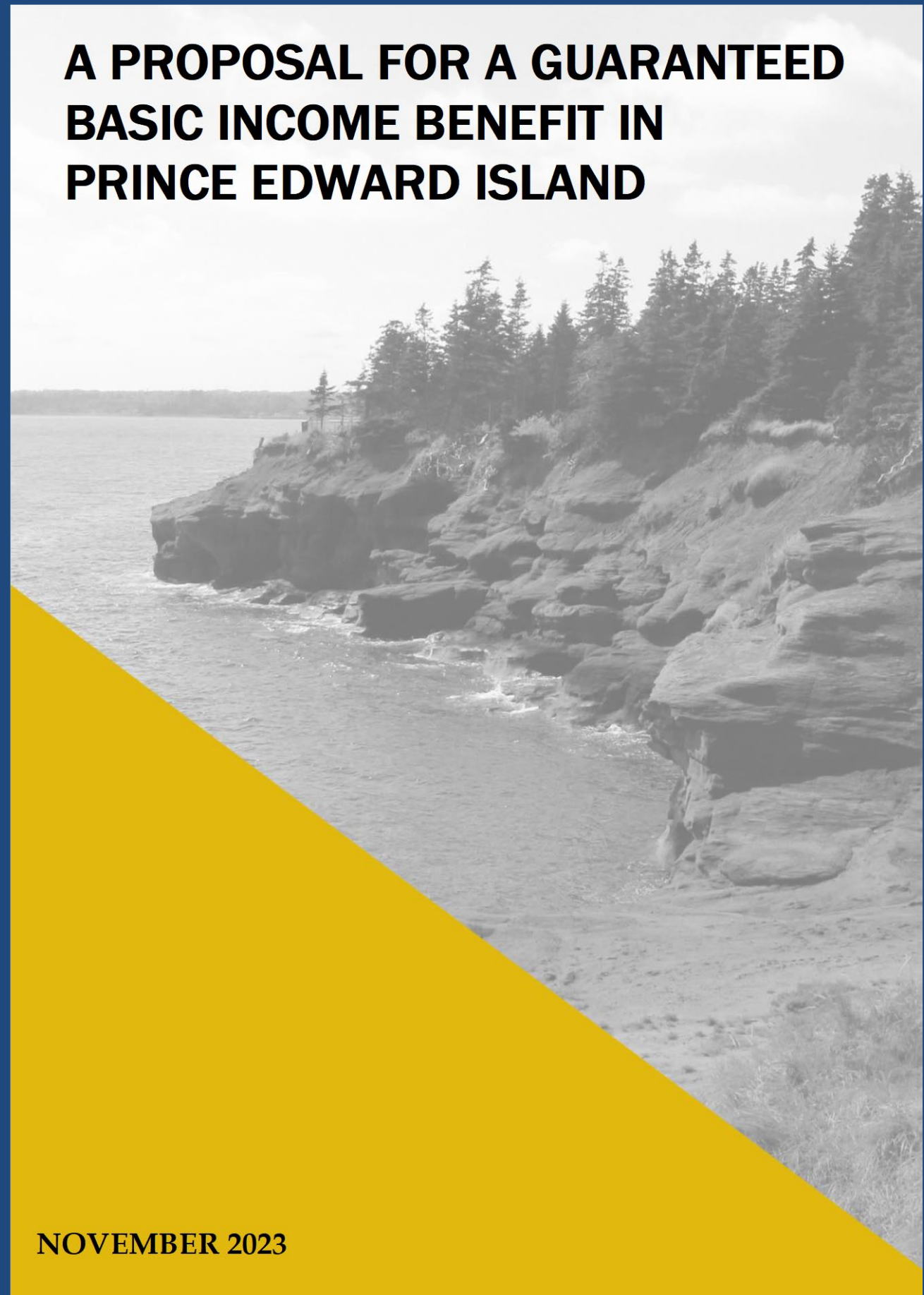


# A proposal for a guaranteed basic income benefit in Prince Edward Island

November 2023



<https://www.gbireport.ca/>

Please note: while I am presenting the information from the 2023 Report on a GBI Proposal for PEI, I do not speak for the team that worked on the project. Please treat all statements and interpretations and information that are not part of the report as reflecting my personal views on the subject matter.

