

# **Connecting Poverty Measurement to Policy**

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Richard Shillington

Michelle Lasota

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Working Papers provide a succinct discussion of specific issues that arise throughout the analytical process of poverty measurement. The Metcalf Foundation has funded the overall project.

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# Connecting Poverty Measurement to Policy

## 1 Objectives

This working paper discusses the measurement of poverty and its connection to policy. This paper first looks at Canadian initiatives regarding poverty measurement and poverty alleviation, then outlines some international initiatives concerning measurement.

## 2 Canadian Initiatives

Quebec and Newfoundland and Labrador have passed legislation regarding the number of persons living in poverty and its reduction. Quebec passed legislation in 2002 and is determined to become one of the jurisdictions with the least number of persons living in poverty internationally.<sup>1</sup> In 2006, the Government of Newfoundland and Labrador passed legislation that outlined its commitment to transform that province into the one with the least poverty in the country.<sup>2</sup>

With no “official” poverty measure in Canada, how do the policymakers in these provinces define poverty? Quebec’s 2002 report on poverty and its alleviation considered the Low Income Measure (LIM), Low-Income Cut-off (LICO), the Market Basket Measure (MBM) and a deprivation index.<sup>3</sup> In 2005, the Government of Quebec produced a report containing more than 60 indicators and indices of poverty, social exclusion and social development.<sup>4</sup> That report noted cross-jurisdiction comparability of the measures. Quebec’s most recent publication, released in February 2008, reported the three most commonly used indicators in Canada, the LICO, LIM and MBM for gauging the province’s progress.<sup>5</sup> Also of note, Quebec has a multitude of initiatives regarding the type of social assistance, based on targeting at-risk populations as identified in their studies.

As for Newfoundland and Labrador, the government uses the LICO, LIM and MBM to determine progress. Further to reporting their results from the nationally calculated MBM, they are developing their own MBM; one that applies data from their province. The provincial government is also running consultations to deal with specific poverty issues across the province.

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<sup>1</sup> Collin, Chantal (2007): “Poverty reduction strategies in Quebec and Newfoundland and Labrador” Library of Parliament, file no. PRB 07-23E, Ottawa, ON <<http://www.parl.gc.ca/information/library/PRBpubs/prb0723-e.htm>> Accessed 18 Nov 2008.

<sup>2</sup> Government of Newfoundland and Labrador (2006): *Reducing poverty: an action plan for Newfoundland and Labrador*, June 2006 <[www.hrle.gov.nl.ca/hrle/poverty/poverty-reduction-strategy.pdf](http://www.hrle.gov.nl.ca/hrle/poverty/poverty-reduction-strategy.pdf)> Accessed 6 Jul 2008, P. i.

<sup>3</sup> Government of Quebec (2002): “The will to act: the strength to succeed”, Policy Statement: National Strategy to Combat Poverty and Social Exclusion, August 2002.

<sup>4</sup> Morasse, Julie Alice (2005): *Inventaire des indicateurs de pauvreté et d’exclusion sociale*, Québec, Institut de la statistique du Québec et ministère de l’Emploi et de la Solidarité sociale, October 2005 <<http://www.stat.gouv.qc.ca/publications/conditions/pdf2005/IndicatPauvre2005.pdf>> Accessed 29 Nov 2008.

<sup>5</sup> Centre d’étude sur la pauvreté et l’exclusion (2008): “Le Faible Revenu au Québec: un état de situation”, Québec, Centre d’étude sur la pauvreté et l’exclusion, 2008 <[www.cepe.gouv.qc.ca/publications/pdf/CEPE\\_faible\\_revenu\\_au\\_Quebec\\_final2.pdf](http://www.cepe.gouv.qc.ca/publications/pdf/CEPE_faible_revenu_au_Quebec_final2.pdf)> Accessed 29 Nov 2008.



Other provinces that have begun initiatives, but have not yet passed legislation regarding the eradication of poverty include Ontario, Nova Scotia and New Brunswick. New Brunswick is currently developing a poverty reduction strategy and is undertaking public consultations regarding the matter.<sup>6</sup> In New Brunswick, public dialogue sessions are currently on going and roundtable sessions are scheduled to begin in fall 2009.

