

# Poverty Measures and Lines

Canada has no official poverty measure. Instead, Statistics Canada produces three main measures of low income: the Low Income Cut-Off (LICO), the Low Income Measure (LIM), and the Market Basket Measure (MBM).

There is currently no consensus among anti-poverty advocates, researchers, decision makers, or the media as to the best measure to use.

The LICO and LIM are calculated both before and after taxes. We use the after-tax figures in this report.

Each measure has its advantages and its limitations. Much public confusion and debate have resulted as individuals and groups have inconsistently and selectively used the measures in their analysis.

To shed light on the issue and highlight some of

the differences, we have provided examples of the low income rates and corresponding poverty lines for each of the three measures. We believe the ongoing debate over poverty measures highlights the need for a federal poverty elimination plan that includes an agreed-upon measure with which to gauge progress.

For an excellent discussion on poverty measures see Richard Shillington and John Stapleton's *Cutting Through the Fog: Why is it so hard to make sense of poverty measures?* (2010).

Should poverty be measured in absolute or relative terms? Why?



## Low Income Measure (LIM)

Used for international comparison, and increasingly being adopted by the Canadian anti-poverty community, the LIM is a purely relative measure of low income, set at 50 per cent of adjusted median household income. The LIM is categorized according to the number of persons present in the household. The LIM has been criticized for defining poverty in relative rather than absolute terms.

## Low Income Cut-Off (LICO)

The oldest and most commonly used measure, the after-tax LICO is the level at which a family spends 63.6 per cent or more of its income on food, shelter, and clothing. Statistics Canada calculates 35 different LICOs, according to community and family size for both before- and after-tax incomes. The LICO has been criticized for its lack of sensitivity to regional differences and the fact that it hasn't been adjusted to reflect changing spending patterns since 1992.

## Market Basket Measure (MBM)

An absolute measure, the MBM is the level at which a household does not have the income to purchase a specific basket of essential goods and services, including a nutritious diet, clothing, shelter, transportation, personal care items, and household supplies. The MBM takes local conditions into account in costing the basket; accordingly, it is calculated for 19 specific communities and another 29 community sizes across the 10 provinces. The MBM has only been calculated since 2002 and has been criticized for not accurately reflecting the cost of living in some regions.