

# A measure of poverty in Canada

*A guide to the debate about poverty lines*

**Greg deGroot-Maggetti**  
March 2002

CITIZENS *for* PUBLIC JUSTICE



The United Nations designated 1996 the International Year for the Eradication of Poverty. Sadly, poverty statistics for 1996 show that Canada came nowhere near to meeting that goal.

*Poverty Profile 1996: A Report by the National Council of Welfare*

The fact is that poverty, as it has been traditionally understood, has been virtually eliminated. It is simply not a major problem in Canada.

Christopher Sarlo, *Poverty in Canada*

# Table of Contents

**A MEASURE OF POVERTY IN CANADA .....3**

    POVERTY LINES .....3

    A TYPOLOGY OF POVERTY LINES .....4

**CHOOSING AMONG DIFFERENT MEASURES OF POVERTY.....6**

    • VALUES .....7

*A biblical perspective on poverty* ..... 8

    • OUTCOMES.....9

*The impact of income on children’s health* ..... 11

    • CUSTOM .....12

**SOCIAL EXCLUSION: A MORE DETAILED LOOK.....14**

**CONCLUDING THOUGHTS .....15**

**POVERTY MEASURES: A SAMPLING.....17**

**CITIZENS for PUBLIC JUSTICE.....18**

**NOTES .....19**

## A Measure of Poverty in Canada

“Who is poor in Canada? Ask this question and you will become part of an ongoing debate on the differing concepts of poverty and the ways poverty is measured in this country.”<sup>1</sup> This is how Human Resources Development Canada begins a report on the latest measure of poverty developed by the federal, provincial and territorial governments.’

Throughout the 1990s the public was presented with figures showing an increase in the number of Canadians living in poverty. Even at the end of the decade, when the economy was booming, poverty figures dropped only slightly.<sup>2</sup> Yet, not everyone agrees with these figures. It all depends on how you define poverty and on how you measure it.

The fact that poverty in Canada has risen is reflected in a growing reliance on food banks and emergency shelters. *Hunger Count 2000* reported that food bank use grew by 96% between 1989 and 2000.<sup>3</sup> Food bank use even rose during a period of strong economic growth, increasing 9.4% between 1997 and 2000. The crisis of homelessness and the lack of adequate housing has become a problem that cannot be ignored. The problem is evident not only in the growing numbers of people living on the street and sleeping in emergency shelters, but by the fact that youth and young families are the fastest growing groups of homeless people.<sup>4</sup>

Yet, when Canadians refer to the number of people living in poverty, they are usually referring to calculations based on one or another poverty line. Here is where the debate over the extent of poverty usually takes place.

### Poverty Lines

There is no shortage of poverty measures in Canada. The federal government has developed no less than five measures.<sup>5</sup> In addition, social planning councils and individual researchers and other organizations have developed their own measures of poverty. Provincial social assistance rates present yet another, albeit implicit, set of poverty lines.

The plethora of measures can make it difficult to judge the extent of poverty in Canada.

Alternative poverty measures are often classified into those which are absolute and those which are relative. “The standard distinction in the literature is between absolute and relative definitions of poverty,” writes Christopher Sarlo. “The former approach focuses on the lack of basic necessities while the latter emphasizes inadequacy compared to average living standards.”<sup>6</sup> David Ross and Richard Shillington make a similar distinction:

The first approach is based on the belief that one can determine an absolute measure of poverty by examining the essentials necessary for physical survival. The resultant cost of this basket of essential goods and services is an objective dollar measure of poverty.

At the other definitional extreme is the relative approach, which is founded on the belief that any definition of poverty must take into account social as well as physical well-being. The relative approach ... argues someone who has so little that he or she stands out in relation to the surrounding community will rightly feel deprived.<sup>7</sup>

Christopher Sarlo, a proponent of an absolute measure of poverty, admits that the distinction between absolute and relative is not hard and fast. “There is a sense in which the distinction is artificial. Any operational definition must be relative because what is considered to be a necessity depends to some extent on the conditions in the larger society in which one is a member.”<sup>8</sup>

This view is reflected in the Federal/Provincial/Territorial Working Group on Social Development Research’s new Market Basket Measure. “The Market Basket Measure is based on the concept of ‘necessaries’ which was defined by Adam Smith as ‘whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without.’”<sup>9</sup>

### **A typology of poverty lines**

Michael Goldberg and Jane Pulkingham provide a useful framework for classifying different measures of poverty. They distinguish measures both in terms of their restrictiveness versus inclusiveness, and according to the way the measure is constructed.

Poverty lines can be either restrictive or inclusive. This terminology avoids the ambiguity in classifying measures as absolute or relative. However, the definitions of restrictive and inclusive closely correspond to definitions of absolute and relative that are widely understood.

‘Restrictive’ measures of poverty conceptualize poverty as that point at which people’s physical/medical survival is at risk. Such restrictive measures attempt to identify what constitutes the ‘basic level of subsistence’ (usually food, clothing, and shelter) required to remove someone from poverty.

