

Canada's Official Poverty Line - An Overview

**United Nations Economic Commission for Europe -
Conference of European Statisticians
*Online meetings on measuring poverty and inequality
November 30th - December 2nd, 2021***



Delivering insight through data for a better Canada

Canada's First Poverty Reduction Strategy

- In 2018, the Government of Canada released *Opportunity for All – Canada's First Poverty Reduction Strategy*, which contained long-term commitments to guide current and future government actions and investments to reduce poverty, including:
 - Establishing the Market Basket Measure (MBM) as Canada's Official Poverty Line
 - Introducing poverty reduction targets using a baseline of 2015
 - Reduce the rate of poverty by 20% by 2020, and
 - Reduce the rate of poverty by 50% by 2030 (aligned with United Nations Sustainable Development Goals)
 - Creating a National Advisory Council on Poverty
 - A Data and Measurement Plan, which includes ongoing funding to develop and improve data to measure poverty and to inform policy decisions.
- The *Poverty Reduction Act* received Royal Assent in June 2019 and legislates commitments made in the Strategy including entrenching the MBM as Canada's Official Poverty Line.

For more information about the Canada's First Poverty Reduction Strategy, click [here](#).

Setting the Market Basket Measure thresholds



- Basket of goods and services meant to reflect a modest, basic standard of living for a four-person family.
- Priced for 53 regional areas to reflect differences in living costs.
- Five components are included the 2018-base basket:
 - Food
 - Clothing
 - Transportation
 - Shelter
 - Other
- Methods are reviewed and the basket is re-based every five years.

For more information about the components click [here](#)

Disposable income concept

- For a family to be in poverty, its disposable income must be less than the basket threshold amount for its family size and region.
- To derive thresholds for different family sizes, the MBM methodology uses a square root equivalence scale.

Market Income

- earnings/Employment income
- investment income
- retirement pensions ...

(plus) Government transfers

(equals) Total income

(minus) Income taxes

(equals) After-tax income

(minus) Non-discretionary expenses

- social and union contributions
- medical expenses and health care premiums
- private pension contributions
- child and spousal support
- child care expenses

(plus) Simplified imputed rent*

(plus) Adjustment for taxes paid on capital gains

(equals) MBM's Disposable income

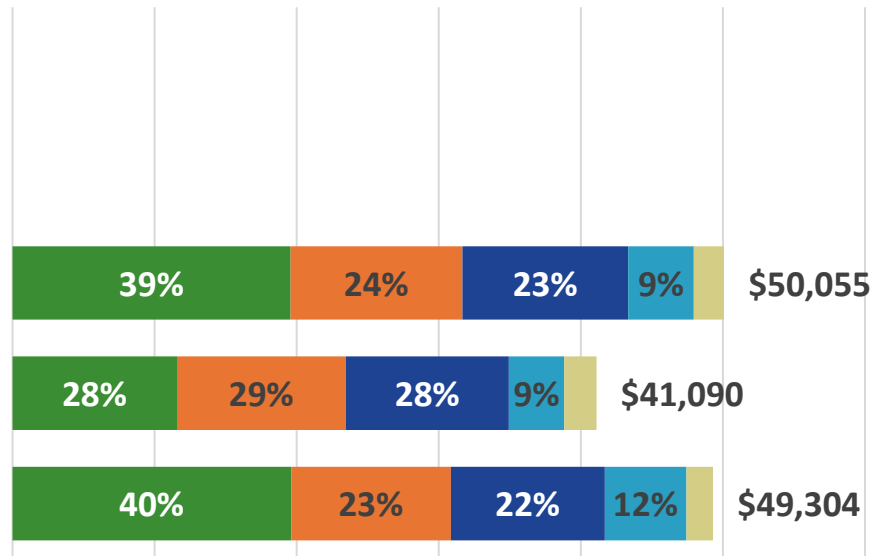
* A tenure type adjustment increases income for homeowners and people in subsidised dwellings

For more information about how disposable income is calculated click [here](#).

