

April 2016

# The Path Forward

Opportunities to End Child Poverty in Alberta



## Acknowledgements

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## What is the After-Tax Low Income Measure?

Canada does not have an official poverty line. This report uses the After-Tax Low Income Measure (AT LIM). After-Tax LIM is the international standard used to measure poverty and deprivation between countries. It is increasingly being adopted as the de facto Canadian poverty line. AT LIM is calculated after all applicable federal and provincial government transfers have been added, and any federal and provincial income taxes deducted, from a family's income.

Using AT LIM, those with after-tax incomes 50% or below the national after-tax median income, adjusted for family size, are considered to be living in low income. Table 1 below shows the annual low income (poverty) lines for different family sizes using the After-Tax Low Income Measure (Statistics Canada, 2015a).

Number of Adults (includes 16 and 17 year olds, and the first child in lone parent families regardless of age)	Table 1: Number of Children Less than 16 Years of Age				
	0	1	2	3	4
1	\$17,371	\$24,319	\$29,531	\$34,742	\$39,953
2	\$24,319	\$29,531	\$34,742	\$39,953	\$45,165
3	\$31,268	\$36,479	\$41,690	\$46,902	\$52,113
4	\$38,216	\$43,428	\$48,639	\$53,850	\$59,061

Source: Statistics Canada , 2015a

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## Introduction

The past year has been one of dramatic political and economic change in Alberta.

There were changes in governments at the provincial and federal levels. Both Alberta's economy and public finances are being negatively impacted by the collapse in energy prices with the prospect of only modest recovery in the foreseeable future.

Despite these challenges, the new Alberta government has made some promising investments in poverty reduction. Many of these investments have been championed by Alberta anti-poverty advocates for many years.

These investments made in Fall 2015 include:

- ◆ A \$25 million increase (24 per cent) in preventative social services delivered through the municipally directed Family and Community Support Services Program.
- ◆ A \$15 million increase (44 per cent) in measures to assist women fleeing domestic violence mostly for transitional housing after women and children leave emergency shelters.
- ◆ To encourage student employment, reinstatement of the Summer Temporary Employment Program (STEP) which provides a \$7 per hour wage subsidy for up to 16 weeks. STEP is expected to support 3,000 summer jobs.
- ◆ To make post-secondary more accessible and affordable, a two-year post-secondary tuition freeze, and
- ◆ To reduce working poverty, an increase of the minimum wage to \$11.20 per hour, and a 50 cent per hour reduction in the liquor server differential.

The Throne Speech delivered on March 8, 2016 reiterated that the Alberta government will implement a new Alberta Child Benefit (ACB) on July 1, 2016. This \$340 million per year investment will provide benefits to 380,000 of Alberta's most vulnerable children.

The new Alberta Child Benefit will increase the incomes of Alberta's poorest families by \$1,100 for the first child, and \$550 for each of the next 3 children. The Alberta Child Benefit complements a new Canada Child Benefit (CCB) being introduced by the federal Liberal government. The Canadian Centre for Policy Alternatives estimates that the new CCB alone will reduce child poverty by a quarter (25 per cent).

Larger than expected budget deficits are causing reconsideration of other major investments promised by the Alberta government in its October 2015 budget.

Even after the recent changes to restore fairness and reduce reliance on uncertain energy revenue, Alberta continues to have the lowest tax rates of any province in Canada. Were Albertans to be taxed at the same level as the next lowest taxed province (British Columbia), \$8.5 billion in additional revenue would be generated (Fiscal Plan 2015).

It will take more than money to end child poverty in this province. Yet, without additional investment in key solutions, the goal of ending child poverty will not be achieved.

This marks the fifth year of a collaboration between the Edmonton Social Planning Council, Public Interest Alberta and the Alberta College of Social Workers. The purpose of this report is to do a checkup of child and family poverty in this province, and identify the most effective ways of ending it.

This report contains updated information on the extent of child and family poverty in Alberta. Data on child poverty numbers and rates in this year's report is from compilations by Statistics Canada from tax returns filed by Alberta families.

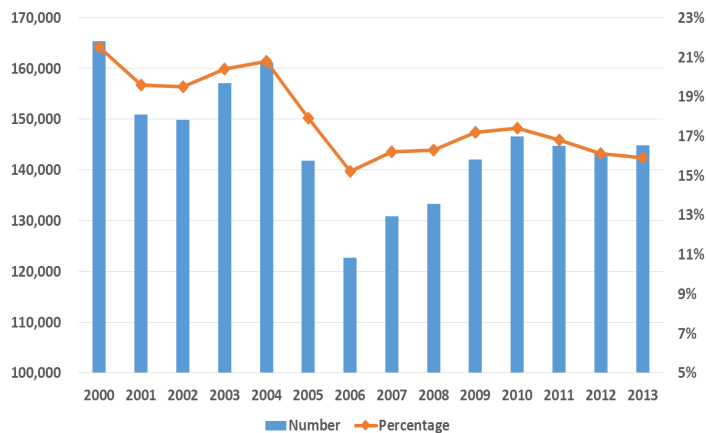


## Alberta Child Poverty Facts

In 1989, the House of Commons approved a resolution to end child poverty by 2000. This never happened as child poverty steadily worsened throughout the 1990s. Since 2000, both national and Alberta child poverty rates have declined modestly.