‘Inclusive’ measures of poverty conceptualize poverty as the cost of meeting the physical, emotional, social, and spiritual needs of individuals and families. Inclusive measures argue that

poverty is not simply about physical survival, but is about being able to participate in the day-to-day life of society/community.<sup>10</sup>

Goldberg and Pulkingham also differentiate according to the method used to calculate poverty measures: consumption basket, equity-based, and mixed consumption and equity-based measures. Consumption basket measures start by identifying goods and services considered as basic necessities and calculating what it would cost a person to attain all of these. Equity-based measures define the poverty line as some fraction of average or median income. Mixed consumption and equity-based measures, such as the Statistics Canada Low Income Cut-offs (or LICOs), combine elements of both the consumption basket and equity based approach.

Goldberg and Pulkingham’s system of classifying poverty lines offers six possible categories.

| <b>Measure:</b>          | <b>Restrictive</b> | <b>Inclusive</b> |
|--------------------------|--------------------|------------------|
| Consumption basket       |                    |                  |
| Mixed consumption/equity |                    |                  |
| Equity based             |                    |                  |

This way of classifying poverty lines offers greater clarity in distinguishing between alternative measures. Sarlo, for instance, criticizes the Statistics Canada LICOs and the Canada Council on Social Development median income measure as being measures of relative income, not of poverty. Sarlo’s own poverty line is a consumption basket measure. But the Social Planning Council of Toronto has produced a consumption basket measure which yields a much higher poverty line than Sarlo’s. Human Resources Development Canada’s Market Basket Measure is a consumption basket measure which falls in between the two. The Montreal Diet Dispensary produces both a basic needs guide (restrictive) and a minimum adequate standards measure (inclusive) both of which are consumption basket measures. Appendix A (p.17) gives more detail, including figures to compare.

| <b>Measure:</b>          | <b>Restrictive</b>  | <b>Inclusive</b>                |
|--------------------------|---|---------------------------------|
| Consumption basket       | Welfare, Sarlo, Montreal Diet Basic, MBM, Montreal Standard, SPARC, MTSPC |                                 |
| Mixed consumption/equity | Low Income Cut-Offs   |                                 |
| Equity based             | Low Income Measures   | CCSD Lines of Economic Equality |

Another important distinction in comparing different measures is whether they are calculated before or after taxes. All consumption basket measures are after-tax measures. Statistics Canada produces both before and after-tax LICOs and LIMs. In their most recent income reports, Statistics Canada has emphasized after-tax measures. The intuitive reasoning makes some sense. After-tax income represents what people have to spend. However, the after-tax LICO – and the new Market Basket Measure – only deduct income taxes. The Canadian Council on Social Development has pointed to a shortcoming of these measures.

The CCSD has argued that the shift to after-tax LICOs as they are presently calculated is problematic for a number of reasons, the most important being that not all taxes are taken into account, such as payroll taxes and consumption taxes which bear most heavily upon the less affluent. Consequently, the proposed after-tax LICOs take account only of the progressive aspects of the overall tax system, and make no adjustment for the flat or regressive tax elements.<sup>11</sup>

## **Choosing among different measures of poverty**

The range of available poverty measures presents difficulties in deciding which is most appropriate. Goldberg and Pulkingham consider that whatever approach is taken, creating a poverty line requires some “arbitrary decisions.”<sup>12</sup>

The consumption-based approach requires many decisions about what goods and services are considered in the measure. For example, should different food baskets be used based on age? should the cost of a haircut be included? should transportation costs include having a car or, assuming public transportation is available, should monthly public transportation passes be used in measuring the costs or should a certain number of individual fares be used to determine the cost?

Similar problems exist for the mixed and equity-based approach. For example, how many percentage points should be added to average expenditures to set the poverty line? Why use only food, clothing, and shelter rather than food, shelter and transportation, which the Family Expenditure survey shows are the three areas of greatest expenditure for families? Should mean or median income be used in determining the average income? Should averages take into account differences based on age (experience)?<sup>13</sup>

Let us consider three criteria that could be used for choosing among different poverty lines: values, outcomes, and custom.

## • Values

Whatever poverty line one chooses, the choice will reflect one's values. This is the case whether or not the values are explicitly stated. In fact, the very discussion about poverty lines assumes a value decision that there is something wrong with poverty.