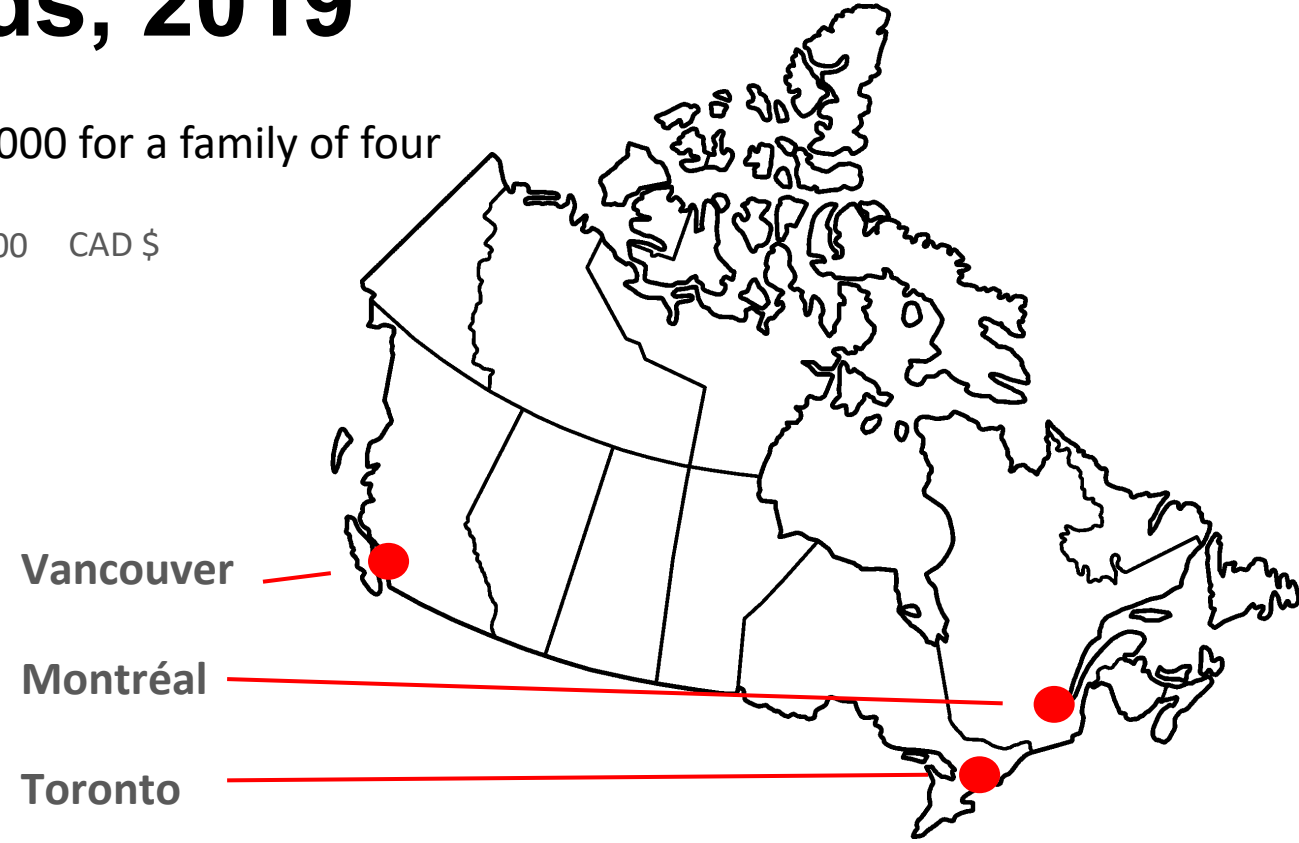
Sample MBM thresholds, 2019

- Thresholds range roughly between 38,000 and 50,000 for a family of four

