A close-up photograph of a wooden ruler and a metal square resting on a dark red wooden surface. The ruler is positioned vertically on the left side, with markings from 1 to 10. The metal square is positioned horizontally at the bottom, with markings from 2 to 5. The background is a dark red wooden surface with visible grain and some wear.

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FRASER
INSTITUTE

Poverty

*Where do we
draw the line?*

by Christopher Sarlo

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Executive summary

For more than two decades, I have urged that an absolute measure of poverty should be part of Canada’s complement of key indicators telling us how we are doing. I have argued that it is important not only because it will allow us to determine how many Canadians do not have the basic necessities covered—information we currently do not have on any official basis—but also because an absolute measure would correspond much more closely to descriptions used in the media, and by many social activists, of poverty and the predicament of the poor in Canada.

Poverty is a condition of serious deprivation. The poor are likely to be hungry, ill-housed, inadequately clothed, or lacking in some other essential need. There is a sense of real urgency and real desperation with the poor that is not the case with those living above the poverty line. Being poor is an unhappy and unhealthy predicament.

Yet the measurement of poverty cannot be an exercise in compassion. In the process of counting the number of poor people, we should set aside how we feel about poverty and what we think should be done about it. Making this kind of distinction is common in economics, but unfortunately not with the measurement of poverty. If poverty is a condition of serious deprivation—and that seems to be the understanding that most people have, based on formal and informal surveys, and it also seems to be the way poverty is described by most in the media and by social activists—then we should find a way to objectively determine the number of people who are, in fact, likely to be deprived in that way.

This is what I have attempted to do with the basic needs poverty line (BNL). From the beginning, I have urged that we use a fairly stringent list of necessities—basics that would be required for long term physical well-being (and the absence of which would compromise same). Some have regarded the BNL as “stingy” or “mean spirited”. However, if it is to be useful in helping us identify those in our society who don’t have even the basics needs covered, it needs to be quite limited. We risk trivializing the predicament of those who are seriously deprived if we include, as poor, many whose deprivation is merely relative in kind.

The BNL is certainly not perfect. It is arbitrary, as are all poverty measures, and it relies on good information on costs and incomes which might not always be available. I have long suggested that it would be preferable to have an expert panel design and implement a basic needs measure. I reiterate that preference once again in this study.

This paper is the latest in a series of studies on the measurement of poverty in Canada. However, it is much more than an update of the estimates of basic needs poverty. The paper looks more carefully at the debate about absolute and relative measures. It examines more critically, and in far more depth, the media treatment of the poverty issue. A number of concerns about the media coverage of poverty are highlighted in the paper. Among them are the tendency to “switch” definitions (to use relative definitions to measure poverty, and then to use absolute definitions to describe those so measured), the tendency to ignore some clearly important government commitments (like the declaration at Copenhagen in 1995 that Canada signed onto, which mandated that all nations both measure and end absolute poverty), the tendency to promote other stories criticizing the government for failing to end relative poverty, and the virtual absence of any investigative reporting on this topic.

There are, of course, new estimates of poverty in Canada using the BNL. The trend in poverty over the past 40 years is determined, and a fairly detailed profile of the poor is provided. In 1969, Canada’s overall income poverty rate was about 16 percent. By 2009, the latest year for which detailed income and consumption data are available, the rate was below 5 percent. The trend for child poverty is about the same, with child poverty at about 5.5 percent in 2009—down from about 17 percent in 1969. The corresponding rates for consumption poverty are even lower. The risk of poverty is greater among the young, single persons and single parents, and among persons with disabilities. Perhaps most strikingly, while only 29 percent of all Canadians are renters, fully 83 percent of poor Canadians live in rented accommodation.

Not surprisingly, the paper devotes some space to concerns with data quality. Poverty measurement, regardless of what line one uses, depends fundamentally on survey respondents providing honest and accurate information, and also on the careful design and implementation of the household spending surveys. There are other kinds of potential problems, like gaps in coverage, underground economy issues, and data editing challenges. As a result, it is difficult to say with any certainty what the extent and trend of poverty is. Despite these issues, the attempt to determine the number of Canadians who cannot obtain all of the basic needs for themselves and their families is of critical importance.

Introduction

In 1992, I proposed an alternative measure of poverty that would allow us to determine the number of Canadians who were likely to be in a state of serious deprivation, defined as the lack of any basic necessity required for long-term physical well-being (Sarlo, 1992). I made the case that this notion of poverty was consistent with the general understanding of the term—in dictionaries and in common usage—and with most journalistic and media commentary describing the predicament of the poor. I argued that, as part of finding out how Canadians are doing, we should want to know both the extent and the trend of this kind of deprivation.

I pointed out that prevailing “relative” poverty lines (such as the LICO and LIM) essentially measure inequality, rather than poverty as most people understand that term. Indeed, the redefinition in recent decades of poverty as a condition of relative deprivation has served to greatly increase the number of people counted as “poor.” This in turn has mobilized an assortment of social activists and has led to calls for urgent action to deal with rising “poverty” in Canada.

My point, then and now, is that poverty is not about being less well off. That’s inequality! And we already have multiple measures of inequality. Poverty is a condition of serious deprivation. What we need, and what I make a renewed case for in this paper, is a measure that allows us to track the number of Canadians who are unable to acquire all of the basic necessities. In addition to making the case for a measure of real deprivation, this paper will also provide updated estimates of the extent (and trend) of income poverty, consumption poverty, and child poverty in Canada.

Why not a relative approach?

Supporters of a relative approach to measuring poverty claim that, in modern societies, one is poor if one is less well off than most others in one's community or society. A commonly used cut-off for relative poverty is half of the median income. Any such cut-off is acknowledged as arbitrary by relativists. The real concern appears to be that, at some level of income, people will not be able to acquire the goods and services that most others have, and that they will therefore feel economically inadequate and socially excluded. It is that feeling of exclusion that separates them from most others and makes them poor, it is argued.¹

Surely, however, these feelings of economic inadequacy and of being excluded occur right across the distribution of income. People always compare themselves to others. In a middle-class context, someone who has merely a "working-class" home and car may well feel inadequate. In a rich neighbourhood, a merely upper-middle level of income will simply not measure up on many counts, leaving those with lesser incomes feeling socially marginalized and excluded from a group they desire to be a part of. In what sense are these relative deprivations connected to the condition of poverty?

Relativists may argue that they are only interested in economic and social exclusion as it relates to those at or near the bottom of the income distribution. It is they who, in comparison to the average or median household, are economically and socially at the margin. But are they? Because they cannot afford most of the material goods and services that those in the middle have, are they "poor"? Are people who deliberately choose to live simply necessarily poor? Are most artists who live on a relatively low income necessarily marginalized? Are university students properly classified as poor because

1. For example, the Canadian Council on Social Development argues that "to be poor is to be distant from the mainstream of society and to be excluded from the resources, opportunities and sources of subjective and objective well-being which are readily available to others" (CCSD, 2001). As one UK advocacy website puts it, "[t]he reason that we believe that relative poverty is important is because we believe that no one should live with 'resources that are so seriously below those commanded by the average individual or family that they are, in effect, excluded from ordinary living patterns, customs and activities.'" (<http://www.poverty.org.uk/summary/social%20exclusion.shtml>)

their incomes are below half the median, even as they engage and participate actively in their communities? If someone is truly interested in issues of exclusion or marginalization, is income (or even consumption) really the most reliable indicator?

With children, we have no way of knowing whether all (or even any) of those whose families are below a relative income threshold are, in fact, “socially excluded.” It is just a guess. Students in schools are shunned, picked on, and bullied for a variety of reasons—their looks, their ethnicity, their sexuality, their friends, their taste in music—that have little or nothing to do with a lack of income. Being unable to afford the latest Apple device or the coolest Nike sneakers may not be the best gauge of social exclusion or the best guide to policy intervention. Social exclusion is a very unscientific and ambiguous concept, easily amenable to frivolous usage. It is not measurable, and it is not clear how or when it occurs. As a basis for policy action, deficits in nutrition and housing adequacy might be preferred.

Relative poverty is essentially another measure of inequality: all that matters is one’s relative position in the distribution of income. One’s absolute level of economic well-being and ability to acquire basic necessities are irrelevant. Any compression of the distribution of income, even if there is no change in the actual living standard of the poor, will reduce poverty. And, of course, a large improvement in the living standard of the poor, if accompanied by an even larger improvement in the living standard of the rich, will actually increase “poverty” measured in a relative sense. These are conundrums (absurdities, really) that relativists have largely ignored. It is rare that anyone asks the question: why would I want a measure of “poverty” that tells me that doubling everyone’s real income (including that of the poor) would not reduce poverty at all?

Relative measures of poverty are also ill-suited for making international comparisons of poverty. A nation with low living standards and a quite compressed distribution of income would have much less relative poverty than a rich nation with greater inequality. Such comparisons, like the proverbial apples and oranges, are simply not valid. Yet we continue to see reports and news releases from UNICEF asserting that Canada has greater child poverty than nations like Slovakia and Hungary (UNICEF, 1999, 2005, 2012).²

Similarly, within-nation intertemporal comparisons using a relative measure are suspect because, again, absolute living standards are ignored. To

2. Specifically, these reports use a relative measure (half the median) to show that Canada (and the US) have greater child poverty than nations such as Slovakia, Poland, and Hungary, despite the fact that these nations have much lower average standards of living. The major media in Canada, upon the release of these reports, were strongly critical of the federal government for failing our children (e.g., “World Child Poverty Worse Than Decade Ago; UNICEF Report Says Canada is Sixth-Worst Country,” *Toronto Star*, December 13, 1999).

say that Canada had less poverty 60 years ago—because incomes were somewhat less unequal then—is to miss surely the most critical aspect of poverty. Real deprivation in Canada was widespread in the early post-war period, when upwards of 40 percent of the population lived in absolute poverty compared to about 5 percent now (Sarlo, 2001: 35).

The relative approach confuses what we want for the poor with the need to measure the condition of poverty. Poverty, like disability, is an emotional issue, laden with strong feelings of sadness and disapprobation, but there is surely some value in setting emotion aside in order to measure the phenomenon as objectively as possible. A poverty line is not an allowance for the poor. It is not a measure of our compassion. It is an indicator that we can use to determine how many in our society are impoverished. While this measure and its results may be helpful in informing policy, that is a separate matter. The measurement of poverty tells us something important about our society and how we are doing over time.

Relative poverty lines, whether based on a simple ratio (half the median) or a more complex construction (LICO, or even budget standards like those of most Social Planning Councils), are typically high in relation to absolute, basic-needs lines. This produces high poverty counts. And this, of course, serves the political interests of socialists, social activists and those who generally favour a large, active state. They can use these estimates of relative poverty as evidence of policy failure and as a catalyst for change—change, that is to say, in the direction of a larger, more active government. High poverty lines also serve, quite directly, the self-interest of those in the poverty “industry.” As Herbert Gans, himself a socialist and advocate for the poor, stated: “[T]he poor have provided jobs for professional and paraprofessional “poverty warriors”, this author included ... Clearly, then, poverty and the poor serve a number of functions for affluent groups ... thus contributing to the persistence of these groups, which in turn encourages the persistence of poverty in dialectical fashion” (Gans, 1973: 105-6).

Supporters of relative poverty measurement must acknowledge that a more compressed distribution of income means there is less poverty in society regardless of the actual living standards of the poor. Put bluntly, for them, a smaller gap between the rich and the poor automatically means fewer people will be poor. Further, in terms of preferred distributions, the gap is the most important concern. A smaller gap, even if it is at a lower overall standard of living, is better in their view. People obsessed with inequality may find this perfectly reasonable. Others, not so preoccupied with inequality, will find it sad, and unhelpful to the poor.³

3. Margaret Thatcher once famously castigated a socialist colleague who complained about the ‘growing gap’ in Britain: “He would rather that the poor were poorer provided that the rich were less rich.” See <http://www.youtube.com/watch?v=rv5t6rC6yvg>.

