

# The Threat to Canada's Poverty Lines: Implications and Strategy

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The House of Commons Subcommittee on Poverty, chaired by Barbara Greene, is expected to release a report in May which will advocate replacing the existing Statistics Canada poverty lines with a much lower measure. Rather than ending poverty, the Committee hopes to define it almost out of existence. The Greene report could have serious consequences for low income and working Canadians.

## **What Are The Canadian Poverty Lines?**

Canada's poverty lines were created by Jenny Podoluk, a researcher at Statistics Canada in the early '60s. Over the past 30 years, an unspoken consensus has evolved that we should measure poverty in a Canadian context; relatively, not absolutely. We are looking at how one group, the most vulnerable group of people, are doing relative to other Canadians and people in their communities.

Statistics Canada refers to this measure as the Low Income Cutoff (LICO), but almost everybody else calls it the "poverty line". It has been the wisdom over time that the Statistics Canada LICOs are an appropriate, reasonable and fair way of defining and thinking about poverty in the context of an industrialized country. It may not be applicable in some of the developing countries, but certainly in an industrialized country it is appropriate.

The Statistics Canada LICOs are based on the proportion of income that Canadians spend on the basic necessities; food, shelter, and clothing in particular. Canadians on average spend about 38 percent of their income on these basic necessities. Statistics Canada adds 20 percentage points to that and essentially says that if you're spending 58 percent or more of your income on the basic necessities of life, you fall below the low income cut off. People below that line are living in poverty as we understand it in Canada.

The LICO varies because the cost of basic necessities is less for a smaller family or in rural relative to urban centres. For example, for a single mother and two kids, the estimated 1993 poverty line, or LICO, in a city the size of Toronto is \$26,670 this year. It's about \$18,158 in a rural community.

There are other poverty measures as well. The Canadian Council on Social Development (CCSD) has a line which is defined as 50 percent of average family income. Relative to LICOs, it's a very simple calculation to make. But, unlike LICOs, it's harder to break down on the basis of the size of the family and the size of the community. The Senate Committee also had a relative poverty line that is now rarely used.

Other groups develop poverty related measures known as budget guidelines or market-baskets. These groups include the Social Planning Council of Metro Toronto, the Montreal Diet Dispensary, and Edmonton Social Planning Council. Those are not relative measures. They develop and cost a basket of goods and services and use it to build a budget. But these are not usually thought of as poverty lines.

When people use the term "poverty lines", by and large they are thinking of the Statistics Canada definition of the low income cutoffs. In fact, even for most of our research at CCSD, that is the measure that we tend to use because it's the one that is most commonly used.

Relative to the Senate line and the CCSD poverty lines, the Statistics Canada line is the most conservative, with "poverty" defined at a lower income than the other two. It's interesting that Statistics Canada went through an exercise over the past two or three years to review its approach to the calculation of poverty, and they are now developing a new measure called "LIM" which stands for "low income measure". It is much closer to the CCSD line, but there are some anomalies in terms of the way it works. For example, using LIM there was actually a decrease in the rate of poverty for some family categories and for unattached individuals between 1990 and 1991. In the midst of the recession, you wouldn't think that the extent of poverty would fall. But LIM was reflecting a 2.6% decrease in average family income during that same period. And because LIM is related to average incomes, any changes in income affect the poverty rate.

It is important to bear in mind that the assessment and the calculation of "poverty" is entirely subjective. There is no correct definition. We have to make value judgements. I have always liked the Statistics Canada approach because it recognizes that the level of poverty varies depending on the size of the family and community. That's almost self-evident. It's not a perfect measure, but I see it as a reasonable and useful means of measuring poverty. There are some shortcomings to it. For example, it doesn't include Aboriginal people on reserves or the extra costs of disability. But I'm not sure that we would ever get a measure that would find more acceptance than the Statistics Canada approach. That's why I'm inclined to say, "If it ain't broke, don't fix it."

## **What is Barbara Greene's Objection to LICOs**

Barbara Greene, the Chair of the House of Commons Subcommittee on Poverty, has clearly been influenced by a book written by Christopher Sarlo from Nipissing University. It was published in the summer of 1992 by the Fraser Institute, a neo-conservative think tank.

Sarlo basically says this idea of a relative approach is nonsense; that we should be defining poverty using an absolute approach, and we should be looking at what people need as the bare minimum. So he constructed what he thinks is a more realistic poverty line by making judgement calls and value statements about what he thought the average individual or family would need in terms of basic necessities. He developed a basket of goods on that basis, and came up with a measure which is significantly lower than any of the measures used for poverty now. Based on his measure, he estimated that, rather than four million Canadians living in poverty, there are only about one million. Sarlo concluded that poverty is not a major problem in Canada.

