

TAKING THE MEASURE OF POVERTY

**PROPOSED INDICATORS OF
POVERTY, INEQUALITY AND SOCIAL EXCLUSION
TO MEASURE PROGRESS IN QUÉBEC**

Advice to the Minister

Centre d'étude sur la pauvreté et l'exclusion

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Statistical compilation, analysis and writing

Guy Fréchet, Pierre Lanctôt and Alexandre Morin

Collaboration

Marco de Nicolini

Oversight

Steering Committee of the Centre d'étude sur la pauvreté et l'exclusion

Centre d'étude sur la pauvreté et l'exclusion

Associate Branch of Research, Evaluation and Statistics

Ministère de l'Emploi et de la Solidarité sociale

425 Rue Saint-Amable, 4th floor

Québec City, QC G1R 4Z1

Telephone: 418 646-7271

Fax: 418 643-9113

Email: cepe@mess.gouv.qc.ca

This document may be consulted on the Web site of the Centre d'étude sur la pauvreté et l'exclusion at: www.cepe.gouv.qc.ca

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RECOMMENDATIONS

Recommendation 1 Economic standard of living indicator: Income

The Centre recommends that income be the economic standard of living indicator.

Recommendation 2 Baseline measure: Market basket measure (MBM)

The Centre recommends that the market basket measure be used as the baseline measure to monitor situations of poverty from the perspective of coverage of basic needs. Thus, the established reference is the disposable income available for consumption necessary to purchase a set basket of goods and services.

Recommendation 3 Unit of analysis: Individuals and family units

The Centre recommends that individuals and family units be used as units of analysis. It proposes defining family units using Statistics Canada's concept of economic families.

Recommendation 4 Equivalence scales: Statistics Canada's 40/30 scale

The Centre recommends using Statistics Canada's 40/30 equivalence scale to account for economies of scale.

Recommendation 5 Breakdown of data by age, sex and type of family unit

The Centre recommends breaking down the data by age, sex and type of family unit. Other variables can also be used when available and the sample size permits.

Recommendation 6 Statistical validity: Confidence intervals

The Centre recommends providing confidence intervals on time and geographical comparisons or between the subgroups of a population in order to validate statistical accuracy.

Recommendation 7 Temporal comparisons adjusted for the Québec consumer price index (CPI)

The Centre recommends that temporal comparisons of the economic standard of living (income or others) be done in dollars comparable in time. To do so, it recommends using the Québec consumer price index (CPI) to take into account the evolution of the cost of living in time.

Recommendation 8 Interregional comparisons: Low income measure (LIM)

The Centre recommends using the low income measure (at 50% of the median of Québec incomes) for interregional comparisons.

Recommendation 9 Interprovincial comparisons: Market basket measure (MBM)

The Centre recommends using the market basket measure for interprovincial comparisons.

Recommendation 10 International comparisons: Low income measure (LIM)

For international comparisons, the Centre recommends using the two thresholds that correspond to 50% and 60% of the median of incomes in each of the countries.

Recommendation 11 International comparisons of poverty based on purchasing power

For the purposes of international comparisons of the standard of living based on purchasing power, the Centre recommends transforming currency values using purchasing power parities (PPP).

It also recommends making international comparisons of poverty based on purchasing power using the Québec low income measure threshold at 50% of the median.

Recommendation 12 Ensure monitoring of disposable income based on various thresholds

The Centre recommends ensuring monitoring of disposable income based on various thresholds, including implicit thresholds linked to the most current social and tax situations.

Recommendation 13 Supplementary indicators: Various properties of low income (dispersion, gap, intensity and severity)

The Centre recommends monitoring the indicators that make it possible to complete the low income rates and characterize the various properties of low income.

Recommendation 14 Income inequalities: Gini coefficient and interquintile ratios

The Centre recommends using the Gini coefficient and interquintile ratios to measure inequalities.

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.

Recommendation 19 Annual publication

The Centre recommends the yearly publication of a progress report on poverty and social exclusion.

FOREWORD

By adopting the *Act to combat poverty and social exclusion* in December 2002, the National Assembly affirmed “the desire of Québec society as a whole to act in a coordinated manner” in order to “strive towards a poverty-free Québec.”

To reach this goal, we need to measure poverty, i.e., equip ourselves with indicators to evaluate the progress made or to be made. But poverty and social exclusion are not easily measured. They involve a multitude of real-life experiences that are, at one and the same time, varied, complex and fraught with meaning for those affected and for society as a whole. Reducing all these phenomena and experiences to a few measurable dimensions is inevitably limiting and even runs the risk of distorting our perspective. Moreover, speaking about poverty also entails exchanging ideas about our values and hopes for the future, which necessarily leads to diverging viewpoints and interpretations.

Conscious of these hurdles and difficulties and aware of the importance of engaging in a broad dialogue on the issue, members of the Centre d'étude sur la pauvreté et l'exclusion, composed of individuals from the academic, research and government sectors, as well as those working with people who are experiencing poverty or social exclusion, have reached a consensus on the path to follow. Accordingly, they have proposed a certain number of research indicators and perspectives. It is important to act quickly to guide the actions of the government and those of the various social players engaged in the fight against poverty and to open up a broader debate on what it means to be poor in Québec in 2008.

The *Act to combat poverty and social exclusion* defines poverty as “the condition of a human being who is deprived of the resources, means, choices and power necessary to acquire and maintain economic self-sufficiency or to facilitate integration and participation in society.” Guided by this definition and by section 9 related to strengthening the social and economic safety net, we kept the market basket measure (MBM) as the baseline measure to monitor situations of poverty from the perspective of coverage of basic needs. While relatively new in both the Canadian and international contexts, this measure is consistent with the orientation of the Act and corresponds fairly well to a concrete and essential element of the experience of living in poverty. By adopting this measure, the government can put new perspectives to advantage in examining the issues.

The MBM, which defines the low income threshold based on what is needed to purchase a given basket of goods and services, is obviously not perfect and cannot do everything. Clearly it is not

enough, for example, for a person or a family to exceed the defined threshold, or any other threshold, to escape poverty. The experience of living in poverty is embedded in its duration and social context. Getting out of poverty means more than simply reaching a set income at a given time. One must also be able to rely on economic and social foundations that truly enable a person to build a poverty-free life.

This is why the Centre d'étude sur la pauvreté et l'exclusion also recommends a series of complementary indicators and measures that will need to be enhanced and refined over the years. If we are to strive towards a poverty-free Québec, we will especially need to reduce inequality, prevent social exclusion and attack the causes and consequences of poverty in a sustained manner.

This requires a broad-based program. In suggesting an initial way of measuring poverty, we do not want to give the impression that, from now on, everything will be neatly tied and decided. On the contrary, we hope to open up new avenues so that together we, in Québec, can decide what should be understood—and done—in order to strive towards a poverty-free society.

Alain Noël

Chair of the Steering Committee

SUMMARY

○ **Mandate**

One of the mandates of the Centre d'étude sur la pauvreté et l'exclusion is to recommend, to the Minister of Employment and Social Solidarity, measures and indicators of poverty, inequality and social exclusion to measure the progress in Québec in implementing the *Act to combat poverty and social exclusion* (R.S.Q., c. L-7). To this end, this advice constitutes an initial recommendation.

○ **Poverty measure**

From an economic standpoint, poverty is generally measured on the basis of income. After reviewing the various "low income" indicators, the Centre d'étude sur la pauvreté et l'exclusion concluded that the market basket measure (MBM) is the best option. This measure is the most consistent theoretically and also has the advantage of corresponding well to the current understanding of an essential component of poverty: the level of income needed to cover basic needs.

At the same time, in order to meet the comparison objectives in terms of time and space, the Centre recommends keeping two complementary measures. One is Statistics Canada's low income cut-offs (LICOs), which is the best known measure in Québec and for which there are lengthy time series that make time comparisons possible. The other is the low income measure (LIM), which remains the measure most widely used in Europe and the only one that enables international comparisons to be made easily.

The Centre d'étude sur la pauvreté et l'exclusion also recommends ensuring the monitoring of disposable income according to various thresholds related to the most common social and fiscal situations.

○ **Inequality measure**

Gini coefficients or other measures that reveal the gaps between the richest and the poorest, such as interquintile ratios, can be used to measure inequality.

○ **Social exclusion measure**

The Centre d'étude sur la pauvreté et l'exclusion recommends specifying the use of the notion of social exclusion, defining its main dimensions and developing appropriate indicators. It also

recommends establishing process indicators that will enable the exclusion mechanisms, particularly institutional mechanisms, at work to be recognized and hopes to involve persons living in poverty in this thought process.

- **Poverty determinants and consequences**

A strategy to fight poverty and social exclusion needs to focus not only on poverty, inequality and exclusion, but also on their causes and consequences. The Centre, therefore, recommends that work be done on the various factors associated with poverty, in particular those relating to territory, education, health, work, housing, justice and security, as well as access to cultural activities. It also considers that work needs to be done on the systemic determinants associated with public policies, especially social policies, and social representations.

- **Innovations and perspectives**

This advice recommends a series of indicators, chosen on the basis of existing measures, to evaluate the progress that has been made and to compare Québec with other societies. The Centre d'étude sur la pauvreté et l'exclusion also recommends that these indicators be monitored on a yearly basis. However, this is only an initial step. Work to explore other avenues that will make it possible to better identify the various dimensions of poverty and exclusion and more readily understand these phenomena from the point of view of those living in poverty must continue. That is why the Centre also recommends developing a more complete trend chart that will take into account all the dimensions targeted by the Act. To this end, we need to use a variety of methods and points of view, especially in association with those living in poverty or working in the areas affected.

INTRODUCTION—CONTEXT, MANDATE AND OBJECTIVES

The *Act to combat poverty and social exclusion* (R.S.Q., c. L-7) marks a desire to strive towards a poverty-free society. To this end, one of the mandates of the Centre d'étude sur la pauvreté et l'exclusion¹ is to recommend to the Minister of Employment and Social Solidarity measures and indicators of poverty, inequality and social exclusion in order to evaluate the progress made or to be made in Québec.

The Centre suggests relying at first on existing measures and indicators and recommends continuing to do research to develop the knowledge to assess more fully the extent to which all the objectives of the Act have been achieved. Developing new knowledge requires time and an open mind. We therefore also point out the gaps to be filled, especially in respect to the determinants of poverty and exclusion, as well as the impact of political, social and economic choices on these phenomena. The proposed measures and indicators and those to be developed in the future should not only contribute to monitoring the progress accomplished in Québec but also drive decision making about the actions to be taken to help improve the situation of persons living in poverty.

This advice is structured around the following objectives:

- To identify the realities mentioned in the Act that should be the subject of measures and indicators;
- To present measures and indicators that will enable poverty, inequality and social exclusion, as well as poverty determinants and consequences, to be understood; and
- To discuss the perspectives to be developed.

For each of the points dealt with, there is a brief description of the existing measurement tools, the recommendation(s) of the Centre d'étude sur la pauvreté et l'exclusion submitted to the Minister and, in several cases, some statistics to illustrate them. We will not pay particular attention to the definition of the measures and indicators, nor on their method of calculation, all

1. The Centre d'étude sur la pauvreté et l'exclusion is an observation, research and discussion centre entrusted with providing reliable and rigorous information, notably of a statistical nature, on poverty and social exclusion issues. The Centre was created in the spirit of the *Act to combat poverty and social exclusion*, under the aegis of the Ministère de l'Emploi et de la Solidarité sociale. It is managed in collaboration with a steering committee composed of members working in the academic, research or government sector, or working with people who are

of which can be found in other places, including in two Centre d'étude sur la pauvreté et l'exclusion publications produced in conjunction with the Institut de la statistique du Québec (ICQ).²

There is consensus on the goals stated in the Act, i.e., to combat prejudice against persons living in poverty, to protect their dignity, to improve their living conditions, to encourage them to take part in the processes that concern them, to reduce inequality, and to develop a sense of solidarity within society as a whole. The choice of measures and indicators to be kept to understand the breadth of the phenomena at issue and report on the progress made in achieving these goals nevertheless supposes renewed thinking about sensitive issues upon which there is not always agreement. It is important, therefore, to involve all the players and areas affected (persons living in poverty, government, researchers) in constructing knowledge that will be useful in achieving a more complete understanding of poverty, inequality and social exclusion and, consequently, in choosing and defining appropriate measures and indicators.

These issues will continue to be debated. However, the commitments made by the government in adopting the Act and its action plan require at the outset that a position be taken to measure the progress that has been made and to support stakeholders and decision makers in their actions. By proposing a range of measures and indicators, this advice takes into consideration the goals stated in the Act and is a first step toward equipping the Minister and the government with the tools needed to assess the state of poverty and inequality in Québec. It should also be kept in mind, however, that this advice is also a call for deliberation. By proposing to measure poverty, it marks a beginning, rather than an end.

experiencing poverty or social exclusion.

2. MORASSE, J.-A. (2005). *Inventaire des indicateurs de pauvreté et d'exclusion sociale*, "Conditions de vie" collection. Québec: Institut de la statistique du Québec and Ministère de l'Emploi et de la Solidarité sociale, 94 pp.

See http://www.cepe.gouv.qc.ca/publications/pdf/CEPE_inventaire-indicateurs.pdf.

MORIN, A. (2006). *Recueil statistique sur la pauvreté et les inégalités socioéconomiques*. Québec: Institut de la statistique du Québec and Ministère de l'Emploi et de la Solidarité sociale, 134 pp.

See http://www.cepe.gouv.qc.ca/publications/pdf/CEPE_recueil-statistique.pdf.

1 THE ACT AND OBJECTS OF MEASUREMENT

1.1 *ACT TO COMBAT POVERTY AND SOCIAL EXCLUSION*³

Founded on rights

In its preamble, the *Act to combat poverty and social exclusion* considers that “respect for the dignity of human beings” and recognition of their rights and freedoms constitute “the foundation of justice, liberty and peace.” The act also considers that poverty and social exclusion may constitute obstacles to the protection of and respect for human dignity.

This affirmation is presented as in accordance with the principles stated in the *Charter of human rights and freedoms*.⁴ It also dovetails with international thinking about human rights.⁵

A societal responsibility beyond personal action

The Act also considers that “persons living in poverty and social exclusion are the first to act to improve their situation and that of their families, and such improvement is linked to the social, cultural and economic development of the entire community.” The knowledge to be developed, therefore, goes beyond examining the contribution of people to their situation. It must support “the desire of Québec society as a whole to act in a coordinated manner and pursue a course of action designed to combat poverty and social exclusion.”

Object of the Act

Section 1 states that the object of the Act is “to guide the Government and Québec society as a whole towards a process of planning and implementing actions to combat poverty, prevent its causes, reduce its effects on individuals and families, counter social exclusion and strive towards a poverty-free Québec.”

The Act refers to several social realities that should be the object of government intervention and, in certain cases, of statistical measurements and indicators. These realities can be found

3. *Act to combat poverty and social exclusion*, R.S.Q., c. L-7.

4. *Charter of human rights and freedoms*, R.S.Q., c. C-12.

5. See, in particular: Committee on Economic, Social and Cultural Rights, *Poverty and the International Covenant on Economic, Social and Cultural Rights*, U.N. Doc., E/C.12/2001/10, § 8.

within the text of the Act, in particular, in chapters I (Object and definition) and II (National strategy to combat poverty and social exclusion) (R.S.Q., c. L-7, s. 1-12).

The Act establishes the National strategy to combat poverty and social exclusion, which sets out to achieve the following five goals (section 6):

- to promote respect for and protection of the dignity of persons living in poverty and combat prejudices in their regard;
- to improve the economic and social situation of persons and families living in poverty and social exclusion;
- to reduce the inequalities that may be detrimental to social cohesion;
- to encourage persons and families living in poverty to participate in community life and social development; and
- to develop and reinforce the sense of solidarity throughout Québec so that society as a whole may participate in the fight against poverty and social exclusion.

The Act also gives preference to actions linked to the following five strategic orientations (section 7):

- preventing poverty and social exclusion, with a focus on developing the potential of individuals;
- strengthening the social and economic safety net;
- promoting access to employment and increasing the attractiveness of work;
- promoting the involvement of society as a whole; and
- ensuring consistent and coherent intervention at all levels.

Each of these goals and orientations is connected to one aspect of the fight against poverty and social exclusion and indicates what knowledge is to be developed as a consequence.

For example, the recommended actions are aimed at “raising the level of income granted to persons and families living in poverty, having regard to their particular situation and the resources at their disposal to meet their essential needs” (section 9.1). This assumes knowledge and monitoring of the income status of individuals and families, specifying their essential needs and how these are or are not covered.

Specific obligations under the Act related to the gathering of knowledge

In other respects, the Act creates specific obligations regarding knowledge to be gathered and used to measure progress. These obligations are mentioned in sections 4, 7, 14, 20, 21, 31, 58 and 59 of the Act.

From this point of view, priorities to be considered when choosing indicators are: poverty (and the measure of progress towards a poverty-free society), social and economic inequalities, in particular gaps in income, and social exclusion. The Act also encourages the acquisition of a better understanding of poverty determinants and consequences.

Also important to take into account are realities specific to women and men, in particular through gender-based analysis. Also to be considered are the higher incidences of poverty in some regions and the specific needs of certain groups in society having particular difficulties, especially due to age, ethnic origin or disabilities.

Finally, within the framework of the *Sustainable Development Act* (R.S.Q., c. D-8.1.1) and the related government strategy, the government has imposed obligations aimed at harmonizing environmental, economic and social issues. From now on the various measures and indicators of poverty, inequality and social exclusion must, therefore, be considered within the perspective of “sustainable development.”

1.2 MAIN OBJECTS OF MEASUREMENT

Poverty

Section 2 of the Act provides the following definition of poverty:

For the purposes of this Act, “poverty” means the condition of a human being who is deprived of the resources, means, choices and power necessary to acquire and maintain economic self-sufficiency or to facilitate integration and participation in society.

This definition is inspired by that of the United Nations’ Committee on Economic, Social and Cultural Rights, which can help clarify it by recalling that, in order to verify the absence of poverty in terms of living conditions, a person must be able to enjoy “an adequate standard of living and other civil, cultural, economic, political and social rights.”⁶

6. *Poverty and the International Covenant on Economic, Social and Cultural Rights*. U.N. Doc., E/C.12/2001/10, p. 3.

The Act does not specify which resources, means, choices and power are lacking. Nonetheless, certain elements of section 9 provide a glimpse of the gaps that prevent, among other things, individuals from satisfying essential needs, including access to health and social services, education, food and housing, because of a lack of sufficient income, especially employment income. These are some of the dimensions that we hope to better understand and measure.