Switching definitions

The singular focus on and preference for a smaller gap, rather than for a higher absolute living standard for the poor, is, ultimately, the distinguishing feature of relativism, and its critical flaw. Nevertheless, it is consistent with a socialist perspective which values equality of outcome above all. And while consistency would compel relativists to describe those below a relative poverty line as “less well off than most others,” this does not always happen. All too often, in fact, definitions are conveniently switched to make it appear as if the relatively poor are, in fact, deprived in an absolute sense. This misrepresentation does a disservice to intelligent discussion and measurement of poverty.

There are numerous examples of “switching” in print and television journalism, some of which are provided below. Authors or commentators will use a relative measure to show the alarming number of poor children but then make reference to and show images of hunger, homelessness, and the lack of other basic needs—none of which are measured using the relative approach. It is the absolute approach that purports to uncover this kind of serious deprivation. While some of the relatively poor are also poor in absolute terms, most of them are not. The only way to determine that is, of course, to use an absolute, basic-needs measure.

In Canada, the best example of switching came in a 1989 motion to Parliament—to end child poverty by the year 2000—by then-NDP-leader Ed Broadbent. As I have written elsewhere:

On November 24, 1989, Ed Broadbent, then leader of the NDP, rose in the House of Commons to speak about child poverty. He stated that there were over 1 million poor children (25 percent of all kids) in Canada. He pointed out that this poverty rate had increased since 1973. He described, with great passion, the conditions of Canada’s poor children. He said:

“[W]hile the overall sense of well-being for most Canadians has been getting better, that of our children has been getting worse. While the rest of us have been better clothed, there are more kids going without shoes. While the rest of us have improved housing, we have literally thousands of children who are homeless in Canada ... Being a poor kid means box lunches from food banks and soup from soup kitchens. Mr. Speaker, to be a poor kid means trying to read or write or think on an empty stomach ... one quarter of our children are wasting away. This is a national horror. This is a national shame ... that we should put an end to.” (House of Commons, November 24, 1989: 6173–5)

There is not much ambiguity about Broadbent's notion of poverty. He said that one quarter of Canada's children are "wasting away." He didn't say that one million children were "less well off" or were possibly "excluded from the mainstream" because they didn't have all of the things most other kids took for granted. He made specific reference to hunger, to lack of adequate clothing, and even to homelessness. But the "poverty" measure that his numbers were based on is purely relative and is not at all equipped to reveal information about hunger or any other kind of real deprivation. (Sarlo, 2008: 4–5)

Here, a leading Canadian politician was—to be most charitable—misleading his audience. He used a relative measure to show that 25 percent of Canadian children are poor, yet described their poverty in the stark terms of absolute poverty. At the time, no journalist or commentator called him on that. Broadbent has continued to switch definitions as he dramatizes the plight of child "poverty."⁴

The case for a basic needs poverty measure

The idea that poverty is a condition of serious deprivation has a long history. Dictionary definitions, reflecting common usage, predominantly convey this meaning. Surveys consistently confirm this meaning when asking ordinary people what poverty means to them.⁵ And reporters and politicians typically make reference to the lack of necessities (hunger, inadequate housing, etc.) in their commentaries on poverty in Canada. This description is clearly what they have in mind when they think about poverty. Indeed, even leading relativists acknowledge the usefulness of an absolute conception of poverty.⁶

4. See *Globe and Mail*, November 24, 2004: A27; *Globe and Mail*, November 23, 2009 (online); and *Globe and Mail*, November 28, 2012 (online). Andrew Coyne has mentioned Broadbent's habit of changing definitions in relation to child poverty, expressed concerns about the concept of relative poverty, and argued persuasively that we should have, as part of our information toolkit, a measure of absolute poverty (Coyne, 2009).

5. When surveyed on their understanding of the term "poverty," a vast majority of Australian social assistance recipients selected wording that reflected a "basic needs" conception of poverty (Sarlo, 2001: 12). Recently, this author has asked new student audiences the following question prior to any discussion of poverty: In my view, poverty means: 1. Not having enough income to afford all of the basic necessities, or 2. not being as well off as most others in my community. Consistently, over 90 percent select the first answer.

6. Peter Townsend and David Gordon (2000) advocate for both an absolute and a relative measure, and were part of the group helping to frame the Copenhagen commitment to end absolute poverty. Jeffrey Sachs has referred to poverty as the "lack of reliable access to basic needs" (TVO, 2013).

My own view is unchanged after more than two decades of research in this area. Poverty is a state of severe privation. It means that people are lacking necessities required for their physical well-being. Poverty is a condition of insufficiency, not a condition of inequality. It implies serious inadequacy, not merely a matter of being “less well off” or of lacking material amenities. It is this condition of genuine deprivation that should be measured and tracked over time. This is important information for its own sake. It is part of our understanding about how Canadians are doing and what challenges they face. This information is also important to help us find solutions to the problem. Where poverty exists, it is a significant social and economic concern. It is a waste of human potential. It is a source of misery, frustration and discontent. And, critically, it is unhealthy. All of us should want to know how many Canadians face this deprivation.

Having said this, problems as complex as poverty rarely wrap themselves up in neat packages. If poverty means the lack of basic necessities, what exactly are those basic needs? What filter or process determines what a need is, or allows us to clearly distinguish between a need and a want? Are there social, cultural, age, and even gender variations in what is a necessity? These kinds of questions appear to be impossible to answer with scientific precision. As with most difficult problems, we try to find reasonable distinctions and constructs that will help us define and measure the extent of the problem.

With poverty, we start with a definition that best reflects our understanding of the matter. The definition that I have used and that has been employed consistently in all of my work on this topic is the following: one is classified as “poor” if one has insufficient resources to be able to acquire all of the basic necessities (those that are not already automatically provided free) needed for long-term physical health and well-being. Most often, we use income as an indicator of available resources. Thus, those having insufficient income to acquire all of the basic needs would be classified as “income poor.”⁷

While it is more common to measure income poverty, consumption poverty is also of interest and is examined in this paper. Consumption, of course, is a step closer to people’s actual standard of living than income. Nevertheless, it too is flawed. It examines only expenditures and not the fulfilment of needs. A person can spend \$200 a month on food by purchasing only snack and fast foods or by purchasing a balanced menu of fruits, vegetables, and other recommended foods. For both income and consumption, we are only able to examine whether the totals are sufficient. So, in terms of

7. Of course, even sufficient income does not ensure that all of the basic needs are covered. People may spend their money on other things. People make choices about how to spend and how to establish their own priorities. The measurement of income poverty examines capacity, not actuality.

poverty measurement, we focus our attention on the resources available (or spent) and not on the end result, which is really not observable.

How do we deal with “needs” in economics? Economists generally speak of preferences and choices, rather than of needs. However, it would be hard to argue that there are no constraints at all on our choices. If we are going to live and persist as humans, there are some things we need to have, and there is not much flexibility about it. For sure, some of this is socially influenced—for example, the types of foods and the sort of housing, clothing, and other items that we “need.” Nevertheless, there exists a core of basic items that everyone must have on an ongoing basis, and this definition tries to determine what these needs are and how much they cost given certain assumptions. Failing the acquisition of all of these necessities, long term physical well-being is likely to be compromised.

For many people in the middle class who have always had comfortable living standards, the idea of basic needs poverty is difficult to comprehend. An alternative way of understanding the basic needs poverty line is to ask the question: if something catastrophic happened in my life and I lost most of my wealth and income, what amount would I absolutely need to cover the necessities without having to rely on others. Undoubtedly it is a question many have considered. The exercise in this paper simply attempts to provide a process for answering that question.

The basic needs poverty measure

Based on the definition of poverty articulated above, the construction of the basic needs poverty line is as follows. First, a list of basic needs is posited. While the items on the list will likely be on most researchers' lists of basic needs, this is unquestionably an arbitrary exercise. Some will want the list to be more generous; others, more restrictive. Guided by the definition of poverty as a serious condition of real deprivation, the list of basic needs is relatively stringent, and essentially the same list, with a modest revision in 2001, has been used for this and earlier studies. It is as follows: nutritious, balanced, healthy, and popular food; apartment accommodation consistent with Canadian standards of quality and space; new clothing purchased at popular Canadian department stores; and a range of other needs such as home telephone service, laundry, cleaning supplies, personal and hygiene supplies, household and kitchen supplies, furnishings and replacements, public transportation, out-of-pocket health care costs, and a small amount for miscellaneous expenses.

This fixed basket of necessities is then costed given available, reliable information. Only regular, prevailing prices are used. No shopping or saving strategies are assumed. The costing was for a reference family of four persons; the costs for other family sizes are determined using an equivalence scale, discussed in detail below. The cost of the basket of necessities is the poverty line. If your income is less than this cost, that means that you cannot afford all of the basic necessities and would, therefore, be poor.⁸

The list of basic needs, first developed in the late 1980s and revised in 2001, is displayed in **Table 1**, updated to 2009 from the 2001 values using the all-items CPI for Canada. These estimates are for a household of four persons, originally structured to be two parents and two children. The specific list of items includes: nutritious food purchased at grocery stores; rented accommodation, with the number of bedrooms appropriate to the family size and composition, and the quality at a standard considered “decent” in Canadian

8. See Sarlo (2001) for the most thorough exercise of costing these basic needs in the various communities and regions of Canada. Provincial and Canadian average poverty lines were also determined using population proportions as weights.

Table 1: Basic needs in Canada, family of four: some comparisons

Basic need	Actual expenditures (SSH, 2009)				Sarlo, 2009 update	MDD, 2010
	Average	Bottom quintile	Bottom decile	LICO after tax, 2009		
Food [F001]	9,973	7,711	7,185	6,832	6,715	9,024
Shelter [G001]	18,573	12,674	12,032	11,807	10,189	9,744
Clothing [J001]	4,453	2,631	2,225	2,257	2,546	1,944
Telephone service [H003]	613	524	513	508	376	
Cleaning supplies [H022]	361	266	269	289	201	511
Household insurance [G011]	638	299	237	210	253	
Furniture and equipment [I001]	2,561	1,182	976	933	378	
Laundry [J023TOT]	127	138	173	159	609	
Public transportation [K031]	1,977	1,732	2,190	1,890	820	
Personal care [L201]	1,740	1,043	926	901	578	1,169
Health care, direct [L102]	1,531	981	824	928	1,531	
Miscellaneous/Other					127	2,820
Taxes [O201]	21,264	1,771	332	-15	0	
Total	63,811	30,952	27,882	26,699	24,323	25,212
Total after taxes	42,547	29,181	27,550	26,714	24,323	25,212

Note: The category "public transportation" provides spending data only for those who actually used public transportation.

Sources: Statistics Canada, Survey of Household Spending microdata file, 2009, and calculations by author; Statistics Canada on-line table, Low-Income Cut-offs (<http://www.statcan.gc.ca/pub/75f0002m/2010005/tbl/tbl01-eng.htm>); Montreal Diet Dispensary, 2010.

society; new clothing purchased at a major Canadian department store as estimated by a well-known Montreal social agency; all the way down to laundry, phone service, and out-of-pocket health care. Details of the rationale for each of the items included and their estimated cost can be found in Sarlo (2001: 19–27). While the list is fairly “bare-bones”, this is consistent with the approach and the definition of poverty used. If a family of four had sufficient resources to acquire all of these needs, they would not be considered as poor. They might still be lacking common social amenities and may (or may not) feel deprived in some relative way, but they would be able to prevent impoverishment, as defined in absolute terms.

Table 1 also contains some comparisons that may help to put these cost estimates into perspective. The first substantive column displays the average expenditure, in 2009, of Canadian households of four persons on the basic needs items in the list, which was about \$42,500. The bottom 20 percent, in contrast, spent only about \$29,200 on these basics; the bottom decile spent \$27,550 on these items.

Next, I have included the spending of those households of four whose after-tax income is at or below the LICO line. Because this is often used as a poverty line, the comparison will be of interest to many readers.⁹ Those households spent about \$26,700 on the list of basic needs in 2009.

