

Thinking About Poverty

Part 1: Counting the Poor

Christopher A. Sarlo



This paper is the first in a series of essays addressing poverty in Canada. This essay examines measurement and the many difficult issues relating to counting the poor. Future essays will discuss and critically examine policy questions relating to poverty.

ESSAY 1

Counting the Poor,

PART 1

By Christopher Sarlo

Executive summary

Poverty is a serious personal problem for many Canadians. It is also an important social and economic concern and it exerts an outsized influence on government spending and policy. It can be fairly said that that we have the welfare, education, child transfer, and health systems that we do in large part because of the problem of poverty. So it is especially important that we get the measurement of poverty right.

The longstanding, traditional way of defining and measuring poverty has been to determine the cost of basic needs and see how many people do not have sufficient resources to afford that basic basket. Those basic needs include any items required for long-term physical well-being at a quality considered acceptable in one's own society. Those items include shelter, nutritious food, appropriate clothing, household facilities and supplies, personal hygiene, essential transportation and communication, health care, and insurance. What about an occasional restaurant meal, a night out at the movies (or a concert) once a month, and a one-week vacation? While everyone wishes that people could have those things (and much more), we might argue that people are not impoverished for lack of them. So the poverty line is not a goal or a support level for the poor. It is merely a device or mechanism to help us determine the extent of poverty among our citizens. This is a critical distinction and one that this paper emphasizes.

More recently, an alternative way of defining and measuring poverty has gained traction especially among poverty activists, politicians, journalists and academics. It is referred to as the "relative approach" and defines someone as poor who has substantially less income than most others in

the community. The standard way of measuring relative poverty is to take a percentage (usually 50 or 60 percent) of the median income and set that as the poverty threshold. With relative poverty your actual income is irrelevant; rather, it is the gap between your income and the median that matters. If, over a period of time, everyone's real income doubles, there is no less relative poverty because everyone is still in the same relative position.

There are issues with each of these approaches to defining and measuring poverty. It would seem to make sense to calculate and publish both and let the marketplace of ideas determine which is more important. This is essentially what was decided at a UN-sponsored summit on social development in Copenhagen in 1995 to which Canada was a party. Indeed, all nations made a commitment to measure both absolute and relative poverty and to eradicate absolute poverty as a priority. However, nothing has been done since 1995 to present the two poverty thresholds to Canadians and neither has there been any plan made to end absolute poverty.

This essay examines the Market Basket Measure (MBM), anointed as Canada's "official poverty line" in 2018, and finds a number of problems with it, not least that it is set too high to be useful as a measure of poverty. A family of four in our largest cities would have to earn in excess of \$62,000 per year to escape poverty according to the MBM. It seems as if the developers of the MBM were pulled in two directions—the first towards a basic needs basket approach and the second towards a relative approach that would be high enough to satisfy notions of inclusion and participation. In the end, it appears that they have not succeeded on either front.

The essay also examines issues with income as an indicator of economic well-being and finds real problems there as well. We use income to measure the extent of poverty because there is no other obvious option. However, the essay urges that other ways be considered to get a more accurate measure of the nature and extent of poverty and it points to a potential alternative.

Introduction

I wish to begin by explaining, from my perspective, why poverty is such an important issue and one that is worthy of careful scholarly examination. Poverty is a significant problem in its own right but also because of the influence it exerts on other areas including societal attitudes and government policy. The following list attempts to summarize why poverty is important:

- It produces human suffering. Poverty implies both physical suffering (because of the privations that are inherent in the condition) and psychological suffering (because of the feelings of dislocation, inferiority, and anxiety that poverty engenders).
- It is a waste of human potential. Like unemployment, with which it is closely related, poverty means that people are not achieving what they are capable of. This is both a personal and societal loss that, in most cases, will never be recovered.
- Aided by heart-stirring and often disturbing portrayals in the media, poverty provokes a strong emotional response by members of society (including the most influential members) and a sense of urgency to address the problem.
- The problem of poverty exerts an outsized influence on government policy. For example, it can be fairly said that we have an education system that provides universal, free public schools largely because of concerns that, otherwise, the poor could not afford schooling for their children.¹ It is the same with health care and a number of other policies and programs where government services are offered free to all or are heavily subsidized.
- The extent of poverty reflects badly on a society. It is an important part of the “report card” of a country. High rates of poverty suggest that the economy is sluggish, jobs are scarce, and that leaders (especially political leaders) are unwilling or unable to solve the problem.

So, for (at least) these reasons, it is crucial to understand poverty and to get an accurate assessment of the extent of the problem. This is where definition and measurement come in to play. And this is where things get complicated and contentious.

Defining and measuring poverty

It is unknown exactly when concern for “the poor” became a problem to be highlighted. In ancient times, when almost everyone subsisted by some combination of foraging, cultivation, and hunting, the condition of poverty as we now understand it was normal. The advent of urbanization would have made poverty stand out both because people lived closer to each

¹ The case for free public schools is often made because the social benefits of literacy and numeracy apparently exceed private benefits so that the market “fails” to maximize net social benefit. This is not the place to fully assess this case (including government failure). However, the net benefit equation changes considerably if every family could afford private education for their children, i.e., if there were no poor.

