Canadian Poverty Reduction Strategy Brief: Measuring Poverty, Meeting Targets

Summary of Recommendations

Select the LIM-AT as the official 'poverty line'
An official, lead national measure of low income should meet the standards credibility, transparency, relevance, clarity and consistency. In this regard, the Low-Income Measure is the strongest.

Campaign 2000 recommends the Low-Income Measure-After Tax (LIM-AT) as Canada's official measure of progress or lack thereof for the Canadian Poverty Reduction Strategy.

We recommend the LIM-AT as the lead indicator because philosophically, a pan-Canadian standard is required. This should be the measure used to judge whether targets are met. To address the desire for a measure that reflects regional particularities, we also recommend improving the Market Basket Measure (MBM) as a supplementary measure to the LIM-AT.

Select Taxfiler Data Set to Track Progress against Poverty
Campaign 2000 believes that Taxfiler data is the most robust source of data available on low income in Canada and urges the federal government to track progress, or lack thereof, against poverty according to Taxfiler data. Due to Canada's high rates of tax filing, this data represents a near census of Canada's population. The data is also available at very low levels of geography, allowing for analysis of low income at the neighbourhood level.
- Improve Taxfiler data through the regular collection and publishing of demographic information about taxfilers, especially those living in poverty in disproportionate numbers: Indigenous and racialized people, people with disabilities, women, recent immigrants and LGBTQ people.
- Publish low income data in a timelier fashion – the two-year time lag should be reduced.

Fill Data Gaps
Explore culturally based measures of poverty and test for relevancy across First Nations.[1] Effective measures "must account for First Nations historical disadvantage and diverse cultures and contexts, as well as impoverishment of infrastructure and services experienced by First Nations children on reserves."[2] Given the reality of the causes and impacts of poverty today, comprehensive data relating to the following concepts is also needed:

- The rate and number of children under 6 living in poverty
- The rate and number of individuals and families in deep poverty (below LIM 40)
- Income inequality

- A domestic Multiple Overlapping Deprivation Analysis (MODA) based on what has been developed and recommended by UNICEF Canada
- A detailed and comprehensive Canadian standard budget that can be adjusted by region, culture, family size and needs relating to disability and health challenges
- Working poverty and joblessness
- Incomes of people on income/social assistance and depth of poverty; this could be achieved through the reinstatement of the National Council of Welfare or another such body

Targets & Timelines
- A 50% reduction in child and family poverty by 2020
- Reduce Canada's poverty rate by 50% within four years, and by 75% within a decade
- Ensure the poverty rate for children and youth under 18, female lone-parent households, single senior women, Indigenous people, people with disabilities, recent immigrants, and racialized people also declines by 50% in four years, and by 75% in 10 years, in recognition that poverty is concentrated within these populations
- In two years, ensure every person in Canada has an income that reaches at least 75% of the poverty line
- Within 10 years, ensure there is sufficient stock of quality, supported, and affordable housing for all Canadians.
- Within two years, reduce by half the number of Canadians who report both hunger and food insecurity.

Canadian Poverty Reduction Strategy Brief:
Measuring Poverty, Meeting Targets

Campaign 2000 Background: Tracking Poverty since 1991

Campaign 2000: End Child and Family Poverty is a non-partisan, cross-Canada coalition of 120 partners committed to eradicating child and family poverty in Canada. Campaign 2000 was founded in 1991 to hold the Federal Government to account for the 1989, unanimous, all-party resolution to "seek to end child poverty by the year 2000." Despite the passage of subsequent federal all-party motions committing to "end poverty for all" in 2009[3] and "eliminating child poverty" in 2015, child and family poverty persists at alarming levels in Canada.

On an annual basis, we release report cards on child and family poverty. We track the rates and depth of child and family poverty at the national and provincial levels and advance practical public policy solutions to reduce poverty. When we began releasing report cards on child and family poverty in 1991, such data were not publicized and child poverty was often regarded as an international rather than domestic issue. Our efforts have contributed to public discussion, media recognition and demand for all levels of government to act to eradicate poverty in Canada. We rely on Statistics Canada data in our reporting. With support from Canada's statistical agency, we have formulated custom data concepts to publicize the rate and number of children under 6 living in poverty, the number of children in families working full-time, full-year who live in poverty and the impact of government transfers on reducing child and family poverty.

