

# From Words to Action

Alberta Can Afford a Real Poverty Reduction Strategy

November 2013

## Acknowledgements

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[www.campaign2000.ca](http://www.campaign2000.ca)

### Which measure of poverty to use?

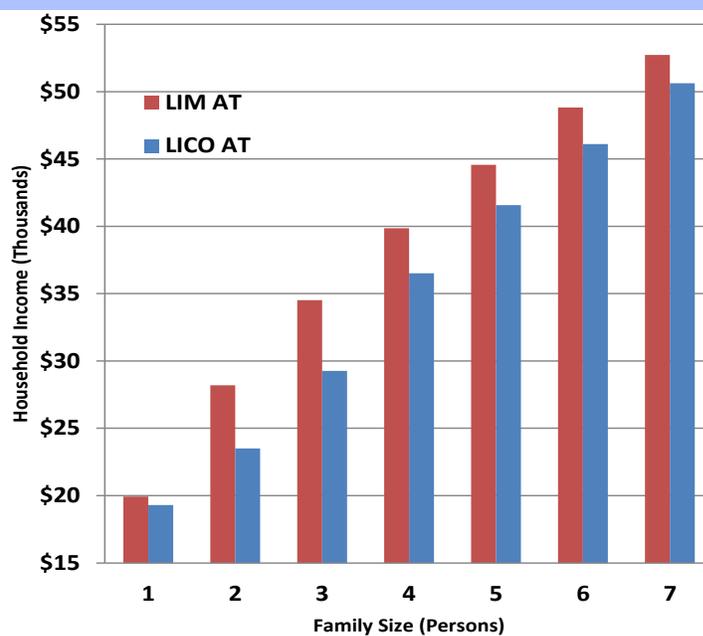
Canada does not have an official poverty line. In this report most of the data is presented using the Low Income Measure After-Tax (LIM AT). Several of our Campaign 2000 national and provincial partners are also using the LIM AT in their reports.

The decision to discontinue use of the Low Income Cut-off is in part because, since 1992, LICO has only been updated for inflation and not other changes in the expenditures of Canadian families. Statistics Canada has no plans to update LICO, whereas LIM is updated every year.

LIM has other advantages over LICO. It is a more easily understood measure. LIM is based on 50% of median family income. LICO is a much more complex calculation. LIM is also an international measure used to compare poverty rates in different countries around the world. LICO is a measure only used in Canada.

Chart 1 shows the low income (poverty) lines for different household sizes for both LIM and LICO.

Chart 1: Low Income Lines by Family Size



Source: Statistics Canada, 2013e; Statistics Canada 2013h

Cover Photo Credit: Pink Sherbet Photography

## From Words to Action

In April 2012, Premier Alison Redford promised Albertans that if her government was re-elected, they would commit to a 5-year plan to end child poverty and a 10-year plan to reduce poverty overall (Progressive Conservative Association of Alberta, 2012).

This breakthrough occurred due to the hard work of many concerned organizations and individuals advocating for a provincial poverty reduction strategy.

The Edmonton Social Planning Council and Public Interest Alberta previously co-published three reports, *We Can Do Better* (2008), *We Must Do Better* (2009), and *Time for Action* (2010). The Alberta College of Social Workers joined ESPC and PIA to co-publish two poverty reduction reports, *In This Together* (2011), and *Achieving the Promise* (2012).

Action to End Poverty in Alberta, a steering committee representing municipalities, social policy organizations, and the social service sector was formed three years ago to champion and lead the development of a comprehensive strategy.

*"We are proud of our accomplishments with the 10-year Plan to End Homelessness, and Alberta is now recognized as a leader in Canada in its approach to addressing this issue. We plan on building on this success with our Plan for Poverty Reduction."*

- Premier Alison Redford, April 11, 2012  
(Progressive Conservative Association of Alberta, 2012)

In February 2012, Vibrant Communities Calgary and Action to End Poverty in Alberta released a report titled *Poverty Costs: An Economic Case for a Preventative Poverty Reduction Strategy in Alberta* (Briggs & Lee, 2012). This report quantified the cost of poverty in terms of health care, crime, and lost economic opportunity for the first time in Alberta. *Poverty Costs 2.0* followed in June 2013 with a comprehensive blueprint for reducing poverty in Alberta (Hudson, 2013).

The *From Words to Actions* report contains updated information on the extent of child and family poverty in Alberta. Also highlighted are the many worthwhile programs, services and initiatives already underway that contribute to reducing poverty.

This report makes the case that Alberta can readily afford a poverty reduction strategy. According to the

government's own numbers, were Albertans to be taxed at the same level as the second lowest taxed province, \$10.7 billion in additional revenue would be generated (Government of Alberta, 2013a). This report outlines modest changes to the personal and corporate tax systems that would generate the revenues required to properly fund key poverty solutions. These solutions are also costed.

The Alberta government continues to consult on a Social Policy Framework in which a children's charter and poverty reduction plan is included. An interactive website was launched and hundreds of community conversations held to gather public input during the summers of 2012 and 2013 (Government of Alberta, February 2013).

Earlier this year, an overarching Social Policy Framework focused on values, vision, and broad goals was finalized by the Ministry of Human Services. Enabling legislation called the Children's First Act was passed by the Alberta Legislature. While the goals of the Act are laudable, some of the provisions raise concerns about downloading of responsibilities onto the voluntary sector.

When the 2013 provincial budget was tabled in March, cuts were made to many programs that support low income families. It will take more than money to eliminate the scourge of child poverty in this province. Yet, without additional investment in key solutions, the goal of ending child poverty by 2017, and reducing overall poverty by 2022 will not be achieved.

Consultations and policy framework documents are no substitute for meaningful action. The next year will be critical in determining whether the Social Policy Framework and Children First Act end up being simply statement of good intentions, or include specific policy changes to make Alberta a leader in eliminating child and family poverty.

The time has come for Alberta to move from words to action. Outlined in this report are recommended solutions and where the needed resources would come from.

