

Understanding Alberta's Outsized Contribution to Confederation

Tegan Hill, Nathaniel Li, Spencer Gudewill,
and Milagros Palacios



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Executive Summary

- When Alberta is economically strong, all Canadians benefit, because money is redistributed to other parts of Canada.
- In 2022, despite restrictive federal policies, Alberta continued to contribute disproportionately to the federation.
- Alberta's 5.0% real GDP growth rate was the fastest in Canada in 2022, accounting for 17.9% of Canada's real GDP growth, despite being home to 11.6% of the population.
- In 2022, 56,245 Canadian residents relocated to Alberta, representing more than 75% of total net in-migration within Canada.
- Alberta reported the fastest private sector employment growth among the provinces (7.8%) in 2022, accounting for 19.2% of private sector jobs created in Canada.
- Per private sector worker, Alberta attracted \$36,412 of business investment, more than double the national average (excluding Alberta).
- From 2007 to 2022, Alberta's net contribution to the federal finances totalled \$244.6 billion—more than five times as much as BC's (\$46.9 billion) or Ontario's (\$41.9 billion). In 2022, Alberta contributed \$14.2 billion more to federal revenues than it received back in federal spending.
- If Alberta were an “average contributor” based on the other provinces, rather than a large net contributor, the federal government would have had a fiscal shortfall of \$16.9 billion in 2022. For perspective, to cover this net revenue loss, the federal GST rate would need to increase from 5.0% to 7.2%.
- Put simply, without Alberta's oversized contribution to the federation, Canada would be worse off. To benefit all Canadians, the federal government should focus on supportive policies, not restrictive ones.

Introduction

Within Canada, Alberta has reliably punched above its weight economically and fiscally over the years, historically contributing in an outsized way to economic growth and federal finances.

Numerous studies document Alberta's historical overcontribution to the confederation, including on key measures such as GDP growth per capita, business investment per worker, private sector employment, CPP contributions, equalization payments, federal transfers, etc.¹ While Albertans faced economic hardships between 2014 and 2021 (including a collapse in oil prices in 2014/15, and the COVID pandemic shutdowns in 2020/21), the province continues to make outsized contributions to Canada's economy and finances. This study builds off the Fraser Institute's previous work demonstrating Alberta's outsized contribution to the confederation (Lafleur, Eisen, and Palacios, 2017), focusing on a snapshot of 2022, the latest year of available data.

When Alberta is economically strong, all Canadians benefit, because more money is redistributed from Alberta to other parts of Canada to pay for federal programs and services. Alberta's overcontributions limit even more elevated federal deficits and provincial and federal taxes to pay for similar services. Understanding Alberta's important role in the federation is crucial because federal policies are hindering Alberta rather than supporting its strong economic growth. Such policies include but are not limited to, uncompetitive federal personal income tax rates (Fuss and Munro, 2024), onerous regulations, uncertainty and complexity due to Bills C-48 and C-69 (Mejía and Aliakbari, 2024), and numerous net-zero targets and emissions caps specific to oil and gas production.

Despite these restrictions imposed by the federal government, Alberta's economy continues to contribute significantly to Canada. The province has routinely been among the—if not the—most affluent economies in Canada. And it is not just Albertans who benefit from a prosperous Alberta; Alberta's economic strength has also profited the rest of the country in several important ways. In particular, Alberta has contributed disproportionately to Canada's economic growth throughout recent history. This also means the province has accounted for a disproportionate share of federal revenues, funding federal programs and services for all Canadians. Furthermore, Alberta's rapid pace of job creation has afforded economic opportunities not just for people currently living in the province but

1 Alberta's historical overcontributions to the Canadian economy and federal finances are well documented. For more information see Clemens et al. (2019), Eisen et al. (2020), Kneebone (2014), Lafleur et al. (2017), Mansell et al. (2020), and Di Matteo et al. (2016).

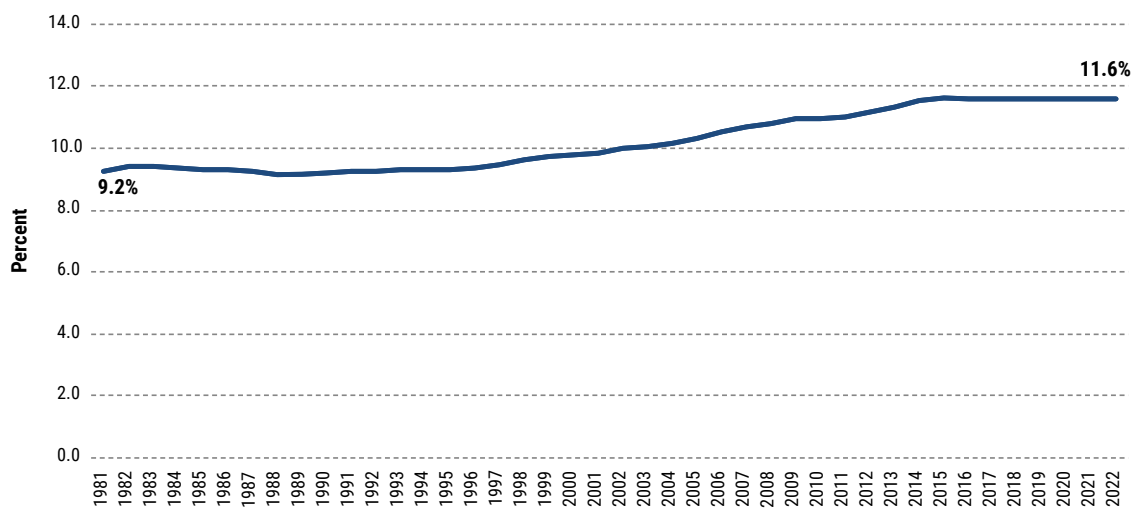
for migrants from elsewhere in Canada who have improved their circumstances by moving to the province. Canadians have become used to the idea that Alberta is where people from across the country can move when seeking opportunities to prosper.

