

**‘No BIG without a Living Wage’**  
**Submission to the Ontario Consultation on**  
**Basic Income Guarantee, 31 January 2017**  
**from the Bruce-Grey-Owen Sound NDP Riding Association**

There is no question that a Basic Income Guarantee of some sort is needed. Even a quick look at recent research on jobs ([fewer manufacturing and more service](#)), food bank usage (up [28% in Canada](#), especially in rural areas) and the nature of work ([precarious: low wage and part time](#)) have most observers agreeing that the economy is not doing well. The Conference Board of Canada [gives us a ‘D’ on working age poverty](#)—15<sup>th</sup> of 17 countries, just ahead of Japan and the USA.

In spite of increasing levels of overall wealth in Canada, [inequality](#) is about as high as it was in the 1920s with most of the country’s wealth going to a small proportion of the population. Meanwhile Canada’s middle class is apparently keeping our economy from complete ruin by buying on credit (the average family owes [\\$1.67 for every dollar earned](#)). And [payday loan use is increasing](#).

It hasn’t helped that the federal government cut back on the social safety net in the mid-1990s—including transfer payments to health care, funding (and eligibility criteria) for employment insurance and [housing](#). Those cuts have not been returned to the system. The UN has [urged Ontario to fix](#) the holes in its social safety net including a [welfare system that works against people](#) trying to pull themselves out of poverty.

**In Bruce-Grey counties in Ontario**

- 20% of families in Owen Sound-Georgian Bluffs, (and 41% of *lone-parent* families) make a median income of only \$15,590—*half* what the United Way of Bruce Grey says is needed to live on (\$31,463) and *half* of Stats Can’s Low Income Cut-Off for a family of four. *Stats Can*
- In Bruce County, the average annual income is \$10,000 *less* than the Ontario average. *Bruce County Long Term Housing Strategy, Update 2013*
- However, to rent a modest 2-bedroom apartment in BGOS without spending over 30% of income requires an annual income of \$34,440 per year (or \$16.56/hr of full time work). *United Way Bruce Grey 2015 Hunger Report*
- Food bank usage in BGOS *has increased by 92%* from 2013 (Canada’s has increased 26% since 2008). Families who use food banks typically spend 70% of their income on housing. *United Way Bruce Grey 2015 Hunger Report*
- 55.3% of those seeking housing assistance in Bruce county are at risk of being homeless. *Bruce County Long Term Housing Strategy 2013-23*

The [Dauphin Manitoba study](#) (1974-9) on ‘Mincome’ (the name used in the study for the Basic Income Guarantee regime employed) indicates positive results:

- there was no loss if work ethic
- more youth enrolled in grade 12

- lower rates of hospital admissions during the course of the study.

However, two questions remain—one practical and one ethical. Can a government afford a Basic Income Guarantee? And should corporations be allowed to use such programs as a public subsidy for private profit?

### ***The economic question—how to fund a BIG?***

The cuts to social services described above have consequences for the bottom lines of governments, principally because [they lead to increases in usage](#) of the health care system. Income is also a social determinant of health and the steady decline in disposable income has led to further stresses on the social safety net.

But it has also eroded the tax base. Governments are getting less revenue from citizens' income tax. And, thanks to steady cuts to corporation income tax (Canada now has [one of the lowest](#) combined—federal + provincial—tax rate in the G7), governments are also getting less revenue from businesses.

Add to that deficit financing of government services (as Ontario and Canada are doing—Canada seems on track for [decades of deficits](#)) and you have increased debt that also saps government revenues. Ironically, the same year the Dauphin experiment began (1974) the federal government was persuaded to borrow at private bank lending rates. Previously it simply borrowed from the Bank of Canada (*ie*, Canadians) interest free. That helped pay for infrastructure, two world wars, universal health care, the Canada Pension Plan and a number of other programs we now rely on. Between 1974 and 2010, Canada paid [over \\$1 trillion to service debt](#) to private lenders.

As middle class incomes stall; as more people drop out of the middle class; as [working age poverty increases](#) the revenue stream from citizens is slowing.