## 2.1 Ontario's Child Poverty Reduction Strategy

Ontario's poverty reduction strategy seeks to reduce the number of children living in poverty by 25 per cent over the next 5 years.<sup>7</sup> The province's efforts in reaching their goals will be evaluated using eight indicators. These indicators include a school readiness measure called "Early Development Instrument"; a measure of educational progress based on a standardized test for those in grade 6; high school graduation rates; the percentage of healthy birth weights; a measure for those living in deep poverty (i.e., 40 per cent of the median family adjusted income); the incidence of those living below LIM; a new measure determining access to safe and affordable housing (under development); and finally, a deprivation index to measure the standard of living (under development).<sup>8</sup> The province plans to table its strategy in the legislature in spring 2009.<sup>9</sup>

The province will measure its progress on poverty reduction using the after-tax low-income measure (LIM-AT), which is based on Canadian after-tax median income, adjusted for family size, at the economic family level for 2008. The 2008 LIM-AT will be scaled by the consumer price index (CPI) to determine the 2013 LIM.<sup>10</sup> Ontario adjusted economic family income will then be compared against this new "absolute LIM" to determine the province's progress with their poverty reduction strategy.

### 2.1.1 Ontario's Strategy and its Application

Using Statistics Canada's Social Policy and Simulation Database (SPSD/M), one can determine the effect of a change in a person's income taxes and transfers. It is also possible to determine the number of individuals less than 18 years old and who are living in an economic family with adjusted family income less than the after-tax LIM in 2008.<sup>11</sup> Using SPSPD/M, we found that 360 thousand persons less than 18 years of age (in Ontario) live in an economic family below the LIM-AT (\$16,099) in 2008 using version 16.1 of the SPSPD/M. Thus, the province's target of reducing the number of children living in a family in poverty by 25 per cent would represent

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<sup>6</sup> Government of New Brunswick (2008): "Developing a poverty reduction plan", Public engagement initiative, Department of Social Development <<http://www.gnb.ca/0017/promos/0001/index-e.asp>> Accessed 28 Nov 2008.

<sup>7</sup> Government of Ontario (2008): *Breaking the Cycle: Ontario's poverty reduction strategy*, 2008 <[http://www.growingstronger.ca/english/pdf/Ontario's\\_Poverty\\_Report\\_EN.pdf](http://www.growingstronger.ca/english/pdf/Ontario's_Poverty_Report_EN.pdf)> Accessed 16 Dec 2008, P. 34.

<sup>8</sup> Ibid, P. 37, 38.

<sup>9</sup> Ibid, P. 39.

<sup>10</sup> Benchmark measure information from email and conversation with Growing Stronger Together office, 16 Jan 2009.

<sup>11</sup> By licensing agreement with the SPSPD/M, the authors make the following statement: *This analysis is based on Statistics Canada's Social Policy Simulation Database and Model. The assumptions and calculations underlying the simulation results were prepared by Informetrica Limited and the responsibility for the use and interpretation of these data is entirely that of the author(s).*

approximately 90 thousand fewer children living in poverty. This figure was replicated within the SPSPD/M's framework.<sup>12</sup>

Population trends in the province of Ontario are such that the number aged less than 15 years in the province actually declined between the 2001 and 2006 Censuses by 1 per cent.<sup>13</sup> In other words, the demographic group aged less than 15 years in Ontario makes up a smaller share of the total population, falling from 19.6 per cent in 2001 to 18.4 per cent in 2006. In the SPSPD/M v16.1, those aged less than 18 represent 21.1 per cent of the province's population in 2008. In 2013, those aged less than 18 will represent 19.7 per cent of Ontario's population.

