

Better Way Alberta: **INEQUALITY AND HUMAN SERVICES**

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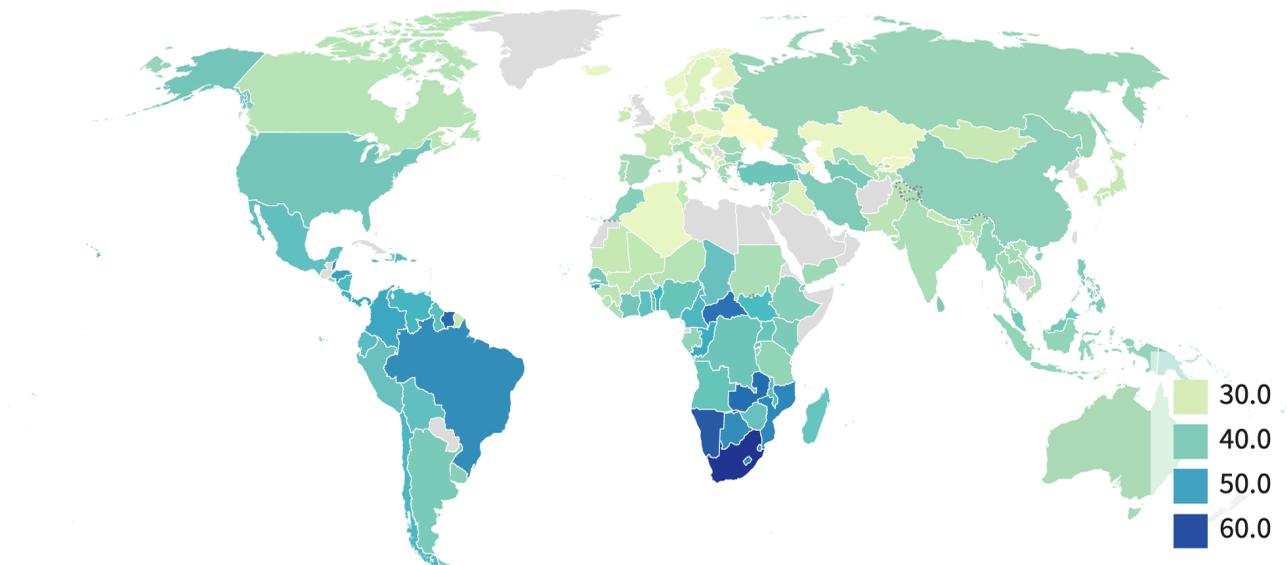
Context

Countries that promote equality tend to be the most prosperous countries. There is general acknowledgment across the political spectrum of the link between greater levels of income equality and quality of life indicators such as longer life expectancy, lower infant mortality, improved health status, and better educational outcomes. Not as well accepted is that there is also a clear correlation between income equality and economic prosperity.

Shown in the following map with inequality data from the World Bank:

GINI index by Country

Darker colors indicate a country is more unequal while lighter colors indicate a country is more equal.



Map: Investopedia • Source: [World Bank](#)

 Investopedia

Source: <https://www.investopedia.com/terms/g/gini-index.asp>

The 2020 World Social Report of the United Nations finds that social cohesion and democratic governance are also beneficial aspects of greater equality. More equal countries tend to resolve conflicts through democratic elections rather than violence, and they have strong institutions to protect human rights and civil liberties. Larger gaps between haves and have nots fuel more tension, conflict, and costly consequences for all, especially when these disparities exist alongside other fault lines of race, ethnicity, or religion. Narrower gaps improve community safety, reduce crime, and achieve cost savings in health, justice and family services interventions (Source: <https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2020/01/World-Social-Report-2020-FullReport.pdf>).

Wealth Inequality Much Greater Than Income Inequality

Income is measured on an annual basis. Wealth is measured over a lifetime, and includes tangible assets such as residences, vehicles, works of art, etc. Wealth often includes intergenerational transfers such as inheritances or secondary residences. Therefore, it's no surprise that wealth inequality is much greater than income inequality.

Income is reliably measured by the filing of annual tax returns. The most recent data for the 2020 tax year found that an Alberta household at the 90th percentile of the income distribution had 6.4 times more after-tax income as a household at the 10th percentile (Source: Statistics Canada, Table: 11-10-0193-01).

