



EDMONTON SOCIAL PLANNING COUNCIL

POSITION PAPER

More Money in Their Pockets:
Pragmatism, Politics and Poverty in Alberta

Why ESPC challenges Alberta to adopt
the Market Basket Measure

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I. Introduction

Why this position paper - In February 2004, the Edmonton Social Planning Council (ESPC) appeared before the Alberta government's Standing Policy Committee on Learning and Employment to respond to the proposed regulations of the new Income and Employment Supports Act (IESA). At its presentation, the Council advocated two positions:

- The adoption of the Market Basket Measure (MBM) as the measure of low income in Alberta and the instrument to set welfare and minimum wage rates;
- The creation of a non-partisan, multi-sectoral body to assess and evaluate low income rates and programs in Alberta.

Unfortunately, the ESPC's recommendations regarding the MBM were not integrated into the IESA regulations or the 2004-05 Alberta government budget.

This position paper was developed to further explain and validate these two positions within the political and cultural circumstances in Alberta.¹ An explanation was also necessary because something highly unusual happened: the Alberta government and the Council have switched their positions on the MBM. During the MBM's development (1997-2001), the Alberta government supported the measure. But as the MBM further evolved, and especially since the measure was launched in May 2003, the government has abandoned the MBM. On the other hand, the Council's initial resistance to the MBM has evolved into genuine support for using the MBM as both the measure of low income in Alberta and as the instrument for setting welfare and minimum wage rates.

Despite supporting the MBM, the Council recognizes its limitations. Welfare and minimum wage rates based on the MBM would be lower than rates based on the LICO measure (the most commonly used low income measure in Canada). Adopting the MBM may also undermine our willingness and capacity to address poverty and inequality. On the other hand, practically speaking, low income Albertans would be better off tomorrow if the MBM was adopted today. As for the second position, creating an independent body to assess low-income rates and programs in Alberta, this strategy is consistent with the government's approach in addressing other issues with many diverse stakeholders (i.e., the environment and person's with disabilities).

Based on the MBM rates, more than 350,000 Albertans lived in poverty in 2000 (HRDC, 2003). By any measure, this is a serious social dysfunction in a province as rich as ours. We contend that adopting the MBM is a justifiable policy that would also help to ensure that low income Albertans have more money in their pockets.

¹ Historically, the ESPC has used the LICO rates as the measure of poverty although no government has officially adopted the measure. However, the ESPC believes the MBM presents an opportunity to reframe the perception of poverty in Alberta by linking low income to the capacity to buy the basic necessities.

II. Background on the MBM

The MBM is a measurement tool to assess and provide another perspective on low income in Canada. It was introduced by HRDC (Human Resources Development Canada) in May 2003 in its analysis of the low income statistics for 2000. It was designed to complement, but not replace, existing Statistics Canada measures such as the Low Income Cut-offs (LICOs) and Low Income Measure (LIM). The MBM is not an official poverty line, nor was it designed for determining eligibility for government programs and services. It was also never intended that the measure would provide people with a standard of living as comfortable as the LICOs.

The MBM was developed by the federal, provincial and territorial governments over a five-year period as an alternative to the LICOs and to better evaluate the effectiveness of income support programs, including the National Child Benefit. According to the Fraser Institute (2003), provincial politicians demanded a better measure that would gauge poverty based on a "basket" of necessities. The provinces felt they were not required to provide a "decent" standard of living; rather, they felt their duty was to cover "the basic requirements of everyday living." The MBM was intended to be: credible in its approach to poverty measurement, easy to understand, sensitive to geographic cost differences, and reflect changes in costs rather than changes in income (Statistics Canada, 2000).

