



Greens launch election campaign with plan to reduce poverty by half

Winnipeg, March 16, 2016: Today, leader James Beddome launched the Green election campaign with the announcement of a costed, Guaranteed Annual Income (GAI) plan. “We've done the math,” said Beddome. “We can deliver \$6300 a year to Manitobans through the income tax system and gradually reduce the need for welfare. The \$1.4 billion cost of the program would be covered by eliminating selected non-refundable and refundable tax credits and provincial income-tested benefits that will keep existing tax rates the same.”

The GAI would be provided to adult Manitobans in the form of a refundable tax credit, beginning at \$6300 for a single adult and delivered through the income tax system. It would feature a guarantee based on family size, with additional amounts made available to people claiming the federal disability tax credit or the infirm dependants tax credit.

The rate of poverty in Manitoba is rising, and existing welfare and income support programs are not effective in combating it. They reach only a fraction of the poor and welfare discourages work by clawing back earnings at a very high rate (70%). Compared to welfare, the GAI would reduce the claw back to 16 per cent making it easier to leave welfare for work. As well, if the welfare program also reduces its benefits by two thirds of the GAI received by its clients, then caseloads would decline by 18 per cent. Those remaining on welfare will be better off.

With the Green GAI plan, the 12% of Manitoba families who are now below the low income cut off (LICO) would see their income rise by an average of 22%. The single person gains the most, followed by the single parent family and the elderly single person. These are the family types most at risk of poverty.

The rate of poverty (percent of nuclear families in poverty) under this plan would decline from 12% to 6.6%, for a 45% reduction. The depth of poverty (percent of their income below the poverty line) would decline from 44.8% to 30.0%, for a 33% reduction.

The biggest improvement in the rate of poverty is for elderly couples (-100%), followed closely by single parent families (-89%) and two parent families (-86%), followed by elderly singles (-68%). With GAI, the largest improvements in the depth of poverty are for the elderly and the non-elderly couple.

“By replacing an ineffective patchwork of programs and tax credits with a Guaranteed Annual Income, we will reverse the rising tide of poverty in Manitoba,” said James Beddome, leader of the Green Party of Manitoba. “This will bring improved living standards to thousands of Manitoba families, leading to an 18% reduction in welfare caseloads and direct annual savings of \$130 million which will be used to fund the GAI. At the same time, government spending on health care, policing and prisons will be reduced. The Green GAI plan is a win-win for those stuck in poverty and for taxpayers alike.”

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Backgrounder and Program Details

Poverty and unemployment rates have increased.

- In 2008, there were 104,000 Manitobans with incomes below the after-tax low income cutoff (LICO) measure of poverty, representing 9.2% of the population. By 2013, there were 123,000, representing 10.3% of the population.
- Children living in female lone-parent families had the highest poverty rate at 45% in 2013 and represented 13% of the low-income population.
- Single adults 18 to 64 years of age experienced the second-highest rate of poverty at 30.7% in 2013 and made up 27% of the low-income population. They experienced the greatest depth of poverty, their average income being only 44% of the poverty line.
- By comparison, the poverty rate for children living in families was 6.9%, for adults 18 to 64 living in families it was 7.1%, and for elderly persons not living in families it was 10.7%.
- Part of the reason for the rise in poverty rates was the rise in unemployment rates – from 4.2% in 2008 to 5.4% in 2013 and 5.6% in 2015 – and the fall in employment rates – from 66.3% in 2008 to 64.9% in 2013 and 64.4% in 2015.

Provincial anti-poverty and income support programs have not addressed the need.

- Since 2008, the Province has had in place a broad anti-poverty strategy called All Aboard which has focused on providing the following: affordable housing; education and employment training, and income supports to adults; supports to families with children; and co-ordinated service delivery.

However, the employment training and income support components have not been sufficient to offset the effects of the worsening labour market.