Finally, the Montreal Diet Dispensary (MDD) is a long-standing charitable organization dedicated to helping the poor in Montreal. Their “basic needs” budget estimates are included here as well, for comparison purposes. The MDD total represents that agency’s estimate of the costs of basic needs for a family of four in Montreal for 2010. I have matched up their estimates with the basic needs list (as far as possible) and included any remaining balance of costs under “Miscellaneous/Other.” The MDD estimates represent an independent determination of the basic needs of Canadian (Montreal) households on limited incomes, and so the comparison and the closeness of the estimates is of relevance to this exercise.

Note that while for some of the key necessities (e.g., shelter and clothing) there is a broad consistency between the estimates, there are other necessities where estimates vary considerably. For example, with Food, the basic needs line (BNL) estimate is quite close to the actual spending on food for bottom quintile, bottom decile and below-LICO households. However, the MDD estimate is significantly higher than all of the others (and 34 percent higher than the BNL value). This is not easily explainable. While the MDD base their estimates for food on Statistics Canada’s Family Food Expenditure Survey and they select specific foods in their basket because “of their nutrient

9. Statistics Canada’s blunt disclaimer that these are not poverty lines (Fellegi, 1997) has been completely ignored by Canada’s social welfare community and the media, with the acquiescence of Statistics Canada.

contribution, their low cost and their frequency of consumption” (MDD, 2010: 7), the total seems out of line with the other estimates and, more importantly, with the federal government’s Nutritious Food Basket. I suggest that the MDD may wish to review that particular component of its estimates in the light of these differences. It does not seem to be capturing a lower-end cost of a nutritious diet.

There are several other discrepancies (i.e., furnishings and laundry) between my estimates and actual reported spending by Canadians. Sarlo (2001) has a detailed discussion of the construction of the BNL and each of its components. It is sufficient to say here that the BNL provides estimates of what is required whereas the other values represent what people actually spend.

The basic needs poverty line for a household of four persons in 2009 was about \$24,300. Thus, this household would need to have resources (or equivalent in terms of gifts-in-kind) of this amount or more to prevent impoverishment. Of course, this is an average for Canada. It is based on average costs in communities across the country and will not fit the circumstance of all households in all places. Some communities will have higher costs (for example high rents in Toronto and Vancouver), so poverty lines in

Key definitions

LICO is Statistics Canada’s Low-Income Cut-Off. While its construction is quite complex, essentially the cut-off is determined by finding the proportion of income that the average family spends on food, shelter, and clothing, as a group. Then, using econometric techniques, the income of families (of the same size) that spend 20 percent more than the average on these 3 necessities is determined. The average of these incomes constitutes the LICO line. The LICO is occasionally updated using new data on consumption and prices. The apparent close connection of the LICO to the three necessities led some to think of it as an absolute measure. This is certainly not the case. LICO is intimately connected to the average spending of Canadians and that connection is frequently updated in a process known as “rebasing.” LICO is a relative measure, though an indirect and fairly complex one.

LIM is Statistics Canada’s Low-Income Measure, an obvious and transparent measure of low income. Originally based on a family of three persons, the LIM is determined by simply taking half of the median income of families of three in Canada in a given year. Using that line as a benchmark, lines for families of other sizes are determined using the LIM equivalence scale—often referred to as the 40/30 equivalence scale. A detailed discussion of equivalence scales is below.

Both LICO and LIM are arbitrary to the extent that their construction uses percentages that were a “choice” of the developer. LICO’s 20 percent add-on and the LIM’s 50 percent of median are simply choices, and other percentages could easily have been selected. Between these relative measures, the LIM is preferred because of its elegant, easily understood construction and its transparency.

those communities will have to be adjusted upwards to reflect that. But costs in other communities will be lower than average and corresponding adjustments are required there as well.

Moreover, poverty lines are constructed assuming no “special” needs. Therefore, a person with a disability that requires a wheelchair, expensive medications, or costly nursing care would necessarily have a “personal poverty line” that would be higher than the average. Poverty measurement would be impossible if we had thousands of individual lines reflecting various personal situations. It is common to use average poverty lines with the expectation that they represent most households.

While the direct cash cost of acquiring the necessities is approximately \$24,300 for a household of four, what income must be earned to achieve this poverty line? Clearly, the household will not require market earnings of that amount, because of the various child- and tax-based benefits that will flow to this household. Using a standard tax software package for 2009, I have determined that approximately \$15,200 must be earned by this household in order to escape poverty. The remaining \$9,100 will flow to the household from government transfers.¹⁰

Is the basic needs poverty line too low?

The most common criticism of the basic needs lines is that they are too low. Some commentators have suggested, in quite emotional terms, that people could not even survive on a poverty line income. Social activist Patrick Johnston famously stated, in a 1992 CBC interview, that my basic needs lines were “one calorie short of starvation.” It would be easy to dismiss these kinds of comments as the (typically) highly emotional and exaggerated claims of upper-income activists who have never experienced limited means. People far removed from “basic needs” will often have difficulty understanding the costs involved. However, it does suggest that a bit of ongoing education about basic needs would be helpful. It is important to demonstrate that these lines, while definitely stringent (as one would expect from something called a “poverty line”), are nevertheless not consistent with “starvation,” weight loss, or hunger. The calculations for food are based on the Canada Food Guide and all Health Canada requirements, and the costs are consistent with regular trips to grocery stores to purchase common, popular, nutritious foods.

Table 1 provides helpful information. Those households of four living at or below the LICO line spend a similar amount on food as those at

¹⁰ Based on Ufile tax software and calculations by author. Calculations exclude federal Universal Child Care Benefit, on the assumption that the children are over six years old.

the basic needs line. LICO is the favoured “poverty” measure among most people in the broader social welfare community and it would be subject to the same silly “starvation” critique as the basic needs line. As well, Canada’s Nutritious Food Basket (NFB), which includes a more extensive list of foods than those in my basic needs measure, nevertheless estimates the cost of a healthy diet in Ontario as being about \$7,200–\$7,300, depending on the community (Association of Local Public Health Agencies, 2009). This is only slightly more (7 percent) than the cost of food in the basic needs line. The NFB covers all health, energy, and balance requirements with a list of common, appetizing foods purchased at grocery stores—as does the list of foods in the basic needs line (Sarlo, 1992: 58). There would be no suggestion of hunger with either food basket.

It is important to point out that these cost estimates assume no shopping or savings strategies (e.g., stocking up on sale items, couponing, comparison shopping, price matching etc.). It is simply assumed that the family shops at a single grocery store once or twice per week and purchases the items in the basket. At the same time, it is assumed that there is no table waste or spoilage.

Other comparisons

The basic needs poverty line matches up fairly well, overall, with the cost estimates of Montreal Diet Dispensary (MDD). The basic needs poverty line for a household of four in 2009 is \$24,223. The MDD estimate for the cost of basic needs in Montreal (Canada’s second largest city) in 2010 is \$25,212. This agency has been advising and assisting low-income people in Montreal since the 1950s and has published their budgets for basic needs for several decades.¹¹

Finally, the US has an official poverty line which is established for the 48 contiguous states (and slightly higher, special lines for Hawaii and Alaska) and displayed by family size. These thresholds, updated annually to reflect price changes, have been used since the 1960s to measure poverty in America. They are widely regarded as an absolute poverty measure because of their close, formulaic relation to the minimum cost of a nutritious food basket. In 2009, the line for a family of four was US\$21,756 (US Census Bureau, 2009). This line, in

11. I do have several small quibbles with the MDD line, especially with its food cost estimate which is well above even the government’s Nutritious Food Basket amounts. As well, it does not formally include any amount for out-of-pocket health costs. Nevertheless, overall the MDD estimates are broadly consistent with the estimates of the basic needs poverty line.

terms of purchasing power parity, was the equivalent of CA\$26,107.¹² Again, this number is reasonably close to the basic needs poverty line for Canada.

The role of an expert panel

As careful as I have been to develop a basic needs list that would represent those items required for long-term physical well-being, I do feel that an expert panel would be better suited to the task. Such a panel would ideally include people with expertise in home economics, health and nutrition, those who have experience advising low-income people about budgeting and costs of living, and low-income people who themselves live with budget constraints every day. A panel with this sort of composition would be in a good position to establish both the list of basic needs and the best way to cost that list. In the meantime, I shall continue to use the already-developed basic-needs poverty measure, as it provides information that we currently do not have about the poor in Canada.

Copenhagen

The UN-sponsored world summit on social development in 1995 was a unique and critically important event for anyone interested in the problem of poverty. At the end of the conference—which had numerous papers discussing various aspects of poverty in different contexts—attending nations declared a commitment relating to the measurement and alleviation of poverty. That commitment bound participating nations, including Canada and most other nations in the developed world, to develop methods to measure both absolute and relative poverty, and to make specific time-bound commitments to eradicate absolute poverty by a target date to be specified by each country in its national context (UN, 1995a, 1995b).

Here we have the nations of the world (both rich and poor) getting together about 18 years ago and deciding that it would be useful to measure absolute poverty. Further, they made a commitment to eliminate absolute poverty. This received very little press coverage and there was almost no follow-up by either the media or by signatory governments. Compare this to the attention Mr. Broadbent's motion in the House of Commons received in 1989 and the years following. The contrast is astonishing.

12. Based on data provided on-line by OECD at http://stats.oecd.org/Index.aspx?datasetcode=SNA_TABLE4.

If it was a good idea in 1995 to measure and strive to eliminate absolute poverty (in *all* nations of the world), what changed to make it a bad idea? If absolute poverty relates to hunger, inadequate housing, and serious deprivation, why would those most closely associated with poverty (politicians, reporters, academics, and, especially, social activists) not want to measure the true incidence of this problem? And why would they not want to eliminate it? Looked at from the perspective of poor people, it seems scandalous that these commitments have remained both unfulfilled and hidden.

Despite the UN's apparent interest in and commitments regarding absolute poverty, they have nevertheless produced a stream of "poverty" studies exclusively focusing on relative poverty—which is to say, inequality. Among the most widely publicized have been the series of studies on child poverty in industrial nations by UNICEF. A purely relative measure is employed (50 percent of median income), and Canada has routinely been said to have high rates of child poverty.¹³

The use of equivalence scales

Equivalence scales are often used by researchers and policy makers in the determination of poverty lines. They are a handy way to estimate poverty lines *for households of different sizes*. Equivalence scales are numbers that purport to tell us the income that households of different compositions need to attain the same level of "welfare." So, if an adult couple requires 40 percent more income to have the same level of welfare as a single adult, the equivalence ratio for the couple is 1.4. If the addition of a child requires 30 percent more income (based on the single adult), then the equivalence ratio for the family of 3 is 1.7. These values capture the real or expected scale economies that people experience when they live together. This gives us a way of comparing households with different compositions.

13. One such study found that Canada, with a child poverty rate of 16 percent, ranked 20th among 25 industrial nations (UNICEF, 1999). Countries like Poland, Hungary and Slovakia scored far better on the UN's scale of child poverty. In fairness, the study did also use the US poverty measure as an absolute benchmark and found, using that indicator, that Canada had a child poverty rate of 9 percent while Poland, Hungary, and Slovakia all had child poverty rates in excess of 90 percent. However, the story told by major media headlines was one of Canada being amongst the worst nations for children: "Canada Gets Failing Grade on Child Poverty: UNICEF Ranks Country Among Worst of World's Richest Nations" (*Ottawa Citizen*, June, 2000); "Canada Letting Kids Down, Report Says" (*Toronto Star*, November, 2007); "World Child Poverty Worse than Decade Ago; UNICEF Report Says Canada is Sixth Worst Country" (*Toronto Star*, December, 1999); "UNICEF Berates Canada for Poverty Rate Among Children" (*Edmonton Journal*, March, 2005).

