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For P.E.I., a model for a guaranteed basic income that is feasible and affordable

An innovative federal-provincial partnership would virtually eradicate poverty among working-age adults and their children, report shows.

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A view of shops and buildings along Queen Street in Charlottetown, Prince Edward Island, in July 2019. THE CANADIAN PRESS IMAGES/Don Denton



A guaranteed basic income (GBI) has been discussed for more than half a century in Canada, but a well-researched proposal that takes into consideration both economic and political realities has never been put forward. Therefore, it has never been possible to develop viable alternatives to the status quo targeted approach to poverty reduction – an approach that is sometimes viewed as keeping people in poverty.

Until now.

The November 2023 publication of the [report *A Proposal For A Guaranteed Basic Income Benefit For Prince Edward Island*](#) addresses this omission at a crucial moment – when steps toward the goals of Canada’s [Poverty Reduction Act](#) (2019) are faltering.



Benoît Robidoux

Benoît Robidoux is an economist who co-ordinated multiple government budgets and updates. After 30 years at Finance Canada, he served as associate deputy minister, then senior associate deputy minister at Employment and Social Development Canada from 2015 to 2020.

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Wayne Simpson is a professor of economics at the University of Manitoba and a research fellow at the school of public policy at the University of Calgary. He is the author of [Is *Basic Income Within Reach? Building the Case Amidst Progress and Poverty*](#) (Palgrave Macmillan).

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Barbara Boraks

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This report breaks new ground both in the work done to address poverty and in the process of applying academic economic expertise to policy development. Along with [supplementary materials](#), it is now available for public review and discussion.

Who will receive the benefit and what is its impact on poverty?

The report proposes a guaranteed basic income benefit for P.E.I. residents aged 18 to 64. It would be a collaborative federal-provincial program delivered through the income tax system and jointly financed by both governments.

This maximum annual benefit would be 85 per cent of the official poverty line, which is slightly more than \$19,000 for a single adult and \$27,000 for a family of two adults in P.E.I.

The proposed benefit for working-age adults would complete Canada's social safety net, which already includes a guaranteed basic income for



seniors – through old age security and the guaranteed income supplement – and for children – through the Canada child benefit.

The proposal would virtually eradicate poverty among working-age adults and their children. The lives of families in poverty would also radically improve with better food security, health, education, housing and community involvement.

Pressures on the health-care system would lessen and social cohesion would be enhanced. Intergenerational transmission of poverty would be reduced, leading to higher productivity and economic prosperity over time.

A multi-year development process

In November 2020, the special committee on poverty in P.E.I. recommended implementation of a federal-provincial guaranteed basic income

program in the province, and the legislature unanimously approved the idea.

In response, Coalition Canada, a pan-Canadian organization supporting guaranteed basic income, led a working group of economists, public servants, politicians and advocates who spent two years studying the issue and preparing this report.

The result of this innovative process is a proposal that is politically feasible, affordable and socially acceptable.

In fact, the political representatives in our group ensured that the work reflected, as one of them put it, “the realm of the possible.”

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For example, there could be no changes to federal tax legislation to implement or finance the benefit. Economists modelled issues of cost, labour market (dis)incentives, financing and more.

One issue sometimes raised is that a guaranteed basic income delivered through the income tax system cannot address changes in family circumstances between tax filing dates.

Therefore, the team proposed an innovative partnership between federal and provincial systems in which the province remains the initial point of contact, providing

necessary financial support and ensuring that recipients file taxes so that they can transition to the guaranteed basic income when their tax returns are next filed.



Significant changes in circumstances within the year would also be addressed by the province, allowing recipients to rely on predictable support.

The report has been presented to the government and opposition parties in P.E.I.

Recently, in response to Barb Ramsay, P.E.I. minister of social development and seniors, Jenna Sudds, the federal minister of families, children and social development, proposed creating a working group of departmental officials to share tax, survey and administrative data and

information in support of P.E.I.'s work on assessing the feasibility of the proposal.

How much it will cost and who will pay for it?

Concerns have been raised about the cost of basic-income proposals.

Confirming recent research, our modelling indicates that a substantial portion of a guaranteed basic income for Islanders aged 18-64 would be delivered to young adults (18-29).

Currently, social support in the federal system is delivered using a family model for estimating net income, which counts adult children living with their parents as distinct families. Our P.E.I. team suggested an innovative way to move forward – using the census definition, which includes adult children living with their parents to all be part of one family.

Using this model, the proposal reduces the annual cost by about \$120 million or almost 40 per cent, to \$188 million from \$310

million, relative to a guaranteed basic income using the typical narrower definition of a family, thus allowing better targeting of benefits toward low-income families.

These costs are gross costs. When accounting for factors such as reduced spending on income assistance, the annual net cost would be in the \$100-million range – about one per cent of GDP or seven per cent of government revenues in P.E.I.

This, in turn, means it is possible for the P.E.I. government to modestly increase its income and sale taxes to finance up to 50 per cent of the proposal cost while simultaneously raising the after-tax income of most Islanders. Indeed, only the top 20 per cent of income earners in the province would experience a modest reduction in their after-tax income under our proposal.

What will be the impact on labour markets?

With respect to short-term labour market disincentives – a longstanding issue in the discussion of the implementation of a basic income – modelling done by the P.E.I. team indicated that using the census family definition to deliver the benefit would also limit the impact on labour markets, compared to proposals using the current family definition.

Indeed, the reduction in hours worked would be minimal – about 1.6 per cent, which translates to a reduction of only about 30 minutes less in a 35-hour work week. This is in line with work done to assess the impact of a basic income on work disincentives by the [parliamentary budget officer](#) and the British Columbia [panel on basic income](#).

A demonstration project with a comprehensive evaluation

We are not proposing a permanent program or a pilot but rather a five-to-seven-year province-wide demonstration project that could become permanent in partnership with the federal government.

That would allow time to assess its full interaction with existing provincial and federal benefits. The effectiveness and efficiency of administering the guaranteed basic income via the tax system together with the provincial delivery system could also be assessed along with social and economic outcomes.

This would be a unique learning experience for the entire country and could put Canada at the forefront of the social policy of the 21st century.

Because the proposal is for a full-province demonstration project, it would be necessary to find control groups in a region or regions of the country with population and other characteristics that closely match P.E.I.

Two possible areas for this are southeast New Brunswick (Albert, Westmoreland and Kent counties) and parts of Nova Scotia (Colchester, Cumberland, Pictou and Antigonish).

In creating a model for policy development that brings together key stakeholders to ensure both its economic and political viability, the report has resulted in a proposed model that indicates how to design a federal-provincial basic income demonstration project that is financially as well as politically feasible and socially responsible.

In doing that, it does in fact meet the objective of reflecting “the realm of the possible.”

The authors of the report are Robin Boadway, Miles Corak, Kendal David, Herb Emery, Evelyn Forget, Chloe Halpenny, Kourtney Koebel, Benoît Robidoux, Wayne Simpson and Harvey Stevens. Barbara Boraks was a project lead.

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