

## Memorandum

To: Members of Committee of the Whole

From: Katherine Chislett  
Commissioner, Community and Health Services

Date: June 15, 2017

Re: **Ontario Basic Income Pilot**

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On April 24, 2017, the Province announced the [Ontario Basic Income Pilot](#). The pilot will operate in Hamilton/Brant County/Brantford, Thunder Bay and Lindsay areas for three years. As part of the 2016 Budget, the Province had committed to a pilot in March 2016, which was followed by expert and public consultations over the remainder of 2016 and early 2017. Community and Health Services staff provided technical feedback to the Province as part of these consultations and also through the Association of Municipalities of Ontario, the Ontario Municipal Social Services Association and various public health associations.

This memorandum provides high level background on the basic income concept, a summary of the Ontario Basic Income Pilot and potential policy and program implications of both the pilot and a potential scaled-up basic income.

The Ontario Basic Income Pilot is one of several basic income pilots currently underway or under development in jurisdictions in the USA and Europe.

In February 2017, Council received [Legislative Changes and Potential Impact of Provincial Reforms across Social Services](#) which highlighted the Province's commitment to develop and evaluate a basic income pilot in Ontario.

What is basic income?

While there are many variations of a basic income, it is generally understood to be a payment from government to individuals or families to make sure everyone benefits from a minimum level of income. In Ontario's pilot, a basic income will be "unconditional". This means people will receive the benefit without requirements to work, look for work or participate in training. This is different than current social assistance or Employment Insurance programs which have requirements in order to receive benefits. A basic income can be either targeted to residents living on low

income through an income-tested approach or universal, which means it is paid to everyone (although in most basic income concepts people at higher income rates tend to have their basic income taxed, similar to current Old Age Security pensions).

Like all income benefits, designing a basic income requires identifying who will get the benefit, how much they will get and how much will the benefit be reduced as income from other sources, such as earnings, increase.

In the Canadian context, a basic income is often described as an adult benefit since arguably there is already a basic income type program for seniors (Old Age Security) and to families for the costs of raising children (Canada Child Benefit, Ontario Child Benefit).

Interest in a basic income is increasing as a way to address job instability and health care costs but policy questions remain about costs, feasibility and trade-offs

A basic income is not a new idea but has received renewed attention as recent research of an earlier basic income pilot in Manitoba in the 1970s found reductions in health care use during the course of the pilot, particularly mental health related. This research has raised interest in the potential of a basic income to impact health care system costs and reduce income stress that can lead to poor health.

Other benefits, often argued, for a basic income include:

- Reduces poverty and its effects on individuals, families and communities
- Improves people's ability to meet basic needs and engage in socially productive work that is low or unpaid (e.g. care-giving)
- Provides income stability so people are better able to support retraining or lifelong learning, manage job precarity (including more entrepreneurial and "gig" work) and respond to the impact of automation, artificial intelligence and robotics on jobs
- Simplifies current income benefits and reduces program complexity – particularly current social assistance programs, although the scope of programs a basic income could replace is potentially greater

A basic income is also seen as a human right – that people have enough income to achieve basic health and well-being.

However, a basic income is a challenging concept and subject to debate across traditional political and economic views. These debates include concerns about costs, adequacy of benefits, impact on work incentives and whether there are significant policy trade-offs with a basic income in a constrained fiscal environment. These trade-offs include whether a basic income “crowds out” other important supports or new initiatives that may be more cost-effective in addressing poverty, job uncertainty and health inequities, such as expanded health benefits to working age adults, reduced transit fares or increased investments in affordable housing.

Over the next three years, the pilot will test and evaluate a basic income with 4,000 participants at an annual cost of \$50 million and report results in 2020

The pilot is an evidenced-based approach to test the design and benefits of a basic income on a select group of Ontario residents and evaluate the value of expanding the program to all of Ontario.

The pilot will focus on whether basic income can better support vulnerable workers and give people the security and opportunity they need to achieve their potential (e.g. work, education and health). It will also study whether giving people a basic income can be a simpler and more economically effective way to provide income security support to people living on low incomes.

The pilot will be for three years with a budget of \$50 million for each year of the pilot. The locations were chosen so that the pilot can study outcomes in urban, rural and mixed urban/rural areas. The sites were also assessed for their economic need, demographics and access to local resources and services.

It is expected that up to 4,000 participants will be receiving basic income payments. The pilot will launch in late spring 2017 and report back on results in 2020. A parallel process is co-developing a pilot with First Nations communities.

Participation in the pilot will be voluntary. Attachment 1 provides the key elements of the pilot.

The Basic Income Pilot is part of a broader provincial agenda to reform income security

Currently, Ontario’s income security system is a mix of separate programs and benefits that address specific needs and have different eligibility criteria and rules:

- Ontario Works
- Ontario Disability Support Program

- Selected income and in-kind benefits that are available to eligible lower income families and individuals regardless of their source of income (e.g. Healthy Smiles, Ontario Child Benefit)
- Income-tested tax credits and benefits (i.e. Ontario Trillium Benefit, federal GST/HST Tax credit)

While progress has been made to improve income security in Ontario over the last ten years, concerns remain about the complexity and adequacy of Ontario Works and the Ontario Disability Support Program and gaps in support to low income adults not receiving social assistance.

The Province has created an Income Security Reform Working Group to develop a roadmap to address these issues. A report by the working group is expected later in 2017.

The Income Security Reform Working Group and the basic income pilot are separate projects but their respective findings are intended to complement each other and inform broader income security reform. This could include simplifying social assistance and providing better access to a range of supports (e.g. health, employment, housing) outside social assistance to all low income residents (the working poor).