Assuming that an equivalence scale accurately reflects the relevant direct cost differentials for households of different compositions and reliably handles the “welfare” question, it can be a convenient tool in the measurement of poverty. If we can determine the poverty line for a single adult, an equivalence scale will, ideally, allow us to generate poverty lines for households of all different sizes *based on that original line*.

However, there are issues with equivalence scales. Perhaps the most obvious concern is the matter of “welfare” and how that concept is proxied. Does “welfare” mean “material standard of living” or does it refer to the broader and more philosophical sense of that term implied by synonyms like “happiness” or “well-being.” If it is the former, is it just the standard of living of the parents that matter or are all household members counted? And what would be a useful and reliable proxy for this conception? Overall consumption? Specific categories of consumption? Or some broader indicator which might include assets, debt, level of income security, and the quality of relationships within the household?

Scale economies that occur when people live together are very important in economics. We expect that these economies will be fairly minimal with clothing, personal hygiene items, and food, and fairly substantial with shared goods such as shelter, owned transportation, and household furnishings (refrigerators, couches, TV sets, etc.). Parents with children will be well aware of these economies and will note that the addition of a newborn into a family will often involve a relatively small marginal cost in the sense of direct cash expenditures. The first child born to a couple will not normally increase costs by 50 percent, as would be the case if we simply pro-rated overall costs in moving from 2 to 3 persons (Sarlo, 2013).

We have to recognize that equivalence scales go much farther than simply a recognition of scale economies. They purport to establish income (or spending) ratios which represent equal welfare for different households. It is one thing to determine the marginal cost of an additional person to a household. It is another thing entirely to determine the extra income required to *maintain the same level of welfare* for the household upon such an addition. The compensatory adjustment embedded in these equivalence scales begs the question: Why is *more* income required? If having a spouse or children is a choice, then there must be a net benefit to the household and hence, in many cases, a *reduction* in income would be required to equalize before and after welfare under any broad definition of welfare or even of standard of living. Only with a fairly narrow conception of welfare—that of “material living standard” (which could be proxied by overall consumption or some subset of consumption)—do equalization scales make sense. So a household may be “better off” with extra household members but still require extra income to equalize because those extra members will involve additional direct costs.

Now, even if we conceive of equivalence scales in this narrow sense, it is unlikely that the same equivalence scale that might be useful to compare lower-income households would be useful across the full distribution of income. Poorer households are likely to experience higher ratios of equivalence because, being smaller than better-off households on average, they will find it more difficult to exploit economies of scale. In particular, they will likely experience more challenges than higher-income households with respect to the major shared goods. They are more likely to be renters, so the addition of an extra person or two (children, for example) may require more space and therefore a move; this is much less likely with home owners. They are more likely to use public transit for which there exist no scale economies, unlike a family automobile. And, having a tighter budget constraint, they are less likely to be able to make strategic purchases that save the household money over time.

Despite these concerns, there is some value in the determination of equivalence scales using a narrow, material living standards definition of welfare. Recognizing that a particular equivalence scale is a broad approximation and should only be used to reflect a particular segment of the income distribution (e.g., poorer households), they can be helpful, especially in the estimation of poverty incidence.

While empirical measurement of equivalence scales, even for use in studying poverty, have produced estimates that are all over the map (Sarlo, 2013: 5), quite a number of studies use scales in the range of “40/30.” The “square-root” scale is most often used in studies examining poorer households in industrial nations.¹⁴ It uses the square root of family size as its adjustment factor in scaling household income. Those adjustment factors work out to be 1, 1.41, 1.73, 2.0, 2.24, and 2.45, for households of 1 to 6 persons respectively. The square root scale is employed in this study for estimating poverty in Canada. It was one of two scales used in the previous estimates of basic needs poverty (Sarlo, 2008).

This scale is employed to “equivilize” the after-tax incomes of all households by dividing the households’ after-tax income by the square root of household size. The result is an after-tax income that is appropriately scaled to represent the income standard of living of the members of that household. Thus, income so adjusted is referred to as “equivilized” after-tax income. These equivilized after-tax incomes are then compared to the basic needs poverty line for a single person, and estimates determined for households, persons, and children.

¹⁴ For example, most LIS studies of poverty and inequality use the square root scale (LIS, 2010), and the OECD uses it in terms of its official measure of poverty (OECD, 2010), as do numerous smaller organizations and individual academic researchers.

Estimating poverty in Canada

The poverty lines

Table 2 displays the basic needs poverty lines by household size for 2009. The determination of these lines is based on the 1997 revised basic needs lines for a family of four (Sarlo, 2001: 20)—with an updated estimate for out-of-pocket health costs drawn from the 2009 Survey of Household Spending, as in Table 1—updated to 2009 using the all-items CPI for Canada. That estimate reveals that a household of four in Canada would require an annual income of more than \$24,323 to avoid poverty.

That line is an average for all regions and communities across the country. As discussed earlier, it is intended to be a broad average, applicable to a population in general at a particular point in time.

That poverty line (for a family of four) can be converted into thresholds for households of different sizes using the preferred square root equivalence scale. This gives us the values in Table 2. This conversion yields a line for a one-person household of \$12,162 in 2009. It is that line that is compared to equivalized incomes for the purpose of the estimation of poverty incidence.

This value is then backdated (using the all-items CPI) to determine the corresponding poverty lines from 1969 to the present. **Table 3** shows the basic needs poverty lines (for one person) for Canada from 1969 to 2009, again using the all-items CPI to backdate and update. 1969 is the first year that the family expenditure microdata file (which provides both income and consumption information on Canadian households) is available. Statistics Canada then did occasional spending surveys (approximately every 4 to 6 years) until 1996, after which they began doing the surveys annually. This data is quite suitable because our interest here is to examine broad trends in both income and consumption poverty over time, and not in determining year-to-year changes. Therefore, 10 Statistics Canada spending surveys (and the corresponding microdata files) were used for this study: 1969, 1974, 1978, 1982, 1986, 1992, 1996, 2000, 2005, and 2009.

Table 2: Poverty lines by household size, Canada, 2009

Size of household	Basic needs poverty line (\$)
1	12,162
2	17,200
3	21,065
4	24,323
5	27,195
6	29,791

Sources: Statistics Canada, Survey of Household Spending microdata file, 2009, and calculations by author.

The trend

Figures 1 and 2 display the results of the determination of basic needs poverty over the 40 year period from 1969 to 2009. The household poverty rate is the ratio of poor households (those at or below the basic needs poverty line) divided by the total number of households and expressed as a percentage. Similarly for the person poverty rate and the child poverty rate. Figure 1 shows the trend in income poverty (for all three categories) over that time span. Income poverty means that the income of the household (and the people or the children, as the case may be, living in that household) is at or below the basic needs poverty line. Figure 2 displays the trend in consumption poverty over the same period. Consumption poverty means that the consumption level of the household (and, by implication, all of the people living in that household) is less than or equal to the basic needs poverty line.

There are three key poverty rates that are measured here: the household poverty rate, the person poverty rate, and the child poverty rate. The household rate is higher than the person rate because, on average, poorer households have fewer members. Thus, fewer people (than households) are poor. As will be shown below, the poverty rate for single person households is much higher than for other types of households. The child poverty rate examines the proportion of children under 18 living in poor households.¹⁵ Much has

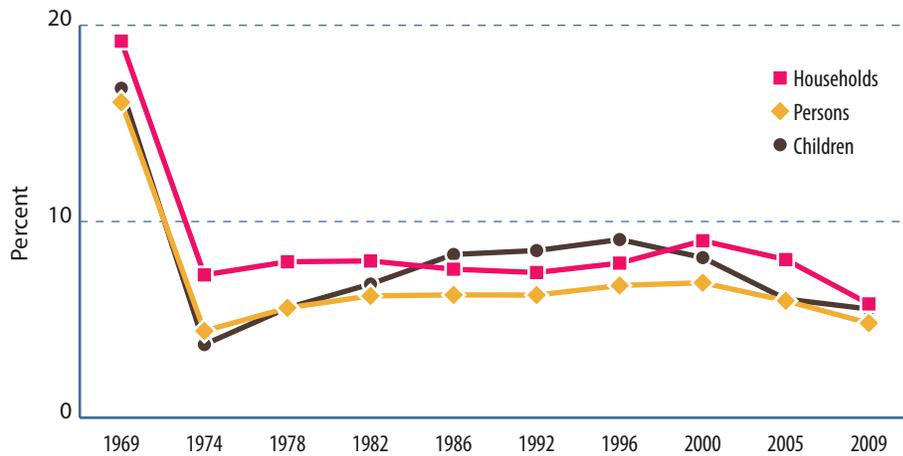
¹⁵ In 1996, Statistics Canada decided on a different breakdown for young people which did not include the usual “under 18” grouping. So, for 1996 only, the child poverty rate represents children under 15 years.

Table 3: Historical basic needs poverty lines for a one-person household, 1969–2012

	CPI	Poverty line (\$)
1969	19.7	2,094
1970	20.3	2,158
1971	20.9	2,222
1972	21.9	2,328
1973	23.6	2,509
1974	26.2	2,785
1975	29.0	3,083
1976	31.1	3,306
1977	33.6	3,572
1978	36.6	3,891
1979	40.0	4,252
1980	44.0	4,678
1981	49.5	5,262
1982	54.9	5,836
1983	58.1	6,177
1984	60.6	6,442
1985	63.0	6,698
1986	65.6	6,974
1987	68.5	7,282
1988	71.2	7,569
1989	74.8	7,952
1990	78.4	8,335
1991	82.8	8,803
1992	84.0	8,930
1993	85.6	9,100
1994	85.7	9,111
1995	87.6	9,313
1996	88.9	9,451
1997	90.4	9,611
1998	91.3	9,706
1999	92.9	9,876
2000	95.4	10,142
2001	97.8	10,397
2002	100.0	10,631
2003	102.8	10,929
2004	104.7	11,131
2005	107.0	11,375
2006	109.1	11,599
2007	111.5	11,854
2008	114.1	12,130
2009	114.4	12,162
2010	116.5	12,385
2011	119.9	12,747
2012	121.7	12,938

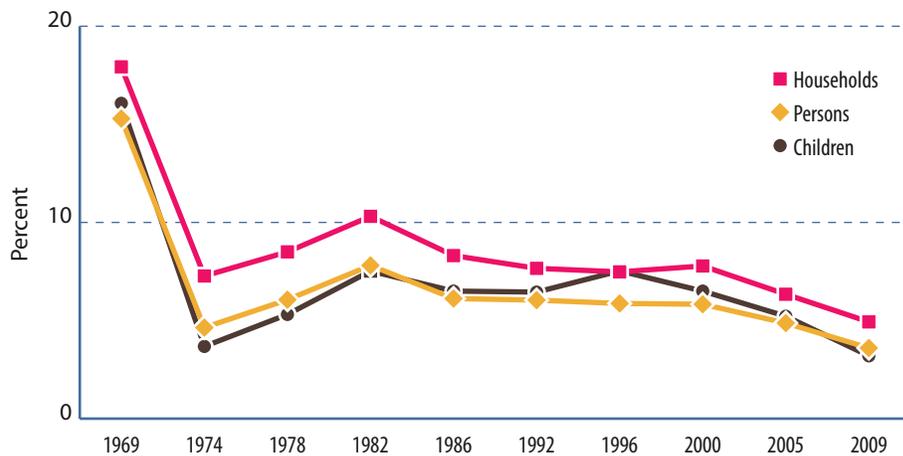
Sources: Statistics Canada, CANSIM, table 326-0021 and Catalogue nos. 62-001-X, 62-010-X and 62-557-X. and calculations by the author

Figure 1: Income poverty in Canada, 1969–2009



Source: Statistics Canada, Survey of Household Spending microdata file, 2009, and calculations by author.

Figure 2: Consumption poverty in Canada, 1969–2009



Source: Statistics Canada, Survey of Household Spending microdata file, 2009, and calculations by author.

been written about child poverty in recent decades and there is understandable interest in and concern about poverty among Canada’s children.