“Whether we define poverty in terms of a given level of income compared to the average (an income line) or in terms of the cost of a basket of goods and services compared to the average, we still have to settle on how great a distance we want to exist between ‘the poor’ and others who live in the same society,” observes the Canadian Council on Social Development. “It is really a matter of values how great a distance we are prepared to accept between ‘the poor’ and the rest of society.”<sup>14</sup>

Faith-based groups like the Interfaith Social Assistance Reform Coalition and Citizens for Public Justice work on the basis of core values for public justice. These values include: human dignity, social justice, mutual responsibility, economic equity, environmental integrity, and fiscal fairness.<sup>15</sup>

The principle of social justice is defined as “the right of all persons and communities to full participation in the life and decision making of Canada, and to adequate access to the resources necessary for a full life, including access to adequate education, health care, housing and child care, and our communal duty to use such resources responsibly.” The principle of economic equity is similarly defined as: “the right of all persons and communities to adequate access to the resources necessary for a full life, including worthwhile work, fair employment conditions and income-security provisions, and our communal duty to use such resources responsibly.”

In a position paper on poverty, the Evangelical Fellowship of Canada states: “Poverty exists when persons, associations or institutions lack the resources and space they need to fulfil their God-given responsibilities and callings.”<sup>16</sup> The EFC paper explains that the proposed definition offers a variety of advantages. It recognizes that poverty is multi-dimensional. It allows for a distinction between needs and wants. It reminds us that we must discern who is poor in a context. “People did not need the same types of resources and space to live their lives in 1000 AD as they do in 2000 AD, nor do people living in the inner city of Edmonton need the same resources and space as people living in a small farm in China.” The definition acknowledges that the needs and resources people or institutions require will differ according to their specific callings. Finally it recognizes that poverty is a “human, social and relational reality.”<sup>17</sup>

These core values embraced by CPJ and ISARC, as well as the EFC's definition of poverty, reflect clearly the biblical foundations of Christian faith which also inspires the work of the Citizens for Public Justice. The emphasis on “adequate access to the resources necessary for a full life” echoes the words of Jesus Christ when he proclaims “I came that they may have life, and have it abundantly (John 10:10).” Christians understand that we will only have life to the full when Christ comes again.



In the meantime, Christians are commissioned to bear witness to the reign of God even as they pray in the words of Jesus, “your kingdom come, your will be done, on earth as it is in heaven (Matt. 6:10).”

### ***A biblical perspective on poverty***

These core values present a vision of full participation and incline towards an inclusive measure of poverty. They favour a definition that is generous in its scope. Again this follows from Jesus’ teaching about the reign of God, particularly as seen in the parable of the vineyard workers. In that parable, the owner of the vineyard goes to the market to hire labourers, returning several times to hire all the workers who have not found work. At the end of the day, when it comes time to pay the workers, the owner orders that the last who are hired be paid first and gives them a full day’s pay. When the workers who were hired at the beginning of the day grumble at getting the same pay, the owner responds:

Friend, I am doing you no wrong; did you not agree with me for the usual daily wage? Take what belongs to you and go; I choose to give to this last the same as I give to you. Am I not allowed to do what I choose with what belongs to me? Or are you envious because I am generous?’ (Matt 20:13-15)

Most people today, even many Christians, sympathize with the workers in the story who were hired at the beginning of the day. It reflects how thoroughly we are imbued with the values of the present age, where it is presumed that one’s worth is measured by the amount or type of work one does.

Yet, the story must be seen in its context. It relates back to laws in the books of Leviticus and Deuteronomy. In Jesus’ parable, the owner pays the wages at the end of the day just as the law in Leviticus stipulates: “You shall not keep for yourself the wages of a labourer until morning (Lev. 19:13).” Deuteronomy elaborates on the reason for the law. “You shall not withhold the wages of poor and needy labourers, whether other Israelites or aliens who reside in your land in one of your towns. You shall pay them their wages daily before sunset, because they are poor and their livelihood depends on them (Deut. 24:14-15).”

The parable of the vineyard workers is about poverty. The owner hires all the workers to ensure that they will have employment that day. He pays the full day’s wage even to those who only worked a short time because they are poor and need the money to meet their needs and carry out their responsibilities towards those who depend on them.

The attitude of generosity toward the poor expressed in the parable of the vineyard workers shows that the reign of God proclaimed by Jesus fulfills the law laid out in the Hebrew scriptures. “Since there will never cease to be some in need on the earth,

I therefore command you, "Open your hand to the poor and needy neighbour in your land. (Deut. 15:11)."

The principle of human dignity likewise derives directly from biblical faith. The book of Genesis, at the very beginning of the bible, affirms the dignity of the human person. "So God created humankind in his image, in the image of God he created them; male and female he created them (Gen. 1:27)." The dignity of the human person comes from being created in the image of God. And Jesus explains that whatever we do to fellow humans we do to God. "Truly I tell you, just as you did it to one of the least of these who are members of my family, you did it to me." And "just as you did not do it to one of the least of these, you did not do it to me (Matt. 25:40,45)."

If one approaches the question of present-day poverty lines from the perspective of the biblical values above, one is bound to favour a more inclusive measure, a measure that allows for full participation in the life of the community, not merely physical survival.

#### • **Outcomes**

A second criterion for judging among poverty lines is to examine how each measure relates to desired social outcomes.

