

# POTENTIAL ECONOMIC IMPACTS AND REACH OF BASIC INCOME PROGRAMS IN CANADA

REPORT HIGHLIGHTS -  
DECEMBER 2020



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## Key Findings:

**This landmark study from the Canadian Centre for Economic Analysis (CANCEA) will provide a first ever look at the economic benefits and impacts of a national basic income program in Canada. The report shows us that we can end poverty while building a sustainable economy.**

This report demonstrates that:

- 🔊 Basic Income can **grow the economy** and **create jobs**.
- 🔊 Basic Income can be **good for business**.
- 🔊 Basic Income is a **raise for working Canadians**.
- 🔊 Basic Income can be designed as a **self-sustaining investment**.
- 🔊 Basic income can do all this — **while ending poverty and growing the middle class**.

## INTRODUCTION

Basic income has become an important policy topic for Canadians. While the COVID-19 pandemic has laid bare the economic struggles of many Canadians, it has only exacerbated underlying conditions that have led to increasing precarity; a shrinking middle class, decades of wage stagnation and the automation of jobs in many key industries. Thus, discussion of a basic income in Canada needs to be framed not only in terms of eliminating the suffering of poverty, but also its ability to concurrently support the prosperity of the Canadian economy.

This report addresses some long standing questions and assumptions about the economic impacts of a basic income, demonstrating that, when designed and funded appropriately, a basic income will have positive effects on the financial well being of Canadian families, Canadian businesses, and the Canadian economy.

### Purpose of this Report

This landmark study from the Canadian Centre for Economic Analysis (CANCEA), provides Canada with its first detailed analysis of the economic benefits and impacts that a national basic income program could have on the Canadian economy and on Canadian families at national and provincial levels. Two basic income programs that are representative of the models being widely discussed in Canada are considered:

- 🔊 **The Guaranteed Minimum Income (GMI) program** based on the design of the Ontario Pilot and with an increased benefit of \$24,000 for individuals and \$34,700 for couples, and;
- 🔊 **Dividend + GMI proposal based on UBI Works' Recovery Universal Basic Income (UBI)**, which guarantees a minimum annual income of \$24,000 for individuals and \$36,000 for couples, and includes a \$6,000 annual universal dividend paid to all adults.



**REPORT HIGHLIGHTS - DECEMBER 2020****KEY FINDINGS**

This report shows that basic income could grow the economy, create jobs, and support Canadian businesses — all while essentially ending poverty and growing the middle class.

**Basic Income can grow the economy and create jobs.**

Overall, a basic income program could create jobs over time, providing new and sustainable opportunities for working Canadians.

This report shows that a GMI basic income program could grow the economy on average \$36 billion per year in the first 5 years, without relying on debt funding. If partial and temporary debt funding were to be used, the impact could grow to an average of \$62 billion annually in the first 5 years. In total, this program could lead to a cumulative increase to the national GDP of \$1.5 trillion over the next 25 years (% per annum on average).



Analysis of the Recovery UBI dividend plus GMI program indicates that the potential average annual growth to the economy in Canada increases to \$40 billion in the first 5 years, without relying on debt funding, and \$84 billion per year if partial and temporary debt funding is applied. In total, this program could lead to a cumulative increase to the national GDP of \$2 trillion over the next 25 years (doubles the size of the economy, % per annum on average).

Further, the analysis projects that the GMI basic income program, without debt funding, could create 298,000 full-time jobs above baseline projections after 5 years, a number that increases to 450,000 full time jobs above baseline projections after 5 years if partial and temporary debt funding is applied. Analysis of the Recovery UBI dividend plus GMI program indicates that this increases to 346,000 full-time jobs above baseline projections in 5 years, without debt funding, and to 593,000 jobs above baseline projections after 5 years if partial and temporary debt funding is applied.

**Basic Income can be good for business.**

A basic income program could increase the revenues of business across Canada, providing capital for investment and growth.

This analysis shows that the GMI program could increase business gross operating surplus (GOS)<sup>1</sup> by an average of \$13 billion a year in the first 5 years, without the use of debt funding. This increases to \$23 billion per year if partial and temporary debt funding is applied. This would lead to a cumulative increase of \$562 billion in Canadian business GOS over the next 25 years.

<sup>1</sup> The funds available that drive private investment in the economy and pay a return on investment

**REPORT HIGHLIGHTS - DECEMBER 2020**

The Recovery UBI dividend plus GMI program could increase business gross operating surplus (GOS) by an average of \$15 billion a year in the first 5 years, without the use of debt funding. This increases to \$32 billion per year if partial and temporary debt funding is applied. This would lead to a cumulative increase of \$745 billion in Canadian business GOS over the next 25 years.

Further, the analysis indicates that the GMI program could increase private capital investments (PCI) in Canada an average of \$6 billion per year in the first 5 years, without the use of debt funding, and \$11 billion per year with partial and temporary debt funding applied. This would result in a total of up to \$260 billion in additional PCI in Canada over the next 25 years.