The outline of this study is as follows: The first two sections document the extent of Alberta's disproportionate contribution to the Canadian economy with a focus on 2022 (the latest year of available data). The third section emphasizes Alberta's outsized contributions to federal finances, and the final section puts Alberta's contributions into perspective by estimating how much the GST would need to increase to offset the corresponding loss in federal revenue if Alberta were an average contributor rather than a large net contributor.

Alberta's Disproportionate Role in the Canadian Economy

Alberta was a relatively small province with a population of 2.3 million in 1981. Since then, its population has increased faster than that of the rest of Canada, nearly doubling to 4.5 million by 2022. As figure 1 shows, this increase has raised the percentage of Canadians living in Alberta from 9.2 to 11.6 percent over the same period.

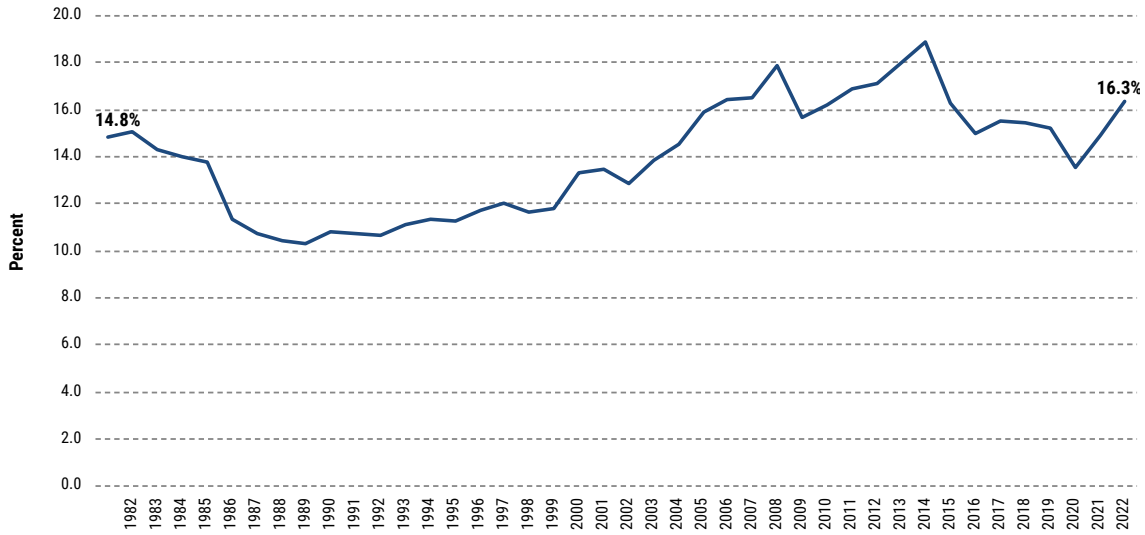
Figure 1: Alberta's Share of Canada's Population (%), 1981–2022



Source: Statistics Canada, 2024a, Table 17-10-0005-01; calculations by authors.

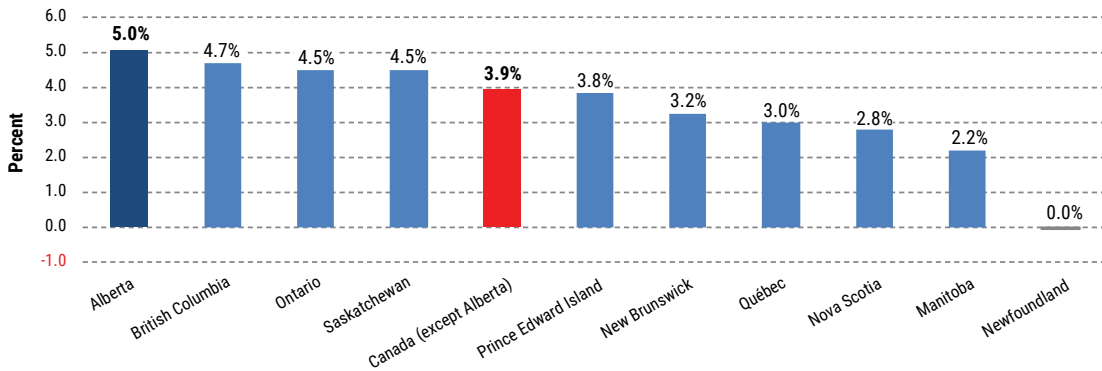
Alberta's rapid growth was driven largely by economic opportunity. Figure 2 shows that despite economic fluctuations, Alberta's share of nominal national GDP has been consistently higher than its population share since 1981. Between 2012 and 2022, for example, in nominal terms, Alberta contributed on average 16.0 percent of national GDP despite having only 11.5 percent of the population. At the height of the energy boom in 2014, Alberta contributed 18.9 percent to the national GDP despite having only 11.5 percent of the country's population. Alberta's share of national GDP fell from its high in 2014 to 13.6 percent by 2020 but has been climbing again since then, reaching 16.3 percent in 2022, despite Alberta accounting for just 11.6 percent of the population that year.

Figure 2: Alberta's Share of Canadian Nominal GDP (%), 1981-2022



Source: Statistics Canada, 2023a, Table 36-10-0222-01; calculations by authors.

Figure 3: Real GDP Growth Rates of Canadian Provinces (\$2017), 2022



Note: Calculations are based on Constant \$2017.
 Source: Statistics Canada, 2023a, Table 36-10-0222-01; calculations by authors.

