



A Critical Assessment of Canada's Official Poverty Line

By Christopher A. Sarlo

In November 2018 the Liberal government selected an existing low-income indicator as Canada's first official measure of poverty. The government chose this indicator, the Market Basket Measure (MBM), to play a key role in the government's new Poverty Reduction Strategy by allowing it to track progress towards its goals. Specifically, the government set a target to reduce poverty by 20 percent by 2020 and to fully halve the poverty rate by 2030.

This study critically examines the newly established "official poverty line" as it has been laid out since its origin in 1998 and in the various revisions, especially the latest version in Djidel et al. (2020) entitled *Report on the Second Comprehensive Review of the Market Basket Measure*. This assessment looks at both technical and conceptual issues with the poverty measure and finds that there are serious concerns in both areas.

Right from the beginning, the MBM was intended to be a compromise measure between the prevailing relative measures of low-income produced by Statistics Canada and a newer basic needs budget basket measure produced by Christopher Sarlo and the Fraser Institute. The MBM developers listed an array of goods and services without which, in contemporary society, a person would not be "creditable." Over the past 20 years as the measure has evolved that description has been rephrased to the more commonly used "inclusion" or "participation" and it is operationalized as a "basic, modest, standard of living."

Among the technical concerns with the MBM are a striking lack of published detail about the construction of many of the components and their revisions (research transparency) and an inconsistent methodology. That is, some components are estimated using expert judgements (food and clothing, for example), while others (like shelter, transportation, and the "Other" category), are wholly or in large part estimated as a percentile in the distribution of consumption. There is no coherent approach. Shelter costs increased dramatically in the 2018 revision driven in large part by the results of a flawed, online survey. The latest published poverty lines are expressed (but not labelled) as levels of disposable income that a family of four would need to avoid poverty. This lack of clear labelling serves to mask the levels of total income required to avoid poverty. For example, the poverty line for a family of four in Winnipeg in 2018 is \$44,000. However, given the stringent definition of disposable income used (deduct taxes, CPP, EI, and RPP payments, union dues, support payments, daycare, out-of-pocket medical costs, etc.) a family would have to earn about \$60,000 to avoid poverty. The lack

of any mention of the possibility of inaccurate or understated raw data—as if the data drawn from the census and other surveys are perfect—and the rather obvious attempt to pre-determine the approximate poverty rate by a series of choices relating to the distribution of consumption are both surprising. Specifically, the MBM team appeared to want to situate the ultimate rate of poverty somewhere within the second decile of the distribution of incomes.

The more important concern with the MBM as our official measure of poverty is conceptual. By choosing to define poverty as a condition in which a person is unable to acquire a living standard needed to integrate and participate in society, the government has rendered poverty unmeasurable. There is simply no way to credibly assign an income (or a basket of goods) that will assure “participation,” in large part because of the widely divergent interpretations of participation or inclusion. It is arguable whether income is even as important as other attributes (like intelligence, attractiveness, self confidence, and self sufficiency) to the goal of inclusion.

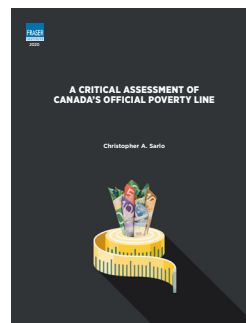
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As of the latest (2020) revision, the MBM line has increased substantially (due largely to higher deemed costs of shelter) so that families of four in most urban centres in Canada would have to have total incomes in excess of \$60,000 to escape poverty. This, I suggest, is not a reasonable line for poverty. It bears no connection to the understanding of poverty that most people have (as cited in the paper), which relates to the lack of basic necessities, and bears no connection to the way journalists and politicians routinely describe

people in poverty (hunger, material deprivation, suffering). It is predictable, however, that social justice activists are not satisfied with the level of the MBM and want more items included in the basket.

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The framers of the MBM have chosen to focus on inclusion. My suggestion is that they focus on real deprivation and employ a second measure as a goal for the poor just as all nations, including Canada, did when they convened in Copenhagen in 1995. I believe that we should want to know how many of our fellow Canadians cannot cover their basic needs. I think that most Canadians would find that to be vital information and that they would expect their government to care about that as well. A “basic, modest” standard of living is not a poverty line. Indeed, it is likely a standard to which many poor people aspire.



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