

How is poverty measured in Canada?

- Unlike the United States and some other countries, Canada has no official, government-mandated poverty line. It is generally agreed that poverty refers to the intersection of low-income and other dimensions of 'social exclusion', including things such as access to adequate housing, essential goods and services, health and well-being and community participation.
- A major challenge to defining poverty measures is to ensure that they allow for reliable estimates, consistent trending, and measurement of the duration and depth of poverty. Poverty measurements are generally defined in either *absolute* terms - inability to meet basic needs - or in *relative* terms - distance from the community norm. In Canada, there is no consensus on the most accurate way of measuring poverty; however, while the magnitude of poverty may vary depending on the measure used, research suggests that the differences are not pronounced and trends remain consistent.

<http://www.statcan.ca/english/research/75F0002MIE/75F0002MIE2004011.pdf>

- Three measures frequently mentioned in poverty literature include:
 - ***The Low-Income Cut-Off (LICO)***
Produced by Statistics Canada on a yearly basis, the LICO represents the income level at which a family may be in straitened circumstances because it has to spend a greater proportion of its income on necessities than the average family of similar size. There are separate cut-offs for seven sizes of family – from unattached individuals to families of seven or more persons – and for five community sizes – from rural areas to urban areas with a population of more than 500,000. The LICO is presented both before- and after-tax. (<http://www.statcan.ca/english/freepub/75-202-XIE/2006000/technote1.htm>)
 - ***Low-Income Measure (LIM)***
For the purpose of making international comparisons, the LIM is the most commonly used low income measure. It explicitly defines low income as being much worse off than average, and it is calculated at one-half the median income of an equivalent household.
 - ***Market-Basket measure (MBM)***
This measure attempts to calculate the amount of income needed by a household to meet its needs, defined not just in bare subsistence terms, but also in terms of what is needed to approach "credible" community norms. Human Resources and Social Development Canada (HRSDC) views the MBM as falling somewhere between a subsistence standard of living and a more generous social inclusion basket.

- There are pros and cons associated with each of these measures. See the following link:

<http://www.ccsd.ca/pubs/2001/povertyp.htm>

Only the LICO is currently being reported with a regularity and reliability that allows for trending and provincial comparisons. It is also widely used in the poverty research and analysis.

What is the Low-Income Cut-Off (LICO)?

- Statistics Canada releases economic family and low-income data in Canada derived from the *Survey of Labour and Income Dynamics*. While data is released annually, it is two-years old at the time of its release. So, data for 2006, the most recent year for which data is available, was released in May 2008.
- Statistics Canada is careful to point out that low-income data are quite different from measures of poverty:

“They [low-income cut-offs] reflect a consistent and well-defined methodology that identifies those who are substantially worse off than the average. In the absence of an accepted definition of poverty, these statistics have been used by many analysts who wanted to study the characteristics of the relatively worse off families in Canada.”
[\(<http://www.statcan.ca/bsolc/english/bsolc?catno=13-592-X>\)](http://www.statcan.ca/bsolc/english/bsolc?catno=13-592-X)

- Statistics Canada presents low-income data for both before- and after-tax incomes. In general, both the incidence and number of people living in low-income is higher when using the before-tax data. However, Statistics Canada prefers the use of after-tax income for the following reason: "The before-tax rates only partly reflect the entire redistributive impact of Canada's tax/transfer system. It is therefore logical that the low-income rate is higher on a before-tax basis than on an after-tax basis."
- The following table shows the difference in low-income statistics for before- and after-tax incomes. **Please note: the trends are similar regardless of the measure used.**

**Comparison of Low-Income in Nova Scotia based on Before- and After-Tax Incomes
2000-2006**

	2000	2001	2002	2003	2004	2005	2006
All persons: Prevalence							
After-tax income	11.6%	10.6%	9.9%	11.2%	10.0%	8.9%	8.4%
Before-tax income	16.4%	15.6%	16.0%	16.7%	14.6%	13.2%	12.1%
All persons: Number of people (000s)							
After-tax income	105	96	90	102	91	81	76
Before-tax income	148	142	145	152	133	120	110
Under 18: Prevalence							
After-tax income	12.5%	13.3%	12.7%	14.4%	12.0%	10.4%	8.7%
Before-tax income	18.6%	19.1%	20.5%	21.3%	18.2%	15.3%	12.8%
Under 18: Number of people (000s)							
After-tax income	25	26	25	27	22	19	16
Before-tax income	38	38	40	41	34	28	23