Figure 3 compares real (constant \$2017)² economic growth for 2022 among the provinces, including economic growth for Canada excluding Alberta. As shown, the increase in Alberta's share of national GDP during 2022 (the year of most recent data) was driven by faster GDP growth than was generated in any other province. Overall, Alberta's real

2 The authors use constant 2017 dollars for calculations, as opposed to chained 2017 dollars, because chained dollars are not additive and, as a result, produce small discrepancies when making proportional calculations.

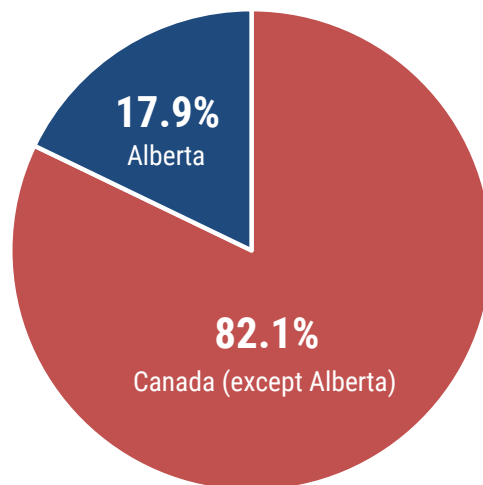
annual economic growth was 5.0 percent, compared to 3.9 percent in the rest of Canada (excluding Alberta).

Alberta's economic engine continues to represent a large share of the Canadian economy, even as it has weathered negative oil price shocks, recessions, and COVID-19 in the past decade. As the following section illustrates, the province's strong economic performance generates outsized contributions to the federation that benefit all Canadians.

Alberta's Outsized Contributions to Economic Growth in Canada

Alberta continues to punch above its weight in contributing to economic growth in Canada. This section looks at various economic measures in 2022 (the latest year of available data) to help put Alberta's contributions in perspective. Figure 4 illustrates the share of Canada's economic growth attributable to Alberta's economic growth, and figure 5 provides context by highlighting Alberta's relatively strong economic growth per capita in 2022.

Figure 4: Alberta's Contribution to Canada's Real GDP Growth (\$2017), 2022



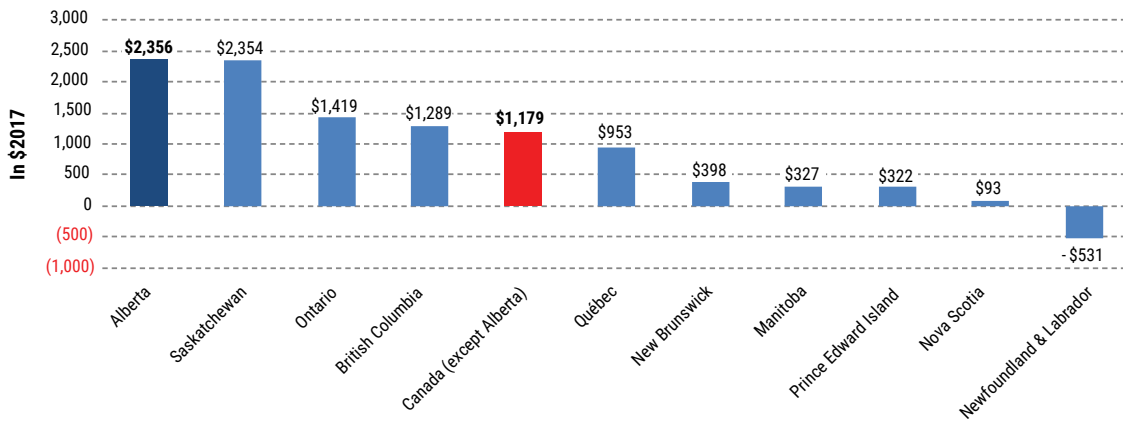
Note: Calculations are based on Constant \$2017.

Source: Statistics Canada, 2023a, Table 36-10-0222-01; calculations by authors.

Figure 4 shows that 17.9 percent of Canada's real (\$2017) GDP growth in 2022 came from Alberta.³ This is despite the province being home to just 11.6 percent of the nation's population that year. Figure 5 illustrates this point: Alberta contributed more GDP per capita to Canada than any other province in 2022 at \$2,356 per Albertan, twice the average of the rest of Canada.

³ The estimates provided in this section hold growth in other jurisdictions fixed, assuming that those regions are not influenced by Alberta's economic growth rate. In reality, if Alberta's economic growth were lower over this period, growth in other regions would have likely been lower as well. This is because Alberta imports goods and services from across Canada, contributing to interprovincial exports (and, thus, economic growth) of other provinces. For example, a strong Alberta energy sector typically translates into strong demand from Alberta for manufactured goods produced in other parts of Canada. Our estimates are therefore likely conservative and probably understate the full impact of Alberta's strong growth on Canada's economic performance.