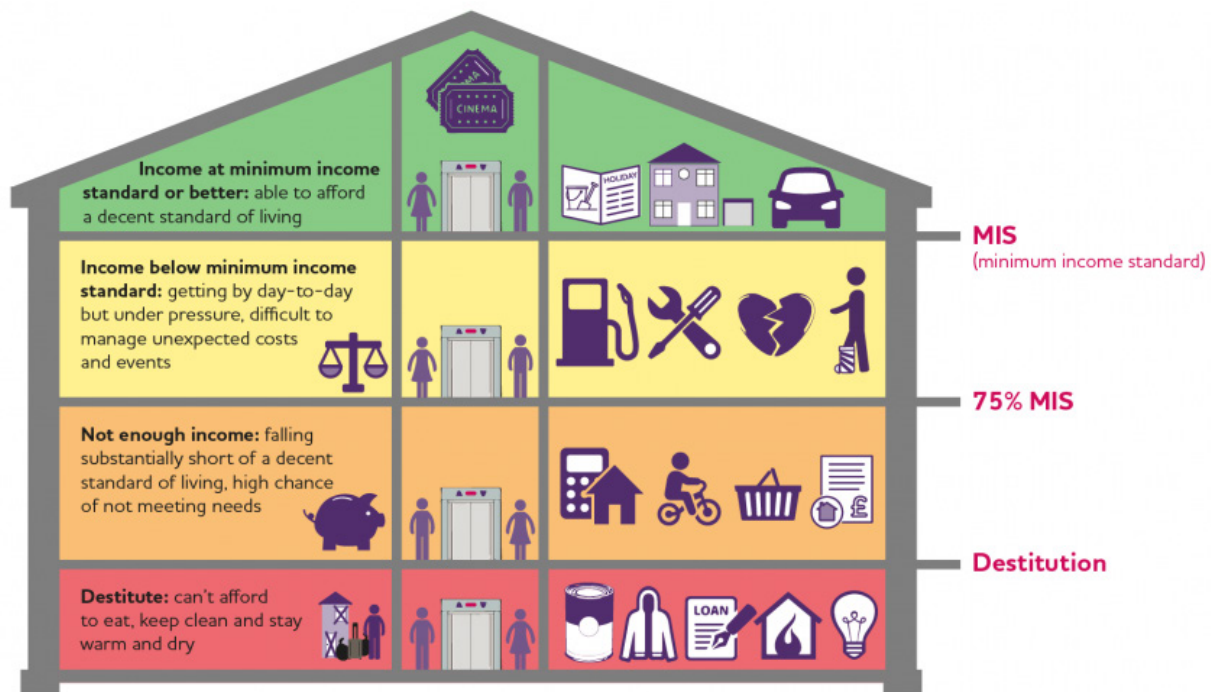
other and because a rising middle class of artisans, business owners, and traders separated themselves from the pack. There are, for example, ample references to the poor in the Bible – mostly in a normative context. People were encouraged to give generously to the poor, to share food with them, and to invite them to banquets. Farmers were told to leave a portion of their cornfields for the poor to harvest.

In the 16th century in the UK a formal, large-scale plan to help the poor was implemented. A series of “poor laws” established workhouses so that poor people could have food and shelter in exchange for work. Children were provided with basic education and families received some medical help as well. It was only after WWII that the poor laws were abolished to make way for the modern welfare state. Throughout all of this time, references to poverty were in the context of the absence of basic necessities required for survival.

Joseph Rowntree, a British businessman and philanthropist, was one of the first private citizens in Europe to examine poverty and to look for solutions. His son, Seebohm, was active in studying and writing about poverty. The younger Rowntree’s famous book, *Poverty: A Study of Town Life*, was a detailed analysis of the living conditions of working-class families in the town of York in 1899. His definition of poverty was an amount of income insufficient to secure the necessities for a healthy life. He determined separate poverty rates for people enduring “primary” poverty—that is, people living in families whose income is below the poverty line—and for those with “secondary” poverty—that is, people in families whose income is above the poverty line but whose spending is insufficient to purchase their basic needs due to other expenditures, “either useful or wasteful” (Rowntree, 1901: 87). He found that 43 percent of the wage-earning class were poor and overall that meant that about 28 percent of the total population of York (at that time) were poor. Disaggregating the total, he found that about 10 percent were living in primary poverty and 18 percent in secondary poverty.

The Rowntree family established the Joseph Rowntree Foundation as a private, independent social change organization working to solve UK poverty. It continues to define poverty broadly as a condition where one’s resources are below one’s minimum needs. The foundation also defines a minimum income standard (MIS), which is not a measure of poverty but is an amount of income sufficient to afford a minimally acceptable standard of living. The MIS can be regarded as a particular standard of living (perhaps intended as a goal for those below it); its relation to various other standards of living at the lower end of the distribution is shown in figure 1.

This kind of definition, characterizing poverty as a condition of lacking basic necessities and operationalized using the cost of a basket of

Figure 1: Rowntree Foundation Illustration of the Levels of Poverty

Source: Joseph Rowntree Foundation, Undated.

goods deemed necessities became the standard way to define and measure poverty, at least until the 1960s (Fisher 1997). Even in the 1960s, Mollie Orshansky, a US Labour Department researcher, developed the official poverty line for the US that was formulaically connected to the cost of a budget food basket.

