

Where is Poverty Greatest in Canada? Comparing Regional Poverty Profile without Poverty Lines

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Abstract

Comparisons of poverty between regions have impacts on policy choices. However, it is often argued that rankings of distributions are not robust and they are also quite sensitive to methods of defining poverty. It is particularly the case when measurements of the welfare function and poverty itself are controversial. This paper avoids these problems by using an inference-based stochastic dominance approach to compare regional poverty profile in Canada without arbitrarily specifying a poverty line. Robustness of the results is also examined with respect to different choices of scaling factors that make the income distributions comparable for poverty analysis. Such scaling factors include a spatial price index for cost-of-living differences and an equivalence scale that accounts for household composition. Furthermore, the extent to which the findings are sensitive to the choice of an absolute or a relative concept of poverty line is also examined.

This analysis is carried out for the 10 provinces using the Survey of Labour and Income Dynamics for 2000. I show that, in most cases, dominance relations can be determined and regional poverty can be ordered for a wide range of poverty lines. I also show that dominance results are robust to the choice of equivalence scales, while rank reversal occurs when alternative cost-of-living deflators are used. Switching from an absolute to a relative poverty concept only affects poverty rankings for Ontario, Quebec and the Prairie provinces but not in the case of other provinces. Nevertheless, for all scales, I find that poverty is greatest in British Columbia.

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