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House of Commons
Ottawa

TOWARDS 2000:
Eliminating Child Poverty
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Report of the Standing Committee on Health and
**Report of the Standing Committee on Health and
Welfare, Social Affairs, Seniors and the Status of
Women**

Barbara Greene, M.P.
Chair

Sub-Committee on Poverty

June 1993

HOUSE OF COMMONS

Issue No. 22

Chair: Barbara Greene

CHAMBRE DES COMMUNES

Fascicule n° 22

Présidence: Barbara Greene

Master of Proceedings and Expenses of the Standing Committee

Procès-verbaux et témoignages du Comité permanent

Health and Welfare,
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Seniors and the Status
of Women

Santé et du bien-être
social, des affaires
sociales, du troisième
de la condition
féminine

**TOWARDS 2000:
Eliminating Child Poverty**

RESPECTING:

CONCERNANT:

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Health and Welfare, Social Affairs, Seniors and the Status of Women

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Huitième rapport à la Chambre

Third Session of the Thirty-fourth Parliament,
1991-92-93

Troisième session de la trente-quatrième législature,
1991-1992-1993

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The Standing Committee on Health and Welfare, Social Affairs, Seniors and the Status of Women

has the honour to present its

EIGHTH REPORT

In accordance with its mandate under Standing Order 108(1), your Committee established a Sub-Committee and assigned it the responsibility of examining the subject of poverty.

The Sub-Committee submitted its Second Report to the Committee.

Your Committee adopted the following Report which reads as follows:

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The Standing Committee on Health and Welfare
COMITÉ PERMANENT DE LA SANTÉ ET DU BIEN-ÊTRE
SOCIAL AFFAIRS, SENIORS AND THE STATUS OF WOMEN
SOCIAL, DES AFFAIRES SOCIALES, DU TROISIÈME ÂGE
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EIGHTH REPORT

In accordance with its mandate under Standing Order 108(f), your Committee was assigned the responsibility of examining the subject of Seniors Sub-Committee and the status of women.

The Sub-Committee submitted its Second Report to the Committee.

SUB-COMMITTEE ON POVERTY, SENIORS AND THE STATUS OF WOMEN
COMITÉ DE LA SÉNIORITÉ, DES AFFAIRES SOCIALES, DU TROISIÈME ÂGE ET DE LA CONDITION FÉMININE

SUB-COMITÉ DE LA SÉNIORITÉ, DES AFFAIRES SOCIALES, DU TROISIÈME ÂGE ET DE LA CONDITION FÉMININE

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(Clause 3)
 Le greffier de la sous-comité
 Eugene Morawak

This report was submitted to the Speaker of the House of Commons by the Clerk of the House.

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PREFACE

It is the premise of this Sub-Committee that policies designed to eliminate poverty can only succeed if we have the means by which to identify the poor and assess the overall extent of poverty in Canada. Such means do not now exist! Statistics Canada produces the most widely used measures of well being, and agrees that they do not constitute poverty measures.

It is the desire of the Sub-Committee to ensure that all Canadians can enjoy a decent standard of living. The measures commonly used today do not portray accurately the changes that have taken place over time. Thus these measures do not identify with precision those families failing to benefit from improved economic conditions.

The House of Commons has unanimously passed a motion to eliminate child poverty by the year 2000 and the Sub-Committee has recommended a very comprehensive approach to ensuring that poor children have every opportunity possible to thrive. However, if we do not know which Canadian children are in fact in need we can never set concrete attainable objectives. If we define the problem inaccurately we cannot eliminate child poverty and children will continue to suffer. The purpose of this study is not to reduce poverty by narrowing its definition, nor to redefine it but rather to find another way to identify the specific ingredients of poverty so that we can find the most effective ways to reduce and eliminate poverty as quickly as possible.

We regret the decision by opposition Members of Parliament to boycott these proceedings just as we regret the decision by a number of policy groups and anti-poverty activists not to participate. They could have contributed greatly to this inquiry because we all share common goals. But we do not feel that this study lacks legitimacy because of their refusal to participate. The subject matter needs investigation. That is why we have undertaken this study. The testimony on which this Report is based is to be found in Issues Nos. 3-10 of the Sub-Committee on Poverty.

CHAPTER I

ASSESSING POVERTY IN CANADA

On 24 November, 1989 the House of Commons passed unanimously the following motion of Mr. Ed Broadbent. "That this House express its concern for the more than one million Canadian children currently living in poverty and seek to achieve the goal of eliminating poverty among Canadian children by the year 2000."¹

All Members of the House of Commons expressed strong support for the elimination of child poverty, particularly on account of the belief that more than one million Canadian children suffered from poverty at that time. The Sub-Committee on Poverty of the Standing Committee on Health and Welfare, Social Affairs, Seniors and the Status of Women took up the challenge of the motion with great enthusiasm, spending almost two years studying the subject. Its report, "CANADA'S CHILDREN: Investing in our Future" was published in late 1991 and made numerous recommendations designed to reduce the incidence of child poverty.

Members of Parliament, like most Canadians, believed that the source of the problem lay in the poor performance of the economy and the inadequacy of social services provided by governments. Correcting such flaws, we thought, would be the main challenges to eliminating poverty. Little did we know at the time that a major obstacle to eliminating poverty lay with the lack of appropriate tools to correctly identify the problems that make up poverty.

The 1991 recommendations of the Sub-Committee were many and varied and, we believe, were aimed in the right direction to eliminate real poverty: Our Sub-Committee recommended national standard, for welfare, programs to improve the health and parenting skills of pregnant women and the health of infants and young children, job training, education, improved opportunities for poor parents and children, and income improvements through a substantially increased child benefit and an earned income supplement for the working poor. Many of our recommended initiatives, however would not be reflected in the existing statistical measurements.

The Liberal Members of the House of Commons issued a minority report on child poverty. Two prominent recommendations called for national breakfast, lunch and snack programs in schools as well as tax reform for families with children. These might be valuable suggestions but neither would be reflected in our statistical measurements.

The New Democratic Members issued a minority report as well as a position paper on poverty. That position paper made a long list of recommendations. Some of the major recommendations directly affecting the standard of living of the poor included: that those living below the poverty line should not pay income tax; that affordable child care should be provided; and that poor families should have better access to subsidized housing. Not one of these three major recommendations would be reflected in the measured incidence of poverty as usually reported.

¹ *House of Commons Debates*, 24 November 1989, p. 6178.

In addition, the NDP paper recommended that incomes, whether employment or social assistance, be sufficient to cover shelter, clothing and nutritional needs of families. Yet the analysis in the paper identifying the inadequacy of social assistance levels used as a point of reference the Statistics Canada Low Income Cut-Offs (LICOs) which in no way are based on the cost of meeting such needs. The use of such existing measures could also result in higher standards of living for the poor who do not earn income, compared to those who do.

In its response to our Committee's recommendations and the United Nations Convention on the Child, the government announced two major initiatives; the new child benefit which included an earned income supplement for the working poor and the Brighter Futures Initiative. The new child benefit will be counted as income by Statistics Canada in compiling its Low Income Cut-Offs in spite of the fact that only \$400 million of this \$2.1 billion initiative is new money. The Brighter Futures Initiative which will provide funding for many of the prevention and developmental programs recommended by our Committee will not be counted — although many of these programs could provide children with greater benefits than might an increase in family income. However while the reported incomes of low-income Canadians might rise, any reductions in their reported numbers could be offset if Statistics Canada decides to reassess its base for the LICOs.

In Chapter II we will present evidence to demonstrate that Statistics Canada's Low Income Cut-Offs are not poverty measures and make very poor indicators of income inadequacy. These measures suffer from a variety of defects. The most important flaws are summarized below.

- They are misunderstood and misused by the clients of Statistics Canada.
- They do not represent a consistent measure of economic well-being, and hence cannot tell us whether the living standards of the poor have improved or deteriorated.
- They mask the progress that has taken place in reducing income inadequacy.
- They minimize the beneficial effects on lower income families of economic growth.
- They commonly make use of inappropriate income concepts, by ignoring income taxes.
- They ignore in-kind benefits.
- They do not represent a national standard of living that is consistent over time, among communities and among different family structures. They fail to distinguish between the needs of working and non-working families.

It is apparent to the Committee that the measurement and analysis of income inadequacy in Canada is subject to a great deal of misunderstanding and confusion. Income inequality is confused with income inadequacy. Irrelevant income concepts are used in this assessment. Many programs for addressing real poverty are not counted. And in the end, we do not know whether low income families have access to sufficient nutrition, shelter and clothing. Nor do we know whether their state has been getting better or worse.

No government in Canada can properly address the problems of income inadequacy until we know which Canadians are in need of assistance. Few Canadians recognize that such a problem exists. They know that a poverty measure is essential for judging the state of the poor in this country and for that reason they want the government to provide such a measure. They believe that Statistics Canada provides them with just such a scientific and well thought out measure. Such is, unfortunately, not the case.

To eliminate child poverty in Canada requires that we be able to measure income inadequacy and assess our success or failure in dealing with the problem. Similarly, to satisfy any commitments the Canadian government has made in signing international agreements we need indicators which are suitable to the task.

The Committee believes that poverty implies an inability to attain an adequate standard of living relative to others in society. That standard of living should be expressed in terms of access to essential goods and services. That is, a measure of income inadequacy should indicate whether an individual or family can obtain adequate amounts of food, shelter, clothing, health care, etc. This is poverty in an absolute sense. It refers to a standard of living. There can be, and is, considerable debate about the "standard" below which families are considered to be poor. An absolute measure may have a high threshold which considers families still to be poor if they consume a variety of non-essential goods and services. The threshold can be very low, judging families to be poor only if they are on the very edge of physical survival. Nevertheless, the crucial feature about absolute poverty is that it is based upon a standard of economic well-being.

The alternative view of poverty does not refer to standards of living as such. Rather, it refers to income in relation to some economy wide average. This view of poverty concentrates on notions of being part of a group, fitting in, etc. In practice, though, it tends to be almost purely a matter of defining poverty in terms of income inequality. In this sense, income inequality produces poverty, but the poverty that it generates has no corresponding, set standard of living. In fact, the standard of living associated with such a poverty line can vary enormously in a country as diverse as Canada.

This relative approach is also highly dependent upon the choice of appropriate community. Measures in use generally employ Canadian average or median incomes, but this is probably done more for administrative ease than for any conceptual reason. Should the standard of poverty of someone in a remote community of Newfoundland be judged in comparison to a wealthy community in British Columbia? Should it be affected by changes in the cost of living in Vancouver? Should a 21 year old who has just entered the work force be considered a peer of someone who has been in the workforce for 20 years and should he or she be considered poor if his or her income is one-half that of the older worker?

Most Canadians believe that we are all better off economically by living in a united nation. If the nation were to disintegrate along provincial lines, our relative measures of poverty would indicate that the residents of Newfoundland or Prince Edward Island would become less poor because the measures would make comparisons only within those provincial states, not within a nation containing richer communities. Moreover, this could be happening at the same time that overall standards of living were declining.

The countries of Europe have traditionally had very homogeneous populations by North American standards. This is one reason why those nations have less income disparity than in Canada or the United States. Consequently the use of relative poverty measures would indicate smaller amounts of poverty. But with the move to a united Europe, the new body would be far more heterogeneous than the individual components. Commonly used measures would indicate greater degrees of Europe-wide poverty resulting from a unification, even if it actually increases overall standards of living.

Relative poverty measures are unable to answer a number of important, yet simple questions. For example, consider the case of a family which was destitute last year but which can now afford a home, a car, more than adequate food and clothing, etc. An absolute measure would say that this family is no longer poor. With a purely relative approach, we cannot answer such a basic question without knowing what happened to everybody else. The family might in fact be worse off in a relative sense. Moreover, if under a relative measure of poverty, a family moves above the relevant cutoff point over time, we cannot even say that its ability to purchase necessary goods and services has increased.

But these relative measures also appear to violate generally accepted principles regarding the design of poverty measures. In her book published by the Urban Institute Press, Ms Patricia Ruggles speaks of indices of poverty more complicated than the measures now used in the United States. Such newer measures are designed to give a better overall view as to the extent of poverty in that country. The book outlines generally and widely accepted axioms as to the structure of such indices. For example, they should indicate an increase in the index of poverty if the poor become more poor. More importantly, though, she notes that it is widely accepted that an index of poverty should not be affected by changes in income affecting only the non-poor.² That is a matter for measures of income inequality. It is not a matter for measures of poverty. But if this advice is appropriate for an index of poverty it is also appropriate for a simple measure of poverty. Unfortunately, the measures now available in Canada which are widely accepted as poverty measures, i.e. the LICOs, do not meet this test.

Just recently the United Nations Committee on Social, Economic and Cultural Rights reported on Canada's poor performance in combatting poverty, citing the fact that over four million Canadians were living in poverty and that homelessness and hunger were serious problems in this country. These conclusions were based on indicators which Statistics Canada insists are not poverty measures, and which show little progress over time because of the periodic upward adjustments in response to higher levels of real income. Canada has also lost its number one ranking on the UN Human Development Index largely because of our record of income inequality, despite the fact that the Canadian tax and transfer system has had an enormous impact in changing the extent of market inequality. The ratio of incomes of the top and bottom quintiles falls by a factor of four for families and a factor of eight for unattached individuals. Thus, for example, the top group of families had almost nineteen times as much market income as the bottom group in 1991. On the other hand, they had only five times as much after-tax and after-transfer income as the bottom group. This indicates a significant amount of government assistance for lower income persons.

² Patricia Ruggles, *Drawing the Line — Alternative Poverty Measures and their Implications for Public Policy*, Urban Institute Press, Washington, D.C., 1992, p. 28.

CHAPTER II

THE STATISTICS CANADA LOW INCOME INDICATORS: THE LICOS AND THE LIMS

Unlike the United States, Canada has no official poverty measure. We have no official definition of poverty for the purposes of delivering social programs, nor do we have a measure against which our national data collection agency can judge the extent of poverty.

The Statistics Canada measures are continually and deliberately misused as poverty measures.

The Low Income Cut-Offs of Statistics Canada have attained the status of unofficial, but almost universally-accepted, poverty measures even though the organization producing these indicators has never considered them as such. To quote Statistics Canada, "Although Statistics Canada's low income cut-offs are commonly referred to as official poverty lines, they have no officially recognized status nor does Statistics Canada promote their use as poverty lines."³

These LICOs in no way suggest that all families falling below their levels should be counted as poor — they are in no sense an indicator of indigence and they in no way indicate inadequate standards of living. But users of these statistics are not at all reluctant to use them in such a manner. The National Council of Welfare, when judging the adequacy of welfare benefits uses the LICOs as measures of poverty, and they are not alone. To quote: "The National Council of Welfare regards the cut-offs [LICOs] as poverty lines. Like any poverty lines, they have their limitations but they are widely accepted as a bench mark for judging income adequacy in Canada. Other studies of poverty, especially local surveys using a "market basket" approach, have produced comparable results."⁴ Thus the LICOs take on an important status when the National Council on Welfare judges programs such as social assistance.

A. THE NATURE AND ORIGINS OF THE LICOS.

The incidence of low income in Canada has been measured for many years now by the use of these LICOs which have their origin in Ms. Jenny Podoluk's study of Canadian incomes.⁵ They devised a low income measure based on the discretionary spending power of families at the lower end of the economic spectrum, compared to that of families on average. Discretionary spending for this purpose consists of spending on goods and services other than food, shelter and clothing.

The Census data used by the Podoluk study suggested that Canadian families were spending on average about 50% of their income on necessities. In other words, one-half of their income could be spent in a discretionary fashion. That study defined a low-income threshold as the income

³ Statistics Canada, *Low Income Cut-offs*, Household Surveys Division, Ottawa, January 1991, p. 21.

⁴ National Council of Welfare, *Welfare Incomes 1991*, Ottawa, Summer 1992, p. 21.

⁵ Jenny Podoluk, *Incomes of Canadians*, 1961 Census Monograph, Dominion Bureau of Statistics, Ottawa, 1967.

level consistent with spending 70% or more of income on necessities. That was 20 percentage points more than the average. Put another way, families were thought to be in low income if they had an income which enabled them to spend no more than 30% of their income in a discretionary fashion.

Although these three broad categories are defined as necessities, the individual items contained therein might be in no way considered necessary. Dr. Michael Wolfson pointed this out to the Committee.(4:11) Spending on food includes restaurant meals and caviar. Shelter costs include vacation homes. Clothing includes jewellery and furs. But excluded are expenditures on toothpaste, transportation to work, or a telephone. To establish the level of income consistent with this definition of "low income" requires the determination of the income level at which the average propensity to consume necessities equals the pre-set level. Some families below the low income threshold spend more than 30% of their income in a discretionary fashion while some with incomes above the threshold spent less than 30% in a discretionary fashion.

The ability to spend economic resources with discretion tends to increase with real income. This is true when looking at the consumption of a cross section of families at any point in time and it is true when looking at data over time as well. Surveys subsequent to the original study have found that the extent of discretionary spending has been rising. On the basis of the 1982 expenditure survey, for example, Canadian families were spending 64% of their income in a discretionary fashion, up substantially from the 50% of the Podoluk study.

LICOs have been established for a number of family configurations and for a variety of sizes of urban communities, in addition to a set of LICOs for rural areas. They are complicated indicators to produce and most people using them do not appreciate the complexities behind the low income lines. Hence they often do not always understand just what the incidence figures mean.

The LICOs do not constitute a consistent measure of economic well-being.

When a LICO is established, it corresponds on average, to some standard of living but that standard is not the same in all communities and it is not the same for all types of families. It is adjusted annually to account for changes in prices. This is referred to as a price-adjusted LICO which maintains a constant average standard of living as long as the tax position of families does not change. In Figure II:1, the line identified as 1969 base, for example, measures the incidence of low income for all persons using such a price adjusted measure. Thus if a family had an income above the LICO in 1971 and had an income below the LICO in 1975, it is fairly clear that the standard of living had deteriorated. The 50% decrease in the incidence of low income from 1971 to 1981 indicates that the proportion of the population with a low standard of living declined substantially. A similar improvement also occurred earlier in the 1960s.

An absolute measure evolves into a relative measure.