Christopher Sarlo offers the following definition of poverty. "Someone is in a state of poverty if he lacks *any* item required to maintain long term physical well-being."<sup>18</sup> He states that "Poverty means a genuine deprivation of life's basic necessities. It means that people cannot obtain a nutritious diet, warm, dry and safe housing, clean clothing appropriate to climate, sufficient personal hygiene items and health care. The absence of one or more of these 'necessities' compromises long term physical well-being."<sup>19</sup>

Sarlo constructs his market basket measure on the basis of a set basket of such necessities. He rules out from the beginning that inequality provides any meaningful measure of poverty. Therefore, he makes no effort to see whether there is any correlation between inequality and long-term health.

However, there is an extensive literature which shows a strong correlation between inequality and poor health and which suggests that poverty has a relational dimension. Let us examine what is known about the relationship between income and health.

"Income and social status are the most important determinants of health," reports Health Canada.<sup>20</sup> "There is conclusive evidence that people at each level of the income scale are healthier and live longer than those at the level below. Moreover,

countries in which incomes are more evenly distributed have a healthier population in terms of life expectancy, quality of life and mortality rates.”

What poses a threat to the long-term physical health of a person? Beyond a certain level of social wealth, i.e. when a nation’s per capita income is above \$5,000 roughly, it is not simply the lack of one or another specific thing. “It is the extent of their social distance down the rank of the [social and economic] hierarchy that is the high risk condition.”<sup>21</sup>

Marvyn Novick reviews some of the research findings of international studies on the relationship between inequality and health. “Comparing two countries in which the poor have equal incomes, the one in which the rich are wealthier is likely to have a higher infant mortality rate.”<sup>22</sup> Novick concludes that “The persistence of income inequalities in developed countries would explain why ‘social class differences in health have not narrowed despite growing affluence and the fall of absolute poverty.’”<sup>23</sup>

Novick explains that “Mortality, morbidity and incarceration have become the hard outcome measures used to examine the social impacts of national economies on given populations.” He provides several examples to illustrate the connection between inequality and social outcomes.

The United States is a world example of a wealthy nation with deep economic and social inequalities. The impacts of these inequalities are evident in social outcomes. ... Cuba, with a GNP per capita of \$1,200, and the U.S. with a GNP per capita rate of \$26,000, both have the same under-five child mortality rates of 10 per 1000. Germany’s rate is 7 per 1000. If the U.S. rate were that of the Germans, 12,000 fewer children would die each year in the United States.

Imprisonment rates in the United States are the highest in the developed world at 529 per 100,000. Canada’s rate is 130 per 100,000. The rate in most European countries are between 60-90 per 100,000....<sup>24</sup>

Inequality as well as physical poverty obviously affects the well-being of people. And as the examples above demonstrate, high levels of inequality have significant social costs.

More detailed research into the link between income and health provides greater direction for effective public policy. David Hay concludes that “it seems likely ... that current health status depends more on *the cumulative effect of income over time* than the effect of present income on present health status.”<sup>25</sup>

The consequence Hay draws for policy making “is that the improvement of the social conditions of children in lower income families is a public policy challenge.”<sup>26</sup>

If lifetime income trajectories, and particularly family conditions during childhood, are important determinants of health status, then we may need long-term programs to raise lower income levels, rather than short-term attempts to improve health status.<sup>27</sup>

Novick refers to this long-term task as one of developing social cohesion.<sup>28</sup>

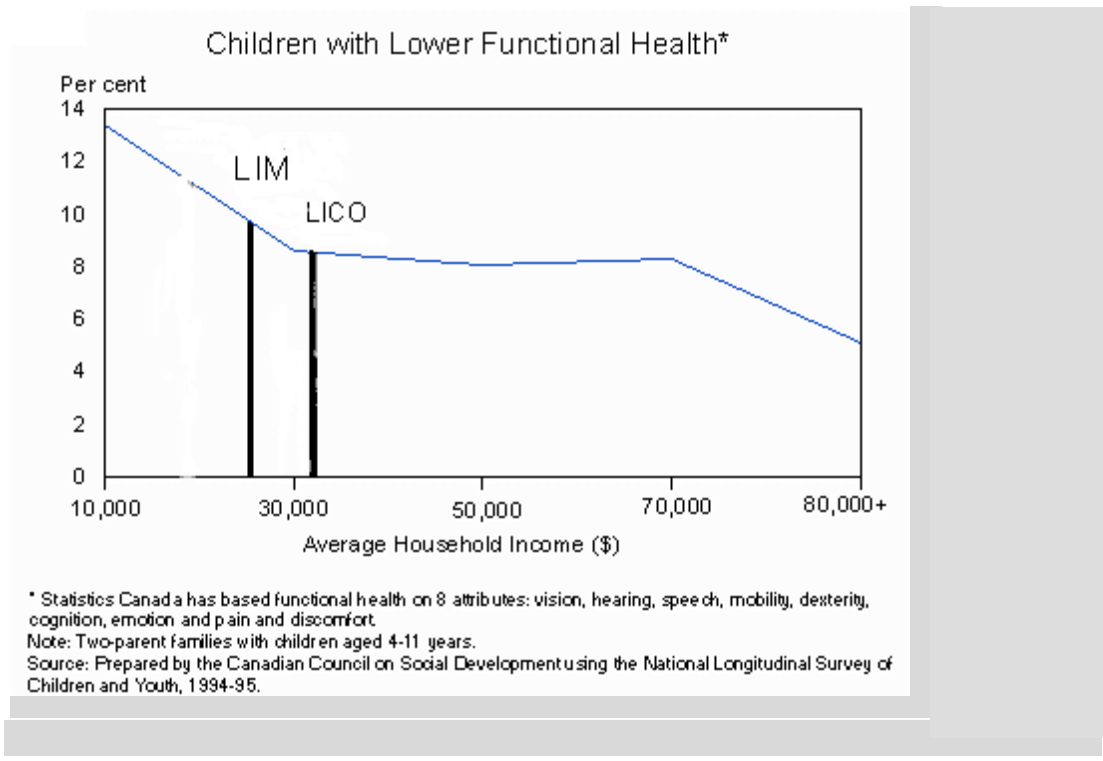
*To sum up so far, if we define poverty as a situation that threatens the long-term physical well-being of a person, inequality is clearly an important determinant. If we accept that one of our social goals is to improve the long-term physical health of Canadians, the task involves reducing the level of inequality.*

