

Towards a Basic Income Guarantee (BIG) in the Northwest Territories

A Proposal to Invest in People for the Common Good



Summary for Policy Makers

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Alternatives North

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Introduction

Basic income guarantee (BIG) is a program where eligible citizens receive an unconditional payment, if needed, to top up their income to a fixed amount. The general purpose is to end poverty and give people the opportunity to participate as full citizens in society, with dignity and security.

Given its diversity, the NWT is an ideal location for a much-needed, basic income pilot program. This proposal is an important step forward to help design and implement such a program. Commitment, curiosity, teamwork, and government investment are needed to further refine the model and implement a BIG program in the NWT.

This is a summary of the original report. It is intended to encourage policy makers to take action.

The full report is available on the Alternatives North website:

<https://alternativenorth.ca>

Overview of NWT BIG Model Analysis

This proposal analyzed information from the NWT Bureau of Statistics, using a model designed specifically for the NWT. The purpose of the model is to quantify and understand the challenges and benefits of BIG to individuals and families, and the costs and benefits to government.

The model applies the negative income tax approach. This approach has three basic elements:

- Maximum benefit (MB): the maximum amount of a BIG payment that a person / household can receive.
- Reduction rate (RR): the amount that the BIG payment is reduced for each dollar of earned income.
- Turndown threshold (TDT): the income level where the BIG payment is zero — where a person / household receives no benefit.

Recipients don't pay federal or territorial income tax on the amount they receive from a BIG. Other benefit programs use this approach, such as Canada Child Benefit and Guaranteed Income Supplement.

Maximum Benefit

To calculate the maximum benefit, the model applied the Market Basket Measure – North (MBM-N). MBM-N is based on the cost of a basket of goods and services needed for a basic standard of living: food, shelter, clothing, transport, and other needs. It reflects the high cost of living in the North. NWT Bureau of Statistics provides MBM-N for six NWT regions.

The model defined maximum benefit (MB) as a percent of each region's MBM-N for the reference household: two adults and two children. The maximum benefit is based on households with either two adults or one adult, regardless of the number of children. It assumes federal and territorial child benefit programs stay in place.

This table shows the reference MBM-N for each region and the calculated maximum benefit for the two types of households in each region. MBM-N is only done for the reference household, hence the need to calculate a maximum benefit for other types of households. Hence the maximum benefit (100%) for a household with 2 adults and two children would be the same as the reference MBM-N column.

Six NWT Regions: Reference MBM-N and Maximum Benefit (MB)			
Region	Reference MBM-N Households with 2 adults and 2 children	Maximum Benefit All households with 2 adults	Maximum Benefit All households with 1 adult
Beaufort Delta	\$74,305	\$52,542	\$37,153
Sahtú	\$75,255	\$53,213	\$37,628
Tłı̄chǫ	\$61,209	\$43,281	\$30,605
Dehcho	\$64,654	\$45,717	\$32,327
South Slave	\$61,243	\$43,305	\$30,622
Yellowknife area	\$62,268	\$44,030	\$31,134

Four Scenarios

Rather than the Basic Income always being 100% of the Market-Basket-Measure – North, the model examined four scenarios, with different combinations of maximum benefit (MB) and reduction rate (RR).

- Scenario 1: 85% MB / 75% RR

- Scenario 2: 85% MB / 50% RR
- Scenario 3: 100% MB / 75% RR
- Scenario 4: 100% MB / 50% RR

Baseline Family Income Data

The model used income data from the NWT Bureau of Statistics as a baseline for analysis. These data represent 18,980 family units, of which 3,120 include one or more adults that are 65+.

Turndown Threshold

The turndown threshold is the income level where a family unit is not eligible for BIG. It is a function of the maximum benefit and the reduction rate. The table below shows the turndown threshold for each scenario and region, for couples and single adults.

Turndown Threshold by Scenario and Region					
Region	Family Unit	Scenario 1 85%MB 75%RR	Scenario 2 85%MB 50%RR	Scenario 3 100%MB 75%RR	Scenario 4 100%MB 50%RR
Beaufort Delta	Couples	\$59,547	\$89,321	\$70,055	\$105,083
	Single adult	\$42,106	\$63,159	\$49,537	\$74,305
Sahtú	Couples	\$60,308	\$90,463	\$70,951	\$106,427
	Single adult	\$42,645	\$63,967	\$50,170	\$75,255
Tłı̄chq	Couples	\$49,052	\$73,578	\$57,708	\$86,563
	Single adult	\$34,685	\$52,028	\$40,806	\$61,209
Dehcho	Couples	\$51,813	\$77,719	\$60,956	\$91,435
	Single adult	\$36,637	\$54,956	\$43,103	\$64,654
South Slave	Couples	\$49,079	\$73,619	\$57,740	\$86,611
	Single adult	\$34,704	\$52,057	\$40,829	\$61,243

Turndown Threshold by Scenario and Region					
Region	Family Unit	Scenario 1	Scenario 2	Scenario 3	Scenario 4
		85%MB 75%RR	85%MB 50%RR	100%MB 75%RR	100%MB 50%RR
Yellowknife area	Couples	\$49,901	\$74,851	\$58,707	\$88,060
	Single adult	\$35,285	\$52,928	\$41,512	\$62,268

The model analysis also examined interactions between taxes, certain benefits (GST tax credit, Canada Child Benefit, NWT Child Benefit), and BIG turndown thresholds.

