

## **BRITISH COLUMBIA EXPERT PANEL ON BASIC INCOME**

Rhys Kesselman for Finances of the Nation, session March 26, 2021

Genesis: 2017 supply & confidence agreement BC NDP & BC Greens

Panel & Mandate:

Panel: David Green (UBC, chair), Lindsay Tedds (Calgary),  
and J. Rhys Kesselman (SFU)

Total independence, technical support from BC ministries

Focus on poverty reduction in BC, Poverty Reduction Strategy

Poverty: market basket measure (MBM) of poverty threshold  
~ \$20,000 to \$22,000 for single person in BC,  
sq-rt # for family, assumes existing in-kind benefits

Terms of reference, three main questions for the Panel:

- 1) Should BC implement a basic income (BI)?
- 2) Should BC undertake a BI pilot (experiment)?
- 3) In the alternative, should BC pursue reforms to its income and social support system following BI “principles”?

Final report Dec. 2020, 530 pages, 40+ commissioned studies

All at BC Basic Income Portal: <http://www.bcbasicincomepanel.ca/>

Focus here on economic, taxation, and public finance aspects

Panel's adopted framework: "moving BC toward a more just society"

Characteristics of BI advocates & BI proposals

Economic security (adequacy)

Simplicity (accessibility)

**Autonomy (choice)**

Social inclusion

Additional characteristics in social justice framework

Dignity—requisites for a dignified life (cash *and* other resources)

Self-respect and social respect

Responsiveness: 1) Timing; 2) Individual needs

Reciprocity (self-sufficiency, taxpayer burdens)

Economic effects (incentives & impacts of financing)

Conflicts among all listed items quickly apparent, trade-offs

E.g.: simplicity vs. responsiveness (both dimensions)

E.g.: autonomy vs. ensuring requisites for dignity (dental)

E.g.: Economic security (adequacy) vs. reciprocity

& economic effects, taxpayer burdens, public support

Conclude: not advocate a general BI but instead some targeted BIs

and emphasis on expanding in-kind benefits ("Basic Services")

Better to build on and improve Income Assistance than institute BI

Focus on groups with highest poverty rates in BC (overall 8.9% by MBM)

(main focus on working-age population, since major cash-transfer programs already in place for seniors and children, mostly federal)

Childless single adults (31.4% in 2018 by MBM with 2008 base)

Single parents (18.6% in 2018 by MBM with 2008 base)

Disability population (not well-defined group for poverty stats)

\*\*Youth aging out of care (targeted UBI & services) ~ 1,000/year

\*\*Persons fleeing domestic violence (IA & start-up funding & services)

In addition to specific program reforms, also attention to:

BC employment standards and labour regulation (wages & conditions of employment; bargaining & unions)

Example: “fissured” work arrangements

System-wide reforms

Inconsistent eligibility and info requirements

Example: differing definitions of income

Cross-program integration and info sharing

Automatic enrolment in programs, cross-program

Real-time income information vs. annual/lags (CRA)

Automatic or prefilled tax returns, deemed filing (CRA)

Emphasis on consultation/engagement with affected groups

## Basic Income (BI): Analysis and critique

### Claims for BI (also vs. other program types)

Example: Cost savings via health care

Example: Easy to implement (via tax system)

Example: Work & other dis/incentives

### Three practical formulations of BI

Universal Basic Income (UBI): flat payment to all

*Benefit reduction rate* (BRR) = 0%

Very large cost, disincentives arise via financing side

Income-conditioned BI ( $0\% < \text{BRR} < 100\%$ )

Refundable tax credit (RTC) uses tax system: CCB, CWB;

long lags in response to individual income changes

Negative income tax (NIT) income reporting:

cost  $\gg$  RTC because of intra-year income variation;

