

Finding a Better Way: A Basic Income Pilot Project for Ontario

A discussion paper by Hugh D Segal

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August 31, 2016

The Hononourable Kathleen Wynne
Premier of Ontario

The Hon. Dr. Helena Jaczek
Minister of Community and Social Services

The Hon. Chris Ballard
Minister Responsible for the Poverty Reduction Strategy

Legislative Building, Queen's Park
Toronto, Ontario
Canada M7A 1A1

Dear Premier Wynne, Minister Jaczek and Minister Ballard,

I am pleased to present "Finding a Better Way" - a discussion paper on a Basic Income Pilot. In it, I do my very best to lay out what the best steps forward might be for the organization, planning, administration, and design of a Basic Income Pilot for Ontario.

The report goes into substantial detail on the rationale behind the recommendation summary in appendix A. This report reflects my personal views and not those of Massey College, to whom I am grateful for providing the time required to prepare and complete this report.

Please accept my appreciation for this opportunity to provide advice on this important commitment, announced in the Ontario Budget released in March of 2016.

There were many interested groups with a direct concern about our experience with poverty, and with important research credentials, who were helpful in many ways in the preparation of this discussion paper. Your own staff, and that of your ministries, was very much among those who responded professionally and quickly to any requests for information I made. I am glad to report that officials from various federal departments and Statistics Canada were also most helpful and forthcoming.

I wish you and your government a robust consultation process on this discussion paper. That process will, no doubt, be of great value as you and your colleagues decide how best to go forward with the courageous and impressive commitment for a pilot project announced in the last Budget.

I remain, with every good wish,

Sincerely,

A handwritten signature in blue ink, appearing to read 'H. Segal', with a stylized flourish at the end.

The Hon. Hugh Segal, CM
Master, Massey College

Summary of key recommendations

1. Overall Considerations

- A pilot project must begin with an understanding of the costs of poverty, not only in present welfare and disability payments, but also in terms of added pressures on our health system, and the Ontario economy as a whole, through its impacts on economic productivity and existing government revenues.
- A pilot must take into consideration how the Guaranteed Annual Income Supplement in Ontario in the mid-1970s, aimed at residents over the age of 65, radically reduced poverty for this group. This led the way to the federal Guaranteed Income Supplement, for all Canadian residents over the age of 65.
- The main purpose of a Basic Income Pilot must be to test replacing the broad policing, control, and monitoring now present in Ontario Works and the Ontario Disability Support Program (ODSP), with a modestly more generous Basic Income, disbursed automatically to those living beneath a certain income threshold. Will a Basic Income reduce poverty more effectively, encourage work, reduce stigmatization, and produce better health outcomes and better life chances for recipients?
- Ontario should not duplicate similar pilots taking place over the same time period in other democracies, such as Finland or the Netherlands. What we test should be different, to maximize the diversity of various different data sets generated by such endeavours.
- The pilot should be structured to test the impacts of a Basic Income on the net fiscal position of the province, on labour market/work behaviours, on health and educational outcomes for recipients, on food security, on mobility and housing, and on net economic and community outcomes in targeted areas of the pilot.
- A pilot should take into consideration important new Ontario initiatives to reduce poverty, such as the Ontario Child Benefit (OCB), increases in the minimum wage, and constructive changes to student financial aid assistance, to name only a few.
- Age eligibility for the pilot should 18 to 65 years of age.¹

¹ However, special attention should be given to ensure that the program does not represent a disincentive to education and training for young adults.

- While not specifically within the remit of an Ontario pilot, it is nevertheless recommended that the federal government consider partnering with any willing province on any Basic Income pilots now being considered or contemplated. This recommendation is motivated by the central role that federal agencies, such as Canada Revenue Agency (CRA), Statistics Canada, Employment and Social Development Canada and others, might well be invited to play in any provincial pilots. As was recently the case with discussions on the Ontario Retirement Pension Plan (ORPP) and the Canada Pension Plan (CPP), constructive provincial-federal engagement could well facilitate effective national action on poverty abatement.

2. Organization of a Basic Income Pilot

- The legitimacy of the pilot would be enhanced if it were managed by an arm's length consortium of not-for-profit research organizations. Various organizations in Canada and Ontario, university-based and free-standing, have the experience, expertise, and professional credentials to accomplish this task effectively.
- The Ministers should appoint two key groups to advise and oversee the pilot project.
 - The first group should be a Basic Income Pilot Advisory Council, whose main function should be to advise on and oversee the operations of the pilot. The Council should meet quarterly, and comprise a maximum of 35 individuals whose membership, once established, should be non-transferable. Members should include people with lived experience of poverty, First Nations peoples, community agencies who serve those in poverty, public sector actors, trade unions, business organizations, municipalities, health practitioners and health-focused organizations, agricultural associations, the Ministry of Finance (MOF), and the Ministry of Health and Long Term Care (MOHLTC).
 - The second group should be a Research Operations Group, which should be given the responsibility to run the pilot. This Research Operations Group should be headed by a competent researcher with standing and experience. Representatives of not-for-profit research organizations, such as the Institute for Clinical Evaluative Sciences (ICES), the Social Research and Demonstration Corporation of Canada (SRDC), universities and academic departments, and Statistics Canada should be invited to join this group.

- These two groups should each delegate two representatives to sit on a small joint steering committee. A Project Leader should also sit on the steering committee. The Project Leader should be selected based on recommendations received from the two groups, and from the Secretary of Cabinet.
- The government should also ensure that an Ethics Advisor and a Financial Officer be identified as part of the pilot's governance team. They would respectively ensure the protection of participants' privacy and rights, and ensure due financial diligence and probity in the pilot's operations.
- The pilot's key governing principles should include:
 - All participation is voluntary.
 - No individual will be made worse off during or after the pilot, as a result of participation in the pilot.
 - All personal data collected or accessed will be kept private by the research team.
 - Aggregate data in the form of preliminary results, once it starts to flow, must be accessible to Ontarians in a transparent fashion.

3. Key Evidence the pilot should generate

- The investigation of the Basic Income impacts should consider the following types of outcomes:
 - Health outcomes for participants in the pilot compared to those living in poverty and not in the pilot. Measurable outcomes should include: the number of primary care visits (for psycho-social, mental and physical health), the number of acute care/emergency departments visits, prescription drug use, utility-based measures of health, etc.
 - Life and career choices made over the duration of the pilot by participants, such as training, family formation, fertility decisions, living arrangements, parenting time, etc.
 - Education outcomes for participants and their children. Measurable outcomes should include high school completion, nature and number of courses taken by adults, etc.
 - Work behaviour, job search and employment status. Measurable outcomes should include: the number of hours of paid work, the number of jobs held, the income

earned on the labour market, the intensity and length of job search activities, etc.

Participation in the underground economy should also be investigated.

- Community level impacts where the pilot operates in local areas, on a focused basis.
- Direct administrative costs or savings of replacing, for pilot recipients, ODSP and Ontario Works with a Basic Income.
- Changes in food security status for pilot participants.
- Perceptions of citizenship and inclusion for participants.
- Impact on mobility and housing arrangements.
- Impact for Basic Income participants in terms of their relationship to Employment Insurance, provincial and federal child benefits, and other existing social programs.

4. What the pilot should and should not test

- The pilot should test:
 - A Basic Income replacing Ontario Works and ODSP, paid to individuals.
 - A negative income tax (NIT), or refundable tax credit, that tops up all recipients to 75 percent of the Low-Income Measure, (LIM) regardless of their status in the labour market. For a single individual on Ontario Works, for example, this would correspond to having income support move from roughly 45 percent to 75 percent of the LIM, and to receive a minimum of approximately \$1320 per month, non-taxable, with an opportunity to keep partial additional income earned from participation in the labour market.
 - Individuals with disabilities receiving an additional monthly sum of at least \$500.
 - A Basic Income that would not be associated with rules limiting earned income and work participation, such as those associated with Ontario Works and ODSP.
 - In a Randomized Control Trial (RCT) held in a major urban neighbourhood/community, different treatment arms should test for various levels of Basic Income (starting at 75 percent of the LIM) and different tax rates on income earned on top of the Basic Income. Testing different parameters should help identify the best combinations to reduce poverty, while not discouraging people from improving their incomes through labour force participation.

- The pilot should also include saturation sites in which the community-level impacts of a Basic Income could be investigated. Ideally, one saturation site would be located in southern Ontario, one in northern Ontario, and one would be chosen and planned in close collaboration with First Nations communities.
- The pilot should not test:
 - A “Big Bang” approach, in which all social supports, including those not specifically related to poverty, would be replaced with a single monthly cheque.
 - A universal demogrant, under which all adult Ontarians, living in poverty or otherwise, would receive a fixed amount, taxed according to a general income tax schedule.

5. Implementation of the pilot

- The pilot should comprise three phases:
 1. Planning and selecting the pilot sites, seeking approval from privacy commissioners and data custodians to access and link the key existing data sources for the pilot evaluation, recruiting researchers and analysts, structuring the sample, recruiting participants, and obtaining their consent to access administrative data and records.
 2. Proceeding with the distribution of Basic Income payments (for a period of, minimally, three years), gathering quantitative and qualitative data through access to administrative records, questionnaires and interviews, making aggregate data/preliminary results available broadly and transparently.
 3. Evaluating the pilot's results through data analysis, projecting long-term outcomes and consequences through micro-simulation and other analytical tools, evaluating the costs and benefits of replacing the current system of social assistance with a Basic Income.

6. Next Steps

- Upon the publication of this discussion paper, the province should seek suggestions and recommendations from the public.
- Ideally, the province should move forward to commence Phase 1 of the pilot before the end of March 2017.

- The three phases of the pilot should be given an operational duration, allowing for BI payments to flow for three years, at a minimum.
- In discussions with the federal government on poverty abatement initiatives, the idea of a Canadian Social Data Research Initiative (SDRI) should be pursued. Canada and all of the provinces would benefit immensely from a broad unit under federal-provincial sponsorship (as in the case of Canada Health Infoway and the Canadian Institutes for Health Research) that ensured the availability of current integrated social data sets. These data sets are necessary to make informed public, social, and economic policy decisions. They would be used by governments of any affiliation, at the municipal, provincial and federal levels, and by the private and not-for-profit sectors.

A. Introduction

In the 2016 Ontario Budget, the Minister of Finance announced the creation of a Basic Income Pilot Project, to test a new approach to reducing poverty in a sustainable way. The purpose of the pilot is to “test a growing view at home and abroad that a basic income could build on the success of minimum wage policies and increases in child benefits by providing more consistent and predictable support in the context of today’s dynamic labour market.”²

The idea of ensuring that individuals reach a level of Basic Income (minimum income, guaranteed income, etc.) as a means to poverty abatement has been presented for decades, in many jurisdictions. However, research on the implementation and implications of such policies is still scarce. Available data comes mostly from experiments conducted before the substantial transformations of labour markets in economies such as Ontario's.

In this context, a pilot project testing how a Basic Income would improve Ontarians' lives and well-being will provide the government with the best evidence on crucial questions, such as:

- Can Basic Income policies provide a more efficient, less intrusive, and less stigmatizing way of delivering income support for those now living in poverty?
- Can those policies also encourage work, relieve financial and time poverty, and reduce economic marginalization?
- Can a Basic Income reduce cost pressures in other areas of government spending, such as healthcare?

² Ontario Ministry of Finance (2016), 2016 Ontario Budget, p. 132.

- Can a basic income strengthen the incentive to work, by responsibly helping those who are working but still living below the poverty line?

The government of Ontario's stated goal of working "with communities, researchers and other stakeholders in 2016 to determine how best to design and implement a Basic Income pilot,"³ is reflected in this discussion paper. This paper is not about restricting options, or limiting debate. Rather, it recommends some constructive options for the design and implementation of a pilot project, in a way that encourages open discussion and debate. The government's commitment to present this paper for extensive comment and debate demonstrates its desire to work collaboratively with the broader community.

My role is to provide the best possible advice to the province of Ontario through the Premier, the Minister of Community and Social Services and the Minister Responsible for the Poverty Reduction Strategy on the purposes, governance, design and implementation of a pilot. There is a distinction between my role as a "Special Advisor" from outside government who offers advice in the best of faith, and the elected officials who must ultimately decide how and when to proceed with a Basic Income pilot. This discussion paper is respectful of that difference and is only advisory in nature. It is up to the Government of Ontario to decide how and when and if to proceed with an actual pilot. Public comment on this paper will play an important role in making an ultimate decision on a Basic Income pilot.

Comments will no doubt reflect the full spectrum of views, covering everything from ideas on methodological issues to choosing the most appropriate sample population for a pilot. I have no

³ Ontario Ministry of Finance (2016), 2016 Ontario Budget, p. 132.

doubt that constructive criticisms will also be raised by those who are invested in the dynamics, rules and procedures of the present welfare system, and oppose the entire concept of a Basic Income.

The advice offered in this paper for public discussion and debate focuses on the critical choices the organization and operation of a pilot must address:

- a) What should be tested in a Basic Income pilot, and why?
- b) How might the pilot be best organized and structured?
- c) How long should the pilot operate to generate evidence of value to inform the future public policy choices governments and legislatures make?
- d) What are the reasonable evidence “deliverables” of a well-organized pilot on the Basic Income question?

B. Why poverty matters; How a BI pilot can help

Over the last quarter century, there is probably no area of public policy, in either urban or rural Canada, where creativity and courage from governments have been less evident than on the issue of poverty faced by working age adults. While some local not-for-profit organizations and coalitions have been quite bold and creative on the poverty abatement file, the patchwork system of uncoordinated solutions remains. This “system” continues to operate outside the realm of comprehensive government action. Although some public money has been made available to remedy the situation, it has generally been meagre and unstable, and has not led to systemic help across communities. Often, the best local organizations can do is alleviate the symptoms of poverty, but they rarely have the means to sustainably reduce poverty itself. All told, working age adults living in poverty have benefitted very little from any innovation in poverty reduction support. It is hard to conclude that the income support that is now available for those living in poverty is adequate in any meaningful way, despite recent improvements introduced by the province.

There was significant progress on addressing poverty among Canadians aged 65 and older in the 1970s. In Ontario, the minority Davis government implemented improvements to pensions, including the creation of the Guaranteed Annual Income Supplement for Ontarians over 65. This policy innovation subsequently spread in various measures to the rest of the country. It became the federal GIS (Guaranteed Income Supplement), which still operates as a top-up to the Old Age Security (OAS) payment system. Improvements were achieved on refinancing the Canada Pension Plan under federal and provincial Finance Ministers Martin and Eves, along with other steps forward in the 1990s.

Progress has also been made on the child poverty file. Recent changes to federal child benefits by the Trudeau government in Ottawa enriched a child tax credit negotiated by Ministers Ecker of Ontario and Martin of Canada, based on a proposal made to the federal government by the Caledon Institute during the Chretien and Harris administrations. The resulting version of the Canada Child Benefit (CCB) is expected to have a significant impact on lower and middle-income Canadian families with children.

More recently, Ontario has taken further steps to reduce poverty, including improving the Ontario Student Aid Program (OSAP) to make tuition free for low-income students, increasing the minimum wage, and improving the Ontario Child Benefit (OCB). However, for working age adults, very little beyond the existing, overly bureaucratic welfare programs have been put in place in the last decades. Those who are not in school full-time, who have fallen in and out of income inadequacy or, in some cases, who are part of an intergenerational cycle of economic and social marginalization are not well-served.⁴ While the rates, conditions, and rules associated with current welfare programs are constantly changing, the core premise of these “judgment-based” eligibility programs has not. Recipients must prove their poverty to qualify, and must continue to do so to maintain eligibility. This vetting process discourages individuals, penalizes work and savings, imposes a degrading burden on individuals receiving social assistance as well as on caseworkers at the front lines, and is seriously demeaning.

