
Building Blocks for Families

The Affordability Gap

Updated January 2015

The report was prepared by the Edmonton Social Planning Council and the Centre to End All Sexual Exploitation with the support of United Way of the Alberta Capital Region



Building Blocks for Families (BBFF) is an initiative of the Centre to End All Sexual Exploitation (CEASE). The initiative ran from the fall of 2010 to the spring of 2013. BBFF is a response to the overwhelming poverty and barriers faced by women who are or have been sexually exploited. The 16 participants in BBFF had many challenging circumstances resulting from childhood and teenage traumas. Some experienced long term physical and/or mental illness or neurological impairment due to FASD or violence while being sexually exploited.

This report focuses on the financial well-being of three women (all single parents with children) who participated in BBFF. As a result of their participation, hard work and resilience, the life circumstances of all the women have improved markedly in recent years. All three women have been able to obtain and/or maintain custody of their children. All three women have obtained and kept stable housing. Finally, all the women have successfully maintained a source of income.

The names of the women have been changed to safeguard their privacy.



Nicole has a full-time job with a modest salary and benefits.



Julie receives Assured Income for the Severely Handicapped (AISH) benefits supplemented by a part-time job.



Heather receives Alberta Works Not Expected to Work (NETW) benefits.

Despite the strides the women have made in improving their lives and those of their children, significant financial challenges remain. Stretching monthly household budgets to meet the family's essential needs is very difficult. These challenges are most obvious and acute in Heather's case as social assistance is her sole income source. However, Nicole fits into the category of the one-half of low income Albertans with full-time jobs still living in poverty (ESPC 2013, p. 2). Finally, despite the recent increase in AISH benefits, Julie continues to struggle to meet her family's essential needs.

INCOME AND EXPENSES OF BBFF FAMILIES FALL FAR SHORT OF AVERAGE ALBERTA FAMILIES

To assess the adequacy of their family incomes and expenses, the Edmonton Social Planning Council constructed a proxy (approximation or benchmark) of the monthly incomes and expenses of the average household. The monthly median income is calculated from Statistics Canada Survey of Labour Income and Dynamics (SLID). The SLID contains data for various income concepts, geographies and family types (Statistics Canada 2013a). Median is the mid-point of the income distribution scale, with half the families above and half below. Unlike average income, median income is not skewed by a relatively small number of very high income families.

The proxy chosen for this report is the after-tax income for non-elderly metro Edmonton families after all income transfers from government are added. The smallest geography for which income data from the SLID is available is for the metro Edmonton Census Metropolitan Area (CMA) which includes the city and surrounding communities. The most recently available income data is for the year 2011. The actual monthly income of each of the women is calculated as a percentage of the median monthly income of Edmonton non-elderly families.

The monthly average household expenditure is from the Statistics Canada Survey of Household Spending (Statistics Canada 2013b). Edmonton expenditure data is not available, so Alberta data is used instead. Expenditure data is only available in averages, not medians. This data set allows for breakdowns of the fixed and variable expenditure categories used in this report. This survey does not allow for breakdowns by age or family type, only by categories of expenditure. The average household size in Alberta is 2.6 persons (Statistics Canada 2013c). This is close to the average family size of the BBFF participants. The data from the Survey of Household Spending therefore functions adequately as a proxy for the monthly expenses of an average Alberta family.

The most dramatic difference in the spending patterns of the households of the three BBFF women and an average Alberta household is in the category of transportation expenses. None of the women own a private vehicle. They rely on public transit and spent at most the \$89 cost of a monthly transit pass. By contrast, the average Alberta household spent \$1,122 per month on family transportation during 2011. Most of this is spent on private vehicles including fuel, registration, insurance and depreciation.

The three women also spend only a fraction of what average Alberta households spend on recreation or education. Out of town vacations or trips are out of the question. Their lives and those of their children are focused more around their homes. All three women have chosen to pay for cable TV and internet access for family entertainment and communication. Two of the women have teenagers and pay for a cell phone for their personal safety and security.

