Launch of the Third Comprehensive Review of the Market Basket Measure

by Nancy Devin, Eric Dugas, Burton Gustajtis, Sarah McDermott
and José Mendoza Rodríguez

Release date: June 6, 2023
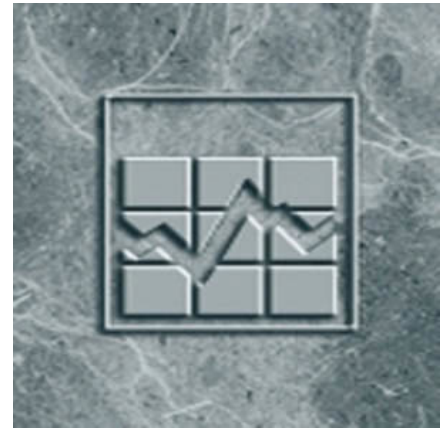
Statistics Canada   Statistique Canada

Canada

How to obtain more information

For information about this product or the wide range of services and data available from Statistics Canada, visit our website, www.statcan.gc.ca.

You can also contact us by

Email at infostats@statcan.gc.ca

Telephone, from Monday to Friday, 8:30 a.m. to 4:30 p.m., at the following numbers:

- Statistical Information Service   1-800-263-1136
- National telecommunications device for the hearing impaired   1-800-363-7629
- Fax line   1-514-283-9350

Standards of service to the public

Statistics Canada is committed to serving its clients in a prompt, reliable and courteous manner. To this end, Statistics Canada has developed standards of service that its employees observe. To obtain a copy of these service standards, please contact Statistics Canada toll-free at 1-800-263-1136. The service standards are also published on www.statcan.gc.ca under "Contact us" > "Standards of service to the public."

Note of appreciation

Canada owes the success of its statistical system to a long-standing partnership between Statistics Canada, the citizens of Canada, its businesses, governments and other institutions. Accurate and timely statistical information could not be produced without their continued co-operation and goodwill.

Table of contents

Launch of the Third Comprehensive Review of the Market Basket Measure

by **Nancy Devin, Eric Dugas, Burton Gustajtis, Sarah McDermott** and **José Mendoza Rodríguez**

Introduction

The Market Basket Measure (MBM) was adopted as Canada's Official Poverty Line in 2019 following the release of *Opportunity for All – Canada's First Poverty Reduction Strategy*. According to the MBM, an individual or family is considered to live in poverty if their disposable income is insufficient to purchase a predetermined basket of goods and services required to achieve a modest, basic standard of living. Reviews and updates to the MBM methodology are required on a regular basis to ensure that the MBM basket continues to reflect these modest, basic living standards over time, and that key MBM parameters are sourced using the latest available data and methods. This process is referred to as a comprehensive review of the MBM.

The third comprehensive review of the MBM, scheduled to start in 2023 and end in 2025, continues the process of refining and updating Canada's official poverty measure on a regular basis. As a first step of this review, this paper outlines the guiding principles and engagement activities that will help shape the review process over the next two years.

As was the case with the first (2008-2010) and second (2018-2020) comprehensive reviews, the third comprehensive review of the MBM will be conducted by Statistics Canada in collaboration with Employment and Social Development Canada (ESDC) — the department leading Canada's Poverty Reduction Strategy. Statistics Canada will be responsible for conducting the review, leading public engagements with Canadians and stakeholders, and updating the statistical methodology of the MBM. ESDC will be responsible for setting the scope of the review, supporting review activities with subject matter expertise, and ensuring that the review process aligns with the policy intent of the MBM.

This paper provides a brief overview of the MBM and past comprehensive reviews. It then outlines the objectives, guiding principles, anticipated engagement activities and proposed timelines for the third comprehensive review of the MBM. Using the email address given at the end of this paper, readers are encouraged to provide feedback and comments.

What is the MBM and how does it work?

