

CANADA'S OFFICIAL POVERTY LINE

On August 21st, the federal government announced that for the first time Canada would adopt an official poverty line.

Statistics Canada currently produces three measures meant to identify when someone is in poverty: the Low Income Cut-Off (LICO), the Market Basket Measure (MBM), and the Low Income Measure (LIM). None of these measures have ever been identified by the Government of Canada as an "official" poverty line. Significant differences in these measures have caused confusion over such basic questions as to how many people might be considered to be experiencing poverty and by how much would their income need to be raised to lift them from poverty.

On August 21st, the federal government announced that from now on the MBM would be an official poverty line and as such would be used by the federal government as the basis of its efforts to alleviate poverty. While it is uncertain at this point, one hopes that provincial governments, who are responsible for poverty alleviation measures such as social assistance, affordable housing, and the funding of homeless shelters will also adopt the MBM to measure the progress of their own efforts toward poverty alleviation.

Canada's new poverty line will be used to measure progress toward meeting government targets for reducing poverty.

As the name suggests, the Market Basket Measure defines the cost of purchasing a specified basket of goods and services. These goods and services define what experts have determined as being necessary for a household, consisting of two adults aged 25 to 49 and two children aged 9 and 13, to purchase, in order to enjoy a modest, basic standard of living. The cost of obtaining this basket defines the MBM income

	Poverty Lines in 2016, Selected Communities in Alberta		
	Single Person	Lone Parent with One Child	Couple with Two Children
Calgary	\$20,215	\$28,588	\$40,430
Edmonton	19,268	27,248	38,535
Red Deer	19,153	27,086	38,306
Lethbridge	19,951	28,215	39,902
High River	20,223	28,600	40,446
Rural Areas	19,511	27,592	39,021

Source: CANSIM table 2060093 and authors' calculations.

measure and can be used as a poverty line. It should be understood as being the after-tax income necessary to purchase the MBM basket. The content of the MBM basket is adjusted from time to time. The last adjustment was made in 2011.

The MBM can be modified to define a poverty line for other family compositions with the use of a family equivalency scale. The scale currently used by the MBM assumes, for example, the cost of living for a household of two people is 1.4 times the cost of living for a single person and the cost of living for a family of 4 is twice that of a single person. This modification is only sensitive to the number of people in the family and does not make an adjustment for the number of adults versus children or whether the household includes seniors or people dealing with physical or mental challenges. Adjustments along these lines would increase the accuracy of the MBM as a measure of poverty.

The cost of purchasing the MBM basket is currently defined for 50 regions across Canada, including 19 specific communities and smaller centers and rural areas in each province. In the table we show the 2016 values (the most recent available) of the newly-adopted official poverty line for selected communities in Alberta.