

# Pilot lessons

How to design a basic income  
pilot project for Ontario

BY EVELYN L. FORGET, DYLAN MARANDO,  
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**Mowat Centre**  
ONTARIO'S VOICE ON PUBLIC POLICY



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# Acknowledgements

The authors would like to thank the anonymous interviewees who gave of their time and expertise so generously. The authors would also like to thank Elaine Stam for designing this report, Jamie Van Ymeren, Mike Morden, Erich Hartmann and Jordann Thirgood for their helpful comments and Kevin Hurley, Sunil Johal and Christine Yip for their assistance. All content and any remaining errors are the sole responsibility of the authors.

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The Centre for Social Innovation (CSI) is a nonprofit social enterprise, a global pioneer in coworking, and a community and catalyst for people and organizations that are changing the world, with four Toronto locations and one in New York City. CSI members are turning social, environmental, economic and cultural challenges into opportunities to make the world a better place. CSI has published several books, including one on its innovation in social finance *The Community Bond*, which it used to purchase two buildings in downtown Toronto to support social innovation. Learn more at [socialinnovation.org](http://socialinnovation.org).

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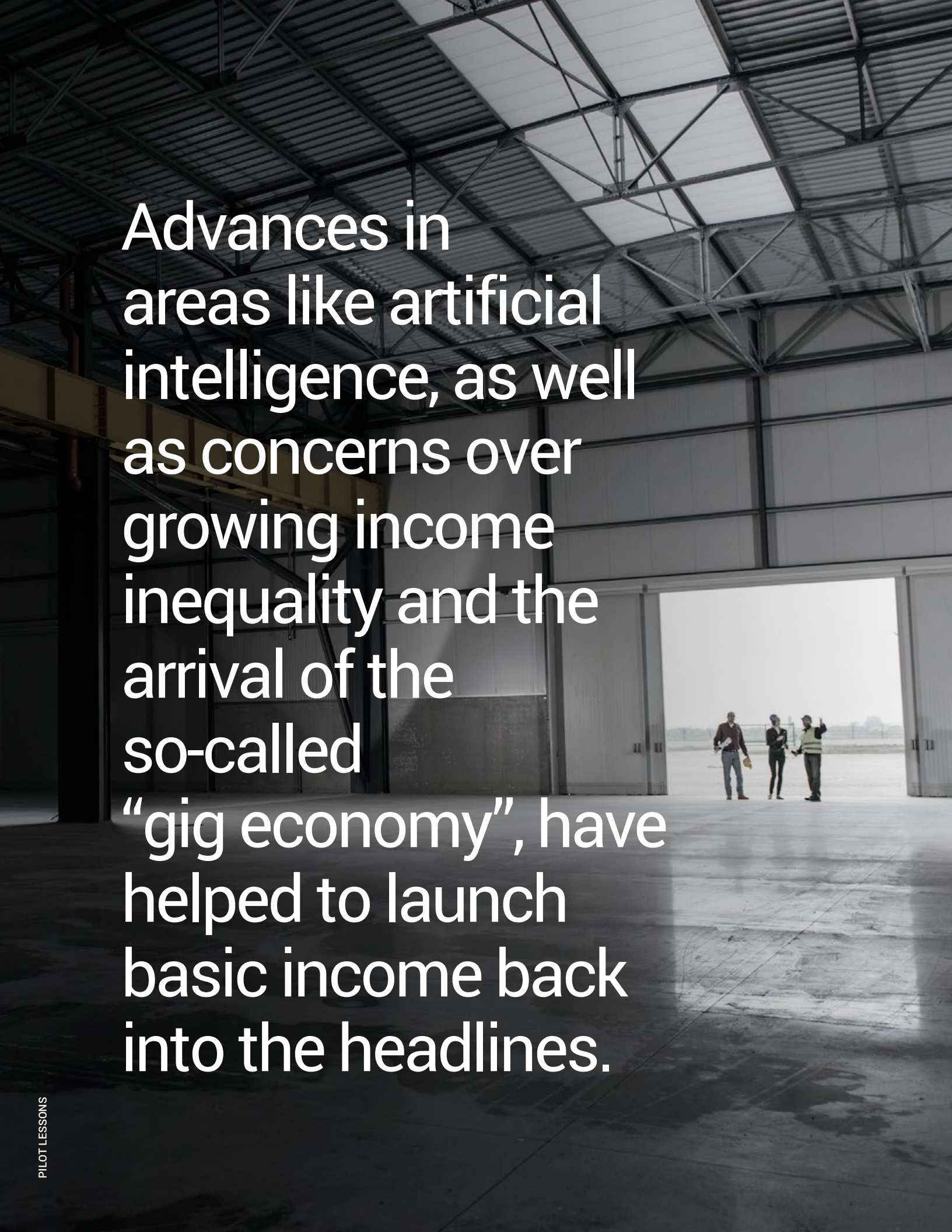
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©2016 ISBN 978-1-77259-032-6

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# 1 INTRODUCTION

In its 2016 budget, the Government of Ontario committed to conducting a basic income pilot project as part of its preparations for comprehensive reform of its social assistance programs. Taking particular note of “today’s dynamic labour market” and a need to “strengthen the attachment to the labour force”, the government pledged to work with researchers during policy development.<sup>1</sup> This paper represents a response to this pledge and an attempt by the authors to contribute to this important discussion.

The idea of a basic income is not a new one and different forms of the idea have been supported by an impressive diversity of thinkers, activists and policymakers ranging from 18<sup>th</sup> century revolutionary Thomas Paine, to civil rights activist Martin Luther King Jr, to United States President Richard Nixon. Moreover, numerous basic income experiments and pilot projects of various designs have already been run in a number of countries providing researchers with significant information and data.

Similarly, just as it is important to remember that basic income has a history, it is also essential to recognize that the recent surge in interest in the subject is occurring in a specific context, namely, one in which our connection to and experience of work is changing. It is not an exaggeration to say that recent and incipient technological advances in areas like artificial intelligence, as well as concerns over growing income inequality and the arrival of the so-called “gig economy”, have helped to launch basic income back into the headlines.

It is by recognizing the importance of this history and this context that this report aims to add value to the discussions around the proposed basic income pilot in Ontario. In more concrete terms, this added value comes in two forms:

- 1] Leveraging existing expertise and knowledge of the earlier basic income experiments to identify how the lessons learned from these experiments can be integrated into the design and implementation of any new basic income pilot.
- 2] Illuminating the potential impact of a basic income on entrepreneurship and innovation – areas which have not previously formed a major focus in experimental basic income research – and offering ideas on how the design of a basic income pilot could be optimized in this regard.

With these two goals in mind, the rest of this report has been organized into four chapters. Chapter 2 provides a brief overview of basic income – both of the concept and its history – and draws out the critical lessons from these past experiences for the design of future basic

<sup>1</sup> Sousa, C. 2016. *Jobs for Today and Tomorrow: 2016 Ontario Budget*. Government of Ontario. pg. 132. [http://www.fin.gov.on.ca/en/budget/ontariobudgets/2016/papers\\_all.pdf](http://www.fin.gov.on.ca/en/budget/ontariobudgets/2016/papers_all.pdf)

income experiments. Chapter 3 focuses on the current context in which the proposed pilot will occur by tracing the emerging contours of the new economy and its associated challenges and opportunities, especially as these relate to innovation and entrepreneurship. Chapter 4 then provides a series of recommendations for how to design Ontario's pilot based on the analysis laid out in Chapters 2 and 3. The final Conclusion chapter summarizes the key themes discussed throughout this report.

This report is informed by extensive comparative research, the authors' varied experiences in the policy process, as well as consultations with entrepreneurs, particularly social entrepreneurs. Learning from past pilots, while also taking into account Ontario's current economic conditions, the aim of this report is to contribute to a high-impact policy experiment that will make government programming more responsive to the needs of the labour force, especially those in the most precarious positions.



# 2 THE BASICS OF BASIC INCOME

Fundamentally, basic income is best conceptualized as a policy whereby a government guarantees, to all of its citizens, a regular predictable income sufficient to live a basic but dignified life. A basic income can take several distinct forms, with the two most well-known being (1) a demogrant and (2) a negative income tax.

A demogrant provides a regular payment of a fixed amount of money to every person, independent of his or her income, assets, or relation to the labour market. Additional earnings would be taxed according to the broader rate structure. Alternatively, a negative income tax is a form of basic income that more resembles what is called a refundable tax credit. With no income from any source, an individual or family receives the full amount of the credit. As income increases, the credit declines, but less than proportionately. Depending on design, the benefit unit might be the individual or the family and the credit might or might not be taxed. Generally, a negative income tax generates less upfront budgetary pressure than other forms of basic income which involve universal payments because many people receive no payment and others less than the full credit.<sup>2</sup>

Despite their differences, both models are fundamentally similar in that they imply a cash transfer from government to low income

individuals without any associated behavioural requirements such as a job search. Thus, the self-employed would be eligible for income supplementation and a basic income could also provide income support for entrepreneurs. It would also enable those engaged in non-market work, such as family caregivers, to better save for their own futures. Cultural and advocacy workers, who are often not well paid, could also rely on a basic income to help meet their needs.

In Ontario, a basic income would offer a potential replacement for income assistance and disability income support programs such as the Guaranteed Income Supplement (GIS) and the Ontario Disability Support Program (ODSP). Importantly, this conception of a basic income excludes employment insurance, wage insurance, and pension schemes which are financed, at least partially, by individual contributions. While the existence of a basic income could conceivably enable the lowering of payments made by these programs – and by extension the contributions to them as well – these contributory programs serve distinct purposes from those served by a basic income focused on income support. Consequently, these programs would likely

<sup>2</sup> Young, M. and Mulvale, J. October 2009. "Possibilities and prospects: The debate over a guaranteed income". *Canadian Centre for Policy Alternatives*. pg. 21. <https://www.policyalternatives.ca/publications/reports/possibilities-and-prospects>.

continue to exist even if a basic income were implemented. While such a conceptualization of a basic income is not uncontroversial,<sup>3</sup> it is a defensible one for the purposes of this study given that it aligns with the forms of basic income that have been most commonly tested previously. It also seems to be the form that accords best with the motivations for piloting a basic income outlined by the Government of Ontario in its 2016 budget.<sup>4</sup>

## A brief history of basic income

Though provocative, it would be inaccurate to think of today's basic income discourse as especially novel. The concept of a basic income has a long history,<sup>5</sup> and there have been several instances in which experimental basic income programs were implemented. The current burgeoning of interest in basic income appears to be reflective of both a dramatic restructuring of high income countries' economies as well as a growing fatigue with failures in the status quo social policy architecture. But this is not the first time that North America has seriously looked to a basic income as a remedy to social and economic problems.