This traditional way of defining poverty is often referred to, in the literature, as the absolute approach to poverty. In one sense, this is a regrettable label. The term itself conjures up a picture of extreme hardship and of destitution—the lowest rung on the Rowntree taxonomy. Opponents have jumped on this image to criticize the absolute approach as being too stringent and heartless. A better, fairer, and more informative choice, as far as a label is concerned, would be the basic needs approach. This simply suggests that, as part of getting a deeper understanding of poverty, we want to know how many people just cannot afford all of the basic necessities required for healthy living. In my own work, this is the label and the definition of poverty that I employed (Sarlo 1992; 2001; 2008; 2013).

It is important to note that, despite several decades of prominence given to an alternative approach (the relative approach, which is discussed

in greater detail below), the way the term “poor” is commonly used and understood has not really changed. Dictionaries continue to define poor as “having very little money; not having enough money for basic needs” (Oxford Learner’s Dictionaries, Undated) or “having little money or few possessions: not having enough money for the basic things that people need to live properly” (Britannica Dictionary, Undated) or “having little money and/or few possessions” (Cambridge Dictionary, Undated).

In previous discussions of the common usage of the term “poor,” I referred to the implied meaning of poverty in journalistic usage and from various surveys (Sarlo, 2001: 12; 2008: 5; 2020: 40-42). Uniformly, the term “poverty” is used to mean a lack of the basic necessities.

In my research over the years, I have provided many examples of what people, in general, think it means to be poor. One, however, stands out in particular. Economists Yoram Amiel and Frank Cowell conducted a large sample survey of non-experts’ understanding of both inequality and poverty, the results of which were published in their widely read book, *Thinking About Inequality* (1998). They took great care to select a sample that was sufficiently literate (and numerate) to be able to understand questions involving inequality and poverty scenarios yet not steeped in the attitudes and biases of experts in the area. They conducted their survey on university students who had not been exposed to lectures on topics in economics that might tend to produce a bias in their answers. In all, they received over 4,000 responses from 8 different countries. Of particular importance to our discussion was the question about people’s conception of poverty. Specifically, the question was: Poverty is a situation where incomes are...

1. Not enough for a supply of basic needs
2. Below a level that is relative to the income distribution (for example 50 percent of median income).

The results are strikingly similar to those from an Australian survey of welfare recipients (discussed in Sarlo 2001, 12): 72 percent chose answer number 1; 11 percent chose answer number 2; and 10 percent chose neither of the above (Amiel and Cowell 1998, 110-111). In other words, of those who selected an answer, about 87 percent believe that poverty is a situation of insufficiency of basic needs.

Relative poverty versus basic needs poverty

The alternative to the traditional way of defining poverty is referred to as the “relative approach.” This approach views someone as poor if they are substantially less well-off than most others in their community or society.

The most common way to measure relative poverty is to draw a line at some percentage (often 50 or 60 percent) of the median income, adjusted for family size.² So, with the relative approach, one's actual standard of living is irrelevant; it is the gap between one's income and the median that matters. I have argued in many places that this makes the relative approach just another measure of inequality and not of poverty as we understand (and as most people understand) that term.³

Inequality is certainly of interest and worth measuring. However, it is not the same as poverty. The distinction is critical. If, over a period of time, economic growth causes everyone's real income to double, there will be no change in inequality (and therefore no change in "relative poverty"). But surely this would improve the standard of living of many of the poor and raise them above a threshold of basic needs. Fewer people will be poor in the absolute sense. By the same token, if a large portion of the rich (high income earners) permanently leave the country, you will automatically have less poverty because the exodus will lower the median income—even though the actual incomes of the poor have not changed. Finally, in a very poor country where almost everyone lives at the subsistence level, there would be no relative poverty even though almost everyone is poor in an absolute sense.

A concern I have frequently expressed is that supporters of relative measures appear to defend their choice on the basis of compassion and justice rather than science. In other words, relative poverty lines are fair because they represent a standard of living that the poor should have and are entitled to. As social scientists, we need to put our compassion on the shelf and measure the phenomena at hand in as technical and scientific manner as possible. Poverty should be no different. A poverty line is not an entitlement, nor is it a support level. It is a way of credibly dividing the population into two groupings—those below the threshold (the poor) and those above (the non poor). In other words, measurement of a problem and the policies we choose to address the problem are appropriately separ-

² For example, Statistics Canada's Low Income Measure (LIM) is set at 50 percent of median income. The relative measure in the European Union is set at 60 percent of median income. In both cases, income is after-tax income (UNECE, 2017: 13, 72).

³ This idea that relative poverty is intimately connected to inequality is not new. It seems to be accepted even by supporters of relative poverty measures. The Innocenti research group quote below that "It might be argued, therefore, that the concept of relative child poverty is merely measuring inequality" (UNICEF, 2000: 7) tells us that the connection is clear. Of course, relative poverty is not literally a measure of inequality. But we know that relative poverty and inequality will rise and fall together and we know that the only way to reduce relative poverty is to redistribute income—either with or without consent. Economic growth alone will not do it.

ate. Kate McInturff of the Canadian Centre for Policy Alternatives (CCPA) takes me to task for this perspective in her article “A Canada Without Compassion” (2013). While she misrepresents, to some extent, my perspective (including my oft-stated claim that all poverty measures have elements of relativity), she does identify the source of fundamental disagreement. The role of the state, in her view, is to take care of its citizens. That is its responsibility. This, of course, opens to the door to an active, all-encompassing state. The classical liberal alternative views the state as having responsibility (only) for protecting our rights.