In other respects, it is now recognized that poverty encompasses social aspects that go well beyond economics: poverty is not simply a lack of income. It can also be related to a number of aspects of a person's life, including his or her state of physical and mental health, living environment, relationship to work, education, situation in comparison with fellow citizens and participation in various activities. Furthermore, living in poverty in a relatively wealthy society often means experiencing a certain marginalization, damage to one's self-esteem, and a sense of powerlessness, injustice or exclusion. In this sense, poverty is linked to inequality and social exclusion.

Inequality

Inequalities, in particular income gaps, are specifically mentioned in sections 6, 43 and 58 of the Act. There is a conceptual difference between poverty and inequality. While poverty corresponds to a lack in terms of living conditions, inequality points to differences in living conditions between individuals, households and areas. The latter reveal gaps separating the richest from the poorest. Nevertheless, numerous studies have led to the recognition that there is a strong correlation between inequality and poverty, inequality being one of the determinants of poverty. Consequently, understanding poverty supposes that inequalities will be taken into consideration and that an attempt to understand how the two phenomena are connected will be made.

Social exclusion

The Act does not define social exclusion, and there are numerous debates on the issue. As a result, it is advisable to seek enlightenment on the issue by considering the various definitions of exclusion proposed in the literature, without becoming attached to a single definition for the time being.

Following the work of some researchers, including Robert Castel⁷ and Serge Paugam,⁸ the concept of social exclusion became the subject of numerous analyses. According to some researchers, the following are considered as excluded from society: individuals deprived of access to various goods such as housing, certain services such as education or health care, the labour market, certain valued activities (consumption, leisure, cultural activities), deliberative and decision-making agencies (especially political), and social relationships.

If there can be many situations involving exclusion, the ones that interest us here are those directly related to poverty, either because they can lead to it (a specific dynamic or a series of events resulting in individuals being unable to escape poverty—the so-called spiral of exclusion) or because they are generated by poverty itself.

Gagnon and Pelchat (2007) suggest that we also look at the phenomena and practices that help explain social exclusion rather than simply describing its victims.⁹ Thus, it is not enough to simply count the people experiencing social exclusion and highlight their characteristics; it is also necessary to understand why exclusion exists.

To do this, the analysis must focus not only on individual factors and patterns, but also on structural factors that frame or influence behaviour at the collective level, such as laws, institutional standards, government policies and measures, social representations, power relationships among social groups, the economic context and demographic phenomena. Such a dynamic conception of social exclusion helps to highlight not only the effects or consequences of exclusion, but also the true realities that are at the root of this exclusion.

Poverty determinants and their consequences

The question of poverty determinants and their consequences presupposes a broader vision that will enable us to appreciate the multiple dimensions of the phenomenon. There are currently a good number of indicators that can reveal various facets of poverty and social exclusion but that are not generally considered from the unique perspective of measurement. At times these

7. CASTEL, R. (2000). "Cadrer l'exclusion." In *L'exclusion: définir pour en finir*, S. Karsz (ed.). Paris: Dunod, pp. 35–60.

8. PAUGAM, S. (ed.) (1996). *L'exclusion: l'état des savoirs*, "Textes à l'appui" collection. Paris: La Découverte, 582 pp.

9. GAGNON, É. and Y. PELCHAT (2007). *Reconnaître l'exclusion sociale*. Working paper presented to the Centre d'étude sur la pauvreté et l'exclusion. Québec City: Centre de santé et de services sociaux de la Vieille-Capitale, Direction générale adjointe, mission universitaire, 7 pp.

indicators can reveal the causes or determinants of poverty or exclusion, and at other times the consequences of poverty or exclusion, and are likely to be effective in revealing related social problems.

These indicators can be grouped under a few major dimensions: territory, education, health, work, housing, justice and security, as well as access to cultural activities. They help to better characterize the situation of groups hit by poverty or that of underprivileged areas. Poverty and social exclusion can be revealed by just one or a combination of several of these dimensions.

As with exclusion, attention also needs to be paid to the structural determinants of poverty. Here the issue goes beyond the characteristics and living conditions of people and communities affected by poverty and social exclusion to examine how society functions as a whole, including the values and preferred choices in lifestyles, governance, public policies and, in particular, social policies.

Among these determinants are a number that are consistent with the concerns made explicit in the preamble and objectives of the Act: the degree of tolerance to inequalities and prejudices, conceptions of rights and freedoms, social representations of poverty and wealth, perceptions of dignity and social status, and the practices of democracy, interdependence and solidarity.

2 MEASURING POVERTY

In order to strive towards a Québec without poverty, one must be able to determine when an individual, household, neighbourhood, municipality, region or society can claim to be poverty-free. But how can this be known, when several definitions of poverty are possible and interests and values come into play? How can decisions be made? Based on what knowledge? How can progress be measured?

Regardless of the definition chosen, poverty necessarily refers to a lack of something. Taking into consideration what is necessary in order to live as a fully-fledged member of society, the means available are insufficient to meet needs. Means and needs are determined by the constraints of life, the environment, the goods at one's disposal, accessible services, and what one can produce or acquire alone or with those around us. While poverty has several dimensions other than the economic, measuring its economic dimension is unavoidable.

As stated in the introduction, the Act requires the Québec government to take position on the indicators that should be used to measure the progress achieved in the fight against poverty and social exclusion and, specifically, in relation to its economic dimension. To do this, we need to consider the existing indicators, while relying on the requirements spelled out in the Act.

The choice of economic indicators is particularly conditional on the definition of “baseline thresholds.” This statistical requirement, which allows the measurement of the phenomenon, nevertheless has limits and does not allow assessment of all its complexity or of the dynamics of entering into or getting out of poverty.

In fact, regardless of which threshold is used, one dollar more or less is not enough to get out of or enter into poverty. The way out of poverty is an ongoing, gradual phenomenon, which current knowledge is unable to reflect through the use of valid and reliable indicators. This needs to be considered when assessing and interpreting the measures and indicators presented here, which are associated with the economic dimension of poverty. While they help evaluate progress or regression and make comparisons in terms of space and time, used alone they continue to be inadequate in measuring the phenomenon of poverty and in indicating a poverty exit threshold.

In addition to the requirements contained in the Act, the principles on which the Centre d'étude sur la pauvreté et l'exclusion based its proposed measures and indicators were inspired in part

by the work conducted by Atkinson et al. (2002) for the European Union.¹⁰ From this perspective, the measures and indicators kept should:

- enable the measurement of the economic standard of living, which can be assessed from the viewpoint of income, consumption and wealth, among others;
- enable comparisons in time and space;
- take into account the needs of various types of family units (equivalence scale);
- make it easier to analyse the sociodemographic and socioeconomic specificities of various social groups (breakdown of data); and
- be statistically reliable (statistical validity).

It is in light of these principles, and by making explicit the assumptions associated with each measure, that we can examine in detail the major existing indicators and justify our recommendations.

2.1 ECONOMIC STANDARD OF LIVING: CONSUMPTION, WEALTH OR INCOME

The usual economic standard of living indicator is income, but consumption or wealth could also be taken into consideration.

10. ATKINSON, T. et al. (2002). *Social Indicators: The EU and Social Inclusion*. Oxford: Oxford University Press, 256 pp.

List of principles according to Atkinson et al. (pp. 21–25):

- An indicator should identify the essence of the problem and have a clear and accepted normative interpretation.
- An indicator should be robust and statistically validated.
- An indicator should be responsive to effective policy interventions but not subject to manipulation.
- An indicator should be measurable in a sufficiently comparable way across member states, and comparable as far as practicable with the standards applied internationally by the UN and the OECD.
- An indicator should be timely and susceptible to revision.
- The measurement of an indicator should not impose too large a burden on member states, on enterprises, or on citizens.

Three of these principles refer to the portfolio of indicators taken as a whole.

- The portfolio of indicators should be balanced across different dimensions.
- The indicators should be mutually consistent and the weight of single indicators in the portfolio should be proportionate.
- The portfolio of indicators should be as transparent and accessible as possible to citizens.

Consumption

Some researchers prefer consumption to income as the indicator of standard of living because consumption is less susceptible to wide variations in the course of a given year and across a life cycle, in particular because of the possibility of borrowing and saving. Consumption, rather than income, would be a better indicator of how well essential needs are being met. Consumption would also be easier to observe than income, which is more susceptible to underestimation. However, consumption results from an individual choice and this choice can vary from one person to another, even among those with the same income or the same opportunities for consumption.

Some researchers approach the issue of poverty through the bias of low consumption¹¹ or consumer behaviour.¹² This area of research, however, remains poorly developed in comparison with the study of low income.

Wealth

The net value of wealth corresponds to the amount of money available following the sale of all assets (financial and material assets, including pension plans) and the payment of all debts (mortgages and other forms of credit). In other words, wealth is the difference between assets and liabilities.¹³

The fight against poverty has mostly taken the form of measures aimed at shoring up income, but poverty can and should also be examined from the perspective of wealth, in particular by considering assets.¹⁴ The national strategy to combat poverty and social exclusion, established by the Act, opens the door to this approach. The strategy proposes measures to support the accumulation of assets. The work of Sherraden highlights the advantages of wealth as an indicator of a person's economic situation.^{15,16} The basic premise is that having assets changes

11. PENDAKUR, K. (2001). "Consumption poverty in Canada, 1969 to 1998." *Canadian Public Policy*, Vol. 27, No. 2, pp. 125–149.

12. GARDES, F. and S. LANGLOIS (2003). "La pauvreté en France et au Québec, une comparaison à l'aide de l'indice multidimensionnel de pauvreté-richesse." *Santé, société et solidarité*, the journal of the Observatoire franco-québécois de la santé et de la solidarité (OFQSS), Les Publications du Québec, pp. 181–189.

13. STATISTICS CANADA (2005). *The Wealth of Canadians: An Overview of the Results of the Survey of Financial Security*. Pension and Wealth Research Paper Series, Catalogue No. 13F0026MIE2006001, 45 pp.

14. THÉRIEN, F. (2001). *Soutenir l'acquisition d'actifs—Une approche nouvelle dans la lutte à la pauvreté*. Direction de la santé publique de Montréal, OMISS, 25 pp.

15. SHERRADEN, M. (1991). *Assets and the Poor: A New American Welfare Policy*. Armonk, N.Y.: M.E. Sharpe, 324 pp.

opportunities, attitudes and behaviours. Assets provide a foundation that enables individuals to implement various strategies (education, job search) to improve their socioeconomic situation, i.e., avoid poverty or social exclusion. Nonetheless, there are few works that deal with the issues of poverty, inequality or social exclusion from the perspective of wealth, hence the importance of further investigation before taking any position on the matter.

Income

While consumption and wealth are good indicators of standard of living, the Act mainly refers to income,¹⁷ at least explicitly. In addition, the measures used in studies on poverty are often low income measures. Therefore, it would seem relevant to keep income as the indicator of standard of living and to pursue work on other indicators, such as consumption and wealth, to complement it.

Recommendation 1 *Economic standard of living indicator : Income*
The Centre recommends that income be the economic standard of living indicator.

2.2 LOW INCOME MEASURES CURRENTLY IN USE

In Canada and in Québec, several measures have been established by academics and by government research agencies, such as Statistics Canada, to monitor low income situations. Other organizations, such as the Institut de la statistique du Québec, have also followed low income thresholds and rates closely and produced analyses of the various measures.

The best-known measures are the low income cut-off (LICO), before and after taxes, low income measure (LIM), before and after taxes, and market basket measure (MBM). These measures are tracked by Statistics Canada (LICOs and LIM) or by Human Resources and Skills Development Canada (MBM). If their methods differ, they all feature the establishment of a baseline threshold

16. SHERRADEN, M. (2000). "From research to policy: Lessons from individual development accounts." *Journal of Consumer Affairs*, Vol. 34, No. 2, pp. 159–181.

17. It involves raising the level of income granted to persons and families living in poverty or social exclusion (s. 9), enhancing the quality of jobs so that the workers receive an income adequate to provide an acceptable standard of living (s. 10), and improving the income of recipients under the Employment Assistance Program established under the Act respecting income support (s. 14). It also considers the impact of proposals of a legislative or regulatory nature on the incomes of people living in poverty (s. 20), income differentials (s. 43) and revenue targets to improve the financial situation of people living in poverty (s. 59).

and allow systematic calculations in respect to that threshold. They are also all founded on objective and subjective elements in the choice of criterion or criteria that determine where the threshold is situated. Their advantage lies in the fact that one can say at what income level the threshold will be set, how many people will be below or above that threshold and by how much. This data can be tracked from year to year and be used to make comparisons with other societies that use identical or related measures.

In the literature on poverty, a particular distinction is often made between “absolute poverty” and “relative poverty,” i.e., between an absolute type of measure and a relative type of measure. Absolute poverty is evaluated according to whether all the goods and services deemed essential and vital can be purchased or not. Relative poverty is evaluated according to the relative gap in relation to a set of social standards or, put another way, according to inclusion within such standards and the concomitant capacity to partake of the prevailing wealth or not. The “low income” statistical measures currently in use have variably relied on one or the other of these approaches and sometimes on both.

Low income cut-offs (LICOs)

According to Statistics Canada’s low income cut-offs (LICOs), a family unit is considered to have a low income or be in straitened circumstances if it spends 20 percentage points more of its income on the major necessities (food, shelter and clothing) than is spent on average by all family units.¹⁸

Low income cut-offs can be calculated before taxes (LICOs-BT) or after taxes (LICOs-AT) and vary according to the size of the family unit (7 sizes) and the size of the community of residence (5 sizes), for a total of 35 thresholds. These cut-offs, available since 1971, are based on elements that are both absolute (food, shelter and clothing) and relative (20 percentage points more than the average of all families). Even if the relative importance of needs has evolved over time, the last update dates back to the 1992 Survey of Household Spending. Since that time, only the Canada-wide consumer price index has been used to index the cut-offs to the cost of living.

18. STATISTICS CANADA (2007). *Low Income Cut-offs for 2006 and Low Income Measures for 2005*. Ottawa: Income Statistics Division, Income Research Paper Series, Catalogue No. 75F0002MIE2007004, 37 pp.

Since these cut-offs are only calculated for Canada, they cannot be used to make international comparisons. Furthermore, since low income cut-offs do not take into account provincial variations in the cost of living, neither can they be used for interprovincial comparisons.¹⁹

Often commented upon in the media and fairly frequently regarded as a poverty line—wrongly so, according to Statistics Canada—this measurement has been the subject of various controversies. The debates have often rested on the fact that, within the framework of interprovincial comparisons, LICOs underestimate low income in certain areas (Ontario, British Columbia) and overestimate it in others (Québec, Manitoba). Other controversies have focused on the rates observed among certain subgroups (e.g., seniors), once again without explicit reference to the cost of living. All this led Canada's former chief statistician to issue a press release as a reminder that low income cut-offs help identify those who are substantially worse off than the average, which in itself does not necessarily mean that someone is poor.²⁰

19. For example, the cut-off for a four-person family unit living in a region with a population of 500,000 or more in 2005 is \$32,556 when indexed using the consumer price index (CPI) for Canada, which is what Statistics Canada does. However, if the 1992 cut-off had been indexed using the Québec CPI, it would stand at \$31,584, so that it would then be further away from the Québec reality.

20. FELLEGI, I.P. (1997). *On Poverty and Low Income*, Statistics Canada.

See <http://www.statcan.gc.ca/pub/13f0027x/13f0027x1999001-eng.htm>.

Table 1 — Low income thresholds and rates, based on after-tax low income cut-offs (LICOs—1992 base) for individuals, according to type of family unit, as well as the sex and age of the principal income earner, Québec, 2006

	Thresholds			
	Number of individuals in the family unit			
	1	2	3	4
	\$			
Rural areas	11 494	13 989	17 420	21 731
Population of less than 30,000	13 154	16 010	19 934	24 871
Population of 30,000–99,999	14 674	17 860	22 239	27 745
Population of 100,000–499,999	14 859	18 085	22 519	28 095
Population of 500,000 or more	17 570	21 384	26 628	33 221
% of individuals living in a family unit with a low after-tax income				
All individuals	11,7			
Type of family unit				
Persons living alone	30,6			
Unrelated co-tenants	43,5			
Single-parent families	20,4			
Childless couples	3,9			
Couples with children	6,4			
Related co-tenants	11,6			
Sex (principal income earner)				
Men	7,8			
Women	18,1			
Age (principal income earner)				
16–24 years	42,3			
25–34 years	12,3			
35–44 years	8,4			
45–54 years	9,2			
55–64 years	14,7			
65 years and over	10,1			

See the notes on methodology in the appendix.

Source: Statistics Canada, *Survey of Labour and Income Dynamics*.

Compilation of the Centre d'étude sur la pauvreté et l'exclusion, February 2009.

Low income measure (LIM)

According to Statistics Canada's low income measure (LIM), a family unit is considered to be low income if its income is below 50% of the median of incomes of the entire population adjusted for the size and composition of the family units (the median divides the population in two, with one half below the median and the other half above it).²¹

21. STATISTICS CANADA (2007), op. cit.

The low income measure can be calculated before taxes (LIM-BT) and after taxes (LIM-AT). Some agencies, such as Statistics Canada, the Organization for Economic Co-operation and Development (OECD) and the United Nations Development Programme (UNDP) establish the threshold at 50% of the median, while others, including the European Union and several of its member states, set it at 60% of the median. Consequently, **international comparisons**, as well as **interregional comparisons** within Québec, are possible with this measure.

LIM, in use since 1973, can show the evolution of low income in time, but one needs to be mindful of the limitations of a purely relative measurement. It is a well-known paradox that incomes can double from one day to the next, providing significant relief to people living in poverty, but they can just as easily be cut in half, significantly aggravating their situation. In both cases, the rate remains unchanged since it is based on the median. Because the threshold follows the median (moving threshold), rates over time have shown themselves to be more stable than other measures. Finally, while not entirely considered a measure of inequality, LIM is no less effective in expressing a type of inequality rather than poverty.

Table 2 — Low income thresholds and rates, based on the after-tax low income measure (LIM) for individuals, according to type of family unit, as well as the sex and age of the principal income earner, Québec, 2006

	Thresholds			
	Number of individuals in the family unit			
	1	2	3	4
	\$			
	13 500	18 900	22 950	27 000
% of individuals living in a family unit with a low after-tax income				
All individuals	9,3			
Type of family unit				
Persons living alone	20,8			
Unrelated co-tenants	35,9			
Single-parent families	19,3			
Childless couples	4,1			
Couples with children	4,4			
Related co-tenants	11,4			
Sex (principal income earner)				
Men	6,6			
Women	13,7			
Age (principal income earner)				
16–24 years	33,1			
25–34 years	10,8			
35–44 years	6,8			
45–54 years	8,2			
55–64 years	13,0			
65 years and over	3,8			

See the notes on methodology in the appendix.

