



***Experts Panel on Income Security of The Council on Aging of Ottawa<sup>1</sup>***

**Comments on Bill C-87, an Act Respecting the  
Reduction of Poverty**

We welcome the opportunity to present our views on the Bill C-87, *An Act Respecting the Reduction of Poverty*.

We support the proposed legislation but have some caveats and suggestions. In particular, while the proposal to set targets based on the MBM as the official poverty line is a positive step on many fronts, it also runs the risk of weakening our collective resolve to complete Canada's largely successful efforts to fight poverty among seniors. It also risks distorting policy priorities more generally by placing too much attention on only one dimension of poverty, a dimension that is particularly difficult to measure in a non-arbitrary manner. Finally Bill C-87 does not deal directly with the reality that many actors, including in all orders of government, must necessarily play major roles in successful efforts to reduce poverty. Finding better ways of harmonizing these efforts should be a top priority.

Happily the Bill also provides a means of dealing with many of these measurement and monitoring issues through its provision for the Minister to develop and implement a broader poverty reduction strategy that includes other metrics as well as the MBM (to be set out in a schedule which does not currently exist), and for a National Advisory Council on Poverty to advise, consult and report on success in reducing poverty including on the full range of metrics as well as on the MBM targets. Our concerns would be alleviated if these other metrics were specified prior to the legislation being enacted or if some clear indication were given of their intended scope. We have particular suggestions regarding the role of the National Advisory Council on Poverty and its use of metrics.

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<sup>1</sup> *This note was prepared by the Experts Panel on Income Security of the Council of Aging of Ottawa. Members are: Bob Baldwin, Bernard Dussault, Peter Hicks, Andrew Jackson, Russell Robinson (chair), Jennifer Robson, Richard Shillington, John Stapleton and Michael Wolfson*

This submission will:

1. Illustrate why the MBM measure shows less poverty among seniors when compared with the main alternative measure and will explain why, unless care is taken, these lower official poverty rates could inadvertently lead to backsliding on the considerable success that Canada has made in reducing poverty among seniors.
2. Elaborate on the more general risks that would be associated with an over-reliance on the use of the MBM measure. These include: diverting attention away from other aspects of income poverty; ignoring important non-income resource lacks that also cause poverty; and the risk of giving undue support to traditional 'one-size-fits-all' program designs that will gradually become outdated.
3. Suggest ways of addressing a potential credibility problem: the highly complex MBM methodology runs the risk of being portrayed as arbitrary and open to political influence. Accordingly we include a suggestion that the legislation be amended so that Statistics Canada is not given responsibility for making choices that are essentially non-statistical in nature.
4. Suggest how the National Advisory Council on Poverty could, given a clear mandate for developing and presenting empirical evidence related to all aspects of poverty, play a major role in harmonizing the activities of the many players across the country who are engaged in addressing all the dimensions of poverty. Practical examples are provided.
5. Raise some more technical points related to regulations and to the composition of the Advisory Council.

## ***1. Tackling senior's poverty: let's not get distracted from finishing the job***

The rationale for setting targets is to mobilize policy action. This is best achieved by setting targets that are ambitious but still achievable. Bill C-87 appears to have set out a sensible balance in this regard. The 20% reduction in poverty by 2020 that is proposed seems achievable given the many, and much welcomed, program reforms that are already underway – together with additional fine-tuning as required. The target of a 50% reduction by 2030 also seems achievable, but will almost certainly require new policy initiatives and new spending.

As a result, there could be strong pressure for new funding to be devoted mainly to those programs that have the biggest payoff in terms of meeting the highly visible income target – and not on programs that are directed to groups such as seniors where income poverty, as

measured by the MBM, is relatively small and where non-income health-related needs such as long term care can be at least as important as are income needs.

*It is the use of the MBM rather than the LIM that causes the backsliding risk*

In discussions leading up to Bill C-87, the main choice in setting an official poverty indicator appeared to be between the use of the LIM (Low Income Measure) and the MBM (Market Basket Measure). The LIM defines poverty in relation to the distance from the median income of the whole population. The MBM is based on the income needed to purchase an adequate basket of goods and services.

- Looking at current data, the LIM does not show a great deal of difference between the poverty rates for seniors and for the whole population, with both being around 14%, with the LIM rate having increased considerably for seniors in recent years.
- A completely different picture is painted when the MBM is used. In 2016 the poverty rate among seniors was just 4.9% using the MBM compared to 14.2% using the LIM, a very large difference. Moreover the poverty rate for seniors under the MBM has been reasonably steady in recent years, not rising as it does using the LIM.

The Annex shows, and explains, the dramatically different longer-term trends in poverty among seniors that result from the use of the two measures.

Provided that is always used in the context of a dashboard of indicators that measure other aspects of poverty, we are certainly not opposed to the MBM as an official measure of poverty. Indeed, we have suggestions on how it could be constructed to best play such a highly visible role.

Adequacy is a central dimension of poverty and it makes sense for policy priorities to be placed on groups where the MBM poverty rate is high. Existing programming is doing a reasonably good job in combatting this aspect of poverty for seniors. More generally, many of the income and other poverty-related social problems facing seniors can be best addressed by interventions earlier in life, before people become seniors – such as a lack of income, skills, health or savings in the middle years of life. That is, even for an organization such as ours with a mandate that relates to seniors and aging, placing priority on the working age population (and their children) has obvious merit.