Low income as defined by the MBM occurs when the disposable income of households falls below the cost of buying the goods and services contained in the Market Basket for their community. The Market Basket contains specific goods and services related to food, clothing and footwear, shelter, transportation, etc. It also includes "other" personal and household needs: furniture, phone service, and "modest" levels of reading, recreation and entertainment (i.e. newspaper and magazine subscriptions, fees for recreational activities or sports, video rentals, tickets to local sports events).²

MBM an *absolute*, not a *relative* measure

As an *absolute* indicator of low income, the MBM measures the cost of a specific basket of goods and services in various communities (it calculates the geographical variances in prices). In comparison, LICO and LIM are *relative* indicators of low income: they compare the spending on the necessities of low income families to that of typical families in comparable communities. Relative measures reflect the view that poverty is also a lack of income to achieve social inclusion, which enables people to participate in their community. Absolute measures reflect the view that poverty is a subsistence concept and people should only be provided with the creditable necessities of life. Advocates of the absolute concept of poverty believe the use of LICOs have exaggerated the level of poverty. In contrast, supporters of a social inclusion concept of poverty argue that absolute measures understate the real level of poverty.

² The "modest" level of discretionary spending would likely be unacceptable to most Canadians. Ironically, the "other" category is a *relative* calculation based on spending patterns in the second decile for all Canadian families.

MBM low income incidence unexpectedly higher than LICO

Surprisingly, the HRDC's analysis of the low income statistics for 2000 released in May 2003 showed that the incidence of low income in virtually every category was higher using the MBM than LICO (Table 1). The overall rate of low income in Canada using the MBM was 13.1% compared with 10.9% for LICO. In Alberta, the rates were 11.9% and 10.1%.³ These results were astonishing. Critics of the MBM had been fearful that the basket of goods and services labeled necessities would be so diluted as to "redefine poverty out of existence". Perhaps the most surprised were the provinces, which believed the MBM rates would be lower than LICO. (However, the differences between the MBM and LICO measures in most categories were minimal, typically about 1%.) According to HRDC, the MBM incidence was higher because the MBM uses a more stringent definition of disposable income than does LICO. For example, in calculating disposable income, the MBM deducts union dues, child support, and child-care in addition to taxes from the total income. Using the MBM low-income rates and the same definition of disposable income as the LICOs (which deducts only taxes) produced a near identical incidence of low income: 10.6% (MBM) vs. 10.9% (LICOs).

Table 1 – Incidence of Low Income in Alberta and Canada, MBM vs. LICO (2000)

Measure	All Persons		All Families		2 Parents with Children		Female Lone Parent		All Singles	
	AB	Canada	AB	Canada	AB	Canada	AB	Canada	AB	Canada
MBM	11.9%	13.1%	14.1%	15.5%	10.4%	10.8%	34.3%	39.5%	25.2%	25.6%
LICO (post income tax)	10.1%	10.9%	13.3%	14.6%	7.3%	7.5%	34%	33.9%	27%	28.6%

Sources: *Understanding the 2000 Low Income Statistics Based on the Market Basket Measure*, HRDC 2003; and *Just the Facts – Market Basket Measure*, ESPC 2003

Table 2 shows a breakdown of the MBM rates for a family of four in various population-based centres in Alberta from the study of low income for 2000.

Table 2 – MBM Rates by Item – Family (2 Adults & 2 Children) in Alberta (2000)

Community or Community Size	Food	Clothing & Footwear	Shelter	Transportation	Other	Total
Alberta Rural	6,499	2,156	6,377	3,517	5,960	\$24,509
Alberta <30,000	6,499	2,156	7,587	3,517	5,960	\$25,719
Alberta 30,000 – 99,999	6,499	2,156	7,744	1,319	5,960	\$23,677
Edmonton CMA	6,259	2,156	7,874	1,488	5,795	\$23,571
Calgary CMA	6,183	2,156	8,707	1,392	5,743	\$24,180

Source: *Understanding the 2000 Low Income Statistics Based on the Market Basket Measure*, HRDC 2003

³ Alberta had the second lowest poverty rate among provinces. But the median income of poor Albertans was 29% below the MBM low income rate for the province. This reveals a depth of poverty in Alberta – a greater gap between the haves and have-nots – not found in most provinces (Globe and Mail, 2003).

Alberta government abandons the MBM

During its development phase, the Alberta government expressed strong support for the MBM. "The Government of Alberta leads the country in beginning to use the Market Basket Measure," boasts an AHRE document from 2002. "The MBM will be used to report on how well Alberta is progressing towards two goals in the Government Business Plan: keeping our children safe and healthy, and ensuring that Albertans who need support get it." Another AHRE document from 2001 promises "The Alberta government plans to use the Market Basket Measure as a performance measure in *Measuring Up*; as a measure of our success in reducing child poverty; (and) as an indicator of the number of Albertans possibly in need of government support."