### ***The impact of income on children’s health***

The following chart, “Children with Lower Functional Health,” plots the relationship between average household income for a two-parent family with children and the functional health of children aged 4-11 years of age.<sup>29</sup> The probability of experiencing poor functional health declines from roughly 13% to 8% as family income rises from \$10,000 to close to \$30,000. Between \$30,000 and \$70,000, the risk of poor functional health remains relatively constant. Beyond household income of \$70,000, the risk of poor functional health declines further.

From a public policy perspective, there appear to be health gains to be had from increasing the number of families whose incomes are approximately \$30,000. We can compare this figure to alternative measures of low income. The LICO in 1996 for a family of four living in a large city was \$32,238 (using the 1992 base). The 1996 Statistics Canada Low Income Measure for a family of four is \$25,304.

Taking into account research on the relationship between income and health together with information from the National Longitudinal Survey of Children and Youth, we gain insight into the adequacy of alternative low income measures. If one goal of public policy is to improve the long-term health of Canadians and the cost of health care, the Statistics Canada LICO seem to provide a relevant measure of poverty.



• **Custom**

The Market Basket Measure, following Adam Smith, defines necessities as “whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without.”<sup>30</sup> This definition is not unlike the one proposed by John Kenneth Galbraith:

People are poverty-stricken when their income, even if adequate for survival, falls markedly behind that of the community. Then they cannot have what the larger community regards as the minimum necessary for decency; and they cannot wholly escape therefore, the judgement of the larger community that they are indecent. They are degraded for, in a literal sense, they live outside the grades or categories which the community regards as acceptable.<sup>31</sup>

Christopher Sarlo likewise refers to a customary understanding of poverty when developing his poverty measure:

The understanding that most people retain of the term poverty, in spite of efforts to redefine it, is the traditional one. Poverty means a genuine deprivation of life’s basic necessities. It means that people cannot obtain a nutritious diet, warm, dry and safe housing, clean clothing appropriate to climate, sufficient personal hygiene items and health

care. The absence of one or more of these “necessities” compromises long term physical well-being.<sup>32</sup>

The Gallup polling company has conducted public opinion polls to determine what custom would define as a poverty line. People were asked “What is the minimum weekly amount of income required for a family of four, consisting of two adults and two children?”<sup>33</sup> The responses were then translated into annual income needs. The resulting measure of necessary annual income for a family of four in 1996 was \$29,637. This common sense measure of poverty falls much closer to the Statistics Canada LICO for a family of four in a large city (\$32,238 in 1996) than to Christopher Sarlo’s poverty line (\$19,517). Apparently people’s understanding of poverty means more than a “deprivation of life’s basic necessities.”

This common sense understanding of poverty is reflected in responses of children to the question “What does poverty mean?”

***Poverty Is...***

Not being able to go to McDonald's  
Getting a basket from the Santa Fund  
Feeling ashamed when my dad can't get a job  
Not buying books at the book fair  
Not getting to go to birthday parties  
Hearing my mom and dad fight over money  
Not ever getting a pet because it costs too much  
Wishing you had a nice house  
Not being able to go camping  
Not getting a hot dog on hot dog day  
Not getting pizza on pizza day  
Not being able to have your friends sleep over  
Pretending that you forgot your lunch  
Being afraid to tell your mom that you need gym shoes  
Not having breakfast sometimes  
Not being able to play hockey  
Sometimes really hard because my mom gets scared and she cries  
Not being able to go to Cubs or play soccer  
Not being able to take swimming lessons  
Not being able to afford a holiday  
Not having pretty barrettes for your hair  
Not having your own private backyard  
Being teased for the way you are dressed  
Not getting to go on school trips.<sup>34</sup>

The examples given by children reflect both absolute need (“not having breakfast sometimes,” for instance) and the sense of exclusion from not having enough to participate in activities that their peers can (“not being able to go to Cubs or play soccer,” for example).

