

## **SESSION IV - Discussant:**

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Thanks, very much. I enjoyed reading Dr. Burtless' paper and Professor O'Hara's paper because it dropped me into a conversation that you are having here in the United States about poverty measurement – one that is somewhat different from the discussions that we are having in Canada.

I am with the Canadian Council on Social Development. We are a national nonprofit organization of approximately 850 members that it is engaged in research around economic security, employment, poverty, disability, child well-being and the like in Canada. The Council has long been recognized a leading community voice on poverty issues. We publish *The Canadian Fact Book on Poverty* every five years, and track indicators of low income and income inequality on an annual basis. We are also engaged in public education and advocacy. So my perspective is somewhat different from some of the people here as we are directly involved, not only in generating and using data, but in working with community groups and anti-poverty organizations.

In this role, we have been very involved in the Canadian debate around poverty measurement. In 1989, our Federal Government undertook to eliminate child poverty by the year 2000 – they didn't suggest they were going to do it for ever as Tony Blair did in England – but the government did commit unanimously to eliminating child poverty by 2000. Instead, what we have done through the 1990's is to actually develop more elaborate ways to measure poverty. As of this year, Statistics Canada produces and publishes five or six different low income measures (See table below). The proliferation of poverty measures has predictably created a great deal of confusion. Today, I want to speak about the confusion that now characterizes the debate around poverty measurement in Canada and why we need to be so absolutely crystal clear about why we are measuring poverty in the first place.

As I said, we have at least five different published measures of low income for the year 2000 in Canada. Just to give you a sense of the range or span in measurement, for all persons, the poverty rate ranges from a low of 10.9% to a high of 16.2%, including an estimate of 13.1% based on the new Market Basket Measure (MBM) that my

colleagues have been talking about. In Quebec, if we look at elderly women, estimates range from 5.1% according to the MBM to 64.6% using the Low Income Cut-Off (LICO) based on pre-tax income. You can begin to appreciate some of the confusion if you are on the ground actually looking at these data, and even if you are a policy-maker.

***Incidence of Low Income by Age, Canada, 2000***

	<b>MBM</b>	<b>LICO-IAT (SLID)</b>	<b>LICO-IBT (SLID)</b>	<b>LIM-IAT (SLID)</b>	<b>LICO-IBT (Census)</b>
<b>All persons</b>	13.1	10.9	14.7	11.1	16.2
Under 18	16.9	12.6	16.6	13.5	18.4
18-64	13.2	11.0	13.7	11.3	15.3
65 and over	5.8	7.3	16.4	5.4	16.8

***Source: Compiled by CCSD. 2001 Census, SLID, HRDC***

MBM: Market Basket Measure  
 SLID: Survey of Labour and Income Dynamics  
 LICO: Low-Income Cut-Off  
 IAT: Income After Tax  
 IBT: Income Before Tax  
 LIM: Low Income Measure

It is worth stating, certainly from our perspective as we engage in these debates, that all poverty lines are relative – I don't have to say that to a group like this – and that whether we define poverty in terms of a given level of income compared to the average or in terms of the cost of a particular basket of goods and services compared to the average that we are settling on how great a distance we are prepared to accept between the poor and the rest of society. This decision, of course, is explicit in the use of relative income line like the LIM; but it is nonetheless present in consumption based approaches such as the one we now have in Canada with the MBM.

Similarly all poverty lines are arbitrary. Our discussion about what's in the new market basket measure (MBM) that we are developing in Canada certainly illustrates this point. Again, it is a matter of values as to what goes into the basket. For example, why have we chosen to use the expenditure patterns of families in the second deciles to derive average cost of goods and foods and services in the new MBM? These decisions

are informed by science, but in essence they are arbitrary decisions, reflecting specific values, in this case an expert-driven consensus about what the poor need; how they should live; hence, what should be included in this particular basket. I think we need to be pretty explicit about the assumptions guiding the development of any poverty line.

That said, I think some measures are certainly better than others but for me it comes back to why we are measuring poverty in the first place. I would say there are three basic reasons: one is to render visible the lives of individuals and families at the bottom of the income ladder and I think that's a very important task; the second is to better understand the consequences of living in poverty for individuals and certainly for societies that experience significant levels of inequality – this is particularly relevant in the health field where we have quite convincing and compelling data about the impacts of income inequality on the health of populations; and lastly, it's obviously a benefit to policy makers to have good measures of low income in order to facilitate and evaluate how we are doing as a society in acting to prevent and ameliorate the impact of poverty. This is the policy angle: how well are we doing? How effective is a particular lunch program? Is this program effectively serving the needs of a particular community?

In Canada, what has happened is that the debate has ended up revolving around not what's the best measure of low income to illuminate a particular problem, but rather, as it has played out in the editorial pages of the national press, the relative generosity of one poverty measure over another. We do literally have editorials in Canada that say we should not use a relative measure of poverty because if you use such a measure, the poor will always be with us. This type of discourse drives one to distraction. Often these charges are led by more conservative groups who believe that poverty in Canada is confined to very, very marginalized groups, those in the disability community, for example. In their opinion, poverty does not represent a significant problem in Canadian society, indeed, it is grossly overstated. This debate is typically stirred up every year with the publication of the welfare rates in each province – expressed as a percentage of the low income line – which predictably fall far, far below all published low income measures.