Our immediate concern is that an over-concentration on the MBM and on the targets set for the MBM, without giving any weight to the (promised, but yet to be specified) other metrics, might result in:

- Back-sliding on the significant progress that has already been achieved in reducing income poverty among seniors.
- Reducing the priority attached to the needs of those sub-groups of seniors where income poverty still remains too high – and to groups where the risk of future poverty is high.
- Diverting attention away from non-income supports and services, such as home and elder care, which are badly needed by seniors.

The first two concerns are addressed in this section, while the third, which is crucially important, is addressed in the next section.

### *Why poverty reduction among seniors remains an important priority*

As is the case in many countries, Canada has traditionally placed a high priority on providing income security for seniors. There were practical reasons for this. Income support programming for the working age population is costly and must achieve a difficult balance between providing the needed income without creating significant work disincentives. In the early days when pensions were introduced, older people were a smaller portion of the population and the duration of retirement was comparatively shorter. Public costs of providing income support were therefore manageable and work disincentives were not a big issue.

There were also good social policy reasons for the early focus on providing income support during retirement. It was universal in the sense that everyone (except those who died young) received the benefit for at least a portion of their lives. People could plan their lives without fear of poverty in old age.

The priority attached to public pensions and related tax support for seniors has continued over the decades and these senior's benefits have played an increasingly large role in the overall national efforts to fight poverty. The percentage of seniors in the population has grown over recent decades and will continue to grow into the future. A large portion of Canada's income security budget is now devoted to seniors.

The Canadian retirement income system has evolved into one of the best in the world. That 'system' is extraordinarily complex – at times impenetrably complex – consisting of many seeming unrelated components. However, when taken as a whole and compared with many other countries, it has achieved a good balance in reducing poverty among seniors, and in doing so at reasonable public cost. We have also been quite successful in balancing absolute and relative approaches to fighting income poverty in old age – i.e., allowing low income seniors to

purchase a constant basket of basic goods and services, without greatly falling behind the living standards of the current generation of working age people.

However our success requires constant attention in the form of ongoing review and periodic reform in the various components of the system. Without continued attention, we risk falling behind. There should be regular review of the retirement incomes of the current *and future* elderly, including an assessment of the possible policy and program implications of trends in employment patterns, savings, family composition, living arrangements and health status. These reviews and assessments should be undertaken by gender and for different age groups among people age 65 and over.

### *Poverty remains high among subgroups of seniors*

A similar concern is that a quite low MBM poverty rate for seniors taken as a whole may result in less attention being paid to the situation of those sub-groups of seniors where income poverty still remains high, or risks becoming high in the future. Main examples are:

- Seniors living alone, particularly women. Senior couples are better off than singles.
- Seniors on partial OAS (Old Age Security), mainly immigrants/refugees and returning Canadians. Many immigrants are sponsored and cannot receive the GIS (Guaranteed Income Supplement) for 20 years while most immigrants to Canada come from countries with no reciprocal agreements with Canada resulting in long waits for OAS and disentanglement from in-kind programs like prescription drugs and mobility aids. These are the seniors that have swamped food banks, shelters and community hubs in cities such as Toronto.
- The treatment of earnings for low-income seniors who wish to work is, in many instances, worse than in comparable welfare programs. In Ontario, for example, poor 64 year olds who are working and who leave the social assistance system when they reach age 65 face a nasty awakening when their employment and self-employment incomes are taxed back via reductions in the GIS and the related Ontario top-up program at 100%. Those who work face tax backs of 75% on GIS once they have worked through the \$3,500 exemption for paid wage employment. Working later in life for those who so wish, and who can find jobs, should be encouraged, and not penalized, by policy. In another paper<sup>2</sup>, we describe the dramatic growth in employment rates that has taken place among seniors over the past two decades and a concern about growing

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<sup>2</sup> *The Grey Tsunami Threat: A Failure of Evidence to Drive Policy*, Council on Aging of Ottawa, 2017, (<https://coaottawa.ca/wp-content/uploads/2017/11/2017-10-income-security-Tsunami-paper.pdf>)

polarization if working longer is concentrated among those with higher incomes while those with lower incomes are left behind.

- In terms of future poverty among seniors, recent CPP (Canada Pension Plan) reforms reflected concerns about a growing number of workers without private pensions or adequate private savings who risk becoming poor when they reach retirement ages. However, the actual reforms are limited. They will not be fully phased in for half a century, while the middle class of the baby boom cohort could face important shortfalls in their replacement incomes in the next two or three decades. This is an issue that can be readily foreseen and it will likely return to prominence in coming years.

## ***2. Let's not forget the key dimensions of poverty that are not covered by the MBM***

### *The relative dimension of income poverty and international comparisons*

If we are to have a single official measure of poverty, it makes sense to define it in terms of the numbers of people living below some low income threshold. This is a traditional and well-understood approach, also used in many other countries. While there are various ways of conceptualizing a low income cut-off, a core meaning has always related to material deprivation. Accordingly the MBM, where the low-income threshold is based on the income needed to purchase a “modest, basic” basket of goods of services, is an understandable choice as the official poverty measure (although as we note later, a less ambiguous phrasing would be helpful).

For use in support of programming specifically directed to seniors, the MBM can be more helpful than the LIM which tends to reflect changes in the median income of all Canadians rather than changes in seniors’ income, as shown in the Annex. The MBM also takes account of the large regional and urban/rural differences in the cost of a standard basket.