Against the backdrop of the US War on Poverty in the 1960s and 70s, basic income experiments were conducted in New Jersey and Pennsylvania,<sup>6</sup> North Carolina,<sup>7</sup> Colorado and Washington State,<sup>8</sup> Indiana<sup>9</sup> and Manitoba.<sup>10</sup> Treating the basic income projects as legitimate social experiments and not typical policy "pilot projects", governments used matched controls and parameter variation to maximize the quality of collected data. Each experiment was conducted through a negative income tax model. At the time, proponents came from all corners of the political landscape and included both Milton Friedman<sup>11</sup> and John Kenneth Galbraith.<sup>12</sup> Liberal Senator David Croll<sup>13</sup> was most closely associated with the proposal in Canada.

Canada's basic income project began in 1974 and resulted from a federal-provincial agreement, with the federal government paying for 75 per cent of the initiative. A basic income was given to over 1000 families in urban (Winnipeg) and rural (Dauphin) Manitoba. Dauphin acted as a "saturation" site, meaning everyone in the

3 For example, Charles Murray, a conservative libertarian political scientist based in the USA, advocates in favour of a form of basic income that would replace all other forms of government transfer payments to individuals and their associated bureaucracies.

See Murray, C. 3 June, 2016. "A Guaranteed Income for Every American". *The Wall Street Journal*. <http://www.wsj.com/articles/a-guaranteed-income-for-every-american-1464969586>

4 Sousa, C. 2016. *Jobs for Today and Tomorrow*. pg. 132. See also the Government of Ontario's news release on the subject: Ministry of Community and Social Services. 24 June, 2016. Ontario Moving Forward with Basic Income Pilot. Government of Ontario. <https://news.ontario.ca/mcss/en/2016/06/ontario-moving-forward-with-basic-income-pilot.html>

5 See Cunliffe, J. and Erreygers, G. 2003. "Basic income? Basic capital! Origins and Issues of a Debate". *Journal of Political Philosophy* 11(1) 89-110.

6 Watts, H. and Rees, A. eds. 1977. *The New Jersey Income-Maintenance Experiment, Volume 2: Labor-Supply Responses*. New York, Academic Press. and Watts, H. and Rees, A. eds. 1977. *The New Jersey Income-Maintenance Experiment, Volume 3: Expenditures, Health, and Social Behavior; and the Quality of the Evidence*. New York, Academic Press.

7 Levine, R. Watts, H. Hollister, R. Williams, W. O'Connor, A. Widerquist, K. 2005. "A Retrospective on the Negative Income Tax Experiments: Looking Back at the Most Innovative Field Studies in Social Policy". Widerquist, K. Lewis, M. Pressman, S. eds. *The Ethics and Economics of the Basic Income Guarantee*. Aldershot, Ashgate: 95-106.

8 Hannan, M. Tuma, N. Groeneveld, L. 1978. "Income and Independence Effects on Marital Dissolution: Results from the Seattle and Denver Income-Maintenance Experiments". *American Journal of Sociology* 84(3) 611-633.

9 Burtless, G. and Hausman, J. 1978. "The effect of taxation on labor supply: Evaluating the Gary negative income tax experiment." *The Journal of Political Economy* 86(6) 1103-1130.

10 Forget, Evelyn L. 2011. "The town with no poverty: the health effects of a Canadian Guaranteed Annual Income Field Experiment". *Canadian Public Policy* 37(3) 283-305.

11 Friedman, M. 2002. *Capitalism and freedom: Fortieth Anniversary Edition*. Chicago, University of Chicago Press. pg. 191-193.

12 Galbraith, J. December 1966. "The Starvation of Cities". *The Progressive*. 30 (12)

13 Croll, D. 1971. *Poverty in Canada: Report of the Special Senate Committee on Poverty*. Senate of Canada. <http://www.albertasenator.ca/flashblocks/data/BT%20Poverty/Croll%20Report%201971.pdf>



**TABLE 1**

**Summary of the features of the earlier North American income maintenance experiments**

Parameter	New Jersey	Rural (RIME)	Seattle-Denver	Gary	Mincome, Manitoba
Site(s)	Trenton, Patterson-Passaic, and Jersey City, N.J.; Scranton, Pa.	Duplin County, N.C; Pocahontas and Calhoun Counties, Iowa	Seattle, Wash., Denver, Colo.	Gary, Ind.	Winnipeg and Dauphin, Manitoba
Eligibility	Intact households headed by able-bodied males 18-58 with at least one dependent and incomes < 150% of poverty line	Families with at least one dependent and incomes < 150% of poverty line	Families with at least one dependent and incomes < \$11,000 (single-headed) or \$13,000 (double headed)	Black households, head 18-58 with at least one dependent and income < 240% of poverty line	Families with able-bodied heads under 58-years-old, incomes < \$13,000 (family of four)
Sample size	1,357 households; 725 experimentals, 632 controls	809 families: 587 non-aged male-headed, 108 non-aged female-headed, 114 older heads	4, 801 families (Denver 2,758, Seattle 2,043)	1,800 black households, 60% female-headed (125 households added with incomes above 240% of poverty line)	1,300 families and single individuals
Plans [not all t, G combinations included in each experiment; more generous plans (high G, low t) typically excluded]	8 plans; t = .3, .5, .7; G = .5, .75, 1.0, 1.25 of poverty line (\$5,000 for family of 4)	8 plans t = .3, .5, .7; G = .5, .75, 1.0 of poverty line	11 plans; t = .5, .7, .7*, .8* (* indicates tax rate declines per .025 per \$100 income); G = .95, 1.2, 1.4 of poverty line; training counseling, training subsidies (50%, 100%)	4 plans; t = .4, .6; G = .75, 1.0 of poverty line, social services counseling, day care subsidies (35%, 60%, 80%)	Winnipeg; 7 plans; t = .35, .5, .75; G = \$3,800, 4,800, 5,800 (family of four in 1975) Dauphin: 1 plan (saturated site); t = .5; G = \$3,800
Duration/start up date	3 years/1968-69	3 years/1970	3, 5 years, 20 years (Denver only)/1969	3 years/1971	3 years/1975

Note: t refers to the experimental tax rate; G refers to the experimental income guarantee rate.

Source: Hum, D. Simpson, W. 1993a. "Economic response to a guaranteed annual income: Experience from Canada and the United States." *Journal of Labor Economics* 11(1) Part 2: U.S. and Canadian Income Maintenance Programs. S263-S296. pg. S275.

town was permitted to participate. In Winnipeg, recipients and controls were selected from the broader population. Given the ability of a dispersed sample to provide better controls, the Winnipeg portion of the experiment varied the parameters of the basic income.

Alternatively, in Dauphin, parameters were largely standardized, with any family having no income from other sources receiving 60 per cent of the low income cut-off (one way of defining the "poverty line" in Canada).<sup>14</sup> A dollar received from other sources would reduce benefits by 50 cents. Those on social assistance saw small

financial gains while the working poor (e.g. the self-employed farmer who had a bad crop year or saw a shock in commodity prices) benefited significantly.

The project's total budget was \$17 million. Due to a lack of funding, the project's staff did not complete an analysis of outcomes, although analysis of labour market outcomes in the Winnipeg sample was conducted in the 1980s. Initially broad in scope, the project's research agenda was gradually narrowed to a measurement of work disincentives which, notably, proved to be quite modest.<sup>15</sup>

14 For a more detailed discussion of the "poverty line" in Canada, please see: Income Statistics Division. 17 December, 2015. *Low Income Lines, 2013-2014: Update. Statistics Canada*. pg. 5. <http://www.statcan.gc.ca/pub/75f0002m/75f0002m2015002-eng.pdf>

15 Hum, D. and Simpson, W. 1993b. "Whatever happened to Canada's guaranteed income project". *Canadian Public Administration / Administration Publique du Canada* 36(3) 442-450. pg. 448.

# Lessons from past experiments

The processes and outcomes surrounding the basic income experiments were revealing on a number of fronts, not only for advocates and sceptics of the policy but also for agnostic program designers. Specifically, these experiments offer four lessons for those charged with designing future pilot projects.

## LESSON #1: VARY THE PILOT'S PARAMETERS, BUT NOT TOO MUCH

One of the more interesting features of the original North American experiments lies in the significant variation in these programs' parameters both within and across experiments. For example, in the three-year New Jersey experiment there were eight different negative income tax plans with three different tax back rates (30; 50; and 70 per cent) and four different income guarantees (50; 75; 100; and 125 per cent of the poverty line).<sup>16</sup> Conversely, in Seattle-Denver there were 11 plans with a tax back rate

One of the great misfortunes of earlier experiments is that their results were, and continue to be, variously miscommunicated.

