RETHINKING SOCIAL ASSISTANCE POLICY TO REFLECT
MODERN SOCIO-ECONOMIC REALITIES

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ABSTRACT

In the past four decades rapid change has characterized the modern world. The global market has permeated even the smallest of communities, and new economic, social and political realities exist. The political, economic and social factors that once contributed to the “success” of the welfare state are now radically different. The framework for addressing poverty in our society must also change. Currently, Canada addresses poverty through various welfare state initiatives, which translate into programs such as social assistance, tax credits, employment insurance and pensions. It is proposed that the current welfare state structure is addressing poverty inadequately and inefficiently, to the detriment of individuals, the economy and society at large.

The framework for the social welfare state of the 1970s has become cumbersome and outdated, and yet all Canadian provinces continue to employ this ineffective model. The model is assessed as ineffective because a significant proportion of the population still accesses social assistance, yet child poverty remains an issue and there is evidence of long-term usage and re-entry to income assistance programs. Due to its design, the current social assistance model functions not so much as a short-term safety net, but as a vortex, leading to continued and repeated need for income assistance. Data presented in this paper demonstrate that a significant number of social assistance recipients re-enter the system. The current model of social assistance is serving new applicants and also a number of long-term or recurrent clients. The current welfare model is incompatible with modern employment trends and, in fact, may be increasing the need for income assistance. The state has the responsibility to meet at least the basic needs of its citizens, and there are social and economic reasons for doing so. The consequences of poverty
and income disparity are harmful for all members of society. To address this, significant changes are considered for the social assistance framework. A critique of the framework provides the basis for a discussion of an alternative social policy.

The following key questions are answered: 1) what factors led to the success of the welfare state during the 1970s? 2) is the current model working? 3) could it be improved? A comparison of the Canadian social, political and economic climate of various eras, and the corresponding welfare frameworks of those times, is presented. After demonstrating the evolution that has taken place, data are presented related to current poverty statistics and income assistance levels as compared to the defined threshold for poverty in Canada, the low-income cut-off. A basic income policy is proposed as an option which is then analyzed, evaluated, and shown potentially to address the socio-economic realities of the global era.
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INTRODUCTION

The purpose of the welfare state, and more specifically of social assistance programming in Canada, is to provide income assistance to those who require it. For some individuals, however, poverty continues. This is occurring while the Canadian economy is relatively strong within a fragile global economy (Canada, 2011a), housing starts are surging and certain sectors cannot find enough skilled labour. Yet some Canadian citizens are not sharing in this prosperity. Governments have struggled over the past few decades to adjust income assistance policy for those affected by extreme poverty, as evidenced by the launch of several federal reviews or commissions which are discussed later on in this thesis. The problem is that adjustments continue to be made within an outdated model of social assistance policy. It is time to consider structural changes to our social welfare system. Certain social, economic, political, industrial and structural conditions contributed to the emergence and sustainability of the traditional welfare state up to the 1970s. The disintegration of some of these conditions contributes to the challenges it faces today in effectively addressing poverty. This change and evolution should be reflected in revised social assistance policy. The phrases “social assistance” and “income assistance” will be hereafter be used interchangeably; income assistance is the term used by the federal government, while social assistance is a term used by some provincial governments. Both refer to the provision of financial support to low-income citizens.

In this thesis, the term “welfare state” will generally refer to a collection of social programs provided and/or funded by a federal government. Referring to the welfare of citizens, these programs typically address issues related to housing, income, education,
and family services. Teeple (2004:15) remarks that the welfare state is difficult to
demarcate, but refers to it as a “state intervention” in the form of “social policies,
programs, standards and regulations” relating to the provision of needs in society for
which there is no other source. In the modern Canadian context, the welfare state refers
to such programs as income assistance, public education, universal healthcare, and
employment insurance.

To present the argument that income assistance policy in particular needs to be
revisited, the definition and extent of poverty in Canada will be portrayed. Varying
authors present data indicating that the level of poverty in Canada in the early 1990s
ranged from non-existent (Sarlo, 1992) to two million households (Ross, Shillington and
Lochhead, 1994). The traditional model of social assistance intentionally provides an
amount less than the Low Income Cut Off (LICO), a common though debated measure of
poverty. The model is expressed through policy attempting to discourage long-term or
repeated access and to encourage employment-based income. Social policy is in large
part based on social psychology: certain behavioural responses are anticipated in response
to policy levers. Within today’s economy, however, part-time, entry level and minimum-
wage incomes are frequently insufficient to provide a living wage. Ironically, then, the
model encourages dependence on social assistance because employment is not always
sufficient. Failure to adjust the model in response to changes in the economy, job market
and socio-political reality has exacerbated the cycle of poverty and resulted in chronic
and long-term dependence on the program. A program evaluation of the Canadian
welfare state in general would show that outcomes have deviated drastically from its
goal. If both social and fiscal costs of poverty are considered, governments today may be
more amenable to examining a basic income policy rather than trying to sustain an outdated model.

Contrary to the current welfare policy framework, increasing the amount of money paid to social assistance recipients (bringing them closer to the poverty line), and adding a supportive, gradual exit strategy, will ultimately result in greater social inclusion, labour market participation and employment-based income, and will benefit society as a whole (van Parijs, 2001:3, and Raventós, 2007:22). Evidence for this argument is presented through empirical data showing that the current welfare state model has produced no significant reduction in poverty. Further, data show that social assistance rates in Saskatchewan and in Canada do not even approach the federally-established Low Income Cut Off (LICO). The LICO is a relative measure of poverty, one that is commonly used to define the minimum financial means required for the basic necessities of life. Other commonly referenced measures of poverty include the Low-Income Measure (LIM) and the Market Basket Measure (MBM). The LIM refers to an amount that is 50% of the median adjusted family income (Statistics Canada, 2012). The LIM adjusts for family composition and size. The Market Basket Measure is intended to assign an income amount needed to purchase the goods and services for a “modest, basic standard of living” (Hatfield et al, 2010). The MBM is sensitive to geographical costs of living in different regions of Canada.

Using actual personal income reporting, data from the Longitudinal Administration Database (Finnie et.al, 2004), which tracks individuals entering and exiting social assistance programs, show that certain sections of the population have
higher re-entry and long-term dependence on income assistance programs. With this evidence established, the basic income becomes an alternative policy worth examining.

Arguably the welfare state performs optimally and fulfils its purpose only in a “perfect storm” of economic, political and socio-historic conditions, such as those that existed during the period of Fordism in Canada in the 1950s and early 1960s. As one or more of these conditions change, the model of the social assistance framework must also be adjusted. The welfare state in Canada has not been updated to acknowledge these changing conditions, resulting in its current ineffectiveness. Several authors agree that it is time to examine the shortcomings of the current model, and devote serious examination to an alternative model. Myles and Pierson note:

Indeed, there is precious little welfare state theory of any sort that leads us to expect this result [expansion of income tested programs such as Old Age Security and Guaranteed Income Supplement or an increase to those programs]. The reason, we think, is simple: virtually all welfare state theory is theory about the long historical trajectory of welfare state growth from the nineteenth century through the “golden age” that ended symbolically with the first great oil shock of 1973. The NIT/GI [Negative Income Tax/Guaranteed Income] model comes into its own after this age has passed, when the welfare state enters a period of containment and retrenchment (1997:450).

Restructuring the welfare policy framework towards a basic income model may prove more effective in reducing the proportion of the population dependent on social assistance, engaging individuals in employment and providing meaningful financial assistance to those in need. Such a structural change to the traditional model of social assistance might be best achieved with a basic income policy responsive to current economic, social and political conditions.

An examination of the development of the welfare state is required to understand the socio-political, economic and industrial forces that shaped it, and continue to shape it.
Canada’s history, both internally with respect to its industries and population, and externally, with respect to its role in the international community, is relevant. The policies that exist today are evolutions of ones that began many decades ago. Although the provinces each manage their own social assistance programming, Canada in general has an identity as a progressive first-world country. Depending on the threshold used, many argue that poverty exists and is a concern. It is difficult to capture the costs in terms of human capital, social capital, and pure economic capital that are incurred of those citizens living in poverty. To be sure, the rates of those living in poverty have declined over the past two decades, however poverty is not eliminated. The challenge is to examine novel solutions that bring about the most benefit in a sustainable and feasible manner. The idea of addressing poverty by providing an amount of income that not only covers essential costs such as food and shelter, but also provides for a dignified, meaningful participation in society has been raised several times over the past fifty years. It has taken on terms such as a Guaranteed Annual Income, a citizen’s wage, or a state demogrant. The variation has been diverse, although the common theme among these proposals was that they departed from the traditional social assistance framework. The basic income should be part of today’s debates as a potential solution.

To develop this argument, a systematic series of historical reviews and contextual descriptions are provided. The history and development of the welfare state will be documented, with additional detail provided for Canada’s model. Interlinked with the historical description will be an account of the accompanying economic and political circumstances along each phase of welfare state development. Contrasted with the historical, political and economic development of the welfare state will be corresponding
evidence regarding poverty levels in the past two decades. Detail is provided of how the current Saskatchewan social assistance model is expressed through policy. Evidence shows that Canada does not have an effective model for preventing or eliminating poverty. As such, the basic income is explored as a potential alternative which may better suit today’s economic and socio-political circumstances.
Prior to the inception of formalized, nationally-based welfare states, social assistance was typically provided by charitable organizations such as the church. The Elizabethan Poor Law of 1601 was one of the earliest means of administering aid to the destitute through the state (Mulvale, 2001). However, any relief provided by way of food or money was negated by civil punishment. To earn this assistance, people were chained together to clean sewers, physically beaten, and degraded for receiving what was a minimal reprieve. The system was consistent with social control theory, where “the concern of these earlier states was primarily with the maintenance of public order, the punishment of vagrancy and the management of the labour market, rather than the well-being of the poor” (Pierson, 1998:102).

Europe was ahead of North America in terms of the development of industrial production and the role of the working class in it. Social unrest arose as further segmentation of the economic classes took place. Several countries saw general strikes, revolutions, and attempts at revolutions during the mid-1800s and early 1900s (Teeple, 1995: 12).

In Canada prior to World War II the government took a non-intrusive stance and for the most part left the Canadian economy to self-regulate, leaving the responsibility of supporting the needy to the municipal and community levels (Pierson, 1998). Individuals were expected to take care of themselves and their families. Social insurance at that time literally meant one received support from society – the community around them. Few state programs existed for individual financial assistance. Some of the first social welfare
policies in Canada include workmen’s compensation legislation beginning in 1908, old age pensions in 1927, the establishment of the Unemployment Insurance Act of 1941, the Family Allowance Program in 1944, and the Canada Assistance Plan (CAP) in 1966 (Statistics Canada, 2003). The Great Depression in the 1930s served as a prominent example of the devastation that a nation faced without social insurance. As has been noted throughout history, a war artificially and temporarily boosts a country’s economy because of increased production, arms manufacturing and related increased employment.

A grave economic crisis was the context in North America when the Second World War began in 1939. This temporarily displaced some immediate fiscal worries, but the consensus grew that a permanent social security system needed to be established.

With increasingly apparent issues of extreme poverty observed in Canada, state-run welfare programs became a recognized necessity (Teeple, 2000). The Depression of the 1930s proved that the market required at least some government intervention to generate full employment, and some form of individual/family subsidy was needed. That economic crisis resulted in the state being “thrown into a major role as a provider of basic financial support…” (Robinson, 2003:3). Once the state entered a role of providing social assistance, it could never go back.

After the war, there was a shift in Canadian political culture from individualism to a more collective approach to social well-being. The state became involved and initiated a series of social programs: Family Allowances, Child Tax credits, Old Age Security, Medicare, and the Canada Assistance Plan (CAP). The development and expansion of the majority of social welfare policies continued until the 1970s, according to Baker (1997), and since then various revisions have taken place.
The changes in Canadian welfare state ideology after the 1970s coincide with economic policy. As Baker notes,

While policy rhetoric of the 1970s talked of social democracy that emphasized social citizenship and universality, the focus on need in the 1990s coincides with market globalization, the predominance of market capitalism and the pervasive international ideology of economic rationalism (Baker, 1997:4).

