



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

November 27, 2020

Special Committee on Poverty in PEI
Membership:

Trish Altass, Tyne Valley-Sherbrooke
Chair

Hannah Bell, Charlottetown-Belvedere
Sonny Gallant, Leader of the Third Party

Hon. Ernie Hudson, Minister of Social Development and Housing

Gordon McNeilly, Charlottetown-West Royalty

Hon. Brad Trivers, Minister of Education and Lifelong Learning (as of June 2, 2020)

Hon. Natalie Jameson, Minister of Environment, Water and Climate Change (until June 2, 2020)

Substitute members:

Michele Beaton, Mermaid-Stratford

Hon. Peter Bevan-Baker, Leader of the Opposition

Cory Deagle, Montague-Kilmuir

Ole Hammarlund, Charlottetown-Brighton

Heath MacDonald, Cornwall-Meadowbank

Sidney MacEwen, Morell-Donagh

Robert Mitchell, former Member for Charlottetown-Winsloe

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November 27, 2020

Dear Mr. Speaker and Members of the Legislative Assembly
Of Prince Edward Island,

I have the pleasure to present the final report of the Special Committee on Poverty in PEI. This committee was created by the passing of Motion No. 36 on July 11, 2020, and mandated the committee to report back to the Legislative Assembly with three specific goals, which were outlined in the last two operative clauses of Motion No. 36:

***THEREFORE BE IF FURTHER RESOLVED** that the Committee report back to the Legislative Assembly within twelve months with recommendations to establish clear definitions and measures of poverty, and a living wage for Prince Edward Island;*

***THEREFORE BE IT FURTHER RESOLVED** that the Committee report back to the Legislative Assembly within twelve months with fully costed recommendations regarding the creation of a Basic Income Guarantee pilot for Prince Edward Island.*

Over the course of the last 16 months, your committee heard from numerous subject-matter experts, individuals, community groups and government officials on poverty in Prince Edward Island. The Committee gratefully acknowledges and thanks those that took the time to present their views and recommendations to the committee. Additionally, your committee is pleased to present modeling for a basic income guarantee with research assistance provided by Mr. Harvey Stevens, of Winnipeg, Manitoba.

As Chair, I would like to express my appreciation to the members of the Special Committee on Poverty in PEI who participated in the process. They exhibited a great spirit of collaboration and sincerity when engaging in discussion and debate during the committee's work.

This report effectively concludes the work of the Special Committee on Poverty in PEI.

Respectfully submitted,

Trish Altass,
Chair, Special Committee on Poverty in PEI

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Executive Summary

The Special Committee on Poverty in PEI was directed by the Legislative Assembly in July 2019 to report to the House with recommendations on establishing clear definitions and measures of poverty, defining a living wage for Prince Edward Island, and reporting fully costed recommendations regarding the creation of a basic income guarantee pilot for Prince Edward Island. Trish Altass was duly elected as chair of the committee in September 2019.

The Special Committee on Poverty in PEI met with individuals, community groups, government officials and subject-matter experts over the course of a seven month period (September 2019 to March 2020). The committee directed witnesses to make presentations on the three goals of the committee as outlined in the mandate. The committee relied greatly on their comments, suggestions, and opinions when drafting the proposed recommendations contained in this report.

As a result of its public consultations, the Special Committee on Poverty in PEI has made a series of recommendations which would aid in the eradication of poverty in this province.

The Special Committee on Poverty in PEI contracted Mr. Harvey Stevens to assist with design and costing of the modelling for a full basic income guarantee program and pilot. Mr. Stevens is a Canadian expert in the field of basic income. Appendix A outlines Mr. Stevens' biography and the program used to do the cost-modelling for the committee.

Introduction

Mandate

On July 11, 2019, the following motion (No. 36) was debated and carried unanimously in the Legislative Assembly of Prince Edward Island:

WHEREAS poverty is the primary social determinant of health;

AND WHEREAS poverty is a complex issue and requires bold and creative approaches to understand and address the real causes and consequences of poverty in Prince Edward Island;

AND WHEREAS there is a need to establish clear definitions and measures of poverty in PEI, so as to set appropriate legislative and policy targets;

AND WHEREAS there is significant expertise available from community organizations that have studied this issue and can provide invaluable insights, analysis and data;

THEREFORE, BE IT RESOLVED that a Special Committee of the Legislative Assembly, consisting of two representatives to be named by the Premier; two to be named by the Leader of the Opposition; and two to be named by the Leader of the Third Party, be created to consult with members of the public and community groups across the province;

THEREFORE BE IF FURTHER RESOLVED that the Committee report back to the Legislative Assembly within twelve months with recommendations to establish clear definitions and measures of poverty, and a living wage for Prince Edward Island;

THEREFORE BE IT FURTHER RESOLVED that the Committee report back to the Legislative Assembly within twelve months with fully costed recommendations regarding the creation of a Basic Income Guarantee pilot for Prince Edward Island.