In 2013, 144,850 Albertan children lived in poverty, a rate of 15.9%, or just under one in six children. Chart 1 shows the percentage of children and youth under age 18 living in low income over a 13 year period. Although child poverty rates for both Canada and Alberta have decreased since 2000, rates have remained fairly consistent since 2006.

Chart 1: Children Living in Low Income Families, Alberta



Source: Statistics Canada, 2015b

### Child poverty in larger centres

Child poverty is in double digits in all major Alberta communities. Among major centres, metro Edmonton (15.2%) has a higher child poverty rate than Calgary (13.8%). Among the regional urban centres, Lethbridge (19.0%) has the highest child poverty rate followed by Red Deer (16.1%). Wood Buffalo has the lowest child poverty rate (10.2) followed by Grande Prairie (12.9%). Medicine Hat has a 15.4% child poverty rate.

### Most income from jobs, not transfers

Paid employment, not income transfers from government, is the primary source of income for all Alberta families, including lone parent families.

In 2013, for lone parent families with children, 75.2% of their total income came from paid employment or net self-employment. 14.3% of lone parent family income came from federal and provincial income transfers. These income transfers include child tax benefits, social assistance, employment insurance, the GST tax credit,

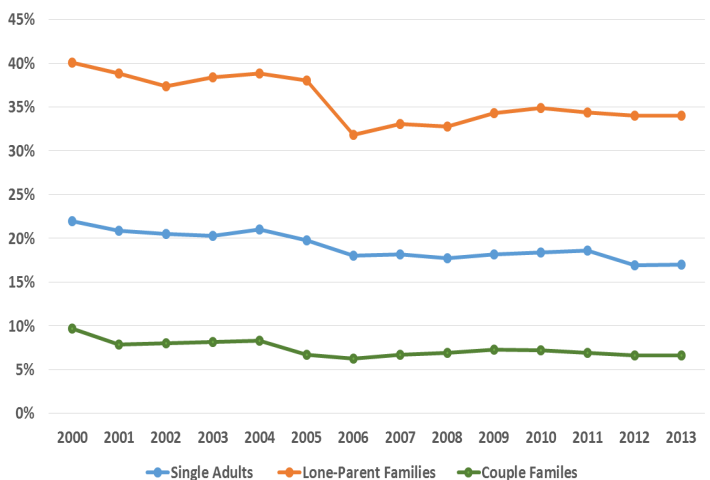
public pensions, and other payments to persons by the federal and provincial governments. 10.5% of their total income comes from non-employment income not from government transfers. Other income includes investment income, private pensions, child support payments, and income from Registered Retirement Savings Plans.

For couple families, reliance on employment income is even higher. 80.3% of their total income was from employment, 14.4% from other income, and only 5.3% from government income transfers.

### Child poverty is higher in lone-parent families

Broken down by family type, 77,930 children and youth (54.2%) lived in low income lone-parent families, and 66,910 children and youth (45.8%) lived in low income couple families.

Chart 2: Prevalence of Low Income by Family Type, Alberta



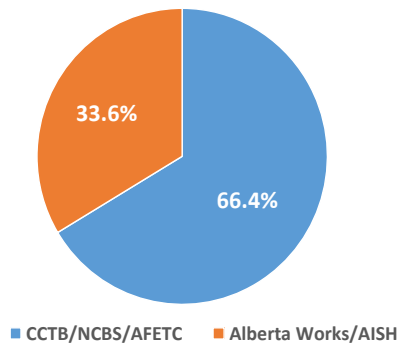
Source: Statistics Canada, 2015c

Chart 2 illustrates low income rates by family size for both lone-parent and couple families. Rates remain fairly stable for one child and two child families, but they dramatically increase for families with three or more children. The number of children living in lone-parent low income families is 19,010 with one child, 23,310 with two children, and 35,250 with three or more children. The breakdown for couple families includes 8,880 with one child, 18,630 with two children, and 38,210 with three or more children.

## Child Benefits Most Substantial Transfer

In 2013, lone-parent families in Alberta received \$491.1 million in refundable child tax benefits (Canada Child Tax Benefit, National Child Benefit, Alberta Family Employment Tax Credit) and \$248.5 million in social assistance (Alberta Works and AISH). Chart 3 shows that 66.4% of transfers are from refundable child benefits and 33.6% from social assistance. This shows that, in Alberta, child tax benefits are more important in reducing child poverty than provincial social assistance by a margin of two to one.

Chart 3: Relative Shares of Government Transfers, Lone Parent Families, Alberta, 2013



Source: Statistics Canada, 2015d

## Low wages for many older Albertans

362,300 employed Albertans (18.9%) worked for low wages of \$15 per hour or less between July 2014 to June 2015. 59.9% of these low wage working Albertans were 25 years old or older. Most Albertans working for low wages are older adults many with family responsibilities. There is also a significant gender disparity when it comes to low wage work. Almost two-thirds of low wage workers (64.5%) 25 years or older are women (Labour Force Survey, 2015). Many more women than men work in low wage occupations in sectors like retail trade, personal care, childcare, and accommodation and food services (Labour Force Profile, 2015).