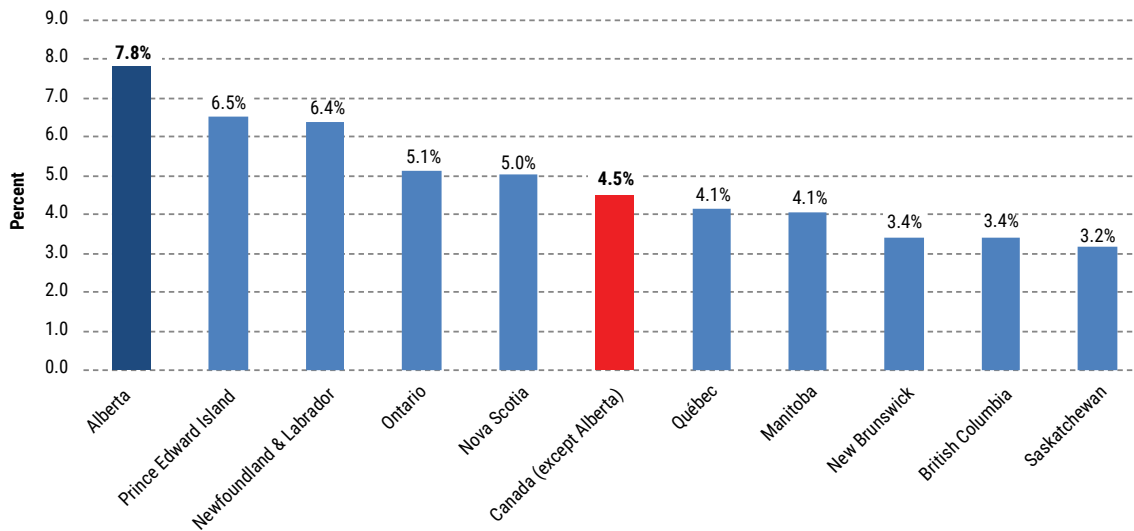
Figure 5: Alberta's Contribution to Canada's Real GDP Growth per Capita (\$2017), 2022



Note: Calculations are based on Constant \$2017.
 Source: Statistics Canada, 2023a, Table 36-10-0222-01; calculations by authors.

The province's rapid GDP growth translated into robust private sector job creation. Indeed, Alberta was responsible for a disproportionate share of job creation in Canada in 2022. Figure 6 shows that Alberta's private sector employment increased by 7.8 percent—the fastest in the country by more than a full percentage point and significantly higher than the rest of Canada's private sector employment growth (4.5 percent).

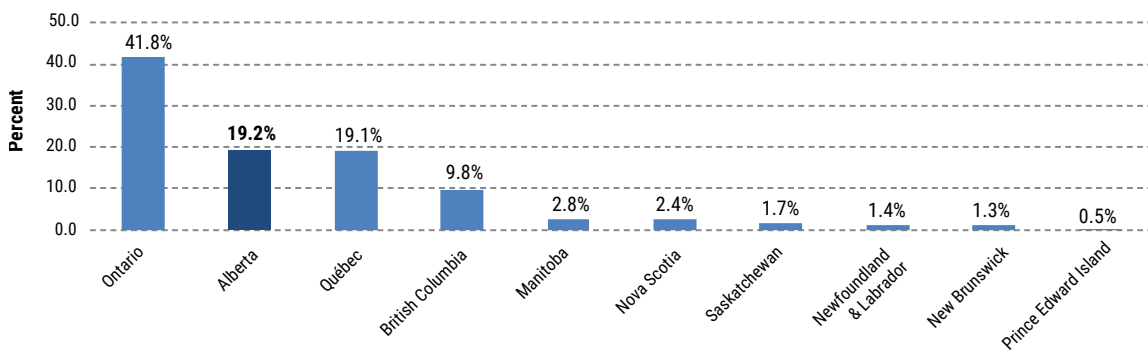
Figure 6: Growth in Private Sector Employment (%), 2022



Source: Statistics Canada, 2024b, Table 14-10-0027-01; calculations by authors.

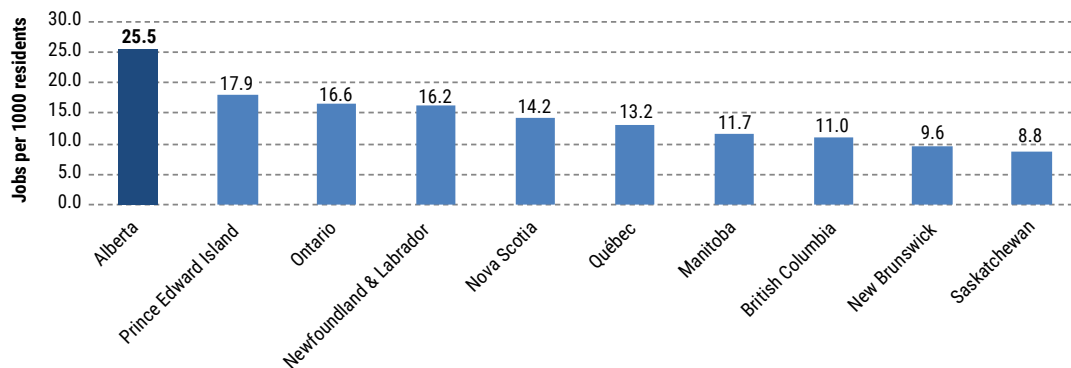
To put these growth rates in context, figure 7 shows that in 2022 Alberta's share of private sector job creation in Canada (19.2 percent) was the second highest in the country. This is despite the fact that Alberta is the fourth most populous province. When accounting for relative population size, Alberta contributed by far the most private-sector jobs per capita in Canada in 2022, as evidenced in figure 8. Specifically, per 1,000 residents, Alberta created more than 25 private sector jobs, whereas no other province created more than 18.

Figure 7: Share of Canadian Private Sector Jobs Created by Province, 2022



Source: Statistics Canada, 2024b, Table 14-10-0027-01; calculations by authors.