Wealth is infrequently measured, and when it is it's usually measured through surveys with small sample sizes. The most recent survey done in 2019 showed that the net worth of the top net worth decile¹ of Prairie province residents was 25 times more than those in the fourth net worth decile, and 217 times more than the second net worth decile. It is not possible to do a comparison with the bottom decile as these households have a negative net worth because they owed more than they owned (Source: Statistics Canada, Table: 11-10-0075-01).

How Inequality is Measured

While inequality comparisons between countries can be measured in a number of ways, the measure used by international bodies, including the United Nations and the World Bank, is called the Gini index.

Simply stated, a country (or a jurisdiction such as a province) in which every resident has the same income would have a Gini index of 0. Conversely, a country in which one resident earned 100% of the income, while everyone else earned nothing, would have a Gini index of 1. To make Gini index data easier to understand, organizations like the World Bank use a range that extends to 100 rather than using fractions up to 1. Inequality in international comparisons is based on total household income. But inequality can also be measured by market income (highest) and after-tax income (lowest), with total income falling in between. In Alberta, in the 2020 tax year, the Gini index on total income was 0.350, on market income it was 0.450 and on after-tax income it was 0.309 [Source: 2021 Census of Population, Census Profile, Alberta).

Role of Human Services in Reducing Inequality and Poverty

Human services are equality drivers. Poverty-reducing human services make us a more equal society. Human services, as outlined in this Fact Sheet, differ from health care and education in one respect. The latter should be universally available to all on the basis of need, with little or no regard to household income. In contrast, income-based human services should mostly be targeted to those with low and modest incomes, especially those involving direct transfers from government.

¹ When studying wealth differentials, the population is divided into ten groupings and sorted from least wealthy to most wealthy. Each of these groupings contains ten percent of the population, and is called a decile.

Recommendations

Recommendation #1:

Beef up government income transfers to low and modest income Alberta households.

Income transfers made directly to those with low and modest incomes are a highly effective way to reduce poverty and increase equality. In 2015, the federal government enhanced the Canada Child Benefit, and the provincial government introduced an Alberta Child Benefit. These increased transfers resulted in a significant reduction in the number of children living in poverty. Using the official poverty measure adopted by the federal government (the Market Basket Measure), the number of Alberta children living in poverty dropped by half between tax years 2015 and 2017. Other poverty measures like the Low Income Measure showed a smaller yet still significant reduction in child poverty. This reduction means more Alberta children can eat healthy meals, have a safe place to live, and participate in more education and recreation activities.

The massive disruptions caused by the COVID-19 pandemic underline the power of government income transfers. The impact of increased income transfers due to COVID-19 benefits paid to Albertans in the tax year 2020 was so significant that Statistics Canada decided to include corresponding data for the 2019 tax year in 2021 Census data.

2019 Individual Income Shares:

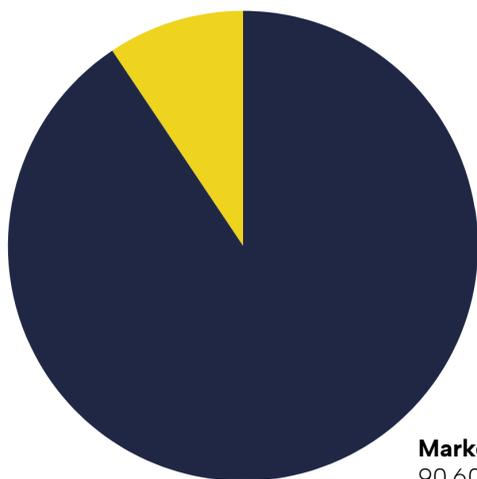
Market Income	90.6%
Employment Income	75.8%
Other (e.g. Investments)	14.8%
Government Transfers	9.4%
Employment Insurance	1.0%
Other (e.g. Income Support)	8.4%

2020 Individual Income Shares:

Market Income	85.0%
Employment Income	70.0%
Other (e.g. Investments)	15.0%
Government Transfers	15.0%
Employment Insurance	1.4%
COVID-19 Benefits	9.7%
Other (e.g. Income Support)	3.9%