The MBM is a low-income line that compares disposable income to the cost of a basket of goods and services, and there are two key elements to its methodology: the estimation of basket costs and the calculation of family disposable income. Basket costs correspond to the costs associated with the basket's five main components: food, shelter, clothing, transportation and other necessities. These components are based on Canadian standards where applicable and available (e.g., Health Canada's National Nutritious Food Basket for the food component), and are informed by different data sources (e.g., price data, expenditure data, Census data, etc.). Basket costs are defined for a reference family of two adults and two children and vary geographically within the provinces.[1]

The calculation of disposable income for the purposes of the MBM is done by linking tax data to a survey instrument [e.g., the Canadian Income Survey (CIS), the Census of Population]. The MBM uses a disposable income concept, which takes families' after-tax income, including government transfers, and then subtracts non-discretionary expenses (e.g., medical, childcare expenses, etc.).[2] Families whose disposable income is below the basket cost threshold for their particular region and family size are said to live in poverty.[3]

---

1. For more information the 2018-base MBM basket methodology, please see *Towards an update of the Market Basket*.
2. The MBM uses the economic family concept.
3. For more information on the 2018-base MBM disposable income methodology, please see *Defining disposable income in the Market Basket Measure*.

What are comprehensive reviews and why are they done?

Comprehensive reviews of the MBM are undertaken to ensure that:

- The basket continues to use the most recent standards established for Canadian families to represent a modest, basic standard of living.
- Basket components and costs are benchmarked using the latest available data and sound, up-to-date methodologies, and are appropriately estimated for any new variations to MBM geographical regions.
- The income available to families to 'purchase' the basket is appropriately defined and measured.

In 2019, the *Poverty Reduction Act* became law and stated that the MBM should be reviewed on a regular basis as determined by Statistics Canada. Following the recommendations set forth during the first comprehensive review, Statistics Canada determined that the frequency of MBM comprehensive reviews should be every five years following the release of the most recent Census.[4]

A key element of the comprehensive review process is the consultation and engagement with Canadians to inform what constitutes a modest, basic standard of living in Canada and how it should be appropriately measured. During the last comprehensive review, the consultation process relied on different engagement streams,[5] which jointly informed decisions on changes that led to the current MBM base[6] and on possible topics that should be investigated for a potential future base (i.e., the forward-looking research agenda items).[7] As the third comprehensive review unfolds, Statistics Canada wants to hear from stakeholders and encourages them to discuss how the MBM methodology should be updated or improved.

As was the case with the previous comprehensive review, a new proposed MBM methodology or base will be presented following the conclusion of the engagement period. This preliminary base will be subject to a review period, where additional feedback from stakeholders will be collected. The comprehensive review process will end with the publication of a new and final MBM base. The comprehensive review process leading to the 2018-base MBM methodology followed a similar process; for example, it had a proposed methodology[8] before it became finalized[9] and the new MBM thresholds were published on Statistics Canada's website.[10]

The third comprehensive review of the MBM will conclude with the creation of the 2023-base for the MBM, with the proposed and final methodology expected to be released in 2025.

Overview of past MBM comprehensive reviews

The MBM was originally designed by a working group of federal, provincial and territorial officials between 1997 and 1999 at the request of the federal, provincial, and territorial Ministers Responsible for Social Services. The result of this working group was the creation of the first methodology of the MBM, known as the 2000-base. The initial purpose of the MBM was to complement existing Statistics Canada measures of low income with the intention of providing a more intuitive, transparent, and regionally sensitive measure based on a basket of goods and services representing a modest, basic standard of living.

Between 2008 and 2010, Statistics Canada and ESDC undertook the first comprehensive review of the MBM.[11] The first review process involved federal, provincial, territorial and expert consultations (i.e., academic and NGO representatives). The result of this review process was the creation of the 2008-base MBM methodology, which updated all components of the MBM and identified research topics requiring further study. Criticism regarding the implementation of one aspect of the 2008-base methodology (i.e., the treatment of homeowners without mortgages) resulted in a major revision to the 2008-base MBM methodology in 2013.[12]