Nevertheless, the LIM remains a useful and direct way of measuring the relative dimension of income poverty by defining low-incomes in terms of the distance from the median income in a community or nation. In this measure, we are poor in relation to the income of others around us, not in relation to the ability to purchase an arbitrary, often historical, basket of goods and services. The LIM reflects policy concerns related to social exclusion and equity dimensions of poverty. It is widely used and simple to calculate. Importantly, it is the measure used in international comparisons – a key element in poverty analysis. LIMs can be constructed in different ways, but some variant of a LIM should play an important part in any dashboard of poverty-related indicators.

*A headcount indicator, such as the MBM, reflects a dimension of income poverty that is likely to become less important over time*

Trends in a poverty indicator that is based on an income threshold (whether an MBM or LIM) signal net changes in the numbers of people who fall above and below that low-income threshold. In the absence of other indicators, we risk being satisfied with programming that just tips a lot of people over the chosen poverty line without taking account of the severity of poverty. Supporting indicators related to the persistence or depth of income poverty are important today and are likely to become even more important in the future.

For example, many poor people have incomes that are just around the cut-off threshold. Many people stay in poverty for relatively short periods of time, often for reasons such as the temporary loss of work by the family member, illness, family breakups or some combination of factors that do not continue over time. Relatively small changes in the market or in the design of government programs could move significant numbers of people just over or just under that cut-off and thereby causing the official poverty statistics to show improvements or setbacks. What such headcount numbers do not show are changes in the severity of poverty – how far people fall below the poverty cut-off, or the length of time that is spent in poverty. If the official MBM headcount line were used exclusively in policy-making, the results could well be perverse by failing to draw attention to the poorest of the poor who are most in need of support.

And, in reality, it seems likely that the national policy focus will gradually shift towards those in deeper poverty. To a significant extent, the 2020 target of reducing poverty by 20% will be achieved by improving the incomes of those in relatively shallow poverty as result of the current generation of reform activities – e.g., reforms to the GIS, the child benefit and the Canada Workers' benefit. In contrast, the 50% target by 2030 will likely require a stronger emphasis on those who are in deeper poverty. And, as noted, the MBM headcount measure, taken in isolation, is not a good indicator of the depth of poverty.

*As well, an MBM does not cover the non-income dimensions of poverty*

Earlier we identified a concern that an over-emphasis on meeting the MBM income targets should not be at the expense of lowering the priority placed on non-income supports and services, such as home and elder care, which are badly needed by seniors. More generally, in recent decades thinking about poverty has moved beyond the core focus on low-incomes and material deprivation to encompass a wider range of factors that exclude people from the main stream of society. Today poverty is also seen as the lack of resources needed for people to develop and use their capabilities in ways they so wish (including skills, health, social and financial capital as well as income flows).

For example, policies that address poverty among seniors are not limited to income transfers such as pensions, but also address problems related to the lack of adequate housing and living arrangements when older people become frail, food security, unmet health care needs, lack of supports for chronic illness including dementia, and the lack of skills which (along with high policy-induced work disincentives) prevent many seniors especially in their 60s from continuing to work as long as they might otherwise have wished. Among seniors, these other dimensions of poverty are at least as important as are those related to the ability to purchase a standard basket of goods and services that reflects only the average needs of the whole population in their geographic area.

An income measure of poverty, whether a LIM or an MBM, is often considered to be a reasonably proxy for the lack of these other resources. People who lack skills or who face disabilities or inadequate housing will often also have low incomes. While true at one level, reliance on this correlation can distort policy responses, especially for those who are most in need and who often face multiple resource lacks. We simply do not live in society where, in the absence of other social interventions, receipt of a standard, modest income top-up would allow low income people to purchase the diverse combinations of accommodation, disability, health, training, addiction and other community supports and services that are needed. Our poverty indicators must be able to monitor these other dimensions directly.

*An income-based poverty line like the MBM invites program design responses that are gradually becoming outdated*

The ‘law of the instrument’ suggests that if the only tool we have is a hammer, we are likely to treat everything as if it were a nail. If we over-rely on a statistical measure that reflects a standard basket of goods and services then we are tempted to look only to program solutions that provide income transfers in standard amounts at standard times during the year. That is, the official poverty measure that is described in the Bill points to solutions that look a great deal like today’s income security system with its mix of programming such as pensions, social assistance, Employment Insurance, student aid, and various tax measures which provides standard benefits that reflect average needs in conventional monetary terms.

When we look at the real world, we know perfectly well that there is huge heterogeneity in the resource lacks, opportunities, needs and preferences among those who are poor. In an ideal world, we would provide public support in ways that are more closely tailored to these highly diverse situations and needs, including those combinations of income, skills, housing, and disability supports that make sense given individual and family circumstances. The increasing availability of big data, predictive analytics, and ‘what works’ program designs has led to much



interest in moving in more flexible ‘citizen-centered’ policy directions in areas such as health, skills, and employment programming, with a corresponding desire to break out of our mainstream program silos that provide only one kind of standard benefit.

We currently have neither the program accountability structures, nor the needed capacity to fully use big data technology, to move away from traditional program silos except on a small-scale experimental basis. However, programming that is tailored to the diverse needs of particular citizens who face very different circumstances holds great promise for the future. It would be desirable if our official statistical indicators would help move in these new directions. Taken in isolation, reliance on a single traditional income headcount indicator such as the MBM could have the opposite effect of re-enforcing traditional programming silos.

*The solution has been recognized, but needs elaboration*

The fact that the MBM, taken in isolation, may not cover all the important dimensions of income-related poverty (as well as failing to take account of the non-income dimensions of poverty and favouring outdated program designs) is not an argument against using the MBM as the official poverty measure. Rather it is an argument for using a wider range of measures, along with the official MBM measure, when analyzing and reporting on poverty trends. And doing so is entirely consistent with the wording and spirit of Bill C-87.