Campaign 2000 is hosted by Family Service Toronto, a multi-service not for profit United Way member agency serving individuals and families in Toronto since 1914. Campaign 2000 is guided and led by an active group of national Steering Committee Members which represents a diverse cross-sector of partner organizations across the country, from coast to coast to coast.

About our Measurement Sub-Committee

Our work tracking child and family poverty rates in Canada has not been easy. We have followed the evolution of data collection methods, surveys and trends at the domestic and international level since 1991. We have navigated reporting multiple measures of low income and were vocal about the impact of the cancellation of the long-form census. We have weathered significant changes by consulting with academic and community level social research experts within our network and beyond who track poverty trends and are informed about data quality and limitations.

Our measurement sub-committee was formed following the 2012 cancellation of the Survey of Labour and Income Dynamics (SLID), which left a void in low income data in 2014 (due to the 2-year lag in data availability). The committee explored what data sets were available for reporting on child and family poverty in Canada. After months of study, we selected the T1 Family File (T1FF) and the Low-Income

Measure - After Tax (LIM-AT) for our annual report cards. We scrutinized the data to understand limitations and strengths. The sub-committee has also actively participated in exploring what custom data concepts could be applied to the T1FF.

The Measurement Sub-Committee reconvened in January 2017 to craft recommendations regarding measurement, targets and timelines for the forthcoming Canadian Poverty Reduction Strategy (CPRS). The discussion below represents our analysis and recommendations to inform the CPRS.

Measuring Low Income

While Canada does not have an official "poverty line," Statistics Canada produces several measures of low income, including the Low Income Cut Off (LICO) Before Tax and After Tax, the Market Basket Measure (MBM) and the Low-Income Measure (LIM) Before and After Tax.[4] Improvements are needed to enhance the reliability and accuracy of low income measures in Canada. The lack of an official, national measure of low income has caused debate and confusion about the prevalence and nature of poverty in Canada, with significant impact on public policy. To capture the important impact of taxes and transfers on incomes, low income should be represented through after tax data, for example, LIM-AT.

A common debate about measurement among anti-poverty researchers and advocates centres around accurately representing poverty levels at the local and provincial levels given regional variations. Differences in the cost of living and differences in earnings between provinces and communities are the main considerations and speak to the different purposes of income-based and consumption-based measures of low income and deprivation.

In establishing an official measure(s) of poverty to track progress through the CPRS, the goals should be for the utmost credibility, transparency, relevance, clarity and consistency of the measure(s).

Overview of Measures

LICOs, developed in 1959, are a semi-relative measure based on the relationship between 1992 household incomes and consumption patterns among families who spend at least 20 percentage points more than the average family on food, shelter and clothing, adjusted for family and community size.[5]

The LIM was introduced as an alternative low-income line in the early 1990s, following a critical review and extensive user consultations on LICOs. The LIM is a relative measure of poverty that is based solely on the distribution of household income that can be calculated 16-18 months after the end of the year in question.[6] LIM is a fixed percentage (50%) of median adjusted household income which accounts for the size of the household.

The MBM was developed between 1997-1999 to serve as a measure of material deprivation. The MBM is a threshold calculated based on the cost of a specific basket of goods and services representing a modest, basic standard of living.[7] The basket "includes the costs of food, clothing, footwear, transportation, shelter and other expenses for a reference family of two adults aged 25-49 and two children (aged 9 and 13)" and is calculated for nearly 19 specific communities and 29 community sizes in Canada based on disposable income.[8] The tables below list the measures with corresponding advantages and disadvantages.

