



Understanding Canada's New Poverty Line: The Market Basket Measure

Andrew Heisz, Statistics Canada

Delivering insight through data for a better Canada



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Opportunity For All – Canada's First Poverty Reduction Strategy

- On August 21, 2018, the Government of Canada released a poverty reduction strategy for the first time in Canada's history:
 - Establishing Canada's Official Poverty Line
 - Poverty reduction targets and legislation 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
- Creating a Data and Measurement Plan, which includes ongoing funding to develop and improve data to measure poverty and to inform policy decisions.

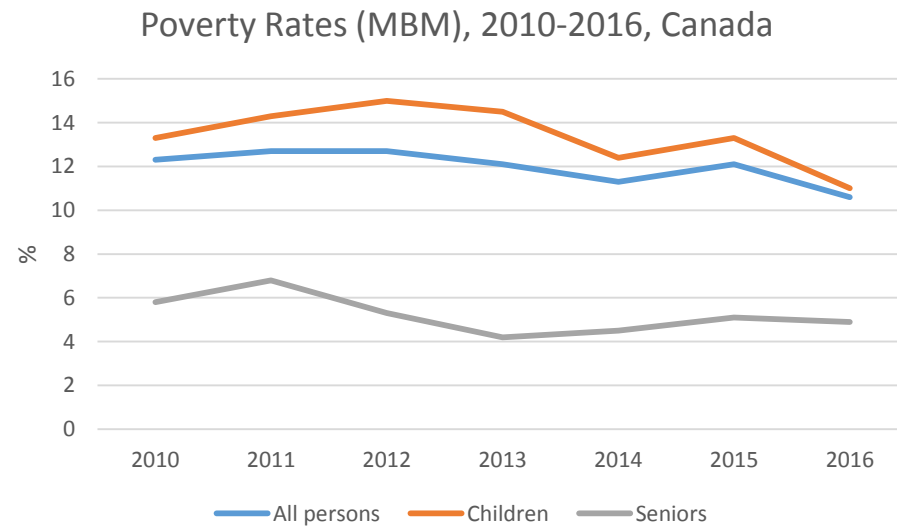
Canada's Official Poverty Line

- The **Market Basket Measure** will be used as the basis for the official measure of income poverty, referred to as Canada's Official Poverty Line.
- The MBM is calculated based on the costs of a basket of goods and services that individuals and families require to meet their basic needs and achieve a modest standard of living.
- This basket includes items such as healthy food, appropriate shelter and home maintenance, and clothing and transportation, as well as other goods and services that permit engagement in the community.
- The MBM reflects poverty thresholds for 50 regions across Canada and will also be expanded to include the three territories.

Elements of the data and measurement plan

- Funding to conduct a Comprehensive Review of the MBM
- Funding to increase sample of the Canadian Income Survey in Provinces, and extend it to the Territories
- Funding for research to improve income and poverty measurement and timeliness
- Funding to improve indicator availability, such as Food Security and Unmet Health Care Needs

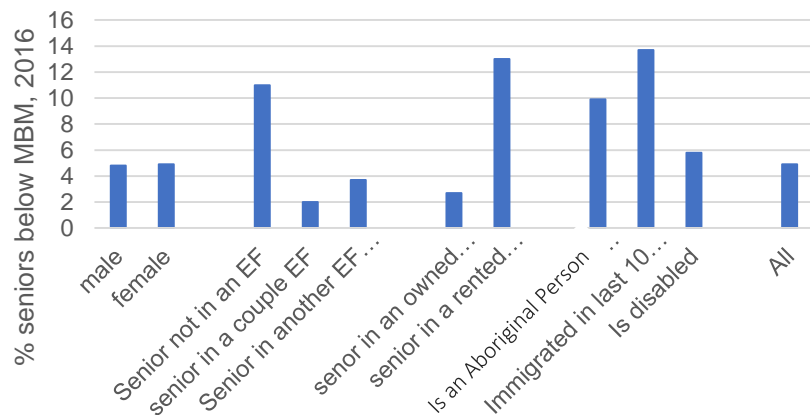
Poverty has trended downward in recent years



