

How progressive is a basic income? left and labour perspectives

Toby Sanger

There's been an enormous amount of recent interest in an old policy idea: a basic income guarantee (BIG), also known as a guaranteed annual income (GAI), guaranteed minimum income (GMI), citizens income, negative income tax (NIT), etc.

The discussion below focuses on these proposals from a progressive labour perspective. It reviews positions Canadian unions have taken in the past, highlights concerns that have been raised and considers the conditions under which these proposals should be supported in relation to progressive labour priorities.

While the names may vary, the key concept for these proposals is similar: that government should ensure a basic minimum income for all. Many countries already do so to some degree through social assistance and other income support programs, but these often involve means-testing and provide below poverty-level incomes. A Basic Income would replace or supplement existing income support programs with a simple basic income guarantee and, many supporters hope, eliminate poverty.

The concept has been around for centuries, but is now attracting attention from many different sides of the political spectrum. There's renewed interest now in part because of lack of progress in reforming social assistance, the increase in precarious employment and the prospect that robotization will lead to growth with few jobs. Advocates include an extraordinarily broad political spectrum: Libertarians, Conservative and Liberal senators, Liberal governments, NDP Cabinet Ministers, the Green Party, anti-poverty activists, and socialists.

The Ontario government announced in its [2016 Budget](#) they will “work with communities, researchers and other stakeholders in 2016 to determine how best to design and implement a Basic Income pilot.” The federal and other provincial governments are likely to follow suit and the federal Finance committee is also planning to study it.

Basic income models

But with such a wide range of proponents across the political spectrum, there are also a very wide range of different proposals for basic or guaranteed incomes.

In their CCPA report, [Young and Mulvale](#) identify four key criteria that distinguish different guaranteed income proposals: 1) degree of universality of eligibility; 2) degree of conditionality of entitlement; 3) adequacy of benefit level; and 4) integration with other social programs. From that they group different proposals in the following three models:

1. *Minimalist-libertarian model* — Strong universality and unconditionality of guaranteed income set at a low benefit level with minimal provision of other social goods and income support.
2. *Mixed welfare model* — Guaranteed income models that closely resemble existing social assistance (welfare) schemes with partial and conditional benefits, and a range of both benefit levels and integration with other social programs.
3. *Strong basic income model* — Strong universality and unconditionality paired with more generous benefit levels and variable integration with other programs.

Some conservatives, such as economist Milton Freidman and Charles Murray, like the idea of a guaranteed income or “negative income tax” because they see it as a way to dismantle the social welfare state and replace it with simple cash transfers. Others, including some businesses, are attracted to the fact that it could subsidize low wages. A number of [Silicon Valley CEOs](#) and “techno-utopians” also advocate for basic incomes as a way to

address poverty in a new economy becoming increasingly productive but with jobs that are increasing flexible and precarious—and in a way that aligns with a libertarian and anti-government regulation philosophy.

At the same time, many progressives and committed anti-poverty activists are strong supporters of a basic income for different reasons, including eliminating poverty, restoring dignity to the poor, and enabling people to engage in wider range of self-fulfilling and socially useful activities than the “bullshit jobs” many are condemned to. One of the most prominent advocates is labour economist Guy Standing, author of [influential books](#) about the new precariat class. [He argues](#) “while proletarian consciousness is linked to long-term security in a firm, mine, factory or office, the precariat’s consciousness is linked to a search for security outside the workplace. The precariat can accept jobs and labour as instrumental ... not as what defines or gives meaning to life. That is so hard for labourists to understand.”

Canadian Labour’s position in the 1970s and 80s

While labour unions have been criticized for opposing basic income proposals, Canadian labour unions and federations, including the CLC and CUPE, have actually frequently passed resolutions in support.

Initial resolutions in support of guaranteed annual income were passed shortly after the now well-known Mincome pilot program was introduced in Dauphin, Manitoba in the 1970s. These tended to be simple and unqualified statements in support, in some instances connected to increased employment, but not always. However, after the 1985 MacDonald Commission proposed a *Universal Income Supplement* to replace nearly all social programs with a minimal income supplement, as had been recommended by the Canadian Manufacturer’s Association, the discussion and positions taken by labour in Canada became more developed.

At its 1988 convention, the CLC discussed and approved a policy paper on a Guaranteed Annual Income, *Adequate Incomes for All Canadians: A Working Future*. The CLC paper strongly opposed the MacDonald Commission’s corporate proposal for a poverty level GAI and put it in the context of the failure of their economic system to provide decent well-paid jobs for all and the conservative government’s erosion of social programs and benefits. It stated “a GAI must be part of an integrated and comprehensive approach to the question of poverty and low incomes that attacks the root causes of these problems.”