The criticisms of Senator Croll and others that poverty lines should be linked to average standards of living led to additional adjustments to the LICOs. It was felt that the ability of low income families to engage in discretionary spending should be directly related to the ability of families to engage in such spending on average. Thus as the average real incomes of Canadians increase, so should the real incomes of those at the threshold of low income. Such adjustments can be seen in Figure II:1 as the parallel upward shifts in the base lines.

The reduction in persons with inadequate standards of living has been hidden from view.

A Statistics Canada Research Paper identifies similar tendencies when including the 1959 base LICOs established by Jenny Podoluk.⁶ From that report, it seems clear that there has been a sharp decline over time in the percentage of families characterized as having low standards of living. The proportion of unattached individuals with low incomes declined from just under 50% in 1961 to under 20% by 1980, when using the 1959 expenditure base for calculating the low income cut-off. But the measure had subsequently been revised several times, pushing it back up to more than 40%. Through the 1980s, the incidence of low income for unattached individuals continued to decline, although it rose again in 1991 as a result of the recession.

A similar trend occurred with respect to families. The 1959 base had the incidence of poverty declining from about 25% in 1961 to under 10% in 1980. The revisions, however, had pushed it up to about 13% in 1980. From 1980 to 1986, the incidence of low income appears to have been relatively stable. In the latter half of the 80s it declined only to move up again in 1990.

There are many interesting questions that emerge from Figure II:1 and from the data produced by Statistics Canada. Why, for instance, has the incidence of low income declined much more rapidly in the latter half of the 1970s for unattached individuals than it has for families? Why has the rate of decline in low income slowed so dramatically in the 1980s?

Instead, one is struck by the pattern in the chart, with the incidence of low income declining over time along a price-adjusted LICO while subsequent revisions offset much, if not all, of that achievement. In addition, the chart is unfortunately as much confusing as it is revealing. What, for example, was the rate of low income in 1986: was it high, at 16%? was it low, at 10.4%? Has the incidence of low income been diminishing rapidly over the last 20 years or has it been persistent?

More importantly though, what constitutes the appropriate way to look at the incidence of low income over time? Does movement along a line, e.g. the 1969 base, give an accurate portrayal of changes in economic circumstances of low income households? Do the periodic adjustments, e.g. 1978 base and 1986 base represent necessary adjustments to a low income measure or do they represent changes of such a fundamental nature as to remove all possibility of measuring consistently trends over time?

Statistics Canada produces the LIM, a purely relative measure. It is no improvement over the LICO.

The periodic revisions make it difficult to judge trends over time when using the LICOs. Statistics Canada has recently started producing and publishing a new indicator, the Low Income Measure (LIM), which is set at one-half median family income. This measure is adjusted to take into account a wide variety of family sizes, but it is not adjusted to take into account place of residence. The LIM does not represent a constant standard of living across communities, across family types, or over time.

The LIMs were produced in response to Statistics Canada's internal evaluation of the LICOs and the public consultation process that followed. Figure II:2 portrays the changing incidence of low income for all persons when using the LIM as opposed to the two most recent LICO bases. The LICOs produce greater variation over the course of a business cycle in the incidence of low income than does the LIM.

⁶ M.C. Wolfson and J.M. Evans, *Statistics Canada's Low Income Cut-Offs — Methodological Concerns and Possibilities: A Discussion Paper*, Research Paper Series, Statistics Canada, p. 32-33.

The LICOs represent a constant average standard of living as long as a particular base is maintained. The relative shifts occur periodically whenever a new expenditure base is used. These periodic adjustments to the LICOs are in effect made annually with the LIM. It is adjusted every year to account not for changes in prices but to account for changes in median income. Thus over any period of time the LIM will never represent a constant standard of living.

The LIM appears to make it easier to judge trends over time because it hides the explicit adjustments of the LICOs. The LIM is a purely relative measure of low income, which tells us nothing about changing standards of living over time. It represents no improvement over the LICO.

B. POVERTY AND LOW INCOME: A QUESTION OF LIVING STANDARDS

The above discussion of the Statistics Canada measures has introduced concerns about the very nature of poverty, whether it is relative or absolute. But there is more at stake to the establishment of a useful poverty measure. That relates to the level of income which is to be set as the threshold.

LICOs were not never intended to measure poverty.

The Podoluk study, upon which the LICOs were first based, distinguished between low income and poverty, stating: "It should be stressed that the universe being considered probably includes the great majority of families who are in genuine need but it must not be assumed that all of these were living in poverty."⁷ That is, poor families are necessarily low income families but the reverse is not always true. And it noted further that the study was examining the state of low-income, not poverty. That monograph also pointed out that, at the time of writing, the most popular approach to measuring poverty was to develop minimum budgetary requirements for families of certain sizes, and to estimate incidence on the basis of the number of households that could not afford such budgets.

The Statistics Canada measures which grew from this earlier study do not attempt to gauge or determine what is an inadequate standard of living. An income below the norm, however defined, is of course not as satisfactory as one at the norm but that does not mean it is insufficient to meet the requirements of a healthy and adequate life. Those requirements are met by the ability to have access to goods and services which provide essentials and comfort.

But it is necessary to establish the levels at which we think incomes are inadequate and constitute a state of poverty. This will be dealt with later in this report. Here it is sufficient to point out that various measures differ enormously in their assessments of the thresholds of inadequate incomes. For example, a two-parent two-child family in Toronto is considered poor if it has an income below \$16,400, according to Professor Sarlo. According to the Metropolitan Toronto Social Planning Council, the appropriate threshold is almost \$30,500. It is the Committee's understanding that such a family could receive as much as \$22,000 in provincial and federal cash assistance. Is that adequate or is it not?

In this regard it is useful to refer to some of the testimony of Professor Christopher Sarlo. He pointed out to the Committee that most commentators on poverty use the Statistics Canada LICOs to count the number of poor. But after having done so, they express their view of the poverty condition in terms not of some relative standing, but in an absolute sense. And they describe it in terms of a very low standard of living, a standard which would not apply to the majority of families whose incomes fall below the LICO threshold.(5:7-8)

⁷ Jenny Podoluk, *Incomes of Canadians*, 1961 Census Monograph, Dominion Bureau of Statistics, Ottawa, 1967, p. 185.

The Committee has examined a variety of measures which are used to indicate poverty. As a general rule, measures which are constructed on the basis of basic needs budgets produce lower thresholds than do those which are based on more relative constructions. The guidelines published by the Metropolitan Toronto Social Planning Council are an exception to this rule. But that is due to the fact that its basket is adjusted to reflect changing standards of living — it does have a relative aspect to its measure. Those measures which are purely absolute — the measures of Professor Sarlo, the American poverty line, and the Montreal Diet Dispensary guidelines — produce threshold levels at the lower end of the spectrum, and are closer to the social assistance rates in most of the provinces. This should not be completely surprising as the social assistance rates are established using a methodology that has more in common with that used by Professor Sarlo.

Today's LICOs are far different from the original LICOs. A family at the LICO today can buy far more goods and services than a family at the 1959 LICO.

The Podoluk study established low income cutoffs for the year 1959. Low income lines for one and four person families were produced and set at \$6285 and \$14665 respectively, expressed in 1986 dollars. The most recent Statistics Canada LICOs, also expressed in 1986 dollars stand at \$10447 and \$20724 respectively.⁸ These represent *real* rates which are 66% and 41% higher. Can the current LICOs be said to represent in any way a comparable measure of low income (poverty)? On the other hand, the Podoluk LICOs for 1959 correspond to a standard of living not much different from the poverty lines established by Christopher Sarlo for Ontario which, in 1986 dollars, were set at \$5,729 for one person and \$12,841 for a four person family.⁹

The very nature of the Statistics Canada measures suggests that their primary concern is with the relative standing of Canadian households. They indicate how such households fit in with respect to their ability to consume goods and services in a discretionary manner, or how do they fit in with respect to the gross income to which they have access? These are ultimately questions about the distribution of income; they are not questions about income adequacy.

The LICOs add little to our understanding of poverty.

What we now have are indicators designed for one purpose yet used for another. These are little more than measures of income inequality. But there exist better statistical measures of income and its dispersion amongst household types. Statistics Canada publishes a vast array of tables which detail how incomes differ among family types, by province, by the education of the head of the household. The distribution of income is described by income categories, by quintile, etc. If the LICOs are nothing more than variations on inequality measures, what added benefit do they produce, especially when there is such a high incidence of misuse? Why confuse the issue by trying to judge poverty with a yardstick that does not perform its task well and competes with measures better able to indicate the extent of income inequality?

C. THE ROLE OF ECONOMIC GROWTH

Economic growth has increased the standard of living of Canadians over the past three decades. Average real income per capita is today three times what it was in 1951, while average

⁸ M.C. Wolfson and J.M. Evans, p. 38.

⁹ Christopher Sarlo, *Poverty in Canada*, The Fraser Institute, Vancouver, B.C. 1992, p. 115.

real family income is two and one-half times as high.¹⁰ Such a trend is generally viewed as desirable and its implications are recognized as being beneficial. This is true when judging the position of workers and their families, the elderly, etc. But it does not seem to be true when judging the position of the poor or those in low incomes. An increasing standard of living is not by itself judged to be sufficient. The measures commonly used today disparage and belittle such a similar achievement.

Economic growth causes an increase in the number of Canadians judged to be living in low income.

The periodic adjustments of the LICOs reflect the changing consumption patterns of Canadian families. Some of this might be due purely to changes in tastes. Some of it is due to changing demographic trends, changes in labour force participation, etc. But a large part is due to improved standards of living resulting from economic growth which enables households to spend a greater portion of their incomes in a discretionary fashion. And what does that do? It causes the LICOs to be increased in real terms, resulting in a higher measured incidence of low income. Thus when examining Figures II:1 and II:2, the upward shifts in the incidence of low income are due in large part to the improved economic circumstances of Canadians. Economic growth causes an increase in the number of Canadians judged to be living in low income. Such shifts in the low income lines also lead to an increase in the income deficiency of households. Furthermore, since these measures are widely used as poverty measures, they lead us to conclude that economic growth is the enemy of the poor! Nothing could be further from the truth.

Canada does not have a widely-accepted measure of poverty. This is a problem. A bigger problem, however, results from the fact that we think such a measure exists.

The Committee believes that current low income measures are misunderstood and therefore misused. Such measures do not indicate specifically the living standards of Canadian families and they do not provide a bench mark against which to judge the inadequacy of those standards. Thus we do not have the proper tools to assess accurately the extent of poverty today and its trends over time.

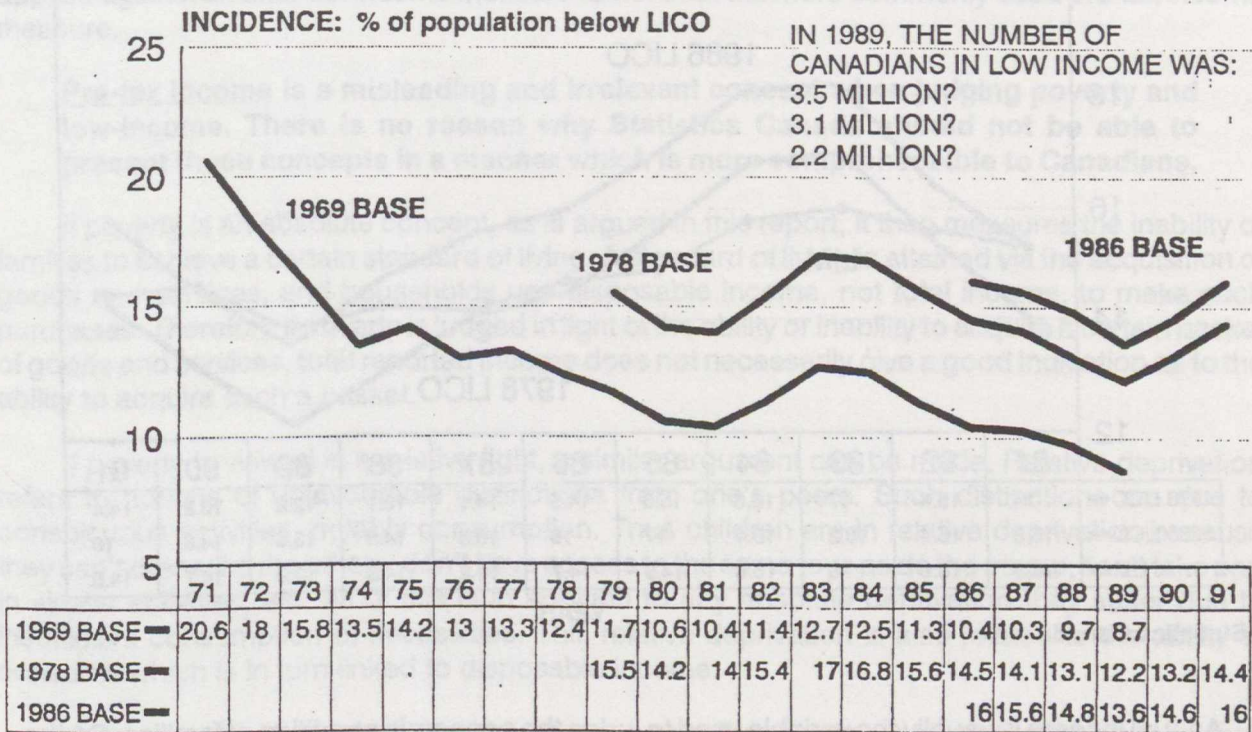
This deficiency is not the fault of Statistics Canada. That organization is charged with the task of collecting and interpreting statistical information — it is not charged with the task of defining poverty or income inadequacy. But again, many Canadians believe that the agency has done just that, the repeated statements of Statistics Canada notwithstanding.

The Committee believes the task of specifying a poverty, or income inadequacy, threshold belongs to the Parliament of Canada. This is no easy task although, as indicated below, many of the component parts are already available. Once the task is completed, it would be Statistics Canada's job to measure and analyze the economic status of families against this bench mark.

¹⁰ Statistics Canada, *Income distributions by size in Canada, 1991*, Catalogue 13-207, Annual, Ottawa, 1992, p. 25.

FIGURE II:1

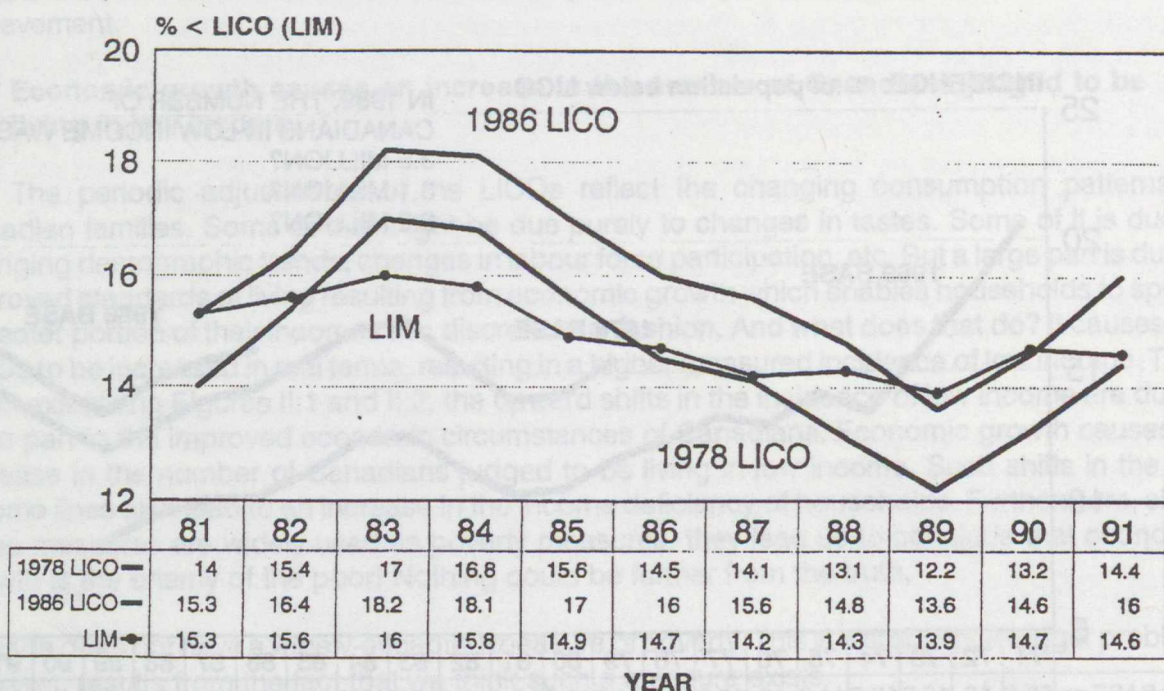
THE CHANGING INCIDENCE OF LOW INCOME



SOURCES: STATISTICS CANADA

FIGURE II:2

INCIDENCE OF LOW INCOME: ALL PERSONS



Statistics Canada

Annual income is usually the variable used to judge the economic condition of families. On the surface this seems straightforward but several issues have been identified as the source of possible distortions in assessing the true state of well being.

D. PRE-TAX INCOME VS. AFTER-TAX INCOME

To quote Dr. Daniel Weinberg of the United States Bureau of the Census, "When considering the adequacy of the official poverty thresholds, it is critical to realize that one cannot separate the issue of income measurement from poverty definition."¹¹ Dr. Weinberg noted that the American poverty measures use pre-tax income even though the poverty lines of Ms. Orshansky, upon which the official poverty measures are based, used after-tax income.

Statistics Canada has traditionally provided low income measures which make use of pre-tax income, but today the organization also produces measures which are based on post-tax concepts. These are, however, not widely used. Both the LICOs and the LIMs are now available on an after-tax basis. In the case of the latter, the low income measure is simply calculated as one-half of median after-tax income and it is expressed as an after-tax income. That is, there is no attempt to convert after-tax income into its pre-tax counterpart.

¹¹ Daniel H. Weinberg, *The History and the Current Issues in U.S. Poverty Measurement*, Paper prepared for the House of Commons Standing Committee on Health and Welfare, Social Affairs, Seniors and the Status of Women (Sub-Committee on Poverty), 17 March 1993, United States Bureau of the Census, Washington, D.C.