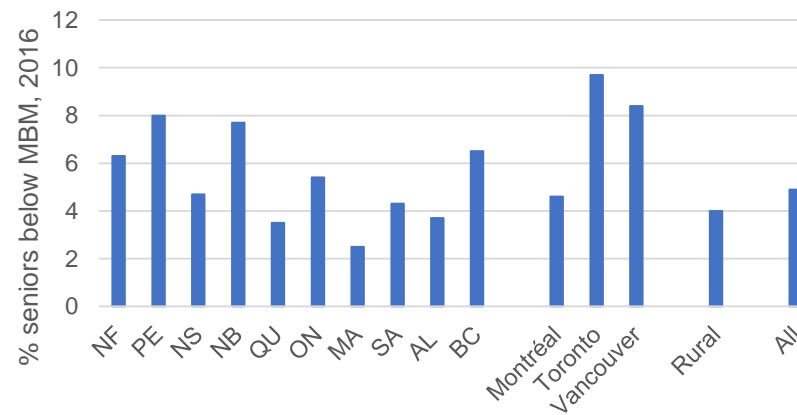
Source: Statistics Canada, based upon data from the Canadian Income Survey program. Statistics are based upon the MBM.

Poverty varies importantly among target groups and geographically

Poverty differs for vulnerable groups



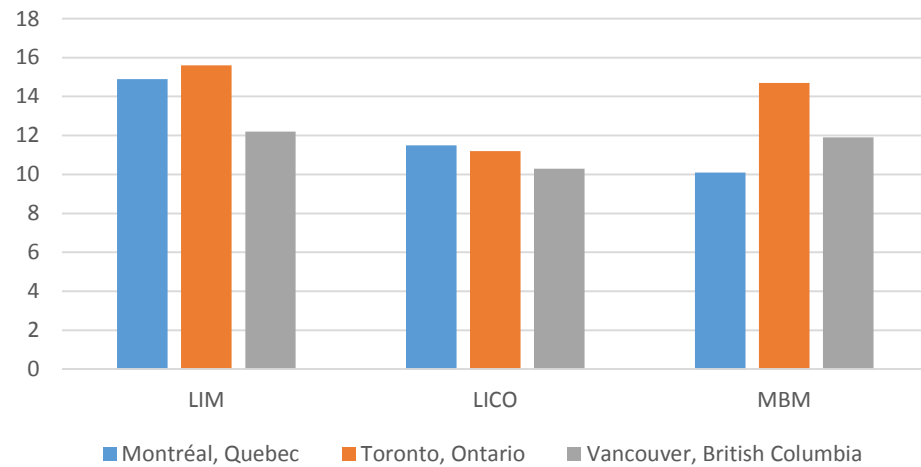
Poverty varies regionally



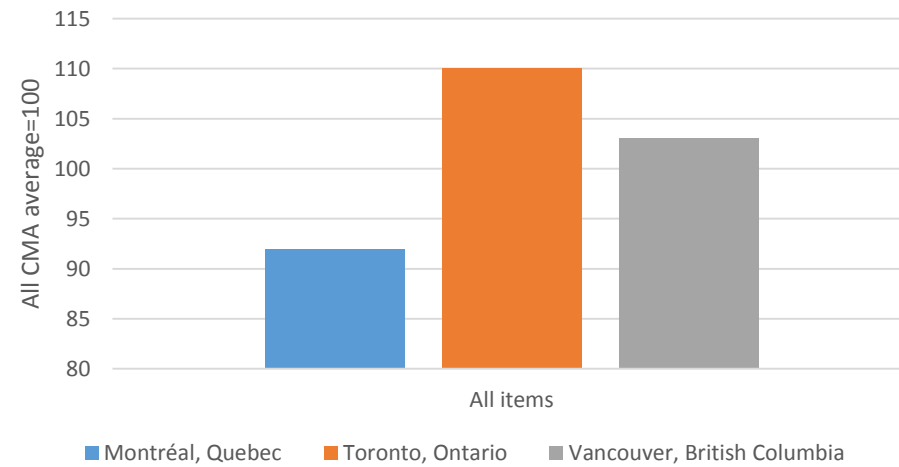
Authors calculations based upon data from the Canadian Income Survey program. Statistics are based upon the MBM.

