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# Toward a New Balance in Social Policy: The Future Role of Guaranteed Annual Income within the Safety Net

*A comprehensive, one-size-fits-all GAI should not be seen as the ideal goal by policymakers. Long-standing social objectives, including antipoverty goals, can be met by a more multidimensional understanding of poverty and by developing a new generation of social programs.*

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A handwritten signature in black ink that reads "Daniel Schwanen".

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## THE STUDY IN BRIEF

Guaranteed Annual Incomes (GAI) proposals attracted much support in the 1960s and early 70s but, for a variety of reasons, they slipped off mainstream policy agendas in the following decades. They were too expensive given new budgetary priorities and implementation was difficult for jurisdictional reasons. Over time, the concept of poverty shifted away from focusing on lack of income towards the lack of resources that cause exclusion and that prevent people from developing their capacities to fully participate in society.

Concerns increasingly focused on siloed programs that provided one-size-fits-all benefits, ignoring individual and family diversity. New research paints a different picture of poverty, one where traditional GAI programs are less useful than had been previously assumed. In particular, most periods of low-income are relatively short, requiring supports that can only be awkwardly met by traditional tax-based GAI designs. As well, for the minority of low-income people who are persistently poor, the best solutions involve integrated mixes of income supports and, often, a variety of services.

Yet, despite all the factors above, interest in GAI schemes has increased in recent years. This *Commentary* briefly reviews current proposals and explains that the resurgence of interest in them likely lies in a deep desire to make things better, in the lack of progress to date in fighting poverty, and in frustration with the inability of existing policy tools to get results.

However, the *Commentary* argues that the effective, and affordable, way ahead lies not in big GAI programs taken in isolation, but rather in the use of newly available technology and data sources to steadily improve three kinds of programming: 1) integrated services tailored to individual needs, such as skill-enhancing programs that are intended to address unique needs of those who are persistently poor; 2) supporting people who can save for occasional periods of low-income by allowing more flexible access to income supports over the course of one's life; and, 3) GAI programming that extends existing measures, such as supports directed to children, seniors and those with disabilities.

This bottom-up reform based on an evidence-driven approach would have a better chance of succeeding if GAIs are realigned to support this vision.

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## Proposals to introduce a Guaranteed Annual Income (GAI) or basic income are once again making news in Canada, with increasing interest in proposals from the academic, NGO and think-tank worlds.<sup>1</sup>

The Quebec, Ontario and Alberta governments have taken an active interest in exploring options and several mayors across the country have expressed support. Prominent figures include former Conservative Senator Hugh Segal, a strong GAI advocate who the Ontario government has named as an adviser on the issue, while François Blais, now Quebec Employment and Social Solidarity Minister, seems supportive of the idea, based on his book *Ending Poverty: A Basic Income for All Canadians*. Furthermore, economist Jean-Yves Duclos, the current federal minister responsible for developing a poverty-reduction strategy, wrote on these topics as an academic.

While this *Commentary* recognizes the merit in developing GAI proposals, it urges that other approaches to fighting poverty have greater potential and face fewer obstacles to implementation. It maintains that the recent GAI momentum should be channelled into an examination of a range of anti-poverty policies

including, but not limited to, unconditional point-in-time money transfers to those with low incomes.

Many GAI options are currently being discussed, but all share a common theme; namely, that governments should provide financial support to individuals such that everyone has an adequate income, regardless of their personal characteristics including whether or not they are working. (See Box 1 for four possible directions for GAI reform.) This *Commentary* does not assess the proposals that are currently on the table, but rather puts GAIs in the broader context of changes that are taking place in social policy. More specifically, it explores other approaches to fighting poverty.

Nevertheless, a few observations on current GAI discussions are worth mentioning. Firstly, the debate often proceeds as an unstructured discussion among many participants with quite different points of view, with some of the arguments difficult to grasp because underlying assumptions are not always evident.<sup>2</sup> Indeed, it is not always clear what version

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- 1 Forget (2011) provides historical background. Pasma and Mulvale (2009) describe the high level of interest a decade ago, and it has increased considerably since then as can be seen in proposals by pro-GAI organizations such as the Basic Income Canada Network (<http://biencanada.ca>) and the Basic Income Pilot network (<http://www.basicincomepilot.ca>).
- 2 An example is a July 2016 exchange in the *Toronto Star*, where on the surface Yalnizyan (2016) seemingly argues the case against a basic income while Boadway and Bennis (2016) presents the case for a having one. In reality, Yalnizyan is arguing that the costs of a comprehensive GAI would be high enough to fund a much more useful and feasible alternative, namely the provision of basic services for the poor. Boadway and Bennis are, however, advocating the introduction of a GAI by shifting current tax credits to a refundable basis, which would be a less expensive alternative that would not preclude further development of services.

