

Housing: Who Is Responsible?

In Canada it is a classic case of falling between the cracks.

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Finding Room: Policy Options for a Canadian Rental Housing Strategy

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Any talk about affordable housing in Canada turns quickly into a discussion about incomes. The two issues are very much intertwined, given the high cost of housing and the paltry incomes of a quarter of all Canadian households. It was not always so.

In the 1960s, the federal government had agreements with many provincial governments (most notably Ontario) to fund the construction of rent-gear-to-income projects known as public housing. The model was Regent Park, started in the late 1940s by the City of Toronto. But the failed design of public housing—no through streets, no mixed uses, too much vacant open space—and its failure to mix incomes created enough concern that it was replaced with non-profit housing programs in the early 1970s.

From the mid 1970s to the mid 1990s, these programs provided a steady supply of new affordable housing in many Canadian cities, particularly in Ontario and Que-

bec. About one third of new units were on a rent-gear-to-income basis and the other two thirds affordable rental, providing a good mix of incomes. By the mid 1990s, the total affordable housing stock stood at 700,000 units, or just over 5 percent of all housing units in the country. In European terms this was puny—40 percent of the housing stock in the Netherlands is social housing, 15 percent in France and Germany, and 22 percent in the United Kingdom. But in Canada the share was large enough that there was no serious shortage of affordable housing. That was true, by the way, no matter how you defined the word “affordable”—whether it was housing that was priced at 25 or 30 percent of monthly income (the percentage has been ratcheting up in recent years) or within the range of those with incomes below the median, or within the range of the bottom 40 percent of society, or (to use the definition favoured by Canada Mortgage and Housing

Corporation) housing that was below the average market rent in the community being studied.

Those halcyon days are now long gone. Funds for social housing have dried up, and so have funds for those with the lowest incomes. For the poor, it has been a double-whammy, and the result is widespread homelessness and a severe shortage of affordable housing. In Toronto, for instance, the waiting list for affordable rent-gear-to-income housing consists of 70,000 households representing almost 200,000 people.

The deep-seated changes in housing and income policy began in the early 1990s, just as the Ontario economy went into a recession as interest rates rose astronomically, employment declined and social costs jumped. Here is the history:

- In 1990, the federal government capped the amount of money paid under the Canada Assistance Program so that it would no longer contribute its full 50 percent share of payments for social assistance and social services to Ontario and Alberta.
- After a decade of cutbacks, in 1992 the federal government stopped all expenditures on new

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social housing. It reduced the role of its social housing arm, Canada Mortgage and Housing Corporation, and began the complicated work of getting the provincial governments to administer social housing.

- In December 1994, the International Monetary Fund wrote a confidential letter to Paul Martin, then Canada's minister of finance, recommending reduced federal spending on affordable housing and social programs, tighter eligibility for unemployment insurance and a change in the Canada Assistance Plan from a relatively open-ended obligation by the federal government to share in the cost of specified provincial social programs to a block funding structure. This was the IMF's recipe for controlling public expenditure throughout the world, and, like most other governments, Canada adopted it wholeheartedly.
- In May 1995, the Canada Assistance Plan was formally abandoned and was replaced with the Canada Health and Social Transfer, which also replaced Established Programs Financing through which Ottawa had provided financial

support to the provinces for health and post-secondary education. The new CHST was a single block fund that effectively allowed the provinces to spend the federal transfer how they saw fit in any area.

