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# Report on the second comprehensive review of the Market Basket Measure

by **Samir Djidel, Burton Gustajtis, Andrew Heisz, Keith Lam, Isabelle Marchand** and **Sarah McDermott**

## The second comprehensive review of the Market Basket Measure of low income

Statistics Canada and Employment and Social Development Canada (ESDC) have been conducting a comprehensive review of the Market Basket Measure (MBM) to ensure that the basket continues to reflect a modest, basic standard of living, that the costs of the contents of the basket in different geographical regions are estimated as precisely as possible, and that the income available to families to purchase the basket is appropriately defined and measured. The re-based MBM – referred to as the "2018-base MBM" – updates the existing 2008-base MBM developed between 2008 and 2010. This discussion paper is the final in a series of four papers which report on the progress of the review.

The purpose of this paper is to foster engagement with users, to explain what has been done as part of the review and to provide users with preliminary estimates of the impacts of the proposed changes to the MBM. This gives users the opportunity to ask questions, provide feedback and make suggestions for future work.

This discussion paper describes the proposed changes to be made to the MBM as part of the current review, as well as identifying research to be conducted in preparation for the next comprehensive review. The paper presents the preliminary 2018-base thresholds and poverty rates for reference years 2015 to 2018, and compares these to the 2008-base results.

Release of this discussion paper will be followed by a period during which Statistics Canada and ESDC will engage experts, stakeholders, federal, provincial and territorial officials, and other interested parties to validate the results. Transition to the MBM 2018-base will take effect at the end of June 2020.

## Introduction

On August 21, 2018, the Government of Canada released *Opportunity for All – Canada's First Poverty Reduction Strategy* (Employment and Social Development Canada, 2018), which contained long-term commitments to guide current and future government actions and investments to reduce poverty, including:

- Establishing the MBM as Canada's Official Poverty Line
- Introducing poverty reduction targets using a baseline of 2015
    - ▶ Reduce the rate of poverty by 20% by 2020, and
    - ▶ Reduce the rate of poverty by 50% by 2030 (aligned with United Nations Sustainable Development Goals)
- Creating a National Advisory Council on Poverty
- A Data and Measurement Plan, which includes ongoing funding to develop and improve data to measure poverty and to inform policy decisions.

The *Poverty Reduction Act* received Royal Assent in June 2019 and legislates commitments made in the *Strategy* including entrenching the MBM as Canada's Official Poverty Line.

The *Poverty Reduction Act* mandates Statistics Canada to review the MBM on a regular basis "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." In 2018, Statistics Canada launched a comprehensive review of the MBM, which will be completed in 2020.

To date, the comprehensive review has consisted of several related activities. From September 2018 through April 2019, Statistics Canada with the participation of Employment and Social Development Canada (ESDC) conducted broad consultations with Canadians, poverty experts, other stakeholders and officials from provincial, territorial and federal governments, which were summarised in *An update on the Market Basket Measure comprehensive review* (Heisz, 2019).

Next, in the spring of 2019, Statistics Canada and ESDC prepared a work plan to test various methodological changes to the MBM arising from the comments received during the consultations. This work went through the summer and fall of 2019. The process has been collaborative, with Statistics Canada responsible for launching and conducting the comprehensive review and for the statistical methodology of the MBM, and with ESDC responsible for setting the scope of the comprehensive review and for the policy direction of the MBM.

Currently, the MBM offers poverty thresholds for 50 regions across the provinces: 19 specific communities (referred to as urban MBM regions) and 31 population centre size and province combinations. Proposed changes to the MBM methodology have been presented in two discussion papers released in December 2019. The MBM basket was the subject of *Towards an update of the Market Basket Measure* (Djidel et al., 2019a) discussion paper and the disposable income concept was the subject of the *Defining disposable income in the Market Basket Measure* (Djidel et al., 2019b) discussion paper.

As indicated in *An update on the Market Basket Measure comprehensive review*, Statistics Canada is also working with the Northwest Territories, Yukon and Nunavut to develop territory-specific MBM thresholds for these regions. In addition, *Opportunity for All* announced a commitment to consult with Indigenous peoples to identify and co-develop indicators of poverty and well-being, including non-income-based measures of poverty, that reflect the multiple dimensions of poverty and well-being experienced by First Nations, Inuit and Métis. That discussion is proceeding independently from this comprehensive review.

This document is the final in the series of four discussion papers describing the progress of the MBM review. It reports on the quantitative impacts of the proposed changes outlined in the previous discussion papers, and presents the updated thresholds and related poverty statistics for the 2015 to 2018 period as measured using the proposed 2018-base MBM. As mentioned previously, the purpose of this paper is to foster engagement with users, to explain what is being proposed to update the MBM measure, and to provide users with preliminary estimates of the impacts of the proposed changes. This gives users the opportunity to ask questions, provide feedback and make suggestions for future work. Release of this discussion paper will be followed by a period during which Statistics Canada and ESDC will engage experts, stakeholders, and federal, provincial and territorial officials and other interested parties to validate the results. Transition to the new MBM will be effective at the end of June 2020.

While this paper focusses on results, the three preceding discussion papers provided additional detail, rationale, background and context for the various proposals to update the MBM methodology. Therefore, it is recommended that readers refer to the previous three discussion papers along with this document for a more complete understanding of the comprehensive review.

**Discussion papers reporting on the comprehensive review**

This study represents the last of four discussion papers which were released as part of the comprehensive review. Other papers in the series include:

**July 2019: An update on the Market Basket Measure comprehensive review**

From September 2018 through April 2019, Statistics Canada conducted a broad consultation on the Market Basket Measure. The consultation objectives were to gather input on the development of an update to the Market Basket Measure. This discussion paper describes the consultations that took place, gives highlights of what Statistics Canada heard, and describes next steps.

**December 2019: Towards an update of the Market Basket**

The Market Basket Measure basket is comprised of five major components: food, clothing, transportation, shelter and other necessities. This discussion paper describes considerations for updating these five components and the changes to the methodology for calculating these five components.

**December 2019: Defining disposable income in the Market Basket Measure**

According to the MBM, a family is in low income if its disposable income is less than the Market Basket Measure threshold for a family of its size in its region. This discussion paper describes some of the considerations for updating the disposable income concept for the new MBM.

In the tables and analysis which follow, the current MBM methodology, which was last updated between 2008 and 2010 is referred to as the "2008-base MBM", while the new, proposed methodology is referred to as the "2018-base MBM".

This discussion paper will proceed as follows:

- Summarize proposed changes to the MBM;
- Compare the 2008-base MBM thresholds and poverty rates to preliminary estimates of thresholds and poverty rates derived using the 2018-base MBM, and;
- Discuss the forward-looking research agenda.

Additional analysis and background tables using the provisional 2018-base MBM estimates can be found in the appendices.

## Summary of proposed changes to the MBM

The MBM establishes poverty thresholds based on the cost of a basket of food, clothing, shelter, transportation and other necessities. Families with disposable income less than the applicable thresholds, given family size and region of residence, are deemed to be in poverty. The following are the proposed changes to the MBM methodology as part of the 2018-base MBM. More detail on these proposals is provided in the previous discussion papers as well as in the appendices.

### Proposed changes to the MBM basket components (described in *Towards an update of the Market Basket*)

#### MBM regions

Population growth announced in the 2016 Census would result in the following three new population centre size regions: Newfoundland and Labrador - 30,000 to 99,999; Ontario - 500,000+; and Manitoba - 30,000 to 99,999. The addition of these three regions would bring the total number of MBM regions to 53.

### Shelter component

The MBM shelter component of the proposed 2018-base MBM would be based upon the rental of a 3-bedroom dwelling, rather than a 2- or 3-bedroom dwelling as was the case with the 2008-base MBM. In addition, the rental prices for a dwelling would be updated using the results of the 2016 Census.
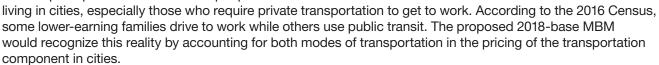
### Clothing component

The clothing component would be updated to reflect the Social Planning Council of Winnipeg and Winnipeg Harvest Acceptable Living Level (ALL) 2012 clothing basket for a family of four.

### Food component

The food component would be updated to use Heath Canada's 2019 National Nutritious Food Basket (NNFB).

### Transportation component

The transportation methodology would be changed to better reflect transportation consumption patterns and needs of people living in cities, especially those who require private transportation to get to work. According to the 2016 Census, some lower-earning families drive to work while others use public transit. The proposed 2018-base MBM would recognize this reality by accounting for both modes of transportation in the pricing of the transportation component in cities.

### Other component

An amount would be added to the "other expenses" component to reflect the widespread need for cellular telephone services.

## Proposed changes to the MBM disposable income component (described in *Defining disposable income in the Market Basket Measure*)

### Tenure Type Adjustment

To recognize the lower shelter costs faced by homeowners without a mortgage, the 2008-base MBM made an adjustment to disposable income, which was called the Mortgage-Free Advantage (MFA). The MFA added the difference between the cost of the shelter component of the MBM basket (based on renters) and the typical shelter costs for mortgage-free homeowners, to the disposable income of mortgage free homeowners, placing homeowners without a mortgage on a more equal footing with renters in regards to their shelter costs, when evaluating their poverty status.

For the 2018-base MBM, it is proposed that the MFA concept be extended to homeowners with a mortgage and subsidized renters; thereby, putting all families' shelter costs on a more equal footing when determining poverty estimates, regardless of their tenure type. This new concept would be referred to as the Tenure Type Adjustment (TTA).

**Medical expenses**

The amounts used to account for out-of-pocket medical expenses, when no tax information is available, would be updated to use more recent survey data.

**Capital Gains**

The 2008-base MBM does not include the values of capital gains or losses in disposable income, but it does deduct out of disposable income the taxes paid on capital gains. To address this inconsistency, capital gains taxes would no longer be deducted from pre-tax income in the proposed 2018-base MBM. This would prevent families with large capital gains (and therefore large capital gains taxes) from appearing to be in poverty.

## 2018-base MBM thresholds and poverty rates compared to 2008-base MBM thresholds and poverty rates

In this section we describe the effect that adopting this set of proposed changes would have on the measures of poverty. To reiterate, the rebased poverty measure is referred to as the "2018-base MBM", while the existing measure is referred to as the "2008-base MBM". Also, as previously mentioned in this discussion paper, because the comprehensive review is not yet complete, these results should be treated as preliminary.

Table 1 shows the MBM thresholds for a four-person family for each MBM region under the 2008-base MBM and 2018-base MBM methodologies for reference year 2018. As expected, the overall threshold would be higher under the 2018-base than the 2008-base for all MBM regions. For example, for Vancouver, the MBM threshold for a family of four under the 2008-base methodology was $40,644, while under the 2018-base MBM methodology it would be $48,677 according to our preliminary estimates in Table 1. This would be an increase of $8,033.

The increases from the 2008-base methodology to the 2018-base methodology differ from MBM region to MBM region. Roughly 2 in 5 MBM regions would change by less than $4,000, while another 2 in 5 would change by more than $5,000. The smaller changes tend to be concentrated in rural areas while the larger changes tend to be concentrated in urban areas.

All five components that comprise the overall MBM threshold would be rebased in the 2018-base MBM. However, the largest contributor to the increase in the 2018-base MBM threshold compared to the 2008-base MBM would be the change in the shelter component. For example, for Vancouver in reference year 2018, the shelter component would increase from $13,671 under the 2008-base MBM to $19,125 under the 2018-base MBM, an increase of $5,454. The other major contributors to the increase in the threshold for Vancouver would be the proposed changes to the transportation component (an increase of $1,281) and to the other necessities component (an increase of $1,197). See Appendix A tables for results by MBM component.



The proposed changes would increase the threshold value of the shelter component.