<sup>16</sup> Tax back rate refers to the rate at which income earned in addition to the basic income payment is taxed. Income guarantee refers to the level or amount of the basic income payment.

as high as 80 per cent and a guaranteed income level as high as 140 per cent of the poverty line. Though all experiments focused on low income families, some limited participants to those already earning less than roughly 150 per cent of the poverty line, while Indiana admitted families with incomes as high as 240 per cent of the poverty line and focused on black households specifically.<sup>17</sup>

As Charles Lammam and Hugh MacIntyre have noted in a recent critique of potential basic income implementation, there are a number of non-trivial design decisions that are often neglected in popular basic income discourse but will be defining of any implementation effort.<sup>18</sup> The amount of the payments to recipients and associated tax back rate, for example, will be major decisions for policymakers, as will decisions about whether and how to consider assets and how to integrate other social programs.<sup>19</sup>

Consequently, one of the key questions which any pilot must seek to answer concerns the differences in results generated by different combinations of tax back rates and payment levels. For a pilot to be useful, it must be designed so as to allow robust findings for each of these different combinations – thereby requiring some parameter variation. Simultaneously, it must

<sup>17</sup> Hum, D. and Simpson, W. 1993a. "Economic response to a guaranteed annual income". pg. S274-S275.

<sup>18</sup> Lammam, C., and H. MacIntyre. 2015. "The Practical Challenges of Creating a Guaranteed Annual Income in Canada". *The Fraser Institute*. <https://www.fraserinstitute.org/studies/idea-guaranteed-annual-income-appealing-implausible-canada>

<sup>19</sup> In BI's purest form, there are no asset tests – although any jurisdiction that implements a basic income will struggle with how and whether to take assets into account because it is a highly contentious issue. Treating assets generously encourages individuals to save and invest, and simultaneously ensures that those who have worked hard to buy houses and save for retirement are not forced to liquidate all their assets if poor health causes a premature exit from the workplace. Doing so can also be criticized as inequitable, however, as it privileges those who may be "cash poor" but "asset rich" over those who are "cash rich" but "asset poor".

avoid an overly complex design that would hobble statistical analysis of results and undermine the generalizability of the pilot's conclusions – something that arguably occurred in some of the earlier North American experiments.<sup>20</sup>

## **LESSON #2: SCIENCE AND POLITICS DON'T MIX WELL**

One of the great misfortunes of earlier experiments is that their results were, and continue to be, variously miscommunicated.<sup>21</sup> The Canadian case is an acute example of such, in part because Manitoba's experiment – funded by the aforementioned agreement between the provincial and federal governments – was interrupted by a change in government at the provincial level. This political shift, along with budgetary pressures, meant that the outcomes of the experiment were never properly evaluated or communicated to the public. Consequently, the pilot never instigated any official discussions on the appropriateness of scaling-up the program.<sup>22</sup>

In the US, another set of political factors appears to have undermined sober analysis of the experiments, namely BI's alleged correlation with high-divorce rates.<sup>23</sup> Though later shown to be the result of a statistical error,<sup>24</sup> it is easy to see how this alleged finding could have made the

20 Stroebel, S. Peden, A. Forget, E. 27 October, 2011. "The Natural History of Policy Error". *Unpublished paper presented to the Lorentz Centre's Error in the Sciences conference*. pg. 3-4. <https://www.lorentzcenter.nl/lc/web/2011/460/program.php3?wsid=460>  
21 Widerquist, K. "A failure to communicate: What (if anything) can we learn from the negative income tax experiments?". *The Journal of Socio-Economics* 34(1) 49-81.  
22 Hum, D. and Simpson, W. 1993b. "Whatever happened to Canada's guaranteed income project". pg. 450 and Forget, E. "The town with no poverty". pg. 284.  
23 Hannan, M. Tuma, N. Groeneveld, L. 1978. "Income and Independence Effects on Marital Dissolution".  
24 Cain, G. and Wissoker, D. 1990. "A Reanalysis of Marital Stability in the Seattle-Denver Income-Maintenance Experiment". *American Journal of Sociology* 95(5) 1235-1269.

issue a politically toxic one – especially for a Republican movement that had been a strong and early advocate of BI.<sup>25</sup> Any future basic income experiments will need to guard against atrophy via politics by creating independent structures to design, measure, and communicate social experiments of this type.

## **LESSON #3: BASIC INCOME PROGRAMS SEEM TO OFFER A WIDER VARIETY OF BENEFITS THAN INITIALLY THOUGHT**

One of the most interesting results of the earlier basic income experiments is the findings which suggest that such programs offer a wide range of indirect benefits. Again using the Canadian case as a point of reference, research by Evelyn L. Forget has demonstrated that in addition to basic income's straightforward ability to act as an income safety net, basic income was of great help in reducing hospitalization and increasing high school graduation rates.<sup>26</sup> Similarly, the North Carolina experiment observed improved elementary school test scores, and in the Indiana experiment a basic income correlated with positive effects on birth weight.<sup>27</sup>

These results have helped to illuminate basic income's potential to be a multifaceted policy solution. Indeed, basic income has been variously lauded for its ability to tackle poverty,<sup>28</sup> reduce

25 Moynihan, D. 1973. *The Politics of a Guaranteed Income: The Nixon Administration and the Family Assistance Plan*. New York, Random House.  
26 Forget, E. "The town with no poverty". pg. 291 and 299-300.  
27 Levine, R. et al. 2005. "A Retrospective on the Negative Income Tax Experiments." pg. 100.  
28 Garfinkel, I. Huang, C-C. Naidich, W. 2003. "The effects of a basic income guarantee on poverty and income distribution". Ackerman, B. Alstott, A. Van Parij, P. eds. *Redesigning Distribution: basic income and stakeholder grants as alternative cornerstones for a more egalitarian capitalism*. The Real Utopias Project Volume V, A. E. Havens Center at the University of Wisconsin: 117-141.

bureaucracy,<sup>29</sup> stimulate economic growth,<sup>30</sup> foster the development of human capital,<sup>31</sup> lower health care costs and incidence of mental illness,<sup>32</sup> limit environmental degradation,<sup>33</sup> and encourage gender equality.<sup>34</sup> For governments interested in basic income experiments, these experiences suggest the need for robust data collection regimes that are capable of testing the plethora of potential benefits outlined by advocates.

## LESSON #4: A BASIC INCOME CAUSES PEOPLE TO WORK DIFFERENTLY, NOT NECESSARILY LESS

Past experiments revealed much about work disincentives associated with a basic income. Summarized in Table 2, the experience of the 1960s and 1970s shows that unconditional cash transfers can indeed lead to a reduction in hours worked. Among married women receiving a basic income, for example, annual hours worked decreased by as much as 28 per cent. For married men, the reduction was as high as 8 per cent. On the other hand, the Manitoba experiment revealed reductions as small as 3 per cent and 1 per cent respectively. As such, for those worried that basic income would lead to a labour market exodus, figures could be read to cement fears and embolden opposition.

29 Friedman, M. 2002. *Capitalism and freedom*. pg. 191-193.

30 Meade, J. "Agathotopia: The Economics of Partnership." *Liberty, Equality and Efficiency: Apologia pro Agathotopia Mea*. Basingstoke, Palgrave Macmillan. 100-188.

31 Van Parijs, P. 2013. "The Universal Basic Income: Why Utopian Thinking Matters, and How Sociologists Can Contribute to It". *Politics & Society* 41(2) 171–182. pg. 178.

32 Fromm, E. 1966. "The psychological aspects of the guaranteed income". Theobald, R. ed. *The Guaranteed Income: Next Step in Economic Evolution*. Garden City, N.Y., Doubleday: 183-192 and Forget, E. "The town with no poverty". pg. 299.

33 Lord, C. Kennet, M. and Felton, J. eds. 2012. *Citizen's Income and Green Economics*. Reading, The Green Economics Institute.

34 McKay, A. 2001. "Rethinking work and income maintenance policy: Promoting gender equality through a citizens' basic income". *Feminist Economics* 7(1) 97-118.

TABLE 2  
Change in annual hours worked during  
earlier North American income maintenance  
experiments

Experiments	Husbands	Wives	Single female heads
Mincome	-20 (1%)	-15 (3%)	-56 (5%)
New Jersey	-57 (3%)	-62 (28%)	
Rural	-93 (5%)	-180 (28%)	
Seattle-Denver	-135 (8%)	-129 (20%)	-134 (13%)
Gary	-76 (5%)	-18 (6%)	-84 (23%)
All US experiments	-69 (6%)	-70 (19%)	-85 (15%)

Source: Hum, D. and Simpson, W. 1993b. "Whatever happened to Canada's guaranteed income project". *Canadian Public Administration / Administration Publique du Canada* 36(3) 442-450. pg. 448.

But for the less sceptical, the results were encouraging insofar as they raised the question: is there an acceptable level of work disincentive or, more pointedly, is it a mischaracterization to depict basic income as a deflator of work hours insofar as much of the reduction in paid working hours was substituted by other productive activities that happen to be unpaid (i.e. childcare, further education, volunteerism etc.)? Is the real story here, perhaps, the way in which these results highlight the problems with how and what forms of work are valued?

Such questions highlight the importance of changing economic circumstances and should be clearly addressed by governments before embarking on piloting exercises. For proponents, sceptics, and agnostic program designers alike, it is essential to remember that the socio-economic milieu in which these past results emerged (1960s and 1970s North America) was significantly different than that of today. In addition to significant technological developments discussed further below, changing gender norms are just one example of a labour market variable that has evolved in important

ways. For example, does the strengthened role of women in the labour market increase or decrease work disincentives as compared to earlier contexts? Such changes are just another reason to conduct a new pilot.

## The current context

40 years ago, such responses to the reductions in hours worked were less prominent and accepted, which enabled those who opposed basic income on the grounds of its poorly understood disincentivizing effects on paid work to carry the day. None of the experiments, even those resulting in final reports, resulted in explicitly linked expanded programming. And so, as time has passed, basic income has seemed to become an increasingly remote, perhaps impractical, policy concept.

It is important to note, however, that the principles of basic income are embedded in several existing and highly successful social policies, both within and outside of Canada. Often, researchers point to Alaska as an example of a jurisdiction with a basic income, albeit a modest one. In 2015, Alaska's Permanent Fund – a fund established in the 1980s for the purpose of paying out annual dividends to Alaskans – resulted in a payment of just over \$2,000 to every resident of the state, regardless of their employment status. Though lower than what most would consider an adequate basic income, advocates like Karl Widerquist and Michael Howard hope that the Alaskan model can become a fertile ground for learning and replication.<sup>35</sup>

It is important to note, however, that the principles of basic income are embedded in several existing and highly successful social policies, both within and outside of Canada.

