

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

September 2023

**A PROPOSAL FOR A GUARANTEED
BASIC INCOME BENEFIT IN
PRINCE EDWARD ISLAND**

MARCH 2023

Outline of presentation

- 01 Project team & approach
- 02 Design and administration
- 03 Impacts of a new GBI on PEI
- 04 Financing the GBI
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Project approach and context



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

Final Report
3rd of the 66th 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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Guiding design principles



Principles informed by the Special Committee on Poverty Final Report, e.g.:

- Unconditional income-tested cash transfer
- Adequate benefit
- Administration through the income tax system

Working group additions:

- No changes to federal tax legislation
- Targeted to low-income families
- Avoid making low- and middle-income families worse off when financing is accounted for
- Limit work disincentives
- Simple to administer

Administration of the GBI

How would the GBI benefit be administered?

- Mixed federal-provincial model of administration
- Through the tax system and distributed monthly
- Updated every July (as for CCB and OAS/GIS)
- Using census family as benefit unit—requires a new schedule in the PEI tax form

Administration of the GBI

Enabling access to benefit (estimated at 85% initially)

- Existing case workers can work with applicants and existing NGOs to increase tax filing rate
- CRA tax auto-filing
- Extend the use of “short forms” to facilitate tax filing (e.g., Form T1S-D Credit and Benefit Return currently used to facilitate access to CCB among First Nations)

Design of proposed GBI

What are GBI benefit rates?

- 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

How are the family and income defined?

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



Design of proposed GBI (con't)

To whom would the GBI be paid?

