FOUR

Canadian housing allowances

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Introduction

Housing allowances in Canada are offered by only four provinces. The absence of a national allowance should not be too surprising in a country where there is really no such thing as national housing policy for low-income housing. Instead there is a set of housing policies, one for each province. This has been especially true since the federal government all but vacated this area in the 1990s. It first terminated all programmes for building new social housing, as low- and mixed-income housing is called in Canada. Then it transferred the management of most existing subsidy commitments to the provinces. Even in the 1960s to the early 1980s when the federal government took an activist role, low-income housing in any province was only built if the province accepted the federal offer of funds and joined as a partner.[1] This is in line with the fact that housing is constitutionally the responsibility of the provinces – a quite different situation from that of the US states relative to their federal government – and Quebec, especially, has been sensitive to this.[2]

The Canadian provinces have differed in their take-up of federal offers. In part this is because they have widely varying housing markets. For example, some like Ontario, Alberta and British Columbia (BC) have high-rent and high-cost cities and others such as Newfoundland, Quebec and Manitoba have not. They also have varying views of their own needs and the role of governments, with, for example, Alberta generally favouring a highly restricted role, Quebec an interventionist one and other provinces, such as Ontario, a more mixed role. But all the provinces, with the notable exception of oil-rich Alberta, have less revenue-raising capacity than the federal government, despite their constitutional responsibilities. The provinces also have attached less importance than the federal government to new construction, quite naturally in view of the latter's responsibility for the macro-economy and the role of house building in maintaining full employment.

It is not too surprising in this context that some provinces have introduced housing allowances, which are cheap programmes involving no new building, although they have received no federal support. Ironically, these programmes are targeted squarely at solving a lack of housing affordability, the problem which the federal government's housing agency, Canada Mortgage and Housing Corporation (CMHC), has identified as the overwhelmingly most important housing problem. CMHC estimates that of renters who are in what it terms 'core need' – because

BH004.indd Body:61 20/02/2007 11:34:14

their income is too low to allow them to obtain acceptable (physically adequate, uncrowded and affordable) housing at the rents prevailing in their local housing market – 91% are in unaffordable housing (CMHC, 2004 as revised 2005), with few in crowded or physically inadequate housing. In the 2001 Census, 26% of renters paid more than 30% of their income on rent and were in core need (CMHC, 2005). Many in core need had an especially severe affordability problem: 12% of all renters paid more than 50% of their income on rent.

The design of Canadian housing allowances is closely linked to CMHC's 30% affordability standard, and to the actual rent paid by recipients. Yet the absence of federal funding has helped keep these programmes small. They have had highly restricted eligibility everywhere except in Quebec and, since 2005, in Saskatchewan.[3] Furthermore, the experience in other provinces has not induced the largest one, Ontario, to introduce a housing allowance, and nor has it stimulated the federal government to adopt one. Paradoxically, the programmes are sometimes dismissed both because they might result in explosive expenditure and rent inflation and because they are cheap. The programmes are cheap, not just because recipient numbers are small everywhere except Quebec, but also because, in contrast to the US Housing Choice Voucher, the cost per recipient is low. Their design is far more similar to continental European housing allowances than to the US voucher.

In the next section of this chapter, the relative stagnation of these programmes over the last decade is put in the context of a virtual halt to new social housing expenditure in Canada and the expansion of quasi-universal child benefits. Following that, the role and design of allowances is explained. The payment formula explains in part the low benefit per recipient, but other aspects of design – the lack of a quality requirement and the receipt of the allowance by the tenant, first, without the landlord as an intermediary and second, *ex post*, after the tenant has committed to and paid rent – also help explain why the payment is so low compared to the federal Rent Supplement programme. The latter, like the housing allowance, helps tenants living in private market housing, but costs many times as much per recipient. The next section examines the impact of the housing allowances. Currently housing policy in Canada is in a state of ferment, as the federal government edges back into the arena and the provinces start to recover from the ravages of the 1990s recession and federal cuts to its transfers to them. The final section contains concluding remarks.

Housing allowances in context

Canadian housing allowances are both housing programmes, because their amount depends on rent paid (up to a defined maximum), and income assistance programmes because the allowances are cash transfers dependent on income as well as rent. Both social housing programmes and income programmes interact with and influence housing allowances. I consider social housing first.

BH004.indd Body:62 20/02/2007 11:34:15

Social housing

Social housing is partially funded by the federal government and accounts for only 5% of Canada's 12.5 million[4] housing units, with virtually none added in the last decade. Solely provincially funded social housing, mainly in Quebec, Ontario and BC adds a little to the total. The two major components are public housing, in which essentially all units are rented below market rates to needy households, and housing where there is an income mix. In the latter, market-rent occupants and those subsidised based on income, and paying rent geared to income (RGI), are housed in the same project and usually in the same building. Mixed-income projects are non-profit housing and non-equity cooperative housing schemes that were developed under federal-provincial programmes that started in the 1970s and terminated a decade ago (Sousa and Quarter, 2003).

The absence of federal funds for developing more social housing ended in 2001[5] with the Affordable Housing Initiative (AHI), in which the federal government, through CMHC, offered to sign agreements with each province to pay half of the capital requirements for new social housing developments. However, at that time the provinces were running large deficits, and some were slow to take up the offer. Ontario did not sign an agreement until 2005, after a change in government in that province and after the offer was amended to allow for the funding of rent supplements for needy tenants in private-market units, instead of the solely capital grants originally envisaged.

During the arid years of no new projects, demand for subsidised housing did not decline, as Canada experienced a much deeper and more prolonged recession in the 1990s than did the US or the UK, and the number of jobless rose to high levels. The recession was particularly difficult for recent immigrants (Haan, 2005), many of them visible minorities disadvantaged in the housing market. Exacerbating this, at the start of the 21st century rents rose rapidly in Toronto, Vancouver and a little later Montreal. Social housing waiting lists lengthened (Peters, 2004), and homelessness increased to become a major big-city problem as viewed by municipal authorities and business (Allan, 2004; Miller, 2004), but it did not fit into the CMHC housing problem framework, which encompassed the problems of those already in housing, not those who were without accommodation.

Housing allowances address, in small part, both the waiting list and the homelessness problems. In the case of ~~the~~ homelessness, they help in a subtle way by assisting those heavily burdened by rent, and reducing the inflow into homelessness resulting from evictions (Lapointe et al, 2004). Housing allowances do not provide a large enough benefit to put those who are *already* homeless into private housing, but if few new people join the pool of the homeless, and the already homeless are assisted, homeless numbers will shrink.

Housing allowances should also tend to reduce that demand for social housing – as shown by the length of waiting lists – that comes from unaffordable rents. It was the affordability problem that galvanised some provincial governments into providing housing allowance programmes. The programmes for older people

BH004.indd Body:63 20/02/2007 11:34:15

introduced in BC and Quebec some decades ago were explicitly motivated in part by the desire to help low-income tenants with affordability problems at a time when resources were too stretched to build much additional social housing, even with federal help. Of course, even where there is a housing allowance programme, there is still a role for social housing. It provides for households demanding a degree of security of tenure greater than that provided by private rental housing,[6] or with special needs, and it also has other rationales.

