

Market basket measure research paper: Child care expenses ^[1]

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AVAILABILITY

Access online ^[2]

Introduction

The market basket measure (MBM), adopted in 2018 as Canada's Official Poverty Line, establishes poverty thresholds based on the cost of a basket of food, clothing, shelter, transportation and other necessities that represent a modest, basic standard of living. A family with a disposable income below the applicable MBM threshold for their family's size and region of residence is considered to be living in poverty.

Child care, which can take different forms and vary widely in cost, can represent a significant non-discretionary expense, meaning non-negotiable, to many Canadian families with children. Currently, incurred child care expenses are accounted for in the MBM as a direct deduction to a family's disposable income, which is then compared to the applicable poverty threshold to determine whether a family lives above or below the poverty line.

During the second comprehensive review of the MBM, stakeholder groups and child care advocates asked Statistics Canada whether child care costs are appropriately accounted for in the current MBM methodology. Note Interest in this question continued to grow after the completion of the second comprehensive review in 2020, when the federal government released a plan to introduce a Canada-wide early learning and child care system in 2021. Note

This discussion paper begins by explaining what is commonly understood as child care and how child care expenses currently enter the MBM methodology. It then describes an alternative approach to account for child care expenses by incorporating them as a separate component within the MBM based on the reference family. A discussion of the advantages and disadvantages of each approach is also provided. The public and stakeholders are invited to provide feedback and comments on the discussion points presented.

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Conclusion

This paper details the current MBM methodology of incorporating child care expenses as a deduction to disposable income in the MBM and discusses possible alternative options. The discussion of these options reveals the complexities associated with capturing child care costs within Canada's Official Poverty Line and sets the stage for further research on this topic.

Region: Canada ^[3]

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