

Measuring and Responding to Income Poverty
Response from the Calgary Social Policy Collaborative
February 2019

Background

The Calgary Social Policy Collaborative (SPC) is a group of community organizations and funders committed to working together to inform the development and implementation of public policy that improves the economic and social well-being of all Albertans. The Collaborative aims to bring a clear and collective voice to government, in order to enhance understanding of social issues among key stakeholders, including elected representatives and civil servants.

Members of the SPC identified a need for greater research capacity in the social services sector to identify and develop evidence-based policy recommendations that address the needs of our community. To that end, eleven organizations pooled resources to financially support the work of social policy researchers at the University of Calgary's School of Public Policy.

The first of two reports, *Measuring and Responding to Income Poverty: Concepts and Possibilities*, adds clarity to our understanding of the prevalence of poverty in Alberta, the shortcomings of our Income Support system, as well as an interesting proposal to address housing affordability challenges for people accessing social assistance. This brief addresses the key recommendations of the report.

Poverty in Alberta Key Insights:

1. The Government of Alberta should align how it measures poverty with the National Poverty Reduction Strategy.

Once the federal government establishes Canada's Official Poverty line, it should be adopted by the Government of Alberta to track how many Albertans experience income poverty, along with tracking other indicators like unmet health, housing and nutrition needs, asset resilience and literacy and numeracy rates.

2. Responding to the cost of living so people can meet their basic needs is critical to reduce poverty

The report's focus on housing, and the safety and security that housing provides, draws important attention to the inadequacy of the financial support provided to Albertans who access our Income Support system in their time of need. Since the cost of living is so variable by community in Alberta, especially for housing, it is critical that social assistance and other forms supports are adequate to meet basic needs. The report's proposal to increase the core housing benefit for Income Support recipients is a potential approach to bring the level of social assistance closer to the poverty line with the added benefit of being more responsive to the cost of housing in specific communities.

3. Addressing poverty is an investment that can reduce other public costs.

Over 400,000 Albertans live below the poverty line. It's estimated that the Government of Alberta spends between \$2.0-\$2.4 billion each year to deal with the effects of poverty through the health and criminal justice systems and as a result of lost economic productivity. Millions more are also spent each year by social service charities across the province to help Albertans meet their basic needs. Changes to income benefits for lower-income families through the Alberta and Child Benefits are demonstrating promising results. We are also optimistic about the potential impacts of recent changes to Alberta's Income Support and AISH programs to index benefit levels. However, additional investment can ultimately reduce the need for future funding.

Poverty most critically impacts health costs as it is a key social determinant of health - it has a significant negative impact on people's physical and mental health. The calculated cost of the report's principal recommendation to increase the core housing benefit for Income Support recipients is \$200 million, equal to just 0.9% of the 2018-19 budget set for the provincial Ministry of Health. We welcome further collaboration between the health and social service sectors and government ministries to ensure that public spending is effectively allocated to improve the health and well-being of all Albertans.

Measuring and Responding to Income Poverty- Additional Analysis

1. Improve the measurement of poverty to inform action

The report provides a thorough analysis of the advantages and shortcomings of the three principal measures of low income used in Canada in recent decades. We support the recommendation that the Government of Alberta adopt Canada's Official Poverty Line (formerly Market Basket Measure) to report on the incidence of Albertans living in low income.

Despite the inherent complexities in the calculation of the Official Poverty Line, conceptually it is a measurement that we, as service providers and advocates, can easily describe and the general public can readily understand. The federal government is currently conducting a review of the basket of goods and services that will be included in the calculation of the new poverty line. It has committed to updating the content of the basket every five years to ensure the goods and services are relevant to contemporary Canadian society and contribute to social and economic inclusion. Our desire is to see it reflect more realistic amounts allocated for housing and include key expenses, such as childcare.