**Table 1: Census Population for Ontario, 2001 and 2006**

**Census Results**

<b>Ontario Population</b>	<b>2001</b>	<b>2006</b>	<b>% difference</b>
Total Population	11,410,045	12,028,895	5.4%
Less than 15 years	2,232,750	2,209,475	-1.0%
Ratio to Total population	19.6%	18.4%	

Source:

2001: <http://www12.statcan.ca/english/census01/products/standard/prprofile/prprofile.cfm?G=35>

2006: <http://www12.statcan.ca/english/census06/data/topics/RetrieveProductTable.cfm?Temporal=2006&PID=89441&GID=837983&METH=1&APATH=3&PTYPE=88971&THEME=72&AID=&FREE=0&FOCUS=&VID=0&GC=99&GK=NA&RL=0&TPL=NA&SUB=0&d1=0>

Accessed 16 Dec 2008

When viewing the results within the SPSPD/M, and because the relative LIM has been changed to a “fixed” measure of poverty, real income growth became an apparent factor in the reduction of those living below the poverty line. When there is real income growth, and if one is comparing a non-relative income measure, in this case an absolute measure from 2008 scaled forward to 2013 by CPI, there will be a reduction of those below the absolute poverty measure. If there is no real income growth, and in this case an absolute LIM-AT, a change in tax policy will produce a change in the number of persons living below the poverty measure. Using the SPSPD/M, the initial findings applying the new absolute-LIM-AT as measured in 2008 show a decrease in the total number of persons living below the poverty line, due to both real income growth and changes to personal taxation between 2008 and 2013. Therefore, results are presented with the base SPSPD/M assumptions and also with no real income growth from 2008 to 2013. In the latter case, we found no change to the incidence of poverty using the LIM-AT scaled forward from 2008 while applying 2008 taxation policy.

<sup>12</sup> This finding is consistent with the reported target of removing 90,000 children from poverty on page 2 in the publication: Government of Ontario (2008): *Breaking the Cycle: Ontario's poverty reduction strategy*, 2008 <[http://www.growingstronger.ca/english/pdf/Ontario's\\_Poverty\\_Report\\_EN.pdf](http://www.growingstronger.ca/english/pdf/Ontario's_Poverty_Report_EN.pdf)> Accessed 16 Dec 2008, P. 2.

<sup>13</sup> Statistics Canada, population of Ontario, census 2001 for those less than 15 years was 2,232,750, and in 2006, population of Ontario for those less than 15 years was from Census 2006 was 2,209,475. Data accessed at [www.statcan.gc.ca](http://www.statcan.gc.ca), on 15 Dec 2008.

### 2.1.1.1 Real Income Growth (SPSD/M income assumptions)

It is possible to capture results for 2013 with the January 2009 release of the SPSPD/M v16.1. To capture the effects of the status quo and the change over time in the population less than 18 years in the province of Ontario, the 2013 LIM-AT was calculated (\$18,389), and it was determined that 353 thousand persons less than 18 years live in an economic family below LIM-AT. This is a reduction of 1.8 per cent of children living below the LIM-AT, as calculated for 2013 when compared to 2008. Major provincial taxation differences affecting the results from 2008 to 2013 include the Ontario Child Benefit and the Senior Homeowners' Property Tax Grant.

The 2008 LIM-AT (based on Canadian family adjusted median income) was scaled (pushed) forward to 2013 by applying the CPI within the SPSPD/M. This increase of 10.14 per cent increases the 2008 LIM-AT to \$17,731. It was found that 314 thousand persons less than 18 years of age in 2013 live in a family below the "new" LIM-AT. This results in about a 13 per cent reduction of those younger than 18 living in a family below LIM from 2008. The provincial initiatives announced in the 2008 Ontario Budget for the Senior Homeowners' Property Tax Grant are implemented in the 2013 results. Also by 2013, the Ontario Child Benefit will be fully matured, and is implemented in the 2013 results.

