Mincome Manitoba

Manitoba Basic Annual Income Experiment

The Administration of the Payments System of Mincome Manitoba

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Technical Report no. 4

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PAYMENTS SYSTEM OF MINCOME MANITOBA

by

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FOREWORD

The Manitoba Basic Annual Income Experiment is designed to evaluate the economic and social consequences of a guaranteed annual income program based on the concept of negative income tax. Of particular research interest is the labour supply response of individuals and families containing non-aged, able-bodied members. The Experiment is a jointly funded project of the governments of Canada and Manitoba and was collectively designed by researchers and officials of Mincome Manitoba, the Department of Health and Social Development, Manitoba, and the Policy Research and Long Range Planning Branch of the Department of National Health and Welfare, Ottawa. Mincome Manitoba is the agency established to administer the project and is solely responsible for all experimental operations. Seventy-five percent of the cost of the Experiment is funded by the Government of Canada; twenty-five percent is funded by the Province of Manitoba.

ACKNOWLEDGEMENT

The administration of the payments system of Mincome Manitoba reflects the cumulative contributions of a great many individuals. A substantial contribution was made by the entire payments staff, whose every day experience often led to suggested improvements and modifications. As well, many valuable suggestions were made by individual members of other divisions of Mincome Manitoba as well as members of the Experimental Research Unit, Department of Health and Welfare, Ottawa. In particular, we would like to acknowledge the direct contributions of B. Powell, M. Laub, S. Miller, R. Hikel, J. Kaufman and N. Hunking. A very special acknowledgement is owed to W. Harrar who, along with A. Anderson and J. Kaufman, made extremely valuable suggestions in commenting on earlier drafts of this manuscript.

The opinions expressed herein are those of the authors and should not be construed as representing the opinions or policies of the Province of Manitoba, Canada, or any agency of either government. The present report should be read in conjunction with "The Design of the Payments System of Mincome Manitoba" by D. Hum *et al.* as well as the *Rules of Operation*, a compendium of the detailed procedures followed by the payments staff in dealing with specific situations.

THE ADMINISTRATION OF THE PAYMENTS SYSTEM OF MINCOME MANITOBA

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I. INTRODUCTION

The Manitoba Basic Annual Income Experiment was a large scale project jointly funded by Canada and Manitoba. Its objective was the evaluation of the social and economic consequences of a guaranteed annual income program based upon the negative income tax (NIT) concept. Of primary concern was the labour supply response of individuals and families containing non-aged, able-bodied members to a guaranteed annual income. The design and conduct of the Experiment involved selecting participants from a number of sites and assigning them to alternative negative income tax programs having different support levels and offset tax rates. The participants assigned to each one of the several treatment programs were eligible to receive income-conditioned payments for a three-year period. In addition control groups were selected. The control groups were not entitled to a guaranteed annual income but provided valuable information for comparison purposes. Although the Experiment was principally designed to investigate the work responses of recipients of income-conditioned payments, it provided evidence on a much wider range of behavioural responses relevant for a broad spectrum of income maintenance programs having basic support levels and offset tax rates. In particular, the experimental design was also developed to permit the monitoring of administrative methods and the assessment of procedures for actually making payments. The effectiveness of proposed procedures in delivering the intended benefits to the target population may well determine the ultimate success and overall costs of any income assistance program chosen.

A negative income tax program may be characterized as a universal, objective, income-conditioned transfer mechanism aimed at minimizing the work disincentives of the able-bodied poor. The program is universal in that it is not limited to specific recipient groups; it is objective since the benefit entitlement is not subject to discretionary adjustment; it is income-conditioned since the major eligibility criterion is the income of the recipient; and finally, it seeks to encourage labour force participation by reducing the benefit entitlement by less than the full amount of any earned wages. Hence the individual is always left with a higher net income from working than not working. More specifically, a NIT system provides for a basic support level (G), which represents the payment (guaranteed income) the family or individual would receive if it had no other source of income. As the family's or individual's income increases, the payment for which it is eligible declines at a rate determined by the offset tax rate (t). Families will receive some payments up to a certain breakeven level of income (B). The breakeven level, the basic support level and the offset tax rate are related so that specifying any two of these parameters will determine the value of the third.

As indicated previously, the Manitoba Basic Annual Income Experiment was primarily designed to measure the effect of receiving a guaranteed level of income on labour force attachment, and other work-related behaviour. Traditionally, labour supply theory asserts that the labour market response of individuals will largely depend upon the support level (G) and tax rate (t) faced by the recipients of NIT payments. As well, the total costs of any income maintenance program will depend in large part on the magnitude of these same two parameters. Accordingly, the program features of most interest and importance for the study of labour supply responses, as well as program costs, are the basic support level and the offset tax rate.

The Manitoba Basic Annual Income Experiment included within its overall design a general guaranteed annual income payments program based upon the negative income tax approach. Among the many considerations influencing the design of the delivery mechanism was the issue of program realism; that is, the degree to which the experimental payments system should approximate the delivery system of some future "real world" program. Consequently, in some instances the payments system paralleled the manner in which a permanent national program might be operated; in other instances procedures were adopted to facilitate basic labour supply research.

Mincome Manitoba was the agency established to administer the project and to make NIT payments to eligible experimental participants. In contrast to the other negative income tax experiments, there was a greater attempt by Mincome Manitoba to anticipate administrative processes which might be found in a real payments operation. Procedures were also often developed with a view towards facilitating administrative research. This research included simple field tests of certain procedures, as well as the provision of a framework within which more rigorous but limited administrative experiments could be conducted. All of the NIT experiments assured a degree of consistency of payments administration through codified procedures which, to some extent, were an attempt to anticipate Statute law and regulations of a real NIT program. However, only Mincome Manitoba operated with explicit Rules of Operation under the authority of a specific statute. These rules had all the effects of formal regulations. Notwithstanding these distinctive aspects, the primary goal in the development of the Mincome Manitoba payments operation was the same as that of the other experiments; namely, to provide a vehicle to deliver guaranteed income payments as part of an overall experiment design to test labour supply and work incentive effects.

The purpose and scope of this report is to detail the administration and operations of the payments system of Mincome Manitoba. Although the description and discussion that follow refer specifically to the rules and procedures adopted by the Manitoba Basic Annual Income Experiment, much of the operational detail can be applied to any system designed to provide income support or supplementation where the amounts of the payments are based upon some combination of the current income and need of the recipients. However, the arrangements discussed are less applicable to payment systems designed to meet specific needs (such as housing subsidies) or directed at special population groups (such as demogrant programs). Accordingly, the fundamental objectives and principles underlying the design of the payments system should be kept in mind.

The structure of the present report is as follows. The next section briefly describes the size and changes in the payments program sample over the course of the Experiment. Section III discusses the organization of the Payments Division, which was the branch directly responsible for the administration of the payments program, and touches upon its relation to the surveys component of the Experiment. Section IV reviews the Rules of Operation (a review found also in Technical

Report No. 3), and Section V details important revisions to these rules. The reader is thus prepared for the subsequent sections on enrollment, monthly reporting and processing, and the special problems of auditing, annual reconciliation, and phase-out. Conclusions or evaluations are provided by the authors in passing.

II. THE PAYMENTS SAMPLE

The treatment and control families (referred to as reporting units) enrolled with the Payments Office of the Experiment constituted the payments sample. The sample was distributed across three experimental sites and eight different treatment plans. There were also two types of control status, those who reported their income every month (IRF control) and those who reported only their address and family composition on a post card (PC control). In addition, the sample was enrolled in two parts, an Original Sample enrolled in January 1975 and a Supplementary Sample enrolled in January 1976. Both of these samples were enrolled for three years, the Original Sample until December 1977 and the Supplementary Sample until December 1978. The Supplementary Sample was designed to make up for certain weaknesses in the Original Sample. The selection of the sample is the subject of a separate paper.[1]

Mincome Manitoba included both a surveys operation and a payments operation. There were some differences in the sample enrolled in each operation. The reporting units selected for the Experiment were all to

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[1] Derek P.J. Hum, Charles E. Metcalf, Michael E. Laub and Donald Sabourin, "The Sample Design and Assignment Model of the Manitoba Basic Annual Income Experiment", Mincome Manitoba, Technical Report No. 2, 1979.

be enrolled in the surveys panel. They had to complete the enrollment interview before they could be enrolled in the payments program. Units that refused to continue in the surveys operation could not continue to receive payments, but units that refused to participate in the payments operation were retained in the surveys sample. As well, reporting units in the saturation site, Dauphin, could contact the Payments Office and request to be enrolled in the program. These units, called walk-ins, were requested to complete survey interviews at the discretion of the Research Division.

The experimental sites used were Winnipeg, Dauphin and a set of Rural Dispersed sites. Winnipeg was the main site and comprised a dispersed sample which was distributed across all treatment plans and both types of control reporting. In Dauphin, the saturation site, only one treatment plan was used and there were no control units. In the Rural Dispersed sites, a set of eighteen towns and rural municipalities in Manitoba, one treatment plan (the same as Dauphin) and both control types were used.

As a first indication of the size of the sample the total number of reporting units ever enrolled in the payments program and paid for at least one month is given in the following table. The total is broken down by site, with Winnipeg being divided into the Original Sample and Supplementary Sample, and by treatment and the two control types.

TABLE 1

Total Number of Reporting Units Ever Enrolled

	Winnipeg Original	Winnipeg Supplementary	Dauphin	Rural Dispersed	Total
Treatment	725	246	586	99	1656
IRF Control	183	34	-	65	282
PC Control	200	46	-	89	335
Total	1108	326	586	253	2273

The sample available to the Experiment was not of fixed size for the duration of the payments operation. Units were free to drop out at any time and refuse payments. They could become ineligible for payments either by refusing to complete the surveys as required or by ceasing to meet one or more of the eligibility conditions due to some change in the unit's situation. Adult members who left an existing unit could either form a new unit of their own or withdraw from the Experiment. In the saturation site, families, including single individuals, that met the residency requirement could join the program at any time by requesting such enrollment from the Payments Office. All of these factors operated to continuously change the size of the payments sample.