**Table 1**
**Differences between 2008-base and 2018-base MBM thresholds, by MBM region, four person family, 2018**

| MBM Geography | | Current Dollars | | | |
|---|---|---|---|---|---|
| | | 2008-base | 2018-base | Difference | |
| | | dollars | | | percent |
| **Province** | **Region** | | | | |
| Newfoundland and Labrador | rural | 39,802 | 42,539 | 2,737 | 6.9 |
| | < 30,000[1] | 40,375 | 42,926 | 2,551 | 6.3 |
| | 30,000 to 99,999[2] | … | 44,167 | … | … |
| | St. John's | 38,536 | 44,808 | 6,272 | 16.3 |
| Prince Edward Island | rural | 38,338 | 41,520 | 3,183 | 8.3 |
| | < 30,000 | 39,184 | 42,283 | 3,099 | 7.9 |
| | Charlottetown | 37,591 | 43,205 | 5,614 | 14.9 |
| Nova Scotia | rural | 38,741 | 41,588 | 2,847 | 7.3 |
| | < 30,000 | 38,927 | 42,494 | 3,567 | 9.2 |
| | 30,000 to 99,999 | 36,607 | 42,800 | 6,193 | 16.9 |
| | Halifax | 37,816 | 45,197 | 7,381 | 19.5 |
| | Cape Breton | 35,524 | 41,533 | 6,009 | 16.9 |
| New Brunswick | rural | 38,713 | 40,766 | 2,053 | 5.3 |
| | < 30,000 | 39,297 | 42,284 | 2,987 | 7.6 |
| | 30,000 to 99,999 | 38,707 | 42,058 | 3,351 | 8.7 |
| | Fredericton | 39,675 | 43,906 | 4,231 | 10.7 |
| | Saint John | 37,302 | 41,700 | 4,397 | 11.8 |
| | Moncton | 36,212 | 42,026 | 5,814 | 16.1 |
| Quebec | rural | 35,096 | 37,804 | 2,708 | 7.7 |
| | < 30,000 | 35,186 | 37,397 | 2,211 | 6.3 |
| | 30,000 to 99,999 | 33,115 | 37,442 | 4,326 | 13.1 |
| | 100,000 to 499,999 | 34,163 | 37,940 | 3,777 | 11.1 |
| | Québec | 34,835 | 39,601 | 4,765 | 13.7 |
| | Montréal | 35,640 | 40,160 | 4,520 | 12.7 |
| Ontario | rural | 38,057 | 40,576 | 2,519 | 6.6 |
| | < 30,000 | 37,847 | 41,250 | 3,403 | 9.0 |
| | 30,000 to 99,999 | 34,932 | 40,769 | 5,838 | 16.7 |
| | 100,000 to 499,999[1] | 37,800 | 42,933 | 5,133 | 13.6 |
| | 500,000+[2] | … | 44,851 | … | … |
| | Ottawa | 41,546 | 47,233 | 5,688 | 13.7 |
| | Hamilton/Burlington | 38,337 | 43,517 | 5,180 | 13.5 |
| | Toronto | 42,101 | 48,142 | 6,041 | 14.3 |
| Manitoba | rural | 36,091 | 38,954 | 2,863 | 7.9 |
| | < 30,000[1] | 37,528 | 40,780 | 3,252 | 8.7 |
| | 30,000 to 99,999[2] | … | 40,842 | … | … |
| | Brandon | 35,121 | 40,404 | 5,284 | 15.0 |
| | Winnipeg | 37,510 | 44,030 | 6,521 | 17.4 |
| Saskatchewan | rural | 37,533 | 40,280 | 2,747 | 7.3 |
| | < 30,000 | 38,634 | 42,003 | 3,369 | 8.7 |
| | 30,000 to 99,999 | 35,791 | 42,208 | 6,418 | 17.9 |
| | Saskatoon | 37,849 | 45,652 | 7,803 | 20.6 |
| | Regina | 37,873 | 44,833 | 6,959 | 18.4 |
| Alberta | rural | 40,183 | 45,047 | 4,864 | 12.1 |
| | < 30,000 | 41,598 | 46,158 | 4,560 | 11.0 |
| | 30,000 to 99,999 | 40,371 | 44,874 | 4,504 | 11.2 |
| | 100,000 to 499,999 | 38,630 | 45,468 | 6,838 | 17.7 |
| | Edmonton | 38,584 | 47,869 | 9,285 | 24.1 |
| | Calgary | 40,452 | 48,349 | 7,897 | 19.5 |
| British Columbia | rural | 38,527 | 41,463 | 2,936 | 7.6 |
| | < 30,000 | 38,543 | 42,608 | 4,065 | 10.5 |
| | 30,000 to 99,999 | 35,795 | 42,829 | 7,034 | 19.6 |
| | 100,000 to 499,999 | 39,846 | 47,111 | 7,266 | 18.2 |
| | Vancouver | 40,644 | 48,677 | 8,033 | 19.8 |

… not applicable

1. Differences should be viewed with caution, as the region has been redefined under the 2018-base.

2. New MBM region

**Note:** 2018-base MBM thresholds are preliminary.

**Source:** Statistics Canada. Custom tabulation.

Table 2 shows the effect of the proposed changes on the poverty rate for 2018. As expected, the increases in the MBM thresholds would translate to an increase in the poverty rate. At the Canada level, the 2008-base poverty rate was 8.7% in 2018, while the 2018-base poverty rate would be 11.0% in the same year, an increase of 2.3 percentage points.

By way of reference, the last time the MBM poverty rate was updated, during the comprehensive review that took place between 2008 and 2010, the 2008-base MBM yielded a poverty rate that was 2.2 percentage points higher than the previous 2000-base MBM for reference year 2008. This is frequently the case for poverty lines like the MBM when they are updated to reflect more contemporary norms – poverty thresholds increase and therefore measured poverty levels increase (Statistics Canada, 2019).

As shown in Table 2, poverty rates as measured using the proposed 2018-base MBM increase relative to the 2008-base poverty rates for all provinces, age groups and family types.

Table 3 shows 2008-base poverty rates and preliminary estimates of 2018-base poverty rates for the 2015 to 2018 period. According to the 2008-base MBM, the poverty rate fell from 12.1% in 2015 to 8.7% in 2018, a decline of 3.4 percentage points. According to the proposed 2018-base MBM, the poverty rate fell from 14.5% in 2015 to 11.0% in 2018, a decline of 3.5 percentage points.

**Table 2**

**Percentage and number of persons in poverty, 2008-base and 2018-base, Canada, provinces and selected demographic groups, 2018**

| | Percentage of persons in poverty | | | Number of persons in poverty | | |
|---|---|---|---|---|---|---|
| | 2008-base | 2018-base | Difference | 2008-base | 2018-base | Difference |
| | percent | | percentage point | in thousands | | |
| **Geography** | | | | | | |
| Canada | 8.7 | 11.0 | 2.3 | 3,173 | 3,983 | 810 |
| Newfoundland and Labrador | 9.7 | 11.2 | 1.5 | 50 | 58 | 8 |
| Prince Edward Island | 9.1 | 11.9 | 2.8 | 14 | 18 | 4 |
| Nova Scotia | 10.3 | 13.3 | 3.0 | 96 | 124 | 28 |
| New Brunswick | 7.9 | 10.0 | 2.1 | 58 | 74 | 16 |
| Quebec | 7.9 | 9.7 | 1.8 | 655 | 812 | 157 |
| Ontario | 9.5 | 11.6 | 2.1 | 1,351 | 1,658 | 307 |
| Manitoba | 9.3 | 10.9 | 1.6 | 117 | 137 | 20 |
| Saskatchewan | 8.8 | 11.2 | 2.4 | 96 | 122 | 26 |
| Alberta | 7.3 | 9.4 | 2.1 | 316 | 403 | 87 |
| British Columbia | 8.9 | 12.1 | 3.2 | 421 | 577 | 156 |
| **Age group** | | | | | | |
| Persons under 18 years | 8.2 | 10.8 | 2.6 | 566 | 748 | 182 |
| Persons 18 to 64 years | 10.3 | 12.5 | 2.2 | 2,392 | 2,883 | 491 |
| Persons 65 years and over | 3.5 | 5.6 | 2.1 | 216 | 352 | 136 |
| **Family Types** | | | | | | |
| Persons in economic families | 5.8 | 7.6 | 1.8 | 1,759 | 2,313 | 554 |
| Persons not in an economic family | 24.6 | 29.0 | 4.4 | 1,414 | 1,670 | 256 |
| Persons in couple families with children | 5.4 | 7.5 | 2.1 | 691 | 953 | 262 |
| Persons in lone-parent families | 21.7 | 26.3 | 4.6 | 345 | 417 | 72 |

**Note:** Estimates based on the 2018-base MBM thresholds are preliminary.
**Source:** Statistics Canada. Custom tabulation.

**Table 3**

**Percent of persons in poverty, 2008-base and 2018-base, Canada, provinces and selected demographic groups, 2015 to 2018**

| | 2008-base | | | | 2018-base | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2015 | 2016 | 2017 | 2018 |
| | percent | | | | | | | |
| **Geography** | | | | | | | | |
| Canada | 12.1 | 10.6 | 9.5 | 8.7 | 14.5 | 12.8 | 11.7 | 11.0 |
| Newfoundland and Labrador | 12.1 | 10.8 | 9.7 | 9.7 | 13.1 | 12.4 | 11.4 | 11.2 |
| Prince Edward Island | 14.0 | 11.3 | 10.1 | 9.1 | 14.8 | 11.8 | 13.3 | 11.9 |
| Nova Scotia | 13.8 | 12.9 | 12.8 | 10.3 | 17.0 | 16.2 | 15.0 | 13.3 |
| New Brunswick | 14.0 | 11.8 | 9.7 | 7.9 | 16.1 | 13.6 | 12.1 | 10.0 |
| Quebec | 10.9 | 8.6 | 9.0 | 7.9 | 13.7 | 10.9 | 10.8 | 9.7 |
| Ontario | 12.9 | 11.8 | 10.2 | 9.5 | 15.1 | 13.6 | 12.2 | 11.6 |
| Manitoba | 12.0 | 9.4 | 8.7 | 9.3 | 14.0 | 12.3 | 11.0 | 10.9 |
| Saskatchewan | 10.7 | 9.2 | 9.5 | 8.8 | 12.7 | 11.5 | 12.2 | 11.2 |
| Alberta | 8.2 | 8.6 | 6.8 | 7.3 | 10.0 | 10.8 | 9.0 | 9.4 |
| British Columbia | 14.8 | 12.0 | 10.3 | 8.9 | 17.8 | 15.3 | 13.6 | 12.1 |
| **Age group** | | | | | | | | |
| Persons under 18 years | 13.3 | 11.0 | 9.0 | 8.2 | 16.4 | 14.0 | 11.6 | 10.8 |
| Persons 18 to 64 years | 13.4 | 11.9 | 11.1 | 10.3 | 15.7 | 14.0 | 13.2 | 12.5 |
| Persons 65 years and over | 5.1 | 4.9 | 3.9 | 3.5 | 7.0 | 7.0 | 6.0 | 5.6 |

**Note:** Estimates based on the 2018-base MBM thresholds are preliminary.
**Source:** Statistics Canada. Custom tabulation.

Table 4 shows results for the number of people in poverty according to the two measures. According to the 2008-base MBM, the numbers of people in poverty fell from 4.238 million in 2015 to 3.173 million in 2018, a decline of 1.065 million. According to the proposed 2018-base MBM, the numbers of people in poverty fell from 5.074 million in 2015 to 3.983 million in 2018, a decline of 1.091 million.

The changes proposed in the rebasing would result in a "parallel shift" upwards in measured poverty rates, with no significant change in the measured trend in poverty over time.

Similar results are observed for different provinces and age groups.