The recommendations of the provincial strategy call for federal taxation changes of doubling the Working Income Tax Benefit (WITB) (about \$2,000 for families and \$1,000 for single persons) and increasing the National Child Benefit Supplement (NCBS) by \$1,200 per child; these were included in the SPSPD/M.<sup>14</sup> With these changes, the number of individuals aged 18 or less living in an economic family below the LIM-AT (both 2013 re-calculated and 2008 LIM-AT scaled for inflation) is reduced by more than 25 per cent in each case. Thus, with real income growth, as with the SPSPD/M assumptions, and with the current plans for the changes to provincial taxation, and with the proposed recommendations for federal personal taxation changes, there is a reduction of at least 25 per cent of the total number of children living in poverty in Ontario, based on 2013 results.



<sup>14</sup> *Breaking the cycle*, P. 34.

**Table 2: Default SPSP/M Income Growth, and Application of Federal Policy Proposal**

Ontario		Less than 18 Years		Reduction from 2008, Below LIM-AT	
"Real Income Growth"	After-Tax LIM***	Total	Below LIM-AT	Levels	% difference
<b>Status-Quo, no Tax Program Changes</b>					
2008	\$16,099	2,715,091	360,139	n/a	n/a
2013 applying 2008 LIM-AT, scaled*	\$17,731	2,665,900	313,856	-46,283	-12.9%
2013 calculated LIM-AT	\$18,389	2,665,900	353,592	-6,547	-1.8%
<b>Change to WITB and NCBS**</b>					
2013 applying 2008 LIM-AT, scaled*	\$17,731	2,665,900	219,100	-94,756	-30.2%
2013 re-calculated LIM-AT after program implementation	\$18,405	2,665,900	258,663	-94,929	-26.8%

\* 2008 LIM-AT grown by CPI difference between 2013 and 2008, 10.14%

\*\* WITB was doubled for single persons and for families from the SPSP/M values (WITBSNG, WITBFAM),

NCBS was increased by \$1,200 per child (FCBEIS1, FCBEIS2, FCBEIS3).

\*\*\* Canadian adjusted median income for economic families.

Source: Informetrica Limited Implementation of SPSP/M v16.1

### 2.1.1.2 No Real Income Growth (income growth set to CPI from 2008 through 2013)

A no real income growth scenario was also completed using SPSP/M v16.1. That is, income growth was set to the CPI from 2008 to 2013. The taxation system is consistent with legislation in place before January 2009. Thus, the Ontario Child Benefit is matured at \$1,100 per child, per year (annualized).

The 2008 LIM-AT (based on Canadian family adjusted median income) was scaled (pushed) forward to 2013 by applying the CPI within the SPSP/M. This increase of 10.14 per cent increases the 2008 LIM-AT to \$17,731. It was found that 335 thousand persons less than 18 years of age in 2013 live in a family below the “new” LIM-AT in the no real income growth scenario. This results in about a 7 per cent reduction of those younger than 18 living in a family below LIM from 2008. In this scenario, the LIM-AT for 2013 was \$17,838, with 341 thousand children living below this LIM-AT, a reduction of 5.3 per cent from 2008.

The recommendations of the provincial strategy for federal taxation changes of doubling the Working Income Tax Benefit (WITB) (about \$2,000 for families and \$1,000 for single persons) and increasing the National Child Benefit Supplement (NCBS) by \$1,200 per child were applied to the SPSP/M.<sup>15</sup> In this case, the number of those aged less than 18 living in an economic family below the LIM-AT (both 2013 re-calculated and 2008 LIM-AT scaled for inflation) is 251 thousand, or 25 per cent fewer children living in a poor family. Thus, assuming no real income growth, adoption of the proposed changes to the WITB and the NCBS by the Federal Government, and no major changes to any other assumption within the model, there is a reduction of at least 25 per cent of the total number of children living in poverty in Ontario between 2008 and 2013.

Risks for all of the above analyses include the potential of real income decline, which has occurred during times of recession. If this occurs, and if there are further changes to policies that



<sup>15</sup> *Breaking the cycle*, P. 34.



do not allow for a net benefit to those deemed to be poor, the results presented above may not occur. There is also no behavioural component in the SPSPD/M.

