

**POVERTY, INEQUALITY AND SOCIAL EXCLUSION IN  
QUÉBEC: LOOKING AHEAD TO 2013**

**2011 Progress Report**

**Centre d'étude sur la pauvreté et l'exclusion**

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### ***In Memoriam: Paul Bernard, 1945-2011***

*We were deeply saddened by the passing last February of our friend and colleague Paul Bernard. A member of the CEPE Steering Committee since its inception in 2006, Paul played a key role in our discussions and work, constantly reminding us that it is possible, even vital, to combine social commitment and the imperatives of scientific rigour.*

*Professor of Sociology at the Université de Montréal and holder of a PhD in Sociology from Harvard University, Paul introduced generations of students to his theoretical and methodological interests with equal enthusiasm and respect. He also taught them about many social issues: labour and unionism, social classes, social stratification, job insecurity, social development, welfare regimes, poverty, social inequalities of health, the life course and longitudinal surveys, causality in social science, and social statistics. His generous availability and his understanding of teaching and transmitting knowledge made him an outstanding professor.*

*Paul's engaged conception of research fuelled his constant concern that his work should lead to changes in public-policy making. His many published works garnered him a reputation in Québec and the rest of Canada, as well as abroad.*

*Paul contributed to the work of so many committees, especially during the last 15-20 years, that some said he was everywhere you turned. To mention just some of his accomplishments, he had a hand in the creation of the Canadian Research Data Centre Network (CRDCN), of which the Inter-University Centre for Social Statistics is a member, and contributed generously to the following committees and bodies: Working Group on Social Development Research and Information (SDRI), Statistics Canada's National Statistics Council, Institut de la statistique du Québec (ISQ), Centre de recherche sur les politiques et le développement social (CPDS), Social Research and Demonstration Corporation (SRDC), Canadian Council on Social Development (CCSD), Conseil de la science et de la technologie (CST), Centre Léa-Roback and Centraide of Greater Montréal.*

*Paul was an active, rigorous, influential and always-pleasant contributor to the CEPE as well as the many organizations he lent his support to, and he relentlessly promoted the deep-rooted values of social justice and openness to others. Paul was very much looking forward to his retirement, which he saw as a period of his life that would leave him more time to engage in intellectual and social pursuits. But his life journey has ended. We will miss him terribly.*

## President's Message

The *Act to combat poverty and social exclusion* commits the government and Québec society as a whole to planning and implementing actions to create a poverty-free Québec. It is in this spirit that the Centre d'étude sur la pauvreté et l'exclusion sociale (CEPE) was created in 2005. Among other functions, the CEPE provides reliable and rigorous information on poverty issues in Québec.

Measuring poverty, inequality and social exclusion is not a simple undertaking. It involves establishing adequate indicators that are acceptable to all and reflect complex and sensitive realities that statistical data can only partially cover. The CEPE therefore gave priority to the development of a coherent set of indicators to guide actions to combat poverty. The results of this exercise were published in 2009 in the CEPE's Advice to the Minister entitled *Taking the Measure of Poverty: Proposed Indicators of Poverty, Inequality and Social Exclusion to Measure Progress in Québec*. The document was widely distributed and the CEPE's recommendations were accepted by the Minister of Employment and Social Solidarity. Training days were held to familiarize those concerned with the document's content, which was generally well received.

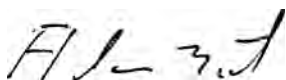
The present report responds to the recommendation calling for the yearly publication of a progress report on poverty and social exclusion in Québec. In 2008, at the request of the advisory committee on the prevention of poverty and social exclusion, among others, the CEPE published an initial report on low incomes in Québec entitled *Le faible revenu au Québec : un état de situation*. The indicators contained in the present report were updated using the most recent data and more closely reflect the recommendations made in the CEPE's Advice to the Minister.

While progress has been made in recent years, it has not been on all fronts. The low income rate has dropped since the late 1990s, but remains worrisome, particularly among unattached individuals, who account for nearly half of all people living in poverty and who also tend to be the poorest of the poor. The latter portrait underlines the

heightened vulnerability and precarious status of unattached individuals, who are at risk of facing multiple disadvantages and living well below the Low Income Cut-Offs.

In 2010, the Québec government unveiled its second action plan to combat poverty, which partially builds on the results of the concerted action on poverty and social exclusion (2007-2009), a partnership program initiated by the CEPE and the Fonds québécois de recherche sur la société et la culture (FQRSC), among others. Already, the research findings indicate that the direction taken by the first action plan had a positive outcome for some, in particular families with children, but less so for others, especially unattached individuals.

Much remains to be done to gain a better understanding of poverty, inequality and social exclusion and address the causes. This report brings to light both the progress made and the extent of the work still needed.



Alain Noël

Chairman, Steering Committee

## Abstract

The Advice to the Minister entitled *Taking the Measure of Poverty: Proposed Indicators of Poverty, Inequality and Social Exclusion to Measure Progress in Québec* (CEPE, 2009) contained 19 recommendations regarding indicators for measuring Québec's progress in fighting poverty and exclusion. Responding to the CEPE's recommendation calling for the yearly publication of a progress report on poverty and social exclusion in Québec, the present report represents a compilation of the most recent data, i.e. available at the time of publication, on poverty and inequality in Québec.

After reviewing the latest low income thresholds and rates, notably rates based on the Market Basket Measure (MBM) — recommended by the CEPE as the baseline measure for tracking situations of poverty from the perspective of meeting basic needs — and the Low Income Measure (LIM), for cases where the MBM is not available, the results of interregional, interprovincial and international comparisons are presented and discussed:

- Interregional comparisons using the LIM show that between 1997 and 2007, the low income rate fell in some of Québec's administrative regions (e.g. Nord-du-Québec, Gaspésie-Îles-de-la-Madeleine, Côte-Nord), remained relatively stable in others (e.g. Estrie, Centre-du-Québec) and rose in still others (e.g. Montréal). The Chaudière-Appalaches and Capitale-Nationale administrative regions had the best showing in 2007 (most recent year for which data are available), at just under 10%, while at the other end of the scale, the Mauricie, Nord-du-Québec and Montréal regions were above the Québec average.
- Interprovincial comparisons using the MBM place Québec second among the provinces (tied with Saskatchewan), but the differences with several other provinces are not statistically significant; in fact, the differences between seven of the provinces (Prince Edward Island, Québec, Saskatchewan, Manitoba, Alberta, Ontario, New Brunswick) are within the margins of error. Québec is thus in a separate group of provinces from British Columbia, Nova Scotia and

Newfoundland, whose low income rates were substantially higher than those of the first group in 2009.

- International comparisons using the LIM reveal that, regardless of the method of calculation used, Québec would have ranked in the middle of developed countries in 2004 if it had been considered a separate entity.

The most significant reason why the MBM low income rate fell more slowly in Québec between 2000 and 2008 is the marginal increase in disposable income relative to the changes in MBM thresholds in Québec starting in 2004. Whereas the downward trend in low income slowed in Québec, it picked up pace in other provinces because growth in disposable income was much higher than the increase in the thresholds.

To compare Québec against itself, we simulated typical cases and were able to observe the changes in the relative level of personal and family disposable income in relation to various existing thresholds over the period 2004-2011. We called these thresholds “implicit thresholds,” that is, baseline thresholds determined by a social or fiscal measure. We studied the cases of unattached individuals, unattached individuals with severe employment constraints, single-parent families with one child aged 3, childless couples with one income, and two-parent families with one income and two children using various low income thresholds (LIM 50% and Montréal MBM). For example, using the Montréal MBM, we observed that some people with a disposable income at least equal to the implicit threshold are either in a deficit position (ratio below 100%) or a surplus position (ratio over 100%). In most cases, the gap narrowed between 2004 and 2011, but in some it remained the same or changed little, and in others it even widened slightly, especially among unattached individuals.

In terms of inequality, the income of the richest quintile, before transfers and taxes, was 13.4 times that of the poorest quintile (all units) in 1990 and 14.3 times in 2009. After transfers and taxes, the income of the richest quintile was 4.3 times that of the poorest quintile in 1990 and 4.7 times in 2009, resulting in greater inequality after transfers and taxes. A similar trend is observed in many OECD countries.

The CEPE has initiated research to more clearly identify the dimensions of social exclusion. Work is currently being done to determine whether or not one or more indicators of exclusion need to be developed.

## Introduction

The existing indicators of poverty and inequality are defined in the *Advice to the Minister*. Among the existing measures of low income, we have already discussed Low Income Cut-Offs (LICOs), the Low Income Measure (LIM) and the Market Basket Measure (MBM).

For the purposes of this progress report, after reviewing the thresholds for various measures and the observable rates for each measure, we focused on the interregional, interprovincial and international comparisons these indicators enable. These comparisons make it possible to see where each region of Québec stands in relation to the other regions as well as Québec as a whole, where Québec stands in relation to the other provinces and Canada as a whole and, finally, where Québec, if considered as a separate entity on the international stage, and Canada stand in relation to other comparable countries.

However, it is only by comparing changes in the real-life situations of people living in poverty, based on implicit thresholds, that we can measure Québec's own progress against itself.

Among the measures of inequality used, the Gini coefficient and interquintile ratios were discussed in the *Advice to the Minister*. For a complete picture of inequality, the polarization coefficient is also used, as it reflects another dimension of inequality.

In Section 1, we have updated the tables contained in the CEPE's *Advice to the Minister*, indicating each adjustment or change made.

Section 2 presents recent and future work by the CEPE, including the training days on the *Advice to the Minister* held in June 2009, social exclusion, working papers and concerted action.

Section 3 discusses various concerns regarding the goal set for 2013 in the *Act to combat poverty and social exclusion*.

The appendices at the end of this report contain:

- a comparison of indicators used to measure progress in fighting poverty in Québec, Newfoundland, Ontario and Manitoba (Appendix 1a);
- a discussion of the various indicators (Appendix 1b);
- an explanation of the changes to the Market Basket Measure (MBM) methodology (Appendix 2);
- avenues of research suggested during the training days on the CEPE's *Advice to the Minister* held on June 4 and 5, 2009 in Montréal; they reflect the content of the participants' discussions (Appendix 3);
- notes on methodology, which primarily define several concepts used in the statistical tables, including census and economic family universes and subuniverses and economic and census family membership and family statuses (Appendix 4);
- a list of CEPE Steering Committee members (Appendix 5).



## SECTION 1: Key Poverty and Inequality Data

*“We need to stop making a distinction between the economic and social spheres of society. Wealth creation isn’t everything; there’s also the creation of a society, social relations and ties.”*

Comment from a participant in the training days on the CEPE’s *Advice to the Minister*, June 2009

### 1.1 Low Income

The best-known measures of low income are the Market Basket Measure (MBM),<sup>1</sup> the Low Income Measure (LIM),<sup>2</sup> before and after taxes, and Low Income Cut-Offs (LICOs), before and after taxes.<sup>3</sup> While their methodology differs, all of these measures entail the establishment of a baseline threshold and systematic computations based on that threshold. They are also all founded on objective and subjective elements in the choice of criterion or criteria for determining where the given threshold is situated.

Of the above three measures, the CEPE felt that the MBM offers the most advantages in terms of methodology. It recommended using it as the baseline for tracking situations of poverty from the perspective of meeting basic needs. It also considered that, within a

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1. The authors define a family in low income as a family whose disposable income falls below the cost of purchasing the basket of goods and services in their community or in a similar-sized community. This basket includes food, clothing and footwear, shelter, transportation and other necessary goods and services (personal and household needs, furniture, telephone service, modest levels of reading, recreation and entertainment). MBM disposable family income is used, i.e. after-tax income less certain non-discretionary expenses (payroll taxes, child care, child support and alimony payments) (HRSDC, 2009).

2. A family in low income is a family whose adjusted income based on the size and number of people in the family unit is lower than 50% of the median adjusted income (STATISTICS CANADA, 2011c).

3. A family in low income is a family that spends at least 63.6% of its after-tax income, i.e. 20 percentage points more than the average Canadian family of the same size, on clothing, food and shelter. These cut-offs were calculated according to the 1992 Family Expenditure Survey (FES), then indexed to the annual Consumer Price Index (CPI) for Canada. Cut-offs vary according to family and community size (STATISTICS CANADA, 2011c).

range of possible low income thresholds, the MBM is not a threshold for exiting poverty, something that remains fairly difficult to evaluate using current measures.

The CEPE recommended using LICOs and the LIM only in specific circumstances. LICOs can be useful for examining long time series in one province at a time. However, owing to the biases of the measure, LICOs should not be used for interprovincial comparisons because they do not take the differences in cost of living across Canada into account. The LIM is the most widely used measure for interregional and international comparisons. However, in addition to being a measure of poverty, the LIM can in some ways translate a form of inequality, even if this is not its primary function.

### **1.1.1 The main thresholds**

The various low income measures are all constructed using different methods. LICO and LIM thresholds, which are based on income, should not be confused with MBM thresholds, which are based on the cost of a basket of goods and services that should be covered by the disposable income available for consumption. Table 1 presents the income levels corresponding to the 2008 thresholds converted into 2011 dollars. In the specific case of the MBM, the after-tax income needed to purchase a basket of goods varies considerably depending on a family unit's non-discretionary expenses. According to our estimation, the income level should be revised upwards by 7%, on average, in relation to the cost of the basket in order to be able to purchase it (FRÉCHET et al., 2010b). The threshold amounts in question are indicated below.

**Table 1 Low income thresholds based on various low income measures, selected family types and agglomerations, current dollars and 2011 dollars, Québec, 2008-2009**

	current \$	2011 \$	Corresponding average after-tax income (estimate) (2011 \$)
<b>MBM (Montréal CMA, 2009)</b>			
Unattached individuals	14 935	15 382	16 459
Single-parent families (1 child)	20 908	21 535	23 043
Childless couples	20 908	21 535	23 043
Two-parent families (2 children)	29 869	30 764	32 918
<b>After-tax LIM (2008)</b>			
Unattached individuals	14 734	15 176	
Single-parent families (1 child)	20 628	21 246	
Childless couples	20 628	21 246	
Two-parent families (2 children)	29 468	30 351	

Notes: CMA: Census Metropolitan Area. The value of the Consumer Price Index (CPI) in 2011 was determined based on the average CPI of the last 10 years.

Sources: STATISTICS CANADA, *Survey of Labour and Income Dynamics (SLID)*; STATISTICS CANADA (2011a); Compilation by the Centre d'étude sur la pauvreté et l'exclusion, July 2011.

Thus, the Montréal MBM threshold for unattached individuals, indexed in 2011 to \$15 478 and grossed up to a corresponding estimated average after-tax income of \$16 561, can be compared with the LIM threshold indexed in 2011 to \$15 270. The MBM and LIM thresholds may be virtually the same some years and farther apart other years; however, these measures are constructed very differently and this relative position could change significantly.

### 1.1.2 Low income rate

In keeping with the CEPE's main recommendation that the MBM be used as the baseline measure to track situations of poverty from the perspective of meeting basic needs, and with another recommendation to use the LIM for international comparisons, these are the only two measures discussed in this report.<sup>4</sup> Since the MBM has been available only since 2000, our analysis will focus on the period 2000-2009, although

4. The thresholds and rates based on Statistic Canada's LICOs are discussed in the box on page 19. However, the CEPE intends to stop presenting them in future reports.

some other indicators will be examined as of the 1990 peak of the economic cycle or according to available data.

○ **The Market Basket Measure (MBM)**

*“While it’s true that the income of single-parent families receiving last-resort financial assistance is generally close to MBM thresholds, these families are still in a precarious situation in that if they run into bad luck, things can get worse very rapidly.”*

Comment from a participant in the training days on the CEPE’s *Advice to the Minister*, June 2009

The Market Basket Measure (MBM) developed by Human Resources and Skills Development Canada, now published by Statistics Canada, is based on a specific basket of goods and services.<sup>5</sup>

The cost of the goods and services contained in the market basket is calculated for a reference family consisting of four people. It is subsequently calculated for all other household formations based on the 2008 revision (MBM 2008 base), using the square root of household size equivalence scale. Lastly, the cost of the goods and services is calculated for a number of communities and community sizes.

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5. As previously mentioned, the market basket includes the following categories of items:

- food;
- clothing and footwear;
- shelter;
- transportation (public transit in urban areas, vehicle in rural areas);
- other goods and services (e.g. furniture, telephone, household products, recreation).

The disposable income available to purchase the above goods and services is calculated by deducting the following expenditures from total family income:

- child care;
- non-insured health care, dental and vision care;
- personal income taxes and contributions to the Canada Pension Plan (CPP), the Québec Pension Plan (QPP) and the Employment Insurance (EI) account;
- alimony and child support payments;
- union dues and contributions to pension plans.

The MBM takes into account the differences in the cost of living among communities and community sizes across Canada. Thus, MBM thresholds vary with the cost of the goods and services contained in the basket in different-sized communities and same-sized communities in different provinces.

The MBM underwent a comprehensive review in 2008 (see Appendix 2), which led to a rebased series of thresholds, revised historically to 2000. Several changes were made to the items contained in the market basket, leading in some cases to an upward revision of thresholds and in others, a downward revision. Twenty or so revisions were made; for example: the Chevrolet Cavalier, which is no longer manufactured, was replaced by the Ford Focus, deemed an equivalent vehicle; the cost of public transit for children was added to the list; the shelter costs for homeowners without mortgages were adjusted, etc. Some of the revisions had a greater impact on Québec than on the rest of Canada (food, shelter and transportation components):

- Adoption of Health Canada's 2008 National Nutritious Food Basket raised the cost of the basket by up to 13% in Québec, compared with 11% on average in the rest of Canada.
- The use of different medians in calculating rental shelter costs led to a 7.4% decrease in Québec, but decreases of over 10% in eight of the other provinces.
- The inclusion of homeowners without mortgages in rural areas in the calculation of shelter costs led to decreases. The smallest decreases were in Saskatchewan (28.3%) and Québec (32.5%), compared with decreases of over 38% in all the other provinces, and up to 52.4% in British Columbia;
- private transportation led to a slightly higher increase in Québec (0.6%) compared with the Canadian average (0.5%).

If we apply these changes to 2007, for example, we can see that, overall, they have a relatively minor impact on the MBM thresholds in Québec: no change in thresholds for the Québec CMA and a 0.1% decrease for the Montréal CMA; a few increases ranging between 0.5% and 2.7% for medium-sized cities and a 2.5% decrease for rural areas. The average decrease for Canada as a whole was 3.4% (HATFIELD et al., 2010: 48-50).

The low income rate fell from the early 2000s to 2004 and then levelled off. The coefficient of variation release guidelines were taken into account<sup>6</sup> (Table 2).

**Table 2 Low income rates based on the Market Basket Measure (2008 base), all persons in family units, Québec, 2000-2009**

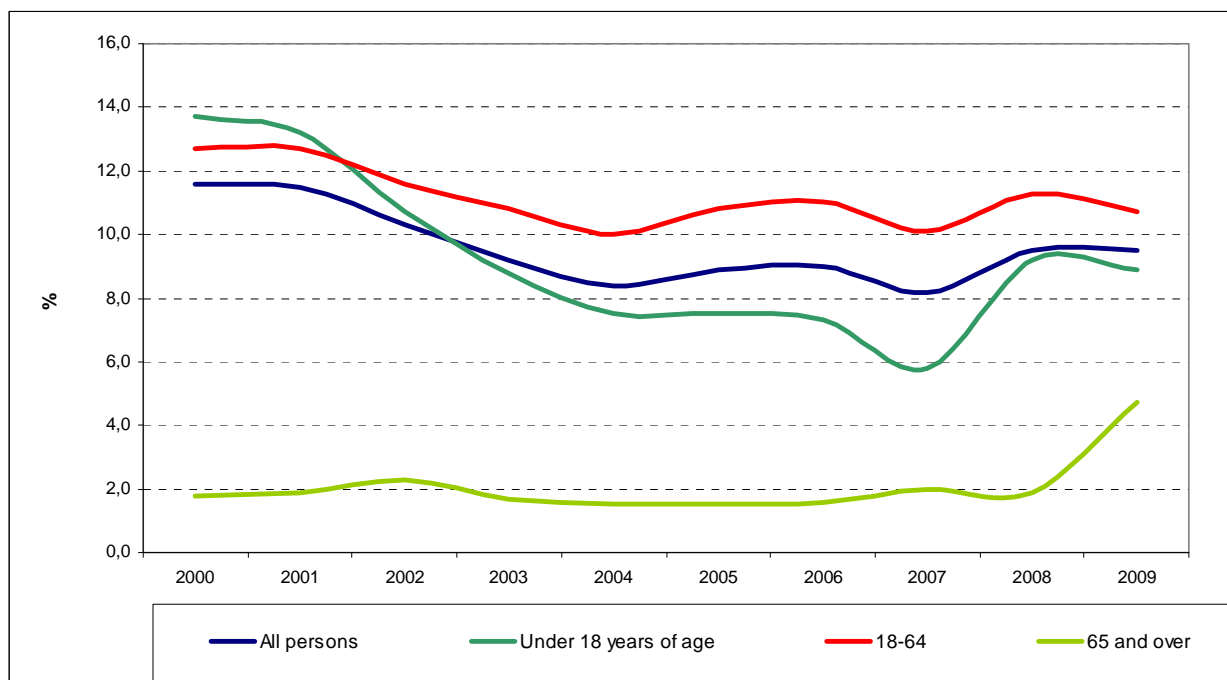
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>All persons</b>	11,6	11,5	10,3	9,2	8,4	8,9	9,0	8,2	9,5	9,5
Under 18 years of age	13,7	13,2	10,7	8,8	7,5	7,5	7,3	5,8	9,2	8,9
18-64	12,7	12,7	11,6	10,8	10,0	10,8	11,0	10,1	11,3	10,7
65 and over	1.8*	1.9*	2.3*	1.7*	1.5*	1.5*	1.6*	2.0*	1.9*	4.7*
<b>Males</b>	10,5	10,6	9,4	8,9	8,5	8,8	9,0	8,1	9,3	9,5
Under 18 years of age	12,9	12,9	11,4	9,2	8,3	7,5	7,0	6,7	9,9	9,3
18-64	11,0	11,2	9,9	10,1	9,8	10,5	10,7	9,6	10,6	10,7
65 and over	2.0*	2.3*	2.5*	1.0*	1.5*	1.4*	2.3*	2.0*	1.7*	3.3*
<b>Females</b>	12,7	12,3	11,1	9,6	8,2	9,0	9,1	8,2	9,7	9,4
Under 18 years of age	14,5	13,6	10,1	8,5	6,6	7,6	7,6	4,9	8,5	8,5
8-64	14,4	14,1	13,3	11,6	10,2	11,0	11,3	10,7	12,0	10,6
65 and over	1.6*	1.6*	2.2*	2.2*	1.6*	1.6*	1.1*	1.9*	2.0*	5.8*
<b>Unattached individuals</b>	25,4	25,9	21,8	21,5	22,1	24,6	23,4	22,7	22,8	25,7
Male	24,9	25,3	20,8	22,2	24,9	26,9	26,6	24,7	22,1	26,2
Female	25,9	26,4	22,7	20,8	19,3	22,3	20,4	20,9	23,6	25,1
<b>All unattached seniors</b>	2.8*	4.1*	2.6*	2.6*	2.3*	2.2*	2.5*	2.7*	3.3*	11.4*
Male	4.3*	6.7*	4.2*	1.6*	3.8*	2.4*	6.8*	2.6*	4.5*	12.3*
Female	2.3*	3.1*	2.0*	2.9*	1.7*	2.1*	0.9*	2.8*	2.7*	11.1*
<b>Unattached individuals, under 65 years of age</b>	32,7	32,8	28,5	27,9	28,8	32,1	30,7	30,1	30,3	30,8
Male	27,9	28,3	23,7	25,5	28,3	30,8	30,1	28,9	25,5	28,5
Female	38,7	38,6	34,3	31,0	29,4	33,8	31,4	31,6	37,0	34,3
<b>Persons in economic families, 2 persons and over</b>	9,1	8,8	8,1	6,8	5,6	5,7	6,0	5,0	6,6	5,9
Persons in two-parent families with children	7.1*	8.3*	5.7*	4.3*	3.9*	3.9*	4.0*	2.7*	5.7*	4.5*
Persons in single-parent families	36.0*	29.7*	29.7*	26.7*	21.3*	18.7*	19.9*	17.1*	20,1	21,0
Persons in male single-parent families	20.6*	10.9*	12.5*	10.0*	7.0*	9.4*	8.0*	12.1*	11.4*	11.8*
Persons in female single-parent families	39.4*	33.8*	34.5*	31.1*	25.9*	21.5*	23.4*	18.7*	22.8*	23,2

Note: \* Used with caution, coefficient of variation > 16.6% and ≤ 33.3%.

Sources: STATISTICS CANADA (2011a); Compilation by the Centre d'études de la pauvreté et l'exclusion, July 2011.

6. The coefficient of variation (CV) is the standard error of an estimate, expressed as a percentage of the estimate. In accordance with Statistics Canada's release guidelines, estimates with a CV less than or equal to 16.6% are published without restriction; estimates with a CV greater than 16.6% and less than or equal to 33.3% are to be interpreted with caution and noted with an asterisk "\*\*"; estimates with a CV greater than 33.3% are not published.