To illustrate the nature and magnitude of these changes in the sample size,[1] the numbers of new units formed are given for the first three years for the major components of the sample (Table 2).

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1 A complete discussion of the experimental sample is contained in D. Sabourin, "Sample Development Over Time, Participation and Attrition", Mincome Manitoba, 1979.

TABLE 2

Number of New Units Formed By Members Leaving Existing Units

Site	Unit Type	Year 1975	1976	1977
Winnipeg (Original Sample)	Treatment	35	35	17
	IRF Control	10	5	4
	PC Control	15	12	8
Winnipeg (Supplementary Sample)	Treatment	-	13	11
	IRF Control	-	1	1
	PC Control		4	4
Dauphin	Treatment	23	19	16
Rural Dispersed	Treatment	9	4	2
	IRF Control	3	3	1
	PC Control	9	8	4

The number of units becoming inactive during these same years is found in Table 3.

TABLE 3

Number of Units Becoming Inactive in Each Year

Site	Unit Type	Year 1975	1976	1977
Winnipeg (Original Sample)	Treatment	74	69	40
	IRF Control	21	33	8
	PC Control	28	23	14
Winnipeg (Supplementary Sample)	Treatment	-	3	37
	IRF Control	-	3	12
	PC Control	-	7	4
Dauphin	Treatment	72	33	64
Rural Dispersed	Treatment	13	10	6
	IRF Control	11	7	3
	PC Control	4	10	3

NOTE: This table only includes units that were active and paid for at least one month. It does not include members who leave active units and immediately become inactive and never receive payments as a separate unit.

The average monthly caseload is found in Table 4. This table also indicates the average monthly payments made by Mincome Manitoba as well as the percent of enrolled treatment families eligible for non-minimum monthly payments.

TABLE 4

Average Monthly Sample by Site/Year

	Treatment, Postcard and IRF Controls		Treatment Group			Control Group	
	No. of Units Paid	Average Payment	No. of Units Paid	% Receiving Non-Minimum Payment	Average Non-Minimum Payment	No. of IRF Control Paid **	No. of Postcard Control Paid
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Winnipeg*							
1975	805	$ 50.33	490	44.64%	$158.85	167	148
1976	1116	84.65	719	55.53	218.99	203	194
1977	1018	81.04	673	49.15	229.16	172	173
1978	225	138.93	163	62.84	293.47	26	36
Rural Dispersed							
1975	159	21.74	53	34.28	113.08	50	56
1976	181	27.65	62	38.45	143.27	51	68
1977	177	24.33	60	30.33	149.85	50	67
Dauphin							
1975	351	67.63	336	45.11	141.94	15	-
1976	410	92.71	386	55.92	169.13	24	-
1977	428	88.58	405	49.99	176.50	23	-

* Winnipeg includes both the Original Sample (1975-1977) and the Supplementary Sample (1976-1978)

** IRF Controls include Welfare Convert Units (Treatment units converted to IRF Control because they receive welfare payments)

III. ORGANIZATION OF PAYMENT OPERATIONS AND INTERACTION WITH THE SURVEYS DIVISION

The payments system of Mincome Manitoba developed and operated within the context of an overall research experiment and survey operation. Accordingly, certain procedures and policies were adopted which would not be required in real life program situations. A major feature of the Experiment was the initial separation of the payments system from the surveys operation, and the decision to create a distinct entity to deliver transfer payments. This approach was motivated by a number of considerations, including the desire to maximize the degree of program realism in field testing delivery procedures.

A distinct payments system was significant since it affected at times both the internal operations of the delivery mechanism as well as the communications and relationships with the Surveys and Research Divisions. Specifically, this decision to establish a payments operation largely independent and separate from the other divisions of the Experiment required for its success such procedures as ensuring consistency of identification systems for both the Payments Division and Surveys Division, guidelines for confidentiality of information, and the like. This section outlines (i) the organizational structure and functions performed within the Payments Office, and (ii) the interaction of the Payments Division with the Surveys Division.

III.1 Organization of the Payments Division

The size of the staff and their responsibilities changed often during the course of the Experiment. There were the usual start-up problems normally associated with implementing new and relatively complex systems. Most of these bottlenecks were resolved by short term additional staffing. Since these start-up problems had little effect on the ongoing aspects of the payments program, the discussion on the organizational structure of the Payments Division will concern only the rules and responsibilities of the permanent staff required to administer the payments operations.

The Payments Division was directly administered by the Payments Director, who was responsible for all day to day operations, the monitoring of all payments related activities and the management of the Payments Offices. In addition the Payments Director was responsible for liaison with other divisions in the Experiment.

There were two separate Payments Offices. The central or head office was located in Winnipeg and the other office was located in the saturation site, Dauphin. The Dauphin office was responsible for only those families enrolled in the saturation site while the Winnipeg head office handled families from both the Winnipeg site and the Rural Dispersed sites. Although some of the Rural Dispersed sites were geographically closer to Dauphin than to Winnipeg the above division caused no problems in the administration of payments from Winnipeg. In fact, it would have been feasible to handle the entire administration of Dauphin payments from Winnipeg, leaving only one or two people in Dauphin to deal with enquiries, the enrollment families, and complaints. Nevertheless, it was decided to maintain a complete field office in Dauphin because, as a saturation site, a field office in the town was considered appropriate and convenient. As well, it was felt that a separate office in Dauphin would facilitate research efforts.

Each office was controlled by a Payments Supervisor who reported to the Payments Director. The Payments Supervisor monitored all day to day operations, and assisted in the training of staff and the implementation of new procedures. Since Mincome Manitoba could not directly issue transfer payments, the Winnipeg Payments Supervisor handled all liaison with the Department of Finance (the issuer), to ensure that payments were made to participants accurately and on time. During the second year of the Experiment, the Payments Supervisor's role decreased to some extent because of staff familiarity with the payments system and the introduction of far fewer procedural changes. In fact the Dauphin Payments Supervisor was also able to assume administrative responsibility for the surveys operation in Dauphin.

Both offices included a staff of Payments Analysts who were responsible for processing monthly reporting forms received from participants and answering normal enquiries from participants. Generally, a payments analyst would be responsible for up to 275 families or cases. Each office also had a Control Analyst. The Winnipeg Control Analyst had exclusive responsibility for liaison with the Data Processing Division. This involved assuring that all coding forms, printout requests, and error corrections were executed on time and to requirements. In addition to these activities, the Control Analyst had to note and process family composition changes of participants and make corrections to data that were previously incorrectly recorded. The Dauphin Control Analyst was also responsible for these activities but in addition performed duties as a payments analyst. All the Payments Analysts and the two Control Analysts were responsible to the Payments Supervisor.

The Winnipeg office employed a Field Enroller who reported to the Payments Supervisor. The Field Enroller was responsible for enrolling new family units that had split from already enrolled units, monitoring and attempting to prevent attrition of families from the payments program, or in the case of families that had already quit, persuading the units to return to the Experiment. The Field Enroller position existed only for the Winnipeg office because attrition problems were more severe among the sample categories being administered by that office. In Dauphin these duties were included in the normal workload of the Payments Analysts.

Included within the Payments Division was a Payments Auditor who reported to the Payments Director. This position existed throughout the course of the Experiment and was responsible for (i) the auditing of files to assure they were processed in accordance with the Rules of Operation and operational procedures, and (ii) the verification of reported information with outside agencies.

The Payments Division also had two Assistant Payments Research Analysts, whose duties embraced research tasks as well as operational functions directly concerned with payments delivery. Because of the requirement to work in close co-operation and proximity with the operational staff, these research analysts were assigned to the Payments rather than the Research Division. They were responsible for such duties as coding data for management as well as research objectives, data cleaning, documenting the development of systems procedures, and the like. During the start-up of the payments system, a separate Procedural Analyst was assigned for the complete and detailed documentation of procedures.

III.2 Payments and Surveys Interaction

The principles governing communication between the Surveys Division and the Payments Office are noteworthy because in a real world delivery system a Surveys Division would not have existed. At the outset of the Experiment, Mincome Manitoba decided to establish restrictions on the flow of information between the two divisions. The main reason for this restriction on information flow was to ensure controlled experimental divergence of the list of participants and information recorded by the Surveys Division and that same corresponding data recorded by the Payments Office.[1] This was considered important to the study of misreporting. In this connection assurances were made to the participants that information provided to the Surveys Division would not be communicated to the Payments Office nor used to adjust the amount of the transfer payments. In order to assure that both the Payments Division and Surveys Division had identical information files at the start of the Experiment (January 1975), duplicate files were created. These initial files consisted of all units

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1 Surveys information came from in-person interviews conducted three times a year. Payments information came from written monthly reports filed by the families themselves.

selected for enrollment in the dispersed sites and all units existing on the file for the saturation site.

The Surveys Division was permitted to forward certain limited information to the Payments Division. This included: the interview status of the families at enrollment time, the subsequent interviewing status if the family refused further surveys, and any difficulties families might be experiencing with receiving payments that were expressed to the interviewer. However, to maximize the efficiency and effectiveness of the Surveys Division the flow of information from the Payments Office to the surveys operation was largely unrestricted. Surveys staff required such items as address change information, general information involved in cases where the family had dropped out of the payments program or had served notice of its intention to refuse further interviews.

It has been emphasized that the initial intent of the Experiment was to separate as much as possible the field operations of the payments delivery system from the rest of the Experiment. This was not always possible. Many functions have both an operational component and a specific research implication. Consequently, the payments system design and research development functions were eventually integrated with the daily operations and placed under the direction of the Payments Director. This change was made to ensure that the payments operation would more closely complement the overall project objectives. Nonetheless, as much of the operational detail of delivering transfer payments as possible was entrusted to the Payments Office and the goal of imitating real life field procedures was maintained throughout.