Our present social assistance system imposes limits on economic progress, often keeping welfare recipients from entering the economic mainstream. Well-meaning and hard-working public servants at the provincial, regional or municipal level operate in a system that focuses as much

⁴ The same could be said of ODSP.

(if not more) on monitoring and policing than on advising and helping. Unfortunately, their caseloads afford precious little choice. Despite all the efforts and dedicated work of those administering and delivering current welfare programs, 15.9 percent of Ontario adults aged 18 to 64 were living in poverty (according to the LIM) in 2014. This percentage has remained relatively constant over recent years.⁵

The complexity of the system makes it difficult to navigate for a vast portion of the population. While well-intentioned, neither Ontario Works nor ODSP allow, in and of themselves, individuals to be lifted out of poverty, as defined by either the Low-Income Cut Off (LICO), the Market Basket Measure (MBM) or the LIM.⁶ The limits on earnings and assets that are imposed on benefit recipients often hinder their capacity to build resilience and emerge from continuous financial and personal crisis.

The resulting damages caused to human beings' life chances, to communities and to social and economic productivity and progress are clear, and cannot be ignored. Poverty is the best predictor of early illness, early hospitalizations, longer hospital stays and earlier death.⁷ It is a reliable predictor of substance abuse, food insecurity, poor education outcomes, and for some, trouble with the law. So, quite aside from the pain, frustration and immense pressures that poverty inflicts on individuals and families, it also imposes serious economic strain and stress on

⁵ Statistics Canada, Taxfiler Data, CANSIM Table 111-0015 and Ministry of Children and Youth Services special tabulations

⁶ A single individual on Ontario Works receives benefits equivalent to 45 percent of the LIM for an individual living alone. A single individual on ODSP receives benefits equivalent to 70 percent of the LIM for an individual living alone

⁷ The Public Health Agency of Canada lists income and social status as the first socio-economic determinant of health. As early as 1995, the Second Report on the Health of Canadians suggested that "Low-income Canadians are more likely to die earlier and to suffer more illnesses than Canadians with higher incomes, regardless of age, sex, race and place of residence" (Minister of Public Works and Government Services of Canada (1999), *Toward a healthy future: Second report on the health of Canadians*)

communities, their schools, hospitals, policing and judicial system, and weakens their local economy overall. Reducing poverty and its negative effects more efficiently would be a serious plus for the well-being of all individuals within a community, regardless of their own level of income and financial stability. Reducing poverty is a solid investment in stronger families, communities, and the economy overall, if done with a measure of both generosity and efficiency. Moreover, offering a basic and automatic income floor to those who fall into poverty, for however long, would also undercut the incentives they face to engage in the underground economy, especially if legitimate work was not discouraged by the way in which a Basic Income operated.

The “Cost of Poverty”⁸ report, issued eight years ago by the Ontario Association of Food Banks (OAFB), provides us with some serious and powerful findings:

- Poverty hits Ontarians with disabilities, new immigrants, single parents and First Nations the hardest.
- There is a clear relationship between poverty and ill health, lower productivity, and low education results.
- Federal and provincial governments, as of 2008, were losing between \$10 and \$13 billion dollars annually because of the social costs of poverty.
- Each household in the province was on average losing between \$2,299 to \$2,895 annually because of the overall economic cost of poverty in 2008.

⁸ Ontario Association of Food Banks (2008), *The Cost of Poverty: An Analysis of the Economic Cost of Poverty in Ontario*. The report was written by Nathan Laurie. Advisors were Don Drummond, who was then the senior economist and Vice President of the TD Bank, Mark Stabile, economist and then-Director of the School of Public Policy and Governance at the University of Toronto, John Stapleton, then of the Metcalf Foundation, James Milway, Director of the Martin Prosperity Institute at the Rotman School of Business and Judith Maxwell, then-Senior Fellow of the Canadian Policy Research Networks (and formerly head of the Economic Council of Canada).

- In total, poverty caused a reduction of Ontario's economic output and productivity by 5.5 per cent to 6.6 per cent in 2008, with a total cost corresponding to an amount between \$32.2 and \$38.3 billion dollars per year.

In short, poverty hurts all of us, and poverty costs all of society vast amounts of money.

Numerous rigorous analyses highlight how our public and fiscal accounts fail to accurately reflect the true economic costs associated with inaction on the poverty front. In reality, the costs of inertia on this file are escalating. Sustained or increasing inequality in any society is always unhelpful and corrosive. Skeptics often criticize the upfront financial costs of investing in improvements to make the income support system more generous and reduce the hurdles to receiving help. An effective evaluation of the impacts of such changes would also require valuing how they would reduce the financial burden that current poverty levels impose on all Ontarians. Almost a decade after the publication of the OAFB report, recent evidence suggests that testing a Basic Income program may provide important answers to the question, "Why does poverty matter?"

- Increasing the financial support for our seniors with a top-up since the mid-1970s has expanded the choices they can make about their own lives, and has fostered a reduction in inadequate housing. It has also helped increase longevity, while postponing serious debilitating illness. This has improved the lives of the recipients, along with those of their families and communities.⁹
- Research also suggests that income maintenance programs such as OAS and GIS are associated with a substantial reduction in the prevalence and depth of poverty among seniors¹⁰. They are also associated with a decrease in food insecurity (inadequate, insufficient or uncertain access to food), increasing the likelihood that Ontarians and Canadian seniors are in a more solid “food secure” category.¹¹ Risks of food insecurity have been shown to increase as household income decreases, independently of other factors (including employment)¹². Food insecurity itself has been associated with higher health care costs, even when controlling for other risk factors and characteristics.¹³
- Research looking into the impact of unconditional cash transfers for Canadian families also suggests that improving incomes have positive impacts on outcomes for children. In

⁹As exposed, for example, in: Prus, Steven G. (2002), Changes in Income within a Cohort over the Later Life Course: Evidence for Income Status Convergence, *Canadian Journal on Aging*, 2. and Huguët, Nathalie et al. (2008), Socioeconomic status and health-related quality of life among elderly people: Results from the Joint Canada/United States Survey of Health, *Social Sciences and Medicine*, 66(4). The positive impact of the OAS and GIS are also exposed in the final reports from the Special Senate Committee on Aging (Canada's Aging Population: Seizing the Opportunity, 2009) and the Standing Senate Committee on Social Affairs, Science and Technology (In From the Margins: A Call to Action on Poverty, Housing and Homelessness, 2009)

¹⁰ National Council of Welfare (2011) *The Dollars and Sense of Solving Poverty*, "Canadian Policy in Practice", autumn.

¹¹ McIntyre et al, Canadian Public Policy, forthcoming

¹² Tarasuk, V and R Loopstra (2015), *An Exploration of the Unprecedented Decline in the Prevalence of Household Food Insecurity in Newfoundland and Labrador 2007-2012* Canadian Public Policy, 41(3).

¹³ Tarasuk V., Cheng J., de Oliveira C., Dachner N., Gundersen C. and P. Kurdyak (2015), *Association Between Household Food Insecurity and Annual Health Care Costs*, *Canadian Medical Association Journal*, 187(14)

Manitoba, a modest financial top-up (a maximum of \$81 per month) to low-income expectant mothers (the Manitoba Prenatal Benefit) was recently shown to have a substantial impact on reducing the prevalence of low birth weight babies. The expectant mothers largely spent the money on healthier food and nutrition, among other necessities, despite not having been required to use the money in such a way.¹⁴ An investigation of the way low-income families spend the money they receive through the Canadian Child Tax Benefit (CCTB) and the National Child Benefit (NCB) comes to a similar conclusion: Unconditional cash transfers are generally spent by families in a way that is most likely to improve their children's health and education outcomes.¹⁵

These are only a few illustrations of the existing empirical evidence that demonstrate there is little justification for the discriminatory allegation that low-income individuals will not know how to spend dependable (but modest) income wisely. Surely in a democracy, where rights and opportunities are deemed and proclaimed to be equal for all -- or at least that is what our laws and policies claim to promote -- it is the worst and most callous of discriminatory and diminished expectations to make dismissive assumptions about the choices that could be made by low-income people when afforded a Basic Income.

¹⁴Brownwell et al. (2016), Unconditional Prenatal Income Supplement and Birth Outcomes, Pediatrics.

¹⁵ Jones L., Milligan K. and Stabile M. (2015), *Child Cash Benefits and Family Expenditures: Evidence from the National Child Benefit*, NBER working paper no 21101, April.

The prospects of a Basic Income

It is important that we keep some measure of perspective as we examine the prospects of a Basic Income going forward.

- There is a profound difference between a welfare system characterized by rigid eligibility conditions (and their enforcement and monitoring) versus a system of automatic transfers for those beneath an income threshold. The first speaks to the notion of efficiency in the administration of social assistance, rather than to the enhancement and protection of human dignity. The second is associated with the capacity of individuals to make their own choices about their own lives.
- People living in monetary poverty often also experience time poverty. They are in a daily race to meet the most basic and modest of survival needs, with far less resources than are required. This harms families, children, and relationships. Properly executed, a Basic Income could make a serious difference on all these fronts.
- Income tax deductions (which are tax dollar expenditures) and the direct expenditures of governments on worthwhile investments tend to encourage those who are already doing reasonably well economically. Government expenditures on things like Registered Retirement Savings Plan (RRSP) deductions and Tax Free Savings Accounts (TFSAs) (see a partial list here below¹⁶) would dwarf any added costs associated with a reasonable Basic Income.

¹⁶ The list is long, and includes mortgage insurance, capital cost write offs for small and large businesses, Registered Retirement Savings Plan (RRSP) deductions, Registered Education Savings Plan (RESP) deductions, tax free savings accounts (TFSAs), home ownership assistance, subsidies for renewable energy, investment in

- Ontario now spends approximately \$9 billion specifically on Ontario Works and ODSP each year, not counting the extra costs in our health care, education and legal systems produced by the effects of poverty. The results of the pilot should provide some information on the relative performance of a Basic Income that would replace Ontario Works and ODSP. Such information will empower decision makers to appreciate the legitimate efficiency gains achieved by a single automatic payment system. They can also evaluate the relative beneficial impacts of a Basic Income on poverty abatement, and the real costs-savings it induces through improvements in health (physical and mental), education, labour force participation and community and citizenship outcomes. The pilot should also tell us if a Basic Income can build on other government initiatives, such as increases in the minimum wage, changes to OSAP and the OCB to substantially reduce the depth and incidence of poverty in Ontario.

A move away from Path Dependency

As a modern, democratic, inclusive, and economically productive society, finding a better way to substantially reduce poverty should be a clear and ongoing priority for Ontario.

Having tried and tested different but minimal welfare changes over the past years and decades, which often corresponded to adjustments on the margins of existing programs, it is surely high time to test the merits of a new way to improve the lives of those most in need.

“Path Dependency” is a term used in social and economic policy to reflect the tendency of most governments to pursue policy changes along the same path, over long periods of time.

infrastructure, preferential dividend tax rates, transfers to universities and colleges, tax deductibility of legitimate business investment and debt interest, research and development tax credits, and a myriad of other programs.

While the velocity and tilt to the right or the left may vary marginally from time to time, from government to government, or from minister to minister, the trajectory of policy change is mostly back and forth in the same furrow. Although this process makes the furrow deeper and deeper and moves the bottom of the furrow further away from the sun, it is often politically easier than summoning up the energy to pull out of the furrow and try a new path. A Basic Income pilot would be a test of a "new path" on poverty reduction, one that is based on humanity, and on the respect for the privacy and dignity of all Ontarians, whether poor or not.

If a basic income can be designed in such a way that it provides incentives to work by reducing the worst excesses and claw backs associated with the welfare wall, and confirms as a matter of right and dignity the opportunity to make individual choices regardless of income, why would we not try to test the potential benefits and potential costs in a coherent and focused pilot? The Government of Ontario deserves immense credit for taking this rational and reasonable step forward. We know what the costs of poverty on people's lives are, and how it limits prospects and opportunities. We further know that a broad sense of inequality, which is harmful to social cohesion and a sense of genuine opportunity, is fostered by an individual's sense of economic precariousness, which develops when the main programs of the social safety net are not flexible enough or sufficient to keep them out of poverty. We also have the capacity to address the issue. These facts combined create a persuasive, humane, social, and economic imperative to see how it might best be done. There cannot be, nor should there be, any guarantees about what results a pilot might generate. The objective behind this endeavor should be to generate an evidence-base for policy development, without bias or pre-determined conclusion.

This Ontario initiative takes place at a time when other jurisdictions, in Canada and abroad, are working in different ways toward a Basic Income approach to better reduce poverty. The opportunity to learn from and engage with these other initiatives should not be overlooked, nor should approaches being tested elsewhere be necessarily re-tested here.

However Ontario chooses to proceed, the federal government has a unique opportunity to partner with provinces already contemplating pilot projects (and with those who might only seek to do so in partnership with Ottawa) to complete a series of national tests that could produce actionable data for all levels of government. We could also further explore how a Basic Income approach could interact with, and potentially replace, income support measures administered by the federal government, most importantly non-refundable tax credits to individuals and families.

A properly-designed pilot can test for the differing costs of various approaches to a Basic Income, impacts over time on work, health, secondary and post-secondary education enrollment and attainment, and measurable “better life” chances. It can provide a window on the impact of Basic Income on individuals and on entire communities. It can investigate the connections between Basic Income and other programs and services. It can also help project the net costs, benefits, and measurable returns of replacing the existing Ontario Works and ODSP support programs, compared to a simpler and modestly more generous income-unconditional support mechanism.

C. Similar and related activities elsewhere

Broad support for Basic Income pilots

Ontario is definitely not alone in pursuing a better way to reduce poverty. As noted, the federal government introduced an enhanced child benefit in July 2016, with the objective of constructively increasing the income of low and middle-income Canadian families with children. Moreover, the House of Commons Finance Committee recommended in its pre-budget report that the government of Canada move forward with a pilot project on Basic Income.¹⁷

In its most recent ministerial mandate letter, the government of Quebec instructed the Minister of Employment and Social Solidarity to modernize income support programs and embrace better ways of reducing poverty, including a Basic Income guarantee. The Quebec Liberal Party Youth Wing, in August 2016, summoned the government to implement a Basic Income guarantee in lieu of the province's current welfare system. The government of Nova Scotia has initiated a comprehensive social support review looking for better ways to eliminate the welfare wall and to better support the working poor. The mayors of Calgary and Edmonton have welcomed the idea of a Basic Income guarantee and associated pilot projects, as has Alberta's Minister of Finance. In August 2015, the Government of Saskatchewan Advisory Group on Poverty Reduction also recommended a Basic Income pilot.

¹⁷ Recommendation 38 of the report calls for "The federal government [to] undertake a longitudinal study and implement a pilot project consistent with the concept of a guaranteed income."
<http://www.parl.gc.ca/HousePublications/Publication.aspx?DocId=8137950&Language=E&File=291#91>,
 Accessed: August 1, 2016)

In Ontario, a variety of prominent organizations have also called for a Basic Income pilot, including the Poverty sub-Committee of the Ontario College of Family Physicians, the Ontario Association of Local Public Health Agencies (alPHA), the Ontario Public Health Association, the Ontario Mental Health and Addictions Alliance and the Society of Nutrition Professionals in Public health, the Registered Nurses' Association of Ontario (RNAO), to name only a few. Various Ontario city councils have passed resolutions favouring a Basic Income pilot.

