

Universal Basic Income: Prospects and problems

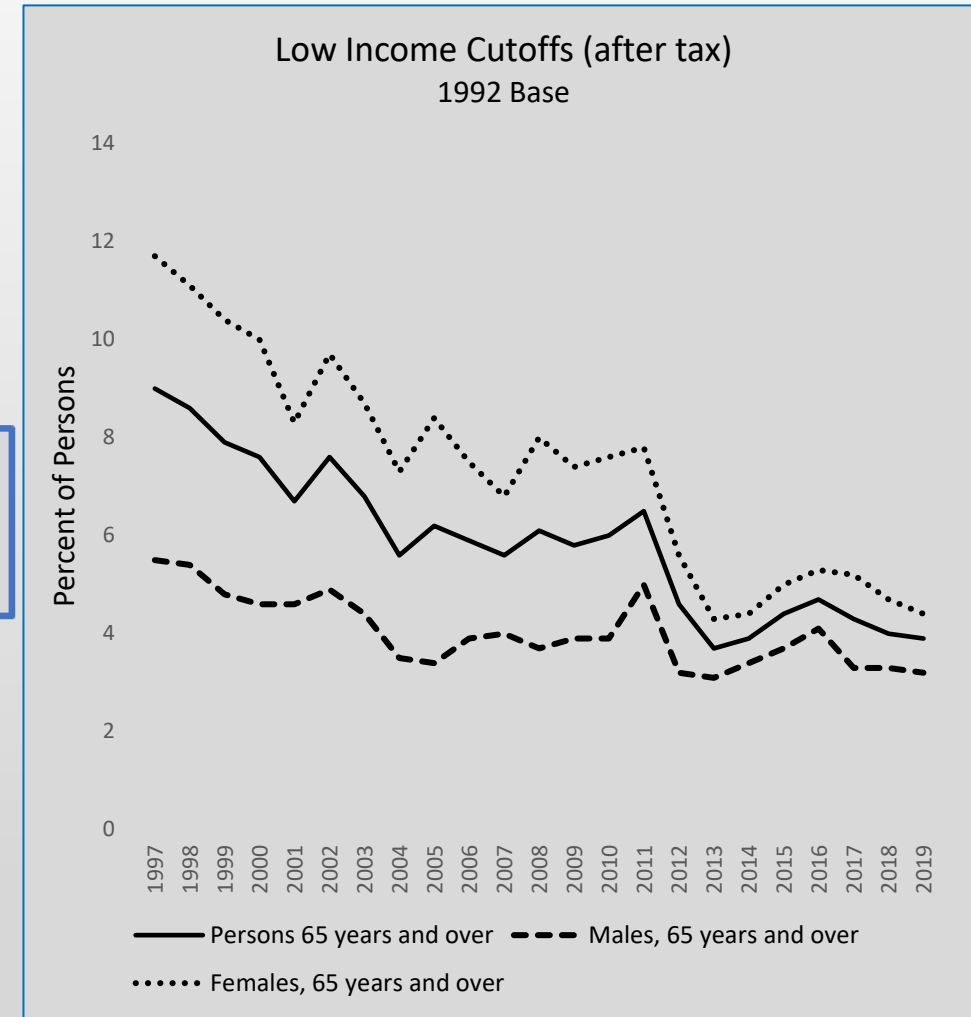
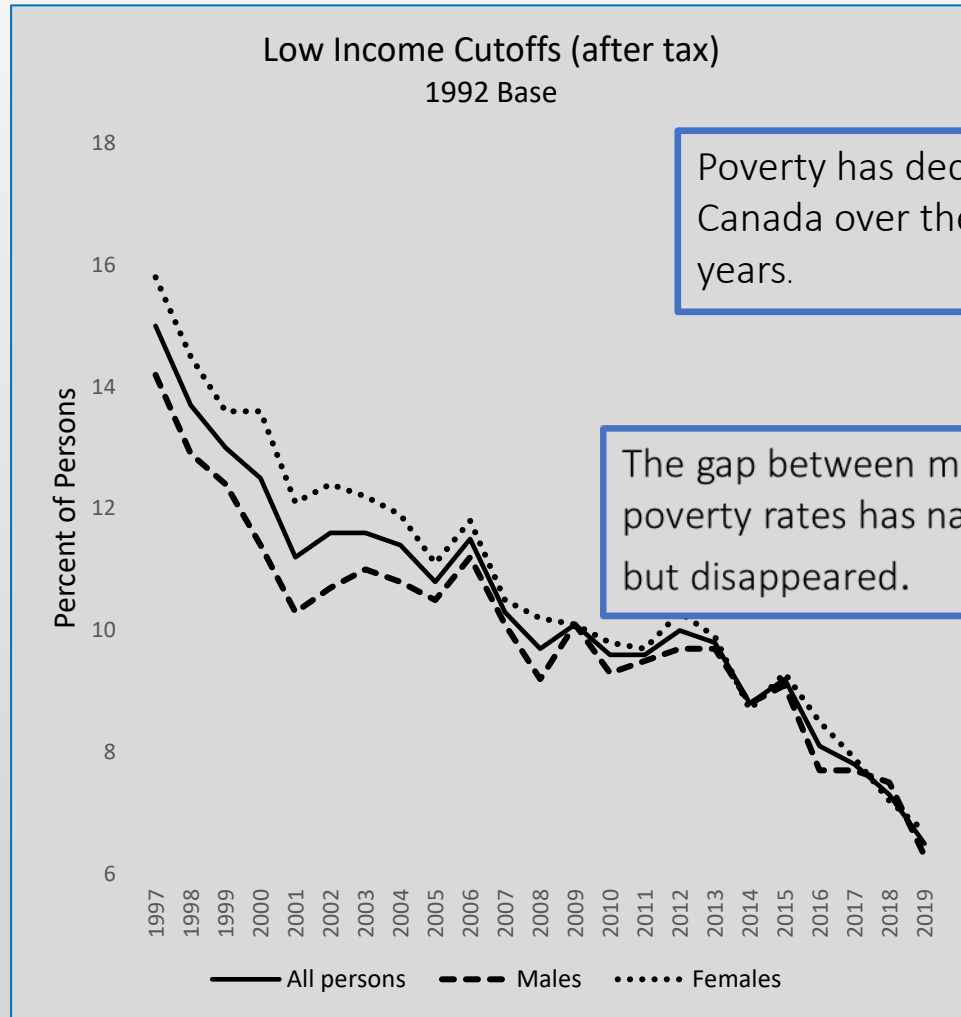
Presentation

