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Food Banks Canada Banques alimentaires Canada

POVERTY IN CANADA

Through a Deprivation Lens

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WHAT IS A **MATERIAL DEPRIVATION INDEX?**

In Canada, we commonly measure the extent of poverty by determining an income level, called a poverty line, for households of different compositions and in a variety of locations. Households whose income is below the poverty line are classified as being poor, while those above the poverty line are classified as not being poor. (Here we are using the term "household" to refer to a single person or a group of people who live together and share economic resources.)

The official poverty line in Canada is based on the Market Basket Measure (MBM). The MBM is calculated by adding up the cost of a "basket" of goods and services that represent a modest, basic standard of living for a household of two adults and two children in various locations across Canada. A poverty line is then estimated for households of different sizes by using an equivalence scale to establish how much income is required, in theory, to enable smaller or larger households to purchase an equivalent basket for their household.

According to the MBM, the prevalence of poverty in Canada was 10.3 per cent in 2019, 6.4 per cent in 2020 – largely because of the extraordinary support measures taken during the height of the COVID-19 pandemic – and 7.4 per cent in 2021, the most recent year for which final data are available. As of the time of writing this report, the official poverty rate for 2022 is predicted to jump to 9.8 per cent (Heisz & Gustajtis, 2023).

"In March 2023, there were **almost 2 million visits to food banks across Canada**, representing a **32 per cent increase** compared to March 2022, and a **78.5 per cent increase** compared to March 2019, which is the highest year-over-year increase in usage ever reported."

– foodbankscanada.ca/hungercount

Yet, even beyond the large increase in official poverty predicted for 2022, Food Banks Canada has suspected for some time that our income-based measurement of poverty may not be telling the full story about how many, and which, households in Canada are poor. During the crisis period of the pandemic, the number of visitors to food banks across Canada increased dramatically, and it has continued to rise at an alarming rate. In addition, surveys were revealing that an alarming proportion of households seemed to be experiencing a poverty-level standard of living, much higher than the approximately 10 per cent estimated based on the MBM. For example, the 2021 Canadian Income Survey found that "18% of Canadian families reported experiencing food insecurity in the past 12 months" (Uppal, 2023). The MBM notwithstanding, can a household that cannot afford to eat be anything other than poor?

Prior to adopting the MBM, Canada had no official poverty line, so the MBM represented a big step forward in the government's measuring and acknowledging the extent of poverty. But how accurate is it? Could there be another way to assess the extent of poverty in Canada? Is there an alternative perspective that might act as a complement to the MBM by reflecting the lived experience of many Canadian households?

The fundamental assumption implicit in the MBM, and in any income-based poverty line, is that a household's annual income is the best way to assess whether that household is poor. In fact, we have become so accustomed to the idea of income-based poverty lines that we often say that poverty is defined by a certain income. But this is confusing the measuring tool with what we are measuring. If the line on a thermometer is sitting at 10 degrees below zero, we know it is cold, but the line on the thermometer is not the temperature. It is a measurement of the temperature. Similarly, poverty is a standard of living, albeit an unacceptable standard of living. A household may, or may not, have a poverty-level standard of living given its income level, but the income level – or the poverty line – is not the same as the standard of living.

If we simply define an income level as poverty, we end any further investigation into what constitutes the lived experience of poverty. However, if we say that a given income level usually results in an unacceptable, poverty-level standard of living, we can then go on to discuss what standard of living a household can actually achieve with that income. Does that amount of income give the household a standard of living that is above or below a poverty level standard of living? In short, the relationship between income and poverty becomes an empirical question. We must then look at what households can do with a given level of income.