IV. THE RULES OF OPERATION

The most detailed statement of the regulations and procedures governing the payments system of Mincome Manitoba is contained in the Rules of Operation. In order to provide an overview of certain important aspects of the payments system, a summary of these rules is presented below. The summary presents the rules as they were at the end of the Experiment. Throughout the course of the Experiment there were a number of changes to the Rules of Operation and while some of these changes will be mentioned below, the reasons behind them are discussed in the next section.

Several questions are central to the administration of any payments system. What is the reporting unit? What are the eligibility conditions? What is to be counted as income? The particular resolution of these issues will in turn determine: Who receives payments? What determines the size of payments? Etc. In the section that follows, the Rules of Operation governing (i) reporting unit definition, (ii) conditions for eligibility, (iii) the definition of net worth, and (iv) the definition of income are summarized.[1]

IV.1 The Reporting Unit

The basis of the payments system of Mincome Manitoba was the reporting unit. The definition of reporting unit used by Mincome Manitoba centered upon an adult member and the family related to and living with the adult member. An adult member had to exceed eighteen years of age,

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1 For the description of how payments are calculated and other design features of the payments system, see Hum, et al. "The Design of the Payments System of Mincome Manitoba", Technical Report No. 3, 1979.

or exceed sixteen years of age and either be married or live with one or more of his/her own children. Reporting units could contain more than one adult member. However one adult member, designated by the members of the reporting unit as the "filer", was responsible for submitting all required reports to Mincome Manitoba and for receiving the payment on behalf of the unit.

Certain members of the household of the adult member had to be included in the reporting unit. Mandatory members included the spouse and children of the adult member (or the spouse), unless the children were either married or had children of their own. Unmarried adult members had to include as mandatory members parents living in the same household, and any other unmarried, non-parent children of the parents in the household.

IV.2 Eligibility

To be eligible to participate in the payments program in either Winnipeg or the Rural Dispersed sites, a person had to be selected by Mincome Manitoba as part of the final experimental panel, or reside with a person so selected and become a mandatory member of the reporting unit. To be eligible in the saturation site (Dauphin), a person had to reside in Dauphin as at July 1, 1974 and have been resident at the time of application for enrollment in the payments program. In all sites, eligibility was restricted to persons who were Canadian citizens or landed immigrants.

Members present when the reporting unit was initially selected for enrollment in the payments program could retain their eligibility upon leaving the original unit to form their own unit provided they were an adult member, or the spouse of an adult member. Members who joined a reporting unit as a mandatory member after enrollment, and remained with the enrolled unit for six months, also became eligible to subsequently form a new unit under the same conditions as members of initially enrolled units. Eligibility was not affected if a reporting unit moved elsewhere in Canada, however non-residents of Canada were ineligible to receive payments.

IV.3 Definition of Net Worth

The net worth of a reporting unit was considered in the payment calculation. The net worth amount was based upon the difference between the market value of the assets and the amount owing on the assets. All assets of the unit except for exemptions specifically allowed in the _Rules of Operation_ were included. The definition of assets included the following three types: personal property, financial and real estate property, and business property. In calculating the net worth amount, unsecured liabilities were subtracted from the value of the assets. However, the final net worth amount could not be less than zero. In calculating net worth associated with personal property, any item or collection had to be worth $1000 before being included. The $1000 exemption did not apply to financial and real estate property, or to business property. However, a $1000 exemption was applied to the cash surrender value of life insurance policies. A dwelling occupied as a principal residence by a reporting unit was excluded from net worth after 1975. It was included for the 1975 calendar year. Property held in trust for an individual was excluded from the net worth calculation unless the individual received, or could by his choice receive, the property within that calendar year. If an individual owned a business the net worth of the business was equal to assets minus liabilities. Where an individual owned shares in a business the value counted was the market value of the shares. After a net worth amount was determined, dollar sum exemptions were applied as part of the process of calculating payments. Specifically, there is a basic $3000 exemption on net worth (plus an additional $20,000 exemption where farm income potentially provides half or more of non-transfer income). Net worth, in amounts up to $10,000 in excess of the $3000 exemption, was taxed at 4% per year. From $10,000 to $30,000 the tax rate was 8%, and net worth in excess of $30,000 was taxed at 16%.

IV.4 Definition of Income

In defining income items to be included for the purpose of the payments calculation, Mincome Manitoba divided receipts into two main categories: income subject to the normal reduction (offset) rate (NRR income taxed at either 35%, 50% or 75%), and income subject to a one hundred percent reduction rate (100% income). There was also a category of totally exempt income. Income subject to the normal reduction rate consisted of three types: self-employed income, earned income, and other normal reduction rate income.

Mincome Manitoba adopted the definition of self-employed income used by Revenue Canada for income tax purposes with the following changes:

capital cost allowance on real estate property was not allowed, and after the 1975 calendar year, net business income was not allowed to be less than zero. Self-employment income was normally reported annually using the amount reported on income tax returns for the previous calendar year as the amount to be counted for the current year. Self-employment income could, however, be reported monthly if only simple income and expense flows were involved, such as in cases where no inventories were involved and no capital cost allowance was claimed.

The definition of earned income included all forms of income from employment, except self-employment, such as wages and salaries, tips and gratuities, disbursements from profit sharing plans, vacation and severance pay and any other monetary remuneration resulting from employment with a separate employer. For individuals under sixteen years of age the first fifty dollars of such income received each month was exempt for reporting periods after June 1975.

Other normal reduction rate income included almost all other income received from private sources as well as certain types of income from government sources. Also included was income-in-kind received from an employer where such receipts were not designed to cover employment expenses incurred by the employee. Some of the items from private sources included: the market value of income-in-kind received from rent free or subsidized housing provided by a non-government source; payments from pension plans, annuities and retirement benefits; alimony and child support received; strike pay or unemployment benefits from a non-government source; half of the income received from boarders and one-third of the income received from roomers. Two types of income excluded from other normal reduction rate income were inheritances and lump sum life insurance benefits. These were not counted as income but were treated as an increase in the net worth of the reporting unit. The main types of income from government sources included among other normal reduction rate income were: training allowances, fellowships, scholarships and bursaries, workers compensation designed to cover the loss of income; and war veterans pension.

Income subject to the one hundred percent reduction rate included a number of government transfer payments, such as unemployment insurance benefits, Canada Pension Plan benefits, Old Age Security benefits, War Veterans Allowance and Civilian War Allowances, and the market value of the income-in-kind of rent free or subsidized housing provided by a government source.

Income totally exempt from any reduction rate includes special needs and medical needs received from a means tested welfare program by a Mincome Manitoba participant previously on that particular program. Normal maintenance payments received from a welfare agency before the initial Mincome Manitoba payments were also exempt, but thereafter were subject to the one hundred percent reduction rate. Also exempt from any reduction rate application were payments received for the maintenance of a foster child and day-care subsidies.

IV.5 Determining the Size of the Payment

The payments system of Mincome Manitoba made income-conditioned payments to families designated as reporting units. Payment amounts were based upon an annual accounting period, the calendar year, and a monthly payment and reporting period. The system also included such features as a carryover provision (where periods of high income offset future periods of low income), the reimbursement of positive income tax withholdings on a monthly basis, a system of annual reconciliation to close out each calendar year accounting period, and self-reporting of income. In addition there were formal provisions for payment adjustment to correct any over or underpayments that occurred. As well, procedures also existed to reset carryover and outstanding payment amounts whenever changes in family composition made such adjustments necessary.

The support level also varied according to the size of the participating family in order to provide similar minimum standards of living to all family sizes and hence offer a "neutral" support structure which would not systematically discriminate against any family size. The adjustment was effected through a predetermined family size index which attempted to balance the economies of scale involved in family composition against any incentive inherent in the index to encourage a family to split into smaller units. The support levels were adjusted periodically to maintain approximately constant real value over the duration of the program.

The payment, P, for a typical reporting unit with zero net worth may be represented as follows:

$$P = G - t \cdot Y - 1 \cdot T$$

where G is the support level, t is the offset tax rate, Y is family income and T represents net competing government transfers and taxes. As previously mentioned, all income received by a reporting unit was divided into two main types in determining payments; namely (i) normal reduction rate income (Y), which included earned income from all sources and transfer income received from private sources, and (ii) one hundred percent income (T), which comprised government transfer income. The nomenclature derived from the particular tax rate applied to the income category. Accordingly, the normal reduction rate income was multiplied by the NIT program offset tax rate (t) and this amount ($t \cdot Y$) was subtracted from the guaranteed support level, G. One hundred percent income (T) was offset dollar for dollar against the guarantee, G. Hence all competing government transfer receipts were taxed at the rate of one hundred percent ($-1 \cdot T$), and any positive tax liabilities were completely reimbursed ($+1 \cdot T$) since, in this context, taxes were viewed as negative transfers. Consequently, net competing taxes and transfers ($1 \cdot T$) may have been either positive or negative.[1]

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[1] Detailed definitions of normal reduction rate income, one hundred percent income, positive tax reimbursement components, etc., are given in the Rules of Operation. As the guarantee minus income becomes large and negative, the amount of taxes rebated is reduced to zero. In order to reduce the income level at which the tax reimbursement reaches zero when normal reduction rate income exceeds the breakeven level, an additional reduction rate is imposed on the tax rebate. This latter modification was adopted for experimental research reasons and is not directly relevant to the discussion here. For further details on the integration of the NIT with the PIT system see Hum, et al. "The Objectives and Design of the Manitoba Basic Annual Income Experiment", Technical Report No. 1, 1979.

V. REVISIONS TO THE RULES OF OPERATION

V.1 Introduction

The Rules of Operation governing Mincome Manitoba defined the payments system used by the Experiment, including conditions of eligibility, the definition and reporting of income and net worth, and the method of calculating and delivering the transfer payments.

The rules initially established by Mincome Manitoba at the start of payments operations were subject to a number of revisions during the course of the Experiment. Some of the revisions constituted substantial changes to the rules in response to situations or problems that arose during the course of the Experiment. Other revisions involved significant clarifications of certain rules that were open to a number of differing interpretations. Still other revisions were of a minor editorial nature and did not change the interpretation or application of the rules. Changes of this latter type will not be discussed here as they are of no major significance. Another major change -- a revision of the rules concerned with the annual reconciliation process -- was made before that section of the rules was ever applied and will not be discussed here.