Comparing poverty across regions

LIM, LICO, MBM by CMA, 2016



Relative prices (CPI), 2017



- MBM better reflects regional differences in prices

Source: Statistics Canada.

The MBM Comprehensive Review

- A modest, basic standard of living can change over time, so it is determined that the MBM methodology should be rebased on a regular basis.
- The rebasing is informed by the results of a “Comprehensive Review”. Following the comprehensive review, basket contents can also be adjusted to reflect contemporary circumstances, and necessary methodological updates are made.
- The MBM was first developed in the late 1990s, and was last rebased in 2008-2010
- Objective of the current review: to create an MBM-base appropriate to reference year 2018
 - At a minimum the 2018-base will begin in reference year 2015

2018-base comprehensive review timeline

- October-November 2018: Receive advice from Provinces, Territories, federal, academic, NGO
- October-December 2018: Conducting various outreach activities
- 2019: Develop 2018 base
- Early 2020: publish 2018 base, low-income estimates for 2015-2018

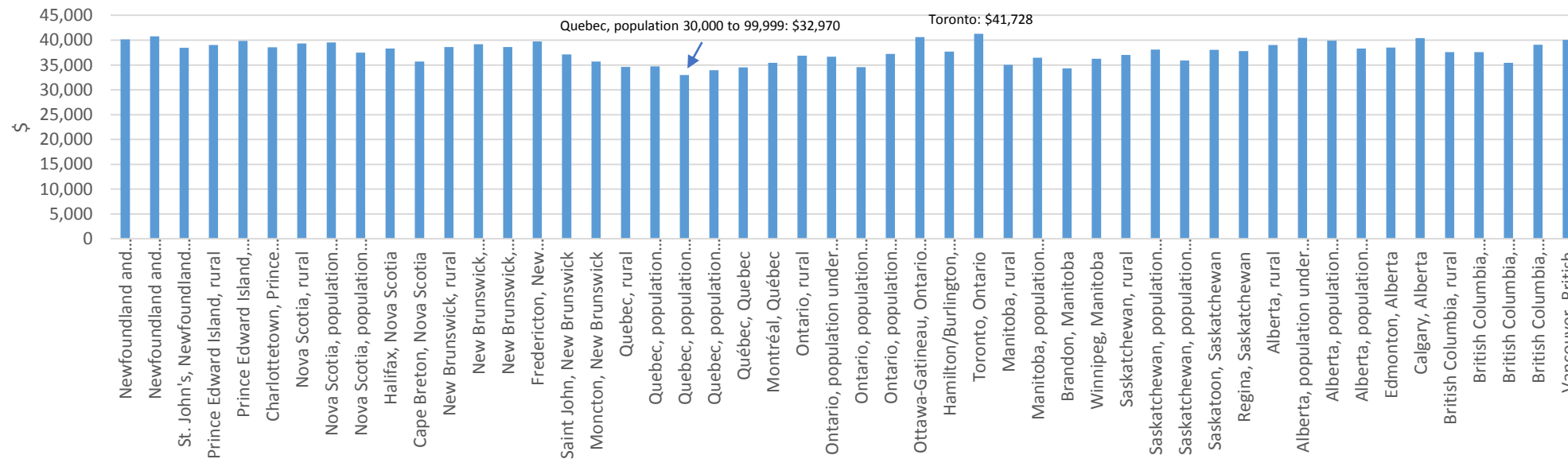
Activities to date

- Face-to-face and focus group interviews with Canadians with lived experiences of poverty, in all Provinces and Territories
- An on-line survey to gather views on the MBM open to all
- A workshop with Provincial and Territorial focal points
- A workshop with members of the academic and NGO communities
- Ad-hoc activities where requested

Any questions before I dive into the MBM in detail?