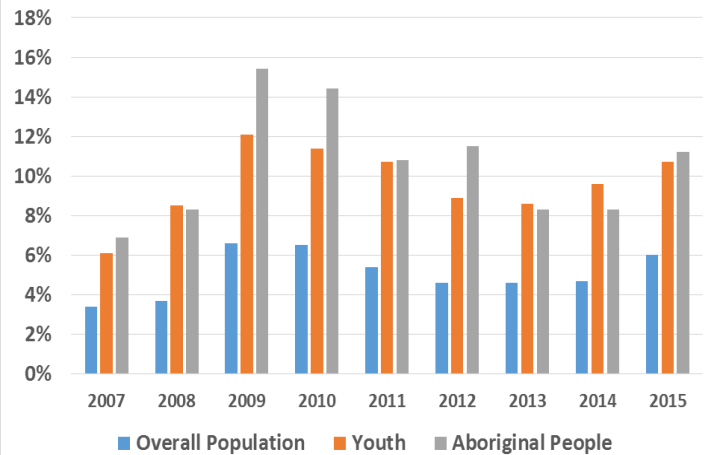
## Unemployment rising

The downturn in energy prices is taking a big toll on Alberta's job market. Chart 4 shows that the unemployment rate in Alberta in 2015 is up significantly, and approaching levels last seen during the 2009-10 global financial crisis.

Alberta lost 76,400 full-time jobs between January 2015 and January 2016, offset by an increase of 38,000 part-time jobs, for a net job loss of 38,100. Youth and Aboriginal people have disproportionately experienced

job losses.

Chart 4: Unemployment Rates in Alberta



Source: Statistics Canada, 2016a

## EI Beneficiaries Double in Past Year

Prior to the recent downturn, most Albertans including most living in poverty were employed, many full-time. It is therefore not surprising that an early indicator of economic hardship is a steep rise in the number of Alberta receiving employment insurance (EI) benefits. The average number of Albertans receiving EI regular benefits in 2015 was 50,371, the highest level since 2009.

More concerning is the trend line. The number of EI beneficiaries increased every month throughout 2015. At 62,480 in December 2015, the number of Albertans receiving EI almost exactly doubled from a year earlier.

## Social Assistance Caseloads Rising

Another predictable impact of an economic downturn is an increase in the number of households receiving Alberta Works (social assistance) benefits. Social assistance caseloads generally lag the peak in EI usage because people without job will exhaust their employment insurance eligibility before transitioning onto Alberta Works. Nonetheless, the number of households receiving Alberta Works in November 2015 is about 20% higher than the level in the same month one year earlier.

## Food Bank use up sharply

Food bank use goes up during difficult economic times. It is therefore not surprising that food bank use is on the increase.

In March 2015, 678,443 Albertans used food banks, an increase of 23.4% over the previous year (Food Banks Canada, 2015, p. 19). In March 2015, children represented

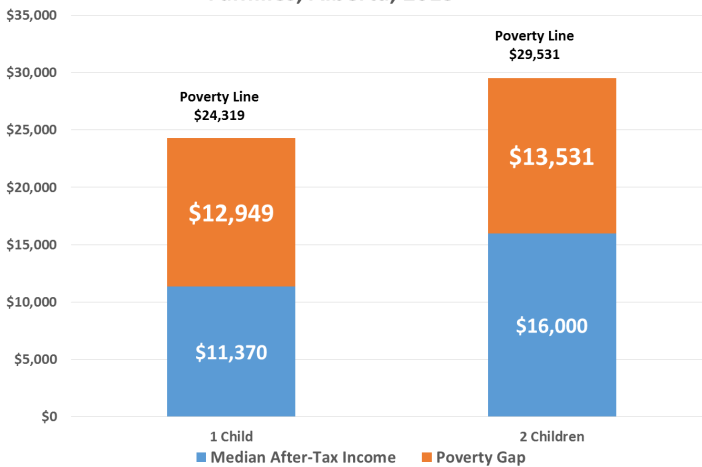
41.2% of individuals who used food banks. Lone-parent families represent 32.2% of all households turning to the food bank (Food Banks Canada, 2015, p. 19).

Social assistance (31.7%) was the primary source of income for those helped by food banks, followed by employment (28.7%), and disability related income (13.1%).

### Lone-parents \$13,000 below poverty line

Most low income families live well below the poverty line. The poverty gap measures how far the incomes of those living in poverty are below the poverty line. Using the after-tax low income measure, Chart 5 illustrates the difference between the actual median income of lone-parent families and the poverty line for those families. To be lifted above the low income (poverty) line, the median after tax income for lone-parent families would need to increase by \$12,949 for one child families, and \$13,531 for families with two children.

Chart 5: Poverty Gap for Low Income Lone-Parent Families, Alberta, 2013



Source: Statistics Canada, 2015b

The situation is similar for low income couple families. Their median after-tax income would need to increase by \$13,201 for one child families and \$14,252 for families with two children to be lifted out of poverty.

This poverty gap is what makes the decision to implement the new Alberta Child Benefit so critical.