Changes to the Rules of Operation, often initiated with individual payments policy decisions, had to be approved ultimately by the Executive Director of the project. The proposals for revisions to the rules would originate in either the Research Division or the Payments Division and would be reviewed by both divisions before they were implemented.

No revision to the Rules of Operation was retroactive. For example, in cases where an income definition was changed so that an item was no longer counted as income, income of that category received prior to the rule change was still counted and no payment adjustment was required to correct previous reporting periods.

Discussion of the revisions to the rules will proceed in chronological order to illustrate the development of the rules over the course of the payments operation.

V.2 Changes in the Rules of Operation: July 1975

The first payments were made to participants for the month of January 1975 according to Rules of Operation formulated and established prior to the program's beginning. However, major changes to the rules were made six months later as a result of operating experience and new circumstances. This first set of changes to the rules, made in June 1975 and effective with the July 1975 reporting period, were a response to the low rate of program participation, the high rate of attrition among the selected sample, and the low levels of transfer payments observed during the first part of 1975.

A major component in these changes was a redesign and simplification of the original Income Report Form (IRF) and its associated set of eleven schedules. The length and complexity of the original forms and schedules was held responsible for some of the non-response and attrition from payments. The new form and schedules were considerably shorter, appeared much less complex, and required less work from the filer. For example, the filer no longer had to add up monthly income totals on one form and transcribe these totals to a second form.

Simplicity in the forms was of course a desirable objective in itself, and experience prompted many apparent improvements. The replacement of the original IRF with a new and simpler form also reflected a greater awareness that a complicated method of reporting income and net worth may have the effect of excluding otherwise eligible participants from an income maintenance program. It should be remembered though that the original forms were made more difficult than they might have been under a real life program because of a desire to obtain additional payments related data for research purposes.

A second major change effective in July 1975 was to increase the basic annual support levels for all plans by $600, with the family size index determining the precise increase that applied to each size of reporting unit. This increase was in addition to the regular annual indexing of support levels. In addition, the payments carryover going into the July 1975 reporting period was set equal to zero, which had the effect of generally increasing payments received by participant families during the second half of 1975. These two changes were designed to increase the amounts of the payments being received by the reporting units. Low payment levels were believed to be contributing to the high rate of attrition. As well, the number and percentage of reporting units receiving low or minimum payments was detrimental to the requirements of research analysis. These changes were dictated by research needs and should more properly be regarded as changes to the overall experimental design.[1]

In addition to the above changes, the definition of income was revised so that certain items were no longer included as income. Some of these items were reported so infrequently that they were deleted in order to simplify the income report form. Other changes were designed to increase the average level of Mincome Manitoba payments being received by the reporting units and to correct inequities. Inheritances were no longer treated as income but were still treated as an addition to the net worth of the reporting unit. The same rule change was applied to lump sum life insurance benefits. The counting of these types of receipts both as income received and as an addition to net worth, as was done originally, involved an element of double taxation. Mincome Manitoba decided to allow certain lump sum receipts a "roll over" provision comparable to some categories permitted by Revenue Canada. Life insurance annuities, however, were still to be counted as income when the total amount received during the calendar year exceeded $1000. Such annuities were never included in the calculation of net worth. The decision to not regard inheritance amounts as income and the rationale for doing so evolved from a specific payments policy decision.

The first $50 of income received in each month by a child under sixteen years of age was made exempt from being counted as income. Mincome Manitoba required the reporting of all sources of income by all household members. In many cases, children earned small amounts through

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[1] Basic structural changes were made to the experimental design and sample as well. For a discussion of these see Hum <u>et al</u>. "The Objectives and Design of the Manitoba Basic Annual Income Experiment, Technical Report No. 1, 1979, and "The Sample Design and Assignment Model", Technical Report No. 2, 1979.

paper routes, baby sitting fees, and the like, and technically all such amounts had to be reported. As these income items were not thoroughly reported by all reporting units, this decision made for more consistent reporting of income and also reduced the administrative burden of capturing and auditing small amounts.

The reporting of capital gains was changed from monthly to annual reporting. Capital gains were reported infrequently and this rule change also allowed the schedules used with the income report form to be simplified. The Manitoba Property Tax Credit and the Manitoba Cost of Living Tax Credit were no longer counted as income, again enabling the number of schedules to be reduced. This also had the effect of removing an income item that could significantly reduce the Mincome Manitoba payments made in the second quarter of the year. The filing of a revised net worth report to correct an error made on a previous report was specifically allowed, but the filing of a revised net worth report simply in order to change a "poor" estimate of the market value of an item of net worth was not allowed.

V.3 Rules Changes After July 1975

The changes effected in July 1975 were the only major set of changes made at one time with a single overall set of reasons behind the changes. Subsequent changes were made primarily in response to specific situations and were issued individually or in small groups of revisions to the rules. Some of these isolated revisions are discussed below.

In October 1975 the ten dollar penalty for filing an income report form after the second late date was removed. This was done as part of an effort to reduce attrition from the payments sample and was important for those units receiving small or minimum payments who filed their income report form late. This change was effected to encourage reporting of income, however late. The five dollar penalty was retained for filing after the first late date.

In November 1975 the residency requirement for the saturation site was changed so that a unit resident in Dauphin on July 1, 1974 and on the date of application for enrollment in the Mincome Manitoba program was eligible to receive payments. Continuous residency from July 1, 1974 until the date of application was no longer required. This rule change resulted from a payments policy decision and had the effect of increasing the number of eligible families in the saturation site as well as avoiding problems of deciding what did or did not constitute a break in continuous residency in the site.

A number of further changes to the Rules of Operation were made effective with the January 1976 reporting period. The principal residence was no longer included in the net worth of the reporting units. In some cases the inclusion of the principal residence in net worth significantly reduced the payments received by a reporting unit that included a homeowner.

Day-care subsidies were no longer counted as income as of January 1976. This type of income was not consistently reported by all of the units that received such a subsidy. The change therefore had the effect of making the rules consistent with what actually happened in the payments process but did little to increase the payments actually being made.

Net business income was no longer allowed to be negative and offset other income received by the reporting unit. This change reduced the overpayments caused by fluctuating business income and also reduced the opportunity for a reporting unit with business income to increase its payments by shifting the receipt of income or the payment of expenses across time. Also, a change in inventories was counted in the income of all business and not just in that of farm operations as previously had been the case.

VI. THE ENROLLMENT PROCESS

The process by which individuals are enrolled into any payments delivery program is an important administrative operation. Indeed, the very procedures employed can alternatively deter or encourage participation of the eligible population in a given program. The experience of Mincome Manitoba with its enrollment practice illuminates a number of issues. Again, however, the unique circumstances of conducting a payments delivery system within the context of a research experiment cannot fail to limit the generality of some of the lessons learned. The enrollment process followed by Mincome Manitoba is described below and the significance of this experience is assessed in terms of the administration of payments delivery systems in general.

VI.1 Initial Enrollment Strategy and Response

The initial enrollment strategy used by Mincome Manitoba was an attempt to emulate a real life program as opposed to a research survey operation by having the families enroll themselves rather than use the traditional field enroller/interviewer approach. The self-enrollment process was therefore consistent with the idea of having payment procedures as similar to a real world delivery system as possible. The actual mechanics of the enrollment operation consisted of the Surveys Division completing a pre-experimental interview[1] and then notifying the Payments Office of the completion. After the Surveys Division had notified the Payments Office of a successful interview completion, a package of material for enrollment was prepared and mailed out at the end of the month. If an interviewed unit completed the enrollment interview late in the month, then the package was not mailed out until the next month. This practice reduced the possibility of confusion over which reporting period was involved, and shortened the interval between the submission of the report and the delivery of the actual payment.

This self-enrollment strategy resulted in only a 40% response rate in Winnipeg and about an 80% response rate in Dauphin. The response was higher in the Dauphin site because almost everyone came into the local Payments Office to seek help in completing the forms. The low response rate in Winnipeg, it is safe to say, was attributable in good measure to the complexity of the enrollment package (discussed in VI.2), the delay between the Surveys-enrollment and the Payments-enrollment contact, the size of payments for which families would be eligible, and the lack of personal assistance in completing the necessary enrollment forms.

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[1] This pre-experimental interview was called the "enrollment" interview only because of its place in the overall cycle of interviews. It was not an enrollment session. As with all other interviews, participants were required to complete it as a condition of continuing in the experiment, on the grounds that the surveys information was critical to the ends of the experiment.

VI.2 The Enrollment Package

Material in the enrollment package consisted of form instructions, an explanatory handbook on Mincome Manitoba, letters from government Ministers, a form signifying the family's agreement to participate in the Experiment, and other necessary forms and income reporting schedules. There were two copies of the income schedules, one for the participants' own records and the other one to be filled out and returned to Mincome Manitoba. There were separate schedules for recording reporting unit composition, wages, rental income, monthly business income, capital gains and losses, other income, low rental or assisted housing, tax credits, government payments, expenses and net worth. The information on each schedule was to be aggregated for each member, and then transferred by the filer to positions opposite the members' names on a summary report form called the Income Report Form (IRF). The names of family members as of the Baseline Interview and the mailing address as of the Enrollment Interview were the only preprinted fields on the IRF. This was to aid the family in determining who was or was not eligible to be a member of the payments reporting unit. In sum, the payments enrollment package was cumbersome, and the decision to leave the initiative to the participants in seeking aid from the Payments Office to complete it was unfortunate, especially given the short time frame within which the Experiment had to establish its treatment of the sample.

VI.3 The Re-Contact Program

Because the enrollment response rate was so low, the Payments Office initiated a re-contact operation in early 1975. For research reasons, the target population for the re-contact exercise included three groups: (1) units that had not responded to the enrollment package, (2) units that had initially responded but received only one or two payments and then refused to grant further interviews to the Surveys Division, and (3) units that had initially responded and then discontinued sending in payment forms while continuing participation in survey interviews (referred to as fade-outs).

