

Canadian Housing Allowances: design and impact

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Housing allowances in Canada are remarkable

These, mainly, after-the-fact cash payments to tenants

- Are aimed squarely at the most important element of core housing need, **affordability**
- Go to all eligibles; there are **no waiting lists**
- Were initiated and paid for entirely by the provinces; **no federal funding**
- Are cheap, but not many dollars go to each recipient, except to the elderly in BC (as of late 2005)

In the rest of the talk...

- More on design and formulas
- Application process
- Numbers
- Contrasts in characteristics to Rent Supplement
- Impacts
 - Participation rates
 - Effects on moving and housing consumption
 - Effects on rent inflation
 - Effects on affordability
 - Trends
- Relation to the most urgent housing problem, homelessness

Design

Who are helped?

- In BC, only the elderly
- In Saskatchewan only families
- In Manitoba and Quebec, both families and elderly, and “elderly” start at age 55
- In Saskatchewan and Quebec welfare recipients as well as non-recipients
- In Quebec homeowners as well as renters

Formula

- Usually,
 - Housing allowance is a % of affordability gap.
 - Affordability gap is actual rent minus affordable rent except that if actual rent is above a set maximum, gap is maximum rent minus affordable rent.
- Affordable rent is defined as
 - 30% of income in BC and Quebec
 - 25% (at lower income) to 27.5% (at higher) in Manitoba
- In Sask., gap formula not used, but affordability implicitly set at 35%

More on formula..

- % of gap is
 - 67% in Quebec
 - 90% for lower income recipients to 65% for higher,
In Manitoba and BC
- Variation in maximum rent
 - By household type: in all provinces
 - By location in province,
 - no variation in Quebec and Manitoba
 - some in BC and Sask.

Minimum rent, other constraints

- Quebec design sets a minimum rent
 - So if 30% of income is less than a set minimum
 - then “affordable rent” is replaced by the set minimum
 Think of set minimum as the basic shelter component of welfare.
- Minimum rent concept also used in Sask
- Query: does minimum rent make sense for non-welfare clients?
 - Should everyone be expected to set aside in their budget a minimum \$ amt for housing?
 - If someone temporarily has low income, should they expect to devote a lot of that income to housing? Should they borrow to pay the rent?
- Manitoba sets a maximum allowance

Basic numbers

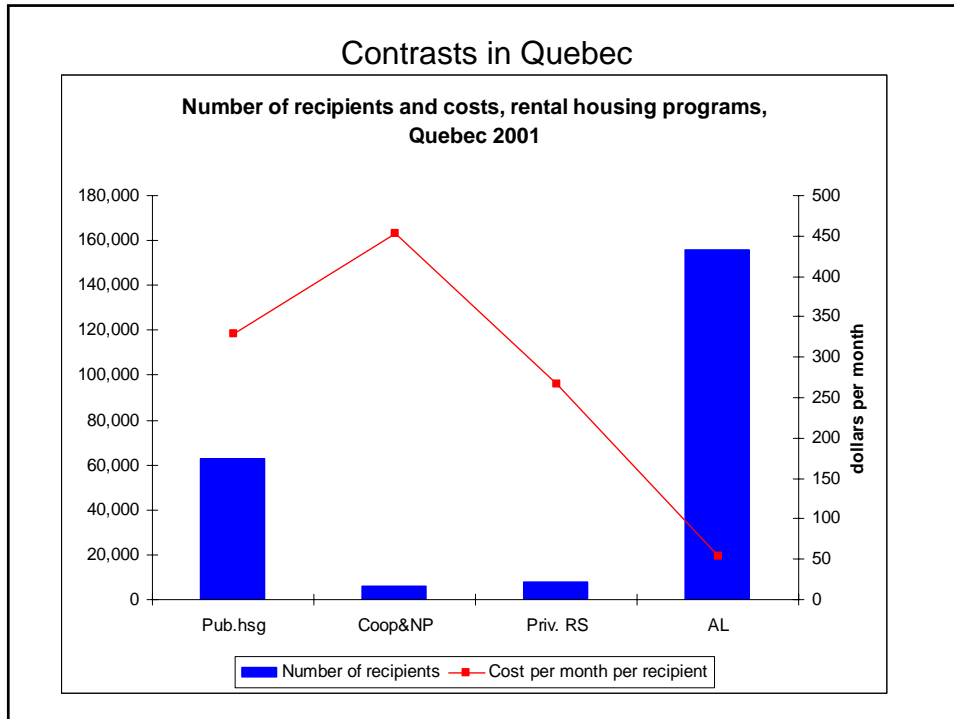
Number of recipients for 2003-04 (rounded)

	Housing allowance	RS
• Manitoba	3,100	1,900
• Sask. (fall 05):	2,800	600
• BC: (Mar, 06)	13,900	4,000
• Quebec:	138,800	17,000
• Ontario (July,05)	0	37,700
• Alberta	0	2,300

Numbers in italics are estimates

Average monthly allowance: 2002-3

- Families, Man \$127, Sask. \$85 (05), Que.\$54
- Elderly, Man \$80, Que \$56, BC \$164 (06)



Applying

- For high participation, important to
 - Make application easy
 - Publicize and inform
 - In UK, when single mothers informed and helped to get all their entitlements if working, there was a big increase in percent in workforce (Bowlus, 2006)
- In Manitoba, income documentation needed
- In Quebec
 - Applicant phones, answers a few questions, is then sent application
 - Rent documentation is easy to get; no income doc
 - Welfare clients are also informed by social worker
- In Saskatchewan first step also is phone call

Participation rates

- Among elderly, 50% to 60% in Quebec
abt 60% in BC (old estimate)
- Among families, **over 90% in Quebec**
? in Manitoba, likely much less than Que

Why high rate for families, Que?

