

## THE RENEWED BUSINESS CASE FOR UNIVERSAL BASIC INCOME

### Issue

It is often said that small businesses are the backbone of the economy. But behind all small businesses are the communities that build a truly strong Canadian economy. By enabling all Canadians to meet their basic needs, a permanent Basic Income program could boost consumer spending and encourage people to shop local.

As we emerge from lockdown, millions of Canadians won't have jobs to go back to. Many will not see their incomes recover to what they were before. Like previous recessions, there will be fewer middle-class and more low-pay jobs, and the end of CERB will leave millions of Canadians worse off.

Previous economic recoveries have been highly polarized in ways that are un-Canadian, wiping out middle-class jobs and pushing more Canadians into low-income jobs. This time, businesses are accelerating their investments into automation, which can already replace [4 in 10 tasks Canadians do at work today](#).

Technology enables wealth to be created with less human work, decreasing the share of that wealth that ends up as income for working Canadians. As a result, the past 40 years of growth in the economy has gone [mostly to the highest earners](#).

UBI is not social assistance. It is not a handout or a form of charity. It is how Canadians across the country can reclaim their slice of the economic pie. UBI is how we defend upward mobility and pathways into the middle-class for everyone.

The recent COVID-19 pandemic has laid bare the inadequacies of government support and payment transfer systems. "A Universal Basic Income (UBI) has been seen as a clean, crisp way of replacing gnarled government bureaucracy and as a stay against harsh economic pressures now on the horizon."<sup>1</sup> Depending on how the system is designed, the new UBI might replace all existing governmental assistance programs or complement them, as a wider safety net.

### Background

A basic income is an income paid to all individuals without work requirements. It differs from minimum income guarantees because it is paid:

1. to individuals rather than households;
2. irrespective of any income from another source; and
3. does not require past work performance or the willingness to accept a job if offered or a search for a job.

UBI differs from existing guaranteed minimum income systems and negative income tax proposals.<sup>2</sup> Current programs favor the working poor over the jobless. With a universal income everybody gets a basic chance to prosper and excel regardless of the socioeconomic situation to which they were born.

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<sup>1</sup> <https://www.newyorker.com/magazine/2018/07/09/who-really-stands-to-win-from-universal-basic-income>

<sup>2</sup> [https://modernmoneynetwork.org/sites/default/files/biblio/arguing\\_for\\_basic\\_income.pdf](https://modernmoneynetwork.org/sites/default/files/biblio/arguing_for_basic_income.pdf)

An automated future looms on the horizon, and tech magnates and policy wonks are turning to UBI as a neat solution to the messy problem of technology-induced unemployment.<sup>3</sup>

Millennials and Gen Z are drowning in financial debt. It is well known that the more comfortable a person is in having their basic needs met (food, water, clothing, and a home), the more likely they are to become civically engaged and pursue their passions. The UBI has the potential to invigorate entrepreneurial spirits and allow for more microbusinesses to open and take root. Entrepreneurs are people who had the resources to take risk.<sup>4</sup>

### Case Studies

#### *Finland*

In 2017, the Finnish government decided to see what would happen if it chose 2,000 unemployed citizens at random and gave them a check of 560 euros (\$635) every month for two years. Participants were assured they'd keep receiving the money if they got a job. As it turned out, the income didn't help them get jobs, but it did make them feel happier and less stressed.<sup>5</sup> Finland ended the trial in 2018.

#### *Alaska – the dividend system*

Since 1982, Alaska has been giving every woman, man, and child an annual chunk of its nest egg: the \$66.3 billion Permanent Fund.<sup>6</sup> Alaska deposits at least 25 percent of mineral royalties — revenue the state generates from its mines, oil, and gas reserves — into the fund annually. The money is in turn invested by the Alaska Permanent Fund Corporation in domestic and global stock, bonds, private equity, and more, and interest earnings are then distributed to Alaska residents every September.