Indeed, the strategy paper, *Opportunity for All – Canada's First Poverty Reduction Strategy*<sup>3</sup>, that is associated with Bill C-87 defines poverty broadly and highlights the importance of its multiple dimensions. It bases the policy reduction strategy on three pillars: living in dignity, providing opportunity and inclusion, and enhancing resilience and security. It recognizes the importance of multiple indicators in each pillar.

For example the MBM official poverty line is only one of the indicators that would form part of the dignity pillar. In addition to this measure of basic income levels, *Opportunity for All* highlights the importance of having indicators related to food, housing and shelter, and health care. The document mainly focusses on the kinds of indicators that ought to be available in the long run. However, apart from the MBM and its targets, it has less to say about what will be possible to implement over the coming several years.

That is, our concern is captured by the phrase *start as you mean to go on*. Neither the general principles that are set out in *Opportunity for All* nor the present version of the Bill, with its

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<sup>3</sup> Employment and Social Development Canada, *Opportunity for All – Canada's First Poverty Reduction Strategy*, <https://www.canada.ca/en/employment-social-development/programs/poverty-reduction/reports/strategy.html> (Downloaded November 20, 2018)

missing schedule, provide much guidance on how a multi-indicator approach would work in practice. Several quite different paths forward seem possible, but not all are equally desirable.

This present submission makes some practical suggestions below in Section 4.

### ***3. Building confidence in the neutrality of a highly complex measure***

#### *The MBM methodology risks being seen as arbitrary and open to political influence*

The methodology used to construct a legislated poverty line should be clear and transparent, especially with regard to the inevitable value judgements it embodies. Technical obscurity should be strongly avoided. Otherwise, when the indicator points in directions that some may find threatening or otherwise unwelcome, there will be an inevitable urge to blame the way in which the measure was constructed. Given the large numbers of actors in all orders of government whose programs are necessarily involved in fighting income poverty, and the many interest groups that have important roles to play, a single ‘official’ indicator is likely to be particularly vulnerable for attacks on its credibility even though it is prescribed in law.

The MBM – at least as it is presently constructed – is particularly vulnerable to this kind of attack. The basket consists of a great many items, with myriad arbitrary choices having to be made about which to include. Which specific items of food or clothing should be considered as basic, particularly given the cultural diversity of Canada’s population? In some cases, the underlying data are weak and challenging choices must be made – including in important areas such as the treatment of renting versus owning a residence. It is easy to ridicule some of the choices that are made, especially when these choices are examined one at a time and taken out of context. The MBM provides rich material for stand-up comics.

Bill C-87 also calls for the basket to be periodically updated by Statistics Canada on a regular basis is to ‘ensure that it reflects the up-to-date cost of a basket of goods and services representing a modest, basic standard of living in Canada’. However updating is not just a technical matter. There is no statistical methodology anywhere to define the frequency with which updates should be made, nor what constitutes a “modest basic standard of living”. When, for example, should items that are made possible by new technology be included as being a basic necessity (think of the current example of the emergence of reasonably affordable smart phones)?

Updating the indicator with new items can result in increases or decreases in the published poverty rate, opening up concerns that decisions that are being portrayed as statistical are in

fact open to political influence, if only indirectly. This puts Statistics Canada in an untenable position.

Even the inclusion in the Bill of the two qualifiers 'modest' and 'basic' adds ambiguity. If the two terms are synonyms then one is redundant. If they mean different things, which should be used to deciding the contents of the basket?

*and the solution is ...*

Once again, the argument is not against using the MBM as the official poverty measure. Rather it is to put the MBM in context. We suggest that:

- Priority should be placed on developing ways of constructing the MBM measure that are simpler and less arbitrary than is now the case, perhaps by dropping details that have little effect on the overall trends shown by the measure. A separate paper (*Bill C-87, Updating the MBM, and the Role of Statistics Canada*) is available that discusses options for moving in this direction and that explores related topics in more detail.
- Statistics Canada should be funded to develop and carry out regular surveys that directly measure material deprivation, along the lines that are currently used in Europe. A recent *ad hoc* survey of this sort conducted by Statistics Canada found that it produced readings of deprivation that were generally consistent with MBM readings. Having such a series would increase confidence in the validity of the MBM, as well as providing important new insights.
- In the shorter term, risks would be more manageable if the MBM results were presented along with analysis of LIM results and other indicators related to the depth and persistence of poverty. Doing so would clearly signal that a balanced approach was being used, without sole reliance on any one indicator.
- Bill C-87 should be amended so that Statistics Canada is not responsible for the politically-sensitive judgmental aspects of updating the MBM on an ongoing basis. Many of the detailed decisions involved in updating are not statistical in nature; rather they require arbitrary judgements, without any obvious empirical basis.

Our recommended approach to achieving the point above would be to amend the legislation to specify both the level of the MBM at a point in time and the method for updating it over time, including the frequency of updating. We propose that the Bill specify that the MBM be updated at least every five years. More detailed instructions on the construction and updating of the measure could be set out in regulations.

Our preferred solution would therefore be for Statistics Canada to do the technical work in updating the measure, based on methods or guidelines specified pursuant to the legislation. A second best solution would be to place the updating methods under the direction of the National Advisory Council on Poverty, or the Minister.