The after-tax Low Income Cut-Off is calculated as the after-tax level of income consistent with households spending an additional 20% of their after-tax income on food, shelter and clothing, when compared to families on average. Again, it is not expressed in terms of the pre-tax level of income associated with the post-tax amount.

What follows will indicate that incidence of low income can change rather substantially when applied against an after-tax income measure rather than the more commonly used pre-tax income measure.

Pre-tax income is a misleading and irrelevant concept when judging poverty and low-income. There is no reason why Statistics Canada should not be able to present these concepts in a manner which is more comprehensible to Canadians.

If poverty is an absolute concept, as is argued in this report, it then measures the inability of families to achieve a certain standard of living. A standard of living is attained via the acquisition of goods and services, and households use disposable income, not total income, to make such purchases. Therefore if poverty is judged in light of the ability or inability to acquire a certain basket of goods and services, total reported income does not necessarily give a good indication as to the ability to acquire such a basket.

If poverty is viewed in a relative light, a similar argument can be made. Relative deprivation refers to notions of unfavourable distinctions from one's peers. Such distinctions are due to conspicuous activities, notably consumption. Thus children are in relative deprivation because they can't dress like the others, don't have access to the same toys as do the others, can't take part in similar activities, etc. All of this is in addition to any absolute deprivation they suffer due to insufficient consumption of necessities. This relative deprivation is also related to the ability to consume which is in turn linked to disposable income.

Consequently, if we view persons as poor or in low income, we relate that back to their consumption or ability to consume a certain level of goods and services. The personal income tax system has a differential impact on the ability of families to consume and, therefore, has a differential impact on the extent to which total income can be related to consumption. As a result, after-tax income represents a preferred income measure for judging poverty or low income.

It is also important to recall that the parameters used in many of these measures had their origins many years ago. The parameter 0.5 for the LIM might have been chosen because it, like its reciprocal, is a nice round number. Probably, though, it was chosen because at that point in time it was thought to provide a good point of reference. The same is true of the parameters used in calculating the LICOs. But the changes in the tax system that have taken place over time have altered that point of reference and have not necessarily done so in a manner advantageous to the poor. Tax changes affect standards of living and they affect relative positions in society. The consistent use of after-tax income helps to account for such changes.

The use of after-tax, rather than pre-tax, income can reduce the overall measured incidence of low income by 20% to 25%.

The use of after-tax income concepts can have a significant impact on the measured incidence of low income and it can change dramatically the perception of the economic state of various groups. Table II:1 below and Figures II:3 to II:5 demonstrate the impact of using after-tax income concepts. The use of after-tax, rather than pre-tax, income can reduce the overall measured incidence of low income by 20% to 25%. The impact of this change is somewhat greater for the LIM than it is for the LICO.

The more interesting observations are found in Figures II:4 and II:5. These charts examine the impact of changed income concepts on the incidence of low income for children and for the elderly. The move to after-tax income reduces the incidence of low income among children by just under 15%, which is less than the overall reduction for the entire population.

The number of low income children falls by 17%, to 1 million when using after-tax LICO.

The data presented here run from 1981 to 1991. For children, there is a clear cyclical pattern to the incidence of low income, with a peak in 1984 and a trough in 1989. This peak in low-income incidence lagged the height of the 1981-82 recession by about 2 years. From the height in 1984 to the trough in 1989, the incidence of low income declined by just over 26% when using the pre-tax LICO. When using the after-tax LICO, however, the incidence of low income among children declined by about 25%.

Figure II:5 looks at the pattern of low-income incidence for the elderly. In this instance there is a far greater distortion, at least nine percentage points. It is evident that the incidence of low income for the elderly does not possess the obvious cyclical pattern that is observed for the pattern of incidence for children; rather there appears to be a distinct long-term temporal decline.

Pre-tax LICOs dramatically overstate "poverty" among elderly.

The data also indicate that while the distortion is large in terms of calculated percentage points, it is even higher in relative terms, and still growing. In 1981, for example, the use of a pre-tax LICO in calculating the incidence of low income among the elderly resulted in a 64% higher count than would have occurred had a post-tax measure been used. By 1990, the corresponding number was 91%. That is, for every elderly person considered to be in low income in 1990 according to the after-tax LICO, two elderly persons were considered to be in low income according to the pre-tax LICO. If the use of post-tax income is appropriate in the measurement of low income (poverty), current measures seriously distort the extent of low income (poverty) among the elderly.

This result is due to the relatively more generous treatment that the personal income tax system accords the elderly. They enjoy an age-related credit and can receive up to \$1000 of pension income free of tax. Consequently they pay a lower average rate of tax than the population as a whole. As a result, the after-tax income of the elderly is higher in relation to average after-tax income than is pre-tax income of the elderly in relation to average pre-tax income.

The use of pre-tax income in judging the incidence of poverty and low income makes for some perverse conclusions as to who is poor and who is not. As Christopher Sarlo pointed out to the Committee, a single parent living on welfare in Ontario is judged by most measures to be in low income. But this income is all tax free and represents real purchasing power. That same family with a working parent would have to earn a level of income well above the Statistics Canada LICO to enjoy the same standard of living. (5:10) This discrepancy is due to the fact that the working parent is subject to income taxation and might not have access to the free, or heavily subsidized in-kind benefits that are available to the family receiving social assistance.

Thus the use of pre-tax income not only distorts the aggregate results that are obtained from low income or poverty measures, it incorrectly identifies who is poor and who is not.

E. THE TREATMENT OF IN-KIND BENEFITS

When Statistics Canada conducts its surveys of family income, it applies very specific rules as to what is to be counted as income. As a general rule, most forms of cash income are included. The exceptions are capital gains and losses, gambling gains and losses and lump-sum inheritances.

But all non-cash sources of income are excluded from the determination of income. For most families this exclusion is of little importance, but for families at the lower income levels, in-kind benefits can prove to be substantial.

Many provinces provide free services to recipients of social assistance that are not available to others. In Ontario, for example, welfare recipients receive free dental care, free prescription eyeglasses and free prescription drugs. The latter are also available to seniors. The cost of these services amounts to 5% of the social assistance budget for the province and can be worth \$700 to \$1000 annually to recipient families. Such benefits are not included in income. Moreover, subsidized daycare is available to some families at a cost to the government of several thousand dollars per year. This is also not included.

Table II:2 below was provided to the Committee by officials of the Government of Ontario. It includes an assessment of all government assistance available to the needy, including in-kind benefits. When the work/training exemptions of the Ontario STEP program are included, government assistance is at or above the LICO levels.

Governments in Canada also provide subsidized housing to families. Not all poor families enjoy such subsidies and not all families receiving subsidies are poor. CMHC's average subsidy for the 206,000 public housing units in its portfolio in 1992 was \$2400. Another 200,000 units in non-profit and cooperative housing cost CMHC an average amount of \$3500 annually. These benefits are also not counted as income.

While the average housing subsidy cost to CMHC, or the average cost of providing dental care, etc., is not the same thing as the subsidy value to the recipient, it is quite clear that money income can represent a very misleading indicator of the economic plight of the poor.

Table II:1

**NUMBER OF PERSONS LIVING IN LOW INCOME:
PRE-TAX AND AFTER-TAX INCOME MEASURES
(in thousands)**

YEAR	LICO 1986	LICO (AT)	LICO child	LICO (AT) child	LICO elderly	LICO (AT) elderly
1981	3,643	2,789	998	808	733	447
1982	3,951	3,100	1,155	947	648	403
1983	4,406	3,529	1,221	1,048	719	439
1984	4,397	3,456	1,253	1,035	669	376
1985	4,170	3,270	1,165	1,003	669	346
1986	3,976	3,063	1,086	895	637	326
1987	3,912	3,096	1,057	914	627	310
1988	3,744	2,871	987	814	634	321
1989	3,487	2,681	934	780	599	300
1990	3,821	3,010	1,105	913	554	289
1991	4,227	3,338	1,210	1,009	590	272

SOURCE: Statistics Canada, *Income after tax, distributions by size in Canada, 1991*, Cat. No. 13-210 Annual, Ottawa; and Statistics Canada, *Income distributions by size in Canada, 1991*, Cat. No. 13-207 Annual, Ottawa.

F. OTHER INCOME ISSUES

Total assessed income of families includes self employment net income, which can be negative. In the 1990 taxation year, almost 400,000 taxfilers with total assessed income less than \$20,000 reported negative amounts of self employment or business income, averaging about \$2000 per taxfiler. Almost 63,000 taxfilers reported negative amounts averaging \$16,500 which resulted in their having a total assessed income of negative \$12,500.

These losses are real, but they do not necessarily indicate that these tax payers were indigent in that year. In many cases they represent temporary financial setbacks for families who have the resources to ride out these difficulties. Furthermore, the fact that a tax payer has a loss in total or in part does not mean that she or he is a member of a low income family. Taxfiler statistics do not tell us everything we need to know about family income.

Nevertheless, when financial surveys are undertaken, these losses do deflate the family income of survey respondents and might push some families below the levels of the Low Income Cut-Offs or the Low Income Measures. This distorts our view of poverty as it affects the overall extent of income inadequacy.

The calculation of income also excludes gifts and loans. Loans are properly excluded from lifetime income. But they can have the effect of smoothing annual consumption over a lifetime. For post-secondary students, these two sources often represent a considerable source of purchasing power. To the extent that income surveys capture full-time students in their base, the exclusion of these items could understate the extent of their well being.

By judging low income or poverty thresholds against pre-tax cash income can leave us with a misleading impression as to the economic state of families at the lower end of the economic spectrum. It may lead us to overcount the number of poor and it might lead us to misjudge who is poor and who is not.

The importance of taxation and in-kind benefits has changed significantly over time. All Canadians pay substantially more taxes today than comparable families would have paid three decades ago. In-kind benefits are provided today which did not exist before. When low income measures were first designed, the potential distortions associated with taxes and in-kind benefits were of little import and hence could be safely ignored. This is no longer the case.

Resolving this distortion is difficult. It is well known at Statistics Canada that certain forms of income tend to be under-reported when income surveys are undertaken. Unemployment insurance income tends to be understated by about 20% while social assistance income tends to be under-reported by about 40%.¹² It is likely that households' self assessment of in-kind benefits would be similarly incomplete and incorrect. It is a far harder task for households to place a value on such benefits and their true valuation of the benefits might differ substantially from the costs of providing these benefits.

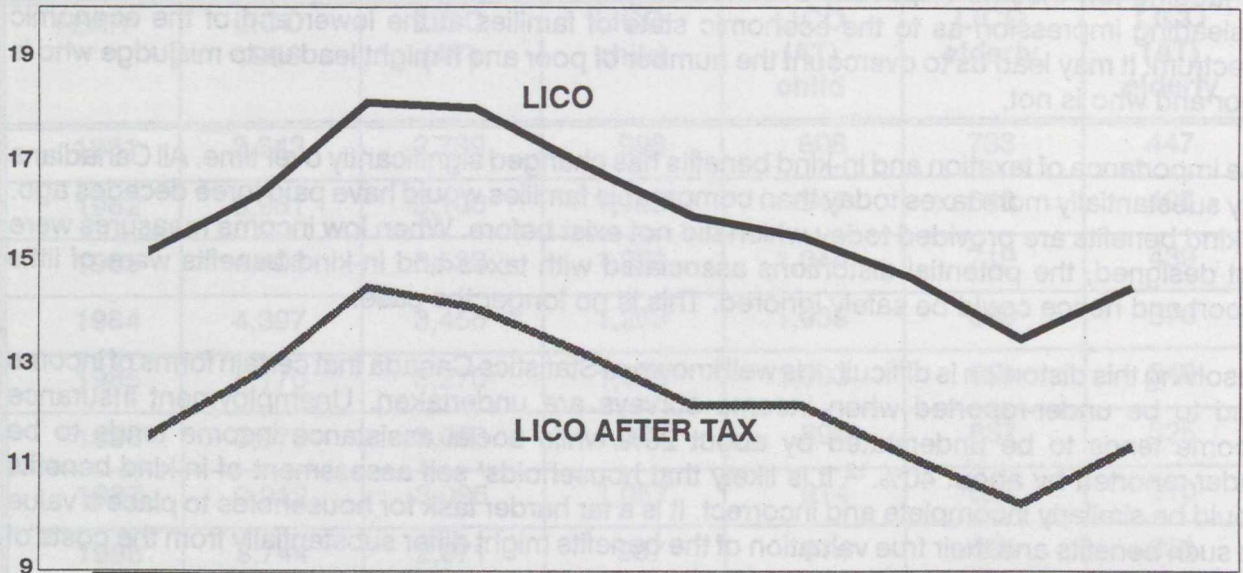
The discussion above has indicated that these omissions tend to overstate the extent of low income or poverty. This is not always the case. The overstatement arises largely because of the relative nature of the measures under consideration. The tax system does much to equalize the distribution of income. With an absolute measure of poverty, the opposite result will arise. If it is determined that a particular family configuration requires \$15,000 to escape poverty, a pre-tax income of this amount might not be sufficient if it is subject to positive amounts of income tax. In such a case, the use of an improperly designed poverty measure using pre-tax income will understate the poverty threshold and therefore undercount the poor.

¹² M.C. Wolfson and J.M. Evans, *Statistics Canada's Low Income Cut-Offs — Methodological Concerns and Possibilities: A Discussion Paper*, Research Paper Series, Statistics Canada, Ottawa, p. 26.

FIGURE II:3

INCIDENCE OF LOW INCOME: PERSONS

% < LICO

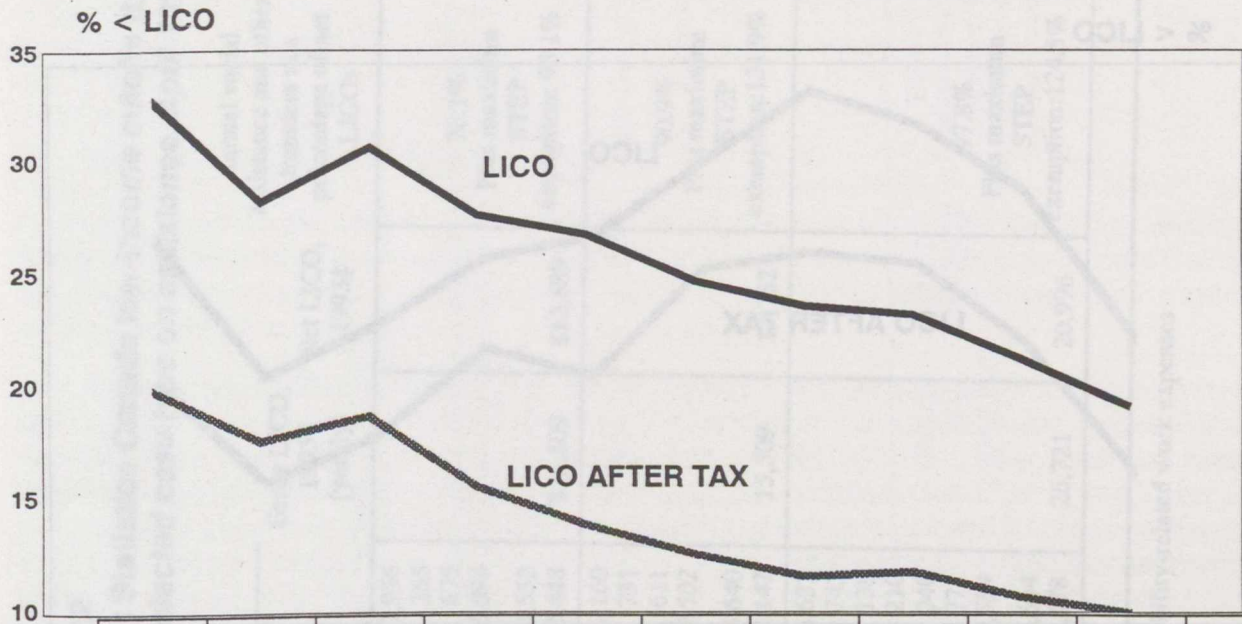


	81	82	83	84	85	86	87	88	89	90	91
LICO	15.3	16.4	18.2	18.1	17	16	15.6	14.8	13.6	14.6	16
LICO AFTER TAX	11.7	12.9	14.6	14.2	13.3	12.3	12.3	11.3	10.4	11.5	12.6

YEAR

SOURCES: STATISTICS CANADA

FIGURE II:4
INCIDENCE OF LOW INCOME: THE ELDERLY



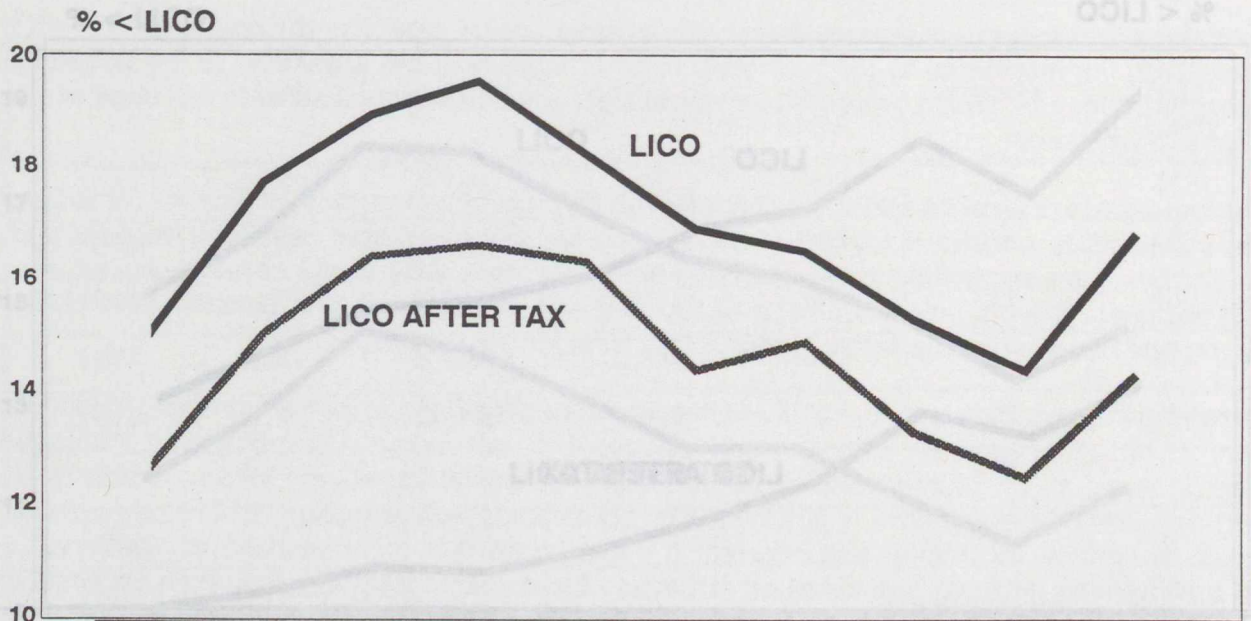
	81	82	83	84	85	86	87	88	89	90	91
LICO	33	28.5	30.9	27.9	27	24.9	23.8	23.4	21.4	19.3	20
LICO AFTER TAX	20.1	17.8	18.9	15.7	14	12.7	11.7	11.9	10.8	10.1	9.2

