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# IN BRIEF

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## REDEFINING POVERTY: THE MARKET BASKET MEASURE

### POVERTY INDICATORS

Defining poverty and the poverty level is a matter of ongoing debate among policy-makers.<sup>(1)</sup> Many different poverty indicators are used in Canada, but none has been formally approved by the federal government. Two of the most widely used indicators are the Low Income Cut-Off (LICO) and Low Income Measure (LIM) developed by Statistics Canada. The LICO identifies low-income Canadians as those living in families that spend at least 20 percentage points more of their total after-tax income on food, clothing (including footwear) and shelter than the average family of the same size, living in the same size of urban or rural community. The LIM identifies low-income Canadians as those living in families that have an after-tax income lower than 50% of the median income for all Canadian families in a given year.

### THE MARKET BASKET MEASURE

One of the main criticisms levelled at the LICO and LIM is that they do not take into account differences in the cost of living across Canada. That issue is addressed by the new Market Basket Measure (MBM) introduced on 28 May 2003 by Human Resources Development Canada. As its name implies, the MBM is a “goods and services” indicator, rather than a “relative” indicator, of low income. The components of the MBM basket are designed to represent a standard of consumption that is close to median standards of expenditure for food, clothing, footwear and shelter, and that also takes account of certain other categories of expenditure.<sup>(2)</sup> The intent of the MBM is to complement other tools for assessing low income, such as the LICO and LIM.

The MBM takes into account regional variations in purchasing power. It estimates the cost of a specific basket of goods and services for a reference family consisting of two adults and two children living in a particular region for the year 2000, assuming that all items in the basket were entirely provided for out of the household income.

For other family configurations, the cost of the reference basket is adjusted by a scaling factor. As defined by the MBM, low-income Canadians are those living in families whose disposable income falls below the cost of purchasing the basket of goods and services in their community, or in a similar-sized community in the same region.

### INCIDENCE OF POVERTY IN CANADA

As measured by the new MBM, the proportion of people living in poverty in this country stands at 13.1%. This figure represents an increase of 2.2%, or about 730,000 persons, over the incidence of poverty as measured by the LICO (10.9%). The MBM identifies a higher incidence of poverty in every province except Quebec.

When assessed by the LICO, Quebec ranks as one of Canada’s poorest provinces in terms of family income. The MBM, however, assesses Quebec as one of the least poor (see Table 1): its incidence of poverty is measured as 11.9%, the same as Alberta and second only to Ontario (11%).

This assessment is largely influenced by the cost of housing in Quebec, which is considerably lower than elsewhere in the country. Table 2 shows that an apartment in the Census Metropolitan Area (CMA) of Montréal cost \$7,129 for a family of four

in 2000, compared to \$11,399 in Toronto, \$11,020 in Vancouver, \$10,449 in Ottawa and \$8,707 in Calgary.

### **COST OF LIVING IN MAJOR CANADIAN CITIES**

The MBM estimates (see Figure 1 and Table 2) that a family of four in the CMA of Montréal would require a minimum disposable income of \$22,441 in order to have an acceptable standard of living (this includes shelter, clothing, transportation, food, and services such as a telephone). In Toronto, the threshold is \$27,343. According to the MBM, the most expensive Canadian city is Vancouver, with a threshold of \$27,791. Table 2 also indicates that it is generally more expensive to live in rural areas than in urban areas. In part, this is because the use of automobiles pushes up the cost of living in small communities.

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- (1) For further details on the debate on poverty measures in Canada, see William Young, Megan Furi and Bonnie Campbell, *Measuring Poverty: A Challenge for Canada*, TIPS 71E, Library of Parliament, Ottawa, 2003.
  - (2) The market basket on which the MBM is based includes specified quantities and qualities of goods and services related to food, clothing and footwear, shelter, and transportation. It also contains other goods and services such as personal and household needs, furniture, telephone service and modest levels of reading, recreation and entertainment (e.g., newspaper and magazine subscriptions, fees to participate in recreational activities or sports, video rentals, and tickets to local sports events).

