

Submission to

**The House of Commons Standing Committee on Human Resources, Skills and Social
Development and the Status of Persons with Disabilities**

On the Poverty Reduction Strategy

Submitted by: Barbara Boraks on behalf of the Basic Income Initiative, a subcommittee of the Christian Jewish Dialogue of Toronto.

The Basic Income Initiative, based in Toronto, Canada, is a multi-faith, multi sector consortia which utilizes faith-based and Indigenous insights and values, strengthened by contributions from a wide range of additional fields and disciplines, to support the adoption of a guaranteed annual income. By meeting basic material needs, it is our belief that a basic income will further promote human dignity and facilitate individual fulfillment within the broader context of the common good. Participants include senior and established representatives from the following institutions: Roman Catholic, United Church, Anglican, Muslim, Jewish, Indigenous, health care, labour, business, social justice advocates, and academics (economics, food insecurity, social work).¹

Introduction

We would like to congratulate the Standing Committee for paying *close attention and focus(es) on innovation in poverty reduction*. We would also like to commend the many submissions which recognize the need for a holistic approach to poverty reduction and the cost of poverty. This cost is not only a financial one, but one which leads to marginalization, insecurity, and fear. This submission recommends that a basic income system (negative income tax), if implemented responsibly, can address many of the issues related to poverty. Equally important is that a basic income model responds to many of the changes in socio-economic realities with which we are now faced.²

The Economist Magazine recently noted that Canada remains a success story for liberal democracies. The article stated that ‘Canada is not exempt from stresses that are causing other rich countries to freak out’ and quoted Prime Minister Trudeau: “All the pressures and anxieties that people are feeling around the world exist here.”³ The article also noted that Prime Minister Trudeau successfully campaigned on the basis of solutions, rather than scapegoats. This submission would like respectfully to suggest that in order to distinguish between actual

¹ A full list of committee members and supporters available on request. Links to articles for immediate reference are included. Complete references available upon request.

²https://www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office,%20Ontario%20Office/2016/10/CCPA%20ON%20Basic%20Income_FINAL.pdf

³<http://www.economist.com/news/briefing/21709291-why-canada-still-ease-openness-last-liberals>

innovative solutions for poverty reduction - **catalytic innovation**⁴- and ones which continue to support an outdated status quo benefit system, the Standing Committee needs to recognize that the paradigms and realities of our current economic and social systems have changed dramatically from the time in which our benefit system structure was developed. Research shows 'that one of the impediments to dealing with inequity is individual difficulty in connecting government action to lived experience'.⁵

Inequity is Increasing

The roots of our current institutionalized welfare and benefit system can be traced back to the early 20th century and the Industrial Disputes Investigation Act of 1907. Various housing, pension and unemployment schemes followed. The Great Depression brought in social reforms such as unemployment insurance when the natural 'restorative'⁶ powers of capitalism fell short of addressing lived realities. The post war years saw the rise in social reforms with respect to public housing, assistance for the disabled, universal old-age pensions, medicare, and pension plans. The Guaranteed Income Supplement was added in 1967 and a child tax credit in 1978.

Since then successive federal and provincial governments have been focussed on control and reduction of social spending. Many programs have been combined, re-named, re-focussed or cut. Except for the launch of the National Child Benefit in 1998, there has been no substantive structural change to the benefit system in the past 35 years⁷ and income inequality⁸ is nearing post WW 1 levels. Innovation has been limited to incremental changes within the status quo system.

Below are 2 charts, both by Thomas Piketty.⁹ The first outlines levels of income inequality from 1910 -2010. In the second graph the purple line (upper line on left side of graph) shows the rate of return on capital (return on investment dollars) and the yellow line shows Piketty's estimate of the global growth rate (real wages). Except for the time from the late C19th to the late C20th, growth rate has been below the rate of return implying steadily rising inequality. The C20th century, the century in which benefit systems were developed and supported, was an anomaly that is most unlikely to be repeated.