The Official Poverty Line will, for the first time, be legislated and will form the cornerstone of a broader national data collection and measurement strategy. It has the advantage of being sensitive to regional differences in cost of living, a feature lacking in the Low Income Measure – After Tax (LIM-AT) currently used by the Government of Alberta. Harmonizing the provincial measure of income poverty with the Official Poverty Line will enable provincial legislators and

policy makers to better track the impact of provincial poverty reduction initiatives against the national targets of reducing poverty by 20% by 2020 and 30% by 2030.¹

The causes, experiences and impacts of poverty are complex and multi-dimensional. While we support the use of the Official Poverty Line as the primary measure of absolute income poverty, we echo the report's call for greater access to government data that would allow for a more comprehensive understanding of other dimensions of poverty. We are encouraged that the National Poverty Reduction Strategy includes a commitment to invest \$12.1 million between now and 2023, and \$1.5 million per year thereafter to address key gaps in poverty measurement tools and improve the federal government's data gathering capacity.

The federal government is also proposing to develop a public dashboard of diverse indicators so policy makers, service delivery organizations, academics and interested members of the public can monitor the progress of poverty reduction efforts across the country. Some of the indicators that will be included on the dashboard include poverty entry and exit rates, relative income poverty, the average poverty gap, deep income poverty, asset resilience and unmet health, housing and nutrition needs. A measure of income inequality would be a welcome addition to the dashboard.

2. Opportunities to change provincial Social Assistance programs

The report correctly identifies provincial social assistance programs as a key government response to poverty, supplemented more recently by an increase in federal cash transfers to families with children, and long-standing transfers to seniors. Several important changes to Alberta's social assistance programs came into effect at the beginning of 2019 following the passing of the *Act to Combat Poverty and Fight for Albertans with Disabilities*:

- A one-time increase reflecting cost of living increases between 2015-2018
- Indexing benefits to inflation
- Increases to some asset limits and exemptions
- Increases of earned employment income exemptions for AISH recipients

According to the *Income and Employment Supports Act*, the purpose of Income Support is to ensure that those who are most vulnerable have access to an adequate income to meet their basic needs. The federal government's decision to base Canada's Official Poverty Line on an absolute measure of income poverty means we are closer to having consensus on the definition of 'adequate'.

Comparing the data in Figure 8 of the report (pg. 27) against the most recent Market Basket Measure income thresholds for Calgary, it is obvious that social assistance rates fall short of being adequate. Even with the recent increases, 'single employable' recipients receive just under \$9,000 annually (\$745 per month), which comes to just 44% of the poverty line. The

¹ Opportunity for All – Canada's First Poverty Reduction Strategy. Government of Canada, 2018.
<https://www.canada.ca/en/employment-social-development/programs/poverty-reduction/reports/strategy.html>

addition of the refundable carbon levy and GST tax credits brings the total benefit amount to just 47% of the poverty line.²

Families with children fare better as a result of the Canada and Alberta Child Benefits, however the benefit amounts are still insufficient to lift families out of poverty. Income support alone for a single parent with one child is only 49% of the poverty line, while adding the child benefits and refundable tax credits raises them to 79% of the poverty line.

We would also like to underscore the observation made in the report that, as the federal government moves towards a poverty line that accounts for regional differences in costs of living, social assistance programs should follow suit. It would be worthwhile to review the recommendation from the 2001 report from the MLA committee review of social assistance programs to phase in the Market Basket Measure as the targeted minimum income threshold.³

Additionally, as the report highlights, poverty measures based solely on income are blunt. The Government of Alberta currently uses relatively rigid eligibility criteria for many social assistance programs. A more graduated eligibility for social assistance can reduce poverty traps in which people lose benefits as income increases or must liquidate assets to access Income Support. The Alberta Child Benefit and Alberta Family Employment Tax Credit were designed so that benefit amounts depend on household income and family size, reducing in stages as income increases. We would like to see the Government of Alberta enhance the flexibility of social assistance programs to create a 'smoothing effect' for people to access and leave social assistance programs.

3. Cost of housing considerations

The principal recommendation of the report is to focus on the percentage of a household's income needed to cover housing costs as an alternative measure of poverty. Subsequently, it offers a recommendation to deal with the inadequacy of Income Support rates by enhancing the core shelter benefit to ensure no household spends more than 35% of their income on housing – based on the upper end of the bottom quintile of market rental prices.

This approach is one way of achieving the aim to align Income Support rates more closely to the poverty line, with the added benefit of being more responsive to the high-cost of living in specific communities. A mechanism like this already exists for residents of the Regional Municipality of Wood Buffalo accessing Income Support as a full or part-time learner. We would encourage the provincial government to study the feasibility of extending the High Cost Community Modifier to other categories of Income Support and other high-cost communities.