The trend in income poverty is not easily explainable. What we observe is a very sharp decline from 1969 to 1974 and then a softer rise (for persons and children) to about 2000, and then a decline after 2000. Indeed, it appears that the historical low for both person poverty and child poverty was in 1974. There was no change or catalyst that would explain the dramatic fall in poverty rates between 1969 and 1974 *by a factor of four* (for persons and children) in just five years. There is obvious concern that this may be a data issue as

opposed to a real change in people's living standards. It is of interest that this overall poverty trend pattern does not show up with incomes drawn from the labour market survey, as I demonstrate in an earlier paper (Sarlo, 2008: 12). There is more discussion of data quality below.

If we assume that the data is broadly accurate and adequately reflects the incomes of Canadian households, the overall trend from 1969 to 2009 is downward. Poverty rates are much lower now than they were 40 years ago. In 2009, income poverty for all three categories (households, persons, and children) was below 6 percent. This is, of course, a good thing. The improvement is likely due to both rising real living standards overall and enhanced government benefits to lower-income households. Because the databases are strictly cross-sectional, there is no way to know how successful particular families are at escaping poverty. There is some discussion of this matter in the "Dynamics of poverty" section below.

The pattern of consumption poverty is similar to that of income poverty. There was a sharp decline from 1969 to 1974, followed by a rise for the next eight years and then (generally) a slow decline to the present. Consumption poverty rates for Canadians in general, and for children in particular, are now below 4 percent. This means that for more than 96 percent of Canadians, their overall level of consumption is at least sufficient to cover all of the basic needs. This does not mean that no one in that group is ever hungry or inadequately housed or clothed, etc. It simply means that, on average, the overall consumption level is sufficient to avoid that kind of serious deprivation.

In assessing the poverty status of Canadians, consumption has a distinct advantage. It is a step closer than income to what we are most interested in, namely how many Canadians do not have the capacity to obtain the basic requirements necessary to avoid being poor. If someone's income is low, they can still acquire basic needs (and more) by borrowing, dissaving, or by receiving assistance from others (for example, parents supporting or subsidizing children attending school, or children later helping their elderly parents, etc.). For that reason, income is somewhat flawed as an indicator of living standards. Consumption, on the other hand, seems to be a better indicator because it is the material things that we buy (food, clothing, shelter, and other needs) that more closely reflect our actual standard of living.

A profile of the poor in 2009

In 2009, almost 5 percent of Canadians lived in households where the total after-tax income was at or below the poverty line. Who are these poor Canadians? Are they predominantly old or predominantly young? Are they renters or homeowners? What regions of Canada have, proportionately, the largest number of poor people? The following is a profile of Canada's poor.

Table 4 summarizes several interesting demographic and geographic features of Canada's poor. The percentages for households are on the left side of the table, and for persons on the right side. Specifically, it shows the regional distribution of the poor as well as the age and family-type characteristics of those living at or below the poverty line. It is important to emphasize that the same poverty line, a single broad average over all urban and rural regions, is used in these calculations.

About 60 percent of Canada's poor live in Ontario and Quebec—roughly the same as their joint share of the overall Canadian population. However, Quebec appears to have disproportionately more poor than Ontario. This must be tempered, nevertheless, with the fact that housing costs in Quebec are substantially lower than in Ontario—see the rental market statistics provided by the Canada Mortgage and Housing Corporation (2012). Prairie households have a somewhat lower poverty rate, and BC a somewhat higher rate, than average. Again, those rates are affected by differential housing costs in the two regions. Overall, the regional differences are not stark. Basics needs poverty is distributed across the country, roughly in proportion to the population.

This is not the case with age. The age pattern of poverty is unmistakable and confirms earlier studies which show that poverty rates are highest for young people and tend to decline with age. In 2009, households headed by someone under 25 had an average income poverty rate of almost 16 percent. For households headed by seniors (65 and over), the poverty rate was only about 4 percent. People living in households headed by someone under 25 represented 2.9 percent of the population but about 7.5 percent of the poor. While noting that the incidence of poverty is much higher for young households and much lower for senior households, it is still the case that most poor people (84 percent) are neither youth nor seniors.

The 3 percent poverty rate for *persons* living in households headed by a senior is surprising—not because it is so low but because it is not much closer to zero! Anyone familiar with government programs for seniors would be aware that, at the very least, these programs provide sufficient income (after tax) to be above the basic needs poverty line. Let's consider the worst-case scenario of a single senior who has no CPP, no private pension and no savings. For Canadian citizens (or those who have resided in Canada for at least 20 years), the Old Age Security plus Supplementary Benefits provided about \$15,000 per year for single persons and about \$24,000 per year for a couple. And these amounts exclude other cash (e.g., GST/HST credits, provincial benefits) and non-cash benefits that flow to seniors. Both of these amounts are well above the basic needs poverty lines and no income tax is paid on these amounts. Those seniors who are not Canadians are likely to have been sponsored and again the poverty classification would be puzzling. It is possible that a sponsored senior, living in a separate unit within a home, could

Table 4: Profile of the income poor, Canada, 2009**A. Regional profile of the poor**

Region	Households					Population				
	Total	%	Number poor	Poverty rate	% of the poor	Total	%	Number poor	Poverty rate	% of the poor
Atlantic	93,6747	7.20	63,385	6.77	8.32	2,192,416	6.92	114,831	5.24	7.46
Quebec	332,1748	25.53	245,226	7.38	32.18	7,451,123	23.53	420,081	5.64	27.29
Ontario	480,0735	36.90	216,342	4.51	28.39	12,387,064	39.12	557,477	4.50	36.22
Prairies	219,8261	16.90	102,513	4.66	13.45	5,459,362	17.24	221,576	4.06	14.40
British Columbia	175,1175	13.46	134,546	7.68	17.66	4,174,948	13.18	225,116	5.39	14.63
Total	13,008,666	100.00	762,012		100.00	31,664,913	100.00	1,539,081		100.00

B. Age profile of the poor

Age grouping	Households					Population				
	Total	%	Number poor	Poverty rate	% of the poor	Total	%	Number poor	Poverty rate	% of the poor
Under 25	426,920	3.18	66,684	15.62	8.57	938,432	2.85	118,474	12.62	7.48
25–34	2,191,262	16.33	138,697	6.33	17.83	5,293,760	16.10	272,356	5.14	17.21
35–44	2,555,074	19.04	163,269	6.39	20.99	8,091,633	24.62	504,633	6.24	31.88
45–54	3,052,763	22.75	152,961	5.01	19.66	8,630,204	26.25	321,454	3.72	20.31
55–64	2,374,768	17.70	145,479	6.13	18.70	5,322,257	16.19	226,102	4.25	14.28
65–74	1,584,298	11.81	57,094	3.60	7.34	2,756,602	8.39	69,373	2.52	4.38
Over 74	1,231,906	9.18	53,674	4.36	6.90	1,839,481	5.60	70,548	3.84	4.46
Total	13,416,991	100.00	777,858		100.00	32,872,369	100.00	1,582,940		100.00

C. Household-type profile of the poor

Household type	Households				
	Total	%	Number poor	Poverty rate	% of the poor
Single Person	3,838,683	28.61	408,312	10.64	56.15
Couple Only	3,626,396	27.03	82,469	2.27	11.34
Couple plus kids	3,705,629	27.62	104,185	2.81	14.33
Couple + other relatives	588,174	4.38	3,958	0.67	0.54
Lone Parent Families	752,516	5.61	92,639	12.31	12.74
All Other Households	905,593	6.75	35,673	3.94	4.91
Total	13,416,991	100.00	727,236		100.00

Sources: Statistics Canada, Survey of Household Spending microdata file, 2009, and calculations by author.

report a zero income but still be part of the extended family and live rent-free. Their zero income, in that case, would belie their actual standard of living.¹⁶

It is useful to examine the poverty incidence of different types of families. As we see in Table 5, the poverty rate among either single persons or lone-parent families is substantially higher than other family types. This is consistent with other studies of poverty. In combination, those households comprise about 69 percent of all poor households. Having two adults in a household presumably provides a certain stability and the potential of two incomes as a buffer against financial crises.

Two additional characteristics of poor households, not appearing in the table, are that a substantial number of household heads are disabled and that they are disproportionately renters. According to the Survey of Household Spending, in 2009, about 17 percent of all households were headed by a person who was self-identified as “disabled.”¹⁷ However, among poor households, about 30 percent were headed by a person with a disability. In terms of “tenure” status, just over 83 percent of poor persons lived in rented households while only about 29 percent of Canadians, in general, lived in rented accommodation.

In summary, this profile reveals that, while there is no compelling evidence of a regional concentration of poverty, there is certainly an “age” and “family type” pattern. The poverty rate is substantially higher for households headed by someone under 25, and it is substantially higher for single persons and lone-parent families. Finally, poor households disproportionately appear to have a disabled head and, most strikingly, are overwhelmingly renters.

Basic needs poverty line vs. LICO

Despite a clear statement by Statistics Canada that it does not measure poverty and that the LICO is not a measure of poverty, many social activists and academics continue to use LICO as if it measured poverty. While there has not been a similarly decisive caveat regarding Statistics Canada’s Low-Income Measure (LIM), which is set at 50 percent of average after-tax income,

¹⁶. It is also possible that not every senior who is eligible applies for these old age assistance programs.

¹⁷. According to the questionnaire, a person is classified as “disabled” if they have “difficulty hearing, seeing, communicating, walking, climbing stairs, bending, learning or doing any similar activities or had an activity limitation.” On the one hand, this list appears to exclude many mental disabilities (like depression and anxiety disorders). On the other hand, this classification appears to include people with temporary activity limitations (due, for example, to injuries) or to non-debilitating conditions that nevertheless would permit full-time employment. Trying to define who is disabled may be just as challenging as defining who is poor.

the agency does not present the LIM as a measure of poverty either. As the former Chief Statistician has stated, “being significantly worse off than average does not necessarily mean one is poor” (Fellegi, 1997: 2).

Both the LICO and LIM are relative measures and, by construction, are a fair bit higher than the basic needs poverty line. In 2009, the LICO for a family of four (large urban) was \$34,829 and the LIM was \$37,562 (Statistics Canada, 2010).¹⁸ This compares with the basic needs line (BNL) for a family of four in 2009 of \$24,324. Each of these measures has a different purpose. The basic needs line is intended to help determine the number of Canadians who cannot afford all of the basic necessities. The LICO is an indirect, relative measure which was developed in the 1960s to measure “low income” and continues to be produced because user groups have urged Statistics Canada to do so. The LIM is a more recent and directly relative measure of low income produced by Statistics Canada. It has the advantage of being very similar to a number of international measures of relative poverty. If you want to calculate how many Canadians are substantially less well off than the average (or median), you will prefer the LICO or LIM measures. If, on the other hand, you intend to measure deprivation of basic needs rather than inequality, the BNL would be preferable.

Is there really a big difference between “low income” and “basic needs poverty”? I would argue that there is, and that the distinction is worth making. If we examine the distribution of after-tax income and compare the BNL to the LICO (which is the relative measure more commonly used in Canada by far), it is notable that there are, in fact, more households with after-tax incomes between the BNL and LICO than there are at or below the BNL. The average after-tax (equilized) income of the “basic needs” poor is only \$8,825, compared with \$15,045 for those between the BNL and LICO. Those households between the two lines spend about 19 percent more on shelter, 16 percent more on household operation, 14 percent more on transportation, and 10 percent more on food than the basic needs poor, all on an equilized (or per person) basis.¹⁹ There is a discernable differential in the standard of living that is worth distinguishing.

However, most important is the conceptual distinction. The two measures look at different predicaments.²⁰ Because those below the BNL are likely

18. See also Table A, Low income measures, for household size of four persons, at <http://www.statcan.gc.ca/pub/75f0002m/2012002/tbl/tbla-eng.htm>.

