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SOCIAL PLANNING

c o u n c i l

**Poverty Trends in Edmonton
The Race to the Bottom Heats Up!**

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Poverty Trends in Edmonton The Race to the Bottom Heats Up!

I. Introduction

In 1993, the Government of Alberta implemented a series of sweeping reforms to its Supports for Independence (SFI) or “welfare” programs. The stated purpose of the reforms was to move welfare recipients into the job market through a series of measures, some developmental and others coercive, all designed to reduce caseload numbers. The underlying premise of the reforms was to use the increasing labour market to replace costly social programs.

Welfare programs were never intended to “solve” the problem of poverty, but merely mitigate the most damaging physical effects such as homelessness and hunger. It has never been clearly stated what the 1993 welfare reforms sought to do, other than reduce government spending. To effectively evaluate the welfare reforms, the reforms must be measured in light of their impact on the numbers of people living in poverty.

The purpose of this study is twofold:

1. To assess the impact of Alberta’s welfare reforms on the number of people living in poverty in Edmonton.
2. To assess the capacity of the labour market to reduce the number of people living in poverty.

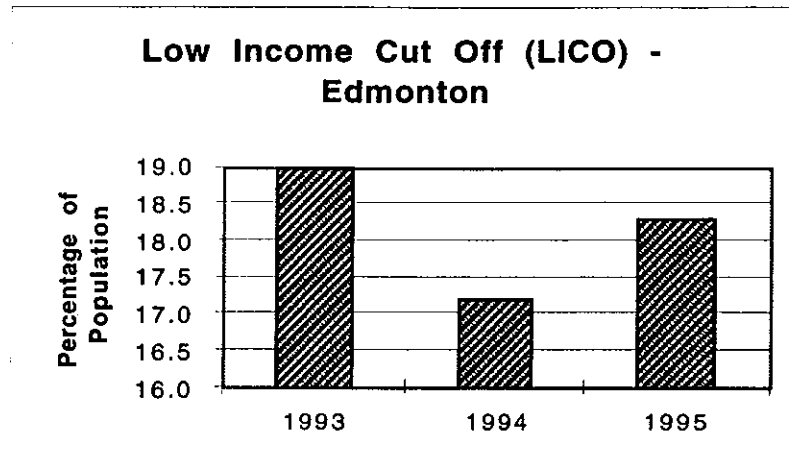
II. Are there fewer people living in poverty?

Statistics Canada’s Low Income Cut-Off (LICO) is determined by adding 20 per cent to the average percentage of gross family income spent on the basics of food, shelter and clothing. It is not an official measure of poverty, but instead defines a set of income cut-offs below which individuals/families are determined to be living on a low income. It is also adjusted for size of household and size of population centre.

LICO is both an absolute and a relative measure of poverty, due to its detailed measurement system. However, conservative critics charge that LICO is not an actual measure of poverty and that real poverty, that is a state of material hardship or “absolute” poverty, is very rare or even non-existent in Alberta. Anti-poverty advocates counter that poverty must be considered in relative terms.

In Edmonton, the percentage of families living below LICO has fluctuated between 17 and 19 per cent for the past three years.

Figure # 1



While this statistic by itself does not reveal a large increase, further analysis into families living below LICO suggests that absolute poverty is a growing fact in Alberta and that Edmonton's poor are becoming poorer.

III. Poverty trends in Edmonton.

Anecdotal evidence from social agencies, churches, and other "front line" service providers suggests that the number of people without the financial capacity to meet even basic needs (food, shelter, and clothing) is increasing dramatically. This condition of increasing absolute poverty is not reflected in a cursory review of the LICO statistics.