#### ***4. An essential task: harmonizing the activities of many players dealing with many dimensions of poverty***

The Experts Panel on Income Security of The Council on Aging of Ottawa provided input during the earlier development of the poverty reduction strategy that is summarized in a Policy Options article, *Measuring poverty: Let's get empirical*<sup>4</sup>. It suggested that a federally-led strategy that focussed on the income security dimensions of poverty would make most sense if there were also a separate, more encompassing initiative that provided the common empirical data needed to support all the actors (including many agents in different orders of government as well as non-government actors) that must necessarily play a large role in tackling the many dimensions of poverty.

The elephant in the room is perhaps the lack of discussion in Bill C-87 and in the associated paper, *Opportunity for All*, about practical ways of working in partnership, particularly since the income security programs and tax regimes of both orders of government interact closely. The need to work together, and for the National Advisory Council to undertake consultations, is recognized in *Opportunity for All*. General principles are identified. However, there is no discussion of specific ways of moving forward.

The need for much closer federal/provincial/territorial cooperation will become quickly evident when attention turns to ways of meeting the 2030 targets. As already noted, the 2020 targets should be largely achieved by reforms already announced, particularly as they address poverty among children and seniors where there is considerable latitude for unilateral federal action. However even federally-initiated reforms could have significant effects on related provincial and territorial programming. More important, meeting the 2030 targets will require tackling poverty among working age adults and the focus will shift to programming related to welfare, training and employment. Leadership in most of these areas lies with the provinces and territories.

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<sup>4</sup> Peter Hicks, 'Measuring poverty/ Let's get empirical', IRPP, Policy Options, January 2018, <http://policyoptions.irpp.org/magazines/january-2018/measuring-poverty-lets-get-empirical/>

As well as meeting the overall MBM targets, action will continue to be necessary on many particular income fronts such as addressing the needs of peoples with disabilities or people, especially women, living alone. And action will equally need to address the non-income dimensions of poverty including those related to the strategic goals of opportunity/inclusion and security/resilience that were referred to above. In most of these areas, success will depend on close cooperation among the different orders of government.

In our earlier submission, we envisaged the emergence of a system that was characterized by many individual strategies developed by different actors at all levels of government and by NGOs. Some of these strategies would set targets that were relevant to their mandates. Most would have indicators to monitor success in the dimension of poverty-reduction that was being tackled.

The strategy set out in *Opportunity for All*, rooted in legislation and with its focus on income poverty and income security programming, would of course play a central role in such a system. However there could also be separate federal strategies for housing (such as the recent National Housing Strategy) or for literacy skills, or for First Nations. There could also be separate strategies at the provincial and municipal levels. Strategies could be developed for different groups such as people with disabilities, or children, or seniors, or people who lack essential skills.

These different strategies, focusing on different aspects of poverty, could be harmonized by developing a pan-Canadian coordinating framework with a focus on measurement. One goal in developing such a coordinating mechanism would be to build consensus around the development of a rich underlying database of microdata and associated analytic capacity. Another would be to provide consistent data to support the dashboards of indicators needed by the various actors in the system. The ever-improving data that would result, along with the consultative process used to identify priorities for new data collection, would go a long way in harmonizing the efforts of the various actors. Details are provided in Box 1.

We remain of the view that the creation of an independent body, or 'social observatory', to provide an empirically-based coordinating mechanism of this sort holds huge promise in a country such as Canada where responsibility for social policy action is shared by different orders of government. One possibility would be for Bill C-87 to explicitly mandate the creation of a body with such a broad mandate. If that is not possible, an alternative would be to mandate the National Poverty Advisory Council to take on at least some of the functions of the proposed independent body described in Box 1 and/or facilitate the creation of such a body. A strong version would enable the Council to fund the development of this capacity. This could be

**Box 1. A proposal for a body to provide empirical support in order to help harmonize the activities of the many actors that fight the many dimensions of poverty**

An evidence-based pan-Canadian consultative process would operate on an annual cycle, be headed by an independent body, be federally funded and be heavily reliant on Statistics Canada for developing and presenting data.

*The data and analytic dimension*

The independent body would partially fund and oversee the development of a micro data base and associated analytic capacity that would describe the characteristics of people over the course of their lives, including their attachment to family, to the labour market and to the programs and services that provide resources such as skills, health, caring and income.

The analytic capacity would facilitate tracking how people acquire and lose these resources, allow analysts to simulate the effects of proposed policy changes and provide a conceptually consistent hierarchy of indicators and supporting information to thousands of actors throughout the system. More details can be found in a separate paper, *Upgrading Social Policy Research and Advice*<sup>a</sup>.

As well as providing the micro-data, the proposed organization would also provide easy on-line access to standard dashboards of indicators covering the different dimensions of poverty and different ways of measuring those dimensions. There would also be ready access to many breakouts by geographic area, by demographic characteristics and by membership in

vulnerable groups, as described in more detail in Box 2.

*The consultative dimension*

The annual consultation would involve all main players – in all orders of government and among those who provide services to, and represent, those who are poor. The goals would be to:

- Identify priorities for developing the new data and analytic capacity. The independent body could fund the development of this new capacity and monitor progress.
- Identify and produce the common data needed by the various actors to build their own indicators.
- Develop a small set of pan-Canadian indicators that are shared by many actors. For these, progress would be monitored during the following annual cycle.
- Targets would NOT be for these indicators as part of this exercise; target-setting is responsibility of politicians with the appropriate mandate. However, this empirically-based consultation process could comment on success in meeting targets set by other bodies.

Discussions about statistical priorities are inevitably driven by underlying policy priorities. Focusing on the measurement dimension therefore provides a relatively neutral ground that can help in harmonizing policy directions. Such an approach seems to hold much potential as a non-territorial, collaborative, sustainable, and ultimately more effective approach to fighting poverty.