The thresholds presented in Table 1 are developed for the reference family of four (two adults and two children). To arrive at thresholds for different family sizes, the MBM-methodology uses a square root equivalence scale, which is a very commonly used method to adjust incomes for family size, and is recommended for use in poverty

**Table 4**
**Number of persons in poverty, 2008-base and 2018-base, Canada, provinces and selected demographic groups, 2015 to 2018**

| | 2008-base | | | | 2018-base | | | |
|---|---|---|---|---|---|---|---|---|
| | **2015** | **2016** | **2017** | **2018** | **2015** | **2016** | **2017** | **2018** |
| | in thousands | | | | | | | |
| **Geography** | | | | | | | | |
| Canada | 4,238 | 3,739 | 3,413 | 3,173 | 5,074 | 4,543 | 4,188 | 3,983 |
| Newfoundland and Labrador | 63 | 56 | 50 | 50 | 68 | 64 | 59 | 58 |
| Prince Edward Island | 20 | 17 | 15 | 14 | 21 | 17 | 20 | 18 |
| Nova Scotia | 127 | 119 | 118 | 96 | 156 | 149 | 139 | 124 |
| New Brunswick | 102 | 86 | 71 | 58 | 117 | 99 | 89 | 74 |
| Quebec | 890 | 706 | 744 | 655 | 1,118 | 896 | 888 | 812 |
| Ontario | 1,757 | 1,624 | 1,436 | 1,351 | 2,062 | 1,883 | 1,706 | 1,658 |
| Manitoba | 146 | 115 | 108 | 117 | 169 | 151 | 137 | 137 |
| Saskatchewan | 114 | 98 | 103 | 96 | 135 | 123 | 133 | 122 |
| Alberta | 341 | 362 | 286 | 316 | 415 | 453 | 379 | 403 |
| British Columbia | 678 | 557 | 481 | 421 | 812 | 707 | 638 | 577 |
| **Age group** | | | | | | | | |
| Persons under 18 years | 900 | 755 | 622 | 566 | 1,115 | 958 | 803 | 748 |
| Persons 18 to 64 years | 3,049 | 2,701 | 2,553 | 2,392 | 3,565 | 3,180 | 3,026 | 2,883 |
| Persons 65 years and over | 289 | 284 | 238 | 216 | 394 | 405 | 360 | 352 |

**Note:** Estimates based on the 2018-base MBM thresholds are preliminary.
**Source:** Statistics Canada. Custom tabulation.

**Table 5**
**Square-root equivalence scale**

| Family size | Square root scale | Multiply the threshold value by |
|---|---|---|
| 1 | 1.0 | 0.5 |
| 2 | 1.4 | 0.7 |
| 3 | 1.7 | 0.9 |
| 4 | 2.0 | 1.0 |
| 5 | 2.2 | 1.1 |
| 6 | 2.4 | 1.2 |
| $x$ | $\sqrt{x}$ | $\sqrt{x}\,/\,2$ |

measures (UNECE, 2011). To compute threshold values for different family sizes, values from Table 5 can be used.

This method of equivalizing thresholds for different family sizes should only be applied to the total threshold value and should not be applied to individual threshold components.[1] The next section of this discussion paper describes areas for future research, including research into alternative ways to compare thresholds and incomes of families of different sizes and types.

Finally, while Table 1 presented threshold values for 2018, values for 2015 to 2017 are presented in Appendix E. These threshold values were obtained by adjusting the 2018-base components' thresholds using the methodology described for each component in Appendix A.

## A forward looking research agenda

During the consultations for this MBM review, as well as during the analysis leading to the four discussion papers, certain topics were identified as requiring further study in preparation for the next MBM rebasing exercise.

**Communications technology**. Statistics Canada will look at how a separate "communications" component could best be added to the MBM. Presently, this need for communication goods and services is reflected in the "other" component.

**Child care expenses**. Currently, child care costs are represented in the MBM as a direct deduction from disposable income. This way, a family's needs are compared to an income measure that reflects their available

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1. See research by Centre d'étude sur la pauvete et l'exclusion (Fréchet et al., 2010).

resources. Experts have asked Statistics Canada if this is the best way to deal with child care expenses in the MBM. Could child care costs instead be treated as a basket item?

**Remoteness**. Statistics Canada will research whether adjustments should be made to the MBM to account for – higher costs faced by families living in remote regions and communities to derive (for example) better estimates for the northern parts of provinces.

**Different family sizes**. Currently, Statistics Canada estimates MBM thresholds for a family of four, and then uses the square root equivalization scale to derive thresholds for families of different sizes. Does this method lead to the best possible thresholds for smaller families and unattached individuals? Additional study could also be conducted on whether it might be appropriate to construct separate basket values for families of the same size but with different compositions (e.g., lone parent family with three children versus a couple with two children) or other characteristics (e.g., age of family members).

**The other component**. The "other necessities" component is meant to represent the costs of goods and services other than food, shelter, transportation and clothing. The list of items that could potentially be included in the other component is large and could vary depending on the structure, age, location or other circumstances of a family. Ongoing research on the methodology underpinning the other component could verify whether the current method for setting the value of the other component is adequate or needs to be improved.

**Poverty reduction index.** Anchoring the MBM to specific base years, yet updating it regularly to reflect changes in the standards of living to ensure it remains relevant is an underlying strength of the MBM. However, periodically rebasing the MBM leads to the creation of various poverty lines which can make it difficult to track poverty trends over longer time periods. To improve transparency and to help track poverty trends over longer time periods, the implementation of a poverty reduction index will be considered.



## Conclusion

This paper is the final discussion paper documenting the second MBM comprehensive review, which started in 2018 and will conclude in 2020. It has presented proposed new 2018-base MBM thresholds and compared these to the existing 2008-base thresholds which are currently in use.

The paper has also presented a forward looking research agenda, outlining topics that Statistics Canada and ESDC could study in preparation of the next comprehensive review.

The purpose of this paper is to foster engagement with users, to explain the changes to the MBM that have been proposed, and to provide users with preliminary estimates of the likely impacts of these proposed changes. We encourage users to ask questions, provide feedback and make suggestions for future work.

Following the release of this paper, there will be a period during which Statistics Canada and ESDC will engage experts, stakeholders, and federal, provincial and territorial officials to validate the results. The review period is expected to end by June 2020. Users are welcome to ask questions or share their feedback. Persons interested in contacting us are encouraged to do so by sending an email to: statcan.market.basket.measure-mesure.du.panier.de.consommation.statcan@canada.ca.

## Appendix A: Proposed changes to the MBM components and disposable income

### Proposed changes to the MBM components

The MBM basket consists of five components: clothing, food, shelter, transportation and other expenses. There are proposed changes to each of these components for the 2018-base MBM.

### Clothing component

The 2008-base MBM clothing component is based on the 2001 Social Planning Council of Winnipeg and Winnipeg Harvest Acceptable Living Level (ALL) Basket. The basket contains goods specifically for a reference family of two adults and two children and provides clothing and footwear for most common work, school and social occasions.

The 2018-base MBM clothing component would adopt the most recently available 2012 ALL clothing basket schedule of items (Appendix B). The basket is more contemporary and responds to some concerns regarding the datedness and gender-stereotypes found in the previous basket, such as including the same quantity of runners for men and women. It features a list and replacement schedule that is similar to the one found in the previous (2001) basket. Overall, the number of clothing items in the 2012 ALL basket is similar to the 2001 ALL basket, but some quantities have changed; for example, there is an increase in the quantity of socks and a decrease in the quantity of women's nylons.

Prices are collected from outlets annually in one representative city in each province,[2] and the arithmetic average of the three lowest price observations in each city is calculated for each item in the basket. In addition, a three-year average of item prices is taken to ensure that item price volatility is minimized. These prices, combined with specified quantities and a replacement schedule result in the cost of the clothing component. The pricing methods for the 2018-base MBM are similar to the 2008-base MBM.

For the 2008-base MBM, direct pricing of clothing items was conducted in each year, and the clothing component was updated accordingly. For the 2018-base MBM, after directly pricing clothing items for the 2018 base year, the clothing component thresholds would be updated to other years using the provincial Consumer Price Index (CPI) for "clothing and footwear". It is proposed that price indexation replace the annual direct pricing method, since the latter was deemed to add an undesirable amount of variability to the thresholds. In addition, indexing the thresholds will also make the year-over-year movements more transparent and predictable, while reviewing the MBM basket regularly will ensure the basket continues to represent contemporary norms.

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2.   With the exception of Ontario, where prices are collected in Toronto for its own threshold and in Ottawa to represent the rest of the province.

**Table A.1**
**Differences between the 2008-base and 2018-base MBM clothing and footwear thresholds, by MBM region, four person family, 2018**

| MBM Geography | | Current Dollars | | | |
|---|---|---|---|---|---|
| | | 2008-base | 2018-base | Difference | |
| | | dollars | | | percent |
| **Province** | **Region** | | | | |
| Newfoundland and Labrador | rural | 2,234 | 2,160 | -74 | -3.3 |
| | < 30,000[1] | 2,234 | 2,160 | -74 | -3.3 |
| | 30,000 to 99,999[2] | … | 2,160 | … | … |
| | St. John's | 2,234 | 2,160 | -74 | -3.3 |
| Prince Edward Island | rural | 2,104 | 2,227 | 123 | 5.8 |
| | < 30,000 | 2,104 | 2,227 | 123 | 5.8 |
| | Charlottetown | 2,104 | 2,227 | 123 | 5.8 |
| Nova Scotia | rural | 2,188 | 2,207 | 19 | 0.9 |
| | < 30,000 | 2,188 | 2,207 | 19 | 0.9 |
| | 30,000 to 99,999 | 2,188 | 2,207 | 19 | 0.9 |
| | Halifax | 2,188 | 2,207 | 19 | 0.9 |
| | Cape Breton | 2,188 | 2,207 | 19 | 0.9 |
| New Brunswick | rural | 2,561 | 2,422 | -139 | -5.4 |
| | < 30,000 | 2,561 | 2,422 | -139 | -5.4 |
| | 30,000 to 99,999 | 2,561 | 2,422 | -139 | -5.4 |
| | Fredericton | 2,561 | 2,422 | -139 | -5.4 |
| | Saint John | 2,561 | 2,422 | -139 | -5.4 |
| | Moncton | 2,561 | 2,422 | -139 | -5.4 |
| Quebec | rural | 2,079 | 2,226 | 146 | 7.0 |
| | < 30,000 | 2,079 | 2,226 | 146 | 7.0 |
| | 30,000 to 99,999 | 2,079 | 2,226 | 146 | 7.0 |
| | 100,000 to 499,999 | 2,079 | 2,226 | 146 | 7.0 |
| | Québec | 2,079 | 2,226 | 146 | 7.0 |
| | Montréal | 2,079 | 2,226 | 146 | 7.0 |
| Ontario | rural | 2,145 | 2,157 | 12 | 0.6 |
| | < 30,000 | 2,145 | 2,157 | 12 | 0.6 |
| | 30,000 to 99,999 | 2,145 | 2,157 | 12 | 0.6 |
| | 100,000 to 499,999[1] | 2,145 | 2,157 | 12 | 0.6 |
| | 500,000+[2] | … | 2,157 | … | … |
| | Ottawa | 2,145 | 2,157 | 12 | 0.6 |
| | Hamilton/Burlington | 2,145 | 2,157 | 12 | 0.6 |
| | Toronto | 1,750 | 1,846 | 96 | 5.5 |
| Manitoba | rural | 2,050 | 2,042 | -8 | -0.4 |
| | < 30,000[1] | 2,050 | 2,042 | -8 | -0.4 |
| | 30,000 to 99,999[2] | … | 2,042 | … | … |
| | Brandon | 2,050 | 2,042 | -8 | -0.4 |
| | Winnipeg | 2,050 | 2,042 | -8 | -0.4 |
| Saskatchewan | rural | 2,314 | 2,236 | -78 | -3.4 |
| | < 30,000 | 2,314 | 2,236 | -78 | -3.4 |
| | 30,000 to 99,999 | 2,314 | 2,236 | -78 | -3.4 |
| | Saskatoon | 2,314 | 2,236 | -78 | -3.4 |
| | Regina | 2,314 | 2,236 | -78 | -3.4 |
| Alberta | rural | 1,834 | 1,858 | 24 | 1.3 |
| | < 30,000 | 1,834 | 1,858 | 24 | 1.3 |
| | 30,000 to 99,999 | 1,834 | 1,858 | 24 | 1.3 |
| | 100,000 to 499,999 | 1,834 | 1,858 | 24 | 1.3 |
| | Edmonton | 1,834 | 1,858 | 24 | 1.3 |
| | Calgary | 1,834 | 1,858 | 24 | 1.3 |
| British Columbia | rural | 1,907 | 2,074 | 167 | 8.7 |
| | < 30,000 | 1,907 | 2,074 | 167 | 8.7 |
| | 30,000 to 99,999 | 1,907 | 2,074 | 167 | 8.7 |
| | 100,000 to 499,999 | 1,907 | 2,074 | 167 | 8.7 |
| | Vancouver | 1,907 | 2,074 | 167 | 8.7 |

… not applicable

1. Differences should be viewed with caution, as the region has been redefined under the 2018-base.

2. New MBM region

**Note:** 2018-base MBM thresholds are preliminary.

**Source:** Statistics Canada. Custom tabulation.

## Food component

In the 2008-base MBM, the food component is based on the 2008 National Nutritious Food Basket, developed by Health Canada. Food prices are collected from 38 cities in order to provide the annual cost of purchasing the basket in the 50 regions. For some items, prices are collected for more than one product to enable pricing of both a branded and a generic item. Prices are collected from selected stores in each city and the geometric mean of each item is calculated for each city.