Background to the formation of the Special Committee on Poverty in PEI

The motion for the creation of a Special Committee on Poverty in PEI was moved by Hannah Bell (Charlottetown-Belvedere) and seconded by Hon. Peter Bevan-Baker (Leader of the Official Opposition). During opening remarks on the debate of the motion, it was noted that it is a cross-party motion negotiated with government, official opposition and the third party that tasked the new committee with defining measures of poverty, defining a living wage for PEI and tasked to create a basic income guarantee pilot project.

Over the course of debate, Hon. Ernie Hudson (Social Development and Housing) moved that the words “fully costed” be added to the last operative clause of the Motion, which was carried unanimously and resolved accordingly.

Initial meeting and continuing work plan

At the committee’s first meeting, Trish Altass was duly elected as the Chair of the committee.

Your committee set out on establishing its preliminary work plan, which included reaching out to former Senator, the Honourable Hugh Segal, the PEI Working Group for a Livable Income, Dr. Evelyn Forget, Maytree, the Poverty Reduction Council, and Mr. Harvey Stevens.

Your committee also began gathering a list of community groups in the province who work closely with those living in poverty; their participation over the course of the committee's work was valuable and insightful.

The committee also agreed that all correspondence to invited guests include the three goals of the committee as outlined in the mandate: establishing clear definitions and measures of poverty; establishing a living wage; and reporting fully costed recommendations regarding the creation of a basic income guarantee pilot for Prince Edward Island.

Given the specific committee mandate, your committee agreed to meet with various subject-matter experts across the country. This committee was the first to meet with a presenter via video-conferencing on October 25, 2019. The meeting was a success, and since then, other committees have utilized this technology to meet with witnesses located in other jurisdictions.

The list of presenters grew over the course of its public meetings, and in the end, your committee heard from 32 individuals over the course of its seven month public consultation process, between September 2019 and March 2020. The committee heard from a wide variety of sources, including individuals, community groups, government officials and subject-matter experts in the fields of basic income guarantees and living wage.

COVID-19 Pandemic

The last public meeting of this committee was held on March 13, 2020. Three days later on March 16, 2020, a state of public health emergency was declared in the province of Prince Edward Island as a result of the COVID-19 pandemic. Given the uncertainty at the time, the two remaining meetings of the Special Committee on Poverty in PEI were cancelled.

The Legislative Assembly of Prince Edward Island was able to meet on May 26, 2020, with many newly implemented public health measures to protect against the COVID-19 pandemic, including: physical distancing in the Chamber, plexi-glass barriers installed when physical distancing is not possible, moving to electronic distribution of documents where possible, and additional cleaning and sanitization of common areas.

At that time, the committee continued to meet to discuss its next report to the Legislative Assembly. As noted in the original motion, the committee was tasked with returning a final report to the House within twelve months. Due to delays relating to the pandemic, the committee sought, and received, permission of the House for a four month extension until November 2020.

Final Report

Your committee is pleased to present its final report to the Legislative Assembly for its consideration.

Committee Activities

Over the course of seven months (September 2019 – March 2020), your committee held **15** public meetings, and meet with **32** individuals, some presenting their own views and others on behalf of community groups or government organizations.

Since last report in July 2020, your committee has meet **5** times in camera to consider this final report to the Legislative Assembly. In total, your committee met **24** times in 2019 and 2020.

On **September 5, 2019** your committee met to elect a chair and to consider its work plan.

On **September 19, 2019**, your committee met with representatives of the PEI Working Group for a Livable Income, Jane Ledwell and Anne Wheatley.

On **October 3, 2019**, your committee met with former Senator, the Honourable Hugh Segal.

On **October 25, 2019**, your committee met with Dr. Evelyn Forget in the morning and Mr. Michael Mendelson of Maytree in the afternoon, both by video-conference. As mentioned in the introduction, this was the first time a committee of the Legislative Assembly met with a presenter via video-conference for a public meeting.

On **October 31, 2019**, your committee met with representatives of the PEI Poverty Reduction Council: Deborah Bradley, Assistant Deputy Minister for the Department of Social Development and Housing, and Andrea MacDonald, Executive Director for the United Way PEI.

On **November 1, 2019**, your committee met with several community groups, including: Marcia Carroll, Executive Director for the PEI Council for People with Disabilities; representatives of the Adventure Group, Roxanne Carter-Thompson, Executive Director, and Alyse Rossiter; and, representatives of the Bedford-MacDonald House, Major Tim Leslie and Michael Redmond.

On **November 8, 2019**, your committee met with Mr. Harvey Stevens by video-conference.

On **November 13, 2019**, and **November 20, 2019**, your committee met *in camera* to discuss its first report to the Legislative Assembly.

On **November 27, 2019**, your committee presented its first report to the Legislative Assembly.

On **January 9, 2020**, your committee met with representatives of the Mi'kmaq Confederacy of PEI, Chief Darlene Bernard and Don MacKenzie, Executive Director.

On **January 22, 2020**, your committee met with representatives of the Native Council of PEI, Chief Lisa Cooper and Matthew MacDonald, policy analyst. Your committee also met with Mike MacDonald, Executive Director of the Upper Room Hospitality Ministry

On **January 29, 2020**, your committee had a meeting scheduled with representatives from the Hamilton Roundtable on Poverty Reduction; there was a video-conferencing issue and the meeting was rescheduled for a later date. The committee also met *in camera* to discuss its report.