fast response (like welfare) with monthly reporting

### Compare with provincial income assistance

BRR = 100% on *earnings* beyond a limited exemption amount

and BRR = 100% on most *other income sources*  $> \$0$

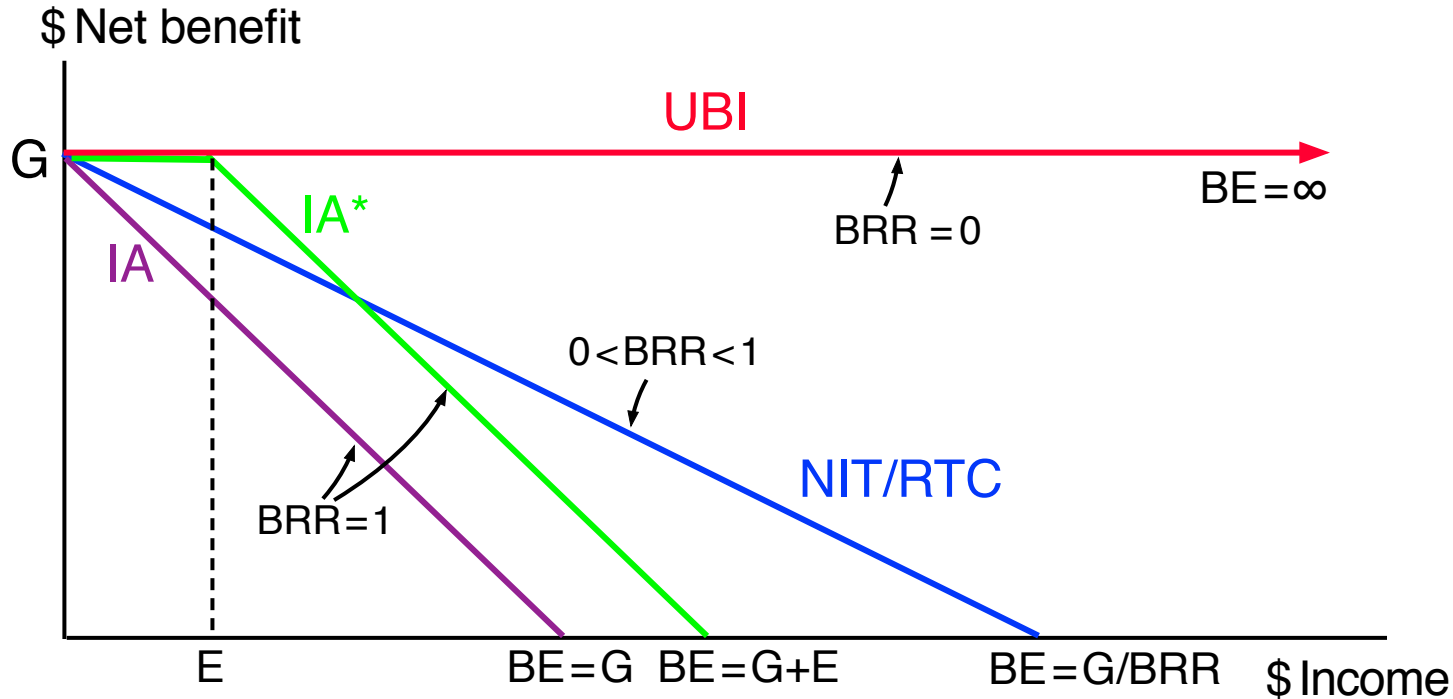
BC disability assistance, exemption = \$15,000/year

BC temporary assistance, exemption - \$500/month

Each benefit structure has a break-even level of income (BE), above which no benefits are paid

General relationship is  $BE = G/BRR$  (+ E if scheme has exemption of E)

Trade-off among adequacy (G), incentives (BRR), and cost (BE; also G)



All Canadian income-conditioned BI proposals have been RTC format (CRA operates)

Hence, they significantly underestimate cost of corresponding NIT (responsive) format

Long delays in response to income variations, unacceptable for poverty net scheme

Most BI proposals also ignore overlap of BRR with other tax and tax-back rates

BI CONCERNS: cost, disincentives, financing, and crowd-out of public services (IKBs)

Issue of overlap between BI's BRR and PIT rates and tax-back rates in programs

METR = BRR + relevant tax rates + in-kind benefit phase-outs

Extensive simulations exercises for BC, using SPSPD/M

Entire BC working-age population, ages 18–64

Children & seniors already covered by federal RTC programs

No behavioural, ignore financing, sq-rt 2, joint income test (least costly ass'ns)