² Calculations derived from inputting 2019 Income Support rates into the Alberta data tables available from the Maytree Foundation's *Welfare in Canada - Alberta* report <https://maytree.com/welfare-in-canada/alberta/>

³ *Low Income Programs Review: What we Recommend*, MLA Committee to Review Low Income Programs. November 2001. <https://open.alberta.ca/dataset/4e298f91-21a1-48f1-a9a7-c2f847c79707/resource/75e174ff-c614-436c-aafe-28cba97feb70/download/2001-low-income-programs-review-what-we-recommend-november-2001.pdf>

Like poverty, housing affordability is a complex issue dependent on sufficient supply of diverse models of private and social housing stock, supplemented by different, publicly-funded rent subsidies. Over the past decade, all orders of government, along with the social service, homebuilder and philanthropic sectors have responded with significant investments in different strategies to ensure this most basic of human needs is available to all people in Canada.

With the implementation of the provincial and federal housing strategies we are, for the first time in over a generation, seeing these orders of government make significant investments to increase the supply of social housing stock as well as improve access through rent subsidies and other direct transfers. The National Housing Strategy includes the introduction of the Canada Housing Benefit in 2020, a portable cash transfer designed to provide up to \$2,500 annually to households struggling with housing affordability. The details of the benefit are currently being worked out between the federal and provincial governments as the federal investment is contingent on provinces providing matched funding. Though the details are still to be determined, the Canada Housing Benefit could provide important additional income to recipients of social assistance, and other people living on low incomes who are unable to access social or subsidized housing.

4. Future investment opportunities

The *Measuring and Responding to Income Poverty* report provides important context regarding the history of funding for social assistance programs by the federal and provincial governments. While the changes to the federal funding model in the mid-1990's had a significant impact, it is important to note that the Government of Alberta had already made significant funding cuts to social assistance programs a few years prior. Successive governments have made choices regarding both revenue collection and spending allocations that have done little to move the needle on poverty reduction in Alberta. As a result, the government faces increasing pressure to fund services to address the long-term impacts of inadequate income on the social, health, and justice systems.

Addressing poverty comes at a cost, but so too does maintaining the status quo. The 2012 *Poverty Costs* report estimated the total cost to the Government of Alberta to deal with the effects of poverty (poor health, crime, lost opportunity and intergenerational impacts) to be between \$2.0-\$2.4 billion⁴. Millions more are spent each year by social service charities across the province to support Albertans to meet their basic needs - filling the gaps left by insufficient income supports and employment opportunities.

The authors of *Measuring and Responding to Income Poverty* provide a useful starting point with their recommendation to address the housing costs of Income Support recipients. They calculate the cost of a program that would ensure no recipient on social assistance in Alberta needs to devote more than 35% of income to housing to be approximately \$200 million per year. In 2017, there were an estimated 91,000 beneficiaries (adults and dependents) receiving

⁴ Briggs, A. & Lee, C.R. (2012). *Poverty Costs, An Economic Case for a Preventative Poverty Reduction Strategy in Alberta*. Calgary: Vibrant Communities Calgary and Action to End Poverty in Alberta.

Income Support.⁵ A program of this nature has the potential to reach up to 23% of Albertans living on low-income.

However, over 400,000 Albertans are estimated to live below the poverty line. Designed appropriately, with robust evaluation measures built in, this could serve to inform the design of a more robust housing benefit, or similar type of income transfer that would close the poverty gap for all Albertans. The estimated cost for the report's principal recommendation to top up the core housing benefit for social assistance recipients is \$200 million, which is equal to just 0.9% of the 2017-18 budget set for the provincial Ministry of Health.

As service providers and advocates, we are encouraged by the leadership shown at all orders of government to take decisive measures to reduce poverty. With the launch of the National Poverty Reduction strategy, the Government of Alberta has a timely opportunity to review and adapt its programs and services to reduce the number of Albertans living in poverty.

⁵ Maytree Foundation (2018). Social Assistance Summaries - Alberta. https://maytree.com/wp-content/uploads/Social_Assistance_Summaries_AB.pdf