**Table 3: No Real Income Growth, and Application of Federal Policy Proposal**

Ontario		Less than 18 Years		Reduction from 2008, Below LIM-AT	
"Income Growth Constrained to CPI"	After-Tax LIM***	Total	Below LIM-AT	Levels	% difference
Status-Quo, no Tax Program Changes					
2008	\$16,099	2,715,091	360,139	n/a	n/a
2013 applying 2008 LIM-AT, scaled*	\$17,731	2,665,900	335,122	-25,017	-6.9%
2013 calculated LIM-AT	\$17,838	2,665,900	340,943	-19,196	-5.3%
Change to WITB and NCBS**				Impact from 2013 Base, Below LIM-AT	
2013 applying 2008 LIM-AT, scaled*	\$17,731	2,665,900	235,102	-78,754	-25.1%
2013 re-calculated LIM-AT after program implementation	\$17,864	2,665,900	251,219	-102,373	-29.0%

\* 2008 LIM-AT grown by CPI difference between 2013 and 2008, 10.14%

\*\* WITB was doubled for single persons and for families from the SPSPD/M values (WITBSNG, WITBFAM),

NCBS was increased by \$1,200 per child (FCBEIS1, FCBEIS2, FCBEIS3).

\*\*\* Canadian adjusted median income for economic families.

Source: Informetrica Limited Implementation of SPSPD/M v16.1

## 2.2 Nova Scotia's Poverty Reduction Working Group

Nova Scotia passed legislation in 2007 establishing a Poverty Reduction Working Group (PRWG). This group's mandate was to "make recommendations concerning a strategy for the reduction of poverty in the Province".<sup>16</sup> The working group detailed an implementation plan for poverty alleviation within the province. Measures reviewed by the group included the LICO, LIM, MBM, and a different measure detailed as a "Genuine Progress Index" (GPI), all of which it acknowledges should be used to gauge poverty.<sup>17</sup> The group tabled recommendations as well as short- (by end of fiscal year 2008/09), mid- (by 2013) and long-term (2020) plans for the legislature to implement their recommendations. Presently, the strategy is being developed from the working group's recommendations and is expected in 2009.<sup>18</sup>

The GPI consists of two parts. First it consists of "the development of indicators and measures of progress" and "assessments of the economic value of non-market social and environmental assets

<sup>16</sup> Poverty Reduction Working Group (2008): *Report of the Poverty Reduction Working Group*, Submitted to the Minister of Community Services and Minister of Labour and Workforce Development, Government of Nova Scotia, 30 June 2008

<[http://www.gov.ns.ca/coms/specials/poverty/documents/Poverty\\_Reduction\\_Working\\_Group\\_Report.pdf](http://www.gov.ns.ca/coms/specials/poverty/documents/Poverty_Reduction_Working_Group_Report.pdf)>  
Accessed 28 Nov 2008, P.5

<sup>17</sup> Ibid, P. 42. For more information regarding the GPI, see <http://www.gpiatlantic.org/gpi.htm>.

<sup>18</sup> Government of Nova Scotia (2008): "Poverty Reduction Strategy", Press release, Department of Community Services, 26 June 2008, <<http://www.gov.ns.ca/coms/specials/poverty/Reportnewsrelease.html>> Accessed 28 Nov 2008.

not generally valued in the conventional economic statistics”.<sup>19</sup> The GPI used by Nova Scotia includes:<sup>20</sup>

*A time use component including the value of civic and voluntary work, unpaid housework and child care, the value of leisure time and paid work hours. The living standard component includes income and its distribution, financial security, and an economic security index. The natural capital component includes items for soils and agriculture, forests, fisheries and marine resources, energy, air and water. The human impact on the environment component includes solid waste, ecological footprint, greenhouse gas emissions and transportation. The human and social capital component includes health, costs of crime and educational attainment.*

### **2.3 Local agency measures that have been adopted nationally**

Non-government agencies have also created measures regarding minimum consumption requirements. The Montreal Dietary Dispensary’s nutritious diet has been applied by budget-based measures such as the MBM.