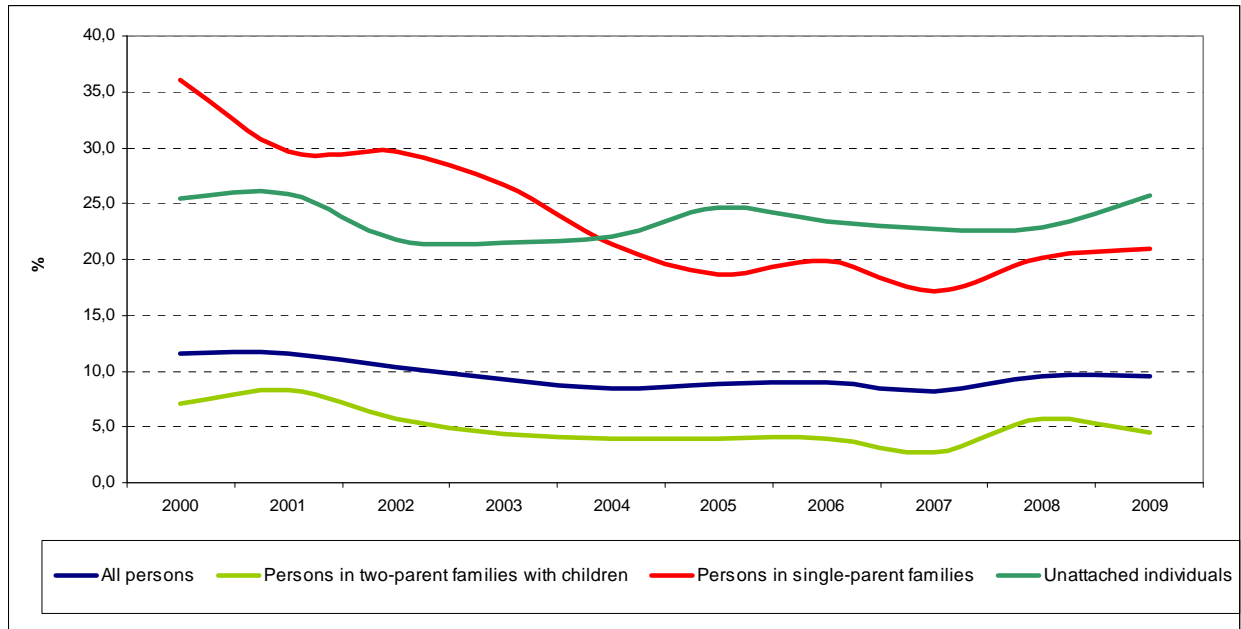
**Chart 1 – Low income rates based on the MBM (2008 base), all persons, Québec, 2000-2009**



Sources: STATISTICS CANADA (2011a); Compilation by the Centre d'études de la pauvreté et l'exclusion, July 2011.

As can be seen by the observable trends in the above chart, the low income rate among the young people under 18 years of age fell from 13.7% in 2000 to 8.9% in 2009. The sudden increase between 2007 and 2008 is the sharpest among young people, a subgroup that includes 16- and 17-year-olds, who may have been affected by the early signs of the recession. These young people may have a harder time landing a first job or be more likely to lose their jobs in hard economic times.

**Chart 2 – Low income rates based on the MBM (2008 base), persons in family units, Québec, 2000-2009**



Sources: STATISTICS CANADA (2011a); Compilation by the Centre d'étude sur la pauvreté et l'exclusion, July 2011.

The low income rate remains the highest among unattached individuals (25.7% in 2009), especially compared with persons in families with at least two members (5.9% in 2009) (Chart 2). On the other hand, the low income rate for single-parent families dropped significantly between 2000 and 2009, from 36.0% to 21.0%, although these data must be interpreted with caution. There was also a marked decline in this rate for female single-parent families (from 39.4% to 23.2% over the same period), although it is still twice as high as the low income rate for male single-parent families (11.8% in 2009). Again, these data must be interpreted with caution.

All data for seniors must also be interpreted with caution, as only a few people were sampled. Among unattached individuals, the low income rate for male seniors rose significantly some years (from 2.6% in 2007 to 12.3% in 2009, or nearly 10 percentage points in just two years). In particular, the increase in low income rates among unattached male seniors over the study period as a whole (from 4.3% in 2000 to 12.3% in 2009), like the increase in these rates for unattached female seniors (from 2.3% in



2000 to 11.1% in 2009), could be taken to mean that their situation has gotten worse, especially in the last year due to the recession, but once again these data must be interpreted with caution.

- **The Low Income Measure (LIM)**

*“We need to rethink the issue of exclusion to include low-income workers, who often experience the same hardships as people on social assistance.”*

Comment from a participant in the training days on the CEPE’s *Advice to the Minister*, June 2009

According to Statistics Canada’s LIM, a family is in low income if its income is less than half (50%) the median family income in the population, adjusted for family size and type.<sup>7</sup> The LIM can be calculated based on before-tax income (LIM-BT) or after-tax income (LIM-AT). Some organizations, such as Statistics Canada, the Organisation for Economic Co-operation and Development (OECD) and the United Nations Development Programme (UNDP), set their threshold at 50% of the median family income, while others, including the European Union and several of its member states, set theirs at 60% of the median family income. Consequently, the LIM allows international comparison of data.

Three changes were recently made to the LIM methodology (MURPHY et al., 2010) (see Appendix 2):

- The first replaces economic family by household as the basic accounting unit in which individuals pool income and enjoy economies of scale in consumption.
- The second consists in adopting the square root of household size equivalence scale to adjust household income. This method is simple and is consistent with international practices. Previously, Statistics Canada’s 40/30 equivalence scale was used (CEPE: 36).

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7. The median splits the population in half, with half the population below the median and the other half, above it.

- The third uses person rather than household income weights. Person weighting produces an estimate of the overall distribution of income among individuals in the population, assuming that all household or family incomes are pooled.

These three modifications are designed to bring LIM methodology closer in line with European and international standards. Since the LIM is primarily used for international comparisons, these comparisons will now be easier. Furthermore, Statistics Canada has already revised the historical series.

MURPHY et al. (2010) explain the effect of each of the changes on low income rates: the first two have a minor impact, whereas the third results in a slight increase in rates across Canada. Also, the low income rates for families will no longer differ from the rates for individuals; henceforth, rates will apply to “persons in families” (“persons in family units”), for which the totals will be the same as for “persons.” This will simplify the presentation of rates (Table 3).

**Table 3** After-tax low income rates based on the LIM, persons, by age of the major income earner and family type, Québec, 1996-2008

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
	%												
<b>All persons</b>	<b>11,1</b>	<b>11</b>	<b>10,7</b>	<b>10,3</b>	<b>10,3</b>	<b>10,5</b>	<b>10</b>	<b>9,8</b>	<b>9</b>	<b>9,7</b>	<b>9</b>	<b>9,1</b>	<b>9,6</b>
Under 18 years of age	12,8	12,4	11,9	11,3	11,2	12,5	10,1	9,6	7,6	8	7,6	8,2	9
18-64	11,9	12,2	11,7	11,6	11,7	11,5	11,2	11,4	10,3	11,2	10,9	10,5	10,9
65 and over	2,6	1,4	2,5	1,3	1,6	1,5	3,2	2	3,9	4,8	1,7	4	4,2
<b>Unattached individuals</b>	<b>24,5</b>	<b>24,9</b>	<b>26,4</b>	<b>23,9</b>	<b>24,5</b>	<b>23,6</b>	<b>21,2</b>	<b>22,3</b>	<b>24,1</b>	<b>27</b>	<b>22,9</b>	<b>24,5</b>	<b>24</b>
Under 65 years of age	32,4	33,9	35,1	30,7	31,6	30,1	27,5	28,8	29	32,3	30	30,5	29,7
65 and over	4,7	0,8	1,5	2,5	2,2	3,6	2,9	3,1	9,4	11,4	2,8	8,2	8,8
<b>Persons living in economic families</b>	<b>8,8</b>	<b>8,6</b>	<b>7,9</b>	<b>7,9</b>	<b>7,7</b>	<b>8</b>	<b>7,8</b>	<b>7,4</b>	<b>5,9</b>	<b>6,1</b>	<b>6,1</b>	<b>5,8</b>	<b>6,4</b>
Under 18 years of age	12,8	12,4	11,8	11,3	11,2	12,4	10,1	9,6	7,6	7,8	7,5	8	9
18-64	8,1	8	7,1	7,6	7,4	7,4	7,7	7,4	6	6,3	6,4	5,7	6,3
65 and over	1,5	1,7	3	0,8	1,3	0,6	3,4	1,5	1,3	1,6	1,2	1,7	1,7

Sources: STATISTICS CANADA, *Survey of Labour and Income Dynamics (SLID)*; Compilation by the Institut de la statistique du Québec, April 2011.

The rates among unattached seniors change significantly some years (for example, increasing from 3.1% to 11.4% between 2003 and 2005, then dropping to 2.8% in 2006), but here again data must be interpreted and used with caution.

### **Statistics Canada's Low Income Cut-Offs (LICOs)**

LICOs are based on a family spending 20% more than the average family on food, clothing and shelter (1992 base = 63.6%, including the 20%). Following a verification of certain assumptions, Statistics Canada calculated "personalized" LICOs (i.e. personalized as requested by MESS researchers in the early 2000s) after acknowledging the measurement biases in LICOs owing to the fact that this measure does not take into account the differences in cost of living across Canada. Since it is indexed on a yearly basis to the Canadian Consumer Price Index (CPI) only, it should not be used for interprovincial comparisons. However, there is no reason why it cannot be used for temporal comparisons (it has the longest time series available) within the same territorial unit (region in a province or province as a whole) to measure changes in low income rates. By correcting the significant measurement bias related to the cost of living, the MBM should be able to replace LICOs as the preferred measure of low income, in particular for interprovincial comparisons.

The following tables present the 2009 baseline thresholds for Québec (indexed for 2011 based on the value of the CPI in 2011 determined based on the average CPI of the last 10 years) and the low income rates based on those thresholds.

**Statistics Canada after-tax LICOs (LICOs-AT),  
cities with 500 000+ inhabitants, 2009 and 2011 dollars**

	current \$	2011 \$
Unattached individuals	18 421	18 973
Single-parent families (1 child)	22 420	23 092
Childless couples	22 420	23 092
Two-parent families (2 children)	34 829	35 873

Sources: STATISTICS CANADA (2011a); Compilation by the Centre d'étude sur la pauvreté et l'exclusion, July 2011.

**Low income rates based on Statistics Canada LICOs-AT, Québec, 1995-2009**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
LICO-AT	17,6	18,0	18,5	16,9	14,8	14,8	13,8	12,3	12,3	11,5	11,7	11,5	10,7	11,2	9,4

Sources: STATISTICS CANADA (2011a); Compilation by the Centre d'étude sur la pauvreté et l'exclusion, July 2011.

Starting after this report, the CEPE will no longer publish LICO data, although these data should continue to be available on Statistic Canada's website. As of 2008, Statistics Canada releases LICO, LIM (Canadian median) and MBM thresholds at the same time.<sup>8</sup>

### 1.1.3 Interregional comparisons

To date, the median low income (LIM) has been used to carry out interregional comparisons in Québec. The Institut de la statistique du Québec (ISQ) releases these data annually using federal taxation statistics.<sup>9</sup> Between 1997 and 2007, the low income rate fell in some of Québec's administrative regions (e.g. Nord-du-Québec, Gaspésie-Îles-de-la-Madeleine, Côte-Nord), remained relatively stable in others (e.g. Estrie, Centre-du-Québec), and rose in still others (e.g. Montréal) (Table 4).

8. See *Income in Canada*: <http://www.statcan.gc.ca/pub/75-202-x/75-202-x2009000-eng.htm>.

9. The ISQ is currently exploring to what extent the MBM could be used for interregional comparisons.

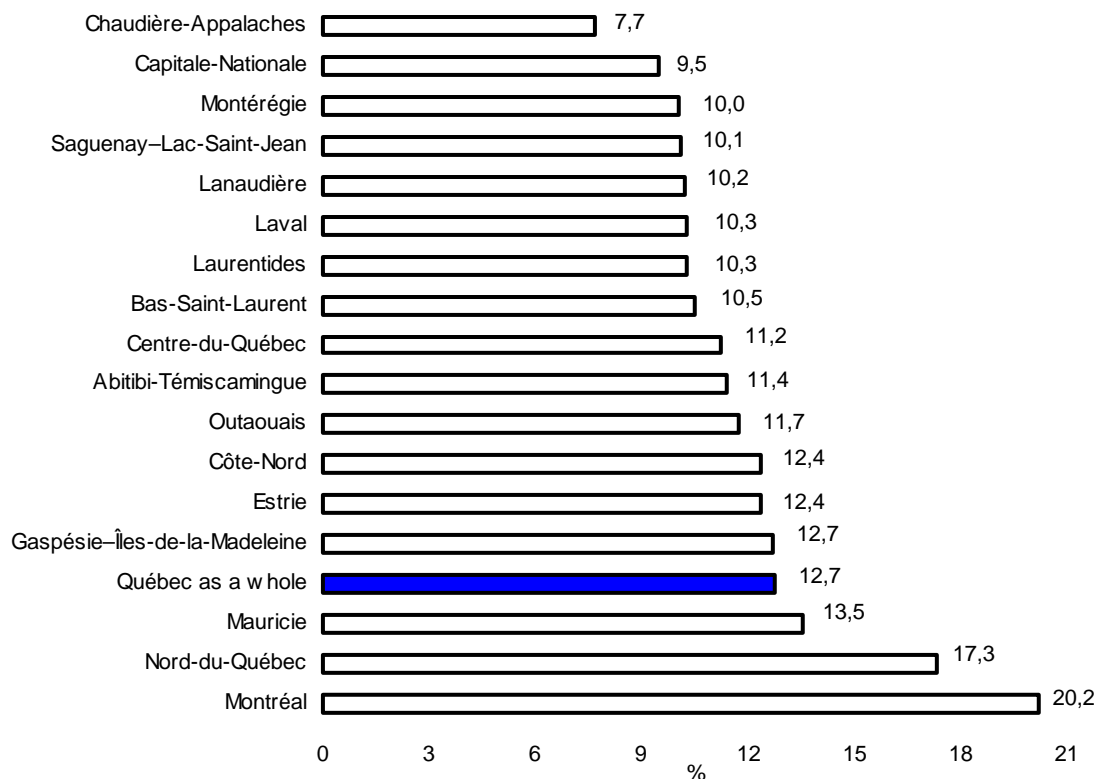
**Table 4 Low income rates based on the LIM, persons, by administrative region, ranking of regions in 2007 and change between 1997 and 2007, Québec, 1997-2007**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Ranking in 2007	Change 1997-2007
Bas-Saint-Laurent	12,7	11,1	11,6	12,2	10,5	10,6	10,7	10,6	9,9	10,0	10,5	8	-2,2
Saguenay-Lac-Saint-Jean	11,3	10,2	10,1	10,9	10,4	10,7	10,8	10,6	10,1	9,8	10,1	4	-1,2
Capitale-Nationale	11,5	10,4	10,4	10,7	10,0	9,8	9,7	9,8	9,3	9,2	9,5	2	-2,0
Mauricie	14,6	13,2	13,1	13,6	13,2	13,5	13,5	13,8	13,2	12,9	13,5	15	-1,1
Estrie	12,1	10,7	11,2	11,8	11,0	11,3	11,6	11,7	11,2	11,5	12,4	13	0,3
Montréal	19,1	17,1	17,9	18,7	18,4	19,4	19,9	20,1	19,3	19,3	20,2	17	1,1
Outaouais	14,2	12,6	13,0	12,8	11,2	11,8	12,0	12,0	11,4	11,4	11,7	11	-2,5
Abitibi-Témiscamingue	13,5	12,3	12,6	13,5	12,4	12,4	12,6	12,3	11,2	11,0	11,4	10	-2,1
Côte-Nord	16,5	15,4	13,2	13,6	12,1	12,4	11,7	12,2	11,5	11,9	12,4	12	-4,2
Nord-du-Québec	30,2	29,2	15,7	16,2	14,6	14,4	14,2	14,7	14,2	16,2	17,3	16	-12,9
Gaspésie-Îles-de-la-Madeleine	17,7	15,4	15,2	15,5	13,1	13,2	12,7	12,9	12,3	12,1	12,7	14	-5,0
Chaudière-Appalaches	9,0	7,9	8,0	8,3	7,4	7,6	7,6	7,6	7,2	7,3	7,7	1	-1,3
Laval	10,5	9,0	9,3	9,6	9,2	9,5	9,7	9,9	9,4	9,6	10,3	6	-0,2
Lanaudière	11,4	10,2	10,4	10,9	10,2	10,4	10,1	10,1	9,3	9,4	10,2	5	-1,2
Laurentides	12,2	10,6	10,8	11,2	10,3	10,6	10,3	10,2	9,5	9,5	10,3	7	-1,9
Montérégie	10,9	9,6	9,8	10,2	9,5	9,8	9,9	9,8	9,2	9,2	10,0	3	-0,9
Centre-du-Québec	11,5	10,0	10,3	10,6	10,2	10,5	10,9	11,0	10,4	10,7	11,2	9	-0,3
Québec as a whole	13,7	12,2	12,4	12,9	12,2	12,6	12,7	12,7	12,1	12,1	12,7		-0,9

Sources: STATISTICS CANADA, *T1 Family File (T1FF)*; Compilation by the Institut de la statistique du Québec and the Centre d'étude sur la pauvreté et l'exclusion, July 2011.

The Chaudière-Appalaches and Capitale-Nationale administrative regions ranked the highest in 2007 (most recent year for which data are available), at a rate under 10%, whereas the Mauricie, Nord-du-Québec and Montréal regions were at the other end of the spectrum, at below the Québec average (Chart 3).

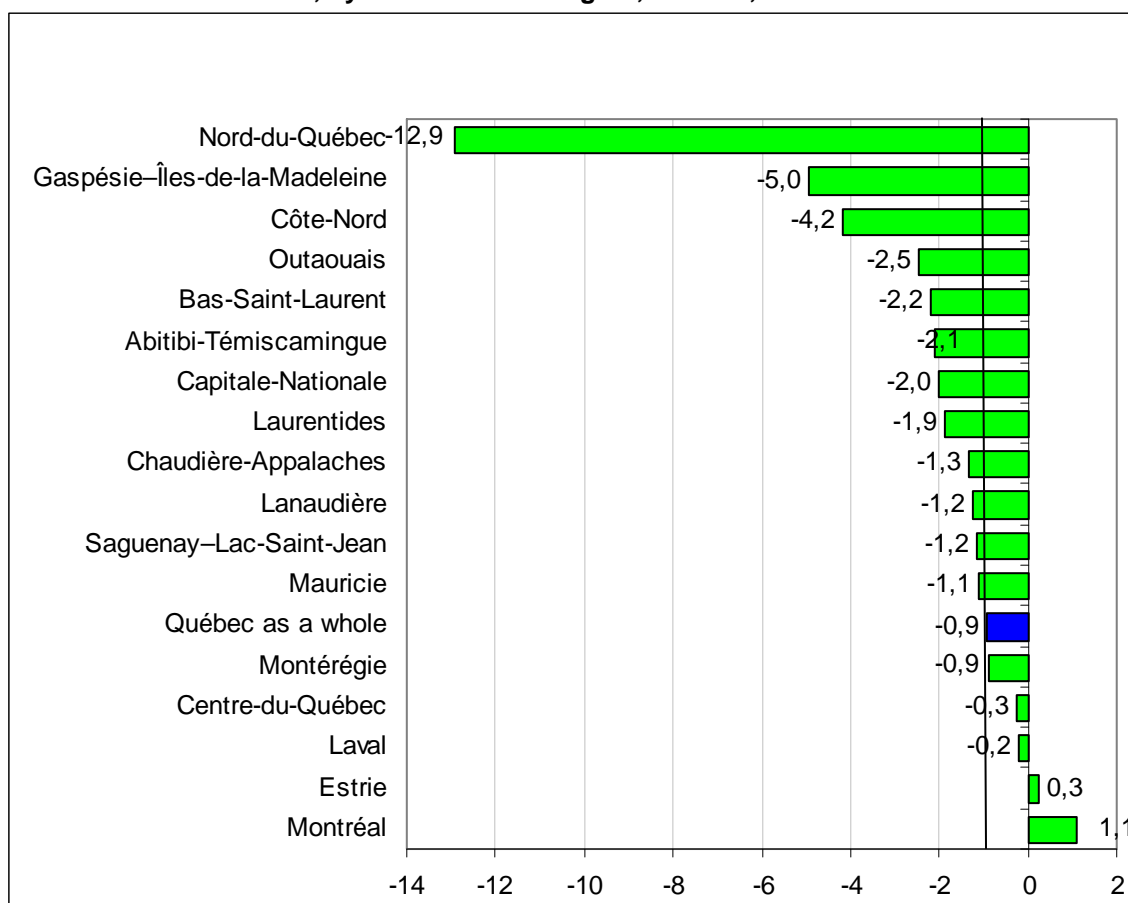
**Chart 3 – Low income rates based on the LIM, persons, by administrative region, Québec, 2007**



Sources: STATISTICS CANADA, *T1 Family File (T1FF)*; Compilation by the Institut de la statistique du Québec and the Centre d'étude sur la pauvreté et l'exclusion, July 2011.

Some of the regions where the low income rate dropped stood out for the magnitude of the improvement. Twelve of Québec's administrative regions saw a greater improvement than that for Québec as a whole between 1997 and 2007; among them, Nord-du-Québec, Gaspésie-Îles-de-la-Madeleine and Côte-Nord, which gained ground by reducing their low income rates by over four percentage points. By contrast, the situation in the Montréal and Estrie administrative regions deteriorated slightly between 1997 and 2007 (Chart 4).

**Chart 4 – Change in low income rates based on the LIM, families and persons not in families, by administrative region, Québec, 1997-2007**



Note: The table presents data according to ranking based on percentage point change. The vertical black line represents the mean (Québec as a whole).

Sources: STATISTICS CANADA, *T1 Family File (T1FF)*; Compilation by the Institut de la statistique du Québec and the Centre d'étude sur la pauvreté et l'exclusion, July 2011.

### 1.1.4 Interprovincial comparisons

There is no consensus among the provinces on the measure that should be used for interprovincial comparisons (see appendices 1a and 1b for a comparison of indicators used in Québec, Newfoundland, Ontario and Manitoba). Québec uses the MBM for the previously mentioned reasons.

An interprovincial comparison using the MBM shows Québec to have the second-highest number of people living in low income (Table 5 and Chart 5), ex aequo with

Saskatchewan. The differences with several other provinces are not statistically significant; in fact, the differences between seven of the provinces (Prince Edward Island, Québec, Saskatchewan, Manitoba, Alberta, Ontario, New Brunswick) are within the margins of error. Québec is thus in a separate group of provinces from British Columbia, Nova Scotia and Newfoundland, whose low income rates were substantially higher than those of the first group in 2009.

**Table 5** Low income rates based on the MBM (2008 base), persons, by province, ranking in 2009 and change between 2000 and 2009, Canada, 2000-2009

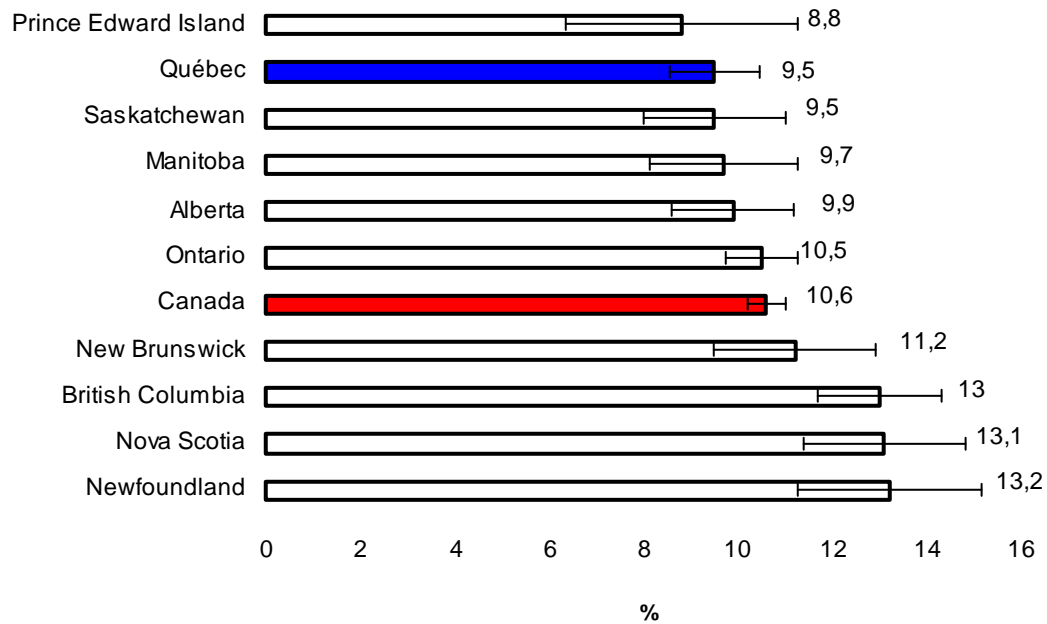
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2009 ranking	Change 2000-2009
Newfoundland	20,5	17,1	17,8	15,6	17,0	14,2	14,6	11,1	12,7	13,2	10	-7,3
Prince Edward Island	14,6	14,3	12,8	11,0	10,3	10,2	11,6	9,1	10,0	8,8	1	-5,8
Nova Scotia	14,2	14,3	14,2	14,4	12,6	11,8	11,0	12,0	12,5	13,1	9	-1,1
New Brunswick	13,7	12,9	13,9	13,3	12,6	13,1	14,0	12,4	11,5	11,2	7	-2,5
Québec	11,6	11,5	10,3	9,2	8,4	8,9	9,0	8,2	9,5	9,5	2	-2,1
Ontario	9,9	9,2	9,7	9,5	10,5	10,1	10,0	8,7	9,4	10,5	6	0,6
Manitoba	10,8	10,0	10,3	9,7	9,7	10,1	9,1	8,2	7,8	9,7	4	-1,1
Saskatchewan	13,2	11,9	10,8	11,2	12,2	12,5	12,7	10,4	9,1	9,5	2	-3,7
Alberta	11,0	9,9	8,6	10,5	10,1	8,1	6,8	6,6	6,0	9,9	5	-1,1
British Columbia	16,8	14,7	15,7	14,8	13,8	12,8	12,3	10,4	11,5	13,0	8	-3,8
Canada	11,9	11,0	10,9	10,6	10,6	10,2	10,0	8,8	9,5	10,6		-1,3

Note: Figures in bold mean there is no statistically significant difference in relation to Québec ( $p \leq 0.05$ ). In the absence of information on the design of the SLID survey, confidence intervals were calculated based on the assumption that it is constructed around a simple random sample such that margins of error are understated because of the complex survey design of the SLID data.