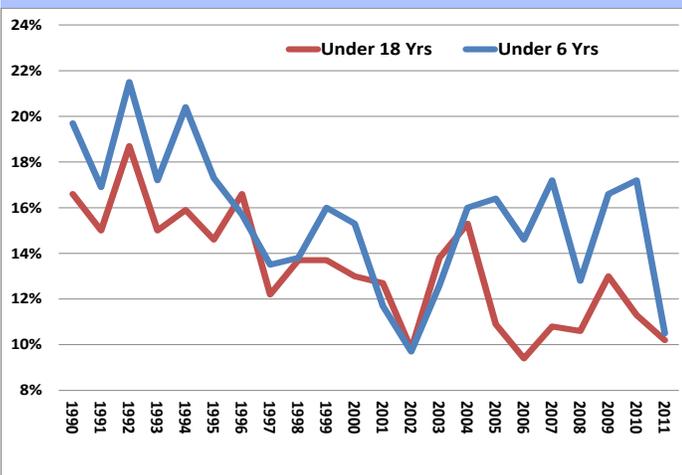
## Alberta Child Poverty Facts

Over one out of ten Alberta children lives in poverty. 84,000 children under the age of 18 (10.2 per cent) lived below the low income measure poverty line in 2011 (Chart 2). 2011 is the last year for which poverty data is available. Despite a return to strong economic and employment growth, only 8 per cent fewer children lived in poverty compared to the previous year (Statistics Canada, 2013f).

The percentage of younger children living in poverty is slightly higher than the overall child poverty rate in Alberta. Over one in ten (10.5 per cent) children under the age of 6 years are living in low income families. In Alberta, there are 29,800 children under 6 living in poverty.

A stronger economy alone will not eliminate child poverty. Additional social investments such as enhanced child tax benefits and making work pay are also required.

**Chart 2: Alberta Low Income Rate, (LIM AT), Children Under 18 Years and Children Under 6 Years**



Source: Statistics Canada 2013c; Statistics Canada 2013f

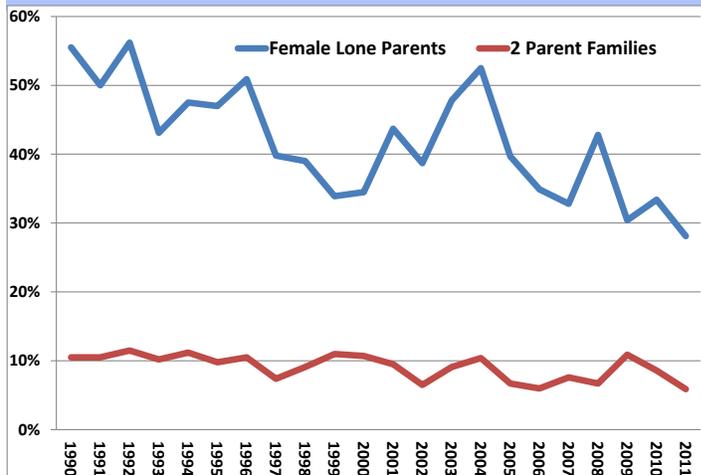
### Child poverty higher in lone-parent families

In Alberta, some sub-populations are more likely to be poor than others. One group that is particularly vulnerable is single parent mothers, who tend to have weak links to the labour market and/or are precariously employed (Canadian Women's Foundation, 2010, p. 38). When facing these circumstances, it is difficult to find continuous work and adequate child care, while juggling their domestic responsibilities as caregivers.

Poverty rates for children under the age of 18 who live with a female lone parent are markedly higher compared to two-parent families. In the years leading up to the recent recession, the poverty rates for these children were declining, but spiked at 42.8 per cent at the onset of

the recession in 2008. Child poverty rates for female lone parent household started to fall in 2009, settling at 28.1 per cent in 2011.

**Chart 3: Poverty Rate by Family Type, Alberta, (LIM AT) (Persons Under 18 Years)**

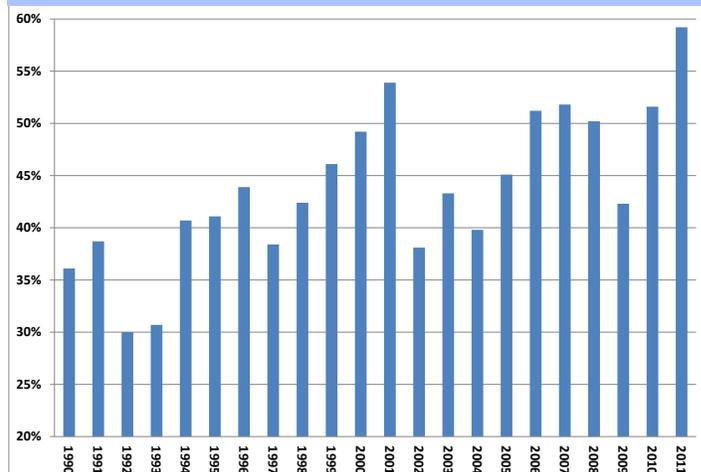


Source: Statistics Canada 2013g

Between 2009 and 2011, the poverty rates for children (under the age of 18) living in two-parent households fell from 10.9 per cent to 5.9 per cent (Chart 3). Poverty in families with two-parents tends to follow broader economic trends, going up during recessions and down during periods of strong economic growth. The recent improving trend reflects improving employment conditions and hours of work in 2011.

### Most low income parents work full-time

**Chart 4: Percentage of Alberta children in poor families where one or more parents has a FT,FY job**

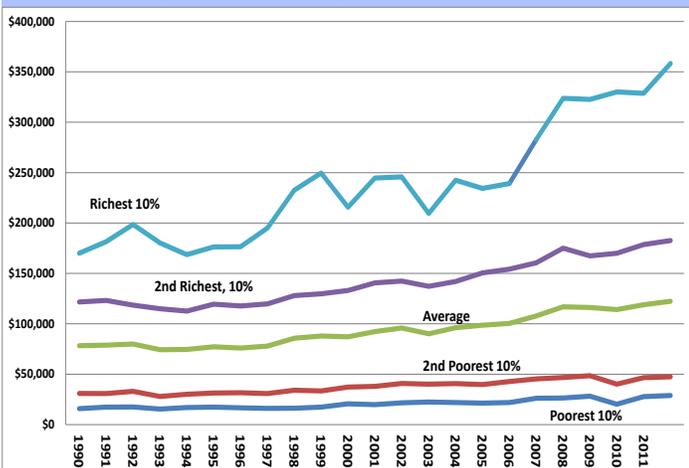


Source: Statistics Canada 2013c

For many low-income families, employment is not a guaranteed ticket out of poverty. Full-time work, even when combined with income transfers from governments, is still inadequate to lift children out of dire circumstances. In 2011, an all-time record 59.2 per cent of children in poverty lived in a household where one or more persons were working full-time for the entire year (Chart 4).

