

## **LESSONS FROM MINCOME:**

### **TOWARD A SUCCESSFUL BASIC INCOME PILOT IN ONTARIO**

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Ladies and gentlemen: I would like to begin by thanking conference organizers for their invitation. Being here is a bit like coming home, as several centuries ago I had an adjunct appointment on the Faculty of Social Work, teaching a course on social policy.

I originally intended to speak this morning about the life and times of the Manitoba Basic Annual Income Experiment (“Mincome” for short), as no full history of it exists. But on February 25<sup>th</sup> of this year, Ontario Finance Minister Charles Sousa, in presenting the provincial budget, announced that the government was to undertake a pilot project testing a “guaranteed basic income.” He further said the province would decide whether to make a basic income program permanent, on the basis of this pilot. That presumably makes the outcome of this test extraordinarily important for the future of this idea in Canada.

Incidentally, responsibility for the project’s development has been placed in the Ministry of Community and Social Services, Social Policy Development Division. MCSS is the Ministry responsible for social assistance. My first thought, drawing on Mincome experience, was that no one should equate government willingness to test the concept, with equal determination to implement a real program. My second was to admire their willingness to innovate.

Before he spoke to the pilot, Minister Sousa announced a series of improvements to social assistance. This referenced “...a clear consensus on the need to move policy considerations beyond social assistance rates to include aspects of the broader income security system.” This pilot is expected to “inform the path to comprehensive reform.” Perhaps these are hints of a willingness to use basic income as a means to restructure provincial income support.

I am going to draw upon my experience with Mincome to offer a few observations that may be of value to those now planning the new Ontario test. Please note that my time with Mincome began 44 years ago. Further, the time available this morning requires me to omit a great many important topics. These observations are made from the perspective of a friendly witness to basic income history, more than as an advocate for any particular future answers.

## **I. A FEW CRUCIAL DECISIONS TO BE TAKEN EARLY**

My five years with Mincome began, as with many a good short story, with a telephone call. In the summer of 1972, I was sitting in my office in the Political Science Department at the University of Winnipeg, when I answered the phone and a voice said: "This is Ed Schreyer. I'd like you to come over to my office, now if you are available." I had been in Canada and Manitoba for but two years, coming from New York State where Nelson Rockefeller (that state's Governor) had never called me up, or even sent a brief post card. Believing it to be a joke, nevertheless being ever the optimist, off I went down Memorial Boulevard to the provincial legislature. It was no joke, as Premier Schreyer's secretary, Dorothy Corney, explained. So in I went.

Ed Schreyer quickly asked me to go to Ottawa to complete negotiations on a federal-provincial cost sharing agreement for an experiment with a guaranteed annual income. The feds were prepared to pay 75 percent.

"But I know nothing of GAI," I protested. This was not a problem, the Premier explained, as he had already hired an economist from the University of Manitoba, Michael Laub by name, who was an expert. So off to Ottawa Michael Laub and I went. (My debt to Michael, incidentally, was and remains, immense. Sadly, this fine person was taken by cancer four years ago.)

Looking back, we were lucky. I reported directly to Premier Schreyer, a political scientist himself who had taught at the U of M. He had an excellent relationship with the Hon. Marc Lalonde, the federal Minister of Health and Welfare, who was a close confidant of Prime Minister Pierre Trudeau. Thus, the experiment began with the strongest possible political support from both governments.

Sadly, this did not last for the duration of the experiment. In my Mincome files is an article from the Thursday February 5<sup>th</sup>, 1976 issue of The Winnipeg Free Press. It quotes Minister Marc Lalonde as saying "...he expects federal-provincial agreement on a guaranteed income system before the summer." This came at the end of a two-day federal-provincial welfare conference in Ottawa that I attended. Minister Lalonde further announced "...that the provincial governments should administer any guaranteed income program, even though Ottawa would shoulder most of the costs." One year later, that hope was gone; and it has not yet returned.

