

The opportunity afforded by a basic income – Seniors/GAI

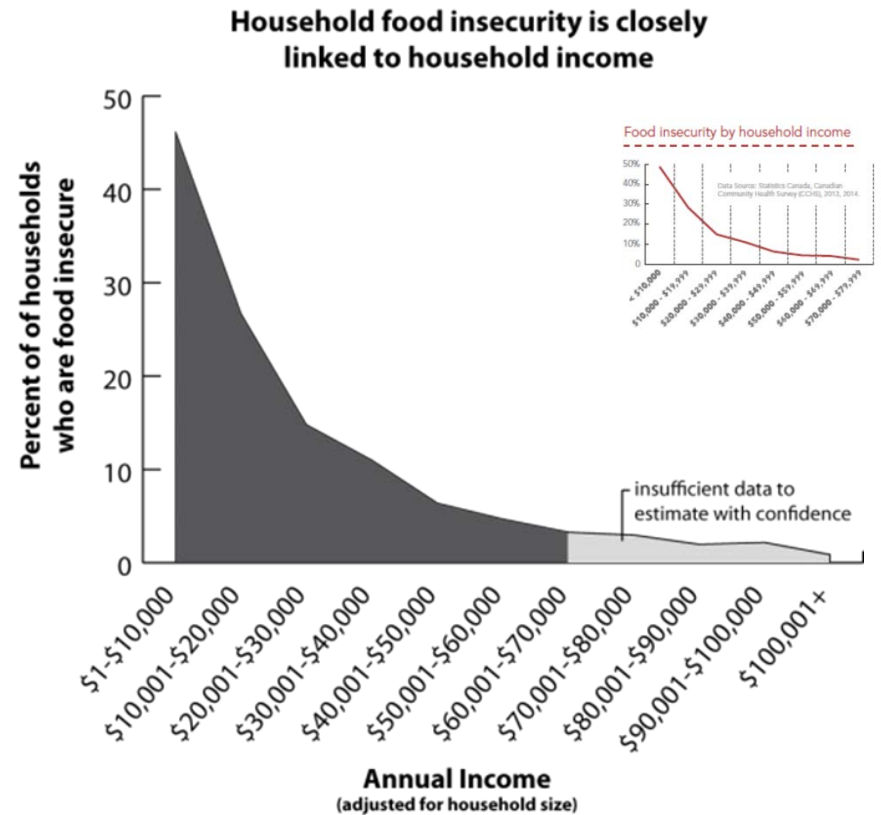
**Herb Emery, Lynn McIntyre, Cynthia Kwok
and Daniel Dutton**

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Household food insecurity (FI) is an insurance problem:

- the risk of being (FI) falls with income.

- source of income matters.
 - Income from social assistance associated with higher risk of (FI).



Source: 2011 CCHS,
<http://nutritionalsciences.lamp.utoronto.ca/food-insecurity/>