The MLA Committee to Review Low-Income Programs also supported adopting the MBM in its final report released in November 2001.⁴ The Committee recommended "Introducing the MBM as a benchmark and increasing supports to clients whose income is less than the MBM." However, the Alberta government rejected the recommendation in its formal response to the Review in May 2002. (The recommendation was dismissed with the disclaimer "to be considered as resources become available". Apparently the \$4 billion budget surplus in 2003-04 didn't qualify as "available resources".) Clearly the Alberta government's position on the MBM had dramatically shifted during this six-month period.

When the HRDC report on the low income statistics using the MBM was released in May 2003, the documents on the Alberta government's website supporting the adoption of the MBM disappeared virtually overnight (e.g., the two AHRE documents cited above). Another example of a missing file was a Low-Income Review Implementation document from early 2002 which described the government's plans to use the MBM. It also requested responses to questions asking whether the percentage of the MBM income threshold should vary according to a person's ability and willingness to work, and if so, by how much.⁵ The AHRE website at the time of the publishing of this paper has no public documents on the MBM other than a link to the HRDC May 2003 report.

Shortly after the references in support of the MBM had been removed from the government website, an AHRE spokesperson downplayed expectations about adopting the MBM income thresholds to set the social assistance rates. She explained that the MBM will be "just one of the tools to help set new rates." (Edmonton Sun, 2003). The following year's budget (2004-05) contained no welfare rate increases and the MBM rates were not used in calculating benefits for the new Alberta Works program, which replaced the Supports for Independence (SFI) program. Except for a \$20/month increase in 2003 for families, but not individuals, social assistance benefits in Alberta have not increased since 1993. From 1989 to 2003, the purchasing power of welfare benefits in Alberta have plunged by about 40% (National Council of Welfare, 2004).

⁴ According to the Low-Income Review report (2001) many of the participants in the consultative workshops supported adopting the MBM, as did several organizations in their written submissions.

⁵ In early 2002, AHRE officials reportedly proposed basing welfare rates for various household types on a sliding percentage of the MBM rates, but Alberta government politicians rejected the idea.

III. Comparing the MBM to Welfare and Minimum Wage

Alberta welfare rates and the real cost of living

It is not a stretch to conclude that the Alberta government refuses to use the MBM income thresholds in setting welfare rates because doing so would require significantly increasing the rates. The welfare benefits for none of the household types match the MBM rates.⁶ And as Table 3 shows, the welfare rates for singles and families in Alberta are based on a fundamental inequality.

There is a poverty hierarchy in Alberta from the deserving poor (a couple with children) down to the undeserving poor (single employable), which cannot simply be explained by our commitment to protecting vulnerable children. This poverty hierarchy is highly influenced by our personal values and moral judgments about poverty and people on low income. In turn, these values also help to shape public policy. The fundamental barrier to adopting the MBM in Alberta is ideological: our income support programs are primarily based on the value of promoting self-sufficiency rather than ensuring that every Albertan's basic needs are provided for.

The key variables in setting benefits are the presence of children, expectations for working, and the coupled status of recipients – not the cost of living. For example, single people who are expected to work receive less than 40% of the MBM rate for their household type. (Alberta's welfare rates for single people do not even meet the basic-needs poverty measure championed by the Fraser Institute's Christopher Sarlo (2001): \$8,070 for singles in Edmonton in 2000.) On top of the poverty hierarchy are single and two-parent families, which receive benefits much closer to the MBM. However, their incomes also include various Federal and Alberta government child tax benefits.