As examples of this analysis, the next table uses two regions — Tłı̨chǫ (lowest maximum benefit) and Sahtú (highest maximum benefit) — to show where the turndown threshold overlaps with income levels where increased taxes and reduced benefits (excluding BIG) result in a negative net benefit.

- Income column (grey, no BIG) shows income where taxes and reductions in other benefits exceed the increase in earned income.
- Red highlights show where these income levels can coincide with the turndown threshold, where people no longer receive BIG payments. For some families, this may cause disincentives to earn more income.

Income Levels where Disincentives to Work may Arise for BIG Recipients					
Family unit	Income where taxes > benefits	Turndown Threshold (low Tłı̨chǫ to high Sahtú)			
		Scenario 1 85%MB 75%RR	Scenario 2 85%MB 50%RR	Scenario 3 100%MB 75%RR	Scenario 4 100%MB 50%RR
Couple 0 children	\$32,500	\$49,052 to \$60,308	\$73,578 to \$90,4688	\$57,708 to \$70,951	\$86,563 to \$106,427
Couple 1 child	\$47,500	\$49,052 to \$60,308	\$73,578 to \$90,4688	\$57,708 to \$70,951	\$86,563 to \$106,427
Couple 2 children	\$65,000	\$49,052 to \$60,308	\$73,578 to \$90,4688	\$57,708 to \$70,951	\$86,563 to \$106,427
Couple 3 children	\$72,500	\$49,052 to \$60,308	\$73,578 to \$90,4688	\$57,708 to \$70,951	\$86,563 to \$106,427

Income Levels where Disincentives to Work may Arise for BIG Recipients					
Family unit	Income where taxes > benefits	Turndown Threshold (low Tłjchq to high Sahtú)			
		Scenario 1 85%MB 75%RR	Scenario 2 85%MB 50%RR	Scenario 3 100%MB 75%RR	Scenario 4 100%MB 50%RR
Lone parent 1 child	\$47,500	\$34,685 to \$42,645	\$52,028 to \$63,967	\$40,806 to \$50,170	\$61,209 to \$75,255
Lone parent 2 children	\$47,500	\$34,685 to \$42,645	\$52,028 to \$63,967	\$40,806 to \$50,170	\$61,209 to \$75,255
Lone parent 3 children	\$65,000	\$34,685 to \$42,645	\$52,028 to \$63,967	\$40,806 to \$50,170	\$61,209 to \$75,255
Single adult	\$17,500	\$34,685 to \$42,645	\$52,028 to \$63,967	\$40,806 to \$50,170	\$61,209 to \$75,255

The analysis shows that Scenario 4 (100% MB / 50% reduction rate) has the least overlap with turndown thresholds. It is least likely to create a welfare wall or discourage increased earnings. Scenario 3 (100% MB / 75% reduction rate) has the most overlap, and may create work disincentives for some families.

Cost to Implement a BIG

To estimate the total cost for each scenario, the model used income data from the NWT Bureau of Statistics.

Scenarios	Total BIG Payments
Scenario 1: 85% MB / 75% RR	\$58.9M
Scenario 2: 85% MB / 50% RR	\$99.8M
Scenario 3: 100% MB / 75% RR	\$87.5M
Scenario 4: 100% MB / 50% RR	\$138.3M

When calculating the total cost, the proposal also assumes:

- BIG replaces the current income assistance program.
- There are no changes to federal or territorial tax systems, or any other

existing benefit or credit programs.

The proposal also identifies possible savings, such as \$6.2M in admin costs from ending income assistance and up to \$32.4M from additional rent income for public housing, for Housing NWT.

Basics of a BIG Program for the NWT

The proposed BIG program replaces income assistance and integrates with other financial and social support programs. It aims to ensure ample support for all recipients, improve access to resources, reduce overhead, and remove the gaps in the current system. It seeks to create a system with minimal conditions and bureaucracy — to dismantle barriers that often impede access to financial support. It also aims to keep intact any other supports that work for residents, and enhance their positive effects.

The proposal outlines some basics of a BIG program for the NWT.

