

# Let's Talk About Poverty

## INTRODUCTION

### 1. Introduction

Residents of Waterloo Region enjoy a very healthy economy. The region has one of the lowest unemployment rates, the highest per capita incomes, and most diverse economies in North America. In the last decade alone, the regional economy generated tens of thousands of new jobs.

Not everyone is sharing this growing economic pie. Food banks within the region currently distribute 3 times the number of emergency food hampers than they did in 1990, while local studies show that there are an estimated 1500 to 2000 homeless people in our region, and approximately 4,000 households now on waiting lists for public, non-profit, or cooperative housing.

There are many who are working to assist the several thousands of people in difficult circumstances. Scores of non-profit groups and government agencies in our community provide programs, services and policies to alleviate, reduce and prevent poverty. There are many businesses, labour unions, and residents that roll up their sleeves and get actively involved in helping people create a better life.

One of the most important tools in the fight against poverty is good information to assist everyone involved in the struggle to better understand the scope and nature of the problem, and to help guide them in their efforts to ensure everyone in Waterloo region shares in its wealth and good fortune. This is where the Urban Poverty Consortium of Waterloo Region plays an important role.

### 2. The Urban Poverty Consortium of Waterloo Region & Poverty Fact Sheets

The Urban Poverty Consortium of Waterloo Region is a collection of local organizations that seeks to support existing and new efforts to reduce poverty by raising public awareness of poverty in our community, and providing information and data on this important issue.

The Consortium's Poverty Fact Sheet series provides a detailed account of people living in financially difficult circumstances in Waterloo Region B how many there are, what their life is like, and who in our community is working to help them improve their situation.

Throughout the Fall and Winter of 2000, the Urban Poverty Consortium released 8 Poverty Fact Sheets, each focusing on a different topic:

- Children
- Youth
- Lone Parents
- Working Poor
- The Poverty Gap
- New Canadians
- Persons with Disabilities
- Seniors

The Urban Poverty Consortium widely distributed the Fact Sheets throughout the community to provide organizations and concerned citizens working to reduce poverty with a richer and more accurate account of the size and scope of the poverty problem.

### 3. What is Poverty?

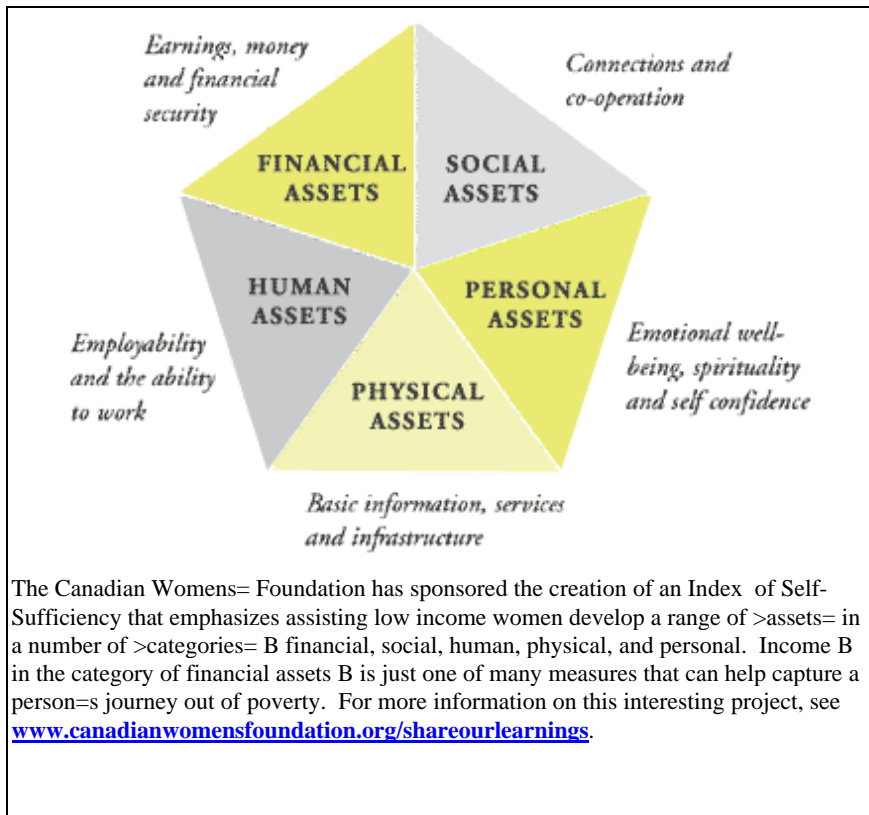
While there is growing evidence that the gap between the well off and less well off in our communities appears to be growing, not everyone agrees on what it means to be >poor= and how it can be measured. The Canadian Council on Social Development, for example, identifies at least 9 well-known poverty measures used in Canada. There are many less well-known local and international measures as well.

