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# A Broader Perspective of Well-Being

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# Outline



- Broader perspective of the well-being
- Income indicators as a measure of well-being
- Limitations of income indicators
- Other areas of well-being

# ***Why a broader perspective of the well-being?***

- Well-being is generally measured by economic indicators such as income, GDP etc. However, those measures only provide some aspects of the large spectrum of well-being indicators.
- There are other universal and measurable needs that should be met in order to improve individuals and households well-being beyond those estimated through economic indicators.
- A consensus is growing to develop a more comprehensive view of progress rather than focusing mainly on economic indicators as indicated by the OECD Global Project.

***“Global Project on Measuring the Progress of Societies exists to foster the development of sets of key economic, social and environmental indicators to provide a comprehensive picture of how the well-being of a society is evolving”***

# Total family income is one indicator of well-being that is widely used

- Income comparison is a way of evaluating the living standards of rural and urban families.
- Family income as a measure of well-being would indicate that urban families are better off than rural families and that farm families are better off than rural non-farm families.

## Average and Median Total Family Income 2002-2006

	<b>Average</b>	<b>Median</b>
<b>Farm families</b>	\$ 70,340	\$ 54,370
<b>Rural non-farm families</b>	\$ 62,720	\$ 52,200
<b>Urban families</b>	\$ 76,060	\$ 59,120

Source: Statistics Canada, Longitudinal Tax data 1992-2006

**However, income does not cover several areas of overall well-being**

## **Selected Well-being Indicators**



Indicators developed by Human Resources and Skills Development Canada (HRSDC)

# In addition, family income as a measure of well-being has many limitations

- Using family income to measure well-being has limitations since there is no definitive measure of low income in Canada ( Relative Vs Absolute measures).
- Income is only one aspect of financial security.
- Other measurement issues limits the usefulness of income measures.
  - Income in kind
  - Yearly income variability

# ***Canada has three measures of low income and each provides a different profile of low income***

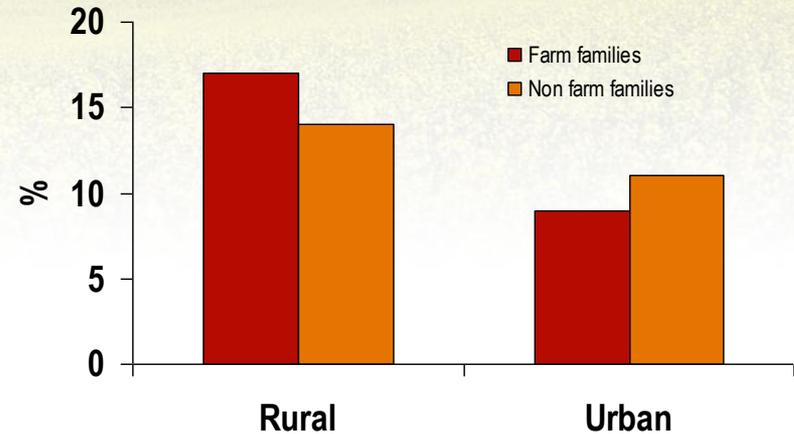


- Low Income Measures (LIM)
- Low Income Cut-Offs (LICO)
- Market Basket Measure (MBM)

# LIMs are relative measures based on median income

- In Canada, LIMs are defined as 50% of the median adjusted family income.
- LIMs are mostly used for international comparison. However, they are not adjusted for differences in cost of living.

Incidence of Low Family Income by area of residence (1995-2004)



Source: *Characteristics of Canadian farm families with chronic Low Family income, AAFC 2007*

Relative Measure  
of  
Low Income

# ***The absolute approach of measuring low income is based on a specific basket of good and services and provide two other measures of low income***

- A low income cutoff (LICO) is an income threshold below which a family is likely to spend significantly more of its income on food, shelter and clothing compared to the average family.
- The Market Basket Measure (MBM) takes into account more good and services in addition to food, shelter and clothing.