MBM Thresholds, family of four, 2016

MBM Thresholds, 4-persons family, 2016



Source: Statistics Canada.

Building the thresholds

Food Component



Clothing Component



Shelter Component



Transportation Component



Other Expenses Component

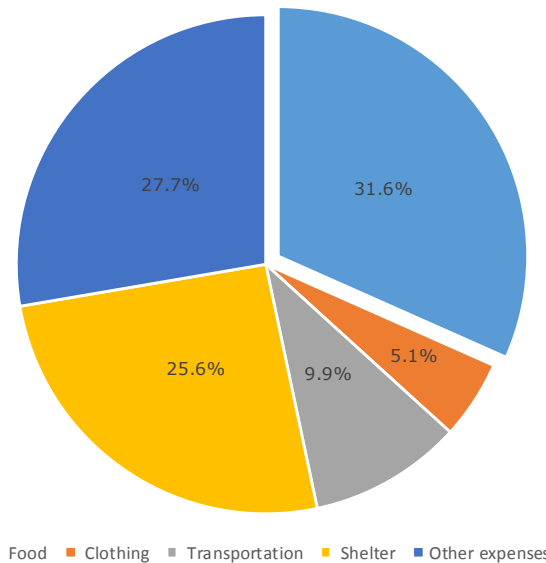


Total threshold

- set according to the needs of a reference family: 2 adults 2 children (age 9 and 13)
- for each of 50 regions (in provinces)
- baskets for other family sizes and types are established through a square-root equivalence scale
- Part of the current activities is to develop MBM thresholds for the Territories

Building the thresholds

Component contributions to the total threshold, Canada, 2016



Source: Statistics Canada, special tabulation

Food component

- The current MBM uses the 2008 National Nutritious Food Basket (NNFB) for a family of four
- The NNFB represents a nutritional diet with healthy foods that “people like to eat”
- The NNFB is not a “shopping list” nor “cheapest diet” that meets nutritional requirements
- It is designed to be “socially acceptable and contain sufficient variety to be nutritionally adequate and palatable over the long term”