There are all kinds of problems and inconsistencies that arise when we use relative poverty measures.⁴ Of particular note is the 1999 UNICEF-Innocenti report on child poverty that used a relative measure (half the median) to show that Canada (and the US) have greater child poverty than nations such as Czech Republic, Poland, and Hungary, despite the fact that these nations have much lower average standards of living. Upon the release of these reports, the major media outlets in Canada were strongly critical of the federal government for failing our children (see, for example, *Toronto Star*, December 13, 1999). In fairness to the Innocenti group, they did use an alternative “absolute” measure (the US official poverty line) as a comparator and found that Canada was at least in the top half of nations examined, while still well behind Nordic and other western European nations. The authors of the study pointed out

It might be argued, therefore, that the concept of relative child poverty is merely measuring inequality. In support of this view, it could be said that the low levels of child poverty revealed in the Czech Republic or Hungary are attributable to nothing more than a degree of income equality, and that this is in itself no more than a passing legacy of the communism that also bequeathed so much misery and pollution before being overthrown by the popular will. Conversely, the supposedly high level of child poverty in the United States might be said to reveal nothing more than the higher degree of income inequality which is what provides the incentives to make the United States what it is – the richest country on earth. (UNICEF, 2000: 7)

Nevertheless, the authors of the Innocenti study go on to defend relative measures of poverty. They argue that once we reach a certain level of development, absolute poverty loses its importance and it is people’s access to opportunity and their perception of the difference between their

⁴ A fuller critique of relative measures is found in Sarlo, 2013: 2-4.

living standard and that of those around them that matters. They also point out that there is an ethical argument in defence of relative measures because, according to the UN Convention on the Rights of the Child, children have the right to “a standard of living adequate for the child’s physical, mental, spiritual, moral and social development” (United Nations, 1989: Article 27).

All poverty measures are relative

I have mentioned numerous times in my writing on poverty that almost all measures of poverty have some relativity. Even the most absolute standard—for example, the cost of a basket of food, clothing, and shelter—has some relative aspect in the sense that the nature, quality, and amount of each necessity must be geared to the standards and availability in the community at the time of measurement. There really is no choice. And those standards change over time and vary, to some extent, by community. A superficial reading of the absolute approach would suggest an unchanging standard over time and across geography. That is not only incorrect but impossible. It could be argued that the only thing absolute about the “absolute” approach is the fact that the basket to be measured is limited to necessities and those necessities are goods and services required for long-term physical well-being. The nature, type, quality, and quantity of each of those necessities is determined within the context of one’s own society and community at the present time. From the beginning, the basic needs approach that this author developed has employed this methodology. So, it is no great revelation for researchers to claim that all poverty measures must be relative. The important distinction, I think, is between purely relative measures (like half the median income) and budget-based measures that are limited to basic needs, as described above. Figure 2, shown a few pages later on, shows the various measures available in Canada and their position on the absolute-relative scale.

The Copenhagen Declaration

The UN-sponsored world summit on social development in 1995 was a unique and critically important event for anyone interested in poverty. At the end of the conference, during which numerous papers were presented discussing various aspects of poverty in different contexts, attending nations declared a commitment to measuring and alleviating 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 (United Nations, 1995, 1996).

Here we have the nations of the world (both rich and poor) getting together more than 25 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. What an empty, cynical gesture that turned out to be. A golden opportunity squandered. All that remains after Copenhagen is the idea that the measurement of poverty should include, at least, a measure of serious deprivation.

Defending the relative approach to measuring poverty

Professor David Brady (2021) has written a clear and detailed defence of the relative approach to measuring poverty. He argues that relative poverty measures are superior, in many ways, to the “absolute” alternative. He points out that there is no way to be specific about needs because “needs” are relative to the time and place one occupies and therefore are constantly changing. Whereas a telephone might have been considered a need 40 to 50 years ago, today internet access might be necessary. Rather than attempt the impossible task of listing and costing out needs, the best solution, in his view, is to simply connect the poverty line to what people in general are consuming. The standard way to do that is to take a percent (usually 50 or 60 percent) of the median income (appropriately adjusted) as a threshold below which people would be deprived in this relative sense. He also points out that most poverty researchers and leading ethical theorists, including John Rawls, favour a relative measure of poverty. For Brady and many others, a relative measure connected to average or median living standards is a good way to capture the critical “social exclusion” component of poverty.

There are, of course, obvious issues with relative measures already outlined above and elsewhere (e.g., Sarlo 2013) that Brady chooses not to address. This is not the place for a full response to Brady; however, he is saying that, in the study of poverty, there is no room at all for a measure that tells us how many of our fellow citizens simply do not have sufficient income to cover all of the necessities required for healthy living.⁵ This de-

⁵ “Necessities required for long-term physical well-being” is the way I have framed the basic needs approach.

spite the fact that the 1995 Copenhagen Accord committed all nations (developed and less developed) to measure both absolute and relative poverty and to eradicate absolute poverty as a priority. And it was Peter Townsend, a scholar that Brady mentions as a champion of relative poverty measures, who drafted the Copenhagen Accord.