UBI for \$20,000, cost \$51 bn

METR increases via big tax hikes

RTC for \$20,000, BRR 50%, cost \$11 bn

METR = 50%+15%+5%+5%=75%

RTC for \$20,000, BRR 30%, cost \$17 bn

METR = 30%+15%+5%+5%=55%

Add to METRs the BRRs of CCB + BC income-tested childcare & housing subsidies

Compare these costs with entire BC annual budget \$60 bn; total BC own-source tax revenues

\$35 bn; BC PIT tax \$11 bn; BC sales tax \$8 bn; BC CIT \$5 bn

Basic Income Canada Network (G=\$22,000); 2 RTCs and UBI; eliminate NRTCs, RTCs

All BICN schemes also radically expand federal and provincial PIT bases

Type	Cost (\$bn)	BRR	1st brkt-fed	1st-brkt-pvl	EI+CPP	METR
RTC	\$135–\$180	40%	15%	5%–10%	5%	65% to 70%
UBI	\$640	0%	75%	5%–10%	5%	85% to 90%

Compliance issues: At METR of 75%, cash at \$4/hour trumps reported/taxed \$15/hour

## WELFARE WALL, BC Income Assistance (IA):

Cash benefits for support & shelter, plus in-kind entitlements

Disability Assistance (DA), exemption = \$15,000 annual basis,

G ~ \$14,000 p.a. pre-pandemic plus in-kind benefits (K)

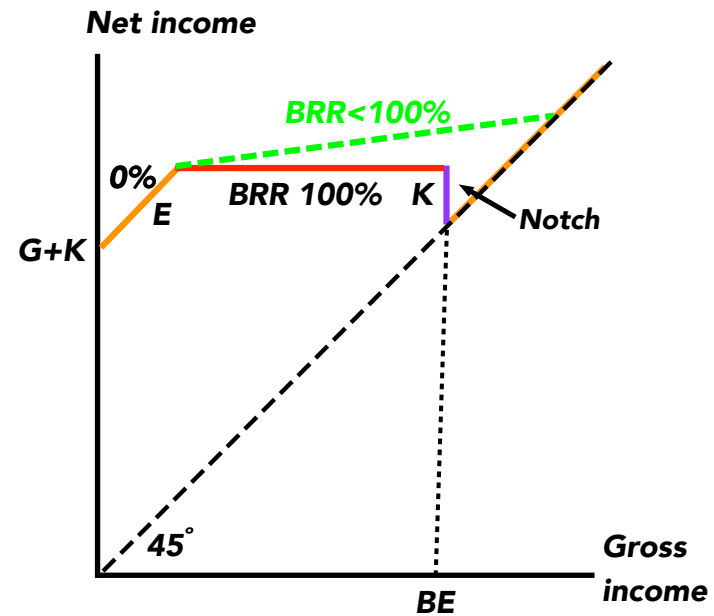
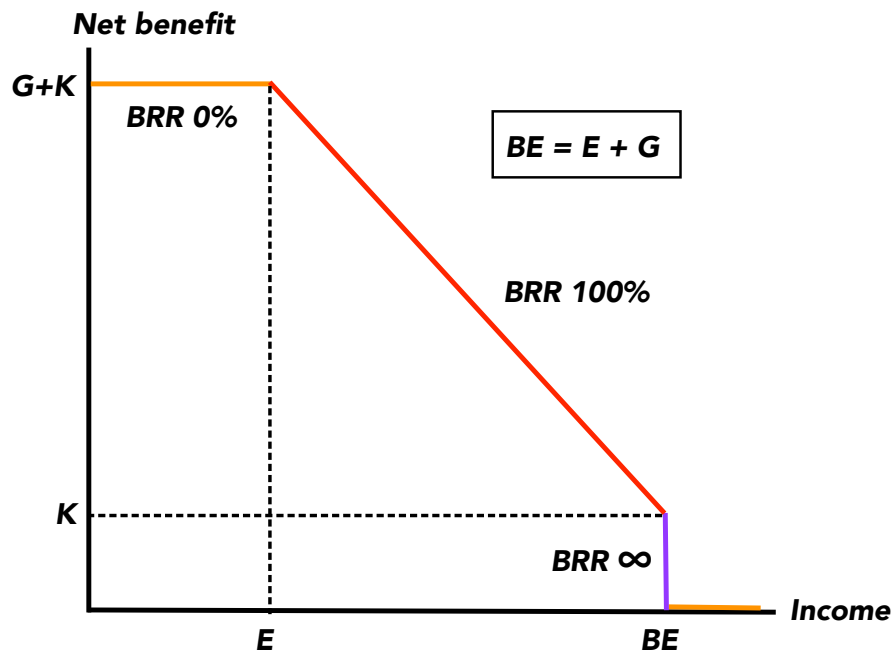
Temporary Assistance (TA), exemption = \$500 monthly basis,