Table 1: Low Income Cut-Off

Advantages	Disadvantages
The cut-offs vary by 7 family sizes and 5 different populations of the area of residence[9]	Out of date – has not been re-based since 1992, under-estimates the expenditure shares of food, shelter and clothing. According to the Survey of Household Spending, in 2015, the average Canadian household spent 48.8% of its income on food shelter and clothing. The 1992 LICO base is 43%. This affects the credibility of the LICO. Requires re-basing to maintain relevancy; was once semi-relative and now an absolute measure[10] Items considered basic needs do not include modern technology: internet, a home telephone, cell phone, etc. Nor are transportation or non-insured health expenditures included. Questionable theoretical basis – basing low income on spending 20% more than average household is somewhat arbitrary. Why not 10% more than average instead? Difficult to explain and very inconsistent. There is significant annual fluctuation that puts the reliability of the measure into question. 2-year time lag

Table 2: Low Income Measure

Advantages	Disadvantages
Relative measure, captures household low income and income inequality that has widened substantially in Canada since 1989 Does not require 're-basing' as it is calculated yearly Strongly correlated with health and social outcomes[11] Comprehensive in that it accounts for social exclusion, stress related to social comparisons	Does not account for cost of living variations Available within 16-18 months after year in question The use of national median income, could cause poverty to be overestimated in provinces and communities with living costs below the national average, and underestimated in provinces and communities with living costs above the national average.

and exposure to stressful environments and material deprivation Adjusted by household size Most commonly used in making international comparisons[12] Consistent over time	

Table 3: Market Basket Measure

Advantages	Disadvantages
Measures low income through a lens of material deprivation Thresholds provided at finer geographical levels, including cost of essential items in rural communities in different provinces Easily understood by the general public and the media Especially relevant to measuring adequacy of provincial income/social assistance	The standard budget (market basket) must be reviewed to reflect changing concepts of need to maintain relevance Cost of housing, after re-basing, too low[13] Involves many assumptions about exactly what food, clothing and other goods to place in the basket. Even if the preferences of a majority of Canadians are reflected, many cultural, regional and other variations are left out. Inconsistent over time – recent re-basing reduced income thresholds, creating a smaller basket than in 2001[14]

Analyses & Recommendations

Analyses of the LICO, LIM and MBM highlights that no current low income measure is perfect. However, in terms of a measure of low income meeting the standards set out above, of credibility, transparency, relevance, clarity and consistency, the Low-Income Measure is the strongest.

Campaign 2000 recommends the Low-Income Measure-After Tax (LIM-AT) as Canada's official measure of progress or lack thereof for the Canadian Poverty Reduction Strategy. This recommendation recognizes poverty as a relative concept, as it is measured by jurisdictions such as the United Kingdom and European Union (LIM 60). The LIM-AT is utilized by the OECD and UN in making international comparisons of poverty rates. Further, four out of eight provinces with Poverty Reduction Strategies in place which have articulated indicators of low income utilize the LIM-AT, either as the lead indicator (Ontario, Alberta) or in combination with the MBM (Quebec) or in combination with the MBM and LICO (New Brunswick).

We recommend the LIM-AT as the lead indicator because philosophically, a pan-Canadian standard is required. This should be the measure used to judge whether targets are met. To address the desire for a measure that reflects regional particularities, we also recommend improving the Market Basket

Measure (MBM) as a supplementary measure to the LIM-AT. The MBM can be improved through regular updates to ensure the basket remains consistent with state of the art knowledge, that it accurately reflects the regional costs of items in the basket and accounts for diverse cultural practices and current technology. Campaign 2000's March 2017 paper, *Estimating the Cost of Raising Children in Canada*: *Setting the Agenda for Canada*,[15] recommends the creation of a detailed, comprehensive National Standard Budget that can be adjusted by region, culture, family size and need relating to disability and health challenges. In addition, expenditures of equivalent families below and above the LIM should be regularly compared to understand the material deprivation resulting from low income.

Sources of Data

An analysis of data available through Statistics Canada relating to low income and inequality impacting children and families surfaces two key data sets for comparison: the Canadian Income Survey and T1 Family File. Table 4, below, compares the two data sources according to key criteria.

Table 4: Comparing the Canadian Income Survey and T1 Family File

Areas of Comparison	Canadian Income Survey (CIS)	T1 Family File (T1FF)
Data Type	Survey	Administrative 17 data tables available
Unit	Household	Census family concept
Frequency of Collection	Annually Data available 2 years after reference year.	Annually Data available 2 years after reference year.
Information available	Families, households and housing Household, family and personal income Income, pensions, spending and wealth Labour Low income and inequality Tax data for income and income sources are also combined with the survey data.[16]	Demographic and socioeconomic database includes: RRSP Contributors RRSP Contribution Limits (Room) Canadian Savers Canadian Investors Canadian Investment Income Canadian Taxfilers Canadian Capital Gains Charitable Donors Neighbourhood Income and Demographics Economic Dependency Profile Labour Income Profile Families Seniors
Sampling	Sample survey with a cross-sectional design.	This administrative data set includes all taxfilers in Canada.