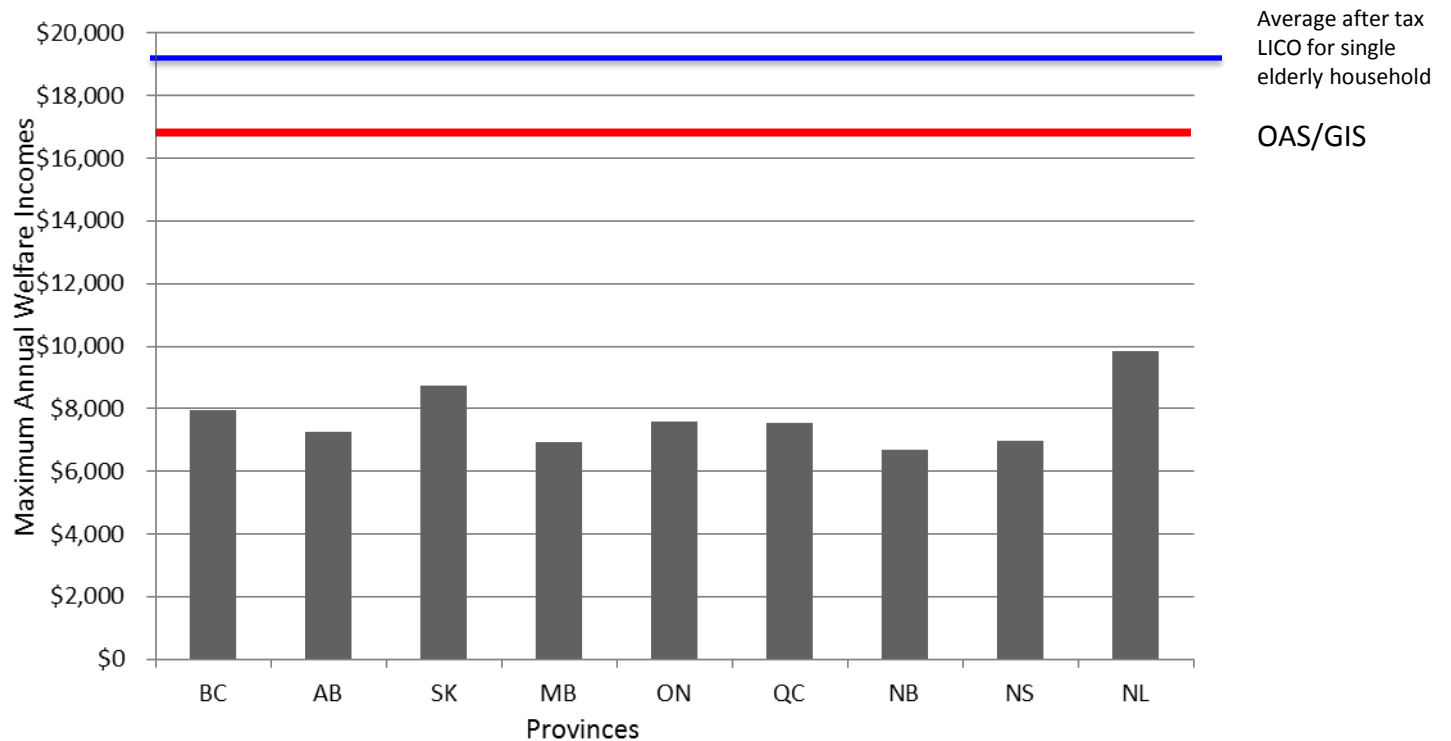
For most of us, our consumption is not determined solely by our immediate income:

- **Correlation of current income and consumption can be low**
 - Permanent Income
 - We “smooth” our consumption level over our lifecycle
 - Amortizes our lifetime stream of earnings to be generated from our human capital in the labour market
 - Facilitated by asset accumulation and financial instruments
 - “access to credit”
 - Earnings insurance for disability, loss of life etc...
- **As income falls, consumption is closer to perfect correlation with current income**
 - Limited or no ability to smooth consumption
 - earnings too low to generate surplus above immediate needs
 - No access to financial instruments or credit markets to borrow against future earnings
- **If income falls, the more likely consumption falls when purchasing power of income falls**

Food insecurity arises (at least in part) due to a prominent market failure affecting low income households... under age 65

- **consumption insurance is not available**
 - or at least affordable
 - Low income households cannot “smooth” consumption
 - lack of access to financial instruments,
 - or at least reasonable priced financial instruments
- **For Canadians 65+ we use public pensions provide an income floor**
 - This is consumption insurance
- **Senator Hugh Segal (2012) asked:**
 - Why haven't Canadians taken the lesson from the success of the Guaranteed Income Supplement for reducing poverty rates of older Canadian, an automatic tax-based top-up for income, and apply it more broadly?
 - Poverty rates for Canadians 65 and over are around 6%
 - Amongst lowest in OECD and down from 28% in 1974
 - Poverty rates for adults under 65 persist at around 12%