19. Survey of Household Spending microdata file, 2009, and calculations by author.

20. It appears that there are many more students among the basic needs poor than in the group in between the two lines. The basic needs poor spend, on average, \$1,115 on education compared with \$689 for the in-between group, both on an equilized basis. As well, those under the BNL have fully double the proportion of people under 30 years as those in the in-between group.

to be lacking in basic requirements needed for longer term physical well-being, there is likely to be a much greater sense of urgency and desperation in the situation of the basic needs poor than there would be with those above that line.

In a recent paper on low income in Canada, Statistics Canada offered a thoughtful and honest assessment of the distinction between “low income” and “poverty.” Their analysis is a helpful contribution to the debate about the best way to measure poverty:

This report employs three low-income lines, the after-tax low-income cut-off (LICOs) and the after-tax low-income measure (LIM) developed by Statistics Canada as well as the market basket measure (MBM) developed by Human Resources and Skills Development Canada (HRSDC). The report also uses three indexes (the incidence, gap ratio and severity) to examine low income in Canada. It is not a report on poverty. As a statement by former chief statistician Ivan Fellegi makes clear, “poverty is intrinsically a question of social consensus” and the determination of a poverty criterion ultimately “involves value judgments” and, as such, it is not the role of Statistics Canada to define and measure poverty. Instead, Statistics Canada seeks to assist policy development and public discourse on poverty by providing low-income thresholds and low-income statistics, based on scientific principles and international best practices.

Scientific principles and international best practices indicate that low income and poverty are not the same. In the scientific community, poverty has been conceived and measured differently. But low income and poverty are seldom treated as identical concepts. Peter Townsend (Rio Group, 2006) approaches poverty from a social exclusion perspective. He wrote that the “determination of a poverty line cannot be based on an arbitrary selection of a low level of income” and it is not “enough to describe poverty as a condition applying to those whose disposable income is low relative to that of others.” The 1998 Nobel laureate of economics, Professor Amartya Sen views poverty from the capability approach. He says that poverty “must be seen as the deprivation of basic capabilities rather than merely as lowness of income.”

One of the fundamental axioms on poverty is the focus axiom. It states that a poverty index should be independent of the non-poor population. The axiom implies that poverty measures should be about the ‘poor’ only. Many low-income conceptions and measurements, Statistics Canada’s low-income lines included, violate the focus axiom. As shall be seen later, the thresholds of LICO are determined by the average spending on food, clothing and shelter of all Canadian

households, not a subset of these households; the thresholds of LIM are based on the median of the income distribution of the whole population, while the baskets of the MBM represents a standard of consumption that is close to median standards of expenditure for food, clothing and footwear and shelter and somewhat below the median standard for other categories of expenditure. Hence, low income statistics under LICO, LIM and MBM are not independent of the incomes or expenditures of the non low income population. Therefore, if one accepts the focus axiom as a scientific principle in poverty measurement, one would have to distinguish low income from poverty. (Murphy et al., 2012)

The distinction between low-income and poverty, made so clearly here (reiterating the distinction made clear by Chief Statistician Fellegi many years ago), is somehow lost on the vast majority of poverty researchers (many academics among them), reporters, journalists, writers, politicians, and policy analysts. How could this be? How could we have such an unmistakable public misrepresentation of such an important and depressing socioeconomic problem—for decades? My own view is that it has been deliberate. Those in the social welfare community have effectively and persistently emphasized “relative poverty” in measurement, while describing those identified as poor in absolute terms, and have often used ridicule in response to alternative approaches, all with the assistance of a largely supportive or compliant media.

The basic needs line is designed to understand and measure “poverty.” It is focused on the poor only, by definition. It is, at its core, measured independently of the non-poor population. However, the quality and standards of each of the “needs” is relative to one’s own society. Shelter, for example, is a basic need in all societies but the nature of that shelter will vary from nation to nation. The costs of the basic needs will also vary from place to place. The usefulness of an absolute measure of poverty is its ability to inform us about real deprivation of necessities now, over time, and between nations. The BNL does that. It is not perfect, but it is useful in the discussion of real deprivation.

Measures of relative poverty (like LICO and the LIM) not only result in more measured “poverty” than is the case with a basic needs line but also display a much different trend of “poverty” over time. These two low income measures also present contradictory information about the trends in low income (for persons) over time (**figure 3**). The rate of low income generated by the LIM is relatively flat with a slight increase over the past decade or so, perhaps reflecting a slightly rising level of measured income inequality. The LICO rate, on the other hand is more cyclical and shows a clear downward trend over the past decade or so.

The BNL rate of poverty for persons, on the other hand, is much lower than these relative measures *and* shows a clear downward trend over the past

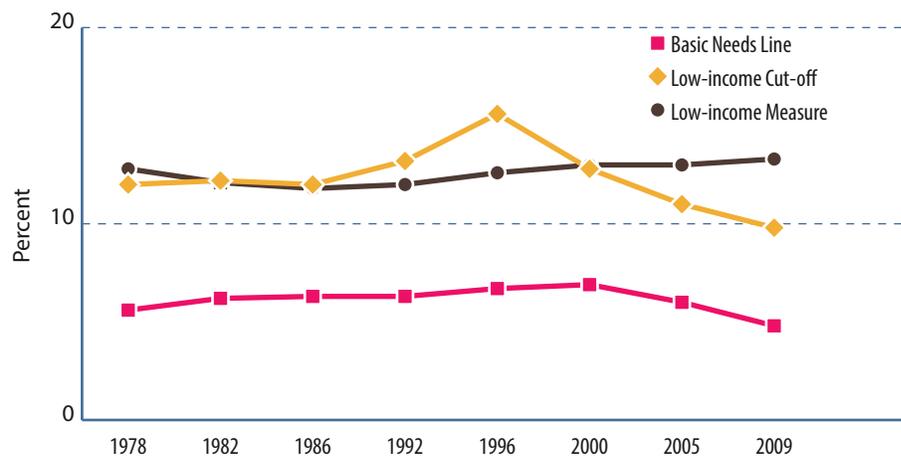
decade. The contrast between the two different sets of measures is striking. Despite concerns about data quality, it does appear that the trend of poverty in Canada is downward in recent years and is now at a three-decade low. LICO is also at an all-time low but, because it measures “low income” and not poverty, that all-time low is about twice as high as the poverty rate.

Making important distinctions

Advocates for the relative approach, equating poverty with inequality, generally see no value in measuring any conception of absolute or basic needs poverty. This is hard to understand, especially considering the typical description of the poor as hungry, poorly housed, or vulnerable to health issues. Only a basic needs measure allows us to make such judgements. At the very least it is intellectually sloppy to conjoin these two conceptions in this way. And there is the suspicion that such examples of switching are deliberately deceitful.

I have already referred to Ed Broadbent’s unfortunate mixing of relative (to measure) and basic needs (to describe) poverty. Broadbent more recently argued that most of the poor households with children have “incomes so low that they can’t afford housing and can’t adequately feed or clothe their kids” (Broadbent, 2012). This is not correct. Indeed, as we have already shown, most of the households below the LICO are, in fact, still above the basic needs poverty line. In other words, most families below the low-income cut-off that Broadbent uses have the resources to adequately house, feed, and clothe their children.

Figure 3: Low income and poverty rates in Canada, 1978–2009



Sources: Murphy et al. (2012: 14); Statistics Canada, Survey of Household Spending microdata file, 2009; calculations by author.

The organization Make Poverty History recently stated that one in ten households with children are poor. This is a reference to the latest results using the well-known LICO measure of low income. They go on to say, however, that “one in every ten children in Canada struggles to have their basic needs met.”²¹ But LICO does not purport to measure basic needs deprivation and Statistics Canada has warned that LICO does not measure poverty. So their claim is simply not true.

Finally, Canada Without Poverty (formerly the National Anti-Poverty Organization) is dedicated to “tell the truth about poverty in Canada, educate the public, and advocate for systemic change locally and nationally.” This group makes the point that while Canada does not yet have an official definition of poverty, Canada’s poverty rate in 2011 “may range between 10 and 20 percent or between 3.5 and 7 million persons.” They then describe what it means to be poor in Canada: “To live in poverty in Canada is to live with insufficient and often poor quality food. It is to sleep in poor quality and/or unaffordable housing, in homeless shelters, or on city streets and parks ... To live in poverty is also to be at greater risk of poor health ... and a shorter life-span.” Again, this is untrue! None of these outcomes is the result of relative poverty. It is real deprivation (not inequality) that is likely to produce this kind of misery and these longer term maladies. And this from an organization dedicated to telling the truth about poverty.²²

The majority of people living below the relative poverty line are above the basic needs line. Thus, the majority of the relatively poor have sufficient income to afford decent housing, nutritious food that meets all Health Canada requirements, new clothing from major department stores, and a full range of other necessities listed in Table 1. But we wouldn’t know that without some kind of basic needs measure of poverty. This is precisely the value of the basic needs poverty line. Yet, for all of their apparent concern about hunger, homelessness, and ill health, the folks in the social welfare community simply refuse to consider a measure that would reveal exactly that kind of deprivation.

It is hard to avoid the conclusion that all of this is deliberate. If your ultimate goal is a large, activist state and much less economic inequality, then the image of a hungry child is a useful—one could argue essential—catalyst to achieving that objective. More to the point, if you redefine poverty

21. See <http://www.makepovertyhistory.ca/learn/issues/end-poverty-in-canada>.

22. Quotations from Canada Without Poverty in this paragraph are from their website as of August 15, 2013 (<http://www.cwp-csp.ca/poverty>). This group has a high profile Honorary Board including a former Prime Minister, a former cabinet Minister, a former Supreme Court Justice, a former National Chief of the Assembly of First Nations, and Ed Broadbent. At least some of these distinguished supporters surely know better. If so, why would they not wish to insist on an honest and clear statement about what relative poverty actually represents?

as inequality and then finesse the description of the “poor” as hungry and unhealthy, you now have a very compelling case, especially if you don’t have to deal with a competent or inquisitive media.

Free markets, individual property (and other) rights, and the profit motive have been instrumental in the remarkable decline in absolute poverty. I do not believe there is any serious debate about that. However, capitalism may also produce rising inequality. And therein lies the problem for committed socialists. Regardless of the dramatic reduction in the number and proportion of poor people, if inequality is rising, the “system” needs to be changed. For them, inequality is *the* problem.

Why is inequality a problem?

For those of us who do not share a socialist perspective, it is not clear why inequality *per se* is a problem. Hunger is a problem. Homelessness, ill-health, and any kind of severe deprivation are problems. But inequality? Why should gaps in income and wealth (and changes in those gaps) be problems? There appear to be two lines of argument put forward by those who regard inequality as a problem. The first is that inequality is a moral problem (it is unfair, unjust, erodes social cohesion, and leads to social tensions) and the second is that it is related to bad outcomes (in terms of health, democracy, or economic growth).

Significant socioeconomic inequality, it has been argued, undermines the moral equality of all individuals and robs people of their dignity and self-worth. It is hard to respond to this line of argument. It certainly raises a number of questions. How much inequality is “significant”? In what sense does inequality undermine the moral equality of all people? If a 50-year-old has 100 times as much wealth as a 25-year-old, does this violate the underlying equality of all people? If the answer is yes, would the answer change if the 25-year-old will, via asset accumulation and debt repayment, be that 50-year-old in 25 years? In other words, is intertemporal equality sufficient to ensure morality or do we have to have equality at all points in time? And what about other, arguably more important, sources of inequality? What about intelligence, confidence, good looks, athletic talent, creativity, etc.? These are not equally distributed. Is that kind of inequality immoral as well? What is it about economic inequality that stands out as a moral wrong compared to all other kinds of inequities?