January 2012 and January 2013 were selected as the common reference months for the three women. In the case of Nicole and Julie, the women provided updates to their actual income and expenses for January 2013 compared to a year earlier. In Heather's case, the January 2013 income reflects the 5% increase in Alberta Works rates that took place in April 2012. Heather's expenses were adjusted to reflect changes in average market rents, utilities, and telecommunications charges during 2012.

FIXED AND VARIABLE EXPENSES

Fixed and variable should not be confused with essential and non-essential expenses. Fixed expenses are those that there is no choice in having to pay each month. Failure to pay expenses such as rent will get a person evicted. Failure to pay utilities means getting disconnected from electricity, water or heat. Similarly, credit card payments, bank fees, school and child care fees are all fixed. There is no discretion in paying these bills even in reduced amounts should there be a shortfall in monthly income. There are also fixed, mandatory payments for transit passes, communications devices like phones, cable/internet bills, and tenant insurance.

Food, clothing and household expenses are more variable, and there is more discretion in their purchases. For a low income person facing an affordability gap, there is some flexibility in how much disposable income is spent on food. For example, a low income family can go to the food bank once a month, access free meals in the inner city, rely on school lunch programs for school age children, or in a worst case scenario just go hungry. These are all alternatives to spending money on groceries. Similarly, instead of shopping at the mall, clothing and footwear can be obtained at thrift shops or from donated items at social agencies. Household furnishings can be obtained second hand or from donations.

After-Tax Income and Expenditure of Average Alberta Family

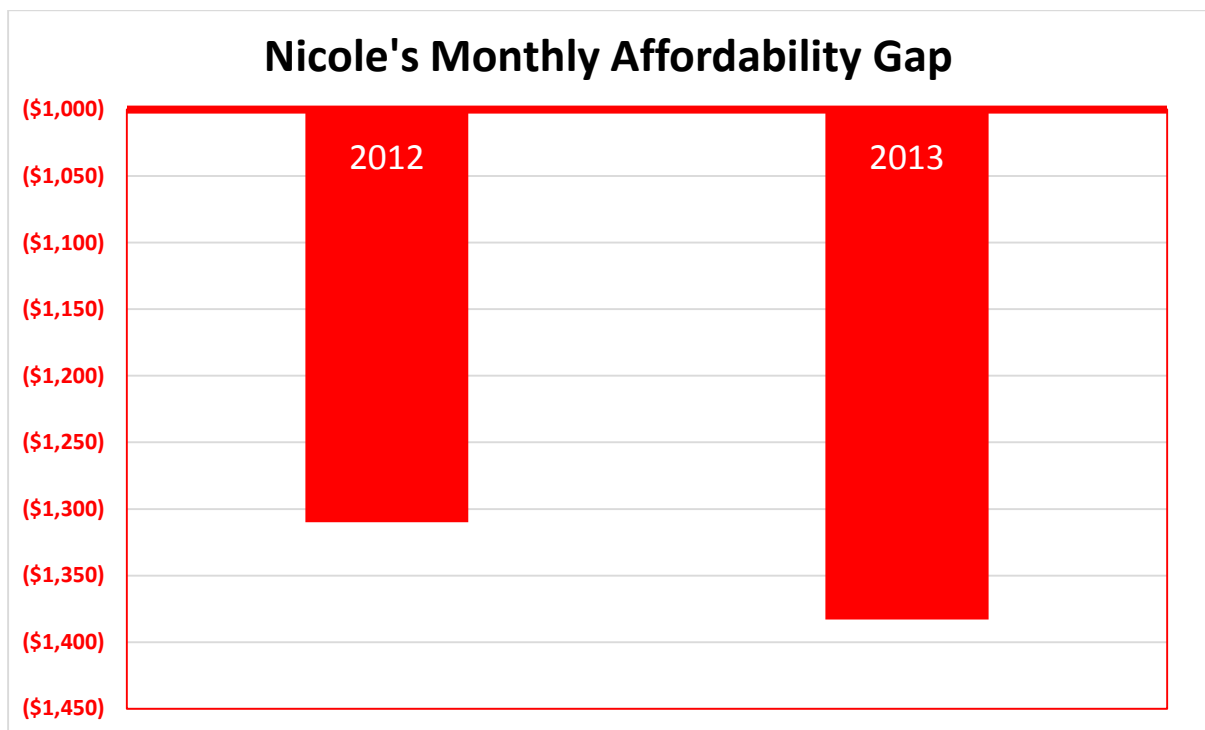
	2011
Monthly Median After-Tax Income of Edmonton Non-Elderly Families	\$6,925
<i>Source: CANSIM Table 202-0603</i>	
Monthly Average Expenditure by Alberta Household*	2011
<i>Fixed</i>	
Shelter (mortgage, rent, insurance)**	\$1,105
Transportation (vehicles, transit)	\$1,122
Utilities (water, drainage, heat, electricity)**	\$251
Communications (phones, internet, postage)	\$180
Health Care, Eye Care, Dental	\$188
Education and Reading (school fees, textbooks)	\$125
Child Care	\$34
Financial Services (bank fees, credit payments)	\$76
Sub-Total - Fixed	\$3,081
<i>Variable Current Consumption</i>	
Groceries	\$505
Restaurant, fast food purchases	\$204
Clothing, footwear & accessories	\$327
Furnishings, appliances, equipment	\$190
Household Operations (repairs, pets, yard)	\$168
Personal Care	\$96
Recreation (electronics, vacations)	\$390
Alcohol, tobacco	\$128
Games of chance	\$17
Miscellaneous expenses***	\$97
Sub-Total - Variable	\$2,122
Total- Current Consumption	\$5,203
Income Taxes	\$1,302
EI Premiums, Life Insurance, Pension, RRSPs	\$405
Personal gifts, charitable contributions	\$195
Monthly Total - All Expenditure	\$7,105
<i>Source: CANSIM Table 203-0021</i>	
* average household size for Edmonton is 2.6 persons (2011 census)	
** principal residence only	
*** includes legal fees, union dues, association memberships	