Figure 8: Number of Private Sector Jobs Created by Province Per 1000 Residents, 2022



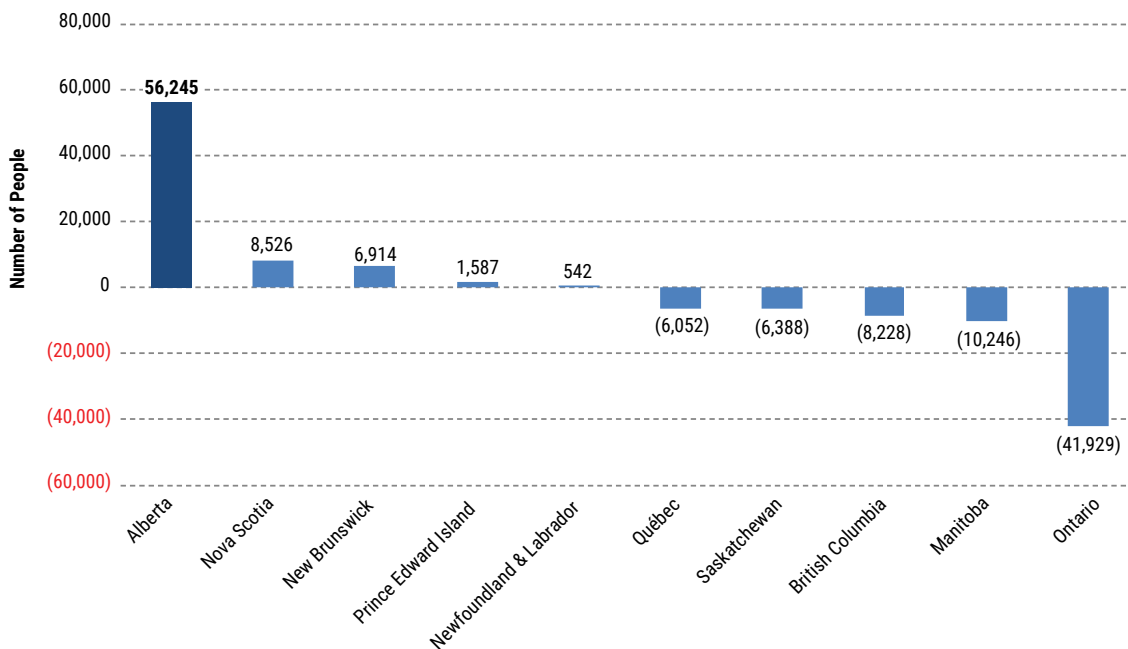
Sources: Statistics Canada, 2024b, Table 14-10-0027-01; Statistics Canada 2024a, Table 17-10-0005-01; calculations by authors.

Private sector job growth did not benefit only existing Alberta residents. These jobs and the relatively high incomes they are associated with generated economic opportunities for people across the country willing to relocate to take advantage of them. A significant

number of Canadians were able to improve their families' lives by seizing the opportunities that Alberta's expanding economy provided.⁴

Figure 9 emphasizes this point. In 2022/23, a net total of 56,245 people migrated to Alberta from other parts of Canada. As is shown, Alberta was one of only five provinces with positive domestic net in-migration in 2022/23. It had more than 6.5 times as much net in-migration than Nova Scotia, the province with the next most net in-migrants (8,526 people) during this period. It is not unreasonable to suspect that many of these relocations were undertaken to pursue better economic opportunities in Alberta.

Figure 9: Net Migration by Province, 2022/23

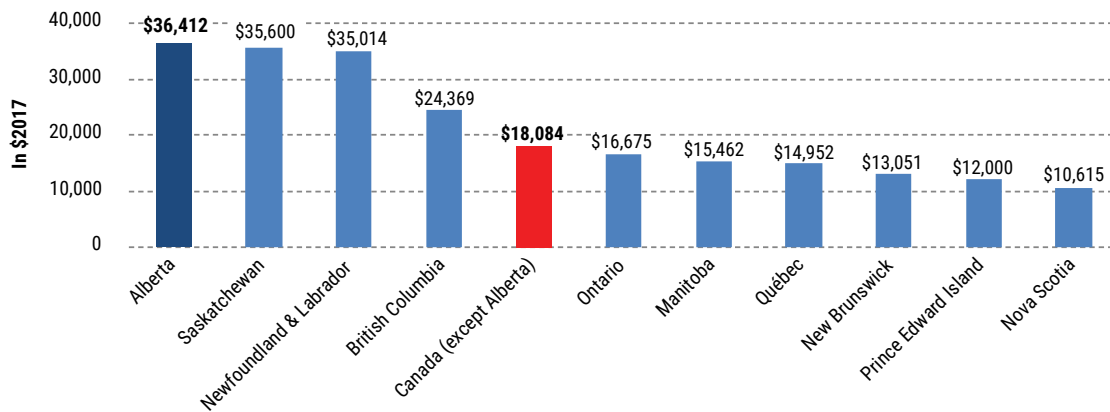


Source: Statistics Canada, 2023b, Table 17-10-0021-01; calculations by authors.

It is difficult to overstate Alberta's contribution to Canada's economy in 2022. In addition to being an attractive employment destination for Canadian workers and families, Alberta was also a major destination for business investment. Real (\$2017) gross fixed capital formation (excluding residential structures) per private sector worker is used to measure business investment in Canada. Figure 10 shows that on this metric as well, Alberta leads Canada.

⁴ This metric understates the employment benefits to Canadians outside of Alberta, since many residents of other provinces worked in Alberta during this period without establishing residence. Examples of such are "fly-in-fly-out" workers employed with oil companies in Northern Alberta. They typically work for several weeks, staying in Alberta work camps, then return home between work stints.

Figure 10: Gross Fixed Capital Formation excluding Residential Structures per Private Sector Worker (in \$2017), 2022



Note: Calculations are based on Constant \$2017.

Sources: Statistics Canada, 2023a, Table 36-10-0222-01; Statistics Canada 2024b, Table 14-10-0027-01; calculations by authors.

