In order to obtain a complete picture of low income, Statistics Canada uses three complementary low income measures: the Low Income Cut Offs, the Low Income Measures and the Market Basket Measure. While these are low income measures, they are often used to measure poverty. This fact sheet describes the three measures and provides income threshold levels for selected family types.

**Low Income Cut Offs**

The low income cut-offs (LICOs) are based on the spending patterns of Canadian households in 1992 in relation to income. LICOs are updated using the Consumer Price Index (CPI). This measure captures differences in cost of living in communities of different sizes.

The LICO is an income threshold below which a family is expected to devote a larger share of its income to the necessities of food, shelter and clothing than an average family would.

The LICO were first published by Statistics Canada in 1967 as part of the 1961 Census and are Statistics Canada’s most established and widely recognized approach to estimating low-income cut-offs. They take regional differences into account.

While both before-tax and after-tax LICO figures are available, after-tax figures are preferred for two reasons:

- Better reflect the full redistribution impact of our tax/transfer system: after-tax figures take into account both tax transfers and credits, while before-tax figures only take into account tax transfers only
- Logical: after-tax dollars reflect the amount of income that individuals and families have available to spend

**Low Income Measures**

The Low Income Measure (LIM) is calculated using an annual survey of household income, the Survey of Labour and Income Dynamics (SLID). The LIM measures the number and percent of people living in households with incomes that is less than 50 per cent of the median adjusted household income. The Province of Ontario is using the LIM as the income measure of poverty.

The LIM is calculated three ways:

- Market income, or income before any transfers and taxes
- Before-tax
- After-tax
Market Basket Measure

The Market Basket Measure (MBM) is based on the cost of a specific basket of goods and services representing a modest, basic standard of living. It includes the costs of food, clothing, footwear, transportation, shelter and other expenses. This measure takes regional cost of living differences into account. These cost thresholds are compared to the disposable income of families to determine low income status.

Disposable income is calculated as follows:

\[
\text{Disposable Income} = \text{Total gross family income} - \text{Income taxes paid} - \text{All payroll deductions} - \text{Child support and alimony payments paid} - \text{Out-of-pocket spending on child care} - \text{Non-insured prescribed health related expenses (dental, vision, drugs, aids for persons with disabilities)}
\]

The basket of goods includes:

- Nutritious diet
- Clothing and footwear
- Public Transportation where available
- Other necessary goods and services
- Shelter costs including heat, hydro, water, appliances
**Low Income Cut Off Tables for London**

Table 1: Low Income Lines

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 person</td>
<td>$20,366</td>
<td>$16,513</td>
<td>$19,841</td>
<td>$22,720</td>
<td>$19,930</td>
<td>$16,829</td>
</tr>
<tr>
<td>2 persons</td>
<td>$25,353</td>
<td>$20,170</td>
<td>$28,059</td>
<td>$32,131</td>
<td>$28,185</td>
<td>$23,799</td>
</tr>
<tr>
<td>3 persons</td>
<td>$31,168</td>
<td>$25,117</td>
<td>$34,366</td>
<td>$39,352</td>
<td>$34,520</td>
<td>$29,148</td>
</tr>
<tr>
<td>4 persons</td>
<td>$37,843</td>
<td>$31,335</td>
<td>$39,682</td>
<td>$45,440</td>
<td>$39,860</td>
<td>$33,657</td>
</tr>
<tr>
<td>5 persons</td>
<td>$42,920</td>
<td>$35,681</td>
<td>$44,366</td>
<td>$50,803</td>
<td>$44,565</td>
<td>$37,630</td>
</tr>
<tr>
<td>6 persons</td>
<td>$48,408</td>
<td>$39,571</td>
<td>$48,600</td>
<td>$55,652</td>
<td>$48,818</td>
<td>$41,221</td>
</tr>
<tr>
<td>7 or more persons</td>
<td>$53,894</td>
<td>$43,461</td>
<td>$52,494</td>
<td>$60,111</td>
<td>$52,730</td>
<td>$44,524</td>
</tr>
</tbody>
</table>

*When using the LICO or the MBM, the economic family is the appropriate unit. When using the LIM, the household is the appropriate unit. The variance in LICO, LIM and MBM numbers is a result of each having a different basis of calculation – refer to the definitions in the preceding section.

**Economic family:** refers to a group of two or more persons who live in the same dwelling and are related to each other by blood, marriage, common-law or adoption. A couple may be of opposite or same sex. Foster children are included. By definition, all persons who are members of a census family are also members of an economic family. Examples of the broader concept of economic family include the following: two co-resident census families who are related to one another are considered one economic family; co-resident siblings who are not members of a census family are considered as one economic family.

**Household:** refers to a person or group of persons who occupy the same dwelling and do not have a usual place of residence elsewhere in Canada or abroad. The dwelling may be either a collective dwelling or a private dwelling. The household may consist of a family group such as a census family, of two or more families sharing a dwelling, of a group of unrelated persons or of a person living alone. Household members who are temporarily absent on reference day are considered part of their usual household.

For more information, visit Statistics Canada’s website.

Income Statistics Division.
Income Research Paper Series

**Low Income Lines, 2011-2012**

**Catalogue No: 75F0002MWE**