## APPENDIX

**Table 1: Incidence of Low Income:  
Market Basket Measure, Low Income Cut-Off,  
and Low Income Measure – All Provinces, 2000 (as %)**

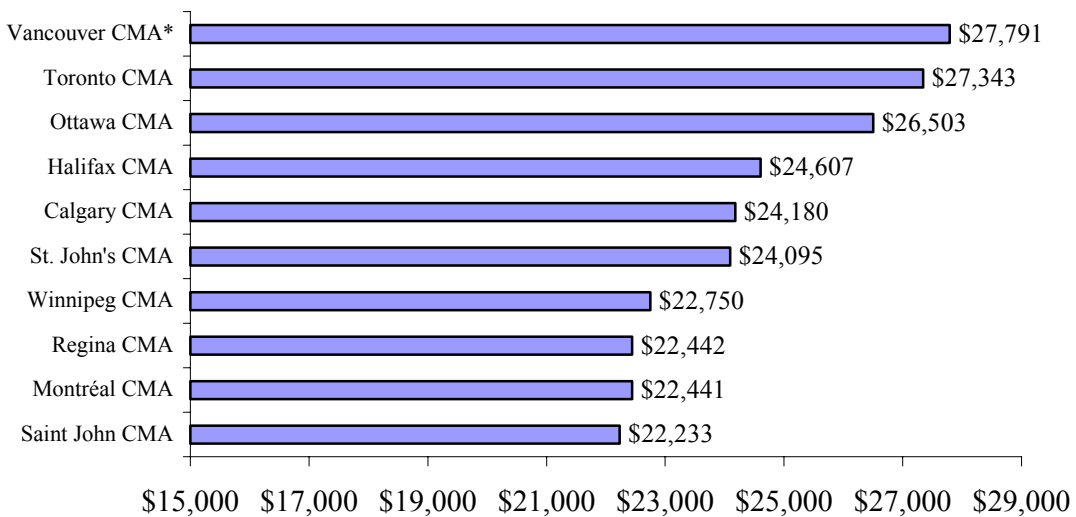
PROVINCE	MBM	LICO-IAT*	LICO-IBT**	LIM-IAT*
Ontario	11.0	9.0	12.0	8.7
Alberta	11.9	10.1	13.6	9.5
Quebec	11.9	13.6	17.5	13.1
Manitoba	13.0	12.6	17.4	13.6
<b>Canada</b>	<b>13.1</b>	<b>10.9</b>	<b>14.7</b>	<b>11.1</b>
New Brunswick	13.8	8.8	14.1	12.5
Saskatchewan	13.9	9.3	14.8	13.6
Prince Edward Island	14.6	7.9	13.4	12.5
Nova Scotia	16.1	10.4	15.2	14.4
British Columbia	20.0	12.4	16.5	12.1
Newfoundland	23.4	13.0	19.7	19.2

Sources: Statistics Canada and Human Resources Development Canada.

\* IAT: Income After Tax.

\*\* IBT: Income Before Tax.

**Figure 1: Market Basket Measure Thresholds in  
Selected Canadian Cities, 2000**



Source: Human Resources Development Canada.

\* CMA: Census Metropolitan Area.