The 2018-base MBM would use the 2019 National Nutritious Food Basket (NNFB, Appendix C) to calculate the cost of the food component. The foods in the updated NNFB are consistent with the new *Canada's Food Guide* and are commonly consumed nutritious foods that Canadians reported consuming in the 2015 *Canadian Community Health Survey-Nutrition*, the most recently available survey of food consumption. The 2019 NNFB includes fresh, frozen and canned food formats to balance considerations of cost, access and availability. As for the 2008 NNFB, 5% is added to the total cost of the 2019 basket for miscellaneous foods and beverages such as coffee, tea, herbs, spices and condiments.[3]

Food prices will still be collected by Statistics Canada in 38 cities across Canada. However, given the recent release of the new NNFB, some provisional prices have been used for the food component, and Statistics Canada will evaluate whether a revision to these figures is required during the coming months. As with the clothing component, annual direct pricing of the food basket would be replaced by the provincial CPI food price index to determine the change in the price of the food basket over time for the 2018-base MBM.

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3.   For more information on the 2019 NNFB see the National Nutritious Food Basket.

**Table A.2**
**Differences between the 2008-base and 2018-base MBM food thresholds, by MBM region, four person family, 2018**

| MBM Geography | | Current Dollars | | | |
|---|---|---|---|---|---|
| | | 2008-base | 2018-base | Difference | |
| | | dollars | | | percent |
| **Province** | **Region** | | | | |
| Newfoundland and Labrador | rural | 12,972 | 13,141 | 169 | 1.3 |
| | < 30,000[1] | 12,972 | 13,141 | 169 | 1.3 |
| | 30,000 to 99,999[2] | … | 13,141 | … | … |
| | St. John's | 12,441 | 12,521 | 80 | 0.6 |
| Prince Edward Island | rural | 12,476 | 12,470 | -6 | 0.0 |
| | < 30,000 | 12,476 | 12,470 | -6 | 0.0 |
| | Charlottetown | 12,476 | 12,470 | -6 | 0.0 |
| Nova Scotia | rural | 12,117 | 12,528 | 411 | 3.4 |
| | < 30,000 | 12,117 | 12,528 | 411 | 3.4 |
| | 30,000 to 99,999 | 12,117 | 12,528 | 411 | 3.4 |
| | Halifax | 11,558 | 12,001 | 443 | 3.8 |
| | Cape Breton | 11,816 | 11,750 | -66 | -0.6 |
| New Brunswick | rural | 12,496 | 12,563 | 67 | 0.5 |
| | < 30,000 | 12,496 | 12,563 | 67 | 0.5 |
| | 30,000 to 99,999 | 12,496 | 12,563 | 67 | 0.5 |
| | Fredericton | 12,498 | 12,499 | 1 | 0.0 |
| | Saint John | 12,413 | 12,198 | -215 | -1.7 |
| | Moncton | 11,349 | 11,757 | 408 | 3.6 |
| Quebec | rural | 11,248 | 11,322 | 74 | 0.7 |
| | < 30,000 | 11,248 | 11,322 | 74 | 0.7 |
| | 30,000 to 99,999 | 11,248 | 11,322 | 74 | 0.7 |
| | 100,000 to 499,999 | 11,248 | 11,322 | 74 | 0.7 |
| | Québec | 11,154 | 11,476 | 322 | 2.9 |
| | Montréal | 11,344 | 11,578 | 234 | 2.1 |
| Ontario | rural | 10,518 | 10,560 | 42 | 0.4 |
| | < 30,000 | 10,518 | 10,560 | 42 | 0.4 |
| | 30,000 to 99,999 | 10,518 | 10,560 | 42 | 0.4 |
| | 100,000 to 499,999[1] | 11,045 | 10,994 | -51 | -0.5 |
| | 500,000+[2] | … | 10,994 | … | … |
| | Ottawa | 11,390 | 11,399 | 9 | 0.1 |
| | Hamilton/Burlington | 10,821 | 10,738 | -83 | -0.8 |
| | Toronto | 10,903 | 10,803 | -100 | -0.9 |
| Manitoba | rural | 11,037 | 10,983 | -54 | -0.5 |
| | < 30,000[1] | 11,037 | 10,983 | -54 | -0.5 |
| | 30,000 to 99,999[2] | … | 10,983 | … | … |
| | Brandon | 11,037 | 10,983 | -54 | -0.5 |
| | Winnipeg | 11,318 | 11,377 | 59 | 0.5 |
| Saskatchewan | rural | 11,023 | 11,101 | 78 | 0.7 |
| | < 30,000 | 11,023 | 11,101 | 78 | 0.7 |
| | 30,000 to 99,999 | 11,023 | 11,101 | 78 | 0.7 |
| | Saskatoon | 11,072 | 11,308 | 236 | 2.1 |
| | Regina | 10,880 | 11,204 | 324 | 3.0 |
| Alberta | rural | 12,354 | 12,255 | -100 | -0.8 |
| | < 30,000 | 12,354 | 12,255 | -100 | -0.8 |
| | 30,000 to 99,999 | 12,354 | 12,255 | -100 | -0.8 |
| | 100,000 to 499,999 | 12,354 | 12,255 | -100 | -0.8 |
| | Edmonton | 11,080 | 11,410 | 330 | 3.0 |
| | Calgary | 11,390 | 11,510 | 120 | 1.1 |
| British Columbia | rural | 11,256 | 11,380 | 124 | 1.1 |
| | < 30,000 | 11,256 | 11,380 | 124 | 1.1 |
| | 30,000 to 99,999 | 11,256 | 11,380 | 124 | 1.1 |
| | 100,000 to 499,999 | 12,155 | 12,112 | -43 | -0.4 |
| | Vancouver | 11,652 | 11,586 | -66 | -0.6 |

… not applicable

1. Differences should be viewed with caution, as the region has been redefined under the 2018-base.

2. New MBM region

**Note:** 2018-base MBM thresholds are preliminary.

**Source:** Statistics Canada. Custom tabulation.

## Shelter component

The MBM derives shelter costs for rental units from the Census. The Census is chosen to provide rental values because its large sample size allows for precise estimation of rental costs and covers all types of rental units.

In the 2008-base MBM, the shelter cost was estimated using the 2006 Census based upon the median rent for 2- and 3-bedroom units. To get estimates for subsequent years, rental price data was inflated using the provincial CPI index for rented accommodations. In addition to the allowance for the rental of the dwelling, an amount had been added to reflect the fact that some households would have to provide their own appliances, such as a refrigerator, stove, washer and dryer.

The 2018-base MBM shelter component would be updated to use 2016 Census values. The new MBM base proposes to also adopt the National Occupancy Standard for the reference family of one male and one female adult with two children (a girl aged 9 and a boy aged 13), and thus bases shelter costs for the reference family on the cost of a 3-bedroom rental unit. To determine the typical cost of a 3-bedroom rental unit by MBM region, we estimate the median cost of 3-bedroom rental units occupied by households in the second income decile. In addition to the supplement for appliances, an amount for tenant's insurance is now included.

Finally, in the 2018-base MBM, it is proposed that the provincial all-items indexes of the CPI, instead of the rental accommodation index of the CPI, be used to update the value of the shelter component. Statistics Canada will continue its research on the shelter component, and monitor and report on this component annually.

**Table A.3**
**Differences between the 2008-base and 2018-base MBM shelter thresholds, by MBM region, four person family, 2018**

| MBM Geography | | Current Dollars | | | |
|---|---|---|---|---|---|
| | | 2008-base | 2018-base | Difference | |
| | | | dollars | | percent |
| **Province** | **Region** | | | | |
| Newfoundland and Labrador | rural | 7,801 | 10,282 | 2,482 | 31.8 |
| | < 30,000[1] | 8,373 | 10,669 | 2,296 | 27.4 |
| | 30,000 to 99,999[2] | … | 12,480 | … | … |
| | St. John's | 9,994 | 14,041 | 4,048 | 40.5 |
| Prince Edward Island | rural | 7,848 | 10,436 | 2,587 | 33.0 |
| | < 30,000 | 8,695 | 11,199 | 2,503 | 28.8 |
| | Charlottetown | 9,607 | 12,687 | 3,080 | 32.1 |
| Nova Scotia | rural | 8,291 | 9,842 | 1,551 | 18.7 |
| | < 30,000 | 8,477 | 10,747 | 2,271 | 26.8 |
| | 30,000 to 99,999 | 8,727 | 11,516 | 2,789 | 32.0 |
| | Halifax | 10,857 | 15,312 | 4,454 | 41.0 |
| | Cape Breton | 8,401 | 11,764 | 3,364 | 40.0 |
| New Brunswick | rural | 7,046 | 9,019 | 1,973 | 28.0 |
| | < 30,000 | 7,630 | 10,537 | 2,906 | 38.1 |
| | 30,000 to 99,999 | 7,040 | 10,311 | 3,271 | 46.5 |
| | Fredericton | 10,401 | 12,845 | 2,444 | 23.5 |
| | Saint John | 8,116 | 11,151 | 3,035 | 37.4 |
| | Moncton | 9,409 | 12,368 | 2,959 | 31.5 |
| Quebec | rural | 6,744 | 8,843 | 2,099 | 31.1 |
| | < 30,000 | 6,834 | 8,436 | 1,602 | 23.4 |
| | 30,000 to 99,999 | 7,419 | 8,991 | 1,572 | 21.2 |
| | 100,000 to 499,999 | 7,829 | 9,385 | 1,556 | 19.9 |
| | Québec | 8,525 | 10,864 | 2,339 | 27.4 |
| | Montréal | 9,189 | 11,333 | 2,144 | 23.3 |
| Ontario | rural | 10,068 | 12,139 | 2,071 | 20.6 |
| | < 30,000 | 9,859 | 12,814 | 2,955 | 30.0 |
| | 30,000 to 99,999 | 10,211 | 13,176 | 2,965 | 29.0 |
| | 100,000 to 499,999[1] | 11,386 | 14,263 | 2,876 | 25.3 |
| | 500,000+[2] | … | 16,099 | … | … |
| | Ottawa | 13,646 | 17,822 | 4,176 | 30.6 |
| | Hamilton/Burlington | 11,877 | 14,950 | 3,073 | 25.9 |
| | Toronto | 14,710 | 19,259 | 4,549 | 30.9 |
| Manitoba | rural | 7,371 | 10,271 | 2,899 | 39.3 |
| | < 30,000[1] | 8,808 | 12,096 | 3,288 | 37.3 |
| | 30,000 to 99,999[2] | … | 12,159 | … | … |
| | Brandon | 9,330 | 12,396 | 3,067 | 32.9 |
| | Winnipeg | 10,569 | 15,147 | 4,579 | 43.3 |
| Saskatchewan | rural | 8,512 | 10,906 | 2,394 | 28.1 |
| | < 30,000 | 9,613 | 12,629 | 3,016 | 31.4 |
| | 30,000 to 99,999 | 9,980 | 13,502 | 3,523 | 35.3 |
| | Saskatoon | 11,467 | 16,473 | 5,005 | 43.6 |
| | Regina | 11,420 | 15,774 | 4,354 | 38.1 |
| Alberta | rural | 10,103 | 14,587 | 4,484 | 44.4 |
| | < 30,000 | 11,518 | 15,698 | 4,180 | 36.3 |
| | 30,000 to 99,999 | 13,130 | 15,111 | 1,982 | 15.1 |
| | 100,000 to 499,999 | 10,857 | 15,498 | 4,641 | 42.8 |
| | Edmonton | 12,465 | 19,055 | 6,589 | 52.9 |
| | Calgary | 13,648 | 19,367 | 5,718 | 41.9 |
| British Columbia | rural | 9,699 | 11,837 | 2,137 | 22.0 |
| | < 30,000 | 9,716 | 12,982 | 3,266 | 33.6 |
| | 30,000 to 99,999 | 10,526 | 13,914 | 3,387 | 32.2 |
| | 100,000 to 499,999 | 12,625 | 16,922 | 4,297 | 34.0 |
| | Vancouver | 13,671 | 19,125 | 5,454 | 39.9 |

