

Feedback for the Third Comprehensive Review of the Market Basket Measure

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The Official Poverty Line in Canada is the Market Basket Measure (MBM), which was entrenched into legislation in June 2019 when the Poverty Reduction Act (PRA) came into effect. The MBM is a consumption-based measure, calculated using the Canadian Income Survey (CIS), establishing a low-income threshold by costing out a basket of goods and services that an individual or family would need to purchase to have a 'basic' and 'modest' standard of living in a particular geographic region using five categories: food, clothing, shelter, transportation and a category of 'other' essential items. Families with a disposable income that is less than the threshold for their region are considered to be living in poverty. There are currently 53 baskets costed out for various regions across the provinces.

The considerably lower poverty rates reported by the MBM are in part due to the different definition of poverty and in part due to a lack of inclusion in the target population. MBM measures exclude many of the people living in the deepest poverty, including those in the territories and living on reserves.ⁱ The MBM based on Canada Income Survey data further excludes other Indigenous settlements, people living in institutions and congregate settings, and households in extremely remote areas with very low population density.

The CIS is a very small sample, surveying approximately 72,000 households in 2020 that is subject to sampling error.

In the process of constructing the MBM, choices have been made about what and how much of each item go into a basket without defining what a "modest" standard of living is. The baskets do not account for cultural differences in food and clothing, they do not reflect a basket of goods that children would consider essential (such as gifts or hosting a birthday party), and for people with disabilities, the baskets do not include additional costs associated with their health needs.

It is critical that the MBM capture the differences among communities within provinces and especially the remote communities, as well as northern ones. The Newfoundland and Labrador government releases its own Market Basket Measure that illustrates what some of these considerations could be. Some communities in NL are fly in and some can only be reached by ferry, and thus there would be specific transportation costs for those communities. The MBM-North methodology would be applicable to some of the remote coastal and northern communities in NL and other provinces, including, for example, additional clothing for colder climate, and additional expenses for travel like winter tires.

Statistics Canada published estimates for the first time in 2022 for the Yukon and the Northwest Territories using the Northern MBM (MBM-N), the official poverty line for these territories, which use a basket of goods tailored towards the needs of life in the territories.ⁱⁱ

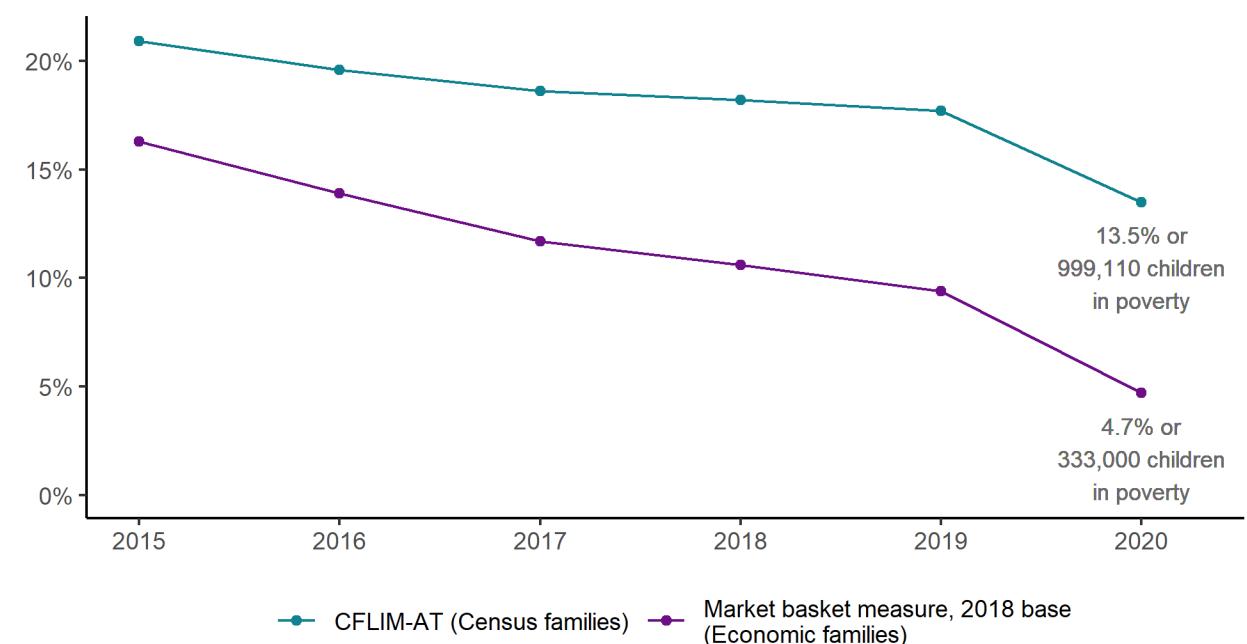
According to the Yukon and Northwest Territories MBM-N, the child poverty rate was 11.3% in 2020.ⁱⁱⁱ This is a step towards making the MBM more inclusive, but its coverage remains limited, and it