Let’s consider a hypothetical example to help clarify the matter. Imagine a society with even more inequality than we now have in Canada. Suppose that the poorest person has an after-tax income of \$20,000 and the richest

person has an after-tax income of \$100 million, on an equivilized basis.²³ According to those who find inequality morally offensive, that distribution would be far more offensive than the current Canadian level of inequality. And those offended by inequality *per se* would be compelled to prefer our current (less unequal) distribution to that new hypothetical distribution. Yet that “morally correct” choice has hundreds of thousands of families and children living in absolute poverty. The alternative, less equal, distribution has none.²⁴

Now consider the second line of argument against economic inequality, namely that it leads to bad outcomes. In particular, let’s focus on the purported relationship between economic inequality and health. The point here is not that being poor is a health hazard, which is widely accepted, but rather that the more unequal a society, the less healthy that society is overall. In other words, inequality by itself is unhealthy, independent of the poverty effect. The theory behind this relationship is connected to the expected stress and anxiety that comes from living in an unequal society. Citing the recent book *The Spirit Level* (Wilkinson and Pickett, 2009), the Joseph Rowntree Foundation (a well-known British institution dedicated to a more equal society) explains the connection:

The most plausible explanation for income inequality’s apparent effect on health and social problems is ‘status anxiety’. This suggests that income inequality is harmful because it places people in a hierarchy that increases status competition and causes stress, which leads to poor health and other negative outcomes. (Rowlingson, 2011)

There are surely a myriad of factors that can negatively influence health: genetics and family history, poverty (real deprivation), smoking and substance abuse, stress brought on by major life events (like divorce, death of a close family member, job loss, financial collapse, legal issues, etc.), specific environmental hazards, and major injury (including auto and other accidents). One would expect that “status anxiety” would be well down the list. To suggest

²³. According to the 2009 Survey of Household Spending, the range of equivilized after-tax incomes in Canada was about \$0 on the low side (actually there were a small number of households with negative income due to small business losses) to about \$900,000 on the high side.

²⁴. The author performed a simulation by adding one additional record to the existing 2009 Survey of Household Spending database. That record, with a weight of 1000 (a typical weight in the database) had an equivilized after-tax income of \$100,000,000. As well, all records with income below \$20,000 were set to \$20,000. Perhaps one could imagine the immigration of 1000 ultra-wealthy persons who open businesses and employ those who have incomes below \$20,000 so that they would end up with after-tax incomes of \$20,000. The gini coefficient (a very common measure of inequality) for this hypothetical distribution was .4082 compared to the actual (2009) gini (using the SHS2009 database) of .3355.

that economic inequality, by itself, can cause significant health problems like obesity and premature death does not seem credible.

But what about the evidence? Angus Deaton, who has done extensive research on inequality and its impacts, has evaluated the quality of the empirical evidence and found it wanting:

In a review of the literature on inequality and health, I note that Wilkinson's original evidence, which was (and in many quarters is still) widely accepted, showed a negative cross-country relationship between life expectancy and income inequality, not only in levels but also, and more impressively, in changes. But subsequent work has shown that these findings were the result of the use of unreliable and outdated information on income inequality, and that they do not appear if recent, high quality data are used. There are now also a large number of individual level studies exploring the health consequences of ambient income inequality and none of these provide any convincing evidence that inequality is a health hazard. Indeed, the only robust correlations appear to be those among U.S. cities and states (discussed above) which, as we have seen, vanish once we control for racial composition. (Deaton, 2003)

Subramanian and Kawachi, concerned about the quality of the previous studies claiming a (negative) relation between income inequality and health, employed a uniform methodology on higher quality data to test the linkage. Accounting for confounding influences such as individual income, education, and race, they conclude that "the evidence implicating income disparities as a threat to public health is still far from complete" (Subramanian and Kawachi, 2004).

This is a controversial line of research with a weak theoretical basis.²⁵ We clearly expect that there would be a negative relation between income and health. In a large population, as income declines, and especially as it approaches the poverty level, we are likely to see an increase in health issues. This is both because of the direct deprivation effect and also because of third factors that might be linked to both lower income and health problems (e.g., cognitive deficiencies, employment limitations and disability, risky behaviors). However, this is a poverty effect rather than an inequality effect. Unless people in general are significantly more fearful and stressed when inequality

25. Acemoglu and Robinson (2011) stimulated interest in the role that political institutions (inclusive vs. extractive) can play in economic growth. Unequal societies supported by extractive institutions do less well, according to these authors. The book has generated considerable controversy and a number of unfavourable reviews (e.g., Sachs, 2013; Gates, 2013).

of income increases (as an independent causal factor), inequality *per se* should not affect health.

We can draw on our earlier hypothetical illustration of a society with much more inequality than is the case in Canada but with no absolute poverty. With nobody lacking any of the basic needs (required for long term physical well-being), this should presumably reduce health issues unless third factors are still at play. The point here is that the elimination of absolute poverty, other things equal, should be far more important to health outcomes than the increase in income inequality. But not according to those who support the “income inequality leads to poorer health” hypothesis.²⁶

26. The hypothesis that rising economic inequality is sufficiently stressful to produce real health issues is presumably testable in the context of experimental economics. I am not aware of any such test having been done.

Media coverage of the poverty issue

Major Canadian media coverage of the poverty issue can be charitably described as uncritical. Having reviewed many dozens of recent televised and print stories in the major networks and newspapers about poverty, it often appears that they have a social activist bias and tend towards public relations, rather than reporting in the traditional sense of the term. There is, in particular, often a muddled mix of relative and absolute conceptions and, of course, unfortunate switching between the two.²⁷

Media commentaries on newly released poverty studies most often parrot the conclusions of the study uncritically, especially if the study condemns government inaction and promotes a larger role for the state. There is no questioning of the data or the methodology, and rarely is there any balance provided by, for example, interviewing others who might have questions or concerns. Stories about the poor themselves—how they live and what they think—are almost always filtered through a middle-class reporter/editor/social activist and rarely in their own words. This is surely paternalistic (“we understand what is going on and are better able to articulate this to the public”) and, one has to say, more than a little insulting.²⁸

Of the many recent examples of bad reporting on poverty, several stand out because of the importance of the issues involved.

²⁷. Recent examples: “Hunger, Poverty at a Crisis Point” (*Toronto Star*, December 19, 2010); “Toronto Families Slip Into Poverty” (*Toronto Star*, November 26, 2007); “Conference Board Findings on Poverty, Inequality Should Spur Change” (*Toronto Star*, Editorial, February 5, 2013); “Anti-Poverty and Human Rights Groups Shoulder-to-Shoulder with Idle No More” (*Toronto Star*, February 5, 2013); “Number of Seniors in Poverty Soars Nearly 25%” (*Globe and Mail*, November 25, 2010); “Putting a Face on Poverty” (*Globe and Mail*, August 23, 2012); “Canada Falling Behind on Poverty, Inequality, says Report” (CBC, February 4, 2013); “Canada Accused of Still Failing Its Poor” (CBC, November 23, 2011); “One in Ten Canadian Children Living in Poverty” (CTV, November 23, 2011); “Canada Ranked 18th out of 35 in Child Poverty Report” (CTV, May 29, 2012).

²⁸. There are exceptions to the multitude of superficial, unquestioning, and uncritical reporters on poverty/social issues. Rosie Dimanno (*Toronto Star*), William Watson (*Financial Post*), Andrew Coyne (*National Post*), and Ezra Levant (*Sun News*) stand out in this regard.

Aboriginal poverty

In many of the media articles I reviewed, a claim was made that while the overall child poverty rate in Canada was one in ten, the poverty rate for aboriginal children was one in four (e.g., “One in Ten Canadian Children Living in Poverty,” CTV, November 23, 2011; “Anti-Poverty and Human Rights Groups Shoulder-to-Shoulder with Idle No More,” *Toronto Star*, February 5, 2013). In most cases, there was no reference to the source of this information. By now, Canadians must be aware of the appalling living conditions on many aboriginal reserves, and of the health issues, suicides, addictions, and violence. Yet I wasn’t aware of a study that specifically examined aboriginal poverty and came up with reliable estimates. My concern was that we have never had Statistics Canada data about people living on reserves because, in most cases, Statistics Canada has not been able to survey those residents.

I tracked the source of the claim to a Campaign 2000 report (2006), which twice makes the claim that “one in four children in first nations communities lives in poverty.” The references given are a report by the Assembly of First Nations (2006) and an earlier health survey (National Aboriginal Health Organization, 2005). The former makes the same claim several times, but provides no reference, study, or data in support. The latter does not even mention poverty, and does not make any claim that one in four aboriginal children (in First Nations communities) were poor. So we come to a dead end regarding a claim of some real significance. I think that the claim is, in fact, quite plausible and, indeed, from all that I know about living conditions on reserves, aboriginal child poverty could be worse than that. The point is that we have an oft-repeated—and quite important and alarming—statistic that was not checked by Campaign 2000, by reporters and editorialists, or by fact checkers at the major television networks. There were apparently no questions even posed to Statistics Canada or Health Canada to see if they were the source of this claim.²⁹

Canada’s food security

The second of the reporting issues I wish to highlight is a story in the *Globe and Mail* on March 3, 2013 on a report issued by the UN food envoy Olivier De Schutter following his visit to Canada. In 1999, the UN adopted a “right to food” as an add-on to the covenant on economic, social and cultural rights (ICESCR), which obligated signatory nations to ensure this right in their own

²⁹ The larger concern, of course, is that we will never get accurate information unless Statistics Canada is allowed to gather data on reserves and unless reporters are free to do their stories and interview individual residents of reserves without restriction.

nations; the right-to-food envoy monitors compliance. The article outlines his critical comments and quotes liberally from the report, but offers no analysis, questions none of the data or conclusions of the report, and provides no balance by interviewing experts. The author does include the comments of two cabinet politicians who suggested that the report was “ill-informed” and “completely ridiculous.” That is not analysis, and would hardly qualify as informed rebuttal. In fact, whether intended or not, the article makes the prevailing government look bad by juxtaposing a series of apparently well-articulated criticisms with a couple of throw-away comments of no substance by government officials.

The *Globe and Mail* article points out that the UN food envoy is critical of Canada’s efforts to expand free trade (with Europe and also Asia-Pacific) and to end the Wheat Board’s monopoly. It notes that the UN food envoy is supportive of supply management in Canada: “The various supply management schemes in dairy, poultry, and eggs present advantages both for producers and taxpayers.” In other words, the UN’s right-to-food envoy is against expanding free trade and is supportive of supply management. Surely a reporter on an economics beat is aware that both positions hurt the poor and their ability to access affordable food. Even if the reporter does not have any background in economics, a quick call to a local university economics department will surely elicit the comment that greater competition—brought on by freer trade and an end to supply management monopolies—will bring down prices and make products more affordable in any market. Mr. De Schutter’s position is contrary to the interests of the poor and their “right” to affordable food. Indeed, his statement (quoted above) was clear that the advantages of supply management flow to producers and taxpayers—not consumers, and especially not lower-income consumers (Sarilo and Martin, 2012).

In addition, De Schutter’s report argues that Canadians living on social assistance do not have enough to cover even the basic necessities: “The inadequacy of social protection schemes to meet the basic needs of households has precipitated the proliferation of private and charity-based food aid.” It

Four questions reporters should ask authors of poverty studies

Why do you measure poverty in a relative way?

Why are you against the measurement of basic needs (or absolute) poverty? Would that not provide important information about the state of deprivation in Canada?

Do you agree with the goal set by the UN at Copenhagen in 1995 to eliminate absolute poverty in all nations as a first priority?

How can we determine the condition of “social exclusion” by using an income-based measure?

is fair to question the adequacy of our last-resort social programs. Do they provide enough resources to allow people to cover what De Schutter referred to as “basic needs”? How would we determine that? Perhaps we could do so by having a basic needs poverty line and comparing it to the income of social protection schemes. I have done exactly this several times (Sarlo, 1992, 1996, 2001). I have found that, in general, for households with dependents or for households with a disabled or unemployable head, the total income of the household usually exceeds the corresponding basic needs poverty line. With the recent enhancement of the CTB and introduction of other benefits for families with children, this result is likely to be confirmed.³⁰ So the UN food envoy is incorrect. Many households on social assistance, except for single employable individuals, will generally receive sufficient income to cover, at least, all the basic needs. Where is the inquiring reporter probing this claim?

