

Poverty Reduction Policies and Programs

Extending the Alberta Advantage

Alberta

By Peter Faid
Community Services Consulting Ltd.

Social Development Report Series, 2009
Commissioned by the CANADIAN COUNCIL ON SOCIAL DEVELOPMENT



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Poverty Reduction Policies and Programs

ALBERTA

Extending the Alberta Advantage

INTRODUCTION

Shortly after taking office in 1992, Alberta Premier Ralph Klein began trying to attract business to the province by touting “the Alberta Advantage.” The term continues to be used – largely by the provincial government – to refer to a strong economy, a PST-free environment, and a hands-off regulatory approach that is conducive to entrepreneurship, innovation and competition. In 2001, when an MLA Committee began its review of low-income programs (discussed later in this report), it issued a discussion guide and questionnaire entitled, “Extending the Alberta Advantage,” thus implying that the province was about to take actions to elevate the status of poor people (MLA Committee, 2001, p. 4).

But do all Albertans share in the Alberta Advantage? While the provincial government often sounds well-intentioned in its goal to reduce poverty, the reality is that programs designed to meet that goal are typically driven by budget priorities and a neo-liberal ideology, as this report shows. For the last 75 years, Alberta’s public policy has reflected values supporting individual responsibility, deregulation, minimal government intervention, and a free enterprise model; social policy typically takes a back seat. Consequently, when the economy slows or is in recession, support programs are cut or left unchanged when poor Albertans need the help. The deepest cuts to government spending occurred in 1993 in the interest of eliminating the deficit. More recently – and despite its relative wealth – the Alberta government has taken up to six years to act on the recommendations of the MLA Committee. Some program changes were made immediately, but the recommendations that required additional or more flexible funding were introduced gradually, and only “as budget allowed” (Government of Alberta, 2002). The provincial government continues to assume that marketplace forces in a strong economy will reduce welfare rolls by increasing employment. As Alberta’s experience has shown, an economic upswing *can* reduce reliance on welfare, but when it is accompanied by higher costs, it merely shifts poverty to the shoulders of low-income workers.

TRENDS IN ALBERTA

Boom-bust Economic Cycle

Built largely on agriculture and natural resources, Alberta’s economy has often been dependent upon decisions made well beyond its borders. The pattern that began when the province was a grain exporter

is now firmly in place. Today, with its primary exports of oil and gas, Alberta feels the effects when oil prices rise or fall on world markets.

The discovery of oil in Leduc in 1947 marked the start of the modern oil industry in Alberta. But it was the rapid increase in the world price of oil following the 1973 Middle East war that initiated the boom-bust cycle and brought the province national and international attention. During the 1970s and into 1980, the province's population soared as people from across Canada flooded into Alberta looking for work and a share of the 'black gold.' Between 1973 and 1984, the population rose from 1,768,500 to 2,367,400, and construction became a major industry as demands for housing and an expansion of the oil and gas sector soared.

Everything changed in the early 1980s with the first economic bust cycle – the result of a global recession and falling oil prices – and high inflation and interest rates in Canada. In response, the federal government of Pierre Trudeau introduced the 1980 National Energy Program (NEP), with the objectives of promoting oil self-sufficiency and Canadian ownership of the energy industry, in part, through the creation of a "made in Canada" price for oil. Among the features of the NEP were an additional tax on producers and a redistribution of oil revenues with a drop in the shares of the province and the industry and an increase in the federal share. The NEP was vehemently opposed in Alberta as an intrusion into provincial jurisdiction and a disaster for the industry. Its impact on the economy is still being debated, but one thing seems certain: the NEP and the way it was handled by the Trudeau government hardened the feelings of many Albertans towards the federal government, and those feelings continue today.

In the early 1980s, construction and oil exploration in Alberta was sharply curtailed and investment and spending declined dramatically. For the first time, more people moved out of the province than moved in. Unemployment rose from 4% to 10%, and bankruptcies and housing foreclosures were common. Canada's first food bank opened in Edmonton in 1981. After a temporary rebound, Alberta received another economic blow in 1986 when world oil prices declined sharply again. Don Getty had just become premier. As Alberta's resource revenues declined, his government was forced to cut spending and tried to diversify the economy but ended up accumulating a debt of \$6 billion by the time Getty left office in 1992.

The government of Ralph Klein was elected in 1993 on the promise of eliminating the deficit without raising taxes. Under the *Deficit Elimination Act*, Klein began making deep cuts to public services, the results of which still reverberate through the province today. Steps included reducing the size and role of government by contracting out services, privatizing government services (such as motor vehicle registries), and cutting funding to hospitals and schools. Thousands of public sector workers lost their jobs, including nurses, teachers and social workers. With the deficit gone by 1997, the government restored some funding to education and health care.

Between 1997 and 2006, a growing demand for energy and higher prices led to consistent growth in the oil and gas sector across Canada, and in Alberta, there was increased employment in the exploration, extraction and production components of the industry. The province's claim to the title of "economic engine" of Canada was reflected in its job creation record: in 2006, almost one-quarter (23%) of all new

jobs created in Canada were situated in Alberta, despite making up only 10% of the national population. Approximately 78,200 new full-time and 9,700 new part-time jobs were created in Alberta in 2007, and the provincial government predicts that over the next 10 years, the province could experience a labour shortage of some 111,000 workers (Alberta Employment and Immigration, 2007). However, the recent significant downturn in the economy will likely require an adjustment in the government's prediction.

While there were some similarities to the 1970s – the influx of migrants and an upswing in construction – this latest boom was different in several ways. Demands for workers outstripped the supply, making the labour market the tightest and most competitive ever seen in the province (Nikiforuk, 2006). The manpower shortage drove up wages, resulting in business shutdowns or cuts to services. The costs of living soared and housing became scarce. However, the most significant difference in this latest economic boom was the stability in the oil and gas sector. Investment in the oilsands is now on such a large scale and so long-term that projects are less likely to shut down with a dropping price for oil, although some developments may be postponed. In the short term, the oilsands may have given Alberta “a cushion against the jarring economic fluctuations of the past” (Canadian Press – For Business Edge, 2007). It is not yet known whether growing public concerns about the environmental impact of the industry will affect future sales of the oil.

Patterns of Poverty: 1996 to 2006

In 1999, the Inter-City Forum (ICF) on Social Policy commissioned a profile of urban poverty in Alberta using data from the 1996 federal Census for 18 urban centres. The purpose was to increase policy-makers' understanding of poverty – not only the numbers, but the demographics of the poor, their sources of income, and factors contributing to their situation. In 2003, the ICF commissioned a second report using data from the 2001 Census and making comparisons to 1996.