Table 3 – MBM and Alberta welfare rates in corresponding households (2003)

Household Types	MBM threshold– Edmonton (adjusted to inflation/household size)	Welfare + federal benefits & credits ⁷	Income received as % of MBM
Single Employable	\$12,834	\$5,039	39%
Person with Disability	\$12,834	\$7,743	60%
Single Parent, 1 Child	\$16,684	\$11,897	71%
Couple, 2 Children	\$25,669	\$18,638	73%

Source: *Welfare Incomes 2003*, National Council of Welfare 2004; *Welfare and the cost of living*, ESPC 2004; independent calculations

In comparing provincial welfare rates, Alberta's welfare benefits reflect this poverty hierarchy. According to the National Council of Welfare (2004), Alberta's welfare rates in 2003 for single employable persons were the second lowest among provinces. The welfare benefits for persons with disabilities were also the second lowest, while the benefits for single parents with one child

⁶ People in Alberta with physical and mental disabilities are treated only marginally better. At \$850/month, the benefits for Assured Income for the Severely Handicapped (AISH) recipients are also insufficient. The benefits represent just 80% of the MBM income threshold for a single person in Edmonton. Since 1993, AISH benefits have increased a meagerly 4% (only \$40).

⁷ Welfare benefits calculated for Alberta includes income from: basic social assistance allowance, additional benefits, Federal Child Tax Benefit, Alberta Child Benefits, GST credit and Alberta tax credits.

were the lowest in Canada. In contrast, only two provinces had higher welfare benefits than Alberta for couples with two children.

Basing welfare rates on the MBM - who would benefit and the cost

Nearly 29,000 households in Alberta and over 50,000 people that receive social assistance would benefit if the province were to adopt the MBM in setting welfare rates (Table 4).⁸ About half of those who would benefit from this change are single adults who are penalized the most under the current system. They would receive an income top-up of 40-60% to match the MBM rates. About 13,000 families with children would also benefit from the adoption of the MBM rates. Their income top-up would be about 30%.

Table 4 – Albertans benefiting from welfare rates based on the MBM (2003)

Two-parent families with children	Single-parent families with children	Couples with no children	Single adults
2,357	10,540	1,346	14,472

Source: AHRE social assistance caseload in November 2003 (*Welfare and the cost of living*, ESPC 2004)

There are budgetary consequences of welfare rates being raised to match the MBM rates. The ESPC estimates this policy shift would require a \$130 million increase in the income support portion of the AHRE budget (which was \$268 million in 2003-04). If this increase were phased in over three years, it would require a 12-18% annual increase. This increase would represent just a six percent increase in government spending on all social services (ESPC, 2004).

Even minimum wage falls below the MBM

The conventional view is that people will abuse welfare if they are given a chance. In keeping with this point of view, welfare rates must be kept sufficiently low to discourage potential recipients from accessing benefits. But this policy has other implications: low welfare benefits are used to justify a low minimum wage. Policies requiring welfare recipients to work, even at temporary, poorly paid jobs, also help to keep the minimum wage low. A key consequence of a low minimum wage is that it depresses the wages for all low-wage jobs, while sustaining a ready workforce for the low-end of the labour market. This strategy is working well in Alberta, in no small part because the minimum wage is disconnected from the actual cost of living.

At \$5.90 per hour, Alberta's minimum wage is the lowest in Canada and \$1.30 per hour less than the national average.⁹ As the City of Calgary Community Strategies web site notes, "persons living in poverty automatically includes all persons living in households where working members earn the minimum wage." A person in Alberta working full-time and earning minimum wage would have a weekly salary of \$236 or \$12,272 per year (minus CCP, EI and applicable

⁸ However, raising the Alberta welfare rates to the MBM thresholds would not match the corresponding LICO rates. In 2000 for example (the only year that both MBM and LICO rates are available), for a single employable in Alberta, the MBM rate was \$12,090 compared to \$15,172 using LICO. For a couple with two children, the rates were \$24,180 and \$29,163 respectively (National Council of Welfare, 2004).

⁹ Current minimum wage hourly rates across Canada: Nunavut: \$8.50; NWT: \$8.50; BC: \$8; Quebec: \$7.45; Yukon: \$7.20; Ontario: \$7.15; Manitoba: \$7; Saskatchewan: \$6.65; PEI: \$6.50; NS: \$6.50; NB: \$6.20; NL: \$6; Alberta: \$5.90 (Saskatchewan Labour, May 2004)

taxes, etc.). Alberta's minimum wage has not been increased since 1999. In real dollars, Alberta's minimum wage in 2002 was nearly one-third lower than it was in 1977 (Battle, 2003).

