



RECONSIDERING A GUARANTEED ANNUAL INCOME: LESSONS FROM *MINCOME*

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The idea of a Guaranteed Annual Income (GAI) has received a lot of media attention lately. In the Netherlands, the City of Utrecht recently announced it will run a social experiment beginning in January 2016 to determine whether introducing a basic income makes people happier.¹ Some thirty other Dutch towns are watching with interest. Limited to welfare recipients, the program intends to reduce poverty while eliminating the complicated and degrading bureaucracy associated with current programs. The Swiss will vote on basic income in a 2016 referendum.²

In Canada, Joseph Ceci, Alberta's Finance Minister, proposed a guaranteed income while campaigning last year, and the mayors of Alberta's two largest cities, Naheed Nenshi of Calgary and Don Iveson of Edmonton, have made similar proposals.³ Several social activist groups in the province of PEI are planning a pilot study⁴, and medical officers of health across Ontario recently called on the provincial and federal governments to introduce a GAI.⁵

This broad group of advocates has been drawn to the simple and very old idea of a GAI by the recognition that poverty costs us all deeply. Not only does poverty reduce quality of life and hinder the life chances of its victims, it drives up provincial and federal budgets for everything from healthcare to special education to social support payments to criminal justice. Valerie Tarasuk and her team published research in the *Canadian Medical Association Journal* that linked food insecurity to higher use of health services.⁶ In a related podcast, she echoed Herb Emery's claim that a GAI could put food banks out of business.⁷

This is not the first time the idea of a GAI has been considered in Canada. In the 1970s, the *MINCOME* project was conducted in Winnipeg and in the town of Dauphin Manitoba to test the feasibility of the idea. The project was a victim of political changes at both the federal and provincial levels; it ended in disarray with no final report and no significant analysis of the boxes of data collected from participating families. A few years ago, we unearthed the data and began the long process of trying to determine the effects of *MINCOME*. Did it make lives better for its participants?

I. THE BACKGROUND TO *MINCOME*

The 1960s and 1970s were a time when many of Canada's social programs were re-examined and made more liberal. This was the time when universal health insurance and CPP were introduced, and disability pensions and Unemployment Insurance were made more generous. It was a time when the extent of poverty among seniors was being recognized and the limitations of welfare were becoming apparent.

In part, this was an extension of similar changes occurring in the US. In the wake of the civil rights movement, many Americans were becoming aware of the extent of poverty in particular geographic areas and among racialized population groups in particular. As part of President Johnson's war on poverty, four Negative Income Tax (NIT) experiments were conducted in the US. *MINCOME* was the Canadian counterpart to these US experiments.

As in the US experiments, the GAI works like a refundable tax credit. If someone has no income from any other source, they will receive a basic entitlement. As earned income increases, the benefit declines but less than proportionately. Consequently, low income earners receive partial benefits so that they are not worse off than they would be if they quit their jobs and relied on income assistance. There is always an incentive to work, and people who work are always better off than they would be if they did not work.

The NIT experiments in the US and *MINCOME* in Canada were conducted to determine what the effect of offering a GAI would be on work effort. Would people quit their jobs, driving up the costs of the program and damaging productivity? While the idea of a GAI has been supported by economists and social welfare theorists from the political left and right – everyone from Milton Friedman to former Governor General and NDP Premier Ed Schreyer – the public feared the consequences of giving money to people without a work requirement. These experiments were therefore largely intended to respond to public concern about runaway costs and work disincentives.



Manitoba's NDP Premier Ed Schreyer

II. THE INTRODUCTION AND DEMISE OF *MINCOME*

When the decision was made by the federal Department of Health and Welfare to conduct a pilot study to test the feasibility of *MINCOME*, the province of Manitoba was a ready volunteer. The newly elected Ed Schreyer was the first ever NDP premier of the province and his cabinet was made up of very young and enthusiastic advocates for social justice. They worked well with the Trudeau Liberals in Ottawa, and the project was introduced in Winnipeg and Dauphin with the federal government picking up 75% of the costs, and the province the remainder.

Winnipeg was treated in the same way as all the US sites. A small proportion of the total population was chosen to participate, and matched controls were allocated to the existing set of social programs. Most Winnipeggers were not participants, and participants knew and interacted with one another only by chance. In Dauphin, a different model was tested. Everyone who lived in the town of 10,000 at the outset of the experiment was offered the same guarantee: if they had no income from any source, they would receive approximately 60% of the Low-Income Cut-off (the unofficial poverty line). As their earned income increased by one dollar, benefits would be reduced by fifty cents until they disappeared entirely. A control group of individuals who completed various surveys but did not receive support was selected from nearby communities.

As the program unfolded, it was overtaken by unforeseen events. Oil price shocks in the 1970s led to runaway inflation, high interest rates, and unemployment at levels not previously seen. Worse, the economic tools that had always allowed the federal government and the Bank of Canada to manage recessions and inflation seemed to have stopped working; attacking inflation worsened unemployment, and addressing unemployment led to higher prices. These events had both direct and indirect effects on *MINCOME*. First, payouts to the families were indexed to the cost of living and rose with the inflation rate. The budget of the project, however, was struck in nominal dollars and did not increase. Worse, conducting the project in the pre-internet era meant that legions of keypunch operators, statisticians, interviewers, transcribers, and researchers were employed – all for wages that

increased with the cost of living. Second, the unanticipated high levels of unemployment meant that more families were seeking more assistance than anticipated.

When *MINCOME* researchers went to the provincial and federal funders seeking budget increases, they found a federal government with its attention more focused on factors other than poverty. Provincially, matters were worse. In 1976, the Schreyer government fell to the Sterling Lyon conservatives whose priorities did not include bailing out an NDP project. The project struggled along and researchers were told to ‘archive’ the data for later analysis. Payments to the families continued as promised, but the research stopped.

