Guaranteed Minimum Income

concept of the guaranteed minimum income means that the state ensures that all of its residents are guaranteed a basic minimum income each year below which the income of no person should be permitted to fall. This does not mean that there should be a uniform income floor for everyone, for the concept envisages that the guaranteed minimum should be related somehow to the amount of income needed to purchase a minimum standard of living. Accordingly, the income floor can be varied to take into account differences in family composition and differences in relative need, depending on whether individuals or families are living in a high cost or low cost area and whether they are living in a rural setting or an urban area or a large metropolitan area such as Montreal or Toronto.

The concept of a guaranteed minimum income is a very intriguing concept and has stimulated considerable interest in recent years in Canada, the United States, the United Kingdom and elsewhere. The use of the guaranteed minimum income technique has been advocated by many people in all walks of life, representing both the right and left in our social and economic thought. Some are opposed to social welfare and see the guaranteed minimum income as a better alternative to the present mixture of social security programs, and one which will provide what they consider to be a more realistic system at considerably less cost. I must say that this is the thought being expressed in motion No. 31. However, at the same time, when we were debating back in December the old age security amendments and the amendments to the Guaranteed Income Supplement, it was widely reported by people in the Department of Finance that the guaranteed annual income system, even at the poverty line level established in 1967 by the Economic Council of Canada, would cost an extra $2 billion to be raised out of taxes from the general population. However, others regard the present social security system as inadequate and wish to have income support considerably expanded and extended. Still others see the guaranteed minimum income as a simple, efficient and final solution to providing income support to people in need. Most of us think of this as a new concept.

The concept of the guaranteed minimum income is not a new one. A scheme of guaranteed minimum income was used in England from 1795 to 1834 to subsidize the wages of agricultural workers in that country. The poverty of agricultural workers was serious, and no relief was possible under the Poor laws because they provided relief only to the sick, the disabled, the widowed, the aged and the destitute, but not to workers who were poor. The authorities were very concerned about the stories of violence among the peasants in France during the French revolution and tried to find a remedy. The solution became known as the Speenhamland system. In 1795, a group of magistrates met at Speenhamland in Berkshire and decided to make up the wages of agricultural workers to a subsistence level which depended on the cost of bread. They drew up a scale by which each poor and industrious person should receive enough income support to bring his wages up to three shillings a week for himself and one half of this amount for each other member of his family. This was at a time when the cost of bread was one shilling. As the price of the loaf of bread increased, the guaranteed minimum was increased accordingly.

This system, which became known as the Speenhamland act or system, was adopted by one county after another until it covered most of England except for the extreme north. The system had many unfortunate results. Wages were kept low, employers had little incentive to raise wages when they were being subsidized under the Speenhamland system. All workers, productive and unproductive alike, were treated on the same basis, and there was little incentive to work hard because all received the same wage regardless of work effort. Many people objected to the system because it was said to make workers improvident and lazy. Others contended that the system encouraged large families. The rates were inadequate to support a minimum living standard because they were based on the price of bread and not on total needs of families. These other needs increased relatively faster than the price of bread, and the allowances no longer provided a minimum level of subsistence. Finally, the cost of providing this subsidy became so heavy in the latter part of the period that the allowances were reduced and became less and less adequate in relation to the cost of living. The system was finally abandoned in 1834.

The concept lay dormant for many years. In World War II, a guaranteed minimum income was proposed for England by Lady Rhys-Williams. Her scheme proposed a universal payment or social dividend to everyone in England, provided for recovery of this payment from persons and families in the higher income classes through the income tax system, and suggested that the welfare system as it existed then be replaced by the social dividend.

An approach similar to the scheme proposed by Lady Rhys-Williams was suggested for Canada by a Canadian industrialist, D. B. Smith, in the Canadian Tax Journal in 1965. Under his approach, which he called "a simplified approach to social welfare" he suggested a social dividend payment of $1,000 for every adult over 21 years of age and $200 for every person 21 years of age and under. Smith reasoned that the Canadian welfare system could be rationalized by adopting his approach and eliminating present welfare programs and other income support measures. The cost of the scheme, $12 billion, would be financed by a special 40 per cent tax on personal income, while other government services would be financed by other taxes.

• (5:20 p.m.)

The approach suggested by Lady Rhys-Williams and D. B. Smith is what is known as the social dividend approach to the guaranteed minimum income. Under this approach a payment is made to all persons in the country, which may be differentiated by the age of the recipient or by some other factor, depending on the purpose and function to be served by the scheme. The financing of the costs involved would be carried out using a tax on income. The tax rate could be flat, or there could be