The Recovery UBI dividend plus GMI program could increase private capital investments (PCI) in Canada an average of \$7 billion per year in the first 5 years, without the use of debt funding, and \$15 billion per year with partial and temporary debt funding applied. This would result in a total of up to \$336 billion in additional PCI in Canada over the next 25 years.

**Basic Income is a raise  
for working Canadians.**

A basic income could provide a raise for working Canadians, increasing income for many and growing aggregate wages.

The analysis shows that the GMI program could increase the disposable income of the bottom 60% of Canadian earners by \$111 billion after the first year. With the Recovery UBI dividend plus GMI program, this increases to \$122 billion after the first year..



The GMI program could raise aggregate wages 1.2% above the baseline by year 5 and an average of \$13 billion annually over the first 5 years, without debt funding. With partial and temporary debt funding, this could increase to 1.9% above the baseline by year 5 and an average of \$24 billion annually over the first 5 years. In total, this program could raise cumulative aggregate wages by \$506 billion over the next 25 years.

The Recovery UBI dividend plus GMI program could raise aggregate wages by 1.3% above the baseline by year 5 and an average of \$13 billion annually over the first 5 years, without debt funding. With partial and temporary debt funding, this could increase to 2.6% above the baseline by year 5, or an average of \$32 billion annually over the first 5 years. In total, this program could raise cumulative aggregate wages by \$617 billion over the next 25 years.

**REPORT HIGHLIGHTS - DECEMBER 2020****Basic Income can be designed as a self-sustaining investment.**

Basic income can be both a viable and sustainable investment for Canadians.

This report demonstrates that a basic income program could be funded with a minimal tax increase by using debt that can be paid down with new tax revenues generated by the program. This results from economic growth driven by the program that could outpace the adjusted annual cost of implementation.

The analysis shows that the GMI program could generate an annual average of \$9 billion of additional tax revenues in the first 5 years, without relying on debt funding. With partial and temporary debt funding, this could increase this by \$7 billion per year, for an average annual increase in tax revenue of \$16 billion in the first 5 years. In total, this program could raise a cumulative total of \$389 billion in new tax revenues over the next 25 years.

Analysis of the Recovery UBI dividend plus GMI program indicates that the program could generate an annual average of \$10 billion of additional tax revenue in the first 5 years, without relying on debt funding. With partial and temporary debt funding, this could increase by \$12 billion per year, for an average annual increase in tax revenue of \$22 billion in the first 5 years. In total, this program could raise a cumulative total of \$514 billion in new tax revenues over the next 25 years.

**Basic income can do all this –  
while ending poverty and growing the middle class.**

A national basic income will lift 3.2 million Canadian families out of poverty, including 129,000 lone-parent families (the majority of whom are female led).

The analysis shows that the GMI program could increase the incomes of 2.3 million Canadian families in the lowest income bracket (\$0 - \$9 thousand) by 306%, and of 1.7 million families in the second lowest income bracket (\$10 thousand - \$19 thousand) by 114%. The Recovery UBI dividend plus GMI could increase the incomes of these families by 236% in the lowest bracket, and by 105% in the second lowest bracket.

Further, the largest income bracket (\$20 thousand to \$29 thousand), with 3.3 million Canadian families, could also be impacted. The GMI program would increase the incomes of these families by 21%, and the Recovery UBI dividend plus GMI would increase these incomes by 34%.

**FULL REPORT, METHODOLOGY AND REFERENCE TABLES  
ARE AVAILABLE ONLINE**

**REPORT HIGHLIGHTS - DECEMBER 2020****About**  
**UBI Works**

UBI Works is a Canadian national non-profit with a mission to shift the conversation about basic income to recognize it as an economic need and economic opportunity, with the goal of seeing UBI implemented in Canada. We believe that universal basic income works as a key building block in the realization of a human-centred capitalism that promotes innovation as well as the social and economic well-being of individuals, families, and communities across Canada.

For inquiries, please contact Ben Earle, General Manager: [ben@ubiworks.ca](mailto:ben@ubiworks.ca).

**About**  
**Canadian Centre for Economic Analysis (CANCEA)**

The Canadian Centre for Economic Analysis (CANCEA) is a socio-economic research and data firm. CANCEA provides objective, independent and evidence-based analysis and is dedicated to a comprehensive, collaborative, and quantitative understanding of the short- and long-term risks and returns behind market changes, policy decisions and economic behaviour. CANCEA has served local municipalities and provinces across Canada, major pension funds, industry groups, and major private and non-profit organizations.

CANCEA uses modern techniques in data science, including agent-based modelling, for econometric analysis, risk management assessments, demographic forecasts and epidemiology. CANCEA's work includes market analysis, policy evaluation and risk management, business model optimization, cost-effectiveness and rate of return analysis, macroeconomic analysis, insurance risk evaluation, land use and infrastructure planning, logistics, and labour market analysis. CANCEA also provides comprehensive Canadian data services.