For just under \$190 million per year, poverty in PEI can be (nearly) eliminated with a Guaranteed Basic Income

# Outline of presentation

- 01 Project team & approach
- 02 Design and administration
- 03 Impacts of a new GBI on PEI
- 04 Financing the GBI
- 05 Additional considerations
- 06 Conclusion & questions

# Project approach and context



Special Committee on Poverty in PEI  
Legislative Assembly of Prince Edward Island

Final Report  
3<sup>rd</sup> of the 66<sup>th</sup> General Assembly

Recommendations in response to Motion No. 36:  
Creation of a Special Committee of the Legislative Assembly on Poverty in PEI

- Report from the all-party Special Committee on Poverty in PEI
- Building on Canada's First Poverty Reduction Strategy (2018) and PEI Poverty Elimination Strategy Act (2021)
- Drawing on experience and expertise of:
  - Sitting PEI MLAs and former MPs
  - Provincial & former federal public servants
  - Economists/researchers
  - Basic income advocates

# Project team

## Authors & Contributors

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## Broader Project Team

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# GOALS OF THE PROJECT

- To design a Guaranteed Basic Income scheme for 18 to 64 year olds that eliminates poverty in PEI (MBM, official poverty measure)
- To use The Social Policy Simulation Database and Model (SPSD/M) to cost the scheme and evaluate outcomes of interest
- To develop the work sufficiently to bring the Federal Government to negotiate financing of a “demonstration project” on the island of PEI

# Why involve the Federal Government? Why a Demonstration Project and not a Small Pilot? Why PEI?

- BC Panel on Basic Income (2021) concluded that it makes no sense for province to go alone for tax administered benefit
  - Fiscal capacity of a province too limited for program of GBI scale without major tax reforms
- Demonstration project, not a pilot project
  - BC Panel concluded nothing more to be learned from another pilot project
  - Most remaining questions around GBI require running a program at scale for long enough to evaluate
- PEI is small so cost for a demonstration project running 5 to 7 years not prohibitive
  - but large enough to credibly evaluate the benefits and costs of a GBI



# Guiding design principles

Informed by the PEI Special Committee on Poverty  
Final Report,

- Unconditional income-tested cash transfer
- Adequate benefit to reduce poverty rate
- Administration through the income tax system

Working group additions:

- No changes to federal tax legislation
- No changes to other federal programs or benefits like CCB or EI
- Targeted to low-income families
- **Avoid making low- and middle-income families worse off**
- Limit work disincentives
- Simple to administer

# How would the GBI benefit be administered?

- **Minimum income/NIT (not UBI)**
- **Mixed federal -provincial model of administration**
  - benefit delivery, services to beneficiaries, compliance and verification activities
- **Through the tax system, distributed monthly, updated in July**
  - distributed monthly from July to June based on family's net income in the previous calendar year
  - Net income from their income tax return
  - Updated every July as for CCB and OAS/GIS
- **Using Census Family as benefit unit**
  - requires a new schedule in the PEI tax form
    - Most tax administered benefits use Nuclear Family

# Enabling a ccess to GBI benefit

- Around 15% of Islanders don't file tax returns
  - Existing case workers can work with applicants and existing NGOs to increase tax filing rate
  - CRA tax auto -filling
  - Extend the use of “short forms” to facilitate tax filing (e.g., Form T1SD Credit and Benefit Return currently used to facilitate access to CCB among First Nations)

# Design of proposed GBI

## What are maximum GBI benefit amounts?

- 85% of PEI's poverty lines (\$19,252 for single adults and \$27,227 for two adults)
  - 50% benefit reduction rate

## Who is eligible to receive the GBI?

- PEI residents aged 18 to 64 with net family income less than \$38,504 for single adults and \$54,454 for two adults

