of expensive “public-private partnerships” to build public infrastructure, and low, low social assistance rates.

The goal of neoliberal policies has always been to stimulate economic growth, and to ensure that the proceeds of growth go to big corporations and the investors who own them. In this, the policies have been successful. Currently in Ontario, real (inflation adjusted) per capita Gross Domestic Product (GDP) is at record levels.²³ Put more simply, our economy is creating more wealth per person than ever before.

Yet in spite of this fact, the Ontario government is unable, or unwilling, to adequately fund basic public services or adequately invest in housing, public transit or child care to meet the province’s needs. Ontario’s per capita program spending is the lowest in Canada. Meanwhile, more and more workers are struggling to get by in a precarious job market that offers too many low-wage, insecure, part-time and temporary jobs, with few, if any benefits.

To sum up, there is more money in Ontario than ever before, yet government is broke and workers are broke. All the money government and workers *don’t* have must be somewhere, and it is: big corporations and investors have it.

That is the broader context for any discussion of Basic Income in Ontario.

Paying for a Basic Income

There is nothing wrong *per se* with government seeking to learn more about how new public policies will work before enacting them. For that reason alone, the Basic Income Pilot may be useful to decision-makers, even if an actual Basic Income is never enacted in Ontario. But the most fundamental issue facing those decision-makers must surely be the problem of how a Basic Income would be paid for.

Based on the 2015-16 Public Accounts of Ontario, the provincial government spent \$8.85 billion on social assistance in that fiscal year. Of this, \$4.64 billion went to ODSP payments and ODSP Employment Assistance. For OW, the government paid out \$2.72 billion in OW payments and OW Employment Assistance. A further \$1.16 billion was paid out to ODSP and OW recipients through the Ontario Drug Benefit Plan.²⁴

It is difficult to estimate how much a Basic Income would cost if applied province-wide to replace OW and ODSP, however, we do know the basic facts. In June 2016, Ontario Works had 453,072 beneficiaries, while ODSP had 470,863.²⁵ While each of the models proposed in Hugh

Segal's paper proposes different tax structures, it is clear that the point of the overall exercise is to make sure that people reach the threshold, mentioned above as \$1,320 a month. For the sake of easy calculation, imagine that each ODSP and OW recipient receives an extra \$500 a month – a conservative estimate given the government's own costings in its consultation paper.²⁶ With over 923,000 recipients, the cost of implementing a Basic Income would be \$462 million per month, or more than \$5.5 billion per year.

At the moment, the provincial government is planning to *cut* its overall real spending in the 2017-18 fiscal year as part of a plan to eliminate an estimated budget deficit of \$4.3 billion. Given this reality, and the fact already mentioned that Ontario has the lowest program spending per capita of any province in Canada, it is not obvious who or what will pay for a Basic Income.

Funding for a Basic Income won't come from savings on administration

While the Basic Income Pilot aims to “empower decision makers to appreciate the legitimate efficiency gains achieved by a single automatic payment system,”²⁷ a province-wide Basic Income cannot be paid for by eliminating the cost of administering OW and ODSP.

Based on the Public Accounts, the cost of all salaries, wages, and benefits for staff running OW and ODSP are in the ballpark of 2.3 per cent of the overall cost of both programs. Even adding in other expenses – transportation and communication, supplies and equipment, and purchased services – the total administrative costs come in at 3.7 per cent of overall spending.

The idea that a Basic Income will result in huge administrative savings to government is, simply, false. Administration of the Basic Income itself, while perhaps streamlined compared to existing programs, will have costs of its own. In the words of author Michael Mendelson, “current administrative costs are exaggerated and unconditional payments are not so simple... so these savings are largely illusory.”²⁸

Funding for a Basic Income can't come from cutting public services

It would take far too long to explain the current state of public services in Ontario, but one basic fact needs to be stated: public services in this province are starving.