Additional staff were hired exclusively for the re-contact task. As well, a monitoring system to report on the progress of the sample's development was adopted to enable the re-contact group to deal effectively with those who had quit the Experiment. This operation commenced April 1975 and was in effect until the end of the year. In addition to this effort several decisions were made to encourage respondents to remain in or join the payments program.

(1) The interview fee for completion of a survey was increased from $10 to $20 per unit in an effort to increase co-operation by the respondents to the survey interview.

(2) The late filing fee was waived for all units who were previously refusals or fade-outs should they re-enroll in the program.

(3) Previous regulations which required that filers provide historical records of their income receipts from the time of initial contact by the Payments Office were waived for units which had never responded to the Payments Office. It was now necessary for the filer to give information only from the time of current contact. This

step was to ensure that the requirements for past information from a re-contacted enrollee were not a disincentive to enrollment. The quality of the older income information was believed to be inferior, in any case.

(4) Reporting requirements for control units were eased.

(5) Commencing July 1975, the various support levels of the program were increased. As well, the carryover amounts outstanding at the end of June 1975 were set to zero.

The above steps, along with the concentrated re-contact efforts, brought the participation rate up to about 80%.

VI.4 The Enrollment Process in Dauphin

Dauphin was the site of the saturation module in which, at any time during the course of the Experiment, eligible families could request enrollment in the payments program by "walking in" to the Dauphin Payments Office. Below is a brief account of the enrollment process in Dauphin.

In order to initiate enrollment, an enumeration of all dwelling units in Dauphin was followed by an extensive Screening Interview administered to all listed dwelling units, between January and May of 1974. The screening interview was presented as an interview being conducted by the Department of Health and Social Development. It did not mention Mincome Manitoba nor did it mention that there was to be a guaranteed annual income experiment.

A second interview (called the Baseline) was administered in the period from May to August 1974 to all those households who had completed the Screener Interview. This was done in order to provide a list of families having a total annual normal income less than \$9,000 and in which both heads were not older than 63 years of age as of July 1, 1974. Because information collected on the Baseline Interview was more detailed than that on the Screener Interview, the income requirement excluded some additional households from further specific consideration for enrollment. An Enrollment Interview[1] was then conducted.

The next step in the enrollment process was to send a payments enrollment package to the appropriate reporting units. Between January to March 1975 this package was sent to all reporting units that had completed the Enrollment Interview. In March of 1975 the package was also sent to all of the reporting units who had completed the Baseline, but not the Enrollment Interview, for whom there was a complete address on file. This was in conjunction with mailing of information brochures to all households in Dauphin using the Canada Post service for unaddressed mail.

Included in the information that Mincome Manitoba made available during the enrollment process in Dauphin was a table of income values by family size where the income values were twice the support level rounded upward to the nearest \$500, and where it was stated that the plan would

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[1] Again, the name of the interview refers only to the place in the cycle of interviews. Other families might become enrolled in the actual payments program, but these were the families identified in advance as having incomes in the range which made them most relevant to the experiment.

be of interest to families with up to about the income amounts given in the table. This table is reproduced below.

Family Size	Support Level	Ceiling
1	1,444	3,000
2	2,698	5,500
3	3,344	7,000
4	3,800	8,000
5	4,180	8,500
6	4,560	9,000

The information brochure circulated also mentioned that the net worth of the family was used in determining the payment and that the plan involved the reimbursement of positive income tax such that a family that was not entitled to Mincome Manitoba payments could still receive a partial reimbursement of their positive income tax. In another section of this brochure, it was stated that both the income and the net worth of a family must not exceed the stated ceiling if the unit was to be eligible for payments under the rules.

In addition to the process of enrollment described above, the Dauphin site also allowed a process of walk-in enrollments under which a family or an individual could contact the Payments Office and request to be enrolled in the program. The applicant was required to complete a "Preliminary Application for Mincome Payments" form in order to determine if the eligibility requirements were met. This form obtained information on the family composition, the town of residence of each member as of July 1, 1974, and the addresses at which the family had been resident since January 1, 1974. The reported residency in Dauphin on July 1, 1974, was verified by the Payments Division staff by checking the 1974 voters list and the 1974 telephone directory. If these lists did not verify the residency, the applicant was requested to bring in two pieces of documentation to establish residency in Dauphin. A log of all walk-in units kept track of all applications and their final statuses.

After a unit who initiated contact with the Payments Office was found eligible with respect to the residency and citizenship requirements, the unit was cross-checked against the master file of all families. If the family had previously been selected for enrollment, the family was considered to be a re-contact and had to agree to complete surveys. Only if the unit had not been previously selected was it accorded a walk-in status.

A family given walk-in status was sent the enrollment package. Upon return of the income report forms to the Payments Office a request for a decision on whether or not the unit should be added to the survey panel was sent to the Research Division. The unit was usually added to the survey panel unless it was deemed to be of no research interest. If the unit was added to the panel, it had to complete the surveys to remain eligible for payments.

VI.5 Enrollment of the Supplementary Sample

Shortly after the beginning of payments, preliminary indications were that the degree of non-response and attrition was unacceptable. In addition to changes in experimental design and the administrative steps taken by the Payments Division to correct this situation, a supplementary sample of about 300 units was enrolled in the program. These families received payments also for a three year duration but commencing one elapsed calendar year after the first payments to the initial sample.

The noteworthy features concerning the enrollment process for the supplementary sample families are (i) the absence of a (lengthy) enrollment interview, and (ii) home-assisted enrollment procedures. Although the selected families had to complete a baseline interview, no additional interview was required for enrollment. These families were enrolled in the payments program by a group of interviewers, thereby eliminating problems directly associated with the self-enrollment strategy.

VI.6 Concluding Remarks

The payments system of Mincome Manitoba was influenced significantly by research considerations. Its administration and operation was further complicated by these research and experimental demands. Therefore one must be careful in generalizing from the Mincome Manitoba experience to other payment delivery systems.

It is true that in any payments program the information about its various features may be inadequate or slow to reach its potentially eligible population and consequently lead to a low response rate. Over time, as the program's existence and features become more widely known, participation can be expected to increase to some extent. Because of the research requirements of the Experiment and the need to minimize the non-response rate of the sample, more aggressive re-contact operations were instituted. Although a real life program is unlikely to share this concern, the lesson is surely that the time pattern and determinants of the program participation rate is a major important concern for the successful administration of any payments delivery program.[1]

Additionally, our experience would suggest two additional lessons for administering enrollment in any payments program. First, the information requirements and reporting forms will contribute significantly to the success of the enrollment process. Excessively complex forms and burdensome demands for information can deter many eligible families from attempting to enroll. The second point is therefore that self-enrollment practices will lead to low program response rates. Program delivery designs must include readily accessible assistance, either in the form of proximate field offices such as was the case in Dauphin, or alternatively a home-assisted provision, such as that instituted with the Winnipeg supplementary sample.

VII. THE REPORTING REQUIREMENTS

This section discusses various reporting requirements with respect to the type of plan and type of income received. Just to briefly recap, participant families were assigned either to a treatment plan or to a control plan. Within the group of control plan families, reporting units were further designated as either a post card control unit or alternatively as an income report form control unit. Treatment families were eligible to receive transfer payments while control plan families received only a nominal filing fee for providing Mincome Manitoba with information for research purposes.

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[1] A separate study of the participation rate in Dauphin is available.

VII.1 Administration of Monthly Reporting Requirements

Income received from all sources by all members of the reporting unit for the previous calendar month had to be reported to Mincome Manitoba by the filer. At the very end of each month, all treatment units and income report form control units received by mail an income report form. This form was pre-printed with such information as the reporting unit's address and composition. The form was designed to capture detailed income and expense information by type and by individual member for the calendar month just concluding. The post card control units received only a family information report form and were asked to either confirm or report changes in family composition and residence.

In addition to these monthly reporting requirements, participant families were required periodically to complete other information schedules relating to the receipt of other income types or wealth.

VII.2 Annual Reporting of Non-Business Net Worth

All units except post card controls were required to report assets and liabilities on an annual basis for the family as a whole. This was accomplished by submitting a Net Worth Schedule for non-business property owned and held in January of each year. This schedule was mailed out with the regular monthly income report forms for the month of December and had to be returned to Mincome Manitoba before January payments could be processed. In cases where the filers were tardy, phone contact reminders were used. Occasionally, payment analysts would obtain this information directly by phone.

Each item in the net worth schedule was cross-checked against the previously filed schedule to ensure that all items of property enumerated on the previous schedule were now listed on the current schedule as either still in possession or disposed of. Debts were also recorded. Reporting units were contacted if there were discrepancies. The net worth schedule was checked against other available information sources as well. For example, treatment units which reported the receipt of rental income would be expected to list the net worth of the rental property on this schedule. Checks against Revenue Canada income tax returns also helped to assure that all rental property was reported. The knowledge of the community held by individual members of the Payments Office staff was also a factor which, at least, could trigger an investigation of the validity of the reported information. This occurred proportionately more frequently in Dauphin than in Winnipeg. Similarly, families which reported capital gains and capital losses on personal property on the net worth schedule were audited to ensure that such information was considered in the reconciliation process (discussed in Section XI).

Allowable liabilities and exemptions were applied against recorded assets to arrive at a net worth amount which was updated each January processing period. One-twelfth of that amount was subject to a progressive wealth tax -- an imputation of income -- applied for the duration of the calendar year to the monthly calculation of payments.

VII.3 Monthly and Annual Reporting Requirements for Units Reporting Monthly Business Income

Families having business income were allowed to report the business income on a monthly basis if the business did not involve inventories or capital cost allowance expenses. These reporting units would receive a monthly business schedule with their regular income report form. All monthly self-employed income and expenses were to be reported on this schedule. Each unit that reported business income monthly was also required to complete and return an Annual Business Net Worth Schedule before its January payments could be processed. This schedule was mailed out in early January. The schedule collected information directly related to the business operation on financial property, real estate, loans and debts, assets and capital gains or capital losses. A worksheet was used to arrive at a net amount of assets for both personal and business net worth, where assets and liabilities for personal and business purposes were co-mingled.

