

REINDEXATION OF SOCIAL ASSISTANCE INCOMES

During periods of inflation, wage earners hope their incomes will rise to keep up with prices. Families reliant on social assistance must hope governments will choose to adjust their incomes to account for inflation. They often don't.

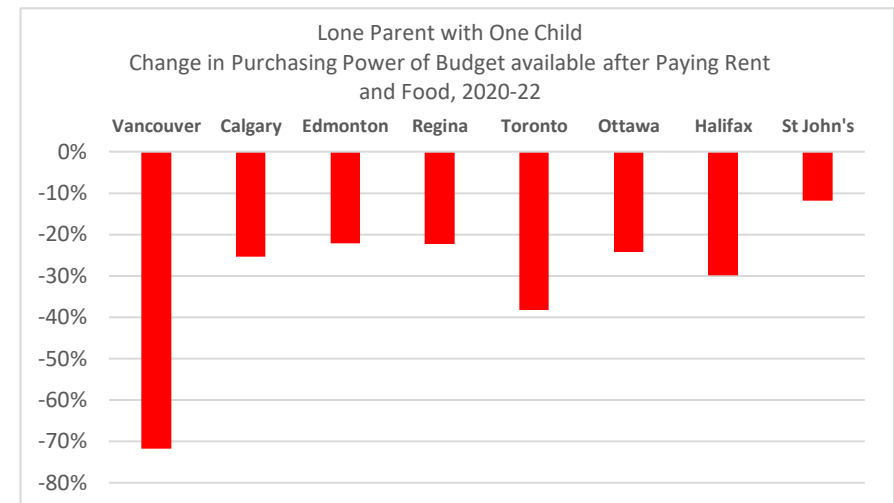
As we have shown in a recent [School of Public Policy study](#), provincial governments rarely index social assistance incomes to inflation. Quebec is an exception. Manitoba and New Brunswick index significant portions of income support, though not all. The other provinces index virtually none of the income supports they provide.

For a brief period in 2019, the government of Alberta indexed social assistance. This laudable policy initiative was introduced by a New Democratic government that, rather disappointingly, waited to do so until the final months of its 4-year term as governing party. The election of a United Conservative Party (UCP) government in April 2019 brought an end to the short-lived policy of indexation.

It is easy to index income supports for inflation. It requires only a small change in existing [legislation](#). The challenge comes in compensating for lost purchasing power and choosing an appropriate index.

Happily, in late November, Alberta's UCP government announced its intention to restart indexing social income supports and to increase benefits by 6% to make up for the effects of inflation over the past 12 months. This is good news and good public policy. There are, however, two other issues the government needs to consider.

The first is a 6% increase in benefits is not sufficient to recover the purchasing power lost during the past nearly 3 years when inflation was high and social assistance was not indexed. The figure to the right presents calculations from our report showing how high rates of rent and food inflation, combined with un-indexed social assistance, have reduced the ability of families with low income in cities across the country to purchase things like transportation and clothing, and to pay for utilities. As well as reindexing, the government of Alberta, and indeed most other provincial governments, needs to increase social



Source: [Income Support, Inflation, and Homelessness, 2022](#). Calculations assume a lone parent with one child renting a low-cost one-bedroom apartment and receiving non-disability income support.

assistance incomes to make up for this lost purchasing power. An increase of 6% is not sufficient.

The second issue is the choice of index. A flawed but easy choice is the Consumer Price Index (CPI). The CPI is designed to measure changes in the cost of living for the "average household." [Statistics Canada](#) estimates this average household spends 30% and 16% of its budget on housing and food, respectively. Our research shows that for a single person reliant on income support those allocations shift to 51% and 38%, respectively, and are even higher in large cities. Given that rent and food prices have increased significantly faster than the CPI over the past 3 years, indexing to it does not adequately protect families with low income from inflation.

What does a loss of purchasing power mean? It means, amongst other things, individuals and families must rely more heavily on food banks. Still further losses of purchasing power inevitably leads to a loss of housing and rising rates of homelessness. These are problems that are easily addressed with sensible policy responses. Reindexing is a good start.