

Courtesy translation

**POVERTY, INEQUALITY AND SOCIAL EXCLUSION IN  
QUÉBEC:**

**2012 Progress Report**

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

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## Chairman's Message

In December 2002, the National Assembly of Québec unanimously adopted the *Act to combat poverty and social exclusion*, which affirmed “the desire of Québec society as a whole to act” and “strive towards a poverty-free Québec.” It set an ambitious goal to “progressively make Québec, by March 5, 2013, one of the industrialized nations having the least number of persons living in poverty, according to recognized methods for making international comparisons.”

With spring 2013 just around the corner, it is time for the Centre d'étude sur la pauvreté et l'exclusion (CEPE) to carry out its mandate to take stock of our progress and limitations. The CEPE is an observation, research and discussion centre tasked with providing reliable and rigorous information, notably of a statistical nature, on poverty and social exclusion issues in order to guide the government and Québec society as a whole towards a process of planning and implementing actions to create a poverty-free Québec. Headed by a committee composed of recognized experts from government, academia and organizations that work with people living in poverty, the CEPE has several functions, including to develop and recommend to the Minister of Employment and Social Solidarity a series of indicators to be used to measure poverty and social exclusion, inequalities and other determinants of poverty.

The 2012 edition of this report assesses Québec's progress up to 2009 or 2010, as survey data are always a few years behind. However, they nevertheless depict trends.

First, measured against itself, Québec has made progress, but not on all fronts. Poverty, which is estimated using the market basket measure of low income, was slightly less widespread in 2010 than in 2002, despite the economic crisis of 2008. Child poverty in particular was less widespread. The percentage of children under 18 years of age living in low-income households dropped from 10.7% in 2002 to 7.5% in 2010. While this rate is obviously still too high, it is nevertheless a remarkable improvement in less than 10 years. Moreover, a number of researchers have shown that the decrease in child poverty, unequalled in Canada, is clearly tied to the singular family policies introduced by Québec since the mid-1990s. On the other hand,

the situation of unattached individuals under 65 years of age deteriorated over the same period, with their low income rate rising from 28.5% in 2002 to 31.4% in 2010.

Several of Québec's administrative regions saw their situation improve. Particularly encouraging is the progress made in the Nord-du-Québec region and the easternmost regions (Gaspésie—Îles-de-la-Madeleine and Côte-Nord). Considerable improvement was also made in Greater Québec, one of the metropolitan cities in Canada with the lowest poverty rate. The situation in Montréal, on the other hand, went from bad to worse.

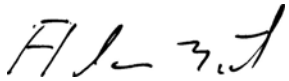
This year, we have much more recent international data on low income. Comparatively speaking, Québec seems to be performing well, even if has not achieved the goal set for 2013. On the other hand, Québec ranks near the average among Canadian provinces based on the Market Basket Measure (MBM), with barely any difference. Thus, no clear conclusions can be drawn from the comparisons.

This year's progress report presents data on the situation of different household types living near low income thresholds, as well as data on inequality. Measuring poverty and inequality is a complex endeavour that is never entirely completed. This year, for example, we are working toward formulating a more adequate definition of social exclusion so that we can develop indicators that more clearly delineate the phenomenon.

In the short term, it is important to continue examining poverty and social inequality and remain willing and able to adequately measure them. The CEPE will remain vigilant in this regard, both in terms of the quality of Statistics Canada data and the regular review of Canadian indicators such as the MBM.

As we enter 2013, it may be worthwhile to refine Québec's objectives and priorities so that we have a clear and workable roadmap for the coming months. For example, can we improve the situation of unattached individuals as much as we have the situation of families with children in the last 15 years? We hope that by taking such clear stock, with as many nuances as possible,

this progress report might help fuel public debate and provide the necessary mobilization to create a poverty-free Québec.

A handwritten signature in black ink, appearing to read 'Alain Noël', written in a cursive style.

Alain Noël

Chairman, Steering Committee

## Highlights

In its 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, hereinafter “Advice to the Minister”), the CEPE made 19 recommendations regarding indicators for measuring Québec’s progress in fighting poverty and exclusion. The present report is in follow-up to the recommendation calling for the yearly publication of a progress report on poverty and social exclusion in Québec. It represents a compilation of the most recent data on poverty and inequality in Québec available at the time of publication.

Overall, Québec’s low income rate based on the Market Basket Measure (MBM) decreased between 2000 and 2007 and then began an upward trend. After falling from 11.6% in 2000 to 7.9% in 2007 (the floor in the last decade), the low income rate rose to 9.4% in 2010.

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 2009, 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. Centre-du-Québec, Laval, Estrie) and rose in still others (e.g. Montréal). The Chaudière-Appalaches, Capitale-Nationale, Saguenay–Lac-Saint-Jean and Bas-Saint-Laurent regions had the best rates in 2009 (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.
- A comparison using the MBM shows where Québeckers stand relative to the residents of the other provinces. Although a few provinces have moved ahead of Québec, the differences are not statistically significant. The provinces pretty much fall into two

- groups. Québec belongs to the group of seven provinces that differs significantly from the second group made up of three provinces. The differences between seven of the provinces (Alberta, Manitoba, Saskatchewan, Québec, Ontario, Newfoundland and Labrador and Prince Edward Island) are within Québec's margins of error. The second group includes New Brunswick, British Columbia and Nova Scotia, whose low income rates were substantially higher than Québec's in 2010.
- International comparisons using the Low Income Measure reveal that Québec would have ranked in the middle of developed countries in 2009 if it had been considered as a separate entity. "Developed countries" refers to the 15 most economically developed countries in the European Union (France, Germany, Italy, Netherlands, Belgium, Luxembourg, Ireland, United Kingdom, Denmark, Greece, Spain, Portugal, Finland, Sweden and Austria) plus Norway and Switzerland.

The most significant reason why the MBM low income rate fell more slowly in Québec between 2000 and 2010 is the marginal increase in disposable income relative to the changes in MBM thresholds in Québec starting in 2004. Whereas the pace of the downward trend in low income slowed in Québec, it was faster in other provinces because growth in disposable income was much higher than the increase in the low income thresholds.

For the purposes of measuring Québec's progress between 2004 and 2012, we simulated typical 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 to see if their lot had improved or gotten worse. We noted changes from 2004 to 2012, and 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.

In terms of inequality, the portraits provided by the Gini coefficient and interquintile ratios are, on the whole, the same. Québec succeeded in maintaining a lower inequality level than the

other Canadian provinces and certain European countries, but still lags behind the Scandinavian countries. Although inequality increased within Québec, the portrait provided by income quintiles and family types shows that nuances can be made. Among unattached individuals, the poorest quintile stagnated compared with richer quintiles, whose purchasing power increased. There was a substantial increase in the purchasing power of families of two persons or more, especially the most affluent.

## Introduction

The existing indicators of poverty and inequality are defined in the *Advice to the Minister*. Among the existing measures of low income, the Advice discusses Low Income Cut-Offs (LICOs), the Low Income Measure (LIM) and the Market Basket Measure (MBM) (CEPE, 2009).

For the purposes of this progress report, after reviewing the thresholds for various measures and the observable rates for each measure, we focused primarily on the interregional, interprovincial and international comparisons enabled by these indicators. 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, we had already used the Gini coefficient and interquintile ratios. 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 *Advice to the Minister*, indicating each adjustment or change made.

Section 2 presents recent and future work by the CEPE, including the creation of a reading committee to go over the previous progress report, the current work on social exclusion, a working paper, joint research with partners and CEPE's research program.

The appendices at the end of this report contain:

- 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 1);
- an explanation of the MBM and shelter costs (Appendix 2);
- a list of the CEPE Steering Committee members (Appendix 3).



## SECTION 1 Key Poverty and Inequality Data

### 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 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 (CEPE, 2009).

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 costs of living across Canada into account; it was thus decided to no

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1. A family in low income is a family whose disposable income falls below the cost of the MBM basket of goods and services in its community or in a similar-sized community. This basket includes food, clothing and footwear, shelter, transportation and other common expenses (personal care, household needs, furniture, telephone service, reading material, 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) (HATFIELD et al., 2010).

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, 2012c).

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, 2012c).

longer present them starting with this progress report. The LIM is the most commonly used low income measure for the purpose of making interregional and international comparisons. However, in addition to being a measure of poverty, the LIM can to a certain extent translate a form of inequality, even if this is not its primary function.

### 1.1.1 The main thresholds

The low income measures are all constructed using different methodologies. 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 matrix of MBM thresholds, the low income measure used by the CEPE in the past.

**Table 1** Low income thresholds based on the Market Basket Measure (MBM), selected family types and agglomerations, 2010, Québec

	Rural areas	< 30 000	30 000 to 99 999	100 000 to 499 999	Québec CMA	Montréal CMA
1 person	14 472	14 968	14 099	14 472	14 637	15 209
2 persons	20 466	21 167	19 938	20 466	20 700	21 508
3 persons	25 066	25 924	24 419	25 066	25 352	26 342
4 persons	28 944	29 935	28 197	28 944	29 274	30 417
5 persons	32 360	33 468	31 525	32 360	32 729	34 007
6 persons	35 449	36 663	34 534	35 449	35 853	37 253
7 persons or more	38 289	39 600	37 301	38 289	38 726	40 238

Note: CMA: Census Metropolitan Area.

Sources: STATISTICS CANADA, *Survey of Labour and Income Dynamics (SLID)*. STATISTICS CANADA (2012b); CEPE compilation, November 2012.

Table 2 presents the income levels corresponding to the 2010 thresholds converted into 2012 dollars. In the specific case of the MBM, the after-tax income needed to purchase a basket of goods varies considerably depending on the 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., 2010a). The threshold amounts in question are indicated below.

**Table 2 Low income thresholds based on various low income measures, selected family types and agglomerations, current dollars and 2012 dollars (estimate), Québec**

	current \$	2012 \$ (estimate)	Corresponding average after-tax income (estimate) (2012 \$)
<b>MBM (Montréal CMA, 2010)</b>			
Unattached individuals	15 209	15 968	17 086
Single-parent families (1 child)	21 508	22 582	24 163
Childless couples	21 508	22 582	24 163
Two-parent families (2 children)	30 417	31 936	34 171
<b>After-tax LIM (2010)</b>			
Unattached individuals	17 251	18 112	
Single-parent families (1 child)	24 397	25 615	
Childless couples	24 397	25 615	
Two-parent families (2 children)	34 502	36 225	

Notes: CMA: Census Metropolitan Area. The value of the Consumer Price Index (CPI) in 2012 was estimated based on the average CPI of the previous 10 years.

Sources: STATISTICS CANADA, *Survey of Labour and Income Dynamics (SLID)*. STATISTICS CANADA (2012b); CEPE compilation, November 2012.

Thus, the Montréal MBM threshold for unattached individuals, indexed in 2012 to \$15 968 and grossed up to a corresponding estimated average after-tax income of \$17 086, can be compared with the LIM threshold indexed in 2012 to \$18 112. It may happen that the MBM and LIM thresholds are 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. Since MBM data are available only since 2000, our analysis will focus on the period 2000-2010, even if some other indicators will be examined as of the 1990 peak of the economic cycle or according to available data.

In this report, low income data, in particular LIM data, and measures of inequality, in Québec, Canada and internationally, are presented according to "adjusted" income based on family size, also referred to as "adult equivalent." "Adult-equivalent-adjusted family income" is a per capita

measure of family income that accounts for the economies of scale that are introduced as families increase in size. It is calculated by dividing total family income by the square root of family size, an equivalence scale used in Canada since 2008 (FRÉCHET et al., 2010b). For example, if a family of four has a non-adjusted income of \$50 000, the adult-equivalent-adjusted income for that family would be \$25 000. The adult-equivalent-adjustment factor takes into account changes in family size over time, thereby eliminating potential biases.

Note that for all data presented hereafter, Statistics Canada has revised all data from 2006 to 2009 in addition to the new data for 2010, for the different family types, appropriately weighting them to 2006 census data (not 2001 census data). Consequently, these data differ from those published in previous reports.

○ **The Market Basket Measure (MBM)**

The Market Basket Measure (MBM) developed by Human Resources and Skills Development Canada (HRSDC), now published by Statistics Canada, is based on a specific basket of goods and services.<sup>4</sup>

The cost of the goods and services contained in the market basket is calculated for a reference family of four (two adults and two children). It is subsequently calculated for all other types of economic families based on the 2008 revision (MBM 2008 base), using the square root of family

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4. 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 necessary 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:

- childcare;
- non-insured health-related expenses such as 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 employer-sponsored pension plans.

size as the equivalence scale. The cost of the goods and services is calculated for a number of communities and community sizes. The MBM thus accounts for differences in costs of living across communities and community sizes in Canada.

In 2010, HRSDC devised a new methodology for calculating shelter costs that captures the fact that homeowners without mortgages have a financial advantage relative to renters. Following discussions, however, the new methodology was called into question and data for the next year, which will be available in 2013, will be rectified (*Appendix 2*).

The low income rate fell from the early 2000s to 2004 and then levelled off. The coefficient of variation release guidelines have been taken into account.<sup>5</sup> (*Table 3*).

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5. 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.

**Table 3 Low income rates based on the MBM (2008 base), all persons and persons in economic families, Québec, 2000-2010**

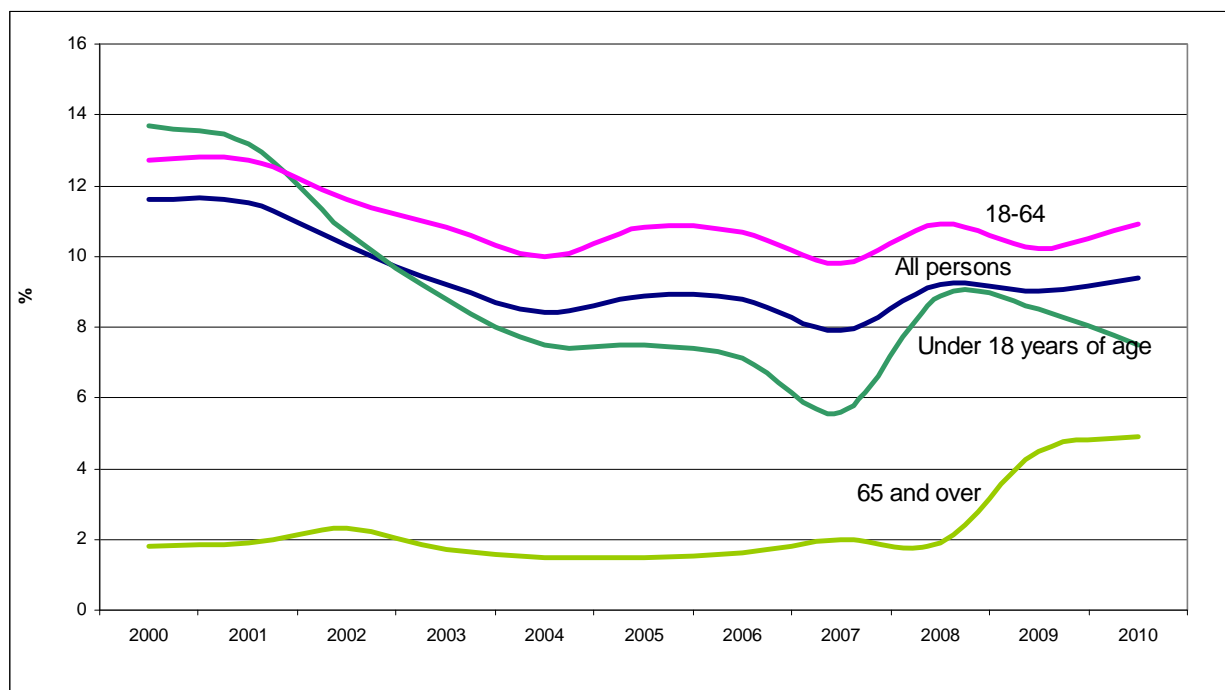
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>All persons</b>	11.6	11.5	10.3	9.2	8.4	8.9	8.8	7.9	9.2	9.0	9.4
Under 18 years of age	13.7	13.2	10.7	8.8	7.5	7.5	7.1	5.6	8.9	8.5	7.5
18-64	12.7	12.7	11.6	10.8	10.0	10.8	10.7	9.8	10.9	10.2	10.9
65 and over	1.8*	1.9*	2.3*	1.7*	1.5*	1.5*	1.6*	2.0*	1.9*	4.5*	4.9*
Males	10.5	10.6	9.4	8.9	8.5	8.8	8.7	7.8	9.1	9.1	9.7
Under 18 years of age	12.9	12.9	11.4	9.2	8.3	7.5	6.8	6.4	9.7	8.9	8.2
18-64	11.0	11.2	9.9	10.1	9.8	10.5	10.5	9.3	10.3	10.2	11.5
65 and over	2.0*	2.3*	2.5*	1.0*	1.5*	1.4*	2.3*	2.0*	1.7*	3.2*	3.4*
Females	12.7	12.3	11.1	9.6	8.2	9.0	8.8	8.0	9.4	9.0	9.0
Under 18 years of age	14.5	13.6	10.1	8.5	6.6	7.6	7.3	4.8	8.2	8.1	6.8
18-64	14.4	14.1	13.3	11.6	10.2	11.0	10.9	10.3	11.5	10.1	10.4
65 and over	1.6*	1.6*	2.2*	2.2*	1.6*	1.6*	1.1*	1.9*	2.0*	5.6*	6.2*
<b>Unattached individuals</b>	25.4	25.9	21.8	21.5	22.1	24.6	23.5	22.8	23.0	25.9	25.4
Male	24.9	25.3	20.8	22.2	24.9	26.9	26.8	24.7	22.3	26.2	26.7
Female	25.9	26.4	22.7	20.8	19.3	22.3	20.3	20.9	23.8	25.5	24.0
All unattached seniors	2.8*	4.1*	2.6*	2.6*	2.3*	2.2*	2.6*	2.8*	3.3*	11.5*	9.8*
Unattached male seniors	4.3*	6.7*	4.2*	1.6*	3.8*	2.4*	6.7*	2.5*	4.5*	12.5*	6.0*
Unattached female seniors	2.3*	3.1*	2.0*	2.9*	1.7*	2.1*	0.9*	2.9*	2.8*	11.1*	11.5*
Unattached individuals, under 65 years of age	32.7	32.8	28.5	27.9	28.8	32.1	30.8	30.2	30.6	31.1	31.4
Male	27.9	28.3	23.7	25.5	28.3	30.8	30.4	29.0	25.8	28.5	30.9
Female	38.7	38.6	34.3	31.0	29.4	33.8	31.3	31.7	37.5	35.2	32.1
<b>Persons in economic families, 2 persons and over</b>	9.1	8.8	8.1	6.8	5.6	5.7	5.8	4.9	6.4	5.6	6.1
Persons in two-parent families with children	7.1*	8.3*	5.7*	4.3*	3.9*	3.9*	4.0*	2.6*	5.6*	4.4*	3.9*
Persons in single-parent families	36.0*	29.7*	29.7*	26.7*	21.3*	18.7*	19.2*	16.6*	19.5*	20.3*	23.3*
Persons in male single-parent families	20.6*	10.9*	12.5*	10.0*	7.0*	9.4*	7.9*	11.7*	10.9*	11.6*	17.5*
Persons in female single-parent families	39.4*	33.8*	34.5*	31.1*	25.9*	21.5*	22.7*	18.3*	22.2*	22.4*	24.4*

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

Caution: Note that in addition to the new data for 2010, Statistics Canada has revised all data from 2006 to 2009, for the different family types, appropriately weighting them to 2006 census data (not 2001 census data). Consequently, these data differ from those previously published. [See *STATISTICS CANADA (2012a)*].

Sources: STATISTICS CANADA (2012b); CEPE compilation, November 2012.

**Figure 1 – Low income rates based on the MBM (2008 base), all persons, Québec, 2000-2010**

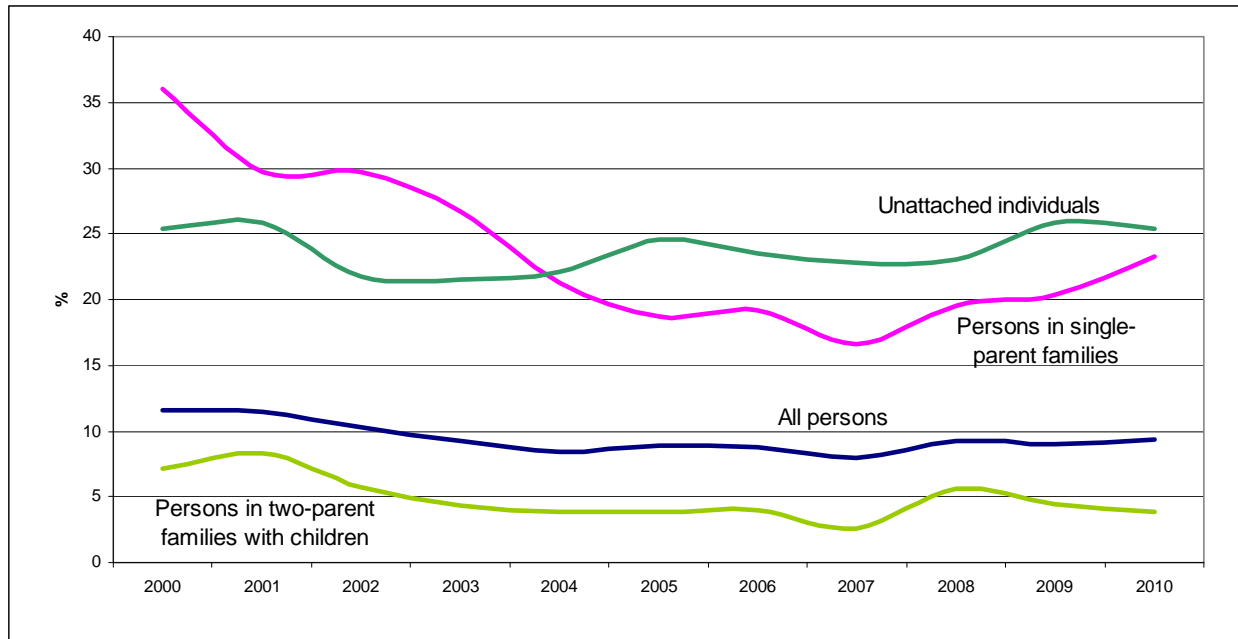


Sources: STATISTICS CANADA (2012b); CEPE compilation, November 2012.

As can be seen by the observable trends in the above Figure, the low income rate among young people under 18 years of age fell from 13.7% in 2000 to 7.5% in 2010. The sudden increase between 2007 and 2008 is the sharpest among young people. The increase among seniors aged 65 and over came later. The low income rate for this age group actually rose markedly between 2008 and 2009.<sup>6</sup>

6. A closer examination of these trends could provide possible explanations. A more in-depth analysis of certain data besides just income data would be worthwhile. For example, do studies include more young people? Or, would there be threshold effects on seniors if, say, Old Age Security pensions and the Guaranteed Income Supplement, often the poorest seniors' only source of income, were near the low income thresholds? These are just two questions warranting further research.

**Figure 2 – Low income rates based on the MBM (2008 base), persons in family units, Québec, 2000-2010**



Sources: STATISTICS CANADA (2012b); CEPE compilation, November 2012.