Source: Statistics Canada, *Survey of Labour and Income Dynamics*.

Compilation of the Centre d'étude sur la pauvreté et l'exclusion, February 2009.

Market basket measure (MBM)

According to Human Resources and Skills Development Canada's market basket measure (MBM), a family unit is considered as being low income if its **income available for consumption** is below the value of a **basket of goods and services** calculated for its community or one of a similar size.²² This basket includes the following elements:

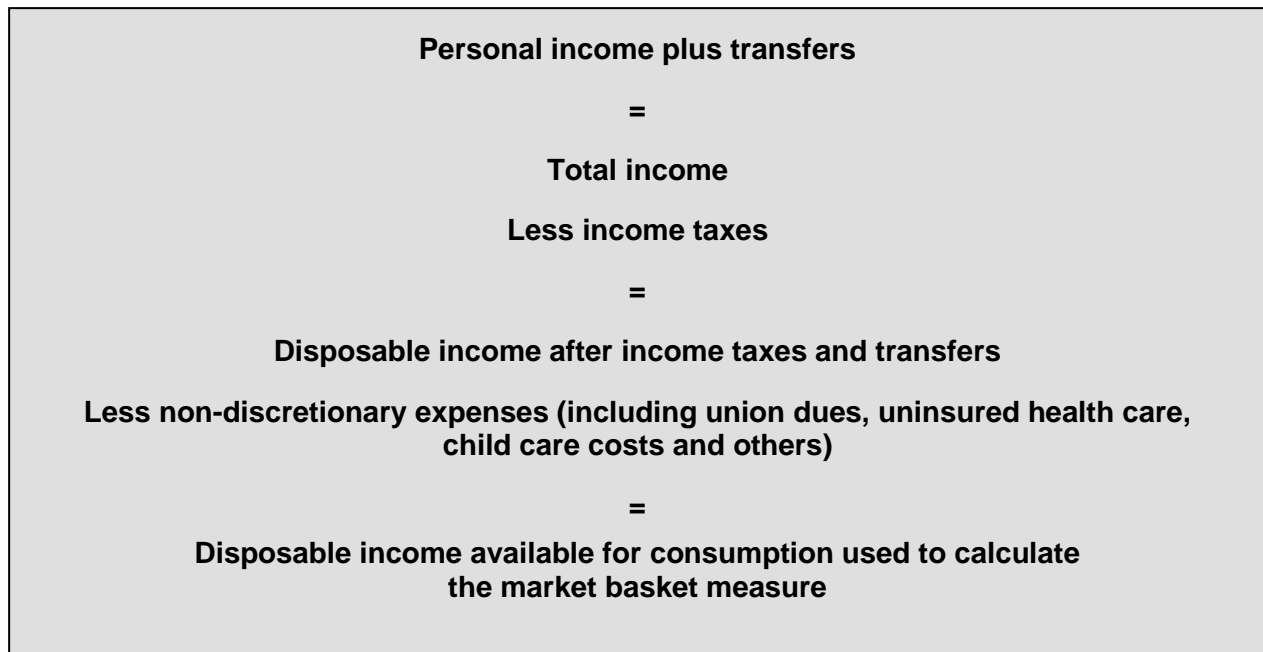
22. HUMAN RESOURCES AND SKILLS DEVELOPMENT CANADA (2008). *Low Income in Canada: 2000–2006 Using the Market Basket Measure*. Applied Research Branch, Catalogue No. SP-864-10-08E, 81 pp.

- food;
- clothing and footwear;
- housing;
- transportation (public transit in an urban area, automobile in a rural area); and
- other goods and services (e.g., furnishings, telephone, household items, school fees, recreational items).

The income measures currently in use consider, in particular, “total income” (income from employment and other sources, including government transfers, before income tax) and “disposable income” (after payment of income tax). Those who designed the market basket measure innovated by proposing another concept that would only consider income that was actually available to purchase goods and services, i.e., income less the following non-discretionary expenses:

- income taxes, contributions to the public pension plan, employment insurance payments;
- uninsured health, dental and eye care;
- child care;
- alimony, child support payments; and
- contributions to a company pension plan, union dues.

This then is the “disposable income available for consumption used to calculate the market basket measure,” a concept that differs from disposable income after income taxes and transfers that is often used for measurement purposes in research and public debates. This concept represents a step forward in assessing income for the purposes of measuring standard of living.



The market basket measure is calculated using a basket designed for a family of two adults and two children. It varies according to the size and composition of the family unit. The cost of the basket varies according to the province and the size of the community, making interprovincial comparisons possible. It is currently available for the years 2000 to 2006.

The market basket measure reveals that the cost of living is higher in rural regions and big cities and slightly lower in small and medium-sized towns. Access to cheaper housing in the regions does not compensate for transportation costs, which are essential in order to work or access to consumption and services. Conversely, access to public transit in big cities does not compensate for housing costs, which are much higher than in rural areas, so much so that the cost of living is higher in both rural areas and big cities than in small or medium-sized towns.

This measure was initially greeted with a certain level of mistrust because it was based on a market basket. There was a great deal of apprehension that the market basket measure would not be as restrictive as the Orshansky thresholds, in effect in the United States, or the Canadian Sarlo measures,²³ deemed very restrictive when it came to covering needs. But the fears proved to be unfounded. This measure is based on what it costs to provide for one's essential needs

23. SARLO, C.A. (2001). *Critical Issues Bulletin: Measuring Poverty in Canada*. Vancouver: The Fraser Institute, 77 pp.

according to province and the region of residence within each province, thus taking into account the cost of living as it varies among the baseline territories.

Table 3 Low income thresholds and rates, based on the market basket measure (MBM) for individuals, according to type of family unit, as well as the sex and age of the principal income earner, Québec, 2006

	Thresholds			
	Number of individuals in the family unit			
	1	2	3	4
	\$			
Rural areas	12 706	17 788	21 599	25 411
Population of less than 30,000	12 757	17 859	21 686	25 513
Population of 30,000–99,999	11 891	16 647	20 214	23 781
Population of 100,000–499,999	11 988	16 783	20 379	23 975
Québec City CMA	12 627	17 677	21 465	25 253
Montréal CMA	12 972	18 161	22 052	25 944
% of individuals living in a family unit with a low disposable income				
All individuals	9,4			
Type of family unit				
Persons living alone	20,1			
Unrelated co-tenants	35,7			
Single-parent families	20,0			
Childless couples	3,9			
Couples with children	4,8			
Related co-tenants	11,4			
Sex (principal income earner)				
Men	7,0			
Women	13,3			
Age (principal income earner)				
16–24 years	33,3			
25–34 years	11,2			
35–44 years	6,8			
45–54 years	8,6			
55–64 years	13,2			
65 years and over	2,9			

See the notes on methodology in the appendix.

Sources: Statistics Canada, *Survey of Labour and Income Dynamics*; Human Resources and Skills Development Canada, 2008.

Compilation of the Centre d'étude sur la pauvreté et l'exclusion, February 2009.

2.3 CHOOSING A BASELINE MEASURE

The market basket measure comes closer to one of the measurable components of the concept of poverty as stated in the Act, i.e., covering basic needs. In fact, in addition to food, clothing and housing—needs already recognized by low income cut-offs—the MBM also considers

transportation and a set of other expenses, in particular those related to certain services deemed essential. The market basket measure also shows the particular nature of transportation needs in rural areas, where a car is needed in order to have access to an activity or consumption.

The measure also refers back to tangible elements for public debate. Given the difficulty of knowing exactly what a concept such as 50% or 60% of median income corresponds to, people living in poverty in Europe have wanted to have an equivalent measure.²⁴ The market basket measure tells us what it means in our society not to have enough income to meet one's basic needs.

Compared with other measures, the market basket measure has undeniable assets, as long as its content is periodically reviewed in order to reflect changes in society (e.g., the most recent version of Canada's Food Guide). This measure thus transcends the limitations of the two other measures in use:

- Low income cut-offs have major measurement biases that can lead to distortions when evaluating situations of poverty, especially in respect to the cost of living and the needs to be covered according to province. Nevertheless, apart from interprovincial comparison, they can be used provisionally to study low income over extended periods in Québec.
- Because its threshold is based solely on the relative position of the income of one person or family in comparison with the observable distribution of incomes in society as a whole, the low income measure is less reflective of the concept of poverty provided in one of the Act's components, that concerned with covering needs. Consequently, it is impossible to say if the threshold corresponds or not to satisfying needs.
- With the market basket measure, it is possible to include a category of individuals who do not appear in the low income cut-offs or low income measures after taxes, since it provides a picture of a greater variety of situations. For example, since disposable income available for consumption is used to calculate this measure, it can take into consideration a person who, for example, earns an income appreciably above the

24. FRÉCHET, G. (2007). "Regards croisés: Un commentaire québécois sur la Recherche-action-formation." In *Pauvreté et exclusion sociale: Partage d'expériences entre Wallonie et Québec*. Brussels: Éditions de Boeck, Ministère de l'Emploi et de la Solidarité sociale, Institut de la statistique du Québec and Institut wallon de l'évaluation, de la prospective et de la statistique (IWEPS), pp. 219–230.

threshold but, because of various non-discretionary expenses, has a disposable income that falls below the low income threshold.

Any measurement, regardless of what it is, can never be completely satisfactory. The Centre d'étude sur la pauvreté et l'exclusion nonetheless recommends adopting the market basket measure as the baseline in order to monitor situations of poverty from the viewpoint of one of their components, the covering of needs. This measure is more clearly and more coherently defined than many others. However, it must be remembered that any single threshold is contained within a field of possible thresholds. For this reason, we will want to observe this threshold for the sake of prudence and the soundness of comparisons. Furthermore, while the market basket measure makes it possible to monitor the evolution of poverty and the progress achieved, it fails to measure exit from poverty, as based on the definition contained in the Act.

In fact, if we set aside the covering needs component and only consider the other components contained in the definition of poverty in the Act, there is no currently existing measure that can reliably determine if a person has the “resources, means, choices and power necessary to acquire and maintain economic self-sufficiency or to facilitate integration and participation in society” and enjoy an adequate standard of living, as well as the opportunity of exercising his or her recognized rights. We will come back to these dimensions later on.

Finally, choosing the market basket measure also assumes that we can receive assurances from Statistics Canada and Human Resources and Skills Development Canada that they would be willing to improve, update and make available this measure every year. Promoting the use of this measure among other provinces should also encourage better follow-up by these agencies.

Recommendation 2 *Baseline measure: Market basket measure (MBM)*

The Centre recommends that the market basket measure be used as the baseline measure to monitor situations of poverty from the perspective of coverage of basic needs. Thus, the established reference is the disposable income available for consumption necessary to purchase a set basket of goods and services.

2.4 UNIT OF ANALYSIS: INDIVIDUALS AND FAMILIES

Analyses of poverty, inequalities and social exclusion can focus on individuals or family units. The expression “family units” describes several situations, including individuals living alone and

single-parent or two-parent families. Statistics Canada defines family units in various ways: households, economic families and census families (definitions in the appendix).

On the one hand, according to the principles stated in the *Charter of Human Rights and Freedoms* and considered in the preamble of the Act, as well as what is being done in European countries, taking into account individuals makes it possible to achieve goals of simplicity and robustness at the same time. It becomes easier to make comparisons with other provinces or other countries. Data on the characteristics of individuals, such as sex (poverty among women) or education (poverty among persons who have not completed Secondary V), which only become available when data on family units are published, can also be presented more easily.

On the other hand, an interest in family units puts the emphasis on their characteristics, according to the goals of the analysis, notably in relation to government programs targeting families with children. In low income studies, Statistics Canada's concept of the "economic family" is generally used, i.e., all people related by blood or some type of union and sharing a lodging.

In every case, what is important to consider is the income of the family unit and not that of its members. Otherwise, individuals with no income but living with persons who have an income would be considered as low income by default (e.g., young children). Family income accounts for the resource sharing that occurs within family units. When an analysis of low income involves individuals, it must be specified that these are persons "living in a low income family unit."

Recommendation 3 *Unit of analysis: Individuals and family units*

The Centre recommends that individuals and family units be used as units of analysis. It proposes defining family units using Statistics Canada's concept of economic families.

2.5 EQUIVALENCE SCALE: DIFFERENT NEEDS OF FAMILY UNIT TYPES

Family units of various sizes and composition are seemingly characterized by different needs. It therefore seems essential to consider whether we want to compare the standards of living of the people who make up these family units. This can be done by using equivalence scales.^{25,26}

25. BERNIER, J. and P. LANCTÔT (1996). *Échelles d'équivalence*. Ministère de la Sécurité du revenu, 38 pp.

These scales show that a family of four does not necessarily need an income four times higher than that of an unattached person, because it benefits from economies of scale (sharing the cost of housing, food, and other goods and services).

Accordingly, Statistics Canada assigns a weight of 1 to the first adult in a family of four, a weight of 0.4 to the second adult, and a weight of 0.3 to each of the two children, which gives a coefficient of 2 ($= 1 + 0.4 + 0.3 + 0.3$) for the family unit (a scale of “40/30”).

In the case of the market basket measure, the basket is only estimated for a “typical” family of two adults and two children below the age of 16. Thus, the “typical” family for which the basket is estimated has a coefficient of 2. In the case of an unattached person, he or she would be assigned a value of 1, i.e., 50% of the amount estimated for a family of four. But one might ask if a single individual can manage to live a decent life on half the amount required by the “typical” family. This question is crucial, because if the equivalence scale puts family units that are not “typical” at a disadvantage, they could systematically lack enough income and yet go unrecognized; one can also imagine the opposite.

A preliminary validation of Statistics Canada’s 40/30 equivalence scale indicates that it reflects fairly well what unattached persons spend in the first quartile of expenses and, sometimes, in the median of expenses. The coefficient is estimated using household expenses for each of the expense items in the market basket measure. In 2003, in Québec, it varied from 1.92 to 2.23,²⁷ so that a coefficient of 2 does appear to correspond to reality.

Adopting this scale would enable better comparison of the data compiled by the Centre d’étude sur la pauvreté et l’exclusion with that of Statistics Canada.²⁸ Its widespread use would also

26. JEAN, S. (2001). “Le revenu.” In *Portrait social du Québec: Données et analyses*. Québec: Institut de la statistique du Québec, pp. 297–98.

27. The coefficients obtained vary based on the size of the community:

- rural areas:	1.93
- population of less than 30,000:	1.92
- population of 30,000–99,999:	2.23
- population of 100,000–499,999:	2.20
- population of 500,000 or more:	2.17

28. Statistics Canada received a recommendation from an expert committee suggesting the adoption of the square root of the size of the household, but preferred to keep the 40/30 scale because of minor differences associated with the square root method, even if it means periodically reviewing the question in order to ensure the adequacy of the scale in respect to the equivalence being sought.

constitute an implicit standard for statistical research into low income and inequalities. Reviewing this scale periodically would enable its soundness to be verified.

Other scales could be used when international comparisons are needed. In the case of comparisons with other OECD countries, it would no doubt be preferable to use OECD's modified 50/30 scale. Its results are not far from those of the 40/30 scale.

Recommendation 4 *Equivalence scales: Statistics Canada's 40/30 scale*

The Centre recommends using Statistics Canada's 40/30 equivalence scale to account for economies of scale.

2.6 BREAKDOWN OF DATA AND STATISTICAL VALIDITY

According to the Act, realities specific to various social groups must be taken into account. Section 7 specifies that realities specific to women and men, as well as the greater incidences of poverty in certain regions or areas and the specific needs of certain groups in society having particular difficulties, particularly because of their age, ethnic origin or an impairment or disability. For its part, section 12 stipulates that the government's actions must be adapted to the particular needs of Native peoples. This is why it is important to break down the statistical data in order to analyse the distinctive sociodemographic and socioeconomic characteristics of these groups.

Depending on the indicator kept, however, this is not always possible, usually because of limitations inherent in the indicators themselves (e.g., the breakdown based on the size of the community does not allow the regions themselves to be defined) or of statistical surveys (e.g., the sample size does not always permit a fine breakdown). In most cases, variables of age, sex, family unit, income and education are available.

Recommendation 5 *Breakdown of data by age, sex and type of family unit*

The Centre recommends breaking down the data by age, sex and type of family unit. Other variables can also be used when available and the sample size permits.

It goes without saying that it is also important to use statistically reliable indicators. Data on households and individuals may come from a census but, when they come from surveys, it must be ensured that the sample is representative and the information is accurate. Estimates drawn

from such surveys contain margins of error that must be taken into account by using confidence intervals, especially in the subgroups.²⁹ A confidence interval should contain, within a certain degree of confidence, the value to be estimated, somewhere between the smallest value (lower limit) and the largest value (upper limit) of the interval. When monitoring progress and interpreting statistics, the interval must be taken into account.

Recommendation 6 *Statistical validity: Confidence intervals*

The Centre recommends providing confidence intervals on time and geographical comparisons or between the subgroups of a population in order to validate statistical accuracy.

2.7 COMPARABILITY AND COST OF LIVING

The Act requires that temporal and geographic comparisons be made to monitor progress in the areas of poverty, inequalities and social exclusion. In order for these comparisons to be accurate, the cost of living must be taken into account, since it varies in time and space.

Temporal comparisons

Since the ability to purchase goods and services varies on the basis of price fluctuations (inflation or deflation) observable during a given period, it is crucial to take into account the real purchasing power of family units (in constant, rather than current, dollars). This involves adjusting dollar amounts using a price index. In the case of temporal comparisons, Québec's consumer price index (CPI) should be used.