Statistics Canada's Income Data

Home Page: <http://www.statcan.ca/english/freepub/75-202-XIE/75-202-XIE2006000.htm>

LICO rates: http://www.statcan.ca/english/freepub/75-202-XIE/2006000/t098_en.pdf

Nova Scotian LICO data: http://www.statcan.ca/english/freepub/75-202-XIE/2006000/t072_en.pdf

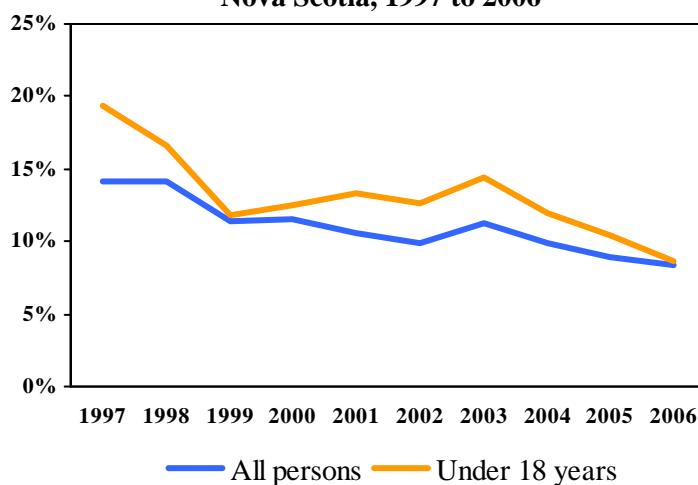
Canadian LICO data: http://www.statcan.ca/english/freepub/75-202-XIE/2006000/t196_en.pdf

In Nova Scotia, how many people live in low-income? What about children?

- 76,000 individuals live in low-income situations, down from 81,000 in 2005. This includes 16,000 persons under the age of 18.
- The prevalence and number of individuals living in low-income is the lowest of the past decade.
- The prevalence of low-income in Nova Scotia is also declining, falling to 8.4% of the population from 8.9% in 2005.
- Nova Scotia continues to outperform the Canadian average in terms of prevalence of low-income.

- In 2006, the most recent year for which data is available, 76,000 Nova Scotians, or 8.4% of the population, were living in low-income situations (LICO; after-tax). This represents the lowest incidence of low-income of the past decade, and is down from 8.9% in 2005.
- Encouragingly, the number of children under 18 living in low-income families continues to decline, falling from 19,000 in 2005 to 16,000 in 2006.

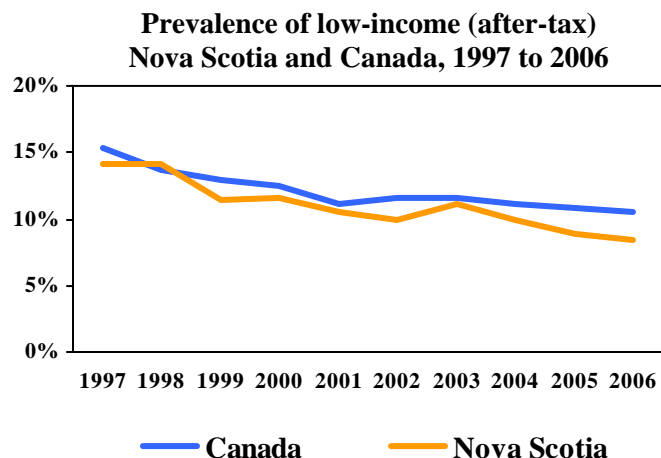
**Prevalence of low-income (after-tax)
Nova Scotia, 1997 to 2006**



**Prevalence and number of individuals in low-income (after-tax)
Nova Scotia, 1997 – 2006**

Year	Overall		Persons under 18	
	Prevalence (%)	Number	Prevalence (%)	Number
2006	8.4	76,000	8.7	16,000
2005	8.9	81,000	10.4	19,000
2004	10.0	91,000	12.0	22,000
2003	11.2	102,000	14.4	27,000
2002	9.9	90,000	12.7	25,000
2001	10.6	96,000	13.3	26,000
2000	11.6	105,000	12.5	25,000
1999	11.4	103,000	11.8	24,000
1998	14.1	127,000	16.6	34,000
1997	14.1	127,000	19.3	41,000

How do Nova Scotia's low-income statistics compare with the rest of Canada?