---

4. The periodic review of the MBM is an underlying strength of the MBM methodology. However, 'rebasing' the MBM following a comprehensive review leads to statistical breaks in the annual poverty rate series. To address this issue, a discussion paper titled *Market Basket Measure Research Paper: Poverty Index* proposes the creation of an index that would allow for longer trend analyses of poverty rates across multiple rebasings of the MBM.
5. Key activities included direct engagement with Canadians (including those with lived experience of poverty), experts [academic and from Non-Governmental Organizations (NGOs)], Indigenous Organizations, and federal, provincial and territorial officials.
6. The terminology "base" refers to an MBM methodology anchored to a specific year.
7. An overview of current forward-looking research agenda items identified during the second comprehensive review can be found in Table A.1 in the Appendix.
8. For more information on the process and results of the second comprehensive review, or on how the proposed MBM thresholds and disposable income were calculated, please see *Report on the second comprehensive review of the Market Basket Measure*. Additionally, an overview of key changes made to the MBM as a result of the second comprehensive review can be found in Table A.2 in the Appendix.
9. Please see *Dimensions of Poverty Hub, September 2020 (update)*.
10. Please see *Statistics Canada. Table 11-10-0066-01 Market Basket Measure (MBM) thresholds for the reference family by Market Basket Measure region, component and base year*.
11. For more information on the first comprehensive review of the MBM, please see *First Comprehensive Review of the Market Basket Measure of Low Income*.
12. For more information on the 2008-base MBM methodological revision, please see *Low Income Lines, 2013-2014: Update*.

In 2018, the second comprehensive review of the MBM was launched. This review expanded the consultation process to include persons with lived experiences of poverty and encouraged the public to provide feedback on the suitability of 2008-base threshold amounts and help identify areas that required close attention. The second comprehensive review proposed methodological changes in the form of discussion papers, encouraging engagement with users and allowing criticisms to be examined and addressed prior to the adoption of the new base. This comprehensive review process was completed in 2020 with the creation of the 2018-base MBM methodology.

Commitments of Canada's First Poverty Reduction Strategy

The Government of Canada released *Opportunity for All – Canada's First Poverty Reduction Strategy* in 2018. The Strategy made long-term commitments to guide current and future government actions and investments to reduce poverty, such as:

- Establishing the MBM as Canada's Official Poverty Line
- Setting poverty reduction targets:
    - Reducing the rate of poverty by 20% by 2020, and
    - Reducing the rate of poverty by 50% by 2030, relative to 2015;
- Creating a National Advisory Council on Poverty to provide independent advice to the Minister of Families, Children and Social Development on poverty reduction.
- Implementing a Data and Measurement Plan, which includes ongoing funding to develop and improve poverty measurement to better inform policy decisions.

Guiding principles of the third comprehensive review

The third comprehensive review of the MBM will build upon past engagement approaches, while maintaining continuity with the key goals and overall scope of previous reviews. At the same time, certain core elements or characteristics of the MBM methodology will need to be preserved to maximize the MBM's ability to measure and track poverty consistently over time. These include:

- The underlying core construction of the MBM methodology, based on the comparison of family disposable income to the cost of a pre-determined basket of good and services.
- The use of the MBM reference family concept to determine the cost of the MBM basket.
- Compatibility of MBM methodologies used in the provinces versus the territories.[13]

To achieve these objectives, the third comprehensive review of the MBM will be guided by the following key principles:

1) Publicly-informed

The review process will provide Canadians of different backgrounds and expertise the opportunity to identify and recommend updates that would allow the MBM to remain relevant and continue to represent a modest, basic standard of living. Specific activities will be tailored to collect feedback from both experts and non-experts on topics related to poverty measurement, reflecting the importance of leveraging diverse perspectives and obtaining relevant and actionable insights. For example, the review will aim to engage with Canadians with lived experience of poverty, individuals belonging to vulnerable groups, representatives from provincial and territorial governments, and experts from a range of academic backgrounds. Engaging directly with these individuals will help collect valuable perspectives on the day-to-day lives of Canadians and help validate key assumptions and features of the MBM methodology.

