

Measuring Canadian Low Income across Regions: Local Thresholds or Spatial Price Index Adjustments?

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July 14, 2010

Abstract

The Low Income Measure (LIM) is often criticized for its lack of regional variations in its thresholds. This study attempts to address several questions related to this criticism. In particular, we identify the effect of regional price variations on low income statistics by using the LIM line, both at the country level and across regions and groups of individuals. The study found that low-income trend at the national, provincial and city levels remained the same when costs of living were adjusted for by an expenditure-dependent price deflator or by an inter-city price index, while poverty ranking between regions (and cities) did change. When it is not feasible to construct spatial price index, localizing low income lines is probably a useful substitute as the low income statistics produced under local lines are quite similar as under spatial price adjustments. But the reference group of low income profile will be different under the local line than under the national line. A challenging question is at what geographic level one may construct a spatial price index or regional poverty line. We provide some criteria to help answer this question.