



FROM COAST TO CASH TO COAST?

Universal Basic Income (UBI) - Bill S-233



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POLICY ANALYSIS: UNIVERSAL BASIC INCOME (UBI) - BILL S-233

I. Overview:

During the height of the COVID-19 pandemic, one-quarter of adult Canadians received the Canada Emergency Response Benefit ([CERB](#)), a monthly payment aimed at supporting low- and middle- income individuals during a tumultuous time in the labour market. While CERB was limited in both eligibility and duration, the success of the program invigorated already-growing calls for a permanent, potentially [universal payment system](#) to take its place, culminating most recently in [Bill S-233](#): an Act to Develop a National Framework for Guaranteed Livable Basic Income. At the same time, criticism of this concept has grown more acute, with some pointing to perceived failures of CERB to argue that such a program is not [affordable](#) or sustainable.

In this report, we will provide an overview of the concepts of Universal Basic Income (UBI) and Guaranteed Basic Income (GBIT), including discussion of how these concepts have been applied historically, in Canada, and internationally. We will discuss the aims of Bill-S233, including strengths of the bill and potential challenges, integrating both comparative analysis with other, similar programs around the globe, and the perspectives of stakeholders in Canada, including government officials, economists, advocacy groups, and citizens. We will conclude with clear and actionable recommendations for refining Bill S-233 to better support Canadians in need while also building them up to succeed in the future.

II. Introduction to UBI:

The concept of a universal basic income – that is, a regular cash payment administered by the government to citizens to alleviate poverty and reduce inequality – dates back as far as the [sixteenth century](#), and was implemented as early as 1795 in rural England when steep rises in [grain prices](#) overwhelmed existing charity structures.

Though this program was initially successful, it attracted criticism from all ends of the political spectrum, with skeptics such as Thomas Malthus voicing concern that it reduced overall prosperity and allowed families to proliferate even though they did not have the earnings to match, and (at the other end of the spectrum) Karl Marx suggesting the program helped to [suppress wages](#) for labourers. While this program was eventually replaced with Dickensian-style workhouses for the poor – an over-correction that came with its own host of problems – the idea of a basic income program persisted, and was even considered as a policy by [Richard Nixon](#) in 1969.

While these historical policies are interesting, they are not necessarily the same concept being advocated for around the world today. In the modern era, basic income programs typically share five defining [characteristics](#), as follow:



UBI and GBI programs are commonly linked in both political discourse and the public imagination, with the main difference between the two systems being a needs-based criterion. In short, while UBI is offered to all citizens regardless of income, GBI is targeted towards those with the most need, and payouts typically decrease as recipients gain more employment-related income. Because of this, and despite broad similarities between the two types of basic income, these programs are generally [implemented separately](#) from one another.

Although UBI hasn't been implemented at a large scale, basic income programs are not entirely untested. Aside from an abundance of [research](#) on the topic, countries around the world, including [Canada](#), have experimented with basic income, largely through [pilot projects](#) and trial runs.

The goal of these basic income programs is, first and most immediately, to [alleviate poverty](#) and to increase [economic security](#) and stability. The latter feature can be necessary in times of acute crisis, as we saw with the implementation of CERB during the COVID-19 pandemic, but can also help to mitigate the strain of [unaffordable](#) day-to-day expenses – something many Canadians [struggle](#) with as a result of rising food and housing costs.

In addition to these immediate economic benefits, basic income programs have a host of potential long-term benefits to individuals and to society. They can help to improve [physical](#) and [mental health](#) outcomes by reducing day-to-day stress and instability and by improving access to nutritious food and healthy environments. Likewise, UBI has been linked to a reduction in [substance use](#) and in overall [crime rates](#). Proponents argue that basic income could lead to better [academic success](#) for disadvantaged children and facilitate [social entrepreneurship](#) by minimising personal risk. Because poor health and high crime are expensive for governments to manage, and strong academic success and thriving businesses support economic stability, basic income may also save governments money by [reducing dependence](#) on other [social programs](#). It may also reduce administrative costs and improve the transparency of benefit transfers, reducing the risk of [government corruption](#) impacting individuals' livelihoods.