YEAR

SOURCES: STATISTICS CANADA

FIGURE II:5

INCIDENCE OF LOW INCOME: CHILDREN



	81	82	83	84	85	86	87	88	89	90	91
LICO	15.2	17.8	19	19.6	18.3	17	16.6	15.4	14.5	16.9	18.3
LICO AFTER TAX	12.3	14.6	16.3	16.2	15.8	14	14.3	12.7	12.1	14	15.3

YEAR

SOURCES: STATISTICS CANADA

Table II:2

Comparison of social assistance rates with estimated Statistics Canada low-income cutoffs (LICOs)
LICOs figures for urban centre ($\geq 500,000$) and selected case type on assistance, April 1993

Case type	Social assistance*				Gross LICO, 1993† (yearly)	Net LICO, 1993‡	Annual social assistance and other transfers as a percentage of net LICOs	Difference between annual social assistance and net LICOs
	Monthly		Yearly					
Single employable	Social assistance	\$663	Social assistance	\$7,956			70.1% Plus maximum STEP exemption: 98.1%	(\$3,793) Plus maximum STEP exemption: (241)
			Drugs/dental/eyeglasses	265				
			Refundable tax credits	675				
			Subtotal	8,896				
	Maximum STEP exemption ¹	296	Maximum STEP exemption ¹	3,552	\$15,509	\$12,689		
	Total	959	Total	12,448				
Single disabled	Social assistance	930	Social assistance	11,160			90.9% Plus maximum STEP exemption: 131.9%	(1,250) Plus maximum STEP exemption: 4,390
			Drugs/dental/eyeglasses	731				
			Refundable tax credits	611				
			Subtotal	12,502				
	Maximum STEP exemption ¹	470	Maximum STEP exemption ¹	5,640	15,509	13,752		
	Total	1,400	Total	18,142				
Sole-support parent (two children under 12)	Social assistance	1,386	Social assistance	16,632			97.8% Plus maximum STEP exemption: 124.5%	(462) Plus maximum STEP exemption: 5,142
			Drugs/dental/eyeglasses	743				
			Back-to-School Allowance	138				
			Winter Clothing Allowance	210				
			Child Tax Benefit	2,040				
			Refundable tax credits	771				
			Subtotal	20,534				
	Maximum STEP exemption ¹	637	Maximum STEP exemption ¹	7,644	26,721	20,996		
	Total	2,023	Total	28,178				

1 Maximum STEP exemption excludes deduction for value of child care and disability-related work expenses

Case type	Social assistance*		Gross LICO, 1993† (yearly)	Net LICO, 1993‡	Annual social assistance and other transfers as a percentage of net LICOs	Difference between annual social assistance and net LICOs
	Monthly	Yearly				
Employable couple (two children under 12)	Social assistance	1,530	Social assistance	18,360	96.3% Plus maximum STEP exemption: 121.0%	(883) Plus maximum STEP exemption: 4,997
			Drugs/dental/eyeglasses	1,071		
			Back-to-School Allowance	138		
			Winter Clothing Allowance	210		
			Child Tax Benefit	2,040		
			Refundable tax credits	1,051		
			<i>Subtotal</i>	22,870		
	Maximum STEP exemption ¹	660	Maximum STEP exemption ¹	7,920		
	Total	2,190	Total	30,790		
				30,767		
						23,752

* Social assistance rates are for renters and owners and are the maximum paid effective April 1, 1993

† Gross LICO figures include earnings as well as federal transfers, such as the Child Tax Benefit, GST refundable credit, and provincial property and sales tax credits for 1993, based on taxable income for 1992. Estimates of Gross LICOs (1986 base for cities 500,000+) provided by the National Council on Welfare, based on the 2.2 percent inflation rate forecast in the 1992 Federal Budget speech

‡ LICO figures are netted by estimating the amount of deductions — *i.e.*, CPP, UIC and income tax (1993 rates and structure) — that a person with an equivalent gross earnings would pay, and by adding on the value of Child Tax Benefit and refundable tax credits

CHAPTER III

OTHER MEASURES OF POVERTY

A. THE AMERICAN POVERTY MEASURE

The United States, unlike Canada, has an official measure of poverty. While first developed about the same time as the measure that became eventually the Canadian Low Income Cut-Offs, the American measure was formulated along different lines and has changed over time in a manner different to the Canadian LICOs.

According to Dr. Daniel Weinberg of the U.S. Bureau of the Census, the American poverty line has its origins in work undertaken by Mollie Orshansky in the 1960s at the Social Security Administration. The calculation of the line was fairly simple. Typical three-person American families were, in the middle 1950s, spending about one-third of their income on food. Using the Department of Agriculture's economy food budget as a lower limit, she concluded that if families could reduce their spending on food to that level, they could similarly reduce spending on other necessities by a proportionate amount. Hence the poverty lines for 1967 were set at three times the cost of the minimally-adequate food budget. Since its beginning, the official American poverty line has been adjusted annually in accordance with changes to the Consumer Price Index for urban consumers (CPI-U). Prior to its adoption as an official measure, calculated poverty lines were adjusted for changes to the cost of food only. This poverty measure is intended to represent a constant standard of living over time.

According to the official American poverty measure, over 35.7 million Americans (14.2% of the population) were poor in 1991. This is a higher proportion than in the latter part of the 1980s, but it is slightly below the rates during the 1981-82 recession. In 1959, 22% of Americans were judged to be poor according to this measure.¹³

The poverty line in the United States has been subject to a considerable amount of study and debate. Some think the line is too low and understates the number of poor. Others think the contrary. Some of the criticisms are purely technical in nature, others are driven more by disputes about the very nature of poverty.

The American line represents a budgetary measure in a very simplified sense. Rather than attempting to specify in a detailed manner, the cost of a particular basket of goods and services, it uses a multiplier, based upon consumption patterns at the time of its original construction, to account implicitly for the goods and services that have been excluded. This use of a multiplier has been the source of some criticism as well as confusion about the exact meaning of the American poverty line.

The American poverty line, as it stands today, is an inherently absolute measure of poverty. It reflects the ability of persons to achieve some defined and constant standard of living. And it is criticized on those precise grounds. American incomes have risen faster than prices, meaning that

¹³ U.S. Department of Commerce, Bureau of the Census, *Poverty in the United States: 1991*, Series P-60, No. 181, Washington, D.C. August 1992.

the real standards of living of American families have also increased on average. The real incomes of those at the threshold have remained constant over time. That is why the level is today lower in relation to median family income than it was in 1960 and why it is so much lower than the Canadian measures, which do move upward as family incomes increase in general.

A recent study¹⁴ by the staff of the U.S. Congress Joint Economic Committee (JEC) criticized the official line and advocated a more relative approach to a poverty measure. That report discussed a purely relative measure, i.e. one-half of median family income, noting that it would better reflect the changes that have been occurring in the United States economy. Such a measure would be equal to the Statistics Canada LIMs. On the basis of such a relative measure, the poverty line in 1987 would have been 14% higher than the official line and 25% higher than the experimental line published by the United States Bureau of the Census in an attempt to account for certain biases inherent in the American CPI. Consequently for that same year, the incidence of poverty would have been 19% higher than under the official line and 34% higher than under the experimental line.

The other alternative considered by the JEC study, and its preferred option, was an updated multiplier, based on the argument that the typical American family no longer spends one-third of its income on food. Instead it spends only about one-fifth to one-sixth of income on food. Consequently, the report argues, it would better reflect the true consumption patterns of the poor if the poverty line were to be set at six times the cost of the Thrifty Food Plan, which is the updated Department of Agriculture version of the minimally adequate diet. This updated multiplier would have increased the 1987 poverty threshold by 58% in relation to the official level and 74% in relation to the experimental threshold.

The JEC study argued that changes in food consumption due to changes in incomes or preferences should be fully accounted for in the poverty measure. In such a case, the American poverty measure would take on many of the features of the Canadian LICO. Poverty thresholds would have to be adjusted when consumption patterns are evaluated every decade or so, in addition to the annual adjustments made for price changes. Thus over time, one would observe periodic upward shifts in the threshold line, just the way one observes such shifts in the Canadian LICOs.

An obvious flaw in the official poverty measure is the fact that it does not take into account taxes paid on income. This is a complaint similar to the ones levelled at the Canadian measures. When Ms. Orshansky first determined her measure of poverty, taxes on the incomes of poor families were virtually non-existent. This is not true today and most analysts believe the poverty thresholds were meant to apply to disposable, not gross income. In this sense, the poverty measures likely under count the poor. As Patricia Ruggles points out, this issue is completely uncontroversial. So is the fact that poor households were paying substantially more tax on income in the mid 1980s than was the case in the mid 1960s. If in 1986 the poverty lines had been applied against after-tax income, the incidence of poverty would have increased by 7.4% for all persons.¹⁵

This increase in poverty incidence cited by Ms. Ruggles is in fact quite small. It is smaller than the offsetting declines discussed below when using the experimental CPI measure to adjust the line and it is small by comparison to the estimated benefits of in-kind benefits. The 7.4% increase in poverty incidence is from a study prepared by the Congressional Budget Office which, according

¹⁴ U.S. Congress, Joint Economic Committee, *Alternative Measures of Poverty*, A Staff Study, Washington, D.C. October 18, 1989.

¹⁵ Patricia Ruggles, *Drawing the Line – Alternative Poverty Measures and their Implications for Public Policy*, the Urban Institute Press, Washington, D.C. 1992, p. 137.

to Ms. Ruggles, did not take into account tax changes which lowered income taxes for low income families and which ignored the fact that the Earned Income Tax Credit offsets most of any remaining taxes for families with children.¹⁶ It, therefore, overstates the degree of under counting in the numbers of poor. Consequently, while pre-tax income is clearly inappropriate for poverty calculations, and while the issue may have been important six or ten years ago, it is not very relevant today as it does not seem to have much of a distorting impact on the calculation of poverty rates in the United States.

Mr. John C. Weicher, in testimony before the United States Congress Joint Economic Committee, argued that the official United States poverty line was as much as 58% too high and therefore significantly overstated the numbers of poor. This overstatement in the numbers of poor persons in 1987 was as much as 58% as well. A less extreme view sees the poverty measure as being 22% too high with the incidence of poverty overstated by 21%.¹⁷

This overstatement is due, in his view, to technical features of the Consumer Price Index (CPI) used to adjust the poverty line as well as to the failure to properly account for in-kind benefits available to the poor. The American CPI, like its Canadian counterpart, attempts to measure changes in the cost of purchasing consumer goods, one of which is housing. In 1983, the American Bureau of Labour Statistics changed the way in which this housing component was calculated, creating a series which is not consistent with earlier years. The change occurred because of criticism in the 1970s that the measurement was overstating the cost of housing with the CPI exaggerating, prior to 1983, the rate of inflation. Thus the CPI series as it now exists contains the exaggerated inflation rates built into the old series in the 1970s. The official poverty measure showed an increase in the poverty rate through the 1970s when it should have been registering a decline according to Mr. Weicher and the use of the official measure inflates the American incidence of poverty by about 1.5 percentage points, or 2.5 million persons, in 1987.¹⁸

The other important potential overstatement of poverty incidence is due to the fact that in-kind benefits are not taken into account when judging household income against the poverty threshold. At the time when the American poverty measure was first being produced and estimated, in-kind income was rare. With the exception of home grown food for rural residents and some subsidized housing, such in-kind income was not prevalent. This is no longer the case. To put this in perspective, in 1960 the ratio of government-supplied cash benefits to non-cash benefits was 4.33:1. By 1984, the relative roles had been completely reversed with the ratio at 0.43:1.¹⁹

Today, many Americans receive in-kind benefits such as food stamps, subsidized housing and free medical care. The estimation of the value to families of food stamps is quite straightforward; it is treated as the value of the food provided. Other benefits are not so straightforward. This is true of medical care, but it is also true of housing because of the way in which subsidized housing is provided. Where such housing is subsidized via a voucher, the value of the subsidy equals the value of the voucher, much as a food stamp. Where the assistance consists of a take it or leave it offer of public accommodation, valuation is more difficult.

¹⁶ Ruggles (1992), p. 138.

¹⁷ Statement of John C. Weicher, *Measuring Poverty*, Hearing Before the Joint Economic Committee, Congress of the United States, 101st Congress, 2nd Session, June 14, 1990.

¹⁸ The original series measured housing costs as maintenance, property taxes, insurance etc. as well as the full cost of home purchases, i.e. purchase price plus total mortgage payments for 15 years. Thus when mortgage rates were high and house prices rising, this series increased dramatically. The CPI now treats housing prices by computing a rental equivalent.

¹⁹ I.V. Sawhill, "Poverty in the U.S.: Why Is It So Persistent?", *Journal of Economic Literature*, Vol. XXVI, Sept. 1988, p. 1098.

The importance of these benefits can be seen in the recent report from the U.S Bureau of the Census. Of all persons below the poverty level, 43.6% lived in a household receiving means tested cash assistance while 73% lived in a household receiving any kind of means tested assistance. Fifty-six per cent lived in households receiving medicaid, 50% lived in households receiving foodstamps and 20% lived in households receiving subsidized housing,²⁰ which has an estimated cost of \$4,000 to \$4,500 per family.²¹ For many families, it is these non-cash benefits which constitute the most important form of social assistance provided to them. Ignoring these benefits understates the standard of living of the poor.

There are many other aspects of the American poverty measure which have been the subject of debate. In the United States, as in Canada, poverty/low-income measures do not consider the assets available to the population considered to be poor. These measures are judged against survey results on income, which contains certain amounts of under-reporting and missed households. There are questions about choosing more appropriate equivalence scales, etc. The most important and contentious issues are the ones discussed above.

The American poverty measure is currently the subject of intense scrutiny and debate. That debate is important in that the American measure is unique in its official status and rare in its absolute view of poverty. It is therefore important for Canadians who want a poverty measure based on living standards. There are those who think the measure as used is flawed, with some seeing these flaws as overstating the degree of poverty and some seeing the result as an understatement of poverty.

B. THE SARLO POVERTY LINES

In 1992, Professor Christopher Sarlo published a book²² on poverty which challenged the conventional wisdom on poverty lines and the incidence of poverty. That book presented poverty in an absolute light — viewing it as the inability to acquire those goods and services necessary for “long term physical well-being”. The book provided a basket of broadly-defined goods and services needed to meet this operating definition of poverty, identified specific elements for each broad category and established the cost of acquiring these goods and services. The total calculated cost for a variety of family configurations and a number of cities became the relevant poverty lines. These lines constituted the minimum standard of living consistent with long-term physical well-being. And, as was mentioned in Chapter II, these living standards are between 10% and 15% lower than the living standards associated with the Podoluk LICOs, which were considered at the time to represent low income, not poverty.

The broadly-defined items contained in this basket include obviously food, shelter and clothing. In addition, there are items pertaining to personal hygiene, health care, transportation and a telephone. He does not provide for entertainment expenditures. Nevertheless it, unlike the American measure, is very inclusive and therefore does not make use of a multiplier to construct the poverty line.

Within each category, certain criteria are established for minimum consumption requirements. Expenditures on food are based on the nutritional requirements of the Canada Food Guide, and certain palatability constraints, which Professor Sarlo believes are satisfied by drawing upon a list of popular and widely available foods.

²⁰ U.S. Bureau of the Census (1992), p. xvii.

²¹ J.C. Weicher, in *Measuring Poverty*, (1990) p. 85.

²² Christopher Sarlo, *Poverty in Canada*, The Fraser Institute, Vancouver, 1992.

He uses an optimization technique called linear programming to establish the minimum cost of acquiring this basket of food, subject to the constraints noted above. His results for a family of four differ substantially from those of other agencies. At \$4,052 for 1988, it compares to estimates of \$6,075 for Agriculture Canada's Nutritious Food basket and \$5,360 for the budget of the Montreal Diet Dispensary, and \$7,000 for the budget of the Social Planning Council of Metropolitan Toronto. In 1989, Agriculture Canada started compiling prices for a Thrifty Nutritious Food Basket. Today, the cost of that basket is estimated to be about 13% less than the Nutritious Food Basket. At that rate, the Thrifty Basket is priced at about the same level as the basket of the Montreal Diet Dispensary.

A unique feature of the Sarlo estimates is the fact that they are based on explicit economizing strategies. This is not true of the others, especially Agriculture Canada's Food Baskets. In establishing the cost of the Agriculture Canada baskets, store coupons are not used, no-name products are not purchased and the pricing surveys are based on package sizes which are not necessarily the least expensive.

The other major expenditure category he tackled were shelter costs. Shelter costs for the poor are based on the assumption that they would be tenants rather than home owners and that they would rent from the bottom 50% of the market which, according to CMHC surveys, is typically a rent of 10% below average. Rental accommodation standards are variants of those used by the Montreal Diet Dispensary. Prof. Sarlo's standards are less ample than those of the MDD and are significantly less so than those of CMHC. The Sarlo calculations do not, for example, allow for more than a three bedroom apartment.