**Spending Patterns in Canada, Rural and Urban Household, 2007**

	<b>Canada</b>	<b>Urban households</b>	<b>Rural households</b>
<b>Total current consumption</b>	<b>49,766</b>	<b>50,487</b>	<b>44,172</b>
Food	7,305	7,392	6,633
Shelter	13,643	14,124	9,911
Clothing	2,948	3,054	2,126
<b>Consumption included in LICO</b>	<b>23,896</b>	<b>24,570</b>	<b>18,670</b>
Household operation	3,287	3,301	3,182
Transportation	9,395	9,322	9,964
Health care	1,932	1,910	2,105
Personal care	1,167	1,198	924
Recreation	3,976	3,998	3,810
Education	1,017	1,066	640
Other Expenses	5,096	5,122	4,877

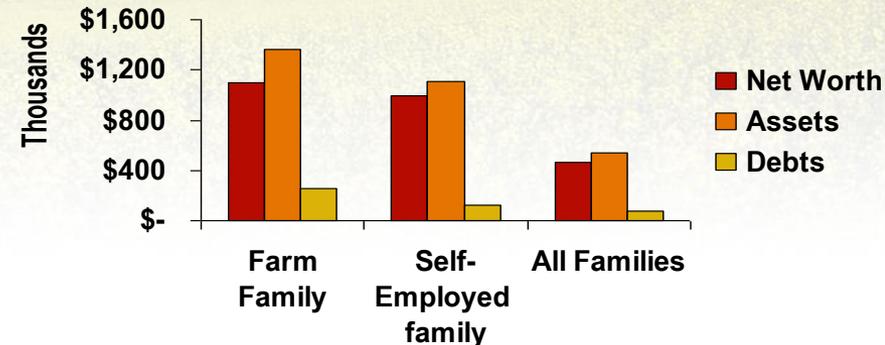
Source: Statistics Canada, Spending Patterns in Canada, 2007



# The inclusion of wealth gives a broader indication of financial security than income alone

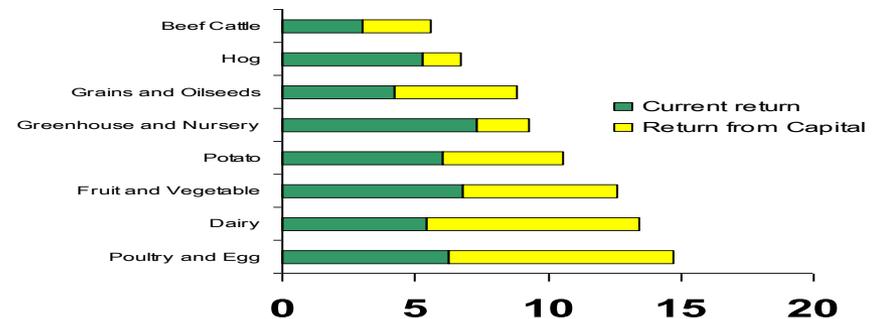
- Farm families and self-employed families report substantial high net worth compared to the average Canadian family.
- In addition, farm families can potentially realize significant capital gains from the sale of quotas and farmland.
- Nevertheless, caution should be taken in comparing the wealth of self-employed families against other employed families.

Average Net Worth of Families by type of family in Canada, 2005



Source: Farm Financial Survey and Survey of Financial Security

Average Current return on Asset and Return to capital gains, incorporate farms, 1999-2006