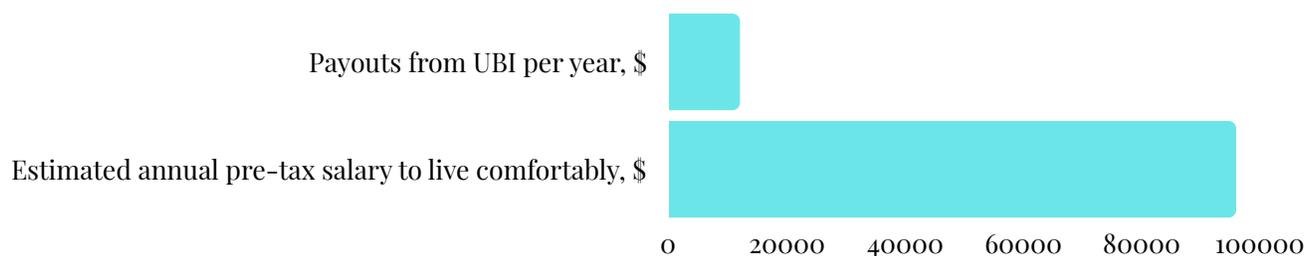
In spite of these potential benefits, the concept of UBI still engenders considerable resistance, with key sticking points including the cost of such a program, the fear that payments will fuel inflation, and the fear that [labour market participation](#) will plummet if people have access to a guaranteed income. These comments will sound familiar to anyone who remembers debates about CERB, and indeed, critics point to the perceived failings of that system to illustrate their fears about a permanent basic income program.

Much criticism of basic income policy centres on economic burdens, both in terms of cost to the public purse, and in relation to inflation. UBI in particular is certainly expensive, even if monthly payments are relatively modest, and some analysts suggest that even very high income [tax increases](#) at the upper-end of the economic spectrum may [not cover the cost](#).

However, research suggests that investments in UBI can have multiplier effects, generating additional [tax revenue](#) through increased [economic activity](#) and thereby [reducing the cost](#) burden. The right balance of payments, taxation, and support for other programs needs to be carefully considered to ensure that such programs are affordable. Meanwhile, proponents of UBI suggest that fears about inflation are not warranted, as basic income redistributes existing wealth to more productive parts of the economy, rather than introducing new money to the system; as evidence, UBI Works points to smaller, more targeted cash-in-hand programs that have lessened the burden of [inflation](#), rather than driving it.

Finally, many critics have expressed concern that providing an income stream that is not dependent on employment will disincentivize [labour market participation](#). [Research](#) does not generally bear this out; although labour market participation tends to decline in some sectors and among teenagers and new parents, this decline tends to be offset by [social benefits](#) (such as those teenagers being more likely to succeed in school when they aren't working). As well, logic does not support this concern.

Payouts from UBI may be enough to help someone through a difficult patch, or to top up income to meet rising living costs, but at an expected [\\$12,000](#) per year, they would amount to a meagre and insufficient means of survival in a country where most people estimate they need an annual pre-tax salary of [\\$79,280 - \\$96,000](#) to live comfortably.