Income transfer programmes

A major reason that housing allowance benefits can be low is that for targeted types of households, the minimum income provided through federal income assistance is high enough to make rents bearable, if not affordable. This is true especially for older people, but parents are also helped, through quite generous child benefits. These supplements are indexed so that their value is not eroded by inflation. Parents with the lowest incomes receive a child benefit consisting of a basic benefit plus a supplement. The amount is greater for younger children and the amount per child declines with the number of children. For example, in 2005 it amounted to C$266 per month for one child, if under seven, C$734 for three children, two under seven, one seven to 17 (CRA, 2005).[7] The supplement portion of the child benefit declines with net family income, starting at an income of C$21,480; the initial tax-back rate is steep, for example, 12.2% for a family with one child, so that once an income of C$35,595 is reached, the supplement disappears. The tax-back of the basic benefit then starts, but its rate is much lower. In some provinces, including the largest province, Ontario, the supplement portion of the benefit is deducted from welfare cheques with the view that it is intended for working families. In most other provinces, but not Ontario, a provincially funded child benefit is added, sometimes tied to employment income.

For older people, in most cases those 65 years old and over, the federal government provides a basic universal pension of C$480 per month, which, together with a supplement for the poorest guarantees a minimum income of C$1,050 per month for a single person, or C$1,901 for a couple. The tax-back rate ('income taper') on this supplement is 50%. The minimum income for an elderly couple is sufficiently high to make market rent affordable in small towns and most cities. However, because the federal payments do not adequately recognise the economies of scale in household spending for couples, most particularly in housing, and do not vary from place to place according to living costs, the minimum income of a single elderly person allows a less tolerable standard of living. This leads to a common problematic situation: a widow over 75 retains the apartment shared with her late husband but now pays the rent with not much more than half the original income. If she lives in a high-rent city like Vancouver or Calgary, she is apt to have little left over for food. A housing allowance in some provinces helps to remedy this situation.

BH004.indd Body:64 20/02/2007 11:34:15

While older people and working parents are entitled to benefits that have become significantly more generous in the last decade, the unemployed and those on social assistance (welfare) – sometimes the same people – have suffered severely from federal government cutbacks. During the tough times in Canada in the 1990s, and partially in response to concerns about work incentives, the federal government greatly tightened the payment of unemployment insurance benefits (and renamed the system Employment Insurance). This is particularly tough on the inhabitants of high-rent cities; unemployment insurance benefits provide more income than welfare and depend only on previous earnings, assets and other considerations are ignored. Benefits are provided in a non-intrusive way, which is in sharp contrast to the degrading process involved in applying for social assistance. The unemployment insurance system, while it provides a lower payout-to-premium ratio in most large cities – especially in growing ones, because of their relatively low unemployment rates – does not provide anything extra in consideration of the higher rents in these cities. This system is harsh on people in big cities and generous to those in stagnant or depressed, less-urbanised areas. Some notion of the effect of this on the standard of living of the unemployed can be seen from the fact that the mean rent of two-bedroom units in multiunit buildings was C$1052 in Toronto in October, 2004, more than twice as much as in the low-growth city of Saint John, New Brunswick and more than 50% greater than in the largest cities in the prairie provinces of Manitoba and Saskatchewan (computed from CMHC, 2005 [a or b?], Table 31).

At the same time that the federal government in its deficit-fighting period cut unemployment insurance benefits and eligibility, it also cut the cash transfers to the provincial governments used to fund welfare.[8] In response, most provinces slashed welfare rates in the order of 20%, and these have remained virtually unchanged in nominal terms for the last decade (National Council on Welfare, 2005). Thus welfare households and the marginally employed in cities like Toronto and Vancouver have faced the double whammy of lower incomes and rising rents without the assistance of a housing allowance.

The role and design of Canadian housing allowances

At least four types of housing subsidy in Canada have some claim to be described as a housing allowance. These will all be discussed in this section, but primacy will be given to the type with perhaps the claim to the title: the Canadian allowance, which depends both on income and rent, is intended to reduce the affordability problems of recipients who live in market housing they have chosen and is received by at least some non-welfare households, and is received by the beneficiary, not the landlord. This is the only type of housing subsidy called a housing allowance in this chapter.

Another type of top-up to rent is the Rent Supplement. Rent supplements were introduced under this name, and partially funded by the federal government, but this term will be used here for any subsidy under which the housing authority

contracts with the landlord to pay part of the market rent; the vast majority come under the federal programme. This kind of top-up is somewhat like the US Housing Choice Voucher, but recipients have less choice than with the latter. Also, the housing authority arranges for a unit, unlike the voucher, which often depends on the ability of the potential beneficiary to negotiate with landlords.

The third type of subsidy considered is a top-up that is small for younger people, but is quite substantial for some older people; its explicit motivation is to offset property taxes, especially the education portion. The fourth type is intended not as a top-up but ideally as the whole rent; it is received by welfare recipients to fulfil the shelter component of their basic needs. For all four types of subsidy, those living in mixed-income housing (cooperatives and non-profits) are eligible, although, for the first two top-up payments eligibility is restricted, reasonably, to those who are not already subsidised in the sense that they do not pay rent geared to their income.

Housing allowances

Classic housing allowances with fundamentally similar formulas exist in British Columbia, Manitoba and Quebec, and a closely related one, established in 2005, in Saskatchewan.[9] Only the programmes in BC and Quebec have a sizeable number of beneficiaries, partly because of the small populations of the remaining two provinces – Manitoba and Saskatchewan each have a population less than a quarter of the size of the population of the Toronto Census Metropolitan Area. Mean benefits are small – in the range of C$50 to somewhat more than C$100 per month, except in late 2005 in Vancouver – far less than the mean subsidies under other housing programmes. A quite small benefit is consistent with the focus of the programmes in improving affordability. In contrast to the US Housing Choice Voucher, the allowances are not intended to induce households to move to better housing or different neighbourhoods, but simply to reduce their rent burden. It is more appropriate to assess the amount of the allowance in terms of the food it allows a household to buy with the income freed from paying rent; in these terms, the housing allowances are substantial.

Concern about work incentives as well as child poverty is evident in the choice of eligible groups. None of the allowances go to childless single people or couples without children, unless they are elderly – although 'elderly' is defined generously in Manitoba and Quebec to start at age 55. Yet most street homeless are childless and younger than 55 (Burt, 2001). The older people are the only eligible group in BC, only families are eligible in Saskatchewan, and both groups are eligible in Manitoba and Quebec. To qualify, families must have at least one child under 18, except in Quebec, which includes families with a child up to 21 if that child is in full-time schooling. Social assistance recipients are eligible in Quebec and Saskatchewan, but not in Manitoba or in BC. This exclusion has little effect in BC because its allowance starts at age 60, the age of eligibility for federal elderly benefits for many, and close to the standard eligibility age of 65.[10]

BH004.indd Body:66 20/02/2007 11:34:15

Consistent with the affordability motivation for the allowances, the classic Canadian housing allowances (those in BC, Manitoba, and Quebec)[11] pay a high percentage of the affordability gap (under constraints mentioned later), where the latter is generally defined as the difference between the rent and an affordable rent. Affordable rent is taken as 30% of income, except that in Manitoba it is taken as only 25% of income for the lowest-income recipients, rising linearly to 27.5% of income for the highest-income recipients.