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Similarly, in Canada, though a basic income does not exist in name at any level of government, central features of a basic income can be discerned in important policies like the seniors-focused Guaranteed Income Supplement, the Working Income Tax Benefit (WITB), and the Canada Child Benefit – which is an almost universal basic income for families with dependent children. These and other policies have grown out of a culture of policy universalism that is increasingly seen to be both the most efficient and effective way of dealing with stubborn issues such as economic marginalization and child poverty.

The so-called MacDonald Commission, a royal commission which reported in 1984, paved the way for much of this thinking by indicting the inefficiency of status quo income security programs and endorsing a Universal Income Security Program (which shared many features with BI). Though slow moving and not necessarily top of mind, the success and momentum of universal policy initiatives is likely one part of why the idea of a guaranteed annual income is very popular with Canadians. A recent Angus Reid Institute survey found that “[m]ost Canadians support guaranteed incomes of either \$10,000,

35 Widerquist, K. and Howard, M. eds. 2012. *Alaska's Permanent Fund Dividend: Examining Its Suitability as a Model*. New York, Palgrave MacMillan.

\$20,000, or \$30,000 per adult. Each of these amounts was presented to one-third of survey respondents, and in each case, at least twice as many say they would support such a program as say they would oppose it<sup>36</sup>.

Finally, since the conclusion of the aforementioned North American basic income experiments there have also been a number of similar experiments conducted in low and medium income countries which have provided additional findings. A number of experiments with unconditional cash transfers (UCTs) have been conducted in several African countries (Namibia,<sup>37</sup> Uganda,<sup>38</sup> Malawi, Zimbabwe, and Kenya<sup>39</sup>) and in India.<sup>40</sup> Additionally, a number of experiments have been conducted which examined the effect of conditional cash transfers (CCTs) in other low and medium income countries – primarily in Africa and Latin America.<sup>41</sup> Given the different contexts (none of these experiments were in a high income industrialized country) and the differences between UCTs, CCTs, and what a basic income would look like in a country like Canada, one cannot draw direct conclusions about how a basic income would work in Ontario from these experiments. Nonetheless, much can be learned from these experiments, including

the very significant positive impacts they have demonstrated<sup>42</sup> – which help to establish the usefulness of the proposed pilot – as well as some critical challenges faced in the design of experimentation such as social “contamination” of subjects’ behaviours.<sup>43</sup> Lessons learned from these experiments could also provide significant help to policymakers as they design Ontario’s basic income pilot.

36 Angus Reid Institute. 11 August 2016. “Basic Income? Basically unaffordable, say most Canadians”. *Angus Reid Canadian Public Opinion Poll*. pg. 1. <http://angusreid.org/wp-content/uploads/2016/08/2016.08.10-guaranteed-income.pdf>

37 Osterkamp, R. 3 May, 2013. “Lessons from failure”. *Development + Cooperation*. <https://www.dandc.eu/en/article/disappointing-basic-income-grant-project-namibia>

38 Blattman, C. Fiala, N. Martinez, S. April 2013. “The Economic and Social Returns to Cash Transfers: Evidence from a Ugandan Aid Program”. *CEGA Working Paper*. Berkeley, Centre for Effective Global Action, University of California. [http://cega.berkeley.edu/assets/cega\\_events/53/WGAPE\\_Sp2013\\_Blattman.pdf](http://cega.berkeley.edu/assets/cega_events/53/WGAPE_Sp2013_Blattman.pdf)

39 Forget, E. Peden, A. Strobel, S. 2013. “Cash Transfers, Basic Income and Community Building”. *Social Inclusion* 1(2) 84-91 and Flowers, A. 25 April 2016. “What Would Happen If We Just Gave People Money?”. *FiveThirtyEight*. <http://fivethirtyeight.com/features/universal-basic-income/>

40 Davala, S. Jhanvala, R. Mehta, S. Standing, G. 2015. *Basic Income: A Transformative Policy for India*. London, Bloomsbury.

41 Forget, E. Peden, A. Strobel, S. 2013. “Cash Transfers, Basic Income and Community Building”. pg. 86.

42 Davala, S. et al. 2015. *Basic Income*. pg. 196-214.

43 Forget, E. Peden, A. Strobel, S. 2013. “Cash Transfers, Basic Income and Community Building”. pg. 86.



# 3 THIS AIN'T OUR GRANDPARENTS' LABOUR MARKET

While Canada is doing comparatively well economically, there are threatening clouds on the horizon. In particular, the growth of precarious work and income inequality are two related issues which have attracted increasing concern in recent years. Unfortunately, emerging technological trends are more likely to increase the gravity of these concerns in the short- to medium-term.

Canadians will need to proceed carefully to ensure that they continue to reap the benefits that technological innovation brings, while simultaneously countering its unwanted consequences. There are two critical ways in which a basic income can help to accomplish this, namely by encouraging more entrepreneurship and by helping to reconceptualise our definition of meaningful and valuable work.

## Canada's economic situation

There are many reasons to be encouraged by Canada and Ontario's current level of economic performance. Among them: high levels of human capital,<sup>44</sup> technological sophistication and associated high levels of productivity,<sup>45</sup> and the innovative capacity of government.<sup>46</sup> Canada has

weathered major fiscal and economic storms, managed to maintain comparatively good and fairly steady GDP growth, and currently ranks 13<sup>th</sup> on the World Economic Forum's Global Competitiveness Index.<sup>47</sup>

The pace and dynamism of the global economy, however, make it impossible to build on a record of prosperity without a constant willingness to adapt— by changing industrial strategies, government policy, even societal norms around work and measures of economic success. The need for nimbleness appears to be particularly acute in the current economic moment, in which many Canadians aren't sharing in the country's economic gains.<sup>48</sup>

44 Wulong, G. and Wong, A. June 2010. "Estimates of human capital in Canada: The lifetime Income Approach". *Statistics Canada*. <http://www.statcan.gc.ca/pub/11f0027m/11f0027m2010062-eng.pdf>

45 Alexopoulos, M. and Cohen, J. 2012. "The Effects of Computer Technologies on the Canadian Economy: Evidence from New Direct Measures". *International Productivity Monitor* 23 17-30.

46 Institute for Competitiveness & Prosperity. February 2016. "Licence to innovate: How government can reward risk". *Working Papers*. [http://www.competeprosper.ca/work/working\\_papers/working\\_paper\\_24](http://www.competeprosper.ca/work/working_papers/working_paper_24)

47 World Economic Forum. "Competitiveness Rankings". *The Global Competitiveness Report 2015-2016*. <http://reports.weforum.org/global-competitiveness-report-2015-2016/competitiveness-rankings/>

48 Broadbent Institute. December 2014. "The Wealth Gap: Perceptions and Misconceptions in Canada". *Income Inequality*. Pg. 7. [https://d3n8a8pro7vnm.cloudfront.net/broadbent/pages/31/attachments/original/1430002077/The\\_Wealth\\_Gap.pdf?1430002077](https://d3n8a8pro7vnm.cloudfront.net/broadbent/pages/31/attachments/original/1430002077/The_Wealth_Gap.pdf?1430002077) and Granofsky, T. Corak, M. Johal, S. Zon, N. 2015. *Renewing Canada's Social Architecture*. Mowat Centre, Caledon Institute for Social Policy, Institute for Competitiveness and Prosperity, Institute for Research on Public Policy. pg. 3-6. <http://social-architecture.ca/wp-content/uploads/FramingPaper.pdf>



## Precarious work

The concept of precarious work is increasingly entering everyday discussion. While there are many definitions, the defining feature of precarious work is uncertainty and unpredictability – around earnings, schedules, or even if one’s job will exist in 12 months’ time. Those in precarious work tend to earn lower wages, with a gap of between \$11,600 and \$18,000 existing between them and non-precarious workers. In Ontario, a 2011 survey of employment indicated that at least 20 per cent of workers in the Greater Toronto and Hamilton Area (GTHA) labour market could be characterized as precarious, an increase of 50 per cent in the last two decades.\* An additional 20 per cent of workers are in jobs with precarious features, including the absence of benefits, variable hours, and a belief that it is unlikely that they will be employed by the same company a year from now. Nine percent of workers are in permanent part-time employment. Overall, this means that only half of the jobs in one of the most important labour markets in the country are permanent full-time jobs with benefits and some level of employment security.\*\*

\* DePratto, B. Bartlett, R. 2015. *Precarious Employment in Canada: Does the Evidence Square with the Anecdotes?* TD Economics. pg. 1. <http://www.td.com/document/PDF/economics/special/PrecariousEmployment.pdf>

\*\* Lewchuk, W. Lafleche, M. Dyson, D. Goldring, L. Meisner, A. Procyk, S. Rosen, D. Shields, J. Viducis, P. Vrankulj, S. February 2013. *It’s More than Poverty: Employment Precarity and Household Well-being*. Poverty and Employment Precarity in Southern Ontario. pg.5. <http://www.unitedwaytyr.com/document.doc?id=91>

In a recent report on employment quality, CIBC observed a “clear downward trajectory” in the quality of work in Canada. The report also noted that the job creation gap between low- and high-paying work has continued to widen, with the number of low-paying jobs rising twice as quickly as high-paying ones.<sup>49</sup> Compounding this problem, wages in high-paying sectors rose nearly twice as quickly as wages in low-paying sectors over the past decade. These trends appear to be more structural than cyclical, thereby weakening the link between labour market performance and aggregate wage gains in a concerning way.<sup>50</sup>

While it is important to recognize that, for many, temporary work is a preference that lines up with student status, retirement, or family life, for a subset of workers mismatched wage gains are coupled with involuntarily part-time or temporary contract work. Many workers face undesired instability due to their embeddedness in high-turnover occupations, seasonal work, self-employment and jobs with sporadic scheduling and call-back periods.<sup>51</sup> In 2015, 13.4 percent of workers in Canada were temporarily employed and 5.8 percent of workers were involuntarily working in part-time occupations.<sup>52</sup>

