

# Citizen's Income Newsletter

## August 10, 09.



*I hope everybody is having a nice summer. I wonder if all the CI people who moved to Ottawa are enjoying the weather up there. I hear it is even worse there this summer than in Toronto, and here it has been like living in Vancouver again; wettest I've seen since I moved here.*

*I have had to replace the hard drive on my computer and somehow I cannot get back all the same software I had before. Not that it matters much because I have been planning to get new software that will enable me to do not newsletters but small newspapers, and even produce books. So for now, I will go back to doing it on HTML and then PDFing it. But I will avoid external links. So, it might look a little rough.*

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The greyhound fare both ways will be \$80 per and probably a lot less for group fares. That is, unless somebody with a car would like to drive us all up there. ("Is "all" being optimistic?)

The venue is just a hop and skip from the hostel where me and John stayed when we went to Ottawa in February. That was \$45 each.

contact me at tar@qaz.ca

**Reserve these dates!!**  
**October 1 & 2, 2009**  
**(Thursday / Friday)**

***Income Security for All Canadians***  
***A Workshop to Explore the Potential for a***  
***Guaranteed Income Framework for Canada***

**Location: Dominion Chalmers United Church**  
**355 Cooper Street (corner of Cooper and O'Connor Streets)**

**OTTAWA, Ontario**

**Organized by:**  
**Basic Income Earth Network (BIEN) Canada**

*Featured Speakers (confirmed so far):*

Senator Hugh Segal, Senate of Canada  
Jurgen De Wispelaere, Editor, *Basic Income Studies*  
Sheila Regehr, National Council of Welfare  
Rob Rainer, Canada Without Poverty  
Mike McCracken, Infometrica  
Pat Evans, School of Social Work, Carleton University  
Chandra Pasma, Citizens for Public Justice  
Jim Mulvale, Faculty of Social Work, University of Regina

**More details are forthcoming shortly. To ensure that you are notified, please contact: [jim.mulvale@uregina.ca](mailto:jim.mulvale@uregina.ca)**

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**somebody e-mailed me...**

Dear xxx

Thanx 4 this.

The quote:

*"Payday loans are an important source of financial assistance for many people in Ontario. We're taking steps to assure consumers of stronger protections while balancing the needs of the industry.*

Ted McMeekin Minister of Consumer Services"

. . . would be better done if the Ontario Libs hadn't rejected the Citizen's Income idea (ouch!).

- as Jim Watson said they had decided to do when the ON Liberal caucus decided when setting up the ON 'Anti'-poverty Act.

I cc in Tim Rourke for his info on that point (which Jim Watson made in response to my question at last week's Ottawa Housing Consultation).

- we/I someone should write him a letter to follow-up on that

## **and I e-mailed back...**

Exactly when did the Ontario Liberals "reject" CI? As far as I know, they have never heard of it yet. tr

P.S. There is really not much point to presenting these ideas to government until we have them much better developed, with a broader movement behind it.

## **'nen e sez...**

Dear Tim

This is the answer that Jim Watson gave us at the Housing Consultation - "When we were thinking about the Poverty Reduction Act, we looked at the Guaranteed Income idea and decided against it." - or some such words.

I'll try to find out more.

**Now, here is the payday loans article that started this. What an attitude! Of course, payday loaners should be plain banned. There was some buzz lately about creating a kind of credit union for low income people, so they can get short term loans at reasonable rates, but that seems to have gone into the black hole.**

## **Payday Loan Users Get Stronger Protection**

June 30, 2009 1:00 PM

## McGuinty Government Balances Needs Of Industry And Consumers

Users of payday loans in Ontario can look forward to new consumer protections starting next month.

The Payday Loans Act, 2008, provides for strong consumer protections, prohibits certain practices and provides for enforcement and prosecution of violations. Starting on July 1, 2009, the following consumer protection provisions will be in effect:

Concurrent and "rollover loans" are prohibited.

- Discounting the loan principal is prohibited - for example, if the loan is for an amount of \$300, the borrower is entitled to receive \$300.
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- Payday loan borrowers have a two-day "cooling off" period in which they may cancel a payday loan agreement with no reason and without incurring a penalty.
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- Payday loan borrowers must receive a written copy of their payday loan agreement which must contain mandatory text about cancellation rights and certain refund rights. The agreement must also set out the amount of the loan, when the loan is due and the total cost of borrowing.
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- Payday lenders and loan brokers must post a certificate of licence visible to persons immediately upon entering their offices.
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On April 1, 2009, the government imposed licensing requirements on payday lenders and loan brokers. It also created administrative monetary penalties to deal quickly and effectively with many infractions under the Act.

Ontario has set a total cost of borrowing cap for payday loan agreements of \$21 per \$100 borrowed, as recommended by Ontario's Maximum Total Cost of Borrowing Advisory Board. It is anticipated that this cap will come into force later this year.