If one tracks key economic events, the 1973 OPEC (Organization of Petroleum Exporting Countries) oil crisis signals the world’s growing economic interdependence and therefore fragility. The sharp rise in oil prices affected oil-importing countries by exacerbating the inflation and recession that had begun in the previous two years. The 1980s saw global economic crises and rising debt. In response, the government adjusted welfare policy, removing universality from some social programs, with a focus on targeting the most needy. The revisions continued with changes in governments. The Liberals, who had previously promoted universal social policy, ended the Canada Assistance Plan (CAP) in 1995. This was replaced with the Canada Health and Social Transfer (CHST). The CAP had previously operated under a federal match system, but the provinces currently receive a block of funding to dispense according to their unique situations (Canada, 2008). Beginning in April 2004, the CHST was further restructured to create separate Canada Health and Canada Social Transfers. To be clear, the federal government does not hold a responsibility for delivering income assistance, but provides funding to the provinces with a caveat that there is no residency period required to access income assistance. The Government of Canada directly administers only a handful of income assistance programs including Old Age Security, Employment Insurance, the
Guaranteed Income Supplement, and an income assistance program delivered directly to First Nation communities for financial assistance with basic needs (Canada, 2012).

The Free Trade Agreement (FTA) of 1989 was another key economic event that altered the domestic labour landscape. Certain sectors saw labour pools shift to American and/or international locations. The Canadian Department of Finance maintained the FTA established a mutually beneficial framework for the fair and predictable treatment of investors, strengthening “the competitiveness of Canadian firms in global markets” and ensuring “the steady improvement of living standards” (Canada, 2003). Thus, the ebb and flow of the economy frequently dictated the form and function of income assistance policies and prioritization of government funding.

**Ideological development of the Canadian welfare state**

There are many explanations as to how and why the welfare state originated. Some see the welfare state as an ideological expression of a social consensus on the importance of providing for those in need. Lightman (2003:4) describes post-WWII society as having a “sense of collective responsibility”. Alvin Finkel also highlights the importance of the prevailing discourse of a society as formative to its policies, and not isolated from purely economic factors: “such policies cannot be studied without an appreciation of the larger social context in which they have evolved” (Finkel, 2006: 1). Indeed, during the formative years of Canadian social assistance policy, those who had survived the depression and the war were open to the idea of state regulation in the economy to prevent further disasters. James Mulvale links the ideas of this era with the shaping of the social welfare project via the “values and activism of social democrats and
organized labour” (2001:13). Further, Finkel (2006) remarks on the activism of a specific group – seniors – during the 1960s and 1970s as achieving a notable imprint on social policy. Older Canadians at that time were objecting that Canada Pension Plan payments were insufficient or not available to needy seniors and women. Through lobbying, this social policy was changed. In 1974, the Guaranteed Income Supplement (GIS) was pegged to increase along with the inflation rate, and in the early 1980s the Trudeau government raised it enough to have a significant effect on reducing the number of seniors in poverty.

Indeed, in his comprehensive review of the development of all types of social policy in the history of Canada, including housing, pensions and medicare, Finkel highlights the socio-political impact of collaboration and social movements for popular control over social services. It is possible that government and public sentiment or “collective consciousness” attuned to inequality contributed to the expansion of social welfare policies, although ultimately it could be argued that the welfare state emerged due to the inherent tensions of capitalism and the interplay of the groups required to support it. The market functions in a delicate balance of supply and demand, workers and spenders. Using Marxist conceptions, Christopher Pierson believes that the welfare state stemmed from economic motives: “significantly, welfare states tended to emerge in societies in which capitalism and the nation state were both already well-established and these pre-existing economic and state formations have themselves prescribed the limits of subsequent welfare state development” (1998:100). The industrial era generated the circumstances that required economic and social policy intervention, and ideology informed the direction that intervention would take.
Although the welfare state took various forms in terms of different policies and programs instituted in different nations, Gary Teeple (2000) and Christopher Pierson (1998) outline common underlying factors for the development of welfare states in most modernized countries. Even though they developed at different times, Teeple argues that the shared premise of all national reform programs in the nineteenth and twentieth centuries was “the development and rise to pre-eminence of industrial capitalism and the subordination of landed property to capital within the political framework of the nation-state” (2000:11). It was industrial capitalism's new mode of production that created the new form of centralized employment. The welfare state, more specifically income assistance, was a response to an economic need for those who, for various reasons, fell outside this new format.

The years immediately following the Second World War are commonly seen as the time when Canada (and the U.K.) began implementing and expanding social welfare policies in earnest. Christopher Pierson (1998) identifies the ‘Golden Age’ of the welfare state as beginning about 1945 and enduring until the mid-70s. The welfare state’s expansion can be empirically measured as a proportion of national Gross Domestic Product (GDP) devoted to social expenditures. Pierson illustrates that for example, in 1975, France, Germany, Belgium, Denmark, the Netherlands, and Sweden each spent at least 25% of their GDP on social expenditures (1998:133). In 1980, the nearest year for comparable data, Canada spent 13.7% of GDP on social expenditures. In contrast, Organization for Economic Co-operation and Development (OECD) data show that in the year 2007 Canada spent 16.9% of GDP on social expenditures, including income assistance, housing, health and old-age benefits (OECD, 2011). In 2007, France was
spending 28.4% of GDP, Germany 25.2%, Belgium 26.3%, Denmark 26.1%, the Netherlands 20.1% and Sweden 27.3%. Measurement at those two intervals in time shows that Canada slightly increased its proportion of social spending, but overall spent less on social expenditures than other OECD countries.

There were specific economic, social, political and industrial circumstances that allowed for this welfare state growth and expansion. Canada and Britain were each recovering from the war effort, and their economies looked dismal. In an attempt to avoid another period of depression each employed Keynes’ and Beveridge’s economic theory of state intervention in the economy. Keynesian economics generally refer to the need for a major and active role of government in the economy to serve as a counterbalance for the macroeconomic effects of the private market. Beveridge’s economic theory refers to the government’s role in monitoring and mitigating the negative effects of unemployment via the administration of public funds for those unable to find work.

The conditions necessary for the ‘Keynesian Welfare State’ (KWS) were the presence of a nationally-based economy, the entrenchment of capitalism, and a political climate willing to implement the type of government regulation required (Teeple, 2000). The KWS can be seen as a “grand compromise” between the three social forces - trade unions, corporations, and the government - during a period of Fordism. Fordism refers to “the epoch of full (male) employment, sustained economic growth and ‘managed’ capitalism” (Teeple, 2000:64). Thus, the combination of state spending and regulation, high employment, the family wage, mass consumption, and greater productivity than had ever been seen facilitated the golden age of the welfare state. As Pierson notes, “the
welfare state under Fordism was a response to both the accumulation needs of capital… and the defensive strength of the organized working class” (1998:60).

Among others, Harold Wilensky argues that the welfare state exists for the interests of industry. Delineating American history in the 19th and 20th centuries, he describes how the sharp upward curve of industrialization developed faster than could society’s ability to deal with the new way of life. Addressing the social needs of the labour force – health, education, housing became a necessity was in the interest of industry and came to be arranged by government: “…under the stress of problems engendered by changed life conditions – cities growing, factories multiplying, heavy immigration – social services multiplied under state auspices” (Wilensky: 1965:149).

Described as the “institutionalism” of the welfare state, “the immense variation among the [U.S] states in number and quality of services is associated with degree of urbanization, …region,… and wealth, factors themselves intercorrelated and linked directly with industrialism” (Wilensky: 1965:150).

Social democracy was able to function at its peak as a result of these particular conditions. Social democracy states that the welfare state and capitalism are each necessary for the other’s existence, and each acknowledges and supports the interests of the other. The welfare state provides capitalism with a mechanism to buffer the personal economic requirements of its workers, thus ensuring a continuing supply of labour. The labour pool, in turn, is provided some guaranteed relief in times of need. The development of the welfare state ‘crisis’ soon ended this seemingly workable compromise, as a result of changes in the economy and the political climate.
Many consider the peak of the welfare state’s programming to be from the post World War II era through to the mid-1970s (Lightman, 2003, Teeple, 1995, Finkel 2006). Thereafter, the political climate shifted from a social-democratic to a more neoliberal stance. This change coincided with a marked trend towards globalization, and as a result, social programs began to shift in priority with governments as they struggled to remain competitive on an international scale. The decades since the 1970s have seen multiple reforms to the programs provided by the welfare state.

Consistent with a neoliberal political philosophy is the centrality of the individual in determining one’s welfare. Individuals are expected to participate in the free market and obtain resources sufficient to support themselves. Where social assistance was once more generously provided via the ‘Keynesian Welfare State’, the neoliberal government’s welfare state expresses itself in a form known as residualism (Teeple, 2000). The residual welfare state operates on the basis of economic rationalism, whereby social policy is viewed as a subset of economic policy. Government intervention in the economy is resisted, and social programs are accessed as necessary, while employment-based income is the primary source of individual revenue. Social assistance is typically provided on an income-tested basis, with the goal of temporarily supporting the recipient until they can find income from the market economy. By providing assistance payments that are below the poverty line, recipients are financially encouraged to find greater sources of income through market wages. Residualism makes use of various alternate sources of income, such as an individual’s family, charity groups, volunteer services and non-profit organizations, before state subsidies are provided. The welfare state is
intended to be the last resort (Teeple, 2000). Individuals within the residualist welfare state are seen as both the source and remedy of their financial hardship.

**The sunset of the golden years**

The years after 1980 were years of great change, and many factors influenced the contraction of social and income assistance policies. It is difficult to pinpoint a single cause or event that led to the plateau and then retrenchment of social welfare programs. Notable social, political and economic shifts all occurred during this time. The “burning-out” of Fordist capitalism in the 1970s was a crucial turning point for the welfare state (Lightman, 2003; Pierson, 1998; and Teeple, 2000). With major advances in science and technology, especially in the fields of telecommunications and computers, automated productivity increased, and the need for human labour in fields such as manufacturing decreased. The Fordist system of mass production was replaced with a new mode known as flexible accumulation, whereby ongoing demand could no longer be assumed, so production consisted of smaller batches and quick delivery on an as-needed basis. Those corporations which still needed workers were able to take advantage of cheaper labour in less developed countries, and outsourcing of production grew more and more common. Consequently, the loss of domestic jobs led to a slowdown in spending. At the same time, the mechanization of many processes led to ‘jobless growth’, maintaining the profit margins for corporations without increasing employment. Changes in national production were directly related to globalization.

In the economic realm, international issues were impacting many of the developed nations and negatively affecting their economies. The 1973 Yom Kippur war between
Israel and neighbouring Arab countries led to dramatic increases in world oil prices, resulting in the creation of OPEC (Organization of the Petroleum Exporting Countries). Lightman, Pierson and Teeple note this period as an era when a world economic system was developing, with international capital breaking out of tariff and trade constraints facilitated by the 1947 General Agreement on Tariffs and Trade (GATT). This globalization of capital served to ‘denationalize’ much economic activity (Teeple, 2000).

Within national boundaries, especially in Canada, the onset of stagflation – a simultaneous slowing of the economy with rising inflation - confounded the premises of the Keynesian welfare state (Lightman, 2003). States were under fiscal pressure, and social spending was reduced to offset deficits. Concurrently with the changes in the amount and manner in which funds were allocated to provinces, there was a growing political shift towards neoliberalism, an economic philosophy that has confidence in the private market and seeks to minimize government intervention. It is also consistent with principles of liberalism, whereby the individual is thought to be better off with maximum liberty and self-determination, including the liberty to work or not work, and the responsibility to do something about it. In response to the fiscal crisis, “there was a commitment to sustained or enhanced economic growth, but this was to be achieved by an abandonment of Keynesian economics and full employment in favour of monetarism and supply-side reforms” (Pierson, 1998:155). Perhaps because of the growing gap between the social classes, both political and public opinion on the post-war consensus shifted towards fiscal conservatism. As Pierson notes, “Crudely put, public welfare was something which people would support in economic ‘good times’, when both public and private consumption could rise, but to which they were much less sympathetic in times of
economic stagnation” (1998:159). Finkel (2006) also specifically attributes a shift towards neoliberal policy, and a deviation from Keynesian policy, as exacerbating the economic stagnation of the 1970s.