- In October 1995, the Ontario government cut welfare rates for all but people with disabilities by 22 percent, and stopped funding new social housing units.
- In January 1996, the Social Union Framework Agreement was proposed by the federal and provincial governments, preventing the federal government from unilaterally establishing social programs in areas of provincial jurisdiction. It was signed three years later.
- During the 1990s, Ottawa made a series of changes to unemployment insurance that tightened eligibility for benefits and reduced both the amount and duration of payments. In July 1996, the program was renamed Employment Insurance and the new objectives were to keep more unemployed workers off the program. The proportion of the unemployed receiving regular benefits fell from 83 percent in 1989 to just 45 percent in 1998.
- In 1998, the National Child Benefit was launched, boosting federal child benefits for low-income families. But the agreement allowed the provinces and territories to claw back increased federal child benefits from families on welfare by reducing welfare payments equal to the amount of the increased federal benefit, so welfare families saw no net increase in their child benefits. Seven provinces enacted claw-back policies.
- By 1998, CMHC, formerly the proponent of social housing, made a profit of \$160 million. Four years later, that profit was \$544 million. Instead of being a social housing provider, CMHC was a profit centre for the government.

The reduced social expenditure as a result of these accumulated policies was catastrophic. In the fiscal year 1992/93, the federal government's contribution to provinces for social spending was \$17.9 billion; by 1995 it was \$16.6 billion, and by 1996/97 it was \$14.9 billion. The next year the federal government registered a budget surplus, as it has every year since.

The cessation of affordable housing went arm in arm with the reduction in social spending, and any attempt to restart an affordable housing program requires a revisiting of income policies. *Finding Room: Policy Options for a Canadian*

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Rental Housing Strategy, a collection of 27 essays edited by J. David Hulchanski and Michael Shapcott, and the product of a colloquium in 2003, recognizes this need. Indeed, the two issues are addressed almost contiguously.

One of the most compelling papers is by John Stapleton, who has had the luck both to work in the Ontario Government Social Services Ministry for almost two decades and to fill the innovative post of Community Undertaking Social Policy Fellow at St. Christopher House in Toronto. This position allows a government bureaucrat to discover the real world of social agency clients and determine why existing policies do not work. Stapleton's essay grapples with the question of why we so dislike the poor. He suggests it might have to do with the fact that

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“paid work has become the arbiter of important life decisions” in Canada, or that there is no longer a common meeting place for middle- and low-income Canadians, such as corner stores, or that the “secular evangelism of overcoming adversity” never seems to encompass the poor. He thinks that until we get answers to this question of dislike, we are unlikely to find a successful way to advocate against poverty. It is an enlightening and timely meditation.

A different tack on the same issue is provided by Don Drummond, Senior Vice-President and Chief Economist of the Toronto Dominion Bank Financial Group, whose paper is written with several of his economic colleagues at the bank. Drummond makes the case that the real problem is income, not housing. “The ultimate solution is to raise market incomes over the long term and develop a more effective and equitable transfer regime,” he writes. Drummond is represented here by two papers that complement each other with little repetition. One paper rigorously analyzes ways in which incomes can be improved and affordable housing supply increased; the other takes a close look at those experiencing affordable housing problems, concluding the problem is basically that “there are too many poor people in Canada. Obviously there will always be a bottom 20 percent. But the income levels of the bottom 20 percent are just too low at present and have been stagnated since the mid 1980s.”

Hulchanski and Shapcott both write in a convincing way. Hulchanski is the pre-eminent housing scholar in Canada, now at the Faculty of Social Work at the University of Toronto, and his writing is consistently clear and to the point. One of his essays analyzes Statistics Canada data to show that half the households in our three largest cities—Toronto, Montreal and Vancouver—are home owners and half are renters, but owners have seen substantial increases in both income and wealth since the mid 1980s, while renters have seen decreases in both income and wealth. The wealth of the median owner is up 24 percent nationwide, but the wealth of the median renter is down 48 percent. Hulchanski concludes that while there might be just one housing market,

there are two Canadas emerging—owners and renters. He notes that owners receive a tax subsidy in the form of a capital tax exemption on the family home, while renters receive no comparable housing-related tax concession. (Several other contributors note, in a similar vein, that property taxes on rental residential properties are much higher than on single-family homes, most of which are occupied by the owner.)

Shapcott is perhaps the country's top housing policy activist, now employed at the University of Toronto's Centre for Urban and Community Studies, which Hulchanski directs. Shapcott has a strong chapter on recent federal and provincial policy and, in his position as head of the National Housing and Homeless Network, he outlines that organization's One Percent Solution.