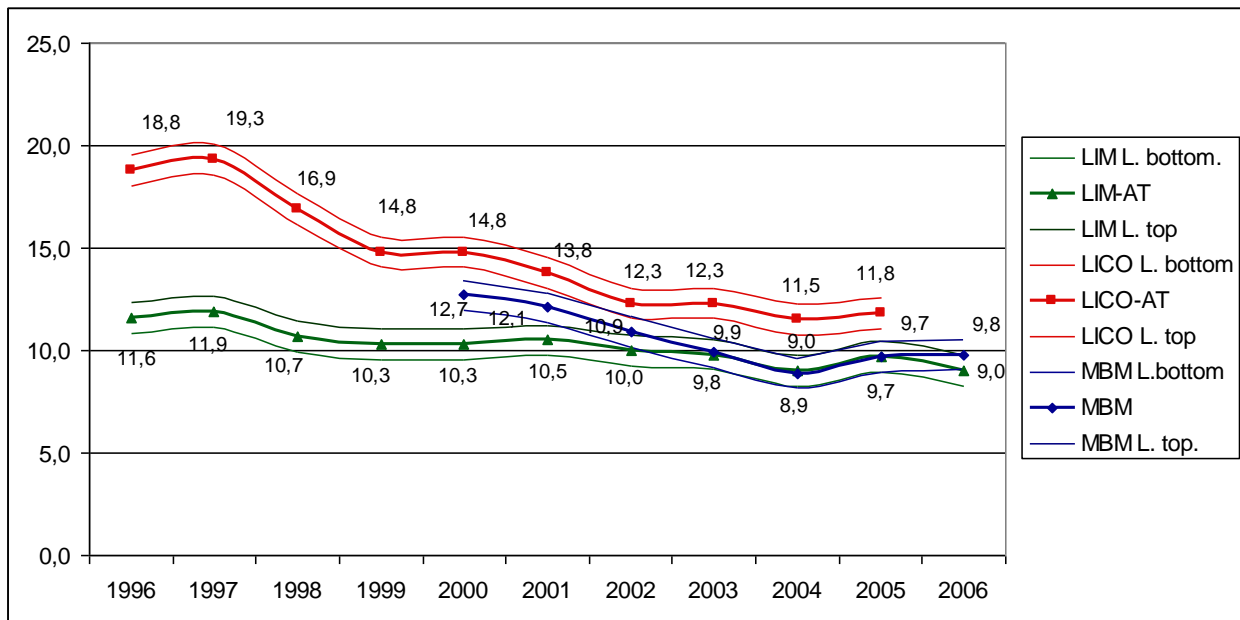
Finally, a few precautions must be taken in interpreting trends, especially in respect to their positioning within economic cycles. Taking the economic cycle into consideration makes it possible, among other things, to situate the observable progress in the fight against poverty in relation to whether a cycle is at its top or bottom. This progress should be evaluated in terms of its deviation from the cycle.³⁰ Isolating the trend will also allow distinctions to be made between

29. MAYER, F. and C. MORIN (2000). *Le faible revenu après impôt au Québec : Situation actuelle et tendances récentes*. Québec: Ministère de la Santé et des Services sociaux, 125 pp.

30. CRESPO, S. (2007). *L'inégalité de revenu au Québec 1979-2004 : Les contributions des composantes de revenu selon le cycle économique*. Québec: Institut de la statistique du Québec, 64 pp.

the effects of government intervention and what would have naturally occurred without such intervention.

Graph 1 Low income rates based on various after-tax measures, for individuals, Québec, 1996–2006



Sources: Statistics Canada, *Income Trends in Canada, 1976–2006*, CD-ROM; Institut de la statistique du Québec; Human Resources and Skills Development Canada, 2008. Compilation of the Centre d'étude sur la pauvreté et l'exclusion, February 2009.

Recommendation 7 Temporal comparisons adjusted for the Québec consumer price index (CPI)

The Centre recommends that temporal comparisons of the economic standard of living (income or others) be done in dollars comparable in time. To do so, it recommends using the Québec consumer price index (CPI) to take into account the evolution of the cost of living in time.

Since time series based on the market basket measure as yet do not cover many years, we can use Statistics Canada's low income cut-offs, a measure for which data is available for a longer time period, on condition that they are used for within a given area and not for comparisons between territories. Low income measures can also be used within the perspective of temporal comparisons, but it is important to remember the limitation associated with the fact that the threshold follows the median (moving threshold) and, in doing so, rates over time experience weaker variations than with other measures. In every case, confidence intervals will help assess the statistical significance of the changes observed.

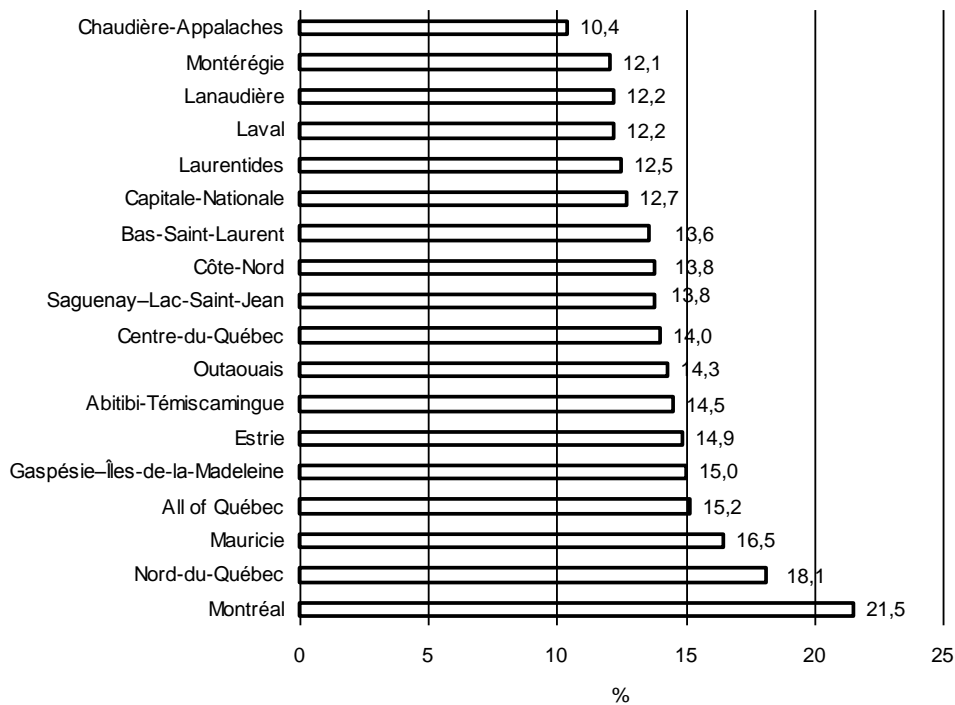
Geographic comparisons

Various indices prove useful in neutralizing the effect of price variations in different areas.

- **Interregional comparisons**

For interregional comparisons, the Institut de la statistique du Québec has been using the low income measure for several years to compare each of Québec's administrative regions on the basis of the Québec median. Statistics Canada produced the following graph using income tax returns.³¹

Graph 2 Low income rates based on the low income measure (LIM) after taxes, for families and persons outside the census family, by administrative region, Québec, 2006



See the notes on methodology in the appendix.

Source: Statistics Canada, *Family Data*.

Compilation of the Institut de la statistique du Québec, December 2008.

31. Quasi-census—96% of the population, hence the absence of confidence intervals.

The market basket measure is not available for all regions of Québec. If regional data does become available, this measure could be used to calculate income.

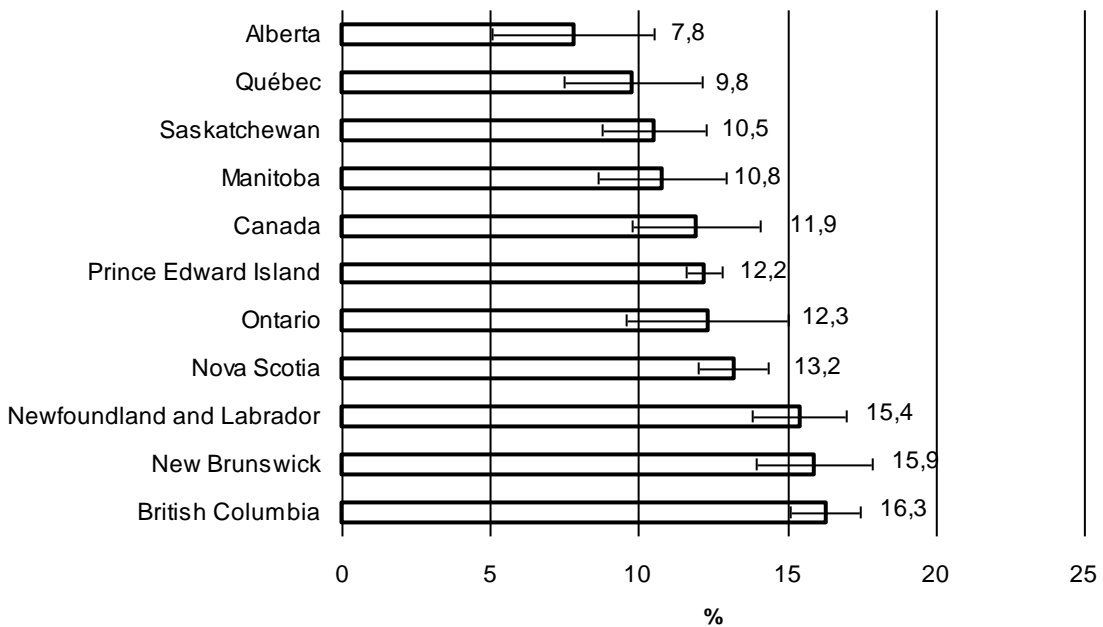
Recommendation 8 *Interregional comparisons: Low income measure (LIM)*

The Centre recommends using the low income measure (at 50% of the median of Québec incomes) for interregional comparisons.

○ **Interprovincial comparisons**

Canada-wide, geographic comparisons of the standard of living must account for provincial consumer price indices. For interprovincial comparisons, the market basket measure corrects measurement biases associated with low income cut-offs by taking into account the cost of living differentiated by province and community size.

Graph 3 Low income rates based on the market basket measure, for individuals, by province, Canada, 2006



See the notes on methodology in the appendix.

Sources: Statistics Canada, *Survey of Labour and Income Dynamics*; Human Resources and Skills Development Canada, 2008.

Compilation of the Centre d'étude sur la pauvreté et l'exclusion, February 2009.

Recommendation 9 *Interprovincial comparisons : Market basket measure (MBM)*

The Centre recommends using the market basket measure for interprovincial comparisons.

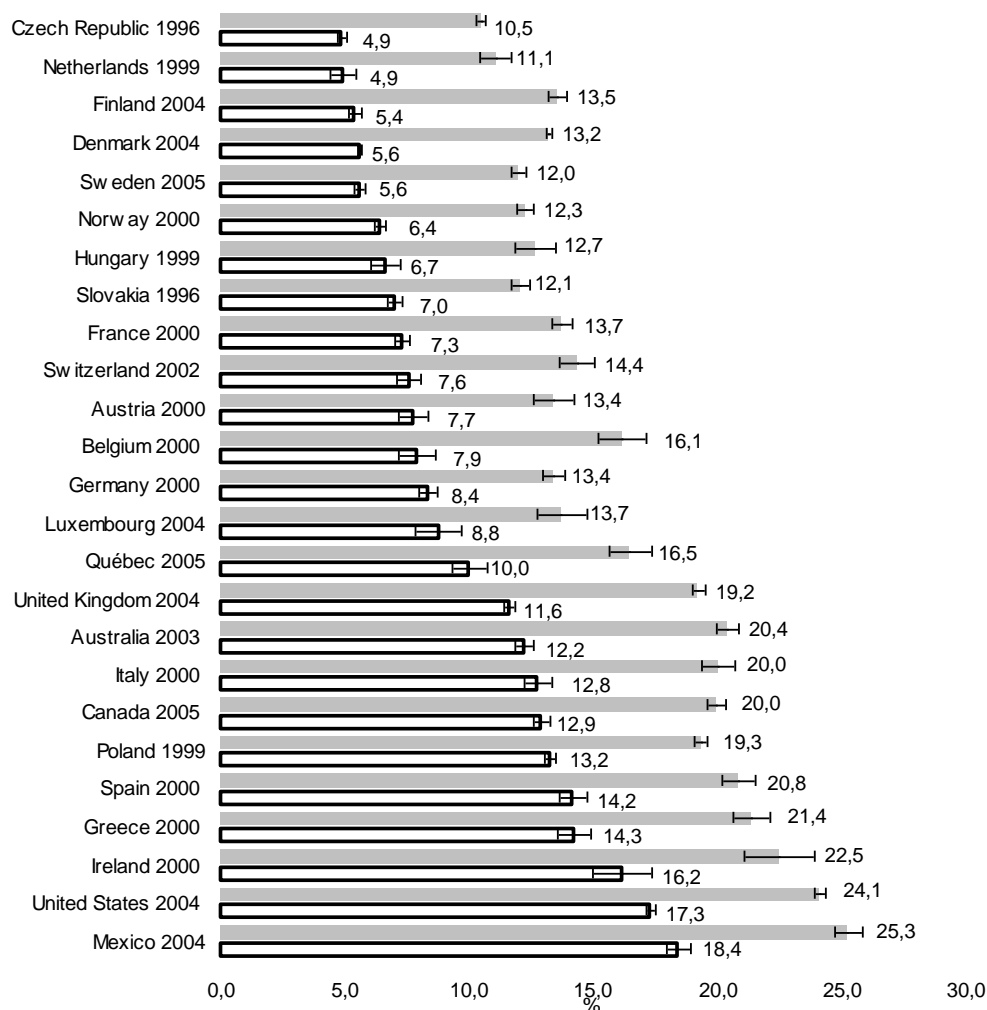
○ **International comparisons**

Section 4 of the Act specifies that “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 lead group is usually easily identified.³² At present, it almost always includes the Nordic countries and several other European nations.

For international comparisons, most countries use the median of incomes, at 50% or 60%, based on the standard in force in the countries where the comparisons are to be made.

32. DUNNIGAN, L. et al. (2007). *Riches de tous nos enfants. La pauvreté et ses répercussions sur la santé des jeunes de moins de 18 ans*. Third National Report on the Health Status of the Population of Québec, A. POIRIER and M.-A. MARANDA (ed.). Ministère de la Santé et des Services sociaux and Institut national de santé publique du Québec, 163 pp.

Graph 4 Low income rates (50% and 60% of the median income) after taxes, for individuals, by country (OECD member countries associated with the LIS), at the turn of the 21st century



See notes on the methodology in the appendix.

Missing Organization of Economic Co-operation and Development (OECD) member nations: Korea, Iceland, Japan, New Zealand, Portugal and Turkey.

Québec—other years: 2000, 10.3%; 2001, 10.4%; 2002, 10.8%; 2003, 10.4%; 2004, 9.2%.

Canada—other years: 2000, 12.3%; 2001, 12.2%; 2002, 12.6%; 2003, 12.7%; 2004, 13.0%.

Canada excluding Québec in 2005: 50% of the median income: 13.9%; 60% of the median income: 20.6%.

Low income cut-off set at 50% (□) and 60% (▣) of median income (Québec median in the case of Québec).

Sources: Various national surveys on income; Luxembourg Income Study (LIS).

Compilation of the Centre d'étude sur la pauvreté et l'exclusion, February 2009.

Recommendation 10 *International comparisons: Low income measure (LIM)*

For international comparisons, the Centre recommends using the two thresholds that correspond to 50% and 60% of the median of incomes in each of the countries.

In international terms, if we want to compare phenomena such as the standard of living based on purchasing power, we would need to transform currency values using the purchasing power parities (PPP) published by the OECD.³³ The value of the national currency is thus divided by the corresponding purchasing power parity and provides the purchasing power standard.

In this way, it is possible to make international comparisons from an absolute perspective. Smeeding gives an example of this when he compares the poverty rates in nine wealthy countries using the U.S. threshold, which represents 32% of the median of disposable incomes, as well as the threshold of 40% of this median. He then uses purchasing power parities to convert these thresholds into poverty lines for other countries. He is then able to compare the rates and rankings of each of these countries.³⁴

Using the threshold of Québec's low income measure at 50% of the median and the purchasing power parities to convert this threshold into poverty lines for other countries, it becomes possible to make international comparisons of poverty, because the measure's threshold is not used in a relative way. Comparisons can therefore be made on the basis of the available variables (e.g., the population as a whole, young and elderly people, market income and incomes after income taxes and transfers).

Recommendation 11 *International comparisons of poverty based on purchasing power*

For the purposes of international comparisons of the standard of living based on purchasing power, the Centre recommends transforming currency values using purchasing power parities (PPP).

2.8 IMPLICIT THRESHOLDS

It should be recalled that the various measures are all constructed according to different methods and that the LICOs' and LIM's thresholds, which are based on incomes, should not be confused with those of the MBM, based on the cost of a basket that a person can purchase with

33.SCHREYER, P. and F. KOEHLIN (2002). "Purchasing power parities—measurement and uses." *OECD Statistics Brief*, No. 3, Paris, 8 pp.; EUROPEAN ECONOMIC AND SOCIAL COMMITTEE (2006). *ECO/184: Information on Purchasing Power Parities*. Brussels, 5 pp.

his or her disposable income available for consumption. These are two very different realities. The table below shows the income that corresponds to the baseline thresholds converted into 2008 dollars. In the particular case of the market basket measure, the after-tax income needed to purchase a basket of goods varies considerably depending on the non-discretionary expenses of the family unit. On average, we have estimated that the income should be revised upwards by 7% vs. the cost of the basket in order to be able to purchase it. Below are the amounts that correspond to these thresholds:

Table 4 Low income thresholds, based on various low income measures for certain types of family units and communities, in current dollars and 2008 dollars, Québec, 2006

	Thresholds		
	Current \$	2008 \$	
Low income cut-offs (LICO) after income taxes (population of 500,000+, 2006)			
Unattached persons	17 570	18 203	
Single-parent families (1 child)	21 384	22 154	
Childless couples	21 384	22 154	
Two-parent families (2 children)	33 221	34 417	
Low income measure (LIM) after income taxes (2006)			
Unattached persons	13 551	14 275	
Single-parent families (1 child)	18 971	19 985	
Childless couples	18 971	19 985	
Two-parent families (2 children)	27 102	28 551	
Market basket measure (MBM) (Montréal CMA, 2006)			
Unattached persons	12 972	13 439	14 380
Single-parent families (1 child)	18 161	18 815	20 132
Childless couples	18 161	18 815	20 132
Two-parent families (2 children)	25 944	26 878	28 760

See the notes on methodology in the appendix.

Sources: Statistics Canada, *Survey of Household Spending and Survey of Labour and Income Dynamics*; Human Resources and Skills Development Canada, 2008.

Compilation of the Centre d'étude sur la pauvreté et l'exclusion, February 2009.

An implicit threshold is a baseline threshold that is determined by a social or tax measure. For example, an implicit threshold might correspond to various existing thresholds, such as the zero

34. SMEEDING T. (2006). "Poor people in rich nations: The United States in comparative perspective." *Journal of Economic Perspectives*, Vol. 20, No. 1, pp. 69–90.

