FACT SHEET: LOW INCOME in LONDON

Highlights

While low income is being reduced in London, there are some important warning signs for the community:

- While we have a declining low-income rate, our low-income rates (except for seniors) are higher than in Ontario and in Canada
- One in seven households is unable to afford shelter that meets adequacy, suitability, and affordability norms
- Emergency shelter usage rates have declined, but is relatively high compared to other municipalities in Ontario
- The growth in the number of families using the London Food Bank since 2001 exceeds population growth
- Our labour force figures reflect the heavy impact that the recent recession has had: our unemployment rate is among the highest in the country and our participation rate is among the lowest.

Low-Income Rates

While not an official measure of poverty, Low-Income Cut Offs (LICOs) are the most commonly used measure in Canada. The low income cut-offs (LICOs) are income thresholds below which a family will likely spend 20 percentage points more than the average family on food, shelter and clothing. The assumption being that a family spending 20 percentage points more than the average would be in “straitened circumstances”. When reporting low-income, after-tax figures are preferred to before-tax as the after-tax figures take into account the impact of tax transfers.

- In 2006, 11.8% of people living in the City of London had incomes lower than the after-tax LICO. London’s after-tax low-income rate is higher than the provincial figure of 11.1% and the national figure of 11.4%.
- 14.6% of children and youth under the age of 18 in London lived in families with incomes below the after-tax LICO in 2006. This compares to prevalence rates of 13.7% and 13.1% at the provincial and national levels.

- London’s after-tax low-income rate of 3.8% among persons age 65 and older is lower than those of Ontario (5.9%) and Canada (6.7%).

- Before-tax low-income rates must be used to track trends over time as after-tax low-income rates for previous census periods are not readily available. Low-income in London declined from 1996 to 2006:

![Before Tax Low Income Rates, City of London, 1996, 2001 and 2006](chart)

### Homelessness

- The City of London has a total of 360 emergency shelter beds or 99 beds per 100,000 population. This supply is third highest among the twelve municipalities participating in the Ontario Municipal Benchmarking Initiative. On average, 89% of these beds were used each night in 2009, down from a 94% occupancy rate in 2008. This occupancy rate is fifth highest among these same twelve municipalities (Ontario Municipal Benchmarking Initiative, 2010).

- An indicator of potential homelessness is core housing need. Core housing need refers to households that are unable to afford shelter that meets adequacy, suitability, and affordability norms. In London in 2006, 19,240 (13.8%) households lived in core housing need. This compares to 12.7% of Canada’s households and 16.2% of Ontario households. Core housing need in London is lower than in 1996 when 18.5% households lived in core housing need (Source: Federation of Canadian Municipalities Quality of Life Reporting System).
**Food Bank Usage**

- In 2010, 3,044 families visited the London Food Bank every month, a 28.5% increase from 2001 (Source: London Food Bank). The total number of households in London increased by less than 10% (derived from Statistics Canada Census, 2001 and 2006).

**Unemployment Rates**

- In 2010, London CMA’s unemployment rate of 8.6% (similar to Ontario’s rate of 8.7%) was ninth highest out of 34 municipalities across Canada.
- London’s participation rate of 65.7% is among the lowest third in the county and is below the provincial rate of 67.1% (Source: Statistics Canada).

**Appendix: Low Income Cut Off Thresholds for London (2009)**

<table>
<thead>
<tr>
<th>Family Size</th>
<th>Annual Before Tax</th>
<th>Annual After Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 person</td>
<td>$19,144</td>
<td>$15,579</td>
</tr>
<tr>
<td>2 persons</td>
<td>$23,832</td>
<td>$18,960</td>
</tr>
<tr>
<td>3 persons</td>
<td>$29,299</td>
<td>$23,610</td>
</tr>
<tr>
<td>4 persons</td>
<td>$35,573</td>
<td>$29,455</td>
</tr>
<tr>
<td>5 persons</td>
<td>$40,345</td>
<td>$33,541</td>
</tr>
<tr>
<td>6 persons</td>
<td>$45,504</td>
<td>$37,198</td>
</tr>
<tr>
<td>7 or more persons</td>
<td>$50,661</td>
<td>$40,854</td>
</tr>
</tbody>
</table>

(Source: Statistics Canada)
In order to get a complete picture of low income, Statistics Canada uses three complementary low income lines: 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 (LICO) are based on the spending patterns of Canadian households in 1992 in relation to income. LICO 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 times:

- 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
- Shelter cost including heat, hydro, water, appliances
- Clothing and footwear
- Transportation
- Other necessary goods and services
- Public transportation where available
# Low Income Cut Off Tables for London

## Table 1: Low Income Lines

<table>
<thead>
<tr>
<th>Size of economic family or household unit*</th>
<th>Current Annual Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 person</td>
<td>$20,065</td>
</tr>
<tr>
<td>2 persons</td>
<td>$24,978</td>
</tr>
<tr>
<td>3 persons</td>
<td>$30,707</td>
</tr>
<tr>
<td>4 persons</td>
<td>$37,283</td>
</tr>
<tr>
<td>5 persons</td>
<td>$42,285</td>
</tr>
<tr>
<td>6 persons</td>
<td>$47,692</td>
</tr>
<tr>
<td>7 or more persons</td>
<td>$53,097</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.

For more information, visit Statistics Canada’s website.

Income Statistics Division.
Income Research Paper Series
*Low Income Lines, 2010 to 2011.*
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