Sources: STATISTICS CANADA (2011a); Compilation by the Centre d'étude sur la pauvreté et l'exclusion, July 2011.



**Chart 5 – Low income rates based on the MBM (2008 base), persons, Canada and the provinces, 2009**

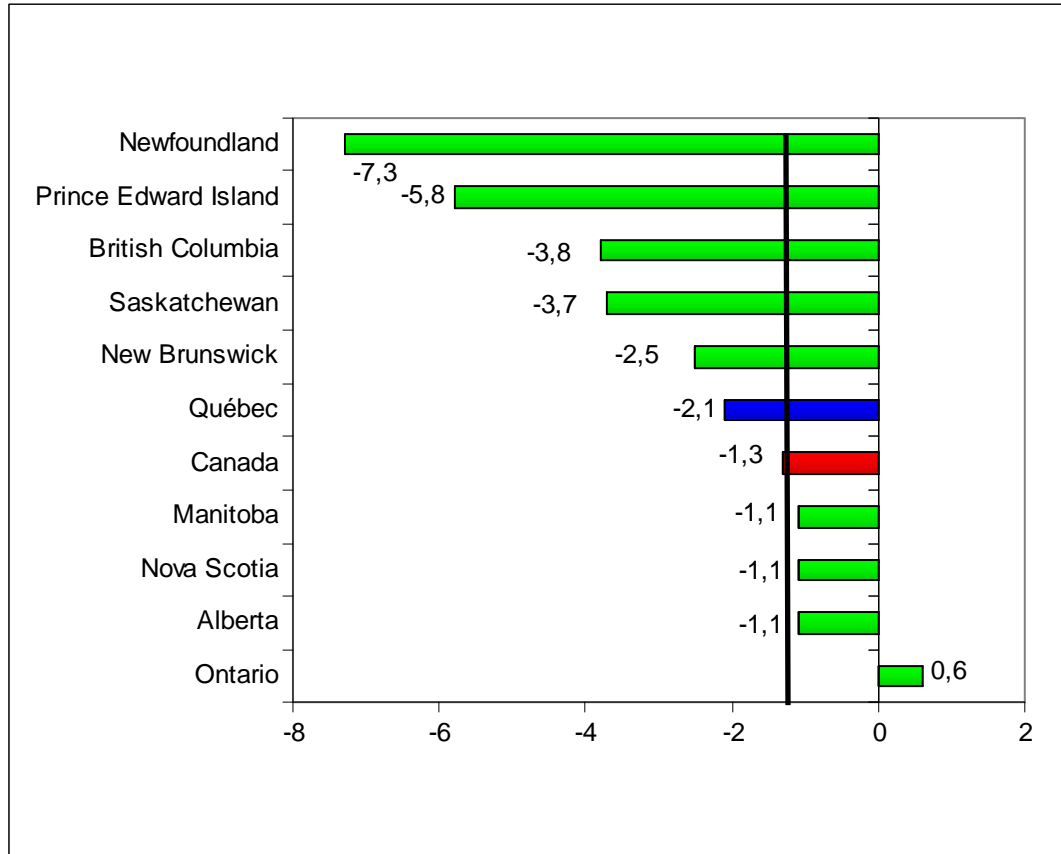


Note: Confidence intervals are provided for information purposes only. In the absence of information on the design of the SLID survey, confidence intervals were calculated based on the assumption that it is constructed around a simple random sample such that margins of error are understated because of the complex survey design of the SLID data.

Sources: STATISTICS CANADA (2011a); Compilation by the Centre d'étude sur la pauvreté et l'exclusion, July 2011.

The observable changes in MBM low income rates between 2000 and 2009 have had more positive effects in some provinces, such as Newfoundland, Prince Edward Island and some of the western provinces, but most of these provinces came from much further behind than Québec. In Newfoundland, for example, the low income rate was 20.5% in 2000 and 13.2% in 2009, for a drop of 7.3 percentage points, whereas in Québec, the rate fell 2.1 percentage points over the same period, from 11.6% in 2000 to 9.5% in 2009 (Chart 6).

**Chart 6 – Change in low income rates based on the MBM (2008 base), persons, Canada and the provinces, 2000-2009**



Note: In the absence of information on the design of the SLID survey, confidence intervals were calculated based on the assumption that it is constructed around a simple random sample such that margins of error are understated because of the complex survey design of the SLID data. The vertical black line represents the mean (Canada as a whole).

Sources: STATISTICS CANADA (2011a); Compilation by the Centre d'étude sur la pauvreté et l'exclusion, July 2011.

If Québec has fallen behind Prince Edward Island, is ex aequo with Saskatchewan and is just slightly ahead of a few other provinces, it must be understood that the differences are not statistically significant. In fact, the differences between seven of the provinces (Prince Edward Island, Québec, Saskatchewan, Manitoba, Alberta, Ontario, New Brunswick) are within the margins of error. Québec is thus in a separate group of provinces from British Columbia, Nova Scotia and Newfoundland, whose low income rates were substantially higher than those of the first group in 2009.

#### **1.1.4.1 Analysis of the changes in low income rates based on the MBM, Québec and other provinces, 2000-2008**

The aim of this section is to understand why MBM low income rates fell more slowly in Québec between 2000 and 2008. The context changed with the 2009 recession, which hit the rest of Canada harder than it did Québec. The marginal increase in disposable income relative to the changes in MBM thresholds would partially explain the change in low income trends in Québec since 2004. Whereas the downward trend in low income slowed in Québec, the low income rate in other provinces, such as Alberta, Newfoundland, Manitoba, Saskatchewan and British Columbia, fell at a faster pace than in Québec because growth in disposable income was much higher than the increase in low income thresholds.

Although many factors might explain this trend, we focused on two components of the MBM, namely changes in thresholds and changes in MBM disposable income. Different changes in expenditure items included in the market basket between provinces might have influenced the decline in low income rates. In the same vein, smaller growth in disposable income than in MBM thresholds over the same period could also explain the smaller decrease in the low income rate in Québec (-2.1 percentage points) than in Newfoundland (-7.8 percentage points), British Columbia (-5.3 percentage points) and Alberta (-5.1 percentage points).

Furthermore, growth in disposable income is intrinsically linked to economic conditions: oil in Newfoundland and Western Canada, etc. According to COUSINEAU (2009), provinces that experienced the sharpest drop in low income rates also posted a higher economic growth rate, as shown by the growth in median real household income.

○ **Change in market basket components**

The table below presents the trends and changes in the weighted average low income thresholds for Canada's provinces (Table 6).<sup>10</sup> Between 2000 and 2008, the weighted average low income threshold in Québec rose by 27.9%, which is less than in Alberta (31.3%), Manitoba (30.1%) and Saskatchewan (29.3%). A review of the statistics for 2004-2008 leads to virtually the same conclusion, i.e. that trends in MBM thresholds closely mirror those in the other provinces. In other words, this aspect is not the most significant contributing factor to the relatively smaller decrease in the low income rate in Québec than in some other provinces.

**Table 6** Weighted average low income thresholds based on the MBM, two-parent family with two children, by province, Canada, 2000-2008

	2000	2001	2002	2003	2004	2005	2006	2007	2008	Change 2000-2008	Change 2004-2008
	\$									%	%
Newfoundland	24 147	24 709	25 165	25 427	26 125	26 860	28 035	28 676	30 221	25,2	15,7
Prince Edward Island	24 058	24 811	25 302	25 568	26 429	27 749	28 967	29 328	30 642	27,4	15,9
Nova Scotia	23 696	24 413	24 774	25 127	25 705	26 667	27 784	28 547	29 988	26,5	16,7
New Brunswick	n.a.	n.a.	n.a.	n.a.	n.a.	26 412	27 697	27 933	29 384	n.a.	n.a.
<b>Québec</b>	<b>21544</b>	<b>22 578</b>	<b>22 738</b>	<b>22 917</b>	<b>23 556</b>	<b>24 371</b>	<b>25 497</b>	<b>25 957</b>	<b>27 544</b>	<b>27,9</b>	<b>16,9</b>
Ontario	23 578	24 519	25 086	25 395	26 043	26 851	27 886	28 043	29 670	25,8	13,9
Manitoba	21 462	22 376	22 814	23 297	23 853	24 617	25 575	26 270	27 578	28,5	15,6
Saskatchewan	22 159	23 034	23 133	23 718	24 370	24 819	25 950	26 781	28 648	29,3	17,6
Alberta	23 384	24 423	24 896	25 584	25 789	26 284	27 568	28 845	30 704	31,3	19,1
British Columbia	24 241	24 544	24 685	24 941	25 659	26 273	27 343	27 809	29 288	20,8	14,1

Note: n.a.: data not available.

Sources: Statistics Canada, *Survey of Labour and Income Dynamics (SLID), 2000-2008* and *Income in Canada, 2010*; Compilation by the Centre d'étude sur la pauvreté et l'exclusion, July 2011.

Despite a rapid increase in their low income thresholds, Alberta, Saskatchewan and Manitoba saw their low income rates drop more rapidly than that of Québec between 2000 and 2008.

Looking at the percentage point changes in low income thresholds between 2004 and 2008, when the MBM low income rate edged up in Québec, the same trend is observed

10. A province's low income threshold is a population-weighted average of the thresholds for the different communities and community sizes in the province. See the community and community size thresholds (HATFIELD et al., 2010).

between 2000 and 2008. Low income thresholds increased at a faster pace in Alberta and Saskatchewan than in Québec, whereas their low income rates continued to decline.

One factor that might explain the increase in MBM thresholds in Québec is the “food” expenditure item. The changes in low income thresholds by expenditure item in each of the Canadian provinces during the periods 2000-2008 and 2004-2008 are presented below (Tables 7 and 8). As can be seen from these tables, spending on food increased at a faster pace in Québec than in the other provinces, both in 2000-2008 (36.9%) and 2004-2008 (24.8%). With this being the biggest expenditure item for families (nearly one third of the family budget in 2008), such an increase in the cost of food would have driven an increase in low income thresholds.

Québec also experienced the second-biggest increase in spending on transportation between 2000 and 2008 (21.2%), after Alberta (30.8%). Despite the low weight of transportation in the total market basket (9.8% in 2008), an increase in the cost of transportation would have contributed, albeit to a lesser degree, to the increase in Québec’s weighted average low income threshold between 2000 and 2008.

**Table 7** Percentage change in expenditure on market basket items, by province, Canada, 2000-2008

	Food	Clothing	Shelter	Transportation	Other expenditures	Total
Newfoundland	31,0	-2,7	23,5	12,5	36,9	<b>25,1</b>
Prince Edward Island	36,3	-7,3	32,4	10,3	38,9	<b>27,4</b>
Nova Scotia	34,1	-0,5	24,8	7,0	39,5	<b>26,5</b>
New Brunswick	n.a.	n.a.	n.a.	n.a.	n.a.	<b>n.a.</b>
<b>Québec</b>	<b>36,9</b>	<b>-9,3</b>	<b>20,9</b>	<b>21,2</b>	<b>40,5</b>	<b>27,9</b>
Ontario	35,3	-13,2	23,6	20,7	36,8	<b>25,8</b>
Manitoba	35,5	-0,9	27,0	11,6	41,4	<b>28,5</b>
Saskatchewan	30,9	-2,9	42,5	12,7	37,1	<b>29,3</b>
Alberta	33,8	-9,0	37,6	30,8	37,5	<b>31,3</b>
British Columbia	22,5	0,4	16,2	17,6	31,3	<b>20,8</b>

Note: n.a.: data not available.

Sources: Statistics Canada, *Survey of Labour and Income Dynamics (SLID), 2000-2008* and *Income in Canada, 2010*; Compilation by the Centre d'étude sur la pauvreté et l'exclusion, July 2011.

**Table 8** Percentage change in expenditure on market basket items, by province, Canada, 2004-2008

	Food	Clothing	Shelter	Transportation	Other expenditures	Total
Newfoundland	20,3	-0,7	9,7	6,0	25,1	<b>15,7</b>
Prince Edward Island	24,2	-10,4	14,9	4,7	24,8	<b>15,9</b>
Nova Scotia	21,8	2,0	10,4	3,9	26,8	<b>16,7</b>
New Brunswick	n.a.	n.a.	n.a.	n.a.	n.a.	<b>n.a.</b>
<b>Québec</b>	<b>24,8</b>	<b>-7,6</b>	<b>8,7</b>	<b>8,2</b>	<b>27,5</b>	<b>16,9</b>
Ontario	20,7	-9,3	8,9	9,7	23,2	<b>13,9</b>
Manitoba	18,1	0,5	14,7	4,3	23,9	<b>15,6</b>
Saskatchewan	18,4	-4,9	23,6	10,0	22,6	<b>17,6</b>
Alberta	20,6	-7,7	23,8	13,3	23,7	<b>19,1</b>
British Columbia	16,3	0,5	8,0	12,2	22,4	<b>14,1</b>

Note: n.a.: data not available.

Sources: Statistics Canada, *Survey of Labour and Income Dynamics (SLID), 2000-2008* and *Income in Canada, 2010*; Compilation by the Centre d'étude sur la pauvreté et l'exclusion, July 2011.

Thus, the increased cost of MBM components would have resulted in higher weighted average low income thresholds in all of the provinces. However, the higher cost of market basket items could not be the biggest contributing factor to the smaller decrease in Québec's low income rate, since the low income rate decreased at a faster pace in some provinces where the cost of items contained in the market basket rose more quickly than in Québec. For example, Alberta, Saskatchewan and Manitoba are the

three provinces with the fastest-growing expenditure on market basket items, but their low income rates fell by 5.1, 4.1 and 3.0 percentage points, respectively, between 2000 and 2008.

○ **Change in disposable income and economic conditions**

The second contributing factor we focused on is changes in family disposable income. Table 9 shows the changes in MBM disposable income, adjusted for family size. MBM disposable income grew at a faster pace than the MBM threshold in every province except Ontario between 2000 and 2008, for all income strata.

**Table 9 Percentage change in disposable income available to purchase goods and services in the market basket, adjusted for family size, and percentage change in MBM thresholds for family units, by province, Canada, 2000-2008 and 2004-2008**

	Change 2000-2008					Change 2004-2008				
	10th percentile	25th percentile	Average	Median	Threshold	10th percentile	25th percentile	Average	Median	Threshold
Newfoundland	46,6	42,6	48,8	44,2	25,2	31,3	24,8	32,5	27,8	15,7
Prince Edward Island	53,5	39,2	44,5	45,1	27,4	16,9	21,2	23,1	20,7	15,9
Nova Scotia	27,1	32,1	33,3	35,0	26,5	22,7	14,7	16,0	14,8	16,7
New Brunswick	31,9	35,5	34,1	40,4	n.d.	19,7	20,4	18,4	23,2	n.d.
<b>Québec</b>	29,9	32,8	34,8	33,3	27,9	11,1	12,3	13,5	15,9	16,9
Ontario	24,6	26,1	28,8	26,3	25,8	16,1	15,3	14,7	13,0	13,9
Manitoba	42,5	43,4	43,9	45,9	30,1	28,2	25,0	25,3	25,3	18,3
Saskatchewan	63,7	44,7	58,1	52,5	29,3	46,0	28,1	34,8	35,4	17,6
Alberta	86,7	56,5	62,4	60,4	31,3	66,2	32,5	33,5	30,2	19,1
British Columbia	35,1	44,1	51,3	47,2	20,8	19,1	24,5	26,8	26,6	14,1

Sources: Statistics Canada, *Survey of Labour and Income Dynamics (SLID), 2000-2008*; Compilation by the Centre d'étude sur la pauvreté et l'exclusion, July 2011.

However, the disposable income of family units in the 10th and 25th percentiles changed more slowly in Québec during this period, with Québec moving ahead of only Nova Scotia and Ontario. Alberta and Saskatchewan had the best performance. Nevertheless, the slightly faster expansion of disposable income than of the MBM threshold in Québec is not unrelated to the reduction in low income observed since the turn of the century.

If disposable income increased more quickly than the threshold between 2000 and 2008, why did the low income rate start to decline in 2004? This question can be partially answered by reviewing the results observed between 2004 and 2008.

We note that the disposable income of Québec families in the 10th and 25th percentiles rose by just 11.1% and 12.3% between 2004 and 2008, a smaller change than that observed for thresholds over the same period (16.9%). Québec ranks last among the provinces in this regard. The conclusion is that even if other factors influenced the decline in Québec's low income rate compared with other provinces, the slower increase in disposable income, particularly between 2004 and 2008, is one of the causes of the marginal decrease in the low income rate in Québec starting in 2004 compared with other provinces.

### **1.1.5 International comparisons**

For international comparisons, most countries use thresholds of 50% or 60% of median income, based on the standard in force in the countries being compared. This approach shows where Québec stands in relation to a subset of 17 OECD countries, from among the 30 normally used for the purposes of international comparisons, if it is considered a separate entity (Table 10 and Chart 7). In 2004, it ranked 9th using the 50% threshold and 8th using the 60% threshold. Canada ranked 15th and 13th, respectively (17th and 14th without Québec).



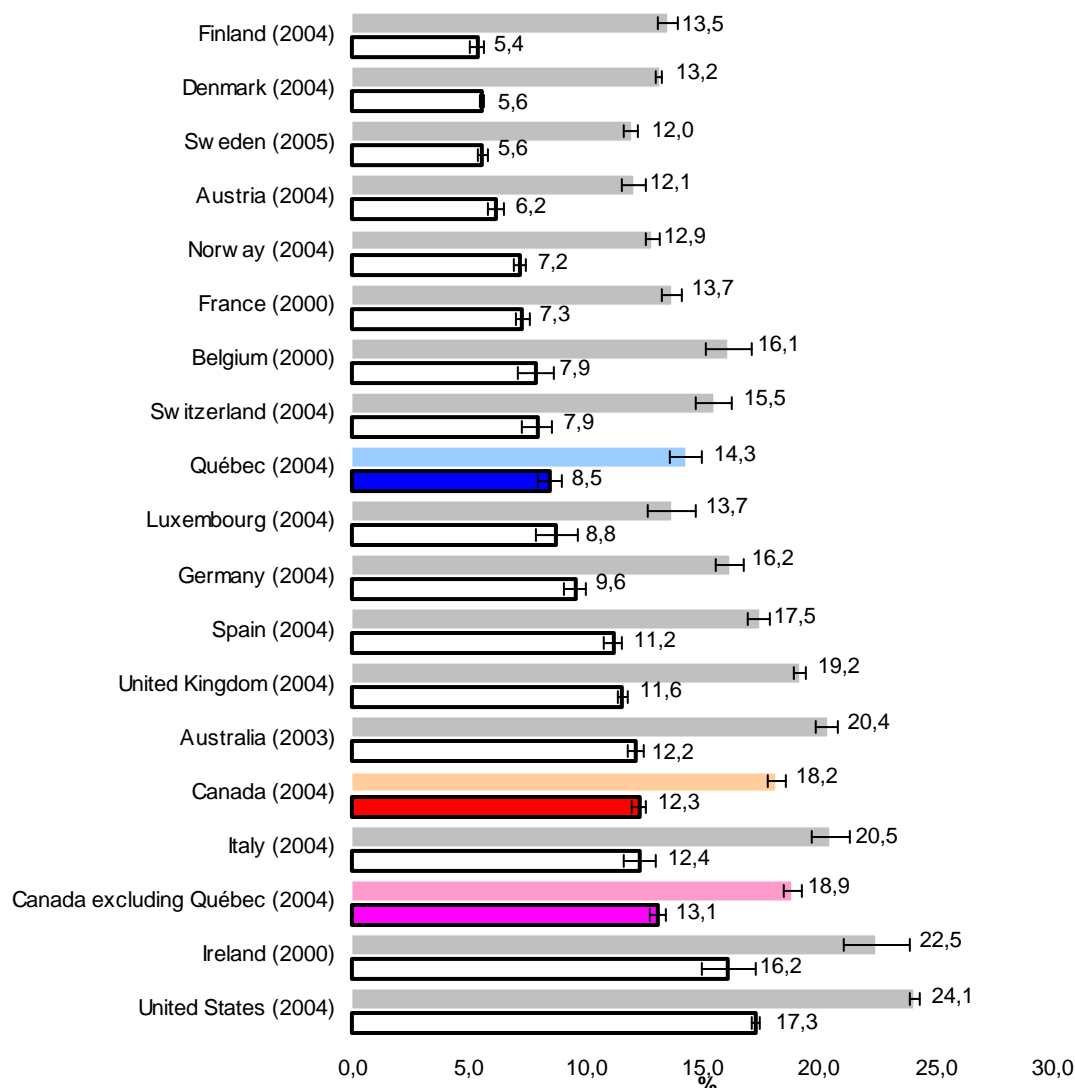
**Table 10 Low income rates (50% and 60% of median income), persons, by country, turn of the 21st century**

Country	Proportion	Stand. dev.	Low. lim. 95%	Up. lim. 95%	Proportion	Stand. dev.	Low. lim. 95%	Up. lim. 95%	Ranking	
									50%	60%
Finland (2004)	5,4	0,28	4,8	5,9	13,5	0,39	12,8	14,3	1	5
Denmark (2004)	5,6	0,08	5,4	5,7	13,2	0,12	13,0	13,4	2	4
Sweden (2005)	5,6	0,21	5,2	6,0	12,0	0,29	11,4	12,5	3	1
Austria (2004)	6,2	0,35	5,5	6,8	12,1	0,49	11,1	13,0	4	2
Norway (2004)	7,2	0,24	6,7	7,7	12,9	0,31	12,3	13,5	5	3
France (2000)	7,3	0,29	6,7	7,9	13,7	0,43	12,9	14,6	6	6
Belgium (2000)	7,9	0,74	6,4	9,3	16,1	0,99	14,2	18,1	7	10
Switzerland (2004)	7,9	0,61	6,7	9,1	15,5	0,77	14,0	17,0	8	9
<b>Québec (2004)</b>	<b>8,5</b>	<b>0,50</b>	<b>7,5</b>	<b>9,5</b>	<b>14,3</b>	<b>0,70</b>	<b>12,9</b>	<b>15,7</b>	<b>9</b>	<b>8</b>
Luxembourg (2004)	8,8	0,93	7,0	10,6	13,7	1,03	11,7	15,8	10	7
Germany (2004)	9,6	0,45	8,7	10,5	16,2	0,59	15,1	17,4	11	11
Spain (2004)	11,2	0,38	10,5	11,9	17,5	0,45	16,6	18,3	12	12
United Kingdom (2004)	11,6	0,23	11,1	12,1	19,2	0,27	18,7	19,8	13	15
Australia (2003)	12,2	0,36	11,5	12,9	20,4	0,45	19,5	21,3	14	16
<b>Canada (2004)</b>	<b>12,3</b>	<b>0,30</b>	<b>11,7</b>	<b>12,9</b>	<b>18,2</b>	<b>0,40</b>	<b>17,4</b>	<b>19,0</b>	<b>15</b>	<b>13</b>
Italy (2004)	12,4	0,69	11,0	13,7	20,5	0,81	18,9	22,1	16	17
<b>Canada excluding Québec (2004)</b>	<b>13,1</b>	<b>0,37</b>	<b>12,4</b>	<b>13,8</b>	<b>18,9</b>	<b>0,40</b>	<b>18,1</b>	<b>19,7</b>	<b>17</b>	<b>14</b>
Ireland (2000)	16,2	1,19	13,8	18,5	22,5	1,39	19,8	25,2	18	18
United States (2004)	17,3	0,18	17,0	17,7	24,1	0,21	23,7	24,5	19	19

Note: Low income threshold set at 50% and 60% of median income (Québec median in the case of Québec); confidence intervals are indicated. In the absence of information on the design of national surveys, confidence intervals were calculated based on the assumption that it is constructed around a simple random sample such that margins of error are understated because of the complex survey design. For "Canada excluding Québec," the Canadian median not including Québec was used. Data in the above table are ranked on the basis of 50% of the median.

Sources: Various national surveys on income; Luxembourg Income Study (LIS); Compilation by the Centre d'étude sur la pauvreté et l'exclusion, July 2011.