## Box 1: Main GAI Options under Discussion in Canada

<i>Possible Reform Direction</i>	<i>Commentary</i>
<p><b><i>NIT as soon as possible.</i></b> Introduce a negative income tax (NIT) version of a universal GAI. Under NIT, the income of those whose incomes would otherwise be low is topped up in order to eliminate or greatly relieve poverty.</p>	<p>Most past proposals for comprehensive GAIs have been based on NIT designs. They often involved topping up, rather than replacing, existing programs that provide cash to low-income people. Many current reform proposals also appear to be of this sort, including the Ontario pilot (Segal 2016). However, it is not always clear which type of comprehensive reform is being proposed.</p>
<p><b><i>Demogrants as soon as possible.</i></b> Similar to NIT, except that a fixed amount of money would be transferred to all Canadians. In some proposals, demogrants would replace many existing forms of income support. This is in contrast to many NIT proposals that would be designed only to eliminate or greatly reduce social assistance payments.</p>	<p>Reflecting international trends, calls for this more radical type of reform have become more common in recent decades. Demogrants would involve a fundamental re-shaping of Canadian social policy, not only in the type of programming that would result, but also in placing greater weight on the role of the individual rather than the family – a topic discussed later in the text.</p>
<p><b><i>A comprehensive GAI, but proceeding incrementally.</i></b> Many proposals recognize that it would be difficult to achieve either a NIT or Demogrant version of a GAI in one sudden step.</p>	<p>Ontario’s GAI proposal is based on pilot studies in order to test likely future directions before implementation.</p> <p>Boadway (2016) proposes to build a NIT version by converting non-refundable credits in the income-tax system to refundable credits.</p> <p>Hunsley (2016b) proposes that deep reform be pursued by establishing common goals and then implementing them incrementally. His focus is on overcoming jurisdictional barriers to reform – a critical obstacle that is given insufficient weight by many reform advocates</p>
<p><b><i>Incremental expansion of existing targeted measures.</i></b> Gradually strengthen and extend existing refundable tax credits and similarly targeted measures that are directed to reducing or alleviating poverty in key groups at risk, such as seniors, people with disabilities, children and the working poor.</p>	<p>This has been the main approach characterizing Canadian policy for many decades. Although the result is an unfinished patchwork approach to fighting poverty, it has worked reasonably well, has been efficient and is consistent with jurisdictional realities.</p> <p>It has many advocates including the Caledon Institute (Battle 2015), which has long supported this kind of targeted reform.</p>

of comprehensive reform is being discussed, although variations are profoundly different (Zon 2016).<sup>3</sup>

In particular, much confusion results from the use of the term ‘pilots.’ For some, pilots refer to the

mega-experiments of the past, such as “Mincome” in Manitoba, based on rigorous but costly random assignment techniques that required long periods of time before results were known. Such pilots

<sup>3</sup> In some cases, as in the foreword to Himelfarb and Hennesy (2016), references to GAIs or basic incomes have lost nearly all programmatic content and simply refer to the importance of fighting poverty, regardless of the means. The papers in this collection do, however, deal with key programmatic dimensions.

are needed to measure the indirect benefits of a GAI over the longer term, especially in reducing healthcare spending (following work by Forget 2011). The use of random assignment is also present in the latest thinking about the Ontario Basic Income Pilot Project (Segal 2016) although the proposed approach appears to be flexible (and highly ambitious) in the range of outcomes that will be measured. To others, pilots simply refer to a series of often small-scale initiatives to try out various different design and delivery options, with a view to assessing their cost, feasibility and public acceptability rather than their ultimate outcomes.<sup>4</sup>

In this context, the argument of Hunsley (2016a) that pilots should be avoided since they will hold up real GAI implementation for years should be interpreted as a plea for introducing GAI designs, such as the extension of existing tax credits and related measures, which can be introduced without the need for traditional large-scale experimentation.

Secondly, the literature provides an overview of the costs of introducing a comprehensive GAI design that would not introduce work disincentives, that would bring most people out of poverty and that would not create a large number of losers among those who benefit from current programming that would be replaced. On the other hand, there has been little analysis of ways of funding those increased costs without imposing a huge tax increase on the middle class.

The last major federal examination of the costs of comprehensive GAIs took place over 20 years ago (Income Security Review 1994). At that time

a demogrant (population-based) version proved to be very costly, requiring the collection \$93 billion additional personal income taxes (\$138 billion in 2016 dollars). A negative income tax (NIT) version was also costed that would be revenue neutral. It resulted in large losses to many families at low income levels. The review indicated that it would require billions of dollars to fix this problem, although still far less than would be required to fund a demogrant scheme.

More recently, Kesselman (2014) calculated the total budgetary cost of a demogrant version at \$350 billion. While this total would be reduced by savings from existing programs for seniors and from provincial welfare payments, the net new spending would still exceed the size of the entire federal budget. As well, even in this example, many people would still remain below poverty lines. MacDonald (2016) costed a wide range of different scenarios, including NIT versions that would be revenue neutral. All of these would create large numbers of people who would be considerably worse off as result of the reform, especially among seniors.<sup>5</sup> None of the options considered would bring everyone over existing poverty lines.

Milligan (2016) has shown that introducing a basic income initiative along the lines currently being explored in Finland would have a net additional cost in Canada of some \$400 billion, again more than current size of the total federal budget.

The cost of NIT versions, while considerably lower than demogrant versions, is very high when compared with current anti-poverty spending.

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4 Later, this *Commentary* will introduce still another approach to thinking about pilots that make use of big data and newly available predictive analytic tools to support the development of systems that gradually improve over time based on information derived from a series of small-scale pilots and related initiatives.

5 Costs are particularly high once behavioural changes in labour market participation are taken into account. Indeed, a study of variants on one Quebec GAI proposal (Clavet et al. 2011) showed that these behaviour changes could be large enough in some designs that more individuals would end up with *lower* income than in the absence of these schemes.

For example, Stapleton (2016a) has argued that low-income transfers now cost \$153 billion across all orders of government. About \$30 billion extra would be needed to keep the existing income security system intact and use the income tax system to bring everyone up to the poverty line.