---

13. The MBM-N methodology for Yukon and Northwest Territories was finalized in 2022. For more information, please see *Technical paper for the Northern Market Basket Measure of poverty for Yukon and the Northwest Territories*. The MBM-N methodology for Nunavut is still under development and a proposed methodology is expected for release in 2023.

2) Evidence-based

As with previous reviews, the third comprehensive review of the MBM will propose to incorporate the most recent data and latest standards to define and estimate key components of the MBM methodology. This would include, for example, using data from the most recent Census as well as latest available household expenditure data to update or benchmark key parameters required to calculate disposable income and cost the MBM basket. Expert-developed standards used to define certain MBM basket components, such as Health Canada's National Nutritional Food Basket and the Social Planning Council of Winnipeg and Winnipeg Harvest's Acceptable Living Level (ALL) Basket, will be updated if required. Statistics Canada will prioritize considerations for changes based on previously identified data sources and standards. Continuing to rely on standards developed by experts while making use of up-to-date data and methodologies is crucial to maintaining the MBM's evidence-based foundation.

3) Transparent in decision-making

Enhancing public understanding of proposed changes to the MBM methodology will be a key consideration throughout the comprehensive review process. Following this principle, Statistics Canada will publicly communicate proposed changes leading to the upcoming MBM base through reports or discussion papers so that Canadians are aware of the changes being considered as well as their implications. Similar to the previous review, the publication of a new proposed methodology for the MBM will be followed by a discussion period to provide the public with an opportunity to provide additional feedback before any official decisions take place.

Anticipated activities for the third comprehensive review

As mentioned, inclusive and effective engagement activities will form the foundation of the third comprehensive review. To this end, the following activities are being proposed:

1) Initial collection of feedback and recommendations for methodological updates

With the objective of identifying proposals for methodological and/or statistical updates to the MBM early in the review process, Statistics Canada will first reach out to academics, NGOs, provincial and territorial representatives, and other expert stakeholders. As part of this engagement effort, stakeholders will have the opportunity to provide supporting, evidence-based analysis to their recommendations. The input collected through this exercise will be analyzed, and topics from a selection of proposals will be presented for discussion at dedicated workshops. Any short-term research topics identified will be added to the current roster of forward-looking research agenda items and explored as appropriate.

2) Virtual workshops with stakeholders

Similar to the previous review, separate stakeholder virtual workshops will be conducted to explore and discuss potential updates to the MBM methodology. The first set of workshops will involve federal, provincial and territorial representatives, while the second will target members of the academic and NGO communities. Key objectives of the workshops will include the discussion of (1) updates to previously identified standards and data (e.g., introducing 2021 Census data), (2) new proposals of a methodological or statistical nature, and (3) previous research topics requiring further exploration (e.g., the MBM forward-looking agenda research topics). Participants will be presented the potential impacts of proposed updates or changes and will be provided the opportunity to discuss and debate their implications.

3) Information sessions for members of the public

Information sessions will be conducted to collect feedback from persons with lived experiences of poverty, individuals that belong to groups considered vulnerable and stakeholders working directly with individuals and communities in the area of poverty reduction. Experts from Statistics Canada and ESDC will conduct these sessions in selected locations across Canada to clarify the concept of poverty measurement in Canada, foster engagement on the MBM, and collect relevant input on strengths and shortcomings of the MBM as Canada's official poverty measure.

4) Online crowdsourcing survey and forums

An online crowdsourcing survey will be launched and made available to all Canadians, providing an opportunity to collect views and provide feedback on specific elements of the MBM methodology. For example, the online survey could be used to help validate whether the current MBM thresholds adequately reflect a modest, basic standard of living across various regions in Canada.

The online survey will take the form of a short non-sampled anonymous electronic questionnaire, which would be launched in parallel with other engagement activities. Stakeholders working directly in areas of poverty alleviation and reduction will be encouraged to promote the survey to improve its coverage and research objectives.