On **February 12, 2020**, your committee met with representatives of the Department of Social Development and Housing: David Keedwell Deputy Minister of the Department of Social Development and Housing; Karen McCaffrey, Director of Social Programs; and Pat MacDonald, Manager of Social Supports.

On **February 18, 2020**, your committee met with representatives of the Hamilton Roundtable on Poverty Reduction (Tom Cooper, Laura Cattari, and Dr. Tom McDowell) by video-conference.

On **February 26, 2020**, your committee met with Kelly MacWilliams on behalf of the Canadian Association of Social Workers and Bruce Davison on behalf of the PEI Association of Social Workers. Your committee also met with representatives of the Canadian Union of Public Employees: Leonard Gallant, President, and Aditya Rao, Human Rights Representative.

On **March 4, 2020**, your committee met with a representative of the Department of Finance, Nigel Burns, Director of Economics, Statistics & Federal Fiscal Relations.

On **March 13, 2020**, your committee met with representatives of the MacKillop Centre for Social Justice, Mary Boyd and Carl Pursey. Your committee also met with Dr. Christine Saulnier on behalf of the Canadian Centre for Policy Alternatives.

As a result of the COVID-19 pandemic, meetings originally scheduled for March 18, 2020 and March 25, 2020 were cancelled.

On **June 10, 2020**, and **June 24, 2020**, your committee met *in camera* to discuss its second report to the Legislative Assembly.

On **July 8, 20120**, your committee presented its second report to the Legislative Assembly

On **September 9, 2020**, your committee met in camera to begin discussions on its final report to the Legislative Assembly.

On **October 21, 2020**, and **November 4, 2020**, your committee met with Harvey Stevens by video-conference to discuss details of the committee's recommendation on design and costing for a basic income guarantee program and pilot.

On **November 12, 2020**, and **November 25, 2020**, your committee met *in camera* to discuss its final report to the Legislative Assembly.

Recommendations

After due consideration and discussion, the Special Committee on Poverty in PEI respectfully submits to the Legislative Assembly its finding and the resulting recommendations for its consideration. A further detailed overview of these recommendations can be found on page 12.

To the Legislative Assembly, your committee recommends:

Definitions and measures of poverty

- 1) That the Government of Prince Edward Island adopt the “market-basket measure” as its official measure of poverty when making changes to legislation, regulations and policy. The market-basket measure is calculated by Statistics Canada, based on regions and updated regularly.

Living wage for Prince Edward Island

- 2) That the Government of Prince Edward Island consider researching ways in which it can support other areas of the province in determining a living wage (On November 2, 2020, the Canadian Centre for Policy Alternatives released a new report, “Charlottetown Living Wage 2020”, authored by Dr. Christine Saulnier, which recommends a living wage of \$19.30 earned per hour.).
- 3) That the Government of Prince Edward Island consider researching ways in which it may increase financial supports for basic needs for individuals and families, and that may result in a lower necessary living wage across the province.

Creation of a basic income guarantee

Full program recommendations

- 4) That the Government of Prince Edward Island begin immediate negotiations with the Government of Canada for the development and implementation of a basic income guarantee program for Prince Edward Island.
- 5) That the Government of Prince Edward Island begin immediate negotiations with the Government of Canada to ensure that all federal transfer payments that support provincially funded services and programs remain in place, regardless of any initiatives on a basic income guarantee that are implemented by the Government of Prince Edward Island.
- 6) That the Government of Prince Edward Island considers the following design for the implementation of a Basic Income Guarantee Program: where the guarantee is a fixed percentage of the most current market-basket measure threshold, and that the guarantee is fixed at a minimum 85% of the threshold with a 50% benefit reduction rate (BRR), and that the program is available to all adult residents of the province, aged 18 years and above and includes seniors.

- 7) That the Government of Prince Edward Island, with the implementation of a full basic income guarantee program, ultimately eliminates social assistance; however, commits to maintaining all other social programs and services that support people with low income, regardless of the implementation of any basic income guarantee in the province.

Pilot recommendations

- 8) That in the event that the federal government is not supportive of a full program, the Government of Prince Edward Island initiate the development and implementation of a Basic Income Guarantee Pilot for Prince Edward Island.
- 9) That the Government of Prince Edward Island considers the following design for the implementation of a Basic Income Guarantee Pilot: where the guarantee is a fixed percentage of the most current market-basket measure threshold, and that the guarantee is fixed at a minimum 85% of the threshold with a 50% benefit reduction rate, and that the program is available to all adult residents of the province, aged 18 years and above and includes seniors.
- 10) That the Government of Prince Edward Island enroll a minimum of 3,000 recipients in a pilot project to allow for a statistically significant sample size.
- 11) That the Government of Prince Edward Island use a selection process for the pilot that is randomized based on tax returns on the previous year, where participants are automatically defined as eligible or not eligible.
- 12) That the Government of Prince Edward Island administer the proposed pilot for at least 3 years and that an arms-length, third-party agency is entrusted with the responsibility of monitoring, measuring and evaluating the pilot project.

