

**MANITOBA GOVERNMENT**

INFORMATION SERVICES BRANCH  
ROOM 29, LEGISLATIVE BUILDING  
WINNIPEG, MANITOBA R3C 0V8

PHONE 946-7175

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# NEWS SERVICE

**\$17M BASIC INCOME  
EXPERIMENT TO START**

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**Federal-Provincial  
Joint Plan Approved**

The federal and Manitoba governments have given final approval to the launching of a \$17 million basic annual income experiment involving payments to up to 2,500 Manitoba families over three years, Federal Health and Welfare Minister Marc Lalonde and Manitoba Health and Social Development Minister Saul Miller announced today in Winnipeg.

The project -- known as the Manitoba Basic Annual Income Experiment, or "Mincome Manitoba" -- is funded 75 per cent by Ottawa and 25 per cent by Manitoba. The experiment has been jointly designed by a group of federal and provincial economists and other social scientists. Research will be jointly undertaken, and the province will be responsible for operations.

The experiment will conduct research into various impacts of a program that provides both a basic level of income support and a means of varying this as other income is earned.

Under some existing income support programs, it might be economically advantageous for certain persons to remain on these programs rather than to work. Because the basic level of support is reduced by only a percentage of that which the individual or family gets through outside earnings, however, the experimental program involves a built-in work incentive.

Regular enrolment in the experiment will start this coming summer. Monthly payments will be made to up to 2,500 families of various sizes. Participation in the scheme is strictly voluntary. In order to assist in the development of the payments system, about a dozen families will be enrolled in Winnipeg early in March, for a few months.

The sample population, the final size of which will depend on the extent of voluntary enrolment and budget limitations, will be established as follows:

1. About 1,000 families and individuals from Winnipeg will receive payments. In addition, a smaller control group will also be enrolled in Winnipeg but will not receive income payments. This group will be regularly interviewed, however, and the information obtained will be compared with the results of those under the plan.

2. Another group of about 150 individuals and families from a number of rural Manitoba communities will receive payments. A further 300 families will be enrolled in a control group and will not receive payments, but will be studied for comparison purposes.
3. A third major group, from a still-to-be-selected single rural community and surrounding rural municipality will receive payments. Families from this group, rather than being chosen by Mincome Manitoba, will make their own applications for enrolment, with all eligible applicants being accepted. This will enable project officials to gain experience with the administrative problems and economic consequences of an actual program.

By April, Mincome Manitoba will have finished initial surveys in Swan River, Minnedosa, Morris, Morden, Carman, Dauphin, Stonewall, Portage la Prairie and Neepawa. After these surveys are completed, and the data analyzed, the final choice of rural experimental sites will be made. A similar survey was started last summer in Winnipeg and completed in December.

To date, Mincome Manitoba has completed 21,000 surveys and expects to do another 4,000 before the selection of sites is finished. Using this survey data, 6,000 families and individuals will be chosen for longer, intensive interviewing and it is from this group that the families will be chosen for enrolment in the program. The actual selection of these families and their assignment to the different plans will be made by a computer "optimization" model. The enrolled families will be re-interviewed three times a year during the experiment.

The program has three basic parts:

1. For each individual or family, a basic annual entitlement is established, depending on family size. For experimental purposes, three different sets of support levels will be used. For a family of four, for example, the support levels will be in the range of \$3,800, \$4,600, and \$5,400, subject to further refinement as survey data are analyzed.
2. All the other income that an individual or family receives -- such as from employment, interest on savings, or from other government programs -- is retained by the family. But the basic support entitlement will be reduced by a percentage of this income from other sources. This process is called a "negative income tax", for it involves a reduction in the basic entitlement as other income rises. There are three reduction rates in the experiment: 35 per cent, 50 per cent, and 75 per cent.
3. As an individual or family acquires more and more income, the point is reached where the basic income entitlement in any 12-month period is reduced to zero. At this "cut-off point", the family loses its eligibility for some time. The length of this depends on the amount by which other income exceeds the cut-off point.

To illustrate the "negative tax" mechanism, assume that the basic support level for a family of four in one of the selected communities is \$3,800, and that the reduction rate is 50 per cent.

If this family receives \$2,000 in a year from other income sources, such as a job, it keeps that \$2,000. But at a 50-per-cent reduction rate, its basic guarantee of \$3,800 is reduced by 50 per cent of this other income, or \$1,000. This brings its support level down to \$2,800 which, with the \$2,000 in income from other sources, brings its total for the year to \$4,800.

If this same family received other income of \$5,000, its 50-per-cent reduction rate would reduce the basic \$3,800 support level by \$2,500, leaving it \$1,300. This \$1,300, together with the \$5,000 in other income, would total \$6,300 in family income for the year.

The cut-off point for this family would occur when its income from other sources was \$7,600. The 50-per-cent reduction rate on this income would off-set its basic \$3,800 entitlement by \$3,800, that is, reduce the payments to zero.

There will be eight combinations of basic support levels and reduction rates and families will be enrolled in each of these. The variations in basic guarantees and reduction rates are designed to give the federal and provincial governments information on a wide range of possible programs.

Pointing to these various combinations, both ministers stressed that the Manitoba experiment does not involve the test of a single program, but rather is an examination of the negative tax mechanism which could be used in a variety of income security programs.

The conditions under which people will be enrolled in the experiment are these:

1. All participation is voluntary.
2. Those who do enroll will be assured a floor income during the three-year experiment. As well, there will be a phase-out period to minimize possible disruption to participants and their communities.
3. All information obtained during both the surveys and the experiment project will be kept strictly confidential.

The ministers indicated that the most significant hope of the negative tax approach is the built-in work incentive aspect. The primary research focus of the experiment will be to determine the degree of work incentive associated with each of the different combinations of reduction rates and basic income support levels.

An expected beneficial effect will be the impact of the scheme on the retention of rural populations, and its relevance to the various provincial "stay option" programs. Other areas of research include community economic effects, administrative costs, job satisfaction, and the search for employment.

The Manitoba experiment is expected to make an important contribution to the review of Canada's social security system launched last April by all ten provinces and the federal government.

Manitoba began planning for the experiment in 1971, and intensive planning has been going on for nearly two years. A detailed proposal on the experiment was prepared by Manitoba and accepted by Ottawa last April. This paved the way for detailed design work by both governments. Costs of the planning phase, like the upcoming experiment itself, were shared 75 per cent by Ottawa and 25 per cent by Manitoba. The interviewing, data processing and analysis will be performed by an integrated research organization.