The low income rate remains the highest among unattached individuals (25.4% in 2010), especially compared with persons in families with at least two members (6.1% in 2010) (*Figure 2*). However, the situation of persons in families with at least two members differs considerably depending on whether the family is headed by a single parent or two parents. The low income rate among persons in single-parent families followed a strong downward trend at the beginning of the study period (falling from 36% to 16.6% between 2000 and 2007) and then began an upward trend, reaching 23.3% in 2010. The low income rate among persons in two-parent families with at least one child has been relatively low since 2000, standing at 3.9% in 2010. However, the data specific to persons in families with children must be interpreted with caution because of their small number in the sample.

All data for persons aged 65 and over must also be interpreted with caution because of the relatively low sample size. Data for unattached seniors often follow a sawtooth pattern, with large year-to-year fluctuations. The situation of unattached individuals under 65 years of age, while not brilliant, is at least clear: the low income rate among this cohort was often over 30% during the study period, and basically the same for both women (32.1% in 2010) and men (30.9%).



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

According to Statistics Canada's LIM, a household is in low income if its income is less than half (50%) the median<sup>7</sup> household income in the population, adjusted for household size and type. 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 household income, while others, such as the European Union and several of its member states, set theirs at 60% of the median. Consequently, the LIM allows international comparison of data.

The rate of individuals aged 16 and over in low income barely changed between 1996 and 2010, depending on the age and sex of the major income earner (*Table 4*).

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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.

**Table 4 After-tax low income rates based on the LIM, all persons, by age and sex of the major income earner, Québec, 1996-2010**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	%														
<b>All persons 16 years of age and over</b>	11.1	11.8	10.8	10.6	10.6	10.2	11.0	10.6	10.3	11.0	10.5	10.2	10.4	10.2	11.1
Men	10.0	10.6	9.7	8.7	8.8	8.5	9.2	9.5	9.7	9.6	9.6	8.9	9.1	9.6	10.8
Women	12.2	12.9	11.9	12.4	12.3	11.9	12.6	11.7	11.0	12.4	11.3	11.5	11.7	10.8	11.4
<b>Age</b>															
Under 65 years of age	12.4	13.3	12.1	11.6	11.5	11.2	11.6	11.4	11.0	11.5	11.2	10.7	11.1	10.5	11.2
Men	11.0	11.8	10.5	9.6	9.6	9.4	9.8	10.5	10.6	10.6	10.3	9.5	9.8	10.3	11.3
Women	13.7	14.9	13.7	13.6	13.5	13.0	13.5	12.4	11.4	12.5	12.1	12.0	12.4	10.7	11.2
Under 25 years of age	15.0	15.2	12.5	12.1	10.7	11.4	14.3	14.0	12.0	13.9	13.3	10.9	10.8	10.6	10.0
Men	13.7	13.3	11.1	10.1	9.1	9.0	12.5	13.6	11.6	12.6	13.1	9.7	9.8	13.1	10.5
Women	16.3	17.3	14.1	14.1	12.3	13.9	16.1	14.4	12.6	15.3	13.6	12.2	11.7	8.0	9.5
25-44	10.7	12.0	11.0	9.6	10.1	9.6	9.2	9.5	9.5	8.6	8.2	8.6	9.7	9.5	9.9
Men	9.4	10.8	9.2	7.3	8.0	7.8	7.8	8.6	9.7	7.8	7.8	8.0	7.9	8.8	10.0
Women	12.1	13.3	12.7	11.9	12.1	11.5	10.6	10.5	9.4	9.5	8.5	9.3	11.6	10.3	9.7
45-64	13.3	14.2	13.4	13.9	13.8	12.9	13.2	12.4	12.1	13.6	13.3	12.7	12.5	11.3	13.0
Men	11.9	12.3	11.9	12.3	11.9	11.4	10.7	11.2	11.2	12.6	11.7	10.9	11.5	10.6	12.8
Women	14.6	16.0	14.8	15.4	15.6	14.4	15.6	13.5	12.9	14.5	14.9	14.4	13.4	12.0	13.1
65 and over	3.5	2.4	3.4	4.8	5.3	5.0	7.2	6.3	6.8	8.3	6.7	7.7	7.2	8.9	10.5
Men	2.5	2.4	4.5	2.3	3.3	2.8	5.8	3.2	3.9	3.7	5.5	5.7	5.3	5.9	8.2
Women	4.2	2.4	2.6	6.7	6.8	6.6	8.3	8.7	9.1	11.8	7.8	9.3	8.7	11.4	12.3

Sources: STATISTICS CANADA, *Survey of Labour and Income Dynamics (SLID)*; Institut de la statistique du Québec website, consulted November 2012.

### 1.1.3 Interregional comparisons

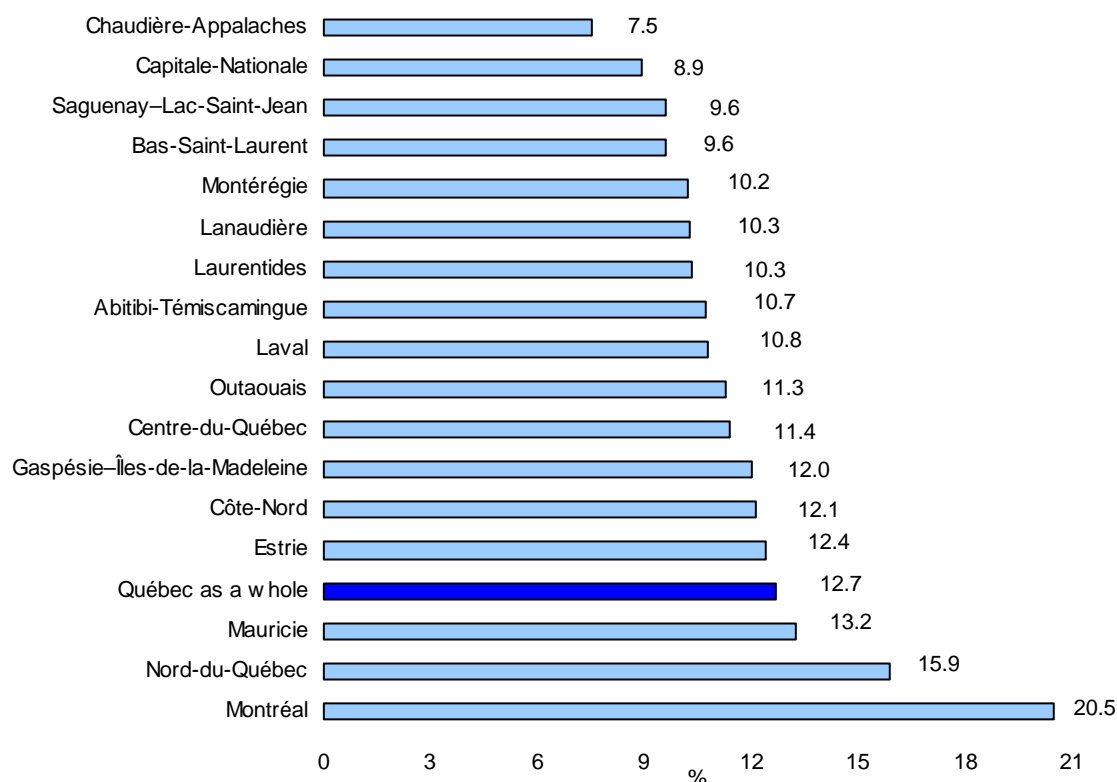
To date, the provincial median income has been used for the purposes of interregional low-income comparisons in Québec. The Institut de la statistique du Québec (ISQ) releases these data annually using federal taxation statistics. Interregional comparisons show that between 1997 and 2009, the low income 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. Centre-du-Québec, Laval, Estrie) and rose in still others (e.g. Montréal). The Chaudière-Appalaches, Capitale-Nationale, Saguenay-Lac-Saint-Jean and Bas-Saint-Laurent regions had the best rates in 2009 (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 (*Table 5 and Figure 3*).

**Table 5 Low income rates based on the LIM, all persons, by administrative region, and change between 1997 and 2009, Québec, 1997-2009**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Change 1997-2009
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	10.0	9.6	-3.0
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	9.8	9.6	-1.7
Capitale-Nationale	11.5	10.4	10.4	10.7	10.0	9.8	9.7	9.8	9.3	9.2	9.5	9.1	8.9	-2.6
Mauricie	14.6	13.2	13.1	13.6	13.2	13.5	13.5	13.8	13.2	12.9	13.5	13.3	13.2	-1.4
Estrie	12.1	10.7	11.2	11.8	11.0	11.3	11.6	11.7	11.2	11.5	12.4	12.3	12.4	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	20.2	20.5	1.4
Outaouais	14.2	12.6	13.0	12.8	11.2	11.8	12.0	12.0	11.4	11.4	11.7	11.4	11.3	-2.9
Abitibi-Témiscamingue	13.5	12.3	12.6	13.5	12.4	12.4	12.6	12.3	11.2	11.0	11.4	10.9	10.7	-2.8
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	12.1	-4.4
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	14.6	15.9	-14.3
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	12.4	12.0	-5.7
Chaudière-Appalaches	9.0	7.9	8.0	8.3	7.4	7.6	7.6	7.6	7.2	7.3	7.7	7.6	7.5	-1.5
Laval	10.5	9.0	9.3	9.6	9.2	9.5	9.7	9.9	9.4	9.6	10.3	10.4	10.8	0.3
Lanaudière	11.4	10.2	10.4	10.9	10.2	10.4	10.1	10.1	9.3	9.4	10.2	10.2	10.3	-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	10.2	10.3	-1.8
Montréal	10.9	9.6	9.8	10.2	9.5	9.8	9.9	9.8	9.2	9.2	10.0	10.0	10.2	-0.7
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	11.2	11.4	-0.1
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	12.6	12.7	-1.0

Sources: STATISTICS CANADA, *T1 Family File (T1FF)*; Institut de la statistique du Québec website, consulted November 2012; CEPE compilation, November 2012.

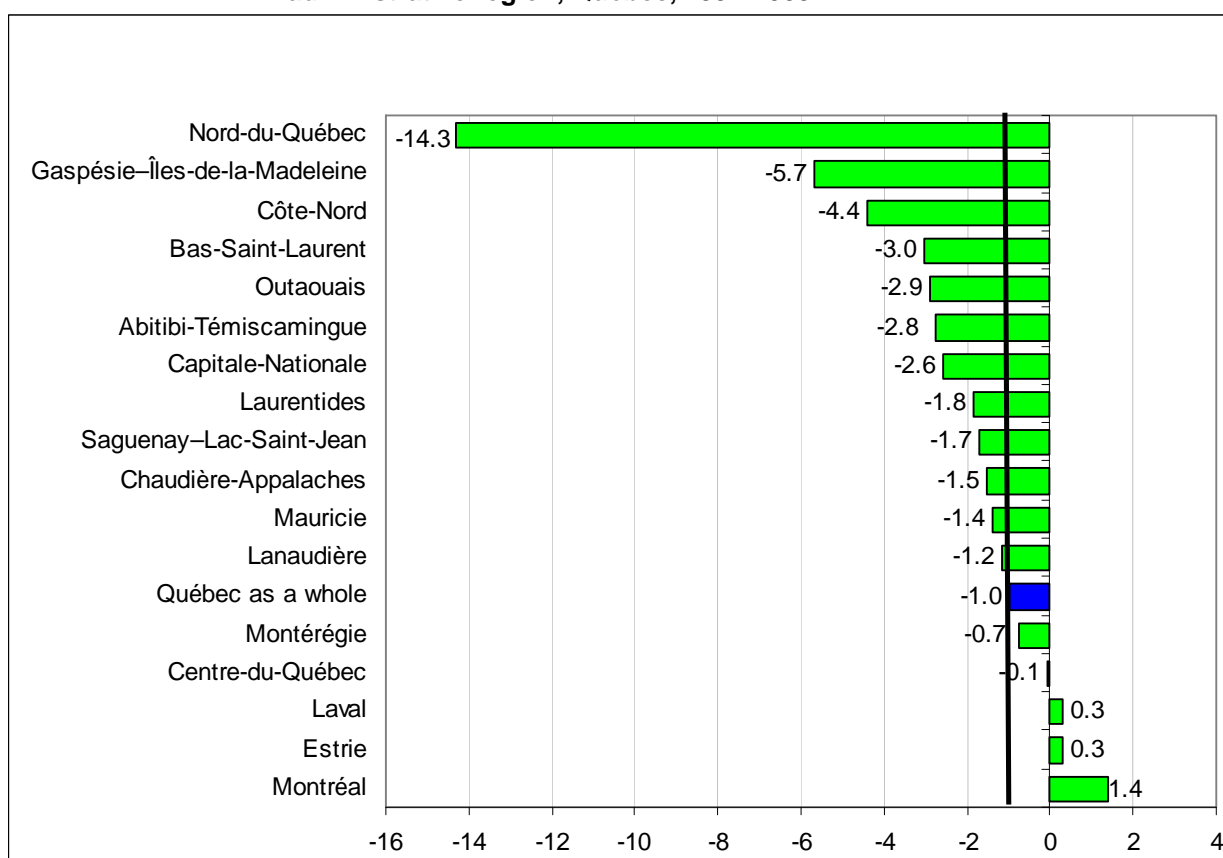
**Figure 3 – Low income rates based on the LIM, all persons, by administrative region, Québec, 2009**



Sources: STATISTICS CANADA, *T1 Family File (T1FF)*; Institut de la statistique du Québec website, consulted November 2012; CEPE compilation, November 2012.

Some of the regions where the low income rate dropped stood out for the magnitude of the improvement. In fact, 12 of Québec's administrative regions saw a greater improvement than that for Québec as a whole between 1997 and 2009; among them: Nord-du-Québec, Gaspésie-Îles-de-la-Madeleine and Côte-Nord. After lagging far behind, these regions reduced their low income rates by over four percentage points. By contrast, the situation in the Montréal, Estrie and Laval administrative regions deteriorated slightly between 1997 and 2009 (Figure 4).

**Figure 4 – Change in low income rates based on the LIM, all persons, by administrative region, Québec, 1997-2009**



Notes: Figure 4 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)*; Institut de la statistique du Québec website, consulted November 2012; CEPE compilation, November 2012.

### 1.1.4 Interprovincial comparisons

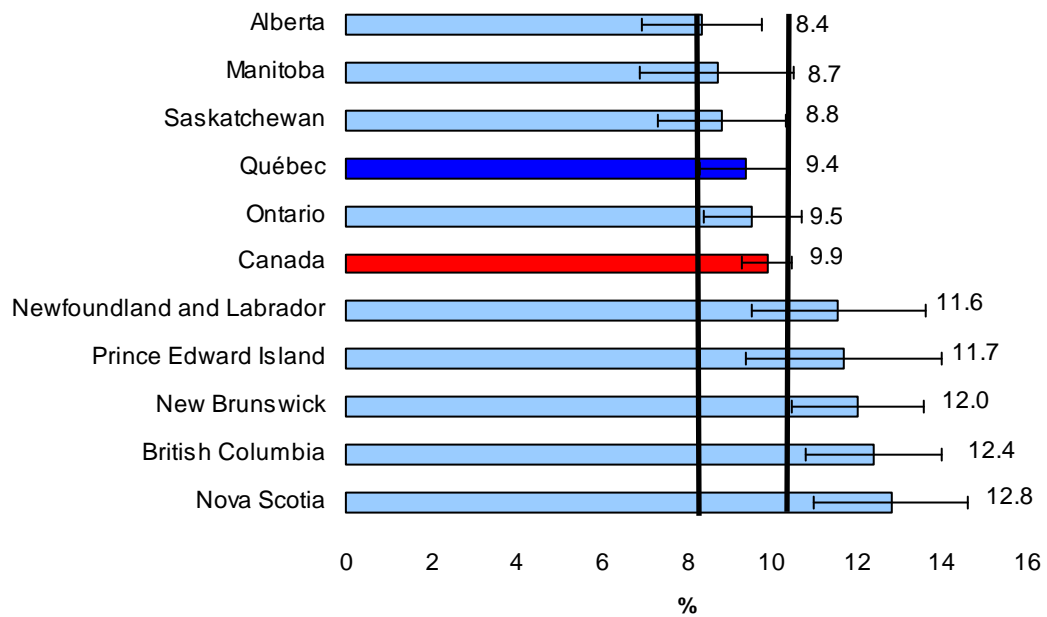
A comparison using the MBM shows where Québeckers stand relative to the residents of the other provinces (*Table 6* and *Figure 5*). Although a few provinces have moved ahead of Québec, the differences are not statistically significant. The provinces pretty much fall into two distinct groups. Québec belongs to the group of seven provinces that differs significantly from the second group made up of three provinces. The differences between seven of the provinces (Alberta, Manitoba, Saskatchewan, Québec, Ontario, Newfoundland and Labrador and Prince Edward Island) are within Québec's margins of error. The second group includes New Brunswick, British Columbia and Nova Scotia, whose low income rates were substantially higher than Québec's in 2010.

**Table 6** Low income rates based on the MBM (2008 base), persons, by province, and change between 2000 and 2010, Canada, 2000-2010

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Change 2000-2010
Newfoundland and Labrador	20.5	17.1	17.8	15.6	17.0	14.2	14.3	11.3	12.6	13.1	11.6	-8.9
Prince Edward Island	14.6	14.3	12.8	11.0	10.3	10.2	11.6	9.1	10.2	9.2	11.7	-2.9
Nova Scotia	14.2	14.3	14.2	14.4	12.6	11.8	11.2	12.1	12.4	13.0	12.8	-1.4
New Brunswick	13.7	12.9	13.9	13.3	12.6	13.1	14.0	12.2	11.8	11.4	12.0	-1.7
<b>Québec</b>	11.6	11.5	10.3	9.2	8.4	8.9	8.8	7.9	9.2	9.0	9.4	-2.2
Ontario	9.9	9.2	9.7	9.5	10.5	10.1	9.9	8.7	9.4	10.5	9.5	-0.4
Manitoba	10.8	10.0	10.3	9.7	9.7	10.1	9.1	8.3	7.7	9.6	8.7	-2.1
Saskatchewan	13.2	11.9	10.8	11.2	12.2	12.5	12.9	10.6	9.2	9.6	8.8	-4.4
Alberta	11.0	9.9	8.6	10.5	10.1	8.1	6.9	6.7	6.2	10.1	8.4	-2.6
British Columbia	16.8	14.7	15.7	14.8	13.8	12.8	12.2	10.3	11.3	13.0	12.4	-4.4
<b>Canada</b>	11.9	11.0	10.9	10.6	10.6	10.2	9.9	8.8	9.4	10.5	9.9	-2.0

Sources: STATISTICS CANADA (2012b); CEPE compilation, November 2012.

**Figure 5 – Low income rates based on the MBM (2008 base), all persons, Canada and the provinces, 2010**

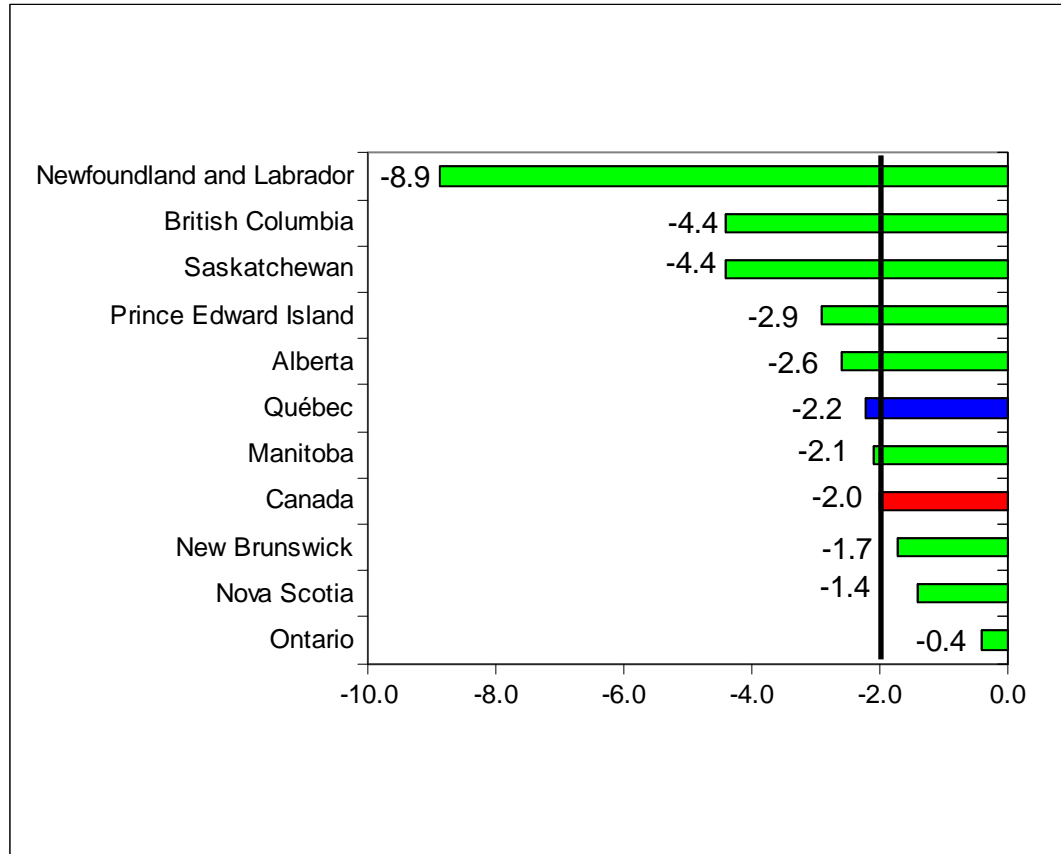


Note: The two vertical black lines represent the lower and upper limits of Québec's 95% confidence interval.

Sources: STATISTICS CANADA (2012b); CEPE compilation, November 2012.

The observable changes in MBM low income rates between 2000 and 2010 have had more positive effects in some provinces, such as Newfoundland and Labrador and some of the western provinces, but most of these provinces had a much higher rate than Québec to begin with. In Newfoundland and Labrador, for example, the low income rate was 20.5% in 2000 and 11.6% in 2010, for a drop of 8.9 percentage points, whereas in Québec the rate fell 2.2 percentage points over the same period, from 11.6% to 9.4% (*Figure 6*).

**Figure 6 – Change in low income rates based on the MBM (2008 base), all persons, Canada and the provinces, 2000-2010**



Note: Figure 6 presents data according to ranking based on percentage point change. The vertical black line represents the mean (Canada as a whole).

Sources: STATISTICS CANADA (2012b); CEPE compilation, November 2012.

An examination of MBM low income rates in some census metropolitan areas (CMAs)<sup>8</sup> between 2000 and 2010 shows that, in very large cities for example, Montréal (10.9%) and Toronto (10.7%) fell within the same band in 2010, ahead of Vancouver (14%). The Québec CMA performed very well overall, at 5.1% in 2010 (*Table 7* and *Figure 7*).

8. A CMA is an area formed by one or more adjacent municipalities centred around a major urban core. A census metropolitan area must have a total population of at least 100 000 of which 50 000 or more must live in the core.