Overall recommendations (full program or pilot)

- 13) That the Government of Prince Edward Island begin a legislative scan of all Prince Edward Island statutes that may require amendments to ensure that a basic income guarantee program or pilot can be successful, including changes to statutes that may be necessary in order to ensure accurate collection of data is possible to measure the success of the program or pilot.
- 14) That the Government of Prince Edward Island implement additional promotion and supports to encourage and aid islanders in filing income tax returns and to apply and update Health cards to ensure their participation in the program or pilot.
- 15) That the Government of Prince Edward Island ensure cross-departmental data is collected to appropriately study the effects of the program or pilot.
- 16) That the Government of Prince Edward Island adopt the Special Committee's "Guiding Principles for a Basic Income Guarantee for Prince Edward Island" as the basis of their work in relation to any program or pilot that is implemented in the province.

Overview of Recommendations

Definitions and measures of poverty

- 1) **That the Government of Prince Edward Island adopt the “market-basket measure” as its official measure of poverty when making changes to legislation, regulations and policy. The market-basket measure is calculated by Statistics Canada, based on regions and updated regularly.**

This recommendation was in the committee’s last report presented in the House in July 2020. It is a measure of poverty based on region, and measures the cost of basic necessities. Currently, there are three calculations for the market-basket measures in Prince Edward Island: Charlottetown, PEI population under 30,000 and PEI, rural, as outlined on the Statistics Canada website: “Market Basket Measure (MBM) thresholds for the reference family by Market Basket Measure region, component and base year” (<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110006601>).

As described on the Statistics Canada website: “An update on the Market Basket Measure comprehensive review”: “The Market Basket Measure (MBM) of low income develops thresholds of poverty based upon the cost of a basket of food, clothing, shelter, transportation, and other items for individuals and families representing a modest, basic standard of living” (<https://www150.statcan.gc.ca/n1/pub/75f0002m/75f0002m2019009-eng.htm>).

Additionally, the market-basket measure serves as the baseline for the Special Committee on Poverty in PEI’s recommendations regarding the basic income guarantee.

Living wage for Prince Edward Island

On November 2, 2020, the Canadian Centre for Policy Alternatives released a new report, “Charlottetown Living Wage 2020”, authored by Dr. Christine Saulnier, which recommends a living wage of \$19.30 earned per hour. The report outlines how the living wage is calculated.

Your committee would like to clarify the difference between a living wage and a minimum wage.

Minimum wage is defined in the *Employment Standards Act*, section 1.(j) as “the amount of wages fixed by order of the board [Employment Standards Board] pursuant to section 5 that applies to the employee.” It is the legal minimum wage that an employer can pay the employee.

A living wage as defined in the “Charlottetown Living Wage 2020” by Dr. Christine Saulnier is: “The hourly living wage is the rate at which a household can meet its basic needs once government transfers have been added to the family’s income and deductions have been subtracted” (page 5). The calculations include the cost of necessities for the region and determines the wage needed to be earned in order to secure those necessities.

- 2) **That the Government of Prince Edward Island consider researching ways in which it can support other areas of the province in determining a living wage (On November 2, 2020, the Canadian Centre for Policy Alternatives released a new report, “Charlottetown Living Wage 2020”, authored by Dr. Christine Saulnier, which recommends a living wage of \$19.30 earned per hour.).**

In relation to the market-basket measure, your committee notes that there are three calculations for the province: Charlottetown, PEI population under 30,000 and PEI, rural. As the work has been

completed on a living wage for Charlottetown, your committee would like to encourage government to support other areas of the province in determining a living wage. While the market-basket measure and a living wage are different measures, your committee suggests that government prioritize the areas as outlined in the market-basket measure: PEI population under 30,000 and PEI rural.

- 3) **That the Government of Prince Edward Island consider researching ways in which it may increase financial supports for basic needs for individuals and families, and that may result in a lower necessary living wage across the province.**

In the living wage calculations, there is a list of household expenses including: food, clothing, shelter, transportation, child care, private health insurance, emergency, education, household expenses, and social inclusion. Your committee would like to encourage government to research ways in which they can assist islanders with those costs. The higher the cost for items, the higher the calculation will be for the living wage. There may be some areas in which government can provide additional supports that could result in a lower necessary living wage; some examples might be additional support in relation to child care and housing, or a larger public transportation system that could decrease transportation costs.

Creation of a basic income guarantee

Full program recommendations

Your committee had much discussion regarding this set of recommendations to the Legislative Assembly. The mandate of the committee includes that the committee return a report to the House with fully costed recommendations regarding the creation of a basic income guarantee pilot for Prince Edward Island; however, throughout the public consultations, your committee heard time and again from presenters the risks and dangers associated with a pilot project.

