

SOCIAL ASSISTANCE AND INFLATION

Gaps in the social safety net can widen during periods of inflation. In most circumstances, it is policy choice whether to allow this to occur.

Unless incomes increase at the same or faster rate, increases in prices of goods and services erode living standards. Governments can help protect living standards by legislating automatic “inflation indexing” of publicly provided income benefits. When a benefit is indexed for inflation, its value automatically rises with increases in the general price level, usually measured by Consumer Price Index (CPI). Governments index pension benefits in this way to protect seniors from inflation. However, they frequently fail to index income supports provided to people with low income. This has the potential to cause the living standards of individuals and families to fall during periods of inflation.

Governments typically enact legislation to protect pensioners from the loss of living standards that can occur during periods of inflation. This is not always the case for recipients of income support.

There’s no easy answer to the question of whether social assistance incomes are indexed to inflation because income support is provided in many forms. Provincial governments provide a basic amount plus additional benefits for housing and transportation and grocery rebates, and to certain tax credits. An added complication is that the federal government also provides benefits. These are mainly in the form of child benefits but also include a GST rebate. Benefits frequently appear but disappear just as quickly as in the case of energy price rebates and pandemic relief payments. There is no consistency in how or whether these many benefits are adjusted for inflation

For families with children, the table from 2023 presents, for each province, which components of social assistance income were automatically indexed to a CPI (labelled “Yes”) and which were not (labelled “No”). A blank cell indicates that benefit was not provided. The family is assumed to have not received disability benefits.

Recently, social assistance recipients in Alberta joined those in Quebec, as having all components of income support automatically indexed to a CPI. This is rare. In five of the other eight provinces, only federally provided benefits are indexed. Some of the provinces, such as Manitoba, partially index Basic Social Assistance through its Rent Assist benefit.

Are Social Assistance Benefits Indexed to Inflation?						
	Basic	Additional Benefits	Child Benefits		GST Rebate	Provincial Tax Credits
			Federal	Province		
<i>British Columbia</i>	No	No	Yes	No	Yes	No
<i>Alberta</i>	Yes	Yes	Yes	Yes	Yes	
<i>Saskatchewan</i>	No	No	Yes		Yes	No
<i>Manitoba</i>	No	No	Yes		Yes	
<i>Ontario</i>	No		Yes	Yes	Yes	No
<i>Quebec</i>	Yes	Yes	Yes	Yes	Yes	No
<i>New Brunswick</i>	Yes	No	Yes	No	Yes	No
<i>Nova Scotia</i>	No	No	Yes	No	Yes	No
<i>PEI</i>	No	No	Yes		Yes	No
<i>Newfoundland</i>	No	No	Yes	Yes	Yes	No

Notes: Sources: [Laidley and Tabbara \(2024\)](#) and authors’ reviews of federal and provincial legislation. The table is relevant for a family with children and for recipients in 2023.

Choosing to automatically index benefits through legislation is an easy way for governments to provide inflation protection to people reliant on those benefits, but it might not be the best solution. This is because families with low incomes often spend more on goods with rapidly increasing prices than is assumed in the CPI calculation. This has, for example, been the case over the past few years of high inflation in rents and food prices.

A preferred way of indexing social assistance income would be to make discretionary adjustments to benefits to account for inflation as it is experienced by individuals and families with low income. Some provinces, such as British Columbia, make such adjustments rather than legislated indexing, resulting in a “No” entry. The problem with this approach, is that protecting families from inflation requires an annual discretionary choice which, [as we have reported elsewhere](#), is not always made. This leaves the well-being of incomes support recipients subject to the choices of politicians. Automatic indexing may not be perfect, but all things considered, it may be the best approach.