

# BCGEU SUBMISSION TO THE EXPERT COMMITTEE ON BASIC INCOME

March 15, 2019



## Introduction and summary

On behalf of BC Government and Service Employees' Union (BCGEU) members, we appreciate this opportunity to provide a submission to the provincial government's expert committee on basic income.

The BCGEU represents more than 78,000 workers in various sectors and occupations in more than 550 bargaining units throughout British Columbia. Our diverse membership includes direct government employees who protect children and families, provide income assistance to vulnerable individuals, fight forest fires, deliver care to people with mental health issues and addictions, administer B.C.'s public system of liquor control, licensing and distribution, staff correctional facilities and the courts, and provide technical, administrative and clerical services.

Our membership also comprises workers throughout the broader public and private sectors where members provide clinical care and home support services for seniors, a diverse range of community social services, highway and bridge maintenance, post-secondary instruction and administration, as well as other non-governmental industries, including financial services, hospitality, retail and gaming.

BCGEU members are directly involved in the day-to-day delivery and administration of B.C.'s many social welfare and poverty reduction programs, including: provincial income and disability assistance, employment assistance services, supports for children and youth transitioning out of care, and a wide range of community social services.

Beyond supporting and representing the many members who work on the frontlines for vulnerable families and individuals, the BCGEU actively promotes a vision for policy that prioritizes the essential needs and basic economic security of all British Columbians. In this context, we believe that holding an expert consultation on basic income presents a valuable opportunity for considering the

merits of our existing services and programs (and their objectives), as well as the opportunities for improvement and innovation that are available to government.

Our own contributions to the committee's request for submissions turn on a select number of key questions and considerations to be addressed in the design of a successful pilot project (if one is conducted); some observations about practical challenges and constraints; and a few options for improvement and reform within the current system that we think are promising and worthy of further exploration.

Roughly speaking, these headings include:

- Objectives and motivations
- Jurisdictions, shared programs and responsibilities
- Labour market effects and the unique perspective of organized labour
- Assessing value, the implications for poverty reduction, and options for policy

## Clarifying objectives and motivations

Despite some disagreement on the precise meaning and structure of a basic income scheme, the rough idea itself—a no-strings-attached income for all individuals, provided or guaranteed by government—continues to produce both passionate interest and spirited debate among those who study and design policy. Conceptually, the idea feels both innovative and novel, and yet largely credible at the same time—especially given the diverse academic and increasingly mainstream support the proposal receives publicly.

But, interestingly, it is not a new idea as many will point out<sup>1</sup>—this is actually a longstanding policy debate that has simply resurfaced in a new context.

<sup>1</sup> See: "History of basic income," Basic Income Earth Network (BIEN). Available at: <https://basicincome.org/basic-income/history/>

What seems unique, though, is the extent of this renewed interest globally, and the increasingly wide range of vocal supporters who urge the adoption of basic income. (It should be noted that they do so for very different reasons, however).

Basic income proposals find support from across widely opposed ideological constituencies, including both far-right libertarians, left-wing socialists, and many groups in between. We might ask, does this suggest a rare and important opportunity for consensus? Do we have the emergence of a sweeping social program that everyone can agree to? Some theorists see the capacity to bridge political cleavages as one of the greatest sources of public value offered by basic income.<sup>2</sup>

The BCGEU agrees there are numerous advantages provided by the basic income approach to social welfare, and supports many of the core principles that underlie the general framework. We also think, however, that differing ideological motives matter a great deal: because they suggest differing policy objectives—and perhaps, over time, the likelihood of divergent social outcomes as well.

This does not disqualify universal basic income (or some variant) from further study in B.C., or rule out the overall feasibility as a framework for social welfare. However, the ambiguities are not merely academic. Government should carefully and clearly identify the normative arguments behind the development of a basic income program in B.C., and prioritize on what grounds such a program would be introduced for British Columbians.

This means spelling out the value-based reasoning for exactly why—and to what ends (and for whom)—it would design and test a basic income scheme in the province. For example, is it about economic freedom and individual choice? Equality? If so, what kind of equality? Reducing poverty? Improving efficiency and relieving administrative burden?

Protecting workers against technology-driven changes in the labour market?

These questions have yet to be raised and openly addressed in the context of the B.C. discussion on basic income. They need to be approached head-on and then answered with clarity: what are the reasons for the province doing this? More importantly, what are *not* the reasons?