One of the main arguments your committee heard against a pilot project is that if the project is not renewed, or even cut during the middle of the project, then people with low income are left in a potentially vulnerable place, even more so than before the start of the project. In particular, from the January 9, 2020 meeting with Mi'kmaq Confederacy, Chief Darlene Bernard offered the following comments: "One of the things with me is that if we're going to do that kind of work then we have to make sure that we have supports in place that we're not going to create an expectation where people are going to be able to start building up to something and then all of a sudden it's taken away and we crash." (January 9, 2020; page 7). From the February 26, 2020 meeting, your committee met with representatives from the Canadian Union of Public Employees, where Leonard Gallant stated the views of the organization: "In our view, the best way to insulate the program from a change in government or political opinion is to make it permanent from the beginning and secure public support." (February 26, 2020; page 119).

- 4) **That the Government of Prince Edward Island begin immediate negotiations with the Government of Canada for the development and implementation of a basic income guarantee program for Prince Edward Island.**

As its primary recommendation to the Legislative Assembly on the establishment of a basic income guarantee for Prince Edward Island, your committee strongly urges government to consider the implementation of a full basic income guarantee program for the province. Below your committee will provide an option for design, along with preliminary costing for the program. It requires a significant financial investment to implement a full program.

Your committee is urging government to begin negotiations with the federal government to establish a partnership to cost-share the establishment of a full basic income guarantee program. Almost immediately into the committee's public consultations, your committee heard from many groups and individuals that a partnership between the provincial and federal governments should be considered. At its first public meeting on September 19, 2019, your committee met with representatives from the PEI Working Group for a Liveable Income, and they noted collaboration is essential for a meaningful project, and that further considerations are necessary to ensure the continuation of federal benefits; for example, the current Canada Child Benefit for children needs to be integrated into any system offered to support adults. They also made a note in regards to a potential a partnership with the federal government where Prince Edward Island as a whole could act as the pilot for a Canada wide program. On October 3, 2019, former Senator, the Honourable Hugh Segal also suggested that if there is a willingness for collaboration with the federal government, Prince Edward Island could be a potential test site for a Canada-wide pilot project.

- 5) **That the Government of Prince Edward Island begin immediate negotiations with the Government of Canada to ensure that all federal transfer payments that support provincially funded services and programs remain in place, regardless of any initiatives on a basic income guarantee that are implemented by the Government of Prince Edward Island.**

Your committee recommends that, as part of negotiations that need to occur between the two levels of government, the Government of Prince Edward Island advocate for the continuation of federal transfer payments, which support a variety of provincially funded programs.

- 6) **That the Government of Prince Edward Island considers the following design for the implementation of a Basic Income Guarantee Program: where the guarantee is a fixed percentage of the most current market-basket measure threshold, and that the guarantee is fixed at a minimum 85% of the threshold with a 50% benefit reduction rate (BRR), and that the program is available to all adults residents of the province, aged 18 years and above and includes seniors.**

Regarding the design of the program, your committee contracted Mr. Harvey Stevens to assist with design and costing of the modelling for a full basic income guarantee program. Mr. Stevens is a Canadian expert in the field of basic income guarantees. Appendix A outlines Mr. Stevens' biography and the program used to do the cost-modelling for the committee.

As indicated, your committee is suggesting that government consider establishing a guarantee that is a fix percentage of the market-basket measure threshold. As there are currently three regions in Prince Edward Island with unique market-basket measures, the modeling utilizes the weighted average of the three market-basket measures for a family of 4 for 2019 at \$42,963, a single adult at \$21,481 and a 2 person family at \$30,379. If the Guarantee is set at least at 85% of these market-basket measure thresholds, it dominates the current total social assistance rates of single persons and families on provincial social assistance and senior singles and couples solely reliant on Old Age Security and Guaranteed Income Supplement (OAS and GIS). With the guarantee set at 85% of the weighted market-basket measure threshold, a provincial basic income guarantee can replace social assistance; and, the income received by seniors from OAS and GIS can be clawed back dollar for dollar and leave them as well off.

As for families with children under 18, the 2020 value of the Canada Child Benefit almost makes up the difference in the market-basket measure thresholds between families of 2 to 6 persons. Thus,

the presence of the Canada Child Benefit eliminates the need to index the guarantee by family size beyond the two person family.

For the full basic income guarantee program, a benefit reduction rate (BRR) of 50% is used to calculate the net value of the basic income guarantee. This is the rate at which a recipient's benefit is reduced as earned income is received.

Accordingly, with this approach to setting the guarantee, the design of the PEI basic income guarantee is based on the following specifications:

- The guarantee for a single adult is set at 85% of the MBM threshold for a single adult (\$18,260)
- The guarantee for a two person family is 1.41 (square root of 2) times the single guarantee (\$25,747)
- The guarantee is calculated based on income earned the previous year, and indicated on previous year's tax returns
- The guarantee for larger size families with children under 18 is set at the level of the two person guarantee
- For non-seniors, social assistance is eliminated and replaced by the basic income guarantee
- For seniors, the guarantee is reduced dollar for dollar against OAS, GIS and spouse allowance benefits

Estimated cost of the program:

With the proposed program design, there would be approximately 50,238 eligible recipients to participate in the program, which is 39.3% of the population. The estimated gross cost of the program is: \$318.548 million, and an estimated net cost of \$259.928 million with total estimated savings of \$58.62 million [\$45.06 million from Social Assistance (2018/2019 budget forecast) and \$13.56 million from elimination of the low income tax credit (2018/2019 estimate)].