VII.4 Annual Reporting Requirements for Units Reporting Self-Employed Income Annually

Families that operated or owned farms or other businesses that involved substantial inventories were required to report such income on an annual basis. The income reported was for the previous calendar year and was applied to the calculation of payments for the current calendar year. The monthly amount used for the purposes of calculating payments was net income for the previous year divided by twelve. Where a family unit was already enrolled and subsequently received income from one of these types of operations, the current self-employed income would not be counted until the next fiscal year. Should a reporting unit cease to own or operate a business, annual business income from the previous year was still used in the current year, and the next year's payments would also be partially based on income earned from the business before its disposal. In short, payments to families who were self-employed reflected their reported business income of the previous calendar year.

Most of the self-employed units reporting on an annual basis were farmers in Dauphin. The most difficult administrative aspect in connection with the self-employed units, particularly occupational farmers, was the design of appropriate forms, instructions, and procedures that would capture all the necessary data, and acquire the necessary documentation. The final basic documentation requested by Mincome Manitoba was a copy of the reporting unit's income tax form. Units which did not file a tax return were still required either to complete a copy of the tax return (that was not forwarded to Revenue Canada) or provide Mincome Manitoba with detailed receipts, or other such documentation, upon request.

The various forms and instructions were changed each year, partly as a result of administrative staff becoming more familiar with the information requirements, and partly because of an increasing awareness of means and methods to accurately measure the income and net worth of a self-employed family. Major changes included the designing of separate forms for different types of self-employed operations, such as the inclusion of questions in the farm schedules that allowed the farmer to detail how the farm land was used. It should be noted that in both sites contact was necessary between almost all the self-employed families and the Payments Office.

Self-employed reporting units were required to complete a net worth and income estimation schedule of the previous year's income. Payments from the beginning of the calendar year were then based on information given in this estimation schedule until the reporting unit filed a tax return. A comparison of the payments based upon the estimation schedule and the calculated payments based on the actual income was then made and any discrepancy between the two payment amounts was adjusted in future payment periods. This entire procedure had to be completed by May for the unit to continue receiving payments.

A real world program might have been free to change its effective accounting period for such families to make it more compatible with positive tax return dates. But Mincome Manitoba chose the more complex arrangements involving estimation and temporary payment levels in order to maintain comparability among participants.

The various self-employed schedules and the worksheets used for processing are an integral part of, and are contained in, the official Rules of Operation of Mincome Manitoba.

VIII. MONTHLY PROCESSING OF INCOME REPORT FORMS

A payment system that has participants submitting report forms on a monthly basis and also makes payments on a monthly basis inevitably has its administrative work schedule synchronized with the calendar month period. This section will discuss operational aspects involved with the monthly processing of income report forms including: (i) assignment of responsibilities, (ii) the procedures for processing forms, (iii) the data processing activities, and (iv) other activities and procedures.

VIII.1 Assignment of Responsibilities

During the first year of the Experiment, payments analysts were not assigned a specific caseload of client files, rather income reports were simply assigned to staff as they arrived at the Payments Office. There was, however, a specific payments clerk assigned responsibility for maintaining the status record on each participant family. Essentially, the operating procedures were as follows: the payments clerk each morning obtained the mailed forms from the post office, stamped the date on all received material, noted address changes, and entered on a log card the date on which the income report form was received. This log card was maintained for each participant family and carried the filer's name, address, phone number, treatment type and other information. The card was designed to indicate immediately the current status of the family. After the log card was brought up to date, photo copies of paystubs and other enclosed supporting documents were made, the originals were mailed back to the participant, and the report form was given to the payments analysts for further processing in conjunction with the materials already in the participant's file. (See next section.)

As one might expect, management of this "first come first served" system proved difficult and, at the beginning of the second year, the Winnipeg operations were converted to an assigned caseload approach. Part of the reasoning behind the original system was to avoid introducing a systematic bias which might be associated with the processing habits of individual analysts. This risk of bias was greater with the caseload system, but administrative difficulties with the general responsibility approach in the Winnipeg Payments Office made this disadvantage seem relatively unimportant. In turn, the benefits of a change to the new system seemed quite clear:

(a) improved responsiveness to participants' enquiries;

(b) improved monitoring of participants' reporting status, including substantial improvements in the ease with which summary reports could be produced -- these were of critical importance in meeting the research objectives; and

(c) improved control over equitable distribution of the workload among the analysts.

The original system was retained in the Dauphin Payments Office, where the smaller caseload made the approach quite feasible.

Under the caseload system each analyst was assigned a specific sequence of family numbers. This sequence of numbers was periodically adjusted to take into account either decreases or increases in the extent of family participation in the payments program. The caseloads were also periodically reassigned to different analysts to meet internal audit requirements as well as prevent the analysts from becoming too bored with monitoring the same files each month. Each analyst kept a log of all the files within his or her assigned caseload. The files contained both active and inactive families and consisted of one page per family with the following information: (a) current family number (b) address (c) phone number (d) filer number (e) column for date IRF received (f) cheque amount (g) welfare status (whether or not family was currently receiving welfare payments) (h) assignment cell (indicator of the generosity of the payment plan assigned to the family).

Experience with the caseload system confirmed its advantage. The one-page log allowed each analyst to easily prepare monthly reports for either administrative or research purposes. Whenever a respondent phoned in with an enquiry, it was only necessary to ask for the current family number, which most families knew, and transfer the call to the appropriate analyst for attention. Usually the information on the log sheet was sufficient to answer any enquiries. Thus, the caseload system also provided a more personal contact between families and Mincome Manitoba and expedited the resolution of problems.

Coincident with conversion of the Winnipeg Payments Office to the caseload system, the practice of photocopying paystubs was discontinued because it required too much time, space, and money.

VIII.2 Manual Processing of Income Report Forms

Income report forms were processed by payments analysts to ensure proper documentation, consistency of information, and readiness for the electronic data processing phases. The activities associated with this task were largely straightforward with about ten percent of the families requiring some special handling.

Processing began with the payments analyst retrieving the family's "hard copy" file. The hard copy file contained copies of all previous income report forms, documentation of significant contacts between Mincome Manitoba and the participant, income verifying documentation, and monthly computer printouts recording and explaining the payments calculations. The current month's form was checked for the filer's signature. Unsigned income report forms were returned to the filer by the payments analyst and recorded in the log book. In some cases, such as control units, or where units were simultaneously filing several forms and neglected to sign one, the Payments Director would authorize processing without return to the filer.

The income report form was reviewed for accuracy and completeness. The payments analyst compared the current month's form to previous ones, as well as to other data in the family's file, as a means of verifying or questioning the data. The analysts attempted to resolve problems with a report in the following ways (in descending order of frequency and preference): reference to data available in the file; contact with the reporting unit; or verification of information from other agencies. The resolution of any discrepancies by client contact was documented in a contact diary. One copy of this diary record was kept in the family's file while another, with identifiable information removed, was retained for research purposes. Whenever it was necessary to add to or change reported income or expense information, the payments analyst would enter the correct value on the income report form together with a code called the performance code. This coding procedure was intended to aid research by indicating the conditions and reason for changes in values.

As a rule, incomplete forms were not to be processed. However, on occasion, within specified limits, the payments analyst could complete the processing without contacting the family.

(i) Analysts were allowed to assume a "no" response to unanswered questions requiring either a yes or no answer if previous income report forms had always indicated a negative answer.

(ii) Analysts were allowed to assume that no change took place for filers with fixed monthly income who occasionally listed the proper amount under the wrong category.

(iii) Where missing or incomplete paystubs occurred, the average income and tax withholdings of the weeks known was allocated to the missing week. Often tax tables were employed to calculate missing information on withholdings.

(iv) Where self-employed expenses were reported but disallowed under the Rules of Operation, the analyst made the necessary corrections.

Once all discrepancies were resolved and all reported income checked against any documentation, the information was transcribed from the income report form to coding sheets in preparation for electronic data processing. This process involved different steps depending on the type of information being transferred. Specific situations which required imputations and other adjustments are summarized below.

(i) Total wages and deductions from employment income were transcribed for each individual. Adding machine tapes were retained for quality control purposes.

(ii) Income from roomers or boarders was entered for the individual recipient after standardized allowances for expenses were made.

(iii) The treatment of business income depended upon whether the income was reported annually or monthly. If monthly reporting had been authorized both the income and expenses were entered, but the amount of expenses entered was limited, monthly, to prevent net income in any month from being less than zero. A worksheet was completed to keep track of business expenses not previously applied which might be applied against income in future months. In the more common case of annual reporting of business income, the net annual amount, together with an identifying code, were entered on the January report form.

(iv) The sum of all income subject to the 100% offset tax rate was entered for each individual. Analysts completed worksheets for imputing a fair-market rent for families receiving an income-conditioned housing subsidy. These worksheets distinguished among the various types of subsidies and even, in the case of one subsidy, attributed different rates according to residential location. Where appropriate, the amount of Family Allowance was added to the family's 100% income sum by computer. The amount of welfare payments entered was sometimes adjusted in accordance with special rules dealing with switching on and off welfare described in Section VII.4 a.

(v) Deductions for alimony or support payments were the only non-business expenses allowed by Mincome Manitoba. This amount was subject to a ceiling of $75 per person supported, unless the amount was court ordered. It was often necessary to correct this amount on the income report form.

The same data entry document which summarized income data was used to update addresses, telephone numbers, birthdates, relationship-to-filer codes, carryover amounts, net worth amounts, and in most cases family composition data. A code was also used to indicate whether the form was filed on time or if any penalty for late filing was to be applied to the payments calculation. About 75% of the units filed on time. Another 10% to 15% filed by the end of the following month.

The participants had the option of receiving their payments either in the mail or by direct deposit to their bank or credit union account. This preference for method of payment had to be indicated on the income report form. After both the income report form and data entry form were processed, they were then forwarded to a second payments analyst for quality control checks. This second review followed the same procedures as the first. Errors discovered during the quality control process were brought to the attention of the original analyst, and no corrections were made to the forms without joint consultation between the analysts. The payments analysts assigned to quality control functions, as well as those assigned to income report form processing, were rotated each month. After full processing by the payments analysts, the files were forwarded to the Data Processing Division.