## How are the family and income defined?

- Census family and net income adjusted for social assistance & GST credit

<b>GBI BENEFITS BY FAMILY SIZE</b>			
<b>Number of adults in family</b>	<b>Official poverty Line</b>	<b>Maximum GBI Benefit</b>	<b>Phasing out of GBI benefit</b>
<b>1</b>	<b>\$22,649</b>	<b>\$19,252</b>	<b>\$38,504</b>
<b>2</b>	<b>\$32,032</b>	<b>\$27,227</b>	<b>\$54,454</b>
<b>3</b>	<b>\$39,229</b>	<b>\$33,345</b>	<b>\$66,690</b>
<b>4</b>	<b>\$45,299</b>	<b>\$38,504</b>	<b>\$77,008</b>

# Design of proposed GBI (con't)

## **To whom would the GBI be paid?**

- Family benefit paid out equally among adults in the family

## **Maintain all other income -tested benefits and supports**

- Proposal restructures and expands coverage of income assistance
- Provincial social assistance scaled back and repurposed
  - emergency relief for in-year unexpected family income reduction

## **Not a pilot project**

- Demonstration project recommended for at least 5 years.
  - between a permanent program and a pilot

# Impact, costs and some consequences of proposed GBI

Data for PEI and Modelled (SPDS/M) Analysis of the Proposed GBI

**TABLE 1 – Summary of poverty in Prince Edward Island, 2019**

	Number of persons below the official poverty line	Poverty rate (%)	Average poverty income gap (%)
All persons	19,000	12.3	29.8
Under 18 years	4,000	14.6	20.6
In female lone-parent families	-	45.9	--
18-64 years	13,000	13.2	36.2
Single	7,000	39.2	40.9
Males	6,000	11.5	36.1
Females	7,000	14.9	36.4
65 years and over	2,000	6.9	9.4

Source: Statistics Canada, Table 11-10-0135-01

# PEI Social Assistance – Around \$50 million expenditure per year

- PEI SA benefits already among most generous among provinces

– PEI financial assistance for low-income individuals:

- Social Assistance for those considered “employable”
  - for living expenses on a case-by-case basis
  - maximum basic annual benefit of \$16,812 for single individuals and \$22,944 for couples without children.
- AccessAbility Supports for persons living with disabilities
  - for living expenses, though Assured Income
  - maximum basic annual benefit of \$18,612 for single individuals and \$24,744 for couples without children.

SA Income as a Per cent of Total Income	All Adults	
	Number of Adults	Per cent of Adults
Min-0.00	93 358	97,2%
Total Any SA	<b>2 643</b>	2,8%
0.00-0.25	1 021	38,6%
0.25-0.50	212	8,0%
0.50-0.75	239	9,0%
0.75-Max	1 171	44,3%
All	96 001	100,0



# Defining the family administrative unit

- **Nuclear Family** includes adults living alone as well as childless couples and parent(s) with children under 18.
  - If a household includes children 18 and over living with their parents, they are considered separate nuclear families.
  - Using the nuclear family to administer a GBI supports the objective of simplicity as it is the family unit currently used by the Canada Revenue Agency to administer benefits—such as the Canada Child Benefit and the GST/HST credit—within the tax system.
- **Census Family** is the Nuclear Family and adult children living with their parents
  - unless the adult children have their own spouse, common law partner, and/or children living in the same household.
  - Idea followed from research by Kevin Milligan highlighting the influential role of the family unit in the design of a GBI,
  - broader family unit could better target those with low incomes and reduce program costs, while achieving similar reductions in poverty.
  - Economic Family, broader than Census Family, was modelled but not much changed compared to using Census Family and complexity of administration greater

# Family definition matters for GBI

**TABLE 2 – Poverty reduction and cost by family unit, Islanders aged 18-64**

Family unit	Cost (\$M)	Post-GBI deep poverty rate (%)	Post-GBI poverty rate (%)	Share of GBI expenditures provided to pre-GBI poor (%)	18-64 share receiving GBI benefit (%)
Nuclear family	\$309.9	0.2	2.1	34.0	37.3
Census family	\$188.6	0.0	2.1	54.7	27.7

The poverty and deep poverty rates pre-GBI are 9.7% and 5% respectively.

**Census family —Reducing the program cost by 40% with better targeting of poor**

By adopting the census family instead of the nuclear family as the administrative unit, the cost of the benefit is reduced by about \$120 million, while achieving the same reduction in poverty.