While there is wide range of definitions and measures to choose from, and an ongoing debate about which poverty measure is the most appropriate, a person interested in the topic can compare how each approach differs by understanding the three major choices involved in coming up with any definition and measure.

#### a) Is poverty more than just a lack of income?

Many measures of poverty are rooted in a perspective that a household (or family or individuals) that lacks sufficient income to cover the basics of cost of living such as food, shelter and clothing, is a poor household.

A growing number of people argue that poverty is more than just a lack of income: it also means people lack things like a sense of hope and confidence, an adequate education or even a small pool of savings for a rainy day. These gaps, they argue, like income gaps, should also be measured in any effort to understand how well or poorly someone is doing.



There are advantages and disadvantages to using either a uni-dimensional and multi-dimensional approaches to poverty.

Uni-dimensional measures based on income are relatively simple to use and they capture most B though not all B of the issue around poverty.

Multi-dimensional measures are more difficult to use, but they provide a much broader perspective on the complex nature of poverty and a possibly richer array of clues on how poverty can be tackled. The Canadian Womens Foundation sponsored Index of Self-Sufficiency, for example, examines the human and personal dimensions of a person=s life, in addition to more traditional financial ones.

While the majority of poverty definitions continue to focus primarily on income gaps, supporters of multi-dimensional approaches are developing a range of alternative techniques as well.

Perhaps the best known is the United Nations= Index of Human Development. Since the 1980s, the United Nations periodically examines and compares the countries of the world using an index that covers a wide range of issues including, among others, income, literacy rates, physical health, access to safe housing, and incidence of crime. The U.N=s Index has in turn helped spark many other international and local efforts to better understand and measure poverty, human development, and quality of life.

### **b) Absolute Versus Relative Approaches**

All definitions and measures of poverty adopt either a relative or an absolute approach to understanding poverty.

The absolute approach, often called the >bare bones= approach, is rooted in the belief that poverty is best understood as an inability to meet the basic physical needs for survival. The Fraser Institute, for example, the most well known advocate in Canada for an absolute approach, recommends a household budget that is sufficient to allow securing food from a charitable group or food bank, shelter at a local hostel, second hand clothing, and access to basic health care in most communities.

On the other end of the spectrum is a relative approach to poverty. People who support a relative approach believe that any definition and measure of poverty must also take into account how well the Amainstream@ of the community is doing. They argue that while someone may be just able to fulfill their basic needs, they may still be poor if the majority of their neighbours have a great deal more resources and opportunities.

There appears to be little, or no, middle ground between these two approaches. People who support the absolute definition of poverty argue that a typical very poor person in Canada is many times better off than the average person in a less developed country. Supporters of a relative approach argue that poor Canadians live in Canada, and that in order to participate fully as member of their community, their standard of living should not be dramatically inferior to those living around them.

While policy analysts, researchers, and poverty activists continue to debate the advantages and disadvantages of each approach, several polls conducted with Canadians in the mid 1990s suggest that the majority of Canadians prefer a relative definition of poverty.

### **c) How much is enough?**

The third set of choices that anyone must make in developing a poverty measure is where exactly the poverty line is? What is the >poverty threshold= for adequate income? Personal savings? Educational attainment?

Each of the major poverty measures used in Canada use different thresholds (all based only on income). The Fraser Institute has the lowest B the Toronto Social Planning Council uses the highest.

Table One

Low Income Thresholds for Toronto (1994)		
Fraser Institute (Sarlo 1992)	Single Person	\$6,768
	Four Persons	\$15,206
Statistics Canada LICO	Single Person	\$14,694
	Four Persons	\$27,650
Canadian Council of Social Development	Single Person	13,770
	Four Persons	\$32,130
Toronto Social Planning Council	Single Person	\$18,850
	Four Persons	\$40,560

Despite all the complex formulas and thinking underlying each approach, there is little science behind determining the most appropriate Apoverity line@. Each line is somewhat arbitrary and people do not cross over into some sort of magical state from plenty into deprivation when they surpass the line B a family that is \$10 under any of the lines, for instance, is not really different than one with income of \$10 over the same line.