Former Gov. Jay Hammond, the mastermind behind the fund, created the dividend system as a way to ensure Alaska's non-renewable resources could provide an everlasting return to the state. Paying out \$1,000 to \$2,000 per person per year — every Alaskan gets the same amount — was Hammond's plan to protect the fund.

Thanks to the PFD, crippling poverty is scant in Alaska. A 2016 study by the University of Alaska found it reduced poverty up to 20 percent.<sup>7</sup>

The difference between the dividend system and true UBI is that the former is not constant and relies on the performance of the fund and the other commodities to which the payments are pegged.

#### *California – the philanthropic experiment*

Stockton, California, is in the midst of an 18-month experiment. It is giving \$500 per month to 125 people.<sup>8</sup> The money comes from individual and foundation philanthropy, with the initial \$1 million in funding coming from the Economic Security Project.<sup>9</sup> The first batch of data shows the recipients are mostly spending the money on food, clothes, and utility bills. Y Combinator, which previously ran a small trial in Oakland, California, is now planning to start a new trial elsewhere in the US.<sup>10</sup>

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<sup>3</sup> <https://www.cnn.com/2018/07/12/robert-reich-us-will-need-some-kind-of-universal-basic-income.html>

<sup>4</sup> <https://www.business.com/articles/universal-basic-income-innovation/>

<sup>5</sup> <https://www.vox.com/future-perfect/2019/2/9/18217566/finland-basic-income>

<sup>6</sup> <https://apfc.org/fund-news/fy19-unaudited-fund-value-of-66-3-billion-and-a-performance-return-of-6-32/>

<sup>7</sup> [https://iseralaska.org/static/legacy\\_publication\\_links/2016\\_12-PFDandPoverty.pdf](https://iseralaska.org/static/legacy_publication_links/2016_12-PFDandPoverty.pdf)

<sup>8</sup> <https://www.vox.com/future-perfect/2019/10/8/20902839/universal-basic-income-stockton-trial>

<sup>9</sup> <https://www.vox.com/policy-and-politics/2017/10/18/16479796/stockton-california-basic-income-economic-security-experiment>

<sup>10</sup> <https://blog.ycombinator.com/moving-forward-on-basic-income/>

### *Manitoba – the short-lived Federal/Provincial project*

Between 1974 and 1979, Canada ran a randomized controlled trial in the province of Manitoba, choosing one farming town, Dauphin, as a “saturation site” where every family was eligible to participate in a basic income experiment. The basic income seemed to benefit residents’ physical and mental health — there was a decline in doctor visits and an 8.5 percent reduction in the rate of hospitalization — and high school graduation rates improved, too.<sup>11</sup> Nevertheless, the project, known as “Mincome” and funded jointly by the provincial and federal governments, was canceled after four years.

### Delivery method conundrum

There isn’t **one clean, magic, up-to-date, universal database** that has everybody’s name, address, banking information, and social insurance number that the government can just turn to; if there was a database, ensuring it is up to date so that cheques can be issued in a timely manner would be incredibly time-consuming, resulting in some significant delays.

Using the tax rolls to send a minimum income to all is possible. In terms of efficiency, as we are already seeing, it can quickly get support to Canadians who are in dire straits. CRA can issue these payments by deposit or mail with little more than the push of a button. Although the tax roll is incomplete and could be outdated, there is potential for the federal government to work with the province, stats Canada, and municipalities to ensure they have the most recent data.

We have experienced the patchy crisis transfer payment method, which is inefficient and cumbersome. When another pandemic occurs, another patchwork payment method will be developed. Each new initiative takes time to craft and time to implement, leaving those most vulnerable to experience chronic hardship.