⁴ In the article *Disruptive Innovation for Social Change*, published in the Harvard Business Review, the authors note the difference between innovation which is focussed on maintaining status quo systems and **catalytic innovation**. <https://hbr.org/2006/12/disruptive-innovation-for-social-change>

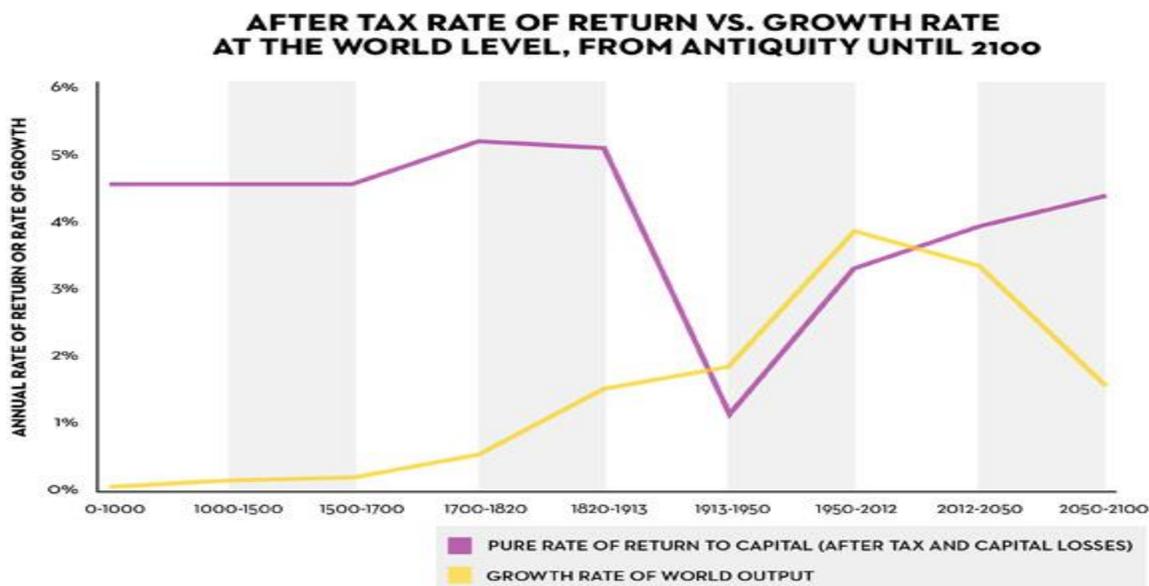
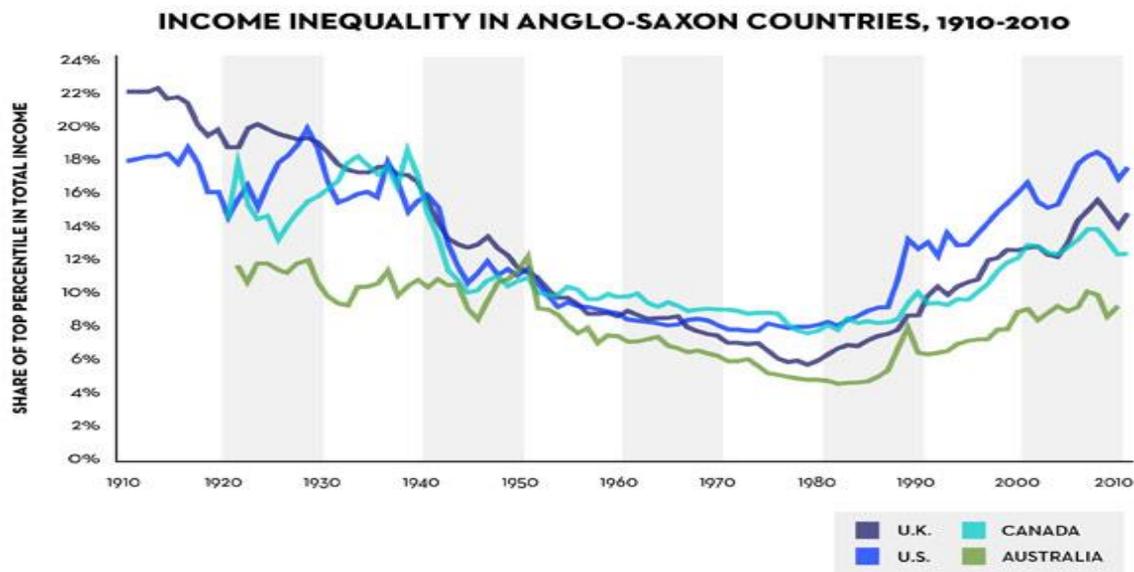
⁵ http://www.huffingtonpost.com/sean-mcelwee/how-racism-prevents-actio_b_9065144.html