Michael and I had written and finished the Mincome project research proposal, with the assistance of others, including federal colleagues and aided by stellar work from Tom Atkinson and associates at York University. Then, with the financial arrangements, a division of responsibilities between Canada and Manitoba and the research design finalized in principle, I was asked to take on putting the necessary research organization together and managing the project. Mincome was, so far as I am aware, the largest controlled social science experiment undertaken in Canada. There went five years of my life.

Drawing on what these years taught me, here is what I would suggest to the Ontario government. First, if you have not already done so, establish a process by which a firm political and public policy framework can be put in place. This should include fundamental choices about the central policy objectives and the principal means to achieve these. A strong and stable frame within which subsequent major decisions and actions can take place is imperative. This stable context is necessary if the test is to minimize false starts, confusion, extra costs, lost time and avoidable conflicts.

Elements of this framework should include:

1. A decision on whether to join with one or more other governments, Canada or other provinces such as Québec, in this undertaking. There are pluses and minuses on both sides of this question; and the implications of either answer are immense. Though too complex and numerous to summarize here, I will mention two. Going it alone reduces the number of voices that must be taken into account when making big decisions. But it can also place the entire cost of the test on one government and reduce the number of existing income support programs that can be seriously examined for potential replacement—and thus the savings to help pay for a new basic income program.
2. Next, specify with clarity the paramount objectives to be achieved by an actual basic income program. Is the initial program universal or only for demographic groups with particular needs? What questions (when they have valid and reliable answers) will enable the Government of Ontario to make a final and firm go/no-go decision on the intended program? Do these lie fundamentally with administrative effectiveness, cost efficiency, or behavioral changes and collective social outcomes? If behavioral changes are sought, what kinds and how much? Are there other aspirations, such as moderating the rate of increase in demand for and the cost of physical and mental health care, or increasing individual investment in educational, human capital development and labour force attachment?

Whatever the answers, those objectives must influence subsequent decisions about the choice of type or types of income transfer program you will examine. Basic income is no one thing. The range of potential design and delivery choices is very large. Is eligibility to be conditional? If so, on what will this depend? Which factors, if any, will payments be adjusted for etc? The selected delivery structure format should be tightly aligned with the primary social objectives to be attained.

3. What scope and extent of income support reform do you wish to undertake? Specifically, do you intend to add a basic income program on top of the set of existing programs? Will any of these be modified by or even replaced completely with a basic income? Do you wish to use basic income to more fully and effectively integrate some or all existing income support programs? Each one of these is possible, on its own or in combinations. What is to happen to non-cash benefits?

4. The cost of the project will be affected by and must reflect these decisions; as well as the one on project duration.

5. Does an administrative efficiency pilot, a full-blown controlled social science experiment or something in between most fully suit the above objectives?

6. The answers to these questions will affect the degrees of political and financial risk you must accept. Conscious and sustained decisions must be made and then fully accepted by senior politicians.

7. With these decisions in hand, it will be time to make what are in some ways the most complex and significant decisions of all: the detailed design of the particular form of test or tests you have selected. If you opt for a form other than a demogrant, there can be at least 20 separate but more or less equally fundamental elements to be decided upon. Crucial questions could include: income support levels; the definition of earned income; the inclusion or not of net worth; family definition, family size adjustments in guarantee rates, the accounting period and method; and income verification procedures.

A decision of immense importance is how the data are to be collected. Will they come from a dispersed or random sample or samples? Will you have a saturation site or sites? What will be their sizes, number and geographic locations? Mincome's experience is that, probably because it more closely resembled a real program, news media then largely ignored the dispersed samples in Winnipeg and our many rural locations; and concentrated almost exclusively on the Dauphin saturation site.

My personal view is that for this and several narrower research considerations, one or better even two saturation sites would be a beneficial component of either an experiment or an administrative pilot. Completing a successful saturation test could also be justified as a more realistic and publically reassuring preparation for the real thing.

