

Addressing Labour Market Disruptions through Basic Income

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Issue

The economy has and will continue to drastically change in the years ahead. With developing technologies and increased automation, government policy needs to adapt in order to respond to potential disruptions in the labour market. An ongoing basic income program is one means of managing market disruptions on an ongoing forward basis, from automation to pandemics alike.

Background

Government policy needs to adapt in order to respond to potential disruptions in the labour market.

In recent months, the COVID-19 impacted Canada, resulting in unforeseen economic disruption. Statistics Canada reported an unemployment rate of 13.7%, the highest in more than four decades of comparable data. Over this period of market disruption, three million jobs were lost across Canada, and about 2.5 million more Canadians had their work hours reduced (2).

In response to this market disruption, the Government of Canada introduced the Canada Emergency Response Benefit (CERB), which gives financial support to Canadians affected by COVID-19. Canadians earning less than \$1000 a month were among those eligible to access CERB funds, which offered eligible applicants \$2,000/month. As of June 2020, four months into the program's existence, the Government of Canada received 15.4 million applications from 8.4 million unique applicants (1).

Canada's CERB program was created mid-crisis. An ongoing basic income program is one means of managing market disruptions on an ongoing forward basis, from automation to pandemics alike.

In 2017, the Government of Ontario selected three cities to take part in a three-year basic income pilot project. However, the program was cut short and evaluations were not completed as planned. To account for this potential loss of policy insight, the Hamilton Community Foundation funded a study by McMaster University and Hamilton Roundtable for Poverty Reduction to assess the effects of basic income on the lives of recipients in Hamilton, Brantford and Brant County. The results of this 2020 study showed that nearly 80% of respondents reported feeling more motivated to find better paying jobs while receiving basic income support, "dispel[ling] the view that giving

individuals a basic income will lead to their withdrawal from the labour market” (pg 12) (3).

A fulsome, completed basic income pilot project would serve evidence-based policymakers, by helping governments understand and confirm whether basic income payments:

- Influence recipients’ socio-economic outcomes, their participation in the labour market, and/or their uptake of education/training opportunities;
- Alter participants’ use of existing social and/or income redistribution programs;
- Lead to an increase in entrepreneurial activity.

Recommendations

The Canadian Chamber of Commerce urges the Government of Canada to:

1. Create a Basic Income pilot project and thoroughly examine its results upon completion.
2. Assess the potential costs, benefits and outcomes of a nationwide basic income social assistance program.

Sources

1. <https://www.canada.ca/en/services/benefits/ei/claims-report.html>
2. <https://globalnews.ca/news/7029601/canada-may-unemployment-rate/>
3. <https://labourstudies.mcmaster.ca/documents/southern-ontarios-basic-income-experience.pdf>