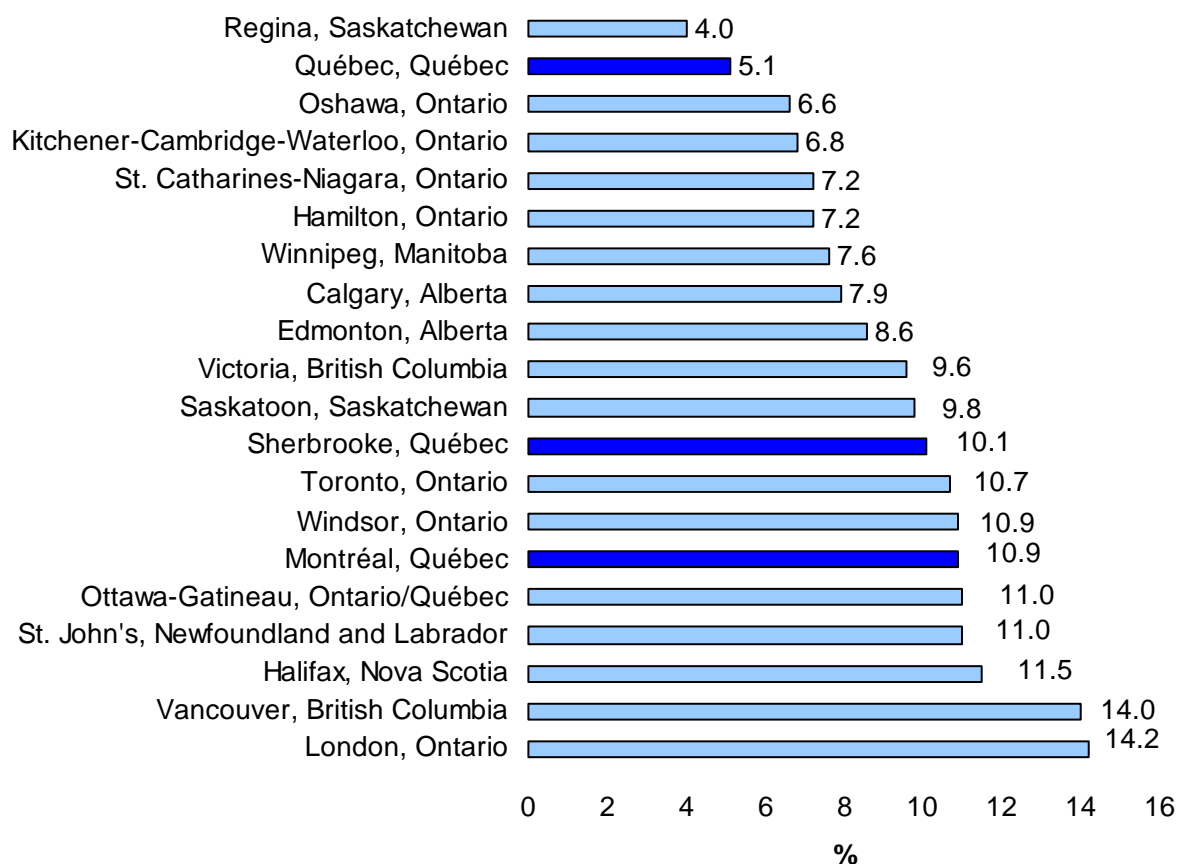
**Table 7 Low income rates based on the MBM (2008 base), all persons, by CMA, and change between 2000 and 2010, Canada, 2000-2010**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Change 2000-2010
Total for selected CMAs	11.2	10.3	10.8	10.2	10.3	10.1	9.6	8.5	9.7	11.1	10.2	-1.0
St. John's, Newfoundland and Labrador	17.9	15.5	17.8	14.6	15.4	11.6	12.0	11.1	12.7	13.5	11.0	-6.9
Halifax, Nova Scotia	14.6	14.4	14.3	16.9	14.1	12.0	12.9	12.9	12.8	12.6	11.5	-3.1
Québec, Québec	9.2	10.0	7.8	7.7	6.4	6.5	6.1	7.5	4.4	3.4	5.1	-4.1
Sherbrooke, Québec	15.1	19.4	11.5	8.3	7.9	8.9	10.2	8.6	8.7	13.4	10.1	-5.0
Montréal, Québec	13.4	12.2	11.5	10.0	8.3	9.1	8.7	8.2	11.6	11.0	10.9	-2.5
Ottawa-Gatineau, Ontario/Québec	12.2	9.6	9.4	9.9	11.8	9.1	9.0	7.2	11.4	9.3	11.0	-1.2
Oshawa, Ontario	4.5	6.0	4.2	7.7	6.1	4.4	4.7	6.2	8.2	8.9	6.6	2.1
Toronto, Ontario	10.4	9.9	11.1	9.7	11.2	11.9	11.7	10.4	10.4	12.3	10.7	0.3
Hamilton, Ontario	5.5	4.2	7.5	9.2	10.2	8.5	6.7	5.0	5.5	7.9	7.2	1.7
St. Catharines-Niagara, Ontario	5.8	5.4	5.7	6.3	9.5	11.6	7.2	7.1	6.5	7.0	7.2	1.4
Kitchener-Cambridge-Waterloo, Ontario	9.1	5.5	7.4	6.7	6.7	9.4	8.9	7.2	8.3	11.2	6.8	-2.3
London, Ontario	10.7	10.4	11.6	12.0	12.2	10.3	9.9	9.0	9.3	9.5	14.2	3.5
Windsor, Ontario	8.7	9.4	10.7	12.2	10.8	9.9	9.3	8.3	11.6	11.8	10.9	2.2
Winnipeg, Manitoba	9.1	7.5	10.4	8.3	8.8	8.9	8.2	6.9	6.9	8.2	7.6	-1.5
Regina, Saskatchewan	8.1	6.5	6.4	6.8	6.7	7.2	8.1	5.5	6.3	6.8	4.0	-4.1
Saskatoon, Saskatchewan	15.3	13.1	11.7	11.3	12.4	14.8	15.5	11.2	8.3	9.0	9.8	-5.5
Calgary, Alberta	8.9	9.7	7.3	12.4	8.9	7.7	6.8	6.2	6.1	8.4	7.9	-1.0
Edmonton, Alberta	10.1	7.9	8.5	6.9	7.9	7.2	5.4	5.0	5.0	12.0	8.6	-1.5
Vancouver, British Columbia	14.8	13.6	16.7	13.8	14.2	12.9	11.9	9.7	13.2	16.5	14.0	-0.8
Victoria, British Columbia	16.9	11.9	7.2	14.4	13.8	12.3	13.3	15.0	8.6	8.0	9.6	-7.3

Sources: STATISTICS CANADA (2012b); CEPE compilation, November 2012.



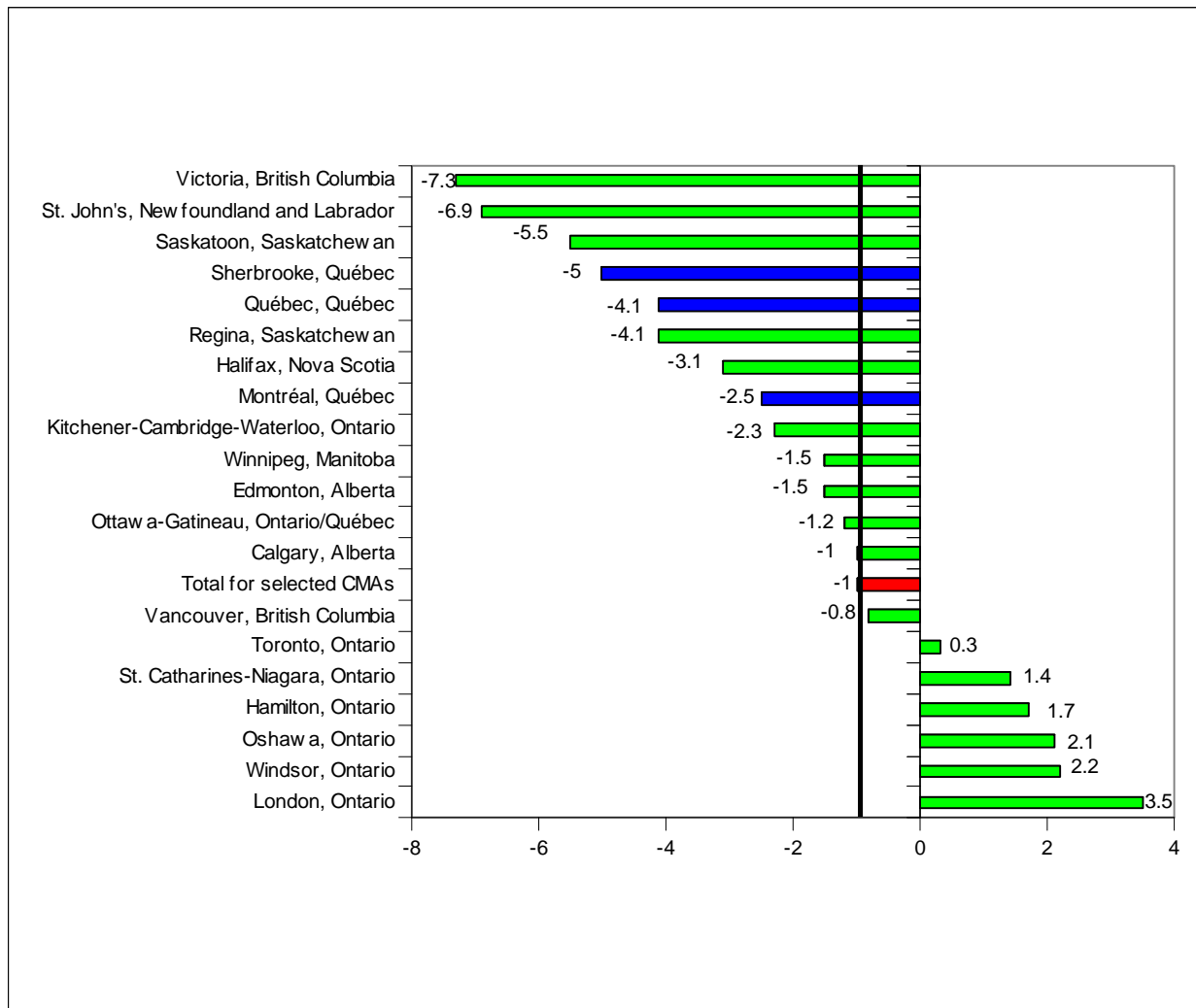
**Figure 7 – Low income rates based on the MBM (2008 base), all persons, by CMA, Canada, 2010**



Sources: STATISTICS CANADA (2012b); CEPE compilation, November 2012.

The observable changes in MBM low income rates between 2000 and 2010 have had a more positive impact on some metropolitan census areas (CMAs), such as Victoria, British Columbia, and St. John's, Newfoundland and Labrador, no doubt partly because of oil in the latter case. By contrast, the impact has not been nearly as positive in several cities in southern Ontario, which in all likelihood suffered from the crisis in the auto industry (*Figure 8*). The situation in all three selected CMAs in Québec (Sherbrooke, Québec and Montréal) improved compared with the selected CMAs as a whole.

**Figure 8 – Change in low income rates based on the MBM (2008 base), all persons, by CMA, Canada, 2000-2010**



Note: Figure 8 presents data according to ranking based on percentage point change. The vertical black line represents the mean (selected CMA).

Sources: STATISTICS CANADA (2012b); CEPE compilation, November 2012.

#### **1.1.4.1 Analysis of the changes in low income rates based on the Market Basket Measure (MBM), Québec and other provinces**

Here, we discuss changes in provincial low income thresholds between 2000 and 2010 and compare them to changes in MBM disposable income in order to shed specific light on the low income trends in the provinces between 2000 and 2010. Some provinces (Newfoundland and Labrador, Saskatchewan and British Columbia) experienced a significant decrease in their low income rates over this period, whereas others (Québec, Ontario, Nova Scotia) experienced a lower decrease, particularly since the mid-2000s.

Although many factors might explain these contrasting trends in low income rates, we focused on two of them, namely changes in thresholds and changes in MBM disposable income. Where disposable income remains unchanged, varying changes in MBM thresholds across provinces would influence each province's low income rate differently. Similarly, a smaller change in disposable income than in MBM thresholds over the same period must explain the smaller decrease in the low income rate in certain provinces.

- **Change in MBM low income thresholds**

The table below presents the trends and changes in the weighted average low income thresholds for Canada's provinces (*Table 8*).<sup>9</sup> Between 2000 and 2010, the weighted average low income threshold in Québec rose by 38.4%, a similar growth rate to that in the Prairie Provinces, Newfoundland and Labrador and New Brunswick.

**Table 8**      **Weighted average low income thresholds based on the MBM, two-parent family with two children, by province, current dollars, 2000-2010**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Change 2000-2010
Newfoundland and Labrador	23 916	24 625	25 061	25 357	26 027	26 773	27 999	28 609	30 172	31 690	32 787	37.1
Prince Edward Island	23 954	24 715	25 066	25 519	26 385	27 439	28 678	29 040	30 395	31 350	32 315	34.9
Nova Scotia	23 642	24 345	24 704	24 922	25 617	26 584	27 713	28 505	30 028	31 558	32 292	36.6
New Brunswick	23 527	24 195	24 792	25 333	25 824	26 851	27 635	28 434	29 892	31 499	32 470	38.0
<b>Québec</b>	<b>21 482</b>	<b>22 520</b>	<b>22 675</b>	<b>22 829</b>	<b>23 443</b>	<b>24 287</b>	<b>25 408</b>	<b>25 867</b>	<b>27 494</b>	<b>29 213</b>	<b>29 725</b>	<b>38.4</b>
Ontario	23 519	24 442	24 947	25 262	25 956	26 832	27 853	27 992	29 542	30 806	31 330	33.2
Manitoba	21 415	22 728	22 772	23 271	23 812	24 547	25 508	26 206	27 513	29 317	29 328	37.0
Saskatchewan	22 011	22 849	23 004	23 532	24 220	24 657	25 771	26 621	28 472	30 429	30 670	39.3
Alberta	23 336	24 362	24 818	25 493	25 701	26 191	27 481	28 746	30 582	32 270	32 188	37.9
British Columbia	24 231	24 579	24 929	24 989	25 702	26 257	27 318	27 803	29 304	30 682	31 041	28.1

Sources: Statistics Canada, *Survey of Labour and Income Dynamics (SLID), 2000-2010*; CEPE compilation, November 2012.

Although the low income thresholds of Saskatchewan and Newfoundland and Labrador evolved in a similar manner to Québec's, the low income rates dropped more rapidly in Québec between 2000 and 2010 (*Figure 6*). The reason for the smaller decrease in Québec's low income

9. 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).

rate compared with that of Saskatchewan and Newfoundland and Labrador therefore does not lie in the comparative evolution of low income thresholds.

○ **Change in disposable income**

Table 9 presents the changes in MBM disposable income, adjusted for family size. Generally speaking, MBM disposable income grew at a faster pace than the MBM threshold for all income strata in every province, except for Ontario for the bottom deciles and quartiles, between 2000 and 2008.

However, the pace of growth in disposable income of family units in all income strata was slower in Québec during this period. Over the period as a whole, disposable income and low income thresholds in Québec evolved at virtually the same pace. The same trends were observed in Ontario and Nova Scotia.

**Table 9 Percentage changes in disposable income available to purchase goods and services in the market basket, adjusted for family size, and in MBM thresholds for family units, by province, 2000-2010**

	Change 2000-2010 (%)				
	10th percentile	25th percentile	Average	Median	Threshold
Newfoundland and Labrador	64.1	52.0	58.1	55.4	37.1
Prince Edward Island	65.4	42.5	47.3	52.5	34.9
Nova Scotia	41.0	42.3	40.1	41.5	36.6
New Brunswick	53.3	42.6	42.7	45.1	38.0
Québec	39.6	40.1	40.3	39.5	38.4
Ontario	29.3	30.4	33.6	33.2	33.2
Manitoba	42.7	42.5	44.1	48.3	37.0
Saskatchewan	72.8	55.8	65.2	60.1	39.3
Alberta	69.2	58.4	64.6	61.6	37.9
British Columbia	34.1	39.2	48.8	44.7	28.1

Sources: Statistics Canada, *Survey of Labour and Income Dynamics (SLID)*; CEPE compilation, November 2012.

Consequently, even though Newfoundland and Labrador and Québec saw relatively similar increases in their low income thresholds between 2000 and 2010, the former province's low income rate decreased more than Québec's, despite 55.4% growth in its median income, compared with 39.5% growth in Québec. Similarly, whereas the low income threshold in Saskatchewan rose by 39.3% between 2000 and 2010, the strong growth in median disposable incomes enabled this province to reduce its low income rate (-4.4 percentage points) more than

Québec. The steadier decline in low income rates in these provinces than in Québec is attributable to the differing evolution in disposable income.

It would therefore appear that, over the longer term, provinces that experienced the deepest downward trend in low income rates saw higher growth in disposable income, particularly in the lowest income strata. We noted, however, that Québec's low income rate continues to be lower than that of Canada, particularly in the case of two-parent families with children.<sup>10</sup>

### 1.1.5 International comparisons

For international comparisons, most countries use thresholds of 50% or 60% of median income, depending on the standard in force in the countries being compared. The results of national surveys conducted to produce statistics on income and living conditions (EU-SILC) enable a comparison of low income rates using 60% represented by median income thresholds. The standard errors for these data also make it possible to qualify the observed differences between the countries studied. Québec and Canada can thus be compared against a subset of 17 of the most economically developed OECD countries,<sup>11</sup> considering Québec as a separate entity (*Table 10* and *Figure 9*). In 2009,<sup>12</sup> Québec ranked in the middle of the pack based on the 60% median after-tax income threshold. Canada excluding Québec was near the back of the pack.

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10. The data on two-parent families with children must be used with caution.

11. The 17 countries include the EU-15 Member States plus Norway and Switzerland. The EU-15 countries are referred to as the most economically developed member countries in the European Union. The EU-15 Member States, in order of entry into the European Union, are: France, Germany, Italy, The Netherlands, Belgium, Luxembourg, Ireland, the United Kingdom, Denmark, Greece, Spain, Portugal, Finland, Sweden and Austria.

We no longer have data from the *Luxembourg Income Study*, which we used in the past (in particular, in our previous progress report), for some of the countries in the tables included in this report (e.g. United States, Australia, New Zealand); however, we can use OECD data to discuss their situation where needed.

12. Most recent year for which standard errors for 60% thresholds are available for the European countries under study.

**Table 10 Low income rates using 60% of the adjusted median after-tax income, all persons in households, by country, 2009**

Country	Low income rate	Standard error	Lower lim. 95%	Upper lim. 95%
EU-15	16.1	n.a.	n.a.	n.a.
Netherlands	11.1	0.30	10.5	11.7
Norway	11.7	0.89	10.0	13.4
Austria	12.0	0.50	11.0	13.0
France	12.9	0.40	12.1	13.7
Denmark	13.1	0.47	12.2	14.0
Sweden	13.3	0.25	12.8	13.8
Finland	13.8	0.35	13.1	14.5
<b>Québec</b>	<b>13.8</b>	<b>0.67</b>	<b>12.5</b>	<b>15.2</b>
Belgium	14.6	n.a.	n.a.	n.a.
Luxembourg	14.9	0.87	13.2	16.6
Ireland	15.0	n.a.	n.a.	n.a.
Switzerland	15.1	0.59	13.9	16.3
Germany	15.5	0.11	15.3	15.7
United Kingdom	17.3	n.a.	n.a.	n.a.
Portugal	17.9	0.78	16.4	19.4
Italy	18.4	0.33	17.8	19.0
<b>Canada</b>	<b>18.6</b>	<b>0.40</b>	<b>17.8</b>	<b>19.3</b>
Spain	19.5	0.44	18.6	20.4
Greece	19.7	0.60	18.5	20.9
<b>Canada excluding Québec</b>	<b>20.0</b>	<b>0.46</b>	<b>19.1</b>	<b>20.9</b>

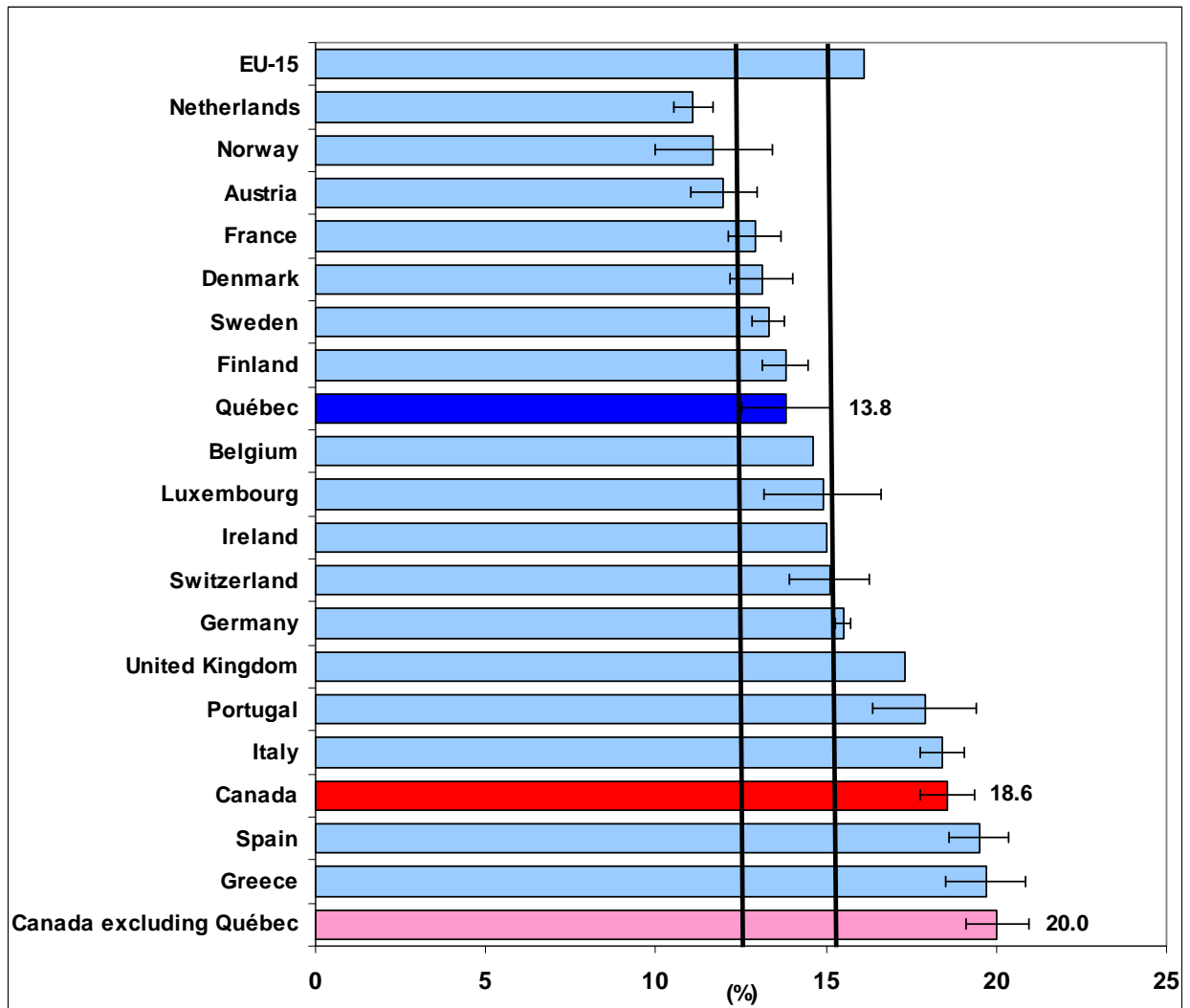
Note: Low income threshold set at 60% of median income (Québec median in the case of Québec). The 95% confidence limits are indicated. For "Canada excluding Québec," the Canadian median not including Québec was used.

Sources: Statistics Canada, *Survey of Labour and Income Dynamics (SLID)*; EUROSTAT (2012b), *European Union Statistics on Income and Living Conditions (EU-SILC)*, CEPE compilation, November 2012.