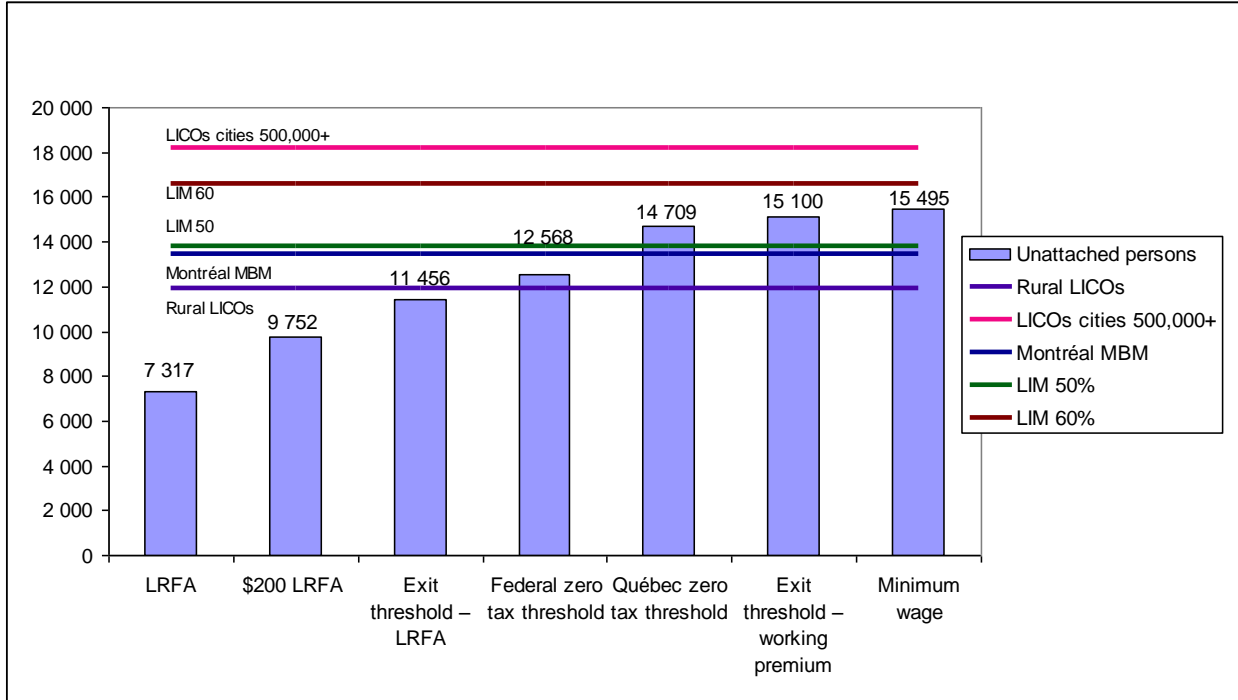
tax threshold, income from welfare benefits, employment income cut-offs for social assistance, or the salary earned at a minimum-wage job for a certain number of hours.

To have an idea of how the thresholds correspond to each of the low income measures, as well as to other implicit tax-specific thresholds and various government benefit programs, and the disposable income of persons based on various assumptions, we conducted simulations of typical cases. These simulations, carried out according to a disposable income model in use at the Ministère de l'Emploi et de la Solidarité sociale,³⁵ allowed us to observe, based on the status of the family unit, the relative 2008 position of individuals' or family units' incomes in relation to various existing thresholds. It should be remembered that income can include various government transfers, depending on the case: last-resort financial assistance benefits, child tax benefits, universal child care benefits, child support, working premiums, working income tax benefits, rental subsidies, QST credits, GST credits, Québec child care credits, or property tax rebates.

The following graphs show, for example, what a household (family or unattached person) received in Québec in 2008 based on various scenarios; the parameters retained here are those in effect at May 1, 2008, and applied throughout the year. An unattached person working for 37.5 hours a week at minimum wage has \$15,495. Even if the most recent available thresholds do not yet deal with the year in question, this will be positioned under the after-tax low income cut-offs of big cities and under the 60% low income measure, but above the 50% low income measure, the Montréal market basket measure (\$13,107 in 2008 if it had been indexed to the cost of living) and rural low income cut-offs. After-tax low income cut-offs and low income measure were not reduced, however, by the same non-discretionary expenses, as was the case with the market basket measure. The typical cases presented here establish how thresholds and actual disposable income correspond at various low income levels.

35. We wish to thank the Social Policies Branch of the Ministère de l'Emploi et de la Solidarité sociale for its contribution.

Graph 5 Disposable income and after-tax low income cut-offs, unattached persons, Québec, 2008



LRFA: Last-resort financial assistance.

\$200 LRFA: Last-resort financial assistance, including \$200 of allowable earned income.

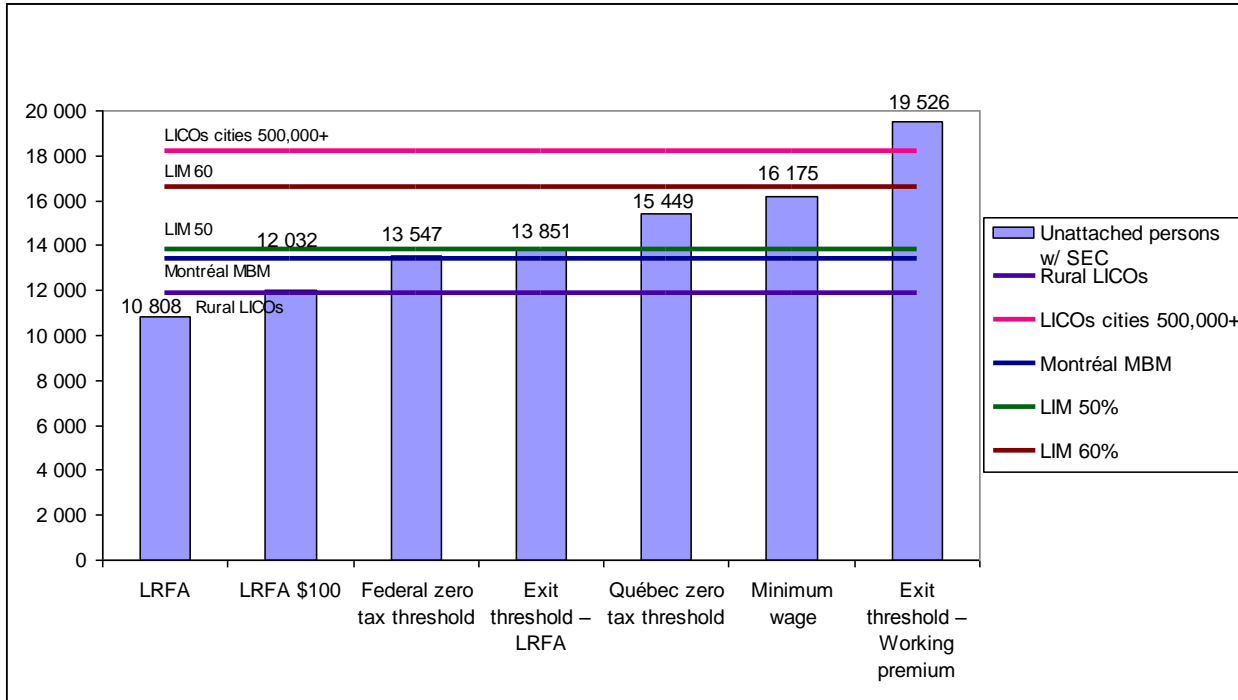
Transfers if applicable: Last-resort financial assistance benefit, working premium, working income tax benefit, rental subsidy, QST credit, GST credit, property tax rebate.

The low income cut-offs shown here have measurement biases related to provincial differences in the cost of living.

Source: Disposable income model according to the parameters in effect as at May 1, 2008, Ministère de l'Emploi et de la Solidarité sociale.

Compilation of the Centre d'étude sur la pauvreté et l'exclusion, February 2009.

Graph 6 Disposable income and after-tax low income cut-offs, unattached persons with severe employment constraints, Québec, 2008



LRFA: Last-resort financial assistance.

\$100 LRFA: Last-resort financial assistance, including \$100 of allowable earned income.

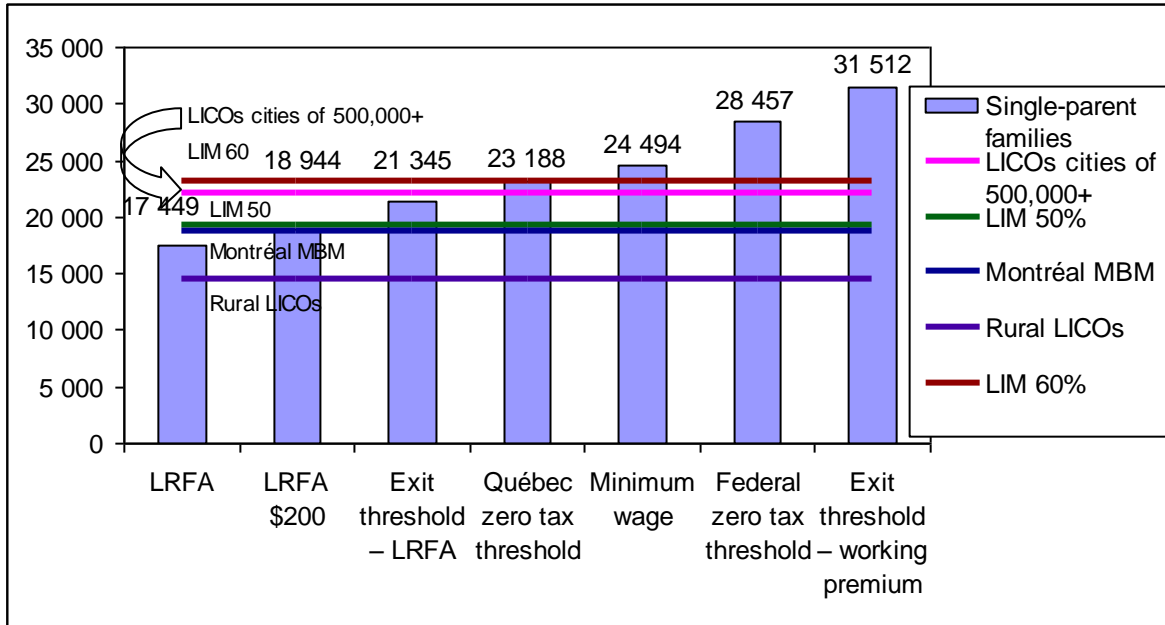
Transfers if applicable: Last-resort financial assistance benefit, working premium, working income tax benefit, rental subsidy, QST credit, GST credit, property tax rebate.

The low income cut-offs shown here have measurement biases related to provincial differences in the cost of living.

Source: Disposable income model according to the parameters in effect as at May 1, 2008, Ministère de l'Emploi et de la Solidarité sociale.

Compilation of the Centre d'étude sur la pauvreté et l'exclusion, February 2009.

Graph 7 Disposable income and after-tax low income cut-offs, single-parent families with one 3-year-old child, Québec, 2008



LRFA: Last-resort financial assistance.

\$200 LRFA: Last-resort financial assistance, including \$200 of allowable earned income.

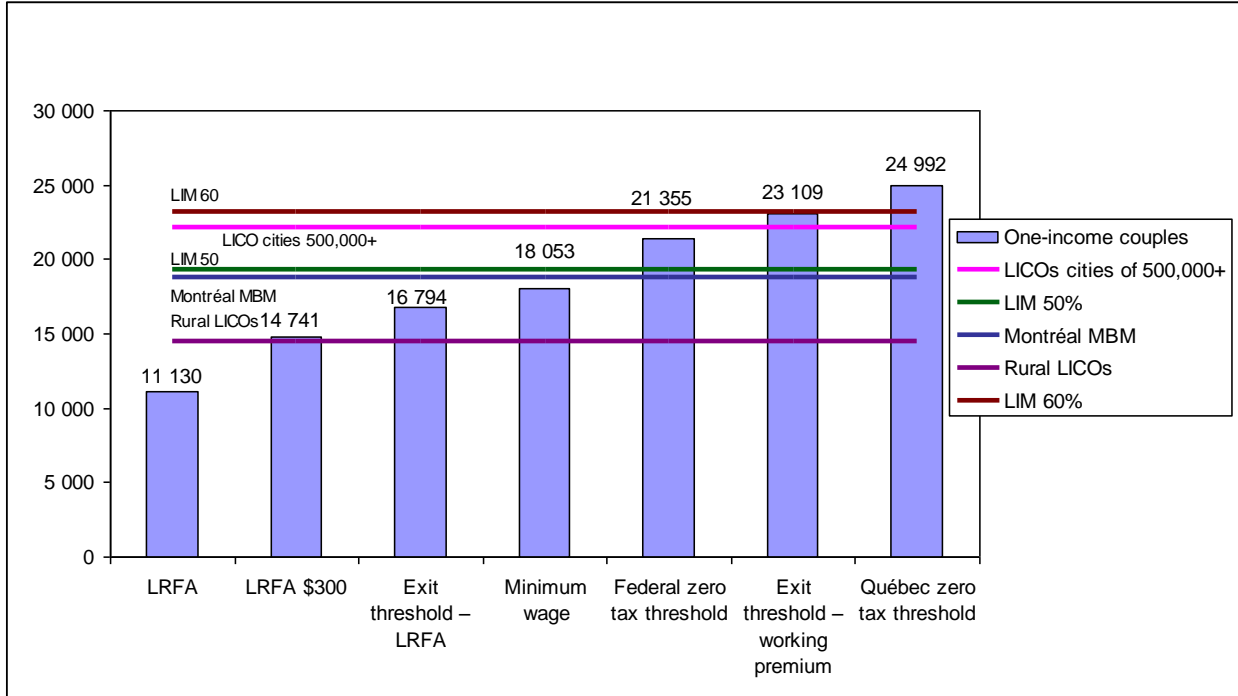
Transfers if applicable: Last-resort financial assistance benefit, child tax benefit, universal child care benefit, child support, working premium, working income tax benefit, rental subsidy, QST credit, GST credit, Québec child care credit, property tax rebate.

The low income cut-offs shown here have measurement biases related to provincial differences in the cost of living.

Source: Disposable income model according to the parameters in effect as at May 1, 2008, Ministère de l'Emploi et de la Solidarité sociale.

Compilation of the Centre d'étude sur la pauvreté et l'exclusion, February 2009.

Graph 8 Disposable income and after-tax low income cut-offs, childless couples with one income, Québec, 2008



LRFA: Last-resort financial assistance.

\$300 LRFA: Last-resort financial assistance, including \$300 of allowable earned income.

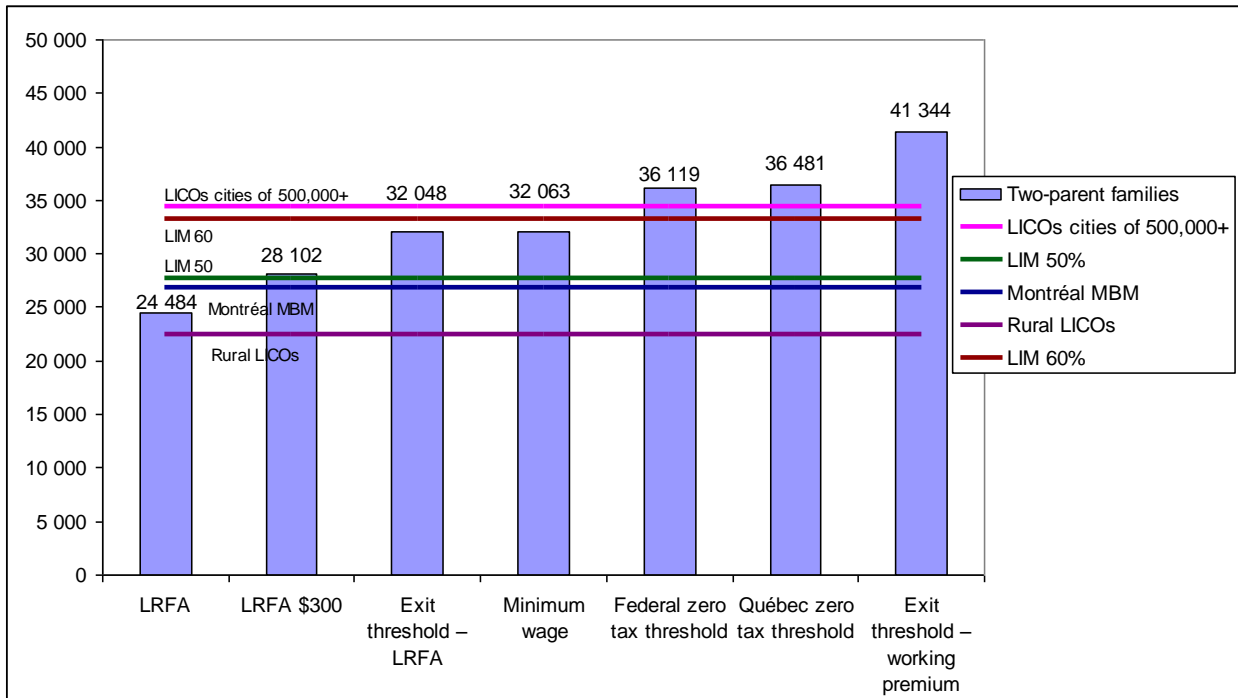
Transfers if applicable: Last-resort financial assistance benefit, working premium, working income tax benefit, rental subsidy, QST credit, GST credit, property tax rebate.

The low income cut-offs shown here have measurement biases related to provincial differences in the cost of living.

Source: Disposable income model according to the parameters in effect as at May 1, 2008, Ministère de l'Emploi et de la Solidarité sociale.

Compilation of the Centre d'étude sur la pauvreté et l'exclusion, February 2009.

Graph 9 Disposable income and after-tax low income cut-offs, two-parent families with one income and two children, Québec, 2008



LRFA: Last-resort financial assistance.

\$300 LRFA: Last-resort financial assistance, including \$300 of allowable earned income.

Transfers if applicable: Last-resort financial assistance benefit, child tax benefit, universal child care benefit, child support, working premium, working income tax benefit, rental subsidy, QST credit, GST credit, Québec child care credit, property tax rebate.

The low income cut-offs shown here have measurement biases related to provincial differences in the cost of living.

Source: Disposable income model according to the parameters in effect as at May 1, 2008, Ministère de l'Emploi et de la Solidarité sociale.