Having studied and written about poverty for a long time, I have observed that most supporters of relative poverty measures dismiss absolute or basic needs measures out of hand and want their preferred measure to stand alone. It is difficult not to spot the irony here. For all of the concern about inclusion by relativists, there appears to be a highly exclusionary approach to the study of one of our most important economic and social problems. To suggest that determining the extent of basic needs deprivation is of no interest or importance reveals, I think, a blind spot in the perspective of many relativists—one that is especially noteworthy given the emphasis on inclusion. Since the early 1990s, I have urged that two measures be used to study poverty: (1) a basic needs measure that has the potential to inform us about the level of serious deprivation; and (2) the other (referred to as a “social comfort line”) set at double the basic needs poverty line that would identify the “near poor” and could be a useful threshold as a goal or a target for policymakers. The Copenhagen Accord similarly urges the employment of two measures—absolute and relative—to help provide much more information about those at the lower level of the income distribution. How credible is a study of poverty that is incapable of telling us how many of our fellow citizens cannot even afford all of the basic necessities of life?

High “poverty” lines

An important concern with relative measures is that they tend to be a lot higher than would seem realistic for a threshold of poverty. Of course relative lines don’t have to be high but typically they are set in such a way as to represent a goal or an entitlement rather than a useful line to distinguish the poor from the non-poor. In Canada, for example, prevailing relative measures are set sufficiently high that they end up including families in the middle class as poor. People at the lower end of the middle class, at least in Canada in the 21st century, are not likely to consider themselves as poverty-stricken. The Low-Income Measure (LIM), which is a purely relative threshold, and the Market Basket Measure (MBM), now Canada’s official poverty line, which I argue is on the relative side of the scale due to its connection to consumption patterns in society, are examples of this.⁶

⁶ A substantial portion of the basket, including shelter, is tied to the second percentile

The 2021 MBM poverty threshold for a family of four in five of Canada's six largest cities is about \$50,000 per year. That is the amount the family would have to spend to avoid poverty. The amount the family would have to earn (say, in wages in 2021) in order to be able to spend that \$50,000, once taxes and other mandatory deductions are removed, would be well over \$62,000.⁷

Therefore, according to Canada's official poverty line, a family of four in half of the country would have to have wages of about \$62,000 to avoid being classified as poor. However, families in that income range also receive non-taxable cash benefits, the most important of which is the Canada Child Benefit (CCB).⁸ The amount of the CCB for two children (ages 6-17) would be about \$10,000 per year. So, the resources available to spend for that family of four situated right at the official poverty line is about \$60,000 after tax. If they have \$1,000 below that, they would be counted as "living in poverty." I suggest that this is not reasonable and is far removed from the cost of basic needs.⁹ Using the purely relative LIM, the gap between the relative line and basic needs is even larger. The LIM threshold for a family of four in 2020 was \$53,000 after-tax. With the free cash from the CCB alone, the family of four would have to have more than \$63,000 after tax to escape being classified as poor.

We trivialize the condition of poverty and the predicament of the genuinely poor when we include as poor families with incomes that would place them in the lower range of the broad middle class. And we deflect

in the consumption distribution rather than to actual costs. See Djidel, et al. (2020) pp. 16, 20, 22-25. So, while the MBM gives the appearance of being a basic needs measure, parts of it are tied directly to relative patterns. As well, a variety of choices regarding new items and the nature of existing items suggest a standard exceeding the basic needs approach. While the MBM is by no means purely relative it can be fairly classified as a moderately relative measure.

⁷ Assuming a single earner and including all income taxes and statutory deductions but no tax benefits like GST, CCB, etc., according to the detailed calculator at www.taxtips.ca.

⁸ The definition of disposable income in the latest MBM documents, specifically, Djidel, et al. (2019) states that government transfers are included in total income but it is unclear if tax-free benefits such as the CCB are included. There is no mention of this large item in the document. As well, there are a number of new adjustments and deductions which substantially lower disposable income from the more traditional "after-tax income." There are no examples or illustrations that would help with clarity.

⁹ This author has developed a basic needs line (BNL) to measure poverty and has determined that the approximate average BNL for a family of four across Canada would be about \$31,000 in 2021, somewhat higher in large urban areas. In that context, it would be hard to justify that \$60,000 in after-tax income including free cash benefits constitutes impoverishment in the widely held understanding of that term.

attention away from the truly needy when we put everyone who is relatively less well off into the same category. They are simply not the same. The family living in a shack in rural New Brunswick on less than \$24,000 per year is just not in the same situation as the family in Edmonton that can only afford to drive a Hyundai. Using relative thresholds exclusively, as activists wish, will not produce an honest and accurate depiction of the state of poverty in the nation. At the very least, we need to decompose the category of lower income households into two groupings.