- Manitoba has four income support programs for low-income adults and families – the Manitoba Child Benefit (MCB), the 55PLUS Junior and Senior, and the Rent Assist programs. The first two have not had their benefits increased for decades and the take-up rate is low; of the eligible population, only 7% apply for the Rent Assist program, 21% for the 55PLUS Junior program and 36% for the MCB program. Low-income homeowners are not covered by these programs.
- The social assistance program has not increased its basic needs budget for food, clothing and footwear, personal needs, and household supplies since 1996. The rent allowance is now 75% of median market rents. Applying for assistance requires multiple pieces of identification, confirmed rent amounts, application for Employment Insurance, proof of bank accounts, etc. Those with outstanding warrants do not qualify. While justifiable from an audit perspective, these requirements create barriers to qualifying for the program and long delays in accessing income support by those with little or no savings.

Once inside the welfare system, the design of the programs discourages recipients from getting a job, creating the ‘welfare trap’.

The Green Response – A Guaranteed Annual Income for all adult Manitobans

- The total GAI program cost is \$1.394 billion and is paid for with:
 - \$1.264 billion saved by eliminating tax credits and income-tested programs
 - \$130 million by partial clawback of GAI from social assistance recipients.

The design of the GAI

- A Guaranteed Annual Income (GAI) will be provided to adult (18+) Manitobans in the form of a *refundable tax credit* delivered through the income tax system. It will feature a *guarantee* based on family size, which will then be reduced at a fixed *benefit reduction rate* against total family income (market income + pensions + federal transfer payments) until the net benefit reaches \$0. For those claiming the federal disability tax credit or infirm dependants tax credit, the guarantee will be increased by a fixed amount.
- Based on the budget available for a GAI, the Green Party recommends the following parameters for the program:

Family Size	Guarantee	Benefit Reduction Rate	Exit level of Family Income	
			Amount	% of 2014 After-tax LICO
1	\$6,300	16.0%	\$39,375	195%
2	\$8,910	16.0%	\$55,687	227%
3	\$10,912	16.0%	\$68,200	223%
4	\$12,600	16.0%	\$78,750	207%
5	\$14,087	16.0%	\$88,044	203%
6	\$15,432	16.0%	\$96,450	201%
7 or more	\$16,668	16.0%	\$104,175	197%
Top-up For Disability		\$1,000		
Top-up for Infirm Dependants		\$500		

- The net amount of the GAI will be based on the total income of the ‘nuclear’ family (parents + children under 18) but divided equally by the number of adults in the family unit. Adult (18+) children living with their parents will be entitled to their own GAI, based on the amount for a single person.
- All those who are permanent residents of Canada and who have filed a tax return in each of the previous two years will be eligible for the GAI, including Status Indians living on reserves.

The financing and cost of the GAI

- The proposed GAI will cost an estimated \$1.394 billion (based on 2014 estimates).
- The revenue will come from the following sources: \$1.264 billion from the elimination of a broad range of non-refundable and refundable tax credits and provincial income-tested benefits and \$130 million from the partial recovery of GAI benefits from social assistance recipients.
- The GAI will replace the following fixed-amount non-refundable tax credits: basic, married, married equivalent, age, pension income, disability and infirm dependants, and the Manitoba Family Tax Benefit.
- The following variable-amount non-refundable tax credits will be replaced: the fitness tax credit, the tuition tax credit, the education amount, the interest on student loans, and the transfer of education and tuition tax credits.
- The remaining non-refundable tax credits will be left in place. They include the charitable donations, medical expenses, dividend tax credit, EI and CPP contributions.
- The following refundable tax credits will be replaced: tuition fee income tax rebate, primary caregiver tax credit, property tax credits, farmland school tax rebate, school tax credit for

tenants and homeowners, and the cost-of-living tax credit.

- The four provincial income transfer programs will be replaced by GAI (MCB, 55PLUS Junior and Senior, and Rent Assist).
- To reduce dependency on social assistance and to lower the welfare wall, any GAI benefits received by those receiving social assistance benefits will be deducted at the rate of 67% from their welfare benefits, such that their total income will increase slightly. This measure will lead to an 18% reduction in social assistance caseloads and annual savings of \$130 million which will be used to enrich the GAI.