For clarity, the estimated cost includes only the cost of the actual guarantee given to recipients, and does not include any additional administrative costs associated with the establishment and execution of the program, as those design pieces are to be determined.

The following table presents the impact on the rate and depth of poverty:

Family Type	Pre-BIG MBM Rate	50% BRR Post-BIG Rate
Single, Non-Elderly	16.0%	0.8%
Single, Elderly	8.2%	5.4%
Childless Couple, Non-Elderly	5.2%	2.2%
Childless Couple, Elderly	0.2%	0.1%
Single Parent	21.4%	0.0%
Two Parent	3.6%	2.1%
Poverty Rate - All Families	7.4%	1.7%
Depth of Poverty – All Families ¹	26.8%	22.3%

Note: ¹ Depth is the percent family income is below the MBM threshold, measured as the percent of the MBM threshold.

With recommending this design method, your committee notes that the overall goal is that social assistance is replaced by the basic income guarantee program which is in the spirit of the first guiding principle for a basic income guarantee for the Special Committee on Poverty in PEI (that the program be universal and unconditional, only subject to income). While your committee is ultimately recommending that social assistance eventually be replaced by a basic income guarantee, (and that the guarantee is based on tax returns for the previous year), it is important to maintain a program that can be responsive on the short term changes in income.

At this time, your committee is not prepared to model the various costs associated with changing the fix percentage for the guarantee, or the various ways the benefit reduction rate and design of how income earned is clawed back may be designed. There may be a variety of ways that these provisions can be designed that would be of the most benefit to Islanders. For example, Government should consider adjusting the proposed model to allow individuals to earn a certain amount without claw back before the 50% reduction rate is initiated. At this time, your committee is pleased to offer the above as a base design recommendation, which has a significant impact on the rate of poverty in the province.

- 7) That the Government of Prince Edward Island, with the implementation of a full basic income guarantee program, ultimately eliminates social assistance; however, commits to maintaining all other social programs and services that support people with low income, regardless of the implementation of any basic income guarantee in the province.**

With regards to the last recommendation in this section, your committee notes that there are many programs that are available to provide support to current recipients of social assistance. The following list includes, but is not limited to, some of the additional programs that are available and need to continue to support islanders:

- Utilities costs
- Transition to employment allowance
- Pregnancy food allowance
- Special diet allowance
- Prescription drugs through the social assistance drug program
- Financial assistance to residents of licensed community care facilities
- School allowance
- Personal comfort allowance
- Hearing aids for social assistance clients
- Special needs expenses including: funeral expenses, optical care, dental benefits, medical supplies, home repairs/maintenance, furniture and essential appliances, ambulances and medical transportation, and food care
- AccessAbility
- Child care subsidy program

In the spirit of the fourth guiding principle for a basic income guarantee for the Special Committee on Poverty in PEI, your committee urges government to maintain these programs.

Pilot recommendations

Your committee had lengthy discussions with regards to establishing recommendations relating to a pilot for Prince Edward Island. During its meetings with various experts, community groups and individuals, it is clear that the implementation of a pilot project can be risky. The risk stems from the fact that pilot programs are less permanent than a fully implemented program. Your committee heard from multiple groups the devastation caused by the early cancellation of the Ontario Basic Income Guarantee pilot project.

Your committee met with the Hamilton Roundtable for Poverty Reduction on February 18, 2020, who shared their experience with the Ontario Basic Income Guarantee pilot project. This program was proposed as a three year pilot; however the pilot was cancelled mid-way through, following a change in government administration in Ontario. Your committee heard from Laura Cattari, who was a participant in the Ontario pilot. She said the following on the impact of the pilot and its cancellation: “All of a sudden I had this hope for three years that I could get my life settled and bring myself to a place where I wouldn’t live in fear. The cancellation for myself and many in the community I had the opportunity to speak to after the cancellation – not only did the fears return, which is easy to understand, but to be offered hope and then to subsequently take away hope is devastating” (February 18, 2020; page 81).

In offering the following recommendations to the Legislative Assembly, your committee wishes to strongly reiterate that if a pilot program is implemented, there needs to be a solid commitment from government that it will continue until the pilot is concluded.

- 8) That in the event that the federal government is not supportive of a full program, the Government of Prince Edward Island initiate the development and implementation of a Basic Income Guarantee Pilot for Prince Edward Island.**

In the event that a partnership between the federal and provincial governments is not possible, Prince Edward Island should still move forward with the implementation of a basic income guarantee pilot. The cost of a pilot would be significantly lower than a full program, and the pilot can be designed in a way that would collect the appropriate data that could indicate to government potential cost savings in the areas of health, education and justice.

Your committee also would like to state that it believes it is important for government to continue consulting with those who have lived experience of poverty through its process to initiate a basic income guarantee pilot.