It is not surprising that detailed explorations have not yet taken place on the design of potential ways of raising the revenues to fund the costs of comprehensive GAI reform. Most of the authors who have made the cost calculations have simply concluded that such reforms are too expensive to warrant further examination. And for those who remain committed to comprehensive GAI reforms, the revenue calculations are a secondary concern and difficult to carry out, involving an examination of the structure of the entire personal income tax system. Nevertheless, this analysis must be undertaken if these GAI models are to remain on the policy table.

Thirdly and most importantly, the current debate is mainly instrument-centred, not goal- or citizen-centred. That is, it tends to assume that a particular type of GAI is, or should be, in place and then examines the costs of various design options in light of the winners and losers the option would create among different demographic groups. This approach largely ignores other ways of fighting poverty, such as improving services or strengthening the capacity of individuals to manage occasional low-income periods. This is critically important. New research on the dynamic nature of poverty suggests that GAI-type solutions are likely to have considerably more limited use than had been formerly thought.

As it turns out, most periods of low income are short-lived and often require solutions that are more time-sensitive and more attuned to individual circumstances than is possible in traditional GAI designs, which are based on average needs and on an individual's income situation a year or more in the past. Even for the minority who are persistently poor, the provision of integrated services would seem to be a more useful policy response than would the provision of income in isolation. That

is, the debate simply assumes that policy should be based on the concept of an average poor person whose needs will be met by a standard one-size-fits-all income benefit. That is quite contrary to the emerging picture of the diversity in the circumstances and needs among those who are poor and excluded.

In this *Commentary*, I argue that a balance among different programming streams is needed to achieve anti-poverty objectives. Mainline educational and health services are, and will continue to be, important in preventing poverty from arising in the first place – as are social insurance programs such as employment insurance (EI) and workers compensation. Nevertheless, many people do become poor, and GAIs are only one of three main approaches to reducing the incidence and depth of poverty.

Another way is a more integrated approach to service programming that brings together program packages to address the needs of individuals who face the greatest obstacles and are most likely to be persistently poor. The final anti-poverty measure involves income transfers that would help individuals shift income from one stage of life to another when it is more needed. Many current programs, which I refer to as Guaranteed Lifetime Accounts (GLAs), support individuals in re-allocating resources from periods of high income in their working years to periods when income would otherwise be low, such as retirement, unemployment, going to school, or giving or receiving care. GLAs, in the form of tax-supported savings accounts, may prove to be a potentially important, if initially modest, tool for addressing the needs of some of the people who face occasional periods of low income, i.e., the majority of those who fall below poverty lines.

This *Commentary* argues for a tri-partite approach, encompassing all of the above measures. The biggest payoffs in all three areas will come from a small-scale, gradual, evidence-driven approach rather than by introducing big reforms such as comprehensive GAI schemes.

In one sense, an approach that attempts to learn from experience is not new. Over the past 50 years, Canada has spent many millions of dollars on countless small initiatives, pilots, experiments, evaluations and demonstrations in areas such as social, employment and rehabilitation services, training and housing, including initiatives targeted on homelessness and poverty among Aboriginal people and people with disabilities. However, there has been no systematic, cross-program learning. While there have been many individual successes, social policy researchers have learned practically nothing of value for the system as a whole from the energy and dollars that have been poured into these initiatives.

It is now possible to do much better. We now have the data and analytic tools needed to build an antipoverty system that can evolve based on lessons learned from thousands of initiatives on many fronts. While it will take time to realize the full benefits of this approach, it will be possible to see significant improvement from year to year. Initial success stories will help build support for continuing collaborative development. Building this data and analytic capacity will require time, leadership and extra resources. In this sense, the proposed approach is similar to the Ontario GAI pilots – not in, substance obviously, but in its understanding of the importance of making the large up-front R&D investments that are needed to develop evidence-driven anti-poverty programs.

### **GAI: Looking to the Future through a Nostalgic Lens?**

Since the Second World War, anti-poverty objectives have shaped much of social policy. With the rise of an affluent working class, the mass poverty of the past was eliminated and attention

turned to those who were at the bottom tail of the income distribution (Banting and Myles 2016). Universal policy solutions along GAI lines made much sense in this environment. At the federal level in Canada, these ideas moved to centre stage during the 1960s and early 1970s, the exciting and relatively free-spending years when today's version of the mature welfare state was put in place, with expansive reforms in pensions, unemployment insurance, public financing of healthcare, a huge extension of post-secondary education, and much else. In the area of income security, these also were years of new starts and big reform proposals, including for family allowances and social assistance.

A GAI held the potential to be an elegant pillar of a new system. The time was ripe for action, experimentation and investment. A 1971 Senate committee proposed a GAI version.<sup>6</sup> A little later, partly in response to tensions about the federal role in social programming, a comprehensive, intergovernmental exercise to develop GAI proposals was put in place. It was launched by the 1973 *Working Paper on Social Security in Canada* and was coincident with the ambitious federal-provincial GAI experiment known as Mincome Manitoba in which randomly selected families received income guarantees.

GAIs became particularly exciting when they held the promise of using new computer technology to solve long-standing social problems. In particular, the new technology allowed the income-tax system to become the basis for a practical, efficient version of a GAI.

However, the promise of a comprehensive GAI did not materialize. First, cost considerations and jurisdictional realities ruled out comprehensive GAI schemes. Second, anti-poverty objectives became defined more broadly than just a lack of income. Third, in more recent years new evidence about the

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6 Specifically, this was a negative income tax version of GAI, which is further explained in Box 1.

frequency and duration of poverty weakened the appeal of a comprehensive GAI based on income-only, one-size-fits-all assumptions.