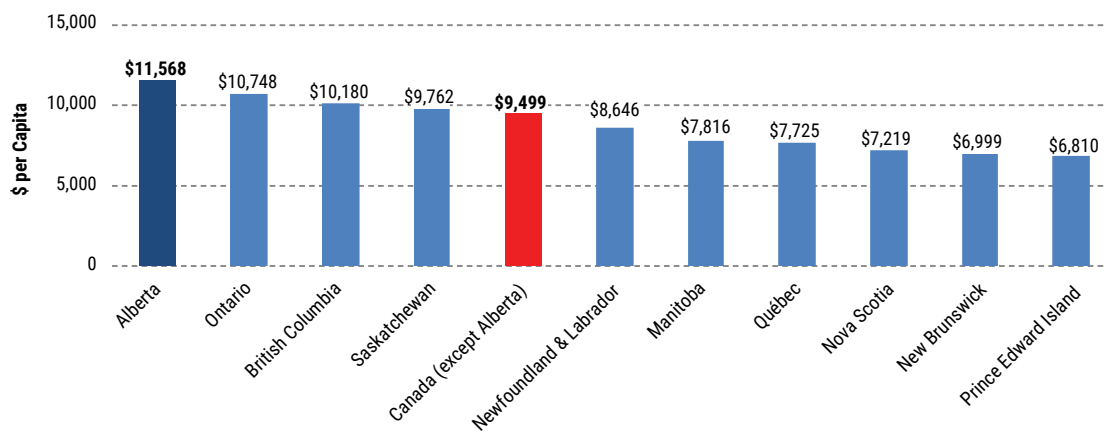
Throughout 2022, real gross fixed capital formation (excluding residential structures) of \$36,412 per private sector worker in Alberta was higher than in any other province. In fact, Alberta created more than twice the level of business investment per private sector worker than the national average when excluding Alberta (\$18,084). Put another way, 22.1 percent of all business gross fixed capital formation (excluding residential structures) in Canada occurred in Alberta in 2022—approximately twice its share of the national population.

Alberta made substantial contributions to Canada's economy in 2022, leading all provinces in GDP per capita growth, private sector employment growth, in-migration, and business investment per private sector worker and placing second in its share of Canadian private sector jobs created. As the following section demonstrates, this strong economic performance translates directly to more federal tax dollars that help fund programs and services for Canadians across the country.

Alberta's Outsized Fiscal Contributions to the Other Parts of Canada

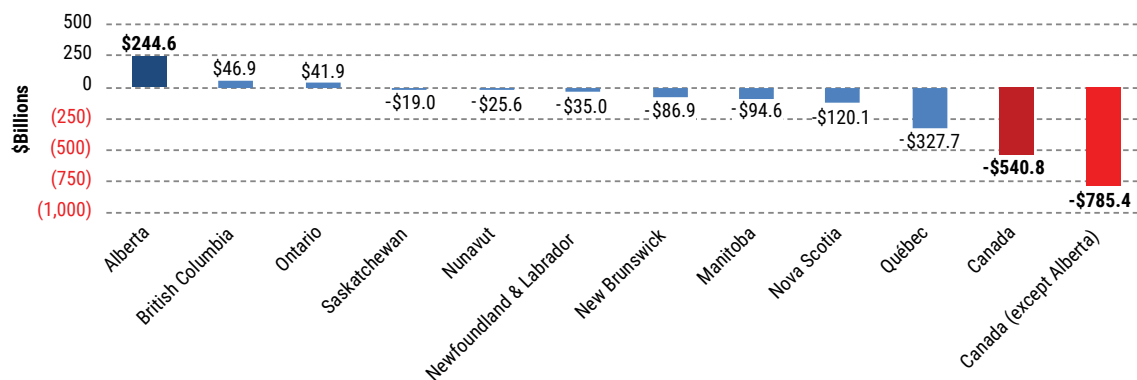
Canadians benefit from Alberta's strong economic performance, particularly due to the province's net contribution to federal finances, which is disproportional to its population. Figure 11 emphasizes this fact: Albertans on average paid more towards federal tax revenues (\$11,568 per capita) than residents of any other province in 2022/23. These tax dollars fund programs that all Canadians receive.

Figure 11: Federal Tax Revenues per Capita, 2022/23



Sources: Canada, Department of Finance, 2023, Fiscal Reference Tables; Statistics Canada, 2023c, Table 36-10-0450-01; Statistics Canada 2024a, Table 17-10-0005-01; calculations by authors.

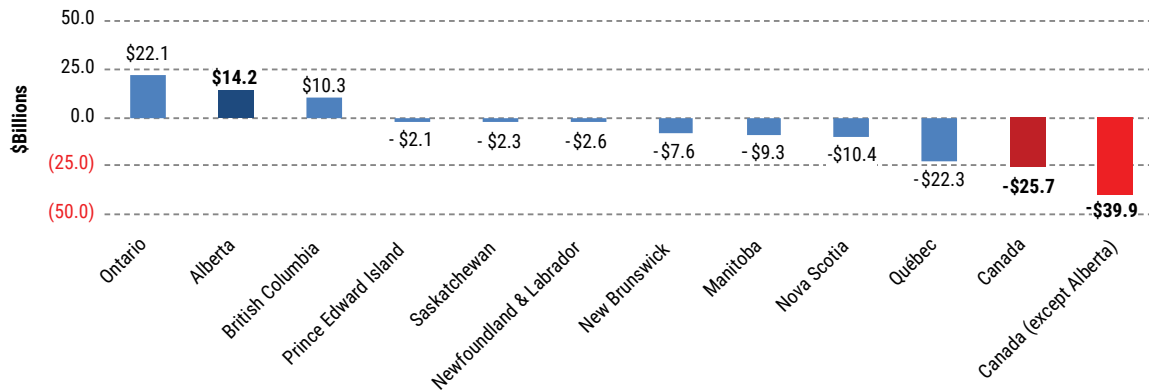
Figure 12: Cumulative Federal Government Fiscal Balance by Province, 2007/08–2022/23



Note: Federal government fiscal balance is defined as the difference between federal total revenues collected by the provinces and federal spending (including debt charges and excluding net actuarial losses).
 Sources: Canada, Department of Finance, 2023, Fiscal Reference Tables; Statistics Canada, 2023c, Table 36-10-0450-01; calculations by authors.