Historically, the most prominent supporters of basic income have been separated in two groups based on whether they see the objectives as rooted primarily in the expansion of freedom throughout society and for individuals, or instead the promotion of equality. Each line of reasoning offers compelling arguments but also many layers of nuance, particularly regarding the *kinds* of freedom or equality at issue. This comprises two general but largely opposing poles in the discourse surrounding basic income: the libertarian versus egalitarian objectives and rationale. This in itself poses a tension for British Columbians that should be resolved before going too much further.

Other arguments will consider efficiency (economic and bureaucratic), precarity in the labour market, green platforms for supporting a low-carbon transition in the global economy, and a wide number of other theorized justifications for the necessity of basic income.

What the BCGEU asks is: *will this eliminate poverty, or meaningfully reduce it well beyond the capability of the current programs and policies we have?* This should be the standard by which we evaluate the merits and motivations behind proposals for basic income in British Columbia.

Furthermore, regarding suggested efficiencies from streamlined and rationalized programs, and reduced administrative costs—in other (blunter) words, fewer public sector workers delivering fewer public social programs: we dispute this not just on ideological or normative grounds, but in terms of the assessment of the relative costs and benefits (see section below on

<sup>2</sup> See: Philippe Van Parijs, “Competing justifications of basic income,” in *Arguing for Basic Income*, ed., Philippe Van Parijs (London: Verso, 1992), 3-43.

“Assessing Value”). This rationale is as unconvincing morally as it is practically and economically.

Public sector workers do a commendable job of administering and delivering vital programs and services to vulnerable communities, families and individuals—and they continue to do so despite challenging circumstances politically, budgetarily and otherwise. These services and the workers who deliver them make a significant and essential difference for the many people in our province who require assistance of some kind. They are guided by the explicit aim of reducing and preventing poverty, despite the political constraints on available resources. To claim that our communities could be better served by further narrowing—or eliminating entirely—these limited resources is both false and misguided.

Should this assumption come to formulate a primary or even significant motivation behind the implementation of a basic income pilot in B.C., the BCGEU would be obligated to oppose such a project. There are many other circumstances and stated objectives around which a public sector union like ours could support such an initiative. However, it is up to the government to clearly indicate what those are.

## **Provincial and federal jurisdictions, shared programs and responsibilities**

Building an impactful basic income program would assume the future amalgamation of at least some of the existing social programs in B.C. However, the large number of supports and benefits that comprise our social safety net are funded and administered both provincially and federally, and some jointly. Others are made possible by federal transfers that are delivered through unique programs at the provincial level.

This web of responsibility and involvement means that designing, implementing and studying a basic income pilot in isolation from the federal government would be greatly limiting for the scope

of the project: there would be constraints both on funding and structure, and foreseeable implications for evaluating outcomes and results empirically. There are also practical issues to overcome that include the federal management of tax records through the Canada Revenue Agency, and the need for access to other data and logistical resources that are closely guarded under federal privacy laws.

These challenges are not necessarily prohibitive, but as the recently cancelled Ontario pilot demonstrates, Canadian provinces are not well positioned to undertake these projects on their own.<sup>3</sup>

Similarly, the scale of the public financial resources needed is far beyond what a single province can manage on its own. In the long run, it would certainly require significant federal transfers. For perspective, to establish a limited Ontario-style program nationally, less than half the annual cost would be covered by what the provinces currently spend on income and disability support combined (including its administration).<sup>4</sup> The remaining 55 per cent would have to be supplied by the federal government, presumably through the elimination of major program benefits it oversees (most likely, the Canada Child Benefit).<sup>5</sup>

Still, additional new resources beyond these current program expenditures would be needed in order to fund even a modest Canada-wide basic income.<sup>6</sup> This is not impossible, of course, but it does not yet take into consideration the very important question of whether distributing these combined resources universally as basic income would have the desired effect in the first place.

The main issue here is that maximizing the chances of success will require multiple levels of government

<sup>3</sup> See: Gregory C. Mason, “Ontario’s scrapped basic-income pilot project was actually deeply flawed,” *Maclean’s*, August 8, 2018, <https://www.macleans.ca/opinion/ontarios-scrapped-basic-income-pilot-project-was-actually-deeply-flawed/>

<sup>4</sup> Evelyn L. Forget, “Why a Canadian basic income is inevitable,” *The Globe and Mail*, October 8, 2018, <https://www.theglobeandmail.com/business/commentary/article-why-a-canadian-basic-income-is-inevitable/>

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

working closely and cooperatively together. The BCGEU believes that a provincial government intent on testing basic income in B.C. needs to consider seriously how it can recruit the federal government, and failing that, whether it would be worth it to undertake such a project on its own.