- 9) That the Government of Prince Edward Island considers the following design for the implementation of a Basic Income Guarantee Pilot: where the guarantee is a fixed percentage of the most current market-basket measure threshold, and that the guarantee is fixed at a minimum 85% of the threshold with a 50% benefit reduction rate, and that the program is available to all adults residents of the province, aged 18 years and above and includes seniors.**

Regarding the design of the program, your committee contracted Mr. Harvey Stevens to assist with design and costing of the modelling for a full basic income guarantee program. Mr. Stevens is a Canadian expert in the field of basic income guarantees. Appendix A outlines Mr. Stevens’ biography and the program used to do the cost-modelling for the committee.

To note, your committee is recommending that if government determines it will proceed with a pilot, that it is designed similar to the full program design, including a benefit reduction rate of 50%.

In designing a pilot for a basic income guarantee, there are a number of decisions that have to be taken, including the number of participants to enroll, how to enroll them and calculate the net benefits, the length of time to offer the benefits, how to monitor the responses to receipt of the basic income guarantee benefit and how to analyze and report on the impacts of the pilot on the recipients. Each of these topics is addressed in further recommendations.

Estimated cost of the program:

With the proposed pilot design, if a sample size of recipients of at least 3,073 and as many as 4,176 is implemented, the estimated gross costs of the program is between: \$19.486 million and \$26.489 million. There are no projected estimated savings with the pilot project costing, as supports like social assistance and the low income tax credit would remain in place for the duration of a pilot.

For clarity, the estimated cost includes only the cost of the actual guarantee given to recipients, and does not include any additional administrative costs associated with the establishment and execution of the pilot, as those design pieces are to be determined.

10) That the Government of Prince Edward Island enroll a minimum of 3,000 recipients in a pilot project to allow for statistically significant sample size.

Depending on a variety of variables to be determined by government, a required sample size should vary between 3,000 and 4,200 recipients.

11) That the Government of Prince Edward Island use a selection process for the pilot that is randomized based on tax returns on the previous year, where participants are automatically defined as eligible or not eligible.

The proposed basic income guarantee pilot features the use of the Canadian Revenue Agency tax platform for calculating the basic income guarantee net benefits payable to eligible recipients, based on the previous year's tax return. Based on their tax return, adults would automatically be defined as eligible or not eligible; no personal enrolment would be required.

Although the recipients could be selected and automatically enrolled in the pilot by government, your committee recommends that participants should be pre-notified by government to explain the program, how it works and the benefits the recipient could receive and be given the option of opting out. In addition, the pre-notification would ask for the informed consent of participants to have their health and other selected administrative data shared with the administrative unit within the department that operates the pilot project. This would enable an analysis of the impact of the pilot on the level of consumption of other key publicly funded services.

The key to selecting recipients to enroll in the pilot is to use random assignment. This ensures that all other factors that could influence the desired outcomes of the pilot is controlled for. Your committee would recommend against the community-level selection of participants that was used

during the Ontario Basic Income Guarantee Pilot. Such non-random selection of participants could compromise the analysis of the impact of the pilot.

Of those eligible recipients not randomly selected for the pilot, an equal sized comparison group should be randomly selected from the pool and their performance tracked as well. Only with a comparison group can the analysis determine the net impact of the pilot on the key outcomes being tracked.

12) That the Government of Prince Edward Island administer the proposed pilot for at least 3 years and that an arms-length, third-party agency is entrusted with the responsibility of monitoring, measuring and evaluating the pilot project.

Your committee is recommending that government administer the pilot like it would the program. A cost effective approach to managing the pilot is to have a special unit with the Department of Finance run the analysis of the tax files to identify eligible recipients, randomly select those to be enrolled in the pilot, calculate and pay out the benefits to those who consent to participate and manage the collection and matching of health and other administrative records with the taxation data, with due regard to ensuring data protection and privacy.

Three years is the standard length of time to operate a pilot program, and as such, your committee is recommending that the pilot run for at least that length of time. Your committee also suggests that while the pilot may run for multiple years, that annual analyses should be undertaken on a yearly basis to distill pertinent information in a timely manner.

For purposes of objectivity, your committee recommends it would be preferred to contract an arms-length, third-party agency to undertake the analysis of the data and preparation of a report, which is in the spirit of the seventh guiding principle for a basic income guarantee for the Special Committee on Poverty in PEI. The agency would be given an anonymized data set stripped of any personal identifying information. It would contain records of both the program participants and the comparison group. Such an agency could also be tasked with undertaking surveys of the program and comparison group participants to assess other outcomes that cannot be measured by administrative records such as life satisfaction, involvement in educational/occupational upgrading, changes in physical and mental health status, or other qualitative data.

Overall recommendations (full program or pilot)

This last set of recommendations has the potential to apply in both instances of government moving forward with a full program with the support of the federal government or a preliminary pilot program for the province.

13) That the Government of Prince Edward Island begin a legislative scan of all Prince Edward Island statutes that may require amendments to ensure that a basic income guarantee program or pilot can be successful, including changes to statutes that may be necessary in order to ensure accurate collection of data is possible to measure the success of the program or pilot.