Government Transfers

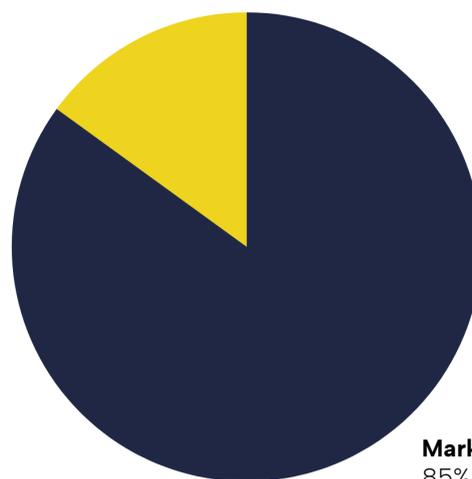
9.4%



Market Income
90.60%

Government Transfers

15%



Market Income
85%

Despite the increase in government income transfers in the tax year 2020, 382,820 (or 9.2%) of Albertans lived in poverty as determined by the Low Income Measure After-Tax. Furthermore, 107,130 (or 11.2%) of children and youth 17 years and younger lived in poverty, an even higher rate than that of adults (Source: 2021 Census data). Hundreds of thousands of Albertans lack the essential resources needed to contribute to their communities and live successful lives. Being trapped in poverty is especially tragic for children as it erects many barriers preventing them from getting a good start in life.

Recommendation #2:

Enhance existing programs and benefits to establish a liveable income for all Alberta households.

Calls for a universal basic income for all Canadians continue. Some advocates saw pandemic recovery benefits like the Canada Emergency Recovery Benefit as a possible model for a basic income. But there are many complex challenges to implementing a basic income including: disputes between the provinces and the federal government over jurisdiction, and which existing benefits and public services a basic income would replace. The vastly different living costs between provinces and economic regions raise equity concerns about whether a basic income should be set at the same level across the country.

The British Columbia Expert Panel on Basic Income (which included the University of Calgary's Lindsay Tedds as a member) did an in-depth review and public consultations on basic income in that province. The panel concluded that a universal basic income was not the best approach to achieve a liveable income. Instead, the expert panel made 65 recommendations for improving existing programs and policies to raise the incomes and better support the needs of low and modest income British Columbians (Source: https://bcbasicincomepanel.ca/wp-content/uploads/2021/01/Final_Report_BC_Basic_Income_Panel.pdf.)

This Fact Sheet uses the same approach as the BC Expert Panel. While not precluding the possibility of a universal basic income down the road, it examines and makes recommendations on how existing provincial programs and services could be enhanced and new initiatives could be introduced to achieve a liveable income for all Albertans.

Recommendation #3:

Reinstate indexing to changes in living costs for all income support programs.

Upon taking office in 2019, one of the first changes made by the UCP was to end the yearly indexing of important income benefit programs to changes in living costs. Since then, monthly benefit levels have remained frozen and have even been cut back in some cases. The UCP is chipping away at the bare bones incomes of Albertans who are barely able to survive. Seniors and people with disabilities or health issues shouldn't be left in the cold in a province like Alberta. It's not cost-effective and it's not humane.

Annual indexing should be reinstated for all Alberta income support programs including Assured Income for the Severely Handicapped (AISH), social assistance, the Alberta Child and Family Benefit, and the Alberta Seniors Benefit. The provincial inflation rate (currently running at near 8%), is rapidly eroding the incomes of vulnerable Albertans. Indexing should be made retroactive to the 2019-20 budget year when it was first revoked by the UCP government.

Recommendation #4: **Restructure Alberta Supports (social assistance)** **and rename Assured Income for the Severely Handicapped.**

Much of the caseload of the existing Alberta Supports Not Expected to Work category should be transferred to the AISH program. If recipients are not expected to work due to health reasons or a disability, they should not be left trapped in a program that provides a much lower level of financial benefits and more punitive eligibility requirements.

The name of the Assured Income for the Severely Handicapped program should be changed to Assured Income Supporting Health. Same acronym, different name. Program names matter. The existing name stigmatizes vulnerable Albertans in several different ways. The word 'handicapped' is a dated and offensive term. The current program name also fails to include those Albertans with serious mental illnesses, brain injuries, fetal alcohol effects or other barriers. These barriers can be just as debilitating as a physical disability.