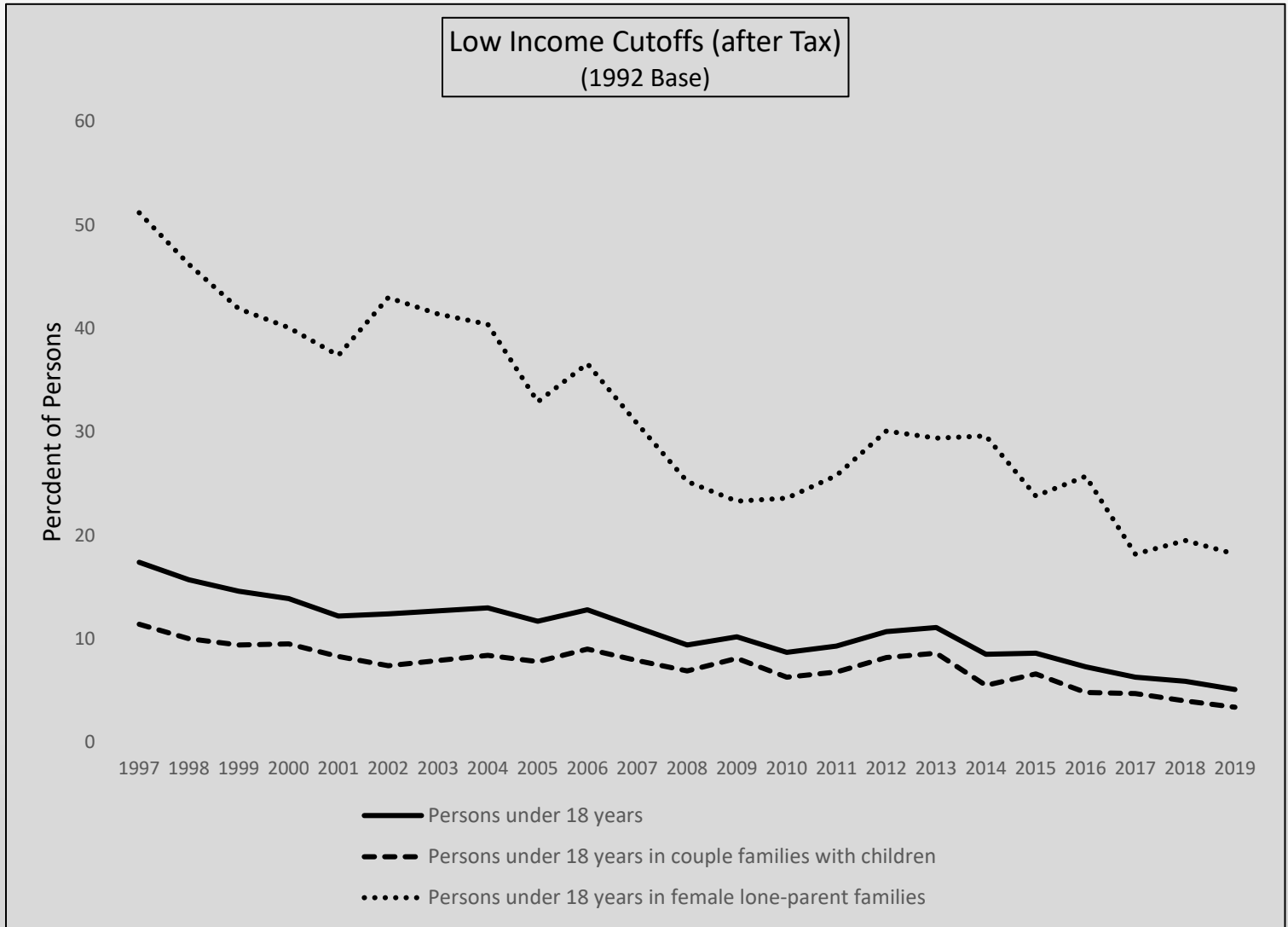
To

Fort Garry Mennonite Fellowship

March 13, 2021

Canada's poverty rate has declined since 1997