An important deviation occurs in the Quebec formula, which sets a certain *minimum* rent, which is used in place of affordable rent when the latter is less than the minimum. This minimum is the rent that welfare households are expected to pay from their social assistance. It implies that the '30% of income' rule is inappropriate when income is at the welfare level; indeed the rule is nonsensical when income, as is the case of welfare payments, is determined by adding up the funds required to meet various basic needs. The minimum rent requirement also serves to limit the allowance payment when income is low; Manitoba accomplishes much the same objective by setting a maximum benefit, C$180 per month.

Rent is taken as actual rent until a set maximum is reached, after which the allowance is based on that rather than the actual rent. Starting only in 2005 was there any variation in the maximum within a province – introduced first in Saskatchewan and later in BC. The Vancouver maximum was set at C$90 per month higher than elsewhere in BC. The maximum rent implicitly sets a limit on the income of recipients, because when 30% of income (using BC as an example) is the same as the maximum rent, the affordability gap disappears. Quebec sets income limits that are slightly below the implicit maximum.

A more precise statement of the general formula is:

$$P = \begin{cases} a(R - bY) & \text{if} \quad R \le R^{*} \\ a(R^{*} - bY) & \text{if} \quad R > R^{*} \end{cases} \qquad (1)$$

[do we need to number eqn?]

where R^{*} is the set threshold rent, generally called the 'maximum'. The gap in BC and Manitoba is variable, starting at 90% (or $a = 0.90$) for the lowest-income recipients declining linearly to 60% in Manitoba and 65% in BC, while in Quebec the payment is only two-thirds of the affordability gap.

The Saskatchewan housing allowance follows the Quebec lead not only in covering welfare recipients as well others, but also in its incorporation of a 'minimum rent' in the payment formula and its emphasis on the use of the telephone. The application starts with a telephone call, in which applicants are asked for rent and other information before they are mailed an application form.

The Saskatchewan programme departs from other housing allowances in a number of ways. First, and most important, payment is not a percentage of the affordability gap.[12] Second, the programme defines affordable rent as 35% of income, where heating costs are included in rent, rather than the conventional 30%. In Saskatchewan, the payment's relation to the rent of the recipient is a

step function (so the allowance for recipients with a low enough income is a flat amount for rents between two values, rising to another flat amount for rents between the next pair of values and so on). Thus there are big differences in the response of the benefit to a dollar change in rent depending on the rent at which this change occurs. However, the dollar amounts are sufficiently small that these discontinuities may not matter.

The housing allowance payment, which depends on the recipient's rent, family type and location, is reduced by 12% of the difference between the income of the recipient and a set income. The allowances vary by family type and range from C$62 to C$113 per month. For a quite typical recipient, a lone mother with one or two children living in Regina, the capital of Saskatchewan, the reduction based on income starts at an income, of C$10,800[13] per year. If her income is C$12,000 and her rent rises to C$450 from C$425, the allowance rises by C$29; that is, the allowance rises by slightly *more* than the C$25 rent increase. At a rent of C$475 per month, somewhat below the Regina CMHC Rental Survey mean for a one-bedroom apartment in 2004, there is no more response of the housing allowance to an increase in rent. In no case for this family is the 35% rent-to-income ratio requirement binding. However, for a couple with one or two children this requirement does bite. For example, a couple with one or two children, an income of C$16,000 (C$1,333 per month), and paying rent of C$465, would be eligible for a C$30 per month allowance except if the rent is less than 35% of income. Because their rent-to-income ratio is too low, they receive nothing. If they paid a rent C$2 higher they would receive an allowance of C$30 per month because the constraint no longer bites.

Harking back to the defunct New Brunswick housing allowance, the Saskatchewan one requires the housing of the recipient to pass an inspection, but the legislative requirement is merely that the programme manager "must be of the opinion that the condition … does not present a serious hazard to the health or safety of persons residing…" and there is no indication that there will be a list of specific requirements like those for the US voucher. Nonetheless it has been sharply condemned by Hunter and Donovan (2005) as placing some low-income tenants in the position of being denied the payment merely because of an uncooperative landlord. There does not seem to be any need for the landlord to be present at the inspection, so at least this requirement may not identify Saskatchewan recipients to their landlords, with the consequent weakening in their negotiating position. Also, recipients are strongly urged to arrange for the direct deposit of the cheque (via an automated bank transfer) so that there may not be official mail helping the landlord to discover they receive the allowance.

Rent supplement programmes

Under rent supplement programmes, a government agency negotiates with landlords and secures market rent units for a period, commonly five years. Tenants are usually drawn from social housing waiting lists and landlords sometimes have a

BH004.indd Body:68 20/02/2007 11:34:15

limited right to participate in selection. Tenants pay a rent geared to their income (usually 30%) and the rent supplement, paid directly to the landlord, makes up the difference between this and market rent. Thus the formula is like the classic Canadian housing allowance formula, with the supplement filling all of the affordability gap (parameter *a* in the formula mentioned earlier), instead of part of it, as in the classic housing allowances. Most landlords are private, but some rent supplement units are in non-profit and cooperative projects. In those projects the market rent is, in principle, at the low end of the range of market rents.

Beneficiaries of the rent supplement do not freely choose their units and almost always must move in order to receive the subsidy. As with the US voucher, not all eligible households receive this deep subsidy, in great contrast to housing allowances. Beneficiaries are usually drawn from social housing waiting lists. The landlord–tenant relationship is not the standard private market one, because part of the rent is paid by the housing agency directly to the landlord. The programme is not attractive to, or suitable for, small informal landlords, but instead, in the private landlord part of the programme, to property managers with large development firms (Rose, 1980). Furthermore, landlords have no motivation to give tenants discounts for long tenure in a unit, although average tenure discounts are found to be quite substantial in empirical studies. As a consequence, rents and the cost of the programme per recipient tend to be high. For example, in 2003 the rent supplement cost per recipient in Quebec in the private rental market programme partially funded by CMHC was C$455 per month, while the cost per recipient of the Quebec housing allowance was C$59 per month.[14] Finkel et al (2006, exhibit D-2) estimated the average subsidy per recipient of a full gap housing allowance, that is, one using almost the same formula as the rent supplement, for low-income owners and renters in 2001 at C$92 per month; while the estimated subsidy for those paying more than 50% of income in housing costs was substantially greater, it was still less than a third of the CMHC–Quebec rent supplement.