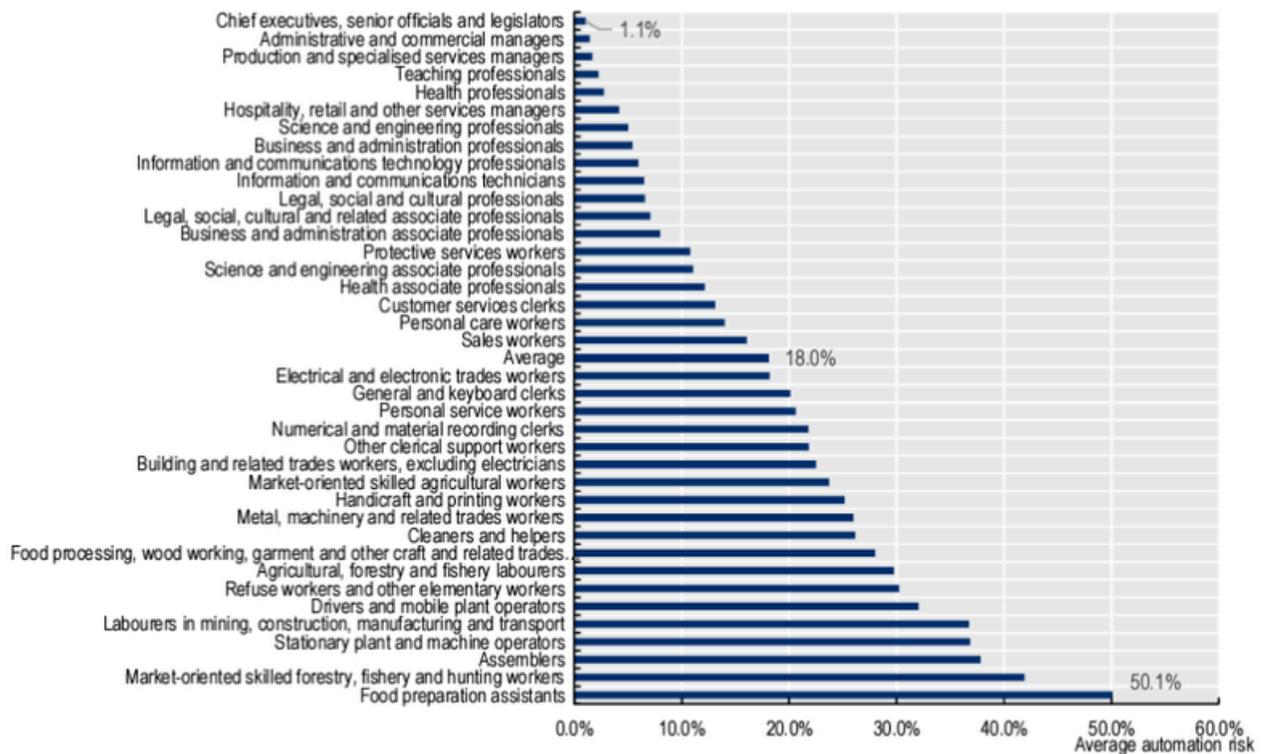
While an individual could attempt to survive off of basic income alone, the gulf between these numbers suggests that most people would not want to. Reluctance to work is more a result of low-quality jobs with low intrinsic motivation and low base wages. Research also suggests that basic income can [increase consumption](#), driving the [economy](#) and creating [new jobs](#), therefore proving to be a net economic benefit.



Concerns about labour market participation may also be turned on its head in the coming decades, as automation threatens to render about [14% of jobs](#) obsolete, with outsized impacts on jobs that require less formal education, such as food preparation assistants and machinery operators (up to 50% of jobs at risk).

Figure 1. The risk of automation varied significantly by occupation

Share of jobs at high risk of automation by occupation (averaged across countries)



Note: Risk of automation is averaged across countries
 Source: (Nedelkoska and Quintini, 2018^[1])

[The Risk of Automation Varied Significantly by Occupation](#)

With the proliferation of labour-displacing technologies in advanced economies, economist and political theorist Karl Widerquist has raised concern that there will be a downward movement in the labour market, with displaced professionals crowding out lower income professions, driving down wages and working conditions. As such, basic income programs may be urgently needed to [mitigate threats](#) that workers across the [economic spectrum](#) face.



III. Bill S-233 Overview:

With economic pressures mounting and traditional means of recovery proving inadequate, interest in basic income programs surged during the COVID-19 pandemic, and in Canada, resulted in the introduction of Bill S-233 by the Honourable Kim Pate on December 16th, 2021. The purpose of the bill is to to develop a national framework to provide a guaranteed livable income to everyone in Canada over the age of 17, including temporary workers, permanent residents, and refugee claimants. This would extend aid to [vulnerable populations](#) which may have been left behind in Canada's current approach to poverty, and enable people to participate in and contribute to their communities.

The bill states that the framework must:

- 01 Determine what constitutes a livable basic income within each region in Canada taking into account goods and services needed and their costs.
- 02 Create a national standard for health and social support systems that would work with the guaranteed basic income program.
- 03 Ensure that participation in education, training, or the labour market are not required to qualify for the basic income program.
- 04 Ensure the implementation of the program does not result in the decrease of services or benefits to meet any individuals needs related to health or disability.

Discussions on how to implement government transfers required by the bill have focused on three [potential avenues](#):

NEGATIVE TAX INCOME

which involves using the income tax system to make payments to individuals or households with income below a predetermined level.