In addition, the estimated confidence intervals can be used to determine statistically significant differences between Québec's low income rate and that of the countries studied.<sup>13</sup> According to Figure 9, in 2009 Québec's low income rate was similar to that of Sweden, Denmark, Finland, Ireland and Switzerland, among other countries. It is also worth noting that low income rates are lower in Québec than in the United States.

13. Even though the surveys on which data for the European countries under study are based are not necessarily identical, the umbrella survey (EU-SILC) guarantees that certain criteria are respected (in particular, minimum sample sizes) in order to ensure data comparability (EUROSTAT, 2012a).

Figure 9 – After-tax low income rates (60% of adjusted median income), all persons in households, by country, 2009



Note: Low income thresholds set at 60% of median income (Québec median in the case of Québec). For “Canada excluding Québec,” the Canadian median not including Québec was used. Confidence intervals are indicated. The vertical black lines represent the estimated confidence limits for Québec.

Sources: STATISTICS CANADA, *Survey of Labour and Income Dynamics (SLID)*; EUROSTAT (2012b), *European Union Statistics on Income and Living Conditions (EU-SILC)*, CEPE compilation, November 2012.

○ **Temporal changes**

Between 2001 and 2009, a subset of 15 European countries (EU-15) saw its low income rate (50% of median income) increase by 0.6 percentage point on average (*Table 11* and *Figure 10*). If Québec had been considered as a separate entity, the observable change would have been -1 percentage point between 2001 and 2009. Whereas all EU-15 countries saw an increase in the proportion below the 60% median income threshold, Québec's low income rate fell by 1.1 percentage points between 2001 and 2009. Note, however, that several countries had relatively low initial rates (in 2000), a number of them being below 6% using the 50% threshold, and that they outperformed Québec in 2009, despite increases in their rates.

**Table 11** After-tax low income rates (50% and 60% of adjusted median income), in percentage points, all persons in households, by country, and change between 2001 and 2009

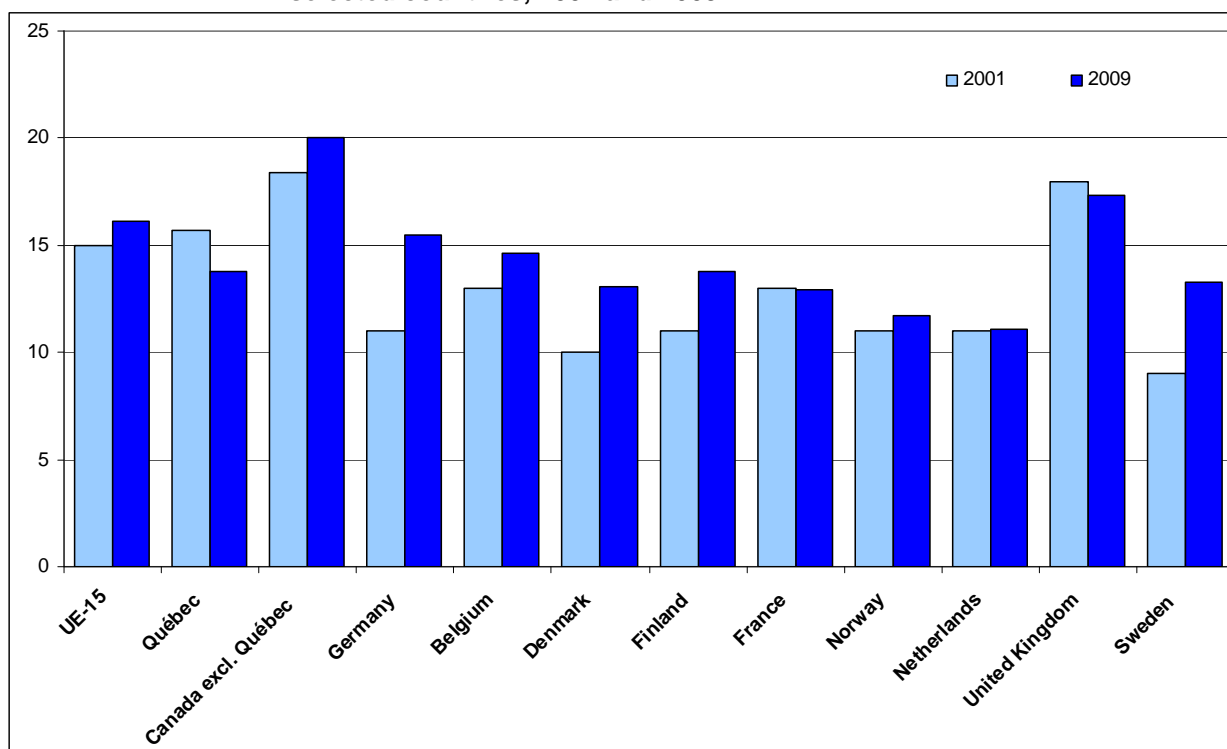
Country	2001 rate (%)		2009 rate (%)		Change 2001-2009 (percentage points)	
	50%	60%	50%	60%	50%	60%
<b>EU-15</b>	9.0	15.0	9.6	16.1	0.6	1.1
Ireland	15.0	21.0	7.3	15.0	-7.7	-6.0
Portugal	13.0	20.0	10.8	17.9	-2.2	-2.1
<b>Québec</b>	<b>10.2</b>	<b>15.7</b>	<b>8.3</b>	<b>13.8</b>	<b>-1.9</b>	<b>-1.9</b>
United Kingdom	10.0	18.0	10.2	17.3	0.2	-0.7
Italy	13.0	19.0	11.5	18.4	-1.5	-0.6
Greece	14.0	20.0	12.2	19.7	-1.8	-0.3
France	6.0	13.0	6.7	12.9	0.7	-0.1
Austria	6.0	12.0	6.1	12.0	0.1	0.0
Netherlands	6.0	11.0	5.5	11.1	-0.5	0.1
Spain	13.0	19.0	13.3	19.5	0.3	0.5
Norway	n.a.	11.0	6.9	11.7	n.a.	0.7
<b>Canada</b>	<b>11.2</b>	<b>17.5</b>	<b>11.6</b>	<b>18.6</b>	<b>0.4</b>	<b>1.1</b>
<b>Canada excluding Québec</b>	<b>11.6</b>	<b>18.4</b>	<b>12.8</b>	<b>20.0</b>	<b>1.2</b>	<b>1.6</b>
Belgium	6.0	13.0	7.9	14.6	1.9	1.6
Finland	4.0	11.0	6.4	13.8	2.4	2.8
Luxembourg	6.0	12.0	7.8	14.9	1.8	2.9
Denmark	4.0	10.0	7.2	13.1	3.2	3.1
Sweden	5.0	9.0	7.6	13.3	2.6	4.3
Germany	6.0	11.0	9.4	15.5	3.4	4.5
Switzerland	n.a.	n.a.	9.0	15.1	n.a.	n.a.

Note: Québec median in the case of Québec. For "Canada excluding Québec," the Canadian median not including Québec was used.

Sources: STATISTICS CANADA, *Survey of Labour and Income Dynamics (SLID)*; EUROSTAT (2012b), *European Union Statistics on Income and Living Conditions (EU-SILC)*, CEPE compilation, November 2012.



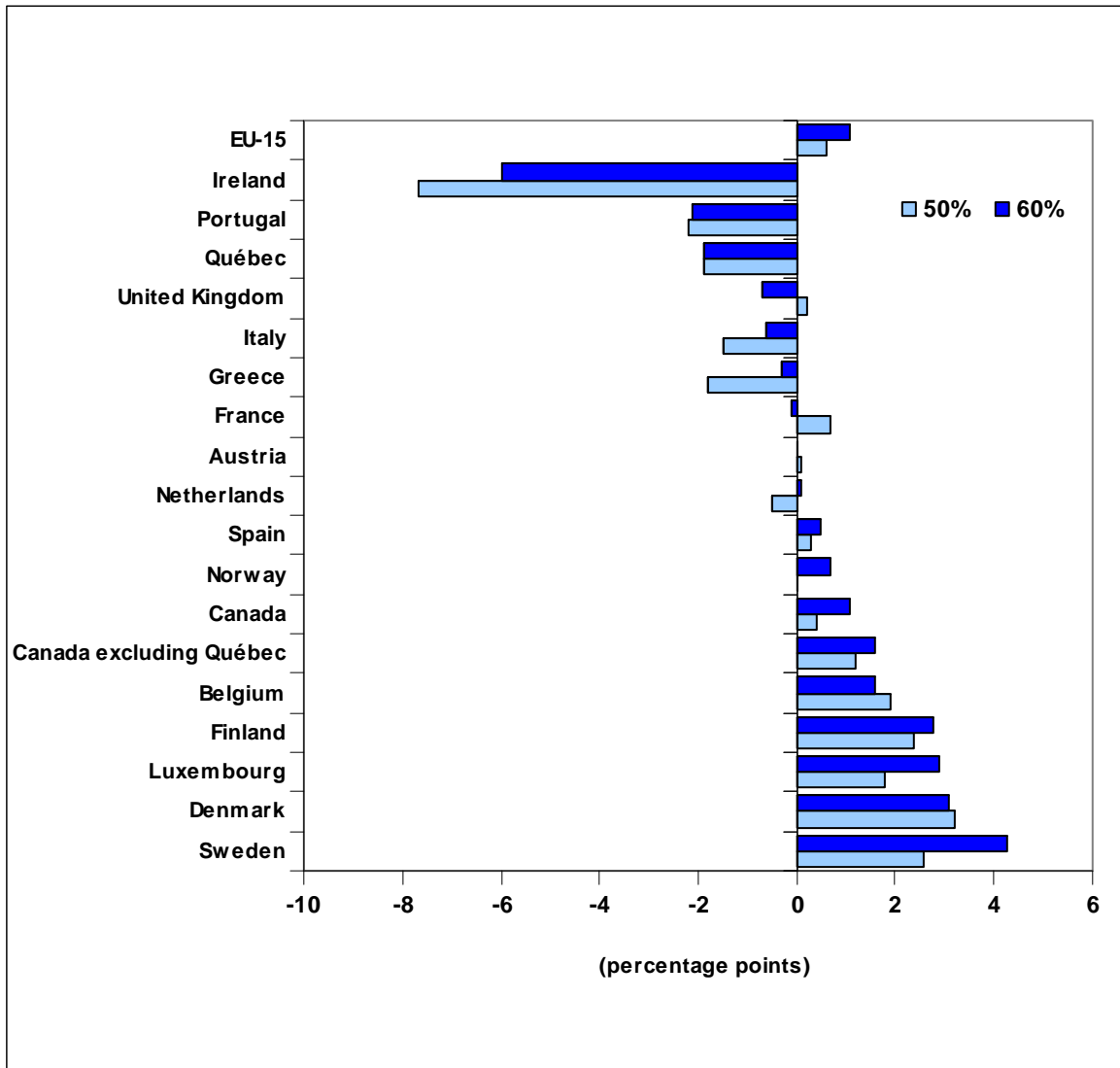
**Figure 10 – Low income rates at 60% of adjusted after-tax median income, all persons, selected countries, 2001 and 2009**



Note: Québec median in the case of Québec. For “Canada excluding Québec,” the Canadian median not including Québec was used.

Sources: STATISTICS CANADA, *Survey of Labour and Income Dynamics (SLID)*; EUROSTAT (2012b), *European Union Statistics on Income and Living Conditions (EU-SILC)*, CEPE compilation, November 2012.

Figure 11 – Change in low income rates, 50% and 60% adjusted after-tax median income thresholds, all persons, by country, between 2001 and 2009



Note: 50% threshold data not available for Norway.

Sources: STATISTICS CANADA, *Survey of Labour and Income Dynamics (SLID)*; EUROSTAT (2012b), *European Union Statistics on Income and Living Conditions (EU-SILC)*, CEPE compilation, November 2012.

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

An implicit threshold is a baseline threshold 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 employed by the Ministère de l'Emploi et de la Solidarité sociale and were able to see the changes in the relative level of personal and family disposable income in relation to various existing thresholds over the period 2004-2012. The parameters used are those in effect on July 1, 2004 and July 1, 2012 and applied throughout the year.

The following tables illustrate the baseline thresholds determined by a social or fiscal 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 column presents the implicit thresholds and the next two, the two low income thresholds used. The last column indicates the coverage rate for each of the two years, measured according to the ratio of implicit thresholds to the two thresholds used. We can see that 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 allow us to establish these coverage rates for individuals or families with a disposable income at least equal to the implicit threshold.

In most cases, the gap narrowed between 2004 and 2012, but in some it remained the same or barely changed, and in others actually widened slightly, especially among unattached individuals (*tables 12 to 16*).

For example, the Montréal MBM threshold for an unattached individual, indexed to the cost of living, was \$13 189 in 2004<sup>14</sup> and \$15 968 in 2012.<sup>15</sup> Thus, the coverage rate for 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 \$17 091 in 2012 rose from 96.9% in 2004 to 107.0% in 2012.

A gap developed between the 50% median income LIM, the threshold of which rose considerably between 2004<sup>16</sup> and 2012,<sup>17</sup> and the MBM, resulting in a lower coverage rate for the LIM than for the MBM. Taking the same example of 50% median income LIM, the coverage rate for an unattached individual who works at a minimum-wage job 35 hours a week rose from 91.1% in 2004 to 94.4% in 2012. Whereas the coverage rate for individuals receiving last-resort financial assistance was 51.6% with the Montréal MBM in 2012, it was below 50% (45.5% exactly) with the LIM 50% (*Table 12*).

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14. The 2004 thresholds differ from those previously published (CEPE, 2011) owing to the changes made to the MBM methodology.

15. The 7% increase previously mentioned (FRÉCHET et al., 2010a) 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, to account for 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 fiscal measure (implicit thresholds) against selected low income thresholds. Also, because income tax, payroll tax and child care expenses have already been deducted from the implicit thresholds, the MBM plus 7% would count these twice. Moreover, the 7% increase is valid only for disposable income levels near the MBM threshold ( $\pm 5\%$ ).

16. The 2004 thresholds differ from those previously published (CEPE, 2011) owing to the changes made to the LIM methodology.

17. Primarily as a result of the changes made to the LIM methodology in 2008, based on recommendations by THE CANBERRA GROUP (2001) and aimed at bringing the methodology closer in line with international norms and practices (CEPE, 2011: 12; 67; MURPHY et al., 2010). These changes 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.

**Table 12 Disposable income, after-tax low income thresholds and coverage rate (implicit thresholds/thresholds), unattached individuals, Québec, 2004 and 2012**

	Implicit thresholds			Coverage rate %	
	current \$	LIM 50%	Montréal MBM	LIM 50%	Montréal MBM
<b>2004</b> LRFA	7 081	14 031	13 189	50.5	53.7
LRFA \$200	9 672	14 031	13 189	68.9	73.3
Federal zero tax threshold	9 826	14 031	13 189	70.0	74.5
Exit threshold - LRFA	10 111	14 031	13 189	72.1	76.7
Québec zero tax threshold	12 383	14 031	13 189	88.3	93.9
Minimum wage	12 785	14 031	13 189	91.1	96.9
<b>2012</b> LRFA	8 236	18 112	15 968	45.5	51.6
LRFA \$200	10 671	18 112	15 968	58.9	66.8
Exit threshold - LRFA	12 756	18 112	15 968	70.4	79.9
Federal zero tax threshold	14 681	18 112	15 968	81.1	91.9
Québec zero tax threshold	16 375	18 112	15 968	90.4	102.5
Exit threshold - work premium	16 404	18 112	15 968	90.6	102.7
Minimum wage	17 091	18 112	15 968	94.4	107.0
Exit threshold - WITB	17 263	18 112	15 968	95.3	108.1
Exit threshold - STC	33 958	18 112	15 968	187.5	212.7

Notes: LRFA: last-resort financial assistance.

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

WITB: working income tax benefit.

STC: solidarity tax credit (in 2011, the STC replaced the QST credit, the property tax refund and the credit for individuals living in northern villages).

Simulations take into account the known parameters applied in **July 2004** and **July 2012**: personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses.

Transfers if applicable: last-resort financial assistance benefit, work premium, working income tax benefit, shelter allowance, QST credit, GST credit, property tax refund.

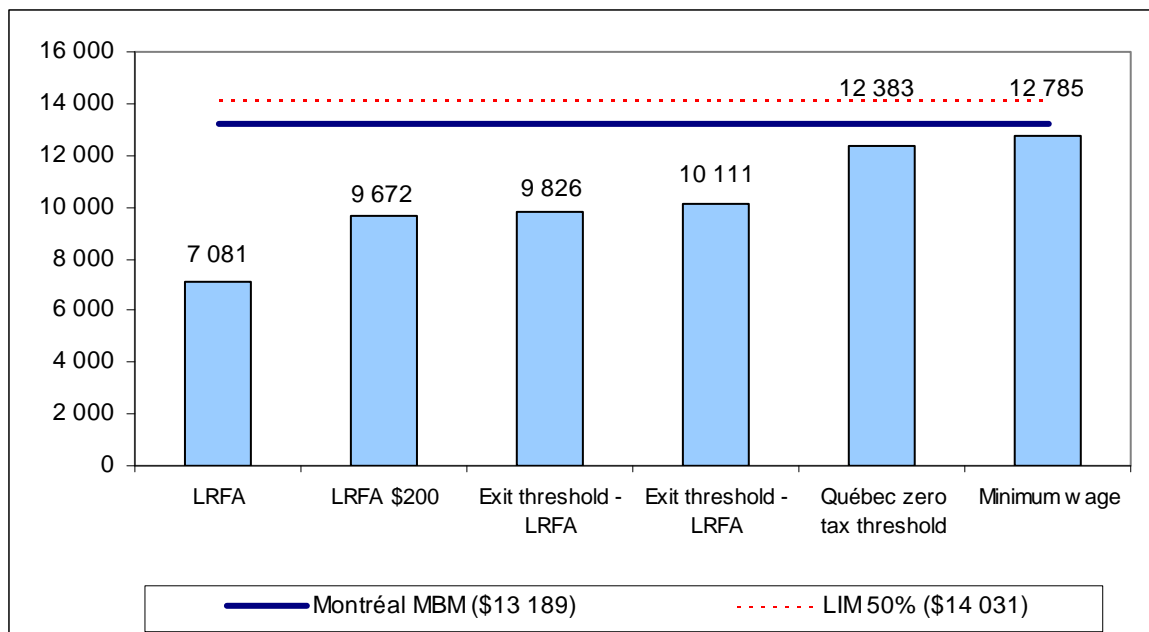
Sources: MESS - Direction des politiques de prestations; CEPE compilation.

Two figures are presented for each typical case to provide a picture of changes over time. The first figure shows the situation in 2004, i.e. the year prior to implementation of the first Government Action Plan to Combat Poverty and Social Exclusion (2004): the related fiscal measures (in particular the child assistance payment and the work premium) came into force in January 2005. Another figure illustrates the situation in 2012, taking into account the known parameters for the purposes of this progress report (*figures 12 to 21*).

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 50% LIM and the Montréal MBM. In 2012, 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 12 and figures 12 and 13*).

**Figure 12 – Disposable income and after-tax low income thresholds, unattached individuals, Québec, 2004**



Notes: LRFA: last-resort financial assistance.

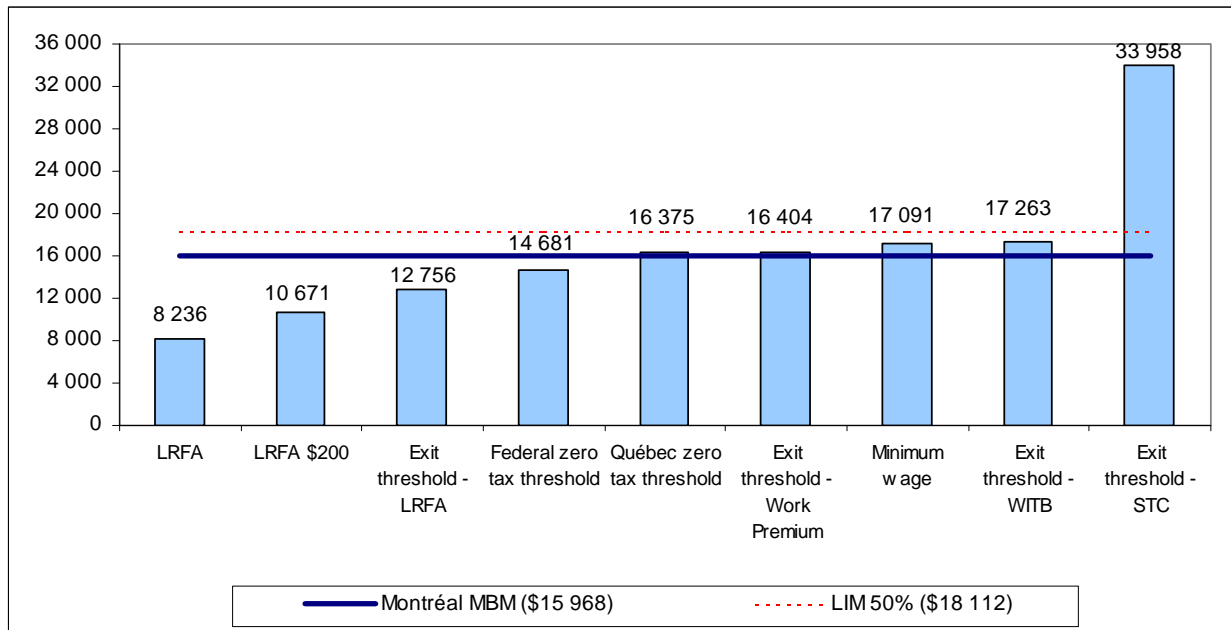
LRFA \$200: last-resort financial assistance including allowable work income of \$200.

Simulations take into account the known parameters applied in **July 2004**: personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses.

Transfers if applicable: last-resort financial assistance benefit, work premium, working income tax benefit, shelter allowance, QST credit, GST credit, property tax refund.

Sources: MESS - Direction des politiques de prestations; CEPE compilation.

**Figure 13 – Disposable income and after-tax low income thresholds, unattached individuals, Québec, 2012**



Notes: LRFA: last-resort financial assistance.

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

WITB: working income tax benefit.

STC: solidarity tax credit (in 2011, the STC replaced the QST credit, the property tax refund and the credit for individuals living in northern villages).

Simulations take into account the known parameters applied in **July 2012**: personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses.

Transfers if applicable: last-resort financial assistance benefit, work premium, working income tax benefit, solidarity tax credit, shelter allowance, GST credit.

Sources: MESS - Direction des politiques de prestations; CEPE compilation.

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 50% LIM and the Montréal MBM. In 2012, 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 and \$100 in allowable work income) still fell below the Montréal MBM threshold. However, they were equal to (at 99.5% for the federal zero tax threshold or last-resort financial assistance exit threshold) or above the Montréal MBM for all other thresholds (*Table 13 and figures 14 and 15*).