It was the Toronto Disaster Relief Committee, in 1998, that first proposed the One Percent Solution. In 2002, total housing expenditure by the federal government was \$1.8 billion, or about 1 percent of overall spending. TDRC wants to increase that by devoting an extra 1 percent of total government spending to affordable housing, which would provide an extra \$2 billion a year. There is no question than an annual allocation of this amount would begin to make a very large impact over a period of five or ten years, and would do much to begin to satisfy the need for affordable housing. With a government registering consistent surpluses, it is not as though Ottawa would have trouble meeting this target financially. The roadblock seems to be political.

Other ideas find their place in the book, including the impact of the lack of affordable housing on immigrants and refugees, how affordable housing is a key social determinant of health, the very dismal situation faced by aboriginal people living both on reserves and in the cities, and larger questions about the right to adequate housing in Canada. There is even an essay by the head of the Toronto Board of Trade entitled “The Business Case for Affordable Housing” which makes the obvious point that if there is not adequate affordable housing then certain sectors that pay lower wages (hotels, for instance) will suffer.

Flowing throughout the whole volume is a sense of political urgency as writers look for political solutions. Steve Pomeroy, an Ottawa consultant, says that what is needed is “a better coalition of support across the housing sector, including developers and the financiers.” One wonders whether one can do much better than drawing in the TD Bank, which has been a clear proponent of better approaches to affordable housing for almost three years.

In *Homelessness: The Making and Unmaking of a Crisis*, Jack Layton hoped for comparable political resolutions. “Complacency is collapsing as a quiet sense of activism is brewing,” he wrote five years ago. He expected the National Homelessness and Housing Coalition to force governments to respond to the homelessness question and he hoped that Canadians would put pressure on members of Parliament. Since writing that useful book, Layton has been elected leader of the New

Democratic Party and has found his place in Parliament as the only non-Liberal Party MP from Toronto.

Yet the issue of homelessness and adequate housing has not yet managed to consume Parliament. The problems are much more deeply rooted than politics as we know it, as John Stapleton's essay makes clear.

In 1990, then member of Parliament, Paul Martin—now Prime Minister—authored a report for the Liberal Party called “Finding Room: Housing Solutions for the Future.” (The title of the book under review obviously has good parentage.) In it, he said “the lack of affordable housing contributes to and accelerates the cycle of poverty which is reprehensible in a society as rich as ours.” Martin has been at the centre of the decisions that have created much reprehensible (to use his word) policy, but one doubts very much that he now thinks that he should return to that important report for inspiration. Instead, his government seems to feel that the shortage of affordable housing is a city problem, beyond his reach. The most recent budget reflected no new money for affordable housing.

The political problem might not be so much lodged in the inattention paid by the senior governments to affordable housing problems as in the ambiguous position that cities now occupy in Canada's political landscape. As cities have recently flexed their muscles in acknowledgment of their economic, cultural and social dominance in the country, their concerns have not attached themselves to those elected to represent them in Ottawa and the provincial capitals. Instead, their concerns have been considered first and foremost as city issues. Here is the paradox: As cities complain about being hobbled by antique legislative frameworks and strive for increased power and more revenue, they are seen as independent levels of government that should be resolving their own problems. The more noise they make, the more senior levels of government seem to tell them to deal with their own problems.

And homelessness and poverty are mostly city issues, so senior governments can pretend they are

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not responsible for them. Asking other governments for money is bound to fall on deaf ears, as Shapcott and other activists know only too well. Instead, the question is one of city empowerment. Until cities have a broad legislative mandate and a much broader revenue base, homelessness and poverty will not be addressed by anyone. There is where the political question lies.

Many city leaders do not want to treat these issues in such stark terms because that would require them to take responsibility for them. Often, it is easier for city politicians to blame other governments and then complain like small children when issues are not resolved. But this is a bad strategy when it comes to housing and income distribution. These are now issues that only the cities can deal with and only if they are empowered. ☐