In addition to online surveys, the public will have the opportunity to participate in the review process through online forums, allowing for ongoing discussions on specific topics over a longer time period. The focus of the forums will be shaped by emerging themes from the review process and will be moderated by Statistics Canada.
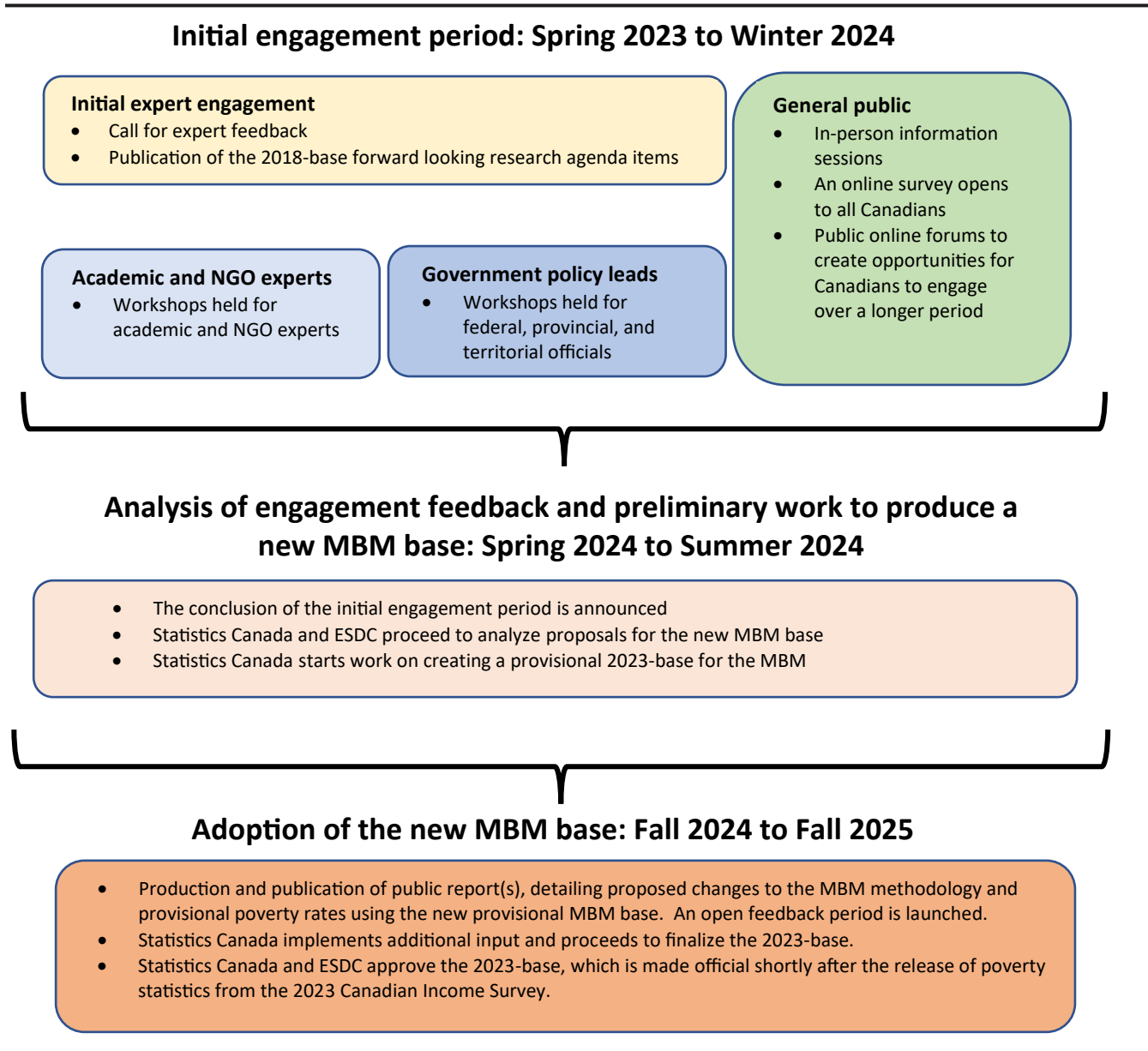
Timelines and decision-making

The third comprehensive review of the MBM is expected to span the two-year period between Spring 2023 and Fall 2025, resulting in the creation of the 2023-base for the MBM (Please see Figure 1 for a high-level mapping of the review process). Engagement activities are expected to take place in the first year, followed by work in the second year to analyze feedback, assess the feasibility of proposed changes, and propose a new MBM base.