There are a multitude of different circumstances among households, so the standard of living that two households may achieve with a given amount of income may be quite different, even if they are otherwise the same in many respects, such as number of people within the same age groups. This is because factors beyond income can affect a household's financial well-being. For example, one household may have some savings, while another may have substantial debt. One household may have rented a home for many years from ma-and-pa owners with whom they have a personal relationship, so their rent has remained relatively low and predictable over many years. Another household may have recently moved and be renting from a landlord who charges as much as the law and the market will tolerate, so they pay a high rent that increases annually. One household may have a member who has health issues or a disability, which raises the household's expenses, while another may be lucky enough to have none of these added costs.

The list of varying circumstances among households could go on and on, reflecting the myriad of differing real-life conditions for Canadian households. Indeed, when it created the MBM, the Government of Canada acknowledged that an income-based poverty line could not account for all the differences between households.

An income-based poverty line may be said to measure the ***likelihood*** of a household's being in poverty or not. That is, if a household's income is below the poverty line, it is ***likely*** to have a poverty-level standard of living; if its income is above the poverty line, it is ***likely*** to have a standard of living that is above poverty-level. Depending on its specific circumstances—for example, debt, ill health, high rent—a household with an income that sets it theoretically above the poverty line may actually be living in poverty. Similarly, a household whose income is below the poverty line may turn out to have an acceptable standard of living because, for example, it has access to savings or help from family.

The MBM, and any other income-based poverty line, is a measure of probability, not a definition. Some households that sit above the MBM poverty line have a poverty-level standard of living. These households are said to be false negatives. That is, according to the MBM, they are not poor, but closer investigation of their lived experience would indicate that they are poor. Similarly, some households that sit below the MBM poverty line do not have a poverty-level standard of living. These households are said to be false positives. The escalating use of food banks, for example, would suggest that there are most probably many more false negatives than false positives.

An alternative approach to measuring a household's standard of living is to look at outcomes rather than inputs – that is, assessing a household's standard of living by looking at the goods and services it has, or has access to, and the activities in which it participates. **This method of measuring poverty is called a material deprivation index (MDI)**, although this label may be a little misleading, because non-material aspects of a household's standard of living are also included, such as participation in activities.

In North America we have almost exclusively used an income-based poverty measure, but the MDI methodology has been used in Europe for many decades, including by the European Union's central statistical body, Eurostat (see text box). The European approach to measuring poverty could improve our understanding of the extent and nature of poverty in Canada. Could this alternative way of measuring poverty help explain the gap between the MBM and the experience of food banks across Canada?

To answer this question, **Food Banks Canada**, in collaboration with the **Maple Leaf Centre for Food Security** and **Maytree**, initiated a project to develop and apply an MDI in Canada. We assembled a small team of experts to undertake the project, with the assistance of an advisory committee, whose members offered a wide range of perspectives, from lived experience to extensive statistical expertise. The team's completed research report, ***Measuring Poverty with a Material Deprivation Index (MDI): An Updated Index for Canada*** (Notten et al., 2024), is available in English and French on the Food Banks Canada website at ***www.foodbankscanada.ca*** (as well as on the Maple Leaf Centre, Maytree, and Environics Institute for Survey Research websites). That report describes the research process in detail, including the rigorous analytic techniques that we used to develop and apply a Canadian MDI to describe poverty in Canada.

> "The material deprivation rate is an EU-SILC (European Union – Statistics on Income and Living Conditions) indicator that means the inability to afford some items considered by most people to be desirable or even necessary to lead an adequate life. The indicator distinguishes between individuals who cannot afford a certain good or service, and those who do not have this good or service for another reason, e.g. because they do not want or do not need it. It was one of the components that defined the at-risk-of-poverty-or-social-exclusion rate (AROPE) according to the Europe 2020 strategy."
>
> – Eurostat, 2022

We encourage readers who want a full understanding of this project and its methodology, findings, and implications to access the full research report. In this paper we provide a summary of how and why we undertook the research project, what we did, and some examples of what we found.

CONSTRUCTING THE **MATERIAL DEPRIVATION INDEX**

In collaboration with the Environics Institute for Survey Research, we commissioned a two-phased survey of Canadian residents.