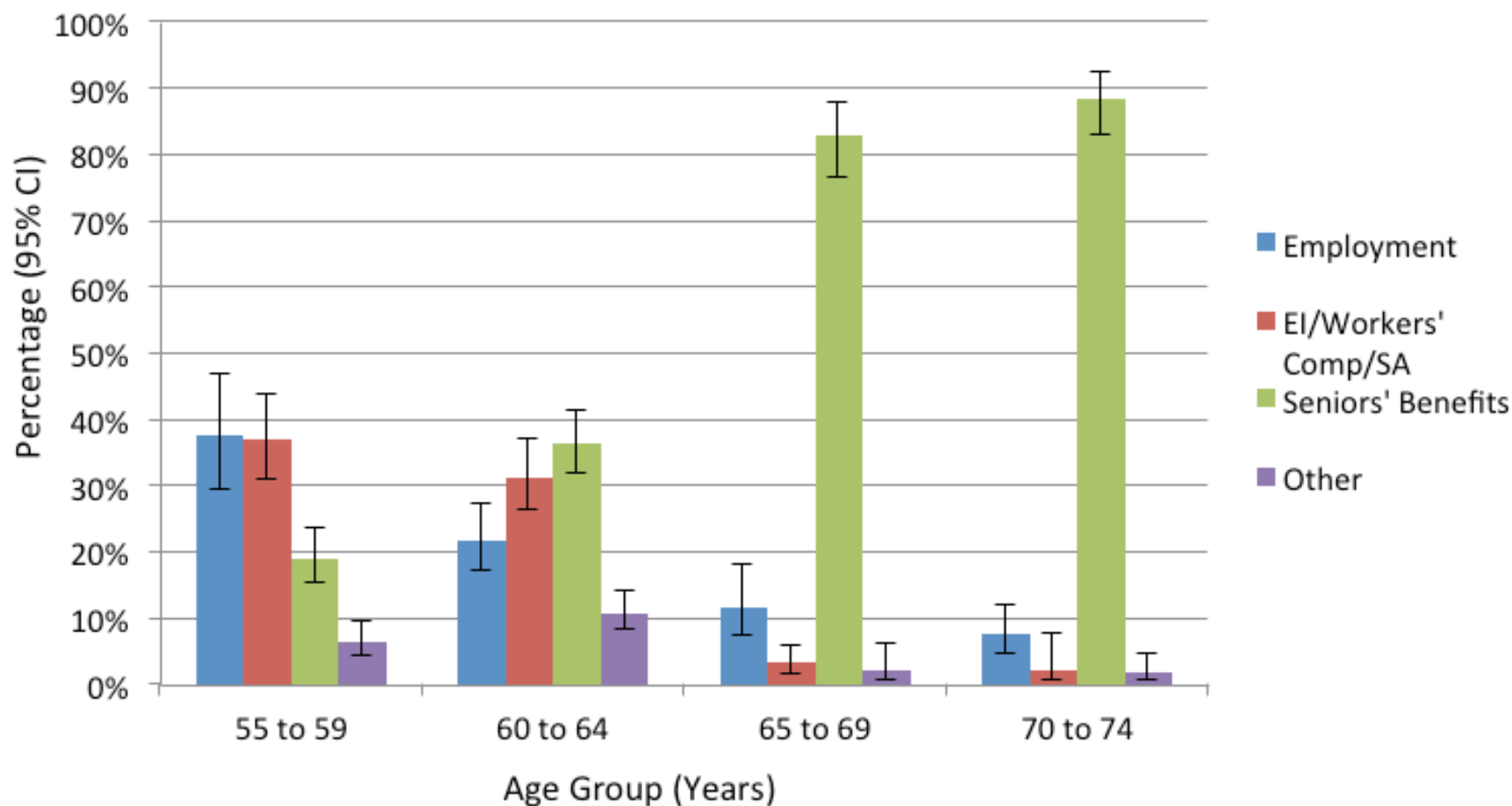
Maximum Annual Welfare Incomes (Single, Employable Person) by Province for 2011 and Minimum Annual OAS/GIS Income



We Compared Food Insecurity Outcomes of low income Canadians aged 55-64 and 65-74