The programme has certain advantages. One is its mix of subsidised with unsubsidised households; (Rose, 1980) – although there is nothing to prevent the landlord placing the former in the least marketable units in a building or identifying them to other tenants. The programme improves resource allocation by filling vacant housing units. Housing for the homeless is available quickly without the waiting that construction of social housing entails. The other side of the coin is that when the market is tight, landlords are motivated to end the programme and subsidised tenants may have to move, because staying requires paying market rent, an impossible option if their income is still low (Sewell, 1994). The supply of rent supplement units will tend to fluctuate with market conditions, plentiful when the rental market is soft and drying up as the market tightens.

Originally, all rent supplements were funded 50% by the federal government through CMHC and 50% by the provinces, in the same way as public housing (CMHC, 1977, p 104). This is in contrast to housing allowances, which are solely provincially funded. While funding through this arrangement still dominates, some provinces including Ontario and Quebec have their own rent supplement

BH004.indd Body:69 20/02/2007 11:34:15

programmes. In addition, so-called portable rent supplements exist, where the unit is chosen by the recipient, subject to housing agency approval, and recipients are free to move to another unit if they prefer it (Gallant et al, 2004). The subsidy is firmly attached to the tenant, not the unit, making it, in essence, the same as the US housing voucher.

Rent and income – conditioned refundable tax credits

Some provinces have refundable tax credits for renters (and homeowners) that are a form of top-up housing payment because they depend on rent and income. These have as their rationale compensation of low-income households for payment for local property taxes, but the formula for renters is independent of the property tax actually paid and instead depends on rent.[15] They generally are much more generous for older people (65 and over) than for younger people. For example, in Ontario, very low-income younger people in most cases receive annually C$250 plus 2% of rent minus 2% of the amount by which the income of the person (and spouse, if there is one) exceeds C$4,000. Thus the amount is tiny. For older people in Ontario the situation is different. The amount is substantial and the tax-back *starts* only at an income far above the *maximum* income for the Quebec housing allowance. Elderly renters receive in most cases C$625 plus 2% of rent; a marginal tax-back of 4% starts, for a single elderly person, only at an income of C$22,000. If rent is C$800 per month, and an elderly person has an income of C$22,000, the annual payment is C$817, the equivalent of C$68 per month.[16] This is greater than the average housing allowance for older people in Quebec. The Ontario property tax credit is clearly very poorly targeted. Property tax credits will be ignored in the remainder of this chapter.

Shelter allowances within the social assistance system

Social assistance recipients receive a shelter allowance that is calculated as a separate part of their social assistance in some provinces.[17] This allowance is merely the actual rent, plus an allowance for utilities in some provinces, up to a maximum. Two of the provinces where this system is not used, but where, instead, social assistance is a flat sum depending on the composition of the family, are Quebec and Saskatchewan, where recipients are eligible for housing allowances discussed above. The shelter allowance is often, and perhaps usually, paid directly to the landlord, not the tenant. For example, in Manitoba this happens something like 80% of the time. In provinces where allowances *can* be paid to the landlord, landlords usually insist that they be paid directly.[18] It is commonly believed that whenever the allowance is increased, landlords simply increase their rents.[19]

In Ontario and British Columbia, the maximum shelter allowance is less than 60% of mean rent ~~of~~ the largest and most expensive cities (Toronto and Vancouver respectively), but more than 90% of mean rent in the least expensive urban place in those provinces (Table 4.1). This implies a vast disparity in the standard of

BH004.indd Body:70 20/02/2007 11:34:16

Table 4.1: Maximum monthly welfare shelter allowances, maximum housing allowance rents and mean market rents, Canada

	Max. shelter allowance	Maximum rent, housing allowance		Two-bedroom apartment					
				Costliest urban area			Cheapest urban area		
					Ratio of max to mean rent			Ratio of max to mean rent	
	Small family	Costliest urban area	Cheapest area	Mean rent	Shelter allowance	Housing allowance	Mean rent	Shelter allowance	Housing allowance
	C$	C$	C$	C$	%	%	C$	%	%
Nova Scotia	600	n.p.	n.p.	751	80	n.p.	593	101	n.p.
Quebec	n.p.	554	554	663	n.p.	84	360	n.p.	154
Ontario	571	n.p.	n.p.	1052	54	n.p.	617	93	n.p.
Manitoba	430	480	480	667	64	72	n.a.	n.a.	n.a.
Saskatchewan	n.p.	471	328	605	n.p.	78	n.a.	n.p.	n.a.
British Columbia	555	755	665	986	56	77	604	92	108

Notes: n.p. = 'no programme'; n.a. = 'not applicable' because no CMHC data exist; 'Small family' refers to a lone mother with two children or a childless elderly couple; BC's housing allowance maximum was C$575 prior to October 2005 and had been at that level since 1990; Manitoba allowance includes utilities; amount without utilities is C$310; The mean rents of two-bedroom apartments are for October 2004 and are from CMHC's annual rental market survey, which is intended to include units in all buildings of three or more units; It is somewhat upwardly biased as an estimate of mean rents in the stock of units in all sizes of buildings; Rents in the CMHC survey may or may not include utilities; 'Urban area' refers to the Census categories, metropolitan area, urban centre and urban agglomeration; in Manitoba and Saskatchewan there are no data for relevant small places.

BH004.indd Body:71 20/02/2007 11:34:16

living of recipients living in the large cities compared with that elsewhere. The Quebec and Saskatchewan systems, which combine a flat welfare amount with housing allowances, covering welfare recipients as well as working families, do not have this great disparity as a feature, partly because the 'minimum rent' in their formulae means that most people in small towns and other low-cost places will not receive an allowance. It is not surprising that in large cities social assistance recipients have great difficulty in the private rental market, often paying rents far higher than their shelter allowance. Basic social assistance including the shelter allowance, plus other benefits, often does not give welfare families in these cities a large enough income for the necessities of life. For example, the total income, including federal Child Tax Benefit, of a single welfare mother with one child was just C$14,251 in Ontario in 2004[20] but the mean annual rent of a one-bedroom apartment in Toronto was C$10,644 (CMHC, 2005, table 31), leaving C$69 per week for food and other essentials. Of course many welfare families find cheaper accommodation in basement apartments and other informal accommodation. And some are able to supplement their welfare income with income from part-time work: all provinces have earnings exemptions before welfare benefits are reduced dollar for dollar and these apply to employable as well as unemployable recipients, except in BC. But some families in Toronto and Vancouver and other expensive cities are driven to use food banks.