VIII.3 Computer Support for the Payments System

Computer systems installed at the end of 1974 to support payments processing remained largely unchanged during the three-year enrollment period of the Original Sample and the overlapping first two years of the Supplementary Sample. During 1978, the final year for the 150 families in the Supplementary Sample, the actual benefit calculations were done manually because these costs were less than those that would have been incurred to run the corresponding computer programs. Other aspects of computer support were retained in order to maintain compatible operational records.

The relevance of this aspect of Mincome Manitoba experience to the design of future transfer programs is quite limited. Small caseloads and the need for compatibility with a Surveys Division Participant Master File and other research requirements simply argued against making the payments data processing system a full prototype for a real program.

From the perspective of the Payments Office users, the basic data processing cycle may be described as follows:

(i) Machine printed income report forms and matching turnaround documents were composed via extracts of family composition information from the electronic files -- primarily a file of demographic data on individual participants called the Mincome Master. The forms were delivered to the payments analysts for review prior to mail out at each month end.

(ii) Data required on the income report forms was entered on the electronic files, a Mincome Master and an Income and Expense File, both of which were organized by individual participant, through the transcription of information to turnaround documents. These documents and other specialized internal forms were submitted in batches for keypunching. The actual file update runs occurred about the 8th, 15th and 17th of each month, and edit reports concerning things such as range checks and the validity of identification numbers were received at those times.

(iii) A set of runs relating to payments calculation and disbursement were created immediately after the third file update. Tapes and registers were sent to the Provincial Auditor for approval and subsequently sent to the Department of Finance for the requisition of government cheques or direct deposits to participants' bank accounts. The same set of runs produced payment explanation forms for the families and individual monthly payment reports for the families' files.

The system also provided a limited number of statistical (management) reports and extracts which supported less frequent activities such as the annual reconciliation.

From this user perspective, the divergence from expected real program design or practice might be particularly important in two cases. First, the design of the Income and Expense file as a file on individual participants led to procedural anomalies which were probably apparent to the user. In addition, the lack of system support for the production of appropriate logs and reports by individual caseload led to an excessive two-day clerical operation each month.

VIII.4 Other Activities and Procedures

The previous sections dealt with routine activities conducted each month in the processing of payments. However, there are several other specialized processes that Mincome Manitoba instituted in order to deal with frequent but irregular special circumstances. These are discussed below.

a. Handling Units on Welfare

The Rules of Operation prohibited a unit from receiving both welfare and income-tested payments from Mincome Manitoba. Units selected as controls who received the flat rate filing fee for returning their income report forms were unaffected by this rule. Also, a welfare unit was allowed to convert to control unit status where the application of the rule would have caused a unit selected for treatment to cease participation in the Experiment altogether.

The procedure for dealing with welfare cases involved treatment units reporting income from welfare sources at the time of enrollment being given full comparative information on their current welfare benefit and the benefit they were to receive from Mincome Manitoba. The units were then explicitly asked to make a choice between welfare or Mincome Manitoba payments. In the Winnipeg Payments Office, the monitoring of all units so involved was the specialized responsibility of one payments analyst. The amount of information required and, hence, the extent of co-operation required from welfare authorities was considerable.

The transition from welfare to Mincome Manitoba was conceptually straightforward, at least for the first time it occurred for any one family. The welfare payment granted for the period preceding the first Mincome Manitoba payment was not counted as income. (Except for clients on specialized disbursement procedures, the welfare payment would have been received in the month preceding the reporting period in any case.) The prospective nature of the welfare accounting system dovetailed conveniently with the retrospective nature of Mincome Manitoba's accounting, and the welfare authorities co-operated fully in making sure that families were covered right up to the time of receipt of the first Mincome Manitoba payment.

There was no arbitrary rule preventing families who had switched back to welfare and then changed their minds from returning to the Mincome program. However, because welfare benefits were counted as 100% income, thereby markedly reducing the first Mincome Manitoba payments, families were largely discouraged from switching back and forth.

Emergency welfare for unforeseen events was treated with some flexibility. Various policy decisions allowed non-repetitive grants of assistance to occur without counting them against subsequent Mincome Manitoba payments. All units who were on welfare at the time of enrollment were allowed to keep their special welfare health benefits so long as the other circumstances (discounting the Mincome Manitoba payments) which made them eligible in the first place, remained.

b. Family Composition Changes

Two situations gave rise to extra considerations in the case of individuals joining units. The first involved common-law spouses. At the time of initial enrollment a common-law spouse was treated in the same manner as a spouse through marriage. However, if a common-law spouse joined the unit after enrollment, there had to be a common child before the member could be added to the unit. Where there was no common child, the spouse was regarded as a boarder, not eligible for enrollment. (The Surveys Division policy differed -- Surveys added the common-law spouse regardless of whether or not a common child was present).

The second situation concerned the determination of eligibility of a dependent child (other than a son or daughter) who started to live with a unit. A dependent was defined as an individual under 18 years of age who was related to an adult member of the reporting unit as a brother, sister, nephew, niece, or grandchild, and who was dependent upon that adult member for financial support. In these cases of a new dependent child being reported the unit was always contacted to verify the change in family composition. Sometimes documentation was required before the child was counted as part of the unit.

When a member left a unit all documents relating directly to the old family number remained on the file. Reference notes pointed to any new family numbers. If the departing member was eligible for payments, the payments analyst in co-operation with the field enroller attempted to enroll the new unit.

c. Field Enroller Activities

The field enroller had special responsibilities for supporting the work of the payments analysts and maintaining good relations with the Experiment's participants. Although specialized client relations roles might be expected in an established program, it is unlikely that they would assume the critical importance they did in the Experiment. Every family which failed to take up the experimental program or dropped out decreased the size of the sample for research. The task of keeping participants in the program was made difficult by the demands of periodic surveys. The reporting requirements for the payments system were also more demanding than those most participants would have encountered with any other agency except, possibly, Revenue Canada. So there were special pressures on families either not to enroll or to drop out and these had to be counteracted. This was the major job of the field enroller.

In the case of participants who signalled their intent to withdraw from the Experiment by refusing to do an interview, the Surveys Division would first try to get the participants' continued co-operation. Then the field enroller would follow up in hopes that he or she would discover a fresh argument which might persuade the participants to remain on the program. In both cases the point was made that continuation of the payments depended on co-operation in the interview.

It was possible for participants to withdraw from their payments plans and continue doing interviews -- and receive remuneration for doing so. Although this type of behaviour was not as immediately and absolutely destructive to the Experiment's goals as refusal to do the interviews, it too had to be resisted because by not receiving the "experimental treatment" the use of this data was severely restricted from the point of view of experimental research. Not only were announced withdrawals followed up, therefore, but de facto withdrawals, signalled by continued failure to return the income report forms, were also investigated. The field enroller was alerted to instances of the latter type by special "fade out" reports prepared each month by the payments analysts. Frequently the investigations entailed address tracing. The remarkably high mobility of the participants and the importance of maintaining the sample required this significant expenditure of effort.

d. Errors and Payment Adjustments

As the term is used here, errors are inaccuracies of any type which have not been detected until after the data for the relevant month have been processed. Such errors were detected in subsequent monthly processing by the analysts in both regular and special reviews by the internal auditor, in the annual reconciliation process, and through additional information provided by participants on their own initiative.

Adjustments for errors which had led to the calculation of incorrect benefit amounts were applied to future regular payments. Reimbursements for underpayments were made, in full, in the first possible month after their discovery. Recoveries of overpayments were made over a number of months on arrangements with the families in order to avoid hardship.

All changes were documented in a diary kept by the control analyst. The worksheets used in cases involving recomputation of benefits were kept in the participants' files. With the exception of the actual payment amounts, all electronic data files were cleaned to reflect what should have occurred.

e. Filing Dates

Mincome was concerned that payments be made at regular and predictable intervals. Actual payment disbursements were normally made at the month end. To make certain this payment date could be met, participants were asked to complete their income report forms immediately following each month and to return them within five working days. This may appear as a rather short turnaround period. However, a filing cut-off date for normal processing in the second-last week of each month made a rather quick reporting response essential. The operational cut-off date itself was dictated by constraints on external organizations involved in the processing of payments. The Provincial Auditor and the Department of Finance required the five last working days of the month to complete their functions, and Mincome Manitoba needed a minimum of three days prior to that for its internal manual and electronic processing phases.

There were also direct benefits from early income report filing. There was more likelihood of accurate recollection of information by the filer. There would be more time for follow-up problems. There would be less peaking in workload and, therefore, lower staffing requirements. There would also be more leeway for dealing with failed data processing runs and the like. Also, to encourage orderly filing practices, all families were sent in January of each year a calendar indicating filing and cheque issue dates. And, although there was provision for late cheque runs, participants were warned that their payments would probably be late if income reports were not received prior to the last week of the month. Of course, as was mentioned earlier, such late payments were subject to a five dollar penalty. In general, it is possible to conclude that the time limit set on filing date worked effectively to ensure consistent month end disbursement of Mincome Manitoba payments.

IX. AUDITING

The main purpose of Mincome Manitoba's payments system audit was to ensure that the payments staff were adhering consistently to the procedures, administrative directives and Rules of Operation. An internal staff auditor performed financial audits on a sample of files each month. Targetted audits were also performed at the request of the Payments Director. The audit was largely concerned with internal consistency. It consisted primarily of checking the mathematical accuracy of calculations and cross-checking transcribed information with documentation on file. In some circumstances cross-checks were done with outside agencies for verification of reported income amounts. The auditor was also responsible for reconciliation audits. These were performed whenever an extraordinary divergence was discovered between Mincome Manitoba income reports and Revenue Canada tax returns. The details associated with the reconciliation audit are discussed in Section X.