The specific phenomenon of globalization, according to Teeple, is one of the key triggers in the decline of the welfare state: “we have arrived at the end of the era of the nation-state, and its declining significance is an important factor in the erosion of social reforms” (2000:52). Governments needed to address international sources of labour and production, increased sensitivity to oil prices, and loss of previously protected domestic markets. The national market was proving ineffective at maintaining employment and incomes, and the social security system built for the national economy was becoming less effective within the international economy. The policy option chosen was to scale back the welfare state, leaving individual welfare to the free market and trusting in the economic theory that whatever services the public sector vacates, the private sector and third (non-profit) sector will fill in, assuming there is both a need and a market. At an individual level, financial resources depended on participation in a labour market which was now global in nature. In sum, the economic, social and political conditions that once supported and complemented social assistance policy have now significantly changed. Mulvale describes the scenario of the ‘golden age’: “The [post-World War II] social welfare edifice was designed to fill temporary gaps in the earnings of male breadwinners in a full employment economy, in which women provided unpaid caring work and domestic labour in the home” (2008:3).

Looking back at the history of Canada during the past few decades, Myles and Pierson (1997) summarize the changes that have taken place in the social, political and
economic pillars which supported the growth of the welfare state, and describe how Canada is now poised to re-invent the way in which it delivers income assistance.

First, the model of choice of the postwar decades - social insurance cum citizenship rights – has rarely been used to respond to the new social risks generated by recent economic restructuring. The confidence of an earlier generation that universal social programs were not only compatible with, but also helped to drive, economic growth has been seriously eroded. The result has been “paradigm breakdown” and a search for new designs that might reproduce the virtuous circle between consumption and production that prevailed from World War II to the early seventies.

Second, analysis of recent conflicts over social welfare gives striking evidence that the old politics of welfare state expansion have been transformed. The political constituencies, coalitions, and bargaining strategies that drove the period of expansion – appear to be no longer operative or, at least, operate in new and unfamiliar ways. Old metaphors, such as the “citizen’s wage” intended to identify a process in which labor negotiated its pay packet through the welfare state as well as on the shop floor, no longer appear to capture the central dynamics of contemporary welfare state politics (Myles and Pierson, 1997:443).

Given the current moment in history, the following “central” components are summarized as requirements for the existence of the traditional welfare state:

1. Resources

Clearly, a sustainable source of funding for income support is required if a social assistance model is to be delivered over time. Resource needs will depend on the level of support provided. It can be assumed that some of this income support will be recirculated back into the economy through the purchase of necessary goods and services, such as housing, food, etc.

2. Political will

If resources are available, the second central component is the decision to appropriate them to those in need (however that is determined). In modern times, this typically takes the form of a government-sanctioned program or application process.
3. Social acceptance

If the above two conditions are met, the assumption is that income assistance is funded through tax dollars. There must be a certain level of acceptance, both by the general population (funders) and the potential clients, for the program to be of any success.

4. Sustainability

Economic resources as described above must be sustainable, but the traditional welfare state sees income assistance as a temporary measure. Indeed, different provinces have time limits on the amount of time one can access income assistance. The traditional model therefore seeks to “transition” clients to another source of income, typically employment income.

These conditions, their evolution over time, and whether they exist in a functional manner is reviewed in the following pages. It is argued that while these four components may have existed at one point in time, they are not in balance in today’s context, resulting in continued poverty and a need to explore alternative models for delivering income assistance.

Given the relative consistency in poverty levels, the Canadian welfare framework specifically pertaining to income assistance programs has not evolved to acknowledge key changes pertaining to unemployment levels, the shifts to flexible labour and the composition of the labour force. An overview of the impact of Canadian income assistance programs is presented to provide context for the argument for a revised model. Today's framework of social programming can now be evaluated for its effectiveness.
Most industrialized nations now have at least some form of welfare state: a set of state-funded income assistance programs and other social supports including health and education services designed to meet the needs of those who are not able to meet them through the market or through family. The current model of the Canadian welfare state, using both national data and data from Saskatchewan, is described below.

The current model of the Canadian welfare state

The Canadian welfare state is complex. Each province and territory manages its own social assistance or “last resort” system, based on federal contributions through the Canada Social Transfer (CST). The CST is a block of federal funds distributed annually to provinces and territories and targeted for post-secondary education, social assistance/social services, early childhood development, learning and childcare. In the fiscal year of 2011-12, the provinces and territories received an estimated $11.5 billion from Ottawa for the CST (Canada, 2011b). Of the total amount, approximately six billion dollars is targeted for social programs. Because this cash is provided in the form of block funding and tax transfers, the Canada Health and Social Transfers (CHT and CST), “give[s] provinces and territories the flexibility to allocate payments among social programs according to their priorities” (Canada, 2008), while upholding the principles of the Canada Health Act and the condition that there be no period of minimum residency with respect to social assistance. Introduced in 1996, the CHST replaced the Canada Assistance Program (CAP).
Despite some restructuring in funding delivery, these changes in economic and social policy were not successful in mediating the negative social impacts of a globalizing economy within a neo-liberal political climate. Unemployment, underemployment, poverty, and decreased security are some of the main consequences of this combination of factors. Over time, increases in the minimum wage and social assistance rates have failed to significantly reduce poverty rates or reliance on welfare (Vanderborght, 2006). Poverty still exists in Canada. In 1999, one in ten Canadians relied on social assistance for all or part of their income, two million out of 30 million relied on food banks, and 200,000 Canadians were homeless (Finkel, 2006:284). To illustrate this point further, child poverty, which really reflects family poverty, is growing. A Campaign 2000 report card illustrating child poverty rates across Canada showed that in the year 2000, 18.1% of Saskatchewan children lived below the Statistics Canada Low-Income Cut-off (Campaign 2000, 2011 and Statistics Canada, 2002). That translated into 44,000 children. Alberta was not much better at 15.2%. The highest rate of child poverty in the year 2000 was found in Newfoundland at 26.2%.

The introduction of the National Child Benefit (NCB) in the 1990s has not seen the desired outcome: “Despite the NCB’s goal of enhancing economic security of families with children, the proportion of poor children in Canada has remained unchanged since the unanimous adoption in 1989 of a Parliamentary resolution to end child poverty before the start of this century” (Mulvale, 2008:4). These statistics and statements pertaining to child poverty are partly explained by overall poverty figures. In the year 2000, the incidence of low income in Saskatchewan households was 10.9% (Statistics Canada, 2012). This figure is based on the low-income cut-off, after tax, in
1992 base dollars. According to the Canadian Council on Social Development (2002), income assistance payments in Canada were below the poverty line in the year 2001. In Saskatchewan, a single employable person needed $16,167 per year to reach the pre-tax low-income cut-off line. Social assistance incomes paid only 37% of that, or $5,978. A couple with two children needed $30,424 to meet the poverty line, though social assistance provided only 60% of that at $18,210. Residualism sees welfare’s purpose as providing “basic needs until people manage their way to returning to the workforce” (Saskatchewan, 2003). The current income assistance model contains four flaws which hinder the ability of recipients to achieve financial independence.

1. By providing less than the LICO amount, the current social assistance model seeks to encourage employment income, but often consequently maintains or deepens poverty, thus unintentionally creating a cycle of poverty. One is less able to find gainful employment when they are struggling with mere survival.

2. The means-testing policy hinges on a binary evaluation – either you qualify or you do not, based on a dollar figure which is the line between eligible and non-eligible. There is no transitional process or graduated support for those close to the cut-off line.

3. By requiring liquidation of nearly all assets and savings (Saskatchewan, 2011c) the current model increases poverty and dependency.

4. When clients who are receiving income assistance find employment, the marginal tax rate on the employment income is 100%, meaning every dollar earned is deducted from welfare income. A person must be able to replace their social assistance income with employment income.
These factors create a cycle of poverty, also known as the poverty trap. People are unable to transition off of social assistance entirely, or find themselves applying for it repeatedly. These issues are addressed in later discussions about the demographics of income assistance recipients and the way basic income policy differs from this structure.

Several authors have evaluated modern Canadian income assistance models. There is a conflict between the source of income security and the means of achieving it. The current social assistance system is ineffective because leaving it for employment results in a negative gain in income with current tax margins. James Mulvale explains why the ‘poverty trap’ is so strong: “while neo-liberal ideology opposes government action to create jobs directly or indirectly, it touts the dynamism of the capitalist marketplace as the best mechanism for job creation” (2001:49).

Income assistance recipients may very well wish to access employment, but sinking into greater and greater poverty while on assistance creates barriers and disincentives to this. As previously mentioned, a transition program that deals with the maintenance of basic financial needs during early stages of employment may also be strengthened by comprehensive supports for certain individuals to assist them with personal problems and/or education deficits. Additionally, Guy Standing argues there is an overarching labour problem with ‘low-level’ service jobs, part-time work, and precarious employment replacing full-time employment. Labour flexibility has “contributed to increasing income inequality and further fragmentation” (Standing, 1988). While full employment would solve much of the poverty problem, globalization and flexible accumulation makes that unlikely. Many jobs are now increasingly part-time,
mechanized or moved to international locations. The concept of the basic income questions the link between traditional work activity and income. It proposes a framework that could be feasible in today’s economic and social circumstances, and act as an alternative to the always difficult and often impossible transition from social assistance to employment and participation in the economy.

This stated intent of the income assistance program is evaluated against empirical data, and the following sequence of tables illustrates the expression of this policy in the context of the traditional welfare framework. Table 1 below provides an interesting comparison of provincial and national employment and unemployment rates during the past decade. The national unemployment rate for the period of 2001 to 2009 ranges roughly between six and eight percent. Saskatchewan fared slightly better with an average of roughly five percent unemployment during that same time. While the unemployment statistics do not automatically mean that a person is accessing social assistance (employment insurance may be accessed, for example), it shows that, as an illustration, in the past eight years, between twenty-two thousand and twenty-eight thousand individuals in Saskatchewan have been unemployed. While lower than the national unemployment levels for that same time, it is still a substantial number of residents. Some of those residents may have been able to access employment insurance, but those without that benefit may have had to access income assistance programs. Further detail on the statistics specific to Saskatchewan along with a description of the Saskatchewan programs and policies is provided in the following section.
Table 1: Number and percentage of Saskatchewan residents employed/unemployed, 2001 to 2009

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Table 2 below illustrates trends in the percentage of a province’s population accessing social assistance from the mid-1990s to the early 2000s. The percentage of the Saskatchewan population accessing social assistance during this ten year period ranged from roughly five to eight percent. Again, for the most part Saskatchewan fared better than the national average, however the rate has leveled off and remained relatively consistent.
Table 2: Social assistance rate by province (percent of population receiving social assistance)

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Illustrated in terms of number of individuals, Table 3 shows that during the period between 1993 and 2008 in Saskatchewan, a high of 81,000 to a low of 41,700 individuals were affected by poverty and required social assistance. Saskatchewan’s data includes children. The data were aggregated by Human Resources and Skills Development Canada (Canada, 2010), although between-province comparisons are not appropriate as each province reported separately. Alberta’s figures, for example, do not include children in need. It is important to remember that these statistics do not necessarily illuminate the plight of children within families. Later discussions about the basic income debate the merits of providing incomes to individuals rather than family units.
Table 3: Number of social assistance recipients by province, 1993 to 2008 (in thousands)

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</tbody>
</table>


**Saskatchewan’s model**

In Saskatchewan, the provision of social assistance is mandated through the provincial Ministry of Social Services. The Social Assistance Program is described as a program of last resort for individuals and families who cannot meet the basic costs of
living. The Social Services policy, Chapter 15, defines the intent of the policy and basic requirements as follows:

**Intent**
Allowances shall be provided for the items essential to meet minimum living requirements.

**Policy**
Items essential to meet minimum living requirements include:
- food, meals purchased away from home;
- personal and clothing requirements;
- travel;
- household needs;
- accommodation such as shelter, utilities, board and room, or residential facilities; (e.g. group homes, approved homes) (Saskatchewan, 2011c).