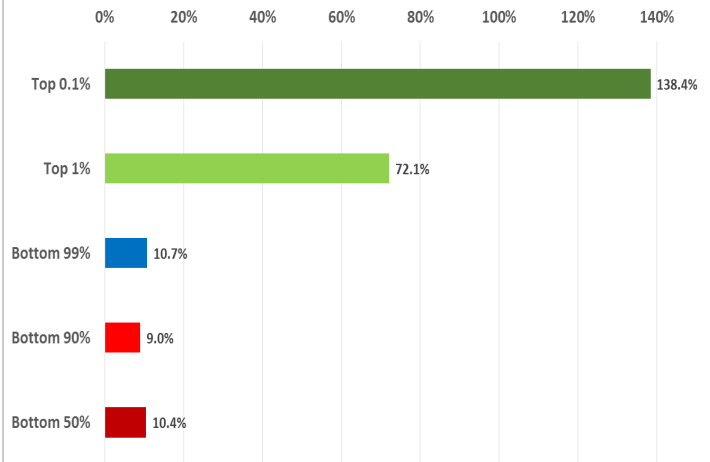
### Rising Inequality

Over the past 30 years, income inequality in Alberta has increased at a rate exceeding national trends. This is most clearly seen from taxfiler data broken down by income group and adjusted for inflation (Statistics Canada, 2015f).

Chart 6 below shows that, after adjusting for inflation, the top 1% of taxfilers saw a 72.1% increase in their real after

-tax incomes compared to only a 10.7% gain for the bottom 99% of taxfilers over the period from 1982 to 2013. Even more dramatically, the top 0.1% of taxfilers experienced a 138.4% increase in their real incomes, compared to only a 10.4% increase in the real incomes of the bottom 50% of taxfilers.

Chart 6: Real Median After-Tax Income Growth Alberta, 1982-2013



Source: Statistics Canada, 2015d

Many countries in Latin America, continental Europe and Asia are reducing income disparity and becoming more equal. Rising inequality is not inevitable. It is the result of deliberate policy changes made by countries like Canada, the United States, Ireland, and the United Kingdom. These policy decisions include reducing corporate taxes, making personal income taxes less progressive, introducing means testing for formerly universal programs, and eroding vital public services like health care, education, and the social safety net.

Policy decisions being made by the new provincial and federal governments should help reverse the trend toward greater inequality. These policies include restoring progressiveness to personal income tax so that higher income Albertans pay a higher rate of tax, increasing the corporate tax rate for profitable large corporations, and introducing a new child benefits for low income families with children.

## Ending Poverty is Achievable

A diverse range of services and supports benefiting people affected by poverty are already in place. Volunteer efforts, excellent programs delivered by human services organizations and educational institutions, and investments by all orders of government are making valuable contributions.

Governments already contribute to reducing poverty through income support programs, tax credits and public services like child care, child protection, affordable housing, education, and health care. In the absence of government supports, many more people would be living in poverty. Finding poverty solutions involves building upon what's already working well.

### **Governments must continue to invest**

Stable adequate public funding and sound public policy are essential aspects of achieving a poverty-free future.

The past year has been a challenging one due to a prolonged downturn in energy prices. Despite these challenges, the new Alberta government is making key investments in reducing poverty.

### **Child benefits will reduce poverty**

By putting money directly into their pockets, child tax benefits are the most effective way to reduce child and family poverty. They do not discriminate based on source of income. Administrative costs are negligible. The only eligibility requirement is filing an income tax return. The implementation of a new Alberta Child Benefit, and increases in federal child benefits, both on July 1, 2016, will be game changers when it comes to reducing child poverty. These new and enhanced benefits go some distance toward guaranteeing a basic income to all Alberta families with children.

The new Alberta Child Benefit will provide an annual benefit of up to \$1,100 per child, and up to \$550 per child for each of the next three children. Benefits will begin to be phased out at \$25,500 of net family income, and be fully phased out at \$41,220 of net family income. The new Alberta Child Benefit will complement an enhanced Alberta Family Employment Tax Credit (AFETC). Maximum benefits under the AFETC are provided between \$25,500 and \$41,220 of net family income, and will begin to be phased out thereafter.

235,000 of Alberta's lowest income children will benefit from the new ACB. This means that all of the 144,850 children living in poverty and whose families file a tax return will receive the benefit. In addition, the families of

an additional 90,000 children who live just above the poverty line will also receive some of the benefit. When combined with the enhanced AFETC, which phases out more gradually, 380,000 of the lowest income children (about one in three) will receive some level of benefit (Throne Speech 2016).

The impact of the new ACB and enhanced AFETC on a low income family with two children is illustrated in the Chart 7 on the following page.

The new federal government elected in October 2015 is repealing income splitting and several other regressive measures with a progressive new Canada Child Benefit (CCB). The new CCB will benefit the lowest income families though the largest benefit will be to families with about \$45,000 to \$90,000 in net family income. This design is in part due to federal child tax benefits being about more than fighting child poverty, but also about supporting middle income families with the substantial costs of raising children (Canada, 2016).

Alberta's new child benefit is heavily weighted to the poorest families and phases out fairly rapidly at higher levels of income. While also benefitting poor families, the new Canada Child Benefit will maximize benefits at just about the same family income level as the ACB is phased out. This will help reduce the welfare wall effect of having too many family benefits phase out at the same level of income.