Following the initial engagement period, Statistics Canada will release a public report(s) outlining the results of engagement activities and describing proposed changes to the MBM methodology in detail. In addition, provisional MBM thresholds and poverty rate estimates resulting from the application of the new proposed 2023-base of the MBM will be made available to the public. These outputs will signal the start of a validation period during which stakeholders and Canadians can share their feedback on the provisional 2023-base MBM methodology before any final approval.

Throughout the comprehensive review, Statistics Canada and ESDC will work together to address changes to the MBM reflecting what was heard during engagement activities. Changes to the MBM could be of a statistical or non-statistical nature. Ultimately, the responsibility for the final MBM base rests with the Deputy Minister of ESDC, from a policy perspective, and Statistics Canada's Chief Statistician, from a methodological perspective, recognizing the need for statistical independence of Statistics Canada. The proposed 2023-base MBM methodology and corresponding estimates are expected to be released with the results of the 2023 Canadian Income Survey in Spring 2025, with them being finalized in the Fall of the same year.

Figure 1
High-level mapping of review activities and anticipated timelines

Initial engagement period: Spring 2023 to Winter 2024

Initial expert engagement
- Call for expert feedback
- Publication of the 2018-base forward looking research agenda items

General public
- In-person information sessions
- An online survey opens to all Canadians
- Public online forums to create opportunities for Canadians to engage over a longer period

Academic and NGO experts
- Workshops held for academic and NGO experts

Government policy leads
- Workshops held for federal, provincial, and territorial officials

Analysis of engagement feedback and preliminary work to produce a new MBM base: Spring 2024 to Summer 2024

- The conclusion of the initial engagement period is announced
- Statistics Canada and ESDC proceed to analyze proposals for the new MBM base
- Statistics Canada starts work on creating a provisional 2023-base for the MBM

Adoption of the new MBM base: Fall 2024 to Fall 2025

- Production and publication of public report(s), detailing proposed changes to the MBM methodology and provisional poverty rates using the new provisional MBM base. An open feedback period is launched.
- Statistics Canada implements additional input and proceeds to finalize the 2023-base.
- Statistics Canada and ESDC approve the 2023-base, which is made official shortly after the release of poverty statistics from the 2023 Canadian Income Survey.

Source: Statistics Canada.

Conclusion and next steps

This paper outlines the objectives, guiding principles, engagement activities, and anticipated timelines for the third comprehensive review of the MBM. A key pillar of the review process involves engaging with Canadians of diverse expertise and backgrounds to ensure that the MBM methodology continues to accurately measure a modest, basic standard of living across Canada.

Statistics Canada will reach out to stakeholders and encourage participation in the proposed engagement activities in the coming months. As the review process unfolds, Statistics Canada will also release updates on the progress of the review and completion of key milestones.

If you would like to provide feedback on the overall approach to the review process, you are encouraged to contact us by email at: statcan.marketbasketmeasure-mesurepanierconsommation.statcan@statcan.gc.ca.

Appendix

Table A.1
List of forward looking research agenda items identified during the second comprehensive review

Research topic	Short description
Childcare expenses	Currently, childcare 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 resources. Experts have asked Statistics Canada if this is the best way to deal with childcare expenses in the MBM. Could childcare costs instead be treated as a separate 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 better estimates for (for example) the northern regions of provinces.
Different family types Equivalization analysis	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 studies 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., a lone parent family with three children, versus a couple with two children) or other characteristics (e.g., ages of family members).
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 necessities" component.
The "other necessities" 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 its value is adequate or needs to be improved.
Poverty Index	Anchoring the MBM to specific base years while 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.
Inverse correlation of shelter and transportation costs	Often, people in areas where shelter costs are relatively higher have transportation costs that are relatively lower, and vice versa. For instance, people in rural areas typically pay lower rents and/or mortgages, but must spend more on fuel, and seldom access public transportation. We propose to explore whether the MBM could be improved by more precisely taking into account these differences in costs.
Using the MBM with administrative data	As it currently exists, the MBM poverty rates can only be accurately calculated using a combination of survey and administrative data. We propose to explore the feasibility of applying MBM thresholds to only administrative data.
Additional MBM income inequality indicators	Since the majority of the current MBM-based analytical products do not describe the full income distribution, since they typically compare the MBM threshold to disposable income, they do not fully describe income inequality. Proposed additional inequality indicators will be presented, which will allow to better identify income disparities among Canadians.