A macro-level evaluation of the tables in the preceding section shows that, while there are peaks and valleys in the number of residents accessing income assistance, there are still a significant number of individuals and families requiring this support. In the decade between 1993 and 2003 social assistance recipients in Saskatchewan, along with the Canadian average, decreased. It is important to note that these statistics only capture those who officially received income assistance. These statistics do not capture the ‘near-poor’, those in need who did not qualify for assistance, or those who did not apply.

Central to any objective evaluation of poverty is the line at which poverty is defined. The low income cut-off (LICO) is Statistics Canada’s measurement for estimating an income threshold below which a family will likely devote a larger share of its income than the average family on the necessities of food, shelter and clothing. The first set of published LICOs used the 1959 Family Expenditure Survey to estimate five different cut-offs varying between families of one to five members. These thresholds were then compared to family income from Statistics Canada’s Survey of Consumer
Finances (SCF) to produce low income rates. Statistics Canada continues to use this approach to construct LICOs, with the exception that cut-offs now vary by seven family sizes and five different community sizes. This additional variation is intended to capture differences in the cost of living between rural and urban areas.

Table 4 depicts the low income cut-offs for various family sizes, and for various sizes of community. Saskatchewan presently does not have any communities in the 500,000 or greater size. These amounts are what are estimated to be the income point where a family unit will be devoting 20% more than the average family to purchase the basic necessities: shelter (mortgage, rent), food (groceries), household supplies (clothing, school supplies) and costs of living (transportation, utilities). For example, if an average income family spends 50% of their total income on the basic necessities, these LICO amounts would be the income level at which that same family type would be spending 70% of their total income on the basics. Note that these amounts are not the amounts paid via social assistance.
### Table 4: Low-income cut-offs (1992 base) after tax, 2007 to 2009

Amounts shown in current dollars.

<table>
<thead>
<tr>
<th>Size of family unit</th>
<th>Rural Areas</th>
<th>Urban Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less than 30,000</td>
<td>30,000 to 99,999</td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 person</td>
<td>11,745</td>
<td>13,441</td>
</tr>
<tr>
<td>2 persons</td>
<td>14,295</td>
<td>16,360</td>
</tr>
<tr>
<td>3 persons</td>
<td>17,800</td>
<td>20,370</td>
</tr>
<tr>
<td>4 persons</td>
<td>22,206</td>
<td>25,414</td>
</tr>
<tr>
<td>5 persons</td>
<td>25,287</td>
<td>28,940</td>
</tr>
<tr>
<td>6 persons</td>
<td>28,044</td>
<td>32,095</td>
</tr>
<tr>
<td>7 or more persons</td>
<td>30,801</td>
<td>35,250</td>
</tr>
<tr>
<td>2008</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 person</td>
<td>12,019</td>
<td>13,754</td>
</tr>
<tr>
<td>2 persons</td>
<td>14,628</td>
<td>16,741</td>
</tr>
<tr>
<td>3 persons</td>
<td>18,215</td>
<td>20,845</td>
</tr>
<tr>
<td>4 persons</td>
<td>22,724</td>
<td>26,007</td>
</tr>
<tr>
<td>5 persons</td>
<td>25,876</td>
<td>29,614</td>
</tr>
<tr>
<td>6 persons</td>
<td>28,698</td>
<td>32,843</td>
</tr>
<tr>
<td>7 or more persons</td>
<td>31,519</td>
<td>36,072</td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 person</td>
<td>12,050</td>
<td>13,791</td>
</tr>
<tr>
<td>2 persons</td>
<td>14,666</td>
<td>16,785</td>
</tr>
<tr>
<td>3 persons</td>
<td>18,263</td>
<td>20,900</td>
</tr>
<tr>
<td>4 persons</td>
<td>22,783</td>
<td>26,075</td>
</tr>
<tr>
<td>5 persons</td>
<td>25,944</td>
<td>29,692</td>
</tr>
<tr>
<td>6 persons</td>
<td>28,773</td>
<td>32,929</td>
</tr>
<tr>
<td>7 or more persons</td>
<td>31,602</td>
<td>36,167</td>
</tr>
</tbody>
</table>


Tables 5 and 6 illustrate the specific amounts of income assistance provided to a recipient in Saskatchewan as of April, 2011.
Table 5: Saskatchewan monthly social assistance rates

<table>
<thead>
<tr>
<th></th>
<th>Adult Allowance</th>
<th>Board &amp; Room Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult</td>
<td>$255</td>
<td>$20</td>
</tr>
<tr>
<td>Disabled adult add:</td>
<td>$50</td>
<td>Other</td>
</tr>
<tr>
<td>With parents</td>
<td>$330</td>
<td>$330</td>
</tr>
<tr>
<td>Other</td>
<td>$20</td>
<td>$20</td>
</tr>
<tr>
<td>Single Parent</td>
<td>$255</td>
<td>$330</td>
</tr>
<tr>
<td>with 1 child</td>
<td>$0</td>
<td>$440</td>
</tr>
<tr>
<td>Each additional child</td>
<td>$255</td>
<td>$85</td>
</tr>
<tr>
<td>add:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier A</td>
<td>$330</td>
<td>$330</td>
</tr>
<tr>
<td>Tier B</td>
<td>$20</td>
<td>$20</td>
</tr>
<tr>
<td>Tier C</td>
<td>$85</td>
<td></td>
</tr>
</tbody>
</table>


Table 6: Saskatchewan shelter allowance - monthly maximum rates

<table>
<thead>
<tr>
<th></th>
<th>Tier A</th>
<th>Tier B</th>
<th>Tier C</th>
<th>Tier D (Social Housing)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Room only:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Single</td>
<td>$200</td>
<td>$200</td>
<td>$200</td>
<td>$200</td>
</tr>
<tr>
<td>- Childless Couple</td>
<td>$400</td>
<td>$400</td>
<td>$400</td>
<td>$400</td>
</tr>
<tr>
<td>Single Employable</td>
<td>$328</td>
<td>$256</td>
<td>$245</td>
<td>$233</td>
</tr>
<tr>
<td>Single Unemployable</td>
<td>$459</td>
<td>$358</td>
<td>$314</td>
<td>$326</td>
</tr>
<tr>
<td>Childless Couple</td>
<td>$526</td>
<td>$440</td>
<td>$398</td>
<td>$344</td>
</tr>
<tr>
<td>Families</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- 1 to 2 children</td>
<td>$636</td>
<td>$508</td>
<td>$494</td>
<td>$403</td>
</tr>
<tr>
<td>- 3 to 4 children</td>
<td>$688</td>
<td>$603</td>
<td>$544</td>
<td>$480</td>
</tr>
<tr>
<td>- 5 or more children</td>
<td>$760</td>
<td>$699</td>
<td>$606</td>
<td>$557</td>
</tr>
</tbody>
</table>

Tier A = Lloydminster, Regina, Saskatoon, Estevan and the bedroom communities of: Allan, Asquith, Balgonie, Belle Plaine, Bradwell, Buena Vista, Clavet, Colsnay, Dalmeny, Delisle, Disley, Dundurn, Edenwold, Elstow, Grand Coulee, Langham, Lumsden, Lumsden Beach, Martensville, Meacham, Osler, Pense, Pilot Butte, Regina Beach, Shields, Thode, Vanscoy, Warman, White City.

Tier B = Creighton, Kindersley, La Loche, La Ronge, Macklin, Melville, Prince Albert, Rosetown, Weyburn, Yorkton.

Tier C = Battleford, Fort Qu’Appelle, Humboldt, Meadow Lake, Melfort, Nipawin, Moose Jaw, North Battleford, Swift Current, Watrous

Tier D = Other towns, rural areas and social housing units.

Based on information published by the Ministry of Social Services, it can be estimated that a single employable adult in a major city on social assistance would receive the following monthly amount, based on April 2011 rates (Saskatchewan, 2011a):

<table>
<thead>
<tr>
<th>Basic Adult Allowance:</th>
<th>$255.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shelter Allowance:</td>
<td>$328.00</td>
</tr>
<tr>
<td><strong>Total monthly allowance:</strong></td>
<td><strong>$583.00</strong></td>
</tr>
<tr>
<td><strong>Total yearly amount:</strong></td>
<td><strong>$6996.00</strong></td>
</tr>
</tbody>
</table>

In comparison to the most recent LICO available (2009), the social assistance amount of $6,996.00 falls short of the 2009 LICO of $15,579.00. The social assistance amount is roughly 45% of the estimated amount of income required to purchase basic life goods. The rates for those with children do tend to be nearer the LICO amount.

Comparative data gathered by the National Council of Welfare (2011) also show a rate of social assistance lower than the LICO. Table 7 illustrates the income provided to four different types of family unit per year, for the years 2006 to 2009.

**Table 7: Saskatchewan total welfare incomes by family type, 2006 to 2009**

<table>
<thead>
<tr>
<th>Household type</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single employable</td>
<td>$ 8,542</td>
<td>$ 7,580</td>
<td>$ 8,120</td>
<td>$ 8,780</td>
</tr>
<tr>
<td>Person with a disability</td>
<td>$ 9,348</td>
<td>$ 9,772</td>
<td>$ 10,477</td>
<td>$ 10,902</td>
</tr>
<tr>
<td>Lone parent with one child</td>
<td>$ 15,709</td>
<td>$ 15,321</td>
<td>$ 16,413</td>
<td>$ 17,923</td>
</tr>
<tr>
<td>Couple with two children</td>
<td>$ 21,633</td>
<td>$ 20,645</td>
<td>$ 22,626</td>
<td>$ 24,001</td>
</tr>
</tbody>
</table>


Table 8 then compares those incomes against several different standards of poverty measurement: the after-tax low-income cut off, the average Saskatchewan
income for 2009, the median Saskatchewan income for 2009, and the market basket measure (MBM). The market basket measure is an alternative measure to the LICO, designed to capture the average cost of household expenses (food, clothing, shelter, transportation and household needs/utilities) with sensitivity to the cost of living in different regions of Canada (Canada, 2011c).

Table 8: Comparison of Saskatchewan social assistance payments as a percentage of low-income threshold, for various household types, 2009

<table>
<thead>
<tr>
<th>Adequacy measure</th>
<th>Single employable</th>
<th>Person with a disability</th>
<th>Lone parent with one child</th>
<th>Couple with two children</th>
</tr>
</thead>
<tbody>
<tr>
<td>After-tax LICO</td>
<td>56%</td>
<td>70%</td>
<td>95%</td>
<td>81%</td>
</tr>
<tr>
<td>After-tax average income</td>
<td>29%</td>
<td>36%</td>
<td>53%</td>
<td>55%</td>
</tr>
<tr>
<td>After-tax median income</td>
<td>37%</td>
<td>45%</td>
<td>55%</td>
<td>29%</td>
</tr>
<tr>
<td>Market basket measure</td>
<td>61%</td>
<td>76%</td>
<td>96%</td>
<td>84%</td>
</tr>
</tbody>
</table>


On the surface, these data would seem to demonstrate that a single employable individual would need to obtain only $6,000 to $10,000 of additional yearly income to meet the low-income cut-off to be able in theory to meet the defined standards for the basic necessities of life. Yet herein lies a first design flaw of the current model: any additional income received through employment or other means is subtracted from the amount provided through social assistance (Saskatchewan, 2011c). The resulting policy effect is to maintain the status quo (poverty trap), making it very difficult for individuals to exit the social assistance system until such time as they are receiving an employment income comparable to the LICO. When an individual receiving social assistance receives any form of income (through employment or other means), it is defined as an
overpayment by the Saskatchewan Social Assistance Policy Manual (Saskatchewan, 2011c). Overpayments are recovered by the Ministry based on the amount the individual was originally entitled to. Unless a person secures employment income that immediately reaches and/or exceeds the social assistance entitlement amount (despite the two-week or month long wait for a paycheque), their income assistance will remain very low.