**Chart 7 – Low income rates based on 50% and 60% of median after-tax income in Québec, persons, by country, turn of the 21st century**



Note: Low income thresholds set at 50% (□) and 60% (▣) of median income (Québec median in the case of Québec); confidence intervals are indicated. In the absence of information on the design of national surveys, confidence intervals were calculated based on the assumption that it is constructed around a simple random sample such that margins of error are understated because of the complex survey design. For “Canada excluding Québec,” the Canadian median not including Québec was used.

Sources: Various national surveys on income; Luxembourg Income Study (LIS); Compilation by the Centre d'étude sur la pauvreté et l'exclusion, July 2011.

The CEPE also recommended making international comparisons by converting income thresholds to poverty thresholds using purchasing power parity (PPP), as proposed by SMEEDING (2006). The purpose of this conversion is to determine the equivalent threshold in other countries based on purchasing power. SMEEDING (2006) gives an example by comparing the poverty rates in several countries using the U.S. threshold, which represents a specific percentage of median disposable income. He then uses PPP exchange rates to convert the income thresholds into poverty thresholds for other countries. He is then able to compare the rates and rankings of each of these countries.

Purchasing power parity, as calculated by the OECD, is used to measure the power of a currency to purchase goods and services in a given country, something that exchange rates do not enable. The advantage is less variation than with exchange rates, which can fluctuate suddenly in the short term even if economic conditions do not change (e.g. speculation). Furthermore, thresholds as defined by the MBM are calculated for Canada only and there is no equivalent international measure.

Using this calculation method, it is possible to see where Québec stands internationally from an absolute perspective, since the threshold is not measured in relative terms. In other words, this enables an estimation of the low income line in 17 OECD member countries against which Québec normally compares itself, if the value of the Québec threshold were applied (Table 11 and Chart 8).

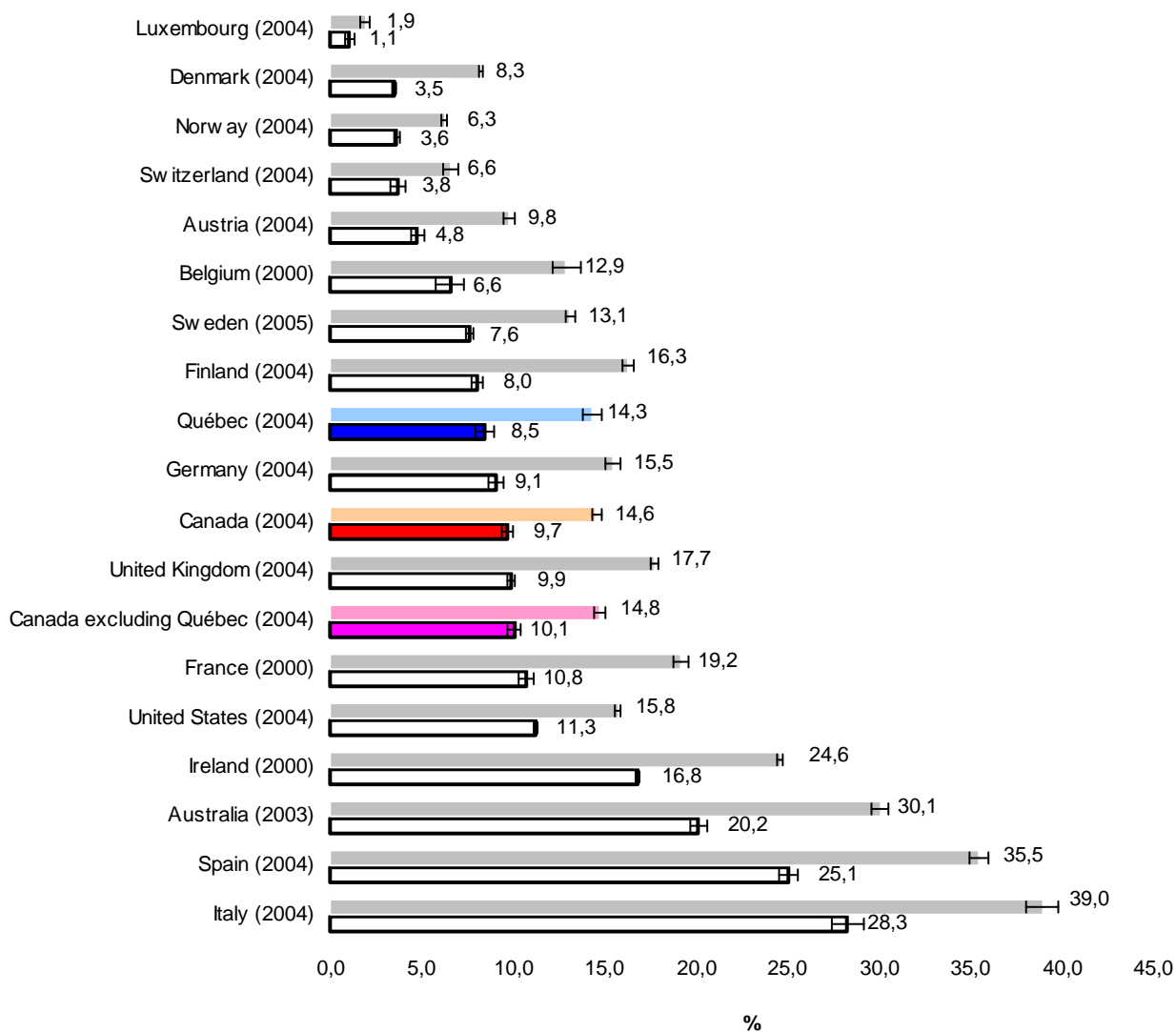
**Table 11 Low income rates based on 50% and 60% of median after-tax income in Québec adjusted for purchasing power parities (PPPs), persons, by country, turn of the 21st century**

Country	Proportion	Stand. dev.	Low. lim. 95%	Up. lim. 95%	Proportion	Stand. dev.	Low. lim. 95%	Up. lim. 95%	Ranking	
									50%	60%
Luxembourg (2004)	1,1	0,2	0,6	1,5	1,9	0,3	1,3	2,6	1	1
Denmark (2004)	3,5	0,1	3,4	3,6	8,3	0,1	8,1	8,4	2	4
Norway (2004)	3,6	0,2	3,3	4,0	6,3	0,2	5,8	6,7	3	2
Switzerland (2004)	3,8	0,4	3,0	4,5	6,6	0,6	5,5	7,7	4	3
Austria (2004)	4,8	0,3	4,2	5,4	9,8	0,5	8,9	10,7	5	5
Belgium (2000)	6,6	0,8	5,1	8,1	12,9	1,0	11,1	14,8	6	6
Sweden (2005)	7,6	0,2	7,2	8,1	13,1	0,3	12,6	13,7	7	7
Finland (2004)	8,0	0,3	7,4	8,6	16,3	0,4	15,4	17,1	8	13
<b>Québec (2004)</b>	<b>8,5</b>	<b>0,5</b>	<b>7,5</b>	<b>9,5</b>	<b>14,3</b>	<b>0,7</b>	<b>12,9</b>	<b>15,7</b>	<b>9</b>	<b>8</b>
Germany (2004)	9,1	0,4	8,2	9,9	15,5	0,6	14,4	16,6	10	11
<b>Canada (2004)</b>	<b>9,7</b>	<b>0,3</b>	<b>9,1</b>	<b>10,3</b>	<b>14,6</b>	<b>0,4</b>	<b>13,9</b>	<b>15,3</b>	<b>11</b>	<b>9</b>
United Kingdom (2004)	9,9	0,2	9,4	10,3	17,7	0,3	17,2	18,3	12	14
<b>Canada excluding Québec (2004)</b>	<b>10,1</b>	<b>0,3</b>	<b>9,4</b>	<b>10,7</b>	<b>14,8</b>	<b>0,4</b>	<b>14,0</b>	<b>15,5</b>	<b>13</b>	<b>10</b>
France (2000)	10,8	0,4	<b>10,0</b>	<b>11,5</b>	19,2	0,5	<b>18,2</b>	<b>20,1</b>	14	15
United States (2004)	11,3	0,2	11,0	11,5	15,8	0,2	15,4	16,1	15	12
Ireland (2000)	16,8	0,1	<b>16,6</b>	<b>17,0</b>	24,6	1,5	<b>21,8</b>	<b>27,5</b>	16	16
Australia (2003)	20,2	0,5	19,2	21,1	30,1	0,6	28,9	31,3	17	17
Spain (2004)	25,1	0,5	24,1	26,1	35,5	0,6	34,3	36,7	18	18
Italy (2004)	28,3	0,9	26,6	30,0	39,0	0,9	37,2	40,7	19	19

Note: Low income threshold set at 50% and 60% of median income (Québec median in the case of Québec); confidence intervals are indicated. In the absence of information on the design of national surveys, confidence intervals were calculated based on the assumption that it is constructed around a simple random sample such that margins of error are understated because of the complex survey design. For "Canada excluding Québec," the Canadian median not including Québec was used. Data in the above table are ranked on the basis of 50% of the median.

Sources: Various national surveys on income; Luxembourg Income Study (LIS); Compilation by the Centre d'étude sur la pauvreté et l'exclusion, July 2011.

**Chart 8 – Low income rates based on 50% and 60% of median after-tax income in Québec adjusted for purchasing power parities (PPPs), persons, by country, turn of the 21st century**



Note: Low income thresholds set at 50% (□) and 60% (▣) of median income (Québec median in the case of Québec); confidence intervals are indicated. In the absence of information on the design of national surveys, confidence intervals were calculated based on the assumption that it is constructed around a simple random sample such that margins of error are understated because of the complex survey design. For “Canada excluding Québec,” the Canadian median not including Québec was used. Data for Luxembourg should be interpreted with caution (coefficient of variation > 16.6%).

Sources: Various national surveys on income; Luxembourg Income Study (LIS); Compilation by the Centre d'étude sur la pauvreté et l'exclusion, July 2011.

The results yielded with thresholds of 50% and 60% of median income in Québec converted using PPPs show that Québec ranks in the middle of developed countries, just ahead of Canada and Canada excluding Québec.

Both methods, i.e. with and without conversion using PPPs, thus yield almost the same portrait of low income. In short, regardless of the calculation method used, in 2004 Québec would have ranked in the middle of developed countries in an international comparison if it had been considered a separate entity.

Furthermore, it is important to remember that these international comparisons have some known limits, in particular where cash transfers exist in some places while preference is given to in-kind public services in others. Consequently, a comparison of low income rates based on a percentage of median income has weaknesses.

Regardless of the calculation method used, in 2004 Québec would have ranked in the middle of developed countries in an international comparison if it had been considered a separate entity.

- **Temporal changes**

Between 2000 and 2004, a subset of 14 countries included in the Luxembourg Income Study saw its low income rate (50% of median income) increase by an average of 0.3 percentage point (Table 12 and Chart 9). If Québec had been considered a separate entity, the observable change would have been -1.5 percentage points between 2000 and 2004, although the confidence intervals would have overlapped those of the other countries. The real change could thus have been anywhere between -3.4 and 0.5 percentage points, with no statistically significant difference with the other countries, except Denmark, Australia and the United Kingdom.

In all likelihood, the number of years of observation used to determine if statistically significant differences exist between the countries: this should become clearer over time. The current exercise simply points to the trend since the beginning of the 2000s.

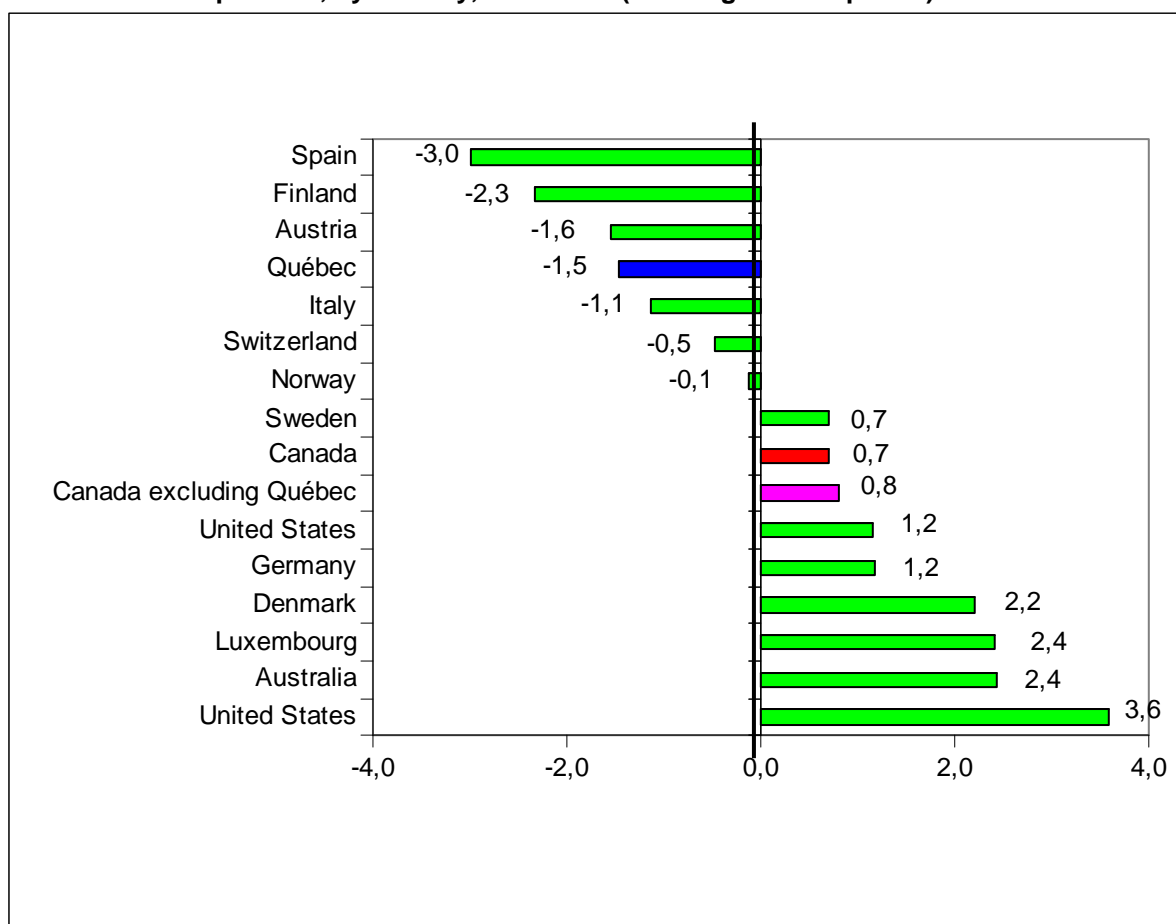
**Table 12 Percentage point change in after-tax low income rates (50% of median income), persons, by country, 2000-2004 (allowing for exceptions)**

Country	Year	Proportion (50%)	Stand. dev.	Low. lim. 95%	Up. lim. 95%	Year	Proportion (50%)	Stand. dev.	Low. lim. 95%	Up. lim. 95%	Change p.p.	Low. lim. 95%	Up. lim. 95%
Spain	2000	14,2	0,56	13,1	15,3	2004	11,2	0,38	10,5	11,9	-3,0	-4,8	-1,2
Finland	2000	7,7	0,35	7,0	8,4	2004	5,4	0,28	4,8	5,9	-2,3	-3,6	-1,1
Austria	2000	7,7	0,62	6,5	8,9	2004	6,2	0,35	5,5	6,8	-1,6	-3,5	0,4
<b>Québec</b>	<b>2000</b>	<b>10,0</b>	<b>0,50</b>	<b>9,0</b>	<b>11,0</b>	<b>2004</b>	<b>8,5</b>	<b>0,50</b>	<b>7,5</b>	<b>9,5</b>	<b>-1,5</b>	<b>-3,4</b>	<b>0,5</b>
Italy	2000	13,5	0,60	12,3	14,7	2004	12,4	0,69	11,0	13,7	-1,1	-3,7	1,4
Switzerland	2000	8,4	0,58	7,3	9,5	2004	7,9	0,61	6,7	9,1	-0,5	-2,8	1,9
Norway	2000	7,3	0,27	6,8	7,8	2004	7,2	0,24	6,7	7,7	-0,1	-1,1	0,9
Sweden	2000	4,9	0,17	4,6	5,2	2004	5,6	0,21	5,2	6,0	0,7	0,0	1,4
<b>Canada</b>	<b>2000</b>	<b>11,6</b>	<b>0,28</b>	<b>11,1</b>	<b>12,1</b>	<b>2004</b>	<b>12,3</b>	<b>0,30</b>	<b>11,7</b>	<b>12,9</b>	<b>0,7</b>	<b>-0,4</b>	<b>1,8</b>
<b>Canada excluding Québec</b>	<b>2000</b>	<b>12,3</b>	<b>0,34</b>	<b>11,6</b>	<b>13,0</b>	<b>2004</b>	<b>13,1</b>	<b>0,37</b>	<b>12,4</b>	<b>13,8</b>	<b>0,8</b>	<b>-0,6</b>	<b>2,2</b>
United States	2000	16,1	0,21	15,7	16,6	2004	17,3	0,18	17,0	17,7	1,2	0,4	1,9
Germany	2000	8,4	0,37	7,7	9,1	2004	9,6	0,45	8,7	10,5	1,2	-0,4	2,8
Denmark	2000	3,4	0,06	3,3	3,5	2004	5,6	0,08	5,4	5,7	2,2	1,9	2,5
Luxembourg	2000	6,4	0,91	4,6	8,1	2004	8,8	0,93	7,0	10,6	2,4	-1,2	6,0
Australia	2001	9,8	0,44	8,9	10,6	2003	12,2	0,36	11,5	12,9	2,4	0,9	4,0
United States	1999	8,0	0,21	7,6	8,4	2004	11,6	0,23	11,1	12,1	3,6	2,7	4,4
Mean											0,3	-1,2	1,9

Note: Low income threshold set at 50% of median income (Québec median in the case of Québec); confidence intervals are indicated. In the absence of information on the design of national surveys, confidence intervals were calculated based on the assumption that it is constructed around a simple random sample such that margins of error are understated because of the complex survey design. For "Canada excluding Québec," the Canadian median not including Québec was used. Data in the above table are ranked by percentage point change.

Sources: Various national surveys on income; Luxembourg Income Study (LIS); Compilation by the Centre d'étude sur la pauvreté et l'exclusion, July 2011.

**Chart 9 – Percentage point change in after-tax low income rates (50% of median income), persons, by country, 2000-2004 (allowing for exceptions)**



Note: Low income threshold set at 50% of median income (Québec median in the case of Québec). For "Canada excluding Québec," the Canadian median not including Québec was used. Data in the above table are ranked by percentage point change. The vertical black line represents the mean.

Sources: Various national surveys on income; Luxembourg Income Study (LIS); Compilation by the Centre d'étude sur la pauvreté et l'exclusion, July 2011.

### **1.2 Disposable Income and After-Tax Low Income Thresholds Based on Various Social and Fiscal Scenarios**

An implicit threshold is a baseline threshold that is determined by a social or fiscal measure. For example, an implicit threshold might correspond to various existing thresholds, such as the zero tax threshold, the last-resort financial assistance exit threshold, the Working Income Tax Benefit exit threshold or the salary earned at a minimum-wage job for a set number of hours. The correspondence between the



thresholds of each of the Low Income Measures as well as other implicit tax-specific thresholds and various government benefit programs allows us to gauge changes in the situation of Québeckers in relation to Québec itself.

For that purpose, we simulated typical cases using a disposable income model in use at the Ministère de l'Emploi et de la Solidarité sociale and were able to observe the changes in the relative level of personal and family disposable income in relation to various existing thresholds over the period 2004-2011. The parameters used are those in effect on July 1, 2004 and July 1, 2011 and applied throughout the year.

The following tables illustrate the baseline thresholds determined by a social or tax measure (implicit thresholds) relative to different low income thresholds (LIM 50% and Montréal MBM) based on various typical cases: unattached individuals, unattached individuals with severe employment constraints, single-parent families with one child aged 3, childless couples with one income, and two-parent families with one income and two children. The first three columns enable a comparison of the implicit thresholds and the two thresholds applied, resulting in a deficit or surplus between the implicit thresholds and the low income thresholds for each of the two years, measured according to the ratio of implicit thresholds to the two thresholds used. For example, based on the Montréal MBM, we observed that some people with a disposable income at least equal to the implicit threshold are either in a deficit position (ratio below 100%) or a surplus position (ratio over 100%). The typical cases presented here allow us to establish a ratio between the implicit thresholds and the low income thresholds for individuals or families with a disposable income at least equal to the implicit threshold. In most cases, the gap narrowed between 2004 and 2011, but in some it remained the same or barely changed, and in others actually widened, albeit slightly, especially among unattached individuals (tables 13 to 17).

For example, the Montréal MBM threshold for an unattached individual, indexed to the cost of living, was \$13 127 in 2004 and \$15 478 in 2011.<sup>11</sup> Thus, an unattached individual who worked at a minimum-wage job 35 hours a week and had a disposable income of \$12 785 in 2004 and \$16 676 in 2011 has seen the implicit threshold ratio on the Montréal MBM threshold rise from 97.4% in 2004 to 107.7% in 2011 (Table 13).

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11. The 7% increase previously mentioned (FRÉCHET et al., 2010b) was not applied in the following tables and charts, as it was not applied in the CEPE's *Advice to the Minister* (2009). Where possible, the CEPE prefers to apply the published thresholds, even though they are indexed, in order to reflect the cost of living. Indeed, the objective is not so much to compare thresholds amongst themselves, but rather to compare the baseline thresholds determined by a social or tax measure (implicit thresholds) against selected low income thresholds. Also, because income tax, contributions and child care expenses have already been deducted from the implicit thresholds, the MBM plus 7% would be counted twice. Moreover, the 7% increase is valid only for disposable income levels near the MBM threshold ( $\pm 5\%$ ).

In the specific case of social assistance benefits:

- income tax and contributions to the Québec Pension Plan and the Employment Insurance account do not apply;
- contributions to a pension plan and union dues do not apply under the terms fixed by regulation;
- uninsured health costs:
  - dental and vision care are covered for recipients;
  - the deductible and co-insurance for prescription drug insurance were fully tax exempt for recipients in 2009;
- alimony and child support: the income from social assistance is not enough to make support payments;
- child care: the only possible exception would be for child care expenses, which are fully tax exempt for 23hours/week (half a week) and according to recipients' preference for the remaining two and a half days, at \$7 a day (thus \$17.50). Currently, the Ministère de la Famille et des Aînés provides 23 hours of subsidized child care to approximately 10 500 children between the ages of 0 and 4, i.e. roughly one third of children (30 300) whose parents receive social assistance; however, there is no way of knowing what proportion of the 10 500 children pay for the remaining two and a half days.

In all other cases, the only remaining factor is uninsured health care and alimony and child support, which might justify raising the threshold, but not by 7%. The 7% increase could thus be used, provided it is accompanied by a note indicating that it does not apply to social assistance recipients (except the amount of optional child care expenses) and provided contributions, income tax and child care expenses are no longer deducted from implicit thresholds in order to use net income rather than disposable income, even though the latter is more in line with the definition of the MBM.

**Table 13 Disposable income, after-tax low income thresholds and coverage rate (implicit thresholds/thresholds), unattached individuals, Québec, 2004 and 2011**

	Implicit Thresholds			Coverage rate %	
	current \$	LIM 50%	Montréal MBM	LIM 50%	Montréal MBM
<b>2004</b> LRFA	7 081	12 879	13 127	55,0	53,9
LRFA \$200	9 672	12 879	13 127	75,1	73,7
Federal zero tax threshold	9 826	12 879	13 127	76,3	74,9
Exit threshold - LRFA	10 111	12 879	13 127	78,5	77,0
Québec zero tax threshold	12 383	12 879	13 127	96,1	94,3
Minimum wage	12 785	12 879	13 127	99,3	97,4
<b>2011</b> LRFA	7 861	15 176	15 478	51,8	50,8
LRFA \$200	10 297	15 176	15 478	67,9	66,5
Exit threshold - LRFA	12 325	15 176	15 478	81,2	79,6
Federal zero tax threshold	14 266	15 176	15 478	94,0	92,2
Québec zero tax threshold	16 013	15 176	15 478	105,5	103,5
Exit threshold - Work Premium	16 175	15 176	15 478	106,6	104,5
Minimum wage	16 676	15 176	15 478	109,9	107,7
Exit threshold - WITB	17 029	15 176	15 478	112,2	110,0

Notes: LRFA: last-resort financial assistance.

LRFA \$200: last-resort financial assistance including allowable work income of \$200.

WITB: Working Income Tax Benefit.

Simulations take into account the known parameters applied in **July 2004** and **July 2011**, or personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses. Work income is based on one earner per household.

Transfers if applicable: last-resort financial assistance benefit, Work Premium, Working Income Tax Benefit, shelter allowance, QST credit, GST credit, property tax rebate.