Figure 12 highlights Alberta's net contribution to federal finances since 2007/08 (the earliest year of comparable data). As shown, Alberta contributed significantly more to federal revenues than it received back in federal spending over the period, with a cumulative net contribution of \$244.6 billion—more than five times as much as the net contributions from either BC (\$46.9 billion) or Ontario (\$41.9 billion).

Figure 13: Federal Government Fiscal Balance by Province, 2022/23



Note: Federal government fiscal balance is defined as the difference between federal total revenues collected by the provinces and federal spending (including debt charges and excluding net actuarial losses).
Sources: Canada, Department of Finance, 2023, Fiscal Reference Tables; Statistics Canada, 2023c, Table 36-10-0450-01; calculations by authors.

In 2022 (the year of most recently available data), Alberta contributed \$60.4 billion to federal revenues, which more than offset the \$46.1 billion it received back in federal spending. This amounted to a \$14.2⁵ billion net contribution to federal finances by Albertans, as shown in figure 13.⁶ Put differently, Alberta contributed more in 2022 than any other province except for much more populous Ontario.

Alberta was one of just three provinces to run a fiscal surplus with the federal government in 2022, meaning it (along with Ontario and BC) paid more towards federal revenues than it received in federal transfers and program spending. This is important because, without Alberta's contributions, the federal government would have run a much larger

5 There is a slight discrepancy due to rounding.

6 The federal government fiscal balance with each province is defined as the difference between federal revenues and federal spending (including debt charges and excluding net actuarial losses).

fiscal deficit during this period. In fact, the federal deficit would have been more than 50 percent larger at \$39.9 billion instead of \$25.7 billion.⁷

Clearly, without Alberta's large net contribution to the country's fiscal balance, Canada's federal government would have to choose between significantly larger deficits, steep spending cuts, sizable tax increases, or some combination of the three. Given the federal government's (and many provincial governments') expanding deficits, it is likely some or all of these measures will be required in any case, even with Alberta overcontributing for its part. Put differently, as quickly as deficits are rising across Canada, they would be growing much faster without overcontributions from Alberta.

7 These figures are based mainly on Statistics Canada's provincial and territorial economic accounts, which differ slightly from those presented in the federal budget due to accounting differences. For instance, these figures measure federal revenues and expenditures for the calendar year, while data in the budgets use fiscal years. In addition, aggregated federal deficit figures include the fiscal balances of the three territories, as well as revenues and expenditures from overseas sources (all of which are small net negatives). This difference accounts for the discrepancy between the aggregate provincial fiscal balances and the aggregate federal balance presented here.

Contextualizing Alberta's Outsized Fiscal Contributions to the Other Parts of Canada

Alberta clearly contributes significant federal revenues for the benefit of all Canadians. This section puts Alberta's financial contributions in perspective by highlighting how much the federal GST rate would need to increase to offset the decline in the net federal revenue if Alberta were an average contributor to federal finances rather than a large net contributor.

The federal goods and services tax (GST) is a tax paid on most goods and services in Canada. It is a broad tax that is visible to and paid by all Canadians. The GST is currently five percent.⁸ Relying on Statistics Canada's Social Policy Simulation Database and Model (SPSD/M, V 30.1),⁹ the following analysis uses a series of interactive calculations to determine what the GST rate would have had to be to fund the status quo scenario were Alberta an average contributor to federal finances. The analysis is based on 2022/23 data as it is the latest year available.

The SPSD/M model provides static estimates, which means that it does not account for behavioural responses to a higher GST rate. For instance, it does not account for the fact that people's consumption habits may change (i.e., they may consume less) if the government imposed a higher GST rate. As a result, this revenue estimate is likely overstated because any increase in the GST rate would likely yield less federal tax revenue collected than this calculation estimates. This means that, in all likelihood, the GST rate would need to rise even higher than calculated here to cover the shortfall.

Table 1 includes the assumptions used in this calculation. The first calculation is the "status quo," which uses the current five percent GST rate and related GST credit to create a baseline for net federal tax revenues (total tax revenues less total transfers) of \$123.1 billion.¹⁰ The GST credit is a tax-free payment that helps families up to a certain income level to offset a portion of the GST paid. The GST credit is based on family income and the number of dependent children. In 2022, a single person with income less than \$39,826 was eligible for a GST credit of \$306.00, and with incomes higher than \$39,826 received a tax credit reduced by 5 percent until the value of the tax credit reached zero. Increasing

8 Although the intention of this exercise is purely illustrative, it is worth noting that the GST is often favoured by economists as it is one of the most efficient taxes in that it imposes the least economic damage. See Clemens, Veldhuis, and Palacios (2007), and Ferede and Dahlby (2016) for more information.

9 SPSD/M is a microsimulation tool specifically designed for analyzing the tax and transfer system in Canada.

10 This is calculated as federal taxes less transfers plus federal GST on housing.

either the adult or the child benefit amount would have also increased the total value of the benefit and, thus, the GST credit transfer to families that year.