<sup>a</sup> <https://coaottawa.ca/wp-content/uploads/2017/12/2017-12-COA-Upgrading-Social-Policy-Research-Advice.pdf>

done by making minor amendments to its wording of Bill C-87 or through related Ministerial statements.

Bill C-87 calls for the Advisory Council to provide an annual report to the Minister regarding ‘progress being made in meeting the [MBM] targets ... and the progress being made in poverty reduction measured by, among other things, the metrics set out in the schedule’. In the

scenario set out in Box 1, the Advisory Council would have responsibilities not only for the high level dashboard indicators required by the Bill, but also for developing the underlying data base and analytics that are needed to create the indicators and, indeed, to support poverty and related social analysis more generally.

For this to be practical, it will be necessary to move beyond traditional thinking about the reporting metrics. There is a tendency to think of the reporting metrics, or indicators, referred to in the Bill in terms of analogies with the dashboards found on cars or airplanes, or with school report cards, or with presentation of a limited number of ‘social indicators’ set out in a table in a paper report. In such analogies, a critical task is seen as identifying a select set of indicators that is large enough to encompass all the key dimensions needed for good decisions-making, but that is narrow enough to be manageable – avoiding clutter and unnecessary distraction.

However, when it comes to social indicators, the digital age has made the traditional approach outdated. As illustrated in Box 2, we now have the capacity to produce not only the high level indicators to be used in steering the whole system, but also the capacity to provide quick and direct access to the supporting data that will always be needed when the high level indicators point to a potential problem. There would be easy access to a cascade of increasingly more detailed indicators that can take us deep into the rich underlying data base. The data base would also provide consistent data to support the different dashboards that would be used by the many actors who play different roles in fighting poverty. In the new approach, there would also be provision for public access to all the indicators and supporting data.

The present wording of the Act does not preclude either the traditional or the digital age approaches. We suggest however that ways be found – in the legislation, in the missing schedule or by other means – to clearly signal support for the digital age interpretation.

## ***5. Some more technical issues and questions***

We have noted several technical issues and questions that might require consideration. For example, to what extent does the use of the MBM as the official measure of poverty impact on other legislation and guidelines? As one example only, the immigration guidelines relating to sponsoring parents and grandparents refers to the LICO, a poverty measure that will be made obsolete by the MBM. Has an assessment been made of the extent of these consequential changes? Does the Bill as presently drafted provide sufficient authority to allow needed changes to be introduced?

## **Box 2. Traditional versus Digital Age approaches to poverty indicators**

### ***The traditional approach to indicators***

The main dimensions of poverty would be identified. For example, the three pillars identified in *Opportunity for All*, might be used.

- Dignity: Lifting Canadians out of poverty by ensuring basic needs ... are met.
- Opportunity and Inclusion: ...promoting full participation in society and equality of opportunity.
- Resilience and Security: ... protecting Canadians from falling into poverty... .

A manageable set of perhaps 5 or 6 key indicators under each of the headings would be identified.

- For example, the dignity and basic needs dimension might be met by income indicators including the official MBM of course, but also the LIM and supplementary indicators such as the depth and persistence of poverty as well as direct measures of material deprivation when and if these data are collected in Canada.
- As another example, the resilience and security dimension might be associated with selected high level indicators describing the lack of those assets that help prevent people from falling into poverty, including financial savings, essential skills, good jobs, health and access to social networks.

There would also the possibility of having ready access to additional breakouts of each of these by geographic area, by demographic characteristics such as gender and age and for vulnerable groups such as people with disabilities.

### ***The digital age approach***

A public web site would be created, perhaps by the National Advisory Council on Poverty. The Council might ask Statistics Canada to maintain this site on its behalf.

The top level indicators found on the site could be structured along the lines of the three pillars – *as was the case in the traditional approach*.

However there would also be immediate access to a cascade of subsequent data screens:

- For example, in the resilience and security domain, the first screen that the user would encounter would show a handful of selected high level indicators, similar to those in the traditional approach described above.
- The user would also have instant access to detailed supporting information. For example, in the high level resilience and security screen, if the user clicked on the button associated with lack of essential skills, a new screen might appear showing lack of literacy skills, of numeracy skills, or problem solving skills.
- Further screens could provide related information about educational levels and participation in adult training adult training.
- For those who had an interest, it would be easy to access still further screens that would describe the supply side (such as the characteristic of education institutions or the funding of literacy programs).

That is, the various screens would allow users to move in a consistent and integrated way from high level indicators down into a rich underlying data base.

In this way the site would provide consistent indicators and supporting data to the many actors who have a mandate to address many dimensions of poverty and who require many different kinds of information – an important step in providing needed integration and harmony.



The Bill is cast at a high level of generality. Is there a need for a provision to make regulations? We suggested earlier that the detailed methodology for updating the MBM might be set out in regulations. Also, it is not clear how and when the missing schedule of metrics will be provided. The needed metrics might well be set out in regulations which can be updated in light of changing priorities, as opposed being entrenched in the legislation itself.

Perhaps the most important technical question relates to the composition of the Advisory Council.

### *The composition of the National Advisory Council on Poverty*

The present wording of Bill C-87 indicates only that the Governor in Council will select an Advisory Council consisting of 'eight to ten members, including a Chairperson and a member with particular responsibilities for children's issues'. Many issues will need to be balanced in selecting the Advisory Council. The discussion above suggests that it would be important for the Council to represent the views of provinces and territories. While children's issues are singled out, there are equally important issues related to seniors and to the often quite unique challenges facing people with disabilities and First Nations people. It will likely be important to have members with lived experience of poverty and, particularly over the coming decade where development the needed empirical tools will be of central importance, to having members with strong statistical expertise.