Recommendation #5: **Reward work by making the hourly minimum wage a living wage,** **introducing a refundable Alberta Workers' Benefit, reducing** **earned income clawbacks, and phasing out benefits more gradually.**

The most effective way to reward work is to ensure all Albertans are being fairly paid for the important work they do. Alberta's minimum wage has been frozen since October 2018 and even rolled back for young workers. As a result of this prolonged freeze, Alberta's \$15 hourly minimum wage is no longer even close to being the highest in Canada. Alberta's hourly minimum wage trails the federal minimum wage (\$15.55), British Columbia (\$15.65), and all three territories. Ontario's hourly minimum wage is scheduled to increase to \$15.50 per hour on October 1, 2022 (Source: <http://srv116.services.gc.ca/dimt-wid/sm-mw/rpt2.aspx>).

Alberta's minimum wage should be increased to \$18.00 per hour so that it is closer to a living wage, and thereafter indexed annually to account for increases in living costs. Living wages are measured at the local level and can vary widely depending on the cost of living in each community. The 2021 living wage for a family of four is \$18.10 in Edmonton and \$18.60 in Calgary (Source: <https://livingwagealberta.ca/living-wage/>).

Even if the minimum wage was raised to the level of a living wage, the latter only allows for a minimal standard of living. Plus there will always be some workers who are not able to work full-time year round for reasons of health, disability, or family circumstances. For this reason a refundable tax benefit on earned income is helpful. The Canada Worker's Benefit (CWB) is already in place federally. Low income workers can receive up to a maximum per year of \$1,395 for individuals and \$2,403 for families from the CWB. A provincial workers' benefit that parallels and matches the federal CWB would further support low income workers in Alberta.

Another long overdue change is to increase the amount of money that people on provincial social assistance can earn without clawbacks. Why are we punishing social assistance recipients who are trying to supplement their meagre monthly incomes through paid employment or self-employment? Social assistance recipients can only earn \$230 per month before being subject to a punishing 75% clawback of their benefits (Source: <http://www.humanservices.alberta.ca/AWOnline/IS/8978.html>). Even a quadrupling of the earnings exemption to \$920 per month would still be less than what those on AISH

are allowed to legally earn before being subject to benefit clawbacks.

Government income support is structured so that, as personal income rises, benefits are gradually phased out. The problem arises when multiple programs including income support, child and family benefits, earned income tax credits, rental assistance, and child care subsidies all phase out at the same income range. In some cases, those with low and modest incomes can lose a dollar or more in government benefits for every dollar they earn through paid employment or self-employment. The effect of these clawbacks is a disincentive to work. In its first budget, the UCP government changed an existing child benefit that was introduced by the previous NDP government. The UCP changed it so that it is phased out more rapidly as family income rises, thereby making things even more difficult for families working hard to try and get ahead. To counteract this, thresholds at which low income Albertans receive the maximum benefit could be raised, and benefits should be phased out more slowly so people have a better chance to get on their feet.

Recommendation #6:

Ensure the province is an equal partner in increasing both the affordable housing supply and in investing in fully funded rental assistance.

The cost of keeping a roof over one's head is far and away the biggest expense for low and modest income Alberta households. Many of these households spend 50% or more of their monthly incomes just to pay rent and utilities. Some others have insufficient incomes and/or other life challenges and become unhoused.

The COVID pandemic has worsened an already deplorable situation. Emergency shelters had to enforce physical distancing leading to bed closures and significantly reduced capacity. Temporary seasonal shelters were added in some cities during the coldest months. But during the warmer months especially there has been a marked increase in people sleeping rough in homeless encampments. In the City of Edmonton, for example, the number of homeless people has close to doubled since the beginning of the pandemic. As of July 2020, there are 2,776 homeless Edmontonians, of which 58% identify as Indigenous (Source: <https://homewardtrust.ca/>).

Additional provincial investment is required across the housing continuum. There is a particular need to build and operate new permanent units especially for those hard-to-house Albertans requiring onsite support. While federal and municipal governments have stepped up to the plate, the province has refused to be a funding partner.

Additional rent assistance investment is also urgently needed. According to the most recently available data, 24,000 eligible Alberta households are currently on affordable housing wait lists (Source: www.alberta.ca/stronger-foundations-affordable-housing-strategy.aspx). In many cases, people languish on these wait lists for years. This puts many people at serious risk of becoming homeless, and in some cases homelessness becomes a reality.