… not applicable

1. Differences should be viewed with caution, as the region has been redefined under the 2018-base.

2. New MBM region

**Note:** 2018-base MBM thresholds are preliminary.

**Source:** Statistics Canada. Custom tabulation.

## Transportation component

The objective of the transportation component of the MBM is to recognise the costs necessary to travel to and from work, to do shopping and meet other everyday needs. However, depending on where a person lives and the exact nature of their needs, how these needs are met may vary and, as a result, costs may also vary. In rural areas, most often the only mode of transportation used to do daily tasks and commute to work is a car. Meanwhile, most large urban areas have effective public transit systems to meet the transportation needs of people living in cities. In small and medium sized cities, as well as in the suburbs, public transit may be less effective than in large cities in meeting the transportation needs of the reference family.

For the 2018-base, two proposed changes are being suggested to the transportation component. The first change would be to recognize the widespread use of cars as a means of transportation, even in urban centres that have public transportation systems. In rural MBM regions and MBM regions comprised of population centres with fewer than 30,000 people, it is assumed, as it was in the 2008-base MBM, that families would need their own car to commute to work and to conduct daily activities such as shopping. In larger MBM regions, including the specified CMAs and CAs, a weighted average of the cost of public transit and private transportation would be assumed.

The weight of each component (public and private) would be determined using 2016 Census data, namely the Census question on the mode of commuting to work. Weights for the private and public components, by MBM region, are presented in Appendix D.

The second important change would be to update the costing of private transportation, by taking account of changes – such as the increase in the longevity of vehicles and improved fuel efficiency – that have occurred over the nearly 20 years since the MBM was first introduced. This update would provide for the purchase of an eight-year-old compact car (5-year old in the 2008-base MBM) along with 1,200 litres of gas per year (1,500 in the 2008-base MBM). In addition, the 2018-base MBM would be modified to use a "basket" of 5 compact cars in determining the vehicle price instead of 2008-base MBM method of only using one car, to add stability and representativeness to the estimates.

Public transportation costs allocated to the reference family consist of the cost of monthly public transit passes for two adults and one child and an additional amount sufficient for 12 round trip taxi rides, unchanged from the 2008-base methodology.

Finally, in the 2018-base MBM, it is proposed the provincial level index for private transportation be used to adjust the private transportation basket over time, while the provincial level index for public transportation be used to adjust the public transportation basket.

**Table A.4**

**Differences between the 2008-base and 2018-base MBM transportation thresholds, by MBM region, four person family, 2018**

| MBM Geography | | Current Dollars | | | |
|---|---|---|---|---|---|
| | | 2008-base | 2018-base | Difference | |
| | | dollars | | | percent |
| **Province** | **Region** | | | | |
| Newfoundland and Labrador | rural | 5,335 | 4,650 | -685 | -12.8 |
| | < 30,000[1] | 5,335 | 4,650 | -685 | -12.8 |
| | 30,000 to 99,999[2] | … | 4,080 | … | … |
| | St. John's | 2,807 | 4,248 | 1,441 | 51.3 |
| Prince Edward Island | rural | 4,921 | 4,308 | -613 | -12.5 |
| | < 30,000 | 4,921 | 4,308 | -613 | -12.5 |
| | Charlottetown | 2,416 | 3,742 | 1,326 | 54.9 |
| Nova Scotia | rural | 5,364 | 4,790 | -574 | -10.7 |
| | < 30,000 | 5,364 | 4,790 | -574 | -10.7 |
| | 30,000 to 99,999 | 2,793 | 4,328 | 1,534 | 54.9 |
| | Halifax | 2,853 | 3,852 | 1,000 | 35.0 |
| | Cape Breton | 2,565 | 4,176 | 1,612 | 62.8 |
| New Brunswick | rural | 5,261 | 4,563 | -698 | -13.3 |
| | < 30,000 | 5,261 | 4,563 | -698 | -13.3 |
| | 30,000 to 99,999 | 5,261 | 4,563 | -698 | -13.3 |
| | Fredericton | 2,866 | 3,990 | 1,123 | 39.2 |
| | Saint John | 2,926 | 4,004 | 1,078 | 36.8 |
| | Moncton | 2,410 | 3,887 | 1,477 | 61.3 |
| Quebec | rural | 4,980 | 4,369 | -611 | -12.3 |
| | < 30,000 | 4,980 | 4,369 | -611 | -12.3 |
| | 30,000 to 99,999 | 2,324 | 3,860 | 1,535 | 66.0 |
| | 100,000 to 499,999 | 2,962 | 3,963 | 1,001 | 33.8 |
| | Québec | 3,103 | 3,875 | 772 | 24.9 |
| | Montréal | 2,911 | 3,787 | 876 | 30.1 |
| Ontario | rural | 5,782 | 5,034 | -747 | -12.9 |
| | < 30,000 | 5,782 | 5,034 | -747 | -12.9 |
| | 30,000 to 99,999 | 2,514 | 4,192 | 1,678 | 66.8 |
| | 100,000 to 499,999[1] | 3,282 | 4,508 | 1,225 | 37.3 |
| | 500,000+[2] | … | 4,590 | … | … |
| | Ottawa | 4,163 | 4,538 | 374 | 9.0 |
| | Hamilton/Burlington | 3,722 | 4,854 | 1,132 | 30.4 |
| | Toronto | 5,201 | 5,602 | 400 | 7.7 |
| Manitoba | rural | 5,770 | 4,850 | -920 | -15.9 |
| | < 30,000[1] | 5,770 | 4,850 | -920 | -15.9 |
| | 30,000 to 99,999[2] | … | 4,850 | … | … |
| | Brandon | 2,841 | 4,174 | 1,333 | 46.9 |
| | Winnipeg | 3,498 | 4,359 | 861 | 24.6 |
| Saskatchewan | rural | 5,632 | 4,829 | -804 | -14.3 |
| | < 30,000 | 5,632 | 4,829 | -804 | -14.3 |
| | 30,000 to 99,999 | 2,423 | 4,161 | 1,738 | 71.7 |
| | Saskatoon | 2,908 | 4,272 | 1,364 | 46.9 |
| | Regina | 3,316 | 4,333 | 1,017 | 30.7 |
| Alberta | rural | 5,199 | 4,400 | -799 | -15.4 |
| | < 30,000 | 5,199 | 4,400 | -799 | -15.4 |
| | 30,000 to 99,999 | 2,360 | 3,703 | 1,343 | 56.9 |
| | 100,000 to 499,999 | 2,893 | 3,910 | 1,017 | 35.2 |
| | Edmonton | 3,472 | 4,236 | 764 | 22.0 |
| | Calgary | 3,613 | 4,228 | 615 | 17.0 |
| British Columbia | rural | 5,744 | 4,911 | -832 | -14.5 |
| | < 30,000 | 5,744 | 4,911 | -832 | -14.5 |
| | 30,000 to 99,999 | 2,185 | 4,200 | 2,015 | 92.2 |
| | 100,000 to 499,999 | 2,560 | 4,191 | 1,631 | 63.7 |
| | Vancouver | 3,194 | 4,476 | 1,281 | 40.1 |

… not applicable

1. Differences should be viewed with caution, as the region has been redefined under the 2018-base.

2. New MBM region

**Note:** 2018-base MBM thresholds are preliminary.

**Source:** Statistics Canada. Custom tabulation.

## Other component

The MBM has a final component that recognises the needs for necessary other goods and services that are not captured under the shelter, clothing, food and transportation categories (e.g., household items, personal care, reading materials, etc.). The methodology for pricing other goods and services does not utilize the pricing of items as other parts of the MBM does. Doing so would be difficult, as there are a large number of items that would potentially need to be priced, and many of the items could be considered necessities for some families but not for others. Accordingly, the other component is meant to approximate average expenditures on a wide range of other goods and services, using data sourced from Statistics Canada's *Survey of Household Spending* (SHS).

In the 2008-base MBM, the value for the other necessities component was established as a fixed percentage (75.4%) of the total cost of the food and clothing components for each MBM region. This fixed percentage is referred to as the "multiplier" and was established based on an analysis of historical spending patterns on a set of selected expenditure categories deemed necessary for a modest, basic standard of living.

For the 2018-base MBM, it is proposed that the level of the other necessities component multiplier be set so that the new 2018-base level for 2018, excluding cell phone services, equals the 2008-base level. An additional amount for cell phone services would then be added to the 2018-base other necessities component.

The value of the other multiplier could be recomputed, but since the food and clothing components are relatively unchanged between the 2008- and 2018-bases, the existing multiplier value is retained. Thus, the other component is calculated as the sum of the food and clothing baskets for an MBM region, multiplied by 0.754, plus the provincial average expenditures on cell phone services observed in the SHS for families in the second decile of income.

Similar to the previously discussed components, the other necessities component would be calculated for the base year and then annually updated by inflating the base year thresholds for each MBM region by the provincial level all-items CPI as the price inflator. This differs from the 2008-base MBM methodology where the multiplier was applied each year. To summarise, in the 2018-base the growth in the other component would be tied to the all-items CPI, while in the 2008-base methodology it was tied to the price movement of food and clothing.