0 10,000 20,000 30,000 40,000 50,000 60,000 70,000 CAD \$



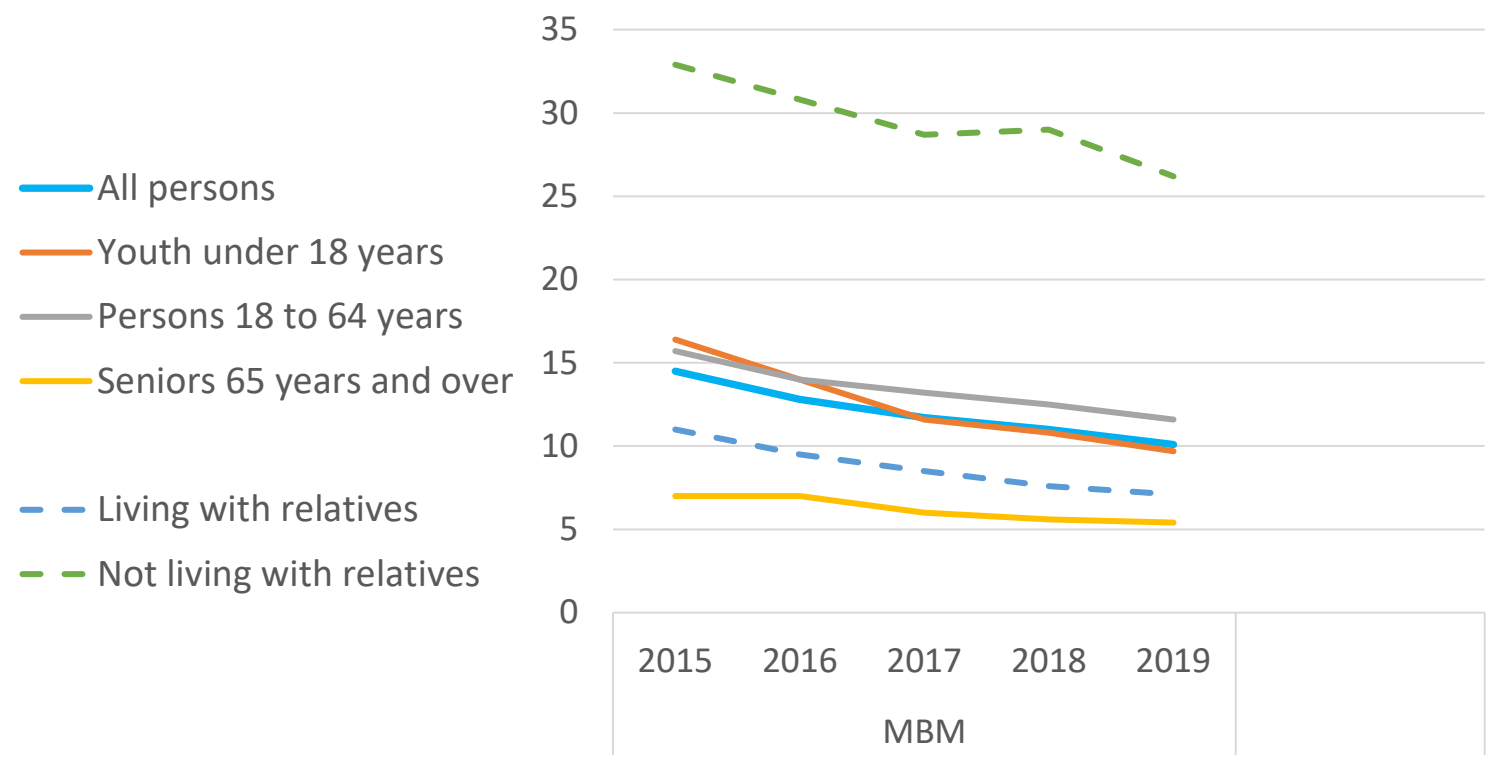
■ Shelter ■ Food ■ Other Necessities ■ Transportation ■ Clothing