The impact of housing allowances

The numbers of households reached and participation rates

For many years after their beginning in the late 1970s, the classic housing allowances in Canada reached few beneficiaries. This was in part the result of their restricted eligibility and partly because programmes were in place only in a few provinces. Manitoba, which two decades ago was the only province with an allowance both for older people and families, has a small population, only 10% of the number of renters in Ontario (Table 4.2) and few recipients. Quebec established a housing allowance at about the same time, but only for older people. The big breakthrough came a decade ago when Quebec extended a modified version of the standard formula to welfare families. This was followed a few years later by a reform in which the province rolled the allowance for older people together with the allowance for families, and took the courageous step of extending coverage to families not in receipt of welfare. Quebec's Allocation Logement (AL) now reaches about 12%[21] of the province's renting households, despite the ineligibility of childless households with heads under 55, and the low maximum income level for recipient families – just 40% of median family income in Montreal.[22]

An important reason that the AL reaches a far higher proportion of families in Quebec than the housing allowances do in Manitoba is that AL goes to welfare families as well as to others. This has indirect as well as direct effects. In Quebec, a single mother landing a low-paid job that takes her off welfare continues to

BH004.indd Body:72 20/02/2007 11:34:16

Table 4.2: Estimated number of households receiving housing allowances and associated programmes, Canada

	Top-up housing payments					Beneficiaries of housing payments as a percentage of renting households		
	Housing allowances (1)	Rent supplements (2)	Total, top-up payments (3)	Non-top-up housing payments (actual rent to maximum) (4)	Renting households, 2001 Census ('000) (5)	Housing allowance (%) (6)	All top-up (%) (7)	All (%) (8)
Newfoundland	n.p.	1,000[a]	1,000	n.p.	37.8	n.p.	2.6	2.6
Nova Scotia	n.p.	800	800	*14,500*	93.9	n.p.	0.9	*16.3*
New Brunswick	n.p.	1,708	1,708	n.p.	65.6	n.p.	2.6	2.6
Quebec	138,822	16,677	155,499	n.p.	1,154.7	12.0	13.5	13.5
Ontario	n.p.	28,000[c]	28,000[c]	273,451	1,232.7	n.p.	2.3	24.5
Manitoba	3,140	1,870	5,010	*10,000*	1,18.7	2.6	4.2	*12.7*
Saskatchewan	2,833[c]	500	3,333	n.p.	92.2	3.1	3.6	3.6
Alberta	n.p.	2,312	n.p.	n.p.	294.9	n.p.	0.8	0.8
British Columbia	11,894[b]	*4,000*	15,894	*63,000*	458.7	2.6	3.5	*17.2*
Nine provinces	156,689	56,867	213,556	*360,951*	3,549.1	4.4	6.0	16.2
Canada	156,689	*57,500*	*214,189*	*380,000*	3,576.0	4.4	6.0	16.1

Notes: n.p. = no programme; numbers in italics are especially crude or questionable estimates; Numbers refer to the fiscal year 2003–4 (which ends spring, 2004, except in Quebec, where year ends 31 December 2003) except where noted; Data for top-up housing allowances were taken directly from government reports or obtained from government officials, except that the Saskatchewan housing allowance here is simply 12 times November amount; Renting households include those living in social housing as well as those in private rental; Canada total includes data for the Territories and Prince Edward Island as well as for the other nine provinces; data are not strictly comparable between provinces; see also notes for Table 4.3.

BH004.indd Body:73 20/02/2007 11:34:16

receive the AL she received while on welfare; if she then becomes unemployed without enough weeks of eligibility for unemployment insurance benefits and has to go back on welfare, the AL simply continues. There is not this seamlessness in Manitoba; there she would have had to apply for SAFFR [spell out?]. This is far more important than many might think. In Manitoba, there is evidence that the average length of stay on SAFFR is less than a year: the average number of recipients per month in each of the last three years was less than 60% of the number who ever were recipients during the year.[23] It seems likely that many low-income families bounce between welfare, low-paid jobs, better-paid jobs or full-year employment which would take them above the SAFFR income maximum, and unemployment insurance. In contrast, in Quebec eligibility for AL among those not on welfare depends only on income in the previous year, and rent in September prior to the annual application date, so that if AL is received at the standard start date of October, it will be received for 12 months. In Manitoba families go off and on during the year as their status fluctuates. Estimates in Steele (2004) are that virtually all rent- and income-eligible renting families in Quebec receive AL, and the participation rate of fully eligible families in Manitoba is almost certainly well below this.

The new programme in Saskatchewan covers only families (not older people), which accounts in part for the low percentage of renters covered there as compared with Quebec (Table 4.2); in addition a significant number of renters, especially in small, declining places, have rents below the required minimum. In Quebec and Manitoba more than half of recipients are older people. In BC, only older people are covered, but the numbers shown reflect a much lower maximum income and rent than those effective in October 2005; numbers by early 2006 had risen 17%. The participation rate of eligible renting older people in BC was estimated at only about 60% for the early 1980s (Steele, 1985b) and recent estimates for older people in Quebec (Steele, 2004) are similar.

The other top-up housing payment, rent supplements, for which all types of households including singles are eligible, is received by only about a third of the number reached by classic housing allowances. The number is greatest in Ontario, not coincidentally a province with high rents and no housing allowance.

The estimated number of welfare households in the private rental market receiving a shelter allowance, calculated as the actual rent of the recipient up to a set maximum, as part of their welfare amount, is substantially larger than the number receiving top-up payments. Ontario dominates the total and more than 22% of all renters in that province receive a shelter allowance (Table 4.2). In comparing Ontario with other provinces it is important to realise that the large numbers in Ontario merely reflect its number of welfare recipients in private rental; welfare recipients in other provinces receiving a shelter component computed as a flat amount do not show up in this table. Quebec adopted the flat-amount system when it introduced housing allowances for welfare families. It was motivated in part by the wish to increase aid to welfare recipients with severe affordability problems while eliminating the temptation to landlords to increase their rent

BH004.indd Body:74 20/02/2007 11:34:16

whenever the maximum rent under welfare increased. The AL was the incentive compatible solution.

Total expenditure and mean benefit

Total expenditure on classic housing allowances is tiny as a proportion of GDP (Table 4.3 overleaf) and at 4%, tiny even as a proportion of total housing subsidies (as the latter is defined in Canada). Even total top-up housing payments account for just 10% of total housing subsidies, as conventionally defined. Expenditure on the shelter component of welfare in provinces where payments are actual rents up to a maximum dwarfs top-up housing payments. Beside them the expenditure on classic housing allowances is puny indeed.

It is illuminating to contemplate the mean benefit of some of the programmes (Table 4.4). Although the mean recently enriched allowances in BC in early 2006 was C$164 per month, most classic housing allowance payments are small – the lowest in Quebec, is just C$55 per month – reducing the recipient's affordability problem but not eliminating it; by design, except in Manitoba, they cannot. The allowances do lift many households from the deep need category of paying more than 50% of income for rent,[24] and help prevent the housing budget from eating up so much of income that households are forced into using food banks. In Quebec, the mean subsidy of the other top-up payment, rent supplement (both federal-provincial and solely provincial programmes), at C$244, is more than four times that of the AL; the mean rent supplement in other provinces is of the same order of magnitude. Yet the rent supplement means in Table 4.4 are misleadingly low as an indicator of the cost of expanding the programme. Many of the payments are made to social housing providers and are based on a cost-based unit charge, not market rent, minus 30% of income of the tenant. This social housing was almost entirely built 20 or 30 years ago, when construction costs were much lower, so that interest costs are low. Payments made to private landlords, which are based on market rents, are far higher. For example, under Ontario's recent, provincially funded Strong Communities rent supplement programme, the mean payment to landlords per unit is C$631 per month,[25] more than twice the mean shown in Table 4.4.