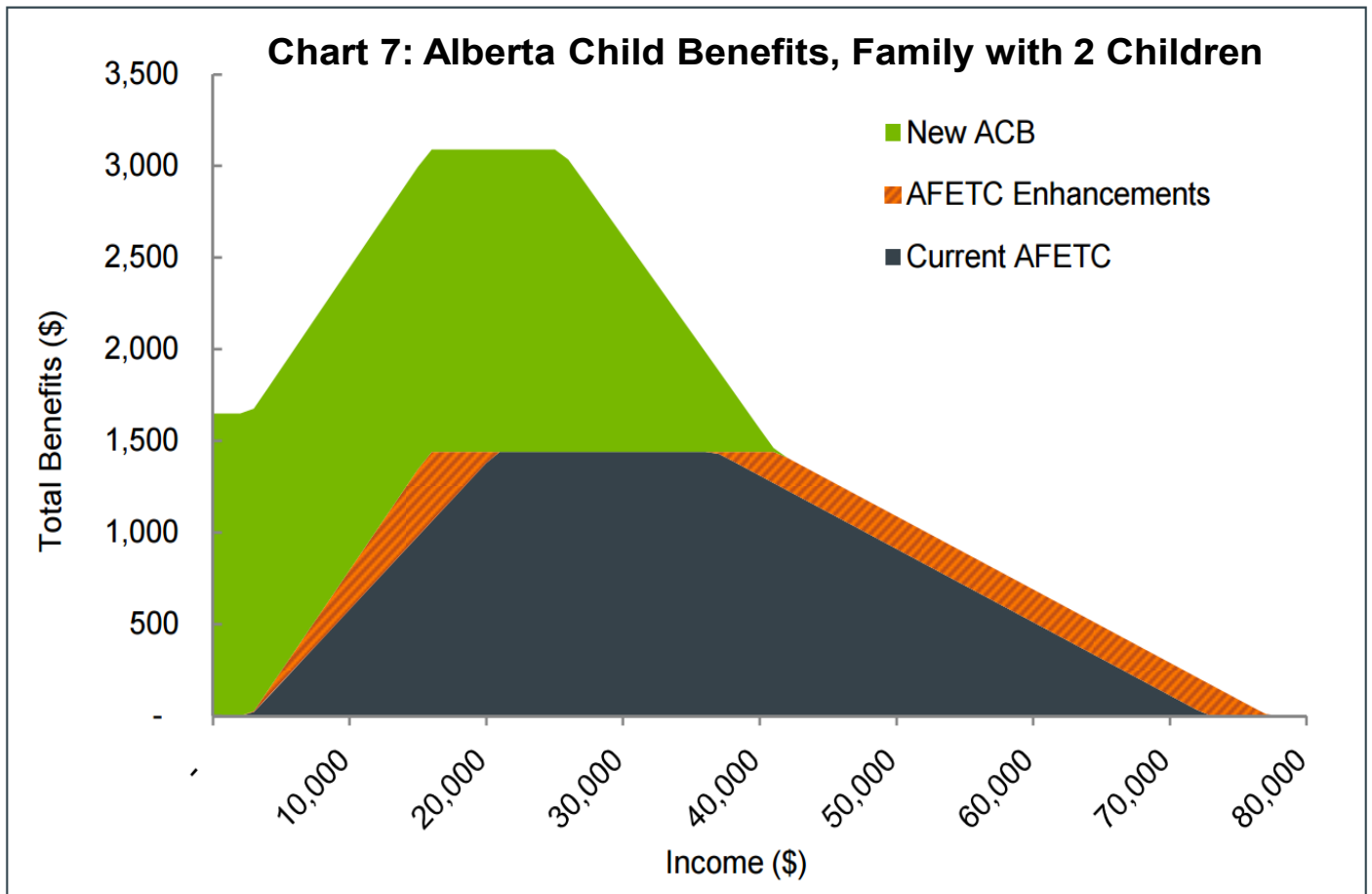
The Canadian Centre for Policy Alternatives (CCPA) has done some preliminary calculations that find the new Canada Child Benefit alone could reduce child poverty by as much as one-quarter. The new ACB should further reduce child poverty for low income Alberta families.

Federal and provincial child benefit enhancements come at an opportune time. Many Alberta families are facing reductions in earning in paid employment due to the current economic downturn. The increases in child benefits should more than off-set decreases in employment income. Otherwise, economic conditions would likely have caused child poverty to rise.

### **Improve the federal EI program**

The number of Albertans receiving regular Employment Insurance (EI) benefits has doubled since the onset of the recession. With the energy downturn into its second year, many of those formerly employed Albertans are beginning to lose their EI benefits.

The recent federal budget announced that most



Source: Alberta Treasury and Finance, Fiscal Plan, October 2015, page 80

Albertans will be eligible to receive an extra five weeks of EI benefits. Long-tenured workers could be eligible to receive up to an extra 20 weeks of benefits. For now, the Edmonton region is excluded from these benefit extensions due to its unemployment rate being under 7 per cent, compared to over 8 per cent for other Alberta regions. There is also an urgent need for the federal government to address staffing shortages that are causing unacceptable delays in Albertans receiving the EI benefits to which they are entitled.

### Ensure income support tied to living costs

Albertans work if given the opportunity. The number of Albertans on social assistance is low (in a normal economy about 2 per cent of the population). Most people on social assistance are not able to work for reasons of health or disability. However, growing joblessness will likely result in higher social assistance caseloads until the economy improves.