- Since 1999, Nova Scotia has been outperforming the Canadian average in terms of prevalence of low-income within the population. In 2006, 8.4% of the Nova Scotian population fell under the LICO (after-tax) compared to 10.5% for Canada as a whole.
- For children under 18, the prevalence in Nova Scotia was 8.7% compared to 11.3% for Canada as a whole

- The following table positions Nova Scotia's prevalence of low-income within Canada. At 8.4%, the prevalence of low-income in Nova Scotia is the fourth lowest among the ten Canadian provinces.
- For children under 18, Nova Scotia's position rises to third among the Canadian provinces.

**Prevalence of low-income (after-tax)
Canada and the provinces, 2006**

Province	% of population in low-income (after-tax)	Position
Newfoundland and Labrador	7.6%	3
Prince Edward Island	5.4%	1
Nova Scotia	8.4%	4
New Brunswick	9.2%	5
Quebec	11.6%	9
Ontario	10.3%	6
Manitoba	11.4%	8
Saskatchewan	10.5%	7
Alberta	7.0%	2
British Columbia	13.0%	10
Canada	10.8%	

What are some characteristics of Nova Scotia's low-income population?

The following detail is provided with Statistics Canada's low-income data:

- Prevalence and number of low-income persons by age (2006):
 - Under 18 years old → 8.7% → 16,000 individuals
 - 18 to 64 years old → 9.5% → 57,000 individuals
 - 65 years and over → 2.8% → 3,000 individuals (est.)

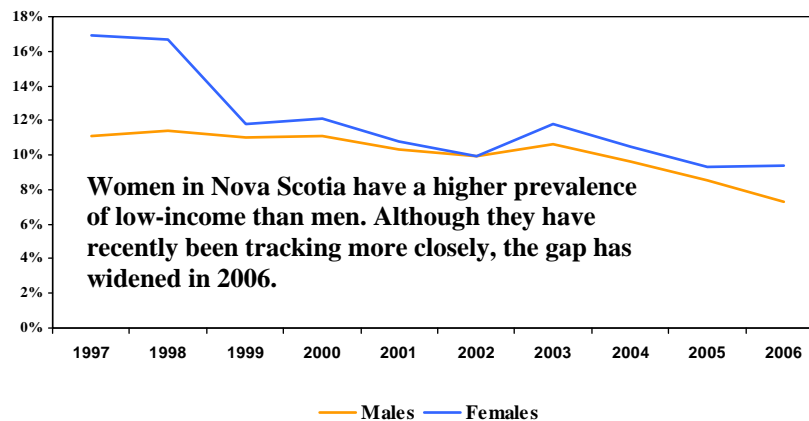
- Number of low-income persons by gender (1997 to 2006)

Number of low-income (after-tax) persons by gender, 1997 to 2006

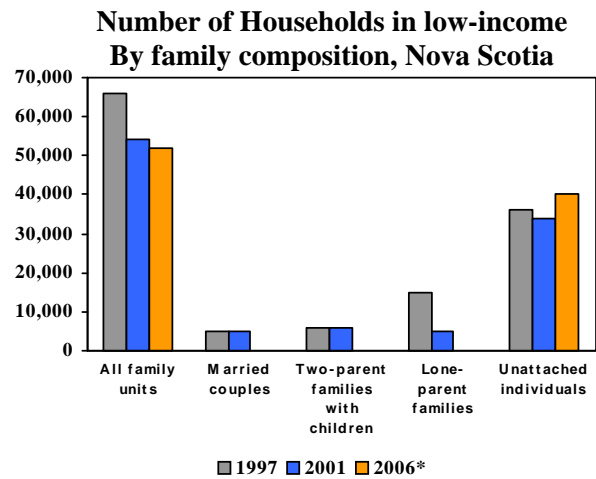
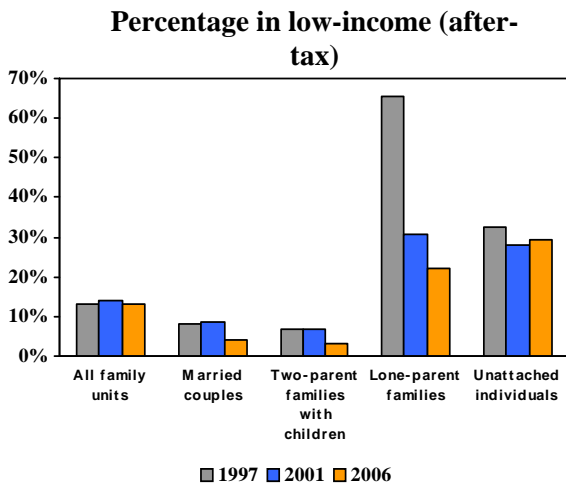
<i>Year</i>	<i>Male</i>	<i>Female</i>
2006	32,000	44,000
2005	38,000	44,000
2004	43,000	48,000
2003	47,000	55,000
2002	44,000	46,000
2001	46,000	50,000
2000	49,000	56,000
1999	49,000	55,000
1998	51,000	77,000
1997	49,000	78,000