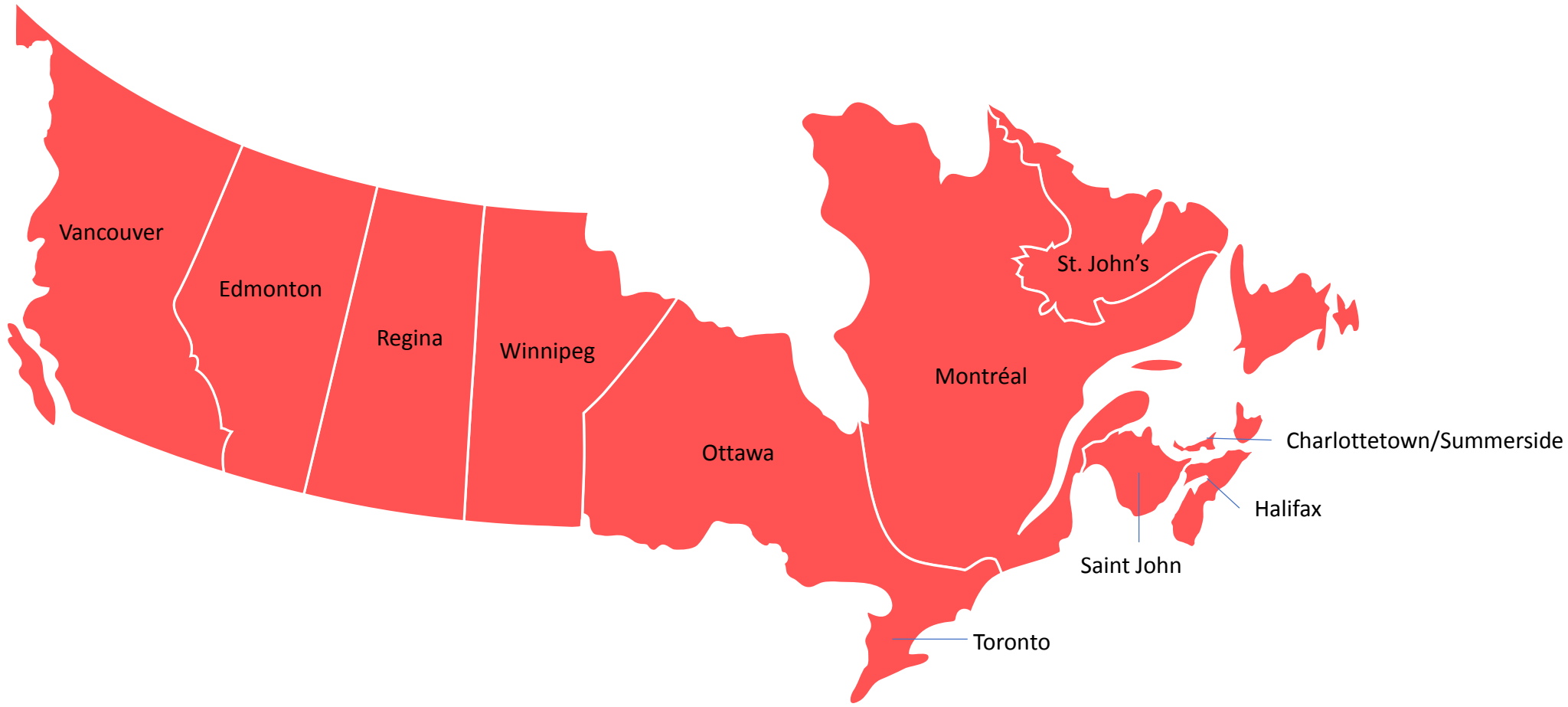
How is it calculated?

- Statistics Canada collects prices monthly for the items in the NNFB in 38 cities
- The NNFB gives the quantities that are needed

Clothing component

- The current MBM uses the January 2001 Social Planning Council of Winnipeg and Winnipeg Harvest Acceptable Level of Living (ALL) basket
- Reflected a similar standard of living to that of the MBM
- Clothing and footwear for common work, school and social occasions
- Significant input from low-income persons
- Like the food component, Statistics Canada collects prices for the clothing items