Switching labels

Honesty and consistency would compel a committed relativist to describe people below relative thresholds as “less well-off than most others in their community.” That’s what they are measuring. But sadly, as I have pointed out elsewhere, that often does not happen. They frequently describe people below their relative lines as being hungry, ill-housed, having inadequate clothing, forced to use food banks, and not having access to necessities like medicine. Of course, relative lines measure none of that. Not surprisingly, the major media give these inconsistencies regarding poverty a pass. So definitions have been switched mid-stream: relative poverty has been used to measure the extent of poverty and then absolute poverty used to describe the living conditions of those below the line.

In Canada, an egregious example of switching came in a 1989 motion to Parliament—to end child poverty by the year 2000. 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. (Broadbent, 1989, November 24)

There is not much ambiguity about Mr. 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. Having reviewed the news coverage at the time, I don't recall any journalist or commentator with one notable exception (Coyne, 2009), calling him out on that. Mr. Broadbent has continued to switch definitions as he dramatizes the plight of child "poverty."¹⁰

Poverty and well-being

Economists, social scientists in general, and philosophers speak about "well-being" in the broadest sense. How does that concept relate to poverty? It is fair to say that being in poverty is only an imperfect indicator of a lower level of well-being. Certainly, the connection is likely to be stronger with absolute (basic needs) poverty than with relative poverty, but we can't always be sure. A little illustration will help clarify. Consider two women: One, a healthy 19-year-old university student who has an active social and intellectual life but whose reported annual income, mainly from part-time work, is only \$3,000. Note that student loans and gifts from parents do not count as income. According to our poverty calculations, this young student would be identified as living well below the poverty line—that is, in deep or extreme poverty. The other woman is a 91-year-old widow with an annual income of more than \$100,000 (mainly from a private pension and investments) but who is in ill health, is contending with chronic pain, and is depressed and lonely. The older woman is financially well-off, likely in the top 20 percent, yet her overall sense of well-being is much lower than that of the apparently impoverished younger woman.

We can imagine a lot of scenarios in which the household with the higher income is substantially worse off than one with the lower income. Examples would include: An older family whose house is fully paid off versus a younger family of the same size that is house-poor; a family with

¹⁰ See, for example, Broadbent (2009, November 23).

substantial daycare costs versus a family with older children; a family whose wage earners have an hour-long commute each way to work versus a family whose wage earners work within walking distance. Income is by no means a definitive indicator of well-being and it is often not even a reliable indicator of economic well-being.¹¹ Nevertheless, income does broadly represent a potential standard of living so it continues to be used until a better alternative is found.

It is important to understand that there are cases where a person is living below the poverty line but does not subjectively consider themselves as poor. Here, we are not just considering people in religious orders who take a vow of poverty, or a grab-bag of ascetics and back-to-nature types, people in kibbutz or communal living arrangements, or environmentalists. Surprisingly, there are a large and growing number of households who seem to have found ways to live below the poverty line. There are, at this time, many hundreds of blogs, newsletters, and YouTube channels advising people how to live happily below the poverty line and even save money doing so. The ideas range from becoming debt free to avoid interest charges to saving on food and clothing purchases to taking advantage of free information and entertainment on the internet. At a time when many consumer purchases end up in landfills within a few years, obesity is rampant, credit card debt (pre-pandemic) is increasing sharply, and anxiety and depression (again, pre-pandemic) is on the increase, a re-examination of a healthier, simpler, and more frugal lifestyle is finding many adherents.

The 2020 Academy Award winning film *Nomadland* captures, in many ways, the alternative lifestyle of people living in poverty (in vans and trailers) with little complaint. The film focuses attention on the personal relationships, the camaraderie, the mutual helping, and the satisfying appreciation of simple pleasures. It is a story of people taking responsibility for their own situation and finding happiness amidst their “poverty” and itinerant lifestyle. As the main character says: “I am not homeless; I am just house-less.”

The problem of underreporting

No list of issues relating to the measurement of poverty is complete if it does not discuss underreporting. The income that we use to determine income poverty is drawn from surveys where people self-report their income. For a long time, researchers have been aware that certain people—typically those whose income does not come from wages—underreport

¹¹ The next essay in this series will examine, in more detail, some concerns with income, including gifts-in-kind and underreporting.

their income. Such people understate their income both on surveys and on their tax forms. A variety of studies has set the underreporting of income at between 10 and 20 percent. In 2015, two Bank of Canada researchers examined the extent of underreporting and its likely impact on poverty estimations. They concluded that 35 to 50 percent of respondents underreport some income. For households with an annual income of less than \$20,000, between 60 and 70 percent appear to be underreporting. The authors also note that the problem of underreporting appeared to increase over the time of their study: 1998 to 2004. Further, the total amount of underreported income is substantial, approximately 14 to 19 percent of GDP. They conclude by expressing concern that “poverty measures that rely on reported income appear unreliable” (Dunbar and Fu, 2015: 4) because of the underreported income.

If the level of income is not a reliable indicator of poverty status and if even the total level of consumption is not a reliable guide to poverty status (because we don’t know how that consumption is distributed, i.e., on necessities or non-necessities) then how can we reliably determine whether someone is poor? For a long time, I have suggested that a one-on-one approach is the only dependable way. There needs to be a careful, holistic examination of the person or family and their current situation in the context of their lived experience and requirements. Income poverty, therefore, is merely a “first pass” in the determination of someone’s situation and their poverty status.