Among the key findings of this second study were the following (using before-tax LICOs as the measure of poverty):

- Between 1996 and 2001, the poverty rate in Alberta dropped 18%, compared with a drop of 14% in the national poverty rate.
- Overall, the percentage improvement was greater for men living in poverty than for women (20% compared to 16%).
- Among economic families, the largest percentage change (-32%) occurred among couples with children under 18, compared to other family types.
- For lone-parent families with children under 18 in Alberta, poverty dropped by 13% between 1996 and 2001. This decrease was smaller than the drop in the Canadian average (-17%).
- The percentage of children aged 0 to 14 years living in poverty decreased by 26%. The improvement was smaller for families with children under age 6 – down by 22% – however, the greater the number of children under 6 in a family, the greater the drop in poverty. Between 1996 and 2001, the percentage of poor families with two children under age 6 fell by 31%, and for families with three or more children in this age group, it fell by 36%.

- Some of these reductions in poverty can be attributed to the effects of the redistribution of the Canada Child Tax Credit and the National Child Benefit. In 2001, poor families received higher average payments under these schemes than did other families.
- Among all poor families in 2001, poverty was highest for lone-parents with children under age 18, whether the parent was working full-time (24%) or part-time (48%). Lone-parent families with children under 18 represented only 8% of all families in Alberta, but they accounted for 32% of all poor families.
- Poverty was high among the working poor: 41% of all poor families had a wage earner and 35% of poor families had two or more wage earners. People who worked part-time were more likely than full-time earners to be poor (15%).
- Some 8% of Albertans – 30,820 people – lived in extreme poverty (one-half the LICO), and this percentage was almost unchanged between the two Censuses.

At the end of September 2008, Statistics Canada released the final income data from the 2006 Census. A selection of the most recent findings is provided in Figure 1, in comparison with statistics from the two earlier Censuses. The rate of poverty in Alberta has continued to decline for most household types, reflecting the sustained economic growth over this period. Based on pre-tax results, the percentage of poor among all economic families in Alberta is 8.7%, down from 10.4% in 2001 and 14.9% in 1996. Among lone-parent families with children under age 18, the percentage of poor dropped from 39.1% in 2001 to 24.7% by 2006.

One significant exception was among couples with children under 18, where poverty rose from 8.8% in 2001 to 12.0% by 2006, or 3.2 percentage points. This increase is largely due to higher costs for school fees and housing, particularly rents (Vibrant Communities Calgary, 2006).

Figure 1

Poverty status by household type, gender and age group, Alberta, Edmonton and Calgary (%)

	Alberta				Edmonton			Calgary		
	1995	2000	2005	2005	1995	2000	2005	1995	2000	2005
	Pre-tax LICO	Pre-tax LICO	Pre-tax LICO	Post-tax LICO	Pre-tax LICO	Pre-tax LICO	Pre-tax LICO	Pre-tax LICO	Pre-tax LICO	Pre-tax LICO
All persons	18.4	13.6	12.2	9.1	26.0	20.0	14.1	20.6	14.8	13.4
All families	14.9	10.4	8.7	6.4	21.3	15.4	12.6	16.3	11.2	10.1
Couples with children under 18	13.6	8.8	12.0	8.3		13.5	15.5		13.6	15.1
Lone-parent families (children under 18)	51.3	39.1	24.7	18.2	60.8	50.6	43.4	50.0	37.1	35.4
All unattached individuals	39.2	32.7	30.9	23.7	46.8	39.8	35.5	41.8	33.7	32.0
Males		26.7	26.9	22.2		33.7	30.4		28.6	29.4
Females		39.1	35.2	25.4		46.0	41.0		39.4	34.8
Under 65 years		33.8	23.8	20.5		38.0	27.2		31.5	30.5
65+ years		33.7	30.3	12.3		46.4	40.8		43.4	39.8

Note: Data presented for the Census Subdivision (CSD) of Calgary and Edmonton.
Source: Statistics Canada, Census of Canada.

HISTORIC PERSPECTIVE SINCE WORLD WAR II

Development of the Social Safety Net

The Social Credit government – which held power in Alberta for 36 years until the Conservative victory of 1971 – began expanding welfare programs with the formation of the Department of Public Welfare in 1944. Despite its “philosophical dislike for anything with a perception of socialism,” the Social Credit government’s measures to address social needs eventually led to the development of a “provincial social safety net” (Reichwein, 2002, p. 25). Over time, the government brought in progressive innovations such as maternity benefits, relief services for transient persons (food, fuel, clothing, shelter, medical care, transportation and burials), seniors’ housing, and training and placement services for people with disabilities. In 1961, the Social Credit government replaced several means-tested social programs with a new Social Allowance Program based on needs testing.

The federal Canada Assistance Plan (CAP) of 1966, with its 50-50 cost-sharing formula, imposed certain requirements on provinces in the administration of their social assistance programs. Provinces had to: provide assistance to every person in need, regardless of the cause of that need; take into account a person’s basic requirements in setting the benefit rates; set up an appeals process; ensure the right to social assistance regardless of one’s province of origin; and not require that people in receipt of assistance perform work against their will as a condition of receiving assistance (Reichwein, 2002).

Independent of CAP, the Manning government introduced Preventive Social Services in 1966, a funding arrangement with municipalities and Métis settlements that continues today. Now referred to as Family and Community Support Services (FCSS), the program is based on the belief that local governments understand the needs of their constituents best, and that prevention and early intervention programs can help families to avoid poverty and the welfare system. Each year, under the *Family and Community Support Services Act*, the province makes a certain amount of funding available to the program and uses a formula to determine each municipality’s maximum share. The province contributes about 80% towards local prevention programs and a municipality or Métis settlement contributes a minimum of 20%. Municipalities have the autonomy to determine how much money to use from the maximum available to them and which local projects to fund. For 42 years, municipalities around the province of Alberta have received funds based on their commitment to provide preventive social programs and promote “citizen participation in planning, delivery and the governance of the [FCSS] program and of services provided under the program” (Government of Alberta, 1998, p. 2).

In 1969-70, the government made another significant shift. It changed the name of the Department of Social Welfare to the Department of Social Development and it introduced the Employment Opportunities Program to assist social assistance recipients by providing training and job placement (Reichwein, 2002). By the national standards of the day, the Alberta government’s initiatives of 1966 to 1970 made the province a leader in social program administration, especially through its social allowance, child welfare and preventive social services programs.