Nicole's Story

For the past several years, Nicole has been working in a front line capacity for an Edmonton-based non-profit organization. The most significant change in Nicole's income in the past year is that her oldest child turned 18 during 2012. Though her 18 year old still lives at home, Nicole lost a third of her child tax benefits.

As a low income working person, Nicole loses social benefits as her income rises. The loss of child tax benefits was the most serious reduction during 2012. The cost of after-school child care also increased after her income was reassessed. Despite earning a higher salary at her job, Nicole's affordability gap actually grew in the past year from \$1,310 in January 2012 to \$1,383 in January 2013 (see chart below).



Nicole anticipates that on the income side of the ledger, her working income benefits, rent subsidy, and GST rebate will all go down later in 2013 as a result of filing her 2012 tax return. On the expenses side, Nicole expects charges for school fees and after-school care to go up.

Despite Nicole's efforts to work hard and earn more income, she experiences what is called the welfare wall. As documented in a Library of Parliament research report, low income earners can lose as much as 78 cents on the dollar in decreased social benefits for every \$1 in increased employment income (Library of Parliament 2006, p.1).

Earned income tax credits such as the federal Working Income Tax Benefit and the provincial Family Employment Tax Credit can offset the welfare wall to some degree. However, these benefits are phased out at the same \$1,500 to \$2,500 per month family income levels as most social benefits thereby reducing their effectiveness.

One way of reducing the welfare wall is by increasing the income thresholds at which benefits begin to be reduced. A good example was the Province's April 1, 2012 decision to increase the income threshold at which child care subsidies begin to be reduced from \$35,000 to \$50,000 net family income. Another way is by reducing the steepness of the phase-out of benefits. A good example here is the base Canada Child Tax Benefit which does not phase out completely until \$100,000 of yearly income for a family with two or more children.