Compilation of the Centre d'étude sur la pauvreté et l'exclusion, February 2009.

Recommendation 12 *Ensure monitoring of disposable income based on various thresholds*

The Centre recommends ensuring monitoring of disposable income based on various thresholds, including implicit thresholds linked to the most current social and tax situations.

2.9 LOW INCOME INDICATORS: DISPERSION, GAP, INTENSITY AND SEVERITY

If there is necessarily a demarcation in the income scale that distinguishes between living in poverty or not, it seems that this demarcation has a “bandwidth” that is greater than a simple line.

There is also a threshold area between poverty and its absence. It can be assumed that it covers a few thousands of dollars in annual income. Within this area lies an ambiguous

experience: poverty is still there, income is not yet adequate; at the same time, certain basics are covered. The state of current knowledge about these life courses and the dynamic of exiting poverty do not permit, however, to draw a conclusion on the exit threshold of poverty. Nonetheless, it does enable us to broaden the spectrum of observation around a retained threshold.

Several indicators can be calculated using the thresholds determined according to one or the other of the measures. The low income rate is relatively well documented, which makes it possible to follow the situation of numerous vulnerable groups. Other dimensions serve to complete the picture supplied by the rates alone, in particular: dispersion, gap, intensity and severity.

Table 5 **Supplementary indicators: dispersion, gap, intensity and severity**

DISPERSION	Rates observable at 75%, 125% and 150% of the threshold
GAP	Gap between the average income of family units or individuals considered as having a low income and the threshold. This gap can be expressed in dollars (\$) or in a percentage of the threshold (%). (threshold - average low income) or (threshold - average low income)/threshold
INTENSITY	Gap weighted by the rate ((threshold - average low income)/threshold) X rate
SEVERITY	Intensity calculated by taking the income of the poorest among the poor into greater consideration.

Dispersion makes it possible to observe what is happening above and below the threshold. In the case of the European Union, this refers back directly to the percentages of the median, i.e., 40%, 50%, 60% or 70% of the median. In the same way, but in reference to any threshold whatsoever, rates of 75%, 125% and 150% of the threshold can be observed. In the following table, we have used the threshold of the market basket measure.

The rates are sometimes accompanied by the low income gap measure, which represents the lack of earning power of a low-income family in relation to the relevant low income cut-off. For example, a family with an income of \$15,000 and whose relevant low income cut-off is \$20,000 would have a low income gap of \$5,000. Expressed as a percentage, the gap would be 25%.

In other respects, several authors have analysed the “intensity” of low incomes, i.e., a measure that carries over the gap onto the threshold and is weighted by the rate.^{36,37}

We can also go still further and, along with intensity, add a measure of the “severity” of the poverty, which takes the income of the poorest among the poor into greater consideration.^{38,39,40}

We presume here that the stronger the dispersion in the incomes of people below the threshold, the more society tolerates the very poor among the poor and, the weaker it is, the less society tolerates them and the more it tries to reduce the inequalities affecting the poor themselves.

36. PICOT, G., R. MORISSETTE and J. MYLES (2003). *Low-income Intensity During the 1990s: The Role of Economic Growth, Employment Earnings and Social Transfers*. Business and Labour Analysis Division, Analytical Studies Branch Research Paper Series, Statistics Canada No. 172. 33 pp. See: <http://www.statcan.gc.ca/pub/11f0019m/11f0019m2003172-eng.pdf>

37. FOSTER, J., J. GREER and E. THORBECKE (1984). “A class of decomposable poverty measures. *Econometrica*, Vol. 52, No. 3, pp. 761–766.

38. OSBERG, L. (2007). *The Evolution of Poverty Measurement—With Special Reference to Canada*. Halifax: Dalhousie University, 49 pp.

39. MAKDISSI, P. and Y. GROLEAU (2002). “Que pouvons-nous apprendre des profils de pauvreté canadiens?” *L’actualité économique, Revue d’analyse économique*, Vol. 78, No. 2, pp. 257–286.

40. FRÉCHET, G., A.-C. GUIO, P. LANCTÔT and A. MORIN (2007). “L’intensité et la gravité de la pauvreté selon les indices de Foster, Greer et Thorbecke: Une comparaison entre la Wallonie et le Québec.” In *Pauvreté et exclusion sociale: Partage d’expériences entre Wallonie et Québec*. Brussels: Éditions de Boeck, Ministère de l’Emploi et de la Solidarité sociale, Institut de la statistique du Québec and Institut wallon de l’évaluation, de la prospective et de la statistique (IWEPS), pp. 125–143.

Table 6 **Supplementary indicators: low income dispersion, gap, intensity and severity, based on the market basket measure (MBM), for all persons, Québec, 2000–2006**

		2000	2006
Dispersion	75% of threshold	6,7	3,6
Observable low income rates	100% of threshold	13,2	9,4
between 75% and 150% of the threshold	125% of threshold	21,9	16,6
	150% of threshold	33,4	27,9
<hr/>			
Gap			
Average gap between the disposable income of low income family units and the threshold	Adjusted \$ ¹	3 361	3 599
Average of: (threshold - low income)	% of threshold	30,4	28,2
<hr/>			
Intensity			
Gap weighted by rate		4,00	2,65
Average of: ((threshold - low income) / threshold) x rate			
<hr/>			
Severity			
Intensity calculated by taking the income of the poorest of the poor into greater consideration		1,97	1,27
Average of: ((threshold - low income) / threshold) ² x rate			

1. In order to make the incomes of family units, which vary in size and composition, comparable to the income of a person living alone, the incomes of family units have been adjusted using an equivalence scale. See the notes on methodology in the appendix.
Sources: Statistics Canada, *Survey of Labour and Income Dynamics*; Human Resources and Skills Development Canada, 2008.
Compilation of the Centre d'étude sur la pauvreté et l'exclusion, February 2009.

Recommendation 13 *Supplementary indicators: Various properties of low income (dispersion, gap, intensity and severity)*

The Centre recommends monitoring the indicators that make it possible to complete the low income rates and characterize the various properties of low income.

3 MEASURING INEQUALITY

3.1 INCOME INEQUALITIES

Gini coefficient

The Gini coefficient is a simple, internationally recognized measure of inequalities. The values of the Gini coefficient vary between 0 (perfect equality) and 1 (perfect inequality).

It is worth turning to it because it is an easy measure to calculate. This measure makes it possible in particular to monitor the evolution of inequalities according to various subgroups. Nevertheless, it involves certain limitations arising from the fact that it is sensitive to transfers in the middle of the distribution, unlike other indices, for example, that are more sensitive at the extremes.

Table 7 Gini coefficient,⁴¹ before and after transfers and income taxes, based on type of family unit, Québec, 1996 and 2006

	1996			2006			Variation in %	
	Market	After transfers and income taxes	Difference	Market	After transfers and income taxes	Difference	Market	After transfers and income taxes
Unattached persons	0,614	0,348	-0,266	0,562	0,357	-0,205	-8,5	2,6
Elderly men	0,780	0,242	-0,538	0,641	0,226	-0,415	-17,8	-6,6
Elderly women	0,711	0,208	-0,503	0,738	0,305	-0,433	3,8	46,6
Men under 65 years	0,542	0,370	-0,172	0,495	0,387	-0,108	-8,7	4,6
Women under 65 years	0,576	0,384	-0,192	0,499	0,348	-0,151	-13,4	-9,4
Families (2 persons or more)	0,454	0,299	-0,155	0,440	0,300	-0,140	-3,1	0,3
Families – elderly persons	0,590	0,236	-0,354	0,598	0,252	-0,346	1,4	6,8
Families – under age 65	0,421	0,299	-0,122	0,399	0,294	-0,105	-5,2	-1,7
Childless couples	0,420	0,307	-0,113	0,368	0,287	-0,081	-12,4	-6,5
Couples with children	0,379	0,261	-0,118	0,369	0,258	-0,111	-2,6	-1,1
Couples living with other relatives	0,353	0,260	-0,093	0,330	0,257	-0,073	-6,5	-1,2
Single-parent families	0,539	0,275	-0,264	0,514	0,297	-0,217	-4,6	8,0
Other families	0,414	0,308	-0,106	0,403	0,292	-0,111	-2,7	-5,2
All units	0,525	0,363	-0,162	0,513	0,375	-0,138	-2,3	3,3

Source: Statistics Canada, *Income Trends in Canada, 1976–2006*, CD-ROM.
Compilation du Centre d'étude sur la pauvreté et l'exclusion, February 2009.

41. The values of the Gini coefficient vary between 0 (perfect equality) and 1 (perfect inequality). See also CRESPO, S. (2007). *L'inégalité de revenu au Québec 1979-2004. Les contributions des composantes de revenu selon le cycle économique*. Québec: Institut de la statistique du Québec, 64 pp.

Interquintile ratios

Interquintile (a quintile is a range of 20%) or interdecile (a decile is a range of 10%) ratios are also a good measure of the characteristics of income distribution. In the case of quintiles, it is the proportion of incomes in the upper quintile over those in the lower quintile that make it possible to see how many times the income of the lower quintile is contained in that of the upper quintile.⁴²

Certain researchers, however, point out its limitations, which stem from the fact that it can also be as, if not more, interesting to monitor the evolution of interdecile ratios, even the 5% or 1% of the most fortunate population over that of the least fortunate. This measure would be equally simple and easy to calculate, but the data that would make it possible are much less available than for interquintile ratios.

In the case of the evolution of incomes over several years, a correction was suggested by Wolfson and Murphy, which consists of basing calculations on **incomes that have been prestandardized according to the size of the family unit** in order to isolate a possible measurement bias.⁴³ Their suggestion deals with the establishment of incomes on the basis of the size of the family unit in order to isolate this factor as a possible source of inequalities over a medium or long period. In the specific case of the evolution of incomes according to quintile, the calculation here involves prestandardized disposable incomes based on family unit size.

42. WOLFSON, M.C. (1997). *Divergent Inequalities—Theory and Empirical Results*. Statistics Canada No. 66, 28 pp.

43. WOLFSON, M.C. and B. MURPHY (1998). *New Views on Inequality Trends in Canada and the United States*. Statistics Canada No. 124, 35 pp.

Table 8 Average income of family units according to type of income and average income taxes in each disposable income quintile, Québec, 2006

	Quintile ¹				
	1	2	3	4	5
	\$				
Unattached persons					
Private income	3 311	5 964	15 365	31 348	66 394
Transfer income	4 753	9 509	7 636	4 614	2 843
Total income	8 063	15 474	23 001	35 962	69 237
Income taxes	760	322	1 941	6 302	16 447
Disposable income	7 303	15 151	21 061	29 660	52 790
Families					
Private income	11 637	31 453	50 579	75 359	144 196
Transfer income	13 200	11 486	9 723	8 315	4 974
Total income	24 837	42 939	60 302	83 674	149 170
Income taxes	728	4 072	8 720	14 929	36 746
Disposable income	24 110	38 868	51 582	68 746	112 424
All units					
Private income	5 513	18 145	35 571	57 912	123 594
Transfer income	7 445	10 015	8 903	8 584	5 777
Total income	12 958	28 160	44 474	66 496	129 371
Income taxes	523	2 517	5 890	11 159	30 135
Disposable income	12 435	25 644	38 584	55 337	99 236

1. Separate quintiles were established for unattached persons, families and family units.

Source: Statistics Canada, *Survey of Labour and Income Dynamics*.

Compilation of the Institut de la statistique du Québec, September 2008.

Table 9 Average disposable income according to type of family unit and income quintile, adjusted to family unit size, Québec, 1996 and 2006

	1996				2006				Evolution of purchasing power between 1996 and 2006, variation in %	
	Market	After transfers and	Difference \$	Variation in %	Market	After transfers and	Difference \$	Variation in %	Market	After transfers and income taxes
Unattached persons										
Bottom quintile	1 800	7 000	5 200	288,9	3 300	7 300	4 000	121,2	83,3	4,3
2nd quintile	4 100	12 600	8 500	207,3	6 000	15 100	9 100	151,7	46,3	19,8
3rd quintile	8 100	17 200	9 100	112,3	15 400	21 000	5 600	36,4	90,1	22,1
4th quintile	26 900	26 100	-800	-3,0	31 200	29 600	-1 600	-5,1	16,0	13,4
Top quintile	57 600	43 800	-13 800	-24,0	66 200	52 600	-13 600	-20,5	14,9	20,1
Ratio 5th q./1st q.	32,0	6,3			20,1	7,2				
Families of 2 or more persons										
Bottom quintile	7 400	18 600	11 200	151,4	11 600	24 100	12 500	107,8	56,8	29,6
2nd quintile	24 200	32 000	7 800	32,2	31 400	38 900	7 500	23,9	29,8	21,6
3rd quintile	43 700	44 100	400	0,9	50 600	51 600	1 000	2,0	15,8	17,0
4th quintile	67 100	58 500	-8 600	-12,8	75 300	68 700	-6 600	-8,8	12,2	17,4
Top quintile	117 700	91 000	-26 700	-22,7	144 100	112 400	-31 700	-22,0	22,4	23,5
Ratio 5th q./1st q.	15,9	4,9			12,4	4,7				
All units										
Bottom quintile	5 300	11 400	6 100	115,1	7 800	15 300	7 500	96,2	47,2	34,2
2nd quintile	13 900	19 000	5 100	36,7	18 200	23 600	5 400	29,7	30,9	24,2
3rd quintile	24 900	25 300	400	1,6	30 100	30 800	700	2,3	20,9	21,7
4th quintile	36 800	32 900	-3 900	-10,6	43 800	39 900	-3 900	-8,9	19,0	21,3
Top quintile	68 600	52 700	-15 900	-23,2	84 100	64 900	-19 200	-22,8	22,6	23,1
Ratio 5th q./1st q.	12,9	4,6			10,8	4,2				

Source: Statistics Canada, *Income Trends in Canada, 1976–2006*, CD-ROM.
Compilation of the Centre d'étude sur la pauvreté et l'exclusion, February 2009.

Recommendation 14 *Income inequalities: Gini coefficient and interquintile ratios*

The Centre recommends using the Gini coefficient and interquintile ratios to measure inequalities.

Other indices

The Theil index, for its part, is more sensitive to transfers at the lowest end of the distribution of incomes, particularly in comparison with the Gini coefficient, which is more sensitive to transfers in the middle of the distribution. There are also other indices (square of the variation coefficient, Atkinson index) that make it possible to complete the picture of inequalities by emphasizing a specific property of the observed distribution.

From the viewpoint this time of wealth inequalities, one of the few currently available pictures of inequalities in assets is that of Thérien (2001).⁴⁴ He reproduced some data for the United States and also reported some data from Statistics Canada's 1999 *Survey of Financial Security*. Beyond incomes, he took an interest in the net total value, i.e., assets minus liabilities; among the assets are retirement assets, both financial and non-financial (i.e., real estate, vehicle); among the liabilities are mortgages, loans and credit lines. In Canada, according to the most recent (2005) *Survey of Financial Security*, net value was 69.2% for the top quintile and 0.21% for the two bottom quintiles.⁴⁵

The following table makes it possible to monitor the evolution of wealth between 1999 and 2005 according to quintile, based on data from the last two surveys on financial security.

Table 10 Total wealth of family units, according to net value quintile (assets minus liabilities), in 2005 dollars, Canada, 1999–2005

	1999			2005			1999 to 2005	
	Millions of dollars ¹	Net median value	% of total assets or total liabilities	Millions of dollars ¹	Net median value	% of total assets or total liabilities	Variation in millions of dollars ¹	Variation in %
All net value quintiles								
Assets	3 947 765	138 595	100	5 622 674	171 600	100	1 674 909	42,4
Liabilities	515 417	18 095	100	760 188	23 200	100	244 771	47,5
Net value	3 432 347	120 500	...	4 862 486	148 400	...	1 430 139	41,7
Bottom quintile								
Assets	23 045		0,58	34 041		0,61	10 996	47,7
Liabilities	26 704		5,18	40 401		5,31	13 697	51,3
Net value	-3 659	1 100	-0,11	-6 360	1 000	-0,13	-2 701	73,8
2nd quintile								
Assets	171 596		4,35	214 708		3,82	43 112	25,1
Liabilities	81 865		15,88	105 036		13,82	23 171	28,3
Net value	89 731	34 800	2,61	109 672	37 300	2,26	19 941	22,2
3rd quintile								
Assets	451 857		11,45	626 376		11,14	174 519	38,6
Liabilities	149 852		29,07	217 413		28,60	67 561	45,1
Net value	302 006	120 500	8,80	408 962	148 400	8,41	106 956	35,4
4th quintile								
Assets	819 886		20,77	1 194 625		21,25	374 739	45,7
Liabilities	129 084		25,04	211 373		27,81	82 289	63,7
Net value	690 802	275 600	20,13	983 251	361 200	20,22	292 449	42,3
Top quintile								
Assets	2 481 381		62,86	3 552 925		63,19	1 071 544	43,2
Liabilities	127 913		24,82	185 964		24,46	58 051	45,4
Net value	2 353 468	671 600	68,57	3 366 961	862 900	69,24	1 013 493	43,1

Source: Statistics Canada, Survey of Financial Security.
Compilation of the Centre d'étude sur la pauvreté et l'exclusion, February 2009.

44. THÉRIEN, F. (2001). *Soutenir l'acquisition d'actifs—Une approche nouvelle dans la lutte à la pauvreté*. Direction de la santé publique de Montréal-Centre, Observatoire montréalais des inégalités sociales et de la santé (OMISS).

45. The latest edition of the survey. See: STATISTICS CANADA (2006). *The Wealth of Canadians: An Overview of the Results of the Survey of Financial Security*. Pension and Wealth Research Paper Series, Catalogue No. 13F0026MIE2006001, 45 pp.

The picture of inequalities can also be advantageously completed by that of the polarization of incomes, which shows another dimension. It can happen that the market fosters wide disparities in income, hence the notion of a polarization of incomes. It is also possible that taxation and transfers to individuals, which should normally make it possible to redistribute wealth from the richest to the poorest, only partially fulfills this role and that incomes become even more polarized, without the desired effect of reducing inequalities.

Among the available indicators are the polarization coefficient, i.e., the percentage of the population whose income falls between 75% and 125% of the median,⁴⁶ the Wolfson P index, and the Duclos, Esteban and Ray index.⁴⁷ Some studies have already enabled a picture to be drawn for Québec.⁴⁸

46. WOLFSON, M.C. and B. MURPHY (1998), op. cit., have already proposed some variations: the rate of persons located between 75% and 125% of the (symmetrical) median, between 75% and 150%, between 60% and 200% and between 60% and 225%.