A second design flaw of the current social assistance model is that it is based on artificial benchmarks. For example, it has already been established that Saskatchewan payment rates do not meet the Low-Income Cut Off levels. A person exiting the social assistance program will still be in poverty until such time as their income reaches the LICO level. Research using social insurance numbers to track individual movement through the welfare system has provided new information about cycling on and off of social assistance programs (Finnie, Irvine and Sceviour, 2004). Traditional data have typically been coarse, high level and aggregate. It does not indicate from year to year the proportion of new cases versus continuous cases versus recurring cases. This new method of being able to discern patterns of users is useful. Results from Finnie et al. revealed that levels of new access onto social assistance programs were correlated to accessing Employment Insurance programs: “SA [social assistance] usage is related to the EI [employment insurance] program, in that a reduction in the generosity of the latter leads to not only (presumably) lower EI usage, but lower SA usage as well, the former appearing to be a ‘gateway’ for the latter” (Finnie, Irvine and Sceviour, 2004: 17). This makes sense in the context of a depressed economic situation, but also shows that employment and its benefits, such as Employment Insurance, are not always sufficient to keep individuals and families out of poverty. Low benefit levels for social assistance and
employment insurance may be an incentive for individuals to find other financial means to cope, but for some, accessing these programs is their last resort. This provides further evidence that the current welfare model requires reform regarding the policy gap between exiting social assistance and finding sufficient income to meet LICO levels. In sum, this gap perpetuates the poverty trap. If we return to the stated intent of social assistance programs, that is, to be a temporary financial safety net while a person finds the means to be self-sufficient again, we can see that there are gaps in either finding or maintaining employment, or that the disincentives and barriers are simply too strong. People are needing to access income assistance again and again.

The Government of Saskatchewan, through the Ministry of Social Services, offers an income assistance program known as the Transitional Employment Allowance (TEA), “designed to assist applicants participating in pre-employment programs and services or those who are ‘job ready’ and seeking employment” (Saskatchewan: 2011b: para 4). Similar to the Social Assistance Program, recipients receive a General Living Allowance and a Board and Room Allowance/Personal Living Allowance, depending on accommodation type. Assistance with utility costs is also provided, along with a $20 ‘Pre-employment allowance’ and a one-time $140 ‘Job-Start Allowance’ for such things as work clothing or tools. Financial assistance for a single individual is roughly comparable to the social assistance rates, at $583 per month for the general living allowance.

Again, even with the Transitional Employment Allowance, there is a gap between the assistance provided, and the amount determined as the low-income cut off. Individuals must find other means to pay the expenses of everyday life while looking for
employment or taking training. The Social Assistance and Transitional Employment Assistance programs also differ in that the TEA program does not require liquidation of all personal assets (vehicles, jewellery, etc.) as does the Social Assistance Program.

Because of this requirement, an individual who finds employment now has an income, but must re-build their life again from the ground up with no savings, no investments, and limited property and assets.

Research by Statistics Canada evaluates trends related to entry, exit and re-entry to social assistance programs using longitudinal income-tax based data within the period of 1992 to 2000 (Finnie, Irvine and Sceviour, 2004). Traditional welfare data have not been able to track the movement of individuals within the welfare system, but this information allows us to draw conclusions about users of Canadian social assistance programs, the efficacy of the current welfare model, and whether it is improving or exacerbating the poverty cycle. Data presented by Finnie et al. were obtained through the Longitudinal Administrative Database (LAD) which is a representative sample of 20% of Canadian tax filers from all income levels, including low-income. It is able to track individuals’ economic circumstances over time, using Social Insurance Numbers. Confidence in the data is high, as they are extracted from income tax files, and include additional demographic information. A possible limitation to note is that information from very low income individuals who do not file income tax would be absent. The authors estimate that the LAD captures 95 to 97 per cent of the underlying adult population within the years 1992 to 2000. Parameters of the data stipulated that an individual or family unit received at least $101 in social assistance income in any year in question in order to be counted as a social assistance recipient. It is important to note that
provincially, social assistance is granted on a month to month basis, with assistance withdrawn if for some reason an individual receives an alternate income which exceeds their allotted amount. Therefore the data in this paper indicate whether an individual did or did not receive social assistance income in a given year, but do not detail for how many months of that year social assistance was required. In addition to the demographic data, including family composition, location of residence, and age there are three economic variables which are factored into the analysis. These are the regional unemployment rate, the index of social assistance benefit rates as estimated by the National Welfare Council, and the ‘generosity’ of the Employment Insurance system. This last variable is included on the assumption that programs such as social assistance and employment insurance act as social levers – that a more restrictive benefit level will provide an incentive to individuals to find alternate (i.e., greater) sources of income such as employment income.

It is important to reiterate that the qualification for social assistance is based on social policy largely influenced by the ideological considerations mentioned in the previous chapters, along with artificial designations of what ‘poverty’ means, and so social assistance statistics can be broadened or narrowed instantly by raising or lowering the income threshold needed to qualify for assistance. Further, by using a dichotomous framework, social assistance recipients can only be ‘on’ or ‘off’, there is no sliding scale or gradient. A stark way to illustrate the expression of this policy is that an individual can be disqualified for assistance by an amount as small as one dollar, yet their quality of life and need for assistance may not be qualitatively different from someone who does qualify. Later discussions on the technicalities of a basic income policy demonstrate
examples of a graded or sliding scale as being a more pragmatic and humane manner of transitioning from assistance.

Finnie et al.’s analysis emphasizes that the unemployment rate in a given region at a given time has significant impact on related statistics of access to social assistance. Periods of economic growth are related to trends of reduced access to social assistance.

**Entering social assistance**

The analysis of the LAD data show that in terms of first entry onto social assistance, the greatest probability in a year to year period falls to lone parents, with male single parents at 10.2%, and female single parents at 14.2%. Subsequent probabilities for family categories include single males (4.7%), single females, (2.8%) and then couples with children (2%) and couples with no children (1%). The study by Finnie, Irvine and Sceviour reports changes in family status -- such as from single female to female lone parent, or from married female with children to single female -- as having a “dramatic” association with transitions onto social assistance. Later discussions on the basic income demonstrate its particular value in application to women and single parents.

The report showed an association between age and first access to social assistance, with younger individuals showing higher entry rates. Access rates for single parents decline with age, arguably because children reach school age and become less dependent on day care or direct supervision by the parents, a factor again addressed by the model of the basic income by paying to individuals versus family units. The study showed a strong association between the number of children an individual or couple had
and social assistance access, with particularly high access rates for those with four or more children.

In discussing one of the economic policy variables – Employment Insurance generosity rating - the authors describe a ‘gateway’ hypothesis in which a generous EI level leads to greater access to social assistance, and vice versa: that a reduction in EI benefits will also see trends of lower access to social assistance. They hypothesize that at times of low levels of income assistance from these programs, people will seek alternate means of income. Information from the Government of Canada states that Employment Insurance is granted for 14 to 45 weeks, depending on the unemployment rate in the region in question, and the length of time the person had been contributing to EI. In a period of high unemployment, a person would logically turn to social assistance once the time period for receiving EI had expired. The EI rate is 55% of the person’s average insured earnings, and is taxable. Employment Insurance could provide a marginally higher income than social assistance payments for a period of 45 weeks, depending on the wage previously made. Finnie et al.’s labeling of EI as a ‘gateway’ to social assistance raises an interesting question regarding the purpose and adequacy of the Employment Insurance policy. Many recipients require social assistance after nearly a year’s support on EI. Perhaps the disincentive of even lower support payments cannot mitigate certain labour conditions. Further research similar to Finnie, Irvine and Sceviour’s with anonymized personal data would be helpful if it could be determined the types of jobs that were lost, and the types of jobs sought by EI claimants. Perhaps policy could be adjusted to acknowledge barriers and difficulties faced by certain industries at certain times.
Exit rates for those using social assistance for a year or less are highest for couples, with 40 to 54% collecting for up to a single year’s time. Both single men and single women had an exit rate of 33% after one year’s time. Notably, single mothers had the lowest rate of exiting social assistance after only a year at 17%. Single fathers were slightly higher at 25%. In addition to the entry rates described above, the evidence builds calling for a policy that accommodates the particular conditions of single parents, especially those who are young with young children. The basic income addresses these factors by paying to individuals (not couples or family units), encourages part-time employment, and pays at a rate that makes paid childcare affordable.

In terms of family composition, the exit rate analysis showed that single mothers who married had a higher chance of exiting social assistance, and conversely, that moving from married to single parent reduced the chances of exiting social assistance within a year’s time.

The authors report that re-entry trends are similar to first entry trends. The highest risk group is again single parent females. Overall, if an individual has been able to avoid using social assistance for a period of a few years, their probability of re-entering social assistance normalizes to the same risk as the general population.

Studies of this type utilizing anonymized income tax data are invaluable for those studying economic and social policy. They provide another perspective from which to analyze the issue of poverty. Individual and ethnographic accounts are rich and compelling, however this type of data is equally rich and informative in that we are able to follow the income patterns of millions of Canadians. It is important when considering such statistics to remember that each number is an individual. After reviewing data on
poverty levels, social assistance benefit levels, and the number of individuals accessing such programs from a number of sources, the challenge remains to identify a policy or program that effectively addresses the issue of low income. Challenging circumstances can inhibit one’s full participation and contribution in the economy and society. The policy alternative of a basic income framework allows for greater flexibility and responsiveness at both the individual and macro level.
CHAPTER 3: A FRAMEWORK FOR CONSIDERATION

After reviewing the relationship and interplay between the economy, the political climate and social trends, and evaluating the outcomes of the traditional social assistance framework, the case for a revision of that framework is strong. To be clear, this proposal does not advocate the consolidation of other welfare state programs such as healthcare, employment insurance or old-age security into a single payment, as do some versions of basic income or guaranteed annual income proposals. Those other income supports or subsidies should still exist in some form, although the detail of the amount is not discussed here. The interest is solely in comparing features of the basic income model against features of the current income assistance model based on last resort programs such as social assistance.

Proposed alternative model: the basic income

The basic income model is considered radical at first glance because it addresses issues relating to income, work, the environment, gender equality, and the rights of citizens in a way that is very different from today’s social assistance framework. Interestingly, variations of the basic income have been both proposed and rejected by members across the entire political spectrum. It is not espoused by any one type of political party. It is clear that the time has come for consideration of a social policy that better reflects the social, economic, and industrial circumstances of post-Fordism and a truly global market, and is sufficiently flexible to make this policy relevant into the future. Such a policy must be able to provide and sustain economic security for citizens when manufacturing work is increasing being made robotic; when outsourcing of both
skilled and unskilled labour is becoming more common; and when the economic woes of one country are not insulated from other countries. In short, a relevant policy today must be woven into the economy, not thought of as an adjunct.

Phillippe van Parijs, one of the original and most cited basic income authors of the past few decades, describes the basic income as a “beautifully, disarmingly simple idea” (1992:3). It is true that what those in poverty need is income. The basic income plan according to van Parijs provides that needed income in a financially sound and morally just manner. Myles and Pierson echo the growing recognition for a fresh look at income assistance policy: “although [negative income tax/guaranteed income] designs have a clear affinity with traditional means-testing, they represent, we argue, a historically novel form of state redistribution about which conventional welfare state theory has little to say in regard to either origins or outcomes” (1997:4). Further, Canadian experts in the study of the application of a basic income such as Mulvale (2008) believe such a framework is a feasible possibility, and that it could be built onto the existing welfare state in Canada.