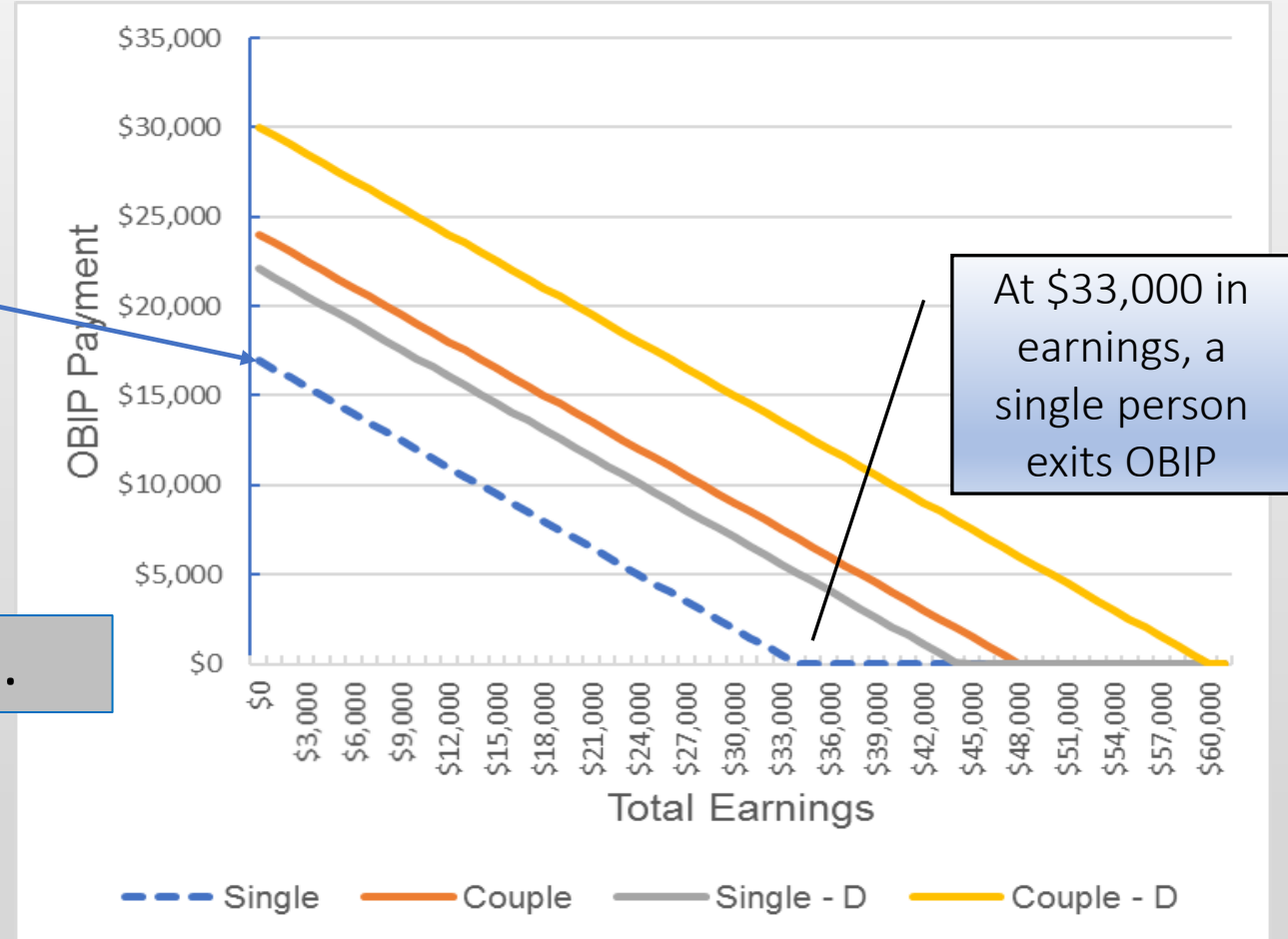
Children in female single-parent families are at most risk of experiencing poverty.