Given the need to balance many interests and given the likelihood that the balance of skills needed on the Council will evolve over time, it makes sense that the Bill itself does not specify the qualifications required for Council members. Rather, the choice of members should be made by the Governor in Council as is presently set out. Indeed, we suggest that consideration be given to removing the present reference to having a member with particular responsibilities for children's issues.

Children's issue are of central importance, but a non-legislated commitment by the Government to including such a member is likely more appropriate than including it in the legislation itself. Its inclusion could raise an unproductive debate about the omission of specific reference in the Bill to equally important issues related to the needs of seniors or people with disabilities, or to gender issues, or to the importance of reflecting provincial/territorial interests.

## ***Conclusion***

Bill C-87, along with the associated strategic document, *Opportunity for All: Canada's First Poverty Reduction Strategy*, is a welcome milestone in Canada's efforts to reduce poverty. In

addition to some technical suggestions relate to the wording of the Bill and the membership of the Advisory Council, we have argued that three aspects of the strategy should be more fully spelled out.

One would show how setting targets based on an official poverty indicator that reflects one dimension of poverty would not diminish the importance that is attached to reducing the many other dimensions of poverty that, when taken together, are at least as important as the one that is summarized by the official indicator. The solution lies in providing more clarity about the supporting metrics that are referred to in Bill C-87. Suggestions are provided about practical ways of doing this.

Our suggested approach will also help deal with the second concern about the vulnerability of basing an official poverty measure on the MBM whose construction depends on many complex and seemingly arbitrary choices. At minimum, consideration should be given to amending the existing provision in Bill C-87 so as to ensure that Statistics Canada is not responsible for sensitive decisions that are matters of policy judgement without any possibility of a sound statistical or empirical foundation. A solution is proposed.

The final topic relates to how the strategy could be used to help harmonize the activities of the many actors across Canada, including at all levels of government, in tackling the many dimensions of poverty. Once again, practical suggestions are provided on ways of doing this, particularly as they relate to the role of the National Advisory Council on Poverty in dealing with poverty metrics.

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*December 11, 2018*

*For further information or enquiries, please contact The Council on Aging of Ottawa Experts Panel on Income Security*

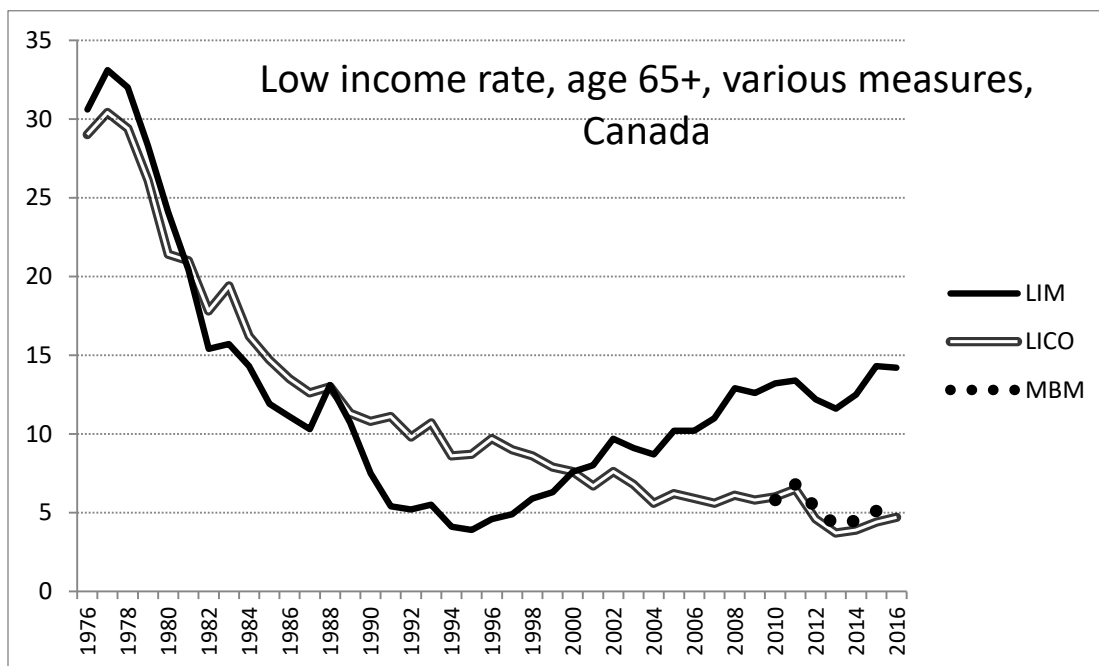
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## ANNEX

### *Why the LIM and MBM show such big differences in poverty rates among seniors*

The graph below compares trends in low income rates for seniors since 1976 using the three main indicators that have been used for this purpose in Canada. The MBM and the LIM have been discussed in the text. The MBM is available for only the recent past, so the graph also shows the LICO (Low Income Cut-off measure) which has a long history. The LICO is similar to the MBM in that it measures adequacy although it uses a different methodology<sup>5</sup>. Since its inception, the MBM for seniors has shown about the same levels and trends as the LICO.



Source: Both graphs in this annex are based on custom tables provided by Statistics Canada.