**Table 13 Disposable income, after-tax low income thresholds and coverage rate (implicit thresholds/thresholds), unattached individuals with severe employment constraints, Québec, 2004 and 2012**

	Implicit thresholds	Thresholds		Coverage rate	
	current \$	LIM 50%	Montréal MBM	LIM 50%	Montréal MBM
<b>2004</b> LRFA	10 099	14 031	13 189	72.0	76.6
LRFA \$100	11 402	14 031	13 189	81.3	86.5
Federal zero tax threshold	11 637	14 031	13 189	82.9	88.2
Exit threshold - LRFA	11 931	14 031	13 189	85.0	90.5
Québec zero tax threshold	12 383	14 031	13 189	88.3	93.9
Minimum wage	12 785	14 031	13 189	91.1	96.9
<b>2012</b> LRFA	11 966	18 112	15 968	66.1	74.9
LRFA \$100	13 190	18 112	15 968	72.8	82.6
Federal zero tax threshold	15 893	18 112	15 968	87.7	99.5
Exit threshold - LRFA	15 895	18 112	15 968	87.8	99.5
Québec zero tax threshold	17 642	18 112	15 968	97.4	110.5
Minimum wage	18 198	18 112	15 968	100.5	114.0
Exit threshold - WITB supp. hand. pers.	19 059	18 112	15 968	105.2	119.4
Exit threshold - adapted work premium	20 508	18 112	15 968	113.2	128.4
Exit threshold - STC	33 958	18 112	15 968	187.5	212.7

Notes: LRFA: last-resort financial assistance.

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

WITB: working income tax benefit.

STC: solidarity tax credit (in 2011, the STC replaced the QST credit, the property tax refund and the credit for individuals living in northern villages).

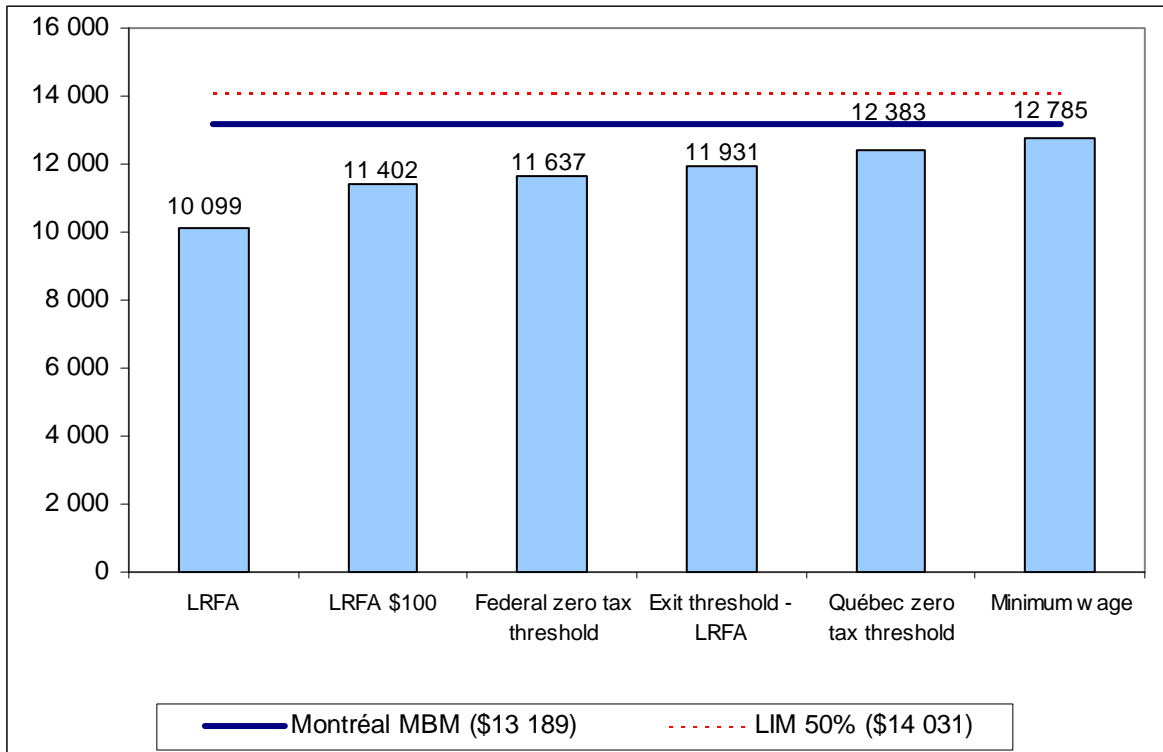
Simulations take into account the known parameters applied in **July 2004** and **July 2012**: personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses.

Transfers if applicable: last-resort financial assistance benefit, work premium, working income tax benefit, shelter allowance, QST credit, GST credit, property tax refund.

Sources: MESS - Direction des politiques de prestations; CEPE compilation.



**Figure 14 – Disposable income and after-tax low income thresholds, unattached individuals with severe employment constraints, Québec, 2004**



Notes: LRFA: last-resort financial assistance.

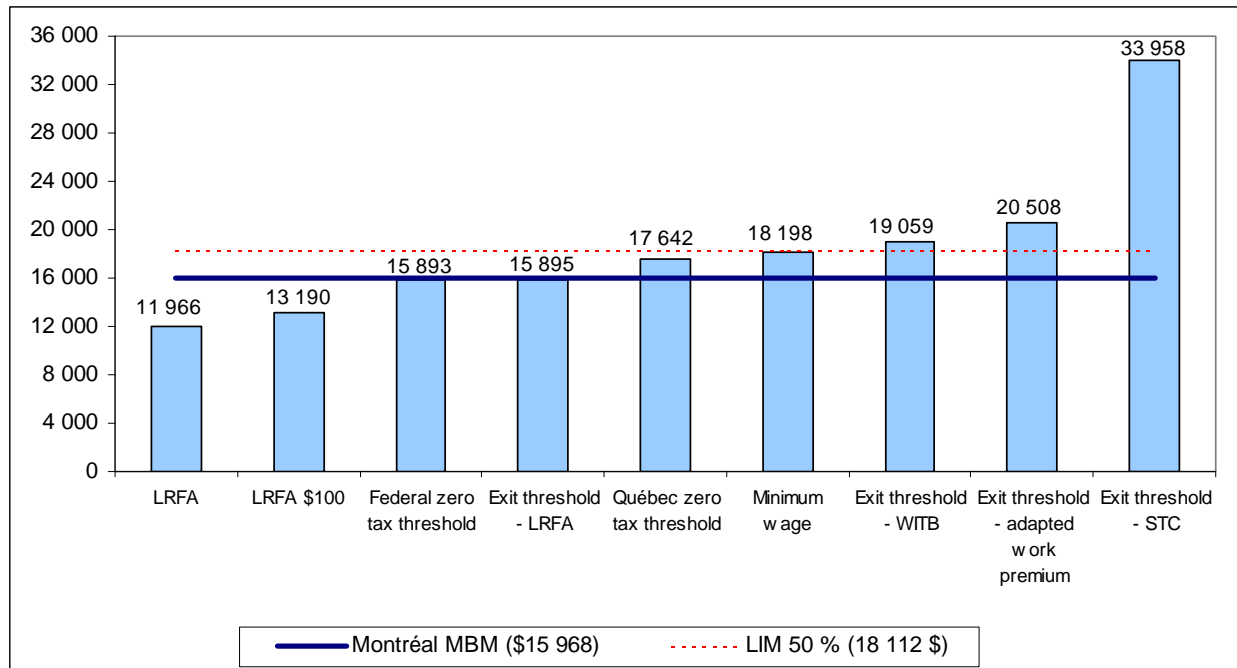
LRFA \$100: last-resort financial assistance including allowable work income of \$100.

Simulations take into account the known parameters applied in **July 2004**: personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses.

Transfers if applicable: last-resort financial assistance benefit, work premium, working income tax benefit, shelter allowance, QST credit, GST credit, property tax refund.

Sources: MESS - Direction des politiques de prestations; CEPE compilation.

**Figure 15 – Disposable income and after-tax low income thresholds, unattached individuals with severe employment constraints, Québec, 2012**



Notes: LRFA: last-resort financial assistance.

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

WITB: working income tax benefit.

STC: solidarity tax credit (in 2011, the STC replaced the QST credit, the property tax refund and the credit for individuals living in northern villages).

Simulations take into account the known parameters applied in **July 2012**: personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses.

Transfers if applicable: last-resort financial assistance benefit, work premium, working income tax benefit, solidarity tax credit, shelter allowance, GST credit.

Sources: MESS - Direction des politiques de prestations; CEPE compilation.

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. All other thresholds put them above the Montréal MBM threshold. The situation was much the same in 2012: single-parent families with a disposable income at least equal to some of the implicit thresholds (last resort financial assistance and \$200 in allowable work income) fell below the Montréal MBM threshold. All other thresholds put them above the Montréal MBM threshold (*Table 14 and figures 16 and 17*).

**Table 14 Disposable income, after-tax low income thresholds and coverage rate (implicit thresholds/thresholds), single-parent families with one child aged 3, Québec, 2004 and 2012**

	Implicit thresholds	Thresholds		Coverage rate %	
	current \$	LIM 50%	Montréal MBM	LIM 50%	Montréal MBM
<b>2004</b> LRFA	14 700	19 843	18 652	74.1	78.8
LRFA \$200	17 454	19 843	18 652	88.0	93.6
Exit threshold - LRFA	18 871	19 843	18 652	95.1	101.2
Minimum wage	19 984	19 843	18 652	100.7	107.1
Federal zero tax threshold	20 634	19 843	18 652	104.0	110.6
Exit threshold - PWA	20 870	19 843	18 652	105.2	111.9
Québec zero tax threshold	24 619	19 843	18 652	124.1	132.0
<b>2012</b> LRFA	19 053	25 615	22 582	74.4	84.4
LRFA \$200	20 549	25 615	22 582	80.2	91.0
Exit threshold - LRFA	22 740	25 615	22 582	88.8	100.7
Québec zero tax threshold	25 025	25 615	22 582	97.7	110.8
Exit threshold - WITB	26 038	25 615	22 582	101.7	115.3
Minimum wage	26 705	25 615	22 582	104.3	118.3
Federal zero tax threshold	31 551	25 615	22 582	123.2	139.7
Exit threshold - work premium	33 856	25 615	22 582	132.2	149.9
Exit threshold - STC	39 607	25 615	22 582	154.6	175.4

Notes: LRFA: last-resort financial assistance.

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

PWA: Parental Wage Assistance Program (replaced by the work premium in 2005).

WITB: working income tax benefit.

STC: solidarity tax credit (in 2011, the STC replaced the QST credit, the property tax refund and the credit for individuals living in northern villages).

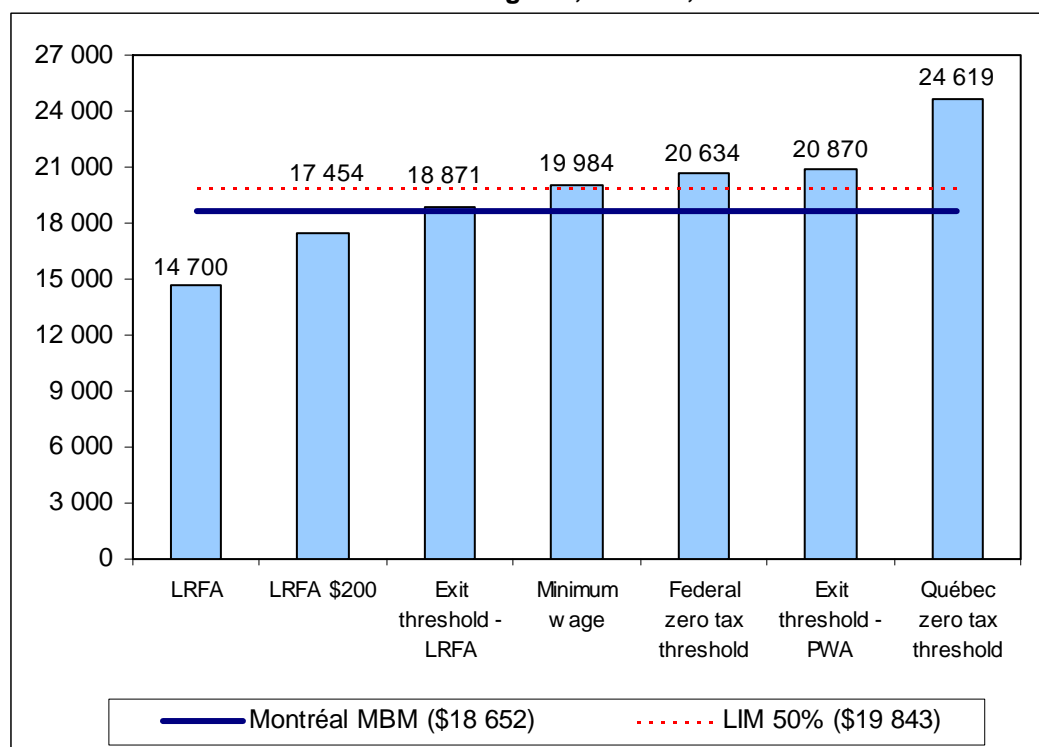
Simulations take into account the known parameters applied in **July 2004** and **July 2012**: personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses.

Transfers if applicable: last-resort financial assistance benefit, Canada 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 refund.

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

Sources: MESS - Direction des politiques de prestations; CEPE compilation.

**Figure 16 – 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.

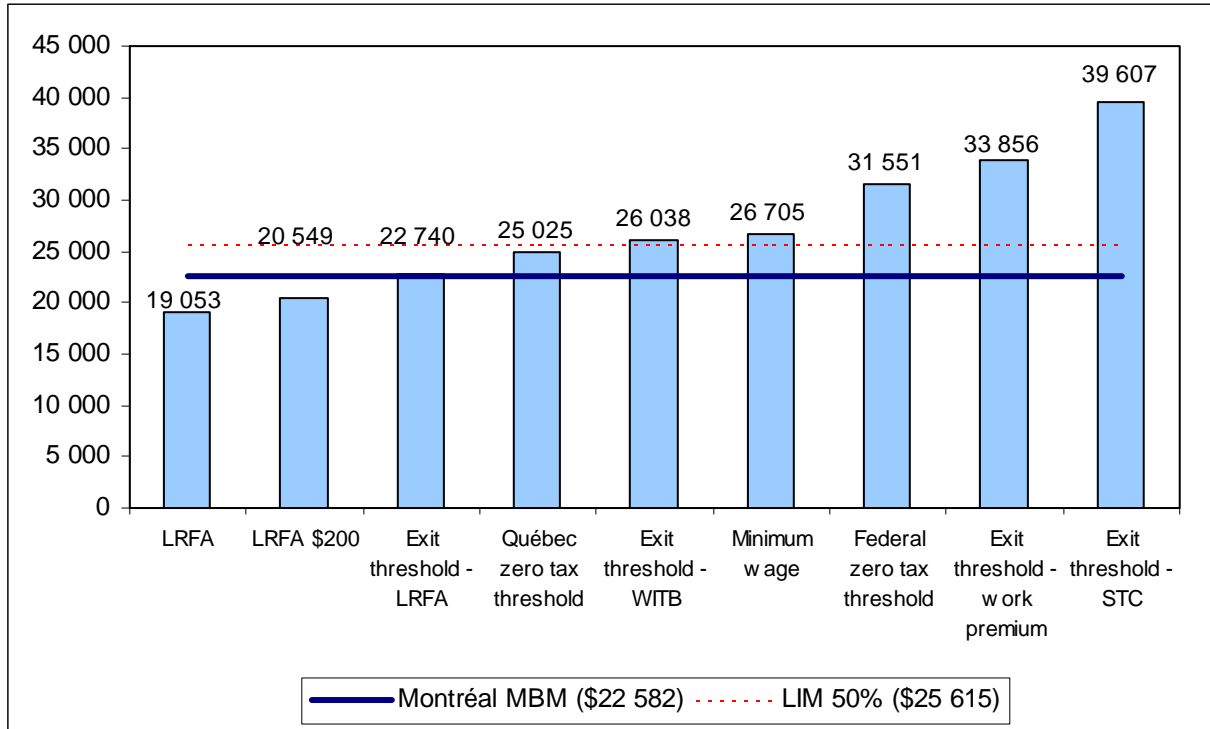
PWA: Parental Wage Assistance Program (replaced by the work premium in 2005).

Simulations take into account the known parameters applied in **July 2004**: personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses.

Transfers if applicable: last-resort financial assistance benefit, Canada 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 refund. Preschool child: 260 days in a reduced-contribution childcare service. Child aged 5 or over: 200 days in a reduced-contribution childcare service and 60 days in a regular childcare service costing \$25 a day. It is assumed that no childcare services are used where the work income is zero.

Sources: MESS - Direction des politiques de prestations; CEPE compilation.

**Figure 17 – Disposable income and after-tax low income thresholds, single-parent families with one child aged 3, Québec, 2012**



Notes: LRFA: last-resort financial assistance.

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

WITB: working income tax benefit.

STC: solidarity tax credit (in 2011, the STC replaced the QST credit, the property tax refund and the credit for individuals living in northern villages).

Simulations take into account the known parameters applied in **July 2012**: personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses.

Transfers if applicable: last-resort financial assistance benefit, Canada child tax benefit, universal child care benefit, child assistance payment, work premium, working income tax benefit, solidarity tax credit, shelter allowance, GST credit, Québec tax credit for childcare expenses.

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

Sources: MESS - Direction des politiques de prestations; CEPE compilation.

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 2012, 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 15 and figures 18 and 19*).

**Table 15 Disposable income, after-tax low income thresholds and coverage rate (implicit thresholds/thresholds), childless couples with one income, Québec, 2004 and 2012**

	Implicit thresholds	Thresholds		Coverage rate %	
	current \$	LIM 50%	Montréal MBM	LIM 50%	Montréal MBM
<b>2004</b> LRFA	10 757	19 843	18 652	54.2	57.7
LRFA \$300	14 594	19 843	18 652	73.5	78.2
Minimum wage	14 658	19 843	18 652	73.9	78.6
Exit threshold - LRFA	14 984	19 843	18 652	75.5	80.3
Federal zero tax threshold	15 673	19 843	18 652	79.0	84.0
Québec zero tax threshold	21 377	19 843	18 652	107.7	114.6
<b>2012</b> LRFA	12 631	25 615	22 582	49.3	55.9
LRFA \$300	16 254	25 615	22 582	63.5	72.0
Exit threshold - LRFA	19 496	25 615	22 582	76.1	86.3
Minimum wage	21 404	25 615	22 582	83.6	94.8
Federal zero tax threshold	25 343	25 615	22 582	98.9	112.2
Exit threshold - work premium	25 641	25 615	22 582	100.1	113.5
Québec zero tax threshold	27 205	25 615	22 582	106.2	120.5
Exit threshold - WITB	27 299	25 615	22 582	106.6	120.9
Exit threshold - STC	39 137	25 615	22 582	152.8	173.3

Notes: LRFA: last-resort financial assistance.

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

WITB: working income tax benefit.

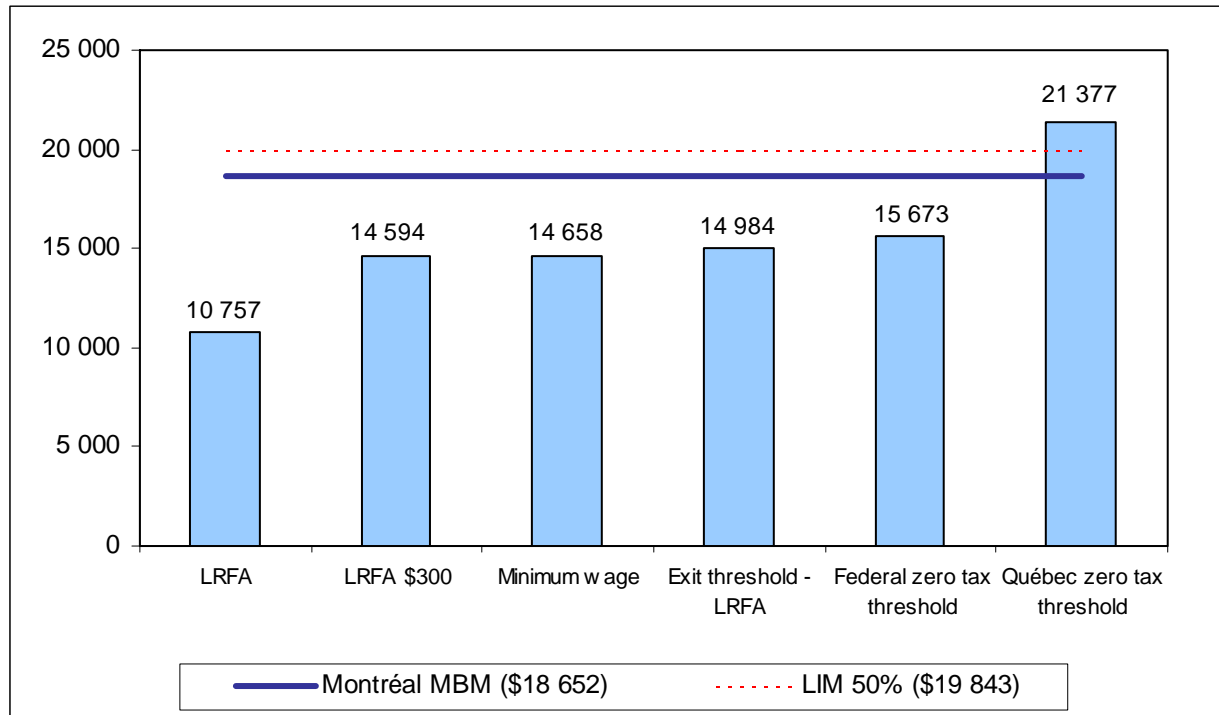
STC: solidarity tax credit (in 2011, the STC replaced the QST credit, the property tax refund and the credit for individuals living in northern villages).

Simulations take into account the known parameters applied in **July 2004** and **July 2012**: personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses.

Transfers if applicable: last-resort financial assistance benefit, work premium, working income tax benefit, shelter allowance, QST credit, GST credit, property tax refund.

Sources: MESS - Direction des politiques de prestations; CEPE compilation.

**Figure 18 – 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.

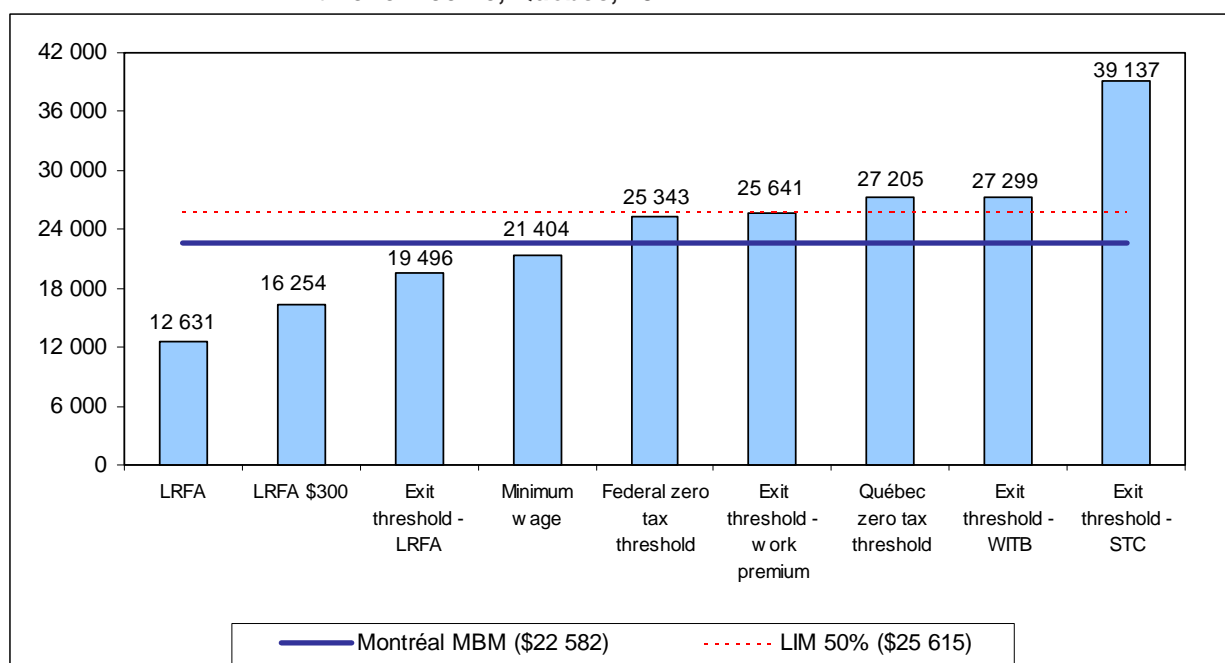
STC: solidarity tax credit (in 2011, the STC replaced the QST credit, the property tax refund and the credit for individuals living in northern villages).