Children in two parent families experience much less poverty than those in single parent families.

Basic income has two variants	Advantage	Disadvantages
<p>Universal basic income (UBI) where <i>everyone</i> is receives a minimum income, that is included in taxable income. The UBI may be taxed back in part or entirely depending on other income.</p>	<ul style="list-style-type: none"> • Always available when individual incomes fall. • No income, wealth or other criteria for receipt (unconditional). 	<ul style="list-style-type: none"> • Clawing back overpayments is politically and administratively painful especially for those of moderate means. • May change work behaviour (this has never been tested).
<p>Negative income tax (NIT) that guarantees a minimum, and increases support as a reduced rate as earnings rise.</p>	<ul style="list-style-type: none"> • Targets low-income more efficiently than UBI. 	<ul style="list-style-type: none"> • Based on incomes of last tax-filing year, so it does not track changes in income.

Structure of negative income tax UBI (OBIP)

Ontario Basic Income Pilot – Maximum Benefits		
	Single	Couple
Maximum Basic Income Amount	\$16,989	\$24,027
Maximum Basic Income Amount plus Disability Supplement for one person with a disability	\$22,989	\$30,027



The Canada Child Benefit supports children.

OBIP is a tax free benefit

Examples:

- A single individual, without a disability, earning \$28,000 (starting wage for a West Jet flight attendant), would receive a BI payment of \$2,989 to make total income to \$30,989. The combined federal and provincial tax (on earnings) will be about \$3,500 reducing their after tax income (with the tax free BI on top) to about \$27,500
- A couple, with one person disabled, and with part-time employment between the two of them generating \$16,009, will receive \$22,027 in BI with will leave them with a total income of \$38,027.
- A single parent with two children under 6 and no earned income, will receive a BI of \$16,989 plus the CCB of \$14,800 to reach a total income of \$31,789 tax free.

Basic Income Experiments

- The Manitoba Basic Annual Income Experiment (Mincome) 1974-78
- Ontario Basic Income Pilot (OBIP) 2017-2018
- Finland 2018 - 2021

Mincome (NIT): Goals and Findings

Mincome had two primary and one secondary goal,

1. To “evaluate the economic and social consequences of an alternative social welfare system based on the concept of a negative income tax” ... and
2. To “examine the labour supply responses of households and individuals to a guaranteed annual income”
3. Over time, a third not explicitly stated in the design documents, evolved, which was to understand the administrative and logistical challenges involved in implementing such a system across the population.

Outcome

- In 1977, Mincome requested more funds to continue
- It had produced no findings
- The federal government (John Turner) was trying to digest the high spending of Trudeau (the elder) refused.
- Manitoba (Schreyer) did not have the resources to continue)
- Mincome mothballed till 1981.

Findings (1993)

- Modest reduction in work effort ...1% for men, 3% for wives and 5% for unmarried women

OBIP(NITI: Goals and Findings

Immediate outcomes (Year 1)

- Poverty reduction
- Increased food security
- Lower anxiety
- Educational planning and participation

Intermediate outcomes (Year 2 and 3)

- Mental health (self-reported and reduced use of services) should show improvement
- Less contact with the criminal justice system
- Marital changes, although the nature is hard to predict .