The tax cuts of the Mike Harris years, coupled with the elimination of the Capital Tax, reductions in the Corporate Income Tax rate, income tax cuts, and other tax cuts in the McGuinty era, drained revenues from the provincial treasury – revenues that have never been

replaced. According to Canadian Centre for Policy Alternatives research associate Hugh Mackenzie, the net effect of tax cuts on Ontario's "fiscal capacity" – the money it has to spend – amounted to an annual loss of \$19 billion a year in 2014.²⁹ (Tax changes since then have done little, if anything, to change that arithmetic.)

With fewer dollars to spend, the province has cut spending below the rate of inflation over the long term, and plans to keep on cutting – at least until the current provincial deficit is eliminated. In every sector where OPSEU has members, the results have been devastating. We have seen cuts to real wages and benefits across the provincial public sector since the 2010 provincial budget year. In that time, we have also seen dramatic cuts to hospital beds, residential beds for children at youth, funding for community colleges, and deteriorating programs in every area from home care to correctional services.

OPSEU cannot and will not support any Basic Income proposal that is to be paid for through cuts to public services. Indeed, we support a robust program to rejuvenate Ontario's public services, paid for by a tax system designed to meet human needs and an end to wasteful privatization schemes that are costing Ontarians more and delivering less.

In the 2017-18 fiscal year, the Ontario government plans to spend 15.5 per cent of provincial GDP on provincial programs.³⁰ British Columbia, meanwhile – hardly a bastion of socialism – will spend 18.0 per cent of its GDP on provincial programs. If Ontario spent 18.0 per cent of GDP on provincial programs, provincial coffers would have an extra \$19 billion to spend *every year*.

Stronger public services must be the foundation of any anti-poverty strategy.

There is a huge difference between the promotion of a Basic Income and the vital need for universal public services. One vision espouses cash transfers to individuals; the other ensures quality public services for all. Basic income, if used merely as a cash transfer to replace public services, cannot help but fast-track the erosion of Ontario's already-fragile public services. Rather than building on those values that created public services in the first place, this new approach could lead to further privatization of public services and increased transformation of good-quality public sector jobs into lower-wage, precarious private-sector jobs – thereby creating more people who might potentially need income support from government.

It is important to note here that public spending – public services plus cash transfers – benefits those living in poverty the most.

In a 2009 report, *Canada's Quiet Bargain: The benefits of public spending*, authors Hugh Mackenzie and Richard Shillington examined the benefits Canadians received from public services and compared those benefits with the money those same Canadians paid in taxes. What they found was that Canadians earning between \$10,000 and \$20,000 a year gained around \$30,000 a year in cash transfers and public services.

“No matter how you cut it, the data in this study shows how powerful a role public spending plays in ensuring the majority of Canadians enjoy a better quality of life,” Mackenzie and Shillington wrote. “Compared to the broad-based income tax cuts implemented by provincial governments, 75% of Canadians would have been better off if their provincial governments had spent the money on health care and education.”³¹

Funding for a Basic Income can't come from cutting other transfers

In a recent study, Canadian Centre for Policy Alternatives' (CCPA) senior economist David Macdonald studied Canada's 33 current existing income support programs (including, in Ontario, the Ontario GIS Supplement, the Ontario Sales Tax Credit, and the Ontario Child Benefit). He then ran eight scenarios using “Statistics Canada's Social Policy Simulation Database and Model (SPSD/M) in an attempt to determine their costs and likely impacts on poverty.”³² Based on the scenarios, he concluded that:

Broadly speaking, cancelling existing income transfer programs in favour of a single basic income results either in dramatically higher levels of poverty, or ethically and politically unsupportable compromises where seniors are pushed into poverty to lift up adults and children. The more acceptable and feasible approach would be to set up a new basic income on top of the 33 transfers that already exist, thus creating only winners, though the main beneficiaries would be middle-aged Canadians. To address poverty among other groups requires other strategies. For instance, policies that help increase wages and lower unemployment for youth, as well as better financial support for seniors, will likely be more effective at conquering poverty for those groups than a basic income approach.³³

In short, the notion that a Basic Income could be funded by rolling up existing transfers into a single cash payment simply won't work as a way to fight poverty.