Source: Statistics Canada, Custom Tabulation

Prevalence of poverty estimates

Percentage of population in poverty by age group and family situation

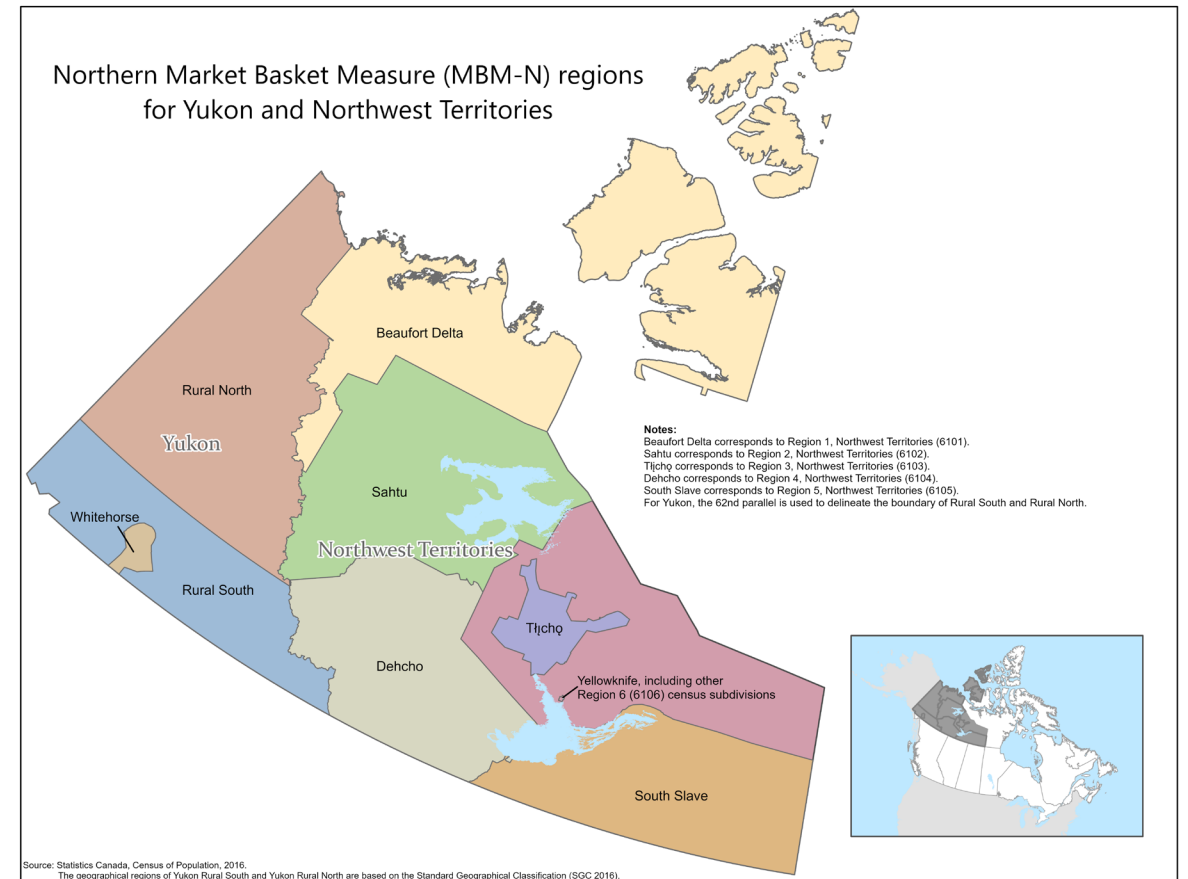


- Poverty estimates for Canada have been trending down since 2015.
- Seniors are doing relatively well compared to other age groups.
- Persons living in families and persons not living with relatives show large contrasts.

Source: Statistics Canada, Canadian Income Survey

Adapting the Market Basket Measure

- Adaptation of the existing MBM to two low-density jurisdictions previously not covered.
- Same five major components, still aims to represent a modest, basic standard of living.
- Adjustments to the contents of the MBM to reflect life in the North.
- Similar disposable income methodology.
- On-going consultations.



Northern Market Basket Measure (MBM-N)