The Phase One survey asked a representative sample of approximately 2,000 Canadian residents about the goods and services they would expect to find in a household with an acceptable standard of living in this country. Note that we did not ask about "basic necessities." While too many Canadian residents lack somewhere to live and other core necessities of life, in a country as wealthy as Canada, poverty is about lacking more than the basic necessities. Being able to have friends over for a social visit, having a place where a child can do their homework in peace, and having access to a telephone (or, given the current digital environment, a smartphone and a network) are not "basic necessities" in the strictest sense of the term. However, a household that does not have access to these activities and types of goods and services most likely has a standard of living that falls below what is acceptable in Canada. In other words, the household lives in poverty.

> "Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet, participate in the activities and have the living conditions and amenities which are customary, or at least widely encouraged or approved, in the societies to which they belong."
>
> – Peter Townsend,1979

This understanding of poverty is consistent with modern thinking about what it means to be in poverty: Poverty is relative to a country's overall standard of living. It does not mean only lacking the minimum resources to make it possible to carry on for one more day without physical deterioration. (See, for example, Peter Townsend's definition of poverty in the text box. Townsend's book Poverty in the United Kingdom is one of the foundational studies of poverty in a modern context.)

Although the MBM is often described as a basket of basic necessities, they are not basic necessities in the sense of allowing a person to survive for another day. The MBM is calculated according to contemporary living standards, and the market basket is meant to reflect a modest standard of living for the reference family.

Based on the results of the Phase One survey, supplemented by a series of focus groups, we selected an initial list of 14 items to include in our deprivation index. The methodology we used to select these items is described in the research paper. In April and May of 2023, we then conducted a Phase Two survey of 4,625 Canadian residents. This survey included an oversample of several groups whom we thought were at particular risk of experiencing poverty: single parents, adults between the ages of 25 and 64 who live alone, and people who identify as Indigenous, Black, or South Asian. The survey results were weighted by age, gender, region, and educational attainment so that they were representative of the overall Canadian population.

In the Phase Two survey, we asked if respondents had used or participated in any of the 14 items, and if they did not, whether this was because they could not afford to. The survey results were weighted again using age, gender, region, educational attainment, race/ethnicity, and housing status to align with the 2021 census. We also included questions about respondents' social and demographic characteristics, employment situation, food insecurity, financial well-being, income, debt, and several other variables.

After we analyzed the responses to the Phase Two survey, we found that some of the 14 items were redundant, in that there was a high overlap between the respondents who answered in the same way to these items. This could have created an over-count of the extent of deprivation based on the cumulative number of deprivation numbers. As well, one item was essentially inconsequential as so few respondents responded positively to it. Based on this analysis, we created an 11-item deprivation index to assess deprivation in Canada.

Table 1 (below) shows the list of 11 deprivation items and the per cent of respondents who said they did not have a deprivation item because they could not afford it.

TABLE 1: MATERIAL DEPRIVATION ITEMS IN THE PHASE TWO SURVEY AND INCIDENCE RATES

ITEM	QUESTION	% OF RESPONDENTS
Transportation	Are you/is everyone in your household able to get around your community whenever you/they need to?	**3.6%**
Footwear	Do you/does everyone in your household have at least one pair of properly fitting shoes and at least one pair of winter boots?	**3.7%**
Protein	Are you/is everyone in your household able to eat meat or fish or a vegetarian equivalent at least every other day?	**6.7%**
Temperature	Are you able to keep your house or apartment at a comfortable temperature all year round?	**7.2%**
Special occasions	Are you able to participate in celebrations or other occasions that are important to people from your social, ethnic, cultural, or religious group?	**7.9%**
Gifts	Are you able to buy some small gifts for family or friends at least once a year?	**8.0%**
Bills	Are you currently able to pay your bills on time?	**8.8%**
Clothes	Do you/does everyone in your household have appropriate clothes to wear for special occasions, such as a job interview, wedding, or funeral?	**10.1%**
Dental care	Are you/is everyone in your household able to get regular dental care, including teeth-cleaning and fillings, at least once a year?	**18.1%**
Spending money	If you wanted to, could you spend a small amount of money each week on yourself?	**18.6%**
Unexpected expense	If you had an unexpected expense today of $500, could you cover this from your own resources?	**21.7%**

Source: Phase Two survey, calculations by authors.