Only about 0.9% (11,100) of Alberta workers earned minimum wage in the 12 month period July 2003-June 2004, the lowest percentage of all the provinces (AHRE, 2004). Over the past three 12 month periods, the Alberta rate was virtually identical. However, the percentage of full time workers earning minimum wage increased by 3.2% from the last profile in 2003. Alberta's minimum wage earners in 2003-2004 weren't just teenagers: 47.5% were over 25, while 26.1% of these workers were aged 40 or older. As well, they didn't just work part-time: 47.6% were working full-time. Many of these workers were also experienced: almost half (49.1%) had over one-year experience in the job, including 24.4% with more than five years experience. Finally, 31.1% had either a post-secondary certificate/diploma or a university degree (AHRE, 2004).

Table 5 compares the MBM income thresholds to the corresponding take-home pay for various household types when the full-time worker(s) in the house earns minimum wage.

Table 5 – Comparing MBM thresholds to Alberta minimum wage (2004)

Household Types – Workers earning minimum wage (MW)	MBM threshold– Edmonton (adjusted for inflation/household size)	Take-home pay (based on min. wage)*	Income (as % of MBM)
2 parents + 2 children (2 workers earning MW)	\$25,669	\$26,599	104%
1 parent + 2 children (earning MW)	\$20,535	\$16,360	79%
1 parent + 1 child (earning MW)	\$16,684	\$13,937	84%
Couple (no children) (2 workers earning MW)	\$17,967	\$22,052	123%
Single (earning MW)	\$12,834	\$11,026	86%

* Take-Home Pay based on \$5.90/hour x 40 hours/week x 50 weeks + mandatory 4% vacation pay; also includes deductions and benefits when applicable: CPP, EI, income taxes, GST tax credit, Child Tax Benefit and Supplement, Alberta Family Employment Tax Credit

Sources: *Income for Living?*, National Council of Welfare Reports 2004; *Welfare and the cost of living*, ESPC 2004; independent calculations

Note that only in households with no children in which two workers both earn minimum wage does the household income significantly (123%) rise above the equivalent MBM threshold. On the other hand there is a significant gap between the take-home pay and the corresponding MBM threshold in households with only one person working full-time and earning minimum wage. For example, the income of a single parent with two children earning minimum wage is under 80% of the MBM for their household type.

Increasing the Alberta minimum wage by \$1.50/hour to \$7.40 would ensure that most households with members working would have incomes that matched the MBM income

threshold for their household type.¹⁰ This policy change would immediately benefit the 5.1% of Alberta workers (approximately 69,800 people) who work for less than \$7/hour (Statistics Canada, 2002). And especially the 5,250 people who work full-time for minimum wage (AHRE, 2004). A minimum wage of \$7.40/hour would also bring Alberta in line with 4 of the 13 jurisdictions in Canada who have a minimum wage higher than \$7.40/hour (as of May 1, 2004).

Alberta's current minimum wage is inconsistent with the values of independence and self-reliance championed in the province. In practice, Alberta's low minimum wage is both mean-spirited and an ineffective policy. Adopting the MBM as the instrument to help set minimum wage rates provides an opportunity to redress this inequality and support Albertans struggling to maintain their independence.

IV. Position #1 – Adopt the MBM to set rates and policies

This section provides a summary of the case for and against adopting the MBM as the measure of low income in Alberta and the tool to set welfare and minimum wage rates.

The case against the MBM

Inequity – Using the MBM will likely further limit our moral and financial responsibility to people with low incomes to simply providing a basic basket of goods and services. It implies a new, more limited social contract that frees Canadians from any obligation to compare the basket contents to the average income of Canadians. As a result, adopting the MBM may further weaken our tenuous commitment to overcoming inequity.¹¹

Fewer dollars, fewer recipients and poorer health – In general, poverty-reduction policies and programs based on an absolute conceptualization of poverty will be less generous and available to fewer people than those based on the assumption that poverty is relative. As Williamson and Reutter (2000) argue “the success of efforts to enhance the health of Canadians by reducing poverty are dependent on a commitment by policy makers to a relative conceptualization and measurement of poverty.”

