

A significant feature is that they are automatically adjusted to reflect changes in average standard of living. It is also significant that these poverty lines approximate one half (50 per cent) of the average annual income for families of each size. The derivation of these lines is explained in the Appendix.

2. *Basic Allowance Rate.* This is the "income floor" to be guaranteed to families through the Guaranteed Annual Income plan. To meet the criterion of adequacy, the Committee proposes that the basic allowance rate be established initially at 70 per cent of the poverty line for each family size. The basic allowance rates for 1969 are shown for each family size in Table 37. These rates compare favourably with the corresponding Statistics Canada/E.C.C. minimum family income levels, and with existing provincial welfare payment levels.

TABLE 37  
Proposed basic allowance levels, 1969

Family unit size	Basic allowance
	\$
1.....	1,500
2.....	2,500
3.....	3,000
4.....	3,500
5.....	4,000
6.....	4,500
7.....	5,000
10.....	6,500

SOURCE: Staff Study.

3. *Basic Allowance Reduction Rate.* This is the rate at which the family's basic allowance is reduced as income from other sources increases. For the proposed plan the Committee has selected an allowance reduction rate of 70 per cent. In other words, for each dollar of earned or other income the basic allowance is reduced by 70 cents. It is the view of the Committee that this rate will be adequate to maintain the work incentive. It is recognized, however, that this rate is high, and that priority should be given to lowering it as soon as possible after introduction of the plan. The effect of the basic allowance reduction rate on net income as other income increases is shown in Table 38.

Some may feel that this allowance reduction rate will interfere with the work incentive of those families whose incomes are below the poverty line. While the Committee would favour a lower allowance reduction rate—50 per cent, for example—the extra costs were found to be prohibitive at this time.