The Winnipeg Harvest and Social Planning Council of Winnipeg have published an “Acceptable Living Level” (ALL), which includes minimum clothing requirements. This clothing and footwear component of the ALL has also been used in the MBM.

### **2.4 Canadian Measurement and Policy**

Despite no official definition of poverty for Canada, the three low-income measures most commonly used to define poverty are the LICO, LIM and MBM. Provinces such as Quebec and Newfoundland and Labrador report all three main indicators when discussing poverty. Ontario has defined the measures it will use to determine its progress with the alleviation of child poverty. The LIM is used for the province, but will report on the incidence of families with adjusted income below both 40 and 50 per cent of median adjusted family income. Nova Scotia will use the LICO and MBM as part of its “suite” of measures, plus a GPI that is developed for that province.

“Existing Measures - Working Paper 2” discusses the concepts of these measures, and “Measurement Application - Working Paper 4” compares the before-tax income of individuals and families in Ontario that have income close to the LICO, LIM and MBM thresholds.

The Canadian measures of low-income are being used to determine the effectiveness of provincial poverty reduction strategies. The three measures are applied to gauge the progress of poverty alleviation policies within the aforementioned provinces. However, without a formal definition of poverty in Canada, each province with a poverty-reduction mandate is targeting poverty with different concepts for identifying those deemed to be living in poverty, and applying different measures to gauge the progress of their poverty-reduction policies.

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<sup>19</sup> Genuine Progress Index of Atlantic Canada (2008), “The Genuine Progress Index. A Better Set of Tools”, GPI Atlantic <<http://www.gpiatlantic.org/gpi.htm>>, Accessed 16 Dec 08.

<sup>20</sup> Ibid.

### 3 International Measures

This section outlines some international measures (not exhaustively), and includes, where available, their use within government policy.

#### 3.1 United Nations and World Bank

The United Nations Development Program (UNDP) publishes the Human Development Index (HDI) on a regular basis. The HDI is comprised of three main components that capture life expectancy, education and standard of living. The standard of living component of the index is GDP per capita indexed to capture purchasing power parity (PPP) per \$US. Nations are then ranked according to their HDI score.<sup>21</sup>

PPP equalizes the exchange rate and prices of goods between two nations. Use of \$US for comparing PPP across nations allows for cross-nation comparability. Any currency can be used as a benchmark, say per Euro, or \$CDN instead of \$US.

There is also a poverty measure provided for the same countries for which there is an HDI, named the Human Poverty Index (HPI). For developing countries, the HPI-1 is calculated. It captures the deprivations in the three dimensions of the HDI. The HPI-1 index utilizes the probability at birth of not surviving to 40 years of age; the nation's adult **illiteracy** rate; and the "unweighted average of population not using an improved watersource and children under weight-for-age".<sup>22</sup>

For OECD countries, the HPI-2 captures deprivations in the three components of the HDI and it also captures social exclusion. The four components of this measure include the probability of not surviving to age 60; the per cent of the population of adults without functioning literacy skills; the per cent of population below the LIM-AT; and the rate of unemployment lasting longer than 12 months (long-term unemployment).<sup>23</sup>

The World Bank defines poverty as:<sup>24</sup>

*Poverty is hunger. Poverty is lack of shelter. Poverty is being sick and not being able to see a doctor. Poverty is not having access to school and not knowing how to read. Poverty is not having a job, is fear for the future, living one day at a time. Poverty is losing a child to illness brought about by unclean water. Poverty is powerlessness, lack of representation and freedom.*

It also acknowledges that measuring poverty requires a variety of indicators that capture income, consumption, social indicators, and indicators of vulnerability to risks and of socio/political

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<sup>21</sup> For more information, see: United Nations Development Programme: *Calculating the Human Development Indices*, UNDP <[http://hdr.undp.org/en/media/Fu\\_HDI.pdf](http://hdr.undp.org/en/media/Fu_HDI.pdf)> Accessed 21 Dec 2008.