Simulations take into account the known parameters applied in **July 2004**: personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses.

Transfers if applicable: last-resort financial assistance benefit, work premium, working income tax benefit, shelter allowance, QST credit, GST credit, property tax refund.

Sources: MESS - Direction des politiques de prestations; CEPE compilation.

**Figure 19 – Disposable income and after-tax low income thresholds, childless couples with one income, Québec, 2012**



Notes: LRFA: last-resort financial assistance.

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

STC: solidarity tax credit (in 2011, the STC replaced the QST credit, the property tax refund and the credit for individuals living in northern villages).

WITB: working income tax benefit.

Simulations take into account the known parameters applied in **July 2012**: personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses.

Transfers if applicable: last-resort financial assistance benefit, work premium, working income tax benefit, solidarity tax credit, shelter allowance, GST credit.

Sources: MESS - Direction des politiques de prestations; CEPE compilation.

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 other thresholds. In 2012, 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 other thresholds raised families above the Montréal MBM threshold (*Table 16 and figures 20 and 21*).



**Table 16 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 2012**

	Implicit thresholds	Thresholds		Coverage rate %	
	current \$	LIM 50%	Montréal MBM	LIM 50%	Montréal MBM
<b>2004</b> LRFA	20 074	28 063	26 378	71.5	76.1
LRFA \$300	24 468	28 063	26 378	87.2	92.8
Minimum wage	26 511	28 063	26 378	94.5	100.5
Federal zero tax threshold	26 446	28 063	26 378	94.2	100.3
Exit threshold - LRFA	26 566	28 063	26 378	94.7	100.7
Exit threshold - PWA	27 586	28 063	26 378	98.3	104.6
Québec zero tax threshold	33 365	28 063	26 378	118.9	126.5
<b>2012</b> LRFA	27 104	36 225	31 936	74.8	84.9
LRFA \$300	30 711	36 225	31 936	84.8	96.2
Exit threshold - LRFA	34 434	36 225	31 936	95.1	107.8
Minimum wage	35 018	36 225	31 936	96.7	109.7
Exit threshold - WITB	36 880	36 225	31 936	101.8	115.5
Québec zero tax threshold	40 491	36 225	31 936	111.8	126.8
Federal zero tax threshold	40 716	36 225	31 936	112.4	127.5
Exit threshold - work premium	43 980	36 225	31 936	121.4	137.7
Exit threshold - STC	48 092	36 225	31 936	132.8	150.6

Notes: LRFA: last-resort financial assistance.

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

PWA: Parental Wage Assistance Program (replaced by the work premium in 2005).

WITB: working income tax benefit.

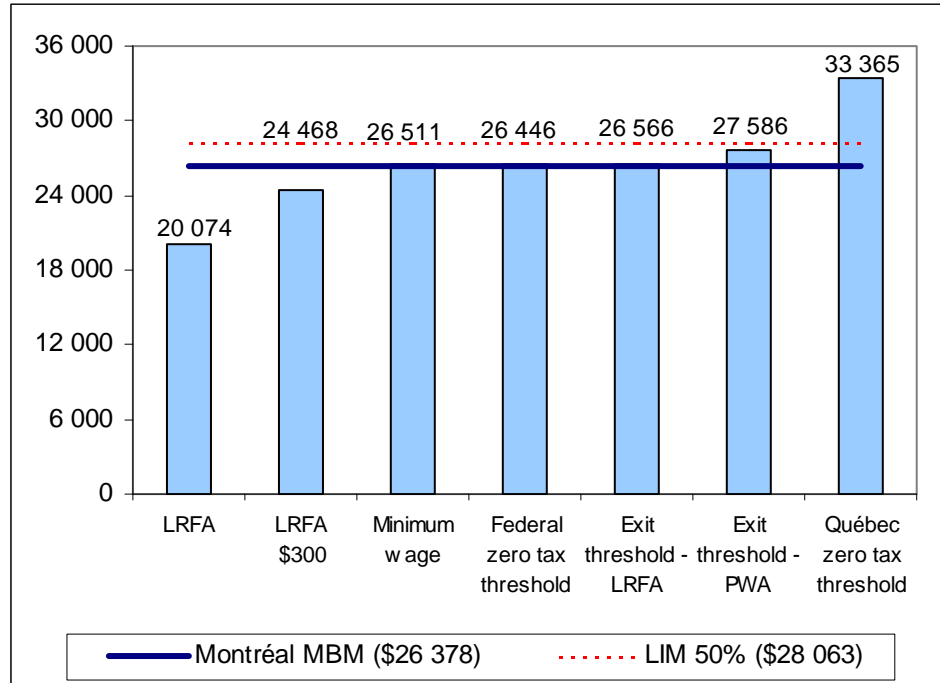
STC: solidarity tax credit (in 2011, the STC replaced the QST credit, the property tax refund and the credit for individuals living in northern villages).

Simulations take into account the known parameters applied in **July 2004** and **July 2012**: personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses.

Transfers if applicable: last-resort financial assistance benefit, Canada 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 refund. Preschool child: 260 days in a reduced-contribution childcare service. Child aged 5 or over: 200 days in a reduced-contribution childcare service and 60 days in a regular childcare service costing \$25 a day. It is assumed that no childcare services are used where the work income is zero.

Sources: MESS - Direction des politiques de prestations; CEPE compilation.

**Figure 20 – 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.

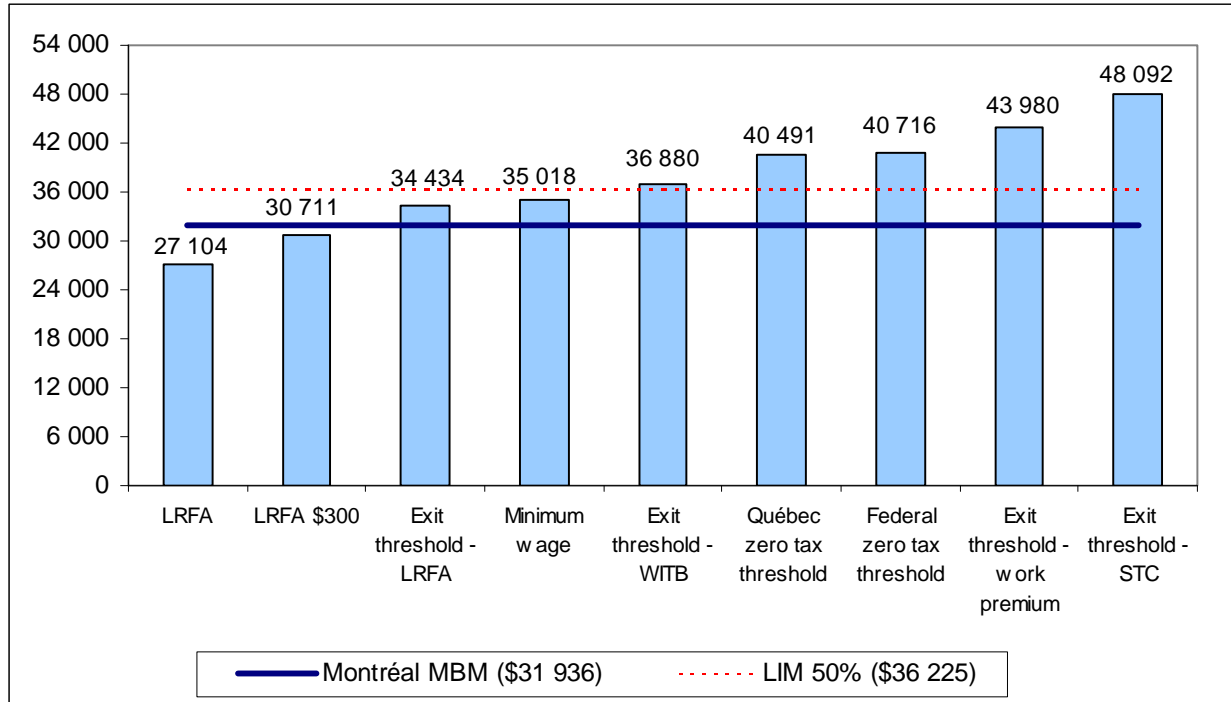
PWA: Parental Wage Assistance Program (replaced by the work premium in 2005).

Simulations take into account the known parameters applied in **July 2004**: personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses.

Transfers if applicable: last-resort financial assistance benefit, Canada 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 refund. Preschool child: 260 days in a reduced-contribution childcare service. Child aged 5 or over: 200 days in a reduced-contribution childcare service and 60 days in a regular childcare service costing \$25 a day. It is assumed that no childcare services are used where the work income is zero.

Sources: MESS - Direction des politiques de prestations; CEPE compilation.

**Figure 21 – Disposable income and after-tax low income thresholds, two-parent families with one income and two children, Québec, 2012**



Notes: LRFA: last-resort financial assistance.

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

WITB: working income tax benefit.

STC: solidarity tax credit (in 2011, the STC replaced the QST credit, the property tax refund and the credit for individuals living in northern villages).

Simulations take into account the known parameters applied in **July 2012**: personal disposable income by household type, i.e. income plus transfers, less payroll tax, income tax and employment-related expenses.

Transfers if applicable: last-resort financial assistance benefit, Canada child tax benefit, universal child care benefit, child assistance payment, work premium, working income tax benefit, solidarity tax credit, shelter allowance, GST credit, Québec tax credit for childcare expenses.

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

Sources: MESS - Direction des politiques de prestations; CEPE compilation.

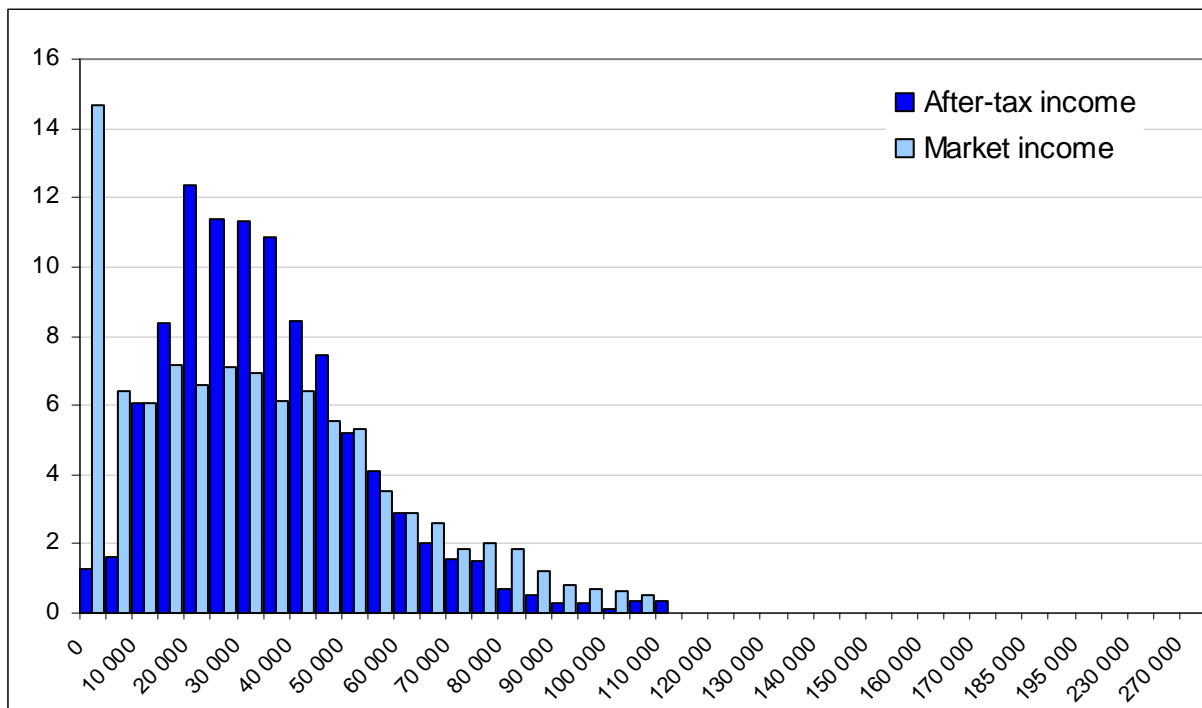
In short, based on the implicit thresholds, positive progress has been made in most of the typical cases presented in this report. However, whether or not a family has children makes a world of difference, which no doubt reflects the recent advances made through Québec's family and anti-poverty policies, 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 (WITB) (GOUVERNEMENT DU QUÉBEC, MINISTÈRE DE L'EMPLOI ET DE LA SOLIDARITÉ SOCIALE, 2010: 25). In fact, Québec called on the federal government to gear this program more towards unattached individuals and childless couples, which it did, but it is too soon to see the impact.

### 1.3 Supplementary Indicators

Several indicators can be calculated using the thresholds determined based on any one of the measures. Before discussing them, though, let us take a look at the income distribution curve in Québec in 2010 (Figure 22). Dividing the curve into brackets of \$5 000 (intervals are no longer equidistant above \$170 000) shows a large concentration among low- and middle-income earners.

**Figure 22 – Percentage distribution of market income and after-tax income, adjusted for family size, Québec, 2010**



Note: Intervals are no longer equidistant above \$170 000.

Sources: STATISTICS CANADA, *Survey of Labour and Income Dynamics (SLID)*; CEPE compilation, November 2012.

Low income rates are relatively well documented using these income data, 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 –low income mean) or (threshold –low income mean)/threshold
<b>INTENSITY</b>	Gap weighted by the low income rate: ((threshold –low income mean)/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, dispersion 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, rates of 75%, 125% and 150% of the threshold can be observed. For the purposes of this report, we have used the percentages above and below the MBM threshold (*tables 17 and 18*).

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 or, if expressed as a percent, of 25%. A number of research 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>18</sup> We can take the calculation a step further by adding the

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18. For example, if the average income (after tax) of everyone below the threshold is \$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 represent a 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.

severity of poverty, which takes the income of the poorest of the poor into greater consideration.<sup>19</sup>

**Table 17** 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, 2000-2010

		2000			2010		
		Both sexes	Men	Women	Both sexes	Men	Women
<b>Dispersion</b>	75% of threshold	5.7	3.2	10.5	4.9	4.0	6.4
	100% of threshold	11.6	6.4	21.7	9.4	7.1	13.0
	125% of threshold	19.1	12.1	32.9	17.6	11.9	26.8
	150% of threshold	29.2	20.7	45.7	27.9	22.1	37.1
<b>Gap</b>	adjusted \$	3 746	4 043	3 547	5 996	6 366	5 638
	% of threshold	34.9	37.7	33.0	35.4	38.3	32.7
<b>Intensity</b>		4.0	4.4	3.8	3.3	3.6	3.1
<b>Severity</b>		2.2	2.7	2.0	1.9	2.1	1.7

Sources: STATISTICS CANADA, *Survey of Labour and Income Dynamics (SLID)*; STATISTICS CANADA (2012b); CEPE compilation, November 2012.

Between 2000 and 2010, the low income rate for persons at 75%, 100% and 150% of the MBM threshold dropped overall and among women, but not among men. It also fell slightly at 125% of the threshold, but more for women than for men. The gap, intensity and severity measures complete the picture of low income. Whereas the low income gap edged up between 2000 and 2010 both overall and for men, it slid for women. Low income intensity and severity fell slightly overall, for men and women alike (*Table 17*).

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

**Table 18** 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, 2000-2010

		2000				2010			
		All ages	16-24	25-64	65 and over	All ages	16-24	25-64	65 and over
<b>Dispersion</b>	75% of threshold	5.7	26.8	5.6	0.4	4.9	19.3	5.0	n.a.
	100% of threshold	11.6	38.5	11.8	2.9	9.4	28.0	9.3	5.8
	125% of threshold	19.1	51.6	18.3	15.6	17.6	36.0	16.1	21.5
	150% of threshold	29.2	63.8	26.5	37.6	27.9	51.5	24.3	41.4
<b>Gap</b>	adjusted \$	3 746	5 321	3 504	2 277	5 996	8 263	6 094	2 968
	% of threshold	34.9	49.6	32.6	21.3	35.4	48.3	36.2	16.9
<b>Intensity</b>		4.0	5.7	3.8	2.5	3.3	4.5	3.4	1.6
<b>Severity</b>		2.2	3.9	2.0	1.0	1.9	3.1	1.9	0.6

Sources: STATISTICS CANADA, *Survey of Labour and Income Dynamics (SLID)*; STATISTICS CANADA (2012b); CEPE compilation, November 2012.

Again between 2000 and 2010, the low income rate for individuals at 75% of the MBM threshold declined, but the sample size was too small to obtain an observable rate for seniors. The low income rate also edged down at 100%, 125% and 150% of the threshold, but more among the 16-24 and 25-64 age groups, whereas it rose for seniors at all of these thresholds. The intensity and severity indicators trended in a positive direction for all age groups (*Table 18*).

## 1.4 Income Inequality

### 1.4.1 Gini coefficient

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

During the 1990s, the Gini coefficient rose for all family units in Québec as well in several other provinces, after which it was relatively stable. At the end of the study period (2010), Gini coefficients had reached a 20-year high; however, the gap with some of the other provinces was still in Québec's favour (*Table 19* and *Figure 23*).

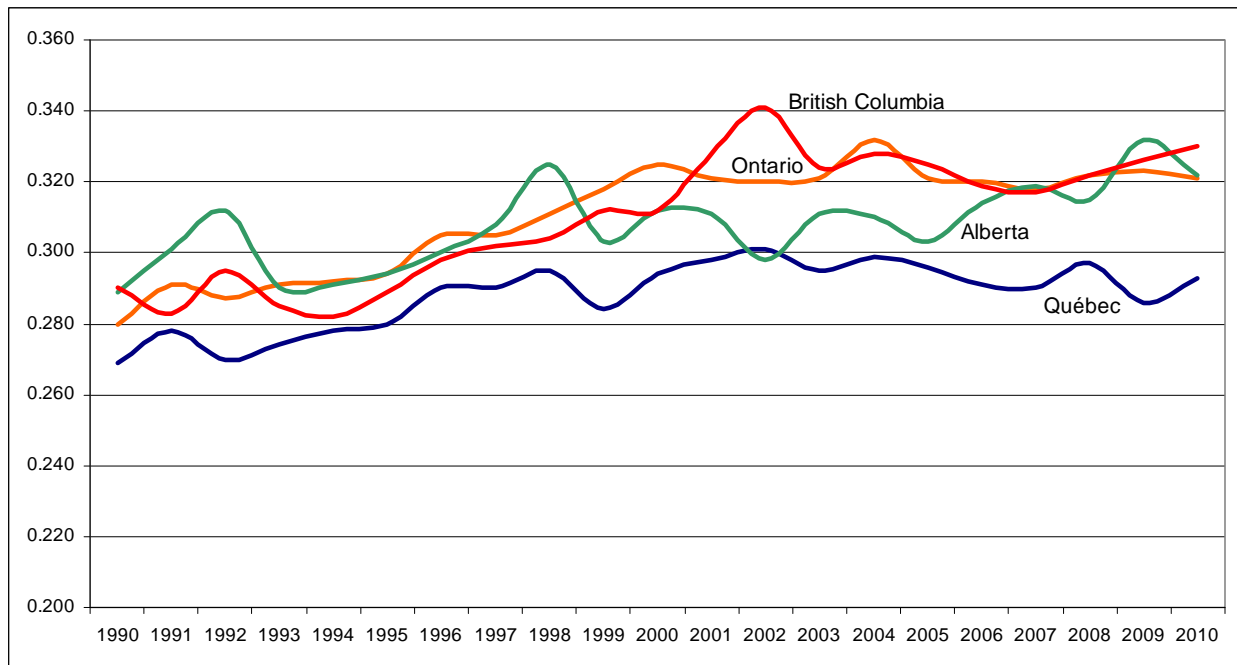
**Table 19** Gini coefficient for all family units based on adjusted after-tax income, Québec and selected provinces, 1990-2010

	Québec	Ontario	Alberta	British Columbia
1990	0.269	0.280	0.289	0.290
1991	0.278	0.291	0.301	0.283
1992	0.270	0.287	0.312	0.295
1993	0.274	0.291	0.290	0.285
1994	0.278	0.292	0.291	0.282
1995	0.280	0.294	0.294	0.289
1996	0.290	0.305	0.300	0.298
1997	0.290	0.305	0.308	0.302
1998	0.295	0.311	0.325	0.304
1999	0.284	0.318	0.303	0.312
2000	0.294	0.325	0.312	0.312
2001	0.298	0.321	0.311	0.328
2002	0.301	0.320	0.298	0.341
2003	0.295	0.321	0.311	0.324
2004	0.299	0.332	0.310	0.328
2005	0.296	0.321	0.303	0.325
2006	0.291	0.320	0.314	0.319
2007	0.290	0.318	0.319	0.317
2008	0.297	0.322	0.315	0.322
2009	0.286	0.323	0.332	0.326
2010	0.293	0.321	0.322	0.330

Sources: STATISTICS CANADA (2012b); CEPE compilation, November 2012.



**Figure 23 – Gini coefficient for all family units based on adjusted after-tax income, Québec and selected provinces, 1990-2010**



Note: In this figure, the scale varies between 0.200 and 0.360.

Sources: STATISTICS CANADA (2012b); CEPE compilation, November 2012.

Recent OECD studies report an increase in income inequality over the last 20 years in several OECD countries, including Canada. Moreover, according to a major report on income inequality in all 30 developed countries of the OECD over the 20-year period from the mid-1980s to the mid-2000s, published in 2008, inequality increased either sharply or slightly in several countries, whereas it decreased sharply or slightly in a small percentage of countries.<sup>20</sup> In a number of countries, however, inequality remained statistically identical to the situation 20 years before. As measured by the Gini coefficient, there was no significant change in inequality in Canada from the mid-1980s to the mid-1990s, but this was followed by a sharp increase from the mid-1990s to the mid-2000s, resulting in slight growth over the period as a whole, i.e. from the mid-1980s to the mid-2000s (ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, 2008). Similar trends as to that seen in Canada were also experienced by other countries, such as Germany, the United States, Italy, Japan, Norway, Portugal and Sweden.

20. For the period running from the mid-1980s to the mid-2000s, “sharp increase/decrease” means a change of over 5 Gini coefficient points; “slight increase/decrease” means a 2-5 point change; “no change” means a change of less than 2 points.

According to another OECD report, published in 2012, the gaps between rich and poor have widened over the last 30 years, partly driven by the rising gap in earnings: the incomes of top earners rose more rapidly than the incomes of the lowest earners, with technological progress having brought highly skilled workers greater rewards than low-skilled ones. In addition, due to changing family structures, many households benefit from fewer economies of scale than in the past (more unattached individuals) and more and more families now have two high-income earners.