The Lougheed-Getty Years

The reign of the Progressive Conservative Party began in 1971 with the election of Peter Lougheed. Premier Lougheed made several commitments on taking office, including promises to revitalize mental health services, improve programs for people with disabilities, and establish additional support programs for seniors – each of which led to significant growth in expenditures and services. He followed through on those commitments, introducing a Widow’s Pension and in 1979, the Assured Income for Severely Handicapped (AISH) which provided financial support for people deemed unable to work. As the first social assistance program in Canada designed exclusively for people with disabilities, AISH was significant in not viewing people with disabilities as welfare clients – which meant that the program later escaped cuts by the Klein government. However the real value of AISH benefits declined significantly due to inflation as rates were frozen between 1993 and 1999.

Alberta – Provincial Governments

Ernest Manning (Social Credit)
1943 – 1968

Harry Strom (Social Credit)
1968 – 1971

Peter Lougheed (Progressive Conservative)
1971 – 1985

Don Getty (Progressive Conservative)
1985 – 1992

Ralph Klein (Progressive Conservative)
1992 – 2006

Ed Stelmach (Progressive Conservative)
2006 - present

The 1970s and 1980s saw major social changes in Alberta, not the least being an increase in the number of single parents, more women in the workforce, changing attitudes towards people with disabilities, and large population growth (between 1970 and 1985, the population grew by over 700,000 people) (Splane, 1985). For example, in 1977-78, single parents accounted for 41% of the social allowance caseload and 53% of expenditures; people with disabilities represented 26% of the caseload and 22% of allocations. The 1970s and 1980s was also a period of increasing job skill requirements. In 1983, 61% of all available jobs required post-secondary training, a level achieved by only 14% of the people on welfare (Alberta government internal document, 1988).

Each of these trends came with a specific set of needs, and the Lougheed government responded. For example, the divorce rate in Alberta in 1975 was 309.7 per 100,000 compared with 222 per 100,000 in the rest of Canada, a factor driving up the number of single-parent families; so in 1978, the Alberta government committed additional resources for the development of day care.

By the early 1980s, however, a combination of factors – notably a drop in oil prices, a worldwide recession, high interest rates, and the National Energy Program – had begun eroding Alberta’s strong economy. Thousands were laid off work, and people began migrating from the province in large numbers. By 1984, Alberta’s unemployment rate had caught up with those of other provinces. Oil prices fell again in 1986, contributing to the provincial budget deficits of the Getty government.

In 1988, the Alberta Government issued the following statement entitled “Caring and Responsibility”:

Typically, social programs are thought of as social welfare or social service programs. In fact, the term “social programs” refers to those programs which have people as their major focus. In Alberta, the definition of social programs includes a very broad range of government programs and services – our excellent education system, outstanding health care, quality child care programs, varied housing programs, and employment training initiatives, plus an extensive array of cultural, multicultural and leisure programs, as well as a comprehensive system of support for Albertans in need. (Reichwein, 2002, p. 27)

According to Reichwein, by this policy statement the government of Don Getty reinforced its vision of a tradition of caring for people and acknowledged its role in providing services and supports to Albertans in need. Despite the growing deficit and debt, Getty’s government of 1986 to 1993 largely continued the policies implemented by Lougheed, and social programming remained secure. Through uncertain economic times, between 1985-86 and 1992-93, when Ralph Klein came into power, the number of welfare beneficiaries rose from 126,600 to 196,000 (HRSDC, 2006).

WELFARE REFORMS OF THE 1990’s

Promise to Eliminate the Deficit

In 1993, the new government of Ralph Klein introduced the *Deficit Elimination Act*, which called for \$700 million in cuts in each of the first two years of a four-year plan. Alberta became the first province to introduce welfare reforms and cuts to social assistance. Alberta Family and Social Services made three significant changes: it reorganized delivery mechanisms and staff roles to support the new approach, it reduced benefits and tightened eligibility rules to make welfare a less attractive alternative to employment, and it introduced employment incentives to encourage individuals to look for a job, any job. The name change from “Social Allowance” to “Supports for Independence” reflected the tone of these reforms.

Changes in Attitudes and Staff Roles

According to the C. D. Howe Institute, the first stage involved a change in the administrative culture of the department, as a result of which “welfare applicants are now routinely turned away unless they have exhausted all other sources of support” (Boessenkool, 1997, p. 1). Recognizing the critical role of frontline staff in reducing the welfare caseload, the department was reorganized and the qualifications required and the staff roles were changed. Social workers became intake workers, financial benefits workers, and employment and career advisers. Existing staff were given the new roles, and there were no layoffs. The focus of their work moved from providing supports to meet all clients’ needs to reducing caseloads and program costs. Employment and career workers re-assessed existing cases and directed

those who were able to work to find employment or enrol in skills training. Minister Mike Cardinal instructed district welfare offices to develop their own initiatives to cut caseloads. Most responded by intensifying the review of new and existing cases, requiring applicants to attend information sessions and to follow through on mutually agreed plans (National Council of Welfare, 1997).

Changes to Benefits

Reductions in welfare benefits came into effect in October 1993. For example, the shelter allowance for rent and utilities was reduced by \$100 a month for childless couples and by \$50 a month for most other welfare recipients. The standard allowance for food, clothing and transportation was reduced by \$26 per month for each adult. Some supplementary benefits were eliminated and eligibility rules for others were tightened. These cuts were significant, given that Alberta's social assistance rates were already among the lowest in Canada.

The primary target was the employable welfare recipient. Benefits were brought into line with the wages earned by low-income Albertans and employment incentives were offered. The earnings exemption formula was changed from a graduated rate to a flat rate plus a percentage. As a result, the earnings exemption for a single person working full-time increased from \$245 a month to \$303 a month (National Council of Welfare, 1997). Grants were offered to allow individuals to pursue post-secondary education or skill upgrading.

Many of the changes were punitive in nature. For example, many efforts focused on fraud; there was an increase in the enforcement of the common-law relationship policy; and "benefits were stopped for employable recipients if they refused or abandoned a job without a good reason. Lone-parents had to actively seek work when their youngest child was six months old. The previous threshold had been two years of age." (Frenette and Picot, 2003. p. 6)

Drop in Welfare Rolls

Between March 1993 and September 1997, the number of welfare cases in Alberta fell by 63%, from 94,087 to 34,959 (National Council of Welfare, 1997). Most of the decline took place in 1993-94, the first year of the reforms. That same year, 3,575 complaints of welfare fraud were investigated and 367 charges were laid. About 11,000 of the welfare cases cut were students who were transferred from welfare to the provincial Students Finance Board, about 18,000 cases were dropped as district welfare offices tightened their rules, and another 11,000 left as a result of investigations and targeted home visits. The drop also reflected the province's concerted effort to minimize the number of people coming onto the welfare rolls.