It is important to look at some of the assumptions that he's made. I'll give you just one. He calculates that a single parent family with two kids should only require an average of 80 cents per person per meal for food. Certainly you can develop a much lower poverty line and you can reduce the number of people who are considered to be living in poverty, if you only allow them 80 cents per person per meal. He determined how many calories were needed per meal and what food you need to buy to provide those calories. He developed his assumptions and his measurement in a theoretical Never-Never Land that has little basis in reality. In many ways, it's very dangerous because of some of those built-in assumptions.

Barbara Greene has focused on Sarlo's model because there is increasing pressure on the government and the opposition parties to fulfil their commitment to the 1989 House of Commons resolution to eliminate child poverty. She believes that this is the approach one should take to "eliminate" child poverty. She has said, in fact, that the current definitions of poverty include a lot of people who aren't poor and that there aren't one million children in Canada who are poor. As Chair of the Committee, she is quite focused on this approach and is as tenacious as a dog with a bone.

## **Implications for the Sarlo/Greene Approach**

We should all be concerned about the possibility of this approach moving beyond the committee stage. The government could use it to direct Statistics Canada to change its definition.

The Committee's recommendations could conceivably be used to justify freezing or cutting welfare rates. Sarlo said in his book that in most provinces the welfare benefit levels are adequate. Based on his approach to

the definition of poverty, he claims there are virtually no social assistance recipients in Canada who are poor. If the government adopts a new poverty measure like his, federal and provincial governments could use it to say that there are no poor people in Alberta or in Ontario, because their welfare payments are above the level of the new poverty line.

This approach might even be used to justify lowering welfare rates. If it became the common wisdom that this was the measure of poverty, then provincial governments on balance would probably be unlikely to provide welfare benefits any higher than that line. And it would become more difficult for advocates to push governments to increase the adequacy of levels. If there is a measure like Sarlo's, governments could say: "Well listen, what do you want? This is the poverty line now and we're paying levels up to the poverty line. So what's your problem?"

It could also have serious implications for labour. If Statistics Canada were required to define poverty in terms like Sarlo's, it might be used by employer groups in deciding what wage levels would be, especially in non-unionized sectors. They could say: "Well, gee, what are you complaining about? Minimum wage is above the poverty line now so we don't have to increase it any more." The minimum wage affects the whole wage structure. We could think of all sorts of other implications of this new approach to the definition of poverty, and I don't think we would like any of them.

The potential danger of this approach is readily apparent and it is an issue that could snowball. The media has given a tremendous amount of attention to Sarlo's work and the work of the Greene Committee. The report of the committee might just disappear, but if not, it could take on a life of its own depending on the outcome of the next election.

After the election, the debate about the fiscal relationship between the federal and provincial governments will heat up. The Established Programs Financing Act (EPF) for post-secondary education and health care, and the equalization payments to "have not" provinces will be reviewed and may be substantially changed. The Federal Government is unlikely ever to revert to the old, original 50-50 Canada Assistance Plan (CAP) matching formula. The best we can hope for is that they simply continue the same caps on the CAP levels in the three "richest" provinces. Or they may essentially say, "No, we're going to have a whole new set of arrangements," and CAP will go by the wayside.

I don't think we'll see any specific proposals until after an election. Before an election, we're likely to receive lots of bromides. But proof will be in the pudding, the pudding being post-election, regardless of which party is in power. The Conservatives have clearly been working in this area and they would be in a position to propose changes fairly soon if they are

re-elected. I think the whole social program infrastructure is vulnerable now.

## **Strategy**

Those of us who are concerned about the problems of poverty need to monitor the development of this issue very carefully and be ready to respond strategically. A number of the national organizations have been caucusing in terms of our strategy.

Our strategy to this point has been to ignore the Committee and not to respond to it. We have decided at this stage not to participate in the work of the Committee because, by participating, we give the process credence. Both the Liberal and NDP opposition members are boycotting the Committee and the committee consists only of Conservative MPs. There will be few, if any, social groups appearing as witnesses. The only witnesses they've been able to call so far are representatives of Statistics Canada and several other federal departments, Christopher Sarlo, and, interestingly enough, somebody from the United States.

We will, however, await the release of the report and will consider providing a collective response, so that our concerns are made known at that point. A number of the people involved in the current strategic planning will be at both the June Social Welfare Policy conference and the NAPO anti-poverty conference in October. By May, we hope to see the report and will decide how to take it from there. When the report is issued, depending on what the recommendations are, we will develop a longer term plan to try to address it.

In part, we're not responding to the Committee because this has to be our agenda. We must be the ones to take a look at how poverty is calculated and to what extent there need to be changes. We won't simply respond to an agenda that is not ours.

That's why at this point we're all holding off for a bit and waiting to see what happens. We hope that once the Committee's report is issued, no one will pay attention to it. If nobody else pays attention to it, we certainly won't.

On the other hand, we recognize that this is just the sort of thing that might capture the attention of the new Finance Minister, for example, and then it would require a strategic response from a number of groups. A collective response obviously would be more effective.

Every organization involved with low income people should monitor the work of the Committee and get a copy of its report.