The custom of our time – reflected in the opinions of children as well as adults – presents a broader grasp of poverty that reflects an understanding that social exclusion, not just lack of basic necessities, is an important dimension of poverty.

## **Social Exclusion: a more detailed look**

Human Resources Development Canada has begun looking in more detail at how the threat of social exclusion affects different groups in Canada.<sup>35</sup> HRDC wanted to know whether the increased use of food banks and the increased incidence of homelessness was just the tip of the iceberg of a deeper social problem. They also wanted to look into some of the longitudinal studies that show that poverty is often a short term phenomenon for families. Their findings offer helpful insights that get below the surface of aggregate measures of poverty.

First, although there may be no consensus on measuring poverty, Canada has a significant poverty problem whatever the poverty measure used.

Second, the face of poverty is changing. Some Canadian families face a high risk of being poor. When we disaggregate the data, separating out high risk groups – e.g. families headed by lone parents, new immigrants, and disabled persons – from all other families, there are two clearly distinct experiences. High risk families experience much higher rates of poverty, more severe poverty, and more prolonged poverty than other families. (Aboriginal families also experience high rates of poverty, but the data sets used for the study did not include statistics on Aboriginal households.)

Third, high poverty groups represent over half of poor families. In 1997, the proportion of high poverty groups made up more 53.9% of all poor families, whereas in 1985 they accounted for 41% of poor families.

Fourth, one in twenty Canadians is persistently poor, as defined by having income below the low income cut-off for four or more years. High poverty family types make up two-thirds of the persistent poor.

Fifth, young families – those with the head of household under 30 – are becoming extremely vulnerable to poverty. Poverty rates for young families are nearly double those for older families, both for high poverty family types and other family types.

Sixth, poverty is becoming more concentrated in high poverty neighbourhoods. The number of neighbourhoods with more than double the national family poverty rates increased from 334 in 1980 to 567 in 1995. A rising share of the poor are living in very poor neighbourhoods in our urban centres. This phenomenon increases the potential threat of social exclusion.

Seventh, high poverty groups are the last to benefit from economic expansion. For the first time in recent Canadian experience, the economic recovery of the 1990s has failed to significantly reduce the rate of poverty in Canada. There are two reasons for this result. Gains in market income were weaker in the early stages of that recovery than in the 1980s. Also, income support decreased for low income families.

The HRDC researchers conclude that there is a rising risk of an underclass that is trapped in persistent poverty, geographically concentrated, and more likely to experience intergenerational transmission of disadvantage.

## **Concluding thoughts**

Canada suffers no poverty of poverty measures. Indeed the number and variety of measures can be a considerable source of confusion. The Statistics Canada LICOs have been used to measure low incomes in Canada for over 30 years. They have also served as rough poverty lines in the absence of an official poverty line. The LICOs are relatively inclusive measures. The fact that the number of people with incomes below the LICOs has increased significantly over the past decade has led some people to question their relevance as measures of poverty.

Confusion about the poverty rate in Canada can arise when two different measures are compared with no further explanation. For instance, the rate of poverty in Canada in 1996 as measured by the Low Income Cut-Offs was 17%. According to the Market Basket Measure, the rate was only 12%.<sup>36</sup>

However, the rise in poverty as measured by the LICOs has corresponded to heavy increases in the use of food banks and emergency shelters over the same period. The long-term trend using alternate poverty measures has likewise demonstrated a deteriorating situation. The traditional LICOs do seem to provide relevant information about long-term health when related to findings on the relationship between income levels and social outcomes such as functional health of children. For these reasons, it would seem premature to abandon LICOs as a measure of poverty.

Other measures of poverty provide different advantages and disadvantages. Low Income Measures, for examples, are helpful for international comparisons. The Market Basket Measure better reflects the cost of living in different cities.



Ultimately, the discussion of poverty lines reflects the values we hold for our society. Do we value a society in which all people possess the means to participate fully in the life of their communities? Are we comfortable with having large differences in income levels? Are we willing to accept increasing reliance on emergency food and shelter by a growing proportion of our population? What social outcomes do we value – do they include improved prospects for long-term health?

Choosing a poverty line depends on how high or how low we set our sights for the well-being of the materially disadvantaged in our society. The measure of poverty we choose can serve as an indicator of how close or how far we are as a society from meeting objectives. However, it does not provide a road map for reaching those objectives. That remains a challenge to all levels of society – from businesses and households, to local communities, municipalities, provincial and federal governments.