## QUICK FACTS

- A payday loan is a short-term loan for a small amount of money. The average payday loan in Canada is about \$300 for a term of two weeks.
- There are about 1,350 pay day loan storefronts in Canada, with approximately 750 in Ontario.
- Ontario consumers can get payday loans at a storefront and by internet and telephone.

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**the new "Dignity for all" website**

The people in Ottawa, mainly "Canada Without Poverty" and "Citizens for Public Justice" have created a "dignity for all" campaign and web site.

It is to be found at <http://www.dignityforall.ca/> [not a link. Copy and paste it]

dignity for all:  
the campaign for a poverty-free Canada

*I believe that freedom from poverty is a human right.*  
*I believe in equality among all people.*  
*I believe we are all entitled to social and economic security.*  
*I believe in dignity for all.*  
**NOW is the time to end poverty in Canada.**

I SUPPORT

dignity for all:  
the campaign for a poverty-free Canada

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## EI watch: Is unemployment a choice?

By Chandra Pasma | Wednesday, August 5th, 2009 -

There's been some debate lately on both sides of the border about unemployment insurance and its impact on unemployment. The argument centers on whether the generosity of unemployment insurance benefits creates unemployment.

Here's how the argument works. You are an average working person. You have two choices. You can continue to work for income, despite the fact that work is boring and cuts into your free time. Or, you can opt to be unemployed, collecting insurance income and enjoying all of your leisure time. The more money

unemployment insurance offers you, the more likely you are to choose unemployment. Similarly, the longer benefits are available to you, the longer you will choose to be unemployed. Hence, collectively, more people choose unemployment when the benefits are higher.

Now if you are, in fact, an average working person, I'm sure you can identify a few places where this argument departs from reality. First of all, if you do choose unemployment over work, you don't qualify for benefits. So-called "voluntary quits" do not get Employment Insurance (EI) in Canada. You need to be laid off by your employer in order to get insurance. That limits your choice right there.

Second, you can't just cash your cheque and enjoy the good life while on EI. You must be "willing and able to work at all times" and "actively look for work and keep a record of employers you contacted and when you contacted them." Within certain parameters, you do not have the right to refuse a job if it is offered to you.

Third, while there is some truth to the idea that work can be boring and prevents you from enjoying leisure, that doesn't strictly mean that people will not work, given the choice. Most people want to work both because they will generally make a lot more money from work than from EI, and because they get a lot of other benefits from work. On the flip side, unemployment is generally a time of stress and anxiety, not a time of unadulterated enjoyment of leisure.

People are worried about feeding their families, paying their mortgages, and what happens if the benefits run out before they find a new job. Evidence suggests people are happier and healthier when they are employed.

Fourth, this argument assumes that people have no plan for their lives beyond the next 50 weeks of employment benefits. Either that, or it assumes that unemployment has no impact on pensions, benefits, promotions or pay increases at work. Neither assumption is very realistic.

And finally, and most importantly in a recession, where are all the jobs that unemployed people are choosing not to take? Canada has lost at least 400,000 full-time jobs since the recession began last October. Some of that loss has been off-set by part-time employment or involuntary self-employment. However, this loss of jobs can't be blamed on employees thinking that a recession is a great time to be on unemployment insurance.

In fact, the recession has only made an ongoing problem worse. The official unemployment rate in Canada has not been below an annual average of 6% over the past thirty years, regardless of the changes made to unemployment insurance at different times, even when generosity was severely cut. Even during the recent years of the economic boom, unemployment stayed in the 6-7% range. And this official unemployment rate does not include those who are underemployed or working part-time involuntarily because they cannot find full-time work. There are simply not enough jobs for every person who needs one.

Punishing the unemployed because employers do not create enough jobs is unreasonable and unfair. This approach of blaming the victim isn't going to solve any problem. Besides these reality checks, there is also evidence from the research that refutes this argument. This week, Andrew Jackson posted a paper from 1995 on the Progressive Economics Forum which provides an impressive literature review debunking a lot of myths about unemployment insurance. While it is 14 years old, it is still totally worth checking out. Among the highlights, a study that demonstrated that demand for work is highly inelastic: adult men would rather work at a lower wage than not work at all. (Since it was conducted in the 1980s, there were some

differences for men and women. It would be interesting to find out how much that differential has changed since then.)

The paper also provides an explanation for a plank used in the American debate: twenty-year-old research demonstrating that the intensity of job searches increases as people near the end of their benefits. To me, it's not that strange to think that at the moment where the only options are a new job or social assistance, people redouble their efforts to find a new job. Yet there's another element to consider as well. There is also twenty-year-old research showing that for a period in the late 1980s, 80% of the unemployed had a reasonable expectation that they would be recalled by their former employer. The majority of them were, in fact, recalled. So many recipients would not search very hard initially, believing that the recall was imminent. Only when they were nearing the end of the benefits without being recalled would it seem urgent to find new work.

Unemployment insurance seems to bring out all kinds of stereotypes and assumptions. Policy makers need to be sure they are creating policy based on reality, not unfounded and unreasonable allegations.