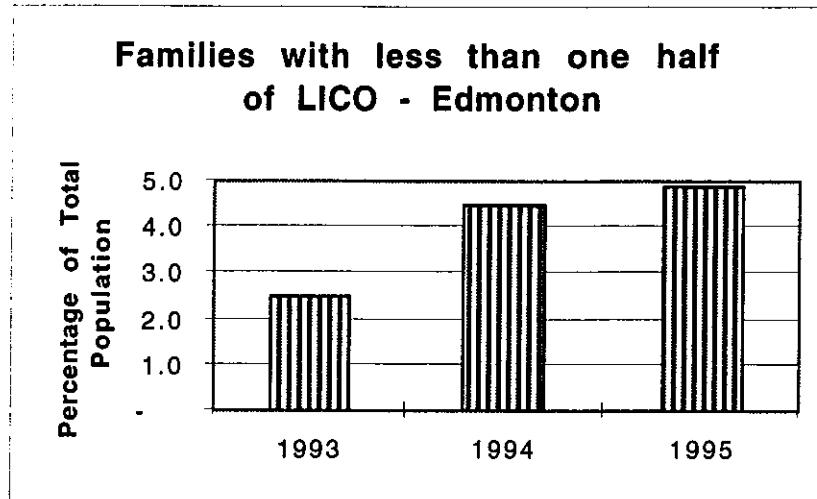
The Edmonton Social Planning Council (ESPC) asked StatsCan to provide LICO data for Edmonton broken down into quartiles. The four quartiles represent families with different levels of income below LICO. For example, if the LICO for a family of four is \$30,000, then one quartile grouping would represent the number of families earning between \$22,500 to \$30,000. The top two quartiles would represent families earning between \$15,000 and \$30,000. The bottom two quartiles would represent those families earning below \$15,000.

Since there is no official absolute poverty line in Canada, for the purposes of this analysis, "absolute" poverty is defined as the condition of those living on less than one half of LICO. This correlates to even the most stringent poverty lines (see Appendix). It also provides a very clear picture as to why more Edmontonians than ever seem unable to provide for the most basic needs of their families.

The percentage of families with incomes of less than one half of LICO essentially doubled in the period 1993 to 1995, from 2.5 per cent to 4.9 per cent of Edmonton's families (Figure #2). **This represents 7,190 more families living in absolute poverty in Edmonton in just a three year period.** The numbers of Edmontonians living in these desperate conditions is not insignificant. **By 1995, one in twenty, or approximately 31,000 people were living in a condition of absolute poverty¹.**

¹ Based on a population base of 627,604 (source: City of Edmonton Social Plan).

Figure # 2

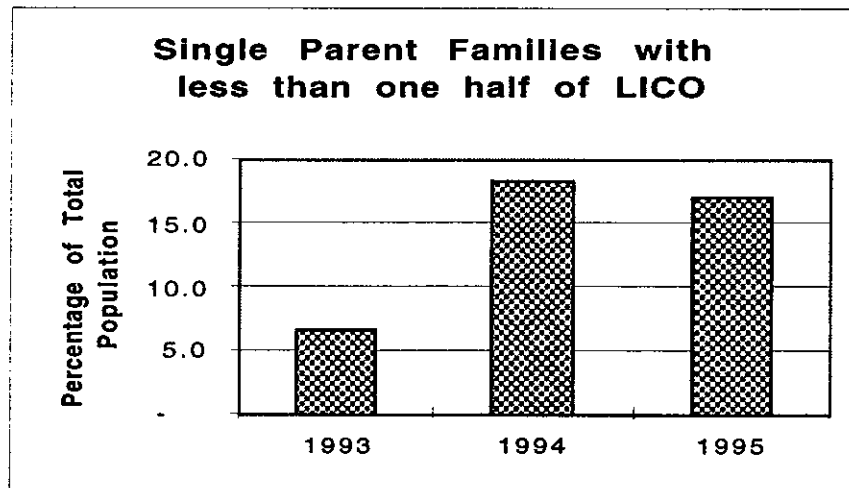


IV. More Edmonton children in poverty.

It is well established that children who live in poverty face more challenges and are more likely to encounter serious problems in their lives than other children. The numbers of children then, who are slipping into increasingly desperate lives of poverty should be a major concern.