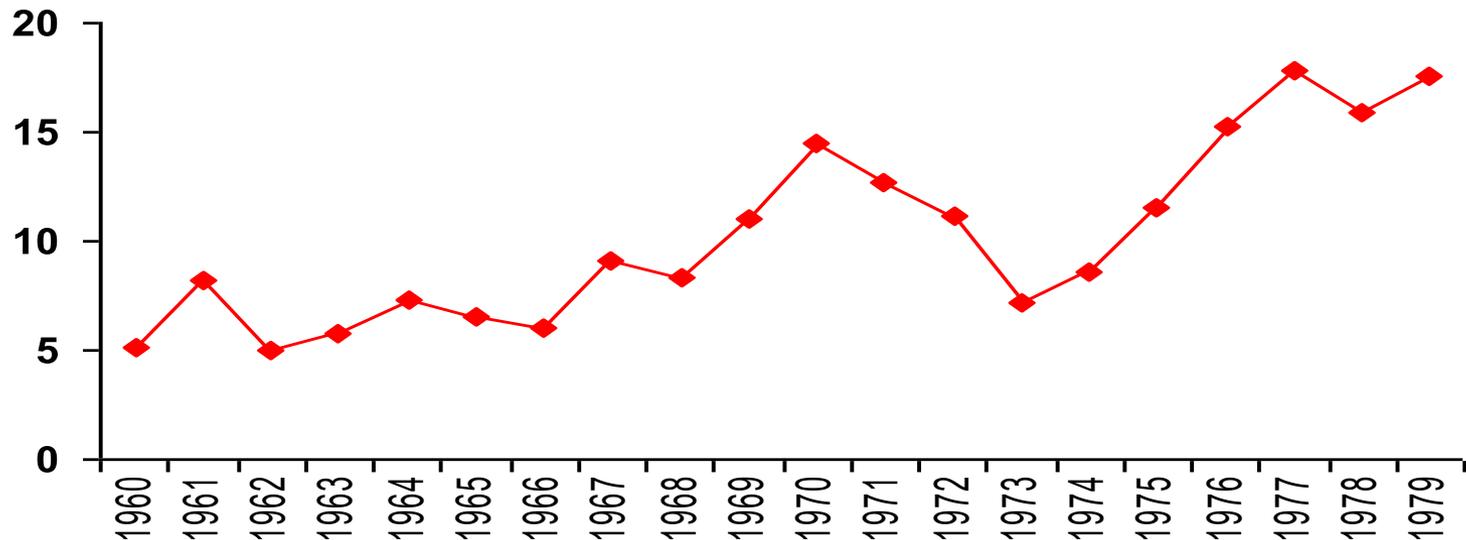
Source: Statistics Canada, Corporate tax data, AAFC calculations

**Broader economic well-being indicators**

# Issues with income measurements – Income in kind

- Income in kind, which represent the value of food produced and consumed on the farm is included in aggregate farm income but is not usually taken into account when measuring farm family income.
- For self-employed families such as farm families the usage of several items overlap between personal and business usage ( eg. car, fuel, electricity etc).

**Net house rental value from living on business property  
as % of aggregate net farm income 1960-1979**



Source: George L. Brinkman, Farm Incomes in Canada

# *Issues with income measurements – income variability*



- Yearly income can vary significantly for self employed families such as farm families.
- Unlike other businesses, the majority of farms in Canada report income tax on cash basis.
  - While tax data is mostly utilized for income studies, they may not accurately provide the financial performance of farms
  - For example, in 2007, average farm income, on the accrual basis, for prairie grain producers was \$ 188,501 compared to \$29, 434 on the cash basis.

# Measuring other aspects of well-being is required to give a comprehensive view of well-being

- Broader measures of well-being could also cover areas such as:
  - Housing
  - Security
  - Health
  - Education

# Housing is fundamental to our sense of well-being

- In general, rural households (73%) were better housed than urban households (67%) in part because rural households were more likely to be homeowners.
- Other indicators for housing may include the number of homeless shelters and beds, housing starts etc.

**Housing Conditions of urban and rural households, 1996**

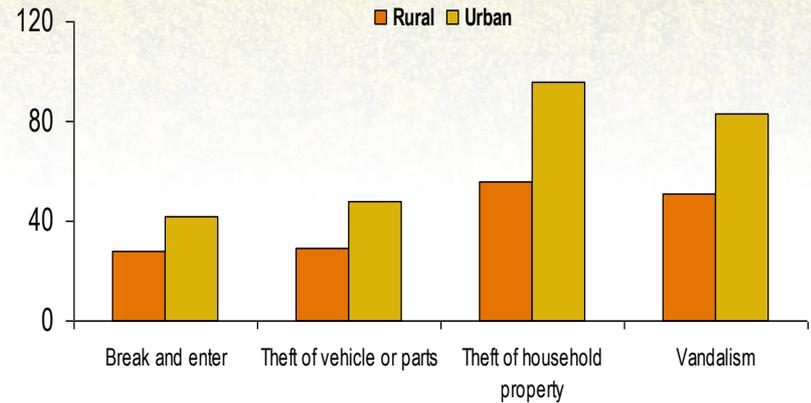
	<b>Rural</b>	<b>Urban</b>
Percent of Households above housing standards	73%	67%
Percent of Households below housing standards	27%	33%
- Below one housing standard	23%	28%
- Below affordability standard only	11%	19%
- Below adequacy standard only	9%	5%
- Below suitability standard only	4%	4%
- Below multiple housing standard	3%	5%

Source: Canadian Mortgage and Housing Corporation, 1996

# Safety and protection from harm is a key supporting pillar to the well-being

- Crimes rate is one of the indicators of people's security.
- In Canada, the 2004 general social survey on victimization showed that households in urban areas had high crimes rates compared to those located in rural areas.