## Greater disparity in income

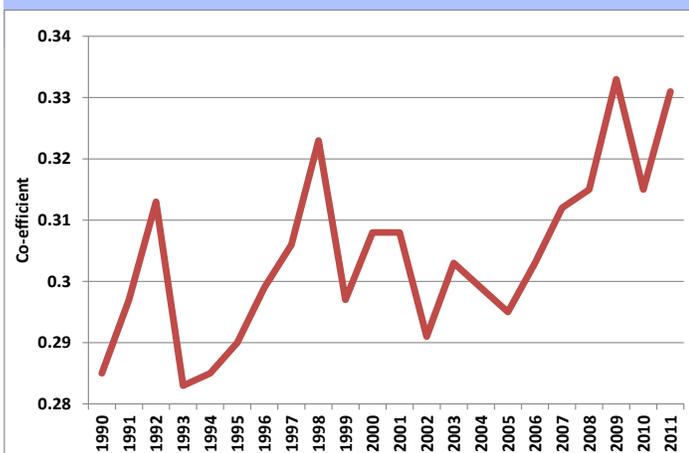
**Chart 5: Annual Total Average Income of Families with Children, by Income Group, Alberta (Constant 2011\$)**



Source: Statistics Canada 2013b

Income inequality between the richest and poorest Alberta families has widened greatly since 1990. Between 1990 and 2011, the yearly income of the poorest 10 per cent of Alberta families with children increased only marginally (Chart 5). Over the same period of time, the yearly income of the richest 10 per cent of families with children more than doubled.

**Chart 6: Income Inequality, Alberta, Non-Elderly Families (After Tax)**



Source: Statistics Canada 2013d

## The Gini co-efficient explained

A Gini index of 0 represents absolute equality - every family in Alberta has the exact same income. A Gini index of 1 represents absolute inequality - one family has all the income in Alberta and all of the other families have none.

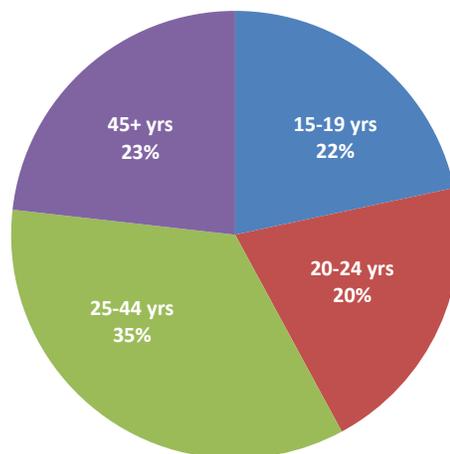
Globally, countries with a Gini below 0.300 have low inequality and those from 0.300 to 0.399 medium inequality.

In 2011, Alberta saw an increase in income inequality (Chart 6). Despite yearly fluctuations, Alberta has continued along an upward trajectory from low to medium income inequality. Growing inequality threatens Alberta's social cohesion by increasing polarization between income groups, impeding upward mobility, and undermining support for strong public services.

## Most low wage earners older adults, women

Over one in five employed Albertans, and over one in four employed women, work for low wages (\$15 per hour or less) (Chart 7). Between April 2012 and March 2013, 58 per cent of low-wage working Albertans were 25 years of age or older. This is the same per cent as the year before (Canada, 2013a).

**Chart 7: Albertans Earning \$15 per hour or less, by Age Group (April 2012 to March 2013)**



Source: Statistics Canada 2013a

There is also a gender disparity when it comes to low wage work. Almost two-thirds of low wage workers 25 years and older (65%) are women (Statistics Canada, 2013a). Many more women than men work in low wage occupations in sectors such as retail trade, health care and social assistance, and accommodations and food services (Government of Alberta 2013, p. 12). Moreover, the Government of Alberta's decision to implement a lower two-tiered minimum wage negatively impacts women who

disproportionally are employed as servers (Government of Alberta, September 2012, p. 4).

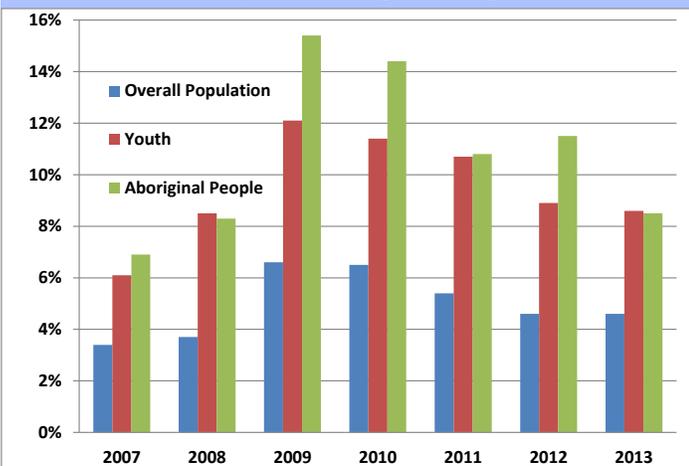
## Strong employment growth since recession

From an employment perspective, the recession bottomed out in March 2010, when 91,000 fewer Albertans had jobs compared to October 2008. During the same timeframe, the unemployment rate more than doubled from 3.5 to 7.4 per cent. Unemployment rates have been steadily decreasing since the height of the recession to 4.6 per cent in 2013 (January to September).

Job growth in Alberta has improved over the past three years. Since September 2010, the province has added 222,000 jobs.

Unemployment rates for Aboriginal people living off-reserve fell from 15.4 per cent at the height of the recession in 2009 to 8.5 per cent in 2013 (January to September). However, it was still almost double the overall unemployment rate in Alberta (Chart 8).

**Chart 8: Unemployment Rates of Alberta Population, Youth, and Aboriginal People**



First 9 months of 2013

Source: Statistics Canada 2013b ; Government of Alberta, November 2013

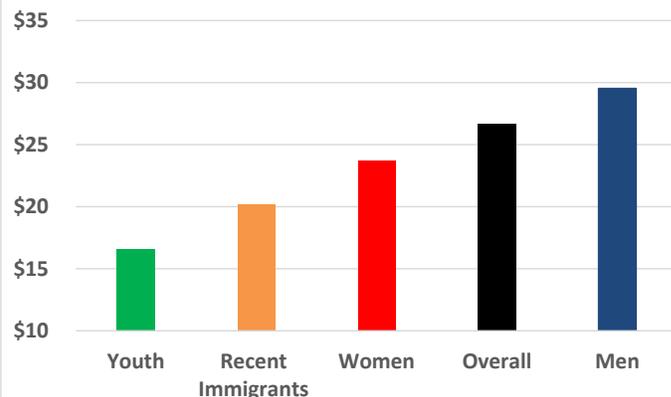
Similarly, youth unemployment rates fell modestly between 2009 (12.1 per cent) and 2013 (8.6 per cent). These percentages are still much higher than overall unemployment, and are still above pre-recession levels.