**Table 2: Market Basket Measure  
Thresholds for Reference Family, 2000 (in CANS)**

<b>Community/ Community Size</b>	<b>Food</b>	<b>Clothing and Footwear</b>	<b>Shelter</b>	<b>Transportation</b>	<b>Other</b>	<b>Total</b>
<b>Ontario</b>						
Communities 30,000-99,999	5,546	2,292	8,433	1,392	5,397	23,059
Hamilton CMA*	5,331	2,292	9,289	1,584	5,249	23,745
Communities 100,000-499,999	5,833	2,292	9,175	1,645	5,595	24,539
Communities < 30,000	5,546	2,292	7,945	3,912	5,397	25,091
Rural Communities	5,546	2,292	7,970	3,912	5,397	25,117
Ottawa CMA	6,280	2,292	10,449	1,579	5,903	26,503
Toronto CMA	5,778	2,292	11,399	2,316	5,558	27,343
<b>Alberta</b>						
Edmonton CMA	6,259	2,156	7,874	1,488	5,795	23,571
Communities 30,000-99,999	6,499	2,156	7,744	1,319	5,960	23,677
Calgary CMA	6,183	2,156	8,707	1,392	5,743	24,180
Rural Communities	6,499	2,156	6,377	3,517	5,960	24,509
Communities < 30,000	6,499	2,156	7,587	3,517	5,960	25,719
<b>Quebec</b>						
Communities 30,000-99,999	6,064	2,269	5,942	1,169	5,739	21,182
Communities 100,000-499,999	6,064	2,269	6,329	1,396	5,739	21,797
Québec City CMA	6,014	2,269	6,692	1,476	5,705	22,156
Montréal CMA	6,017	2,269	7,129	1,320	5,706	22,441
Rural Communities	6,064	2,269	5,351	3,739	5,739	23,161
Communities < 30,000	6,064	2,269	5,449	3,739	5,739	23,260
<b>Manitoba</b>						
Brandon CA**	5,935	2,269	6,691	1,200	5,650	21,745
Winnipeg CMA	5,972	2,269	7,233	1,601	5,675	22,750
Rural Communities	5,935	2,269	4,965	4,113	5,650	22,932
Communities < 30,000	5,935	2,269	6,167	4,113	5,650	24,135
<b>New Brunswick</b>						
Saint John CMA	6,499	2,269	6,087	1,340	6,038	22,233
Moncton CA	6,372	2,269	7,118	1,230	5,951	22,940
Fredericton CA	6,491	2,269	7,803	1,344	6,033	23,940
Rural Communities	6,573	2,269	5,452	3,917	6,089	24,299
Communities < 30,000	6,573	2,269	5,785	3,917	6,089	24,632
<b>Saskatchewan</b>						
Communities 30,000-99,999	6,133	2,246	6,223	1,286	5,770	21,658
Regina CMA	6,112	2,246	7,019	1,308	5,756	22,442
Saskatoon CMA	6,356	2,246	7,096	1,272	5,924	22,814
Rural Communities	6,133	2,246	5,092	3,995	5,770	23,237
Communities < 30,000	6,133	2,246	6,075	3,995	5,770	24,220

<b>Community/ Community Size</b>	<b>Food</b>	<b>Clothing and Footwear</b>	<b>Shelter</b>	<b>Transportation</b>	<b>Other</b>	<b>Total</b>
<b>Prince Edward Island</b>						
Rural Communities	6,335	2,110	5,698	3,612	5,816	23,572
Communities < 30,000	6,335	2,110	6,783	3,612	5,816	24,656
Charlottetown CA	6,335	2,110	7,561	3,612	5,816	25,434
<b>Nova Scotia</b>						
Sydney CA	6,283	2,292	6,840	1,286	5,905	22,606
Communities 30,000-99,999	6,584	2,292	6,853	1,490	6,113	23,331
Halifax CMA	6,476	2,292	8,241	1,560	6,038	24,607
Rural Communities	6,584	2,292	6,285	3,909	6,113	25,182
Communities < 30,000	6,584	2,292	6,532	3,909	6,113	25,429
<b>British Columbia</b>						
Communities 100,000-499,999	6,801	2,292	10,016	1,264	6,262	26,635
Communities 30,000-99,999	7,623	2,292	8,796	1,353	6,828	26,892
Vancouver CMA	6,697	2,292	11,020	1,592	6,190	27,791
Rural Communities	7,623	2,292	7,699	3,934	6,828	28,376
Communities < 30,000	7,623	2,292	8,075	3,934	6,828	28,752
<b>Newfoundland and Labrador</b>						
St. John's CMA	6,796	2,292	7,298	1,451	6,258	24,095
Rural Communities	7,045	2,292	5,835	3,955	6,430	25,556
Communities < 30,000	7,045	2,292	6,560	3,955	6,430	26,281

Sources: Statistics Canada and Human Resources Development Canada.

\* CMA: Census Metropolitan Area.

\*\* CA: Census Agglomeration.