The following data illustrate the changes in the Gini coefficient between 1995 and 2010 in the EU-15, Norway, Switzerland, Canada and Québec, based on adjusted after-tax income (adult equivalent) (*Table 20 and Figure 24*).

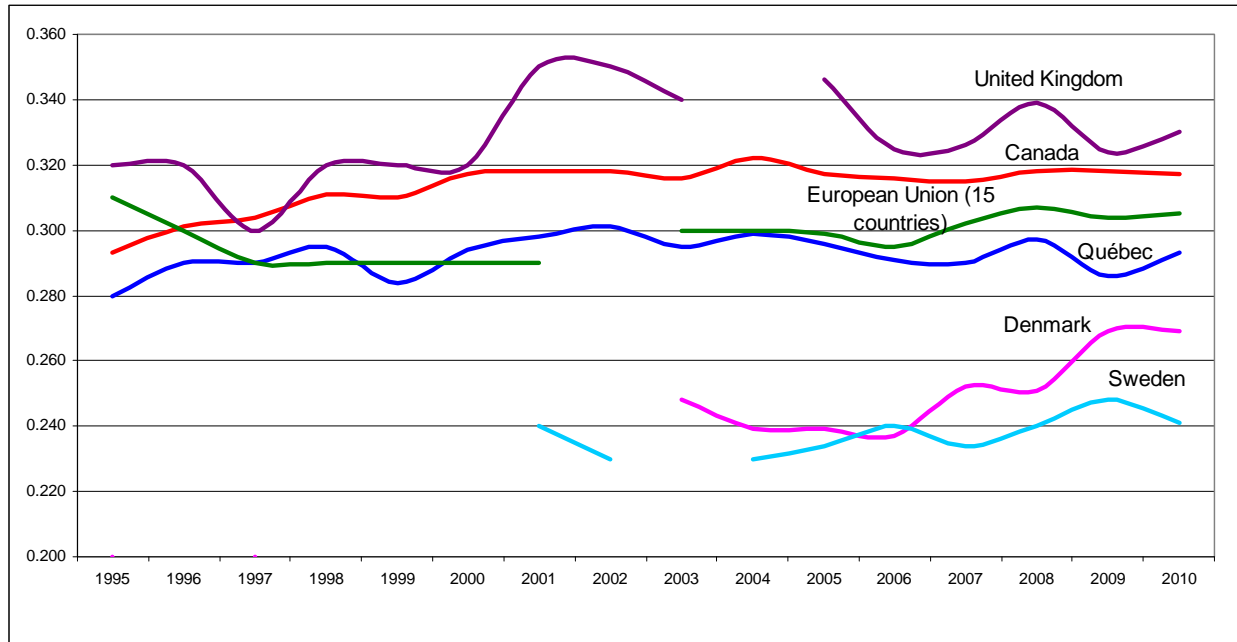
**Table 20 Gini coefficient for individuals, based on adjusted after-tax income and household size, 17 European countries, Canada and Québec, 1995-2010**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
European Union (15 countries)	0.310	0.300	0.290	0.290	0.290	0.290	0.290		0.300	0.300	0.299	0.295	0.302	0.307	0.304	0.305
Belgium	0.290	0.280	0.270	0.270	0.290	0.300	0.280		0.283	0.261	0.280	0.278	0.263	0.275	0.264	0.266
Denmark	0.200	n.d.	0.200		0.210		0.220		0.248	0.239	0.239	0.237	0.252	0.251	0.269	0.269
Germany	0.290	0.270	0.250	0.250	0.250	0.250	0.250				0.261	0.268	0.304	0.302	0.291	0.293
Ireland	0.330	0.330	0.330	0.340	0.320	0.300	0.290		0.306	0.315	0.319	0.319	0.313	0.299	0.288	0.332
Greece	0.350	0.340	0.350	0.350	0.340	0.330	0.330		0.347	0.330	0.332	0.343	0.343	0.334	0.331	0.329
Spain	0.340	0.340	0.350	0.340	0.330	0.320	0.330	0.310	0.310	0.307	0.318	0.312	0.313	0.313	0.323	0.339
France	0.290	0.290	0.290	0.280	0.290	0.280	0.270	0.270	0.270	0.282	0.277	0.273	0.266	0.298	0.299	0.298
Italy	0.330	0.320	0.310	0.310	0.300	0.290	0.290			0.332	0.328	0.321	0.322	0.310	0.315	0.312
Luxembourg	0.290	0.280	0.250	0.260	0.270	0.260	0.270		0.276	0.265	0.265	0.278	0.274	0.277	0.292	0.279
Netherlands	0.290	0.290	0.260	0.250	0.260	0.290	0.270	0.270	0.270		0.269	0.264	0.276	0.276	0.272	0.255
Austria	0.270	0.260	0.250	0.240	0.260	0.240	0.240		0.274	0.258	0.262	0.253	0.262	0.262	0.257	0.261
Portugal	0.370	0.360	0.360	0.370	0.360	0.360	0.370			0.378	0.381	0.377	0.368	0.358	0.354	0.337
Finland		0.220	0.220	0.220	0.240	0.240	0.270	0.260	0.260	0.255	0.260	0.259	0.262	0.263	0.259	0.254
Sweden			0.210		0.220		0.240	0.230		0.230	0.234	0.240	0.234	0.240	0.248	0.241
United Kingdom	0.320	0.320	0.300	0.320	0.320	0.320	0.350	0.350	0.340		0.346	0.325	0.326	0.339	0.324	0.330
Norway									0.266	0.252	0.282	0.311	0.237	0.251	0.241	0.236
Switzerland														0.320	0.302	0.296
Canada	0.293	0.301	0.304	0.311	0.310	0.317	0.318	0.318	0.316	0.322	0.317	0.316	0.315	0.318	0.318	0.317
Québec	0.280	0.290	0.290	0.295	0.284	0.294	0.298	0.301	0.295	0.299	0.296	0.291	0.290	0.297	0.286	0.293

Sources: STATISTICS CANADA (2012b). EUROSTAT (2012b), *European Union Statistics on Income and Living Conditions (EU-SILC)*, CEPE compilation, November 2012.

Compared with certain European countries, Québec ranks in the middle; its Gini coefficient appears to be lower than that of Canada, the United Kingdom and a subset of 15 OECD countries, but higher than that of certain countries in continental Europe (Belgium, Netherlands, Germany, Austria) and of all the Scandinavian countries.

**Figure 24 – Gini coefficient based on adjusted after-tax income, selected EU countries, Canada and Québec, 1995-2010**



Note: In this figure, the scale varies between 0.200 and 0.360.

Sources: STATISTICS CANADA (2012b). EUROSTAT (2012b), *European Union Statistics on Income and Living Conditions (EU-SILC)*, CEPE compilation, November 2012.

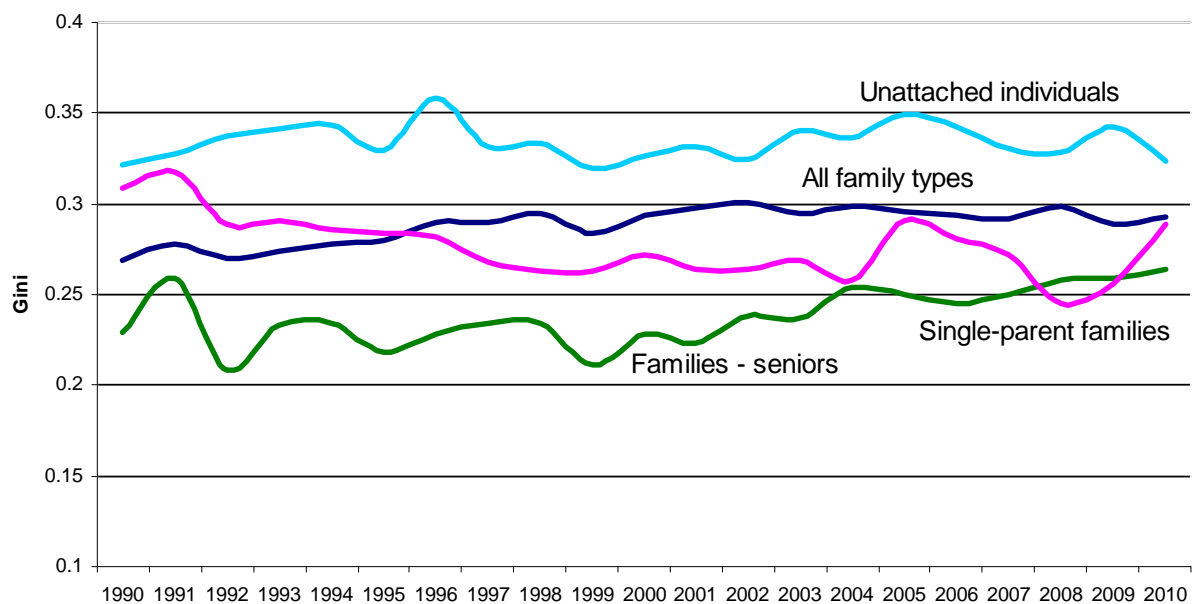
Between 1990 and 2010, these inequalities, after transfers and taxes, rose overall, in particular among couples with children, senior families and unattached women under 65 years of age (Table 21 and Figure 25). In the case of unattached women under 65 years of age, the increase may be the effect of higher earnings of a growing number of women, simultaneously widening the gap with unemployed women. The main decreases in inequality are among single-parent families, other family types and unattached male seniors.

**Table 21 Gini coefficient before and after taxes, by family type, Québec, income adjusted to family size, 1990 and 2010**

	1990			2010			Change 1990-2010 (%)	
	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
All family types	0.415	0.269	-0.146	0.444	0.293	-0.151	7.0	8.9
Families, 2 persons or more	0.392	0.259	-0.133	0.425	0.282	-0.143	8.4	8.9
Families - seniors	0.556	0.229	-0.327	0.607	0.264	-0.343	9.2	15.3
Families - under age 65	0.369	0.262	-0.107	0.392	0.280	-0.112	6.2	6.9
Childless couples	0.372	0.275	-0.097	0.378	0.288	-0.090	1.6	4.7
Couples with children	0.326	0.230	-0.096	0.379	0.262	-0.117	16.3	13.9
Couples living with other relatives	0.317	0.229	-0.088	0.318	0.252	-0.066	0.3	10.0
Single-parent families	0.596	0.309	-0.287	0.508	0.289	-0.219	-14.8	-6.5
Headed by men	0.467	0.287	-0.180	0.433	0.286	-0.147	-7.3	-0.3
Headed by women	0.607	0.299	-0.308	0.515	0.281	-0.234	-15.2	-6.0
Other families	0.485	0.288	-0.197	0.352	0.249	-0.103	-27.4	-13.5
Unattached individuals	0.562	0.322	-0.240	0.530	0.324	-0.206	-5.7	0.6
Male seniors	0.664	0.301	-0.363	0.650	0.263	-0.387	-2.1	-12.6
Female seniors	0.704	0.265	-0.439	0.697	0.263	-0.434	-1.0	-0.8
Men under 65	0.499	0.335	-0.164	0.450	0.324	-0.126	-9.8	-3.3
Women under 65	0.488	0.320	-0.168	0.480	0.352	-0.128	-1.6	10.0

Sources: STATISTICS CANADA (2012b); CEPE compilation, November 2012.

**Figure 25 – Gini coefficient after transfers and taxes, by family type, Québec, 1990-2010**



Sources: STATISTICS CANADA (2012b); CEPE compilation, November 2012.

### 1.4.2 Interquintile ratios

Inequality can also be measured by looking at the ratio between the incomes of defined population segments, i.e. the ratio between the average income of the top earners and the lowest earners. The interquintile ratio shows how many times more income the richest quintile makes than the poorest quintile. The raw data on average family income by quintile are presented below, with and without adjustment for family size (*Table 22*).<sup>21</sup> Transfers and taxes attenuate the observed differences in income.

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21. Data adjusted to family size differ from previously published data, which were not adjusted (which is why we are including them). Adult equivalent adjustment ensures greater homogeneity with the other data in this report. Where possible, we prefer to express data in adult equivalent, adjusted for family size.

**Table 22 Average income, transfers and income tax, selected family types, by income quintile, Québec, 2010**

	Quintile				
	1	2	3	4	5
	\$				
<b>Non-adjusted data</b>					
<b>Unattached individuals</b>					
Market income	2 600	6 100	17 800	34 700	68 200
Transfer income	5 800	11 200	8 200	5 500	3 500
Total income	8 400	17 300	26 000	40 200	71 700
Income tax	300	200	2 000	5 900	17 000
After-tax income	8 100	17 100	24 000	34 300	54 700
<b>Families, 2 persons or more</b>					
Market income	11 800	32 900	55 800	82 800	160 600
Transfer income	16 200	13 800	10 400	9 500	6 600
Total income	28 000	46 700	66 200	92 300	167 200
Income tax	1 900	3 200	8 400	14 600	38 200
After-tax income	26 100	43 500	57 800	77 700	129 000
<b>All family types</b>					
Market income	5 600	19 800	38 100	64 500	136 100
Transfer income	9 300	11 800	10 800	9 200	7 200
Total income	14 900	31 600	48 900	73 700	143 300
Income tax	1 200	2 200	5 400	11 400	30 900
After-tax income	13 700	29 400	43 500	62 300	112 400
<b>Data adjusted for household size</b>					
<b>Unattached individuals</b>					
Market income	3 000	6 500	22 400	37 700	71 200
Transfer income	7 100	12 800	7 000	5 800	3 900
Total income	10 100	19 300	29 400	43 500	75 100
Income tax	400	500	2 700	6 600	17 100
After-tax income	9 700	18 800	26 700	36 900	58 000
<b>Families, 2 persons or more</b>					
Market income	8 300	21 700	34 700	49 800	93 300
Transfer income	10 000	7 800	6 300	5 400	3 400
Total income	18 300	29 500	41 000	55 200	96 700
Income tax	1 100	2 100	5 300	8 900	22 600
After-tax income	17 200	27 400	35 700	46 300	74 100
<b>All family types</b>					
Market income	6 400	19 300	32 900	47 800	90 100
Transfer income	9 800	8 300	6 300	5 500	3 500
Total income	16 200	27 600	39 200	53 300	93 600
Income tax	800	1 700	4 800	8 500	21 800
After-tax income	15 400	25 900	34 400	44 800	71 800

Sources: STATISTICS CANADA (2012b); CEPE compilation, November 2012.

Between 1990 and 2010, all of the groups studied increased their purchasing power, with the exception of unattached individuals in the first quintile, who saw theirs remain virtually the

same (-1%). The purchasing power of people in the fifth quintile increased the most, be it families of two persons or more (35.5%) or all family types (32%). A comparison of income distribution by quintile before and after taxes reveals some gaps (*Table 23*).

**Table 23 Average income of persons in family units, adjusted for family size, by quintile, 2010 dollars, Québec, 1990 and 2010**

	1990				2010				Change in purchasing power between 1990 and 2010 (%) / Ratio	
	Before transfers and taxes	After transfers and taxes	Difference		Before transfers and taxes	After transfers and taxes	Difference		Before transfers and taxes	After transfers and taxes
			\$	%			\$	%		
<b>Unattached individuals</b>										
1st quintile	2 700	9 800	7 100	263.0	3 000	9 700	6 700	223.3	11.1	-1.0
2nd quintile	6 500	16 100	9 600	147.7	6 500	18 800	12 300	189.2	0.0	16.8
3rd quintile	17 000	22 100	5 100	30.0	22 400	26 700	4 300	19.2	31.8	20.8
4th quintile	33 300	32 000	-1 300	-3.9	37 700	36 900	-800	-2.1	13.2	15.3
5th quintile	58 900	52 300	-6 600	-11.2	71 200	58 000	-13 200	-18.5	20.9	10.9
Ratio 5th q./1st q	21.8	5.3			23.7	6.0			8.8	12.0
<b>Families, 2 persons or more</b>										
1st quintile	7 400	13 900	6 500	87.8	8 300	17 200	8 900	107.2	12.2	23.7
2nd quintile	19 400	22 500	3 100	16.0	21 700	27 400	5 700	26.3	11.9	21.8
3rd quintile	31 000	29 400	-1 600	-5.2	34 700	35 700	1 000	2.9	11.9	21.4
4th quintile	44 000	37 200	-6 800	-15.5	49 800	46 300	-3 500	-7.0	13.2	24.5
5th quintile	70 200	54 700	-15 500	-22.1	93 300	74 100	-19 200	-20.6	32.9	35.5
Ratio 5th q./1st q	9.5	3.9			11.2	4.3			18.5	9.5
<b>All family types</b>										
1st quintile	5 900	13 000	7 100	120.3	6 400	15 400	9 000	140.6	8.5	18.5
2nd quintile	17 600	21 600	4 000	22.7	19 300	25 900	6 600	34.2	9.7	19.9
3rd quintile	29 700	28 600	-1 100	-3.7	32 900	34 400	1 500	4.6	10.8	20.3
4th quintile	43 100	36 700	-6 400	-14.8	47 800	44 800	-3 000	-6.3	10.9	22.1
5th quintile	68 800	54 400	-14 400	-20.9	90 100	71 800	-18 300	-20.3	31.0	32.0
Ratio 5th q./1st q	11.7	4.2			14.1	4.7			20.7	11.4

Sources: STATISTICS CANADA (2012b); CEPE compilation, November 2012.

The average income before transfers and taxes of the richest quintile (all family types) was 11.7 times that of the poorest quintile in 1990 and 14.1 times in 2010; the average income after transfers and taxes of the richest quintile was 4.2 times that of the poorest quintile in 1990 and 4.7 times in 2010, the average of that observed among unattached individuals and families.

The average income before transfers and taxes of unattached individuals in the richest quintile was 21.8 times that of the poorest quintile in 1990 and 23.7 times in 2010, which indicates an increase in inequality; the average income after transfers and taxes of unattached individuals in

the richest quintile was 5.3 times that of the poorest quintile in 1990 and six times in 2010, hence an increase inequality after transfers and taxes.

The average income before transfers and taxes of families of two persons or more in the richest quintile was 9.5 times that of the poorest quintile in 1990 and 11.2 times in 2010; after transfers and taxes, the average income of the richest quintile was 3.9 times that of the poorest quintile in 1990 and still 4.3 times in 2010, again causing growth in income inequality after transfers and taxes.

In short, the portraits provided by the Gini coefficient and interquintile ratios are, on the whole, the same in terms of inequality. Québec succeeded in maintaining a lower inequality level than the other Canadian provinces and certain European countries, but still lags behind the Scandinavian countries. Although inequality increased within Québec, the portrait provided by income quintile and family type shows that nuances can be made. Among unattached individuals, the poorest quintile stagnated compared with richer quintiles, whose purchasing power increased. There was a substantial increase in the purchasing power of families of two persons or more, especially the most affluent.

### **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 fulfil this role, producing greater income polarization without the desired effect of reducing inequality.

The polarization coefficient used here<sup>22</sup> is the percentage of the population whose income is between 75% and 125% of the median income, the easiest to calculate. This polarization

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22. See *Advice to the Minister* (CEPE, 2009: 60) for an overview of possible indicators.



coefficient, as well as the share of individuals below the lower limit and the share above the upper limit reveal shifts between 2000 and 2010 based on family status, sex and age.

**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, 2000-2010**

	Below the lower limit		Polarization coefficient		Above the upper limit	
	2000	2010	2000	2010	2000	2010
All persons	25.2	25.6	36.2	35.7	38.6	38.7
Unattached individuals	48.6	47.6	30.4	29.9	21.1	22.5
Co-tenants	56.8	56.5	28.0	26.1	15.1	17.5
Single-parent families	53.1	44.3	36.9	40.1	9.9	15.7
Childless couples	15.1	18.0	33.6	32.6	51.3	49.5
Two-parent families	18.5	18.0	39.3	38.4	42.2	43.7
Other	21.4	24.9	42.0	44.6	36.5	30.6
Men	17.0	20.4	38.5	36.1	44.5	43.5
Women	41.3	33.8	31.8	35.1	26.9	31.2
16-24 years	60.5	50.1	27.7	35.1	11.9	14.8
25-34 years	28.5	26.5	37.4	39.1	34.1	34.4
35-44 years	22.7	20.4	39.1	38.1	38.2	41.5
45-54 years	15.5	16.2	31.6	31.2	52.9	52.6
55-64 years	23.5	25.5	28.8	32.9	47.7	41.6
65 years and over	36.5	42.2	45.8	37.3	17.7	20.4

Sources: STATISTICS CANADA, *Survey of Labour and Income Dynamics (SLID)*; CEPE compilation, November 2012.

Between 2000 and 2010, polarization on the whole remained virtually unchanged. However, some sub-groups (women, single-parent families and young people aged 16-24) saw changes that appear to be the result of two trends: a downward trend in the proportion of individuals below the lower limit and an upward trend in the proportion in the middle of and above the upper limit. Others (people aged 65 and over) experienced an increase in the proportion of individuals below the lower limit and above the upper limit, but a decrease in the middle. Elsewhere, the proportion of individuals below the lower limit and in the middle rose, while the proportion above the upper limit fell. This was the case for people aged 55-64 (*Table 24*).

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

### ***2.1 Reading committee for the 2011 progress report***

A reading committee was formed to gather comments on readers' understanding of the CEPE's 2011 progress report (CEPE, 2011) and its usefulness, with the aim of improving the form and content of future editions. Questions dealt with the relevance of the report's data for gaining a better understanding of poverty and social and economic inequalities, the data's usefulness (to readers or their organization) and the difficulties in understanding the data. Suggestions for improving future editions of the progress report were made, the vast majority of which were incorporated into this year's edition.

The committee was composed of individuals to whom the report was thought to be of interest. Their names were referred by either a CEPE member or a member of the in-house team. Some of them also volunteered to read the report by filling out the form contained in the participant's kit distributed at a conference on poverty held in December 2011.<sup>23</sup>

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

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."

Workshops were conducted for organizations that work with people at risk of social exclusion through poverty. The process involved exploring the definition of exclusion and developing potential indicators based on a collaborative process of joint knowledge building.

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23. Québec Inter-University Centre for Social Statistics (QICSS) and Ministère de l'Emploi et de la Solidarité sociale (MESS), *International Conference on Social Statistics, Poverty and Social Exclusion: perspectives from Quebec, Canada and Abroad* (FRÉCHET et al., 2011).

Below are the main objectives of the workshops:

- reinforce, anchor and provide perspective on the process of exclusion through poverty;
- give a voice to people living in poverty by allowing them to suggest issues to consider when addressing exclusion in relation to poverty;
- thereby ensure that the issues chosen for consideration have meaning for people experiencing poverty;
- deepen and affirm a definition or definitions of social exclusion;
- document mechanisms and processes liable to lead to social exclusion;
- identify or affirm possible indicators.

Ten workshops designed for ten organizations with different missions were conducted between June 7 and September 25, 2012. A total of 76 people participated. Without claiming to be exhaustive, this exercise clearly gave people experiencing poverty and exclusion an opportunity to express their views. The report will be completed very soon.

### ***2.3 Working Paper: Esquisse du faible revenu chez les immigrants au Québec***

At the request of the advisory committee on the prevention of poverty and social exclusion, the CEPE undertook a study of low income among immigrants to Québec. The report by Aline Lechaume and Frédéric Savard, entitled *Esquisse du faible revenu chez les immigrants au Québec*, will be posted on the CEPE's website.