<sup>22</sup> UNDP (2007): *Human Development Report: 2007/2008*, United Nations Development Programme, New York, P. 357. <[http://hdr.undp.org/en/media/HDR\\_20072008\\_EN\\_Complete.pdf](http://hdr.undp.org/en/media/HDR_20072008_EN_Complete.pdf)> Accessed 27 Feb 2009.

<sup>23</sup> Ibid.

<sup>24</sup> World Bank (2008): "Overview: Understanding Poverty, What is poverty?", World Bank <<http://go.worldbank.org/RQBDCTUXW0>> Accessed 21 Dec 2008.

access.<sup>25</sup> The World Bank uses a \$1.25 and \$2 US per day (PPP) to measure extreme and moderate poverty. This is established as a benchmark for a common unit of comparability across nations.

### 3.2 United States

The United States has an official poverty measure that was set some 40 years ago. Its history is important because it illustrates a number of points. The U.S. income cut-off was set at 3 times the cost of an adequate food basket in the 1960s and has since been indexed only to prices (CPI).

Critiques of the US measure, as applied today, include the type of income used to measure against the threshold, as well as the fact that spending habits have changed since the development of the index (the 1/3<sup>rd</sup> item was based on the US Agriculture Department's 1955 Household Food Consumption Survey) in 1963-1964.<sup>26</sup> With an absolute measure, there is no accommodation for real increases in living standards or income.

Other critiques of the US measure include an overstatement of the incidence of poverty because social benefits are excluded from the income test: the income used to determine eligibility for social programs is also used for the poverty threshold. In other words, the income used to determine poverty excludes income from social programs, if received. This income definition allows for consistency when determining poverty status and eligibility for social programs. Of note, income tests applied for qualification of social programs are a factor greater than one's applicable threshold.<sup>27</sup>

### 3.3 European Union

The European Union (EU) applies a measure that is similar to the Canadian LIM, but which is set at 60 per cent of median disposable equivalised income. Equivalency scales are used when determining low-income thresholds because of economies of scale (i.e., after the first person in a household, an additional person living in the same dwelling requires less resources relative to one person living alone, as communal goods such as kitchen appliances can be shared) are achieved when living in multiple-person families or households. This measure is referred to the "At-risk-of poverty rate" and applies the OECD modified scale for capturing family equivalence, a slightly different measure than used by Statistics Canada.<sup>28</sup>

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<sup>25</sup> Ibid.

<sup>26</sup> United States Department of Health and Human Services (2008): Frequently asked questions, <<http://aspe.hhs.gov/poverty/faq.shtml#developed>> Accessed 13 Nov 2008.

<sup>27</sup> For an example, see: [http://www.workworld.org/wwwwebhelp/food\\_stamp\\_income\\_tests.htm](http://www.workworld.org/wwwwebhelp/food_stamp_income_tests.htm), where the description of some benefits such as the Individual Development Account (IDA) and food stamp programs use more than 100 per cent of the poverty threshold to determine eligibility (based on the same income measure used to determine one's poverty status).

<sup>28</sup> European Commission, Employment, Social Affairs and Equal Opportunities DG (2006): "Portfolio of overarching indicators and streamlined social inclusion, pensions, and health portfolios", *Social protection and social integration, Social and demography analysis*, Brussels 7 June 2006  
<[http://ec.europa.eu/employment\\_social/social\\_inclusion/docs/2006/indicators\\_en.pdf](http://ec.europa.eu/employment_social/social_inclusion/docs/2006/indicators_en.pdf)> Accessed 27 Nov 2008, P. 18.

### 3.3.1 United Kingdom and Ireland

In 1999, then Prime Minister Tony Blair made a pledge to end child poverty in the United Kingdom by 2020.