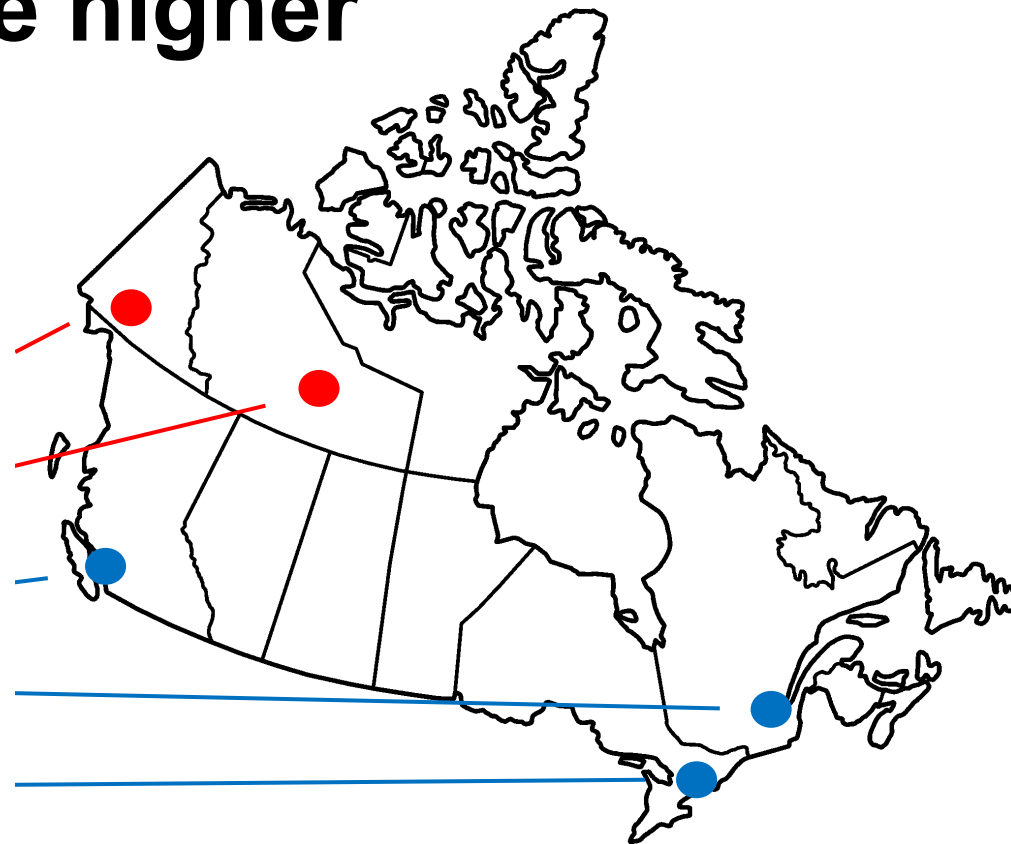
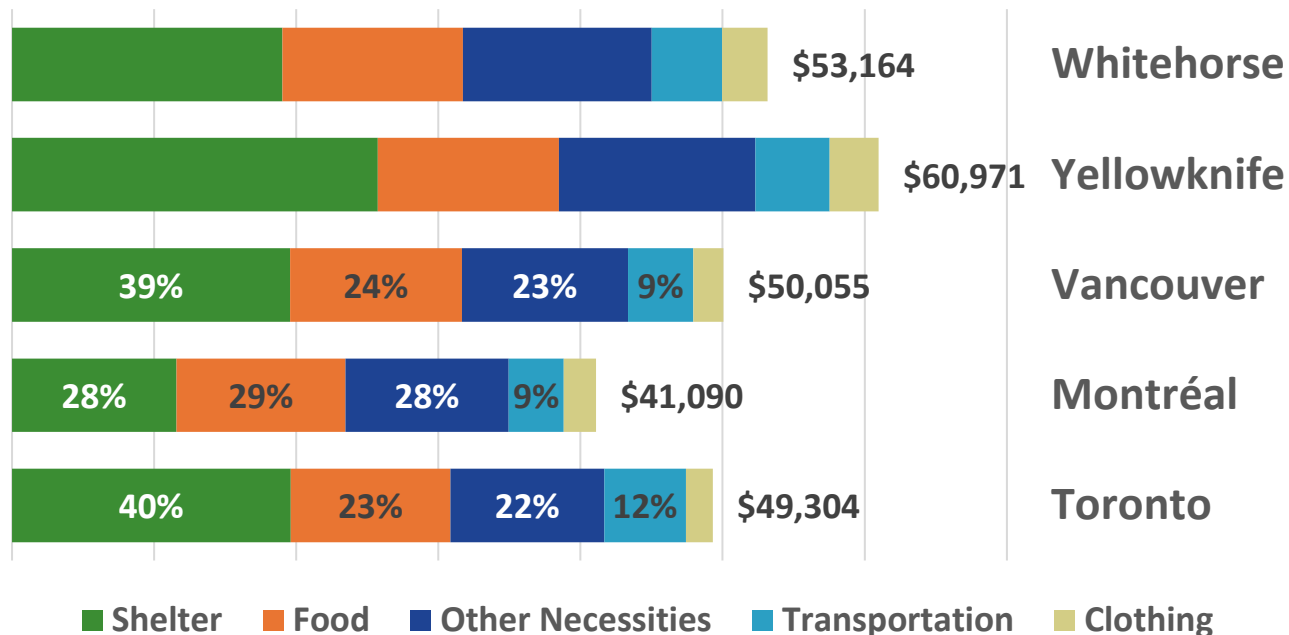
- **Food** - No adjustments to the 2018-base MBM standard were made.
- **Clothing** - Adjustments were made to the clothing list and the replacement schedule due to the colder climate.
- **Transportation** - The following three main adaptations were done:
 - 1) Only uses private transportation costs;
 - 2) Weighted costs for a compact car and sport utility vehicle;
 - 3) All-terrain vehicle (ATV) and snowmobile costs for the fly-in communities of the NWT.
- **Shelter** - No adjustments
- **Other** - No adjustments.

For more information about the MBM-N for Yukon and the Northwest Territories click [here](#).