Household victimization, by type of offence and urban/rural location, 2004 (incidents per 1,000 households)



Source: 2004 General Social Survey (GSS)

# Health has considerable impact on many aspects of people's life and the overall well-being

- In 2001, overall, a lower proportion of Canadians in rural and small towns rated their health as excellent compared to national average and those in urban areas.
- While the prevalence of certain diseases such as diabetes were similar, rural residents were likely to present several high health risk factors associated to poor health than urban.

**Selected health indicators in urban and rural areas, Canada 2001**

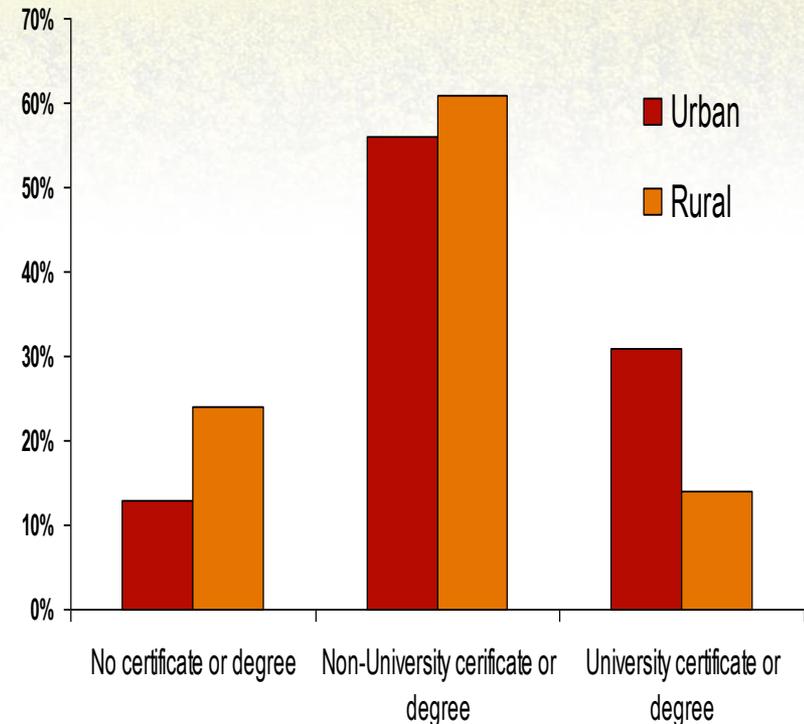
	Urban	Rural areas (outside CMA)
Excellent self-rated health	29%	20%
Obese, BMI 30.0 +	27%	40%
Daily or occasionally smoker	22%	32%
Arthritis	13%	18%

Source: Canadian Community Health Survey, 2001

# Education provides knowledge and opens the door to new opportunities that can improve one's living standard

- Better educated people can improve community's capacity to attract or generate economic opportunities.
- In 2006, 24% of rural population aged between 25-64 years old had no diploma in comparison to 13% in urban areas.
- 14% of the same population in rural area had a university certificate or diploma compared to 31% in urban areas.

Education Attainment, Rural vs urban residents, 2006



Source: Statistics Canada, Census of Population, 2006

# SUMMARY

- Each indicator provides different perspective of the well-being and indicates areas for improvement

## Comparison of between urban and rural for selected well-being indicators

	Urban households	Rural households
Levels of income	Higher	Lower
Spending patterns	Higher	Lower
Housing	Lower	Higher
Health	Higher	Lower
Security	Lower	Higher
Education	Higher	Lower

# Conclusion



- Well-being is a broad and dynamic concept that encompasses various disciplines that measure the quality of life and development at both individual and societal level.
- In the context of measuring the well-being of farm and rural households, data in non-economic areas of well-being should be collected and presented along with economic indicators to provide a comprehensive picture of the well-being.