Current state of poverty measurement

In late 2018, the government of Canada anointed the MBM as Canada’s official poverty line. This followed several papers outlining the approach, the latest revision of the MBM, and a number of important technical explanations. The MBM poverty lines for a family of four were presented by province, by major city, and for communities with smaller populations. The poverty line is the amount one must spend on a basket of goods (as detailed in the technical papers) to avoid poverty—it is not a level of income. The level of income one must earn after taxes and other deductions to leave a family with sufficient funds to purchase the MBM poverty basket is much higher.

My critical examination of Canada’s official poverty line was published in 2020 (Sarlo, 2020). It provides a substantial review and analysis of the concerns with both the conception and the construction of the MBM. For our purposes, this essay will discuss just the most important criticisms.

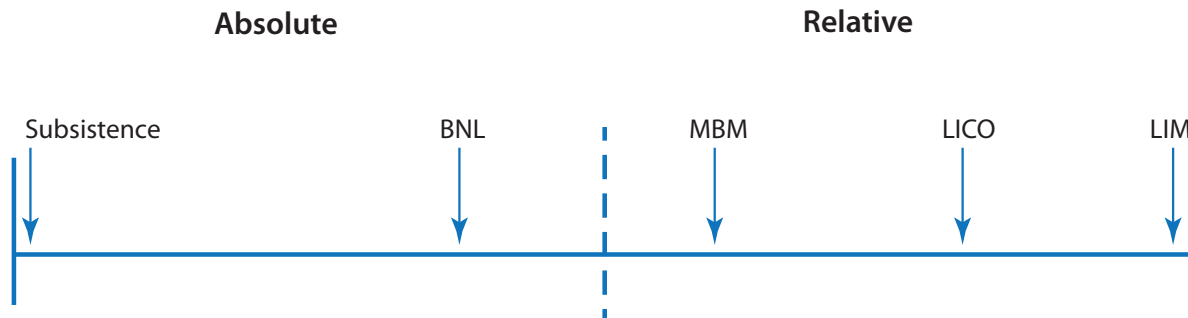
Statistics Canada, which did the design, methodology, and calculations for the updated MBM, has provided insufficient details for the determination of some of the components of the MBM. In the interests of transparency and replicability, the agency must provide full information about the construction of the poverty line. What it does provide raises concerns about a potential inconsistency in the methodology. For some of the components (food and clothing, for example), Statistics Canada appeals to expert opinion to guide their estimates. In other cases, shelter and “other,” for example, its researchers draw their estimates from actual consumption in the second decile (Sarlo, 2020: 11, 14, 19, 20, 21, 24, and 31). The construction of the MBM lacks a consistent and coherent approach as it seems to waver between absolute and relative methods.

It is this inconsistency that seems to be at the root of a fatal flaw in the MBM. The framers of the measure appear to have one eye on the need to capture poverty as most people understand that term (as a lack of basic needs) and the other eye on those who view a poverty line as an entitlement and want it to be generous. Being pulled two ways has resulted in a poverty measure that satisfies no one. If you view poverty as a condition of serious deprivation, you will regard incomes of \$62,000 for a family of four to be far too high. That value is simply not a realistic poverty line. On the other hand, if you regard a poverty line as a goal for the poor, you might well want it even higher. Campaign 2000, an anti-poverty activist group, wrote its own critique of the official poverty measure. While it agrees (as do I) that the MBM is predominantly a relative measure, it argues that the MBM “does not account for the growing disparity of income between the rich and the poor” (Hunter and Sanchez, Undated). In other words, the MBM is not relative enough. The Campaign 2000 critique concludes: “The MBM is an inadequate measure of poverty... the measure is not linked to growth in the economy. In fact, the whole idea of a poverty measure is not useful towards achieving social, economic and environmental justice. The focus needs to shift towards inequality, the capriciousness of the super wealthy and the rest of the population is where attention should shift” (Hunter and Sanchez, Undated: 13).

I think there is general agreement that all poverty measures are, at least to some extent, relative. The nature and quality of the necessities in the basket have to be in the context of contemporary society. In order to better understand the degree of relativity of the different poverty lines mentioned in this essay, the scale shown in figure 2 is useful.

The dashed line in the middle denotes a kind of cross-over point between absolute and relative measures. On the left side of the graph is a subsistence conception of poverty where a simple basket of goods sufficient for bare survival is unrelated to societal standards of acceptability.

Figure 2: Absolute/Relative Scale of Poverty



Source: Sarlo, 2020: 38.

Closer to the middle of the scale but still in the absolute category we would have a measure that encompasses a basket of goods deemed necessary for long-term physical well-being *at a quality that meets community standards of acceptability*. This is where the basic needs line (BNL) attempts to situate itself. At the far right on the scale, we have purely relative measures, like Statistics Canada’s LIM. Moving leftward from there we place the LICO and then the MBM. The latter is closer to the dashed line because it contains some elements that are largely unrelated to average consumption levels, like food and clothing, but otherwise determines costs in a relative way. It is noteworthy that, even with the flawed official poverty measure (MBM), the growing economy in Canada resulted in a substantial reduction in “poverty” from 14.5 percent in 2015 to 11 percent in 2018 and a further reduction to 6.4 percent in 2020 (Canada, 2021; Statistics Canada, 2022a). Of course, all of this happened before the pandemic fully took hold.