Table 1: Assumptions for Status Quo and Alternative Scenarios for GST

GST RATE	2022 Status Quo	Alternative Scenario (cost estimate = -16.9 billion)
GST Rate (%)	5.00%	7.20%
GST credit reduction level (\$)	39,826.00	39,826.00
GST credit amount for filer (\$)	306.00	440.60
GST credit amount for spouse (\$)	306.00	440.60
GST credit amount for dependant (\$)	161.00	231.80

Source: Statistics Canada, 2024c, SPSD/M (Database 30.1) base year 2018; calculations by authors.

After analyzing the baseline scenario (“status quo”), we calculate an “alternative scenario” to determine the GST rate and corresponding tax credit amount required to offset the net loss in federal revenues were Alberta an average contributor. In this alternative scenario, the federal GST tax credit amount increases proportionally to the GST rate to ensure that families receive a proportionally higher tax credit and are not made worse off than under the status quo scenario. An increase in the GST credit, therefore, reduces the amount of GST revenues collected and is factored into the calculation.

Recall that Alberta was a large net contributor to the federal finances (\$14.2 billion) in 2022/23 because Alberta paid more in federal revenue (\$60.4 billion) than it received back in federal spending (\$46.1 billion) that year. This makes Alberta a bit of an outlier. As mentioned (and shown previously in figure 13), Alberta was one of only three provinces in Canada (along with BC and Ontario) that was a net financial contributor federally in 2022. The rest of the provinces, meanwhile, were net-takers. When excluding Alberta, the other nine provinces, on average, contributed \$42.8 billion to federal revenues in 2022/23, but received \$45.5 billion back in federal spending—a difference of -\$2.7 billion.

To assess the federal fiscal shortfall if Alberta were an average contributor, rather than a large net contributor, we assume Alberta contributed the same as the other provinces on average to federal revenues in 2022/23 (\$42.8 billion) and received the same back on average in federal spending (\$45.5 billion). In this scenario, the federal government would have collected a total of \$428.5 billion in revenues and spent a total of \$455.3 billion (as opposed to actual revenues of \$446.0 billion and \$455.9 billion in spending). In total,

on net, the federal government would collect \$16.9 billion less in total federal revenue if Alberta were an average contributor rather than a large net contributor.

Put differently, the federal government would need to generate nearly \$17 billion in additional revenue to cover the fiscal difference if Alberta were an average contributor rather than a large net contributor. Increasing the federal GST rate by more than two percentage points, to 7.2 percent, would generate sufficient funds (\$17.1 billion) to cover the \$16.9 billion loss in revenues.¹¹ In this scenario, for net federal tax revenues of \$140.2 billion, a single person earning less than \$39,826 in income would be eligible for a tax credit of \$440.60 (compared to \$306.00 in the status quo scenario). As mentioned, it is important to note that this retroactive calculation does not account for behavioural responses to a higher GST rate, such as lower consumption (and thus lower tax revenues).

To summarize, if Alberta were an average contributor in 2022/23, the federal government would have faced a \$16.9 billion shortfall in revenues. To cover this revenue loss, the federal GST rate would have had to increase more than two percentage points to at least 7.2 percent. These results further emphasize Alberta's significant and important role in funding federal initiatives and limiting the overall tax burden on Canadians.

11 This analysis is based on the SPSD/M. The assumptions and calculations underlying the simulation results were prepared by the authors and the responsibility for the use and interpretation of these data is that of the authors.

Conclusion

Alberta continued to contribute disproportionately to Canada's economic growth and fiscal health in 2022. Supporting the province's economic growth is important not only to Albertans but to other Canadians who stand to benefit from the province's outsized contributions to the federation. Put differently, a prosperous Alberta helps fund fiscal transfers to other provinces and territories, indirectly finances federal spending across Canada, and offers better employment opportunities to Canadian workers.

Unfortunately, several federal policies limit Alberta's energy industry and, thus, its economy by reducing the province's competitiveness internationally in attracting investment. This problem is compounded by high federal personal income taxes on top-income earners and a complex regulatory picture that reduces confidence in Alberta (and Canada at large) as a destination for international capital. Even with these challenges, Alberta outperformed most other provinces economically in 2022 and continues to overcontribute to federal finances, as it has done for decades. With supportive, instead of restrictive, federal policies, Alberta can be even stronger economically, to the benefit of all Canadians.

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About the Authors

TEGAN HILL is director of Alberta Policy at the Fraser Institute. She holds a Bachelor of Economics and a Master's Degree in Public Policy from the University of Calgary. Ms. Hill's articles have appeared in major Canadian newspapers including the *Globe and Mail*, *National Post*, and *Ottawa Citizen*. She specializes in government spending, taxation, and debt.



NATHANIEL LI is a senior economist at the Fraser Institute. He holds a B.A. from the Fudan University in China and a Ph.D. in Food, Agricultural and Resource Economics from the University of Guelph.



SPENCER GUDEWILL is a summer 2024 research intern at the Fraser Institute. He holds a Bachelor of Commerce from Queen's University and a Master of Public Policy from the University of Chicago.



MILAGROS PALACIOS is director of the Addington Centre of Measurement at the Fraser Institute. She holds a B.Sc. in Industrial Engineering from the Pontifical Catholic University of Peru and an M.Sc. in Economics from the University of Concepción, Chile. Ms. Palacios has authored or co-authored over 150 comprehensive research studies, 100 commentaries, and four books. Her recent commentaries have appeared in major Canadian newspapers such as the *National Post*, *Toronto Sun*, *Windsor Star*, and *Vancouver Sun*.



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