Non-governmental institutions in Canada have also engaged. National organizations such as the Community Food Centres Canada, the Canadian Medical Association (CMA), the Canadian Association of Social Workers (CASW) and the Canadian Public Health Association (CPHA) have expressed support for a Basic Income.¹⁸ The Institute for Research on Public Policy (IRPP) recently published a report in support of a Basic Income, which highlighted how a Basic Income would ensure that “no one falls between the cracks”. The Chief Economist at the Conference Board of Canada has also recently expressed his support for a Basic Income as an “efficient and intelligent way to fund and deliver social assistance”.

Across the border, the U.S. Basic Income Guarantee Network (USBIG Network) argues that “There is a strong practical case for the Basic Income. It underpins security, replaces the

¹⁸ Political parties across the country have also expressed their support for guaranteed annual income policies. The Liberal party of Canada adopted in its most recent convention a resolution asking "to develop a poverty reduction strategy aimed at providing a minimum guaranteed income", by working in collaboration with the provinces and territories.¹⁸ The Green Party of Canada and the New Democratic Party of Canada also adopted policy resolutions supporting a guaranteed annual income policy. In Prince-Edward Island, leaders from the four main political parties have welcomed initiatives on a guaranteed annual income in the last provincial electoral campaign. The Liberals and the Greens in Manitoba, the New Democrats in Saskatchewan, and the New Democrats in Nova Scotia have also expressed support for such programs. Various Senate reports in Canada, from the 1970s to 2013, have called either for a Guaranteed Annual Income or nation-wide pilots to test its prospective benefits and costs.

complexity of the current system and provides a platform for freedom and creativity.”

Volunteers, scholars, and advocates for those who live in poverty have been promoting the idea of a Basic Income around the globe for years, often through local chapters in Canada and Ontario of the BIG network.

Interest in Basic Income experiments has led to other pilot projects being developed abroad. In 2015, the Government of Finland promised €20 million to conduct a two-year Basic Income experiment, with the stated goals of reducing work disincentives, optimizing administration efficiency, and offering a better fit between social needs and policy. Details of the pilot, which will be coordinated by the Social Insurance Institution of Finland (Kela) and implemented with the collaboration of researchers from various institutions, will be made public by the government by the end of 2016. In March 2016, a working group recommended that the pilot focus on implementing a Basic Income of €550-600 a month. This would replace most basic benefits, except for most of those now in the form of insurance coverage, and means-tested benefits for housing and child allowances.¹⁹

Various cities in The Netherlands, such as Utrecht, Tilburg, Wageningen and Groningen, are planning pilot projects for universal unconditional income transfers (demogrants) for 2017. The city of Utrecht, for instance, will be testing different versions of a Basic Income in collaboration with the University of Utrecht, over a period of two years. They are preparing to test four

¹⁹ A Basic Income replacing all other forms of social assistance, or with bonuses for labour market participation or volunteering, was rejected by the working group, as was the negative income tax model, for which real time access to individual income data would have been required, but could not be secured before 2019. (Kela, http://www.kela.fi/web/en/news-archive/-/asset_publisher/IN08GY2nIrZo/content/from-idea-to-experiment-preliminary-report-on-a-universal-basic-income-completed, accessed August 2, 2016)

different models of income support, with or without explicit work requirements and incentives to participate in the local economy.²⁰

In East Africa, the non-profit organization GiveDirectly has announced the roll-out of a pilot testing the benefits of a Basic Income to households. While the organization is still in the midst of raising funds to finance the pilot, it has announced that the experiment would last at least for a period of 10 years, and would be evaluated with the contribution of leading scholars.²¹

Meanwhile, Silicon Valley's Y Combinator will be funding a short-term Basic Income pilot in Oakland as a first step to a longer-run study on how an unconditional Basic Income would affect people's happiness, well-being, use of time, and financial health.²²

A Basic Income pilot project aimed at reducing poverty and increasing economic development in Namibia was delivered in 2008. Unfortunately, it ran into funding problems and was not fully or carefully evaluated. Anonymous data emanating from the pilot has not been made available to the research community.²³

However, several other previous pilots have provided credible and promising results. For example, an experiment conducted in 2010 in Madhya Pradesh, India, (in collaboration with UNICEF and the Self Employed Women's Association Bharat) generated some very useful data. The study produced positive evidence on the impact of unconditional cash transfers on food

²⁰ One of the four versions, which would provide individuals with a, unconditional Basic Income and allow them to keep (at least part of) additional earned income is currently being analyzed for approval by the Ministry of Social Services and Employment. More details are available on the City of Utrecht website "Work and Income: Knowing what works", <https://www.utrecht.nl/werk-en-inkomen/weten-wat-werkt/> (accessed on August 2, 2016)

²¹ Give Directly, <https://www.givedirectly.org/basic-income> (accessed August 2, 2016)

²² Y Combinator, "Moving forward on Basic Income", <https://blog.ycombinator.com/moving-forward-on-basic-income> (accessed on August 2, 2016)

• ²³ Osterkamp, R. (2008), Basic Income Grant – a critical analysis of the first results. In: NEPRU Quarterly Economic Review, September.

sufficiency and quality, school attendance and performance, productivity and entrepreneurship, health outcomes for children, and empowerment for women and the disabled.²⁴

The Mincome experiment conducted between 1975 and 1978 in Dauphin and Winnipeg, Manitoba tested the principle of a Basic Income, in the form of a NIT in the Canadian context. Different support levels and benefits claw-back rates were tested in a randomized control trial, and community-level implications were studied in the context of the community of Dauphin. The results indicated population health improvements, the potential for government health savings, and no meaningful reduction in labour force participation.²⁵

The need for a freshly designed pilot in Ontario

From Ontario's perspective, several things can be learned from previous pilots and studies, and from the existing literature. These include the behavioural impacts of conditional and unconditional cash transfers, on labour supply responses to changes in incomes and taxes introduced by taxation. However, there are a number of questions that cannot be answered by existing or ongoing work. They can only be addressed by a freshly designed pilot in Ontario.

First, pilots or studies conducted in other jurisdictions cannot fully inform the interactions between a Basic Income and some features of the Canada/Ontario environment, such as universal healthcare, employment insurance, public education, the existing tax and transfers system, etc. The costs of a Basic Income program (and of a pilot) are also dependent on the income distribution within the population and of the environment in which it is deployed. Second,

²⁴ *A Little More, How Much It Is...: Piloting Basic Income Transfers in Madhya Pradesh, India* (New Delhi, SEWA Bharat supported by UNICEF India Office, Jan. 2014)

²⁵ Forget, E. (2011), *The Town with No Poverty: The Health Effects of a Canadian Guaranteed Annual Income Field Experiment*, Canadian Public Policy, 37(3), September.

evidence from Mincome, while derived from the Canadian context, was representative of a very specific population and labour market. As well, the experiment dates from a time when the realities faced by the workforce were quite different. Finally, the current enthusiasm for Basic Income pilots offers the opportunity to widen the range of options tested. There is an opportunity to compare a more extensive set of designs across the set of initiatives that are currently being crafted in several jurisdictions.

A pilot in Ontario is an important step forward to understand the impact and implications of a Basic Income in the current context for this province. A coordinated wave of pilots across the Canadian federation should be the next logical step. There is an opportunity for different provincial trials to inform one another, and to test the potential synergies and complementarities with the existing system of federal transfers and tax system.

The federal government would be well advised to consider engaging in support of pilot projects nationwide, for various reasons. First, the CRA has a unique jurisdiction over income tax collection and the administration of various, refundable tax credits,²⁶ and could play a very natural role in the administration of a Basic Income. Second, various tax credits, refundable and non-refundable, are under the purview of federal ministries, and it would be informative to explore if their redistributive purpose would be well served by a Basic Income. Third, the geographically broad evaluation of a series of national pilots could be facilitated by the data harmonized by and held at Statistics Canada, an agency that is respected worldwide. Following

²⁶ In all provinces save Quebec.

the example of the implementation of universal health insurance²⁷, a government in Ottawa that is committed to poverty reduction could see a meaningful nation-building opportunity in moving forward with a BI project for the country as a whole. If Canada's economic mix is no stronger than those among us who are the economically most vulnerable, reducing poverty and its pathologies is surely a constructive and productive economic initiative for the country as a whole. The high level of response to the 2016 census suggests that Canadians believe that better policy decisions stem from sound social and economic information. While beyond the formal remit of this discussion paper, this argues for the federal-provincial efforts to create a country-wide Social Data Research Initiative. This would be a central repository in which all social data sets (federal, provincial, municipal and not-for-profit) would be updated and linked, and which would be securely accessed upon request by governments and researchers who work in the area.

It should be noted that, independent of any proposal or plan for implementing a pilot project, the province of Ontario established a separate Income Security Reform Working Group on June 29, 2016. The group was tasked to examine existing social support programs and find ways to move away from unduly complex social assistance to more client-centered approaches, and a broader income support system. George Thompson (Senior Director of the National Judicial Institute, former Ontario Family Court judge and former chair of the Social Assistance Review Committee for the Peterson government) is the working group's facilitator. The group, which includes advocates, Ontarians with lived-poverty experience, delivery partners, front line staff and system experts, will build on the work of the Lankin-Sheikh Commission's 2012 Report that

²⁷ It began under the Douglas government in Saskatchewan in the early 1960s, before its national application was studied by the Diefenbaker government under Justice Emmett Hall to become a federal program under the Pearson administration between 1963 and 1968.

recommended a simplification of existing delivery and application programs and procedures. Its mandate is to provide recommendations by the end of summer of 2017.

Three key dimensions to a Basic Income pilot

This broader context of events, beyond Queen's Park, essentially underlines three key dimensions relative to a Basic Income pilot:

1. Ontario is by no means alone in seeking to find a better way to reduce poverty.
2. The Basic Income pilot is not about welfare reform. That is being dealt with by the above-referenced Income Security Reform Working Group.
3. The pilot is about understanding the extent to which Basic Income can improve the health status, labour market outcomes, and real-term life prospects of Ontarians who live in poverty. It is also about measuring the benefits, individually and to the community, of ending or radically reducing the negative pathologies that poverty invariably produces. It should map the net fiscal costs and benefits of more innovative approaches. For people now living in poverty, it should increase their freedom to choose and make life decisions.

D. The organization of the Basic Income pilot

When thinking about the organization and structure of a Basic Income pilot, key questions that should be addressed include:

- (i) How should a pilot be governed?
- (ii) How should it be organized and implemented?
- (iii) What should be the key evidence produced before, during, and after the implementation phase that will help Ontario's government and legislature decide how to proceed next?

How should a pilot project be governed?

The legitimacy and credibility of the pilot's outcomes and conclusions will be affected by the values and core principles that govern the pilot itself. One option would be to have the pilot run directly by the government through one of its ministries, most likely MCSS. However, an inclusive and comprehensive pilot will require the collection and harmonization of data sets on healthcare utilization, health and education outcomes, utilization of the judicial system, and other information from the relevant public organizations, including municipalities and regions.

Administrative, tax, and social data from the federal and provincial governments will also be required. Therefore, it is not necessarily reasonable or appropriate to expect one Ontario ministry to manage the entire Basic Income pilot.

Diverse stakeholder input

Most government departments and the diligent public servants who work within them spend the vast majority of their time, both as a percentage of each day and as a percentage of total

“personal years”, implementing, monitoring or administering policies and programs authorized by regulations or their enabling laws. There is not a lot of capacity for altered or new policies to be tested and run alongside existing ones using the ministry's resources, in the context of a pilot, since employees at the provincial ministry and municipal social agency levels already have demanding, full-time occupations and unyielding caseloads. This is especially true for those who work in ODSP or Ontario Works, provincially, regionally and locally, where caseloads are understandably heavy and unique.

The voices, work experiences, and judgment of those who work for the Ontario government, municipalities and regions on behalf of people living in poverty matter. They must be part of the diagnostic and planning process for any pilot. The voices and experience of Ontarians who live or have lived in poverty must also be considered in the same way. The input of the many volunteer, faith, and community groups and agencies who serve their fellow citizens in economic difficulty and, too often, genuine distress, should also be sought and heard as the pilot is designed and implemented. These stakeholders, just as individuals with lived experiences of poverty, should take part in overseeing the pilot's developments.

Similarly, Ontario has various not-for-profit organizations experienced in community-level demonstration project, randomized control trials, and local social experiments. These organizations have demonstrated analytical objectivity in structuring appropriate qualitative and quantitative research protocols, and in performing rigorous analysis. They have robust, established methodologies to study the impacts of various programs, targeting health outcomes (from an individual health and public health perspective), education quality, housing needs, incarceration rates, and economic trends for new immigrants, women, young people, and

minorities. These skills are, under some circumstances, more robust outside of government than within it.

As well, many of these organizations have long histories of effective research collaborations with bodies like Statistics Canada, the Organization for Economic Cooperation and Development (OECD), the Ontario Ministry of Community and Social Services (MCSS), MOF and the MOHLTC. Re-inventing the wheel makes little sense, and would probably be relatively inefficient and costly.

Run by a coalition

It is recommended that an arm's length coalition of competent not-for-profit research organizations be invited to actually run the pilot project, under a unified not-for-profit consortium. But "governance" refers to more than simply who actually conducts the research, which is an operational and implementation issue, it also refers to the suitable mix of experts and practitioners from research and community service communities who will positively inform and influence the development of the pilot, and be accountable for it.

The ultimate accountability must be to the minister and ministry that funds the pilot project, and through the Minister to the Cabinet and legislature. The central organizational question is about the ways in which the pilot project design, once chosen, will be sensitive to and respectful of the pilot's many stakeholders.

Basic Income Pilot Advisory Council

It is recommended that there be a **Basic Income Pilot Advisory Council**, reporting to the Ministers and directly engaged in quarterly reviews of each phase of the pilot's implementation.

This council would be composed of representatives of key ministries, including the public servants at Ontario Works and ODSP and in municipal and First Nations governments, members of charitable organizations working with those who live in poverty, leading experts “on the ground”, scholars, and individuals living in poverty. The advisory council should also be inclusive of organizations who share a major interest in Ontario’s economic, social and fiscal progress over all, such as trade and public sector unions, chambers of commerce, the Ontario Federation of Agriculture, the Community Food Centres of Ontario, the Ontario Medical Association, the College of Family Practitioners, the Association of Local Public Health Agencies, the various nursing associations, etc. So as not to be too unwieldy, the council should not have more than 35 members. Once members are nominated and selected, membership and attendance should be non-transferable.

Research Operations Group

It is also recommended that a **Research Operations Group** be assembled, with leadership chosen from established not-for-profit research organizations with proven experience in this kind of research, as suggested above. Ideally, researchers from organizations assembling and holding the data sets used for the purposes of the pilot evaluation would be invited to sit on the Research Operations Group. They would share their knowledge of the data, methodologies, and algorithms developed to optimally evaluate the pilot. They would also ensure compliance with the privacy, consent, and confidentiality rules that limit the ways in which data may be used.

The Research Operations Group would consult regularly with the Basic Income Pilot Advisory Council. It would be responsible for framing the key qualitative and quantitative data collection process and evaluation, and the specific organization and implementation of the different arms of

the pilot. Ideally, the Research Operations Group would ideally have an administrator/financial officer designated by the province to ensure budget efficiency and prudence. Representatives of the Institute for Clinical Evaluative Sciences (ICES), Statistics Canada, Social Research and Demonstration Corporation (SRDC), and appropriate health care and university research organizations should be invited to join the Research Operations Group.

Pilot Project Steering Committee

The Basic Income Advisory Council and the Research Operations Group would each contribute one individual to a **Pilot Project Steering Committee**, who would be the main link between the minister and their respective group or council. To facilitate an efficient, inclusive, rigorous, and humane pilot, the Basic Income Pilot Project Advisory Council committee would meet at the outset of the preparation phase of the pilot, and quarterly thereafter to review progress. The Research Operation Group that manages the actual operations of the pilot, and the Steering Committee providing oversight of operations, ethics and finance, would be the key point of contact for the Minister(s).