At the end of the article, the reporter appears to take a position that is supportive of the food envoy’s criticism of the federal government, especially as it relates to First Nations issues. That is fine. But in the absence of any critical analysis, any balance or opposing perspectives, or any even modest questioning of the claims made in the report, how informed is the opinion? The article reads more like a public relations exercise than an intelligent piece of reporting.

Child poverty

Finally, the reporting by Canadian major media on UNICEF’s series of reports on child poverty (1999, 2005, 2012) has been painfully lacking in perspective, balance, and critical evaluation. There has been no questioning of the idea of comparing quite different nations on the basis of relative poverty, and no critical comment on results that find places like Slovenia, the Czech Republic, and Hungary to have less child poverty than Canada. All of these countries have much lower living standards than Canada (e.g., Hungary has one quarter of Canada’s GDP per capita), but have a more compressed distribution of income, hence less relative poverty. Yet Canadian headlines proclaim that we are well down the list of industrialized countries in terms of child poverty,

30. For example, a single parent in Ontario with two kids, one under six years, would have received a total income of about \$27,000 from social assistance plus other federal benefits (CTB, UCCB, GST/HST). This is substantially above the basic needs poverty line for three persons of about \$22,500 for 2012. And this does not count additional provincial and local benefits, any earnings, or any gifts-in-kind the household might receive. It is not an extravagant sum but does, as it was intended to do, cover the basic necessities. Unless funds are misallocated, this amount should not result in hunger or food “insecurity.” Yet this is exactly what Mr. De Schutter’s report claims.

and that we are failing our kids. It is not true. There is no evidence at all that Canadian children are worse off in real terms (i.e., in terms of their living conditions and their opportunities) compared to other nations, even the purported leading nations. But you wouldn't know that from the many, many stories in our major media.

Further issues for Canadian poverty research

Poverty and food banks

According to Food Banks Canada, a charitable organization representing food banks across the country, food bank use has increased in each of the past four years and is now about 30 percent higher than it was in 2008. Because the population has increased by only about 5 percent between 2008 and 2012, this means that a greater proportion of the population is now using food banks. In March of 2012, almost 900,000 different people used a Canadian food bank—about 10 percent of those for the first time. A fair question to ask would be: if basic needs poverty is declining, why is food bank use rising?

The number of food banks in Canada has increased over the years. They now reach more people in more communities than was the case a decade ago. In 2008, there were about 700 food banks in Canada; by 2013, there were more than 800 (Foodbanks Canada, 2008: 35; Foodbanks Canada, 2013). There are now food banks in almost every college and university in Canada. This increase in the reach and availability of food banks helps explain part of the increase in usage.

As well, the recession of 2008-09 was particularly hard on many people. Food bank use is likely to show a cyclical pattern and Figure 1 in the Food Banks Canada Hunger Count report of 2012 clearly shows increased usage starting in late 2008 (Foodbanks Canada, 2012: 9).

Finally, any poverty threshold, including the basic needs line, is a level of income or consumption below which someone is judged to be poor. In other words, if you have an income above the line, then you are able at least to afford (in the case of the BNL) all of the basic necessities under normal circumstances. However, circumstances are not always normal. There may be situations in which even non-poor people will need extra assistance, especially in cases of emergencies, job loss, depression, family break-up, crime, and human fallibility.

We do know that there were, according to the estimations in this report, about 1.6 million “income poor” persons in Canada in 2009. These are folks whose 2009 after-tax incomes (equivalized) were below the basic needs poverty line. Someone in this situation may or may not resort to food banks for assistance. If they do not have sufficient income to cover all of the necessities, they may sacrifice other basic needs (perhaps by not purchasing new clothing, furnishings, etc.) in order to continue to maintain the same food consumption. But some may not, and will seek other forms of assistance for food. So not all poor people will need to use a food bank (or other sources of free food); by the same token, not all food bank users are necessarily poor.

Dynamics of poverty

An important question about poverty is whether poor people are stuck in their predicament for long periods of time or whether, for most people, poverty is a shorter-term situation. This is a question that cannot be answered with standard cross-sectional data sets that provide information on different households each year. Only a longitudinal survey that tracks the same households (or persons) over a period of time can provide information about the dynamics of poverty. Statistics Canada’s Survey of Labour Income Dynamics is such a database.

In a recent paper, Statistics Canada researchers examined the dynamics of low income. They set out to determine whether “the same people were in low income year after year or are different people going in and out of low income” (Murphy et al., 2012: 62). Clearly, low income is not the same as poverty; however, the results of this research can help illuminate the pattern of poverty dynamics in Canada. The results should be indicative, at least. The study examined issues of transitory (short-term) low income, persistent (longer-term) low income, and duration of low income, all using three different measures of low income (LICO, LIM, and the MBM).³¹

The data suggest that a significant proportion of low income is of a transitory nature in Canada. One-third of those who fell into low income escaped in the next year. Still, over 20 percent of Canadians experienced low income at some time in a six-year period, although very few of them experienced low income for all six years. Nevertheless, several groups of people experienced low income more persistently than others. The most noticeable of these were lone parents and

31. The application of the BNL to this longitudinal database would be ideal. However, only Statistics Canada employees have access to it.

unattached non-elderly people and, to a lesser extent, people with activity limitations. (Murphy et al., 2012: 86)

Using just the LICO indicator, it was the case that only about 2 percent of Canadians were in low income for all six years of the 2002-2007 six year panel. That rate (2 percent) is the same for Canadian children. This suggests that a very small portion of low income is persistent and that most is transitory. In addition, most Canadians who fell into low income experienced it for an average duration of about 30 months. Finally, and not surprisingly, lone parents, unattached non-elderly, off-reserve aboriginal people (Statistics Canada does not gather data on reserves), recent immigrants, and people with disabilities have somewhat longer durations of low income spells and higher proportions of multiple spells (Murphy et al., 2012: 70, 84). Again, these results are for low income, not poverty. On average, the low income rate is about twice the poverty rate. This suggests that the number of Canadians in long-term poverty and the duration of poverty spells is also likely to be much less.

Concerns about data quality

In all previous studies of poverty, I have included a substantial section devoted to concerns about data quality (Sarlo, 2001: 41; 2008: 14). It is useful to note the main points here.

The estimates of poverty in this paper use Statistics Canada data drawn from the 2009 Survey of Household Spending. That survey asks respondents to give their income and other demographic information, and to provide a detailed log of their spending over a period of time. Users of this data have to assume that the respondents accurately and honestly report this information. If there is unreported or underreported income, then reported incomes will be less than actual income and the extent of poverty may well be overstated. Similarly with consumption.

An examination of the database reveals that while there were about 1.6 million income-poor persons in Canada in 2009, a substantial number had extremely low incomes. The after-tax equivalized income poverty cut-off in that year was just under \$12,200. This means that someone living on less than this amount would be impoverished because they would have insufficient income to acquire all of their basic needs: they would be lacking one or more of the basic necessities of life. In Canada, it would be difficult to live on an income less than the poverty threshold. But what about the 619,000 people who lived on less than 75 percent of the poverty line? How did they manage to survive? And what about the 181,000 people who lived on incomes of less than \$6,000 (which is less than half of the poverty line)? How could

these people even obtain adequate shelter on this extremely low income, not to mention food, clothing, and other needs? These are not homeless people, because the homeless are not included in this survey. Either all of these folks received some in-kind assistance (or borrowed or sold assets) to cover their minimal expenses, or there is some unreported income. We do know that our last-resort programs (like welfare and assistance to the elderly) provide more income than \$6,000 for a single person. So it is a fair question how people can have such low incomes.

This potential overestimate of poverty by understating income, however, must be weighed against the virtual absence of information about people living on reserves and homeless people, both of which surely tend to understate poverty. As well, certain types of resources (e.g., student loans, rent-geared-to-income housing, and other gifts in kind) can make a significant difference in standard of living but are nevertheless not counted when we examine income poverty. It is not easy to determine the net effect of these considerations on income poverty. All considered, this is another reason that consumption may be preferred as an proxy for economic well-being, and that consumption poverty might be a better gauge of real deprivation in Canada.³²

Of particular concern, however, is the fact that the income data drawn from different Statistics Canada databases (the Survey of Household Spending and the Survey of Labour Income Dynamics) yield quite different results for poverty. In particular, I drew attention earlier in this paper to the rather bizarre change in poverty from 1969 to 1974 (based on the Survey of Household Spending, 2009), which is so sharp and anomalous that it leads to obvious questions about data quality (Sarlo, 2008: 11). There appears to be a fundamental problem here that has no obvious explanation and that does not appear to have been addressed by Statistics Canada. That two national (random) surveys for the same period should give us income data that is so inconsistent seems unacceptable. The concern is that any statistical work on these databases might be compromised.

32. This is not to suggest that consumption is not flawed as well. People may misreport the amounts consumed, but at least there is no compelling incentive to underreport as there might be with income (e.g., people practicing tax avoidance are likely to make their responses consistent with tax forms).

Conclusion

Basic needs poverty continues to be a problem in Canada. There are approximately 1.6 million Canadians who have insufficient income to be able to acquire all of the basic needs required for long term (sustainable) physical well-being. Regardless of how they came to be in this situation, fellow Canadians are enduring real deprivation. It is not an iPad, a week's vacation, or restaurant meals that they are lacking—as might be the case with relative poverty. It is the basic necessities! They are likely to be hungry, to have inadequate shelter, or to lack basic hygiene or health care. They are not just “less well off” than most others in their society. They are poor!

Crossing below the poverty threshold is much different, I would argue, than falling below a low income cut-off. With the former, there is likely to be a sense of fear, desperation, and demoralization that comes when your very physical well-being is under threat. There is simply not the same sense of urgency and behavioral shock with low income. Poverty is a tragic predicament and it is important to both understand it and measure it. The plain fact is that social activists, journalists, politicians, and commentators frequently make reference to the manifestations of real deprivation when they describe the poor. They speak of hunger and often refer to the want of basic needs. So let's actually measure real deprivation—and then eliminate it. That's what Canada committed itself to do almost two decades ago, at Copenhagen. More than a million hungry, desperate and demoralized Canadians surely want that.

This paper has tried to make the case for a basic needs poverty line as part of a complement of measures that we can use to see how Canadians are doing. We can use such a measure as a benchmark for policy purposes. It also has the potential to be used for making credible international comparisons. A hungry, ill-housed Canadian is just as poor as someone in the same situation in India, Mexico, or the Congo. There may well be more poverty in those other countries but the condition of lacking basic needs is universal and comparisons are valid. In contrast, comparisons of relative poverty across nations with much different (reported) income distributions and sharply different average living standards (as with UNICEF) are simply not credible.

Andrew Coyne, economic columnist for the *National Post*, who has written on this topic a number of times and been somewhat critical of the

basic needs line (and even more critical of relative poverty), has made the following point:

Why do we need an absolute measure of poverty? Not, as critics charge, so we can define poverty out of existence, but so we can tell whether we're making any progress against it. What's important here isn't the level of any such measure—perhaps Sarlo's assessment is too stingy—but whether it allows us to make meaningful comparisons: over time, and between countries. As it happens, the news here is rather better. Sarlo calculates the level of child poverty has in fact fallen over the last two decades to roughly five per cent—as you would expect, given the efforts of governments to address it through programs like the Canada Child Tax Benefit and associated supplements. Moreover, we score quite high on the international standings, as compiled by the Luxembourg Income Study—not far behind the Swedes and the Norwegians, though we perform rather less well on relative measures. Let's publish both sets of data, then, absolute and relative, and learn what we can from both. But it's long past time we retired LICO. (Coyne, 2009)

A basic needs poverty measure gives us something that we don't currently have—something fundamentally different and uniquely important. The dominant measures in Canada—LICO and LIM—are relative indicators, and are unable to tell us about hunger, inadequate housing, or serious deprivation. The basic needs poverty rate is critically important information to have—on its own, or in comparison to other measures of low income.

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