

Statistics Canada, an agency of the Government of Canada, produces two sets of low-income indicators with a two-year time lag— the Low Income Measure (LIM) and the Low Income Cut-Off (LICO). Both sets of indicators are measured before and after tax – the difference being that the After Tax measure is based on disposable income, which is income available to households to spend once tax has been deducted, while the Before Tax measure is based on gross income when taxes have yet to be collected. Both Before Tax and After Tax measures **include** government transfers.

The Ontario government is using the Low Income Measure in 2008, adjusted for inflation, as its baseline for measuring poverty reduction. This means the LIM After Tax for a household with one parent and one child will, for the duration of the current poverty reduction strategy be set at \$26,279 plus inflation. A two person household that is considered to live in poverty based on the 2009 Statistics Canada measure but which earns more than LIM After Tax (2008) at \$26,348 (2008 LIM adjusted for inflation) will be assumed to be non-poor for the purposes of the poverty reduction strategy. Using the 2008 LIM After Tax as the baseline for the poverty reduction strategy will, especially in later years, inaccurately reflect the decrease in child poverty and, as median income rises, it will likely overestimate the number of children lifted out of poverty.

### **Low Income Measure (LIM)**

The Low Income Measure is 50% of median household income, adjusted for family size. Families that have an income below LIM are identified as living on low income and, for the purposes of measuring poverty reduction, assumed to be in poverty. The Low Income Measure After Tax (2009) for a two person household is \$26,418.

### **Low Income Cut-Off**

The Low Income Cut Off is the income level at which a family is assumed to be paying a higher proportion (20% more) of its income on necessities such as food, clothing and shelter than the average family. The Low Income Cut Off is measured for seven family sizes and five community sizes. The Low Income Cut-Off After Tax (2009) for a two person household in a large urban area like Toronto is \$22,420. This indicator is based on spending patterns in 1992 and needs to be updated to take account of the changes in basic expenses in the past two decades.