This is the context within which the debate about poverty measurement is going on. When the government, led by Human Resources Development Canada, undertook

to develop an absolute poverty measure – as Michael [Hatfield] pointed out – the intent was to develop a measure to better evaluate the impact of a new child benefit program, introduced back in 1997. The thinking at the time was that the existing low income measure – the LICO – was not adequate to the task of measuring changes in the rate or depth of child poverty resulting from this new child benefit program. It wasn't that the LICO did not adequately measure low income, but that it wasn't sensitive enough to the different community circumstances across the country, or necessarily the right measure to assess the impact of a specific income benefit program. However, given the charged context, it was hard not to conclude that the government officials were trying to define away poverty. The secrecy of the process wasn't helpful in this regard. I liken the current discussion about poverty measurement in Canada to the story of *Goldilocks and the Three Bears*: the LICO measure is too hot; the Sarlo market basket measure [published by a very conservative think tank] is too cold; but the MBM will be just right! This reminds me of a classic Canadian joke: "Why did the Canadian cross the road: To get to the middle."

This isn't to say that all debate about methodological revision of poverty lines is irrelevant. Today's discussion is certainly proof of this. The two excellent papers that were presented in this panel, and certainly the discussion that has been going on all day, point to how important it is to determine viable and practical ways to include health care spending in measuring low income. I was certainly struck by the data that Dr. Burtless and Dr. Segal presented on the estimates of necessary medical spending: heavy users of medical services are much more likely to suffer poverty and this is so regardless of the method used to actually include health care spending in the poverty measure.

This is a cautionary tale for Canada. We have talked a little bit about how the Canadian situation is different as it relates to the health care spending and poverty. However, I think there is a degree of complacency in Canada. This might also be the case in other countries with universal health care systems. I think our health care system is wrongly thought to stand between Canadians and poverty, and certainly so for people with health or disability problems. We've had a number of recent health care commissions which have documented the fact that increasing health care costs, including increasing medical out-of-pocket costs, are becoming a significant concern, not only for the public purse, but also in terms of costs that are directly born by Canadians.

Most Canadians are insured through a variety of plans for things like prescription drugs and assistive devices either through their employer or, if they are low income, through provincial drug plans and the like. Yet a significant proportion of Canadians – increasingly those who are engaged in precarious employment relations – do not have adequate coverage, certainly not in the event of catastrophic illness or long-term disability. I take issue with Michael [Hatfield] regarding his claim that Canadians with disabilities are adequately insulated from poverty related to high medical expenses, etc. through medicare. Medical and disability related costs are a huge concern in the disability community. In recent surveys, upwards of 50% to 60% of persons with disabilities state that cost is a barrier to accessing necessary supports. The bottom line is that high medical costs and living expenses among vulnerable groups are certainly a concern in Canada and need to be taken in account in our understanding of poverty. This problem has not received the attention or action it demands at the policy and program level.

Interestingly, and I raise this as a question to explore, whereas Dr. Burtless reports higher poverty rates among seniors using various health adjusted poverty lines, the rate of poverty using the Canadian MBM is in fact lower when compared to established low income thresholds that do not take health care expenses into account. (See table). Indeed, poverty rates among Canadian seniors have continued to decline over the last two decades, at a time when health care costs have gone up. The poverty measures used in both countries are of course different. However, it appears based on Canadian evidence that health care costs are not a significant out-of-pocket expense for seniors. Income security programs in conjunction with a universal health care system would appear to play a significant role in reducing seniors' poverty in Canada. The same cannot be said for individuals with disabilities as I mentioned earlier.

I would like to say that by way of conclusion that many research groups and anti-poverty advocates now believe that it is time to stop debating how poverty should be measured, and to move forward to concrete programs and policies to reduce income inequality and ameliorate the life conditions of those now living in low-income households. This position is born of frustration with the ongoing debate about poverty measurement. Improvements in the way that we measure poverty must be ongoing. Problems arise, in my opinion, when the pros and cons of different measures are

ignored, when the different uses of “absolute”, “relative” or “subjective” measures are not acknowledged, when eliminating poverty becomes an exercise in defining the “right” methodology.

Poverty measurement must be based on good science and good judgment. It is also important that any proposed change be acceptable and understandable to the public, be statistically defensible, and be feasible to implement with data are available and that can be readily attained. This has not been the experience in Canada.

The methodology for improving the measurement of poverty is not clear cut. However, the evidence regarding the negative impacts of living in poverty – defined in any number of ways – are certainly clear. The goal of improving poverty measurement cannot and should not displace efforts to improve the life chances of those at the bottom of the income ladder. Regardless of how one measures it, too many Canadians are living in low income.

Thank you, very much.