**Table A.5**
**Differences between the 2008-base and 2018-base MBM other necessities thresholds, by MBM region, four person family, 2018**

| MBM Geography | | 2008-base | 2018-base | Difference | |
|---|---|---|---|---|---|
| | | dollars | | | percent |
| **Province** | **Region** | | | | |
| Newfoundland and Labrador | rural | 11,460 | 12,305 | 845 | 7.4 |
| | < 30,000[1] | 11,460 | 12,305 | 845 | 7.4 |
| | 30,000 to 99,999[2] | … | 12,305 | … | … |
| | St. John's | 11,060 | 11,838 | 778 | 7.0 |
| Prince Edward Island | rural | 10,988 | 12,079 | 1,091 | 9.9 |
| | < 30,000 | 10,988 | 12,079 | 1,091 | 9.9 |
| | Charlottetown | 10,988 | 12,079 | 1,091 | 9.9 |
| Nova Scotia | rural | 10,781 | 12,221 | 1,440 | 13.4 |
| | < 30,000 | 10,781 | 12,221 | 1,440 | 13.4 |
| | 30,000 to 99,999 | 10,781 | 12,221 | 1,440 | 13.4 |
| | Halifax | 10,360 | 11,824 | 1,464 | 14.1 |
| | Cape Breton | 10,554 | 11,635 | 1,081 | 10.2 |
| New Brunswick | rural | 11,348 | 12,199 | 851 | 7.5 |
| | < 30,000 | 11,348 | 12,199 | 851 | 7.5 |
| | 30,000 to 99,999 | 11,348 | 12,199 | 851 | 7.5 |
| | Fredericton | 11,349 | 12,151 | 801 | 7.1 |
| | Saint John | 11,285 | 11,924 | 638 | 5.7 |
| | Moncton | 10,483 | 11,591 | 1,108 | 10.6 |
| Quebec | rural | 10,044 | 11,043 | 999 | 9.9 |
| | < 30,000 | 10,044 | 11,043 | 999 | 9.9 |
| | 30,000 to 99,999 | 10,044 | 11,043 | 999 | 9.9 |
| | 100,000 to 499,999 | 10,044 | 11,043 | 999 | 9.9 |
| | Québec | 9,973 | 11,159 | 1,186 | 11.9 |
| | Montréal | 10,116 | 11,236 | 1,120 | 11.1 |
| Ontario | rural | 9,544 | 10,684 | 1,141 | 12.0 |
| | < 30,000 | 9,544 | 10,684 | 1,141 | 12.0 |
| | 30,000 to 99,999 | 9,544 | 10,684 | 1,141 | 12.0 |
| | 100,000 to 499,999[1] | 9,941 | 11,011 | 1,071 | 10.8 |
| | 500,000+[2] | … | 11,011 | … | … |
| | Ottawa | 10,201 | 11,317 | 1,116 | 10.9 |
| | Hamilton/Burlington | 9,772 | 10,818 | 1,046 | 10.7 |
| | Toronto | 9,536 | 10,633 | 1,097 | 11.5 |
| Manitoba | rural | 9,863 | 10,809 | 945 | 9.6 |
| | < 30,000[1] | 9,863 | 10,809 | 945 | 9.6 |
| | 30,000 to 99,999[2] | … | 10,809 | … | … |
| | Brandon | 9,863 | 10,809 | 945 | 9.6 |
| | Winnipeg | 10,075 | 11,106 | 1,031 | 10.2 |
| Saskatchewan | rural | 10,052 | 11,209 | 1,157 | 11.5 |
| | < 30,000 | 10,052 | 11,209 | 1,157 | 11.5 |
| | 30,000 to 99,999 | 10,052 | 11,209 | 1,157 | 11.5 |
| | Saskatoon | 10,089 | 11,365 | 1,276 | 12.7 |
| | Regina | 9,944 | 11,286 | 1,343 | 13.5 |
| Alberta | rural | 10,693 | 11,947 | 1,254 | 11.7 |
| | < 30,000 | 10,693 | 11,947 | 1,254 | 11.7 |
| | 30,000 to 99,999 | 10,693 | 11,947 | 1,254 | 11.7 |
| | 100,000 to 499,999 | 10,693 | 11,947 | 1,254 | 11.7 |
| | Edmonton | 9,733 | 11,311 | 1,578 | 16.2 |
| | Calgary | 9,966 | 11,386 | 1,420 | 14.2 |
| British Columbia | rural | 9,920 | 11,261 | 1,340 | 13.5 |
| | < 30,000 | 9,920 | 11,261 | 1,340 | 13.5 |
| | 30,000 to 99,999 | 9,920 | 11,261 | 1,340 | 13.5 |
| | 100,000 to 499,999 | 10,598 | 11,812 | 1,214 | 11.5 |
| | Vancouver | 10,219 | 11,416 | 1,197 | 11.7 |

… not applicable

1. Differences should be viewed with caution, as the region has been redefined under the 2018-base.
2. New MBM region
**Note:** 2018-base MBM thresholds are preliminary.
**Source:** Statistics Canada. Custom tabulation.

## Proposed changes to disposable income

In the 2008-base MBM, disposable income is defined as total income (including government transfers) after deducting not only income tax, but also several non-discretionary expenses including Canada Pension Plan and Quebec Pension Plan contributions, Employment Insurance and Registered Pension Plan contributions, union dues, child care expenses, spousal support payments paid, public health insurance premiums, and direct medical expenses including private insurance premiums. In the 2008-base MBM methodology, disposable income is also adjusted for homeowners without mortgages to reflect the lower shelter costs faced by families with this type of housing tenure. This adjustment is called the Mortgage Free Advantage (MFA).

For the 2018-base MBM, the proposed changes to disposable income include an update to the estimate of direct medical expenses and replacement of the MFA income adjustment with the Tenure Type Adjustment. In addition, it is proposed that capital gains taxes be removed from the income taxes deducted from total income in deriving disposable income to prevent families from appearing to be in poverty due to capital gains taxes.

## Tenure Type Adjustment

In the 2008-base MBM, a new concept had been introduced to put homeowners without a mortgage, who have, on average, lower shelter costs than renters, on a more equal footing with renters with respect to determining their poverty status. Specifically, a value called the Mortgage Free Advantage (MFA) is calculated and added to the disposable income of mortgage free homeowners. The MFA was calculated as the difference between the median shelter costs of homeowners without a mortgage and the median shelter cost of renters. This difference is added to the disposable income of homeowners without a mortgage. Arithmetically, this is very similar to calculating a separate shelter cost threshold for families with this tenure type.

For the 2018-base MBM, it is proposed that the MFA concept be extended to homeowners with a mortgage and subsidized renters; thereby, putting all families' shelter costs on a more equal footing when determining poverty estimates, regardless of their tenure type. This new concept would be referred to as the "Tenure Type Adjustment (TTA)". As with the shelter basket values, the TTA is calculated using data from the 2016 Census except as described below.

### Summary of the process

The estimation of the TTA for each MBM region and tenure type would be obtained by subtracting the typical shelter costs of a specific tenure type from the shelter cost for renters derived during the construction of the basket. These TTA values are calculated for a three-bedroom unit for a family in the second decile of income for each MBM region.

TTAs are first estimated for a family of four, and then equivalent values for other family sizes are computed using the square-root method. These TTAs are then added to disposable income when evaluating poverty status.

### Homeowners without mortgages

For homeowners without a mortgage, the shelter costs considered for the MBM consist of property taxes, utility costs, condominium fees, appliance costs and basic home insurance costs. As noted above, these are estimated from 2016 Census data for a three-bedroom unit for a family in the second income decile for each MBM region. For mortgage-free homeowners, the resulting TTA is conceptually similar to the MFA used in the 2008-base MBM.

### Homeowners with mortgages

For the purpose of the MBM, shelter costs for homeowners with a mortgage would consist of property taxes, utility costs, condominium fees, basic home insurance costs, appliance costs and mortgage interest payments. The key difference, relative to homeowners without a mortgage, is the interest cost component (which is zero for homeowners without a mortgage).

Mortgage interest costs are estimated using data from *Survey of Financial Security* (SFS). Details on this calculation are offered in *Defining disposable income in the Market Basket Measure*. The calculation is done for three age groups to reflect the fact that younger homeowners tend to have higher average mortgage balances than older homeowners due to the fact that they are in an earlier phase of the repayment of their loan.[4]

## Subsidized renters

For tenants living in subsidized housing, TTAs are determined by estimating the median cost of a subsidized three-bedroom rental unit for a family in the second decile of income, and then measuring the difference between its cost and corresponding shelter cost in the basket component of the MBM. For subsidised renters, shelter costs consist of the rent paid plus utility costs, appliance costs and relevant insurance costs.

**Table A.6**
**MBM Mortgage Free advantage (2008-base) and Tenure Type Adjustment (2018-base) in current dollars, by MBM region, four person family, 2018**

| | | 2008-base, Mortgage Free Advantage (MFA)[1] | 2018-base, Tenure Type Adjustment (TTA)[2] | | | | |
|---|---|---|---|---|---|---|---|
| | | | | Homeowners with a mortgage | | | |
| MBM Geography | | Homeowners without a mortgage | Renters in subsidised dwellings | Household head, aged less than 40 | Household head, aged 40-60 | Household head, aged 61+ | Homeowners without a mortgage |
| **Province** | **Region** | | | | | | |
| Newfoundland and Labrador | rural | 3,108 | 2,360 | 0 | 859 | 1,785 | 4,737 |
| | < 30,000[3] | 2,740 | 4,371 | 0 | 892 | 1,756 | 4,600 |
| | 30,000 to 99,999[4] | … | 5,408 | 1,318 | 2,698 | 4,264 | 6,099 |
| | St. John's | 2,913 | 7,606 | 2,347 | 3,727 | 4,243 | 6,236 |
| Prince Edward Island | rural | 3,504 | 3,201 | 235 | 1,617 | 3,185 | 5,230 |
| | < 30,000 | 3,282 | 4,152 | 418 | 1,800 | 3,368 | 4,980 |
| | Charlottetown | 3,795 | 5,339 | 1,797 | 3,180 | 4,748 | 6,155 |
| Nova Scotia | rural | 3,913 | 2,295 | 0 | 1,100 | 1,682 | 4,716 |
| | < 30,000 | 2,813 | 3,225 | 0 | 1,224 | 2,780 | 4,295 |
| | 30,000 to 99,999 | 3,873 | 3,659 | 757 | 2,127 | 3,684 | 5,498 |
| | Halifax | 4,417 | 6,561 | 4,240 | 5,743 | 6,330 | 8,524 |
| | Cape Breton | 2,889 | 5,619 | 468 | 1,839 | 3,395 | 5,535 |
| New Brunswick | rural | 3,289 | 3,311 | 0 | 420 | 1,650 | 4,116 |
| | < 30,000 | 2,917 | 4,152 | 0 | 1,268 | 2,841 | 4,743 |
| | 30,000 to 99,999 | 2,732 | 4,177 | 0 | 1,356 | 2,929 | 5,069 |
| | Fredericton | 5,247 | 6,171 | 2,320 | 3,706 | 5,279 | 7,164 |
| | Saint John | 2,872 | 4,541 | 239 | 1,625 | 3,198 | 4,543 |
| | Moncton | 3,953 | 5,293 | 1,592 | 2,978 | 4,551 | 5,734 |
| Quebec | rural | 2,581 | 3,759 | 0 | 0 | 1,282 | 3,595 |
| | < 30,000 | 1,963 | 3,328 | 0 | 0 | 675 | 2,621 |
| | 30,000 to 99,999 | 2,510 | 3,808 | 0 | 0 | 1,085 | 3,472 |
| | 100,000 to 499,999 | 2,594 | 4,289 | 0 | 0 | 1,215 | 3,472 |
| | Québec | 3,034 | 5,657 | 0 | 47 | 2,651 | 4,741 |
| | Montréal | 2,871 | 5,608 | 0 | 390 | 2,503 | 4,187 |
| Ontario | rural | 3,772 | 4,222 | 0 | 0 | 1,375 | 4,883 |
| | < 30,000 | 3,078 | 6,832 | 0 | 712 | 2,207 | 5,620 |
| | 30,000 to 99,999 | 3,366 | 8,206 | 0 | 1,178 | 2,423 | 6,082 |
| | 100,000 to 499,999[3] | 3,979 | 8,781 | 509 | 2,161 | 3,448 | 7,056 |
| | 500,000+[4] | … | 10,654 | 1,991 | 4,101 | 5,596 | 8,905 |
| | Ottawa | 5,389 | 11,566 | 3,705 | 5,242 | 6,279 | 9,604 |
| | Hamilton/Burlington | 3,662 | 9,243 | 570 | 2,500 | 3,619 | 7,356 |
| | Toronto | 5,678 | 12,928 | 0 | 775 | 2,612 | 10,703 |
| Manitoba | rural | 2,742 | 3,501 | 0 | 0 | 808 | 5,069 |
| | < 30,000[3] | 3,330 | 5,602 | 0 | 1,175 | 2,743 | 6,707 |
| | 30,000 to 99,999[4] | … | 4,714 | 18 | 1,401 | 2,969 | 6,232 |
| | Brandon | 3,664 | 5,252 | 0 | 1,367 | 2,936 | 6,507 |
| | Winnipeg | 3,804 | 8,991 | 2,477 | 3,283 | 4,540 | 8,921 |

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4. All negative TTAs were set to zero.