*Greg deGroot-Maggetti is Socio-Economic Concerns Coordinator for the Citizens for Public Justice.*

## Appendix A

### Poverty Measures: A Sampling

The following figures are for the year 2000 (except where otherwise indicated) and are based on a household of four people (two adults and two children) in a large urban area (500,000 or more people). The consumption basket measures are based on the costs of purchasing the basket of goods and services in specific regions. Examples are provided for Quebec, Ontario and British Columbia. By contrast, the mixed consumption/equity measures and equity based measures are produced on a national basis. More complete figures for all provinces and different household sizes can be found in the sources below.

|  | Quebec   | Ontario  | B.C.     |
|--|----------|----------|----------|
| <b>Consumption Basket Measures</b>                 |          |          |          |
| Social Planning Council of Metropolitan Toronto    |          | \$44,668 |          |
| Social Planning and Research Council of B.C.       |          |          | \$29,111 |
| Montreal Diet Dispensary Minimum Adequate Standard | \$21,697 |          |          |
| Market Basket Measure                              | \$21,303 | \$26,899 | \$26,901 |
| Montreal Diet Dispensary Basic Needs               | \$19,008 |          |          |
| Fraser Institute                                   | \$15,681 | \$18,603 | \$19,754 |
| <hr/>  |          |          |          |
|  |          | National |          |
| <b>Mixed Consumption/Equity Measures</b>           |          |          |          |
| Low Income Cut-off (pre-tax)                       |          | \$34,572 |          |
| Low Income Cut-off (after tax)                     |          | \$29,163 |          |
| <hr/>  |          |          |          |
| <b>Equity Based Measures</b>                       |          |          |          |
| CCSD Lines of Income Inequality                    |          | \$33,912 |          |
| Low Income Measure (pre-tax) [1999]                |          | \$27,986 |          |
| Low Income Measure (after-tax) [1999]              |          | \$23,804 |          |

*Sources:* The low-income cut-offs and low income measures come from *Low Income Cut-offs 1991-2000 and Low Income Measures 1990-1999*, Statistics Canada, Income Statistics Division, 75F0002MIE - 01007. All other figures come from *The Canadian Fact Book on Poverty – 2000*, David P. Ross, Katherine J. Scott and Peter J. Smith, Canadian Council on Social Development. *The Canadian Fact Book* includes a more detailed discussion of the various poverty measures and how they are calculated as well as pointing out pros and cons of the different measures. Another source for discussion of various poverty lines and how they are calculated is *A New Poverty Line: Yes, No or Maybe? A Discussion Paper from the National Council on Welfare*, Winter 1998-99.

# CITIZENS *for* PUBLIC JUSTICE

**Citizens for Public Justice** was founded in 1963 by Canadian justice-oriented Christians who believe that governments (and all other institutions) have a responsibility for the common good. To that end, CPJ is a research and education organization which responds to God's call for love, justice and stewardship in the understanding and discussion of core values and faith perspectives in Canadian public policy debates. To fulfill these aims it undertakes research, critical analysis, publishing and citizen education primarily on the issues of poverty and child poverty, refugee concerns, and Aboriginal rights. CPJ is a charitable organization, registered under the name the CJL Foundation.

*Mail:* #311 – 229 College Street  
Toronto, Ontario  
M6H 3A3

*Phone:* 416-979-2443  
1-800-667-8046

*Fax:* 416-979-2458

*Email:* [cpj@cpj.ca](mailto:cpj@cpj.ca)

**[www.cpj.ca](http://www.cpj.ca)**



## Notes

<sup>1</sup> Human Resources Development Canada, “The Market Basket Measure – Constructing a New Measure of Poverty,” *Applied Research Bulletin*, Summer-Fall 1998, Vol. 4 No.2.

<sup>2</sup> Statistics Canada, *Income in Canada: 1999*, 75-202-XIE

<sup>3</sup> Beth Wilson with Carly Steinman, *Hunger Count 2000: A Surplus of Hunger*, for the Canadian Association of Food banks, October 2000.

<sup>4</sup> *Taking Responsibility for Homelessness: An Action Plan for Toronto. Report of the Mayor’s Homelessness Action Task Force*. City of Toronto, January 1999, p. 50

<sup>5</sup> Low-income cut-offs (LICOs), Low income measures (LIMs), Low income after tax cut-offs, Low income after tax measures, and the Market Basket Measure. Statistics Canada also reports on the depth of poverty – the amount of income a low-income household would need to reach the low-income threshold. Researchers have also developed a measure of low-income intensity which combines information on the low-income rate and the depth of poverty. See, for example, John Myles and Garnett Picot, *Social Transfers, Earnings and Low-Income Intensity Among Canadian Children, 1981-1996: Highlighting Recent Developments in Low-Income Measurement*. Analytical Studies Branch – Research Paper Series, Statistics Canada No. 11F0019MPE No.144, March 2000.