Table 2 (below) shows the number of deprivation items respondents reported wanting but not being able to afford. Just over 60 per cent of respondents reported no deprivation items.

TABLE 2: PER CENT OF RESPONDENTS REPORTING 0 TO 11 OR MORE DEPRIVATION ITEMS

DEPRIVATION ITEMS	% OF RESPONDENTS
0	62.63%
1	12.30%
2	8.20%
3	5.55%
4	4.14%
5	2.43%
6	1.43%
7	1.26%
8	0.93%
9	0.57%
10	0.24%
11	0.32%

Source: Phase Two survey, calculations by authors.

The more deprivation items a household wants but cannot afford, the more likely it is that the household has a poverty-level standard of living. Table 3 (following page) shows the per cent of respondents with their cumulative total of deprivation items – for example, about 25 per cent of respondents had two or more deprivation items, and about 17 per cent reported having three or more deprivation items.

TABLE 3: CUMULATIVE TOTAL DEPRIVATION ITEMS

CUMULATIVE NUMBER OF DEPRIVATION ITEMS	% OF RESPONDENTS
0 or more	100%
1 or more	37.37%
2 or more	25.07%
3 or more	16.87%
4 or more	11.32%
5 or more	7.18%
6 or more	4.75%
7 or more	3.32%
8 or more	2.06%
9 or more	1.13%
10 or more	0.56%
11 or more	0.32%

Source: Phase Two survey, calculations by authors.

If we want to designate a deprivation level as indicative of a high likelihood of a poverty-level standard of living, we need to establish a deprivation "threshold" – should it be one item, two, three, four, or even more? We wanted to choose a level of deprivation that minimized the number of false positives – people who would be designated as living in poverty but really are not – and false negatives – people who are designated as not living in poverty but actually are.

As described in detail in the research paper, we developed a new and more rigorous approach to deciding on a deprivation threshold than has been used in the past. We looked at the correlation between potential deprivation thresholds and four other well-known indicators of possible poverty: food insecurity, being financially stretched, income below the median, and experiencing economic hardship. By assuming that a lack of correlation between each of these indicators was indicative of a false positive or negative, we selected a deprivation threshold that balanced changes in the size of false positives and negatives (because one cannot minimize both mistakes simultaneously).

Using this methodology, we found that the "two items or more" and "three items or more" thresholds were the best indicators of a poverty-level standard of living. We used the "two items or more" threshold as our poverty measure and the "three items or more" threshold to check how robust our assessment was – for example, would single parents have a similarly high deprivation rate compared to the average deprivation rate when a threshold of three items or more was used?

DEPRIVATION IN CANADA

As shown in Table 4, 25 per cent of Canadians likely have a poverty-level standard of living according to a material deprivation threshold of two items or more. Seventeen per cent are over the three-item deprivation threshold and are therefore even more likely to be experiencing a poverty-level standard of living. The incidence of poverty estimated using the material deprivation measures is much higher in all provinces than the incidence estimated using the MBM.