## Wages lower for youth, immigrants, women

Certain groups in Alberta are disadvantaged in the labour market and earn substantially lower wages. As shown on Chart 9, average hourly wages of women are 23 per cent lower than those of men. Recent immigrants who have been in Canada for less than five years earn only 75 per

cent of the average hourly wage. Youth under the age of 25 earn only 62 per cent of the average hourly wage.

**Chart 9: Average Hourly Wage by Group**

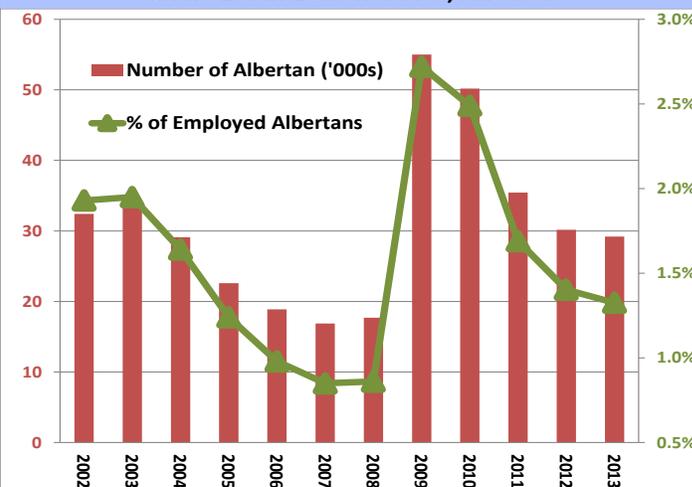


Source: Government of Alberta, Labour Force Profiles

## Fewer Albertans receiving EI benefits

Employment Insurance was accessed by most low income Albertans who experienced sudden job loss at the start of the recession (Chart 10). Between 2008 and 2009, the number of Albertans receiving regular benefits tripled. Men were disproportionately affected by job loss. In 2010, the number of beneficiaries started to decline as eligibility expired and employment prospects improved. This trend of fewer beneficiaries continues into 2013. The ratio of EI beneficiaries compared to the number of employed Albertans is very low. Almost 99 Albertans are working for every Albertan drawing regular EI benefits.

**Chart 10: EI Beneficiaries, Alberta**



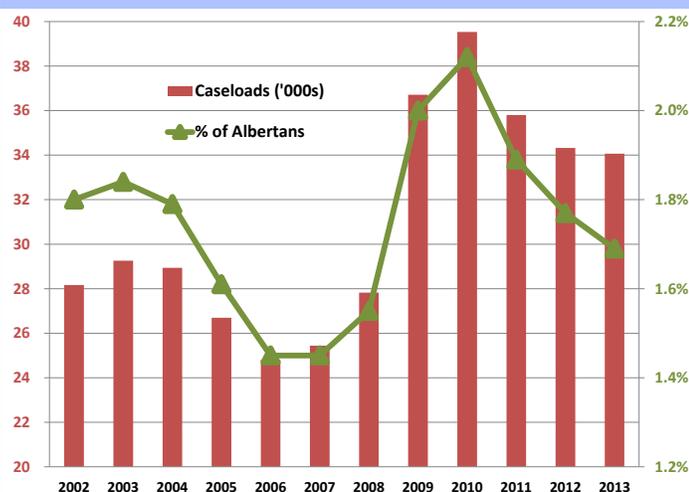
Source: Statistics Canada 2013i, 2013 data is first 8 months

## Social assistance caseloads slowly decline

Alberta Works caseloads are averaging 34,000 so far in 2013 (Chart 11). Since each case represents an average of two people, only about 1.9 per cent of Albertans receive social assistance.

One in three income support recipients are single parents with children. The government has been able to reduce the social assistance budget by over \$50 million in the past two years due to the reduction in caseloads. Yet, the amount of support provided to single parents is not sufficient to even cover market rents let alone other essentials. Moreover, 75 per cent of any amounts earned above \$230 per month are clawed back (Government of Alberta, November 2013).

**Chart 11: Alberta Works Caseloads, Alberta**



\*2013 data is for first 8 months

Source: Government of Alberta, August 2013

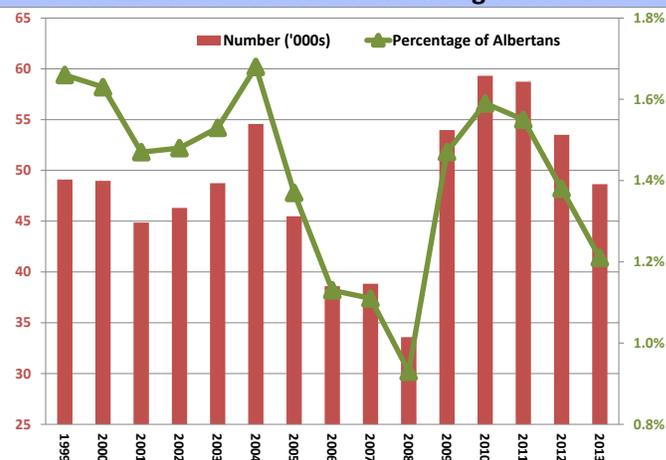
## Food bank use follows economic trends

There was a dramatic increase in food bank usage between 2009 and 2011 (Chart 12). As Alberta's economy recovers, the number of individuals and families using a food bank is slowly declining. In March 2013, 48,653 Albertans used a food bank, still 44.9 per cent higher than five years earlier.

In March 2013, children and youth made up 44.1 per cent of those turning to food banks for help (Food Banks Canada, 2013, p. 25). 32.2 per cent of those helped by a food bank reported being on some form of social assistance, while 21.9 per cent reported having employment income (Food Banks Canada, 2013, p. 25). Alberta has the highest rate of food bank use by those working full-time, full-year in Canada (Alberta College of

Social Workers and the Parkland Institute, 2012, p. 26).