Most on TA are temporarily excused from work (e.g. kids)

G ~ \$9,000 p.a. pre-pandemic plus in-kind benefits (K)

Note that  $\frac{3}{4}$  of all IA beneficiaries are in disability category (DA)

All cash benefit levels are well below poverty thresholds;  
also far below full-time full-year earnings at min. wage



## Panel's recommended reforms of BC Income Assistance (IA)

Deemed better basis than BI: cost, responsiveness, needs

Embody BI principles, simplify, accessible, dignity

Disability Assistance >  $\frac{3}{4}$  of all on IA

Reform eligibility to uniform medical criteria and ease and expedite the claim review process

Two disability categories: long-term & short-term

Expand DI eligibility to addictions and mental health

Set income test at break-even, not at benefit level

Eliminate asset test (currently very high threshold)

Convert to a RTC-type BI administered by CRA

Raise benefit to ~ \$20,000 poverty threshold

Retain earnings exemption, decrease BRR to 70%

Temporary Assistance (most now excused work/search)

Eliminate job search requirement prior to applying

Eliminate the asset test

Ease return to TA for an extended period

Increase basic benefit; reduce BRR to 70%

Merge support and shelter allowances

Augment services to assist return to work



Closer look at choice to reform IA rather than adopt BI

IA can respond quickly to income loss and variations

BI in form of RTC long lags; delay up to two years

IA can better target cash benefits (BI very costly)

IA can differentiate cash benefits by need (e.g. disability)

IA can provide linkage with needed services

If policy to build on IA, WELFARE WALL is a two-way barrier

Barriers that discourage beneficiaries from leaving IA

Barriers to needy persons from applying for benefits

**BARRIERS against LEAVING →**

BRR of 100%

If leave, reapplication delay and process if need to return

Fear of repeated disability review

Loss of linked services and in-kind benefits

**SOLUTIONS**

Reduce BRR below 100%

Extend period for rapid return if needed

Abolish three-week job search prior

Formally abolish eligibility review

Extend services & benefits to working poor



**← BARRIERS against JOINING**

Three-week job search prior to applying

Asset test and complexity of application process; stigma

Income must be less than G, not less than the break-even (BE) both DA&TA

Disability review; asset test

**SOLUTIONS**

Eliminate prior job search

Abolish asset test, simplify process

Income test for disability: BE; like a BI

Income test for TA: G; rations entry, cost

Income Assistance, rationale for differential treatment of DA & TA in income threshold

Disability Assistance, 2020, E = \$12,000, G = \$14,000 annual, BRR = 100%

In 2020 BE =  $E + G/BRR = \$12,000 + \$14,000/1.00 = \$26,000$

In 2021, E rises to \$15,000, G recommend hike to \$20,000 and BRR cut to 70%

BE would then become  $\$15,000 + \$20,000/0.70 = \$43,600$

Recommend DA eligibility become BE (not G), then is a BI with free movement of persons designated DA to have highly variable earnings across the BE

Temporary Assistance, 2020, E = \$4,800 (by month), G = \$9,000, BRR = 100%

In 2020 BE =  $E + G/BRR = \$4,800 + \$9,000/1.00 = \$13,800$

In 2021, E rises to \$6,000 (by month), G recommend hike to \$12,600, cut BRR to 70%

BE would then become  $\$6,000 + \$12,600/0.70 = \$24,000$

With high level of BE, on account of cost (monthly accounting) and incentive issues, recommend that for TA beneficiaries, the income threshold remain at G, which has increased to \$12,600

TA remains available (and relatively accessible) for individuals losing all or most of their work income and are not eligible for Employment Insurance  
Large differential between TA benefits and earning at minimum wage