There are significant economies of scale to be had in per person shelter costs. Consequently this expenditure features prominently in Sarlo's poverty line for a single person, amounting to 61% of the line in Victoria for example and 66% in Toronto. This ratio falls to 46% for a family of four in Victoria and 53% in Toronto. In smaller communities such as Chicoutimi, for example, shelter costs represent 55% of the poverty line for a single individual and 37% for a family of four.

Clothing standards are taken from the Montreal Diet Dispensary and priced according to a national catalogue. Transportation costs are based on public transit usage and are calculated as the mid point between a variety of scenarios, one of which assumes transportation costs to work. The poverty lines include costs for a telephone, personal hygiene, etc. Furniture costs are also calculated with the assumption of a household which has already been established and staggered furniture expenditures.

These poverty lines, updated on the basis of 1992 prices, are presented in Table III:1.

C. THE MONTREAL DIET DISPENSARY GUIDELINES

The Montreal Diet Dispensary has been issuing minimum budgetary guidelines since 1959. It has published since 1961 the *Budgeting for Basic Needs and Budgeting for Minimum Adequate Standard of Living*. The most recent version of this document has been updated as of June 1992.

These guidelines have been produced to serve "...not only as a guide in giving competent help to families on the subject of money management, but as a basis for planning essential assistance for those in needy circumstances."²³ These guidelines are developed to be relevant specifically to Montreal, although most elements of the guidelines would be as appropriate elsewhere.

The guidelines are separated into two components: a basic needs component and a standard for minimum adequate standard of living. The eight items in the basic needs basket are designed to maintain the family as a unit and preserve the health and self-respect of the individuals therein. The ten items in the minimum adequate standard of living basket are designed for minimal integration into society and to ensure good physical maintenance of the family.

Accommodation standards were taken from the guidelines of CMHC, although they have not been subsequently revised in line with CMHC's revised guidelines. The standards allow for example, a small child to share a bedroom with parents and two older children, more than 16 years of age, to share a bedroom, if they are of the same sex. In both cases, current CMHC guidelines do not view such arrangements as adequate.

Food requirements are taken from the 1975 Dietary Standard for Canada. In choosing the particular food items to comprise this basket, the MDD looked at actual spending patterns of families in the lower three deciles and chose nutritious and low-cost foods from those spending patterns. Clothing standards are based on the 1959 standards established by the MDD.

Other spending components of the basic needs budget include personal care items, household supplies, utilities and heating. The allowance for a minimum adequate standard of living includes additional items such as personal allowances, reading materials, telephone services, furniture and repairs, entertainment and recreation, etc. The basic needs budget is designed to maintain a family suffering from a short spell of poverty whereas the minimum adequate standard of living is thought of as a longer-term minimum. Table III:2 compares the two guidelines for a family of four.

The basic budget is about 6% lower than the Sarlo poverty measure for the province of Quebec, as seen in Table III:1. The lines produced by Professor Sarlo are more inclusive than the basic budget lines of the MDD, but they contain fewer elements than the MDD's minimum adequacy line, and thus fall about 15% below the latter.

The Sarlo lines do not contain provisions for recreation and entertainment, school supplies or religious matters. On the other hand, his poverty measures, for the city of Montreal appear to allow for higher shelter costs than do the MDD guidelines based on their average rental rates.

²³ Montreal Diet Dispensary, *Budgeting for Basic Needs and Budgeting for Minimum Adequate Standard of Living*, Montreal Quebec, June 1992, p.1.

D. INTERNATIONAL APPROACHES TO POVERTY MEASUREMENT

It is common practice in academic circles to analyze poverty in purely relative terms. The most common relative measure today is one which is equivalent to the Statistics Canada Low Income Measure (LIM). This is the approach used in the recent Luxembourg Income Study²⁴ and it is the approach used by the Organisation for Economic Co-operation and Development (OECD) in calculating its material deprivation index.

These measures indicate higher degrees of poverty in larger and more diverse economies than they do in small homogeneous ones which constitute a single and compact labour market. Comparisons which aggregate Portugal and Germany, for example, will indicate larger amounts of poverty in Portugal than would be the case if that country was examined alone. An analogy can be drawn between Canada and a United Europe. The LIM indicates that the rate of poverty in Newfoundland and Prince Edward Island is over 18%. If the LIM is calculated within each province, the respective poverty rates drop to about 10% and 6% respectively. These provinces are internally more homogeneous than the total Canadian economy. On the other hand, a LIM for Ontario increases that province's poverty rate. It has a high median income and is a diverse economy and some persons with incomes above the national median are below the Ontario median. On balance though, restricting relative measures to smaller units will reduce the overall extent of measured poverty.

Where other countries do specify poverty lines of one sort or another on an official or semi-official basis, they often use figures that are also used for administrative purposes.²⁵ The line is sometimes set at the level at which income taxes become payable, or the level at which a person or family becomes eligible for social assistance. The Belgian line was based on the old age pension. The Swedish line is equal to the income level at which taxes commence to be paid, although it originates with an estimated cost of a basket of goods. Austria has a variety of lines, all related to pension rates.

Most countries, however, do not have an official poverty line.

Year	Minimum Income	Maximum Income	Number of Persons
1980	10,000	15,000	1,000,000
1981	10,500	15,500	1,050,000
1982	11,000	16,000	1,100,000
1983	11,500	16,500	1,150,000
1984	12,000	17,000	1,200,000
1985	12,500	17,500	1,250,000
1986	13,000	18,000	1,300,000
1987	13,500	18,500	1,350,000
1988	14,000	19,000	1,400,000
1989	14,500	19,500	1,450,000
1990	15,000	20,000	1,500,000

²⁴ Timothy M. Smeeding et al., *Poverty, Inequality and Income Distribution in Comparative Perspective*, The Urban Institute Press, Washington, D.C. 1990.

²⁵ B. Phyllis Will, *Poverty: That Intangible Which Evades Definition or Measurement*, Internal Working Document, Statistics Canada, Ottawa, May 1986.

Table III:1

**POVERTY LINES IN CANADA — 1988 estimates updated to 1992 \$
THE SARLO ESTIMATES**

NUMBER OF PERSONS IN FAMILY						
	ONE	TWO	THREE	FOUR	FIVE	SIX
NFLD	\$7,895	\$10,779	\$13,632	\$16,085	\$18,059	\$19,966
PEI	6,953	9,479	12,523	15,685	17,551	19,357
NS	6,820	9,503	12,559	16,497	18,393	20,226
NB	6,649	9,177	11,737	14,263	16,105	17,887
QUE	6,690	9,669	12,303	15,129	17,094	18,992
ONT	7,563	10,549	13,626	16,951	18,860	20,704
MAN	6,806	9,853	12,965	16,188	17,936	19,629
SASK	6,259	9,463	12,306	15,086	16,881	18,619
ALTA	6,595	9,506	12,573	15,341	17,229	19,054
BC	7,196	10,004	13,339	16,504	18,387	20,208

Table III:2

**POVERTY LINES FOR MONTREAL — 1992
THE MDD ESTIMATES
FAMILY OF FOUR
MONTHLY BUDGET**

	BASIC BUDGET	MINIMUM ADEQUATE BUDGET
RENT	414	414
ALL ELSE (HEAT INCL.)	808.47	1,109.1
ALL ELSE (NO HEAT INCL.)	706.54	1,011.15
YEARLY TOTAL	14,229.92	17,885.4

RENT IS AVERAGE FOR A 3 BEDROOM APARTMENT
ASSUMES 8 MONTHS OF HEATING

CHAPTER IV

WHO IS POOR AND WHO IS NOT?

An accurate bench mark for income inadequacy does more than tell us the aggregate extent of poverty in Canada and the overall number of poor persons. It tells us more precisely which particular groups have a high incidence of poverty and which do not. It is the belief of this Committee that certain groups are today considered poor even though they are not and others who are more likely to be poor are erroneously considered to be above the poverty line. If this belief is true, then it means that our efforts at alleviating poverty might be directed to the wrong areas.

The Committee has heard evidence that the kinds of statistical measures in use today do not properly consider the particular circumstances faced by single parents. In particular they do not take into account the circumstances faced by single parents who work outside of the home. On the other hand, a variety of groups tend to have measured annual incomes falling below the low income lines yet their circumstances are such that they may be enjoying quite adequate and satisfactory living standards; nevertheless, they are considered to be in low income or even in poverty.

A. THE CASE OF HOMEOWNERS

Annual income does not necessarily give a good indication as to the economic circumstances faced by a family. There are a variety of reasons for this, one being the fact that it does not consider the cumulative wealth of that family. A case in point is the effect of homeownership.

Homeownership and poverty generally do not go together but 40% of "poor" families are homeowners and one-half of these do not have a mortgage.

In 1991, 7.2% of families and 28.9% of unattached individuals, owning a home free of mortgage had incomes below their appropriate 1986-base LICO. Such tenure is usually considered the height of financial achievement yet it is still associated with low income according to the LICO measures. Thus, 19.5% of all families commonly considered to be in low income owned their home outright while 14.9% of similar unattached individuals owned their home free of mortgage. Their homeownership status appears to contradict the judgement that they are poor. It indicates not only sizeable asset holdings but relatively low shelter costs as well.

Homeowners with mortgages include those with a minimal amount of equity in their homes as well as those with just short of 100% equity. Until very recently, homeowners needed at least a 10% downpayment to purchase a home and most had over 25% initial equity. While it is true that the recent recession and the burst of the real estate bubble in some areas has likely reduced the equity position of homeowners, it is just as likely that homeownership for many families indicates a degree of economic security. Consequently, should we be alleging that the 39.8% of families with incomes

below their respective LICOs have inadequate incomes when they happen to be homeowners, and should we make a similar judgement about the 19% of unattached individuals who are homeowners and who have incomes below the LICOs?

If asset holdings are viewed as another variable to consider when judging the economic circumstances of a family, it is clear that a certain amount of exaggeration takes place in counting the poor when using the Statistics Canada measures.

Some Canadians, home owners included, live in inadequate housing. Some live in rural areas where housing values are minimal and could not easily be converted into disposable assets. In such cases, home ownership could well be consistent with a state of income inadequacy. The same could be true of seniors who own a home.

B. THE CASE OF THE SELF-EMPLOYMENT AND INVESTMENT INCOME

Total assessed income of families includes self-employment net income and net investment income, which can be negative. In the 1990 taxation year according to Revenue Canada statistics, almost 400,000 taxfilers with total assessed income less than \$20,000 reported negative amounts of self-employment or business income, averaging about \$2000 per taxfiler. Almost 63,000 taxfilers reported negative amounts averaging \$16,500 which resulted in their having a total assessed income of negative \$12,500 on average.

These losses are real, but they do not necessarily indicate that these tax payers were indigent in that year. In many cases they represent temporary financial setbacks for families who have the resources to ride out these difficulties. Furthermore, the fact that a tax payer has a loss in total or in part does not mean that she or he is a member of a low income family. Unfortunately, taxfiler statistics do not tell us everything we need to know about family income.

Nevertheless, when financial surveys are undertaken, these losses do deflate the family income of survey respondents and might push some families below the levels of the Low Income Cut-Offs or the Low Income Measures.

According to Statistics Canada data, about 93,000 unattached individuals, 2.7% of the total, had total incomes of less than \$2500 in 1991. In aggregate, investment income losses and self-employment losses for this group of 93,000 outweighed gains by \$84 million. For the same year, 2.4% of families had incomes below \$10,000. Their total losses from self employment exceeded gains by \$157 million. These losses are temporary for many. They do not necessarily represent cash flow difficulties nor do they necessarily give an accurate portrayal of the economic circumstances that are faced by these families. To the extent that this statement is true, conclusions drawn from Statistics Canada's count of low income families might again be exaggerated.

These statistics cited here indicate incomes which are substantially below the income support levels set by government programs, suggesting to us that these individuals and families do not qualify for such programs. In these cases, then, reported annual income is a poor measure of the economic well-being of these persons, leading to a distortion in our assessment of income inadequacy in Canada.

C. THE CASE OF STUDENTS

It is the conventional wisdom that an individual's likelihood of being poor diminishes with greater educational attainment. This conclusion is widely accepted and has a great deal of empirical support. Yet the low income statistics generated by the LICOs produce results which are surprising and even disturbing.

Why is it that individuals with some post-secondary education and families where the head has some post-secondary education are over-represented in the low income group? In the case of the former, they make up 9.5% of the appropriate population but 10.2% of the low income population. In the case of families, they make up 7.3% of the population and 9.1% of the low income group. For those with post-secondary certificates or diplomas or university degrees, the proportions living in low income are lower than their overall standing in the population base. But it is still somewhat surprising that those with post-secondary certificates account for over 15% of the low income population or that those with university degrees account for over 7% of the low income population.

Some might interpret these statistics as indicating that higher education does not provide sufficient economic returns to students. More likely though is the fact that these statistics are picking up individuals and families with heads still in school. Because these persons are students they have relatively low incomes. More importantly, though, much of their purchasing power is not taken into account when conducting income surveys. While scholarships are counted as income, loans and gifts are not. These constitute important resources for students and their exclusion will consequently lead to a distorted view of the living standards they enjoy.

Post-secondary students make their choices voluntarily. They choose to forego current income in exchange for expectations of higher future income and in exchange for the intangible benefits associated with greater learning. Most students do not suffer a low standard of living in the same way as do truly poor persons. Including such students in any count of the poor only serves to colour our view of poverty in Canada.

This is not to suggest that students cannot suffer from inadequate income. Some students have families to support and suffer financial hardship during the course of their studies. The Committee feels that better information is needed to assess the financial condition of students and we make such a recommendation to Statistics Canada.

D. THE WORKING POOR

As a general rule, the incidence of low income or poverty is higher amongst unattached individuals than it is for families and it is higher amongst those who are not in the labour force than it is for those who are employed. While it is generally known that single-parent families have a particularly high incidence of poverty or low income, especially when headed by a female, it is not so well known that working single parent families might be worse off than those on social assistance, even though their gross incomes are higher.

The Committee has heard evidence on this matter from Professor Christopher Sarlo, who pointed out that a single parent with a before tax income above the poverty line could enjoy a standard of living no better than that of a similarly configured welfare family with an income below the LICO. The first would be considered not poor while the second is considered to be poor. There are three primary reasons for this. The working parent would be subject to some income tax whereas the parent on welfare would not. In addition, the working parent could incur some child care expenses that are not incurred by the non-working parent. Finally, the non-working parent might have access to in-kind benefits that are typically ignored as part of her or his social assistance package.

Professor Jane Friesen of Simon Fraser University presented the Committee with more details as to why working single-parent families might enjoy lower living standards than are implied by the extent of their money income. In particular, she concentrated on the aspect of additional time constraints that are faced by such families.

A family can enjoy a given standard of living in a variety of ways. It can earn market income and use that income to purchase goods and services or it can, at the other extreme, foregone market income to produce those goods and services at home. Family meals are a case in point. Basic food items can be purchased and prepared from scratch at home. Semi-prepared foods can be purchased, at greater cost, and be quickly prepared at home. Fast foods can be ordered for home delivery or the family can eat outside the home. Convenience is purchased at the cost of higher prices. But where time is scarce, as in the case of a single working parent, it is this high price of time which drives the choice of convenience. This fact is not taken into account when establishing low income lines because they typically do not distinguish between a one parent one child family and a two adult family. Nor do the lines distinguish between working and non-working family configurations.

These differences affect more than just the cost of eating, according to Professor Friesen. They affect the cost of clothing as home production and repair require very scarce time. And in addition, the cost of shelter for a single parent family could typically be higher than for a two-adult family with the same total number of persons. The LICOs do not account for this, nor do the LIMs.

The most important distinction though is likely to arise with respect to the costs of child care. Where such costs are incurred they can be substantial. Subsidized child care is available to some and the Ontario Government's Family Benefits Plan effectively pays for the cost of child care for those working single parents whose net income would be below welfare levels in the absence of such payments. But not all single parents take advantage of such programs even if they qualify. Thus it is still the case that some parents likely enjoy a standard of living below that of two adult families and in some cases below that of non-working single parent families. The low income measures do not recognize these differences and hence are likely to understate the extent of income inadequacy amongst working single parent families.

CHAPTER V

A MENU APPROACH TO POVERTY: THE BASIC NEEDS BUDGET

Having expressed a desire earlier in this report for an absolute measure of poverty, it is the task of this section to outline how the Committee thinks one might be established. There are several models to draw upon. There is the approach of Professor Sarlo and there are the budget guidelines of the Montreal Diet Dispensary. There are also the guidelines for the determination of income deficiency that are used by the various social welfare agencies across Canada — unfortunately, many of these do not specify in sufficient detail an accounting of individual allowances. In addition, there is also a more recent American academic study²⁶ which attempts to produce a poverty line for the year 1989, based on the Budget Needs Approach. This alternative to that country's official poverty measure is felt by the authors to be more realistic and more adequate in terms of the consumption standards it sets for the poor.

That particular study attempted to calculate the cost of providing basic needs to a single parent family under a variety of different circumstances and then determined the after-tax and after-transfer income that would be required to bring family resources to the basic needs requirement. Unlike a variety of other poverty studies, it also attempted to take into account the non-cash benefits that are available to a variety of lower income families in the United States, whether provided by government or the private sector. It also accounted for income taxes in assessing the extent to which families have at their disposal the economic resources needed to meet these budgetary needs. This is the approach that the Committee proposes for the setting of income inadequacy standards for Canadian families. Some examples will be presented below.

Table V:1 below presents the totals for the Renwick/Bergmann basic needs budget for four different cases of single-parent families, all of which contain three persons in total. The American dollar amounts have been converted into 1992 Canadian dollars. The table also presents some comparable Canadian measures. The budgetary needs in the table have been modified in one very important respect — the entry for health care has been significantly reduced. This is justified on account of the fact that health care system in Canada does not impose any costs for most of the services specified in the American budget. An allowance has been retained for what the article refers to as out of pocket health care costs.

Case A refers to a single stay-at-home parent with two small children living in the central part of a midwestern American city. This represents the moderate shelter cost scenario of the various cases presented in the article. Although this basic budget indicates that the needs of the family are greater than that which is specified by the American poverty line for this size of family, the inclusion of in-kind benefits supplied by government programs more than offsets this difference. The cash needs of this family are in fact only 64% of the official poverty rate.