Toward real solutions to poverty

Judging by the actions of Canadian politicians, one would think that the solution to poverty is complex. In 1989, for example, all MPs rose in support of an all-party resolution in the House of Commons that aimed to eliminate child poverty in Canada by the year 2000. Twenty-eight years later, little has changed. Here in Ontario, the Liberal government issued its first five-year anti-poverty plan nearly nine years ago; that plan did little to move the poverty rate in this province, and subsequent initiatives have suffered a similar fate.

We have seen social assistance programs in our province severely underfunded, and as a result, the “poverty gap” has risen over the past two decades. The poverty gap, the difference between the poverty line and total benefit income, has risen considerably – from 20 per cent in 1993 to 59 per cent in 2014. There has been a growing outcry to increase the social assistance rates for years; unfortunately they have remained inadequate for far too long.

Despite these failures, the recipe for fighting poverty is not all that complicated. OPSEU proposes a six-point plan to bring poverty rates down and let all Ontarians be all they can be:

1. Focus on inequality.
2. Fix the tax system.
3. End the fixation on privatization.
4. Invest in public services.
5. Create good jobs.
6. Don't lose the expertise of anti-poverty workers.
7. Raise the rates.

1. Focus on inequality.

The Great Recession of 2008-09, the rise, worldwide, of the Occupy movement in 2011, and the surprising popularity of Bernie Sanders in his recent quest to be President of the United States, all point to the same fact: inequality is a huge problem in the world today, and millions of people know it.

Ontario is part of the problem. Income inequality between the haves and the have-nots is at unacceptable levels in this province. Women continue to earn less than men. Racialized and Indigenous workers earn less than white workers. Workers with disabilities earn less than workers without disabilities.

The extreme poverty and homelessness endured by our fellow Ontarians at the bottom of the economic heap is a direct result of our tolerance, as a society, for inequality. It has to end.

2. Fix the tax system.

While the lure of “free money” through tax cuts has won the approval of Ontarians on several occasions over the last two decades, it is now clear to more and more people that that money was never free at all – we’ve paid for it through weakened public services and continued high poverty rates.

The solution is to rebalance the tax system in a way that reduces inequality, and then spend the money raised on making Ontario a better place.

OPSEU is not proposing any extreme approach to fixing the tax system. We do note, however, that other provinces have developed tax systems that raise more money as a percentage of provincial GDP. British Columbia is spending 18.6 per cent of GDP on programs in the 2016-17 fiscal year; Manitoba is spending 23.0 per cent. Indeed, all provinces have designed their tax systems to put a bigger share of the economy into program spending compared to Ontario.³⁴

This has to end. And it will only end when we fix the tax system.

3. End the fixation on privatization.

For more than a decade, privatization has been a core policy of the Ontario government.

After initially rejecting public-private partnerships (P3s) to build public infrastructure during the 2003 provincial election campaign, the provincial Liberals under Premier Dalton McGuinty soon embraced them. Through Infrastructure Ontario, the government has invited corporate lawyers, private banks and hedge funds, and major construction companies to not only build, but to manage and finance, all manner of construction projects paid for by public dollars – from hospitals and courthouses to roads, bridges, and transit projects. The result has been a massive and unnecessary transfer of public dollars to private profits. In her 2014 annual report, the Auditor General of Ontario found that the province had paid \$8 billion too much for infrastructure projects that had used public-private partnerships (also known as Alternative Financing and Procurement, or AFP). Bonnie Lysyk said so in the plainest possible language:

At the time of our audit, [value for money] assessments conducted by Infrastructure Ontario on the 74 projects that it had managed or was managing showed that *the total*

of the tangible costs, such as base construction costs, financing costs and ancillary costs, was about \$8 billion higher under the AFP delivery model than if the public sector had delivered these projects (emphasis added).³⁵

The 2014 Auditor General's report sounded an alarm that went unheeded at Queen's Park.

