

## 1. The Statistics Canada Low Income Cut-Offs

In Canada, statistics on the low-income population often refer to Statistics Canada's low income cut-offs (LICOs). These LICOs have been developed with different Family Expenditure surveys serving as the base — 1969, 1978 and 1986. Some analysts currently use the 1986-based LICOs, which may yield higher estimates of the number of people living in poverty and the depth of their poverty, than would the 1978-based LICOs, which are also used by analysts. Both sets of LICOs indicate that the number of children living in poverty is significant. It must, however, be recognized that the LICOs establish the upper limit of the low-income population. Many poor Canadians have incomes significantly below the cut-offs, as discussed in Section C.

The 1978 Survey of Family Expenditure concluded that, on average, Canadian families spend 38.5% of their income on the basic necessities of food, shelter and clothing. Poor families devote an above-average proportion of their income to these basic necessities and the low income cut-offs are set at levels where 58.5% of income, on average, is spent on them. Statistics Canada continues to calculate its LICOs on the basis of the 58.5% criterion. Any family or individual with an income at or below the relevant cut-off is defined as low income. These LICOs are updated each year to reflect changes in the cost of living as measured by the Consumer Price Index.

Canada does not have a single LICO. Rather, Statistics Canada varies the LICOs according to:

- seven categories of family size, ranging from one person to seven or more persons; and
- five categories of community size according to population, ranging from rural areas to metropolitan areas with 500,000 or more residents.

The result of the categorization is a set of 35 LICOs, as presented in Table 1 in the Statistical Appendix for 1989, using both the 1978 and the 1986 bases. For 1989, the 1978-based LICOs for one person ranged from \$8,983 to \$12,148 and for a four-person household from \$18,175 to \$24,706, depending on community size. The 1986-based LICOs yielded slightly higher figures of \$9,198 to \$13,511 for one person and of \$18,247 to \$26,803 for a four-person household in that year.

The LICOs are based on gross, rather than net, income, where income is defined as money income received by all family members 15 years of age and older from a variety of sources:

- wages and salaries before deductions;
- net income from self-employment;
- investment income;
- government transfer payments;
- pensions; and
- miscellaneous income, such as scholarships and alimony.

Excluded from this definition of income are:

- gambling wins or losses;
- capital gains or losses;
- lump-sum inheritances;