Impact of Reforms

Did the reforms work? If the objective was to get more people into the labour force, the short answer is probably yes; as a poverty reduction strategy, the success of these reforms is questionable.

In 1997, the Canada West Foundation conducted a study to determine where those 172,176 welfare recipients had gone. After surveying a representative sample of people who left Supports for Independence between September 1993 and October 1996, the researchers estimated that 15% to 20% of the former caseload was back on SFI at the time of the survey. (Another 20% were not looking for work.) Survey respondents said they had returned to SFI because they were out of work (33%) or did not have sufficient income (19%); 44% were back on welfare seeking help for personal problems such as stress, physical and mental health concerns, family issues or substance abuse. The researchers noted that it is not unusual for SFI recipients to return to the caseload, and that the majority of individuals on SFI at any one time will have been on the program before.

Of the 58% who had found a job, 33% held part-time positions. Those working earned an average of \$1,223 per month, or \$8.74 an hour. Relatively few had access to benefits such as health or dental plans, and 44% had no benefits at all (Canada West Foundation, 1997). These findings are not surprising, given that “the reforms were intended to make a job – any job – more attractive than welfare” (p. 6).

These results appear to support the conclusion that work is not enough to pull people out of poverty. What the reforms failed to take into account is the gap between welfare and work. Most welfare recipients, and especially those with children, receive a range of health, transit and housing subsidies – the total of which often exceeds what can be earned in low-income occupations (HRSDC, 2006). When they suddenly lose those supports or are refused access to them, welfare recipients rarely have sufficient financial resources to tide themselves over until payday or to cover the new costs associated with working – such as costs for child care, transit, and appropriate work clothing or equipment.

Secondly, short-term labour market skills training – such as job search techniques, résumé writing, interview coaching, and the like – and quick placement approaches do not seem to support people who have a poor education in gaining their economic independence. And welfare recipients tend to have lower education and literacy skills than non-recipients. Many people cycle through a series of low-wage, low-skilled jobs that require them to piece together several part-time positions in order to support their families. In addition, the process of being hired and fired debilitates these same clients, whose poor educational skills do not allow them to obtain and maintain secure employment (HRSDC, 2006). The welfare numbers do drop when the job market improves and as a result, it is difficult to know how much of the improvement is attributable to policy changes and how much is due to lower levels of unemployment.

Administration of the National Child Benefit

The attitude of the Klein government was also evident in its administration of the National Child Benefit. Aimed at reducing child poverty, the NCB was introduced in 1998 as a partnership between the federal,

provincial and territorial governments and First Nations. It was intended as an incentive to parents on welfare to move into the labour market. The Alberta Government initially “clawed back” the benefit from Income Support recipients dollar for dollar, then reversed that policy in 2003. While the NCB appears to have been successful nationally by putting some \$2,200 into the pockets of the average poor family, its full impact on Alberta families is not known. According to an impact assessment reported in 2005, the monthly social assistance caseload in Alberta declined by 18% for all recipients between 1998 and 2001 (HRSDC, 2005). A 10% reduction in families with children on social assistance was observed between the second quarter of 1999 and the end of the first quarter of 2000, however, the welfare reforms of the 1990s may have affected this outcome.

2001 LOW INCOME REVIEW

Rise of Low-income Population

With Alberta’s economy booming in the late 1990s, advocacy groups began expressing concerns that welfare and other benefit rates were not keeping pace with increases in living costs. For example, between 1993 and 1999, the monthly Assured Income for the Severely Handicapped (AISH) payment increased from \$810 to \$850. In June 2001, the Minister of Human Resources and Employment (AHRE) appointed a five-member MLA Committee to review low-income programs. The MLAs were chosen exclusively from the governing Progressive Conservative Party. The Committee was asked to determine whether programs and services for low-income Albertans met their needs and how those programs might be improved. The mandate was to review the supports available to *all* low-income Albertans, not just social assistance recipients, thereby extending the review beyond AHRE to all programs used by people on low-income. Primary among these were Supports for Independence (SFI), AISH, training and employment programs, and the Alberta Child Health Benefit (ACHB) and Extended Health Benefit programs.

Recommendations by the Committee

The Committee submitted two reports to the Minister in November 2001. “What We Heard” described five key issues identified by Alberta communities, with suggestions to address these issues:

- Benefit levels were neither sufficient nor indexed to the cost of living.
- Government programs and services did not adequately encourage and support people able to work to meet their full employment potential.
- Government programs and services were overly complex and insufficiently responsive to the diverse and unique circumstances and needs of low-income Albertans.
- Information about programs was often not available from a single source and eligibility criteria were difficult to understand.

- Government departments as well as non-government organizations, such as non-profit agencies, were not necessarily working together. As a result, programs and services were neither coordinated nor aligned.

The Committee's second report, "What We Recommend," outlined a new direction for programs based on 32 recommendations and put forward the Committee's vision of a support system as one that provides "the necessary income and supports to Albertans in need and assists those who are able to work to achieve their full employment potential" (MLA Committee, 2001, p. 9). Accordingly, the Committee proposed a fundamental change in the way the department's programs and services to low-income Albertans were viewed, structured, and delivered.

The Committee recommended a system characterized by the following:

- Reduced complexity, consolidated income support program – a single, flexible program with a single entry point for clients.
- A building-block approach – program benefits and supports customized to the needs of individuals and families.
- New supports and portable benefits for people eligible for the department's programs, as well as for those who were not. An expanded array of supports would be available to low-income Albertans, who were often working, to help maximize their employment participation and opportunities.
- Income supports and benefits adjusted with increased independence – as employment earnings increase, income supports and benefits decline; income and benefits outside the support system exceed those within.
- Assign each community one of five Market Basket Measures and adjust the income support benefit accordingly.
- Local cost differences recognized – shelter adjustments for high-cost areas, for those receiving income support (e.g., SFI), and for low-income working Albertans.
- For Albertans able to work, added incentives to encourage their labour force participation and self-sufficiency.
- A more comprehensive, integrated approach with a broader reach. (Extend specific benefits to working-poor families, including Income Support, the adult health benefit, and employment and skills training.)

Response to the Recommendations

In May 2002, the Klein government responded to the MLA Committee's report, announcing it would move ahead with several program changes, but that those recommendations requiring enhanced or more flexible financial support would be introduced only "as budget allowed" (Government of Alberta, 2002). Incremental changes began in 2003 and continue today.

One of the key recommendations was to consolidate the department's four low-income programs into a single program. While three of the four were brought under one Act, Assured Income for the Severely Handicapped continued as a separate program, in response to fears by advocacy groups that having a single income, needs-based program would result in people with disabilities being treated like welfare clients. Subsequently, AISH was moved to another department.