When the project ended, the ‘data’ – cardboard boxes full of interview scripts, responses to questionnaires and so on – were locked in an office suite paid for by the federal government. Custody of these data was unclear; they changed hands several times and, by 2005, their fate was unknown to researchers.

III. RECOVERING INSIGHTS FROM *MINCOME*

Shortly after the project ended, a few entrepreneurial scholars at the University of Manitoba managed to borrow some of the data long enough to construct a data tape of labour market outcomes for Winnipeg participants. They found, as did the US researchers, that there was little reduction in the number of hours worked as a response to the introduction of a GAI. Two groups did reduce their hours worked – married women who used the GAI to ‘buy’ themselves longer maternity leaves, and ‘young, unattached males’ who reduced their proportionate work effort substantially.⁸

The original paper data, most of which had never been digitized, languished in cardboard boxes that shifted between custodians until they came under the jurisdiction of the National Library and Archives Canada and were housed in the Winnipeg regional office. When these data were accessed in 2006 in the hope that they might yield important new insights about the impact of a GAI in a high-income country, it soon became clear that data mining would be impossible without substantial long-term funding. However, progress in data infrastructure since the 1970s offered new opportunities.



The City of Winnipeg experimented with *MINCOME* in the 1970s

“During MINCOME, grade 12 enrollment in Dauphin soared to the extent that in 1976 grade 12 enrollment exceeded 100%; previous dropouts were returning to high school to graduate.”

MINCOME had been conducted entirely within Manitoba and that province had a universal health insurance scheme fully operational by 1971. In order to administer that scheme, the province constructed a database that recorded virtually every interaction of Manitoba residents with the healthcare system. In the early 1970s, that system was limited to hospitalizations, medical care accessed through physicians and demographic and residential information on all individuals insured under the scheme that was updated every six months. Over time, additional databases were linked at the level of the individual to these original data so that today, well over a hundred databases, some with data back to 1971 and others of more recent origin can be accessed in an anonymized form by researchers with approved projects.

These administrative databases made it possible to determine who lived in the test site of Dauphin Manitoba at the beginning of the experiment which determined eligibility to participate. The wealth of data also made it possible to construct a matched control group based on age, sex and family characteristics that lived in similar communities and were therefore not eligible to participate in *MINCOME*.

Two primary questions drove this research:

- 1) Were families that lived in Dauphin (and were therefore eligible to participate in *MINCOME*) healthier than their matched counterparts who did not participate; and,
- 2) Were children more likely to stay in school if their families participated in *MINCOME*?

The results were striking.⁹

Before *MINCOME*, Dauphin residents were 8.5% more likely to be hospitalized than their matched counterparts. By the end of *MINCOME*, the hospitalization gap had entirely disappeared. When we looked for the causes, we found that the biggest drops were in two categories: “accidents and injuries” – a large category that accounts for a large portion of acute hospital admissions – and “mental health.” A similar pattern emerges for visits to family doctors, but here only complaints with a strong mental health component were significantly affected.

We cannot determine from the data why these categories were most affected by a GAI, but a little empathy leads one to imagine how life would be less stressful for low-income families promised a GAI, who might suffer less from all the consequences of trying to live a healthy and satisfying life with too few resources.

One of the most salient findings of this research related to investment in education. Recall that the early labour market work found that “young, unattached males” substantially re-

duced the number of hours they worked. Interviews with men who were high school students suggested a possible cause. It was widely reported that young men living in low-income families felt considerable family pressure to become self-supporting as soon as feasible so that scarce resources could support younger siblings. As a consequence, many dropped out of high school before graduation.

Data were divided between high schools in Winnipeg, those in Dauphin and those in rural Manitoba. If nothing happened to the underlying population figures (and little did until 1980) and all grade 11 students continued into grade 12, this bar would reach 100%. The higher the dropout rate, the lower the bar. Before 1974, dropout rates were higher in rural Manitoba than in Winnipeg and there was virtually no difference between Dauphin and the rest of rural Manitoba. During *MINCOME*, grade 12 enrollment in Dauphin soared to the extent that in 1976 grade 12 enrollment exceeded 100%; previous dropouts were returning to high school to graduate. After *MINCOME* ended, grade 12 enrollment dropped to its previous levels consistent with the rest of rural Manitoba.

IV. LESSONS TO TAKE AWAY

Imagine the differences in life chances for a young man who completed high school in the mid-1970s and one who did not. The former had his choice of good, permanent work; the latter would strive for a living in farm labour or manufacturing – both reasonable places to work in the 1970s. Subsequently, however, employment in these sectors has grown increasingly precarious, and wages have lagged. The effects of opportunities available to a young person would affect not only the entire life course of that individual, but the opportunities available to his family as well.

Imagine the difference a GAI would make to a low-income family. It is an insurance policy against the unforeseen – illness, disability or layoff would no longer be financially crippling. Families could look beyond just putting food in the bellies of their children and contemplate long-term investments in education and training.

In strict financial terms, the program is worth examining. In Dauphin hospitalizations fell by 8.5%. In 2014, hospital care cost Canadians \$63.5 billion. Provincial income assistance schemes do not come cheap; in addition to the financial transfer to families, an extensive administrative bureaucracy must be financed. Poverty costs its victims, and all of us, dearly. Not only does it shorten lives, it drives up the costs of everything from special education to criminal justice.

MINCOME ended in financial disarray because of political and economic upheaval. It is, perhaps, fitting that the success it had in improving quality of life is being re-examined in the context of equally troubled times.



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