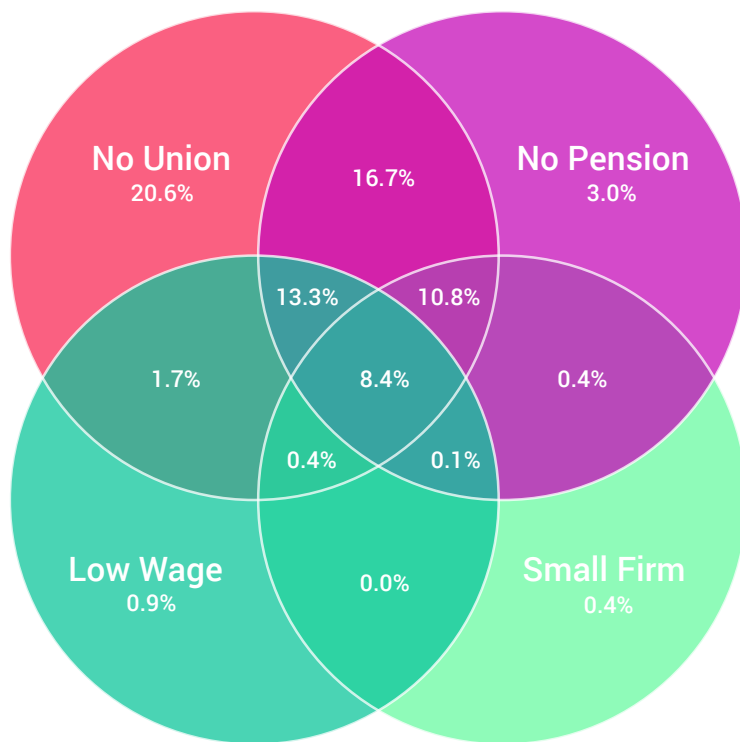
49 Tal, B. 2015. “Employment Quality- Trending Down”. *Canadian Employment Quality Index*. CIBC Economics. pg. 1. [http://research.cibcwm.com/economic\\_public/download/eqi\\_20150305.pdf](http://research.cibcwm.com/economic_public/download/eqi_20150305.pdf)

50 Tal, B. 2015. “Employment Quality- Trending Down”. pg. 3.  
51 See Vosko, L. 2006. *Precarious Employment: Understanding Labour Market Insecurity in Canada*. Montreal, McGill-Queen’s University Press.

52 Statistics Canada. “Table 282-0080: Labour force survey estimates (LFS), employees by job permanency, North American Industry Classification System (NAICS), sex and age group, annual (persons x 1,000)”. *CANSIM*. <http://www5.statcan.gc.ca/cansim/a26?lang=eng&id=2820008> (accessed on 15 September, 2016)

Drawing on data from the period of 1999 to 2009, and looking at Ontario as a whole, Andrea Noack and Leah Vosko suggest that as of 2008 a third of Ontario's labour force was already precariously employed.<sup>53</sup> Women, visible minorities, immigrants, single parents, and those with less than a high school education have a greater than average chance of being in precarious work. Research by Thomas Granofsky and colleagues highlights how young workers are also especially affected by changes in the labour market, as they now face lower entry-level wage rates and declining returns on educational investment.<sup>54</sup> Figure 1 shows the overlap between the various indicators of precarity. For a job to be considered precarious, it would need to fall into at least three of these four categories. Thus, in 2008 in Ontario, approximately 33 per cent of jobs were precarious.

**FIGURE 1**  
**Overlap between indicators of precarious jobs in Ontario, 2008**



Source: Noack, A. and Vosko, L. November 2011. *Precarious Jobs in Ontario: Mapping Dimensions of Labour Market Insecurity by Workers' Social Location and Context*. Law Commission of Ontario. pg. 14. <http://www.lco-cdo.org/en/vulnerable-workers-call-for-papers-noack-vosko-sectionIV>. Note the numbers in the diagram do not sum to 100 per cent because some jobs exhibit no indicators of precarity.

53 Noack, A. Vosko, L. 2011. *Precarious jobs in Ontario: Mapping dimensions of labour market insecurity by workers' social location and context*. Toronto, Law Commission of Ontario. pg. 15. <http://www.lco-cdo.org/vulnerable-workers-call-for-papers-noack-vosko.pdf>  
 54 Granofsky, T. et al. 2015. *Renewing Canada's Social Architecture*. pg. 5.

# The march of automation

As highlighted in the federal government's recent report *Canada and the Changing Nature of Work*, though the trend towards job insecurity is longstanding and dependent on a series of global economic and policy variables, employee advocates now have reason for heightened concern due to the increasingly disruptive impact of modern technologies.<sup>55</sup>

**FIGURE 2**  
The Unbundling Ecosystem - The Future Progression of Work



Source: Policy Horizons. 2016. *Canada and the Changing Nature of Work*. Government of Canada. pg. 2. <http://www.horizons.gc.ca/sites/default/files/Publication-alt-format/2016-0265-eng.pdf>

Historically, technological innovation has displaced workers but has also created new job opportunities that did not exist previously. During the industrial revolution, automation displaced human workers from physical tasks and, while this caused significant immediate disruption, ultimately new forms of employment arose which made use of human workers' still superior cognitive skills. Unfortunately, as new digital technologies such as machine learning, neural networks, and artificial intelligence arise, many human workers may not be able to rely on this cognitive superiority for much longer.

Some argue that these concerns are overblown and that new jobs that do not currently exist will emerge in areas where human workers maintain an advantage to replace the jobs that these emerging technologies will disrupt.<sup>56</sup> Those who make these arguments hold that just as technology liberated humans from physical labour and created even more cognitive jobs, technology will soon liberate us from repetitive cognitive tasks and create new occupations in areas where we maintain advantages over machines. There are reasons to doubt these optimistic forecasts, however.<sup>57</sup> Some projections suggest that even so-called creative occupations such as journalism will experience high levels of automation as computers develop the ability to not only emulate a human's writing style but also produce thoughtful original analyses.<sup>58</sup> It is in this connection that Massachusetts Institute of

55 Policy Horizons. 2016. *Canada and the Changing Nature of Work*. Government of Canada. <http://www.horizons.gc.ca/sites/default/files/Publication-alt-format/2016-0265-eng.pdf>

56 Coyne, A. 5 September, 2016. "Andrew Coyne: You know, this internet thing might turn out to be big". *The National Post*. <http://news.nationalpost.com/full-comment/andrew-coyne-you-know-this-internet-thing-might-turn-out-to-be-big>

57 Herman, D. 17 June, 2013. *Guaranteed annual income – an answer to rapid technological advance?* Deep Centre: Centre for Digital Entrepreneurship + Economic Performance. <http://deepcentre.com/blog/guaranteed-annual-income-an-answer-to-rapid-technological-advance>

58 McElvoy, A. Valencia, M. Avent, R. 30 August, 2016. "Ireland's Forbidden Fruit". *The Economist*. <http://www.economist.com/blogs/freeexchange/2016/08/money-talks-3>

Technology (MIT) researchers Erik Brynjolfsson and Andrew McAfee have argued that the digitization of the economy has the potential to deepen labour polarization and income inequality.<sup>59</sup>

Even if new technologies ultimately do create new occupations the short-term impacts of automation could be significantly harmful.<sup>60</sup> A study by researchers Carl Benedikt Frey and Michael A. Osborne at the Oxford Martin School found that 47 per cent of US employment is at high risk of being automated.<sup>61</sup> The authors noted that though computerization has traditionally been limited to replacing routine tasks, more recently Big Data-enabled algorithms and artificial neural networks are making it possible for machines to substitute human labour in non-routine cognitive tasks.<sup>62</sup> For example, algorithms – which act independently of humans and even respond to current events and world news – made up 85 percent of the financial trade volumes in 2012.<sup>63</sup> Creig Lamb at The Brookfield Institute for Innovation + Entrepreneurship replicated Frey and Osborne’s study for the Canadian economy with similar results finding that 42 percent of employment in Canada is at high risk of automation in the next two decades.<sup>64</sup>

59 Brynjolfsson, E. and McAfee, A. 2011. *Race against the machine: How the digital revolution is accelerating innovation, driving productivity, and irreversibly transforming employment and the economy*. Lexington, MA., Digital Frontier Press.

60 Krugman, P. 13 June, 2013. "Sympathy for the Luddites". *The New York Times*. [http://www.nytimes.com/2013/06/14/opinion/krugman-sympathy-for-the-luddites.html?\\_r=0](http://www.nytimes.com/2013/06/14/opinion/krugman-sympathy-for-the-luddites.html?_r=0)

61 Frey, C. and Osborne, M. 17 September, 2013. *The Future Of Employment: How Susceptible are Jobs to Computerization*. Oxford Martin School. pg. 41. <http://www.oxfordmartin.ox.ac.uk/downloads/academic/future-of-employment.pdf> .

62 Frey, C. and Osborne, M. 17 September, 2013. *The Future Of Employment*. pg. 18.

63 Glantz, M. and Kissell, R. 2013. *Multi-Asset Risk Modeling: Techniques for a Global Economy in an Electronic and Algorithmic Trading Era*. San Diego, Academic Press. pg. 258.

64 Lamb, C. June 2016. *The Talented Mr. Robot: The Impact of Automation on Canada's Workforce*. Brookfield Institute for Innovation + Entrepreneurship. pg. 5. <http://brookfieldinstitute.ca/wp-content/uploads/2016/07/TheTalentedMrRobotReport.pdf>

## Automation to begin in transportation and logistics industries

Systemic job loss due to computer automation is likely to start in the transportation and logistics industries. The private sector is already conducting research and development aimed at bringing the first mainstream driverless cars and trucks to market.\* The cost of human labour is a major component for logistics companies and the ability to eliminate wages and benefits through low cost capital investments would be a significant boon. Driverless cars and trucks also have the potential advantage of being safer, capable of operating 24 hours a day, and manoeuvring at speeds that optimize mileage and wear and tear on the vehicle. In Canada, it is expected that 560,000 individuals working within the transport, truck, and courier service industries will be displaced, along with 50,000 taxi drivers and chauffeurs.\*\* Some of these individuals may be capable of retraining for a new career, but others may be unable to transition to a new occupation.