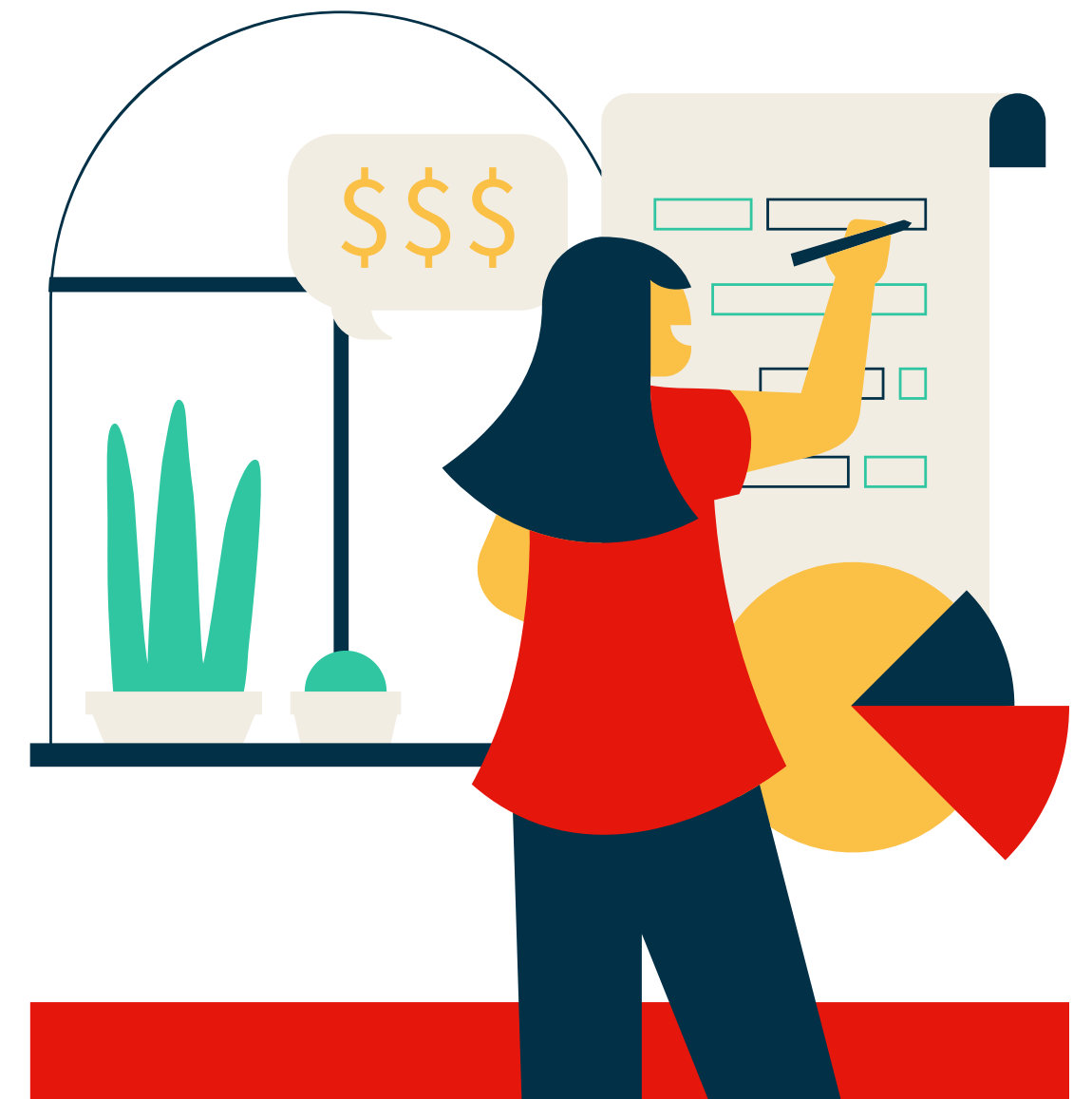
- Equally to all adults in the family

What would happen with other income-tested benefits?

- Other income-tested benefits remain in place and income assistance provide emergency relief between tax years

Demonstration project

- In between pilot and permanent program



Impact and benefits of proposed GBI

Poverty reduction impacts



Poverty reduction benefits



Labour market impacts



Family definition matters

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 benefits (%)
Nuclear family	\$309.9	0.2	2.1	34.0	37.3
Census family	\$188.6	0.0	2.1	54.7	27.7
Economic family	\$151.4	0.0	2.2	67.4	24.1

Census family—Reducing the program cost by 40%

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, or almost 40%, meanwhile 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% (18-64)
 - 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)

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 their financial situation and wellbeing



Societal benefits of poverty reduction

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.

Small labour market impact

- Using census family reduces the labour market impact by 40%
- Hours worked is estimated to fall by 1.6%, with larger reductions for low-income workers
 - This is larger than estimates by PBO (1.4%) and Green & al. (0.6% to 1.7%)
 - So labour supply elasticities we use are on the high side of a reasonable range and can be lower.
- There are reasons to believe they would fall over time and may even become positive over time
- Recommend a labour market strategy that would support labour market participations, innovation and productivity