Recent Policy Changes Benefitting Nicole

- Federal & provincial refundable working income tax benefits

Additional Changes Needed

- Phase tax benefits more slowly as working income rises
- A transitional refundable tax benefit for young adults 18-21 living in low and modest income families



Nicole

Number of Dependents: Three children, one of which turned 18 in 2012

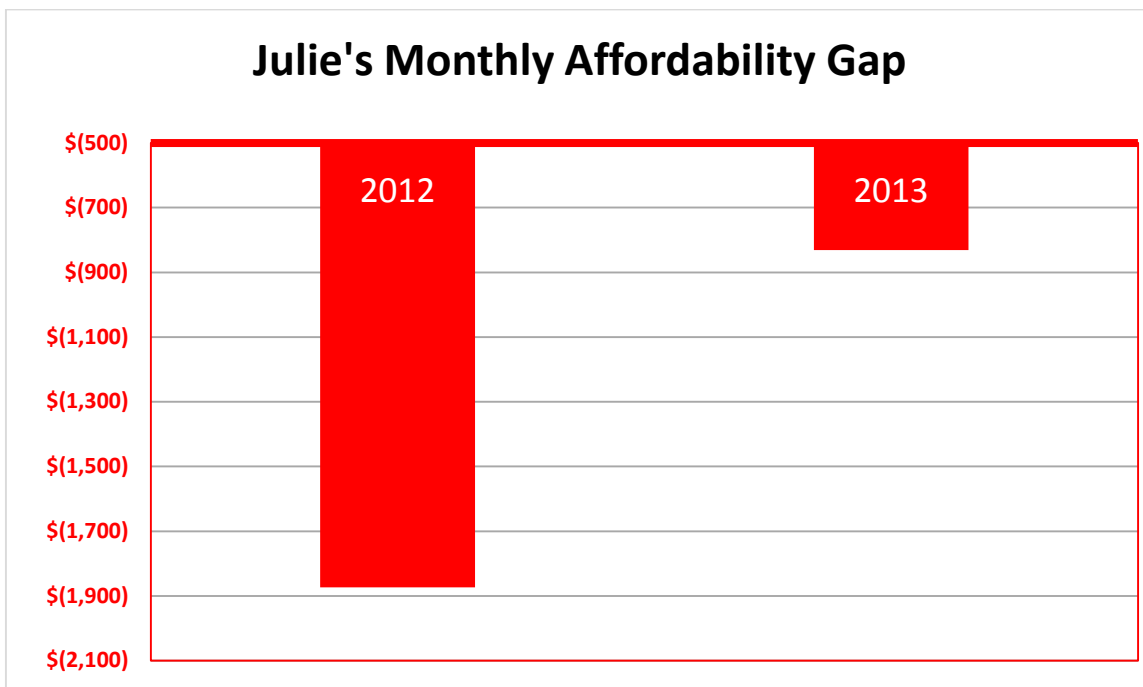
January	2012	2013
Income		
Employment (After-Tax)	\$1,914	\$ 2,068
Working Income Benefits	\$76	\$76
Rent Subsidy	\$200	\$200
Child Tax Benefits	\$544	\$362
GST Rebate	\$ 71	\$71
Total	\$ 2,805	\$ 2,777
<i>Nicole's Income as % of Median AB Family \$6925 Income</i>	<i>40.5%</i>	<i>40.1%</i>
Fixed Expenses (FE)		
Rent	\$873	\$873
Transportation (Adult Pass)	\$89	\$89
Utilities	\$400	\$400
Cell Phone(s)	\$110	\$110
Cable/Internet/Land Line	\$160	\$160
After-School Care	\$135	\$140
School Fees - textbook rental / bus passes x 2	\$126	\$126
Insurance - Tenant	\$ -	\$40
Credit Payments	\$100	\$100
Total	\$ 1,993	\$ 2,038
<i>Nicole's FE as % of Average AB Family \$3081 FE</i>	<i>62.7%</i>	<i>66.0%</i>
Income less Fixed Expenses	\$812	\$739
Variable Expenditures - Average Alberta Family	\$2,122	\$2,122
Affordability Gap	\$-1,310	\$- 1,383