Pilot Project Leader

The entire project should have a **Pilot Project Leader**, responsible for the day-to-day operations of the pilot, and for engagement with senior ministry officials. The director should be chosen based, in part, on nominations submitted by the Advisory Council and Research Operations Group and the Clerk of the Executive Council. The individual should have experience with critical research issues, an affinity for research designs, familiarity with the appropriate research protocols, and proven communication skills.

Ethics Officer

The province would be well-advised to appoint an **Ethics Officer** to ensure that as data sets are created and/or accessed from various sources, the privacy rights of all participants in the pilot and all of its parts are strictly protected. This would ensure that when specific access to provincial, federal or other social, health, labour or tax data sets is sought, appropriate approvals from ethics review boards and both federal and provincial privacy commissioners have been obtained. The Ethics Officer would also be in charge of establishing processes to obtain the pilot participants' consent, where necessary, to gain (retroactive and prospective) access to their records from various ministries and government agencies. The Ethics Officer would also determine and enforce the parameters associated with final data holdings, and establish the criteria under which outside researchers could access this data, both during the pilot or after its completion. Finally, the Officer would be in charge of conducting periodical ethics reviews of the pilot, to ensure that the mechanisms put in place to protect their rights are upheld.

The ethical guarantees that shape the pilot and protect all those participating in the research must extend beyond the explicit protection of participants' privacy. Ontarians who participate in the study must be assured from the outset that:

- Their participation is voluntary, and no one should be forced to participate under any circumstances.
- They will not, in any way, be made economically “worse off” for participating in the experimental Basic Income pilot, both during and after its duration (which may involve municipal cooperation to not penalize those in public housing or receiving other benefits during the pilot).

- Individual participants in the various arms of the pilot must be assured that their involvement will be kept private at all times. Moreover, all data holdings used for the purpose of pilot evaluation should be made anonymous, making it impossible to identify individual participants or to violate their right to privacy.
- Private participant data will be protected in perpetuity. However, aggregated data and evaluation results should be made public on an ongoing, transparent basis²⁸. It is vital that there be open access to information on the pilot's operations and results. There should also be a formal process through which independent researchers can access the de-identified micro data generated by the pilot, to ensure that all of the main pilot's findings can be replicated, and to conduct new complementary analysis.

Key evidence the pilot should be structured to generate

In order for the results of any Basic Income pilot to be of value to future public policy choices the government and legislature of Ontario might choose to make, they should convey clear, indicative evidence in the following areas:

- a) *Health outcomes for the participants.* These outcomes can be monitored through access to Ontario Health Insurance Plan (OHIP) physician utilization records, Ontario Drug Benefit (ODB) records, and Canadian Institute for Health Information (CIHI) hospital utilization databases.²⁹ Additional information on health could also be obtained through surveys distributed to pilot participants. They will provide a base for analysis of a series

²⁸ Aggregated statistics or results should only be made public once it has been established that they do not allow for any individual participant's identity to be inferred or retrieved.

²⁹ Suggested, existing administrative data sets, related to health and to all other outcomes and characteristics of interest, to which access should be obtained by the research team, are listed in section H (technical notes) at the end of this discussion paper.

of critical relationships between the income support provided by a Basic Income, and changes to individuals' healthcare utilization and health outcomes. Ideally, de-identified administrative files for non-participants could also be used to construct broader comparison groups, and to analyze the broader trends at the population level. This would provide critical information on the capacity (or lack thereof) of a Basic Income to improve individuals' quality of life by leading to improvements to their health. It would also provide information on the extent to which a Basic Income could reduce, in the long run, health care spending for the Ontario government, the most expensive item in the provincial budget. Understanding how the stable source of financial support of a Basic Income could also address mental health issues should also be specifically evaluated. Mental health issues are often associated with poverty, and with challenges related to labour force participation. Moreover, poor health has been identified to be a major contributor to employment barriers for current, long-term Ontario Works recipients (especially those who are not eligible for ODSP); understanding the impacts a more generous Basic Income may have on improving health outcomes may also suggest potential improvements in terms of labour market reintegration for some.³⁰ Measurable outcomes could include the number of primary care/emergency department visits (for psycho-social, mental or physical health reasons), prescription drug use, utility-based measures of health, etc.

- b) *Life choices, such as career choices, training decisions, living arrangements, family formation, fertility decisions, etc. for participants.* The data collected should allow the

³⁰ According to a review of the caseload of Ontario Works clients for the city of Toronto, temporary poor health was the most common barrier to employment (38percent of individuals on Ontario Works for two years or more, and 24percent of those on Ontario Works for less than two years).

province to separately evaluate the impact of a Basic Income on those outcomes, for five groups of participants: those having lived in poverty for a long time, those whose parents lived in poverty, those whose income falls below the poverty line for brief episodes (less than one year), those whose income falls below the poverty line on a cyclical basis, and those who have no prior experience of poverty. Those outcomes could be measured through data accessed from government administrative files, such as education enrollment records, Employment Insurance (EI) records, tax records (which could also allow the monitoring of care-giving activities, self-employment, etc.), census files, etc. Data on use of time could also be gathered through interviews with participants receiving a Basic Income, and with those assigned to the control group, and could track use of time decisions, such as time spent with children at home, with older relatives, time spent doing housework, etc.

- c) *Education outcomes (attendance, highest achievement, completion/drop out, re-enrolment, results on standardized tests, number of courses taken, etc.) for participants in the pilot and for their children.* These outcomes would improve our understanding of how migrating from Ontario Works/ODSP to a Basic Income might provide different incentives for younger adults to enroll, attend and succeed in school, as their financial security is improved. It would also help us understand how accrued financial resources to families might have a positive impact on children's performance in school, in our present time and economic context.³¹ These outcomes could be obtained through the administrative files assembled by the Ministry of Education (EDU) and the Ministry of Advanced Education and Skills Development (MAESD).

³¹ Combining data on educational outcomes and time use could also help in pinning down the mechanisms through which a Basic Income could influence children's academic achievement.

d) *Work behaviour (participation, job search, employment status, sideline employment, overtime, self-employment, paid hours worked, number of jobs, job tenure, earned income, etc.) for participants.* The impact of a Basic Income on labour market participation remains one of the main concerns of the Canadian population; a recent Angus Reid Institute poll, conducted in August 2016, concluded that 63percent of the country's population believes that a Basic Income would discourage people from working²⁸. The introduction of a Basic Income pilot for individuals currently receiving Ontario Works would provide additional incentives to join the workforce, by allowing them to keep a substantial part of their earned income in addition to their Basic Income. Hence, a careful evaluation of the impact of a Basic Income on people's decisions regarding work, such as whether to work or not, their weekly hours worked, their job search activities, and the number of jobs they hold, is critical. As further discussed in section F, the evaluation of the pilot should seriously explore how labour market behaviours vary across demographic groups, according to the amount in benefits received, and the rate at which they are taxed back, as income earned in the labour market increases. Such outcomes could be measured using existing tax files, EI records, MCSS records, and potentially some data collected through interviews conducted by the research team.

Although it is more difficult to measure or observe, participation in the underground economy is also an outcome of interest. Filing a fraudulent tax return is a serious statutory problem that should be expected to be discouraged, since a regular top-up is made available for pilot participants, working or otherwise, who are living in poverty.

Finally, apart from the impact of the parameters of NIT programs tested, other channels through which BI could generate improvement in terms of labour force participation compared to Ontario Works should be explored. For instance, in 2015, 38 per cent of individuals who had been on Ontario Works for two or more years in Toronto cited temporary poor health as the main barrier to employment.³² Understanding the impacts of stable and adequate income support on health is likely to matter for work incentives. For the city of Toronto, cases lasting more than two years made up 45 per cent of all unique annual Ontario Works cases in 2015, and half of all unique monthly cases.³³

- e) *Community-level impacts in communities where a Basic Income is tested with a higher concentration (such as in a saturation site).* For example, the impact on the local labour market tightness and labour force attachment, on certain prices (rent, etc.), on community safety (crime prevention, incarceration rates, arrests and traffic accidents) as well as potential changes in the utilization of certain public services (libraries, etc.) and in social interactions (civic participation, voting turnout, etc.). Data from the local police services, tax records, EI records, and the Canada Mortgage and Housing Corporation (CMHC) could, among others, help track these outcomes.
- f) *Direct administrative costs or savings to Ontario by replacing the present Ontario Works and ODSP with a simple, direct Basic Income program.* This should encompass the actual cost of the delivery of Basic Income payments, the economies in terms of Ontario

³² Previous research has also highlighted the negative impact of long unemployment spells on health outcomes through isolation and lower income (for example Nichols, Mitchell, and Lindner (2013) *Consequences of Long-Term Unemployment*, Urban Institute), which is susceptible to reinforce the dynamics linking poor health, labour force participation and poverty. The pilot could provide an opportunity to test if a Basic Income could alter these dynamics, and if so, to what extent.

³³ Information provided by Toronto Employment and Social Services, August 2016.

Works and ODSP payments, the ensuing financial cost/savings associated with the simplification in the administration of social assistance, and the reduction of monitoring and policing components. Such factors would have to be assessed, calculated and modeled to effectively project province-wide administrative costs or savings over a reasonable period of time (ideally over various horizons for the sake of transparency). Those costs would have to be assessed using financial data from the Government of Ontario.

- g) *Changes in “food security” status for pilot participants under Basic Income.* Food insecurity has been associated with financial vulnerability. Understanding the extent to which the secure income stream coming from a Basic Income program may result in a reduction in the prevalence and depth of food insecurity is important. In part, this is because of the implications of food insecurity for health outcomes (numerous studies have associated food insecurity with greater health care expenditure³⁴). Food insecurity could be assessed for individuals using files from the Canadian Community Health Survey (CCHS) for pilot participants who have been sampled in that survey, and linking their answers to the pilot's database. However, given the cross-sectional nature of the CCHS, and its small, locally non-representative sample, the research team might be also advised to conduct their own surveys/interviews, which would include the questions from the CCHS Household Security Survey Module to monitor changes in food security for pilot participants.

³⁴ For example: Tarasuk V., Cheng J., de Oliveira C., Dachner N., Gundersen C. and P. Kurdyak, *Association Between Household Food Insecurity and Annual Health Care Costs*, Canadian Medical Association Journal, 187(14), 2015

- h) *Perception of citizenship, social inclusion and security.* Information on people's perceptions of their place in society, their capacity to contribute, their social environment's capacity to protect them, and their feelings towards their community could mostly be collected through interviews with participants. This information could help identify potential longer term impacts of a Basic Income on broader cultural shifts, and on the types of constructive behavioural changes that a Basic Income could generate if it were to be a permanent policy.
- i) *Mobility and housing arrangement.* Housing stability and choices about housing arrangements and neighbourhoods are aspects of an individual's quality of life that could be impacted by a Basic Income. Such information could be derived from administrative files with reporting addresses.
- j) *Isolated or cumulative interactions between a Basic Income and other existing programs such as EI, the existing provincial and the recently enriched Canada Child Benefit.* The way in which this type of evidence can be gathered will depend heavily on the actual organization of the pilot itself.

The outcomes mentioned above will sometimes be available through administrative records, which could be linked (under strict conditions discussed below) to form a longitudinal database of individual outcomes. Others may have to be collected via instruments constructed specifically for the pilot (interviews, surveys, questionnaires etc.)

Data in each of the areas mentioned above should be available at the individual level and should be available for the periods preceding the start of the pilot (and of Basic Income payments), as well as during the period during which participants will receive payment, and after the

completion of the pilot. This will allow evaluation of the longer-term impacts of Basic Income, and to see if those impacts disappear with the promise of a Basic Income. For that purpose, participants should be asked to sign consent forms for allowing retroactive access to their individual records, ideally for a minimal period of two years preceding the commencement of the pilot. They should be assured that all interview data and data coming from administrative files and from surveys/interviews would be anonymous to protect their privacy. Any de-identified micro-data would be accessible to approved researchers only, conditional on them obtaining approvals from the appropriate ethics board and on satisfaction of the requirements of the relevant privacy commissioners (at the provincial and federal level).

Finally, and as hinted above, constructing the longitudinal database to track pilot participants' behaviours, characteristics and outcomes will require files from many sources to be accessed and linked. The input of all parties involved in constructing, maintaining, or linking these different data sets should be sought as early as possible, to ensure that:

- i. The pilot timeline and scope align with the time required to complete the linkage procedures (including completing ethics board reviews, developing Memoranda of Understanding (MOUs) and authorizations, obtaining consent from participants when needed, and building the linkages based on identifiers³⁵);
- ii. Adequate supplemental surveys are developed to address any gap in the outcomes that the existing data covers;
- iii. Their expertise is sought to develop models to simulate the long-term impacts of a Basic Income, based on the short-term data collected during the pilot.

³⁵ Either through unique identifiers or using probabilistic techniques.

E. What the Basic Income Pilot Should Test

The concept of a Basic Income can be achieved in many more ways than could reasonably be tested in the context of an Ontario pilot. As such, the government has to make crucial decisions about the various design features of the Basic Income(s) to be tested. Most importantly, it needs to decide how many versions of a Basic Income should be tested, what levels of income support should be offered, whether the amount given in a Basic Income should be progressively taxed back (and if so, at what rate) when individuals earn income in the workplace. Decisions on the types of current supports that would be replaced by a Basic Income and on the communities where the pilot will be run also must be made.

In answer to this set of questions, it is recommended that the pilot focus on testing a Basic Income in the form of a NIT (what some would call a refundable tax credit) that would replace Ontario Works and ODSP,³⁶ and for which Ontarians aged 18 to 65 living in poverty would be eligible.³⁷ Unlike the support provided under the current Ontario Works and ODSP, the financial support provided would not impose restrictions, limits or interdictions related to financial assets, work-based earnings, or labour force participation. Individuals would be guaranteed an income equivalent to a determined proportion of the LIM (that proportion differing across experimental

³⁶ Eventually, a Basic Income that is generous enough could replace, for example, the Ontario Sales Tax Credit or the Harmonized Sales Tax Credit (upon agreement with the federal government), but this option should be explored after completion of the pilot.

³⁷ Children and seniors are already subject to some form of Basic Income through the GIS/OAS and the CCB. In the case of a full roll out, the government would have to decide if and how a Basic Income should apply/be available to full-time students. Excluding them while extending a Basic Income to individuals aged 18 to 64 would potentially result in creating important disincentives to enrolling in post-secondary education, to which prospective first generation university students, or individuals from lower socioeconomic background are more likely to respond. Solutions considered might include integrating the various forms of financial support available to students (for example OSAP, MAESD grants, etc.) with a Basic Income program. These options all involve a level of complexity that should be further explored with local agencies in charge of administering Ontario Works and ODSP, and the Ministry of Advanced Education and Skills Development. Such an integration could also be designed for the purposes of a pilot, but is likely to add a layer of complexity in terms of programs coordination and may not be achievable within the timeline chosen to conduct the pilot.

groups), which would not be taxed. Additional earnings beyond the Basic Income would be encouraged, and taxed at varying rates. These tax rates would apply until an individual has paid, in taxes on earned income, the exact equivalent of the Basic Income, with a threshold (or break-even point) after which earned incomes would be subject to the normal income tax schedule by which all working Ontarians are governed. The taxation mechanisms applied to earned incomes in the context of the NIT would provide incentives for individuals whose incomes are currently below the poverty line to join or remain in the workforce. They would also reduce the costs to the province of implementing a Basic Income, should it choose to do so after studying the results of the pilot.