Sources of price data – 11 cities

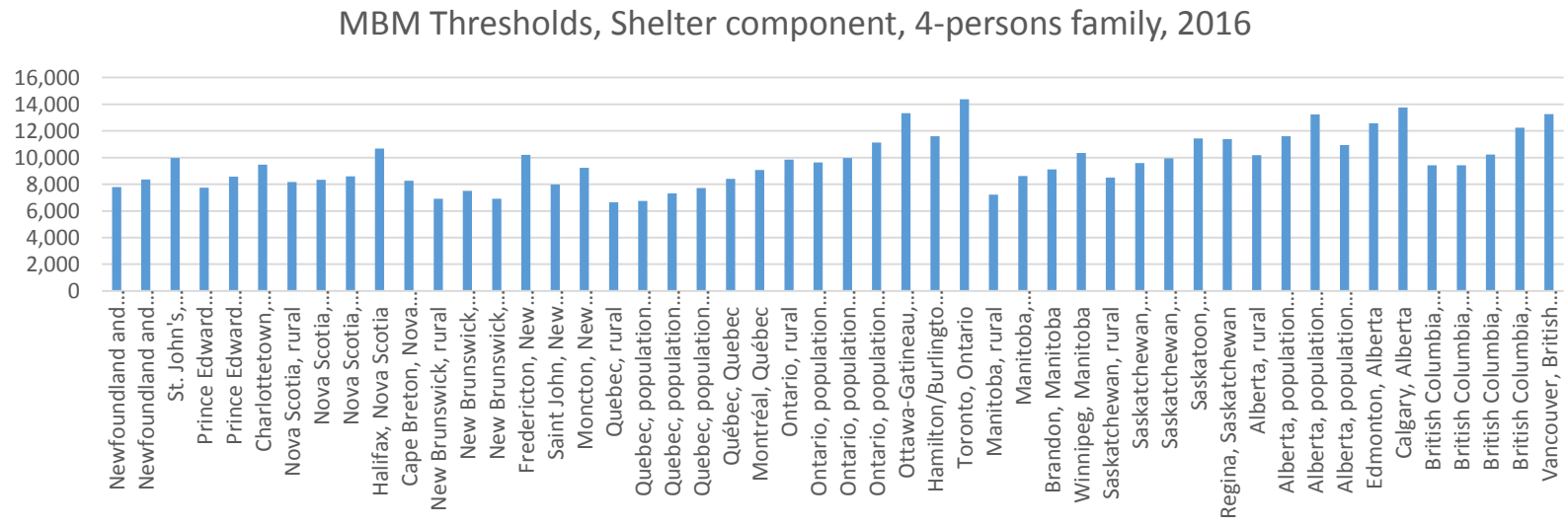


Options for the Food and Clothing components?

- Food: Use the new NNFB associated with the new Canada Food Guide?
- Clothing: The 2012 Acceptable Living Level (ALL) basket by Winnipeg Harvest & the Social Planning Council of Winnipeg?
- Other suggestions?

The Shelter Component

- Most of the regional variation in the MBM thresholds come from differences in shelter costs



Source: Statistics Canada.

Shelter Costs: What is Included?

- Shelter costs are calculated for 2-3 bedroom serviced units with some amenities, for each MBM region.
- Includes:
 - Rent
 - Utilities (heat, water, and electricity)
 - Amenities (refrigerator, stove, washer and dryer)
- Data comes mostly from the 2006 census, and is updated using the rental cost CPI

The Transportation component

- MBM includes a component to meet the basic transportation needs for work, school, shopping, and participation in community activities.
- The transportation component is the only component in the MBM that has a different quality depending on the region:
 - In areas with a public transit system, it consists of transit passes and taxi trips.
 - In areas without a public transit system, it uses the cost of purchasing, operating and maintaining a five-year-old car.
- A variety of different methods are used to determine costs for these components, for example,
 - Costs of purchasing adult and child bus passes
 - Cost of owning and operating a Ford Focus

Options for the Shelter and Transportation components?

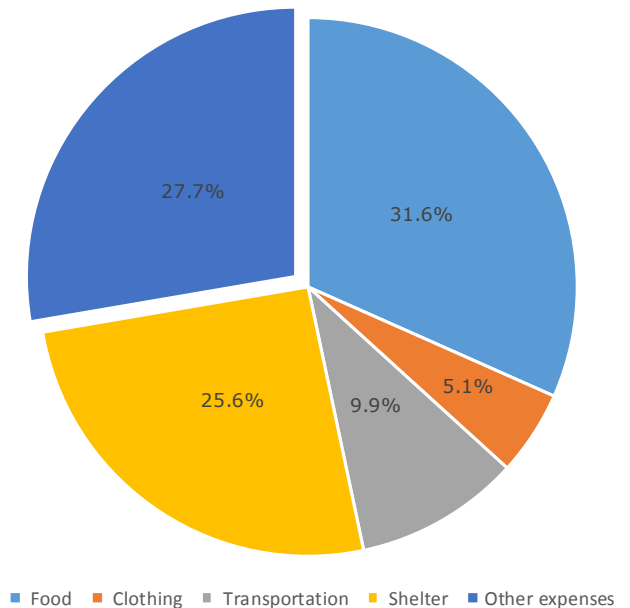
- Update shelter costs to 2016 Census data.
- Adopt a hybrid approach for transportation, using a mix of private and public transportation costs for urban centres?
- Other suggestions?

Any questions or comments before I continue?