Over time, the changes to benefits included the following:

Health: The Adult Health Benefit was extended to include employable singles and childless couples who left income support for employment. Qualifying levels for this benefit and the Child Health Benefit were revised to make more people eligible. As well, these benefits are no longer considered to be transitional benefits for those leaving welfare, but instead are benefits available to all low-income families.

Shelter: A \$100 shelter benefit was introduced for all clients with children and for unemployable singles and childless couples living with close family members. This was later extended to employable singles and childless couples. A higher shelter rate became available for residents of Fort McMurray, one of Alberta's highest-cost communities.

Income Support: Rates were increased by \$20 a month for all families with children, unemployable singles, and childless couples. All parents assessed as "temporarily not expected to work" received a \$50 per month increase, while other households in this category received a \$36 increase. Depending on their composition, "unemployable" households received additional increases of \$65 to \$168 a month. Benefit rates were increased again in November 2008, depending on household size and type. For example, a single person enrolled in a training program received an additional \$90 per month, and a working single parent with two children received \$105 more per month. The earnings exemption for a working single person went from \$115 to \$230 a month.

Education: Employment earnings were 100% exempt for any member of a low-income household who was a full-time learner.

Training: The circumstances were broadened under which working Albertans were counselled to leave low-end, low-paying jobs for training. Income thresholds for part-time training were raised to allow more low- and middle-income households with access to funding.

Supplementary: A new \$150 benefit was introduced for child care provided by relatives. Other new benefits became available for people in special circumstances, such as those escaping family violence or those who required approved medical treatment.

Tax credits: Changes to the Alberta Family Employment Tax Credit program made more low-income families eligible for a refundable tax credit. In 2005, the minimum employment-income threshold for eligibility was lowered from \$6,500 to \$2,760, and the tax credit for a family's first child was raised from \$500 to \$550 per year, then to \$581 in 2007. Originally intended for first and second children only, the credit was extended to third and fourth children. Rebates distributed twice annually are based on the previous year's income.

In April 2004, Supports for Independence was replaced by Alberta Works, bringing together Employment and Training Services, Income Support, Health Benefits and Child Support Services. The two-fold goal of the program was to help low-income Albertans cover their basic costs of living and help employers meet their needs for skilled workers. Program delivery sites were expected to establish contact with employers as well as help individuals to find jobs, which in many cases involved providing skills training based on specific labour market needs. The department created an online job bank where employers could advertise vacancies and clients could post their résumés.

In response to the recommendation that program information needed to be communicated to clients and non-profit community groups, the government developed a number of publications referencing all government programs and services (including the appeals process) and made them available on the government website.

The MLA Committee had also recommended that an interdepartmental initiative be set up to ensure that the various services and programs for low-income Albertans be delivered in a more coordinated and effective manner. An Assistant Deputy Ministers Interdepartmental Committee was struck in 2003, but dissolved in late 2004 due to a lack of commitment. However, an electronic model was jointly developed by several departments to assess the cumulative impact of all programs and services and to monitor the impact of any policy changes.

Impact of Changes

The provincial government does not appear to have studied the impact of these changes *per se*, however, an examination of related data throws some light on their effectiveness. For example, the number of welfare beneficiaries has dropped gradually since 2002, and the use of food banks, which reached 54,574 in March 2004, dropped to 38,837 in March 2007.

In November 2005, 3,630 people in Alberta were working while receiving Income Support. A study of those clients prepared for Alberta Human Resources and Employment found the following: 62% were single parents; 71% were female; 90% had at least one dependent child; 70% were between the ages of 20 and 39; and 83% had a Grade 12 education or less. Working single parents remained on Income Support longer than any other family type (Malatest, 2006).

While these data cannot be directly linked to the department's policy changes between 2003 and 2007, the information does suggest that allowing people to retain Income Support while working can contribute to improved labour force participation and self-sufficiency.

The Alberta Government is attempting to measure the effectiveness of all of its programs. Its latest progress report (2008) refers to a target of 70% employment for program participants three months after leaving a program. However, only 61% was achieved. The government's explanation is that as the economy improves, program participants tend to be those with the greatest barriers to employment. Approximately 45% of all welfare recipients are not expected to work (unpublished information provided by Alberta Employment and Immigration).

Figure 2

Alberta Works – Income Support
Number* of recipients and caseloads, 2002 to 2005

	2002	2003	2004	2005
Income Support cases	27,200	29,600	30,300	28,500
Income Support recipients	53,800	57,500	59,900	56,400

* As of March 31st
Source: FPT Directors of Income Support, 2006.

Figure 3

Select Economic Indicators, Alberta, 1988/89 to 2006/07

	Consumer Price Index (2002 = 100)	Resource Revenue as % of Total Provincial Revenue	Annual Average Unemployment Rate	Alberta Average Real GDP Growth	Annual % change in population growth
1988/89	71	18%	7%	1%	1%
1989/90	75	17%	7%	2%	2%
1990/91	79	19%	8%	1%	2%
1991/92	81	15%	10%	2%	2%
1992/93	81	15%	10%	7%	2%
1993/94	83	18%	9%	6%	1%
1994/95	85	21%	8%	3%	1%
1995/96	86	18%	7%	2%	1%
1996/97	88	24%	6%	8%	2%
1997/98	89	21%	6%	6%	2%
1998/99	91	14%	6%	2%	2%
1999/00	95	23%	5%	6%	2%
2000/01	97	42%	5%	2%	2%
2001/02	100	28%	5%	2%	2%
2002/03	104	32%	5%	3%	1%
2003/04	106	30%	5%	4%	2%
2004/05	108	33%	4%	4%	2%
2005/06	112	40%	3%	*	3%
2006/07	118	*	4%	*	3%

Source: Statistics Canada and Canada West Foundation, *Seizing Today and Tomorrow*, 2006.

Summary

The charts above show Alberta's boom and bust economic pattern in relation to welfare use. The two periods of substantial change to welfare policy discussed here, namely 1993-94 and 2001, are directly related to oil and gas revenues. As Figure 3 indicates, 1993-94 was a bust year, with resource revenues low as a percentage of total provincial revenues, and coinciding with Klein's cuts to government programs and services. Resource revenues were higher in 2000-01, and it may have been this wealth that triggered the Low Income Review. However, between 2001 and 2004 – when the government was deciding on changes to programming for low-income Albertans – resource revenues fell by 12 percentage points. It is likely that tighter provincial budgets stalled the introduction of program reform.