Table 4.4: Mean monthly payments, housing allowances and rent supplement programmes, selected Canadian provinces

	Housing allowance (C$)	Rent supplements (C$)
Newfoundland	n.p.	281
Quebec	55	244
Ontario	n.p.	269
Manitoba	84	208
Saskatchewan	85	317
Alberta	n.p.	346
British Columbia	126	*192*

[note to explain n.p. and italics? What year?]

BH004.indd Body:75 20/02/2007 11:34:16

Table 4.3: Estimated expenditure on top-up and non-top-up housing payments, by province and for Canada (C$ millions)

	Top-up housing payments			Non-top-up housing payments (actual rent to maximum)	Housing subsidies (total for all programmes except non-top-up housing payments)		Grand total federal and provincial
	Housing allowances	Rent supplements	Total, top-up payments		Provincial expenditure	Federal (CMHC) expenditure	
Newfoundland	n.p.	3.4[a]	3.4	n.p.	*9.9*	62.9	72.8
Nova Scotia	n.p.	2.9	2.9	*78*	*21.2*	73.6	172.8
New Brunswick	n.p.	3.6	3.6	n.p.	*25.5*	59.9	85.4
Quebec	92.4	48.8	141.2	n.p.	279.0	446.3	725.3
Ontario	n.p.	90.5[c]	90.5[c]	1,277.9[d]	*100.0*	728.7	2,106.6
Manitoba	3.2	4.7	7.8	*48.0*	*30.8*	134.0	212.8
Saskatchewan	2.9[c]	1.9	4.8	n.p.	*21.7*	162.6	184.3
Alberta	n.p.	9.6	9.6	n.p.	*42.4*	149.2	191.6
British Columbia	18.0[b]	9.2	27.2	*295.5*	*151.4*	278.8	725.7
Nine provinces	116.5	174.5	291.0	*1,699.4*	*681.8*	2,096.0	4,477.2
Canada	116.5	*180.0*	*296.5*	*1,750.0*	*700.0*	2,216.0	4,666.0
Ratio to GDP (%)	0.010	0.015	0.024	0.144			
Ratio to total (excl. non-top-up) housing subsidies (%)	4.0	6.2	10.2				
Ratio to grand total	2.5	3.9	6.4	37.5			

Notes: [a] refers to 2002–3; [b] refers to 2004–5; [c] refers to 2005 and includes estimates of the take-up in 2005 of programmes announced in 2005; [d] refers to net of deductions for National Child Benefit supplements and earned income; Expenditure would be in the order of C$1.6 billion without these deductions; italicised numbers are especially crude or questionable estimates; n.p. = no programme; total top-up payments exclude the non-monthly, and usually small, payments under property-tax credit schemes; numbers refer to the fiscal year 2003–4 (which ends spring 2004, except in Quebec, where numbers refer to the year ended 31 December 2003) except where noted; columns which sum previous columns may refer to a mix of years; data for top-up housing payments were taken directly from provincial government reports or obtained from government officials, except that the Saskatchewan housing allowance is simply 12 times November amount; italicised numbers under housing subsidies, provincial expenditure, are estimates from sources such as public accounts; non-top-up payments refer to shelter allowances for social housing allowance recipients; provinces not using the 'actual rent up to a maximum' system (and indicated in this column by n.p.) nonetheless spend large amounts for the shelter component of social assistance payments; federal expenditure is from CMHC, 2005b, table 51, and excludes the item 'research and information transfer'; Canada total includes data for the Territories and Prince Edward Island as well as for the other nine provinces; housing subsidies for all programmes may mix capital and operating subsidies; data are not strictly comparable between provinces.

No means are shown for shelter assistance payments to welfare recipients, because in the one province – Ontario – where data were obtained from public officials, the expenditure number is an understatement of expenditure fully attributable to the shelter allowance. Adding back an estimate of the deductions, the mean benefit is estimated at about C$500 per month. This is far above the mean for other subsidies shown in Table 4.4, but this subsidy is not merely a top-up. Unlike other subsidies, it is intended to account for the total housing cost of the recipient.

Impact on rent inflation and housing consumption

Early empirical investigation (Steele, 1985a) indicates that the classic housing allowances in Manitoba and BC have had no detectable effect on rent inflation or housing consumption. No current data from these provinces and Quebec overturn this general finding. Indeed, the stagnant level of mean benefits in *nominal* dollars is convincing evidence that these housing allowances have had little effect on housing consumption or on the rent setting of landlords. This is surprising to economists because the allowance formula seems to provide a powerful behavioural incentive. Subject to certain constraints, the formula implies that for a recipient with a given income, every dollar of increase in rent results in a subsidy increase of 67 cents in Quebec and as much as 90 cents in Manitoba. 'Subject to certain constraints' is very important, however, as these ensure that the rent range over which there is a high marginal subsidy is very short, so that the possible returns to responding to this incentive are minimal. Furthermore, landlords need not be aware that a tenant is in receipt of the allowance. Finally, and perhaps most important is the *ex post* nature of the benefit; for example, in Quebec, a tenant whose rent increases on 1 July will not receive any increase in subsidy until October and there is no retroactivity.

The situation in the case of the second top-up housing payment, rent supplements, is quite different. Housing authorities negotiate rent with landlords and then the units are offered to households on the social housing waiting lists. There is apparently little room for behavioural response. Yet rent supplements are much more costly per recipient than housing allowances. Accounting for this in part is the full affordability gap design of the former in contrast to the partial gap of the latter. But the means from Finkel et al (2006) cited earlier show this explains only a small part of the difference. Another reason for the difference is that economies of scale dictate that housing authorities contract with landlords of large buildings. In addition to this and reasons mentioned earlier, there is a possible market and building effect: if landlords set aside their least marketable units for rent supplement tenants and the supply of such tenants props up the rents of marginal units, rents in the building might be higher than otherwise. A city without rent supplement units might have lower rents in the formal rental sector.

Policy debates and reform

Debates

Housing allowances have had a limited impact in Canada. There is no federal funding and allowances for families are in place only in three provinces and are meagre. A major reason for the lack of expansion has been the concern, especially at the federal level, that offering a benefit to all eligible people constitutes an open-ended commitment that might prove ruinously expensive, a view similar to that in the US in relation to housing vouchers (Priemus et al, 2006). The concern has been shown to be unwarranted by experience at the provincial level, but the federal government decided in the deficit-fighting years in the 1990s to get out of housing and that decision has inhibited ventures since then. A second reason has been a lack of advocacy from various interest groups. Landlord groups have only been sporadically interested, although the Canadian Federation of Apartment Associations has recently given support. The support of landlords is striking, given the small mean payments and direct payment of the subsidy to tenants, not landlords, in contrast to the situation with rent supplements.