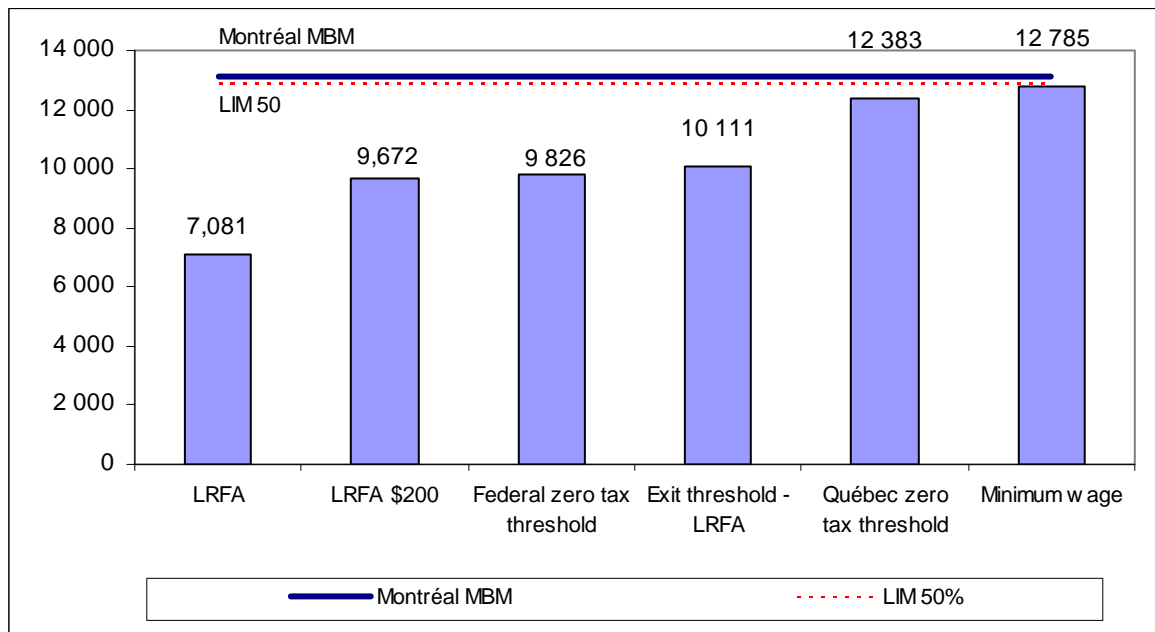
Sources: MESS - Direction des politiques de prestations; Compilation by the Centre d'étude sur la pauvreté et l'exclusion.

Two charts are presented for each typical case to give an idea of changes over time. The first chart shows the situation in 2004, i.e. the year prior to implementation of the measures contained in the first *Government Action Plan to Combat Poverty and Social Exclusion* (2004): the fiscal measures (in particular the child assistance payment and the Work Premium) came into effect in January 2005 and in 2011, taking into account the known parameters for the purposes of this progress report (charts 10 to 19).

Thus, in 2004, unattached individuals with a disposable income at least equal to the implicit thresholds were below all of the low income thresholds. Individuals working 35 hours a week at minimum wage were actually in a deficit position relative to the LIM and the Montréal MBM. In 2011, the gaps widened in some cases and narrowed in others:

unattached individuals with a disposable income at least equal to some of the implicit thresholds (last-resort financial assistance, \$200 in allowable work income, last-resort financial assistance exit threshold or federal zero tax threshold) fell below the Montréal MBM threshold. However, they reached or were above the Montréal MBM with all of the other thresholds (Table 13 and charts 10 and 11).

**Chart 10 – Disposable income and after-tax low income thresholds, unattached individuals, Québec, 2004**



Notes: LRFA: last-resort financial assistance.

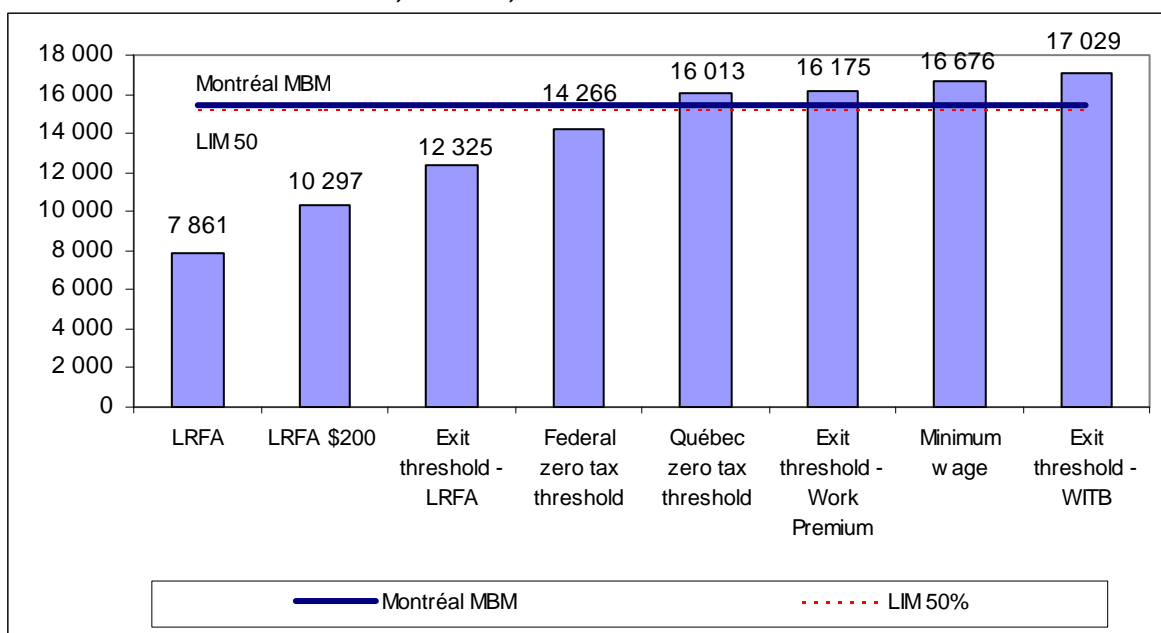
LRFA \$200: last-resort financial assistance including allowable work income of \$200.

Simulations take into account the known parameters applied in **July 2004**, or personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses. Work income is based on one earner per household.

Transfers if applicable: last-resort financial assistance benefit, Work Premium, Working Income Tax Benefit, shelter allowance, QST credit, GST credit, property tax rebate.

Sources: MESS - Direction des politiques de prestations; Compilation by the Centre d'étude sur la pauvreté et l'exclusion.

**Chart 11 – Disposable income and after-tax low income thresholds, unattached individuals, Québec, 2011**



Notes: LRFA: last-resort financial assistance.

LRFA \$200: last-resort financial assistance including allowable work income of \$200.

WITB: Working Income Tax Benefit.

Simulations take into account the known parameters applied in **July 2011**, or personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses. Work income is based on one earner per household.

Transfers if applicable: last-resort financial assistance benefit, Work Premium, Working Income Tax Benefit, shelter allowance, QST credit, GST credit, property tax rebate.

Sources: MESS - Direction des politiques de prestations; Compilation by the Centre d'étude sur la pauvreté et l'exclusion.

Similarly, unattached individuals with severe employment constraints and a disposable income at least equal to the implicit thresholds were also below all low income thresholds in 2004. Individuals working 35 hours a week at minimum wage were actually in a deficit position relative to the LIM and the Montréal MBM. In 2011, the gaps barely changed in some cases, but in most cases narrowed: unattached individuals with severe employment constraints and a disposable income at least equal to some of the implicit thresholds (last-resort financial assistance, \$100 in allowable work income, last-resort financial assistance exit threshold or federal zero tax threshold) still fell below the Montréal MBM threshold. However, they were above the Montréal MBM for all of the other thresholds (Table 14 and charts 12 and 13).

**Table 14 Disposable income, after-tax low income thresholds and coverage rate (implicit thresholds/thresholds), unattached individuals with severe employment constraints, Québec, 2004 and 2011**

	Implicit thresholds	Thresholds		Coverage rate %	
	current \$	LIM 50%	Montréal MBM	LIM 50%	Montréal MBM
<b>2004</b> LRFA	10 099	12 879	13 127	78,4	76,9
LRFA \$100	11 402	12 879	13 127	88,5	86,9
Federal zero tax threshold	11 637	12 879	13 127	90,4	88,6
Exit threshold - LRFA	11 931	12 879	13 127	92,6	90,9
Québec zero tax threshold	12 383	12 879	13 127	96,1	94,3
Minimum wage	12 785	12 879	13 127	99,3	97,4
<b>2011</b> LRFA	11 494	15 176	15 478	75,7	74,3
LRFA \$100	12 718	15 176	15 478	83,8	82,2
Federal zero tax threshold	15 438	15 176	15 478	101,7	99,7
Exit threshold - LRFA	15 444	15 176	15 478	101,8	99,8
Québec zero tax threshold	17 251	15 176	15 478	113,7	111,5
Minimum wage	17 796	15 176	15 478	117,3	115,0
Exit threshold - WITB supp. hand. pers.	18 751	15 176	15 478	123,6	121,1
Exit threshold - Adapted Work Premium	20 190	15 176	15 478	133,0	130,4

Notes: LRFA: last-resort financial assistance.

LRFA \$100: last-resort financial assistance including allowable work income of \$100.

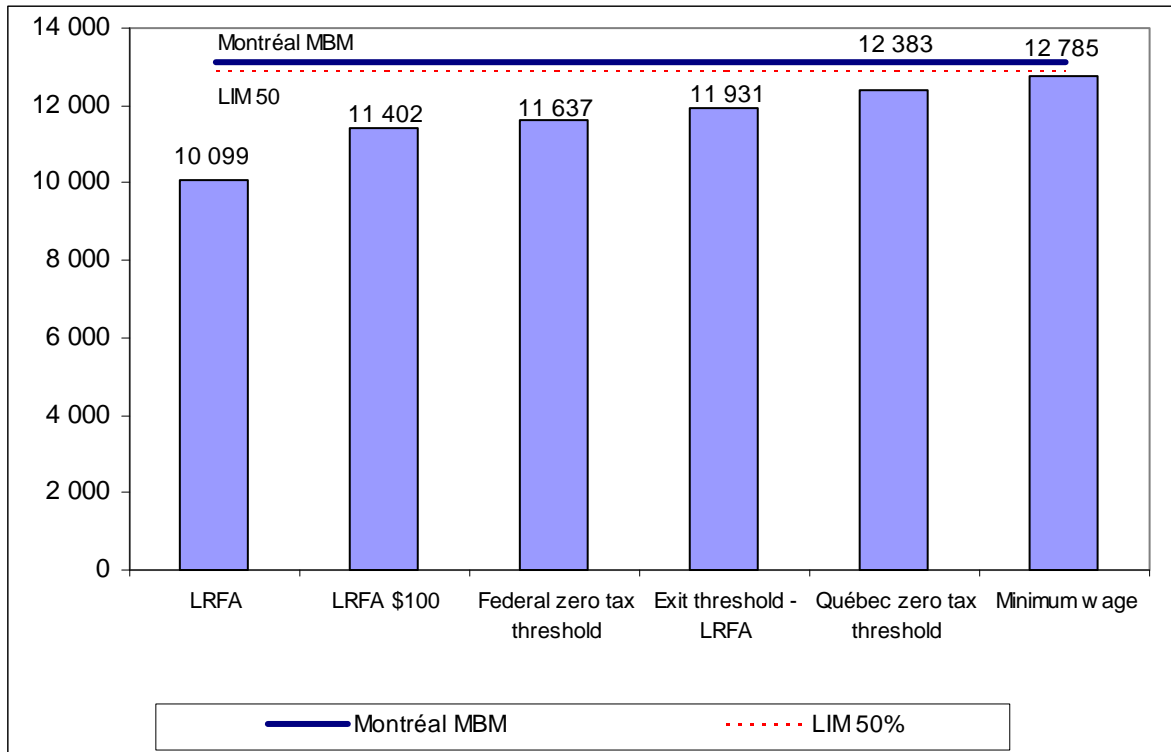
WITB: Working Income Tax Benefit.

Simulations take into account the known parameters applied in **July 2004** and **July 2011**, or personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses. Work income is based on one earner per household.

Transfers if applicable: last-resort financial assistance benefit, Work Premium, Working Income Tax Benefit, shelter allowance, QST credit, GST credit, property tax rebate.

Sources: MESS - Direction des politiques de prestations; Compilation by the Centre d'étude sur la pauvreté et l'exclusion.

**Chart 12 – Disposable income and after-tax low income thresholds, unattached individuals with severe employment constraints, Québec, 2004**



Notes: LRFA: last-resort financial assistance.

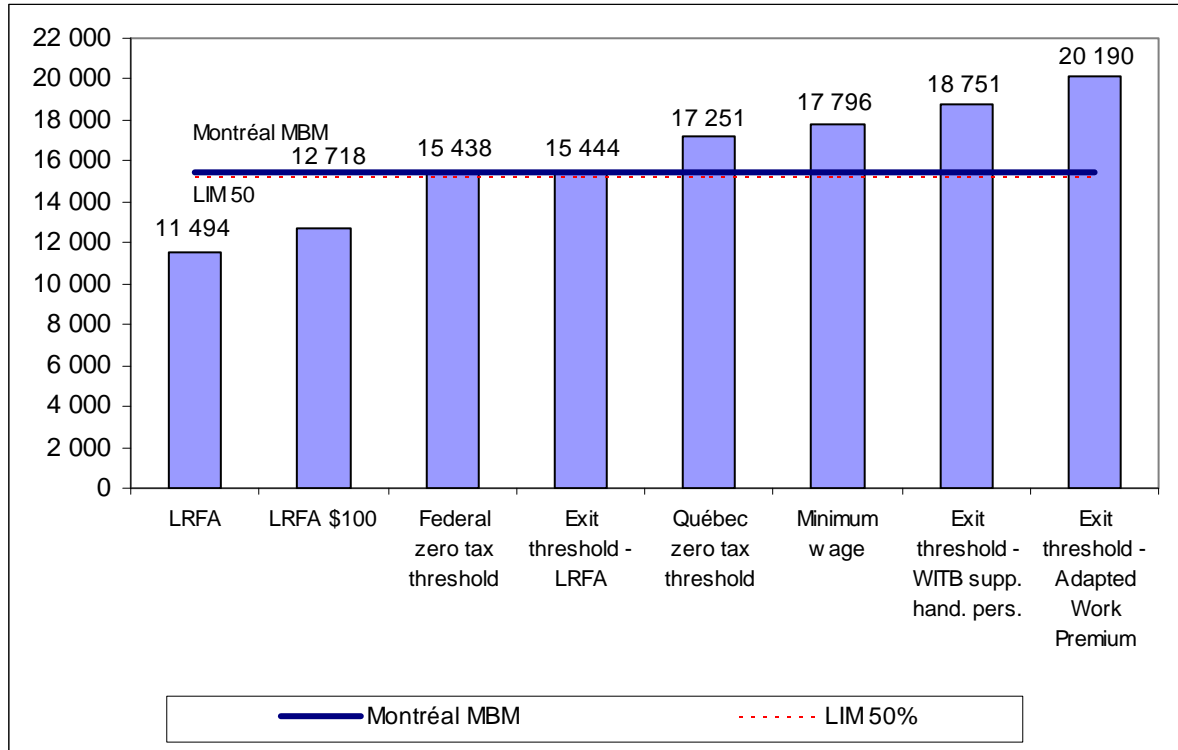
LRFA \$100: last-resort financial assistance including allowable work income of \$100.

Simulations take into account the known parameters applied in **July 2004**, or personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses. Work income is based on one earner per household.

Transfers if applicable: last-resort financial assistance benefit, Work Premium, Working Income Tax Benefit, shelter allowance, QST credit, GST credit, property tax rebate.

Sources: MESS - Direction des politiques de prestations; Compilation by the Centre d'étude sur la pauvreté et l'exclusion.

**Chart 13 – Disposable income and after-tax low income thresholds, unattached individuals with severe employment constraints, Québec, 2011**



Notes: LRFA: last-resort financial assistance.

LRFA \$100: last-resort financial assistance including allowable work income of \$100.

WITB: Working Income Tax Benefit.

Simulations take into account the known parameters applied in **July 2011**, or personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses. Work income is based on one earner per household.

Transfers if applicable: last-resort financial assistance benefit, Work Premium, Working Income Tax Benefit, shelter allowance, QST credit, GST credit, property tax rebate.

Sources: MESS - Direction des politiques de prestations; Compilation by the Centre d'étude sur la pauvreté et l'exclusion.

In 2004, single-parent families with a disposable income at least equal to some of the implicit thresholds (last-resort financial assistance, \$200 in allowable work income) fell below the Montréal MBM threshold. However, all the other thresholds put them above the Montréal MBM threshold. The situation was much the same in 2011: single-parent families with a disposable income at least equal to some of the implicit thresholds (last-resort financial assistance, \$200 in allowable work income) fell below the Montréal MBM threshold, but the gaps had narrowed. All the other thresholds put them above the Montréal MBM threshold (Table 15 and charts 14 and 15).



**Table 15 Disposable income, after-tax low income thresholds and coverage rate (implicit thresholds/thresholds), single-parent families with one child aged 3, Québec, 2004 and 2011**

	Implicit thresholds	Thresholds		Coverage rate %	
		current \$	LIM 50%	Montréal MBM	LIM 50%
<b>2004</b> LRFA	14 700	18 031	18 564	81,5	79,2
LRFA \$200	17 454	18 031	18 564	96,8	94,0
Exit threshold - LRFA	18 871	18 031	18 564	104,7	101,7
Minimum wage	19 984	18 031	18 564	110,8	107,6
Federal zero tax threshold	20 634	18 031	18 564	114,4	111,2
Exit threshold - PWA	20 870	18 031	18 564	115,7	112,4
Québec zero tax threshold	24 619	18 031	18 564	136,5	132,6
<b>2011</b> LRFA	18 404	21 246	21 669	86,6	84,9
LRFA \$200	19 900	21 246	21 669	93,7	91,8
Exit threshold - LRFA	22 114	21 246	21 669	104,1	102,1
Québec zero tax threshold	24 342	21 246	21 669	114,6	112,3
Exit threshold - WITB	25 566	21 246	21 669	120,3	118,0
Minimum wage	25 921	21 246	21 669	122,0	119,6
Federal zero tax threshold	30 649	21 246	21 669	144,3	141,4
Exit threshold - Work Premium	33 160	21 246	21 669	156,1	153,0

Notes: LRFA: last-resort financial assistance.

LRFA \$200: last-resort financial assistance including allowable work income of \$200.

PWA: Parental Wage Assistance Program (replaced with the Work Premium in 2005).

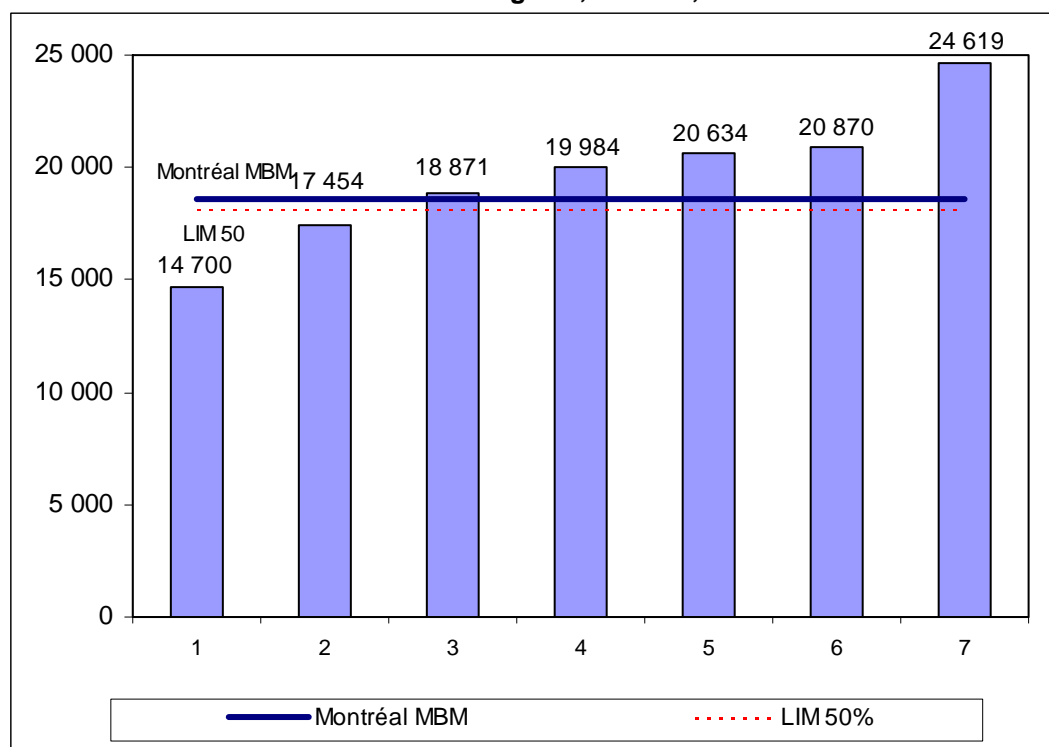
WITB: Working Income Tax Benefit.

Simulations take into account the known parameters applied in **July 2004** and **July 2011**, or personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses. Work income is based on one earner per household.

Transfers if applicable: last-resort financial assistance benefit, Child Tax Benefit, Universal Child Care Benefit, child assistance payment, Work Premium, Working Income Tax Benefit, shelter allowance, QST credit, GST credit, Québec tax credit for childcare expenses, property tax rebate. Preschool child: 260 days in a reduced-contribution child care service. Child aged 5 or over: 200 days in a reduced-contribution child care service and 60 days in a regular child care service costing \$25 a day. It is assumed that no child care services are used where the work income is zero.

Sources: MESS - Direction des politiques de prestations; Compilation by the Centre d'étude sur la pauvreté et l'exclusion.

**Chart 14 – Disposable income and after-tax low income thresholds, single-parent families with one child aged 3, Québec, 2004**



Notes: LRFA: last-resort financial assistance.

LRFA \$200: last-resort financial assistance including allowable work income of \$200.

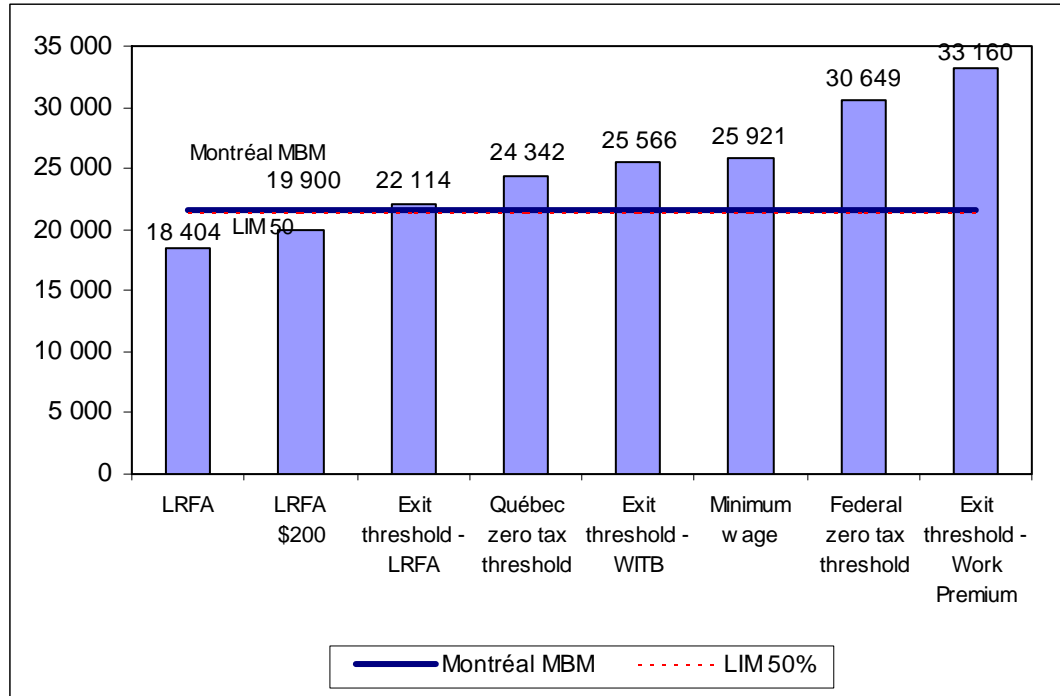
PWA: Parental Wage Assistance Program (replaced with the Work Premium in 2005).

Simulations take into account the known parameters applied in **July 2004**, or personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses. Work income is based on one earner per household.

Transfers if applicable: last-resort financial assistance benefit, Child Tax Benefit, Universal Child Care Benefit, child assistance payment, Work Premium, Working Income Tax Benefit, shelter allowance, QST credit, GST credit, Québec tax credit for childcare expenses, property tax rebate. Preschool child: 260 days in a reduced-contribution child care service. Child aged 5 or over: 200 days in a reduced-contribution child care service and 60 days in a regular child care service costing \$25 a day. It is assumed that no child care services are used where the work income is zero.

Sources: MESS - Direction des politiques de prestations; Compilation by the Centre d'étude sur la pauvreté et l'exclusion.

**Chart 15 – Disposable income and after-tax low income thresholds, single-parent families with one child aged 3, Québec, 2011**



Notes: LRFA: last-resort financial assistance.

LRFA \$200: last-resort financial assistance including allowable work income of \$200.

WITB: Working Income Tax Benefit.

Simulations take into account the known parameters applied in **July 2011**, or personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses. Work income is based on one earner per household.

Transfers if applicable: last-resort financial assistance benefit, Child Tax Benefit, Universal Child Care Benefit, child assistance payment, Work Premium, Working Income Tax Benefit, shelter allowance, QST credit, GST credit, Québec tax credit for childcare expenses, property tax rebate.

Preschool child: 260 days in a reduced-contribution child care service. Child aged 5 or over: 200 days in a reduced-contribution child care service and 60 days in a regular child care service costing \$25 a day. It is assumed that no child care services are used where the work income is zero.

Sources: MESS - Direction des politiques de prestations; Compilation by the Centre d'étude sur la pauvreté et l'exclusion.