\*See Zon, N. and Ditta, S. February 2016. "Robot Take the Wheel: Public Policy for Automated Vehicles", *The Mowat Centre* [https://mowatcentre.ca/wp-content/uploads/publications/118\\_robot\\_take\\_the\\_wheel.pdf](https://mowatcentre.ca/wp-content/uploads/publications/118_robot_take_the_wheel.pdf)  
\*\*Godsmark, P. January 2015. *Automated Vehicles: The Coming of the Next Disruptive Technology*. The Conference Board of Canada. pg. 32. [http://www.cavcoe.com/articles/AV\\_rpt\\_2015-01.pdf](http://www.cavcoe.com/articles/AV_rpt_2015-01.pdf)

Compounding the challenge of technological dislocation is the reality that retraining for a new occupation is costly and difficult for companies and individuals, and often relatively unsuccessful in improving the outcomes for workers over time. A US study following 160,000 workers receiving retraining and 3,000,000 who did not, demonstrated sometimes quite small and often highly variably benefits for workers who received the retraining programs compared to workers who did not.<sup>65</sup>

Such difficulties may be due to the fact that bringing workers up to the level of education and training necessary for them to access the new technologically complimentary jobs being created, such as graduate-level training in computer science or equivalents, is much more difficult than was previous switches from physical to cognitive labour. Such upgrading may simply be out of reach for the vast majority of displaced workers – at least without massive investments of time and resources. Furthermore, even when effective programs are found, dislocated workers may be prevented from participating due to rigid employment insurance restrictions that do not allow training to be undertaken unless it can be proven that the program is not impeding the job search process or the acceptance of a job offer.<sup>66</sup>

It is in this context that many are growing more concerned that society may be entering a period of significant economic dislocation and restructuring. While there is as yet little real evidence to support the more alarmist voices

suggesting that automation may bring about structural mass unemployment, there is growing concern that many will be faced with much longer stretches of precarious employment and even unemployment as our economic systems adjust to the next wave of automation.<sup>67</sup> It is in this context that many see basic income as a policy that might help to cushion this change.<sup>68</sup>

## The changing nature of work

Undoubtedly, as the government engages the public in the process of designing a basic income pilot, myriad perspectives will emerge as to what socio-economic problems a basic income program can solve. Indeed, as was noted earlier, there is evidence that, among many possible positive benefits, a basic income could reduce demands on many of our already stretched social programs, such as the healthcare, youth justice, and child welfare systems. As was just mentioned, basic income is also gaining attention as a potential solution to the problems posed by the growth of precarious employment<sup>69</sup> and, in the much longer term, as a means of responding to the potentially dramatic shifts in the meaning and experience of work that increased automation may unleash.

Existing social programs were designed for an economy in which it was easier to identify the employed, the unemployed, the unemployable, the retired and those temporarily out of the workforce for family, health or educational purposes. As a consequence, we have separate programs for income assistance, for people with disabilities, for

65 Heinrich, C. Mueser, P. Troske, K. 2008. *Workforce Investment Act Non-Experimental Net Impact Evaluation*. IMPAQ International. [https://wdr.doleta.gov/research/FullText\\_Documents/Workforce%20Investment%20Act%20Non-Experimental%20Net%20Impact%20Evaluation%20-%20Final%20Report.pdf](https://wdr.doleta.gov/research/FullText_Documents/Workforce%20Investment%20Act%20Non-Experimental%20Net%20Impact%20Evaluation%20-%20Final%20Report.pdf)

66 Training programs and courses can be undertaken when prescribed by a "designated authority". See <http://www.servicecanada.gc.ca/eng/ei/information/training.shtml> for more information.

67 Krugman, P. 13 June, 2013. "Sympathy for the Luddites".

68 Schneider, N. 6 January, 2015. "Why the Tech Elite Is Getting Behind Universal Basic Income". *Vice*. <http://www.vice.com/read/something-for-everyone-0000546-v22n1>

69 Standing, G. 2014. *A Precariat Charter: From Denizens to Citizens*. London, Bloomsbury. pg. 316-338.

By making eligibility for income assistance available to all regardless of their connection to work, a basic income can help to respond to the ill-fit that has developed between existing programs and changing economic realities.

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people between jobs or temporarily laid off, and for those who have retired.

In recent decades, however, precarious employment has become increasingly common, especially for young people who may simultaneously hold more than one part-time job, or work on temporary contracts with few or no benefits, or experience periods of no work between assignments. Additionally, many people with disabilities do not qualify for disability benefits, or are capable of working part-time but are unable to support themselves on the wages they can earn. By making eligibility for income assistance available to all regardless of their connection to work, a basic income can help to respond to the ill-fit that has developed between existing programs and changing economic realities.

More broadly, a basic income potentially offers a significant social and economic benefit by ensuring every individual, at every point in time, is sufficiently financially secure to be able to contribute to the broader community in ways other than wage labour, such as volunteering or engaging in care work.<sup>70</sup> In so doing, a basic income could provide society with an opportunity to begin reimagining the definition of meaningful and valuable work in a new economic context.

## Entrepreneurship, innovation, and a new understanding of work

A basic income could also help shift the behaviour of higher income individuals by reducing the risk they face should they decide to become entrepreneurs. Indeed, by encouraging more entrepreneurship among both high and low income earners, a basic income could help to solve one of Canada's most significant contemporary economic challenges, namely, persistent low levels of innovation – something that has long been blamed on Canadians high levels of risk aversion.<sup>71</sup>

The critical connection between a basic income and innovation and entrepreneurship lies in its ability to reduce the potentially negative consequences for individuals associated with the inherently uncertain endeavour

70 Mortishead, C. 5 November, 2015. "A state-guaranteed basic income for all is becoming a necessity". *The Globe and Mail*. <http://www.theglobeandmail.com/report-on-business/economy/economic-insight/a-state-guaranteed-basic-income-for-all-is-becoming-a-necessity/article27122273/> and Perkio, J. 2014. "Universal Basic Income: A New Tool for Development Policy?". *International Solidarity Work (Kansainvälinen solidaarisuustyö)*, pg. 4-5. <http://kvsolidaarisuustyö.fi/en/universal-basic-income-a-new-tool-for-development-policy/>

71 Currie, B. Scott, L. Dunn, A. 2013. "The future of productivity: Clear choices for a competitive Canada". Deloitte. pg. 3. <http://www2.deloitte.com/ca/en/pages/insights-and-issues/articles/future-of-productivity-2012.html>

that is entrepreneurship. By “de-risking” entrepreneurship – for example, by reducing the apparent trade-off between the security represented by an existing wage-earning job and the risk involved in starting something new, a basic income can encourage more successful and talented individuals to try their hand at entrepreneurship.<sup>72</sup> In so doing, a basic income could unlock significant new pools of talent and help to leverage additional private financing for innovative business ventures, particularly in the critical early stages of firm development.

Unfortunately, these benefits are still largely theoretical as research on the effects of a basic income on entrepreneurship has been quite limited to date.<sup>73</sup> The limited evidence that does exist, however, is promising. The applicability of these findings – which come from experiments in low and medium income countries – to high income countries cannot be taken for granted. Nonetheless, these findings are useful because of how they illuminate several mechanisms by which a basic income may promote entrepreneurship and innovation that deserve further research and testing.

First, a basic income can form a source of capital for individuals to invest in their own work. Recent research suggests that a lack of capital is one of the main obstacles that block entrepreneurs from advancing their ventures.<sup>74</sup> In the low and medium income countries where the most recent basic income experiments have been conducted, this is one of the most common uses of basic income

payments as individuals use the funds to invest in productive assets.<sup>75</sup> A basic income can provide seed capital for individuals to purchase materials and assets needed to start their own enterprises and become entrepreneurs.<sup>76</sup> In low and medium income countries this is especially important for women who are often excluded from the traditional labour force by family responsibilities or discrimination.<sup>77</sup> But it is also seen as a way of enabling individuals in high income countries to develop projects that might eventually become worthy of investment from traditional forms of seed or venture capital. One tech entrepreneur has even labelled basic income as “venture capital for the people”.<sup>78</sup>

Second, the provision of a basic income allows individuals to avoid low-skill jobs about which they are not passionate and which do not improve their future prospects.<sup>79</sup> Instead, basic income recipients are able to work in areas they prefer and in which they are able to develop their human capital and advance themselves. In low or medium income countries, this dynamic has resulted in significant increases in overall economic activity in the communities in question.<sup>80</sup> In these same contexts, it has also enabled individuals to free themselves from systems of debt bondage and spend their time working for, and on, themselves instead.<sup>81</sup> In higher income countries, it is possible that similar behaviour might result in individuals being freed to pursue additional education and skill

72 Watson, H. 11 November, 2013. “Community Conversations: Time for Bold Ideas”. *the Community edition*. <https://communityedition.ca/blog/2013/11/11/community-conversations-time-for-bold-ideas/>

73 Watson, H. 11 November, 2013. “Community Conversations”.

74 Doering, L. Forthcoming. “Necessity is the Mother of Isomorphism: Poverty and Market Creativity in Panama”. *Sociology of Development*. pg. 7. [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2746419](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2746419)

75 Davala, S. et al. 2015. *Basic Income*. pg. 147-150.

76 Davala, S. et al. 2015. *Basic Income*. pg. 149 and Perkio, J. 2014. “Universal Basic Income”. pg. 8.

77 Davala, S. et al. 2015. *Basic Income*. pg. 150-151 and 172-176.

78 Schneider, N. 6 January, 2015. “Why the Tech Elite Is Getting Behind Universal Basic Income”.

79 Flowers, A. 25 April 2016. “What Would Happen If We Just Gave People Money?”.

80 Davala, S. et al. 2015. *Basic Income*. pg. 147.

81 Davala, S. et al. 2015. *Basic Income*. pg. 154.



development.<sup>82</sup> This ability to improve their skills, or even simply the ability to take a little more time to plan their business ventures and develop customer bases for their products, would counteract another one of the most important obstacles to success for low income entrepreneurs, namely the need to realize immediate financial returns.<sup>83</sup>