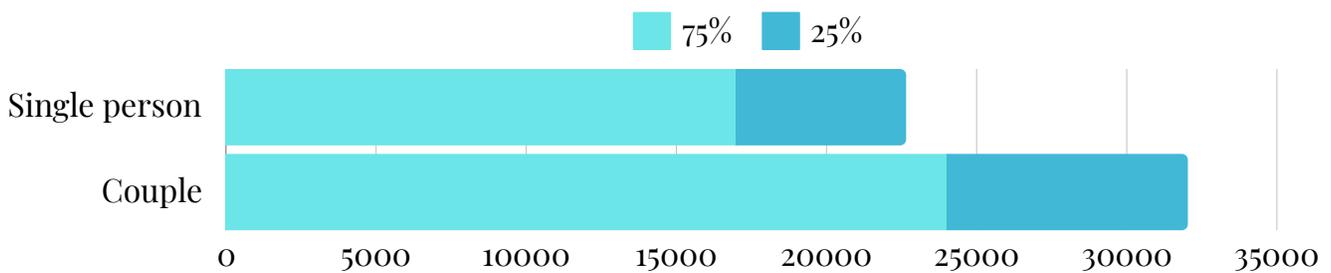
UNIVERSAL BASIC INCOME

which involves providing an annual grant to all adults regardless of personal circumstances.

HYBRID MODEL

which combines elements of negative tax income and UBI to establish an income floor.

In addition to creating a framework and selecting a transfer system, Parliament will also need to consider the cost of such a program, both directly to the public purse, and indirectly via labour market participation and social repercussions. The 2021 Parliamentary Budget Officer (PBO) report explores the impacts and revenue offsets of a Guaranteed Basic Income (GBI) program. The PBO’s calculations incorporated parameters that were set out in Ontario’s basic income pilot program, wherein participants received up to 75% of the low-income measure (LIM), estimated at \$16,989 for a single person and \$24,027 for a couple.



This GBI would be reduced with increasing income at a rate of \$0.50 for every extra dollar of employment income. Taking into account lower tax revenues and higher expenses from GBI, the estimated cost of implementation would amount up to [\\$93 billion](#) by 2024-2025. In contrast, studies by the Senate of Canada estimated GBI annual costs between [\\$187 billion](#) to [\\$637 billion](#), and the Fraser Institute's examination returned an estimate of [\\$464 billion](#). These numbers would need to be more rigorously defined to make reluctant Canadians comfortable with the increase in government expenditure.

As explored above, one of the most common criticisms of basic income policy is its purported impact on people’s inclination to work. The 2021 PBO report estimated a small (1.5%) reduction to hours worked as a result of UBI.

IV. Strengths of Bill S-233:

The relationship between Bill S-233 and the COVID-19 pandemic cannot be overstated. Though challenges with [cost of living](#), the housing market, and poverty in general existed prior to the pandemic, the pandemic, along with war in Ukraine and rising tensions in the Middle East, exacerbated these existing challenges while also creating new issues, such as disruptions to the global supply chain, steep inflation, and worsening mental health. UBI, if implemented urgently and as intended, would help to curb these substantial pains by [reducing poverty](#) and inequality and their associated negative impacts on health, academic achievement, crime, and community participation.

The PBO estimates that the program will [cut poverty rates in half](#), with small variations from province to province, and that the lowest earning Canadians will experience a 23% increase in disposable income.

A basic livable income program is also estimated to [reduce administrative costs](#) related to government transfers, as the basic income program would streamline social assistance delivery previously compartmentalised in separate programs. According to two reports on welfare reform in British Columbia and Ontario, with stringent requirements, a basic income program may also help transition recipients away from dependency on social safety programs. In both cases, this was made possible by mandating participation in [job-search assistance](#) or [work experience](#) programs.

A well structured social security program supports Canadians when in need but also sets them up to succeed in the future. By providing the means to meet their basic needs, guaranteed basic income would allow Canadians to set themselves up for foundational financial security, which could mean retraining in a new field, upskilling their work, or saving for the future. This has already been seen in basic income pilots such as in California, where it was observed that having the means to pay for basic needs removed barriers to full time employment. Over time, this reduces reliance on government assistance, which should be a long term goal of government social security programs, as it would indicate a healthier, more sustainable society and also free up funding for other priorities.