In the case of childless couples with one income, in 2004 only those with a disposable income at least equal to the Québec zero tax threshold reached the Montréal MBM threshold. In 2011, the gaps had barely changed in some cases and narrowed in others, and except for couples with a disposable income at least equal to some of the implicit thresholds (last resort financial assistance with allowable work income, exit threshold, and minimum wage), all of the other thresholds raised childless couples with one income to above the Montréal MBM (Table 16 and charts 16 and 17).

**Table 16 Disposable income, after-tax low income thresholds and coverage rate (implicit thresholds/thresholds), childless couples with one income, Québec, 2004 and 2011**

	Implicit thresholds	Thresholds		Coverage rate %	
	current \$	LIM 50%	Montréal MBM	LIM 50%	Montréal MBM
<b>2004</b> LRFA	10 757	18 031	18 564	59,7	57,9
LRFA \$300	14 594	18 031	18 564	80,9	78,6
Minimum wage	14 658	18 031	18 564	81,3	79,0
Exit threshold - LRFA	14 984	18 031	18 564	83,1	80,7
Federal zero tax threshold	15 673	18 031	18 564	86,9	84,4
Québec zero tax threshold	21 377	18 031	18 564	118,6	115,2
<b>2011</b> LRFA	12 049	21 246	21 669	56,7	55,6
LRFA \$300	15 671	21 246	21 669	73,8	72,3
Exit threshold - LRFA	18 822	21 246	21 669	88,6	86,9
Minimum wage	20 785	21 246	21 669	97,8	95,9
Federal zero tax threshold	24 577	21 246	21 669	115,7	113,4
Exit threshold - Work Premium	24 883	21 246	21 669	117,1	114,8
Québec zero tax threshold	26 537	21 246	21 669	124,9	122,5
Exit threshold - WITB	26 838	21 246	21 669	126,3	123,9

Notes: LRFA: last-resort financial assistance.

LRFA \$300: last-resort financial assistance including allowable work income of \$300.

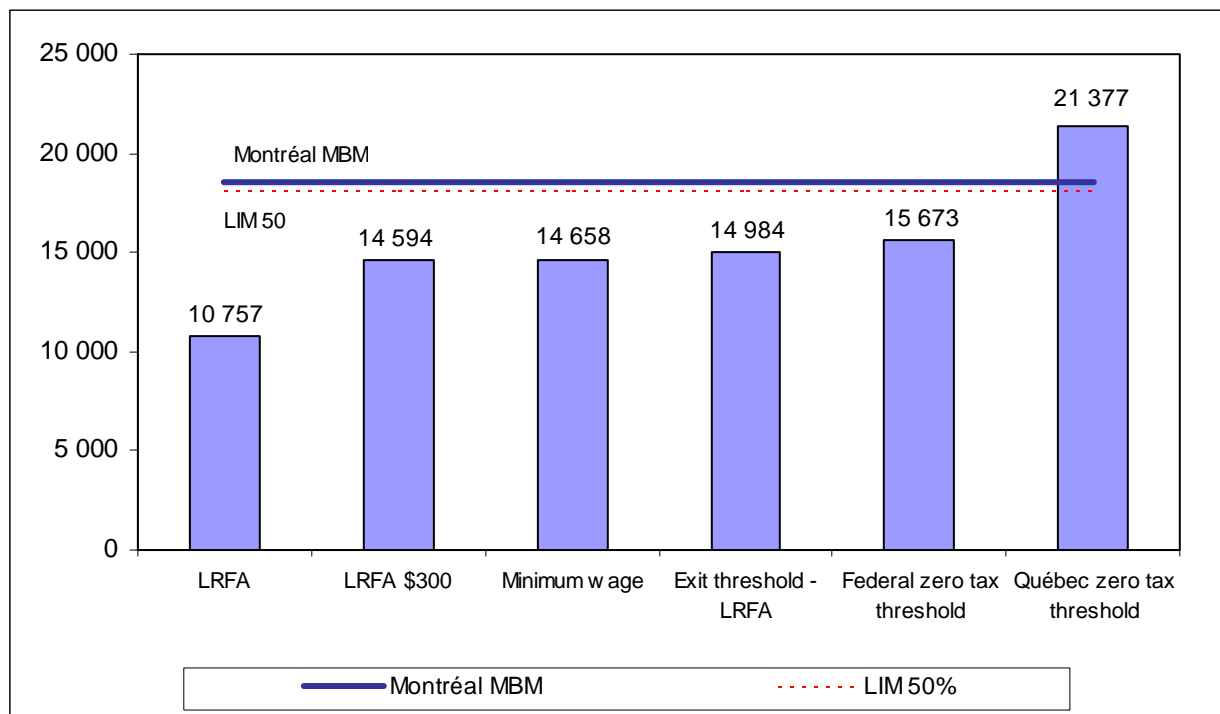
WITB: Working Income Tax Benefit.

Simulations take into account the known parameters applied in **July 2004** and **July 2011**, or personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses. Work income is based on one earner per household.

Transfers if applicable: last-resort financial assistance benefit, Work Premium, Working Income Tax Benefit, shelter allowance, QST credit, GST credit, property tax rebate.

Sources: MESS - Direction des politiques de prestations; Compilation by the Centre d'étude sur la pauvreté et l'exclusion.

**Chart 16 – Disposable income and after-tax low income thresholds, childless couples with one income, Québec, 2004**



Notes: LRFA: last-resort financial assistance.

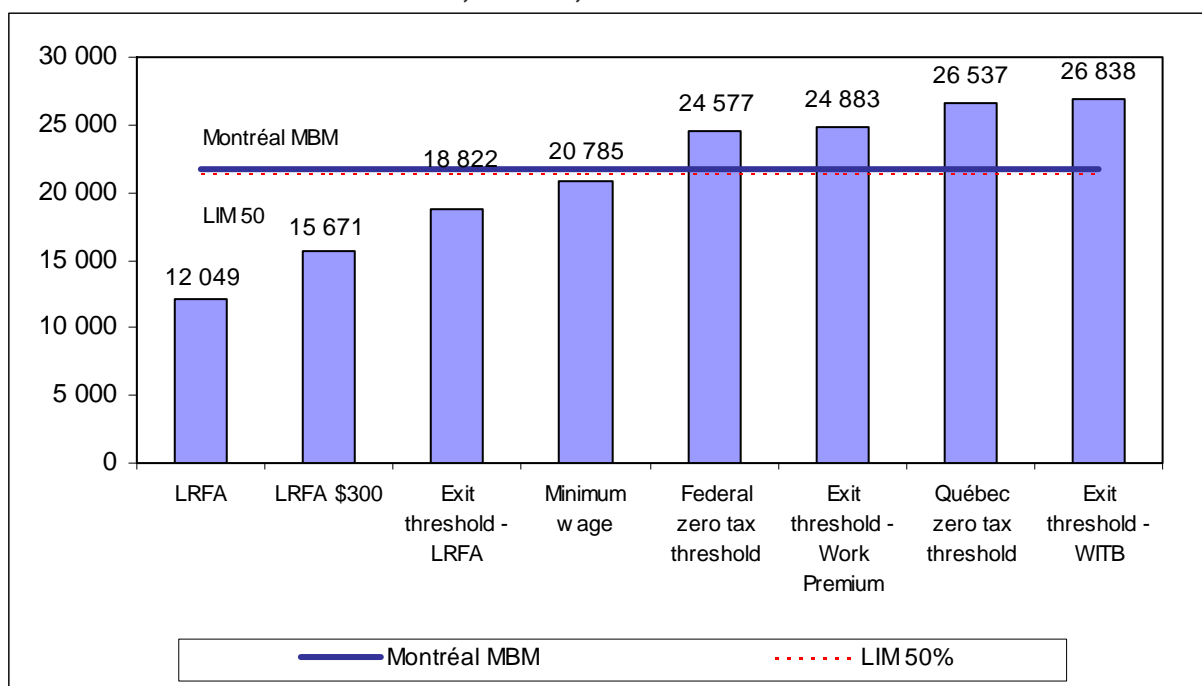
LRFA \$300: last-resort financial assistance including allowable work income of \$300.

Simulations take into account the known parameters applied in **July 2004**, or personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses. Work income is based on one earner per household.

Transfers if applicable: last-resort financial assistance benefit, Work Premium, Working Income Tax Benefit, shelter allowance, QST credit, GST credit, property tax rebate.

Sources: MESS - Direction des politiques de prestations; Compilation by the Centre d'étude sur la pauvreté et l'exclusion.

**Chart 17 – Disposable income and after-tax low income thresholds, childless couples with one income, Québec, 2011**



Notes: LRFA: last-resort financial assistance.

LRFA \$300: last-resort financial assistance including allowable work income of \$300.

WITB: Working Income Tax Benefit.

Simulations take into account the known parameters applied in **July 2011**, or personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses. Work income is based on one earner per household.

Transfers if applicable: last-resort financial assistance benefit, Work Premium, Working Income Tax Benefit, shelter allowance, QST credit, GST credit, property tax rebate.

Sources: MESS - Direction des politiques de prestations; Compilation by the Centre d'étude sur la pauvreté et l'exclusion.

Lastly, two-parent families with one income and two children and a disposable income at least equal to some of the implicit thresholds (last-resort financial assistance with allowable work income) did not reach the Montréal MBM. However, they were above the Montréal MBM with all the other thresholds. In 2011, the gaps narrowed and only families with a disposable income at least equal to last-resort financial assistance and allowable work income did not reach the Montréal MBM threshold. All of the other thresholds raised families above the Montréal MBM threshold (Table 17 and charts 18 and 19).

**Table 17 Disposable income, after-tax low income thresholds and coverage rate (implicit thresholds/thresholds), two-parent families with one income and two children, Québec, 2004 and 2011**

	Implicit thresholds	Thresholds		Coverage rate %	
	current \$	LIM 50%	Montréal MBM	LIM 50%	Montréal MBM
<b>2004</b> LRFA	20 074	25 758	26 254	77,9	76,5
LRFA \$300	24 468	25 758	26 254	95,0	93,2
Minimum wage	26 511	25 758	26 254	102,9	101,0
Federal zero tax threshold	26 446	25 758	26 254	102,7	100,7
Exit threshold - LRFA	26 566	25 758	26 254	103,1	101,2
Exit threshold - PWA	27 586	25 758	26 254	107,1	105,1
Québec zero tax threshold	33 365	25 758	26 254	129,5	127,1
<b>2011</b> LRFA	26 032	30 351	30 956	85,8	84,1
LRFA \$300	29 639	30 351	30 956	97,7	95,7
No benefits - LRFA	33 405	30 351	30 956	110,1	107,9
Minimum wage	33 939	30 351	30 956	111,8	109,6
Exit threshold - WITB	36 005	30 351	30 956	118,6	116,3
Québec zero tax threshold	39 141	30 351	30 956	129,0	126,4
Federal zero tax threshold	39 325	30 351	30 956	129,6	127,0
Exit threshold - Work Premium	42 883	30 351	30 956	141,3	138,5

Notes: LRFA: last-resort financial assistance.

LRFA \$300: last-resort financial assistance including allowable work income of \$300.

PWA: Parental Wage Assistance Program (replaced with the Work Premium in 2005).

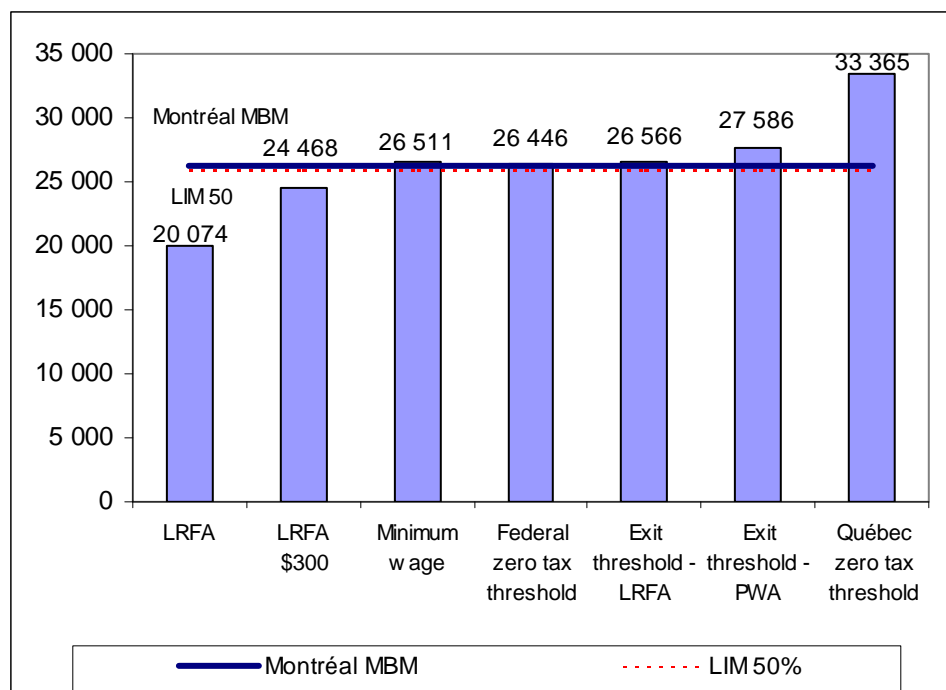
WITB: Working Income Tax Benefit.

Simulations take into account the known parameters applied in **July 2004** and **July 2011**, or personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses. Work income is based on one earner per household.

Transfers if applicable: last-resort financial assistance benefit, Child Tax Benefit, Universal Child Care Benefit, child assistance payment, Work Premium, Working Income Tax Benefit, shelter allowance, QST credit, GST credit, Québec tax credit for childcare expenses, property tax rebate. Preschool child: 260 days in a reduced-contribution child care service. Child aged 5 or over: 200 days in a reduced-contribution child care service and 60 days in a regular child care service costing \$25 a day. It is assumed that no child care services are used where the work income is zero.

Sources: MESS - Direction des politiques de prestations; Compilation by the Centre d'étude sur la pauvreté et l'exclusion.

**Chart 18 – Disposable income and after-tax low income thresholds, two-parent families with one income and two children, Québec, 2004**



Notes: LRFA: last-resort financial assistance.

LRFA \$300: last-resort financial assistance including allowable work income of \$300.

PWA: Parental Wage Assistance Program (replaced with the Work Premium in 2005).

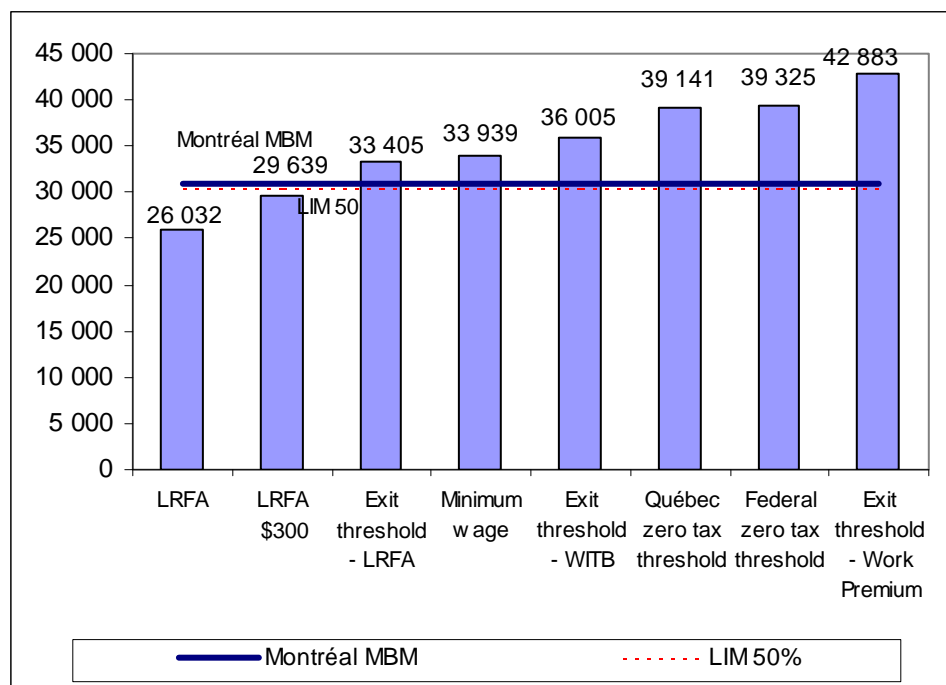
Simulations take into account the known parameters applied in **July 2004**, or personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses. Work income is based on one earner per household.

Transfers if applicable: last-resort financial assistance benefit, Child Tax Benefit, Universal Child Care Benefit, child assistance payment, Work Premium, Working Income Tax Benefit, shelter allowance, QST credit, GST credit, Québec tax credit for childcare expenses, property tax rebate. Preschool child: 260 days in a reduced-contribution child care service. Child aged 5 or over: 200 days in a reduced-contribution child care service and 60 days in a regular child care service costing \$25 a day. It is assumed that no child care services are used where the work income is zero.

Sources: MESS - Direction des politiques de prestations; Compilation by the Centre d'étude sur la pauvreté et l'exclusion.



**Chart 19 – Disposable income and after-tax low income thresholds, two-parent families with one income and two children, Québec, 2011**



Notes: LRFA: last-resort financial assistance.

LRFA \$300: last-resort financial assistance including allowable work income of \$300.

WITB: Working Income Tax Benefit.

Simulations take into account the known parameters applied in **July 2011**, or personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses. Work income is based on one earner per household.

Transfers if applicable: last-resort financial assistance benefit, Child Tax Benefit, Universal Child Care Benefit, child assistance payment, Work Premium, Working Income Tax Benefit, shelter allowance, QST credit, GST credit, Québec tax credit for childcare expenses, property tax rebate.

Preschool child: 260 days in a reduced-contribution child care service. Child aged 5 or over: 200 days in a reduced-contribution child care service and 60 days in a regular child care service costing \$25 a day. It is assumed that no child care services are used where the work income is zero.

Sources: MESS - Direction des politiques de prestations; Compilation by the Centre d'étude sur la pauvreté et l'exclusion.

In short, based on the implicit thresholds, positive progress has been made in most of the typical cases presented in this report. However, whether or not a family has children makes a world of difference, which no doubt reflects the recent advances made through Québec's family and anti-poverty policies, in particular the stronger measures to prevent poverty among families with children. As a result, unattached individuals and childless couples trail further behind. To offset this situation, the second government action plan

contains a measure targeted specifically at these two groups, namely enhancement of the Working Income Tax Benefit (GOUVERNEMENT DU QUÉBEC, MINISTÈRE DE L'EMPLOI ET DE LA SOLIDARITÉ SOCIALE, 2010: 23): Québec asked the federal government to target the WITB more towards unattached individuals and childless couples. This should improve their situation.

### 1.3 Supplementary Indicators

Several indicators can be calculated using the thresholds determined based on any one of the measures. Low income rates are relatively well documented, making it possible to track the situation of many vulnerable groups. Other factors complete the portrait provided by these rates, in particular: dispersion, gap, intensity and severity.

<b>DISPERSION</b>	Rates observable at 75%, 125% and 150% of the threshold
<b>GAP</b>	Gap between the mean income of individuals and families in low income and the threshold. This gap can be expressed in dollars (\$) or as a percentage of the threshold (%): (threshold – mean low income) or (threshold – mean low income)/threshold
<b>INTENSITY</b>	Gap weighted by the low income rate: ((threshold – mean low income)/threshold) X rate
<b>SEVERITY</b>	Intensity calculated by taking the income of the poorest of the poor into greater consideration

*Dispersion* reflects what is happening above and below the threshold. In the case of the European Union, this refers directly to the percentages of the median, i.e. 40%, 50%, 60% or 70% of the median. In the same way, but in reference to any threshold whatsoever, rates of 75%, 125% and 150% of the threshold can be observed. For the purposes of this report, we used the MBM threshold (tables 18 and 19).

Low income rates are sometimes accompanied by measurement of the low income *gap*, which is the amount by which the family income falls below the threshold. For example, a family with an income of \$15 000 for which the threshold is \$20 000 would have a low income gap of \$5 000. In percentage terms, this gap would be 25%. Furthermore, a number of authors have studied low income *intensity*, which is measured by the ratio of

the low income gap to the threshold, weighted by the low income rate.<sup>12</sup> We can take the calculation a step further by adding the *severity* of poverty, which takes the income of the poorest of the poor into greater consideration, to the intensity.<sup>13</sup>

**Table 18** Supplementary indicators: Low income dispersion, gap, intensity and severity based on the MBM (2008 base), all persons, by sex of the major income earner, Québec, 2000-2009

	2000			2009			
	Both sexes	Men	Women	Both sexes	Men	Women	
<b>Dispersion</b>	75% of the threshold	5,7	3,2	10,5	4,4	3,8	6,0
	100% of the threshold	11,6	6,4	21,7	9,5	6,4	14,2
	125% of the threshold	19,1	12,1	32,9	16,1	11,4	25,0
	150% of the threshold	29,2	20,7	45,7	27,0	22,2	37,1
<b>Gap</b>	adjusted \$	3 746	4 043	3 547	5 962	6 470	5 502
	% of the threshold	34,9	37,7	33,0	36,7	41,2	32,6
<b>Intensity</b>		4,0	4,4	3,8	3,5	3,9	3,1
<b>Severity</b>		2,2	2,7	2,0	2,0	2,4	1,7

Sources: STATISTICS CANADA, *Survey of Labour and Income Dynamics (SLID)*; STATISTICS CANADA (2011a); Compilation by the Centre d'étude sur la pauvreté et l'exclusion, July 2011.

Between 2000 and 2009, the rate of low income among individuals at 75% of the MBM threshold dropped among women only. It also fell slightly to 100% and 125% of the threshold, but more for women than for men. At 150% of the threshold, the decrease is once again observed only among women. The gap, intensity and severity measures complete the portrait of low income. Whereas the low income gap rose slightly between 2000 and 2009 for both men and women, low income intensity and severity fell only slightly. It is plausible that low income intensity declined because the low income gap was weighted by a rate decrease. In the case of low income severity, the decline in

12. For example, if everyone below the threshold has an average income (after tax) of \$7 000 and the threshold is \$10 000, the difference of \$3 000 divided by a threshold of \$10 000 yields a ratio of 30%. This ratio should be interpreted as being lower than, for example, a \$5 000 difference, again for a threshold of \$10 000, which would correspond to ratio of 50%. Second, the fact that this ratio is weighted by the low income rate can be interpreted the same way. This same ratio (30% or 50%) will be all the more "intense" because it will affect a larger percentage of the population, as observed with the low income rate. A ratio of 30% coupled with a low income rate of 10% yields an intensity index of 3, while a ratio of 30% coupled with a low income rate of 15% yields an intensity index of 4.5. Similarly, a ratio of 50% coupled with a low income rate of 10% yields an intensity index of 5, and a ratio of 50% coupled with a low income rate of 15% yields an intensity index of 7.5.

13. A measure of dispersion among individuals below the threshold is included in the intensity formula as an indicator of inequalities among the poor themselves. For the purposes of this report, it is assumed that the greater the dispersion, the more society accepts very poor people, and the smaller the dispersion, the less society accepts very poor people and the more it tries to reduce the inequalities that burden the poor.

intensity may have been accompanied by a narrowing of inequalities among the poor themselves (Table 18).

**Table 19** Supplementary indicators: Low income dispersion, gap, intensity and severity based on the MBM (2008 base), all persons, by age of the major income earner, Québec, 2000-2009

		2000				2009			
		All ages	16-24	25-64	65 and over	All ages	16-24	25-64	65 and over
<b>Dispersion</b>	75% of the threshold	5,7	26,8	5,6	0,4	4,7	22,0	4,5	1,4
	100% of the threshold	11,6	38,5	11,8	2,9	9,5	37,8	8,9	5,4
	125% du seuil	19,1	51,6	18,3	15,6	16,8	53,1	14,3	20,5
	150% of the threshold	29,2	63,8	26,5	37,6	28,1	71,0	23,3	42,8
<b>Gap</b>	adjusted \$	3 746	5 321	3 504	2 277	5 962	6 541	6 225	3 110
	% of the threshold	34,9	49,6	32,6	21,3	36,7	42,5	37,7	19,4
<b>Intensity</b>		4,0	5,7	3,8	2,5	3,5	4,0	3,6	1,8
<b>Severity</b>		2,2	3,9	2,0	1,0	2,0	2,7	2,0	0,9

Sources: STATISTICS CANADA, *Survey of Labour and Income Dynamics (SLID)*; STATISTICS CANADA (2011a); Compilation by the Centre d'étude sur la pauvreté et l'exclusion, July 2011.

Again between 2000 and 2009, the rate of low-income individuals at 75% of the MBM threshold declined, but not among seniors (the rates are very low and should be interpreted with caution). This rate also edged down at 100% and 125% of the threshold, but more among the 16-24 and 25-64 age groups. At 150% of the threshold, the decline is minimal and more evenly distributed. The low income gap widened slightly between 2000 and 2009, representing the average between the decrease among young people and the increase among people over 25 years of age. The intensity and severity indicators trended in a positive direction among the youngest age group and the over-25 age group, whereas there was no change among seniors (Table 19).

## **1.4 Income Inequality**

*“One of the major issues in terms of inequality lies in the measurement of the impacts social programs have on inequality. We need to measure the effect of social programs on inequality.”*

Comment from a participant in the training days on the CEPE’s *Advice to the Minister*, June 2009

### **1.4.1 Gini coefficient**

The Gini coefficient is a simple and easy measure of inequality. The coefficient ranges from 0, where 0 represents perfect equality, and 1, where 1 represents perfect inequality.