CHALLENGES OF THE LATEST BOOM

By 2007, the newly elected Stelmach government was facing difficult challenges: an expanding economy had contributed to a serious labour shortage, made worse by the aging population. A steady in-migration of job seekers increased demands for housing at a time when non-residential construction outstripped building of new housing. Between 2004 and 2007, Alberta's population grew by 265,800, or an average of 66,450 people a year (Statistics Canada).

Housing Crisis

Between 2006 and June 2007, the purchase price of an average home in Edmonton and Calgary increased by 52% to 65%. Taking advantage of this demand, many apartment building owners redeveloped their units for sale as condos, contributing to an already low vacancy rate and spiraling costs. In Calgary, at least 20,000 people with family incomes of less than \$15,000 were reported to be paying more than 50% of their income on housing (Parkland, 2007). And the problem was not unique to the largest cities. Urban centres such as Fort McMurray and Canmore saw similar high living costs (Edmonton Social Planning Council, 2008).

In the summer of 2007, homeless people in Edmonton began taking shelter in a vacant lot that soon became known as tent city. According to estimates by the Edmonton Coalition on Housing and Homelessness, 2,600 homeless people were living in Edmonton that summer, up 20% from 2004 (CBC News, 2007). Community agencies reported that the face of the homeless was changing, with growing numbers of families and the employed. Over 270 children under the age of 17 were included in the Edmonton homelessness count (Parkland Institute, 2007), and in Calgary, the number of homeless children rose more than five-fold in one year, to 384 (Edmonton Social Planning Council, 2008). In May 2008, 4,060 people in Calgary were counted as "absolutely homeless" (City of Calgary, 2008); in October, 1,862 people in Edmonton were "absolutely homeless," including 125 children (Edmonton Journal, 2008).

Response to Housing Shortage

The 2001 MLA Committee had recommended introducing a rent supplement program for all low-income Albertans having difficulty making rental payments, but the recommendation was not acted upon. However, in 2007 the Stelmach government set aside \$285 million in new funding to address immediate housing needs. Seven million went towards a new Homeless and Eviction Prevention Fund for welfare clients and the working-poor who were facing eviction, had significant rental arrears, were in need of assistance to secure a residence, or who were unable to remain in their homes. Between May and July 2007, the fund paid out \$4,866,406 to 5,800 people, an average of \$827 per person (Alberta Employment and Immigration, 2007).

As homelessness and poverty in urban areas has become more visible, public concerns have grown. In focus groups conducted by the United Way of Calgary and Area, community participants identified homelessness as the most pressing social concern, followed by stressed families, lack of support for the working poor, lack of affordable housing, and poverty. In January 2007, leaders from business, the non-profit sector, the faith community, and the three levels of government came together to form the Calgary Committee to End Homelessness, and a year later, released a plan to reach its goal in 10 years' time. Estimating the cost of homelessness in Calgary at \$322 million per year, the group predicts that unless action is taken, there could be as many as 15,000 homeless people in the city by 2018. The plan calls for the creation of 11,250 affordable and specialized housing units, as well as systemic changes to eliminate the barriers that currently entrench homelessness. In February 2008, the Mayor of Edmonton struck a committee to end homelessness, and similar initiatives have been introduced in other municipalities.

Sustaining Non-profit Agencies

One of the sectors hit hardest by the 2006-07 economic up-swing was the not-for-profit sector. From 2005 onward, the media (CBC Radio Edmonton, 2007) and various influential social service organizations, such as the Alberta Association of Services to Children and Families (AASCF), began making references to a human resources crisis – the result of the sector's inability to offer competitive wages and employee benefits in a tight labour market. Although no single study of the issue appears to have been undertaken, several large organizations have surveyed their constituents and a consistent picture is emerging. According to reports by the Alberta Council of Disability Services and the AASCF, staff turnover rates are soaring, largely due to low wages, low job security, and higher workloads in the sector. Reports show that average annual salaries for frontline workers in not-for-profit agencies are as low as half those of equally qualified workers in similar roles in government or in larger publicly funded organizations (Community Services Consulting Ltd., 2008).

AASCF submitted its report to the provincial government, which responded by raising salaries for AASCF members by 3%. A follow-up study indicated that the increase had minimal impact; for example, the number of people working two jobs fell only minimally, from 29% to 28%. Other non-profit social service agencies did not receive salary increases and they continue to struggle to keep staff.

Working Poor: The Latest Poverty Class

Alberta is a wealthy province – in September 2008, the value of the Heritage Saving Trust Fund was \$15.8 billion – but not everyone shares the prosperity. The working poor have been left out and their numbers are expected to grow, given the dramatic increase in the cost of living and the fact that wages have not kept pace with inflation (Parkland, 2007). The province's annual inflation rate rose from 2.1% in 2004 to 5.0% in 2007. In a survey conducted in April-May 2008, the Edmonton Social Planning Council found that rents had increased for 80% of renters, with an average increase of \$195 per month. Renters facing the steepest increase were those least able to afford it – namely, people living in modestly priced rental accommodations. Where rents were less than \$500 a month, the average increase over the last year was 61%; renters paying \$1,000 or more faced an average increase of 18%.

In 2007, the provincial government asked Canadian Policy Research Networks to conduct a study of low-income workers in Alberta. The study examined persons aged 18 to 64 who were working full-time (at least 2,000 hours) or close to full-time (1,500 to 1,999 hours) and whose household income was below the low-income threshold as determined by the Market Basket Measure. The researchers found that, among families where the Major Income Earner (MIE) worked close to full-time, the incidence of low income was 7.9% in Alberta, compared with 6.7% in the rest of Canada. For families where the MIE worked full-time or more, the incidence of low income was 5.5% in Alberta compared with an incidence of 6% for Canada overall. However, approximately 25% of all low-income families in Alberta were headed by a full-time worker compared with 20% for the rest of Canada.

For the most part, low-income workers in Alberta are similar to those in the rest of the country, but there are exceptions. The report describes the incidence of low income in Alberta families headed by women at 12% – among both full-time and close to full-time workers; in Canada, comparable rates were 8% for close to full-time workers and 10% for full-time workers. Another exception was the incidence of low income among full-time working families in Alberta headed by someone with a high school diploma; at 9.4%, it was higher than among those who did not graduate from high school (at 6.9%). As an explanation, the authors suggest that some of those who dropped out of school may have been lured by high wages in the oil and gas sector.

In both Alberta and Canada, the incidence of low income was much higher for working families where the MIE did not receive employer-sponsored benefits such as a pension plan or medical or dental insurance plans. However, in cases where the MIE did not have medical or dental benefits, the jump in the incidence of low income was higher in Alberta than in the rest of the country. In Alberta, when the MIE worked close to full-time hours, the incidence of low income rose from 1.9% for those with benefits, to 16.3% for those without; in Canada overall, the incidence of low income went from 2% for those with benefits, to 11.8% for those without.