Overly long wait lists are a policy choice directly resulting from underinvestment in rental assistance by successive Alberta governments. With a much improved revenue picture, additional provincial investment in rental assistance should be a top priority. Combined with increased federal funding available through the National Housing Strategy, reducing and eliminating years-long wait times for affordable housing should be a top policy priority.

Recommendation #7:

Invest in prevention by significantly boosting provincial funding for the Family and Community Services Support program.

Keeping families intact while ensuring child protection, school nutrition, financial literacy, tax filing assistance, addictions treatment/recovery, are among the host of vital preventative services that keep individuals and families from falling into poverty. Many of these preventative services are delivered by community agencies in municipalities throughout the province. A concrete way the provincial government can help is to provide a significant boost in funding for the Family and Community Support Services program, similar to what the NDP government did at the beginning of its mandate in 2015.

Recommendation #8:

Ensure the successful implementation of high quality and affordable early learning and child care.

Societies that collectively contribute to the cost of public services tend to have lower levels of both inequality and poverty (and less resulting social problems that are costly to address). Effective, reliable services without barriers to access (like quality child care) are good for workers and the economy—in fact, these services are essential to a strong and growing economy.

A report done by TD Economics concluded that every dollar invested in early learning and child care returned between \$1.50 to \$3.00 in economic return (Source: https://www.td.com/document/PDF/economics/special/di1112_EarlyChildhoodEducation.pdf). There were benefits in terms of better educational outcomes for children, but also benefits to the broader economy in terms of increased participation in paid employment and self-employment, primarily by women.

Statistics Canada recently published data detailing the economic impact of Quebec's low-fee universal child care program over the 1998 to 2015 time period since its introduction. The data shows that the employment rate for women in Quebec grew much faster (30%) than the employment rate for women in the rest of Canada (23%). This 7 percentage point difference in employment rates was valued at \$2.8 billion in 2015 (Source: <https://www150.statcan.gc.ca/n1/pub/11-627-m/11-627-m2022043-eng.pdf>).

The federal government's decision to cost-share early learning and child care with the provinces is a game changer for Alberta's young children and their families. The UCP government reluctantly signed on to a child care deal with the federal government last November. However, it will be up to the next Alberta government to add the 42,500 regulated spaces needed and achieve the maximum \$10 per day cost by 2025. Early learning means giving young children the best possible start in life. To ensure the best outcomes for children, child care professionals deserve fair compensation and a high quality work environment.

Recommendation #9:

Ensure that personal income taxes continue to be progressive.

Despite loopholes available to those with high incomes, a progressive income tax system where the rate of tax increases with income contributes significantly to decreasing inequality. We need progressive taxation because the Alberta labour market values the labour of some much more highly than the labour of others, regardless of effort expended. This does not even account for the even greater inequality that results from those who inherit wealth and other advantages based on race and gender.

Higher rates of taxation for those with higher incomes is required for the purpose of generating sufficient revenue to fund a strong social safety net. Especially since there is no general sales tax, Alberta's corporate and personal income tax rates should be, at minimum, on par with those in other provinces. In this regard, the tax brackets on personal income brought in by the previous NDP government are more than competitive with other provinces. Any proposal to go back to a flat tax rate on personal income should be vigorously opposed.

Recommendation #10:

Recognize the important role of labour unions in raising wages for workers.

Apart from the job security and employer-paid benefits advantages, workers belonging to labour unions earn higher wages than their non-union counterparts. Permanent employees in Alberta with union coverage made on average \$36.82 per hour, \$4.64 more than the \$32.18 per hour made by permanent non-union employees. The union premium was even higher for those employed in temporary positions, where temporary employees with union coverage made an average of \$31.94 per hour, \$7.79 more than the \$24.15 temporary employees without union coverage made (Source: Statistics Canada, Table: 14-10-0066-01).

Recommendation #11:

Ensure that everyone counts by implementing fairer and more inclusive data collection and analysis.

There is a saying in statistics that 'if it isn't measured, it doesn't count.' Women, gender and sexual minorities, people with disabilities, racialized communities, and Indigenous peoples continue to face systemic discrimination that causes them to experience higher rates of poverty and inequality. Statistics Canada and other federal agencies are prioritizing data collection based on gender, disability, race, and Indigeneity. The next provincial government must do the same. There is a lack of inclusiveness in most provincial data collection. These data gaps make implementing practical solutions to address disparities and fight systemic discrimination more difficult.

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