There is no single definition for a basic income program. The concept on its own is not well understood, and according to van Parijs (2004), must be specifically described in terms of criteria for qualification, method of financing, relation to employment income and amount. Other similar terms which vary according to those variables include demogrant, state bonus, citizen’s wage, and guaranteed annual income. At a high level, the basic income is described by van Parijs as “an income paid by a political community to all its members on an individual basis, without means test or work requirement”
(2004:8). More specifically, the most radical stream of basic income variations includes the following as definitive features of a basic income (van Parijs, 1992 and 2004):

1. A basic income is universal, paid to individuals rather than to households. Van Parijs intends this to mean citizens of a nation in a legal sense. It is meant to be a policy of inclusion, though, so a strict interpretation may exacerbate the dualization of the labour market. People who have immigrated to Canada and who are trying to establish a life may also benefit from this income support. Further definition on who exactly is entitled to the basic income will need to be undertaken. Universality in social programs is said to have advantages of increasing knowledge and uptake, and therefore greater effectiveness, and by removing the social stigma of means-tested or application-based programs. This feature of universality additionally supports principles of gender equality, because the current system of social assistance delivers to households or family groups. When each individual is entitled to a minimum income, and payments are directed to individuals, the financial interdependence of spouses and family units is removed. Also, men or women in relationships or families would now have enhanced economic freedom to choose whether they wanted to work or not, providing at least the option for one of them to stay home with children if they so choose. Van Parijs is not specific on whether a basic income should be paid to children, rather he is flexible on this point. Others see the basic income paid to adults while child benefits are concurrently paid.

2. A second definitive feature of the basic income is that it is paid unconditionally, irrespective of income from other sources and without means-testing. This removes the stigma and social control present in traditional social assistance, and fosters social inclusion. Van Parijs’s definition intends that the basic income be paid to citizens
without requiring any present or past work performance or the willingness to accept a job if offered. A person’s financial status is enhanced by taking even part-time work, whereas under a means-tested program, there can be a financial disincentive. A non-financial benefit of this unconditionality, according to van Parijs (2004), is social justice. With basic needs met, people would have the freedom to choose their own version of a ‘good life’.

3. The basic income is paid in cash, not in kind. There are no restrictions as to the use of this income. It is meant to supplement, not replace existing social benefits such as healthcare and education.

4. Payment of the basic income is intended to take place regularly, not on a single-payment basis, as promoted by Ackerman (2006). Although the initial net financial result is more or less the same, an endowment or state grant payment is vulnerable to the quality of its investment for longer-term payouts to the investor, as well as dependent on the life expectancy of the receiver.

5. Basic income payments are paid out by a government out of publicly controlled resources. Basic income payments could be funded out of the general revenue fund (GRF) and do not need to be earmarked or tied to a specific stream of revenue (i.e., an associated funding tax). Van Parijs notes that it does not need to be a national government, as the state of Alaska pays a grant to its citizens. The 2011 dividend is $1,174 (Alaska, 2011). The dividend is funded through state revenues obtained from natural resource extraction, and is paid to Alaskan residents, including children, who have resided in the state for at least one full calendar year.
Van Parijs contrasts the main feature of a basic income policy against a negative income tax as follows: the basic income is paid in advance; whereas a negative income tax is a refundable tax credit, provided only once tax and incomes are examined (Groot, 2004). Van Parijs cautions that unless a negative income tax is structured appropriately the poverty trap could continue.

There are three main reasons a basic income policy is worth exploring. One is that the inadequacy of current economic and social policies is obvious, given the shifts in the global economy and the fact that full employment does not exist. Another reason is that poverty exists even for people who are working. According to van Parijs, the divide today is not so much between capitalists and workers, as it once was, but between those who have decent-paying jobs and those who do not. A large part of poverty includes the working poor, which has been acknowledged in Saskatchewan by the creation of the work income supplement. Finally, and most importantly, a basic income is morally just. Poverty can be reduced or eliminated. Part of the moral argument from basic income supporters is its appeal to liberty. With a substantial basic income, “the larger the part of the people’s needs that is covered in the unconditional fashion – the larger the people’s real freedom to choose activities that are intrinsically rewarding, and the more they will do so” (van Parijs, 1992:18). Few before have even conceived of a society where one’s well-being is not tied to formal employment. A basic income could indeed include a transformation of many of society’s assumptions about work, leisure, social values, and individual and social welfare. The interesting feature of the basic income is its flexibility in that it allows employment income, even from part-time sources, while still providing sufficient financial resources to maintain the basic necessities of life. It is a policy that
adjusts to economic and labour market conditions, and is less strict than the on/off
dichotomy of the traditional social assistance and employment insurance policies.

The construction of the basic income policy includes many benefits. One is its
superior administrative efficiency over that of traditional welfare programming. By
eliminating means-testing, the in-person application process, and selection and
monitoring, the result is a far smaller welfare state bureaucracy and greater administrative
ease for all involved. The only criterion would be citizenship, and the state already
collects the required information via the income tax process. Further efficiencies are
gained by eliminating cumbersome and time-consuming processes such as reports on
attempts to find work, which current social assistance recipients are required to produce.
The unconditionality and universality of the basic income makes it less presumptuous
about family types and family relations, about workforce participation, and the realistic
ability to be self-reliant. Discriminating who is eligible for social assistance under the
current model requires a lot of time, effort, paperwork, and government funding that
could otherwise be redirected.

Some argue that a basic income policy could also benefit the environment. By
severing the long-held connection between employment and income, it could slow down
the frantic pace of productivity into something ecologically sustainable. Perhaps savings
could be achieved by allowing for greater inclusion of work through newer trends such as
telecommuting and virtual offices. The ‘Green’ case for basic income aims to slow
down growth, aiming for planned sustainability. Besides ecological considerations, pure
Green basic income advocates encourage less consumption and a less materialistic
lifestyle, obtaining satisfaction from quality leisure time instead.
Another positive impact of the basic income would be to families. As briefly mentioned above, a guaranteed minimum income would remove the financial incentives for, and therefore dependence on, relationships. With financial security, a basic income could allow women in abusive relationships to exit them. However, with a certain level of income provided to the individuals within a family unit, families could potentially choose to work fewer hours (i.e., part-time) and spend more quality time with each other. Leisure would no longer come at such a premium and stress for many would be greatly reduced, possibly resulting in related savings in health care. With equal incomes for men and women, gender equality would advance. Because men typically receive higher wages, it is traditionally the woman who has stayed home to raise children. With a base income equality, the reverse would be financially possible. Or, both parents could work part-time and enjoy the security of their additional basic income. Single parents, especially single mothers, would not face the economic difficulties they currently do. Childcare might be more easily afforded, or the flexibility in working hours might facilitate child care cooperatives.

The largest changes that would occur in a basic income system would possibly be those in the realm of work. Along with the right to a minimum income, van Parijs believes people have the right to work, as well as the right not to work. While the basic income scheme mediates many of the points of crisis of the traditional welfare structure, some basic income authors do not accept the trend towards labour flexibility and part-time work. Instead, they feel that a reconception of the labour market is required. André Gorz believes that overall working time should be reduced substantially, with the corresponding loss of earned income compensated by social income (Van Parijs,
Next, the increased number of jobs becoming available due to shorter working hours must be made accessible to the unemployed and underemployed. This direction would require a consistent and effective education and retraining policy, making it possible for everyone to acquire new skills at any time or age.

Most importantly, Gorz, Pierson (1998) and Mulvale (2001) advocate a policy promoting what is currently unpaid and undervalued community and cooperative work, giving it social and political recognition. Child care, elder care, volunteering, art, and gardening are all socially valuable activities that fall into this category. Along the spectrum of basic income variations is what some refer to as a “participation income” (van Parijs, 2004), very similar to van Parijs’s version, but requiring recipients to undertake some kind of activity – studying, volunteering, caring for children or elderly, or otherwise be disabled.

The valuing of all work is an especially important note for feminist advocates of basic income. Ailsa McKay (2001) advises that instilling a basic income alone will not fully provide gender equality. The fact that women have done much of the “nurturing” and “caregiving” type work must be addressed within the context of overall work. A minimum income guarantee does not necessarily mean the gendered division of labour will be resolved: “to assume that the removal of asset constraints would result in equal outcomes ignores the influence of rules, norms, and preferences in the processes of cooperation and conflict between genders” (McKay, 2001:108). Thus for basic income feminists, the guaranteed minimum income is only part of gender equality. Changing conceptions of how unpaid and intangible work is valued must be included in this societal transformation.
The basic income is also supported by L.F.M. Groot (2004), although from a different perspective than Van Parijs. The ultimate solution is seen as full employment. For Groot, the basic income is a compassionate stop-gap measure where the market cannot provide sufficient employment-based income. It is emphasized that the basic income remains a theoretical solution, and has not been analyzed in fine detail for applicability to any one country or state. In Groot’s opinion, the basic income continues to be generally opposed by policy makers because the majority of the public, along with mainstream economists, would first support a work-fare type scheme before an unconditional income. The basic income is perceived to weaken rather than strengthen the link between employment and income. It is felt that one should have to do something in order to receive something. Groot’s recommendation is for implementation of a partial basic income, leading to a full basic income in the long-term. A gradual increase in the tax rate would be required along with a gradual decrease of minimum wage.

In proposing an alternative social policy, criticisms and possible problems must also be addressed. Common opposition to the basic income scheme mostly revolves around presumptions about affordability and responses by the labour force. Critics argue that the social and economic system would fall apart if a basic income were provided, because everyone would leave their jobs and laziness would become rampant. A more likely scenario is that some people would leave their jobs to enjoy the citizenship benefits of the basic income, but most would continue working and use the basic income as a supplement. As Gorz proposed, a system of shorter working hours and evenly distributed employment would mediate both the income and work shortage.
A second criticism of the basic income is that alleviating poverty in this manner is outrageously expensive. There are several reasons why a basic income scheme could be financially feasible. If the scenario recommended by Gorz were put in place (redistribution of employment through fewer hours worked and more part-time jobs), there would be greater employment, and thus tax revenue could be drawn more fairly from a wider tax base. Additionally, and reminiscent of the successes of Fordism, the more substantial the incomes of the population, the more money can potentially be recycled into the economy. Some argue that a single, centralized administration would see savings.

Ernie Lightman calls the basic income “the ultimate universal program for income security… the cost savings in delivery of a single comprehensible system of income support would be massive” (2003:145). Furthermore, van Parijs has predicted that, “indeed, the shift from the current system to a basic income system might involve no rise in overall tax rates at all, as the favourable impact on output growth would generate the required increase in the tax yield with unchanged rates” (1992:233). In fact, in an alternative policy proposal for Ireland, C.M.A. Clark suggested that in 2001-02, a ‘Social Responsibility Tax’ (a flat tax) of 47.14% could provide a basic income guarantee to all citizens. This proposal was based on the premise that most other income assistance programs be eliminated. A complete redesign of Ireland’s taxation and income assistance systems, Clark suggests this model would still leave the country with the smallest ratio of total taxes to GDP in all Organization for Economic Co-operation and Development (OECD) countries (Pigeon, 2003:1182). With a flat tax, all citizens pay the same proportion of income to taxation. Clark’s proposal is provocative and faces critique from
some, although he is one of few who have attempted to define the economic terms of what a basic income would mean.

With major changes in the overall system, it appears that with increased target efficiency, a wider tax base and provision of disposable income, the basic income would be financially compelling. Currently, the traditional social assistance model uses a dollar amount threshold to determine eligibility, and so a person is either eligible or not based on this arbitrary figure. Being one dollar over the threshold does not mean there is a corresponding improvement in financial status or in quality of life. A graduated or flat tax model would improve flexibility and likely encourage uptake of employment income as a supplement. With the labour sector seeing more part-time vs. full-time job creation, the basic income meets criteria for adjusting to shifts in economy, political evolution and social values. Philippe van Parijs will readily admit, however, that a basic income can be as inexpensive or as costly as the designers see fit, depending on the level of support that is provided.