8. All these decisions must also be assessed from the perspective of their impacts on data quality. Quality standards must be carefully established, the cost accepted and effectively and expertly enforced for the life of the project.

9. How is the necessary research capacity for the type of test selected to be acquired? There are several options. This agency can, as with Mincome, be built within the government. If so, effort must be made to separate it from the day to day administrative and political affairs of that government. All Mincome employees were

hired on contract. None were public servants. We had our own buildings, including a headquarters in downtown Winnipeg, apart from any government premises.

The Ontario government could opt to retain active oversight or direct project management, while contracting out some or all of the operational and research tasks. Obvious candidates for out-sourcing include IT, payments, survey research, data analysis and research program design and conduct. Mincome opted to do all of these in house, though we did briefly investigate contracting with Statistics Canada for sample surveying, before rejecting it on cost grounds.

It took me more than a year, after hiring myself as the first employee, to create a 120-person research organization. The eight main divisions were:

- management and policy;
- headquarters administration and personnel;
- information technology;
- data collection design and quality assurance;
- survey administration;
- field offices;
- payments; and
- most importantly, research. (A simplified organization chart of Mincome is available.)

In putting this organization together, I was greatly assisted by several of the then-essentially completed US experiments. These included, most importantly, the Institute for Research on Poverty at the University of Wisconsin (Madison), which managed the New Jersey experiment, and people experienced with the Denver and Seattle experiments. We benefitted from the full-time personnel we were able to hire from the US experiments, as well as consultants bringing endless good advice. This continued through the life of Mincome. The government of Canada and two people permanently assigned to us were invaluable and congenial.

However, the time required to create this body, the cost of set-up, the effort to manage the resulting and evolving organization, and the endless issues this generated, tend to underline the advantages of arrangements with an existing institution. This could be a university with a strong research record, possibly assisted by specialists in areas such as personnel management, payments calculation and delivery and IT. This seems to me a course worth sober consideration before making a final decision.

10. Finally, the questions of who does the data analysis, and who writes and puts their names on the final report, are decisions that should be made early on, publically announced and stuck to, to avoid any hint of excessive political or governmental influence in the findings. This again points to the benefits of the government, at the start of the process, contracting with an outside institution such as a reputable university or research firm, to do both analysis and report preparation.

The closer and the more interactive and informed are the early discussions and debate between elected representatives, their advisors, and outside experts, the better and more long-lasting these decisions are likely to be. Much of this Mincome got right, while some, inevitably, we did not.

## **II. A FEW THINGS OF WHICH TO BE AWARE**

In preparing this section, I was reminded of the medieval cartographer who marked his maps of distant lands and oceans: “Beware—Here Be Savages, Here Be Dragons.” So here are a few cautions about avoiding monsters, human and otherwise.

1. **BUDGET:** In assembling the budget, make it big enough and then add extra for surprises. There will be some; and they can be expensive, both financially and especially politically. And very embarrassing. Not needing to go back to the sponsoring government for more money is vital. Exceeding the initial allocation will inevitably be interpreted by news media as an indication of the potential for uncontrolled cost overruns in an actual program itself.
2. **DURATION:** It will be expected that the government announces the length of the pilot at the start. Failing to finish on time will be taken by opponents as proof of the unmanageable nature of the concept and the practice of a basic income guarantee. Finish on budget and on time; and all should be well. Then keep in mind that getting any serious pilot up and running can take 12 months or more from the day you start. Assuming any test will run at least 2-3 years, this places the test completion and report production well into the term of the next government. Premier Wynne’s current term is presumably up in 2018. It could be 2020 or 2021 before the test and report would be done and a final decision made on program implementation. Four to five years from now, will the public be more or less interested in basic income?
3. **EXPECT THE PILOT TO BE MISUNDERSTOOD:** Administrative pilots and especially controlled social science experiments are not naturally compatible with the world of electoral politics. Such trials are complex and both their very nature and the inevitable mistakes can and will be exploited for political and ideological reasons. For example, in Manitoba, a close relative of Premier Schreyer wrote critically of the cost of Mincome when distributing money, failing to note that an actual program would not bear significant costs such as regular and extensive surveying, salaries for a large number of social scientists and research assistants and related research costs. News stories questioned virtually every aspect of the experiment. Some in the news media did not care to be reminded that experiments are called experiments because no one knows with certainty beforehand what will happen.