Julie's Story

While still facing a substantial affordability gap, of the 3 women, Julie has experienced the greatest improvement in her life circumstances in the past year. As an Assured Income for the Severely Handicapped (AISH) recipient, Julie benefitted from the \$400 per month increase implemented on April 1, 2012. Julie also found a part-time job as a cleaner. Moreover, Julie's mandatory expenses decreased significantly as a result of moving from an apartment where she paid market rent to a rent-geared-to income apartment run by Capital Region Housing. Because she is on AISH, Julie qualifies for a subsidized transit pass only available to those on this provincial program.

Julie had a very large \$1,874 affordability gap at the beginning of 2012. This was reduced by more than half to \$831 per month by early 2013 (see chart below). During 2012, Julie was able to subsidize her monthly housing budget with a compensation payment through the Alberta Victims of Crime Fund.



Recent Policy Changes Benefitting Julie

- \$400/month AISH increase on April 1, 2012

Additional Changes Needed

- Indexation of AISH benefits to changes in living costs

Despite living very frugally one area of expenditure that increased in 2013 was a decision to pay for a second cell phone. This cell phone is used by her teenage son so he can call Mom, or be called by Mom, to ensure his safety and security. Another expenditure experiencing a significant increase was in the cost of her child's medication and dental braces.



Julie

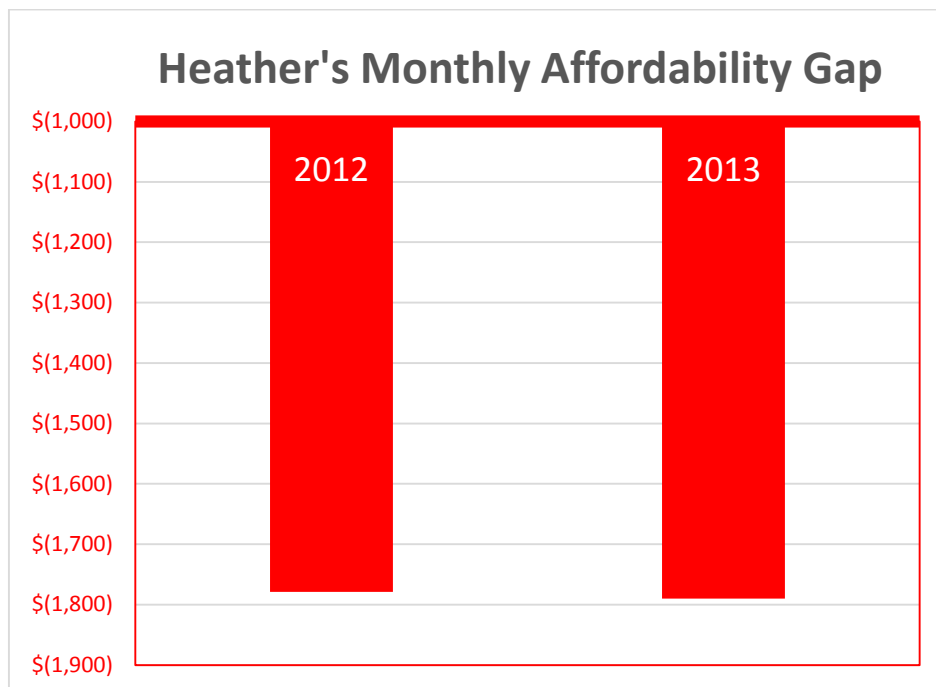
Number of Dependents: One child

January	2012	2013
Income		
AISH	\$1,188	\$ 1,588
Employment	\$ -	\$240
Child Tax Benefits	\$288	\$318
GST Rebate	\$48	\$55
Total	\$1,524	\$2,201
<i>Julie's Income as % of Median Alberta Family \$6925 Income</i>	<i>22.0%</i>	<i>31.8%</i>
Fixed Expenses (FE)		
Rent	\$895	\$255
Transportation (AISH Pass)	\$34	\$35
Utilities	\$70	\$70
Mobile Phone(s)	\$50	\$90
Cable/Internet	\$65	\$ 95
Childcare	\$12	\$ -
Credit Payments	\$ -	\$ 50
Child's medication & braces	\$150	\$315
Total	\$ 1,276	\$910
<i>Julie's FE as % of Average Alberta Family \$3081 FE</i>	<i>41.4%</i>	<i>29.5%</i>
Income less Fixed Expenses	\$ 248	\$1,291
Variable Expenditures - Average Alberta Family	\$ 2,122	\$ 2,122
Affordability Gap	\$-1,874	\$- 831



Heather's Story

Before her participation in Building Blocks for Families, Heather experienced chronic homelessness. She enrolled in Housing First through Hope Mission's Rapid Exit Program. As a result, she has maintained stable, subsidized housing since 2011. She receives income support from Alberta Works in the Not Expected to Work category. The 5% increase in Alberta Works benefits on April 1, 2012 was the only change to Heather's monthly income between 2012 and 2013. However, there were increases to several of Heather's monthly expenses including rent and utility charges which more than offset her increased income. Heather's affordability gap therefore grew slightly from \$1,779 to \$1,790 per month during 2012.