But revenues from corporate income taxes are dropping too, as we noted above. It used to be that corporations paid a greater share of income tax revenues than did taxpayers. Now, citizen tax returns have surpassed corporations' as the predominant revenue source for governments.

Even if, as Hugh Segal suggests [in his discussion paper for Ontario's pilot project](#), a Basic Income Guarantee would completely replace welfare and programs, there is likely not enough money to pay for a Basic Income for everyone. Yet selecting recipients on the basis of need is to replicate the expense and problems of the current system.

Similarly, setting a Basic Income level at 75% of the LIM (Low Income Measure), again as Hugh Segal recommends, is to beg the question, how do we to provide those who can't find work with the remaining 25%?

Who, then, in Canada is able to fund a Basic Income program? Not municipalities who, in Ontario, were squeezed in the late 1990s and early 2000s and are being squeezed again.

It appears that without an increase in government revenues, a Basic Income Guarantee that lifts people out of poverty is too expensive for all orders of government.

***The ethical question—should a BIG be used to enhance private profit?***

If a Basic Income Guarantee were somehow implemented, should corporations be allowed to pay poverty wages, as many do now? In other words, should we allow a Basic Income Guarantee to become a public subsidy for private profit? No, we should not.

When we say “poverty wages” we are referring to a legislated minimum wage (such as Ontario’s \$11.40/hr) that does not cover basic living expenses.

Ensuring corporations do their fair share is only one of the arguments for legislating a Living Wage before implementing a Basic Income Guarantee. There are other arguments for a living wage and they are practically self evident:

- It reduces the social and economic isolation of families.
- It reduces the cost to government of health and social services.
- It increases the amount of money circulating in a community’s economy ([\\$22 million in Bruce-Grey alone if big box retail paid a Living Wage](#)—that’s money that would stay in circulation within the community).
- It reduces the disparity of incomes—the inequality—in a society. It’s [the social and economic inequality in a society](#) (not whether a nation is wealthier or poorer) that lies at the root of discontent and social distress.

It is perhaps no accident that libertarian economists like Milton Friedman and FA Hayek promoted the idea of a basic income as a kind of streamlined system that would replace a myriad of inefficient and counter-productive welfare programs.

More recently a Basic Income Guarantee was promoted by former PM Stephen Harper’s communications head, [Andrew MacDougall. In his view](#), a Basic Income Guarantee would, among other things, free workers to follow jobs. The workforce would become even more flexible than it is now. ‘Flexibility’ in the workforce is another word for exploitation of workers—workers who must take low wage jobs, who must leave family and community to find work, who are available when an employer

needs them, who do not have the benefits that full-time workers should expect, who can't say 'no' to dangerous work.

Paying a Living Wage is the corporate side of the social contract, a good day's work being the workers' side. It's also good economics, and a good and fair use of human resources too—it might even be a human right.

A Living Wage and a Basic Income Guarantee are not mutually exclusive. This is not an either/or proposition. Rather, it is both/and. Legislating a Living Wage before implementing a Basic Income Guarantee will ensure corporations are doing their fair share. It will confirm the social contract. It will bring thousands out of poverty and enhance their participation in the social and economic life of their communities. It will reduce the financial cost of a Basic Income Guarantee to government as fewer people will require it. Living Wage *plus* Basic Income Guarantee is an economic investment that, together will yield huge economic and social justice dividends.

Of course, governments who want to institute a Basic Income Guarantee may also want to find other ways to boost revenues beforehand. Canadians for Tax Fairness says we are owed over \$80 billion in taxes on income hidden in off-shore tax havens. Governments may want to hold on to assets that generate revenue rather than selling them off for short-term gain. They may want to raise taxes for corporations to more realistic levels, when you consider the physical (*eg*, highways) and social (*eg*, universal health care) infrastructure benefits they receive.

### ***Recommendation***

**For all the reasons considered in this paper, we recommend the Ontario government legislate a Living Wage to replace its minimum wage before considering whether to institute a Basic Income Guarantee.**

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