Table A.2
List of key changes to the MBM methodology resulting from the second comprehensive review (2018-base)

Area of change	Impacted component	Description of change
Basket	Shelter	- Cost of component calculated based on the cost of renting a 3-bedroom dwelling, rather than renting a 2- or 3-bedroom dwelling. Aligns 2018-base with the National Occupancy Standard for a reference family of one male and one female adult with two children of opposite gender aged 9 and 13. - Dwelling rental prices used to calculate shelter component costs sourced from 2016 Census data.
	Clothing and footwear	- Component 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 updated to use Health Canada's 2019 National Nutritious Food Basket (NNFB).
	Transportation	- Component changed to account for costs associated with both private and public modes of transportation, when available.
	Other necessities	- Component updated to add a separate, fixed amount to reflect the widespread need for cellular telephone services.
Disposable income	Tenure Type Adjustment (TTA)	- A new Tenure Type Adjustment (TTA) to reflect the cost differences of renting a subsidized dwelling or for homeowners with or without mortgages. Previous adjustments only accounted for situations where homeowners had no mortgage.
	Capital gains tax	- Capital gains taxes no longer deducted to calculate MBM disposable income. This prevents families or persons with large capital gains (and therefore large capital gains taxes) from having disposable incomes under the poverty line.
	Medical expenses	- Imputation amounts for medical expenses were updated to use the latest data from the Survey of Household Spending (SHS).
Geography	MBM regions	- Three population size regions added to reflect population growth, bringing the total number of MBM regions in the provinces from 50 to 53.

References

Benjamin, Wesley, Chanel Christophe, Nancy Devin, Sarah Maude Dion, Éric Dugas and Burton Gustajtis (2022), "Market Basket Measure Research Paper: Poverty Index". Catalogue no. 75F0002M.

Devin, Nancy, Burton Gustajtis and Sarah McDermott (2022), "Technical paper for the Northern Market Basket Measure of poverty for Yukon and the Northwest Territories". Catalogue no. 75F0002M.

Djidel, Samir, Burton Gustajtis, Andrew Heisz, Keith Lam and Sarah McDermott (2019a), "Towards an update of the Market Basket". Catalogue no. 75F0002M2019013.

Djidel, Samir, Burton Gustajtis, Andrew Heisz, Keith Lam and Sarah McDermott (2019b), "Defining disposable income in the Market Basket Measure". Catalogue no. 75F0002M2019014.

Djidel, Samir, Burton Gustajtis, Andrew Heisz, Keith Lam, Isabelle Marchand and Sarah McDermott (2020), "Report on the second comprehensive review of the Market Basket Measure". Catalogue no. 75F0002M.

Employment and Social Development Canada (2018), "Opportunity for All – Canada's First Poverty Reduction Strategy". Catalogue no. SSD-212-08-18E.

Hatfield, Michael, Wendy Pyper and Burton Gustajtis. (2010), "First Comprehensive Review of the Market Basket Measure of Low Income", Applied Research Branch paper, Human Resources and Skills Development Canada. Catalogue no. HS28-178/2010E-PDF

Statistics Canada (2015), "Low-Income Lines, 2013-2014: Update". Catalogue no. 75F0002M2015002.

Statistics Canada (2020), "Dimensions of Poverty Hub, September 2020 (update)".

Statistics Canada (2023). Table 11-10-0066-01 Market Basket Measure (MBM) thresholds for the reference family by Market Basket Measure region, component and base year.