**Table A.6**
**MBM Mortgage Free advantage (2008-base) and Tenure Type Adjustment (2018-base) in current dollars, by MBM region, four person family, 2018**

| MBM Geography | | 2008-base, Mortgage Free Advantage (MFA)[1] Homeowners without a mortgage | 2018-base, Tenure Type Adjustment (TTA)[2] | | | | |
|---|---|---|---|---|---|---|---|
| | | | Renters in subsidised dwellings | Homeowners with a mortgage | | | Homeowners without a mortgage |
| | | | | Household head, aged less than 40 | Household head, aged 40-60 | Household head, aged 61+ | |
| Province | Region | | | | | | |
| Saskatchewan | rural | 2,378 | 2,396 | 0 | 0 | 736 | 4,969 |
| | < 30,000 | 2,437 | 4,244 | 0 | 1,022 | 2,587 | 6,317 |
| | 30,000 to 99,999 | 2,567 | 4,531 | 350 | 1,730 | 3,296 | 6,917 |
| | Saskatoon | 2,897 | 4,606 | 2,370 | 3,749 | 5,314 | 9,538 |
| | Regina | 2,909 | 4,343 | 2,004 | 3,383 | 4,948 | 8,564 |
| Alberta | rural | 4,155 | 6,751 | 641 | 1,334 | 4,086 | 8,208 |
| | < 30,000 | 4,562 | 7,600 | 1,037 | 2,181 | 4,904 | 8,482 |
| | 30,000 to 99,999 | 6,637 | 6,202 | 201 | 1,580 | 3,145 | 8,857 |
| | 100,000 to 499,999 | 3,927 | 6,801 | 951 | 2,330 | 3,896 | 8,233 |
| | Edmonton | 4,713 | 11,581 | 3,280 | 4,450 | 7,667 | 11,215 |
| | Calgary | 5,717 | 12,779 | 4,102 | 4,866 | 8,249 | 11,777 |
| British Columbia | rural | 6,369 | 2,996 | 0 | 1,564 | 1,771 | 7,083 |
| | < 30,000 | 5,675 | 2,958 | 0 | 2,093 | 2,702 | 7,587 |
| | 30,000 to 99,999 | 6,337 | 4,230 | 699 | 2,689 | 2,967 | 8,128 |
| | 100,000 to 499,999 | 7,834 | 7,226 | 2,677 | 5,512 | 5,824 | 10,658 |
| | Vancouver | 8,035 | 9,114 | 3,579 | 2,139 | 5,453 | 11,678 |

… not applicable

1. Based on 2006 Census data

2. Based on 2016 Census data

3. Differences should be viewed with caution, as the region has been redefined under the 2018-base.

4. New MBM region

**Note:** Tenure Type Adjustment (2018-base) are preliminary.
Negative Tenure Type Adjustment were set to zero.

**Source:** Statistics Canada. Custom tabulation.

## Capital gains taxes

A capital gain or capital loss occurs when an individual disposes of, or transfers, a capital property (e.g., land, buildings, stocks, bonds, mutual funds, etc.). Since these financial settlements are not always foreseeable and for many people constitute an occasional lump sum transaction, the standard is not to include them when calculating income (UNECE, 2011). The current MBM does not include the values of capital gains or losses in disposable income. However, due to the complexity in estimating the taxes on a capital gain (or the reduction in taxes on a capital loss), the taxes on capital gains had not been previously removed from the taxes that are deducted from before-tax income in deriving disposable income.

For the 2018-base MBM, it is proposed that taxes paid on capital gains be estimated, and that disposable income be adjusted accordingly.[5] Since the tax implications of capital gains are not directly known from available tax information, they would have to be estimated.

The effective tax rate would be calculated as the ratio of total tax paid divided by the sum of total income and taxable amount of capital gain. This rate would then be multiplied by the taxable amount of the capital gains. The resulting amount would then be added to the disposable income of the economic family.

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5. There would only be an adjustment to taxes when a capital gain is observed.

## Update of medical expenses

Medical expenses are one of the non-discretionary expenses that are deducted from after-tax income to derive disposable income for the MBM.

These medical expenses include out-of-pocket expenses for prescription medicines, eye wear, medical services and health care equipment, and dental services. They also include health care and dental plan insurance premiums.

The MBM methodology uses medical expenses gathered from tax forms for adults[6] if the medical expense claimed on the tax form is greater than zero. If the record of a respondent to the *Canadian Income Survey* is not linked to tax data or if their medical claim for tax purposes is zero,[7] a provincial level imputation value is used. For the 2008-base MBM, this imputed value was derived by taking the three-year average of provincial level expenditure data from the *Survey of Household Spending* (SHS) for 1997, 1998, and 1999, and then adjusting it by the health care index[8] for other years.

For the 2018-base MBM, medical expenses from tax forms would still be used for adults whose records are linked to tax data and for whom the medical amount claimed is greater than zero. For those not linked to tax data or for whom the claim for tax purposes is zero, values would be imputed using more up-to-date data and a new methodology relative to the 2008-base. Values would be derived from the most recent SHS data available and reflect the provincial average of medical expenses among persons in the second income decile who did not claim an amount on their tax return. This approach would be used only for the base year (2018). Amounts for other years would be estimated by adjusting the 2018 amounts using the health care index.

**Table A.7**
**Difference between the 2008-base and 2018-base MBM imputation amount for out of pocket medical expenses, by province, 2018**

| | Current Dollars | |
| --- | --- | --- |
| | 2008-base | 2018-base |
| | dollars | |
| **Geography** | | |
| Newfoundland and Labrador | 136 | 435 |
| Prince Edward Island | 228 | 587 |
| Nova Scotia | 189 | 420 |
| New Brunswick | 173 | 366 |
| Quebec | 206 | 266 |
| Ontario | 180 | 476 |
| Manitoba | 192 | 509 |
| Saskatchewan | 161 | 553 |
| Alberta | 268 | 468 |
| British Columbia | 193 | 543 |

**Source:** Statistics Canada. Custom tabulation.

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6.   Persons 16 years of age or older.
7.   In order to be able to claim an amount for tax purposes, medical expenses must exceed the lesser of 3% of net income or a minimum threshold amount.
8.   Statistics Canada. Table 18-10-0005-01. Consumer Price Index, annual average, not seasonally adjusted.

# Appendix B

**Table B.1**
**Revised clothing and footwear component (2018-base)**
**based on the 2012 Social Planning Council of Winnipeg**
**and Winnipeg Harvest Acceptable Living Level (ALL)**
**basket**

| Item | Quantity | Replacement Schedule |
|---|---|---|
| Girls' Bathing Suit | 1 | Annually |
| Boys' Bathing Suit | 1 | Annually |
| Men's Bathing Suit | 1 | Every 2 years |
| Women's Bathing Suit | 1 | Every 2 years |
| Men's Bathrobe[1] | 1 | Annually |
| Women's Bathrobe[1] | 1 | Annually |
| Belt, Child[1] | 1 | Every 4 years |
| Belt, Teen | 1 | Every 4 years |
| Belt, Man | 1 | Every 4 years |
| Belt, Woman[1] | 1 | Every 4 years |
| Blouse[1] | 1 | Annually |
| Blue Jeans, Child | 1 | Annually |
| Blue Jeans, Teen | 1 | Annually |
| Men's Blue Jeans | 1 | Annually |
| Women's Blue Jeans[1] | 1 | Annually |
| Bra | 3 | Annually |
| Children's Cap [1] | 1 | Every 4 years |
| Teen's Cap [1] | 1 | Every 4 years |
| Men's Cap[1] | 1 | Every 4 years |
| Women's Cap[1] | 1 | Every 4 years |
| Girl's Dress Shoes | 1 | Annually |
| Boy's Dress Shoes | 1 | Annually |
| Men's Dress Shoes | 1 | Every 3 years |
| Women's Dress Shoes | 1 | Every 3 years |
| Girl's Long Underwear[1] | 3 | Annually |
| Boys' Long Underwear[1] | 3 | Annually |
| Men's Long Underwear | 1 | Annually |
| Women's Long Underwear | 1 | Annually |
| Miscellaneous, Girl[1] | 1 | Annually |
| Miscellaneous, Boy[1] | 1 | Annually |
| Miscellaneous, Man[1] | 1 | Annually |
| Miscellaneous, Woman[1] | 1 | Annually |
| Nylons | 1 | Every 4 years |
| Girls' Pants | 6 | Annually |
| Boys' Pants | 6 | Annually |
| Men's Pants[1] | 2 | Annually |
| Women's Pants | 2 | Annually |
| Men's Pants (formal) | 2 | Annually |
| Women's Pants (formal) [1] | 2 | Annually |
| Purse | 1 | Every 4 years |
| Girls' Pyjamas | 4 | Annually |
| Boys' Pyjamas | 4 | Annually |
| Men's' Pyjamas[1] | 1 | Annually |
| Women's Pyjamas | 1 | Annually |
| Girls' Rain Gear | 1 | Annually |
| Boys' Rain Gear | 1 | Annually |
| Men's Rain Gear | 1 | Every 4 years |
| Women's Rain Gear | 1 | Every 4 years |
| Girls' Rubber Boots | 1 | Annually |
| Boys' Rubber Boots | 1 | Annually |
| Men's Rubber Boots | 1 | Every 3 years |
| Women's Rubber Boots | 1 | Every 3 years |
| Girls' Runners | 4 | Annually |
| Boys' Runners | 4 | Annually |
| Men's Runners | 1 | Every 2 years |
| Women's Runners | 1 | Every 2 years |

**Table B.1**
**Revised clothing and footwear component (2018-base) based on the 2012 Social Planning Council of Winnipeg and Winnipeg Harvest Acceptable Living Level (ALL) basket**

| Item | Quantity | Replacement Schedule |
|---|---|---|
| Girls' Sandals | 1 | Annually |
| Boys' Sandals | 1 | Annually |
| Men's Sandals | 1 | Every 2 years |
| Women's Sandals | 1 | Every 2 years |
| Scarf etc. ,Teen | 1 | Every 4 years |
| Scarf etc., Man | 1 | Every 4 years |
| Scarf. etc., Woman | 1 | Every 4 years |
| Scarf etc. ,Child | 1 | Every 4 years |
| Men's Shirt (formal) | 2 | Annually |
| Women's Shirt (formal) [1] | 2 | Annually |
| Girl's Shorts | 5 | Annually |
| Boy's Shorts | 5 | Annually |
| Men's Shorts | 2 | Annually |
| Women's Shorts | 2 | Annually |
| Women's Slip[1] | 1 | Annually |
| Girls' Socks | 20 | Annually |
| Boys' Socks | 20 | Annually |
| Men's Socks | 5 | Annually |
| Women's Socks[1] | 5 | Annually |
| Girls' Sweater/Sweatshirt | 4 | Annually |
| Boys' Sweater/Sweatshirt | 4 | Annually |
| Men's Sweater/Sweatshirt | 2 | Annually |
| Women's Sweater/Sweatshirt | 2 | Annually |
| Girls' T-Shirt/Shirt | 5 | Annually |
| Boys' T-Shirt/Shirt | 5 | Annually |
| Men's T-Shirt/Shirt | 3 | Annually |
| Women's T-Shirt/Shirt | 3 | Annually |
| Adult Umbrella | 1 | Every 4 years |
| Children's Umbrella[1] | 1 | Every 4 years |
| Girls' Underwear | 12 | Annually |
| Boys' Underwear | 12 | Annually |
| Men's Underwear | 10 | Annually |
| Women's Underwear | 10 | Annually |
| Men's Wallet | 1 | Every 4 years |
| Women's Wallet [1] | 1 | Every 4 years |
| Girls' Winter Boots | 1 | Annually |
| Boys' Winter Boots | 1 | Annually |
| Men's Winter Boots[1] | 1 | Every 3 years |
| Women's Winter Boots | 1 | Every 3 years |
| Girls' Winter Jacket | 1 | Annually |
| Boys' Winter Jacket | 1 | Annually |
| Men's Winter Jacket | 1 | Every 4 years |
| Women's Winter Jacket | 1 | Every 4 years |
| Men's Work Boots | 1 | Every 4 years |