**Chart 12: Number of Albertans Using a Food Bank**

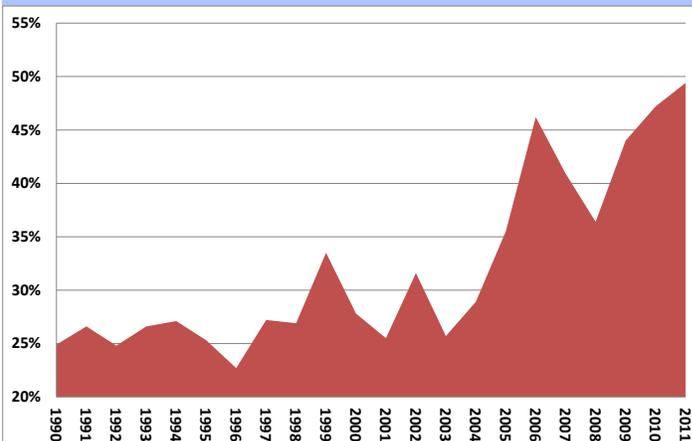


Source: Food Banks Canada, 2013

## Government transfers: Positive effects

Government income transfers - such as child tax benefits, social assistance, and employment insurance - play a significant role in lifting low income families above the poverty line (Chart 13). In Alberta, the effectiveness of government income transfers in lifting children above the poverty line has increased over the years. In 1990, only about 25.0 per cent of children were lifted above the poverty line. Twenty one years later in 2011, this had increased to 49.4 per cent.

**Chart 13: Percentage of Children Lifted out of Poverty by Government Transfers, Alberta**



Source: Statistics Canada 2013c

### We Can End Poverty

The *Poverty Costs* report makes the case for why failing to act to end poverty has serious consequences and costs not only for those directly affected, but for all Albertans. The report, authored by Vibrant Communities Calgary and Action to End Poverty in Alberta, estimates that poverty costs Albertans \$7.1 billion to \$9.5 billion per year (Briggs & Lee, 2012, p. 1).

In her April 2012 election promise, Premier Redford made the same point:

*“There are significant economic benefits to reducing poverty beyond the positive social impact for those immediately affected. Children raised in poverty are far more likely to have long term health implications and a difficult time learning in school, which is why early intervention is vital,”* (Progressive Conservative Association of Alberta, 2012).

#### Build on what’s already working

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

In her election promise, Premier Redford affirmed this work as follows:

*“We recognize that there is already a great deal of valuable and relevant work going on in communities throughout the province, and we want to build on those successes,”* (Progressive Conservative Association of Alberta, 2012).

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, including almost twice as many children (Chart 13). For the most part, finding poverty solutions involves building upon what’s already working well.

#### Government leadership is essential

Alberta has many individuals and organizations with an extensive understanding of poverty. Determination to end poverty is strong. But the magnitude and complexity of the problem requires leadership from all orders of

### A Snapshot of Current Activity: A Social Policy Framework for Alberta - Fairness and Justice for All

On November 2, 2012, the Alberta College of Social Workers and the Parkland Institute (2012) found that - despite Alberta’s wealth - inequality and disparity are growing faster than anywhere else in the country. Report highlights include:

- The top 1 per cent of Albertans earned 14.4 per cent of all pre-tax income;
- The top 50 per cent of Alberta households received 87 per cent of the share of earnings;
- The bottom 50 per cent of Albertans received only 13 per cent of the share of earnings;
- Albertans work the longest hours, with the least time-off, of almost anyone in the developed world; and
- Revenue reform including oil and gas royalty changes and a return to progressive income taxes will provide the needed financial resources to address high levels of poverty and inequality.

The report’s recommendations for policy and other changes were submitted to the Government of Alberta’s Social Policy Framework consultations.

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

The economy has since bounced back strongly from the 2009-10 recession. Yet, the provincial government actually cut many important programs in this year’s budget. Further public investment is needed in proven approaches to reducing and preventing poverty.

#### Child benefits effective in reducing poverty

Child tax benefits are the most effective way to reduce child and family poverty. They do not discriminate based on source of income and are easy to administer. The only eligibility requirement is filing an income tax return. At no extra administrative cost, the provincial government could introduce an Alberta Child Benefit for low and modest income families to parallel federal child tax benefits.

In July 2013, the Ontario government increased the Ontario Child Benefit to \$1,200 per child per year, with a scheduled increase to \$1,310 per year on July 2014 (Government of Ontario, November 2013). The introduction of an Alberta Child Benefit at an initial level of \$1,200 per year for every child living in poverty and then phased out gradually thereafter would be a strategic investment in poverty reduction.

As federal government revenues recover, real increases to federal child tax benefits should be made as well. Campaign 2000 recommends that the maximum federal

child tax benefit (including the supplement for low income families) should eventually increase to \$5400 per child for the lowest-income families, about 50 per cent higher than current levels.

## Ensure income support tied to living costs

Less than two per cent of Albertans receive social assistance (Alberta Works) benefits, with most recipients unable to work due to illness and other factors. After peaking in 2010 due to the recession, caseloads are slowly declining in line with an improving economy. Some of the savings from caseload reductions should be reinvested in indexing benefits, increasing assets limits, and rewarding work by allowing recipients to earn \$500 per month before clawbacks.

Within the past five years, there has been only a 5 per cent increase in Alberta Works monthly benefit levels in April 2012 (Government of Alberta, March 2012, p. 24). Due to this minimal increase, Alberta Works monthly benefit levels remain among the lowest of any Canadian province (National Council on Welfare, April 2011, p. 2). There also remains no mechanism for Alberta Works benefits to increase in line with living costs.

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

Both Alberta Works and AISH benefits should be indexed to changes in living costs.

## Place-based initiatives

Place-based initiatives are developed in a particular geographic location or context. They are better able to address circumstances specific to a particular locale. Street newspapers, community festivals, safe communities activities, and peer-support programs for people with mental illnesses are examples of this. People living in economic poverty must be significantly involved in providing perspectives and having meaningful roles in the development and delivery of programs and services.

Experiences and challenges of poverty differ depending on location. For example, low income families living in rural or small town Alberta do not have access to public transit. Costs for transportation are therefore higher because of the need to have a vehicle.

While 80% funded by the province, Family and

Community Support Services (FCSS) is an initiative that is directed by local communities, preventative in approach, and addresses local low income challenges. FCSS funding has been frozen at the same level for many years. Adding \$25 million in FCSS funding and then indexing for changes in population and living costs would strengthen the capacity of this local-based program.

## Accessing benefits

Incomes can also be improved by ensuring low income Albertans receive tax and health benefits for which they qualify. Better financial literacy enables people to use income more effectively.

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 E4C's Make Tax Time Program use volunteers to assist low income households in filing their annual tax returns (E4C Alberta, 2012).