²⁶ Trudi J. Renwick and Barbara R. Bergmann, "A Budget-Based Definition of Poverty With An Application to Single-Parent Families", *The Journal of Human Resources*, Vol. 28, No. 1, Winter 1993, p.1-24.

Case B refers to the same type of family as in Case A but with the parent working full-time outside the home and relying upon paid child care. This latter fact alone increases the cost of the basic needs budget by 70%. In this case the economic resources needed to meet these budgetary requirements are well above the official poverty line.

Cases C and D look at working single parents with older children, who do not require paid child care. Case C represents a situation with relatively high-cost housing while Case D examines the budgetary costs in a situation with low-cost housing. In both cases the cash requirements are above the official American poverty line for the relevant family, although the overstatement is not as great as in the case of the parent requiring paid child care services.

It is apparent from the table that the relative position of a low-income family depends very much on the employment status of the family. If the parent does not work and can stay at home with the children, the budgetary requirements are quite low by the standards of the official poverty line and by the standards set out by various Canadian measures. It is less than one-half the LICO for a large city such as Toronto and 30% below the LICO established for rural areas. Once the parent is in the workforce, this changes.

In Cases B, C, and D, the LICOs for large urban areas are higher than the requirements of the basic needs budget. In Case D, the low shelter-cost scenario, the rural LICO exceeds the basic budget by 30%. These budgetary costs are, however, generally higher than the relevant Sarlo poverty lines.

TABLE V:1

BUDGET NEEDS FOR SINGLE-PARENT FAMILIES

	IN MONTHLY \$, U.S. 1989			
	CASE A	CASE B	CASE C	CASE D
FOOD	250	250	326	326
HOUSING	305	305	474	251
TRANSPORTATION	33	73	73	115
CHILD CARE	0	506	0	0
CLOTHING	72	72	72	72
PERSONAL CARE	50	50	20	20
HEALTH CARE	47	47	47	47
TOTAL	757	1,305	1,027	846
	IN ANNUAL CANADIAN \$, 1992			
	CASE A	CASE B	CASE C	CASE D
FOOD	3,991	3,991	5,204	5,204
HOUSING	4,869	4,869	7,567	4,007
TRANSPORTATION	527	1,165	1,165	1,836
CHILD CARE	0	8,078	0	0
CLOTHING	1,149	1,149	1,149	1,149
PERSONAL CARE	798	798	319	319
HEALTH CARE	750	750	750	750
TOTAL	12,084	20,801	16,156	13,266
LICO TORONTO	26,147	26,147	26,147	26,147
SARLO TORONTO	14,125	14,125	14,125	14,125
LICO RURAL	17,802	17,802	17,802	17,802
SARLO CHICOUTIMI	12,028	12,028	12,028	12,028

CASE A: Non-working parent, moderate shelter cost, no childcare expenses.

CASE B: Working parent, moderate shelter cost, childcare expenses.

CASE C: Working parent, high shelter cost, no childcare expenses.

CASE D: Working parent, low shelter cost, no childcare expenses.

A BUDGET FOR BASIC NEEDS

Table V:2 below presents a tabular comparison of the extent to which a variety of expenditure categories are included in the determination of the menu of basic needs. The total cost of supplying this menu will naturally vary with the extent of the array of entries, all else being equal. In addition, the total cost will vary according to the consumption norms established for each category.

Such menus are generally meant to be all inclusive and it is the belief of this Committee that any Canadian budget-based income inadequacy measure should be so all inclusive. If items are not specified, it is because the originator did not deem them appropriate for inclusion. Another approach might, for example, enter explicitly the major elements of a basic needs budget and then provide for other, more minor, items through the use of a multiplier. Thus a budget might specify food, shelter clothing, transportation and child care and add some fraction of this subtotal as a miscellaneous entry in order to arrive at a total budget. The official American poverty line takes such an approach to the extreme. It was produced on the basis of the cost of a food budget only, and all else was implicitly included via a multiplier.

The most all-inclusive of the existing budgets presented in this table is that of the Montreal Diet Dispensary. This table has added the two component parts of that organization's guidelines, the allowances for basic needs and the allowances for a minimum adequate standard of living.

TABLE V:2

THE COMPREHENSIVENESS OF VARIOUS BASIC NEEDS BUDGETS

BUDGETARY ITEM	INCLUSION IN THE BUDGET-BASED POVERTY MEASURE			
	SARLO	MDD	RENWICK/ BERGMAN	S/C POVERTY
SHELTER	Yes	Yes	Yes	Yes
UTILITIES/HEATING	Yes	Yes	Yes	Yes
FOOD	Yes	Yes	Yes	Yes
CLOTHING	Yes	Yes	Yes	Yes
PERSONAL CARE/ALLOW- ANCE	Yes/No	Yes/Yes	Yes/Minimal	Yes
HOUSEHOLD NEEDS	Yes	Yes	Yes	Yes
FURNITURE	Yes	Yes	No	Yes
TELEPHONE	Yes	Yes	Yes	Yes
TRANSPORTATION	Yes	Yes	Yes	Yes
CHILD CARE	No	No	Yes	Yes
HEALTH CARE	No	No	Yes	Yes
ENTERTAINMENT/RECRE- ATION	No/No	Yes/Yes	No/No	Yes
READING MATERIAL	No	Yes	No	Yes
RELIGION/CHARITY	No	Yes	No	Yes
SCHOOL SUPPLIES	No	Yes	No	Yes

Table V:3 below presents a preliminary estimate of a basic needs budget that the Committee has in mind as a bench mark of income inadequacy. It has been estimated for families living in Toronto in 1992. Three different family configurations are provided. The table provides two sets of budgetary needs for each family configuration, a high estimate and a low estimate.

Shelter costs are taken from the CMHC estimates of Core Need Income Thresholds for Toronto and are based on the occupancy standards set by that organization. In the following table the two adult family is assigned a one bedroom apartment, the one parent one child family occupies a two bedroom apartment and the two parent two child family lives in a three bedroom apartment. CMHC occupancy standards do allow for two children of the same sex and similar ages to share a bedroom. The cost of shelter is taken from CMHC's estimation of average rents, and it is this figure which is used in the high estimate. The low estimate uses the average figure, less ten per cent.

CMHC's National Occupancy Standards are appropriate, we think, for families and seniors. It may be, however, that more modest standards are acceptable for single low income persons. It is not uncommon for students to live in rooming houses and it is not uncommon for young singles to share apartments. Three single persons sharing a three bedroom apartment have a lower per person shelter cost than would be the case if each had a one bedroom apartment. Such arrangements are common and are not seen as unacceptable by those employing such strategies. The Committee believes that such standards are acceptable for establishing shelter costs for single persons.

Food costs for the high estimate are taken from Agriculture Canada's Nutritious Food Plan for the city of Toronto and we have calculated costs based on the family configurations described above. The low estimate is based on the Thrifty Nutritious Food Plan. This plan is somewhat more restricted than the Nutritious Food Plan, and costs about 11% less. The costs of these food plans do not assume any economizing behaviour on the part of shoppers. They are not, therefore, particularly stringent budgets. Food and shelter costs constitute the bulk of the basic needs budget and are available on a city specific basis.

The spending categories from clothing to school supplies have been taken from the guidelines of the Montreal Diet Dispensary. Although priced for Montreal, the cost of most of the elements presented here should not vary greatly across the country. These are used as the high estimates. The low estimates are updates of Professor Sarlo's figures. Transportation and telephone costs are location specific and will have to be determined with more precision.

The personal care category is mostly comprised of what the MDD refers to as a personal allowance, essentially spending money. The remainder is for items such as soaps, haircuts, dry cleaning, etc.

The four categories, entertainment to school supplies are based on MDD figures. Professor Sarlo did not include such items in the calculation of his poverty lines. We use the MDD figures for both our high and low estimates. The entertainment category includes an allowance for recreation. The MDD estimates are not sufficient to cover cable television rates — the Committee does not see this as an unreasonable expense and therefore has added \$400 to the MDD allowances.

While most health related costs are supplied free of charge to Canadians, some must be paid for by patients. This is true of dental care, vision care and prescription medicines. We have used as an estimate the in-kind benefits attributed to social assistance recipients in Ontario, approximately \$250 per person per year. These are the numbers that we applied to Table V:1 above.

We have also been informed by government officials in New Brunswick that social assistance clients are provided with a health card covering dental, prescription drug and optical needs. The client pays only a modest fee. The value of these in-kind benefits is not known precisely but they likely do not differ much from those in Ontario.

The high estimate sub-totals in the table range from \$16,491 for a 1 parent 1 child family to \$25,094 for a two adult two child family. These sub-total figures are about midway between the estimates of Professor Sarlo and the Statistics Canada LICOs. The low estimate sub-totals range from \$13,288 to \$20,927. Although the family configurations differ, these estimates are typically above those produced by Professors Renwick and Bergmann, as presented in Table V:1. These figures are the appropriate ones to consider for families fully dependent upon government for income. Table V:4 provides selected social assistance rates as of 1 April, 1993, as provided by officials of the government of Ontario.

These sub-totals ignore the cost of child care that might be required in a single parent family if the parent is in the work force. For the purposes of these examples we have assumed a cost of \$100 per week. The two parent family with two children is assumed in this case not to require any child care expenditures.

Families on social assistance are believed to need the amounts specified in the Sub-Total row of Table V:3. This represents the income inadequacy bench mark for families paying no income tax and incurring no child care expenses. According to our estimates a two adult couple would receive total provincial benefits, social assistance plus provincial credits including in-kind benefits, of about \$15,600 per year. This is 94% of the high income inadequacy bench mark and 114% of the low bench mark. The provincial benefits for a single parent family with one child is in the same range, at 93% of the high estimate and 108% of the low estimate. The benefits available to a two parent two child family are farther from the income inadequacy bench mark, only 81% of the high standard and 94% of the low standard. These families are also eligible for federal cash benefits, the GST credit and the new child benefit. We have used here the old system of federal child benefits for the purposes of these 1992 comparisons. The inclusion of the federal benefits puts the single parent family above both thresholds. The inclusion of federal benefits brings the income of the four person family to with 92% of the high threshold.

The Total row in the table estimates the gross income which needs to be earned by a family to enjoy the same standard of living as specified in the Sub-total row. The calculations in this table assume that every family has only one income earner. At these levels, the income tax and payroll tax burdens are not at very high rates and might in fact be lower than the cash transfers they receive from the federal government. Nevertheless, it is obvious that working poor need to receive gross incomes above the levels specified for the non-working poor. This is particularly true of the family needing paid child care. The high estimate for the single parent is actually above the two person LICO and is almost twice as high as the Sarlo poverty line.

Subsidized child care is, however, available to some parents and those who avail themselves of that service enjoy an enhancement of income equal to the amount of the subsidy. But in Ontario, it goes even further. The social assistance program in that province ensures that no family is made worse off by working rather than depending on welfare. When determining eligibility for welfare, authorities look at income net of statutory deductions and full child care costs. Consequently a parent in this case might effectively pay little or no child care expenses.

Similar provisions are available for assisted child care in New Brunswick. Subsidized and licenced day care is readily available in urban areas, according to government officials. Clients can have day care fees paid directly when living in rural areas. It is the belief of officials in that province that the social assistance program achieves, to varying degrees, the goals of the Ontario government, that no working family be worse off financially than one on assistance.

These are important considerations. The calculations used here assume child care costs of \$5200 per year. It can be much higher with infant care in Metropolitan Toronto costing about \$10,000 per year.

The above discussion has not taken into account any possible subsidies with respect to shelter costs. In the case of families on social assistance in Ontario, this does not matter as welfare benefits are reduced when families do not need to pay market rents. There are, however, some working families who pay less than market rent due to subsidized housing. In those cases, the shelter cost component should be reduced by the amount by which costs are lower than the amounts set out in this table.

CONCLUDING COMMENTS

The Sub-Committee has here set out some examples of a basic needs approach to budgeting for low income families. The appendix to this chapter includes illustrations for twelve Canadian cities. In relation to a number of other such exercises, our budgets are quite generous. And we have set out differential budgets for working and non-working families. The striking feature about virtually all budgets is the fact that they are at least 10% below the LICOs for working families and closer to 20% below the LICOs in the case of families on social assistance. If our lower estimate is more appropriate, the extent of exaggeration of the LICOs is even greater.

It is our view, and we believe the facts bear this out, that the current set of poverty/low income lines do not accurately reflect the costs associated with single parent working families. In Toronto, for example, a single parent completely independent of the social assistance system could require a budget for basic needs which is higher than the commonly used LICO. Our bench mark, we believe, serves better this family than do the commonly used measures of Statistics Canada.

The income inadequacy bench marks illustrated here suggest that "poverty lines" for working families and individuals be set at higher levels than those for non-working persons. This is not a value judgement on the part of the Committee. It simply reflects the fact that gross earned income tends to overstate purchasing power. Since it is our intention to define income inadequacy in terms of a standard of living which is the same across communities and across family configurations, it is important that this distinction be made.

In addition, the Committee believes that the best way out of poverty is through employment. We expect governments to ensure that employment growth is adequate for the needs of Canadian families. Institutional and policy arrangement should not hinder Canadians from seeking and obtaining employment. The same should be true, we believe, of the poverty line.

If individuals and families have sufficient resources to meet these budgetary items, including food, we see no reason why they should be dependent upon food banks. There seems to be little reason in Ontario for large scale use of food banks. Every family configuration in Table V:3 can have a total income, including federal benefits, in excess of this bench mark if we use the low estimate. And none of the families in these examples are below 95% of the high estimate. We believe that this budget is sufficiently generous in a number of categories to allow families enough resources to feed themselves.

On the other hand, such dependency upon food banks strikes us as being more likely due to other, non-income factors. Not everyone receives the benefits to which they are entitled. As the Daily Bread Food Bank of Toronto told the Committee, people go to food banks because of emergency needs, problems with cheque cashing and late cheques. They also make use of such services because they claim not to have sufficient money to buy food, pay for transportation, etc. It is interesting to note that 72% of food bank users in Toronto felt that a market basket of goods should be established and priced, and that welfare rates should be determined on that basis. This Committee agrees wholeheartedly.

TABLE V:3

**ESTIMATED ANNUAL COST OF A BASIC NEEDS BUDGET:
TORONTO, 1992**

BUDGETARY ITEM	ESTIMATED ANNUAL COST, \$					
	2 ADULTS		1 ADULT 1 CHILD		2 ADULTS 2 CHILDREN	
	HIGH	LOW	HIGH	LOW	HIGH	LOW
SHELTER	7,350	6,615	8,400	7,560	10,650	9,585
FOOD	3,526	3,304	3,192	2,837	6,718	5,977
CLOTHING	1,130	578	923	578	1,710	1,156
PERSONAL CARE	1,197	471	641	471	1,375	944
HOUSEHOLD NEEDS	174		174		349	
FURNITURE	264	158	264	158	540	237
TELEPHONE	240	209	240	209	240	209
TRANSPORTATION	1,116	423	1,116	423	1,116	423
ENTERTAINMENT	634	634	603	603	760	760
READING MATERIAL	240	240	240	240	240	240
RELIGION/CHARITY	156	156	108	108	216	216
SCHOOL SUPPLIES			90	90	180	180
HEALTH CARE	500	500	500	500	1,000	1,000
SUB-TOTAL: Net Income Inadequacy Bench Mark	16,527	13,288	16,491	13,727	25,094	20,927
CHILD CARE	N/A	N/A	5,200	5,200	N/A	N/A
TOTAL: Gross Income Inadequacy Bench Mark, before taxes (Approx.)	18,250	13,750	21,500	18,000	27,000	22,000
LICO	20,567		20,567		30,100	
SARLO	10,900		10,900		17,935	

Table V:4
Comparison of social assistance rates (as of April 1, 1993) among selected provinces and case types

	Single Employable	Rank	Single disabled	Rank	Sole-Support Parent with two child. under 12	Rank	Sole-Support Parent with one child under 12	Rank	Employable couple with two child under 12	Rank	Employable with one child under 12	Rank
Rent (Ont. Max.)	\$414		\$414		\$707		\$652		\$768		\$707	
Ontario	\$663	1	\$930	1	\$1,386	1	\$1,221	1	\$1,530	1	\$1,342	1
PEI	\$597	3	\$637	6	\$1,153	2	\$963	2	\$1,309	2	\$1,154	3
Alberta	\$470	6	\$810	2	\$1,053	4	\$842	5	\$1,275	3	\$1,112	4
British Columbia	\$535	5	\$755	3	\$1,152	3	\$963	2	\$1,214	4	\$1,075	5
Quebec	\$626	2	\$662	5	\$983	6	\$862	3	\$1,248	5	\$1,156	2
Manitoba	\$537	4	\$679	4	\$1,038	5	\$850	4	\$1,262	4	\$1,055	6

NOTES:

- 1) Rent includes utilities. The Ontario maximum shelter cost is used as a basis for comparison.
- 2) Where rates for children under 12 are further broken down to 0-6 & 7-11, the higher 7-11 rate is used.
- 3) In Quebec, there is an additional, minor benefit provided to employables who are participating in the labour force. This higher rate is reported above.
- 4) PEI provides a \$40/month special care allowance to most disabled recipients. This is included in the figure quoted above.
- 5) Manitoba has a two-tiered system with most employables served at the municipal level. Manitoba ensures a minimum level of assistance, however a municipality may choose to provide higher benefit levels (but they won't be cost shared for the additional monies).

On the other hand, such dependency upon food banks is being more likely due to other, non-income factors. Not everyone who is eligible for food banks are entitled. As the Daily Bread Food Bank of Toronto has pointed out, people use food banks because of emergency needs, programs with cheque banking and late cheques. They also make use of such services because they do not have sufficient money to buy food, pay for transportation, etc. It is interesting to note that 22% of food bank users in Toronto felt that a market basket of goods should be established, and that welfare rates should be determined on that basis. This Committee agrees with the study.