The United States continues to have an active debate about its poverty measure. Social activists have applied pressure for several decades to have the current measure, widely regarded as in the absolute category, replaced by a relative measure. Despite that, the current measure has prevailed through Republican and Democrat administrations. Over the long term, from the early 1960s to 2020, the US poverty rate has declined from about 20 percent to 11 percent (United States Census Bureau, 2022). Nevertheless, there appears to be pockets of poverty that stubbornly endure.

As mentioned earlier in this essay, income poverty is typically the primary way that we measure the poor. However, this is by no means a perfect indicator. It would be desirable, therefore, to look at the condition of poverty at a more granular level by examining specific aspects of deprivation that are not fully captured by income. For example, some research-

ers want to measure such specifics as food security, housing affordability, community safety, access to health care, and literacy (including numeracy). Canada has a dashboard of indicators along these lines (Statistics Canada, 2022b) and a number of other nations and organizations have developed similar indicators. Recognizing the multidimensional nature of poverty in this way can be helpful in deepening our understanding of the condition. However, only a more personal, one-on-one examination of poor households by survey or by personal interview can give us real insight into the causes and current condition of people below the poverty line.

Conclusion

This essay has focused attention on the measurement of poverty. We see that counting the poor is no easy matter and that a determination of income poverty is, at best, only a preliminary indication of the prevalence of poverty. It does not tell the full story.

The MBM is now Canada's official poverty line and so much attention is naturally focused on it. My study, *A Critical Assessment of Canada's Official Poverty Line* (Sarlo 2020), presents a thorough analysis of the MBM measure and its flaws. Of particular concern is the lack of disclosure of the details of its construction and the inconsistency of the methodology. The framers of the latest version of the MBM seemed to be pulled in one direction by the need to have a market basket focused on basic necessities and in the other direction by those who regard a poverty line as an entitlement to a share of national product. In the end, they sided with the latter and ended up with poverty lines that defy any widely held conception of what it means to be poor. If families in our major cities have to earn over \$62,000 per year to be above the poverty threshold, then "poverty" has lost all of its meaning. For the framers of the MBM (and the current government that sanctioned their work), families of four earning between \$55,000 and \$62,000 are in the same boat as families surviving on \$25,000 to \$35,000. They are all poor. That is simply not believable. This kind of categorization trivializes the struggles and desperation of people who are deprived of basic needs. At the very least there needs to be some kind of breakdown of low-income families into groupings along the lines of the Rowntree taxonomy presented in figure 1. As it stands now, the MBM does a disservice to an honest counting of the poor.

It is surprising that journalists and major media have completely ignored what is a very important story about poverty and its measurement. Where are the tough questions about the MBM now that it is our official poverty line? Where is the inquiry about the seemingly unrealistic in-

comes required to escape poverty? And where are the questions about the data itself and how it is gathered? Apparently, there is nothing to see here. At the beginning of this essay, I presented some reasons why poverty has an outsized influence on government policy besides being important in its own right. There are ample reasons to believe that poverty deserves far more (and far better) than the superficial treatment it commonly receives.

A critical insight in this essay is that using income to measure poverty is not reliable and can only be regarded, at best, as a first pass or as a preliminary estimate. The many concerns about income as an indicator of economic well-being as well as the recent Bank of Canada study that questioned the reliability of poverty estimates based on income data due largely to underreporting suggest that we need better ways to count the poor. The only way to seriously measure poverty is to do an in-depth, in-person, on-location interview with a representative sample of people with low incomes. What is the condition in which they live? What needs are they lacking? What is their connection to the labour market? How do their resources match their needs?

As long as we continue to do income-based poverty estimates, the case for employing two lines is compelling. One threshold, a more traditional basic needs line (as suggested at Copenhagen) and another line (a social comfort line) perhaps set at twice the basic needs line would provide far more information about people living near the bottom of the income distribution than we currently get. This decomposition would be particularly helpful in distinguishing between poverty and near poverty and would clearly identify those households more likely to be suffering from deprivation than inequality. Such a decomposition combined with a more detailed, in-person survey, would give us a sharper estimate of the extent of poverty as well as some valuable insights about its causes and remedies. We will never get an accurate idea of the extent of poverty without that kind of careful investigation. Currently, only Statistics Canada has the resources to be able to get that information. In the meantime, we continue to do estimates of poverty based on income that favour a single threshold with the caveat that the numbers give us only a first pass as to how many of our fellow citizens are truly poverty stricken.

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About the author



Christopher A. Sarlo

Christopher A. Sarlo is emeritus professor of economics at Nipissing University in North Bay, Ontario, as well as a senior fellow with the Fraser Institute. He is the author of *Poverty in Canada* (Fraser Institute, 1992, 1996), *Measuring Poverty in Canada* (Fraser Institute, 2001, 2006), and *What is Poverty? Providing Clarity for Canada* (Fraser Institute, 2008). Some of his recent publications include *Understanding Wealth Inequality in Canada*, *Consumption Inequality in Canada: Is the Gap Growing?*, *Child Care in Canada: Examining the Status Quo in 2015*, and *Income Inequality Measurement Sensitivities*. Professor Sarlo has published a number of articles and studies on poverty, inequality and economic issues relating to the family.

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