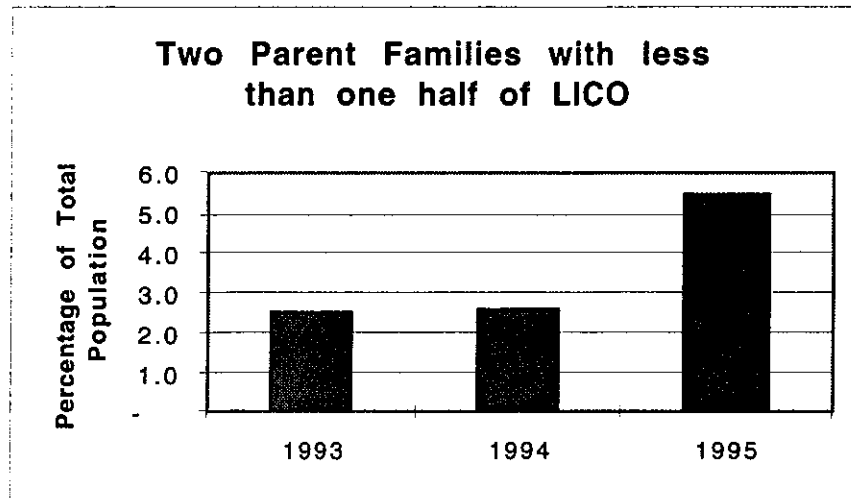
It is among single parent families with children that the most disturbing trends appear. From 1993 to 1995 the number of single parent families living in absolute poverty almost tripled from 6.6 per cent to 17.1 per cent. Due to population growth, this figure represents an increase of 3,270 in the total number of families (Figure # 3).

Figure # 3



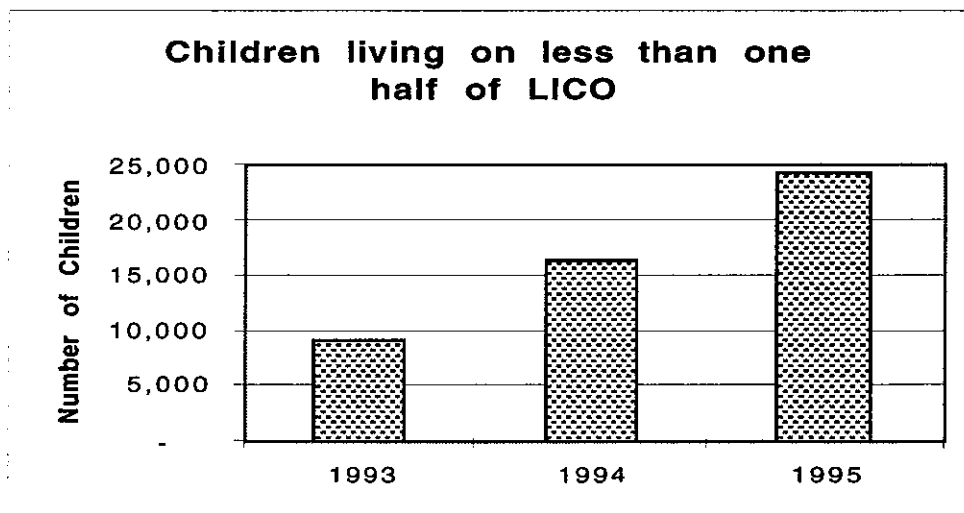
The number of two parent families experiencing this slide, while not as dramatic as the single parents, is also strongly indicative of a trend. From 1993 to 1995, the number of two parent families in absolute poverty increased by 3,115 or 237 per cent (Figure # 4).

Figure # 4



When we combine single and two parent families to arrive at the total number of children affected, we find that almost three times as many Edmonton children are living in absolute poverty! From 1993 to 1995, the percentage of families with children living in absolute poverty increased from 3.3 per cent to 8.1 per cent. This translates into 15,124 more Edmonton children² (Figure # 5).