<sup>6</sup> Sarlo, Christopher, *Poverty in Canada*, Second Edition, The Fraser Institute, Vancouver, p. 19.

<sup>7</sup> Ross, David and Richard Shillington, *The Canadian Fact Book on Poverty*, Canadian Council on Social Development, Ottawa, 1994, pp. 3-4.

<sup>8</sup> Sarlo, op. cit. p. 10.

<sup>9</sup> Human Resources Development Canada, op. cit. p. 2.

<sup>10</sup> Goldberg, Michael and Pulkingham, Jane, “Defining Poverty in Canada: A Discussion Paper,” Income Security and Labour Market Committee, Social Planning and Research Council of B.C. (SPARC), January 1999, p. 3.

<sup>11</sup> Ross, David P., Scott, Katherine J. and Smith, Peter J., *The Canadian Fact Book on Poverty*, Canadian Council for Social Development, Ottawa, 2000, p. XV.

<sup>12</sup> Goldberg and Pulkingham, op. cit., p. 5.

<sup>13</sup> Goldberg and Pulkingham, op. cit., pp. 5-6.

<sup>14</sup> Canadian Council on Social Development, *Defining and Re-Defining Poverty: A CCSD Perspective*, October 2001, [www.ccsd.ca/pubs/2001/povertypp.htm](http://www.ccsd.ca/pubs/2001/povertypp.htm).

<sup>15</sup> See ISARC, *Our Neighbours' Voices: Will We Listen?* James Lorimer and Company Ltd., Toronto, 1998, p. 11 and [www.cpj.ca](http://www.cpj.ca).

<sup>16</sup> *Good News to the Poor: The Social Action Commission of the Evangelical Fellowship of Canada Background Paper on the Bible, Poverty and Government in Contemporary Canada*, August 26, 1999.

<sup>17</sup> The Canadian Conference of Catholic Bishops likewise highlight the social nature of poverty when they write, "Poverty, which is a complex phenomenon and source of suffering, ultimately symbolizes marginalization." *The Struggle Against Poverty: A Sign of Hope for Our World: A Pastoral Letter by the Episcopal Commission for Social Affairs on the Elimination of Poverty*, Halifax, October 17, 1996.

<sup>18</sup> Sarlo, op. cit., p. 49.

<sup>19</sup> Sarlo, op. cit., p. 27.

<sup>20</sup> Health Canada, *Healthy Development of Children and Youth: The Role of the Determinants of Health*, catalogue no. H39-501/1999E, 1999, p. 9.

<sup>21</sup> Novick, Marvyn, "Prospects for Children: Life Chances & Civic Society" A Discussion Paper for the Children at Risk Forum, Laidlaw Foundation, October 1997, p. 40.

<sup>22</sup> Waldman, Robert, "Income Distribution and Infant Mortality" in *Quarterly Journal of Economics*, quoted in Novick, *ibid.* p. 38

<sup>23</sup> Novick, *ibid.*

<sup>24</sup> Novick, pp 38-39.

<sup>25</sup> Hay, David I. *Does Money Buy Health? An Empirical Investigation of the Relationship Between Income and Health*. Social Planning and Research Council of British Columbia, Vancouver, 1993, p. 32.

<sup>26</sup> Hay, *ibid.*

<sup>27</sup> Hay, *ibid.*

<sup>28</sup> Novick, op. cit. p. 49.

<sup>29</sup> This information is drawn from David P. Ross and Paul Roberts, *Income and Child Well-being: A New Perspective on the Poverty Debate*, Canadian Council on Social Development, May 1999. The chart given appears as “Chart 18 Children with basic health problems related to daily functioning” on page 24 of *Income and Child Well-being*.

<sup>30</sup> Human Resources Development Canada, op. cit. p. 2.

<sup>31</sup> Galbraith, John Kenneth, *The Affluent Society*. Houghton Mifflin, Boston 1958, pp. 323-24.

<sup>32</sup> Sarlo, op. cit., p. 27.

<sup>33</sup> Quoted in *Poverty Profile 1996: A Report by the National Council of Welfare*.

<sup>34</sup> Responses from Grade 4 & 5 students in North Bay, Ontario, quoted in *Our Neighbours' Voices: Will We Listen?*, The Interfaith Social Assistance Reform Coalition, 1998, James Lorimer & Co. Ltd. Toronto, p. 107.

<sup>35</sup> Human Resources Development Canada, “High Risk Factors Behind Poverty and Exclusion” *Applied Research Bulletin*, Winter/Spring 2000, Vol. 6 No. 1.

<sup>36</sup> Social policy researchers can also get caught in this confusion. The HRDC report on the Market Basket Measure, for example, compared the amount of income needed to rise above poverty using the MBM (which is an after-tax measure) and the traditional LICO (which is a pre-tax measure). A more accurate comparison would have used the after-tax LICO. See Human Resources Development Canada, Summer-Fall 1998, Vol. 4 No. 2.