Third, a basic income can also help reduce anxiety and other mental health afflictions which often bedevil entrepreneurs or others in insecure employment and which interfere in their work or family lives.<sup>84</sup> Evidence from the MINICOME experiment in Manitoba suggests that reductions in mental health problems followed the same pattern as the more general reduction in health problems that were associated with this basic income experiment.<sup>85</sup>

Additionally, a basic income may help to spur growth in social entrepreneurship. Despite a deficit of structural support, social entrepreneurs are quietly contributing to Canada's economy by building vital, purpose-driven enterprises that are creating meaningful work for people from a variety of backgrounds, ages and ethnicities and are producing innovative solutions to complex societal problems. Unfortunately, social entrepreneurs tend to exist outside of the entrepreneurial mainstream and do not receive the same levels of support that commercial entrepreneurs typically enjoy. In fact, many social entrepreneurs face continued professional (and personal) hardship, related to a lack of financial predictability. Even for the most successful, social entrepreneurship can place individuals in positions of deep personal insecurity. Without

ready access to investment, the financial risks of social entrepreneurship often fall on those close to the entrepreneurs. Commonly, partners and/or family members are forced to play the role of financier, which puts everyday relationships under considerable stress.

*“Without my partner’s financial stability, I could never have started my business.”*

- Social entrepreneur based in downtown Toronto. (April 2016)

In order to guard against the growing risks of precarity and joblessness, and to better harness the creative capacities of the labour force, governments must update their social policy architecture. In the longer term, society should be prepared for an economy in which the 20<sup>th</sup> or even early 21<sup>st</sup> century understanding of a job has changed. Admittedly, the notion of redefining what it means to have a job isn't a new debate. There is a long history, for example, of gender-based economic analysis that has called for greater recognition of domestic work as an economically productive activity.<sup>86</sup>

82 Mortishead, C. 5 November, 2015. “A state-guaranteed basic income for all is becoming a necessity”.

83 Doering, L. Forthcoming. “Necessity is the Mother of Isomorphism”. pg. 17 and 24.

84 Lewchuk, W. et al. February 2013. *It's More than Poverty*. pg. 10.

85 Forget, E. “The town with no poverty”. pg. 297.

86 Bridgman, B. Dugan, A. Lal, M. Osborne, M. Villones, S. May 2012. “Accounting for household production in the national accounts, 1965–2010”. *Survey of Current Business*. 92(5) 23-36. In this article, the authors show by that by incorporating the value of non-market household production into US national accounts, nominal GDP would have increased by 26 per cent in 2010.

Nevertheless, there now seems to be even more reason to take this debate seriously. There is a need to recognize that though what we have traditionally classified as paid work may become a scarce resource, there will continue to be avenues through which citizens wish to make contributions to society. A basic income seems one very concrete way to help move towards such a broader understanding in which work is not reduced to a commodity that individuals are forced to trade for the necessities of life, but rather a contribution that they freely choose to make to their society.

# 4 BASIC INCOME DESIGN

The roots of a basic income run deeper and are stronger than many think. Conceptually well-developed, empirically tested in other contexts, and surprisingly aligned with current trajectories in Canadian policy-making, a basic income is more than an idea; indeed, it is a legitimate policy option. Nonetheless, a cautious approach to the implementation of this concept is entirely warranted. Just as much as sceptics, proponents of basic income want to ensure that program parameters are designed thoughtfully and in such a way that maximizes economic and social benefit. Good programming, however, relies on good piloting, and thus policymakers cannot overlook or rush the design of a pilot.

Given the examples provided by previous experiments and existing political pressures, it seems reasonable to assume that the Government of Ontario will employ certain basic features when it designs its basic income pilot. For instance, it is likely that it will use one of the traditional definitions of the poverty line, such as the Market Basket Measure or the Low Income Cut-Offs, as the baseline level of support.<sup>87</sup> Similarly, due to its likely lower cost and the possibility of implementation through the existing tax system, it is likely that a negative income tax will be the form of basic income selected for use. Additionally, given that a desire to avoid the “welfare wall” – that is the high effective marginal tax rates that currently apply to income earned in addition to many existing income assistance programs – is one of the drivers behind renewed interest in a basic income it is also reasonable to assume that Ontario’s pilot will not include a high tax back rate.

## Lessons from the past and present

Beyond basic features like these, however, much of the design of Ontario’s pilot is still to be determined. In this context, and as has been discussed, there is much to learn from past experience and many new variables to consider given the unique conditions in which governments are now operating. The preceding two sections presented a number of lessons in this regard and it is worth quickly reviewing the most important of these at a general level before proceeding to the specific pilot design recommendations.

The four main lessons to be drawn from past experiments were:

<sup>87</sup> For more information, please see Income Statistics Division. 17 December, 2015. *Low Income Lines, 2013-2014: Update*.

## 1] Vary the pilot's parameters, but not too much

A pilot should test various basic income models, payment levels and tax back rates so as to maximize the breadth of the findings that result. While there are certainly important differences between the different formats of a basic income which may make one more attractive than another for policy or political purposes, at the pilot stage, governments should keep an open mind and only narrow their focus after the data from the pilots have been collected and analyzed.

## 2] Science and politics don't mix well

In many of the previous experiments politics interfered with science and reduced the usefulness of the projects. Finding ways to credibly and transparently minimize opportunities for political interference will be important in ensuring unbiased and useful results and, by extension, getting a strong return on the investment needed to conduct the pilot.

## 3] Basic income programs seem to offer a wider variety of benefits than initially thought

One of the most interesting findings from the earlier sets of North American experiments was that, in addition to advancing its original objective of poverty alleviation, a basic income may also have a host of additional indirect benefits. These initial findings have since found additional support from the results of similar programs conducted more recently in low and medium income countries. As these results represent potentially strong supportive rationales for implementation of a basic income program, learning more about these potential benefits represents an important opportunity for Ontario's pilot. Doing so will require that the pilot is designed with such an objective in mind.

## 4] A basic income causes people to work differently, not necessarily less

Earlier experiments demonstrated that while a basic income may have reduced the number of hours of paid work done by recipients, at least some of these paid hours were replaced by non-market work, such as care work, or other desirable activities such as education and training. Given that such a shift to non-market work may be an important result of Ontario's pilot as well, it will be important to ensure that the design of this pilot enables researchers to capture such shifts and distinguish them from each other and from other impacts on a basic income on hours worked.

*In addition to the lessons from the past, the specifics of the current context also suggest an important imperative for consideration in the design of Ontario's pilot:*

## 5] Be sure to consider impacts on entrepreneurship and non-market forms of work

Recent research has suggested that a basic income may promote increased levels of entrepreneurship and innovation by de-risking these activities. Additionally, a basic income may also encourage entrepreneurship by providing:

- » seed capital for early stage entrepreneurs
- » funds to support the education and training needed for successful ventures
- » reductions in pressures like anxiety which lead to high attrition among entrepreneurs
- » support for social enterprise and other initiatives that are poorly valued in the market but provide significant value to society.

Ensuring that any pilot that is attempted is able to evaluate whether a basic income does in fact activate these entrepreneurship-supporting mechanisms will be essential to fully evaluating its overall impact and benefits.

Additionally, the basic income experiments of 40 years ago suggested that some individuals, notably married women, reduced the hours they worked for wages in order to take on more unpaid work, particularly family caregiving. It is likely that some other individuals will reduce the hours they work for pay in order to participate in creative or volunteer activities. These forms of work contribute to community well-being and Ontario's pilot should attempt to measure the impact of basic income on non-market work of this type.

## Recommendations for the design of a basic income pilot project

With these five lessons in hand, it is now possible to consider how a basic income pilot might be conducted in Ontario at a more granular level. Drawing on these five lessons, the remainder of this chapter is devoted to elaborating 14 specific recommendations to the Government of Ontario to consider as it designs its basic income pilot.

### 1] THINK BEYOND THE POLITICAL CYCLE

It will be important for government to recognize that a social experiment requires time – time to design, implement, evaluate, and scale. As such, all design decisions, ranging from organizational structure (e.g. who manages the project and to whom do they report), budget (e.g. how much funding is set aside for evaluation), to data collection (e.g. how will data be stored and published) should be designed for the long-term and to withstand political fluctuations.

### 2] ESTABLISH AN INDEPENDENT TASK FORCE TO DIRECT THE DESIGN, IMPLEMENTATION, AND EVALUATION OF THE PILOT

The incentive structures of political actors and civil servants in government are such that the pilot would be optimally directed by an independent non-governmental entity. In particular, this entity would be well positioned to: act as an ambassador of non-governmental (research and community) perspectives; objectively report on pilot outcomes; sustain the project in the face of major political or bureaucratic shifts; and ensure the project remains aligned with its original design features and is not subsumed into other topical policy initiatives.

### 3] HAVE AN EXPLICIT EXIT STRATEGY/REPORTING STRUCTURE

At the outset, the independent task force should be given a clear reporting timeline and structure, particularly as it relates to the group's final report. It is critical that the outcomes of the pilot, associated data and the task force's evaluation be presented to government and made public in a timely and transparent fashion. It is suggested that the government be bound (by legislation, regulation, or otherwise) to accept the task force's final report within 12 months of the pilot's conclusion— whether or not the pilot ends as scheduled or prematurely. Further, it should be a requirement that the task force's report, when submitted to government, be simultaneously submitted to the legislature.