continues to ignore the relative components of poverty. The MBM-N for Nunavut is still not available; however, a discussion paper is expected in 2023.

The reports produced by Campaign 2000 measure poverty using the Census Family Low Income Measure, After Tax (CFLIM-AT), which is defined as 50% of median income for a particular family size (see Table 1 for thresholds). The Census Family Low Income Measure (CFLIM) is a relative measure of poverty which tracks changes in living standards and compares the living standards of low-income individuals and families to that of the rest of society. The CFLIM is calculated using data from the T1 Family File (T1FF) tax file, using the information of nearly 29,000,000 tax filers in 2020. It is a reliable and broad source of annual income data that includes communities with high prevalence of poverty such as populations of the territories, First Nations People living on reserve, those living in institutions, parents under 18 and people living in the territories.

Figure 1 illustrates the discrepancies between the two measures. According to the MBM, the child poverty rate in 2020 was 4.7%, representing 333,000 children. The child poverty rate according to the CFLIM-AT was 13.5%, representing 999,110. This is a striking difference of more than two-thirds, a gap that widens year over year.

Figure 1. Number and Percent of Children in Poverty, MBM and CFLIM-AT, 2015-2020



Sources: CFLIM-AT data – Statistics Canada Table 11-10-0018-01. After-tax income status of tax filers and dependents based on Census Family Low Income Measure (CFLIM-AT), by family type and family type composition. MBM data – Statistics Canada. Table 11-10-0135-01, CIS Table 2-Persons living below the poverty line (Market Basket Measure).

The Low Income Measure, After Tax (LIM-AT) and the MBM are also calculated with Census data, both of which are available for the year 2020. Despite these additional sources, Campaign 2000 continues to rely primarily on estimates using the CFLIM-AT calculated using the T1FF as they are considered more reliable. Table 2 highlights the different estimates of child poverty from each of the available measures.

Table 2. Measures of child poverty, under 18, 2020

Poverty definition	CFLIM-AT	LIM-AT	MBM	MBM
Data Source	T1 Family File	2021 Census	Canadian Income Survey	2021 Census
Poverty Rate (%)	13.5%	11.9%	4.7%	8.5%
Number of children in poverty	999,110	854,565	333,000	596,455

Sources: CFLIM-AT data – Statistics Canada Table 11-10-0018-01, LIM-AT data – Statistics Canada Table 98-10-0100-01, MBM CIS data – Statistics Canada. Table 11-10-0135-01, and MBM census data – Statistics Canada Table 98-10-0117-01.

The Census-based LIM-AT results in an estimated child poverty rate of 11.9%, compared to 13.5% using T1FF data and the CFLIM-AT. The discrepancy between measures is primarily driven by the fact that income is calculated at the household level rather than census family level. ‘Households’ are a broader concept that includes everyone living in a private dwelling unit, regardless of their relation, whereas the ‘census family’ is a concept that refers to married or common-law couples with or without children, or lone parents with at least one child living in the dwelling with them.

Campaign 2000 appreciates the opportunity to provide feedback at this stage. We look forward to learning the results of the important forward looking research agenda items identified during the second comprehensive review listed in Table A1 of the Appendix in the Launch of the [Third Comprehensive Review of the Market Basket Measure](#), and we look forward to continuing to engage with Statistics Canada and Employment and Social Development Canada in this review.

ⁱ Statistics Canada. (2022, November 9). *Disaggregated trends in poverty from the 2021 Census of Population*. <https://www12.statcan.gc.ca/census-recensement/2021/as-sa/98-200-X/2021009/98-200-X2021009-eng.cfm>

ⁱⁱ Statistics Canada. (2022, November 3). *Technical paper for the Northern Market Basket Measure of poverty for Yukon and the Northwest Territories*. <https://www150.statcan.gc.ca/n1/pub/75f0002m/75f0002m2022004-eng.htm>

ⁱⁱⁱ Ibid.