## Effects on labour supply and participation, and the unique perspectives of unions

Perhaps the most debated question concerning basic income is the impact it could have on labour supply and workforce participation. Detractors have claimed that an unconditional income risks “laziness” by introducing a disincentive to work. Conversely, arguments in favour have actually cited the opposite effect: that without facing the prospect of a sudden end to their income support, a basic income program could make individuals more empowered to pursue and explore new employment opportunities than under benefits that are conditional. This could significantly expand the overall labour supply, it is argued.

To date, the empirical evidence on the potential work-disincentive effect suggests this is generally quite limited, and that in past trials (including in the U.S. and Canada), the reduction in labour supply has been marginal.<sup>7</sup> The results also showed that where this occurred, it was mainly among households with more than one worker, and that it boosted training and education in many of these cases.<sup>8</sup> Other evidence has confirmed (to an extent) the other argument, that the basic income approach alleviates unemployment by helping solve the so-called “welfare trap” for recipients.<sup>9</sup>

Nevertheless, there remains mixed enthusiasm and some skepticism on the part organized labour toward basic income as a concept. Partly this is philosophical: for unions, paid work has always been the basis of social recognition and self-esteem<sup>10</sup>—and this is true today. On a fundamental level, the idea of an unearned income for all would appear to challenge that. Yet the evidence above suggests that this foundation of paid labour is not under significant threat from unconditional and/or guaranteed income proposals, and that the implications for wages are similarly minimal.

What remains a very legitimate and universal concern from the perspective of organized labour generally—and for the BCGEU specifically—is whether the adoption of basic income is intentionally designed to advance a massive disinvestment in public social services and programs.<sup>11</sup> This will always be unacceptable from the viewpoint of organized labour, and particularly for public sector unions.

It is important here that we again pause to question and evaluate the recent resurgence of interest in universal basic income, which, according to some observers, “no doubt reflects, at least in part, a recognition that the evolution of our welfare state has not kept pace with demographic and economic change or the transformation of our labour market.”<sup>12</sup> In part, these inadequacies were (and remain) deliberate—the result of austerity programs and active retrenchment. The answer, though, is to rebuild and reinvest in these essential programs; not eliminate or replace them.

If basic income (or some variant) can serve as a practical safeguard against the most stubborn consequences of changing work forms and increasing precarity—that is, those aspects we

<sup>7</sup> See: Karl Widerquist, “What (If Anything) Can We Learn from the NIT Experiments?,” in *Basic Income: An Anthology of Contemporary Research*, eds. Karl Widerquist, José A. Noguera, Yannick Vanderborght and Jurgen De Wispelaere (West Sussex: Blackwell Publishing, 2013), 215-229.

<sup>8</sup> Ibid.

<sup>9</sup> See: B. Michael Gilroy, Mark Schopf and Anastasia Semenova, “Basic Income and Labor Supply: The German Case,” Center For International Economics, Working Paper Series (August 2012), 1-22, <http://groups.uni-paderborn.de/wp-wiwi/RePEc/pdf/ciepap/WP54.pdf>

<sup>10</sup> Yannick Vanderborght, “The Ambiguities of Basic Income from a Trade Union Perspective,” in *Basic Income: An Anthology of Contemporary Research*, eds. Karl Widerquist, José A. Noguera, Yannick Vanderborght and Jurgen De Wispelaere (West Sussex: Blackwell Publishing, 2013), 501.

<sup>11</sup> Ibid.

<sup>12</sup> Alex Himelfarb and Trish Hennessy, *Basic Income: Rethinking Social Policy* (Toronto: Canadian Centre for Policy Alternatives, 2016), 11: <https://www.policyalternatives.ca/publications/reports/basic-income>



cannot actively address through other means of policy—then perhaps there is value in studying this in B.C. But such a program must remain situated alongside a robust, core system of well-funded and -resourced social programs and services for British Columbians.

## **Assessing value, the implications for poverty reduction, and options for policy**

Introducing a basic income model, in whatever form, will involve significant changes to the existing landscape for social programs and supports—some more so than others. Of course, a reasonable process of selection and design is informed by choices that maximize the collective benefits for communities and taxpayers relative to the costs. We assume here that these benefits and costs are evaluated primarily in terms of the overall impact on poverty reduction.