Not everyone exhausting their EI benefits is likely to find employment in this tough economy. Some are likely to have to go on social assistance to make ends meet

(Alberta Works). Alberta Works caseloads have already begun to increase, and further increases are likely and need to be planned for and funded. Changes that could be made at relatively low cost include indexing benefits, allowing recipients to keep child support payments, and rewarding work by allowing recipients to earn more than the existing \$230 per month before claw backs.

There has been one 5% increase in Alberta Works monthly benefit levels in the past seven years. Alberta Works monthly benefit levels remain among the lowest of any Canadian province (Caledon, 2015). The Alberta government's challenging fiscal situation—and the need for additional funding to address caseload growth—makes monthly benefit increases unlikely in the short-term.

Assured Income for the Severely Handicapped (AISH) benefits for disabled Albertans increased by \$400 per month on April 1, 2012. The earnings exemptions before claw backs was also doubled to \$800 per month. As a result of these changes, the gap between benefits received from social assistance and AISH has widened.



There are several changes that could be made that would be beneficial to those living on income support at minimal additional cost. One, index both Alberta Works and AISH benefits to changes in living costs. Two, increase asset limits for AW recipients to the same levels as those for the AISH program. Three, allow AW recipients to earn more income—perhaps to the same level as those for AISH—before benefits are clawed back.

### **Welcome increase to FCSS funding**

While mostly funded by the province, Family and Community Support Services (FCSS) is directed by local communities, preventative in approach, and addresses local low income challenges. The decision last fall to invest an additional \$25 million in FCSS funding is both welcome and overdue. It also restores the original 80% provincial and 20% municipal funding formula. This funding increase will allow local FCSS organizations to invest in new preventative services at a time of hardship.

### **Accessing benefits**

Incomes can also be improved by ensuring low income Albertans receive tax and health benefits for which they qualify. Many community agencies invest significant volunteer resources helping people get benefits to which they are legally entitled. Since many benefits are tied to the filing of an income tax return, community initiatives like Edmonton's E4C Make Tax Time Program use volunteers to assist low income households in filing their annual tax returns (E4C Alberta, 2015).

### **Asset building**

Initiatives that make it possible for people to start building assets include social enterprise and micro-enterprise loan funds, and avenues for people to become homeowners through land trusts, sweat equity and cooperative housing. Families with low income and modest incomes become more financially capable, and save money for the future as well as build assets.

Programs through Financial Futures Collaborative in Calgary and the Alberta Asset Building Collaborative in Edmonton teach financial literacy while providing matched savings. For instance, Edmonton has a program called Empower U – Building Confident Futures in which low income participants can have their savings matched 2:1. Participants saving \$400 can receive matching savings of \$800, allowing them to purchase an asset that will help with their quality of life, their education or their employability.

### **Support to service providers**

It is difficult to develop and sustain programs in the absence of adequate and stable long-term funding. Skilled staff are lost when programs come and go. New staff have to learn skills and valuable time is lost as they learn their jobs. The current funding processes require organizations to spend a great deal of time and expertise developing proposals, rather than putting resources into actual service delivery.

Funding should be based on achieving a real, long-term, positive impact and equipping people to meet their own needs. There is tremendous value in client-directed and centred services.

Pay and benefits for non-profit sector staff are often below those for comparable positions in the government and private sector. This makes it hard for non-profits to recruit and retain qualified staff.

### **Gender Inequality and Poverty**

Many children are living in poverty due to the significant barriers women experience in Alberta. In its second annual ranking using an index of gender equality, The Canadian Centre for Policy Alternatives (CCPA) found that out of the 25 largest municipalities in Canada, Calgary and Edmonton were ranked 23 and 24. (CCPA, 2015). The relatively low ranking of Alberta's major cities was due to a number of factors. These factors include economic insecurity, lack of affordable child care, poor municipal representation, and domestic violence.

The CCPA reports that a woman in Edmonton makes 59 cents of each dollar earned by men. Women in Calgary make 65 cents of a man's wage. Many higher paying jobs are in traditional male fields, such as the trades. In Edmonton, men outnumber women amongst trades and apprenticeships at a rate of 3 to 1 and in Calgary that rate is more than 2 to 1. Moreover, women make up 64.5% of low wage workers in Alberta (Statistics Canada, 2015e).

One of the key barriers that mothers face in lifting themselves and their children out of poverty is lack of access to affordable and quality childcare. In last fall's budget, a commitment was made to invest an additional \$75 million per year for improving quality and access to child care starting in April this year, with a further increase to \$100 million in the following year. The ballooning deficit resulting from the decline in oil and gas revenue makes it likely the implementation of this investment will be delayed.

There was a marked improvement in female political representation in last year's provincial election. 29 out

of 87 MLAs elected are women; a record number. For the first time, there is gender parity in the provincial Cabinet led by a woman Premier. For the first time in a generation, a provincial Ministry has been established with specific responsibility for improving the status of women.

Women experience personal safety issues that negatively impact their economic security. Both Edmonton and Calgary women experience higher than average rates of police reported intimate partner violence, sexual assault and criminal harassment. Women often remain in abusive relationships to avoid poverty and homelessness. Women who leave a partner to raise children on their own are five times more likely to live in poverty than if they stay with their partner.