### *Cost and Jurisdictional Factors*

In fiscal terms, the social policies that were put in place during the 1960s proved to be more expensive to deliver than subsequent federal, provincial and territorial governments wished, given their sources of income and other spending priorities. For example, funding for the Mincome GAI experiment was cut before analysis could be completed. Meanwhile, Ottawa cut back unemployment insurance benefits during the 70s and 80s and the recession of the early 1990s ensured that fiscal restraint continued as a dominant theme in all orders of government.

The new programs that were subsequently introduced – and there have been many – typically were carefully targeted to areas of greatest priority, using efficient tools such as refundable tax credits, made possible by computer technology. Often a goal in introducing reforms was to achieve savings. For example, the large expansion of employment programming such as training during recent decades was intended to reduce unemployment and, consequently, the costs of EI.

The introduction to this *Commentary* illustrates the very high cost of comprehensive GAI proposals. They were seen as potentially affordable in the 1960s, especially the NIT versions that were then on the table. However, even these were simply too expensive to be given serious consideration in subsequent decades.

In addition to cost considerations, large GAI proposals, particularly those that would replace existing programs at all levels of government, would be extraordinarily difficult to administer. Existing income support programs are often part of a wider network of federal, provincial and municipal programs with overlapping objectives. Replacing some or all of these with a GAI would create large number of winners and losers in different localities.

Mechanisms for undertaking such detailed inter-governmental negotiations simply do not exist today. With the failure of the Meech Lake Accord in 1990 and the withering away of the Social Union Framework Agreement of 1999, there is not even a set of general principles for undertaking such negotiations. As a consequence, reforms in recent decades have mainly involved unilateral changes to existing social programs of the different orders of government. While the result is often messy and complex, this approach has nevertheless worked reasonably well in delivering positive outcomes. Indeed, most measures of social well-being suggest that Canada does a decent job when compared with other countries, thereby reducing pressures for cross-jurisdictional reforms and for major restructuring of jurisdictional responsibilities.

### *Evolving Objectives*

In recent decades, anti-poverty objectives have been defined more broadly than the income-only focus of earlier GAI thinking. By 2000, poverty was mainly cast in terms of exclusion – the lack of a wide range of resources, such as skills, health and social capital, as well as income – needed for people to develop their capacities to live effectively with an adequate standard of living (Horizons 2004).

A central theme in this shift in thinking has been to frame social goals in a broader social investment and human development perspective – helping people develop their capacities over the course of their lives, with a focus on individual choice and self-actualization. This reconceptualization, which is associated with the work of Harvard economist Amartya Sen, emphasizes not only flows of resources, such as current income or receiving an educational certificate, but also on the resulting assets that are built up and can be used later in life, such as financial savings and skills.

This conceptual shift mirrors an evolution in the values held by the citizens of developed countries. International surveys on this topic show a trend toward greater weight being assigned to individual

values such as tolerance, autonomy, self-fulfillment and citizen participation in decision-making (Welzel 2013). In Canada, for example, public support is particularly strong for policy tools that actively promote social and economic integration, such as education and training, while it is much weaker for passive income support measures such as EI or, by extension, GAI schemes (Hicks 2015). A recent Angus Reid poll (2016) shows that most Canadians support a GAI in principle but would be unwilling to pay for it; most feel it would be too expensive and would discourage work.

This newer theoretical focus on individuals as they develop over life was, of course, at odds with practical governmental program structures of the day. In particular, given pre-computer technologies, efficient and accountably delivery could be accomplished only through separate program silos that provided a standard benefit to everyone in a group of people that met simple eligibility criteria based on an individual's characteristics at a specified period of time. With few exceptions, it was not possible to reflect the diverse, often multi-dimensional needs of individuals, or to examine the impact on the individual of the multiple programs in which he or she had participated, or to take account of the longer-term consequences of those programs. In operational terms, poverty was seen as the lack of a single resource: income. Objectives were set by arbitrarily choosing a dollar amount that, on average, would provide a hypothetical average person, or family, with an adequate standard of living during a set period of time.

In other words, the shift toward a social investment, life-course, human development way of framing policy agendas<sup>7</sup> has been more important at the conceptual level than in terms of actual programming; our pre-computer program structures remain largely intact. It has, however, cast doubt on the legitimacy of comprehensive GAI schemes that reflect only the lack of a single resource as calculated using quite arbitrary abstractions such as low-income cut-off lines.

### *A New Understanding of Poverty*

Most of the analytical tools used to understand poverty still focus on trends and distributions in the average-income characteristics of population groups during particular periods of time, including the use of arbitrary low-income cut-offs for determining who is poor. In a version of Maslow's famous hammer – if all you have is a hammer, everything looks like a nail – this static, income-centric approach has shaped our policy response to poverty, despite more theoretical and aspirational policy discussions about multiple-factor, life-course approaches.

The limitations of traditional analysis have been long understood in the research community and, fortunately, a number of databases and analytic tools have been constructed in recent decades that provide a richer empirical understanding of poverty. These statistics are based on individuals, households and their characteristics, not on averages of different groups. They also follow individuals over time.

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7 In more recent social policy discussions, equality objectives have joined social investment objectives. Before social investment thinking became dominant, tackling inequality was considered virtually the same as fighting poverty (Banting and Myles 2016). However, today the link between inequality and GAI programming is no longer as strong. Equality has returned to centre stage in response to the growing gap between the richest 1 percent and the middle class, not between the rich and the very poor. In Canada, current policy directed to equality is accordingly framed in terms of a middle-class agenda (Banting and Myles). A comprehensive GAI aimed at the poorest would not seem to be an obvious priority on such an agenda, particularly since at least some of the statistical trend measures of low income have recently shown stability, and even some improvement (Fang and Gunderson 2016, Murphy et al. 2012).