IX.1 Internal Consistency Checks

The time period covered by an internal consistency check was usually four months, unless the auditor discovered an error which required checking the file over a longer period of time. The internal consistency check commenced with the most recently submitted income report form at the time of the audit, and proceeded backwards to investigate the appropriate number of preceding months for which income report forms had been received. Areas where information appeared either incomplete or inconsistent would be pursued. UIC benefits, welfare benefits, rental housing assistance, bursaries, and training allowances often required verification. Residence changes, especially to out of country points, and deaths were also verified. Births and other family composition changes seldom received attention beyond assuring that associated worksheets and payment calculations were accurate.

The practice of verifying information with outside sources was normally restricted to government agencies. The most frequent check was for unemployment insurance benefits which were verified by reference to printouts from the Unemployment Insurance Commission. Most other checks required a special letter or telephone call. With the exception of welfare agencies, Mincome Manitoba would not provide other agencies with information concerning participants. In the case of welfare, a two-way flow of information was necessary to establish which type of assistance would most benefit the unit.

The most common types of errors detected by the audit were:

(a) assigning income or expense items to the wrong category or to the wrong family member, either by the filer or the payments analyst;

(b) counting items as income or expense which were not so countable under the Rules of Operation;

(c) failing to include items which the Rules of Operation required to be counted as income or expense;

(d) incorrectly transferring income and expense information from the participant's income report form to internal coding sheets for data entry;

(e) incorrectly processing changes in family composition.

IX.2 Audit Reports and Actions

At the end of each month, the auditor submitted an internal audit report to the Payments Director, recording the types of items audited during the month and the cases reviewed, together with any problems encountered involving particular cases. The auditor also forwarded a short memo outlining errors and problems to the Payments Supervisor. Upon correction of detected errors, confirmation was returned to the auditor.

Decisions respecting recovering overpayments detected as a result of internal consistency checks were made by the Payments Director in consultation with the Executive Director. Initially, an Audit Review Committee had been established for this process. This committee was responsible for reviewing the results of the audit and for making decisions on overpayments. They had a primary responsibility to take into account the experimental implications of any decision. Once the audit process was firmly established and guidelines in place for recovery of overpayments, this committee was discontinued and replaced by a decision making process involving the two Directors.

X. ANNUAL RECONCILIATION PROCESS

The Mincome Manitoba payments accounting period was the calendar year, but the payment disbursement and reporting period was one month. Accordingly, the actual monthly payments over the calendar year had to be reconciled with the annual entitlement amount. As might be expected this reconciliation process discovered inaccuracies caused by misreporting and faulty processing. Its basic purpose, however, was to correct for certain causes of divergence between the actual payments and entitlements which were inherent in the payments system design. Of particular concern was income which might not have been counted, and income tax which might not have been rebated (generally underpaid) during the year. Since income tax returns were a key source of all types of information for reconciliation, the pace of processing depended on the flow of the participants' returns to Revenue Canada. The activities varied somewhat from year to year, partly due to accumulating operational experience.

XI.1 Obtaining and Reviewing Tax Returns

Individual income tax returns were sought from all participants in the income reporting cells of the sample. The existence of two refundable tax credit schemes for which application is made through the income tax returns has led to very high rates of filing among Manitobans. Most people who had reported any income on their Mincome Manitoba forms were expected, therefore, to be filing returns with Revenue Canada. Those receiving income-tested payments were required to provide access to the income tax information. Failure to do so by May 31st of the year following the accounting period at issue, caused cancellation of payments. Access to income tax information was not a condition of participation for control units, but their co-operation was sought and encouraged by an additional ten dollar filing fee.

Excellent co-operation by participants ensured that Mincome Manitoba obtained very complete income tax records. The bulk of tax records were obtained by having participants mail their completed individual income tax returns directly to Mincome Manitoba, who in turn was responsible to see the income tax return was forwarded to Revenue Canada. Photo copies of the material were made by Mincome Manitoba.

Where this procedure was not followed, working copies were accepted as long as they had complete supporting documentation (such as T4's). Failing this participants were asked to provide written authorization to Revenue Canada for release of their tax returns.

The income tax information obtained from this process was transcribed to worksheets. This facilitated audit and other reconciliation steps as well as providing the Research Division with a very useful file for comparison of income series.

X.2 Examining the Divergence

Mincome Manitoba undertook an examination of the differences between the information received through income tax returns and that reported by income report forms. The units included in the review had to be active during December and have received at least one payment over $10.00 or a year end carryover less than .2 times the annual break-even. Very often divergences were found to result from the Rules of Operation covering entitlements for partial year enrollments and family composition changes. The next step was to determine whether divergences were attributable to features of the payments system, inaccuracies in the reporting of income, or faulty processing by the Mincome Manitoba Payments Division staff.

There were two major classes of payments system design features which were likely to lead to divergence -- Mincome Manitoba's income counting methods and carryover routines.

Design decisions on the method of income counting were largely pragmatic responses to special problems. For instance, capital gains (and losses) and interest income were difficult and, in context, trivial items to attempt to capture on the income report forms. When the income report forms were redesigned during the first year, the specific cues for these items were dropped in the knowledge that the income tax returns would provide a much more reliable medium for capturing this information. Also, receipt of Family Allowance benefits was so close to being universal that it was decided to save valuable space on the new forms by building the item into the payment algorithm with provision for correction of the underpayments at reconciliation time, where necessary.

In another instance the design of the system regarding income tax rebating for the self-employed involved special handling. There was concern not only about the reliability of a monthly (or quarterly) routine for capturing the data, but also about the possibility of the flow of Mincome Manitoba payments being manipulated by self-employed persons. This could be achieved by the participant deliberately overpaying income taxes during the life of the Experiment in the knowledge that they could have them rebated, in which case they would have enjoyed a net gain in the form of their income tax refund from Revenue Canada after their participation in the Experiment ended.

On the issue of carryover, this provision was included in the calculation of the monthly payment in order to reduce the size of overpayments that result from fluctuating incomes. Specifically, reported income above the breakeven level in any month was carried forward and counted as income in later periods whenever income fell below breakeven. Even so, there was still the possibility of a divergence at the end of the calendar year between the total monthly payments made and the annual entitlement amount and this had to be picked up through the annual reconciliation system. This problem of divergences was especially evident in cases of families that start the year with incomes low enough to qualify for payments, but then enjoy increases in income sufficient to take them above the breakeven point. Over one-third of all 1976 participants followed this pattern and arrived at year end with total payments in excess of what their total income would warrant. However, it is quite clear from the Mincome Manitoba experience that use of a fixed calendar year accounting period rather than some form of moving average will require a recovery mechanism to maintain equity among participants.

Once the systematic influences were identified and the adjustments in the entitlement made, the remaining divergence could be examined for evidence of misreporting or processing error.

X.3 Payment Adjustments

Payment adjustments based in varying ways on the reconciliation information were made for the first two years for participants in both the original and supplementary samples. Third year adjustments were not made because reconciliation on the third year could only have been conducted two or more months after all connections and obligations between the Experiment and the participants had ended.

For the first two years, lump sum adjustments for underpayments were common while recovery for overpayments was not as aggressive as might be expected in a normal program situation.

This policy represented an attempted balance between research interests in such matters as misreporting behaviour, fraud practices, etc., and protection against possible damaging accusations of irresponsible overpayments out of public funds. There was also strong agreement among researchers that the major goals of the Experiment were not well served if overpayments -- especially overpayments due to misreporting -- were other than simply recorded. It had to be recognized, however, even though it did not serve the research interest, that there was a point beyond which major overpayments could not be excused by the Experiment.

The balance which was finally struck reflected a compromise between the importance of research requirements and the need to recapture major overpayments. The technique of recapture was restricted to deductions from future payments. Where this was not feasible -- because the participant was already eligible only for minimum payments or had ceased to participate -- there was no recapture. Subject to further case-by-case executive review, the deduction routines were not set in motion for recapturing overpayments due to misreporting unless the overpayment for that reason alone exceeded $1,000. Overpayments attributable to system design were not recaptured at all for the first year but the deduction routines were systematically applied in subsequent years.

XI. PHASE-OUT ACTIVITIES

The possibility that Mincome Manitoba's financial assistance plans might harm participants was explicitly considered from the earliest planning stages. The major concern was that the financial assistance might lead to a dependence which, given the experimental nature of Mincome Manitoba, would then have to be terminated in some abrupt and painful manner. Therefore, an early commitment was made to an orderly phase-out and a softening of any harmful effects on the families. Approximately six months prior to the termination of the payments program participants were informed that their payments would cease. In addition, Mincome Manitoba offered to assist those families facing financial difficulty to find alternative support. This directly involved Mincome Manitoba with provincial and municipal welfare authorities to ensure a smooth transition of participants requiring help to other financial assistance programs.

In Manitoba the jurisdictional delivery of welfare depends on the type of client receiving support. Categories of clients generally expected to be enrolled for longer periods, such as mothers with dependent children and the disabled, receive aid under Social Allowances directly administered by the Province of Manitoba. All others, generally expected to be enrolled for shorter periods, are considered the responsibility of the municipalities. There are various provisions, however, under which the Province can take special responsibility for these general municipal assistance clients. The Experiment's phase-out policy involved procedures to protect municipalities from costs attributable to a Mincome Manitoba roll-off for a period of one year. In the case of the City of Winnipeg, they handled the general assistance cases within their jurisdiction referred by Mincome Manitoba and billed the province for 100% of costs. For all jurisdictions outside of Winnipeg, special provision was made for the province to accept general assistance clients who might otherwise end up as part of a municipal caseload. The Province enrolled the categorical case referrals in their usual way.

Proportionately, the need for phase-out assistance proved smaller than expected and there appears to have been no serious problem either for participants or administrators. Of the original sample and the supplementary sample respectively, 13% and 19% responded to a mailing offering referral or other phase-out assistance. Of these 49% and 81% respectively, were referred and of these, in turn, 70% and 64% were finally enrolled on Social Allowances or municipal assistance. Of the 97 families referred to welfare authorities, 66 were eventually enrolled on Social Allowances or municipal assistance.