Between April 2014 and March 2015, 9,073 women and 9,548 children were turned away from Alberta women's shelters due to a lack of capacity. Last October, the new Alberta government made a \$15 million investment in improving women's safety, an increase of 44% over previous funding levels. The Alberta Council of Women's shelters called the funding increase "historic." This investment targets dollars for second stage shelters, operational increases for emergency shelters including those on-reserve, and improvements in specialized housing and support services including child trauma counselors (ACSW, 2015).

### **End homelessness, build more housing**

In 2009, following the lead of the cities of Red Deer, Calgary and Edmonton, the Alberta government adopted a 10 year plan to end chronic homelessness in the province's seven largest urban centres. Seven years into the 10 year plan, over 10,000 individuals have been housed. Most have retained their housing.

In May 2015, Medicine Hat became the first Alberta community to end homelessness. The goal of having everyone living in the emergency shelter or sleeping rough for more than 10 days provided with access to stable permanent housing and related supports was achieved (Medicine Hat, 2015).

However, the goal of ending chronic homelessness by 2019 is unlikely to be achieved. The last homeless count in October 2014 found 6,600 homeless province-wide, including 3,531 in Calgary, and 2,252 in Edmonton (7 Cities, 2014).

The economic downturn is resulting in more rental accommodation becoming available. The provincial rental vacancy rate more than doubled to 5.6% between

## **Poverty Reduction Snapshot—Major Cities**

**The Mayor's Task Force for the Elimination of Poverty in Edmonton** released a strategy document *End Poverty in a Generation* in December 2015. The strategy document contains 28 priority actions for achieving reconciliation with indigenous peoples and investing in a poverty-free future. After its adoption by City Council, a group of senior community leaders and City staff were tasked with developing a road map for implementing the strategy and its priorities.

**Calgary Poverty Reduction Initiative (CPRI)** is now into its implementation phase. Led by a secretariat hosted by Vibrant Communities Calgary, an initial four-year implementation plan was finalized in April 2015. Key implementation strategies are identified to significantly reduce poverty and disparity in Calgary by 2023. A number of ambitious goals and outcomes were established to improve incomes, and reduce the use of emergency services such as food bank use and shelters.

October 2015 compared to one year earlier. Average monthly rents went up only about 1% during the same time-frame and should be expected to start declining if vacancy stays high.

One of the keys to success in the early years of the 10 year homeless plan was housing people in the private rental market with rent subsidy and in-home supports. More availability means some homeless individuals and families can be housed in private rental accommodation. For others, especially those who require on-going supports, more affordable housing is still required. Both provincial and federal governments have committed to increasing funding for infrastructure. This needs to include critical social infrastructure like affordable housing.

Effective municipal leadership is needed to ensure new affordable housing units get built. All neighbourhoods—not only those in the inner city—need to step up to the plate and welcome affordable housing units to their communities. Innovative solutions such as using surplus school sites in established neighbourhoods would ensure a better distribution of non-market housing. Amendments to the Municipal Government Act to allow for inclusionary zoning would also be helpful to ensure land is set aside for non-market housing in all new neighbourhoods.

## **Albertans deserve a fair income for work**

Stable, secure jobs with decent pay and benefits are a key poverty elimination tool. Paid employment is the major source of income for all Albertans regardless of family type or background. Over three-quarters (75.2%) of the total income of lone-parent families is from employment. Over four-fifths (81.8%) of the income of Aboriginal Albertans 15 years and older is from paid employment, a slightly higher percentage than the overall population (Statistic Canada, 2015d). This shows a clear need for strategies to make sure these hardworking Albertans do not have to live in poverty.

### ***Raise Minimum Wage Closer to Living Wage***

While relatively few people work at minimum wage, almost one in five employed Albertans makes less than \$15 per hour.

To fulfil a campaign pledge, the Alberta government plans to increase the minimum wage to \$15 per hour by October 2018. On October 1, 2015, the minimum wage was increased by \$1 to \$11.20 per hour, and the differential for liquor servers was reduced to 50 cents. (Government of Alberta, 2015b).

The government has yet to set out a firm schedule for reaching a \$15 minimum wage. There has been a fierce lobby mounted by some business groups to not proceed with further increases to the minimum wage during the current downturn. There is a lot of research supporting the proposition that regular, predictable minimum wage increases do not lead to job losses (Schmitt 2013). Not only do increases reduce working poverty and inequality, higher wages also add purchasing power and can increase public revenue.

### ***Living Wage for Contracted Services***

A living wage is a calculation of the level of income needed for a family of four in which both spouses are working full-time for the full-year to have a basic or modest standard of living. In Calgary in 2015, the living wage is \$18.15 per hour. (VCC, 2015). Edmonton's living wage was slightly lower at \$17.36 per hour reflecting the northern city's slightly lower living costs (ESPC, 2015). Living wage policies - especially for services contracted by all three orders of government - would ensure a stronger human service sector and increase tax revenue as a side benefit.

## **Early learning and child care**

Early childhood development programs are an effective investment that makes a positive difference for decades

to come. Early childhood development services such as Head Start are especially important to equip all children for school success. Full day kindergarten is especially beneficial for children from low income families. Alberta lacks a comprehensive, non-profit childcare system that provides sufficient access to quality, affordable day care and after-school care.