It affirmed support for a GAI but only one that provided adequate incomes and that was part of a comprehensive and integrated program, including restoring and maintaining full employment, increased minimum wages and non-wage benefits, strengthened collective bargaining relationships, ending discrimination, pay equity, improvements to social assistance programs including UI, CPP, workers compensation, benefits to disabled workers and child benefits, and expansion of public services, including universal Medicare, affordable housing and a universal child care system, and fundamental progressive tax reform.

The CLC paper identified some specific criteria, including that benefits must be set above the poverty line, indexed to the cost of living, based on an income test rather than a needs-test, fully-portable throughout Canada, financed from federal and provincial as opposed to municipal revenues, not discriminate on the basis on gender or age and not result in subsidies to employers who pay low wages.

Current Proposals and Concerns

We should be just as concerned now about basic income schemes that serve to dismantle the social welfare state and public services, or to drive down wages. The 2016 Ontario budget announcement reveals their interest behind this proposal:

“The pilot project will 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. The pilot would also test whether a basic income would provide a more efficient way of delivering income support, strengthen the attachment to the labour force, and achieve savings in other areas, such as health care and housing supports.” (2016 Ontario Budget, page 132)

This suggests they are considering providing cash or vouchers as a substitute for public services provided to social assistance recipients (such as affordable housing, health and drug benefits, etc.) as a way to confront the “welfare wall”. This could lead to an erosion of public services, greater privatization, and the replacement of existing decent public sector jobs providing with lower paid and more precarious private sector jobs—thereby further fuelling more need for basic income supports. These are some of reasons [the Ontario Coalition Against Poverty is highly skeptical](#) of Liberal plans for a basic income. Instead of eroding these benefits, wouldn't it be more equitable and make more sense to overcome the “welfare wall” by expanding public services, and ensuring all have access to affordable housing, prescription drugs and a broader range of health services?

While some see a basic income guarantee as the next logical step in the expansion of public services, (because poverty undermines the effectiveness of these existing services) the existence of a basic income could be a barrier to expansion of different public services both because of its high cost and for political reasons. Armine Yalnizyan sees the high cost of a basic income represents a [“huge opportunity cost”](#) that could instead be devoted to child care, better health care, affordable housing, public transit, and improving education.

There's a fundamental difference between basic income guarantees and universal public services. The former represents a relatively uniform cash transfer used to purchase goods in a private market system while public services are provided for free (or somewhat affordable fees) to each according to their need. The needs of different people may differ tremendously, but universal public services also allow us to participate and engage collectively in society according to our needs and as equals.

Karl Marx presaged this issue in his 1875 [Critique of the Gotha Programme](#), the initial platform of the German Social Democratic Party, and its statement that “the proceeds of labor belong undiminished with equal right to all members of society.” Instead he declared that in a more productive and higher phase of society where “all the springs of co-operative wealth flow more abundantly” the rule should be “From each according to his ability, to each according to his needs!”

While lack of financial resources is of course a primary aspect of poverty, simply providing more money won't eliminate poverty alone. Social exclusion, inadequate access to education, public goods, opportunities, networks, lack of political influence and many other factors contribute to a persistent of poverty. Systemic racial, gender, class, and ability-based discrimination have resulted in higher rates and a persistent of poverty among women, racialized Canadians, Aboriginal peoples, differentially abled and among those whose families were poor.

There's some debate about the impact of a basic income guarantee on women's employment and income prospects. If provided to individuals, it would undoubtedly increase women's financial independence. However, there's also a concern that it could lead to women leaving the labour force and thereby jeopardizing their longer-term independence.

While some advocate for a universal and unconditional basic income, the gross cost of one with adequate levels of income would be extremely high. A universal and unconditional basic income of \$10,000 per person in Canada would add up to a gross cost of \$350 billion. That's 17 percent of our GDP, more than total federal government spending and [more than twice what all levels of government in Canada spending on social benefits](#) to people. Some argue that the [savings would exceed the costs](#), but these calculations are far from credible.

Any fiscally sustainable basic income program with an adequate level of benefits would need to be income tested or subject to relatively high clawback or tax rates and so wouldn't end up being universal and unconditional. While such a program would be fiscally feasible, it would be subject to many of the same problems with the existing social assistance system that many basic income advocates want to escape. Income and means-tested programs that lack universality stigmatize recipients, aggravating the negative psychological and social aspects of poverty, reduce class solidarity, lead to public resentment and pressure to reduce benefit levels. This has resulted in the so-called [“paradox of redistribution”](#): countries with targeted social programs demonstrate worse, [or no better](#), equality outcomes on average than countries with universal social programs. This is another reason why progressives and unions have strongly supported universal social programs.