ESTIMATED ANNUAL COST OF A BASIC MARKET BASKET
TORONTO, 1992

BUDGETARY CATEGORY	ESTIMATED ANNUAL COST, \$					
	1 ADULT		2 ADULTS & CHILDREN	2 ADULTS & CHILDREN		TOTAL
	HIGH	LOW		HIGH	LOW	
SHelter	7,350	6,515	10,050	8,535		
FOOD	5,520	4,785	8,190	6,975		
CLOTHING	1,100	675	1,100	675		
PERSONAL CARE	620	520	620	520		
HOUSEHOLD NEEDS	175	125	175	125		
FURNITURE	85	55	85	55		
TELEPHONE	285	15	285	15		
TRANSPORTATION	1,116	53	1,116	53		
RECREATION	550	160	550	160		
READING MATERIAL	240	240	240	240		
RELIGIOUS/ARTY	185	185	185	185		
SCHOOL SUPPLIES			180	180		
HEALTH CARE			1,000	1,000		
SUB-TOTAL (all inc. necessary basic needs)	18,221	14,145	25,034	20,877		
CHILD CARE	N/A	N/A	N/A	N/A		
TOTAL (with income necessary for child care)	18,221	14,145	25,034	20,877		
LESS:						
Income Tax						
Other Deductions						
NET			20,557	20,100		
SAVED		10,990		17,385		

APPENDIX TABLE A

ESTIMATED ANNUAL SUPPORT COSTS
 BUDGETARY DATA ON TAXES

APPENDIX TO CHAPTER V

ILLUSTRATIVE INCOME INADEQUACY BENCH MARKS FOR
 CANADIAN CITIES

The following tables present illustrations of estimated Net Income Inadequacy Bench Marks for a number of Canadian cities. They have been calculated in the same way as the example for Toronto in the body of this report. Each table includes an estimate of provincial cash benefits and total cash benefits available to poor families. Given the nature of the social assistance programs in the provinces and territories, actual benefits will vary according to individual family circumstances. They could differ from the numbers presented here.

FAMILY TYPE	TORONTO		MONTREAL		OTTAWA	
	LOW	HIGH	LOW	HIGH	LOW	HIGH
2 ADULTS 2 CHILDREN	10,400	15,000	10,400	15,000	10,400	15,000
1 ADULT 1 CHILD	6,800	10,000	6,800	10,000	6,800	10,000
2 ADULTS	8,500	12,500	8,500	12,500	8,500	12,500
1 ADULT	5,500	8,500	5,500	8,500	5,500	8,500
ESTIMATED TOTAL BENEFITS	18,399	25,400	18,399	25,400	18,399	25,400
ESTIMATED PROVINCIAL BENEFITS	11,000	15,000	11,000	15,000	11,000	15,000
ESTIMATED TOTAL INADEQUACY BENCH MARK	7,399	10,400	7,399	10,400	7,399	10,400

APPENDIX TABLE 1

ESTIMATED ANNUAL COST OF A BASIC NEEDS BUDGET:
ST. JOHN'S, 1992

BUDGETARY ITEM	ESTIMATED ANNUAL COST, \$					
	2 ADULTS		1 ADULT 1 CHILD		2 ADULTS 2 CHILDREN	
	HIGH	LOW	HIGH	LOW	HIGH	LOW
SHELTER	6,750	6,075	8,100	7,290	8,700	7,830
FOOD	3,646	3,278	3,099	2,784	6,545	5,900
CLOTHING	1,130	578	923	578	1,710	1,156
PERSONAL CARE	1,197	471	641	471	1,375	944
HOUSEHOLD NEEDS	174		174		349	
FURNITURE	264	158	264	158	540	237
TELEPHONE	240	209	240	209	240	209
TRANSPORTATION	1,116	423	1,116	423	1,116	423
ENTERTAINMENT	634	634	603	603	760	760
READING MATERIAL	240	240	240	240	240	240
RELIGION/CHARITY	156	156	108	108	216	216
SCHOOL SUPPLIES			90	90	180	180
HEALTH CARE	500	500	500	500	1,000	1,000
SUB-TOTAL: Net Income Inadequacy Bench Mark	16,047	12,722	16,098	13,454	22,971	19,095
ESTIMATED PROVINCIAL BENEFITS	11,496		11,698		13,119	
ESTIMATED TOTAL BENEFITS	11,876		13,396		15,733	
LICO	18,075		18,075		26,440	
SARLO	10,460		10,460		15,610	

APPENDIX TABLE 2

ESTIMATED ANNUAL COST OF A BASIC NEEDS BUDGET:
CHARLOTTETOWN, 1992

BUDGETARY ITEM	ESTIMATED ANNUAL COST, \$							
	2 ADULTS		1 ADULT 1 CHILD		2 ADULTS 2 CHILDREN			
	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW
SHELTER	5,400	4,860	6,900	6,210	8,100	7,290		
FOOD	3,529	3,056	2,998	2,591	6,323	5,472		
CLOTHING	1,130	578	923	578	1,710	1,156		
PERSONAL CARE	1,197	471	641	471	1,375	944		
HOUSEHOLD NEEDS	174		174		349			
FURNITURE	264	158	264	158	540	237		
TELEPHONE	240	209	240	209	240	209		
TRANSPORTATION	1,116	423	1,116	423	1,116	423		
ENTERTAINMENT	634	634	603	603	760	760		
READING MATERIAL	240	240	240	240	240	240		
RELIGION/CHARITY	156	156	108	108	216	216		
SCHOOL SUPPLIES			90	90	180	180		
HEALTH CARE	500	500	500	500	1,000	1,000		
SUB-TOTAL: Net Income Inadequacy Bench Mark	14,580	11,285	14,797	12,181	22,149	18,127		
ESTIMATED PROVINCIAL BENEFITS	11,569		11,420		17,303			
ESTIMATED TOTAL BENEFITS	11,949		13,119		19,917			
LICO	17,650		17,650		25,830			
SARLO	9,197		9,197		15,220			

APPENDIX TABLE 3

ESTIMATED ANNUAL COST OF A BASIC NEEDS BUDGET: HALIFAX, 1992

BUDGETARY ITEM	ESTIMATED ANNUAL COST, \$					
	2 ADULTS		1 ADULT 1 CHILD		2 ADULTS 2 CHILDREN	
	HIGH	LOW	HIGH	LOW	HIGH	LOW
SHELTER	6,750	6,075	8,100	7,290	9,600	8,640
FOOD	3,417	3,027	2,910	2,866	6,137	5,440
CLOTHING	1,130	578	923	578	1,710	1,156
PERSONAL CARE	1,197	471	641	471	1,375	944
HOUSEHOLD NEEDS	174		174		349	
FURNITURE	264	158	264	158	540	237
TELEPHONE	240	209	240	209	240	209
TRANSPORTATION	1,116	423	1,116	423	1,116	423
ENTERTAINMENT	634	634	603	603	760	760
READING MATERIAL	240	240	240	240	240	240
RELIGION/CHARITY	156	156	108	108	216	216
SCHOOL SUPPLIES			90	90	180	180
HEALTH CARE	500	500	500	500	1,000	1,000
SUB-TOTAL: Net Income Inadequacy Bench Mark	15,818	12,471	15,909	13,536	23,463	19,445
ESTIMATED PROVINCIAL BENEFITS	11,300		10,838		13,322	
ESTIMATED TOTAL BENEFITS	11,680		12,560		16,046	
LICO	18,070		18,070		26,440	
SARLO	10,420		10,420		16,788	

APPENDIX TABLE 4

ESTIMATED ANNUAL COST OF A BASIC NEEDS BUDGET:
SAINT JOHN, 1992

BUDGETARY ITEM	ESTIMATED ANNUAL COST, \$					
	2 ADULTS		1 ADULT 1 CHILD		2 ADULTS 2 CHILDREN	
	HIGH	LOW	HIGH	LOW	HIGH	LOW
SHELTER	4,800	4,320	6,000	5,400	6,450	5,805
FOOD	3,383	2,970	2,881	2,522	6,070	5,333
CLOTHING	1,130	578	923	578	1,710	1,156
PERSONAL CARE	1,197	471	641	471	1,375	944
HOUSEHOLD NEEDS	174		174		349	
FURNITURE	264	158	264	158	540	237
TELEPHONE	240	209	240	209	240	209
TRANSPORTATION	1,116	423	1,116	423	1,116	423
ENTERTAINMENT	634	634	603	603	760	760
READING MATERIAL	240	240	240	240	240	240
RELIGION/CHARITY	156	156	108	108	216	216
SCHOOL SUPPLIES			90	90	180	180
HEALTH CARE	500	500	500	500	1,000	1,000
SUB-TOTAL: Net Income Inadequacy Bench Mark	13,834	10,659	13,780	11,302	20,246	16,503
ESTIMATED PROVINCIAL BENEFITS	8,800		8,800		10,318	
ESTIMATED TOTAL BENEFITS	9,180		10,456		12,932	
LICO	18,068		18,068		26,439	
SARLO	9,177		9,177		14,263	

APPENDIX TABLE 5

**ESTIMATED ANNUAL COST OF A BASIC NEEDS BUDGET:
MONTREAL, 1992**

BUDGETARY ITEM	ESTIMATED ANNUAL COST, \$					
	2 ADULTS		1 ADULT 1 CHILD		2 ADULTS 2 CHILDREN	
	HIGH	LOW	HIGH	LOW	HIGH	LOW
SHELTER	5,250	4,725	6,300	5,670	7,650	6,885
FOOD	3,552	3,061	3,016	2,522	6,355	5,468
CLOTHING	1,130	578	923	578	1,710	1,156
PERSONAL CARE	1,197	471	641	471	1,375	944
HOUSEHOLD NEEDS	174		174		349	
FURNITURE	264	158	264	158	540	237
TELEPHONE	240	209	240	209	240	209
TRANSPORTATION	1,116	423	1,116	423	1,116	423
ENTERTAINMENT	634	634	603	603	760	760
READING MATERIAL	240	240	240	240	240	240
RELIGION/CHARITY	156	156	108	108	216	216
SCHOOL SUPPLIES			90	90	180	180
HEALTH CARE	500	500	500	500	1,000	1,000
SUB-TOTAL: Net Income Inadequacy Bench Mark	14,453	11,155	14,215	11,572	21,731	17,718
ESTIMATED PROVINCIAL BENEFITS	10,800		10,830		13,751	
ESTIMATED TOTAL BENEFITS	11,180		13,157		16,596	
LICO	20,567		20,567		30,100	
SARLO	10,900		10,900		17,935	

APPENDIX TABLE 6

ESTIMATED ANNUAL COST OF A BASIC NEEDS BUDGET:
TORONTO, 1992

BUDGETARY ITEM	ESTIMATED ANNUAL COST, \$							
	2 ADULTS		1 ADULT 1 CHILD		2 ADULTS 2 CHILDREN			
	HIGH	LOW	HIGH	LOW	HIGH	LOW		
SHELTER	7,350	6,615	8,400	7,560	10,650	9,585		
FOOD	3,710	3,304	3,192	2,837	6,719	5,778		
CLOTHING	1,130	578	923	578	1,710	1,156		
PERSONAL CARE	1,197	471	641	471	1,375	944		
HOUSEHOLD NEEDS	174		174		349			
FURNITURE	264	158	264	158	540	237		
TELEPHONE	240	209	240	209	240	209		
TRANSPORTATION	1,116	423	1,116	423	1,116	423		
ENTERTAINMENT	634	634	603	603	760	760		
READING MATERIAL	240	240	240	240	240	240		
RELIGION/CHARITY	156	156	108	108	216	216		
SCHOOL SUPPLIES			90	90	180	180		
HEALTH CARE	500	500	500	500	1,000	1,000		
SUB-TOTAL: Net Income Inadequacy Bench Mark	16,711	13,288	16,491	13,777	25,095	20,728		
ESTIMATED PROVINCIAL BENEFITS	15,236		15,314		20,392			
ESTIMATED TOTAL BENEFITS	15,616		17,027		23,010			
LICO	20,567		20,567		30,100			
SARLO	10,900		10,900		17,935			

APPENDIX TABLE 7

ESTIMATED ANNUAL COST OF A BASIC NEEDS BUDGET:
WINNIPEG, 1992

BUDGETARY ITEM	ESTIMATED ANNUAL COST, \$					
	2 ADULTS		1 ADULT 1 CHILD		2 ADULTS 2 CHILDREN	
	HIGH	LOW	HIGH	LOW	HIGH	LOW
SHELTER	5,700	5,130	7,200	6,480	8,700	7,830
FOOD	3,444	3,004	2,914	2,526	6,152	5,350
CLOTHING	1,130	578	923	578	1,710	1,156
PERSONAL CARE	1,197	471	641	471	1,375	944
HOUSEHOLD NEEDS	174		174		349	
FURNITURE	264	158	264	158	540	237
TELEPHONE	240	209	240	209	240	209
TRANSPORTATION	1,116	423	1,116	423	1,116	423
ENTERTAINMENT	634	634	603	603	760	760
READING MATERIAL	240	240	240	240	240	240
RELIGION/CHARITY	156	156	108	108	216	216
SCHOOL SUPPLIES			90	90	180	180
HEALTH CARE	500	500	500	500	1,000	1,000
SUB-TOTAL: Net Income Inadequacy Bench Mark	14,795	11,503	15,013	12,386	22,578	18,545
ESTIMATED PROVINCIAL BENEFITS	10,728		11,118		18,041	
ESTIMATED TOTAL BENEFITS	11,108		12,778		21,355	
LICO	20,570		20,570		30,100	
SARLO	9,853		9,853		16,188	

APPENDIX TABLE 8

**ESTIMATED ANNUAL COST OF A BASIC NEEDS BUDGET:
SASKATOON, 1992**

BUDGETARY ITEM	ESTIMATED ANNUAL COST, \$							
	2 ADULTS		1 ADULT 1 CHILD		2 ADULTS 2 CHILDREN			
	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW
SHELTER	4,650	4,185	5,700	5,130	6,900	6,210		
FOOD	3,468	3,055	2,930	2,563	6,200	5,444		
CLOTHING	1,130	578	923	578	1,710	1,156		
PERSONAL CARE	1,197	471	641	471	1,375	944		
HOUSEHOLD NEEDS	174		174		349			
FURNITURE	264	158	264	158	540	237		
TELEPHONE	240	209	240	209	240	209		
TRANSPORTATION	1,116	423	1,116	423	1,116	423		
ENTERTAINMENT	634	634	603	603	760	760		
READING MATERIAL	240	240	240	240	240	240		
RELIGION/CHARITY	156	156	108	108	216	216		
SCHOOL SUPPLIES			90	90	180	180		
HEALTH CARE	500	500	500	500	1,000	1,000		
SUB-TOTAL: Net Income Inadequacy Bench Mark	13,769	10,609	13,529	11,073	20,826	17,019		
ESTIMATED PROVINCIAL BENEFITS		10,800		10,800		15,523		
ESTIMATED TOTAL BENEFITS		11,180		12,507		18,297		
LICO		18,068		18,068		26,439		
SARLO		9,560		9,560		15,710		

APPENDIX TABLE 9

ESTIMATED ANNUAL COST OF A BASIC NEEDS BUDGET:
EDMONTON, 1992

BUDGETARY ITEM	ESTIMATED ANNUAL COST, \$					
	2 ADULTS		1 ADULT 1 CHILD		2 ADULTS 2 CHILDREN	
	HIGH	LOW	HIGH	LOW	HIGH	LOW
SHELTER	5,700	5,130	7,200	6,480	8,700	7,830
FOOD	3,435	3,011	2,910	2,546	6,154	5,400
CLOTHING	1,130	578	923	578	1,710	1,156
PERSONAL CARE	1,197	471	641	471	1,375	944
HOUSEHOLD NEEDS	174		174		349	
FURNITURE	264	158	264	158	540	237
TELEPHONE	240	209	240	209	240	209
TRANSPORTATION	1,116	423	1,116	423	1,116	423
ENTERTAINMENT	634	634	603	603	760	760
READING MATERIAL	240	240	240	240	240	240
RELIGION/CHARITY	156	156	108	108	216	216
SCHOOL SUPPLIES			90	90	180	180
HEALTH CARE	500	500	500	500	1,000	1,000
SUB-TOTAL: Net Income Inadequacy Bench Mark	14,786	11,510	15,009	12,406	22,580	18,595
ESTIMATED PROVINCIAL BENEFITS	10,604		10,500		16,696	
ESTIMATED TOTAL BENEFITS	10,984		13,575		18,003	
LICO	20,570		20,570		30,100	
SARLO	9,560		9,560		15,710	

APPENDIX TABLE 10

ESTIMATED ANNUAL COST OF A BASIC NEEDS BUDGET:
VANCOUVER, 1992

BUDGETARY ITEM	ESTIMATED ANNUAL COST, \$					
	2 ADULTS		1 ADULT 1 CHILD		2 ADULTS 2 CHILDREN	
	HIGH	LOW	HIGH	LOW	HIGH	LOW
SHELTER	7,500	6,750	9,750	8,775	11,700	10,530
FOOD	3,785	3,435	3,205	2,892	6,795	6,158
CLOTHING	1,130	578	923	578	1,710	1,156
PERSONAL CARE	1,197	471	641	471	1,375	944
HOUSEHOLD NEEDS	174		174		349	
FURNITURE	264	158	264	158	540	237
TELEPHONE	240	209	240	209	240	209
TRANSPORTATION	1,116	423	1,116	423	1,116	423
ENTERTAINMENT	634	634	603	603	760	760
READING MATERIAL	240	240	240	240	240	240
RELIGION/CHARITY	156	156	108	108	216	216
SCHOOL SUPPLIES			90	90	180	180
HEALTH CARE	500	500	500	500	1,000	1,000
SUB-TOTAL: Net Income Inadequacy Bench Mark	16,936	13,554	17,854	15,047	26,221	22,053
ESTIMATED PROVINCIAL BENEFITS	10,632		11,929		15,477	
ESTIMATED TOTAL BENEFITS	11,012		13,575		18,000	
LICO	20,570		20,570		30,100	
SARLO	10,004		10,004		16,504	