The net impact of a GAI on family after-tax income

The above example of a GAI featuring a guarantee of \$6300 for a single adult reduced at a rate of 16% of total family income will generate the following net benefits:

After-tax LICO Level of Family Income	Per cent of Nuclear Families	Average Family After-tax Income Before GAI	Net Impact (GAI – Tax Increase - SA Clawback)	
			Amount (\$)	% of After-Tax Income
Below LICO	12.0%	\$13,712	+\$3,050	+22.2%
1 to 2 x LICO	31.4%	\$30,940	+\$517	+1.7%
2 to 3 x LICO	28.0%	\$47,978	-\$770	-1.6%
3 to 4 x LICO	15.7%	\$63,201	-\$1,098	-1.7%
4+ x LICO	12.9%	\$110,115	-\$1,069	-1.0%
TOTAL	100.0%	\$48,894	\$0	0.0%

Source: Statistics Canada, Social Policy Simulation and Database Model, Version 22.0. Calculations by the party.

The following table provides a summary view of the impact by family type and income level:

Average percent change in disposable family income due to the GAI by family type and income

After-tax LICO Level of Family Income	Type of Nuclear Family						Total Families
	Single Parent	Two Parent	Non-Elderly Single	Non-Elderly Couple	Elderly Single	Elderly Couple	
Below LICO	+15.5%	+18.6%	+30.9%	+14.1%	+7.3%	+26.3%	+22.2%
1 to 2 x LICO	+2.3%	+0.9%	+5.0%	-0.4%	+0.0%	+0.2%	+1.7%
2 to 3 x LICO	-1.9%	-2.6%	+2.9%	-3.4%	-1.8%	-4.5 %	-1.6%
3 to 4 x LICO	-2.3%	-2.1%	+1.8%	-2.6%	-1.5%	-3.8%	-1.7%
4+ x LICO	+0.3%	-1.1%	+1.6%	-1.6%	+0.0%	-1.9%	-1.0%
TOTAL	+2.1%	-1.0%	+5.0%	-2.0%	-0.1%	-2.6%	0.0%

Source: Statistics Canada, Social Policy Simulation and Database Model, Version 22.0. Calculations by the Party.

Overall, the single non-elderly person gains the most (+5.6%), followed by the single parent family (+2.1%) and the elderly single person (+0.1%). These are the family types most at risk of poverty.

Impact of GAI on the rate and depth of poverty

The rate of poverty (percent of nuclear families in poverty) under this plan would decline from 12% to 6.5%, for a 46% reduction. The depth of poverty (percent of their income below the poverty line) would decline from 44.8% to 29.9%, for a 33% reduction. By family type, the change in the rate and depth of poverty is presented below:

Nuclear Family Type	Rate of Poverty			Depth of Poverty		
	Pre-GAI	Post GAI	Impact (%)	Pre-GAI	Post-GAI	Impact (%)
Single Parent	24.5%	2.8%	-89%	27.8%	56.3%	+102%
Two Parent	5.1%	0.7%	-86%	22.0%	35.6%	+62%
Non-Elderly Single	20.0%	13.9%	-31%	57.9%	31.9%	-45%
Non-Elderly Couple	2.6%	1.3%	-50%	30.6%	12.5%	-60%
Elderly Single	10.4%	3.3%	-68%	6.1%	2.9%	-52%
Elderly Couple	1.9%	0.0%	-100%	43.8%	0.0%	-100%
TOTAL	12.0%	6.6%	-45%	44.8%	30.0%	-33%

Source: Statistics Canada, Social Policy Simulation and Database Model, Version 22.0. Calculations by the Party.

The biggest improvements on the rate of poverty is for elderly couples (-100%), followed closely by single parent families (-89%) and two parent families (-86%), followed by elderly singles (-68%). With the GAI, the largest improvements in the depth of poverty are for the elderly (-100%) and the non-elderly couple (-60%).