- Principles to guide the program.
- Who is eligible.
- Administering BIG.

Principles

BIG principles are the basic values that guide how the program works.

- BIG is the foundation for a thriving population, not just a financial safety net. The amount is enough to help all recipients meet basic expenses and live with dignity, and enable them to make choices — to take part in community life, seek training or education, participate in traditional activities, etc.
- BIG is intended to remove income as a factor in poverty, by allowing people to deal with other issues more effectively. Certain programs must interact with / work alongside it — for example, a stronger and expanded Integrated Case Management program. BIG cannot alone solve all the challenges that people face in the NWT — especially Indigenous peoples.
- The amount of a BIG reflects the high cost of living in the north. It is tailored to the unique characteristics and social and economic conditions of each region and community. It accounts for factors such as isolation and road access, economic opportunities, access to jobs and

education, market options, etc.

- BIG is available to and supports people who move in and out of paid work.
- BIG is available to and supports people who live with multiple unrelated adults in a single household.
- BIG does not limit or complicate access to benefits and supports from any other program, such as housing and disability benefits, mental health supports, job creation programs, treaty obligations and reparations, impact and benefit agreements, scholarships, etc.
- To determine eligibility, family income does not include any amounts that a person receives from other benefit programs such as housing and disability benefits, mental health supports, job creation programs, treaty obligations and reparations, impact and benefit agreements, scholarships, etc.

Who is Eligible

To be eligible, a person must:

- Be 18+ years old.
- Have income less than the regional MBM-N for the family unit.
- Be an NWT resident for at least one year.

For this proposal, income for each adult in a family unit is the net income on line 236 of the federal income tax form, minus social assistance benefits on line 145. Family income does not include any benefits or supports a person receives for housing, disability, mental health, job creation, or other sources as outlined in the principles.

BIG payments are based on family income. This raises the question of how to disburse the payment within the family unit, when there is more than one adult. This proposal recommends that the BIG is divided equally among the adult family members.

This method supports the principles of individual autonomy and self-determination. It also aligns with the existing federal practice with the Guaranteed Income Supplement to seniors, which is based on combined income and distributed fairly among eligible recipients.

Administering a BIG

The proposed BIG payment is based on information in the federal income tax return. The Canada Revenue Agency could administer payments, in the same way they administer the child tax credit and other benefits.

This approach greatly reduces the admin burden on the GNWT. At the same time, the GNWT can save money as they eliminate the bureaucracy for the income assistance program.

To confirm that the BIG considers all potential recipients, the GNWT needs to invest resources and support, to ensure that all eligible NWT residents submit an income tax return every year.

Why the NWT Needs to Implement a BIG

The NWT has a high cost of living and significant poverty. Indicators of poverty include low income, lack of employment, low education, housing problems, and poor physical and mental health. These characteristics disproportionately affect Indigenous people and communities, and perpetuate cycles of inter-generational trauma. They are rooted in broad systemic issues and the enduring effects of colonialism and residential school.

This proposal and other research outcomes suggest that a BIG is a cost-effective and worthwhile investment, to help deal with these challenges. Basic income pilots from around the world provide evidence that highlights the potential for a basic income to help end poverty, and enhance well-being and self-determination.

Expected benefits include:

- Improved health outcomes, especially mental health.
- Positive impacts on child development.
- Reduced use of the health care system.
- Less crime.
- Increased participation in education, training, and employment.
- Better access to more jobs.

Conclusions and Next Steps

This proposal recommends that the federal and territorial governments cost share a BIG pilot program in the NWT as soon as possible, for a minimum of five years. A timeline of 10 years is ideal — to ensure there is useful data to accurately measure impacts and outcomes.

To further develop and implement a BIG pilot program, Indigenous and non-Indigenous policy makers and advocates need to work together and take action to:

- Refine the delivery model, to better understand and confirm costs and benefits.
 - As much as possible, minimize disincentives to seeking work. This is best achieved with a higher maximum benefit and a lower reduction rate.
- Explore best practices and evidence-based policies, to deliver an expanded Integrated Case Management program and other interventions with BIG, to optimize positive outcomes.
- Do research to further explore and clarify:
 - Costs and savings from ending income assistance.
 - Interactions between BIG and housing programs, including public housing and Indigenous owned / operated housing.
 - Whether or not the MBM-N is best suited as the basis for maximum benefit.

Canada and NWT have ambitious commitments to reduce poverty by 50% by 2030. To date, efforts to reduce poverty have had very limited or no durable effects in the NWT.

Ongoing poverty is a persistent obstacle to reconciliation and healthy regional economies and communities — in the NWT and throughout Canada.

A BIG can provide a streamlined, transformative approach to end poverty. It can help ensure that all NWT residents live with hope, as full participants in their families and communities.