

BACKGROUND

Defining and measuring poverty

While the introduction of the Market Basket Measure by Human Resource Development Canada has rekindled the debate about how poverty should be defined and measured, the debate is an old one. It is a debate that reflects the tensions between those who believe individuals are responsible for their poverty, and those who see poverty as a result of broader economic and social structures.

Definitions of poverty have conventionally been located along a continuum ranging from 'absolute' to 'relative.' In her paper "Defining Poverty—Again", Jane Pulkingham argues that "'absolute' measures are not really 'absolute' in the sense of being unequivocal, comprehensive, and the exact opposite of 'relative' measures. In reality, all measures are 'relative' to "time, place, and culture." Accordingly, Pulkingham suggests that a more appropriate continuum for the range of poverty measures would consider their degree of restrictiveness or inclusiveness.

Inclusive and Restrictive Measures

'Restrictive' measures of poverty conceptualize poverty as the point at which people's physical/medical survival is at risk. Such restrictive measures attempt to identify what constitutes the basic level of subsistence (usually food, clothing, and shelter) required to remove someone from immediate physical danger.

'Inclusive' measures of poverty conceptualize poverty as the cost of meeting the physical, emotional, social, and spiritual needs of individuals and families. Proponents of inclusive measures argue that poverty is not simply about physical survival – it is also about being able to participate in the day-to-day life of the community.

Types of Measures

While absolute measures are often seen as those which are based on a specified basket of goods and services, and relative measures are often seen as a proportion of income, there are also mixed consumption-income measures. The three types of measure commonly used in Canada are briefly described below.

Market Basket Measures

SPARC BC's reports calculating the gap between welfare benefits and what it actually costs to live in BC have been developed using a market basket measure. Such market

basket measures establish an income line for various household sizes. Families with incomes below these lines would not be able to purchase the defined goods and services listed in the basket. These consumption-based measures can be based on the actual cost of a basket of goods and services, or on what 'average' citizens consume as derived from survey data. The degree of restrictiveness or inclusivity is determined by both the number of items included in the basket of goods, and the way in which costs of purchasing those items are determined.

At its most restrictive, a market basket measure of poverty includes only the essentials necessary for physical survival. The resultant cost of this basket of essential goods and services would be the dollar measure of poverty. Anyone unable to afford to purchase the goods in this basket would be deemed poor. The pricing of these goods in a restrictive measure would also take into account items that could be available through "charity" such as food banks, free dental services, or through second-hand clothing thrift shops. The "free" goods and services would reduce the actual monetary cost, and therefore reduce the poverty line.

More inclusive market basket measures include the cost of items that enable people to participate in community life, such as being able to subscribe to a newspaper, purchase a present when invited to a party, attend a continuing education course, etc. "Charity" substitutes are not included in determining the income required to purchase the items in the market place.

The new Market Basket Measure (MBM) released by HRDC has been developed to be somewhat between a restrictive and inclusive measure for the identified cities.

Low-Income Cut-off Lines (LICO)

Statistics Canada Low Income Cut-Off lines (LICO) are the most common tool used in Canada for measuring poverty.

The LICO is based on data from the Statistics Canada Family Expenditure Survey which establishes average expenditures on food, clothing, and shelter, taking into account variation in different sized communities. This average expenditure is expressed as a percentage of gross income (34.7% in 1992), and the LICO is set at 20 percentage points above the average. Thus, a family is considered to have a low income if they spend more than 54.7% of their gross income on food, clothing, and shelter.

The LICO differs from a purely market basket measure approach insofar as it takes into account both the distribution of consumption (of the specified items), and the distribution of income. Such a measure is therefore sensitive to the changing expectations and norms within a society. For example, 50 years ago it was not common (or normative) for a family to have a private telephone line. Now it would be considered "harmful" not to have access to a telephone.

Low Income Measure (LIM)

In addition to the LICO, Statistics Canada provides a poverty measure based on the distribution of income (the LIM). The LIM is based on 50% of median income adjusted for family size. This measure is also used in developing international comparisons of poverty rates in various countries.

Difficulties in measuring poverty

Arbitrary decisions are required in all three approaches to measuring poverty. The market basket approach requires many decisions about what goods and services are considered in the measure. For example, should different food items be selected based on age? Should the cost of a haircut be included? Should transportation costs include having a car, a monthly bus pass (assuming public transportation is available), or a certain number of taxi fares?

Similar problems exist for a mixed measure like the LICO. For example, how many percentage points should be added to average expenditures to set the poverty line? Why use only food, clothing, and shelter rather than food, shelter, and transportation, which the Family Expenditure Survey shows are the three categories of greatest expenditure for families?

Another critical issue concerns whether the measure should be before or after income tax and payroll deductions. Most market basket approaches – including SPARC BC's – estimate what it costs to purchase recommended goods and services after transfers and income and payroll taxes (disposable income). Other measures such as the LICOs and LIMs use before tax measures (although after tax LICOs and LIMs have been generated by Statistics Canada).

Moreover, all poverty measures in Canada assume that there is free (no fee) access to a range of services such as comprehensive health care, access to affordable quality child care, and access to public education. Any poverty line would have to be significantly modified if the trend towards the reduction of core services in health care, child care, and public education is not reversed.