The amount of benefits received by participants would be a function of both their net family income and their family composition, such as the number of adults. Basic income payments would be equally divided and paid to all adults in the family, so as to provide each adult with an independent source of income and financial autonomy. Those payments would be issued monthly, and the base amount received (before any earned income) would not be taxable.^{38 39}

Different tests within the pilot

It is recommended that the pilot test different levels of Basic Incomes and different tax rates, to explore how the effectiveness and the costs of a Basic Income vary with the policy choices made on these two parameters. This would also be used to assess the fiscal implications and other

³⁸ The amount of benefits should be based on the family's income in the previous fiscal year, but mechanisms should be set to allow for changes in family income and composition to be reflected in the payments between fiscal years. Individuals should be provided with an opportunity to signal such changes (marriage, divorce, child birth, job loss, etc.) for their benefits to be revised; those changes could later be verified against the tax returns filed by the individual. Payments should be made using direct deposit, mailed cheques, or via a community agency when the first two options are not possible.

³⁹ Payments could also be issued bi-weekly for individuals who, for example, suffer from disabilities that may be associated with financial planning challenges.

impacts of such choices. Testing different levels will also help identify the combinations of benefits and tax rates most likely to generate significant and affordable improvements in terms of poverty reduction. It will also foster long-term benefits and savings (e.g., through improvements to health outcomes, labour market participation, etc.), without encouraging a reduction in hours worked, and while representing the most reasonable cost to all taxpayers. For instance, for any given level of Basic Income, tax rates will reduce the direct costs of the program. Previous NIT experiments conducted in the U.S. and in Canada in the 1970s selected rates between 30 percent and 80 percent⁴⁰. Current adult recipients of Ontario Works face a rate of 50 percent on all earned income beyond an initial \$200 a month. However, current programs such as the CCB or the Earned Income Tax Credit (EITC) in the United States are associated with much lower tax rates. Work behaviour observed in the context of those programs and experiments can inform the choice of different tax rates tested in the pilot; evidence from previous analysis and experiments, and simulations of the impacts of various rates could be performed to guide this choice. However, it should be remembered that the reason to test different tax rates and Basic Income levels is specifically to understand the implications in terms of work behaviour in the current Ontario context.

It should be noted that implementing the NITs suggested will require the collaboration of the federal authorities (importantly, that of the CRA) since Ontario does not have a separate income tax filing system. A presence of the federal government could also be sought; this would allow

⁴⁰ The tax rates in Winnipeg portion of the Mincome experiment were 35 per cent, 50 per cent and 75 per cent. The work reduction effects of Mincome were in the order of seven per cent somewhat weaker than the 10 percent – 17 per cent found for the US experiments. Hum, Derek and Simpson, Wayne, "Economic Response to a Guaranteed Annual Income: Experience from Canada and the United States," *Journal of Labour Economics*, Vol. 11, No. 1, pp. S263-S296 (1993) and Prescott, David; Swidinsky, Robert; and Wilton, David, "Labour supply estimates for low-income female heads of household using Mincome data", *Canadian Journal of Economics*, Vol. 19, No. 1, (1986).

the pilot to test a Basic Income that would replace federal non-refundable and refundable tax credits.

Components of an Ontario Basic Income Pilot

Overall, these options could be tested with the combination of a randomized control trial and a set of local pilots conducted in saturation sites, in which participants would be enrolled for at least three consecutive years.

Overall, a pilot could consist of tests deployed over four different sites, grouped in two broad components:

1. A randomized control trial (RCT), conducted in one large urban area of the province.

A sample of pilot participants (households) would be randomly selected among the area's population. Participants would further be randomly assigned to one of four groups, and receive the corresponding monthly benefits:

- i. A control group, who would receive benefits in the form of the existing Ontario Works, and ODSP; that group would experience no change in terms of income support and other benefits, but their outcomes and behaviour would be monitored by the research team.
- ii. A second group, who would be guaranteed an income corresponding to 75 per cent of the LIM (adjusted to the composition of the household), with ODSP

recipients receiving 75 per cent of LIM plus at least \$500.⁴¹ This group would see their earned workplace income taxed at a lower rate until the net benefit they get from the Basic Income is reduced to zero. After this, their additional income would be taxed according to the existing tax schedule.

- iii. A third group, who would also be guaranteed an income corresponding to 75 per cent of the LIM (adjusted to the composition of the household), but whose additional earned income would be subject to a higher tax rate, until the net value of the benefit received is reduced to zero, according to the mechanism described above.
- iv. A fourth group, who would be assured an income equivalent to the low-income measure applicable (adjusted to the composition of the household). This group's earned income would be taxed back at a higher rate, according to the mechanism described above.

In a perfect world, the RCT component of the pilot would be conducted throughout the province. This would maximize the likelihood of generating externally valid results, and enable the government to anticipate the impacts that a general program would have, at least on individuals' behaviours and outcomes, while taking into account the multiplicity of contexts across the province. However, implementing the different treatment arms, while maintaining the current Ontario Works and ODSP programs in parallel for non-participants and for the members of the control group, requires a substantial effort from the local agencies now acting as front line

⁴¹ The additional amount received by individuals with a disability should be at least \$500, but ideally that amount would also be informed by an up-to-date assessment of the costs of living with a disability. The value of \$500 should be increased if necessary in the light of this assessment.

service providers on the ground.⁴² Moreover, identifying the (potentially very diverse) impacts of a Basic Income, while controlling for all the different environmental factors varying across cities and communities, would potentially require an increased sample size, resulting in higher costs associated with the pilot (both in terms of Basic Income payments and in terms of data collection through interviews, etc.) It therefore seems more reasonable to concentrate the RCT activities within a single geographical area of the province, which could be supported by the provincial government and the pilot team.

It is suggested that the RCT be deployed in an urban area or in a Census Metropolitan Area (with a higher population density), to ensure a higher level of anonymity for randomly selected participants. The RCT site should be selected on the basis of:

- i. representation of the various realities of the Ontario population, including: presence of members of Indigenous communities, presence of racialized communities, presence of immigrants (of various generations), balanced age distribution, balanced family composition and family status, balanced income distribution (mix of ODSP/Ontario Works recipients and of low-income workers, etc.);
- ii. the absence of large stabilizing public sector institutional employers (government, military, prisons, etc.) in the local labour market (which would have the capacity to act as a stabilizing force through the economic cycle);
- iii. the institutional engagement and interest of local partners to participate in the activities of the pilot and to ensure that both a Basic Income and the traditional Ontario Works and

⁴² Sometimes, for a handful of residents who would have been randomly selected to participate in the pilot.

ODSP services can be delivered accordingly to participants and non-participants in the pilot.

Participants should be selected randomly from the population aged 18 to 65, having had their primary residence in the chosen site for at least one year. Ideally, the random selection would be performed using administrative registries of Social Insurance Numbers. They would further be randomly assigned (at the household level) to a treatment group selected to be a part of the pilot. All randomly selected households could voluntarily withdraw from the pilot, and would have to sign a consent form if they wished to be enrolled in the experiment. The consent form would allow the government to change the nature of the benefits they receive according to the defined Basic Income to be tested. It would also allow the research team to access administrative data from the participants' records for a period preceding the pilot, and from the start of the pilot onwards, to link those records from different sources and time periods, and, where possible, to the records of other household members.

Despite all the strengths of this type of design, RCTs can only provide limited information on the community-level impacts and general equilibrium effects of a Basic Income policy. The second component of the pilot, described below, seeks to address this caveat.

2. Saturation sites

A Basic Income should also be tested as a program available to entire communities (saturation sites). In addition to looking at the impact of Basic Income on individuals' outcomes and behaviours, this component of the pilot would enable the province to learn about (i) the dynamics involved with delivering and administering the program for an

entire local population, and (ii) the community implications of a Basic Income program. It would give an opportunity to examine the positive and negative effects that arise when a full community is guaranteed a Basic Income. These would include civic participation, crime reduction, and economic activity through increased local consumption, given the additional income directed at those living in poverty.

In a saturation site, all individuals having had their primary residence in the chosen community for at least one year prior to the start of the pilot would be assured a Basic Income (tax free) corresponding to 75 per cent of the adjusted LIM. This benefit (which would completely replace Ontario Works and ODSP) would be clawed back as a percentage of their earned income, according to a pre-determined tax rate, until the net benefit received is equal to \$0, after which their earned income would be taxed at the rate prescribed by the existing tax schedule.

Ideally, the saturation site(s) would be geographically contained, and somewhat isolated from other communities. This would limit “contagion” effects when measuring the community-level impact of the Basic Income. In the same vein, the sites would also have a lower baseline mobility level, to capture community impacts as much as possible, without too many ineligible individuals moving into the community during the experiment.⁴³ The size and composition of the population (income distribution, etc.) in a saturation site also directly influences the costs of the pilot. By design, all adults who meet the age and residency eligibility criteria for the pilot and who live in the saturation site, should be able to receive top-up benefits, should their income drop below the

⁴³ Moreover, a low baseline level of mobility would limit the number of cases of individuals for whom traditional Ontario Works/ODSP services would have to be organized.

relevant threshold throughout the experiment. It is therefore important that saturation sites be selected coherently, within the budget constraints associated with the pilot.

It is suggested that the province works towards the implementation of three pilot saturation sites, chosen to be representative of different faces of the Ontario population and economy:

- *Southern Ontario*: This site should be as representative as possible of the population in southern Ontario (in terms of its labour force characteristics and distribution, age and gender distribution, poverty rates, family structure and status, presence of minority groups and immigrants, reliance on social assistance services, graduation rates and education profiles, and housing tenure). There should be no institutional stabilizer protecting its labour market from movements in the economic cycle compared to other similar communities. In addition to satisfying the criteria above, the site chosen could exhibit, for example, a high rate of food insecurity. This would offer the opportunity to closely evaluate the impact of Basic Income on this important manifestation of poverty.
- *Northern Ontario*: This site should be as representative as possible of the communities in Northern Ontario according to the criteria above, allowing the research team to identify the interactions between the Basic Income and the characteristics that are specific to northern communities. The government could consider sites corresponding to the labour market that have stronger ties to the ups and downs of the commodities market.

- *Indigenous community:* The pilot should consider offering an opportunity to develop a Basic Income pilot that is adapted to the realities of Indigenous communities, with provisions that are culturally appropriate and acknowledge the unique circumstances of First Nations peoples in the context of government income support programs. The design of this arm of the pilot, as well as the choice of community in which it would be tested, should be under the full prerogative of the First Nations Chiefs of Ontario, as should be the decision to participate in the pilot in the suggested way or not.⁴⁴ Flexibility should also be applied with respect to this component of the pilot, for example with respect to time lines and reporting mechanisms. All steps undertaken, if such a test were to be conducted, should be through voluntary agreement, consistent with Ontario's commitment to reconciliation with Indigenous Peoples.

As in the RCT component of the pilot, individuals living in the selected sites should be free to voluntarily leave the pilot at any time. They would be asked to sign a consent form if they agreed to participate.

One of the primary characteristics of Basic Income is that, unlike programs like Ontario Works and ODSP, it requires little to no monitoring of eligibility conditions and of recipients' compliance with an extensive series of program rules and conditions. In the case of a saturation site Basic Income pilot, this represents both a challenge and an opportunity. First,

⁴⁴ Inspiration for this component of the pilot could be taken from the existing examples of initiatives taken by Indigenous communities to adapt the existing social assistance programs in Ontario (such as Ontario Works) to the realities of First Nations communities, and in a culturally appropriate way. One example of such programs is Niigaaniin, which currently serves the seven North Shore First Nations (<http://www.niigaaniin.com/index.php/about-niigaaniin>)

it is to be expected that, for the duration of the pilot, most of the typical administrative workload borne by front line workers would change, since all individuals within the community would become eligible to receive payments under Basic Income rather than under traditional welfare programs. However, rather than temporarily reducing the number of positions for case management of income support recipients in the saturation sites, it is suggested that this reduction in workload be seized as an opportunity for former Ontario Works and ODSP case workers in the selected sites to provide more one-on-one services. They could help Basic Income recipients develop their financial literacy, build strategies to develop their skills and human capital to (re)integrate into the labour market, and become more independent over time. Previous local initiatives (such as the recent York Region's Housing Stability Program and the Ottawa-Carleton Region Opportunity Planning Project in the mid-1990s) have suggested that when front line workers have fewer administrative tasks and more time to provide one-on-one counselling and client-focused engagement, other benefits can be achieved. This can significantly improve social assistance recipients' stability and autonomy⁴⁵, improve the satisfaction of both employees and clients, and generate substantial long-term savings. Such a role played by case managers could amplify the impact of a Basic Income pilot, and suggest constructive ways to deploy the talent and skills of caseworkers in the context of Basic Income programs.⁴⁶

An additional factor for selection of each of the pilot's saturation sites is the capacity to find or create a "benchmark" community, to measure the evolution of the outcomes in the

⁴⁵ For example, by reducing the likelihood of homelessness, reducing the probability of reapplication after leaving welfare, or increasing the duration of periods off welfare for clients reapplying.

⁴⁶ Research in developing countries also suggests that pairing unconditional cash transfers and improved access to counseling generate stronger (positive) impacts when implemented together.

saturation sites. This is the equivalent of the control group in the RCT. The choice of saturation community will play a crucial role in determining the type of methodologies that can be used by the Research Operations Group to evaluate the outcomes of the pilot. One option would be for a chosen saturation site to be similar in a number of important dimensions (either in levels or in trends) to another comparable community. The latter could then be identified as a "control site", for which the outcomes and behaviours of the residents (mostly through routinely collected administrative data either at the individual level or aggregated) could also be measured and used in the evaluation process to reveal generated impacts of Basic Income in the saturation sites. If no such control sites can be found for the chosen saturation sites, evaluation of the pilots' outcomes in those communities will require employing other techniques, also requiring data on behaviours and outcomes in a number of communities outside of the saturation site. Simulation models could be considered here.

Determining eligibility

Eligibility to participate in the pilot should depend on an individual's age (18 to 65) and on permanent residence in one of the designated sites for a least one year prior to the launch of the pilot. No other criteria should be employed. For example, individuals who are not yet Canadian citizens should not be excluded from the pilot.⁴⁷ It should be noted that being a participant in either arm or group of the pilot does not mean that one will necessarily receive a Basic Income payment. Once a selected individual/household agrees to participate in the pilot, he or she will (except those in group (i) of the RCT component) receive the guarantee that, if their income falls below a threshold determined in the program design, it will be supplemented proportionally to

⁴⁷ It should be noted however that health utilization data may not be as easy to retrieve from recent immigrants not yet covered by OHIP, and whose health care utilization could not be monitored using most administrative files.

their needs. In that sense, even though the program is based on a principle of universal access, not all participants will receive symmetric payments or any payment at all.

Ensuring that no participant is worse off

Participation in the pilot is voluntary, pilot participants deserve respect, and the pilot would only affect the conditions of a small group of Ontarians, without any definitive change to the relevant Ontario laws. As a result, each component of the pilot should be governed by the critical principle that taking part in the pilot should make no participant worse off, by reducing the amount of support they receive. A first step toward this goal is to choose levels of Basic Income that achieve higher standards of living than the current Ontario Works and ODSP programs.⁴⁸

No individual, regardless of their group in the pilot, should lose any of the support benefits, beyond direct payments made monthly under the main component of the programs, financial or non-financial, currently available to Ontario Works and ODSP recipients.⁴⁹ Similarly, the eligibility status of a family for subsidized housing (Rent Geared to Income Housing) and the amount they are expected to contribute should still be determined on the basis of their family's income. This includes the existing criteria specified in the Housing Services Act.⁵⁰

The increased financial support received under a Basic Income compared to Ontario Works/ODSP should not result in an increase in the expected contribution towards rent of a family participating in the pilot. The difference between receiving a Basic Income and Ontario

⁴⁸ Ontario Works currently brings a single adult to 45 per cent of the LIM for Ontario, while ODSP brings a single individual with a qualifying disability to approximately 70 percent of the LIM (most of the additional benefits allowing to cover from the extra costs associated with the special needs incurred by the disability itself)

⁴⁹ For example, the prescription drug coverage, the children dental coverage, support for vision care, coverage for eye examination, benefits for diabetic or surgical supplies and dressings, travel and transportation for medical purposes, assistive devices, other extended health benefits, employment benefits and other benefits.