4. **CONCERN FROM THOSE NOW HAVING INCOME FROM EXISTING PROGRAMS:** This began even before our first payments went out. People already in receipt of OAS, veterans' allowances, worker's compensation, disability and other payments worried loudly and publically about losing "their own" dedicated program and being rolled into a new, larger one that did not reflect their unique claim on support. This was, from their perspective, an entirely legitimate concern. But answering it called for a public policy decision, one not answerable by me or my research colleagues. And we never got a definitive answer from the politicians at either level of government, in part perhaps because any answer might have seemed to assume a final decision about the ultimate form of any basic income program. Ontario can expect to hear similar concerns, early and often.
5. **INCOME DOMINATION:** The rules of negative income tax payment models are relatively simple compared to public assistance: income definition, support level and tax rate can give you a payment calculation. Would payments under this form of basic income always be at least as high as or even higher than any existing programs basic income might replace? Without making explicit provision for individual case adjustments, insuring that in practice is virtually impossible. And introducing special exceptions violates one of the main attractions of the negative income tax model: its comparative simplicity, enabling lower administration costs. Even the potential for a few benefit "losers" could take some shine off the basic income rose. If basic income is to replace even a single existing program, an early and very public answer to the question of potential losers would be beneficial.
6. **NEW RESEARCH QUESTIONS:** We were bombarded with these, sometimes along with full-blown research proposals and methods, and by more than a few applications from would-be players from several academic disciplines. Any significant alterations of the research focus, once data collection has begun, could be damaging. This concern may buttress the argument for a pilot, not a full-blown experiment.
7. **SAMPLE ATTRITION:** We were warned about this early on by the experienced people at Wisconsin; it had happened to them and they were right. It happened to us too. This was marked among the controls, people who only answered questionnaires, for which they were paid a small amount. After a time, and after reading about other people getting monthly income supplementation cheques, some began to decline answering. The survey forms could be quite long and asked a lot of family details. I made an attempt or two to increase the payments to them to no avail, especially as the previously-favorable policy environment was by now beginning to move against the very concept of basic income.
8. **EVOLUTION OF THE POLICY ENVIRONMENT:** Mincome began against the background of half a dozen US experiments conducted by some of the best universities in the

nation. As now, basic income was in the wind. Even Richard Nixon, aided by Daniel Patrick Moynihan, had tried to get a basic income bill through Congress. Then there was a long list of favorable Canadian reports: the Croll Commission and the Castonguay-Nepveu Report, and the analysis of welfare's weaknesses by Professor Clarence Barber of the University of Manitoba, among many others. Parallel with Mincome, federal minister Marc Lalonde initiated the federal-provincial Social Security Review. All contributed to creating awareness and building public support.

But then this atmosphere began slowly to slip away, influenced by many factors including the greater than anticipated cost of federal expansion of unemployment insurance, and a federal deputy Minister of Finance who did not favour substantial and uncertain new financial commitments. Political cycles are shorter than the time required to plan and complete a serious social science experiment. This reality should have weighed more heavily on the minds of those setting the parameters of the new test, including me.