# Considerable poverty reduction

**For Islanders aged 18 to 64, eradication of deep poverty and the poverty rate is reduced from:**

- 10% to 2% (1864)
  - 27% to 3% for singles
  - 5.4% to 1.8% for families with children
    - 23% to 11.4% for single parents
    - 9% to 3% for children

Eradication of poverty for persons with disabilities (18-64)

# Poverty Reduction

**TABLE 3 – Poverty reduction for families and children, census family as the administrative unit**

	Pre-GBI poverty rate (%)	Post-GBI poverty rate (%)
All persons aged 18-64	9.7	2.1
Women	10.2	2.2
Men	9.1	2.1
<i>Family with children under 18 years</i>	5.4	1.8
Single parents	23.0	11.4
Two parents	3.5	0.8
Children under 18 years	9.0	3.1
<i>Family without children under 18 years</i>	13.1	2.5
Singles	26.5	3.2
Two or more adults	6.4	2.2
	6.8	0.4
<i>Persons with disabilities*</i>		

\*Corresponds to persons aged 18-64 in receipt of either a CPP disability benefit or a disability tax credit.

# Considerable poverty reduction (con't)

## **What about Islanders who are not lifted out of poverty?**

- Those remaining in poverty would, on average, see their family income increase from 38% to 93% of the official poverty line
  - Dramatic improvement in financial situation and wellbeing

# Net GBI costs (Census Family) for reducing poverty in PEI

Estimated <u>Gross</u> GBI Costs (million)	\$188.6
Expected 85% Take -Up Rate	-\$28.3
Lower Labour Supply Impact (Proportional to PBO Impact)	-\$8.6
Income Assistance Cost Reductions (Scaled Up to Admin. Data)	-\$26.4
Interaction with Canada Student Financial Assistance Program	-?
Higher HST Revenues	-?
Income -Tested Benefit Reductions	-?
Savings Interactions	+?
Estimated <u>Net</u> GBI Costs (Million)	< \$125.3
Reference: Financing Items (Taxes)	\$50.0

# Small labour market impact based on model

- Using census family rather than NF reduces the labour market impact by 40%
- Hours worked is estimated to fall 1.6%
  - with larger reductions for low -income workers
- larger than estimates by PBO (1.4%) and Green & al. (0.6% to 1.7%)
  - labour supply elasticities PEI team used on the high side of a reasonable range
- Could be offset with a labour market strategy that would support labour market participation, innovation and productivity

# Labour Market Impacts

Annual after -tax earnings quintile	Annual average hours worked	Average reduction in hours worked (%)	
		Nuclear family	Census family
Min-\$9,871	1,033	12.9	7.7 (80 hours per year)
\$9,872 - \$19,255	1,530	9.7	6.9 (105 hours per year)
\$19,256- \$30,780	1,901	3.5	2.5 (48 hours per year)
\$30,781 - \$45,411	2,065	0.6	0.5
\$45,412 and over	2,117	0.1	0.0
All	1,729	2.3	1.6 (28 hours per year)



# Societal benefits of poverty reduction \*

Income is a social determinant of health as is income inequality

- Better health, food security, housing, education, well-being, and community and social involvement.

The benefit of reducing poverty would go beyond those living in poverty and receiving a GBI.