TABLE 4: CANADA AND THE PROVINCES PER CENT LIKELY IN POVERTY MEASURED BY MATERIAL DEPRIVATION INDEX COMPARED TO THE MBM

	TWO-ITEM OR MORE THRESHOLD	THREE-ITEM OR MORE THRESHOLD	2021 MBM
Canada	25.1%	16.9%	7.4%
Atlantic provinces	27.1%	19.6%	7.8%
Quebec	23.4%	16.6%	5.2%
Ontario	27.6%	17.0%	7.7%
Manitoba & Saskatchewan	20.1%	13.7%	9.0%
Alberta	23.4%	17.6%	7.8%
British Columbia	23.8%	16.7%	8.8%

Source of material deprivation data: Phase Two survey, calculations by authors.
Source of MBM data: Statistics Canada. (2023). Table 11-10-0136-01, Low-income statistics by economic family type.

The material deprivation estimates are based on our surveys, conducted in the spring of 2023. As noted, the most recent projection for the incidence of poverty based on the MBM is almost 10 per cent for 2022. When final data become available to estimate poverty based on the MBM in 2023, it is very possible that the rate will have increased once again. Nevertheless, it is safe to assume that the incidence of poverty based on material deprivation will remain substantially higher than the MBM-based incidence. The material deprivation estimates of the incidence of a poverty-level standard of living appear to be more consistent with the current experiences of food banks, the reported incidence of hunger, and other symptoms of economic distress.

The gap between the estimates of poverty calculated by these two methods presents an opportunity to better understand the circumstances of households in Canada that have low incomes. For example, how does debt contribute to households with incomes that are above the MBM being unable to afford two, three, or more items that we would ordinarily expect a household with that income level to enjoy? How does disability contribute? The full research paper explores these questions in detail by analyzing the overlap between material deprivation and other indicators. In this shorter paper, we provide a few examples of the relationship between material deprivation and other variables.

Table 5 shows the rates of material deprivation with a two- or three-item threshold by age and a few other demographic variables. While levels of material deprivation are roughly the same for all households comprising people who are below 65 years old, deprivation drops dramatically for those over 65. Single-parent and single-person households under age 65 have the highest rates of deprivation, while couples without children and those over 65 – even in single-person households – are the least deprived.

TABLE 5: AGE AND HOUSEHOLD TYPE PER CENT LIKELY IN POVERTY MEASURED BY MATERIAL DEPRIVATION INDEX

	TWO-ITEM OR MORE THRESHOLD	THREE-ITEM OR MORE THRESHOLD
Canada	25.1%	16.9%
18–30 years	30.2%	19.0%
31–44 years	29.3%	21.1%
45–64 years	27.7%	18.6%
65 years and older	11.1%	6.8%
Single-parent household	44.5%	32.3%
Two-parent household	24.1%	16.2%
Single-person household	29.7%	19.5%
Single-person household (under 65)	34.6%	23.6%
Single-person household (over 65)	17.4%	10.6%
Couple without children	15.3%	10.5%

Source: Phase Two survey, calculations by authors.

Table 6 presents deprivation rates by various socio-economic factors, such as race, ethnicity, and level of educational attainment. We found much higher deprivation rates among Black and Indigenous respondents, and deprivation inversely correlated with education. The highest levels of deprivation – approximately 50 per cent – were found among respondents who were unemployed and looking for work and those who were relying on government transfers. The deprivation rate among respondents who rent is over 40 per cent; among respondents who own their home, it is below 20 per cent.

TABLE 6: SOCIO-ECONOMIC CHARACTERISTICS PER CENT LIKELY IN POVERTY MEASURED BY MATERIAL DEPRIVATION INDEX

	TWO-ITEM OR MORE THRESHOLD	THREE-ITEM OR MORE THRESHOLD
Canada	25.1%	16.9%
South Asian	23.8%	11.4%
Chinese	11.8%	9.4%
Black	34.4%	22.9%
Indigenous	37.4%	27.1%
Other visible minority	26.5%	16.6%
White	24.8%	17.0%
Some high school or high school	36.0%	27.2%
Trade or some college	29.3%	19.9%
College	20.8%	12.5%
University	15.3%	8.5%
Full-time, part-time, or self	23.9%	15.2%
Not in labour force and not looking for work	22.8%	15.2%
Unemployed and looking for work	55.5%	46.6%
Employment income	23.1%	14.6%
Investment and retirement income	19.0%	13.4%
Government transfers	55.4%	40.7%
Other income source	40.1%	28.6%
Owned	18.2%	11.5%
Rented	41.8%	30.0%

Source: Phase Two survey, calculations by authors.