The researchers also examined the persistence in low income by identifying families in which the MIE worked for pay for at least 1,500 hours in 1999 and by extracting from that group, the number who experienced low income between 1999 and 2004. Again, the patterns in Alberta and Canada over the six years were relatively consistent. In both cases, the proportion of working families in low income for

three or more years was approximately 4%. There were two notable exceptions, however. In Alberta, the proportion of families headed by someone with a non-university post-secondary certificate that were living in low income for one year was almost double the rate for Canada overall – 13.7% for Alberta families compared with 7.1% among Canadian families. In addition, the incidence of persistent low income for three or more years was higher for Alberta families headed by a high school graduate than for the same group in Canada overall (7.8% versus 5.1%).

These findings support a conclusion by the Edmonton Social Planning Council: “Working for pay significantly reduces but does not eliminate the likelihood of living in low income. Working is still an effective way out of poverty, but for [a proportion of] low income Albertans, working is not enough.” (2007, p. 26)

According to the Parkland Institute (2007), the economic boom “is passing the average Albertan by and low income Albertans are falling farther behind. Where incomes rose, “it was mostly due to working more hours, not higher wages.” (p. 18) The recent economic boom driven by high oil and natural gas prices is coming to an end. Instead of the creation of thousands of new jobs, the provincial government is now predicting the loss of 15,000 jobs in 2009 and an unemployment rate approaching 6%. Rather than multi-billion dollar surpluses, the Stelmach government is now signalling a return to deficit budgets for at least the next two years. It is too early to say what the impact of this economic downturn will be for low-income Albertans, but given the usual boom-bust cycle, it is very likely to be significant.

GROWING INFLUENCE OF THE VOLUNTARY SECTOR

Government Efforts at Collaboration

Having become increasingly concerned about poverty and its ramifications, Alberta’s non-profit and voluntary sector is starting to take action where public policy has lapsed. The provincial government has made some efforts to collaborate with the sector in the delivery of services and the development of social policy. In 2005, the minister responsible for income support established the Strategic Alliance on Low-Income Issues and invited several prominent people from Calgary and Edmonton to participate. Alliance members represent business, unions, universities, training colleges, and community groups, including ones dealing with poverty, immigrants, Aboriginal issues, and family violence. Meeting quarterly, the committee is expected to offer advice to the Deputy Minister. All information and deliberations are confidential and used for policy development by the department. As a result, the influence of this group is difficult to assess.

Direct Actions by Community Groups

“Forget policy makers” is Judith Maxwell’s advice (Globe and Mail, 2008). Their strategies do not always work. In their place, the non-profit and voluntary sector all across Canada is taking action at the street

level to help alleviate poverty – fed up with the tangle of government social programs and their counterproductive rules. That is certainly a pattern that has emerged in Alberta. Non-profit organizations in partnership with community leaders are getting together to learn more about poverty and do something about it. In many cases, the provincial and municipal governments are still engaged, typically by funding the research.

The Inter-City Forum on Social Policy, with its 23 municipal members, is a vehicle for information, networking and advocacy. In 1999 and 2003, it commissioned studies of poverty at the urban level to improve members' understanding of poverty as a first step in trying to deal with it. A third study is planned for 2009.

The Poverty Reduction Coalition was initiated and supported by the United Way of Calgary and Area. It works with governments, business, social service organizations, and members of the Calgary public to address the policies and systemic barriers that prevent low-income people from escaping the cycle of poverty. Through pocket-sized brochures, a website, community dialogues, and in-depth studies, the Coalition is trying to bring “the truth” about poverty and affordable housing in Alberta and Calgary to ordinary citizens and explain what they can do to help. The Coalition has published several well-researched reports, particularly on the need for affordable housing, and they have used those studies to advocate for government action.

Vibrant Communities Calgary (VCC) is also promoting poverty reduction strategies, including a living wage campaign. Having determined that Calgarians working full-time must earn the equivalent of \$12 per hour in order to cover their basic living expenses, VCC is trying to persuade employers to offer that hourly rate, and persuade the City of Calgary to establish a living wage policy. (In 2008, the minimum wage in Alberta was \$8.40.) VCC is also advocating for a special low-income transit fare. Funding for VCC comes from the United Way of Calgary and Area and two private foundations.

A primary activity of Vibrant Communities Edmonton (VCE) is Make Tax Time Pay. Volunteers assist low-income people in completing their tax returns and at the same time, inform them of benefits to which they may be entitled. Another initiative is the Job Bus, a charter bus for people working in companies that are difficult to reach by public transit. VCE analyzes the number of riders by shift and the pick-up points, then Edmonton Transit Service develops a strategy for the employer. This helps companies to recruit and retain staff and makes life more secure for people without cars. The funders of VCE are the United Way of the Alberta Capital Region, two private foundations, the City of Edmonton, and the Government of Alberta.

The United Way of the Alberta Capital Region also funds the Edmonton Social Planning Council, a non-profit organization that monitors social issues and trends and produces publications to make accurate information and informed perspectives available to the public. The Council's recent projects have focused on social and economic challenges facing workers and families in Alberta. Among the first to draw attention to the housing crisis of 2006, the Council is now updating a report card on child poverty, with funding from the Muttart Foundation.

For ideological reasons, the Alberta government has failed to make poverty reduction a priority. The money is there, but the will is lacking. And as the impact of poverty becomes more apparent on city streets, the non-profit and voluntary sector – with the support of municipalities and community foundations – is making concerted efforts to fill the gaps left by provincial public policy. Data collection by the sector is more sophisticated, and influential citizens are being recruited to the cause. Many of these organizations, such as the United Way, are already highly credible. It remains to be seen whether they can influence provincial legislators enough to bring about change at the government level.