Exclusion – The MBM is not intended to promote social inclusion, and it may advance social exclusion. While people with incomes based on an absolute poverty measure may be able to meet their basic needs, they are often unable to participate in meaningful ways in society. In essence, they are excluded from community life. For example, they may be unable to afford “typical” activities and services (e.g., dental care, medications, eye glasses, transportation, recreational activities, etc.). Of particular concern is the evidence linking health and meaningful participation in society (Williamson and Reutter, 2000).

¹⁰ According to a recent major study of minimum wages in BC, Alberta, Ontario and Quebec, minimum wage earners are disproportionately represented among families with low-incomes. Consequently, increases in the minimum wage will disproportionately benefit low-income families. As well, increasing the minimum wage increases the total wages paid to all low-income workers. On the other hand, an historical analysis of the effects of minimum wage increases suggests that they produce a very small unemployment effect (Goldberg and Green, 1999).

¹¹ Income inequality in Edmonton continues to increase. According to the 2001 Census, the bottom 10% of Edmonton households made an average of \$11,900. In comparison, the median household income was \$60,817. Meanwhile, the top 10% of households had an income of \$184,600, over 15 times higher than the bottom 10% of Edmonton households (Statistics Canada, 2004).

Compromise measure – Economist Christopher Sarlo feels the MBM was created as a compromise between competing poverty measures. (Earlier versions of the MBM attempted to separate the basic needs approach from the LICO rates.) Similarly, SPARC BC characterized the new MBM as being “somewhat between a restrictive and inclusive measure” (SPARC, 2003). As well, Sarlo argued that the MBM “straddles both conceptions of the poverty line... as a measure of poverty as “information” and as a policy tool (to set rates of assistance, for example)” (Personal e-mail, 2003). Sarlo believes this is a mistake that will inevitably lead to confusion to the detriment of the MBM. Despite his concerns about the MBM, Sarlo is “cautiously optimistic that it can be adjusted to reflect the essential character of poverty” (Sarlo, 2003).

No track record – According to the National Council on Welfare (2003), the MBM's greatest drawback is that there is only data for 2000. Without years of information to draw on, it is not possible to assess whether the MBM will help in promoting a greater understanding of trends over time. For example, it is unclear how the MBM will reflect changes in the economy or the impact of changes in provincial policies and programs. The LICOs are the most widely used poverty measure in Canada, even though no government has recognized them as the official poverty line. The National Council on Welfare (2003) believes “LICOs will remain the most used measure in Canada for many years. The Council plans to continue to use the LICOs for our poverty research, especially until the MBM develops a stronger base of information.”¹²

Distorted use of the MBM – The MBM was not conceived as the official poverty line or to determine eligibility for government programs and services. Using the MBM for these purposes may undermine the credibility of the applications. However, governments created the MBM in part to counter criticisms that their social programs did not reflect the LICOs. But now provincial governments have backed away from adopting the MBM since the MBM incidence rates in 2000 were unexpectedly higher than the LICOs rates.

Difficult to update – Devising a method for evaluating and updating the MBM is more important than its initial value (Mitchell, Shillington and Mohamoud, 2003). But there is currently no clear process for updating the basket contents. Updating LIM and LICO is straightforward: the formula is recalculated. Changes to the basket will likely be subject to the approval of provincial politicians, who have a vested interest in limiting the basket contents. Mitchell, Shillington and Mohamoud, (2003) recommended that a standard process be developed to regularly review the contents of the basket, which also take into account any changes to both prices and living standards. (More on page 14)

Methodological problems – All poverty measures have methodological problems, including the MBM. In calculating the MBM income thresholds, officials used income after income taxes, payroll deductions, non-insured health spending and child-care costs. Unless people are aware of their personal income after these deductions, they will have difficulty comparing their incomes to the MBM rates. Traditional poverty measures like the LICOs rely on a few judgments and decisions to create poverty lines. In comparison, the Market Basket is based on

¹² However, the National Council on Welfare may be softening its position on the MBM. In its most recent report (*Income For Living?*, 2004), the Council stated, “The Council has recommended for years that a market basket of the basics be developed and that income support programs such as welfare be set at rates that allowed people to buy the basic necessities. The Council sees the release of the MBM as a step in the direction of establishing absolute minimum levels for income support programs. The Council looks forward to further releases of the MBM and hopes that this will prove to be a good tool for long-term analysis of poverty and income supports” (p. 60).

numerous arbitrary judgments, which suggests that the MBM is not as simple and transparent as was originally intended (Mitchell, Shillington and Mohamoud, 2003). The MBM rates have a large “Other” category, everything in the Market Basket except for food, clothing, shelter and transportation. The cost for “Other” was arrived at by applying a fraction of the amount the second decile of Canadian families spends on food and clothing (Mitchell, Shillington and Mohamoud, 2003).