Table 7 shows deprivation levels by health and disability. About half of the respondents who reported a significant mental or physical health issue or disability are living in poverty according to the two-item threshold MDI, and approximately one-third according to the three-item threshold. We also asked about issues such as stress: 43 per cent and 31 per cent of respondents reporting high levels of stress were experiencing a poverty-level standard of living according to the two-item and three-item thresholds, respectively.

TABLE 7: HEALTH AND DISABILITY STATUS PER CENT LIKELY IN POVERTY MEASURED BY MATERIAL DEPRIVATION INDEX

	TWO-ITEM OR MORE THRESHOLD	THREE-ITEM OR MORE THRESHOLD
Canada	25.1%	16.9%
PHYSICAL HEALTH		
Excellent and very good	15%	9%
Good	21%	13%
Fair and poor	42%	30%
MENTAL HEALTH		
Excellent and very good	13%	8%
Good	24%	14%
Fair and poor	44%	33%
Poor or fair mental and physical health	51%	40%
DISABILITY		
No disability	18%	12%
Disability that always, often, or occasionally limits activity	37%	27%
A mental and physical disability	49%	33%
STRESS		
Not at all/not very stressful	11%	7%
A little bit stressful	23%	14%
Quite a bit/extremely stressful	43%	31%

Source: Phase Two survey, calculations by authors.

We also asked questions about self-perceptions and attitudes. These kinds of inquiries are not usually part of a survey about poverty, but they illustrate how material poverty relates to broader notions of well-being. Table 8 shows the substantial correlation between deprivation and factors such as hope, confidence, and having others to call on for help.

TABLE 8: PERCEPTIONS AND ATTITUDES PER CENT LIKELY IN POVERTY MEASURED BY MATERIAL DEPRIVATION INDEX

	TWO-ITEM OR MORE THRESHOLD	THREE-ITEM OR MORE THRESHOLD
Canada	25.1%	16.9%
HAVE A HOPEFUL VIEW OF THE FUTURE		
Always / Often	15%	10%
Sometimes	30%	20%
Rarely / Never	47%	35%
ARE CONFIDENT IN YOUR ABILITIES, EVEN WHEN FACED WITH CHALLENGES		
Always / Often	18%	11%
Sometimes	33%	23%
Rarely / Never	46%	34%
ARE ABLE TO BOUNCE BACK QUICKLY AFTER HARD TIMES		
Always / Often	17%	11%
Sometimes	32%	22%
Rarely / Never	52%	40%
HAVE PEOPLE YOU CAN DEPEND ON TO HELP YOU WHEN YOU REALLY NEED IT		
Always / Often	18%	12%
Sometimes	28%	19%
Rarely / Never	48%	35%

Source: Phase Two survey, calculations by authors.

WHO IS LIVING IN POVERTY?

The preceding tables tell us about the likelihood of various groups and characteristics being correlated with poverty according to the MDI. For example, they tell us that 41.8 per cent of people who rent are living in poverty, according to the two-item threshold MDI. If we instead look at the overall group of people who are living in poverty, what are their shared characteristics? In the previous section we asked what percentage of people who rent (for example) are living in poverty; here we are asking what percentage of people who are living in poverty are also living in rented accommodation.

Table 9 provides a sample of the findings from the Phase Two survey among respondents with a poverty-level standard of living according to the two- or three-item threshold. These findings show, for example, that over half of the respondents who are living in poverty have a disability, and that 55–60 per cent have employment income. Note that these groupings are not exclusive of one another – for example, someone who is living in poverty may be renting their accommodation and have both a disability and employment income. The likelihood that a respondent who is living in poverty will have a given characteristic is quite similar according to either the two- or three-item threshold, as expected.