Poverty lines, therefore, really reflect broadly what people in a community feel is an acceptable standard of living for themselves and their fellow citizens.

**d) Why The Choices Are Important**

People and organizations interested in doing something about poverty should attempt to clarify where they stand on each of the previous three choices B their decisions will largely determine their perspective on the nature and size of the poverty problem and will shape whatever solutions they come up with to tackle the issue.

Groups that believe that poverty is the inability to pay for very basic human needs (i.e, an absolute, income based approach), for instance, will determine that the number of poor people in a community is relatively small and will in turn focus their responses to increase the income sufficiently to these very low income residents to cover the basic costs of food, shelter and clothing.

On the other hand, people who believe that poverty is more than just a lack of income, and that their neighbour should not be dramatically worse off than they (i.e. a multi-dimensional, relative approach), will identify a larger group of people as being poor. Furthermore, their strategies to assist people on their journey to a better life will likely include a more comprehensive mix of solutions that include things such as ensuring access to more affordable housing, improving education and involvement in the community.

**4. The Low Income Cut-Off Rate (LICO) - The Most Commonly Used Indicator**

Statistics Canada=s Low Income Cut-Off Rate, or as it is more commonly known, the >LICO=, is the best known >unofficial= poverty measure in Canada. Even though Statistics Canada frequently reminds Canadians it does not call the LICO a >poverty measure=, it is widely accepted as such because it is easy to understand and because changes in income among Canadians using the LICO are measured and reported regularly.

The LICO is a relative, income based measure. It argues that a household that spends more than 55% of its income on food, shelter and clothing is living in strained circumstances, with little extra income to spend on transportation, health, personal care, education, household operations, recreation or insurance. (Note B the average household spends about 35% of its income on food, shelter and clothing).

LICO rates are adjusted for households and communities of different sizes. Larger households living in larger communities, for instance, have higher LICOs than smaller households living in smaller communities. The LICO for a family of 4 in Waterloo Region, for example, is slightly lower than a family of 4 in Toronto (See Table Two). The LICO rates are also adjusted every 2 to 4 years to take into account inflation and the increases of goods and services.

The LICO also appears to be the most used measure, but also the one supported by the most Canadians. A majority of Canadians surveyed in the 1990s felt that the appropriate income threshold was closer to the Statistics Canada LICO than any other well known >poverty measure=. People who are considered Apoor@ also identified income thresholds that were almost identical to the LICO (See the Acceptable Living Level Report from the Social Planning Council of Winnipeg).

**Table Two**

**Low Income Cut-Off Rates for Waterloo Region (1999)**

Family Size	Monthly	Annual
1 person	\$1,244	\$14,694
2 person	\$1,555	\$18,367
3 person	\$1,934	\$22,844

4 person	\$2,342	\$27,650
5 person	\$2617	\$30,910
6 person	\$2,893	\$34,168
Source: Statistics Canada, Low Income Cut Offs, Cat. No. 13-551-XPB, January, 1997		

### **A New Definition of Poverty?**

In response to the demand to come up with a poverty measure that enjoys broader support than the LICO, Human Resources Canada, and many other partners, are finalizing a new approach to poverty measurement B the Market Basket Measures (MBM) approach. The MBM uses a poverty rate based on consumption rather than income lower than an absolute poverty line, which is considered to be the expenditure necessary to achieve a minimum level of material well-being. Please refer to the Urban Poverty Consortium=s Annotated bibliography for more in-depth information sources on this new initiative.

## **5. Back to the Poverty Fact Sheets**

This brief review of poverty definitions and measures provides a useful introduction to the following set of poverty facts sheets. People interested in exploring these issues in more detail are encouraged to refer to the Annotated Bibliography in the last section of this document.

The Urban Poverty Consortium of Waterloo Region used Statistics Canada Low Income Cut Off rates (LICO) in analyzing information on income gaps in Waterloo Region. While the Consortium does not endorse the LICO as the most appropriate measure of poverty, it recognizes that the LICO is a well known indicator of people living in financially difficult circumstances and that the Census data can provide a great deal of insight on income trends in our community.

While the data used to create the fact sheets was gathered in 1996 (the next Census is in 2001), the information contained in the documents is still extremely useful to provide a picture of how different groups in our community experience poverty in 2001 and 2002.