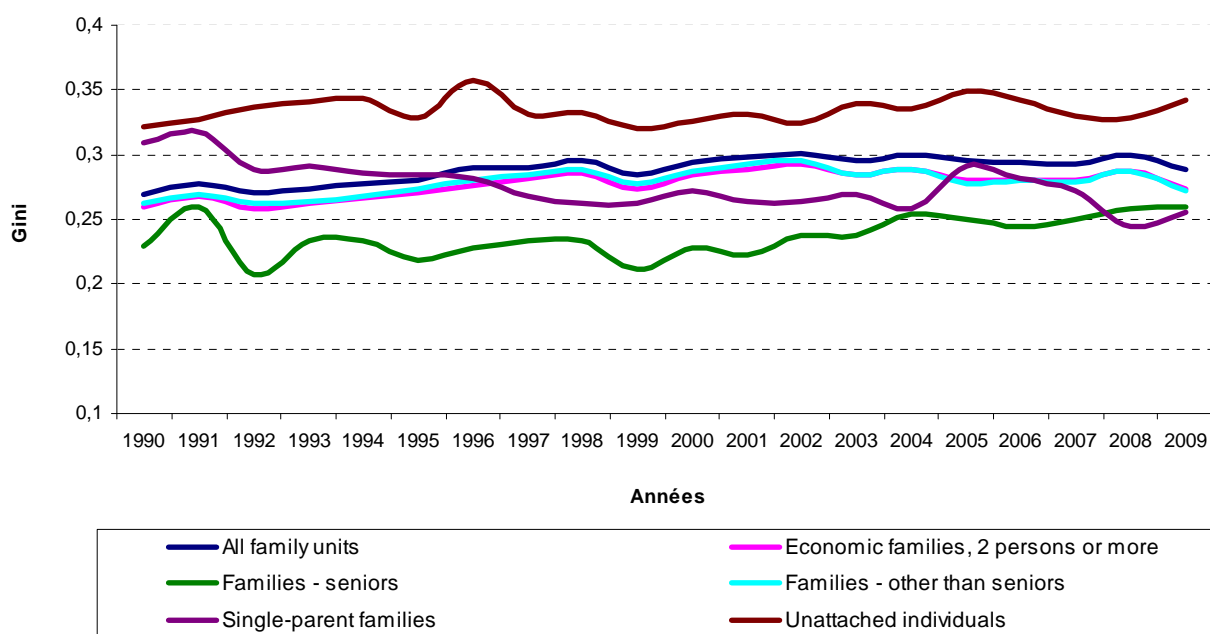
Between 1990 and 2009, the Gini coefficient after transfers and taxes rose overall, particularly among couples with children and women under 65 years of age (Table 20 and Chart 20). This is most likely the effect of double income in couples with children. For women under 65, it is likely the effect of higher income among a growing number of women, simultaneously narrowing the gap with unemployed women. The main decreases in equality are among single-parent families and male seniors.

**Table 20 Gini coefficient before and after transfers and taxes, by family type, Québec, 1990 and 2009**

	1990			2009			% change	
	Before transfers and taxes	After transfers and taxes	Change	Before transfers and taxes	After transfers and taxes	Change	Before transfers and taxes	After transfers and taxes
<b>All family units</b>	<b>0,415</b>	<b>0,269</b>	<b>-0,146</b>	<b>0,442</b>	<b>0,289</b>	<b>-0,153</b>	<b>6,5</b>	<b>7,4</b>
<b>Families, 2 persons or more</b>	<b>0,392</b>	<b>0,259</b>	<b>-0,133</b>	<b>0,420</b>	<b>0,274</b>	<b>-0,146</b>	<b>7,1</b>	<b>5,8</b>
Families - seniors	0,556	0,229	-0,327	0,582	0,259	-0,323	4,7	13,1
Families - under age 65	0,369	0,262	-0,107	0,390	0,272	-0,118	5,7	3,8
Childless couples	0,372	0,275	-0,097	0,391	0,301	-0,090	5,1	9,5
Couples with children	0,326	0,230	-0,096	0,378	0,252	-0,126	16,0	9,6
Couples living with other relatives	0,317	0,229	-0,088	0,296	0,225	-0,071	-6,6	-1,7
Single-parent families	0,596	0,309	-0,287	0,451	0,256	-0,195	-24,3	-17,2
Headed by men	0,467	0,287	-0,180	0,352	0,230	-0,122	-24,6	-19,9
Headed by women	0,607	0,299	-0,308	0,466	0,255	-0,211	-23,2	-14,7
Other families	0,485	0,288	-0,197	0,345	0,234	-0,111	-28,9	-18,8
<b>Unattached individuals</b>	<b>0,562</b>	<b>0,322</b>	<b>-0,240</b>	<b>0,537</b>	<b>0,342</b>	<b>-0,195</b>	<b>-4,4</b>	<b>6,2</b>
Male seniors	0,664	0,301	-0,363	0,631	0,261	-0,370	-5,0	-13,3
Female seniors	0,704	0,265	-0,439	0,707	0,288	-0,419	0,4	8,7
Men under 65	0,499	0,335	-0,164	0,451	0,337	-0,114	-9,6	0,6
Women under 65	0,488	0,320	-0,168	0,506	0,375	-0,131	3,7	17,2

Sources: STATISTICS CANADA (2011a); Compilation by the Centre d'étude sur la pauvreté et l'exclusion, July 2011.

**Chart 20 – Gini coefficient after transfers and taxes, by family type, Québec, 1990-2009**



Sources: STATISTICS CANADA (2011a); Compilation by the Centre d'étude sur la pauvreté et l'exclusion, July 2011.

According to a major report on income inequality over the 20-year period from the mid-1980s to the mid-2000s in all 34 developed countries of the OECD, published in 2008, inequality grew sharply ( $\geq 2.5$  Gini coefficient points) or slightly (between 1 and 2.5

points) in some OECD countries, remained much the same in others (between -1 and 1 point), and decreased either slightly (between -1 and -2.5 points) or sharply ( $\leq -2.5$  points) in still others. As measured by the Gini coefficient, there was no change in inequality in Canada from the mid-1980s to the mid-1990s, followed by a major increase from the mid-1990s to the mid-2000s, resulting in a slight increase over the period as a whole, i.e. from the mid-1980s to the mid-2000s (ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, 2008). The same trends were observed in countries such as Germany, the United States, Italy, Japan, Norway, Portugal and Sweden.

These findings are generally consistent with those of CRESPO (2007), who tracked changes in inequality in Québec since 1990, which he determined to be the peak year in a cycle. There is a slight difference compared with Canada as a whole, however, since the Gini coefficient for Québec did not increase in the same way as it did for Canada starting in the mid-1990s (Table 21).

**Table 21** Change in Gini coefficient, by family type and based on adjusted after-tax income, Québec and Canada, 1990-2009

		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
All family units	Canada	0,286	0,292	0,291	0,289	0,29	0,293	0,301	0,304	0,311	0,31	0,317	0,318	0,318	0,316	0,322	0,317	0,318	0,316	0,321	0,32
	Québec	0,269	0,278	0,27	0,274	0,278	0,28	0,29	0,29	0,295	0,284	0,294	0,298	0,301	0,295	0,299	0,296	0,294	0,292	0,299	0,289
Economic families, 2 persons or more	Canada	0,278	0,285	0,283	0,281	0,282	0,285	0,293	0,296	0,303	0,299	0,308	0,309	0,31	0,306	0,312	0,306	0,306	0,305	0,311	0,31
	Québec	0,259	0,268	0,258	0,262	0,266	0,27	0,276	0,281	0,286	0,274	0,285	0,289	0,293	0,284	0,289	0,28	0,28	0,28	0,287	0,274
Unattached individuals	Canada	0,337	0,334	0,34	0,339	0,342	0,339	0,345	0,348	0,353	0,371	0,362	0,364	0,36	0,368	0,374	0,37	0,372	0,371	0,361	0,364
	Québec	0,322	0,327	0,337	0,341	0,343	0,329	0,358	0,331	0,333	0,32	0,326	0,331	0,325	0,34	0,336	0,349	0,342	0,33	0,328	0,342

Sources: STATISTICS CANADA (2011a); Compilation by the Centre d'étude sur la pauvreté et l'exclusion, July 2011.

### 1.4.2 Interquintile ratios

Inequality can also be measured by the interquintile ratio, or the ratio of the average income of the 20% with the highest incomes to the 20% with the lowest incomes. The proportion of incomes in the upper quintile over those in the lower quintile reveals how many times more income the richest quintile makes than the poorest quintile. First, though, the raw data on average family income by quintile are presented in Table 22.

**Table 22 Average family income, by type of income and average income taxes paid in each disposable income quintile, Québec, 2008**

	Quintiles				
	1	2	3	4	5
	\$				
<b>Unattached individuals</b>					
Private income	2 768	5 881	17 933	33 534	64 965
Income from transfer	4 940	10 949	7 713	4 969	3 327
Total income	7 708	16 831	25 647	38 503	68 292
Income tax	81	379	2 874	5 927	15 261
Disposable income	7 627	16 452	22 773	32 575	53 032
<b>Families, 2 persons or more</b>					
Private income	11 245	30 787	53 481	82 708	154 561
Income from transfer	14 692	13 147	10 407	8 369	5 726
Total income	25 938	43 934	63 889	91 077	160 288
Income tax	638	3 033	8 135	15 285	37 154
Disposable income	25 300	40 902	55 754	75 792	123 133
<b>All family units</b>					
Private income	5 107	19 222	35 598	61 408	130 933
Income from transfer	8 333	10 748	10 088	8 903	6 372
Total income	13 439	29 971	45 686	70 311	137 305
Income tax	300	2 648	5 162	10 707	30 014
Disposable income	13 139	27 322	40 523	59 604	107 291

Note: Quintiles were determined separately for unattached individuals, families and family units.

Sources: STATISTICS CANADA, *Survey of Labour and Income Dynamics (SLID)*; Compilation by the Institut de la statistique du Québec.

Between 1990 and 2009, all of the groups studied increased their purchasing power, with the exception of unattached individuals in the first quintile, who saw theirs reduced by 6.1%. A comparison of income distribution by quintile, before and after taxes, reveals the following gaps (Table 23).<sup>14</sup>

14. The differences between the figures in Table 23 and the raw data in Table 22 are attributable to the fact that the data used were adjusted for family size to offset the possibility that changes were the result of an increase or a decrease in the average size of family units.



**Table 23 Average disposable income, by family type and income quintile, adjusted for family size, 2009 dollars, Québec, 1990 and 2009**

	1990				2009				purchasing power between 1990 and 2009 (%) / Ratio change	
	Before transfers and taxes	After transfers and taxes	Difference \$	Difference %	Before transfers and taxes	After transfers and taxes	Difference \$	Difference %	Before transfers and taxes	After transfers and taxes
<b>Unattached individuals</b>										
1st quintile	2 300	8 200	5 900	256,5	3 100	7 700	4 600	148,4	34,8	-6,1
2nd quintile	4 200	13 700	9 500	226,2	6 300	16 800	10 500	166,7	50,0	22,6
3rd quintile	9 700	17 800	8 100	83,5	18 100	23 600	5 500	30,4	86,6	32,6
4th quintile	26 500	25 900	-600	-2,3	33 600	32 900	-700	-2,1	26,8	27,0
5th quintile	61 000	46 400	-14 600	-23,9	69 200	56 800	-12 400	-17,9	13,4	22,4
Ratio 5th q./1st q.	26,5	5,7			22,3	7,4			-15,8	30,4
<b>Families, 2 persons or more</b>										
1st quintile	7 100	13 500	6 400	90,1	7 900	17 600	9 700	122,8	11,3	30,4
2nd quintile	18 900	22 000	3 100	16,4	21 400	27 000	5 600	26,2	13,2	22,7
3rd quintile	30 600	28 800	-1 800	-5,9	33 200	35 200	2 000	6,0	8,5	22,2
4th quintile	42 900	36 400	-6 500	-15,2	48 200	44 900	-3 300	-6,8	12,4	23,4
5th quintile	69 100	53 600	-15 500	-22,4	88 900	71 100	-17 800	-20,0	28,7	32,6
Ratio 5th q./1st q.	9,7	4,0			11,3	4,0			15,6	1,7
<b>All family units</b>										
1st quintile	5 100	12 200	7 100	139,2	6 000	14 800	8 800	146,7	17,6	21,3
2nd quintile	16 400	20 600	4 200	25,6	18 200	24 800	6 600	36,3	11,0	20,4
3rd quintile	28 900	27 600	-1 300	-4,5	31 000	33 300	2 300	7,4	7,3	20,7
4th quintile	41 500	35 500	-6 000	-14,5	45 900	43 100	-2 800	-6,1	10,6	21,4
5th quintile	68 400	52 900	-15 500	-22,7	86 000	69 200	-16 800	-19,5	25,7	30,8
Ratio 5th q./1st q.	13,4	4,3			14,3	4,7			6,9	7,8

Note: The data used were adjusted for family size to offset the possibility that changes were the result of an increase or a decrease in the average size of family units. Other temporal ranges are possible.

Sources: STATISTICS CANADA (2011a); Compilation by the Centre d'étude sur la pauvreté et l'exclusion, July 2011.

- The income before transfers and taxes of unattached individuals in the richest quintile was 26.5 times that of the poorest quintile in 1990 and 22.3 times in 2009, the only change that indicates a reduction in inequality; due to growth in income inequality after transfers and taxes, the income after transfers and taxes of unattached individuals in the richest quintile was 5.7 times that of the poorest quintile in 1990 and 7.4 times in 2009.
- The income before transfers and taxes of families of two persons or more in the richest quintile was 9.7 times that of the poorest quintile in 1990 and 11.3 times in 2009; after transfers and taxes, the income of the richest quintile was 4 times

- that of the poorest quintile in 1990 and 4 times in 2009, which explains why there was no change in income inequality after transfers and taxes.
- The income before transfers and taxes of all family units in the richest quintile was 13.4 times that of the poorest quintile in 1990 and 14.3 times in 2009; the income after transfers and taxes of the richest quintile was 4.3 times that of the poorest quintile in 1990 and 4.7 times in 2009, the average of that observed among unattached individuals and families.

### **1.4.3 Polarization coefficient**

The polarization coefficient shows another dimension of income inequality. Market conditions can sometimes create significant income disparities, driving the notion of income polarization. It is also possible that taxation and transfer payments to individuals, which normally should enable the redistribution of wealth from the richest to the poorest, only partially fulfils this role, producing greater income polarization without the desired effect of reducing inequality.

The polarization coefficient used here<sup>15</sup> is the percentage of the population whose income is between 75% and 125% of the median income, the easiest to calculate. This polarization coefficient, as well as the share of individuals below the lower limit and the share of those above the upper limit reveal shifts between 2000 and 2009 based on family status, sex and age.

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15. See the CEPE's *Advice to the Minister* (2009: 60) for an overview of possible indicators.

**Table 24 Polarization coefficient: Proportion of individuals living in family units whose adjusted after-tax income is between 75% and 125% of the median income, based on various characteristics of the major income earner, Québec, 2000-2009**

	Below the lower limit		Polarization coefficient		Above the upper limit	
	2000	2009	2000	2009	2000	2009
All persons	25,2	26,4	36,2	35,7	38,6	37,9
Unattached individuals	48,6	48,6	30,4	30,3	21,1	21,0
Co-tenants	56,8	50,6	28,0	32,0	15,1	17,4
Single-parent families	53,1	43,3	36,9	39,6	9,9	17,1
Childless couples	15,1	17,1	33,6	32,2	51,3	50,7
Two-parent families	18,5	18,6	39,3	40,3	42,2	41,0
Other	21,4	28,5	42,0	37,1	36,5	34,3
Men	17,0	21,1	38,5	37,7	44,5	41,2
Women	41,3	34,4	31,8	32,6	26,9	33,0
16-24 years	60,5	68,2	27,7	22,5	11,9	9,3
25-34 years	28,5	28,9	37,4	38,6	34,1	32,4
35-44 years	22,7	21,4	39,1	37,9	38,2	40,8
45-54 years	15,5	14,1	31,6	33,5	52,9	52,4
55-64 years	23,5	22,3	28,8	36,9	47,7	40,9
65 years and over	36,5	44,1	45,8	34,5	17,7	21,5

Sources: STATISTICS CANADA, *Survey of Labour and Income Dynamics (SLID)*; Compilation by the Centre d'étude sur la pauvreté et l'exclusion, July 2011.

Thus, some sub-groups (co-tenants, single-parent families, 55-64 age group) saw their relative situation improve between 2000 and 2009, shifting more to the centre, while others saw only a minor change. However, a significant proportion of single-parent families remain below the lower limit, double that of two-parent families. The situation of other groups (sex, age and family units) got relatively worse. In 2009, there is also a higher concentration of some groups above the upper limit, including single-parent families and women (Table 24).

For all family units, the income before transfers and taxes of the richest quintile was 13.4 times that of the poorest quintile in 1990 and 14.3 times in 2009; after transfers and taxes, the income of the richest quintile was 4.3 times that of the poorest quintile in 1990 and 4.7 times in 2009.

## SECTION 2: Work of the CEPE: Retrospective and Outlook

*“People on the fringe are still a part of society.”*

Comment from a participant in the training days on the CEPE’s *Advice to the Minister*, June 2009

### **2.1 Training days on the CEPE’s Advice to the Minister, June 4-5, 2009**

Over 75 people took part in the training days on the CEPE’s *Advice to the Minister* held on June 4 and 5, 2009, at the Centre St-Pierre in Montréal, and led by Marc De Koninck, community organizer with the Centre de santé et de services sociaux (CSSS) de la Vieille-Capitale.

The training days were aimed at anyone wishing to learn more about the *Advice to the Minister* and its 19 recommendations, particularly the Market Basket Measure.<sup>16</sup>

On the second day, participants got a chance to talk to the authors during five thematic workshops. They were able to share their comments and suggestions on the various recommendations. The themes of the workshops were:

- Theme 1: Measuring poverty
- Theme 2: Measuring inequality
- Theme 3: Addressing and measuring social exclusion
- Theme 4: Examining the potential factors and the consequences of poverty
- Theme 5: Taking an innovative look at issues (prejudices, dignity, etc.), methods and views

The results of the workshops were presented during a plenary workshop during which participants were given an opportunity to share their comments and suggestions. Several people made general comments on the *Advice to the Minister*. Participants also suggested a number of areas for further research (see Appendix 3).

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16. The presentation on the MBM is available on the CEPE website at the following address: [http://www.cepe.gouv.qc.ca/publications/pdf/presentation\\_avis\\_CEPE.pdf](http://www.cepe.gouv.qc.ca/publications/pdf/presentation_avis_CEPE.pdf) (in French)

Overall, the Advice was very well received, but the participants in the training days called on the CEPE to examine poverty, inequality and social exclusion in greater depth using a variety of approaches, including participatory approaches.

## **2.2 Social Exclusion: Issue, Definition, Dimensions and Indicators**

*“Currently, the debate over fighting poverty focuses on employment as the way to get out of poverty. Social inclusion needs to be directed at people who can’t enter the job market, who need better support and help integrating into society.”*

Comment from a participant in the training days on the CEPE’s *Advice to the Minister*, June 2009

The CEPE divided its work on social exclusion into two components, one dealing with the “cumulation of disadvantages and living conditions” and the other dealing with the “cumulation of mechanisms and processes of exclusion.”

Two avenues were put forward for the first component: in the short term, cross tabulation of data on poverty and the other dimensions of social exclusion (health, education, employment, social housing), and in the long term, a genuine dynamic analysis of social exclusion, for which data may be available some day.

During the work on the second component, the notion of “cumulation of mechanisms of exclusion” was more clearly defined and an approach based on the cross-fertilization of knowledge was proposed in order to advance on this issue in the short term. Related research issues and areas over the longer term were also outlined.

## **2.3 Working Papers**

### **2.3.1 Contribution to the determinants of poverty**

Jean-Michel Cousineau, a member of the CEPE Steering Committee and professor in the School of Industrial Relations at the Université de Montréal, published a working paper entitled *Les déterminants macroéconomiques de la pauvreté : une étude de l'incidence de la pauvreté au sein des familles québécoises sur la période 1976-2006* (2009).

One of the striking phenomena in Québec and Canada over the last decade has been the sharp decrease in low income rates. The above paper compares the contribution of the main macroeconomic determinants of poverty in Québec between 1996 and 2006 to their contribution in the previous 20 years by focusing on families of two persons or more, as this is the group for which the biggest decreases were observed.

A review of the literature showed that the main determinants of poverty are, by order of importance, economic growth, job creation, government transfer payments, income inequality and a range of non-random systemic forces. The estimated results for Canada (10 provinces, 30 years of observation) and Québec (30 years of observation) corroborated all of these assumptions.

### **2.3.2 Equivalence scales**

The Centre d'étude sur la pauvreté et l'exclusion (CEPE) published another working paper entitled *Equivalence Scales: An Empirical Validation* (FRÉCHET et al., 2010a).

The question of equivalence scales arises regularly when it comes to measuring low income or inequality. A family of four does not necessarily spend four times more than an unattached individual, because it enjoys economies of scale in consumption (sharing the cost of housing, food and other goods and services). It therefore seems crucial that

equivalence scales be taken into account when comparing the standards of living of the people who make up these family units. This working paper shows the implications of choosing between two of these scales, i.e. Statistics Canada's 40/30 scale and the square root of household size, which Statistics Canada recently adopted for the widely used low income measures (LICO, LIM and MBM).

### 2.3.3 From after-tax income to MBM disposable income

Yet another working paper published by the Centre d'étude sur la pauvreté et l'exclusion (CEPE) is entitled *From After-Tax Income to Market Basket Measure (MBM) Disposable Income* (FRÉCHET et al. 2010b).

Comparisons of the various low income thresholds are not carried out on an entirely comparable basis: the LICO and the LIM are based on before- or after-tax income (but **before** contributions), whereas the MBM is based on the cost of a basket of goods and services in a community of residence and disposable income for consumption purposes (**after** taxes **and** contributions). This raises the question: *How high must the average after-tax income be in order to be able to purchase the basket in question, given that the cost of the basket must correspond to an equivalent income?*

The purpose of this working paper is to provide a detailed justification for a proposed 7% upward adjustment in the MBM in order to make thresholds comparable to after-tax income.

### 2.3.4 Factors of social exclusion in Canada: a literature review across various fields

The "working papers" section of the CEPE website contains a report commissioned by Human Resources and Skills Development Canada, which permitted the author to publish it wherever he wanted. This report by Lionel-Henri Groulx, Associate Professor of Social Work at the Université de Montréal, is entitled *Les facteurs engendrant*

*l'exclusion au Canada : survol de la littérature multidisciplinaire* (GROULX, 2011). The reports provide a meta-analysis of studies on the factors associated with social exclusion published in Québec and Canada over the last decade. GROULX identified over 400 studies on the matter and integrated the data to produce a coherent picture of the primary dimensions of social exclusion:

1. Exclusion in the creation of disadvantaged environments
2. Exclusion in the creation of stigmatization and discrimination
3. Exclusion as a life course
4. Exclusion as result of spatial concentration of disadvantages, or the geography of exclusion

### **2.3.5 The costs of poverty**

At the request of the advisory committee on the prevention of poverty and social exclusion, the Centre d'étude sur la pauvreté et l'exclusion (CEPE) undertook research to determine the costs of poverty in Québec. The objective of the research was to apply the model for estimating the economic and social costs of poverty proposed by Nathan Laurie (2008) and published by the Ontario Association of Food Banks to Québec. The final report, entitled *The Costs of Poverty in Québec According to the Model Proposed by Nathan Laurie*, has been published.

### **2.4 Envisaged Follow-up to the Concerted Action on Poverty and Social Exclusion**

Phase 1 of the concerted action on poverty and social exclusion (2007-2009) is, for all intents and purposes, completed: seven research projects, a knowledge synthesis and three doctoral fellowships were funded during this phase.<sup>17</sup> Two knowledge transfer activities were held in December 2009 and September 2010.<sup>18</sup>

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17. Subsidized research activities can be consulted online at the following address:  
[http://www.cepe.gouv.qc.ca/activites-recherche/recherche-subventionnee\\_en.asp](http://www.cepe.gouv.qc.ca/activites-recherche/recherche-subventionnee_en.asp)

18. Research reports are also available online at the following address (in French):  
<http://www.fgrsc.gouv.qc.ca/fr/recherche-expertise/projets/rapports-recherche.php#Pauvrete>



Phase 2 of the concerted action on poverty and social exclusion began in spring 2011 as part of the concerted action program of the Fonds québécois de recherche sur la société et la culture (FQRSC). Some of the Phase 1 partners (Ministère de la Santé et des Services sociaux, Société d'habitation du Québec and Fonds québécois de recherche sur la société et la culture) are also contributing to Phase 2. The eight projects subsidized will begin in 2012.

### SECTION 3: Conclusion: Looking Ahead to 2013

*“The research process can benefit the community and the individual. Taking part in data collection helps one get to know the territory again. What’s important is that people don’t feel like they’re sitting on the sidelines, but rather are players in the game.”*

Comment from a participant in the training days on the CEPE’s *Advice to the Minister*, June 2009

Looking ahead to 2013, the target year for meeting the goal set in the *Act to combat poverty and social exclusion* of making Québec one of the industrialized nations having the least number of people living in poverty, we can already start thinking about the performance indicators required to determine whether or not this goal has been met.

