

## POVERTY REDUCTION IN ALBERTA vs. ONTARIO

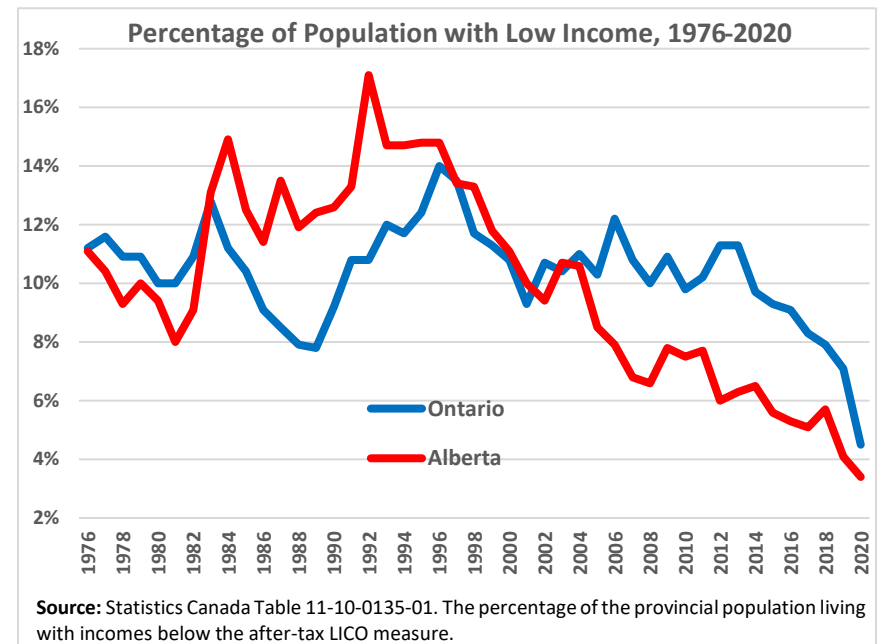
In 1976 and 2020, Alberta and Ontario had similar rates of poverty. In between, those rates followed very different trajectories.

A ‘poverty line’ is based on a defined level of income, below which a person or household is said to be experiencing poverty. Once a poverty line is defined, it can be used to calculate the percentage of the population that is experiencing poverty. This is referred to as the **poverty rate**. In 2018, the federal government adopted the Market Basket Measure (MBM) as its preferred measure for establishing the poverty line. Unfortunately, data reported by Statistics Canada that is based on the poverty rate determined by the MBM only extends back to 2015, making it difficult to draw conclusions about long-term trends.

Fortunately, there are data, extending back to 1976, that identify the income below which an individual or family is said to be living “in straitened circumstances.” This is the Low-Income Cut-Off (LICO) measure, and while Statistics Canada is hesitant to describe it as a poverty line, advocates and researchers have frequently equated “straitened circumstances” with poverty. We follow that approach here. The figure shows the percentages of Albertans and Ontarians with incomes below the LICO, or, in a convenient shorthand, the poverty rates for the two provinces.

**Differences in provincial poverty rates are due to differences in income support policies and the ability of provincial economies to create employment opportunities for people at the low end of the income distribution.**

In 1976, the poverty rates in Ontario and Alberta were the same, at just over 11% of the population. Since then, the rates in the two provinces have followed very different trajectories. The difference in poverty rates in the two provinces widened during the 1980s and 1990s and peaked in 1992, when the poverty rate in Alberta exceeded 17%. After 1992 the poverty rate in Alberta plummeted to just over 3% in 2020. In Ontario, the poverty rate peaked at 14% in 1996, before falling slightly to an average of nearly 11%, over the period 2000 to 2012. In 2012, the difference in provincial poverty rates was almost the same as that in 1992, only this time in Alberta’s favour. Since 2013, the poverty rate in Ontario



has fallen, so that by 2020 it was, again, nearly the same as that in Alberta.

Comparing movements in provincial rates of poverty provides insights into the relative roles of government poverty reduction efforts and the ability of provincial economies to produce employment opportunities for people at the low end of the income distribution. Federal income support policies, mainly in the form of pensions and child benefits, are applied equally in all provinces and presumably have similar influences on the poverty rates in each province. Provincial poverty reduction strategies focus on income support programs and minimum wage policies. While differences in these latter policy choices will influence relative movements in provincial poverty rates, the size and timing of the variations in poverty rates seen in the figure suggest other explanations. A key possibility here, for policy makers to consider, is the role played by differing provincial capacities to produce employment opportunities for people at the low end of the income distribution.