⁶ <http://www.thecanadianencyclopedia.ca/en/article/welfare-state/>

⁷ <http://www.thecanadianencyclopedia.ca/en/article/welfare-state/>

⁸ <https://campaignstops.blogs.nytimes.com/2012/10/26/stiglitz-some-are-more-unequal-than-others/>

⁹ <http://www.newyorker.com/news/john-cassidy/piketlys-inequality-story-in-six-charts>



What should we take away from all this? That the structure of the current benefit system was created in a period of high growth, high taxation, relative stability, and that the financial and social parameters that allowed for the creation and support of these structures have changed. In the meantime, 22% of jobs in Ontario are characterized as precarious – a 50% increase in two decades¹⁰; 33% of part time workers are in low wage positions with no union or pension.

¹⁰ <http://www.cwp-csp.ca/poverty/just-the-facts/>

Vulnerable workers – those in precarious employment – can be found across society but women, racialized persons, immigrants, Aboriginal persons, persons with disabilities, older adults and youth are disproportionately represented.¹¹ Between 1980 and 2005 the average earning of the least wealthy has fallen by 20%.¹² And 1 in 7 live in poverty – 1 in 5 for children.¹³ Federal corporate taxes (CIT) have fallen from a high of 42% in 1953 to 15% in 2016. Business investment has mirrored CIT rate reductions thus business investment trended downward from the 1960's onward: cuts in corporate tax rates have not led to increased investment.¹⁴

None of this is being stated as a critique of social policy and social policy leaders. It is being stated to reinforce what we are all now becoming very conscious of: social, economic, political paradigms are changing, and they are changing rapidly. We are now seeing the affects that insecurity and inequity can have on liberal democratic systems.

In order to address these local, and global, changes this submission asks that The House of Commons Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities integrate a basic income model into their recommendations for actual innovative poverty reduction.

This submission recognizes that dealing with poverty and financial inequity is only one aspect of the larger changes taking place in our global society, however poverty and financial inequity are well documented stressors for physical and mental health, social inequity, marginalization and racism.¹⁵ Implementing a basic income model, a **catalytic innovation**, is a direct acknowledgement of and response to the growing and serious results of inequity and poverty.

This submission also recognizes that there are many arguments against implementing a basic income model. Essentially these arguments fall into two categories:

1. Arguments focused on the cost to the economic system: cost of implementation and complexity of design.
2. Arguments focused on claims that a basic income model will lead to the corrosion of family and social values, and the work ethic¹⁶.

¹¹ <http://www.lco-cdo.org/en/vulnerable-workers-interim-report-quick-facts>
<https://www.canada.ca/en/employment-social-development/programs/communities/reports/poverty-profile-snapshot.html>

¹² <http://www.cwp-csp.ca/poverty/just-the-facts/>

¹³ <http://www.ctvnews.ca/canada/new-report-paints-gloomy-picture-of-childhood-in-canada-1.3164341>

¹⁴

https://www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2015/11/Do_Corporate_Income_Tax_Rate_Reductions.pdf

¹⁵ <http://www.hucchc.com/pdf/Racism%20Poverty%20and%20Inner%20City%20Health%20Current%20Knowledge%20and%20Practices.pdf>

¹⁶ - An argument against basic income 2016: “The harder, and more efficiently people work, the better off we will all be. Whatever the challenges facing our economy, it is very hard to believe that destroying the incentives to

