

CALEDON



INSTITUTE OF
SOCIAL POLICY

caledon
commentary

December 2000

ISBN # 1-894598-49-0

Yes, Virginia, There is a Guaranteed Annual Income

What better time than Christmas for the old chestnut of a ‘guaranteed annual income’ – an idea the Liberals are reportedly considering for their third term?

The key word here is ‘idea’: The guaranteed annual income (GAI) should be understood as an objective, not a program, an end rather than a means.

Canada already pursues the goal of a guaranteed income, though with decidedly mixed success.

On the positive side, the federal government guarantees a basic income to poor seniors (\$11,104 for singles, \$18,023 for couples) through Old Age Security and the Guaranteed Income Supplement. About half the provinces top up this guarantee with their own supplements. The Canada and Quebec Pension Plans provide all working Canadians a retirement pension worth up to \$9,155. The rapidly improving Canada Child Tax Benefit pays a maximum \$2,081 for the first child and \$1,875 for each additional child, slated to rise to \$2,520 and \$2,308, respectively, by 2004.

So Canada already delivers a guaranteed income for seniors and children, even though there is ample room for improvement. The same cannot be said for Employment Insurance and social assistance (welfare), the basic safety net for non-aged adults.

A series of draconian changes to Unemployment Insurance in the 1990s, culminating in the Orwellian name change to Employment Insurance in 1996, was designed to shrink protection and reduce benefits. Coverage of the unemployed plummeted from 74 percent in 1989 to 36 percent in 1997.

No longer eligible for Employment Insurance, increasing numbers of unemployed Canadians must turn to much-despised, last-ditch welfare. That safety net also has been strung lower and tighter. Some provinces, Ontario notably, have slashed welfare rates, while others have eroded benefits stealthily by nonindexation. In some jurisdictions it is harder to qualify for assistance. Those who do manage to get benefits are pressured to work even though the supports they require to do so (e.g., training and child care) are scarce.

A version of this commentary was originally published as an op ed in the National Post on December 13, 2000.

Critics argue that we should blow up the existing complex and expensive edifice of multiple income programs and replace them all with a supposedly cheaper, more effective guaranteed annual income program. While its simplicity is appealing, a ‘one-size-fits-all’ GAI would fit no one, because income security needs are so varied and diverse.

Take, for example, but one subset of income programs – for Canadians with disabilities. A comprehensive GAI to replace the patchwork of disability income benefits ideally would expand the number of recipients. But the costs could be so high that only those with severe disabilities might be eligible. There would be a serious trade-off between adequacy and coverage.

A fiscally sustainable guaranteed income would have to be selective, raising questions as to how to meet the needs of persons with moderate disabilities. An equally inappropriate option is to provide low benefits to everyone. Those with high needs would receive relatively little assistance. Benefits would be too low to ensure adequate replacement income for wages lost, for example, because of workplace injury. The same dilemmas would arise when trying to convert other programs into a gargantuan guaranteed income.

A big bang, one-size-for-all guaranteed income plan is not the way to go. Instead, the federal and provincial governments should launch a national project to reform existing programs to better achieve the goal of an adequate basic income. This task, though monumental, is not impossible because it already has begun.

The new National Child Benefit – structurally Canada’s most developed form of guaranteed income – is replacing an irrational mix of uncoordinated federal and provincial programs with a single, geared-to-income system that equalizes payments for all low-income children and also serves most non-poor families. The next stage of reform should boost the maximum benefit to \$4,200 per child.

Ottawa’s proposed Seniors Benefit would have built a fairer guaranteed income for Canada’s elderly. But the initiative was withdrawn after attacks from both left and right. Clearly, the route to a guaranteed income is strewn with political landmines, especially when it comes to pension policy.

The next big step must be radical reform of income support for non-elderly adults. Here, demolition is necessary. The provincial and federal governments should replace much of means-tested welfare and Employment Insurance with a new system of income and employment supports designed to help people get and keep work. Long-term welfare should be replaced by a basic wage. Social assistance would still be necessary, but only as a temporary response to emergency needs.

Canada has pioneered guaranteed income technology in the form of income-tested benefits delivered through the tax system. The National Child Benefit demonstrates that the provincial and federal governments can work together to build a better system.

But further progress hinges on more resources – money (mainly federal), political will and (a scarce commodity in politics) time to do the job properly. It requires the crucial understanding that there is no single magic bullet to achieve the goal of a guaranteed adequate income.

Ken Battle and Sherri Torjman

© 2000 by The Caledon Institute of Social Policy

1600 Scott Street, Suite 620

Ottawa, Ontario, Canada

K1Y 4N7

phone: (613) 729-3340

fax: (613) 729-3896

e-mail: caledon@caledoninst.org

website: www.caledoninst.org