⁵⁰ Regulation 298, section 50(3).

Works/OSDP payment should therefore be added to the income limits determining the subsidy a family receives for rent, such that its rent subsidies are not reduced as a function of receiving a Basic Income. For individuals with a disability⁵¹, a monthly amount of at least \$500 should also be added to the monthly Basic Income payment.⁵² Such additional financial support should also be available for individuals acting as caregivers for a disabled dependent. Moreover, income received through the CCB and other currently non-taxable sources of income should not be considered as earned income subject to the claw back rate in the NIT model. They are now designed to be tax free in the hands of the recipients, and should remain so. Finally, any dispute arising with respect to the benefits received by a pilot participant would be considered by the existing Social Benefits Tribunal.

Determining the success of the pilot

Finally, it is crucial that the government determines the clear and unequivocal criteria against which the success of the pilot will be tested, and that these criteria be made public as the pilot is launched. Transparency on both the objectives of the pilot and on the government's intention in terms of policy goals is crucial to building the pilot's credibility in the eyes of the public, and to ensure that the evaluation and interpretation of the results will not be political or partisan exercises. The main objective of the pilot should be its capacity to substantially and efficiently reduce poverty (targets should be specified for the reduction of poverty rates and poverty depth among pilot participants). Other objectives in terms of costs savings (for example, through

⁵¹ Which could be attested by a health professional.

⁵² As mentioned above, while established at a monthly minimum of \$500, this amount would ideally be informed by a re-assessment of the costs of living with a disability.

reductions in health care spending and administrative activities) and labour market participation—for all participants and for specific groups—should also be stated.

F. What the BI pilot Should Not Test

A “big bang” approach

The Basic Income pilot is about, primarily, is finding a better way to reduce poverty and its negative impacts on individuals' quality of life and their capacity to thrive. It is also about finding a way to provide income support that does not discourage participation in the labour market, that is not managed by systematic monitoring and policing of the life choices of Ontarians living in poverty, and that treats all individuals with respect and dignity.

A Basic Income pilot is not, and should not be, a “Big Bang” operation that results in a total collapse of health care coverage, unemployment insurance, and other programs that form the basis of Ontarians' broad social support network. These programs, given their policy goals, the extraordinary needs to which they respond, their different funding base, and the proven economic and social benefits they provide to all Ontarians, should not be replaced by one large single payment. Moreover, many programs (EI, pensions, etc.) function as insurance systems, serve a different purpose, and are financed through different mechanisms involving individual contributions. The federal/provincial/municipal network of social stabilizers and life standard supports is too broad to be collapsed by any one pilot project.

That is not to say, however, that data from this pilot may not provide a basis for informing a more simplified and individual, freedom of choice-embracing approach to poverty reduction. It may also lead to insights on food security, post-secondary tuition fees, community policing and more health support, among other vital areas for a productive and humane economic and social

balance. The core question to be answered by the evidence we would seek to gain⁵³ is very simple: “Is there a more humane and efficient way to reduce poverty, a way that better respects the rights of those in poverty to make their own life choices, reduces stigma and growth in bureaucracy, yet produces improved outcomes in terms of work and life prospects?”

A universal demogrant

The recommendations in the previous section focus on testing a NIT, rather than a Basic Income gross payment that would be made to all adult Ontarians, and subject to the existing income tax (demogrant). The demogrant option has been set aside for two main reasons.

First, other jurisdictions are planning to test programs that are more similar to the demogrant version of a Basic Income program imminently.⁵⁴ Evidence for that type of program will therefore be generated elsewhere in the coming years, whereas little to no recent evidence has assessed the impacts of NITs in the current labour market.⁵⁵ In the context of an international wave of experiments, an Ontario pilot that would test a different approach (the NIT) would therefore contribute new and unique results and information to the global thread of evidence being generated. There is no need to test expensive "universal demogrant options" being tested elsewhere, within the same timeline as an Ontario Basic Income pilot.

⁵³ As described in section D (iii).

⁵⁴ Although some do not represent tests of a universal Basic Income *per se* because of the eligibility criteria associated with participation, most do not specify specific claw-back mechanisms (as in a NIT).

⁵⁵ The Mincome experiment provided some promising insights on the responses, both in terms of labour market participation and of health and education outcomes, of an NIT in the Canadian context, and various NIT experiments were conducted in the U.S. in the 1970s. However, given the important changes undergone by the labour markets since then, and the introduction of various new policy tools that might interact with an NIT, obtaining new evidence on the effects of such a program seems important.

Second, the heftier direct financial costs associated with a demogrant would likely discourage any government from implementing it as a full-scale program. An NIT is more likely to resemble the type of program that a government could afford if it were to move towards provincial roll-out. Compromises, in terms of the generosity of the support offered by a demogrant in order to transition towards a scalable version, would also likely undermine the poverty reduction objective of Basic Income programs.

Limits of the pilot

Finally, there are a few questions to which the pilot will not provide explicit detailed answers, without the use of more sophisticated modeling tools. Issues not within the remit of this discussion paper, such as general equilibrium effects on local prices, rents and wages and changes in the provinces tax base (for funding purposes), could also be explored in the final analysis phase of the model. Potentially, this could be achieved using micro-simulation models, and partially drawing on the evidence generated by the pilot, as well as on evidence from the literature.

Topping up all adults in the pilot sample now living in poverty (both those working and those on Ontario Works and ODSP) according to the different iterations of the Basic Income suggested in section E, while in some cases almost doubling their present allowance, will not in and of itself bring individuals beyond the LIM. It is their labour that will accomplish this. Some of their

income will be taxed back, as part of the test, and in a way similar to the one all Ontarians beyond the poverty line are now taxed.⁵⁶

⁵⁶ Except for one group of individuals in the RCT who would receive a Basic Income guarantee equivalent to the LIM. All other groups in the pilot (including participants in the saturation sites) would receive 70 per cent of the LIM.

G. The Implementation of the BI pilot

It is my recommendation that the Basic Income pilot have three phases: (i) the planning and preparation work required before actual Basic Income payments are made and before survey work can begin, (ii) the actual implementation of the Basic Income and the data collection process, (iii) the analyses of the impacts of the Basic Income as tested in the pilot, and of the short and long run cost/benefit ratios of the pilot itself, as well as the modeling of the cost and benefits of a potential provincial roll out.

Indicative results should begin to flow long before completion of the pilot, given the inference that can be made from the waves of data collected as the first payments are made under the Basic Income programs tested. In fact, it would be vital that a “nothing to hide” open access policy be firmly in place from beginning to end, so that, aside from the identity of the pilot participants, there is early, open access to preliminary results and indicators for all those interested in the operations and work of the Basic Income pilot. The practice of Canadian Blood Services, for example, of having open annual meetings and open access to all board minutes should apply to all minutes of the Advisory Board, the Research Operations Board, and the Steering Committee.

It is recommended that the three different phases of the pilot be detailed as follows:

Phase I: Preparation, Organization and Preliminary Interviews

The precise composition of the Basic Income Advisory Council, the Steering Committee, and the Research Operations Group should be established before the first phase begins. Phase I should then focus on preparing the infrastructure (tangible and intangible) for the Basic Income distribution to participants in both the RCT and saturation sites components of the pilot.

The administrative data sets to be assembled/acquired for the pilot evaluation should be identified, the appropriate authorizations from the appropriate ethics board(s) and from the privacy commissioner(s) to access these data should be sought, data sharing agreements should be completed and signed, and the data files should be linked. The research team should also, in this phase, work with the authorities in each of the pilot communities to ensure that their administrations are ready to distribute the benefits. Participants should be identified (randomly in the case of the RCT), and the Research Operations Group should obtain their consent to participate in the experiment and to grant access, where necessary, to their administrative records for the purposes of the pilot evaluation.⁵⁷ A plan should also be deployed to ensure that all potential participants file their taxes and have a bank account, enabling them to be part of the pilot and facilitating the payments. Workers should be trained to facilitate the data collection process in subsequent phases and for each pilot site, and to inform the public. The Research Operations Group should design and launch a website, where the activities of the pilot will be described and preliminary reports will be published.

Pre-interviews with focus groups should also be conducted during Phase I, to inform the design of the pilot components. These interviews would also test the questionnaires that will be used to

⁵⁷ To that extent, a strategy to reach individuals without a fixed address should also be elaborated.

collect data on outcomes and behaviour that are not documented in the administrative data sets mentioned above. The input of people with lived experience of poverty to inform the design of such interviews would be invaluable.⁵⁸ Mechanisms (for example, remuneration parameters) that limit attrition throughout the subsequent phases of the pilot should also be established. In Phase I of the pilot, participants should be offered assistance with filing their taxes, especially for those who would not have filed their taxes in the past. The contribution of social workers and mental health professionals should be sought.

Phase I should run for about four months. It is during this time that the Research Operations Group should retain researchers to implement the pilot.

Phase II: Quantitative and Qualitative Surveys and Testing

This phase should see the different forms of Basic Income payments delivered to the pilot participants. This should be done at the beginning of a provincial fiscal year, to simplify implementation and analysis of certain outcomes as much as possible. During this period, the database assembled in Phase I will be updated with the new administrative records filed by the governments, producing a longitudinal database documenting the outcomes of interest.

Additional data should also be collected from periodical (at least bi-annual) interviews. These one-on-one interviews (for which participants should receive modest remuneration to respect the value of their time⁵⁹) will allow researchers to collect individual information on outcomes and behaviours that are not documented in administrative files. These would include time use, qualitative data on participants' well-being, and interactions with the Basic Income programs

⁵⁸ As was the case, for instance, with other experiments such as *At home/Chez soi*.

⁵⁹ Other measures to facilitate participation (such as the provision of transit fares, childcare, meals, etc.) from participants in the interview should also be made available. Moreover, the use of various technologies (phone, secure online surveys, etc.) could be considered. Interviews should moreover be conducted in accessible spaces.

tested, etc. Interviews should be conducted with at least a representative sample of participating households, but need not be conducted with all participants so as to contain the pilot's costs.⁶⁰

Moreover, lessons from the Mincome experiment tell us that keeping the interview and enrolment process short for participants is crucial to limiting attrition.

During this phase, preliminary analysis of the impacts of the Basic Income programs tested will be conducted, using both interview and administrative data. Interim results will be published on the pilot's website, to keep the public informed. Periodical financial reports on the pilot's activities should also be published, to ensure transparency and accountability.

In addition to a study of the outcomes for participants in the experiment, Phase II of the pilot will also call for information on the delivery mechanisms to be collected. Firsthand information through reporting from or interviews with service providers, caseworkers, health care providers, with the team operating the payments through the tax system and receiving complaints and appeals from clients will help identify the problematic areas in the implementation of the Basic Income, to be potentially improved in the course of the pilot and definitely to be addressed in case of a provincial roll-out. They will also guide communication exercises with participants, as well as with the general public by highlighting critical dimensions, positive or negative, of the experiment. No experiment is perfect from the outset and utterly flawless from the beginning. Very few of the economic, social policy, or scientific experiments that have in the past decades generated huge benefits for individuals and communities would have ever passed the "perfection

⁶⁰ Moreover, limiting the analysis to evaluation based on existing administrative data that requires no further intrusion in participants' lives during the pilot and no additional time commitment on their part may help in limiting attrition. Nearly half (47.21 per cent) of the individuals in the Winnipeg sample who left the Mincome experiment after enrolling and who gave a reason for doing so mentioned that the interviews were either too long, too intrusive or too extensive as the main reason for attrition. Overall, (Mason, G, (1983) *Methodological and Logistical Issues in Social Experiments: The Case of Mincome*, Working Paper 1, Institute for Social and Economic Research)

from roll out to final analysis" test. Robust transparency and trusting Ontarians with both the positive, negative and uncertain interim results of the pilot is my strong recommendation to the province.

While the actual research phase should operate for no less than three years, preliminary indicative results should be available within six months of the start of the quantitative portion of the survey. The Research Operations Group and the Advisory Group should use those early results to identify any problems in the design of the pilot, or any problematic treatment arm, and to proceed with any modifications on which the success of the pilot would depend.

Phase III: Comprehensive Analysis and Evaluation

The full evaluation of the pilot's results will be conducted in Phase III, which should produce clear answers to the questions listed in section D (iii). This comprehensive analysis will produce evidence that can be used by the government and legislature of Ontario in any future policy choices that it may consider. The pilot's final report should document the impacts of a Basic Income for pilot participants, separately for different family composition, labour market status and former social assistance status, gender, racialized communities and immigrants. It should also describe the difficulties, challenges and successes related to the implementation of the Basic Income payments and system, from the research team's perspective and from the point of view of the local administrations and front line workers active in the pilot sites. A full financial report of the pilot's activities should also be made public.

The results from the pilot's impacts on different outcomes, including labour force participation, and the information on the benefits paid throughout the pilot could be used to simulate the cost of a Basic Income program corresponding to the different treatment arms if they were to be

implemented province-wide. The impact of various options to finance such programs could also be simulated (including their impact on the labour supply of those not receiving the Basic Income but participating in its financing through the tax system).

Considerable thought should also be given, in the course of the final phase, to accompany pilot participants after the pilot. A gradual phase out of the extra benefits received throughout the pilot after its completion could be envisioned, in order to limit the depth of the income shock that could otherwise be felt by some participants, and the stress it might generate for individuals when facing the decision to spend their income or not towards the end of the pilot. Other options should also be reviewed by the pilot's Ethics Officer.

H. Conclusions

There is no reason why a coherent pilot project testing the net benefits of a Basic Income to society in general, and to those living in poverty in particular, could not be launched before the end of the present fiscal year in Ontario. The province can count on institutions and actors having the competence, the experience, and the facility to do so. I would also argue that the good will required to go forward with a pilot has been demonstrated by municipal agencies and their employees, community organizations, faith-based groups, representatives of those who live in poverty, those who are on the front lines of poverty reduction and service to low-income Ontarians, healthcare providers, businesses, and business organizations that are deeply engaged in the economic life of rural and urban communities. I found no indication that any group, or political party, would oppose trying to find a better way of reducing poverty and its serious negative effects on people's lives, prospects, relationships, health, longevity, and social conditions.

Recent improvements to the CCB and to the OCB, as well as the recent improvements in post-secondary student assistance made by the Ontario government and the increases in the minimum wage, all speak to a federal/provincial focus on diminishing broad income gaps by sustaining brighter prospects for individuals and families facing strong economic head winds. Testing a Basic Income is a humane and useful way to measure how so many of the costs of poverty (in terms of productivity, health, policing, and other community costs, to name only a few) might be diminished, while poverty itself is reduced and work is encouraged.

There is no way of predicting what a properly managed and objective pilot will produce in terms of results. Nor should we try to presume what those results will be. A well-run pilot should be

about producing rational and objective evidence, which can inform government decisions in the future. Surely, at a time when many approaches in health care and public health, seniors care, immigrant integration and government itself are changing to address different needs and times, the only fundamental mistake one might make with respect to a Basic Income Pilot would be not to try to test its impacts.