Figure # 5



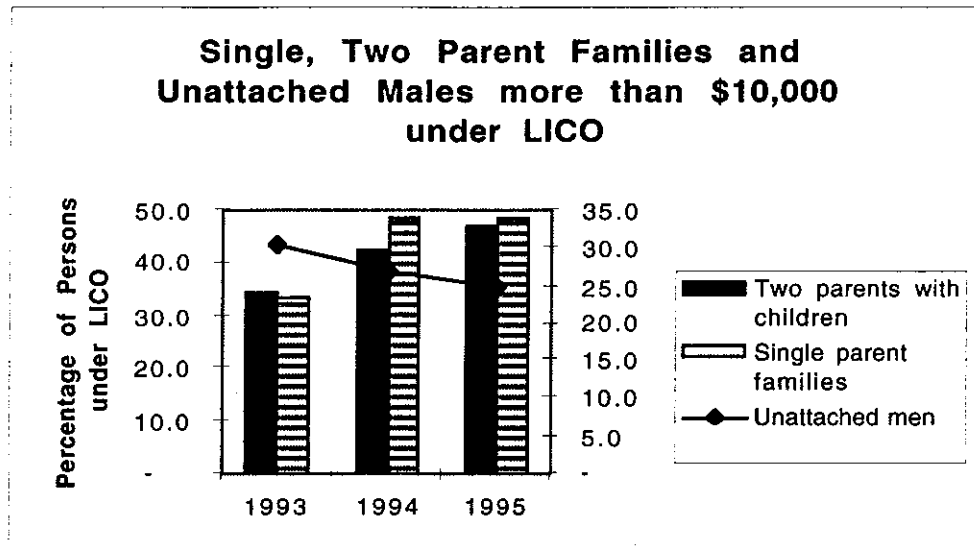
² Based on an average of 2.4 children per family.

V. Increasing depth of poverty.

Another way to determine the depth of poverty is to measure how far people are below LICO in actual dollar terms. In other words, how much money would be needed to bring them up to LICO.

Among single parent families living below LICO, 33.2% were more than \$10,000 short. **By 1995, this figure had grown to 48.8%.** Among two parent families with children, the number of people more than \$10,000 short **increased from 34.7% to 47.3%.**

Figure # 6



Interestingly, the one grouping which shows marked improvement in this measure is "unattached men." The percentage of unattached men more than \$10,000 below LICO dropped from 30.4% to 24.8%.

VI. Why are more people living in absolute poverty?

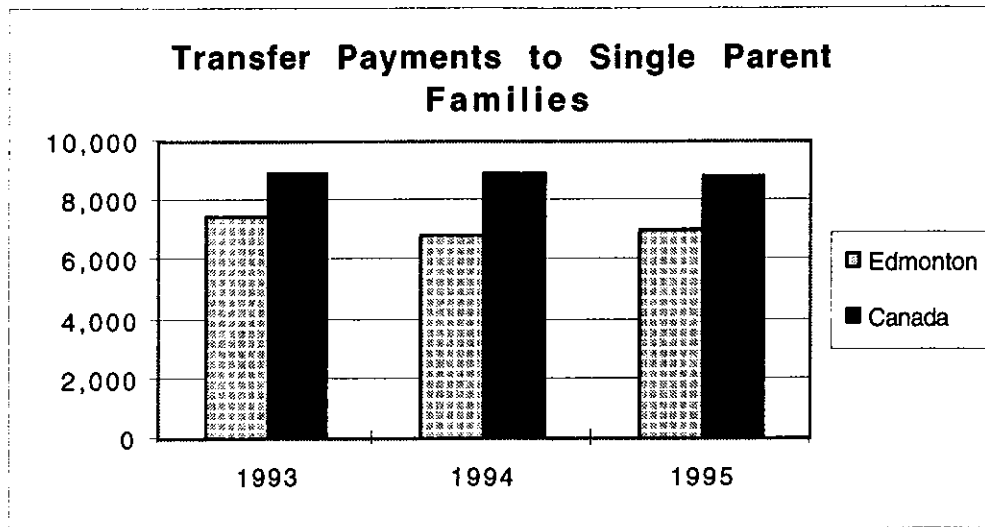
The reasons for this dramatic trend are complex, but there are some clues to be found in an analysis of available public data.

Welfare caseloads dropped from 96,275 in January of 1993 to 49,001 in December of 1995. While there has still been no comprehensive reporting by government as to the whereabouts of those 100,000 people (approx.) no longer on welfare, the government has consistently maintained that they are working or going to school. While that may or may not be the case, what is certain is that welfare spending dropped from \$834 million in 1993 to \$580 million in 1995/96. This means a **removal of \$254 million dollars from the economy of our poorest citizens.**

The amount of public money received by individual families is also declining. When we look at transfer payments to single parent families in Edmonton, we find that the average annual amount dropped from \$7,507 to \$6,996. When inflation is factored in, the

average loss of purchasing power from transfer payments was \$788 or 10.5 per cent during the three year period (Figure # 7).