Murphy et al. (2012) use these new data to show that low income is often transitory in nature. During the early 2000s, one-third of Canadians who fell into low income left low income the following year. While the remaining two-thirds remained in low income the following year, very few of them were poor for six years or more (between 1.4 and 3.5 percent depending on the low income cut-off line is used).

Nevertheless, several groups of people experienced low income more persistently than others (Murphy et al 2012). The extent of long-term poverty is greatest among unattached people aged 45-64, single or lone parents and those with activity limitations. Persistent poverty is also high among off-reserve indigenous populations,<sup>8</sup> recent immigrants and youth aged 20-24 who are not in school. There are, of course, poor people in other groups as well – such as elderly widows, for example – but the incidence is not nearly as high as in the above designated vulnerable groups.

#### *How New Understandings of Poverty Affect Policy*

Five lessons can be drawn from this new understanding of the transitory nature of most poverty and of the concentration of persistent poverty in particular groups. First is that many of those who are persistently poor face multiple barriers in addition to lack of income, including barriers related to lack of skills, health, addiction, stress, inadequate housing, sickness or death of a family member, lack of supports to overcome work-related activity limitations, cultural and language barriers, discrimination, weaknesses in social networks and, often for the most disadvantaged, a mix of the above. Separate, uncoordinated program silos that provide income alone are not the right

solution in these cases. What is most needed is an integrated mix of different services and income supports.

Second, the transitory nature of much poverty underscores a serious administrative problem with many of the GAI proposals of the past 50 years. These approaches relied mainly on an annual calculation of need, based on income-tax data. However, real needs are in the present, not what happened in the past when the taxes were calculated, often well over a year earlier. Many, perhaps most, of the people who were calculated as being poor then are no longer poor. And those who became poor in the interim need income support now.

Administrative solutions are certainly possible, although non-intrusive solutions could well be expensive. Some solutions for making income payments current begin to look similar to the welfare services that were to be eliminated in theory. Solutions that provide income on a current basis could have indirect impacts that could be profound but that, even today, are not given much consideration in the literature (Mendelson 2016).

The third lesson relates to the importance of social networks, particularly family relationships, in understanding poverty. Low-income rates are highest among people between the ages of 45 and 64 who live alone and among lone parents. Being unattached is also a factor in other vulnerable groups, especially among non-student youth aged 20-24, most of whom are single (Fang and Gunderson 2016).

The importance of family structures should not be surprising given the current norm of a two-earner family. Since poverty is defined relatively, in relation to median family incomes, it ought to be expected that much poverty would be found among people living alone. Yet the importance of

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8 Comparable data do not exist for people on reserves, although the existence of poverty on reserves is well understood.

family structures has only been partially digested by policymakers who are more comfortable in thinking about policies addressed to the lack of labour market attachment than to lack of social attachments.<sup>9</sup>

Fourth, the concentration of persistent poverty among unattached people also raises a fundamental question about the effectiveness of demogrant versions of a GAI. Providing a grant to everyone respects the growing importance in policymaking of individual rights and of respect for individual dignity and autonomy. However, it corresponds less well to the goal of fighting low incomes. For purposes of poverty analysis, income is a household- or family-based concept. An individual approach to providing benefits typically favours households with two (or more) adults and works against the interests of the unattached where needs are often greater.

Fifth, and perhaps more of a side note than a lesson, the data do not, as might first appear, argue against universal programming. A superficial response to the finding that persistent poverty is concentrated in specific groups would be to reject universal policy solutions in favour of programs targeted to those groups. But the challenges faced vary. As well, between 80 percent and 90 percent of the people in each vulnerable group are not persistently poor (Fang and Gunderson 2016). Most important, apart from persons with disabilities, the higher probability of being poor for people in these vulnerable groups could not be explained by

any characteristics that are measured by current statistics (Fang and Gunderson 2016). Current analytical techniques do not allow us to understand the causes of poverty, which are complex, let alone formulate policy solutions that are related to the characteristics of the vulnerable group in question.

### **Why the Continuing Interest in Comprehensive GAIs?**

Proposals for comprehensive GAI reforms have been part of policy discussions in the last few decades – the 1984 Macdonald Royal Commission on Economic Union and Development Prospects for Canada mentioned it favourably.<sup>10</sup> However, cost and jurisdictional considerations meant that such proposals never stayed long on government policy agendas. The gradual shift toward a broader concept of poverty should, on the surface, have meant that such proposals would have disappeared entirely from public discourse – especially in the 2000s when new longitudinal information about the characteristics of vulnerable people cast serious doubts about the role of income-only, point-in-time policy responses. Yet such proposals are still with us and interest in exploring them has been growing. Why has this happened?

To some extent, the current interest reflects frustration with existing approaches to reform that have resulted in a patchwork of hard-to-navigate programs that are treacherously difficult to assess and have many gaps. Furthermore, if the goal is to

9 This lack of family focus may explain the continued use, here and abroad, of a crude and arbitrary way of calculating equivalence scales. These scales are used to adjust family data in a manner that takes account of the likelihood that people living together will have lower per capita costs than people living alone.