Section 4 of the *Act to combat poverty and social exclusion* reads as follows: “The national strategy is intended to progressively make Québec, by 2013, one of the industrialized nations having the least number of persons living in poverty, according to recognized methods for making international comparisons.” However, these international comparisons may not deliver results until 2020, for various reasons. The most credible body in international comparisons is the Luxembourg Income Study (LIS) and it collects data only every three, four or five years. The most recent wave of LIS data centred around 2004 and covers 30 countries. Seven years later, the data from this wave have not yet been fully released for all of the countries. The next dataset is supposed to be for 2007, but nothing is available yet. In all likelihood, we will have to wait until 2020 before we can say whether or not the goal set out in section 4 of the Act has been achieved.

Another source of data is the OECD, but the studies that use those data insistently maintain that comparisons are limited, that data are not always collected using exactly the same questions, that after-tax income can differ substantially across countries, etc. Only the LIS makes an effort to homogenize data from the countries surveyed to make

them comparable. Raw data from the *Survey of Income and Living Conditions* (SILC) are thus available for a subset of 13 countries,<sup>19</sup> but we must make sure we can convert our own data so we can compare Québec against these countries, even if only for a cursory examination of trends.

Apart from these international comparisons, it should be possible to interpret other signs as well, including the low income rates for Québec and for various categories of individuals and families, for the purposes of interregional as well as interprovincial comparisons, tracking changes in the number and rate of social assistance recipients, etc. In short, existing additional data can be interpreted and used to measure results. For example, these data can show progress without international comparisons of low income rates always having to be the best indicator. However, the limits of existing data must be overcome in interregional as well as interprovincial comparisons. Using a bigger SLID sample or other data sources to calculate the MBM could help push the limits of existing data.

A temporal comparison of the different life situations revealed through implicit thresholds showed that, measured against itself, Québec has made progress in fighting poverty. In recent years, it has improved the situation of families, although there is still room for improvement, particularly among unattached individuals, who did not benefit as much from the measures contained in the first action plan, deployed in 2004.

The observed fluctuations in recent years that were observed using the MBM still make it hard to determine the direction and intensity of progress. This would require looking at the effects of the national strategy separately from other factors, including trends. Using 2009 MBM data, we still observe a low income rate of 9.5%, which shows that we still have a long way to go.

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19. See <http://stats.oecd.org/Index.aspx?DQID=11554&Lang=en>, where the most recent data available are from the mid-2000s.

The most significant reason why the MBM low income rate fell more slowly in Québec between 2000 and 2008 is the marginal increase in disposable income relative to the changes in MBM thresholds in Québec starting in 2004. Whereas the downward trend in low income slowed in Québec, it picked up pace in other provinces because growth in disposable income was much higher than the increase in the thresholds.

Simulating typical cases allowed us to observe changes in the relative level of disposable income of individuals or family units between 2004 and 2011 in relation to the various existing thresholds, which we called implicit thresholds. In most cases, the gaps narrowed between 2004 and 2011, but there was little or no change in others and even a slight widening of gaps in some cases, especially among unattached individuals.

In terms of inequality, income among the richest quintile, on a before transfers and taxes basis, was 13.4 times that among the poorest quintile (all units) in 1990 and 14.3 times in 2009; after transfers and taxes, income among the richest quintile was 4.3 times that among the poorest quintile in 1990 and 4.7 times in 2009, an increase in inequality corresponding to the average of that observed among unattached individuals and families. Inequality growth in Québec mirrors the situation in many OECD countries.

Lastly, we still have a fair ways to go before it will be possible to better track the effects of the mechanisms and factors that cause poverty and social exclusion. This will require changing the collective view of the dynamics of the entire population that weigh heavily on those who suffer their adverse effects.

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## Appendices

### Appendix 1a: Indicators of progress in fighting poverty: a comparison of Québec, Newfoundland, Ontario and Manitoba

Dimensions	Québec: CEPE recommendations	Québec: MESS regional portraits for 2009	Newfoundland	Ontario	Manitoba
<b>Income</b>	MBM (interprovincial comparisons)	MBM	MBM		MBM
			Newfoundland & Labrador Market Basket Measure (NLMBM) <sup>20</sup>		
	LIM at 50% and 60% of the median (interregional and international comparisons)		LIM at 50% of the median	Depth of poverty: % of children under 18 living in a family with an income less than 40% of the median	
				LIM: % of children under 18 living in a family with an income less than 50% of the median	
	International comparisons using purchasing power parities (PPPs)				
	LICO (intraprovincial change)		LICO		
		Economic dependency ratio			
	Disposable income based on implicit thresholds	Personal disposable income	Median family income, average work income and disposable income		

<sup>20</sup> See <http://www.canadiansocialresearch.net/nfbkmrk.htm#nlmbm>.



					Improvement in the rate of prenatal allowance recipients
					Improvement in the rate of Manitoba Child Benefit recipients
	Poverty dispersion, gap, intensity and severity				
	Income inequality: Gini coefficient, interquintile ratio				
<b>Education</b>		Breakdown of the population 15+ based on level of education	Postsecondary education rate	High school graduation rate	Provincial and regional education rates
		Proportion of the population aged 25-64 with a high school (or less) education			
		Proportion of the population aged 25-64 without a degree, certificate or diploma	Dropout rate		
			School readiness: children's abilities in five areas demonstrating that they are ready for school: physical health and well-being, social competence, emotional maturity, language and cognitive development, communication skills and general knowledge	School readiness: children's abilities in five areas demonstrating that they are ready for school: physical health and well-being, social competence, emotional maturity, language and cognitive development, communication skills and general knowledge	

			Educational Scores	School achievement: results of the Education Quality and Accountability Office's (EQAO) assessment of reading, writing and math skills among Grade 6 students	Early Development Instrument (EDI) scores
					Percentage of children aged 12 and under who have access to a regulated child care space
<b>Health</b>		Life expectancy at birth			
		Overall mortality: average annual rate adjusted after 5 years for 100 000 people			
			Percentage of newborns with a normal birth weight (over 2.5 kg)	Percentage of newborns with a normal birth weight (over 2.5 kg)	
					National Longitudinal Study of Children and Youth
					Teen pregnancy rate
<b>Work</b>		Unemployment rate	Rate of families with no earners		Unemployment rate
		Labour force participation rate			Census labour market statistics for groups at risk
		Employment rate			
<b>Housing</b>		Share of income spent on housing (shelter)	Affordable housing (being defined)	Ontario Housing Measure (being defined)	Number of affordable housing units built and renovated

					Participation in the Safety Aid and Lighthouse programs
					Improvement in the participation rate for Manitoba's housing allowance program
<b>Social assistance</b>		Social assistance benefits	Social assistance benefits		Number of participants in the Employment and Income Assistance Program who get a job
					Employment outcomes for participants in the employment assistance program
<b>Material deprivation</b>				Deprivation index built on the Ontario Material Deprivation Survey (OMDS)	
<b>Material and social deprivation</b>		Material and social deprivation index developed by Pampalon and Raymond			

Sources: Centre d'étude sur la pauvreté et l'exclusion (CEPE) (2009); Ministère de l'Emploi et de la Solidarité sociale (2009); Newfoundland and Labrador Department of Human Resources, Labour and Employment (2009); Ontario Ministry of Children and Youth Services (2008); Manitoba Family Services and Consumer Affairs (2009); Compilation by the CEPE.

## **Appendix 1b: Comparison of indicators between the provinces**

Reading the indicators used by Québec, Newfoundland, Ontario and Manitoba, one cannot help but notice that none of the provinces take the same approach to measuring progress and setbacks in fighting poverty. Even just from the point of view of low income indicators, which one would think would be relatively well mapped out by now, discrepancies in the preferred indicators are obvious.

From the outset, Ontario opted not to use the MBM. It is a known fact that Ontario and British Columbia expressed reservations about this measure because housing costs in big cities like Toronto and Vancouver raise the MBM threshold, resulting in higher MBM low income rates than elsewhere. These costs of living are not offset by higher disposable income. Newfoundland uses the MBM, but wants to supplement it with a specific measure tailored to the province,<sup>21</sup> which has different housing patterns from the other provinces.

Even though Ontario measures poverty based on the percentage of children living in a household that is below the LIM, this measure, determined for a given year, remains the most comparable despite its limitations. There is no general agreement over LICOs, another indication of their waning popularity. However, these two measures should not be used for interprovincial comparisons, as they do not take the different cost of living across the provinces into account.

While their indicators differ more often than not, all four provinces consider more than just financial factors in order to take all the facets of poverty into account: education, health, housing, work, social assistance and deprivation.

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21. See <http://www.canadiansocialresearch.net/nfbkmrk.htm#nlmbm>.

## Appendix 2: Changes made to the Market Basket Measure in 2008

Data based on the MBM are published in the report entitled *Income in Canada*. These data are now available for the period 2000-2009 and cover all of the provinces. A comprehensive review of the MBM was undertaken in 2008 and the revisions were so extensive that we now refer to the 2008-based MBM, as opposed to 2000, the beginning of the MBM time series. The revisions include:

- Health Canada's 2008 National Nutritious Food Basket;
- rental shelter costs;
- housing costs for homeowners without mortgages;
- cost of public transit for children;
- replacement of the Chevrolet Cavalier, which is no longer manufactured, by the Ford Focus, deemed an equivalent vehicle;
- Internet access, etc.

A more detailed description of the 20 changes to the calculation of the MBM is provided in HATFIELD et al. (2010: 14-18). One of the changes to the LIM methodology, i.e. replacing the equivalence scale by the square root of household size (MURPHY et al., 2010),<sup>22</sup> was also applied to the MBM for consistency purposes, but this had no impact on temporal changes (the series were recalculated) or on interprovincial comparisons.

Thus, estimates for economic families are no longer published, but rather only estimates for "persons" and "persons in families." "All persons" consists of persons in families and persons not in families.

All of these changes were implemented at different times, however: some were applied for the entire period 2000-2009; others, when 70% of the population consumed (Internet access, for example, was not applied until 2005 when 70% of the Canadian population had Internet. The 70% rule will be used in future). However, all of the provinces used the same basket in the same years.

Some of the changes nevertheless **had a greater impact in Québec than in the rest of Canada**, in particular:

- Food:
  - Health Canada's 2008 National Nutritious Food Basket raised the cost of the basket by up to 13% between 2007 and 2008 in average-sized

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22. The changes to the LIM methodology, based on recommendations by THE CANBERRA GROUP (2001) and aimed at bringing the methodology closer in line with international norms and practices, are as follows:

1. The first replaces economic family by household as the basic accounting unit in which individuals pool income and enjoy economies of scale in consumption.
2. The second consists in adopting the square root of household size equivalence scale to adjust household income (previously, Statistics Canada's 40/30 scale was used).
3. The third uses person rather than household income weights. Person weighting produces an estimate of the overall distribution of income among individuals in the population, assuming that all household or family incomes are pooled.

Québec cities, compared with 11% on average in the rest of Canada (the average for Québec as a whole is not specified, but the average for Canada as a whole is).

- Shelter:
  - The calculation of rental shelter costs (median cost of a 2- or 3-bedroom unit) to reflect the actual distribution of such units (weighted average instead the simple average) led to a 7.4% decrease in Québec, but decreases of over 10% in all the other provinces except Prince Edward Island (-8.4%).
  - The inclusion of shelter costs of homeowners without mortgages (property taxes and utilities) in the calculation of median shelter costs led to a decrease, especially in rural areas. The smallest decreases were in Saskatchewan (28.3%) and Québec (32.5%), compared with decreases of over 38% in all the other provinces, and up to 52.4% in British Columbia.
- Transportation:
  - Private transportation led to a slightly higher increase in Québec (0.6%) compared with the Canadian average (0.5%).

If we apply these changes to 2007, for example, we can see that, overall, they have a relatively minor impact on the MBM thresholds in Québec: no change in thresholds for the Québec City CMA, a 0.1% decrease for the Montréal CMA, a few increases ranging between 0.5% and 2.7% for medium-sized cities and a 2.5% decrease for rural areas. The average decrease for Canada as a whole was 3.4% (HATFIELD et al. 2010: 48-50).

**Appendix 3: Research avenues suggested during the training days on the  
CEPE's Advice to the Minister, June 4-5, 2009**

- With regard to **approaches**:
  - Take a broader approach to research. Participatory research should be encouraged and people experiencing poverty or social exclusion should be seen as co-builders of knowledge and be involved in every stage of research projects.
  - Study the sociology and anthropology of consumption.
  - Gain a better understanding of the processes underlying poverty instead of just focusing on the usual indicators.
  - Establish how poverty fits in with the respect for human rights.
  
- With regard to **indicators**:
  - Develop regional indicators, an MBM for each region.
  - Develop indicators of people exiting poverty.
  - Look at indicators that track poverty, get international comparisons and develop non-economic indicators.
  - Develop trend charts to make it easier to examine the cause-and-effect relationship between indicators.
  
- With regard to **inequality**:
  - Determine government targets for inequality.
  - Gain a better understanding of and examine inequality phenomena (e.g. examine temporal changes in the Gini coefficient, become more familiar with inequality phenomena affecting children, people with disabilities, Aboriginal people, immigrants, the regions).
  - Look at inequalities in access to basic needs, education and culture.
  - Measure the effect of social programs on inequality.
  
- With regard to **exclusion**:
  - Gain a better understanding of the mechanisms, practices and processes underlying exclusion by, in particular, studying exclusionary practices and the players involved in the creation of exclusion.
  - Involve people living in poverty in research on exclusion and promote participatory approaches.
  - Examine exclusion from a systemic perspective, rather than from an individual-oriented perspective.
  - Gain a better understanding and adopt a more comprehensive view of the causes of exclusion: exclusion is not necessarily tied to poverty, but rather to a difference from the norm and how that difference is perceived (delve into the world of prejudice).
  - Examine social exclusion from the perspective of social marginalization (people on the fringe are still a part of society).
  - Instead of measuring exclusion, examine the issue of social participation, address the citizenship deficit and explore factors facilitating inclusion.
  
- With regard to **other research avenues**:
  - Examine the consequences of limited access to credit for low-income individuals.
  - Initiate research into housing as a determinant of poverty.

- Delve deeper into intergenerational poverty, in particular by taking into account the duration of spells of poverty.
- Make (CEPE) research tools and data, in particular statistics, available to researchers.
- Develop research on the “life course.”



## Appendix 4: Notes on methodology

### Data sources

Compilations by the Centre d'étude sur la pauvreté et l'exclusion (CEPE), prepared using the public-use microdata file for the *Survey of Labour and Income Dynamics* (SLID), may differ slightly from the compilations by Statistics Canada, the Institut de la statistique du Québec or Human Resources and Skills Development Canada, which are prepared using SLID master file data. The differences, however, are minor.

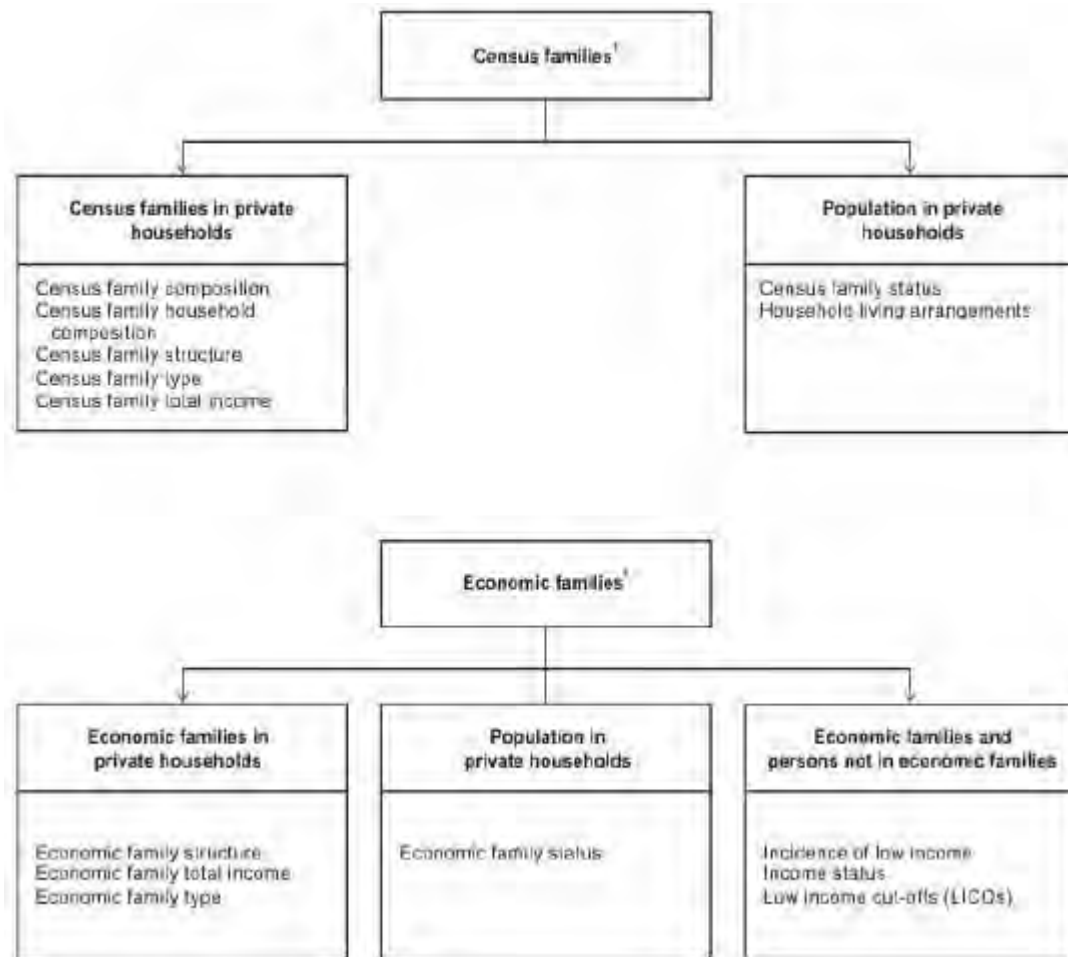
The CEPE calculated confidence intervals using SLID master file data. In the absence of information on the design of the SLID survey, confidence intervals were calculated based on the assumption that it is constructed around a simple random sample such that margins of error are understated because of the complex survey design of the SLID data.

### Statistical units

- Family units (families): unattached individuals and economic families of two or more persons within the meaning given by Statistics Canada.
- Economic family: two or more persons living in the same dwelling and related by blood, marriage, adoption or de facto union.
- Other units (types of family units: units whose members are 18 years of age or over and are not related by marriage, but are related by blood or adoption (e.g. two adult brothers living together, a mother and her adult child sharing a dwelling)).
- Unattached individual: a person living alone or with others to whom he or she is not related; an unattached individual is, therefore, not necessarily the only occupant of the dwelling in which he or she lives.
- Person living alone: an unattached individual in a one-person household.
- Census family: a married couple or a couple living in a de facto union (with or without children), or a single parent with at least one child (of any age) living in the same dwelling. Grandchildren living in the household of at least one of their grandparents (but with no parents present) are considered as being part of the census family of their grandparents.
- Person not in a census family: a member of a household but not a member of a census family. This person may be either related to Person 1 (e.g. sister, brother-in-law, cousin or grandfather) or not related. Thus, persons not in a census family can live in a household consisting of several people. Persons living alone are always considered as persons not in a census family.
- Household: a person or group of persons who occupy the same dwelling and do not have a usual place of residence elsewhere in Canada. The household may consist of a family group such as a census family, with or without other persons not in the census family, of two or more families sharing a dwelling, of a group of unrelated persons or an unattached individual. Thus, an individual living in a one-person household necessarily lives alone, which is not always the case with "unattached individuals" or "persons not in a census family."
- CMA: Census Metropolitan Area.

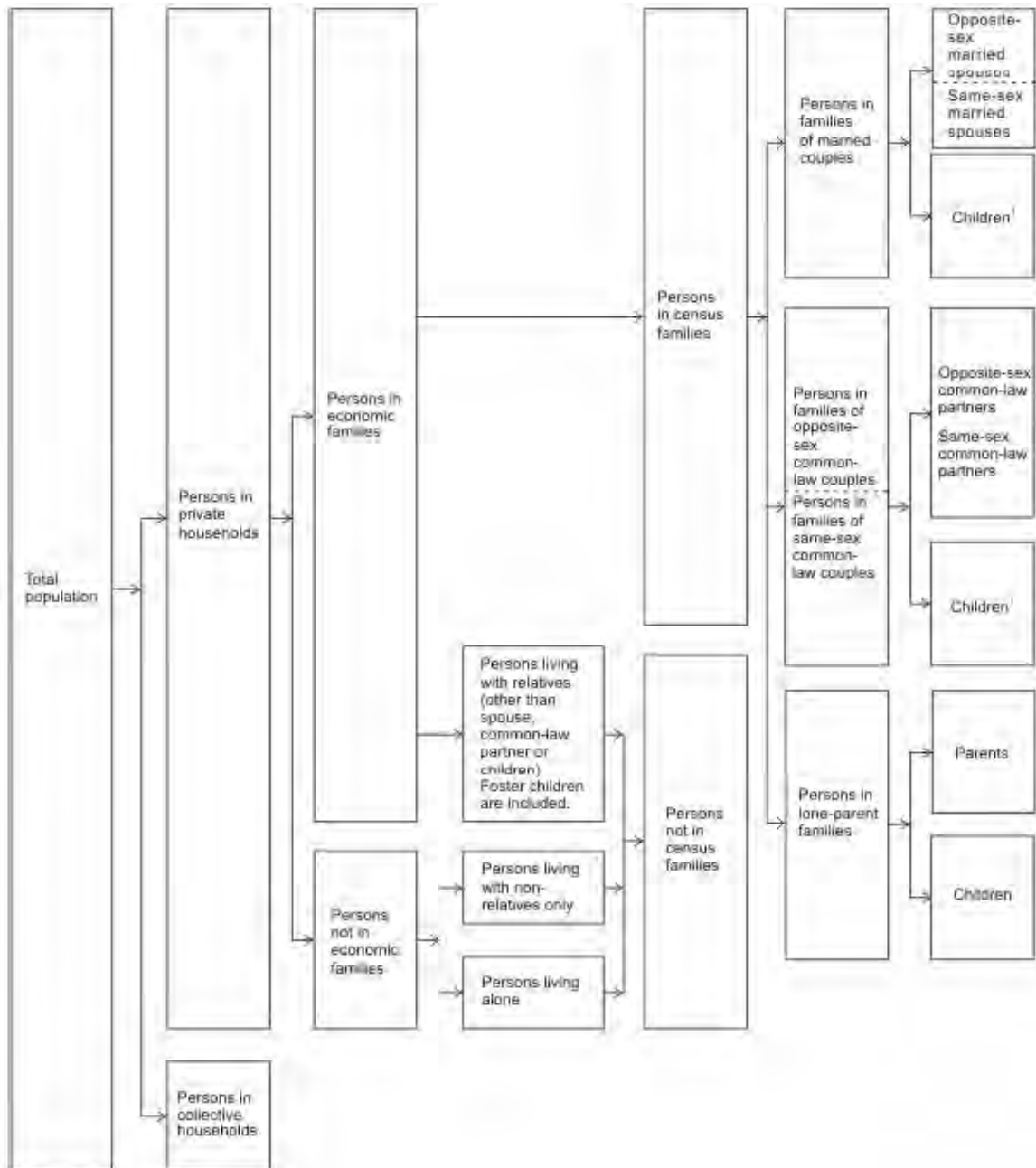
- Major income earner: the family member with the highest income (if the highest income is earned by more than one person, the oldest person is considered the major income earner).
- Senior: person aged 65 or over.

### 2006 census and economic family universes and subuniverses



STATISTICS CANADA, *2006 Census Dictionary*, Ottawa, p. 123.

**Economic and census family membership and family statuses**



STATISTICS CANADA, 2006 *Census Dictionary*, Ottawa, p. 124.

### **Appendix 5: Members of the CEPE Steering Committee**

Chair: Alain Noël, Professor, Department of Political Science, Université de Montréal

Paul Bernard, Professor, Department of Sociology, Université de Montréal (until his passing in winter 2011)

Dorothée Boccanfuso, Professor, Department of Economics, Université de Sherbrooke

Jean-Michel Cousineau, Professor, School of Industrial Relations, Université de Montréal

Lucie Gélinau, Associate Professor, Department of Social and Preventive Medicine, Université Laval

Serge Hamel, Assistant Director General, Direction générale adjointe de la recherche, de l'évaluation et de la statistique, Ministère de l'Emploi et de la Solidarité sociale (until his retirement in June 2011)

Vivian Labrie, independent researcher, spokesperson from 1998 to 2006 of the Collectif pour un Québec sans pauvreté

Ginette Paquet, researcher, Institut national de santé publique du Québec

Marie-France Raynault, Associate Professor, Department of Social and Preventive Medicine, Université de Montréal, and Director, Centre de recherche Léa-Roback sur les inégalités sociales de santé, Direction de la santé publique de Montréal-Centre

Sylvie Rheault, Living Conditions Statistics Coordinator, Direction des statistiques sociodémographiques, Institut de la statistique du Québec (replaced Normand Thibault in fall 2010)

Marie-Renée Roy, Assistant Deputy Minister, Direction générale adjointe des politiques et de l'analyse stratégique, Ministère de l'Emploi et de la Solidarité sociale (interim replacement for Serge Hamel since June 2011)

Shirley Roy, Professor, Department of Sociology, Université du Québec à Montréal

Normand Thibault, Team Leader, Service des statistiques sociales et démographiques, Institut de la statistique du Québec (until his retirement in fall 2010)