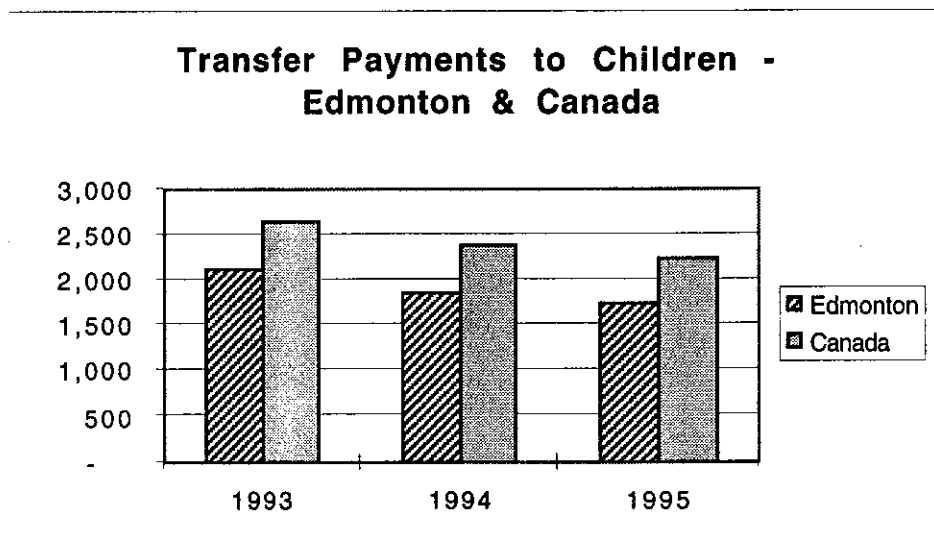
Figure # 7



Alberta's levels of support lag far behind the rest of the country, even though national levels are also dropping. On average, **Edmonton single parent families receive 20.8 per cent less from transfer payments than other Canadian single parent families.**

Payments targeted directly at children dropped even more dramatically (Figure # 8). On average, payments to Edmonton children in single parent families dropped by \$358 from 1993 to 1995. **This resulted in a loss of purchasing power of 20.7 per cent when adjusted for inflation.**

Figure # 8



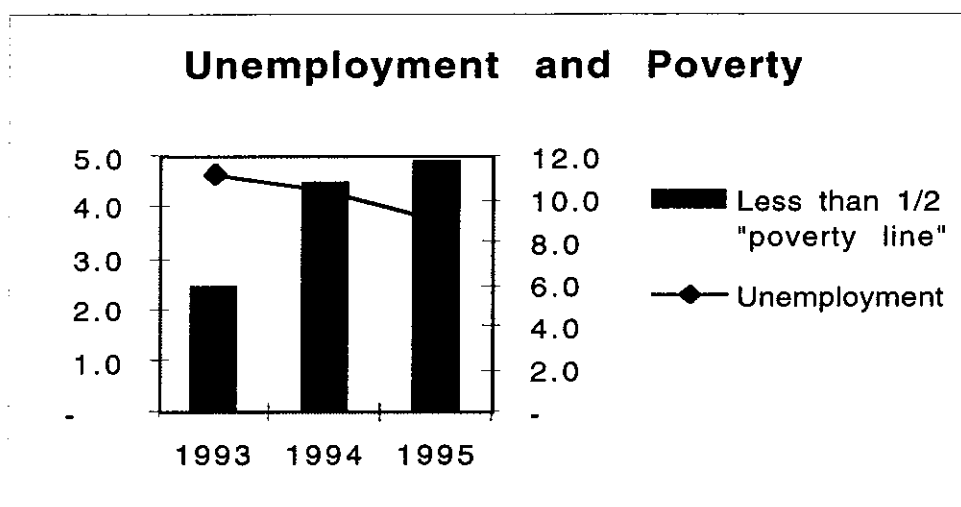
Once again, Edmonton children lag far behind the rest of the country with payments from government on average 21.5% per cent lower.