10 While the Macdonald Commission's proposal did not attract much positive interest, it did result in a subsequent critique that is of lasting interest (Wolfson 1986). Wolfson shows the importance of integrating GAI proposals with the personal tax system and includes an empirical analysis of the effects and costs of doing so. He shows that a GAI is technically feasible in fiscal terms but only as part of a radical overhaul of the personal income-tax system. However, there appears to be little current interest in such radical tax reform.

eliminate poverty entirely, then the progress made in recent decades looks small and inconsistent.<sup>11</sup> Some measures suggest that poverty is actually increasing – and there is no agreement on which indicators provide the best information on the problem (Murphy 2012, Fang and Gunderson 2016). Indeed, low-income assessments that are based on crude statistical averages that take no account of the diversity of actual need make it difficult to build a consensus using the traditional approaches of setting anti-poverty targets and monitoring progress. That said, the main factor in growing support for a comprehensive GAI seems to be a deep desire to make things better, combined with an equally deep frustration about existing tools for doing so.

A few supporting factors may have also played a role in the GAI's return to the policymaking forefront. One is a concern arising from the growth of precarious and low-paid work and the possibility of growing polarization<sup>12</sup> between those with good and bad jobs – and between those with jobs and those without any work at all as a result of automation. Many people will move from employment to joblessness or low-paid work over the course of time and a GAI would provide needed stability and dignity. However, as described

earlier, GAIs have serious limitations in addressing sporadic poverty.

A related reason for the continuing interest in comprehensive GAIs lies in their capacity to partially disconnect income from paid work, which it is argued, could have many positive consequences such as placing greater value on important unpaid activities that take place in families, schools and communities. Valuing unpaid work is of special interest today as the large cohort of healthy and skilled baby boomers is starting to move into traditional retirement ages – opening up the possibility of a much larger pool of people who could undertake a range of unpaid activities that would benefit both themselves and society generally.<sup>13</sup> Of course the worry exists that, even if a GAI were to encourage more volunteering, one result might be even lower wages in those sectors that now provide community, care-giving, and cultural services.

Perhaps the most important supporting reason for the continuing interest lies in recent research which re-looked at the abandoned, but still accessible Mincome data (Forget 2011). It found that those who received the GAI benefit had better health outcomes than those who received the normal income support that was then in place.

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- 11 The newer emphasis on thinking about poverty in terms of social exclusion, rather than in living standards alone, reinforces the importance of measuring poverty relatively – comparing one's income in relation to one's neighbours. Exclusion is, by its very nature, a relative concept. In measurement terms, a relative approach means that, even if everyone's income is rising (and everyone is better off in an absolute sense), measured poverty will still increase if the income gains for those at the bottom are not as high as for those in middle- and higher-income brackets. Since market forces often work in this direction, GAI programs are often faced with a frustrating and costly challenge if they are to make any measurable difference in the real world.
- 12 This is one dimension of growing concern about rising inequality. However, it likely has not been a big factor in the renewal of interest in GAIs over the past decade. In fact, the trend toward employment polarization ended in Canada around 2000 (Green and Sand 2016). Nor is it obvious, even if polarization remains a key problem, that funding a GAI would be the best approach when compared with either shorter-term solutions related to minimum wages or longer-term approaches that aim at reducing the underlying inequalities in human capital that result from our approaches to education and early-childhood learning (Esping-Andersen 2009).
- 13 On the other hand, pensions now provide a form of GAI for seniors and there is no evidence that they have played a large role in encouraging these kinds of valued non-market pursuits.

The interest in GAI schemes would increase dramatically if they appeared to hold promise for significantly reducing future healthcare costs. New random-assignment research would of course be needed to explore the effects of a GAI on health in current circumstances – a factor in Ontario’s decision to undertake a pilot.

The frustrations and opportunities are real. However, a comprehensive GAI is not the only possible solution. The next section looks to alternative approaches, ones that point to more direct, affordable and effective ways of meeting today’s and tomorrow’s social goals.

### **Future Directions in Social Policy: The Roles of GAIs, GLAs and Integrated Services**

A great deal of social policy analysis today assumes that our current siloed approach to programming will continue indefinitely. However, a longer time frame is required when examining better ways of fighting poverty. In that context, it is important to take account of the potentially radical changes in program designs that are becoming possible as a result of new big data and predictive analytic

technologies. Within a 10 or 20 year period, it is quite possible that today’s top-down siloed policies, which were a product of pre-computer technologies, will be gradually replaced by a bottom-up approach where programs will evolve over time based on rigorous analysis of detailed, consistent data sets that describe the characteristics and effectiveness of both existing programs and large numbers of demonstrations and pilot studies.<sup>14</sup>

The eventual result will be programs that evolve based on lessons of what has been working best. That evolution will take account of the diverse characteristics of those who are poor. It will support people in building the skills and capacities needed for future success as well as meeting their needs at particular points in time.<sup>15</sup>

This *Commentary* looks briefly at ways of improving the three types of anti-poverty programming over the next 10 years or so, namely integrated services, GLAs and GAIs and at the need to look more closely at how existing programs work together. The assumption is made that gradual ‘what is likely to work best’ analytics that have just been described will be funded and will start to become operational over the next year or two.

14 As note earlier in this *Commentary*, the term ‘pilot study’ can refer to quite different things. In the context of GAI pilots, it refers to an initiative where, for example, an individual would be randomly assigned to either existing programs in the area under study or to an alternative ‘pilot’ program such as a GAI with a design that is determined in advance. No changes are assumed to take place in either the existing or pilot programs during the experimental period, allowing a rigorous calculation of the medium- and longer-term impacts of participating in the pilot. This section, on the other hand, assumes that programs will evolve over time and that the funding will be in place to allow ‘what is likely to work best’ analysis of the effects of both existing programs and of many often small-scale ‘pilots’ that test out ideas for better program designs or ways of doing business. Both approaches are rigorous. In random-assignment that rigour takes place within the pilot study. In the future envisaged in this *Commentary*, there could be hundreds of pilots (including demonstrations, evaluations and smaller-scale experiments) operating at any one time, each quite flexible and with different time frames; the rigour would come from the use of consistent big data and predictive analytic tools which would allow the results of any one pilot to be used in conjunction with the results of other pilots and mainline programs in calculating probabilities of what is likely to work best over the short- and medium-term future.