TABLE 9: WHO IS LIVING IN POVERTY ACCORDING TO OUR MATERIAL DEPRIVATION INDEX?

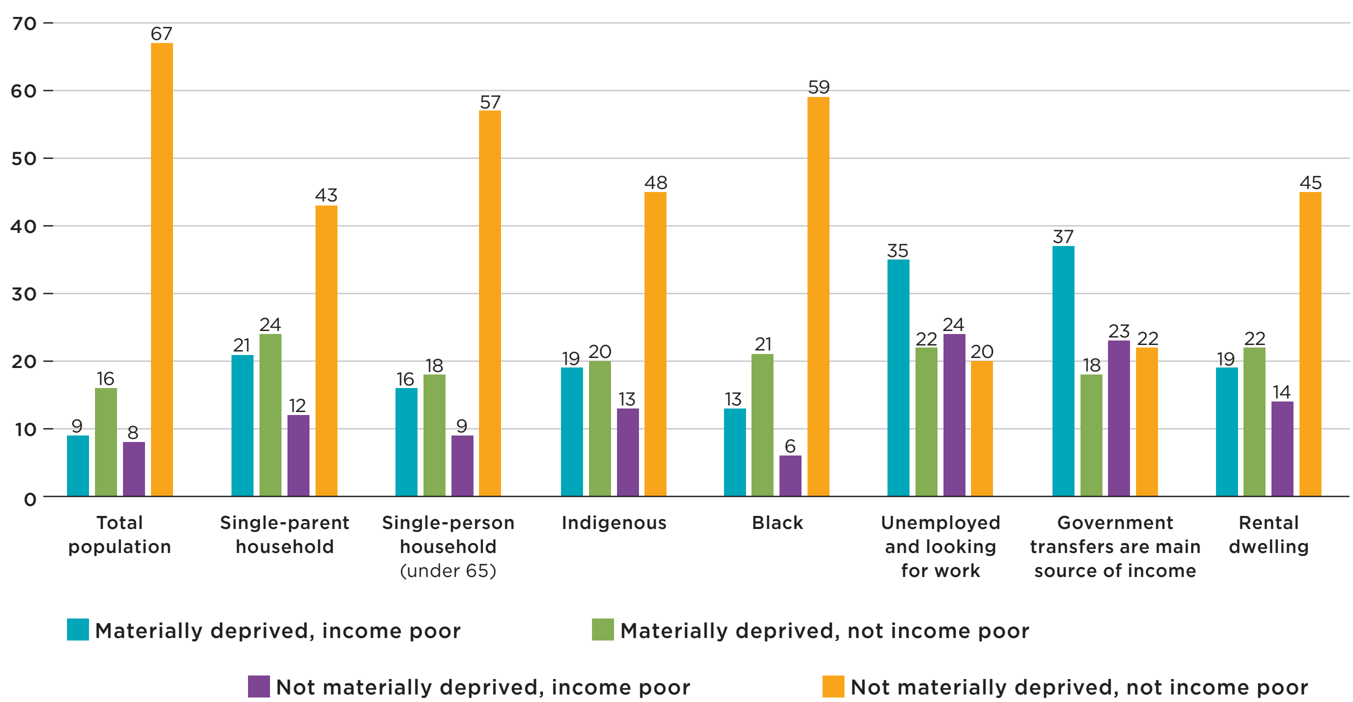
SOME CHARACTERISTICS OF PEOPLE LIVING IN POVERTY	AMONG THOSE WHO MEET THE TWO-ITEM OR MORE THRESHOLD	AMONG THOSE WHO MEET THE THREE-ITEM OR MORE THRESHOLD	AMONG THE TOTAL POPULATION
Black	5.5%	5.5%	4.1%
Indigenous	7.2%	7.7%	4.9%
Other visible minority	17.2%	19.2%	10.0%
Some high school or high school	39.0%	43.9%	27.2%
Trade or some college	24.1%	24.3%	20.6%
Not in labour force	31.3%	31.2%	34.5%
Unemployed and looking for work	10.8%	13.6%	4.9%
Employment income	57.8%	55.2%	63.9%
Government transfers	15.7%	17.3%	7.0%
Renting	48.0%	51.1%	28.6%
18–30 years	19.2%	17.9%	16.1%
Single-parent household	12.3%	13.2%	6.9%
Single-person household (under 65)	23.4%	22.6%	16.8%
Single-person household (over 65)	3.9%	4.0%	6.2%
Disability that limits activity	53.4%	56.4%	36%
A mental and physical disability	9.3%	9.3%	5%
Rarely/Never have people you can depend on to help you	25.7%	27.9%	13%