- **The older pension eligible age groups are the GAI “treatment”**
 - Younger groups are the non-GAI “control”
 - Used CCHS cycles, Microdata in Calgary RDC, spanning 2007 to 2013
 - Focused on respondents who are expected to be most affected by GAI:
 - A) Have household income \$20,000 or less and B) have personal income \$20,000 or less
 - Are not married

Main Personal Income Source for Low-Income Unattached Respondents by Age Group (Weighted), CCHS 5.1 (Public Use, 2009/2010)



Probability of moderate and severe food insecurity by age among low-income unattached adults (CCHS 2007-13)

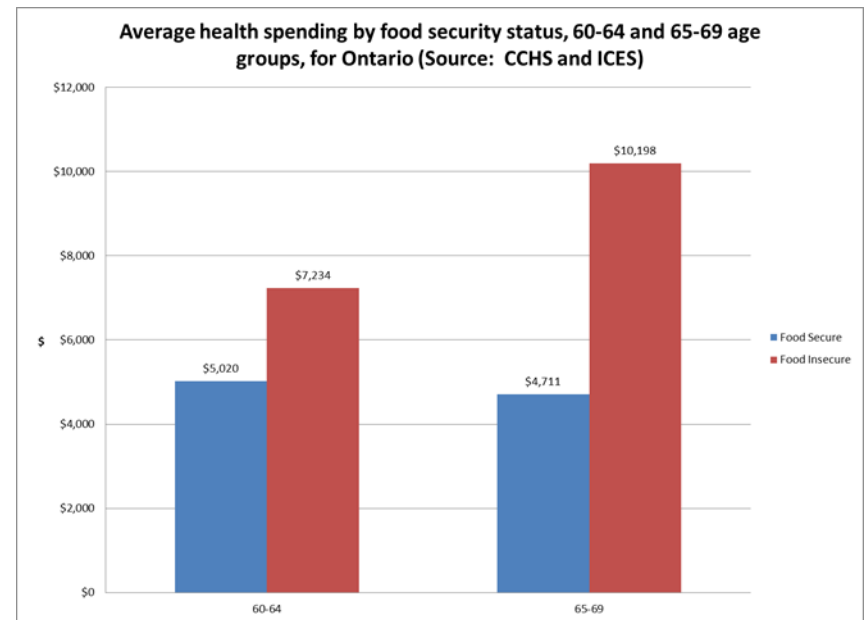


Turning 65 associated with lower FI risk and better health.....

- **Eligibility for seniors' benefits/GAI after age 64:**

- better self-reported health
- functional health
- self-reported mental health
 - effects were observed until age 74
 - McIntyre et al (2016) CJPH

LOWER HEALTH SPENDING AS WELL



Tarasuk, V, Mitchell, A, Dachner, N. Research to identify policy options to reduce food insecurity (PROOF). (2013). *Household food insecurity in Canada 2011*. Retrieved from <http://nutritionalsciences.lamp.utoronto.ca/>.

Policy implications

- **Trudeau government has already done the first recommendation we made in Preventive Medicine (2013) paper**
 - Reversed Stephen Harper's raising of entitlement age for OAS/GIS to 67
 - Will increase numbers on provincial SA and length of time SA collected
 - More FI persons for longer spells of their lives
- **Hugh Segal's Proposed Basic Income Pilot Project for Ontario aligns with our recommendations:**
 - Proposes a model for Ontario of applying GIS model to Ontarians aged 18-65
 - Negative Income Tax based GAI
 - https://files.ontario.ca/discussionpaper_nov3_english_final.pdf

Conclusion

A Basic Income for Canadians aged 65 and over through OAS/GIS:

- Reduces risk of FI
- improves the health, mental health and well being of lower income Canadians
- Is feasible to extend to cover more of the population under age 65
 - does not require revolutionary changes, only evolutionary changes and adjustments to existing entitlements
 - We hope that Ontario pursues the Segal's proposed pilot project

Work Referenced

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- McIntyre L, Dutton DJ, Kwok C, Emery JCH. Reduction of food insecurity in low-income Canadian seniors as a likely impact of a Guaranteed Annual Income. Canadian Public Policy. September 15, 2016; 274-286 doi:10.3138/cpp.2015-069

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