I. The Consultation Process

The government has indicated a desire for this Discussion Paper on a Basic Income Pilot to be made public and circulated to produce feedback, reaction and suggestions for the government to take into consideration as it goes forward.

This open and engaged process affords the province, those living in poverty and the many organizations and volunteer, community, institutional and not-for-profit groups that work to assist those in poverty, a rich opportunity to share their views on how a pilot might best be initiated and implemented.

There is an opportunity for MPP's from all parties, either riding by riding or in regions, to hold public round tables with interested Ontarians in their areas. Service organizations, faith-based communities and multicultural associations might also facilitate consultations best-suited to their needs and perspectives. It is also hoped that business, labour, agriculture and professional associations, lobbies and networks find a way to share their perspectives on the Discussion Paper, and on the promises and challenges of a Basic Income pilot.

1. In order for the government to have ample time to review both the Discussion Paper and public comment and suggestions that follow, and make whatever choices in terms of the pilot project it deems appropriate in a timely fashion, it is hoped that comments and suggestions can be made to and registered with the government by December 31, 2016. A website with the text of this discussion paper and an email address where views can be sent and registered should be established for that purpose. Written non-digital submission can be sent to: (address, etc.).

J. Acknowledgements

I am grateful to the many individuals and organizations that were kind enough to offer advice through the preparation of this discussion paper. Officials and staff at the office of the Honourable Helena Jaczek, the Honourable Chris Ballard and at the Ministry of Community and Social Services and Poverty Reduction Strategy Office, at the Office of the Premier, at Employment and Social Development Canada, at Statistics Canada, and the various other groups listed below were genuinely helpful, supportive, informative, and forthcoming. Their frank and direct advice was invaluable.

Maripier Isabelle provided counsel, research and insight that were simply invaluable to this effort. To all who engaged, and to Maripier in particular, I am very grateful.

Consultations - Basic Income Pilot - (in writing, by telephone, in-person)

Members of the Association of Municipalities of Ontario - Memorandum of Understanding

Members of the Provincial-Municipal Social Assistance and Employment Committee

Ken Battle, Caledon Institute of Social Policy

Robin Boadway, Queen's University and Kingston Action Group for a Basic Income Guarantee

Leslie Boehm, University of Toronto

Alan Broadbent, Maytree Foundation

Patrick Brown, Ontario's Leader of the Official Opposition

Michael Creek, Working for Change

Evelyn Forget, University of Manitoba

Joe Foster, Group Ottawa for Basic Income

Laurie Goldman, Employment and Social Development Canada

John Green, Basic Income Waterloo Region

Doris Grinspun, Registered Nurses' Association of Ontario

Jason Hartwick and Susan Hubay, on behalf of Basic Income Peterborough Network

Chief Ava Hill, Six Nations of the Grand River

Andrea Horwath, Leader of the New Democratic Party of Ontario

Tara Kainer, Kingston Action Group for a Basic Income Guarantee

Kory Kroft, University of Toronto

Linda Lalonde, Ottawa Poverty Reduction Network

Tim Lenartowych, Registered Nurses' Association of Ontario

Danielle Martin, Women's College Hospital

Gregory C. Mason, University of Manitoba

Sylvie Michaud, Statistics Canada

Kevin Morris, OCAD University

Elizabeth Mulholland, Prosper Canada

Lynn Anne Mulrooney, Registered Nurses' Association of Ontario

Brian Murphy, Statistics Canada

Doug Murphy, Employment and Social Development Canada

Karen Myers, Social Research and Demonstration Corporation

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Elaine Power, Queen's University School of Kinesiology and Health Policy

Rob Rainer, Advisory Council of Basic Income Canada Network

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Sheila Regehr, Basic Income Canada Network

Benoît Robidoux, Employment and Social Development Canada

Nick Saul, Community Food Centres Canada

Katherine Scott, Canadian Council on Social Development

Lisa Simon, Simcoe Muskoka District Health Unit

Janet Simons, on behalf of Hamilton Basic Income

Tracy Smith-Carrier, on behalf of Basic Income Guarantee London Chapter

Mark Stabile, University of Toronto

Carol Stalker, Basic Income Waterloo Region

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Glen Walker, on behalf of Niagara Poverty Reduction Network

Pegeen Walsh, Ontario Public Health Association

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Tracy Woloshyn, York Region Public Health

Maria Wong, on behalf of Vancouver Rape Relief and Women's Shelter

Armine Yalnizyan, Canadian Center for Policy Alternatives

Noah Zon, Maytree Foundation

Participants, Roundtable on Basic Income, Simcoe Hall, University of Toronto -- April 29, 2016

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Nick Daube, Office of the Ontario Minister of Finance

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Tamara Gilbert, Cabinet office

Bailey Griffin, Women's College Hospital

David Henry, University of Toronto

James Janeiro, Office of the Premier of Ontario

Jennifer Laidley, Income Security Advocacy Office

Alex Laurin, C.D. Howe Institute

Shamira Madhany, Cabinet office

Jacquie Maund, Association of Ontario Health Centers

Michael Mendelson, Caledon Institute of Social Policy

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Maureen O'Neil, Canadian Foundation for Healthcare Improvement

André Picard, The Globe and Mail

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Russ Robinson, Council on Aging of Ottawa

Laurel Rothman, Family Service Toronto

Bill Ruffett, Basic Income Canada Network

Jonathan Sas, Broadbent Institute

Ann Silversides, Freelance journalist

Byron Spencer, McMaster University

John Stapleton, Metcalf Foundation

Carolyn Hughes Tuohy, University of Toronto

Mike Veall, McMaster University

K. Technical notes

Additional considerations

1. Diverse effects on different groups and sample size:

An analysis of the welfare implications of replacing the current social assistance program with a Basic Income requires understanding the specific consequences for different subgroups of the population. In addition to evaluating the average impact of a Basic Income in the context of the pilot, substantial attention should be given to understanding the costs and benefits specific to various groups of the population (long-term Ontario Works clients, short-term Ontario Works clients, ODSP clients, low-income workers, seasonal workers, unemployed, men, women, etc.) and to understanding the trade-offs in terms of gains and challenges for different groups. For example, the level of Basic Income necessary to generate health or labour market improvements may not be the same for individuals with an experience of transient poverty, individuals with an experience of cyclical poverty and for individuals living in persistent poverty. Looking for these groups' specific effects will allow the pilot to uncover who gains and who doesn't from a Basic Income policy, and to generate more nuanced policy conclusions as well as to identify where the program design might be modified after the pilot, should a province wide roll-out be decided upon. Obviously, larger sample sizes will help in this regard.

2. Externalities and General Balance effects on the economy, overall running and expenditure costs long term:

The localized nature of the pilot will not always provide a full window on all the fiscal implications of replacing existing Ontario Works and ODSP with a single Basic Income, which

are not in the precise remit of the proposed pilot. Simulations for the purpose of projecting these costs will be of value, and some of the findings emanating from the pilot could well inform such simulation exercises.

The limited time and scope of the pilot may not allow the research team to fully capture the long-term and general equilibrium impacts of a province-wide Basic Income on prices (such as rent, wages, etc.). These effects are outside the remit of this Discussion Paper. Such impacts might occur if the redistribution of income achieved by a Basic Income influenced the movement of the aggregate supply and demand for various goods and services. Although some indications on this front will be provided by the tests conducted in saturation sites, simulations for modeling and forecasting purposes might help in understanding how these effects could arise.

3. Impacts of a permanent versus temporary Basic Income

By nature, the pilot will investigate the impact of a Basic Income during its time frame, for example, three years. There are many reasons to expect that participants' behavioural responses to such a temporary program may differ from the responses that would occur if such a program was anticipated by its recipients to be a permanent one, and that the nature and the level of benefits described in section E were in place for the foreseeable future. Knowing that a more generous and unconditional income support is only available for a few years might dilute their responses to the program in terms of labour market participation. Much media attention has, for example, focused on the potential impact of a Basic Income as a policy that would stimulate entrepreneurship by allowing people to take risks while knowing they can't fall beneath a certain floor if their plans do not succeed. However, one could imagine that the proportion of individuals willing to take such a risk knowing that a Basic Income may no longer be available in three years

might not be as substantial as those willing to take that same risk if they knew a Basic Income was permanent.

Other responses could vary between a permanent and temporary Basic Income program. For instance, it is only rational that households might try to save more of their Basic Income during a pilot if they fear a negative drop in their disposable income after the end of the pilot. Decisions relative to investment in human capital, living arrangements, etc. could also be affected for similar reasons, and attenuate the behavioural changes of participants. For many outcomes, the pilot would therefore be expected to generate some lesser positive effects of a Basic Income.

The temporary nature of the pilot might unwittingly increase the anxiety and stress level of participants at the end of the pilot, as they get closer to the moment where they will return to Ontario Works/ODSP coverage. Not only might that bias the estimated impact of a Basic Income on mental health outcomes during the pilot, but it is also an ethical concern that should be taken into serious consideration by the research team, as discussed in section G.

4. Comparing BI with a subsidies-oriented approach

One testing approach that could be considered would consist of having an additional treatment arm in the RCT, or an additional saturation site, where rather than a Basic Income, enhanced subsidies for normal life necessities (such as rent, food, transportation, communications and digital services) could be distributed among those living in poverty (or whose incomes are below the Low-income measure). This would not be about a new poverty abatement instrument, but it would be a way to test an alternative way of reducing the living costs of low-income individuals, thereby increasing their disposable income. The impacts of such an initiative could be compared

with the impact of a Basic Income, and inform policy makers as to the relative efficiency of each approach.

5. Protecting benefits during a BI program for participants

As discussed in section E, current social assistance programs are associated with several additional benefits (such as the ODB, children dental coverage, support for vision care, certain employment related benefits, etc.), and eligibility to those benefits is associated with Ontario Works/ODSP status. In the context of a pilot, it is important to ensure that no participant is made worse off by maintaining eligibility to those benefits for the group of participants who are switched from Ontario Works/ODSP to a Basic Income. However, in the event that, given positive results from the pilot, the provincial government chose to opt for a scaled up, Ontario-wide version of Basic Income in replacement of Ontario Works and ODSP, a formal mechanism for preserving these benefits would have to be developed. Such benefits often serve policy objectives which suggest that they should not be replaced by a Basic Income (for example, "insurance-type" benefits). For the purposes of a pilot, a mechanism should be put in place allowing participants in a Basic Income group who were not on Ontario Works or ODSP prior to the start of the pilot, to request access to the appropriate benefits if their needs suddenly exceed their disposable income in the course of the pilot (for instance, if a change in their health requires the use of an assisted device, creates new special dietary needs, etc.)

6. Asset restrictions of the current Ontario Works/ODSP programs

General rule:

	Ontario Works	Ontario Disability Support Program (ODSP)
Single without dependent	\$2,500	\$5,000
Couple without dependent	\$5,000	\$7,500
Additional amount for each dependent	\$500	\$500

Exemptions include: Tools of trade and farm assets (necessary for business); business assets (\$10,000 for self-employed Ontario Works recipients and \$20,000 for self-employed ODSP recipient); dependents earnings; earnings while enrolled in post-secondary education, pain and suffering awards; most government compensation programs or reconciliation agreements; disaster relief assistance program; principal residence; proceeds from sale of principal residence if used to buy another residence within 12 months; main motor vehicle (and up to \$15,000 on a secondary vehicle if employment is outside the residence); trusts from inheritance (up to \$100,000, for ODSP recipients only); trusts from proceeds of life insurance policy (up to \$100,000, for ODSP recipients only); discretionary trusts, private trust from award, settlement or gift (only if the trustee is not able to encroach on the capital for the person's maintenance); Office of the Children's Lawyer trust (only if not available for maintenance); life insurance policy (annuity, if the cash surrender does not exceed \$100,000 combined with trust for ODSP recipient, for Ontario Works recipients, the cash surrender value of a policy is considered an asset if it is redeemable by a member of the benefit unit); locked in RRSPs and pension funds; loans (if used as intended); grants, awards and bursaries for education and training from the Ministry of Advanced Education and Skills Development or Canada Student Financial Assistance Funds for Education; RESP (if used as intended); Learning Earning and Parenting (if

used by a parent for post-secondary education invested in RESP); RDSP; Treatment of Payments Under the Transplant Patient Expense Reimbursement (if used for the purpose intended within a reasonable period of time); ODSP income support arrears (for six months for ODSP recipients); assets approved for disability related services (upon approval for ODSP recipients); Pre-paid funerals; and Quest for Gold Program Funding.

7. Earned income restrictions of the current Ontario Works/ODSP programs

Definition of earned income: For the purposes of Ontario Works and ODSP, earned income subject to restrictions corresponds to income from employment, the amounts paid under a training program and the net monthly income as determined by the Administrator (Ontario Works) or Director (ODSP) from an interest in or operation of a business (including for self-employed individuals), net of all mandatory contributions and deductions. Excluded from this definition are benefits or payments under all programs such as EI, CPP, the Workplace Safety Insurance Act, which are deducted dollar-for-dollar from Ontario Works/ODSP payments.

However, income from dependent children aged 18 or below, income from full time secondary or post-secondary students within the household are fully exempt under both Ontario Works and ODSP, and do not count towards the calculation of payment received under these two programs.

General Earnings Exemption Scheme: The first \$200 per month in monthly net earned income does not reduce Ontario Works/ODSP payments. However, the payments are reduced by 50 cents for each additional dollar in earned income beyond that \$200 base threshold. Restrictions on work income and asset accumulation are ways in which existing programs keep people out of the economic mainstream.

Three-Month Waiting Period: The Ontario Works rules do not allow a new applicant to benefit from the general earnings exemption scheme at the time of application and for the subsequent three months.

Other exemptions: Ontario Works and ODSP allow recipients to deduct from their net earned income the monthly cost of childcare, up to a limited amount and after the general earnings exemption scheme has been applied. The same is true for disability-related employment expenses for ODSP recipients.

8. List of data sets to consider for the evaluation of the pilot's outcomes

Several data holdings should be considered to evaluate the outcomes of and behavioural changes induced by a Basic Income within the context of a pilot. As mentioned in previous sections of the discussion paper, these datasets should be identified early on (before the recruiting of participants) in order to develop the adequate protocols to access them, and link them when possible. Most of these files are administrative records coming from health or tax records, so it is suggested that participants in the pilot be asked to provide consent covering:

- Access to their administrative records by the research team:

Consent should be asked for current, future and historical records for a determined number of years before the start of the pilot. Consent to access future records would allow for secondary research studying the Basic Income impacts beyond the termination of the pilot to be conducted, and to document some longer-term impacts of having received the Basic Income

for the duration of the pilot (outcomes which would not be observed within the pilot's life).

- Linkages of administrative records across databases:

For this purpose, all participants (in the saturation sites, the control group and the treatment groups of the RCT) who agree to take part in the pilot should be asked to provide their health card number and SIN. In the absence of those identifiers, probabilistic methods could be used to match the records using name, birth date/age, gender and potentially residential address. Although the rate of success for those matches could be relatively high⁶¹, this method would require significantly more time, and would probably work better in saturation sites than in the context of the RCT.

- Linkages of administrative records to those of the other household members:

First, this would allow for labour supply decisions to be observed and studied at the individual level, and also within the context of the household, to allow for joint decisions between its members. Second, the impacts of a Basic Income are likely to be observed not only for the individual receiving the payments, but also for the other member of his/her family. Information allowing for household records to be linked may be available from income data or tax records (through spousal SINs, or

⁶¹ For example, previous projects matching administrative health data to MCSS administrative records for ODSP recipients based on these four variables had success rates beyond 90 percent.

addresses)⁶² and linking the health records of household members using the association between SINS and health card numbers could be considered.

