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The war over 'who is poor'

This is the second article in a three-part series that looks at how statistical information is used by interest groups and governments.

By Philip Mathias
Financial Post

An acrimonious battle is being waged between Conservative parliamentarians and anti-poverty activists for the right to decide which Canadians are poor.

The fighting reveals a minefield of "poverty" definitions – any one of which could explode in the face of a group that embraces it.

The "who is poor" war also involves big financial stakes – the $15 billion of public money spent every year on welfare.

A new poverty definition could ease or increase pressure to spend at a time when Canada's joint federal-provincial debt is $650 billion and its annual deficit is $50 billion.

The poverty fight is centred on three definitions:

- The ancient definition of poverty, which is "the lack of any item required to maintain long-term physical well-being." The poor have so little they suffer chronic bad health.

The number of Canadians living in poverty would drop to about 3% of the total population under this definition, according to some estimates. It would enable Canadians to compare accurately their society with Africa or Eastern Europe, where this measure tends to be used.

This standard is proposed by Christopher Sarlo, economics professor at Nipissing University, North Bay, Ont.

- A standard that defines what a Canadian needs to live in dignity amongst other Canadians.

The Commons subcommittee on poverty – headed by Conservative MP Barbara Greene – recommends a menu of "basic needs" items be created.

It would include food, shelter and clothing, reading material, the ability to give to others (classified as "religion/charity") and some entertainment, including cable TV, which the committee said is not "an unreasonable expense."

- Low Income Cutoffs, a set of numbers from Statistics Canada, which measure a low level of income relative to the Canadian average.

LICOs count the number of Canadians who are obliged to spend on their food, clothing and shelter 20% more of their income than the average Canadian.

By this standard, 10% to 15% of Canadians are "poor." Activists prefer this "poverty line," but LICOs are riddled with inconsistencies and StatsCan insists they do not measure poverty.

However, LICOs are now widely used by the media and some key federal departments to define poverty.

The "Who is Poor?" blaze was ignited last year by *Poverty in Canada*, a book written by Sarlo and published by the Fraser Institute of Vancouver.

"Estimates of the extent of poverty in Canada are grossly exaggerated," Sarlo wrote. "Poverty, as it has been traditionally understood, has been virtually eliminated ....."

The anti-poverty lobby was enraged.

"Changing the definition of poverty won't change the fact that babies born to parents who live under the existing poverty line have twice the chance of dying as other babies in Canada," said a spokeswoman for End Legislated Poverty, a coalition of B.C. social groups.

The definition of poverty would provide a stable standard that remained unchanged year by year

The issue became viciously political. "Supporters of the Fraser Institute ..... have a vested interest in downplaying poverty ..... so they can keep their tax breaks," charged the federal NDP's social policy critic, Chris Axworthy.

The Commons poverty subcommittee began its own examination last year. "Policies designed to eliminate poverty can only succeed if we have the means by which to identify the poor ....." the committee declared.

"The definition of poverty has implications for all government programs," Greene told The Financial Post. A tighter definition "would tell us more precisely what communities have people with inadequate welfare rates ....."

The available funds could then be targeted to real poverty, she said.

The committee called as witnesses two academics, eight federal officials, the director of a Montreal anti-poverty agency and a leading U.S. government statistician.

The committee's poverty definition – tabled in June – would provide a stable standard that remained unchanged year by year (only prices of the essentials on the menu would vary).

Sarlo's definition is minimalist and universal. Greene's approach took Canada's high living standards into account. Her committee drew the poverty line at the point where Canadians could feel poor in the midst of comfortable Canadians.

Anti-poverty activists want Canada to continue using LICOs, which arose in the 1970s almost by accident.

To set LICOs, StatsCan determines how much all Canadian families spend on food, shelter and clothing, most recently on the basis of 1986 information. (Answer: about 38% of gross income.)

Calculating LICOs then relies upon "a fancy, arcane, econometric methodology," said Michael Wolfson, director-general of StatsCan's analytical studies branch.

Wolfson summed up the result this way: "Any family whose income is below the level at which families tend to spend 20 percentage points more [that is, 58% of gross income] on these three essentials is said to be a 'low income' family."

The number of people in such families was 4.2 million in 1991, which represents 16% of all Canadians, Wolfson said. StatsCan disavows LICOs as a poverty measure because they have many faults:

- LICOs mix up the ancient concept of poverty – a shortage of basic necessities – with the political concept of income inequality.

"When you really start to look at how – relative to other people – a significant part of our population is living, that can be characterized properly as a poverty level," claims Peter Clutterbuck, executive director of the Social Planning Council of Metro Toronto.

"We see inequality all over the place," Sarlo replies. "We have movie stars who are much better looking than most of the rest of us. The inequalities we see in terms of intelligence ..... are quite startling. Whose job is it to rectify those things?"

- LICOs only measure spending on food, shelter and clothing. "We are well aware of the limitations of this concept of ..... basic necessities," Wolfson said. "[We] have pointed out that it leaves out such things as basic transportation, basic communication and other things."

- LICOs make no adjustment for spending by the wealthy on fur coats (clothing), caviar (food), restaurant meals and perhaps a vacation home (shelter), or an expensive condominium. Yet any family that falls to a

(*continued overleaf*)

point below this inflated average is considered poor.

• Standards of living in different locations are ignored. "Somebody with a $30,000 income in Montreal is better off than somebody in Toronto" because of the higher cost of living there, Greene said.

StatsCan differentiates LICOs by size of city of residence but makes no difference for standards of living between cities of the same size.

Wolfson takes the opposite tack to Greene: "We have been criticized for making too much allowance for living in different parts of the country," he said.

• Non-cash benefits, such as subsidized housing and bus passes for the elderly are not fully accounted for in StatsCan's calculations. This anomaly understates income for some "poor" families.

• Business losses are included in income calculations. A person with a high salary and a higher business loss is counted as having negative income. Savings from previous profits are ignored.

• Students with no income, living on government loans and supported by their parents can be included among the "poor."

"The LICOs have taken on a heavier role than they were originally intended to have [as social indicators]," Wolfson said.

Statistics Canada is accused by some of winking at this widespread misuse of its numbers. Wolfson said the agency is only suffering fatigue.

"There was a period of time in the early to mid-'80s when we were fairly aggressive in writing letters to the editor pointing out that newspaper articles had mistakenly identified the LICOs as poverty lines," he told The Post.

"But that activity has waned substantially in the last number of years. There's only so much energy one can devote to correcting" the problem.

The biggest problem with LICOs for any government is a political one – "poverty" is unlikely to be ever eliminated because the LICO poverty line just rises with average income.

"When the decade opened [in 1980], the overall individual poverty rate was 15.3%," said the National Welfare Council. "In 1990 ..... it was 14.6%."

Yet the income of average Canadians and "the poor" has risen in that period.

The council advises the minister of health and welfare. It admits that "Statistics Canada ..... does not promote [LICOs] as poverty lines." But the council uses them anyway.

The United Nations also recently embraced LICOs as a poverty measure – at the urging of Canadian social activists – and condemned Canada for making "no measurable progress" in alleviating poverty over the last decade.

But LICO-defined poverty is hard to combat

"No national day-care program would change these statistics," Greene said. "No national school-lunch program would change them ..... But all these programs are being sold as ways to eliminate poverty."

The article EM9329 reprinted overleaf and above is used in Chapter 4 of the STAT 231 Course Materials, in Figure 2.2f of the STAT 232 Course Materials and in Statistical Highlight #44.

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