Longer-term outcomes (at the end of the pilot)

- Participants will consume better housing
- Participants will have increased “connectivity” and purchase a wider range of consumer items
- Educational initial and successful progress
- Stable work attachment

Results

- OBIP had a phase 1 (evaluation and redesign) (2017)
- The (new) government pulled the plug in May 2018
- OBIP was low hanging fruit for a government intent on cost cutting

BUT

- Kathleen Wynne, sensing defeat, started payments well before the research redesign was ready
- Government processes (privacy) and incompetence destroyed the control group.
- Enrolment became haphazard rather than by random selection.
- A 100% chanced existed that any research would be misleading

Finland(UBI): Goals and Findings

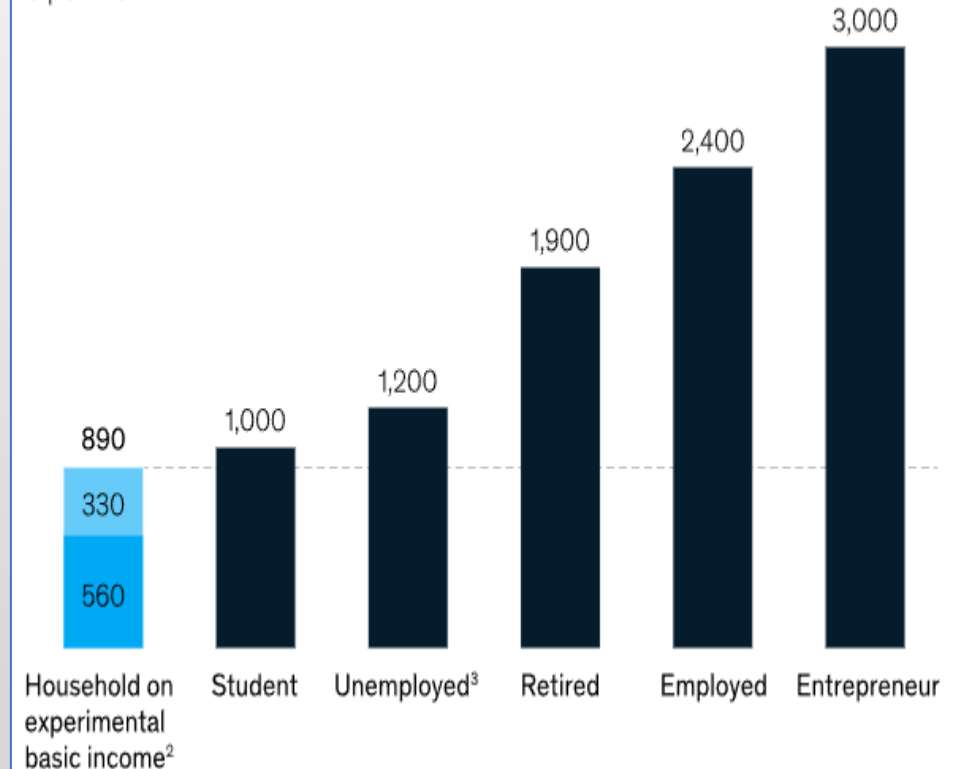
The experiment

- A random sample (2000) of unemployed persons received €562 per month (plus a housing allowance) for two years
- A comparison group of unemployed received only standard benefits

Findings

- Small employment (positive) impact
- Large rise in self-reported well-being
- Implementing a basic income within the current complex web of social supports is very challenging.

Average disposable income¹ by household type in Finland, 2017, € per month



<https://www.mckinsey.com/industries/public-and-social-sector/our-insights/an-experiment-to-inform-universal-basic-income>

Basic Income – potential and pitfalls

What do we know?

- Little doubt exists that a BI boosts well-being

But

- Can this be generalized to the entire population, if the program became universal?
- The link between income and health is a core idea in health economics,

But

- Will a UBI reduce use of the health care system? And will reduced use translate into tangible cost reductions?
- A common claim is that downstream savings due to reductions in social assistance, health care, and increased employment off-set much of the cost of a BI.

But

- Can BI be efficiently integrated into or even replace existing social safety net programs?

Where does opposition to the BI originate?

- Upper and upper middle income usually have little objection
- Poor people obviously endorse the basic income

Until...

- they realize that full implementation disqualifies them from many benefits and supports
- and that they are more exposed to the market

Another fissure lies between those that see work as core to self-worth and income security and those that view modern life as insecure and capricious.