15 A description of the theory underlying this shift towards experienced-based program evolution can be found in an earlier essay, *The Enabling Society* (Hicks 2015).

### *Persistent Poverty and Integrated Service Programming*

Only a minority of those who fall below low-income cut-off lines are persistently poor. However, that minority still consists of many people and it is these people who are generally the focus of antipoverty strategies. The main need here is for service interventions – such as housing, skills training and access to education – not income support in isolation. There would be little disagreement that the ideal solution would be to provide an integrated and effective mix of services and income supports that was tailored to meeting the many barriers faced by such individuals. Those services and supports would be selected based on evidence of what had worked best in the past for similar people in similar circumstances. Subsequent success of current participants could be captured in the system, providing feedback loops that would allow the system to gradually improve further over time.

It will take some years to build up the needed evidence to support a mature system of what-are-likely-to-work-best services to support the persistently poor whose problems are often complex and where much of the needed data have not yet been collected.<sup>16</sup> However, the potential exists to make major gains over the medium term. For example, analyzing how different service interventions worked best in various circumstances would likely have far higher payoffs than would a similar investment in a traditional pilot study based on the provision of guaranteed annual income alone – as least as it relates to the effect of a GAI on persistent poverty.

### *Dealing with Occasional Poverty through Guaranteed Lifetime Accounts*

A great deal of today's social spending is directly or indirectly designed to help reallocate, or stabilize, income over the course of people's lives; e.g., student loans which have to be repaid later in life, pensions, tax breaks for time spent in education, sickness or providing childcare. In recent years, there has been a trend toward the use of the tax system to encourage registered savings accounts whose sole purpose are to provide income at a later stage in life. Such accounts can be for particular purposes, such as registered retirement and educational savings plans, or for purposes that are entirely at the discretion of the individual such as tax-free savings accounts.

Given that the majority of people who fall below low-income cut-off lines do so for relatively short periods of time, these types of savings have considerable potential as part of anti-poverty program toolkits. Tax breaks and subsidies could, for example, be particularly useful in supporting people who save for periods when family income would otherwise be temporarily low – for example, because of the loss of work by a family member, divorce or separation, leaving a job to provide care for other family members or returning to school, or a combination of such factors. Certainly, they hold more promise than traditional GAI schemes that, for reasons discussed earlier, are not well suited to most people who experience only occasional periods of low income; the GLA route would be much less expensive, and it would be more consistent with the values of capacity building and empowering individuals to better control their future.

<sup>16</sup> Such self-learning systems, based on what has worked best in the past, could be implemented reasonably quickly in areas such as training and employment services, where a strong what-works evidence base already exists. This would be valuable for some individuals who are persistently poor and perhaps even more so for some of those who are only sporadically poor.

In practice, however, there has, as yet, been little practical work in developing GLAs that are especially targeted on those who only experience a relatively short spell of poverty. Much background information already exists, however, from experiments, particularly in the United States, that have subsidized lower-income families to set up savings accounts directed to purposes such as financing education, buying a first house or starting a business. A major Canadian experiment in the 2000s, Learn\$ave, found that, by matching savings, governments can encourage low-income adults to save for and enrol in post-secondary education and training.

The correct approach in examining how these government-supported savings plans can be best used to support those who face occasional poverty is also an exploratory one, involving small-scale experiments, pilots and demonstrations – supported by developing the data and analytic tools that will allow the programs to evolve based on what is working best.

As mentioned above, it is not only GLA accounts that can play a role in tackling sporadic poverty. Effective integrated services such training and other forms of employment programming could also play an important role. Note also that GLA programs will be no panacea for all people who face sporadic poverty. For example, families who routinely have earnings that are only slightly above existing poverty lines cannot be expected to save much for periods in life when they fall below those lines, even if those periods are rare.

### *GAI Programming for Those Who Fall through the Cracks*

The argument to this point might seem to question

the future need for any kind of GAI programming. Why not meet most of the needs of the sporadically poor through GLA and service programming? Why not meet most of the needs of the persistently poor by making income support a component of newly emerging service programming – to support people in an integrated manner when they are participating in training, health and independent living services?

Part of the answer, of course, is that it will take many years before these other kinds of programming reach maturity. GAI programming will be particularly important during the long transition period. As well, there will always be many people who face obstacles that cannot be addressed by GLAs and integrated services. The causes of poverty are not well understood, with little hard evidence to guide the design of poverty-reduction programs. The what-works information that will underlie future programs will be a huge improvement over current data, but will still provide only probabilities. Point-in-time income support programming will continue to provide a much-needed floor for the people who slip through the cracks of any system.

As with the other anti-poverty approaches, the best approach to developing GAIs is through smaller-scale, incremental changes along traditional lines of extending existing tax credits and similar measures to selected groups, including children, the working poor, people with disabilities and others that are most likely to benefit.<sup>17</sup> Many possibilities exist. For example, Corak (2016) raises the possibility of using EI for this purpose. He suggests enhancing EI's 'Working While on Claim' pilots to integrate them seamlessly with the Working Income Tax Benefit in order to offer steady and increased income support to lower-income Canadians in a way that mimics some versions of

17 An incremental approach to improving GAIs would have most of the benefits of comprehensive GAI options, but at far lower expense. Having a range of more targeted GAI programs also avoids the unsuitability of one-size-fits-all comprehensive GAI in addressing either persistent or sporadic poverty.

a basic income.<sup>18</sup> Most proposals however involve the tax system. The fact that both major orders of government have mandates in the tax area means that smaller-scale testing and experimentation is feasible.