47. DUCLOS, J.Y., J. ESTEBAN and D. RAY (2004). "Polarization: concepts, measurement, estimation." *Econometrica*, Vol. 72, No. 6, pp. 1737–1772.

48. WOLFSON, M.C. (1997), op. cit.; JEAN, S. (2001) "Inégalité et pauvreté." In *Portrait social du Québec: données et analyses*. Québec: Institut de la statistique du Québec, pp. 317–337; GOYETTE, M.-A. *La polarisation des revenus au Canada, 1973–2003*. Master's thesis (Economics), Université Laval.

Table 11

Polarization coefficient: proportion of persons living in family units whose adjusted after-tax income is between 75% and 125% of the median, according to various characteristics of the principal income earner, Québec, 1996–2005

	Below the lower limit		Polarization coefficient		Above the upper limit	
	1996	2005	1996	2005	1996	2005
All persons	26,9	26,7	34,6	35,6	38,5	37,8
Unattached persons	47,3	50,6	25,5	27,2	27,2	22,2
Co-tenants	56,7	52,7	18,2	26,1	25,1	21,3
Single-parent families	55,2	46,7	35,4	42,2	9,4	11,1
Childless couples	17,9	19,6	32,8	33,6	49,2	46,7
Two-parent families	22,1	19,5	39,1	40,5	38,8	40,0
Others	8,6	10,3	33,7	29,2	57,7	60,5
Men	20,1	19,9	36,0	37,7	43,8	42,4
Women	41,2	38,2	31,5	32,0	27,3	29,8
16–24 years	62,3	59,8	26,6	25,7	11,0	14,5
25–34 years	29,9	26,2	34,2	39,0	36,0	34,8
35–44 years	24,5	22,9	35,8	39,5	39,8	37,6
45–64 years	18,6	17,2	31,6	30,6	49,8	52,2
55–64 years	26,4	25,3	31,6	31,4	42,0	43,3
65 years and over	31,4	42,6	42,6	38,5	26,1	18,9

Source: Statistics Canada, *Survey of Labour and Income Dynamics*.
Compilation of the Centre d'étude sur la pauvreté et l'exclusion, February 2009.

Thus, the rate of people who are between 75% and 125% of the median of incomes makes it possible to observe shifts between 1996 and 2005 in Québec based on age (the relative situation of persons 25 to 44 years of age improved, while that of persons 65 years and over deteriorated), as well as on the status of the family unit (single-parent families saw their situation improve.) It does not, however, enable us to observe such shifts on the basis of sex.

4 MEASURING SOCIAL EXCLUSION

If there can be multiple situations of exclusion, those that interest us here are directly linked to poverty, either because they can lead to it (a particular dynamic or a series of events that result in people becoming incapable of exiting poverty—what could be called the exclusion spiral) or because they are generated by poverty itself.

Gagnon and Pelchat (2007) have pointed out, in particular, that during the 1990s numerous government policies to combat social exclusion saw the light of day in various countries, including the member states of the European Union.⁴⁹ They continue by mentioning that:

“In Great Britain, researchers at the London School of Economics’ Centre for Analysis of Social Exclusion (CASE) undertook work to conceptualize the area that led them to count those who were excluded and to establish exclusion rates. Burchardt et al. (1999) proposed distinguishing the excluded from the non-excluded on the basis of their degree of participation in “normal” social activities: consumption, production, political involvement and social relationships.⁵⁰ In Britain’s *Poverty and Social Exclusion Survey*, Gordon et al. (2000) also distinguished four dimensions of exclusion: impoverishment (or exclusion from adequate income or material resources), labour market exclusion, service exclusion, and exclusion from social relations. Various indicators, including poverty indicators, were used to establish the number of persons excluded, i.e., the number of individuals who lack access to the “normal” activities of the society in which they live.⁵¹

In France, the authors go on, “the Observatoire national de la pauvreté et de l’exclusion sociale, for its part, has identified three types of social exclusion indicators: 1) the number of beneficiaries of aid or assistance programs (RMI—financial aid, social assistance); 2) social isolation and the intensity of participation in social life; and 3) non-access to certain rights judged to be fundamental (e.g., regarding the right to health care, this consists of the rate of rejection of

⁴⁹ GAGNON, É. and Y. PELCHAT Y (2007), op. cit., note 9. For example, the fight against exclusion has become one of the central dimensions of the “modernization of the European social model”. Each Member State of the European Union is now called upon to produce a national action plan that must disclose the actions taken or to be taken to fight social exclusion. COUNCIL OF THE EUROPEAN UNION (2000). *Fight against poverty and social exclusion – Definition of appropriate objectives* (14110/00).

⁵⁰ BURCHARDT, T., J. LE GRAND and D. PIACHAUD (1999). “Social Exclusion in Britain 1991–1995.” *Social Policy & Administration*, Vol. 33, No. 3, pp. 227–245

⁵¹ GORDON, D. et al. (2000). *Poverty and Social Exclusion in Britain*. York: Joseph Rowntree Foundation.

care for financial reasons; regarding the right to housing, this consists of the number of unfulfilled requests for social housing after one year).⁵² Used in this way, the notion of social exclusion touches upon a good part of the broader definition of poverty retained by the **European Union**, according to which persons are considered to be poor if “if their material, cultural and social resources are so low that they are excluded from minimal lifestyles accepted by the Member State in which they live.”⁵³

Mindful of international comparison, it is relevant to reflect on the advantages and disadvantages of adopting such exclusion indicators (understood here as a result and not a process), and eventually on the means of adapting or developing similar indicators that would take the Québec context into consideration.

Finally, for Gagnon and Pelchat (2007), “in light of the results of the research, important work also needs to be done so that the notion of social exclusion does not serve simply to qualify individuals or a condition (such as poverty), but to document the practices of subordination, power relationships between groups of players, avoidance behaviours, and institutional mechanisms that marginalize individuals or place them in a position of inferiority.”

Beginning with the principle that persons living in poverty are particularly well placed to testify to the exclusion and marginalization of which they are victims, the fact of partnering with them in work aimed at developing exclusion indicators can only be beneficial. Consequently, it is important to involve persons living in poverty and exclusion in this thought process.

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.

⁵² OBSERVATOIRE NATIONAL DE LA PAUVRETÉ ET DE L'EXCLUSION SOCIALE (2006). *Le rapport de L'Observatoire national de la pauvreté et de l'exclusion sociale, 2005–2006*. Paris: La Documentation française, p.16.

⁵³ OBSERVATOIRE NATIONAL DE LA PAUVRETÉ ET DE L'EXCLUSION SOCIALE (2006), op. cit., pp. 53–54

5 POVERTY DETERMINANTS AND THEIR CONSEQUENCES

Evoking the determinants of poverty could lead us to take into consideration determinants of a “macro” scale and those observable on a more “micro” scale. Among the former, we are thinking, in particular, of economic growth, policies of macroeconomic stabilization, globalization (undoubtedly an enrichment factor for some and an impoverishment factor for others), inequalities, technological changes, the job market situation and especially unemployment, the aging of the population, the characteristics of the socioeconomic environment and public policy orientations, particularly social policies that draw on social representations of poverty, as well as values and projects that are the subject of societal debate.⁵⁴ Among the latter, can be considered those that stem from individual characteristics (education, disability) and processes.

Monitoring some of these phenomena should encourage the implementation of new indicators. In this instance, the current work on “sustainable development” aiming at harmonizing environmental, economic and social issues provides an opportunity.

There already exist a good number of indicators that can reveal various facets of some of the determinants of poverty and social exclusion, as well as their consequences: for example, territory, indicative of the environment or socioeconomic context, can be a factor in poverty and even breed it. Sometimes, living in poverty leads to choosing a particular area in which to reside because of low-cost and accessible housing.

Some of these indicators can be grouped under a few major dimensions: territory, education, health, work, housing, justice and security, and access to cultural activities.

Territory

The territorial anchor of interventions to combat poverty and exclusion on the local and regional level are often considered to be a factor of success. In this sense, the National strategy to combat poverty and social exclusion and the government action plan stemming from it promote an integrated territorial approach to combat poverty, beginning from the principle that there exists a geography of poverty. The most disadvantaged people concentrate, in fact, in certain geographic locations. The integrated territorial approach also builds on the fact that people living

54. In this respect, the reports of the OECD repeatedly show that the level of poverty in rich societies correlates strongly with social spending. See in particular: ORGANISATION OF ECONOMIC CO-OPERATION AND DEVELOPMENT (2005). *Extending Opportunities: How Active Social Policy Can Benefit Us All*. OECD Publishing, p. 123.

in poverty can be key players in their respective environments and contribute to various initiatives in concert with local and regional partners, since these people are generally very familiar with the distinctive features of their communities. In other respects, attention also needs to be paid to the fact that the indicators could vary based on the scales considered: a more privileged environment overall will contain underprivileged subterritories, and the opposite might also be observed.

Among the geomatics tools that make it possible to map poverty, some have been proposed recently that allow characterization of various spatial distributions using disaggregated data at a sub regional or local level:

- maps of underprivileged areas in terms of education from the Ministère de l'Éducation, du Loisir et du Sport;⁵⁵
- Pampalon and Raymond material and social deprivation index;⁵⁶
- the work of the INRS – Urbanization, Culture and Society;⁵⁷ and
- the Atlas of Québec.⁵⁸

Education, literacy

The links between education and literacy and poverty have been observed innumerable times. Studies have made it possible to illustrate these links, as was the case in Manitoba.⁵⁹ In Québec, the absence of a secondary school diploma is identified as one of the determining factors of difficulties integrating into the job market and, often, of the poverty that results. Data show that,

55. MINISTÈRE DE L'ÉDUCATION, DU LOISIR ET DU SPORT (2005). "Les principales données socioéconomiques et démographiques du recensement de 2001 selon les territoires des commissions scolaires." In *La carte des unités de peuplement de 2003*, Direction de la recherche, des statistiques et des indicateurs.

56. PAMPALON, R. and G. RAYMOND (2003). "Indice de défavorisation matérielle et sociale: son application au secteur de la santé et du bien-être." In *Santé, société et solidarité*. Québec: Les Publications du Québec, pp. 191–208; PAMPALON, R., D. HAMEL and G. RAYMOND (2004). *Indice de défavorisation pour l'étude de la santé et du bien-être au Québec*. Updated in 2001. Institut national de santé publique du Québec, Ministère de la Santé et des Services sociaux, 12 pp.

57. MARTINEAU, Y., P. APPARICIO, J. MONGEAU and J. TREMBLAY (2004). *Les caractéristiques socioéconomiques des résidents et de la clientèle sur le territoire des centres locaux d'emploi de l'île de Montréal: contribution synthèse*. INRS—Urbanisation, Culture et Société, 58 pp.

58. BUSSIÈRE, Y., J.-P. THOUZET and J. CARRIÈRE (2005). *Adaptation des politiques publiques aux besoins potentiels des populations vulnérables—Québec 2001-2021*. INRS—Urbanisation, Culture et Société. Research report presented to the Fonds québécois de recherche sur la société et la culture, Action concertée Vieillessement de la population. This resulted in the construction of an online atlas, <http://www.atlasduQuébec.qc.ca/atlas/Infos-Atlas/Info-Equipe.htm>.

59. BROWNELL, M. et al. (2006). "Is the class half empty? A population-based perspective on socioeconomic status and

in 2003–2004 in Québec, the dropout rate among secondary school students was over 35% in underprivileged areas, while it was less than 20% in affluent ones.

The evolution of income security clientele makes it possible to observe the very clear link that exists between the presence of social assistance and the fact of not having completed a secondary school education. In August 2005, 62.6% of adult beneficiaries of last-resort financial assistance for whom the level of education was known did not have a secondary school diploma, i.e., twice the rate of the entire population 15 years and older (31.7% in 2001).

Moreover, the *2003 International Adult Literacy and Skills Survey* confirms what these statistics show—the more literacy increases, the higher the employment rate and the higher the income.⁶⁰

Health

For some years, a certain number of reports have been issued on the links between poverty, health and well-being. All of them point to the same conclusion: poverty and social inequalities constitute major, if not the most important, determinants of a population's health and of well-being.

^{61,62,63,64,65,66,67} It is thus possible to observe what is called the “socioeconomic gradient,” a statistical relationship in the form of steps in a stairway that expresses a continuum in the distribution between the most disadvantaged and the most advantaged people. This gradient,

educational outcomes.” *IRPP Choices*, Vol. 12, No. 5.

60. STATISTICS CANADA (2003). *Building on Our Competencies: Canadian Results of the International Adult Literacy and Skills Survey*. Ottawa, 89-617-XWE; INSTITUT DE LA STATISTIQUE DU QUÉBEC (2005). *La littératie au Québec en 2003 : Faits saillants*, 12 pp.

61. PAMPALON, R. (2002). *Espérance de santé et défavorisation au Québec, 1996–1998*. Institut national de santé publique du Québec, 12 pp.

62. COMITÉ MINISTÉRIEL SUR LA RÉDUCTION DES INÉGALITÉS DE SANTÉ ET DE BIEN-ÊTRE LIÉES À LA PAUVRETÉ (2002). *La réduction des inégalités liées à la pauvreté en matière de santé et de bien-être: orienter et soutenir l'action*. Ministère de la Santé et des Services sociaux, 52 pp.

63. PHIPPS, S. (2003). *The Impact of Poverty on Health: A Scan of Research Literature*. Ottawa: Canadian Institute for Health Information, 32 pp.

64. DIRECTION DE SANTÉ PUBLIQUE DE MONTRÉAL-CENTRE (2003). *La prévention en actions. Plan d'action montréalais en santé publique 2003–2006*. Report of the Direction de santé publique, Régie régionale de la santé et des services sociaux de Montréal-Centre, 82 pp.

65. MINISTÈRE DE LA SANTÉ ET DES SERVICES SOCIAUX (2005). *Produire la santé*. Report on the Health of the Québec population. Direction de la santé publique, 120 pp.

66. DE KONINCK, M. et al. (2008). *Santé: pourquoi ne sommes-nous pas égaux? Comment les inégalités sociales de santé se créent et se perpétuent*. Québec: Institut national de santé publique du Québec, 78 pp. plus appendices.

67. DUNNIGAN, L. et al. (2007), op cit.

which is a function of income, education, social and professional status or area, was observed in particular in relation to health.^{68,69,70}

In most of the research on determinants of health and well-being, poverty is seen as one of the major risk factors to take into consideration in health prevention and intervention. If health or psychosocial problems can generate conditions of poverty for an individual or his or her family, conversely poverty can have a major impact on the health and well-being of people and groups, even when disease is not the cause. The “neighbourhood effect” and its links with health have particularly captured the attention of researchers.⁷¹

Thus, certain empirical and research conclusions show that underprivileged persons more often present health and psychosocial problems and that these problems arise earlier in this group than in the population as a whole; there is even an indication that certain disadvantaged conditions can adversely affect the normal development of a child even before birth.

Work

Symbol of social and economic integration, social recognition or personal fulfillment, work continues to be a dominant value in our society. The workplace has undergone major mutations in the last few decades: the stable, guaranteed-for-life job has made way for more diversified models.

Today, work is characterized by relatively stable jobs that exist side by side with short-term, unstable positions accompanied by working and living conditions that can create exclusion.

Another observation: for many people, a job alone is not enough to exit poverty, particularly when the job opportunities on offer can be summed up as part-time work, occasional work or on-call work, or minimum wage jobs. Studies have shown that, when wages are low, they are often

68. PAQUET, G. and B. TELLIER (2005). “La mesure de la santé physique dans l’Enquête socioéconomique et de santé intégrée et longitudinale.” *Ruptures*, Vol. 10, No. 2, pp. 95–117.

69. GAGNÉ, M. (2006). *Pauvreté et blessures non intentionnelles chez les enfants québécois*. Institut national de santé publique du Québec, Journées annuelles de santé publique.

70. DE KONINCK, M. et al. (2008), op. cit.

71. MONTPETIT, C. et al. (2007). *Le point sur l’effet de quartier, No. 1, Mieux comprendre le lien entre le quartier et la santé*. Centre Léa-Roback, 8 pp.

not sufficient to ensure a true exit from poverty.⁷² Fleury, Fortin and Luong have also stated that “in spite of their significant work effort, one cannot conclude that poor working families enjoy better living conditions than other poor families,” even though having a job is equated with the possibility of being able to live a decent life or of truly getting out of poverty.⁷³

Housing

Classic housing indicators make it possible to better define this dimension of the poverty phenomenon, one of those that concerns local areas of intervention aimed at fighting poverty . In fact, the cost of housing is the fixed expense that has the most impact on a limited budget. This very major problem is often at the heart of issues specific to the revitalization of city neighbourhoods and, in a broader sense, to the quality of the environment and the socioeconomic area.

Justice and security

Classic indicators of the world of justice, rights, crime and broader issues of security also make it possible to define these dimensions characteristic of the socioeconomic environment. The Canadian Council on Social Development has proposed the personal security index to deal with the component of security.

In other respects, special attention needs to be paid to situations of discrimination linked to the social, personal or cultural condition of persons who find themselves disadvantaged in relation to others in the exercise of their full freedom and equality in dignity and rights, with the consequences which that can have on their standard of living.

Access to cultural activities

In the *Act to combat poverty and social exclusion*, access to culture is explicitly mentioned, which can be observed using indicators specific to this sector, through access to “cultural activities.” This concern can be considered as a desire to facilitate the opportunity people have

72. FLEURY, D. and M. FORTIN (2004). “Canada’s Working Poor.” *Horizons*, Vol. 7, No. 2, pp. 51–57; FORTIN, M. and D. FLEURY (2005). *The Other Face of Working Poverty*. New Approaches for Addressing Poverty and Exclusion, Social Development Canada.

73. FLEURY, D., M. FORTIN and. M. LUONG (2005). *What Does It Mean to be Poor and Working? Analysis of the Spending Patterns and Living Conditions of Working Poor Families*. New Approaches for Addressing Poverty and Exclusion, Human Resources and Social Development Canada, 51 pp.

to take part, regardless of their financial means, in the common culture that is a factor of social cohesion.

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.

There certainly exist relevant indicators for each of these dimensions. It seems important to select the indicators and to validate them with partners who are experts in each one of these dimensions. This work should be continued.