1. New items introduced in the 2012 ALL

**Note:** Items removed with the introduction of the new ALL basket: Men's Casual Shoes, Women's Casual Shoes, Women's Camisole, Men's Sport Jacket/Blazer, Women's Summer Blazer, Women's Winter Blazer, Women's Summer Skirt, Women's Winter Skirt, Women's Dress, Girl's Summer Dress, Girl's Winter Skirt, Boy's Spring Jacket, Men's Golf Jacket, Men's Ski Jacket, Boy's Wrist Watch, Girl's Wrist Watch, Men's Wrist Watch and Women's Wrist Watch

# Appendix C

**Table C.1**
**Items and weekly quantities used in the MBM food component, 2019 National Nutritious Food Basket (NNFB), based on the MBM reference family**

| Item | Weekly Quantities 2019 NNFB |
|---|---|
| | kilograms |
| **Fats and Oils** | |
| Vegetable Oil | 0.21 |
| Margarine, tub, non-hydrogenated | 0.10 |
| Mayonnaise | 0.07 |
| **Fruits and Vegetables** | |
| Apples | 1.37 |
| Bananas | 2.95 |
| Broccoli, Frozen | 0.63 |
| Cabbage | 1.66 |
| Canned peaches, in water | 0.56 |
| Cantaloupe | 1.10 |
| Carrots, fresh | 2.12 |
| Celery | 1.10 |
| Cucumber | 0.94 |
| Frozen unsweetened strawberries | 0.28 |
| Grapes | 0.29 |
| Green beans, frozen | 1.33 |
| Green peas, frozen | 1.33 |
| Green peppers | 0.77 |
| Corn, frozen | 0.91 |
| Lettuce, iceberg | 1.25 |
| Lettuce, romaine | 1.19 |
| Mixed vegetables, frozen | 1.26 |
| Mushrooms | 0.14 |
| Onions | 1.09 |
| Oranges | 1.44 |
| Canned Pears, in water | 0.56 |
| Potatoes, fresh | 1.98 |
| Spinach, Frozen | 0.63 |
| Sweet potato/Yam | 1.15 |
| Tomatoes | 0.62 |
| Whole tomatoes, canned (no salt added or low in sodium) | 1.82 |
| Winter Squash | 1.14 |
| **Whole grain foods** | |
| Cereal, hot, oats, quick, prepared | 0.80 |
| Dinner roll, whole wheat | 1.54 |
| Flat bread, whole-wheat, chapatti, roti or pita | 0.77 |
| Flour, whole wheat | 0.67 |
| Rice, Brown | 1.17 |
| Shredded wheat cereal, plain | 0.14 |
| Toasted Oat O Cereal | 0.14 |
| Whole wheat pasta, spaghetti or macaroni | 1.30 |

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**Items and weekly quantities used in the MBM food component, 2019 National Nutritious Food Basket (NNFB), based on the MBM reference family**

| Item | Weekly Quantities 2019 NNFB |
|---|---|
| | kilograms |
| **Protein foods** | |
| 2% milk | 5.15 |
| Beans, black, canned (no salt added, or low in sodium) | 0.32 |
| Beans, kidney, canned (no salt added, or low in sodium) | 0.32 |
| Beans, white, canned (no salt added, or low in sodium) | 0.35 |
| Beef Hip Roast | 0.32 |
| Chicken legs, no back | 0.62 |
| Chickpeas, canned (no salt added, or low in sodium) | 0.32 |
| Dried Lentils | 0.13 |
| Fortified soy beverage, (unsweetened or original) | 5.15 |
| Frozen fish fillets | 0.25 |
| Grade A large eggs | 0.56 |
| Hummus | 0.14 |
| Mozzarella cheese, 16.5% BF | 0.28 |
| Peanut butter, natural (nothing added) | 0.28 |
| Peanuts, dry roasted, unsalted | 0.21 |
| Pork chops, loin | 0.40 |
| Salmon, pink, canned (no salt added, or low in sodium) | 0.20 |
| Sunflower seeds, unsalted | 0.25 |
| Tofu, firm or extra firm | 0.56 |
| Tuna, canned in water | 0.42 |
| Turkey, all classes, ground | 0.51 |
| Yogurt, plain, 1-2% | 1.68 |

**Source:** Health Canada. Custom tabulation.

# Appendix D

**Table D.1**
**Private and public transportation weights, by MBM region, 2016**

| MBM Geography | | Transportation Weight | |
|---|---|---|---|
| | | Private | Public |
| | | percent | |
| **Province** | **Region** | | |
| Newfoundland and Labrador | rural | 100 | 0 |
| | < 30,000 | 100 | 0 |
| | 30,000 to 99,999 | 73 | 27 |
| | St. John's | 60 | 40 |
| Prince Edward Island | rural | 100 | 0 |
| | < 30,000 | 100 | 0 |
| | Charlottetown | 70 | 30 |
| Nova Scotia | rural | 100 | 0 |
| | < 30,000 | 100 | 0 |
| | 30,000 to 99,999 | 77 | 23 |
| | Halifax | 51 | 49 |
| | Cape Breton | 72 | 28 |
| New Brunswick | rural | 100 | 0 |
| | < 30,000 | 100 | 0 |
| | 30,000 to 99,999 | 100 | 0 |
| | Fredericton | 70 | 30 |
| | Saint John | 66 | 34 |
| | Moncton | 68 | 32 |
| Quebec | rural | 100 | 0 |
| | < 30,000 | 100 | 0 |
| | 30,000 to 99,999 | 75 | 25 |
| | 100,000 to 499,999 | 71 | 29 |
| | Québec | 60 | 40 |
| | Montréal | 52 | 48 |
| Ontario | rural | 100 | 0 |
| | < 30,000 | 100 | 0 |
| | 30,000 to 99,999 | 66 | 34 |
| | 100,000 to 499,999 | 66 | 34 |
| | 500,000+ | 65 | 35 |
| | Ottawa | 49 | 51 |
| | Hamilton/Burlington | 60 | 40 |
| | Toronto | 55 | 45 |
| Manitoba | rural | 100 | 0 |
| | < 30,000 | 100 | 0 |
| | 30,000 to 99,999 | 100 | 0 |
| | Brandon | 66 | 34 |
| | Winnipeg | 60 | 40 |
| Saskatchewan | rural | 100 | 0 |
| | < 30,000 | 100 | 0 |
| | 30,000 to 99,999 | 72 | 28 |
| | Saskatoon | 71 | 29 |
| | Regina | 70 | 30 |
| Alberta | rural | 100 | 0 |
| | < 30,000 | 100 | 0 |
| | 30,000 to 99,999 | 69 | 31 |
| | 100,000 to 499,999 | 69 | 31 |
| | Edmonton | 64 | 36 |
| | Calgary | 63 | 37 |
| British Columbia | rural | 100 | 0 |
| | < 30,000 | 100 | 0 |
| | 30,000 to 99,999 | 71 | 29 |
| | 100,000 to 499,999 | 64 | 36 |
| | Vancouver | 53 | 47 |

**Source:** Statistics Canada. Custom tabulation.

# Appendix E

**Table E.1**
**Overall 2018-base MBM thresholds, by MBM region, four person family, 2015 to 2018**

| MBM Geography | | Current Dollars | | | |
| | | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| **Province** | **Region** | | | | |
| Newfoundland and Labrador | rural | 40,564 | 41,583 | 42,089 | 42,539 |
| | < 30,000 | 40,926 | 41,955 | 42,470 | 42,926 |
| | 30,000-99,999 | 42,057 | 43,098 | 43,631 | 44,167 |
| | St. John's | 42,574 | 43,631 | 44,213 | 44,808 |
| Prince Edward Island | rural | 40,099 | 40,644 | 40,793 | 41,520 |
| | < 30,000 | 40,823 | 41,376 | 41,539 | 42,283 |
| | Charlottetown | 41,646 | 42,226 | 42,399 | 43,205 |
| Nova Scotia | rural | 40,447 | 40,968 | 40,917 | 41,588 |
| | < 30,000 | 41,312 | 41,844 | 41,803 | 42,494 |
| | 30,000-99,999 | 41,565 | 42,108 | 42,073 | 42,800 |
| | Halifax | 43,777 | 44,350 | 44,369 | 45,197 |
| | Cape Breton | 40,307 | 40,826 | 40,811 | 41,533 |
| New Brunswick | rural | 38,966 | 39,683 | 40,043 | 40,766 |
| | < 30,000 | 40,386 | 41,135 | 41,528 | 42,284 |
| | 30,000 to 99,999 | 40,175 | 40,919 | 41,307 | 42,058 |
| | Fredericton | 41,851 | 42,645 | 43,068 | 43,906 |
| | Saint John | 39,754 | 40,505 | 40,895 | 41,700 |
| | Moncton | 40,049 | 40,808 | 41,226 | 42,026 |
| Quebec | rural | 36,776 | 36,975 | 37,257 | 37,804 |
| | < 30,000 | 36,383 | 36,579 | 36,857 | 37,397 |
| | 30,000 to 99,999 | 36,401 | 36,619 | 36,888 | 37,442 |
| | 100,000 to 499,999 | 36,859 | 37,087 | 37,363 | 37,940 |
| | Québec | 38,443 | 38,695 | 38,984 | 39,601 |
| | Montréal | 38,979 | 39,240 | 39,531 | 40,160 |
| Ontario | rural | 38,777 | 39,325 | 39,714 | 40,576 |
| | < 30,000 | 39,414 | 39,973 | 40,373 | 41,250 |
| | 30,000 to 99,999 | 38,914 | 39,492 | 39,870 | 40,769 |
| | 100,000 to 499,999 | 40,947 | 41,562 | 41,970 | 42,933 |
| | 500,000+ | 42,755 | 43,401 | 43,843 | 44,851 |
| | Ottawa | 44,943 | 45,650 | 46,123 | 47,233 |
| | Hamilton/Burlington | 41,449 | 42,079 | 42,515 | 43,517 |
| | Toronto | 45,708 | 46,432 | 46,975 | 48,142 |
| Manitoba | rural | 37,466 | 37,672 | 38,049 | 38,954 |
| | < 30,000 | 39,196 | 39,424 | 39,829 | 40,780 |
| | 30,000 to 99,999 | 39,255 | 39,484 | 39,890 | 40,842 |
| | Brandon | 38,772 | 39,001 | 39,407 | 40,404 |
| | Winnipeg | 42,179 | 42,449 | 42,913 | 44,030 |
| Saskatchewan | rural | 38,854 | 39,182 | 39,600 | 40,280 |
| | < 30,000 | 40,493 | 40,838 | 41,284 | 42,003 |
| | 30,000 to 99,999 | 40,646 | 41,006 | 41,460 | 42,208 |
| | Saskatoon | 43,911 | 44,310 | 44,819 | 45,652 |
| | Regina | 43,107 | 43,501 | 44,005 | 44,833 |
| Alberta | rural | 43,325 | 43,704 | 44,109 | 45,047 |
| | < 30,000 | 44,381 | 44,772 | 45,194 | 46,158 |
| | 30,000 to 99,999 | 43,136 | 43,520 | 43,924 | 44,874 |
| | 100,000 to 499,999 | 43,674 | 44,069 | 44,487 | 45,468 |
| | Edmonton | 45,868 | 46,299 | 46,787 | 47,869 |
| | Calgary | 46,322 | 46,759 | 47,252 | 48,349 |
| British Columbia | rural | 39,300 | 39,969 | 40,559 | 41,463 |
| | < 30,000 | 40,373 | 41,061 | 41,674 | 42,608 |
| | 30,000 to 99,999 | 40,550 | 41,244 | 41,856 | 42,829 |
| | 100,000 to 499,999 | 44,575 | 45,341 | 46,024 | 47,111 |
| | Vancouver | 45,967 | 46,765 | 47,501 | 48,677 |

**Note:** Thresholds are preliminary.
**Source:** Statistics Canada. Custom tabulation.

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