### *Looking at How Programs Work Together*

In addition to particular reform efforts in each of the three antipoverty program areas, there is a need to take stock of how existing government programs at all levels are working together in order to identify areas where objectives may be in conflict as well as overlaps and gaps. It is unlikely that big reforms will result from such efforts, since programs typically have multiple objectives, which make changes directed to one objective difficult. However, such an exercise would provide a needed bigger picture to support reform and may well identify possible areas for incremental change and areas where new pilots or similar initiatives might add value.

Programs that support retirement income among lower-income people are in particular need of a more holistic examination. Currently, different programs originating in different jurisdictions mainly work independently with no easy way for an individual (or the people who advise and

counsel individuals) to understand how they work together or to use them as integrated tools to support decisions. For example, low-income people who are nearing retirement must deal with a mix of retirement-income programs and tax measures that are amazingly complex, with combined effects that are often not understood even by professional financial advisers (Stapleton 2016a).

### *Developing an Evidence-driven System*

Some readers may be sceptical<sup>19</sup> about the likelihood that large, up-front investments will actually be made in order to build the capacity to support a new bottom-up approach to reform that is based on evidence of what is likely to work best. For them, the proposed incremental action in the preceding paragraphs looks a great deal like previous approaches to reform that have been notably unsuccessful. Unfortunately, the history of the past 15 or so years tends to support the cynics; significant upfront investments in data and analytic tools have always been needed, but have been seldom seen in practice. The *Commentary* argues, however, that the time is finally ripe for a serious shift to evidence-based policy and for the provision of the upfront investments that will be needed.<sup>20</sup>

18 Corak's presentation also calls for steady incremental change to be the main route to reform, including converting existing special EI benefits into individual accounts over which the individual would have complete control, similar to the GLA reforms discussed above.

19 The most skeptical reviewers of earlier versions of this *Commentary* were among those whose work was closest to these topics. There was no disagreement with key principles, including the importance of developing big data, for matching administrative records, for developing predictive analytic tools, or for extending the development of microsimulation tools that followed people over life. The tension was over the assumption that these tools, which are extremely complex in practice, could be readily extended within a short period of time to become a normal way of doing business. In the past, it has often been a huge struggle to make even small gains or to avoid falling behind. There are, perhaps, only about 25 or 50 people in all of Canada for whom this kind of work is currently a main priority and they often work in different organizations, often far away from the top decision-makers in those organizations. Earlier versions of the *Commentary* (and related papers) were perhaps not sufficiently clear that the proposed approach was radically different. It could involve perhaps a ten-fold increase in the number of staff working in the area over the next two years and with leadership that would bring the work into the mainstream.

20 Hicks (2015) and, especially, its supporting papers describe in detail how such a system would work and how it can be implemented.

The challenge will be to provide the leadership needed to support a big push to develop this new evidence-driven approach in an integrated way across the many program silos and jurisdictional divides. The current interest in poverty-reduction strategies and evidence-focused GAI pilots is a hopeful sign that the needed leadership – and up-front funding – will be forthcoming.

## SUMMARY REMARKS

A comprehensive, one-size-fits-all GAI should not be seen as an ideal toward which policymakers should strive, but rather as a response to the imperfections of the other parts of our social programming. The goal should be to strengthen these other parts of the system and, in consequence, work toward a world where a GAI will play a smaller, not a larger, role than at present. Canada already makes effective use of targeted GAI programming and further progress can be made by relatively simple extensions to existing supports to children, people with disabilities and the working poor, or additional measures such as shifting other existing tax credits to a refundable basis.

Long-standing social goals, including anti-poverty goals, can be met by a more multi-dimensional understanding of poverty and by developing a new generation of social programs that gradually evolve based on evidence of what is working best. This will be a more effective, collegial, open and accountable way of doing business. It would open up greater opportunities to realize core values related to human development and individual choice and dignity than was possible in the top-down siloed programs of the welfare state, while aligning better with long-standing values related to equality and collective responsibility.

Expansive GAI reforms face many of the same obstacles that existed in the past: lack of jurisdictional agreement, financial resources and the kind of public support that would be needed to sustain reform. High expectations would be set and likely disappointed if we were to move strongly in that direction. Energy would be diverted away from the low-key and initially modest incremental reforms that will start us on the transformative path to a new kind of social policy. As well, the ultimate goal should be a safety net that places less, not more, reliance on this type of one-size-fits-all programming.

Three kinds of programming can address poverty: GAI-type measures, GLA-type measures, and integrated services. Reform is needed in all three areas and, in all cases, should be introduced based on small-scale pilots, experiments, evaluations and demonstrations that produce evidence of what is working best. Canada is well situated for this kind of evolutionary development since different approaches can be explored in different provinces and territories. The key new initiative would be to put in place the information and analytic infrastructure that is needed for the system to systematically learn from experience of what is working best.

Given jurisdictional arrangements in Canada, an underlying consensus on future directions is required if reforms introduced in different jurisdictions are to work together toward a common purpose. Consensus-building is always difficult, although considerably easier, given a bottom-up approach. The current interest in GAIs and poverty reduction strategies by governments provides an opportunity to step back and take a deeper, more collaborative look at future directions for social policy in Canada.

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