

The derivation of these base-year poverty lines constitutes one part of the Committee's task of developing more relevant poverty lines.

The second and more important task is to ensure that these poverty lines remain valid through time and do not become obsolete and out-dated as has been the fate of others. The Committee has adopted the view of poverty as a relative concept. To accomplish this objective, it is recommended that the base-year poverty lines (1969) be adjusted automatically each year with reference to the average annual incomes of Canadians.

The Committee has developed an escalator mechanism based on average living standards, as reflected by the amount of disposable income available in Canada in any given year. (The definition of "disposable income" used here is the total amount of personal income as reported by Statistics Canada, including transfer payments, less the total amount of personal income taxes paid, as reported by the Department of National Revenue.) The following section explains the operation of this escalator mechanism.

REVISIONS TO THE POVERTY LINE

Revisions to the Senate Committee's poverty lines are to be made in terms of the changing value of the Family Size Equalizer Point (F.S.E.P.), which in the base year of 1969 was "worth" \$500. This method consists of multiplying the F.S.E.P. by the ratio of the average living standard of the year in question to the average living standard in 1969.

This calculation requires an operational definition of the annual average living standard. The measure of the average living standard adopted by the Committee is the total disposable income for the year divided by the total number of F.S.E.P.s distributed throughout the population covered by Statistics Canada income surveys. For illustrative purposes, this method of quantifying the average living standard in the year 1969 is outlined below.

First, it is necessary to determine the total value of personal income for all Canadians. This information is gathered regularly by Statistics Canada and published as *Income Distributions by Size in Canada*. Table A 4 shows this information by family size for 1969.

The total amount of personal income in 1969 was almost \$50 billion. This figure includes transfer payments, but is gross of personal income taxes. To find the amount of disposable income for 1969, the total amount of personal income taxes paid must be subtracted. Although the amount of personal income taxes paid in 1969 has not yet been published, officials of the Department of National Revenue estimate that the amount is approximately \$6,536,700,000. Therefore, disposable income in 1969 was about \$43,159,746,000.

The other information required is the total number of F.S.E.P.s represented by the population covered in the Statistics Canada surveys. This information is derived by multiplying the appropriate number of F.S.E.P.s