Despite ongoing debates over the pros and cons of a basic income program and over the best way to implement it, there does seem to be general support for basic income. In a senate finance committee news release, all members agreed that as Canada continues to face increasing economic, social, health and environmental uncertainty, now is the time to [move forward](#) with Guaranteed Livable Basic Income. This perspective is shared by the [many MPs](#) across the aisle. As well, over [120 Canadian CEOs](#) have signed the UBI Works open letter of businesses in support of urging the Government of Canada and its provincial and territorial counterparts, to work together to enact a guaranteed minimum income program.

V. Opportunities for Improvement:

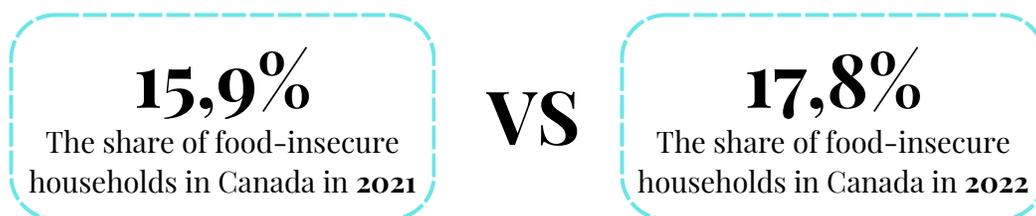
Even when the fiscal and social costs and benefits of a basic income program have been weighed, there remain many challenges in implementing such a program. Some goals will need to be sacrificed in order to make any legislation pass in Parliament, and to make the plan work with existing policies. These sacrifices may weaken the perceived benefits of basic income. As well, some critics worry that UBI policies amount to a [band-aid solution](#) for deeper problems, such as poverty linked to mental illness and addictions.

Despite the promise of Universal Basic Income (UBI) to improve the economic health of the nation, cost remains a major criticism, with some economists doubting the [feasibility](#) of such a program solely due to cost. The current Guaranteed Basic Income (GBI) proposal does not aim to replace existing social security programs like Employment Insurance (EI) and Old Age Security. This means that basic income would introduce a significant additional expense without offsetting existing costs via a reduction in other [program expenditures](#). To ensure that Bill S-233 retains support, the framework developed should refine cost estimates, and work to create a solid, stable funding framework that Canadians can rely on. Without these financial considerations in place, it will be difficult for skeptics to believe that a Canadian basic income program is feasible, especially since some of the socioeconomic benefits, such as improved mental health and academic success and declining crime and addiction rates, are delayed.

New programs having the potential to introduce gaps in service provision is a concern expressed by economics professor Evelyn Forget at the University of Manitoba, who states that “the more targeted programs you introduce, the more gaps you introduce...the more gaps there are, the more opportunities there are for people to slide through.” Dr. Forget states that both social programs and a more general basic income [are needed](#), which would allow people to meet their own housing and food needs, and to take advantage of treatment and care opportunities. Keeping existing social programs in place would minimise the risk that all support could be cut with one austerity-driven budget decision, but also means that new sources of funding would have to be secured. However, given the multiplying effect poverty has on need for social support, it is possible that UBI would nevertheless reduce costs in the long term by reducing at least some need for these programs. This area in particular illustrates the complexity of implementing a “perfect” system, especially before long-term data is available.

One way to improve the income plan’s capacity to address the effects of poverty is to focus on improving food security. When studying Bill S-233, the Senate Standing Committee of National Finance was asked to make the reduction of food insecurity one of the main priorities within the GBI framework, arguing that [food security](#) is necessary for the goal of “improving income equality, health conditions, and educational outcomes”.

The share of food-insecure households in Canada has increased from [15.9%](#) in 2021 to [17.8%](#) in 2022 – the highest share of any point in the past two decades.



Currently, charities play a leading role in addressing this problem in the absence of [stronger measures](#) from Parliament, and many are struggling under the growing demand. Ensuring that a basic income program helps Canadians to buy good, healthy groceries will therefore create much needed stability for household finances and alleviating the burden on non profit organisations.