Unions have also strongly advocated for governments to pursue full employment policies, not only because

higher levels of employment directly increase workers bargaining power over wages and benefits and stimulate economic growth, but also because it ultimately helps to increase the political power of workers and labour in the economy and society. But instead of pursuing full employment, neo-liberal governments have implemented a wide range of neo-liberal economic and labour market policies with an explicit aim of maintaining a certain level of unemployment and low wage growth since at least the 1980s—even though these have weakened economic growth.

Governments have used monetary policy to increase unemployment and repress wage growth; regressive tax changes to redistribute income away from labour and to capital; “free trade” deals to increase corporate power and weaken workers bargaining strength; reduced unemployment insurance and other income supports to increase labour market flexibility; promoted precarious forms of employment and undermined labour unions; and pursued public sector austerity, privatization and contracting out, which has further undermined the quality of jobs. Social assistance benefits have been kept far below poverty levels and far too little has been done to assist the most vulnerable and equity-seeking groups with social supports and active labour market measures.

These policies have worked only too well in some ways, but have failed to deliver in other ways. Corporate profits and surpluses have escalated, inequality has worsened and real wages have stagnated—even to the degree that with low unemployment, there’s been little wage growth. And because wage growth has been low, despite high corporate profits, rates of investment, productivity and economic growth have all declined.

While these policies may not make sense from a broad macro-economic perspective, they’ve been very successful at increasing the power of capital and of the 1%, who have gained most of the benefits of economic growth in recent decades. As Warren Buffett, one of the wealthiest men in the world, stated *“There’s class warfare, all right, but it’s my class, the rich class, that’s making war, and we’re winning.”*

Reversing these failed neo-liberal policies and replacing them with policies that increase decent jobs, wage growth, public investment, universal public services and social supports—particularly for the most vulnerable—should be priority number one.

An emphasis on providing a basic income guarantee seems to be a concession to the priority of striving for full employment and decent work for all and the greater goal of achieving more power in society and over the means of production by workers and the 99%. As sociologist Göran Therborn writes, it reflects a “curious utopia of resignation” to these neo-liberal and austerity policies. While higher incomes would of course be beneficial to individuals, it’s hard to see how becoming dependent on a cheque from government builds greater power for people.

Instead, as Leigh Phillips [recently wrote](#), some right-wing proponents see basic income guarantees as a way to undermine unions.

“If labour had the strength to enforce the introduction of a good basic income, it would also have the strength to revive the project of full employment. And while even the best basic income policy only sets a floor below which poverty cannot fall, full employment strengthens labour’s hand to demand ever-greater wages. After all, why would any contemporary government, as beholden to global capital as governments are today, introduce policy that would strengthen the hand of labour? There will be no capitalist road to communism. There is only, as ever, the calibre of organized labour’s militancy and power.”

Proponents of a basic income such as Guy Standing argue that the power and militancy of labour is too diminished, and a basic income should be part of a broader program for people to regain power, engage in more meaningful work and enjoy a better standard of living. But the question remains of how to get there. Can we expect a revolution of the precariat?

Van der Veen and Van Parijs proposed in the 1986 that a guaranteed income could pave [“A capitalist road to](#)

communism”, increasing wages, productivity and leapfrogging over the socialism stage of development. That may be possible, but there’s also the danger that a basic income or wage supplements could erode wages and workers power.

This was what happened with one of the first Western experiments with a guaranteed income, which took place at a time of even more profound economic transformation. In the midst of the first industrial revolution, English parishes introduced what was called the “Speenhamland system” during the period 1795-1834. This provided a wage supplement (funded through taxation) based on the price of bread and size of the family. However, it was later considered to have created a “universal system of pauperism”, allowing farmers and industrialists to pay below subsistence wages with the assurance these would be topped up by the parish. The great English historian, E.P. Thompson reported in [The Making of the English Working Class](#) that the Speenhamland system had “a single tendency: to destroy the last vestige of control by the labourer over his own wage or working life.”

In [The Great Transformation](#), Karl Polanyi described the Speenhamland system, as where “the battle for an industrial England was first fought and, for the time being, lost” as it prevented the establishment of a national labour market. His daughter Kari Polanyi Levitt, argues that her father would have supported a [social dividend as a citizen right](#). But as [Seccareccia argues](#), the way to achieve this without the wage depressing impacts of wage subsidies would be by coupling it with Keynesian high wage and full employment policies.