APPENDIX TABLE 11

ESTIMATED ANNUAL COST OF A BASIC NEEDS BUDGET:
WHITEHORSE, 1992

BUDGETARY ITEM	ESTIMATED ANNUAL COST, \$					
	2 ADULTS		1 ADULT 1 CHILD		2 ADULTS 2 CHILDREN	
	HIGH	LOW	HIGH	LOW	HIGH	LOW
SHELTER	8,100	7,290	9,150	8,235	10,050	9,045
FOOD	4,440	4,034	3,758	3,395	7,985	7,245
CLOTHING	1,130	578	923	578	1,710	1,156
PERSONAL CARE	1,197	471	641	471	1,375	944
HOUSEHOLD NEEDS	174		174		349	
FURNITURE	264	158	264	158	540	237
TELEPHONE	240	209	240	209	240	209
TRANSPORTATION	1,116	423	1,116	423	1,116	423
ENTERTAINMENT	634	634	603	603	760	760
READING MATERIAL	240	240	240	240	240	240
RELIGION/CHARITY	156	156	108	108	216	216
SCHOOL SUPPLIES			90	90	180	180
HEALTH CARE	500	500	500	500	1,000	1,000
SUB-TOTAL: Net Income Inadequacy Bench Mark	18,191	14,693	17,807	14,794	25,761	21,655
ESTIMATED PROVINCIAL BENEFITS	12,864		13,610		20,765	
ESTIMATED TOTAL BENEFITS	13,244		15,322		23,380	
LICO						
SARLO						

APPENDIX TABLE 12

ESTIMATED ANNUAL COST OF A BASIC NEEDS BUDGET:
YELLOWKNIFE, 1992

BUDGETARY ITEM	ESTIMATED ANNUAL COST, \$					
	2 ADULTS		1 ADULT 1 CHILD		2 ADULTS 2 CHILDREN	
	HIGH	LOW	HIGH	LOW	HIGH	LOW
SHELTER	11,250	10,125	13,350	12,015	16,650	14,985
FOOD	4,205	3,760	3,578	3,183	7,546	6,720
CLOTHING	1,130	578	923	578	1,710	1,156
PERSONAL CARE	1,197	471	641	471	1,375	944
HOUSEHOLD NEEDS	174		174		349	
FURNITURE	264	158	264	158	540	237
TELEPHONE	240	209	240	209	240	209
TRANSPORTATION	1,116	423	1,116	423	1,116	423
ENTERTAINMENT	634	634	603	603	760	760
READING MATERIAL	240	240	240	240	240	240
RELIGION/CHARITY	156	156	108	108	216	216
SCHOOL SUPPLIES			90	90	180	180
HEALTH CARE	500	500	500	500	1,000	1,000
SUB-TOTAL: Net Income Inadequacy Bench Mark	21,106	17,254	21,827	18,578	31,922	27,070
ESTIMATED PROVINCIAL BENEFITS						
ESTIMATED TOTAL BENEFITS						
LICO						
SARLO						

APPENDIX TABLE 12

ESTIMATED ANNUAL COST OF BASIC NEEDS SUPPLIES
YELLOW RIVER, 1987

BUDGETARY ITEM	2 ADULTS & 2 CHILDREN		1 ADULT & 1 CHILD		2 ADULTS		1 ADULT & 1 CHILD		ESTIMATED ANNUAL COST	
	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH
SHELTER	18,000	18,000	12,000	12,000	10,000	10,000	13,000	13,000	18,000	18,000
FOOD	600	600	400	400	500	500	300	300	600	600
CLOTHING	100	100	100	100	100	100	100	100	100	100
PERSONAL CARE	100	100	100	100	100	100	100	100	100	100
HOUSEHOLD NEEDS	100	100	100	100	100	100	100	100	100	100
FURNITURE	100	100	100	100	100	100	100	100	100	100
TELEPHONE	100	100	100	100	100	100	100	100	100	100
TRANSPORTATION	100	100	100	100	100	100	100	100	100	100
ENTERTAINMENT	100	100	100	100	100	100	100	100	100	100
READING MATERIAL	100	100	100	100	100	100	100	100	100	100
RELIGION/CHARITY	100	100	100	100	100	100	100	100	100	100
SCHOOL SUPPLIES	100	100	100	100	100	100	100	100	100	100
HEALTH CARE	100	100	100	100	100	100	100	100	100	100
SUB-TOTAL (Net Income Independent Bench Mark)	21,000	21,000	14,000	14,000	15,000	15,000	17,000	17,000	21,000	21,000
ESTIMATED PROVINCIAL BENEFITS										
ESTIMATED TOTAL BENEFITS										
LICO										
SARLO										

CONCLUSIONS AND RECOMMENDATIONS

The Government of Canada, through Statistics Canada, is involved in the measurement and assessment of poverty in this country. This development has not been intentional — one need only recall the frequent pronouncements by Statistics Canada that its LICOs do not constitute poverty measures. Dr. Michael Wolfson made this clear when he appeared before the Sub-Committee. (4:13) He also indicated an unwillingness on the part of his organization to produce such an "official" poverty measure, although the idea of producing social measures is something Statistics Canada continually strives to do. In response to a question from Mr. Pagtakhan on this point, Dr. Wolfson responded: "If we're going to have any kind of official poverty line, at least in the American sense, who should be the source of that? Certainly not Statistics Canada. We can produce what we think are appropriate social indicators to fulfil what we perceive as actually a very strong need on the part of a wide spectrum of our users — they want these kinds of numbers and they complain if we even hint that we might not produce them — but beyond a certain point we can't go." (4:25) Nevertheless, as far as most Canadians are concerned, Statistics Canada does measure poverty.

Unfortunately, Statistics Canada does not measure income inadequacy well. Instead it provides what simply amount to additional measures of income inequality; but unlike its proper inequality measures, these are seen as something they are not. The Sub-Committee feels that these measures, the LICOs and the LIMs, contribute little to our understanding of the nature and extent of poverty and indeed play a greater role in confusing the true issues. We see evidence of this in the harsh criticism of Canada's social policy record by a United Nations committee, that misunderstood completely the social indicators used.

In particular, they lead to a confusion between income inequality and income inadequacy. While an egalitarian society takes pride in offering equal opportunities to all citizens, the distribution of incomes is bound to be unequal at any point in time. Canadians can take entrepreneurial risks, enjoying the rewards of such risk but occasionally suffering the penalties of failure. They can defer earned income today by investing in their future through continued education. They may wish to reside in areas where economic opportunities are not as great but where other amenities are thought to offset this disadvantage. Moreover, the age distribution of the population makes inequality inevitable. Such inequality does not mean all Canadians won't enjoy the same standard of living over time, it simply means they do so at different points in time. Finally, immigrants who come here to enjoy a better life usually succeed in their aims, yet income inequality measures masquerading as poverty measures see their arrival and subsequent low relative incomes as a defect of our economic and political system.

It is this economic freedom, the economic diversity of our regions and the diversity of our population base which produces disparate incomes at any point in time. Confusing this with poverty not only misdirects scarce public resources, it incorrectly influences our view as to how our economy should work and how our society should function. It also misses the increase in living standards that has taken place over time.

The Sub-Committee is concerned about poverty. It is attentive to the needs of families to live wholesome and healthy lives. Consequently we make the following recommendations for a new and *real* measure of poverty.

Recommendation 1

The Sub-Committee recommends that the Minister of National Health and Welfare, with the assistance of other government departments, undertake the task of developing and constructing an "Indicator of Income Inadequacy" for families in Canada. This indicator should gauge the *standard of living* of lower income Canadian families and assess that standard against an "Income Inadequacy Bench Mark", determined as the level below which families would have serious difficulty in living a healthy and physically acceptable life.

This bench mark should be based on a determination of the *goods and services necessary* to maintain an adequate standard of living and the resources needed to acquire those goods and services. It should take into account the taxation of income and the provision of non-cash benefits.

Bench marks are to be established for families in differing circumstances. An important component of any basket of necessities is shelter cost and they should be available for a variety of housing markets. Since provinces levy income tax at different rates, there should be a bench mark for every province and territory. And the bench mark should be designed so as to take into account the differing needs of families in different circumstances, such as single-parent families. The bench mark should represent the same standard of living for all families in all parts of Canada.

Statistics Canada should be instructed to provide, where feasible, a historical series for these bench marks and an accounting of the number of persons falling below it.

Recommendation 2

Statistics Canada should publish annually, in addition to its present measures, an assessment of the number of families and total persons judged to have inadequate income, as determined in Recommendation 1. A distribution of persons with inadequate income should also be published annually, as is now done with the LICOs.

Recommendation 3

Statistics Canada should publish annually, as it now does, measures of "Aggregate Income Inadequacy", also referred to commonly as poverty gaps.

Recommendation 4

Statistics Canada should provide this detailed information also for persons living in families with incomes between the Income Inadequacy Bench Mark and 125% and 150% of that bench mark.

The Sub-Committee has heard evidence that head counts of the poor in Canada include individuals and families whose reported incomes give a poor indication as to their economic well-being. Families in these categories include full-time students, some homeowners and families suffering business losses. The reasons for excluding some persons in these groups have been discussed earlier in this Report. Consequently we make the following recommendations.

Recommendation 5

For the purposes of Recommendations 1 to 4, Statistics Canada should not include full-time students without dependants and persons reporting negative amounts of business income who would otherwise have incomes above the Income Inadequacy Bench Marks.

Recommendation 6

Statistics Canada should, for the purposes of this Indicator of Income Inadequacy, extend its Survey of Consumer Finances Questionnaire and Family Expenditure Questionnaire to identify families headed by full-time students and should determine the level of economic resources available to such families, including loans, gifts and liquid assets. Where the Statistics Canada surveys indicate negative self-employment income, additional information is to be asked about past investment losses, assets and family cash flow.

Several elements of the Committee's proposed Indicator of Income Inadequacy now exist. But as discussed earlier, they often rely upon information collected for other purposes and thus are not well suited as components for a poverty measure. Some information is out of date and information on in-kind benefits is often not available. To make such information more appropriate, we make the following recommendations.

Recommendation 7

CMHC is to provide to the Minister of National Health and Welfare and Statistics Canada, details and estimates of the value and distribution of housing subsidies available to low income families. Such subsidies are to be taken into account when determining the number of families with inadequate income and the aggregate measure of income inadequacy.

Recommendation 8

The Minister of National Health and Welfare is to consult with other social policy agencies having experience in the construction of budgetary guidelines for the poor to determine standards for non-food and non-shelter items to be used in the determination of Income Inadequacy Bench Marks. It is to include such items as allowances for personal needs, clothing, transportation, telephone, cable television and school supplies for children. For single-parent families, the bench marks should include provisions for child care. Statistics Canada is to be instructed to establish price surveys for these items specifically for the purposes of this indicator. Where the prices for the goods and services are location specific, Statistics Canada should seek to accurately reflect local prices.

Statistics Canada is to be instructed to undertake special food pricing surveys for the purposes of Agriculture Canada's food baskets. These surveys are to be more flexible than the ones undertaken for the Consumer Price Index. They should, for example, choose package sizes and brands so as to minimize unit costs. Such changes would make the Agriculture Canada food baskets more economical.

Recommendation 9

The Minister of National Health and Welfare is to consult with provincial counterparts to determine the extent and distribution of non-cash benefits provided specifically to low-income families and this information is to be made available to Statistics Canada for the purposes of the data to be published according to Recommendations 1 to 4.

The statistical measures of Statistics Canada are very complicated. Many Canadians do not understand the nature of the low income indicators now produced by Statistics Canada. It is not clear to them just what are the living standards implied by those measures. We think Statistics Canada should identify the changing trends in the standards associated with those measures. If considered appropriate, the agency could also conduct such an analysis for other commonly used indicators.

Recommendation 10

Statistics Canada is to present an historical analysis of the changing living standards associated with its Low Income Cut-Offs. This analysis should also examine the changing treatment of differing family configurations and be conducted on the basis of the pre-tax and post-tax measures.

It is, in conclusion, the belief of this Sub-Committee that the existing low income indicators of Statistics Canada do not serve us well. This is true of the LICOs and it is true of the LIMs, even though the latter are measures commonly used in academia, here and internationally. Creating a new measure will challenge the conventional wisdom reflected in these older measures. Since Canadians clearly want an official measure of poverty and since we are being judged as though we had such a measure, the Sub-Committee believes it is time that one be produced.

In the interim, though, we believe that a concerted effort should be undertaken to stop the misuse of the currently-used measures.

The Committee presents, in addition to existing statistical measures, a new Indicator of Income Inadequacy. We believe that this will provide a better view as to the specific ingredients that go into the make up of poverty. This is essential for the better design of social programs. We also feel that our proposed Indicator of Income Inadequacy will better inform Canadians and the rest of the world about the true state of poverty in this country.

APPENDIX A

Witnesses visited in Toronto and Fredericton

Associations and Individuals	Issue	Date
TORONTO		
Daily Bread Food Bank Ministry of Community and Social Services	4	Wednesday, February 17, 1993
University of Mississauga Christopher Sarto, Professor	5	Wednesday, February 24, 1993
FREDERICTON		
Department of Income Assistance	6	Wednesday, March 17, 1993
Anti-Poverty Association	7	Wednesday, March 31, 1993
Fredericton FoodBank Dr. Laure M. Benzing-Purdie, Director, Government Services and Incentives Division; Garry Hewton, Senior Economist, Government Services and Incentives; Linda Robbins, Development Officer, Consumer Analysis Section.	8	Wednesday, April 21, 1993
Canada Mortgage and Housing Corporation: Jamie Angus, Senior Researcher, Research Division; David Cluff, Director, Program Planning and Analysis Division; John Engeland, Researcher, Research Division; Randy Risk, Manager, Program Monitoring and Analysis Group.	8	Wednesday, April 21, 1993
Simon Fraser University: Jane Friesen, Professor of Economics.	9	Wednesday, May 12, 1993

APPENDIX A

The Minister of National Health and Welfare is to consult with provincial counterparts to determine the extent and distribution of non-cash benefits available to Statistics Canada for the purpose of the data to be published according to Recommendations 1 to 4.

The statistical measures of standards in Canada are very complicated. Many Canadians do not understand the nature of the low income indicators now produced by Statistics Canada. It is not clear to them just what are the living standards implied by those measures. We think Statistics Canada should identify the changing trends in the standards associated with those measures. It is also recommended that the agency conduct an analysis for other commonly used indicators.

Recommendation 10

Ministry of Community and Social Services

Statistics Canada is to present an historical analysis of the changes in the low income indicators. This analysis will be done in conjunction with the Department of Human Resources Development Canada and the Anti-Poverty Association.

In conclusion, the belief of this Sub-Committee is that the existing indicators of poverty do not serve us well. This is true of the LICOs and the LLI's, even though the latter are measures commonly used in academia, here and internationally. Creating a new measure will challenge the conventional wisdom reflected in these older measures. Since we are being judged as though we are producing a measure, the Sub-Committee believes it is time that one be produced.

In the interim, though, we believe that a concerted effort should be undertaken to stop the misuse of the currently used measures.

The Committee presents, in addition to existing statistical measures, a new indicator of income inequality. We believe that this will provide a better view as to the specific ingredients that go into the make-up of poverty. This is essential for the better design of social programs. We also feel that our proposed indicator of income inequality will better inform Canadians and the rest of the world about the true state of poverty in this country.

Your Committee requests that the Government table a comprehensive response to this report.

List of Witnesses

A copy of the relevant Minutes of Proceedings and Evidence (Issue No. 22, which includes this report) is tabled.

Associations and Individuals	Issue	Date
Statistics Canada: Michael C. Wolfson, Director General, Analytical Studies Branch.	4	Wednesday, February 17, 1993
University of Nipissing: Christopher Sarlo, Professor.	5	Wednesday, February 24, 1993
U.S. Bureau of the Census, Housing and Household Economic Statistics Division: Daniel H. Weinberg, Chief.	6	Wednesday, March 17, 1993
Montreal Diet Dispensary: Marie-Paule Duquette, Director.	7	Wednesday, March 31, 1993
Department of Agriculture Canada: Dr. Laure M. Benzing-Purdie, Director, Government Services and Incentives Division; Garry Hewston, Senior Economist, Government Services and Incentives; Linda Robbins, Development Officer, Consumer Analysis Section.	8	Wednesday, April 21, 1993
Canada Mortgage and Housing Corporation: Jamie Angus, Senior Researcher, Research Division; David Cluff, Director, Program Planning and Analysis Division; John Engeland, Researcher, Research Division; Randy Risk, Manager, Program Monitoring and Analysis Group.	8	Wednesday, April 21, 1993
Simon Fraser University: Jane Friesen, Professor of Economics.	9	Wednesday, May 12, 1993

APPENDIX B

List of Witnesses

Date	Issue	Associations and Individuals
Wednesday, February 17, 1993	4	Statistics Canada; Michael C. Wolfson, Director General, Analytical Studies Branch
Wednesday, February 24, 1993	5	University of Michigan; Christopher Sims, Professor
Wednesday, March 17, 1993	6	U.S. Bureau of the Census, Housing and Household Economic Statistics Division; Daniel H. Weinberg, Chief
Wednesday, March 31, 1993	7	Montreal Dist. Dispensary; Marie-Pierre Dupette, Director
Wednesday, April 21, 1993	8	Department of Agriculture Canada; Dr. Louis M. Senzing-Purdie, Director, Government Services and Incentives Division; Gary Hewston, Senior Economist, Government Services and Incentives; Linda Robbina, Development Officer, Consumer Analysis Section
Wednesday, April 21, 1993	8	Canada Mortgage and Housing Corporation; James Angus, Senior Researcher, Research Division; David Cliff, Director, Program Planning and Analysis Division; John Engstrand, Researcher, Research Division; Randy Risk, Manager, Program Monitoring and Analysis Group
Wednesday, May 12, 1993	9	Simon Fraser University; Jane Friesen, Professor of Economics

Request for Government Response

Your Committee requests that the Government table a comprehensive response to this report.

A copy of the relevant Minutes of Proceedings and Evidence (*Issue No. 22, which includes this report*) is tabled.

Respectfully submitted,

BARBARA GREENE,
Chair.

Request for Government Response

Your Committee requests that the Government tabulate a comprehensive response to this report.

A copy of the relevant Minutes of Proceedings and Evidence (Issue No. 22, which includes this report) is tabled.

Respectfully submitted,

BARBARA GREENE
Chair