An important impediment to the spread of housing allowances is the opposition of social housing and poverty advocates. They see housing allowances as benefiting landlords, as too easy to cut and as a threat to increased funding to build and renovate housing for non-profit and coopertive groups (Hulchanski, 2004). The first point is not well taken, given the evidence in Steele (1985a), except in the sense that anything that helps their tenants helps landlords. The second has considerable merit. Although only two very small programmes for older people, in low-rent and low-population provinces, have ever been cut entirely, programme funding in real terms has been allowed to decline through a policy of neglect, by omitting the annual increases needed to keep pace with inflation. This kind of situation is inherently unlikely in the case of supply-side subsidies. At an elemental level, a building once built is likely to be there for social housing occupants for decades to come. The third criticism seems an unnecessary fear; for example, while Quebec has a housing allowance programme and Ontario has not, it also spends far more per renting household on traditional housing subsidies (compare Tables 4.2 and 4.3).

Points made about housing allowance programmes by the official body of the social housing providers, the Canadian Housing and Renewal Association (CHRA), however, are not well taken. While CHRA grudgingly accepts 'portable shelter allowances' as a low-priority possibility, it suggests that they are designed to encourage people to search for housing at below-average market rent. This is simply not the case for Canadian programmes, although it is true for the US voucher: Canadian programmes are designed simply to help people where they happen to live currently. These programmes also do not create areas of low-income households far from jobs, contrary to the CHRA (2006) predictions. It is unfortunate that the CHRA fails to recognise the needs of low-income households who do not live in social housing, whose absence in most cases from

BH004.indd Body:78 20/02/2007 11:34:17

social housing waiting lists indicates their preference to live elsewhere, and yet who are impoverished by high housing costs. It is manifestly unfair that some low-income households in Toronto, Calgary and other cities receive large housing subsidies but others receive nothing.

Reform

As housing need has increased and homelessness has emerged as a major big-city problem, concern about both the fate of the homeless themselves and about their degrading effect on the quality of life in cities, has placed housing high on the agenda of business (see Hulchanski and Shapcott, 2004). Classic housing allowances are not suitable for inducing the homeless off the street. On the street and in homeless shelters they pay nothing at all for housing, desperately unsatisfactory as it is, and are able to use all their income to buy food and other necessities. Helping them to navigate the application process to get welfare, and finding them housing that leaves them with just as much income net of housing expense as they had earlier, is required. Social housing and expensive rent supplements are needed.

Recently, rent supplements have been used in a new and flexible way in Toronto to house displaced inhabitants of a homeless encampment (Gallant et al, 2004). Instead of being placed in line for an existing rent supplement unit, with the help of social workers they found other rental units and landlords. If they wanted to move after initial placement, they were allowed to do so. This choice makes the supplement like the US voucher. In fact, choice for other applicants is also greater than it was at one time. People in Toronto may choose to apply for one of many rent supplement buildings in the city. Sometimes people already living in one of these buildings may be able to receive the supplement without moving, that is may receive it *in situ*, although the new CMHC-funded rent supplement programme in Ontario prohibits such arrangements. An innovative small pilot in Toronto, taking advantage of the current high vacancy rate, offers units to people on the Toronto waiting list for C$300 below the current market rent, with C$150 borne by the landlord, and the other half by the government. In effect, in return for filling vacant units, the landlord has to reduce the rent. Quebec's recent, provincially funded, rent supplements, like the Toronto pilot, are cheaper than the federal-provincial rent supplements.

While housing allowances are not large enough to enable the homeless to be housed, they do help staunch the flow into homelessness. Forced moves appear to have been especially great since the deep cuts in welfare incomes in the lean years of the 1990s. In fact in Toronto, the 22.1% cut in welfare shelter allowances in the autumn of 1995 was followed the next year by a 50% increase in the multiunit rental vacancy rate.

In the later 1990s and in the 2000s, provinces in less dire fiscal straits were beginning to think of making the life of welfare recipients less difficult, especially in cities where rents have risen markedly. One way to do this without the enormous welfare expenditure that scarred the provinces in the early 1990s is

BH004.indd Body:79 20/02/2007 11:34:17

to target and to include constraints. The Quebec housing allowance, AL, does this by aiding welfare recipients only when they have a rent above the assumed welfare standard, and then not dollar for dollar. Furthermore, because the Quebec housing allowance also goes to working families, it reduces the work disincentives of welfare. The housing allowance in Saskatchewan does the same. Saskatchewan also varies the rent maximum by region of the province, as now does BC. This geographic sensitivity improves programme efficiency.

However, there has not been reform in housing allowances in two major areas where it is needed. First, if housing allowances are to be a continuing and dependable programme, benefits must be indexed. In the difficult times of the 1990s and early 2000s, governments allowed real benefits to decline by not increasing rent maxima as market rents rose. In BC, large increases in 2005 ~~increase~~ reversed this, but only indexing would provide continuing assurance. Quebec and Manitoba have not increased their maxima for years, although Quebec is now undertaking a review of its programmes. A second needed reform is widening eligibility. In BC only people over 60 are eligible. Nowhere are childless people under 55 eligible. Yet most of the homeless are single and under 55, and much of the flow into homelessness is from this group. There is understandable reluctance to extend eligibility to childless younger people because of concern about work and other disincentives. But a cautious gradual reduction of the minimum age is called for.

Conclusion

Housing allowances reduce the depth of affordability problems. They are relatively cheap because they help households with affordability problems living in many types of accommodation at low administrative cost, and with no negotiation or contact with landlords. They put income into the hands of tenants paying high rents without requiring them to move, permitting them to rent from informal as well as formal landlords and to occupy uncertified dwellings. They are horizontally equitable, going to those in social housing (if not already paying RGI), and in Quebec, also to those in owner-occupied housing. Unlike the far more expensive rent supplements and subsidised social housing, they do not go just to a lucky few. However, they will not have a secure, dependable place in the bundle of housing programmes until two reforms take place. First, maximum rents in their formulae must be indexed, so that just as rent supplement payments to landlords rise when markets inflate, so do housing allowance payments to tenants. Second, they must be extended to welfare tenants so that they are integrated into the welfare system. This increases the size and efficiency of programmes, reducing large swings in numbers of beneficiaries, and increasing participation rates; it also reduces work disincentives for welfare recipients.

But housing allowances should not be the only low-income housing programme. They are not generous enough to move homeless people into housing, although they will help staunch the flow into homelessness. The much more expensive

BH004.indd Body:80 20/02/2007 11:34:17

rent supplements need to be judiciously used. Furthermore, they cannot replace buildings managed and run by cooperatives and non-profits. The latter are required for households needing security of tenure and by those able to afford market rent but preferring to pay that rent in housing that is not privately owned.

Acknowledgements

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Notes

[1] Some non-equity cooperative housing arrangements are an exception to this.

[2] The federal government is only able to fund housing through its constitutional right to spend in any way that 'advances peace, order and good government'.