## Asset building

Hopeful initiatives are making it possible for people to start building assets. These initiatives include social enterprise and micro-enterprise loan funds, and avenues for people to become homeowners through land trusts, sweat equity and cooperative housing. In Alberta, innovative programs are being implemented to encourage low income people to feel more financially capable, save money for the future and build assets.

Programs through Financial Futures Collaborative in Calgary and the Alberta Asset Building Collaborative in Edmonton are teaching 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 \$50 per month can receive matching savings of \$100, allowing them to purchase an asset that will help with their quality of life, their education or their employability.

## Support to service providers

When service providers do not have adequate and stable long-term funding, it is difficult to develop and sustain programs. Skilled staff are lost when programs come and go. New staff have to learn skills and valuable time is lost as they become competent. 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. Excessive

reporting requirements on small details not related to the purpose of the work also wastes valuable resources.

Funding should be based on achieving a real, long-term, positive impact and equipping people to meet their own needs. There is both tangible and intangible value in services that are client-directed and close to the people being served.

Inadequate funding often means non-profit sector staff are paid poorly. This makes it hard to recruit and retain qualified staff.

### Feminization of Poverty

Women in Alberta have many more barriers to their financial well being than men. These include the obvious fact that overall women earn lower wages than men. Less obvious facts such as women's unpaid work, violence against women and low political representation also create barriers to women's financial earning power.

In Alberta, women on average make 68 cents for every dollar men earn. This rate is tied with Newfoundland and Labrador for the Canadian low. Worse still, women with post-secondary education make 63 cents for their male peer's dollar (Parkland, 2012). Amazingly, a commitment to developing themselves through advanced education disadvantages women, putting them even further behind.

The less obvious reason for women's lower earning power, is that they take on double the amount of unpaid work of men (Sandberg, 2013). Women do the lion's share of house-keeping, cooking and caring for children. Women are more often responsible for the care of elderly and sick family members than their male counterparts.

Another less obvious barrier to women's financial earning power is the high rate of family violence in Alberta. Last year 5,642 women and 5,480 children were served through the emergency shelter system. In addition 14,000 women and 12,000 children were turned away from these same shelters due to space restrictions. The upheaval caused by these traumatic situations often makes it impossible for them to keep employment (Alberta Council of Women's Shelters, 2013).

Low representation of women legislators means that policies adopted by government are less family friendly. Research finds that a minimum of 30% of legislators must be women for implementation of progressive policies (Trimble & Arscott, 2008). In the 2012 provincial election, 23 out of 87 MLAs were women—26.4%. Reaching the necessary threshold by electing more women will go a

long way to advancing policies that lift women out of poverty.

The solution to ending child poverty lies in ending women's poverty. Increasing income, increasing access to child care, and strengthening supports to address domestic violence will vastly improve the situation of women experiencing poverty in Alberta.

### Deliver on plan to end homelessness

Ending most federal and provincial investment in affordable housing 20 years ago led to dramatic increases in the numbers of homeless individuals and families throughout Alberta. Combined with rapidly rising rents, this meant that by 2008 the number of homeless Calgarians increased to over 4,000 and the number of homeless Edmontonians to over 3,000.

In 2009, following the lead 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. Four years into the 10 year plan, progress is stalled. Both Calgary and Edmonton reduced the number of homeless persons by about 20 per cent during the first two years. Progress slowed in Year 3 and reversed in Year 4. Record low vacancy rates in Edmonton and Calgary is causing increased numbers of homeless to access emergency shelters (CMHC 2013).

The Alberta Homeless Plan estimated an investment of \$3.3 billion (\$330 million/year) is needed to end homelessness in the next decade. The last several provincial budgets delivered approximately \$500 million less than the required investment. There have been reductions in funding for new capital construction and for homelessness prevention programs such as rent supplements. The commitment to end homelessness must be backed up with sufficient provincial and federal investment.

More effective municipal leadership is needed to ensure new affordable housing units get built. Several funded projects in Edmonton have been cancelled or delayed because of neighbourhood opposition. 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 newer neighbourhoods would ensure a better distribution of non-market housing.

## Affordable rents and homeownership

Affordable shelter is by far the biggest cost for low and modest income Albertans. Keeping people housed through affordable rents or homeownership is an important homelessness prevention strategy.

To address this funding shortfall, non-profit housing management agencies have implemented systems to determine which types of households have the greatest need for housing. Families with children receive priority, though there continues to be a shortage of units for larger families. For everyone else, the wait for rental assistance can take two years or more.

## Employed Albertans deserve a fair income for work

Stable secure jobs with decent pay and benefits are a key poverty elimination tool. As well, government policies need to be developed that improve employment conditions for low income workers without extended health and dental benefits, employment pensions, and job security.

59% of children living in poverty have at least one parent working full-time for the full year (Chart 4). This shows a clear need for strategies to make sure these hardworking Albertans do not have to live in poverty.

### **Raise and Index Minimum Wage**

In April 2009, the province announced a minimum wage freeze at \$8.80/hour. The freeze continued until September 2011 when the minimum wage increased to \$9.40/hour with a lower \$9.05/hour wage for workers serving liquor (Government of Alberta, May 2012, p. 10). From then on, the minimum wage will be adjusted annually using a formula that includes inflation and average earnings. This resulted in a minimum wage increase to \$9.95/hour in September 2013 though the lower wage for liquor servers remains at \$9.05/hour (Government of Alberta, September 2013a).

Because of the prolonged freeze in our minimum wage, and because other provinces have aggressively increased theirs, Alberta now has the lowest minimum wage of any Canadian province or territory.

To rectify this, Alberta's minimum wage should be increased to \$11.00 per hour for all workers. The differential minimum wage should be eliminated. The minimum wage should be indexed thereafter.

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

Vibrant Communities Calgary determined that in 2012, a

## A Snapshot of Current Activity: Major Cities

**Edmonton's Poverty Elimination Steering Committee** brought diverse stakeholders together to develop a Preliminary Poverty Elimination Strategic Framework to initiate active engagement on poverty solutions. Close to 200 Edmontonians struggling with low income and limited resources participated in focus group discussions held from September to November 2013.