In the area of asset sales, the province's Financial Accountability Office (FAO) has criticized the government's decision to privatize the provincial electricity distribution utility, Hydro One, and sell shares in the company to private investors. "In years following the sale of 60 per cent of Hydro One, the Province's budget balance would be worse than it would have been without the sale," the FAO reported in 2015. "The Province's net debt would initially be reduced, but will eventually be higher than it would have been without the sale."³⁶

Again, this represents a significant transfer of funds from public coffers to private hands.

With respect to the delivery of public services, Ontario's problems with contracting out over the last two decades have been well-documented by judges, journalists, academics, consultants, government ministers and ordinary citizens. In IT services, in medical laboratory testing, in meat inspection, in highway maintenance, and in many other areas, privatization has failed to improve services and failed to deliver promised cost savings.³⁷ But it has invariably succeeded in transferring public dollars to private companies and the investors who own them.

Privatization is siphoning billions, not millions, of dollars from the provincial treasury. The money being lost could be used to improve public services, increase incomes for social assistance recipients, or even, for that matter, pay down the provincial debt. There is no justification for continuing with this failed policy in any area of the public sector in Ontario.

Yet the provincial government is not only continuing with existing privatizations; it is exploring new models through individualized funding of services, Social Impact Bonds, and the transfer of alcohol sales from the Liquor Control Board of Ontario to private grocery stores.

These policies will fail as well. The Ontario government must end its fixation with privatization and restore public accountability for the way public dollars are spent.

4. Invest in public services.

Government has a vital role to play in eradicating poverty beyond writing cheques to individuals. To begin with, the province must dramatically boost its support for social housing,

public transit, and child care. It must also get serious about funding health care, education, and all the public services that make life better for all Ontarians.

Buying public services in the marketplace is an expensive endeavour at the best of times; by investing in public services, government not only makes life better for all Ontarians, but makes it more affordable, too.

Government must make a special effort to end homelessness. Unfortunately, this is an area in which the Basic Income Pilot proposed by Hugh Segal will not likely help. The reason is simple: payments under the pilot will be based on last year's income tax returns, and many homeless people do not fill out their tax returns. The people who need help the most will not get it from the Basic Income Pilot – nor will they get it from any future program based on the Negative Income Tax model.

The causes of homelessness are many, but there can be no doubt that a principal reason behind the rise of homelessness in Canada over the last two decades has been the continued austerity measures that have cut social assistance payments and public services alike.

5. Create good jobs.

There was a time in Canada when “full employment” was an actual policy goal of governments. We need to return to that time.

Government can have a huge role to play in job creation, and in making sure that the jobs created are well-paid good jobs – for example, by raising the minimum wage to \$15 an hour, making unionization easier, amending employment standards laws to be more worker-friendly, and investing in employment counselling.

The “hands off” approach to labour markets, in which government crosses its fingers and hopes that corporations will see fit to create jobs here, is not working. Too many of the jobs being created are trapping people in poverty, not lifting them out of it.

6. Don't lose the expertise of anti-poverty workers.

OPSEU represents some 2,000 workers in offices of the Ontario Disability Support Program (in the Ontario Public Service) and Ontario Works (in municipalities). Contrary to popular belief, these workers do much more than police the system. While eligibility requirements under the law must be enforced, OPSEU members in social assistance are also helpers, counsellors, and

friends to their clients. They are part of a vital community support system. They see poverty every day, and they know from talking to people in poverty that there are many solutions to the everyday problems people in poverty face – solutions that government is not currently set up to deliver.

Whether the model of income support is the current model, a Basic Income model, or something else altogether, it is clear that people living in poverty need more than just money. True social assistance demands the human touch – people helping people. This is especially true as government attempts to move more and more services online. Many people living in poverty do not have computers at all, while others do have computers but still need support navigating complex government systems.

With or without a Basic Income, it would be a huge mistake to think that an income support program can succeed without knowledgeable staff to make it work for those the program is intended to help.

The Basic Income Pilot proposed by Hugh Segal will seek to find ways that social assistance workers can help Basic Income recipients more effectively. As the pilot unfolds, OPSEU will be studying the impacts on its members to help inform the union's position on the role of staff in any future social assistance transformation.