One option is to [increase amounts provided through targeted programs such as the Working Income Tax Benefit \(WITB\)](#) in Canada or the Earned Income Tax Credit (EITC) in the U.S., which supplement incomes of the working poor. However, programs such as these are effectively income and wage subsidies delivered through the tax system and so ultimately subsidize less than living incomes provided by employers. Any expansion of these programs—or other form of wage subsidy or basic income guarantee—would need to be combined with programs to substantially increase employment and raise minimum wages so they don’t simply become an even larger subsidy to low wage and precarious employers.

The goal of full employment has been a lodestar for labour unions for a long time, as low rates of unemployment generally lead to higher wages, particularly for lower-paid workers. Full employment has also been a priority both for numerous economic and social reasons: unemployment represents resources that aren’t being put to productive use and often depreciate while not in use; decent jobs provide a solution to poverty; and they also provide an opportunity for people to participate meaningfully and contribute productively to society.

Political rulers and societies have [used job creation programs, including job guarantees](#), for many centuries because of these perceived salutary effects of employment—and to prevent the jobless and indigent from becoming a political threat. Against this there has also been the tendency in capitalist market societies to maintain some level of unemployment—by austerity, engineered recessions, or increasing the supply of labour—to keep a check on the ability of workers to demand higher wages.

But with increasing productivity and automation, and with a [majority of workers reporting they aren’t happy at work](#), is full employment a realistic, or even an appropriate goal? If so, shouldn’t we put much more emphasis on what had been the primary demand by labour unions during the 19th century and early 20th century: reducing work hours? Robert Owen started campaigning for an eight-hour workday in 1817 with the slogan: “Eight hours labour, eight hours recreation, eight hours rest”. It took many years and in some cases over a century to achieve that, but two centuries later an eight-hour work day is still considered the norm.

Both Marx and Keynes imagined a future where productive capacity had improved enough to significantly reduce necessary work hours so people had the opportunity to pursue their passions and interests in other ways. For Marx, this was a society in which productive forces had increased to the degree that “[labor has become not only a means of life but life’s prime want](#)” and in which it would be ‘[possible for me to do this today and that tomorrow, to hunt in the morning, to go fishing in the afternoon, to do cattle breeding in the evening, to criticize after dinner.](#)”

In 1930 Keynes predicted that by 2030 productivity would have seven and a half times, [allowing us to have a much higher standard of living while still reducing the average workweek to 15 hours](#), or an average of three hours a day. Keynes was right about the rate of productivity improvement, which we’ve even exceeded but not

about the reduced workweek. We've had even greater productivity growth than Keynes predicted, but these gains have been channeled into increased consumption rather than leisure time and in recent decades the benefits have been concentrated at the top, with little or no increase in average real wages. There's been no significant reduction in the average workweek, and on the contrary with more spouses working, [average family formal working hours have increased](#) over the past few decades.

If productivity is increasing to the stage that we really are reaching an economy of abundance, then shouldn't we put a priority on raising wages and reducing work hours, sharing the wealth and necessary work, as both Marx and Keynes predicted in a rosier future?

A guaranteed income shouldn't detract from seeking fundamental solutions to the failure of our economic system and political systems to provide adequate income and meaningful employment opportunities for all.

Instead of seeing a basic income guarantee as silver bullet for a wide range of existing problems and as major pillar for our social welfare system, it should be considered a potential addition, but secondary to what our overriding priorities should be of ensuring decent paid and quality productive work for all and of expanding quality public services.

We must be vigilant to ensure that any basic income scheme isn't used to further undermine social programs, assistance levels and public services, or provide a subsidy to employers that will drive down wages and workers bargaining power. To this end, any basic income guarantee must:

- Provide adequate income above the poverty line, increasing at least with the cost of living.
- Not lead to a diminishment of any existing social assistance benefits or forms of income support.
- Be combined with an expansion of universal social programs and public services.
- Be paid for through progressive revenue sources.

Any basic income guarantee also needs to be part of a comprehensive anti-poverty and progressive economic program that includes:

- Concerted measures, to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all, as Canada and over 190 other nations committed to as part of the United Nation's Sustainable Development Goals.
- Expansion of *universal* public services and social programs, including of quality affordable public child care, affordable housing, pharmacare, post-secondary education, social and community services and retirement incomes.
- Increases in minimum wages to liveable levels.
- Improvements to employment insurance.
- Pay equity, employment equity and active labour market measures, particularly to assist demographic groups
- Stronger employment and labour standards, improved benefits and working conditions to reduce the precarity and improve the quality of jobs.
- Respect for and enhancement of worker and labour rights.
- Progressive tax reform.