- Prevalence of low-income by gender (1997 to 2006):

**Prevalence of low-income (after-tax) by Gender
Nova Scotia, 1997 to 2006**



➤ Prevalence of low-income by family composition (2006):



*Some data for 2006 is too unreliable to be published

- **Unattached individuals, who make up approximately 40% of Nova Scotia’s low-income population and 60% of the income assistance caseload, experience a higher incidence of low-income – 29.4%.**
- **In 2006, 32.4% of children in single-mother families fell under the LICO, down from 73% in 1997.**

Where does Nova Scotia’s low-income population live?

- Although LICO rates are calculated based on the number of individuals in a family and community size (http://www.statcan.ca/english/freepub/75-202-XIE/2006000/t098_en.pdf), Statistics Canada does not break-down low-income results any further than provincially.
- In December 2004, a report entitled “The rural-urban income gap within provinces: An update to 2000” was released by Statistics Canada (<http://www.statcan.ca/english/freepub/21-006-XIE/21-006-XIE2004007.pdf>). Using data from 2000, a major finding of the report is that for Canada as a whole, poverty is increasingly becoming an urban phenomenon. This is NOT the case in Nova Scotia, where rural regions continue to experience a higher incidence of low-income than Nova Scotia’s urban centres.
- The Department of Community Services collects and reports income assistance statistics for four regions within Nova Scotia. Within the income assistance caseload, approximately one-third of clients are served in the Central Region (HRM). Insofar as the three other regions can be considered predominantly rural, then 66% of income assistance clients can be said to live in rural regions based on 2006 / 2007 data.

Is there any way to tell how poor low-income Nova Scotians are?

Two important measures released by Statistics Canada relate to the depth and persistence of poverty.

Depth of Poverty

- The depth of poverty refers to how far below the poverty line a family's income falls in relation to the LICO. It is often referred to as the 'low-income' or 'poverty gap'. In 2006, the low-income gap was \$6,200 (after-tax base) for all family units.
- The low-income gap varies depending on family composition. In 2006, for economic families of two persons or more, the gap averaged about \$5,200/family. At \$6,500, the gap is higher for unattached individuals (*i.e.*, single persons without children).
- Over the past decade, the trend in the low-income gap has been fairly static, ranging from a low of \$5,500 in 2000 to a high of \$6,500 in 2004.

Persistence of Poverty

- Duration or the amount of time an individual or family lives in low-income is an important factor when considering poverty. Some individuals, such as students, experience low incomes for short periods of time; for others, it can be a persistent state.
- The following table describes the persistence of poverty for Nova Scotia's low-income population from 1993 to 1998 and from 1999 to 2004:

Number of years in low-income	1993 to 1998	1999 to 2004
One year	29%	34%
Two years	20%	19%
Three years	14%	18%
Four years	8%	6%
Five years	11%	6%
Six years	17%	16%
Total	100%	100%

- These results demonstrate that gains have been made in the persistence of poverty in Nova Scotia. In comparison to the 1993-98 period, data from 1999-2004 skews more heavily toward shorter lengths-of-stay in poverty. For example, during the 1993-98 period, 36% of Nova Scotia's low-income population remained in low-income situations for three or more years, a number that fell to 28% during 1999-2004. Similarly, the percentage of individuals with lengths-of-stay in low-income of three or fewer years rose from 63% (1993-98) to 71% (1999-2004).