The Other component

- Meant to cover other goods and services, not covered by the previously discussed components, but are generally considered be necessities, according to the contemporary standards of the base year
- Does not use prices, like the other parts of the MBM
- In the current methodology, the Other component is set at a fixed proportion of the Food and Clothing baskets
- The proportion is based on data on spending for a list of expenditure categories from the Survey of Household Spending – since 2010, the proportion has been fixed at about 75% (this percentage is sometimes called the “other multiplier”).

Component contributions to the total threshold, Canada, 2016



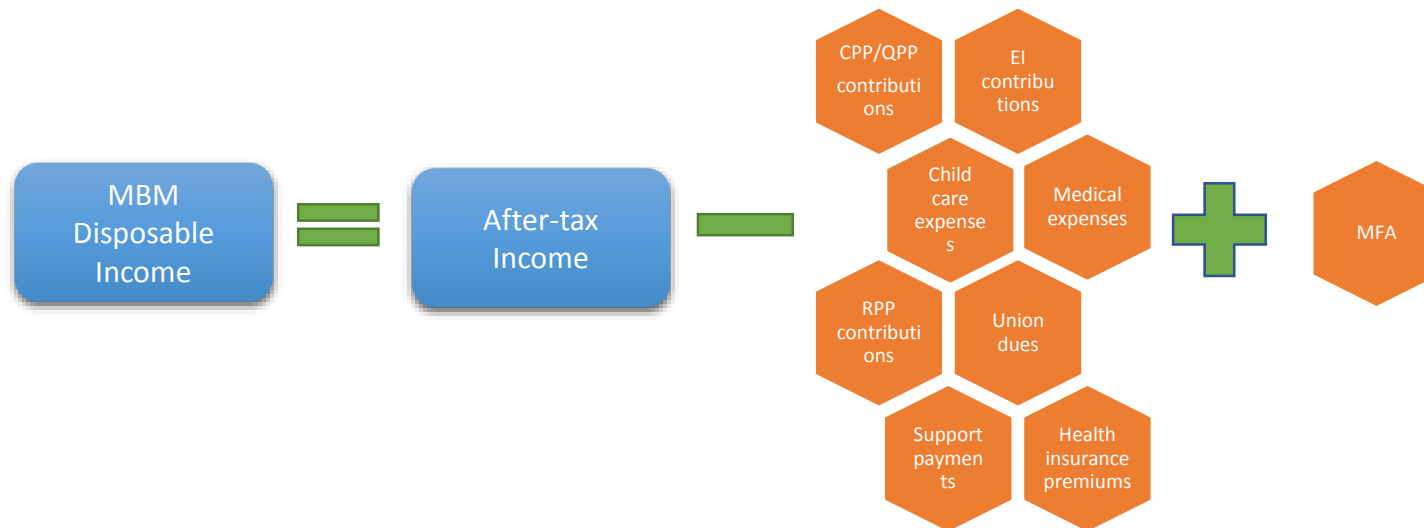
Source: Statistics Canada, special tabulation

Options for the Other component?

- Should certain items, such as telecommunications, be separated out from the other component?
- Should the other component be anchored to a set of goods other than food and shelter?
- What should be the method for deciding on the multiplier?

The Disposable Income concept

- For a family to be in poverty, its Disposable Income must be less than the threshold amount for its family size and region.



Options for Disposable Income?

- Should we change the treatment for child care?
- Should we change the treatment for home ownership?
- Should we add other necessary expenses?
- Should we change the methodology to allow for disposable income to be computable with administrative data alone?

What do you think?

- Thinking about all aspects of the MBM,
 - What changes to the MBM do you think are most important?
 - What is your advice to Statistics Canada as we work towards a new 2018-base MBM?
- How do your organisations use, or plan to use, the MBM?

Wrap-up

- We appreciate the discussions we have had up to now, and look forward to more in the future as we continue to collaborate to review and improve the MBM.

Want to contact us?

statcan.market.basket.measure-mesure.du.panier.de.consommation.statcan@canada.ca