The licensed child care system in Alberta is very expensive. A recent report found that the median fee for an infant in Calgary was \$1,050 per month and in Edmonton \$900 per month (CCPA, 2014). The maximum monthly child care subsidy is \$628 per month (Alberta Human Services, 2015). Even low income families eligible for the maximum subsidy either have to pay hundreds of dollars per month for quality child care or risk making unregulated or less safe arrangements (CCPA, 2014).

There was no mention in the 2016 Throne Speech of the commitment made in the October 2015 Budget to increase child care funding by \$75 million in 2015-16 and \$100 million in 2017-18. This suggests the commitment may be delayed and/or reduced.

The net expense of \$ 1.6 billion in Quebec [for \$7 per day child care] resulted in a positive tax return of \$2.4 billion for the two governments, \$ 1.7 billion to 0.7 billion to Quebec and Ottawa. In other words, every \$100 investment from the Government of Quebec [for the child care program] gave a \$104 tax return and also contributed to a \$43 gift to the federal government. "

*-University of Sherbrooke, 2016*

As recently noted by Public Interest Alberta Executive Director Joel French: "A reversal would be fundamentally at odds with three of the government's top priorities—boosting the economy, managing the province's revenue shortage, and tackling gender inequality—which they articulated while on the campaign trail and since taking office." French cited a research report from the University of Sherbrooke which demonstrated an increase in government revenues from Quebec \$7 per day child care as more women entered the workforce and paid taxes (French, 2016).

## **Recreation and access to transit**

Access to recreation, arts, and cultural opportunities is important for all ages and incomes. Some programs like Edmonton's Leisure Access Program cover registration fees and access to facilities. Yet, transportation costs remain a major barrier for many low income families.

Low income transit passes in Edmonton and other Alberta cities - similar to that already in place in the City of Calgary—would benefit all low income families.

### Invest More in Education

The number of children in Alberta’s Kindergarten to Grade 12 school system has grown rapidly in recent years resulting in larger class sizes and lack of nearby schools. This prevents many children from reaching their full potential.

Youth not completing high school or post-secondary education and training are at increased risk of experiencing poverty. High school and post-secondary completion are steadily improving. However, Alberta still lags behind most other provinces when it comes to high school drop out rates.

Alberta has one of Canada’s lowest post-secondary education participation rates. Among the provinces, we also have above average tuition costs. After its election, the Alberta government froze student tuition for a two-year period through the 2016-17 academic year. Doing so represents a wise investment in the province’s future since post-secondary graduates earn higher incomes and experience significantly lower unemployment.

### Reducing Child Poverty Possible During Downturn

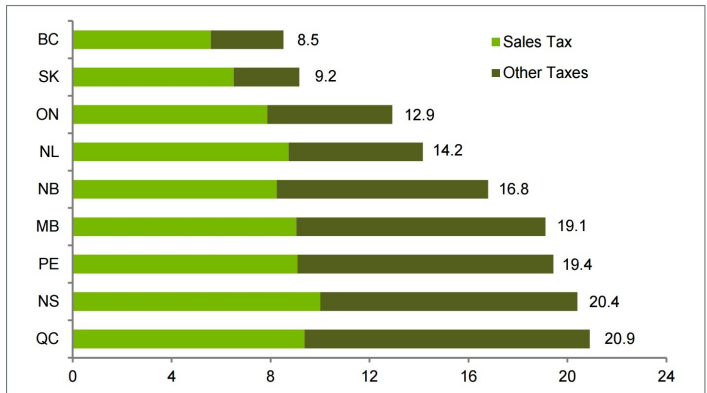
The downturn in energy prices has hit both Alberta’s economy and the provincial government’s finances hard. Rather than compounding the growing joblessness by recklessly cutting health care, education and human services, the new government is continuing to strategically invest especially in Alberta’s children.

The Alberta government restored progressivity to personal income tax with the top earners paying a higher rate of tax. The corporate income tax rate was also increased by 2 percentage points to 12% which takes it from the lowest among Canadian provinces to about the national average. The new government cancelled some of the regressive tax measures introduced by the previous Conservative government, in particular a proposed health tax.

Moreover, even with these revenue adjustments, Alberta continues to generate the lowest amount of tax revenue of any Canadian province. As of October 2015, if Alberta had the same tax system as the next lowest province, the Alberta government would be generating an additional \$8.5 billion in tax revenue.

Chart 8 shows the substantial amounts of additional tax revenue Alberta could generate if we had the same tax systems as each of Canada’s other provinces.

**Chart 8: Alberta’s Tax Shortfall**  
(billions of 2015 dollars)



Source: Alberta Treasury and Finance, Fiscal Plan, October 2015, page 79

### Conclusion

Failing to address the root causes of poverty costs Albertans \$7.1 billion to \$9.5 billion per year in extra costs for health care, child welfare and corrections (Briggs & Lee, 2012, p. 1). In the first year of its mandate, the province made some key investments in reducing child and family poverty, most notably the introduction of an Alberta Child Benefit.

Below are additional investments that could be implemented at modest additional cost:

- Index Alberta Works and AISH to changes in living costs, allow people to earn more than \$230 per month before claw backs, and do not claw back child support payments from non-custodial spouses.
- Implement a living wage for government contracted services.
- In a new provincial housing strategy, additional capital investment in the full spectrum of non-market housing.
- Increased funding for rent supplements to reduce long wait lists.
- Additional investment in child care and early childhood development, and
- Implement the recommendations of the provincial mental health review.



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