6 INNOVATIONS AND PERSPECTIVES

6.1 POVERTY: MULTIDIMENSIONAL PERSPECTIVES

Effective achievement of recognized rights

If, in principle, access to education or health care in Québec is not a function of an individual's financial means, it remains nevertheless true that, in practice, several specific situations limit access for low-income persons (e.g., indirect costs imposed by schools, costs of non-insured health care, means of transportation needed to access health care or higher education in remote regions or food insecurity). This phenomenon could be better documented. The same is true for several situations in which recognized rights are not really effective because of low income, poverty, or social exclusion, e.g., access to the job market or housing. Research on the effective achievement of recognized rights should make it possible to uncover situations of exclusion in which concrete obstacles arise that prevent such people from fully exercising their citizenship.

For the moment, even if these indicators deal with various dimensions, including some that could properly reveal the capacity to exercise one's rights, there is no consensus on what could serve as indicators of the achievement of rights or still yet of injury to people's dignity. The same is true for the presence of prejudices, an obstacle constantly raised by people living in poverty. In other respects, international efforts tying the eradication of poverty to the issues of dignity and human rights, such as those of Social Watch, should be considered for their contribution.⁷⁴

The life course approach and longitudinal thresholds of poverty: pathways out of poverty

Where poverty or inequality is involved, the time perspective is essential in order to paint a current picture of these phenomena.⁷⁵ Moreover, if we define social exclusion as all the processes that lead to poverty and inequality—and not simply as a *progress report* observed at a given moment—the question of life courses seems to be indicated. It is not simply enough to

74. SOCIAL WATCH (2007). *Social Watch Report 2007. In Dignity and Rights: Making the Universal Right to Social Security a Reality*. <http://www.socialwatch.org/en/portada.htm>.

75. BERNARD, P., M. BERNIER, J. BOISJOLY and J.-M. COUSINEAU (2002). *Comment mesurer le développement social?*, Research report on synthetic social indicators by the Conseil québécois de recherche sociale (CQRS) team. 219 pp.

study phenomena year after year in all the population (chronological approach using cross-sectional data) but we need to follow the progress of the same cohorts of individuals over time (longitudinal approach). In Québec, the qualitative or quantitative study of life courses is not very well established when it comes to poverty or social exclusion, especially because of the limited amount of data available.

And yet this approach is vital, because individuals must be able to rely on relatively stable resources over time to be at less risk of poverty and inequality. They also make choices and build their future based on the opportunities and constraints that have marked their past. During their lifetime, they interact with various institutions from which they obtain resources and to which they contribute (family, community, markets, the public sector). They also maintain relations with their loved ones and their social network. All this evolves from one year to the next and must be documented in order to track the mechanisms that help us explain social exclusion, inequality and poverty, as well as to carry out appropriate follow-up.

To sum up, some people are more or less permanently poor, others are intermittently poor, and still others are only temporarily so. Exiting poverty does not only assume access to financial means enabling the purchase of goods and services. It also assumes the means necessary to participate in a lifestyle that is considered poverty-free. Such a perspective requires a better identification of the question of paths leading into and out of poverty, as well as their systemic dimensions, using appropriate methods.

Material deprivation

In recent years, Europeans have developed a “material deprivation” indicator⁷⁶ because of some problems of interpretation caused by a purely relative approach (60% of the median) when new poorer member states were integrated over the years. The rates could be very low, e.g., 8% for the Czech Republic, the shape of the income distribution curve being less unequal than

76. Guio, A.-C. (2005). “Material deprivation in the EU.” *Statistics in focus*, Eurostat, 21. This indicator is based on the following dimensions:

- Economic constraints – Not being able to take a one-week holiday away from home; not being able to save; not being able to afford keeping a home adequately warm; not being able to afford a meal with meat, chicken or fish every second day, if one wanted to; being in arrears in terms of rent, mortgage payments, loans, gas, electricity or water bills.
- Durable goods – Enforced lack of a: colour TV, telephone, personal automobile.
- Housing conditions – Leaking roof; damp walls, floors or foundations, or rot in window frames or floors; accommodation too dark; outside bath or shower; outside toilet.

elsewhere, but that could be without a common measure with effectively observable material deprivation.

This definition is based on the presence of a certain number of economic constraints, an “unchosen” lack of durable goods and on housing conditions, tied in with the ability to effectively achieve rights. An analysis preceded the selection of the indicators retained, which are generally correlated with monetary indicators of poverty, but that can also allow some differences to be seen. Moreover, from a validation viewpoint, each member state has submitted elements for the evaluation of the respondents to a survey.⁷⁷

One of the contributions of this measure, which is the product of a more absolute approach, is that one can observe, within the framework of comparisons between member states, that certain countries that are poor from a monetary standpoint are even more so in terms of material deprivation and that, conversely, some countries that are rich from a monetary standpoint are even more so in terms of material deprivation or, if you prefer, they experience less deprivation.

The possibility of comparing ourselves with other countries from the viewpoint of material deprivation would be interesting, but current surveys do not make it possible to measure this phenomenon in Québec and Canada.

Indicators of wealth

As shown by the work of Viveret (2003) and the Richesses en France collective,⁷⁸ the term “wealth” covers very different and sometimes even contradictory realities that are erroneously associated immediately with indicators dating from the industrial age, such as gross domestic product. Instead, this indicator measures cash flows, whether related to situations of wealth creation or situations of destruction, such as disasters, accidents and conflicts. In the same way, money puts a premium on goods and services whose transit and transactions it facilitates. Nonetheless, it is not the only vehicle of wealth, which also includes non-commercial elements such as air, water or the planet taken as whole, intangible elements, such as the quality of relations between human beings, the fact of occupying a territory, as well as, in a general way, people themselves and everything that could be included in “human wealth.”

77. EUROPEAN COMMISSION (2007). *Special Eurobarometer 279 Poverty and Exclusion*. 88 pp. plus appendices.

78. VIVERET, P. (2003). *Reconsidérer la richesse*, Éditions de l'Aube, 237 pp.

Not everything can be counted or accounted for. Nor is everything remunerated or valued: for example, local solidarities escape the indicators in place. This leads to reflection about the relevance of indicators that are more sensitive to a greater number of facets constituting a society's wealth and what adversely affects that wealth. Various avenues have been opened up over the past few years in an attempt to take this into account, for example, through indicators that have several dimensions, such as the Human Development Index (HDI) or the barometer of inequalities and poverty (BIP-40).⁷⁹ This work still remains embryonic in Québec and explorations in this direction should be undertaken.

6.2 DIVERSITY OF METHODS AND POINTS OF VIEW

Enhance the indicators proposed in this advice and the collection and analysis strategies associated with them, within a framework of mixed approaches

Qualitative methods are particularly fruitful in studying complex phenomena from the viewpoint of those persons experiencing them. Such methods encourage the emergence of new knowledge. The integration of qualitative strategies into the quantitative process specific to the indicators retained is necessary to develop more precise measurement and evaluation tools. By making it possible to take into account the fine contextual data and collecting rich and complex data, the alliance of the qualitative and the quantitative is necessary to ensure a better understanding of the evolution of situations in the fight against poverty and social exclusion. In the same way, expertise in phenomena, problems and their solutions will benefit the emergence of areas for public dialogue, while following the direction of the Act.

Encouraging the pursuit of fundamental research within a framework of mixed approaches would make it possible to enrich the analysis and understanding of poverty, its mechanisms, its thresholds and its representations, while giving form to the knowledge gained by the experiences of persons living in poverty.⁸⁰ This research is necessary for the development of new indicators and new measurement instruments, particularly in the area of social exclusion.

79. GADREY, J. and F. JANY-CATRICE (2007). *Les nouveaux indicateurs de richesse*. Paris: La Découverte, Repères coll., 121 pp.

80. GONDARD-DELCROIX, C (2003). *Les analyses qualitatives de la pauvreté: continuité ou rupture?* in Documents de travail coll. No. 81, Centre d'économie du développement, Université Montesquieu-Bordeaux IV, Bordeaux, France. 17 pp.

Cross-fertilization of knowledge

There are several reasons for calling on the expertise of persons living in poverty and exclusion and their associations. Of course, this is already being done within the framework of certain research efforts, but it could become more common practice. The ability to identify phenomena and inscribe them in a theoretical framework is encouraged when the method allows the cross-fertilization of viewpoints and knowledge about a topic. Knowledge based on experience revitalizes scientific thinking. New concepts emerge and make it possible to address phenomena in other ways. The process can lead to new ways of acting.

The participation of persons living in poverty in processes that concern them, as mentioned in section 6 of the Act, is also encouraged within the framework of United Nations-supported programs to fight poverty. Participatory research and the interchange of knowledge carry this requirement right into the construction of knowledge relevant to the actions in question.

Such an approach assumes an open scientific process. It is more effective when it is not contained within a too predefined framework, thereby allowing the group that shares its expertise to gradually build new concepts that then become references. One of the contributions of an in-depth effort to cross-fertilize knowledge consists of opening up existing frames of reference and making possible changes in how situations of poverty, their causes and their consequences are considered, as well as in how interventions can be made to encourage fairer management, both in terms of justice and appropriateness.

This approach could be implemented, as touched on in particular within the framework of the strategic plan developed by the Conseil de la science et de la technologie du Québec, for the research and transfer of knowledge in the fight against poverty.⁸¹

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.

6.3 MORE INCLUSIVE MEASUREMENT TOOLS

Quantitative indicators are relevant to following up on two of the goals stated in the Act (section 6, points 2 and 3), i.e., improving the economic and social situation of persons and families living in poverty and social exclusion and reducing the inequalities that may be detrimental to social cohesion.

They will not be adequate, however, to following up on three other goals of the Act (section 6, points 1, 4 and 5): promoting respect for and protection of the dignity of persons living in poverty and fighting prejudices in their regard; encouraging persons and families living in poverty to participate in community life and social development; and developing and reinforcing the sense of solidarity throughout Québec society. Work to develop a more complete trend chart could thus be undertaken.

Such a perspective requires us to better identify the multidimensional nature of poverty. Creating indicators to do this could use both qualitative and quantitative dimensions, as well as the individual and collective components of situations of poverty. In tune with the goals and orientations of the Act, this effort would call upon the expertise of persons living in poverty and those working in the communities concerned.

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.

Finally, section 21 of the Act specifies that “the Minister shall make an annual report to the Government on the activities carried out within the scope of the government action plan.” In view of contributing to this update, the Centre recommends the yearly publication of a progress report on poverty and social exclusion.

Recommendation 19 *Annual publication*

The Centre recommends the yearly publication of a progress report on poverty and social exclusion.

81. MATHIEU, M. et al. (2007). *Défi pauvreté. Plan stratégique de recherche et de transfert de connaissance pour lutter contre la pauvreté*. Conseil de la science et de la technologie, Perspectives Science, technologie et société project, 41 pp.

7 CONCLUSION

The adoption of the market basket measure (MBM) as the baseline indicator to monitor situations of poverty from the viewpoint of the coverage of needs would constitute an important gesture and mark a turning point, since Québec has never defined any official indicator for taking the measure of poverty. Failing something better, governments, social players, the media and experts have almost always referred to Statistics Canada's low income cut-offs, although this indicator has major failings and has not been adequately updated over the years.

By adopting the market basket measure, Québec is opting for a measurement that is consistent with the central orientation of the Act, which corresponds fairly well to a concrete and unavoidable element of the experience of poverty and that encourages citizen debate.

Obviously this measure is not perfect. It will therefore be necessary to remain open to discussion and criticism in order to improve and update it. Caution should also be taken in making it an absolute or sole guide, which would reduce complex human social situations to only a single dimension or a single line to be crossed. That is why the Centre d'étude sur la pauvreté et l'exclusion recommends using several other complementary measures to establish comparisons in time and space, or to identify other dimensions of poverty, inequality and social exclusion.

In the same way, it is clear that the economic dimension alone is insufficient to take into account properly all the facets of poverty, thus the interest in also casting an eye on social exclusion factors and the determinants and consequences of poverty. Territory, education, health, work, housing, justice and security, and access to cultural activities are of just as much concern to all the players involved in the fight against poverty, locally as much as regionally and nationally.

In the perspective of life courses, efforts must also be made to develop our knowledge about the major determinants of poverty, the best practices to combat poverty and the public policies that should be implemented. We must also open up perspectives in order to facilitate public debate and the cross-fertilization of knowledge.

It is important, therefore, by calling on a range of different methods and viewpoints, to establish a more complete trend chart to take into account all the dimensions targeted by the Act in an effort to move toward a poverty-free Québec. The proposed indicators contained in this advice and the suggestions about work that should be done to complement our knowledge should not

only enable the government, but also all the social players who are interested in these issues, to be equipped with better tools.

The objective of the National strategy to combat poverty and social exclusion remains, in fact, to bring concrete improvements to the living conditions of hundreds of thousands of people affected by poverty and social exclusion. Of course, these efforts must continue, not only for and with those people, but also for Quebec society as a whole, which can only benefit from greater social justice.

APPENDIX

1. Notes on methodology

Sources of data

- The compilations of the Centre d'étude sur la pauvreté et l'exclusion, carried out using the public-use microdata file of the *Survey of Labour and Income Dynamics*, may differ slightly from those of Statistics Canada, the Institut de la statistique du Québec or Human Resources and Skills Development Canada, which are carried out using the master file of that survey. The differences, however, are minor.
- The confidence intervals were calculated by the Centre d'étude sur la pauvreté et l'exclusion using the public-use microdata file of the *Survey of Labour and Income Dynamics*. They may vary very slightly with those that could have been calculated by Statistics Canada, the Institut de la statistique du Québec or Human Resources and Skills Development Canada using the master file of that survey.

Statistical units

- **Family units:** unattached persons or economic families of two or more persons within the meaning given by Statistics Canada.
- **Economic family:** two or more persons living in the same dwelling who are related by blood, marriage or adoption or who are living common law.
- **Other units (types of family units):** units whose members are 18 years of age or over, 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 the same dwelling).
- **Unattached person:** person living alone in a dwelling or with other people to whom he or she is not related; an unattached person is, therefore, not necessarily the only occupant of the dwelling in which he or she lives.
- **Person living alone:** an unattached person in a one-person household.
- **Co-tenant:** an unattached person in a household of several persons.
- **Census family:** married or common-law couple (with or without children), or a single parent living with at least one child (of any age). Grandchildren living in the household of at least one of their grandparents (but without their parents) are considered as being part of the census family of their grandparents.
- **Person outside the census family:** member of a household who is not part of a census family. This person may be related to person 1 (e.g., sister, brother-in-law, cousin or grandfather) or not related (e.g., roomer, co-tenant or employee). Persons outside the census family, therefore, can live in a household of several people. Persons living alone are always considered as persons outside the census family.
- **Household:** person or group of persons occupying the same dwelling and not having a usual place of residence elsewhere in Canada. The household can be made up of a family group (census family), with or without other persons outside the census family, two or more families sharing the same dwelling, a group of unrelated persons or an

unattached person. An individual living in a one-person household, therefore, necessarily lives alone, which is not always the case with “unattached persons” or “persons outside the census family.”

- **CMA:** census metropolitan area.
- **Principal income earner:** member of the family unit earning the highest income (if the highest income is earned by more than one person, the oldest person is considered to be the principal income earner).
- **Elderly person:** person 65 years and over.

Standard symbols and signs

%	Percent or percentage
n	Number
x	Confidential data
..	Data not available
...	Not applicable
()	Sample size is insufficient for publication purposes
H	Confidence interval (95%)

Low income measures

- Statistics Canada’s **low income cut-offs (LICOs)**: according to this measure, a family unit (and the persons comprising it) is considered to be low income when it spends more income (20 percentage points more than the average Canadian family of the same size) on the basic necessities (food, shelter and clothing). Low income cut-offs are calculated using the 1992 *Family Expenditure Survey* (FAMEX) and then indexed on a yearly basis to the Canadian consumer price index (CPI).
- Statistics Canada’s **low income measure (LIM)**: according to this measure, a family unit (and the persons comprising it) is considered to be low income when its income adjusted for the size and composition of the family is lower than 50% of median adjusted income. The low income measure presented here is based on the median income of Quebec families and not that of Canadian families, as used in Statistics Canada calculations.
- Human Resources and Skills Development Canada’s **market basket measure (MBM)**: according to this measure, a family unit (and the persons comprising it) is considered to be low income when its income falls below the cost of a specific basket of goods and services determined on the basis of its community or a community of the same size. This basket is made up of certain goods and services, including food, clothing, footwear, shelter, transportation and other goods and services (personal care, household needs, furniture, telephone service, reading materials, recreation and entertainment). The cost of the basket is calculated for a family of one adult male and one adult female aged 25 to 49 and two children (a girl and a boy aged 9 and 13). The concept of disposable income available for consumption prevails, i.e., after-tax income less certain non-discretionary expenses (social contributions, child care, support payments). Since the public-use microdata file of the *Survey of Labour and Income Dynamics* (SLID) does not enable the community in which individuals live (e.g., Québec City or Montréal) to be known, but only its size (in terms of population), the low

income threshold of the census metropolitan area (CMA) of Montréal is assigned to family units living in communities with populations of 500,000 or more, rather than the thresholds specifically calculated for the CMAs of Québec City and Montréal, as is done by Human Resources and Skills Development Canada. The differences, however, are minor.

International data from the Luxembourg Income Study

Data from the Luxembourg Income Study (LIS) are not perfectly comparable with those calculated using Statistics Canada's low income measure (LIM). In fact, they were compiled according to this databank's own chosen methodology in terms of equivalence scale, and family unit and income concepts (<http://www.lisproject.org/key-figures/key-figures-methods.htm>). According to the LIS method, the low income threshold corresponds to a percentage (40%, 50% or 60%) of the national median income (provincial income, in the case of Québec), after taxes and mandatory workers' contributions (employment insurance and public pension plans).

2. Committee members

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

Paul Bernard, professor, Department of Sociology, Université de Montréal

Camille Courchesne, Assistant Director General, Statistics and Analysis, Institut de la statistique du Québec

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

Jean-Yves Duclos, professor, Department of Economics, Université Laval

Lucie Gélinau, researcher, Centre de santé et de services sociaux de la Vieille-Capitale (university-affiliated centre), associate professor, Department of Social and Preventive Medicine, Université Laval

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

Simon Langlois, professor, Department of Sociology, Université Laval

Marc-André Maranda, Director, Public Health Program, Ministère de la Santé et des Services sociaux

Marie-France Raynault, associate professor, Director, Department of Social and Preventive Medicine, Université de Montréal, and Director, Observatoire montréalais des inégalités sociales et de la santé, Direction de la santé publique de Montréal-Centre

Marie-Renée Roy, Assistant Director General, Policies and Forecasting, Ministère de l'Emploi et de la Solidarité sociale