- LIM is the Low Income Measure after tax
- LICO is the Low Income Cutoffs after tax, 1992 base
- MBM is the Market Basket Measure, 2011 base

<sup>5</sup> The LICO shows the income below which a family is likely to spend 20 percentage points more of its income on food, shelter and clothing than the average family, while the MBM actually constructs a particular basket of goods and services that is considered to be an adequate minimum in various geographic locations.

In the graph, the LICO shows large declines in poverty rates among seniors throughout this period, with particularly steep declines in the period before 1990, in part reflecting improvements in pensions. The improvement has been slower in recent decades and levelled off in the last few years.

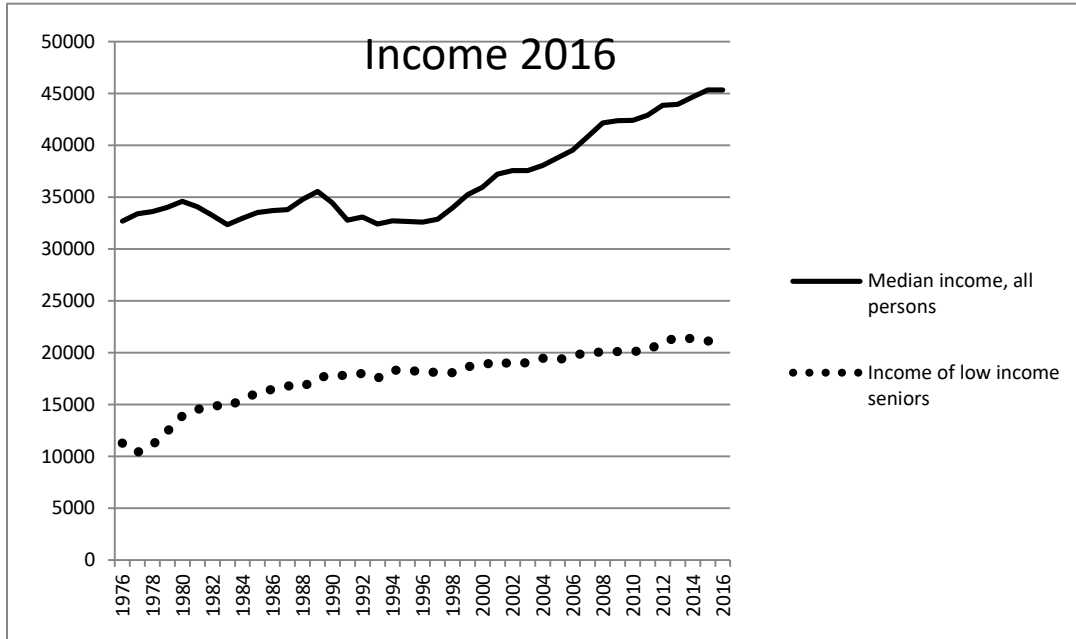
Critics have suggested that the improvement shown by the LICO trend is exaggerated since these measures reflect changes from a base period that does not keep up with current standards of what constitutes adequacy. A similar criticism would apply to the MBM unless it is regularly updated. Despite disagreement about the exact shape of the trend, LICO trend is generally consistent with the commonly held perception that poverty has been falling among seniors reflecting improvements in the retirement income system as a whole, including in public pensions.

The LIM shows a completely different U-shaped trend that, on the surface, may seem counter-intuitive. The LIM shows an even steeper decline in low income rates than the LICO during the period ending in the mid-1990s and then rises steadily for the next two decades. The underlying reason relates to the different trends in real economic growth and rates of inflation. (Median family incomes actually fell in the early 1990s while Old Age Security and the Guaranteed Income Supplement kept pace with inflation. Subsequently, median family incomes have been growing in inflation-adjusted terms.) For those who think of poverty in terms of purchasing power adequacy, this rise in recent decades may make little sense. Those whose main interest lies in income security programming directed to seniors may find LIM trends to be at odds with the world as they see it. The programs in which they have an interest have almost certainly improved over time (e.g., increases in GIS levels in real terms) or at least have maintained their purchasing power – and certainly have not resulted in big increases in poverty rates.

The answer of course is that the LIM is measuring something entirely different, with poverty being defined not in terms of maintaining the ability to purchase a fixed basket of goods and services, but in terms of the distance from the median family income of the population as a whole. Under the LIM, a family is poor if they have an income that is less than half the mid-point Canadian family income.

The graph on the next page shows that the median income for the population as a whole was comparatively flat up to the mid-1990s (though dipping in the early 1990), then started to steadily rise. Seniors' incomes at the bottom of the income distribution rose faster than the median income up to 1995 and slower after 1995. While neither of these trends is particularly dramatic taken in isolation, when combined they result in the U-shaped LIM curve for seniors. It

is driven mainly by what is happening to incomes of the working-age population and has less to do with any changes in the income of seniors.



Source: See above. The low income line for seniors is the one that divides the bottom 10% of the population from the top 90%. Both incomes are equalized.

In other words the LIM is an indicator that reflects the effects of public programs and tax regimes on the population as a whole, not only those that directly impact seniors. While both are relevant, the MBM – the new official measure of poverty – shows much less current poverty than does the LIM. The MBM poverty rate for seniors is low mainly because the Guaranteed Income Supplement for seniors is just high enough to push most seniors above the MBM line in the community where they live. However, a much higher proportion of seniors fall below the generally higher LIM poverty line, showing that many lower income seniors have incomes somewhere between the two lines. (The difference is also explained, to lesser extent, by technical factors, such as the imputation of rental income for home owners with no mortgage in the MBM, a situation likely to be disproportionately occupied by seniors.)