9. The longer a trial goes the greater the probability of a negative turn in the policy environment. In the case of Mincome, the long shadows cast by the growing likelihood of changes in government, both provincial and federal, had their effect. The degree of public and media interest in and sympathy for big social transformation ideas wax and then wane. Mincome's principal research focus was on labour supply and related questions. Today wage stagnation, loss of manufacturing jobs, increasing income inequality and precarious employment has pushed this question somewhat into the background. There is no reason to suppose policy evolution will stop.
10. FRAUD: Beware of this possibility and make an early decision to establish appropriate barriers against it. Even one publicized and substantial theft of public money could irreparably harm any test. It would be sound to both establish and call attention to means to prevent same, well before any successful attempt. Fortunately, Mincome had no such events.
11. INCREASE IN AVERAGE PAYMENT SIZE IN THE OUT-YEARS: Understand that this is an item the media will cover. And if an economic or labour market down-turn results in decreased employment and increased support costs, the test and basic income will be blamed. This can also create growing project budget pressures. If these were to coincide with even one bad fraud case, the light could begin to fade.

### III. A FEW FRIENDLY SUGGESTIONS FROM AFAR

1. In creating an overall framework, as mentioned at the start of these remarks, a good start would be to involve lead government ministers consulting first among themselves. Then, continuing this in a highly interactive fashion with chosen experts, to create the political and public policy framework for defining the central questions that must be reliably answered and in hand before Ontario will be enabled to make a final decision on initiating some form of basic income program.
2. Sharing this framework, in draft, with the people designated to manage and conduct the test and giving them opportunity to comment, would contribute to a good fit between policy and implementation. On the basis of this document, a detailed research proposal could then be developed and submitted by professional staff, for approval by elected representatives and senior advisors. This is essentially what happened with Mincome.
3. This completed and approved framework, in summary form, should be made public and questions taken from the news media. Part of this should include a firm commitment to a final report to be published, with a rough due date, details about how it will be prepared and the qualifications of any institutions and people involved. These are vital steps for project and report authority and integrity. Preparing the final report in-house would almost certainly diminish its legitimacy and credibility, making any decision to build an actual program politically more challenging.
4. Firmly commit to public written updates, with supporting data, at regular intervals during the full life of the project. The existence of such a schedule, if made public and stuck to, would make it easier for the responsible officials to decline to offer a running daily narrative on how the project was going—something to be avoided.
5. Stringently protect the identity of all the people receiving income payments, as well as any controls answering questionnaires. Do this by legislation or some other legal instrument, and make this fact known to the news media early on in the project.
6. In speaking publically of the benefits of a basic annual income, avoid overselling. There are numerous benefits to be had but there are also design, cost, and implementation challenges and skepticisms to be overcome. Basic income is not a panacea for all social problems and it will not usher in utopia, end tooth decay or cure teenage acne. Acknowledging this would be beneficial.
7. Consider using up-to-date digital tools to provide questionnaires to recipients, to receive their answers on research questions and to input the data. This should cut

down on data collection costs and the number of surveyor intrusions into family homes, which should in turn reduce attrition.

8. Use the duration of the test to carefully build informed news media, expert and public understanding of what matters the research will illuminate, and what the realistic hopes for any resulting program can be. Listen carefully to your opponents—they may know some things you need to know.
9. Beware of, carefully watch for and act quickly to resolve fissures opening up between project managers, administrators, researchers, payment recipients, interested observers and politicians (especially those living in or near any saturation sites), both in the governing party and in the opposition parties.
10. Make sure that someone in the Ministry has carefully read and summarized for others the results of—at the very least—the US experiments in New Jersey, Denver and Seattle. Opponents will do so and may find fodder for their positions. Put Daniel Patrick Moynihan's book, *The Politics of Guaranteed Income: The Nixon Administration and the Family Assistance Plan*, on the list. If anyone needs more resources, I have a reading list.

Though 44 years have passed, the impact and fate of Mincome have yet to be finally settled. These are tightly intermingled with the fate of the current Ontario and possibly Québec tests. Should the latest projects not succeed and then not lead to an actual program, we will almost certainly not see another test of the basic income concept in Canada in my lifetime or possibly ever. I very much want the tests to work, then more importantly facilitate an actual successful program ameliorating or ending poverty in Ontario and perhaps elsewhere.

Done soundly, this project can have international and lasting significance and, if so, every moment of my five years of hard work on Mincome will have been amply rewarded, and then some. I wish Ontario and Québec well.

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