	Administered to sub-sample of Labour Force Survey (LFS) respondents. LFS uses probability sampling. The 2014 CIS used four rotation groups from the LFS, covering approximately 33,400 households (approximately 8,400 households per rotation group).[17]	Information on income is obtained from taxfilers and includes incomes of their non-filing spouses and children. The 2006 introduction of the Universal Child Care Benefit allows the identification of more children under the age of six. These changes have resulted in improved coverage of children in the T1FF data compared to the official Statistics Canada population estimates. "The T1FF approximates the total Canadian population."[18]
Geography	Does not include residents of the Yukon, the Northwest Territories and Nunavut.[19]	Canada, provinces and territories, census metropolitan areas (CMA) and census agglomerations (CA starting with 2008).[20]
Exclusions/Inclusions	Excludes residents of institutions, persons living on reserves and other Aboriginal settlements in the provinces and members of the Canadian Forces living in military camps. (Overall, these exclusions amount to less than 3 percent of the population).[21]	Includes Indigenous people on reserve and those in institutional settings, such as hospitals, criminal justice facilities, who file taxes.
Low Income Measures	LIM, LICO, MBM	LIM (widely released); LICO and MBM available upon request

Analyses and Recommendations

The CIS and the T1FF present different rates of poverty among children under 18, arising from methodological differences and from drastically different sample sizes (Figure 1).

Figure 1:
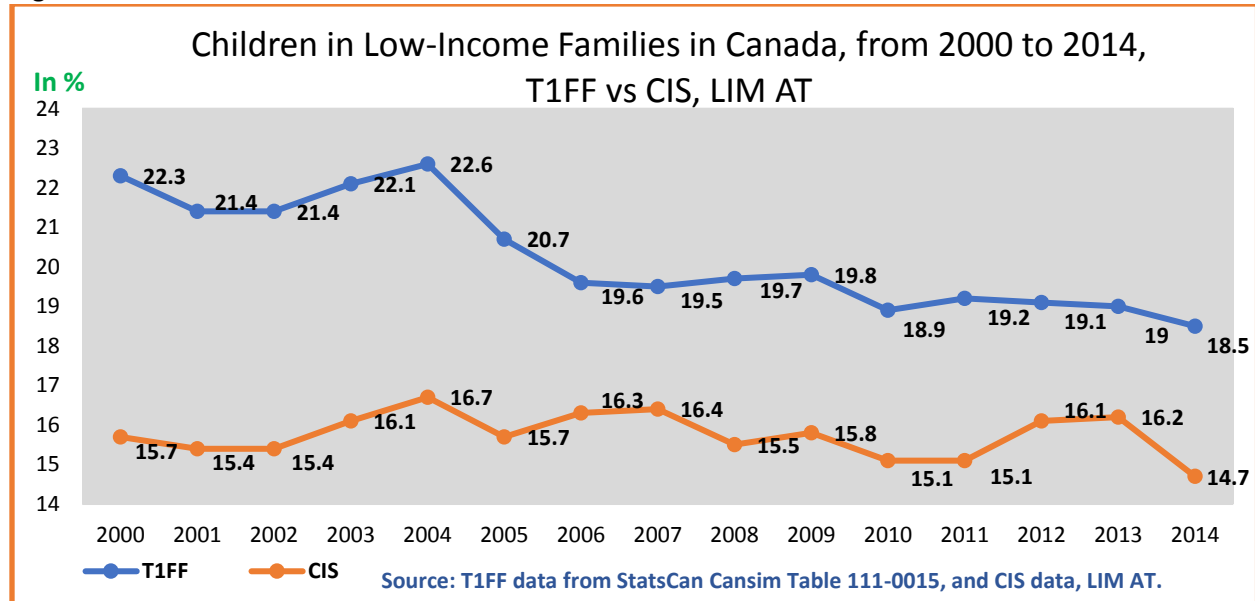
Campaign 2000 believes that Taxfiler data is the most robust source of data available on low income in Canada and urges the federal government to track progress, or lack thereof, against poverty according to Taxfiler data. Due to Canada's high rates of tax filing, this data represents a near census of Canada's population. The data is also available at very low levels of geography, allowing for analysis of low income at the neighbourhood level. In addition, the data is available for each province and territory and includes families on reserve and those residing in health, criminal justice and other institutional settings. It should be noted that poverty among Indigenous children and families is disproportionately high and that poverty is associated with criminal justice system involvement and poor health outcomes, making the inclusions of these populations crucial to accurate understandings of poverty in Canada.