While a full spectrum cost-benefit analysis is beyond the scope of our submission, we believe that a recent report done by the Canadian Centre for Policy Alternatives (CCPA) provides some simple but instructive guidance on what might make sense for Canadians (and British Columbians) and what clearly does not. CCPA's analysis simulates eight different versions of basic income in order to model the estimated effects on poverty (both in aggregate and across particular cohorts) as well as the total costs for government.<sup>13</sup>

The first three scenarios they consider involve universal programs where all existing supports and benefits are combined and ultimately cancelled, with the savings redistributed in unconditional payments worth between \$2,655 and \$3,565 annually to all Canadians. Each version of this program is cost-neutral for government, since the design is simply a reassignment of existing public finance resources without any new or additional revenue generation involved. The results they show, however, “[are] devastating for all age groups (children, adults or

seniors), substantially increasing poverty rates from 11.7% to between 16.7% and 17.1%, and pushing between 1.8 million and 1.9 million Canadians into poverty.”<sup>14</sup>

Clearly our existing system of targeted programs, supports and benefits, though imperfect, achieves significant value for money in the reduction of poverty. But could it be strengthened by introducing a basic income scheme over top?

Here, the CCPA looks at a fourth scenario where government disburses a \$1,000 cheque annually to every Canadian on top of all existing programs. This has the simulated effect of reducing poverty from 11.7 per cent to 9.7 per cent in aggregate, but has a very high net cost of \$29.2 billion per year—or approximately 14 per cent of total federal revenues in 2016.

An additional three scenarios are considered where a much larger basic income payment between \$15,765 to \$18,008 is created, and where existing programs and benefits are progressively cancelled and then replaced with a cheque scaled to income (rather than a single universal payment). This reduces the aggregate poverty rate significantly from 11.7 per cent to 6.9 per cent, at no additional cost to government and taxpayers. However, it also concentrates powerful net losses among seniors—especially single senior women—due to the elimination of the Guaranteed Income Supplement, Old Age security and other benefits. This would be entirely unacceptable from an ethical and political point of view.

Finally, the CCPA evaluates the effects of a \$10,000 negative income tax (NIT) introduced on top of all existing federal and provincial programs. The NIT is a form of basic income that operates as a payment to individuals (rather than tax) depending on how far their earned income falls below a set minimum threshold (also seen as a “break-even” point). For example, a person with zero personal income

<sup>13</sup> See: David Macdonald, *A Policymaker's Guide to Basic Income* (Ottawa: Canadian Centre for Policy Alternatives, 2016), 1-40: <https://www.policyalternatives.ca/publications/reports/policymakers-guide-basic-income>

<sup>14</sup> Ibid. 6.

would receive the maximum NIT payment, \$10,000. Alternatively, if the combined financial benefit of the other existing programs and supports is higher, they will receive that instead.

In this case, the modelling shows the ability of the program to reduce total poverty from 11.7 per cent to 9.3 per cent, and at a more manageable cost of \$14.5 billion. It is also designed such that no one person or group can end up worse off: it fills in gaps rather than reallocating existing payments and benefits.

The BCGEU believes that, if necessary, some form of NIT offers the best opportunity for piloting a guaranteed income program in B.C. There is evidence that it could achieve a total reduction in poverty, that it would do so equitably, and that the additional investment would offer good value-for-money in terms of the relative costs and benefits publicly.

An important feature of this model is that it also preserves the integrity of our current (and essential) social welfare programs and services, which, despite some room for improvement, continue to protect the basic economic needs and security of vulnerable British Columbians.

## Conclusion

The BCGEU sees potential value in the creation of a basic income pilot in B.C., especially if there is broad support among other stakeholders and the public. We stress, however, the importance of clearly articulating the core values, motivations and objectives behind this project before pursuing it further. For the BCGEU, the reasoning would need to be chiefly and explicitly about reducing poverty, and not other agendas.

Furthermore, for practical reasons related to jurisdictions and existing programs, this project's value and success would almost certainly depend on the support and involvement of the federal government. We therefore urge our provincial government to think carefully about proceeding alone.

Most importantly, the BCGEU holds that our existing public programs, services and supports remain an essential and inviolable foundation of social welfare policy in B.C. and Canada—and that they should be strengthened, rather than reimaged or redesigned. If there is a form of basic income that can actively support and contribute to this responsibility and commitment—and that respects and advances the principle of paid labour—then it would have the support of the BCGEU, and likely other unions as well.

We think that experimentation with a negative income tax (on top of current programs and benefits) is the most promising option for achieving the above, and that it would offer the greatest additional value for British Columbians beyond continued investments and improvements within the current system.