In most proposals that rely on direct taxation, the basic income replaces only the bottom part of the non-contributory benefits but also the exemptions or reduced tax rates on every taxpayer’s lower income brackets. The immediate impact on the income distribution can then be kept within fairly narrow bounds for a modest basic income. But the higher its level, the higher the average rate of income tax and therefore the greater the redistribution from the comparatively rich to the comparatively poor (van Parijs, 2004:13).

Yet for all of the basic income's projected benefits, social policy-makers must also consider possible unintended consequences. Eliminating poverty by providing income sufficient to meet basic needs is one thing, but reactions from other parts of the economy are another. Without stringent legislation and legal vigilance, all sectors of the private market could respond by raising prices, thus negating the income boost. Housing costs,
food, clothing, and other necessities would need to remain at stable prices in order to realize the goals of the basic income. The purpose of the basic income is not to artificially subsidize incomes, thus causing inflation, but to meaningfully raise the threshold for those living with the lowest incomes, allowing them to participate in the economy.

A second possible consequence relates to employment. With basic needs covered, employers may drastically reduce wages, using the basic income as a wage supplement because they would feel less obligation to support incomes. This is frequently observed in the restaurant/service sector, where many people subsist on minimum wage, with their employers assuming these wages will be offset with gratuities. However, authors such as van Parijs and Standing feel that the guaranteed income provided with the basic income would allow workers to better resist exploitation and poor working conditions. They believe that the most distasteful and underpaid jobs would have a hard time filling positions unless the pay and conditions improved. Guy Standing recommends that current minimum wage legislation remain in place (cited in Van Parijs, 1992). These structural changes to the labour market must be made in tandem with the implementation of the basic income if poverty is to be reduced. As Gorz writes, simply “compensating for the shortcomings of a market society does not cure them” (cited in van Parijs, 1992:180).

Some argue that the concept of a basic income will inevitably have to be considered as economic challenges persist globally. One would question, ‘why not now?’ As Phillippe van Parijs argues from a philosophical standpoint, with all the benefits and efficiencies of the basic income, it is ultimately a moral plea for social and
individual welfare, “as necessary as the abolition of slavery or universal suffrage” (1992:7).

From a politico-economic standpoint, Myles and Pierson (1997) argue that the economic and political climate may be ripe for the consideration of a new model of social assistance delivery. They note unsuccessful attempts in the 1960s, both in the United States and Canada, to raise guaranteed income-type policies. It was in the 1970s, following the economic downturn, that interest in such programs returned. Canada presently has two social programs that follow a negative income tax format, the Guaranteed Income Supplement for senior citizens, and the Child Tax Credit. Although there are important nuances, the main distinguishing feature between the basic income and a negative income tax (NIT) type program is that the basic income is paid without prior consideration of an individual’s finances, whereas the NIT is paid following adjustments based on reporting of income and tax information (Myles and Pierson, 1997). These programs are administered in conjunction with the taxation system, and target the most needy individuals/families through a graduated exemption structure. The more one earns through income, the less benefit received, gradually resulting in no benefit for high income earners. Myles and Pierson describe negative income tax policies as being “the progeny of austerity” (1997:451). They describe them as having both economic and political appeal. This type of program has political appeal to a broad audience of stakeholder groups, including public and private sector players who are fiscally conservative, those interested in labour market flexibility, and those interested in reducing poverty. Politically, this type of program has appeal to governors as being effective, providing incentives for employment income, and being more targeted than
universal programs. These popular and enduring social programs lend support to the idea of considering a similar restructuring to the income assistance realm.

As the concept of the basic income grows from a radical, ‘underground’ concept to one entering mainstream discourse, additional critical voices have joined the debate. Wesley Pech (2010) contributes a critical perspective, examining basic income policy through the lens of behavioural economics versus the traditional Standard Economic Model. He was one of the first to introduce behavioural economics and recent insights from the field of psychology. Behavioural Economics is a “combination of economics and psychology that tries to capture human behaviour in a more realistic but at the same time systematic, manner” (Pech, 2010:1). Most analysis of basic income policy has been undertaken through the lens of micro-economic theory, and without sufficient incorporation of knowledge about human choices and behaviour. According to Bruno Frey and Matthias Benz, the standard economic model and the traditional models used in economic policy analysis typically assume the average person has:

1) limitless cognitive capacity/rationality;
2) limitless willpower; and
3) limitless selfishness (cited in Pech, 2010).

As previously mentioned, policy levers are introduced based upon an expected reaction from the targeted group. Coarse criticisms of basic income have launched assertions that recipients would resign in droves, grinding the economy to a halt. Traditional standard economic theory, pay structures in our society and civil law operate on an assumption of reward or punishment, incentive or disincentive, payment or fine. This is based on the principle of extrinsic incentives. Experts in social and cognitive
psychology remind us that people can also be intrinsically motivated – enjoying work for the sake of doing it, not requiring additional extrinsic motivation. Tasks with low intrinsic reward require an extrinsic motivator, such as pay. This can be seen in the example of car enthusiasts – some are employed as mechanics as a living, while others happily spend their free time doing the same work because of their enjoyment of it.

Research that can now inform the standard economic model shows that when individuals are performing an activity for which they are intrinsically motivated, introducing an extrinsic incentive undermines the intrinsic motivation and may cause a decrease in effort. This is called the “crowding out” effect (Pech, 2010). For example, Registered Nurses are paid according to a standard contract for the occupation, and yet certain hospital wards are highly sought after and yet receive the same pay, such as palliative care and maternal/newborn wards.

Pech advises that with the financial security of a basic income, workers may shift from “bad” to “good” jobs (with higher intrinsic motivation) with less motivation from extrinsic sources. Supply and demand analysis in this scenario would predict that wages for unpleasant jobs would increase and vice versa for enjoyable jobs. A basic income may not cause people to stop working, Pech and others suspect the labour market may shift a bit, likely seeing people move to jobs where they receive high intrinsic reward.

Providing a further refined perspective to the theory of implementation of basic income, Pech describes prospect theory, reaction to the context of gains and losses, rather than simply the net amount. He finds it matters how people receive the grant and pay taxes. Under basic income policy, all citizens receive the grant, and some pay for it (through taxation). With a negative income tax, however, some fund the program yet do
not receive it. Prospect theory predicts that taxpayers will have different perspectives as to the value and acceptability of these two systems, even though the final net amount is identical. Therefore, the optimal type of tax system depends on what type of income support is implemented. If a basic income is implemented, a more progressive system of taxation would offer less resistance if the basic income is still visible to those in higher tax brackets. If a negative income tax is implemented, a flatter tax system is theorized to have greater acceptance. Middle income earners would bear proportionally more of the burden for funding this system, however (Pech, 2010).

Feminists have both embraced and rejected the idea of a basic income. Some feminists are critical of the policy because they fear a basic income would “reinforce the existing sexual division of labour and women’s lesser citizenship” (Pateman, 2006, cited in Ackerman, 2006:114). It is argued that receipt of a livable income without being engaged in paid employment,

would, in light of women’s position in the labour market combined with lingering beliefs about the respective places and tasks of women and men, give women an even greater incentive to undertake more unpaid caring work in the household, and, conversely, men would have another incentive to free-ride. A basic income, that is, would reinforce existing limitations on women’s freedom (Pateman, 2006, cited in Ackerman, 2006:114).

The viewpoints of trade union groups are also included in a critical analysis of basic income. In his analysis, Vanderborght (2006) notes there is scant literature on the position of labour as it relates to a basic income. In fact, when a survey was conducted in the late 1990s of British trade unions, it was found that they considered implementation of a basic income such a remote possibility it was not even a concern for their organizations. Of the information that is available, however, it is interesting to note that
both positions of support and opposition can be found within and across trade union groups. Positions of support for a basic income have been noted from trade unions in the Netherlands, Spain, South Africa and Columbia. Vanderborght summarizes theoretical reactions that may be elicited from modern-day trade unions, as put forth by various authors. Loek F. M. Groot (1999, cited in Vanderborght, 2006) suggests that a basic income may be superior social security if unions could cede to the trade off of lesser full employment. Klaus Zuelhke-Robinet (1991, cited in Vanderborght, 2006) argues that unions should support a basic income because it disables the lever of the reserve army of labour. Bruno Van der Linden (2004, cited in Vanderborght, 2006) theorizes that a partial basic income would benefit labour; a full basic income would not. The taxation of a full basic income would be a burden to workers, while a partial basic income would follow a more progressive tax scheme.

Vanderborght’s analysis of the basic income as it pertains to trade unions yields some further positive and negative applications. A positive aspect for unions is that individuals receiving a basic income could financially sustain a strike due to the back-up income. This could be advantageous to labour movements. A second potentially positive aspect is that employers would now have to make distasteful jobs more attractive to continue enticing the labour they need. On the other hand, potentially negative outcomes for trade unions include the fact that some versions of the basic income program include a replacement of means-tested income supports and other social programs such as employment insurance. If employment insurance programs were phased out and replaced with the basic income, it could be a neutral financial transaction.
On a more philosophical level, if the nature of work were changed substantially due to a basic income, there is potential that the role of unions could erode or evolve as well. Depending on the level of basic income provided, wage labour may no longer be the central pillar of the economy. Just as a leveling out may occur with respect to presently unseen/unpaid work, caregiving, artistic work, etc., the relevance of unions may change as well. Vanderborght theorizes that workers would be provided with sufficient income to survive, and thus more individual and collective bargaining power.

Conversely, workers as *funders* of a basic income scheme could face exploitation depending on the taxation framework. This echoes one of the main fears by critics of a basic income, “the idle exploit the industrious” (Reeve, 2003, cited in Vanderborght, 2006:8). Further, middle class income workers, of which a large proportion are union members, have little to gain from a basic income, their incomes being such as to not feel a significant benefit as the amount they receive may be cancelled out by the amount they contribute.

As has been expressed, economic circumstances have evolved in favour of global capital, along with contingent political, social, and industrial factors. The welfare state that was quite successful for a time has proven to be ineffective in warding off growing economic insecurity. The policy of the basic income addresses and mediates those changes and provides a flexible, effective way to reduce poverty and provide income security. The basic income policy is presented for consideration as a mechanism to address the shifting of the three pillars: economy, society, and politics as they have evolved over the past several decades. Myles and Pierson write about the political and
economic application of negative income tax (NIT) and guaranteed income (GI) programs.

NIT/GI programs… have proven ideally suited to the new politics of austerity. Imposing austerity is a politically difficult enterprise, because of the popularity of most social programs. NIT/GI programs are flexible instruments for confronting these political restraints” (1997:444).

The implementation of a basic income system will require social consensus demanding the satisfaction of basic needs as a right of citizenship, regardless of circumstance. If it could be considered and elaborated, it could prove sustainable and beneficial. As Van Parijs asserts:

Liberty and equality, efficiency and community, common ownership of the earth and equal sharing in the benefits of technical progress, the flexibility of the labour market and the dignity of the poor, the fight against unemployment and inhumane working conditions, against the desertification of the countryside and interregional inequalities, the viability of co-operatives and the promotion of adult education, autonomy from bosses, husbands and bureaucrats – all have been invoked in favour of what will be called here… a basic income (1992:7).

Details of implementation

Although the overall assessment of the basic income seems to meet criteria for implementation within the context of a global economy, relatively precarious employment, and changing attitudes towards mechanisms for addressing poverty, there remain unanswered questions and concerns which have not been addressed in the modern literature of basic income proponents.