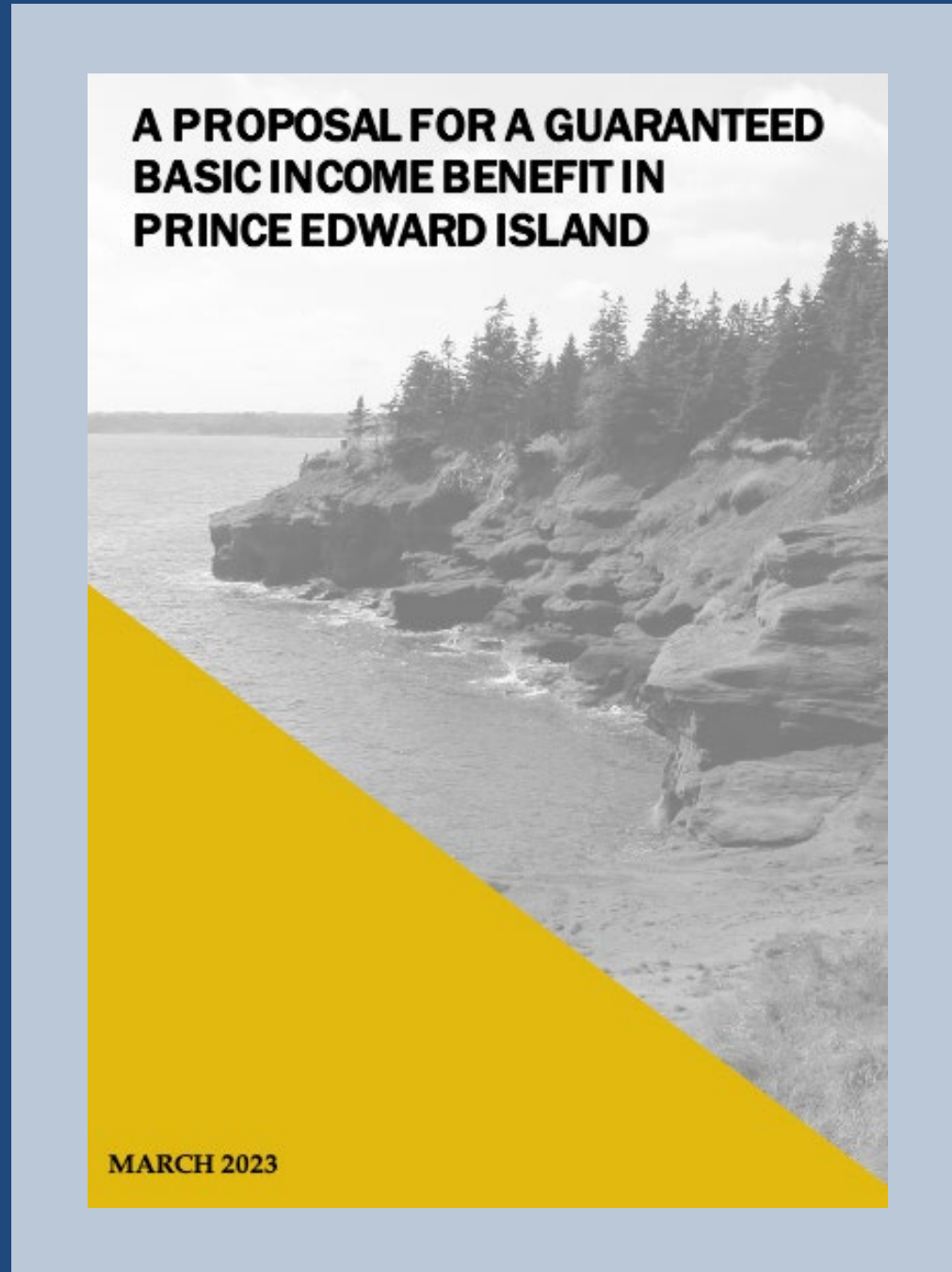
- The Ontario Association of Food Banks estimates the cost of poverty at 6.6% of GDP for Ontario.
- For PEI this means \$495 million, of which one-third is government expenditures, including \$70 million in health expenditures.
- A recent comprehensive review of impact of US social policies concludes that investments in children often pay for themselves over time.
  - \*many of these benefits are not considered sizeable or credible by many academic economists due to lack of plausibly causal estimates in published literature

# Financing the GBI benefit

- There will be savings to income assistance (conservative estimate of \$17.4M) and income-tested benefits
- Reducing poverty expected to have positive spillovers over time for the economy and the budgetary position of both governments.
- PEI in solid fiscal position
  - Tax increases—modestly increase to cover 1/4 of the cost while ensuring that Islanders with low- and middle-income are better off
- Partnership with the federal government to cost-share

Additional  
considerations  
To address with  
Demonstration  
Project

- Inter -provincial mobility of Island population and eligibility
- Interactions with other programs
- “Cash economy” of PEI, seasonal workers
- Persons with disabilities
- Youth and students
- Women, gender, and GBA+
- Seniors
- First Nations
- Evaluation – need 5 to 7 years



# Conclusion & Questions

# Annex 5: References

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