A basic income is a potentially complex program to scale-up. In evaluating the pilot, the Province will likely have to consider broader policy and funding decisions including provincial fiscal capacity and the costs/benefits of a basic income compared to other options for income security reform.

Regional impacts are longer-term pending evaluation of the pilot

Given the size and location of the pilot, there are no short-term implications for York Region residents or programs.

However, a scaled-up basic income has the potential to replace or significantly impact Regionally-managed income programs, particularly Ontario Works and subsidized housing. Much will depend on which current income-related programs a scaled-up basic income would replace if the province decides to move in this direction.

A basic income could have other effects, such as reducing the need for supports that currently respond to the effects of poverty, such as emergency housing or emergency food assistance if a basic income improves health and housing outcomes.

The special advisor, hired by the Province to develop the basic income pilot, noted the importance of wraparound supports and made particular note of York Region's successful model

A key concern is that a basic income alone may not address issues for residents who face complex needs and barriers in maintaining housing and employment, particularly those with mental health challenges. York Region provides wraparound support, outreach services and emergency assistance to help these residents stabilize in the community and improve employability. The pilot and subsequent policy analysis will need to consider the value of this type of support and how it contributes to residents gaining autonomy and stability under a larger basic income program.

York Region will monitor pilot developments and income security reform

The Income Security Reform Working Group and basic income pilot are equally important in potentially changing how income support and in-kind benefits are provided in Ontario, including in York Region. Both are expected to provide more details and updates as they move forward

Staff will continue to monitor both initiatives and identify how they may impact on residents and Regional programs.

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Commissioner, Community and Health Services

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Attachment (1)

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### Ontario Basic Income Pilot

Design	Description	Explanation
Eligibility	<p>18 to 64 years old and living on lower income. This includes people who are working and people who are receiving social assistance.</p> <p>Participants will need to have lived in the test site for the past 12 months or longer.</p> <p>Individuals will be informed and provide consent to participate in the pilot. Participation in the pilot will be voluntary and participants can opt out at any time.</p>	<p>The pilot is testing how providing enhanced income support helps stabilize individuals with low income regardless of whether they are working (the working poor) or not and whether they receive social assistance or not. Social assistance includes Ontario Works (OW) and the Ontario Disability Support Program (ODSP).</p>
Amount	<p>Up to \$16,989 per year for a single adult, \$24,027 for a couple.</p> <p>Up to an additional \$6,000 per year for a person with disability.</p>	<p>Amount based on 75 per cent of the Low Income Measure (LIM).</p> <p>LIM is calculated as 50 per cent of the Canadian median income adjusted for family size.</p> <p>Currently, OW provides an individual with a basic needs and shelter allowance of about \$8,500 per year and ODSP provides about \$13,500 per year. This excludes any other income or benefits provided through OW and ODSP (e.g. benefits designed to support employment, special diet). Currently, people who are working and low income and not receiving OW or ODSP do not generally receive income benefits to address basic needs or shelter.</p>

Design	Description	Explanation
Scope	<p>Participants who are currently receiving OW or the ODSP will no longer be eligible for these programs if receiving an Ontario Basic Income Pilot payment. However, they will still receive the drug and dental benefits they are currently eligible for under both.</p> <p>All other generally available tax credits and benefits will be available to all participants, including child benefits received by parents participating in the pilot.</p>	<p>Intended to make sure no one is “worse off” by participating in the pilot.</p> <p>The basic income will replace income currently received by people eligible for OW or ODSP and provide a supplement to people who are low income and working.</p> <p>People receiving OW or ODSP who decide to participate in the pilot will not be eligible for other benefits provided through these programs (e.g. benefits designed to support employment, special diet). They will need to make informed choices on whether to participate or not given the trade-off between higher income provided by the basic income but the loss of some benefits.</p>
Reduction in Basic Income Payments	<p>The basic income payment will decrease by 50 cents for every dollar of earnings.</p> <p>Participants currently receiving Employment Insurance or Canada Pension Plan will have their basic income payments reduced dollar for dollar.</p>	<p>Earnings exemptions are intended to encourage participants to increase their total income through work. This means people who are lower income and working will receive partial basic income payments in addition to their earnings.</p> <p>Arguably, Employment Insurance and Canada Pension Plan payments are intended to meet the same adult needs as a basic income.</p>
Change in Circumstance	<p>The basic income will be responsive to significant decrease in earnings, change in family composition, or change in disability status.</p>	<p>Basic income concepts are often based on an annual assessment of income, so they need to have capacity to adjust payments if situations change significantly.</p>
Methodology	<p>Participants will be selected randomly and divided into two groups. One group will receive the basic income and one group will not receive payments (control group). Individuals receiving the basic income will be compared to the control group.</p>	<p>The pilot is an “experimental” design to assess how basic income impacts on behaviour and outcomes between those who receive the basic income and those receiving the status quo.</p>

Design	Description	Explanation
Evaluation	Pilot will measure outcomes in areas such as: <ul style="list-style-type: none"> <li>• Food security</li> <li>• Stress and anxiety</li> <li>• Mental health</li> <li>• Health and healthcare usage</li> <li>• Housing stability</li> <li>• Education and training</li> <li>• Employment and labour market participation</li> </ul>	<p>Reflects many of the Social Determinants of Health and the view that income stability improves health, housing and employment outcomes.</p> <p>The pilot will be evaluated by a third-party research consortium and will include an advisory group with research and evaluation experts to ensure the pilot is conducted with integrity, rigour and ethical standards.</p> <p>The Lindsay location will focus on community effects related to the pilot (e.g. impact on labour market, etc.).</p>