### The Call for Canada

In a letter to the Government of Canada, fifty members of the Senate of Canada from across affiliations and regions wrote to the Prime Minister, Deputy Prime Minister and Finance Minister commending them for the government’s actions to date. They called for further evolution of the Canada Emergency Response Benefit (CERB) in order to implement a minimum basic income. Restructuring the CERB as a minimum basic income, in their view, would quickly get support to Canadians in dire straits who need assistance now. Doing so would also free up valuable time and resources needed to craft and implement further changes to the CERB and to renew eligibility of individuals for the CERB in the next months and beyond. In the likely event another pandemic grinds the economy to a halt, shifting goal posts, which confuses the public, cannot be an acceptable form of policy formulation, adoption, and implementation.

The cost for almost 38 million people to receive \$12,000 per year would be approximately \$456 billion per year<sup>12</sup>. Although this amount may seem staggering, the COVID-19 economic response plan implemented by the Government could lead to a federal deficit of \$252.1 billion for 2020-2021.

### The Business Case

- Better education – as many people become financially stable, they can pursue their passions and grow as an individual;
- More money to spend on businesses – with an extra \$1000 in their pocket, people will spend on food, housing, clothing, and other necessities. Those who are secure in the Maslow’s hierarchy

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<sup>11</sup> [https://www.vice.com/en\\_us/article/nze99z/the-mincome-experiment-dauphin](https://www.vice.com/en_us/article/nze99z/the-mincome-experiment-dauphin)

<sup>12</sup> \$12,000 x 38,000,000

of needs will use this extra income to invest and potentially spend money on lavished goods or experiences, generating economic activity in their local communities.

- The ability to focus on work rather than worry about money can make people more productive.
- In a study done by the Economic Policy Institute, they found that an enhancement of Universal Basic Income with each dollar spent yielding an effective boost to the economy of more than \$1.60. By comparison, tax cuts for individuals provided a boost of only \$1.03, and tax cuts for businesses yielded a measly boost of \$0.30.<sup>13</sup>
- One of the key attractive features of universal basic income is the security it provides — since people know that they'll always have that income floor, they'll be more comfortable taking financial risks. And a great example of such a risk is starting your own business.
- A guaranteed basic income is a business-friendly approach to address the increasing financial precarity of our citizens and revitalize the economy. A pilot could be run in Canada or in specific provinces to see if Canadians can stay competitive in the face of:
  1. Accelerating technological job displacement due to advances in automation, software, and artificial intelligence (AI)
  2. Globalization of jobs which has gone beyond manufacturing and textiles to entry and mid-level information work
  3. The ongoing transition of work to part time, contract, and gig-work<sup>14</sup>
  4. Winner takes all markets where companies such as Amazon are absorbing greater shares of economic activity

Businesses create jobs in anticipation of growing consumer demand and purchasing power. There are over 38 million Canadians. If we want to optimize our economic growth we could ensure all Canadians are included in that growth and can participate in the economy without precarity. Being unable to escape poverty even while working is not only inhumane: it's also a huge opportunity cost for Canada's businesses.

As for objections around cost, several funding models are available. For instance, a three percent increase in GST federally has been projected as the net cost to pay for a basic income, and that sounds like a good deal to us<sup>15</sup>. A three percent increase in GST could be the backbone of a major economic stimulus while simultaneously ending poverty.

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<sup>13</sup> [https://www.epi.org/publication/webfeatures\\_snapshots\\_20081022/](https://www.epi.org/publication/webfeatures_snapshots_20081022/)

<sup>14</sup> Non-standard or gig work consists of income-earning activities outside of standard, long-term employer-employee relationships. We know what it is not. But what *is* gig work? What types of work does it include? Before diving into numbers, it is important to consider the different approaches to defining this workforce.

<https://www.gigeconomydata.org/basics/what-gig-worker>

<sup>15</sup> <https://www.ubiworks.ca/howtopay>

## THE CHAMBER RECOMMENDS

That the Federal Government:

1. Create a working group that will determine the feasibility of a universal basic income pilot where the committee should be comprised of, but not limited to, academics, key stakeholders, and business associations.

**Submitted by the Surrey Board of Trade**