

WHAT DOES THE POVERTY LINE MEASURE?

The federal government identifies who is experiencing poverty in Canada by comparing household incomes to a measure called the Poverty Line. What does this poverty line measure?

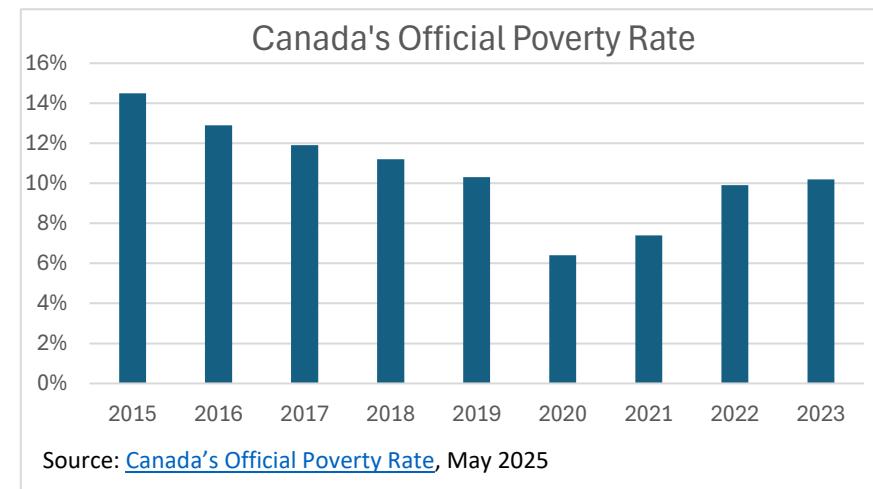
Lifting people out of poverty is an important public policy goal and some policies are more successful at reducing poverty than others. Identifying which approaches are most successful is the task of policy analysts. Their conclusions depend, at least in part, on how poverty is defined. But that is controversial.

The chart reports the percentage of Canadians living with incomes that fall below Canada's official poverty line. This is what is referred to as the poverty rate. As the chart shows, there is a good deal of variability in the poverty rate. Its decline during the pandemic is notable, as is its rise since then. Our focus, though, is understanding what exactly is being measured.

The level of income defined by Canada's official poverty line is not necessarily useful for evaluating the adequacy of income supports.

When most people think of poverty their thoughts go to deprivation. Someone living in poverty is unable to purchase goods and services deemed to be necessities. They may still consume those necessities, but with insufficient income to purchase them, they may have to rely on friends, family and charities to do so. In this way, people living in poverty can be thought of as having insufficient income to be independent. This concept of poverty is described as *absolute poverty*.

But that is not how poverty is officially defined in Canada. The poverty line, defined by the federal government, identifies a level of disposable income sufficient to enable a household, consisting of two adults and two young children, to purchase a nutritious diet; to rent housing priced at the median of rentals available in the community that are typically rented by those with low income; to rent housing with enough bedrooms that there is no crowding (for example, children of the opposite sex have their own



bedrooms); and to purchase clothing, furniture, transportation, and other goods and services consistent with enjoying a "modest and basic standard of living."

In this way Canada's official poverty line defines a disposable income that is sufficient for the family to be independent and not have to rely on charities. Their poverty is said to be *relative* rather than *absolute*. As we have noted [elsewhere](#), having an income equal to the poverty line means that a family or individual is not threatened with homelessness.

Understanding what the poverty line measures puts into context what income support programs are designed to do. Legislation establishing income support programs describe their purpose as ensuring people have sufficient income to pay for "basic needs" and not necessarily to maintain a "modest and basic standard of living."

Thus, the observation that income support programs are insufficient to lift people out of poverty, as defined by Canada's poverty line, does not necessarily mean they are failing to meet their goal. But this raises questions about the definition of "basic needs" and whether the cost of meeting those needs is being accurately measured.