Source: Phase Two survey, calculations by authors.

IMPLICATIONS

Our analysis of poverty through outcomes, via an MDI, suggests that poverty may be more extensive and possibly more multifaceted than it appears when viewed only via an income-based poverty line. For one thing, as discussed in greater detail in our research paper, it appears that poverty may be even more pervasive among groups who are categorized as at-risk than an income-based poverty line alone may suggest. In addition, the MDI may provide a perspective that is rooted in the differing circumstances that contribute to poverty among at-risk groups. For example, as illustrated in Figure 1, we found material deprivation was much higher than income poverty among single-parent and under-65 single-person households when measuring income poverty with the Low Income Measure Before Taxes (LIM-BT).

FIGURE 1: MATERIAL DEPRIVATION AND INCOME POVERTY (LIM-BT) AMONG AT-RISK GROUPS



A better understanding of poverty is critical if we are to accurately evaluate our progress, or lack of progress, in reducing material distress among households in Canada. We recommend that Statistics Canada establish and maintain a material deprivation module – a set of questions to measure living standards via the "normal" goods, services, and activities that households with modest but acceptable living standards would ordinarily be expected to be able to afford. The material deprivation module would complement the MBM, which measures poverty by inputs. Together, the two types of indicators would provide a deeper and more accurate insight into poverty in Canada.

Statistics Canada, with the assistance of Employment and Social Development Canada, is unarguably better placed to develop and maintain a robust MDI than a group of voluntary agencies. Statistics Canada could easily and inexpensively add a deprivation module to one of its existing annual surveys – for example, the Canadian Income Survey. An even more comprehensive understanding of poverty could be obtained by including the deprivation module in the long-form census, permitting a detailed examination of the relationship between economic distress and the many variables included in the long form, including for groups and locations where the samples would otherwise be too small to permit analysis.

Another, minor but not insignificant, advantage of the MDI if used as a complement to the MBM is that a material deprivation survey can provide feedback on current conditions, whereas the MBM will always be a few years behind because of the time it takes to ensure the accuracy of income data. This advantage of the MDI would be especially important in times of rapidly changing economic conditions and the need to react quickly, such as in the height of the recent pandemic and the surge of inflation in its aftermath, or at a time of rapidly rising interest rates.

An MDI would be a useful tool not only for understanding the nature of poverty in Canada, but also for designing better programs to address poverty. For example, our survey suggests that a simple income payment adjusted for a few factors such as size and age of family will not efficiently address poverty. Instead, we need to understand and address the factors beyond income that determine the lived experience of households. As another example, we have seen that the majority of people who are living in poverty are working or looking for work, so addressing poverty solely through programs aimed only at people who are not in the labour force will fail to reach most of those who require extra support.

In sum, we believe that our research has shown that poverty may be different, and perhaps more extensive, than it appears when viewed through the single lens of the MBM income-based poverty line. **We believe there is an opportunity for a more accurate understanding of poverty by applying a second lens: a material deprivation index.**

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