New study sheds light on most effective approach to basic

income

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OTTAWA—As Canadian governments, including the province of Ontario, move forward with

basic income pilot projects, a Canadian Centre for Policy Alternatives (CCPA) study reveals a

federally run negative income tax model is most effective approach.

The study simulates eight potential basic income models and concludes that a federal negative

income tax which shrinks in value as incomes rise — so that it’s targeted to lower income

individuals and phased out for the rich — is more effective at poverty reduction than providing

an identical transfer to everyone.

“Canada already has 33 federal and provincial income support programs that are forms of

basic income,” says the study’s author CCPA Senior Economist David Macdonald. “What is

clear is that replacing existing income supports with a single, equivalent cost, basic income

would either substantially worsen poverty or plunge seniors into poverty in order to lift adults

and children out of it.”

Among the study’s key findings:

Canada already has 33 basic income programs that send money with no requirements

and no strings attached, such as provincial sales tax credits and Old Age Security

(OAS).

Creating a 34th program which ensures that all Canadians receive a basic income of

$10,000 a year, but phases out as incomes rise, would cost $14.5 billion and would

reduce poverty by 2.4 percentage points.

Such a program would most benefit middle-aged adults who live in poverty, but it would

have less impact on children, those under 30, and seniors living in poverty.

Going even further with a basic income program designed to completely eliminate

poverty in Canada would cost between $49 billion and $177 billion a year in new

spending, depending on the clawback rate.

“There is no magic bullet to eliminating poverty,” Macdonald concludes. “Poverty reduction

requires multiple targeted solutions. Basic income programs can be a part of the mix, but

increased wages, lower unemployment for youth, and better financial support for seniors also

have to be part of the deal,” Macdonald concludes.

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A Policymaker’s Guide to Basic Income is available for download on the CCPA website.

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