The arguments which stress insurmountable economic and systemic costs of implementing a basic income are based more on assumptions than on fact.¹⁷ Social welfare, medicare, unemployment insurance – all came up against similar arguments. What is ignored in these arguments is the cost – both materially and socially - of NOT addressing an outdated benefit system and the cost of poverty.¹⁸ Joseph Stiglitz wrote: “What we measure informs what we do. And if we’re measuring the wrong thing, we’re going to do the wrong thing.”¹⁹

The arguments focussed on the corrosion of social values and work ethic are more indicative of entrenched ideologies than of actual fact. Research from the six basic income pilot projects held in North America over the past 50 years has given indication that the opposite is, in fact, the case.²⁰

Basic income will not address all problems of poverty, marginalization, addiction, inequity, but it will address those issues when they are based on simply not having enough money. To those who claim that the roots of poverty are complicated and need complicated solutions we would like to say: NO. The roots of poverty, for many, are in just not having enough money to buy food, to pay the rent, to not work 3 jobs; to be able to finish high school or take a college course. It means having a financial fallback when we can’t work due to a disability, when we need to care for a loved one or when we are part of the precarious work economy. It means being able to maintain self-respect and dignity by not having to deal with a punitive and out-of-date benefit system. It means that our social policy leaders recognize that we all deserve to live in dignity, with adequate means to achieve physical, mental and social well-being. Economic security provides the freedom to participate fully in society. That’s democracy.²¹

Conclusion

We recognize that there are many demands on our economic and social system and it is a challenging responsibility to prioritize how financial and other resources should be used. We recognize that **catalytic innovation** can be disruptive, but leadership leads with vision. The leadership we need is one which recognizes the changing social and economic paradigms that are taking place and understands the consequences of not addressing these changes. The

work, or for the government to spend sensibly, will ever be the answer to any of them.”

<http://moneyweek.com/why-a-basic-income-wont-work/>

- An argument against the introduction of social welfare in 1938, Canada: “We will lose integrity and initiative as a nation and rely too much on the system”

<https://canadianprosperityandsecurity1.wordpress.com/the-canadian-family/canadas-social-welfare-state/>

¹⁷ <http://archive.irpp.org/po/archive/jan01/hum.pdf>

¹⁸ <http://www.cwp-csp.ca/poverty/just-the-facts/> <https://www.oafb.ca/assets/pdfs/CostofPoverty.pdf>

¹⁹ <http://www.christenseninstitute.org/blog/poverty-versus-prosperity-focus-matters/>

²⁰ http://www.unesco.org/new/en/media-services/single-view/news/can_the_universal_basic_income_solve_global_inequalities/

²¹ <https://kagbig.files.wordpress.com/2016/05/bigcharter-fe2808cinal-may-11-2016.pdf>

vision we need is one that recognizes the importance of human dignity and self-respect in maintaining a liberal democracy.

Alex Himelfarb and Trish Hennessey wrote: ‘Over the past two decades, the Canadian imagination about what is possible has narrowed. We have been taught to think small, to move in increments and to stay rooted in the realm of pragmatic politics. The question for social progressives is, quite simply, how has that served our cause? How has the current approach to poverty reduction, precarious work and the kind of vulnerability that every single one of us might face in this lottery of life moved the needle on what is possible — on what our real potential could be?’²²

Thomas Kuhn, author of the well-known book *The Structure of Scientific Revolutions*, stated: ‘The answers you get depends on the questions you ask’.

The question the Standing Committee chooses to ask will reflect the vision you, as our elected leaders, have for Canada:

1. How do we continue to utilize the existing status quo benefit system in an attempt to alleviate poverty?

OR

2. We recognize that social and economic paradigms are changing. How do we implement real, **catalytic innovation** in order to maintain a healthy, vibrant, and equitable democracy?

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https://www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office.%20Ontario%20Office/2016/10/CCPA%20ON%20Basic%20Income_FINAL.pdf