7. Raise the rates.

No matter what model is used for social assistance, now or in the future, there is no dispute that people living in poverty need more money. OPSEU supports raising the rates for all Ontarians on OW and ODSP, as well as those involved in the Basic Income Pilot.

Conclusion

While the idea of Basic Income is not new, it is more in fashion in public policy debates today than it has been for a long time. Why this is, is not exactly clear.

It could be that governments around the world are realizing that their current prescriptions for eliminating poverty are simply not working, and that they are eager, after so many years, to try something new. It could be that governments are realizing that they do not have a plan to create employment at a time when technological change and globalization are eliminating so many jobs. Or it could be that corporations and their owners see Basic Income as a way to

further weaken government by stripping it of its ability to deliver public services, thereby forcing more of those services into the private, for-profit sector.

It is worth remembering that Milton Friedman, the father of neoliberalism in the United States, was a strong supporter of Basic Income for exactly that reason.

Whatever the reason for the sudden interest in Basic Income, it is certainly not unfair to view the Ontario government's pilot project with a certain skepticism. The Ontario Liberal Party has been in power for over 13 years, during which time it has taken some steps to alleviate poverty (e.g., through the Ontario Child Benefit) but has, for the most part, made little headway. Social assistance rates are still too low; the minimum wage is still too low; homelessness is not going away; and the supports that people in poverty need are far from adequate.

There can be no doubt that to truly tackle poverty in Ontario will require a substantial transfer of wealth within Ontario society. Growth alone will not end poverty; it never has. The problem is, the current government's policies have redistributed wealth to the rich, not to the poor. Through tax cuts and privatization, this government has increased economic inequality, not decreased it. So again, skepticism is warranted.

There is no question that Hugh Segal has put together a thoughtful proposal for a Basic Income Pilot in Ontario. Yet in the last decade we have seen too many studies and consultations, with little to show for it. The Basic Income Pilot will, no doubt, roll out in 2017. This will be just in time for Liberal Party MPPs to point to it as an example of (ostensibly) ground-breaking, innovative, progressive Liberal thinking in the run-up to the June 2018 provincial election.

The next government may continue the pilot for its full three years, or cancel it. But whatever happens, one thing is sure: close to a million Ontarians will stay right where they are: in poverty.

About OPSEU

The Ontario Public Service Employees Union (OPSEU) today represents approximately 130,000 working Ontarians employed across the province in the Ontario Public Service, in some 20 sectors across the Broader Public Service, in the Colleges of Applied Arts and Technology, and at private sector employers contracted to perform work for government and its agencies.

Notes

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- ³ Ibid., 9.
- ⁴ Ibid., 16.
- ⁵ Ibid., 57.
- ⁶ Ibid., 70.
- ⁷ Ibid., 43-44.
- ⁸ BIEN (2016). "About Basic Income." Available at <http://basicincome.org/basic-income/>.
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- ¹³ Ibid.
- ¹⁴ Ibid.
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- ²² Segal, 14.
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- ²⁵ Ministry of Community and Social Services (2016). *Social assistance in Ontario: Reports – Ontario Works*. Available at http://www.mcscs.gov.on.ca/en/mcscs/programs/social/reports/ow_quarterly.aspx. *Social assistance in Ontario: Reports – Ontario Disability Support Program*. Available at http://www.mcscs.gov.on.ca/en/mcscs/programs/social/reports/odsp_quarterly.aspx.

²⁶ The government's own estimate is that a single adult moving from OW to a Basic Income at 75 per cent of the Low-Income Measure would gain \$710 a month; a single adult moving from ODSP to a Basic Income at 75 per cent of the Low-Income Measure, plus \$500 a month as prescribed in Hugh Segal's proposal, would gain \$788 a month. Couples and families would gain a larger amount overall but a smaller amount per person, depending on family size and membership, and this number would be just below \$500 a month. However, based on figures from the Public Accounts and the Monthly Statistical Reports for OW and ODSP, social assistance recipients would stand to gain more than \$600 by moving to the Basic Income on average.

²⁷ Segal, 23.

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³³ *Ibid.*, 8.

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