*After a public consultation process, in 2003 the UK government adopted a long-term measure of child poverty comprising three components:*

- *low income measured in absolute terms*
- *low income measured relative to 60 percent of median income*
- *a combined measure of material deprivation and low income*<sup>29</sup>

The deprivation measure is based on results from the Family Resource Survey (FRS). With the definition of the measure of poverty, the UK has been able to, over time, adjust policies targeting those living in poverty. Current research focuses on administering the FRS material deprivation component to the elderly.<sup>30</sup>

The deprivation component of the FRS includes questions directly pertaining to one's ability to acquire different consumer goods. For example, survey respondents are asked if they have a warm, waterproof coat.<sup>31</sup> There are also sensitivity components in the questionnaire, such as one wanting an item that they cannot afford. Scores are quantified based on responses, and if one exceeds an established threshold (here, a score greater than 25 on 100), the interviewee is deemed to have material deprivation.

By defining how they will measure progress in reducing child poverty, the UK can alter or create policies in response to observing their results over time.

Ireland applies the EU relative poverty measure to capture those people at-risk-of poverty. The threshold is set at 60 per cent of median equivalised disposable income.<sup>32</sup> This measure, when combined with those lacking 2 or more items from an 11-item list (indicator of deprivation) that includes items deemed to be necessities, defines "consistent poverty" in Ireland.<sup>33</sup>

The 11 basic items are:<sup>34</sup>

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OECD modified scale gives a value of 1 for the first person in a family, then 0.5 to each additional adult, and 0.3 to each additional child, see: <<http://www.oecd.org/dataoecd/61/52/35411111.pdf>> for details, accessed 16 Dec 08. Also, Statistics Canada uses the following adult equivalence scale: a value of 1 for the first person in the family, then 0.4 for the second person in the family; then 0.4 for each additional person 16 years and older, and 0.3 for each additional person less than 16 years. For a more detailed explanation see Statistics Canada publication "Low Income Cut-offs for 2007 and Low Income Measures for 2006" Income Research Paper Series, Catalogue no. 75F0002M-004, June 2008 <[www.statcan.ca/english/research/75F0002MIE/75F0002MIE2008004.pdf](http://www.statcan.ca/english/research/75F0002MIE/75F0002MIE2008004.pdf)> Accessed 19 Nov 2008.

<sup>29</sup> Minoff, Elisa (2006): "The UK Commitment: Ending Child Poverty by 2020" Center for Law and Social Policy <[www.clasp.org/publications/uk\\_childpoverty.pdf](http://www.clasp.org/publications/uk_childpoverty.pdf)> Accessed 17 Dec 2008, P.3.

<sup>30</sup> Legard, Robin, Michelle Gray and Margaret Blake (2008): "Cognitive testing: older people and the FRS material deprivation questions", Department for Work and Pensions, Working paper no. 55, 2008 <<http://www.dwp.gov.uk/asd/asd5/WP55.pdf>> Accessed 18 Dec 2008.

<sup>31</sup> Ibid, P. 17.

<sup>32</sup> See the above for equivalised income discussion.

<sup>33</sup> Office for Social Inclusion (2008): "What is Poverty?", Office for Social Inclusion, Department of Social and Family Affairs, <<http://www.socialinclusion.ie/poverty.html#consistent>> Accessed 21 Dec 08.

<sup>34</sup> Ibid.

- 1. Two pairs of strong shoes*
- 2. A warm waterproof overcoat*
- 3. Buy new not second-hand clothes*
- 4. Eat meals with meat, chicken, fish (or vegetarian equivalent) every second day*
- 5. Have a roast joint or its equivalent once a week*
- 6. Had to go without heating during the last year through lack of money*
- 7. Keep the home adequately warm*
- 8. Buy presents for family or friends at least once a year*
- 9. Replace any worn out furniture*
- 10. Have family or friends for a drink or meal once a month*
- 11. Have a morning, afternoon or evening out in the last fortnight, for entertainment*

The above list was revised in 2007, when it was updated to reflect current living standards and also to allow policy makers to focus on “items reflecting social inclusion and participation in society”.<sup>35</sup> The key change from the previous list is that the original had 8 items and one would have to be lacking one item, versus two from the 11-item index, to be considered deprived. The new updated list is similar to the old, with the addition of items 9–11, which capture elements of social exclusion, rather than only material deprivation.

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<sup>35</sup> Ibid.



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