**Calgary's Poverty Reduction Initiative** was launched in January 2012 and led by the City and the local United Way to develop a long-term community-based strategy to significantly reduce poverty. This strategy was adopted unanimously by Calgary City Council on May 27, 2013. With the strategy in place, and strong political support, work on implementation is underway. Over the past six months, partner teams have developed detailed implementation plans with timelines and budget for 2014 and beyond. Work also continues on establishing a long term and sustainable governance structure to guide the initiative into the future.

living wage of \$14.50 per hour without benefits and \$13.00 per hour with benefits would be required to ensure that a single person working full-time for the full year could live above the poverty line (Vibrant Communities Calgary 2013). Living wage policies - especially for services contracted by all three orders of government - would ensure a stronger human service sector.

### **Make Work Pay through Tax Credits**

Earned income tax credits reward the work effort of those employed in low-paid jobs. The federal government first introduced a refundable working income tax benefit (WITB) in 2007, and enhanced the benefit in 2009.

The WITB is available on earnings above \$3,000 per year. For single individuals, the maximum benefit is \$925 and benefits are phased out at a net income of \$16,667. For single parents and couples, the maximum benefit is \$1,680, and benefits are phased out at a net income of \$25,700. Unfortunately, the WITB has remained frozen for the past four years (Department of Finance Canada, 2013).

Alberta has a separate earned income tax credit called the Alberta Family Employment Tax Credit. Currently, the Alberta credit is only available to working families with children. The Alberta Family Employment Tax Credit should be expanded to include single adults and child-less couples, paralleling the federal working income tax benefit.

As revenues recover, both federal and provincial governments should reward work by investing more in refundable employment income tax credits.

### 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. Last year, the province announced plans to establish full-day kindergarten. However this has not been followed by a firm commitment to do so, even in schools that have the space and a demonstrated need.

Alberta lacks a comprehensive, non-profit childcare system that provides sufficient access to quality, affordable day care and after-school care.

The market-based child care system in Alberta is very expensive. Many low and middle income families either have to pay very large amounts for child care or make unregulated arrangements. The child care subsidy certainly helps, but many families still struggle to pay the uncovered costs. Unfortunately, rather than providing more supports for low income families to access child care, the Alberta government cut the \$7.1 million quality

enhancement grant this year. This has resulted in most child care centres having to increase their monthly fees.

There are many areas of need for early childhood development. It is difficult for immigrant families with preschool children to be involved in official language learning programs when they have no connections to the community. Without language proficiency, their chances of getting a good paying job are low. As a result, they can get trapped in poverty. Those who need occasional child care and do not have safe places to leave children run into trouble due to the lack of drop-in spaces. Additionally, there are insufficient spaces and training to serve children with special needs.

### Recreation, arts and culture

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

The Alberta government cut the \$7.1 million Summer Temporary Employment Program in this year's budget. STEP provided not only relevant work experience for students, but was also an important funding source for summer recreation programs that low income children participate in.

## A Snapshot of Current Activity: Poverty Reduction in Alberta's Regional Centres

Action to End Poverty in Alberta has garnered support from 101 municipalities and organizations who support a strategic approach to addressing the root causes of poverty. Highlights include:

- The Regional Municipality of Wood Buffalo is developing a Social Sustainability Framework to be completed in 2014. The framework will identify social priorities, encourage collective responsibility and promote collaborative decision making. Community consultations are currently underway. Once the framework is complete, further consultation is planned and a committee will be formed to develop a local poverty reduction strategy.
- The Vibrant Lethbridge Committee, a working committee of the Community and Social Development Committee of Council, has started work on poverty reduction. 8 focus groups with those with lived experience have been held. The findings have been analyzed, comprised into a report and submitted to the Alberta government and the Vibrant Lethbridge Committee.
- In March 2013, Central Alberta Poverty Reduction Alliance hosted a large community consultation in Red Deer. 150 community leaders identified key priorities including: creatively showing the face of poverty in Red Deer, addressing affordable transportation, exploring existing employment programs, addressing social isolation, and enhancing and sustaining existing literacy programs. A Living Wage for Red Deer is set to be published in February 2014.
- In May 2013, the City of Grande Prairie's Community Social Development Department released a Living Wage report. The City supports Community Action to End Poverty in GP (CAEP). In June 2013 CAEP developed a 2013/14 strategic plan. In September 2013 CAEP and the City hosted a collaboration to provide input on the provincial Social Policy Framework.
- The Medicine Hat Roundtable commissioned a research project to establish baseline data on living wage, accessible transportation and recreation, affordable housing, food security and education. Next steps include development of a governance model and developing activities to inform, support, and energize the community to reduce poverty.

## Seniors

The rapidly growing population of seniors is a significant future challenge. Because of continued lower lifetime earnings compared to men, a disproportionate percentage of those experiencing poverty are women.

Significantly reducing seniors poverty is the greatest Canadian social policy achievement of the past 40 years. The slow erosion of this achievement is threatening the retirement security of today's families. The federal government's move to increase the eligibility age of Old Age Security and the Guaranteed Income Supplement to age 67 threatens the future well-being of seniors with low and modest savings as they enter their retirement years. The most effective way to improve the retirement security of middle income earners is to enhance the Canada Pension Plan to cover a higher percentage of pre-retirement earnings.

Being able to live independently for as long as possible is both socially healthy and fiscally sensible. The current government policy of privatizing and shifting costs for essentials like prescription drugs and long-term care will further increase problems for seniors on fixed incomes.

## Literacy

Literacy (including numeracy and computer literacy) needs more attention at all age levels. Too many adults do not have strong enough literacy skills to secure and hold meaningful employment in a high-tech world. Post-secondary institutions and community organizations offer options to improve literacy. Some are designed to meet the needs of those with work or family commitments and unable to study full time or during normal business hours. Some employers also provide support as well. Public libraries are actively developing creative programs and welcoming facilities for all ages and income groups.

## Education

The number of children in Alberta's Kindergarten to Grade 12 school system increased by 22,000 students this year. Yet, the province cut \$14.5 million from school operating budgets. Much larger class sizes and cuts to many programs are the result. This will prevent many children from reaching their full potential.

Youth who do not complete high school or post-secondary education and training are at increased risk of experiencing poverty. While high school and post-secondary completion are steadily improving, Alberta still lags behind most other provinces when it comes to students dropping out.

The Alberta government cut funding for our post-secondary education sector by over 7 per cent (\$147 million) instead of providing the 2 per cent increase promised during the election. While the province recently announced they will put \$50 million back, most institutions have already reduced access, cut programs, and laid off staff and faculty. Alberta has one of the lowest post-secondary education participation rates, so these latest cuts are only going to make matters worse. Among Canadian provinces, we also have above average tuition costs. Relying on loans makes it difficult to access and complete post-secondary education. Alberta needs to expand bursaries and grants to improve accessibility to post-secondary for those with low or modest incomes. Doing so represents a wise investment in the province's future since post-secondary graduates earn higher incomes and experience significantly lower unemployment.