Northern MBM thresholds are higher

- All Northern MBM thresholds are higher than the southern ones

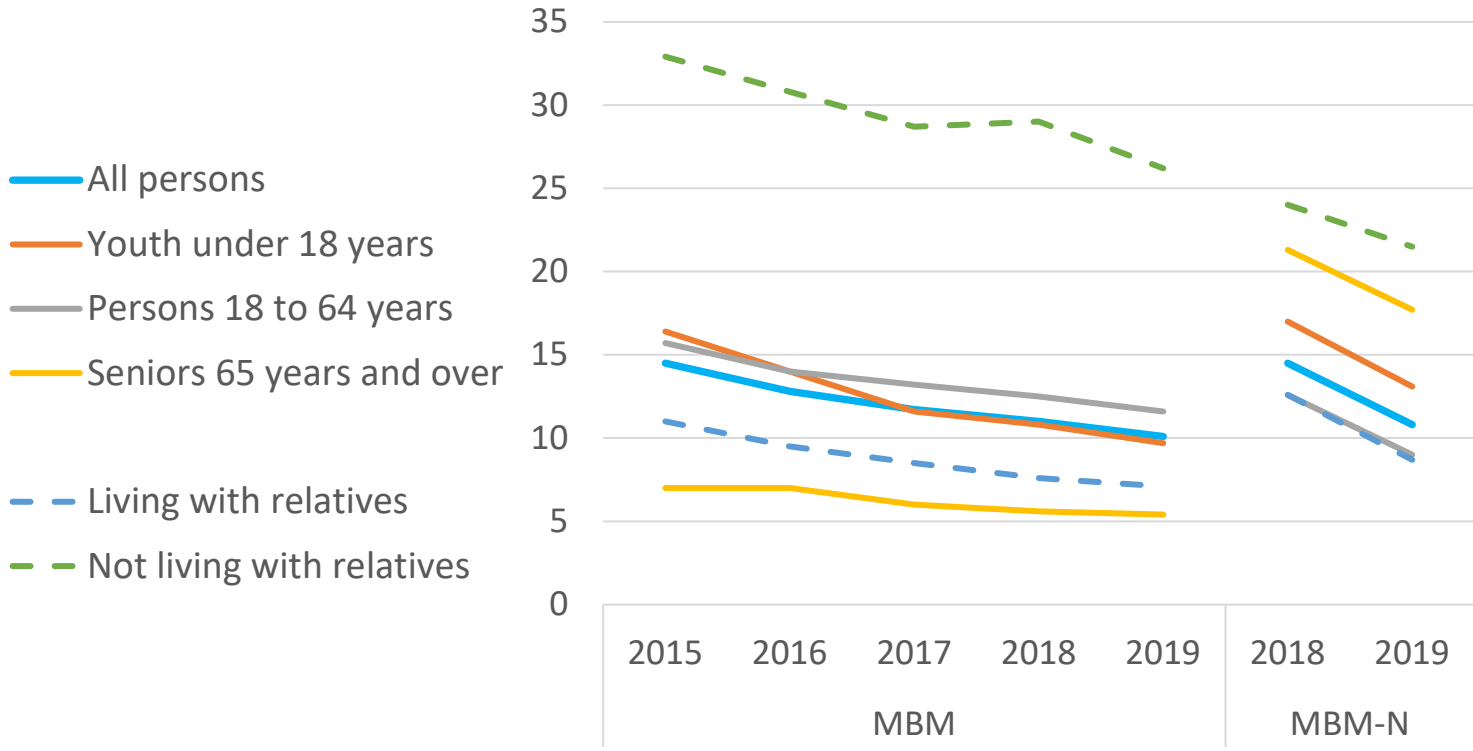
0 10,000 20,000 30,000 40,000 50,000 60,000 70,000 CAD \$



Source: Statistics Canada, Custom Tabulation

Comparison of poverty estimates

Percentage of population in poverty by age group and family situation



- Similar trends for national MBM poverty estimates and the new MBM-N estimates for the two territories
- Levels are higher
- Living with family members is not as protective
- Seniors are faring worse than other age groups

Source: Statistics Canada, Canadian Income Survey

Questions and/or comments?

- Email:
 - statcan.market.basket.measure-mesure.du.panier.de.consommation.statcan@canada.ca
- 2018-base MBM documentation:
 - [Report on the second comprehensive review of the Market Basket Measure](#)
 - [Defining disposable income in the Market Basket Measure](#)
 - [Towards an update of the Market Basket](#)
 - [An update on the Market Basket Measure comprehensive review](#)
- MBM-N documentation:
 - [Construction of a Northern Market Basket Measure of poverty for Yukon and the Northwest Territories](#)
 - [Proposals for a Northern Market Basket Measure and its disposable income](#)
- Poverty Reduction Strategy documentation:
 - [Poverty Reduction Act](#)
 - [Canada's First Poverty Reduction Strategy](#)