VII. Unemployment down, poverty up!

Alberta's strategy hinges on the assumption that the economy, via the labour market, can and will replace public income programs. To be sure, a vigorous economy will create more employment. Historically, when unemployment has dropped, poverty has dropped. But is this still a safe assumption?

In a word, no. From 1993 to 1995, unemployment in Edmonton dropped from 11.2% to 8.9%. The LICO rate remained almost constant dropping only 0.7%. At the same time, the number of people with less than one half of LICO essentially doubled from 2.5% to 4.9% (figure # 9).

Figure # 9



Based on this measure, it appears clear that lower unemployment rates are failing to have any impact in terms of income on the lives of our poorest citizens. **In fact, the two measures, unemployment and absolute poverty, are moving in opposite directions.**

VIII. Are incomes from employment increasing?

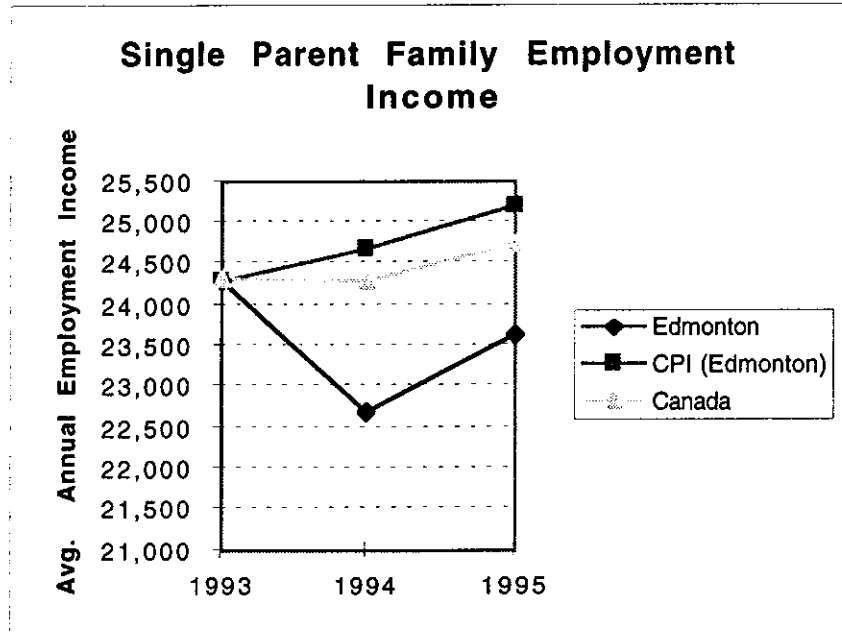
If we look at single parent families³, we see that average incomes from employment are dropping steadily in Edmonton from \$24,275 in 1993 to \$23,626 in 1995. **This represents a loss in purchasing power of 3.7% from employment dollars.**

Even more alarming, is the fact that the downward trend in employment incomes for single parent families is not reflected in the rest of the country. **The average Canadian single parent family income from employment actually increased from \$24,315 in 1993 to \$24,750 in 1995.** While certainly not a major increase, this

³ This portion of the study was based on Taxfiler data. Data relating to two parent families was not available for this study.

finding begs the question why incomes for this group are increasing nationally, but dropping in the province with the strongest economy.