Additional reforms to aid working poor, reduce welfare wall, BI consistent:

Families with children in poverty

BC “Child Opportunity Benefit,” expanded 2020 (BI/RTC format)

Not sufficiently targeted, unlike other provinces’ child benefits

Simple cost-neutral reform of benefit phase-out schedule

Introduce BC Rent Assist along the lines of Manitoba program

Cash benefit to all renters below income threshold  $f(\text{family size})$

Pays a fraction of (cost of median rent) – (30% of income), RTC

Extend misc. IA supplemental health/dental benefits to all low-income

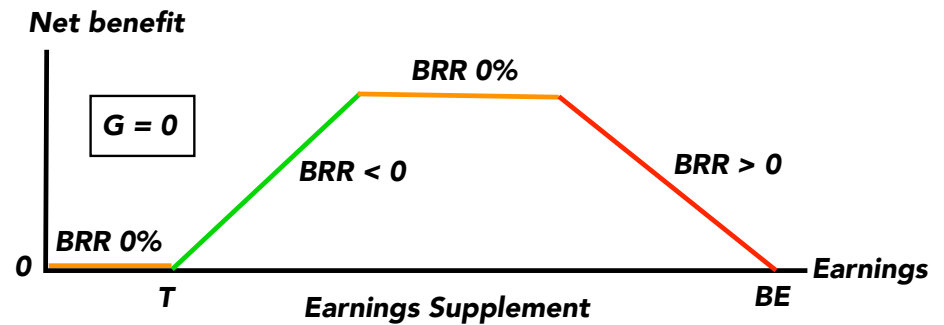
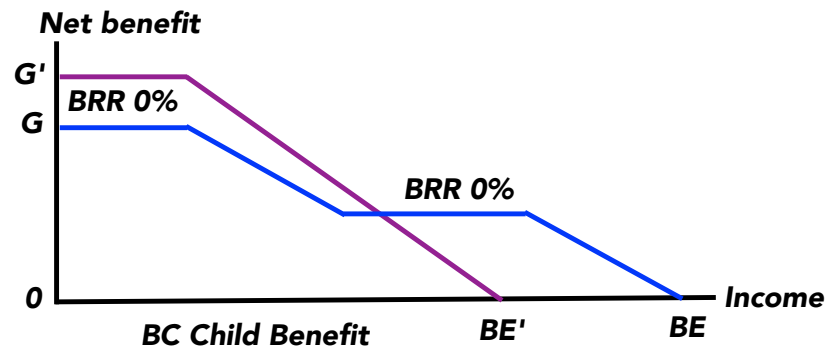
Severs dependence of eligibility for In-Kind Benefits on IA status

Phase out benefits smoothly with income over a threshold

Extended basic dental a priority; illustrates services emphasis

Introduce a BC earnings supplement program, complements CWB

Further reduces welfare wall, targeted at childless singles



Initial questions posed to the Panel:

1) Should BC implement a (*general, non-targeted, or universal*) basic income (BI)?

**NO:** high cost, disincentives, lack of responsiveness (timing & needs); crowds out services & in-kind benefits; lacks reciprocity, public support, sustainability

2) Should BC undertake a BI pilot or experiment?

**NO:** much previous evidence; time-limited; inability to replicate the high financing requirements of BI (which imposes own disincentives)

3) Should BC pursue reforms to income and social supports; using BI “principles”?

**YES:** mix of targeted cash transfers and basic services (in-kind)  
can better fulfill requisites for moving BC toward a more just society

In addition to expanded and more accessible Basic Services, recommend various *targeted* BI-type programs (complemented by services):

- |   |                   |
|---|-------------------|
| a) Focused Child Opportunity Benefit (RTC)  | Single parents    |
| b) Disability Assistance (refashion as RTC) | Disability group  |
| c) Temporary Assistance (more NIT-like)     | Childless singles |
| d) BC Rent Assist for low-income (RTC)      | Many groups       |
| e) Youth aging out of care (UBI)            | Youth group       |

Total package of recommended reforms has estimated annual cost \$3.3 to \$5 billion  
\$5 billion RTC with 30% BRR, family income test, has  $G < \$10,000$ , barely more than current  $G = \$9,000$  for TA and less than Panel’s recommended \$12,600