What amount of income would be provided, and what will the total cost be to Canada? Adding another perspective to the discourse, Chris Sarlo (1992) has independently created an alternative measure to the low income cut off (LICO), similar to the market basket measure. Costs of the basic necessities have been
documented, rather than looking to the average Canadian income as a relative indication of what a sufficient income should be. Sarlo’s definition, and his basic needs costing, approximate a type of poverty that is referred to in social science literature as extreme or absolute poverty. For example, Sarlos’s critique of the LICO and its use of average incomes includes the fact that the average family eats out at restaurants, enjoys cable television and perhaps buys occasional tickets to concerts or sporting events. These non-essential costs are, according to Sarlo, unfairly included in the average family’s spending, and thus artificially raise LICO lines. In calculating just the essentials, or “basic needs”, Sarlo (2006) determines that a single individual in 2006 required $10,314 in a large city. Conversely, the comparable 2006 after-tax LICO was $14,857 (Statistics Canada, 2011). The amount of basic income provided must determine exactly what “basic” needs are. Options along the spectrum include providing sufficient funds for mere physical survival, or a greater amount of funding intended to enhance health, education and the ability for social inclusion.

There are further policy questions to be explored: If an individual receives a basic income designed to be a sufficient amount to purchase the necessities of living, and still for some reason requires assistance, what is the recourse? If the majority of the population manages on a basic income, what will be the impact on food banks? Will they exist anymore for those who might need them? Will there be further “emergency” assistance available? At a secondary level, under a basic income with a graduated taxation scheme, there will be a certain sector of middle-income families who are at the neutral point – earning sufficient income that their funding through
taxes essentially negates this benefit. What is the motivation for this large sector of the population?

The details of implementation and further exploration of impacts to the economic, social and political pillars requires further calculation and analysis. A high-level review of attempts of others to raise this alternative policy idea throughout North American history is worth examination.
CHAPTER 4: HISTORICAL AND RECENT CONSIDERATIONS OF THE BASIC INCOME

No country has implemented a full basic income sufficient to purchase the necessities of life, nor one that fulfills the van Parijs definition. Variations of a basic income do exist, and some preliminary estimates have been published. At this point, the specific financing scheme and taxation methods require deeper scrutiny. Two jurisdictions that currently provide interesting programs are Alaska (2011) and Mexico (Niño-Zarazúa, 2010). The state of Alaska provides essentially a demogrant to all residents, based on a principle of redistribution of natural resource royalties. Mexico runs an innovative and responsive program called Oportunidades, whereby families below a certain income level are provided with a cash payment. Conditions of this payment include meeting certain health maintenance and educational requirements.

In Canada, proposals similar to a basic income-type policy have been recorded as far back as the 1930s. Alberta Premier William Aberhart proposed a monthly cash payment as “dividends” for provincial residents, with consequential benefits being recirculation of that spending money back into the economy. The restrictions of the Depression thwarted its implementation (Mulvale, 2008). Myles and Pierson (1997) mark the origins of discussion of a universal guaranteed annual income as being 1968 and 1969. The Family Income Security Plan (FISP) proposal went to Cabinet in April 1970 sponsored by Minister of Health and Welfare John Munro, where it was rejected as too costly (Myles and Pierson, 1997). The FISP would have been financed partly by cutting universal family allowances for middle and upper income families.

The late Lyndon Johnson, former President of the United States, called for research in the late 1960s to investigate the disincentive effects of a guaranteed annual
income program. While such a program was described as having the potential to reduce poverty, substantial fears about impacts on productivity would need to be resolved before an annual income could be implemented (Hum and Simpson, 2001).

United States economist Milton Friedman proposed a negative income tax system in the early 1960s to the Nixon administration, to be called the Family Assistance Plan (Murray, 2006; Myles and Pierson, 1997). The proposal was to replace the “unpleasant and chaotic tangle of welfare bureaucracy” (Rothbard, 2002:38). It was felt that minimum wage adjustments and administration of the welfare system were inefficient. The negative income tax proposal was intended to “give poor people the cash difference between what they make and the income necessary for a decent standard of living” (Murray, 2006:8). Critics at the time grudgingly acknowledged it was a more efficient plan, but generally resisted greater state involvement, particularly with personal income. There were, interestingly, NIT experiments of this type in the U.S. in the 1970s in Iowa, New Jersey, Indiana, Pennsylvania, Denver and Seattle. The results were not good. It was found to be a work disincentive for the young, and marriages broke up. The NIT faded from debate. The Nixon administration instead implemented a limited Earned Income Tax Credit (EITC). The maximum value of this credit in 1997 was $3500 (Myles and Pierson, 1997). The dominant political refrain at that time was that government should avoid reaching its hands into affairs that the “invisible” hand of the market should be managing.

At the same time as the Friedman-type policies were being scrutinized, a small Canadian study called the ‘Mincome’ experiment was conducted in the 1970s in Manitoba (Mulvale, 2008). People provided with a guaranteed annual income did not
resign from their jobs in droves; in fact, disincentive effects were minimal (Hum and Simpson, 2001). The Mincome experiment took place between 1974 and 1979, jointly funded by the federal government and the province of Manitoba. It took place under a broader social policy review following a conference of provincial ministers of welfare in 1972. The study, and its results, are not particularly robust due to the small size of the sample, homogeneity of participants due to location (mainly Winnipeg) and income (greater than $13,000 family income), and relatively short duration (five years). Three sub-groups were set up, each receiving additional annual support amounts of $3,800, $4,800, and $5,800 respectively. Tax-back rates on income above these amounts were tested at 35%, 50% and 75%. Impacts to employment were minimal: roughly three per cent of married women and one per cent of married men left their jobs (Hum and Simpson, 2001). The potential of the basic income may be that its flexibility regarding the addition of employment income accommodates the shifts that have taken place in the economic pillar.

In 1971, a report from the Senate Committee on Poverty, also known as the Croll Report, was released, containing a recommendation for a guaranteed annual income (Mulvale, 2008). It proposed the structure of a negative income tax, containing an incentive for those who work to gain that income. It proposed a guaranteed minimum income. This version was envisioned to be paid to family units, not individuals. The report did not gain sufficient momentum or interest to proceed.

In 1985 the Royal Commission on the Economic Union and Development Prospects for Canada (Canada, 1985) also known as the MacDonald Commission or the MacDonald Report, released its report. The 1985 Macdonald Report is of interest for two
of its recommendations: a modest Guaranteed Annual Income (GAI), intended to replace most other pre-existing social programs, and a proposal to enter a free trade agreement with the United States (Finkel, 2006; Mulvale, 2008). The GAI program proposed was a universal income security program intended to be an alternative to welfare programming. The amount of income provided was low enough to raise significant opposition from labour stakeholders (Mulvale, 2008). Dissenting voices at that time included the Canadian Labour Congress, which denounced the recommendation of a partial basic income as “neo-liberal”, arguing that it would undermine minimum wage legislation (Vanderborght, 2006).

In 1994 a review of social security in Canada was initiated by the federal government, entitled Social Assistance in Canada (Canada, 1994). A guaranteed annual income was not recommended at that time for political and fiscal reasons, and reinforced a means-tested policy (Mulvale, 2008). Iterations of a basic income or guaranteed annual income have also been considered in recent history. Jean Chrétien, former Prime Minister of Canada, reportedly spoke in 2000 about leaving a legacy of a guaranteed annual income program within the context of the “war on poverty” (Hum and Simpson, 2001).

American author Charles Murray (2006) puts forth a provocative proposal from a libertarian standpoint. He premises that there is sufficient money in America today that no one should be poor. Governments just have to distribute it efficiently. He advocates providing income assistance to citizens via cash grants. His plan is to provide a single universal payment of $10,000 per year to individuals, replacing other benefits. The requirements to receive this payment would be a U.S. passport and a bank account.
Above that $10,000 state income, an individual can earn employment-based income to a threshold of $25,000 without any clawback. For incomes between $25,000 and 50,000, a surtax is levied up to $5,000. The surtax would then be 20% of incremental income from that point. Writing in 2006, Murray believes that by 2011, his system would be cheaper than the system currently in place. He feels there are efficiencies in administering his system, and because the upper income earners are increasing, the per capita costs will ultimately decrease. The libertarian approach to this one-time yearly payment requires that recipients have to do their own retirement investing and purchase their own health insurance coverage. He feels that investment skills will have to become common knowledge. On the question of disincentives under this system, he argues that most of those who remain out of the labour force will be the same people who are out of the labour force under the current system. Most of the reductions in work effort will involve fewer hours worked, not fewer people working. He surmises that most of those who leave the workforce will be college graduates who take time off between graduation and taking a permanent job or pursuing graduate school. Ultimately, he suspects the net decrease in work effort will be acceptable.

The 2007 Green Party of Canada platform material proposes a single payment system collapsing all current income assistance programs (Mulvale, 2008), specifically: “Support provinces that adopt a basic income strategy to ensure the benefits of a living wage are available to every citizen through existing federal programs” (Green Party of Canada, 2007). However, the 2011 platform did not make a specific reference to such a framework, and reinforces a focus on supports for those who have paid into employment insurance, along with a focus on jobs (Green Party of Canada, 2011).
As recently as 2008 and continuing in 2011, Canadian Conservative Senator Hugh Segal has called for a study on the feasibility of a guaranteed annual income or negative income tax (Mulvale, 2008). Senator Segal champions David Croll’s work and has further defined his plan to eliminate poverty via a $10,000 transfer to all Canadians, with a 25% tax back rate (Segal, 2011).

Given the variation in programs proposed over time, the motivations behind the proposals, and the lack of concrete definition, the basic income conjures confusion for some. Since the 1960s and 1970s, it is evident by the smattering of reports and proposals that North American governments have been looking for a solution, or a replacement for the models currently in place to address poverty. Until a succinct and financially analyzed proposal enters the policy arena, the basic income may remain on the outskirts, a good idea that does not attract serious attention.
CONCLUSION

The premise of this thesis is simple. Given the relatively stable and enduring poverty rates in Canada over the past four decades, an alternative method of delivering income assistance should be seriously explored. The basic income policy holds promise as one option that may meet current economic, social and political realities. The socio-economic circumstances of the poor in society can be improved, while simultaneously benefiting the general economy. The concept of the basic income, while requiring a philosophical departure from the traditional social assistance model, would not necessarily be a difficult economic policy to implement. The taxation system is already used to assess and deliver other programs such as OAS/GIS and Child Tax Credits. Myles and Pierson (1997) describe the framework of a guaranteed income or negative income tax as a “natural” transition for this type of program. They write that because Canada already has a “Beveridgean” base for its social programs, a bridge exists. Beveridge-type programs typically include universality, flat-rate benefits and citizenship as a qualification. Canada has indeed experimented with this type of program. The benefits of a revised framework sensitive to current conditions are many: improved gender equity; parity for single individuals as well as family units; a more flexible labour force for today’s employment structure; less time pressure for those raising children or caring for elderly parents; a more consistent circulation of currency into the economy; all this while responsibly and ethically eliminating poverty.

The basic income is a provocative proposal. It has been both supported and rejected by members of the entire political spectrum. It is therefore not possible to attach a specific political philosophy to this policy. As described in the earlier pages of this
thesis, when examining the basic income through a number of lenses – economic, social, political or other – there are merits to be found.

An idea is not a solution, however. Policy-makers and decision-makers today do not have sufficient information or tools available for a robust and cohesive basic income policy proposal. Rigorous costing and economic analysis based on provincial and national economic budgets and forecasts has not been done. Research is required to model cost comparisons of the status quo versus options for basic income amounts, as the cost of such a program will be a leading question. Employers and investors will have questions about the impact to the labour market. For this reason, further studies such as the Mincome project in Manitoba should be undertaken to understand the personal and social impacts such a program might have. A policy shift of this magnitude would require due diligence by economists, taxation specialists, labour market experts and social scientists.

It is hoped that the implication of this thesis is twofold. First, the thesis seeks to serve as an interesting review of a relatively little-known proposal from a policy perspective. Though bearing different motives and different names, the search for an alternative to the traditional social assistance model has been ongoing in North America for much of the past century. Second, from a research perspective, it is hoped that the analysis and presentation have provoked sufficient curiosity to generate some of the related inquiries needed from others to round out a true basic income policy proposal.

In conclusion, the ultimate merit of a policy is not found in its roots, but in its results. The basic income is one of many ideas that have been debated as a solution to
poverty, and following the analysis above, deserves to take its place as a serious contender.