Figure # 10

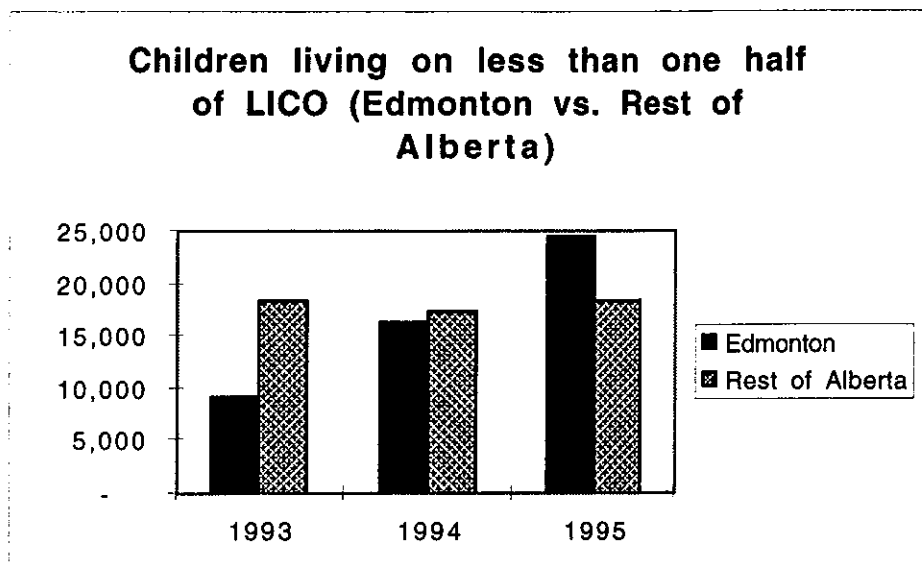


Once again, the only grouping which demonstrated an increase in average income was single people without children ("Non - Family Persons"). While demonstrating only a marginal increase, from \$23,834 in 1993 to \$23,888 in 1995, this group again appears to demonstrate an increased ability to respond more quickly to labour force trends.

IX. The Urbanization (Edmontonization?) of Poverty in Alberta

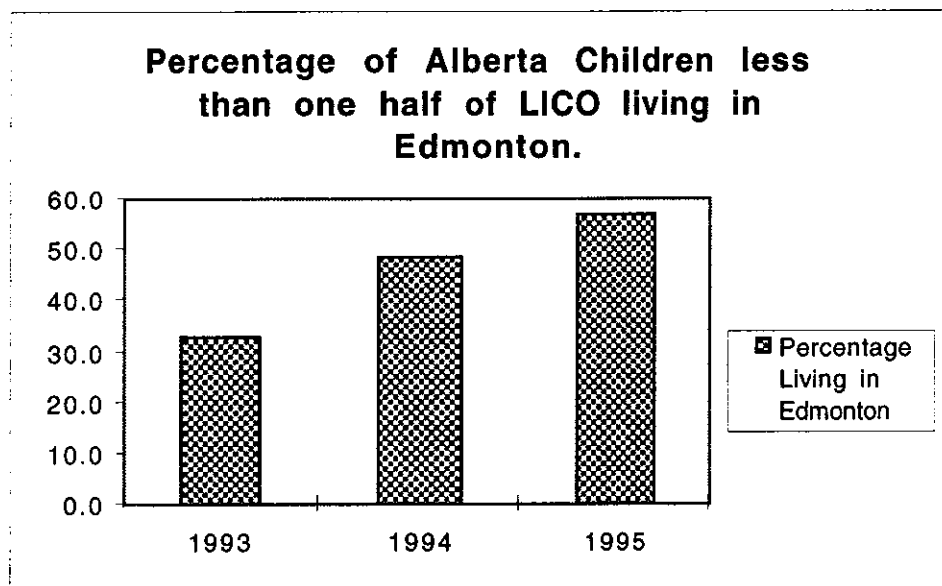
Poverty has always tended to be an urban phenomena. It's clear from this study that this trend has accelerated in the wake of the 1993 reforms. In fact, the growth in the numbers of Albertans living in absolute poverty appears to be entirely an Edmonton phenomenon. **While the estimated number of Edmonton children increased by 15,324 over the three year period, the numbers for the rest of Alberta essentially remained constant, actually dropping by 94 children (Figure # 11).**

Figure # 11



Viewed in a different way, we see a dramatic change in the percentage of Alberta's poorest children who live in Edmonton. **The percentage living in Edmonton increased from 33 per cent to 57 per cent in just a three year period (Figure # 12).**

Figure # 12



The possible explanations for this trend include:

- Increased pressure by government social workers on welfare recipients to move to Edmonton in order to find employment.

- An estimated 20,585 Edmonton children were removed from the welfare rolls between March 1993 and March 1996. This represents 44 per cent of the total number of children removed from the welfare rolls in the total province.
- Increased cost of housing in smaller centres.
- The differences in socio-economic profile between Northern and Southern Alberta.