## 4] ENGAGE THE COMMUNITY IN A VARIETY OF WAYS

The government has committed to consulting with both researchers and the community on pilot design. A basic income represents a significant change in the way that programs have been delivered in the past, which will enhance expectations and fears, both of which need to be managed. The independent task force should be supported by and responsible for:

- » An advisory committee comprised of representatives of various interest groups including participants, unions, social welfare organizations, civil servants, antipoverty organizations etc. The task force should meet regularly with this group to report on progress.
- » A regular newsletter modelled on the one developed by Kela – the organization responsible for developing Finland’s basic income pilot.<sup>88</sup> The newsletter would report on progress and other issues as they arise. It should begin regular publication as soon as the task force is established and be publicly available on the project’s website.
- » A website, with appropriate links to the newsletter, appropriate de-identified data, related news etc.
- » Opportunities to comment offered to the community at large through the website. Surveys can gather opinions about social programs, the nature of meaningful work, and so on. These will alert the task force to emerging issues, as well as give individuals a voice.

<sup>88</sup> To see examples of the newsletters published by Kela, visit <http://www.kela.fi/web/en/newsletter>



## 5] PILOT THE DISTRIBUTION MECHANISM

One of the benefits of a basic income should be a user-friendly interface. It should ensure user confidentiality and make use of online and telephone reporting capabilities, while ensuring that participants have access to a telephone number that allows them ready contact with the task force in case of emergency. There are a number of issues to be considered by the task force, including:

- » Payments must be at least once a month;
- » The system needs to be flexible enough to respond quickly to need;
- » Predictability of income is important to recipients, so mechanisms to buffer the impact of any changes in the levels of payment that occur should be implemented;
- » Reporting requirements should be minimized and made as easy as possible. One possibility might be to make payments in one quarter contingent on income in the preceding quarter (with the opportunity to adjust quickly in the case of job loss or new dependents).

## 6] DIVERSITY AND DESIGN DEMAND DISPERSION (NOT GEOGRAPHIC SATURATION)

Ontario is highly diverse geographically, economically, socially, etc. As such, it would be both difficult and costly to isolate a representative geographic population and then use that community as a saturation community for the pilot. Dispersion allows subjects to be drawn from a range of sites, each with different demographic and labour market characteristics. A dispersed design also allows researchers to test different payout levels and tax-back rates,

since it is unlikely that participants would know one another. Nonetheless, researchers should recognize that such a design will not take into account the “social multiplier” which Forget hypothesized in her work on the Dauphin experiment.<sup>89</sup> This multiplier, which is produced by interactions between individuals, can reinforce the experimental effects of a basic income.

## 7] WHAT INCOME LEVELS SHOULD BE TESTED?

The upfront costs of the program depend on both the guaranteed income level and the rate at which additional income is taxed back. The task force will propose a variety of designs, but some care should be taken to distinguish between the implementation of a basic income and the level of benefits individuals currently eligible for income assistance receive. One basic income design should pay individuals exactly what they would currently receive from income assistance programs (assuming they are eligible) but be available both to current recipients and to the precariously employed. Another design might enhance the payout to both groups. This will allow researchers to distinguish between the basic income itself, and the effect of enhanced benefits to those currently receiving income assistance.

## 8] OVERSAMPLE YOUTH (AGED 18-30) AND THOSE AGED 55-64

A basic income, by definition, is available to everyone if the need arises, but particular groups may actually participate disproportionately. Young people transitioning from education into the labour market are very likely to experience precarity in the job market, while those aged 55 through 64 are often forced prematurely

89 Forget, E. “The town with no poverty”. pg. 291-292.



out of work because of health or caregiving responsibilities, or job loss that turns into long-term unemployment because they cannot compete with younger workers. These are the groups whose labour market participation is most likely to be affected by a basic income and oversampling will allow researchers to investigate the impact of program design features on these especially important groups.

## 9] CONSIDER A THREE-ARMED TEST FOR YOUTH (18-30)

Those just entering the workforce face particular challenges. For many, there may be no clear path from the education they have received to particular jobs. A basic income allows young people to explore alternative careers and build additional skills. It potentially reduces some of the barriers and risks associated with further education, apprenticeships, low-paid but experientially robust work, non-market activities like volunteering, and even entrepreneurship. Yet some fear that young people may lack the experience to fully appreciate the long-term consequences of these short-term labour market choices. For that reason, government should consider a three-armed experiment for youth: one group would receive the BI; a second group would serve as the control and have access to any already existing programs on a voluntary basis; while a third group would receive the basic income contingent on participation in approved labour market or educational activities, which may include apprenticeships, existing job skills programs, or training in entrepreneurship or social entrepreneurship. The results would allow researchers to test the outcomes associated with a basic income (group 1 vs group 2), the differences between a basic income and a conditional cash transfer (group 1 vs group 3), and a new conditional cash transfer relative to the status quo (group 2 vs group 3). Moreover, and in

the specific case of group 3, this test may help to advance government's understanding of the varying efficacy of distinct labour market training programs, particularly when paired with a basic income. This recommendation carries with it particular ethical concerns (see recommendation 14).

## 10] DON'T UNDERESTIMATE THE DATA CAPACITY OF GOVERNMENT

Though data collection associated with the pilot may seem a herculean effort, it is important to recognize that various levels of government are already collecting much of the data central to an analysis of a basic income pilot. Rather than creating new collection regimes, government should reduce administrative cost and complexity by leveraging existing data collection processes. It should also use provincial administrative data when possible— for example, to evaluate health, education, child welfare, youth justice and other program outcomes. Making these data usable will entail costs and, very likely, legislation but the outcome will be a provincial data resource that can be used for ongoing program evaluation.

## 11] SOME DATA CAN BE COLLECTED AS A CONSEQUENCE OF THE ADMINISTRATION OF THE PROGRAM

A basic income requires individuals to report income from other sources. A small additional time investment from participants can generate valuable data on time use (paid work, caregiving, volunteering, working in one's own business, engaging in creative work, etc) that does not necessarily generate income but is nonetheless of interest for research purposes.

## 12] TRACK ENTREPRENEURSHIP


One of the outcomes monitored should be the proportion of individuals who engage in entrepreneurial activity (by demographic group) relative to matched controls. These rates can be tracked over time. Individuals who report entrepreneurial activity in the time use survey might be invited to participate in a deeper study of the characteristics of their activities and their perceptions of the value of a basic income for entrepreneurs either during the basic income pilot or afterwards.

## 13] CONSIDER COLLABORATION WITH THE CANADIAN RESEARCH DATA CENTRE NETWORK (CRDCN) TO ACCESS FEDERAL DATA AND ENSURE DATA STANDARDS, CONFIDENTIALITY AND ACCESS

The CRDCN is a partnership between universities and Statistics Canada and can ensure access to federal micro-level data such as the Census, confidential surveys, the Longitudinal Administrative Database (LAD) from Employment and Social Development Canada (ESDC), as well as provide an access point for Ontario administrative data that must be examined in a secure facility. Ontario Health data and Ministry of Community and Social Services data are already being piloted in the CRDCN for approved research access. As a national network, the CRDCN would allow collaboration of approved researchers from across the country, maintain data security, and provide access to methodological expertise from Statistics Canada. Data linkage between provincial and federal data can be facilitated in this network.

## 14] CONSIDER ETHICAL ISSUES

The pilot must be voluntary; individuals must have the opportunity to opt out at any point. Participants must be fully informed about the pilot, including that it is a temporary program with a fixed end date. A well-designed pilot will make all users no worse off than they are currently, and many people better off. Therefore, uptake is unlikely to be a problem. However, there is one group that merits special attention: young people transitioning from school to work. This program will make it possible for them to explore a variety of careers, entrepreneurship and employment opportunities. While this is a very positive outcome, it also makes it possible for them to postpone commitment to full-time wage-paying jobs. The evidence overwhelmingly shows that reduced attachment to the workplace at a young age has lifelong impacts in terms of wage and career outcomes. For these participants in particular, some considerable thought should be given to how to transition participants off this program as it nears its end date. For instance, it may be worthwhile to provide them with additional job training or other benefits.



By committing to  
conduct a basic  
income pilot  
Ontario stands  
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policy innovation.

# 5 CONCLUSION

In its 2016 budget, the Government of Ontario identified its motivations for conducting a basic income pilot program as testing “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.”<sup>89</sup> The budget documents also pointed to the possibility that a basic income could “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.”<sup>90</sup>

This report represents an attempt to offer the Government of Ontario pragmatic evidence-based recommendations that will be useful as they embark on the process of designing a basic income pilot to meet these objectives. The report’s recommendations have also been formulated with an awareness of the unique economic, social, and political context in which Ontario operates which will hopefully make them even more useful.

The fact that the Government of Ontario is proceeding with a basic income pilot program is an important development. By committing to conduct a basic income pilot Ontario stands poised to take up a position at the forefront of global social policy innovation. The manner in which Ontario conducts this pilot and the conclusions drawn from it will be of interest worldwide. It is unsurprising then that for basic income advocates and sceptics alike, getting the details of this pilot’s design right will be essential.

This report’s analysis and recommendations take the experiences of previous comparable experiments conducted in North America, and especially the limitations of these experiments, and translate them into specific policy suggestions which are clear, specific, practical and actionable. Additionally, by drawing on the experiences and findings of more recent experiments in low and medium income countries, they are designed to help Ontario’s pilot reach its full potential by taking advantage of new suggestive findings from other contexts. Finally, by scanning the current horizon and integrating what is known about established and emerging trends, the report’s recommendations are designed to help the pilot’s designers avoid predictable pitfalls and anticipate the full range of potential benefits that a basic income may offer.

Much has been said about basic income and while many promising possibilities have been suggested by previous experiments’ findings, there is still more to learn. While certainly not the whole solution to the limitations of existing data

90 Sousa, C. 2016. *Jobs for Today and Tomorrow*.pg. 132.

91 Sousa, C. 2016. *Jobs for Today and Tomorrow*.pg. 132.

and information on the subject, Ontario's pilot can help to significantly improve this situation if it can generate credible and useful data and results. Hopefully this report's analysis and recommendations can help Ontario meet this challenge and fulfill this potential.