Your committee recognizes that there may be a variety of legislative changes that will be required to legislation for a successful program or pilot. Your committee would like to encourage

government to commence a cross-departmental legislative scan to ensure that a program or pilot is ready to proceed as soon as possible.

14) That the Government of Prince Edward Island implement additional promotion and supports to encourage and aid islanders in filing income tax returns and to apply and update Health cards to ensure their participation in the program or pilot.

To determine eligibility for the program or pilot, your committee is suggesting that it be based on the potential recipients' tax returns to determine if adults are eligible or not eligible for the benefit (similar to the manner in which GST credit is assessed and distributed).

Additionally, with regards to the pilot program, since one of the aims of the pilot program is to establish cost savings in other areas of government programs, your committee encourages government to provide support to those who need to apply or renew their health cards. As noted in the design of the pilot, government would need to seek recipients' informed consent to have their health and other selected administrative data shared with the administrative unit within the department that operates the pilot or program.

While this recommendation does not deal with the delivery of the program per se, it will help the program or pilot reach as many islanders as possible and for government to be able to collect the appropriate data to monitor and measure the success of the pilot.

15) That the Government of Prince Edward Island ensure cross-departmental data is collected to appropriately study the effects of the program or pilot.

Currently, there seems to be a siloed approach to data collection among government departments. As such, your committee agrees it would be beneficial for government to ensure that data is collected from all applicable departments to appropriately study the effects of the program or pilot.

16) That the Government of Prince Edward Island adopt the Special Committee's "Guiding Principles for a Basic Income Guarantee for Prince Edward Island" as the basis of their work in relation to any program or pilot that is implemented in the province.

In its interim report in July 2020, the Special Committee on Poverty in PEI presented guiding principles for a Basic Income Guarantee, which have formed the basis of the committee's recommendations relating to a basic income guarantee for Prince Edward Island. Your committee supports the continuation of these guiding principles as the basis of the Government of Prince Edward Island's continuing work relating to a basic income guarantee for the province.

Guiding Principles for a Basic Income Guarantee for Prince Edward Island

- 1) A basic income guarantee should be universal and unconditional to all adult residents (Prince Edward Island residency of at least one year), subject to income, but regardless of work status, relationship status, or age.
- 2) A basic income guarantee should be available to all adult residents, age 18 and above, and include seniors.
- 3) A basic income guarantee should recognize that not all people have the same basic needs. Any program implemented should be sufficient to provide for people's basic needs with dignity and self-determination. Sufficient needs includes, but may not be limited to: housing, transportation, food, medicine, learning opportunities, childcare and eldercare, participation in community and emergencies.
- 4) A basic income guarantee should transform some social programs and services, such as income support. It is believed that many social programs and service should be maintained, including disability supports. It should be recognized that many will need more supports in addition to a basic income guarantee, including support programs for needs that money cannot fill.
- 5) A basic income guarantee should be administered through the income tax system, and respond to people's changing income levels in a timely matter, meaning that the system can adjust to fluctuations in income throughout the year. At such a time where the basic income guarantee is reduced, any reductions in the basic income guarantee should occur gradually. Calculations of a basic income guarantee should be made based on income, and should not include assets held by individuals.
- 6) A basic income guarantee should be evidence-based, and that appropriate lenses are applied to ensure the program is equitable for all people (such lenses include but may not be limited to: gender, diversity, age, ability, mental health, class, culture, language and literacy, sexuality and gender identity and geography).
- 7) A basic income guarantee should include the establishment of an arms-length third-party agency that would be responsible to monitor, measure and evaluate the basic income guarantee program.

Conclusion

Now, it is time for the committee to hand over what it has learned to the Government of Prince Edward Island. As the government of the province, they are in the position to now make decisions on these matters. Government is responsible for the development and administration of government programs. The committee thanks them in advance for their careful consideration of the recommendations as proposed by the committee.

The Special Committee on Poverty in PEI has consulted with individuals, community groups, government officials and subject-matter experts to develop these recommendations on measures of poverty, a living wage and a basic income guarantee. The committee recognizes the vulnerability of Prince Edward Islander's living in poverty and the significance these recommendation will have on future generations of Islanders. The Special Committee on Poverty would like to thank all the witnesses who took the time to speak with the committee on matters of poverty in the province and were vital to the development of the committee's recommendations. They have made this report possible.

This report effectively concludes the work of the Special Committee on Poverty in PEI.

Appendix A

Harvey Stevens worked as a senior policy analyst for the Department of Family Services of Manitoba for 20 years with responsibility for poverty analysis, program evaluation of employment training programs for social assistance recipients and early childhood development programs. After retirement in 2010, he focused his attention on welfare reform and the design of Basic Income programs. With Wayne Simpson of the Department of Economics at the University of Manitoba, he co-authored peer reviewed articles on the design of Basic Income programs for the Calgary School of Public Policy (2015) and Canadian Public Policy (2017). In addition, he did the modeling for the 2019 report published by the Basic Income Canada Network "Basic Income: Some Policy Options for Canada."

The program used to do the modeling work for the PEI Special Committee on Poverty is called the *Statistics Canada Social Policy Simulation Database and Model (SPD/M), version 28.1.*