The opportunity afforded by a basic income – Seniors/GAI

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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).

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

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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

Average after tax
LICO for single elderly household

OAS/GIS

Provinces

BC  AB  SK  MB  ON  QC  NB  NS  NL

Maximum Annual Welfare Incomes

$0  $2,000  $4,000  $6,000  $8,000  $10,000  $12,000  $14,000  $16,000  $18,000  $20,000
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)

![Bar chart showing the distribution of main personal income sources for low-income unattached respondents by age group.](image)
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

![Health Spending Graph](graph.png)

Lower health spending as well.

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