Seeking consent would save much effort and time to the research team, and is likely to influence the capacity to analyze the impact of a Basic Income on the broadest possible range of outcomes with shorter delays. When asked for their consent to access and link these records, participants should be reassured that their privacy would be respected, and that the data set created would be kept under very strict security requirements. Data sharing agreements should then be designed and signed by the data custodians, and then, data sets should be linked and kept under the custody of an entity approved by the Privacy Commissioner of Ontario and the Privacy Commissioner of Canada.⁶³ Several months should be set aside in phase one of the pilot to complete those linkages. Ideally, the linked data (both survey and administrative) would be kept in a central repository, but this would have to be negotiated with data owners and custodians.

Below is a series of data sets that should be considered for the evaluation of the pilot's outcomes, listed by current custodian. This list is not exhaustive, and a research operations group for the pilot might identify other data sources that should be used. It should be noted that if those data sets were linked, they would also need to be held on a common platform, another item that should be addressed as early as possible in phase one of the pilot.

⁶² The interviews conducted in the first phase of the pilot should consider exploring the concept of household as a decision making unit, to determine if, in the absence of tax filers' spousal SINS, individuals sharing an address can be an appropriate way to define a household, and to link records.

⁶³ This entity should for instance meet the requirements of the Ontario Personal Health Information Protection Act.

It should also be noted that although most of the suggested data files provide information at the individual-level, community-level indicators⁶⁴ could be derived from these data sources and be used to study the impacts of a Basic Income pilot in saturation sites, and how they might exacerbate individual effects, or attenuate them. These community-level indicators should be considered for communities as a whole, but also broken down by income levels, to study the dynamics of the gap in outcomes between the population at the top and the bottom of the income distribution (for example, the evolution of health inequalities) following the introduction of a Basic Income and in relation with a Basic Income's impact on the financial situation/security of the population in each of these groups.

⁶⁴ For example, some of the 120 standardized indicators developed by the Association of Public Health Epidemiologists in Ontario. These indicators could also of course be retrieved from aggregated data sources, such as IntelliHEALTH. Other indicators not available at the individual level could also be considered, to measure the community-level impacts of the pilot; for example the Early Development Instrument data (ideally at least one wave prior to the pilot and one wave during or after its implementation for the communities corresponding to saturation sites).

A. Institute for Clinical Evaluative Sciences (ICES)

The datasets held by ICES and listed below provide information on individuals' health outcomes, a range of individual characteristics, and a certain number of socioeconomic factors at the neighbourhood level. From those, individual longitudinal information on health care utilization and health conditions/morbidities could also be retrieved.

- Client Agency Program Enrolment
 - **Type:** Administrative
 - **Information on:** Enrolment in primary care models
 - **Rationale:** Tracks patients' enrolment status with different practice types (Family Health Network, Family Health Organization, Family Health Team, Primary Care Network, Primary Care Group, Comprehensive Care Model, Community Health Group, Community Sponsored Agreement, Group Health Center, Health Service Organization), which can be used to see how access to front line services/primary care (as measured by enrolment) changes through time, but can also be used as control variables in analysis of health outcomes. Information available for individuals.
- Continuing Care Reporting System
 - **Type:** Administrative (annual)
 - **Information on:** Continuing care utilization
 - **Rationale:** Tracks the intensity of care received by individuals in long-term care facilities or in hospital complex continuing care units (including continuing care,

extended or chronic care, and residential care providing nursing services).

Information available for individuals.

○ Discharge Abstract Database

- **Type:** Administrative (annual)
- **Information on:** Patient separation (admissions, discharge, diagnosis and care received)
- **Rationale:** Tracks changes in the utilization of care during inpatient hospitalization, in terms of intensity, length of stay, transfers to other facilities, admission type, institution information, disposition, resource consumption, etc. Documents birth deliveries and perinatal outcomes such as low birth weight, gestational age, etc., which are among the outcomes that may be the most likely to be influenced by a Basic Income in the short run. Information available for individuals.

○ OHIP Database

- **Type:** Survey Administrative (annual)
- **Information on:** Health care utilization
- **Rationale:** Claims for care received, detailing the nature of services billed to OHIP for physician services, groups and laboratories. Information available for individuals.

○ Home Care Database

- **Type:** Administrative (quarterly)
- **Information on:** Home care (diagnosis and care received) in facilities coordinated by the Ontario Community Care Access Centres (CCACs).

- **Rationale:** Tracks utilization of home care such as nursing, physiotherapy, psychology, social work, respiratory services, etc. Includes assessment information, admissions and discharge, diagnosis and procedures. Some of these services are most likely used by seniors, so might not be as heavily used for the evaluation of the pilot's outcomes, but it could be helpful in documenting the full health care utilization profile of the participants. Information available for individuals.
- National Ambulatory Care Reporting System
 - **Type:** Administrative (annual)
 - **Information on:** Hospital-based and community-based adult inpatient ambulatory care
 - **Rationale:** Tracks utilization of day-surgeries, outpatient care, emergency departments (including oncology and renal dialysis). Information available for individuals.
- National Rehabilitation Reporting System
 - **Type:** Administrative (annual)
 - **Information on:** Rehabilitation-facilities care (only for adults)
 - **Rationale:** Tracks admissions and discharges in specialized facilities, hospital rehabilitation units and/or programs, designated rehabilitation beds and tracks the associated clinical outcomes (including functional independence measures, cognitive functions, health and functional characteristics, activities and participation in daily activities, social interactions) and diagnosis and interventions. Information available for individuals.

- Ontario Drug Benefit Claims
 - **Type:** Administrative (monthly)
 - **Information on:** Prescription drugs claims for individuals with coverage and eligible drugs.
 - **Rationale:** Tracks prescription drug claims for individuals covered by ODB, including current ODSP and Ontario Works recipients with high drug costs relative to their income and registered with the Trillium Drug Program, and individuals enrolled in the home care program or living in a long-term care home or home for special care and individuals aged 65 and older (although this last category does not include pilot participants). Information available for individuals.
- Ontario Mental Health Reporting System
 - **Type:** Administrative (annual)
 - **Information on:** Care received in designated mental health beds in acute and psychiatric facilities
 - **Rationale:** Tracks admission, care/service utilization, discharge and diagnosis for adult patients admitted to a mental health bed or hospital. Also documents history of self-harm and substance/alcohol consumption (two outcomes that are most likely to be impacted by a Basic Income in the short run), and identifies a series of life events related to mental health status. Information available for individuals.
- Assistive Devices Program
 - **Type:** Administrative (annual)

- **Information on:** Individuals with long term disabilities receiving personalized assistive devices
- **Rationale:** Tracks information on individuals with a long-term disability with personalized assisted device(s) to support basic needs such as insulin pumps, ventilator equipment, etc., and might help with understanding individuals' management of their conditions. Information available for individuals.
- Registered Persons Database files
 - **Type:** Administrative (annual)
 - **Information on:** Eligibility status of individuals registered for insured health services
 - **Rationale:** Contains some demographic information (gender, date of birth, postal code, Rurality Index, etc.), which can be linked to health utilization files to provide context on individuals. Information available for individuals.
- Ontario Census Area Profiles
 - **Type:** Administrative (every 5 years)
 - **Information on:** Demographic/economic characteristics of individuals' environment
 - **Rationale:** Documents characteristics of an individual's socioeconomic environment (neighbourhood), which can be used in the analysis to control for confounding factors coming from participants' environment. Information at the geographic level.

It should be noted that many health outcomes are unlikely to change substantially in the short-term, and some of them (prevalence of chronic conditions and related service utilization,

prevalence of diabetes, life expectancy, avoidable mortality, all-cause mortality, etc.) are not necessarily always impacted measurably within less than 10 years.⁶⁵

B. Ministry of Community and Social Services (MCSS)⁶⁶

Access to administrative records from the Ontario Social Assistance data will be required to identify individuals who formerly received Ontario Works and ODSP prior to the pilot (or throughout the pilot as part of the control group in the RCT). They should track Ontario Works and ODSP utilization at the individual level prior to the pilot, in order to understand individuals' history of poverty and social assistance services, and to monitor changes as the pilot unfolds.

C. Micro-data from the five following (formatted) files currently held at Statistics Canada Research Data Centers (RDCs) could be considered.

- Benefit Unit (family) information
 - **Type:** Administrative (monthly)
 - **Information on:** Social assistance status (including terminations) and family characteristics
 - **Rationale:** Tracks entry and exits from social assistance, and documents family composition and other characteristics such as type of accommodation.

Information at the family level.

- Member information

⁶⁵ Examples provided by the Association of Local Public Health Agencies (alPHA) – Ontario Public Health Association (OPHA) Health Equity Workgroup.

⁶⁶ Information of First Nations in the existing MCSS data holding may be limited, and therefore, a pilot design should address the issue of data collection for First Nations participants (including if a saturation site is selected in collaboration with First Nations leadership).

- **Type:** Administrative (monthly)
- **Information on:** Individual demographic characteristics
- **Rationale:** Tracks characteristics of individuals on social assistance at the end of each month (includes information on age, gender, disabilities, immigration status and history, literacy, job search, etc.). Information at the individual level.
- Pay detail information
 - **Type:** Administrative (monthly)
 - **Information on:** Benefits received (types and amounts)
 - **Rationale:** Tracks the monthly benefit/deduction to individuals on social assistance. Information at the family level.
- Income/Deduction information
 - **Type:** Administrative (monthly)
 - **Information on:** Income (all types) received (types and amounts)
 - **Rationale:** Tracks the monthly income (gross and net) declared by individuals. Information at the individual level.
- Skills information
 - **Type:** Administrative (monthly)
 - **Information on:** Benefits received (types and amounts)
 - **Rationale:** Tracks the skills acquired by individuals on social assistance, and potential barriers to employment. Information at the individual level.

The Social Assistance Business Intelligence System (SABIS) developed and maintained by the Policy Research and Analysis Branch (PRAB) at MCSS could alternatively be used. In addition to the variables mentioned above, this database contains information on the administration of

social assistance programs by MCSS. Additional micro-data on child benefits, drug benefits and dental benefits to social assistant recipients should also be considered.

It should be noted that data sharing agreements (or information sharing agreements (ISAs)) have already been established between MCSS and: (i) the Ontario Ministry of Finance for personal tax data; (ii) Employment and Social Development Canada for Employment Insurance data.

D. Ministry of Advanced Education and Skills Development (MAESD)/ Ministry of Education (MOE)

Access to educational outcomes of participants and their dependents through administrative individual-level data should be sought. These data would ideally be linked to all the other data sources listed in this document (potentially using parents' SINS or a combination of names and addresses).⁶⁷

Ideally, administrative data similar to that described below would be accessed:

- Student records (elementary/high school)
 - **Information on:** Test scores (ideally standardized measures such as Grade 3 and Grade 6 EQAO scores), missed school days (attendance), and secondary school completion.
 - **Rationale:** Tracks the learning progress, outcomes and inputs (attendance) of children. Ideally this information could be obtained for individual children from

⁶⁷ If not possible, publicly available, data at the school/school board level could be used to evaluate educational community-level effects of BI for the saturation sites components of the pilot.

EQAO/MOE. The possibility of linking these files with health and tax data using addresses or parents' SIN numbers should be explored.

- Student records (postsecondary)
 - **Information on:** Enrolment, graduation, program choices
 - **Rationale:** Tracks the learning outcomes of youth/young adults in postsecondary institutions, as well as their choice to pursue post-secondary education and the time to degree completion. Ideally this information could be obtained for individual youth/young adults from HECQO/ MAESD. The possibility of linking these files with health and tax data using addresses or SINS should be explored.

E. Ministry of Finance (MOF)/ Canada Revenue Agency (CRA)/ Statistics Canada

Access to tax data from individual income tax and benefit returns can be used to track people's incomes through time (not only for current social assistance recipients, but for all participants regardless of their employment status and total incomes). Some of these data will be directly linked to the administration of the program, and are collected by CRA. Statistics Canada has experience in linking some tax data to individual records from other sources.⁶⁸

⁶⁸ Recently approved linkages comprise: a project to link information from the paediatric Oncology Group of Ontario Networked Information System on children diagnosed with cancer to T1FF individual files; a project to link T1FF individual files to student records from 14 post-secondary education institutions; a project to link administrative data files from the Postsecondary Student Information System (PSIS), the Registered Apprenticeship Information System (RAIS) and the T1FF individual files; a project to link micro-data files from the Canadian Health Measures Survey to T1FF individual files; a project to link individual data from the General Social Survey to the T1FF, T1 and T4 files.
<http://www.statcan.gc.ca/eng/record/2015>. Another example is the linkage of tax data have to administrative (student records) data for individuals forming the University of Ottawa's graduating cohorts 2008-2010, for a project led by the Education Policy Research Initiative. The linkages were developed at Statistics Canada following the appropriate privacy and security protocols
<http://static1.squarespace.com/static/5557eaf0e4b0384b6c9b0172/t/55de23cce4b04ac3473ff754/1440621516496/Data+and+Methodology+Tax+Link+Briefs.pdf>

- T1 Family files/T1 Personal Master files/T4 Summary and Supplementary files⁶⁹
 - **Type:** Administrative (annual)
 - **Information on:** Incomes (households and individuals), taxes, transfer payments, contributions to pension plans, wealth
 - **Rationale:** Tracks incomes from all participants (receiving and not receiving Basic Income) and from all sources: employment income, pension income, self-employment income, non-taxable income, other incomes (such as CCB transfers, non-refundable and refundable tax credits, other governmental transfers, investment income, etc.). T1FF files provide information on the incomes of all individuals, and not only on the incomes of social assistance recipients (on the other hand, MCSS social assistance information contains information that is not available via the tax records of social assistance recipients, such as skills related variables, job search history, etc.). T1FF can also provide access to the items such as claimed tax credits, which enable researchers to track certain behaviours from tax filers (spending patterns on certain items, etc.), and may also offer the opportunity to look at savings behaviours to a certain extent by tracking wealth and contributions (e.g. pensions). Information at the individual level.
 - **Challenges identified by the Ontario Ministry of Finance (MOF):**
 - i. MOF currently holds tax data under two data sets: one provides information on individuals' incomes (without sources of incomes such as tax credits and various benefits) and the other (household model) contains

⁶⁹ For the purposes of running the pilot's operations (for example, determining the benefits to be paid to each participants under the Basic Income based on their income), the Automated Income Verification data by the MOF might be used.

income information at the household level and additional information on property tax data, benefits, and some social assistance information. This last database would be most appropriate to evaluate the impacts of a Basic Income pilot, however according to the current protocols; linkages with other administrative datasets (without individuals' consent) require complicated data arrangements. If consent is not obtained, this issue should be addressed as early as possible.

- ii. The MOF tax data holding are only available with a lag of approximately three years, putting some restrictions on the evaluation window of the pilot.⁷⁰ Similar delays may be experienced with the CRA.

F. Employment and Social Development Canada

Access to individual EI records, which would be linked to all aforementioned datasets, would track, among other outcomes, EI claims, individuals employment/unemployment spells, and employment status.

- Employment Insurance (EI) individual records
 - **Type:** Administrative (monthly or annual)
 - **Information on:** Status, history, benefits and incomes of former and current recipients of EI

⁷⁰ Another issue to be considered if tax data is accessed from MOF, is the capacity to access historical tax data for individuals who might have filed in other provinces in the years prior to the pilot (but who would still meet the eligibility criteria to participate).

- **Rationale:** Tracks unemployment spells of individuals claiming EI, as well as their main occupation, former employment status (self-employed, formerly employed, seasonal worker, etc.), the types of benefits received, and the number of periods over which benefits have been claimed/received. Information at the individual level.