

# Basic income and the social safety net

**Noah Zon**

[www.maytree.com](http://www.maytree.com)

On 24 April 2017, the provincial government in Ontario, Canada, announced the details of a basic income pilot to begin in the late spring of this year.

The project will study the impacts of a basic income guarantee for people with low incomes over three years, measuring health, housing, education and other outcomes for participants. With the launch of the pilot, Ontario will join Finland, Kenya and the Netherlands in experiments that have become the focus of attention around the world.

The idea of implementing a basic income programme has recently re-entered popular discourse. Versions of the programme are being pitched by individuals from across the political spectrum, to respond to a wide range of public problems – particularly poverty. However, the causes and experiences of poverty are complex and cannot easily be solved by a single approach. For this reason we should be cautious about emphasising basic income as a one-size-fits-all solution.



**Noah Zon**

## What is basic income?

When people talk about basic income, they may be referring to a wide range of policies. Some programmes would send cheques to all individuals in a society (or all adults) regardless of circumstances, while others operate like a ‘negative income tax’, topping up funds for people with lower incomes. They also vary significantly in the amount of income being guaranteed, and how they would fit into a broader safety net.

While some of the pilot programmes in the developing world are new, unconditional cash transfers, the pilots in Europe and North America are for the most part evolution, not a revolution, in income security. They seek to replace one segment of a diverse social safety net with a combination of greater income support, expanded eligibility and simpler rules.

In Canada, the social safety net includes national, subnational and local-level policies and programmes, with differences in approaches between the ten provinces and three territories. The province of Ontario currently provides a set of income assistance programmes geared towards people with very low incomes, sitting alongside employment insurance, pension and child benefit programmes governed by the federal government with broader coverage.

Each federal and provincial programme has different eligibility requirements that work to provide temporary or ongoing financial support to individuals identified as in need.

Ontario's approach to basic income focuses on replacing one part of this suite of programmes – social assistance (what many would call 'welfare'). The basic income will differ from social assistance in three main ways:

- By providing more money (a maximum of nearly CAD\$17,000 compared to just over CAD\$8,000 for a single adult)
- By removing requirements that recipients demonstrate they are seeking work
- By making the benefits available to a wider range of people with low income.

### Why basic income?

Basic income policies have appeal because they respond to some real, complex challenges that are prompting people to seek more transformative solutions. In Canada (as with many other countries), one of the primary motivations is persistent poverty. Cash benefit programmes for seniors and for children have driven major reductions in poverty for those groups in Canada, but working age adults have largely been left behind.

Another concern driving interest in basic income is the rise in precarious employment. A research study issued by the United Way of Toronto and York Region and McMaster University found that precarious employment within Ontario's economic hub had increased by 50% in the last 20 years. It also found that these individuals are less likely to be unionised, work infrequent hours and earn significantly less than those with stable employment. Precarious employment trends have not only contributed to increased working poverty, but have also widened gaps in the social safety net. As employers pull back from providing benefits to employees (such as insurance for prescription drugs or dental services), those employees often remain ineligible for public programmes, leaving them without coverage altogether.

For some, the driving interest in basic income is rooted less in today's challenges than in those beginning to emerge. With increasing automation and advances in artificial intelligence, labour markets could be completely transformed. In a world where economic activity does not produce the same quantity or quality of job opportunities, basic income policies could provide a minimum standard of living.

### A treatment that does not fit the diagnosis

Although these are important problems, we will fall short if we focus on universal basic income (UBI) as the solution. There are a number of risks that come with having one income programme to deal with patchy safety nets. One single programme can be an easier target for cuts (especially one as expensive as UBI would be). Even a relatively generous basic income might not be an adequate response to other market failures and shortcomings of safety nets. For instance, it fails to address the lack of prescription drug coverage and affordable childcare options, which when paid out of pocket, can take up a large portion of someone's income.

When it comes to longer-term concerns about the future of work driven by the automation of the workforce, we should aspire to do better than basic income. When past changes in technology (such as the mechanisation of agriculture) eliminated major sources of employment, economies created new opportunities while raising the overall standard of living. If this time it is different and technology does eliminate a large share of jobs, a modest basic income is a poor replacement. It risks creating an alienated group in society that has enough to subsist but not much more. Inclusive economic growth should consider other measures – such as a job guarantee, if we want to be bold – that focus on creating opportunity, not only preventing poverty. Where that falls short, we might look for other ways to actively value how people contribute to the better functioning of our society, communities and/or neighbourhoods even when the market doesn't.

### Conclusion

Even if we are hesitant about basic income, we can learn from the experiments happening across the world. They can show different ways of designing a social safety net and can tell us about the impact of the changes on people's lives. They also offer an opportunity to reinforce a commitment to the right to live free of poverty, renewing our ambition in public policy, philanthropy and business to building systems that ensure access to not only a decent income but to other elements needed to live free of poverty including affordable housing, access to childcare, education and healthcare. That is a focus that we can't afford to let lapse when the current wave of pilot projects comes to a close.

**Noah Zon** is the director of policy and research at Maytree in Toronto, Canada. In this role, Noah oversees Maytree's policy and research agenda, including developing policy positions and relationships with government and community partners. Before joining Maytree, Noah worked at the Mowat Centre public policy think tank and as a public servant with the Ontario government on a range of policy files, including intergovernmental relations, technology policy and climate change. He holds an MSc from the London School of Economics.