Heather has one child for which she receives child tax benefits from the federal government. Heather is in a private rental apartment. She is receiving a rent subsidy from the Rapid Exit Program. This brings her rental costs down to about one-third of her monthly income. Rapid Exit is the Housing First Program of Hope Mission. Heather was recently granted an extension to the rent subsidy from Rapid Exit because she has not yet been able to secure appropriate rent geared to income housing through Capital Region Housing. Her income is low enough that school fees and after-school childcare fees are waived.

Yet the amount of money available from Alberta Works for a single mom with a child is so meager that Heather cannot even afford an adult public transit pass. Because she is on Alberta Works, unlike AISH recipients, Heather does not qualify for a subsidized transit pass. To get around the city, Heather relies on transit tickets provided by the BBFF program.

Alberta Works benefits do not even come close to providing Heather with a standard of living to meet her or her child's basic needs. The money she has left over after paying mandatory expenses is less than the average Alberta household pays for groceries, let alone other essentials such as clothing, laundry and personal care items.

Recent Policy Changes Benefitting Heather

- 5% increase in Alberta Works benefits on April 1, 2012

Additional Changes Needed

- Indexing of Alberta works benefits to changes in living costs
- Increases beyond inflation to federal child tax benefits
- Introduction of a parallel refundable Alberta Child Benefit
- Expand existing AISH transit pass to a low income transit pass
- Due to health and disability barriers she faces, transition Heather from Alberta Works to Assured Income for the Severely Handicapped.



Heather

Number of Dependents: 1 Child

January	2012	2013
Income		
Alberta Works	\$706	\$741
Rent Subsidy	\$417	\$417
Child Tax Benefits	\$ 300	\$308
GST Rebate	\$50	\$52
Total	\$1,473	\$1,518
<i>Heather's Income as % of Median AB Family \$6925 Income</i>	<i>21.3%</i>	<i>21.9%</i>
Fixed Expenses (FE)		
Rent	\$ 902	\$938
Transportation (Donate a Ride)	\$ -	\$-
Utilities	\$ 68	\$80
Phone(s)	\$100	\$105
Cable/Internet	\$ 60	\$63
Childcare	\$ -	\$ -
School Fees	\$ -	\$-
Total	\$1,130	\$1,186
<i>Heather's FE as % of Average AB Family \$3081 FE</i>	<i>36.7%</i>	<i>37.6%</i>
Income less Fixed Expenses	\$343	\$332
Variable Expenditures - Average Alberta Family	\$ 2,122	\$2,122
Affordability Gap	\$-1,779	\$-1,790

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