## Supporting Vulnerable Workers

Greater emphasis needs to be placed on skills training and securing jobs for groups under-represented in Alberta's labour force, especially Aboriginal people, recently arrived immigrants, and disabled Albertans. The continued high unemployment and underemployment of these groups represents a tremendous waste of human capital. In its recent budget, the government took a backward step by cutting skills training and academic upgrading programs by about 15 per cent. The number of immigrants and refugees settling in Alberta went up 20% in the past year. Yet funding for immigrant settlement and employment programs has remained frozen.

Instead of hiring these underrepresented groups, some Alberta employers have been bringing in tens of thousands of temporary foreign workers mostly to fill low skill and semi-skilled positions. Reliance on temporary workers to fill low wage jobs serving fast food and cleaning motels should be reduced. Temporary foreign workers with a good employment history who wish to settle here need to be provided with a pathway to permanent residency.

A better balance between the rights of employers and employees is also needed in this province. Many labour disputes are caused by anti-union employers refusing to bargain a first collective agreement in good faith. First Contract Arbitration (FCA) is a fair way of ensuring that employees who have democratically decided to form a union are able to achieve a first collective agreement.

# Alberta Can Afford a Real Poverty Reduction Strategy

## Revenue Reform

Alberta is the richest province in Canada. Yet when it comes to investing in quality public services and fulfilling Premier Redford's promise to eliminate child poverty, the Alberta government pleads that it does not have revenue. In fact, rather than investing in many important public services that help low income families prevent and reduce poverty, the Alberta government's recent budget cuts have hurt many.

There are many solutions to Alberta's revenue problems that will allow us to fulfil the commitment to prevent, reduce and eliminate child poverty by 2017.

The first simple step is to move Alberta back to a progressive tax system used by every other province and the federal government. Alberta's flat tax system means that people with average amounts of taxable income are paying more in taxes than people in BC and Ontario, the two closest tax jurisdictions.

For example, an Albertan earning \$70,000 pays \$1362 more in taxes than if they lived in BC and \$947 than if they lived in Ontario. However, someone from Alberta earning \$1 million would pay \$41,000 less in provincial income tax than in BC and \$82,500 less than if they lived in Ontario.

If individual income over \$150,000 was taxed at 14%, Alberta would bring in an additional \$700 million per year. This would affect just over 6% of Albertans who make over \$150,000/per year. If we had the same top income tax bracket as Saskatchewan, which taxes all income over \$122,589 at 15%, we would bring in over \$1 billion. We could bring in even more if we had the same top income tax bracket as BC, where high income earners pay 14.7% on everything they earn over \$104,754.

Secondly, Alberta also has the lowest corporate income tax rate in Canada at only 10%. Many provinces, including Alberta, have been cutting corporate income taxes while cutting vital public programs. For example, Alberta's corporate tax rate in the 1990s was 15.5% , in 2001 it was cut to 13.5% and then was slowly cut to 10% in 2006. If Alberta was to increase its corporate tax rate to that used in Saskatchewan at 12%, we could bring in close to an additional \$1 billion based on the \$5 billion being generated by the existing 10% rate.

Alberta also needs to examine how we can receive fair royalties for our energy and other natural resources. However, additional funds from a revised royalty

framework could go towards investing in the infrastructure needed by our growing population and to save for future generations.

By making the above changes to Alberta's personal and corporate income taxes, **the provincial government could bring in an additional \$1.2 billion – \$2.0 billion per year and still be the lowest tax jurisdiction in the country.** This would allow the Alberta government to invest in all the policy solutions for a real poverty reduction strategy presented in this report, with additional funds to invest in other important public services.

## Additional Provincial Investment for Poverty Solutions

- Alberta Child Benefit of \$1,200 per child —\$200 million
- Index Alberta Works and AISH, change asset policy, and allow people to earn \$500 before clawbacks —\$50 million
- Implement living wage for contracted services —\$150 million
- Enhance working income tax benefits —\$75 million
- Additional affordable housing investment —\$100 million
- Fully fund rent supplements —\$50 million
- Full-day kindergarten for vulnerable children —\$100 million
- Additional investment in child care, early childhood development, child protection —\$100 million
- Re-invest in programs to reduce class sizes and provide more access to post-secondary education —\$100 million
- Improve bursaries for low income post-secondary students —\$50 million
- Increase support for Family and Community Support Services —\$25 million

**Additional Investment Per Year—\$1 billion**

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## Note

Data on facing page based on authors' calculations. Source documents include Canadian Revenue Agency taxation statistics , provincial budget documents, and publicly available financial information on the referenced programs.

## From Words to Action: Eliminating Poverty in Alberta

Premier Redford's promise that was made on April 11, 2012 to eliminate child poverty in five years and reduce poverty for everyone in ten years, is a bold commitment. Achieving this goal is not going to be easy, but if there is any place that can actually make this goal a reality, it is Alberta. We have caring spirit, incredible wealth, and amazing people who dedicate their lives to support all Albertans.

All Albertans will benefit if we implement a real comprehensive plan that will prevent, reduce and ultimately eliminate poverty. We will all enjoy living in stronger, healthier communities where children have the support and opportunities to reach their full potential. By implementing a real comprehensive plan we will also strengthen our overall economy and see reductions in expenditures that come from failing to address the root causes of poverty.

However, it remains to be seen what will come from the Government of Alberta's Poverty Reduction Strategy that is set to be released in Spring 2014. Many organizations and individuals have been very involved in the consultations and significant effort has been made by community groups to make sure that the voices of people who are or have lived in poverty are heard. We look forward to seeing if the input into the Children's Charter and Poverty Reduction Strategy will reflect the many excellent recommendations provided to the government by this consultation process. We hope the government moves quickly from talking about poverty to taking real action that will achieve the important promise to eliminate child poverty and reduce poverty for all Albertans.

## A Call to Action: Next Steps

In the lead up to the Alberta government's unveiling of a poverty reduction strategy next Spring, we need to communicate to all MLAs about the importance of adopting a real poverty reduction strategy. We call on Albertans to:

- Contact MLAs and challenge them to take action that will result in reducing the growing disparity in our province.
- Get involved and support the many organizations in your community who are working to address the root causes of poverty.
- Help promote this campaign to others in your networks, use social media, and/or host an event.