Due to the increase in immigration, poverty and the economic success of immigrants are two important social issues in Canada and Québec that are the subjects of numerous research projects. However, few studies address issues relating to low income in immigrants, particularly to Québec. Yet, integration of immigrants remains a major societal issue in Québec. Using census data, the goal of this study is to determine whether the low income rate has risen among successive cohorts of new immigrants to Québec and compare this rate with that among people born in Québec, controlling for various socioeconomic variables. The study also aims to see if Québec differs from other provinces in this regard and, if so, to what extent. In addition, the authors examine low income trends among new immigrants relative to the same trends among immigration pools and attempt to identify the factors that influence low income in immigrants to Québec and the gap between their low income rate and that of people born in Québec.

#### **2.4 Concerted Action on Poverty and Social Exclusion, Phase 2: Current Projects**

Phase 2 (2012-2014) of the concerted action on poverty and social exclusion has been launched and will round out the research projects conducted in Phase 1 (2007-2009), which resulted in some ten reports.<sup>24</sup> The concerted action initiative involves a number of partners, including the Ministère de l'Emploi et de la Solidarité sociale, the Ministère de la Santé et des Services sociaux, the Société d'habitation du Québec and the Fonds de recherche du Québec – Société et culture. The call for proposals, launched in April 2011, targeted the following research priorities:

1. A better understanding of the construction of social inequalities of health and their reproduction over time.
2. A better understanding of access to community and social housing.
3. A better understanding of the role of consultation and citizen participation in supporting the development of communities and the fight against poverty and social exclusion.
4. Construction of a simulation model adapted to Québec to analyze the economic and social costs of poverty.
5. A better understanding of food insecurity and assessment of food security initiatives to fight poverty and social exclusion.
6. A better understanding of the conditions for exercising rights in the context of poverty and social exclusion.
7. Better knowledge of the social representations of poverty and social exclusion.

All of these priorities will be addressed by the eight projects selected for Phase 2, presented below in alphabetical order of the lead researcher's name:

1. ***La judiciarisation et la défense des droits des personnes en situation de pauvreté*** (Céline Bellot, Université de Montréal, Pascale Dufour, Université de Montréal and Martin Goyette, École nationale d'administration publique).
2. ***Modèle de simulation des coûts économiques et sociaux de la pauvreté*** (Jean-Yves Duclos, Université Laval, François Blais, Université Laval, Bernard Fortin, Université Laval, Guy Lacroix, Université Laval).

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24. See: <http://www.fqrcs.gouv.qc.ca/fr/recherche-expertise/projets/rapports-recherche.php#Pauvrete>.

3. ***Vers une autonomie alimentaire pour tous : Agir et vivre ensemble le changement*** (Sophie Dupéré, Université Laval, François-Pierre Gauvin, Institut national de santé publique, Micheline Bélisle, Université Laval and Lucie Gélinau, Centre de services sociaux et de santé de la Vieille-Capitale).

4. ***Représentations sociales de la pauvreté et de l'exclusion sociale*** (Simon Langlois, Université Laval, François Gardes, Université de Paris 1– Panthéon-Sorbonne).

5. ***Le rôle de la concertation intersectorielle, de la participation citoyenne et de l'action collective pour soutenir le développement des communautés et la lutte contre la pauvreté et l'exclusion : une approche régionale et nationale comparative*** (Frédéric Lesemann, Institut national de la recherche scientifique-INRS, Lise St-Germain, Université du Québec en Outaouais, Pierre-Joseph Ulysse, Université de Montréal, Martine Fordin, Université du Québec en Outaouais, Marie-Pier St-Louis, Université du Québec à Montréal).

6. ***L'intervention intersectorielle en santé et services sociaux dans ses liens avec les dimensions de l'habitation et le logement social*** (Paul Morin, Université de Sherbrooke, Serge Belley, École nationale d'administration publique, Michèle Clément, Université Laval, Chantal Doré, Université de Sherbrooke, Jeannette LeBlanc, Université de Sherbrooke, Xavier Leloup, Institut national de la recherche scientifique-INRS, Nathalie Jauvin, Centre de services sociaux et de santé de la Vieille-Capitale, Nathalie Morin, Office municipal d'habitation de Montréal).

7. ***Le soutien financier minimal : une perspective comparée*** (Alain Noël, Université de Montréal).

8. ***Barrières et défis à l'intégration dans la collectivité des personnes vivant avec des problèmes de santé mentale importants : représentations d'acteurs du champ de la santé mentale. Pour une démarche citoyenne de réflexion et d'action*** (Marie-Laurence Poirel, Université de Montréal, Michèle Clément, Centre de services sociaux et de santé de la Vieille-Capitale, Lourdes Rodriguez, Université de Montréal, Jean Gagné, Télé-Université (UQAM), Raymond Beaunoyer, Regroupement des ressources alternatives en santé mentale du Québec, Maryse Bouffard, Centre hospitalier Robert-Giffard, Sylvain Dubé, Le Rivage du Val Saint-François, Nancy Gagnon, Maison Jacques-Ferron, Christiane Germain, La Parentrie, Lori Girard, Centre hospitalier universitaire de Montréal, Jean-Nicolas Ouellet, Centre d'activités pour le maintien de l'équilibre émotionnel de Montréal-Nord (CAMÉÉE), Sally Robb, Action autonomie de Montréal, Brigitte Soucy, Le Pavois).

## 2.5 CEPE Research Program

The proposals below aim to follow up on the recommendations made in 2009 (CEPE, *Advice to the Minister*)<sup>25</sup> or address other requests brought to the CEPE's attention over the years.

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25. In 2009, the CEPE made the following recommendations:

## A. Social exclusion

Past or current work on social exclusion associated with poverty is aimed at developing a list of indicators of social exclusion in Québec. Workshops and focus groups have been or will be conducted in the context of this project (*see Section 2.2*).

## B. Determinants and consequences

- Socioeconomic inequalities

A number of members would like the CEPE to delve deeper into the broad topic of socioeconomic inequalities. Reducing inequality is one of the goals of the national strategy, as stipulated in section 6 of the Act. Sections 43 and 58 of the Act also address the matter of inequalities, considered to be one of the determinants of poverty and, conversely, one of its consequences.

- Project on socioeconomic inequalities in Québec, which uses income deciles rather than only quintiles (currently well documented) in the analysis. What are the main determinants of poverty? Recent OECD work raised many questions about growing income inequalities in member countries in recent years.
- Project on the societal impact of inequality. Recent work on inequality includes several OECD studies, the study by Wilkinson and Pickett (2009), etc. These studies revealed a close correlation between wealth inequality and life expectancy, level of literacy, the incarceration rate, the drug and alcohol addiction rate, maternal and

### **Recommendation 15** – Define social exclusion and identify its main dimensions

The Centre recommends specifying the use of the notion of social exclusion, identifying its main dimensions and establishing appropriate indicators. It recommends developing indicators that make it possible to recognize exclusion mechanisms at work, in particular institutional mechanisms. Moreover, it recommends involving persons living in poverty and exclusion in this thought process.

### **Recommendation 16** – Determinants and consequences of poverty

The Centre recommends pursuing work on the determinants and consequences of poverty, particularly in respect to some of its major dimensions: territory, education, health, work, housing, justice and security, and access to cultural activities.

### **Recommendation 17** – Innovations in terms of indicators

The Centre recommends undertaking work on the effective achievement of recognized rights, material deprivation, life courses and exits from poverty, taking into account the multiple dimensions of poverty and wealth and calling on a diversity of methods and viewpoints, including those of people living in poverty.

### **Recommendation 18** – Trend chart

The Centre recommends preparing a more complete trend chart that would make it possible to take into account all the dimensions targeted by the Act, by involving in this effort persons living in poverty and those working in the communities concerned.

child health, and a host of other social indicators. In fact, the studies show that the more wealth is equally distributed among the population, the greater the chance that people (both rich and poor) will fare well.

### C. Innovations in terms of indicators

The CEPE recommended continuing the work on:

- the effective achievement of recognized rights;
- material deprivation;
- life courses;
- exits from poverty.

Material deprivation could be associated with living conditions.

#### 1. Effective achievement of recognized rights

- Project on the effective achievement of recognized rights, conducted in partnership with the legal community. In the second action plan to combat poverty, the government reiterates its commitments pursuant to the International Covenant on Economic, Social and Cultural Rights and the Québec *Charter of Human Rights and Freedoms*, and says the measures contained in the Government Action Plan for Solidarity and Social Inclusion contribute specifically to implementation of the rights enshrined in these instruments:
  - One of the research questions that could be addressed is whether or not, on the basis of the stated rights, Québec is acting in compliance with these provisions or if situations exist where these rights are not in fact respected. For example, is it possible to collect data on “access to rights” in Québec in order to determine if the effective achievement of recognized rights poses a problem in different areas (legal aid, consumption, housing, Aboriginal communities, etc.)? Can we pool knowledge with human rights agencies that work in these areas?

#### 2. Living conditions

- How can we get a picture of living conditions in certain communities, in particular, Aboriginal communities, for which there is insufficient or no data on low income?
  - In the light of the anticipated results of the project on indicators of low income in Aboriginal people, submitted to the Québec Inter-University Centre for Social Statistics, and after consulting experts in the fields, conduct a survey on living conditions in Aboriginal communities, with various partners.
- Demographic changes and poverty
  - Examine the consequences of population aging for poverty, in particular in the context of the announced or possible changes to public and private

pension plans: Old Age Security pensions and Guaranteed Income Supplement, bill on voluntary retirement savings plans, etc.

### 3. Life courses and poverty exits

- Qualitative and quantitative study (mixed methodology) of life courses and poverty exits, with the participation of people living in poverty and stakeholders from the communities and sectors concerned.
  - What factors or conditions precipitate entry into and exit from poverty? What institutional mechanisms can contribute to poverty entry and exit? Are the conditions for exiting poverty different for different groups (young people, seniors, etc.)?

### D. Trend chart

The CEPE recommended preparing a more complete trend chart that would make it possible to take into account all the dimensions targeted by the Act, by involving in this effort persons living in poverty and those working in the communities concerned.

- Project on the prerequisites and feasibility of the trend chart, with the aim of identifying the main components as well as aspects that may not have been covered. Verify the expectations of various population groups following the Act's enforcement. Minimize duplication with other existing trend charts (e.g. ISQ's window on aging).



### **SECTION 3 Conclusion**

As we approach 2013 – the target year for meeting the goal set in the *Act to combat poverty and social exclusion* to make 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 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.” The data yielded by the EU-SILC project enable a degree of comparability between the EU member countries and, depending on the limitations inevitably imposed by the different national surveys, comparability with Québec and Canada.

Apart from these international comparisons, it should be possible to interpret other signs as well, including the low income rates for Québec as a whole and for various categories of individuals and families, for the purposes of interregional and interprovincial comparisons, tracking changes in the number and rate of social assistance recipients, etc. In short, additional data exist and 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 limitations of existing data must be overcome in interregional as well as interprovincial comparisons.

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.

The observed fluctuations in recent years based on 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 2010 MBM data, we still observe a low income rate of 9.4%, which means there is still a long way to go.

Simulating typical cases showed us the changes between 2004 and 2012 in the relative level of disposable income of individuals or family units in relation to the various existing thresholds, which we called implicit thresholds. We simulated the typical 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 to see if they are faring better or are worse off. We noted changes from 2004 to 2012, and 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 in families with children. As a result, unattached individuals and childless couples trail further behind.

In terms of inequality, the income of the richest quintile, on a before transfers and taxes basis, was 11.7 times that of the poorest quintile (all family types) in 1990 and 14.1 times in 2010; after transfers and taxes, the income of the richest quintile was 4.2 times that of the poorest quintile in 1990 and 4.7 times in 2010, the average of that for unattached individuals and families. This trend mirrors that in many OECD countries.

Thus, the portraits provided by the Gini coefficient and interquintile ratios are, on the whole, the same. Québec succeeded in maintaining a lower inequality level than other places, including the other Canadian provinces and certain European countries, but still lags behind the Scandinavian countries. Although inequality increased within Québec, the portrait provided by income quintiles and family types shows that nuances can be made. Among unattached individuals, the poorest quintile stagnated compared with the richest quintiles, which saw their purchasing power increase. The purchasing power of families of two persons or more rose significantly, especially among the most affluent.

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## Appendices

### Appendix 1: Notes on Methodology

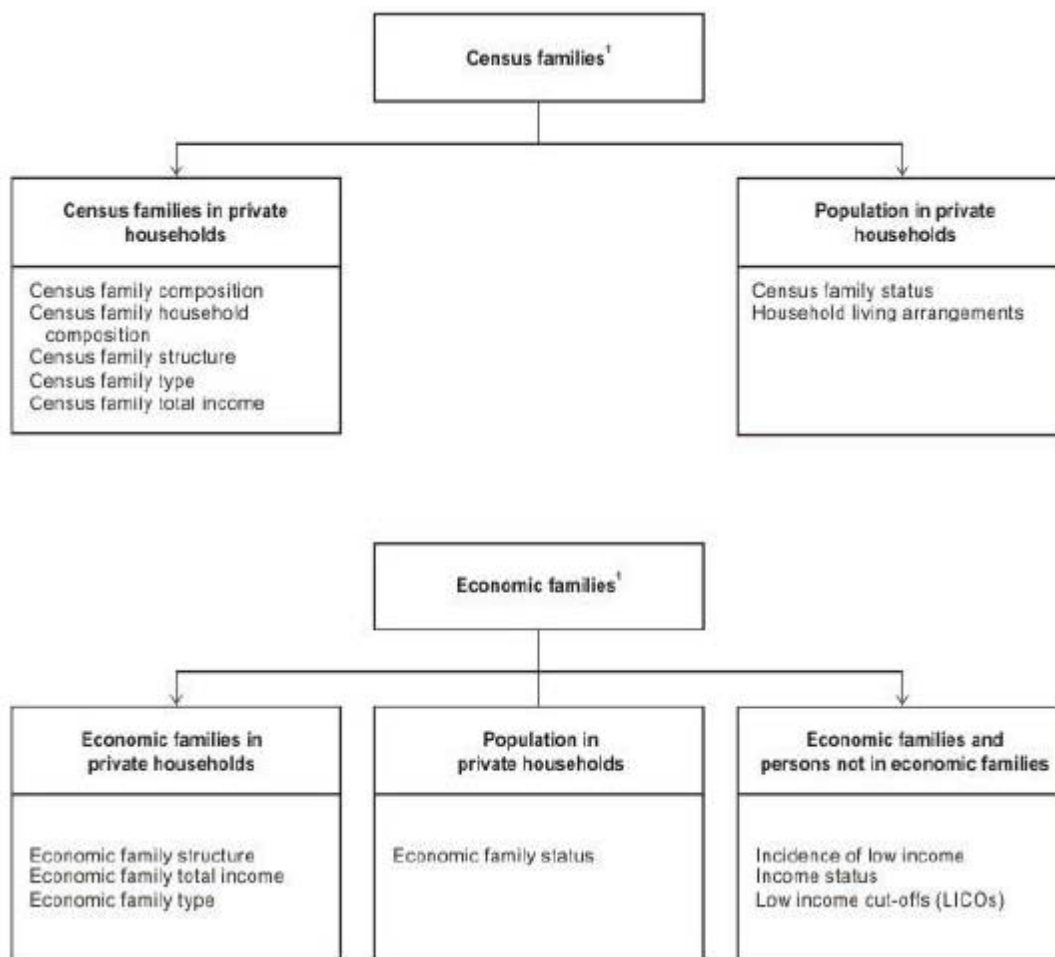
#### Data sources

Compilations by the Centre d'étude sur la pauvreté et l'exclusion, 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. However, most of the time the differences are minor.

#### 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 who live in the same dwelling and are related to each other 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 (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 of one person living alone. 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. An area formed by one or more adjacent municipalities centred around a large urban area (known as the urban core). A census metropolitan area must have a total population of at least 100 000 of which 50 000 or more must live in the urban core.
- 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.

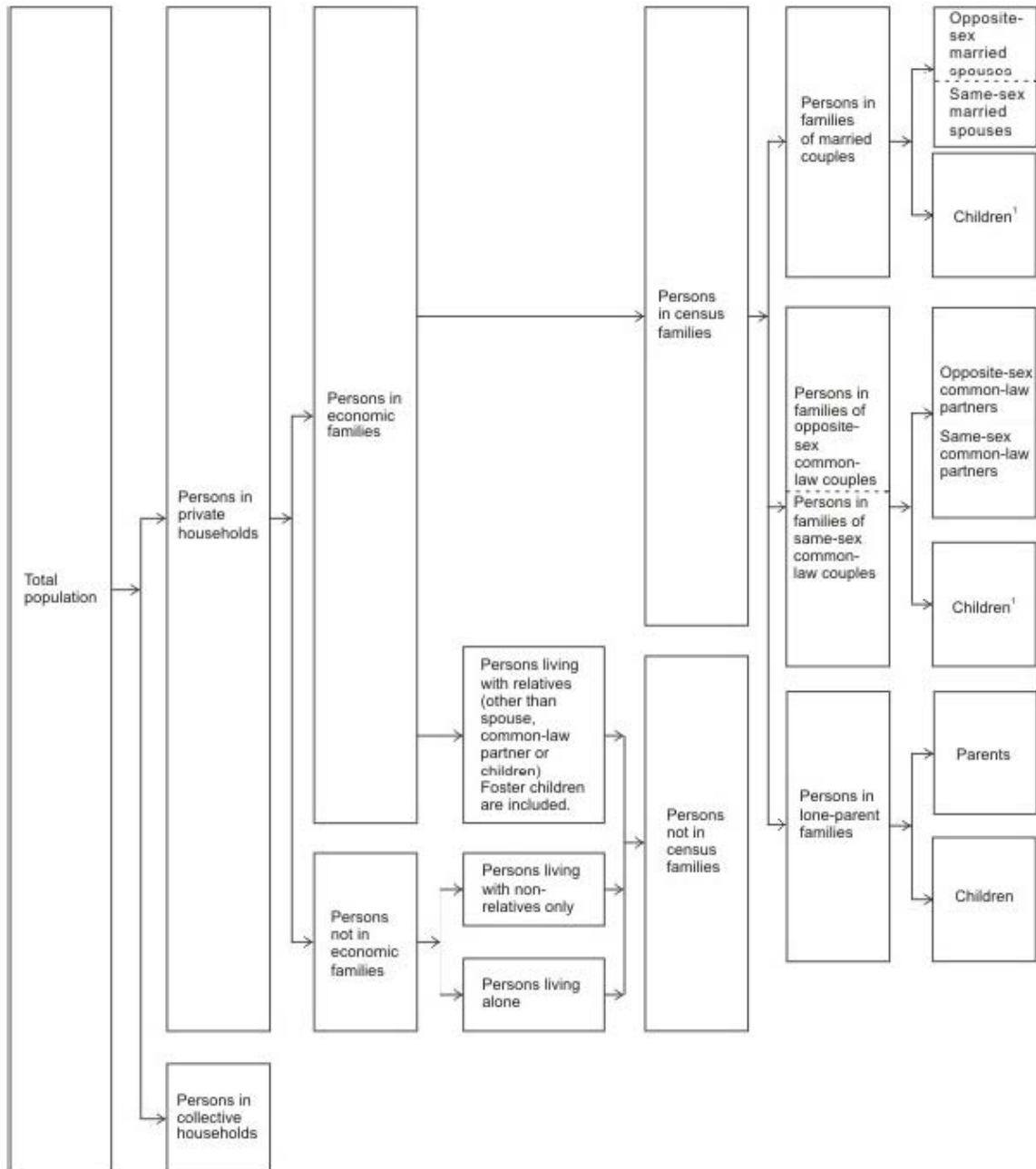
### 2006 census and economic family universes and subuniverses



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

<http://www12.statcan.gc.ca/census-recensement/2011/ref/dict/univ-index-eng.cfm>

### Economic and census family membership and family statuses



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

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## Appendix 2: MBM and Shelter Costs

In 2008, Human Resources and Skills Development Canada (HRSDC) conducted consultations with the provinces and experts in low-income measurement from outside governments for the purposes of revising the Market Basket Measure (MBM). This low income measure is computed by determining the cost of various components of the basket, including shelter. At the end of the consultation process, held in 2010 (data published in June 2011), HRSDC decided to change the shelter cost calculation to include the shelter costs for homeowners without mortgages as well as renters. The inclusion of homeowners without mortgages into the MBM shelter component responded to concerns expressed by some provinces that shelter costs were being overestimated for low-income homeowners without mortgages.

When the data were published in 2011, a number of people were surprised to see the cuts to the shelter portion of the basket, in particular in certain provinces. In Appendix 2 of our 2011 progress report (CEPE, 2011: 86), we mentioned significant decreases, including in Québec (-32.5%), but even more so in Ontario (-40.0%) and British Columbia (-52.4%).

Then, in a research report as well as an article published in *The Vancouver Sun* in February 2012, entitled “How to Destroy a Good Poverty Line,” Michael Goldberg, Steve Kerstetter and Seth Klein of the BC Office of the Canadian Centre for Policy Alternatives said the revisions to the shelter costs did not meet the test of common sense and they raised their concerns with the research community. Among other things, the authors decried the cuts to shelter costs, which they feel are not realistic: for example, what are the chances of finding an apartment that rents for \$621 a month in Vancouver?

To address these criticisms, HRSDC has decided to change the methodology for calculating MBM shelter costs again. The provinces received a memo stating that starting in reference year 2011 (data to be released in 2013), and including historical reviews of the MBM thresholds back to 2002, the shelter thresholds would:

- “return to the median shelter costs for two and three-bedroom renting units in each MBM region;
- be reweighted to reflect the actual distribution of families among such two and three bedroom units.”



Thus, the refined methodology would not use an income test based on the shelter costs only of individuals earning less than the median income. This criterion had been proposed, but the initial estimates so calculated were deemed unrealistic.

To capture the advantage of mortgage-free owners in terms of lower out-of-pocket shelter spending, the advantage that owners without mortgages possess over renters will be captured in the form of a monetary supplement in their disposable income. This would be implemented in three steps:

- “Calculate the shelter costs for mortgage-free owners. As for renters, it would be based on the median shelter costs for two and three-bedroom mortgage-free dwellings in each MBM region. These shelter costs would also reflect the actual distribution of families in two and three-bedroom mortgage-free units in each MBM region.
- Establish the mortgage-free owners’ advantage. This would be done by calculating the difference in their shelter costs and that of renters.
- Adjust the disposable income of owners without mortgages. This would be done by adding to their MBM disposable income the mortgage-free owners’ advantage prevailing in their respective MBM region.”

The CEPE endorsed the criticisms of the change to the MBM calculation introduced in 2011. It takes note of the new calculation method proposed by HRSDC for data to be published in 2013, which seems an adequate response to the issues raised given the criticisms voiced. It intends to remain vigilant about future revisions to the MBM.

### **Appendix 3: Members of the CEPE Steering Committee**

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

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

Patricia Caris, Assistant Director General, Direction générale adjointe de la recherche, de l'évaluation et du suivi de la performance, Ministère de l'Emploi et de la Solidarité sociale

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

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

Amélie Quesnel-Vallée, Associate Professor, Faculty of Sociology, Joint Position with Epidemiology, Biostatistics and Occupational Health, Faculty of Medicine, McGill University

Marie-France Raynault, Full 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, Aging and Living Conditions Statistics Coordinator, Direction des statistiques sociodémographiques, Institut de la statistique du Québec

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

Sylvie Tardif, General Coordinator, Centre d'organisation mauricien de services et d'éducation populaire (COMSEP) and city councillor, Ville de Trois-Rivières