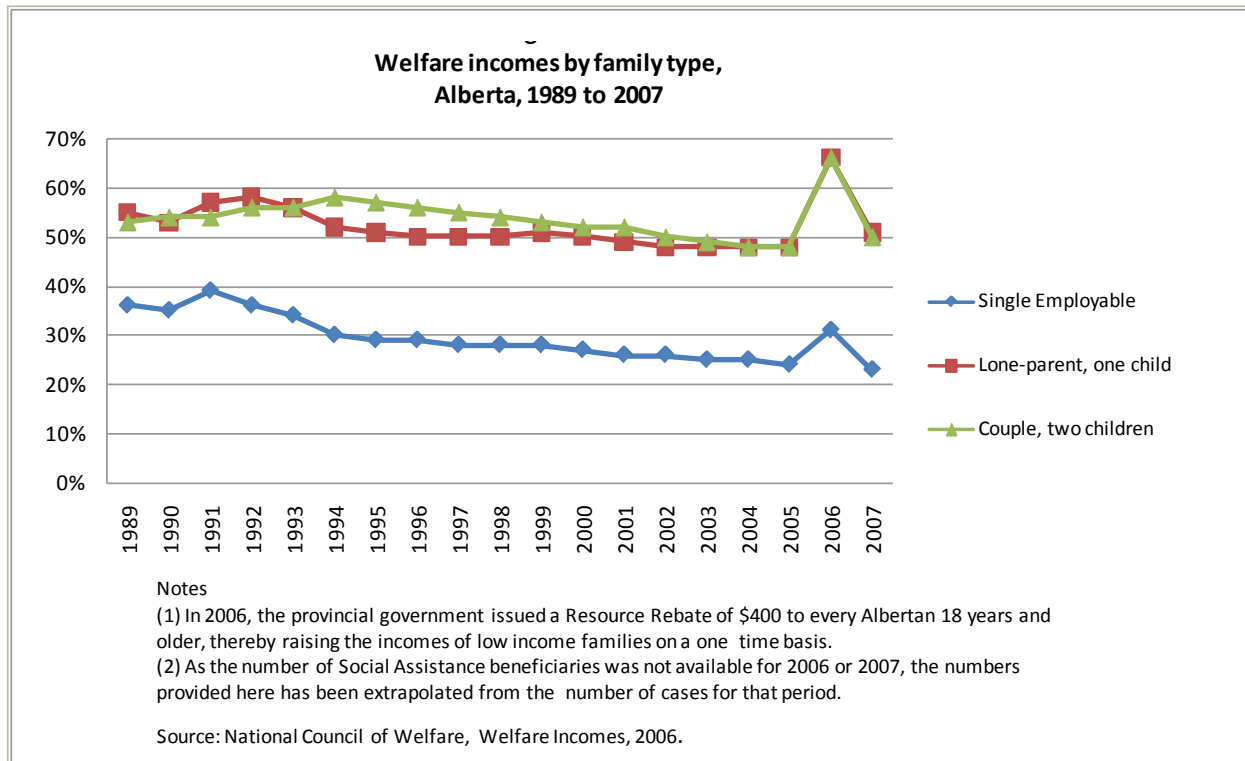
SUMMARY AND CONCLUSION

For much of its history, social policy in Alberta has been influenced by a neo-liberal ideology and by external economic trends. Economic up-swings have affected the need for workers and increased migration into the province. But movements of people on such a large scale have an important bearing on social services – not only increasing their use, but requiring their substantial adaptation (Splane, 1985). A boom-bust economy and a large migrant population – including qualified workers – have helped to define urban Alberta in the post-WWII years and distinguish it from other provinces. However, the boom cycles have not always had a positive impact on low-income Albertans and welfare recipients.

Unlike the other western provinces, Alberta has never experienced a counterbalance of conservative and more left-leaning governments. The Progressive Conservative Party has held uninterrupted power in government for 37 years against an Opposition that is typically too weak to mount a challenge. Consequently, the values of neo-liberalism are firmly entrenched in Alberta's social policy. (A neo-liberal mindset assumes that, in a strong economy, individual responsibility and the demand for workers replace the need for social programs.) In the province today, jobs may be more available, but as the cost of living rises, working Albertans who do not qualify for health, housing and other subsidies are often worse off than welfare recipients. As a result, the working-poor in Alberta tend to be the first to be hurt and the last to get help.

When Peter Lougheed swept into power in 1971, he inherited a slate of social programs from the Social Credit government that were in reasonably good shape and effective. Two key programs from those pre-Klein years remain in place today: the preventive social services program introduced by Manning, and Lougheed's Assured Income for the Severely Handicapped.; both programs may be unique in Canada. During the 1970s and 1980s, Lougheed's government and later Getty's responded to the increased needs for training and financial support for single mothers, de-institutionalized people with disabilities, seniors, and unskilled workers. When people think of Peter Lougheed's legacy, they are more likely to recall his political, constitutional, and economic achievements, but his government made considerable progress in social welfare (Splane, 1985). That said, some argue that the principles of "caring and responsibility" reflected in the progressive conservatism of Lougheed and Getty ultimately spurred the growth of the provincial debt and welfare caseloads.

Figure 4



In contrast, the welfare reforms of the Klein government were based on the belief that employment was the best way to alleviate poverty. After 1993, the push to reduce public expenditures during an economic downturn led the government to cut or hold back programs for the needy. The onus of responsibility was shifted to welfare recipients, and ‘caring’ was dropped from the lexicon. Ironically, in his 1994-95 report, the provincial Auditor General said there was “no proof that the thousands of people who had left welfare since 1993 actually found work” (National Council of Welfare, 1997). In 1985, Richard Splane wrote: “The extent to which the policies and programs of a given jurisdiction succeed in reducing the size of the low-income group becomes a test of the effectiveness as well as the humaneness of those policies” (p. 25). According to the evidence, Klein’s reforms increased the low-income population and hurt Albertans of all stripes through his government’s cost-cutting measures. (To his credit, however, Klein left AISH and FCSS intact.) Klein was proud to have eliminated the deficit and he may have gained respect from the other premiers for that achievement, but many people in Alberta remember the moralistic, mean-spirited approach that underpinned his actions.

The 2001 Low Income Review effectively acknowledged the needs of the working poor, and recent reforms by the Government of Alberta are designed to make corrections. Alberta Works’ policy of continuing extended health and dental benefits for people who leave Income Support shows promise in smoothing the welfare-to-work transition. Nevertheless and despite subsequent increases, welfare benefit rates remain among the lowest in the country. Recent comparisons show Alberta to have the lowest benefit rates for lone parents with one child (National Council of Welfare, 2008). And as Figure 4 illustrated, with the exception of 2006, welfare incomes as a percentage of LICO have been dropping

since 1989 for lone-parent families with one child and single employable recipients. Meanwhile, the consumer price index has risen steadily, leaving people on welfare or low incomes further and further behind.

At first blush, the new Stelmach government seems more concerned than its predecessor about poverty and low income. His government's emphasis on job-specific education and training reflects its responsiveness to the labour market, and its housing programs acknowledge the seriousness of the problem for low-income Albertans. But are these adaptations of social programs substantial enough to meet Splane's criterion? Are the efforts too little too late? More research is needed to answer those questions. The true test for this government is still around the corner as the global economy slows and oil prices drop drastically. The good news is that the non-profit and voluntary sector, municipalities and foundations are not waiting for government to take action; instead, they are leading the way through poverty reduction initiatives in their own communities and by collecting sound data to support their case.

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