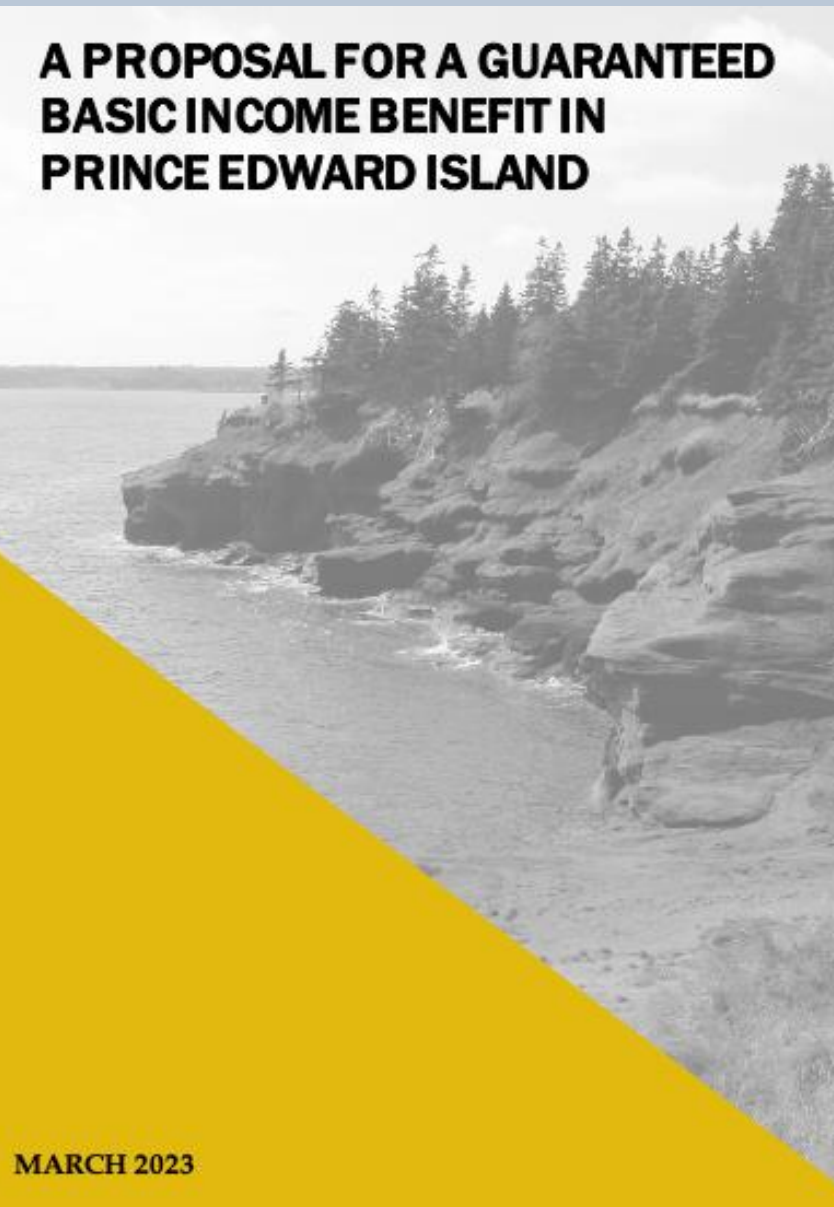
Financing the GBI benefit

- Census family reduces the cost of the program by 40% or \$120 million
- There will be savings to income assistance (conservative estimate of \$17.4M) and income-tested benefits
- 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
- PEI in solid fiscal position
- Reducing poverty will have considerable positive spillovers over time for the economy and the budgetary position of both governments.

Additional considerations



- Interactions with other programs
- Persons with disabilities
- Youth and students
- Women, gender, and GBA+
- Seniors
- Evaluation



Conclusion & Questions

VISIT THE REPORT'S WEBSITE:
WWW.GBIREPORT.CA

Annexes

Annex 1: Poverty Reduction

	Pre-GBI poverty rate (%)	Post-GBI poverty rate (%)	Reduction in poverty rate (%)
All persons aged 18-64	9.7	2.1	78.4
Women	10.2	2.2	78.4
Men	9.1	2.1	76.9
Families with children under 18	5.4	1.8	66.7
Single parents	23.0	11.4	50.4
Two parents	3.5	0.8	77.1
Children under 18	9.0	3.1	65.6
Families without children under 18	13.1	2.5	80.9
Singles	26.5	3.2	87.9
Two or more adults	6.4	2.2	65.6
Persons with disabilities	6.8	0.4	94.1

Annex 2: Labour Market Impact

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
\$9,872 - \$19,255	1,530	9.7	6.9
\$19,256 - \$30,780	1,901	3.5	2.5
\$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

Annex 3: GBI costs

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

Annex 4: GBI National Costs

GBI Costs (Billion)

Estimated GBI Costs—Nuclear Family	\$88.0
Estimated Gross GBI Costs—Census Family	\$50.0
Estimated Net GBI Costs—Census Family (Proportional to PEI)	< \$33.0

Current Federal Program Costs, 2022-23 (Billion)

Old Age Security/Guaranteed Income Supplement	\$69.1
Canada Child Benefit	\$24.5
Employment Insurance	\$22.6
Canada Health Transfer	\$47.1
Canada Social Transfer	\$15.9
Equalization	\$21.9

Annex 5: References

Green, D. et al. (2023). *Basic Income and Just Society—Policy Choices for Canada’s Social Safety Net*, IRPP.

Parliamentary Budget Officer. (2021). *Distributional and fiscal analysis of a national guaranteed basic income*.

Robson, J., & Schwartz, S. (2020). Who doesn’t file tax a return? A portrait of non-filers. *Canadian Public Policy*, 46(3), 323–339.