We also note that the 2016 Long Form Census bases its income data on information derived from tax filing. This strengthens the case for utilizing the Taxfiler income data, as it will be possible to track low income among select social groups (visible minority, Indigenous, recent immigrants, women, people with disabilities) with higher rates of poverty.

Strengthening Taxfiler Data

Taxfiler data is a strong administrative data set with multiple, powerful applications. The LIM-AT derived from taxfiler data should be utilized in making international comparisons.

Currently, the Census Family is the unit of measure in establishing low income rates. We recommend that the effect of a household unit for Indigenous families, some cultural and faith groups and new Canadians should be examined to determine how this effects comparative poverty rates.

Given marginalized Canadians suffer poverty in greater numbers, Taxfiler data can be improved through the regular collection and publishing of demographic information about taxfilers. While the CIS contains some demographic data, the data about smaller geographies is limited or unreliable due to small sample sizes.

The timeliness of data is of great concern in understanding the impacts of public policies. Currently low income data are 2 years behind the calendar year, leading to a sort of data time warp. We recommend government invest in more timely processing of data by Statistics Canada to ensure more timely understandings of the state of poverty in Canada and the effectiveness of interventions.

Further Gaps in Data

Given the disproportionate levels of poverty among marginalized groups, we require reliable sources of data on poverty impacting Canadians who are Indigenous, racialized, have disabilities, identify as women, are recent immigrants or who are part of the LGBTQ community. We welcome the reinstatement of the Long Form Census. We note that long gaps in understanding the prevalence of poverty among groups affected in greater numbers can prevent the timeliness of interventions. In the lives of children, timeliness is crucial to a foundation of healthy development and lifetime success.

We therefore call for more regular data collection and reporting on poverty among those living in poverty in disproportionate numbers to track progress or lack thereof in reducing poverty. We need to do this to be able to level the playing field for all Canadians. Such data and reporting should be available every two years in concert with the release of low income data.

To gain a more nuanced understanding of the causes, realities and consequences of poverty among Indigenous people, an exploration of culturally based measures is needed, along with testing for relevancy across First Nations.[22] A thorough literature review conducted by Melisa Brittain and Cindy Blackstock states that standard poverty measures are insufficient in capturing the complexity and nature of poverty among First Nations. Effective measures "must account for First Nations historical disadvantage and diverse cultures and contexts, as well as impoverishment of infrastructure and services experienced by First Nations children on reserves."[23]

Given the reality of the causes and impacts of poverty today, comprehensive data relating to the following concepts is also needed:

- The rate and number of children under 6 living in poverty
- The rate and number of individuals and families in deep poverty (below LIM 40)
- Income inequality: a guiding measure of income inequality should be explored. In addition, the data available on income inequality in Statistics Canada's CAN SIM 204 tables could be modified to usefully measure income inequality at the lower income end, with constant as well as current dollars available to make trend analysis over time easier.
- A domestic Multiple Overlapping Deprivation Analysis (MODA) based on what has been developed and recommended by UNICEF Canada
- A detailed and comprehensive Canadian standard budget that can be adjusted by region, culture, family size and needs relating to disability and health challenges
- Working poverty and joblessness

- Incomes of people on income/social assistance; this could be achieved through the reinstatement of the National Council of Welfare or another such body to track the impact of social/income assistance and other public programs

CPRS Targets and Timelines

Campaign 2000's consistent recommendation regarding the development of a federal poverty reduction strategy states that:

> The Government of Canada ensure that its federal action plan to eradicate poverty includes both targets and timelines and is developed in consultation with provincial and territorial governments, Indigenous governments and organizations, non-governmental organizations and people living in poverty. The plan must be secured in legislation and identify key roles for all levels of government, recognizing the particularities of how Québec pursues social policy in the Canadian context.[24]