The case for the MBM

Why ESPC challenges Alberta to adopt the MBM

Pragmatism – The MBM income thresholds for Alberta reflect the actual cost of living for different household types, while the current welfare and minimum wage rates (as well as other income support programs such as AISH) do not. If the MBM were adopted as the measure of low income today, people’s incomes would increase tomorrow.

Alberta politics – The Alberta government has never accepted the LICOs as the official poverty line, nor has it based the benefits of income support programs on the LICOs. (The government has never provided a detailed explanation of how it determines welfare benefits.) There is no reason to believe the current government will change its approach. The Alberta government has also chosen not to increase welfare rates in any meaningful way over the last 11 years. For a complex set of reasons, Albertans chose not to punish the government at the polls for this policy. On the contrary, this government has been rewarded with three straight majorities.

Adopting the MBM presents an opportunity to reframe the poverty issue in Alberta and put poverty back on the public agenda. Perhaps adopting the MBM would help Albertans to better understand the inadequacy of the welfare benefits and provoke a demand for rates that reflect the actual cost of living. Supporting the use of the MBM carries political and strategic risks, but it could also be a catalyst for positive change in Alberta.

Easier to understand – The MBM income thresholds are much easier to understand than the LICOs. As a result, using the MBM will likely enable the public, media and program beneficiaries to better assess the effectiveness and fairness of relevant economic policies and income support programs. Consequently, if the MBM was adopted, it could be a useful advocacy tool in promoting equality and good public policy.

Growing support for adopting the MBM – Several other human service and political organizations in Alberta support (or soon will) the adoption of the MBM. As noted earlier, according to the Low Income Review report (2001), many of the participants in the consultative workshops supported adopting the MBM, as did several organizations in their written submissions. In advocating its position, the ESPC is both reflecting the views of many colleagues in the sector as well as demonstrating leadership.

Valuable lessons – According to Mitchell, Shillington and Mohamoud (2003), the MBM results from the HRDC’s analysis of the low-income statistics for 2000 confirm traditional (relative) approaches to the measurement of poverty. They argue that the MBM results refuted the claim that social policy groups exaggerated the extent of poverty. (As previously noted, the incidence of low income using the MBM rates was unexpectedly higher than the LICOs.) Secondly, the MBM measurement methods exceeded the subsistence standards advocated by the Fraser

Institute and others. This decision tends to reject the belief that Canadians will accept the idea that poverty is based on subsistence alone, without regard to issues such as inclusion and quality of life. Third, the MBM results exposed the inadequacy of welfare benefits and minimum wage rates in every province, including Alberta.

Evaluation/Best practice – Since governments have never accepted the LICOs, adopting the MBM would provide an objective benchmark in tracking and evaluating relevant economic policies and income support programs. It will also provide a point of reference for low income thresholds in the province. As well, adopting the MBM provides a more transparent method for revising welfare rates, particularly the shelter portion, based on actual costs in particular communities.

V. Position #2 – Create Independent Review Body

The ESPC proposes that AHRE establish an independent, non-partisan body to assess and evaluate low income rates and income support programs in Alberta. This body would review existing and proposed programs and policies and provide recommendations to assist AHRE in supporting Albertans to achieve independence. Members of the review body would be drawn from academia, business, the human services sector, as well as people who have experienced poverty. Over the past two decades, the Alberta government has established several advisory bodies to advise the government on complex issues with multi-sector stakeholders (i.e., the Clear Air Alliance and the Premier's Council on the Status of Persons with Disabilities).