VI. UBI In Other Jurisdictions: Lessons to Consider

Several jurisdictions around the world have experimented with UBI, primarily via pilot programs, and largely focussing on alleviating poverty. These results of these experiments offer valuable lessons that can be used to strengthen Bill S-233, and to ensure that the framework is developed in the best possible manner to benefit Canadians.

Given concerns that governments would have to “[overhaul the income tax system](#)” to afford UBI, in developing a framework for UBI, our government should consider innovative financing mechanisms deployed elsewhere. For example, [Alaska](#) uses its Permanent Fund, financed by natural resource revenues, to provide annual, no-strings-attached cheques to all citizen-residents. Implementing a similar system in Canada would circumvent the need for [tax reform](#), and reduce the risk of filtering public money upward – a common concern with taxpayer-funded systems.

Alternatively, one controversial but effective method to mitigate costs is to replace existing benefits with basic income. In the Finland Basic Income Trial, for example, participants were provided with a guaranteed, unconditional and automatic cash payment each month instead of the standard unemployment allowance – although participants did still receive a [housing allowance](#). Replacing [social assistance](#) or tax credits to fund GBI has been advised by Parliamentary Budget Officer Yves Giroux – but critics argue that, depending on the value of existing benefits, such a policy may leave the most vulnerable [worse-off](#). If benefits are to be cut to fund a basic income program, they should be chosen carefully to ensure that the poorest are not left poorer.

Another method to mitigate cost issues is to collaborate with an organisation working to end poverty. In Kenya, for example, [GiveDirectly](#), a charity that provides money to poor families in Kenya and Uganda, initiated a basic income program which helped lift many people out of [poverty](#). This would require clear rules and careful planning to implement, but nevertheless the impact relative to the cost of this program is worth considering.

To deliver more targeted assistance, Canada could implement categories similar to those used in Spain's B-Mincome project, which include conditional and unconditional funding that is disbursed in a limited manner or without limits. Conditional payments require recipients to participate in certain social programs, such as employment training, to improve labour market participation and to strengthen the social fabric (a concept not dissimilar to many existing employment insurance programs globally); unconditional programs, on the other hand, have no such requirements. Limited payments are generally reduced depending on an individual's work or investment income, such that higher-earning individuals would receive less (or no) benefit, whereas non-limited payments would be the same for all recipients. Although this framework deviates from the universal roots of basic income, borrowing these terms may help Bill S-233 to better target Canadians in need, while still allowing recipients the freedom and dignity offered by cash-in-hand benefits. As well, building these terms into the framework could allow for any basic income program to be changed relatively quickly in times of economic upheaval. For example, an existing conditional program could be made unconditional in the unfortunate event of another pandemic without fundamentally changing the structure of the program or its agreed-upon terms.

IX. Recommendations

Bill S-233 is just the beginning of universal income in Canada, and as such, there is still room for improvement and change. To ensure that the program is as beneficial as possible, we have provided recommendations for developing the bill based on existing research, data from pilot programs, and common criticisms.

01

Establish clearly-defined conditions for receipt of UBI that are adaptive to changing economic circumstances. Implementing a framework similar to Barcelona's Mincome Project would help to lessen concerns about runaway spending by ensuring that payments are going to those most in need, and that benefits to the wider community are kept front of mind. Having clearly defined terms and conditions would also make it possible to create a responsive, adaptable framework that could be lessened in times of prosperity and expanded in times of need.

- 02 Tie receipt of basic income to participation in socially-beneficial programs.** This would be similar to existing, conditional benefits, wherein recipients must participate in skills training, job search assistance, or community programs. These programs would enhance [social](#) and [mental health](#) benefits to recipients and lay the foundation for stronger social support system, while also ensuring that the program has a net benefit even for non-recipients.
- 03 Look to natural resource revenue to fund basic income without tax reform.** This would help to mitigate costs to tax-payers, while also redistributing wealth towards the least-wealthy.
- 04 Limit receipt to UBI based on income.** Basic income amounts should inversely correlate with an individuals' income from other sources, such that higher earners receive less (or no) income. This should be calculated so that an increase in employment income always exceeds the corresponding reduction in basic income, so that no person is left worse-off simply because they found better work.
- 05 Maintain funding for existing social security programs.** By keeping targeted programs in place, the government can minimise the risk of vulnerable Canadians falling through the gaps.