The implications for the providers of social services in Edmonton are clear. **There are more people in desperate poverty needing help in Edmonton than the rest of Alberta combined.** The implications for funders are equally profound. Government and non-government funding needs to recognize the special needs of Edmonton and adjust funding formulas accordingly.

The political implications of this shift are also worthy of comment. Edmonton is not well-represented politically in government. Many rural and/or southern Albertans and their MLA's may never even see a person living in poverty. **An Edmonton MLA represents, on average, four times as many desperately poor Albertans as an MLA from elsewhere in the province.**

The political implications at a municipal level are equally profound. Increased pressure on municipal social service funding such as Family and Community Support Services (FCSS) Funding will continue to increase. Edmonton's political leaders will be forced to either ignore social pressures, commit additional dollars from the tax levy, or demand more responsive funding formulas at the provincial level. To date, they have done nothing.

X. Conclusions

There are four key conclusions which could be drawn from this study:

1. Low income families with children are becoming poorer.
2. The labour market is not replacing income from government program cuts.
3. Alberta children in single parent families receive less government support than the average Canadian child.
4. Edmonton social service providers are becoming increasingly responsible for the growing problem of poverty in Alberta.

The implications for policy developers is clear. Social welfare reforms which seek to get people working will only succeed in reducing poverty if the jobs which are available for social support recipients pay higher wages. People want to work, but they also need to be able to afford food, clothing and safe shelter.

Alberta policies of the past few years have resulted, or at least failed to address, an increasing number of desperately poor Albertans. The responsibility for the provision of basic needs is falling to Edmonton social agencies.

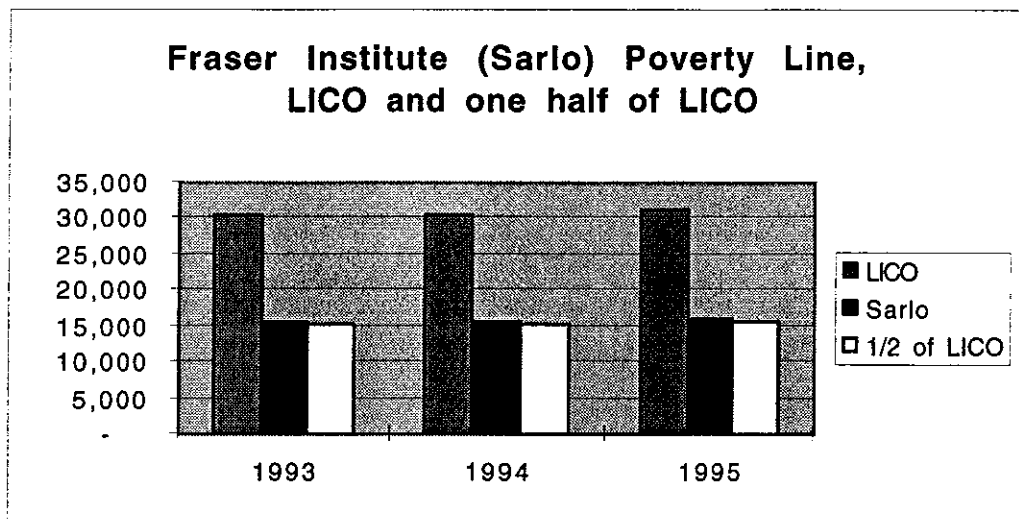
In Alberta, more responsibility for essential services placed on the community is definitely becoming a reality. What this study also shows is that when we say community, we really mean Edmonton.

APPENDIX

One of the harshest critics of the continued use of LICO as a poverty line is Dr. Christopher Sarlo of the Fraser Institute. The Sarlo poverty line is a measure of absolute poverty and is based on the income required to purchase the essentials of Food, Clothing, & Shelter.

Family of Four	1993	1994	1995
LICO	30,655	30,708	31,383
Sarlo ⁴	15,462	15,705	16,032
1/2 of LICO	15,328	15,354	15,692

This study uses one half of LICO as a rough measure of absolute poverty. For a family of four, this is actually less than the Sarlo poverty line.



⁴ Figures based on a 1993 base adjusted for inflation.