We recommend the following targets and timelines for the Canadian Poverty Reduction Strategy, all to be measured according to the strategy's lead indicator, the Low-Income Measure After Tax derived from Taxfiler Data:

1. Reduce child and family poverty by 50% by 2020
2. Reduce Canada's poverty rate by 50% within four years, and by 75% within a decade
3. Ensure the poverty rate for children and youth under 18, female lone-parent households, single senior women, Indigenous people, people with disabilities, recent immigrants, and racialized people also declines by 50% in four years, and by 75% in 10 years, in recognition that poverty is concentrated within these populations
4. In two years, ensure every person in Canada has an income that reaches at least 75% of the poverty line
5. Within 10 years, ensure there is sufficient stock of quality, supported, and affordable housing for all Canadians.
6. Within two years, reduce by half the number of Canadians who report both hunger and food insecurity.

Conclusion

Campaign 2000 appreciates the opportunity to share our measurement brief with Minister Duclos to inform the development of the Canadian Poverty Reduction Strategy. The federal government's historic commitment to develop and implement a poverty reduction strategy must meet its potential through bold and robust targets and timelines that make poverty history in Canada.

For more information on Campaign 2000, please visit www.campaign2000.ca.

Contact:
Anita Khanna, National Coordinator, Campaign 2000
anitakh@familyservicetoronto.org
416 595 9230 x250

---

[1] https://fncaringsociety.com/publications/first-nations-child-poverty-literature-review-and-analysis-2015
[2] Ibid.
[3] House of Parliament (2009). House of commons debate, 40th parliament: 2nd session. Retrieved from

http://www.parl.gc.ca/HousePublications/Publication.aspx?Language=E&Mode=1&Parl=40&Ses=2&DocId=4254820

[4] Statistics Canada, Income Statistics Division. (2011). Low Income Lines, 2009-10. Catalogue No. 75F0002M, No. 002. http://www.statcan.gc.ca/pub/75f0002m/75f0002m2011002-eng.pdf

[5] http://www.statcan.gc.ca/pub/75f0002m/2012002/lico-sfr-eng.htm

[6] Statistics Canada, Income Statistics Division. (2011). Low Income Lines, 2009-10. Catalogue No. 75F0002M, No. 002. http://www.statcan.gc.ca/pub/75f0002m/75f0002m2011002-eng.pdf

[7] Ibid.

[8] http://www.statcan.gc.ca/pub/75f0002m/2013002/mbm-mpc-eng.htm

[9] http://www.statcan.gc.ca/pub/75f0002m/2012002/lico-sfr-eng.htm

[10] http://www.shillington.ca/publications/STC%20Poverty%20-%20Aug%202011.pdf

[11] Wilkinson, R.G. (1997). Health inequities: Relative or absolute material standards? BJM. Socioeconomic determinants of health.

[12] Ibid.

[13] https://www.edmontonsocialplanning.ca/index.php/our-work/espc-newsletters/870-2011-march-winter-edition-of-the-factivist-financial-literacy/file

[14] http://www.shillington.ca/publications/STC%20Poverty%20-%20Aug%202011.pdf

[15] http://campaign2000.ca/wp-content/uploads/2017/03/Media-Release-CostofRaisingChildrenReport-Campaign-2000-March-7.17.pdf

[16] http://www23.statcan.gc.ca/imdb/p2SV.pl?Function=getSurvey&SDDS=5200

[17] http://www23.statcan.gc.ca/imdb/p2SV.pl?Function=getSurvey&SDDS=5200

[18] Statistics Canada (July 2016). Annual Income Estimates for Census Families and Individuals (T1 Family File) Family Data User's Guide. Income Statistics Division.

[19] http://www23.statcan.gc.ca/imdb/p2SV.pl?Function=getSurvey&SDDS=5200

[20] Ibid.

[21] http://www23.statcan.gc.ca/imdb/p2SV.pl?Function=getSurvey&SDDS=5200

[22] https://fncaringsociety.com/publications/first-nations-child-poverty-literature-review-and-analysis-2015

[23] Ibid.

[24] http://campaign2000.ca/wp-content/uploads/2016/11/Campaign2000NationalReportCard2016Eng.pdf