[3] However, the Saskatchewan housing allowance is distinctly different from the 'Canadian' design, that is, the design used in Quebec, Manitoba and British Columbia.

[4] This is the number at the last census, in 2001 (CMHC, 2005a).

[5] There was also an initiative in response to homelessness, the National Supporting Communities Initiative introduced in 1999. Although not administered by the housing agency, CMHC, it funded transitory housing, including apartment buildings that are now part of the social housing stock.

[6] Most provinces have security of tenure legislation for tenants in the sense that they allow evictions ('terminations of tenancy') only for one of a specific list of reasons, the most important of which is nonpayment of rent. However, one of the reasons is the desire of the owner (or members of his or her family) to occupy the unit. With the increase in the importance in the rentals market of individual apartments owned under condominium tenure (Steele, 1993) the probability has increased of a renter being required to vacate because the apartment is sold to a would-be owner-occupier.

[7] The federally funded Alberta child benefits vary somewhat from this according to the age and number of children (CRA, 2005).

[8] Currently welfare is funded through the Canadian Health and Social Transfer, which is for health and post-secondary education as well as for social assistance. There are few conditions on this transfer (http://www.fin.gc.ca/transfers/transfers_chst_e.html, accessed 11 November 2005). Generally, eligibility for social assistance starts at an early age, and includes all demographic categories. Benefits are substantially larger for those considered disabled or unemployable (about half the beneficiaries) than the employable. The names of programmes for the latter reflect the emphasis on encouraging recipients to find work or undertake training. Examples are Ontario Works (http://www.cfcs.gov.

BH004.indd Body:81 20/02/2007 11:34:17

on.ca/CFCS/en/programmes/IES/OntarioWorks/default.htm, accessed 11 November 2005), Employment and Income assistance, Manitoba (http://www.gov.mb.ca/fs/eiafacts/, accessed 11 November 2005), Employment Assistance, Quebec (http://www.mess.gouv.qc.ca/securite-du-revenu/programmemes-mesures/assistance-emploi/index_en.aspm, accessed 11 November 2005).

[9] The names of these programmes all use the word 'shelter allowance', which unfortunately is also the term used in Canada (and in this chapter) for the shelter component of welfare payments. Websites of these programmes are Shelter Allowance For Elderly Renters (SAFER), BC (http://www.bchousing.org/programmes/SAFER, accessed 11 November 2005), Shelter Allowance for Elderly Renters (SAFER) and Shelter Allowance for Family Renters (SAFFR) (http://www.gov.mb.ca/fs/housing/safer.html and http://www.gov.mb.ca/fs/housing/saffr.html, accessed 11 November 2005), Shelter Allowance (Allocation Logement), Quebec (http://www.habitation.gouv.qc.ca/en/programs/allocation_logement.html, accessed 11 November 2005). The Saskatchewan programme is unfortunately called the Saskatchewan Rental Housing Supplement (http://www.dcre.gov.sk.ca/housing/programs/RHSbrochure.pdf), although it is entirely distinct from the federally-funded rent supplement.

[10] There are certain restrictive provisions. For example, recipients in BC must have lived in the province for at least one year and in Canada for at least 10 years. In Quebec, there is no length of residence requirement. Owner-occupiers are eligible in Quebec, but not elsewhere; they constitute only a tiny percentage of older recipients, because most mortgages in Canada are paid off by age 55, but the incidence of owner-occupiers among large families (those with three or more children) is quite substantial (Steele, 2004).

[11] There was also, for a short period, an allowance in New Brunswick, for older people (Steele, 1985a). However, the size of the minimum federal pension for older people, given the low rents in this province, means the affordability problem for older people is much less severe there than in BC.

[12] This, as well as other information, is taken from Saskatchewan (2005).

[13] Income as defined for the programme includes workmen's compensation and unemployment insurance benefits and the universal old-age pension (OAS), but as in other allowance programmes excludes the child benefit and the GST tax credit (a payment made to all low-income adults who apply).

[14] Of course the cost per recipient depends on factors in addition to market rent, including average income of recipients. Also, rent geared to income in Quebec is 25% of income, while affordable rent for the purpose of the housing allowance is 30% of income subject to a minimum rent constraint. The Quebec housing allowance does not pay 100% of the affordability gap, but just two thirds; if it did, the cost per recipient still would be only C$89 per month (assuming no feedback on rents of this parameter change and ignoring the minimum rent constraint).

[15] The almost universal rule in Canadian municipalities is that property taxes are levied on the property owner, not on tenants.

BH004.indd Body:82 20/02/2007 11:34:17

[16] More details of the rules are available at http://www.cra-arc.gc.ca/E/pbg/tf/5006-tc/5006-tc-04e.pdf, on which the description in the text is based (accessed 11 November 2005). 'Income' is net *family* income, which is the net income of the person plus spouse. Net income is gross income net of a number of deductions including pension contributions and union fees.

[17] When reference is made to provinces, the more precise reference would be 'provinces and territories', but the shorter expression is used for simplicity and because the provinces are far more important quantitatively and politically than the territories.

[18] I am indebted to Michael Mendelson, senior scholar, Caledon Institute, for this information.

[19] See Hunter and Donovan (2005). Steele (2001) gives some empirical indications of the effect, in Ontario, of increases in the social assistance housing allowance.

[20] This amount is the sum of basic social assistance, C$10,281, additional benefits, C$105, Ontario refundable tax credits, C$398 and two federal payments, the child tax benefit and the GST credit, which were respectively C$2,911 and C$556 (National Council of Welfare, 2005, table 1.2).

[21] Because the AL goes to homeowners as well as renters, but current data giving the split are not available, the 12.0% given in the table is a small overstatement of the proportion of renting households aided.

[22] This is for a three-person family in 2001. The AL maximum is C$20,360 and median income in 2001 is C$51,680 (computed from Heisz and McLeod, 2004, table 2.1, applying their suggested factor of 1.7). The AL maximum is a higher percentage of median income for singles and two-person families.

[23] Manitoba, 2005, p 56. See also Steele (1985a) for somewhat different evidence on length of stay.

[24] The recent use of 50% in some contexts, rather than 30%, raises the issue of the appropriateness of the 30% criterion. The affordability standard implicit in the new Saskatchewan plan is indeed 35% not 30% and this higher percentage has popped up in other contexts. Steele (1985a) argues that normative and empirical reasons indicate that if 30% is the appropriate criterion for a couple, less than 30% is appropriate for a three-person family and more than 30% – perhaps as high as 40% – is appropriate for a single person. Other authors have also argued for higher rates for smaller households. This implies, since household size has fallen greatly over the last few decades, that the 30% rule should be increased if a single yardstick is to be used.

[25] This is derived from the fact that total annual funding is C$50 million, as of July 2005 for the Strong Communities Rent Supplement Programme and the number of beneficiaries is 6,600 (information received by email from the Ontario Ministry of Municipal Affairs and Housing).

BH004.indd Body:83 20/02/2007 11:34:17

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