Roles and responsibilities

The review body would:

- Solicit and review feedback from citizens and stakeholders on issues related to income support programs and rates
- Evaluate the effectiveness and use of standardized measurement tools in setting income support and employment wage rates
- Review and provide recommendations on proposed policies and regulations

In particular, the review body would assess and evaluate the integration of the MBM as the measure of low income in Alberta and the instrument to set welfare and minimum wage rates. Assessing the integration of the MBM would be an essential role for the review body given that the MBM is a new measure that would need to be evaluated and updated at regular intervals.

Assessing and updating the MBM

Society's idea of a reasonable standard of living changes over time. As this happens, contents of the Market Basket may become outdated. The contents of the basket will be reviewed on an approximately five-year cycle, though this time frame would be modified if the MBM exhibited unexpected or unusual trends compared to other low-income measures (Statistics Canada, 2000). The proposed review body would assist with this process in Alberta.

There are two aspects to updating the MBM: annual price changes and changes in composition of the basket itself. In case of the food, clothing and transportation components, annual price changes are accounted for automatically because pricing is carried out on a continuous basis. This leaves the basic cost of rental accommodation, which is available on a five-year cycle from the Canada Census. In between census years, the basic cost of shelter is updated using the CPI for provincial rental accommodation. However, unlike the LICOs, which are automatically and easily updated as a result of changes in general living standards, adjustments to the MBM will be discretionary (Statistics Canada, 2000).

Shillington (2003), who has serious reservations about the MBM, has three suggestions on how to “rehabilitate” the MBM:

1. Revisit the basket every five-years with a committee that includes members with an understanding of what it is to be poor
2. Remove the process from political oversight
3. Index the MBM to consumption/income between reviews.

VI. Conclusion

This position paper was developed to explain the Council's support for adopting the MBM and the creation of an independent body to assess low income rates and income support programs in Alberta. The Council's support for these two positions was discussed within the distinct political and cultural circumstances in Alberta. Although the MBM has limitations, the Council believes its practical advantages offset its theoretical disadvantages. Fundamentally, the adoption of the MBM presents an opportunity to reframe the perception of poverty in Alberta by linking low income to the capacity to buy the basic necessities. Pragmatically speaking, low income Albertans would be better off tomorrow if the MBM was adopted today.

Many Alberta organizations agree with the Council's position and several submitted briefs supporting the MBM to the MLA Committee to Review Low-Income Programs. (In 2001, the Committee supported adopting the MBM, but the Alberta government rejected the recommendation.) However, other social policy research organizations don't share the Council's enthusiasm for the MBM. They continue to promote the relative LICO rates as the best low income measure to advance income equality in Canada. In fact, they are right: a relative poverty measure is a stronger advocacy tool than an absolute measure in promoting income equality. That is, if anyone is listening. No government in Canada has adopted the LICO rates as the official measure of low income. (There is no official poverty rate in Canada.) It could be argued that governments are even less likely than ever to adopt the LICO rates. There is certainly no evidence to indicate that the Alberta government is prepared to adopt the LICO rates, despite the province being debt-free and enjoying multi-billion dollar surpluses.

Adopting the MBM in Alberta provides a pragmatic opportunity to literally put more money in the pockets of people with low incomes. Establishing the MBM as the low income measure in Alberta would result in an increase in welfare benefits for all recipients (nearly 29,000 households in Alberta, over 50, 000 people). It would also result in a significant increase in the minimum wage (benefiting approximately 69,800 Albertans earning less than \$7/hour, including 5,250 working full time for minimum wage). As well, the MBM rates in Alberta would become the baseline measures in periodic reviews of minimum wage policies and income support programs. The previously described independent body reviewing low income rates and

programs in Alberta would also participate in the process of updating the MBM rates as required.

The Council believes that adopting the MBM is a practical and justified policy in Alberta. As previously noted, the Alberta government participated in the development of the MBM and initially supported the adoption of the measure in Alberta. Currently, the fundamental barrier to adopting the MBM in Alberta is ideological: our income support programs are primarily based on the value of promoting self-sufficiency rather than ensuring that every Albertan's basic needs are provided for. The Council believes that these objectives aren't mutually exclusive. Adopting the MBM provides an opportunity to take a balanced approach in meeting these two objectives while also addressing issues of inequality and helping to create a more inclusive Alberta.

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