- coverage of people **on** and off welfare
- easy application (no income doc)

*Note: these are number of recipients as percentage of **rent-and-income-eligible** households.*

Effects on moving, housing consumption

- Usually a move is required to increase housing consumption (= *improve quality, size of housing unit*)
 - For Manitoba and BC, mobility rates in the year after the program start was just 12%, only 1 percentage pt greater than rate for (crudely defined) controls
 - In Manitoba, single-parent families move rate, 28%, that is, less than controls
 - In Quebec, similar results from elderly survey
- **No evidence of significant increase in consumption even of those who moved**
 - In Manitoba, rent of moving families increased by only 1 percentage point more than rent of stayers
 - Rent of moving elderly increased less than rent of stayers

Effects on rent inflation

- If there is essentially no effect on demand, economic theory says there will be no effect on rent
- Evidence in Manitoba:
 - In first 1 ½ of program, rent increases were for
 - Elderly stayers, 6.4% vs 8.6% in rental compon.,CPI
 - Family stayers, 7.4% vs. 10.8% in rental compon.,CPI
- Evidence in Man, BC, Quebec is that a **large percentage of rents below maximum** in formula, and a substantial proportion more than 20% below

Effect on affordability

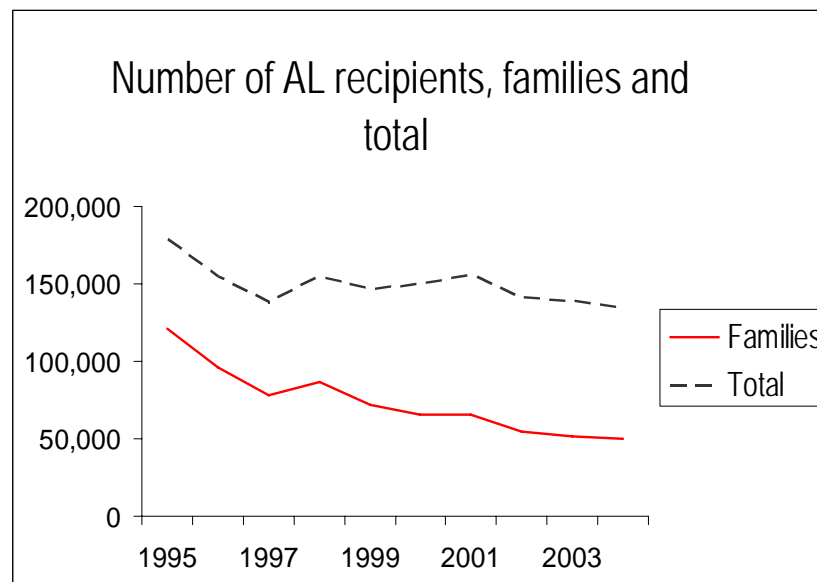
- **Only in Manitoba does the formula allow any** reduction in the number with an affordability problem (i.e. paying more than 30% on rent)
- Elsewhere, the allowance ameliorates affordability problems by reducing the number in deep core need (paying more than 50% of income in rent)

Explosively expensive program?

Just the reverse

For example, in Quebec, number of recipients has fallen and expenditure in nominal and real dollars as well

What happens over time: example, Quebec



Other facts

- High turnover in family plan in Manitoba (average recipient spends less than one year in the program)
- More than half of BC and Manitoba elderly recipients over 75, and 90% live alone (old data)
- Homeowner recipients in Quebec mainly large families
- In BC great majority live in Vancouver and Victoria, in Manitoba, in Winnipeg

Accounting for the decline over time

- Max rent and other parameters have not changed since 1997 in Quebec
 - But in BC a big increase in max rent (esp. for those in Vancouver and Victoria) in Fall 05, so 17% increase in numbers overall, and 37% increase in couples and sharers
- Unemployment and numbers on welfare have fallen
- Income of the elderly has increased because of indexation of the OAS and GIS

Relation to homelessness

- Housing allowance payments, at present, **when combined with basic welfare**, are big enough to pay almost all of shelter costs, only for efficient consumers in certain locations
- Housing allowances, at present, do not cover singles (except those 55 and over) who typically dominate the homeless population
- Housing allowances, however, will help very low income tenants from becoming homeless

Concluding remarks

- Housing allowances do not induce moving or rent inflation
- They help everyone (in the eligible demographic group) paying a high rent; they are horizontally equitable
- They do not reduce the number with an affordability problem (except in Manitoba) but they reduce the number with a severe affordability problem (paying >50% in rent)
- How much they help depends on whether maximum rent is increased and whether other parameters are changed.